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MMS Finalizes Cook Inlet Oil and Gas Sale

As a step to stabilize energy resources in south-central Alaska, the Minerals Management Service today announced an oil and gas lease sale in Cook Inlet. The sale opens relatively unexplored areas within Cook Inlet that have good potential for oil and gas, according to MMS. The Sale includes provisions to protect the important Cook Inlet fisheries. The Sale will be held in conjunction with the State of Alaska's Cook Inlet area-wide sale on May 19.

The sale area is located in Alaska's Cook Inlet in federal waters between three and 30 nautical miles offshore. The area covers about two million acres extending from just south of Kalgin Island to just northwest of Shuyak Island, in water depths ranging from about 30 to 650 feet. Shelikof Strait is not included in the proposed sale area. MMS removed from the sale proposal a band of blocks offshore the lower Kenai Peninsula and the Barren Islands, which include critical habitat for the endangered Stellar sea lion, and areas identified as special by the Kenai Peninsula Borough. These areas are also used for subsistence by the residents of Port Graham, Nanwalek, Seldovia and others.

MMS carries out a comprehensive regulatory program which covers all aspects of the industry's drilling procedures. Several requirements are attached to the sale to supplement these rules, including provisions for protection of fisheries, biological resources, and use of pipelines to transport any discovered production. The fishing stipulation requires companies to work with local fishing groups to avoid conflicts between exploration equipment and fishing gear.

The sale also offers, for the first time in the federal waters of Cook Inlet, a package of economic incentives for industry activity. These include a longer primary term of eight years, lower minimum bids of \$25 per hectare (\$10 per acre), annual rental rates of \$5 per hectare (\$2 per acre), and royalty suspension volumes. The RSV's would relieve royalty payments on a producing lease up to the first 30 million barrels of oil equivalent. The suspension applies to both oil and natural gas, and includes price floor and ceiling thresholds for oil. There is no ceiling or floor for gas at this time.

The south-central area of Alaska continues to grow and its demand for natural gas is rising. Cook Inlet has the potential to supply natural gas to the area. Industries within the Kenai Peninsula Borough rely heavily on oil and gas reserves, and are an important source of employment and municipal revenues for the region. Likewise Anchorage depends on Cook Inlet gas for much of its home heating and electricity generation.

The State of Alaska holds annual sales onshore in this area, where oil and gas companies are now exploring. MMS estimates that the offshore potential could exceed one trillion cubic feet of conventionally recoverable natural gas. These reserves can contribute an additional option for a long-term natural gas supply for the south-central region. Exploratory drilling in Cook Inlet also supports the President's National Energy Policy to expand the search for and development of new sources of energy for the nation while protecting the environment.

MMS oversees an extensive, multidisciplinary environmental, social, and economic studies program that evaluates the impacts of offshore oil and gas exploration and development on the OCS. Currently MMS has more than 20 planned or ongoing studies applicable to the Cook Inlet planning area. Ongoing studies include preparation of a sea ice atlas, an assessment of seabirds, an update of the oil industry labor factors, continued contribution to the Alaska Marine Mammal Tissues Archival Project, and a publication of a synthesis on the socio-economic effects of the oil and gas industry activity on the Alaska OCS. The University of Alaska Fairbanks is conducting several of the studies for MMS.

MMS prepared a single environmental impact statement for both proposed Cook Inlet sales 191 and 199. In preparation for Sale 199, scheduled for May 2006, MMS will write a consistency determination and either an environmental assessment or a supplemental EIS. MMS will seek public comment on the environmental document, which will focus on any new issues that may arise. All sale proposals will be available for public comment.

To request a copy of the final notice of sale, write to the Minerals Management Service at 949 East 36th Avenue, Anchorage, Alaska, 99508-4302, via email at akwebmaster@mms.gov, or call toll-free at 1-800-764-2627. The four-volume final EIS is available in hard copy, on CD-ROM, or on the MMS webpage at www.mms.gov/alaska. You may also view the Final EIS at libraries throughout the state.

The Minerals Management Service is the federal agency in the U.S. Department of the Interior that manages the nation's oil, natural gas, and other mineral resources on the federal outer continental shelf. The agency also collects, accounts for, and disburses mineral revenues from federal and American Indian leases. MMS disbursed more than \$8 billion in fiscal year 2003 and more than \$135 billion since the agency was created in 1982. Nearly \$1 billion from those revenues go into the Land and Water Conservation Fund annually for the acquisition and development of state and federal park and recreation lands.

Additionally, the State of Alaska receives 27% of all revenues generated as a result of federal leases that lie within 3-to-6 miles offshore the Alaska coast, and 50% of this money goes into the Alaska Permanent Fund Account.

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