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MMS Proposes Oil and Gas Sale in Cook Inlet

The Minerals Management Service today issued a proposal for a lease sale in Cook Inlet that may provide needed natural gas for south-central Alaska. The Proposed Notice of Sale for Cook Inlet OCS Lease Sale 191, tentatively scheduled for May 19, 2004, describes the potential sale area and requirements for protecting the environment. On November 14, 2003, MMS issued a final environmental impact statement that evaluates Cook Inlet OCS Sale 191 and Sale 199, scheduled for 2006.

The area proposed for leasing 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 narrow band of blocks offshore the lower Kenai Peninsula and the Barren Islands, which are critical habitat for the endangered Stellar sea lion. These areas are also used by the residents of Port Graham, Nanwalek, and Seldovia, and others for subsistence. MMS estimates that the deferred areas have a very low chance of oil or gas resources being discovered and produced.

MMS has a comprehensive regulatory program in place which covers all aspects of the industry's drilling procedures that have successfully minimized risk. Several requirements are attached to the sale to supplement these rules, including provisions for fisheries, biological resources, and use of pipelines to transport any discovered production.

The sale also offers for the first time in the federal waters of Cook Inlet a package of economic incentives. These include a longer primary term of 8 years, lower minimum bid (\$25 per hectare) and annual rental rates (\$5 per hectare) 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.

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. The State of Alaska holds annual sales onshore, 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 environmental, social, and economic studies program that evaluates the impacts of offshore oil and gas exploration and development on the OCS. Currently MMS is sponsoring nine ongoing studies applicable to the Cook Inlet Planning area including 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. MMS has a special relationship with the University of Alaska Fairbanks, which is conducting several of the studies.

MMS prepared a single EIS 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 have arisen between now and then. All sale proposals will be available for public comment.

To request a copy of the Proposed Notice of Sale or the Final EIS, 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 final EIS is also available on CD-ROM, four-volume hard copy, or on the MMS webpage at www.mms.gov/alaska. You may view the Final EIS at libraries throughout the state.

MMS 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. These revenues totaled more than \$6 billion in 2002 and nearly \$127 billion since the agency's creation in 1982.

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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