

The name change is the result of a condition of approval to retain the parent subdivision name.

STAFF RECOMMENDATIONS: Grant the partial survey and monumentation exception for the 40 acre parcel as requested.

END OF STAFF REPORT

MOTION: Vice Chairman Bryson moved, seconded by Commissioner Whitmore-Painter, to grant the partial survey and monumentation exception for the 40 acre parcel as requested, subject to staff recommendations.

VOTE: The motion passed by unanimous consent.

HAMMELMAN YES	BRYSON YES	WHITMORE-PAINTER YES	CARPENTER YES	CLUTTS YES	COLEMAN YES
GANNAWAY YES	HENSLEY YES	HORNE YES	KNOCK YES	MUMMA ABSENT	TEN YES ONE ABSENT

AGENDA ITEM F. SPECIAL CONSIDERATIONS

3. Public Meeting to Gather Comments On Proposed Oil and Gas Lease Sale 85, Cook Inlet

STAFF REPORT

PC Meeting 4/25/94

What is the purpose of the April 25 public meeting?

The State of Alaska Department of Natural Resources, Division of Oil and Gas (DO&G), has issued a Preliminary Call for Comments regarding Lease Sale 85. The comments are due on June 15, 1994.

As an enhancement to the State's comment-gathering process, the Borough wants to provide an additional opportunity for residents to express their comments regarding the social, environmental, and economic impacts of the proposed Lease Sale.

A representative from the DO&G will be at the public meeting to present information regarding the State's Lease Sale process.

Have there been any other public meetings on this issue?

Public meetings were held April 21, 1994 in Ninilchik and April 25 during the Planning Commission meeting.

When will there be another public meeting?

The next public meeting may not occur until after March 1995, which is when the DO&G will issue the Second Call for Comments. Additional information and more detailed maps may be available when the second call for comments is made.

What will be the result of this public meeting?

The comments made at this meeting (and the meeting in Ninilchik) will be summarized and submitted to the Borough Assembly. The summary may be included in a proposed resolution that will outline the Borough's response to the Preliminary Call for Comments. If approved, a copy of the resolution will be sent to the DO&G.

END OF STAFF REPORT

Mr. Troeger briefly outlined the purpose for the meeting. With the permission of the Chairman, Mr. Troeger turned the meeting to James Hansen, Leasing/Evaluations Manager, State DO&G, to explain the lease sale process and answer questions.

Mr. Hansen stated that presently Sale 85 was one-half way through the process. The first call for comments for this sale occurred during the summer of 1992. Based upon the comments received, Sale 85 was listed in the January 1993 sale schedule. The second call for comments was issued in December and will remain open until June 15, 1994. The DO&G is gathering general information as well as public comments. Currently the area proposed for Sale 85 includes the entire Cook Inlet area. This area will be reduced to about 700,000 acres during the third call for comments which will be March 1995. At this time the township and ranges will be identified along with the acreage proposed for sale. Specific tract information for Sale 85 will be identified in the Preliminary Best Interest Finding (January 1996). After the Preliminary Finding, public hearings can be held to gather comment from boroughs, municipalities, the public, etc. The Final Best Interest Finding and decision by the Director regarding

APPROVED MINUTES

whether the sale should be held are scheduled to be issued in April 1996. Each finding is followed by a comment period. Sale 85 is tentatively scheduled to be held in July 1996. Lease sales have to be listed in the sale schedule for a minimum of two years. If Sale 85 continues through the process to a successful conclusion, it will have been on the schedule for about 3½ years. Mr. Hansen offered to answer questions from the Commissioners and the audience.

- unidentified speaker: He inquired if some land tracts would be included in Sale 85 or if it was all offshore. Mr. Hansen replied that both onshore and offshore tracts would be included in the sale.
- Commissioner Horne asked when the Borough's coastal zone review process began. Mr. Hansen responded that this process began after the specific tracts had been identified. A coastal zone analysis is included with the Preliminary Best Interest Finding. After the comment period for the Preliminary Finding is concluded, then a coastal determination is issued, which is attached to the Final Finding after agency review and if no elevation occurs.
- Commissioner Coleman inquired when the consistency review would be done. Mr. Hansen replied between January-April 1996.
- unidentified speaker: He asked how the area initially proposed for Sale 85 was reduced to the smaller area. Mr. Hansen responded the tracts chosen were based upon industry's interest, tracts that cannot be leased are eliminated, etc. The DO&G wants to keep the area proposed for lease limited to approximately 700,000 acres.
- Jodie Rice: Mr. Rice asked if the area would include exploration only or final production at a later date. Mr. Hansen replied that the lease sale was an opportunity to purchase leases. Various permits need to be obtained for activities. Proposed activities, i.e. exploration, drilling, seismic testing, are subject to public review. Approximately 40 percent of the area offered is actually leased. A very small percentage of land leased has exploration activity.
- Commissioner Coleman inquired why the DO&G declined to delete tracts from Sale 78. Mr. Hansen responded that it was the Division's opinion that exploration and fishing activities could coexist as evidenced by 30 years' experience in Cook Inlet. There are certain methods of exploration that can accommodate fishermen, such as directional drilling.
- Commissioner Horne said that coastal districts may adopt enforceable policies that would address some concerns in critical habitat type areas yet not unreasonably restrict matters of State concern. She asked how the DO&G chose certain tracts considered to be in the best interest of the State to offer for development and how the Best Interest Finding was formulated. Mr. Hansen replied that information is obtained from various agencies and the public. The proposed areas are examined tract by tract to determine mitigation measures that would allow oil exploration to take place in an environmentally sensitive manner. The best interest determination is made based upon an analysis which addresses questions such as: 1) would development economically benefit the State, 2) would development cause undue harm. Mr. Hansen said that few proposed sales were declared to be not in the State's best interest. Mitigation measures are developed for areas to address concerns such as no surface entry in critical habitat areas, stream setbacks, seasonal drilling restrictions, directional drilling.

Deborah Gilcrest stated that copies of the maps indicating the area proposed for lease and the lease sale schedule were available.

