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HOUSE COMMITTEE REPORT

(9)

5/16/87

Finance

Date referred:

FURTHER REFERRALS:

DATE: 5/17/87

The Resources Committee has considered SB 289am

"An Act establishing the Arctic National Wildlife Refuge Policy Council; and providing for an effective date."

RECOMMENDS:

- replace with HCS CSSB 289 (Res) 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 5/5/87
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

Jan Galt

Mike Lavano

Paul Shurt

Heinrich Sprung

True Earce

SIGNING OTHER RECOMMENDATIONS:

Adelheid Herrmann DO NOT PASS!

do not pass

no rec

Jan Galt

Chairman's signature

Apparently Free Conf. has adopted
\$150,000 in Leg. Budget
for Council

1 IN THE SENATE

BY COGHILL

2

SENATE BILL NO. 289 am

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act establishing the Arctic National Wildlife

7

Refuge Policy Council; and providing for an effective

8

date."

9

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

10

* Section 1. FINDINGS. The legislature finds that

11

(1) state policy supports ^{agency} the [recommendation to the United

12

States Congress by the Secretary of the United States Department of the

13

Interior to open ^{civilly (1982)} the coastal plain of the Arctic National Wildlife Refuge

14

to oil and gas exploration, development, and production; ^{under the 1920 Act}

15

(2) the long term effects that Congressional action will have on

16

the citizens of Alaska requires that the state properly monitor the federal

17

public process through an ad hoc group established for that purpose.

18

* Sec. 2. ARCTIC NATIONAL WILDLIFE REFUGE POLICY COUNCIL. (a) The

19

Arctic National Wildlife Refuge Policy Council is established and consists

20

of the governor, the commissioner of natural resources, one person ap-

21

pointed by the governor, the president of the senate, the chairman of the

22

senate resources committee, one person appointed by the president of the

23

senate, the speaker of the house of representatives, the chairman of the

24

house resources committee, and one person appointed by the speaker of the

25

house of representatives.

26

(b) The Arctic National Wildlife Refuge Policy Council shall seek to

27

achieve a consensus in the state on issues relating to the Arctic National

28

Wildlife Refuge and advocate those positions before the Congress and other

29

forum that the council considers desirable.

1 * Sec. 3. This Act is repealed June 30, 1988.

2 * Sec. 4. This Act takes effect immediately under AS 01.1J.070(c).

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*add
any*

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3
3*

Sund

Sund

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SB0289b

-1-

SB 289 am

report, 15-14 A.S. legislature, feb 1, 2nd session of the

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Brent says the page is still
open although the motion
has been made —

Approp. could be reduced —
they are probably waiting
for the bill —

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

Bill Version : SB 289 an
Publish Date : _____

REQUEST: _____

Revision Date: _____
Title: Establishing the ANWR Policy Council
and providing an effective date
Sponsor: Senate Resource Committee
Requestor: _____

Agency Affected: _____
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		62.292	32.292			
TRAVEL		80.0	30.0			
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS		5.708				
TOTAL OPERATING		150.300	100.1			
CAPITAL		-0-				
REVENUE		-0-				

FUNDING: (Thousands of Dollars)

GENERAL FUND		150.300				
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME		2				
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Senate Committee on Resource Phone: 465-4797
Division: _____ Date: _____
Approved by Chairman _____ Date: May 5, 1987
Agency: Commissioner _____

- Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

Alaska State Legislature

Senate Resources Committee



Sen. John B. (Jack) Coghill, Chairman
Sen. Paul Fischer, Vice-Chairman
Sen. Lloyd Jones
Sen. Arliss Sturgulevski
Sen. Jim Duncan
Sen. Fred Zharoff
Sen. Dick Eliason

Box V
Juneau, Alaska 99811
(907) 465-4907

MEMORANDUM

TO: Senate Resource Committee Members

FROM: Senate Resource Committee Staff *BRG*

RE: SB 289; An Act establishing the Arctic National Wildlife Refuge Policy Council; and providing for an effective date.

DATE: May 6, 1987

This legislation creates a special ad hoc council to deal with the issues of ANWR and advocate its consensus positions before the Congress of the United States. The Policy Council will also monitor the federal public process on ANWR.

This measure is similar to the railbelt energy council statute. Comparatively this policy council is also sunsetted after a period of one fiscal year, June 30, 1988.

Included in your packet is a memo that Senator Coghill sent to Senators Faiks, Bennett and Binkley, regarding funding for this council.

This bill is also a product of the ANWR subcommittee report, draft joint resolution.

