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1/24/11 PRESENTATION: ORMAT TECHNOLOGIES - MOUNT SPURR GEOTHERMAL PROJECT

1/26/11 PRESENTATION: ALASKA ENERGY REPORT

1/28/11 PRESENTATION: KEVIN BANKS, DIRECTOR, DIVISION OF OIL & GAS, DEPARTMENT OF NATURAL RESOURCES

1/31/11 OVERVIEW: CORA CAMPBELL, COMMISSIONER, DEPARTMENT OF FISH & GAME

2/02/11 PRESENTATION: FOLLOW-UP TO ALASKA SUSTAINABLE ENERGY ACT

2/04/11 OVERVIEW: LARRY HARTIG, COMMISSIONER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION

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2/14/11 PRESENTATION: LARRY PERSILY, FEDERAL COORDINATOR, ALASKA NATURAL GAS TRANSPORTATION PROJECTS

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2/23/11 PRESENTATION: FOCUS ON NEW OIL & GAS DEVELOPMENT OPPORTUNITIES

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1/24/11 PRESENTATION DANIEL SULLIVAN, DEPARTMENT OF NATURAL RESOURCES

<TARGET><BILL></BILL><SUBJECT>1-24-11 PRESENTATION DANIEL SULLIVAN, DEPARTMENT OF NATURAL RESOURCES</SUBJECT><COMM>SRES27</COMM></TARGET>

Alaska Department of Natural Resources

SENATE RESOURCES
FY12 OVERVIEW
JANUARY 24, 2011

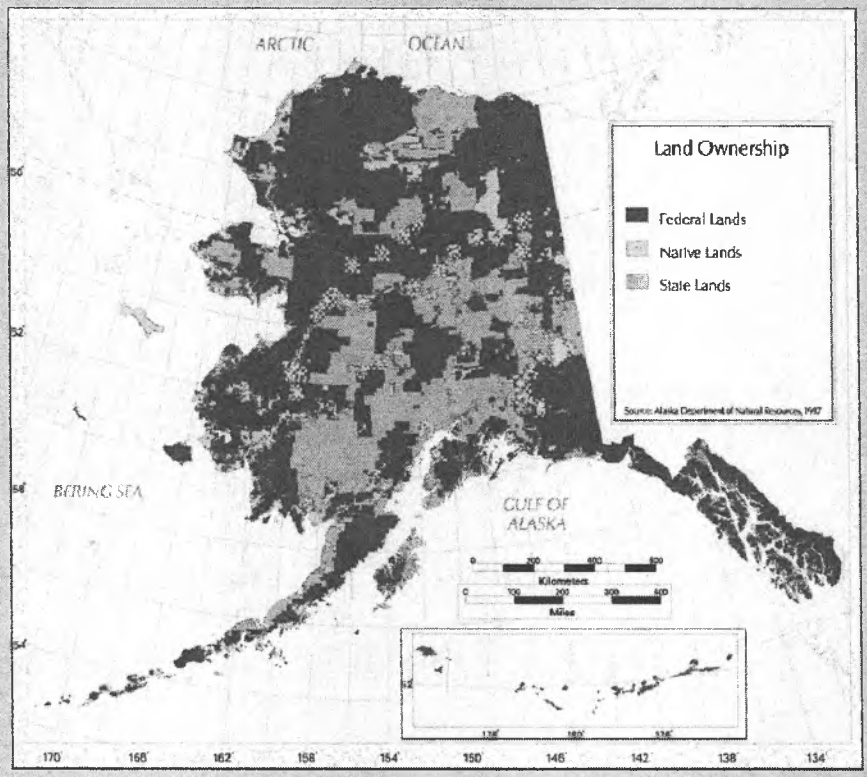
Who We Are and What We Do

- Article 8, Section 1 of the Alaska Constitution provides that "it is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest."

- Article 8, Section 2 provides that the "legislature shall provide for the utilization, development, and conservation of all natural resources belonging to the State, including land and waters, for the maximum benefit of its people."

Department Mission

- Develop, conserve and enhance natural resources for present and future Alaskans



ALASKA DEPARTMENT OF NATURAL RESOURCES

What We Do

- DNR manages (1) the state's land – approximately 100 million acres of uplands, 60 million acres of tidelands, shore lands, and submerged lands, and 40,000 miles of coastline – and (2) the state's vast energy and natural resources

- State land use and the natural resources developed from state land are the primary source of state revenue

What We Do

- DNR also manages state parklands; conducts wildland fire suppression; and supports the agriculture and timber industries in Alaska

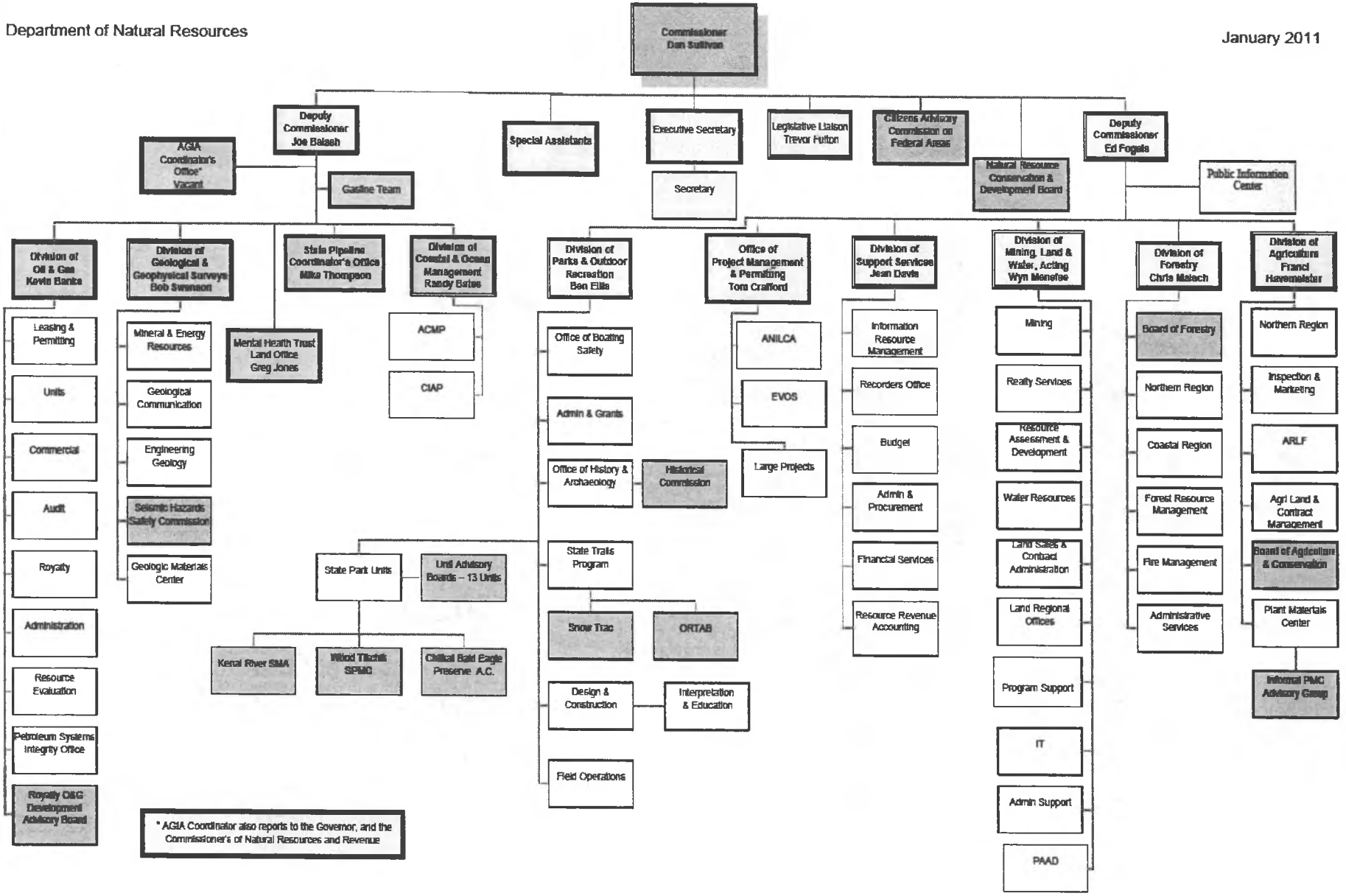
- Another important function of DNR is obtaining and providing the geologic, hydrologic, land records, and other information needed to manage and utilize the state's natural resources

Employees and Budget

- DNR currently employs about 1,100 Alaskans in full-time and seasonal positions, with main offices in Anchorage, Juneau, Fairbanks and Palmer, and regional offices throughout the state
- Our FY11 operating budget is $152.5 million, which includes funding for AGIA implementation
- Our FY12 operating budget request is $153.7 million, made up of:
  - 48% Unrestricted General Fund
  - 17% Designated General Fund
  - 23% Other funds including industry receipts
  - 12% Federal

Department of Natural Resources

January 2011



Divisions

- Oil and Gas

  Kevin Banks, Director

  105 full and part time budgeted positions

  10.82% of DNR's FY12 Operating Budget Request

  $16,624.5 budget request (all sources)

Divisions

- Mining, Land & Water

  Wyn Menefee, Acting Director

  207 full and part time budgeted positions

  15.27% of DNR's FY12 Operating Budget Request

  $23,481.2 budget request (all sources)

Divisions

- Forestry

  Chris Maisch, Director

  280 full and part time budgeted positions (does not include the hundreds of fire season crews)

  25.38% of DNR's FY12 Operating Budget Request

  $38,988.6 budget request (all sources)

Divisions

- Geological & Geophysical Surveys

  Bob Swenson, Director

  48 full and part time budgeted positions

  5.85% of DNR's FY12 Operating Budget Request

  $8,983.2 budget request (all sources)

Divisions

- Coastal & Ocean Management

  Randy Bates, Director

  33 full time budgeted positions

  3.05% of DNR's FY12 Operating Budget Request

  $4,691.7 budget request (all sources)

Divisions

- <u>Agriculture</u>

  Franci Havemeister, Director

  46 full and part time budgeted positions

  4.74% of DNR's FY12 Operating Budget Request

  $7,282.4 budget request (all sources)

Divisions

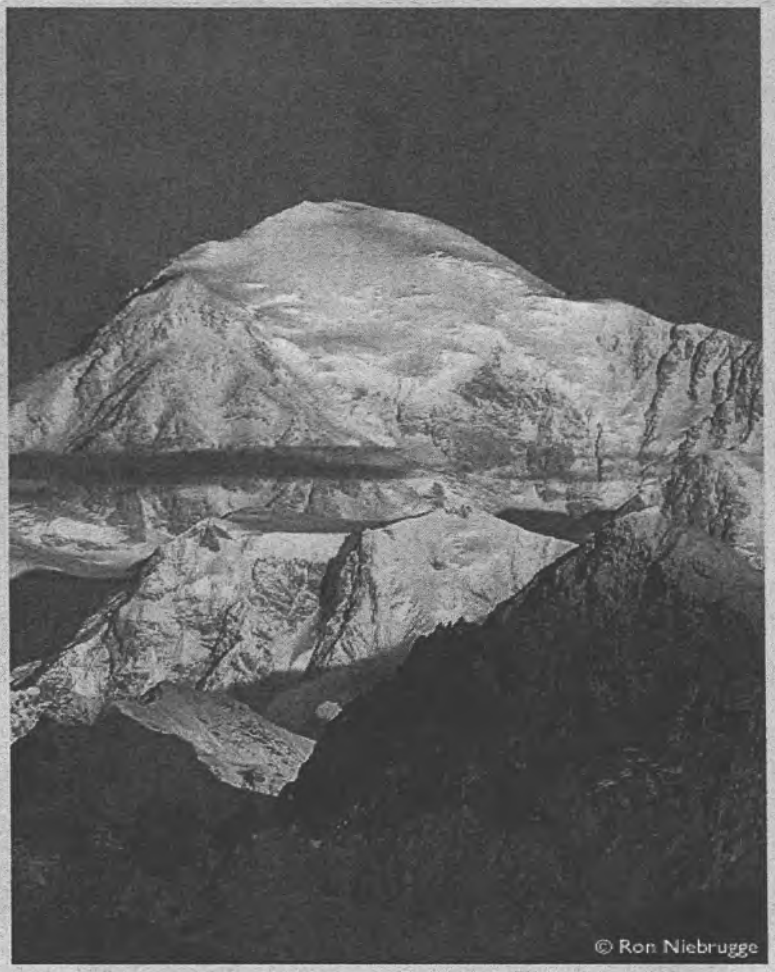
- Parks & Outdoor Recreation

  Ben Ellis, Director

  185 full and part time budgeted positions

  10.09% of DNR's FY12 Operating Budget Request

  $15,495.5 budget request (all sources)



Divisions

- Support Services

  Jean Davis, Director

  130 full and part time budgeted positions

  8.48% of DNR's FY12 Operating Budget Request

  $12,113.4 budget request (all sources)

Offices

- State Pipeline Coordinator's Office

  Mike Thompson, State Pipeline Coordinator

  31 full and part time budgeted positions

  5.07% of DNR's FY12 Operating Budget Request

  $7,789.2 budget request (all sources)

Offices

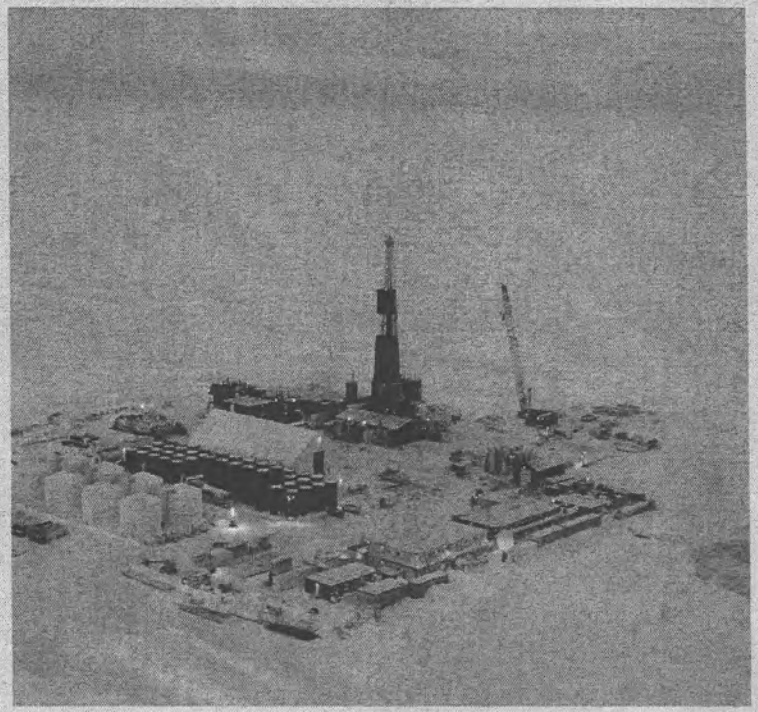
- Project Management & Permitting

  Tom Crafford, Director

  12 full time budgeted positions

  2.75% of DNR's FY12 Operating Budget Request

  $4,223.9 budget request (all sources)



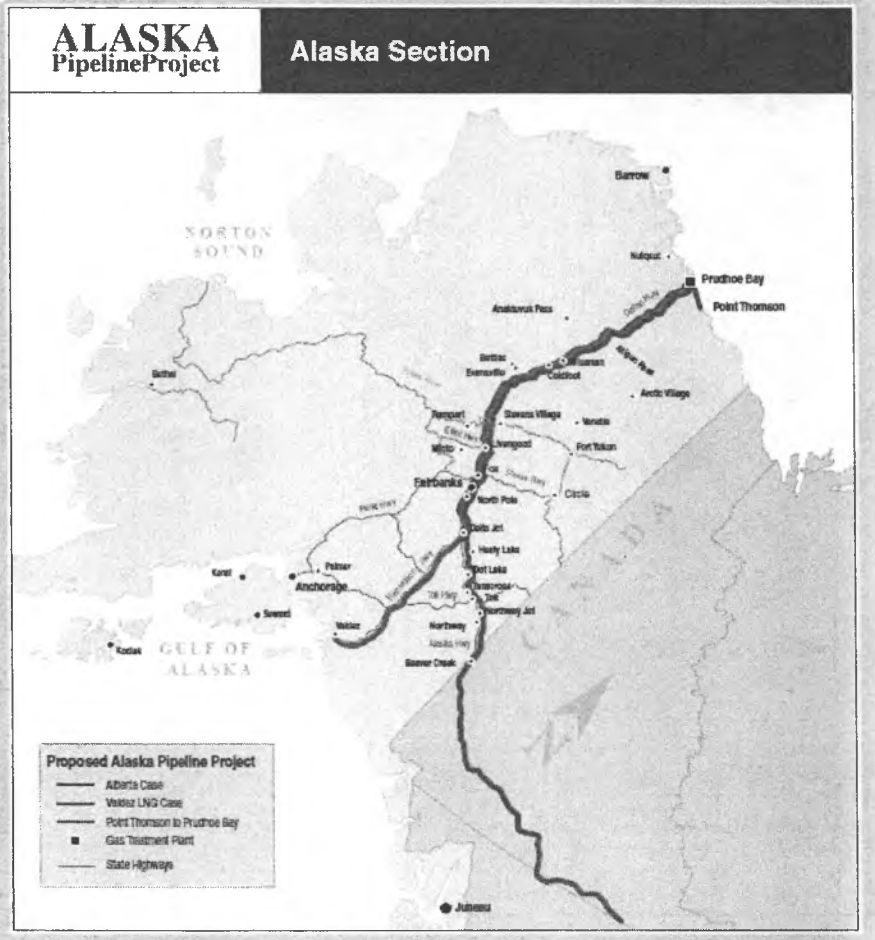
Offices

- <u>AGIA Coordinator's Office</u>

  9 full and part time budgeted positions

  2.32% of DNR's FY12 Operating Budget Request

  $3,563.3 budget request (all sources)



Offices

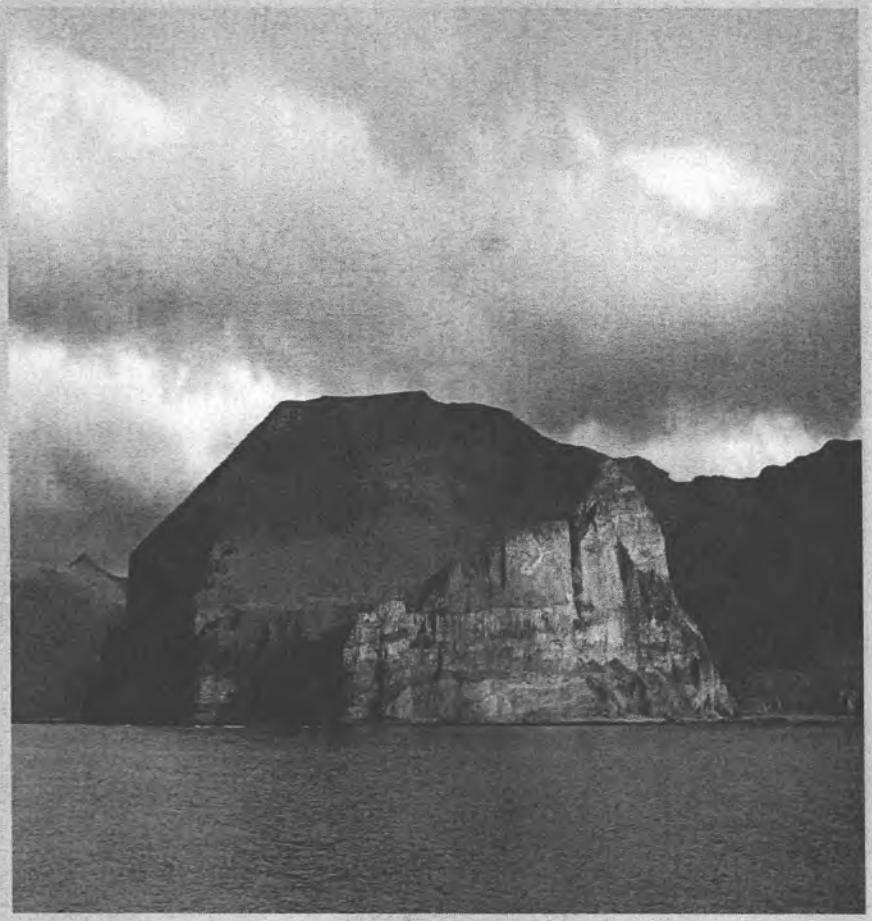
- Mental Health Trust Lands Office

  Greg Jones, Executive Director

  16 full and part time budgeted positions

  1.88% of DNR's FY12 Operating Budget Request

  $2,892.7 budget request (all sources)



Offices

- Office of the Commissioner

  Dan Sullivan, Commissioner

  9 full time budgeted positions

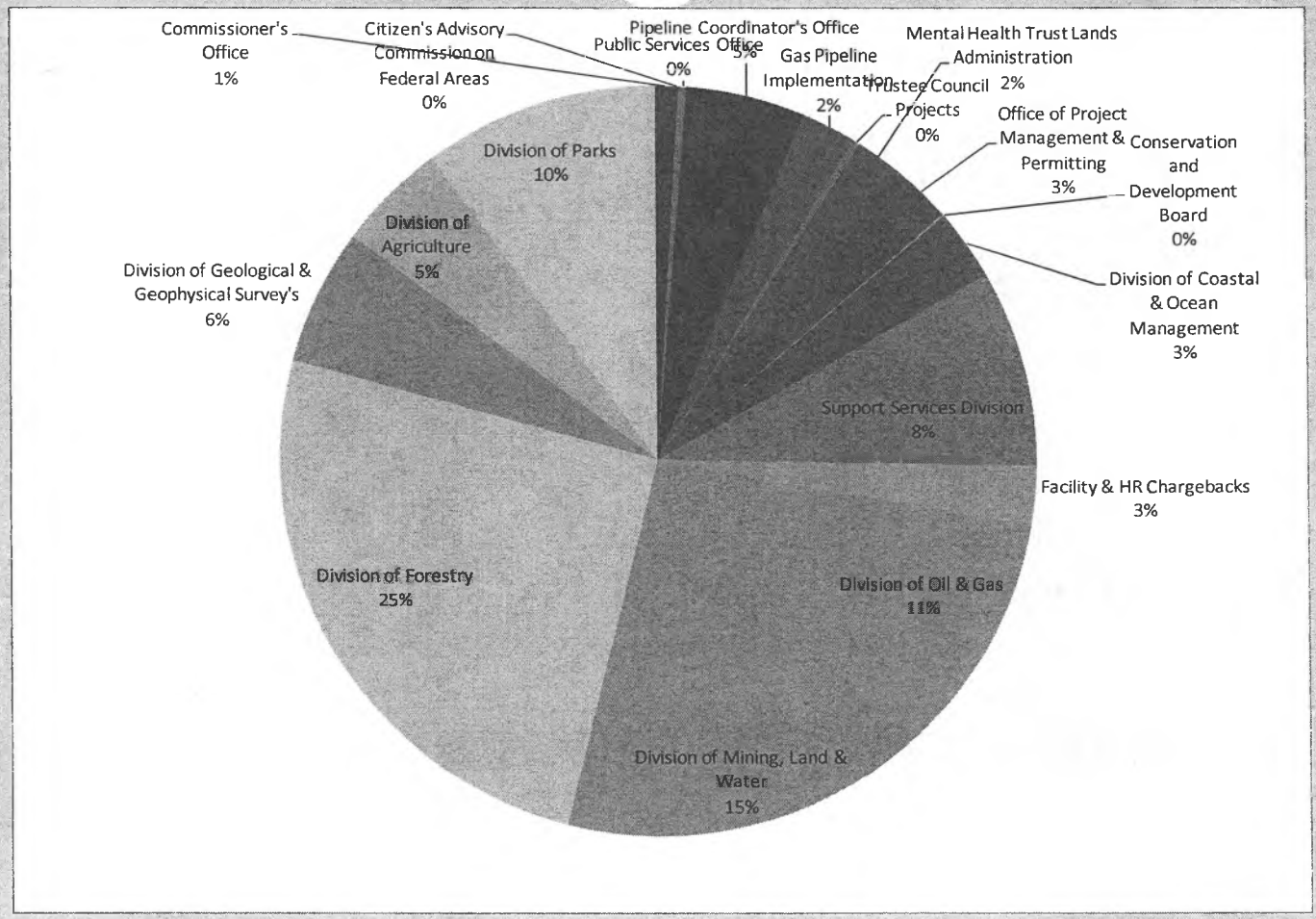
  0.79% of DNR's FY12 Operating Budget Request

  $1,221.1 budget request (all sources)

Boards and Commissions

- Natural Resource Conservation & Development Board (NRCDB)
- Citizen's Advisory Commission on Federal Areas (CACFA)
- Board of Agriculture and Conservation
- Board of Forestry
- Alaska Historical Commission
- Alaska Royalty Oil and Gas Development Board
- Seismic Hazards Safety Commission
- Outdoor Recreation Trails Advisory Board

FY12 Operating Budget - $153,746.7



Engagement Tour

- Meeting with key stakeholders
- What I'm hearing, seeing, learning
  - Challenges
  - Opportunities
  - Need for partnership

Challenges

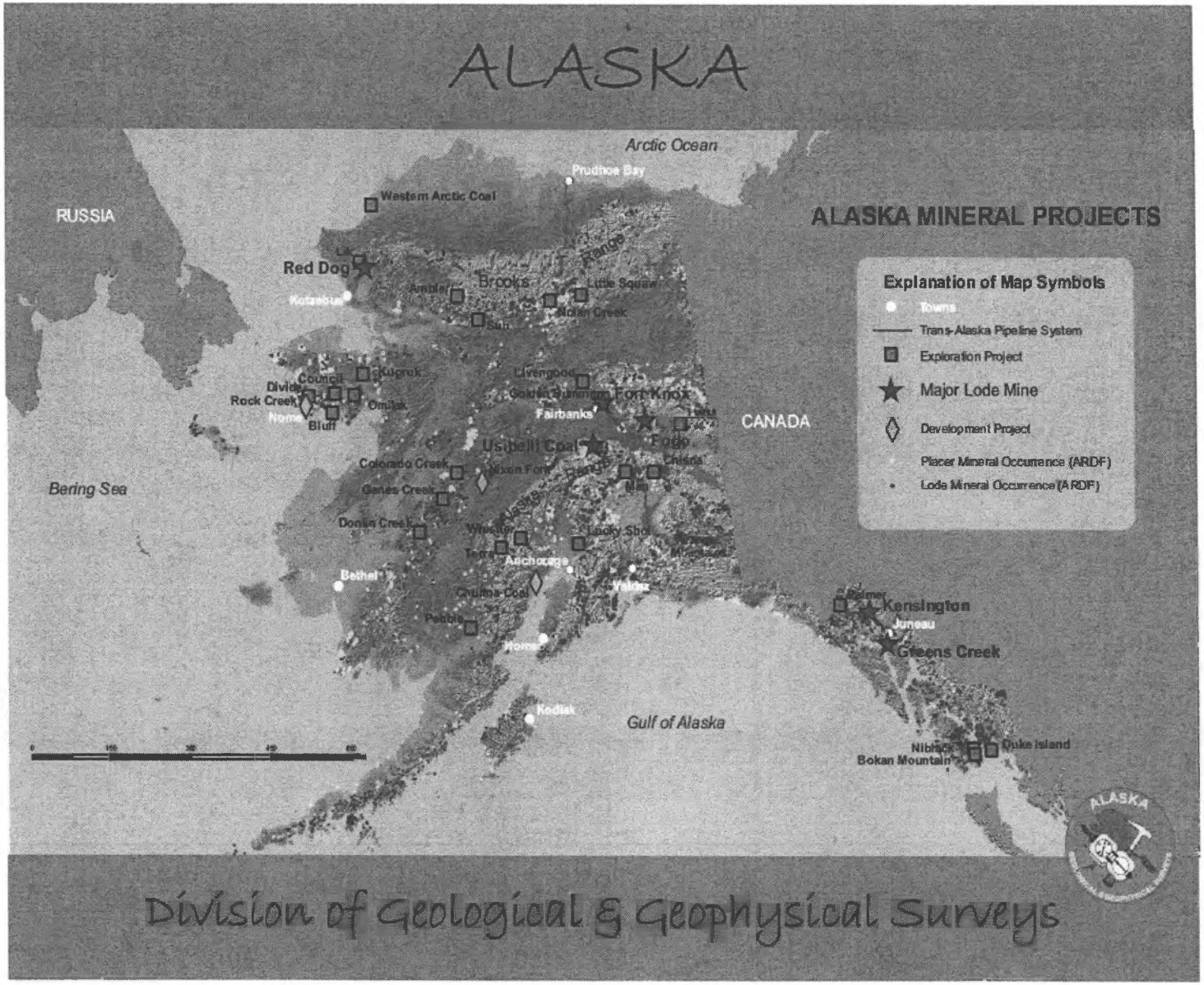
- TAPS throughput
- Aging infrastructure
- High energy costs throughout the state
- Gas pipeline
- Cook Inlet energy
- Permitting efficiencies

DNR Specific Challenges & Solutions

- Permitting efficiencies & workload
- Federal land conveyance
- Litigation - defending permitting process
- Forest management
- Unlocking resources
- Publicizing resources
- Management challenges
- Retention / Recruitment
- Maintain budget & obtain increments
- Improve coordination
- Creative thinking & implementation

Opportunities – Alaska as a Storehouse

- North Slope: world class energy basin
- Massive mineral deposits
- Vast amounts of renewable resources
- New players looking to unlock our resource potential
- Ongoing innovation


ALASKA
Arctic Ocean
Prudhoe Bay
Western Arctic Coal
RUSSIA
ALASKA MINERAL PROJECTS
Red Dog
Brooks Range
Kotzebue
Amber
Little Squaw
Nolan Creek
Livengood
Fort Knox
Fairbanks
Council
Rock Creek
Nome
Bluff
Omilak
CANADA
Usibelli Coal
Colorado Creek
Nixon Fork
Chena
Bering Sea
Ganes Creek
Donlin Creek
Lucky Shot
Anchorage
Bethel
Valdez
Pebble
Kensington
Juneau
Greens Creek
Kodiak
Gulf of Alaska
Niblack
Bokan Mountain
Duke Island
Explanation of Map Symbols
Towns
Trans-Alaska Pipeline System
Exploration Project
Major Lode Mine
Development Project
Placer Mineral Occurrence (ARDF)
Lode Mineral Occurrence (ARDF)
Division of Geological & Geophysical Surveys

Alaska as a Storehouse

- **Oil**: 43 billion barrels of undiscovered, technically recovery reserves; this does not include massive quantities of unconventionals (shale, heavy oil, etc.)
- **Gas**: 236 trillion cubic feet of undiscovered, technically recoverable reserves
- **Coal**: 17% of the world's coal resources; 2nd most in the world
- **Copper**: 6% of the world's copper resources; 3rd most in the world
- **Lead**: 2% of the world's lead resources; 6th most in the world

Alaska as a Storehouse

- **Gold**: 3% of the world's gold resources; 7th most in the world
- **Zinc**: 3% of the world's zinc resources; 8th most in the world
- **Silver**: 2% of the world's silver resources; 8th most in the world
- **Rare earth elements**: Alaska has over 150 occurrences, and one of N. America's most significant deposits
- **Timber**: Alaska has 17% of the nation's forestland

Importance of Partnership

- Stakeholders eager to form alliances
- Partnership moves projects forward
- Missing one key partner....

Federal Obstruction

- Projects delayed or derailed
- Opportunities foreclosed
- Jobs lost and investment climate chilled
- But we will redouble cooperation efforts

State at a Crossroads: Bright Future

- TAPS decline arrested
  - OCS's elephant fields placed on-line
  - ANWR and NPR-A open for development
  - Innovation leads to unconventional and heavy oil production
- North Slope gas brought on-line
- Mining production throughout the state
- Cook Inlet resurgence
- Renewable resources meet state's growing energy needs
- Rural Alaska: jobs up & energy costs down
- New markets for our resources
- Value added industries

State at a Crossroads: Bleak Future

- TAPS throughput decline accelerates
- Aging infrastructure failures hamper operations
- Major energy companies leave the state
- No gas pipeline
- Existing mines exhausted and no new mines brought on-line
- Crushing energy costs
- Importation of LNG to meet Railbelt energy needs
- Federal overreach transforms state into a national park
- State population declines

1/24/11 PRESENTATION ORMAT TECHNOLOGIES MOUNT SPURR GEOTHERMAL PROJECT

<TARGET><BILL></BILL><SUBJECT>1-24-11 PRESENTATION ORMAT TECHNOLOGIES - MOUNT SPURR GEOTHERMAL PROJECT</SUBJECT><COMM>SRES27</COMM></TARGET>

The Mount Spurr Geothermal Project

Presentation to House and Senate Resource Committees

January 24, 2011
Juneau, Alaska

Paul Thomsen
Director of Policy and Business Development
Ormat Technologies, Inc.
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www.ormat.com

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Outline

0. Introduction to Ormat; Geothermal Power; Mt. Spurr project
1. Project timeline
2. Transmission needs
3. Amount of power supplied to Railbelt
4. Likelihood of completion
5. Permitting roadblocks
6. Community support
7. Sources of project financing
8. Cost of power to utilities
9. Legislative needs

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Ormat Brings Credibility

- A leader in geothermal power
- Owns and operates 538* MW worldwide
- Supplied approximately 1,300 MW to 24 countries
- Vertically integrated:
  - Explores, develops, engineers, manufactures, constructs, operates
- Employs 470 people in the U.S. ; >1,000 worldwide;

NYSE: "ORA"
Market Cap. : $1.39B**
LTM Revenues: ~$375M

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*As of December, 2010, including the 50 MW of North Brawley in California which operated at approx. 25 MW
**As of January 21 , 2011

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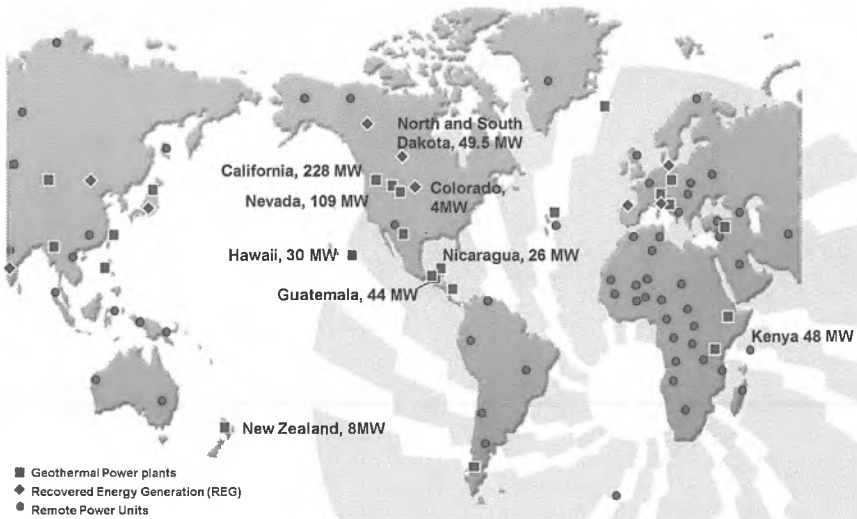
Global Presence*; 71 Countries



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*As of December, 2010

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Ormat's Commitment to Alaska

- >100 Remote Power Units
  - Serving remote gate valves
  - TransAlaska Pipeline
  - Since 1975
- First geothermal unit
  - Tested in 1979
  - University of Alaska Fairbanks
  - At Manley hot springs
- Approx. $5 million of Ormat equity invested in Mt. Spurr to date

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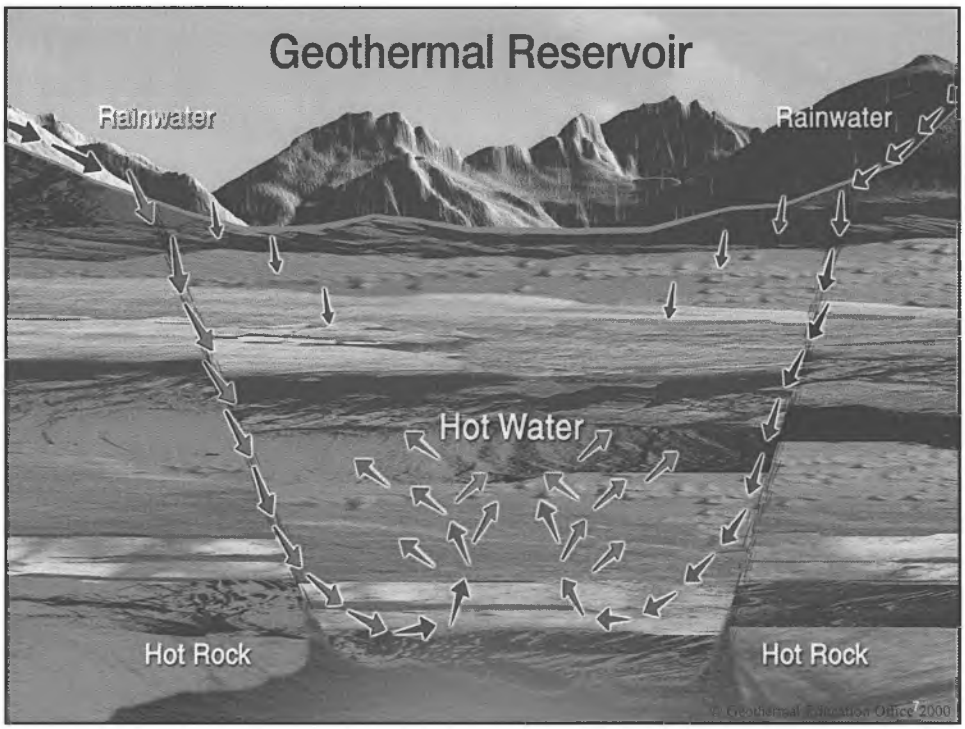
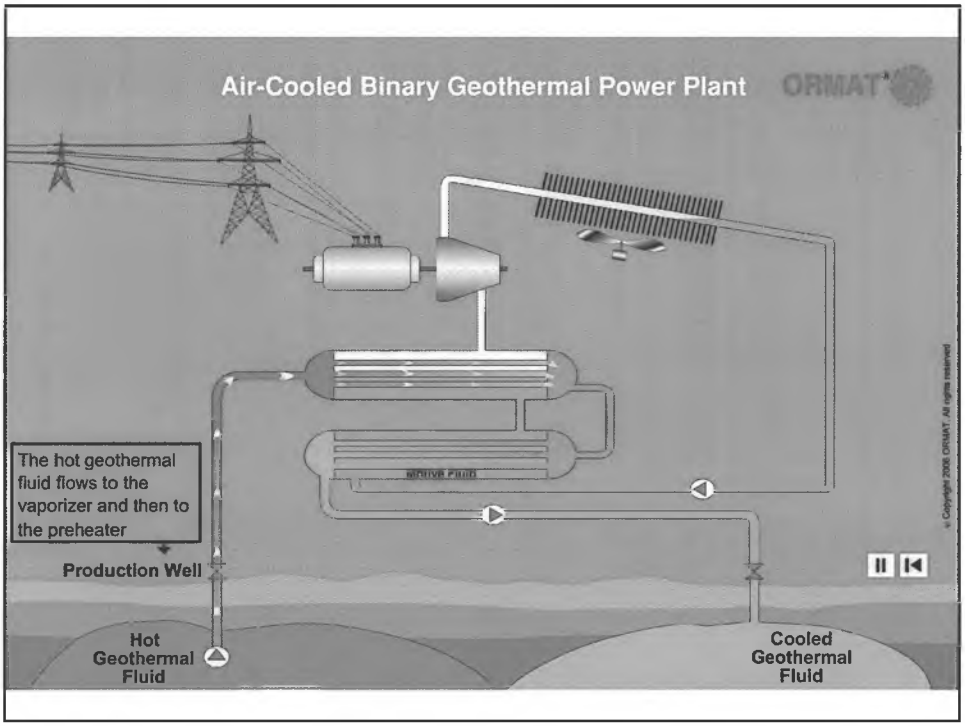

Geothermal Reservoir
Rainwater
Rainwater
Hot Water
Hot Rock
Hot Rock
© Geothermal Education Office 2000


Air-Cooled Binary Geothermal Power Plant
ORMAT
The hot geothermal fluid flows to the vaporizer and then to the preheater
Production Well
Hot Geothermal Fluid
Cooled Geothermal Fluid

Geothermal – Key Attributes

- Utilities' renewable energy of choice:
  - Base-load generation
  - Cost-competitive
  - Highly reliable; >>95% availability
  - Proven technology: ~10,000 MW deployed worldwide
- No fuel cost risk; Fixed long-term pricing
- Sustainable & environmentally friendly
  - Closed loop system with near zero emissions
  - No water consumption [Mt. Spurr plant will be air-cooled]
  - Minimal surface and visual impact
- Creates long-term, high-quality jobs

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Geothermal – Development Inhibitors

- Resources are scarce
- High upfront CAPEX and risk required in order to discover and confirm the resource

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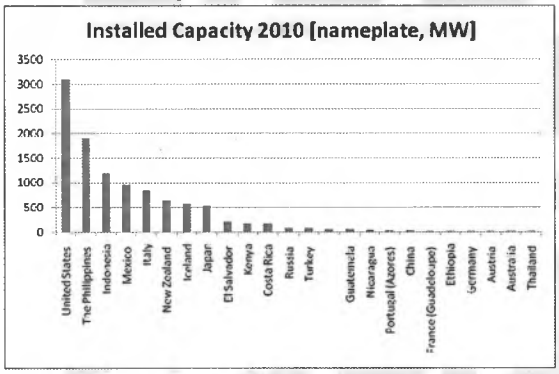
Worldwide Deployment

- Approximately 11,000 MW deployed world-wide
- 24 nations have utility-scale geothermal generation
  - US is the world leader, with plants in CA, NV, HI, UT, ID
- Supportive policies have been key to success in all nations



Source: International Geothermal Association

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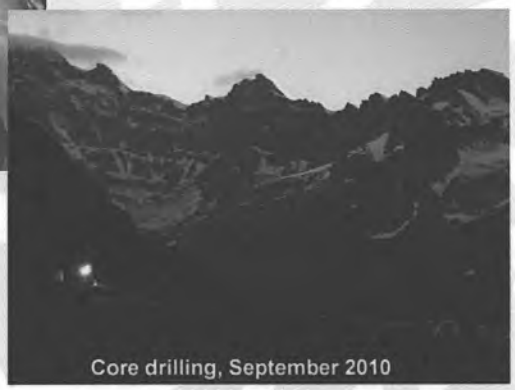
Mt. Spurr Geothermal Project



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Location

West Cook Inlet

~75 miles west of Anchorage

Source: GoogleEarth

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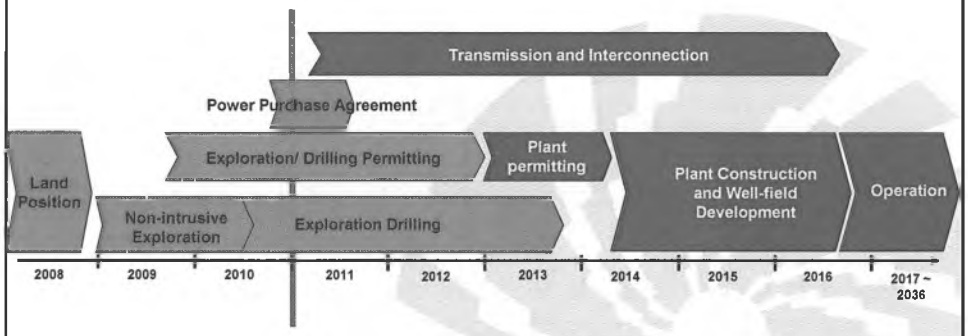
1. Mt. Spurr – Estimated Timeline



- 36,000 acres of state lands leased in October, 2008
- Non-Intrusive exploration conducted summer of 2009 and of 2010
- Two exploration core holes (~1,000 ft) drilled in September2010

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Core Drilling

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Encouraging Results to Date

- Shallow water shows mixing with hot geothermal fluids
- Evidence of multiple geologic faults that could be accommodating geothermal resources at depth
- Geochemistry indicating high temp resource at depth
- But, additional drilling is required in order to confirm the existence of a commercial geothermal resource at depth

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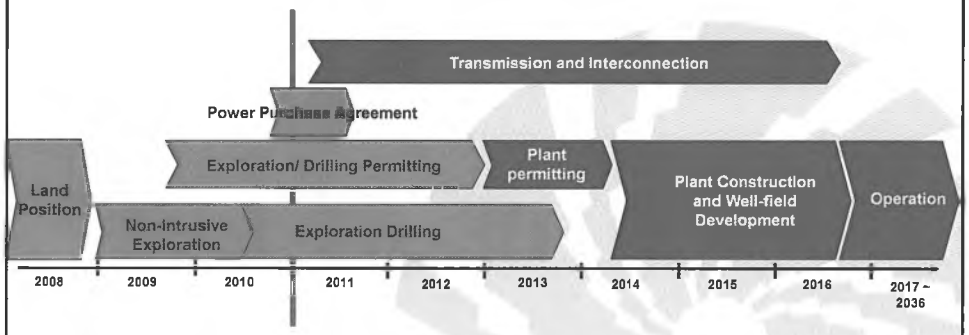
Mt. Spurr – Expected Next Steps



- Additional, deeper, (up to 4,000 ft) core holes planned for summer 2011
- First full-size production well planned for 2012

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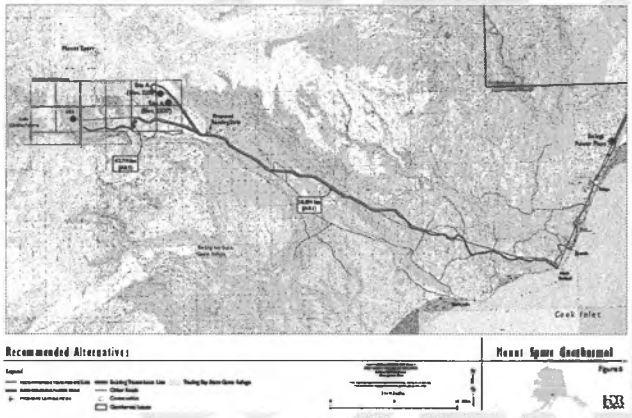
2. Infrastructure Needs

- ~40 miles of T-line to Chugach Electric's Beluga plant
  - Chugach plans to commence a detailed routing study in 2011
- ~25 miles of permanent access road
- $70 - $80m



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3. Expected Amount of Power to Railbelt

- Estimated at 50~100 MW net
- At 95% availability: 416.1 ~ 832.2 GWh / year

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4. Likelihood to Completion

- Technology-wise: Very likely
  - Practically no technology risk
  - Ormat has built dozens of plants worldwide, ~1300 MW
- Resource-wise: Likely
  - Preliminary geological analysis is encouraging; however
  - Significant exploration required to prove and size the resource
- Business-wise:
  - Need a Power Purchase Agreement
  - Need State commitment to build transmission line and access road

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5. Permitting Roadblocks

- Area was studied by DNR and findings were published as part of the leasing process
- Ormat working with all relevant agencies (DNR, ADEC, AOGCC, USF&WS, etc.)
- All permits for the 2010 exploration and drilling campaigns received on time with no major issues
- No major challenges identified looking forward
  - Little to no impact on wildlife, water sources , wetlands, etc.