- unidentified speaker: He asked if there was anything in place for Sale 85 which would avoid the problems that occurred with Sale 78. Mr. Hansen replied no. However, during the public meeting in Ninilchik on April 21 it was the consensus that representatives from the oil industry and fishing industry would meet this fall and work out some mitigation measures acceptable to both industries that would be forwarded to DO&G to be incorporated in a future finding. Mr. Hansen felt that this would help avoid the difficulties encountered with Sale 78.

Chairman Hammelman said that copies of the Ninilchik meeting minutes were available from the Planning Department upon request.

Mr. Troeger stated that the oil industry was very important to the Borough. However other industries as well as individual property rights were also important. During the last stages of Sale 78, several members of the public related that they were not informed about the oil and gas lease sale program and Sale 78 until the last minute. The Ninilchik meeting and the meeting tonight were scheduled to provide information to the public about Sale 85 and gather comments in an effort to avoid the controversy and problems encountered with Sale 78. Comments received at this meeting and the Ninilchik meeting will be sent to DO&G. Mr. Troeger encouraged those present to give comment at this meeting or send written comments directly to DO&G. Mr. Troeger said there was very likely a "middle ground" acceptable to all the user groups of the resources. The Borough would like to have a role in finding that "middle

ground." Mr. Hanson said that anyone who would like to receive notices of the call for comments can be placed on DO&G mailing list.

- Commissioner Coleman noted that one of the problems with Sale 78 was the short time period from the time the specific tracts are identified until the comment period is closed (January to April). Sale 85 had the same timeframe, and he expressed concern that similar problems would be experienced. Mr. Hanson stated that this timeframe was going to be changed in the new schedule which will be issued in January 1995. The time period between the Preliminary Finding, the Final Finding, and the actual sale is longer. Commissioner Coleman pointed out that after specific tracts were identified, it was very likely more public interest and comments would be generated. Mr. Hansen thought that the comment period after the Preliminary Finding would be increased from 30 to at least 60 days.

Chairman Hammelman asked if there were any more questions. Hearing none, Chairman Hammelman thanked Mr. Hansen, and opened the public comment period.

1. Brad Penn, Marathon Oil Company, P.O. Box 196168, Anchorage

Marathon Oil is willing to work with other user groups, onshore private landowners, and recreational users, etc. to develop stipulations and mitigating measures for Sale 85A (scheduled for next year) and Sale 85 (scheduled for 1996). One of the key things in which Marathon Oil Company is interested is the predictability of the leasing program. After spending money for reviewing geologic surveys and in general preparing for a prospective sale, the company relies on the continuation of the lease sale process.

2. Richard Ranger, ARCO Alaska, Inc., Box 100360, Anchorage

Mr. Ranger commended and expressed appreciation to Borough administration for holding public meetings to provide information early in the process. ARCO also believes that the various user groups in Cook Inlet can reach agreement concerning the lease sales. Cook Inlet is a multiple use environment. It has successfully supported commercial, subsistence, and recreational use for many years. ARCO views its method of operation in Cook Inlet as respectful of the other values and activities. Mr. Ranger stated that his company wants to have a dialog with members of the community who are concerned regarding oil and gas lease sales. ARCO thinks that offering tracts for lease within the Sale 85 planning area is in the best interest of the State and the Borough. As a corporate citizen, one of ARCO's responsibilities is to help resolve issues of concern with the various user groups. It appeared that many who objected to Sale 78 thought that the oil and gas industry had performed well while operating in the Cook Inlet area.

Commissioner Knock inquired if the tracts being discussed had been previously leased. Mr. Ranger replied that some tracts had been leased before, and exploration has been done on a few tracts. Mr. Hansen stated that the area south of Tuxedni Bay on the west side through Kamishak Bay had not been previously leased. Mr. Ranger thought that most the wells that had been drilled south of Kalgin Island were in federal water.

3. Jodie Rice, 44682 Carver Drive, Kenai

Mr. Rice was not sure which side he represented and did not know the position that the company for which he worked (ARCO) wanted him to take. Mr. Rice said he has lived in this area for 15 years, has six children, and has worked in the oil field business for about 14 years. He has worked in explorations, on and offshore in Cook Inlet. Mr. Rice said that while he's worked with the oil companies, many steps have been taken to preserve the environment at the drill sites. He related that just a short distance away from the drill site on which he works is raw tundra and wildlife in its natural setting. Mr. Rice stated that he halibut fished commercially when he first came to Alaska. He didn't remember much interference between the fishing and oil industries. He related that he wanted to take his friends on the helicopter to the drilling rigs because it was pleasing to see fishing activities in the foreground and oil production in the background. Mr. Rice said he liked working in new areas. Mr. Rice hoped that if he had questions in the future he could ask them in a public meeting. He understood that it took many years from exploration to production, not counting the process underway now. Mr. Rice felt that the oil industry and other groups coexisted very well.

4. Bill Brown, 610 Maple Drive, Kenai

Mr. Brown said he wanted to address what he thought were some misconceptions that came up during Sale 78. There was

some public concern that once the lease was sold that drilling rigs would be moved in very shortly. He didn't think the public was aware of the lease sale process. Tracts chosen for exploration comprise a very small percentage of the area proposed for sale. Before any exploration or production occurs, several permits (State and federal) must be obtained. Public comment periods are held together with the permitting process. Mr. Brown said there were many areas in which more environmental impact studies would be completed along with more public comment periods. Mr. Brown has worked on several drilling rigs and leases. The holder of the lease sale must negotiate an agreement for access with the surface land owner if the product is on land that is privately owned. Agreements to pay for any surface land damage that occurs must be in place. Mr. Brown said it was his experience that if a land owner did not want to grant access that an adjacent land owner would be approached. Most land owners agree to grant access because it is profitable for them. The leases and mineral rights belong to the State. Typically oil companies won't develop the leases unless they can potentially make a profit. If the oil companies make a profit, it is beneficial for everyone in the State. Mr. Brown said there had to be a way for everyone to work together so the State can benefit from the resources.

