**ESTIMATED TIME** 

1/2 HOUR

#### **MEMORANDUM**

TO:

Council, SSC and AP Members

FROM:

Clarence G. Pautzke

**Executive Director** 

DATE:

January 3, 1995

SUBJECT:

State Oil and Gas Lease Sale 79

**ACTION REQUIRED** 

Comment on proposed lease sale.

BACKGROUND

At the December meeting the Council briefly discussed the proposed oil and gas lease sale (Lease Sale 79) and concluded that an extension of the comment period would allow them to more fully consider the issue at the January 1995 meeting, and then forward appropriate comments. This request was forwarded by Council staff to the Alaska Department of Natural Resources (DNR), Division of Oil and Gas immediately following the December meeting. Many other individuals and groups were requesting a similar extension. Item C-6(a) is a letter from DNR notifying the Council of an extension of the comment period until January 31, 1995.

Item C-6(b) contains the Executive Summary from the analysis (Preliminary Best Interest Finding, or PBIF) prepared by DNR, along with the section describing commercial fishing activities in or adjacent to the proposed lease area. The area lies between Cape Suckling and Icy Cape and is referred to as the Cape Yakataga area. As is shown on the maps, the area lies wholly within State waters. The area within the proposed lease sale is primarily salmon fishing grounds, with 150 -200 setnet permits harvesting salmon worth an average of \$3.3 million per year. Some groundfish harvest occurs within and adjacent to the area, with the most important being sablefish; from one to two million pounds of sablefish are harvested annually in waters of the Yakutat Statistical Area, which includes all waters from Cape Suckling to Cape Fairweather, including waters outside three miles (additional landings of rockfish occur in this area which are not reflected in the PBIF which relys on fish tickets only). The document also contains a detailed description of the birds, marine mammals, and wildlife which inhabit the area, as well as the habitat requirements of each, by species. Critical habitats exist within the proposed lease area primarily for migratory birds and salmon, though nearby Kayak Island is a known sea lion rookery.

The analysis prepared by DNR notes that the probability of finding oil or gas deposits in the area is low, and that the probability of any actual development occurring is very small. Some revenues would be generated by the lease sale alone, even if development never follows. The bottom line finding is that the Proposed Lease Sale 79 is in the best interests of the state.

In determining how to comment on Proposed Lease Sale 79, the Council may refer to Item C-6(c) which is a copy of a letter sent to Minerals Management Service (MMS) in 1992 when they were in the scoping process for Federal Oil and Gas Lease Sale 158. This letter is fairly generic, simply noting the abundance and value of

groundfish and halibut resources in the Yakutat area of the Gulf of Alaska, and requesting that these resources be considered in the EIS. Regarding Lease Sale 79 by the State of Alaska, there are numerous, more specific comments already logged with regard to fish and wildlife concerns. The Alaska Department of Fish and Game submitted a total of 48 specific comments to DNR while the U.S. Fish and Wildlife Service submitted five specific comments regarding the proposed lease sale. Numerous other environmental, tribal, and fishing organizations have also submitted comments to date on Lease Sale 79. A copy of the full document, including comments, is available, but has not been copied for the notebooks.

### TONY KNOWLES, GOVERNOR

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AGENDA C-6(a) JANUARY 1995

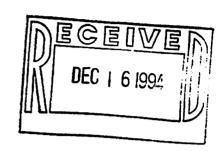
P.O. BOX 107034 ANCHORAGE, ALASKA 99510-7034 PHONE: (907) 762-2553

# **DEPT. OF NATURAL RESOURCES**

DIVISION OF OIL AND GAS

December 16, 1994

Richard Lauber, Chairman North Pacific Fishery Management Council P. O. Box 103136 Anchorage, Alaska 99510



Dear Mr. Lauber:

I am writing in response to your request that the comment period for the Preliminary Finding for Lease Sale 79 (Cape Yakataga) be extended for an additional 90 days beyond December 16, 1994, the date currently scheduled for the close of public comment.

