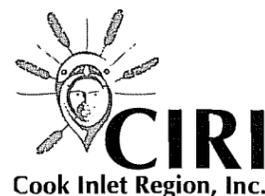


# Unique and Diverse

Cook Inlet Region, Inc. represents more than just one element of Alaska's Native heritage. Our shareholders are a unique and diverse mix of Eskimos, Aleuts and Indians from every region of Alaska.

CIRI's role in the resource development community is equally unique and diverse. With extensive surface and subsurface lands in the Cook Inlet area, we are developing gravel, timber, oil and gas, coal and hard rock minerals. With the right partnerships and careful planning, our natural resources will be developed in harmony with the environment.

We are committed to preserving our cultural uniqueness and diversity while prudently pursuing development of our resources.



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## Resource Review

November 1997 A periodic publication of the Resource Development Council, Inc.

# Go forward with Cook Inlet Lease Sale

## Areawide Lease Sale in best interest of state

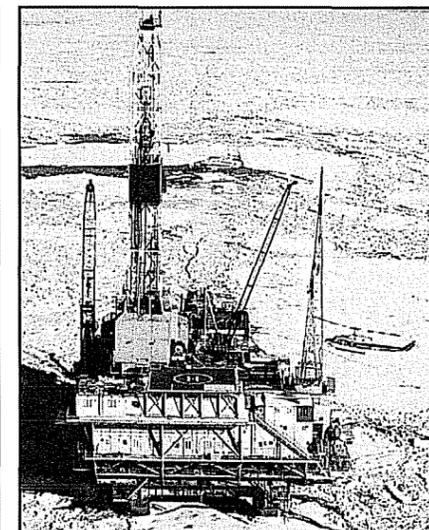
A panel of eleven stakeholders representing various interests held a series of meetings in Anchorage, Wasilla, Soldotna and Homer recently to obtain public comment on Cook Inlet Areawide Lease Sale 85.

At the Anchorage meeting September 23, RDC expressed strong support for the areawide lease sale concept in general and Lease Sale 85 in particular.

Areawide leasing was endorsed

by a unanimous vote of the Alaska Legislature with Governor Knowles signing the legislation. It is intended for areas which have already had extensive leasing. Areawide leasing provides a consistent and predictable schedule of annual sales and regular opportunities for public comment.

As for Cook Inlet, approximately 97 percent of the 4.2 million acres within the Cook Inlet Areawide boundary has been offered for lease before. Forty



An Era helicopter approaches the Baker platform in Cook Inlet.



The Kenai Peninsula and offshore fields in Cook Inlet have produced a total of 1.2 billion barrels of oil and seven trillion cubic feet of natural gas. There are 14 platforms currently operating in the Inlet.

lease sales have been held in the Cook Inlet area since 1959, with more than 13 million acres offered and 6 million acres leased. More than 1,000 wells have been drilled in the Cook Inlet area with more than 300,000 miles of seismic testing conducted. At the stakeholder meetings, John Shively, Commissioner of the Alaska Department of Natural Resources, explained

(Continued to page 2)

# Cook Inlet Areawide Lease Sale has many benefits

## New approach means increased efficiency and reliability

(Continued from page 1)

that although obtaining a lease grants a lessee exclusive rights, it does not directly authorize subsequent exploration and development. Shively noted that more than 100 permits may be required from different agencies to develop a site for production. In addition, more than 80 mitigation measures and stipulations are attached to the state's upcoming reoffering sale in Cook Inlet Sale 85A-W.

Opponents of oil and gas development expressed concerns at the meetings about private property rights and risks to fisheries in Cook Inlet.

Shively pointed out that industry does not have the ability to simply take over private property rights for their purposes. Before accessing private

property, state law requires the lessee to come to terms with landowners for impacts that might occur. If the lessee and the surface owner cannot agree, the surface owner has the right to ask DNR to intervene. Moreover, the department is not aware of any instances where private landowners have requested its involvement.

