

HB

219

(Outer CONT.
SHELF RESOURCES)

#1

BY PARR, BRADLEY, BROWN,
BUCHHOLDT, COTTEN, COWPER,
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MILLER, NAKAK, OSE, RUDD,
SMITH, SNIDE AND SWANSON

1 IN THE HOUSE

2 HOUSE BILL NO. 219

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act providing for permits and fees for the con-
7 struction of shore facilities associated with outer
8 continental shelf natural resource extraction; and
9 providing for an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. AS 41 is amended by adding a new chapter to read:

12 CHAPTER 45. SHORE FACILITIES FOR OFFSHORE RESOURCE EXTRACTION.

13 Sec. 41.45.010. LEGISLATIVE FINDINGS AND DECLARATION OF PURPOSE.

14 (a) The legislature finds that ^{exploration,} [major] resource ^{+ production} development projects
15 create an [immediate] demand for greatly increased state and municipal
16 services in areas contiguous to the projects and that tax revenues de-
17 rived from these projects are received by the state and local govern-
18 ments only after significant impact on and expense by the state and
19 local governments in providing necessary services has [already] occurred.

20 (b) The legislature considers it probable that the initial demand
21 for publicly provided services related to outer continental shelf oil
22 and gas ^{exploration, + production} development projects will exceed corresponding initial tax
23 revenues from the projects by an even greater proportion than occurs with
24 resource [development] projects wholly inside the state.

25 (c) It is the purpose of this chapter to provide a mechanism by
26 which the increase in demand for state and municipal services occurring
27 as the result of an outer continental shelf oil or gas [development] pro-
28 ject will be met by revenue from the project responsible for the in-
29 crease in demand.

1 Sec. 41.45.020. SHORE FACILITIES CONSTRUCTION PERMIT. A person
2 engaged in the exploration, development or production of oil or gas
3 under terms of a lease from the United States in outer continental shelf
4 areas shall, before constructing, leasing, or in any other manner pro-
5 viding for shore facilities associated with the exploration, development,
6 or production, apply for and obtain from the Department of Community and
7 Regional Affairs a shore facilities construction permit and pay the
8 permit fee provided in sec. 30 of this chapter.

9 Sec. 41.45.030. FEE FOR SHORE FACILITIES PERMIT. (a) The fee for
10 a shore facilities construction permit is equal to the proportion of
11 the anticipated outer continental shelf oil and gas development within
12 the affected area which the facility represents of gross impact costs
13 less development revenues. For purposes of this section

14 (1) "gross impact cost" equals the maximum anticipated popu-
15 lation increase attributable to outer continental shelf oil and gas
16 development in the affected area ^{what is?} during a 20-year period multiplied by
17 the per capita costs of state and local government in the affected area
18 in the year ^{7 & following yrs?} in which application is made for a permit; and

19 (2) "development revenue" equals the sum of estimated petro-
20 leum property taxes and general property taxes levied and collected on
21 onshore facilities in the affected area, estimated income taxes collected
22 from Alaska residents in the affected area, and anticipated outer con-
23 tinental shelf oil and gas development grants for which application may
24 be made to the United States government, each of which shall be dis-
25 counted on a cash flow basis using a discount rate which includes both
26 the cost of money to the state and anticipated reductions in purchasing
27 power due to inflation.

28 (b) The applicant shall be provided access to the data used by the
29 department in calculating the permit fee, and shall be given notice

*Wides incl.
prop. & sales
taxes from
increased
business
pop.*

1 and opportunity for hearing by the department before determination of
2 the permit fee.

3 Sec. 41.45.040. REIMBURSEMENT TO MUNICIPALITIES. The department
4 shall allocate to each municipality affected by a project an amount
5 equal to that portion of the permit fee which is attributable to the
6 provision of public facilities and services by the municipality.

7 Sec. 41.45.050. REGULATIONS. The department shall promulgate
8 regulations to implement this chapter.

9 Sec. 41.45.060. DEFINITIONS. In this chapter

10 (1) "department" means the Department of Community and Re-
11 gional Affairs;

12 (2) "shore facility" means a facility which is an integral
13 part of, or directly associated with, the exploration for, or extrac-
14 tion, production or transportation of, oil or gas from the outer conti-
15 nental shelf, and which is owned by, or committed by contract or other
16 agreement to, persons exploring for or producing or transporting oil or
17 gas from the outer continental shelf; "shore facility" includes but is
18 not limited to pumping stations, compressor stations, power plants,
19 topping plants, processing units, roads, tank farms, tanker terminals,
20 docks and other port facilities, air strips and communication equipment
21 and facilities, maintenance equipment and facilities, construction camps
22 and maintenance camps and other related facilities.

23 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
24 070(c).

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 219
 Title An Act providing for permits and fees
 Requested by _____ Date _____

II. FISCAL DETAIL

Agency Affected REVENUE
 Program Category Affected ADMINISTRATION
 Budget Request Unit(s) Affected RESEARCH, DATA PROCESSING, PETROLEUM REVENUE DIVISION

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES		1.0	1.0	1.05		
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND		1.0	1.0	1.05		
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME		See below				
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The Department of Revenue estimates that the preparation of the income tax data required for estimating purposes would require the effort of two man-days. The preparation of the oil property tax data is estimated to require one man-week. It is assumed that the estimated costs could be absorbed.

IV. DATE 3/3/77 PREPARED BY Baerbel R. Sorensen *BRS*
 AGENCY Department of Revenue
 PHONE 465-2174
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

*Lisa - another possible
formula for HS 219*

41.45.030. FEE FOR SHORE FACILITIES PERMITS -

Application Fee

- (a) The fee for a shore facilities construction permit is the sum of the estimated "Multiple of the Local Services Fees" plus the "Population Adjustment"
- (b) "Local Services Fees" are equal to the ^{e.g.} quintuple of the quotient computed by dividing the total state and locally financed costs of providing local governmental services to the community for the community's fiscal year during which the application for a permit is made by the total local resident population during that period. For purposes of this computation the Department of Community and Regional Affairs with the assistance of the local government is to ascertain the costs on the basis of the necessary data from the community's financial records.
- (c) The "Multiple of the Local Services Fees" is computed by multiplying the "Local Services Fees" with the estimated total additional residents in the community employed by the applicant at the peak of the operation in the area during a 20-year period commencing with the time the application for the permit is made.
- (d) "Population Adjustment" is the product of multiplying the "Multiple of the Local Services Fees" with the percentage determined by dividing the number of total additional residents in the community employed by the applicant at the peak of operation in the area by the total resident population in the community at the time of application for the permit, and multiplying the quotient with one hundred.

Permit Renewal

- (a) Every year the permittee is to apply for renewal of the permit, and is to pay a renewal fee.
- (b) The renewal fee is the product computed by multiplying the total number of additional residents in the community employed by the permittee during the preceding fiscal year of the community with the amount determined by dividing the total state and locally financed costs of local services to be provided by the local community for the fiscal year during which application for the renewal is made by the number of total residents in the community at the time application for renewal is made.

*Ms Lorenson,
Lept Rev*

*does franchise
go on forever?*

CONTINENTAL SHELF SERVICE FACILITIES ACT

*Section 1. Legislative Findings and Purpose. Taken from page 1 of HB 219 with whatever changes are necessary to enhance chance of favorable judicial review.

*Section 2. Amend AS 44.47.050 to beef up "purposes" section of C & RA organic statute.

*Section 3. Adds new chapter (44.48)

Sec. 010. Creates Alaska Continental Shelf Services Authority in C & RA for the purposes of coordinating on-shore development related to outer continental shelf petroleum and mineral exploration activities, *devel. prod.* for purposes of assisting communities impacted by such development, and for the administration of the franchise requirements of this chapter.

Sec. 020. The authority is to be governed by a committee composed of the commissioner (C & RA), the director of the Division of Community Planning (in C & RA), and the director of the Division of Local Government Assistance.

Sec. 030. No person may operate an "on-shore service facility" for continental shelf development without a franchise from the authority except as provided in sec. 100 of this chapter.

Sec. 040. The authority shall monitor the activities of the federal government and state government with respect to continental shelf exploration and leasing, prepare a quarterly report to the legislature and the governor on the potential need for continental shelf on-shore service facilities. When the board determines that service facilities are likely to be required in the near future, but in no case later than 90 days prior to the date at which the Department of Interior or other leasing authority proposes to receive bids on outer continental shelf tracts, the authority shall give notice of a hearing for the purpose of selecting a site or sites to serve the proposed continental shelf development. The purpose of the hearing shall be to solicit nominations of appropriate sites from interested communities and from continental shelf developers, operators of existing on-shore facilities, and other interested parties. The nominations shall contain 1) location of the proposed site, 2) the types of supply services expected to be required at this site, 3) the ownership of the land at and surrounding the site, 4) the capacity of the site to grow to meet the expected demands and an estimation of that expected demand and 5) such other information as the board may consider pertinent. In the case of facilities already in operation the board shall additionally solicit information concerning the current use of the facility and its ownership.

Sec. 050. The committee shall hold site selection hearings not less than 90 days nor more than 120 days after notice of those hearings have been distributed to all interested parties. Input shall be solicited from local communities in the area of the continental shelf development, prospective

This means before leasing - advisable?

users of the port facility including but not limited to holders of outer continental shelf leases, firms supplying the operations on those leases, local governments in the area of the proposed sites, representatives of fishing or other commercial activities who may be adversely impacted economically from the choice of a particular site or sites, and federal and state governmental experts on civil engineering, environmental science, or other technical matters which may relate to the port development.

Sec. 060. The committee shall determine, on the basis of the public hearing record, and any other relevant information available to it, the preferred site or sites for a continental shelf development facility or facilities. The criteria to be used by the committee in making this selection, in descending order of importance, are 1) minimize adverse economic and social impact on any community that may be adjacent to or coincident with the site, 2) minimize adverse environmental impact, 3) minimize the costs of facility development, minimize the expense of servicing OCS activities, and make the best use of existing port facilities, 4) maximize the likelihood that facilities will be useful for other purposes if and when OCS development tapers off.

Sec. 070. If the chosen site is in a borough, the borough may appeal the site decision to the governor who shall have 30 days to 1) affirm the decision, or 2) direct the board to give the issue further study, in which case the governor shall provide specific instructions as to what areas of concern should be looked into further. (If the site is in a city which is not itself included in a borough, the city has the same appeal right.) This appeal must be exercised within 30 days of the date of the initial site

choice decision. Other parties with a major interest in the siting decision including the prospective companies developing the OCS resource, land owners in the vicinity of the site, or others with similar interests may, within the 30 day period subsequent to the initial decision, request a rehearing by the board stating in that request the reasons why they believe an additional hearing is necessary.

Sec. 080. Once a final site selection decision is made a regional continental shelf facilities board shall be formed composed of the committee members or their designees (who must be on the C & RA staff) plus three members elected by the borough assembly (or the city council if there is no borough. If the city later becomes a part of a borough the new assembly elects new board members. The regional board is empowered to select a franchisee and negotiate the franchise fee.

what if in area not incorp?

U)

If requested by a majority of the board members the Department of C & RA shall provide staff support to the board in its selection of the franchisee, and in the setting of the franchise fee. Four members of the board constitute a quorum, and actions of the board require an affirmative vote of four members.

Sec. 090. The franchise shall be awarded to firms actually engaged in continental shelf development unless the board determines that other ownership is in the best interests of the state and community; however, in the case where an approved site is an existing facility the franchise shall be awarded to the operator of the existing facility unless it is the board's decision that the operator does not have the technical or financial capability to promptly and efficiently meet the expected requirements for continental shelf supply services. In this case the board shall encourage the existing facility operator and prospective continental shelf developers to establish some form of joint venture to which the franchise then shall be awarded.

Sec. 109. Where a port exists at the approved continental shelf supply facility site the franchise and franchise fee shall not be required unless cargo directly destined for outer continental shelf development crossing the facility exceeds 25 per cent of all other cargo either in value or in tonnage over the period of one month. The facility operator shall periodically report to the board on the tonnage crossing its facility and shall not exceed the 25 per cent figure without first obtaining the franchise from the regional facilities board.

Sec. 110. The franchise fee shall be a matter of free negotiation between the board and the franchisee. The fee may be paid on the basis of any or all of the following: 1) an initial lump sum payment, 2) periodic payments of fixed amounts, 3) periodic payments based on the value of material moved across the franchise facility, 4) initial lump sum payment to be followed by a subsequent lump sum payment if and when activity reaches a specified level, or 5) any other method that reasonably relates fee payments to impact costs expected to be imposed upon the community by OCS development.

Sec. 120. The franchise fee shall be subject to renegotiation each five years, and shall not exceed the cost to the community and state that have a reasonable probability of occurring during the five year period. These costs shall be net of any payments expected to be received for property taxes on the facility, and if the franchise fee includes a periodic payment, shall be net of the expected value of those periodic payments. After the initial five year period has lapsed the maximum permissible franchise fee during the second five year period shall be calculated in the same manner as was the maximum fee for the first five year period, except that the maximum

- 1 -

shall be increased by the net community costs incurred over the previous five year period in excess of those collected or defrayed by the franchise fee paid during that period, or alternatively, decreased by the amount that the actual monies paid were in excess of actual net costs incurred on the community. However, in no case shall a community be required to reimburse the franchisee for any "excess payments" except by means of credits against future franchise payments.

Sec. 130. The franchisee or prospective franchisee who believes that the fee proposed by the board is higher than permitted under sec. 120 may pay the fee under protest and appeal to the superior court, and such payment shall not prejudice the franchisee's rights in any way. No franchise shall be awarded, however, without payment of the fee, and a prospective franchisee who appeals an offer of the board to the court acquires no rights in the franchise, which the board may then award to another applicant on the same terms and conditions as were turned down by the initial prospective franchisee. Acceptance by a second applicant of the terms rejected by the initial prospective franchisee shall be prima facie evidence of the reasonableness of the proposed fee under the criteria established in sec. 120. The attorney general shall defend the board and the committee in any actions brought against it.

Sec. 140. If on renegotiation the board and the franchisee cannot agree the franchisee may pay the franchise fee proposed by the board under protest and appeal as provided under sec. 130 above. If the franchisee does not wish to make payment under protest then the local government may acquire by eminent domain the facilities of the franchisee at the approved site, or if the local government is not interested the state may so acquire them.

Sec. 150. Franchise payment shall be shared between the state and local government (if one exists) on the basis of 30 percent to the state and 70 per cent to the local government. If a local government should be formed or should expand to encompass an approved site subsequent to the collection of a franchise fee the local government shall receive 1.167 *how arrived at?* per cent of the previously collected fee for each month of the five year franchise period yet to run, counting from the effective date of the annexation or formation of the local government.

Sec. 160. The board shall have power of eminent domain, but this may be exercised only through unanimous vote of the board and only to acquire an approved site. Nothing herein requires the use of this power by the board.

Sec. 170. A franchise may not be sold or otherwise alienated to a non OCS operator without local government having right of first refusal, and the state the right of second refusal.

Sec. 180. Non discrimination in operation of the facility with respect to rates, terms and conditions charged to other users shall be a condition of the franchise.

Sec. 190. Nothing herein shall exempt a franchise facility from payment of property taxes or compliance with lawful zoning requirements. Neither shall a facility be entitled to any local services or special treatment by virtue of its franchise. The franchise is not necessary exclusive.

Sec. 200. Civil penalties shall be assessed for operation of an OCS service facility without a franchise. Penalties shall be based on the value of the cargo moved across the facility during any period when the facility did not possess but should have possessed a franchise. Owner of the cargo and the owner and/or operator of the facility shall be jointly liable for the civil penalty.

Sec. 300. Definitions.

franchise to operators?

Original sponsor: (((must be on all CS's)))

PARR, BRADLEY, BROWN et al

BY THE COMMUNITY AND REGIONAL
AFFAIRS COMMITTEE

1 IN THE HOUSE
2 ~~SENATE~~

CS for HOUSE BILL NO. 219

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska Outer Continental
Shelf Service Authority; and providing for an
effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. LEGISLATIVE FINDINGS AND PURPOSE. (a) The Legislature finds that activities which occur in the waters of the Outer Continental Shelf adjacent to the territorial waters of the state require the construction of support facilities in onshore areas of the state contiguous to the projects; that the siting, planning and construction and operation of new or expanded onshore facilities and activities associated with supply of outer continental shelf projects involve demands for public facilities and services which, initially, are beyond the ability of local governments to meet; and that the planning and provision of public services and facilities without corresponding generation of offsetting tax revenues should occur without net fiscal loss to the state and its local governments and should not otherwise adversely affect the welfare of the citizens of the community and the state.

(b) It is the purpose of this Act to provide a mechanism by which to ensure that the location, construction and operation of support

1 facilities and services for outer continental shelf projects will pro-
2 duce minimal adverse effects on the citizens of the state and affected
3 communities by providing for exchange of information between parties
4 involved with outer continental shelf activity, and that the increase
5 in demand for state and municipal services occurring as a result of outer
6 continental shelf development will be met by revenue from the project
7 responsible for the increase in demand.

8 * Section 2. AS 44 is amended by the addition of a new chapter to read:

9 CHAPTER 48. CONTINENTAL SHELF SERVICE FACILITIES

10 Sec. 44.48.010. ALASKA CONTINENTAL SHELF SERVICE AUTHORITY. (a)

11 There is created within the department the Alaska Continental Shelf
12 Service Authority for the purpose of administering the franchise require-
13 ments established in this chapter, to assist in providing better coor-
14 dination of onshore development resulting from continental shelf petroleum
15 and exploration and development activities, and for the purpose of
16 assisting communities impacted or likely to be impacted by this develop-
17 ment.

18 (b) The authority is governed by a committee composed of the
19 commissioner, the director of the Division of Community Planning in the
20 department, and the director of the Division of Local Government Assis-
21 tance in the department. The commissioner may by public notice designate
22 other employees of the department to serve in the place of any member of
23 the committee.

24 Sec. 44.48.020. FRANCHISE FOR ONSHORE SERVICE FACILITIES.

25 ✓ Expect as provided in sec. 080 of this chapter, no person may construct
26 an onshore facility except on a site approved by the authority and
27 under a franchise issued by the authority.

28 Sec. 44.48.030. ONSHORE SERVICE FACILITIES SITE SELECTION PROCESS.

29 (a) The authority shall monitor the activities of the federal government

1 and state government with respect to continental shelf exploration and
 2 leasing and prepare a quarterly report to the legislature and the
 3 governor on the potential need for continental shelf onshore service
 4 facilities. When the authority determines that service facilities are
 5 likely to be required in the near future, but in no case later than 90
 6 days prior to the date at which the Department of Interior or other
 7 leasing authority proposes to ^{+ open?} receive bids on outer continental shelf
 8 tracts, the authority shall give notice of a hearing for the purpose of
 9 selecting a site or sites to serve the proposed continental shelf develop-
 10 ment.

11 (b) Nominations of appropriate sites or comments shall be solicited
 12 from: interested communities; local governments; prospective developers
 13 of the petroleum resources which may be found in the area to be leased;
 14 operators or owners of existing or proposed port facilities in the
 15 region of the leasing activity; other agencies of the state and federal
 16 government; experts on civil engineerings, environmental science, or
 17 other technical matters which may relate to port development; current
 18 users of existing port facilities; representatives of fishing or other
 19 commercial interests which may be adversely impacted by the selection of
 20 a particular site or sites; ^{representatives of subsistence users groups -} and other interested parties.

21 (c) The authority shall hold site selection hearings not less than
 22 90 days nor more than 120 days after notice of the hearings, which shall
 23 be published in all newspapers of general circulation in the region
 24 of the expected development and mailed to all local governments in that
 25 region.

26 Sec. 44.48.040. CRITERIA FOR SITE SELECTION. (a) The authority
 27 shall determine, on the basis of the record of public hearing and any
 28 other relevant information available to it, the preferred site or sites
 29 for service facilities.

22 before
 23 12/15/77

to total of 20 yrs. -

make use of facility pay - 4 -

give local com. control over developments - franchise awarded to cont. shelf ~~develop~~

(b) A determination of the authority shall be based upon application of the following criteria to the candidate sites:

(1) preference shall be given to a site or sites which minimize the adverse economic and social impact on any municipality or community that may be adjacent or proximate to the site;

(2) among candidate sites:

(A) the selection shall favor sites which minimize adverse environmental impact;

(B) the selection shall favor the use of existing port facilities to minimize necessary investment in development of facilities, to minimize the costs of serving offshore petroleum exploration, development and production operations, and to provide for expansion of existing facilities in the most economical fashion;

(3) consideration shall be given to the necessity and desirability of developing or expanding facilities for use by the community or region after use of the facility to service outer continental shelf development has been completed.

(c) If a site or sites are within the boundaries of a municipality which exercises planning and zoning powers under AS 29.33.070 - 29.33.245, no site may be selected unless the site is in an area which is zoned for a use not inconsistent with service facility development.

(d) A single site may be composed of noncontiguous parcels.

Sec. 44.48.050. DECISION. The authority shall announce its decision within 90 days following the date of the last site selection hearing. A copy of the decision of the authority shall be mailed to all parties of record to any hearings concerning a site approved or rejected by the authority. The decision of the authority becomes effective on the 30th day following announcement of the decision unless an interested party files a written request for reconsideration in the manner provided in

1 Sec. 44.48.⁰⁷⁰~~060~~. REGIONAL CONTINENTAL SHELF FACILITIES BOARD.

2 Immediately after the site selection becomes final a Regional Continen-
3 tal Shelf Facilities Board shall be established, composed of six persons,
4 three state members designated by the commissioner and

5 (1) if the site is in an organized borough, three local members
6 elected by the borough assembly;

7 (2) if the site is in a city in the unorganized borough, three
8 members elected by the city council; or

9 (3) if the site is in the unorganized borough and not in a
10 city, three local members appointed by the commissioner. *by a vote of community*

11 Sec. 44.48.⁰⁸⁰~~070~~. AWARD OF FRANCHISE. (a) Subject to the limitations
12 imposed in (b) of this section, the board shall select the franchisee.
13 The authority shall award the franchise contingent upon the successful
14 conclusion of negotiations between the board and the franchise of the
15 amount and manner of payment of a franchise fee as provided in sec. ⁰⁹⁰~~080~~
16 of this chapter.

17 (b) In awarding a franchise, if the site or sites finally approved
18 by the authority encompass an existing port facility,

19 (1) the franchise shall be awarded to a firm or firms actually
20 engaged in outer continental shelf development unless the board deter-
21 mines that award of the franchise to another party is in the best
22 interests of the state or the municipality;

23 (2) when the port facility ceases to be exempted from the pro-
24 visions of this chapter by operation of (c) of this section, the fran-
25 chise shall be awarded to the operator of the facility unless the board
26 finds that the operator does not have the technical or financial capacity
27 to promptly and efficiently meet the expected requirements for outer
28 continental shelf supply services through the facility; the board shall,
29 after hearing, enter a finding that the operator fails to qualify^f for

1 sec. ⁰⁶⁰~~55~~ of this chapter.

2 Sec. 44.48.⁰⁶⁰~~055~~. RECONSIDERATION An interested party is entitled
3 to a reconsideration hearing by the authority. Requests for reconsidera-
4 tion shall be acted upon by the authority in preference to any other
5 matter.

6 (b) A request for reconsideration shall specify the grounds upon
7 which the request is based and include a succinct statement of the issues
8 or matters to be presented by the party requesting the hearing.

9 (c) The authority shall serve a copy of the request for reconsidera-
10 tion on any other interested party at the same time notice of recon-
11 sideration is provided under (d) of this section.

12 — (d) The authority shall determine the time and place of ^{the} hearing.
13 The hearing shall be held, whenever possible, in a community proximate
14 to the site or sites approved or rejected by the authority which are the
15 subject of the request for reconsideration. The date for the hearing
16 shall be not later than 90 days after the date of announcement of the
17 of the decision of the authority that is the subject of request for
18 reconsideration.

19 (e) The case may be reconsidered by the authority on all the
20 pertinent parts of the record and the additional evidence or argument
21 that are presented. If oral evidence is introduced before the authority,
22 no member of the authority may vote unless he has heard the evidence.

23 (f) In secs. 50 and ⁶⁰~~55~~ of this chapter, "interested party" means

24 (1) a municipality adjacent or proximate to a site approved
25 or rejected by the authority;

26 (2) an operator of an existing onshore service facility; or

27 (3) the owner of a lease within the outer continental shelf or
28 within the territorial sea which is to be served by the service
29 facility.

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1 the franchise and may, thereafter, assist the operator and any outer
2 continental shelf developer to operate the facility under agreement or
3 joint venture.

4 (c) If a port facility exists at an approved supply facility site,
5 no franchise shall be required until cargo directly destined for outer
6 continental shelf developments handled to ⁺transshipped through the
7 facility in any month exceeds 25 percent of all cargo, by value or
8 tonnage, handled or transshipped through the facility during the pre-
9 ceding month. The exemption provided by this section expires 90 days
10 after the last day of the calendar month in which cargo directly handled
11 or transshipped through the facility exceeds the limitation imposed in
12 this section.

13 Sec. 44.48.090. DETERMINATION OF FRANCHISE FEE. (a) Subject to the
14 conditions and limitations of (b)-(d) of this section, the fee for a
15 franchise issued under the provisions of this chapter and the manner of
16 its payment are determined by negotiation between the board and the
17 prospective franchisee.

18 (b) No franchise fee may exceed the costs to the state and munici-
19 pality which have a reasonable probability of occurring as a result of
20 outer continental shelf petroleum development, less anticipated payments
21 by all franchisees within the community, during the five year period.
22 If two or more franchises are negotiated and approved by the board, the
23 franchisees shall, between or among themselves, determine the percentage
24 of the total of the franchise fee to be paid by each.

25 (c) A franchise fee is subject to renegotiation at the end of five
26 years. The provisions of (b) of this section are applicable to
27 renegotiated franchise fees except that *to limit of 20 yrs?*

28 (1) if the net community costs incurred during the previous
29 five year period exceeded the costs defrayed by the franchise fees paid

- 8 -

1 during that period, the maximum permissible fee is increased by the
2 excess amount; and

3 (2) if the net community costs incurred during the previous
4 five year period were less than the costs defrayed by the franchise fees
5 paid during that period, the maximum permissible fee is reduced by the
6 amount by which excess franchise fees were paid.

7 (d) A fee may be paid on any of the following bases:

8 (1) initial payment of the full amount due in one sum;

9 (2) initial partial payment with subsequent payment or payments
10 contingent upon transshipment of cargo through the facility at a pre-
11 determined volume;

12 (3) periodic payments of fixed amounts;

13 (4) periodic payments based on the value of cargo transshipped
14 through the facility for which the franchise is issued; or

15 (5) any other method that reasonably relates fee payments to
16 costs expected to be incurred or imposed on the community and the state
17 by outer continental shelf petroleum exploration, development and pro-
18 duction.

19 Sec. 44.48.100. APPEAL OF DETERMINATION OF FRANCHISE FEE. (a) A
20 prospective franchisee who believes that the fee determined by the board
21 exceeds the amount permitted under sec. 090 of this chapter may pay the
22 fee under protest and appeal the question to the superior court. Payment
23 of the fee under protest shall not prejudice the claim of the prospective
24 franchisee.

25 (b) A prospective franchisee who appeals a determination of the
26 board to the court without payment acquires no rights in a franchise.
27 The board may award the franchise to another party on terms and conditions
28 equal or more favorable to the board than those rejected by the initial
29 prospective franchisee. Acceptance by another party of the terms and

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conditions rejected by an initial prospective franchisee is evidence of the reasonableness of the proposed fee.

(c) The provisions of this section are applicable to franchise fees subject to renegotiation under sec. 090(c) of this chapter.

Sec. 44.48.110 . EMINENT DOMAIN. The board, by unanimous vote of its members, may exercise the power of eminent domain to acquire an approved site. Exercise of the power of eminent domain within a municipality requires the concurrence of the governing body of the municipality. The provisions of AS 09.55.240 - 09.55.460 are applicable to the provisions of this section.

Sec. 44.48.120. COLLECTION AND DISPOSITION OF FRANCHISE FEES.

(a) Franchise fees determined under the provisions of sec. 090. of this chapter shall be remitted to the department. The commissioner shall pay to an organized borough or to a city in the unorganized borough in which is located a facility for which a franchise has been issued 70 percent of the franchise fee collected under this chapter.

(b) If a municipality entitled to receive a portion of a franchise fee under (a) of this section is incorporated or annexes territory which contains an approved site containing a facility subject to collection of a franchise fee, the municipality is entitled to receive 1.167 percent of the fee previously collected for the facility for each month of any unexpired portion of the franchise period after the effective date of the incorporation of the municipality or its annexation of the territory containing the approved site. There is authorized to be appropriated annually to the department the sum, if any, that is certified by the commissioner to the governor as necessary to provide an amount to each municipality entitled to receive a portion of a franchise fee previously collected in accordance with this subsection.

(c) Sums not paid to a municipality under (a) of this section shall be deposited in the general fund.

Sec. 44.48.130. LIMITATIONS ON SALE OR TRANSFER OF A FRANCHISE.

No franchise may be sold or otherwise conveyed by a party holding a franchise to any person not engaged in outer continental shelf activity without prior consent of the governing body of the municipality in which the facility is located and the commissioner. Before acting to convey the franchise or any rights in the franchise to any

-11-

1 person not engaged in outer continental shelf activity, the party
2 holding a franchise shall first offer the franchise for sale to the
3 municipality, which shall have a period of 60 days to purchase the
4 franchise or any rights in it. If the governing body of the munici-
5 pality refuses the franchise, the holder of the franchise shall offer
6 the franchise or rights in it to the commissioner, who shall have a
7 period of 60 days to purchase the franchise or any rights in it.

8 Sec. 44.48.140. NONDISCRIMINATION IN FACILITY OPERATION. Non-
9 discrimination in operation of a facility for which a franchise is
10 granted under the provisions of this chapter as to rates, terms and
11 conditions of use of the facility by users shall be a condition of
12 each franchise.

13 Sec. 44.48.150. COMPLIANCE WITH OTHER PROVISION OF LAW. (a) The
14 provisions of secs. 10 - of this chapter do not exempt a franchised
15 facility from the payment of property taxes under AS 29.53 or
16 AS 43.56 or from compliance with the applicable zoning regulations
17 lawfully adopted under AS 29.333.090.

18 (b) The grant of a franchise to a facility is not exclusive
19 unless the provisions of the franchise so permit.

20 Sec. 44.48.160. ENFORCEMENT. (a) When it appears, after investi-
21 gation, that there is a violation of a provision of this chapter,
22 the department (authority) shall proceed in accordance with the pro-
23 visions of this section to enforce compliance with the provisions of
24 this chapter.

25 (b) A person who violates sec. of this chapter or a pro-
26 vision or condition of a franchise issued under this chapter is sub-
27 ject to civil penalties. Penalties shall be based upon the value of
28 cargo moved across or through the facility during any period when an
29 operator of a facility required to have a franchise under this chapter

1 did not have a franchise.

2 (c) a person may be enjoined by the superior court from com-
3 mitting a violation of a provision of this chapter.

4 (d) Actions under this section to recover penalties or damanges
5 or to enjoin violations shall be brought by the attorney general in a
6 court of competent jurisdiction.

7 (e) All penalties recovered shall be paid into the general fund
8 of the state.

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Sec. 44.48.170 . DEFINITIONS. In this chapter,

(1) "authority" means the Alaska Continental Shelf Services Authority;

(2) "board" means a regional Continental Shelf Service Facilities Board;

(3) "commissioner" means the commissioner of the Department of Community and Regional Affairs;

(4) "department" means the Department of Community and Regional Affairs;

(5) ^{onshore} "service facility" means each of the following:

(A) a wharf, dock, quay or other structure used for the final transshipment of cargo destined to supply mobile or fixed offshore oil and gas drilling vessels or structures;

(B) warehouses, storage yards and tank farms associated with the facilities described in (A) of this paragraph for the storage of cargo destined to supply offshore drilling operations; and

(C) offices and repair shops or yards primarily required for servicing or administering offshore drilling operations which are located in physical proximity to the facilities described in (A) and (B) of this paragraph.

(D) pipeline terminals?

* Sec. 3. AS 44.47.050 is amended by adding a new paragraph to read:

(19) provide staff and technical assistance to the Continental Shelf Services Authority established by AS 44.48;

* Sec. 4. This Act takes effect immediately in accordance with AS 01.10.070(c).

*Pass on coastal mgmt.
3 hearing define community
state leases after 4/1/72*

*Standard
multiple copies*

*intent before
front of*

*jurisdiction
of unincorp.
areas -*

BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 219

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

*Call Rodney
Ward (Mayor)
get to his
bill*

*Money collected
by state to be
held in trust.
Regions affected.*

6 For an Act entitled: "An Act providing for permits and fees for the construc-
7 tion of shore-based support facilities for offshore oil
8 and gas exploration, development and production; and
9 providing for an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. AS 41 is amended by adding a new chapter to read:

12 CHAPTER 45. SHORE FACILITIES FOR OFFSHORE
13 RESOURCE EXTRACTION.

14 Sec. 41.45.010. LEGISLATIVE FINDINGS AND DECLARATION OF PURPOSE.

15 (a) The legislature finds that activities associated with the explora-
16 tion, development and recovery of natural resources from the waters
17 adjacent to the state require the construction of support facilities in
18 onshore areas of the state contiguous to the projects; that the siting,
19 planning, construction and operation of new [or expanded] onshore facili-
20 ties and activities associated with the supply of offshore projects
21 involve demands for public facilities and services which, initially, are
22 beyond the capacity of local governments to provide; that early know-
23 ledge of the location and magnitude of anticipated shore-based support
24 facilities will better allow municipalities and the state to plan the
25 provision of public facilities and services before and during the
26 period of construction and operation of the support facilities; that the
27 planning and provision of public facilities and services in advance of
28 construction of shore-based support facilities generates a temporary
29 demand for additional revenues to defray costs associated with extra-

1 ordinary municipal expenditures; and that there is a need to provide a
2 mechanism by which the state and local governments may receive informa-
3 tion about projected onshore support activity as a basis for sound
4 public planning decisions and to obtain financial support in order to
5 partially defray the costs of planning and initiating provision of
6 necessary public facilities and services.

7 (b) It is the purpose of this chapter to provide a mechanism by
8 which to ensure that the location, construction and operation of support
9 facilities for projects in all waters adjacent to the state will pro-
10 duce minimal adverse effects upon the people of the state and affected
11 local governments by providing for the exchange of information between
12 parties involved with offshore activity, and that the increase in demand
13 for public services occurring as a result of shore-based facility
14 development will be met by a contribution of revenue from the facilities
15 responsible for the increase in demand.

16 Sec. 41.45.020. SHORE FACILITIES CONSTRUCTION PERMIT. (a) No
17 person engaged in exploration, development or production of oil or gas
18 under terms of a lease from the United States, the state, or any party
19 in the offshore waters adjacent to the state may construct, lease or in
20 any other manner provide for shore facilities associated with explora-
21 tion, development or production without first applying for and securing
22 from the department a shore facilities construction permit and paying
23 the fee provided in sec. 30 of this chapter.

24 (b) An applicant for a permit under this section shall file an
25 application with the department in a form which the department, by regu-
26 lation, has prescribed. The application shall contain the following
27 information:

28 (1) a description of the location and of the facility to be
29 built at the location;

1 (2) an estimate of the value of the facility upon its com-
2 pletion;

3 (3) a summary of any studies or reports which have been made
4 examining the economic impact of the construction and operation of the
5 *define* facility on an adjacent community or on the region, including, but not
6 limited to, the applicant's estimate of the number of persons to be em-
7 ployed in the construction and operation of the facility during each
8 year of the five-year period commencing with the submission of the
9 application;

10 (4) a statement explaining the need for the facility;

11 (5) a description of any reasonable alternate locations for
12 the proposed facility, a statement of the comparative merits and detri-
13 ments of each location identified, and a statement of why the primary
14 proposed location is best suited for the facility;

15 (6) any additional information which the department, by regu-
16 lation, may require in order to fairly evaluate

17 (A) conformance of the proposed facility to applicable
18 state and local laws and regulations;

19 (B) the effects of the economic activity of the pro-
20 posed facility;

21 *too broad?* (C) the effects of the proposed facility on the public
22 health, welfare, and safety;

23 (D) the capacity of the state and of a municipality
24 adjacent to the proposed facility to provide necessary public
25 facilities and services;

26 (7) any additional information which the applicant considers
27 relevant; and

28 (8) a resolution ^{*of approval*} of the governing body of

29 (A) a municipality in which the proposed facility is to

1 be located;

2 (B) a municipality in the vicinity or area affected by
3 construction and operation of the proposed facility.

4 (c) An application filed with the department shall be available
5 for public inspection.

6 (d) An application shall be accompanied by proof of service of a
7 copy of the application on the mayor of each municipality in the area
8 in which any portion of the facility is to be located, both as primarily
9 and alternatively proposed.

10 (e) The department may, by order entered after filing, require the
11 applicant to serve notice of the application, and file proof of notice,
12 on other persons as the department considers appropriate.

13 Sec. 41.45.030. PERMIT FEE. (a) At the time of filing an appli-
14 cation for a permit under sec. 20 of this chapter, the applicant shall
15 pay a permit fee to the Department of Revenue.

16 (b) The fee payable under (a) of this section is based upon the
17 one of the following two schedules which produces the greater revenue:

18 (1) valuation of the proposed facility upon completion, with
19 payment of two per cent of the estimated value up to \$5,000,000; plus
20 one per cent of the estimated value over \$5,000,000 and up to
21 \$20,000,000; plus one-half of one per cent of the estimated value over
22 \$20,000,000;

23 (2) the estimate of the maximum anticipated population in-
24 crease attributable to employment in construction or operation of the
25 facility over the five-year period following submission of the applica-
26 tion, multiplied by the per capita cost of state and local government
27 in the year in which application is made for the permit.

28 (c) The applicant shall provide the department with the data which
29 was used to calculate the permit fee.

how broad?

why?

w/ in municipality +

language not used - appeal street
shd. developer have right to appeal?
No - he determines fee.

1 Sec. 41.45.040. APPEAL OF FEE. (a) A municipality which is en-
2 titled to receive a portion of a shore facilities construction permit
3 fee paid by an applicant under this chapter may appeal the determination
4 of the amount of the fee. The governing body of the municipality shall,
5 within 30 days of receipt of written notice that an application has been
6 submitted and a fee paid, file an appeal with the department setting out
7 the reasons why it believes the fee paid has not been correctly computed.

8 (b) If a municipality appeals the determination of the fee paid
9 under (a) of this section, the commissioner of the department shall,
10 within 45 days after giving written notice to all parties, conduct a
11 hearing on the matter. If, after the hearing, the commissioner deter-
12 mines that the fee payable by the applicant has been incorrectly com-
13 puted, he shall provide the applicant a written statement describing the
14 error in computation and indicating the amount of the fee due. The
15 applicant shall pay the additional amount of the fee within 30 days of
16 receipt of the decision of the commissioner.

17 (c) An applicant or a municipality aggrieved by a decision of the
18 commissioner under (b) of this section may appeal the decision in the
19 superior court.

20 Sec. 41.45.050. AMENDMENT OF PERMIT. (a) A permit issued by the
21 department under sec. 30 of this chapter may be amended. An applicator
22 for an amended permit shall be submitted in the manner provided for new
23 applications in sec. 20 of this chapter. If an amendment to an approved
24 permit would result in a substantial change of an original permit, the
25 amendment shall be treated as a new application and a supplemental permit
26 fee shall be paid.

27 (b) If it appears to the commissioner or to officials of a muni-
28 cipality entitled to receive a portion of a shore facilities construction
29 permit fee under this chapter that there will occur substantial change

1 in the use of the facility from the activity described in the original
2 application or an amended application for a permit, the commissioner may
3 call for a public hearing on the question. The commissioner shall,
4 within 45 days after giving written notice to all parties, conduct a
5 hearing on the matter. If, after the hearing, the commissioner deter-
6 mines that there has been substantial change in the use of the facility
7 from the activity described in the original or amended application for
8 a permit, he shall require the applicant to submit an application for
9 an amended permit.

10 (c) An amended permit submitted by an applicant under an order of
11 the commissioner entered under (b) of this section shall be accompanied
12 by payment of the increment in the fee due, together with a penalty
13 payment of 10 per cent of the total amount of permit fees due for the
14 facility. *judicial review?*

15 (d) For purposes of this section, a change in the use of a facility
16 for which a permit has been issued is "substantial" if

17 (1) the applicant or the commissioner determines that the
18 value of any changes or improvements in the facility would increase the
19 estimated value of the facility ^{*under sec 30(a)(1)*} by more than 10 per cent; or

20 (2) the applicant or the commissioner determines that the
21 actual population increase ^{*under sec. 30(a)(2)*} will exceed the estimate determined under
22 sec. 30(a)(2) of this chapter by more than 10 per cent.

23 Sec. 41.45.060. REFUSAL OF PERMIT. ^{*shall issue w/in 30 days -*} The department may refuse to
24 issue a permit under this chapter only if it finds that

25 (1) a fee due and payable by the applicant on an original
26 application or an amended application has not been promptly paid; or

27 (2) the application does not contain, or is not supported by
28 written concurrence of the governing body of a municipality required by
29 sec. 20(b)(8) of this chapter.

*zoning
municipal
dispute
Seward -
Kenai
how -*

1 Sec. 41.45.070. REVOCATION OR SUSPENSION OF PERMIT. The depart-
2 ment may revoke or suspend a permit issued under the provisions of this
3 chapter if, *after notice +*

4 (1) the facility does not conform, in location, construction
5 or operation, to applicable municipal ordinance or regulation; or

6 (2) after notice and hearing to all parties, the commissioner
7 determines that an additional fee is due and payable under sec. 40(b) of
8 this chapter or an additional fee and penalty are due and payable under
9 sec. 50(b) of this chapter, and the holder of the permit has failed to
10 pay the additional fee, together with penalty due if any, within the
11 time prescribed by law. *judicial review?*

12 Sec. 41.45.080. DISPOSITION OF FEES AND PENALTIES. The commis-
13 sioner of the Department of Revenue may retain five per cent of the fees
14 and penalties collected under this chapter to defray the costs of receipt
15 and review of applications for permits or for the *adm. + enforcement* enforcement of the
16 provisions of this chapter. Of the balance remaining, not less than 50
17 per cent of the fee shall be returned to a municipality or combination
18 of municipalities in which the proposed facility is to be located or
19 which are in the vicinity of, or which may be affected by, construction
20 and operation of the proposed facility. Determination of the amount
21 transmitted to a municipality shall be subject to negotiation between the
22 Department of Community and Regional Affairs and any affected munici-
23 pality. The portion of the fee not returned to municipalities shall be
24 deposited by the Department of Revenue in the general fund.

25 Sec. 41.45.090. MONITORING OF FACILITIES. The department shall
26 review and monitor the operation of all facilities for which a permit has
27 been issued under this chapter.

28 Sec. 41.45.100. ADMINISTRATION. (a) Annually, the department
29 shall compute and report, for use by applicants and permittees under this

1 chapter

2 (1) standard multiplier factors relating the number of per-
3 sons engaged in direct employment in a shore facility to the number of
4 persons indirectly employed and the number of dependents of all persons
5 employed; and

6 (2) the per capita cost of state and local government service.

7 (b) The department shall, by regulation, require holders of per-
8 mits issued under this chapter to furnish:

9 (1) information indicating the number of persons employed in
10 a facility for which a permit is issued under this chapter;

11 (2) the estimate of the value of facilities for which a per-
12 mit is issued under this chapter.

13 Sec. 41.45.110. LONG-RANGE DEVELOPMENT PLAN. (a) Any person
14 contemplating the construction of a facility subject to issuance of a
15 permit under this chapter in the state in the ensuing three years shall
16 furnish annually to the department for its review a long-range plan for
17 the construction and operation of facilities. The plan shall be sub-
18 mitted not later than September 1 of each year, and shall include the
19 following information:

20 (1) the general location, size and type of all facilities to
21 be owned and operated ^{or leased} whose construction is projected to commence dur-
22 ing the ensuing three-year period;

23 (2) projections of the demand for public facilities and ser-
24 vices required by the facility and explanation of the basis for those
25 projections, and a description of the manner and extent to which the
26 proposed facilities will meet project demand.

27 (b) A plan furnished under this section shall be made available
28 to the governing body of any municipality or community affected by the
29 activity described or summarized in the plan.

1 Sec. 41.45.120. FAILURE TO SUBMIT LONG-RANGE PLAN. If an appli-
 2 cant for a permit under secs. 10 - 100 of this chapter has failed to
 3 provide the department with annual copies of a long-range plan as re-
 4 quired by sec. 110 of this chapter, the permit fee due and payable by
 5 the applicant for permit shall be twice the amount authorized in sec.
 6 30(b) of this chapter.

7 Sec. 41.45.130. PENALTIES FOR VIOLATION OF PROVISIONS OF THIS CHAP-
 8 TER. (a) A person who wilfully violates a provision of secs. 10 - 100
 9 of this chapter or any regulation adopted by the department under this
 10 chapter is guilty of a misdemeanor and, upon conviction, is punishable
 11 by a fine of not more than \$10,000 for each violation. Each day of a
 12 continuing violation constitutes a separate offense.

13 (b) At the request of the commissioner, the attorney general shall
 14 enforce this chapter and institute legal actions to accomplish its en-
 15 forcement.

16 Sec. 41.45.140. DEFINITIONS. In this chapter, unless the context
 17 otherwise requires,

18 (1) "commissioner" means the commissioner of the Department
 19 of Community and Regional Affairs;

20 (2) "department" means the Department of Community and
 21 Regional Affairs;

22 (3) "shore facility" means a facility which is an integral
 23 part of, or directly associated with, the exploration for, or extraction,
 24 production or transportation of, oil or gas from the waters adjacent to
 25 the state, and which is owned by, or committed by contract or other
 26 agreement to, persons exploring for or producing or transporting oil or
 27 gas from adjacent coastal waters; the term includes, but is not limited
 28 to,

29 (A) a wharf, dock or other port structure or facility

1 used for the final transshipment of cargo destined for mobile or
2 fixed offshore oil or gas drilling vessels or structures;

3 (B) warehouses, storage yards, tank farms, tanker ter-
4 minals and pipelines associated with the facilities described in
5 (A) of this paragraph for the storage of cargo destined for off-
6 shore drilling operations or for the storage of petroleum products
7 from offshore drilling operations;

8 (C) offices, maintenance facilities, maintenance and
9 construction camps and related facilities primarily required for
10 administration or servicing of offshore drilling operations which
11 are located in physical proximity to the facilities described in
12 (A) and (B) of this paragraph.

13 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
14 070(c).
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APPLICABILITY

1 Page 2, line 16:

2 Sec. 41.45.020. SHORE FACILITIES CONSTRUCTION PERMIT. (a) No
3 person engaged in exploration, development or production of oil or gas
4 under terms of a lease from the United States, the state, or any party
5 in the offshore waters adjacent to the state may construct, lease or in
6 any other manner provide shore facilities associated with exploration,
7 development or production after the effective date of this Act without
8 first applying for and securing from the department a shore facilities
9 construction permit and paying the fee provided in sec. 30 of this
10 chapter.
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RESPONSE TO COMMENTS RECEIVED DURING TESTIMONY ON FRIDAY, MARCH 25,
WITH REFERENCE TO PROPOSED CSHB 219 --

Page 3, line 5: reference to "adjacent community or on the region" --

The term has no clearly understood reference unless one is provided in the bill. The committee may want to phrase a definition in terms of distance or mileage or, in keeping with the spirit of the bill, suggest or require that the department define the term by regulation. This could be done by incorporating the latter as a mandatory requirement in the section entitled "Administration, " AS 41.45.100(b) of the draft. [The term also appears, obliquely, at page 4, lines 2 and 3 and 6.]

Page 3, lines 21 and 22: reference to "health, welfare, and safety" --

The purpose of inclusion of the phrase was to allow the department to require evaluation of impact in the broadest possible terms with reference to any governmental function which an affected local government might perform under AS 29.

Page 3, line 28: correct to read :

(8) a resolution of approval of the governing body...

Page 4, line 10: Subsection (e) may be deleted; because applications are available for public inspection [subsection (c)], the department may provide copies to any interested party.

Page 4, lines 23 and 24: The formula could be made "tighter" by having it read:

(2) the estimate of the maximum anticipated population increase within the municipality attributable to employment...

Page 5: Sec. 40 of the draft.

With respect to the observation of Mr. Singletary, it was my intent that the issuance of a permit not be held up while the parties engage in hearings over whether the fee determined and tendered by the applicant was properly computed, but only if a fee, however determined, was not "promptly paid" [see sec. 60(1), following page].

Page 6, line 19:

estimated value of the facility determined under sec. 30(a)(1) of this chapter by more than 10 per cent;

Page 6, line 23: Objection was made that there was no time frame within which the department would be required to release a permit. The provision could be amended to read:

Sec. 41.45.060. ISSUANCE OF PERMIT. The department shall issue a permit within 30 days of receipt of a complete application. The department may refuse to issue a permit...

Page 7, lines 1 - 11: Request that no permit be revoked or suspended without opportunity for a public hearing. Revise the section to read:

Sec. 41.45.070. REVOCATION OR SUSPENSION OF PERMIT. The department may revoke or suspend a permit issued under the provisions of this chapter if, after notice and hearing to all parties, the commissioner determines that

(1) the facility does not conform, in location, construction or operation, to applicable municipal ordinance or regulation; or

(2) an additional fee is due and payable under sec. 40(b) of this chapter or an additional fee and penalty are due and payable under sec. 50(b) of this chapter, and the holder of the permit has failed to pay the additional fee, together with penalty due, if any, within the time prescribed by law.

Page 7, line 15 and 16: Revise to read:

...to defray the costs of administration and enforcement of the provisions of this chapter.

Page 7, lines 25 - 27: Amend to read:

... for which a permit has been issued under this chapter for compliance with the provisions of this chapter and the provisions of the permit application.

[The purpose of the section is to require that some entity having the technical capacity to do so oversee operations of permittees in order to assure that the statements made by the applicant for permit reflect the later circumstances. If activity exceeds predictions, a supplementary permit fee may be levied.]

Page 8, line 2: One witness mentioned that "standard multiplier factors" vary among communities. I don't know whether this is true but, assuming it is, the paragraph could be amended to read:

(1) standard multiplier factors determined by region and appli-

cable to all communities within a region relating the number...

Page 8, lines 13 and following: In light of the fact that some of the information required under long-range reports must be provided to the Department of the Interior under the provisions of an OCS lease, the committee might want to consider a further subsection in sec. 110 authorizing return of this information in satisfaction of the requirements imposed in this section.

Page 9, lines 7 - 12: This is a CRIMINAL penalty intended for application to a party required to have a permit under this chapter and conducting operations without that permit. The CIVIL penalties in the bill are to be found in two places: the 10% penalty of sec. 50(c) [page 6, line 10] and the "double payment" provision of sec. 120 [page 9, lines 1 - 6].

Page 9: Add, to the definitions section, a standard definition of the term "municipality."

