



Founded 1987

ANGLERS OF THE AU SABLE

An affiliated member of the Federation of Fly Fishers

Organization Headquarters

PO Box 200
Grayling, MI 49738
Telephone: (989) 348-8462
Fax: (989) 348-2541
www.AuSableAnglers.org

Keith Creagh, Director
Michigan Department of Natural Resources
Executive Division
PO Box 30028
Lansing, MI 48909

December 6, 2013

In Re: Coalition requests that the DNR not authorize the oil and gas leases along the Au Sable River Corridor known as the "Holy Waters", Grayling Township, Michigan.

Dear Director Creagh:

On October 10, 2013, Anglers of the Au Sable sent you a letter requesting that you remove from consideration at the October 28, 2013 oil and gas lease auction, specific parcels of land which are in close proximity to the Au Sable "Holy Waters". Enclosed is a map which identifies the leased parcels. As you can plainly see many of the subject parcels are within close proximity of the Au Sable mainstream with some parcels having frontage on the river.

On October 25, 2013, you responded to Anglers of the Au Sable by letter denying our request. The auction was conducted on October 28, 2013 with the oil and gas rights being awarded to the highest bidder. It is our understanding that Encana Corporation (Encana) was the winning bidder for all of the subject parcels.

Upon news of this auction, a broad-based coalition of businesses, conservation and outdoor recreation organizations has formed with the sole purpose of requesting that you not authorize the subject leases. The groups joining this request in alphabetical order are:

- Anglers of the Au Sable
- Au Sable Big Water Preservation Association
- Au Sable North Branch Foundation
- Au Sable Watershed Committee
- Century 21 - River Country Realtors
- City of Grayling
- Great Lakes Council Federation of Fly Fishers
- Gates Au Sable Lodge
- Grayling Township
- Headwaters TU Chapter
- Mason Griffith TU Chapter
- Michigan Environmental Council
- Michigan League of Conservation Voters
- Michigan Trout Unlimited
- Old Au Sable Fly Shop
- Re/Max of Grayling Realtors
- Sierra Club

We understand that you have the authority to not execute the leases on all of the subject parcels. This coalition is asking that you not authorize these leases and protect the "Holy Waters" from industrialization. If the leases are executed, it opens up the Au Sable "Holy Waters" corridor to oil and gas drilling, the likely removal of mature trees for well pads, creation of roads, installation of pipelines, construction of processing plants, building of pumping stations and placement of holding tanks. The members of this coalition do not want the State to collect royalties at the expense of the "Holy Waters" and its existing thriving river economy.

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The emotional pull to protect the Au Sable River upon Michigan residents and tourist is great. This water like all of Michigan's unique natural treasures deserves to be protected from industrialization. No one wants to see pumping equipment, flames burning off excess gas at a pump site, smell the odor of natural gas, or hear the drone of equipment while attempting to enjoy the sights and sounds of nature on this beautiful river.

As strong as the emotional reasons are to protect this area, the river also supports a myriad of businesses and is the source of much needed local tax revenue. Below is just a sampling of how important the "Holy Waters" are to Grayling residents and the surrounding area:

1. According to Public Sectors Consultant the market value of riverfront property in Crawford County alone is \$275 Million dollars. The river supports a thriving real estate industry due in large part to the areas natural beauty. At last count there were at least six realtors working in the area all employing staff and agents;
2. Total annual property taxes paid in 2012 by riverfront property owners in Crawford County was \$3.3 million dollars. Said figure is nearly a quarter of all the property taxes paid in the county. This tax revenue funds schools, police and fire protection;
3. The estimated annual value of the sport fishing industry for Michigan is calculated at \$2 billion dollars. Grayling is one of the epicenters of this industry. An individual purchase a fly fishing book about Michigan's rivers without reading about the "Holy Waters". This river supports multiple fly shops, numerous restaurants, stores, gas stations and hotels. All of these businesses create jobs and tax revenue.
4. A final economic reason not to authorize the leases is that the parcels acquired by Encana will result in permit requests for conventional and/or hydro-fracking drilling. Regardless of the method both drilling operations bring with them unique risks to the surrounding area and wildlife. If the area is damaged by drilling operations (pipeline leaks, surface spills, well water contamination) it will result in a decline in home and property values, thereby decreases Grayling Township's tax revenue. The small amount of rent and royalties received by the State does not offset the inherent risks associated with oil and gas drilling.