Alaska State Legislature

Senate Resources Committee



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Sen. Paul Fischer, Vice-Chairman
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Sen. Jim Duncan
Sen. Fred Zharoff
Sen. Dick Eliason

Box V
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(907) 465-4007

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Sen. Dick Eliason

Box V
Juneau, Alaska 99811
(907) 465-1007


MEMORANDUM

TO: Senator Jan Faiks
Senator Don Bennett
Senator John Binkley

FROM: Senator Coghill

RE: Arctic National Wildlife Refuge Policy Council;
Budget and Fiscal Note

DATE: May 5, 1987



The Senate Resource Committee has introduced legislation that will establish a special ad hoc policy council to deal with state policy on ANWR.

I have attempted to prepare as complete a budget and fiscal note for this council as possible. Considering the issues this council will be dealing with and the fact that the total membership of the council has not been determined at this point, exact figures could not be produced for travel expenses.

The Resource Committee Fiscal Note and Council Budget are attached.

Legal Services has advised me that the necessary appropriation can be made to the Legislative Council Budget, for the Arctic National Wildlife Refuge Policy Council, rather than to the Governors Office Budget.

Senator Faiks
Senator Bennett
Senator Binkley

May 5, 1987

Senator Coghill

BUDGET ESTIMATE

TOTAL PERSONNEL: 11

Members: 9

Staff:

Aide	12 months @ 2910.00	\$ 34,920
Secretary ...	12 months @ 2531.00	30,372

Total \$ 65,292

MEETING SCHEDULE AND COST ESTIMATE

<u>Month</u>	<u>Location</u>	<u>Cost/Est.</u>
May	Juneau	\$ 0
June	ANWR	10,000
July	Juneau	5,000
Sept.	Wash. D.C.	20,000
Nov	Juneau	5,000
Jan	Juneau	5,000
March	Anchorage	
	Fairbanks	
	Ketchikan	10,000
May	Juneau	5,000
June	Wash. D.C.	20,000
Travel and Per Diem		Total \$ 80,000

MISCELLANEOUS

Office Expenses Total \$ 5,000

TOTAL BUDGET

Travel and Per Diem: for 11 participants	\$ 80,000
Staff: 1 Aide, 1 Secretary/ Transcriptionist	65,292
Miscellaneous (Office Expenses)	5,708
TOTAL	\$ 150,300

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

Bill Version : SB 289
Publish Date : _____

REQUEST: _____

Revision Date: _____

Agency Affected : _____

Title : Establishing the ANWR Policy Council
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Sponsor : Senate Resource Committee

Components : _____

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OTHER						
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FULL-TIME		2				
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Senate Committee on Resource

Phone : 465-4797

Division : _____

Date : _____

Approved by Chairman
XXXXXXXXXX

Date : May 5, 1987

Distribution (by preparer) :
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

HARZA-



ANCHORAGE, ALASKA 99501 TEL. (907) 272 5585

TELECOPIER COVER LETTER

Date: 29 June 87 Time: 11:15

Total Number of Pages 4 including Cover Sheet

To: Ned Farguhar

Company: Asst. To Rep Cottan

From: Eric Youd (279-0471)

Re: Anwir Resolution for Special Session.

IF YOU DO NOT RECEIVE ALL THE PAGES PLEASE CALL BACK AS SOON AS POSSIBLE
DOCUMENT CONTROL DEPARTMENT (907-264-9360)

***** MESSAGE *****

** NED FARGUHAR - **
** HERE is the resolution that we propose be **
** adopted during the special session. Note that **
** the "land exchange" clause has been deleted. Sen **
** Coghil has reviewed the resolution and agrees with **
** it. I have sent a copy to Rod Swope and have **
** discussed it with him and he will be in contact with **
** you. The Governor is willing to consider this during **
** the special session if its speedy passage by both **
** houses of the Legislature can be assured. **
** Eric. **

***** MESSAGE *****

INITIAL DATE TIME

INITIAL REPORT
on the
ARCTIC NATIONAL WILDLIFE REFUGE, ALASKA

The Alaska State Senate
Committee on Resources

May 1987

INTRODUCTION

Due to the extensive public record which has been built through public hearings held across the state, this initial report constitutes what would normally be termed an Executive Summary.

The Senate Resources Subcommittee on the Arctic National Wildlife Refuge (ANWR) was established with the purpose of building a public record which the Alaska State Legislature could utilize in making an informed decision on proposed legislation regarding the ANWR. The second objective was to allow the public an opportunity to have input into this decision making process and access to the same information on which the legislature would base its policy decisions.

In order to fulfill these objectives, the subcommittee held public hearings in Fairbanks, Anchorage, Ketchikan and Kodiak. Members of this subcommittee were Senators Arliss Sturgelowski, Jim Duncan, Lloyd Jones, and Chairman Jack Coghill. During these hearings approximately 40 hours of public testimony have been taken and an uncertified transcript of this testimony has been completed.