Page 2, line 16 and following: You have asked for clarification of the parties which would be required to apply for a permit. As section 20(a) is now written, the applicant would be a party "engaged in exploration, development or production under terms of a lease... in the offshore waters adjacent to the state," thus placing the burden squarely on the companies holding the leases. Should you want to require that actual contractors and/or operators (rather than the industry directly) bear the responsibility and attendant costs, it would be sufficient to rewrite sec. 20(a) to read:

(a) No person may construct a shore facility without first applying for and securing from the department a shore facilities construction permit and paying the fee provided in sec. 30 of this chapter.

You would, of course, rely on the definition of "shore facility" set out in the definitions section to distinguish between facilities for which a prior permit is required and those which would not. Using the language set out above, however, it would appear clearer that the contractor would carry the burden.

Sec. 41.45.060. ISSUANCE OF PERMIT. (a) The department shall issue a permit within 30 days of receipt of a completed application and payment of the permit fee. The department may refuse to issue a permit only if it finds that

(1) a fee due and payable by the applicant on an original application or an amended application has not been promptly paid; or

(2) the application does not contain, or is not supported by, written approval of the governing body of the municipality required by sec. 20(b)(8) of this chapter.

(b) If the area affected by construction of a shore facility is within one municipality and the municipality unreasonably withhold's approval of an application for permit required by sec. 20(b)(8) of this chapter, the commissioner may waive the approval requirement and issue the permit.

*Your file only - did not
distribute to members -
D*

REQUIREMENT OF PROMPT PAYMENT --

1 Amend Sec. 41.45.080 by adding another subsection to read:

2 () Payments due a municipality under this section shall be trans-
3 mitted by the department within 30 days of agreement between the parties
4 of the amount payable.
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"REBATE" OR "REFUND" PROVISION --

services in participation of the development of the project was originally & that the fee originally paid from the plan for delivery

Page 7, line 2 --

After Sec. 41.45.060, add a new section to read:

Sec. 41.45.070. OVERPAYMENT AND REFUND. (a) If a holder of a permit for a facility issued under this chapter has reason to believe that there has occurred or will occur a substantial change in the use of a facility from the activity described in the application for an original permit or amended permit, he may file with the commissioner an application for an amended permit and request a refund of a portion of the fees previously paid. Within 45 days after receipt of an application, after notice to the applicant and any affected municipality, the commissioner shall conduct a public hearing on the application. If, after the hearing, the commissioner determines that there has been a substantial change or that a substantial change is reasonably likely to occur, ~~he shall accept~~ ^{that the amount} the amended application and authorize a refund of the ~~amount of a fee~~ ^{unobligated portion} previously paid by the applicant. *of the*

(b) A refund of a portion of a fee authorized by the commissioner under (a) of this section shall be the difference between ~~amounts~~ ^{obligated} previously paid by the applicant and the amount computed ~~in accordance with~~ ^{in accordance with} sec. 30(a) c of this chapter on an application accepted by the commissioner under (a) of this section.

(c) Not later than October 1 of each year, the commissioner shall certify to the governor the amount of refunds payable to permit holders under this section. The governor shall include the amount which the commissioner certifies in the annual budget submitted in accordance with AS 37.07.

(d) For purposes of this section, a change in the use of a facility is "substantial" if

(1) the estimated or actual value of any changes or improvement

1 in a facility for which a permit has been issued will be less than the
2 estimated value of the facility determined in an original or amended
3 application by more than 10 per cent; or

4 (2) the actual population increase attributable to the constructio
5 and operation of a facility for which a permit has been issued will be
6 less than the estimate determined in an original or amended application
7 by more than 10 per cent.
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ALLOCATION FOR THE BENEFIT OF UNINCORPORATED AREAS --

1 Page 7, line 13 and following -- Change sec. 41.45.080 to read:

2 Sec. 41.45.080. DISPOSITION OF FEES AND PENALTIES. (a) The com-
3 missioner of the Department of Revenue shall deposit in the general fund
4 the money collected under this chapter.

5 (b) There is established in the general fund the shore facilities
6 assistance account. Ninety-five per cent of the fees and penalties
7 received under this chapter, or as much of the amount as the legislature
8 may annually appropriate, shall be placed in the account for the uses
9 and purposes described in (c) and (d) of this section.

10 (c) Not less than 50 per cent of the fees and penalties paid by
11 an applicant for a permit under this chapter for a facility located
12 within a municipality or within 10 miles of a municipality shall be paid
13 by the department from the account to a municipality or combination of
14 municipalities. Determination of the amount payable under this subsec-
15 tion to a municipality or combination of municipalities shall be deter-
16 mined by agreement between the department and the governing body of an
17 affected municipality.

18 (d) Fees and penalties paid by an applicant for a permit under this
19 chapter for a facility located in a community or within 10 miles of a
20 community of the unorganized borough are available for the benefit of
21 the community. The department may

22 (1) transfer amounts to another state agency for use by the
23 agency to benefit the community; or

24 (2) retain an amount for its use for the benefit of the com-
25 munity.
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Amend the definition section to include a definition of "community":

1 () "community" means a village located in the unorganized
2 borough in which is located a school operated by an educational service
3 area or the Bureau of Indian Affairs and any other village containing
4 25 or more permanent residents;

INCLUDE PROVISION THAT FACILITIES PROVIDED TO OPERATORS UNDER LEASE
BE SUBJECT TO THE LONG-RANGE DEVELOPMENT PLAN REQUIREMENT --

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Page 8, lines 22 - 24:

(1) the general location, size and type of all facilities to be
owned and operated or leased whose construction is projected to commence
during the ensuing three-year period;

Page 8, line 25 --

Delete the current language of subsection (c) and insert --

(c) Fees and penalties paid by an applicant for a permit under this chapter for a facility located in a municipality or within 10 miles of a municipality shall be paid by the department to the municipality or combination of municipalities. [If two or more municipalities are entitled to receive an amount under this subsection, the municipalities shall, among themselves, propose to the department the amount payable to each and the department shall make payment based upon the determination.]

Page 9, line 12 --

Delete the current language of subsection (e) and insert --

(e) Payments due a municipality under this section shall be transmitted by the department

(1) within 30 days of receipt of payment of the fee by the Department of Revenue, if payment is due to only one municipality;

(2) within 30 days of receipt of the allocation agreed to by the municipalities, if payment is due to more than one municipality.

Charles Prokop of Exxon, testimony before the Council on Environmental Quality, September 26-27, 1973:

"As production grows it would become necessary to have more and more personnel 'on location' until within a year or so a sizable community would develop near the producing area. If we keep our assumption of 200,000 B/D production as an example area, we could expect approximately 20 modest size business buildings, and two small hotels for temporary personnel and approximately 400 homes for the 600 people directly employed. A similar number would be expected to live outside the area in nearby cities with heavy emphasis still on Anchorage.

Of course, new supporting services would grow into the communities to serve the families of the employees, providing new jobs for those not directly associated with the industry. This could produce a community of near 2400 people and the churches, schools, recreation and service buildings accompanying a small population center. Land use would be approximately 6 square miles

There are several locations on the coastline of the Gulf which would accommodate sizable communities. At present Yakutat and Cordova are the only towns in the area under discussion. Neither is large enough to absorb even a part of the increased population, but either could be enlarged substantially should their positions be strategic. Yakutat would probably be the most ideally located of the two."

OIL INDUSTRY EMPLOYMENT IN SCOTLAND

TABLE 5.6 CHANGES IN OIL INDUSTRY EMPLOYMENT, MARCH 1973-DECEMBER 1974

	Mar. '73	Jun. '73	Sep. '73	Dec. '73	Mar. '74	Jul. '74	Oct. '74	Dec. '74
Inverness and Easter Ross	1 840	1 795	2 040	3 205	4 175	4 375	3 520	4 025
Remainder of Highlands and Islands	50	65	50	85	395	930	1 365	1 565
North East	1 410	2 305	2 305 ^b	3 730	4 065	4 715	5 495	6 925
Tayside	25	35	95	135	150	280	475	765
East Central ^a	665	770	910	975	1 815	2 530	2 430	2 080
West Central ^c	110	170	250	480	675	785	855	870
Total	4 100	5 140	5 650	8 610	11 275	13 615	14 140	16 230

- a. East Central is equivalent to the Firth of Forth region as described in Chapter 6.
- b. No fresh figure was published for this quarter, therefore previous total has been carried forward.
- c. The figures for West Central Scotland do not include workers engaged in rig construction work in Clyde shipyards, e.g. Marathon, Clydebank. In December 1974 workers in this category numbered 1935.

Source: Department of Employment.

SOURCE: Hutcheson, MacGregor and Hogg, Alexander, Scotland and Oil, 1975, p. 61.

EXHIBIT I
COMPARATIVE EMPLOYMENT DATA
1961-1974
KENAI-COOK INLET LABOR AREA

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	% Increase 1961-1970	% Increase 1961-1974
Total Civilian Work Force	2,512	3,123	3,274	3,318	2,914	3,883	5,415	6,475	6,262	5,560	5,508	5,967	5,748	6,179	121%	146%
Total Employment	2,102	2,664	2,723	2,830	2,510	3,383	4,936	5,892	5,510	4,745	4,594	5,022	4,831	5,375	126%	156%
Total Unemployment	410	459	551	488	404	500	479	583	752	815	914	945	917	970	99%	137%
Non-agricultural wage and salary employment	960	1,284	1,322	1,397	1,754	2,462	3,677	4,470	4,153	3,576	3,454	3,822	4,049	4,487	273%	367%
Mining	155	169	159	179	212	415	915	1,099	966	652	525	528	560	503	321%	225%
Contract Construction	57	24	99	128	259	**	821	1,209	736	354	398	433	343	441	521%	674%
Manufacturing	138	198	236	266	265	258	260	333	482	583	524	553	629	716	322%	419%
Transportation, communi- cations and utilities	90	104	94	107	124	141	306	267	273	293	254	280	296	404	226%	349%
Trade	113	134	152	151	219	303	357	432	528	507	466	502	507	627	349%	455%
Finance, insurance and real estate	27	34	44	**	**	**	**	**	**	**	**	79	81	90	**	233%
Services	86	154	135	**	180	263	334	401	364	339	338	446	596	671	294%	680%
Miscellaneous	*	*	*	*	**	**	**	**	*	**	**	55	90	88	**	*
Government	294	397	403	380	445	595	611	641	70	751	873	946	947	947	155%	222%

*Services and miscellaneous aggregated

**Withheld to comply with disclosure regulations

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**Withheld to comply with disclosure regulations

Analysis of HB 219 as Proposed February 15, 1977

The bill proposes to establish a shore facilities construction permit system, and to charge a permit fee based on the difference between "gross impact cost" and "development revenue" to be estimated by the Department of Community and Regional Affairs.

The "gross impact costs" are determined by multiplying the per capita costs of state and local government services in the area with the maximum anticipated population increase anticipated in conjunction with the offshore development in the area. "Development revenue" is to be determined by estimating petroleum property taxes, general property taxes, estimated income tax collections, and anticipated outer continental shelf oil and gas development grants.

The bill is unclear with respect to several items:

1. It appears that the permit fee to be assessed is aimed at covering costs of governmental services which will not be funded from other sources. The bill refers to per capita state and local government cost without specifically indicating which cost items are to be included, especially state costs.
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3. In this connection, the question occurs why the inflationary impact is to be taken into account on the revenue side while no reference to this is made on the cost side.
4. If the permit to be assessed is to reflect the otherwise unfunded portion of state and local costs, all state and local revenue sources applicable should be incorporated. This would include a local sales tax, if applicable, school taxes, all excise taxes, license fees and other revenue sources, especially at the state level. However, most of these revenues, as well as some of the expenditure items, cannot yet be traced to specific localities. Because of this, the concept incorporated in the bill appears to be unworkable, at least in its present form.

Statement, Parr, March 14, 1977

I am sorry that conflicting committee meetings did not permit me to be here during oil company testimony on HB 219. Over the weekend, however, I have listened to the tapes of that testimony and would like to offer a few comments.

Mr. Mathews of Exxon made quite a point of the fact that the North Sea was a case of rushed development whereas only 5% of the U.S. OCS had been developed over a number of years. Against his statement should be read the attached pages from the Baldwins' book: Onshore Planning for Offshore Oil: Lessons from Scotland. (Appendix 1)

The Exxon representative further indicated that very few jobs would be made available for Alaskans, that the bulk of the work force would be brought in to the rigs or platforms by air from the Lower 48, spend two weeks at work (beyond the three-mile limit) and fly home again. Two points: They don't intend to train and hire Alaskans-which would benefit our economy-and it seems unlekely that the state will collect any income tax from those workers who neither live nor work within the three-mile limit.

Also, the Committee should compare the above statements with that by Mr. Showalter of SOHIO, that the OCS development will help unempoyment following completion of pipeline construction, hiring skilled workers who live in Anchorage.

Mr. Matthews and Mr. Wiles (Shell Oil) stated that the number of people will be small. It is up to the Committee to decide whether to accept their figures or those prepared by Mr. Waring and Mr. Trimble. My own preference is to assume the higher figures, require the companies to submit payrolls and other data, and give them a rebate if they have indeed been overcharged.

The Committee might also note that expansion of a water, sewer, electric power, or school systems does not happen overnight. The community simply cannot wait until the development phase hits to begin construction of needed facilities.

References were made to \$1.6 billion (sic). A column by Senator Ted Stevens, which I furnished the Committee at its first hearing on HB 219, indicates

- (1) a total of \$1.2 billion, of which
- (2) \$800 million is for loans and
- (3) \$400 million is for grants, of which
- (4) \$50 million is for planning, the rest for unavoidable

ecological losses (fish?) and necessary projects which cannot be funded under the loan program.

It is hardly likely that Alaska will get the lion's share of the grant funds... .

Mr. Larry Vavra of Union Oil furnished information on the Collier plant in Kenai and its happy tax status. I should point out that the Collier plant has been paying only about 1/3 of what it should have paid in the North Kenai Fire Service Area. There has also been heavy (and uncompensated) impact on Kenai and Soldotna, as Representative Malone can verify.

Mr. Wiles quoted the preparer of the Mathematerial Sciences Northwest study, "who spent more than three weeks in Scotland, Shetlands," to the effect that the "local authorities in Scotland, with the active cooperation of the oil companies and contractors had been able to effectively plan for on-shore development..." Some idea of the active cooperation may be gleaned from Appendix 2. (Baldwin, *ibid*).

A final point. Mr. Wiles discussed possible constitutional problems. Although not a lawyer, I'll venture the opinion that there are two sides to the case. See, for example, K & L Distributors, Inc. v. Murkowski, 486 P.2d 351 (1971).

*what schools?
no approp of funds
by congress
must not be
important.*

Collier plant no tax - history of that.

Introduction

Why should Americans look to Scotland for lessons about the impacts of offshore oil, when an offshore industry has operated in the Gulf of Mexico for nearly 40 years?

At first glance, the Gulf of Mexico experience might seem to provide a sufficient guide for future oil developments elsewhere in the United States. Yet a closer look reveals important differences between oil experience in the Gulf and the prospects elsewhere in the United States, particularly along the Atlantic and Alaskan coasts. In these areas, climate, sea conditions, landscape, and perhaps even the social structure more closely resemble the North Sea coast of Scotland than the shores of Texas and Louisiana.

For one thing, the discovery of offshore oil and gas in the Gulf of Mexico followed many years of nearby onshore production, complete with pipelines, refineries, storage tanks, and a work force of thousands. Thus, the industry began its marine operations in the Gulf with trained local manpower and sophisticated facilities. This was not the case with the North Sea—nor will it be with the continental shelves of the Atlantic or the Gulf of Alaska. An even more significant difference between Gulf of Mexico operations and new offshore developments in the United States lies in the fact that the Gulf industry grew in the 1950's and 1960's at a pace that was far more gradual than that of the crash programs required by today's oil shortages. Rapid growth in energy use combined with the current drive to reduce energy imports and the

severe problems associated with expansion of coal production and nuclear power have now turned the attention of American government and industry toward prospects for expanding oil supplies. Since on-shore oil reserves in the United States are declining, most future expansion must come from offshore.

The continental shelves of the Atlantic Ocean and the Gulf of Alaska represent great untapped potential sources of new oil and gas for the United States. Consequently, these regions loom large on the drawing boards of the oil companies and the managers of the federal oil domain in the Department of the Interior. Current plans call for an expanded federal program specifying as much as 10 million acres of offshore lands for leasing to oil companies in 1975.

This level of leasing represents an enormous jump from earlier policy, and is cause for concern. Federal leasing of 10 million acres in 1975 would double, in a single year, the total offshore acreage leased since the program began in 1953. Never before has the total for a single year surpassed even two million acres, and only six million were under active federal lease in early 1975. The levels anticipated for such untapped regions as the Middle Atlantic and the Gulf of Alaska seem particularly large; some 3.5 million acres would be leased in each area.

Acreage figures do not, of course, indicate the level of oil production that we might expect from these frontier areas in the future. Normally, it takes four to eight years to bring a new oil field into production, and this lead time cannot even begin until extensive exploratory drilling confirms the presence of commercial quantities of oil. It is therefore safe to say that there will be virtually no Atlantic or Alaskan production before the end of this decade. Until exploratory efforts

are well underway, estimates of outer continental shelf (OCS) production in frontier areas are little better than guesswork. But it could be folly to base predictions of onshore environmental effects on the Gulf of Mexico experience. In 1969—after 30 years of state and federal offshore operations in the Gulf of Mexico—the average daily production level in Gulf waters reached one million barrels per day. In the North Sea, by contrast, that level of production will be surpassed before 1980, or less than ten years after British Petroleum discovered the first major oil field in the British sector. But because massive oil and gas reserves are still being discovered in the North Sea, the 1980 production level could be closer to 2.5 million barrels a day; indeed, many experts predict production of four to five million barrels a day by 1985.¹ These numbers dwarf the Gulf of Mexico operation.

Planners who hope to be ready for potential oil development in new areas of the United States would be wise to examine the impacts on the coastal environment of such rapid build-up to high production levels. There is barely time now to learn from the North Sea oil experience and to plan for oil development in Atlantic and Alaskan coastal regions with the benefit of both the successes and the failures of planning efforts in Scotland.

Our report thus focuses on both sides of the Atlantic: it is a description of the Scottish experience, based on observation, interviews, and literature review carried out in the spring and summer of 1974, accompanied by conclusions and recommendations for the United States. It is an environmental study in the broad sense of that word. We have been concerned in part with the impact of oil development on the natural environment, including the land, the scenery,

dominant position in the Islands' political and economic affairs. While Brae and the other three "growth villages" near Sullom Voe will not begin to rival Lerwick in population, they will together form a new educational, commercial, and, of course, industrial center for the northern half of Shetland.

The oil facilities at Sullom Voe will also require new infrastructure, especially new roads. Existing roadways are narrow and winding. Many are limited in their capacity to handle heavy loads because they lie above Shetland's ubiquitous peat bogs. Some of the new roads will therefore require excavation of the peat and its replacement with a more solid fill. Getting the roads built during the next few years, simultaneously with the oil industry's development and community housing and related facilities, will require great ingenuity on the part of Shetland's planners.

While there is no precise American equivalent to the Shetlands, remote communities in northern Maine and in Alaska could well experience demands similar to those now facing Shetland if oil were discovered nearby. It is possible that the local spirit and determination to maintain a quality environment in such places would match those qualities in Shetland. It is encouraging to recall that the Shetland Islands began without sophisticated planning controls or even a planning body at the local level. There is no reason why American communities could not plan as well. By 1980, it may be possible to applaud the Shetland deepwater port, with its related development, for being as successfully brought off in reality as it appears today on paper.

Shetland's success, thus far in meeting oil head-on and remaining firmly in the driver's seat is

due in large part to an unintimidated attitude of local officials toward the oil industry. It was apparent to oil men early in their discussions that Shetland was not to be cowed by the money and power of multi-national oil companies. At one point, negotiations between the industry and the county broke down temporarily after Shell executives showed their frustration with Shetland County's tight planning controls. They reminded the County Clerk that the oil companies could always give up their plans for Shetland and take their development, their riches, and their jobs elsewhere.

"That's the best news we've heard since you arrived," the County Clerk replied, as he and his staff members rose to leave the meeting.⁴⁰

Such confidence and lack of anxiety at the thought of doing without oil convinced the oil companies that they had to accommodate local wishes, rather than the other way around.

The concentration of large oil fields near the Shetland Islands will give the Sullom Voe terminal the largest oil throughput of any British port. The impacts of the Shetland terminal will outpace all the other tanker terminals associated with North Sea oil. Nonetheless, two other terminals, currently under construction, are worth mentioning.

The Orkney Islands, sister group to the Shetlands, are similarly remote and sparsely settled. Occidental Oil is now constructing a deepwater tanker terminal on the Orkney island of Flotta, where oil from the Piper field will land by pipeline for transfer to tankers in the sheltered waters of Scapa Flow. Since the Flotta terminal will serve only one field and one company, its impacts will be less noticeable to Orkney residents than Sullom Voe will be to Shetlanders.

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February 21, 1977

RE: Basic Tax Information / Purpose and Authority

State Tax System

Personal Income Tax: Should stand-out as the single most important revenue instrument in the state tax system and should produce close to 25% of total state-local tax revenues.

General Sales Tax: As the other major state tax it should produce 20 to 25% of the total state-local tax revenue without imposing an extraordinary burden on low income families. Retail sales tax rests on the belief that consumption is an appropriate basis on which to distribute a substantial part of the state tax load.

Local Tax System

Property Tax: Provides 5 out of 6 local tax dollars.

In many states there are existing constitutional and statutory restrictions on the taxing powers of local governments in terms of specific rates or allowed rates of increase, coupled with requirements for specific referendum approval of proposed property tax levies.

The State Role

The state has a useful and significant coordinative role to play in the administration of local income taxes as well as in other non-property taxes. Income taxes are preferable to sales and many other types of taxes because they can be structured to distribute their burden in conformity with ability to pay and with necessary regard to the taxpayer's family obligations.

Income tax limitations for use at the local level:

- frequently people live in one jurisdiction and work in another.
- people often supplement their wages and salaries from local sources with investment and other unearned income from other parts of the state; however, local jurisdictions that now use these taxes generally limit them to income from wages and salaries, the type of income most easily taxed.

Options for CRA Input on HB 219

A. Justification for bill.

Document the actual potential for onshore impacts , and the inability of local governments to plan for, control, and pay for these impacts.

In a narrative, describe how HB 219 provides a mechanism for control.

B. Local concerns.

Examine and address anticipated local concerns and objections to HB 219.

For example, discuss the bill's effect on local property tax, on local regulatory powers and autonomy, on the localities' ability to attract development, and on the development of facilities not included within the bill's coverage.

C. Legal issues.

Explore legal issues which could be used by onshore developers to challenge the bill. Federal issues are interstate commerce, preemption, conflict and equal protection. State issues are local legislation, double taxation, delegation, and preemption.

D. Planning issues.

Does the Act accomplish its pupose? What powers are given to local units? Are regional needs addressed? Is the role of CRA appropriate for it? How does the

Coastal Management bill (HB 342) affect HB 219, especially in terms of local actors and pertinent issues? Does the proposed severance tax potentially alter the role of HB 219?

E. Drafting.

Suggestions for improvement in drafting HB 219 either to reflect the same substantive/procedural goals at present or to add to those goals.

F. Alternative means under existing law.

What techniques presently exist for local and state authorities to plan and pay for onshore developments related to OCS energy development. For example, are special assessment bonds (AS 29.63.085) or special tax rates (AS 29.63.010) or special tax zones (AS 29.53.405) useful in passing the additional costs of development to the developer? Will loans under the Coastal Energy Impact Program be useful to local units,

Role of local zoning powers, especially ^{conditional} contraband use.

heating oil because of inadequate insulation in their houses.

The purpose of HB 219 is to compensate for the on-shore impacts caused by the OCS development.

The State cannot force the Federal Government to furnish such compensation. It can, however, require the companies exploiting the OCS territory to pay for the on-shore impact costs. The bill provides that the amount of uncompensated impact is estimated and that this amount is the price of the building permit for the on-shore facilities.

Draft - 2/25/77

H.B. 219

The Anchorage Times of February 16 reports Senator Ted Stevens as saying that Congress has directed the Interior Department to accelerate off-shore oil and gas leasing. Although Alaska has been successful in delaying the leasing of the Outer Continental Shelf off its shores, it appears that the honeymoon may be over and we may soon see an accelerated program of leasing going on.

The Supreme Court has decided that all of the lands beyond the 3-mile limit belong to the Federal Government. This means that any revenues--severance taxes, royalties or other--will go to the Federal Government. There is no provision for the State to collect any revenue from this activity. The state will, however, have impact on its shores because of the on-shore facilities necessary to support the development.

An estimate by the President's office of Management and Budget gives the impact cost for infra-governmental infra-structure for the State of Alaska as 680 million dollars. A later estimate by the Department of Community and Regional Affairs is somewhat lower. Here the cost is estimated to be somewhat over 400 million dollars. No legislation so far passed by Congress or envisioned, will compensate the State on this order of magnitude.

It is my belief that Alaskan taxpayers should not bear the impact costs involved in OCS production so that persons in other parts of the country may continue to run their air-conditioners, drive their cars at 70 miles per hour or waste

3-10-77

Larry Vavra--Union Oil Company

Data for Collier Carbon:

Investment

Latest gross investment of old plant reported to the State is \$63.012 million (undepreciated).

Estimated cost of new plant is about \$250 million.

Amounts paid to Kenai Borough

1972	\$128,500
1973	126,329
1974	120,191
1975	125,190
1976	228,896
1977	1,547,319 (estimate)

Employees

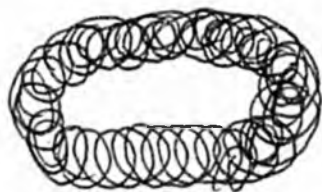
The "old" plant has about 130-140 regular employees. However, in anticipation of the new plant completion, the work force has risen to about 200, the added number being people in training phases. When the new plant is operational, it is estimated that there will be about 240 regular employees.

When Collier first came to Kenai, about half of the work force was hired locally, the others being transferred in from elsewhere because of a scarcity of labor in the area possessing the appropriate skills. Hence, some 60-70 employees were already in the general area.

Of the some 70 people or so currently added to the regular work force, some 85-90% of them are local people from the area and are not "lower 48" transferees. It is Collier's policy to hire locally as much as possible and a training program has been going for some time.

When the new plant is operational, Collier estimates the regular employee work force will be around 240 people. Most of the added personnel will be drawn from the local area.

In addition to regular employees, Collier has contractors who themselves hire workers to do the contract work. Currently, the number of these workers range from a low of about 15 to as many as 300 when the "turnaround" work is done annually, and which takes about a month on a facility. However, even these additional contract employees are hired locally and Collier estimates that some 65% or more come from the immediate area and 35% from the Anchorage area. Very few come from outside Alaska.



Erickson on HB 219

- 59
- Probs. 1. Estimating cost of impact
2. How much can we expect from feds?
3. How allocate permit fees?
Various ownership arrangements may permit cos. to escape -

explain diff. bet. exploration, development, +
production

Questions for Matthews:

1. If 25 yrs. too long, what time period?
2. How much of the fed \$400 mil. will be grants, & how much loans?
3. Was he having no impact at all, or just none during exploration phase?

Ken Showalter - Sohio -

suggests coop inlet development as basis of comparison -

projections must be based on phased leasing schedules -

LSPidea → eliminate exploration phase from permit requirements? (due to probability of dry holes)

Gene Wiles - Chevron

cites study of consultants - projections

291 - empl. 1976 \$14.6 mil. salaries - direct & indirect

1486 - 1980 empl.

state &

→ May estimate of addl. munic. services? (in study re cities?)

OCS greater initial impact (re sec. 6)

interfering w/ interstate commerce? violating equal protection provision?

shd. be provision to repay permit fee if impact does not occur.

HB 219 - Tom Matthews, Exxon

immed. major impacts
demands on mun. services } wrong

bill incl. - rental, lease

today impacts non-existent

100,000 new people a "worst case" assumption

impact in Seward

30 acres in Seward

small tract near RR dock

200 - work crews

25 are dk. residents

175 go outside on R/R -

Work force 4 in Seward

8 others

13 in Anch + Yakutat

\$750,000 month (they spend)

Onshore will be 5 yrs. away - gives time for
planning

They now pay in Seward - 3% sales tax
wharfage tax
prop. tax
local wages

→ bill says less devel. revenues

→ if no impact, why worried

→ "onshore" facility does not incl. taxes

dk. will get \$400 mil. from fed. impact #

→ Calif. law?

3/9 -

Gene Wiles - cont'd.

→ Does he have another period, aside from 20 yrs., to suggest?

~~What~~ What costs of state & local govt. shd. be included? Too much discretion for administrators

→ Others (native corps?) have to get permit.

Waco Shelley - Mobil

→ Are wells in use now?

3/10 - Bill Hopkins

Bill does attempt to base fees on actual impact & expenses

States estimates are lower than feds -
cite letter to K. Arnold from OMB -

Rarry Vavra

Collins' exp. in Kenai

turnaround work - annual c. 300 -

'76 payroll \$6.3 mil.

New plant c. \$10 mil. reg. emp'ts.

"classification is arbitrary"

"not imposed on others similarly situated"

disadvantage of interstate commerce

taxing prop. before it's in existence

Testifiers: HB 219

Larry Powell - Mayor - Yakutat

Yakutat socio-economic survey. Wanted not large scale impact but some improvement in life, w/ constraints -

Industry purchased property -
Developed zoning ord. '75-'76

1st knowledge of sale '74. City budget c. \$100,000

→ '75 budget goes to - grants - (where get?)

'78 " " " \$300,000

\$53,000 } Pipeline
Impact Com.
AFN - \$5,000
CRA - \$10,000
1/2 Match } CRA \$40,000

→ What were your costs?

→ Cap. Improvement Projects: (?)

→ '75 - land trade - Vill. corp./City - change of attitude by industry

Community sure of its direction. That helped industry

Now need capital for planning studies - c. \$500,000
need - office space, police bodies, new water sources, sewer, new municipal dock

→ Increase in population - ? recreation
30-40

Prop. taxes '77 - fall - they will collect -

Helicopters, hangars - 30,40 people -
airport is used a great deal - drilling
→ rig crews - (how decided?)

Prop. taxes have gone up for citizens,
because of oil cos. paying high for
land. - 21 mills now
12 " in '74

Total assessed val. \$13,000,000
per capita income less than \$10,000
now \$12-15,000

fed - state - vill. corp - biggest landowners
75% of pop. native

absolute necessity to have money for
planning effort

1500 tons a month by barge for servicing
rigs through Yakutat. 5 200' work boats
operate out of Yakutat daily.

"It's the nature of the beast" to get out
of hand. "Very volatile thing."

{ Cooperation of vill. corp - city
control of land situation
(land speculation was a threat)

HB 219

construction
provision of servs.

~~3/10 - Bill Hopkins~~

3/16 - Kevin Waring

- Where state getting \$ for community aid? Any avail. to communities?
- Need for bill?
- Econometric model?
- Where did Kodiak & Yakutat get \$ for comprehensive plans?
- What basis for their pop. & employee figures?
- Grants based on "hist. oil. development"

Offshore Oil Facility Siting on Kodiak

The Department of Community & Regional Affairs has announced the award of a consultant contract to evaluate possible sites on the Island of Kodiak, suitable for use by the offshore oil industry. The study will be carried out by Woodward-Clyde, Inc., with assistance from Earl and Wright Engineers of San Francisco.

The directive to the consultants is to study all possible sites on Kodiak Island which might be suitable for use either as oil transshipment and storage terminals, L.N.G. plants with their associated Marine loading facilities or onshore supply bases. Each site will be ranked for its suitability for oil industry operations and its impacts on the environment and community life of Kodiak. The objective is to produce a list of recommended sites which match the oil industry's requirements and high environmental standards, and best fit in with the existing pattern of life on Kodiak.

Sites initially under consideration are:

- Kazakof Bay
- Kizhuyak Bay
- Monashka Bay
- St. Paul Harbor
- Kalsin Bay
- Ugak Bay
- Old Harbor
- Cape Chiniak
- Barling Bay
- Three Saints Bay

This list is not an exclusive one and other sites may emerge in the course of the study which would merit consideration.

The study, sponsored jointly by the Department of Community and Regional Affairs, the Kodiak Island Borough, and Koniag, Inc., is funded to plan for OCS development. The timing of this project is particularly important as it is scheduled to be completed prior to the Kodiak Shelf OCS lease sale, now scheduled by the Department of the Interior for November, 1977. In this way, local groups will have an opportunity to influence company location policy.

Since the views of the Kodiak Islanders are an important input to the project, the contractors have been directed to take careful note of any site preferences expressed at a series of public meetings schedules to be held in Kodiak this spring.

The study will start in mid-April and should be complete by the end of November. For further information, please contact:

Commissioner Lee McAnerney
Department of Community and Regional Affairs
Pouch B
Juneau, Alaska 99811 Phone (907) 465-4700

my file HB 219

highways
small boat
harbors

sumps
schools
resp. beds -

diss - what can be related to offshore activity?

Jack - How can bores reach offshore, jurisdiction?

OCS vs. state leases -

relate cost of facility to cost of impact -

CS₂ - input by muni.

Singletary - Atlantic Richfield

- simpler ways - legn. for any com. to apply to state for impact funds -

Chenoweth - what happens while fee being appealed to ct.

Time frame for action o permit -

→ Appeal of denial of fee. -

Darrel Scharfmyer - (City of Seward)

shit or get off pot

Harlan Martins -

*Lisa -
for your
comm
Charlie*

COLLIER CARBON & CHEMICAL CORPORATION
JAPAN GAS-CHEMICAL COMPANY, INC.
ALAP CORPORATION

CERTIFICATE OF INDUSTRIAL TAX EXEMPTION
(AS 43.25 as amended)

THIS IS TO CERTIFY THAT pursuant to AS 43.25 and AS 44.45.020(a)(12), the Commissioner of Economic Development, for the State of Alaska, has determined that the urea and ammonia plant and related facilities proposed and being built in the Cook Inlet area by the Collier Carbon and Chemical Corporation (hereafter sometimes referred to as "Collier" or as one of the "applicants") and Japan Gas-Chemical Company, Inc. (hereafter sometimes referred to as "Japan Gas" or as one of the "applicants") and Alap Corporation (hereafter sometimes referred to as "Alap" or as one of the "applicants") is an "eligible business", manufacturing a product as defined in AS 43.25.160(a)(1) and that said applicants be and are hereby granted a tax exemption with the terms and conditions set forth below:

A. Those facilities and properties of the aforesaid applicants upon which this exemption is granted are those described in the application and which are located near Kenai, Alaska, on the Cook Inlet, consisting of:

1. The land on which the urea and ammonia plant and related industrial facilities are constructed.
2. The urea and ammonia plants, storage tanks, dock (wharf) facilities, plant and loading lines, and other attendant plant facilities and improvements, and personal property.

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1 3. Related facilities located at the plant site
2 include, but are not limited to, the following items:

3 (a) The furniture, office equipment, and
4 machinery used in the administration of the
5 exempt business.

6 (b) Administration building and control
7 laboratory.

8 (c) Shop and warehouse combination buildings.

9 (d) Equipment and machinery used in the
10 maintenance and transportation facilities, in-
11 cluding but not limited to, automobiles, trucks,
12 buses, graders, dozers, fork lift, payloaders
13 and cranes and watercraft.

14 (e) Equipment and machinery owned by the
15 applicants and not leased or under a lease option
16 contract which are used in connection with the
17 supplying of utility services similar to that
18 supplied by a public utility. Included among
19 these items, but not necessarily limited thereto,
20 are:
21

22 (i) Natural gas distribution, including
23 spur pipelines and equipment, running from the
24 plant premises to trunk gas pipelines from
25 which gas is supplied to the plant premises.

26 (ii) Electric power generation with
27 building and distribution system.

28 (iii) Raw water distribution and supply
29 system including water wells with pump houses,
30 whether located on or off the plant premises,
31 and iron removal system with building.
32

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1 (iv) Cooling water distribution and
2 supply system including cooling tower and
3 pump house.

4 (v) Steam generation and distribution
5 facility including condensate system.

6 (vi) Boiler feed water treating system
7 with building including facilities for in-
8 strument air, utility air and inert gas
9 generation.

10 (vii) Equipment, machinery, piping, used
11 in the treatment and distribution of waste
12 material and to pollution control, including
13 but not limited to:

14 (1) Septic tanks.

15 (2) Waste water disposal system
16 including pump house, chemical treatment
17 with building, and retention pond, and
18 including deep wells, and related piping
19 and facilities in connection therewith.

20 (f) Equipment, machinery or supplies used
21 for communication, which are owned by the appli-
22 cants and not leased or under lease with an option
23 to purchase and are located on the premises of the
24 exempted plant, including but not limited to:

25 (i) Telephonic, telegraphic, teletype
26 or microwave systems.

27 (ii) Radio communication systems.

28 (iii) Firefighting and safety equipment.

29 (iv) Fencing.

30 (v) Security stations and equipment.

1 Those facilities and property considered for exemption
2 purposes in this certificate, including those specifically set
3 forth above, are only those which in fact actually meet the
4 definition of "property devoted to industrial development" as
5 defined in AS 43.25.150(a)(11).

6 B. Property not deemed to be a part of the described
7 property is:

8 1. Except as elsewhere noted herein, any property
9 not located or based at or on the plant premises.

10 2. Any residence or living quarters, except those
11 living quarters or facilities not constituting a
12 permanent residence, which are located on the plant
13 premises for the convenience of employees while in
14 the course of performing their official duties, such
15 as watchmen.

16 3. Commissaries, except that food items may be
17 made available to employees on the plant premises for
18 consumption during their hours of work. Any equipment
19 used in connection therewith shall be deemed to not
20 constitute commissary.

21 4. Vehicles, vessels and aircraft which are used
22 away from the plant premises are not exempt from
23 taxation, except the vessels used exclusively for
24 water testing and line handling.

25 5. All facilities and appurtenant machinery per-
26 taining to or used in connection with the supplying
27 of utility services for other than the applicants'
28 exclusive use. However, in the case of emergency,
29 such as a power failure temporary use of such
30 facilities for others than the applicants will not
31
32

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1 make that property taxable or put the applicants in vi-
2 olation of this exemption certificate. Temporary means
3 not more than 72 hours. For any use longer than that
4 permission of the Commissioner of Economic Development,
5 or his delegate, shall be obtained if the applicants
6 are not to be in violation of this certificate.

7 6. Docking facilities - See paragraph No. C
8 which follows:

9 C. If the trestle and wharf facility of the exempted
10 business subject to this certificate is used in connection with
11 the transportation of items not produced by or used in the oper-
12 ations of the exempted business, a portion of the value of such
13 facility shall be deemed to be non-exempt property, as hereafter
14 determined, to the extent such facility is used in connection
15 with the transportation of items not produced by or used in the
16 operations of the exempted business.

17 The percentage of use of the trestle and wharf facility
18 in connection with the transportation of products not produced
19 by or used in the operations of the exempted business shall, for
20 any year covered by this certificate, except the first year
21 (1969) and the last year (1978) of the exemption, be determined
22 by computing the percentage of total tonnage during the pre-
23 ceding year of items transported across the trestle and wharf
24 facility which represent products not produced or used in the
25 exempted business. That percentage of the total value of the
26 trestle and wharf facility shall be subject to taxation by
27 political subdivisions who, under state law, could levy taxes on
28 that property. In valuing the property AS 29.10.396 shall be
29 followed. (For example, if the facility were used 50% for non-
30 exempt purposes in 1969, then 50% of the value of that facility
31 on January 1, 1970 would be subject to property taxes in 1970
32 and would not be considered to be tax exempt.)

1 For the calendar year 1969, the percentage of use shall
2 be deemed to be 15 percent.

3 In the last year of the exemption (1978) the same
4 formula used for years 2 through 9, as explained above shall be
5 followed except that the period used to compute total tonnage
6 and the percentage of non-exempt use shall consist of the 9th
7 year tonnage plus the tonnage of each month of the 10th year
8 which ends prior to the date the tax roll is certified.

9 The applicants shall prepare and submit annually to the
10 Assessor of the Kenai Peninsula Borough a determination of the
11 percentage of use, as provided herein, for any period to which
12 this certificate applies, starting with the calendar year 1969.
13 Such determination for each of the years 1969 through 1977 shall
14 be submitted at or prior to the time the property tax returns
15 are filed within the Kenai Peninsula Borough (including any ex-
16 tension of time for filing such returns). Tonnage figures on
17 use during the months of 1978 (the last year under this exemp-
18 tion) to be used in computing the percentage of non-exempt use
19 for that year shall be furnished by the applicants to the
20 Borough Assessor not later than the 5th day of the month in
21 which the tax roll will be certified. Notice of that date shall
22 be furnished to applicants by the Borough.

23 D. The applicant shall be exempt from the following
24 taxes presently or hereafter levied or imposed upon the pro-
25 perty defined in paragraph A, or the receipts therefrom:

26 1. All ad valorem taxes on real or personal pro-
27 perty which may be imposed by the State, borough or
28 other political subdivision or taxing jurisdiction.

29 2. All sales and use taxes and taxes measured by
30 sales or profits on sales levied by the State, borough
31 or other political subdivisions or taxing jurisdictions
32 in the State.

1 3. All franchise taxes levied by the State in
2 excess of \$1,000 per year and all franchise taxes
3 levied by the borough or other political subdivisions
4 or taxing jurisdictions in the State.

5 4. All business receipt taxes and business
6 licenses levied by the State, borough or other
7 political subdivisions or taxing jurisdictions.

8 5. All income taxes levied by the State,
9 borough or other political subdivisions or taxing
10 jurisdictions.

11 E. The tax exemption granted in this certificate
12 shall apply, ~~inure~~ to, and be transferred to the benefit of:

13 UNION OIL COMPANY OF CALIFORNIA. In the event
14 of a complete liquidation of COLLIER in which all of the assets
15 owned by COLLIER in the exempted business are transferred to
16 UNION as part of a distribution in complete cancellation or
17 redemption of all of Collier's shares of stock owned by
18 UNION, and
19

20 To a Subsidiary American Corporation of Japan
21 Gas which is 100% owned by Japan Gas, and which subsidiary is
22 the transferee of all of the assets owned by Japan Gas in the
23 exempted business.

24 Any of the transfers described above which occur before
25 the expiration of the period for which the exemption is granted
26 shall not extend the period for which any exemption from taxes
27 is granted. The transfer of rights under this numbered para-
28 graph will be valid only if the transferees, Union Oil or the
29 Subsidiary of Japan Gas, notify the Department of Economic
30 Development within thirty days after the transfer has taken
31 place. Such notice to be in writing by registered letter.
32 In the event of transfer, the transferee shall be subject to

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1 all restrictions and requirements of this exemption certificate,
2 together with any amendments which may be added from time to
3 time.

4 A transfer under this numbered paragraph shall not
5 relieve the applicants or their successors from the statutory
6 requirements of AS 43.25.020 and .030.

7 F. The exemptions referred to in paragraph D shall
8 be for a period of ten years commencing January 1, 1969, but
9 these exemptions may be terminated sooner under any provision
10 contained in paragraph K of this certificate.

11 G. Only those exemptions from taxes specified in this
12 certificate are granted to the applicants.

13 H. The applicants shall make all reports required by
14 the Alaska Industrial Incentive Act or provided for hereafter
15 or that the Commissioner may from time to time request pertain-
16 ing to the exempt property. A copy of all reports made to
17 other Alaska State Departments or agencies under the Industrial
18 Incentive Act shall be sent to the Commissioner of Economic
19 Development or other State official subsequently administering
20 the Industrial Incentive Act.

21 I. All income tax returns and other tax returns re-
22 quired to be filed with the Department of Revenue or other
23 departments shall be complied with as though no exemption
24 existed and copies of all returns shall be furnished to the
25 Commissioner of Economic Development on their due dates, in-
26 cluding any extension of time granted by the department whose
27 tax returns are involved. The applicants shall indicate on
28 or attached to the returns what portion of the receipts, in-
29 come and expenses are derived from the exempt property as
30 defined in paragraph A and may show on the returns the amount
31 of credits claimed.
32

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1 The fact that an applicant may be included as a member
2 of a consolidated group which files a consolidated income tax
3 return with the State of Alaska shall not operate to deny the
4 exemption from Alaska income taxes granted herein to any such
5 applicant. However, if consolidated returns are filed the
6 amount of the tax credit granted shall be only that amount that
7 would be allowed if separate returns had been filed. For
8 example, the exempted business may have a net income for tax
9 purposes (computed as if no exemption existed) of \$100,000 and
10 a tax of \$8,370. Whereas, a consolidated return showing
11 \$1,000,000 in taxable income would have a tax of, say, \$93,000.
12 (Part of its tax being in a higher tax rate classification.)
13 The amount of tax credit claimed on the consolidated return
14 would be \$8,370 and not the amount of tax arising on \$100,000
15 income if it were computed as coming off the top at the higher
16 tax rate. (Note: The income and tax figures used in this
17 paragraph are hypothetical. Actual figures would have to be
18 used in each instance.)
19

20 J. Only those items of income and/or expenses of the
21 applicants which are necessary to the operation of the tax
22 exempt business referred to above may be charged to the exempt
23 business. Operation of a store or stores (inventory) depart-
24 ment which makes sales to employees or third persons shall
25 not be deemed to be necessary to the operation of the exempt
26 business.
27

28 K. The above described exemptions may be revoked by
29 the Commissioner of Economic Development or other State
30 official charged with administering the Industrial Incentive
31 Act for any one or more of the following reasons:

- 32 1. Any violation of or failure by one or more
applicants to comply with the Industrial Incentive Act.

- 3 -

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1 2. Any violation of or failure by one or more
2 of the applicants to comply with this exemption
3 certificate.

4 3. Any failure by one or more of the applicants
5 to timely pay any State or borough or city license
6 fee or tax not exempt under this certificate.

7 4. Any failure of one or more of the applicants
8 to timely make any payment to the State, borough or
9 other political subdivision on any agreement.

10 5. Any failure of one or more of the applicants
11 to comply with the State's oil and gas conservation
12 regulations.

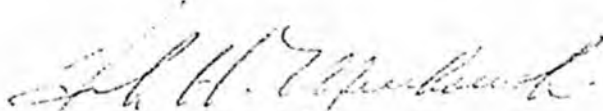
13 In the event of any violation or failure by any of
14 the applicants to comply with 1, 2, 3, 4, or 5 above, the
15 State or political subdivision shall give the applicant or
16 applicants 30 days' notice by registered mail to the appli-
17 cant's plant or their registered agent or agents in which to
18 cure the defect, and if the applicant or applicants cure the
19 defect within the 30 day period, the exemption shall not be
20 revoked for that violation.
21

22 In the event of a good faith dispute existing as to
23 whether a violation of 1, 2, 3, 4, or 5 has occurred and is
24 being contested in a court of law, the applicant shall have
25 30 days after the final order by the court of competent
26 jurisdiction in which to cure the defect, except where
27 revocation is mandatory under the Industrial Incentive Act.
28 However, when a revocation occurs, its effective date shall
29 be that specified by AS 43.25.060. Nothing herein shall
30 operate to deny an applicant the right to appeal adverse
31 decisions as provided in the Industrial Incentive Act.
32

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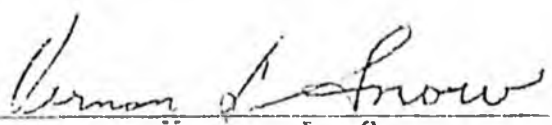
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DATED this 25th day of May, 1969, at
Juneau, Alaska.


