

May 30, 2012

NPR-A IAP/EIS Comments
AECOM Project Office
1835 South Bragaw Street, Suite 490
Anchorage, Alaska 99508

RE: Comments on Draft Integrated Activity Plan/ EIA for National Petroleum Reserve-Alaska:

As an elected official I normally do not to provide comments for the record on land planning efforts in Alaska, instead responding once issues reach the level of congressional review. But given the vital importance of the resources underlying the National Petroleum Reserve-Alaska to the State of Alaska's and the nation's long-term economic, energy, national security and environmental well-being, I am submitting a series of comments on the current planning effort for the nearly 23-million acres of northern Alaska contained within the boundaries of the reserve.

I am writing in support of the agency generally adopting management plan Alternative D, the alternative that will provide the most freedom for development of the hydrocarbon resources of the former Naval Petroleum Reserve #4 in the future. While I support the importance of the Department of the Interior protecting key wildlife and waterfowl habitat, *the rationale for the designation in the National Petroleum Reserve-Alaska of additional river segments as Wild and Scenic or the creation of new or expanded "Special Areas" is not clear, and would apparently serve no other unmet goal than impeding pipeline construction or petroleum development.*

I supported a 10-year deferral of any petroleum leasing in an area northeast of Teshekpuk Lake in 2008 to provide additional time to consider the protections needed for migratory caribou and for waterfowl that nest in the wetlands near Alaska's Arctic coast. Given the odd and seemingly rushed planning effort and recent resource findings not fully reflected in the current draft plans, however, I am forced to strongly voice my support for Alternative D at this time.

When President Warren G. Harding 91 years ago issued his executive order (Public Land Order 3474, dated May 31, 1921), the President did so because of his view that while it is vital for America to protect the wildlife and environment of our public lands, it is also vital for our national security and our economic well-being to protect the ability for the nation and its military to gain access to oil and natural gas from lands that contain such hydrocarbons, since they unfortunately do not exist everywhere and often are located in places where we might wish they were not. The primary purpose of the four petroleum reserves then created were to protect access to oil and natural gas for America in the "likelihood of a sustained interruption in oil supplies" as noted by a 2002 Congressional Research Service report.

When Congress in 1976 transferred NPR-A from the Navy's control to that of the Department of the Interior (PL 94-258 (90 Stat. 303) it made clear that while the Secretary of the Interior is authorized in Sec. 103 (b) to "promulgate such rules and regulations as he deems necessary and appropriate for the protection of *such* ("environmental, fish and wildlife and historical or scenic") values within the reserve," the law in Sec. 102 made it equally clear that "all other provisions of law heretofore enacted and actions heretofore taken reserving such lands as a Naval Petroleum Reserve shall remain in full force and effect." In my view that means that the primary purpose for the reservation of the 23 million acres remains in force and is for the development and production of vitally needed hydrocarbon reserves for this nation. My concern, as I read the current draft plan, is that the Bureau of Land Management (BLM) is proposing to effectively make the goal of energy production subservient to the promotion of wildlife and the creation of new de facto wilderness areas in Alaska if several of the planning alternatives are implemented. That presents economic, policy and legal problems for me on several grounds.

When Congress passed the Alaska National Interest Lands Conservation Act (PL 96-487 (94 Stat. 2371)) in 1980 it contained what Alaskans term as the "no more" clause that simply says that Alaska has given its share of land for federal Conservation System Units (CSUs). Sec. 101(d) contains the following general guideline and states that the need for more parks, preserves, monuments and wild and scenic rivers in Alaska has been met: "(d) This act provides sufficient protection for the national interest in the scenic, natural, cultural and environmental values on the public lands in Alaska. ... accordingly, the designation and disposition of the public lands in Alaska pursuant to this act are found to represent a proper balance between the reservation of national conservation system units and those public lands necessary and appropriate for more intensive use and disposition and thus Congress believes that the need for future legislation designating new conservation system units, new national conservation areas or new national recreation areas has been obviated thereby."