As you are aware, there have been numerous opportunities for public comment on the Cape Yakataga Sale, both on the original Preliminary Finding under the provisions of the leasing statutes and the ACMP prior to passage of SB 308, and more recently under the amended procedures adopted by the legislature last session. In fact, more than ten months have elapsed since the original Preliminary Finding was released on February 8, 1994. During that time, three public meetings have been held in Cordova, as well as two public meetings in Yakutat. In addition, a public hearing was held in Cordova on November 9, 1994, during the 60-day comment period on the reissued Preliminary Finding.

Although I understand that we may have disagreed with each other in our respective interpretations of what SB 308 was intended to accomplish, I want to reassure you again that it has never been our intent to limit public participation in reviewing and commenting on lease sales. To that end, and particularly because this represents the first opportunity for review and comment under the new statutory amendments, we are agreeable to an extension through January 31, 1995.

I hope that you will view this as a good faith compromise, given the lengthy comment periods and numerous meetings that have occurred. It represents our efforts to strike a balance between maintaining a predictable and dependable leasing schedule - something that is important to all Alaskans - while providing for additional time for those you represent to make their concerns and recommendations known to the department.

Legal notices and display advertisements announcing the extension of the comment period will be published in the Anchorage Daily News, the Fairbanks Daily News Miner, the Juneau Empire and the Cordova Times over the next week. In addition, a supplemental mailing of the rescheduling notice

Richard Lauber December 16, 1994 Page 2

will be made to all individuals, agencies and companies on the division's mailing list. I have enclosed a copy of the notice for your information.

If you have any additional questions, please feel free to call Mr. James Hansen at 762-2588.

Sincerely,

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James E. Eason

Director

**Enclosure** 

cc: Marty Rutherford, Acting Commissioner, Department of Natural Resources James Hansen, Chief Petroleum Geophysicist, Division of Oil and Gas Kyle Parker, Assistant Attorney General, Department of Law

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## **DEPT. OF NATURAL RESOURCES**

P.O. BOX 107034 ANCHORAGE, ALASKA 99510-7034 PHONE: (907) 782-2553

DIVISION OF OIL AND GAS

December 16, 1994

Phone: 762-2585

# - NOTICE OF THE EXTENSION OF THE COMMENT PERIOD ON THE PRELIMINARY FINDING UNDER AS 38.05.035(e) REGARDING PROPOSED OIL AND GAS LEASE SALE 79 (CAPE YAKATAGA)

By notice dated October 17, 1994 the Department of Natural Resources, Division of Oil and Gas (DO&G) gave formal notice under AS 38.05.945(a)(3)(A) of the reissuance of the preliminary best interest finding under AS 38.05.035(e) concerning the sale of oil and gas leases in proposed Competitive Oil and Gas Lease Sale 79, Cape Yakataga. Under the terms of that notice, interested parties are required to submit comments to DO&G no later than December 16, 1994 in order to be considered in the final finding and decision of the Director regarding Sale 79.

Notice is hereby given that the deadline for comments has been extended from December 16, 1994 until January 31, 1995. The public is invited to comment on any aspect of the sale including any proposed term or condition. Copies of the preliminary finding and preliminary legal descriptions, as well as the department's October 17, 1994 notice, are available from DNR's Public Information Office, and are also available for public review at the following locations: Cordova public library, Yakutat Borough offices, City of Cordova municipal offices, and the Loussac Public Library in Anchorage. Preliminary Cadastral Protraction Diagrams for Sale 79 are available on request from DO&G at a cost of \$50.00 per set. Allow an additional \$3.00 for postage. Make checks payable to: Department of Revenue, State of Alaska.

Comments should be mailed to the Division of Oil and Gas, P. O. Box 107034, Anchorage, Alaska 99510-7034, Attention: James Hansen, Chief Petroleum Geophysicist. Comments must be received by DO&G no later than January 31, 1995 in order to be considered in the final finding and decision of the Director regarding Sale 79. This final finding and decision is expected to be available to the public on or about May 30, 1995.