5. Catherine Thomas, P.O. Box 3005, Kenai (Kasilof resident)

Ms. Thomas said she owned a construction company that did work for public and private agencies, including oil field support. Referencing earlier comments that the public was inadequately informed about Sale 78, Ms. Thomas stated that the public had a responsibility to keep itself informed. Reading public notices in the newspaper is a part of that responsibility. Two years ago Ms. Thomas joined a 20 member public workshop conducted by the Mineral Management Services (MMS) for Lease Sale 149. She felt it was very informative. This workshop was to help MMS evaluate perceived, emotional, and actual risk to the public. Representatives from various interest groups provided testimony and input and then worked in small groups with the MMS office. Ms. Thomas thought that Sale 85 was evolving into a similar process. She hoped that the perceived, emotional, and actual risks were identified before the final stages of the proposed sale.

Ms. Thomas heard that concern was expressed at the Ninilchik meeting regarding tourism. She spoke with some charter boat operators in the Homer area. Two operators estimated that between 60-80 percent of their customers are from Anchorage. If unemployment increases in the Anchorage area, tourism related businesses in the southern peninsula will be adversely affected. Ms. Thomas expressed concern about reduced revenues within the Borough. The oil and gas reserves are declining very rapidly which affects local employment. Ms. Thomas said her comments did exclusively concern the welfare of her business but also the 30 people who worked for her. It is possible that her company would have to lay off some employees. Ms. Thomas didn't know where they could find other employment. She didn't envision new job opportunities in this area in the near future.

Property values are affected by the State's declining revenues. When State revenues are reduced, Borough taxes are increased to make up the difference. Ms. Thomas expressed concern not only about present jobs but future jobs. She complimented the quality of the Borough's schools and noted that her daughter was graduated from Skyview High School this year. Although her daughter was offered an athletic scholarship at the University of Fairbanks, it is possible the scholarship may be eliminated because of budget cuts for the college due to declining revenues. Miss Thomas' wants to study engineering, however, the University of Fairbanks does not know if the engineering program will be continued because of funding concerns. Many students like Miss Thomas would like to attend school and then work in Alaska, but at this point the future doesn't appear to be favorable.

Ms. Thomas also expressed concern about the fishing industry. The market is depressed and no solutions are in sight. However, there are some predictions about where oil might be, and the oil industry could provide jobs for the fishermen and their children.

6. Rick English, Box 2553, Kenai

Mr. English didn't plan to comment but previous speakers prompted him to give testimony. He is a 19 year resident and has two children enrolled in Borough schools. Mr. English said he is active in school and various community activities. He expressed concern about the future of the community and the future of his children. He didn't want his children to have to leave the State to go to school and find employment outside Alaska.

Mr. English has worked for ARCO Alaska for 15 years and is presently a supervisor of a facility at Prudhoe Bay. Mr. English is charged with managing his facility with three priorities in the following order:

- 1) health and safety of his employees,
- 2) protection of the environment, and
- 3) production.

If the facility is not managed with these three priorities (in the listed order), Mr. English said he would hear from his supervisors. The oil industry and fishing industry have coexisted for many years using technology that is several years old. He voiced confidence that with the new technology available today both industries could continue to operate in Cook Inlet.

Mr. English asked what would happen if all oil production in the State were stopped. He wondered what would happen to property values, Borough taxes, State taxes, school district, etc. Higher education facilities are already experiencing budget problems as noted by an earlier speaker. Mr. English thought that not continuing with oil production made for an uncertain future. Oil production has risks but can be dealt with safely. Agencies that oversee the environment (i.e. Cook Inlet RCAC) and agencies that enhance the commercial fisheries would have their budgets considerably reduced if revenues from oil production were eliminated.

Mr. English stated that he cared about the community and the future of his children. He said it would be a rather grim future without the oil industry.

7. Bill Stillings, Cook Inlet Spill Prevention & Response, Inc. (CISPRI), Box 7314, Nikiski

Mr. Stillings said he has worked with CISPRI and the oil companies for three and one-half years. Many times when people think of oil spills, they remember the Exxon Valdez spill. The Exxon Valdez spilled North Slope crude oil which is a completely different product than Cook Inlet crude oil. CISPRI deals with Cook Inlet crude on a routine basis. A large part of the profits from Cook Inlet is derived from natural gas products. Natural gas incidents are usually releases and don't require a response from CISPRI. The Cook Inlet crude oil is much closer to the Brarar crude that was spilled in the northern United Kingdom about a year ago. The entire load of crude was spilled into the water. There was essentially no cleanup effort associated with this spill, and no significant environmental damage is apparent. This is in large part due to the light nature of the oil.

About two weeks ago a spill of approximately 100 barrels occurred in Cook Inlet off the Baker Platform. CISPRI responded to the spill within the first hour. Some product was recovered, and the remainder dissipated, much like a diesel product. Approximately 40 percent of Cook Inlet oil will evaporate when it is spilled. Many minor spills have occurred involving the commercial fishermen's vessels (diesel products) over the past several years. A.D. Little's recently completed report confirmed that the spills from the commercial fishermen in the State of Alaska are not a significant problem mainly because this product does not remain in the environment. Cook Inlet crude oil does not emulsify like the North Slope crude. The crude oil spilled by the Exxon Valdez emulsified, and this heavy byproduct caused a significant environmental impact. The Glacier Bay spill that occurred in Cook Inlet in 1987 was a North Slope product being transported to the Tesoro refinery.

Mr. Stillings said that the risk of spills in Cook Inlet would be improved if the importation of North Slope crude oil could be eliminated. This would be possible if additional Cook Inlet crude was discovered and transported by pipeline. The pipeline transport risk (according to CISPRI's risk formula) is much smaller than other transport methods. Companies utilizing pipelines pay 1/10 of the fee charged for tanker transits. A significant amount of the crude oil processed by Tesoro has to be shipped to the lower 48, Japan, or Korea as a residual product (No. 6 oil). Transport of this residual product is a significant risk since it is a heavy product.

As an example of how committed the oil industry was to spill response, Mr. Stillings related a conversation he had with John Williams, Mayor of Kenai. The City of Kenai's (population 6,000±) budget for this fiscal year is approximately \$7 million. CISPRI has a budget of about \$6.8 million to be prepared to respond oil spills in Cook Inlet. Response equipment is cached from Anchorage to Seldovia. Most of CISPRI's resources are in the Kenai/Nikiski area because that's where the platform and dock facilities are located. CISPRI stands by at Drift River when tankers come in. A response vessel is on duty 24 hours a day. Mr. Stillings expressed confidence that the community and member oil companies were well served by CISPRI.

