

# ***Oil and Gas Overview***

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

### DIVISION OF OIL AND GAS

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February 9, 1989

The Honorable Bettye Fahrenkamp, Chair  
Senate Resources Committee  
Alaska State Legislature  
P.O. Box V  
Juneau, Alaska 99811

FEB 15 1989

Dear Senator Fahrenkamp:

During the overview of oil and gas issues before the Senate Resources Committee last week, there were a number of questions posed by you and other members of the committee which required additional research to answer. A summary of those questions, and my written response for the committee record is provided below.

During our discussion of the United States-Canada Free Trade Act of 1988, you asked for the name of the individual responsible for the inclusion of the provision that requires vessels transporting ANS crude oil to Canada to be registered for the coastwise trade. The original terms of the treaty drafted by federal negotiators (see enclosed document entitled "Annex 205") required "...that such oil be transported to Canada from a suitable location within the lower 48 states."

As indicated in the April 26, 1988 Congressional Record-Senate, page 4744-45 (copy enclosed), Senator Stevens challenged this requirement on the basis that it was a violation of Article I, Section 9 of the Constitution. This requirement was subsequently deleted, but the language requiring "coastwise trade" registration appeared in its place in the implementing legislation, and is, of course, a provision of the interim regulations recently issued by the U. S. Department of Commerce. It is unclear from the legislative record who proposed the substitute language.

You also asked that I provide the committee with a copy of a map which indicates areas with oil and gas potential near the T.A.P.S. corridor which are proposed for leasing by the federal government. Based upon a follow-up conversation between Ms. Pam Rogers, the division's Lease Sales Manager, and Ms. Kay Kletka, the Bureau of Land Management's Oil and Gas Leasing Manager, BLM has no current plans to lease anywhere near the pipeline corridor. If you or other members of the committee have additional questions of Ms. Kletka, she can be reached in Anchorage at 271-3791.

The Honorable Bettye Fahrenkamp  
February 9, 1989  
Page 2

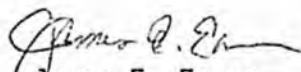
Senators Halford and Zharoff, as well as you, requested copies of the department's regulations governing the extension of the initial confidentiality period for well data. To clarify the record, the statute authorizing extensions is A.S. 31.05.035, not A.S. 38.05.035, as I recalled during our discussion. I have enclosed a copy of both A.S. 31.05.035 (a)-(e) and the pertinent regulations, 11 AAC 83.153 (a)-(d) for your review.

Senator Zharoff requested information on the current status of the federal Outer Continental Shelf lease sale in Bristol Bay. On October 9, 1988, the 9th U. S. Circuit Court issued a decision allowing former Secretary of the Interior Hodel to proceed with Sale 92, which had been suspended following an earlier challenge to the sale. On October 11, 1988, the Minerals Management Service opened the sealed bids which had been received earlier, and announced the sale results. I have enclosed a copy of an article from the October 22, 1988 edition of the Anchorage Daily News which describes these events in more detail.

According to Assistant Attorney General Gary Amendola, the state's attorney assigned to this case, the Department of Law filed a petition for hearing with the 9th Circuit Court on October 19, 1988. The Court has yet to act on that request. Should you or other members of the committee have additional questions on Sale 92 or the status of the state's litigation, Mr. Amendola can be reached in the Juneau office of the Department of Law at 465-2400.

Again, I would like to express my appreciation to you and the members of the Committee for your continuing interest in the department's oil and gas leasing program and for your support of our activities. If you have additional questions or would like further briefing on any of the issues before the division, please feel free to call.

Sincerely,

  
James E. Eason  
Director

cc Commissioner Lennie Gorsuch  
Carol Wilson, Special Assistant  
Senator Drue Pearce

1726E

# State asks court to reconsider lease decision

By BRIAN S. AKRE  
The Associated Press

JUNEAU — The state has requested a rehearing of a federal appeals court's decision to allow the sale of oil leases on 5.6 million acres of Bristol Bay, home to the world's largest salmon fishery.

The petition for a rehearing was filed Wednesday with the 9th U.S. Circuit Court of Appeals in San Francisco. It also calls for the court to vacate its Oct. 5 decision pending a ruling on a rehearing.

The decision allowed Interior Secretary Donald Hodel to proceed with the oil-lease plan for Lease Sale 92. Bids totaling \$95.4 million were opened

Oct. 11 in Anchorage. Shell-Western and Amoco jointly offered the top bid of \$24 million for just under 5,700 acres.

The lease covers an area in the North Aleutian Basin off the southwest coast of Alaska that is home to some of the world's most productive fisheries and endangered species of birds and mammals. Eighty percent of the eastern population of the Pacific gray whales migrate there each spring and fall.

Opponents of the sale, including the fishing industry, argue that drilling would endanger the fisheries and the Native people who depend on fishing for food.

The state argues in the petition that the court misinterpreted the Outer Continental Shelf Lands Act by not providing the governor with enough influence over the lease decision.

Gov. Steve Cowper recommended against allowing the leases. He said the threat to fish in Bristol

Bay from drilling outweighed the marginal potential for oil.

Congress amended the act in 1978 "to provide the governor with an important role in the process" over whether and where leases should be granted by the interior secretary.

The appeals court's decision "diminishes the governor's role in the process to one not unlike that of any other member of the public who may comment on proposed federal actions," the state's petition says.

If the act "does not have enough teeth to allow the governor of Alaska to protect an ecological and environmental wonder like Bristol Bay, then the enactment is an illusion," the petition concludes.

The state also argues that the court overlooked an analysis of oil risks that it says was flawed with assumptions that were arithmetic nonsense. Hodel relied on the analysis in making his decision and, as a result, the decision was erroneous, the petition says.



1

## Annex 902.5

### Import Measures

1. The United States of America shall exempt Canada from any restriction on the enrichment of foreign uranium under section 161v of the *Atomic Energy Act*.

### Export Measures

2. Canada shall exempt the United States of America from the Canadian Uranium Upgrading Policy as announced by the Minister of State for Mines on October 18, 1985.

3. The United States of America shall exempt Canada from the prohibition on the exportation of Alaskan oil under section 7(d) of the *Export Administration Act of 1979*, as amended, up to a maximum volume of 50 thousand barrels per day on an annual average basis, subject to the condition that such oil be transported to Canada from a suitable location within the lower 48 states.

S 4744

## CONGRESSIONAL RECORD — SENATE

April 26, 1988

tervailing duties. Among the most significant changes are provisions which ensure that third-country dumping will be addressed. We see a number of provisions in this portion of the bill which are designed to make sure that we cut through efforts to hide dumping activities; that is, to sell foreign goods at below the cost of actual manufacturer here in the U.S. consumer market.

I want to take just a moment, Mr. President, to discuss the provisions of this conference report which pertain to something near and dear to my heart, and that is the small business sector of our economy. The language in the small business title of this measure closely parallels S. 1344, a small business trade bill which I introduced in the first session of this Congress. My bill served as the basis for the small business title in the Senate's trade bill. This title reflects the importance of the export side of the trade equation with regard to small business. In restoring balance to our trade accounts will require increased export activity on the part of all American industries, and that includes small business.

Small business and the small entrepreneurs have often served as the catalyst that is driving our economy. Small business can play a central role in efforts to expand our export base. We need to do more to encourage small firms to compete in today's world markets.

This bill takes several important steps, I submit, toward that end.

I think it would be truly tragic, I say to my colleagues, to waste an opportunity to enact these important provisions. Several years of very hard work have gone into this comprehensive trade measure. But all of these positive elements are now threatened because of the administration's misgivings about a few relatively insignificant provisions in the bill.

The veto of this trade bill would send the wrong signal to the working men and working women of this country. Americans know that something must be done now to combat the trade deficit. Indeed, in the town meetings that I routinely hold across the State of Tennessee I am continually asked "What is the President doing about the problem of foreign goods depriving us of our jobs? What is the Congress doing to make our goods more competitive on the international markets?"

I say, Mr. President, that those asking these questions, the working men and working women of this country, those in the business sector, are not satisfied with speechmaking or posturing on this critical issue of jobs, of trade, and of business and of our livelihood. They are looking for some sign that help is on the way for those Americans who have been hard hit by the trade deficit over the past 7 years.

I submit that we can send that signal with the passage of this legisla-

tion. We can also send a signal to our trading partners that while we believe in free trade here in the United States, traditionally we have been free traders and certainly those from the southern part of the United States, and while we believe in free trade, we also believe in fair trade. We can send a signal to markets around the world that we can and we will address our trade deficit. And we can assure the working men and women of this country that we are concerned about their interests, concerned about their livelihood, concerned about their jobs, and that we are doing what we can to look out for them.

A vote in support of this trade bill will send that type of positive message. I urge my colleagues to support this conference report. I hope that the President will put away his veto pen and back these constructive steps to make America competitive once again.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. STEVENS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from Alaska [Mr. STEVENS] is recognized.

Mr. STEVENS. Mr. President, I come from a State that has a very small population and a very large area. I have a map of the State back here, and I will move back to the map to make a few observations.

Mr. President, my State is one-fifth the size of the entire United States. We are now the largest oil-producing State in the country. We are producing and sending 2 million barrels a day of oil down the trans-Alaska pipeline from Prudhoe Bay to Valdez.

Most people look at maps depicting the trans-Alaska pipeline and think that since it crosses only one State it must be a short distance. It is 800 miles. It is the same distance as if Prudhoe Bay were Duluth and Valdez were New Orleans.