James E. Eason

Director

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# **EXECUTIVE SUMMARY**

The State of Alaska Department of Natural Resources, Division of Oil and Gas proposes to hold Oil and Gas Lease Sale 79 ("Sale 79") to solicit bids for state oil and gas leases in the northeastern Gulf of Alaska. The state reserves the right to reject all bids. This Preliminary Best Interest Finding for Sale 79 ("PBIF") is issued now to obtain agency and public comment. The Alaska Coastal Management Program ("ACMP") Consistency Determination for this proposed sale is being issued for public comment concurrently. Comments on either document must be received by December 12, 1994.

An oil and gas lease sale does not authorize any activity to take place. Restrictions imposed at this stage must be general because it is not known which tracts may be leased, or if, when, where, or what type of activity may occur. Prior to any activity which requires a permit, a lessee must obtain an agency approved permit. All activities must meet agency regulation requirements and ACMP standards prior to authorization. Additional restrictions may be imposed in a permit based on the specific project proposed.

This PBIF is issued pursuant to and in conformance with AS 38.05.035(e) and (g), which require consideration and discussion of specified topics and other material topics raised during the public comment period. A preliminary finding for this proposed sale was previously issued; therefore this PBIF discusses material topics raised during that period.

The proposed Sale 79 area is located on the northeastern Gulf of Alaska, approximately 80 miles east of Yakutat and 60 miles west of Cordova, between Icy Bay and Cape Suckling. Tracts in this area have been offered several times in previous state and federal oil and gas lease sales; however, no production has occurred since the 1930's. No industry infrastructure to support oil or gas activities exists in the region. The probability of finding a developable oil or gas deposit in this area is low. Historically, the probability that any development will occur is very small.

The numerous fish and wildlife species and their habitats in this area are listed and described. Existing uses that have been identified include subsistence, fishing, hunting, trapping, tourism/recreation, logging, mining, and aquaculture.

Several general geophysical hazards in the area are identified. The potential for large earthquakes and tsunamis exists. Large subsea sediment slides are known to occur due to earthquakes or severe storms. Glacial outburst flooding, land slides, and snow avalanches may also occur. Significant coastal erosion or deposition may change the coastline shape and character.

Some general potential effects of this sale on the state, the region, and local communities can be identified at this time. The state currently depends heavily on revenues from the oil and gas industry; however, these revenues are declining. Although proposed Sale 79 will probably result in only modest revenues, if any tracts are leased in the sale, some revenue will result. A lease alone will result in a bonus bid and rentals. Local economies, currently heavily dependent on declining fishing revenues and state spending, may benefit from exploration activities in the area that provide employment. Any developable discovery could provide employment, local property tax revenue, and state royalty and tax revenue.

Increased employment may result in localized effects such as increased demands for housing, water, public services, utilities, education, and recreational facilities. Mitigation terms encouraging local hire and requiring employee training to increase knowledge and understanding

of local values, customs, and lifestyles will alleviate some of these problems. Local zoning and taxation for revenue could be used to help alleviate other aspects.

Local resident use of the proposed sale area for hunting, fishing, trapping, and recreation depends on access in the area. Lease activity in this area could increase access. Several mitigation measures are proposed to prevent or minimize any potential interference due to timing or facility placement and avoid or minimize habitat disturbance. Additionally, existing state and federal statutes and regulations, lease stipulations and terms, and the review, terms, and continuing oversight of any permits issued in the future will avoid any long-term impacts and minimize short-term impacts on populations and habitats.

This PBIF identifies reasonably foreseeable cumulative effects of potential oil and gas lease activities on fish and wildlife habitats, populations, and uses, subsistence uses, and historical and cultural uses, and the mitigation measures proposed to prevent such effects. Possible risks include (1) increased pressure on local services; (2) loss of fish and wildlife habitat; (3) conflict with fishing uses; (4) restriction of access for subsistence, fishing, hunting, and recreation uses; and (5) environmental contamination. The combination of land use regulation, land management planning, the proposed mitigation measures, existing statutes and regulations, and agency regulatory powers to impose additional requirements in any future permits provide sufficient oversight and power to avoid or minimize potential adverse impacts in the event that tracts are leased, explored, and developed.