- Commissioner Horne recalled the public concern expressed during the comment period for Sale 78 about drilling activities occurring within the fishing corridor (about three miles offshore used by both the drift fleet and set net sites). There were questions about cleanup capabilities in the corridor if a spill occurred during the summer. She asked how Cook Inlet crude would impact the beaches, clam beds, habitat areas, etc. if a spill occurred. Mr. Stillings stated that Cook Inlet had extreme

tides and currents, which tend to parallel the shoreline. Unless there is a significant wind, a spill would probably not impact the shore. However, the oil does tend to go into the rips which are where the fish are usually located. Commissioner Horne said the major rips were not in the corridor. Mr. Stillings stated that if a spill occurred during a prime fishing period, there would be problems. Recent studies done by the National Oceanic and Atmospheric Administration (NOAA) showed that impact to fish from light crude is fairly low. He related that the risk of spills originating from platforms was fairly small. Because of the equipment and systems used by oil companies in Cook Inlet today, the possibility of gushers and blowouts occurring on platforms is low. Mr. Stillings estimated that an average spill in northern Cook Inlet from a platform would be 100-200 barrels.

- Commissioner Horne asked if CISPRI conducted their drills in the larger rips and not the corridor. Mr. Stillings replied that practice was done in the high rip areas. He expressed confidence that CISPRI could work in the corridor. Under federal law and the Oil Pollution Act of 1990, 20 percent of CISPRI's equipment must be able to work in six feet of water or less. CISPRI, a Class E oil spill response organization, exceeds this requirement. Because of the mud flats on the west side of the inlet (Redoubt Bay), CISPRI has developed specialized systems to work in the near shore environment. Also, about 100 commercial fishing vessels, who are already used to working close to shore, are on contract to respond in case of a spill. Mr. Stillings thought that a spill would be more harmful in the public's perception than the actual event; however, the already depressed fish market doesn't need the adverse publicity of an oil spill.
- unidentified speaker: He asked how fast CISPRI could respond to a platform spill, does CISPRI have onshore response capability, and how effectively could a leak from a tanker be contained. Mr. Stillings replied that CISPRI had 18 full-time employees who wear pagers. To date, CISPRI has been able to be away from the dock within an hour of notification for all spills. Vessels were skimming oil on the Baker Platform spill within 1½ hours of notification. For onshore spills, CISPRI has responded to incidents at Indian, Swanson River oilfield, and the Drift River facility. CISPRI also provides spill support for the Port of Anchorage and the tank farm. For tankers, the traditional method used in the lower 48 of placing boom around a leaking tanker does not work in Cook Inlet because of the tides and current. CISPRI developed a system of oil recovery that mimics a rip environment which was designed especially for Cook Inlet. In addition, burning the surface oil in some cases is the method of choice. Use of dispersants is considered a last resort.
- Commissioner Coleman asked if the contract vessels received a newsletter from CISPRI. Mr. Stillings responded that a newsletter was mailed quarterly to approximately 400 people. Commissioner Coleman said that several representatives from the oil industry agreed to meet with the fishing groups, and suggested CISPRI notify the fishermen through their newsletter. Mr. Stillings concurred and said he would also inform their two fishing vessel administrators.
- Commissioner Knock inquired if burning the oil worked acceptably with the Cook Inlet tides and currents. Mr. Stillings replied that last week the Alaska Regional Response Team approved burning as a viable technique to deal with spills on a case-by-case basis. Study has shown that the harmful effects of smoke from burning spilled oil ceases after 150 meters. Mr. Stillings said the key in successful response to oil spills was rapid response. The longer a response is delayed the less successful oil recovery will be.

Seeing and hearing no one else wishing to speak, Chairman Hammelman closed the public comment period and opened discussion among the Commissioners.

Mr. Troeger related that staff's plan was to develop a resolution for the Assembly's consideration for their May 17 meeting. The deadline to submit comments to DO&G for this call is June 15. The resolution hasn't been drafted yet because staff wanted to hear the public and the Commissioners' comments. Mr. Troeger said the Commissioners could draft a position statement and send it to the DO&G or comments could be sent to the Assembly and be incorporated into their statement. Mr. Troeger encouraged the Commissioners to develop a consensus statement. He said that staff had no recommendation at this time.

Commissioner Horne asked if comments from the Commissioners were optional or if comments need to be submitted at each call. Mr. Troeger replied that submitting comments was optional at this point in time.

Commissioner Gannaway said he received a call from Michael O'Meara who could not attend because of another commitment. Mr. O'Meara wanted to encourage the Borough to ensure that all interested groups get to talk to the State agencies involved. Commissioner Gannaway said he would like to see this suggestion incorporated into the Commissioners' statement. Chairman Hammelman stated that encouraging the DO&G to continue to hold public meetings and gather comments could also be a recommendation to forward to DO&G.

Commissioner Horne inquired about the status of the forum proposed earlier by the Borough. Mr. Troeger briefly described the special planning project proposed by staff to address oil and gas leases and the Kenai River project. Due to budget constraints this proposal was not funded for the new fiscal year. Commissioner Horne thought the forum was a different program than staff's proposal. Mr. Troeger asked Assembly Member Scalzi to relate the status of an earlier resolution that came before the Assembly. Mr. Scalzi said that after the proceedings of Sale 78 were finished, the Assembly thought that it would be beneficial to bring representatives of the oil industry, environmental groups, and fishing organizations together in a forum setting to address concerns of future lease sales. The Assembly was advised that additional public meetings would be held in conjunction with lease sales to distribute information to the public and gather comments. Mr. Scalzi asked the Assembly how much the forum activities would cost and how would it get funded. The resolution was postponed until it was time to review the budget. At that time the Assembly will decide if the forum should be funded or if the Planning Department's efforts to hold additional public meetings would be sufficient.