Additional information in the form of reports, maps, pictures and correspondence, is also contained in this voluminous public record. This initial report does not attempt to footnote or reference any specific documents contained in the public record. This initial report is intended to provide an overview of the issues inherent in potential oil and gas activities conducted in the ANWR, and provide recommendations as to what the State of Alaska's policy should be in this regard.

Further hearings by the full Senate Committee on Resources were held in Juneau. It should also be recognized that the House Committee on Resources also held many public hearings on the subject of the ANWR in Juneau.

This report is assembled in a manner to highlight first the findings of the senate subcommittee; the findings are facts that can be documented in the public record; secondly, conclusions of the subcommittee, these points may or may not be referable summaries or judgements formed by the subcommittee, as a result of the hearing process; lastly this report contains recommendations of the subcommittee, these recommendations are assessments of the facts as they relate to the ANWR and they present policy direction.

It is anticipated that further documentation of the findings, conclusions and recommendations contained in this report will be performed using the public record at a later date.

This initial report was adopted by the full Senate Committee on Resources by unanimous vote on May 4, 1987.

TABLE OF ISSUES

Sections

1. The Arctic National Wildlife Refuge
2. The Potential for Hydrocarbon Discoveries in Economic Quantities
3. The Porcupine Caribou Herd
4. Land Exchanges: Value for Value, Buy Sell Agreements
5. State Oil Royalties: The Mineral Leasing Act of 1920
6. The Work Force: Local Hire
7. National Security Implications

Section 1: The Arctic National Wildlife Refuge

FINDINGS

- * The coastal plain of the Arctic National Wildlife Refuge contains the greatest potential on the North American continent for the United States to discover economic quantities of recoverable oil and gas reserves.
- * The coastal plain of the ANWR contains unique environmental and wildlife qualities which deserve consideration and encourage caution, in any scenario, to explore, develop or produce any hydrocarbon resources which may be present there.
- * The United States government has entered into treaties and agreements with the government of Canada and other countries with regard to the fish and wildlife species that either reside or occasionally frequent the coastal plain of the ANWR.
- * Only the Congress of the United States has the authority at this time to remove the restriction on oil and gas exploration, development and production in the coastal plain of the ANWR.
- * In the establishment of the Arctic National Wildlife Range in 1960, Congress recognized the possibility that hydrocarbon resources might be present in the coastal plain.
- * The indigencus people of Alaska, through their corporate representatives, have recognized the potential of the coastal plain of the ANWR to provide for the well being of future generations of their people as was the intent of Congress in enacting the Alaska Native Claims Settlement Act (ANCSA).
- * The agencies within the U.S. Department of Interior and the State of Alaska, which have contributed to the wealth of information on the ANWR, in concert with the Governor of Alaska, have endorsed the exploration, development and possible production of hydrocarbon reserves which may be present in the coastal plain of the ANWR.

CONCLUSIONS

- * The wildlife resources and the geologic environment have been explored, studied and documented extensively in the coastal plain of the ANWR and in the arctic generally for well over twenty years.
- * There has been cooperation between the federal governments of the U.S. and Canada regarding the wildlife resources dependent on the coastal plain, the geology of the area and the transfer of pertinent information between the agencies of the State of Alaska and these two federal governments.

* The people of Alaska have expressed and demonstrated concern for the environment and wildlife present in the coastal plain of the ANWR, as well as the desire to enhance economic opportunities which may result from activities in the coastal plain of the ANWR.

* The State of Alaska, as well as those federal agencies responsible for protection of the environmental and wildlife resources present in Alaska, has established exemplary records fulfilling its respective responsibilities as related to exploration, development and production of the oil and gas reserves within Alaska and especially in the Arctic.

* There is a need for the U.S. State Department to formalize agreements which do not jeopardize the State of Alaska's position as sovereign and manager of state resources, particularly with regards to arctic resources and environment.

RECOMMENDATIONS

* The Congressional ban on oil and gas exploration, development and production from within the coastal plain of the ANWR should be lifted.

* The ANWR should be opened without a government exploration program.

* The ANWR should be opened to oil and gas exploration, development and production under a leasing program using the authorities of the Minerals Leasing Act of 1920.

* The Governor of Alaska should maximize Alaska's participation in all aspects of the ANWR and in the possible Congressional action to open the coastal plain to oil and gas activities.