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6. Project Endorsed by:

- All Railbelt utilities: ARCTEC and ML&P
- Nearest communities:
  - Tyonek
  - Kenai Peninsula Borough
  - Anchorage
- Environmental and renewable energy communities:
  - Cook Inletkeeper
  - Renewable Energy Alaska Project (REAP)
  - Homer Electric Association Members Forum (HEAMF)
  - Alaska Center for Appropriate Technology (ACAT)

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7. Ormat Brings the Cash

- Sources of capital for exploration, development and construction:
  - Mostly Ormat equity
  - Awarded $2 million from the AEA Renewable Energy Grant Fund, round III, matched by $2.1 million
  - Recommended for an additional $2 million in round IV
- Ormat typically re-finances plants using term debt

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8. Cost of Power to Utility(s)

- 12-13 c/kWh (in 2011 dollars), with 1.5% yearly escalation
- All green attributes will be conveyed to the off-taker(s)
- No additional integration costs to be incurred by utilities
- Price will be guaranteed for 25 years, regardless of fossil fuel costs

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9. Legislative needs

- SB243 (reduction in geothermal royalties on state lands) passed in 2010 removed a major inhibitor
  - Cut the power to ratepayers by close to 1 c/kWh
- Additional incentives, e.g. a 30% refundable tax credit for geothermal exploration and development, are needed in order to get the cost down to utilities' expectations and enable reaching a Power Purchase Agreement
- Mechanisms will be put in place to make sure that all incentives are passed through to the ratepayer

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9. Legislative needs (cont'd)

- $70-80 million direct appropriation to fund transmission line to Beluga and access road
  - This appropriation will be contingent on:
    - Ormat's success in confirming the geothermal resource
    - Signing a Power Purchase Agreement
- Additional funding to cost-share the expensive 2012 full-size drilling plan

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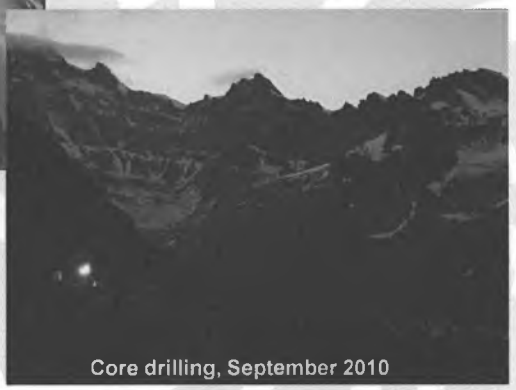
Thank You!

Mt. Spurr Summit – 6 Aug 2009



Core drilling, September 2010

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1/26/11 PRESENTATION: ALASKA ENERGY REPORT

<TARGET><BILL></BILL><SUBJECT>1-26-11 PRESENTATION ALASKA ENERGY REPORT</SUBJECT><COMM>SRES27</COMM></TARGET>

Official Business

Senate Resources Committee

Senator Joe Paskvan, Co-Chair
Room #115: 465-4907

Senator Tom Wagoner, Co-Chair
Room #427: 465-3792

Members:
Senator Bill Wielechowski, Vice-Chair
Senator Hollis French
Senator Lesil McGuire
Senator Bert Stedman
Senator Gary Stevens

Senate Resources Committee

Wednesday, January 26, 3:30pm – 5:00pm

Presentation: Alaska Energy Report – Railbelt Large Hydroelectric

Mike Harper, Acting Executive Director, AEA

Bryan Carey, Tech engineer, Project Manager, AEA

Sara L. Fisher-Goad, Deputy Director – Operations, AEA

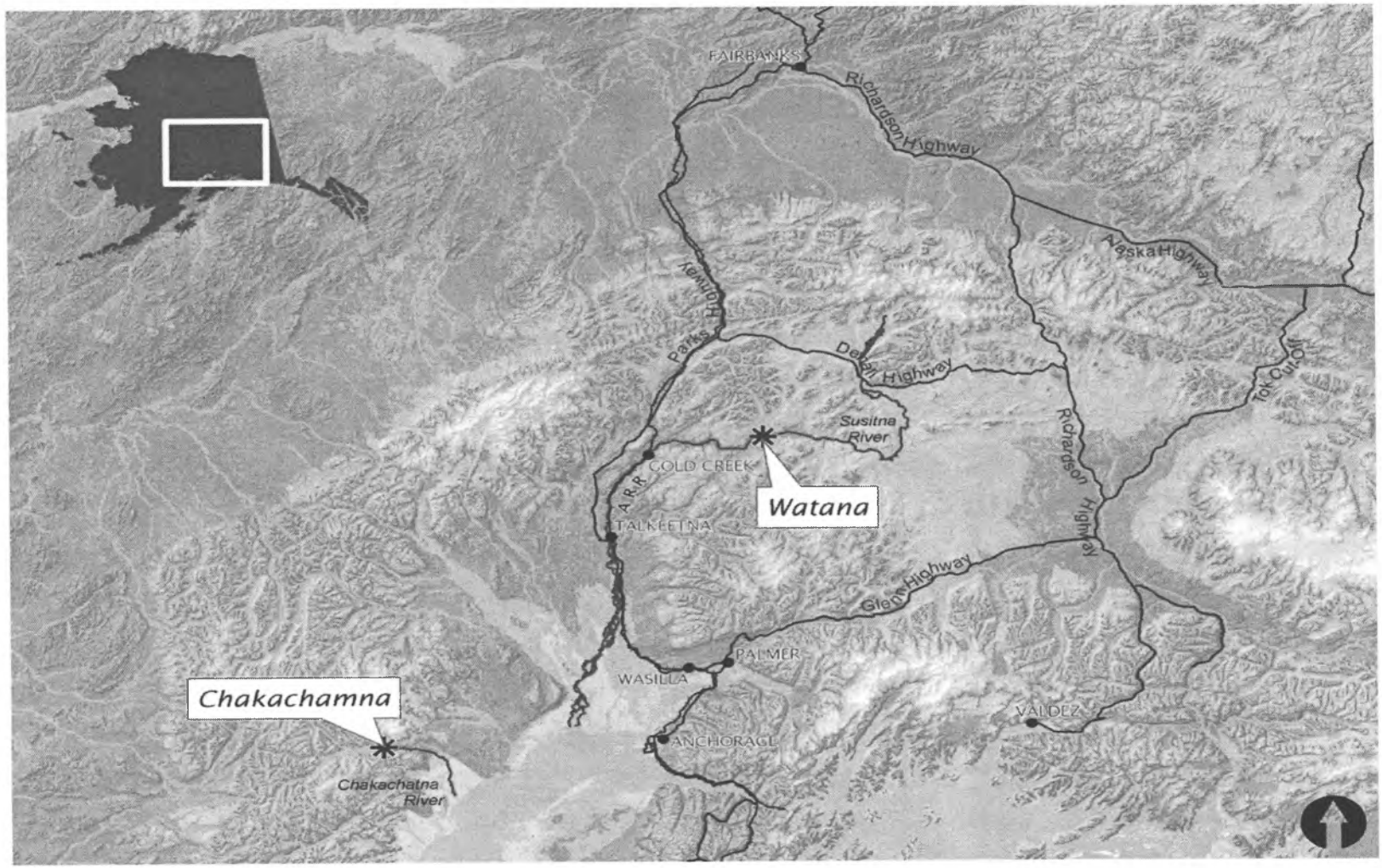
Railbelt Large Hydroelectric

Senate Resources Committee
& House Energy Committee

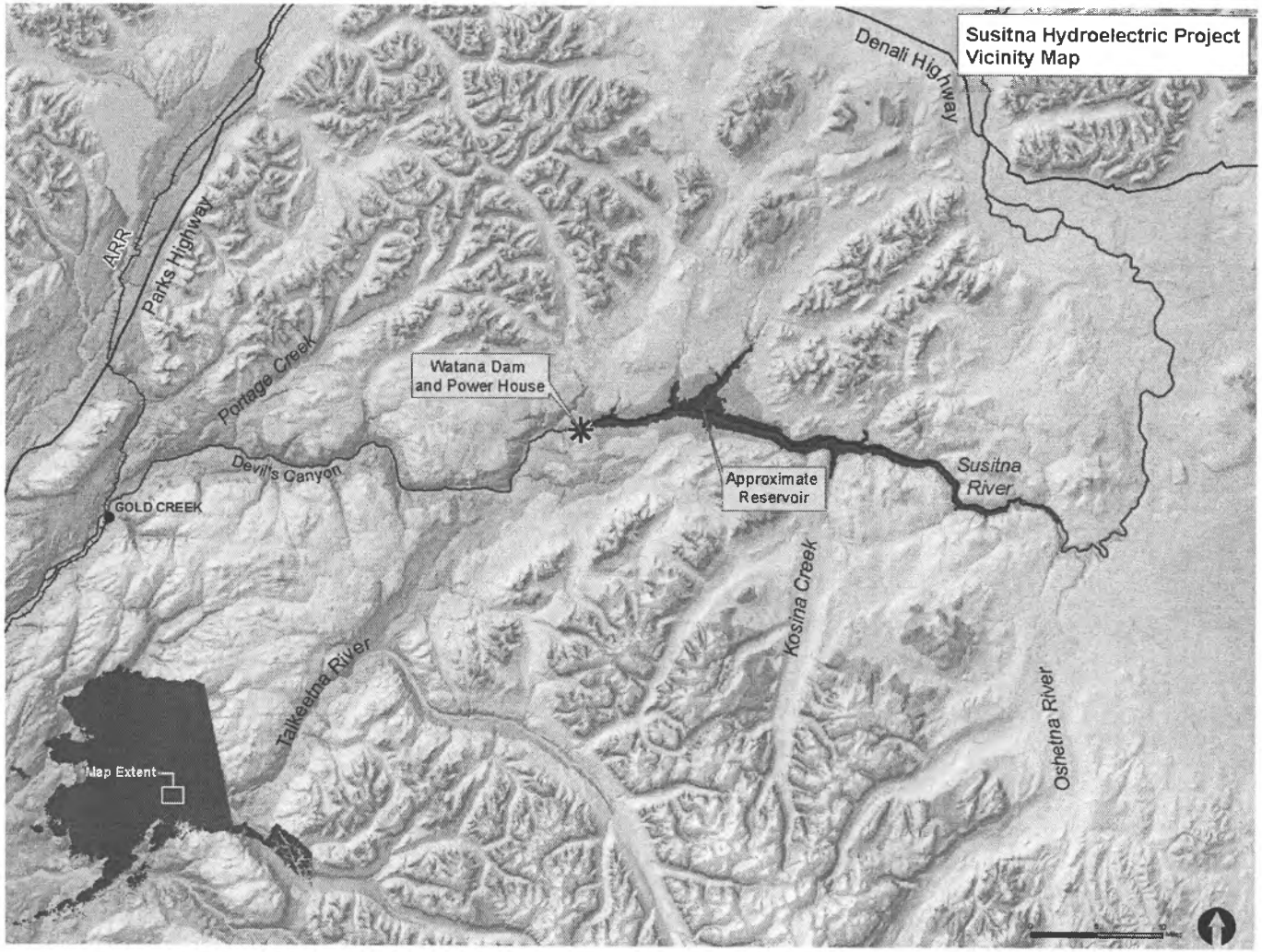
Prepared by Alaska Energy Authority 1 /25/2011

ALASKA ENERGY AUTHORITY

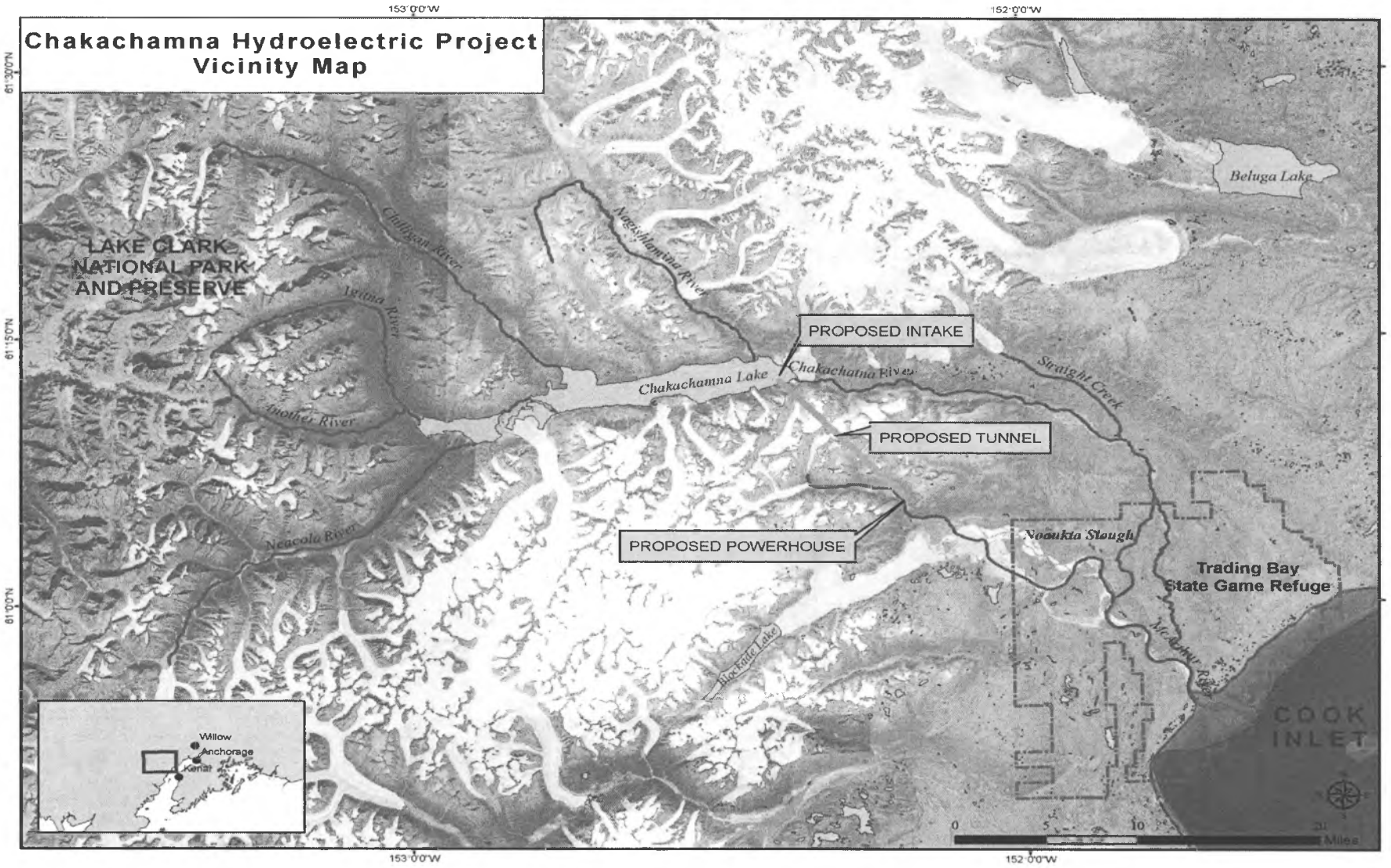
Railbelt Hydro Locations



WATANA VICINITY



CHAKACHAMNA VICINITY



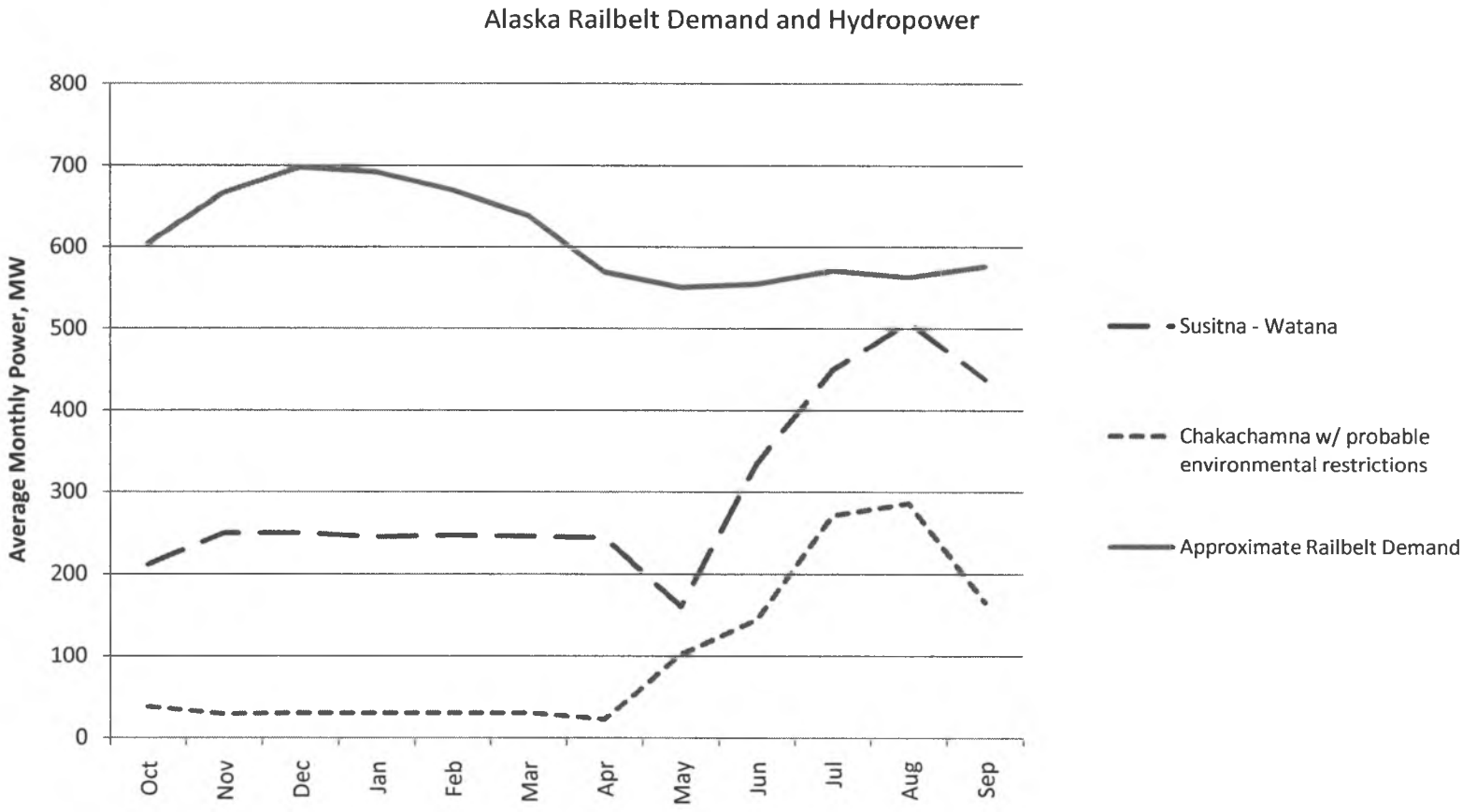
Environmental:

- Susitna
  - Reservoir 39 miles long & maximum of 2 miles wide
  - 30 miles above significant salmon
  - Some loss of wildlife habitat
  - Minimal fisheries impacts
- Chakachamna
  - Significant salmon populations travel through lake to National Park
  - Several species of fish use & spawn in lake (Lake Trout, Dolly Varden, White, Salmon suspected ..)
  - Diversion of water & change of habitat in State Game Refuge
  - Adult false attraction & outmigration concerns
  - May not be able to license under FERC

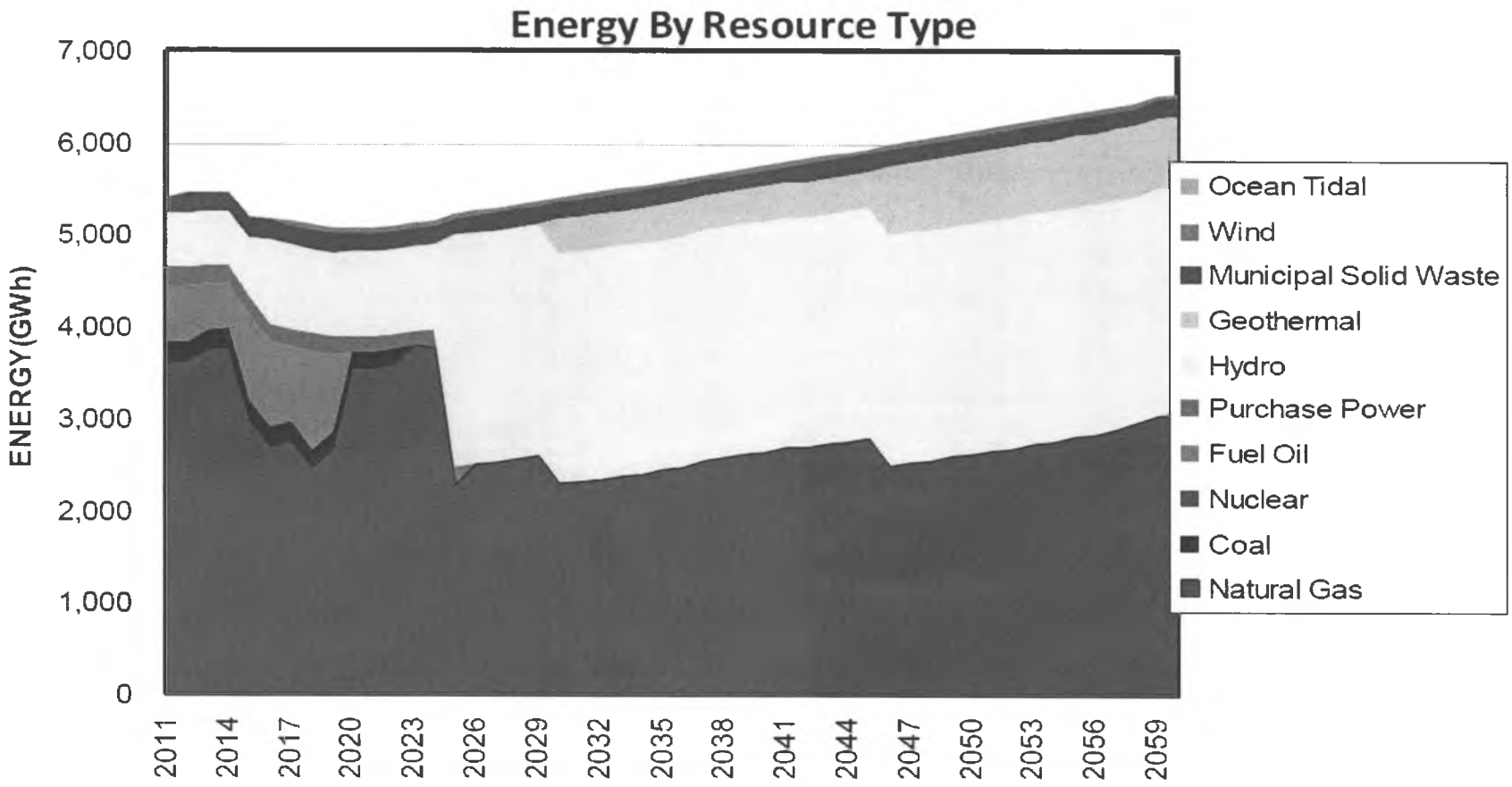
Energy:

- Susitna
  - Installed capacity 600 MW
  - Average energy 2600 GWhr/yr
  - About 50% of annual railbelt energy
- Chakachamna
  - Installed capacity ~300 MW
  - Average energy 860 – 1100 GWhr/yr
  - About 20% of annual railbelt energy

RAILBELT DEMAND



Railbelt Energy:



B&V RIRP
2009

Estimated Cost of Power:

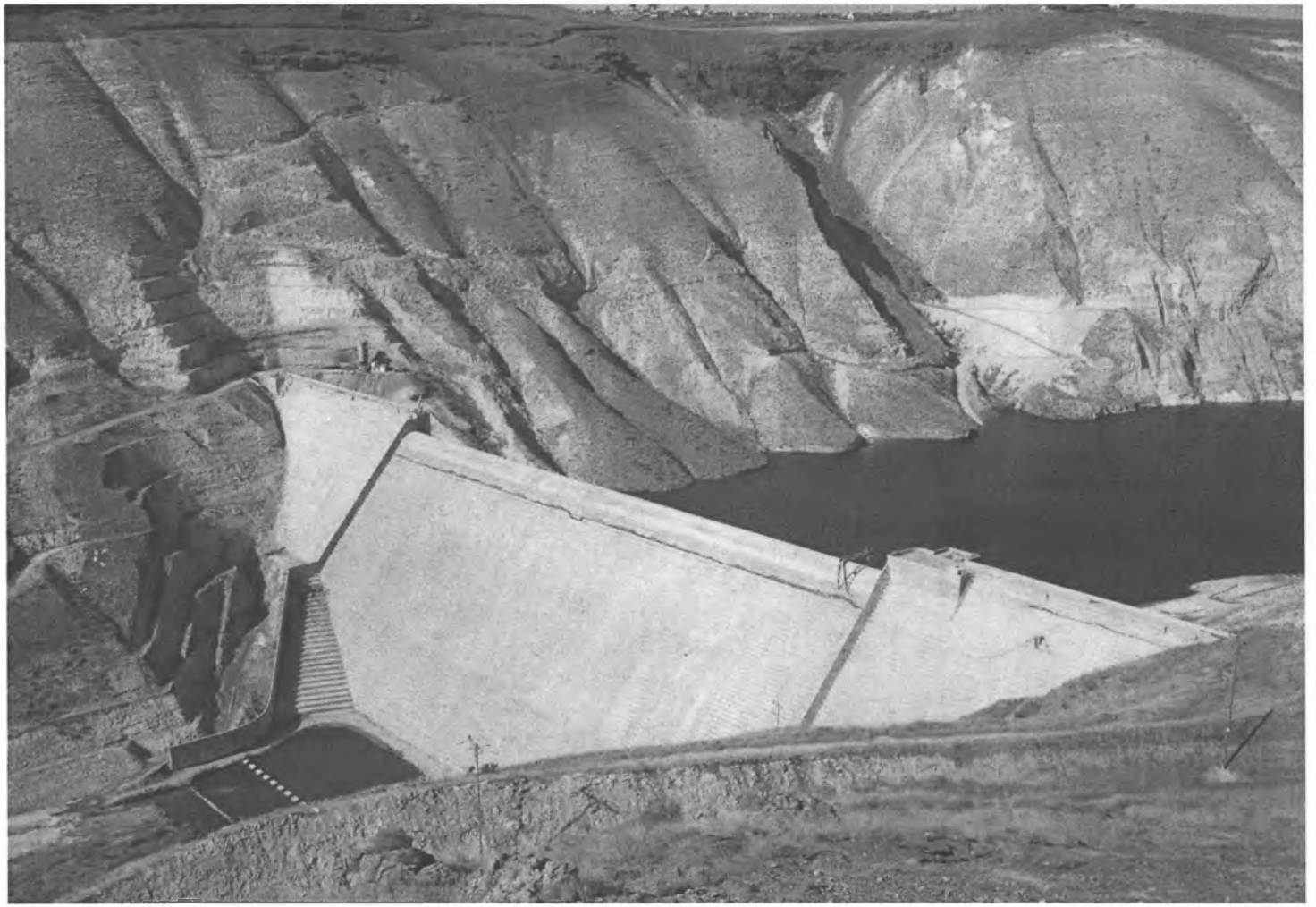
	Estimated Cost of Power Comparison					
Project	Estimated Construction Cost	Finance Amount (50%)	Rate	Term (years)	Annual Energy (GWhrs)	Cost per kWhr
Susitna Embankment	$4.5B	$2,250M	6%	30	2600	$0.063
Susitna RCC	$3.6B	$1,440M	6%	30	2600	$0.05
Chakachamna	$2.9B	$1,440M	6%	30	860	$0.12

Estimated cost does not include O&M and utility distribution costs.

Bradley Lake Hydroelectric

Example of embankment dam

Al Wehdah (Jordan) Hydroelectric



Example of a Roller Compacted Concrete (RCC) dam

Susitna Timeline:

- Licensing
  - 3.5 years - Prepare and file Final Application for License
  - 3 years – FERC Processing and follow-up
- Construction
  - 4.5 years Construction

11 years until startup

Susitna Next Steps:

- Tentative Public Meetings
  - Fairbanks - February 24
  - Talkeetna - February 28
  - Palmer - March 1
  - Anchorage – March 2
- Engineering & Environmental Studies
  - Mapping
  - Gap Analysis
  - Geotechnical
  - Working Groups
  - Land Owners
  - Access
  - FERC Preliminary Application Document
  - FERC Draft Study Plan
  - Evaluate dam and powerhouse type

Susitna Benefits

- Greater than 100 year life
- Expandable for future growth
- Predictable, secure, clean, low cost energy
- Provides dispatchable energy
- Investment in Alaska Infrastructure
- Alaskan jobs and funds stay in-state long term
- Hydro necessary to achieve States 50% renewable statewide energy policy
- State participation can make energy same cost as existing and lower in the long term.

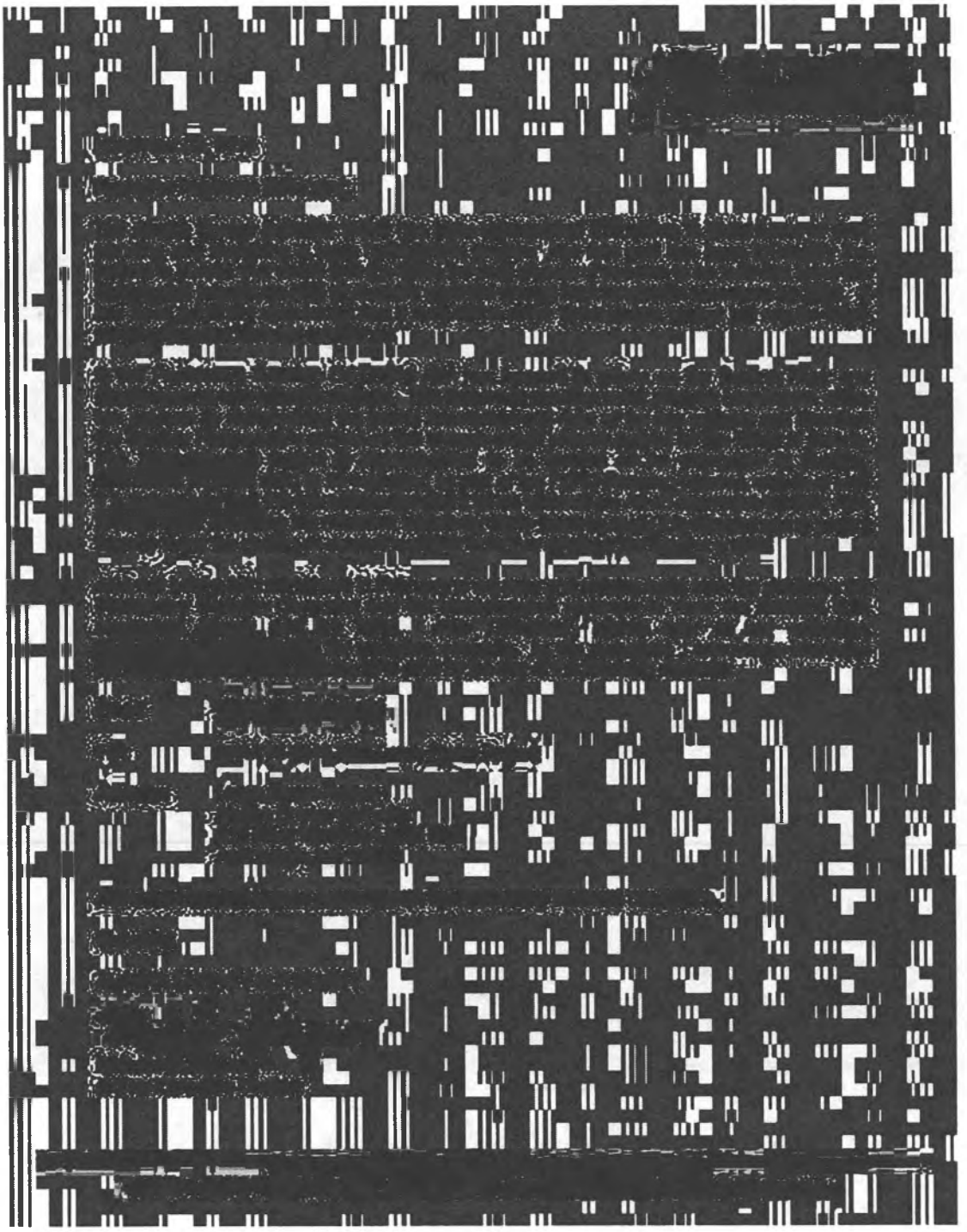
ALASKA
ENERGY AUTHORITY

Railbelt Large Hydro Evaluation

Preliminary Decision Document

November 23, 2010

Prepared By
Alaska Energy Authority



Railbelt Large Hydro Evaluation

Preliminary Decision Document

November 23, 2010

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Terms and Acronyms

AEA	Alaska Energy Authority
ALP	Alternative License Process
APA	Alaska Power Authority
cfs	cubic feet per second
Chakachamna Project	Chakachamna Hydroelectric Project
FERC	Federal Energy Regulatory Commission
FPA	Federal Power Act
GWhrs	Gigawatt hours
HB	House Bill
ILP	Integrated License Process
IRP	Integrated Resource Plan
KWhrs	Kilowatt hours
MW	Megawatt
NOI	Notice of Intent
NP	National Park
PAD	Preliminary Application Document
Railbelt	The region of Alaska served by the railroad, stretching from Seward to Fairbanks
RIRP	Regional Integrated Resource Plan
SNW	Seattle Northwest Securities
Susitna Project	Susitna Hydroelectric Project, Low Watana Non-expandable Alternative
TBM	tunnel boring machine
TLP	Traditional License Process

Executive Summary

There are two proposed major hydroelectric projects in the Alaska Railbelt Region: the Susitna Hydroelectric Project, Low Watana Non-expandable Alternative (Susitna Project) and the Chakachamna Hydroelectric Project (Chakachamna Project). The purpose of this document is to identify which of these is most likely to successfully meet the long term energy needs of the railbelt at reasonable cost. This preliminary evaluation also considers the possibility to permit a project in its presently proposed configuration and to be able to do so in a reasonable time frame.

The 2010 AEA Regional Integrated Resource Plan (RIRP) is a 50-year long range plan that identifies combinations of generations and transmission capital improvement projects in the railbelt region (Black and Veatch 2010). The RIRP documented the need for a large amount of new annual generation for the railbelt within the next 10 to 15 years. The type of generation constructed will be influenced by declining Cook Inlet natural gas production, legislative environment, financing, and ability to permit or license and construct a project in a timely manner.

The 2010 Alaska legislature passed House Bill (HB) 306 which declares a State energy policy. This bill directs the State to receive 50 percent of its electrical generation from renewable and alternative energy sources by 2025. The only way to achieve this goal is for a new large hydroelectric project to be built in the railbelt region. The project sites, one on the Susitna River at Watana and one at Lake Chakachamna, are shown on Figure 1-1. The energy generated by one of these two projects would provide roughly one fourth (Chakachamna) to roughly one half (Susitna) of the current electrical energy demand.

Alaska Energy Authority received funding from the Alaska Legislature in 2010 for the preliminary planning, design, permitting and field work for the Susitna and Chakachamna Projects, as well as Glacier Fork Hydroelectric Project and other hydroelectric projects along the Railbelt. Most of the funds were allocated to the Susitna and Chakachamna Projects. There are a variety of alternatives on the Susitna River as documented in the HDR Report (2009). The Susitna Project chosen for this comparison is the Low Watana Non-expandable alternative. It was chosen because it offers a combination of greater winter storage capacity while still maintaining a low overall cost and low cost of power generated.

Permitting and licensing of a large hydroelectric project is regulated by the Federal Energy Regulatory Commission (FERC) and is a lengthy, complex and costly process. For this reason, the two projects must be evaluated at an early stage to determine if either has a fault that would prevent it from being licensed and constructed. As substantial research has already been done on each project, this document summarizes existing information on the projects, and uses this information for evaluation and comparison. Additional detailed information is available in the referenced documents. By using existing information to choose a primary project, resources can be concentrated on its development, with the goal of satisfying future railbelt energy demand and compliance with the legislative intent that the State receives 50 percent of its electric generation from renewable and alternative energy sources by 2025.

The ultimate goal of developing a project is to provide a cost-effective and long-term energy source to the railbelt region. Therefore, the cost, potential environmental impact, engineering issues and energy production potential of both projects were evaluated. This evaluation highlights key elements of each project that affect the cost of resulting energy, timeliness of energy contribution, and long term environmental and the projects' socioeconomic operational effects.

The results of this comparison show that the Susitna Project should be the Alaska's primary hydroelectric project; the Chakachamna Project should be considered as an alternative. Although the design, permitting and construction of the Susitna Project would cost approximately 50 percent more than it would for the Chakachamna Project the Susitna Project would produce more than twice the annual amount of energy as the Chakachamna Project. In addition, risk of cost overruns with the Chakachamna Project would be much greater than with the Susitna Project because of the extensive underground work required and its location in steep terrain.

The environmental impact of the Chakachamna Project would also be greater because it would require a cross-basin water transfer in a river system with salmon migration. Significant salmon runs travel to and through Lake Chakachamna. To allow enough environmental flow to protect fisheries, energy from the Project would have to be substantially reduced.

Additional conclusions that can be drawn from the comparison of the two projects include:

- As indicated above, in terms of energy production, the Susitna Project would produce more than two times the amount of the Chakachamna Project. The Susitna Project would have the added advantage of sufficient storage for significant energy production in the winter.

- The licensing, permitting and construction process for the Chakachamna Project would take roughly 3.5 years longer than for the Susitna Project because of the complex environmental studies required for the cross basin transfer and the time for the tunnel construction.

- The State would need to contribute substantial equity and be the licensee for either project. The ability to finance the projects is equal in either case.

- There are relatively less long term operational uncertainties for the Susitna Project.

- Both projects have some seismic risk; however the dams and powerhouses could be designed to withstand major seismic events as long as a fault does not pass through the structure. The Chakachamna Project has a relatively greater risk of damage to the power tunnel or fish passageway during a seismic event or volcanic eruption.

- The Susitna Project would be a larger construction project and have greater impacts on electrical rates than the Chakachamna Project along the railbelt and Statewide, in the form of lower rates in the long term.