People do not understand our State, and they quite often treat our State differently in Federal legislation.

This legislation discriminates against my State. I have had my staff prepare this small map of Alaska to try to explain our problem with this bill.

Our oil comes down from Prudhoe Bay and goes to Valdez. We now have a proposed refinery there to refine a portion of that oil. Part of the oil is actually taken out of the pipeline for the MAPCO and Petrostar Refineries near Fairbanks, and the residue of their operations is put back into the pipeline and delivered to the southern terminus at Valdez. We are not exporting, in effect, the incidental refined byproducts of those refineries because they go down with the rest of the

crude oil. We have another refinery, Tesoro, at Kenai.

Here is a State one-fifth the size of the United States, with the largest production of oil in the country, the greatest potential for future production of oil on the North American Continent, and there is a provision in this bill that says that of this 2 million-plus barrels of oil a day that comes down this pipeline, not more than 70,000 barrels a day could be exported as refined products from any new refinery. The catch in that provision is that that means 70,000 barrels from all new refineries that are built in Alaska from now on, if this bill becomes law.

Second, there is a provision that says that if the free trade agreement with Canada becomes effective, the 50,000 barrels a day that it was agreed we would export to Canada from Alaska under the proposed Free Trade Agreement will have to clear through a port in the contiguous 48 States, what we call the South 48. Mr. President, that is the reason for my presentation to the Senate today.

I would like the Senate to think about my home State of Alaska. If a person were standing at Tok, on the Canadian border, and flew to Attu. It would be the same as flying from Baltimore to San Francisco; or, going from Anchorage to Fairbanks is like going from here to Chicago.

People do not understand Alaska, and they come up with these amendments that sort of treat us as though we are a county of the State of Washington.

The whole western and northern coastal areas of Alaska have great potential for oil and gas. This provision would put into permanent Federal law a prohibition that no more than 70,000 barrels a day of refined products could be exported from production in these areas of Alaska. It is a concept which I am unable to accept, and I want to explain why.

Mr. President, I think that any Senator, when he wants to protect his State, should first turn to the Constitution. So let me read to the Senate article I, section 9, clause 6 of the Constitution. It provides:

No preference shall be given by any Regulation of Commerce or Revenue to the Ports of one State over those of another; nor shall Vessels bound to, or from, one State be obliged to enter, clear, or pay Duties in another.

I take the position that the provisions in this bill that are known as section 2474 are unconstitutional as applied to the State of Alaska. Those are the provisions that would amend the Mondale provision of the Alaska pipeline amendments to the Right-of-Way Act we passed in the Senate to authorize the construction of the Alaska oil pipeline.

During the long debate on the Alaska oil pipeline we had to accept some restrictions. One of them we did

April 26, 1988

## CONGRESSIONAL RECORD — SENATE

S 4745

unfortunately have to accept was the restriction that provided a prohibition against the export of any crude oil that was transported by the pipeline to be built across Federal lands from Prudhoe Bay to Valdez.

That unfortunately was constitutional because it was a condition in the grant of the right of way across Federal lands.

Now this provision would extend the prohibition against export to refined products, but only those from Alaska.

I have in my hand a report here that was prepared by the Energy Information Administration. It is the petroleum supply monthly report for August 1987. It sets forth the situation with regard to the issues in exporting crude oil.

I ask unanimous consent that the full portion of this report be printed in the Record at this point.

There being no objection, the material was ordered to be printed in the Record, as follows:

## U.S. TERRITORIES

Of the 164,000 barrels per day of crude oil which was shipped from the 50 States and the District of Columbia in 1986, some 137,000 barrels per day were received at refineries in U.S. territories—U.S. Virgin Islands, Puerto Rico, and the Hawaiian Foreign Trade Zone. Nearly all of these shipments originated in Petroleum Administration for Defense District V (PAD District V), particularly in Alaska. This pattern of shipments and receipts developed after crude oil production on the Alaskan North Slope began in 1977. In 1986, refineries in the U.S. Virgin Islands, Puerto Rico, and Hawaiian Foreign Trade Zone reported about 8 percent of all Alaskan oil receipts (Table FES). Products refined from U.S.-origin crude oil may be exported to any foreign country or shipped to the United States. However, for the most part, the refined oil is shipped to U.S. markets. Almost all of the crude oil sent to the Virgin Islands is returned to the 50 States and District of Columbia as refined product. The total amount of refined products imported from the Virgin Islands exceeds the volume of U.S. crude oil shipped there. Likewise, Puerto Rico refineries also provide larger volumes of refined products to U.S. markets than they receive as crude oil.

The refinery in the U.S. Virgin Islands has received the largest volume of U.S.-origin crude oil in each year of these shipments. In recent years, the second largest volume was received by the refinery in the Hawaiian Foreign Trade Zone, although Puerto Rican refineries together had received more until 1984. In 1987, because the treatment of the Hawaiian Foreign Trade Zone was changed, Puerto Rico is expected to be the second-ranking export destination.

The Alaskan North Slope oil comes to terminals in Valdez, Alaska, at the end of the Trans-Alaska Pipeline for loading into tankers. Except for the oil being shipped to the U.S. Virgin Islands, all of the oil is transported in U.S. flag vessels. If the destination is beyond PAD District V or the Hawaiian Foreign Trade Zone, the oil in U.S. tankers travels to Panama for shipment across the Isthmus in the Trans-Panama Pipeline or through the Panama Canal. Before the pipeline opened in 1983, all oil was transferred to vessels small enough to travel the Panama Canal. On the Caribbean side of the Isthmus, the oil is transferred to other

U.S. flag vessels to travel on to Puerto Rico or ports in the mainland.

The oil being shipped to the Virgin Islands is allowed to move in larger foreign flag tankers. These tankers travel from Valdez, Alaska around the tip of South America (over twice the distance by way of Panama) but are able to make the longer trip at competitive costs.

## COOK INLET OIL

In November 1985, the Secretary of Commerce made the finding that crude oil produced from the State submerged waters of Alaska's Cook Inlet could be exported to any country. Since this determination, several export licenses have been awarded. In February 1987, the first export under these licenses occurred—a shipment to Korea.

Cook Inlet fields are South Alaska fields located to the west of Valdez. They do not use the Trans-Alaska Pipeline to transport crude oil. Some of the fields are submerged and have gathering lines that come ashore at different points on the way to terminals where loading to tankers will occur. Only part of Cook Inlet production is eligible for export because some of it uses Federal right-of-ways to reach a loading terminal. The fields which were eligible for licenses produced about 80,000-32,000 barrels per day during 1986. The State of Alaska receives 12.5 percent of this production in royalties. The State has contracted to sell this royalty oil—about 3,000-4,000 barrels per day.

The significance of this export finding depends upon the decisions of the Cook Inlet owners and the quantity produced by the fields in the future. The production of Cook Inlet (not just the fields eligible for export) is projected to decline about 30 percent from 1986 levels by 1992 under assumptions of world oil prices reaching or exceeding \$20 per barrel between 1986 and 1992. If crude oil prices remained below \$15 per barrel, the production could fall 70 percent by 1992.

## ISSUES IN EXPORTING CRUDE OIL

The restrictions on crude oil exports have the greatest current and future effects on PAD District V because of the volume and location of Alaskan and California production. Together, these States produce more crude oil, especially heavy crude oil, than PAD District V can consume. The district is expected to have this surplus until the mid-1990's. As a result, groups in both States have pushed for changes in crude oil export policy. Other responses have included developing ways to transport the crude oil to refineries outside the district exporting refined products instead of the raw material.

A major investment has been made to transport crude oil from PAD District V to markets elsewhere in U.S. territory. As discussed earlier, through 1986 the one method of transporting Alaskan and Californian crude oils to other markets was water shipment. Most Alaskan oil was transported in U.S. flag vessels by way of Panama (except the crude oil going to the Virgin Islands). About 60 percent of U.S. flag shipping tonnage has been used in this transfer. The Trans-Panama pipeline, with average maximum capacity of 800,000 barrels per day, was built for this purpose. However, a new pipeline of 300,000 barrels per day capacity, from Santa Barbara, California to Midland, Texas, is scheduled to begin operations in late 1987. The Celeron line will be 80 percent heated, which makes it able to handle heavy oils from California.

These transfers have given PAD District V oils a piece in the domestic crude oil demand of most districts. An indication of this role is provided by data the EIA has collected since 1981 about receipts of Alaskan crude at refineries. The EIA began pub-

lishing these data in 1986. Table FES shows the wide distribution of Alaskan oil in the last 6 years. The greatest volume, as expected, was received by PAD District V refineries. Between one-half and two-thirds of total receipts in each year was reported there. The Gulf Coast and inland refineries received the next largest volumes. Over the 6 years, Alaskan crude oil accounted for about 44 percent of all crude oil receipts on the West Coast, and about 25 percent in the territories but less than 9 percent in other districts.

Because between 52 and 67 percent of Alaskan oil has been received for processing at West Coast refineries, these refineries have increased their product exports. They now export a higher percentage of their output than the refineries in other districts. West Coast refineries exported over 10 percent of their output in 1986. The export growth has been greatest in the heavy products because demand for these is limited in PAD District V and the crude oil available yields relatively high percentages of heavy products. The highest proportion of exports for any other district, the Gulf Coast, was 4 percent.