* Given the nature and complexity of the issues relating to the ANWR, and given the long term effects any action taken by the Congress will have on Alaska's and the nation's domestic and international affairs and economics, the State of Alaska should establish an ANWR Policy Committee. The membership of this committee should be the Governor of Alaska, the Commissioner of Natural Resources, and one Executive Branch member-at-large; President of the Senate, the Chairman of the Senate Resources Committee, and one Senate member-at-large; and the Speaker of the House, the Chairman of the House Resources Committee and one House member-at-large. The task of the committee should be to forge an Alaskan consensus on the issues relating to the ANWR and advocate these positions before the Congress.

Section 2: The Potential for Hydrocarbon Discoveries in Economic Quantities

FINDINGS

- * The geologic environment exists in the coastal plain of the ANWR to the extent that conditions are favorable for the production of oil and gas reserves in the substrata of the area.
- * The coastal plain of the ANWR lays between the Prudhoe Bay/Kuparuk complex on the North Slope of Alaska and the Beaufort Sea/MacKenzie Delta area in Canada.
- * The North Slope of Alaska contains 9 known significant oil and gas fields with proven and inferred original recoverable reserves of about 15.4 billion barrels of oil and 32.0 trillion cubic feet of gas.
- * The Beaufort/MacKenzie area of Canada contains 39 oil and gas fields with proven and inferred original recoverable reserves of about 8.5 billion barrels of oil and 65.0 trillion cubic feet of gas.
- * The coastal plain of the ANWR in Alaska contains 26 significant geologic structures which have been assessed by the State of Alaska to contain 16 billion barrels of recoverable oil. This figure assumes a recovery factor of 35 percent and compares favorably with the original recoverable oil reserves of about 10 billion barrels in the Prudhoe Bay field.
- * The assessment by the State of Alaska also estimates that 29 trillion cubic feet of gas may also be present in the coastal plain of the ANWR.
- * The Prudhoe Bay field is approximately 13 miles by 16 miles in size, as view from the surface.
- * The ex-State Geologist, who recommended that the State of Alaska select the Prudhoe Bay area in the late 1960's, estimates that the structure referred to in the draft 1002(n) report as prospect 18 could contain 10 times the producing horizon of Prudhoe Bay if the proper conditions are present.
- * It is estimated that a discovery in the coastal plain of the ANWR would have to be at least 350 million barrels to be economic.
- * Kaktovik Inupiat Corporation has drilled the only exploratory well (KIC #1) in the coastal plain of the ANWR. The down hole information from this well is protected by law from public release.
- * KIC #1 was drilled in 1 of 4 geologic formations that are estimated to contain 63 percent of the oil and gas resource distribution of the coastal plain of ANWR. (Draft 1002(h) report)

* The Kaktovik Inupiat Corporation owns approximately 92,000 acres of the coastal plain of ANWR as a result of the Alaska Native Claims Settlement Act and the Alaska National Interest Lands Act. The KIC #1 well was drilled on these lands.

CONCLUSIONS

* It is evident, and there is no disagreement among geologists, that the coastal plain of the ANWR has the highest potential for the United States to make a major oil discovery.

* It is also evident that even with an aggressive exploratory drilling program, the ANWR may not contain any reserves of hydrocarbons, and those that may exist may be uneconomic.

RECOMMENDATIONS

* Exploration and the possible development and production of hydrocarbon reserves should be allowed on the coastal plain of the ANWR.

* The program under which exploration, development or production should take place should not involve the federal or state government in any capacity other than as a lessor of subsurface rights and as a regulator of private sector activities.

Section 3: The Porcupine Caribou Herd

FINDINGS

- * The Porcupine Caribou Herd (PCH) population has been increasing in recent times and now numbers approximately 180,000 animals.
- * The PCH has been documented by explorers, adventurers and biologists since the late 1800's.
- * Fluctuations in caribou populations are not understood at this time. It is generally recognized that world populations of caribou are on the increase.
- * The PCH ranges over 96,100 square miles in northeast Alaska and northwest Canada.
- * Spring migrations from southern winter range lands by the PCH to calving grounds on the Arctic coast begin in May. Caribou start arriving in the Arctic National Wildlife Refuge in mid to late May. The herd usually vacates the coastal plain of the ANWR by mid July.
- * The first calves of the year are born during the last week in May, with the peak calving occurring during June 4 - 8.
- * The calving grounds, including the coastal plain area, encompass nearly 8.9 million acres.
- * The concept of a "core" or "concentrated" calving area is a matter of controversy among wildlife biologists.
- * The concept of a "core" or "concentrated" calving area is based on the density of caribou using a specific area for that period of time when calving occurs.
- * Biologists who support the core calving area concept believe it to be approximately 300,000 acres or 400 square miles in area.
- * It is speculated that the PCH uses this "core" area because the area has some "survival value". Survival values that have been discussed are a reduced number of predators present, the snow melt cycle, a favorable emergence of forage at an earlier time than elsewhere or there may be a close association with favorable summer habitat, including insect relief areas. There is no identified single value or combination of possible survival values to indicate scientifically why the caribou use what is referred to as the "core" or "concentrated" calving area other than it is on their migration route.
- * The "concentrated" or "core" calving area was identified by counting at least 50 caribou per square mile, including calves, during a period from 1972 to 1985. These population densities were roughly plotted on a map. Eventually these maps were superimposed;

the area which over time contained the highest population density became the "core calving area".