FRANK H. MURKOWSKI
COMMISSIONER
DEPARTMENT OF ECONOMIC DEVELOPMENT

Approved as to form:

G. KENT EDWARDS
ATTORNEY GENERAL

By 
Vernon L. Snow
Assistant Attorney General

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EXHIBIT I
COMPARATIVE EMPLOYMENT DATA
1961-1974
KENAI-COOK INLET LABOR AREA

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	% Increase 1961-1970	% Increase 1961-1974
Total Civilian Work Force	2,512	3,123	3,274	3,318	2,914	3,883	5,415	6,475	6,262	5,560	5,508	5,967	5,748	6,179	121%	146%
Total Employment	2,102	2,664	2,723	2,830	2,510	3,383	4,936	5,892	5,510	4,745	4,594	5,022	4,831	5,375	126%	156%
Total Unemployment	410	459	551	488	404	500	479	583	752	815	914	945	917	970	99%	137%
Non-agricultural wage and salary employment	960	1,284	1,322	1,397	1,754	2,462	3,677	4,470	4,153	3,576	3,454	3,822	4,040	4,487	273%	367%
Mining	155	169	159	179	212	415	915	1,099	966	652	525	528	560	503	321%	225%
Contract Construction	57	34	99	128	259	**	821	1,209	736	354	398	433	343	441	521%	674%
Manufacturing	138	198	236	266	265	258	260	333	482	583	524	553	629	716	322%	419%
Transportation, communi- cations and utilities	90	104	94	107	124	141	306	267	273	293	254	280	296	404	226%	349%
Trade	113	134	152	151	219	303	357	432	528	507	466	502	507	627	349%	455%
Finance, insurance and real estate	27	34	44	**	**	**	**	**	**	**	**	79	81	90	**	233%
Services	86	154	135	**	180	263	334	401	364	339	338	446	596	671	294%	680%
Miscellaneous	*	*	*	*	**	**	**	**	**	**	**	55	90	88	**	*
Government	294	397	403	386	445	595	611	641	701	751	873	946	947	947	155%	222%

*Services and miscellaneous aggregated
**Withheld to comply with disclosure regulations

VALUATION

<u>Rate of Permit Fee</u>	<u>\$5.0 Million</u>	<u>\$20.0 Million</u>	<u>\$100.0 Million</u>	<u>\$500.0 Million</u>	<u>\$1,000 Million</u>
A. 2% up to \$5 million					
1% - 5 to 20 million	\$100,000	\$250,000	\$650,000	\$2,650,000	\$5,150,000
<i>1/2 over 20</i>					
B. 3% up to \$5 million					
1 1/2% 5 to 20 million	150,000	375,000	975,000	3,975,000	7,725,000
3/4% over 20 million					
C. 3% up to 5 million					
2% 5 to 20 million	150,000	450,000	1,250,000	5,250,000	10,250,000
1% over 20 million					

Permit Fees under CS HB219, Section 41.45.030(b)1)

Calculated by Department of Community and Regional Affairs 04/01/77

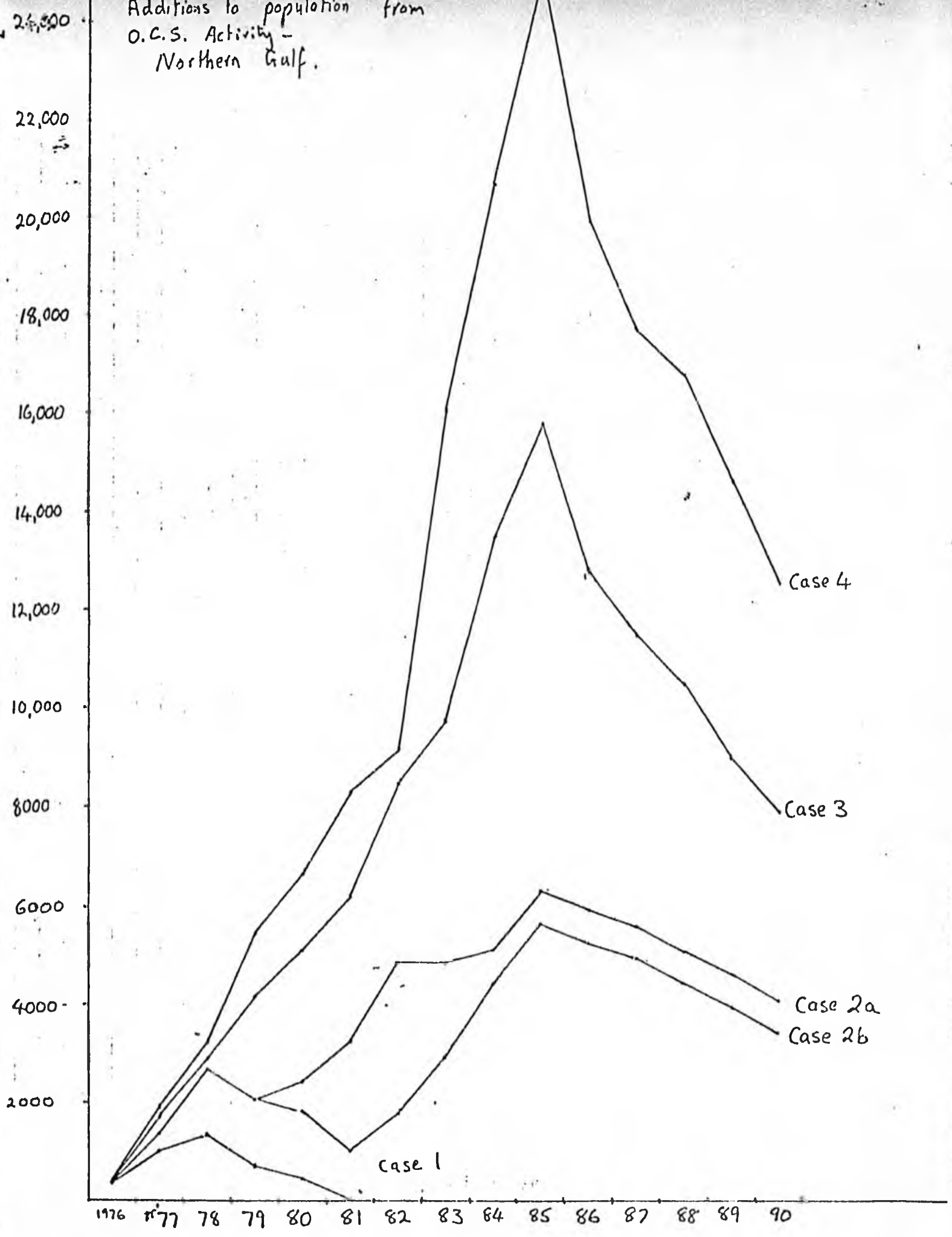
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DCRA-2/76

Table 2 Total Export Employment Direct and Indirect - Northern Gulf

Year	No. Find			Moderate Find Za Pipeline			Moderate Find Zb S.B.M			High Find			Bonanza			Total
	On	Off	Tot	On	Off	Tot	On	Off	Tot	On	Off	Tot	On	Off	Tot	
76	84	156	240	84	156	240	84	156	240	84	156	240	84	156	240	
77	204	466	670	285	621	906	285	621	906	346	777	1123	484	777	1261	
78	285	621	906	548	1242	1790	548	1242	1790	658	1242	1900	884	1271	2155	
79	166	311	477	405	961	1366	405	961	1366	1081	1762	2843	1346	2331	3677	
80	84	156	240	708	961	1669	405	961	1366	1369	2171	3540	2414	2331	4745	
81				1375	1011	2386	285	621	906	2064	2311	4375	3719	2421	6140	
82				2034	1208	3242	315	638	953	3409	2296	5705	3536	3145	6681	
83				1233	1458	2691	465	888	1353	2555	2663	5218	5105	4280	9385	
84				968	1392	2360	668	1392	2060	3515	3833	7348	6023	5359	11382	
85				1148	1775	2923	848	1775	2623	4933	3966	8899	7910	5828	13728	
86				1118	1621	2739	818	1621	2439	3085	3316	6401	4845	4777	9622	
87				1065	1534	2599	765	1534	2299	2280	3069	5349	3645	4603	8248	
88				1005	1364	2369	705	1364	2069	2160	2727	4887	3525	4278	7803	
89				945	1193	2138	645	1193	1838	1958	2215	4173	3340	3578	6918	
90				863	1022	1885	563	1022	1585	1815	1856	3671	2978	2862	5840	

Additions to population from
O.C.S. Activity -
Northern Gulf.



OIL INDUSTRY EMPLOYMENT IN SCOTLAND

TABLE 5.6 CHANGES IN OIL INDUSTRY EMPLOYMENT, MARCH 1973--DECEMBER 1974

	Mar. '73	Jun. '73	Sep. '73	Dec. '73	Mar. '74	Jul. '74	Oct. '74	Dec. '74
Inverness and Easter Ross	1 840	1 795	2 040	3 205	4 175	4 375	3 520	4 025
Remainder of Highlands and Islands	50	65	50	85	395	930	1 365	1 565
North East	1 410	2 305	2 305 ^b	3 730	4 065	4 715	5 495	6 925
Tayside	25	35	95	135	150	280	475	765
East Central ^a	665	770	910	975	1 815	2 530	2 430	2 080
West Central ^c	110	170	230	480	675	785	855	870
Total	4 100	5 140	5 650	8 610	11 275	13 615	14 140	16 230

- a. East Central is equivalent to the Firth of Forth region as described in Chapter 6.
- b. No fresh figure was published for this quarter, therefore previous total has been carried forward.
- c. The figures for West Central Scotland do not include workers engaged in rig construction work in Clyde shipyards, e.g. Marathon, Clydebank. In December 1974 workers in this category numbered 1935.

Source: Department of Employment.

SOURCE: Hutchison, MacGregor and Hogg, Alexander, Scotland and Oil, 1975, p. 61.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

January 28, 1977

Mr. Keith Arnold
Assistant Manager
Alaska Oil and Gas Association
308 G Street, Suite 217
Anchorage, Alaska 99501

Dear Mr. Arnold:

The enclosed paper describes the approach used to derive the direct employment estimates for Alaskan OCS development underlying the figures cited in the Coastal Zone Management Newsletter enclosed in your letter of January 21.

We do not consider the figures quoted in the Newsletter to be valid estimates of the expected impacts in Alaska of OCS development. Those figures were prepared in an analysis done in May of 1975. The purpose was to determine the rough order of magnitude of OCS development impacts based upon deliberately pessimistic assumptions. It would then be possible, despite the great uncertainties, to credibly say that the likelihood of even more severe impacts would be negligible.

The estimates, therefore, were deliberately biased upwards at several stages in the analysis in order to produce an "upper limit" or "worst case" estimate. Some of the major sources of bias are:

- The leasing scenario used was the OCS planning schedule which was later published in June of 1975. It was recognized as a very ambitious and optimistic schedule for Alaska. Actual leasing in Alaska is likely to be spread over a substantially longer period than that schedule had anticipated. The impacts will also be spread over a longer period, reducing the infrastructure needs toward a level based on the "permanent" direct employment.
- The development scenario following each lease sale assumed very rapid exploration and development.
- It was assumed that all direct employment in every affected Alaskan region will be of people new to that region. This is clearly unrealistic.

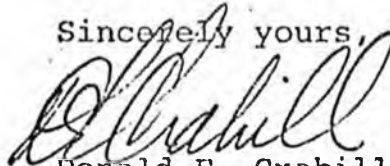
The paper calculated a peak direct employment of 19,200 and a permanent direct employment of 8,100 resulting from the OCS development scenario examined. In order to arrive at a total population increase figure and a total infrastructure cost figure, the following steps were taken:

- The peak and permanent direct employment were averaged, giving 13,650. It was assumed that public infrastructure needs would be based on this volume of direct employment.
- It was assumed that all direct employment was by people new to the Alaskan areas in question.
- This direct employment of new residents was multiplied by a direct to total employment multiplier of 2.75 and a total employment to population multiplier of 2.5, giving a total additional population of 94,185.
- The total infrastructure cost was derived from this population figure by using \$7,250 per capita.

It is unfortunate that these figures are receiving a wide circulation which characterizes them as OMB projections of future OCS impacts in Alaska. Their purpose was not to project the most likely future, but rather to show that, even when unrealistically pessimistic assumptions are used in the analysis, the calculated impacts are manageable.

I believe that the paper and the further steps described above are self-explanatory. However, if you have any further questions about the analysis, we will be glad to address them.

Sincerely yours,



Donald E. Crabill
Deputy Associate Director
for Natural Resources

Enclosure

The paper will be
permanent file

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Socioeconomic Impacts of OCS Development

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The following package describes the bases for our estimates of OCS onshore impacts. Attachment 1 is a description of the approaches used in making the estimates. Attachment 2 describes our own analysis to produce an upper limit estimate of direct employment impact. Attachment 3 includes a paper on Alaska impacts and Atlantic impacts describing the conclusions of existing impact studies on those areas. Attachment 4 is a summary of conclusions which can be drawn from North Sea (Scottish) experience.

The impact estimates finally derived from these analyses are basically the direct employment figures of Attachment 2 blown-up by multipliers to get total employment including induced employment and total population. The multipliers were taken from the earlier impact studies.

The resulting estimates should be treated as order-of-magnitude estimates which are deliberately biased toward the high side. Uncertainties about how much oil will be found, where, and over what time period are very large. Additional uncertainties exist about the response of local economies to the temporary influx of exploration and development workers.

Induced employment and population in short-term boom situations are likely to be less than the induced employment and population which would eventually result if the boom level of activity were to continue indefinitely. However, the multipliers used here are those usually considered suitable for estimating long-term equilibrium results, so they bias the peak employment period results toward the high side.

Another source of uncertainty in Alaska is the unknown degree to which companies during the exploration and development phases will provide facilities and services for their employees because they are about totally absent in the local economy.

METHODOLOGY OF IMPACT ESTIMATIONS

Two approaches used

Two approaches to impact estimates were taken:

1. In the papers "Alaska Impacts," "Atlantic Impacts," and "California Impacts," existing impact studies pertaining to specific OCS areas were reviewed and estimates were derived from them. These studies estimate direct employment based upon assumed levels of production and apply multiplier factors to obtain total number of "new residents."
2. In the paper "Estimates of OCS Employment Impacts," estimated acreages to be leased under the planning schedule along with assumptions about exploration and development rates and percentage of exploratory success were converted into primary employment using unit employment estimates furnished by the National Ocean Industries Association. Production phase employment was derived using those unit employment estimates and production assumptions from the Project Independence Report. Estimates are shown both for total direct employment and new residents directly employed, with the latter based on Gulf of Mexico experience.

Multipliers to derive indirect employment and total new population were not used in this approach because the base conditions differ so significantly area by area, and the number of uncertainties in the projections make it almost impossible to derive a general multiplier that would be considered valid.

Defects of each approach

The estimates based on the production level approach suffer from several defects:

- The exploration activity and, to a lesser extent, the development activity associated with a given production level are not determinate. Since the exploration and development phases are the peak employment period, the uncertainties about peak employment are both large and ill defined.
- Under this approach, the exploration and development employment (the peak employment) is derived by extrapolating back in time from an assumed production level in some given future year. However, the time schedule and volume of leasing actually determine the exploration, and to some degree, the development employment levels and timing because of the fixed time period after lease issuance in which exploration must occur to avoid forfeiture of the tract.

The following paragraphs describe the basis for the estimates of job impacts. Attachment 1 is a description of

The total direct employment is assumed to be the appropriate base for calculating the total population increase due to OCS activities, even though a large percentage of direct employees (particularly during the production phase) will not be new residents of the locality.

The estimates based on the leasing level approach also suffer from defects:

- Since they assume exploration and development to occur at very rapid rates after leasing, the peak employment estimates are probably upper limit estimates rather than most likely estimates.
- The development employment assumptions are based on Gulf of Mexico exploratory success rates and development drilling rates; therefore the corresponding employment figures for new areas are subject to substantial uncertainty, although that uncertainty is not likely to result in the peak employment estimate being substantially exceeded.
- The production phase employment is based upon production level estimates which are highly uncertain.
- Production phase employment includes employment in platform operations which is derived from acres leased plus Gulf of Mexico exploration and development experience. This platform operation employment may not be consistent with Project Independence Report production estimates.

Comparison of results

Total direct employment at its peak is substantially larger when estimated by the leasing level approach than in the available studies using the production level approach. This is to be expected since the assumptions in the leasing level approach were selected to produce upper-limit estimates. However, the size of the discrepancy, a factor of 3 to 13, suggests that the production level approach studies do underestimate the total direct employment during the exploration phase.

Total direct employment during the production phase is generally similar in the two approaches, except in Alaska. In the case of Alaska, the platform operation employment estimate in the leasing level approach probably implicitly assumes substantially higher production than does either the Project Independence Report or the impact study based on the production level approach.

ESTIMATES OF OCS EMPLOYMENT IMPACTS

Estimates were made of OCS employment impacts using the following assumptions:

<u>Sale</u>	<u>Tracts Sold</u>
Alaska 11-75	305
Alaska 4-76	87
Alaska 12-76	305
Alaska 9-77	305
Alaska 10-77	174
Alaska 7-78	174
Alaska 9-78	87
Pacific Coast 9-75	174
Pacific Coast 9-76	174
Pacific Coast 5-77	87
Pacific Coast 2-78	87
Gulf of Mexico 2-76	69
Gulf of Mexico 2-77	260
North Atlantic 8-76	260
North Atlantic 12-77	260
Middle Atlantic 5-76	305
Middle Atlantic 7-77	305
South Atlantic 10-76	260
South Atlantic 5-78	260

It was assumed that these tracts were explored and developed in the following percentages based on Gulf of Mexico historical information:

	<u>Alaska</u>	<u>All other areas</u>
Undrilled and relinquished in primary term	25	25
Undrilled but extended by unitization	25	10
Drilled and productive	25	32.5
Drilled and unproductive	25	32.5

All exploratory drilling done in 1st through 5th years following sale year at rate of 2 wells/tract drilled

Mobile rig field definition drilling done in 2nd through 6th years after sale at 5 wells per tract with discovery.

1 platform installed per productive tract. Platform drilling done in 4th through 8th years after sale

For each of the three Atlantic areas in turn it was assumed that the following production resulted:

<u>Year</u>	<u>Millions of barrels annually</u>
1978	17
1979	34
1980	51
1981	79
1982	107
1983	135
1984	163
1985	190

This level corresponds to the Project Independence Report level for the entire Atlantic OCS. It was allocated in turn to each of the areas in order to provide an upper limit estimate of direct employment, given the very great uncertainty about what reserves might be discovered and developed in each area by 1985.

The assumed production for other OCS areas above 1976 production levels:

Oil, millions of barrels annually

<u>Year</u>	<u>Gulf of Mexico</u>	<u>Alaska</u>	<u>Pacific</u>
1977	19	0	9
1978	56	0	49
1979	94	0	90
1980	132	0	130
1981	174	32	179
1982	216	64	232
1983	258	96	283
1984	300	128	334
1985	343	161	385

Table 1 gives the estimated total employment per unit of OCS activity and the number of employees which are both new to the area and are residing locally.

ESTIMATES OF OCS-EXPLORATION IMPACTS

Table 1

<u>Facility</u>	<u>Total Employment</u>	<u>New Resident Employed</u>
Exploratory rig	113	45
Development rig	65	37
Platform production operations <u>1/</u>	16	1
Onshore operations base <u>2/</u>	136	25
Onshore office <u>2/</u>	42	26
Gas processing plant <u>3/</u>	21	8
Pipeline shore terminal <u>2/</u>	17	4
Service support <u>4/</u>	143	53

1/ Per platform.

2/ Per 200 K BOPD.

3/ Per 300 K MCFD.

4/ Per 10 to 20 rigs served.

Table 2 shows the maximum total employment calculated in turn for each Atlantic OCS area using the above assumptions. Table 3 shows the similar estimates for new residents employed in OCS activities. Tables 4 and 5 show similar information for the other OCS areas.

Table 2
Total employment

	<u>North Atlantic</u>	<u>Middle Atlantic</u>	<u>South Atlantic</u>
1977	1,200	1,400	1,200
1978	2,500	2,900	1,300
1979	4,000	4,700	4,000
1980	6,800	7,900	5,300
1981	8,400	9,800	7,200
1982	7,800	9,000	7,600
1983	7,300	8,200	8,300
1984	6,500	7,200	6,200
1985	4,400	4,600	5,600
1986	3,400	3,400	4,400
1987	3,400	3,400	3,400

Table 3
New residents employed

	<u>North Atlantic</u>	<u>Middle Atlantic</u>	<u>South Atlantic</u>
1977	500	600	500
1978	1,000	1,200	500
1979	1,600	1,900	1,600
1980	2,900	3,400	2,300
1981	3,700	4,300	3,000
1982	3,200	3,800	3,200
1983	2,800	3,300	3,300
1984	2,300	2,600	2,300
1985	1,100	1,200	1,600
1986	400	400	1,100
1987	400	400	400

Table 4
Total employment

	<u>Gulf of Mexico</u>	<u>Washington, Oregon, and California</u>	<u>Alaska</u>
1977	500	2,100	1,300
1978	3,100	3,200	4,300
1979	5,400	4,700	7,400
1980	6,000	6,000	15,100
1981	8,300	6,200	19,800
1982	8,500	5,600	15,500
1983	6,800	5,100	19,200
1984	5,100	4,500	13,800
1985	5,300	3,800	10,700
1986	3,800	3,700	9,300
1987	3,800	3,400	8,100

Table 5
New residents employed

	<u>Gulf of Mexico</u>	<u>Washington, Oregon, and California</u>	<u>Alaska</u>
1977	200	800	500
1978	1,200	1,300	1,700
1979	2,100	2,000	3,000
1980	2,500	2,500	6,700
1981	3,600	2,600	8,300
1982	3,500	2,200	6,600
1983	2,600	1,900	8,600
1984	1,700	1,700	5,000
1985	1,600	900	3,100
1986	500	700	2,100
1987	500	500	1,100

No estimate was included above for refinery employment because total refinery capacity needed is dependent on domestic consumption levels rather than upon the availability of domestic crude oil. Refinery capacity will be built; it will process OCS crude if it is available and foreign crude if OCS crude is not available. Table 6 shows the direct employment for processing the estimated OCS production.

Table 6
Refining incremental OCS production 1985
(Above 1970 base)

<u>Area</u>	<u>Annual crude oil consumed (M bbls.)</u>	<u>All employees</u>
Gulf of Mexico	343	8,100
Alaska	161	3,800
Pacific	385	9,100
Atlantic	190	4,500
	1,079	25,500

Existing refinery capacity used for processing foreign crude already (as of June 1974) equals or exceeds the estimated incremental OCS production in the Eastern region for Atlantic production and in the South for Gulf of Mexico production. The Pacific Coast and Alaskan OCS crude production estimate for 1985 is substantially greater than the present capacity in the West which is processing foreign crude. This may mean that crude from the Pacific and Alaskan OCS would be processed in new refinery

capacity in the West which in the absence of OCS crude would be located elsewhere in the country and utilize foreign crude. Alternatively western OCS crude in excess of the region's needs might be transported to other regions in unrefined form. In any event, Alaskan OCS crude is not likely to be refined in Alaska. Table 7 shows these comparisons.

Table 7

Refinery region (OCS area)	Incremental OCS production estimate, 1985 (K bbls./day)	Using foreign crude 6-74	Refinery capacity (K bbls./day)		
			Total 6-74	Total 3-75	Annual rate of (%) change
South (Gulf of Mexico)	940	942	5,275	6,223	24.7
West (Pacific & Alaska)	1,496	894	1,996	2,303	21.0
East (Atlantic)	521	1,325	1,519	1,760	21.7

Increased refinery capacity will probably be achieved largely by adding capacity to existing refineries rather than building new refineries from the grass roots up. Existing capacity increased very substantially between 6-74 and 3-75 without any significant additions of grass roots capacity. This will minimize fiscal impacts since existing refineries are largely in or very near urbanized areas so that refinery employees and their households are a negligible part of the local population.

Construction employment estimates have not been included for the following reasons:

- Mobile rigs will probably continue to be built in shipyards now in that business. Any additions to capacity are likely to be where there are already harbor and shipyard facilities. Such areas are usually already urbanized.
- Platform construction is also likely to be located where there are major harbor and shipyard facilities. (One possible rural site has been identified across the mouth of Chesapeake Bay from Norfolk.) Some of these areas, such as Boston, already have significant problems of unemployment and excess facilities that are not merely short term consequences of current economic conditions.

Conclusion

The employment figures summarized in Table 8 below are probably the maximum or upper limit direct employment impacts that will result from OCS exploration and development. They assume very rapid exploration and development. Using total direct employment figures as a measure of fiscal impact on coastal jurisdictions implicitly assumes that all direct employees are new residents. The figures in Table 9 summarizes estimates of new residents resulting from OCS exploration and development. They

are largely based on Louisiana experience but there is no reason to suppose that experience elsewhere will be drastically different except in Alaska. In Alaska the remoteness of the areas of exploration and potential development from all but the smallest of villages will probably mean that practically all employees in the exploration and development phases probably will be brought in from outside by the oil companies and will be housed, both on and off duty, in substantially self-contained company facilities. For this reason impacts on local governments during the peak exploration and development period are likely to be less than the figures on new residents would indicate.

Table 8

Maximum total employment from incremental OCS activities

<u>Area</u>	<u>Peak development period</u>	<u>Production period</u>
North Atlantic	8,400	3,400 <u>1/</u>
Middle Atlantic	9,800	3,400 <u>1/</u>
South Atlantic	8,300	3,400 <u>1/</u>
Gulf of Mexico	8,500	3,800
Pacific Coast	6,200	3,400
Alaska	19,800	8,100

Table 9

Estimated new residents employed in incremental OCS activities

<u>Area</u>	<u>Peak development period</u>	<u>Production period</u>
North Atlantic	3,700	400 <u>1/</u>
Middle Atlantic	4,300	400 <u>1/</u>
South Atlantic	3,300	400 <u>1/</u>
Gulf of Mexico	3,600	500
Pacific Coast	2,600	500
Alaska	8,600 <u>2/</u>	1,100 <u>2/</u>

1/ This figure is the total for the Atlantic region as a whole but is shown against each sub-region (as an upper-limit estimate for the sub-region) in the absence of an allocation of the Project Independence report production estimate among sub-regions.

2/ These are the calculated figures for Alaska using Gulf of Mexico experience. They are considered unrealistically small for the reasons described in the text above.

Atlantic Coastal State Population Projections 1/
(Thousands)

	<u>1975</u>	<u>1985</u>
Maine	1,005	1,081
New Hampshire	765	861
Massachusetts	5,664	6,219
Rhode Island	931	989
Connecticut	3,254	3,713
New York	19,776	21,688
New Jersey	7,805	8,893
Delaware	589	685
Maryland	4,155	4,801
Virginia	5,027	5,640
North Carolina	5,394	5,902
South Carolina	2,765	3,035
Georgia	4,933	5,477
Florida	<u>7,275</u>	<u>9,012</u>
	69,338	77,996

1/ IID Series

1975 to 1985 growth is 8,658,000 persons

New infrastructure capital at \$5,000 per person is \$43.29B

OCS related infrastructure at \$100 to \$250M is 1/4 to 1/2 percent of total requirements

Alaska Impacts

Reports from and discussions with Mathematical Sciences Northwest have brought out the following points about impacts in the Gulf of Alaska.

- 1970 populations of the most likely towns for development were:

Cordova	1,164	
Kodiak	3,798	
Seward	1,587	
Whittier	130	
Yakutat	190	(A Tlingit Village)

- The total 1970 population of the five census divisions encompassing these towns was 18,857 which includes 3052 (16%) military.
- At a production level of 700,000 BPD by 1985, OCS primary employment is expected to peak in 1980 at 1500 and drop to 900 in 1985. OCS secondary employment will also peak in 1980 at 2800 and drop to 1600 in 1985.

Total OCS-induced population will peak in 1980 at 8400 and drop to 5100 in 1985.
- With petrochemical and LNG development in addition, the population would peak in 1981 at 12,700 and drop to 6500 in 1985.
- Most of the platform construction and fabrication will take place outside of Alaska in Japan, California, or the Northwest.
- On-site facilities construction will be limited to the summer season (May-Sept).
- Virtually all increased employment represents either an inter-state or inter-region population shift.
- With the exception of Kodiak, these areas are 100% rural and generally have higher than State average incidences of Alaskan native population, percent of families with incomes under poverty level, unemployment and substandard housing.
- There are substantial needs for roads, water and sewage treatment, and airport and seaport improvements if the OCS is developed.

- Although the capital cost of the public infrastructure needed in the Gulf of Alaska because of OCS development has not yet been detailed, the estimated total cost should be less than \$60M (about \$6250 per capita) without LNG and petrochemical development and less than \$80M with them.
- Additional annual local operating expenditures, exclusive of Federal contribution, would be about \$4M (\$500 per capita) at the population peak without LNG and petrochemical development and \$6M with them.
- On shore capital investment in the Gulf by the oil companies is estimated to run \$80-100M without LNG and petrochemical development. Annual property taxes for on-shore oil facilities would be about \$2M without LNG and petrochemical development and \$14M with them.
- "If the Federal Government collected 12.5% royalty on a \$10.00/bbl wellhead price and shared this revenue with the State of Alaska, revenue which in turn would be expended in the State, the resulting economic impacts would be greater than the total direct and indirect wage effect." (A 25% State share of Federal royalties on projected Alaskan production in 1985 would be \$67M, while total wages would only be \$45M.)

Alaskan OCS Employment & Population Impacts*
Gulf of Alaska OCS only

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Primary Employment	291	622	936	1,250	1,436	1,440	1,191	940	951	886
Induced Employment	541	1,157	1,741	2,325	2,764	2,678	2,215	1,748	1,769	1,648
Total Employment	832	1,779	2,677	3,575	4,250	4,118	3,406	2,688	2,720	2,534
Primary Population	529	1,167	1,866	2,362	2,805	2,745	2,286	1,828	1,875	1,786
Induced Population	1,104	2,360	3,552	4,743	5,639	5,463	4,519	3,566	3,609	3,362
Total Population	1,633	3,527	5,418	7,105	8,444	8,208	6,805	5,394	5,484	5,148

* Mathematical Sciences Northwest Preliminary draft of "A Social & Economic Impact Study of Oil Related Activities in the Gulf of Alaska (April 4, 1975). Proprietary information, Gulf of Alaska Operators Committee.

Assumes 700,000 BPD by 1985.

Alaskan Employment & Population Impacts
of Petrochemical and LNG Development *

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Primary Employment					550	800	550	235	235	235
Induced Employment					1,023	1,488	1,023	437	437	437
Total Employment					1,573	2,288	1,573	672	672	672
Primary Population					994	1,446	994	479	479	479
Induced Population					2,087	3,036	2,087	891	891	891
Total Population					3,081	4,482	3,081	1,370	1,370	1,370
Total population, OCS plus petro- chemical & LNG					11,525	12,690	9,886	6,764	6,854	6,518

* Mathematical Sciences Northwest (4-4-75). (for Gulf of Alaska OCS only)

California Impacts

Los Angeles County's study of OCS impacts (Jan. 31, 1975) made the following statements, which are consistent with the recent studies by Rand (for the State of California) and Western Oil and Gas Association (WOGA).

- OCS exploration and development of a 4 billion barrel find may create 5000 new primary jobs and possibly 15,000 secondary jobs (3/5 of 1% of the 3.1M jobs in L.A. County).
- "Secondary impacts...would involve no large scale changes in either the area's population, or its labor force."
- Significant impacts (including excess demand for construction labor and materials and consequent price rises) might occur if platforms and equipment are constructed locally. Current evidence suggests, however, that the Gulf of Mexico and the San Francisco Bay are more likely sites.
- On-shore impacts from storage and processing will be tied to levels of demand rather than to OCS production. (Present refining and storage capacity are sufficient and no new refineries are projected).
- Overall impacts on local government operation is not expected to be significant, except in the case of an oil spill.
- Significant adverse effects on local industry and employment could occur if adequate alternative supplies of oil and gas are not found to replace the potential, but untapped OCS sources.

The Rand and WOGA studies also point out that the increase of 5000 new jobs would partially offset Southern California's declining employment in on-shore oil production so that the actual net gain in primary employment will be less than 1000.

According to the Chief Engineers of the Los Angeles and Long Beach Harbors:

- Long Beach port improvements necessitated by OCS could be handled on a "routine basis," financed out of current cash flow;
- Los Angeles port improvements would involve an estimated \$20-25M for channel deepening financed through bonding with a charge back to the oil companies. (The Federal Government is already involved in a project with the port of L.A. to deepen some channels).

According to the California State Energy Commission, "on-shore or socio-economic impacts in California is a non-issue... We don't want to depend on the Federal Government for our revenues."

The State of California, to raise revenue for OCS-related and other uses, is actively pursuing the idea of a throughput charge (an estimated \$280M a year at \$.50/barrel). DOI is currently assessing the legality of California's plan. If legal, the availability of such a tax scheme should significantly reduce the states' claim on OCS revenues.

Atlantic Impacts

The following statements are consistent

Magnitude of the Impacts

There is considerable debate about the magnitude of on-shore impacts on Atlantic OCS.

Resource Planning Associates (for CEQ) estimates that a 750,000 bbl/day Atlantic production may induce a population growth of up to 250,000. A study by the State of New Jersey for a similar production scenario says the population impact may be around 100,000. A rough calculation based on industry supplied labor inputs, a production estimate of 190M bbl/year by 1985, and some rule-of-thumb multipliers puts the "new resident" population impact at under 25,000.

According to industry estimates, the capital investment in OCS on-shore support facilities for the Atlantic could run about \$100M for 1M bbl/day production, exclusive of refinery, petrochemical, and deep water port development. Annual wages during the production phase for 1M bbl/day (i.e., excluding construction) could run about \$25M.

Public capital investment in infrastructure; exclusive of airport or seaport improvements, but inclusive of moderate road building, could run as high as \$125M if 25,000 people moved into the region or \$250M if 50,000 people moved in.

Potential non-Federal revenues from OCS-related on-shore developments are difficult to quantify because of uncertainties about the location of development and the myriad tax structures of the various Atlantic Coast states. However, in most States OCS related development would be subject to the following major taxes: corporate income, sales, construction, and property. Employees would be subject to income, sales, and property taxes in most states.

It has been estimated (WOGA) that a find of 4B barrels of oil and 8 trillion cubic feet of natural gas would yield revenues of \$19.4B to Federal, State, and local governments over the life of the fields (assumed to be 30 years). This breaks down as follows:

\$('73) B

Lease payments	3.6
Royalties	<u>Atlantic 187.5</u>
Federal corporate income	6.3
Federal personal income	.9
	<u>18.3</u>

State & local corporate income	.7
State & local personal income	.1
State & local other than income	.3
	<u>1.1</u>

(The \$1.1B State and local revenues is about \$36.7M per year. This compares to annual debt service (7%, 20 years) of \$10.5M on an initial capital investment of \$112M (25,000 x \$4500 per capita) and annual operating costs of \$10M (25,000x \$400 per capita).

It appears, then, that there will be sufficient capital-intensive on-shore industry investment to cover the normal corporate share of local tax revenues. The timing of cash flows and access to capital markets for major public investments, however, may be problems, particularly for small, rural towns with little bonding history, exhausted bonding capacity, tax structures in need of revamping, and a weak existing economic base.

Nature of the ImpactsConstruction of Drilling Rigs

Rigs can be built in existing shipyards and towed long distances to drilling sites (Gulf of Mexico to North Sea, e.g.). Consequently, the on-shore impacts during this phase are expected to be minimal because few, if any, population shifts or new commitments of land will be involved. The potential for on-shore impacts would be reduced even further to the extent that drilling rigs now used in the North Sea are towed back to the U.S.

Conversations with industry representatives indicate that drilling rigs for the Atlantic will most likely be built in Gulf shipyards and towed out. Some rigs for the Atlantic, however, may be constructed in Atlantic shipyards (Baltimore, e.g.), in which case rig building would reduce the current unemployment in the affected areas rather than add to the population base.

Exploration Phase

During the exploration phase, the major on-shore impact is the demand for harbor supply bases. Communities with harbors near the leased tracts are the most likely to become support centers for oil development.

Population impacts are expected to be relatively small during this phase.

• Construction of Production Platforms

Platform construction is not expected to induce significant on-shore impacts in Alaska and California. Construction of platforms for the Atlantic, however, is likely to involve significant on-shore impacts because it will probably require at least one new site, which is specifically designed for platform building, rather than use of existing shipyards. This is because 1) existing shipyards are not equipped for such construction and are unlikely to commit capital for conversion, given the uncertainty of oil finds and, 2) platform building requires a site which has easy access to both deep water and materials as well as hundreds of acres of level land, a requirement few shipyards can meet.

Brown and Root recently purchased about 2000 acres in Cape Charles (Northampton County), Virginia and has requested the rezoning of 980 acres from agriculture to industrial use for manufacturing platforms, among other products.

Brown and Root employment is estimated to reach 1500 and induce a population growth in the County of about 2900, a 15% increase over the County's 1970 population.

With 40% of the existing housing substandard, a projected severe 5-10 year housing shortage is expected to hit low income and retired persons especially hard as rents are driven up.

Additional annual County expenditures induced by Brown and Root have been estimated at over \$900,000 (\$313 per capita), not including debt service on \$2,000,000 in needed highway improvements.

Additional annual revenues have been estimated at about \$1,000,000 which includes \$300,000 property taxes from Brown and Root (on \$40M capital investment), \$150,000 from residential property taxes, \$140,000 other locally generated tax receipts, about \$400,000 in additional State grants, and \$38,000 from Federal General Revenue Sharing.

The apparent \$100,000 surplus may be illusory, however, because of a lag in property tax receipts, which the County could correct if it so desired, and because the annual debt service on the highway improvements would exceed \$100,000.

Fiscal impacts on the towns within Northampton County may be more noticeable, particularly if the new people choose to live outside Cape Charles, in towns which cannot tax Brown and Root. Likewise, the other counties which receive new people (an estimated 2100 in the families of employees commuting from other counties) may experience some fiscal gaps.

Over the last five years, about one-half the county's income has been from the State, one-fourth from the Federal Government, and one-fourth from local citizens and businesses.

Because of Brown and Root's locating in Northampton, the State's proportional contribution to County receipts would decrease from 50% to 40%. From the State's viewpoint, the fiscal burden of its contribution should be minimal, unless a significant number of the Brown and Root employees were not Virginia residents, because the State contribution would be the same whichever county the people lived in.

- Development Phase

Manpower requirements peak during this phase. Local communities are expected to be under their most severe strains then because of the short-term (2-4 year) influx of construction workers. The danger of overbuilding public facilities is greatest during this phase, a danger which could be increased by the easy availability of "free" Federal funds.

- Production Phase

This phase is very capital intensive and brings a sharp decline in jobs as construction requirements subside. Small, one-economy towns that grew rapidly to support OCS will be the hardest hit by the decline.

- Pipelines, Terminals, and Storage

The number of pipelines and landfalls depend on the location of the find and of the processing facilities, the number of companies able to share a pipeline, and environmental factors.

Oil can be piped to inland refineries, but coastal processing facilities are necessary for gas pipelines because of the safety factor.

After construction, the pipeline itself requires virtually no manpower. A pipeline terminal for 200,000 bbl/day requires only 17 employees (capital investment of \$2.4M).

Fiscal impacts on the towns within Northampton Co. may be more noticeable, particularly if the new OCS impacts from storage depend primarily on existing capacity and whether or not OCS production will back out imports. A gain, storage facilities are capital intensive.

8- Refineries

The extent to which new refineries will be built also depend on existing capacity and whether OCS production will back out imports. Because it is cheaper to transport crude oil rather than refined products, the siting of refineries depends on the location of the demand or market area, not on the location of the supply. Refineries are very capital intensive with a capital investment of \$600-800M and permanent employment of 500.

Atlantic OCS Employment and New Resident Population Impacts

	<u>1976.</u>	<u>1980</u>	<u>1985</u>
Primary New Resident Employment <u>1/</u>	0	3,100	1,600
Induced Employment (Primary X 2)	0	6,200	3,200
Total New Resident Employment	0	9,300	4,800
Total New Resident Population (Employment x 2.5)	0	23,250	12,000

1/ See Attachment 3 for assumptions and calculation of direct employment.

After construction, the refinery itself would require 500 employees and a capital investment of \$600-800M.

LABOR AND CAPITAL OCS INPUTS
(supplied by American Petroleum Institute)

<u>Type of Operation</u>	<u>No. of Employees</u>	<u>Employees not Hired Locally</u>	<u>Total Wages \$/Month</u>	<u>Capital Investment 1974 - \$</u>
<u>Per Rig</u>				
1. Exploratory Well	113	71	125,075	-
2. Development Well	65	37	76,750	-
<u>Per 10-20 Rigs</u>				
1. Service Support	174	66	212,150	5,195,000
<u>Per Platform</u>				
1. Production Operations	16	1	18,250	-
<u>Per 200,000 BOPD Production</u>				
1. Onshore Operating Base	136	25	133,175	2,800,000
2. Onshore Office	42	26	60,800	Rental
3. Pipeline Terminal	17	4	20,200	2,400,000
<u>Per 300,000 MCFD Production</u>				
1. Gas Processing Plant	21	8	24,750	24,000,000
<u>Single Facility if Required</u>				
1. Pipeline Tanker and Barge Terminal	25	8	33,100	9,800,000

Attachment No. 4

North Sea Experience

North Sea experiences would indicate that:

1. On-shore impacts are most significant in communities with limited labor pools, existing housing shortages, and no slack in existing public infrastructure.
2. Large cities can absorb OCS-induced growth more easily than small ones.
3. Those towns with a diversified economy can adjust more readily than those which are dependent on a single existing industry (tourism, fishing, etc.).

North Sea impacts which may have bearing for Alaska and Atlantic rural areas include the following:

- Public expenditure on roads, harbors, and airports increased significantly in "oil areas" while they decreased elsewhere in Britain.
- The benefit of new jobs has not been channeled into Scotland's neediest cities.
- Inflationary side effects have seriously affected those individuals and small businesses outside the oil boom.
- Housing shortages have been particularly severe and long lasting, primarily because existing construction capacity is being used for oil facilities and new workers aren't imported because they would only aggravate the shortage.
- Lack of housing has constrained the in-migration of teachers and other service personnel.
- High land prices (a 30-fold increase in five years) discourage non-oil industries from locating in oil boom towns, thus hindering diversification of the economic base.
- High wages in the oil industry have created labor shortages in several industries and services, particularly factories, retailing, and government.
- Impacts from platform construction have been among the most significant in North Sea communities.
- Shetland County Council levied a per barrel tax on oil passing through Shetland facilities and negotiated with the companies for an advance payment to help with front-end capital costs of public infrastructure.

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

DIVISION OF LOCAL GOVERNMENT ASSISTANCE

POUCH B - JUNEAU 99811

March 4, 1977

Mayors of Coastal Municipalities:

Yesterday, I received a phone call from Chuck Cohen; who, as you know, is our representative in Washington D.C., with responsibility for doing research and technical analyses of the new Coastal Energy Impact Program. Chuck advised me that a supplemental appropriation for FY '77, as prepared by President Ford and amended by President Carter, and a budget for FY '78, have been presented to the Congress in the following amounts:

FY '77- \$10 million - Formula Grants
 \$110 million - Facilities Loans
 \$0.00 - Planning
 \$0.00 - Environmental or Recreational Grants

FY '78- \$13 million - Formula Grants
 \$143 million - Facilities Loans
 \$0.00 - Planning
 \$0.00 - Environmental or Recreational Grants

From the proposed appropriations the federal Office of Coastal Zone Management has tentatively proposed to allocate to the State of Alaska and its municipalities the following amounts:

FY '77 (Supplemental)
 \$700,000 - Formula Grants
 \$31,900,000 - Facilities Loans
 \$0.00 - Planning
 \$0.00 - Environmental or Recreational Grants

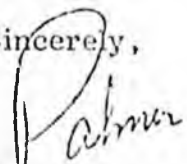
FY '78 (Budget)
 \$3,200,000. - Formula Grants
 \$68,600,000. - Facilities Loans
 \$0.00 - Planning
 \$0.00 - Environmental or Recreational Grants

The most obvious omission from the proposed budgetary figures, in our view point, is the lack of appropriations for planning which would ordinarily precede application for facilities loans or formula grants. In other words, it appears the federal administration is putting the "cart before the horse" by providing funding for facilities without any funding being provided for necessary planning. Therefore, this date, Kevin Waring, Director of Community Planning, is preparing a draft of a letter for Governor Hammond's signature to members of our congressional delegation in Washington strongly urging that they amend the proposed FY '77 supplemental and FY '78 budget figures to include funds for planning. By way of this letter we encourage each of you to likewise send letters or telegrams to members of the Alaska Congressional Delegation in Washington, expressing your concern for the need for funding of planning under the C.E.I.P. As in the past, we would appreciate receiving a carbon copy of any correspondence you might send to the congressional delegation. As we understand it, the supplemental appropriation bill and the FY' 78 budget are now in Congressional committees. It is imperative that, if you propose to make your wishes known to the Congressional Delegation, letters or telegrams be sent A.S.A.P.

One week ago today, the Coastal Management Policy Committee of Governor Hammond's Administration, authorized the Department of Community and Regional Affairs to take the lead in the development of the intrastate allocation formula process as provided for in the federal regulations which implement the C.E.I.P. I had earlier requested that Chuck Cohen prepare a draft intrastate allocation formula for our consideration and I expect to receive that first draft sometime next week. Also, while in Fairbanks this coming week Kevin Waring will meet with representatives of the Institute of Social and Economic Research at the University of Alaska, to see if the Institute is willing to also draft a formula for the proposed intrastate allocation. We will be contacting you in the very near future with our proposal. Any finally adopted intrastate allocation formula, as we envision it, will include municipal representation and input regarding the distribution of the federal allocation for formula grants and facilities loans made available to the State of Alaska.

We again urge you to contact our congressional delegation in Washington if you share our concern that money should be appropriated for Coastal Energy Impact planning. We also appreciate any comments or concerns you might have as to the manner in which our Department is proceeding in drafting a proposed intrastate allocation formula for the Coastal Energy Impact Program.

Sincerely,



(Palmer McCarter
Director

cc: City Managers
Don Berry, Alaska Municipal League

McC/pc

copies for committee members

March 9, 1977

Honorable Lisa Rudd
State of Alaska
House of Representatives
Pouch V
Juneau, Alaska 99811

RE: House Bill #219

Dear Representative Rudd:

House Bill 219, as proposed, clearly makes the developer of OCS resources liable for costs relative to the impacts generated from construction of shore-related facilities.

The principle of this proposed legislation has been long established in American municipalities, though normally called "off-site improvements", required as a result of significant development; commercial, industrial and housing.

The legislation, as proposed, is long overdue. The boroughs ought to be the agencies to establish such legislation, through their planning and zoning mandates; however, in the absence of borough action, then the State is obviously compelled to act.

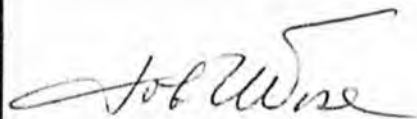
The City of Kenai has been victimized by the absences of such legislation and, therefore, we are obliged to support this legislation, not only for our own protection, but for the greater good of the State.

If there are any problems in this proposed legislation, it is in Section 41.45.930 "Fees". The language is unclear and needs clarifying.

Our congratulations on the introduction and grateful support for the legislation.

For the Mayor and Council of the City of Kenai, Alaska, I am

Sincerely,



John E. Wise,
City Manager


JW: dd



BOX 580
KENAI, ALASKA 99611
telephone: 283-7535

City of Kenai

MEMORANDUM

FROM:  Mike Davis, Administrative Assistant

RE: Phone Conversation with Larry Powell, Major of Yakutat. - OCS IMPACT.

DATE: March 10, 1977

"We have had a direct impact since Sept. last year. The construction of the service base took place during the year preceding that."

We have five service boats servicing two rigs with service base.

Presently, some of the city services are impacted.

- a. Water supplies
- b. All the people working on the rigs move thru the airport. (There is an attempt to not have people in town. But, we are experiencing bad weather, so we can have anywhere from 15-25 people (or more) stuck in town.)

These demands should remain constant for the next two years (from Shell and Arco).

Exxon and Gulf will begin supplying their rigs with five service boats. Some of these will be based in Yakutat (which means a greater movement of people thru town).

We are looking for things to escalate...traffic thru the airport, the service base will need to be enlarged to handle the increased activity.

"Fact: We are faced with increasing our fire protection capability both onshore and offshore (due to the increased industrial activity). We will need to have a full time policeman (currently we have a trooper and a part-time policeman)."

"I would very much like a copy of the bill and background material." (sent 3-10-77).

MED:ab

MEMORANDUM

TO: Members of House Community & Regional Affairs Committee
FROM: Michael *Callahan*
DATE: March 14, 1977
RE: OCS Impact - phone conversation with Darryl Schaefermeyer,
City Manager of Seward

We anticipate a great amount of primary and secondary stage development.

Exxon has leased property for pipe storage and other supplies.

We anticipate 200 boat visits per month (these are 200 foot supply vessels) as soon as the weather breaks.

Most immediate impact:

1. They will be taking on large amounts of water, which requires us to upgrade the water system, to install water lines out to the dock area. We will also have to drill new wells and construct storage tanks.
2. A lease has been negotiated with Dresser by the city. It will be a large dock built by the company. We will get revenue from anything that moves across the dock.
3. Private property is being leased for a dock facility.
4. We have acquired land by annexation and plan to develop these.
5. Oil companies have acquired land to be used for storage.

The impact we foresee in the future:

1. The number of transient people which will be in town from boats, etc.
2. We currently have a serious electrical situation and it will need to be taken care of.
3. Seward already has a critical housing shortage without any influx of people.
4. Our local roads will have to be improved.

On HB 219:

1. We do not understand the formula, but from what we do understand, it would help us only if there would be an influx of residents.

PRODUCTION DEPARTMENT
ALASKA OPERATIONS

T. M. MATTHEWS
ENGINEERING MANAGER

March 17, 1977

The Honorable Lisa Rudd
Chairperson
House Committee on Community and Regional Affairs
Juneau, Alaska

Re: House Bill 219
Shore Facility Impact Permits

I would like to apologize for not being able to be present for the continuation of testimony on House Bill 219 which occurred on March 14, 15, and 16. However, after reading and hearing some of the testimony that occurred on those days, I would like to submit several comments in regards to the misrepresentations and belittlements made by Messrs. Parr and Waring concerning much of my testimony.

First of all, much was said in regards to comparison of North Sea impacts versus Alaska impacts. Mr. Parr cited and attached passages from Baldwin's book on North Sea oil in regards to planned OCS development schedules in the U.S. Baldwin's book was written principally in early 1975. On Page 12, it discusses the OCS leasing schedules that Mr. Parr indicates as evidence of crash program development. If one checks the record, he will see that most of the sales were delayed, cancelled, or reduced in size and certainly today there is no evidence of crash programs. In fact all indications point to further delay pending new Federal OCS legislation and even Federal exploratory drilling in proposed leasing areas. Both of which will postpone industry exploration and development and increase our dependence on foreign imports. A further point on the North Sea is that currently there are 44 exploratory drilling vessels working in the North Sea (and nearly 50 at its recent peak active in the North Sea) compared to the 5 or 6 seen for Alaskan waters and by the end of 1977, approximately 45 major production platforms will be active compared to none for the Alaskan OCS. No one can even in their wildest imagination attest that this has any potential of occurring in the Alaskan OCS.

In Baldwin's book on Page 116, it is interesting to note the author found the North Sea onshore development was accomplished and controlled "without sophisticated planning controls or even a planning body...". It is probable the existing Alaska communities and municipalities could do the same thing without the need of state or Federal bodies imposed upon them.

The principal point I made in my testimony was evidently missed by Mr. Parr. The whole premise of the bill is that an immediate major impact occurs on public and municipal services with the commencement of exploratory work. I attempted to point out that this was false, particularly based on actual data from the Gulf of Alaska. One does not deny that if discoveries are made; if they are economical for development; if permits are obtained to develop; and if development occurs, impacts will occur. But this happens from 5 to 10 years after exploration, not immediately. Necessarily during the exploration phase, major investments are not made due to its uncertainty and only small shore based manpower forces are used to support the activities. Exxon has approximately a total of 25 at Seward, Anchorage, and Yakutat; ARCO/Shell has a total of 36. In both cases these are predominately local hires and essentially all existing Alaskans. The large crews on the drilling vessels are those that travel around the world with the vessel. They work alternate shifts of either two weeks on/two weeks off, or four weeks on/four weeks off, and during their off time are flown back to their home, wherever that may be. Even during this exploratory phase, major revenues accrue to the state and local areas as indicated in my testimony.

Mr. Showalter's testimony, contrary to the implications of Mr. Parr, did not conflict with mine. Mr. Showalter pointed out what then happens during development, the type of impacts realized, and the employment benefits accrued. Also accrued to the local and state entities are revenues and taxes (company, personal, and associated services) that pay for impacts that occur. Mr. Showalter pointed out the people requirements associated with a major industrial, petrochemical, petroleum area like the Cook Inlet and the Kenai peninsula are moderate (2-3,000) and certainly not the 95,000 to 100,000 people indicated in government testimony.

In regards to the population and cost impacts propagated by Mr. Parr and Mr. Waring, attached is a letter from the Office of Management and Budget in Washington, D. C. who developed the numbers back in early 1975. Please note their comments as to the validity of their own numbers.

To get a good understanding of the Federal Coastal Energy Impact Program, one should read 15 CFR Part 931 as printed in the October 22, 1976 Federal Register. Contrary to what Mr. Parr indicates, the program includes the following:

<u>SECTION</u>	<u>ITEM</u>	<u>PERIOD</u>	<u>TOTAL APPROPRIATION</u>
305	CZM Program Development Grants	3 years	\$60 million
306	CZM Program Administration Grants	4 years	\$200 million
308	Impact Grants	8 years	\$400 million
	Impact Fund Grants, Assistance, Loans	10 years	\$800 million

310	Technical Assistance Grants	4 years	\$40 million
315	Estaurine, Beach Access Grants	4 years	\$124 million
-	CZMA Administration	4 years	\$20 million
	Total		<u>\$1644 million</u>

The grants are allocated based on the formula -

Adjacent leased OCS acreage	1/3
Adjacent OCS production	1/6
OCS production landed in state	1/6
New employment associated with OCS	1/3

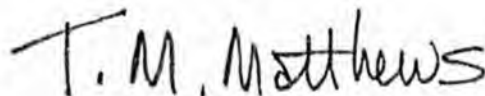
Based on this the Federal Coastal Zone Management Administration House-Senate Conference Committee estimated that Alaska would be eligible for 25% of the grants.