Issues related to oil and gas exploration, development, production and transportation are also considered. Specific discussion of these aspects is, again, not possible at this time because the major factors defining such a discussion, including location, type of development, and size of the development, are unknown. The three major transportation components most likely to be involved in the Sale 79 area — pipelines, loading and storage facilities, and marine tankers — are described. Spill prevention and detection are the most significant issues associated with these facilities. The location of a suitable harbor is also a factor. The City and Borough of Yakutat has designated Monti Bay as a General Industrial Area for a potential marine service base, oil terminal, or LNG terminal site.

The risk of an oil spill exists any time oil or oil products are handled; nevertheless, historically the amount spilled in exploration, development or production activities is only a minute fraction of the amount handled. The most significant risk is presented by marine tankers, as exemplified by the *Exxon Valdez* spill. Factors influencing offshore oil spill response and oil spill trajectories in this area include ocean currents with eddies and gyres, seasonal wind changes, and the character of beaches.

Since it is unlikely that spill rates can ever be reduced to zero, the state's policy is to lower the likelihood to an acceptable risk level and to improve the response capability in the event of a spill. Significant changes to the statutory requirements for discharge prevention, response, and cleanup resulted from the *Exxon Valdez* spill. All operators must provide comprehensive planning for discharge prevention and contingency response, meet specified financial responsibility requirements, and be capable of cleaning up a specified spill volume within a limited time period. The state prepares and maintains both statewide and regional discharge prevention and contingency plans. Auxiliary response organizations may be formed to provide additional response capability.

Therefore, balancing the potential benefits of revenue and employment whether or not any development ever occurs, agency review and authorizations necessary before any activity may occur, existing regulatory restrictions and requirements to avoid or minimize potential future

effects, the regulatory power to impose additional limitations if necessary to avoid or minimize potential effects identified in future permit applications, and the low probability of occurrence of development and potential issues and effects identified at this point, proposed Sale 79 is in the best interests of the state.

## 2. Commercial Fishing

The area in and around proposed Sale 79 also supports a commercial fishing industry which is important to the communities of Yakutat and Cordova (Tables 7A, 7B, and 7C).<sup>54</sup> Within the proposed sale area itself, there are from 150 to 215 commercial salmon setnet fishery permits that generate an average \$3.3 million per year (Figure 3D).<sup>55</sup> An average of 35 percent of the coho salmon harvested by the Yakutat fishing fleet over the ten-year period from 1983 to 1993 came from the proposed sale area. The 1993 harvest of coho salmon from the Kaliakh River set gillnet fishery was 7,980 fish by eight boats over a 25 day period.<sup>56,57</sup> The Tsiu River 1993 set gillnet fishery count was 56,736 cohos in 20 days by 22 boats, or 86 percent of the Yakataga District harvest.<sup>58</sup> Sockeye salmon were also produced in these rivers; however, no catch numbers were recorded (ADNR and ADF&G 1993:X).

To the northwest of the proposed sale area, in the Bering and Copper River fishing districts, sockeye and coho salmon are the primary species harvested.<sup>59</sup> The commercial harvests of these species has become increasingly important to commercial fishermen due to the recent decline in pink salmon harvests in Prince William Sound. In 1993, the Copper River district had 508 permit holders harvesting over 1,732,000 salmon with an ex-vessel value of \$13,266,084 (Donaldson, pers. com., 3/28/94). In 1993, the Bering River area was fished by 153 boats, taking over 150,000 salmon for an ex-vessel value of \$963,171. Although the Copper River/Controller Bay pink salmon fishery failed in 1993, the sockeye salmon harvest was one of the highest of record. Between 1988 and 1992, the

In Yakutat, half of the households derive at least part of their income from commercial fishing, and commercial fishing and fish processing provide nearly half of the jobs in Cordova (USDOI, MMS 92-0052, 1993:153).