* There is evidence, for example in 1973 and in 1980, when no concentrations of calving activity occurred on the 8.9 million acre calving grounds.

* There is evidence, in 1982 for example, when almost all the calving occurred outside of Alaska. There are also other years which indicate that although concentrations occurred, none of these areas were within the coastal plain "core" or "concentrated" calving area.

* It is not disputed that oil and gas activities will have an impact on caribou.

CONCLUSIONS

* The validity of a core calving area is questionable, considering the extent of the PCH's range, migration patterns and the environmental variables which influence the progress of the PCH's annual migration.

* Since the PCH are only in the coastal plain for at most a two month period, and considering that exploration activities take place in the Arctic primarily during winter months when the ground is frozen, a leasing schedule can be implemented that would least affect the calving area of greatest concern to those biologists supporting the concept of a "core calving area". The time frames for arctic exploration in all likelihood would not impact the calving area for at least ten years.

* The U.S. Fish and Wildlife Service has every option to stipulate mitigation measures to minimize impacts to wildlife resources in the coastal plain of the ANWR.

* Any additional environmental or wildlife resource information necessary to further mitigate oil and gas activity impacts could be better acquired as a result of industry presence in the coastal plain of the ANWR.

RECOMMENDATIONS

* The entire coastal plain of the ANWR should be opened to oil and gas activities, with proper consideration being given to the purposes of a National Wildlife Refuge.

Section 4: Land Exchanges: Value-for-Value, Buy Sell Agreements

Committee Note: Throughout the hearing process, witnesses refer to what amounts to a "willing buyer, willing seller" land transaction, as a land exchange. Although at this time it may be confusing, the points in the FINDINGS section have not been edited to reflect this buy sell relationship in order to preserve the integrity of the facts as they appear in the public record.

FINDINGS

- * The original objective of the Department of Interior was to acquire high priority refuge inholdings that represented and brought with them high public interest attributes, particularly in the form of fish and wildlife resources and public recreation opportunities.
- * The U.S. Fish and Wildlife Service in their normal acquisition process does not acquire subsurface estate. Past experience indicates that if the subsurface is virtually worthless, ownership will be relinquished without cost. If the subsurface is suspected of having value, the U.S. Fish and Wildlife Service normally can't afford it.
- * The land exchange negotiations are concerned with three things:
 - The land exchange contract, "the boilerplate", or "the master", which will be used as a starting point in all exchanges regarding the coastal plain of the ANWR;
 - The land use stipulations, which will be applied to all surface activities on lands involving subsurface exchanges in the coastal plain of the ANWR;
 - The tract identification process, which will provide procedures for tract selection and selection conflict adjudication, involving exchanges in the coastal plain of the ANWR.
- * Native corporations, based on their independent judgements, have concluded that the present exchange concept is most responsive to their corporate needs.
- * Land exchanges between the Department of Interior and property owners with title to lands within federal refuges, or other so called conservation units, are an accepted and authorized means for the Secretary of Interior to enhance the integrity of established conservation units.
- * Land exchanges involving the lands in the coastal plain of the ANWR and native corporations are a matter of controversy among

Alaskans, the environmental community and the executive branch of the State of Alaska.

* While no one can predict the percentage of subsurface values involved in the land exchanges, the Department of Interior's objective is to preserve the bulk of those values for utilization or disposition through a traditional lease sale.

* Should the Secretary recommend and the Congress approve opening of the coastal plain of the ANWR to oil and gas activities, the exchange participants would have the opportunity to pursue exploration activities in advance of a Federal lease sale. A federal lease sale will procedurally take years to execute.

* The five native corporations participating in the exchange discussions have offered a package of lands totaling approximately one million acres, all high priority refuge lands.

* The State of Alaska holds title to 12 million acres within or adjacent to Federal conservation units and has offered these lands in exchange for lands within the coastal plain of the ANWR. Before the State withdrew from participation in the exchange discussions, 850,000 acres had been accepted for consideration by the U.S. Fish and Wildlife Service.