Section 1326(b) of the act further specifically bars federal agencies from even being allowed to study lands for consideration for CSU designations unless the Congress specifically authorizes the studies. By this plan you are specifically considering the creation of between three and 12 new Wild and Scenic Rivers in Alaska as proposed in Alternatives B and C – the Department having a different view from Alaskans as to whether such consideration has been "authorized" or needs to be specifically authorized, by Congress for such designations to even be considered to take place in Alaska.

I believe two of the four alternatives that you are considering violate ANILCA and various NPR-A authorizing Acts by proposing to place up to 52 percent of the reserve (7.2 million acres) into special use areas that would be off limits to hydrocarbon production. Congress in February 1920 and again in June 1920 (41, Stat. 437 and 41 Stat. 912) specifically authorized the President to permit the drilling of additional wells inside any Naval Petroleum Reserve.

You correctly note in the plan that the U.S. Geological Survey recently downgraded its estimates for the amount of oil likely to be recovered from NPRA. But I find basing a management plan only on the most recent 2010-11 USGS estimates as shortsighted as it would have been to base a management plan on the May 2002 USGS estimates that dramatically increased the forecasts for oil reserves under NPRA compared to the 1980-era estimates by

USGS that placed the forecast reserves at a far lower number. At the time of the first 1983 modern-era lease sale in NPR-A, the USGS forecast was for technically recoverable resources of 820 million to 5.4 billion barrels. In 2002, USGS raised that forecast for technically recoverable oil to 5.9 to 13.2 billion barrels.

The most recent estimates that you cite in the planning effort drop the forecast back to a range of between 100 million and 2.7 billion barrels of oil with a mean forecast of 604 million barrels. But the USGS forecast, dated October 2010, presented to my office places that mean estimate at 896 million barrels of oil – 48 percent more oil than you base your planning process upon. I hope that discrepancy in forecasts will be resolved before a final land plan is completed. But, my bigger concern is that you largely discount the importance of NPR-A for natural gas production and totally ignore its oil shale potential.

As I read the USGS's most recent assessment, it predicts technically recoverable natural gas resources in conventional accumulations within NPR-A at a mean of 52.8 trillion cubic feet of natural gas, substantially more than the 17.55 trillion cubic feet upon which your plan is predicated. The USGS report provided to my office in October 2010, shows a 5% chance that NPR-A will yield 77.5 trillion cubic feet of conventional natural gas and a 95% chance that it will contain 31.0 trillion cubic feet – still far above the 17.55 tcf estimate that your plan is based upon. I truly hope that the final plan will clarify the 78% discrepancy between these figures.

I point this out because while the nation currently has a growing supply of natural gas due to advances in shale gas production, the nation may well need conventional natural gas reserves from Alaska for economic and national security reasons should recent trends in shale gas production reverse themselves because of greater experience on the rates of shale gas production falloff over time, changes in environmental regulations limiting or increasing the cost of hydraulic fracturing of rock, or because of other economic factors. Alaska for its long-term economic health certainly will need sufficient gas to be discovered on the North Slope so that it is economic for the installation of a large diameter natural gas pipeline to bring North Slope gas reserves to market. While there are 35 trillion cubic feet of known reserves at Prudhoe Bay and Point Thompson, to make an Alaska gas line economic to build, it is quite likely that larger reserves will be needed.

By USGS and BOEM estimates compiled by the Department of the Interior and released on March, 1, 2012, all of Alaska may contain a mean estimate of 249.2 trillion cubic feet of conventional natural gas and 394.7 trillion cubic feet of gas when methane hydrates and coalbed methane are included. While only a fifth of that gas will come from NPR-A itself, according to the estimates, far more than half of that gas will need to travel by pipeline across NPR-A from the Chukchi and Beaufort Seas and other Arctic OCS finds to access a Trans-Alaska Gas Pipeline near Prudhoe Bay. Those reserves are vital for the nation's and Alaska's economic future.

