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P R O C E E D I N G S

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(Seldovia, Alaska - 1/21/2003)

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HEARING OFFICER GOLL: Good evening. My

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name is John Goll. I'm the regional director with the

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Minerals Management Services, Alaska Region. I reside in

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Anchorage. To my right here is Renee Orr, who is the

7

head of the leasing division from our headquarters office

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in Washington, D.C. Jim Lima, who just spoke to you for

9

a minute there, is from our Anchorage office and he is

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responsible for putting this environmental impact

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statement together. And Albert Barros (ph) is also with

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us. He's still over at the high school trying to bid on

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some of the things at the auction, so we'll see if he's

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successful when he gets back and what it is. He's our

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community liaison and maybe he's met some of you.

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What we're here this evening for is to

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receive public comment on the draft environmental impact

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statement for two lease sales -- well, for the EIS, which

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is covering two lease sales that we're proposing in Cook

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Inlet for the years 2004 and 2006. Comments that we

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receive will be used by the Secretary of the Interior

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when she makes her decisions regarding the lease sales.

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The proposal that we are looking at is

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the area from south of Kalgin Island down to near Shuyak

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Island and we're also looking at two deferrals, that is

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1 two areas that we would take out of the sale. One around
2 the Barren Islands and one off of the area, down in this
3 area, off of Port Graham, Nanwalek and from Seldovia.

4 Essentially, there's four alternatives
5 that we're looking at. One, the entire area down towards
6 the northern part of Shelikof Strait. Number two is not
7 having a sale. The third one would be to take out this
8 area off of the coast here and the fourth is to take off
9 the area near the Barren Islands. Likewise, there's a
10 fifth alternative that the secretary could take also and
11 that would be to take off both of these areas so they're
12 not mutually exclusive.

13 Our expectation for the sales based on
14 what we hear from the state, the Kenai Borough and from
15 the industry is our expectation is that people may be
16 looking more for gas these days than oil. However, the
17 sale does cover both oil and gas. There would be
18 requirements if the sale happened for them to follow
19 procedures for both.

20 The five-year plan was approved by
21 Secretary Norton last June and it did propose to hold two
22 sales and that, again, is what we are trying to do here.
23 We will have three other hearings. One in Homer on
24 Thursday night, one in Kenai at the Merritt Inn on
25 Saturday afternoon and we will also have telephone

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1 hearing, especially for those in communities that are not
2 able to make any of our hearings. We already had a
3 hearing in Anchorage last Thursday. The public comment
4 period closes on Tuesday, February 11th.

5 I want to try to keep this somewhat
6 informal. When we have people testify, we would ask you
7 to speak into the microphone for the court recorder and
8 state your name and organization if you represent one for
9 the record. At periods, we can go off the record if
10 there's questions and answers. In fact, maybe I might --
11 unless somebody who had to testify has to leave early, we
12 could take care of you now. Otherwise, maybe we could
13 open it if you would like for a few minutes if people
14 have any general questions that, you know, perhaps we can
15 answer.

16 (Question and answer session)

17 HEARING OFFICER GOLL: What we could do
18 is perhaps start to take testimony and then, again, we
19 can continue answering questions when people are done.
20 What I've got is the list. One thing I neglected that we
21 always try to do at meetings, especially that we've got
22 more people in the room now, is to point out the exits in
23 case of an emergency. I'm not from here, but there's a
24 stairway down here and, of course, the door we all came
25 in. So, for safety purposes. The first person that,

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1 again, we've got marked here with asterisks was Honeybee
2 Nordenson. Then, again, if you could state your name.

3 MS. NORDENSON: My name is Honeybee
4 Nordenson and I'm a resident of Seldovia and I grew up in
5 Kodiak, so I've lived around the coastal communities all
6 my life. I don't know if this lease is going to go or
7 not, but if it does, I would like to see as part of that
8 lease agreement that then you would help support local
9 community response groups because, as we saw with the '89
10 spill, it took several days to really get something going
11 and who has ownership but the local people. So we all
12 want to protect our waters and our coast and the water,
13 of course, has a lot of our resources. And we see the
14 damage of '89 and we certainly don't want a repeat of
15 that. If you support the local response groups as the
16 time of the signing of the lease, then when we do start
17 exploring and start drilling and if, by chance, and hope
18 to God there is never a time, but there is any bit of
19 spill anywhere, then we would be prepared to be right
20 there, so I would like to see that as a stipulation if it
21 goes. I'm still undecided, myself, as to whether I agree
22 with it or not. My family has always been a fishing
23 family, so everything in the water means everything to
24 us. That's important.