The financial assistance or loans are of course based on needs or desires of the state. If there are loans, they are for a maximum of 30 years at interest rates not to exceed comparable market rates and the interest rates are calculated every three months to make sure the state gets advantage of lowest prevailing market rates.

In summary, Exxon's position remains that the bill is not needed. There will not be major immediate impacts and demands due to OCS exploration as evidenced by the Gulf of Alaska. What impacts occur are minimal and even Byron Mallot of Yak Tat Kwaan in a recent interview said the Yakutat impacts were positive. If and when development does occur in 5 to 10 years, then some impact will be realized, but not to the extent dreamed by the bill author's projections; and even then as now, the positive benefits in revenues from property taxes, sales and use taxes, income taxes, franchise taxes, business taxes, service use charges, fuel taxes, etc., will compensate for the impacts and pay for required services if any. In remote area developments, such as Prudhoe Bay/Beaufort Sea or even the Gulf of Alaska, services will be supplied by the base itself in the areas of water supplies, sewage, power, fire, and security. Even in the isolated case mentioned by Mr. Parr, I doubt if the facility ever made use of the fire service facilities.

Thank you for your attention and the opportunity to become involved in this matter.

Very truly yours,



T. M. Matthews



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

January 28, 1977

Mr. Keith Arnold
Assistant Manager
Alaska Oil and Gas Association
308 G Street, Suite 217
Anchorage, Alaska 99501

Dear Mr. Arnold:

The enclosed paper describes the approach used to derive the direct employment estimates for Alaskan OCS development underlying the figures cited in the Coastal Zone Management Newsletter enclosed in your letter of January 21.

We do not consider the figures quoted in the Newsletter to be valid estimates of the expected impacts in Alaska of OCS development. Those figures were prepared in an analysis done in May of 1975. The purpose was to determine the rough order of magnitude of OCS development impacts based upon deliberately pessimistic assumptions. It would then be possible, despite the great uncertainties, to credibly say that the likelihood of even more severe impacts would be negligible.

The estimates, therefore, were deliberately biased upwards at several stages in the analysis in order to produce an "upper limit" or "worst case" estimate. Some of the major sources of bias are:

- The leasing scenario used was the OCS planning schedule which was later published in June of 1975. It was recognized as a very ambitious and optimistic schedule for Alaska. Actual leasing in Alaska is likely to be spread over a substantially longer period than that schedule had anticipated. The impacts will also be spread over a longer period, reducing the infrastructure needs toward a level based on the "permanent" direct employment.
- The development scenario following each lease sale assumed very rapid exploration and development.
- It was assumed that all direct employment in every affected Alaskan region will be of people new to that region. This is clearly unrealistic.

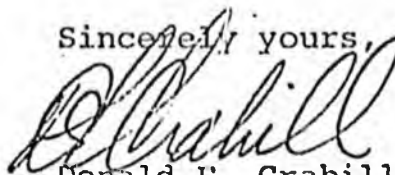
The paper calculated a peak direct employment of 19,200 and a permanent direct employment of 8,100 resulting from the OCS development scenario examined. In order to arrive at a total population increase figure and a total infrastructure cost figure, the following steps were taken:

- The peak and permanent direct employment were averaged, giving 13,650. It was assumed that public infrastructure needs would be based on this volume of direct employment.
- It was assumed that all direct employment was by people new to the Alaskan areas in question.
- This direct employment of new residents was multiplied by a direct to total employment multiplier of 2.75 and a total employment to population multiplier of 2.5, giving a total additional population of 94,185.
- The total infrastructure cost was derived from this population figure by using \$7,250 per capita.

It is unfortunate that these figures are receiving a wide circulation which characterizes them as OMB projections of future OCS impacts in Alaska. Their purpose was not to project the most likely future, but rather to show that, even when unrealistically pessimistic assumptions are used in the analysis, the calculated impacts are manageable.

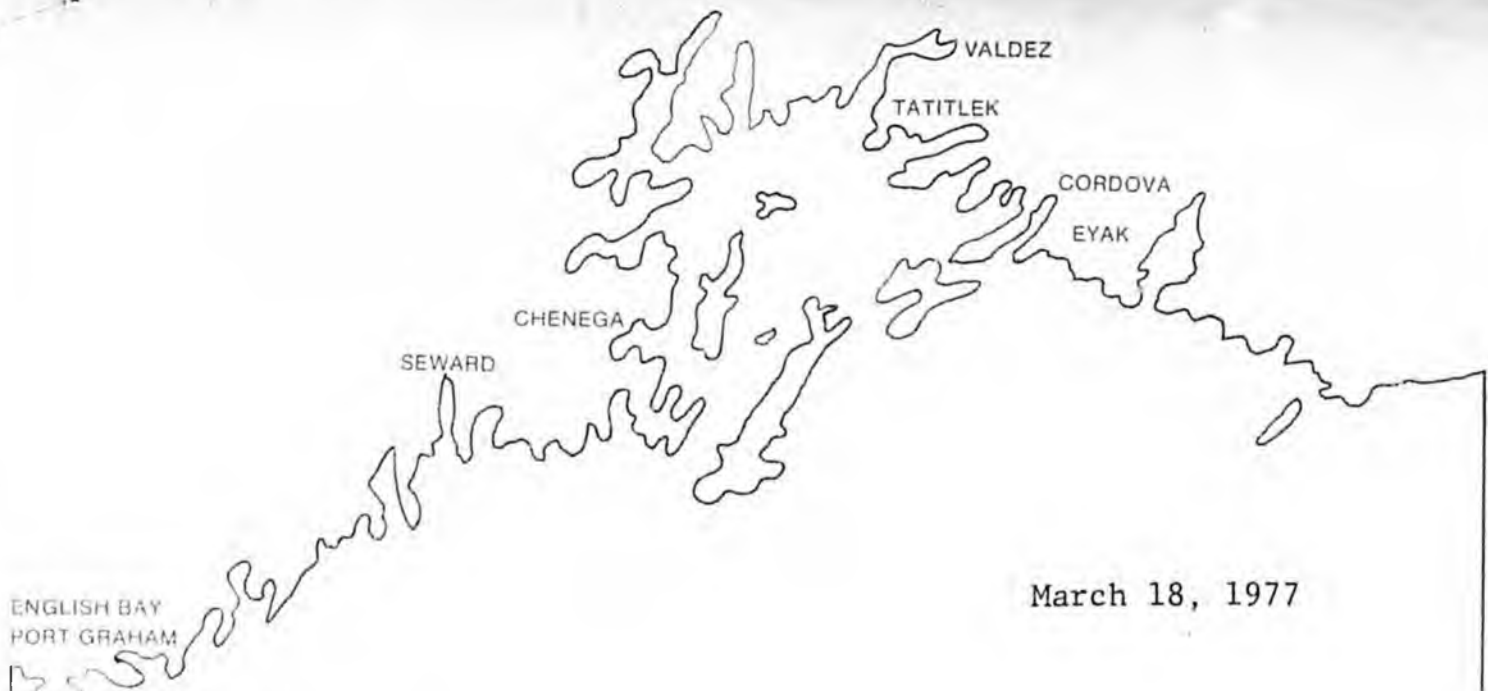
I believe that the paper and the further steps described above are self-explanatory. However, if you have any further questions about the analysis, we will be glad to address them.

Sincerely yours,



Donald E. Crabill
Deputy Associate Director
for Natural Resources

Enclosure



ENGLISH BAY
PORT GRAHAM

March 18, 1977

Honorable Lisa Rudd
Chairperson
Committee on Community and Regional Affairs
House of Representatives
Juneau, Alaska 99801

Re: House Bill No. 219

Dear Madam Chairman:

Attached is testimony submitted on behalf of Chugach Natives, Inc., expressing opposition to House Bill No. 219, a bill for an Act entitled: "An Act providing for permits and fees for the construction of shore facilities associated with outer continental shelf natural resource extraction; and providing for an effective date."

Because of prior commitments at Cordova, it will be impossible for me to attend personally the hearings scheduled for March 21. I therefore respectfully request that the attached written testimony be incorporated in the record of the hearings, and that copies (which are enclosed) be distributed to members of your Committee.

With best wishes, I am

Respectfully yours,



CECIL BARNES
President
Chugach Natives, Inc.

CB/ab
Encl.

Chugach
Natives, Inc.

Madam Chairperson and members of the Committee on Community and Regional Affairs of the Alaska House of Representatives:

My name is Cecil Barnes. I am President of Chugach Natives, Inc., one of Alaska's twelve regional Native corporations. We appreciate the opportunity to submit our views in opposition to House Bill 219.

As the Joint Federal-State Land Use Planning Commission found in reports to the Secretary of the Interior, and as the Congress of the United States found when it considered the January, 1976, amendments to the Alaska Native Claims Settlement Act, Chugach Natives, Inc. faces some difficult land selection and land management tasks. Our difficulties arise in large part because of the substantial extent of permanently withdrawn federal lands--especially the Chugach National Forest, and the frequently mountainous terrain in our region, and the pending "d(2)" proposals before the Congress.

For these reasons, Congress in the 1976 amendments asserted legislatively the right of our region to select lands in the vicinity of Icy Bay.

Chugach has entered into a contract with Phillips Petroleum Company for on-shore exploration work within the land area we have selected, to determine if petroleum there is of a commercially valuable nature. Needless to say, our corporation and its Native shareholders hope that there will be oil production from Icy Bay, to help assure the prosperity of our company, and to help meet the energy needs of the nation.

We have also had discussions with some of the Gulf of Alaska operators. We want them to know that with careful land use planning, and with fair compensation to our shareholders, Icy Bay could be a natural support and staging area for any developmental phase of Gulf of Alaska activities.

With the aid of Bomhoff and associates, consulting engineers, we have placed before the Corps of Engineers our request for a permit to construct a dock at Icy Bay. At our expense, an environmental assessment of the area, and the proposed dock project, is already under way.

These are the imaginative steps we must take if our shareholders are to receive the full benefit of the Native Claims Settlement Act, and take their rightful place in the economy of Alaska.

With that background, I am sure you can appreciate the basis for our concern about House Bill 219. But permit me to make some specific comments about this measure.

First, we at Chugach believe that the finding that "major resource development projects create an immediate demand for greatly increased state and municipal services in areas contiguous to the project" is overstated and over-simplified. There is no community at Icy Bay, just as there was none--and in many respects still is none--at Prudhoe Bay. A project of unprecedented dimension may have a great impact in an Alaska community; I suppose that the impact of the TAPS project in Fairbanks is a case in point. That does not mean that petroleum discovery in the Gulf of Alaska will have a significant impact on any Alaska community or create a demand

for State or municipal services. If petroleum of commercial quality and quantity is found on corporation land at Icy Bay, we foresee that the development of this resource from our private land could occur with little public impact and with no significant demand for publicly supplied services.

We believe that at the minimum, proponents of House Bill 219 should set out in detail, for public comment, the nature of the "significant impact" and the items of "expense" which petroleum development in the Gulf or at Icy Bay would bring to the State or to any local governments.

It may be answered that much of the impact is expected to be felt in the Yakutat community. If so, we stand ready, willing and able to divert unwanted impact from the existing community of Yakutat to our Icy Bay deficiency land selection area, which is unpopulated. To do that, of course, we would like to enjoy the encouragement and the support of the Department of Community and Regional Affairs--but here I speak of technical and moral support, not financial aid.

Second, the bill recites that "the Legislature considers it probable that the initial demand for publicly provided services related to outer continental shelf oil and gas development projects will exceed corresponding initial tax revenues from the project by an even greater proportion than occurs with resource development projects wholly inside the state." On its face, the assertion appears to be illogical. We know of no evidence, at least, that would support it. We wonder if the proponents of the bill have asked OCS developers what "initial demand", if any, for publicly

provided services they intend to make. I can tell you forthrightly that the only "publicly provided services" we at Chugach have requested are that the Department of Community and Regional Affairs should refrain from negative interference in Chugach's relations with the federal Corps of Engineers through communications sent without Chugach's knowledge. We believe that our point has been made, and we are hopeful that our request for improved consultation techniques by State agencies with Chugach will be honored.

Third, proponents of House Bill 219 declare that the bill would "provide a mechanism by which the increase in demand for state and municipal services occurring as a result of an (OCS petroleum) development project will be met by revenue from the project responsible for the increase in demand." I have already noted that the claimed increase in demand for services is speculative, not proved, and not inevitable. Moreover, any demand for services that might occur in one place might be different in character and degree from the kind of demand, or the kind of services demanded, arising in a different place. But the bill treats every area and every development and every impact by an identical, simplistic formula.

Another fallacy is the notion that all development, regardless of when it occurs, will impact public expenditures in the same way. The notion that new development projects attract new residents to Alaska, and raise a demand for more public services, may have limited validity. But at a certain stage of Alaska's growth, in the post-TAPS era, there exists in the State a body of unemployed

or underemployed Alaska residents. For them, future development projects are a livelihood. The demand for "publicly provided services" from these people is inversely proportionate to the employment opportunities available within the State. Without employment, they become dependent upon public assistance; with employment, they become State and federal taxpayers.

I mention these facts only to demonstrate again that the underlying theme of House Bill 219, i.e., that all OCS development in Alaska, wherever and whenever it occurs, creates a like demand for "publicly provided services" is false; in some contexts, OCS developments may diminish the demand for "publicly provided services", we believe.

We also believe that the formula for computing the fee for a shores facilities permit is too rough a tool. We note that the worst possible case is assumed in a speculative way: "gross impact cost" is the "maximum anticipated population increase in the affected area during a 20-year period multiplied by the per capita costs of state and local government in the affected area". As noted above, in the worst case, the existence of OCS development will inspire mobility of some Alaskans from other places in the state to "the affected area". Thus OCS would be the cause of a lessened demand for "publicly provided services" in some places in the State. On the logic of House Bill 219, why doesn't the permittee receive some credit for that?

Again, for the same reasons I have discussed above, it cannot be assumed that the "per capita costs" in an "affected area" will be comparable from place to place. In Fairbanks, the impact meant

more demands for services like schools and sewers and roads. In a controlled area like Icy Bay, no such demands for public services are necessarily in the offing.

We also note that a discount rate is included in the bill to apply to the revenues that government would receive for the purpose of determining "development revenue", but no discount rate is used to weigh or measure the per capita costs of governments over a 20-year period. On its face, this is unfair and indefensible.

We object, in any event, to using historic "per capita" costs of "development" as any measure of future per capita impact, even assuming that some generalizations could be made on a statewide basis. After all, the State is proposing increased controls over coastal zone development and land use in a variety of ways. The effect of these controls, when and if fully implemented, should be to reduce the alleged public services costs which some associate with development. Therefore, the historic approach is inappropriate.

At bottom, our concern is based upon our realization that this measure calls for large front-end payments by developers, to be paid on a highly speculative basis, on property that may or may not exist, and with no provision for credits if estimated future maximum impacts do not occur. The business effect will be to discourage investment in areas like Icy Bay, encourage inefficient uses of existing facilities however antiquated they may be, reduce employment, and remove from petroleum production marginal properties.

Finally, we note that the same rationale that is included in HB 219 is used by the Governor in his cover letter supporting franchise tax legislation as the Governor's proposals would affect

companies operating in the Outer Continental Shelf; that is, the claim is made that proposed taxes are needed to compensate the State for services provided to OCS operators.

The question that arises is whether House Bill 219, if enacted, would foreclose the need for the franchise tax legislation, because permit fees would satisfy the rationale, or whether, in the alternative, the Legislature will seek more than one remedy for a single asserted burden.

In this light, we would respectfully recommend that no action on House Bill 219 be taken until the entire set of tax measures has been acted on finally by the Legislature prior to its 1978 adjournment, by passage, amendment, or defeat.

Thank you again for allowing us to share these views.

Respectfully submitted,



CECIL BARNES
President
CHUGACH NATIVES, INC.

STATE OF ALASKA
DEPT. OF COMMUNITY & REGIONAL AFFAIRS
DIVISION OF COMMUNITY PLANNING

JAY S. HAMMOND, GOVERNOR

POUCH E - JUNEAU 99811

March 22, 1977

The Honorable Lisa Rudd
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Representative Rudd:

As requested by the House Community and Regional Affairs Committee, this letter summarizes the amount and status of matching grants-in-aid allocated by the Division of Community Planning to local governments for OCS-related planning over the immediate past and current fiscal years.

To date, a total of \$590.6 in matching grants has been awarded or reserved for local OCS planning. Grants were funded from the following federal and state program sources:

- (A) Federal HUD 701 Comprehensive Planning Assistance Program;
- (B) Two federal OCS Supplemental Planning grants the Division obtained through the federal office of Coastal Zone Management;
- (c) Federal Economic Development Administration title IX OCS grant for economic adjustment planning; and
- (d) State Oil Impact Program.

The following Table identifies the locality, grant amount and status of each local grant.

<u>Locale</u>	<u>Grant Amount</u>	<u>Project Status</u>
<u>HUD 701</u>		
1. City of Cordova	18.0	completed
2. City of Yakutat	24.0	completed
3. City of Yakutat	6.7	completed
4. North Slope Borough	9.0	completed
5. City of Sand Point	15.0	current
	<u>\$72.7</u>	

<u>Locale</u>	<u>Grant Amount</u>	<u>Project Status</u>
<u>OCZM/OCS I (Total Grant: \$300.0)</u>		
6. Kenai Peninsula Borough	60.0	completed
7. Kenai Peninsula Borough	25.0	pending
8. Kodiak Island Borough	36.0	completed
9. Kodiak Island Borough	12.0	current
10. Alaska Native Foundation	18.0	completed
	<u>\$151.0</u>	
<u>OCZM/OCS II (Total Grant: \$250.0)</u>		
11. North Slope Borough	40.0	pending
12. Unalaska	25.0	current
13. Kodiak Island Borough	50.0	current
	<u>\$115.0</u>	
<u>EDA Title IX (Total Grant: \$300.0)</u>		
14. Kodiak Island Borough	45.0	current
15. City of Seward	30.0	current
16. Cities of Kenai-Soldotna	30.0	pending
17. Cities of Homer-Seldovia	30.0	pending
18. City of Yakutat	33.0	current
19. City of Cordova	30.0	pending
	<u>\$198.0</u>	
<u>State Oil Impact Grant Program</u>		
20. City of Yakutat	\$53.9	completed

The OCZM/OCS Supplemental Grants and the EDA Title IX Grant represent new federal grant program funds which were obtained at the initiative of the Division of Community Planning to help local governments underwrite the cost of much-needed OCS impact planning. Of course, since all these federal programs require local matching contributions ranging from one-half to one-fourth of the grant amount, employment of these federal grant funds by local governments still means that substantial outlays of local funds are necessary. This has placed a serious financial squeeze on those local governments with small tax bases (e.g., Yakutat) or high mil rates (e.g., Seward at 25.0 mils) and has unfortunately hampered their ability to take quick advantage of matching grant funds available through the Division.

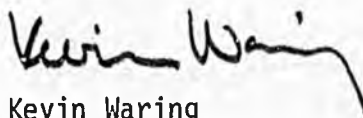
To summarize, better than half of the federal funds (\$464.0 out \$850.0) obtained by the Division specifically for OCS planning over these two years has been allocated to local agencies for locally sponsored projects. The bulk of the remainder has been allocated either to other State agency projects uniquely the responsibility of the State (e.g., drafting of Department of Environmental Conservation's oil tanker traffic regulations, Department of Highways' Gulf of Alaska regional transportation planning) or to special planning projects of common benefit to local and state governments alike (e.g., Marine Service Base

March 22, 1977

Study; Employment Forecast Model; OCS Bibliography; Management of OCS-Related Industrial Development Handbook). In my judgment, it is more sensible and economical to undertake this latter type of studies once under State sponsorship for universal use and reference, than to have them undertaken time and again by each separate local government.

I will be glad to provide any additional information on these matters that the Committee may request.

Sincerely,



Kevin Waring
Director





LISA RUDD

ALASKA HOUSE OF REPRESENTATIVES

*Pouch V
Juneau 99811*

*2827 Lore Road
Anchorage 99507*

April 25, 1977

Anchorage Daily News
821 W. 5th Avenue
Anchorage, Ak 99501

Dear Editor,

I was glad to see your recent editorial on House Bill 219, which would provide money to the state and communities impacted by the construction of shore facilities associated with outer continental shelf developments. The money would come before construction of the shore facilities, so that they can plan for and fund the increase in governmental services caused by the new development. The original bill sponsored by Representative Charlie Parr, D-Fairbanks, has undergone many changes. I am convinced however, that the original intent of the legislation remains intact.

Almost all of Alaska's coasts are going to be effected by outer continental shelf development. There are currently two rigs involved in exploratory drilling in the Gulf of Alaska and the community of Yakutat has already felt impact as a result of offshore exploration. Planned federal outer continental shelf lease sales are scheduled for November 1977 in the area southeast of Kodiak Island and a joint federal-state sale for February 1978 in the near-shore area of the Beaufort Sea. Additional sales are planned in the Bering Sea in 1979 and 1980 and second sales in the Kodiak Aleutian shelf area in 1980. The exploration phase of activity will affect shore communities to some extent, as one can learn by talking to anyone from Yakutat. If oil or gas is found and field development takes place it is likely that the nearest shore community will be heavily impacted, as Kenai can testify.

House Bill 219 will help the state and communities prepare for and deal with rapid increases in the demand for municipal services. The bill requires that any person or party engaged in exploration, development or production of oil or gas in the waters

REPRESENTATIVE - DISTRICT 11 - ANCHORAGE

adjacent to the state must secure a permit and pay a fee prior to constructing or leasing shore facilities. The bill further provides that the applicant for a permit must file a report on the size, location and estimated value of the proposed facility as well as projected impacts, both economic and environmental, upon the community in which the facility will be located.

The bill's strength lies in the fact that it provides the local communities affected by offshore activities the opportunity to have advance notification of potential development that will affect their area and to decide whether they wish to have the proposed facility within their boundaries. Besides gaining time to prepare for industrial growth, the community will receive a large percentage of the permit fee to cover the costs of providing the increased municipal services needed because of the development of the shore facility.

I feel that it is important that communities be able to control the siting and other aspects of shore facilities and that they receive "up front" money to help them provide new municipal services. It is for this reason that I still hope to get the bill moving. The recent editorial (April 9, 1977) of the Anchorage Daily News lends support toward that end and is much appreciated.

Yours sincerely,

Lisa Rudd

LR/ds



Alaska State Legislature

House

JUNEAU ALASKA

TO: All C.R.A. Committee Members

FROM: Merle G. Snider

Q. How do you make a Liberian tanker sink?

A. You put it in water.

That joke and the enclosed information I picked up at the O.C.S. conference sponsored jointly by the Alaska Native Foundation and the Kellogg Project of the University of Alaska, held in Anchorage Feb. 4, 5, & 6th. I also have ten lbs. of material directly concerned with O.C.S. and will be happy to share any of it with you, on any specific question.

Attending this conference were representatives from 90 villages, State personnel, House members, the press, and many others. As you can see by the program, many areas of concern were expressed.

Also noted in the program are events that were closed to non-villagers, in order to permit a freedom of expression and direct questions. All legislators were encouraged to attend these meetings.

I attended the Friday night banquet at which Senator Kay Poland spoke at length of the proposed Coastal Zone Management Bill, which will soon be submitted to the legislature. It is a bill on which an interm committee has been working on for at least two years. Public hearings have been held throughout the state on the issue.

Senator Poland stated that the bill will gather together, all of the existing state regulations concerning Coastal Zone Management, and will also allow a maximum of local control to exist. There have been some differences of opinion between the committee and the Administration, on this question of local control. Part of the problem has been with what to do with the unorganized lands of our state. Both the committee and the Administration have been addressing this issue.

Also speaking at the banquet, was Representative Alvin Osterback, as Chairman of the House Resources Committee. He replaced Frank Woods, who was unable to attend, and spoke briefly on the direction he felt the State should take regarding d2 Land Selections, State Land Selections, and of Park Lands.

The conference ended Sunday at noon. As I said, I returned to Juneau with a wealth of information on O.C.S.; a question that the State and the people of Alaska will be dealing with over the next 50 years. I shall be pleased to share any and all of this information with any member who wishes it.

Merle G. Snider

ALASKA OCS LEASING SCHEDULE

COOK INLET

	Notice of Sale	January, 1977
**	Sale	February, 1977

KODIAK

	Draft Environmental Impact Statement	March, 1977
	Public Hearing	May, 1977
	Final Impact Statement	August, 1977
	Notice of Sale	October, 1977
**	Sale	November, 1977

BEAUFORT SEA (Near Shore)

	Timeline uncertain--state may conduct sale	February, 1978
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BEAUFORT SEA

	Call for nominations of tracts	July, 1977
	Nominations due	September, 1977
	Announcement of tracts	December, 1977
	Draft Impact Statement	June, 1978
	Public Hearing	August, 1978
	Final Impact Statement	November, 1978
	Notice of Sale	January, 1979
**	Sale	February, 1979

NORTHERN GULF

	Call for Nominations	October, 1977
	Nominations due	December, 1977
	Announcement of Tracts	March, 1978
	Draft Impact Statement	September, 1978
	Public Hearing	November, 1978
	Final Impact Statement	February, 1979
	Notice of Sale	April, 1979
**	Sale	May, 1979

ALASKA OCS LEASING SCHEDULE (Page Two)

BERING SEA, NORTON SOUND AREA

Call for Nominations	May, 1978
Nominations Due	July, 1978
Announcement of Tracts	October, 1978
Draft Impact Statement	April 1979
Public Hearing	June, 1979
Final Impact Statement	September, 1979
Notice of Sale	November 1979
** Sale	December 1979

BERING SEA, ST. GEORGE AREA

Call for Nominations	October, 1978
Nominations Due	December, 1978
Announcement of Tracts	March, 1979
Draft Impact Statement	September, 1979
Public Hearing	November, 1979
Final Impact Statement	February, 1980
Notice of Sale	April, 1980
** Sale	May, 1980

COOK INLET

Call for Nominations	January, 1979
Nominations Due	March, 1979
Announcement of Tracts	June, 1979
Draft Impact Statement	December, 1979
Public Hearing	February, 1980
Final Impact Statement	May, 1980
Notice of Sale	July, 1980
** Sale	August, 1980

KODIAK, ALEUTIAN ISLANDS

Call for Nominations	May, 1979
Nominations Due	July, 1979
Announcement of Tracts	October, 1979
Draft Impact Statement	April, 1980
Public Hearing	June, 1980
Final Impact Statement	September, 1980
Notice of Sale	November, 1980
** Sale	December, 1980

HOW TO DO IT:

A COMMUNITY GUIDE FOR MANAGING OCS INDUSTRIAL DEVELOPMENT

*STEP 1

Determine what to expect from OCS development.

In other words, know how the oil companies work, and what they expect on-shore to support their off-shore activities.

*STEP 2

Evaluate community ability to serve industry needs.

Check to see if your village has the type of harbor and shoreline oil companies need; also estimate your village's potential for providing the needed facilities, services and utilities.

*STEP 3

Determine what the community wants.

Decide what your village wants--and doesn't want--from any OCS-related development.

*STEP 4

Examine and revise local zoning and other regulations.

Determine what codes and regulations will be required, or what changes in existing codes must be made to achieve the village's objectives and to accommodate the development.

*STEP 5

Annex or acquire land to extend jurisdiction.

Bring the areas that may be chosen for OCS development under village control.

*STEP 6

Develop a financial plan.

The plan should include: methods to expand or add to the village infrastructure; an operations and maintenance program for needed additional services; and a revenue program which balances the costs of everything with the funds to pay for them.

STEP 7

Establish procedures for reviewing development proposals.

Require that developers submit development proposals to the village. These proposals must contain enough information to tell if they will fit into the village's goals and policies; the reviewers must have enough knowledge to adequately evaluate the proposals; and any conflicts between developer and village should be dealt with in meetings so that every effort can be made to resolve them.

Each of the above steps is essential to fully deal with and manage the changes promised by on-shore development from OCS activities.

Three types of tools are available to villages for managing their future:

1. Leases: A detailed outline of the complete leasing process appears on pages 12-24 of the small blue booklet entitled "Leasing and Management of Energy Resources on the Outer Continental Shelf" in this conference packet. Briefly, you have a say at four specific times during the pre-sale period, and at three times after the sale.

Pre-sale times include:

- 1) After the Call for Nominations, the announcement of a general area under consideration for a possible future lease sale: At this time a village may--on its own or through the State Government--identify specific parts of the general area which it doesn't want to be sold, or which should be sold only with special restrictions because of environmental or other reasons.
- 2) During Tract Selection: When the Secretary of the Interior gets down to selecting actual tracts to include in the lease sale, he consults with State governors; so, this is the time to let the governor know how you feel.
- 3) Public Hearing: After the draft of the environmental impact statement is completed, a public hearing is held in the area of the proposed sale. Both written and verbal testimony count at this time.
- 4) A Final Decision by the Secretary: This is made only after final consultation with State Governors, as to which tracts will be included and with what restrictions. Again, here's a time to tell the governor what you want.

Post-sale times include:

The United States Geological Survey must write a plan of operation for each phase of OCS activity: Exploration, development and production. USGS must submit this to affected communities for comment before each phase is allowed to begin. These USGS studies include an analysis of what will happen both on-and off-shore during that phase.

2. Public Powers: This tool revolves around zoning and permits. Local communities can restrict, encourage or otherwise control development on their lands by the use of zoning and other local ordinances. Municipalities and boroughs can exercise control through their land use planning powers. Both the State and Federal Governments have extensive permit systems and regulatory procedures which allow public and local input prior to any development.
3. Indirect Management Tools: This is the least cut-and-dried tool of the three, but by far the most effective. This is when the village really takes the initiative and acts to try to achieve its goals. Some examples include: Negotiations with oil companies and their subcontractors, working with them on every step of proposed development to insure the village's concerns are taken care of; making sure village desires (for instance, local hire) are included in contracts; entering into joint-venture business arrangements with the oil companies for any business conducted in the area; helping decide where on-shore facilities will be located, working with the State and Federal officials to have their assistance on issues. In short, this tool involves using every resource available to the village to influence development to the benefit of local residents.

A NOTE ON SESSION #7

"Three Villages Response to OCS"

We chose these three villages because they reacted in different ways to OCS development near their shores. We present these as models: Villages may decide to pattern their responses after one of these, or may combine features of each in new ways to fit their own situations and goals.

YAKUTAT

The village corporation and the City of Yakutat have worked closely together to plan for on-shore facilities and to ensure that all on-shore development occurs only where the community wants it. Yak-Tat Kwaan's main priority has been to assure that development does not destroy the unique cultural and natural environment which make up the Yakutat community. By entering into a partnership role with the oil companies--and thus having a direct say in what happens--the corporation intends to minimize the degree of change and at the same time benefit from the opportunities presented by OCS development.

KODIAK

The joint-venture between Koniag, Inc. and its villages is pursuing the most pro-development course of action of the three examples. They are actively seeking to exploit their resources and land. Cape Chiniak, an old Air Force tracking station, is their choice for construction and operation of support facilities for off-shore activities, and the corporation and the villages are negotiating with the oil companies to get that firmed up. Koniag and its member village corporations are working closely with the Kodiak Island Borough and the State on comprehensive planning for development on the island.

ENGLISH BAY

This small community on the Kenai Peninsula represents the opposite position from Koniag, wanting no change in its present lifestyle. Residents want no on-shore facilities, nor any development in the nearby fisheries-rich waters of the Lower Cook Inlet. They succeeded, with private and State help, in getting former Interior Secretary Thomas Kleppe to remove objectionable tracts from this month's lease sale. English Bay residents decided that economic benefits of OCS development were not worth the necessary changes in the present fishing-based economy and in the surrounding wilderness environment.

the alaska native



515 "D" Street ■ Anchorage, Alaska 99501 ■ 274-5638

February 4, 1977

Dear Conference Participant:

WELCOME! We're very pleased you're joining us in Anchorage for this conference, "The Management of Change." The Alaska Native Foundation, with the assistance of the Kellogg Project of the University of Alaska, decided to sponsor this meeting because of the great importance to Alaskans of the consequences of Outer Continental Shelf petroleum development.

With the help of films, slides and speakers, we'll be exploring three major issues:

- 1) What changes can villages expect with OCS development?
- 2) What are the legal rights with regard to any development which affects a community or region?
- 3) How can villages best use all resources to plan for and manage the changes to the benefit of local residents?

In order for small group discussions to concentrate on specific subjects and particular regional and village concerns, several sessions will be open only to those directly affected. These sessions are noted on your conference schedule.

For those of you from the villages, a special word: This conference is not designed for us to simply pass on some interesting information to you. Rather, we hope you will take home what you learn and start an awareness among the residents of your village--the awareness that if you all act together, you can successfully manage the coming changes to meet your village's goals for the future.

If you believe we're on the right track with this conference, and are giving you the information you need and can use, tell us! If you want additional information or assistance, we may be able to hold follow-up meetings on specific subjects or problems. But only with your ideas and help can we do this.

The development of Alaska's Outer Continental Shelf may cause great changes in the lifestyles of our peoples living along the coast. We believe these changes -- properly managed -- may be beneficial. The time to begin planning and acting is now.

Again, on behalf of ANF's Board of Directors, Welcome to Anchorage and "The Management of Change".

Sincerely,



Richard Janson, President
Alaska Native Foundation

Board of Directors

Emil Notti, Chairman
Roy Huhndorf, 1st V. P.
Victor Fischer, 2nd V.P.
Vincent Schuerch, Treasurer
Richard Stitt, Secretary
Byron Mallott
Larry Mercurieff
Boris Kosbruk
Ralph Perdue

THE MANAGEMENT OF CHANGE

FRIDAY-February 4

- 9:00 a.m. until Noon, Saturday Registration, Lobby of Ramada Inn
- #1 1:00 - 1:30 Welcome, Opening Comments, Introduction of Village Participants
--Dick Janson, Pres., Alaska Native Foundation
--Michael DeMan, Village Management Assistance
--Roger Lang, Chairman, Alaska Native Human Resource Development
- #2 1:30 - 3:00 ~~XXXXXXXXXX~~ Slide Presentation: "OCS" (in both Yupik and English)
--Andrew Chikoyak, film maker, Tununak

"The Yakutat Experience"
--The Yakutat Team:
--Byron Mallott, Yakutat, Chairman of the Board, Yak-Tat Kwaan, Inc.
~~XXX~~ --Sam Demmert, Pres., Yak-Tat Kwaan, Inc.
--Vernon R. Wiggins and Robert C. Sharp, of Tryck, Nyman and Hayes, Consultants to Yak-Tat Kwaan, Inc.
- #3 3:30 - 5:00 Film: "Offshore" (18 min.)

"The Community's Role: Some Considerations"
--Sam Demmert, Pres., Yak-Tat Kwaan, Inc.
--Hugh W. Fleischer, attorney, city of Yakutat
--Jack Wick, Pres., Koniag, Inc.
--Stuart Denslow, Planning and Management Consultant to Kodiak Island Borough

"The Shetland Experience"
--Niall Trimble, Economist, Dept. of Community and Regional Affairs
- #4 7:00 - 9:00 (CLOSED TO NON-VILLAGERS)
ATTEND
Dinner with speakers - "OCS-The Local Approach"
--The Hon. Kay Poland, State Senator from Kodiak and Co-Sponsor of Proposed OCS legislation
--Frank Woods, New Stuyahok"

END Friday Sessions

SATURDAY-February 5

#5 8:30 - 10:15

Slide Presentation: "A Question of Values"

"The Federal Role: How the OCS Office Relates to You."

"Will Hold HEARINGS
IN KODIAK."

--Ed Hoffmann, Alaska Director, OCS Office of the Bureau of Land Management

9 LEASE SALES IN AK
16 " " " " US.

"The State and You, and OCS Development"

--The Hon. Guy Martin, Commissioner, Dept. of Natural Resources

--Sandy Sagalkin, Attorney General's Office

--Glenn Akins, Office of Coastal Zone Management

--Kevin Waring, Dept. of Community and Regional Affairs

--Jim Wiedeman, Dept. of Commerce

"A SHIFT OF EMPHASIS TO
LOCAL CONTROL."

#6 10:30 - 11:45

(CLOSED TO NON-VILLAGERS)

"Three Villages Response to OCS"

--David Wolf, Attorney for Yak-Tat Kwaan, Inc.

--Martin Farrell, Attorney for Kodiak OCS Project

--Arnold Melsheimer, English Bay

"Eating After OCS Development"

--Pat Wennekens, Arctic Environmental Information and Data Center

#7 Noon - 1:15

Lunch and Speaker: "The Oil Industry's View of Yakutat"

--James W. Hart, District Engineer for South Alaska, Atlantic Richfield Oil Company

#8 1:45 - 3:15

"Off-shore Means On-shore Too"

--Joe Homer, Alaska Drilling Manager, Exxon Co.

Slide Presentation: "Icy Bay"

--Cecil Barnes, Pres., Chugach Natives, Inc.

"Be Ready Before the Oil Companies Pull Into Your Harbor"

--Anthony Vaska, Calista, KCC

--Linda Ellana, Bering Straits, ACC

#9 3:30 - 5:00

(CLOSED TO NON-VILLAGERS)

"How to Talk to Oil Companies"

--The Yakutat Team

Small Group Discussions of Conference Purpose, Follow-up Activities and Action

#10 8:00 - 10:00

Banquet: "OCS and Polar Rim Peoples"

--Eben Hopson, Sr., North Slope Borough

"Village Self-Determination"

--Clay Antioquia, Area Director, BIA

END Saturday Sessions

SUNDAY-February 6

- #11 10:00 - 12:30 Summary and Projection of Future for Management
(CLOSED TO NON-VILLAGERS) of Change; small group discussions on specific
subjects identified by village participants
--Roger Lang
--Byron Mallott
--Sam Kito
--Emil Notti
--Willie Hensley
--Eben Hopson
- 12:30 - 2:00 Lunch (no program) at Ramada Inn
- 12:30 Conference officially ends
- 1:30 - 3:30 OCS Films, Slide Shows

END Sunday Sessions

Lisa,

Several points of clarification you might make when Tom Mathews testifies again:

- 1) Oil Revenue to the State. Future oil company contributions to state revenues may approach 60% of total State revenue. However, that revenue will come mostly from oil royalties not from taxation. Royalties are equivalent to rents paid to any landlord and are normal practice whether the landlord is public or private. Furthermore, oil company royalty and tax payments from the North Slope should not necessarily subsidize oil development elsewhere. The same companies might not even be involved. Why should severance taxes paid by ARCO on the North Slope pay for impacts occurring because of Texaco's or Shell's onshore operations in the Gulf of Alaska?
- 2) Who Needs to Obtain a Permit. Native corporations will not have to purchase permits unless they are successful bidders for offshore tracts. Under Sec. 41.45.020, only "a person engaged in the exploration, development, or production of oil or gas under terms of lease from the United States..." If the Native corporation merely owns and operates a shoreside facility, they will not be required to obtain a permit - oil operators leasing the facility will have to obtain the permit. (This means that no facility will be built without a prior commitment by the operators to use the facility. That's good.)
- 3) Timing of Development. Mathews emphasizes exploration and minimizes other phases of oil development. It is true that actual oil production may not begin until 5-8 years after a lease sale. However, if there is oil to be found, it will take about one year to make a discovery and another 2 1/2 years to delineate the field and estimate recoverable reserves. At that point (3 1/2 years from lease sale), major decisions about pipelines and terminals will be made. Assuming some preliminary design work is underway, construction could begin shortly thereafter. Construction of a terminal on, say, Kodiak Island will create temporary but major local changes - see Table 3.27. If construction workers are hired out of local hiring halls, a situation similar to Fairbanks may arise. During the construction phase of a terminal or LNG plant, there is bound to be a boom-bust situation.
- 4) North Sea and Santa Barbara Comparisons. It's true that acreage leased in the North Sea far exceeds that leased offshore in the U.S. However, operating conditions in the North Sea are quite similar to the Gulf of Alaska. Floating bases are not too attractive. The weather is too rough. The similarity between Santa Barbara and Alaska rests with the high degree of public interest and possible hassles for the oil companies.

Fee for Shore Facilities Permit. Lisa, this section needs reworking. It would not be very fruitful to get sidetracked on a discussion of whose 20-year projections are most reliable.

Coastal Energy impact Program. This federal program is primarily a loan program. Grants will be hard to come by.

Further Questions about Exxon Operations. I was under the impression that the Alaskan Star was not drilling yet. They have been training crew while moored in Resurrection Bay and have not begun operations. Also their stated plan is to move rig crews through the Yakutat Airport. Mathews slipped by that detail. You might also ask him to specify the \$750,000 expenditures per month.

NUISANCE
POINTS

Lois

Type up for transmittal
(copies for com. members)

To
Steve Cooper, Chair
House Finance Com.

From
Lisa Rudd, Chair
House C & RA Com.

Re: HB 219 (Onshore facilities permits)

There was some doubt in the
C & RA Com. as to whether the fiscal
note received from the department
was an accurate reflection of the
costs which will be incurred by
the dept. in administering HB 219.

While I personally think that the
fiscal note does reflect the obligations
of the dept., I would ask that your
committee take a ~~look at it~~ care-
ful look at ~~the~~ it.

Some members of the
committee think that the
dept's estimates are low -

JUNEAU

KENAI PENINSULA BOROUGH SUPPORTS SB126 CONCERNING RUNOFF
REQUIREMENTS IN MUNICIPAL ELECTIONS.

MARGARET BRANSON CHAIRMAN KENAI PENINSULA BOROUGH ASSEMBLY
COMMITTEE LEGISLATIVE OVERVIEW BOX 850 SOLDOTNA

POUCH V

JUNEAU

KENAI PENINSULA BOROUGH DOES NOT SUPPORT SB47 TO ALLOW TAX
EXEMPTIONS FOR AESTHETIC IMPROVEMENTS.

MARGARET BRANSON CHAIRMAN KENAI PENINSULA BOROUGH ASSEMBLY
COMMITTEE LEGISLATIVE OVERVIEW BOX 850 SOLDOTNA

POUCH V

JUNEAU

KENAI PENINSULA BOROUGH DOES NOT SUPPORT SSSB37 RELATING TO
REDEMPTION OF TAX FORECLOSED REAL PROPERTY

MARGARET BRANSON CHAIRMAN KENAI PENINSULA BOROUGH ASSEMBLY
COMMITTEE LEGISLATIVE OVERVIEW BOX 850 SOLDOTNA

JUNEAU

KENAI PENINSULA BOROUGH WOULD SUPPORT HB35 SO LONG AS BOROUGH
DETERMINES EXEMPTION LIMITS.

MARGARET BRANSON, CHAIRMAN KENAI PENINSULA BOROUGH ASSEMBLY
COMMITTEE LEGISLATIVE OVERVIEW BOX 850 SOLDOTNA

JUNEAU

KENAI PENINSULA BOROUGH WOULD SUPPORT SB114 RELATING TO PUBLIC
WORKS IF AMENDED TO READ PLANNING AUTHORITY INSTEAD OF PLANNING
COMMISSION.

MARGARET BRANSON CHAIRMAN KENAI PENINSULA BOROUGH ASSEMBLY
COMMITTEE LEGISLATIVE OVERVIEW BOX 850 SOLDOTNA

February 6, 1977

TO: LISA
FROM: JUDITH
RE: Highlights from OCS Conference

Friday - February 4

- "The Yakutat Experience" was the focus of this first days sessions with two excellent presentations by the Yak-Tat Kwaan board members on the history and the future of OCS for their village. I learned about cultural preservation as seen through the eyes and experience of the Native peoples. I now understand what a service base is and how it develops and the determination of the Yak-Tat Kwaan in obtaining an agreement with the oil companies to confine the service base to a single 77-acre tract known as the Industrial Park. This service base will be supply and storage with no production facilities and no oil coming ashore.

- We were also briefed on the current events in Cook Inlet, English Bay and the Kodiak Island Borough by people of those areas.

Saturday - February 5

- A briefing by the Bureau of Land Management provided these highlights:

The Federal leasing program is nationwide and is being accelerated due to the fact that currently 40% of our energy in the form of oil and natural gas is imported.

The current lease schedule is a planning schedule and not a committment. (see attached proposed lease sites for Alaska area)

The Alaska Natives are in an excellent position to control industrial development.

The lease plan provides for:

- Announcement to the public 4 years in advance
- Call for nominations (industries opportunity to identify tracts) 18 months in advance.
- With good planning and village committment there can be a site selection that is agreeable. In the case of English Bay, the village wanted no intrusion and currently that tract in their area is no longer being considered.

- The State's approach to OCS highlights: - (a panel consisting of Guy Martin, Kevin Waring, Glen Aikens, Sandy Sagalkin and Jim Wiedeman.)

Alaska operates over 1/2 of the national OCS burden and is the harshest critic of federal leasing. The basic problem of the program was that it was too big and too fast. The state's approach was to buy time on the part of local areas so that they would have ample time to organize and plan.

What is Coastal Zone Management?

- Helping communities deal with change.
- Coordination between the state and local community.
- Planning for federal law implementation of Alaska's CZM program.

What is Community Planning?

- Federal government "treasure hunt" if successful there will be tremendous changes in the way of life on the coast.
- There can be a partnership with C&RA and the local government by way of providing practical skills and consulting assistance backed by state funding whenever possible.
- C&RA can assist the village in appraising the basic situation in the community and formulating projections of employment and population growth generated by OCS development.

The Shetland Experience - Niall Trimble

This experience in Scotland's North Sea provides many similarities to conditions and life styles along Alaska's coast.

The ever-present and still unanswered questions of impact to marine life were addressed without resolution due principally to a lack of knowledge as to the potential threat to aquaculture.

February 24, 1977

TO: LISA
FROM: JUDITH
RE: HB 219

Sec. 41.45.030. FEE FOR SHORE FACILITIES PERMIT.

In arriving at the permit fee, gross impact cost and development revenue are the two factors being estimated as follows:

Step 1.

anticipated population increase
x
per capita costs of state and local government
= gross impact cost

Step 2.

estimated petroleum taxes *(over what period of time?)*
+ general property taxes for onshore facilities "
+ income taxes from residents in affected area "
+ OCS and gas grants summed and discounted
(prod. money)
= development revenue

Definition:

"discounted on a cash flow basis"

Money has a "time value", in the sense that it can be reinvested and earn future profits, a dollar of profit today is worth more to a corporation than a dollar of profit ten years from now. It is this truism which underlies the widespread corporate use of the discounted cash flow, or DCF, method of analysis for computing the rate of profit on different investments. As is implied by the name of the method, discounted cash flow analysis involves two basic elements: a cash flow of costs and profits over time, and discounting these flows by some factor to take into account the greater value of near money as compared to far money.

Step 3.

gross impact cost

- development revenue

= the fee for a shore facilities construction permit

1. Mike Davis should have some back-up information for us by Friday which apparently includes a statement attesting to the constitutionality of this concept.
2. On advice from Jim Rhode of House Finance, I contacted Gregg Erickson from the Division of Research Services to let him know of the hearing on HB 219 for Monday. Mr. Erickson is an economist and he and his staff are apparently well versed regarding this bill; either himself or one of his staff will be on hand for the meeting.

March 15, 1977

TO: LISA
FROM: JUDITH

RE: Income Tax of OCS drilling rig employees

Transcript - Verbatim 3/7/77

Ose: "These 75 or whatever, that are being brought up then, the only revenue is through income tax?"

Matthews: "That's right, because they don't live in the state and they don't place any demand or services on the state".

Kelly: "Why are we receiving income tax on these people, I don't think we are, are we?"

Matthews: "It depends on how their residency is established with the company. If they are working for a company that is established and franchised with the State of Alaska, and they're paid out of Alaska, then essentially a portion of their income is subject to Alaskan taxation."

Kelly: "Is the Alaska Star subject to Alaska taxation?"

Matthews: "Yes sir, being it's maintained and operated by a company called North-Star Drilling Company in Anchorage."

I spoke with Mike McCormick, Chief, Audit Services, Department of Revenue and between corporate and individual taxation. The company has a legal obligation to withhold taxes on employees who are residents of the state. The state can tax individuals who are non-residents for income earned within the state. The state has no legal jurisdiction to tax income earned outside of the state.

March 30, 1977

TO: LISA
FROM: JUDITH

RE: Department of Interior Reports

*in my 219 file
(not for members)*

I spoke with Kevin Waring (12:50 p.m. 3/30/77) to find out what is included in reports filed with the Department of Interior and whether or not these reports might be applicable to development plans required for issuance of a permit.

According to Kevin these reports are filed only by the operators of a rig. The information is directed at the exploration phase and attendant factors relative to the rig operation. This would not generate any information or development plans to include subcontractors supplying services to the facility.

Kevin also pointed out that currently the Department of Interior reports are filed only two months prior to actual construction.



MICHAEL MONCHINO
New Kodiak manager

capacity of the hotel, located on South Benson. It will reportedly be a split-level, three story structure, and may include banquet facilities. Tentative plans call for construction to begin this spring.

Monchino, 25, has served as manager of the Sheffield Top of the World Hotel in Barrow. He

Kodiak Sen. Kay Poland has announced that the contract for a 1.9-mile Mill Bay Road extension has been signed with an Anchorage contractor.

Stephan and Sons, Inc.-Mat-Su, Inc., a joint venture, was awarded the contract at their bid of \$1,662,115.95. The engineer's estimate

for the project, which extends from the intersection of Rezanof and later connects with Mill Bay, was more than \$300,000 under the contract figure.

Work is expected to be completed on the project, which does not include paving, by the end of the year.

Impact:

Problem of becoming a center of development while maintaining traditional lifestyles . . .

By CHRIS BLACKBURN
Daily Mirror Correspondent
Second of a Series

If the exploratory wells drilled in 1978 confirm there are indeed extensive deposits of oil on the Kodiak shelf, the oil industry will begin plans for oil development and production. Unless the oil fields lie in the extreme northern end of the lease sale area Kodiak Island can expect to become a center of oil development activity. Construction workers, production personnel, planes and tankers and materials for support facilities will float in, ferry in and fly onto the island.

If the people of Kodiak Island have discussed and accepted a new comprehensive plan and supporting zoning ordinances, the oil support facilities will be constructed in the areas the citizens of Kodiak have predetermined to be most desirable — or least undesirable.

If the groundwork is not completed by 1979, the oil facilities will be constructed wherever the oil industry can build most efficiently and with least expense.

THE KODIAK ISLAND OUTER CONTINENTAL SHELF Impact Study recommends that "To the extent possible, the Kodiak Island Borough should discourage the location of OCS related industrial facilities within the Kodiak metropolitan area or in any of the other villages on Kodiak Island. The location of such facilities within these areas would be extremely

disruptive to the traditional lifestyles, community structures, and social and economic characteristics.... The Borough should insist that the oil industry be self-sufficient and willing to pay its own way in terms of the impacts resulting from the facilities directly related to OCS development..."

The Kodiak Island Outer Continental Shelf Impact Study estimates that the Western Gulf oil lease sale lands could produce as much as 164 million barrels of oil a year. All estimates of oil facilities and personnel requirements are based on this figure.

