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## Kenai borough affirms call for lease buyback

**SHALLOW GAS: State senator says Homer wants to share benefits without bearing development risk.**

By TOM KIZZIA  
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HOMER -- The Kenai Peninsula Borough Assembly stood by its call for a buyback of local shallow-gas leases Tuesday, despite a withering letter from a local state senator blasting its action.

Sen. Tom Wagoner, R-Kenai, issued an open letter around Christmas defending the state's shallow-gas leasing program and criticizing people in the Homer area as selfish.

"Here's a suggestion -- perhaps those people who support (a buyback) should step forward and turn in their Permanent Fund Dividend check," Wagoner wrote.

He said he was "ashamed" of the borough assembly's recent 6-3 vote supporting the buyback.

"Which project that is on the Peninsula's priority list is going to be removed to let this new priority take its place?" he asked.

The assembly approved the resolution Dec. 16, citing a lack of public notice for the leases, which took the normally vigilant Homer area by surprise. The assembly resolution called attention to leases in the city's reservoir watershed, and called on the Legislature to reverse a new law giving the state power to override local regulation of shallow gas development.

In a 5-4 vote Tuesday, the assembly declined to take up the measure for reconsideration.

Kenai Peninsula Borough Mayor Dale Bagley opposed the measure, saying it sent an anti-business message. Asked at the assembly meeting if he planned a veto, Bagley said he hadn't decided.

The state sold 22,000 acres of subsurface rights in the Homer area under its new shallow-gas program, receiving several thousand dollars in filing fees and annual rents of \$1 an acre. Most of the Homer area leases have been picked up from the original leaseholder by Unocal. After news of the leases spread last summer, several large protest meetings were held.

The local friction over the leases runs along a familiar political faultline dividing Kenai, the borough's oil capital, and Homer, where anti-oil sentiment has been strong for years.



SEN. THOMAS WAGONER, R-KENAI

"Perhaps those people who support (a buyback) should step forward and turn in their Permanent Fund Dividend check," Sen. Tom Wagoner, R-Kenai, wrote in an open letter last month. ()

[Click on photo to enlarge](#)

Wagoner, whose district stops well north of Homer, said Homer residents want everyone else to put up with oil and gas development.

"I'm confident that if we left the good people in the Homer area in charge, they would never provide for this resource that benefits all of us -- including them," he wrote.

"Instead, they want to have their Peninsula neighbors (Nikiski, Kasilof, Ninilchik, etc.) as well as other areas of the State ... take any risk and then share in the benefit of the tax base generated by those risks. Oh, and still take their Permanent Fund Dividend check, of course."

Homer assemblywoman Milli Martin, a sponsor of the resolution, released a letter responding to Wagoner saying Homer has a healthy economy based on tourism and fishing. The potential impacts to that economy from shallow-gas development should have been weighed publicly before the leases were sold, she said. Posting a notice on the post office wall behind the stamp machine was not fair notice, she said.

"The attendance at the two public hearings in Homer, conducted long after the fact, certainly demonstrated community feelings," Martin wrote. "Where is, where was, the consideration for that before the leases were let?"

Wagoner's position puts him at odds with two other Republicans in the Legislature's Kenai-Kodiak caucus. Rep. Paul Seaton, R-Homer, and Sen. Gary Stevens, R-Kodiak, have introduced bills calling for the state to buy back the controversial leases.

Seaton said Wednesday that state policy has opposed oil and gas development in the Homer area since offshore leases were bought back in Kachemak Bay in 1976. In fact, he said, the only reason the area was open for the state's new shallow-gas program was that it had been excluded from regular areawide leasing for environmental and community reasons.

"You don't do everything everywhere," Seaton said in response to Wagoner's argument for gas development in Homer. "Using that philosophy, you would never have any national parks, either."

Wagoner was traveling this week and could not be reached for further comment.

Defending the gas-leasing program in his letter, Wagoner spelled out the public notifications given in 2000 as the state prepared to lease the benchland subsurface around Homer, much of it under private lands.

In her response, Martin said leases in the Matanuska-Susitna Borough received more publicity, and, in response to public complaints, the Talkeetna area was removed from the sale. She said public discussion in Homer would probably have led to a similar result.

Backers of the borough resolution said the main issue was good government and public participation, not development of the lower peninsula.

Wagoner also said he was offended by charges that the Legislature had pre-empted local planning and zoning authority over gas development last year with House Bill 69. He said he had worked with the Alaska Municipal League to improve the measure, but added that the state's interest may sometimes override local concerns.

"My own Borough Assembly has suggested ... that they are better equipped to handle this type of development," Wagoner wrote. "I find that to be an intriguing concept from a second class borough that has no zoning authority."

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