Regarding potential risks to fisheries, RDC noted the industry's 40-year track record in Cook Inlet has shown that oil and gas development and environmental protection are not mutually exclusive. Extensive monitoring programs and environmental studies conducted throughout the Cook Inlet basin over the last four decades have found no evidence of adverse environmental impacts from oil and gas development.

Ken Boyd, the Director of the Alaska Division of Oil and Gas, noted that the areawide lease sale concept eliminates inefficiencies in the old lease sale program and will allow industry to plan future exploration efforts years in advance. Under the new program, Boyd explained, oil companies have a better chance of acquiring exploration capital for Alaska projects.

Huge expenditures of time and money are required in the search for new oil and gas deposits. The new lease sale approach will help industry become more competitive in securing the capital to explore and responsibly develop new reserves, translating into jobs, local revenues and a stable economic base.

The oil and gas industry is a significant link in the economy of Southcentral Alaska. Cook Inlet area companies employ more than 1,600 workers on staff and hundreds more on contract. Of those who work for the oil companies, 80 percent are Alaska residents. Oil and gas revenues from production statewide represent nearly 80 percent of the

state's total unrestricted revenues, which fund a significant portion of public services and capital projects, including medical clinics, community centers, recreation complexes, habitat enhancement, parks and recreation, public waste disposal sites and public sewer and water systems.

In Anchorage, oil revenues were largely responsible for many projects which have improved the quality of life for local residents. Some of these projects range from the Tony Knowles Coastal Trail to the Loussac Library, the Performing Arts Center and the Sullivan Arena.

Jerry Booth, Vice President of Resources at Cook Inlet Region, Inc. (CIRI), pointed out at the Anchorage meeting that oil and gas development in the Cook Inlet area has greatly benefited his corporation and its shareholders.

Booth reported that since its inception, CIRI has shared revenues of nearly \$161 million -- generated from CIRI's oil and gas resources -- with other Native corporations, as required under the Alaska Native Claims Settlement Act (ANCSA). The law anticipated that subsurface resource development would be an important part of the economic development for Native people and their corporations. As a result, ANCSA requires 70 percent of the net revenues from resource development on Native lands be shared among regional and village corporations and their many shareholders.

"The development of oil and gas resources on CIRI land provides many benefits to all Alaskans, including our shareholders," Booth said. "Oil and gas development, particularly where unemployment rates are high, creates additional employment opportunities as well as many trickle-down jobs," the CIRI executive added.

# Studies assess industry impacts to Cook Inlet

## Planned 1997-98 Studies

### CIRCAC Toxicity Studies

This study, conducted by the Cook Inlet Regional Citizens Advisory Council, will involve collecting samples from Kachemak, Kamishak, Trading Bay and East Forelands. The purpose of the study is to revisit areas that had shown statistically significant results for sediment toxicity. The initial results did not correlate with sediment PAH concentrations. This study will help confirm if increased toxicity does exist in the areas being sampled.

### EPA Subsistence Species Study

This study will evaluate impacts to subsistence species from a variety of sources. The primary focus of the study is to evaluate impacts from oil and gas operations. The final study should be published in the spring of 1998.

### Minerals Management Service Lower Cook Inlet Study

This study will evaluate impacts to Lower Cook Inlet from oil and gas operations. The study is geared toward identifying increased hydrocarbon and metals concentrations in depositional environments. Sampling will be performed throughout 1997 and 1998. The final report will be published in 1999.

## 1996 Studies (performed by CIRCAC)

### Lake Clark National Park Clam Study

This was a joint study with the National Park Service to investigate hydrocarbon accumulations in clams in the Tuxedni and/or Chinitna Bay areas. No evidence of oil industry related contamination was identified.

### Intertidal Community Structure

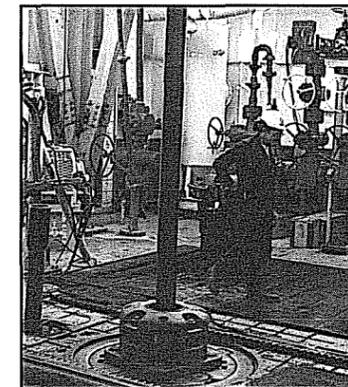
This study compared the number of species present in the intertidal areas with past studies to determine if biota levels are comparable to past levels. The study concluded that there was no significant difference in the biota levels compared to past levels.