* The State of Alaska was an active participant along with the native corporations in the land exchange discussions with the U.S. Fish and Wildlife Service from December of 1986 to March of 1987.

* It is estimated the the value of the native corporations' 1 million acres will be sufficient to acquire from 25,000 to 50,000 acres of subsurface estate within the coastal plain of the ANWR. These native corporations do not believe they will be able to select the highest potential oil and gas lands, because the valuation on their offered exchange lands is not adequate to "buy" these high potential areas.

* If the Congress acts to remove the prohibition on exploration, development and production of possible oil and gas reserves within the ANWR and land exchanges are consummated before this act, the only revenues the State of Alaska will receive from possible oil and gas development will be in the form of severance and corporate income taxes.

* The U.S. Department of the Interior will ask Congress to ratify the land exchanges in order to preclude any injunctive actions.

* The decision by the Secretary of the Interior to recommend opening the ANWR is independent from the exchange negotiations.

* The State of Alaska's concerns, after careful review by the Governor of the trade proposals, in the context of the state as both proprietor and sovereign resulted in the following general reasons for leaving the exchange discussions:

The 90%-10% royalty question; the state loses its 90% share of royalty on the exchanged lands.

The geologic information; the information was deemed insufficient to consider an exchange, especially in light of at least one other participant having access to data from the KIC #1 well.

The Governor's position; the Governor, after personal talks with knowledgeable sources in Washington D.C., was convinced the exchanges would not occur.

The Governor's focus; the Governor wants to focus on opening the coastal plain of the ANWR and eliminate any divisive elements which may introduce complexity and unnecessary division within this state.

* Since only the surface estate is being exchanged by the native corporations, the 7(i) provision of ANSCA does not apply. 7(i) applies to transactions which involve subsurface revenues and timber resources on native corporation lands. If the native corporations trade surface for subsurface, 7(i) does not apply to revenues generated from the acquired subsurface.

* There are 430 refuges in the national wildlife refuge system, comprising approximately 90 million acres. Sixteen (16) of these refuges are in Alaska and they comprise 77 million acres. There are 13 to 15 million acres of private inholdings in Alaska's refuges. This is roughly the same amount of land contained in the refuges in all of the other states collectively.

* The proposed exchange will be the most significant transaction ever undertaken on behalf of the national refuge system.

CONCLUSIONS

* Although "land exchange" is the term applied to agreements to trade land titles of equal value, these trades involve a process to fix dollar value estimates on both surface and subsurface elements of the transaction. In this way the present process represents a conventional "willing buyer, willing seller" business transaction. In this case however, the "willing seller" is selling only surface value of land, and the "willing buyer" is using subsurface values in other lands to purchase the lands desired by the buyer. This process may be confusing to interested third parties because there are elements which necessitate both the "willing buyer" and the "willing seller" to reverse rolls throughout the negotiating process. For example, native corporations are the "willing seller" of the surface estate to lands they own within refuges. At the same time they are the "willing buyer" of what ever subsurface estate within the ANWR coastal plain the value of their surface estate will purchase. The U.S. Fish and Wildlife Service can also

be considered in this way. They are the "willing seller" of subsurface values within the coastal plain of the ANWR in order to be the "willing buyer" of valuable surface estate in other refuges.

* The amount of subsurface resources that might ultimately be exchanged is a subject of legitimate concern to the subcommittee and others.

* Oil and Gas activities conducted on lands whose subsurface has been sold as a result of an exchange of values have two potential beneficial impacts:

Exploration would be conducted on a limited closely coordinated basis, thereby minimizing environmental impacts;

Experience and data gained through early exploration would allow for a better designed lease sale that may result in higher revenues being generated while further minimizing adverse environmental impacts.

Thus, the concurrent exchange concept is most responsive to the needs of both those wishing to relinquish their high priority refuge inholdings and of those wishing to acquire these inholdings.

* It is in the interest of Alaskans and the national public that the federal government become the sole surface estate proprietor of National Wildlife Refuge System lands and of other federal conservation system unit lands, within Alaska.

* In the case of value-for-value transactions involving the coastal plain of the ANWR, congressional ratification of the exchanges would preclude the possibility of injunctive actions to halt or delay transfers of subsurface rights; the exception being that even congressional action can not waive statehood entitlements of submerged lands. Submerged lands are an inherent attribute of statehood.

* The transactions involving native lands have raised the question of whether or not traditional interests and the intent of the Alaska Native Claims Settlement Act are being considered. The native corporation's feel that their shareholder's traditional use of the land is protected under provisions of the Alaska National Interest Land Conservation Act (ANILCA) subsistence and access clauses and that federal refuge management and stewardship more than adequately protects their interests and lifestyle.