Another effect in PAD District V, in the opinion of California producers, has been a lower price for the area's crude oil than the quality of the oil warrants. California producers argue that they are caught between an export ban and difficult and costly domestic shipping requirements. When Alaskan oil was added to the supply, the result was a "glut" and lower prices. These prices discourage prospects of further local development or enhanced recovery.

The idea of allowing greater volumes of crude oil exports has been studied and debated often because of the effect on various parties. The States of Alaska and California now receive royalty oil or taxes which they would hope to see increase in value if the oil could be exported. Other parties that would benefit from higher values include the owners and operators of the producing leases in Alaska and California. Parties who would be adversely affected include the operators of the Trans-Panama and Celeron pipelines, owners and employees of Jones Act U.S. flag vessels, and West Coast refineries because they have made investments on the assumption that exports would not be allowed. The U.S. Department of Defense benefits because the tanker fleet, which would be needed during war or other supply crisis, is maintained without Defense Department support. Some of the parties are involved in more than one way and their interests are correspondingly complicated.

All U.S. consumers are affected to some extent because of the effect on U.S. oil import dependency. At a time when U.S. import dependency is climbing and is projected to pass previous levels, the prospect of trading away U.S. oil concerns some people. Others are concerned that the export ban and the difficulties and costs of U.S. interdistrict transport restricts the market for these crude oils and depresses their prices. With a lower price, the return to producers discourages them from investing in further crude oil production and exploration. This would also contribute to greater U.S. oil import dependency.

The effects of the decision to export crude oil would reach beyond U.S. borders. Potential customers include Japan and other Pacific countries. Potential competitors (Mexico, Indonesia, the Persian Gulf States) who now supply the crude oil demand of these countries would also be interested. Because the government of Panama is a part owner of the Trans-Panama pipeline, Panama's national budget

**11 AAC 83.153. CONFIDENTIAL REPORTS.**

(a) If the commissioner finds that reports or information required under AS 31.05.035(a) contain significant information relating to the valuation of unleased land within a three-mile radius of the well from which these reports or information were obtained, the commissioner will, upon the written request of the owner of the well, keep the reports or information confidential for a reasonable time not to exceed 90 days after disposal of the unleased land, unless the owner of the well gives written permission to release the reports and information at an earlier date. The commissioner will, in his or her discretion, extend confidentiality to reports or information required under AS 31.05.035 from a well located more than three miles from any unleased land if the owner of the well from which these reports or information are derived makes a sufficient showing that the reports or information contain significant information relating to the valuation of unleased land beyond the three-mile radius.

(b) Reports or information for which extended confidentiality is requested or has been granted under AS 31.05.035 will not be eligible for extended confidentiality when

(1) the lease on which the well is drilled has expired; or

(2) the unleased land within a three-mile radius of the well from which the reports or information are obtained is offered in a competitive lease sale, but receives no bids greater than or equal to any minimum bid established for that sale.

(c) As used in this section, "mile" means a statute mile or 5,280 feet.

(d) As used in this section, "disposal" means the grant or issuance of an oil and gas lease. (Eff. 3/30/84, Reg. 89)

Authority: AS 31.05.035(c)  
AS 38.05.020  
AS 38.05.180

**11 AAC 83.155. DAMAGES.** Each lessee or permittee is required to pay any damage that becomes payable under AS 38.05.130 and shall indemnify Alaska and hold it harmless from and against any claims, demands, liabilities and

expenses arising from or in connection with the damage. (Eff. 9/5/74, Reg. 51)

Authority: AS 38.05.020  
AS 38.05.130  
AS 38.05.145(a)

**11 AAC 83.158. PLAN OF OPERATIONS.** (a)

Except as provided in (b) of this section, a plan of operations for all or part of the leased area must be approved by the commissioner before any operations may be undertaken on the leased area if

(1) the state owns all or part of the surface estate of the leased area;

(2) the lease reserves a net profit share to the state; or

(3) the state owns all or part of the mineral estate, but the entire surface estate is owned by a party other than the state, and a surface owner requests that a plan of operations be required by the commissioner for the portion of the leased area owned by that surface owner.

(b) A lease plan of operations is not required for

(1) activities that would not require a land use permit under this title; or

(2) operations undertaken under an approved unit plan of operations in accordance with this title.

(c) Before undertaking operations on the leased area, the lessee shall provide for full payment of all damages sustained by the owner of the surface estate as well as by the surface owner's lessees and permittees, by reason of entering the land. If the surface estate is owned by a party other than the state, the lessee shall also notify the surface owner of his opportunity to request that the commissioner require a plan of operations before allowing operations to be undertaken on the portion of the leased area owned by the requesting surface owner.

(d) An application for approval of a plan of operations must contain sufficient information, based on data reasonably available at the time



- (1) the drilling, producing and plugging of wells;
- (2) the shooting and chemical treatment of wells;
- (3) the spacing of wells;
- (4) the disposal of salt water, nonpotable water and oil field wastes;
- (5) the contamination or waste of underground water;
- (6) the quantity and rate of the production of oil and gas from a well or property; this authority shall also apply to a well or property in a voluntary cooperative or unit plan of development or operation entered into in accordance with AS 38.05.180(p).

(f) The commission may classify wells as oil or gas wells for purposes material to the interpretation or enforcement of this chapter.

(g) When the commission finds sufficient likelihood of an unexpected encounter of oil, gas, or other hazardous substance as a result of well drilling in an area of the state, the commission may, by regulation, designate the area and specify a depth in the area as one in which wells or any boring into the soil in excess of the specified depth but not otherwise subject to this chapter are subject to the regulations and requirements adopted under this section. The designation of an area or specification of a depth under this subsection does not constitute a certification that no hazardous substance will be encountered in another area or at a lesser depth, and the state is not liable for any damages arising from such an unexpected encounter of a hazardous substance.

(h) The commission may take all actions necessary to allow the state to acquire primary enforcement responsibility under 42 U.S.C. 300h-4 (Safe Drinking Water Act of 1974, as amended, 42 U.S.C. 300f-300j), for the control of underground injection related to the recovery and production of oil and natural gas. (§ 4 ch 40 SLA 1955; am § 2 ch 75 SLA 1960; am § 1 ch 209 SLA 1970; am § 1 ch 87 SLA 1977; am §§ 1, 2 ch 160 SLA 1978; am § 1 ch 91 SLA 1984)

**Effect of amendments.** — The 1984 amendment added subsection (h).

**Sec. 31.05.035. Confidential reports.** (a) For all wells for which a permit to drill has been issued by the commission since January 3, 1959, the commission may require:

(1) the making and filing of reports, well logs, drilling logs, electric logs, lithologic logs, directional surveys, and all other subsurface information on a well drilled for oil or gas, or for the discovery of oil or gas, or for geologic information; and

(2) the filing of flow test information and all logs, except experimental logs and velocity surveys run on a well and not required by (1) of this subsection;

(3) the operator to make available for copying the digitized log information, if it is available, on any log required to be filed under (1) or (2) of this subsection.

(b) Reports and information required under (a)(1) and (2) of this section shall be filed within 30 days after the completion, abandonment, or suspension of a well. However, under (a)(1) of this section, the commission may not require the making of a log on a well completed, abandoned or suspended before June 19, 1970.

(c) The reports and information required in (a) of this section shall be kept confidential for 24 months following the 30-day filing period unless the owner of the well gives written permission to release the reports and information at an earlier date. If the commissioner of natural resources finds that the required reports and information contain significant information relating to the valuation of unleased land in the same vicinity, the commissioner shall keep the reports and information confidential for a reasonable time after the disposition of all affected unleased land, unless the owner of the well gives written permission to release the reports and information at an earlier date. Well location, depth, status and production data and production reports required by the commission to be filed subsequent to the 30-day filing period shall be considered public information and shall not be classified confidential. Production data, as used in this subsection, means volume, gravity and gas-oil ratio of all production of oil or gas after the well begins regular production.

(d) Engineering, geological, and other information not required by (a) of this section but voluntarily filed with the commission shall be kept confidential if the person filing the information so requests.

(e) Notwithstanding (c) of this section, claims of confidentiality will be denied for information disclosed to the commission under AS 31.05.030(h) that is required to be disclosed under 42 U.S.C. 300h-4. (§ 2 ch 209 SLA 1970; am §§ 3 — 6 ch 160 SLA 1978; am § 86 ch 6 SLA 1984; am § 2 ch 91 SLA 1984)

**Effect of amendmer\*<sup>s</sup>.** — The first 1984 amendment, in the second sentence in subsection (c), inserted "of natural resources" and substituted "the commis-

sioner" for "he" near the middle of the sentence.

The second 1984 amendment added subsection (e).

#### NOTES TO DECISIONS

Cited in *Hammond v. North Slope Borough*, Sup. Ct. Op. No. 2499 (File Nos. 5550, 5558), 645 P.2d 750 (1982).

DIVISION OF OIL AND GAS  
OVERVIEW FOR THE  
SENATE RESOURCES COMMITTEE  
ALASKA STATE LEGISLATURE

Wednesday, February 1, 1989

PROPOSED ANWR LAND EXCHANGES:

The Department of the Interior's proposed ANWR land exchange with Alaska Native corporations has been a major concern of the Department of Natural Resources. Interior has agreed tentatively to convey 166,000 acres of subsurface rights within the coastal plain of ANWR to six Native groups (comprised of a number of regional and village corporations) in exchange for the surface estate of 891,000 acres of Native inholdings within other Alaskan wildlife refuges. The state has opposed these land exchanges because they: (1) are highly controversial and premature, diverting attention from the central issue of opening ANWR, (2) limit equal access to highly prospective oil and gas resources by substituting a process that ignores the traditional, open competitive bidding system, and (3) transfer the chance for potential windfalls to a select few private interests at the expense of the public. Based on the interpretation of seismic data, the department concluded that the Native corporations, in partnership with major oil companies, had selected many of the high potential tracts in the ANWR coastal plain, each being over a potential trap in which oil and gas could accumulate.