In 1979, as the first exploratory wells show evidence of productive oil fields, the oil industry will begin looking for a site for permanent onshore facilities. By 1984, at the projected peak of the development phase, a maximum of ten berths for oil company vessels may be needed — plus land for silos, tank storage and warehousing, open storage and office facilities. In all, about 80 acres of land will be needed in conjunction with harbor facilities.

THE OIL INDUSTRY will probably prefer a site on or near the existing road system. Chiniak may best suit the needs of the oil industry, provided the people of Kodiak have decided to prohibit industrial facilities within or near the metropolitan areas. The north side of Ugak Bay would also be suitable. Possible, but less likely, sites are Kalsin Bay and Middle Bay.

Karl Armstrong, executive vice president of the Koning Regional

Native Corporation, which holds title to the former Chiniak tracking station, said that the oil companies have shown interest in using Chiniak as the site of onshore facilities, but that discussions ceased when the Kodiak lease sale was postponed.

Armstrong a former fisherman, also mentioned that harbor facilities at Chiniak would offer sanctuary to fishing vessels encountering rough seas near Cape Chiniak, an area notoriously hazardous for fishing vessels.

ARMSTRONG SAID that while Koning is not averse to discussing the prospect of onshore oil facilities at Chiniak, only further study will tell which site would be most desirable.

Whichever site is selected, harbor development must be preceded by public hearings. The State of Alaska owns all coastal waters from the shoreline to three miles from shore and would have to grant a permit for development. Before any permits could be granted public hearings would have to be held.

Likewise, any attempt to locate onshore support facilities on federal lands would require public hearings.

PUBLIC HEARINGS can be used by the people of Kodiak to direct the eventual siting of oil facilities. A strong and unified show of support, or opposition, to a particular location usually has a decided effect on final decisions.

Armstrong also pointed out the desirability of the people of Kodiak insisting — with the help of the Borough government, state legislators

and other groups — that all public hearings related to development on Kodiak Island be held in Kodiak rather than Anchorage or Juneau.

As the development phase progresses more airport land will be needed — for helicopters, for increased commercial and cargo flights and for warehouses, and maintenance and service areas: approximately 40 additional acres.

DURING THE DEVELOPMENT phase over 1,000 people would be employed in development and construction. The year '85 is predicted to be a peak employment year with 1,565 people involved in oil-related activities.

By 1987 the oil industry could be entering the production phase on the Kodiak lease lands. As early as 1979 the oil industry will begin selecting the site of a crude oil storage area and marine terminal. These facilities would require about 150 acres of flat, stable land — more if the land is hilly or unstable. The size of the crude oil storage facilities will determine the number of tanker trips required each year to keep the production operations underway. As few as eight tanker trips could be needed, or as many as 20.

By 1987 the oil related population should begin to stabilize. The impact study estimates that about 2,651 people will be employed in oil-related occupations and Kodiak Island will have a total population of 14,252 people.

Tomorrow: Housing — how can Kodiak meet the demands?

Kodiak housing need could hit peak in year 1984

By CHRIS BLACKBURN
Daily Mirror Correspondent
Third of a Series

Assuming that large oil reserves will be proven on the Kodiak lease sale lands, the island's population could grow by 8,000 people in the next 10 years, according to the Kodiak Island Borough Outer Continental Shelf Impact Study. Those 8,000 people would need nearly 3,000 new homes.

The growth and resultant need for dwellings is expected to vary each year. The Impact Study projects that in 1979 the island's population would increase by 500, requiring 170 new homes. But during 1984, the peak of oil development activity, the population increase is projected to be 1,300 people needing 440 additional homes.

As evidenced by Kodiak's continuing critical housing shortage, construction has not been able to keep pace with the comparatively modest demands of the last decade. During 1974 only 26 new single-family homes were built. In 1975 another 26 single-family homes were built, but 107 additional dwelling units were built in multi-family dwellings.

IF KODIAK ISLAND does not find a way to cope with the projected future housing needs, the island could conceivably become the site of the same headline-making conditions that occurred on the mainland during the peak of the trans-Alaska pipeline construction — families squatting in campers in parks and along the backroads, several families crowded together in one dwelling and long-term residents forced out by soaring rents.

Failing to provide for growth did not

stop population increases.

Fairbanks is often cited as a community that was caught totally unprepared for rapid growth. Reacting to the population pressures and ended up overbuilding.

Kodiak has a chance to plan and consider both the kinds of dwelling units that would most likely meet the future needs, and the methods the people feel will best stimulate construction without overbuilding.

Impact

The new comprehensive plan should clearly reflect the feelings of the people of Kodiak. Supporting zoning ordinances should insure that growth takes place as was planned.

TRADITIONALLY KODIAK has been a city of single-family residences. Under current zoning and subdivision ordinances a single family home requires 7,200 square feet of land, provided the lot is served by sewer and water facilities. Otherwise each single family home requires 23,000 to 40,000 square feet of land.

Thus, if current patterns continue and there were sufficient buildable land, between 635.7 acres and 3,500 acres would be taken by the needed 3,000 units — depending on the availability of water and sewer.

Conversely, were Kodiak to completely reverse current trends and house the growing population in apartments, townhouses and condominiums — high density housing using only 2,774.5 square feet per dwelling — only 175.8 acres of land

would be needed for 3,000 additional units.

ACCORDING TO the impact study

"It is impossible to determine at this time how much land along the existing roads and sewer and water lines are available for development...It can be assumed, however, that as development activity increases, the majority of new structures would be placed on existing utilities and roads. Therefore, within a few short years after the initial impacts of OCS development...the existing road and utility system will be completely utilized..."

According to Stuart Denslow, Kodiak Island Borough manager, extension of public utilities requires a capital improvements program, which Kodiak does not currently have. The Impact Study recommends, "In the capital improvements program and the comprehensive plan, the community should indicate exact areas where public utilities and facilities are to be extended. They should also specify the timing of the provision of those services...(This) will reduce escalation in land costs and result in improved physical planning."

WITHOUT PUBLIC UTILITIES, high-density housing is not usually feasible. All of Kodiak's current multi-unit dwellings are within the municipal service area, and the townhouse developments planned for Russell Estates' Divisions 2 and 3 will be on municipal utility lines.

Extension of public utilities tends to stimulate new construction. According to Denslow, two years are required to plan and obtain the state matching funds to build a sewer line. Thus the ability of Kodiak to meet the

housing needs of 1980 depends partly on decisions made — or not made — in 1977.

The density of housing will determine the amount of new sewer and water lines that will be needed and the rate at which new units can be built. The impact study estimates that for the projected 2,761 new units needed by 1988, 24.7 miles of sewer lines would be required if the current low-density trend continues. However, the same 2,761 units could require only 6.7 miles of sewer and water lines if built in high-density configurations.

THE IMPACT STUDY also suggests that Kodiak develop a mobile home park ordinance and plan to use trailer court areas to absorb some of the population impact. Housing for employees of the onshore facilities could be developed near those facilities rather than in the Kodiak Metropolitan area. Additionally, the borough could consider developing some of its land, which lies north of the City of Kodiak. The study suggests a joint venture agreement with the oil industry.

Alternative methods of meeting Kodiak's housing needs can be discussed at the Borough's planning and zoning commission meetings every third Wednesday of the month. Further citizen input will come from a planned borough housing questionnaire, and public hearings preceding adoption of the new comprehensive plan.

The plan should outline which alternatives and which compromises will best provide housing for Kodiak's growing population.

Monday: Transportation — Roads, planes, ferries and barges.

community to look like in the Alaska oil lease sales, Denslov future. The effort will be in- said.

Report reasons problems are not insoluble

By CHRIS BLACKBURN
Daily Mirror Correspondent

The Kodiak Island Borough Outer Continental Shelf Impact Study — the result of a half-year's research by an Anchorage consulting firm — concludes that "the assets of the Kodiak Island Borough and the communities are uniquely valuable and should be protected and enhanced. The problems faced by the communities are not insoluble...They are the type that can be dealt with through community awareness, local action and proper planning and implementation.

"...The result of the OCS impact will depend upon the level of oil industry activity which will occur in Kodiak and the methods that are used in planning for and coping with the impact."

According to the impact study, which was just completed, Kodiak Island Borough's population will continue to grow. If current trends continue, the population will double in 20 years without OCS activity. OCS activity could double the population in 10 years.

As the population increases the existing problems of crime, housing, land availability, social services and recreational facilities will become more acute.

How acute depends on the decisions made during 1977 and on the exact location of oil reserves. The impact statement predicts that the initial oil exploratory phase will probably use facilities in Seward, giving Kodiak precious time to plan.

If oil reserves are developed near Kodiak Island, onshore oil facilities will require 300 acres of land somewhere in the Kodiak Island Borough. The OCS-related Kodiak Island population increase could total 8,000 people by 1988.

According to the impact study, the additional 8,000 people would require 2,700 more housing units. If Kodiak continues

(Continued on Page 2)

Report

(Continued from Page 1)

its current low-density development pattern — with an estimated 4.35 housing units per acre — an additional 635.7 acres of residential land, 21.7 miles of road and water and sewer lines will be needed.

Were "high-density development" — with an estimated 15.7 units per acre — considered, only 175.8 additional acres of residential land would be required and only 6.7 more miles of road, sewer and water lines.

There will be corresponding increases in services, government and costs. However, the impact study lists many federal and state funding sources which could be used.

The future of Kodiak depends on where the oil reserves are and how thoroughly the community prepares.

A copy of the Kodiak Island Borough Outer Continental Shelf Impact Study has been placed in the A. Holmes Johnson Memorial Library. Additional copies will be available in about six weeks.

A time to prepare

Editor's Note — Kodiak recently received the first copies of the finished Kodiak Island Borough Outer Continental Shelf Impact Study, which not only qualified much of what may be expected if oil actually is discovered off of Kodiak, but also quantifies some interesting information about the island as it is now. Mirror correspondent Chris Blackburn today begins a series examining the impact study — and the impact of the study on the community.

By CHRIS BLACKBURN
Daily Mirror Correspondent

Impact from the Western Gulf oil lease sale could bypass Kodiak Island, or it could bring thousands of people and all the support facilities oil development requires.

The first clue to Kodiak Island's potential involvement with oil will come in November 1977 — if the oil lease sale occurs as scheduled. If the oil industry leases land in the southern half of the lease sale area, the probability of Kodiak Island becoming a desirable service base site is high.

The second clue will come as the exploratory phase progresses and the size and location of the oil fields are delineated. Once again, the closer to Kodiak Island the oil fields lie, the more likely it is that Kodiak Island will become impacted by oil development.

THOUGH ONLY ONE OUT OF every three potential oil fields contain enough oil to warrant development, it is felt the people of Kodiak must plan now as though oil discovery were a certainty or face the prospect of an unmanageable and undirected impact that disastrously alters the quality of life.

The experience of Fairbanks in 1975 — soaring rents, overcrowded facilities and unrealistic property values which is leaving an aftermath of defaults and arson — can be avoided on Kodiak Island.

The Kodiak Island Borough Outer Continental Shelf Impact Study, commissioned by the Kodiak Island Borough, outlines what can be expected and alternative methods of absorbing oil-related impact. The next step is for the people of Kodiak Island to develop a

plan ready for implementation if developments in the oil industry indicate that Kodiak will become part of the saga of oil and Alaska.

AFTER THE NOVEMBER, 1977 oil lease sales, according to the Outer Continental Shelf Impact Study, the oil companies can be expected to begin the exploratory phase of oil development in the Western Gulf during the spring of 1978. In the past the oil industry has taken a "minimum investment during exploration" approach and utilized existing facilities as much as possible. The exploratory phase of development in Cook Inlet during the late 1950's was supplied from Anchorage, Seward, Cordova and Yakutat are believed to be being considered as supply bases for exploration in the Northern Gulf.

The Western Gulf could be supplied either from Kodiak or Seward. Kodiak has neither the land nor the port facilities to act as a supply base without intensive capital investment and development. Seward, however, has land and harbor space available. Exxon already controls 32 acres of land in Seward, including two acres on the waterfront. Shell and Arco depend on Seward for water to support drilling operations on the Northern Gulf.

However, Seward does not have adequate facilities for air support. The runway cannot accommodate the Hercules-type aircraft used by oil companies, nor commercial jets. The Seward airport also lacks an instrument landing system. Kodiak does have an instrument landing system which can handle both helicopters and cargo aircraft. Further, there is no practical weight limit on Kodiak's runways.

THUS IN 1978 KODIAK will probably experience its first taste of oil impact at the airport if its facilities are used to serve the first two exploratory wells. Commercial aircraft will bring some supplies and personnel from Seattle and Anchorage. Helicopters will fly from Kodiak to the exploratory rigs.

According to the Outer Continental Shelf Impact Study, an additional seven acres will have to be developed at the airport for

(Continued on Page 2)

Impact

(Continued from Page 1)

warehouse space, office space, aircraft maintenance facilities and apron area. Some additional personnel will be needed for expediting, aircraft maintenance, loading and unloading.

By late summer, 1978 the first discovery well should be completed and confirmed by a second well. Then the oil companies will begin deciding if the oil fields will be productive and where to locate permanent onshore marine service facilities.

By 1981, 10-12 exploratory wells will have

been drilled and, if the suspected oil reserves are proven, the development phase will begin.

The site for onshore facilities will have been chosen and Kodiak Island will know if it will become an oil-impacted island. Hopefully, by the time the oil development phase begins, Kodiak Island will be prepared to grow rapidly in a graceful manner.

Tomorrow: Oil development and production; the maximum impact Kodiak can expect.

in other Przhnyk announcements, Doug Dawson, a high school teacher who has played a variety of Ram parts since its beginning 11 years ago, received the best supporting actor award for his 1976 portrayal

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DOUG DAWSON WITH SUPPORTING ACTOR AWARD

Kodiak supply system could be challenged

By CHRIS BLACKBURN
Daily Mirror Correspondent
Fourth of a series

Temporary consumer supply shortages resulting in inflated prices were a part of the Trans-Alaska Pipeline impact on the mainland. The supply system was unable to meet the increased demands of a growing population and increased commercial and industrial development as well as the pipeline's supply needs. The Kodiak shelf oil lease sales pose an even greater threat to Kodiak's ability to supply its residents.

The marine cargo system — Kodiak's lifeline — is already operating at maximum capacity, according to the Kodiak Island Borough Outer Continental Shelf Impact Study. In 1976 a total of 205,000 tons of cargo moved over the dock to and from Kodiak — approximately 21 tons for each man, woman and child on the island. The total cargo tonnage can be expected to increase as the population increases, and to have periods of even greater increase as the commercial and industrial segments of the island attempt to expand their facilities in response to the population growth.

Currently the city cargo dock, operated by the city of Kodiak, has 21,600 square feet of warehouse space and two piers over 300 feet in length. Sea-Land, under the provisions of its contract with the City of Kodiak, is allowed 104 berthings a year. Not only do the piers serve the cargo vessels, but they are used by the fishing fleet on a space-available basis. The boat

harbor, also run by the City of Kodiak, is currently overcrowded.

TO MEET THE EXPECTED increased cargo demands the city cargo dock will have to be expanded, according to the impact statement. Were more storage and maneuvering space available, supplies could be delivered on larger vessels and the actual number of berthings would not necessarily have to increase.

Impact

Also, if the recommendation made in the impact study — that the cargo docks not be used for OCS related cargo — is followed, the pressure on the cargo system will be reduced.

The airport services will also come under pressure. The study estimates that an additional eight flights a week will be necessary to accommodate the increased demands for passenger travel, including oil and construction crew shifts. Also two additional cargo flights a week may be necessary.

THERE IS ADEQUATE LAND at the airport for the expected demands. Funds for airport master planning are available through the Federal Aviation Administration. The airport facilities are administered by the State of Alaska. Thus airport expansion will not be a part of the borough's planning efforts.

However, the people of Kodiak will be dependent on their own efforts and the efforts of their legislators to encourage the state government to plan for airport expansion to meet the anticipated demands.

The ferry Tustumena represents the only vehicular link between Kodiak and the mainland. The ferry carries a maximum of 200 people and 45 cars. It can also transport vans up to 40 feet in length.

AS POPULATION PRESSURES increase, the demands on the ferry system should also increase. Eventually year round service may be necessary, as well as more frequent service. Since the ferry system is administered by the State of Alaska Division of Marine Transportation, Kodiak's own planning efforts will not include the ferry system.

However, once again, the people of Kodiak can encourage the state to consider planning for increases in ferry service.

Additional cargo and people moving into Kodiak will mean proportionate increases in vehicular traffic on Kodiak's road system. Though the proportions of the increase and potential areas of congestion depend on the future housing patterns and siting of oil industry facilities.

The city, the borough and the state are all involved in the building and maintenance of different parts of the road system.

THE STUDY QUOTED the State Department of Highways as saying, the bridges along the Chiniak Highway can support large semi-tractor-trailer

trucks. The road would have to be widened an additional 28 feet and straightened in some parts.

The city road system is designed for low-density traffic and may need considerable upgrading to meet anticipated demands. The impact study recommends that road standards be adopted; methods of separating commercial, industrial and normal traffic be examined; and a trail system for pedestrian traffic be considered.

Anchorage has had success with its bicycle trails program which has received ready bonding support. The bicycle trails are usually built in conjunction with new roads or the upgrading of existing roads.

MEETING THE TRANSPORTATION needs anticipated for the future involves the city and the borough and diverse state agencies. To consolidate planning efforts and utilize funding sources, the impact study recommends the borough and city create a transportation authority with its own charter.

"The authority should be comprehensive, with powers over the port, airports, the OCS transportation facilities, and should operate in close coordination with the Public Works Department of the City of Kodiak."

Whatever method is used to meet the anticipated demands on Kodiak's transportation system, close cooperation between the borough, the city and the state will be essential.

Tomorrow: Social strains.

Anchorage Times
May 12, 1976

Young Raps Impact Aid

By BETTY MILLS

Times Washington Bureau

WASHINGTON — A bill to compensate coastal states for the adverse impact of offshore oil drilling would not provide adequate funds, Rep. Don Young, R-Alaska, says.

The House will consider legislation Friday which would provide \$50 million in automatic state grants to meet the onshore impact of development on the outer continental shelf in the next two fiscal years. It also would authorize \$125 million in discretionary funds administered by the secretary of commerce in the next five years.

In minority views submitted with the report on the bill, Young said the funding "is not sufficient to cover the costs that the local and state government will have to bear as a result of the federal development.

"This will leave the states in serious economic straits, especially in the more heavily impacted areas, from overcrowded schools and services, insufficient sewage systems, poor roads and higher state and local taxes," the congressman said.

Young said the per capita cost of offshore development from increased population, based on growth figures from the Alaska pipeline, would be \$1,630 to the state government and \$351 to the local government. The projected population growth directly attributable to oil development is 94,000 by 1985, according to estimates of the Office of Management and Budget. The total cost to state and local governments from offshore oil development would be \$186,214,000 per year, Young said.

"While the revenue received from the Alaska pipeline was sufficient to meet much of the cost of impact funding, this is presently impossible to meet since no revenue is coming into the state as a result of OCS development," Young said.

The congressman said the authorization to coastal states must be increased.

"The state deserves the money for investment for other worthy projects, instead of underwriting the cost of a federal project," Young said. "The OCS is a federal project and should be a federal responsibility."

N-M Dec 13, 76

Kenai mayor testifies on Coastal Act

ANCHORAGE (AP)—The mayor of the Kenai Peninsula Borough has testified in Washington before a U.S. House subcommittee looking into regulations proposed for implementation of 1976 amendments to the Coastal Zone Management Act.

The Anchorage Times Washington Bureau reports Mayor Don Gilman told the House oceanography subcommittee Friday that Alaska needs money immediately to plan for offshore oil exploration and development.

Grants are available for such planning under the amendments passed by Congress this year. The office of coastal-zone management of the U.S. Department of Commerce has prepared draft regulations for implementation.

Gilman told the subcommittee the Borough is a microcosm of the issues and problems the nation faces in preparing for impact of drilling on the outer continental shelf (OCS).

He said the borough's population is expected to increase 50 per cent in the next seven years during preparation for lease sales in the northern Gulf of Alaska, lower Cook Inlet and the western gulf.

Gilman told the subcommittee, "Our present community facilities and services are either at or beyond their planned capacity."

He said increased population, whether temporary or permanent, cannot occur without severe impact unless funds are accessible for planning and providing needed services.

Some subcommittee members were critical of the draft regulations. Rep. Pierre Dupont, R-Del., told assistant administrator for coastal zone management Robert Knecht he had "misconstrued the intent of Congress."

"I don't know how you think you have the authority to add things in your regulations that Congress did not provide," said Dupont, who will leave the House next month to become governor of Delaware. "Congress has once again been frustrated by the fourth branch of government—the bureaucracy."

NOME (AP)—The president of the Northwest Alaska Chamber of Commerce says it is time this Bering Sea community began preparing for upcoming oil and gas lease sales on the outer continental shelf.

Jack Carpenter announced formation of the chamber's OCS Planning Committee at a chamber meeting in Nome Friday.

He said OCS leasing will begin in the Nome area in about two years and its impact "should be dynamic."

Carpenter told the chamber that he spoke in Kotzebue last week with Patrick Doherty, manager of Alaska's Petroleum Department and head of the state's OCS leasing program.

He said Doherty quoted him some figures which indicate how significant that impact will be. For example, he said, "a dredge out there will cost \$1,000

a minute, and they will have five such dredges going."

Carpenter said there is a possibility local businesses will be bought out by persons involved in oil exploration and development.

"These are the kinds of things we have to start looking at—the impact of these funds being spent in Nome," he said, adding he believes Nome can learn from the experiences of other communities.

Guest speaker at the meeting was Frank Murkowski, state chamber president and president of Alaska

National Bank, who said the impact of the Alaska Native Claims Settlement Act on the state's business community has been significant. He noted most Alaska Natives are staying here and using the settlement funds to develop the state.

And he said while some Natives have made mistakes in their dealings with the business community, "by the same token, they are developing, and every time you make a mistake you learn at your own life and you learn by it. And how many opportunities are you afforded because of that knowledge?"

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Nome should prepare for sales

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this company expects added industry spending of \$25-30 million for detail work.

The company says the most heavily mapped regions for reconnaissance are the mid-Atlantic, North Atlantic, off southern California, and in the eastern Gulf of Alaska and Lower Cook Inlet. More reconnaissance remains to be done in the South Atlantic, off northern California, in the Western Gulf of Alaska, Bering Sea, and Beaufort Sea.

Another company says the industry's spending to date for geophysical work amounts to about \$35 million along the East Coast and \$45 million off Alaska, with more multimillion-dollar programs required.

The company estimates about 70,000 line-miles of seismic data costing \$25 million has been gathered off the East Coast since 1968 in programs involving group shoots and nonexclusive work by several contractors. This doesn't include spending by individual companies. Gravity, magnetic, and refraction-type surveys to date could add another \$10 million to the total geophysical costs.

And future investments in frontier geophysical operations could pile still another \$15-20 million on total costs, the company says.

It places industry's total outlay at \$45 million for 150,000 miles of marine seismic off Alaska, with another 100,000 miles required at a cost of \$50 million.

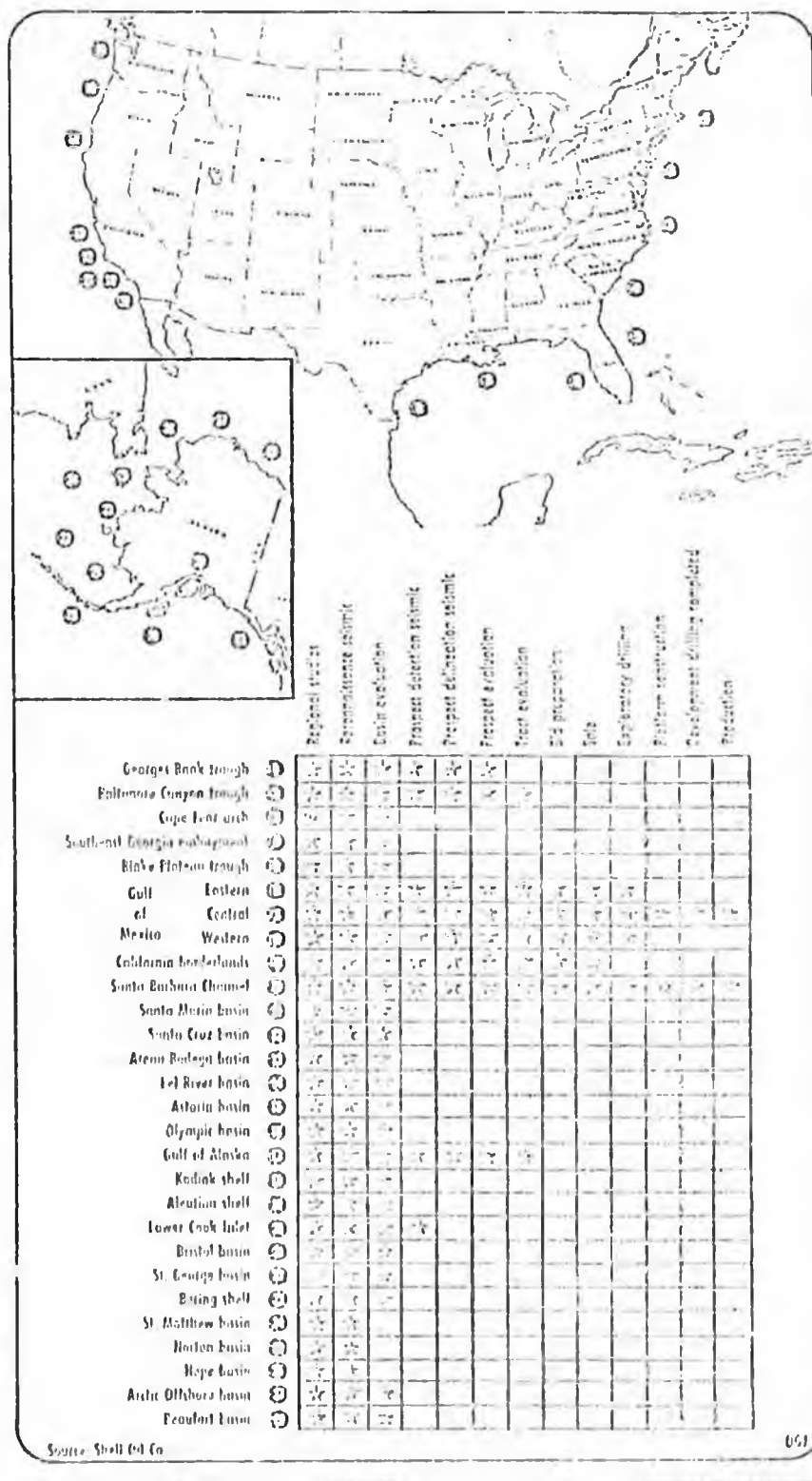
Several operators report difficulty in shooting off Alaska, particularly in the Gulf of Alaska and the Beaufort Sea.

Seismic-acquisition programs in the stormy gulf are subject to frequent and lengthy interruptions due to heavy seas and high winds. What's more, seismic data generally isn't of highest quality, because a thick layer of glacial till and large boulders obscures the Tertiary and Cretaceous objectives.

In the Beaufort Sea, shooting depends on pack ice moving out in the summer. And the ice hasn't cleared enough to permit seismic acquisition for a number of years. As a result, the federal portion of the Beaufort Sea shelf isn't well covered by seismic lines.

A major company says its offshore-frontier program has run into "no unusual shooting problems" except those related to Arctic ice, permit restrictions, currents which make it

What's happening in Offshore U.S. basins



hard to keep cables aligned, and logistical problems in certain areas.

Action by areas. Structures involved in the first proposed sale of Gulf of Alaska tracts and in the Baltimore Canyon off the East Coast have been well delineated by numerous seismic surveys in the past several years, says Exxon's Jones. In fact,

Jones says, these proposed-sale tracts are well explored up to the point of drilling.

He sees little if any additional seismic work being done in the Gulf of Alaska sale area and the Baltimore Canyon prior to sales. However, additional acquisition of in-fill data is likely after sales.



MICHAEL MONCHINO
New Kodiak manager

capacity of the hotel, located on South Benson. It will reportedly be a split-level, three story structure, and may include banquet facilities. Tentative plans call for construction to begin this spring.

Monchino, 25, has served as manager of the Sheffield Top of the World Hotel in Barrow. He

Kodiak Sen. Kay Poland has announced that the contract for a 1.9-mile Mill Bay Road extension has been signed with an Anchorage contractor.

Stephan and Sons, Inc.-Mat-Su, Inc., a joint venture, was awarded the contract at their bid of \$1,662,115.95. The engineer's estimate

for the project, which extends from the intersection of Rezanof and later connects with Mill Bay, was more than \$300,000 under the contract figure.

Work is expected to be completed on the project, which does not include paving, by the end of the year.

Impact:

Problem of becoming a center of development while maintaining traditional lifestyles . . .

By CHRIS BLACKBURN
Daily Mirror Correspondent
Second of a Series

If the exploratory wells drilled in 1978 confirm there are indeed extensive deposits of oil on the Kodiak shelf, the oil industry will begin plans for oil development and production.

Unless the oil fields lie in the extreme northern end of the lease sale area Kodiak Island can expect to become a center of oil development activity. Construction workers, production personnel, planes and tankers and materials for support facilities will float in, ferry in and fly onto the island.

If the people of Kodiak Island have discussed and accepted a new comprehensive plan and supporting zoning ordinances, the oil support facilities will be constructed in the areas the citizens of Kodiak have predetermined to be most desirable — or least undesirable.

If the groundwork is not completed by 1979, the oil facilities will be constructed wherever the oil industry can build most efficiently and with least expense.

THE KODIAK ISLAND OUTER CONTINENTAL SHELF Impact Study recommends that "To the extent possible, the Kodiak Island Borough should discourage the location of OCS related industrial facilities within the Kodiak metropolitan area or in any of the other villages on Kodiak Island. The location of such facilities within these areas would be extremely

disruptive to the traditional lifestyles, community structures, and social and economic characteristics.... The Borough should insist that the oil industry be self-sufficient and willing to pay its own way in terms of the impacts resulting from the facilities directly related to OCS development..."

The Kodiak Island Outer Continental Shelf Impact Study estimates that the Western Gulf oil lease sale lands could produce as much as 164 million barrels of oil a year. All estimates of oil facilities and personnel requirements are based on this figure.

In 1979, as the first exploratory wells show evidence of productive oil fields, the oil industry will begin looking for a site for permanent onshore facilities. By 1984, at the projected peak of the development phase, a maximum of ten berths for oil company vessels may be needed — plus land for silos, tank storage and warehousing, open storage and office facilities. In all, about 80 acres of land will be needed in conjunction with harbor facilities.

THE OIL INDUSTRY will probably prefer a site on or near the existing road system. Chiniak may best suit the needs of the oil industry, provided the people of Kodiak have decided to prohibit industrial facilities within or near the metropolitan areas. The north side of Ugak Bay would also be suitable. Possible, but less likely, sites are Kalsin Bay and Middle Bay.

Karl Armstrong, executive vice president of the Kodiak Regional

Native Corporation, which holds title to the former Chiniak tracking station, said that the oil companies have shown interest in using Chiniak as the site of onshore facilities, but that discussions ceased when the Kodiak lease sale was postponed.

Armstrong a former fisherman, also mentioned that harbor facilities at Chiniak would offer sanctuary to fishing vessels encountering rough seas near Cape Chiniak, an area notoriously hazardous for fishing vessels.

ARMSTRONG SAID that while Kodiak is not averse to discussing the prospect of onshore oil facilities at Chiniak, only further study will tell which site would be most desirable.

Whichever site is selected, harbor development must be preceded by public hearings. The State of Alaska owns all coastal waters from the shoreline to three miles from shore and would have to grant a permit for development. Before any permits could be granted public hearings would have to be held.

Likewise, any attempt to locate onshore support facilities on federal lands would require public hearings.

PUBLIC HEARINGS can be used by the people of Kodiak, to direct the eventual siting of oil facilities. A strong and unified show of support, or opposition, to a particular location usually has a decided effect on final decisions.

Armstrong also pointed out the desirability of the people of Kodiak insisting — with the help of the Borough government, state legislators

and other groups — that all public hearings related to development on Kodiak Island be held in Kodiak rather than Anchorage or Juneau.

As the development phase progresses more airport land will be needed — for helicopters, for increased commercial and cargo flights and for warehouses, and maintenance and service areas: approximately 40 additional acres.

DURING THE DEVELOPMENT phase over 1,000 people would be employed in development and construction. The year 1985 is predicted to be a peak employment year with 1,565 people involved in oil-related activities.

By 1987 the oil industry could be entering the production phase on the Kodiak lease lands. As early as 1979 the oil industry will begin selecting the site of a crude oil storage area and marine terminal. These facilities would require about 150 acres of flat, stable land — more if the land is hilly or unstable. The size of the crude oil storage facilities will determine the number of tanker trips required each year to keep the production operations underway. As few as eight tanker trips could be needed, or as many as 26.

By 1987 the oil related population should begin to stabilize. The impact study estimates that about 2,651 people will be employed in oil-related occupations and Kodiak Island will have a total population of 14,252 people.

Tomorrow: Housing — how can Kodiak meet the demands?

Kodiak housing need could hit peak in year 1984

By CHRIS BLACKBURN
Daily Mirror Correspondent
Third of a Series

Assuming that large oil reserves will be proven on the Kodiak lease sale lands, the island's population could grow by 8,000 people in the next 10 years, according to the Kodiak Island Borough Outer Continental Shelf Impact Study. Those 8,000 people would need nearly 3,000 new homes.

The growth and resultant need for dwellings is expected to vary each year. The Impact Study projects that in 1979 the island's population would increase by 500, requiring 170 new homes. But during 1984, the peak of oil development activity, the population increase is projected to be 1,300 people needing 440 additional homes.

As evidenced by Kodiak's continuing critical housing shortage, construction has not been able to keep pace with the comparatively modest demands of the last decade. During 1974 only 26 new single-family homes were built. In 1975 another 26 single-family homes were built, but 107 additional dwelling units were built in multi-family dwellings.

IF KODIAK ISLAND does not find a way to cope with the projected future housing needs, the island could conceivably become the site of the same headline-making conditions that occurred on the mainland during the peak of the trans-Alaska pipeline construction — families squatting in campers in parks and along the backroads, several families crowded together in one dwelling and long-term residents forced out by soaring rents.

Failing to provide for growth did not

stop population increases.

Fairbanks is often cited as a community that was caught totally unprepared for rapid growth. Reacting to the population pressures and ended up overbuilding.

Kodiak has a chance to plan and consider both the kinds of dwelling units that would most likely meet the future needs, and the methods the people feel will best stimulate construction without overbuilding.

Impact

The new comprehensive plan should clearly reflect the feelings of the people of Kodiak. Supporting zoning ordinances should insure that growth takes place as was planned.

TRADITIONALLY KODIAK has been a city of single-family residences. Under current zoning and subdivision ordinances a single family home requires 7,200 square feet of land, provided the lot is served by sewer and water facilities. Otherwise each single family home requires 25,000 to 40,000 square feet of land.

Thus, if current patterns continue and there were sufficient buildable land, between 635.7 acres and 3,500 acres would be taken by the needed 3,000 units — depending on the availability of water and sewer.

Conversely, were Kodiak to completely reverse current trends and house the growing population in apartments, townhouses and condominiums — high density housing using only 2,774.5 square feet per dwelling — only 175.8 acres of land

would be needed for 3,000 additional units.

ACCORDING TO the impact study

"It is impossible to determine at this time how much land along the existing roads and sewer and water lines are available for development...It can be assumed, however, that as development activity increases, the majority of new structures would be placed on existing utilities and roads. Therefore, within a few short years after the initial impacts of OCS development...the existing road and utility system will be completely utilized..."

According to Stuart Denslow, Kodiak Island Borough manager, extension of public utilities requires a capital improvements program, which Kodiak does not currently have. The Impact Study recommends, "In the capital improvements program and the comprehensive plan, the community should indicate exact areas where public utilities and facilities are to be extended. They should also specify the timing of the provision of those services...(This) will reduce escalation in land costs and result in improved physical planning."

WITHOUT PUBLIC UTILITIES, high-density housing is not usually feasible. All of Kodiak's current multi-unit dwellings are within the municipal service area, and the townhouse developments planned for Russell Estates' Divisions 2 and 3 will be on municipal utility lines.

Extension of public utilities tends to stimulate new construction. According to Denslow, two years are required to plan and obtain the state matching funds to build a sewer line. Thus the ability of Kodiak to meet the

housing needs of 1990 depends partly on decisions made — or not made — in 1977.

The density of housing will determine the amount of new sewer and water lines that will be needed and the rate at which new units can be built. The impact study estimates that for the projected 2,761 new units needed by 1988, 24.7 miles of sewer lines would be required if the current low-density trend continues. However, the same 2,761 units could require only 6.7 miles of sewer and water lines if built in high-density configurations.

THE IMPACT STUDY also suggests that Kodiak develop a mobile home park ordinance and plan to use trailer court areas to absorb some of the population impact. Housing for employees of the onshore facilities could be developed near those facilities rather than in the Kodiak Metropolitan area. Additionally, the borough could consider developing some of its land, which lies north of the City of Kodiak. The study suggests a joint venture agreement with the oil industry.

Alternative methods of meeting Kodiak's housing needs can be discussed at the Borough's planning and zoning commission meetings every third Wednesday of the month. Further citizen input will come from a planned borough housing questionnaire, and public hearings preceding adoption of the new comprehensive plan.

The plan should outline which alternatives and which compromises will best provide housing for Kodiak's growing population.

Monday: Transportation — Roads, planes, ferries and barges.

community to look like in the Alaska oil lease sales, Denslow
future. The effort will be in- said.

Report reasons problems are not insoluble

By CHRIS BLACKBURN
Daily Mirror Correspondent

The Kodiak Island Borough Outer Continental Shelf Impact Study — the result of a half-year's research by an Anchorage consulting firm — concludes that "the assets of the Kodiak Island Borough and the communities are uniquely valuable and should be protected and enhanced. The problems faced by the communities are not insoluble...They are the type that can be dealt with through community awareness, local action and proper planning and implementation.

"...The result of the OCS impact will depend upon the level of oil industry activity which will occur in Kodiak and the methods that are used in planning for and coping with the impact."

According to the impact study, which was just completed, Kodiak Island Borough's population will continue to grow. If current trends continue, the population will double in 20 years without OCS activity. OCS activity could double the population in 10 years.

As the population increases the existing problems of crime, housing, land availability, social services and recreational facilities will become more acute.

How acute depends on the decisions made during 1977 and on the exact location of oil reserves. The impact statement predicts that the initial oil exploratory phase will probably use facilities in Seward, giving Kodiak precious time to plan.

If oil reserves are developed near Kodiak Island, onshore oil facilities will require 300 acres of land somewhere in the Kodiak Island Borough. The OCS-related Kodiak Island population increase could total 8,000 people by 1988.

According to the impact study, the additional 8,000 people would require 2,700 more housing units. If Kodiak continues

(Continued on Page 2)

Report

(Continued from Page 1)

its current low-density development pattern — with an estimated 4.35 housing units per acre — an additional 635.7 acres of residential land, 24.7 miles of road and water and sewer lines will be needed.

Were "high-density development" — with an estimated 15.7 units per acre — considered, only 175.8 additional acres of residential land would be required and only 6.7 more miles of road, sewer and water lines.

There will be corresponding increases in services, government and costs. However, the impact study lists many federal and state funding sources which could be used.

The future of Kodiak depends on where the oil reserves are and how thoroughly the community prepares.

A copy of the Kodiak Island Borough Outer Continental Shelf Impact Study has been placed in the A. Holmes Johnson Memorial Library. Additional copies will be available in about six weeks.

A time to prepare

Editor's Note — Kodiak recently received the first copies of the finished Kodiak Island Borough Outer Continental Shelf Impact Study, which not only qualified much of what may be expected if oil actually is discovered off of Kodiak, but also quantifies some interesting information about the island as it is now. Mirror correspondent Chris Blackburn today begins a series examining the impact study — and the impact of the study on the community.

By CHRIS BLACKBURN
Daily Mirror Correspondent

Impact from the Western Gulf oil lease sale could bypass Kodiak Island, or it could bring thousands of people and all the support facilities oil development requires.

The first clue to Kodiak Island's potential involvement with oil will come in November 1977 — if the oil lease sale occurs as scheduled. If the oil industry leases land in the southern half of the lease sale area, the probability of Kodiak Island becoming a desirable service base site is high.

The second clue will come as the exploratory phase progresses and the size and location of the oil fields are delineated. Once again, the closer to Kodiak Island the oil fields lie, the more likely it is that Kodiak Island will become impacted by oil development.

THOUGH ONLY ONE OUT OF every three potential oil fields contain enough oil to warrant development, it is felt the people of Kodiak must plan now as though oil discovery were a certainty or face the prospect of an unmanageable and undirected impact that disastrously alters the quality of life.

The experience of Fairbanks in 1975 — soaring rents, overcrowded facilities and unrealistic property values which is leaving an aftermath of defaults and arson — can be avoided on Kodiak Island.

The Kodiak Island Borough Outer Continental Shelf Impact Study, commissioned by the Kodiak Island Borough, outlines what can be expected and alternative methods of absorbing oil-related impact. The next step is for the people of Kodiak Island to develop a

plan ready for implementation if developments in the oil industry indicate that Kodiak will become part of the saga of oil and Alaska.

AFTER THE NOVEMBER, 1977 oil lease sales, according to the Outer Continental Shelf Impact Study, the oil companies can be expected to begin the exploratory phase of oil development in the Western Gulf during the spring of 1978. In the past the oil industry has taken a "minimum investment during exploration" approach and utilized existing facilities as much as possible. The exploratory phase of development in Cook Inlet during the late 1950's was supplied from Anchorage. Seward, Cordova and Yakutat are believed to be being considered as supply bases for exploration in the Northern Gulf.

The Western Gulf could be supplied either from Kodiak or Seward. Kodiak has neither the land nor the port facilities to act as a supply base without intensive capital investment and development. Seward, however, has land and harbor space available. Exxon already controls 32 acres of land in Seward, including two acres on the waterfront. Shell and Arco depend on Seward for water to support drilling operations on the Northern Gulf.

However, Seward does not have adequate facilities for air support. The runway cannot accommodate the Hercules-type aircraft used by oil companies, nor commercial jets. The Seward airport also lacks an instrument landing system. Kodiak does have an instrument landing system which can handle both helicopters and cargo aircraft. Further, there is no practical weight limit on Kodiak's runways.

THUS IN 1978 KODIAK will probably experience its first taste of oil impact at the airport if its facilities are used to serve the first two exploratory wells. Commercial aircraft will bring some supplies and personnel from Seattle and Anchorage. Helicopters will fly from Kodiak to the exploratory rigs.

According to the Outer Continental Shelf Impact Study, an additional seven acres will have to be developed at the airport for

(Continued on Page 2)

Impact

(Continued from Page 1)

warehouse space, office space, aircraft maintenance facilities and apron area. Some additional personnel will be needed for expediting, aircraft maintenance, loading and unloading.

By late summer, 1978 the first discovery well should be completed and confirmed by a second well. Then the oil companies will begin deciding if the oil fields will be productive and where to locate permanent onshore marine service facilities.

By 1981, 10-12 exploratory wells will have

been drilled and, if the suspected oil reserves are proven, the development phase will begin.

The site for onshore facilities will have been chosen and Kodiak Island will know if it will become an oil-impacted island. Hopefully, by the time the oil development phase begins, Kodiak Island will be prepared to grow rapidly in a graceful manner.

Tomorrow: Oil development and production; the maximum impact Kodiak can expect.

...and... announcements, Doug Dawson, a high school teacher who has played a variety of Ram parts since its beginning 11 years ago, received the best supporting actor award for his 1976 portrayal

Sports	4
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DOUG DAWSON WITH SUPPORTING ACTOR AWARD

Kodiak supply system could be challenged

By CHRIS BLACKBURN
Daily Mirror Correspondent
Fourth of a series

Temporary consumer supply shortages resulting in inflated prices were a part of the Trans-Alaska Pipeline impact on the mainland. The supply system was unable to meet the increased demands of a growing population and increased commercial and industrial development as well as the pipeline's supply needs. The Kodiak shelf oil lease sales pose an even greater threat to Kodiak's ability to supply its residents.

The marine cargo system — Kodiak's lifeline — is already operating at maximum capacity, according to the Kodiak Island Borough Outer Continental Shelf Impact Study. In 1976 a total of 205,000 tons of cargo moved over the dock to and from Kodiak — approximately 21 tons for each man, woman and child on the island. The total cargo tonnage can be expected to increase as the population increases, and to have periods of even greater increase as the commercial and industrial segments of the island attempt to expand their facilities in response to the population growth.

Currently the city cargo dock, operated by the city of Kodiak, has 21,600 square feet of warehouse space and two piers over 300 feet in length. Sea-Land, under the provisions of its contract with the City of Kodiak, is allowed 104 berthings a year. Not only do the piers serve the cargo vessels, but they are used by the fishing fleet on a space-available basis. The boat

harbor, also run by the City of Kodiak, is currently overcrowded.

TO MEET THE EXPECTED increased cargo demands the city cargo dock will have to be expanded, according to the impact statement. Were more storage and maneuvering space available, supplies could be delivered on larger vessels and the actual number of berthings would not necessarily have to increase.

Impact

Also, if the recommendation made in the impact study — that the cargo docks not be used for OCS related cargo — is followed, the pressure on the cargo system will be reduced.

The airport services will also come under pressure. The study estimates that an additional eight flights a week will be necessary to accommodate the increased demands for passenger travel, including oil and construction crew shifts. Also two additional cargo flights a week may be necessary.

THERE IS ADEQUATE LAND at the airport for the expected demands. Funds for airport master planning are available through the Federal Aviation Administration. The airport facilities are administered by the State of Alaska. Thus airport expansion will not be a part of the borough's planning efforts.

However, the people of Kodiak will be dependent on their own efforts and the efforts of their legislators to encourage the state government to plan for airport expansion to meet the anticipated demands.

The ferry Tustumena represents the only vehicular link between Kodiak and the mainland. The ferry carries a maximum of 200 people and 45 cars. It can also transport vans up to 40 feet in length.

AS POPULATION PRESSURES increase, the demands on the ferry system should also increase. Eventually year round service may be necessary, as well as more frequent service. Since the ferry system is administered by the State of Alaska Division of Marine Transportation, Kodiak's own planning efforts will not include the ferry system.

However, once again, the people of Kodiak can encourage the state to consider planning for increases in ferry service.

Additional cargo and people moving into Kodiak will mean proportionate increases in vehicular traffic on Kodiak's road system. Though the proportions of the increase and potential areas of congestion depend on the future housing patterns and siting of oil industry facilities.

The city, the borough and the state are all involved in the building and maintenance of different parts of the road system.

THE STUDY QUOTED the State Department of Highways as saying, the bridge along the Chiniak Highway can support large semi-trailer-trailer

trucks. The road would have to be widened an additional 28 feet and

straightened in some parts.

The city road system is designed for low-density traffic and may need considerable upgrading to meet anticipated demands. The impact study recommends that road standards by adopted; methods of separating commercial, industrial and normal traffic be examined; and a trail system for pedestrian traffic be considered.

Anchorage has had success with its bicycle trails program which has received ready bonding support. The bicycle trails are usually built in conjunction with new roads or the upgrading of existing roads.

MEETING THE TRANSPORTATION needs anticipated for the future involves the city and the borough and diverse state agencies. To consolidate planning efforts and utilize funding sources, the impact study recommends the borough and city create a transportation authority with its own charter.

"The authority should be comprehensive, with powers over the port, airports, the OCS transportation facilities, and should operate in close coordination with the Public Works Department of the City of Kodiak."

Whatever method is used to meet the anticipated demands on Kodiak's transportation system, close cooperation between the borough, the city and the state will be essential.

Tomorrow: Social strains.

Anchorage Times
May 12, 1976

Young Raps Impact Aid

By BETTY MILLS

Times Washington Bureau

WASHINGTON — A bill to compensate coastal states for the adverse impact of offshore oil drilling would not provide adequate funds, Rep. Don Young, R-Alaska, says.

The House will consider legislation Friday which would provide \$50 million in automatic state grants to meet the onshore impact of development on the outer continental shelf in the next two fiscal years. It also would authorize \$125 million in discretionary funds administered by the secretary of commerce in the next five years.

In minority views submitted with the report on the bill, Young said the funding "is not sufficient to cover the costs that the local and state government will have to bear as a result of the federal development.

"This will leave the states in serious economic straits, especially in the more heavily impacted areas, from overcrowded schools and services, insufficient sewage systems, poor roads and higher state and local taxes," the congressman said.

Young said the per capita cost of offshore development from increased population, based on growth figures from the Alaska pipeline, would be \$1,630 to the state government and \$351 to the local government. The projected population growth directly attributable to oil development is 94,000 by 1985, according to estimates of the Office of Management and Budget. The total cost to state and local governments from offshore oil development would be \$183,214,000 per year, Young said.

"While the revenue received from the Alaska pipeline was sufficient to meet much of the cost of impact funding, this is presently impossible to meet since no revenue is coming into the state as a result of OCS development," Young said.

The congressman said the authorization to coastal states must be increased.

"The state deserves the money for investment for other worthy projects, instead of underwriting the cost of a federal project," Young said. "The OCS is a federal project and should be a federal responsibility."

Next Three Years Hold Plans For Other Areas

Today's lease sale of tracts in the northeastern Gulf of Alaska is the first of nine federal outer continental shelf oil and gas lease sales planned off Alaska's shores during the next three years.

The accelerated leasing program is aimed at making the United States more energy self-sufficient, says Edward Hoffman, manager of the

Alaska Outer Continental Shelf Office.

The tentative schedule calls for two more sales this year. Tracts in Lower Cook Inlet are to be leased this fall, possibly by October, and tracts in the western Gulf of Alaska, in the Kodiak area, are scheduled to be leased in December.

Other sale areas on the federal schedule include

Bering Sea (St. George area), March 1977; Beauford Sea, October 1977; Outer Bristol Basin, December 1977; Bering Sea (Norton Basin), August 1978; Gulf of Alaska, Aleutian Shelf October 1978, and Chukchi Sea (Hope Basin), December 1978.

Offshore Alaska has an estimated petroleum potential of 60 billion barrels of oil and 340 trillion cubic feet of gas, according to the Alaska Outer Continental Shelf Office.

An estimated 40 per cent of the nation's "frontier areas" which are untouched by the drill lie off Alaska's shores. Another 40 per cent lie onshore, said Dr. V. E. McKelvey, director of the U.S. Geological Survey. But both are subject "to some of the worst operating conditions known on our planet," he said.

Offshore, drifting sea ice, 50- to 75-knot winds, 75-foot waves, protracted periods of darkness and occasional major earthquakes all present potential hazards, McKelvey pointed out in a Dallas speech in September.

"Onshore, temperatures reach well below zero and logistic problems are staggering. In addition, the entire area is 1,000 to 2,000 miles away from a major energy market. One does not have to look far to understand why this area has been left alone until now."

