



# THE ALLIANCE

...for responsible development of Alaska's Oil, Gas & Mineral Resources  
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September 19, 2006

MMS 5-Year Plan Comments  
Ms. Renee Orr, 5-Year Program Manager  
Minerals Management Service  
381 Elden Street – MS 4010  
Herndon, VA 20170

To Ms. Renee Orr:

I'm writing on behalf of the Alaska Support Industry Alliance to support expanded leasing on the U.S. Outer Continental Shelf during MMS's 5-year leasing period, 2007-2012. We believe additional lease acreage is imperative in order to ensure adequate domestic oil and natural gas supplies. In particular, the Alliance advocates additional lease acreage in highly prospective areas of offshore Alaska, including the Beaufort and Chukchi seas and Bristol Bay. We also strongly urge that the moratorium on oil and gas activity in the North Aleutian Basin be lifted. These areas can play a critical role in providing new domestic oil and gas reserves.

The Alliance, whose 400 member organizations support responsible oil and gas development in Alaska and provide more than 30,000 jobs in the state, also supports MMS's proposed leasing schedule specifying sales for the Beaufort Sea in 2009 and 2011; for the Chukchi Sea in 2007, 2010 and 2012; for the North Aleutian in 2010 and 2012, and for Cook Inlet in 2009 and 2011.

Federal offshore acreage holds the greatest potential for finding and commercializing new domestic oil and gas resources over the next decade, but barely 10 percent of the OCS is currently available for oil and gas activity. With the exception of the deepwater Gulf of Mexico, Alaska's OCS acreage is the most prospective in MMS's portfolio. According to MMS's own analysis, the Chukchi Sea is the most prospective petroleum basin in the country.

Bristol Bay also is believed to hold enormous natural gas resources sufficient to support a significant LNG facility that would provide jobs and revenues for local communities, as well as natural gas for the U.S. West Coast. Such a project would generate thousands of construction jobs and 600-700 operations jobs in a region where unemployment is high most of the year, and local economies are almost totally dependent on fishing and government spending. MMS projects as much as 7 trillion cubic feet of gas reserves in the area – comparable in size to the Mackenzie Delta gas development in northwestern Canada. Industry believes Bristol Bay gas development can be performed at one-quarter the cost of development in the Mackenzie Delta. Due to shallower water depths, exploration in Bristol Bay also would be less costly than in the deepwater Gulf of Mexico.

Technology advances and prevailing high energy prices have significantly enhanced the economics of exploration, development and production in Alaska's OCS. Technology also has significantly reduced the environmental impacts and risks of offshore development. There's abundant evidence worldwide that the fishing and oil and gas industries can coexist – the North Sea in Norway, the Gulf of Mexico and Cook Inlet right here in Alaska. The Alliance encourages you to consider seasonal operating restrictions in order to further reduce risks to the region's fishing industry.

Platform and pipeline spills are uncommon, and in 40 years of oil and gas activity in the Cook Inlet OCS, there's never been a significant platform or pipeline incident. Companies that do business in Alaska lead the industry in their commitment to the environment, as well as their environmental performance. Furthermore, we're confident that the strong regulatory framework in which Alaskan oil and gas activity occurs will mitigate any environmental risks.

Finally, the Alliance encourages the MMS to include revenue sharing with states and local communities in its leasing plan. We believe areas that are most directly affected by oil and gas development should be allocated an appropriate share of the government revenues it generates.

With the gap between domestic energy supplies and demand growing, competition for global oil and gas resources rising, prices steadily increasing and the need for new and diverse sources of domestic energy becoming more urgent, America faces a formidable challenge to ensure ample energy to fuel our nation's future. Alaska's OCS can play a significant role in the solution to satisfying America's energy needs. For the sake of America's economic and environmental future, the Alaska Support Industry Alliance urges MMS to allow Alaska's Chukchi and Beaufort seas and the Bristol Bay and Lower Cook Inlet regions to fulfill their oil and gas potential by including and expanding lease acreage in these areas in its 2007-2012 OCS Leasing Plan.