### Shelikof Strait Study

Study involved collecting sediment and tissue samples for toxicity and hydrocarbon analyses from depositional areas in Shelikof Strait. The purpose of this study was to determine if sediment has been contaminated by industry operations. No evidence of oil industry related contamination was identified.

### P450 RGS Laboratory Studies

This study included analyses of tissue and sediment samples



Cook Inlet area oil companies employ more than 1,600 workers on staff and hundreds more on contract.

to determine if impacts from the oil industry had occurred. Tissue and sediment samples were collected during the Lake Clark clam study and were submitted for analyses. No evidence of oil industry related contamination was identified.

## 1995 Studies

### CIRCAC Hydrocarbon Accumulation Study

This study evaluated the hydrocarbon accumulation in Cook Inlet and established a baseline for selected environmental variables that can be used in future studies. No evidence of oil industry related contamination was identified.

## 1994 Studies

### Mixing Zone Verification Study

This study characterized the concentrations of hydrocarbons in Cook Inlet near the Trading Bay Production Facility outfall and compared them to State of Alaska Water Quality Standards. The mixing zone for Trading Bay Production Facility is 750 meters. State Water Quality Standards may be exceeded within the mixing zone. The study found that water quality standards were met within 50 meters of the outfall.

### CIRCAC Hydrocarbon Accumulation Study

The purpose of this study was to identify and document any contamination caused by the oil industry. The low levels of hydrocarbons identified during the study are characteristic of levels found in uncontaminated coastal and offshore environments and are well below levels known to cause adverse biological effects in marine organisms.

### MMS Hydrocarbon Accumulation Study

This study determined the impacts to Cook Inlet from oil industry operations. Sediment water and biota were evaluated. No evidence of oil industry related contamination was identified.

### Greenpeace Toxics Evaluation (1991)

This study evaluated the hydrocarbon and metals concentrations near Trading Bay Production Facility discharge outfall. Samples were analyzed for arsenic, lead, copper, cadmium, chromium, zinc, nickel, barium, and polyaromatic hydrocarbons. No evidence of oil industry related contamination was identified. (Report was not published.)

**Resource Review** is the official periodic publication of the Resource Development Council (RDC), Alaska's largest privately funded nonprofit economic development organization working to develop Alaska's natural resources in an orderly manner and to create a broad-based, diversified economy while protecting and enhancing the environment.

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## The Facts

### Areawide Leasing in Cook Inlet

(Continued from page 5)

- Southcentral residential gas prices are **40% less** than the national average.
- In FY96, Southcentral communities received \$7.6 million in petroleum property taxes. Kenai received \$6.5 million; Anchorage \$1 million; and Matanuska-Susitna \$0.8 million.
- The oil and gas industry is a significant part of the economy on the Kenai Peninsula and in Southcentral Alaska. Cook Inlet area companies employ more than 1,600 workers on staff and hundreds more on contract.
- Oil and gas production in Cook Inlet contributes a total of approximately \$250 million on the Kenai Peninsula annually through investments, salaries, taxes and royalties.
- Oil and gas property represents nearly 30 percent of



Existing infrastructure in the Cook Inlet region makes the area more attractive for investment by new, independent oil and gas operators. Pictured above is the Anna platform.

the assessed taxable property on the Kenai Peninsula.

- The state is expected to receive nearly \$61 million in severance taxes and royalties from Cook Inlet oil and gas production in FY97; including \$22 million in royalties from Cook Inlet gas production, \$21 million in oil royalties, and \$17.7 million in gas severance taxes.
- Oil and gas revenues from production statewide represent nearly 80% of the state's total unrestricted revenue. Since oil production began in Alaska, the state has received more than \$45 billion in taxes and royalties.
- Petroleum revenues paid to the state also benefit municipalities and boroughs. General fund revenues are allocated to municipalities and boroughs through municipal assistance, revenue sharing, community development grants, special operating grants, capital project funding and education.