All streams within the proposed Sale 79 area east of Cape Yakataga were closed to commercial fishing in 1993 as many streams were dry of water by June (Weiland and Woods 1993:2). This is not a permanent closure, but is simply due to 1993 environmental and fish population conditions (Weiland, pers. com. 1994). The Kiklukh and Tashalich rivers were not fished by commercial setnetters in 1993 (Weiland and Woods 1993:17). The troll salmon fishery for area 189-50 (beyond the three mile limit) was zero.

This is down from a high count in 1989 of 16,858 at 25.35 days, and in 1990 of 13,785 in 20 days. However, the count was up from the low 1991 count of 4,379 in 25 days, and the 1992 count of 4,138 cohos in 25 days.

The Kaliakh/Kulthieth system is the only system in commercial fisheries management Area D (in over 200 miles of the northern Gulf of Alaska) that produces a 13 lb. weight average for coho salmon. The average weight for all other coho systems in Area D is around 9 lb (Shea 1994:5).

The 1992 count for the Tsiu River was 92,343 in 25 days; the 1991 count was 38,195 in 21.1 days; the 1990 count was 33,785 in 10 days; and the 1989 count was 62,939 in 18.75 days.

ADF&G reports that final figures for the various 1994 fisheries in the Controller Bay, Copper River Delta, Cape Suckling, and Cape Yakataga areas should be completed by October and the information will be given in the final best interest finding. Reports for the 1993 and previous years fisheries are shown here.

Table 7A: Commercial fisheries catch in Yakutat Statistical Area (Cape Suckling to Cape Fairweather)

# Ex-Vessel Values: Averages for 1990-1991-1992

Salmon setnet	\$3,993,432
Salmon troll	1,408,555
Shrimp	167,736
Scallops	2,375,667
Dungeness crab	2,771,091
Tanner crab	90,856
Halibut	1,371,466
Black cod	<u>3.284.574</u>
Average Value for 3 Years	\$15,463,377

Note: Values do not include poundages taken outside the Yakutat Statistical Area but delivered to Yakutat.

Source: ADF&G, Keith Weiland (Yakutat Commercial Fisheries) 7/23/93 memo.

Table 7B: Groundfish, Shoreside Deliveries Only, for Controller Bay, Cape Yakataga, Icy Bay, and Yakutat /

Species	1990 lbs.	1991 lbs.	1992 lbs.
Pacific cod	10,465	20,816	35,995
Flounder, general	24,593	-	-
Flounder, arrowtooth	77,070	5,958	10,045
Greenling, Lingcod	1,128	3,950	15,569
Perch, Pacific Ocean	52,124	200	36,489
Rockfish, Thornyhead	44,054	27,274	28,725
Rockfish, Yelloweye (Red Snapper)	942	1,355	12,612
Rockfish, Rougheye	6,209	17,290	25,207
Rockfish, Shortraker	43,049	573	8,970
Rockfish, Dusky	5,880	39	2,122
Rockfish, Unspecified, Demersal	1,000	9,177	-
Pollock ,(Whiting)	<b>11,688</b> -	-	2,998
Skate, general	1,103	2,156	15
Sablefish, (Black cod)	917,357	1,663,707	1,708,437
Other	<u>50.384</u>	<u> 26.760</u>	<u>46,917</u>
Total	1,247,046	1,779,225	1,934,101