- The Susitna Project would allow the State to achieve the State Energy policy goal of 50 percent renewable by 2025. The Chakachamna Project would not accomplish this goal by itself.

Overall, the Susitna Project would have a relatively lower cost of energy, fewer likely environmental effects, could start sooner, a reduced licensing/permitting schedule, less construction and long term operational risk, and greater positive impacts on the Alaskan economy than the Chakachamna Project.

A year of field studies at Lake Chakachamna would not be sufficient to determine an definitive environmental flow, would not predict project energy outcomes, or substantially change the economic factors that make the Susitna Project more desirable. Thus, Chakachamna Project field work should not proceed in 2011. Instead it may be prudent to perform some additional studies to confirm conceptual size optimization and cost.

Much of the information in this document came from reports prepared by HDR (HDR 2010), R&M Consultants/Hatch Associates Consultants (R&M Consultants/Hatch Associates Consultants 2010), and Seattle-Northwest Securities Corporation (SNW 2010). In addition, R&M Consultants/Hatch Associates provided Operational Uncertainty evaluation in Chapter 9. The referenced documents should be read for the full assumptions. Referenced documents and other important documents regarding these projects are available on the Alaska Energy Authority's Railbelt Large Hydro webpage.

Chapter 1

Project Descriptions

Each of the potential projects is described in the following section.

1.1 Susitna River Hydroelectric Project (Low Watana Non-expandable Alternative)

A two dam scheme was developed for the Susitna River Hydroelectric Project initially by the Corps of Engineers in the late 1970's for which a feasibility study was completed by Acres American Inc. for the Alaska Power Authority (APA) in 1982 (Acres 1982) and a license application was filed with FERC. An amended license was prepared in 1985 (Harza Ebasco 1985) and the project was cancelled in early 1986. Extensive site work including surveying, deep rock drilling as well as soil drilling and sampling was conducted at the Watana site. In addition environmental studies including fish and wildlife studies were conducted throughout the basin and included instream flow studies in the side channel sloughs downstream of Portage Creek.

In the two dam scheme developed in the Acres feasibility study (Acres 1982) the upper dam was at Watana (Figure 1-1) and was to be an 885 foot high earthfill embankment with a 1040 MW underground powerhouse. It was to be constructed first. The amended license (Harza Ebasco 1985) proposed to develop the project in three stages instead of two with an expandable 700 foot high embankment at Watana as the first phase with an installed capacity of less than 500 MW.

A number of hydroelectric generation alternatives were studied recently on the Susitna River (HDR 2009), of which the Low Watana Non-Expandable Alternative is the selected Susitna Project discussed in this document. The Low Watana Alternative, a 700 foot high dam with a 600 MW powerhouse was chosen because the best combination of winter storage, less environmental impact and low overall cost in addition to meeting the 50 percent renewable goal by 2025. The expandable version of a dam at this location was not chosen because it is more expensive initially relative to power output and the ultimate raised dam would have more environmental impacts related to terrestrial habitat as well as other technical challenges. The location of the Susitna Project as chosen for this review is the same location as the Watana dam in the two dam scheme as proposed in the 1980's (Acres 1982, Harza Ebasco 1985).

The Susitna Project would be located approximately half-way between Anchorage and Fairbanks. It would create a dam on the Susitna River at river mile 184 above the mouth of the Susitna River. The dam would be located within a steep sided river valley approximately 15 miles upstream of Devil's Canyon. The 700 foot high dam would have a 557 foot difference between tail water and maximum pond elevation, with a maximum pond level of 2014 feet. The reservoir would be 39 miles long and a maximum of 2 miles wide. Installed capacity would be 600 MW with the average annual generation determined to be 2600 GWhrs (HDR 2009). A final decision has not been made on the type of dam or the type of powerhouse (underground or surface) that would be used. The location of the Project is shown in Figure 1-1.

1.2 Chakachamna Hydroelectric Project

The Chakachamna Project was studied in detail in the 1980's as reported in the Bechtel report (Bechtel 1983). The project developed in that report consisted of an intake under the lake, and a 12 mile tunnel to an underground powerhouse on the McArthur River. At that location, the best alternative had a small regulating dam on the Chakachatna River and was estimated to produce 1,300 GWhrs of electricity annually although the report indicated that the maximum power could be generated by eliminating environmental flows and producing 1664 GWhrs of electricity annually with an installed capacity of 400MW. This latter alternative was identified to have adverse impacts on the fishery resources which use the Chakachatna River. Chapter 4 of this document; Preliminary Energy Estimate, further addresses the energy potential of the Chakachamna Project in light of environmental flows in the Chakachatna River.

The 1983 report (Bechtel 1983) also included an extensive environmental study which included environmental hydrology, aquatic biology, terrestrial vegetation and wildlife as well as human resources.

The Chakachamna Hydroelectric Project (Chakachamna Project) currently has a Preliminary Application before FERC (FERC No. 12660). In its Pre-Application Document (PAD) filed with FERC, the applicant, TDX Power described the Project to have 300 MW installed capacity and generate 1300 GWhrs hours of annual energy (TDX Power 2009).

The Chakachamna Project is located approximately 85 miles west of Anchorage at the south base of Mt. Spurr. Chakachamna Lake drains into the Chakachatna River, which flows downstream through a complicated system, ultimately flowing into Cook Inlet. That flow is partially joined to the McArthur River flow by way of the Noaukta Slough. The Chakachamna Project is essentially the same as the original scheme in the Bechtel study and involves diverting water from Chakachamna Lake through an 11 mile tunnel to an underground power plant near the McArthur River. The power plant would discharge its tailrace flow to the McArthur River and the flow would not rejoin the Chakachatna River until a point much further downstream, reducing flow in a portion of the Chakachatna River, and the Noaukta Slough and Middle River as well. The location of the Project is shown in Figure 1-1. The Project and vicinity are shown in Figure 1-2. The current scheme does not have a dam on the Chakachatna River as it exits the lake.

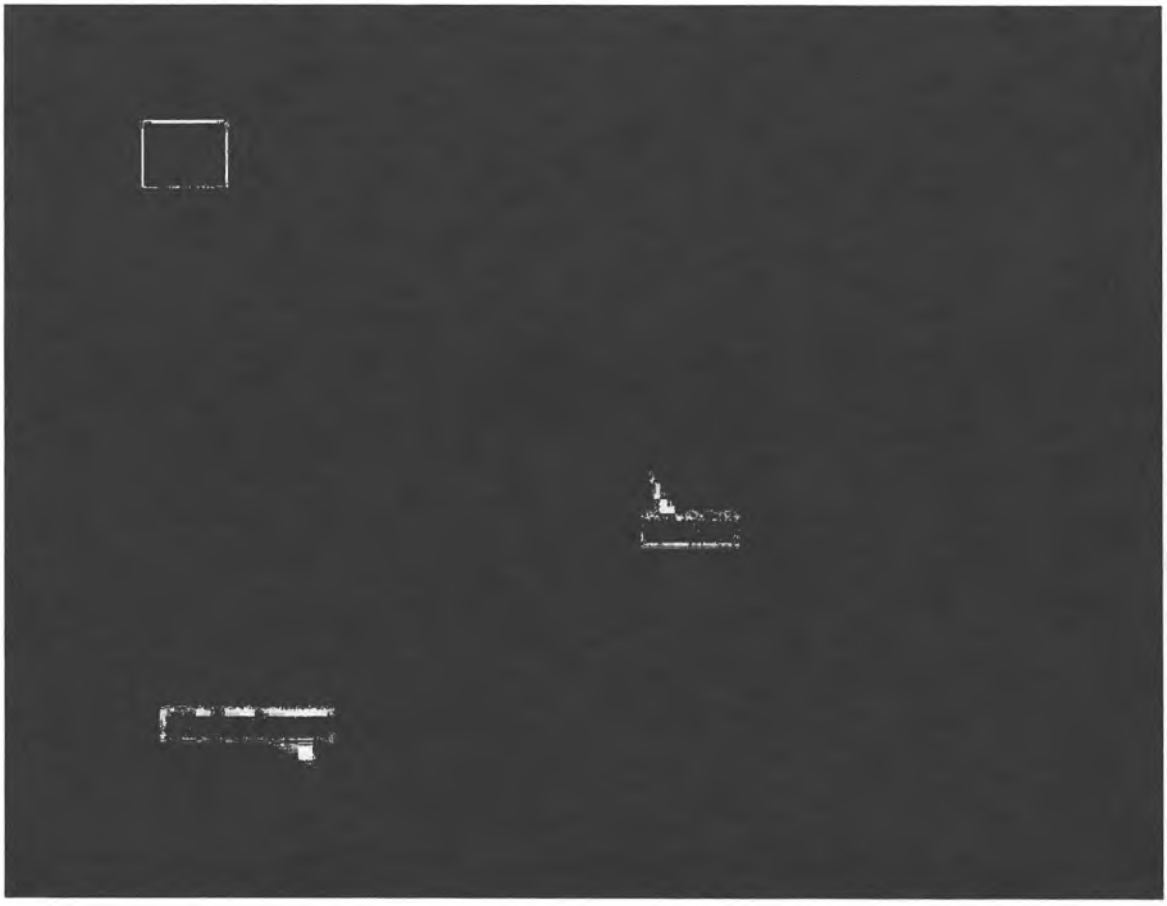

Figure 1-1 **Locations of the Susitna Project (Low Watana Alternative) and the Chakachamna Project**

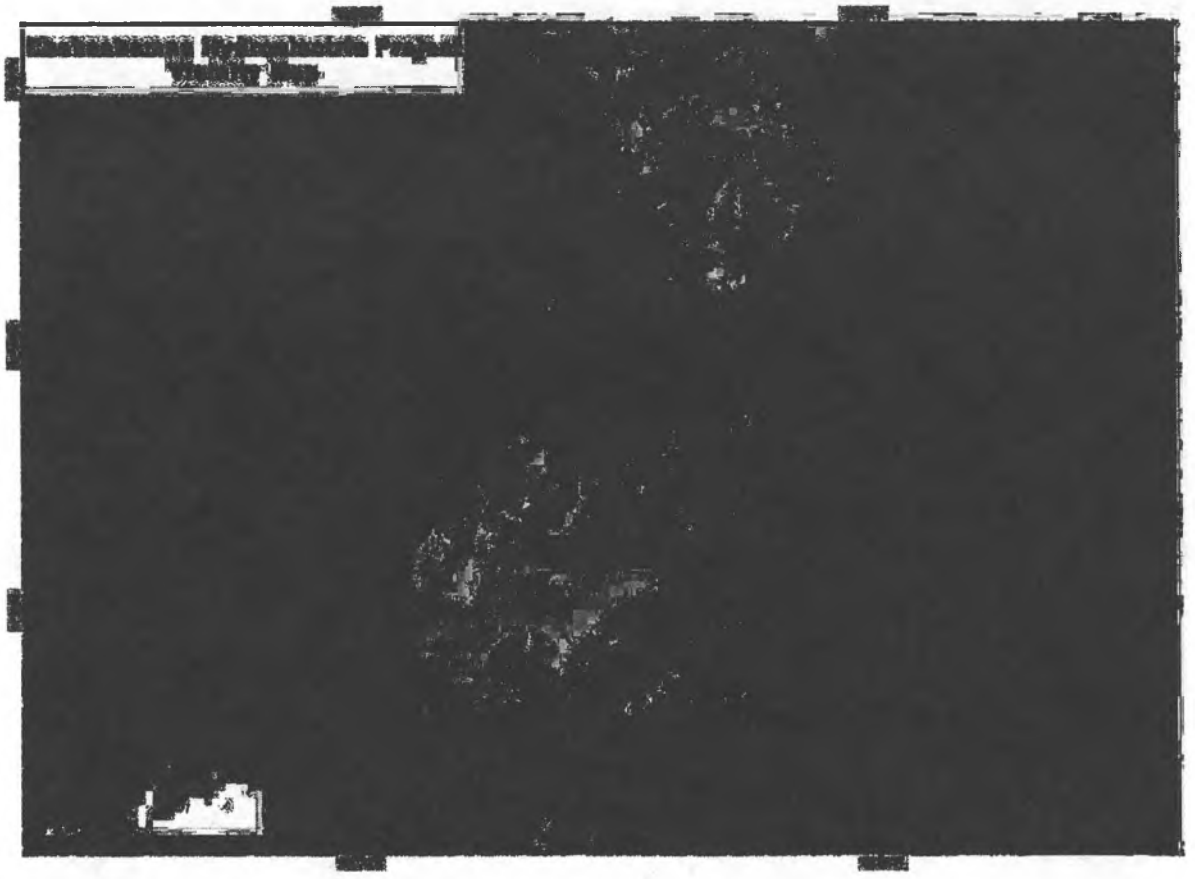

Figure 1-2 Vicinity of the Chakachamna Project

Chapter 2

Engineering Issues

Engineering issues associated with each potential project are discussed in the following section.

2.1 Access

2.1.1 Susitna Project

The Susitna Project could be accessed both from the Denali Highway by a new road and from Gold Creek (existing railroad bridge over the Susitna River) by a new rail line. Access via two modes of transportation provides the Project with advantages; the most significant of which is that the road could be built quickly, allowing early on site construction work. The rail link would allow materials from outside the State to be transported directly to the site by rail without having to off load to trucks.

2.1.2 Chakachamna Project

The Chakachamna site requires access from tidewater to the lake, the tunnel adits, and the McArthur River powerhouse location. Construction of a large dock to handle heavy equipment at Tyonek would be necessary. Access routes needed for construction and operation would be challenging. The construction access road could not cross the Trading Bay Game Refuge, and would therefore require crossing the braided Chakachatna River delta and wetland, as well as traversing high on steep mountain slopes to access the area near the lake

2.1.3 Access Comparison

Both projects would require roads and/or railroad to be constructed to handle very large and heavy equipment. Constructing access into both projects is likely to require two years. The advantages of access to the Susitna Project are that a major bridge is not required and that the routes cross less steep terrain compared to the Chakachamna Project. The bridge (or two) over the Chakachatna River will be large, expensive structure(s) with capacity to handle the heavy equipment. It is questionable whether a road built to handle heavy equipment could be constructed to the fish passageway location. If a road could not be constructed to handle a tunnel boring machine, drill and blast construction of the fish passageway would be required.

2.2 Transmission

2.2.1 Susitna Project

The Susitna Project would connect to the north-south intertie near Gold Creek. The cost of that transmission from the Susitna power plant to the intertie is included in the Susitna Project cost

estimate. A conceptual study of the transmission needs in the railbelt if the Susitna Project was constructed was completed by EPS (EPS 2009). Upgrades to the existing intertie and substations would be required to transmit energy to Anchorage and Fairbanks.

2.2.2 Chakachamna Project

The Chakachamna Project transmission costs were estimated in today's dollars based on the original 1980's scheme. The cost of the transmission from the power plant to the Beluga Power plant was included in the cost estimate. It is believed a triple circuit would be required for the segment of the powerplant to Beluga, as well as additional changes in the railbelt transmission system. If the Chakachamna Project was constructed, transmission upgrades from Beluga plant to the intertie and an upgrade of the intertie upgraded would likely be necessary.

2.2.3 Transmission Comparison

Transmission line construction beyond the two projects will be needed. Because the Susitna Project will be located centrally between Anchorage and Fairbanks, it will require less total length of new line construction, but because of the larger power output will require more actual circuits. Chakachamna Project will likely require some new line construction from Beluga to Anchorage and changes if energy is to be transmitted north to Fairbanks. Overall there is not a significant difference between the two projects due to transmission needs.

2.3 Geologic Hazards

2.3.1 Susitna Project

The design earthquake for the Susitna Project would likely be a based on consideration of a Denali fault event somewhere in the range of magnitude 8.0, a local crustal earthquake and a subduction zone earthquake with a magnitude of roughly 8.5. The original Project design considered all of these earthquakes in the design. Excellent recent data exist on the Magnitude 7.9, 2002 Denali fault earthquake. A review of the earthquake design requirements for a Susitna Project was made by R&M Consultants (R&M 2009).

Subsurface conditions at the Susitna Project site are well known due to considerable rock drilling in the 1980's at the site. At the time, it was considered feasible to construct both diversion tunnels, power tunnels and an underground powerhouse.

There have been recent earthfill dams designed for large earthquakes, the most significant being the Seven Oaks Dam in Orange County, California, which is designed for a magnitude 8 earthquake from a distance of 1.2 miles away.

2.3.2 Chakachamna Project

The design earthquake for the Chakachamna Project would likely be from the Castle Mountain fault, which is approximately 6 miles from the power plant location. Proximity to the fault would likely mean that smaller connecting faults would be encountered during tunneling, which

could cause delays and increased cost during construction. Subsurface geologic conditions along the tunnel alignment are not known. The frequency of any significant faulting and associated zones of fractured rock are not known, and could affect tunnel construction.

The Chakachamna Project also has other geologic hazards due to its proximity to Mount Spurr and Barrier Glacier. The most recent eruption at Mount Spurr was in 1992. If the volcano were to erupt again, ash fall and mud flows have the potential to block or partially block the powertunnel intake, fish passageway, or natural outflow of the lake. Facilities would need to be located or designed to minimize risk from an eruption. Also, at Lake Chakachamna, Barrier Glacier, which partially dams the lake, is a geologic risk. The glacier does not appear to be currently moving, is covered with debris, and has an ice core. A partial release of the lake occurred in 1971 when the outlet was eroded. The lake level dropped 10 to 15 feet. Facilities would need to be designed to accommodate a change in the glacier, which could cause the lake level to go up or down and substantially affect Project energy production and fish passage.

2.3.3 Geologic Hazards Comparison

Overall geologic hazards are somewhat greater at the Chakachamna site due to the close proximity of the castle Mountain fault and Mount Spurr.

2.4 Estimates of Probable Project Development Costs

A comparison of cost estimates for development of both project are provided in the following Section.

2.4.1 Susitna Project

2.4.1.1 Cost Estimate History

In 1982 to 1983, a detailed cost estimate to develop the complete Watana/Devil Canyon project was prepared. This estimate was revised in1985 to 1986, and again in March 2009. The latest estimate, prepared in November, 2009, is for a Low Watana Non-Expandable alternative. The estimate for this project in 2008 dollars is $4.5 billion as detailed in Table 2-1 below.

Table 2-1 Susitna, Low Watana Project Cost Summary

FERC Line #	Line Item Name	Low Watana (2008 Dollars Millions)
71A	Engineering, Environment, and Regulatory (7%)	$ 236
330	Land and Land Rights	$ 121
331	Power Plant Structure Improvements	$ 115
332.1-.4	Reservoir, Dams and Tunnels	$ 1,538
332.5-.9	Waterways	$ 590

Table 2-1 Susitna, Low Watana Project Cost Summary

FERC Line #	Line Item Name	Low Watana (2008 Dollars Millions)
333	Waterwheels, Turbines and Generators	$ 297
334	Accessory Electrical Equipment	$ 41
335	Misc Power Plant Equipment	$ 21
336	Roads, Rails and Air Facilities	$ 232
350-390	Transmission Features	$ 224
399	Other Tangible Property	$ 16
63	Main Construction Camp	$ 180
71B	Construction Management, 4%	$ 135
Total Subtotal		**$ 3,746**
Total Contingency		**$ 749**
Total (Millions of Dollars, rounded)		**$ 4,500**

2.4.2 Chakachamna Project

2.4.2.1 Cost Estimate History

In 1982, a detailed cost estimate was prepared for developing the Chakachamna Project. In 2008 and 2009, re-evaluations of this original estimate were made to take into account potential new alternative arrangements. In 2010, the detailed 1982 was updated with unit prices modified to be consistent with the estimated costs for the Susitna Project. The estimate for the Chakachamna Project in 2008 dollars is $2.9 billion, as detailed in Table 2-2 below.

Table 2-2 Chakachamna Project Cost Summary Table

FERC Line #	Line Item Name	Chakachamna (2008 Dollars Millions)
71A	Engineering, Environment, and Regulatory (7%)	$ 151
330	Land and Land Rights	$ 75
331	Power Plant Structure Improvements	$ 105
332.1-.4	Reservoir, Dams and Tunnels	$ 1,147
332.5-.9	Waterways	$ 123
333	Waterwheels, Turbines and Generators	$ 181
334	Accessory Electrical Equipment	$ 20

Table 2-2 Chakachamna Project Cost Summary Table

FERC Line #	Line Item Name	Chakachamna (2008 Dollars Millions)
335	Misc Power Plant Equipment	$ 15
336	Roads, Rails and Air Facilities	$ 172
350-390	Transmission Features	$ 232
399	Other Tangible Property	$ 0
63	Main Construction Camp	$ 90
71B	Construction Management, 4%	$ 86
Total Subtotal		**$ 2,400**
Total Contingency		**$ 480**
Total (Millions of Dollars, rounded)		**$ 2,880**

2.4.3 Cost Comparison

Although capital cost is greater for the Susitna Project, the evaluation in Chapter 9 will show that the cost to repay the financing of the project relative to energy production will be lower for the Susitna Project. Since the financing cost is a major portion of the energy cost, and since operation and maintenance and utility cost will be roughly equal regardless of the power source, overall, the Susitna Project cost per unit of energy will be relatively lower.

Detailed Susitna costs can be found at Susitna Hydroelectric Project Alternatives Design Report 2009 located on the AEA Railbelt Large Hydro webpage.

Detailed Chakachamna costs can be found at Susitna and Chakachamna – Preliminary Decision Document 2010 located on the AEA Railbelt Large Hydro webpage.

Chapter 3

Environmental Issues

Development of a hydroelectric project would face a variety of issues over the design lifetime. The design lifetime for a modern hydroelectric facility is anticipated to be greater than 100 years. The following discussion is not all inclusive but highlights the likely major areas of concern regarding both projects. Botanical and cultural resource issues are not discussed in this document since they have not been fully explored and tend to have less overall impact on whether a project is licensed and constructed.

3.1 Fisheries

3.1.1 Susitna Project

Fish resources have the highest potential to be impacted by the project. Most of the potential impacts would occur in the reservoir and the middle Susitna River downstream of the reservoir. There would be impacts due to changes in water quality, thermal regime, suspended sediment load, reservoir draw-down fluctuations, impoundment zone inundation, flow regime, and fish habitat. Not all impacts to fish populations would be negative. For example, an increase in winter water temperatures could lead to the enhancement of overwintering habitat and thus greater fish survival; however, the cooler spring water temperatures could slow fish growth.

The majority of the salmon production occurs in tributaries outside the area of anticipated effects. Devil Canyon acts as an effective passage barrier to upstream migration of salmon. Radio telemetry studies of Susitna drainage conducted by ADF&G (Yanusz et. al., 2007) observed no sockeye salmon moving above Portage Creek near the entrance to Devils Canyon. A few (less than 100) adult Chinook salmon have been observed above the Devil Canyon dam site (FERC Amend Nov 1985). Electrofishing surveys conducted by ADF&G in 2003 (Johnson, 2010) documented Chinook salmon rearing in Kosina Creek and the Oshetna River, both located above the Watana Dam site.

In the Watana impoundment zone, approximately 40 river miles of the Susitna River would be inundated and transformed into reservoir habitat. An additional 15 miles of four named tributary streams (including Kosina Creek) and numerous smaller unnamed tributaries and eight small lakes would be inundated. There are nine species of fish occurring in the proposed impoundment zones: Arctic grayling would lose approximately nine miles of spawning habitat and would not likely populate the impoundment zone (ENTRIX 1985). River habitat would be transformed into lake/reservoir habitat that may be occupied by a different array of fish species. Lake drawn down may limit spawning of species dependent upon these areas for reproduction. Table 3-1 shows the possible fisheries impact of the Susitna Project.

3.1.2 Chakachamna Project

Chakachamna Project has fish issues of concern to resource agencies. Since this document is a summary, only the three that most affect project economics and licensing ability will be discussed.

3.1.2.1 Lake Level Fluctuations

Chakachamna Lake and the surrounding tributaries support abundant salmon and freshwater fisheries resources. Five significant tributaries and numerous minor drainages empty from the surrounding mountains into Kenibuna and Chakachamna Lakes. Of these, the Chilligan and Igitna Rivers provide significant sockeye salmon spawning habitat. The lake tributary streams also provide habitat for Dolly Varden.

Studies in 1982 showed significant numbers of adult sockeye salmon milling along the north shore of Chakachamna Lake and spawning was suspected but not confirmed. Chakachamna Lake also provides habitat for resident lake trout, Dolly Varden, and round whitefish. Life histories of lake trout, Dolly Varden, and whitefish have not been investigated in Chakachamna Lake.

Under the proposed operational structure (base case), the lake level would fluctuate approximately 60 feet from the normal maximum pool elevation of 1,142 feet to the normal minimum pool elevation of 1,082 feet. If sockeye salmon spawn along lake shoals, it is likely that their spawning timing would coincide with the maximum pool elevation. The resulting eggs might subsequently be exposed and killed when the lake level drops to the minimum pool elevations in March or April. Similarly, lake trout spawning areas may be affected by the winter lake drop in lake level.

An additional impact relating to lake level drop is the potential for down-cutting of the channel between Kenibuna and Chakachamna Lakes and the fluvial fans of lake tributaries such as the Chilligan River. If down cutting occurs and as a result effects the level of Kenibuna lake (within Lake Clark National Park) then project can not be licensed by FERC. Down cutting may also effect fish passage into the tributaries particularly during periods of low lake level.

3.1.2.2 Reduced Flows into the Chakachatna River

The proposed operation of the Chakachamna Hydroelectric Project involves diverting a portion of the natural flow out of Lake Chakachamna to the powerhouse located in the McArthur River valley. In the base case, the average flow in the Chakachatna River will be reduced by approximately 50 to 80 percent from June through November.

The Chakachatna River provides a migration corridor, spawning habitat, and rearing habitat for salmon. The lower Chakachatna River splits into three branches: Middle River, which flows southeast to Cook Inlet, the Chakachatna River, which flows south and joins the McArthur River near its mouth, and a third braided section called Noaukta Slough which joins the middle part of the McArthur River. Hydrologic ties to the Chakachatna and McArthur rivers appear important in supporting the lower elevation wetlands north of Noaukta Slough and in the Trading Bay State

Game Refuge. Reduced river flow may cause floodplains, wetlands, and riparian habitats to dry. Drying of these wetland would effect fish populations in the Trading Bay State Game Refuge.

3.1.2.3 False Attraction

Transfer of water from Chakachamna Lake to the upper McArthur River may cause false attraction of adult salmon to the powerhouse tailrace during their spawning migration. The tailrace is proposed to be located approximately 15 miles up the McArthur River from the Noaukta Slough (Chakachatna River) confluence. The mixture of Chakachamna Lake water from the tailrace may confuse salmon migration and could prevent or delay the movement of salmon to spawning areas in Chakachamna Lake and its tributaries.

Critical months for salmon passage into and out of the lake occur between May and September, when a majority of the lake's discharge will be diverted to the upper McArthur River. Adult salmon return to their natal spawning areas by using olfactory cues (chemical "smells"). For Lake Chakachamna sockeye salmon, these cues are imprinted at the smolt stage when juvenile salmon migrate from spawning and rearing areas in the lake out the Chakachatna River to salt water. Because the majority of the Lake Chakachamna water is being discharged from the powerhouse into the McArthur River a substantial number of the adult salmon may be falsely attracted to the powerhouse in the McArthur River.

3.1 Wildlife Impacts

3.1.1 Susitna Project

There are currently no known listed endangered species in the project area. The most significant effect on wildlife would be on the species that live in the spruce forested valley walls. Impacts on each species would be different based on species abundance and use of the habitat; however, major threats common to most species have been identified. Downstream of the Watana reservoir there may be an increase in preferred moose browse, thus increasing the moose population (Harza Ebasco 1985b). The Susitna Project development would impact mink and otter in the middle river by increasing the winter turbidities which would reduce the value of the mainstem as feeding habitat. Open water in the winter would have a positive effect on mink and otter (Harza Ebasco 1985b). Other impacts to animals downstream of the reservoir would be negligible (Harza Ebasco 1985b).

A summary of the potential environmental impacts of the Susitna Project is provided in Table 3.1 below.

Table 3-1 Potential Environmental Impacts of the Low Watana Hydroelectric Project on the Susitna River

Impacts	Issues
Reservoir - Impacts	
River Habitat & Fisheries Impacts	Approximately 40 river miles of the main stem of the Susitna River and 15 miles of tributary streams will be converted from riverine to reservoir environment. Arctic grayling are the most abundant fish species in the impound zone and will have the greatest

	impacts with the loss of approximately nine miles of spawning habitat. A significant portion of lower Kosina Creek used by rearing Chinook salmon will be lost to inundation.
Fish passage	Fish passage may be blocked for a small number of Chinook salmon that travel above the site.
Drawdown impacts	The annual drawdown and refilling of the reservoir will affect an estimated 10 miles of river that will alternate between river and reservoir habitat.
Terrestrial Impacts	An estimated 20,000 acres of habitat will be flooded. Reservoir may alter traditional migration routes.
Downstream Impacts	
Flow change impacts to fish	Lower summer flows may reduce access to side channel fish habitats and reduce the amount of rearing habitat for salmonids. Increased winter time flows may provide more rearing habitat benefiting overwinter survival. Dampening of flows may alter streambed movement and affect side channel habitats.
Temperature impacts to fish	Lower than natural water temperatures in spring/early summer may cause a delay in the onset of favorable summer rearing conditions for salmonids. Warmer than normal fall water temperatures may extend the summer rearing period later into fall. Overwinter survival for salmonids may be benefited by warmer water temperatures and a delay in ice formation. Higher main stem discharges in winter may maintain higher rates of warm groundwater upwelling in side sloughs affecting incubation of salmon eggs.

3.1.2 Chakachamna Project

Wildlife impacts from the Chakachamna Project have not been studied in detail. Reduction of salmon traveling to Lake Chakachamna tributaries would reduce the food source for bears and eagle in Lake Clark National Park. Drying of Trading Bay State Game Refuge would potentially alter wildlife habitat effecting birds and mammals in the refuge.

Increased flow down the McArthur River may cause some increased flooding and wetlands south of Trading Bay State Game Refugee. The net effect of the changes in food source and habitat over a large area (Lake Clark NP, Trading Bay, and McArthur River) has not been studied.

3.2 Environmental Flow

3.2.1 Susitna Project

Environmental flow requirements are met by water being used for energy production passing through the generating units and then being released into the natural stream channel. The effect of environmental flows is to change the timing of the energy production but not necessarily the average annual amount of generation.

A preferred environmental flow regime in the 1980's was developed to have high late summer flows for maintenance of rearing habitat for Chinook salmon juveniles. However, peak summer flows would be reduced and winter flows (within limits) would be increased to generate more power. A comparison of the 1980 selected environmental flow and of the existing Susitna River flows are shown in Figure 3-1 below.

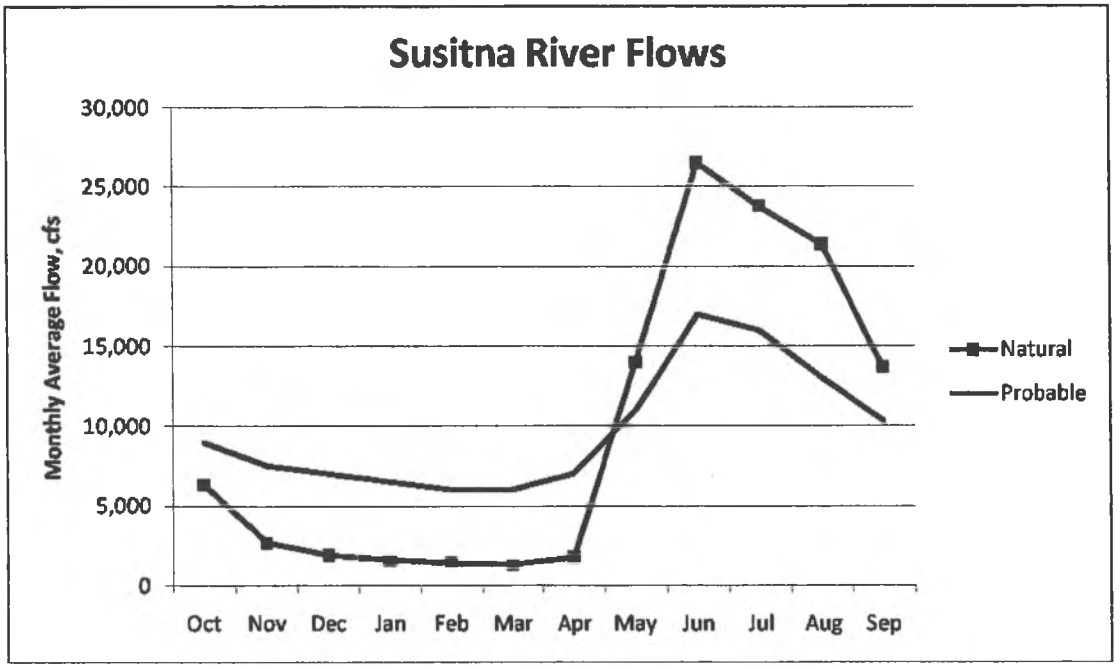

Figure 3-1. Susitna River monthly mean flow at Gold Creek.

3.2.2 Chakachamna Project

The preliminary environmental flow recommendations suggested for the Chakachatna River in the PAD are based on the Montana Method (Tennant 1972) as presented in the Bechtel report on the project in 1983. The Bechtel report assumed environmental flows during the months of April to September of 1094 cfs or lake inflow, whichever was less. During the months of October through March, the minimum environmental flow was assumed to be 365 cfs or lake inflow, whichever was less. These amounts of discharge are rated as "fair to degrading" flows in the Montana Method. This method was developed for and has primarily been used on rivers in the lower 48 states, which show little similarity to the glacially driven and highly seasonal flows of the Chakachatna River. Winter time flows using this method drop below historic average monthly flows, potentially resulting in freeze-out of spawning beds located outside the main river or in side channel areas. Summertime flows provided may not be sufficient to attract adult spawners confused by the discharges into the McArthur drainage or to provide for upstream passage through the canyon area located below Chakachamna Lake. Additionally, this environmental flow method does not take into consideration the groundwater hydrology feeding wetlands of the Trading Bay Game Refuge.

While it is outside of the scope of this document to complete the environmental flow analysis needed to adequately address all of the environmental issues in the Chakachamna watershed, Table 3-2 below provides an estimate of environmental flows that may be more likely to be viewed favorably by permitting agencies. It should be noted, however, that these flows have not been reviewed or endorsed by any permitting agencies. Determination of environmental flows for the project will ultimately be the result of a detailed analysis of instream flow data by conducted by a multiagency review team over a multi year time period.

Table 3-2 Estimate of Probable Environmental Flows

Month	Historic Natural Flow (cfs)	Base Case Flow (cfs)	Minimum Probable Flow (cfs)	Notes
October	2468	402	1,250	50% of mean monthly flow: provides water to Noaukta Slough to attract adult coho spawners and protect historic side channel spawning habitats.
November	1206	365	600	50% of mean monthly flow: provides water to Noaukta Slough to attract adult coho spawners and protect historic side channel spawning habitats.
December	813	363	600	75% of mean monthly flow: protects incubation in Chakachatna/Noaukta Slough spawning beds.
January	613	365	500	100% of mean monthly flow: protects incubation in Chakachatna/Noaukta Slough spawning beds.
February	505	357	500	100% of mean monthly flow: protects incubation in Chakachatna/Noaukta Slough spawning beds.
March	445	358	500	100% of mean monthly flow to protect incubation in Chakachatna/Noaukta Slough spawning beds.
April	441	582	500	100% of mean monthly flow: protects incubation in Chakachatna/Noaukta Slough spawning beds.
May	1042	1,094	750	75% of mean monthly flow: protects juvenile rearing in Chakachatna/Noaukta Slough areas and provides for outmigration of smolts from lake.
June	5,875	1,094	2,000	33% of mean monthly flow: provides water for outmigration of smolts from lake and feeds groundwater to Trading Bay Refuge wetlands.
July	11,944	1,421	4,000	33% of mean monthly flow: provides water to attract spawning adults to Chakachatna/Noaukta as opposed to McArthur, provides adequate flow for adult passage through canyon below lake outlet, and feeds groundwater to Trading Bay Refuge wetlands.
August	11,996	5,599	4,000	33% of mean monthly flow: provides water to attract spawning adults to Chakachatna/Noaukta as opposed to McArthur, provides adequate flow for adult passage through canyon below lake outlet, and feeds groundwater to Trading Bay Refuge wetlands.
September	6,042	2,164	2,000	33% of mean monthly flow: provides water to attract spawning adults to Chakachatna/Noaukta as opposed to McArthur, provides adequate flow for adult passage through canyon below lake outlet, and feeds groundwater to Trading Bay Refuge wetlands.

3.2.3 Environmental Flow Analysis

To evaluate the effect of increased minimum environmental flow requirements in the Chakachatna River and/or the effect of lake level fluctuations, two alternatives to the base case were also evaluated. Environmental issues surrounding project operations generally revolve around three main issues: 1) habitat affected by flows in the bypass reach; 2) upstream and downstream fish passage; and 3) habitat affected by lake level fluctuations. The alternatives to the Base case evaluated were:

- **Alternative #1 – Base case with probable environmental flow.** Alternative 1 is the same as the base case except that:
  - Environmental flow requirements are revised as described in Table 3-2 above.
  - The lake level fluctuations are not restricted.
- **Alternative #2 – Base case with probable environmental flow & minimization of lake fluctuation**. Alternative 2 is the same as the base case except that:
  - Environmental flow requirements are revised as described in Table 3-2 above.
  - The maximum lake level fluctuation would be 15 feet below the weir outlet.

A comparison of potential environmental impacts resulting from each alternative are presented in Table 3-3.

Table 3-3 Comparison of Potential Environmental Impacts Resulting from Chakachamna Lake Hydro Alternatives

Issue	Base Case	Alternative 1	Alternative 2
Lake Level Fluctuation			
Impacts to shoal spawning areas for sockeye salmon and lake trout	Significant impacts to incubating eggs due to draw down	Significant impacts	Least significant case but impacts may still occur
Access to inlet streams (Chilligan and Igitna) for sockeye spawners	Not likely to be impacted	Could be impacted due to drawn down	Not likely to be impacted
Adult salmon passage into lake	Minor to moderate, passage via natural outlet 87% of time	Significant, dependent upon using fish tunnel 91% of the time	Minor to moderate passage via natural outlet 87% of time
Smolt outmigration from lake	Unknown, smolts 100% dependent on fish passage tunnel	Unknown, smolts 100% dependent on fish passage tunnel	Unknown, smolts 100% dependent on fish passage tunnel
Chakachatna / McArthur Issues			
False attraction of Chakachamna sockey spawners to the McArthur powerhouse	Likely to occur	Least likely case but may still occur	Least likely case but may still occur
Noauktna Slough and Chakachatna side channel spawning and rearing habitats	Moderate impacts possible from winter freeze-out	Lower impacts than Base Case	Lower impacts than Base Case
Trading Bay Wildlife Refuge			
Groundwater fed wetland habitats	Moderate impacts	Lower impacts than Base Case	Lower impacts than Base Case

Under the Base Case and Alternative 1 the lake level would fluctuate approximately 60 feet from the normal maximum pool elevation of 1,142 feet to the normal minimum pool elevation of 1,082 feet. Spawning of adult salmon and Lake Trout may be effected and down cutting to tributaries may occur.

Lake level affects adult salmon passage into the lake in Alternative 1, where the natural outlet is not available to spawning adults 91 percent of the time. In this alternative, fish will be dependant upon using the two mile long fish passage tunnel. There is uncertainty whether fish will be willing to use the tunnel. In all cases the fish passage tunnel will be required for smolt outmigration.

In Alternative 2, the lake level is minimized to 15 feet below the outlet. While this amount of drawdown may exceed natural lake level fluctuation, it is the scenario offering the least impact to lake habitats.

For Chakachamna, limiting lake fluctuation (Alternative 2) to minimize the affect on upstream spawning will decrease the amount of runoff that can be captured, thereby decreasing the average annual generation. Figure 3-2 shows the post-project lake elevation by month for the base case and the two alternatives.

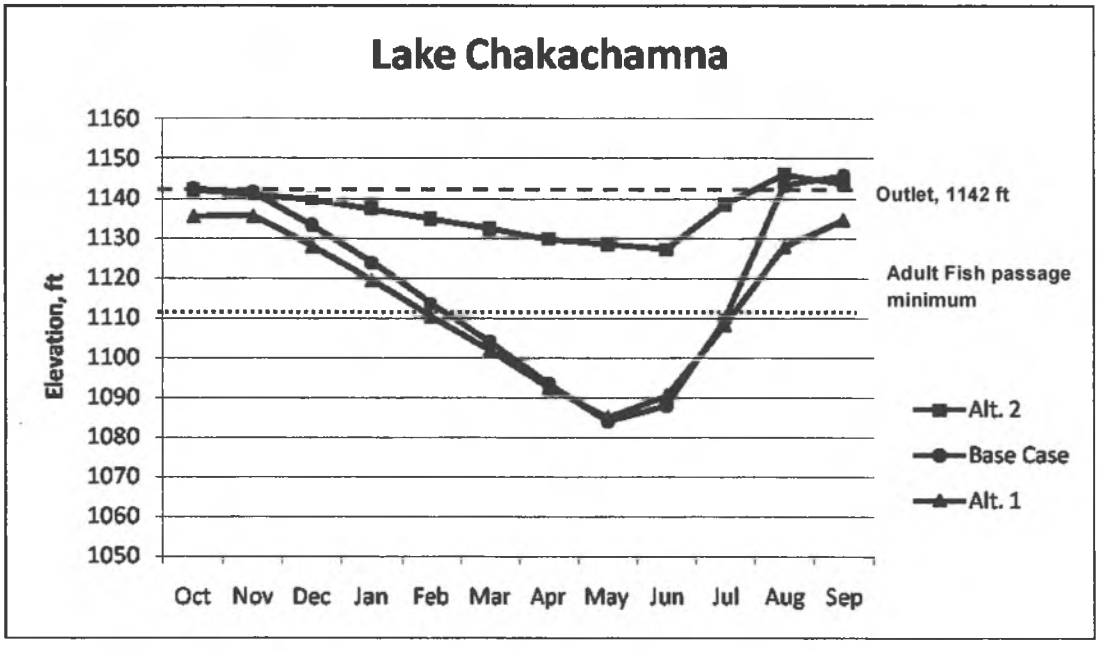

Figure 3-2 Chakachamna Lake Elevation by Month

Flows in the Chakachatna River during Project operation will be comprised of environmental flow releases and spill as shown in Figure 3-3. Since the powerhouse discharges return to the McArthur River, the net flows in the Chakachatna River are reduced in all cases.

Detailed Chakachamna environmental discussion can be found at Susitna and Chakachamna – Preliminary Decision Document, Environmental-Energy-Cost November 12, 2010 located on the AEA Railbelt Large Hydro webpage.

