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# Executive Summary

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# Executive Summary

The director of the Division of Oil and Gas (DO&G), with consent of the State of Alaska Department of Natural Resources (DNR) commissioner, determines whether issuing oil and gas leases serves the state's best interests (AS 38.05.035(e)). This document presents the director's written final finding and decision for the disposal of interest in state oil and gas through lease sales in the Alaska Peninsula areawide lease sales area. All relevant facts and issues within the scope of review that were known or made known to the director were reviewed. The director limited the scope of the final finding to the disposal phase of oil and gas activities and the reasonably foreseeable significant effects of issuing oil and gas leases (AS 38.05.035(e)(1)(A)). Conditions for phasing have been met under AS 38.05.035(e)(1)(C). The content of best interest findings is specified in AS 38.05.035(e), and topics that must be considered and discussed are found in AS 38.05.035(g).

## A. Director's Final Decision

After weighing the facts and issues known at this time, considering applicable laws and regulations, and balancing the potential positive and negative effects given the mitigation measures and other regulatory protections in place, the director finds the potential benefits of lease sales outweigh the possible negative effects, and the director finds that Alaska Peninsula areawide oil and gas lease sales will be in the best interests of the state of Alaska.

## B. Public Process

The process of developing a best interest finding includes opportunities for input from a broad range of participants, including: the public; state, federal and local government agencies; Alaska Native organizations; resource user groups; non-government organizations (NGOs); and any other interested parties. More information on public comments is found in Chapter Two.

## C. Description of Lease Disposal Area

The Alaska Peninsula areawide lease disposal area (hereafter referred to as the sale area) includes approximately 4 million gross acres onshore and 1.75 million gross acres of offshore state waters. There are 1,047 tracts ranging in size from 640 to 5,760 acres. The lease sale area is located on the north side of the Alaska Peninsula. The state owns the majority of land in the sale area. The rest consists of a mixture of Native, federal, and private holdings. The Aleutians East Borough, Bristol Bay Borough, and the Lake & Peninsula Borough are also major land owners. Only free and unencumbered state-owned oil and gas mineral estates within the tracts will be included in any leases issued. More detailed discussion of the sale area is found in Chapter Three.

## D. Habitat, Fish, and Wildlife

The Alaska Peninsula sale area exists in two ecoregions, mainly the Bristol Bay-Nushagak Lowlands and some portions of the Alaska Peninsula Mountains. The wide variety of terrestrial, freshwater, and marine habitats in the area include estuaries and lagoons; wetlands and tideflats; rocky islands and seacliffs; coasts; rivers, streams, and lakes; boreal forests/taiga; alpine and low arctic tundra; glaciers; and barren alpine.

A number of designated habitat areas, both state and federal, are found in or near the sale area. These include the Bristol Bay Fisheries Reserve; Izembek State Game Refuge; State of Alaska Critical Habitat Areas: Egegik Bay, Ugashik Bay (Pilot Point), Cinder River, Port Heiden, and Port Moller; Alaska Peninsula National Wildlife Refuge; Izembek National Wildlife Refuge; Becharof National

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Wildlife Refuge; Aniakchak National Monument and Preserve; and Katmai National Park and Preserve.

Freshwater and anadromous fishes are found in the area's waters. Numerous freshwater habitats provide expansive, nearly continuous fisheries habitat. All five species of Pacific salmon are found in the area. Up to 100 million salmon return to Southwest Alaska annually.

The terrestrial habitats support caribou, brown bear, moose, and furbearers. Marine mammals include Pacific walrus, beluga and gray whales, Steller sea lions, harbor seals, and sea otter. Some species are listed as threatened or endangered under the federal Endangered Species Act such as the Steller sea lion, the spotted seal and the southwest Alaska Distinct Population Segment of the northern sea otter. The above listed species are not included on the State Endangered Species List. The sale area is seasonally inhabited by migratory birds, providing staging, feeding, and nesting habitat for hundreds of species of shorebirds and waterfowl, numbering in the millions of birds. Additional information on the area's species and habitats is found in Chapter Four.