13, 1976

Arch Times Apr 13, 76

OIL & GAS JOURNAL JAN 1976

Jones believes companies will wait until they obtain leases before investing in more data. The first wells in each area, he predicts, will have considerable impact on subsequent seismic activity.

Esso Seismic Inc.'s Kirsten Bravo shot about 1,000 miles of seismic line last September in the Baltimore Canyon and Georges Bank for Exxon.

The Georges Bank area isn't far behind the Baltimore Canyon in the amount of seismic data available to companies, Jones tells the Journal. There may be a last-minute flurry of proprietary shooting in Georges Bank in the coming months if it appears the sale will come off in August as proposed.

Jones predicts considerable seismic activity in the South Atlantic next spring and summer. Not much seismic data have been gathered on the Southeast Georgia Embayment or the broad, deepwater Blake Plateau.

Jones expects a rapid buildup of group, speculative, and proprietary shooting within 600 ft of water on the Southeast Georgia Embayment. A gradual increase is predicted for the Blake Plateau, which isn't scheduled for a sale until mid-1978.

Because basins off northern California, Washington, and Oregon are believed by industry to be very poor petroleum prospects, Jones doubts there will be any rush to acquire new data there.

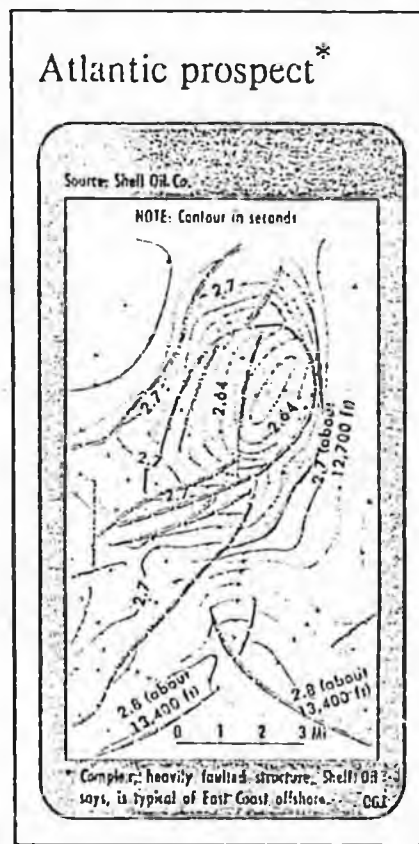
Very little seismic data are available in Offshore Alaska basins, other than in the Gulf of Alaska.

Industry is in the midst of an active exploratory effort in the Lower Cook Inlet, although acquisition programs there currently are shut down for the winter. Jones expects a spurt of shooting and possibly core or deep-stratigraphic drilling this summer.

The Kodiak shelf also should be an active area in the coming months, if it appears the proposed December sale will materialize. A very coarse grid of seismic data is available on Kodiak.

Although exploration on this shelf is still in an early stage, Jones believes industry can generate and interpret enough data in the coming months to be fully prepared for a December sale.

Seismic data in the Bering Sea consist of a very coarse grid over only a portion of the area, in the Bristol basin. Most of the current data was acquired beginning in the summer of 1973. Activity speeded up in the sum-



mer of 1974, and Jones predicts considerable shooting and possibly core drilling will take place in the next few summers.

USGS reconnaissance surveys indicate six or seven distinct basins in the Bering Sea, Jones reports.

The Exxon explorationist also foresees increased seismic activity in the unexplored Aleutian shelf, Norton basin, and Hope basin. The latter, he says, has been the scene of proprietary shooting by one or two companies.

Stratigraphic tests. The Sedco J semisubmersible is drilling the first of two Offshore East Coast stratigraphic tests (see cover photo) for a 31-company group led by Ocean Production Co. And more tests are planned in other regions as part of industry's program to collect the first subsurface information in offshore frontiers.

Spudded last Dec. 14, the initial East Coast test is projected to 16,000 ft. Site for the B-2 test is 73.6 miles off the New Jersey coast in the Baltimore Canyon (see map, OGJ, Oct. 20, 1975, p. 39).

The Ocean Production group also will use Sedco J to drill its second 16,000-ft test, designated G-1, more than 100 miles off the Massachusetts coast in the Georges Bank area.

Combined cost of the two operations is a little less than \$18 million to determine porosity and permeability

in Jurassic and younger sediments.

Among future work, Exploration Services Co. Inc., Ventura, Calif., proposes to drill a 12,000-ft stratigraphic test in Lower Cook Inlet beginning in March. Estimated cost is \$5.5 million at a site in 19-14s-22w.

Exploration Services also is trying to generate 3,000-5,000-ft tests on the Kodiak shelf, Exxon's Jones reports.

West Coast sources say a second attempt may be made this summer to drill a stratigraphic test in the Gulf of Alaska, where mechanical problems halted a similar test last October. Last year's hole reached the 5,100-ft level — far short of its 16,500-ft goal — at a reported cost of \$12 million.

Earlier deep stratigraphic drilling included two holes on the Outer Continental Shelf off South Texas. Drilled by two 32-company groups, the tests revealed poor characteristics in potential reservoirs. This poor showing was reflected in low bonuses offered in Feb. 4 and May 28, 1975, sales of federal leases.

Discouraging results from another stratigraphic test, this one drilled off southern California, drew part of the blame for the generally low level of bonuses offered at last December's federal lease sale off California (OGJ, Dec. 22, 1975, p. 15).

On-structure drilling has yet to take place in the frontiers. And only this can determine if known structures hold oil and gas.

Gulf's Carter believes results of on-structure drilling in the Gulf of Alaska will have a strong influence on pre-drilling evaluation of the Kodiak shelf, Bristol basin, and Bering shelf. Likewise, Baltimore Canyon drilling will determine to a great degree how much leasing and exploration Georges Bank, Southeast Georgia Embayment, and Blake Plateau will attract.

Drilling problems. Several companies surveyed by the Journal declare the Gulf of Alaska presents some of the frontier regions' thorniest problems in exploration, drilling, and production. Lesser problems are foreseen in most other areas of the offshore frontier.

"To be economic, a structure in the Gulf of Alaska will have to contain several hundred million barrels of reserves." Gulf's Carter says. He doesn't see gas as a viable exploration target because of enormous development costs.

Severe storms, strong currents, and

though its presence is widely known to the industry because of seismic work in the area.

It resembles a huge oval about 25 miles long and 10 miles wide, starting near the 3-mile line offshore and extending southwest into the center of the Icy Bay sale area.

"There is room here for another Prudhoe Bay field," says one company geologist. "But no one suggests that it will turn out to be another Prudhoe Bay. It's extremely rare to find a big structure filled with oil. What I am saying is that there is room here for another Prudhoe Bay. We just hope that it contains several billion barrels of oil.

"But if it's going to have anything big, it must have pay sections which are tremendously thick, and it certainly must have better porosity than the same formations onshore.

"Just because it is offshore, or downdip, doesn't mean it would have more porosity. That would not be a

valid geological supposition. But we can reasonably expect some porosity. If we have that, we must also have the source beds to contribute the oil. Everything has to come together just right."

Operating costs. Companies preparing to bid on Gulf of Alaska leases have tempered their enthusiasm for the area in the past 2 years because of the great surge in offshore drilling and production costs.

The semisubmersible rigs which will be used for most of the drilling, plus other supporting services, will cost an estimated \$100,000/day. This would mean that a well which took 100 days to drill would cost \$10 million.

A shallow test may cost only \$7 million, but if there is any trouble with the hole, the price tag of an exploratory well could rise to \$15 million.

And finding oil is just the first step. Constructing platforms which meet the weather, ocean-bottom, and earth-

quake specifications will start at \$100 million. Laying pipelines to a shore base, or constructing an offshore loading terminal, will add to the mounting costs.

Because of such prospective costs, companies are counting on reasonable crude prices to recoup their investments and make a profit.

"We couldn't go into the Gulf of Alaska for oil priced at \$3 to \$4/bbl," says one oil-company executive. "If we found a 5-billion-bbl field, we could make it on \$5 to \$6 oil. But if it's just a 1-billion-bbl field, we would need \$10. We couldn't develop a 500-million-bbl field at today's oil prices."

Economics such as this will have a dampening effect on bids at the sale.

The rigs. Two semisubmersible rigs are being built by the Kaiser Shipyards near San Francisco specifically for use in the Gulf of Alaska. Others will be available from shipyards in Japan and other yards of Southeast Asia.

N-M Dec 17, 76

Federal report says

Pipeline construction has sped deterioration of state's highways

ANCHORAGE (AP)—The federal Department of Transportation reports that trans-Alaska pipeline construction has speeded the deterioration of Alaska state highways—and says the federal government has no responsibility for repairs.

Alaska's Gov. Jay Hammond has fired off telegrams protesting that conclusion to Vice President Nelson Rockefeller, House Speaker Carl Albert, Transportation Secretary William Coleman and Federal Highway Administrator Norbert Tiemann.

Hammond noted the trans-Alaska pipeline was mandated by the U.S. Congress. This year's federal highways appropriations bill includes a section directing the Federal Highway Administration to study the need for special federal aid in building or repairing roads necessary for energy-related projects.

"This is another Catch-22," the governor stated. "Why should the study go forth if precedent has been established that there is no federal responsibility for impacts to highways used for the nation's energy needs?"

Coleman stated in his report to Vice

President Nelson Rockefeller, president of the Senate, "This report of initial finding documents the fact that pipeline construction has accelerated deterioration of several state highways at a more rapid rate than highways not subjected to such traffic.

"The report further establishes that repair and restoration of the damaged highways is not a federal responsibility."

The report estimates some \$300 million would be needed for reconstruction made necessary by

pipeline construction.

The state sought \$70 million from Congress for emergency repairs during the last session. That bill passed the Senate but was downed by the House.

In August, Sen. Ted Stevens, R-Alaska, said he believed the DOT study would indicate damage exceeded the \$70-million figure, adding, "There is no question it is a federal responsibility."

Coleman said the department report is an interim study and makes no recommendation for a final solution to the problem.

SUN OIL CO. estimates development of 100,000 b/d of production in the Gulf of Alaska would cost \$500 million to \$1.1 billion, depending on water depth.

That is based on estimated development costs ranging from \$5,000 to \$11,000 per daily barrel of production, depending on water depth, M. D. (Zeke) Noble says.

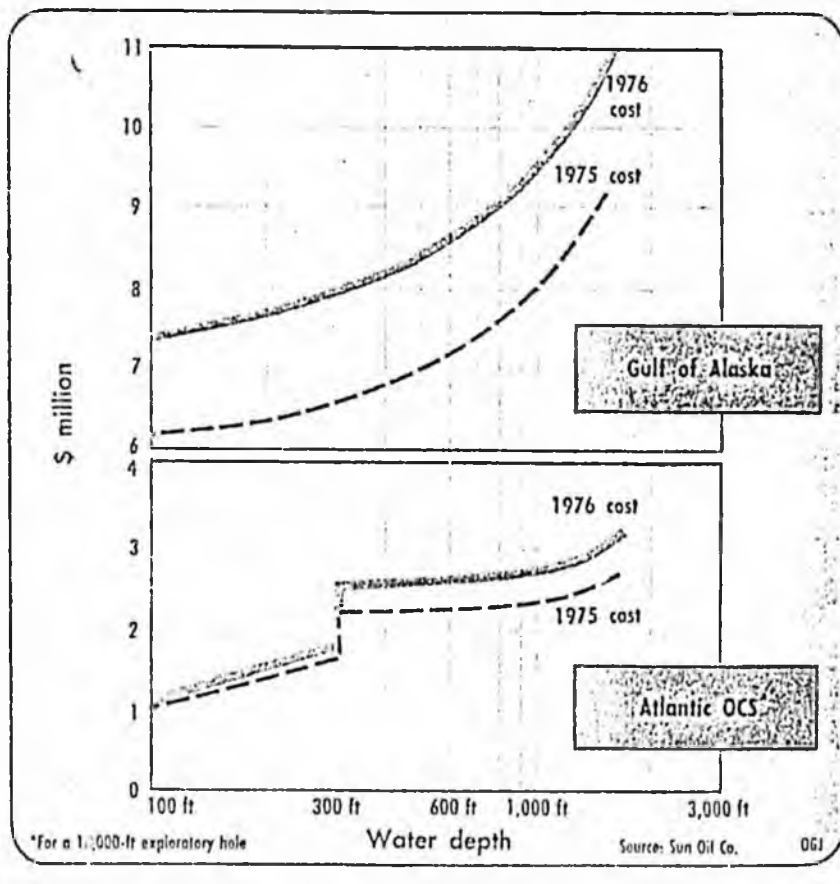
Noble, president of Sun's newly formed Sunmark Exploration Co., and J. Dwayne Taylor, an executive vice-president of Sun, spoke to the Houston Society of Financial Analysts on Mar. 17. Taylor described the purpose of Sun's recent reorganization.

Gulf of Alaska. In the face of such ferocious costs, how high must the price of oil be to support development

Taylor says the price should be in the range of \$14-16/bbl. And Noble says "a great deal of Gulf of Alaska potential would not be developed at today's prices." If the Gulf of Alaska sale occurs as scheduled on Apr. 13, Noble says, first production probably could not take place until 1981.

Sun also has revised upward its cost estimates for exploratory drilling in the Gulf of Alaska (see graph). A year ago, Sun estimated a 10,000-ft exploratory hole in 300 ft of water would cost about \$6.5 million. Noble now estimates the same well would cost \$8 million. He estimates a well on some of the known structures in deeper waters of the Gulf of Alaska would cost \$9 million.

Gulf of Alaska, Atlantic wildcat costs*



MICHAEL MONCHINO
New Kodiak manager

banquet facilities. Tentative plans call for construction to begin this spring.

Monchino, 25, has served as manager of the Sheffield Top of the World Hotel in Barrow. He

extension has been signed with an Anchorage contractor.

Stephan and Sons, Inc.-Mat-Su, Inc., a joint venture, was awarded the contract at their bid of \$1,662,115.95. The engineer's estimate

Mill Bay, was more than \$300,000 under the contract figure.

Work is expected to be completed on the project, which does not include paving, by the end of the year.

Impact:

Problem of becoming a center of development while maintaining traditional lifestyles . . .

By **CHRIS BLACKBURN**
Daily Mirror Correspondent
Second of a Series

If the exploratory wells drilled in 1978 confirm there are indeed extensive deposits of oil on the Kodiak shelf, the oil industry will begin plans for oil development and production. Unless the oil fields lie in the extreme northern end of the lease sale area Kodiak Island can expect to become a center of oil development activity. Construction workers, production personnel, planes and tankers and materials for support facilities will float in, ferry in and fly onto the island.

If the people of Kodiak Island have discussed and accepted a new comprehensive plan and supporting zoning ordinances, the oil support facilities will be constructed in the areas the citizens of Kodiak have predetermined to be most desirable — or least undesirable.

If the groundwork is not completed by 1979, the oil facilities will be constructed wherever the oil industry can build most efficiently and with least expense.

THE KODIAK ISLAND OUTER CONTINENTAL SHELF Impact Study recommends that "To the extent possible, the Kodiak Island Borough should discourage the location of OCS related industrial facilities within the Kodiak metropolitan area or in any of the other villages on Kodiak Island. The location of such facilities within these areas would be extremely

disruptive to the traditional lifestyles, community structures, and social and economic characteristics.... The Borough should insist that the oil industry be self-sufficient and willing to pay its own way in terms of the impacts resulting from the facilities directly related to OCS development..."

The Kodiak Island Outer Continental Shelf Impact Study estimates that the Western Gulf oil lease sale lands could produce as much as 164 million barrels of oil a year. All estimates of oil facilities and personnel requirements are based on this figure.

In 1979, as the first exploratory wells show evidence of productive oil fields, the oil industry will begin looking for a site for permanent onshore facilities. By 1984, at the projected peak of the development phase, a maximum of ten berths for oil company vessels may be needed — plus land for silos, tank storage and warehousing, open storage and office facilities. In all, about 80 acres of land will be needed in conjunction with harbor facilities.

THE OIL INDUSTRY will probably prefer a site on or near the existing road system. Chiniak may best suit the needs of the oil industry, provided the people of Kodiak have decided to prohibit industrial facilities within or near the metropolitan areas. The north side of Ugak Bay would also be suitable. Possible, but less likely, sites are Kalsin Bay and Middle Bay.

Karl Armstrong, executive vice president of the Kodiak Regional

Native Corporation, which holds title to the former Chiniak tracking station, said that the oil companies have shown interest in using Chiniak as the site of onshore facilities, but that discussions ceased when the Kodiak lease sale was postponed.

Armstrong a former fisherman, also mentioned that harbor facilities at Chiniak would offer sanctuary to fishing vessels encountering rough seas near Cape Chiniak, an area notoriously hazardous for fishing vessels.

ARMSTRONG SAID that while Kodiak is not averse to discussing the prospect of onshore oil facilities at Chiniak, only further study will tell which site would be most desirable.

Whichever site is selected, harbor development must be preceded by public hearings. The State of Alaska owns all coastal waters from the shoreline to three miles from shore and would have to grant a permit for development. Before any permits could be granted public hearings would have to be held.

Likewise, any attempt to locate onshore support facilities on federal lands would require public hearings.

PUBLIC HEARINGS can be used by the people of Kodiak to direct the eventual siting of oil facilities. A strong and unified show of support, or opposition, to a particular location usually has a decided effect on final decisions.

Armstrong also pointed out the desirability of the people of Kodiak insisting — with the help of the Borough government, state legislators

and other groups — that all public hearings related to development on Kodiak Island be held in Kodiak rather than Anchorage or Juneau.

As the development phase progresses more airport land will be needed — for helicopters, for increased commercial and cargo flights and for warehouses, and maintenance and service areas: approximately 40 additional acres.

DURING THE DEVELOPMENT phase over 1,000 people would be employed in development and construction. The year 1985 is predicted to be a peak employment year with 1,565 people involved in oil-related activities.

By 1987 the oil industry could be entering the production phase on the Kodiak lease lands. As early as 1979 the oil industry will begin selecting the site of a crude oil storage area and marine terminal. These facilities would require about 150 acres of flat, stable land — more if the land is hilly or unstable. The size of the crude oil storage facilities will determine the number of tanker trips required each year to keep the production operations underway. As few as eight tanker trips could be needed, or as many as 26.

By 1987 the oil related population should begin to stabilize. The impact study estimates that about 2,651 people will be employed in oil-related occupations and Kodiak Island will have a total population of 14,252 people.

Tomorrow: Housing — how can Kodiak meet the demands?

ALASKA Seas and Coasts

A Newsletter for the Alaska Commercial Fishing Industry



THE ALASKA OCS - An update

By John Williams

Until recently, John Williams served as a Marine Advisory Program Agent with the University of Alaska. He was involved with seafood processing and coastal resource activities.

Because of the rapid changes in the policies and scheduling of the development of the Alaskan outer continental shelf, and the necessary time lapse between completion of a story and the delivery of Alaska Seas and Coasts, some points contained in this article may have changed. More information will be presented soon in Citizen's Handbook - The Alaska OCS. The publication will be presented by the Alaska Sea Grant Program with partial funding by the State of Alaska.

OCS UPDATE

ALASKA - One down - eight to go.

In April of this year, the Department of the Interior leased the first outer continental shelf (OCS) oil development tracts off the coast. The sale, located in the northeast Gulf of Alaska from Icy Bay to Kayak Island, netted over 500 million dollars in bonus bids for the Department of the Interior, which administers the OCS program through the Bureau of Land Management (BLM). This is the first of nine scheduled sales on Alaska's OCS.

Shell Oil Company began exploratory drilling in the Icy Bay region on September 1, with Sedco 706, a semisubmersible drilling rig. In October, ARCO began exploratory

drilling operations with the semisubmersible Ocean Ranger, recently transferred from the Bering Sea.

Sedco 706 is 330 feet high with its derrick upright, 245 feet wide, and 295 feet long. It provides living quarters for 96 men, and storage space sufficient to drill for several weeks without resupply. The drilling rig is held in place by anchors connected to computer controlled tension winches, which compensate for wind, waves, and current to keep the rig located over the undersea well.

Next on BLM's agenda is a sale scheduled for lower Cook Inlet, followed by a western Gulf of Alaska (Kodiak) sale. Cook Inlet could go on the auction block early next year, with the Kodiak sale following later in 1977.

OCS IMPACTS

In early 1976, the federal government estimated that OCS leasing would create 90,000 oil jobs in Alaska to be filled by trained personnel and that this would cost state and local governments in excess of \$600 million to supply the necessary services and facilities to these new residents. This dollar figure did not consider families of the oilmen or the jobs created in the service industries which accompany the oil business. An additional 1.3 to 1.7 jobs will likely be created in service industries for each new oil job.

The Coastal Zone Management Act of 1972 (CZM) was amended this year to help states in planning and funding

coastal energy development activities. The CZM amendments of 1976 created a \$1.2 billion national impact fund. Eight hundred million dollars of the fund is in the form of loans for environmental and economic planning, schools, highways, hospitals, guaranteed bonds, etc.

The remaining \$400 million is available as grants to be used as a back-up system for the loan fund. Money from this source will be distributed to states based upon a formula considering the number of offshore acres leased, the volume of oil and gas produced, population influx, etc.

The federal government's assistance to states coping with the onshore effects of OCS development is much more limited than for mineral resource development on federal lands contained within state boundaries. In this situation, the federal royalty from the resource is shared with the state from which it was extracted and can be used in any manner that state government chooses. The royalty from OCS petroleum development is not shared by the federal government with adjacent states. In the case of OCS resources, state and local governments must apply for impact monies for specific purposes and be able to prove that it is a reasonable request.

In addition to the burden of proof requirement, states receiving OCS impact monies must already have or be

(Continued on page 2)

(Continued from page 1)

making "reasonable progress" toward a coastal management plan as outlined in the CZM Act. Legislative support for development of such a plan for Alaska's coast has been minimal. The Legislature may have another look at coastal management legislation in the upcoming January session.

NEW ADMINISTRATION

Because of Jimmy Carter's election, many people in Alaska are now trying to assess the impact the new administration will make on the OCS lease schedule and procedures. To date, Carter has not been specific on the issue. He has, however, expressed some concern about the accelerated pace of lease sales and its impact on federal revenues from the leases.

With a Democratic congress and president, chances seem better that some changes will be made in the OCS Lands Act, under which the OCS is administered. Senator Jackson (D-Washington) wants new amendments completed and signed by late spring. The amendments reportedly would

consider states' interests to a much greater degree, and involve state and local governments in the process.

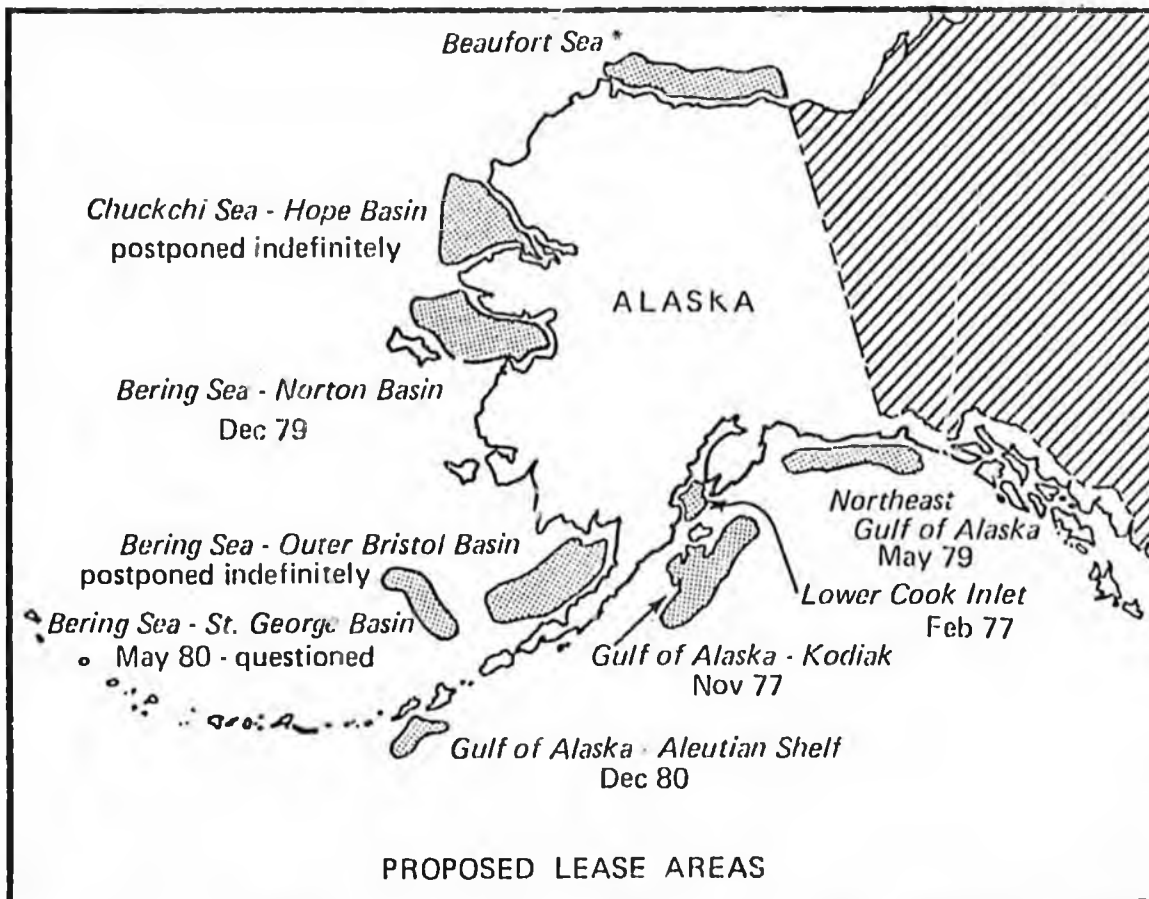
The State of Alaska has conducted an ongoing battle with the Department of the Interior over the presently proposed lease schedule and procedures. In a letter dated August 4, 1976, Governor Hammond submitted the State's proposal for an OCS lease schedule to Secretary of the Interior Thomas Kleppe. The Secretary had promised to reassess the Alaska OCS sale schedule, which presently calls for nine sales in three years. What actions the lame duck Ford Administration may take on this matter prior to January 20 are uncertain, although at press time negotiations were ongoing to dramatically revamp the present BLM schedule.

Hammond bases his schedule on a number of factors of importance to the people and environment of Alaska. His reasons for slowing down the sale pace include the cumulative effects which would result from the present accelerated lease schedule and the impact on communities and people unprepared for the rapid influx of large development. Hammond also wanted

time for further study of the physical hazards and potential environmental risks, especially in the ice covered western and northern waters, and time to prepare the management sectors of state and local government to deal with the many implications of petroleum development on the frontier Alaska OCS.

Hammond's proposal, substantiated by considerable research by state agencies, would extend the schedule to six years, and would not include scheduled sales in the federal areas of the Beaufort Sea, Bristol Bay, or St. George Basin until further research and industrial technology are achieved. The state would agree to hold a joint state/federal lease sale in the shallow, inshore Beaufort Sea area in the fall of 1977 in place of a federal Beaufort Sea sale in the deeper, shear ice zone.

Many of the changes resulted from recommendations by Governor Hammond in his August letter to Interior Secretary Kleppe. The new sale dates reflect a compromise between the rapid schedule and Hammond's proposed delays. The Department of the Interior and the state disagreed on the need to complete environmental studies before scheduling a lease sale.



Included in Interior's proposed new OCS lease schedule are changes brought about because of the state's insistence on a slower, more cautious pace in Alaska.

*The Beaufort Sea lease area is subdivided into at least three zones generally characterized by distance from shore, water depth, type of ice and anticipated ice motion. The leases for this area in the current schedule are: near shore, Mar. 78; less than 60 ft. water depth, Feb. 79; greater than 60 ft. water depth, not scheduled.

OCS
Impact
Aid
By Sen.
Ted Stevens



President Ford recently signed the Coastal Zone Management Act Amendments of 1976 into law. This new government program will provide a \$1,200,000,000 impact assistance fund for states and municipalities affected by outer continental shelf oil and natural gas development.

The Office of Coastal Zone Management, which is part of the National Oceanic and Atmospheric Administration, will be administering the impact assistance program. That office is presently drafting regulation which will serve as guidelines for the disbursement of funds. Draft regulations have been published in the Federal Register so that they may be viewed by the public, and the Office of Coastal Zone Management is soliciting comments from interested citizens and public groups in the formulation of final regulations.

The Office of Coastal Zone Management is particularly interested in Alaska problems. During the month of August the Coastal Zone Management Advisory Committee, the Citizens Advisory Committee to the Office of Coastal Zone Management, was in Alaska for a tour of areas of the state which potentially could be impacted by outer continental shelf oil and gas development. The members of the Advisory Committee went to Juneau, Yakutat, Anchorage, and Kenai. All of the members found the trip to be informative and they learned a great deal about Alaskan problems.

The Coastal Energy Impact Assistance program has an authorization level of \$800 million in loans and \$400 million in grants. The grants are to be used for planning, to meet the needs created by unavoidable ecological losses, and any other projects which are necessary and cannot be funded under the loan program. The \$800 million loan program is for public facilities and services.

Under a series of amendments which I sponsored, the loans issued by the federal government can go either to the state or to the municipalities. The full faith and credit of the United States is pledged to these loans — not the credit of the state or municipality. Therefore, the complex system of referendums required for normal state or municipal indebtedness is unnecessary.

In order for a state or municipality to receive a loan, it must first set out a revenue schedule to the Secretary of Commerce in which the state or municipality assures the Secretary that income which the state or municipality would receive from the oil and natural gas development over a 20-year period would be sufficient to pay off the loan. Should that income fail to accrue for any reason, the Secretary must automatically forgive the balance of the loan indebtedness.

Many Alaskan communities will be interested in receiving planning grants from the Office of Coastal Zone Management. The Act provides for \$50 million in planning grants, to be awarded to states and municipalities impacted by outer continental shelf oil and gas development. These are non-matching grants in which the federal government puts up 100% of the money. These monies can be used for any planning activities to meet the on-shore impacts of outer continental shelf oil and natural gas activities. The Office of Coastal Zone Management informs me that they are working as expeditiously as possible to see that planning grants are awarded to Alaskan communities at the earliest possible date. Since the Office of Coastal Zone Management is presently drafting regulations to implement the Act, it has not yet begun receiving grant applications.

The Coastal Zone Management Act Amendments of 1976 will be of substantial benefit to the Alaska fishing industry. In areas of the state which are impacted by outer continental shelf oil and natural gas development, impact assistance funds may be used to build harbor and dock facilities, breakwaters, aids to navigation, and other facilities of general benefit to the entire maritime community. I also expect that impact assistance funds may be used to build aquaculture facilities. In the unlikely event that a major oil spill occurs, an aquaculture facility could be used to offset any damage which was incurred to fish stocks. It is therefore essential that these facilities be built prior to the production of oil and natural gas. I have strongly urged the Office of Coastal Zone Management to include aquaculture facilities in its funding program.

In addition to impacts resulting from outer continental shelf oil and natural gas development, the coast energy impact fund can be used to meet the impacts resulting from the transportation of energy resources through the coastal zone. This means that state municipalities located in the coastal zone, such as Valdez, which are the transportation centers for oil, natural gas, or coal would also be eligible to receive funding. The city of Valdez is potentially eligible to receive funding as a result of the trans-Alaska pipeline project. Looking ahead a few years, in the event that Alaska ships coal to the southern 48 states, port facilities for the operation would also be eligible to receive impact assistance funds.

The Office of Coastal Zone Management expects to be finished drafting its regulations by April of 1977. Dr. Robert Knecht, Associate Administrator for Coastal Zone Management of the National Oceanic and Atmospheric Administration, has advised me that he expects the first funds from the impact assistance program to be available for states and municipalities sometime in April or May of 1977.

On May 17, 1971, Cornell University ornithologists announced what they said was the first successful rearing of a wild bird of prey hatched from an artificially inseminated egg.

In the bloody battle of Jutland, the German navy slugged it out with the British navy in the North Sea in 1916. It was the only major sea battle of World War I.

5-2-77

CAPITAL NEEDS FOR EXISTING AND NEW OIL AND GAS FIELDS
1975 THROUGH 1985
(Billions of Dollars)

Area	Capital Outlays
1 Alaska - Onshore	\$ 41.9
1-A Alaska - Offshore	22.1
2 Pacific Coast States	15.5
2-A Pacific Ocean, Except Alaska	20.2
3 Western Rocky Mountain States	8.8
4 Eastern Rocky Mountain States	13.0
5 West Texas and Eastern New Mexico	37.5
6 Western Gulf Basin	57.8
6-A Gulf of Mexico	75.7
7 Mid-Continent	21.0
8 Michigan Basin)
Eastern Interior)
Appalachia)
11 Eastern Gulf and Atlantic Coastal Plain	1.6
11-A Atlantic Ocean	13.1
Area Unidentified ^{a/}	<u>5.7</u>
Total	\$345.6

Source: The backup data for the figures used is cited in a study entitled "Domestic Petroleum Industry Capital Needs and Availability, 1975 - 1985" published by The Standard Oil Company of Ohio on April 14, 1975. The \$345.6 billion shown above is the oil and gas exploration and development portion of the \$411 billion of petroleum industry needs for all purposes on Table I of the Appendix of that report.

^{a/} Includes certain naval lands and military reservations and lands with heavy hydrocarbons in California and certain other locations.

*Richard M. Donaldson, Standard Oil Co of Ohio,
Resource Comm hearings March 23-30, 1976*

OCS sale ^{OCS} Impact

Arch News Jan 31, 1976

95,000 people due in oil migration

JUNEAU (AP) — Gov. Jay Hammond said Friday a new federal study indicated Alaska would carry a vast share of the population increase expected from accelerated development of oil resources on the outer continental shelf.

A report compiled by the Office of Management and Budget (OMB), Hammond said, showed that of the more than 147,000 persons who would be attracted by development off all states, nearly 95,000 would come to Alaska by 1985.

Such a migration of new residents would bulge Alaska's current population by more than 25 per cent.

Other figures from the OMB report, disclosed by Hammond at a news conference, projected rapid development of offshore oil and gas tracts nationwide would generate \$951 million in additional government "infrastructure" in the next 10 years.

Of that total, \$683 million was allocated to Alaska, more than seven times the cost of government services expected in any other region.

"This is just a working paper," Hammond said of the report. "Whether or not the figures are firm is debatable, but it is what the federal government is keying into their assessment of impact upon the state of Alaska."

"And, I think it is very dramatic in its revelation."

Bob Palmer, chief of staff to Hammond, said he had obtained the figures during a trip to Washington Monday. They are part of a report to be distributed to coastal states soon, he said.

A copy of the full report was not available.

Hammond has been an outspoken critic of Interior Department plans for conducting nine major lease sales off Alaska during the next three years, including one in the northeast Gulf of Alaska early this year.

A study conducted by the state last year concluded that costs associated with the leasing program would mean an additional \$300 tax burden for each Alaska resident annually.

Interior Secretary Thomas Kleppe has delayed the gulf sale while he considers criticism by the Environmental Protection Agency and the President's Council on Environmental Quality leveled at an environmental impact statement on the sale.

Other figures from a portion of the report released by Hammond predicted peak employment in Alaska during the 10-year period would be 19,200 workers, with permanent employment set at 8,100.

Net additional new employment was projected to be 13,650 persons.

Offshore oil boom: where's the revenue?

By HAROLD POMEROY

(Second of three articles)

Consider these revenue facts:

—The state spends more than twice what it receives from recurring revenues (income taxes and liquor-cigaret levies, etc.) on a variety of items and services, capital improvements, debt payments and revenue sharing to boroughs and cities.

—The deficit above normal revenue receipts is met from the petroleum industry payments, primarily lease bonus bid payments (about \$1.1 billion since the beginning), royalty and production taxes.

—The 20-mill pipeline tax is significant but from the start of flow from Prudhoe Bay, the revenue diminishes toward zero in proportion as the reservoir is depleted.

Now consider this:

Most of the lower Cook Inlet petroleum industry activity that produces revenue for the public treasury will be located beyond the three-mile state jurisdiction. Tax revenue from on shore activities, such as corporate income, personal income (from workers) and gross receipts, will be negligible compared with the revenues denied Alaskans from bonus bids, royalty, production tax.

Thus, in order that the national interest be served, the state will face a deficit of the gap between available tax revenues and the cost in state services disbursements to boroughs and cities for the people added to the population by reason of the new oil boom.

The deficit in revenue may be the equivalent of \$800 or more per person per year. The total number of people — workers and

dependents — in the boom period may be an average of as many as 13,500. This number at \$800 per person is \$10,800,000 per year. If half the people chargeable to the boom were already residing in Alaska, the net deficit might be assumed to be around \$5 million a year. For those enticed here by the boom and who manage to find ways to stay indefinitely the deficit between public revenues and cost will continue indefinitely.

It is demonstrated daily that we are unable to discourage "foreigners" from coming to Alaska to find greener pastures and excitement. Efforts in this direction are inevitably of minor effect. There is no residency requirement for state service, for example, for the very good reason that a residency requirement is subject to constitutional challenge.

The pending federal development activities in lower Cook Inlet highlight the unique "cost element" of our Alaskan society. The facts are not obscure, but there is a temptation to find a palatable explanation.

The central facts are: When we became a state in 1959 the public services we provided for ourselves were limited and meager. Our means were very meager without any oil production. Since then normal tax revenues have been enormously augmented by petroleum industry revenues. The people wanted, and continue to want, a range and extent of services similar to what is considered normal in other states. Costs of doing public business are as extreme as the costs of doing private business in Alaska.

What has been happening is well illustrated by the Alaska Psychiatric Institute, working on the funding of which started before we became a state. Before that, the mentally ill might be

held in jail temporarily, or put in beds in medical hospitals not equipped for their care, then shipped Outside, far from friends and families. Under the leadership of Delegate Senator Bob Bartlett, money was secured from the federal government to build API, and Alaska was authorized to select one million acres of land to be used as a resource for mental health programs. API was opened in 1963. The mentally ill were brought home for treatment here. Now there are also mental health centers, which function as outpatient clinics.

Thus, we are doing what civilized people consider a "must" — engaging in services for the mentally ill contrasted with the alternative of a combination of just ignoring them or locking them up in an "insane asylum." API care ranks with average for the smaller states.

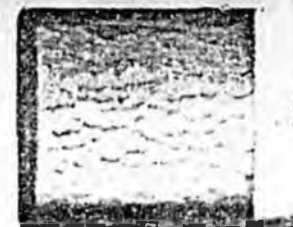
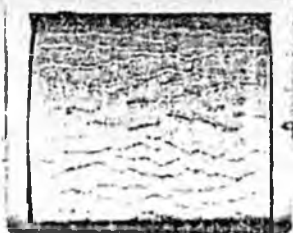
It is probable that most people will want a decent American standard of services, even if it takes revenue we haven't got — in the absence of using bonus bid money, royalties and production taxes. Is such an expectation unreasonable?

Meanwhile, we face an unusual situation.

Up to now, with respect to development in lower Cook Inlet, the Gulf of Alaska, or anywhere else beyond the three-mile limit, the federal government position is: We are going to establish developments out there; you are expected to provide the people from onshore; it is not our concern how much more it costs you beyond your tax revenues to take care of them decently.

(The writer is a member of the governor's growth policy council and a former chairman of the Kenai Peninsula Borough. His final article will appear on Tuesday's Opinion Page.)

*Arch New
Jan 12, 1976*



ny, March 17, 1977

Auditors Say Lease Mistakes Costly

WASHINGTON (AP) — Congressional auditors say the Nixon and Ford administrations were in such a hurry to obtain offshore oil that they failed to make sure the oil companies paid a fair price for drilling rights.

The General Accounting Office said yesterday the former policy of expedited leasing of offshore oil areas "could adversely affect our domestic energy production."

The Interior Department leased oil fields on the outer continental shelf "without reli-

able knowledge of the resources they contained," the GAO report said.

This encouraged speculation in offshore oil lands, thereby tying up oil industry capital in lands with little or no oil and infringing "on the public's right to receive fair market value for the resources," the GAO said.

President Carter's interior secretary, Cecil Andrus, has promised to overhaul leasing procedures for offshore oil fields. In recent congressional testimony, Andrus said the

government plans to do some exploratory drilling before leasing new areas to make sure that the government receives a fair return.

The GAO said the Interior Department estimated fiscal 1976 revenues from sale of offshore leases at \$12.9 billion. "Actual bonus revenues received from all sales amounted to \$1.3 billion, only 10 per cent of the original estimate by the department," GAO said.

Included in this was revenue from leases

of 1.3 million acres off southern California sold on Dec. 11, 1975. Before the sale the Interior Department estimated that two-thirds of the 231 leases up for bidding would be sold for about \$2.3 billion. However, oil companies bought only 24 per cent of the leases for \$417 million.

This sale came after former President Richard Nixon had twice ordered the Interior Department to triple its leasing of offshore oil fields.



"Exploring Offshore Oil: A Scottish Economist Views
Onshore Impacts for Alaskan Communities"

An Interview with Niall Trimble



ALASKA
COASTAL MANAGEMENT PROGRAM

INTRODUCTION

Good day, this is Kevin Waring. I'm Director of the Division of Community Planning in the Alaska Department of Community and Regional Affairs. With me today is Mr. Niall Trimble, an Economist with the University of Aberdeen in Scotland. Niall has done substantial research on the development of the offshore oil fields in the North Sea. It's a very timely visit Mr. Trimble is making here to Juneau. He is here shortly after we have seen the first of the Federal offshore leases in the Gulf of Alaska. We have arranged for an interview with him to talk about some of what he has seen in his own research in oil development in the North Sea, particularly what it might mean to the communities and the State too, which over the next few years, will be facing some pretty substantial responsibilities for managing population growth and onshore growth associated with the offshore industries.

MR. WARING: Niall, in your research in the North Sea, what have your findings been, generally?

MR. TRIMBLE: Our research has basically covered two areas. We've been studying the industry itself, trying to predict the level of activity. For example, the demand for helicopter services, the demand for supply bases, supply routes, the requirements for merchant platforms and for the sites being constructed. We've looked at the overall demand for labor that's involved in all these processes, and we've also looked at area studies for several of the areas likely to be seriously effected by the advent of North Sea oil. This includes areas like the Shetland Islands and the Aberdeen area.

MR. WARING: Niall, one of the things that has been of most concern to many of Alaska's smaller communities has been the uncertainty of the schedule of development, how quickly things would happen, and what would happen following a lease sale. Could you outline the schedule of development in the North Sea since exploration began there?

MR. TRIMBLE: The first serious leasing for the northern half of the North Sea, the area off the Scottish coast, took place in early 1969. There was also a major leasing in 1971-72. Following the 1969 leasing, there were rigs exploring in 1970. I would expect that in Alaska there will be at least some rigs out there within a year of this Gulf of Alaska lease sale. Probably, substantial activity would be occurring two or three years after that. I would also expect that as soon as exploration starts, there will be some oil discovery, probably within six months to a year of the first rig going up. After that, it gets a little more complicated. Once you've found oil, then there is a period of approximately a year or so to determine the structure of the oil deposit and where to put the platforms. They then have to sit down and think about the way in which they are going to develop the field (six months) - how many platforms they are going to have, where they need pipelines, whether to use tanker loading. Then about two years after the field has been first discovered, they will announce a development plan of some sort. They will then order platforms, announce contracts for labor to lay pipelines, and that sort of thing. Once you've ordered a platform, it will take about two years to construct, assuming

there is no delay in starting construction. After two years, the platform is ready and it will have to be towed out. If it's a steel platform it will take as much as a year to 18 months to install. Assuming the Gulf of Alaska is like the North Sea and you can't work in the winter months, then you can't do installation or pipe laying in the period from October to March. You are confined to the summer months. About a year after you've first towed the platform out, it will be ready to start drilling. You should be able to start producing from this field in about a year or so. Production will probably build very quickly to a peak within about three years. Drilling will not be completed for another three years after that. So roughly from the time leasing starts, you'd expect to see some oil production within about six or seven years. Alaska can look forward to oil production from about 1982, 83 or 84, I would imagine.

MR. WARING: Is it at the production stage that employment starts to taper off? Is it at the earlier stages that the most intensive employment occurs?

MR. TRIMBLE: Most intensive employment is in the development stage when you are actually constructing platforms and laying pipelines. This may not be the case in Alaska, because all of these activities may take place elsewhere. Alaska is a very remote rural area with small communities which simply don't have the facilities to produce platforms, coat pipe or anything like this. The greatest employment will probably be in two areas. First of all, supply bases, supplying the exploration rigs and the platforms. It will also be in marine terminals. The pipelines running into shore will eventually reach terminals where oil will be shipped into tankers and on to markets. These things will cause employment in the Alaskan case.

MR. WARING: How much employment might be involved in the exploration associated with, say, one platform or terminal construction or, were it to occur, platform fabrication?

MR. TRIMBLE: If you have an exploration rig operating, it will have a crew of about 45 to 60 people. There will be two crews that will work about a fortnight, so it's between 90 and 120 people on a rig. There will also be perhaps 100 people on shore associated with this. In the case of Alaska these may be located elsewhere, not necessarily in a shore base, but perhaps in Anchorage or Seattle. In the case of a platform, there are probably about 200 or 300 people involved, both in installation work and in the first 5 or 6 years while the platform is drilling. Thereafter it will fall off quite considerably to maybe 50 to 80 people. The terminal, it depends on the size of the terminal. The Sullom Voe terminal in Shetland is a very large one. About 100 million tons of oil a year scheduled to be shipped through it. It would employ about 600 people. I would guess that terminals on the Alaskan coast would employ about 150 or thereabouts.

MR. WARING: Would that be true of the construction period too?

MR. TRIMBLE: No, during the construction period for most of these things, employment would be very much larger. Again, the example we can look at is the

Shetlands, where a terminal would require about 2000 to 3000 people to construct. I imagine that any medium size terminal handling 10 to 20 million tons of oil a year could require 1000 people to construct it. So the problem of accomodating large numbers of men will probably come at the construction stage, rather than long-term operations.

MR. WARING: Are there any rough figures on overall employment directly associated with the offshore industries? What level has this reached now in Scotland?

MR. TRIMBLE: The current figure is about 25,000 people in those establishments which have been set up specifically to deal with the oil industry. There is a lot of employment with indigenous companies which were there prior to the arrival of the oil industry. I think these are things like engineering firms who have taken additional oil industry business and have had to hire extra people to meet the demand. The overall figure would be something like 35,000 to 45,000. I wouldn't expect it to be anything like this in Alaska.

MR. WARING: How have the national governments and the local governments reacted to the growth of the offshore industry? What is of special concern to us is how the smaller communities have reacted to the substantial changes in economics and lifestyles.

MR. TRIMBLE: The British government has been concerned about the development of offshore oil in parts of Scotland because some of the areas effected are very small, isolated areas with social ways of life which may be adversely effected by the arrival of the oil industry and large construction camps. On occasions they have diverted construction projects to other areas which they felt to be more suitable. Some of the local authorities have imposed particularly rigorous conditions on their developments in order to try and maintain there own way of life. The obvious example is the case of the Shetland Islands. Shetland is very similar to many of the communities in Alaska. It is remore, rural, with a total population of about 18,000 people. It is located 150 miles from the Scottish mainland. Its people have traditional independence. The Shetland Council has insisted that development on the Island be held to the absolute minimum. Any activities which are not absolutely required to be located on Shetland must be sent elsewhere -- to Aberdeen or somewner like that. Importantly, all developments must be grouped together to avoid unnecessary proliferation around the Shetland coastline. For example, the main function of Shetland is a trans-shipment terminal where oil comes in by pipelines. It's stored in tanks and passed through jetties into waiting tankers. This is one of the major activities which is going to occur in Alaska. Shetland has concentrated all of its trans-shipment activities in one site. That's Sullom Voe, north of the Shetlands. The companies are not being allowed to go elsewhere. If they don't want to come to Sullom Voe, then they can't go to Shetland at all. They have also taken rigorous control of the proliferation of supply bases. They've controlled that very sucessfully. In general, they try to limit the impact of the industry on Shetland. The long term job creation is probably only about 1000, which a place like the Shetlands can cope with successfully, even though there are problems at the construction stage when the labor force is always much larger.

MR. WARING: Has the oil industry been discouraged by the rather stringent planning requirements?

MR. TRIMBLE: It doesn't appear to have been at all.

MR. WARING: Can they accomodate themselves quite well to them?

MR. TRIMBLE: Very much so. It doesn't cost them that much and Shetland is the obvious place for them to go, under the circumstances. They just accept these sort of planning constraints. They have no choice. There is only one obvious site for them to use and the Shetlands are not insisting on anything unreasonable. The oil industry seems to react to this quite favorably.

MR. WARING: What sort of arrangements are made for providing local revenue to, say, the county government for providing services or housing expansion?

MR. TRIMBLE: A lot of these things are financed centrally by the British government and the Scottish Office: like roads, new airports, expansion of port facilities, and housing. These aren't financed entirely from central government, but they offer large grants, perhaps 75%. So, a lot of funding comes from outside. The Shetland government also has an unusual arrangement with the oil companies whereby it receives a certain amount of revenue on every ton of oil which passes through the Shetland Terminal. It gets a revenue of something like four or five million pounds a year coming directly from the oil companies. That is in addition to the normal property taxes that are levied on the terminal itself and on the port dues that the companies pay. It is an entirely separate thing.

MR. WARING: You've been here a few days, Niall, and have had a chance to learn some of what is going on in Alaska, what the reactions have been to the potential offshore development, and what the community situations are. Could you offer some recommendations to our State and to some of the communities as to how they might manage things to their own best advantage?

MR. TRIMBLE: I think the best advice you could offer to the communities of Alaska is not to underestimate the strength of your position. There are certain obvious sites for the oil industry to choose from for supply bases and terminals. The oil industry will take these sites come what may. The people living in parts of Alaska don't need to think that they have to surrender to the oil companies. They can impose quite strong conditions. Their position is very strong. They can dictate to the oil companies, not the other way around, because the oil companies have no choice. They have to go to the nearest position for supply bases and to the nearest land for pipeline land falls. The industry is forced to choose this so the position of a local community can really be quite strong. But you must try and prepare yourself, you mustn't assume that you can do nothing about it. You can impose strong planning conditions and try and make sure that the arrival of the industry is acceptable to the community. Another thing for the State government in general is to acquaint itself

with the modus operandi of the oil industry. How exactly do they operate? Have your own source of expertise, so when the oil industry makes requests of you, you know whether to turn them down or not, and what the effect is likely to be if you do turn these things down.

MR. WARING: Given the importance of the fishing industries in Alaska, have there been any particular problems or conflicts between the fishing industry and oil developments in the North Sea?

MR. TRIMBLE: There don't appear to have been many problems as far as I'm aware, though I'm not an expert in this field. There are two problems which could arise. First of all, labor loss from the fishing industry to the oil industry. I gather there have been several problems in Alaska before with the construction of the pipeline. With very high paid employment, people have left all sorts of jobs. This doesn't appear to have happened in Scotland as far as the fishing industry is concerned, partly because the fishing industry offers very high paid employment. This may be different in Alaska, where I gather fishing is not as well paid as oil company jobs. But it certainly doesn't appear to have been a problem in Scotland. The other possibility is pollution. Dumping of oil at sea could damage fishing grounds. Again, this doesn't appear to have been a problem so far. Another possible problem is the dumping of debris over the side of rigs and over platforms, which may get caught up in nets. The oil industry has made arrangements to compensate fishermen in the North Sea and I imagine some arrangements could be made here.