These proposed exchanges have been criticized by a number of ranking members of Congress. At their request, the General Accounting Office (GAO) conducted an investigation of the exchanges. The GAO's final report recommends that the Secretary of the Interior discontinue consideration of the exchanges. It further recommended that if the Secretary decides to proceed with the proposed exchanges Congress should disapprove them. Prior to the GAO's report, the federal Office of Management and Budget, in a "Budget Pass Back" document, strongly criticized DOI's exchange initiative, stating it was inconsistent with presidential policy. The document directed DOI to cease all actions concerning the exchanges and to develop a strategy necessary to back out of the proposal altogether. Despite these, and other strong oppositions to the exchanges, DOI has proceeded with them, in September issuing a draft Legislative Environmental Impact Statement (LEIS) on the lands to be exchanged, and soliciting public comments on the proposal. In mid-December, DOI issued the final LEIS in which is recommended that the Secretary of the Interior sign the exchange contracts and submit them to Congress for approval.

Former Interior Secretary Hodel recommended on his final day in office that the proposed exchanges ultimately be approved by Congress. However, in his confirmation hearings on Thursday, January 26, 1989, Secretary of the Interior designate Manuel Lujan indicated that "...I am not really inclined to move ahead on those trades...It is incumbent on me to say that so that those who are spending lots of money don't get their hopes up." Mr. Lujan's position on the land exchanges was expressed following questioning by Senator Bennett Johnston, Chairman of the Senate Energy Committee, who had reiterated his strong opposition to the proposed exchanges and once again expressed his

opinion that his committee would never pass out any opening legislation which provided for exchanges.

#### POTENTIAL ANS EXPORT TO CANADA:

Legislation implementing the United States-Canada Free-Trade Agreement of 1988 provides the first opportunity for export of Alaska's North Slope crude oil. Section 305(a) of the implementing act amends section 7(d) of the Export Administration Act of 1979 to allow the export to Canada of a maximum of 50,000 barrels per day (on an annual average basis) of ANS crude oil. Until now, all ANS oil has been prohibited from export by virtue of having been transmitted by pipeline over a right-of-way granted pursuant to the Trans-Alaska Pipeline Authorization Act (43 U.S.C. 1652).

However, under the provisions of the new law, any oil exported to Canada must be transported by vessels documented for the United States coastwise trade under the terms of 46 U.S.C. 12106. This provision effectively requires that ANS crude oil continue to be transported via "Jones Act" vessels, and thus diminishes any potential revenue increases which the state or others may realize from exports.

On January 17, 1989, the U. S. Department of Commerce issued interim regulations in the Federal Register which amend the short supply controls of the Export Administration Regulations to allow the limited exports to Canada pending the adoption of final regulations. However, the interim regulations contain several provisions which would make any export sale of Alaska royalty oil difficult to implement. The division and the Department of Law are reviewing the interim regulations, and will be submitting recommended revisions which would facilitate sales of royalty oil for export to Canada.

#### WEST SAK SANDS PILOT PROJECT:

ARCO Alaska, Inc. has started the permitting process to begin another pilot production test of the West Sak sands in the Kuparuk River Unit Area. The area proposed for the second pilot test of the West Sak is located about two miles north of the previous West Sak Pilot that took place from September 1984 through December 1986.

An initial test well is scheduled to be drilled sometime during the spring of 1989. This well is designed to determine the presence, continuity and quality of the West Sak reservoir in the pilot area. If the results are favorable, more wells (possibly 24) would be drilled to test experimental well completion and stimulation techniques suggested by the results of the first pilot project, as well as to determine the "waterfloodability" of the West Sak sands on a 20 acre well spacing pattern. Designers of the pilot hopes to address some of the more technical questions of producing this shallow, high viscosity oil deposit.

## PRUDHOE BAY UNIT GAS HANDLING EXPANSION--PHASE ONE (GHX-1):

Over the past year there has been much publicity concerning the possible decline in 1989 in the oil production rate from the main producing reservoir at Prudhoe Bay. The primary reasons cited for the pending decline in oil production rates are the recent large increases in associated natural gas production and the inability of the surface production facilities to handle the increased gas volumes. As the Prudhoe Bay field matures, more and more natural gas will be produced for each and every barrel of oil that is produced. The field is at a stage in its life where the surface facilities (the gas pipelines, the gas compressors, etc.) can no longer handle this increased volume of gas. As a result, the oil production rate has had to be curtailed at times to reduce the amount of associated gas production. Historically, the gas handling equipment has performed more efficiently in the winter months when the gas compressors can be cooled more easily. Most of the scheduled maintenance shutdowns (such as shutting down flowlines to inspect for or repair corrosion problems) are also planned for the summer months further compounding the problem of making rate this past summer.

To remedy the gas handling problems, the Prudhoe Bay owners have approved the installation of additional gas pipelines, gas compressors and gas injection wells. They also have approved the retrofitting of equipment and flowlines in the gathering centers and flow stations that will increase the gas flow through those facilities. Installation of the new 60-inch gas pipelines combined with the new compressors and retrofits is expected to increase the gas handling capabilities of the unit from the current 3.5 billion cubic feet per day (BCF/D) to about 5 BCF/D. A phase two of the GHX project is under study to determine the feasibility (economics, permits, equipment, etc.) of increasing the gas handling capacity to 7 BCF/D.

If gas handling capacity is not increased, the oil production rate will have to be curtailed relative to the past 1.5 million barrels per day rate. It has long been recognized that increasing gas production would be one of the limiting factors in the field. The exact timing of the problem was somewhat problematic, though.

Some preliminary construction work (VSM placement, road crossings) is being done this winter. The new 60-inch lines should be installed beginning the summer of 1989 and the new compressors should arrive during the summer of 1990. The entire project is scheduled to be completed in October 1990.

Most of the major construction-related permits have already been issued. Needed air quality permits (EPA and DEC) are yet to be issued.

## FIVE-YEAR LEASING PROGRAM:

The state's five-year oil and gas leasing program proposes the following sales through 1993: Beaufort Sea Sale 52 (January 1989), Oliktok Point Sale 72A (January 1989), Cook Inlet Exempt Sale 67A (June 1989), Kuparuk Uplands Exempt Sale 70A (September 1989), Cook Inlet Sale 59 (January 1990), North Slope

Foothills Sale 57 (June 1990), North Slope Exempt Sale 73A (June 1990), Kavik Sale 64 (January 1991), Alaska Peninsula Sale 56 (May 1991), Beaufort Sea Sale 65 (May 1991), Cook Inlet Sale 74 (September 1991), White Hills Sale 61 (January 1992), Beaufort Sea Sale 68 (May 1992), Kuparuk Uplands Sale 75 (September 1992), Cook Inlet Sale 76 (January 1993) and Nanushuk Sale 77 (May 1993). "Exempt" sales will be added to the schedule depending on industry nominations and interest.

#### LEASE SALES LITIGATION:

After years of proceeding on schedule without significant controversy, the state's oil and gas leasing program is being attacked by environmental groups, communities and members of the public. Lawsuits have been filed by Trustees for Alaska against two recent Beaufort Sea sales offshore of ANWR, Sales 50 and 55. The state won the first of those suits in Superior court; that decision is now being appealed by Trustees and others to the Alaska Supreme Court. As a result of a second extension request by Trustees, its brief must now be filed with the Supreme Court on March 13, 1989. However, even if the court ultimately rules in the state's favor, it is anticipated that environmental challenges will continue under the department's appeal regulations. The North Slope Borough opposed Sale 52, offshore of NPRA, and appealed DNR's decision to hold the sale to the cabinet. The borough also raised objections to Sale 55. Criticism of the leasing program is not limited to the North Slope. Increased complaints are now being heard from Southcentral communities and citizens about oil and gas leasing in Cook Inlet.

In addition, environmental groups are now scrutinizing all lease operation permit applications and are expected to challenge the issuance of a number of those permits.

A great deal of unbudgeted, unplanned staff time has and will continue to be devoted to researching and responding to these appeals. It is important that the division respond promptly and properly to these challenges, as many are clearly directed toward proving the oil industry cannot operate in an environmentally responsible manner in ANWR.

#### CAUSEWAYS IN THE BEAUFORT SEA:

##### Endicott

Resource agencies, especially the U. S. Army Corps of Engineers, have taken a particular interest in gravel-fill causeways over this past year. The Corps has formed the Endicott Mitigation Advisory Group (EMAG) to assist it in assessing the need for corrective action to mitigate the effects of the Endicott causeway. The primary issue is whether or not additional breaches are needed in the existing causeway. Adverse effects to habitat are the reasons being cited by resource agencies for the possible need for the additional breaches. Currently there are a 200 foot and a 500 foot breach in the causeway; the Corps is considering requiring up to 1,300 feet of additional breaching. A decision should be issued by the Corps by mid 1989.

Required monitoring studies have been and are being conducted to assess the impacts of the Endicott causeway. While changes in water quality have been observed, it is not clear to the department that permit terms have been violated or that habitat has been significantly impacted.

