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ConocoPhillips

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Molly Cobbs
Regional Mitigation Strategy Coordinator
Bureau of Land Management
Alaska State Office
222 West 7th Avenue, #13
Anchorage, Alaska 99513

Dear Ms. Cobbs,

ConocoPhillips Alaska Inc. (CPAI) appreciates the opportunity to provide the following comments on the Department of Interior (DOI) Bureau of Land management (BLM) Northeastern National Petroleum Reserve in Alaska (NE NPRA) Regional Mitigation Strategy (RMS) process. As part of the process thus far, BLM has hosted two RMS Stakeholder Workshops, one in Fairbanks March 31 and April 1, 2015 and a second in Barrow September 23rd-25th, 2015. BLM also conducted a stakeholder interview of ConocoPhillips on September 4, 2015. CPAI leaders and staff have participated in discussions regarding the content and timing with Department of Interior (DOI) and BLM staff in both Washington D.C and Alaska. Comments offered by CPAI during the two workshops, the stakeholder interview, discussions with BLM staff, and provided within this comment letter consistently express concerns with the process underway, especially the broadening of the scale, magnitude and extent of the RMS and the apparent extension of the process beyond the conclusion date required by the GMT1 Record of Decision (ROD).

The RMS Process Should Strictly Adhere to the GMT1 Record of Decision.

The RMS Process is a product of ConocoPhillips' voluntary agreement to support a compensatory mitigation package. By agreeing to specific terms, ConocoPhillips was able to avoid impasse, delay, and loss of economic opportunity. The explanation of the purpose and intent for compensatory mitigation in the GMT1 ROD reads in part as follows:

> Objective: To off-set identified impacts, including major impacts to subsistence uses that cannot be fully mitigated by avoidance and minimization, the permittee has agreed to contribute $8 million to the BLM to establish a compensatory mitigation fund that will provide for the development and implementation of a landscape-level regional mitigation strategy (RMS) and to finance mitigation project as identified by the RMS as discussed further below. . . . The RMS will be completed within 18 months unless otherwise approved by the Authorized Officer. . . . The general geographic scope of this effort is the Northeastern NPR-A region. [ROD, App. A, pp. 39-40]

BLM has no statutory or regulatory program for compensatory mitigation, and no history of imposing or administering compensatory mitigation. The RMS is the product of an agreement, and the terms of that agreed should be strictly adhered to. BLM should resist whatever pressure it may face to expand the scope of the RMS or to divert the focus away from the original intent of the RMS.

Spatial Extent of the RMS Must Be Focused.

One of the biggest concerns expressed by CPAI and numerous other stakeholders during the September 2015 discussions was the spatial extent of the draft RMS boundary. The spatial extent of the RMS should be limited to 1) projects assisted by the presence of GMT1 as specified in the GMT1 ROD, 2) the surface estate for which BLM has jurisdiction, and 3) land associated with the proposed GMT2 development.

GMT2 is the only proposed project that would be assisted by the presence of GMT1. The 2014 GMT1 SEIS and 2015 ROD made the following statements and concluded that if GMT1 is approved as a roaded development, GMT2 would also be a roaded development.

> It is assumed that if GMT1 is developed with a gravel road between CD5 and GMT1 (i.e., CD5-GMT1 gravel road), GMT2 would be developed with a gravel road between GMT1 and GMT2 (i.e., GMT1-GMT2 road). Conversely, if GMT1 is developed without the CD5-GMT1 road, GMT2 would be developed without a GMT1-GMT2 road. [GMT1 Final SEIS p.498.]

The spatial extent of the RMS should include the roads and pipelines connecting GMT1 and the proposed GMT2 development. Expanding the RMS to a broader area would introduce speculative considerations, unduly complicate the process, and detract from the focus on the area including the proposed GMT1 and GMT2 developments within the Northeastern NPRA Region. Any future development and associated mitigation will be considered in separate NEPA analyses and is outside the proper scope of the RMS.

Existing Protections for Land within the Teshekpuk Lake Special Area (TLSA) Should not be Revisited.

