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1. NAME: [Faint text]
 2. ADDRESS: [Faint text]
 3. PHONE: [Faint text]
 4. SUBJECT: [Faint text]
 5. DATE: [Faint text]

FEDERAL TELECONFERENCE PARTICIPANTS

NAME: [Faint text]
 ADDRESS: [Faint text]
 PHONE: [Faint text]

NAME REPRESENTING ADDRESS PHONE #
 [Faint text] [Faint text] [Faint text]

OBSERVER
 NAME REPRESENTING ADDRESS PHONE #

TESTIFIED: _____ 1 _____
OBSERVED: _____ 0 _____
TOTAL: _____ 1 _____

START TIME: 8:30 A.M.
END TIME: 10:00 A.M.

* DELIVER TO: 100108

* ORIGINAL

* DATE: 08/03/87 TIME: 12:30

* FROM: 100108

* SUBJECT: 1. REC 3/5 T/S

* PRINT DATE: 08/03/87 TIME: 12:30

TO ONE (1) COPY OF FOR THE (1) (1) THIS MORNING AT 100108

FOR DELIVERY TO

* DELIVER TO: 100108

* ORIGINAL

* DATE: 08/03/87 TIME: 10:00

* FROM: 100108

* SUBJECT: 1. REC 3/5 T/S

* PRINT DATE: 08/03/87 TIME: 10:00

AMERICAN FEDERAL TELETYPE

DATE: _____
TIME: _____
FROM: _____
SUBJECT: _____
OPERATOR: _____

JUSTIFY

PAID BANKS HAD NO TYPING

DESERVE:

NAME REPRESENTING ADDRESS PHONE #

FAIRBANKS HAD NO OBSERVERS

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082540

ED PHILLIPS
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THE FOLLOWING REPORT WAS SUBMITTED BY THE DISTRICT OF COLUMBIA
TELECOMMUNICATIONS

WAS ANCHORED PARALLEL TEST WERE

TIME	FROM	TO	REMARKS
10:00	WASH DC	NEW YORK	TEST WERE
10:05	NEW YORK	WASH DC	TEST WERE
10:10	WASH DC	NEW YORK	TEST WERE
10:15	NEW YORK	WASH DC	TEST WERE
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10:45	NEW YORK	WASH DC	TEST WERE
10:50	WASH DC	NEW YORK	TEST WERE
10:55	NEW YORK	WASH DC	TEST WERE
11:00	WASH DC	NEW YORK	TEST WERE
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11:45	NEW YORK	WASH DC	TEST WERE
11:50	WASH DC	NEW YORK	TEST WERE
11:55	NEW YORK	WASH DC	TEST WERE
12:00	WASH DC	NEW YORK	TEST WERE

for revenues -

1. Ed Phillips, DNR oil & gas economist - what's at stake
2. you can introduce my memo or I can speak on it
for a couple of minutes -
3. Koester to answer questions -
4. ask Katz to stay on line? D.C. angle on what to
expect from Congress

HOUSE COMMITTEE REPORT

(9)

Date referred: 2/25/87

FURTHER REFERRALS: Finance

DATE: 3/3/87

The Resources Committee has considered CSSB 101(Fin)

"An Act making a special appropriation to the Office of the Governor for representation of the State's position on the Arctic National Wildlife Refuge; and providing for an effective date."

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

Sam R. GTS

John Keener

Raymond Hill

Mike Favane

SIGNING OTHER RECOMMENDATIONS:

Adelheid Herrmann No Rec

Dick Stutz No Rec

Clyff Davidson (no rec)

John ... (no rec)

Sam R. GTS
Chairman's signature

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 3, 1987

The Honorable Jan Faiks
President of the Senate
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Faiks:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill to appropriate \$393,000 for the purpose of representing the state's position on the oil and gas development of the coastal plain of the Arctic National Wildlife Refuge (ANWR).

Background Information:

During its consideration of the Alaska National Interest Lands Conservation Act (ANILCA), the U.S. Congress recognized that there is a high potential of discovering oil and gas deposits on the coastal plain of the Arctic National Wildlife Refuge. Under provisions of the Alaska Statehood Act and other federal law, any revenue generated from oil and gas development in ANWR would be shared by the federal government with the State of Alaska. Based on the current estimates, as much as \$32 billion in revenues could accrue to the state from development of ANWR. Therefore, a decision by Congress on whether to open the refuge to oil and gas exploration could have important consequences both for the state's economic future and for the nation's energy needs.