### Niakuk

Standard Alaska Production Company (B P America) has applied to construct a 6,600 foot causeway in the Beaufort Sea in order to develop the Niakuk field. Production from the field is expected to average 20,000 b/d when (if) it comes on line. The Corps has conditionally denied Standard's request to construct the causeway based on expected adverse environmental impacts and the Corps' perception that feasible alternatives to a causeway do exist. The Corps has stated that Standard has the option in lieu of a causeway of using subsea pipelines, elevated pipelines or directional drilling from shore. To date, Standard has claimed that the gravel causeway is the only economically feasible way to develop this small new field.

State permits for the Niakuk project are still in the review process. Standard is conducting computer modeling of the water quality indicators (temperature and salinity) in the Niakuk area in order to help determine if the causeway will result in adverse environmental effects. Standard has proposed to install one 350 foot breach in the causeway. The computer model will also be used to test the need (effectiveness) of more, smaller or larger breaches. The state review of the Niakuk permits will resume once the computer modeling is complete. It is not known how the Corps' conditional denial of the Niakuk application will affect the final permit process. To our knowledge, Standard has not filed an appeal of the Corps' initial decision, and we do not know if or when it might do so. The North Slope Borough already has approved the Niakuk project permits.

Considerable study of the habitat and water quality parameters in the area has occurred over the past four years. The results of these studies are disputed, and it is not likely that a consensus will be reached in the next year.

### West Dock

Once the Endicott and Niakuk issues are resolved or at least temporarily settled, it is expected that the West Dock causeway will come under review. Some agencies have claimed that of all the existing and proposed causeways, the West Dock is the most problematic. Perceived environmental problems are the greatest, and the permitting authority to require remedial action is the weakest. Considerable study of the habitat and fish populations in the West Dock area has been done, but the results are at best inconclusive. Localized changes in nearshore habitat have been observed, but no changes in fish populations or age-class distributions have been conclusively documented.

### DEDUCTIBILITY OF FIELD COSTS FOR NATURAL GAS LIQUIDS PRODUCTION:

ARCO, Exxon and Standard presently claim a substantial deduction, for both royalty and tax purposes, for the cost of extracting what they call "natural

gas liquids" ('NGLs") during the production of oil and gas in the Kuparuk River and Prudhoe Bay Units. Both the Departments of Revenue and Natural Resources are contesting this practice. On the Department of Revenue side, this has entailed the recent preparation of draft regulations. It is likely that the regulations will be actively resisted both in the hearing process and, if the regulations are adopted, in subsequent proceedings. On the royalty side, the NGL issue is included within the Amerada Hess pleadings. However, the NGL issue has been put off pending the resolution of the downstream oil valuation issues. Nonetheless, the Department of Natural Resources is anxious to find a way to bring the issue to resolution promptly, and it appears that the companies are similarly inclined to address the issue outside the confines of the Amerada Hess litigation, if possible. Accordingly, it is likely that the NGL issue will soon be the subject of active negotiation and/or separate litigation or alternative dispute resolution process. The combined value of the royalty and tax NGL deduction issue has been estimated to be in excess of \$26 million per year.

#### KIC WELL LITIGATION:

In ASRC, Chevron & Standard v. State, DNR, 3AN-88-04357 Civil, the Arctic Slope Regional Corporation and two major oil companies sued the state to block DNR's access to drilling data from the KIC well, an oil and gas well located on ASRC land near Kaktovic, within the borders of the Arctic National Wildlife Refuge ("ANWR"). The well is the only well drilled within ANWR, and has been called "the best kept secret since the 'A' bomb." Last session in similar overview hearings, several members of the House of Representatives expressed interest in the state's vigorous pursuit of the data. The oil companies assert the state's use of the data would be a taking for which compensation would be required, and are challenging the constitutionality of the statute which authorizes DNR's access to the data. A decision in this case is expected before February 15 when Judge Serdahely is scheduled to leave the court to return to private practice.

1716E



Date of Sale: January 24, 1989

State of Alaska  
Department of Natural Resources  
Division of Oil and Gas

Preliminary Report

Competitive Oil and Gas Lease Sale:

Deaufort Sea Sale 52

Bidding Method:	Cash bonus with 12.5% Fixed Royalty		
Total Number of Bids Received:	20		
Tracts Offered:	43	Acreage Offered:	175,981.48
Tracts Sold:	15	Acreage Sold:	52,463.34
Total High Bonus Bids:	\$1,737,512.53		
Total Exposed (Sum of All Bids):	\$1,959,056.66		
Average High Bonus Bid Per Acre:	\$33.12		
Highest Bid:	\$413,575.00	Highest Bid/Acre:	\$94.04
Tract Number:	29	Tract Number:	29
Submitted By:	Submitted By:		
	Chevron U.S.A.		Chevron U.S.A.

Bidder Company or Group Name:	Number of Tracts Bid On:	Total of All Bids:	Number of Tracts Won:	Total of High Bids
Phillips Petroleum	7	\$814,500.00	5	\$730,500.00
Mobil Oil	2	\$104,160.00	2	\$104,160.00
Chevron U.S.A.	5	\$815,805.00	5	\$815,805.00
Arco Alaska	5	\$197,101.38	3	\$87,047.50
Alfred James, III	1	\$27,490.28	0	\$0.00





Date of Sale: January 24, 1969

State of Alaska  
 Department of Natural Resources  
 Division of Oil and Gas

Preliminary Report

Competitive Oil and Gas Lease Sale: Beaufort Sea Sale 52

Record of All Bids Received

Tract Number:	ADL Number:	Acres:	Apparent High Bid	Bid Amount:	Bid/Acre:	Bidder Name:
11	373211	4,417.31	**	\$46,028.37	\$10.42	Arco Alaska
25	373225	3,241.88	**	\$36,225.00	\$11.17	Chevron U.S.A.
28	373228	4,429.99	**	\$235,555.00	\$53.17	Chevron U.S.A.
				\$57,013.97	\$12.87	Arco Alaska
29	373229	4,398.00	**	\$413,575.00	\$94.04	Chevron U.S.A.
				\$53,039.88	\$12.06	Arco Alaska
30	373230	4,098.00	**	\$49,225.00	\$12.01	Chevron U.S.A.
31	373231	5,760.00	**	\$81,225.00	\$14.10	Chevron U.S.A.
32	373232	1,689.63	**	\$51,000.00	\$30.18	Phillips Petroleum
				\$27,490.28	\$16.27	Alfred James, III
33	373233	2,455.00	**	\$25,016.45	\$10.19	Arco Alaska
34	373234	1,521.17	**	\$16,002.71	\$10.52	Arco Alaska
35	373235	5,054.29	**	\$278,500.00	\$55.10	Phillips Petroleum
37	373237	3,707.00	**	\$306,000.00	\$82.55	Phillips Petroleum
38	373238	2,470.84	**	\$54,000.00	\$21.85	Phillips Petroleum
39	373239	2,526.00	**	\$41,000.00	\$16.23	Phillips Petroleum
41	373241	2,660.15	**	\$34,080.00	\$12.81	Mobil Oil
				\$32,000.00	\$12.03	Phillips Petroleum
42	373242	4,034.00	**	\$70,080.00	\$17.37	Mobil Oil
				\$52,000.00	\$12.89	Phillips Petroleum

Date of Sale: January 24, 1989

State of Alaska  
Department of Natural Resources  
Division of Oil and Gas

Preliminary Report

Competitive Oil and Gas Lease Sale: Beaufort Sea Sale 52

Apparent Winning Bids

Treat Number:	ADL Number:	Acres:	Amount:	Bid/Acre:	Bidder Name:
1	373201	374.00	No Bid Received!		
2	373202	4,183.00	No Bid Received!		
3	373203	3,608.00	No Bid Received!		
4	373204	5,760.00	No Bid Received!		
5	373205	5,290.00	No Bid Received!		
6	373206	5,506.00	No Bid Received!		
7	373207	4,381.00	No Bid Received!		
8	373208	2,672.00	No Bid Received!		
9	373209	4,496.24	No Bid Received!		
10	373210	4,457.45	No Bid Received!		
11	373211	4,417.31	\$46,028.37	\$10.42	Arco Alaska
12	373212	4,508.69	No Bid Received!		
13	373213	5,672.79	No Bid Received!		
14	373214	5,697.00	No Bid Received!		
15	373215	3,610.00	No Bid Received!		
16	373216	5,760.00	No Bid Received!		
17	373217	5,673.00	No Bid Received!		
18	373218	5,697.00	No Bid Received!		
19	373219	5,760.00	No Bid Received!		
20	373220	5,760.00	No Bid Received!		
21	373221	4,672.00	No Bid Received!		
22	373222	4,303.00	No Bid Received!		
23	373223	5,760.00	No Bid Received!		
24	373224	1,375.88	No Bid Received!		
25	373225	3,241.88	\$36,225.00	\$11.17	Chevron U.S.A.
26	373226	3,768.00	No Bid Received!		
27	373227	4,286.66	No Bid Received!		
28	373228	4,429.99	\$235,535.00	\$53.17	Chevron U.S.A.
29	373229	4,398.00	\$413,575.00	\$94.04	Chevron U.S.A.
30	373230	4,098.00	\$49,225.00	\$12.01	Chevron U.S.A.
31	373231	5,760.00	\$81,225.00	\$14.10	Chevron U.S.A.
32	373232	1,689.63	\$51,000.00	\$30.18	Phillips Petroleum
33	373233	2,455.01	\$25,016.45	\$10.19	Arco Alaska

Date of Sale: January 24, 1989

State of Alaska  
Department of Natural Resources  
Division of Oil and Gas

Preliminary Report

Competitive Oil and Gas Lease Sale: Beaufort Sea Sale 52

Apparent Winning Bids

Tract Number	NDL Number	Acres:	Amount:	Bid/Acre:	Bidder Name:
34	373234	1,521.17	\$16,002.71	\$10.52	Arco Alaska
35	373235	5,054.29	\$278,500.00	\$55.10	Phillips Petroleum
36	373236	3,832.00	No Bid Received!		
37	373237	3,707.00	\$306,000.00	\$82.55	Phillips Petroleum
38	373238	2,470.84	\$54,000.00	\$21.85	Phillips Petroleum
39	373239	2,526.00	\$41,000.00	\$16.23	Phillips Petroleum
40	373240	3,045.43	No Bid Received!		
41	373241	2,660.15	\$34,080.00	\$12.81	Mobil Oil
42	373242	4,034.08	\$70,080.00	\$17.37	Mobil Oil
43	373243	3,609.00	No Bid Received!		