MR. WARING: Has the industry accepted, or do they have unlimited liability for damage they might do to fisheries through pollution or damage of equipment?

MR. TRIMBLE: I'm not quite sure what their position is. They certainly have a fund to pay for damaged nets. Obviously, if the damage to the net can be traced to a specific company, it is automatically liable under normal British law. If a net is damaged, and there is no obvious person to blame, then the industry has a general fund for compensation, though it's not very large.

MR. WARING: Before we come to a close, might there be any other points you'd like to call to our attention?

MR. TRIMBLE: Again, I think your strength with the oil companies is quite great, and there is not very much you can do that is going to turn them away. Communities all over the world are imposing more rigorous conditions and imposing high taxes. Don't feel constrained. Don't feel that you have to give them a particularly good deal because Alaska is a very attractive area for them. There are very good reserves here. It's quite possible that in the next 10 to 15 years Alaska could become the biggest oil producing state in the United States, and that is quite sufficient on its own to attract the oil companies here.

MR. WARING: Thank you very much Mr. Niall Trimble, from the University of Aberdeen, for a very informative, comparative point of view on offshore oil development and what it means for the communities in Alaska.

This project was supported, in part, by the Federal Coastal Zone Management Program Development funds (P.L. 92-583, Sec. 305) granted to the State of Alaska by the Office of Coastal Zone Management, National Oceanic and Atmospheric Administration, U.S. Department of Commerce.

TO: LISA

FROM: Jack Chenoweth

Coastal Energy Impact Assistance program -- initial determinations of assistance to states...

House C&RA Committee may want to hold hearings by way of "oversight" to determine, first, whether available federal assistance is adequate for coastal municipalities, and how the assistance is being made available to municipalities, as well as to determine whether a state program of assistance (HB 219) is necessary, and, if so, how it could be tailored...

Nautilus
1056 National Press Building
Washington, DC-20004



Coastal Zone Management

EDITOR
John R. Botzum

FIRST NEWSLETTER OF COASTAL RESOURCES DEVELOPMENT, CONSERVATION & ENHANCEMENT

Volume 8, Number 20, May 18, 1977

THE COASTAL ENERGY IMPACT PROGRAM PASSED A MILESTONE THIS WEEK with the announcement from Commerce Secretary Juanita Kreps of the first allotments of funds to the coastal states and territories. Some \$125 million is involved, including \$15 million in outright grants (\$3.5 million for planning, \$1.5 million for environmental grants, plus \$10 million in the so-called "formula" grants for past impacts), and \$110 million in the form of "credit assistance" -- loans and guarantees. The allotment will be turned into cash for the 30 states and three territories no later than next month, a source at the Office of Coastal Zone Management told CZM newsletter, when the first planning grants are awarded. The states have been drafting their applications for those funds with the help of OCZM personnel during a series of site visits. The first states to receive their planning funds will not be those with the largest allotments, according to CZM's source. He emphasized that "certainly" part of the \$3.5 million in planning monies will be awarded in June but indicated the bulk of the funds would be going out in July.

There is no further state review of the allotments announced this week. That process ended 4 May after a 45-day period in which the states had the opportunity to examine the data base OCZM had established for allocating the funds. An OCZM source noted that there had been "some questions" on the planning grants during the review process, so there may be a second look at just how these funds are allocated. There's a possibility another technical paper will be circulated among the states for comment during the next few months which would describe "alternative" ways of dealing with planning grants. The largest questions center around how OCZM should weight the impact of energy facilities on heavily populated areas in contrast to the impact on environmentally sensitive regions -- the difference between New York and Alaska, for example. The planning grants are allotted on the basis of all energy facilities in the planning stage for the coastal zone.

Asked if OCZM would change its allotments on the basis of any new outer continental shelf leasing schedule from the Dept. of the Interior, an OCZM source said the agency would not "go back and withdraw the money." Schedule changes would simply affect the next allotment of CEIP funds. (See page 3 for the latest OCS leasing schedule.)

There are few surprises in the allotments. Alaska takes the lion's share of the credit assistance program -- \$48.6 million of the total \$110 million available. Louisiana ranks second with \$19.4 million, while the mid-Atlantic sale group of states will share \$12.7 million (although the funds are impounded until current litigation is resolved). Texas is allotted \$4 million. The west coast situation looks like this: California is allotted \$6.6 million, Oregon, \$484,000, and Washington \$5.8 million. The Washington state impact is based mostly on the movement of oil from Alaska. Three states together account for almost \$1 million of the \$3.5 million in planning grants: Alaska, California and New York, each getting about \$350,000. Surprisingly, two Great Lakes states don't fare badly at all: both Michigan and Ohio will receive over \$250,000 in planning grants. Massachusetts on the other hand will get only \$65,000. The Gulf states together account for a little better than 10% of these grants. Alaska is allotted over 40% of the environmental grants (\$663,000 of the \$1.5 million available), while Louisiana runs a distant second, getting \$265,000. The mid-Atlantic sale group gets \$173,000. (Continued on next page)

INSIDE THIS ISSUE: How each state fared under the first CEIP allotment (p. 2)
... Andrus issues new OCS lease sale schedule (p. 3)... Johnston dominates first
mark-up session on S. 9 (p. 3)... New URI coastal center sets conference (p. 5)

ALLOTMENT OF FUNDS UNDER THE COASTAL ENERGY IMPACT PROGRAMPlanning Allotments

Alabama	\$ 25,548.47
Alaska	365,466.40
California	349,638.96
Connecticut	44,447.31
Delaware	56,045.14
Florida	161,350.92
Georgia	38,920.16
Hawaii	16,397.16
Illinois	28,315.79
Indiana	39,671.93
Louisiana	125,522.44
Maine	57,306.54
Maryland	181,235.26
Massachusetts	64,751.00
Michigan	246,304.73
Minnesota	15,909.09
Mississippi	45,446.39
New Jersey	252,702.13
New Hampshire	79,319.80
New York	334,624.07
North Carolina	21,716.17
Ohio	203,712.45
Oregon	30,930.48
Pennsylvania	23,590.91
Rhode Island	93,520.80
South Carolina	26,871.44
Texas	193,230.78
Virginia	83,223.88
Washington	175,227.48
Wisconsin	27,165.17
Virgin Islands	59,422.90
Guam	16,554.57
Puerto Rico	<u>15,909.09</u>

TOTAL \$ 3,499,999.99

Credit Assistance

Alabama	\$ 1,271,355.85
Alaska	48,612,973.45
California	6,605,743.00
Florida	94,452.96
Georgia	2,739,427.21
Louisiana	19,412,573.54
Maryland	3,539,591.82
Michigan	259,380.37
Mississippi	2,660,663.68
Oregon	484,460.32
Texas	4,078,925.80
Washington	5,781,743.50
Virgin Islands	1,794,200.20
* Mid-Atlantic Sale	<u>12,664,508.23</u>

TOTAL \$ 110,000,000.00

Environmental Grants

Alabama	\$ 17,336.67
Alaska	662,924.18
California	90,078.31
Florida	1,277.99
Georgia	37,355.82
Louisiana	264,716.91
Maryland	48,267.16
Michigan	3,537.00
Mississippi	36,281.77
Oregon	6,606.27
Texas	55,621.71
Washington	78,841.95
Virgin Islands	24,466.36
* Mid-Atlantic Sale	<u>172,697.83</u>

TOTAL \$ 1,500,000.00

* These funds are impounded as a result of litigation arising from OCS Lease Sale 40. They will be allocated upon resolution of the litigation.

** A small portion of formula grants will be allotted after resolution of state boundary disputes.

Formula Grants

Alabama	23,114.00
Alaska	1,178,643.00
California	869,022.00
Florida	51,687.00
Louisiana	5,458,584.00
Mississippi	258,771.00
Texas	993,554.00
* Mid-Atlantic Sale	<u>1,010,723.00</u>

** TOTAL \$ 10,000,000.00

THE NEW SCHEDULE FOR THE SALE OF OCS LEASES WAS ISSUED 17MAY BY INTERIOR:

#47 Gulf of Mexico	Jun77	#49 Mid-Atlantic	Dec78
CI Cook Inlet, Alaska	Oct77	Beaufort Sea, Alaska	1979
#42 North Atlantic	Nov77	#46 Kodiak, Alaska	1979-80
#43 South Atlantic	Jan78	#48 So. California	1979-80
#45 Gulf of Mexico	Feb78	#54 S. Atlantic Blake Plateau	1979-80
Eastern Gulf of Mexico	Aug78	#53 General Pacific	In doubt
#51 Gulf of Mexico	Oct78		

The above schedule represents a general delay by Interior Secretary Cecil Andrus of two months in Gulf of Mexico sales originally scheduled in 1977 by former Secretary Thomas Kleppe, and four to six months in the Atlantic coast sales originally scheduled from Jun77 to Jun78. The Cook Inlet AK sale will go forward, but later than had been anticipated (CZM, 4May) -- not until Oct77. The Kodiak sale (originally Nov77), as well as the ones in southern California (originally Mar78) and on the Atlantic's Blake Plateau (originally Dec78), will be allowed to slip into the 1979-1980 period. Andrus said merely that they would be "considered for the planning schedule to be developed for the period through 1980." That schedule is due in August.

The Secretary practically ruled out a general Pacific sale when he said it "may be dropped from the planning schedule." Departmental planning activities for those sales which could occur in 1979 or 1980 "will continue." Andrus further emphasized his own flexibility: The schedule issued 17May and the one to be issued in August are, he said, "for planning purposes only." Specific dates for all the sales under discussion have yet to be fixed, and the Secretary added: "I will make decisions on whether to proceed with specific sales only after all the requirements of the Natl. Environmental Policy Act have been met and I have personally studied the comments of the governors of the affected states and others on all issues related to the sale." The Dept. of the Interior will in no way "be bound," he said "by a desire to achieve a schedule...."

The Secretary described the new program as having "twin thrusts" -- completion of development in known areas and a "steady exploration and development pattern in frontier areas." He recognized the "need to develop" U.S. oil and gas resources "as a part of the President's Natl. Energy Plan." But he also recognized the states' concerns for the impact of outer continental shelf development off their shores. Claiming that his leasing program would be different from that of the previous Administration, Andrus said he intended "to recognize fully the distinct social, economic, technological, cultural and environmental elements associated with each individual region and sale." He promised to work with the states "and others" to resolve key issues, and suggested that those issues can be resolved "by providing adequate time in the planning process." He said he believed that the department "will benefit from the advice of the coastal states and, in turn, the states may better understand the impacts they must plan for."

AESTHETICS TOOK ITS LUMPS ON THE FIRST DAY OF THE MARK-UP OF THE OCS BILL (S. 9) by the Senate's Energy Committee. Otherwise the session produced some heat among the members over the basic issues confronted in the Senate's version of the 1977 amendments to the Outer Continental Shelf, as well as some light on how those opposed to the bill intend to fight it. The whole session (two and one-half hours) was spent on amendments submitted by Sen. J. Bennett Johnston (D-LA). Some 27 amendments to the bill will be unopposed on the basis of agreements reached between the majority and minority staffs, but there seems to be an ample number of "opposed" amendments to keep the committee in mark-up sessions for several full working days at least.

The committee earnestly considered its future schedule of meetings in order to continue the mark-up as quickly as possible -- Chairman Henry Jackson (D-WA) emphasizing the need to meet at least two more days this week -- but it was decided today (18May) that the best the committee could do was to schedule a "tentative" mark-up session Friday (20May). So much

Exxon Man Belittles Oil Impact

Times Juneau Bureau
JUNEAU — Impact on the northern Gulf of Alaska communities where federal outer continental shelf oil development is to take place will be minimal, an oil company representative testified before the House Community and Regional Affairs Committee yesterday.

Most of the impact will be out of Anchorage, Monte Taylor, spokesman for Exxon Co. USA, said.

The committee is considering a bill sponsored by Rep. Charlie Parr, D-Fairbanks, which would require oil companies to pay a construction permit fee equal to the amount of impact their facility will have on state and municipal onshore services.

Parr, testifying earlier before the committee, said he read press reports which said Alaska would gain 95,000 people because of federal offshore leasing. He also based his support for the bill on a study on North Sea oil development.

Taylor, whose company bid \$49 million for 24 gulf tracts earlier this month, said it is not fair to compare the North Sea with Alaska because the North Sea was developed faster than any oil development planned in the U.S.

Taylor also said a final environmental impact statement on oil leasing in the state said that Alaska would gain only 95,000 persons if El Paso Natural Gas Co. constructs a trans-Alaska gas pipeline at the same time the lease development occurred.

This will not occur simultaneously, Taylor said, adding that the report also said El Paso would employ more people than oil development.

In Exxon's exploratory work in the Santa Barbara Channel off California only 50 persons were employed at the peak, Taylor said.

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When the firm begins construction work there, offshore and onshore, to prepare for production, 500 to 700 persons will be employed but that figure will drop to 50 to 100 persons after production begins, Taylor said.

Taylor also said his firm proposes to build a \$30 million facility onshore, which will cost the company \$1 million annually in taxes to Santa Barbara County. The impact on the county will be only \$15,000 to \$20,000 annually, he said.

Other oil company representatives are expected to testify against the bill when the committee continues its hearings next week.

Oil at Yakutat? March '77

Three Residents Have Their Say

To illustrate the impact offshore development has had and is having on the northeast Gulf village of Yakutat, AC&O's Grant Petersen talked with three of its residents.

Byron Mallott, 33, was recently named president of the Alaska Federation of Natives. Born and raised in Yakutat, he has served as city councilman and mayor, and was commissioner of community and regional affairs under former Governor William A. Egan. He serves on the board of Yak-tat Kwaan, the Native village corporation of Yakutat and is chairman of the Sealaska Native regional corporation. He also operates charter and commercial fishing businesses in Yakutat. Yakutat is the northernmost Tlingit village in Alaska. Fishing and related activities are the primary sources of income. In addition to oil-related employment, other significant income sources include state and federal jobs.

AC&O: 1976 was a big year for OCS operations in the northern Gulf of Alaska, with two exploration rigs (SEDCO 706 and Ocean Ranger) drilling in the fall and a third enroute when 1977 arrived. When was the impact of offshore development first felt in Yakutat?

MALLOTT: The first apparent activity began in the fall of 1974 when a consortium of three companies, Shell-ARCO-Mobil (SAM), purchased the old Ocean Cape cannery properties. They then contacted the city council. Yakutat is a first class city, has a number of governmental powers and exercises most of them. It's a pretty sophisticated village both in terms of leadership and the services it provides; it's not what most people

think of when they think of a typical Native village. The city had anticipated interest by oil business and earlier in the year contacted me for some assistance in my capacity as commissioner of community and regional affairs, and our department started assembling a planning assistance program for Yakutat. The council was contacted by real estate agents seeking to obtain rights to the tidelands that fronted the cannery. The previous owners didn't own the rights and thus couldn't transfer them to the oil companies. Communications between the SAM group and the city government continued through the winter and into 1975 as the companies outlined their plans.

In 1975 I resigned from the cabinet, returned to Yakutat and subsequently testified for the city at the Gulf of Alaska lease sale EIS hearings held in Anchorage. Immediately after the hearings the state contacted the city concerning its planning and zoning program.

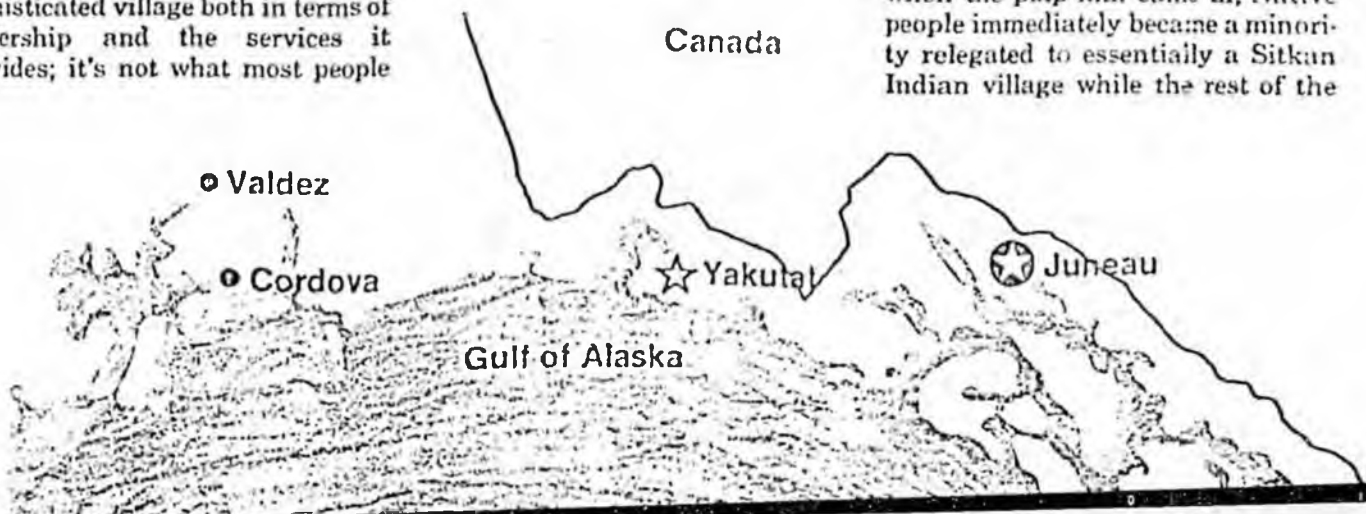
Shortly after my resignation and prior to the EIS hearings, I came to the AFN and asked them if they could assist us in dealing with the impact issue. I pointed out that the city was about to move into building a planning and zoning program from scratch in a relatively short period of time and asked if the AFN would help us fund an attitudinal study of the whole Yakutat area, to allow the city to get some sense of what local people really felt. We were inquiring not about OCS oil development but about growth and the future of Yakutat as a general proposition. They said they would and gave us a grant of \$15,000.

That survey revealed a number of things. It showed that local people are very concerned about OCS and what the potential for rapid growth meant to Yakutat. At the same time they were very concerned that Yakutat needed a much stronger economic base. It had suffered economically for years and years from the seasonal cycle of summer employment from fishing and winter welfare.

On the one side was the combination of wishing to maintain a small town lifestyle which translated for Native residents into wishing to maintain subsistence uses of natural resources and concern about what population increases would mean to everyone. You see it every year. In a short period of time, sport fishing bag limits on the nearby Situk River went from 12 to six to two salmon daily simply because of the increase in the number of people in sport fishing.

People are very concerned about that type of thing. A lot of people use sport fishing bag limits as part of their subsistence and subsistence permits were becoming much more complex to obtain. People were concerned that this would be the trend and that sooner or later they would be shut out, and they recognized that it all came from population growth; that in turn resulted in over-utilization of resources.

At the same time, local people in leadership roles also felt that they wanted to maintain a small-town lifestyle because of the political control that local residents have of smaller governmental institutions. Fresh in our minds were examples of what happened with rapid growth in Native places elsewhere. At Sitka when the pulp mill came in, Native people immediately became a minority relegated to essentially a Sitkan Indian village while the rest of the



prosperous city grew up around it without their having any economic or social participation. At Juneau, Ketchikan and Wrangell the same things happened; a major industry came and the Native people were left to live in what amounted to a Native slum. We didn't want that to happen in Yakutat. We didn't feel that the history of the development of the Alaska Native and the understanding of non-Natives in the terms of industry, in terms of their social habits had progressed to the point where this was not something to be concerned about.

But at the same time people were saying we want jobs. We're sick and tired of being poor. So we developed the survey so that we could try to get a more definite statement of the people's real wants. People were saying essentially those two things but beyond it they were saying "We think that if economic growth comes, we'd still have essentially a small town lifestyle even if Yakutat got up to 1,500 people, which would be doubling or tripling the size of the city; we could live with this."

While this was happening, the oil companies began preparation of the cannery site for additional service space. This was taking place while the city was protesting the use of that property for that purpose and asking the companies to wait until the planning and zoning program had been developed. They were advised that the property would not be zoned for industrial purposes. About the same time, the oil group purchased from the local Standard Oil distributor, a man named Israelson, some beach property on the other side of Monti Bay and began to develop this area also, thinking that with the existing connecting roadway they could use both sites.

At this point we had two types of impact, one economic and one psychological. The former was in terms of more employment. Green Construction, as the contractor, hired as many local people as they could. Thus it was normal summer construction impact that Yakutat had known for many years.

The greater impact was more in the area of expectation, anticipation that this was going to be something far larger than had ever happened here before. It produced a sense of concerned expectation, especially on the part of the city government, which took a substantial interest in what was happening.

AC&O: You mentioned the city was advising the companies while they were setting up their work pad that the zoning would likely be inconsistent with their plans for the area. How was this resolved?

MALLOTT: It was settled basically through the oil companies asking what the rules of the game were, our establishing the rules and the companies, the Kwaan and the city working within them. How we got to this point is important and considerably more complex. The outcome was an outgrowth of the relationship

between the Kwaan and the city, policy recommendations from several sources and by basic land use considerations.

We have about 350 shareholders in Yak-tat Kwaan and almost all of them reside in Yakutat. Recognizing that the corporation's shareholders comprised 90 percent of the residents of Yakutat in 1975, it was pretty likely that public policy and corporate policy wouldn't be too far apart.

I should also mention that at this time there was a pretty paranoid attitude based on a lot of rather scary information we were hearing. The



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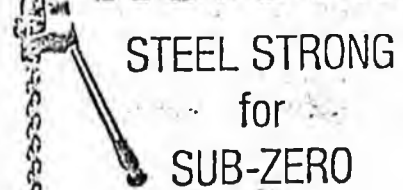
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EIS of course had to include a wide range of possibilities as to what OCS oil development might mean to Yakutat. Population impacts were projected to range from 1,000 to ten times that figure and the state was talking to us about major impacts over a relatively short period of time.

We had a lot of very conservation-oriented people riding us, calling us, saying "Give 'em hell." Major policy makers in state government were saying "You have (we think) if you choose to exercise it the capability of getting them out of Yakutat. All you have to do is say it, and do it." Other state officials were saying "You have the capability of achieving something different here, achieving what you want in terms of limited growth, building a strong local economy but at the same time avoiding the other kinds of difficulties." Still other advice from state circles said "You're going to get wiped out so you might as well roll over and play dead."

Along with the advice we also received a firm offer of support from the state, specifically from Governor Hammond and Commissioner of Natural Resources Guy Martin.

During this time we had been giving the oil companies a series of what were essentially ultimatums that said they weren't really wanted, nor was (their) rapid growth desired. We asked what they were going to do and got little response back because in view of this, they didn't know how they fit into the picture.

Their reply was essentially: "Hey. We want to be good neighbors. Give us the ground rules. We want to know what the rules are and we'll be glad to play the game."

We decided that we didn't want a confrontation with the industry, so we went to them and said there was no desire to do battle with them. Instead we said "If you'll agree to move out of the Ocean Cape property and won't fight us over it (and they had, with lawyers coming from Denver and Houston to the planning and zoning meetings to oppose the new ordinances), we'll try to put together a comparable package agreeable to us both."

The decision ultimately made did agree with the industry and with Yakutat, although others did not understand how we reached an agreement and some very much opposed what we were doing, in some cases for personal gain reasons.

As background to the agreement, in

the fall of 1974, when Yak-tat Kwaan had just begun its land selection, we were more concerned at that time with the selection of lands having significant timber value and with balancing that with lands having significant historical and cultural value to shareholders.

We chose those large blocks which obviously had no other value than commercial timber; we also selected all of the islands and as much shoreline as was possible to get ownership of as many salmon streams and camping areas as we could, since our history and culture is tied into use of the seashore.

In the meantime we'd been hearing something about this OCS business but weren't aware of the magnitude of things accompanying it. Then in the winter of 1975 when the city was gearing up its planning and zoning program, with Shell-ARCO-Mobil already on the ground, a number of other oil companies contacted us about the acquisition of Kwaan property. BP wanted to purchase property further away from the city on Yakutat Bay. Yak-tat Kwaan was then a brand new corporation and we'd just made our land selections; suddenly we're being hit by oil companies wanting our land. In addition we'd been approached by Pacific Alaska, who wanted to lease land on Monti Bay for the future siting of a liquefied natural gas plant.

While the Kwaan was building its land use policy statement, the city was designing its planning and zoning program. The latter also supported a major policy position made at the time by the Kwaan—no major developments on Yakutat Bay, other than on Monti Bay. We felt that for the benefit of our shareholders, for recreation use and for subsistence use, development on Yakutat Bay had to be limited. This coincided very closely with the city's thinking; at an early stage they had said they didn't want one oil firm to use the (facing) Ocean Cape and Israelson properties because other oil companies would seek similar sites and service spaces would be scattered around the Bay and all over Yakutat. The city said, "We want development to be located in an industrial area, a single integrated industrial park complex to which all users would have access."

Although they came from different directions, the Kwaan and the city were saying the same thing. The Kwaan wanted protection of recrea-

tion and subsistence resources in other parts of Yakutat Bay and preferred development confined to Monti Bay. The city said local residents should be protected by isolating development to a specific part of the area. Coming from different locations, the Kwaan and the city arrived at a pretty major policy decision on how they wanted it to happen and where.

Enter the state, which owned a significant hunk of nearby property—almost all of the land surrounding the Israelson property that SAM had purchased on the other side of Monti Bay.

In July 1976, the city and the Kwaan met with Governor Hammond and his cabinet with a proposition to exchange some land. To obtain the land around the Israelson property, the Kwaan and the city would offer land of comparable value further down Monti Bay. This arrangement would allow the corporation and the city to go to the oil companies with an alternative to their initial two-site location, an area that could be developed into a single integrated industrial park.

The governor agreed with the concept and the Kwaan and the city each

appointed several people to a negotiating group that worked with the state. The resulting land trade proposal was approved and the Kwaan obtained 70 acres surrounding the ARCO base.

This trade, incidentally, was done over fierce opposition. A number of local people and several developers essentially from Anchorage were trying to kill it, knowing it could stifle other speculative development opportunities in Yakutat, so it was over a number of "dead bodies" that the land trade was finally accomplished. It's significant to note that throughout this critical stage, we had a solid 80 percent of the Yakutat area residents supporting our efforts. One minority said "Development at any cost, bring it on, man, let's open up Yakutat and go!"

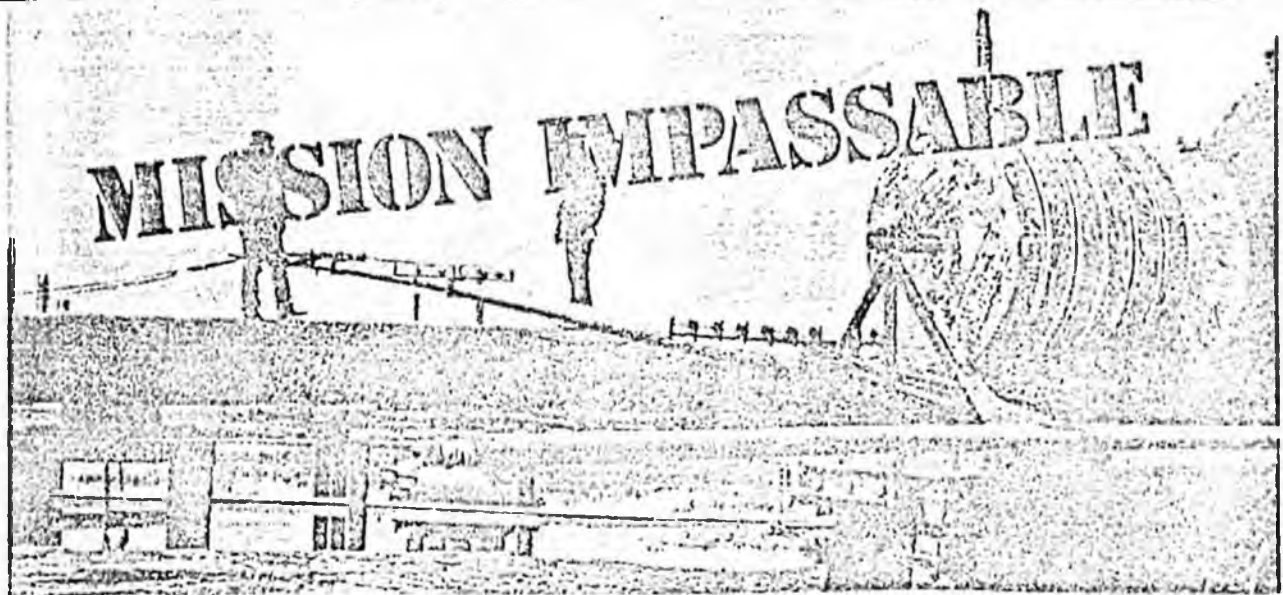
With the trade complete, one step remained before going back to the companies with an offer. The city as part of its planning and zoning and a look to future growth felt it needed to expand the municipal boundaries to take in the other side of Monti Bay, which was proposed for industrial use. The Kwaan, who owned most of the land, agreed with the city. In what is an unusual move for business, the

Kwaan urged the city to expand the city boundaries to take in this Kwaan land. Usually local businesses raise hell when local governments start to annex, but again, because Kwaan shareholders comprise the majority of city residents, they said bring the Kwaan land for industrial use into the city so there is some control over how things happen.

The local boundary commission approved it and by March 1976, the city boundaries were nearly quadrupled to include all the potential development in Monti Bay.

At the same time the city and the Kwaan came to an agreement on the tidelands. As part of the boundary expansion, the city agreed to include the tidelands fronting the Kwaan lands used for the industrial park. This gave the city additional local governmental leverage on what would happen in the park. This then set the stage for a return to negotiations with the oil companies.

The Ocean Cape area, on which work had already been done, was zoned non-industrial; the oil companies could have sought relief in the courts. To diminish that possibility, they were given an alternative. In essence they were told they couldn't



MISSION: 40,000 feet of pipelines carrying flare gas on the North Slope must be strung with heat cables to keep the moisture in the gas from freezing.

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operate there but were not going to be kicked out altogether. Instead we told them that we had 80 acres across the Bay and that we'd like to talk about putting together a joint venture for operating all of this. The results of that approach can be seen in a lease agreement we just signed with ARCO and Shell. The agreement provides for their operation of a 77-acre industrial park that will serve as a supply and operations base for petroleum activity in the Gulf.

A related transaction calls for the buy-back of half of the 21-acre Ocean Cape property by the Kwaan. The remainder is to be sold to the city in the near future.

AC&O: We've covered much of the early development-related decisions that were made and some of the background. What about the experiences of other communities in dealing with very similar problems? Were you able to use their experiences?

MALLOTT: As you noted earlier, several of us went to England, Norway and the Shetland Islands to see how things were being done in the North Sea and to learn how the people there had handled it. One of the lessons, a significant one, was learned from the Shetland Islands' Council. That council, in getting a special act through Parliament, got the powers of both a local government and a business corporation combined in a single entity. For example they could zone an area, tell a company wanting to establish there where it would locate, and, functioning as the same governmental unit, tell the company they (the council) would own 51 percent of whatever business goes in. Their powers were huge. They could exercise jurisdiction as far as three miles out, could even stop ships from coming into their waters. But the basis of their strength to deal with the oil industry there was the quasi-business powers given to the council. They could require part ownership in any business activity that took place in their area.

That was the essence of the governmental strength that the Shetlanders had, and it reinforced our beliefs that we were moving in the right direction by insisting on and designing in local control. We were two separate agencies; but through the close working relationship developed between the city of Yakutat and the Kwaan, we achieved

something close to the leadership strength of the council.

The other thing we observed over there that alleviated much of my personal uncertainties over offshore activity was the technological capabilities of the industry. This is not to say they didn't make mistakes; they did make them, a couple of which were financially very costly. The important thing was that they showed the capability to deal with their problems, and without placing the surrounding environment in jeopardy.

AC&O: The impacts of a business the size of the oil industry on a local economy are significant. This is especially true in the case of Yakutat, with a small population and an economy that has been based primarily upon the seasonal business of fishing. What are some changes you've observed in the area?

MALLOTT: Inflated property values were one, and the best example I can give is the oil companies' purchase of the Ocean Cape property. They paid over \$500,000 for property listed on the city assessor's books for \$170,000. This started an inflationary spiral. All of a sudden, property that in 1974 was selling for \$1,000 was selling for \$10,000 less than two years later; real estate agents from Anchorage were interested and were in Yakutat scouring the area for available property. A corporation that owned large mobile home parks throughout the state wanted to put in a 200-unit mobile home park in Yakutat. There were home builders who were interested in putting together a subdivision.

The city had been urged by its planners and state agencies to plan for this kind of impact, which could include a two- to 20-fold increase in population. The city refused and said they'd plan for what they considered to be sufficient services for local people and prepared instead for a maximum of 1,500, in terms of expansion of municipal services.

Their position was and is to stop at 1,500 and to make it tough for people to live here beyond that. The Kwaan cooperated by keeping a lid on speculative kinds of purchases by not allowing their area lands to be sold. That was one major early impact. The assessed valuation of properties more than doubled from 1974 to 1976.

In 1974 the total city budget was \$75,000; it was \$300,000 in 1976, largely as a result of increased demands for

city services. Legal fees increased significantly. While the city was working on the planning and zoning, it instructed its legal counsel to look at all existing ordinances to determine if they were sufficient to deal with potential OCS oil development. One of his principal responsibilities was to look at the city's financial ordinances to ascertain whether the city would be receiving its fair share. The instructions were not to rip off the oil industry but to draft ordinances to ensure that the city would receive sufficient revenues to meet required services. To meet the increase in city operating expenses, the 1975 city mill rate of 7.5 went to 20 mills in 1976.

The two percent sales tax was modified. There had been a segregation of funds within the sales tax which earmarked half the tax for a specific health and education process. To meet the operating budget, we had to change the ordinance to allow all the sales tax to go into the general fund.

The city school system (the local school district) was operating at maximum, so we needed a new elementary school. We went to Juneau and obtained state funding to build the school. It will be a \$2-million physical plant whose large operating costs will have to be picked up by local sources and that'll be a strain on the budget. The city now receives less than one-fourth of its total operating capital from local sources. All other revenues come from federal and state revenue-sharing, grant-in-aid programs and various kinds of contract services with the state and federal governments. These are some of the impacts.

To lessen them, particularly those involving property values, when we were negotiating for the buy-back of the old Ocean Cape property, we said we'd not contribute to furthering the inflationary spiral created by paying what ARCO and Shell paid for it. The oil companies said they recognized the fact that their activity was a cause, agreed to take a look at realistic property values and based the negotiations on that.

AC&O: Did you see any signs of people moving in, anticipating jobs with the industry?

MALLOTT: Nobody has moved into Yakutat just looking for employment. It didn't happen in '75 or '76. As a matter of fact, the FAA pulled some people out and it caused the school district to have fewer people. The

resulted in some problems because we count heads in order to get our money.

One thing the Kwaan did that greatly minimized some of the impact on the area was to obtain the old RCA "White Alice" communications site and convert it to a transient housing complex for oil workers involved in crew changes out of Yakutat. Yak-Tat Kwaan has operated the transient camp for about six months and by doing so alleviated potential crowding in the city's hotels and restaurants. ARCO in fact has provided financial support beyond its obligations to keep the camp going and thus hold down the effect of its crew rotations.

AC&O: There are some obvious pluses to the industry's arrival in Yakutat.

MALLOTT: Several. We now have one of the best airports in the state. Before it didn't have all the aircraft navigational facilities that other airports had. It was largely the advent of increased air traffic from OCS that caused the FAA to install a full instrument landing system in 1975. Alaska Airlines, looking at increased traffic, has constructed a new terminal. The Evergreen and Era chopper outfits have built hangars. Essentially all of

the impacts with the exception of the ones mentioned, have been positive.

In the area of employment, we worked very hard, both the city and the Kwaan, with the oil companies to get them to hire locally; they agreed, sought qualified people and hired them. We had local people working on the construction of the on-shore operations base. When it became operational, a majority of the 40 workers were local people, half of which were Kwaan shareholders.

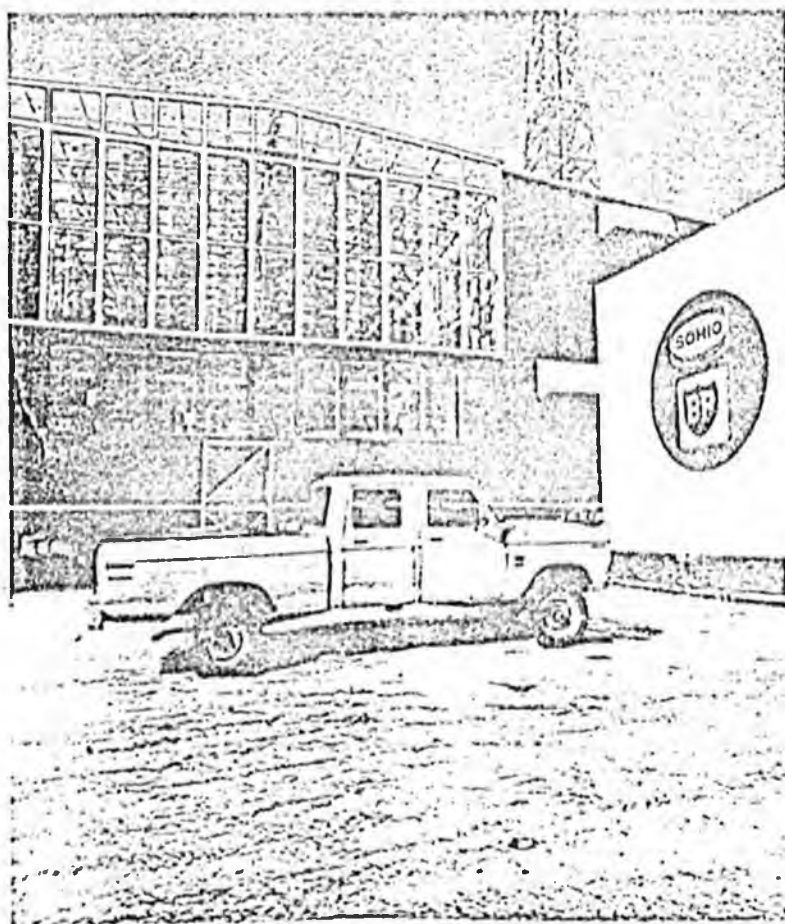
That amounts to a \$200,000 a month payroll. This has had great impact on the health of our people. They now have the money to get medical and dental care that before was out of their reach. Some people are traveling outside of Yakutat for the first time in their lives. The impact has been very positive.

Incidentally, while on the subject of employment, part of a lease agreement signed by ARCO and Shell for the industrial area includes provisions for training and hiring Kwaan shareholders and members of their families, as well as keeping to a minimum the number of new families the industry moves into the area.

AC&O: Much of what we've discuss-

ed concerns consensus feelings and thoughts of Yakutat's people. As one who is obviously very concerned about the city's future, what are your feelings about offshore development in the northeast Gulf and throughout the state.

MALLOTT: The industry is far ahead of any of the governmental institutions in terms of preparedness for offshore development. As a result, we should proceed slowly until the governing agencies are capable of dealing with even potential impacts. I think the federal "Project Independence" development schedule amounts to insanity, and is based upon no sense of reality. I'm not saying I oppose offshore development, but even if we develop all the oil resources available to the United States, we're looking at a very limited supply. They are not sufficient to allow us to not be dependent upon other sources. Members of the government and the industry are ignoring this to justify speeding up oil development. We'll never be independent of other sources; I think we need to accept this and slow down the schedule. The industry has the



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technological know-how, but the local, state and federal governments do not have the ability to deal with the cumulative effects of rapid OCS oil development.

AC&O: What changes, improvements in the existing procedures do you consider essential?

MALLOTT: I think that the federal government should channel sufficient revenues to state and local

governments to allow them to do the necessary planning. This does not need to be a long, involved process.

The state government should do a better job of channeling those state and federal resources available to it on down to the local level. It needs to develop state and regional priorities but not over the "dead bodies" of local governments.

Local officials must recognize and

accept their responsibilities in this area, including development of local resources to the maximum degree possible, and utilizing state and federal assistance where needed. City governments up and down the coasts of Alaska need to realize the importance of the development and utilization of strong local governmental tools to deal with the challenges they will soon encounter.

Harvey Milton is a 63-year-old Tlingit Indian who has resided in Yakutat all his life. He has fished "since I can remember," and has done commercial gillnet fishing. He has been a registered big game hunting guide for over 30 years. Milton welcomes the new industry to his home but worries about the effect a nearby oil spill would have on his people's subsistence and livelihood.

AC&O: Mr. Milton, you mentioned your father, grandfather and great-grandfather all lived in the Yakutat Bay region. As a resident of this same area for over 60 years, you know a great deal about its people, its history and what happens here. When did you first become aware of the oil companies coming to your village?

MILTON: The oil people first came here about two years ago to see if we could work together. That was going to be alright because they would help Yakutat people by giving them jobs.

AC&O: How do the people here feel about oil exploration in Yakutat?

MILTON: We all know the oil is needed. It's like the tide; we can't stop it and we can't stop needing the oil, but it won't last forever because it is getting shorter. I teach my grandchildren to eat seafood because the time will come when we go back the way as before. When they get no more oil, we go back to the olden days and burn the wood.

AC&O: How do most of the Yakutat people make their living?

MILTON: Most people here, whites and our people, live from fishing the Bay.

AC&O: When did you first notice the impact of the oil companies on the village of Yakutat?

MILTON: At first the oil company was going to build where lots of children go to school, near the old Ocean Cape cannery. But Yakutat

people were worried about their children, so they talked to the oil people. They agreed to go across the bay and everything worked out fine.

AC&O: What is your main concern about the oil companies being here?

MILTON: If the oil spills on the sea

and drifts into the shore it will affect Yakutat. In the springtime, salmon come in here and if the oil comes, all the seafood is going to die because I know the wind and currents and they will bring it in here and the salmon can't go up their streams near Yakutat. That is our concern.

Jeff Widdows, 26, is a commercial fisherman and owner of transportation and janitorial businesses in Yakutat. A 15-year Alaska resident, Widdows lived in Anchorage for 10 years where he attended East High and AMU. Five years ago shortly after he and his wife Kris bought a house in east Anchorage, "We all of a sudden realized we were settled in for the next 30 years with an 8 to 5 schedule and knew we wanted more out of life." They decided on Yakutat, where Jeff had been offered a job with the Standard Oil distributor; Kris went to work for the U.S. Forest Service. As reflected in the interview, Jeff Widdows' feelings about big business coming to his "refuge" are clearly mixed.

AC&O: In our discussions with present and past residents of Yakutat, almost all have ambivalent feelings about the coming of the oil industry. The greatest concern is that it might adversely affect the rural, outdoor-oriented lifestyle characteristic of the community. Why did you move to the area and have any of its attractions been influenced by the new industry?

WIDDOWS: I like the outdoors, and the hunting and fishing it provides, and am consciously aware of it. I miss the rain but it's part of what I love and part of something that somebody did a damn good job of putting together. What's more important is just knowing that they're available when I have time to do them.

Other attractions of the area I value are the people and the way of living here. Our Anchorage friends ask us what we do "down there." We visit people and don't worry about calling first, or whether it's mealtime, or whether we're properly dressed; or, maybe we'll get hungry for some clams and go down at night and dig some.

If I forget about leaving my keys in the truck, or locking it, I don't worry about it; you'd think at least twice before doing that in Anchorage.

You asked if any of this has been affected by the oil companies coming here. It's hard to say. There are some things that most people would consider minor, but they're important to me and I think they've been somewhat affected. I mentioned that Kris and I often go down to the beach in the evening. A couple of years ago we'd be the only ones there. Now you're seldom alone. When we lived out near the airport we'd see bears all the time. In fact one morning I heard a lot of noise nearby, looked out and saw three of them playing in the bed of my pickup, rocking and bouncing up and down 'til they got tired of it and left. Another time when I was getting ready to leave for work, I heard some commotion and went to the door to check it out. When I looked out the narrow window in the door as I started to open it, a bear was peering in to see what was happening inside. I loved it. I seldom see them now. This might be related to the increased activity around here.

AC&O: Has the oil business had any direct impact on your livelihood, and if so, what kind?

WIDDOWS: The first impact was when I discovered I no longer had a place to keep my bus. (Widdows provides transportation services for area school children and had stored his vehicle in a warehouse that Atlantic Richfield leased; ARCO later consented to letting him store the bus in an adjacent warehouse.) They later asked me if I could provide maintenance services for their offices.

I didn't need the money but it was a good offer.

Our house is another example of impact. Ten years ago it sold for \$3,000, two years ago it sold for \$17,000, and we bought it this spring for \$40,000. The reason for that price tag is offshore development in the vicinity. It was the first house available in over four years. It's in poor condition, but we wanted to be part of the community and when you live out at the airport, you're considered to be transient. It may not be the way you feel, but that's the way it is here.

AC&O: How have others you know been affected?

WIDDOWS: The companies have brought money to the town. There are a lot of people here who in the past had little or no money coming in during the winter time. Now they have a regular paycheck coming in during what used to be pretty lean months. This in turn has helped the local stores. One of the biggest assets of this community is its isolation. What has happened to many other Alaskan communities that are more accessible to big business hasn't happened here yet. In others where business has come, many residents by choice or by no choice were sort of pushed aside, but here they haven't been and that's good. Fishing has traditionally been the mainstay of the Yakutat economy and continues to be, gillnetting and subsistence fishing. Considering the options available and the possibilities, I think all sides involved in the planning did a good job.

AC&O: What are your overall feelings about the way the companies have related to the community?

WIDDOWS: This is something I've found it a little hard to admit but I'm pleased with the way they've conducted their operations, with the way they've tried and in most cases succeeded in cooperating with the people here. I hate to admit it but the detrimental impact so far has been very slight and there have been some advantages. A lot of people are employed by their being here and are making more money than they ever have before.

I was dead set against their coming here and I'm dead set against this place changing; until recently my feelings were if they need the oil, get it out of somebody else's backyard, but realistically maybe that's not possible here. I'm still against any big development here but I'm very relieved with the way they've conducted themselves so far, in cooperating with the community in just about every way that they could. I'm pleased also with the caliber of people that they've brought in; they're pretty nice people. I've always noticed two kinds of people in a community, those that are there because they want to be and those that have to be such as for their jobs. The people that came in have been friendly, kept a low profile and seem to get along. □

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Alaska has no monopoly

AC&O production editor Norman Bolotin recently travelled to Great Britain as part of the preparation for this special report. Having covered Alaska oil development for the magazine for the past four years, he went there to tour the support facilities serving the North Sea oil fields. The following several pages illustrate many more parallels between the North Sea and Alaska than just lines on a map. Photos are by the author unless otherwise indicated.

There are striking similarities between the North Sea and Alaska, and many more than one would suspect at a superficial examination. The obvious parallels come to mind immediately: northern latitudes, cold weather, rough seas. But rough and deep waters for drilling can be found in many parts of the world, although likely not as rough as in the North Seas or offshore Alaska. Initially, it should be noted that the U.K. is perhaps a decade ahead of Alaska in offshore development. Some of the major fields have been producing now for over a year. Onshore construction and offshore drilling continues at a hectic pace in the North Sea while exploratory drilling is only now getting underway in the 49th state.

When discussing petroleum these



days, the political aspects of the industry are sure to touch off a controversy. Great Britain is involved in a merry-go-round situation similar to the one in the states—high consumer costs for petroleum products, the resulting dissatisfaction among residents and a mounting national interest in reducing exports and imports of petroleum products: energy independence. Sound familiar? It would take another entire issue just to scratch the political surface of the issues, so this article will deal only with the non-political similarities of the oil industry in the United States and Great Britain.

The effects of offshore development in Alaska—on the economy, on the land and on the people—will be more subtle than those experienced on the pipeline. At the same time, they could be greater. Until oil was discovered at Prudhoe Bay, Alaska—to the rest of the country at least—was some land of igloos and gold miners, a place in the far corner of the map that was mined in the 19th century. The oil line educated outsiders and expanded and stabilized the state's economy. The population doubled and the economy doubled many times. The coming of the offshore oil industry, over several decades, will have a tremendous effect on Alaska; but it will come in periodic jumps and it will come after

the oil line has had its massive, initial effect. On the positive side, Alaskans know what to expect and so do outsiders. A negative effect could be complacency, an incorrect assumption that after the pipeline, anything will be easy. Those who were in Alaska six or seven years ago have learned to be wary after that first boom and bust came with North Slope oil. A lot can be learned from what has taken place in Great Britain, as well.

OIL FROM THE FORTIES FIELD

AC&O's trip to the U.K. included visits to Edinburgh, Scotland, where a subsea oil line terminates. The other end is in the Forties Field, the largest of the North Sea oil fields. At Edinburgh is the Dalmeny tank farm, where oil is stored prior to loading onto tankers, and the Hound Point tanker terminal, where the crude is loaded onto ships.

The known recoverable reserves of 17.5 billion barrels in the North Sea nearly double those at Prudhoe Bay. It was back in 1959 that British Petroleum, the parent company of the firm so well known to Alaskans now, first demonstrated an interest in the North Sea. Exploratory activity, primarily seismic, began in 1962-63 with a cooperative effort between BP,

Shell and Esso. Later, GUMBP was formed: Gulf Oil, Union, Mobil and BP. This group continued searching for potential subsea oil and gas structures, and in 1965, BP sank the first exploratory well. By the end of the year, the firm announced the first commercial discovery of gas in the North Sea.

Due to problems reminiscent of the struggles between the state of Alaska and the federal government, there had been little interest shown in the North Sea earlier. This was because of uncertainty over ownership of the waters; here the question was an international one. The first U.K. leases were issued in 1964. At that time, BP obtained rights to an area 100 miles east of Aberdeen . . . what was to become the Forties Field. The name comes from the water depth along the sandbank in the area—10 fathoms. North Sea weather, like Alaska's, is among the worst in the world, as well. In that area of the North Sea, there are 273 "bad" days in any given year and 49 "marginal" ones. This leaves just 43 classified as "fair" or "good." Due to this and other circumstances, design criteria are stringent, as in Alaska. Platforms in the North Sea are constructed to withstand 94-foot waves and 130-mph winds, statistically probable every 100 years.



Once BP knew there was oil present under the North Sea in commercial quantities, the problem became one of logistics—how to produce it and get it to land. It was decided that the Forties Field would be covered by four platforms some three miles apart. Each production platform would be identical in terms of output and would house 27 wells. The wells would fan out into the subterranean reservoir at angles up to 55 degrees. The next step would be getting the oil to the mainland.

The minimum size line that was determined adequate to carry the projected 400,000 barrels per day of crude oil was 26-in. in diameter. The line was to be built in two segments: a 107-mile stretch under water and a 130-mile section overland to the Grangemouth refinery near Edinburgh. Again, to allow for expanded capacity, the line was redesigned to 32-in. in diameter; the on-land portion of the pipeline measures 36-in. in diameter.

