



KENAI PENINSULA BOROUGH

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**DALE BAGLEY
MAYOR**

October 10, 2005

Ms. Renee Orr
5-Year Program Manager
Minerals Management Service
381 Elden Street, Room 3120, MS-4010
Herndon, VA 20170

RE: Call for Comments- 2007-2012 5-Year Outer Continental Shelf (OCS) Leasing Program

Dear Ms. Orr:

I am writing you today to express the strong support of the Kenai Peninsula Borough Administration for including the Cook Inlet in the 5-Year Offshore Oil and Gas Program for 2007-2012. This support is a continuation of the past support the Kenai Peninsula Borough has given for the inclusion of Cook Inlet in previous 5-Year leasing programs.

The Kenai Peninsula Borough has a long and, for the most part, positive history with oil and gas exploration and development. Oil and natural gas development and production continues to provide thousands of jobs and significant contributions to the economy of the Kenai Peninsula Borough, as well as significant contributions of tax dollars that provide important services to the citizens of the Kenai Peninsula Borough.

Over 1.5 billion barrels of oil and over 7 trillion cubic feet of natural gas have been produced within the Cook Inlet Basin since 1957. This development has taken place with no significant impacts on the other key industries within the Kenai Peninsula Borough including commercial fishing and tourism. Nor have there been any significant impacts on the general environment within the Cook Inlet Basin.

In recent years, the production of natural gas and oil in Cook Inlet has been in decline. Those declines are now beginning to adversely impact important manufacturing operations within the Kenai Peninsula Borough. These operations include the Agrium Nitrogen plant, one of Alaska's largest exporters, as well as the Tesoro Petroleum Refinery. Tesoro is particularly of concern considering that this one facility provides significant portions of the gasoline, diesel and aviation fuels that are consumed in Alaska, as well as international air cargo carriers that refuel at Ted Stevens Anchorage International Airport. In the past, the entire 65,000 barrels of crude per day processed by Tesoro were produced from within Alaska. Today, one third of that daily crude oil requirement is now imported from foreign sources such as Indonesia. This is a growing trend

that requires significant new exploration if it is to stopped or reversed. The Cook Inlet OCS offers significant new exploration opportunities that should be offered in the new 5-Year plan.

The Kenai Peninsula Borough has worked diligently to support the inclusion of Cook Inlet in the previous 5-year Leasing Program, and also supported the proposed lease sales 191 and 199 through out the Environmental Impact Study process for those sales. Results of this effort included broad public support for these sales. This new level of support was based on the inclusion, to the greatest degree possible, of the tenants of the Tri-Borough position paper that clearly defined the five key concerns of the local governments of our region. The Kenai Peninsula Borough Administration continues to require that any leasing, exploration or development efforts within the Cook Inlet OCS adhere to the policy positions of the Tri-Borough Position paper.

The Kenai Peninsula Borough Administration supports, through the responsible exploration and development, the inclusion of the OCS region of the Cook Inlet in the 2007-2012 OCS Leasing Program. These regions are important to the continued health of the oil and gas industry in the Kenai Peninsula Borough and Alaska, and to the economic future of the entire State of Alaska.

Respectfully,

Dale L. Bagley
Mayor

Cc: The Honorable Governor Frank Murkowski
The Honorable Senator Ted Stevens
The Honorable Senator Lisa Murkowski
The Honorable Congressman Don Young
Mr. John Goll, Alaska Region Director, MMS
Mr. Mark Myers, Director, AK Division of Oil & Gas