



**UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration**

National Marine Fisheries Service

P.O. Box 21668

Juneau, Alaska 99802-1668

October 22, 2002

Ken Hodges
Fishery Biologist
Chugach National Forest
Cordova Ranger District
P.O. Box 280
Cordova, Alaska 99574-0280

Re: Revised Chugach National
Forest EA
Oil and Gas Exploration
near Katalla, Alaska
File Code: 2820

Dear Mr. Hodges:

The National Marine Fisheries Service (NMFS) has reviewed the above referenced revised Environmental Assessment (EA). The EA was prepared by the USDA Forest Service, Chugach National Forest, Cordova Ranger District (USFS) to evaluate the potential effects of approving Cassandra Energy Corporation's Plan of Operations for oil and gas drilling near Katalla, Alaska. The proposal would involve directionally drilling from private land into Chugach Alaska Corporation's reserved oil and gas estate, thus invoking the terms of the 1982 CNI (Chugach Natives, Inc., now Chugach Alaska Native Corporation) Settlement Agreement, and the use of a temporary access road located on Federal lands. USFS approval of this Plan of Operations constitutes a Federal action.

NMFS reviewed the original EA and submitted conservation recommendations to the USFS in a letter dated June 5, 2002. NMFS appreciates the inclusion of our conservation recommendations in the revised EA regarding the proposed project. At that time, NMFS also expressed concern regarding cumulative effects should payable quantities of oil be discovered with subsequent oil field development. NMFS disagrees with the cumulative effects finding in the revised EA and reiterates our previous comments concerning the cumulative environmental effects of the proposed project.

NMFS is concerned about cumulative and secondary effects; in particular, about operation plans should oil and gas reserves be found in production quantities. The EA does not sufficiently address the indirect and cumulative impacts associated with building a new infrastructure. To bring the proposed project into production would involve the construction of several features, including but not limited to: a gravel material source, well pads, central processing



units, flare pads, an airstrip and apron, in-field road systems, pipelines with river crossings, freshwater sources, and valve pads.

In addition, the incremental environmental changes that would proliferate as a result of production and development of a new field is of concern to NMFS. The proposed project has the potential to change the landscape, and while Casandra Energy Corporation will endeavor to minimize those changes, it will be difficult to replace the functions and values of the existing area. Should a commercial operation be realized, the subsequent development to bring the field into full production would be substantial. Between 1930 and 1932, 44 wells were drilled in the area, 28 of which were in the "Katalla Field," and of those 18 produced oil. Most of the productive wells were on Claim No. 1, site of the current project. The discovery of paying quantities of oil and gas, the goal of Cassandra Oil and Chugach Alaska Corporation, is, therefore, a reasonably foreseeable future action.

NMFS realizes that the USFS prepared an EA under the National Environmental Policy Act¹ (NEPA) to determine if the project would have significant environmental impacts. In determining significance it is important to note that a "significant effect may exist even if the Federal agency believes on balance the effect will be beneficial."² Also, the "degree to which the effects on the quality of the human environment are likely to be highly controversial"³ is important for this project as evidenced by the public scoping process and other ongoing and proposed oil exploration and development projects in Alaska (e.g., Alpine, NPRA, and Northstar).

An action is defined to be significant if "it is reasonable to anticipate a cumulatively significant impact on the human environment. Significance cannot be avoided by breaking it down into small component parts"⁴ (i.e., exploratory drilling and field development). Accordingly, NMFS believes the Katalla Oil and Gas Exploration Project and potential field development that could follow, in combination with other

1 42 U.S.C. § 4321 (1994)

3 40 C.F.R. § 1508.27 (4)

2 40 C.F.R. § 1508.27 (1)

4 40 C.F.R. § 1508.27 (7)

reasonably foreseeable actions, would result in significant and adverse impacts. These interrelated actions include the potential for Chugach Alaska Corporation utilizing their easement and constructing the Carbon Mountain Road, and a road right-of-way from the Carbon Mountain area to Point Marin and Strawberry Point on the coast (see Map 1 in EA).

NMFS acknowledges USFS' efforts in compiling the EA. NMFS believes, however, that the EA does not sufficiently address the complex issues surrounding potential development on this scale. NMFS believes additional opportunities for both a more comprehensive agency reviews and public input beyond the process associated with an EA are needed to satisfy the requirements of NEPA. We, therefore, recommend the USFS complete an EIS for this action.

Brian Lance is the NMFS contact for this project, and can be reached by telephone at (907) 271-1301.

Sincerely,



Jonathan M. Burland
Assistant Regional Administrator
for Habitat Conservation

cc: USFWS, Corps, EPA, ADGC, ADFG, ADEC, USFS - Anchorage