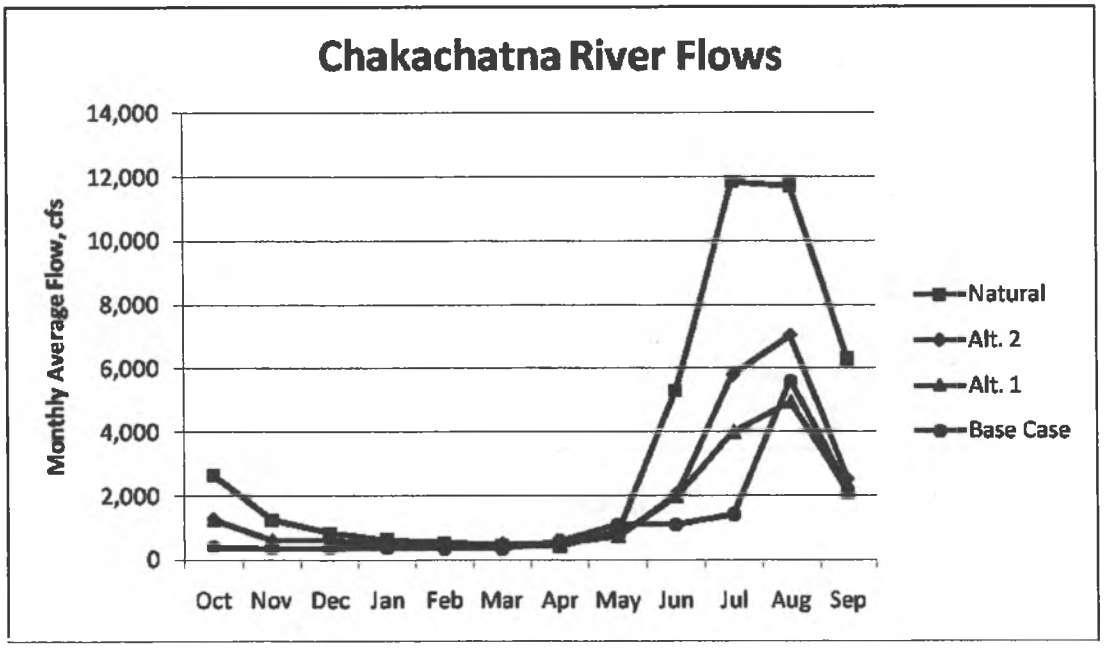

Figure 3-3 **Chakachatna River Flows (Downstream of Lake) by Month**

Chapter 4

Preliminary Energy Estimate

4.1 Evaluation of Average Annual Energy and Firm Winter Capacity

The amount of energy that can be produced from hydroelectric projects is a function of the amount of available water and, in the case of storage projects, how the available water can be regulated (systematically released). In addition to the average annual energy, the firm capacity attainable during winter months is of particular importance. For hydroelectric projects, the firm capacity is almost always lower than the installed generation capacity for a project. For the purposes of this study work, firm capacity is defined as:

"The amount of power the project can generate on a continuous basis from November 1 through April 30 with 98 percent reliability."

It should be noted that this is only one manner of regulation. The water can be regulated in a variety of different means in order to achieve other objectives, such as peaking, spinning reserve, or backup capacity. Major assumptions used to develop the estimates average annual energy and winter plant capacity are presented below.

4.1.1 Susitna Model Assumptions and Data Sources

This potential project consists of the construction of a large storage reservoir on the Susitna River at the Watana site with a 700-foot-high dam and a four-unit powerhouse with a total installed capacity of 600 MW. This "Low Watana non-expandable" alternative is described in detail in *Susitna Hydroelectric Project, Conceptual Alternative Design Report (*HDR Alaska 2009b).

4.1.2 Chakachamna Model Assumptions and Data Sources

This potential project consists of the inter basin transfer of water from a lake tap near the outlet of Chakachamna Lake through an approximately 10.8-mile-long tunnel to an underground powerhouse that would discharge to the McArthur River. The powerhouse would have a total generating capacity of 300 MW. The Base case (as proposed) and two alternatives were evaluated. Alternatives, described in Section 3.1.3, show how alternative operational constraints on the project would affect project energy. These alternatives are as follows:

- **Base Case** for analysis was the project as described in the PAD (TDX Power 2009). This project used environmental flow recommendations for the Chakachatna River based on the Montana Method (Tennant 1972).
- **Alternative #1 – Base Case with Probable Environmental Flow.** Alternative 1 is the same as the Base Case except that higher environmental flows are required.

- **Alternative #2 – Base Case with Probable Environmental Flow & Minimization of Lake Fluctuation.** Alternative 2 is the same as the Base Case except that higher environmental flows are required and lake level drop would be limited.

4.2 Results

Firm capacities and average annual energy estimates are presented in Table 4-1.

Table 4-1 Firm Capacity and Average Annual Energy Estimates

Alternative	98% Winter Capacity (MW)	Average Annual Energy Production (GWhrs)
Susitna	245	2,600
Chakachamna, Base Case	170	1,300
Chakachamna, Alternative 1	140	1,100
Chakachamna , Alternative 2	30	860

The energy distribution by month for each of the above alternatives is shown in Figure 4-1 below.

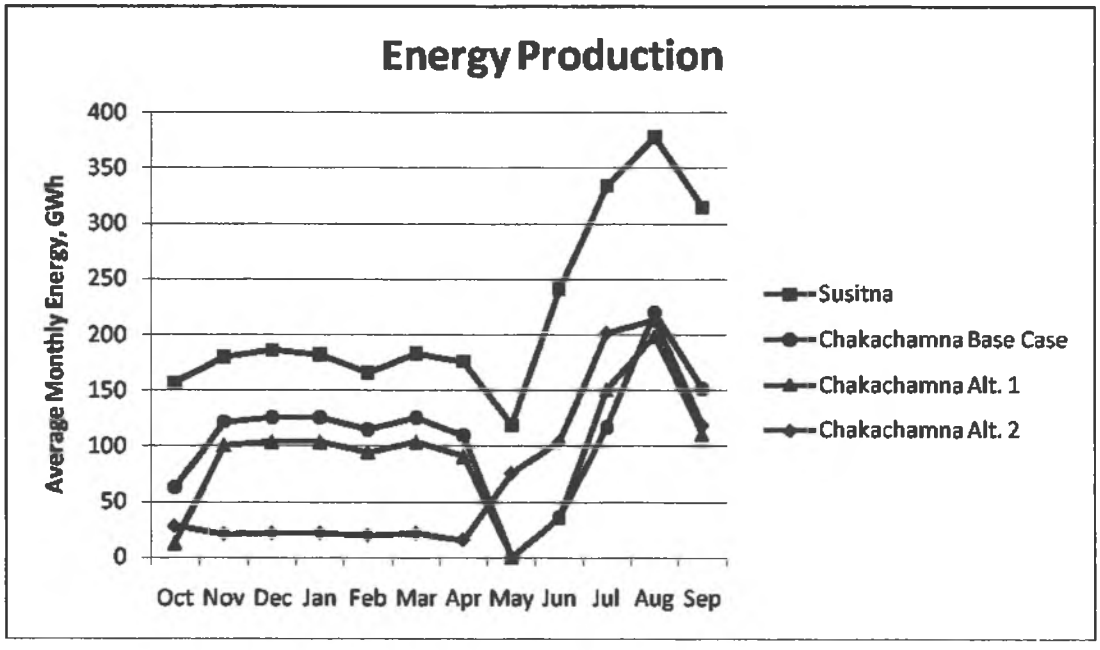

Figure 4-1 Energy Distribution by Month

As can be seen by these results, the firm winter capacity and average annual energy production estimates can vary significantly based upon the assumed environmental constraints placed upon the project. For the Chakachamna Project, increased environmental flow requirements (Alternatives 1 and 2) reduce the amount of water that is available for generation, thereby

lowering the annual energy. Reduced use of reservoir storage greatly limits the amount of energy that can be produced during the winter months (Alternative 2).

Detailed Chakachamna environmental discussion can be found at Susitna and Chakachamna – Preliminary Decision Document, Environmental-Energy-Cost November 12, 2010 located on the AEA Railbelt Large Hydro webpage.

For the Susitna Project, environmental flow requirements are met by water passing through the generating units and then being released into the natural stream channel. The effect of changed environmental flows is to change the timing of the energy production but not necessarily the average annual amount of generation.

Chapter 5 Permitting

5.1 Overview – Regulatory Processes

While pursuant to the Federal Power Act (FPA), the Federal Energy Regulatory Commission (FERC) has exclusive authority to issue licenses for most non-federal hydropower projects, there are several federal and state agencies that are authorized under several federal statutes to submit mandatory and recommended terms and conditions to be included in a FERC-issued license.

- **FERC's licensing process options** – Applicants may propose to use one of three options: the Integrated (ILP), Alternative (ALP), or Traditional (TLP). The default is the ILP, unless FERC approves use of either the ALP or TLP.
- **Pre-filing consultation** – extensive pre-filing meetings and exchange of information required.
- **Federal Energy Regulatory Commission – Application for License** required; Draft submitted for review & comments; Final filed.
- **Federal and State resource agencies consultation & terms & conditions** – File mandatory & recommended terms and conditions; most become License Articles and require compliance.
- **Numerous other State & Federal approvals & permits are required** – Applicants are required to provide evidence of consultation with agencies in an Application for License, and provide copies of permits and/or approvals.

Please also see R&M Consultants/Hatch Associates Consultants report (2010) for a detailed presentation of the various agencies and their authorities who would shape the content of any issued license.

5.2 Regulatory Issues – Chakachamna Project

TDX received its first Preliminary Permit on November 14, 2006. The purpose of a Preliminary Permit is to reserve priority to conduct studies for a period of three years, and if the effort results in filing an Application for License. A successive (second) permit was issued on February 25, 2010. This permit expires on January 31, 2013. FERC noted in issuing the permit that "a successive permit can warrant a greater standard of Commission oversight." "If the permittee fails to make significant progress toward developing a license application, the permit may be subject to cancellation."

On July 17, 2009, TDX filed its Notice of Intent to File an Application for License (NOI), Request to Use a Traditional Licensing Process (TLP), and Pre-Application Document (PAD). By letter dated July 27, 2009, FERC requested that they consider which licensing process it wishes to use and to refile its request noting that there would not be a need to refile the PAD. TDX met with FERC on August 5, 2009 to discuss the proceeding. On September 21, 2009, TDX requested to rescind its PAD. TDX stated that "this Project may be best served by an Integrated Licensing Process (ILP). TDX stated its intent to implement a field season in 2010 and to hold a study plan review and workshop in February 2010. TDX has a website for the Project and there is no evidence that work is proceeding as noted in their September 21, 2009, correspondence to the FERC. Nor has any further information been filed with the Commission. Under TDX's current development schedule, a third FERC Permit would be necessary.

5.2.1 Licensing Schedule

Once the pre-filing process restarts the schedule could be:

- Prepare and File Final Application for License – 4.5 years
- FERC Processing and License Issuance – 2.5 years

5.3 Regulatory Issues – Susitna / Low Watana Project

At present, there is no FERC Preliminary Permit in effect. While a FERC Permit is not required, it would be prudent for an entity representing the State to secure priority to study the Project. As discussed above, the Alaska Power Authority (APA), now known as AEA prepared and filed an application for license in February 1983. That application was withdrawn and APA revised the Project schedule to realize benefits identified with a three, as opposed to two-year construction schedule in 1985. In 1986, APA abandoned pursuit of a FERC license for numerous reasons, including financial feasibility.

In 2008, AEA began an update of the project, including preparation of the Railbelt IRP to evaluate the ability of the Susitna Project, and other resources, to meet long term demand in the Railbelt Region.

5.3.1 Licensing Schedule

Table 5-1 shows a Licensing, Engineering and Construction Schedule Comparison for the two projects. For the Susitna Project, based on information available at this time, the FERC schedule could be:

- Prepare and File Final Application for License – 3.5 years
- FERC Processing and License Issuance – 2 years

5.4 Total Project Development Timeline

Table 5-1 provides a Development Schedule Comparison for the two projects. Based on information available at this time, the comparative total schedule from start of the FERC process, in the case of the Chakachamna a restart of their pre-filing process, could be:

Table 5-1 Development Schedule Comparison

Major Task	Chakachamna	Susitna Low Watana
FERC Pre-filing Process	4.5 years	3.5 years
FERC Processing – DC	2.5 years	2.0 years
FERC Processing - Portland	2.0 years	1.0 years
Construction through Start up	5.5 years	4.5 years
TOTALS	**14.5 YEARS**	**11 YEARS**

Detailed Susitna and Chakachamna Licensing and permitting information is found at Susitna-Low Watana & Chakachamna Projects, Large Hydro Evaluation of Two Projects, Preliminary Decision Document, Environmental & Regulatory Issues November 14, 2010 located on the AEA Railbelt Large Hydro webpage.

Chapter 6

Development Schedule

The following tables (Table 6-1 and Table 6-2) show the major tasks associated with hydro project development, and the estimated preliminary schedule for completion for the Chakachamna Project compared to the estimated preliminary schedule for completion for the Susitna Project. Special considerations and assumptions for each are listed below.

Table 6-1 Considerations / Assumptions

Chakachamna Project	Susitna Project
▪ TBM est. 14-16 months to order and deliver to site ▪ 4.5 year pre-filing process assumes studies underway in 2011 (one year behind schedule in TDX PAD, 2009) ▪ 2.5 years for FERC Processing and License Issuance, and 5.5 year construction schedule based on PAD (Appendix 2-1) ▪ FERC-PRO processing and some procurement must be accomplished before field work can begin ▪ Longer construction schedule due to significant underground work, with higher risk profile and greater uncertainty ▪ Project "access" to require 2 yrs to construct ▪ Chakachamna has higher risk that the schedule to Project Startup will extend beyond 14.5 years.	▪ Significant, extensive and valid environmental studies performed in 1980's to be updated and used to develop FERC documents ▪ Significant geotechnical investigations performed previously ▪ FERC-PRO processing and some procurement must be accomplished before field work can begin ▪ More surface features and work carries more schedule certainty, less risk ▪ Project "access" to require 2 yrs to construct ▪ Engineering schedule based on "Low Watana Non-Expandable Development" (HDR, 2009) ▪ Susitna has lower risk that the schedule to Project Startup will extend beyond 11 years.

Table 6-2 Licensing, Engineering, and Construction Schedule Comparison

	Regulatory / Environmental Major Tasks			Engineering / Construction Major Tasks		
		Chakachamna	Susitna		Chakachamna	Susitna
Pre-License Issuance	Preliminary Permit Scoping Draft Application Final Application	4.5 yrs	3.5 yrs	Feasibility Engineering Design Specifications, Drawings & Bid Documents		
	FERC Processing (DHAC) License Order Issued	2.5 yrs	2 yrs			
Post-License Issuance	License & Permits Compliance			FERC Processing (Portland Regional Office) Procurement	2 yrs	1 yr
				Construction Testing & Commissioning Project Startup	5.5 yrs	4.5 yrs
Reg/Env Estimated Schedule		**7 yrs**	**5.5 yrs**	**Eng/Const Estimated Schedule**	**7.5 yrs**	**5.5 yrs**
				ESTIMATED TOTAL TO STARTUP	**14-15 years**	**11 years**

Chapter 7

Financial

Based on project risk for investors, the two projects, Susitna and Chakachamna, are similar. Project financing for either project, where the costs of the project is paid for solely by the sale of power produced from the project, is assumed to be unavailable. Without State participation these project are unlikely to proceed. State participation of whatever form it takes place will enable these projects to occur and lower the cost of the energy to ratepayers.

Large projects have financing that is structured on some amount of government participation. Government participation is normally required because of the following risks generally associated with large hydroelectric projects make project financing unattainable:

- **Timeline**: Project may take 10-20 years prior to first power sales. Private investors do not like to spend substantial funds for an extended time when the payoff is a long time or may not occur.
- **Licensing and Permitting Risk**: Significant funds can be spent only for the project to have long delays in licensing and in operation constraints placed on project.
- **Construction Risk**: Estimating the cost of a project many years out has risk of the prices changing for materials and labor. In addition, the demand for a product can change.

The "Bradley Model" has been discussed as a way that a new large hydroelectric facility can be financed for construction with State assistance. Licensed and constructed in the 1980's and early 1990's it is Alaska's largest hydroelectric project. Bradley Lake Hydroelectric Project (Bradley Project) is located southeast of Homer, Alaska and is a 125-foot high concrete faced rock filled gravity dam. The project has 126MW of installed capacity and produces approximately 9 percent of the railbelt's annual energy. The state paid for licensing and much of the cost of the project. Approximately 50 percent of the project's licensing and construction cost was paid by the State. The railbelt utilities purchase all the power for the projects and pay all the costs of the project (bond financing, Operations and maintenance). Once the debt service is retired then the utilities will continue to pay the State the same amount as the debt service.

Detailed information on State participation and Bradley financing is available at Hydroelectric Project Risk Analysis & the Bradley Lake Funding Model Summary Report, November 15, 2010 located on AEA's website at the Railbelt Large Hydro webpage.

Chapter 8

Cost of Power

The cost of power from the Susitna and Chakachamna Projects is addressed in this chapter. A simple calculation of the cost of power, which assumes 50 percent State equity in either project, a financing rate of 6 percent, and annual energy from sections above results in the generation costs shown in Table 8-1 below.

Table 8-1 Cost of Power Comparison

Project	Finance Amount (50%)	Rate	Term (years)	Annual Energy (GWhrs)	Cost per kWhr
Susitna	2,250,000,000	6%	30	2600	$0.063
Chakachamna Alt 1	1,440,000,000	6%	30	1100	$0.09
Chakachamna Alt 2	1,440,000,000	6%	30	860	$0.12

This simple table gives an idea of how the two projects compare in the cost of power. Interest during construction is excluded from this comparison.

The estimated construction cost of Chakachamna Alternative 1 would need to decrease by 30 percent to have a comparable cost of power with the Susitna Project. Or, assuming no changes in the cost the energy of the Chakachamna Project, annual energy would need to be 1600 GWhrs. This could only be achieved by having zero environmental flow.

An alternative way of analyzing cost comparisons is to estimate State contributions needed if generation costs are held at $0.06 kWhr. From this perspective, the State required contribution would be $2.35 B for the Susitna Project (2,600 GWhrs) and $1.96 B for the Chakachamna Project (1100 GWhrs) or $2.17 B (860 GWhrs). Assuming state participation would be based on providing $.06 cost per kWh, the Susitna project would cost 20% more than Chakachamna project Alternative 1; however, it will provide approximately 136% more energy and compared to Alternative 2, an 8% greater cost with 200% more energy.

Chapter 9

Operational Uncertainty

Table 9-1 presents a summary of the comparative operational uncertainties associated with developing the Chakachamna and Susitna Projects.

Table 9-1 Operational Uncertainties Issue Comparison

Issue and likelihood of occurrence within next 100 years	Chakachamna Project	Susitna Project
	Issue Notes/Requirements	**Issue Notes/Requirements**
Earthquake Risk		
Immediate damage due to fault movement Studies show 700-year return period for significant earthquakes (magnitude 6 to 7), last such earthquake approximately 650 years ago.	Castle Mountain fault, approximately 11 miles from the lake, magnitude 7+, displacements of up to 6 ft, only 4500 ft from powerhouse site. Infrastructure near the fault include; powerhouse and bridge over Chakachatna River. Power tunnel intersects numerous smaller faults. Seismic event may cause localized collapse in the fault zone if not lined. Lack of information about whether movement could occur on any of these smaller faults.	Castle Mountain Fault located 65 miles from powerhouse, intake, lake, magnitude 7+, Denali Fault located 45 miles , magnitude 8.0, Inter-plate subduction zone located 40 miles, magnitude 9.2 Dam could experience high seismic loads (known seismic zone, EQ design case should consider loading)
Secondary effects	Landslide and avalanche potential into lake and onto access road.	Potential landslides and avalanches along access roads.
Hydrological Risk		
Generation	USGS record at site 11 years of data, correlation with 4 streams. Understanding of the hydrology There is potential during events such as floods or glacial activity for down cutting of the glacial moraine at the end of the lake which could reduce head and storage in the project Smaller basin will cause greater deviations from average hydrological flow and energy generation. Drought (Not sure if needed, see above) Tunnel roughness may increase with time due to wear which will reduce generation.	USGS record at site 54 years of data on Susitna River. Understanding of the hydrology vis a vis climate change effects.
Climate Change		
Glacier recession	Increase in flows as the glaciers melt (>100 yrs), followed by reduced and more "flashy" flows at the project.	Increase flow for a period with glacier recession (>100 yrs) followed by decreased flow.
Volcanism		

Table 9-1 Operational Uncertainties Issue Comparison

Issue and likelihood of occurrence within next 100 years	Chakachamna Project	Susitna Project
	Issue Notes/Requirements	**Issue Notes/Requirements**
Effects on Project Facilities and Features	Mt Spurr is located immediately adjacent to the project, Redoubt volcano is approx. 50 miles to the west. Explosive eruption at Mt. Redoubt 2009 Previous eruption on Mt. Spurr was a side blowout. Debris flows similar to those that occurred in 1953 and 1992 eruptions of Crater Peak could dam Chakachatna River. The debris dams might erode progressively or may burst abruptly. Lava flows could dam the Chakachatna River and raise Chakachamna Lake. Large floods would be produced by surging and melting of glacial ice during an eruption. Glacier movement (melting at base) is probable. Ice flow on Barrier Glacier may surge, dam the lake, raise water level and erode through, typically below the glacier in material. Access road may become blocked or destroyed by mud or erosion (high flows in river from melting glacier or glacial dam breakout). Effects on river bridges from debris flow Ash effects on transmission Poison gas cloud could affect the powerhouse (unlikely with distance & powerhouse location) Communications may be disrupted by volcano.	Mt Wrangell is located to the more than a hundred miles to the East and is closer to Watana. Mt Wrangell is in a non-eruptive active state at present but with history of 9 reported possible eruptions since 1760, most recently 1930; steaming at present. Ash could reach the Watana project and transmission lines depending on wind conditions. Pyroclastic flows are unlikely to affect Watana due to distance and intervening terrain.
Tunnelling and Foundation Conditions		
Dam	Small structure on rock foundation. Material of the natural dam, believed to be moraine, could contain significant quantities of ice, lahar material, or volcanic ash that could affect the permanence of the natural dam.	Geotechnical exploration indicates favorable foundation conditions on bedrock. Foundation (permafrost). Melting permafrost in the rock could lead to increased permeability of foundation that may require additional grouting associated with project site.

Table 9-1 Operational Uncertainties Issue Comparison

Issue and likelihood of occurrence within next 100 years	Chakachamna Project	Susitna Project
	Issue Notes/Requirements	Issue Notes/Requirements
		River diversion tunnels. Large spillway.
Power tunnel(s)	Extensive underground construction will be expensive to shut down for inspection and repair if necessary. Very hard rock along tunnel alignment – more than 35,000 psi, which is extremely hard and could present difficulty for a tunnel boring machine resulting in slow progress.	Competent rock conditions for dam and tunnel construction, studies date to 1982. Very short power tunnel(s) – 1.0 mile max, and shallow and surface power tunnel, therefore less risk of delay in construction. Limited number of geotechnical fault zones to pass through, due to location and short length of tunnels, provided "Fingerbuster" and "Fin" zones are avoided.
Glacier Activity		
Dam and Intake	Unpredictability regarding the interaction of glaciers with the volcanic activity, including possible melting at the base of the ice that would cause glacial pulses or surges. An advance of Barrier Glacier at the Chakachamna Lake outlet, initiated by heat from below the ice, could dam the outlet and raise the lake level. When the ice nose decayed, a large volume of water would be released that could erode the lake outlet and lower the lake below its present level. There is potential during events such as floods, glacial activity for down cutting of the glacial moraine at the end of the lake which could reduce head and storage in the project. Lowering the lake would reduce the submergence of the power inlet below what is acceptable. Breakout in 1971 one of Alaska's largest recorded floods.	N/A
Powerhouse	Blockade Glacier has been identified as a source of outburst floods on McArthur River	N/A
Surging Glaciers	Four glaciers in the Chakachamna study area have been identified as surging glaciers. They include Pothole Glacier and Harpoon Glacier in the Nagishlamina River Valley and Capps Glacier on the eastern slope of Mt Spurr.	N/A

Table 9-1 Operational Uncertainties Issue Comparison

Issue and likelihood of occurrence within next 100 years	Chakachamna Project	Susitna Project
	Issue Notes/Requirements	**Issue Notes/Requirements**
Outburst Glaciers	Glacier damming of the Nagishlamina Valley by a surging glacier may result in outburst conditions at the outlet from Chakachamna Lake. A sudden influx of water into Chakachamna Lake could produce significant changes including lowering of the lake outlet.	N/A
Other		
Intake	Lake tap would need fish screens Volcano eruption may affect power tunnel intake.	N/A
Access Road	Landslide, avalanche danger part of the route.	Avalanche danger over a portion of the route.
Transmission Line	42 miles of new transmission line to Beluga Sub Station. Submarine cable across Cook Inlet subject to marine environment risks such as currents, scour, dragging anchors.	58 miles of new transmission line.
Operation & Maintenance		
Operations & Maintenance	Long tunnel intersecting numerous faults susceptible to rock-falls over time and maintenance requirements Rock entrained in tunnel flow could damage turbines Long tunnel has higher risk of collapse, blockage Long tunnel will require planned outages for inspection and maintenance over life of project, higher risk of interruption.	Multiple short tunnels allows for more regular inspection and maintenance without prolonged outages and impact to operations
Load Stability		
Powerhouse location with respect to load centers	Off the end of the railbelt load center, not easy to stabilize (brown-out/black-out).	Location between Anchorage and Fairbanks means project is closer to center of load, easier to stabilize grid using reactive potential.
Hydrological Risk - Water Shortage		
Drought	Small catchment mainly fed by meltwater from glaciers, which make this site more susceptible to water shortages and less dependable as a source of energy.	Catchment is less susceptible to drought.

Chapter 10

Summary and Conclusions

This document compared two large hydroelectric projects to determine which would better meet the needs of the railbelt population and the State of Alaska now and into the future. The following table shows a comparison summary of the two projects.

Table 10-1 Comparison Summary

Criteria	Susitna (Low Watana) Project	Chakachamna Project
Engineering (Cost)	$4.5B	$2.9
Environmental	Same basin, modified flows, little to no salmon present.	Cross basin drainage, substantial concern regarding fisheries and Trading Bay State Game Refuge.
Energy	2,600 GWhrs annual average. About 50% of existing railbelt annual electrical energy. Meets and exceeds State energy policy without other projects.	Most likely to be less than 1,100 GWhrs annual average. About 20% of existing railbelt annual electrical energy. Does not provide substantial winter power.
Start-up Date	Approximately 11 years	Approximately 15 years
Licensing/Permitting	Substantial site knowledge likely to reduce licensing/permitting delays.	Significant unknowns on environment, geology, and hydrology likely to slow process
Finance	Requires State financial support	Requires State financial support
Cost of Energy	Simple calculation using cost & energy numbers above, 50% State equity, and 6% interest yields $0.06 /khr	Simple calculation using cost & energy numbers above, 50% State equity, and 6% interest yields $0.09-0.12 /khr
Operational Uncertainty	Less long term operational risk from seismic. Central location helps to stabilize grid.	Greater long term operational risk from seismic events, volcano eruption, & glacial changes. Energy more variable on an annual basis. Harder to stabilize.
Notes	River system has potential to expand generation by going upstream, downstream, or raise dam height. Transmission lines could connect to other areas of the State.	

The Susitna Project would produce more energy and at a lower cost per MW. Historically the flow has varied little year to year so that the amount of energy can be better estimated. Most of the Project is anticipated to be above ground so that geotechnical unknowns that influence construction cost risk are minimized. Produced energy during summer would be greater than desired so that flows would remain high for salmon downriver. However, the reservoir area would give the Project the ability to still generate substantial power during the winter critical months.

The Chakachamna Project would not be able to divert flow as was used for estimating energy in the early 1980's. The reduced flow would have substantial effects on the Trading Bay State Game Refuge down river and would cause false attraction to return adult salmon so that they are not able to find their way to the lake. In addition, the smolt salmon in the lake need substantial outlet flow to enable them to find the exit to the lake. Drawing down the lake during the winter would cause mortality of shallow spawners and may prevent salmon from ascending up the rivers at the head of the lake during early summer. If the Project is operated to provide significant environmental flows and restrict the lake drawdown then the cost of energy increases significantly and would produce minimal energy during the critical winter months. Because of the complex two drainage system hydrology and rich fisheries determining the environmental flow and conditions will require many years and millions of dollars. The substantial number of multi-year studies would delay the licensing and start-up date.

The Susitna Project is thought to be a licensable project without a fatal flaw. Geotechnical information indicates bedrock is suitable for construction. Environmental information indicates that impacts would be minimal. The Chakachamna Project has many fisheries concerns that will restrict the Project operation, increase the cost, and decrease the energy output of the Project. Some of the issues may not be able to be mitigated.

The Susitna Project provides a lower cost per unit of energy, the least environmental impact, a greater total amount of energy, and the anticipated startup date is sooner.

Based on the projects economics and impacts Susitna Project (Low Watana non-expandable alternative) should be the primary Project to pursue with Chakachamna Project as the alternative.

Chapter 11

Recommendations

We recommend that field studies and engineering evaluations be conducted on the Susitna Project preparing for a Final Decision Document scheduled to be released on November 15, 2011. In addition, we also recommend that a FERC license application be initiated on January 1, 2012 for the selected Project. In order for the process to move forward it is recommended that a Preliminary Permit be filed with FERC for the selected Project by December 31, 2011.

Specific studies to be completed in 2011 include:

- A complete review of the 1985 Susitna environmental study plan and the conduct of critical studies from that plan. Changes to the river system and the environment need to be documented.
- Field work to verify Susitna environmental conditions.
- A detailed cost estimate of the Chakachamna Project including changes to the Project introduced by environment constraints such as downstream flow releases (size optimization).
- A final determination of the type dam to be used at the Susitna site and the access plan and a revised cost estimate of the overall scheme.
- Detailed engineering studies on transmission needs, design drawings, and geotechnical review.

It is anticipated based on the schedule discussion in preceding Section 6.0 that the data gathered in the 2011 field season can be used for both the primary and alternative project. The FERC Preliminary Permit for the Susitna Project should be filed by December 2011.

Chapter 12

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ALASKA
ENERGY AUTHORITY

1/28/11 PRESENTATION: KEVIN BANKS, DIRECTOR, DIVISION OF OIL & GAS, DEPARTMENT OF NATURAL RESOURCES

<TARGET><BILL></BILL><SUBJECT>1-28-11 PRESENTATION KEVIN BANKS, DIRECTOR, DIVISION OF OIL and GAS, DEPARTMENT OF NATURAL RESOURCES</SUBJECT><COMM>SRES27</COMM></TARGET>

Official Business

Senate Resources Committee

Senator Joe Paskvan, Co-Chair
Room #115: 465-4907

Senator Tom Wagoner, Co-Chair
Room #427: 465-3792

Members:
Senator Bill Wielechowski, Vice-Chair
Senator Hollis French
Senator Lesil McGuire
Senator Bert Stedman
Senator Gary Stevens

Senate Resources Committee

Friday, January 28, 2011: 3:30pm – 5:00pm

Presentation: Kevin Banks, Director
Division of Oil and Gas
Department of Natural Resources

State of Alaska

Division of Oil and Gas

Kevin Banks
Director

January 2011

www.dog.dnr.state.ak.us/oil/

The Division of Oil and Gas …

manages lands for oil, gas, and geothermal exploration and development in a fair and transparent manner to maximize prudent use of resources for the greatest benefit of all Alaskans.

Mission Elements

Elements required to fulfill our mission under 38.05.180

- Maximize the economic and physical recovery of resources
- Maximize competition among explorers and developers
- Maximize use of Alaska's human resources in the development of the resources
- Encourage assessment of oil and gas resources and maximize the flexibility of issuing leases
    - Recognize varied geographical regions and costs of development
    - Minimize adverse impacts from exploration, development, production, and transportation activities

Elements required to fulfill our mission under 38.05.035

- Manage, inspect, and control state land, including any improvements, that belong to the state and are under the jurisdiction of the division

Net Oil Volume from State Leases

FY2010

Company	Barrels of Oil
1 ConocoPhillips	82,135,010
2 BP	62,591,253
3 Exxon	43,622,534
4 State of Alaska	25,620,845
5 Chevron/Unocal	4,968,278
6 Anadarko	4,680,339
7 Pioneer	2,226,816
8 ENI	983,621
9 XTO Energy	859,743
10 PEAO	658,097
11. Small producers (6)	167,876
Total	**228,554,412**

The Division of Oil and Gas manages the state's oil and gas resources with a budget of $14.3 million (FY 2011) and a staff of 95, consisting of highly specialized technical experts with many years of experience in the industry. The Division works in asset teams, pulling together the experts needed from different sections, in order to manage each different task or issue.

- Petroleum Geologists
- Petroleum Geophysicists
- Petroleum Engineers
- Commercial Analysts
- Petroleum Economists
- Biologists
- Attorneys
- Accountants
- Auditors

The Petroleum Systems Integrity Office (PSIO) relies on the Division for IT and administrative support but has its own budget.

Achievements in 2010

- Division-wide
- Resource Evaluation
- Leasing
- Unit Administration
- Royalty Accounting
- Audit
- Commercial
- PSIO

Achievements in 2010

Division-Wide

- Developed Draft Strategic Plan for Division in order to streamline processes, identify areas in need of improvement, and better focus our resources and energy in a changing investment and production climate.

Achievements in 2010

Resource Evaluation

- Building on the 2009 preliminary Cook Inlet gas supply study and updating the integrated engineering and geological analyses, Resource Evaluation is working closely in 2010-2011 with DOG Commercial Section to complete a comprehensive analysis of the investment costs that would be required to meet southcentral Alaska's future gas needs from Cook Inlet fields.

- Provided geological, geophysical, and engineering analysis in support for the Division's leasing and exploration licensing program and the Division's oversight of producing and prospective units and participating areas.

- Worked to ensure that the State receives all data sets from exploration wells, seismic surveys, and other geological and geophysical work in exchange for exploration tax credits under AS 43.55.023 and 43.55.025.

- Working in concert with DGGS to conduct complimentary and integrated analyses of oil and gas resource potential throughout the state, with greatest current emphasis on the Cook Inlet basin and North Slope Foothills. Through a separate initiative, Resource Evaluation is contributing integrated geological-geophysical analysis of resource potential in the Umiat–Gubik area and along the route of the proposed Roads to Resources Foothills West transportation corridor.

- Substantially progressed the understanding of Alaska's CO_2 sequestration capacity; evaluating strategies for ensuring State oversight of carbon sequestration if it were to be mandated by Federal government.

Achievements in 2010

Leasing

- Conducted five areawide lease sales in FY 2010, resulting in $11.3 million in bonus bids
- 495,326 acres leased, with 149 bids on 134 tracts, and 21 bidding groups participating
- Administered 1,495 leases covering nearly 4.5 million acres generating more than $6.1 million in rental income
- Processed more than 740 assignments of interests in oil and gas leases

Achievements in 2010

Unit Administration

- Staff managed 38 units producing from 78 participating areas with six new units approved in FY10
- Considered and issued 42 unit and PA decisions in FY10, including:
  - Four new PAs
  - Two unit expansions
  - Two PA expansions/contractions
  - Two unit terminations
- Currently working on a dozen unit actions in the pre-application phase, including four new units and at least five new PAs

Achievements in 2010

Royalty Accounting

- Collected $2,201 million in revenue (FY2010), including:
  - $1,237 million in royalty-in-value;
  - $913 million from royalty-in-kind oil sales, and
  - $21 million in the state's share of federal rents and royalties
  - $30 million in Net Profit Share Lease Payments
- Processed more than 20,580 production, royalty and NPSL reports
- Provided royalty and NPSL filing support to 23 active lessees

Achievements in 2010

Audit

- Audit Staff issued 12 state and federal audits during the past 12 months resulting in the collection of $17.6 million in additional revenue
- Audit claims in the amount of $33.9 million are currently outstanding
- Audit Staff have played an important role in addressing royalty valuation issues and providing support for Royalty Settlement Agreement reopeners
- The Audit Section has begun work to isolate and document audit processes

Achievements in 2010

Commercial

- Royalty Settlement Agreement re-opener analysis and negotiations support.
  - Completion of a limited re-opener agreement with Conoco-Phillips;
  - Marine capital cost model of an oil major for the purposes of royalty settlement agreement.
- Gas sales analysis and support.
  - Oversaw study of preliminary economics for a bullet line;
  - Oversaw completion of study on the impact of shale gas on gas prices in the lower 48;
  - Completion of regulations package governing North Slope Gas for shippers on an AGIA-licensed pipeline.
- Analysis of Pacific Energy's properties for bankruptcy filings.
- Analysis of the value of state right-of-ways for Liberty development.
- Cook Inlet ACES model developed for public distribution.
- Development of commercial terms for the CINGS storage lease
- Cook Inlet Natural Gas Production Cost Study.

- Completed "Gap Analysis" project and submitted identified gaps and proposed corrective actions to Natural Resources Subcabinet
- Coordinated with state and federal agencies regarding oil and gas facilities and activities in Alaska
  - Regular liaison meetings, incident notification e-mail cache and monthly reports
  - Conducted inquiry into recent integrity events and employee concern
  - Followed up with operators regarding past correcti

Feedback/Questions

Appendix: Oil and Gas Revenues and Activities in the Cook Inlet Region and on the North Slope.