Date of Sale: January 24, 1969

State of Alaska  
Department of Natural Resources  
Division of Oil and Gas

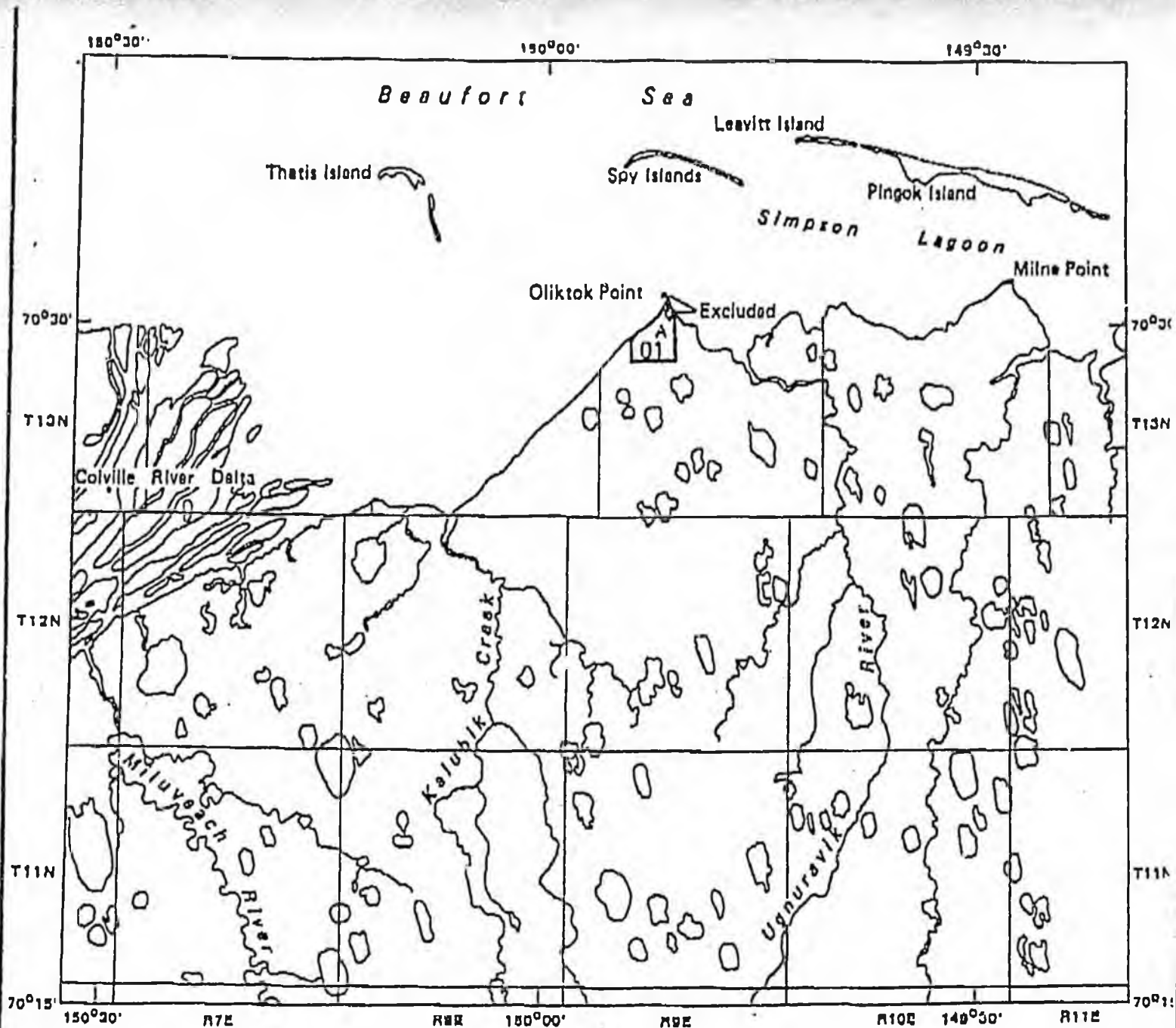
Preliminary Report

Competitive Oil and Gas Lease Sale:

Ollktok Point Sale 72A

Bidding Method:	Cash bonus with 12.5% Fixed Royalty		
Total Number of Bids Received:	1		
Tracts Offered:	1	Acreage Offered:	677.15
Tracts Sold:	1	Acreage Sold:	677.15
Total High Bonus Bids:	\$454,997.40		
Total Exposed (Sum of All Bids):	\$454,997.40		
Average High Bonus Bid Per Acre:	\$671.93		
Highest Bid:	\$454,997.40	Highest Bid/Acre:	\$671.93
Tract Number:	1	Tract Number:	1
Submitted By:	Arco Alaska		

Bidder Company or Group Name:	Number of Tracts Bid On:	Total of All Bids:	Number of Tracts Won:	Total of High Bids:
Arco Alaska	1	\$454,997.40	1	\$454,997.40



SALE RESULTS MAP  
 Apparent High Bidder  
 A - ARCO Alaska, Inc.

STATE OF ALASKA  
 DEPARTMENT OF NATURAL RESOURCES  
 DIVISION OF OIL & GAS  
**OIL AND GAS LEASE SALE 72A**  
**OLIKTOK POINT TRACT MAP**

SCALE 1:380,000

5 0 5 10 MILES

DIRECTOR, DIV. OF OIL & GAS JIM EASON <i>[Signature]</i>	DRAWN BY O.D.S. <i>[Signature]</i>	DATE APPROVED 11/07/83
LEASING MANAGER, PAMELA ROGERS <i>[Signature]</i>	CHECKED BY <i>[Signature]</i>	BASED FROM USGS PORTIONS OF BEECHY POINT & HARRISON BAY QUADRANGLES. UNIVERSAL TRANSVERSE MERCATOR PROJECTION.

NOTE: THIS MAP IS NOT TO BE  
 CONSTRUED AS AN OFFICIAL  
 TRACT MAP. A 1:30,000  
 SCALE TRACT MAP IS  
 AVAILABLE AT THE DEPT.  
 OF NATURAL RESOURCES,  
 DIVISION OF OIL AND GAS,  
 3601 G. ST., P.O. BOX 107034,  
 ANCHORAGE, ALASKA 99510  
 PHCNR (907)841-3020



SALE AREA



Date of Sale: January 24, 1969

State of Alaska  
Department of Natural Resources  
Division of Oil and Gas

Preliminary Report

Competitive Oil and Gas Lease Sale:

Ollktok Point Sale 72A

Bidding Method:

Cash bonus with 12.5% Fixed Royalty

Total Number of Bids Received:

1

Tracts Offered:

1

Acreage Offered:

677.15

Tracts Sold:

1

Acreage Sold:

677.15

Total High Bonus Bids:

\$454,997.40

Total Exposed (Sum of All Bids):

\$454,997.40

Average High Bonus Bid Per Acre:

\$671.93

Highest Bid: \$454,997.40

Highest Bid/Acre:

\$671.93

Tract Number:

1

Tract Number:

1

Submitted By:

Arco Alaska

Submitted By:

Arco Alaska

Bidder Company or Group Name:	Number of Tracts Bid On:	Total of All Bids:	Number of Tracts Won:	Total of High Bids:
Arco Alaska	1	\$454,997.40	1	\$454,997.40



Please deliver to Jim Eason. (From Bill Van Dyke) North Slope 1989 Exploratory Activity

Twenty two exploratory wells are permitted to be drilled this winter on the north slope. Given past performance, not all of these proposed wells will actually get drilled. It is reasonable to assume that at least nine of these wells will get drilled this winter season. In addition to the exploratory wells, nine delineation/tract wells are to be drilled within the boundaries of the Kuparuk River Unit this winter. Listed below are the proposed activities:

#### Pending major exploration projects

1. Chevron---Karluk ice island location; in the Beaufort Sea 10 miles east of Endicott. Ice island being finished now.
2. B P America---Shirukak and Ekvik locations; both located 40 miles southwest of Kuparuk. One well scheduled to be drilled this winter.
3. Texaco---Wolfbutton locations; 12 locations staked 30 miles south of Kuparuk. 2 or 3 wells actually to be drilled this winter. Two rigs running.
4. Unocal---Ruby locations; two locations staked 15 miles south of Kuparuk. One well to be spudded within the next few weeks.
5. Arco---Point McIntyre locations; 3 wells just northwest of the west dock causeway at Prudhoe Bay. One rig to start within 5 days.
6. Arco West Storkerson location; on shore location in Gwydyr Bay Unit. Scheduled to be drilled this winter.
7. Arco---KRU tract/delineation wells; 9 locations around the edge of the Kuparuk River Unit. Scheduled to be drilled this winter.
8. Arco---Stinson location; Beaufort Sea location 6 miles east of Point Thomson/Flaxman Island. Likely to be drilled next summer or next winter using a bottom-founded rig.