25 HEARING OFFICER GOLL: Thank you. Next,

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1 John -- and I can't read the handwriting.

2 MR. KVARFORD: Kvarford.

3 HEARING OFFICER GOLL: Thank you.

4 MR. KVARFORD: Common spelling. K-V-A-R-
5 F-O-R-D. I'm John Kvarford. I'm the president of
6 S.O.S., Seldovia Oil Spill, and that's who Honeybee was
7 just talking about. She's on our board of directors. I
8 worked on the oil spill, the Glacier Bay spill, two years
9 before the Exxon spill and then worked on the Exxon
10 spill. Both of those spills, it took a long time to get
11 started. It was several days before they even got to
12 work on it. It took time to get boat contracts, get
13 people certified in Hazwopper training, all the things
14 necessary. So about a year after the Exxon spill Tim
15 Robertson is responsible for starting the S.O.S.
16 organization and I was the first boat that signed up
17 because I thought it was a good idea.

18 What our plan was to be was like a
19 volunteer fire department, ready for an oil spill
20 cleanup. We've kept it going all this time and just
21 recently we lost our funding. We were funded pretty well
22 by Alyeska Pipeline for quite a while, so we are looking
23 for funding. If they go here in the lower Cook Inlet,
24 we'd definitely want it to be mandated that they would
25 help us and any other communities that wanted to start up

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1 the same thing. Originally we thought that we would be
2 the pilot and maybe all these other little villages up
3 and down the inlet would do the same thing and we could
4 all help each other.

5 They tell me that if this goes, the
6 people that will be in charge of oil protection down
7 there will be CISPRI. CISPRI's budget, they do the best
8 they can with what they have, but their budget has never
9 been nearly as generous as it is over in Prince William
10 Sound where they have escort vessels and millions of
11 dollars worth of preparation over there. So, there
12 again, if they open this lease in the lower Inlet, we'd
13 like to see more money go to CISPRI. And we work pretty
14 well with CISPRI, too. And we would like to see escort
15 vessels and more protection throughout the whole lower
16 Inlet.

17 The thing that we were discussing, the
18 drilling muds and other chemicals that they do dump.
19 Twenty years ago Kachemak Bay was just a fabulous
20 paradise for all types of shellfish. You could just pick
21 what you wanted for supper. There was all kinds of
22 shrimp. There was three varieties of commercial shrimp,
23 three varieties of commercial crab. Now we don't have a
24 commercial season for anything in Kachemak Bay. And
25 hardly -- for subsistence on crab, they gave us about one

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1 week on tanner crab last year.

2 And I've always suspected that maybe
3 things are coming down from the upper Inlet, from the
4 drilling platforms. We've also heard stories in the past
5 that up there where they're processing they dump an awful
6 lot of chemicals that haven't been certified as being
7 hazardous, so then they're legal to dump even though they
8 haven't been certified to be safe either.
9 So we'd like to see some changes in that. We'd like to
10 be better protected. I think that's all I have.

11 HEARING OFFICER GOLL: Thank you. Walt
12 Sonen.

13 MR. SONEN: My name is Walt Sonen. I'm a
14 resident of Seldovia and I guess I would start out by
15 saying I'm a proponent of Proposition No. 2, which is the
16 non-sale of this area. The reasons for that are the many
17 doubts that I have about this lease sale and its effects.
18 According to what I understand of the environmental
19 impact statement, that there is a 19 percent risk of a
20 major spill. That's a one in five risk over the life of
21 the lease sale. The lease sale was based on the estimate
22 that there would be one platform in the area.

23 I guess what we're talking about today is
24 the lease sale proposed for the year 2004, but also in
25 here you mention the lease sale for the year 2006. The

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1 lease sale for the year 2006 was also projected to have
2 another platform. It's unclear to me whether this would
3 then increase the risk of a spill another 19 percent or
4 not, but if we have a 40 percent, 38 percent chance of a
5 spill over the life of these two platforms, supposing
6 that's the only two platforms, I would suggest to you
7 that -- or all of us in this room that we might look at
8 that area and assess the value of that area just like it
9 is today in millions or billions of dollars and if one
10 were going to run an insurance company for profit, one
11 would maybe suggest that 50 percent of that value that we
12 would lose to an oil spill might be a viable premium for
13 insurance. I mean if we're looking very clear-eyed into
14 the future, expecting a spill, a major chance of a spill
15 in this area, or a chance of a major spill, I think that
16 the way this is being approached is unacceptable, that
17 there's other values for this area.

