



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

ANILCA Implementation Program

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June 21, 2013

Andy Lorenger, Refuge Manager
Kenai National Wildlife Refuge
2139 Ski Hill Rd.
Soldotna, AK 99669-2139

Dear Mr. Lorenger:

The State of Alaska reviewed the Shadura Natural Gas Development Project Final Environmental Impact Statement (EIS), which evaluated a proposed right-of-way (ROW) application from NordAq Energy Inc. to provide inholder access for construction and operation of facilities associated with exploration and production of natural gas from Cook Inlet Region Incorporated (CIRI) subsurface estate within the Kenai National Wildlife Refuge, pursuant to Section 1110(b) of the Alaska National Interest Lands Conservation Act (ANILCA). The following comments represent the consolidated views of the State's resource agencies.

As noted in our comments on the Draft EIS, there is a well-documented need for development of oil and especially, gas resources in Cook Inlet. This project will help to address that need. The applicant's proposal is essential for resource development in the area, and may provide the opportunity for additional exploration and development of federal, private, or adjacent state resources in the future, while also minimizing surface disturbances. The applicant holds a state oil and gas lease adjacent to the Refuge, and has also applied for an access easement with the Alaska Department of Natural Resources (ADNR) Division of Mining, Land, and Water. This easement (ADL 231291) would connect to the applicant's proposed ROW in the Refuge. On state land, the location of the proposed easement would be on land that has already been disturbed, and authorized for the applicant's use via their plan of operations for oil and gas activities. Again, access to the proposed drilling site on Refuge land is required for continued delineation and testing of gas resources within the project area. The exploration and development work on the Refuge may also lead to discovery and development of contiguous oil or gas resources.

The USGS assessment of Cook Inlet oil and gas resources estimated that total *undiscovered* oil resources range between 108 and 1,359 million barrels of oil, and a range between 4,976 and 39,737 billion cubic feet of natural gas.¹ Recent evaluations of material balance of the natural gas reservoir

¹ USGS (U.S. Geological Survey), 2011, "Assessment of Undiscovered Oil and Gas Resources of the Cook Inlet Region, South-Central Alaska, 2011", <http://energy.usgs.gov>

pressures over time can estimate how much gas remains in producing gas wells. Another assessment technique involves geologic analysis of the subsurface that interprets known natural gas reservoir horizons to estimate trapped volumes of gas. ADNR has estimated that there remain about 1.1 trillion cubic feet (Tcf) of producible gas reserves in the existing oil and gas fields of Cook Inlet, with another estimated 355 billion cubic feet (Bcf) of natural gas in undeveloped areas. Access and exploration could delineate these reservoirs, and provide more definitive resources estimates.²

As you are aware, ANILCA Title XI recognized the future need for transportation and utility systems (TUS) in the State of Alaska and the need for access to state and private inholdings within or effectively surrounded by conservation system units and other designated areas. The Act and Department of Interior implementing regulations at 43 CFR Part 36 established a single, coordinated process for federal agencies with permitting responsibilities to follow when considering applications for transportation and utility systems, including those necessary to provide access to state and private inholdings. This process applies to “appropriate” federal agencies, which is defined as “...*a Federal agency...that has jurisdiction to grant any authorization without which a TUS cannot, in whole or in part, be established or operated*” (43 CFR 36.2(d)).

Regulations at 43 CFR 36.10 implement ANILCA Section 1110(b) and establish procedures and criteria for providing adequate and feasible access to inholdings, such as the proposed project. Pursuant to 43 CFR 36.10(d), the decision process under 43 CFR 36.7, which applies to the standard Title XI TUS process, does not apply to the ANILCA Section 1110(b) inholder access process. Federal agencies’ discretion is more limited under the criteria identified in 43 CFR 36.10(e)(1), which states the applicant’s proposed route and method of access “shall” be granted unless it is determined that the proposal (providing adequate and feasible access otherwise exists):

- causes significant adverse impacts on natural or other values;
- jeopardizes public health and safety;
- is inconsistent with the management plan(s) for the area or purposes for which the area was established;
- is unnecessary to accomplish the applicant’s land use objective

The FEIS recognizes this important distinction for inholder access. By selecting Alternative 2, the Service has determined the above criteria do not apply to the applicant’s proposed route and method of access, and as such, the proposed action will be authorized. We support issuance of the ANILCA Section 1110(b) ROW authorization for the applicant’s proposed action (Alternative 2).

² ADN (Anchorage Daily News), 2013, “*Is there a Cook Inlet natural gas shortage? Utilities, state officials have different answers*”, February 2, 2013, citing to ADNR-DO&G, briefing to Regulatory Commission of Alaska (RCA), January 23, 2013. <http://www.adn.com/2013/02/02/2775137/is-there-a-cook-inlet-natural.html>

Thank you for this opportunity to comment. Please contact me at (907) 269-7529 if you have any questions.

Sincerely,

/ss/

Susan Magee
ANILCA Program Coordinator

cc: Doug Campbell, USFWS
Peter Wikoff, USFWS
Dave Casey, COE