MOTION: Commissioner Gannaway moved, seconded by Commissioner Horne, to recommend that the Borough Assembly promote a dialog between public interest groups and the State of Alaska Division of Oil and Gas for Sale 85.

Commissioner Coleman said that of particular interest was the timeframe between the identification of specific tracts proposed for lease and the Final Finding. He felt that was one of the major problems during the process of Sale 78. Chairman Hammelman stated that part of the process was to hear public comment, areas of concern, and try to resolve the concerns. Commissioner Coleman agreed and pointed out that the interest shown up to this point for Sale 85 was from industry representatives. He noted that those who objected to Sale 78 did not attend tonight and said they probably wouldn't until the specific tracts were identified. He reiterated that the time period from January to April was too short. Chairman Hammelman suggested recommending to the Assembly that this timeframe be extended.

Commissioner Knock supported the concept of the motion and wondered if it should be modified to say interested members of the public rather than public interest groups.

Commissioner Horne thought it was important to remember Assembly Member Scalzi's question about the cost of implementing a forum-type program. Remembering her experience in working with the Borough's comprehensive plan and the Kenai River Policy Working Group, Commissioner Horne observed that a significant amount of money was spent for consultants, but the finished product didn't appear to satisfy the requirements. She recommended that the work be done by staff or a special working group (like the Advisory Panel appointed to review the Department of Natural Resources Five Year Schedule of Timber Harvest). Commissioner Horne spoke against hiring consultants. She encouraged bringing the different groups together to address concerns in the beginning to avoid trying to resolve issues in a short timeframe. Commissioner Horne commended the Assembly's forum resolution and hoped it would go forward.

Commissioner Hensley observed that no one spoke in opposition during this advertised public meeting. He suggested scheduling more public meetings to keep the public, as well as the Commissioners, informed. Commissioner Hensley felt that no opposition would be heard until the last minute. Commissioner Clutts concurred and thought that the same people who opposed Sale 78 would oppose Sale 85. Commissioner Gannaway pointed out that the Commissioners could still do their part to facilitate the process. Commissioner Horne said that last minute opposition didn't make a difference. Those in opposition to Sale 78 have the same feelings now about Sale 85. Commissioner Coleman pointed out that names and addresses of those opposed to Sale 78 were part of the record, and they could be invited to participate in a working group to resolve the concerns for Sale 85.

AMENDMENT TO THE MOTION: Commissioner Coleman moved, seconded by Commissioner Knock, to amend the Gannaway motion to stress that the time period between the Preliminary Finding and the Final Finding be extended 6-8 months.

Commissioner Knock supported the amendment but still thought that those in opposition would still not object until the last minute.

Assembly Member Scalzi asked how much time it took to do a consistency review after the specific tracts were identified. Once the preliminary notice is published, the coastal districts have a different timeframe than the public comment period. Mr. Troeger thought that the comment period for coastal districts was about 45 days. Mr. Troeger stated that specific recommendations are what DO&G wants when a call for comments is issued.

Commissioner Clutts said that it was important to educate the public about the lease sale process. Referencing the temporary restraining order issued in Sale 78, he said that the other party (in this case the State) cannot respond once this type of order is issued. He noted that a bill was in now Congress that would make it possible to obtain a temporary restraining order without going to a judge. This bill would authorize the regulatory agencies to issue temporary restraining orders. Commissioner Horne requested unanimous

**Kenai Peninsula Borough Planning Department
Public Meeting to Gather Comment
for
Proposed Oil & Gas Lease Sale 85**

April 21, 1994 at 7:00 p.m..
Community Room
Ninilchik Fairgrounds

Present: Dick Troeger, KPB Planning Director; Jim Hanson, Division of Oil & Gas; Deborah Gilcrest, KPB Planner; Harriet Wegner, KPB Planner. Twelve people signed the attendance sheet.

Dick Troeger called the meeting to order at 7:00 p.m.

Although this meeting was being recorded, Mr. Troeger said this was not a formal public hearing. Another public meeting to gather comments will be held during the April 25 Planning Commission meeting. Public comment will be compiled and used as a basis for a resolution that will be brought to the Assembly for consideration during their May 17 meeting. If approved, the resolution will be forwarded to the Division of Oil & Gas to meet the deadline for the first call for comments.

The Borough's natural resources (oil and gas, fish, timber) are very important as well as individual property rights. During the process of Oil & Gas Lease Sale 78, which will likely not proceed, several people related that they didn't have enough information about Sale 78 until the last minute. The State's oil and gas lease sale procedures have been in place for a long time. To facilitate getting information to the public and comments back to the Division of Oil & Gas, Borough administration decided to take a more active role in providing a forum for the public to receive information and provide comment. A call for comments for Sale 85 was issued in December 1993. Comments are due to the Division of Oil & Gas in June 1994. Another call for comments will be issued in approximately March 1995. Mr. Troeger turned the meeting to Jim Hanson.

Mr. Hanson said that he would outline the Division's schedule in preparing for a lease sale. Sale 85 was announced in the Five Year Leasing Program in January 1991. A Five Year Leasing Program booklet is given to the legislature every two years. The first call for comments for Sale 85 was issued in the summer of 1992 asking if the sale should be included in the next Five Year Program. Based on comments received, Sale 85 was placed in the 1993 Program. Therefore, the December call for comments was actually the second request. The first call for comments usually seeks general information on the area. Sale 85 will be somewhere in the Cook Inlet Basin; however, the exact location of the sale is not yet known. When the third call for comments (March 1995) is issued, the townships, ranges, and the acreage of the sale will be known. Mr. Hanson said the area proposed for Sale 85 would be much smaller than the maps on display at this meeting.

The comments received during the second and third call for comments will be incorporated into the

Preliminary Best Interest Finding that will be issued in January 1996. This Finding will contain the actual tracts proposed for Sale 85. Public hearings may be held to gather comment for the Preliminary Finding. After public meetings are held then the Final Best Interest Finding will be written. A decision by the director, with the concurrence of the Commissioner, will be made regarding whether the proposed sale is in the best interest of the State and should proceed. The decision is presently scheduled for April 1996. Sale 85 is tentatively scheduled for July 1996. The oil and gas lease schedule will be reviewed this summer. Changes may occur which could affect the timetable for Sale 85.