Given the high oil and gas resource potential contained in the coastal plain of ANWR, Congress, under Section 1001 of ANILCA, directed the secretary of the interior to assess ANWR for potential oil and gas resources and make recommendations concerning future use and management of those resource as well as protection of the wildlife resources of ANWR.

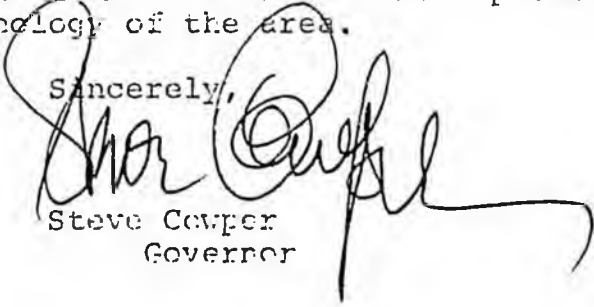
Section 1002(h) of ANILCA requires that the secretary, in consultation with the governor, conduct a continuing inventory and study of the fish and wildlife of the coastal plain of ANWR and submit a final report, known as the 1002(h) report, to Congress.

Budget Requirements:

This is an extremely important issue to the state in terms of potential employment and revenue. Similarly, since ANWR is a wildlife refuge, protection of nationally recognized fish and wildlife resources that reside in the area is also important. In order to achieve the delicate balance between developing ANWR and protecting the fish and wildlife resources, special efforts will be required at the state and national level. Such efforts will likely require additional travel by agency staff to Washington, D.C., to consult with Washington officials, assist the governor's office with additional public relations and lobbying efforts, and some additional travel within Alaska.

Discussions are presently occurring regarding the acquisition of land in ANWR by a number of Native corporations, and possibly the state, in exchange for land owned (by the Native corporations and the state) elsewhere in Alaska. In the event these land exchanges appear to be in the state's best interest, a significant amount of money will be required by the state to conduct computer processing, modeling efforts, and field work to obtain needed area-specific information regarding the geology of the area.

Sincerely,



Steve Cooper
Governor

MEMORANDUM

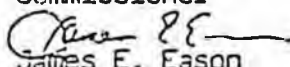
State of Alaska

RE
Do you
have?

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS

TO: Judith M. Brady
Commissioner

DATE: January 12, 1987

THRU: 
James E. Eason
Director

FILE NO:

TELEPHONE NO: 561-2020

FROM: Edward Phillips
Petroleum Economist

SUBJECT: Arctic National
Wildlife Refuge (ANWR)
Land Trades and
Potential State Revenue

DNR geologists and geophysicists are in unanimous agreement that lands within the coastal plain of ANWR represent the best remaining potential for major oil and gas discoveries in Alaska. This estimated potential substantially exceeds that of remaining unleased state lands. Under current law, federal leasing of ANWR lands for oil and gas development would yield 90 percent of any bonuses, rentals and royalty income to the state. In addition, the state would receive severance, corporate, property and conservation taxes from development of ANWR leases. However, the royalty share alone could constitute upwards of 70 percent of total state revenue from potential ANWR development.

Both past and proposed ANWR land trades with native corporations reduce the revenue potential to the state by eliminating the state's share of potential federal bonuses, rentals and royalties, but not state taxes. Although the state's overall severance tax revenues would increase from development of ANWR regardless of whether or not the royalty share is reduced by exchanges, this gain is inconsequential by comparison to the state's potential royalty loss from additional federal exchanges with third parties.

Given ANWR's oil and gas potential, these losses could be substantial. The attached table reflects the staff estimates of the relative state revenue impacts of ANWR development assuming no additional exchanges and no legislative reduction in the state's 90 percent share of revenues from leasing in ANWR. (The revenue projections contained in Table 1 are derived from the geological, geophysical and economic information contained in the Draft ANWR Coastal Plain Resource Assessment (1002 Report)). The draft report data and assumptions were used by the federal government to compute the Net National Economic Benefits (NNEB) from leasing ANWR and to provide the justification for the policy recommendations contained within the report.