* If the state is not a party to the contract drafting process of this value-for-value transaction, it may be that state lands would be excluded from any Congressional legislation which included an exchange ratification and opened the coastal plain of the ANWR. Without being a party to the contract negotiations the State of Alaska has no formal means to seek approval of surface values it has offered for subsurface rights in the coastal plain of the ANWR,

nor is it possible to adequately protect the interests of all Alaskans in this process.

* After all the oil and gas in Alaska has been pursued developed and consumed, this value-for-value exchange effort could stand as a lasting testimony to our commitment, wisdom and foresight on behalf of future generations.

RECOMMENDATIONS

* The State of Alaska should renew its participation in the interest of the public in the buy sell agreement discussions, commonly referred to as the "land exchange negotiations".

* Considering that it is in the national interest to remove inholdings from federal conservation units and that the surface management of these inholdings by the federal government severely restricts or prohibits development of these lands, the State of Alaska should divest itself of its interests in the surface estate of inholdings within federal refuges, national parks and the like, for subsurface interests in the coastal plain of the ANWR.

* Provided that the heritage granted to the native community in Alaska by the ANSCA and the ANILCA is protected, and that there is an equitable adjudication process for tracts of land in the coastal plain which are selected simultaneously by the natives and the State of Alaska, both parties should proceed with buy sell negotiations.

Section 5: State Oil Royalties: The Mineral Leasing Act of 1920

FINDINGS

- * It is the position of the executive branch of the government of the State of Alaska that the 90%-10% revenue share of royalties from the production of subsurface resources within National Wildlife Refuges within Alaska can not be changed without the consent of the State.
- * Administrative actions taken by the Secretary of Interior with regard to refuges and mineral leasing on these lands does not in any way minimize the fact that Congress is the one establishing the policy. That policy is clearly provided in the Mineral Leasing Act of 1920. This act provides that each state should receive 90 percent of the revenue share, either directly or through the Reclamation Fund, and that 10 percent should go to the Federal Government. The fact that the Secretary of Interior can remove an area from leasing under the mineral leasing law does not mean that if the area is ultimately leased, the mineral leasing law is not the authority that applies.
- * Congress made the Mineral Leasing Act of 1920 a provision of the Alaska Statehood Act (Section 6(h) and 28.), and as such it becomes an integral part of the compact provisions of Section 4 of the Alaska Statehood Act (72 Stat.339).
- * The concept of an overriding royalty to the state from lands exchange in the coastal plain of the ANWR to the native corporations was introduced by the State of Alaska as a creative alternative which could both protect the public interest under the Statehood Act, preserve the principles of federalism and hopefully allow the exchange process to advance.
- * The Department of Interior feels that an overriding royalty would have the effect of lowering the value of the tracts offered in the coastal plain of the ANWR to the exchange participants. This would increase the amount of land the participants would consume within the coastal plain of the ANWR.
- * What the state is attempting with the overriding royalty is to retain the grant that is the result of the Statehood Act and the inclusion of the 1920 Minerals Leasing Act. The exchanges would take 100 percent of the revenue value produced from those tracts of land and trade it. That value includes the federal government's 10 percent and the state's 90 percent of the 12 percent royalty that is commonly applied to oil and gas production from state and federal leases. The only revenue source from these tracts therefore would be taxes.

CONCLUSIONS

- * The ANWR should be opened using the existing authorities, namely the Mineral Leasing Act of 1920.
- * The national interest is best served by encouraging competition for tract selection under the provisions of the Mineral Leasing Act of 1920.
- * The Native corporations have every reason to expect value-for-value in the land exchanges.
- * If a grant or overriding royalty is given to the state on subsurface tracts traded to native corporations, then the those lands in the ANWR will be devalued. Instead of a potentially small portion of the coastal plain of the ANWR being exchanged, an incremental increase in the amount of the ANWR subsurface would become available to reflect the override.

RECOMMENDATIONS

- * The Congress should act to open the ANWR under the Mineral Leasing Act of 1920 in the public interest to encourage an expedient but prudent exploration and possible development and production of hydrocarbon resources in the coastal plain of the ANWR.
- * The Governor of Alaska should encourage the Congress to utilize the authority of the Mineral Leasing Act of 1920 in any legislation enabling the exploration, development and production of hydrocarbon resources within the coastal plain of the ANWR.

Section 6: The Work Force: Local Hire

FINDINGS

* At this time, the Alaska labor unions oppose the opening of the coastal plain to oil and gas development without a labor clause in the enabling congressional legislation.

CONCLUSIONS

* An experienced work force is available in Alaska so that development in the coastal plain of the ANWR can take place in an environmentally sound manner using this professional labor.