#### Pending major development projects

1. Niakuk---B P America; permits on hold awaiting additional information.
2. Hurl State (P pad in Prudhoe Bay Unit)---B P America; some work already under way.
3. West Sak Pilot #2---Arco; first well to be spudded within 10 days.

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

400 WILLOUGHBY AVE.  
JUNEAU, ALASKA 99801-1798  
PHONE: (907) 485-2400

January 20, 1989

JAN 26 1989

The Honorable Tim Kelly  
President of the Senate  
P. O. Box V  
Juneau, AK 99811

Dear Mr. President:

As required by AS 38.05.180(b) and (e), I am submitting the annual Five-Year Oil and Gas Leasing Schedule for state lands. Copies of this document will be distributed to all members of the Legislature.

The Department of Natural Resources has added seven sales to the five-year oil and gas leasing program for 1989 to 1993. We are proposing a total of 16 sales for this five-year period. The proposed new sales are: Oliktok Point Sale 72A (exempt), Kuparuk Uplands Sale 70A (exempt), North Slope Sale 73A (exempt), Cook Inlet Sale 74, Kuparuk Uplands Sale 75, Cook Inlet Sale 76, and Nanushuk Sale 77.

In addition to providing a description of areas proposed for leasing, this document contains the results of oil and gas lease sales held in 1988, a discussion of the state's oil and gas leasing strategy and process, a projection of oil and gas revenues through the year 2005, and a summary report of North Slope oil and gas development to date. The document also provides a brief summary of oil and gas matters of interest or concern to the State of Alaska that occurred during 1988. Topics summarized include 1988 exploratory wells, proposed Arctic National Wildlife Refuge (ANWR) land exchanges, ANWR legislation, seasonal drilling restrictions, exploration incentive credits, Camden Bay Sale 50 litigation, Demarcation Point Sale 55 controversy, K.I.C. well litigation, and discovery royalties.

Please let me know if you would like additional information about our oil and gas leasing program.

Sincerely,



Lennie Gorsuch  
Commissioner

Enclosure

cc: w/enclosure members of the Senate

THE FOLLOWING DOCUMENT HAS  
NOT BEEN FILMED BUT IS  
AVAILABLE IN THE ORIGINAL  
FILE

# FIVE-YEAR OIL AND GAS LEASING PROGRAM

JANUARY 1989



Alaska Department of

## NATURAL RESOURCES

DIVISION OF OIL & GAS

# STATE OF ALASKA

STEVE COWPER, GOVERNOR

## DEPARTMENT OF NATURAL RESOURCES

### DIVISION OF OIL AND GAS

PO. BOX 7034  
ANCHORAGE, ALASKA 99510-7034

January 20, 1989

Phone: 762-2586

#### -NOTICE- OF

#### FINAL DECISION AND FINDING UNDER AS 38.05.035(e) REGARDING PROPOSED OIL AND GAS LEASE SALE 67A (Cook Inlet)

JAN 23 1989

The Department of Natural Resources, Division of Oil and Gas (DO&G), gives formal notice under AS 38.05.945(a)(3) of its intention to make a final finding and decision under AS 38.05.035(e) regarding the sale of oil and gas leases in proposed Oil and Gas Lease Sale 67A (Cook Inlet). Before this sale may be held, the Director of the Division of Oil and Gas must make a written final decision that the sale best serves the interests of the state. This decision will set out the facts and applicable policies upon which the director bases his determination that the sale of oil and gas leases in proposed Sale 67A will or will not best serve the interests of the state. This final decision is expected to be available to the public in April 1989.

Proposed Sale 67A includes 173 tracts with an area of approximately 679,804 acres. The proposed sale area consists of state-owned uplands in Anchorage, Wasilla, and Houston, in the lower Susitna Valley, near Redoubt and Trading Bays and on the upper Kenai Peninsula, and tide and submerged lands in Cook Inlet. The entire sale is contained within the Municipality of Anchorage and the Kenai Peninsula and Matanuska-Susitna Boroughs. The communities of Anchorage, Big Lake, Houston, Wasilla and Tyonek may be affected by the proposed sale.

#### Mental Health Trust Lands

Oil and Gas Lease Sale 67A includes approximately 120,696 acres of Mental Health Trust Lands in 50 tracts. Mental Health Trust lands are contained in tracts 76, 79, 80, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 106, 107, 108, 109, 110, 111, 114, 115, 116, 117, 118, 125, 126, 127, 128, 129, 130, 131, 132, 133, 136, 137, 142, 143, 145, 146, 147, 148, 149, 154, 155, 156, 157, 164, 167, 168 and 169, and are all uplands. Tract 93 contains 1,280 acres which have been legislatively designated as part of the Trading Bay State Game Refuge. The Department of Natural Resources believes that these lands within the game refuge are no longer in the body of the Mental Health Trust, but this position may be disputed by counsel for the plaintiffs and intervenor in Weiss v. Alaska.

Chapter 48 SLA 1987 establishes the Interim Mental Health Trust Commission (commission) to oversee Mental Health Trust lands. Members of the commission include the commissioner of Natural Resources and appointees representing the plaintiffs and the intervenors. The law requires that the Department of Natural Resources obtain the approval of the commission before the sale, lease, or exchange of mental health lands. The Department was granted approval for the inclusion of these Mental Health Trust Lands on December 16, 1988. Notice was also provided directly to the plaintiffs and intervenors in the Weiss case. All leases on Mental Health Trust lands will be managed in compliance with Departmental Order 121, or any other laws, orders or regulations subsequently placed in effect regarding Mental Health Trust Lands.

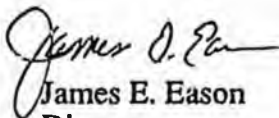
The tracts included in Sale 67A are being offered as exempt acreage under the terms of AS 38.05.180(d), which allows the commissioner of the Department of Natural Resources to issue oil and gas leases in areas that have not been included in the state's five-year oil and gas leasing program, if the land to be leased (1) was previously subject to a valid state or federal oil and gas lease, or (2) is contiguous to land already under lease and the commissioner makes a written finding, after hearing, that the leasing of the land would result in a substantial probability of early evaluation and development of the lands to be leased. Acreage within tracts 1, 8, 9, 10, 25, 26, 27, 35, 36, 37, 49, 52, 77, 98, 110, 111, 114, 117 and 135 is adjacent to one or more tracts currently under an oil and gas lease. All other tracts in the sale area were previously leased in state or federal oil and gas lease sales.

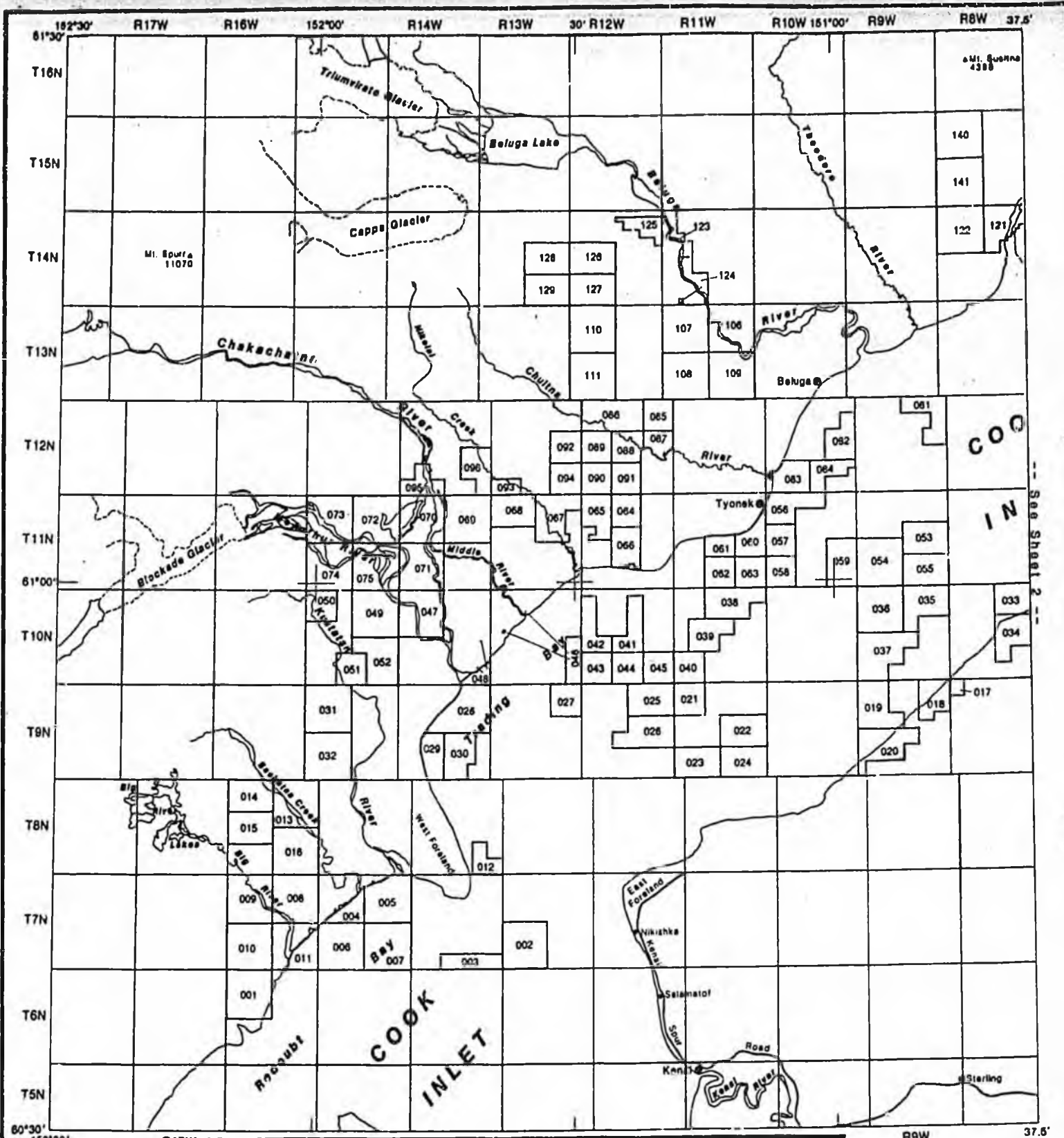
The Department of Natural Resources will hold a public hearing to gather comments to assist in the determination of whether or not the leasing of the tracts in Sale 67A which are contiguous to existing leases would result in a substantial probability of early evaluation and development. This public hearing will be held at the Division of Oil and Gas office, Frontier Building, 3601 "C" Street, Room 1380, Anchorage at 10:00 a.m. on February 14, 1989. Anyone having information relating to this topic is encouraged to testify at this hearing or submit written comments to DO&G by February 22, 1989.