Sincerely,

Paul Laird  
General Manager

c: Gov. Frank Murkowski  
The Honorable Ted Stevens, U.S. Senate  
The Honorable Lisa Murkowski, U.S. Senate  
The Honorable Don Young, U.S. House of Representatives

# Message Points on MMS 5-Year Plan, 9.06

## MMS 5-Year Plan

- Every five years, the Minerals Management Service (MMS), the government agency responsible for oil and gas leasing in the U.S. offshore, develops a 5-Year Plan.
- The current plan will determine where oil and gas leasing will occur during the period 2007- 2012.
- The 5-Year Plan process is a very public process. MMS designs the plan based on the input from interested stakeholders.
- MMS currently is accepting comments on the 2<sup>nd</sup> draft of its Draft Proposed Plan. **Deadline for comments on the draft plan is Nov. 24; deadline for comments on the draft Environmental Impact Statement is Nov. 22.** Both documents are available at [www.mms.gov](http://www.mms.gov).

## New Domestic Energy Sources Necessary

- The recent increase in oil and natural gas prices results from growing US and global demand for these products that has not been matched by an equivalent increase in available supplies. In short, supply is not keeping up with demand.
- America faces competition for energy supplies from growing nations such as China and India. Unless supply can be increased, prices will likely continue to rise.
- About 85% of the U.S. Outer Continental Shelf (OCS) is currently off-limits to oil and gas production.
- Many of those offshore areas where we are currently drilling for oil and gas are nearing their life expectancy.
- Federal offshore waters hold the greatest potential for finding new energy resources and bringing them to market in the next 5 to 10 years. The Wall Street Journal says that “now is the moment to reverse this policy.”
- Expanded Federal offshore development is in the U.S. national interest as a means of supply diversification, economic development, and revenue generation.

## Diversity of Supply

- Hurricane Katrina and its impact on energy prices shows us that it is wise to have a geographically diversified supply of oil and gas production.
- After Hurricane Katrina struck in August 2005, 92 percent of the Gulf’s oil output and 83 percent of its natural gas production was shutdown.

## Economic Development & Revenue Generation

- Domestic oil and gas development has a positive impact on the U.S. economy and on the federal treasury, since thousands of people are directly employed by the oil and gas industry and thousands more are indirectly employed by the industry.

- At \$6 billion annually, oil and gas production in the U.S. offshore and on Federal lands is second only to the IRS as a source of federal revenue.
- Industry is working with other interested parties on an initiative that would direct more money from offshore oil and gas production to states and local communities located near Federal offshore oil and gas activities

### **Alaska OCS**

- Alaska's Federal offshore waters are some of the most important potential future sources of U.S. Energy supply.
- MMS's estimates that the Chukchi Sea is the richest petroleum basin in the U.S.
- Regular lease sales are already being held in the Beaufort Sea.
- Bristol Bay and Lower Cook Inlet have great natural gas potential.
- Industry believes there are resources in Bristol Bay to support a significant LNG facility. Such a facility would provide jobs and a significant tax source for the local community. It would also help provide needed energy supplies to the West Coast.
- Given the long lead times needed for development of resources in Alaska key lease sales must be included in the 2007-12 MMS Plan.

### **Safety & Environment**

- Offshore oil and gas development has an outstanding safety and environmental performance record.
- In more than 40 years of operations, there's never been a significant platform or pipeline incident in Cook Inlet.
- Offshore oil and gas development is one of the safest industrial activities in the U.S.
- Offshore platform and pipeline spills are very rare and pale in comparison to oil introduced to the sea from natural seeps.
- The fishing industry and offshore oil and gas industries co-exist successfully as evidenced by the Gulf of Mexico and Norwegian North Sea. In fact, offshore platforms provide critical habitat to reef fish species and are highly valued by both commercial and recreational fishermen.
- Offshore development should only be done within a strong regulatory framework that protects the environment.

### **Objectives in the 5-Year Plan**

The plan involves a public process. MMS encourages public input and will not move forward without analyzing input from all stakeholders. An environmental impact statement is performed to consider the effects on areas proposed in the plan.

Please consider commenting on the 5-year Plan and encouraging:

- The consideration of additional acreage and regular oil & gas lease sales for Alaska offshore acreage, including Bristol Bay, Beaufort Sea, Chukchi Sea and Lower Cook Inlet;
- Lifting the moratorium on leasing and oil & gas exploration & production in the North Aleutian Basin;
- Revenue sharing with states and nearby communities for federal offshore leases.