The State Revenue Pie

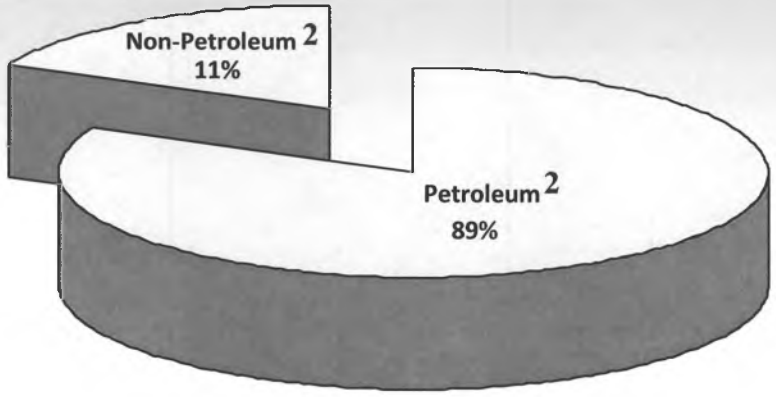
Petroleum Revenue Sources (FY 2010)

Total Royalties, Bonuses, Rents, Fees & Settlements: $2,214.90 Million

General Fund Royalties, Bonuses, Fees & Rents: [1]
$1,476.5 Million

Royalties to Permanent Fund & School Fund: [1]
$691.2 Million

FY 2010 Unrestricted Revenue



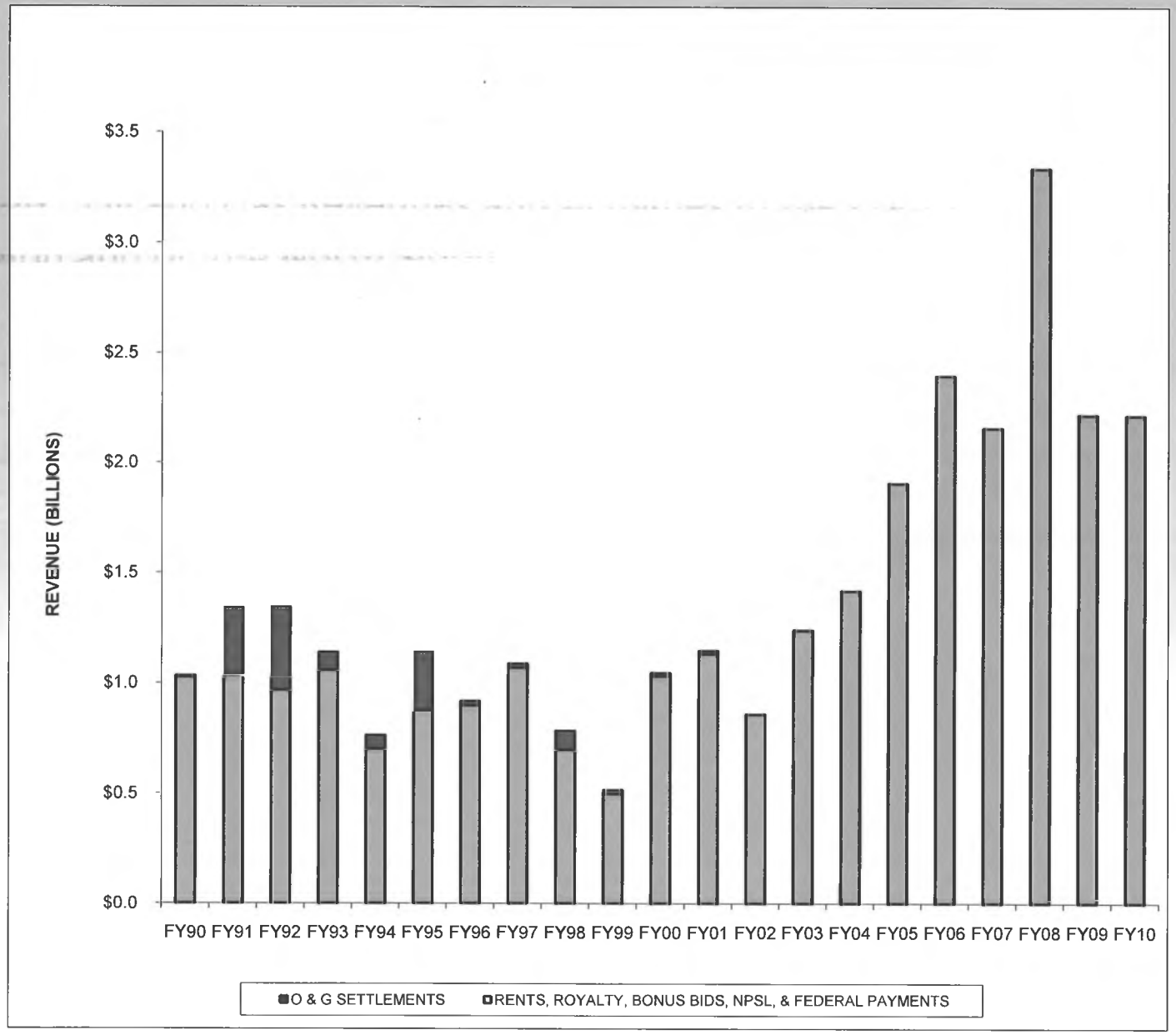
Taxes:

$3,437.7 Million [2]

(Oil & Gas Property Tax + Income Tax + Severance Tax)

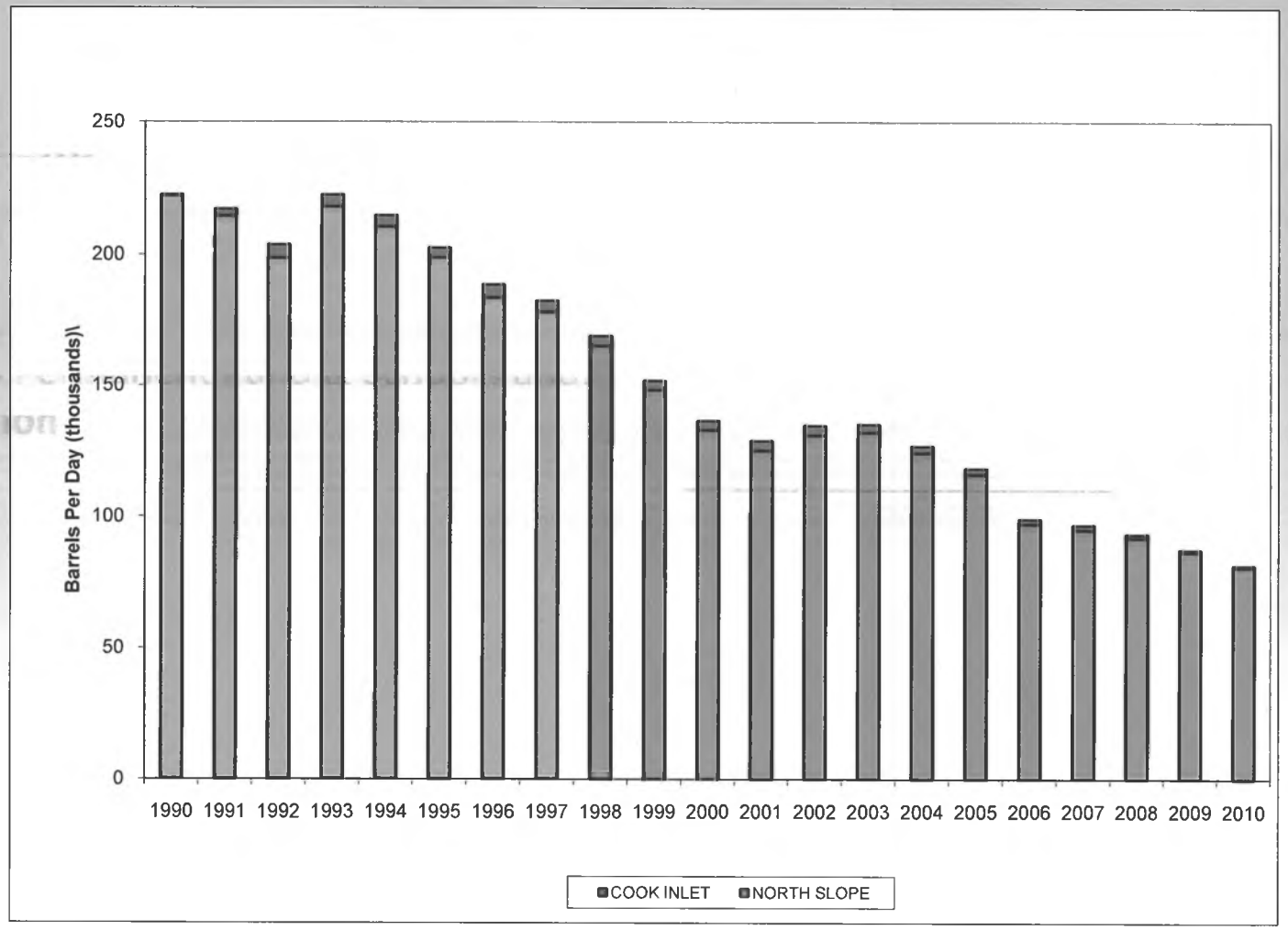
1 Includes Federally shared rentals + royalties
2 Source: DOR Preliminary Fall 2010 Revenue Sources Book

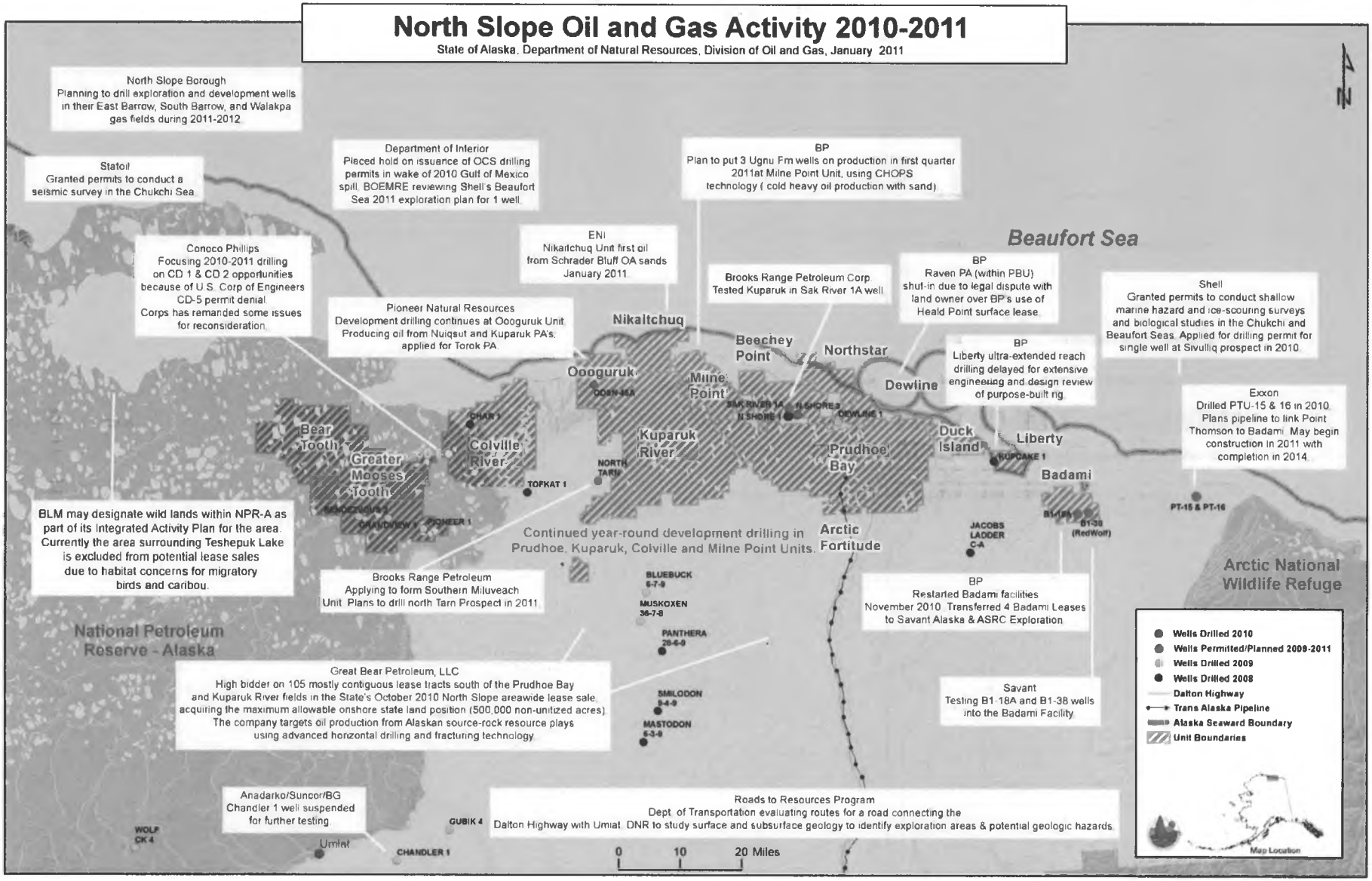
Fiscal Year Oil and Gas Revenue on State Lands



Annual State Oil Royalty Production

In thousands of barrels per day; fiscal years 1990 - 2010




North Slope Oil and Gas Activity 2010-2011
State of Alaska, Department of Natural Resources, Division of Oil and Gas, January 2011
North Slope Borough
Planning to drill exploration and development wells in their East Barrow, South Barrow, and Walakpa gas fields during 2011-2012.
Statoil
Granted permits to conduct a seismic survey in the Chukchi Sea.
Department of Interior
Placed hold on issuance of OCS drilling permits in wake of 2010 Gulf of Mexico spill. BOEMRE reviewing Shell's Beaufort Sea 2011 exploration plan for 1 well.
BP
Plan to put 3 Ugnu Fm wells on production in first quarter 2011at Milne Point Unit, using CHOPS technology (cold heavy oil production with sand)
Beaufort Sea
Conoco Phillips
Focusing 2010-2011 drilling on CD 1 & CD 2 opportunities because of U.S. Corp of Engineers CD-5 permit denial.
Corps has remanded some issues for reconsideration.
ENI
Nikaitchuq Unit first oil from Schrader Bluff OA sands January 2011.
Brooks Range Petroleum Corp
Tested Kuparuk in Sak River 1A well.
BP
Raven PA (within PBU) shut-in due to legal dispute with land owner over BP's use of Heald Point surface lease.
Shell
Granted permits to conduct shallow marine hazard and ice-scouring surveys and biological studies in the Chukchi and Beaufort Seas. Applied for drilling permit for single well at Sivulliq prospect in 2010.
Pioneer Natural Resources
Development drilling continues at Oooguruk Unit. Producing oil from Nuiqsut and Kuparuk PA's; applied for Torok PA.
Nikaitchuq
Beechey Point
Northstar
Oooguruk
Milne Point
Dewline
BP
Liberty ultra-extended reach drilling delayed for extensive engineering and design review of purpose-built rig.
Exxon
Drilled PTU-15 & 16 in 2010.
Plans pipeline to link Point Thomson to Badami. May begin construction in 2011 with completion in 2014.
Bear Tooth
Greater Mooses Tooth
Colville River
Kuparuk River
Prudhoe Bay
Duck Island
Liberty
Badami
BLM may designate wild lands within NPR-A as part of its Integrated Activity Plan for the area. Currently the area surrounding Teshepuk Lake is excluded from potential lease sales due to habitat concerns for migratory birds and caribou.
Continued year-round development drilling in Prudhoe, Kuparuk, Colville and Milne Point Units.
Arctic Fortitude
Brooks Range Petroleum
Applying to form Southern Miluveach Unit. Plans to drill north Tarn Prospect in 2011.
BP
Restarted Badami facilities November 2010. Transferred 4 Badami Leases to Savant Alaska & ASRC Exploration.
Arctic National Wildlife Refuge
National Petroleum Reserve - Alaska
Great Bear Petroleum, LLC
High bidder on 105 mostly contiguous lease tracts south of the Prudhoe Bay and Kuparuk River fields in the State's October 2010 North Slope areawide lease sale, acquiring the maximum allowable onshore state land position (500,000 non-unitized acres). The company targets oil production from Alaskan source-rock resource plays using advanced horizontal drilling and fracturing technology.
Savant
Testing B1-18A and B1-38 wells into the Badami Facility.
Anadarko/Suncor/BG
Chandler 1 well suspended for further testing.
Roads to Resources Program
Dept. of Transportation evaluating routes for a road connecting the Dalton Highway with Umiat. DNR to study surface and subsurface geology to identify exploration areas & potential geologic hazards.
Umiat
0 10 20 Miles
Wells Drilled 2010
Wells Permitted/Planned 2009-2011
Wells Drilled 2009
Wells Drilled 2008
Dalton Highway
Trans Alaska Pipeline
Alaska Seaward Boundary
Unit Boundaries
Map Location

North Slope Oil & Gas Activity 2010

- Badami Unit – BP/Savant
  - Savant Alaska, LLC drilled and completed 1 development well and 1 exploration well in 2010 (AOGCC). Restarted Badami facilities November 2010.
  - BP transferred 4 Badami leases to Savant Alaska & ASRC.

- Beechey Point Unit – Brooks Range Petroleum
  - Unit Formed in 2009. 2 exploration wells drilled in early 2010.
  - Tested Kuparuk Formation in Sak River#1A well.

- Colville River Unit – ConocoPhillips
  - 13 unit wells drilled and completed in 2010, 5 wells in Alpine PA and 8 wells in Fiord PA (AOGCC). 32 wells planned.
  - Increased drilling on state leases at CD1 and CD2 because of U.S. Corp of Engineers denial of CD5 (Alpine West satellite development permit. Corps has remanded some issues for reconsideration.

- Dewline Unit -- UltraStar
  - Applied for unit expansion in 2010. Second exploration well planned for 2012-2013.

- Kuparuk River Unit -- ConocoPhillips
  - Development drilling continues, 47 permitted unit wells (each lateral counts as a permitted well bore) completed in 2010 (AOGCC). 14 wells planned in 2011.
  - Kuparuk PA: 12 coiled tubing wells (44 laterals, AOGCC) completed in 2010.
  - Tarn PA: 3 grass root wells drilled and completed drilled in 2010 (AOGCC); PA expansion likely.

- Liberty (Federal Unit) – BP
  - Ultra-extended reach drilling delayed for extensive engineering and design review of purpose built rig.

North Slope Oil & Gas Activity 2010, continued

- Milne Point Unit – BP
  - 5 development sidetrack wells (7 total laterals) drilled and completed in 2010 (AOGCC). 4 wells planned in 2011, mainly in Kuparuk PA.
  - BP sanctioned the Ugnu CHOPS Pilot (Cold Heavy Oil Production with Sand); 3 wells to be put on production during first quarter 2011.

- Nikaitchuq Unit – ENI
  - Completed sealift of processing and utility modules in August, 2010.
  - AOGCC pool rules approved 2010 and PA application in progress for Schrader Bluff reservoir.
  - First production expected January 2011.
  - 2-3 wells planned in 2011.

- Oooguruk Unit – Pioneer
  - Development drilling continuing. 5 wells drilled and completed in 2010 (3 in Nuiqsut PA, 2 in Kuparuk PA), including 2 dual laterals (AOGCC).
  - Torok Formation produced 1,100 bbls/day in 2009; Pioneer applied for Torok PA in 2010, which could result in drill site expansion.
  - 3-4 wells planned in 2011.

- Prudhoe Bay Unit – BP
  - 50 permitted sidetracks and 8 grass roots wells drilled in 2010, with total of 66 laterals completed in 2010 (AOGCC).
  - 27 sidetracks and one new development well in Ivishak PA Q4 2010-2011.
  - Aurora PA: 1 producer, 1 injector wells Q4 2010.
  - Borealis PA: 4-5 wells planned for 2011-2012.
  - Polaris PA: 1 producer and 4 injectors planned for Q4 2010-2011.
  - Raven PA shut-in due to legal dispute with private landowner over BP's use of Heald Point surface lease.

North Slope Oil & Gas Activity 2010, continued

- Additional Activity – (Oil & Gas)

  - **Onshore State (and ASRC) Lands**
    - ExxonMobil drilled and tested 2 wells at Point Thomson field (PTU-15 and -16) in 2010. Plans pipeline to connect Point Thomson to Badami pipeline system; may begin construction in 2011 with completion in 2014.
    - Brooks Range Petroleum is applying for new Southern Miluveach Unit (52,000 acres) immediately west of the Kuparuk River Unit, with plans to drill North Tarn prospect in 2011.
    - Union (Chevron) relinquished or sold all but 4 of its 59 White Hills leases south of Kuparuk.
    - Great Bear Petroleum, LLC was high bidder on 105 mostly contiguous tracts south of Kuparuk and Prudhoe Bay Units in October 2010 North Slope areawide sale, acquiring the maximum allowed non-unitized land position (500,000 acre onshore limit). The company is targeting oil production from source-rock resource plays using advanced horizontal drilling and fracturing technology.
    - Teck-Cominco postponed drilling another shale gas exploration well at the Sakkan Unit in the far western North Slope. Project goal is to establish local fuel gas supply for Red Dog mine.
    - Anadarko, Suncor, and BG dropped 65 state leases in the southern North Slope Foothills , and suspended the Chandler 1 well near Gubik/East Umiat for further testing. The joint venture partnership retains a significant acreage position on state and ASRC lands in other parts of Foothills.
    - DNR (DOG and DGGS) is conducting integrated subsurface interpretation and geologic field work in the Umiat – East Umiat – Gubik area to gain better understanding of resource potential associated with DOT-led Roads to Resources Foothills West project; multi-year project started in 2010.

North Slope Oil & Gas Activity 2010, continued

- Additional Activity – (Oil & Gas)

  - **OCS**
    - Department of Interior placed a hold on issuance of OCS drilling permits in wake of 2010 Gulf of Mexico spill; State has challenged this in court as a de-facto drilling moratorium. DOI issued a decision to honor existing OCS leases in December, 2010.

    - Shell was granted permits to conduct shallow hazard surveys, ice-scour surveys, and biological studies in support of 2011 exploration plan in the Beaufort Sea OCS. Shell applied to BOEMRE for a permit to drill a single well at their Sivulliq prospect (former Hammerhead oil and gas discovery) in the eastern Beaufort Sea at Camden Bay.

    - Statoil obtained seismic permits and acquired a 3-D survey over its leases in the Chukchi Sea OCS.

  - **NPRA**
    - BLM may designate wild lands within NPR-A as part of its Integrated Activity Plan for the area. Currently the area surrounding Teshepuk Lake is excluded from potential lease sales due to habitat concerns for migratory birds and caribou.

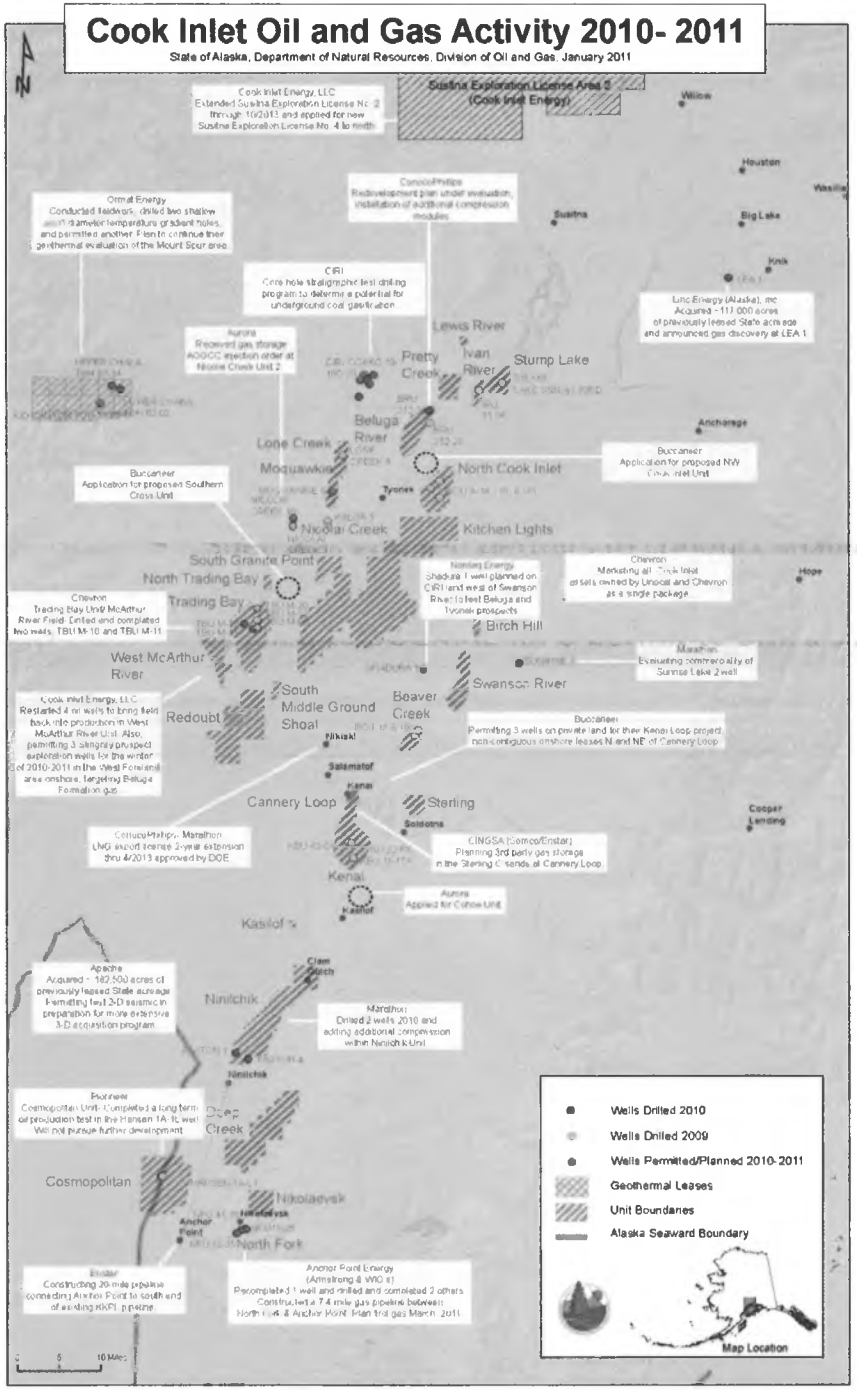
    - Talisman/FEX relinquished 11 leases in the North Slope Foothills and 19 leases in Beaufort Sea state waters adjacent to NPRA in Harrison Bay. The company is seeking to sell its interest in its remaining Foothills and NPR-A leases, including 3 suspended exploration wells in northwestern NPRA.

North Slope Planned Activity

Badami Unit: Two wells being tested to bring field back on line
Beechey Point Unit: Two exploration wells planned
Colville River Unit: 32 wells planned
Dewline Unit: Second Exploration well planned for 1st Quarter 2012
Kuparuk River Unit: 14 wells planned
Milne Point Unit: BP sanctioned the Ugnu Pilot "CHOPS" (Cold Heavy Oil Production with Sand); four wells planned.
Slope wide estimated heavy oil reserves (Ugnu) are 20 BBO.
Nikaitchuq Unit: Two - three wells planned
Oooguruk Unit: Three - four wells planned
PBU-Aurora: Two wells planned for 4th Q 2010; one for 2011
PBU-Borealis: Four to five wells planned 2011
PBU-Polaris: Drill one producer and 4 injection wells in 2011
PBU-Prudhoe IPA: 2010 plan to drill 1 new development well and 27 sidetracks
Sakkan Unit: one exploration well 2011
Northstar Unit: NS-08 tract op Kuparuk C sand commenced Nov. 2010.
Brooks Range Petroleum - North Tarn Well

Cook Inlet Oil and Gas Activity 2010- 2011

State of Alaska, Department of Natural Resources, Division of Oil and Gas, January 2011



Cook Inlet Oil & Gas Activity 2010

- Beluga River Unit – ConocoPhillips (Gas)
  - Drilled and completed one well, BRU 212-24T.
  - Redevelopment plan underway – installation of pad compression
- Cannery Loop Unit – Marathon (Gas)
  - Federal oil and gas lease AA-019230 segregated; lease and unit administration waived to the State of Alaska, effective March 26, 2010, terminating joint administrative responsibilities.
  - Gas storage lease/CINGSA issuance pending full RCA approval.
- Nicolai Creek Unit – Aurora Gas (Gas)
  - Applied for gas storage in Nicolai Creek Unit 2, withdrew their application.
  - AOGCC issued a storage injection order and aquifer exemption for Nicolai Creek Unit 2.
  - Expanded Unit, formed West Beluga and West Tyonek Pas
  - Drilled and completed a new gas well to the west, Nicolai Creek 11 in late 2009, currently in production.
- Ninilchik Unit – Marathon (Gas)
  - Drilled and completed two wells, Paxton 3 and Paxton 4.
  - Installing compression on all producing pads
- North Fork Unit – Armstrong (Gas)
  - Acquired 3D seismic program over unit March 2010
  - Drilled and completed two new gas wells, North Fork Unit 14-25 and North Fork Unit 32-35.
  - Re-completed SOCAL NFU 41-35 in gas zone, drilled 34-26.
  - Constructing a 7.4-mile gas pipeline between North Fork and Anchor Point , could be ready for operation in mid_February given approval of permit applications
  - First gas sales anticipated Mar 2011
  - Testing oil horizon
- Trading Bay Unit/ McArthur River Field– Chevron (Oil & Gas)
  - Drilled and completed two wells, TBU M-10 and TBU M-11.
- West McArthur River Unit – Cook Inlet Energy (Oil & Gas)
  - Cook Inlet Energy acquired in Dec. 2009
  - Workover on three wells
  - Restarted 4 oil wells to bring field back into production.
  - Current production: 778 barrels/day (November 2010)

Cook Inlet Oil & Gas Activity 2010 (continued)

- Additional Activity – (Oil & Gas)
  - Linc Energy Alaska, Inc. acquired Geo Petro summer 2010 and drilled LEA 1 discovery well. Announced success Oct. 2010, well results pending. Planning an exploration well in the Trading Bay area onshore
  - Marathon drilled Sunrise Prospect east of Swanson River field, Sunrise Lake 2. Encountered "zone of interest" and is evaluating results to "determine commerciality."
  - Nordaq Energy Partners planning exploration well, Shadura 1, from an ice road west of Swanson River field on CIRI acreage within the Kenai Wildlife Refuge. Targeting gas in the Beluga and the Tyonek formations.
  - ConocoPhillips and Marathon LNG export license' 2 year extension was approved by the DOE. Reauthorizes export to 4/13.
  - Enstar is extending the KKPL natural gas pipeline from Ninilchik to Anchor Point, allowing North Fork gas to reach market.
  - Chevron will open data room in 1Q 2011 for sale of all Cook Inlet assets. Target sale close by 7/1/11.

Cook Inlet Oil & Gas Activity 2010 (continued)

- Additional Activity – (Oil & Gas)
  - Apache acquired 182,500 acres of previously leased State acreage. Permitting 2-D seismic test in preparation for more advanced exploration. DCOM is issuing joint public notice this week announcing a 17-day comment period for the project.
  - Cook Inlet Energy, LLC, a wholly owned subsidiary of Miller Petroleum Inc., permitting 3 exploration wells (Stingray) for the winter of 2010-2011 in the West Foreland area onshore. Targeting Beluga Formation gas. Permits should be issued early 2011.
  - Buccaneer Alaska LLC applied for two proposed units, Northwest North Cook Inlet Unit and Southern Cross Unit. Currently organizing financing for a jack-up rig.
    - Buccaneer acquired 44,000 acres of previously leased State acreage on the east side of the Cook Inlet. With 5,760 acres acquired during the 2010 lease sale, total acreage is approximately 49,000 acres. Buccaneer plans to drill one exploration about 15 miles east of Anchor Point, late 2011. Permits issued pending posting of bond.
    - Buccaneer acquired 5,653 acres on the west side of Cook Inlet near the Nicolai Creek Unit. Buccaneer plans to drill one well in 2011.
    - Buccaneer is in the permitting process for drilling on Mental Health Trust Lands north of Kenai airport, and expected to drill in the next few months.
  - Aurora applied for one proposed unit, Cohoe Unit. Decision pending. Lease operations permit issued in late 2010.
  - Armstrong applied for North Fork draft unit expansion. Decision pending.
  - Escopeta hopes to bring jack-up into Cook Inlet under terms of POE. Permit will be issued following selection of rig. Fresh public review may be required due to beluga whale issue.

Additional Cook Inlet Activity 2010

- Cook Inlet Geothermal Energy and Coal Gasification
  - Ormat Energy conducted fieldwork, drilled two small diameter temperature gradient holes (Mt Spurr Lower Chakachatna River 62-02 and Mt Spurr Upper Chakachatna River 67-04). Planning to continue exploration next year.
  - CIRI drilled one stratigraphic test for coal gasification project, CIRI CC-06C-10.

1/31/11 OVERVIEW: CORA CAMPBELL, COMMISSIONER DEPARTMENT OF FISH & GAME

<TARGET><BILL></BILL><SUBJECT>1-31-11 OVERVIEW CORA CAMPBELL, COMMISSIONER, DEPARTMENT OF FISH and GAME</SUBJECT><COMM>SRES27</COMM></TARGET>

Official Business

Senate Resources Committee

Senator Joe Paskvan, Co-Chair
Room #115: 465-4907

Senator Tom Wagoner, Co-Chair
Room #427: 465-3792

Members:
Senator Bill Wielechowski, Vice-Chair
Senator Hollis French
Senator Lesil McGuire
Senator Bert Stedman
Senator Gary Stevens

Senate Resources Committee

Monday, January 31, 2011: 3:30pm – 5:00pm

Presentation: Cora Campbell, Commissioner
Department of Fish and Game

3:35PM / 4:20PM

January 31, 2011

1. **Call to order**

2. **Attendance at table** ALL THERE Thomas & Ged Madison
   a. **quorum to conduct business**

3. **order of business**
   a. **hear presentation from Cora Campbell, Commissioner of Department of Fish & Game**

Please turn off your cell phones – interferes with electronics in the room

4. **Ask Ms. Campbell to come up**

5. **Announce time to end meeting,**

   a. **next meeting Wednesday - same time – Larry Hartig - Commissioner of Department of Environmental Conservation**

6. **Gavel out**

Alaska Department of Fish & Game Overview

Senate Resources Committee

January 31, 2011

Mission Statement

- Based upon the Alaska State Constitution (Article 8) and Alaska Statutes (Title 16)
  - To protect, maintain, and improve the fish, game, and aquatic plant resources of the state, and manage their uses and development in the best interest of the economy and the well-being of the people of the state, consistent with the sustained yield principle.

ADF&G Core Services

- **Harvest Management**: provide opportunity to utilize fish and wildlife resources
- **Stock Assessment**: Ensure sustainability and harvestable surplus of fish and wildlife resources
- **Customer Service**: Provide information to all customers
- **Public Involvement**: Involve the public in management of fish and wildlife resources
- **State Sovereignty**: Protect the state's sovereignty to manage fish and wildlife resources
- **Habitat Protection**: Protect important fish and wildlife habitat during permit and project review

Commissioner's Office Responsibilities

- North Pacific Fishery Management Council
- Pacific Fishery Management Council
- Pacific States Marine Fisheries Commission
- Pacific Salmon Commission
- Exxon Valdez Oil Spill Trustee Council
- Federal Subsistence Board
- Western Association of Fish and Wildlife Agencies
- Association of Fish and Wildlife Agencies
- Alaska Migratory Bird Co-Management Council
- Pacific Flyway Council
- North Slope Science Initiative
- Alaska Ocean Observing System
- North Pacific Research Board
- UAF School of Fisheries and Ocean Sciences Advisory Council
- Polar Bear Range States
- US-Russia Treaty on Polar Bears
- Fisheries Excellence Committee of the Rasmuson Foundation
- UA-F Sea Grant Advisory Council
- International Porcupine Caribou Research Board
- Bering Sea Fisheries Advisory Board

Divisions of ADF&G

Commissioner's Office

Division of Commercial Fisheries

Division of Sport Fish

Division of Wildlife Conservation

Division of Subsistence

Division of Habitat

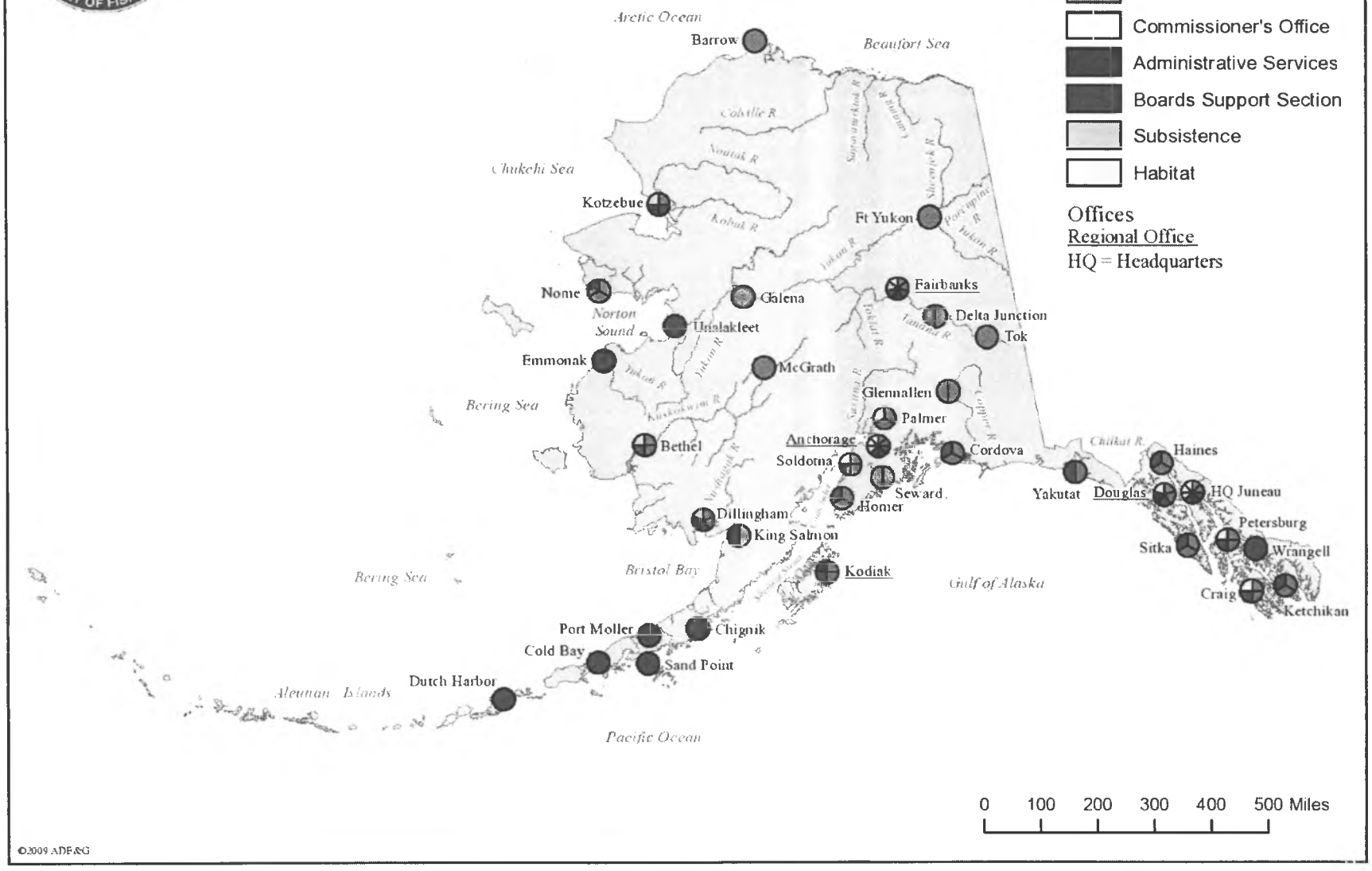
Division of Administrative Services

Boards Support Section

Independent Agencies

- Commercial Fisheries Entry Commission
- Exxon Valdez Oil Spill Trustee Council

Alaska Department of Fish and Game
Regional and Area Offices



©2009 ADF&G

Divisions of ADF&G

Commercial Fisheries

Acting Director Sue Aspelund

To protect, maintain, and improve the fish, shellfish, and aquatic plant resources of the state, consistent with the sustained yield principle, for the maximum benefit of the economy and the people of Alaska.

Divisions of ADF&G

Sport Fish

Director Charlie Swanton

To protect and improve the state's recreational fisheries resources.

Divisions of ADF&G

Wildlife Conservation

Director Corey Rossi

To conserve and enhance Alaska's wildlife and habitats and provide for a wide range of public uses and benefits.

Divisions of ADF&G

Subsistence

Acting Director Jim Simon

To scientifically quantify, evaluate and report information about customary and traditional uses of Alaska's fish and wildlife resources.

Divisions of ADF&G

Habitat

Director Kerry Howard

To protect Alaska's valuable fish and wildlife resources and their habitats as Alaska's population and economy continue to expand.

Divisions of ADF&G

Administrative Services

Director Kevin Brooks

Provides routine administrative services for the department and coordinates development of the annual operating and capital budget.

Divisions of ADF&G

Board Support Section

Executive Director Jim Marcotte

Ensures that the public process for the state's fish and wildlife regulatory system operates efficiently and effectively.

Independent Agencies

Commercial Fisheries Entry Commission

Bruce Twomley, Chairman

To control entry into Alaska's commercial fisheries to promote conservation of Alaska's fishery resources and economic health of commercial fishing.

Exxon Valdez Oil Spill Trustee Council

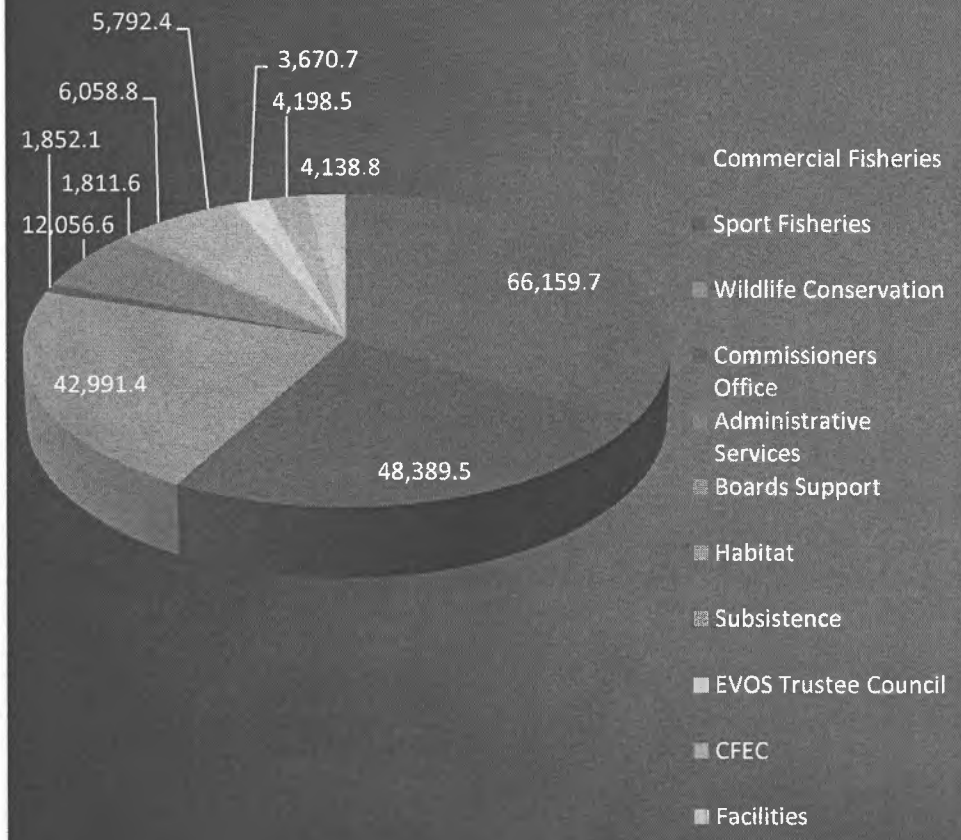
Elise Hsieh, Executive Director

To efficiently restore the environment injured by the Exxon Valdez oil spill to a healthy, productive ecosystem, while taking into account the importance of quality of life and the need for viable opportunities to establish and sustain reasonable standard of living.