When Sale 85 was first announced, the proposed area included all the acreage in Cook Inlet through the Shelikof Strait. The Shelikof Strait tracts have been deleted from Sale 85. An oil and gas lease sale must be in the schedule for a minimum of two years as prescribed by law. Usually sales are listed in the schedule 3-5 years. Every sale has three calls for comments plus the Preliminary and Final Best Interest Finding (a total of five comment periods).

Mr. Troeger indicated local landmarks on the posted maps. Mr. Troeger asked those wishing to comment to come forward and speak into the microphone.

1. Darwin Waldsmith, Box 39309, Ninilchik

Mr. Waldsmith questioned how the meeting was advertised. He said he and several others just heard about it today (by newspaper and radio). He suggested that the meetings be advertised in a timely manner so the public will know in advance and can plan accordingly. Three Ninilchik residents were present. Mr. Waldsmith attributed this small number present to inadequate notice. Several residents are involved in the fishing industry and would like to participate in the comment process for oil & gas lease sales.

Mr. Waldsmith asked if Sale 85 included areas that were in Sale 78. Mr. Hanson replied that it was not known which tracts would be included in Sale 85. The posted map included tracts proposed for Sale 78; however, the map shows acreage which may be available for lease. The lands that will actually be included in Sale 85 will be known in 1996.

Mr. Waldsmith asked if the area proposed for Sale 85 might include the offshore tracts that were contested for Sale 78. Mr. Hanson responded that it could.

Mr. Troeger stated that this meeting was advertised in the Homer News, Peninsula Clarion, and the Anchorage Daily News for two weeks using a display ad. He asked if Mr. Waldsmith had a suggestion to improve public notification. Mr. Waldsmith recommended talking to the Ninilchik Native Association and placing a notice on the post office bulletin board. Mr. Troeger said that staff would endeavor to improve public notice for future meetings.

2. Steve Vanek, Ninilchik

Mr. Vanek said he just learned of this meeting tonight. He concurred that posting notice of a public meeting at the post office was a good idea. He suggested doing public service announcements on KSRM.

Mr. Troeger thanked Mr. Vanek and Mr. Waldsmith for their suggestions. Borough administration will continue to be involved in scheduling additional meetings to gather public comment for lease sales in the following year.

3. Brad Penn, Marathon Oil Company

Mr. Penn asked if there would be subsequent resolutions by the Assembly after the public comment process was concluded. Mr. Troeger replied that staff's intent was to provide the Assembly with background information and a resolution. After the Assembly's review and comment, the resolution would be forwarded to the Division of Oil & Gas. The resolution would be considered a position statement and be based upon public comment. Mr. Troeger encouraged interested parties to submit written comments directly to the Division of Oil & Gas. Mr. Hanson stated that written comments are included in the Preliminary Finding and the Final Finding along with the Division's response. He said that the Division responded to every written comment.

4. unidentified speaker

The speaker inquired if the April 25 Planning Commission would be the same type of meeting as tonight or if it would be one of the five public meetings for Sale 85. Mr. Troeger replied that the April 25 meeting was part of the regularly scheduled Planning Commission meeting. Call for public comment for Sale 85 is a regular agenda item. In 1995 Borough administration will host several public meetings throughout the Borough to gather public comment for proposed lease sales.

Mr. Troeger asked those present if this location was a good central place to conduct a public meeting.

5. unidentified speaker

The speaker replied yes and suggested Anchor Point as a future meeting place.

6. Randy Barnes, ARCO Alaska, Inc.

Mr. Barnes asked if there was a list of specific issues raised during Sale 78. Mr. Hanson recommended that the speaker get a copy of the Final Finding for Sale 78. Copies are available upon request from the Division of Oil & Gas.

7. unidentified speaker

The speaker asked if the issues raised in conjunction with Sale 78 would be considered during Sale 85. Mr. Hanson said the Division would be very aware of these concerns. The speaker related that the comments for Sale 78 would be applicable to Sale 85. It seemed like a waste of time to go through the process again since the Division already had the comments. Mr. Hanson pointed out that if someone had the same concerns, it was good to get comments on the record because each sale had its own file. Comments for Sale 78 are not automatically considered and made a part of Sale 85's file.

8. unidentified speaker

The speaker asked Mr. Hanson to explain proposed Sale 85A and its schedule. Mr. Hanson explained that the "A" denoted an exempt sale which meant it was a sale of acreage that under the statutes did not have to be on the sale schedule for two years. Exempt sales can be held any time. A call for comments for this sale is scheduled for May 1994. Townships and the acreage proposed for sale will be identified next month. A Preliminary Finding will be completed January 1995, and the Final Finding will be issued approximately April 1995. Sale 85A is tentatively scheduled to be held July 1995. An exact location for Sale 85A is not yet known. The central and northern part of Cook Inlet, including some onshore tracts, will probably be included in this sale.

9. unidentified speaker

The speaker asked why the location for 85A was not known since it was scheduled to be held in a year. Mr. Hanson replied that each tract considered for exempt sales needed to be examined to ensure that the tracts met the exempt criteria. For example, if acreage was proposed for sale within the last two years but not leased, then it could be included in an exempt sale. Two staff are available to work on land status, and the workload is significant. Presently staff is working on processing Sale 79. A map that will show which townships are proposed for Sale 85A will be available for the call for comments next month.

10. Brad Penn, Marathon Oil

Mr. Penn asked Mr. Troeger if the Borough would continue to work with industry, the fishing industry, and the public to develop acceptable mitigation measures and stipulations for Sale 85. Mr. Troeger responded that he would like to see all concerned parties reach agreement and be able to proceed with oil and gas lease sales.

Mr. Troeger explained staff's proposal to develop a special program to work more extensively in the lease sale process to ensure that concerns of the public, the timber industry, and the fishing industry are resolved. Presently not enough Borough staff are available for the proposed program, and the Department proposed hiring one additional planner along with a consultant to accomplish the proposed activities. However, the upcoming proposed budget, due to continuing declining revenues, reflects no changes from the previous fiscal year.

Borough staff will still conduct public meetings in conjunction with proposed lease sales, but funding is not available to do the extensive work that staff believes is necessary for the oil and gas lease sales.