In comparison, records show that the State received an average of \$31.00 per acre from its last three auctions. If trends hold true with the recent October auction, the State will receive less than \$100,000 for the 2,800 acres leased in and around the "Holy Waters" corridor. Said figure is less than the value of a single water front cabin. After reviewing the economics of the auction, the transaction hardly seems worthwhile. The tax dollars generated by keeping the "Holy Waters" pure and natural far exceed the any economic benefit derived by this auction.

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As persuasive as the economic reasons are to protect the “Holy Waters”, the science-based rationale is just as compelling:

1. In the past, the DNR has refrained from leasing parcels for potential oil and gas development in the Holy Waters watershed. The new auction of these 2,800 acres in the Au Sable “Holy Waters” corridor to Encana, a prominent deep-fracking company, is in effect, a significant change in DNR policy. This change comes at the precise moment that Anglers of the Au Sable has raised significant concerns with the DNR, the DEQ and the authors of the ongoing Graham Institute fracking study about Encana’s fracking-related impacts in the neighboring Manistee River watershed. A summary of those science-based concerns:

- Graham Institute experts have raised serious questions the state’s Water Withdrawal Assessment Tool inability to clearly measure the potential environmental, ecological and hydrogeological impacts of what those experts deem “massive” groundwater withdrawals for fracking near rivers.
- Graham Institute experts conclude: **“There is critical need to update the model to better account for wetlands, shallow streams, and high volume water withdrawals.”**
- As of September 20, 2013, Encana’s actual and proposed groundwater withdrawals for deep fracking in and near the Manistee River watershed in Kalkaska County total 483 million gallons. That is an amount of water equal to 131 days of total water consumption in Kalkaska County by all other domestic, agricultural and industrial users, according to the latest water use data from the U.S. Geological Survey. Encana’s roster of proposed and active well sites in Crawford and Kalkaska counties as of early fall 2013 would **use more than nine times** the current known total annual industrial groundwater use in those counties. Unlike all of these other uses of ground water, the “massive” withdrawals (as the Graham Institute environment/ecology technical report calls them) for deep fracking are permanent takings, never to be returned to aquifers or watersheds. In other words, large-scale deep fracking operations are permitted to permanently remove what this technical report calls “massive” amounts of groundwater. Yet Michigan does not even begin to examine the resulting impacts on – or protect – the coldwater rivers and fisheries which are the focus of our organization’s mission. Anglers of the Au Sable has urged the Graham Institute, the DNR, and the DEQ to develop a far more robust and scientific system to gather baseline data and measure the impacts on rivers, streams and fisheries when fracking companies permanently withdraw “massive” quantities of groundwater.
- Based on a correlation of stream flow measurements with actual or proposed water withdrawals, Dr. David Hyndman, Chair of the MSU Geology Department, determined in a preliminary review of the data that (a) the WWAT significantly overestimates stream flows in the headwaters of the Manistee River, (b) actual and proposed fracking operations in that region had or will have significant effects on stream-flow, (c) the proposed water usage at the BRCA pad could “dry out the stream (or greatly reduce its flow),” and (d) the actual water use for fracking at Excelsior Pad a, Well 1-13, in October 2011, caused the flow to

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drop "close to 0 cfs on the first day of fracking operations." Dr. Hyndman estimates that at least one additional proposed Encana water withdrawal will temporarily dry up another feeder stream.

In light of these scientific concerns, we view this as exactly the wrong moment for the DNR to lease yet more land for potential fracking development before these serious questions are fully addressed.