The decision in the 2013 NPRA Integrated Activity Plan (IAP) ROD, which was reached after an extensive outreach effort that ensured all voices were heard, expanded the TLSA from 1.75 million acres to 3.65 million acres. The decision to expand the TLSA to include roughly all the land within a 30- to 50- mile band between Native-owned lands near Barrow and native-owned lands near Nuiqsut also broadened the purpose of the land set aside within TLSA in previous management decisions developed by BLM. The original intent was to protect habitat for waterbirds; however, the 2013 decision extended protections to caribou and shorebird habitat through establishment of performance based stipulations and best management practices which apply to oil and gas and, in some cases non-oil and gas activities within the TLSA. The following language is restated from pages 19 through 21 of the 2013 NPRA IAP ROD.

> Of particular sensitivity in the TLSA are lands nearest Teshekpuk Lake that are the most heavily used by calving caribou and molting geese (see Final IAP/EIS maps 3.3.6-5 and 3.3.5-9 through 3.3.5-12). At least some of these lands have been made unavailable or deferred from leasing in every planning decision made by BLM for this part of NPR-A since 1983. To protect these particularly high values, the plan decision makes these

lands nearest Teshekpuk Lake unavailable for leasing and prohibits new non-subsistence infrastructure, except for infrastructure in support of science and public safety.

The plan decision makes much of the remainder of the TLSA unavailable for oil and gas leasing, though it would not prohibit new non-subsistence permanent infrastructure, such as pipelines and other infrastructure to support oil and gas development onshore or offshore. Prohibiting leasing protects lands of importance for caribou calving and insect relief (see Final IAP/EIS maps 3.3.6-5 through 3.3.6-7) and a variety of waterbirds and shorebirds, many of which are listed above in the discussion of birds within the TLSA.

The plan adopted by this ROD, however, makes lands in the eastern-most part of the TLSA available for oil and gas leasing. These lands, which have valuable waterfowl and caribou habitat, also include or are close to existing leases, including those with oil discoveries in the Greater Mooses Tooth Unit. Consequently, these lands, at least through the remainder of this decade, offer the greatest promise for oil and gas development and making them available for leasing constitutes a proper balancing of BLM's management responsibilities for NPR-A.

In creating the balanced decision made in this ROD, the BLM also considered the potential role that infrastructure in NPR-A could play to support offshore oil and gas development in the Beaufort Sea. Of particular interest are the recently acquired State leases in Harrison and Smith Bays. Consequently, the decision makes lands south of both bays available for application for new non-subsistence permanent infrastructure, including pipelines and other infrastructure that could support offshore development.

At the present time, 3.1 million of the 3.65 million acres in TLSA are unavailable for oil and gas leasing. Additional protections are provided in the 2013 ROD for all land within TLSA. The protections adopted within the 2013 ROD are the result of a dedicated process and an intentional balance, and that result should not be revisited now for the purpose of imposing additional restrictions. The 3.55 million acre TLSA is adequately protected, and those protections should be given full weight and recognition in the RMS. The proposed GMT2 development is the only known project the presence of GMT1 will assist. Therefore, the consideration of compensatory mitigation and development of the RMS should focus solely upon lands planned for development in the GMT1 and GMT2 project areas, which are outside the TLSA.

RMS Schedule is Critical to Timely Completion of GMT2 SEIS.

The GMT1 SEIS Record of Decision (ROD) was signed by Janice Schneider February 13, 2015 and states the RMS will be completed within 18 months. Some discussion has arisen about the date from which the 18-month period begins to run. CPAI strongly believes that the 18-month period runs from issuance of the GMT1 SEIS ROD on February 13, 2015, and thus expires on August 13, 2016. The signature date is the date from which CPAI calculated its 60-day deadline for submitting the required $1 million dollar payment to fund the RMS process. The BLM should keep the organizations commitment to complete the RMS document within 18 months, and this should be done independently of the GMT2 NEPA analysis.

Predictability is Essential for All Stakeholders

In order for the balance of responsible development, conservation, and impact mitigation proceed orderly in NPRA, management decisions must be predictable and reasonably durable. Predictability is essential for developers, residents, investors, the State of Alaska, the North Slope Borough, the Native Corporations, the tribes, and the villages on the North Slope. The Department of the Interior (DOI) has repeatedly revised management documents for the NPRA since the first IAP was issued in 1998. Through time, the expectations of the agency have increased dramatically, the stipulations have become vastly more costly and cumbersome to deal with, and the limitations on potential development have become more rigorous. Leases purchased in the late 1990s were sold with expectations that would be hard to reconcile with the expectations of the 2013 ROD. The RMS should be a process that promotes order and resolution, not another example of upheaval.