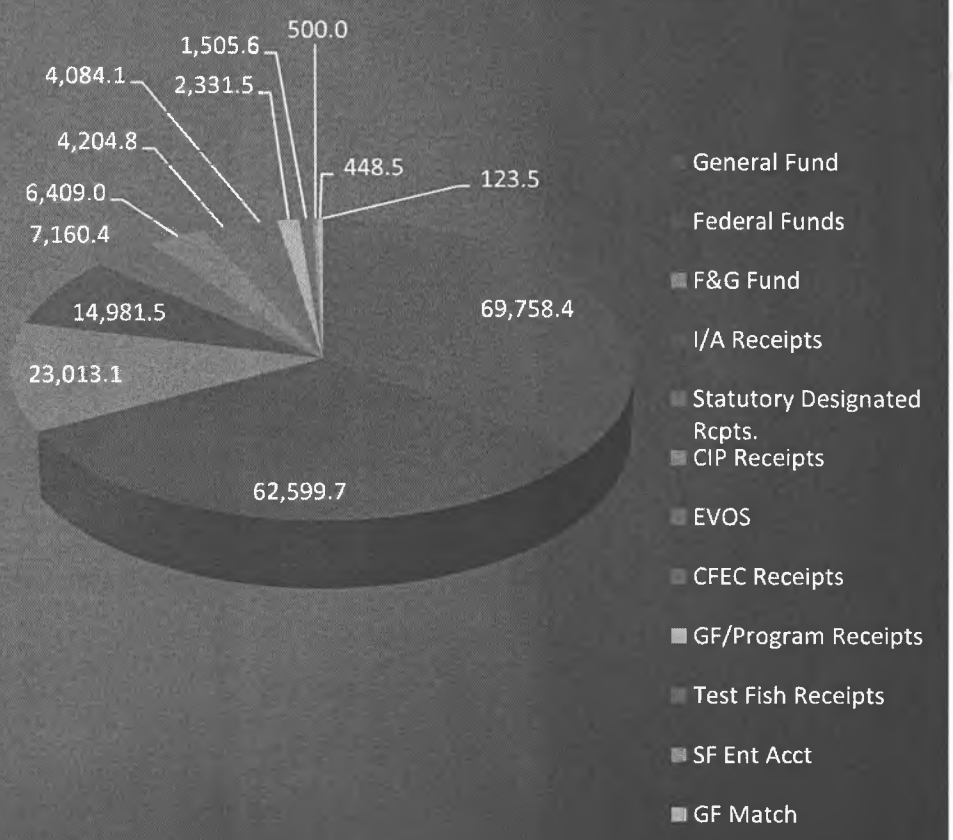
FY12 Budget By Division & Fund Source

($197,120.1)

FY12 Budget By Division

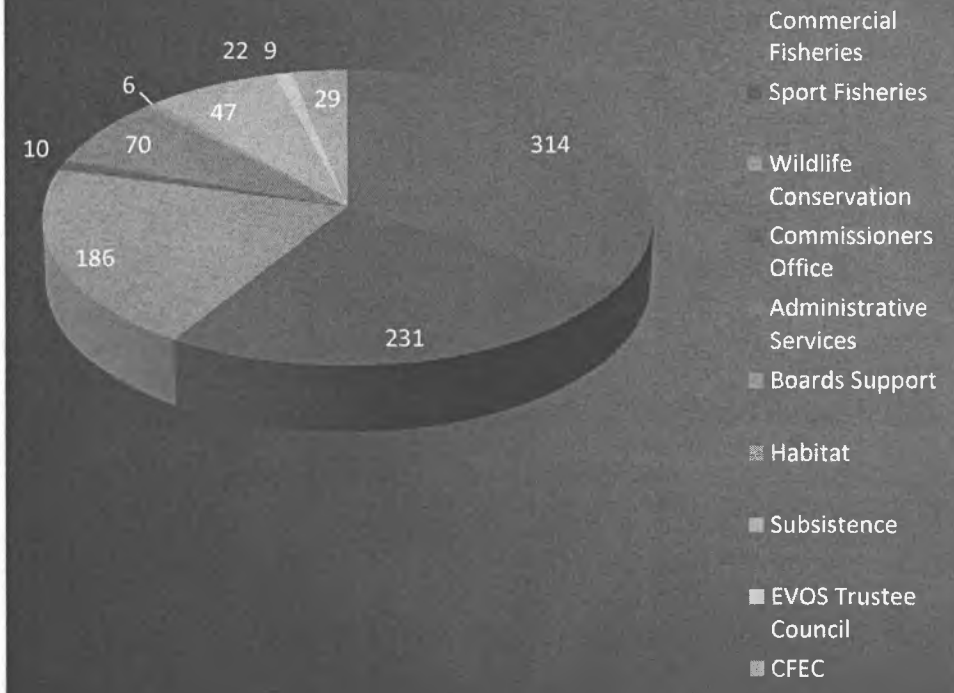


FY12 Budget By Fund Source

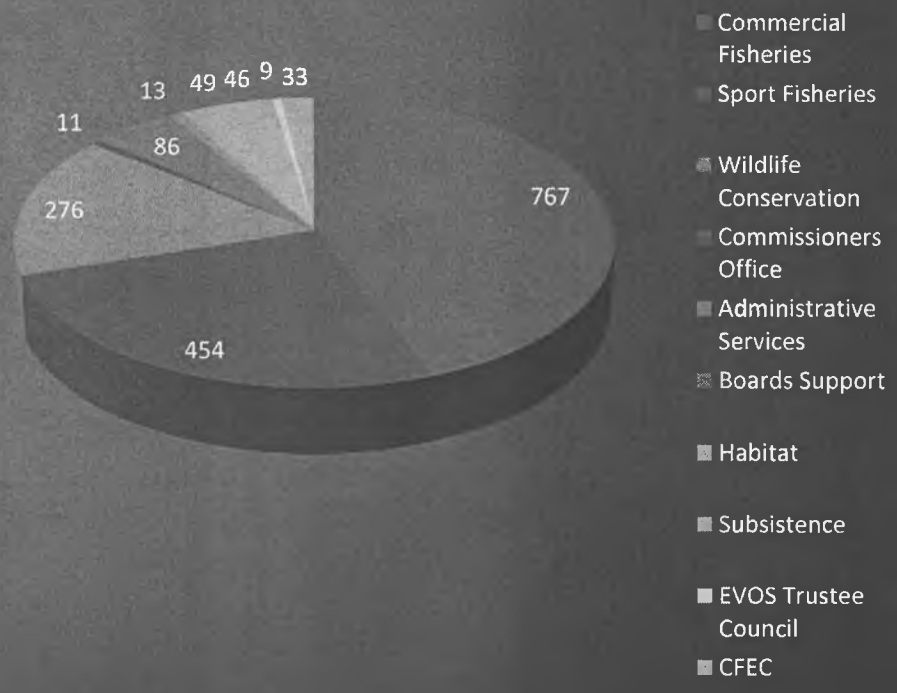


FY12 Budgeted Positions

FY12 Full-Time Positions
(924)



FY12 Total Positions
(1,744)



Contacts

Commissioner Cora Campbell

- 465-4100

Legislative Liaison Ben Mulligan

- 465-6137

Administrative Services Director Kevin Brooks

- 465-5999

2/02/11 PRESENTATION FOLLOW-UP TO ALASKA SUSTAINABLE ENERGY ACT

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Mary Jackson

From: Jeff Stepp
Sent: Sunday, January 30, 2011 7:28 PM
To: Mary Jackson
Subject: SB 220 Follow-Up / Testimony

Hi Mary,

Here's an updated list of the folks who will be participating in the Alaska Sustainable Energy Act overview:

Opening remarks
Senator McGuire and Senator Wielechowski -- confirmed

Comments on the Implementation of SB 220
Gwen Holdmann, Executive Director, Alaska Center for Energy and Power (ACEP) -- confirmed

Comments on the Implementation of SB 220
Marilyn Leland, Executive Director, Alaska Power Association (APA) – confirmed

Comments on the Implementation of SB 220
Hannah Gustafson, Deputy Director, Renewable Energy Alaska Program (REEP) -- confirmed

Emerging Energy Technology Fund
Alaska Energy Authority (Sara L. Fisher-Goad and/or others) -- confirmed

Alaska Affordable Heating Program
Ron Kreher, Director, Office of Public Assistance, DHSS -- confirmed

Retrofitting of State Facilities
Joel St. Aubin, Chief of Statewide Public Facilities, DOTPF -- confirmed

Compressed Natural Gas Study
Diana Rotkis, Fleet Manager, DOTPF -- confirmed

The Feasibility of a Municipal Energy Improvements Financing Program
TBA, Department of Revenue – not confirmed

Standardized Methodology to Collect and Store Data
TBA, Office of Management and Budget – not confirmed

Obviously (!), each speaker will have to keep it short. I have told each of them that they'll just have a few minutes to present a few main points. It will be more like public testimony than the kind of detailed overviews we've been receiving.

If you have any other suggestions, please let me know!

Best,
JS

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Governor Sean Parnell
STATE OF ALASKA

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January 31, 2011

The Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Chenault,

In accordance with Ch. 83, SLA 10, Sec. 40, Page 25, Line 8, I am submitting the enclosed report to the Legislature regarding State energy programs and increasing coordination and efficiency of the State's energy programs and services.

To reach the State's energy policy goal of 50 percent electricity generated via renewable resources by 2025, our energy efforts and investments must be targeted and strategic. Conservation, weatherization, and energy efficiency are key components of our energy strategy as is our proposal to advance a large hydroelectric project in south central Alaska to supply much needed energy and jobs. Renewable energy fund grants will lower the cost of energy in rural Alaska and the integrated resources planning efforts will create the energy road map for south east Alaska.

I look forward to working with the Legislature to reach our energy policy goals.

Sincerely,

Sean Parnell
Governor

Energy Report to the Legislature

OFFICE OF THE GOVERNOR ENERGY REPORT. Not later than January 31, 2011, the Governor shall submit a report to the Legislature providing recommendations for how best to structure State energy programs and offices to increase the coordination and efficiency of the State's efforts and describing State energy services and programs in their entirety. The report must also include an examination of existing powers and duties and the structure of the Alaska Energy Authority and its board of directors, specifically analyzing the relationship between the Alaska Energy Authority and the Alaska Industrial Development and Export Authority.

Executive Summary

The State of Alaska has a variety of energy programs and initiatives. State and federal funding for both formula driven and competitive award programs has increased significantly in recent years. Several State departments and State corporations have roles to play in the coordination and delivery of energy related programs. Some State agencies' programs have a secondary focus on energy – primarily in the realm of resource management but also in infrastructure development and maintenance. It is in the State's interest for the Executive Branch to clarify and further define each agency's role and responsibility for certain Alaska energy programs and services.

Alaska's Constitution directs that natural resources be developed for the maximum benefit of the people. The 49th state is blessed with abundant resources – oil, gas, coal, timber, water, and wind. Necessarily, agencies with primary responsibility for the management of those resources must play a role in the provision of energy supplies where it is consistent with the larger constitutional and legislative direction. The roles and responsibilities of each agency need to be well understood and coordinated.

In recent years, the Alaska Energy Authority (AEA) has become a key agency for the planning of energy infrastructure and financing. While key improvements to AEA's authorizing statute are necessary at this time, there remains a need for continued coordination across multiple State agencies, corporations, and funding streams.

Policy development, legislative action, and implementation will need to be coordinated across departments if Alaska's energy future is to remain focused.

Recommendations to Change Structure

Changes to Services and Programs

Services and programs should be evaluated on their effectiveness in providing value to communities and residents of the state of Alaska. Reorganization of reporting structure should be implemented only if there is evidence supporting a reasonable expectation that program effectiveness will be improved.

AEA's powers should be changed to allow AEA to own new energy projects and to hire staff. The introduction of House Bill 103 and Senate Bill 42 allow the Legislature to consider these changes and accomplish the changes through passage of a bill.

House Bill 103 and Senate Bill 42 would authorize and allow AEA to move aggressively to pursue a large hydroelectric project (Susitna Dam) that would supply needed renewable energy to Interior and Southcentral Alaska. AEA could further the design, permitting, construction, and operation of the Susitna Dam project. This project is critical to Alaska reaching its energy policy target of generating 50 percent of its electricity through renewable energy by 2025.

The AEA managed Bulk Fuel Revolving Loan Fund and the Department of Commerce, Community and Economic Development (DCCED) managed Bridge Loan Fund should be merged into one program with two levels of service. Currently, the zero-percent Bridge Loan Program provides a disincentive for borrowers to increase their creditworthiness. AEA and DCCED are working to accomplish this merger.

A Commercial Energy Efficiency Loan program should be developed. Currently, the State has addressed needed energy efficiency programs for public buildings and residential homes. However, commercial buildings have energy efficiency upgrade needs as well, often in lighting. Providing loan funds specific to this need should be explored. DCCED, AEA, and the Alaska Industrial Development and Export Authority are developing options for an appropriate program.

Changes to Current Coordination Efforts

Currently, coordination efforts occur through meetings between agency personnel and the Office of the Governor, including, but not limited to, guidance from the Office of Management and Budget (OMB). Energy policy encompasses more than the annual budget and needs to be coordinated among the commissioners of the various agencies involved, the Governor's office, and the Legislature. The Energy Policy Coordinator (EPC) will provide additional focus and coordination for energy programs and policies that cross lines of several State agencies. The EPC will be the spokesperson for energy issues on behalf of the Governor and will work with commissioners, agency personnel, etc., to communicate with the Legislature.

The mission of the EPC is to help commissioners, staff, OMB, and the Governor's office ensure the State's energy resources and energy programs are devoted in a way that produce results which advance the State's energy policy priorities.

The EPC should further evaluate energy services and programs, measure their results, and make recommendations for any necessary changes beyond the recommended changes provided in this report. The EPC is an effective way to provide coordination between the various State energy programs and to communicate with the Legislature. The EPC will also be the mediator between agencies that have conflicting points of view or the appearance of duplicating efforts.

State Energy Programs and Offices

Description of Agency Coordination Efforts

For new policy initiatives in energy programs, the Office of the Governor plays a key role in the development of the new programs and planning. Agency personnel are, of course, charged with implementing authorized programs and efficiently using funds appropriated by the Legislature for programs.

Background and History of State Energy Office

In 1996, at the request of the United States Department of Energy (USDOE), the Governor designated AHFC as the lead agency for the USDOE State Energy Program (SEP). The SEP was the result of the USDOE's consolidation of two formula grant programs: 1) the State Energy Conservation Program managed by AHFC, and 2) the Institutional Conservation Program, managed by the former Department of Community and Regional Affairs, Division of Energy. In 1996, AHFC and Division of Energy, entered into a Memorandum of Agreement that delineated how SEP funds were to be managed and shared by AHFC and Division of Energy. The agreement stated that 60 percent of SEP funds would be transferred to the Division of Energy.

In 1999, the Department of Community and Regional Affairs was statutorily eliminated and the Division of Energy programs became the responsibility of AEA. After AHFC informed AEA that it would transfer no funds to AEA for the former Division of Energy programs, a new Memorandum of Agreement was signed by AHFC and AEA. The 2001 agreement delineated how SEP funds were to be managed and shared by AHFC and AEA. The agreement stated that 50 percent of SEP funds would be transferred to AEA.

During the 2008 Legislative Session and each subsequent session, the State of Alaska has created new energy programs and provided significant funds for various energy programs and initiatives. The federal government has also provided substantial funds, both formula driven and competitive awards, for energy programs.

Recent Coordination Efforts

The annual SEP allocation to Alaska has been approximately $300,000 during the past few years, although the allocation in FY2008 was $250,000. Half of the money is directly transferred from AHFC to AEA through a Memorandum of Agreement. Energy audits on schools and community buildings are the primary use of that funding. The other half of the money is used for educational programs sponsored by AHFC. These programs include workshops on energy efficiency for real estate professionals, builders, and homeowners, as well as paying for printing of various publications on energy efficiency and renewable energy. Additionally, funds supplement the Weatherization Assistance Program to reduce electrical use in eligible homes.

ARRA funds for 2009 totaled $28.232 million for the State energy program. Performance contracting on schools, State owned public buildings, and municipal buildings will use about two-thirds of the funding, with improvements to BEES, ARIS and AkWarm also being upgraded.

AHFC and AEA should, and are, updating their Memorandum of Agreement to memorialize both AHFC's and AEA's role in managing certain Alaska energy programs and to confirm the distribution of SEP funds. Similar to the process followed with ARRA funds, when circumstances arise that necessitate additional input, AHFC and AEA will coordinate efforts with the Office of the Governor to ensure the administration's priorities are carried out by the agencies.

Alaska Energy Authority

Examination of AEA Structure and Board of Directors

AEA was created by the Alaska State Legislature in 1976. AEA is a public corporation and a component unit of the State of Alaska. AEA's mission is to reduce the cost of energy in Alaska. The Board of Directors of the Alaska Industrial Development and Export Authority (AIDEA) is also the AEA Board of Directors. The AEA board of directors has seven members: five public members and the Commissioner of Revenue and the Commissioner of Commerce, Community and Economic Development. The five public members are appointed by the Governor, each of whom has expertise in private sector business or industry, or both, and possesses demonstrated leadership skills. The public members serve at the pleasure of the Governor for two-year terms.

AEA History

Throughout the 1980's, AEA worked to develop the State's energy resources as a key element in diversifying Alaska's economy. A number of large-scale projects were constructed; four of those projects were sold in 2002, and one was transferred to the City of Larsen Bay in the fall of 2010. The Bradley Lake Hydroelectric project together with the Alaska Intertie's 170 miles of transmission line help provide Interior Alaska with cheaper energy available in the Southcentral portion of the state. Pursuant to statute, on August 12, 1993, the board of directors of AIDEA, a public corporation and a political subdivision of the State, became the board of directors of AEA. AEA continues to exist as a separate legal entity. The corporate structure and operating assets of AEA were retained but the ability to have employees, and construct or acquire energy projects was eliminated. Among other things, AIDEA provides personnel services for AEA. On April 10, 2008, the board appointed a separate and independent AEA executive director who is an employee of AIDEA, but is not subject to supervision by AIDEA's executive director. Previously, the AEA and AIDEA executive directors were the same. There is no commingling of funds, assets, or liabilities between AIDEA and AEA and there is not responsibility of one of these entities for the debts or obligations of the other.

The 1993 legislation required AEA, to the maximum extent feasible, to enter into contracts with public utilities and other entities to carry out AEA duties respecting the ongoing operation and maintenance of the AEA owned operating assets; this has occurred with oversight responsibility retained by AEA.

Pursuant to legislation effective July 1, 1999, rural energy programs previously administered by the former Department of Community and Regional Affairs, Division of Energy, were transferred to AEA for administration, as part of a larger reorganization of State agencies. Several general energy programs primarily focused on rural energy issues moved to AEA. Rural energy programs were originally part of AEA prior to the reorganization that occurred in 1993.

During fiscal year 2008, legislation added energy development programs to AEA. AEA has developed the *Alaska Energy Pathway*, a guide for Alaskan communities to utilize local energy resources. AEA has also established the Renewable Energy Fund and Grant Recommendation Program.

AEA Current Programs and Projects

AEA - Rural Energy Infrastructure

Traditionally, State agencies will grant funds to a community or utility to build a project. However, many rural communities lack the necessary financial resources and technical expertise to manage and construct energy infrastructure upgrades. AEA's rural energy infrastructure program provides direct project management support to design and construct rural powerhouses and bulk fuel storage facilities. Under this project management model, AEA manages the federal grant or State appropriated project, hires a construction manager, provides project oversight, and bookkeeping services for locally hired labor.

Rural Power System Upgrades

Electricity provides for lighting, communications, heat, and power necessary to operate infrastructure that supports all other elements needed in any community to permit safe and healthy living conditions. In rural communities throughout Alaska, electricity is generated by a small local "system" (generation and distribution) using diesel fuel at a cost that is three to five times higher than that in urban parts of the state. Of 200 rural communities, approximately half are served by cooperatives or another form of utility that performs under a well-established organization. Others are served by very small entities, many which experience technical and administrative problems due to lack of economies of scale and/or lack of specialized skills in the community.

AEA manages powerhouse and electrical distribution upgrades that may include efficiency improvements, powerhouse upgrades or replacements, line assessments, lines to new customers, demand-side improvements, and repairs to generation and distribution systems. System upgrades to be funded may be identified through a variety of ways, including via technical assistance, advanced by the local community or directed by the Legislature.

Bulk Fuel Upgrades

Most rural Alaska communities receive fuel for heating, generation of electricity, vehicles, and other uses only during summer months when coastal areas and rivers are ice free. These communities typically store enough fuel to meet their needs for an entire winter. Many rural bulk fuel tank farms were constructed more than 20 years ago and are in poor condition. With substantial contributions from the Denali Commission, the bulk fuel upgrades program provides funding for the design/engineering, business planning, and construction management services to build code-compliant bulk fuel tank farms in rural communities.

In the early 1990's, many rural communities faced the very real threat that they would no longer be allowed to take delivery of fuel in bulk quantities because of the condition of their bulk fuel storage tank farms. The most common problems were the piping systems to, from, and within the tank farms. The AEA bulk fuel upgrade retrofit and revision program is funded with grants from the Denali Commission and State appropriations.

AEA Alternative and Renewable Energy Program and Projects

AEA's alternative and renewable energy program promotes the use of renewable resources as alternatives to fossil fuel-based power and heat, and measures to improve energy production and end use efficiency. In rural areas, the program may support developing local sources of coal and natural gas as diesel alternatives. The Alaska State Legislature created the Renewable Energy Fund

(REFund) in 2008, with the intent to appropriate $50 million annually for five years. The Legislature authorized AEA to manage the REF project application process, project evaluations, recommendations, completion of grant agreements, and disbursement of funds to grantees. In addition to managing the Renewable Energy Grant Fund and Recommendation Program, AEA is a technical resource for entities wanting to develop alternative and renewable resources. AEA staff is frequently called upon to participate in conferences, make public presentations regarding program areas, and provide technical advice and assistance.

Renewable Energy Program Areas

The Alaska Energy Inventory (cooperative project of AEA and Alaska DNR) consists of renewable and fossil resource data, energy supply and usage data, and other information useful for energy planning and development.

The Biomass Energy Program develops projects using wood, sawmill residue, and municipal wastes for energy; tests air emissions and performance of fish oil and diesel blends as fuel; assesses the viability of recovering fish oil from fish processing wastes.

The Geothermal Program supports projects such as the Chena Hot Springs power plant; organizes workshops and training sessions; coordinates State assistance in developing other potential projects such as Mt. Spurr on the Railbelt and Makushin in Unalaska.

The Small-scale Hydroelectric Program provides technical assistance through staff and contractors for hydro feasibility assessment; manages public funding for project construction.

The Ocean and River Energy Program evaluates technology and feasibility of converting wave motion, tidal and river flow into power in partnership with Alaska utilities and the Electric Power Research Institute.

The Wind Program assists utilities and communities in resource evaluation, training, environmental assessment, regional development, conceptual design and economic feasibility of rural wind-diesel systems; assists with Railbelt wind integration studies.

The Emerging Energy Technology Fund under AS 42.45.375 was established in 2010. AEA may make grants to eligible applicants for demonstration projects of technologies that have a reasonable expectation to be commercially viable within five years and that are designed to: 1) Test emerging energy technologies or methods of conserving energy; 2) Improve an existing energy technology; or 3) Deploy an existing technology that has not previously been demonstrated in Alaska. The statute provides for an advisory committee to assist AEA in the development of the program and review of potential projects to be funded. AEA is in the process of soliciting the first round of grant applications for this new program.

Examination of AEA and AIDEA Relationship

Since 1993, AIDEA staff members are responsible for administering AEA programs. In 1999, when the Department of Community and Regional Affairs (DCRA) was dissolved, AEA became responsible for former DCRA Division of Energy programs and certain DCRA staff became AIDEA employees. In 2008, the AIDEA and AEA by-laws were changed to allow the board of directors to hire an AIDEA employee as an AEA executive director who is a different person than

the AIDEA executive director. The AEA executive director serves at the direction of the AEA board of directors.

As mentioned earlier, Governor Parnell has introduced legislation (SB 42 and HB 103) to allow AEA to hire staff. The legislation allows for the transfer of certain AIDEA employees to AEA. AIDEA's and AEA's relationship has existed for over 17 years, and many employees have shared responsibilities to both organizations. For efficiency purposes, AIDEA and AEA will continue to share certain services and be located in the same building. A complete split of the two corporations is estimated to cost at least $2 million and certain staff expertise would be difficult to duplicate. SB 42 and HB 103 provide the most cost effective way for both agencies to continue to pursue their distinct missions and to benefit from shared services and staff.

Other State Programs

Oil and Gas – DNR, Revenue, Multi-Agency Gasline Team, ANGDA
The Department of Natural Resources (DNR) is the State agency charged with primary responsibility for the management of resources on State lands. Resources managed by the agency that have an impact on energy supplies and demands include oil and gas, forestry, minerals (especially coal), water (tides and rivers), geothermal, and the land below many areas with significant wind.

The management of these resources is guided by the Constitution and enabling statutes. Development of these resources provides contributions to the public, usually in the form of revenue to the treasury and funds being deposited in the Alaska Permanent Fund.

Many of these resources can provide energy when they are developed. However, most population centers in Alaska are not large enough to achieve the efficiencies of scale required to provide that energy at a low cost to the consumer. Often, an export market of some sort is required to achieve that efficiency, which energy is then also available to the local population in proximity to the development. A key focus of work for AEA has been, and will continue to be, to find ways for local populations to share in energy development.

Interests in development of State resources must be ordered and harmonized. This is done through the legislative process, which establishes the statutory and budgetary boundaries by which DNR may operate. The development of State policy as it relates to an Alaska North Slope (ANS) natural gas pipeline illustrates the principles involved.

The Alaska Gasline Inducement Act (AGIA) spells out statutorily what the Constitution requires. It seeks to maximize the chances that ANS natural gas resources are commercialized while minimizing the fiscal concessions achieved by lessees. It does so by advancing the development stage of the project with monetary incentives, but in return for commitments that the project be developed with particular State priorities in mind.

The original AGIA structure was developed and proposed by multiple State agencies with guidance and coordination provided by the Office of the Governor; it was adopted and approved by the

Legislature in 2007. The AGIA License provides for the delivery of gas within the state to be provided at reasonably low rates at destinations along the project's route.

The Alaska Natural Gas Development Authority (ANGDA) was created by the voters of Alaska through a 2002 General Election Ballot Initiative and is a public corporation. ANGDA is focused on getting North Slope natural gas to Alaskan communities as well as identifying feasible LNG opportunities for the State. With the support of the Legislature and the Administration, ANGDA started work in 2003 within the Alaska Department of Revenue (Revenue). Alaska Statute 41.41 contains the law for the establishment and functioning of the authority.

The Alaska Stand Alone Gas Pipeline (the "bullet line") is being planned as an in-state gas pipeline designed to provide long-term, stable supplies of natural gas from the North Slope to Fairbanks and the Cook Inlet areas, as well as other communities where practicable. In the spring of 2010, the Alaska Legislature and the Governor mandated that a group of industry professionals convene under the corporate banner of the Alaska Housing Finance Corporation for the specific purpose of developing, refining, and producing an in-state natural gas pipeline project plan by July 1, 2011. The focus of the pipeline project is to supply gas to Southcentral Alaska by 2016 to offset the projected supply decline.

The design of the Alaska Stand Alone Gas Pipeline addresses current market demand with the capacity to expand for future growth. The project design accommodates initial capacity of 500 million standard cubic feet per day (MMscfd) of clean-burning natural gas. The initial flow rate will be 250 to 500 MMScfd, and the line can be expandable to 1,000 MMscfd if needed. The project plan includes opportunity and options to export liquefied natural gas (LNG) and marked natural gas liquids (NGL) to the West Coast of the United States and/or Pacific Rim markets.

The Alaska Stand Alone Gas Pipeline Project is an independent project and is not contingent on any of the other projects under consideration and currently moving forward in Alaska. The Alaska Stand Alone Gas Pipeline Project was conceived as a smaller-diameter "bullet line" that could be built on a shorter timeline to specifically address the urgent needs in Alaska, particularly in the heavily populated areas in Fairbanks and the Cook Inlet region. In the event the large-diameter gas pipeline projects do not move forward, the project plan for the Alaska Stand Alone Gas Pipeline Project positions the State of Alaska for timely response to the energy issues presently facing the Interior and Southcentral areas of Alaska. Relative to larger projects, the "bullet line" is designed to advance quickly to construction on a shorter timeline.

Energy Efficiency – AHFC and AEA

AHFC

Meeting Alaska Building Energy Efficiency Standard (BEES) is required for all new residential homes built since 1992 in the state, and for community-owned buildings receiving AHFC financing. AHFC is responsible for BEES, provides technical assistance to the businesses in the housing industry, and maintains a list of individuals who are qualified to certify compliance with BEES.

AkWarm Energy Modeling Software – AkWarm software is trademarked and has been used by AHFC since 1996. This technology is an integral part of developing and improving AHFC's energy

programs. The software is continuously updated. Scheduled upgrades include electrical ratings, estimating electrical use from appliances, equipment, and lighting. An air conditioning component and improved user interface and reporting are planned improvements.

Alaska Retrofit Information System (ARIS) – ARIS collects data from AkWarm including: commercial benchmarking information; the Home Energy Rebate Program; census records; weatherization program; grants; zip codes; legislative districts; and borough and city tax records. ARIS is a required data input/collection and retention system for all AHFC programs. The program further allows program staff and researchers access to much of building/construction data, including location, size, type, fuel sources and costs, owner, and operators, and conveniently provides all of the data in one place, with table links between datasets established. ARIS will also now track information for public and commercial facilities receiving State lending or grant funding for all AHFC Programs.

Energy Ratings – AkWarm Certified Energy Raters are individuals who measure energy efficiency in a home using AkWarm and other diagnostic tools. For new construction, the home's energy rating may be used to help verify compliance with BEES and benefit the homebuilder or owner by qualifying Five Star and Five Star Plus homes, or existing homes requiring energy improvements, for a reduced interest rate reduction (see "Energy Efficiency Interest Rate Reduction Program" or "EEIRR," below). Energy ratings are also required for the Home Energy Rebate Program and Second Mortgage Program for Energy Conservation. With the AkWarm software improvements mentioned above, AHFC is working toward the addition of a sixth star for green building. AHFC maintains a list of energy raters by community. Over 60,000 home energy ratings have been completed in Alaska, one of the highest in actual number for any state in the country, regardless of population. Approximately 36,000 of those ratings were performed since April 2008. More than 100 raters are qualified in the state of Alaska.

Energy Efficiency Interest Rate Reduction Program (EEIRR) – AHFC offers interest rate reductions to homebuyers purchasing new homes with Five Star and Five Star Plus energy ratings. These ratings exceed BEES requirements. AHFC also offers rate reductions for energy improvements to older, existing home purchases. To date, AHFC has issued more than 10,000 loans under this program with a total value of nearly $1.8 billion.

Energy Efficiency Education and Workshops – There has been tremendous growth in the Weatherization Assistance Program, from 600 homes weatherized pre-2008 to now an average of 3,200 homes per year. Coupled with the addition of the Home Energy Rebate Program for up to 20,000 homes, energy-efficiency education has become a top priority for AHFC.

AHFC provides energy-related workshops, classes and seminars for homeowners, homebuyers, renters, builders, lenders, real estate professionals, and others. In FY2009, more than 5,000 Alaskans attended energy-efficiency classes offered through or funded by AHFC.

AHFC has embarked on training programs to bring up to 2,000 green jobs into energy-efficiency programs. Energy raters, weatherization assessors, crews, contractors, do-it-yourself homeowners, and the general public are being trained in weatherization installation techniques, building science, building auditing, energy modeling, combustion safety, moisture control and ventilation, and more. Training programs such as these are essential to achieving long-term energy efficiency goals.

With the implementation of the Alaska Energy Efficiency Revolving Loan Fund (AEERLF), new public facility energy audits and retrofits are being performed, requiring even more education for contractors, engineers, architects, and others. AHFC is developing education programs to fit these needs.

Home Energy Rebate Program – On April 5, 2008, legislation was signed authorizing the addition of $100 million to the Home Energy Rebate Program. This program is designed to rebate homeowners some of the costs of making energy-efficiency improvements to their home, regardless of income. An AkWarm energy rating performs both before and after improvement audits to determine eligible measures and maximum rebate amounts. Depending on the rating increase and actual receipts, a rebate of up to $10,000 is available for consumers. The program is further supplemented with other financial incentives, including the Second Mortgage Program (see below for description) for Energy Conservation. A $7,500 rebate is available for newly constructed Five Star Plus homes. Demand for the rebate program was sufficient for the Legislature to add an additional $60 million in September 2008. Since April 2008, AHFC has doubled the number of energy raters. Estimated average energy savings are about $1,500 per home per year, and more than 12,000 pounds of carbon dioxide per home has been prevented from entering the atmosphere.

Second Mortgage Program for Energy Conservation – The Second Mortgage Program for Energy Conservation was initiated in April 2008. Potential borrowers may apply to AHFC for financing to make cost-effective energy improvements on owner-occupied properties. Borrowers select from the list of energy upgrades included with the energy audit of their home, performed by an AkWarm-certified rater. All improvements must be completed within 365 days of loan closing.

Small Building Material Loan – AHFC provides direct financing for the renovation or completion of residential properties located in designated small communities; however, the project may include energy-efficient upgrades and renewable-energy systems and, therefore, would be eligible for these loans.

Energy Efficiency Conservation Block Grant (EECBG) – The EECBG is a new program to Alaska, launched in 2009. It will supplement the Energy Efficiency Education Program, ARIS, and AkWarm, aid in the development of a commercial audit program, establish a Village Waste Heat Recovery Project, and a municipal block grant for energy efficient retrofits.

Research Information Center – The Research Information Center (RIC) provides information, presentations, and technical assistance for AHFC energy programs. The RIC Library has thousands of online resources, books, fact sheets, videos, reports, catalogs, etc., available to all Alaskan residents on topics such as northern building, innovative housing construction, energy efficiency, renewable energy, sustainable technology, and much more. Information requests, library visits, educational presentations and web visits total approximately 20,000 annually.

Weatherization – The Low-Income Weatherization Assistance Program allows eligible low-income Alaskans to lower the cost of heating their homes. AHFC provides funds to nonprofit organizations and municipalities. To apply for the program, Alaskans contact the program provider for their area. The Weatherization Program has been in effect in Alaska for about 30 years using funding from a variety of sources. It has a highly developed, functioning infrastructure for effective delivery and is one of the most successful programs the State has ever offered to clients, providing immediate,

tangible benefits that are documented in energy savings and reductions in threats to health and safety commonly found in the home.

The Weatherization Program has a long history of performance in building a skilled workforce, processing applications, working with other agencies to provide needed services, identifying high priority clients and families, introducing new and effective products to the market, increasing the awareness of the HVAC industry, providing critical client education, assisting low- and moderate-income families to curb unnecessary expenditures in heating and utilities, and in providing healthy, safe living environments to the highest priority clients, including those with young children, the disabled, and senior citizens.

AEA

Diesel Generation Efficiency Program provides assistance in developing projects that use high efficiency generators and recover "waste heat" from diesel generators.

Energy Efficiency and Conservation Program focuses on reducing energy use in larger facilities such as schools, community buildings, water treatment plants, and commercial buildings. Current initiatives include the federally funded Energy Efficiency and Conservation Block Grants, the Village End Use Efficiency program, a building energy monitoring, pilot projects, and a statewide public education and outreach program.

AEA has recently launched a commercial energy audit program. Owners of eligible commercial buildings throughout Alaska may be reimbursed up to $6,500 for a qualifying energy audit. The program is funded by the American Recovery and Reinvestment Act, and is expected to provide up to 150 commercial energy audits. The Alaska Commercial Energy Audit Program will reimburse eligible applicants the cost of an energy audit up to a specified dollar limit on a per square foot basis. Eligible buildings are commercial buildings, including nonprofit owned, up to 125,000 square feet. Building tenants are not eligible, but may refer the building owner to the program.

Public Assistance – AEA, DHHS

The State of Alaska has energy assistance programs to help qualified Alaskan residents and community facility owners help defray high energy costs.

AEA Power Cost Equalization Program

AEA Power Cost Equalization (PCE) program provides economic assistance to electrical customers in rural areas of Alaska where the kilowatt-hour (kWh) charge for electricity can be three to five times higher than the charge in more urban areas of the state. PCE only pays a portion of approximately 30 percent of all kWh's sold by the participating utilities. Community facilities and residential customers are eligible for PCE reimbursements. PCE fundamentally improves Alaska's standard of living by helping small rural areas maintain the availability of communications and the operation of basic infrastructure and systems, including water and sewer, incinerators, heat, and light. AEA determines ratepayer and community facility eligibility, manages the program, and reimburses utilities for eligible PCE costs.

The Regulatory Commission of Alaska (RCA) determines utility eligibility and establishes the PCE rates that are used to calculate eligible PCE payments. PCE rates have a fuel cost and non-fuel cost component. The fluctuation in the PCE levels are primarily due to the change in a utilities fuel cost to produce electricity. Participating utilities are required to reduce each eligible customer's bill by the amount that the State pays for PCE.

Department of Health and Social Services (DHSS) – LIHEAP and AAHP

The Low-Income Home Energy Assistance Program (LIHEAP) is a federally-funded heating assistance program that helps households pay a portion of their winter heating costs. The program is limited to households with incomes at or below 150 percent of the federal poverty income guidelines. Several factors affect final eligibility and the household's benefit amount. These factors include the community the applicant resides in, how they heat their home, what type of dwelling they live in, the number of people living in the house, all residents' gross monthly income, and whether or not an elder, disabled individual, or child five years of age or younger lives in the home.

The Alaska Affordable Heating Program, a State-funded program for households with income between 151 percent and 225 percent of the federal poverty income guidelines, mirrors LIHEAP. Both programs use the same application form and eligibility criteria.

Qualified applicants receive one grant per year, payable to their fuel vendor. Applicants are notified about the status of their case through a notice of action. Applicants may designate a portion of their award be sent to their electric company. Applications are accepted from October 1 through April 30. Both programs are open to renters as well as homeowners.

Office of Management and Budget / Standardized Methodology to Collect and Store Energy Consumption and Expense Data (SB 220, Section 39)

The State of Alaska's facilities energy cost and consumption data will be collected and stored in a new web-based module in Alaska Housing Finance Corporation's Alaska Retrofit Information System (ARIS). The new module, estimated to cost $42,000, will be paid for with ARRA energy funds and will allow State employees to access the system via the internet.

State facility users will be able to enter basic data about their buildings. It will include electrical and other space/water heating fuel costs and usage, and demand charges. Also included will be size, type of building, occupancy, schedule, facility owner, contact, and other data. The system's reporting function will summarize data by such features as building, building type, energy usage, history, department, and geographic locations, allowing for the capability to prioritize facility energy efficiency retrofit opportunities.

DOT&PF Retrofitting of State Facilities

AS 44.42.067 requires the DOT&PF to retrofit at least 25 percent of all State of Alaska public facilities over 10,000 square feet no later than January 1, 2020. The milestones to accomplishing this include:

- Implementing a standardized method to collect energy consumption and cost data for facilities and generating Energy Use Indexes (AS 37.07.040 (12)).
- Identifying and prioritizing the least energy efficient facilities.
- Determining project scopes for energy retrofit work in those facilities that will meet net cost savings within 15 years.
- Working with the state agencies to arrange funding for the determined energy retrofit projects.
- Contracting with Energy Services Companies to perform energy performance contracts.
- Executing the energy retrofit projects and verifying the energy savings.
- Continuous monitoring of state energy consumption to be compared to levels of past years.

The DOT&PF is currently gathering utility bills from the past two years for all state-owned buildings that are over 10,000 SF. Several agencies have provided the information and the DOT&PF is generating Energy Use Indexes in order to prioritize the buildings from least to most energy efficient. This will be an ongoing process and will utilize the information gathered from the implementation of the standardized methodology for state agencies to collect and store energy consumption and expense data.

DOT&PF and the Alaska Energy Authority have collaborated on this approach to prioritizing facilities. Additionally, because completing the work as cost effectively as possible is essential, when commencing energy efficiency retrofit projects, the DOT&PF intends to group projects by geographic locations to the extent possible. This will assist in expediting project completions, reducing project costs, and maximizing project resources. However, it may mean one group of facilities includes multiple departments and multiple funding sources and that energy retrofits to facilities are not completed in exact order of their baseline EUIs

Concurrently, the DOT&PF has issued an RFP for Energy Performance Contracting and is negotiating with three Energy Service Companies (ESCOs). The three contracts are anticipated to be awarded February 2011.

Initial funding for energy efficiency retrofit projects will come from grant funding through the American Recovery and Reinvestment Act (ARRA). A total $10M has been allocated to this effort for state buildings. Once those funds are committed, funding of the energy retrofit projects will be through the Alaska Energy Efficiency Revolving Loan Fund Program administered by the Alaska Housing Finance Corporation and other potential sources.

Prior to 2010, the DOT&PF had previously completed energy retrofit projects under two phases of energy performance contracting across multiple facilities. The first phase of energy performance contracting, completed in 2006, resulted in energy cost avoidance of $365,991 in its first year. The second phase, completed in 2009, resulted in $793,395 of cost avoidance in its first year.

In additional, agencies have long been completing energy efficiency retrofit projects through conventional contracting means in their facilities utilizing deferred maintenance funding.

RCVD 2/2/11
1:45PM
MAG

Thank you for the opportunity to comment on the status of the Alaska Sustainable Energy Act, SB220. My name is Marilyn Leland and I am the Executive Director of the Alaska Power Association. APA is the statewide trade association that represents the electric utilities that supply power to about a half million Alaskans from Barrow to Unalaska, through the Interior and Southcentral and down the Inside Passage.

SB220 was a bill that APA actively supported last session. Having said that, though, there are a number of provisions in the bill that do not directly relate to the electric utilities, so I will be limiting my testimony to those portions that do. Also, in a number of cases, there are provisions that we supported, but I am not aware of the status of implementation and I am unable to comment on their status. Agencies, local governments and school representatives would be better able to address these provisions.

Looking at Section 1, we were pleased to see language that helps to remove barriers to the development of nuclear energy as an alternative technology in Alaska. This an important technology that needs to be considered for use here and I expect this language will help, however, I am not aware of any nuclear projects underway as a result of the new provisions.

Section 14 deals with the Emerging Energy Technology Fund. We believe that the inclusion of this section was very important. There is no silver bullet that is going to help everyone in Alaska solve their energy problems and I commend the legislature for creating this fund and including an advisory committee populated by experts in the science and engineering fields. The Alaska Power Association has a designated seat on that committee, which has been filled by Eric Eriksen, who is an engineer with Alaska Electric Light & Power in Juneau. The committee has had its initial organizing meeting at which the draft Request for Grant Applications was reviewed. That RFA was issued on January 7 with applications due March 2. Once the applications are received, I understand the advisory committee will meet again to review them and make recommendations on grant awards.

I want to mention one concern I have about the advisory committee. The bill does not allow a business or organization represented by a member of the advisory committee to receive a grant. While I understand the reasoning behind this provision, I think you should consider removing it. Alaska has a small pool of organizations and individuals who are qualified to serve on the committee and who have the technical ability to develop emerging technologies. Rather than simply prohibiting them from receiving the grants, I think it might be better to allow them

to apply for grants, but prohibit them from being involved in any way in the deliberations or voting on the recommendations for grant awards. We would only be hurting ourselves by not taking advantage of someone's expertise on the committee just because they may want to apply for a grant at some time.

Section 42 adds a provision allowing the Alaska Housing Finance Corporation to issue bonds in an amount not to exceed $250 million to make loans from the Alaska energy efficiency revolving loan fund. We believe this is an excellent provision, although I am not aware of the status of the expanded bonding capacity. AHFC would know.

You also asked where we think the legislature needs to focus now. At APA, we have developed a list of initiatives that we think the legislature should consider. They don't all relate to SB220, but I will summarize them for you:

- Develop an implementation plan for Alaska's energy policy authorized by HB306 last session. As I mentioned earlier, a lot of good work went into developing the policy. Now the state needs to actually do the work to make the policy succeed.

- Develop large-scale hydroelectricity for the Railbelt and develop renewable energy resources, hydro, geothermal and wind, for other regions of the state. A large hydroelectric project could meet the needs of as much as 75% of Alaska's population well into the future, but we need to not forget the communities that are not on the Railbelt. The state should be looking at developing viable renewable energy generation for those communities as well.

- Encourage the development of a Cook Inlet Gas Management Plan for continued gas delivery to Southcentral. Natural gas is critical to Southcentral and the economy statewide. Demand for natural gas in Southcentral is expected to exceed supply as early as 2013. The legislature and the Governor need to take a comprehensive view of the situation, develop policies and ensure coordinated actions.

- Fund the Renewable Energy Fund and the Power Project Loan Fund. The funds are the primary state sources of capital funding for renewable energy projects. Both funds have been woefully undercapitalized in recent years in light of the goals set forth in the state energy policy. Fund a minimum of $50 million annually for the Renewable Energy Fund as authorized and

properly capitalize the Power Project Loan fund at a level to support the goals set forth in Alaska's energy policy.

- Continue to fund the Power Cost Equalization Program. The very survival of many rural Alaska communities depends upon meaningful relief from the crippling cost of energy. The legislature should continue the PCE benefit at 100% for FY11 and fully fund PCE in the Administration's FY12 operating budget.

- Develop policy and legislation that expands funding for energy efficiency and conservation activities. Continue to support the highly successful programs of the Alaska Energy Authority and the Alaska Housing Finance Corporation for home energy audits, energy improvement rebates and weatherization. In addition, we encourage you to provide commercial energy audits for governments, schools and public institutions and offer energy efficiency and conservation block grants. A bill has already been introduced this session to expand the AHFC's energy efficiency program for commercial buildings. That bill is HB 36.

We have a number of successful projects and initiatives in Alaska. Just to name a few, there are Kotzebue Electric's wind farm; Kodiak Electric's Pillar Mountain Wind Farm and Terror Lake hydro project; Alaska Village Electric's wind generators in a dozen of their villages; Cordova Electric's hydro projects; Alaska Electric Light and Power's Snettisham and Lake Dorothy hydro projects; Alaska Energy Authority's Bradley Lake hydro and the newly-created Alaska Railbelt Cooperative Transmission and Energy Company that is poised to do great things in Southcentral. With the history of these successful projects, I am confident that we can do it again ... it's just going to take a lot of hard work, coordination between the state, the electric utilities and other interested parties and, of course, a lot of money. But we can do it!