#### Existing Cook Inlet Oil & Gas Infrastructure

- With more than 36 years of oil and gas production, the Cook Inlet area has developed the infrastructure necessary for oil and gas production, transportation, processing and refining.
- Existing infrastructure in the Cook Inlet region makes the area more attractive for investment by new, independent oil and gas operators.
- Five companies produce Cook Inlet oil from eight fields. Thirty-one percent of the oil is refined in Alaska.
- A refinery in Nikiski produces gasoline, propane, butane, jet fuel, bunker fuel oil, heating fuel and asphalt for Alaska markets.
- A natural gas liquefaction plant located in Nikiski is the only one of its type in North America. The plant supplies 1.3 million barrels of liquefied natural gas to Japan each month.
- A chemical plant uses Cook Inlet natural gas as a feedstock to manufacture nitrogen-based fertilizers. The plant is a major supplier to the agriculture industry in the western United States.
- In 1996, 221 billion cubic feet of natural gas was produced from the Cook Inlet region's eleven producing gas fields.
- Natural gas from the Cook Inlet region is delivered to Southcentral Alaska through the Enstar system. Enstar operates a system of natural gas pipelines that carry natural gas from Cook Inlet north to Anchorage.

# Changing of the guard at RDC

## Ken Freeman named new Executive Director

Ken Freeman, Press Secretary for the House Majority Caucus and Legislative Assistant to Speaker Gail Phillips, has been named Executive Director of the Resource Development Council.

Freeman succeeds Becky Gay, who was recently appointed Government Affairs Administrator for the North Slope Borough. Gay had led the daily operations of RDC since 1987, which included a one-year leave of absence to work for the Hickel administration in 1991 as the state's ANWR coordinator.

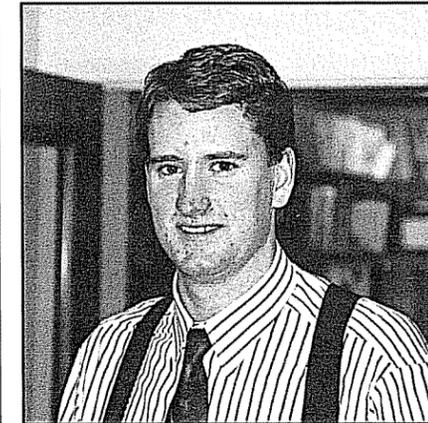
Before joining the House Majority's staff in 1995, Freeman served nearly three years as Projects Coordinator at RDC, working on a wide variety of local, state and federal issues ranging from wetlands permitting to the development of new transportation infrastructure. He also coordinated special events and congressional tours of Alaska communities and resource development sites.

A third generation Alaskan who was born and raised in Anchorage, Freeman has a Masters Degree in Public Administration from Portland State University.

"I am happy Ken Freeman will be returning to RDC," said RDC President Allen Bingham. "Ken has worked closely with Alaska communities, especially during his previous service with RDC," Bingham noted. "He is well known in industry and community circles and will be a real asset to us all."

Freeman said he is looking forward to returning to the organization that helped launch his career.

"RDC has a unique ability to align all resource sectors to effectively promote responsible development and provide a secure economic future for Alaska," Freeman said. "I look forward to the opportunity of working directly with RDC's diverse membership to build on our strengths and meet the challenges facing Alaska's industries and communities."



Ken Freeman



Becky Gay

Meanwhile, Bingham noted Gay has given more than 13 years to serving RDC and promoting economic and resource development at the local, state and federal levels. Gay joined the staff in 1984 as Projects Coordinator, became Deputy Director in 1985 and has been Executive Director since 1987.