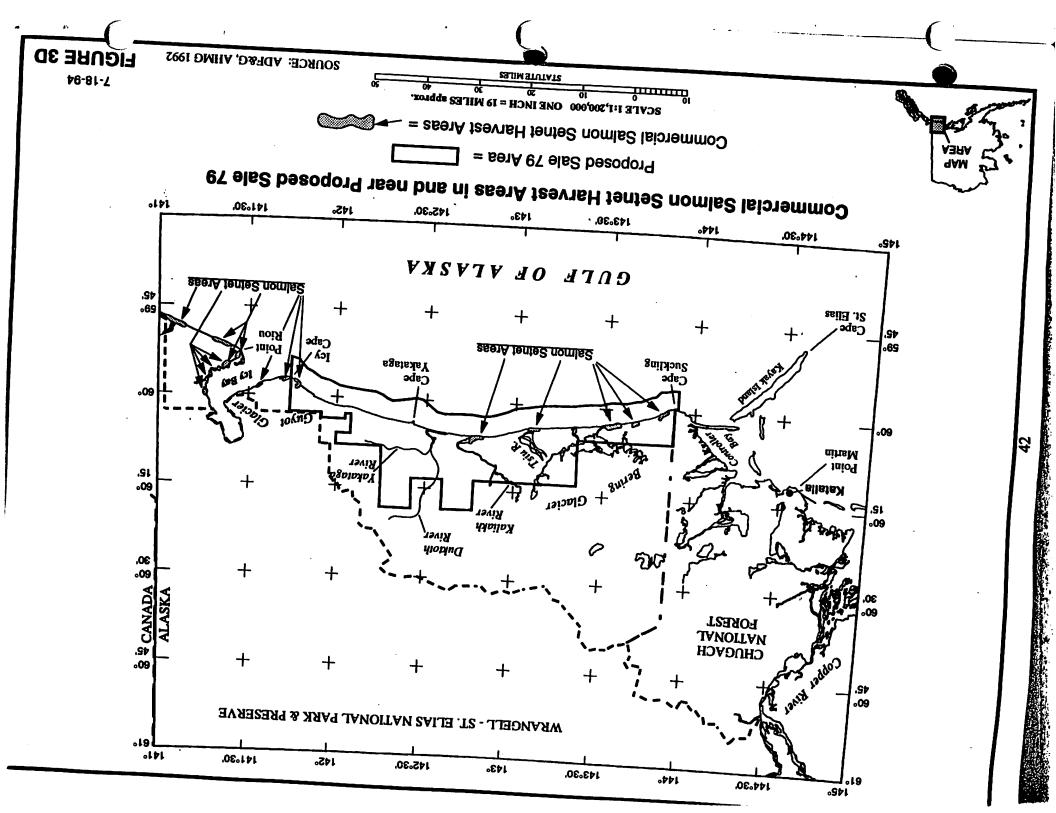
Source: ADF&G, Fish Ticket Database Reporting System, 8/2/93 (modified).

Table 7C: Commercial salmon catch by species (areas in proximity to Sale 79, Cape Yakataga)

Bering R	iver District								••••		
Year 1982 1983 1984 1985 1986 1987 1988 1989 1990	<u>King (c</u>	hinook) 254 610 330 215 128 34 19 30 14 28	1	ockeye) 129,667 179,273 91,784 26,561 19,038 16,864 7,152 9,225 8,332 19,181	86, 26, 42,	752 669 632 276	Pink 47 851 309 214 15 54 23 7 2		Chum 333 4,615 0,408 9,642 243 7 181 2 1	TOTAI 275,053 303,018 327,463 455,900 135,233 32,88 93,91 36,210 51,30 130,35	3 3 3 8 3 5 4 6
Copper	River Distric	<u>:t</u>									
1982 47, 1983 50, 1984 38, 1985 42, 1986 40, 1987 41, 1988 30, 1989 30, 1990 21, 1991 34		47,362 1,177, 50,022 633, 38,955 899, 42,333 931, 40,670 780, 41,001 1,180, 30,741 576, 30,863 1,025, 21,702 844, 34,787 1,206, to fishermen for salmon, Prince		,177,632 633,010 899,776 931,132 780,808 ,180,782 576,950 ,025,923 844,778 1,206,811 Prince Willia	454,763 234,243 382,194 587,990 295,980 111,599 315,568 194,454 246,797 385,086		7,154 7,345 32,194 19,061 3,016 31,635 2,775 25,877 1,596 1,246		1,177 2,217 6,935 5,966 17,614 14,796 11,022 5,845 7,545 20,220	1,688,088 926,837 1,360,292 1,586,482 1,138,088 1,379,813 937,056 1,282,962 1,122,418 1,648,150	
	inook) pper/Bering Wm. Sound	<u>1982</u> 1.40	<u>1983</u> 1.05	1.30	1.65	1.45	1.75	2.23	2.25	2.24	.65 1.00
Be	ckeye) pper River ring River n'I Purse Sein	1.01 0.80 0.80	0.95 0.95 0.85	1.15 1.00 0.95	1.50 1.55 1.10	1.65 1.65 1.35	1.90 1.90 1.45	3.20 3.00 2.68	2.30 2.30 2.00	2.13 2.13 1.50	1.28 1.28 1.00
	coho) opper/Bering .Wm. Sound	0.86 0.40	0.75 0.30	1.10 1.10	0.85 0.40	0.94 0.46	0.93 0.55	2.35 1.86	0.60 0.70	0.97 0.97	0.65 0.45
Pink 0.2	23	0.24	0.26	0.22	0.23	0.40	0.79	0.35	0.30	0.12	
Chum	<del></del>	0.38	0.24	0.26	0.29	0.33	0.39	0.73	0.35	0.70	0.40