Mr. Penn stated that Marathon Oil was willing to work with interested parties to address the concerns. However, he expressed doubt that a public hearing was the correct forum to resolve problems. It is difficult to develop goals during brief public meetings in which philosophies and statements are expressed. Mr. Penn said that Marathon Oil was interested in working with the fishing groups and other parties to develop a set of mitigating measures with the understanding that ultimate approval would be from the Department of Natural Resources. Mr. Penn wondered what the correct forum would be and expressed concern about limited public attendance. Mr. Troeger concurred that mitigative measures would probably not be developed during a public forum. Public meetings would be held to gather comments and concerns. These comments would then be brought to a work session with fishing groups and industry to resolve the concerns. The recommendations would then be presented in another public meeting for review and comment.

11. Steve Vanek, Ninilchik

Mr. Vanek, a commercial fisherman, thought that the process described by Mr. Troeger sounded good but expressed concern about available funding from the Borough. There are several organized fishing groups that could participate in a working group. Mr. Vanek said there were fishermen who didn't completely oppose Sale 78. He was glad to hear that industry was willing to work with the fishing groups.

Mr. Hanson related that Commissioner Noah wanted to avoid the problems encountered with Sale 78. Mr. Vanek said that most of the interested parties did have some kind of organization that could participate in working groups.

Mr. Troeger said the comments received at this meeting will be forwarded to the Assembly. He said staff is willing to provide meeting space and support services to the extent funding allows. Staff will continue to endeavor to bring all interested parties together to resolve concerns regarding oil and gas lease sales. Comments can also be voiced to Assembly members as the elected representatives for specific areas.

When the Assembly forwarded a resolution to the Department of Natural Resources for Sale 78, it was the intent to send a message to the Division of Oil & Gas regarding the lease sale process. However, the message discerned by DNR was that oil and gas lease sales should not occur in the Borough. Mr. Troeger believed that the Assembly was willing to work with any group to facilitate the oil and gas lease sale process to the extent natural resources will allow while supporting other interest groups in the Borough.

12. Ron Chappell, ARCO Alaska, Inc.

Mr. Chappell viewed Sale 78 as an anomaly since up to that point the oil industry, the fishing industry, and the various communities in the Borough had good communication and cooperation. He felt that the oil industry thought that oil and gas lease sales could go forward in the future in a way that is not detrimental to other industry or the environment. ARCO is interested in working with the fishing groups to ensure that concerns are addressed.

Mr. Troeger inquired how far the Borough, as a local government, should be involved in the process – staff, administration, and Assembly. Mr. Chappell replied that the Assembly was already heavily involved. Brad Penn viewed the Borough as nonpartisan. KPB was a neutral organization – neither oil industry nor affiliated with the fishing groups. Mr. Troeger stated that was the position that he viewed for the Borough. During public meetings, it is not staff's intent to promote specific issues, i.e. zoning, land use planning, but to hear what the community wants and provide assistance. Staff is more than willing to act as a facilitator.

Mr. Troeger asked Mr. Hanson if the activities discussed would help the Division of Oil & Gas in developing the findings. Mr. Hanson replied yes. Any input helps the Division of Oil & Gas determine the mitigating measures and findings that will be acceptable to concerned parties and agencies. Mr. Hanson strongly encouraged anything that the Borough could do to facilitate groups coming together to address issues.

13. Brad Penn, Marathon Oil

Mr. Penn said that DNR had the authority to establish stipulations for subsequent lease sales that can be fashioned to address all concerns. It is industry's intent to work with other industries and develop in an environmentally sensitive manner. Industry has engineers on staff who can devise methods to address concerns, i.e. fishing corridors, seasons.

14. Marty Shearer, ARCO Alaska, Inc.

If a lease sale is held with a successful bidder, it doesn't necessarily mean the bidder can do anything on the parcel(s). Mr. Shearer asked if the sale gave the buyer a right to explore. Mr. Hanson replied that the lease sale gave the successful bidder the right to file for permits. The bidder must apply for permits for everything, i.e. seismic surveys, any type of drilling. Public hearings must be held in conjunction with drilling activities. Mr. Hanson stated that the lease sale was a paper transaction that gives the successful bidder the right to propose various work options with the lease. Once the permit is obtained and work begins, various State agencies (Division of Oil & Gas, DEC, ADF&G) inspect the site to ensure that mitigation measures and stipulations are followed.

15. Mike Chihuly, Chihuly Charters, Ninilchik

Mr. Chihuly appreciated the Borough's participation in the process. He expressed doubt that DNR had the public's interest in mind in some situations, depending upon which governor and

commissioners are in office at the time. He strongly disagreed that the public shouldn't worry because the government agencies would "look out" for the public interests. The DNR Commissioner can (and has several times in the past) override DEC and ADF&G.

Mr. Troeger pointed out that Mr. Chihuly's comments represented several Borough residents. Mr. Troeger said that the Borough would like to get concerns identified and resolved early in the process. He didn't think that all the concerns would be totally resolved. Any stipulations and mitigation measures attached to a lease sale must be followed. Mr. Hanson concurred, especially if the concerned organizations and industry cooperatively developed them in advance.

16. Steve Vanek, Ninilchik

Mr. Vanek observed that the lease sale process set up by the statutes appeared to be backwards. If a parcel is leased for oil & gas purposes, the assumption is that oil and/or gas is probably present. It seems logical that mitigative measures should be established for these tracts before the lease is sold. Mr. Vanek asked why the tract should be leased first and then later attach stipulations. If the stipulations are established initially, industry would be in a better position to decide whether they want to purchase the lease. If agreement on stipulations cannot be reached, offering the parcel(s) for lease seems pointless.

Mr. Hanson said that the companies who bid on the lease sale may not know what they will do with the lease if they are the successful bidder. The leases are for seven years. The decision about what will be done with the tract depends to a great extent on the price of oil. Most of the tracts leased are not developed.