2. The DNR recently completed a State Comprehensive Outdoor Recreation Plan (SCORP) and land strategy. The materials and surveys that went into forming this plan revealed that State lands around premier fisheries are currently being used to provide high quality, high value recreational use. The "Holy Waters" is arguably the crown jewel of Michigan stream fishing and receives high recreational use. A recent national survey indicates that a primary objective sought by anglers is enjoyment of the natural aesthetics of their fishing locations. Clearly, oil and gas development within such a premier location competes with the DNR's own planned recreational use.

3. The subject area is home to the endangered Kirtland Warbler. As stated in DNR's own website, endangered Kirtland Warbler is one of the rarest members of the wood warbler (Parulidae) family. It is a bird of unusual interest for many reasons. It nests in just a few counties in Michigan's northern Lower and Upper peninsulas, in Wisconsin and the province of Ontario and, currently, nowhere else on Earth. The Kirtland Warbler nests in and around the "Holy Water" precisely due to the uniqueness of the forests and soils. Allowing development in the area will not improve the song birds' chances of survival. It is precisely because of mankind's encroachment into the wild places that endangered animals are going extinct.

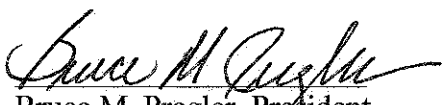
3. The sand and gravel soils of the Au Sable and Manistee River valleys are one of the most unique natural features in the world. This sand and gravel which was deposited by glaciers roughly 11,000 years ago quickly absorbed water from melt off and precipitation creating vast underground reservoirs of pure clean water. Due to the composition of the soil water moves quickly through the sand and gravel emerging to the surface to create the "Holy Waters". It is due to all this sand and gravel that the Au Sable River flows clear and stable. Water moves exceedingly quick through the subject gravel watershed. Consequently, it is very difficult to contain and remove contaminates once they enter the aquifer. Therefore, it is imperative to keep mineral extraction at a great distance from the river. Distance from the "Holy Waters" is the main safe guard protecting it from surface spills and pipeline leaks. Distance also allows time to address spills, leaks and plumes which will run quickly through this unique sand and gravel soil.

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In closing, this coalition requests that you not authorize the leases. The reasons set forth herein are sound and persuasive. Protecting the areas woods and waters are not only good for the "Holy Waters, and its environs but also for the local economy.

Sincerely,

Anglers of the Au Sable


Bruce M. Pregler, President

Au Sable Big Water Preservation Association


Tom Buhr, President

Au Sable North Branch Foundation


Jerry Rucker, Director

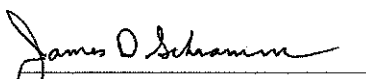
Au Sable Watershed Committee


David Smith, Director

Century 21 - River Country Realtors


Randy Thompson, President

Great Lakes Council Federation of Fly Fishers


James Schramm, President

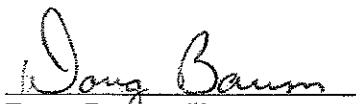
Gates Au Sable Lodge


Josh Greenberg, Owner


Grayling Township


Rick Harland, Supervisor

City of Grayling


Doug Baum, City Mgr/Chief of Police


Headwaters TU Chapter


John Walters, President

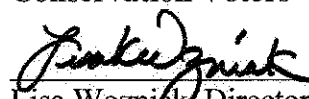
Mason Griffith TU Chapter


Karen Harrison, President

Michigan Environmental Council


Chris Kolb, President

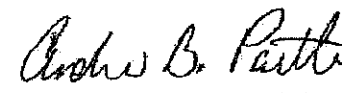
Michigan League of Conservation Voters


Lisa Woznick, Director

Michigan Trout Unlimited


Robb Smith, Chairman

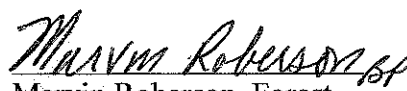
Old Au Sable Fly Shop


Andrew B. Partlo, Owner

Re/Max of Grayling Realtors


Craig Hipke, President

Sierra Club


Marvin Roberson, Forest Ecologist