While you mention that several of your plan alternatives do not bar such an east-west delivery pipeline through NPR-A from being approved as part of a separate DEIS process, there is substantial evidence throughout the draft plan that the route for such a pipeline, its economics and its economic usefulness to facilitate additional oil production from satellite fields in the central areas of NPR-A might be drastically lessened by adoption of Alternatives B or C. In my

view, only Alternative D should be adopted unless a corridor is sought and approved for delivery of additional natural gas to a Trans-Alaska gas pipeline under other Alternatives. That will prevent complications on pipeline routing and river crossings from occurring should additional Wild and Scenic Rivers ever be designated by Congress, and will prevent routing issues from additionally restrictive measures to protect new “special use” areas.

The plan ignores the most recent assessment of oil shale potential in Northern Alaska. In February 2012, the U.S. Geological Survey released its assessment that oil shale from the Shublik, Kingak and Brookian formation source rocks may produce up to 2 billion barrels of oil and up to nearly 80 trillion cubic feet of natural gas, the mean forecasts at present being 849 million barrels of oil, 79.785 trillion cubic feet of gas and 262 million barrels of natural gas liquids. The report, admittedly not available to BLM as you prepared your NPR-A plan, is less specific as to the amounts of shale oil and gas that lie inside the boundaries of NPR-A compared to neighboring state lands to the east. Still I do not believe that the BLM plan should proceed and be finalized without taking oil shale data into account. And further I believe the plan should be delayed at least until a currently underway exploration effort by Great Bear Resources casts light on the economic viability of oil and potentially gas shale development on Alaska’s North Slope.

USGS in briefings this spring to Congress made it clear that their resource estimates of both oil and gas shale are currently statistically conservative until efforts confirm the economics of oil and gas shale recovery in Alaska. If the viability of oil and gas shale production is confirmed, then the estimates of potential, technically recoverable shale oil and gas resources will shift from a probability range of 0 to 2 billion barrels for oil, to some considerably higher estimate. There is no reason to proceed with the current planning effort that could well result in placing a large percentage of future oil and gas shale lands off limits to development until there is a better estimate of the amount of resource that might be precluded from development by adoption of the current planning alternatives. Clearly shale oil production may entail environmental impacts that will be unacceptable from an environmental standpoint – notably in the Teshekpuk Lake region. I believe that at the least, however, that decision should be made only after an informed discussion is possible on the amount of resource that will be foregone, should several of the planning alternatives prevail.

The oil and gas shale resource discussion is just one of the reasons why I doubt the need for completion of a comprehensive plan for the area *at this time*. Currently some 4 million acres of Northwest NPR-A are being managed under a plan finished in 2004. A larger area in Northeast NPR-A is being managed by a plan finished in 2008, just four years ago, and the region along the Colville River is being managed by a Special Area Management Plan. Outside of a political decision by the Administration that it wants to complete a new “comprehensive” management plan for NPR-A prior to the end of its current term in January 2013 and perhaps before November’s election, I can find few convincing reasons for why BLM has engaged in the expense of this planning effort at this time. The BLM has many obligations to the State of Alaska that they are currently unable to fulfill due to funding shortfalls. Normally land plans extend for 10 to even 15-year lengths and it is hard for me to understand the need for a new planning effort until at least 2014, even given the Endangered Species Act listing efforts for the polar bear, for the Pacific walrus and bearded and ringed seals.

A case in point is that BLM is basing its analysis of economically recoverable oil and gas assuming projections for oil at \$180 per barrel (compared to current prices approximately \$100 per barrel). The plan is assuming a price for natural gas of \$9.33 per thousand cubic feet, where the current U.S. Lower 48 price for gas is approximately \$2.00 per thousand cubic feet. While I appreciate that the oil and gas price forecast plan assumptions are likely favorable for supporting oil and gas development in the reserve, the forecasts may be very hard for BLM to support, threatening the legal viability of the planning effort, should the plan be challenged. The prices used by BLM certainly are far higher than those forecast by the Department of Energy's Energy Information Agency, which in 2011 placed its mean forecast for the price of oil in 2035 at \$125 a barrel in 2009 dollars. The forecast market prices are just another reason why I believe the planning effort should be delayed until global energy price forecasts for the future stabilize – something not expected to occur by autumn 2012, the target date for completion of this planning effort according to BLM. I question and request an explanation for the methodology in addition to disputing the conclusion which this analysis supports.