Specific assumptions underlying the attached revenue projections are not crucial to the basic issue, which is one of relative shares, or how the potential pie is sliced rather than absolute amount(s) involved. No revenue projection or forecast that has the year 2000 as a base year can be treated as a likely outcome. It is more properly viewed as "one possible outcome." The use of federal revenue numbers just assures us that we are all speaking the same language.

Judith M. Brady, Commissioner
January 12, 1987
Page 2

The assumptions underlying the estimates of potential land trade-related revenue gains and losses to the state have geological, geophysical and economic components. ~~X~~ The 1002 Report indicates that if oil is discovered, the average recoverable reserves are estimated at 3.2 billion barrels. This quantity was used for the NNEB estimate derived by ELM for the draft 1002 report, and provides the "assumed" reserve base or recoverable reserves for this discussion. ~~X~~ In our analysis, production would commence (from two fields) in 2000 at a 1984 dollar price of \$33.00 per barrel, and escalate at one percent per year in real terms (production from one of the fields could be delayed for a year or two without substantially affecting the results). ~~X~~ All estimates are in 1984 dollars, hence they are net of inflation, but they are not discounted to reflect the time value (time preference) of funds to the state.

The estimates are for the years 2000 through 2010. Production cannot realistically be expected much before that time, and the Department of Revenue currently does not provide estimates of Prudhoe Bay revenues embodying the federal price assumptions for periods beyond 2010.

As Table I illustrates, potential ANWR revenues to the state (even given current ASRC/KIC inholdings) could be substantial, exceeding those of Prudhoe Bay by the year 2003. By the year 2010, ANWR's revenue potential is almost double that of Prudhoe Bay using the federal price assumptions. This would be true of almost any set of prices exceeding the development threshold for ANWR. Based upon the assumptions we have analyzed, any further transfers of prospective ANWR lands from federal jurisdiction reduces the state's per-barrel revenue potential by about 70 percent as a result of loss to the state of potential royalties, bonuses and rentals. As can be seen from Table 1, the potential royalty revenue at stake exceeds six billion dollars.

~~X~~ We believe a significant transfer of revenue potential has already occurred by virtue of ASRC's receipt of subsurface title to the two inholdings near Kaktovik. The Oil and Gas Section of CMGGS has estimated that up to 25% of ANWR's oil and gas reserve potential may be contained in lands already received by ASRC. Thus, this land trade could cost the state as much as \$1.6 billion (1984 \$) in lost royalty revenues if the assumptions used in the draft 1002 report and in this analysis are assumed. The volume of oil and gas discovered and its relative locations will ultimately determine the extent of the revenue "loss" associated with the previous ASRC/KIC land trades and any future land trades.

Attachment

0274P

TABLE I

ESTIMATED POTENTIAL INCOME 2000 TO 2010*
(10⁶ 1984\$)

Year	Prudhoe Bay			ANWR (with current ASRC inholding)			ANWR Revenue as % of P.B. Revenue
	Royalty	Severance	Total	Royalty	Severance	Total	
2000	1056	670	1726	155	0 [?]	155	9
2001	923	573	1496	528	234	762	51
2002	914	488	1302	767	412	1179	85
2003	711	419	1130	779	418	1197	106
2004	625	362	987	790	425	1215	123
2005	534	313	847	711	431	1142	135
2006	430	266	696	629	341	970	139
2007	359	223	582	560	266	826	142
2008	294	179	473	506	206	712	151
2009	235	138	373	448	148	596	160
2010	159	100	259	406	105	511	197
	<u>6140</u>	<u>3731</u>	<u>9871</u>	<u>6279</u>	<u>2986</u>	<u>9265</u>	

Ass →
/100

3465 2986 6465

* using federal price assumptions

this reduction to 50% results in
a total revenue reduction of 30%
over this period of time

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

STEVE COWPER, GOVERNOR

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PHONE: (907) 452-1568

P.O. BOX K-STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

March 2, 1987

The Honorable Sam Cotten
Co-Chairman
Resources Committee
P.O. Box V
Juneau, AK 99811