The submarine line was coated with a special concrete mix. By September 1974, the underwater line was in place, with only one major incident having occurred. A typically rough North Sea storm had damaged one

section during laying. It was subsequently replaced. The project continued on schedule. Then, again because of weather, the difficult final linking of the line underwater was delayed over one month, waiting for ideal weather.

The onshore portion of the line was simple by comparison . . . by comparison to either the underwater segment or the trans-Alaska pipeline. The right of way was less than 20 feet wide and the temporary work area only another 40 feet. Here weather was not a problem and the line was buried conventionally, as only a portion of the Alaska pipeline could be. The 36-in. diameter onshore pipeline was coal-tar-enamel coated and fiberglass wrapped, then laid in a six-foot deep trench. The onshore line was completed early in 1974, having been placed at up to three miles per day at a cost of \$700,000 per mile.

There are alarm systems and check valves built in every 10 miles, and driving through the area now the casual observer would be unaware of the line's existence. If full, the line would contain approximately 1.4 million barrels of crude. Once the oil reaches the refinery, the similarities to the U.S. are even more obvious. Oil

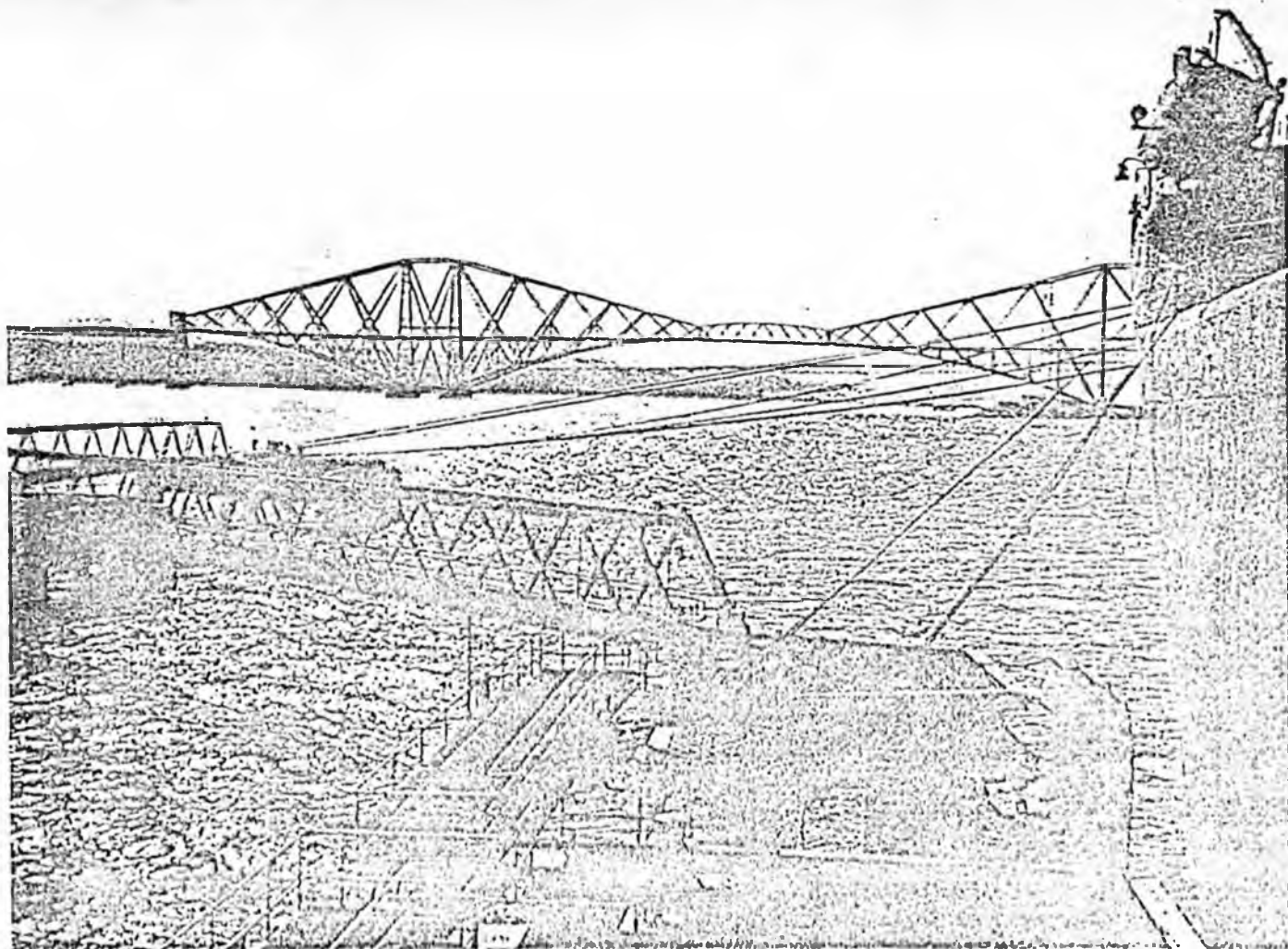
and gas are separated as they are at the Slope in BP and ARCO gathering and flow stations.

Another structure of significance was built at Cruden Bay. This is where the 21-in. diameter underwater line meets the 36-in. diameter overland (or more accurately, underland) line. Two surge tanks were erected there, to avoid shutting down the line completely in the event of any problem. This way, oil could be diverted for a couple of hours if necessary. Flow in the line can be stopped almost immediately, but start-up takes a full day. The tanks, but nothing else, can be seen at Cruden Bay. The line winds innocently under the area, including a stretch that runs next to the local golf club.

FROM PIPELINE TO REFINERY TO TANKERS

BP already had a large tanker terminal in western Scotland, but using it to serve the Forties Field would have meant construction of another long and costly pipeline. The problem—again similar to the situation in Alaska—was to find a suitable site. It had to be downstream from the large Firth of Forth bridges, yet not too near the more than half-million people of Edinburgh. Tankers would be needed to take the crude to other refineries, since only one-fourth of it would be handled at Grangemouth. Hound Point was selected. The name is reflective of typical Great Britain history. A faithful dog there is said still to mourn his master, who was lost in the Crusades of the 12th century.

The Hound Point terminal, and the Dalmeny tank farm inland from it, are amazingly unnoticeable, despite their close proximity to Edinburgh. The site selected for the tank farm was already environmentally impacted. A half-century earlier the area was a thriving shale oil mining site and was scarred with a huge "bing," or spoil heap. In July 1973, the construction began. The project required dozing and rearranging 2.5 million cu. yd. of the spoil. Today, the site looks more like a landscaped industrial park than a tank farm of such magnitude. It is clean and aesthetically pleasing. Grass covers the area, as do 55,000 trees and shrubs . . . and nettles. The 93-acre site is less than four miles inland from the tanker terminal and just 10 miles from the heart of Edinburgh; yet it is isolated. Coming around a curve in the road, there is a



View from the Hound Point tanker terminal near Edinburgh. At the right is the stern of a tanker being loaded. In the distance are the twin Firth of Forth bridges; the nearer one is the old steel railroad structure.

fence with green hills behind it. After a few more turns up the private road, the tanks seem to jump out. The area is landscaped to blend in with the surrounding countryside. The tank farm was built to be functional and unobtrusive; it is the latter, and BP says it is the former, as well.

The tank farm sits 165 feet above the sea level of the tanker terminal, so loading all can be done by gravity flow if desired. Pumps are present for faster ship loading when needed. The entire plant can feed a tanker at up to 15,000 tons (7.5 bbl. per metric ton) of crude per hour when employing the pumps. The tank farm includes not only the crude tanks, but ballast facilities as well. And a 250,000 dwt supertanker can be turned around in just 24 hours, including off-loading and treating ballast. This time is exactly the same as it will take to deballast and load a crude tanker at Valdez.

The Hound Point tanker terminal is not owned by BP, but leased to the oil company by the Forth Port Authority. The "W" shaped maze of valves, pipe and steel sits in 78 feet of water and

stretches a quarter of a mile in length. The terminal, while its actual capacity could be more, is to be used for an average of three tanker callings per week—one super and two smaller tankers.

The tank farm and terminal have served their purpose, and in fact have helped bolster the local economy, according to Ron Findlay, BP spokesman at Grangemouth. But the effects have been subtle, as intended. On the environmental side, the tank farm is well hidden, as we have said, and it is revegetated so well that sheep have been brought in to graze on the site. Any visitor to the area would be totally unaware of the tank farm and likely would miss the tanker terminal as well; the twin Firth of Forth bridges are far more impressive and offer an interesting contrast: the old steel cantilever railway bridge and the newer automobile suspension bridge.

Some residents there are less than happy with the results of the oil development, however. This comes back to the political situation mentioned earlier. One resident summed

up the situation: "Oil is like everything else," he said. "We export more whisky than anyone else in the world . . . but we never see the money. Oil? We won't see that money, either. Nothing for Scotland. That bridge is like your Golden Gate Bridge, but you know how long it took us to get the money?" And one shopkeeper added simply, "we don't see any extra money from it."

Edinburgh is hundreds of years old, a city with more people than the whole of Alaska. The oil industry is making very small ripples in the lifestyle there. The pipeline in Alaska should have made one thing very clear to Alaskans. Any tanker terminal, ANYWHERE in Alaska, will have a much, much greater effect on nearby communities, both socially and economically.

Also of interest to Alaskans is the difference in scheduling between offshore development and that which is underway at Prudhoe Bay. With the Alaska pipeline, there was a single major field with a single major construction project to serve it.

In the North Sea—and in Alaska's

future—there will be more incidences of construction coinciding with production. For example, the "ultimate" capacity of the Alaska pipeline is 2 million bbl./day; but to handle production as it is scheduled

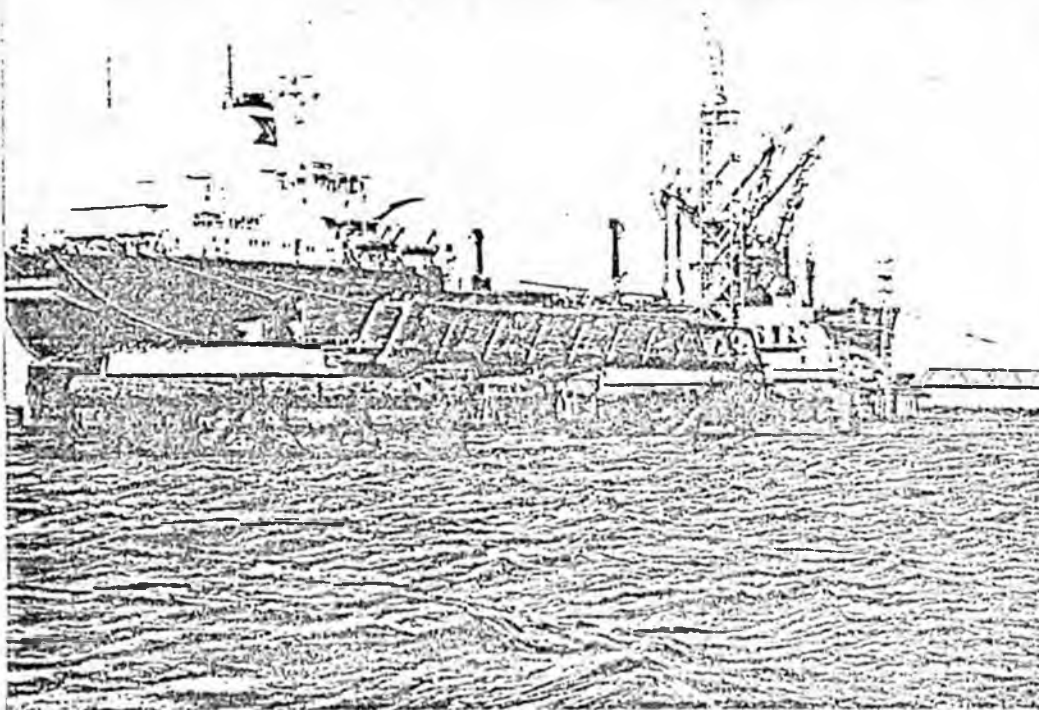
from the planned number of wells and known reserves at Prudhoe, the actual capacity will be more like 1.5 million bbl./day. This figure is based on the production that should come from the Prudhoe Bay structure as it

is planned to be drilled. In addition to four pump stations needed to bring the line to full capacity, other structures in the North Slope area would have to be tapped to increase the throughput to 2 million bbl./day.

In the North Sea, plans call for exploratory drilling to be ongoing with the construction of new facilities needed to keep pace with anticipated discoveries. As new wells are sunk, onshore facilities are increased. In Alaska, the pipeline is a more singular project, but the added pump stations could come if these other structures are tapped in the next few years. On the longer term, of course, would be activities in the Beaufort Sea, which also could feed the line.

THE SHETLAND ISLANDS

The Shetland Islands are like the small communities of Alaska and Sullom Voe is the Valdez of the North Sea. While all of Alaska is isolated, Shetland is somewhat unique to the U.K. Remember that Great Britain has a land mass roughly equivalent to the state of Oregon—just a small



Hound Point terminal from the ferry used to shuttle personnel from shore out to the tanker terminal. The cantilever-like structures near the front of the vessel are the offloading booms feeding crude to the tanker at the time this shot was taken.

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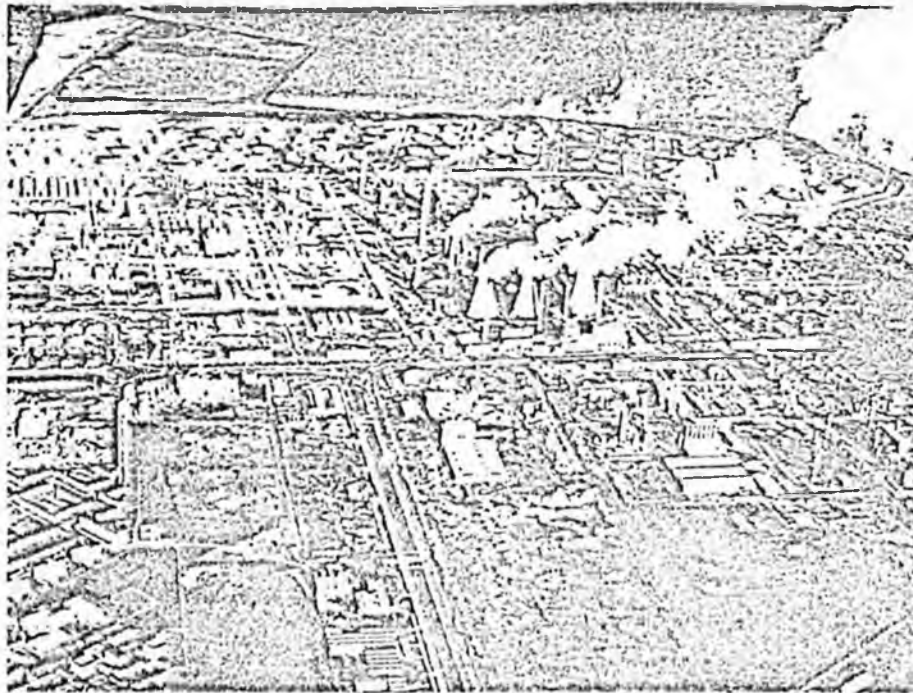
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Aerial view of the Grangemouth refinery near Edinburgh. Photo courtesy BP.

island in comparison to Alaska. Scotland is densely populated in only a few areas, but compared to Alaska, there are people everywhere. The Shetland Islands are nearly 700 miles north of London, and 185 miles above Aberdeen. Aberdeen, like Edinburgh, is old, but smaller, with less than 200,000 people. It is the main transport point for North Sea personnel. But because it is so old, and relatively large, the impact of the oil industry has not been what it will be on the Shetland Islands or on Alaska.

In Shetland, the feelings are much like those of Alaska. A feeling that the less than 20,000 residents there (only 3/100 of one percent of the U.K. population) are isolated and ignored. Even Alaska can boast a larger percentage of the U.S. population, an overwhelming 1/5 of one percent. The size and isolation of the area and the feeling of Shetlanders should be familiar to Alaskans.

THE SULLOM VOE TERMINAL

Sullom Voe is more isolated than the facilities at Edinburgh, and not just because everything in Shetland is remote. It is even isolated to those living in the islands. It sits just beyond the remains of a World War II air base. It is hardly small, but to be an eyesore, someone has to be nearby to see it.

The closest town is Lerwick, 25

miles down the narrow road; it is also the only town in Shetland, boasting about one-third of the islands' population. The most recent census of 6,100 does not reflect the oil industry, which has increased the town's population by perhaps as much as 25 percent. And another 25 miles from Lerwick is the Sumburgh airport, at the extreme southern tip of the main island. Beyond Lerwick, the rest of Shetland's population lives in a few scattered villages and on farms. Anyone who enjoys the countryside or quiet solitude of Southeast Alaska couldn't help but enjoy the Shetland Islands. But Shetlanders don't necessarily like the oil industry. This is not to say that it is resented; it is accepted, at the least. Still, despite the smallness of Shetland and the largeness of the oil development, the impacts seem remarkably few, either positive or negative.

This level of impact should be interesting to Alaskans. We have already mentioned the isolation, with which Alaskans surely can identify, as well as the feelings that perhaps too many of the economic benefits are reaped at the national rather than local level.

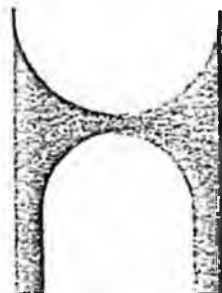
The accompanying article in this issue on development in the Yakutat area should be read with Great

Britain in mind. The problems and development in Great Britain and Yakutat offer unique insight into one another, enough that we felt the subject warranted a separate article. In Shetland, development is far beyond the exploration underway in Yakutat; but it is what has been learned in this activity that we hope can help in guiding the activities in Alaska.

The Shetland project, exclusive of other North Sea work to the south at Edinburgh and in the Forties Field, totals approximately \$9 billion, thus far. This includes \$7 billion for offshore platforms and field development, \$1 billion for pipelines and another \$1 billion for the terminal itself. The Sullom Voe terminal "will be Britain's biggest oil port, and is designed to be a tangible expression of co-operation between the Shetland Islands Council and the oil industry," according to BP. In a local paper, Ian Clark, chief executive of the Shetland Islands Council (the local political body) was quoted as saying that "what is surprising is not that difficulties have arisen but that there have been so few!"

The environment has received prime concern from BP. While the Cruden Bay-to-Grangemouth line discussed earlier was larger, the conventionally-buried lines at Shetland were placed with the same care. Of particular environmental interest is the countryside in general: the roadways could not accommodate a pair of typical American sedans side by side. And the paved roads that wind through Shetland with sheep grazing only a few feet to each side are off limits to all construction vehicles. The large trucks simply were not allowed to service the site from land. All shipments—from machinery and cement to steel and food—had to be hauled by sea and delivered at a dock at the Voe. To the farmer or shopkeeper living somewhere between Lerwick and Sullom Voe, just looking out the window would not reveal the presence of a billion-dollar construction project so near. And since crews are shuttled north from Aberdeen by plane, then directly to rigs by helicopter, there is no booming bed and bar business.

One of the two pipelines coming inland in the Shetland Islands is shown here. The lines are conventionally buried in Shetland and from this work, one would hardly guess the magnitude of the project. The pipeline will carry half the oil that arrives at Sullom Voe when the terminal comes on line, but to the casual observer, this work might look like little more than a new irrigation line being placed on a Scottish sheep farm.



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THE PIPELINES TO SULLOM VOE

The pipeline out to the Ninian Field is impressive, even if the onshore portion is short—just 17 kilometers. The 36-in. steel subsea line was laid at the rate of one mile per day in the midst of 30-ft. waves. The Ninian line comes inland at Grut Wick and the second 36-in. steel line, from the Brent Field, comes inland at Firth Voe.

The Ninian line runs 103 miles to Grut Wick on the Lunna Ness, where the coastline out to sea is very rugged, dipping to 270 feet below the surface just a half mile offshore. The Brent Line is only 10 miles shorter, with connecting lines bringing crude from other fields in the area. Because of the rough sea floor, gravel was dumped along the route to provide a soft bed for the line.

The Brent Field was discovered by Shell/Esso in 1971, starting the oil industry on its way in the northern areas of the North Sea. Considering how much development has taken place since then, and comparing it to the 1968 Prudhoe Bay discovery, a lot

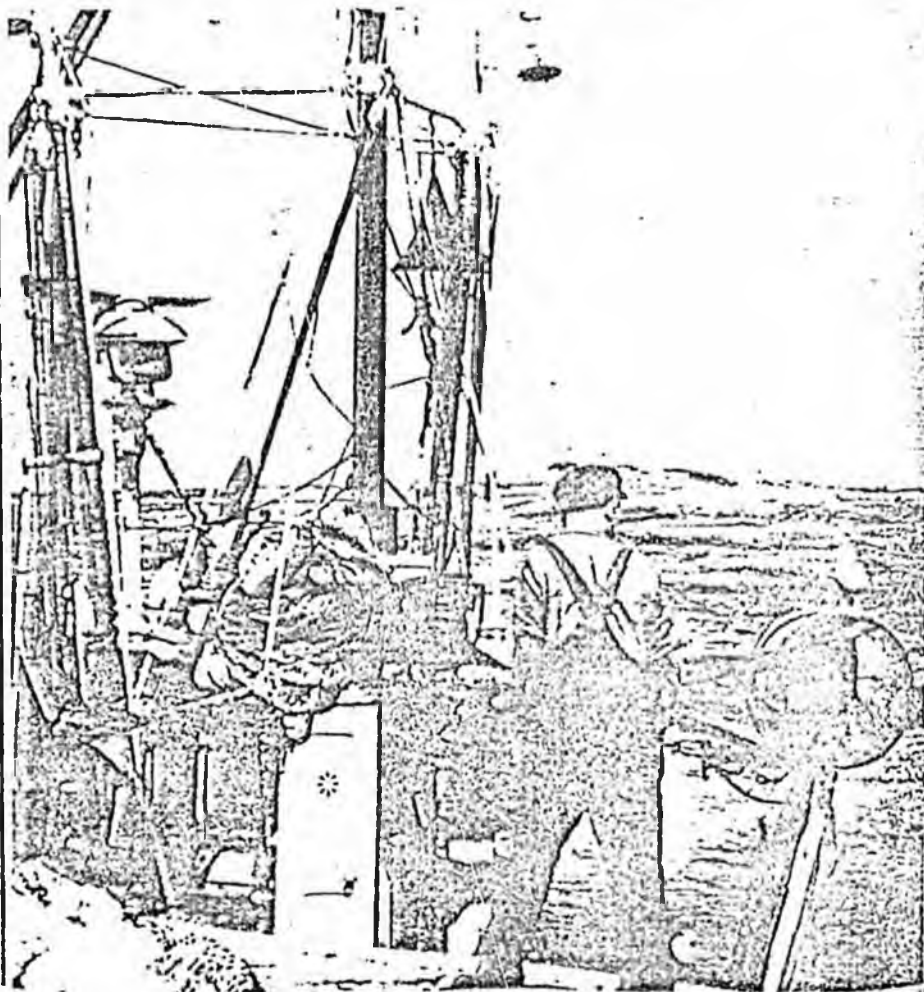
has been accomplished in a very short span of time.

After the Brent discovery, four other fields were found in subsequent years, with the Ninian field (the other major one in the area being the fifth discovered). There is oil industry speculation that other fields could eventually lead to more pipelines into Sullom Voe.

Sullom Voe, a 1,200-acre complex, is to be operational in 1978, but by no means complete. The initial stage of operation will have the terminal receiving 800,000 bbl./day of crude, with 3 million bbl./day scheduled several years in the future. Of the firms involved there, many would be familiar to those involved in Alaska oil: BP, Chevron, Conoco, Gulf, Shell, Esso, Amoco, Amerada, Mobil.

When Sullom Voe is completed, it will be the largest oil terminal in all of Europe. Interestingly, the senior project manager for the terminal is David Henderson, a BP engineer who formerly worked in Alaska. By the time his work is completed, the terminal will be handling tankers up to 300,000 dwt and as

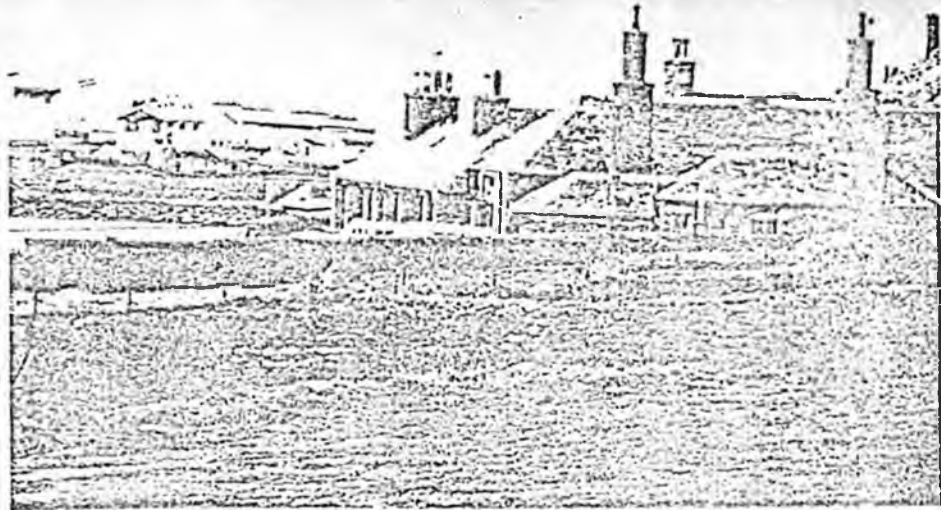
The fishing fleet has always been a mainstay in Lerwick, and even though it is smaller than in previous years, fishing will likely outlive oil in the Shetland Islands.



many as 1,000 vessel movements per year. Like other facilities mentioned here, Sullom Voe is not privately owned. It is a 50-50 arrangement between the Shetland Islands Council and a consortium of over 30 oil companies.

Unlike those at Valdez, the crude storage tanks at Sullom Voe will have floating roofs and each of the four tanks currently under construction will have a 600,000-bbl. capacity. The total capacity will be expanded in later phases of construction. Ships docking at the terminal will berth at one of two jetties. Number One will accommodate tankers from 18,000 dwt to 120,000 dwt and Number Two will handle the larger vessels, ranging from 50,000 dwt to 300,000 dwt. The smaller of the two jetties will also handle dockings by liquefied gas tankers. A third pipeline is being built in the area as well; it will run from the Brent field south to St. Fergus, near Peterhead on the mainland of Scotland. It will carry 500 million cu. ft. per pay of natural gas.

Peat in this area of the world is quite common, but disposing of the large



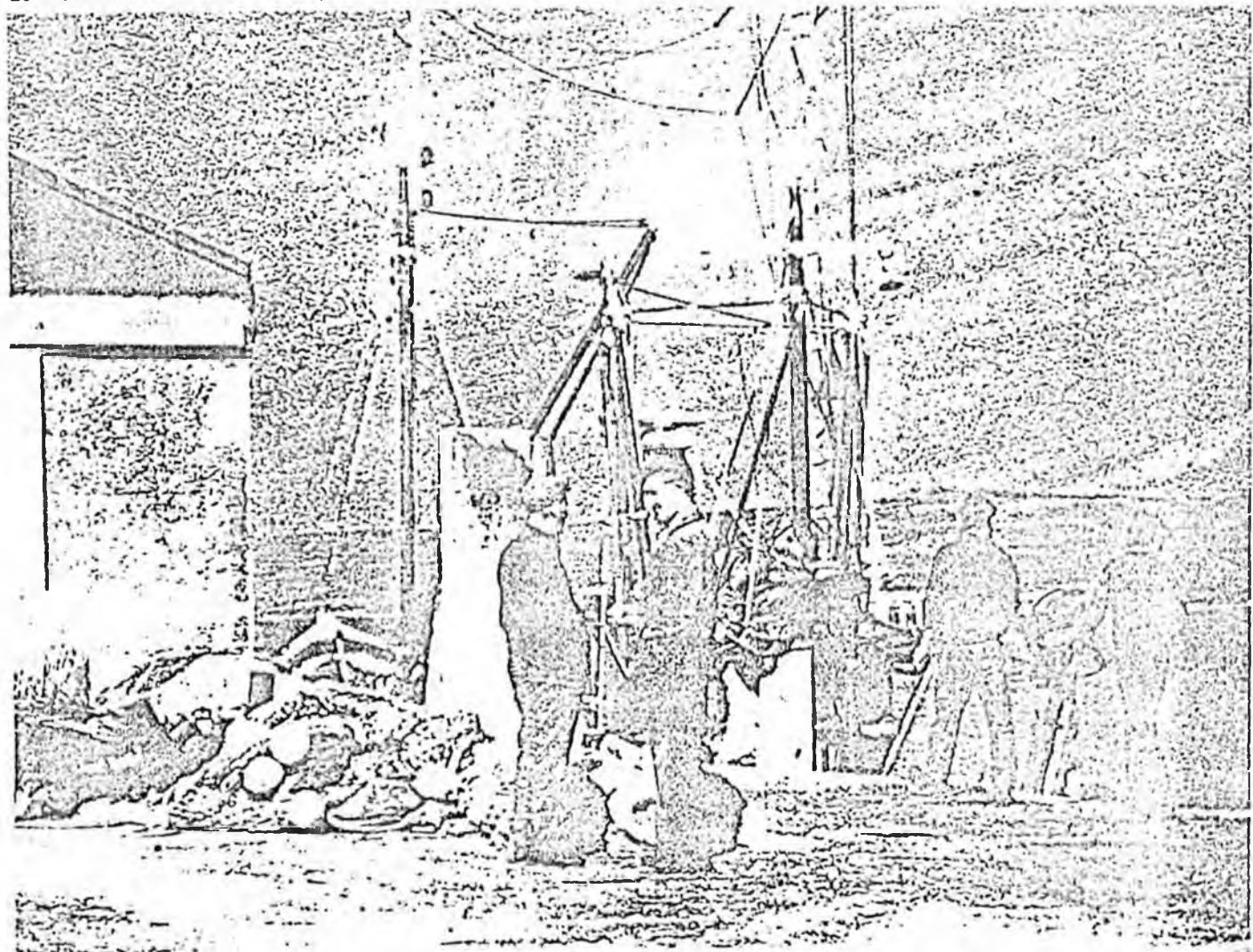
Lerwick, the only town in Shetland. The 1971 census showed 5,100 people in the small community; forty years earlier there were 5,500 living here.

amount excavated at Sullom Voe was not easy. JMJ, earthmoving contractor on the job from Northern Ireland, moved several million cu.yd. of the material—used there for home heating—on the site; it was used as fill in nearby Orka Voe, an inlet just east of the terminal. One of the important factors on the job was coordination. With nearly three dozen firms involved in the consortium building the

massive facility, often as much as six weeks was needed before each phase of work to ensure approval of all of the oil companies. While BP has been designated project manager, there is no separate company formed by those involved, such as was done by the pipeline owners in the formation of Alyeska Pipeline Service Co.

The list of equipment operating at Sullom Voe to accomplish this big

Lerwick residents visit on a dock just a block from the commercial street, closed as it always is this Wednesday.



earthmoving task is impressive . . . and familiar to U.S. construction personnel. Caterpillar equipment dominated, including the following:

- Dozers,
- D4s through D9s 16
- 657 Scrapers 6
- End dumps 19
- Excavators 8

Other equipment on the job included much of European manufacture, as well as some from this country. Among these were a pair of Massey-Ferguson dozers and two each Hyster and Dynapac compactors.

The "average" size vessel calling at Sullom Voe is estimated to be in the 100,000 dwt class. Each ship will be met by a qualified local pilot to guide it into port. Tugs will steer the tanker in and after safety and anti-pollution checks, it will be allowed into the terminal entrance channel for deballasting. Loading rates will be 25,000 to 30,000 tons per hour.

An interesting Alaska-U.K. comparison is the size of the Sullom Voe facility in relation to Valdez. Assuming 1.5 million bbl./day throughput for the Alaska pipeline in 1980, Valdez will be handling about 7 percent of the U.S. projected consump-

tion of 21 million bbl./day. On the other hand, Sullom Voe will be handling 40 percent of Great Britain's domestic need. And by 1980, total North Sea production is expected to fulfill 100 percent of the U.K.'s needs. Both Alaska and North Sea resources are, of course, finite, while demand often seems infinite. The North Sea fields currently being developed are estimated to have a producing life of 25 to 40 years.

In Shetland, residents will be assured of at least one positive impact from this oil development. Somewhere between \$70 million and \$175 million is to be distributed to local industries as reimbursement for the disturbance caused by the oil industry. Other effects already have been felt.

The fishing fleet has dwindled, but the economy is stronger than in recent years. But one Lerwick resident asked AC&O rhetorically, "What will we do when the oil industry goes . . . ?" It does not seem unreasonable that perhaps 40 years from now life will not be all that different in Shetland than it is today, or as it was 40 years ago. If the several thousand residents of Shetland had wanted another way

of life, they would have changed the area before the oil industry arrived or they would have moved elsewhere. In 1931, for instance, the official census of Lerwick was 5,538—little different from the present. Naturally, those that own the small hotels or that drive the taxis are glad to see that business is better. But no Hilton or Sheraton is going up to rival the Kveldsro or Lerwick hotels; each is small, with a restaurant and bar where residents go for an evening out.

A college student in her twenties saw more good coming from the growth of industry there. "There used to be one flight in and out a day," she said. "There are close to 100 now." That figure includes the helicopter flights to the platforms but still it reflects the obvious change in the small airport. "Young people have not had much opportunity here, you know," she went on. "You could teach . . . or work in a shop . . . or be a fireman," she said. "Otherwise you had to leave Shetland. Now there are other things to keep the younger people with an education from leaving." And that viewpoint is part of what seemed fairly universal there: living in Shetland because one likes

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Shetland, a pride in being a Shetlander—not wanting to leave. It is that same camaraderie one sees in Alaska.

The hotels do receive more business because of the oil industry, no longer relying totally on seasonal trade. But as we said, there has been no rash of construction to meet a demand by industry people. Houses are another story, however. "It's hard to find a home for sale," one man related, but again, not solely because of the industry. "Most farms have been handed down from generation to generation and you can't just go buy one." His farm was small by Shetland standards: 40 acres, a couple dozen sheep. He has lived in Shetland all of his 40 years, driving a taxi for wages. "My wife takes care of the house and garden," he said. Then remembering what outsiders, even outsiders from as near as London, had written, he added that "newspaper people come up here, spend a day and think they're experts on Shetland. They see a farm like mine and look around here (the road from Sumburgh to Lerwick) and then go write about the poor potato farmer and the barren islands with no trees." It's not unlike what happens

when uneducated politicians or journalists come to Alaska and produce "exposés" on the crime or describe Alaska as it was when Jack London wrote about it.



A painter enjoys the cool wind and scenic waterfront of Lerwick.

Visibly annoyed, the taxi driver continued, "Sure, I've got potatoes, and I dig up just what we need to cook for dinner each night. But I'm not a

potato farmer. And I slaughter a sheep or two each year for food, but that's all. I drive a taxi every day, and work on my farm the rest of the time. There's a lot we don't have here... one television station, no nightclubs..." But that's why Shetlanders live in Shetland. He smiled a bit and added: "I could drive you to one of the most beautiful places you've ever seen," motioning over the rolling hills. "We've got trees here; there's a place over there where they bend over the road and come together. You can drive under them and not even see the sky." But it all depends on who is doing the looking; a lot of people would find Alaska unattractive or boring, too.

One can learn a lot during a 25-mile taxi ride, and besides the education, the price compares well, too. It costs under \$10 from Sumburgh to Lerwick, about the same as from Juneau to the airport there, which is only nine miles. And in Lerwick gas is twice the price as in Alaska. But Shetland prices have nothing to do with the coming of the oil industry. Gas was expensive and taxis cheap before anyone decided to build the Sullom Voe terminal.

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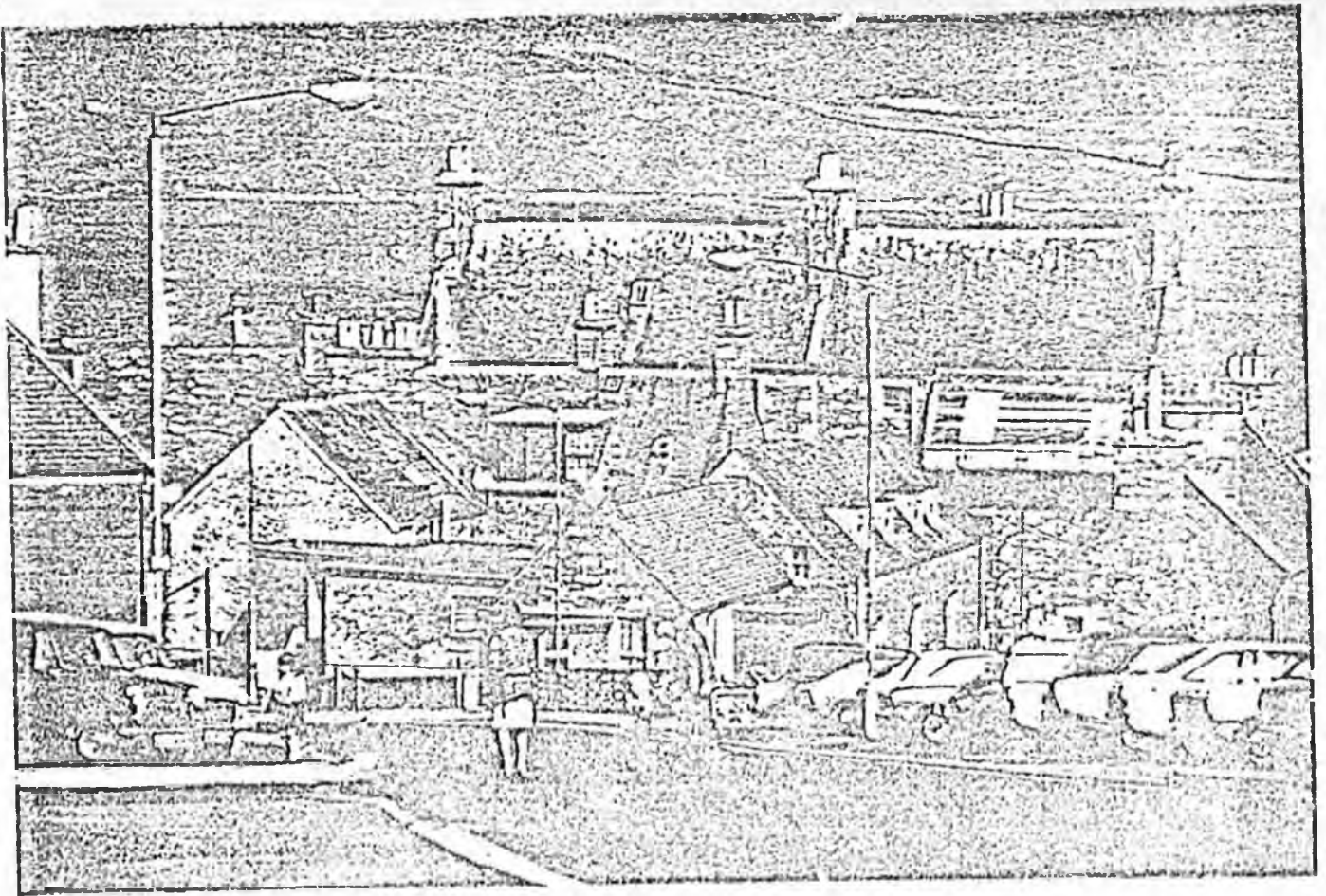
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Downtown Lerwick, walking toward the main shopping street near the waterfront.

Some prices do reflect the oil industry. House prices, because supply is low and demand high, have gone up considerably. "If the oil company wants them, they'll pay any price," one person said.

With a large work force at Sullom Voe, the effects have to be felt. There are over 1,000 workers at the site now; that number will peak at 2,800 by late 1978. But they have Shetland's second largest "town," the construction camp at Sullom Voe. Like those in Alaska, it has a cafeteria, television rooms, tennis courts, the excellent camp food and something not one of the pipeline camps can offer: liquor.

One company helping to see that crews are well taken care of in the North Sea is quite familiar to Alaska, as well: Universal Services. USI, well-known for feeding and serving Alaskan pipeliners, began its North Sea work in 1965. The firm had grown so much that in 1972 it opened an office in Aberdeen. The following year, Universal Services International set up its headquarters for North Sea operations in Edinburgh. As in Alaska, USI employs mostly locals for its operations, which include Sedco, Santa Fe International Service, Transworld Drilling, Penrod Drilling Company and Zapata North

Sea, Inc., as clients in the North Sea.

Besides the well-known ponies, sheep are even more prevalent in Shetland. There is also arctic wildlife like that found in Alaska, such as the brightly-colored puffin. And the environment is well cared for according to a local newspaper, which said that the oil industry has drawn "on (its) accumulated experience in environmental care and research from the island of Britain to the delicate tundra of Alaska" to ensure that no damage is done during construction.

The environment in Shetland is unique to Great Britain just as

Alaska's is to the U.S. The climate in Shetland, despite the northern latitude, is relatively mild, aided by a gulfstream. Snow is uncommon, as is extreme cold; but fog is another story. It can lay in patches all day in one valley, yet be conspicuously absent only a mile away. This is onshore, remember, as once one travels the 100 miles to the oil fields, Alaska-like ice, snow and cold accompany the rough waters.

At Sumburgh, there might be excellent visibility and sunshine at noon, only to have the airport socked in by that afternoon.

NORTH SEA TRANSPORTATION LINK

And when the airport is socked in, crews go nowhere. It used to be that talking of offshore rigs conjured up visions of rough seas and small boats carrying the seasick crews. The weather and temperament of the seas haven't improved over the years, but transportation has. Today, supertankers carry the crude and massive helicopters carry the crews.

In 1975, nearly 200,000 passengers and 1,000 metric tons of supplies were carried from Aberdeen and Sumburgh to the

northern North Sea platforms by helicopter. This total is exclusive of the lifts done in other areas of the North Sea, and the freight figure refers only to small items carried along with crews. The big lifts of supplies and million-pound items is done by ship and barge. But the passenger figures are impressive, and when the totals are released for 1976, the figures will be much higher.

The oil workers are hauled predominantly by two firms—Bristow Helicopters and British Air-

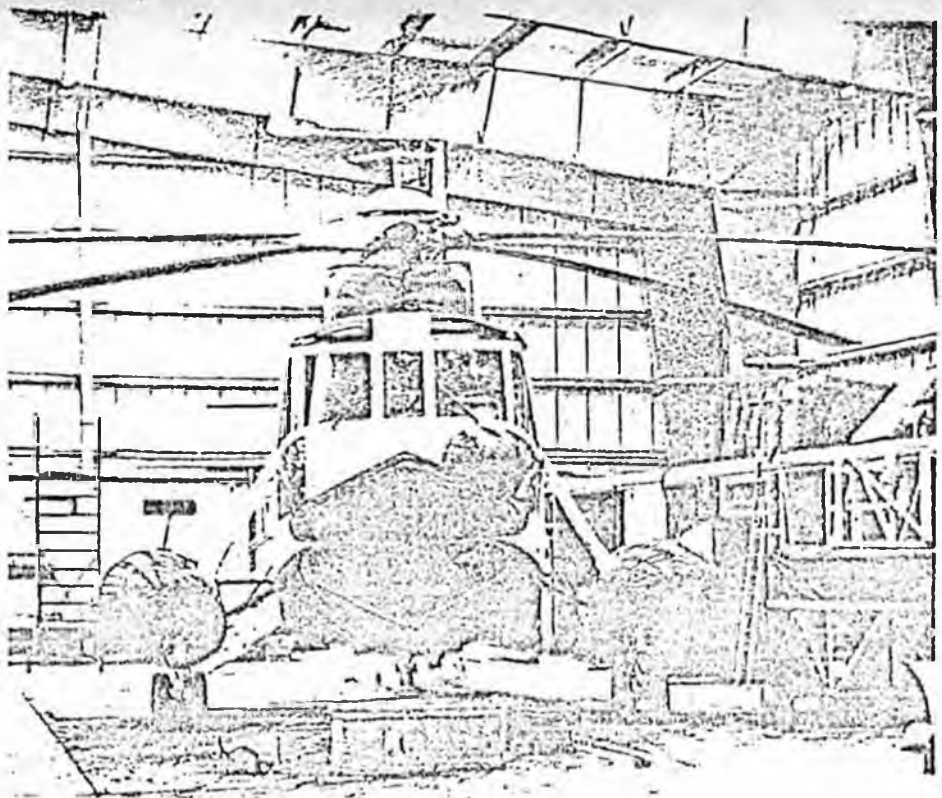
ways Helicopters. The latter is a wholly-owned subsidiary of the large airline with the same name, but is a totally independent operation. Together, they have made Aberdeen the busiest heliport in the world. The two companies' investments in Scotland are approaching \$100 million. In 1975 pilots for the two firms logged 36,000 hours of flying time out of Sumburgh and Aberdeen. The totals were higher in 1976, as well, but complete figures were not yet available as we went to press.

The weather at Shetland can change as rapidly as anywhere in the world; but when it changes before a chopper is in the air, it is no problem for the pilot. He either flies or he doesn't. It does cause immense logistics problems for the companies trying to get crews and supplies to and from rigs. The danger from the pilot's point of view is that a weather window may open to fly and be gone before the flight is completed. To put the area in perspective, the drilling platforms are roughly 100 miles out of Shetland, or halfway to Bergen, Norway. Flights to the rigs often have unscheduled stopovers in Bergen due to weather.

Brian Johnstone, in charge of scheduling and flight control for British Airways Helicopters at Sumburgh, told AC&O that the problem is compounded when the weather forces a helicopter to Norway. "We have no aircraft for the next group out," he said. Robin Zingel, manager of the British Airways Helicopter operation at Sumburgh, reiterated the problem. "We're stretched so thin ... we could use two more aircraft right now." When the airport is socked in or a flight is delayed by weather, the small airport is jammed with crews waiting ... and waiting. The back-up is a constant problem, as every oil company is obviously anxious to have its crews on the rigs working rather than sitting in an airport waiting.

The growth of the helicopter service in the area has been tremendous, but that is to be expected with this type of development. It is the same effect that has made Anchorage and Fairbanks two of the fastest growing major airports in the world.

The mainstay of both Bristow and British Airways fleets is the big Sikorsky S61N. The reliable aircraft is used by the British Navy and in normal passenger applications can haul 20 passengers. In the North Sea, however, heavy freight cargoes and



Having been serviced, this British Airways helicopter is ready to go back to shuttling crews out to the rigs, 100 miles from Shetland.

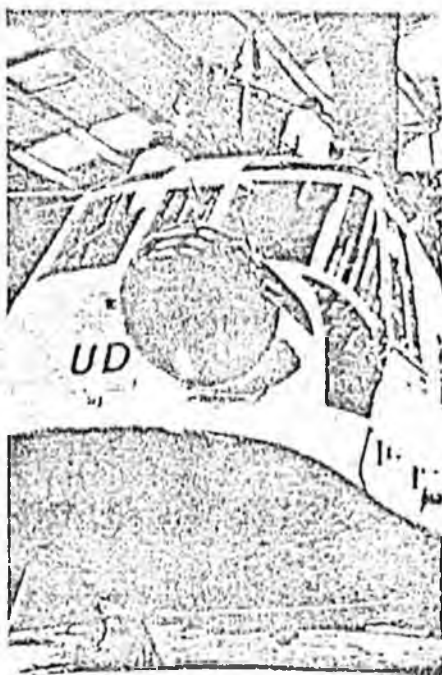
safety requirements in the rough weather cut the number of passengers to about 22 per flight.

As the industry has grown, so have the carriers. In 1971, for instance, British Airways had a single aircraft servicing the area. British Airways

at Aberdeen. The companies utilize smaller aircraft as well, but the S61N is the workhorse of the North Sea oil industry. Sikorsky passenger helicopters and sky cranes are already in use in Alaska, and the S61N obviously could play a large role in the coming offshore industry in the 49th state.

There are a total of 150 pilots flying out of the two airports, with some 400 ground personnel employed for support. In the past three years, British Airways Helicopters' operation, nearly all of which is serving the North Sea oil fields, has grown from six to 18 aircraft and flying time has tripled, as well, Zingel told AC&O. There are 83 pilots in the firm. At Sumburgh, Zingel said an average of eight or nine British Airways Helicopter flights are scheduled daily, accounting for about 80 percent of the company's flying time. The remainder is taken up with special charters and unscheduled runs to the oil platforms.

The S61N has a built-in safety feature for use in such rugged conditions. It is a twin engine aircraft, so there is always back-up power if one engine fails. The helicopters are equipped with the latest navigational aids, and are also used in North Sea search and rescue operations. The search and rescue work is in conjunction with the British government, and ensures safety in an area where conditions can be extremely dangerous.



The easily-recognizable nose of a Sikorsky S61N, the main mode of transportation to and from North Sea oil platforms.

now has five of the big Sikorsky aircraft each at Aberdeen and Sumburgh. Bristow runs only one to three out of Sumburgh, but has a fleet of 15

Anch Times Feb 16, 1977

Stevens Cites Directive To Speed Offshore Leasing

Congress has directed the Interior Department to accelerate offshore oil and gas leasing, Alaska's Sen. Ted Stevens said yesterday, and since 70 per cent of the nation's outer continental shelf lies off Alaska's shores, "the question is where and when and under what conditions."

Stevens, here for the congressional recess, said it shouldn't be surprising that Interior Secretary Cecil Andrus canceled the lower Cook Inlet lease sale, which was scheduled for Feb. 23 by his predecessor.

"He (Andrus) wanted to make the decision himself," Stevens said. "The first thing that happened after he became secretary was to be sued over his predecessor's decision (to hold the lower Cook Inlet sale). If he was going to be sued, he wanted it to be on the basis of his own decision.

"What he will do, I don't know," Stevens said. "But I don't think we ought to overreact to his (Andrus) acting in a rational manner.

"I still believe that lower Cook Inlet oil development ought to go ahead under safeguards for the fish-

The Anchorage Times

ing industry and for protection of the total environmental area there, including Kachemak Bay and others.

"But I think we ought to recognize the secretary must be in a position to personally defend the order (for a lease sale)."

Stevens said there are strong forces in the Congress which believe that the development of the outer continental shelf has been delayed by industry waiting for oil and gas prices to change and trying to create a false shortage.

"I don't agree," he said. "I don't think people realize the complexity of outer continental shelf development. Most don't realize that 70 per cent of it is off Alaska. I believe they are going to get a little bit better educated. Every year, members of Congress who have been there a while sound more reasonable. But when we just get someone to the

place he understands the problems, he either retires or gets defeated for re-election.

Towboats Slice Mississippi Ice

ST. LOUIS (AP) — For the first time since Jan. 19, the Mississippi River has been opened to commercial traffic, the U.S. Coast Guard announced.

Towboats succeeded in breaking up ice above Cairo, Ill., and the channel between there and St. Louis was 300 feet wide and nine feet deep in most places, officials report.

Officials warned there were still some obstacles such as sunken barges that could present a hazard to navigation.