## **E. Current and Projected Uses**

Subsistence fishing, hunting, and gathering is the most consistent and reliable economic component for local communities. Commercial fishing, sport fishing and hunting, trapping, recreation, and tourism also take place in the proposed sale area. The largest sockeye salmon fishery in the world occurs in Bristol Bay. Sport fishing and hunting are also important to the area's culture and economy. Although recreation and tourism are not as popular as fishing and hunting, local communities are benefitting as more visitors are coming to view the scenery and wildlife, especially bears and birds. These uses are discussed in more detail in Chapter Five.

## **F. Oil and Gas in the Lease Sale Area**

Significant new information regarding the petroleum resource potential of the Alaska Peninsula has become available since the last best interest finding issued in 2005. A list of the information and documents considered and relied upon is included in a References listing at the end of each chapter. This information is the result of several years of integrated field and subsurface research led by DNR geologists. Based on available information, DNR has determined that the area offers reasonable hydrocarbon potential. Although past exploration has not yielded commercial production, there are indications that the necessary components of active petroleum systems may be present. Recent industry focus appears to be on natural gas as a more likely product than oil, and much of the gas potential is offshore beneath the federal waters of Bristol Bay. When informed by a robust, regionally extensive grid of modern scientific data that will be developed through this phased leasing process, DNR anticipates that much higher estimates of undiscovered oil and gas will likely result, than previously estimated by the U.S. Geological Survey. Petroleum potential and phases of exploration, development, production, and transportation are discussed in Chapter Six.

## **G. Governmental Powers to Regulate Oil and Gas**

All oil and gas activities are subject to numerous federal, state, and local laws and regulations. These government agencies have broad authority to regulate and condition activities related to oil and gas. Agencies include the Alaska Departments of Natural Resources, Environmental Conservation, and Fish and Game; the Alaska Oil and Gas Conservation Commission; the U.S. Environmental Protection Agency; the U.S. Army Corp of Engineers; the U.S. Fish and Wildlife Service; and local boroughs. Many of the regulatory and statutory authorities are discussed in Chapter Seven.

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## **H. Reasonably Foreseeable Effects of Leasing**

Potential activities to be permitted under future phases of the leasing process that could have cumulative effects on the area's habitats and fish and wildlife populations include seismic surveys, construction of support facilities, and drilling, production, and transportation activities. Some potential cumulative effects of these activities include physical disturbances that could alter the landscape, lakes, rivers, and wetlands; habitat change; behavioral changes of fish, wildlife and birds; drawdowns and contaminations of groundwater; and contamination of terrestrial, freshwater, or marine habitats from well drilling and production, gas blowouts, or spills of hazardous substances.

Oil and gas development could result in increased access to recreation, hunting, and fishing areas due to construction of new roads. This could also increase competition between user groups. Exploration and development could decrease the area's visual quality and attraction to tourists and could restrict local access to the area. However, increased access could benefit recreational and visitor uses by increasing the area available for those uses. Other potential benefits from oil and gas development include a potential increase in wage earning opportunities to supplement subsistence activities.

If unregulated, oil and gas activities could potentially affect local landowners and surface users, habitats, fish, and wildlife, air quality, subsistence, viewshed, recreational, and sport and commercial uses. Local residents' use of the area requires access to it. Any activity, facility, or structure that restricts access could have an adverse impact on local residents, especially if private property is involved. However the terms of each individual oil and gas lease require that public access to the leasehold area may not be restricted, except immediately around facilities. Mitigation measures included in this written finding and those developed through permitting in future phases, along with laws and regulations imposed by state and federal agencies, are expected to mitigate these potential effects.

Oil and gas activities may also have effects, including fiscal, on communities. Positive potential effects are job creation, a small initial contribution to state revenues, and the potential to local use of oil and gas to lower energy costs. If local and Alaska residents and contractors are hired for work in the lease area, to the extent they are available and qualified, the multiplier effect may benefit local and state economies. More information about potential effects is found in Chapter Eight.

## **I. Mitigation Measures**

Mitigation measures address protection of private property; water quality and aquifers; air quality; facilities and operations; habitat, fish, and wildlife; subsistence, commercial, and sport harvest activities; management of fuels, hazardous substances, and wastes; potential spills of hazardous substances; and access. Mitigation measures are found in Chapter Nine.