Re: 90-10 Revenue distribution
for federal lands

Dear Representative Cotten:

In a February 26, 1987 memorandum, you asked a number of questions regarding federal-state sharing of oil and gas revenues in the event of oil and gas leasing in the Arctic National Wildlife Refuge ("ANWR"). You asked:

1) If the Congress were to repeal the provisions of ANILCA closing the ANWR coastal plain to oil and gas exploration and drilling, without amending the Mineral Leasing Act of 1920 or the Statehood Act, would the State be entitled to 90 percent of the federal oil and gas revenues derived from Refuge lands? Are there foreseeable circumstances under which federal lands in the coastal plain could be considered other than "public land" subject to the Mineral Leasing Act and the 90-10 federal-state revenue sharing arrangement?

2) Was PET 4 (the former Naval Petroleum Reserve) "public land" subject to the same 90-10 revenue sharing arrangement as other public land in Alaska? When the NPRA Act passed in 1976, did it reduce or expand the state's revenue entitlement from the affected acreage?

Before answering your specific questions, it may be helpful briefly to review the background of the 90-10 revenue sharing arrangement which currently exists. The distribution of oil and gas revenues from federal lands depends on whether they are "acquired lands" or "public domain lands." In general, "acquired lands are those granted or sold to the United States by a State or citizen and public domain lands were usually never in state or private ownership." Wallis v. Pan American Pet. Corp., 384 U.S. 63, 65 n.2 (1966).

Oil and gas leasing on acquired lands is governed by the Mineral Leasing Act for acquired lands, 30 U.S.C. §§ 351 et seq. Under that Act, revenues from oil and gas leases on acquired lands are to be "distributed in the same manner as prescribed for other receipts from the lands affected by the lease." 30 U.S.C. § 355. As applied to wildlife refuges created from acquired lands, this provision requires that oil and gas revenues be distributed according to the formula contained in the Wildlife Refuge Revenue Sharing Act, 16 U.S.C. § 715s, which provides that 75 percent of the revenues go to the federal government and 25 percent of the revenues go to the county in which the wildlife refuge is located. The rationale for this distribution formula is that the lands were on local tax roles while in private ownership, and giving some of the receipts from the lands to the local county compensates the county for the loss of those property tax revenues.

Oil and gas leasing on public domain lands is governed by the Mineral Leasing Act of 1920, 30 U.S.C. §§ 181 et seq. Under that Act, 90 percent of the revenues are dedicated to the benefit of the states */ and 10 percent are paid into the United States Treasury.

This 90-10 revenue distribution formula applies to both vacant, unappropriated and unreserved public domain

*/ For lower 48 states, 50 percent of federal oil and gas revenues from public domain lands are paid directly to the states and 40 percent is deposited into the Reclamation Fund created by the Reclamation Act of 1902. Because Alaska is not covered by the Reclamation Act and receive no benefits from the Reclamation Fund, we receive the full 90 percent of such revenues from federal public domain lands in Alaska.

lands and (with limited exceptions not applicable here) public domain lands withdrawn and reserved for specific purposes, including withdrawals and reservations for wildlife refuges. I represented Alaska in Watt v. Alaska, 451 U.S. 259 (1981), in the United States Supreme Court. The precise issue in that case was whether the 90-10 revenue distribution formula applied to the withdrawn and reserved lands of the Kenai National Moose Range. The Supreme Court, over the United States' objection, held that it did.

Like the lands in the Moose Range, the lands in ANWR were withdrawn and reserved from the public domain for refuge purposes; they are not acquired lands. There is no substantive distinction between the Moose Range lands and the lands in ANWR, and there is no substantive legal basis for concluding that federal oil and gas leasing revenues from ANWR would be distributed differently than those from the Moose Range under existing law.

The revenue distribution formula in the Mineral Leasing Act represented an historic trade-off in the history of public land law. In enacting it, Congress terminated its historic policy of disposing of the public lands. Instead, it determined that the federal government should retain those public lands remaining in the states, but should use most of the mineral revenues from those lands for the state's benefit. See generally, Fairfax and Yale, The Financial Interest of Western States in Non-Tax Revenues From the Federal Public Lands (manuscript copy published by the Western Legislative Conference, Council of State Governments, and the Lincoln Institute of Land Policy in 1985). This historic compromise has governed distribution of mineral revenues from federal lands, particularly in the western states, since 1920, and we can see no foreseeable circumstances under which that fundamental compromise would be changed at this time.