In closing, I want to compliment you on all of the hard work that went into the development of SB220. It was an excellent beginning to what needs to be done to solve Alaska's energy problems, but we're not done yet.

Alaska Sustainable Energy Act

SB 220 (26th Alaska State Legislature)

Standardized Methodologies, Reports Due to the Legislature, and the Implementation of Processes

Not later than January 31, 2011, the Office of Management and Budget shall develop a standardized methodology to collect and store energy consumption and expense data.

Not later than January 31, 2011, the Governor shall submit a report to the legislature providing recommendations for how best to structure state energy programs and offices to increase the coordination and efficiency of the state's efforts and describing state energy services and programs in their entirety. The report must also include an examination of existing powers and duties and the structure of the Alaska Energy Authority and its board of directors, specifically analyzing the relationship between the Alaska Energy Authority and the Alaska Industrial Development and Export Authority.

Not later than January 31, 2011, the Department of Transportation and Public Facilities shall prepare a report containing the results of the study of the feasibility of using compressed natural gas to power vehicles in the state.

Not later than January 31, 2011, the Department of Revenue shall submit to the legislature a report and recommendations regarding the feasibility of a municipal energy improvements financing program.

Not later than one year after the effective date of this section, the Department of Transportation and Public Facilities, in consultation with the Alaska Energy Authority, shall adopt and implement a systematic process for prioritizing the retrofitting of state facilities for a long-term increase in energy efficiency and reduction of energy costs.

SB 220
ALASKA SUSTAINABLE ENERGY ACT

DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES

AND

DEPARTMENT OF ADMINISTRATION

2010 PROGRESS REPORT
Submitted January 2011

EXECUTIVE SUMMARY

In accordance with AS 44.42.067(d), this is the FY11 Progress Report detailing the progress of the State of Alaska Department of Transportation and Public Facilities (DOT&PF) in reducing the state's energy consumption.

AS 44.42.067 requires the DOT&PF to retrofit at least 25 percent of all State of Alaska public facilities over 10,000 square feet no later than January 1, 2020. The milestones to accomplishing this include:

- Implementing a standardized method to collect energy consumption and cost data for facilities and generating Energy Use Indexes (AS 37.07.040 (12)).
- Identifying and prioritizing the least energy efficient facilities.
- Determining project scopes for energy retrofit work in those facilities that will meet net cost savings within 15 years.
- Working with the state agencies to arrange funding for the determined energy retrofit projects.
- Contracting with Energy Services Companies to perform energy performance contracts.
- Executing the energy retrofit projects and verifying the energy savings.
- Continuous monitoring of state energy consumption to be compared to levels of past years.

The DOT&PF is currently gathering utility bills from the past two years for all state-owned buildings that are over 10,000 SF. Several agencies have provided the information and the DOT&PF is generating Energy Use Indexes in order to prioritize the buildings from least to most energy efficient. Concurrently, the DOT&PF has received responses to the Request for Proposals for contracting with up to three Energy Service Companies (ESCOs).

Initial funding for energy efficiency retrofit projects will come from grant funding through the American Recovery and Reinvestment Act (ARRA). Once those funds are committed, funding of the energy retrofit projects will be through the Alaska Energy Efficiency Revolving Loan Fund Program administered by the Alaska Housing Finance Corporation and other potential sources.

Prior to 2010, the DOT&PF had previously completed energy retrofit projects under two phases of energy performance contracting across multiple facilities. The first phase of energy performance contracting, completed in 2006, resulted in energy cost avoidance of $365,991 in its first year. The second phase, completed in 2009, resulted in $793,395 of cost avoidance in its first year.

Facility energy efficiency retrofit projects have also been completed through conventional contracting means in multiple state facilities and are detailed in this report.

The DOT&PF is also coordinating with the Alaska Housing Finance Corporation (AHFC), the Alaska Energy Authority (AEA), and the Office of Management and Budget (OMB) to determine the method to collect energy data and catalog it for use by all state agencies.

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Appendix A

FY2009 Energy Use Data
FY2010 Energy Use Data

1.0 INTRODUCTION

Senate Bill 220, known as the 'Alaska Sustainable Energy Act,'', was enacted into law in July 2010. The State of Alaska Department of Transportation and Public Facilities (DOT&PF), in consultation with the Department of Administration, present this FY11 progress report to the legislature. Progress in this report includes work completed in 2010 and prior.

The DOT&PF is in the process of collecting utility bill and energy information from all executive branch agencies. One-hundred and seventy-six (176) state-owned facilities are 10,000 square feet or more and fall into the facility definition of SB220[1]. To date, the DOT&PF has received utility information for over 70 facilities from different agencies including the Department of Administration, Department of Transportation and Public Facilities, Department of Education-Mt. Edgecumbe High School and Department of Labor-AVTEC. Other agencies are currently in the process of collecting utility data for their facilities and the DOT&PF is expecting to receive more information before the end of 2010.

Utility information provided by the other state agencies is being used to generate an Energy Use Indexes (EUI) for each building. The EUI, a comparable measure of energy used per square foot of building space, will assist the DOT&PF in prioritizing the facilities. The DOT&PF is working with the Alaska Energy Authority to develop the process for prioritizing the facilities with an eye towards the long-term increase in energy efficiency and reduction of energy costs. This process will be finalized and documented in the upcoming months.

The DOT&PF has long been aware that remodeling facilities to increase energy efficiency was an effective method to reduce energy costs. To date, the DOT&PF has already had two phases of energy savings performance contracting (ESPC), has completed remodels on existing facilities with the specific goal of saving on energy costs at those facilities, and always keeps energy efficiency at the fore-front of the design when working on every renovation and new facility project. The DOT&PF has received proposals for a new term agreement with Energy Service Companies for a third phase of energy savings performance contracting to assist in achieving the goals of SB220.

Subsequent sections of this report will provide details about current and past energy consumption and the associated costs of state facilities, Benchmarks/EUIs that have been calculated, the RFP for an Energy Services company that has been advertised, current and past construction projects focusing on energy efficiency, and the DOT&PF's relationship with other agencies.

[1] As determined from State of Alaska Risk Management 2008 Assets Property list.

2.0 ENERGY CONSUMPTION AND COSTS

As of December 2010, the DOT&PF does not have full utility data for all state-owned facilities. Tabular and graphical energy consumption and costs presented in this section include only the facilities the DOT&PF has been able to compile data for thus far. The state facilities comprising the information shown in this section are included in Appendix A.

2.1 Methodologies of Utility Data Collection

Current methods of storing and tracking utility data are varied across agencies and as of this date there is no standard or central point of collection. Methodologies range from utility information being centrally maintained at the agency level, being maintained at the department regional level, or being maintained at individual facilities.

The Office of Management and Budget (OMB) is currently coordinating with the Alaska Housing Finance Corporation, the Alaska Energy Authority and the DOT&PF in the development of standard methodology to collect future energy consumption and expense data for state facilities. In the interim, before it is developed and implemented, the DOT&PF is obtaining utility information directly from individual departments to compile the data.

2.2 Current Consumption and Cost

Table 1 below is a summary of the energy consumption and costs for FY 2010 of state-owned facilities 10,000 square feet or greater in size[2]. Energy units for electricity (kilowatt hours-kWh) and heating energy (therms) have been converted to the common energy unit of MMBtus (millions of Btus) to represent the profile of energy use for state facilities.

FY 2010	Consumption		Cost
Electrical Energy	24,311,633 kWh	82,976 MMBtus	$2,633,196
Heating Energy	1,026,944 Therms	102,694 MMBtus	$1,531,661
Total		**185,670 MMBtus**	**$4,164,857**

Table 1: FY 2010 Energy Consumption & Cost

Figures 1 and 2 graphically depict the energy usage profile between electrical and heating energy and electrical and heating costs respectively.

[2] Of available compiled data from State Facilities 10,000 square feet and over.

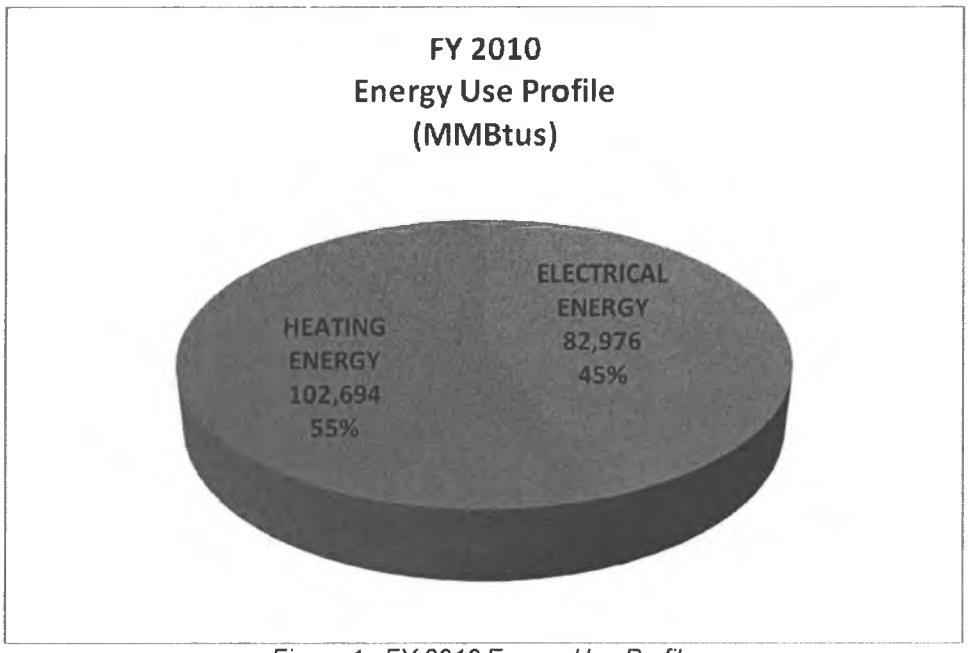


Figure 1: FY 2010 Energy Use Profile

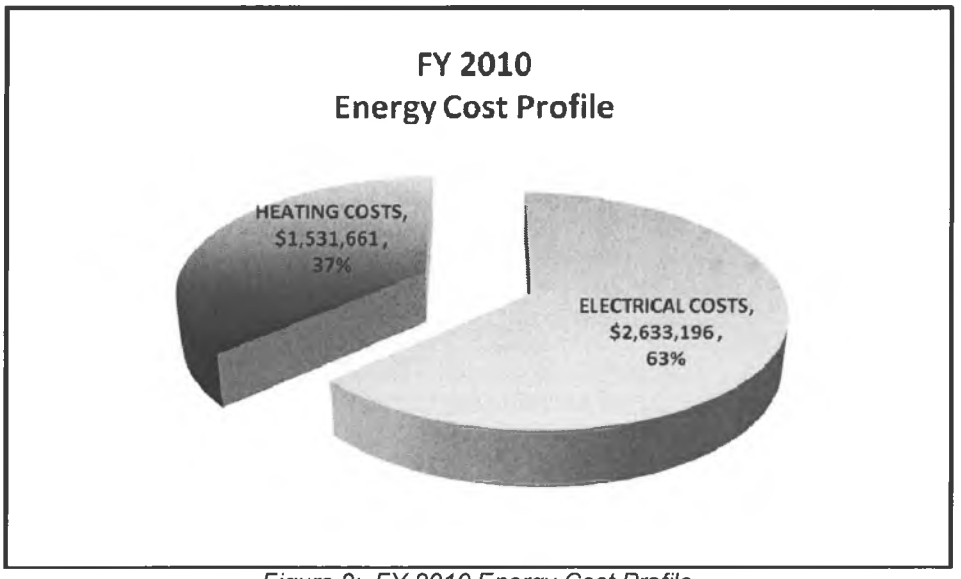


Figure 2: FY 2010 Energy Cost Profile

2.3 Past Energy Consumption and Cost

The following tables and graphs include comparative summaries of the energy consumption and costs for FY 2009 and 2010.

	Energy Consumption (MMBtus)		Cost $	
	FY 2009	FY 2010	FY 2009	FY 2010
Electrical Energy	87,039	82,976	$2,922,377	$2,633,196
Heating Energy	129,621	102,694	$1,798,736	$1,531,661
Total	**216,660**	**185,670**	**$4,721,113**	**$4,164,857**

Table 2: FY2009 & FY2010 Energy Consumption and Cost

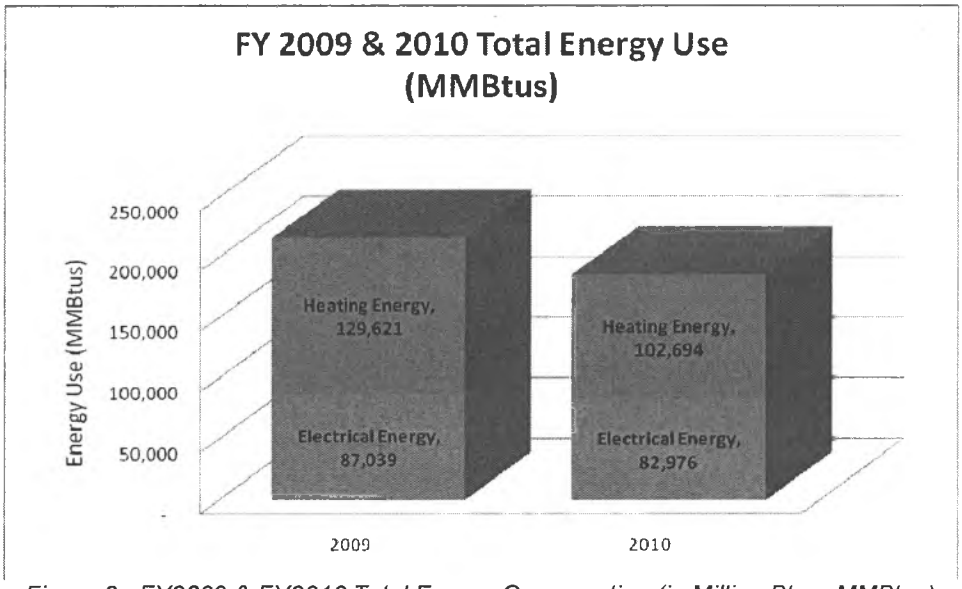


Figure 3: FY2009 & FY2010 Total Energy Consumption (in Million Btus -MMBtus)

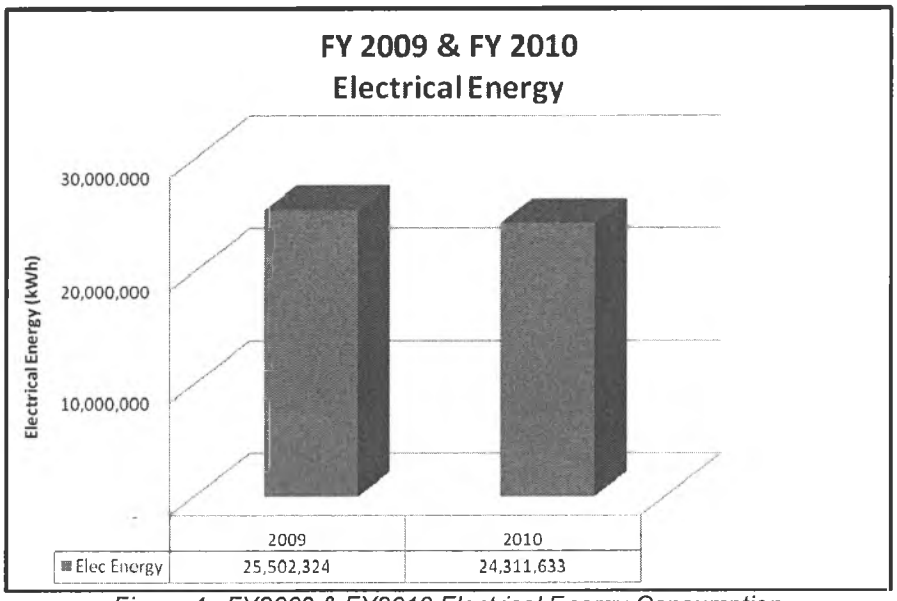


Figure 4: FY2009 & FY2010 Electrical Energy Consumption

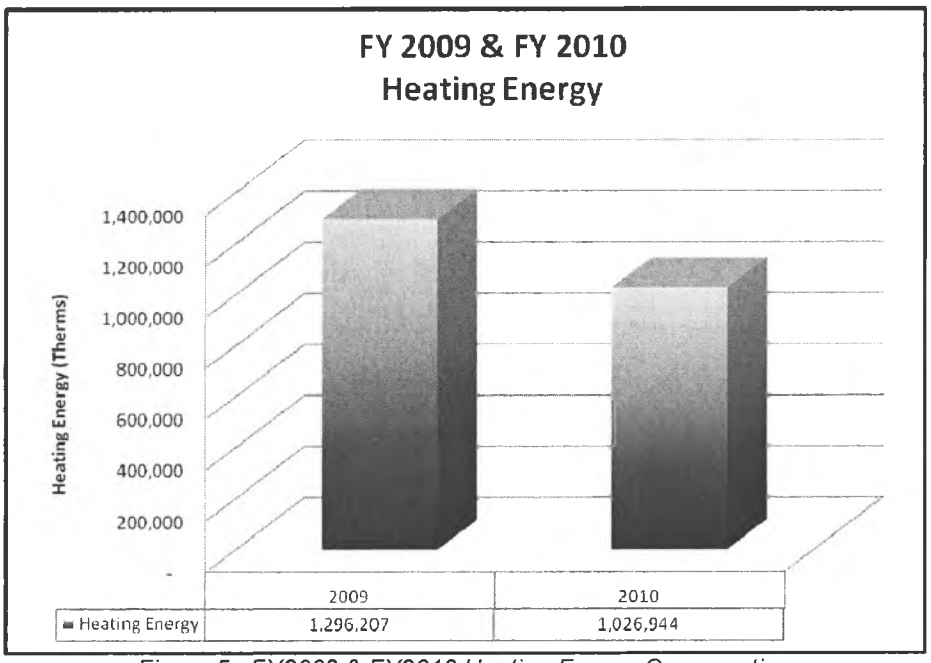


Figure 5: FY2009 & FY2010 Heating Energy Consumption

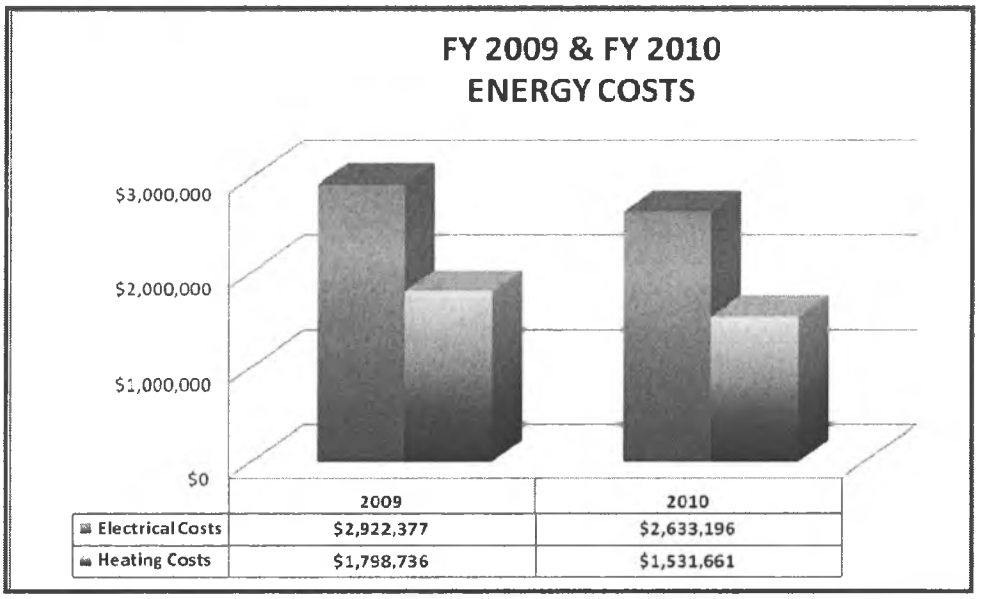


Figure 6: FY2009 & FY2010 Electrical and Heating Costs

3.0 ENERGY USE INDEXES

To determine current energy use of state facilities (over 10,000 square feet), the DOT&PF has begun collecting utility bills and other data from state agencies for their public facilities as defined in AS 44.42.067. The utility data is being used to generate Energy Use Indexes (EUIs), which will assist in determining comparative energy use and energy efficiency of the facilities.

The EUI is a calculated number representing the annual total of all energy used per square foot of building area, represented as thousand BTUs per square foot (kBTUs /sq.ft.). The total energy consumption for the building comprises the electrical power, natural gas, heating fuel oil, and, in some specific sites, propane used to operate the building.

The energy consumed is converted into BTUs and divided by the square footage of the building. The EUI can then be used to compare and rank all facilities. The larger the EUI, the more energy consumed per square foot. Different types of facilities will have different EUIs based on their operational function, equipment, space usage and occupancies. For example, a health care or laboratory facility, an office facility, and a parking facility will all have very different EUIs, ranging from highest to lowest respectively.

Table 3 shows typical units for measuring the energy consumption.

Energy Source	Category	Measured In Units of	
Electrical Consumption	Electricity	Kilowatt-hours	kWh
Electrical Demand	Electricity	Kilowatt	kW
Natural Gas	Heating	Thousand Cubic Feet	ccf
Heating Fuel Oil	Heating	Gallons	gal
Propane	Heating	Gallons	gal

Table 3: Typical Energy Units

The following Table 4 is a summary of the FY 2010 EUIs the DOT&PF has calculated to date. EUI data may be subject to change as missing utility information is gathered and compiled, data is verified and calculations are updated.

Table 4: FY 2010 Energy Use Indexes of Available Facilities

DEPT	BUILDING NAME	LOCATION	ENERGY USE INTENSITY (KBTUs / Sq.Ft.)
DOA	Atwood Bldg	Anchorage	**91.7**
DOA	Linny Pacillo Parking Garage (Atwood Bldg)	Anchorage	**32.4**
DOA	Palmer State Office Bldg	Palmer	**116.9**
DOA	Fairbanks Regional Office Bldg	Fairbanks	**63.8**
DOA	State Office Bldg	Juneau	**148.9**
DOA	Community Bldg	Juneau	**62.3**
DOA	Public Safety Bldg	Juneau	**157.4**
DOA	Dimond Courthouse Bldg	Juneau	**217.5**
DOA	Douglas Island Bldg	Douglas	**89.0**
DOA	Museum	Juneau	**166.3**
DOTPF-NR	Cantwell Garage	Cantwell	**173.9**
DOTPF-NR	Large Vehicle Warm Storage	Fairbanks	**43.4**
DOTPF-NR	Warm Storage	Nome	**93.9**
DOTPF-NR	Combined Facility	Tok	**60.3**
DOTPF-NR	Maintenance Facility	Tok	**188.3**
DOTPF-CR	Annex Bldg	Anchorage	**56.3**
DOTPF-CR	Anchorage Hwy Maintenance Shop	Anchorage	**191.3**
DOTPF-CR	Anchorage Maintenance Shop / SEF	Anchorage	**46.2**
DOTPF-CR	Communication Bldg	Anchorage	**208.2**
DOTPF-CR	Boney Courthouse	Anchorage	**77.8**
DOTPF-CR	Boney Parking Garage	Anchorage	**9.0**
DOTPF-CR	Palmer Maintenance /SEF	Palmer	**273.8**
DOTPF-CR	Soldotna Maintenance/SEF	Soldotna	**139.7**
DOTPF-CR	Soldotna Sand Storage	Soldotna	**67.6**
DOTPF-CR	Kenai Combined Facility	Kenai	**136.8**
DOTPF-CR	Kodiak Regional Office	Kodiak	**121.3**
DOTPF-CR	Kodiak Combined Facility (State Court/Office)	Kodiak	**85.4**
DOTPF-CR	Adak Maintenance / SEF	Adak	**124.9**
DOTPF-CR	Hooper Bay Maint Shop	Hooper Bay	**9.5**
DOL	AVTEC First Lake Facility Admin Bldg	Seward	**115.1**
DOL	AVTEC Student Service Center (5 Bldgs)	Seward	**111.1**
DOL	AVTEC Auto / Hvy Equipment Shop	Seward	**68.0**

3.1 PROJECT PRIORITIZATION

The DOT&PF is working with Alaska Energy Authority in determining prioritization of the facilities. The current method is to establish baseline EUIs using the most recent years of utility data, and to sort the facilities beginning by the least energy efficient.

Priority will be given to facilities that are least energy efficient, though individual facility and department needs as well as the geographic locations of the facilities must also be considered.

Because completing the work as cost effectively as possible is essential, when commencing energy efficiency retrofit projects, the DOT&PF intends to group projects by geographic locations to the extent possible. This will assist in expediting project completions, reducing project costs, and maximizing project resources. However, it may mean one group of facilities includes multiple departments and multiple funding sources and that energy retrofits to facilities are not completed in exact order of their baseline EUIs.

4.0 PROGRESS

4.1 Energy Services Company RFP

A Request for Proposal (RFP) for a term agreement with up to three Energy Service Companies (ESCOs) was advertised in October 2010 and proposals are currently in review for selection. Selection of the qualified ESCOs is anticipated by early January 2011.

The ESCOs will perform investment grade energy audits, energy improvement projects and energy savings verification to state-owned facilities. Contracting with multiple ESCOs in the term agreement allows for competition for the energy retrofit projects and enables enough ESCOs to complete the foreseeable work load.

The ESCOs shall perform work in three phases:

- Phase I requires the completion of an investment grade audit and energy services proposal that identifies cost-effective recommended projects for the identified state facilities.
- Phase II requires the ESCOs to perform all management, engineering, design, construction, commissioning, and training necessary for the retrofit as identified in their energy services proposal.
- Phase III requires the ESCOs to measure and verify the guaranteed energy and water savings.

4.2 Completed Energy Efficiency Projects (FY06 – FY11)

Energy retrofit projects completed by the DOT&PF include two energy performance contracts performed across multiple facilities as well as energy efficiency retrofit projects at individual facilities.

The DOT&PF has completed construction of two phases of energy performance contracts at state facilities. The facilities and the reported annual monetary energy savings are shown in the tables below.

4.2.1 Energy Performance Contract Projects

Facility	Agency	Location	Project Scopes and Status:
Dimond Courthouse	DOA	Juneau	*Energy performance contract services with guaranteed energy savings were performed by Siemens.* *Construction was completed in 2006.* *Currently, Siemens is monitoring the energy improvements implemented during the construction work. They are nearing the end of their 3-year term of monitoring and guaranteed energy savings.*
Alaska Office Bldg	DOA	Juneau	
Court Plaza	DOA	Juneau	
Douglas Island Bldg	DOA	Juneau	
State Office Bldg	DOA	Juneau	
Aviation Bldg	DOTPF	Anchorage	
DOTPF Annex	DOTPF	Anchorage	
Public Safety Bldg	DPS	Anchorage	
Reported Annual Energy Savings		*2,881,786 kWh 13,324 Therms 94,324 Gal Fuel Oil*	
Reported Annual Avoided Cost		***$366,991***	

Table 5: Energy Performance Contract – Phase I

Facility	Agency	Location	Project Scopes and Status:
Anchorage Correctional Center	DOC	Anchorage	*Energy performance contract services with guaranteed energy savings were performed by Siemens.* *Construction was completed in 2010.* *Currently, Siemens is monitoring the facility improvement measures that were put in place during the construction work. This is the first year of performance evaluations and the energy savings this year were greater than what was guaranteed.*
Hiland Mt. / Meadow Creek Correctional Center	DOC	Eagle River	
Spring Creek Correctional Center	DOC	Seward	
Wildwood Correctional Center	DOC	Kenai	
Fairbanks Correctional Center	DOC	Fairbanks	
Lemon Creek Correctional Center	DOC	Juneau	
Anvil Mt. Correctional Center	DOC	Nome	
Yukon Kuskokwim Correctional Center	DOC	Bethel	
Reported Annual Energy Savings		*3,648,000 kWh 52,480 Therms 2,509 Gal Fuel Oil*	
Reported Annual Avoided Cost		***$793,295***	

Table 6: Energy Performance Contract – Phase II

4.2.2 Individual Facility Energy Retrofit Projects

The DOT&PF has also recently completed individual energy retrofit projects at the facilities shown in Table 7 below:

Facility	Agency	Location	Project Scopes and Status:
Anchorage Pioneer Home	DHSS	Anchorage	Energy efficiency lighting upgrade completed in 2010, including replacement of existing fluorescent lighting with energy efficient fluorescent lighting throughout the facility.
Mt. Edgecumbe H.S. Boys Dorm	DEED	Sitka	Energy efficiency lighting upgrade completed in 2010, including replacement of existing fluorescent lighting with energy efficient fluorescent and LED lighting throughout the facility.
Galena Snow Removal Equipment Bldg	DOT-NR	Galena	Energy efficiency upgrade completed in 2010, including upgrades of all lighting, heating, ventilation and building control systems throughout the facility.
Nome ARFF SREB	DOT-NR	Nome	Energy efficiency upgrades completed in 2009 including installation of lighting occupancy sensors and heating and ventilation upgrades.
Boney Courthouse	DOT-CR	Anchorage	Energy efficiency heating upgrade completed in 2008, including replacement of existing heating system with high-efficiency boilers.
ANC North Terminal	DOT-AIA	Anchorage	Energy efficiency lighting upgrade completed in 2008, including replacement of existing fluorescent lighting with energy efficient fluorescent lighting throughout the facility.

Table 7: Energy Retrofit Projects

5.0 RELATIONSHIPS WITH OTHER AGENCIES

The DOT&PF is coordinating with all state departments to collect data and utility information for state facilities over 10,000 square feet and to coordinate the energy retrofit projects at those facilities. The DOT&PF is also working closely with both the Alaska Housing Finance Corporation (AHFC) and Alaska Energy Authority (AEA); both close partners in the efforts to achieve the goals of SB220.

AHFC was the recipient of a $40 million grant from the American Recovery and Reinvestment Act of 2009 (ARRA), of which $10 million was allocated to energy efficiency upgrades in executive branch departments. AHFC has entered into a reimbursable services agreement with the DOT&PF for this amount. DOT&PF, with OMB's approval, has sub-allocated the ARRA funding based upon the square footage of building managed by a department.

Along with the ARRA funding, AHFC has created and will administer the Alaska Energy Efficiency Revolving Loan (AEERL) Fund Program. State agencies will be able to use the loan program to fund the energy efficiency retrofits. The loans are expected to be repaid by the savings the facility sees due to the improvements to the energy efficiency.

The DOT&PF is also working with the AEA to develop the method for prioritization of facilities for energy retrofits and to collect data for use in producing the Investment Grade Audits. SB 220 Section 46 requires the DOT&PF and AEA to work together to develop the method for prioritization of facilities.

AHFC, AEA and the DOT&PF are working together to gather data related to the energy efficiency of facilities throughout the state. AEA is primarily focused on private commercial and residential facilities, but will also be using the data the DOT&PF collects on state-owned facilities.

Both AEA's and AHFC's goal is to collect energy consumption data for facilities and residences throughout the state to determine total energy usage. The DOT&PF will assist in that effort by supplying the consumption data we collect for state-owned facilities.

APPENDIX A

FY 2009 Energy Use Data
FY 2010 Energy Use Data

Appendix A

DEPT	BUILDING NAME	LOCATION	BLDG TYPE	BLDG SQ. FT.	FY 2009 ANNUAL ENERGY DATA									NOTES / COMMENTS
					2009 ANNUAL ELEC ENERGY (kWh)	2009 ELEC ENERGY (MMBTUs)	2009 ELECTRICAL COSTS	2009 HEATING ENERGY (THERMS)	2009 HEATING ENERGY (MMBTUs)	2009 HEATING COSTS	2009 ENERGY COST	2009 TOTAL BLDG ENERGY (MMBTUS)	2009 ENERGY USE INTENSITY (KBTUs / Sq.Ft.)	
DOA	Atwood Bldg	Anchorage	Office	338,000	6,139,136	20,953	$ 572,405	196,192	19,619	$ 207,701	$ 780,106	40,572	120.0	
DOA	Linny Pacillo Prking Garage (Atwood Bldg)	Anchorage	Parking Garage	220,000	875,840	2,989	$ 70,718	34,339	3,434	$ 66,674	$ 137,392	6,423	29.2	
DOA	Palmer State Office Bldg	Palmer	Office	79,193	1,320,120	4,506	$ 154,487	131,089	13,109	$ 159,370	$ 313,857	17,614	222.4	
DOA	Fairbanks Regional Office Bldg	Fairbanks	Office	92,942	942,400	3,216	$ 145,232	29,806	2,981	$ 21,887	$ 167,119	6,197	66.7	
* DOA	State Office Bldg	Juneau	Office	287,850	7,721,300	26,353	$ 845,475	206,110	20,611	$ 305,112	$ 1,150,587	46,964	163.2	
DOA	Community Bldg	Juneau	Office	22,400	170,320	581	$ 18,988	12,468	1,247	$ 18,325	$ 37,313	1,828	81.6	
DOA	Public Safety Bldg	Juneau	Office	19,200	348,510	1,189	$ 34,439	18,739	1,874	$ 27,511	$ 61,950	3,063	159.5	
DOA	Dimond Courthouse Bldg	Juneau	Office	77,000	1,175,280	4,011	$ 128,988	148,237	14,824	$ 238,268	$ 367,256	18,835	244.6	
DOA	Douglas Island Bldg	Douglas	Office	41,980	468,920	1,600	$ 49,100	25,061	2,506	$ 37,865	$ 86,965	4,106	97.8	
DOA	Museum	Juneau		29,420	419,920	1,433	$ 40,406	33,230	3,323	$ 52,287	$ 92,693	4,756	161.7	
					-			-						
DOTPF-NR	Cantwell Garage	Cantwell	Service/Shop	9,180	126,720	432	$ 18,607	15,250	1,525	$ 25,917	$ 44,524	1,957	213.2	
DOTPF-NR	Large Vehicle Warm Storage	Fairbanks	Service/Shop	18,000		-		15,065	1,507	$ 21,354	$ 21,354	1,507	83.7	
DOTPF-NR	Warm Storage	Nome	Service/Shop	12,140	52,180	178	$ 18,239	10,596	1,060	$ 45,512	$ 63,751	1,238	102.0	
DOTPF-NR	Combined Facility	Tok		10,934	90,800	310	$ 33,490	9,500	950	$ 15,674	$ 49,164	1,260	115.2	Missing Sept. 2009 electrical data
DOTPF-NR	Maintenance Facility	Tok	Service/Shop	9,600	176,240	602	$ 64,583	20,078	2,008	$ 34,225	$ 98,808	2,609	271.8	Missing Sept. 2009 electrical data
					-			-						
DOTPF-CR	Annex Bldg	Anchorage	Office	24,240	188,920	645	$ 18,701	8,438	844	$ 8,317	$ 27,018	1,489	61.4	
* DOTPF-CR	Anchorage Hwy Maintenance Shop	Anchorage	Service / Shop	24,000	275,587	941	$ 38,619	40,711	4,071	$ 38,967	$ 77,586	5,012	208.8	
* DOTPF-CR	Anchorage Maintenance Shop / SEF	Anchorage	Service / Shop	21,350	301,440	1,029	$ 40,825	-	-		$ 40,825	1,029	48.2	Natural Gas shared between facilities
DOTPF-CR	Communication Bldg	Anchorage		12,432	423,040	1,444	$ 53,562	11,903	1,190	$ 11,652	$ 65,214	2,634	211.9	
DOTPF-CR	Boney Courthouse	Anchorge	Office	169,293	1,768,000	6,034	$ 158,208	85,626	8,563	$ 81,496	$ 239,704	14,597	86.2	
DOTPF-CR	Boney Parking Garage	Anchorage	Parking Garage	68,400	179,290	612	$ 15,193	-	-	$ -	$ 15,193	612	8.9	
DOTPF-CR	Palmer Maintenance /SEF	Palmer	Service / Shop	12,600	197,241	673	$ 25,973	28,608	2,861	$ 27,539	$ 53,512	3,534	280.5	
DOTPF-CR	Soldotna Maintenance/SEF	Soldotna	Service / Shop	24,885	274,360	936	$ 47,978	22,002	2,200	$ 21,460	$ 69,438	3,137	126.0	
DOTPF-CR	Soldotna Sand Storage	Soldotna	Storage	18,175	21,800	74	$ 6,017	10,826	1,083	$ 9,881	$ 15,898	1,157	63.7	
DOTPF-CR	Kenai Combined Facility	Kenai	Office	26,232	256,140	874	$ 45,188	44,413	4,441	$ 42,767	$ 87,955	5,316	202.6	
DOTPF-CR	Kodiak Regional Office	Kodiak	Office	10,440	129,360	442	$ 19,949	8,807	881	$ 22,885	$ 42,834	1,322	126.6	
DOTPF-CR	Kodiak Combined Facility (State Court/Office)	Kodiak	Office	13,400	96,720	330	$ 15,004	8,615	862	$ 22,496	$ 37,500	1,192	88.9	
* DOTPF-CR	Adak Maintenance / SEF	Adak	Service / Shop	17,000		-		21,237	2,124	$ 54,145	$ 54,145	2,124	124.9	Missing some months of utility data
						-			-					
DOL	AVTEC First Lake Facility Admin Bldg	Seward	Office	20,000	291,900	996	$ 69,978	13,936	1,394	$ 23,030	$ 93,008	2,390	119.5	
DOL	AVTEC Student Service Center (5 Bldgs)	Seward		86,078	872,600	2,978	$ 135,429	72,852	7,285	$ 134,052	$ 269,481	10,263	119.2	
DOL	AVTEC Auto / Hvy Equipment Shop	Seward	Service/Shop	30,278	198,240	677	$ 36,596	12,473	1,247	$ 22,367	$ 58,963	1,924	63.5	
					-			-						
	SUBTOTALS			**2,039,515**	**25,502,324**	**87,039**	**$ 2,922,377**	**1,296,207**	**129,621**	**$ 1,798,736**	**$ 4,721,113**	**216,660**		

Appendix A

					FY 2010 ANNUAL ENERGY DATA										
DEPT	BUILDING NAME	LOCATION	BLDG TYPE	BLDG SQ. FT.	2010 ANNUAL ELEC ENERGY (kWh)	2010 ELEC ENERGY (MMBtus)	2010 ELECTRICAL COSTS	2010 HEATING ENERGY (THERMS)	2010 HEATING ENERGY (MMBtus)	2010 HEATING COSTS	2010 ENERGY COST	2010 ENERGY COST $ / SQ. FT. PER SQ. FT.	2010 TOTAL BLDG ENERGY (MMBTUS)	2010 ENERGY USE INTENSITY (KBTUs / Sq.Ft.)	NOTES / COMMENTS
DOA	Atwood Bldg	Anchorage	Office	338,000	5,767,170	19,683	$ 610,484	113,141	11,314	$ 113,420	$ 723,904	$ 2.14	30,997	91.7	
DOA	Linny Pacillo Prking Garage (Atwood Bldg)	Anchorage	Parking Garage	220,000	1,062,720	3,627	$ 100,441	35,103	3,510	$ 62,446	$ 162,887	$ 0.48	7,137	32.4	
DOA	Palmer State Office Bldg	Palmer	Office	79,193	869,680	2,968	$ 102,174	62,926	6,293	$ 67,543	$ 169,717	$ 0.50	9,261	116.9	
DOA	Fairbanks Regional Office Bldg	Fairbanks	Office	92,942	973,040	3,321	$ 162,092	26,128	2,613	$ 25,057	$ 187,149	$ 0.55	5,934	63.8	
* DOA	State Office Bldg	Juneau	Office	287,850	7,388,300	25,216	$ 702,688	176,337	17,634	$ 305,980	$ 1,008,668	$ 2.98	42,850	148.9	
DOA	Community Bldg	Juneau	Office	22,400	171,200	584	$ 13,994	8,101	810	$ 27,580	$ 41,574	$ 0.12	1,394	62.3	
DOA	Public Safety Bldg	Juneau	Office	19,200	331,400	1,131	$ 23,168	18,914	1,891	$ 35,009	$ 58,177	$ 0.17	3,022	157.4	
DOA	Dimond Courthouse Bldg	Juneau	Office	77,000	1,219,920	4,164	$ 97,003	125,838	12,584	$ 214,181	$ 311,184	$ 0.92	16,747	217.5	
DOA	Douglas Island Bldg	Douglas	Office	41,980	469,760	1,603	$ 34,703	21,338	2,134	$ 41,370	$ 76,073	$ 0.23	3,737	89.0	
DOA	Museum	Juneau		29,420	417,628	1,425	$ 28,028	34,663	3,466	$ 57,557	$ 85,585	$ 0.25	4,892	166.3	
					-			-	-		-				
DOTPF-NR	Cantwell Garage	Cantwell	Service/Shop	9,180	129,000	440	$ 23,060	11,558	1,156	$ 21,799	$ 44,859	$ 0.13	1,596	173.9	
DOTPF-NR	Large Vehicle Warm Storage	Fairbanks	Service/Shop	18,000	-	-	$ -	7,813	781	$ 14,402	$ 14,402	$ 0.04	781	43.4	
DOTPF-NR	Warm Storage	Nome	Service/Shop	12,140	68,500	234	$ 23,455	9,063	906	$ 29,393	$ 52,848	$ 0.16	1,140	93.9	
DOTPF-NR	Combined Facility	Tok		10,934	-	-		6,594	659	$ 12,350	$ 12,350	$ 0.04	659	60.3	Missing Sept 2009 electrical data
DOTPF-NR	Maintenance Facilty	Tok	Service/Shop	9,600	-	-		18,074	1,807	$ 34,010	$ 34,010	$ 0.10	1,807	188.3	Missing Sept. 2009 electrical data
					-			-	-		-				
DOTPF-CR	Annex Bldg	Anchorage	Office	24,240	190,520	650	$ 21,904	7,150	715	$ 6,766	$ 28,670	$ 0.08	1,365	56.3	
* DOTPF-CR	Anchorage Hwy Maintenance Shop	Anchorage	Service / Shop	24,000	245,429	838	$ 31,296	37,525	3,753	$ 35,246	$ 66,542	$ 0.20	4,590	191.3	
* DOTPF-CR	Anchorage Maintenance Shop / SEF	Anchorage	Service / Shop	21,350	288,960	986	$ 34,270	-	-		$ 34,270	$ 0.10	986	46.2	Natural Gas shared between facilities
DOTPF-CR	Communication Bldg	Anchorage		12,432	442,680	1,511	$ 47,188	10,778	1,078	$ 10,210	$ 57,398	$ 0.17	2,589	208.2	
DOTPF-CR	Boney Courthouse	Anchorge	Office	169,293	1,755,420	5,991	$ 181,137	71,844	7,184	$ 64,854	$ 245,991	$ 0.73	13,176	77.8	
DOTPF-CR	Boney Parking Garage	Anchorage	Parking Garage	68,400	181,102	618	$ 17,981	-	-	$ -	$ 17,981	$ 0.05	618	9.0	
DOTPF-CR	Palmer Maintenance /SEF	Palmer	Service / Shop	12,600	187,270	639	$ 20,292	28,111	2,811	$ 26,173	$ 46,465	$ 0.14	3,450	273.8	
DOTPF-CR	Soldotna Maintenance/SEF	Soldotna	Service / Shop	24,885	264,920	901	$ 39,762	25,769	2,577	$ 23,825	$ 63,587	$ 0.19	3,478	139.7	
DOTPF-CR	Soldotna Sand Storage	Soldotna	Storage	18,175	21,200	72	$ 3,901	11,566	1,157	$ 10,812	$ 14,713	$ 0.04	1,229	67.6	
DOTPF-CR	Kenai Combined Facilty	Kenai	Office	26,232	266,490	910	$ 39,951	26,788	2,679	$ 13,319	$ 53,270	$ 0.16	3,588	136.8	
DOTPF-CR	Kodiak Regional Office	Kodiak	Office	10,440	132,460	452	$ 19,851	8,142	814	$ 20,604	$ 40,455	$ 0.12	1,266	121.3	
DOTPF-CR	Kodiak Combined Facility (State Court/Office)	Kodiak	Office	13,400	95,640	326	$ 14,367	8,179	818	$ 20,746	$ 35,113	$ 0.10	1,144	85.4	
* DOTPF-CR	Adak Maintenance / SEF	Adak	Service / Shop	17,000	-	-		21,237	2,124	$ 54,145	$ 54,145	$ 0.16	2,124	124.9	Missing some months of utility data
					-	-		-	-		$ -				
DOL	AVTEC First Lake Facility Admin Bldg	Seward	Office	20,000	289,800	989	$ 70,397	13,134	1,313	$ 25,665	$ 96,062	$ 0.28	2,302	115.1	
DOL	AVTEC Student Service Center (5 Bldgs)	Seward		86,078	892,200	3,045	$ 129,258	65,183	6,518	$ 131,202	$ 260,460	$ 0.77	9,563	111.1	
DOL	AVTEC Auto / Hvy Equipment Shop	Seward	Service/Shop	30,278	172,560	589	$ 32,056	14,711	1,471	$ 20,122	$ 52,178	$ 0.15	2,060	68.0	
					-	-		-	-		-				
					-	-		-	-		-				
	SUBTOTALS			**2,039,515**	**24,311,633**	**82,976**	**$ 2,633,196**	**1,026,944**	**102,694**	**$ 1,531,661**	**$ 4,164,857**	**$ 12**	**185,670**	**91.0**	

Alaska Sustainable Energy Act: SB 220

Presentation to Senate Finance (3/25/10)

Product of the Senate Resources Committee and Senate Special Committee on Energy

Interim Field Hearings

- Tanana
- Fairbanks
- Ruby
- Kenai
- Anchorage
- Kenai
- Haines
- Ouzinkie

Reached out to:

- Renewable Energy Alaska Program
- Alaska Center for Energy and Power
- Alaska Federation of Natives
- Cold Climate Housing Research Center
- Commonwealth North
- Alaska Power Association
- Southeast Conference
- Many other organizations

Products:

State Energy Policy and Program Recommendations (50+ pages)

- Budgetary (Letter to Senate Finance Committee)
- Statutory (SB 220)

Hundreds of Comments Received

- Sifted through comments
- Met with stakeholders
- Reviewed plans & policies from other states
- Refined ideas with experts

SB 220 Goals

- Provide affordable and reliable energy for Alaskan families and businesses
- Stimulate private sector investment
- Produce long-term savings by maximizing energy efficiency
- Lead by example
- Promote innovation

Major Bill Components

- State Energy Policy
- Energy Efficiency Revolving Loan Fund
- Efficiency in Government
- Renewable Energy Tax Credit
- Emerging Energy Technology Fund
- Energy Loans for Businesses
- Alaska Affordable Heating Program

State Energy Policy

(Sections 2 & 3)

- High level goals
- Increase energy efficiency by 15% by 2020
- Generate 50% of electricity statewide using renewable energy by 2020

State Energy Policy

(Sections 2 & 3)

- Promote the development of nonrenewable energy resources, including natural gas, heavy oil, nuclear energy, coal, gas hydrates, etc...
- Support energy research, education and workforce development
- Maintain a fiscal regime that encourages private sector development

Nuclear Energy

(Sections 5, 6, 7, 8, 19 & 25)

- Levels playing field for nuclear energy.
- Removes requirement for Governor's approval of projects.
- Leaves in place requirement for municipal and DEC approval.
- Stringent federal permitting process.
- Enables nuclear projects to apply for funding from the Power Project Fund.