"We will miss Becky tremendously,

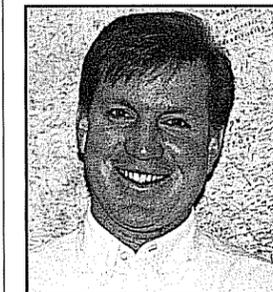
but wish her the very best in her new position," Bingham said. "Becky is known for her energy and effectiveness on a broad range of state and federal issues, and now she can put that same energy to use on behalf of the North Slope Borough," Bingham added.

In accepting her new position at the North Slope Borough, Gay said that "all my years at RDC have given me many unique opportunities and great happiness. My excitement about my new career path is certainly enhanced by the knowledge that I can continue to work closely with RDC on issues of mutual concern."

In 1979-80, Gay worked at the Naval Arctic Research Lab (NARL) in Barrow as a Science Research Aide, which broadened her interest in Arctic regions, peoples and issues.

In addition to Freeman, Bingham welcomed two new staff members, Steven Dougherty, Finance/Membership, and Tadd Owens, Special Assistant. Dougherty joined RDC's staff in April and Owens came aboard in September.

Carl Portman has been serving as RDC's Acting Executive Director until Freeman assumes his new responsibilities in November.



Steven Dougherty



Tadd Owens

# Q & A

## Cook Inlet Areawide Oil and Gas Lease Sale

*In 1996, Governor Knowles signed into law legislation stating that it is in the best interest of the state to conduct annual areawide oil and gas lease sales. This legislation also increased the life of a Best Interest Finding for a lease sale from five to ten years. The legislation passed 60-0.*

### What is an areawide lease sale?

- An offering of all state-owned subsurface estate that is available for lease within a geographic region. The four regions are Cook Inlet, North Slope (north portion), North Slope (south portion) and the Beaufort Sea.

### Why have annual areawide lease sales?

- To make Alaska more competitive in the world market for oil and gas exploration. Regularly scheduled opportunities to bid on acreage in these regions provide oil companies the certainty they need in order to acquire and plan the exploration of identified prospects.

- In areas that have already had existing leasing, areawide lease sales are a cost and labor saving approach to offering lease sales.

- Industry will be able to develop its exploration strategies and budgets years in advance. It's also an efficient way of doing business; it decreases state spending without adverse trade-offs.

### How will the Best Interest Finding process work?

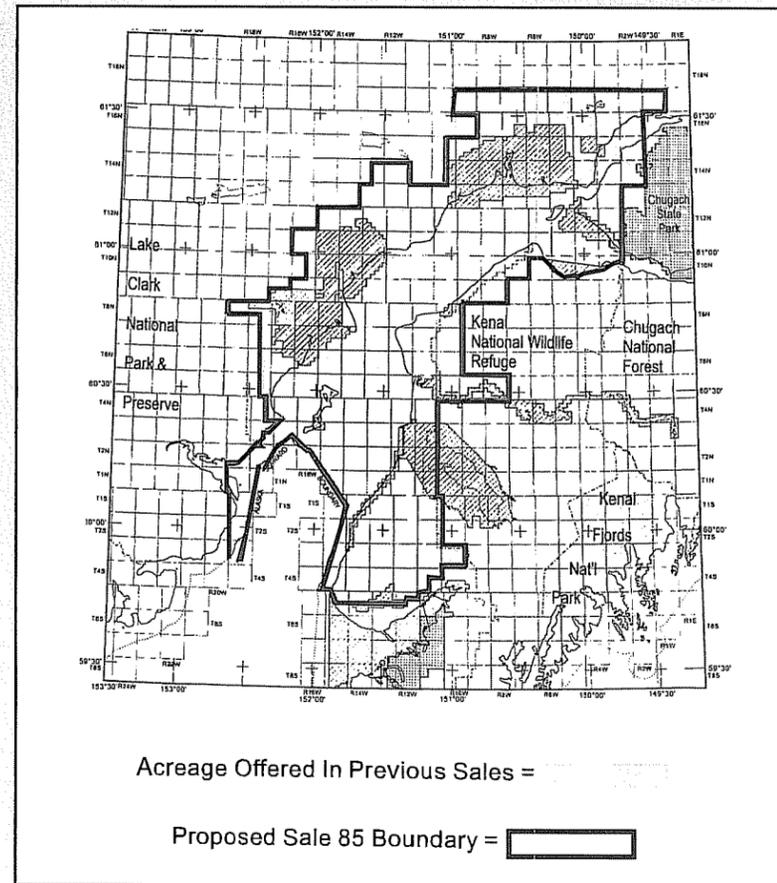
- DNR will prepare a Best Interest Finding, as it has done for sales in the past, only this time it will cover the entire geographic region. A new Finding must be written every ten years. Until then, prior to each annual offering, a Request for New Information must be issued to the public.