18 I'm speaking after Red Kvarford and I
19 agree with him on the suspicions for the local fishermen.
20 I fished crab here in the late '70s and early '80s and
21 there's no more crab. There are many reasons for that,
22 but one of the suspicions that's always been amongst the
23 fishermen was that it was the toxic waste that's been
24 dumped in the drilling muds in the upper Inlet. It's my
25 understanding that the standards required for this area

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1 would be the same as the upper Inlet. The Cook Inlet
2 area is the only area in the United States where toxic
3 waste can be dumped directly into the water column. This
4 has been going on since the mid '60s. The overall effect
5 of that in the lower Inlet with all the turbulence and
6 water movement that we have is really unknown. There
7 were no studies done in 1965 to see what the inlet
8 actually looked like then before this type of dumping was
9 put into place. Only sporadically since then, to my
10 knowledge, has there been any sort of analysis of the
11 soils on the bottom of the inlet.

12 Should this sale take place, I think a
13 thorough study of what exists now should be taken and
14 then compared to what occurs later. I would be opposed
15 to the sale unless there was a total ban of dumping of
16 drilling muds and hazardous waste off the platforms.

17 Another thing that I might point out just
18 for the record because we live here and we fish here is
19 that this area is one of the most treacherous areas for
20 weather that can possibly be imagined. The currents at
21 the mouth of Cook Inlet are like none other in the world
22 perhaps and we have a lot of wind associated with that
23 and the wind comes from different directions. There are
24 areas in the lower Cook Inlet off the Barren Islands that
25 the waves meet and they just go straight up in the air.

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1 It's terrible weather and I'm sure that the oil companies
2 would probably be aware of that, but it's something that
3 maybe needs to be taken into account perhaps.

4 We have a large body of water here. It's
5 one of a few areas in the whole United States where there
6 is as much oil traffic as there is with unescorted
7 tankers. I don't think that your impact statement or the
8 mandates to the sale require any different requirements
9 than the existing requirements and I think it's time that
10 we put some of these things into place and assess the
11 real cost of drilling and oil exploration in Cook Inlet.

12 I'm also a member of the local Seldovia
13 oil spill response team and I would -- should this sale
14 go through, I would like to see a rider placed on the
15 lease sale, half the time of the lease to assess a
16 certain amount of money to go into local oil spill
17 response. Thank you.

18 HEARING OFFICER GOLL: I think as of
19 right now that's who we had signed up to testify unless
20 anybody else would like to now. Yes.

21 MR. KVARFORD: Could I jump back in?

22 HEARING OFFICER GOLL: For the record?
23 Do you want to be informal or on the record?

24 MR. KVARFORD: Either way. It doesn't
25 matter. Down through here, Walt pointed it out, this is

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1 really a bad waterway. When we go out to clean up oil,
2 you can clean up oil pretty good up to a three-foot sea.
3 The seas down here, around the Barren Island, seldom ever
4 see anything as calm as a three-foot sea. So if we get a
5 major spill out here, we can do shoreline protection and
6 that's about it.

7 HEARING OFFICER GOLL: Anybody else for
8 comments? Otherwise, what I'll do is maybe go off the
9 record, if that's okay, for questions and answers,
10 comments. Yes.

11 MS. NORDENSON: I have one comment that I
12 should have said earlier. Honeybee Nordenson again. One
13 more comment and I should have said it while I was up
14 here. One thing is the oil companies make all these
15 promises about how they're not going to do this and they
16 will do that to protect our environment and that they'll
17 stand behind all the things they say. But as we saw with
18 the '89 spill that happened, we've yet to see them back
19 up all their promises from that. I do believe, whether
20 we need this exploration or not, I do believe though that
21 the state and everybody else should halt any leases until
22 things are settled from the past. So that was a comment.