Accordingly, the answers to your first set of questions are: (1) The state would be entitled to 90 percent of the federal oil and gas revenues derived from ANWR lands if Congress repealed the closure of the ANWR coastal plain in ANILCA without amending the Mineral Leasing Act of 1920 or the Statehood Act; and (2) we see no foreseeable circumstances under which the ANWR coastal plain would not be subject to the Mineral Leasing Act.

As noted briefly above, there are a few limited exceptions in the Mineral Leasing Act. One of these is for

"lands within the naval petroleum and oil-shale reserves." 30 U.S.C. § 181. The revenue distribution provisions of the Mineral Leasing Act provide that all monies which may accrue to the United States "from lands within the naval petroleum reserves shall be deposited in the Treasury as 'miscellaneous receipts' ..." 33 U.S.C. § 191.

In other words, at the time of the historic compromise when the United States decided to retain large tracts of lands and share the benefits of mineral development with the states in which those lands were located, it expressly exempted from that sharing any benefits deriving from the naval petroleum and oil-shale reserves. Former Naval Petroleum Reserve No. 4 ("PET 4"), now known as the National Petroleum Reserve in Alaska ("NPRA"), accordingly has never been subject to the Mineral Leasing Act of 1920 and the 90-10 revenue distribution formula had no application to any revenues from NPRA. In section 11 of the Alaska Statehood Act, Congress retained the exclusive legislative authority over PET 4 as long as it remained a naval reserve, so its status as far as federal-state relations has always been somewhat different than other federal lands. When Congress finally opened NPRA to competitive leasing in 1980, it did so independently of the Mineral Leasing Act. It was that separate congressional action in 1980 -- not the Mineral Leasing Act -- which resulted in the state receiving 50 percent of revenues from oil and gas leasing in NPRA. See 42 U.S.C. § 6508. Absent that congressional action, the state would have been entitled to none of the revenues from NPRA.

Summarizing, the answers to your second set of questions are: (1) PET 4 was never subject to the same 90-10 revenue sharing arrangement; instead, it was a specific (and single) exception to the 90-10 revenue sharing formula; and (2) when Congress authorized leasing in NPRA, it provided that the state was to receive 50 percent of the revenues instead of none of those revenues which is what the current law at that time would have provided in the absence of congressional action.

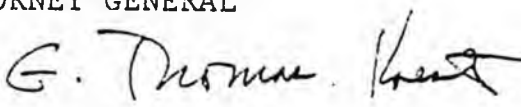
The Honorable Sam Cotten
Co-Chairman, Resources Committee

March 2, 1987
Page 5

I hope this answers your questions. If we can be of further assistance, please contact us at your convenience.

Sincerely,

GRACE BERG SCHAIBLE
ATTORNEY GENERAL

By: 
G. Thomas Koester
Assistant Attorney General

GTK/dlm

cc: Lieutenant Governor Stephen McAlpine
Commissioner Judy Brady, DNR
Commissioner Don W. Collinsworth, F&G
Commissioner Dennis Kelso, DEC
John Katz, Office of the Governor
Bob Grogan, Office of the Governor
Rod Swope, Office of the Governor

The Honorable Jan Faiks
President of the Senate
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Faiks:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill to appropriate \$393,000 for the purpose of representing the state's position on the oil and gas development of the coastal plain of the Arctic National Wildlife Refuge (ANWR).

Background Information:

During its consideration of the Alaska National Interest Lands Conservation Act (ANILCA), the U.S. Congress recognized that there is a high potential of discovering oil and gas deposits on the coastal plain of the Arctic National Wildlife Refuge. Under provisions of the Alaska Statehood Act and other federal law, any revenue generated from oil and gas development in ANWR would be shared by the federal government with the State of Alaska. Based on the current estimates, as much as \$32 billion in revenues could accrue to the state from development of ANWR. Therefore, a decision by Congress on whether to open the refuge to oil and gas exploration could have important consequences both for the state's economic future and for the nation's energy needs.

