



KENAI PENINSULA BOROUGH

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DALE BAGLEY
MAYOR

March 19, 2004

Commissioner Tom Irwin
Department of Natural Resources
550 W. 7th Ave., Suite 1400
Anchorage, AK 99501

Re: Cook Inlet Royalty In-Kind Gas

Dear Commissioner Irwin:

I am writing you today on behalf of the Kenai Peninsula Borough Administration to express our support for beginning the process to develop a best interest finding and solicitation for a sale of Cook Inlet royalty in-kind (RIK) natural gas. There are many reasons for developing a best interest finding to fully examine this proposed royalty in-kind natural gas sale. But by far the most important reasons are those based on the impacts to the local and state economies.

As you know, the Cook Inlet is home to the majority of the value-added industrial base in Alaska. And that industrial base relies on natural gas for feedstock. These industries, specifically the Agrium Nitrogen Plant, the Tesoro Refinery and the ConocoPhillips LNG plant, are home to 65% of the chemical manufacturing jobs in Alaska and a majority of Alaska's value-added hydrocarbon based exports. This billion dollar industry is a vital part of the economy of the Kenai Peninsula Borough and the State of Alaska. And hundreds of high paying jobs created by these industries rely specifically on reasonably priced supplies of natural gas.

Recently, issues related to deliverable natural gas supplies and natural gas prices have created a supply shortage situation that has put several hundred jobs at risk at the Agrium Nitrogen plant if solutions to these problems are not identified. While a RIK natural gas sale may not ultimately solve these problems, it is important that this option be fully explored through the process of a best interest findings and solicitation for offers. The Kenai Peninsula Borough Administration urges the Department of Natural Resources to commence the best interest findings and solicitation process as soon as possible.

Sincerely,

Bill Popp
Oil & Gas Liaison

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Dick L.
Marty R.
Nancy W. - cc: Mayor Dale L. Bagley

DEPARTMENT OF
NATURAL RESOURCES

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