23 MS. MUMMA: I guess it's now or never.

24 HEARING OFFICER GOLL: If you could state
25 your name, please.

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1 MS. MUMMA: I'm Susan Mumma. I live here
2 in Seldovia and have for the past 30 years. I'm not a
3 fisherman. I'm a resident of this area and I find the
4 reason that I moved here is because it's beautiful and
5 pristine and I like it that way. I am also in the
6 tourist industry and people are coming to Seldovia and
7 this area for tourism and the last thing they want to see
8 is an oil spill on the beach or in the water or anywhere
9 that way and it would pretty well ruin my business also
10 as someone in the tourism industry. I would not want to
11 see any more drilling in the Cook Inlet because I do not
12 believe we have the technology to clean it up and protect
13 it. I also feel that the state has made absolutely no
14 effort in working with alternative energy sources for
15 this area and there is plenty of potential around here we
16 need to be working on.

17 If you want to drive down the -- or come
18 down to the peninsula from Anchorage, there's basically
19 only three ways to do it right now. One is the airplane,
20 which uses a lot of oil and gas. Another is the
21 automobile, which uses a lot of oil and gas. And another
22 is a bus, which goes twice a week, or a boat, that goes
23 up the inlet. I guess there's four ways. But it's
24 virtually impossible to do it -- there's no public
25 transportation, virtually, unless you want to pay a lot

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1 of money.

2 I think this is a philosophical point of
3 view, but I believe in sacred places and there have been
4 some areas designated in Alaska as sacred places forever
5 and all times. We would not drill there. And now we are
6 considering this once again. I just want to know how
7 many times we have to say no. We've said no once, twice,
8 three times now. Every time an economic burden comes, we
9 have to suddenly open up our sacred places. That's
10 philosophical, I know, but I just wanted to state that.

11 Part of our human spirit is that we are
12 able to keep sacred places and as soon as we're not, I
13 mean who can we trust. We make each other a trust. We
14 make a promise to the people of the United States when we
15 set up these kinds of things. This doesn't totally apply
16 to this, but it seems to me that the Kachemak Bay is an
17 awfully beautiful place to waste. Thank you.

18 MR. SHAVELSON: My name is Bob Shavelson.
19 I'm the executive director of Cook Inlet Keeper, but for
20 tonight's testimony I will testify as an individual
21 resident of the Kachemak Bay watershed. I guess I'd like
22 to start out first and say the notion of supporting a
23 local community-based strike team such as the S.O.S. team
24 is imperative if the Minerals Management Service is going
25 to go forward with these leases. I think one of the most

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1 valuable lessons came from the Exxon Valdez Oil Spill was
2 that local people with local knowledge were much more
3 capable of addressing local spill scenarios, so it's been
4 very disheartening for me to watch Alyeska pull the
5 funding from S.O.S. because this is the model that should
6 be built on. We shouldn't be relying on response teams
7 coming out of Nikiski with a small base in Homer to
8 address a spill in the lower Inlet or in the Seldovia
9 area.

10 I'd expand on that a little bit, too,
11 because Kachemak Bay was one of the early areas where oil
12 and other values kind of clashed and it resulted in the
13 '70s and one of the first major environmental lawsuits in
14 the state. The state issued some illegal leases that it
15 was forced to buy back for roughly \$25 million. As a
16 result of that buy-back, there was created the Kachemak
17 Bay critical habitat area and at this time surface entry,
18 which means the placement of rigs directly in Kachemak
19 Bay, is prohibited.

20 I tell that story because Kachemak Bay is
21 also the de facto port of refuge for any stricken vessel.
22 Anybody around here knows that if you have a large boat
23 and it gets in trouble in some nasty weather, it's going
24 to look for a safe haven in Kachemak Bay. So you've got
25 this inherent conflict. On one hand, you've got this

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1 very rich and productive resource in a critical habitat
2 area and the other you've got a place where an endangered
3 vessel is going to come in, oftentimes leaking or
4 disabled.

5 With that, you put together the presence
6 of local citizens with local knowledge about local
7 conditions and you start to put together a package that
8 can support some economic development here and I think an
9 important component of that would be having a permanent
10 tug assist or tug escort down here in Kachemak Bay,
11 either in Seldovia or Homer. You know, those pieces all
12 fit together into a package that builds up the marine
13 trades industry down here, provides jobs and safeguards
14 the resources that are important to so many people down
15 here.