Given the high oil and gas resource potential contained in the coastal plain of ANWR, Congress, under Section 1001 of ANILCA, directed the secretary of the interior to assess ANWR for potential oil and gas resources and make recommendations concerning future use and management of those resource as well as protection of the wildlife resources of ANWR.

Section 1002(h) of ANILCA requires that the secretary, in consultation with the governor, conduct a continuing inventory and study of the fish and wildlife of the coastal plain of ANWR and submit a final report, known as the 1002(h) report, to Congress.

Budget Requirements:

This is an extremely important issue to the state in terms of potential employment and revenue. Similarly, since ANWR is a wildlife refuge, protection of nationally recognized fish and wildlife resources that reside in the area is also important. In order to achieve the delicate balance between developing ANWR and protecting the fish and wildlife resources, special efforts will be required at the state and national level. Such efforts will likely require additional travel by agency staff to Washington, D.C., to consult with Washington officials, assist the governor's office with additional public relations and lobbying efforts, and some additional travel within Alaska.

Discussions are presently occurring regarding the acquisition of land in ANWR by a number of Native corporations, and possibly the state, in exchange for land owned (by the Native corporations and the state) elsewhere in Alaska. In the event these land exchanges appear to be in the state's best interest, a significant amount of money will be required by the state to conduct computer processing, modeling efforts, and field work to obtain needed area-specific information regarding the geology of the area.

Sincerely,

/s/ Steve Cowper
Steve Cowper
Governor"

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President of the Senate
Alaska State Legislature
P.O. Box V
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Sincerely,

/s/ Steve Cowper
Steve Cowper
Governor"

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

STEVE COWPER, GOVERNOR

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March 2, 1987

The Honorable Sam Cotten
Co-Chairman
Resources Committee
P.O. Box V
Juneau, AK 99811

Re: 90-10 Revenue distribution
for federal lands

Dear Representative Cotten:

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2) Was PET 4 (the former Naval Petroleum Reserve) "public land" subject to the same 90-10 revenue sharing arrangement as other public land in Alaska? When the NPRA Act passed in 1976, did it reduce or expand the state's revenue entitlement from the affected acreage?

Before answering your specific questions, it may be helpful briefly to review the background of the 90-10 revenue sharing arrangement which currently exists. The distribution of oil and gas revenues from federal lands depends on whether they are "acquired lands" or "public domain lands." In general, "acquired lands are those granted or sold to the United States by a State or citizen and public domain lands were usually never in state or private ownership." Wallis v. Pan American Pet. Corp., 384 U.S. 63, 65 n.2 (1966).

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This 90-10 revenue distribution formula applies to both vacant, unappropriated and unreserved public domain

*/ For lower 48 states, 50 percent of federal oil and gas revenues from public domain lands are paid directly to the states and 40 percent is deposited into the Reclamation Fund created by the Reclamation Act of 1902. Because Alaska is not covered by the Reclamation Act and receive no benefits from the Reclamation Fund, we receive the full 90 percent of such revenues from federal public domain lands in Alaska.

lands and (with limited exceptions not applicable here) public domain lands withdrawn and reserved for specific purposes, including withdrawals and reservations for wildlife refuges. I represented Alaska in Watt v. Alaska, 451 U.S. 259 (1981), in the United States Supreme Court. The precise issue in that case was whether the 90-10 revenue distribution formula applied to the withdrawn and reserved lands of the Kenai National Moose Range. The Supreme Court, over the United States' objection, held that it did.

Like the lands in the Moose Range, the lands in ANWR were withdrawn and reserved from the public domain for refuge purposes; they are not acquired lands. There is no substantive distinction between the Moose Range lands and the lands in ANWR, and there is no substantive legal basis for concluding that federal oil and gas leasing revenues from ANWR would be distributed differently than those from the Moose Range under existing law.