CPAI supports the concerns voiced by the NPRA Working Group during their September 2015 meeting immediately following the RMS Strategy meeting that the BLM has included non-North Slope stakeholders in the RMS process. The NPRA Working Group was formed during the 2012 NPRA IAP process "to provide for meaningful, regular input by local communities to the on-going implementation of the NPRA IAP. The NPRA Working Group was to consist of representatives of North Slope governments, Native Corporations, and tribal entities; and was tasked with providing BLM information and recommendation on a range of issues associated with future implementation of the plan, including oil and gas leasing, land use conflicts, exploration, and infrastructure projects supporting onshore and offshore development, such as production facilities and pipelines" (2013 NPRA IAP ROD at page 8).

As the residents who live, hunt and reside on the North Slope, the members of the NPRA Working Group should be given the opportunity to develop the RMS. CPAI has consistently supported an RMS process that directs benefits to local residents, who should have the strongest voice on impacts and their mitigation.

Existing Mitigation Provided by CPAI to Nuiqsut and North Slope Stakeholders is Substantial

CPAI already provides significant support, mitigation payments and opportunities to the Village of Nuiqsut and residents of the North Slope of Alaska, and this background should not be forgotten as the strategy is developed under which the additional $ 8Million dollar compensatory mitigation funds will be put to work. BLM has failed to acknowledge benefits that developments of Alpine and its satellites have provided to Nuiqsut. The most important of these is the supply of natural gas to the village which offset the dependency on expensive diesel fuel for heat and power generation. From energy to education and jobs to emergency response, CPAI's goal is to support community driven programs and be a good neighbor to the community. Attached to this comment letter is a list of social programs and projects which CPAI supports in Nuiqsut.

Historical documents and records on this subject also fail to acknowledge the existing government programs funded by oil and gas activities established to mitigate social impacts. Over $150 million has been awarded to North Slope villages within NPRA through the NPRA Impact Grant Program since leasing resumed in 1999. Those grants fund programs and projects related to present, continuing, or reasonably foreseeable impacts on residents from oil and gas exploration, production, or transportation activities in the NPRA. Since 1999, CPAI has been the most active explorer and participant in NPRA lease sales and thus the most significant contributor of funds used to award grants.

The NSB provides essential community services to its villages, including Nuiqust, and is the largest employer in the region. Services such as public works (landfill, power, water/wastewater treatment), emergency response (fire, police, search and rescue), schools, Ilisagvik College, and community planning and land management are all provided by the NSB. Over 90% of NSB revenues are received from property taxes levied on industry activities. GMT1 would contribute an estimated $170 million to NSB tax revenues to address community needs and impacts over the life of the project.

CPAI has contributed $700,000 in subsistence mitigation funds to Nuiqsut to date. Contributions of $50,000/year for ten years were made to a fund administered by the NSB for subsistence users in Nuiqsut. This money was used for fuel vouchers and distributed to households on an annual basis. Under an agreement with Kuukpik Corporation, and in accordance with the CD5 ordinance issued by NSB this fund continues, with payments made to the City of Nuiqsut and administered by a committee that includes representation from NVN and Kuukpik. Payments include $50,000 for each satellite constructed in NPRA and $50,000 for the Nigliq bridge. This first payment of $100,000 was made in January 2014 when the construction for CD5 commenced. These payments will be made annually for the life of the satellites and increase to $150,000 plus inflation with the construction of GMT1.

Education and workforce development programs include scholarships, funding employment coordinators, internships, and employment opportunities. More detail is provided in the attachment.

CPAI supports the voluntary $7 million mitigation payments outlined in the GMT1 ROD be used to support social and subsistence projects in Nuiqsut. These projects should be identified and prioritized by the stakeholders in Nuiqsut.