- Whenever DNR determines new information to be significant, a supplement to the original finding must be issued. If no new information is provided, DNR will issue a Finding of No New Information.

### How can the public comment on these sales?

- Prior to issuing a preliminary Best Interest Finding, the public is given several opportunities in which to comment on the proposed sale. Following issuance of the preliminary Finding, the public has 60 days in which to comment. All comments are addressed in the final Finding.

- Anyone who submits comments during the public comment periods leading to the final Finding may request reconsideration of the Finding. If not satisfied, the person then has the right to file an appeal with the court.



*Approximately 97 percent of the 4.2 million acres in the proposed Sale 85 boundary has been offered for lease before. The sale excludes Chugach State Park, Kenai National Wildlife Refuge, Chugach National Forest and the region's two national parks.*

### What about the rights of property owners?

- New regulations will require a plan of operations to be filed with DO&G whenever a lease proposes to access state-owned subsurface, regardless of who owns the surface estate. All plans of operations within the coastal zone must undergo an Alaska Coastal Management Program review. Mitigation measures developed for the areawide sale will apply for these operations.

- The state has bonding requirements to cover property damage, should any occur.

### How will the Stakeholder process for Cook Inlet work?

- Eleven individuals, representing various interests, met over a period of several weeks to discuss issues concerning oil activity. Recommendations on which full consensus is reached will be forwarded to DNR.

### Can residents expect an immediate onset of oil and gas drilling once industry obtains its leases?

- Obtaining a lease grants a lessee exclusive rights, but does not directly authorize subsequent development. A comprehensive permitting process must be undertaken before any exploration drilling can begin. If the company conducting the drilling finds oil, additional permitting is required before development can proceed.

- More than 100 permits may be required from different agencies to develop a site for production. More than 80 mitigation measures and stipulations are attached to the state's upcoming reoffering sale in Cook Inlet.

### How good is industry's environmental track record in Cook Inlet?

- Monitoring programs over the last 40 years have found no evidence of adverse environmental impacts.

## The Facts

### Areawide Leasing in Cook Inlet

#### Development History

- Approximately 97% of the 4.2 million acres within the Cook Inlet Areawide boundary has been offered for lease before.
- Since 1959, 40 lease sales have been held in the Cook Inlet area, with a total of 13.3 million acres offered and 6.02 million acres leased.
- Nearly 1,000 wells have been drilled in the Cook Inlet basin.
- Over 300,000 miles of seismic have been run in the Cook Inlet area.

#### Access

- While the Alaska Constitution allows the state to lease the subsurface of privately owned surface estate, industry does not have the ability to simply take over private property rights for their own purposes.
- Before accessing private property, state law requires the lessee to come to terms with landowners for impacts that might occur. The surface owner has the right to ask DNR to intervene if the lessee and the surface owner cannot agree. DNR is not aware of any instances where private landowners have requested their involvement.

#### Economic Benefits

- Cook Inlet natural gas is the sole source of natural gas used by businesses and residents of Southcentral Alaska. More than 80% of the electricity generated in Southcentral Alaska is powered by natural gas.

*(Continued to page 6)*



*The Unocal chemical plant on the Kenai Peninsula uses Cook Inlet natural gas to manufacture nitrogen-based fertilizers.*