The revenue distribution formula in the Mineral Leasing Act represented an historic trade-off in the history of public land law. In enacting it, Congress terminated its historic policy of disposing of the public lands. Instead, it determined that the federal government should retain those public lands remaining in the states, but should use most of the mineral revenues from those lands for the state's benefit. See generally, Fairfax and Yale, The Financial Interest of Western States in Non-Tax Revenues From the Federal Public Lands (manuscript copy published by the Western Legislative Conference, Council of State Governments, and the Lincoln Institute of Land Policy in 1985). This historic compromise has governed distribution of mineral revenues from federal lands, particularly in the western states, since 1920, and we can see no foreseeable circumstances under which that fundamental compromise would be changed at this time.

Accordingly, the answers to your first set of questions are: (1) The state would be entitled to 90 percent of the federal oil and gas revenues derived from ANWR lands if Congress repealed the closure of the ANWR coastal plain in ANILCA without amending the Mineral Leasing Act of 1920 or the Statehood Act; and (2) we see no foreseeable circumstances under which the ANWR coastal plain would not be subject to the Mineral Leasing Act.

As noted briefly above, there are a few limited exceptions in the Mineral Leasing Act. One of these is for

"lands within the naval petroleum and oil-shale reserves." 30 U.S.C. § 181. The revenue distribution provisions of the Mineral Leasing Act provide that all monies which may accrue to the United States "from lands within the naval petroleum reserves shall be deposited in the Treasury as 'miscellaneous receipts' ..." 33 U.S.C. § 191.

In other words, at the time of the historic compromise when the United States decided to retain large tracts of lands and share the benefits of mineral development with the states in which those lands were located, it expressly exempted from that sharing any benefits deriving from the naval petroleum and oil-shale reserves. Former Naval Petroleum Reserve No. 4 ("PET 4"), now known as the National Petroleum Reserve in Alaska ("NPRA"), accordingly has never been subject to the Mineral Leasing Act of 1920 and the 90-10 revenue distribution formula had no application to any revenues from NPRA. In section 11 of the Alaska Statehood Act, Congress retained the exclusive legislative authority over PET 4 as long as it remained a naval reserve, so its status as far as federal-state relations has always been somewhat different than other federal lands. When Congress finally opened NPRA to competitive leasing in 1980, it did so independently of the Mineral Leasing Act. It was that separate congressional action in 1980 -- not the Mineral Leasing Act -- which resulted in the state receiving 50 percent of revenues from oil and gas leasing in NPRA. See 42 U.S.C. § 6508. Absent that congressional action, the state would have been entitled to none of the revenues from NPRA.

Summarizing, the answers to your second set of questions are: (1) PET 4 was never subject to the same 90-10 revenue sharing arrangement; instead, it was a specific (and single) exception to the 90-10 revenue sharing formula; and (2) when Congress authorized leasing in NPRA, it provided that the state was to receive 50 percent of the revenues instead of none of those revenues which is what the current law at that time would have provided in the absence of congressional action.

The Honorable Sam Cotten
Co-Chairman, Resources Committee

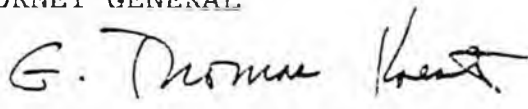
March 2, 1987
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I hope this answers your questions. If we can be of further assistance, please contact us at your convenience.

Sincerely,

GRACE BERG SCHAIBLE
ATTORNEY GENERAL

By:


G. Thomas Koester
Assistant Attorney General

GTK/dlm

cc: Lieutenant Governor Stephen McAlpine
Commissioner Judy Brady, DNR
Commissioner Don W. Collinsworth, F&G
Commissioner Dennis Kelso, DEC
John Katz, Office of the Governor
Bob Grogan, Office of the Governor
Rod Swope, Office of the Governor

*Contract accounts
PE 1/1/87
rights from Indians*

BUDGET REQUIREMENTS

The following budget requests/needs were identified by the indicated agency as being necessary to effectively deal with various aspects of ANWR decision making. This budget request would be presented to the Legislature as a request by the Governor's Office for a supplemental appropriation.