Compensatory Mitigation is required by the USACE 404 permit

Compensatory mitigation is required by the USACE 404 permit for unavoidable impacts to wetlands. This includes unavoidable impacts to other resources supported by the wetlands; for example bird and caribou habitats. Discussions regarding compensatory mitigation should recognize that compensatory mitigation should not be required for impacts already addressed by the 404 mitigation process. This includes direct and indirect impacts to 654.6 acres. For GMT1, the indirect acres are delineated by a 300-foot zone surrounding all sides of gravel infrastructure. The same basis will be used to calculate direct and indirect impacts for GMT2. Compensatory mitigation should not be assessed twice.

Thank you for the opportunity to provide comments. As the process progresses, we expect to have additional comments which we will submit at a later date.

Respectfully,

Lynn DeGeorge

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Attachment

ConocoPhillips' Community Support Programs in Nuiqsut

List excludes rental fees, royalty payments and contracting provisions to Kuukpik Corporation and ASRC, as well as property tax payments to the NSB which fund the 90% of the NSB budget including the NSB School District.

Natural Gas to Nuiqsut: ConocoPhillips (COP) provides 500 thousand cubic feet of natural gas per day to the community at no cost. Gas deliveries started in 2008, after completion of the Nuiqsut Gas Pipeline and the installation of natural gas infrastructure in the village. 99% of Nuiqsut households are now connected to natural gas and Nuiqsut enjoys some of the lowest energy bills in the nation ($25/month for gas). This frees up household budgets to participate in subsistence activities and provide for families.

Subsistence Support Programs

- ***Kuukpikmuit Subsistence Oversight Panel (KSOP):*** Fund the operations of KSOP ($60,000/year (adjusted for inflation, 2013 payment was $87,400) for costs associated with administering the panel which consists of representatives of the City, the Native Village of Nuiqsut (NVN) and the Kuukpik Corporation. These funds have been used to hire an executive director for KSOP, reimburse panel members, and provide office space and vehicles for Subsistence Representatives.
- ***Road Access:*** Kuukpik shareholders and Nuiqsut residents have the right to use all permanent and temporary roads constructed by COP on Kuukpik land and any connecting roads. Alpine constructs the ice road from the Alpine Re-Supply Ice Road to the village every year. Community benefits from this by have access to Haul Road every winter for trips to Fairbanks/Anchorage as well as facilitating access to hunting areas.
- ***Subsistence Mitigation Funds:*** COP has contributed a total for $700,000 in subsistence mitigation funds to Nuiqsut to date. Contributions of $50,000/year for ten years were made to a fund administered by the NSB for subsistence users in Nuiqsut. This money was used for fuel vouchers and distributed to households on an annual basis. Under an agreement with Kuukpik Corporation, and in accordance with the CD5 ordinance issued by NSB this fund continues, with payments made to the City of Nuiqsut and administered by a committee that includes representation from NVN and Kuukpik. Payments include $50,000 for each satellite constructed in NPRA and $50,000 for the Nigliq bridge. This first payment of $100,000 was made in January 2014 when the construction for CD5 commenced. These payments will be made annually for the life of the satellites and increase to $150,000 plus inflation with the construction of GMT1.

Education and Workforce Development Programs

- ***Scholarship Funds:*** COP matches all training and scholarships awarded by Kuukpik and as of 2014, has provided over $150,000 in scholarships through this program.
- ***Kuukpik Employment Coordinator:*** Provide $25,000/year (50% of annual salary) for the retention of an Employment Coordinator to administer a Native Employment Services Program.
- ***Career Quest:*** Career Quest is a program designed to expose high school students from the Trapper School in Nuiqsut to various careers at Alpine. There are currently two seasons of Career Quest opportunities; summer and winter. The summer session has traditionally provided job experience for 20 youth working at the various office's in the village. The fall session allows for

students to spend 2 days/week at Alpine for 5 weeks experiencing a career. The Career Quest program was initiated in 1999 and since that time, approximately 300 students have participated.