Mr. Vanek said it was the Division of Oil & Gas' responsibility to determine (with public input) what concerns might be attached to tracts proposed for sale before the sale takes place. Mr. Hanson replied that the concerns were identified through the public comment process. Mitigative measures are placed in the Final Finding so potential buyers are aware of potential problems and concerns associated with certain tracts. Mitigative measures might include directional drilling required, no surface entry, setbacks from streams, etc. When permits are sought before actual drilling occurs, approximately 5-7 years later, then new stipulations can be specified.

Mr. Vanek inquired if Sale 78 had any mitigation measures. Mr. Hanson responded that Sale 78 had the most lengthy list of mitigative measures ever developed for a lease sale. Harriet Wegner said that the Final Finding for Sale 78 had more mitigative measures than the Preliminary Finding. Mr. Vanek asked if any of the additions incorporated included any of the fishing industry's concerns, i.e. drilling rigs in the fishing corridor. Mr. Hanson referenced Mitigation Measure #13:

"To prevent conflicts with subsistence and commercial fishing

operations, the Director may restrict lease-related uses. In enforcing this term the Division during reviewing the plans of operation will work with other agencies and the public to ensure that potential conflicts are identified and avoided to the fullest extent possible."

Mr. Vanek asked why that measure wasn't in place in the beginning. Mr. Hanson replied that in the beginning the Division wasn't sure that the tracts would be leased. Mr. Vanek said if the tract was going to be leased, the assumption should be made that the tract would be developed. Mr. Hanson said that assumption was not made by the Division. Lease sales have been held which were not attended by anyone. Mr. Hanson expressed doubt that problems for particular tracts could be predicted 5-7 years in advance, especially since technology changes at such a rapid rate. For example, the distance for directional drilling on the North Slope is three miles laterally. This technology was not available five years ago. Mr. Vanek stated that sensitive tracts probably shouldn't be offered for lease with the reason for exclusion attached. If technology changes in the future, then the tract could be offered with specific stipulations making use of specialized technology.

Mr. Hanson related that industry has to plan several years in advance in oil exploration activities. Oil companies are leaving the State. The Division of Oil & Gas tries to offer tracts that have potential for successful development to keep existing industry in the State and attract other companies into the State.

Mr. Vanek reiterated Mr. Chihuly's comment about distrust of the government truly being mindful of the public's interest. Mr. Hanson said the Division would do what it was charged with under the State Constitution. Mr. Vanek asked if one of the problems was timely receipt of public input so the mitigative measures could be written. Mr. Hanson concurred. Commissioner Noah stated that if industry and interest groups could get together and agree upon the stipulations, then the problems will in large part be resolved.

17. Bill Stamps, The Alliance

Referencing the last federal lease sale in which approximately 100 tracts were offered, eleven tracts were sold and none were developed. Just because a lease is offered doesn't mean it will be purchased. Very stringent requirements are attached to the tracts that are sold.

18. Randy Barnes, ARCO Alaska, Inc.

Referencing the present overall situation in the oil industry, exploration activities are declining. This does not bode well for a State that gets approximately 80 percent of its operating budget from oil and gas activities.

19. Mike Chihuly, Chihuly Charters, Ninilchik

Mr. Chihuly reiterated that he was glad the Borough was involved in this process. Without the Borough's assistance, he didn't think the public would have been heard, especially in conjunction with Sale 78. The public meeting held in Homer for Sale 78 wasn't mandatory but called in response to requests from members of the public. Mr. Chihuly again expressed doubt that the State had the public's interest in mind with Sale 78. Based on the State's proposed legislation regarding lease sales, he expressed concern about how Sale 85 would proceed.

20. Darwin Waldsmith, Box 39309, Ninilchik

Mr. Waldsmith suggested that the decision of whether to hold lease sales in Cook Inlet be brought to a vote of the people. Mr. Hanson stated that if people really didn't want lease sales to be held in Cook Inlet that they should tell their legislators. Only the legislature can direct the Division of Oil & Gas not to propose tracts for lease. The Constitution mandates the Division of Oil & Gas to offer State land for exploration and development in an environmentally safe manner.

21. unidentified speaker

The speaker stated that drilling on water was much more expensive than drilling on land. He inquired about directional drilling. Mr. Hanson replied that drilling directionally from land to water is expensive. Another speaker said that when directional drilling is done, extensive surveys are completed beforehand so there is a good knowledge of the oil's location. Industry is reluctant to place rigs in the water because it is so expensive.

The speaker asked if industry utilized protective measures for drilling rigs to safeguard against earthquakes. No answer was heard.

22. Mike Chihuly, Chihuly Charters, Ninilchik

Mr. Chihuly noticed that in the Final Finding more than one oil company objected to directional drilling in the Clam Gulch Critical Habitat Area. Brad Penn felt that this comment was taken out of context. Mr. Penn said that comment was in relation to access in case of spills and access to the area blocked off adjacent to the bluff. There was no problem with the "no surface occupancy" stipulation in the Clam Gulch Critical Habitat Area.

23. unidentified speaker

The speaker thought that the Assembly should refrain from writing a resolution until the fishing organizations and other interested groups have given their comments.

24. Ron Chappell, ARCO Alaska, Inc.

Mr. Chappell thought it was counterproductive to continue to debate Sale 78. He said it was time to go forward in a positive manner.

25. Martin Shearer, ARCO Alaska, Inc.

Mr. Shearer thought that shutting the door on oil and gas lease sales regardless of the area would be detrimental for the future. He hoped that the oil industry and other industries could reach an agreement so that lease sales could go forward.

26. Ken Turnage, VECO, Inc.

Mr. Turnage thought that the confusion regarding comments on the lease sales may have originated from different people interpreting the comments differently. Many people, even those not directly associated with the oil industry, would not have a job if not for the oil industry. It is important that everyone work together.

Mr. Hanson encouraged everyone who wanted to submit written comments on Sales 85 & 85A to do so. The written comments would become part of the record for each sale. Deborah Gilcrest said the Borough Planning Department could act as the local contact to give addresses and names of contact people for the Division of Oil & Gas.

After some discussion it was the consensus that the summer was not a good time to schedule additional meetings because the fishing season was just beginning. September or October were mentioned as good months to call a meeting.

Mr. Troeger thanked everyone for attending.

The meeting adjourned at approximately 9:00 p.m.