Department of Law

° FY 87

One trip to Washington, D.C., to consult with Washington officials (air fare \$1,204, per diem \$558). \$ 1,762

Outside counsel with Charles Meyers of Gibson, Dunn & Crutcher, author of Williams & Meyers, Oil & Gas Law. \$ 25,000

° FY 88

Based on the ANILCA experience, an equivalent of ten trips to Washington, D.C., would likely be necessary. \$ 16,938

Department of Natural Resources

° FY 87

One trip to Washington, D.C., to consult with Washington officials (air fare \$1,204, per diem \$558). \$ 1,762

Charter flights for appraisal staff to field inspect @ 900,000 acres of state land (selected and TA's). \$ 12,500

Aerial photos, USGS maps, printing, reproductions, films, etc., for land appraisal work. \$ 1,500

° FY 88

One trip to Washington, D.C., to consult with Washington officials. \$ 1,762

Title litigation reports, insurance, reproductions, printings. \$ 2,500

Department of Fish and Game

° FY 87

One trip to Washington, D.C., to consult with Washington officials (air fare \$1,204, per diem \$558).

\$ 1,762

° FY 88

One trip to Washington, D.C., to consult with Washington officials to work on land exchanges.

\$ 1,762

Department of Environmental Conservation

° FY 87

Two full time equivalents at the Environmental Engineer III level will be needed. One would serve as the prime organizer and reviewer. The second would take the lead in preparing description of past management practices. Staff in all areas of the agency would be drawn upon as well. Both positions would be stationed in Fairbanks. (Costs for these positions, calculated on the basis of four (4) months funding for salary and benefits, March thru June 1987, using the appropriate Fairbanks salary schedule.)

\$ 38,310

*Water
air
Hazardous
waste*

Two (2) trips to ANWR.
(Costs include air fare and per diem.)
(Approximately \$3,500 per trip)

\$ 7,000

° FY 88

Two full time equivalents at the Environmental Engineer III level will be needed. One would serve as the prime organizer and reviewer. The second would take the lead in preparing description of past management practices. Staff in all areas of the agency would be drawn upon as well. Both positions would be stationed in Fairbanks. (Costs for these positions, calculated on the basis of eight (8) months funding for salary and benefits, July 1987 thru February 1988, using the appropriate Fairbanks salary schedule.)

\$ 76,620

Five (5) trips to ANWR.
(Costs include air fare and per diem.)
(Approximately \$3,500 per trip)

\$ 18,070

One trip to Washington, D.C., for technical consultations with Washington officials.

\$ 1,762

Governor's Office, Washington, D.C.

° FY 87

One full time position to lobby, assist in liaison with Washington, D.C. interest groups, attend hearings and meetings, help coordinate various elements of an advocacy program, and maintain contact with agency personnel and others in Alaska. (Costs for this position calculated on the basis of four (4) months funding for salary and benefits, March thru June 1987, using the appropriate Juneau salary schedule.)

\$ 16,765

Lobbying firm contract. (Costs for this contract, calculated based upon an estimated \$9,000 per month for four (4) months. March thru June 1987.)

\$ 36,000

Public relations/media firm contract. (Costs for this contract, calculated based upon an estimated \$9,000 per month for four (4) months, March thru June 1987.)

\$ 36,000

° FY 88

One full time position to lobby, assist in liaison with Washington, D.C. interest groups, attend hearings and meetings, help coordinate various elements of an advocacy program, and maintain contact with agency personnel and others in Alaska. (Costs for this position calculated on the basis of twelve (12) months funding for salary and benefits, July 1987 thru June 1988, using the appropriate Juneau salary schedule.)

\$ 50,295

Lobbying firm contract. (Costs for this contract, calculated based upon an estimated \$9,000 per month for twelve (12) months. July 1987 thru June 1988.)

\$108,000

Public relations/media firm contract. (Costs for this contract, calculated based upon an estimated \$9,000 per month for twelve (12) months, July 1987 thru June 1988.)

\$108,000

FUNDING REQUEST FY 87

Supplemental

Governor's Office	\$ 88,765
Law	26,762
DNR	15,762
DFG	1,762
DEC	45,310

FY 87 TOTAL

\$178,361

FUNDING REQUEST FY 88

Operating Budget
Increment

Governor's Office	\$266,295
Law	16,938
DNR	4,262
DFG	1,762
DEC	96,452

FY 88 TOTAL

\$385,709

FY87 - position 776