A preliminary finding describing the potential effects of proposed Sale 67A and the means by which they may be mitigated is now available from DO&G, at 3601 "C" Street, Room 1398, Anchorage, Alaska. Copies of this document are also available for public review at the following locations: Loussac Library (Anchorage), and the Wasilla, Kenai, Soldotna, and Palmer Public Libraries. Included in the preliminary finding is the Alaska Coastal Management Program (ACMP) consistency analysis. The public is invited to comment on any aspect of the sale including any proposed term or condition.

Comments should be mailed to DO&G, P.O. Box 107034, Anchorage, Alaska 99510-7034 Attention: Pam Rogers. Comments must be received at DO&G no later than February 22, 1989 in order to be considered in the final decision of whether or not this sale is to be held in whole or in part. The conclusive ACMP consistency determination will be included in the Final Finding and Decision of the Director. Preliminary Legal Descriptions for Sale 67A are available on request to potential bidders and the public at DO&G. Preliminary tract maps are also available at a cost of \$50 per set.

If a decision is made that the proposed sale best serves the interests of the state, an "Information to Bidders" packet will be made available in April 1989. If a decision is made to hold the sale, it is tentatively scheduled to occur at the William A. Egan Civic and Convention Center, 555 West Fifth Avenue, in Anchorage, June 27, 1989 in accordance with AS 38.05.180.

  
James E. Eason  
Director



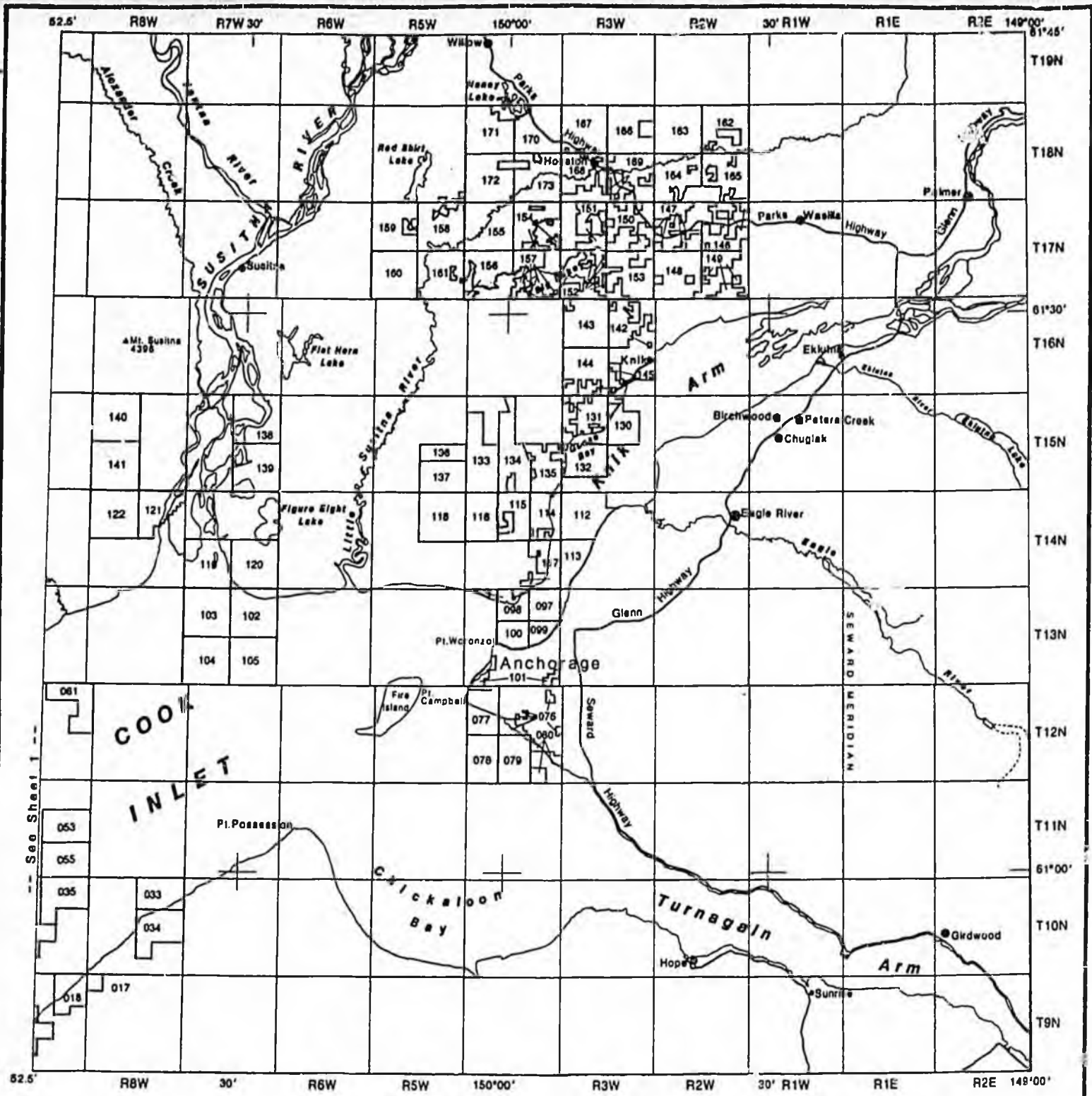
**STATE OF ALASKA**  
**DEPARTMENT OF NATURAL RESOURCES**  
**DIVISION OF OIL & GAS**  
**PROPOSED OIL AND GAS LEASE SALE 67A**  
**COOK INLET PRELIMINARY TRACT MAP**  
 SCALE 1:554,000 1" = 8.75 Miles Approx. 18 ml.

DIRECTOR, DIV. OF OIL & GAS <b>JIM EASON</b> <i>William Van Dyke</i>	DRAWN BY <b>O.D.S.</b>	DATE APPROVED 01/17/89 Base Map: U.T.M. Projection By U.S.G.S.
LEASING MANAGER <b>PAMELA ROGERS</b> <i>Paula Rogers</i>	CHECKED BY <i>JM</i>	

NOTE: NO DECISION HAS YET BEEN MADE ON WHETHER THE STATE WILL HOLD THIS LEASE SALE. THE STATE IS GATHERING SOCIAL, ENVIRONMENTAL & ECONOMIC INFORMATION ON WHICH TO BASE A DECISION.

NOTE: THIS MAP IS NOT TO BE CONSTRUED AS AN OFFICIAL TRACT MAP. A SET OF 1:63,360 SCALE TRACT MAPS ARE AVAILABLE AT THE DEPT. OF NATURAL RESOURCES, DIVISION OF OIL AND GAS, 3601 C. ST., P.O. BOX 7034, ANCHORAGE, ALASKA 99516- PHONE (907)561-2020 7034

SHEET 1 OF 2



See Sheet 1



**STATE OF ALASKA**  
**DEPARTMENT OF NATURAL RESOURCES**  
**DIVISION OF OIL & GAS**  
**PROPOSED OIL AND GAS LEASE SALE 67A**  
**COOK INLET PRELIMINARY TRACT MAP**  
 SCALE 1:554,000 1" = 8.75 Miles Approx.

DIRECTOR, DIV. OF OIL & GAS: *Walker Van Dyke*  
 JIM EASON O.D.S.  
 LEASING MANAGER, PAMELA ROGERS: *Pamela Rogers*  
 CHECKED BY: *JW*

DATE APPROVED 01/17/89  
 Base Map: U.T.M. Projection  
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Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

*Senate Resources*

*2/1/89*