- ***Internships:*** ConocoPhillips funds various internships for Nuiqsut residents, Kuukpik Shareholders and descendants and other North Slope residents. Over 35 interns have participated in the program since it started in 2002.
- ***Subsistence Representatives/Ice Road Monitors:*** Annual employment during ice road season typically includes 4-12 positions depending on level of activity.
- ***Subsistence Advisor:*** Seasonal summer employment to provide subsistence information during summer helicopter season started in 2013.
- ***ConocoPhillips Current Kuukpik/Nuiqust Employment Numbers at Alpine/Kuparuk (badged, full time):***
    - 3 COP employees from Nuiqsut at Alpine and Kuparuk
    - 9 full time employees with Alpine and Kuparuk contractors from Nuiqsut
- ***CD5 Construction Employment Numbers:*** Over 20 individuals were hired during winter 2013-2014 as part of CD5 construction work. In addition, 12 subsistence representatives and ice road monitors were hired during the winter of 2013-2014. By utilizing the Kuukpik Hotel to house a portion of the crews, CD5 also create many indirect employment opportunities at the Kuukpik Hotel as well as generate revenue to the City of Nuiqsut through a bed tax.

Recent Emergency Response Assistance

- Alpine Fire Department assisted Nuiqsut Fire Department with Nuiqsut house fire in April 2006 and September 2014.
- Alpine Spill Response teams provided assistance to clean up diesel spills in village (2012 and 2013).
- Signed a Memorandum of Understanding with the NSB in early 2014 to establish a process to support emergency response in Nuiqsut.
- Provide medivac of infant to Anchorage on CASA with Alpine EMT support (January 2014)
- Use of helicopter to locate parents of sick child who was medivac'd to Barrow (August 2014)
- Alpine Fire Department hosts joint training exercises with Nuiqust Fire Department
- Fund through Alaska Clean Seas the annual training of the Nuiqsut Village Response Team

Community Projects

- Forgave Nuiqsut fuel debt of over $400,000 owed to ARCO for historic fuel purchases from Prudhoe COTU prior to Alpine development.
- Elder's Housing Project: COP provided a $250,000 grant in 2005 to TNHA for elder housing in 4 villages on the North Slope, including Nuiqsut.
- Nuiqsut Playground: In 2010, Alpine completed construction of a new playground in Nuiqsut.
- Additions to Playground: In 2012, added hand crafted benches and teeter-totter to the playground area and in 2014 installed a new swing set.
- Constructed new steps at Nuiqsut Teen Center in 2015

Community Donations

- Donated Fire Truck to Nuiqsut Fire Department (2007)
- Spill response boat (20' tunnel hull boat) and trailer to assist Nuiqsut Search and Rescue
- Pool tables and games donated to the teen center
- Provided white float coats for all the Nuiqsut whaling crews

- Financial donations to the City of Nuiqsut for development of Nuiqsut Early Learning Center, roof replacement on Kisik Center, and financial support for holiday events and cultural camp.

Support for Trapper School Programs

- Assist with travel for kids to attend dance performances, robotics competitions, perfect attendance celebrations, etc.
- Sponsorship of sports teams jersey's and other student activities
- Sponsor dinners and professional photographer for events like prom and graduation
- Employees donate time for the "I Know I Can" reading program
- Purchase of one book per student during annual book fair
- Over $110,000 in financial contributions for Trapper School programs since Alpine start-up

Community Events

- Sunday dinners during ice road season at Alpine and in Nuiqsut
- Support Christmas celebration including Santa with gifts for community
- Sponsorship of concerts, traditional dance groups and other events for youth
- Assist with donations for Nalakutaqs (whaling festivals)
- Fire Safety Awareness Day – every 2-3 years
- Health Fair (typically an bi-annual event with large event coordinated in May 2014)
- Job Fairs

NPRA Impact Grant Funding

- Over $150 million has been award to North Slope villages within the NPR-A since leasing resumed in 1999. This funding comes from lease sales, rents, bonuses, and royalty payments in the NPR-A. Since 1999, COP has been the most active explorer and participant in lease sales.
- 50% of federal royalty at GMT1 will go to the State to distribute as community grants.
- Nuiqsut has received over $26 million of these grants (15% of total amount) which has paid for projects such as natural gas piping and building conversions, graveyard fencing, City Hall renovation, retractable boat ramp as well as providing funding for the Colville River Access Road. These projects are in addition to annual funding for city and teen center operations.