I note, importantly, that President Obama announced on May 14, 2011 the accelerated development of the NPR-A. He did not request action from Congress to enable this acceleration and made no mention of identifying new areas to restrict from development. It will be unlikely if not impossible for Americans to take this commitment seriously under any considered alternative other than Alternative D, and it would be a “bait and switch” to advertise such accelerated development only to keep the area under status quo access levels or, worse, to place additional areas into any form of protected status. Alaskans of all political affiliations support development in the NPR-A and expect promises from the federal government to be kept in this regard; Americans likewise expect Congressionally designated petroleum fields to be developed as such and are averse to needless sterilization of valuable resources.

My chief concern with the planning effort is that even though the narrative says the plan will not make it impossible to select and permit a pipeline corridor across NPR-A to bring northern off-shore oil and natural gas to land, that the location of several of the proposed Wild and Scenic Rivers in two of the alternatives would force the pipeline onto a far southern route corridor, a route that might, depending on soil conditions, increase its cost to a prohibitive level and fail to allow for an efficient route for purposes of a common carrier line. Such a route might well make oil production from eastern NPR-A, not from the current CD-5 area, but from future marginal oil units, less economic. My understanding is that Shell Oil, for one, this summer is planning field work to assess the economic and environmental issues that may face a pipeline routing across NPR-A. I firmly believe that BLM's planning effort should be delayed until the industry has a chance to propose a potential route across the reserve and consider the environmental impacts and the economic effects a pipeline will have on improving or harming the economics for additional oil development in areas south of Teshekpuk Lake – in areas that all of the alternatives propose to remain open to oil and gas leasing.

Furthermore, I both fear and have reason to believe that the concerted nationwide effort from activist environmental groups in support of Alternative B is aimed less at preserving non-energy values of the National Petroleum Reserve and instead more aimed at frustrating any construction of pipelines within or across the area so as to delay or add cost to the development and transportation of energy resources from offshore areas. Only Alternative D will allow for

appropriate balance between the NPRA's purposes. I expressly request that, when the public comments are reviewed, they be classified to reflect the respective quantities of original comments versus "form letter" or otherwise such mass-generated comments requiring little effort from prompted individuals. I also request that the comments be classified so as to reflect how many originated from Alaskans versus non-Alaskans, including state-by-state or region-by-region breakdowns.

I continue to review the nearly 700-page plan and likely will have additional detailed concerns with the planning document. I would like to note that my staff did not receive a hard copy of the planning document until Thursday, May 25, only days before the original comment period deadline. The website with the documents supporting the draft displays well over 80 separate .pdf files; these each take substantial time to load on a computer, especially in many areas of Alaska which are confined to relatively slow Internet connection speeds. It is unclear to me why these documents would not be also available in consolidated form and simply posted on a webpage in simple text format rather than individually parceled out in such large data files. In any event, substantially more time for review and comment generation is necessary.

I appreciate the 15 days comment extension, but consider this addition insufficient for purposes of our addressing the issues outlined here. I urge you to extend the time for public review and comment on the plan at least by an additional 60 to 90 days. Seventy-five days is insufficient to review and carefully research comments on the 23 million acres – a full 6 percent of Alaska – that would be impacted by the plan. BLM is proposing to provide the same timeframes for comments as allowed by both the far smaller planning efforts in the Northeastern and Northwestern NPR-A.

Alaskans have more at stake, so require and deserve more time to consider issues such as the protection of the Western Arctic caribou herd, the state's largest, of the need for changes to the Kasegaluk Lagoon Special Area to protect birds and marine mammals, how the plan indirectly impacts future mineral and coal production on Native lands west of the NPR-A boundary, and as to how it will impact development along the Colville River Valley. If several of the provisions from Alternatives B and C were to appear in a final plan, it would radically change the likelihood of energy exploration and development in large areas of NPR-A in the future and affect Alaskans for decades to come.

For these reasons, I support Alternative D. Alternative A, while not as offensive to the purposes of the NPR-A, remains unsatisfactory on a policy level, particularly from a standpoint of Congressional intent. If Alternative B or C is adopted, I will pursue its legislative reversal.

Sincerely,

Lisa Murkowski,
U.S. Senator, Alaska