<sup>\*</sup>Based on processor reports, fish tickets, and other sources. Prices are monitored throughout the season and a weighted average is generally used. Prices generally do not reflect post season adjustments. Prices are an estimate only; caution should be used if using these prices to estimate value.

Source: ADF&G, App. A7, information received from James Brady, 7/21/93.



# North Pacific Fishery Management Council

Richard B. Lauber, Chairman Clarence G. Pautzke, Executive Director

605 West 4th Avenue Anchorage, Alaska 99501



Mailing Address: P.O. Box 103136 Anchorage, Alaska 99510

> Telephone: (907) 271-2809 FAX: (907) 271-2817

November 18, 1992

Mr. Paul Lowry Minerals Management Service Alaska OCS Region 949 East 36th Street, Room 603 Anchorage, AK, 99508

Dear Mr. Lowry,

I am writing on behalf of the North Pacific Fishery Management Council (NPFMC) in response to your request for comments on a Notice of Intent to prepare an EIS for Proposed Oil and Gas Lease Sale 158. The NPFMC, one of eight regional Councils in the U.S., advises the U.S. Secretary of Commerce, who, through the National Marine Fisheries Service (NMFS), manages the commercial fisheries in the Exclusive Economic Zone (EEZ) off Alaska. This includes all fisheries which occur in the offshore waters between 3 and 200 mile.

As part of the scoping process on Proposed Lease Sale 158, we wish to bring to your attention the importance of commercial fisheries which occur there. The Yakutat area falls within the Eastern Gulf regulatory District defined in the Council's Fishery Management Plan for Gulf of Alaska groundfish. The proposed area, as depicted on the map you sent to us, includes the continental shelf edge, an area of particular importance to the commercial fisheries which are prosecuted in the Eastern Gulf. A variety of groundfish are harvested by commercial fishermen in this area with the most economically important being sablefish, halibut, and rockfish (some species of rockfish are currently characterized by low abundance levels and critical habitat dependence). In 1992, for example, approximately 10 million pounds of halibut, 18 million pounds of sablefish, and 11 million pounds of rockfish were taken from the Eastern Gulf area, along with several million pounds of various other groundfish species. The exvessel value of this harvest amounts to well over \$50 million.

The area off Yakutat, particularly the shelf edge, has been and continues to be an area of high productivity for the commercial fishing fleet. As part of the Council's federal responsibilities, mandated by the Magnuson Fisheries Conservation and Management Act, we feel that the proposed Environmental Impact Statement (EIS) should take into account the importance of the fisheries resources in this area, both from a conservation and an economic perspective. As this EIS is developed, we would be glad to provide more specific information to your agency regarding the fisheries resources in this area.

Please contact me if you have any further questions. We appreciate the opportunity to comment during this scoping process.

Sincerely,

Charence G. Pautzke Executive Director