* If labor agreements are required with unions, they should reflect a competitive position based on Alaskan labor market conditions.

* The issue of local hire in Alaska should be approached first from a regional level, then a statewide level and finally a union membership level.

RECOMMENDATIONS

* The use of Alaskan union locals should be encouraged. Industry has recognized that competitively priced union labor increases the efficiency and lowers construction and operating expenses in the Alaska oil fields.

* Congressional action should not include restrictions as to which Alaskan labor force should be utilized, union or non-union. That is a decision which is best addressed by individual private sector employers through the collective bargaining process.

Section 7: National Security Implications

FINDINGS

- * The nation's imports of oil have fallen from a peak in 1977 of 8.5 million barrels per day (MMBD) or 46% of consumption, to 4.3 MMBD or 27% of consumption in 1985.
- * The national trend toward decreasing dependence on foreign oil sources is reversing. Net U.S. oil imports during the first 10 months of 1986 were 29% above the comparable period in 1985. The United States is moving once again toward dependency on foreign sources of oil.
- * The current oil glut may evaporate as early as mid 1990 or 1992 due to declines in domestic production and a steady rise in domestic consumption of oil and gas products.
- * Domestic production, development and exploration have declined as a result of severe oil price declines.
- * In a priority memo to the President, the Secretary of Energy concluded that, "Until oil prices increase appreciably, U.S. exploration will remain stagnant, our dependency on imports will continue to increase, and our vulnerability to oil price shocks and possible oil shortages or stoppages will rise to an excessively dangerous level. All of this could seriously affect our strategic and national security as well as our economic stability."
- * A letter from the National Petroleum Council to Energy Secretary John S. Harrington stated that, "Additional import dependence will increase our vulnerability to a supply disruption, rapidly accelerate our balance of trade problems, undermine our national security and compromise our U.S. foreign policy."
- * Thirty eight percent fewer oil and gas wells were drilled in 1986 than in 1985.
- * Only 32,438 oil and gas wells were drilled nationwide in 1986, the lowest level in 12 years.
- * There were 2,844 wildcat wells (wells drilled to discover new fields) reported completed in 1986 compared to 4,757 in 1985. The wildcats resulted in 302 oil discoveries and 193 gas discoveries in 1986 compared with 535 oil discoveries and 296 gas discoveries the previous year.
- * Expansion of domestic oil production has several advantages relating to the nation's economic and military security. Expansion of other domestic energy supplies or energy conservation, to the extent they can substitute for imported oil, would have similar advantages:

Higher U.S. oil production will exert downward pressure

on the world price of oil.

Increased domestic oil production reduces the chances of a supply disruption that would have a sharp impact on the world oil price, since less U.S. demand for oil imports will increase slack in world oil markets.

Should there be a serious event that disrupts supply, the costs to the U.S. economy will be reduced if U.S. oil import demand is less relative to its total oil supply.

Less U.S. dependence on foreign oil allows U.S. foreign policy to be more flexible and strengthens relationships with oil importing allies.

CONCLUSIONS

* The single most important decision our Congress will make in the areas of domestic production and national energy security in the next 18 months is the opening of the coastal plain of the Arctic National Wildlife Refuge to energy exploration and production.

* At peak, Alaskan oil and gas production represents about 20% of our total domestic production. That production is now in decline and will dramatically fall over the next 10 years. Without new discoveries and a dramatic change in domestic consumption there is little hope that we can avoid serious, national economic shocks. We are already more dependent, as a nation, on oil products than ever before. Our nation can not afford to stand in line again.

RECOMMENDATION

* The Congress should act expeditiously to remove the prohibition on oil and gas activities in the coastal plain of the ANWR, and Alaskans should encourage the utilization of the resources that may be present there. In this manner, the State of Alaska can make its greatest peace time contribution to the security of the nation.

* The Congress and the State of Alaska should continue to encourage the conservation of energy resources through incentive programs and through the use of alternative fuels.

Amendment to SB 289

Delete p. 1, lines 11-14, and insert:

(1) state policy supports opening the coastal plain of the Arctic National Wildlife Refuge to environmentally responsible oil and gas exploration, development, and production under the 1920 Mineral Leasing Act;

✓ ① Send → J (1) - 11-14
Cotton - insert new language

✓ ② Send 1/16

✓ ③ Send 1/12 3rd page

✓ ④ Send 1/7 end of "process"

✓ ⑤ Cotton - 1/25 I was see back to back

✓ ⑥ ~~Send~~ - speaks / pres / gear - ca 1/11 - people

⑦ Cotton - report Jan 11, 88