16 I have to touch on some of the science
17 questions because some folks have noted that the
18 platforms in the upper Inlet operate under a special
19 Clean Motor Act permit that makes Cook Inlet the only
20 coastal area in the nation where toxic drilling muds and
21 cuttings and produced waters are discharged at between
22 two and a half and three billion gallons a year into our
23 fisheries. I have to say it's rather ironic that the
24 Kenai Peninsula Borough is moving forward with an effort
25 to brand and market its salmon to combat the glut of

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1 farm-raised fish on the market and we're doing this at a
2 time when we're dumping toxics into the very habitat
3 these fish need. I've likened it in the past to a crop
4 duster flying over an organic farm and marketing is all
5 about perception and branding is too and it's going to be
6 very difficult to elevate and create niche markets for
7 Cook Inlet/Kenai wild salmon if, in fact, we have an
8 industry that continues to insist on dumping.

9 Getting to that, the presumption in the
10 environmental impact statement is that there will not be
11 during development and production waste discharges,
12 drilling muds and cuttings or produced water. And I
13 would urge in the strongest possible terms for MMS to
14 recommend to the Secretary of the Interior that the
15 prohibition on that dumping be included as a stipulation
16 in the lease and not simply defer to the sister agency,
17 the Environmental Protection Agency, because time and
18 time again the Environmental Protection Agency has bowed
19 to the pressure of the oil industry and has allowed these
20 discharges to continue. So there's no guarantee --
21 despite the fact that it is a presumption in the EIS
22 analysis, there's no guarantee that we won't see
23 continued dumping on the outer continental shelf.

24 I guess I'd like to take a step back
25 because a lot of times we get so focused on the minutia

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1 here and there's so many complex issues, but, you know,
2 there's so many things going on in the world right now,
3 you know. I see us on the verge of a unilateral war with
4 Iraq. I see some very serious trouble with North Korea.
5 Oil is everywhere in our foreign policy and in our global
6 politics.

7 There was just a story that came out in
8 the newspaper today that former head of the Federal
9 Energy Regulatory Committee has publicly accused Ken Lay
10 at Enron of basically threatening him with being fired if
11 he didn't follow Ken Lay's decisions and our president
12 did fire this gentleman because he did not accede to Ken
13 Lay's wishes.

14 If we go back and we look at our
15 president's ties to Harken Energy and we go back and look
16 at the vice president's ties to Halliburton Energy, we
17 see a pattern here and we see the vice president refusing
18 to tell the press and to tell Congress who he met with to
19 develop his national energy strategy. Yet, when we see
20 that energy strategy, it's all about drilling more to
21 satisfy this insatiable thirst we have for energy, but
22 there's little or no conservation in there.

23 I mean anybody that's looking down the
24 road 20 years or 50 years or 100 years recognizes that
25 we're dealing with a finite resource and we should have

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1 alternative plans. This would be much more palatable to
2 a lot of people if the Minerals Management Service came
3 out and said we recognize we're addicted to fossil fuels
4 right now, but we're going to be fighting to get off that
5 addiction and to help us. We're going to start seriously
6 developing these alternatives. And in Cook Inlet I think
7 you're talking about significant tidal energy reserves,
8 as well as solar and wind.

9 So I just wanted to make those points
10 because sometimes we do get so focused on the minutia
11 here, but there's so many bigger issues going on in the
12 world and I think it's important to put them all in
13 perspective and I thank you for the opportunity to
14 testify.

15 HEARING OFFICER GOLL: Any other comments
16 now? Otherwise, let's go off the record and if there's
17 more questioning and comments. Thank you all for your
18 views.

19 (Off record)

20 (END OF PROCEEDINGS)

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1 C E R T I F I C A T E

2 UNITED STATES OF AMERICA)
3)ss.
4 STATE OF ALASKA)

5 I, Joseph P. Kolasinski, Notary Public in and for
6 the state of Alaska, and reporter for Computer Matrix
7 Court Reporters, LLC, do hereby certify:

8 THAT the foregoing Mineral Management Service
9 Hearing was electronically recorded by Salena Hile on the
10 21st day of January 2003, at Seldovia, Alaska;

11 That this hearing was recorded electronically and
12 thereafter transcribed under my direction and reduced to
13 print;

14 That the foregoing is a full, complete, and true
15 record of said testimony.

16 I further certify that I am not a relative, nor
17 employee, nor attorney, nor of counsel of any of the
18 parties to the foregoing matter, nor in any way
19 interested in the outcome of the matter therein named.

20 IN WITNESS WHEREOF, I have hereunto set my hand and
21 affixed my seal this 17th day of February 2003.

22 _____
23 Joseph P. Kolasinski
24 Notary Public in and for Alaska
25 My Commission Expires: 4/17/04 _