Energy Efficiency Revolving Loan Fund

(Sections 4 & 10)

- Authorizes AHFC to sell up to $250 million in bonds
- Leverages $18 million in federal stimulus funds
- 60% to retrofit state buildings and 40% to retrofit school and municipal facilities
- Fund should operate in perpetuity
- Could create hundreds or thousands of job as weatherization & home energy rebate program have (estimated at 2,500 jobs)

Leading By Example

(Sections 11, 12, 23, & 24)

- Retrofit at least 25% of state buildings by 2020. Shown to save at least 20% a year on energy costs.

- Could translate into $2.75[1] million/year since state spends roughly $55 million on heating & lighting.

1. [based on 25% of facilities being retrofitted

Pay-offs from Retrofitting

(Sections 10 & 23)

- State recently retrofit 8 state buildings
- Were guaranteed savings of at least $278,000/year by the contractor.
- In year 1, savings = $366,000
- In year 2, savings = $592,000
- Last year's savings = $571,000
- Savings alone from retrofitting 25 % of state buildings could cover the fiscal note for SB 220.

Leading By Example

(Sections 23, 11 & 22)

- Build all new state buildings to high efficiency standards.
- Use alternative energy for new public works, if viable and cost-effective.
- Purchase energy efficient appliances, equipment and vehicles.

Energy Efficiency Campaign

(Section 24)

- Tasks AEA and AHFC with educating Alaskans about low-costs ways to save energy.
- Not only help for individual households, but way to contain cost of building new power generation facilities. ($9 billion needed in Railbelt alone over next 50 years)
- Experts estimate between 8% and 50% can be saved through efficiency measures alone.
- Cheapest ways to meet energy needs.

Emerging Energy Technologies

(Section 18)

- With high energy costs, Alaska is perfect place to test emerging technologies.
- Can demonstrate technologies and reduce costs for local residents
- Potential to export technologies
- 25% of world's population lives without access to electricity – looking for new ways to energize

Emerging Energy Technologies

(Section 18)

- Would establish competitive grant program at AEA to foster innovation.
- Matched with federal funds from Denali Commission, DOE & private research dollars.
- Creates high-tech jobs and spurs investment in Alaska's economy.
- NY, CA, TX, MA, and others have funds.
- Alaska has potential in be world leader in emerging technologies, given our resources.

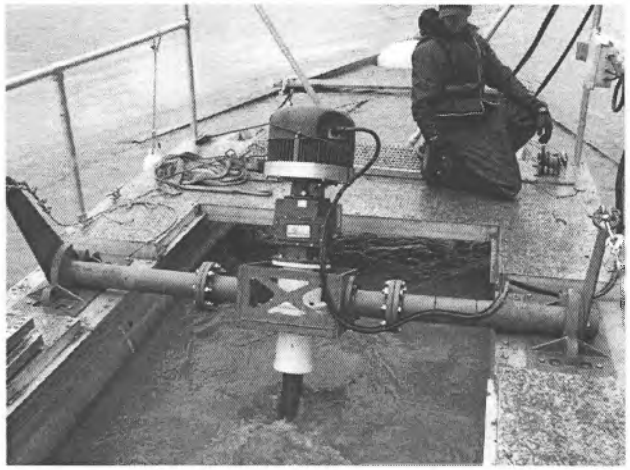
Emerging Technology Fund

(Section 18)

- In 2009, Denali Commission solicited proposals.
- 50 proposals totaling $29 million were submitted.
- 9 selected to receive $4 million in grants.
- Goal: To develop emerging technologies that have the potential for widespread deployment.

Example of EETF Project

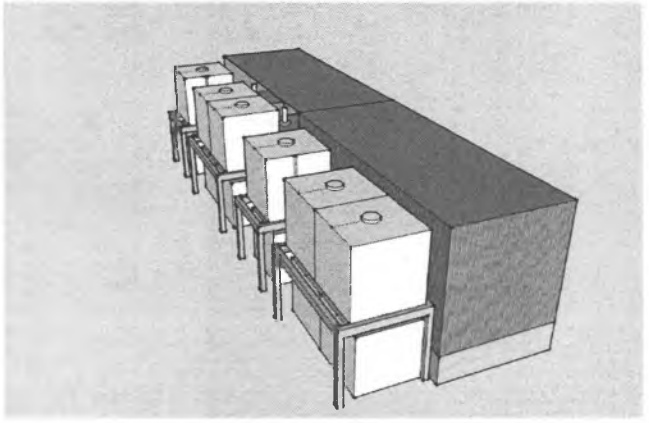
- Nenana Hydrokinetic Turbine: Ocean Renewable Power Corp.
- Tests whether power can be reliably and economically generated from the movement of the Nenana River.
- Alaska has significant hydrokinetic potential in both rivers and tidal basins.
- Most in-land communities are situated along navigable waterways, such as the Yukon and Kuskokwim, that could produce hydrokinetic energy.



Ruby Hydrokinetic Turbine
Alaska Center for Energy & Power

Example of EETF Project

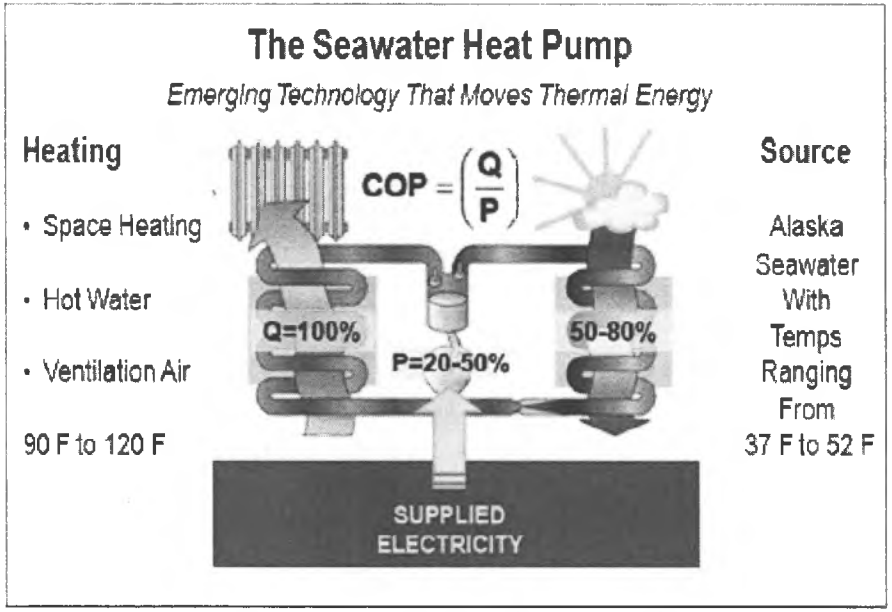
- Cordova Electric Cooperative: "Biogas digestor" technology
  - Widespread in India and China.
  - Microbes naturally break down organic feedstock to produce methane. Can be used for heating & cooking.
  - Will test use of various cold-loving microbes and compare efficiency for household scale projects.
  - Digestors could be used as a local, renewable energy source for Alaskan homes.



Source: freewheelings.com

Example of EETF Project

- Alaska SeaLife Center: Seawater Heat Pump
- Will pump seawater through a heat exchanger containing antifreeze which will boil and vaporize a refrigerant into a pressurized compressor.
- The condensed heat circulates into building at 120 degrees F.
- Technology successfully deployed in Norway and Sweden.



Source: Denali Commission

Renewable Energy Tax Credit

(Sections 20 & 21)

- Encourages investment by the private sector in renewable energy
- Supports the goal of generating 50% of electricity using renewable by 2025
- 25 states offer renewable energy corporate tax incentives; 5 states and the federal government offer production tax credits
- Only accrue once a project is in operation
- 15% tax refundable credit based on sales
- Capped at 10% of capital investment
- Sunsets January 1, 2018

Renewable Energy Tax Credit

(Sections 20 and 21)

- Calculating the credit, what do we need to know?
  1. What is the capital cost?
  2. What state/federal grants did the project receive?
  3. What is the cost per kilowatt-hour?
  4. What is the capacity factor?

Remember:

- There are 8760 hours in a year.
- 1 Megawatt/hr = 1000 Kilowatt/hrs
- $.01 KW/hr = $10 MW/hr

RETC: An Example

- A 5 MW Wind Farm
- CAPEX: $23.5 million
- Grants:
  - $2 million federal grant
  - $3.5 million renewable energy grant fund
- Capacity Factor: 20%
- Cost per KW/hr: $.38

RETC: An Example

- Step 1: Calculate gross electricity sales
  - 5 MW/hr x 8760 hrs/yr x 20% capacity factor = 8760 MW/yr
  - 8760 MW/yr x 1000 KW/MW x $.38 KW = $3,328,800 year
- Step 2: Calculate the annual credit
  - $3,328,800 x 15% = $499,320
- Step 3: Calculate the total allowable credit
  - CAPEX = ($23.5 mm - $2 mm - $3.5 mm = $18 mm) x 10% = $1.8 mm
- Step 4: How does it work in practice?
  - Year 1: $499,320 Year 2: $499,320 Year 3: $499,320
  - Year 4 ($1.8 - [$499,320x3]): $302,040 Year 5: $0

RETC: Transferable vs. Refundable

- **Transferable credits are:**
  - Approved by the Department.
  - Must be marketed and purchased.
    - Broker fees and demands of purchaser means less than full credit goes to the person receiving the incentive.
  - The cost to the state is the same. $1 in credit = $1 in forgone revenue.

- **Refundable credits are:**
  - Subject to Appropriation.
  - 100% of credit goes to the recipient.
  - Easier to administer.

Loans to Businesses

(Sections 26-33)

- Would provide loans of up to $50,000 for alternative energy systems and energy conservation improvements.
- Businesses must be primarily owned by Alaskans. Interest rate: prime, plus 1%. Minimum of 5%.
- Money can be used for insulation, thermal windows, furnace replacement, etc... Or on energy systems which are not dependent on oil or gas.

Affordable Heating Program

(Section 35-42)

- Objectives:
  - Make program more responsive to a family's actual heating costs.
  - Increase assistance as oil prices rise, need increases & the state enjoys a budget surplus.
  - Maintain statewide eligibility.
  - Use existing administrative structure.

How LIHEAP Works

(Section 35-42)

- Benefits are calculated by multiplying each applicant's "points" by the dollar per point available.
- Points are awarded based on household income; heating degree days in household location; type and size of house; presence of children, elderly or disabled in home.

Program refinement #1

(Sections 35-42)

- Link program eligibility to price of oil.
- Oil under $150/barrel = 225% of poverty level ($62,000 for a family of four).
- Oil over $150/barrel = 250% of FPL ($69,000 for a family of four).

Program Refinement #2

(Sections 35-42)

- Link program benefits to the price of oil
  - $130/point when crude is < $75/barrel
  - $140/point when crude is $75-$100/barrel
  - $150/point when crude is $100-$150/barrel
  - $165/point when crude is > $150/barrel
- This year points are valued at $115.
- Last year, points were valued at $220, which was bumped up to $316 by a special approp.

Program Details

(Sections 35-42)

- DHSS will pro-rate payments if appropriations are insufficient to cover full program cost.
- Payments go to fuel vendors, not households.
- Individuals must apply and qualify each year.
- Current federal appropriation is $28 million.
- Current state appropriation is $5 million.
- 20,191 households currently served.

Other Provisions

- Technical assistance for municipalities regarding energy codes and efficiency standards. (S.9)
- Standard methodology for energy consumption and expense date (S. 10)
- Expands purposes of the Southeast Energy Fund (S.14)

Other Provisions

- AEA facilitate organization and provide technical assistance for a statewide fuel cooperative (S.17)
- Develop a plan to coordinate & consolidate energy programs (S. 48)
- Study CNG vehicles (S.49)

Conclusion

- SB 220 not a panacea, but a step forward
- Proposes a variety of steps to stimulate private investment, lead by example, and promote efficiency and innovation.
- Other bills address instate gas, gas storage, gas-to-liquids, exploration incentives, O&G taxes, etc…
- Working closely with our House counterparts
- SB 220 is just a piece of the pie, leading Alaska to greater self-sufficiency and sustainability

House energy omnibus

- HB 305 = House energy omnibus bill
- House Energy Committee held extensive field hearings during the interim
- Assembled a stakeholder group
- High level of commitment to passage of a meaningful omnibus bill
- Just this week, the House unanimously passed HB 306, a declaration of state energy policy. Great 1st step.

2/04/11 OVERVIEW: LARRY HARTIG, COMMISSIONER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION

<TARGET><BILL></BILL><SUBJECT>2-04-11 OVERVIEW LARRY HARTIG, COMMISSIONER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION</SUBJECT><COMM>SRES27</COMM></TARGET>

Official Business

Senate Resources Committee

Senator Joe Paskvan, Co-Chair
Room #115: 465-4907

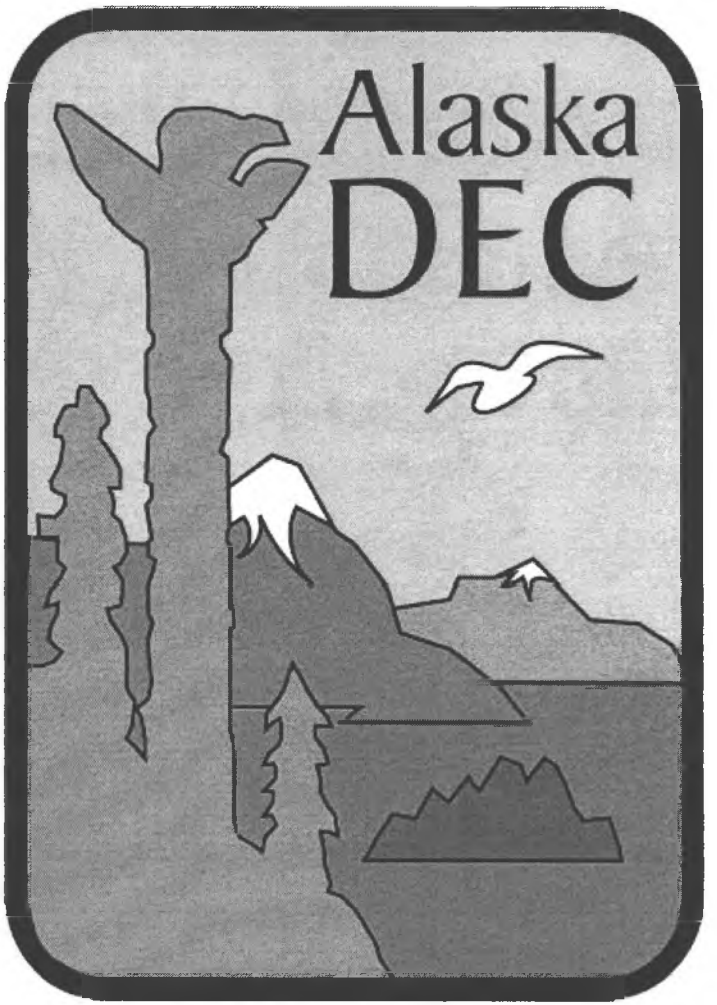
Senator Tom Wagoner, Co-Chair
Room #427: 465-3792

Members:
Senator Bill Wielechowski, Vice-Chair
Senator Hollis French
Senator Lesil McGuire
Senator Bert Stedman
Senator Gary Stevens

Senate Resources Committee

Friday, February 4, 2011: 3:30pm – 5:00pm

Presentation: Larry Hartig, Commissioner
Department of Environmental Conservation



Department of Environmental Conservation

Senate Resources Overview

Commissioner Larry Hartig

February 4, 2011

DEC's Mission

Protect human health and the environment.

Responsibilities & Functions

- Develop standards
- Issue permits
- Provide compliance and financial assistance
- Respond to spills of oil and other hazardous substances
- Safeguard the quality of food and seafood
- Operate the State Environmental Health Lab
- House the Office of the State Veterinarian
- Regulate pesticides and certain types of use
- Educate and assist the public
- Interact with our federal agency counterparts
- Investigate violations and enforce state law

Divisions

- Administration
- Air Quality
- Environmental Health
- Spill Prevention and Response
- Water Quality

Air Quality Division

*Mission: To **control air pollution in order to enhance the health, safety, and welfare** of the people of the state.*

Core Services:

- Issue air quality permits to facilities that release potentially harmful pollutants
- Provide compliance assistance and enforcement (inspections and operating report reviews)
- Community assistance to protect air quality
- Air quality assessments and monitoring
- Comment on federal air quality rulemakings with Alaska's perspective
- Develop, implement, and enforce plans to bring areas out of compliance with federal air quality standards back into compliance

Air Quality Division (cont.)

Programs:

- Air Permits Program
- Air Monitoring & Quality Assurance Program
- Air Non-Point & Mobile Sources Program
- Administrative Support Program

Air Quality Division cont.

Challenges:

- Federal Rules for Greenhouse Gas
- Fairbanks Air Quality
- Fugitive Dust

Initiatives:

- Gasline Permitting
- North Slope Cumulative Air Quality

Fairbanks Fine Particulate Matter ($PM_{2.5}$)

- EPA sets national human health – based air quality standards
- Fairbanks/North Pole area is exceeding the 24-hour standard for fine particulates (PM2.5)
- Air quality attainment plan is due to EPA in December 2012 ; Compliance deadline is 2014
- Potential human health and economic consequences to not meeting the standard, and the planning or compliance deadlines
- Plan and control options are controversial in community
    - -Non-attainment area is large in size
    - -Multiple sources of PM2.5 exist
    - -Home heating sources (wood and coal) are important contributors to non-attainment with PM 2.5 standard
    - -They are also important heating and energy sources given their relatively low-cost

Fairbanks Fine Particulate Matter ($PM_{2.5}$) (cont.)

- **On-going Borough efforts include:**
  - Voluntary wood stove/boiler change out program
  - Education on wood drying and good burning practices
  - Working with state and federal agencies on: researching other sources of PM 2.5 and potential mitigation options, investigating sources of wood supply and wood lot management options, investigating funding for change out and wood supply programs

- **On-going Air Quality Division efforts include:**
  - Coordinating planning efforts
  - Responding to local smoke complaints
  - Conducting public education
  - Assisting Borough on projects to characterize $PM_{2.5}$
  - Assisting with technical work for the air quality plan
  - Analyzing emissions, impacts, and controls for permitted sources (e.g. power plants)
  - Characterizing vehicle emissions at cold temperatures

Environmental Health Division

Mission: **To ensure safe drinking water, food, and sanitary practices.** Our goal is to provide businesses with clear standards so that they can protect our environment and provide safe food and drinking water to Alaskans.

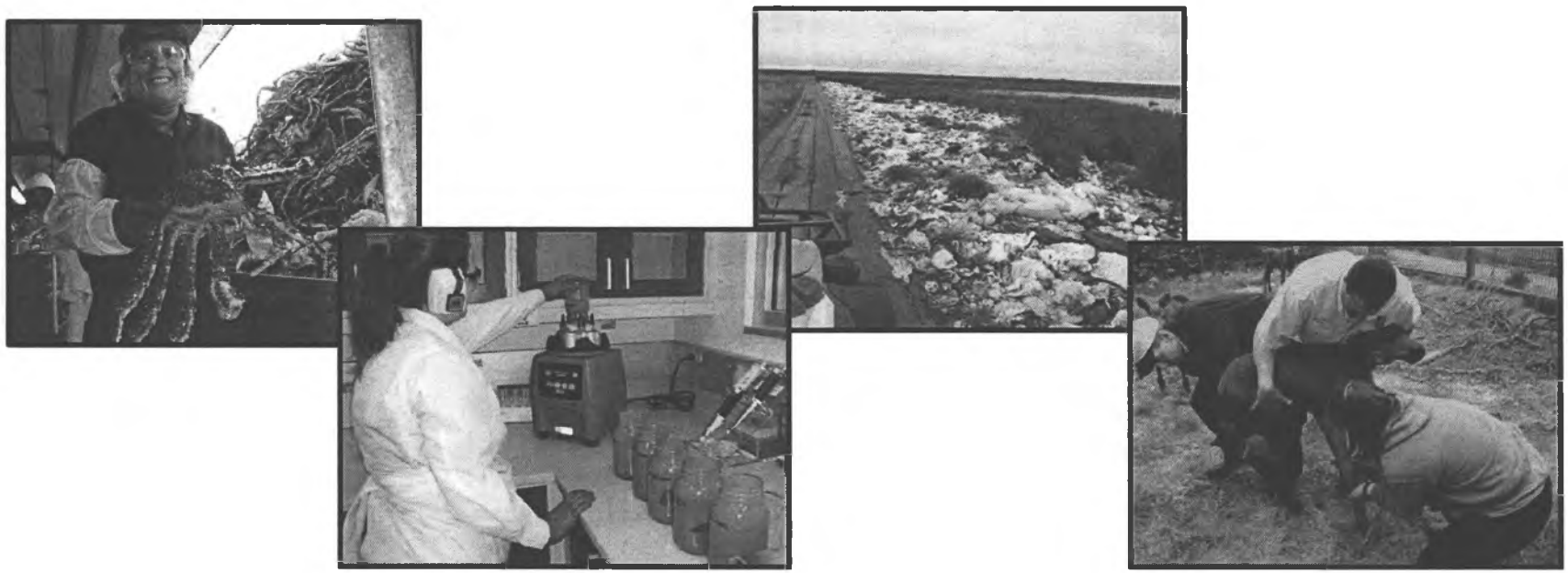
Core Services:

- Maintain state primacy for regulating public drinking water systems
- Enforce public water system (PWS) monitoring requirements for drinking water contaminants
- Review construction, installation, and operation plans and enforce engineering standards for PWS to protect public health and meet Safe Drinking Water Act requirements
- Assist PWS owners in identifying the sources of their drinking water and help them develop strategies to effectively protect those sources from contamination
- Provide technical and compliance assistance to PWS owners and operators, and the public

Environmental Health (cont.)

Programs:

- Drinking Water
- Pesticide Control
- Solid Waste Management
- Environmental Health Laboratory
- State Veterinarian



Environmental Health (cont.)

Challenges:

- High Risk Food Safety Inspections
- Solid Waste Landfills in Rural Alaska

Initiatives:

- Shellfish Pilot Program
- Deregulating Low Risk Small Business and Community Event Foods

Spill Prevention and Response Division

Mission: Protect public health and the environment through **prevention, preparedness and response to oil and hazardous substance releases.**

Core Services:

- Emergency Oil Spill Response
- Statewide Hazmat Response
- Drills and Exercises
- Government Oil Spill Response Plans
- Local Spill Response Agreements
- Disaster Response Coordination

Spill Prevention and Response (cont.)

Programs:

- Industry Preparedness
- Prevention and Emergency Response
- Contaminated Sites

GC 2 Pipeline Spill

Pipeline Inspections

Abandoned Drums

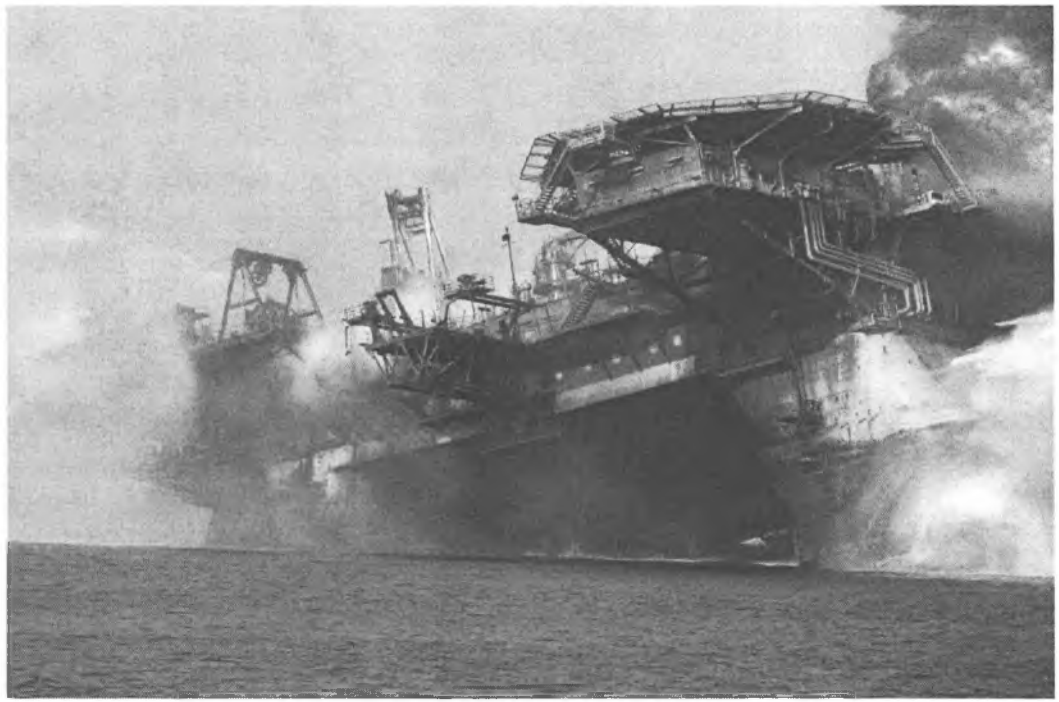
Spill Prevention and Response (cont.)

Challenges:

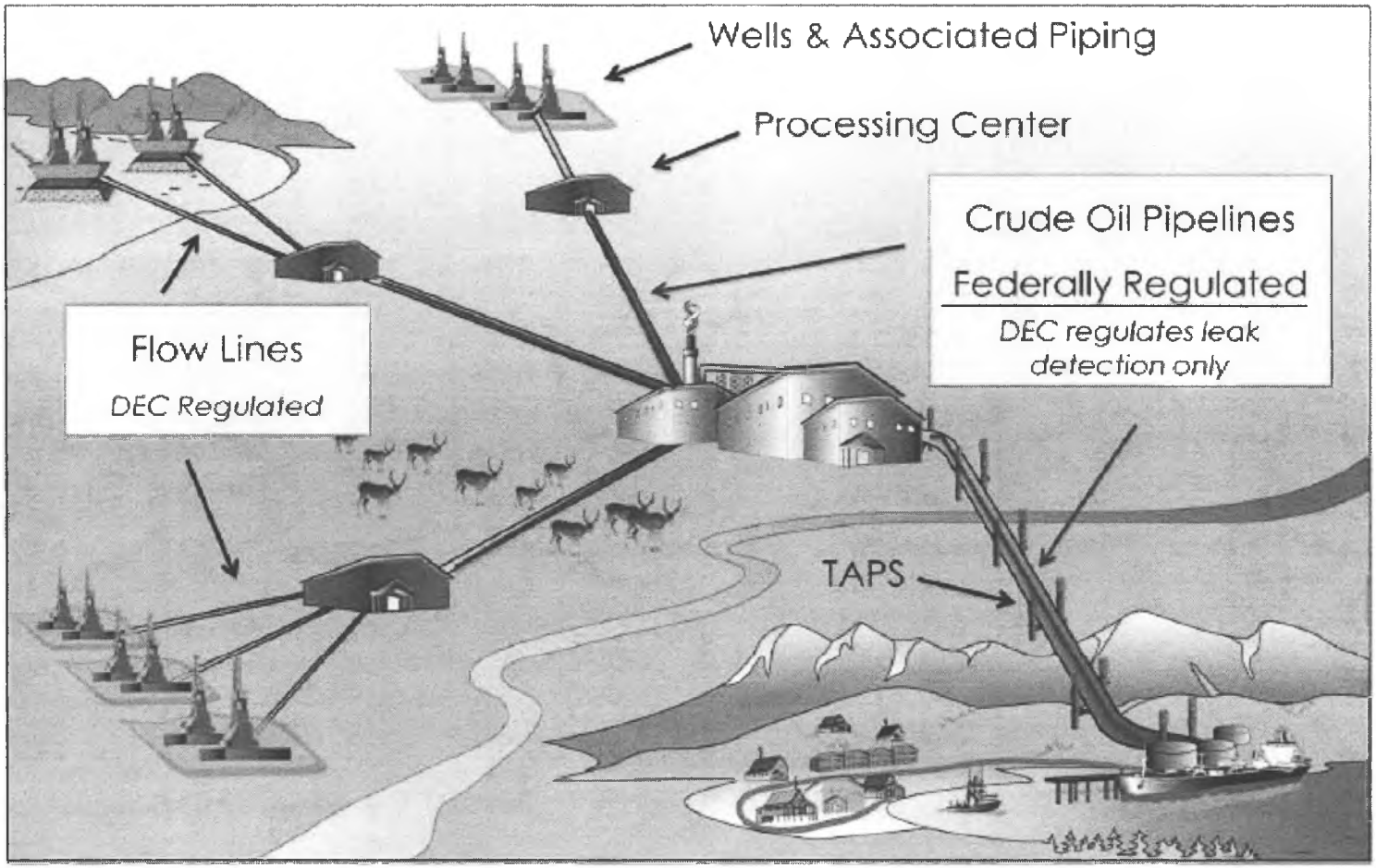
- Declining Prevention Account Balance
- Aging infrastructure and the possibility of more challenging operating conditions

Initiatives:

- Contaminated Site Identification for Gasline Work
- Aleutian Islands Risk Assessment
- Deepwater Horizon Lessons and Risk Assessment Work Plan



DEC Regulated Pipelines



North Slope Initiatives

- Completion of Spills Analysis of North Slope Pipelines
- Implementation of new regulations for North Slope flow lines
- New requirements for reporting key indicators of pipeline condition
- Benchmarking of spill trends to reduce the number and severity of spills
- Engineering review and field inspection of high risk flow lines
- Completion of audit and inspection procedures and protocols
- Best available technology evaluation for pipeline leak detection systems

Water Division

Mission:

All things water except:

Regulation of public drinking water systems - DEC, Environmental Health

Water quantity (water rights and in-stream flow reservations) - DNR

Programs:

- Facilities
- Water Quality

Water Division - Facilities

Facilities Programs:

- Municipal Grants and Loans
- Village Safe Water
- Operations Assistance

Facilities Core Services:

- Provide grants, loans and engineering assistance for drinking water, sewerage, and solid waste facilities
- Provide training programs for and certification of water and sewerage system operators
- Provide over-the-shoulder and emergency assistance to system operators in remote communities

Water Division – Water Quality

Water Quality Programs:

- Water Quality Standards, Assessment and Restoration
- Wastewater Discharge Permitting
- Compliance and Enforcement
- Cruise Ships
- Water Quality Monitoring

Core Services:

- Establish protective standards for water quality
- Improve water quality conditions where they are below public health or environmental standards
- Issue wastewater discharge permits to facilities and operations that release potentially harmful pollutants
- Ensure facility compliance with permit conditions
- Provide community assistance with the protection of water quality
- Develop user friendly public access to water quality data

Water Division (cont.)

Challenges:

- Declining Federal Funding in the Village Safe Water Program
- Completing and Maintaining Permitting Primacy
- Water Quality Standards

Initiatives:

- Gasline Permitting

Questions?

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Commissioner
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Marit Carlson-Van Dort
Legislative Liaison
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marit.carlson-van.dort@alaska.gov

Spill Prevention and Response

SPAR Handbook

The mission of the Division of Spill Prevention and Response is to protect public safety, public health and the environment through prevention, preparedness and response to oil and hazardous substance releases.

dec.alaska.gov/spar

Alaska Department of Environmental Conservation

Prevention - Preparedness - Response

Sean Parnell
Governor

Larry Hartig
Commissioner

REPORT ALL
OIL AND HAZARDOUS SUBSTANCE SPILLS

ALASKA LAW REQUIRES REPORTING OF ALL SPILLS

During normal business hours

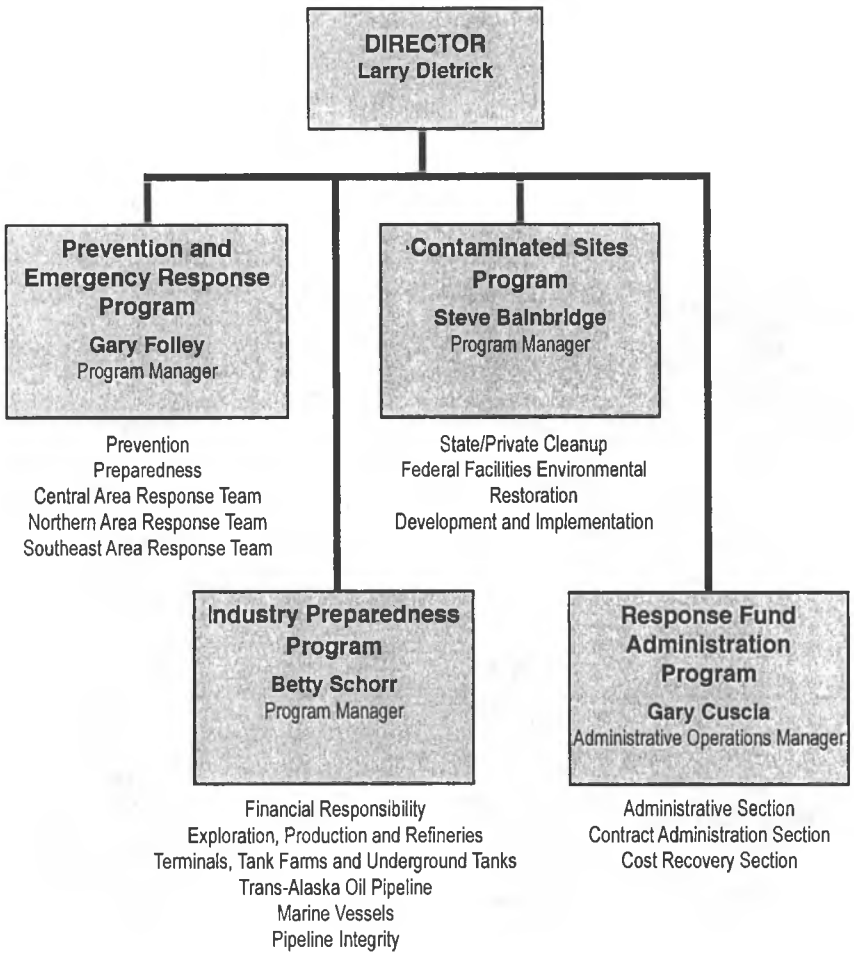
contact the nearest DEC Area Response Team office:

Central Alaska	**Anchorage**	**phone:** (907) 269-3063
		fax: (907) 269-7648
Northern Alaska	**Fairbanks**	**phone:** (907) 451-2121
		fax: (907) 451-2362
Southeast Alaska	**Juneau**	**phone:** (907) 465-5340
		fax: (907) 465-2237

Outside normal business hours, call:
1-800-478-9300 (International 1-907-428-7200)

Alaska Department of Environmental Conservation
Division of Spill Prevention and Response

rev. June/2010



Alaska Department of Environmental Conservation

Spill Prevention and Response Handbook

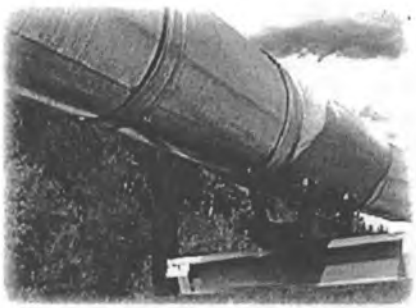
dec.alaska.gov/spar

Revised January 2011

Division Mission and Goals

Mission:

The mission of the Division of Spill Prevention and Response is to protect public safety, public health and the environment through prevention, preparedness and response to oil and hazardous substance releases.



Larry Dietrick, Director
Division of Spill Prevention and Response
Alaska Department of Environmental Conservation
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Juneau, AK 99811-1800
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Fax (907) 465-5262
Email larry.dietrick@alaska.gov

dec.alaska.gov/spar

Goals:

Prevention

- Prevent spills from oil terminals, pipelines, tank vessels and barges, railroads, refineries, nontank vessels, oil exploration and production facilities, and underground storage tanks.
- Provide technical assistance to industry, the general public, and owners and operators in proper spill prevention and response methods.

Preparedness

- Verify that facility and vessel operators have adequate response resources through review and approval of oil discharge prevention and contingency plans, inspections, and spill response exercises and drills.
- Maintain and improve government spill response preparedness and response by coordinating with local communities and other state and federal agencies, pre-positioning response equipment for local use, maintaining statewide and regional spill response plans, and implementing an incident command system for spill response in Alaska.

Response

- Conduct emergency response to all significant spills to contain, control and reduce impacts and costs.
- Characterize and remediate acute and chronic health exposure risks due to hazardous substance releases.
- Mitigate the effects of oil and hazardous substance releases on the environment, and natural, biological and cultural resources.
- Reuse and redevelop contaminated properties through assessment, cleanup, monitoring or institutional controls.

Response Fund Management

- Recover the state's costs for responding to unauthorized releases.
- Ensure the long-term viability of the Prevention Account of the Oil and Hazardous Substance Release Prevention and Response Fund.

Prevention and Emergency Response

Program Mission:

The mission of the Prevention and Emergency Response Program is to protect public safety, public health and the environment by preventing and mitigating the effects of oil and hazardous substance releases and ensuring their cleanup through government planning and rapid response.

The program is Alaska's primary response organization for emergency response to oil and hazardous substance releases. The program's goals are to protect public health and the environment from the direct or indirect effects of spills, guard the safety of the people involved, undertake or confirm the satisfactory cleanup and mitigation of spill impacts and restoration of damages, and recover state-incurred costs to the Oil and Hazardous Substance Release Prevention and Response Fund.

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dec.alaska.gov/spar/perp

Primary services:

- Lead the state's response to spills of oil and hazardous substances.
- Respond through area response teams in Anchorage, Fairbanks and Juneau.
- Implement the Incident Command System for large events and oversee spill cleanup by the responsible party or take over cleanup when a responsible party is not found or is incapable.
- Evaluate spill impact, ensure containment and cleanup, and recover cleanup and restoration costs from the responsible party.
- Plan, develop and coordinate a statewide hazardous materials response team capability.
- Provide full-time spill prevention, response and preparedness coverage of the North Slope.
- Serve as state contact for the federal Community Right-to-Know program.
- Participate in government and industry response drills and exercises.
- Prevent and reduce the occurrence of spills and hazardous substance releases from unregulated sources.
- Maintain the Federal/State Unified Plan and the 10 Subarea/Regional Contingency Plans for Alaska.
- Manage term contracts with spill response organizations.
- Integrate Alaska communities into a statewide response system through local response agreements.
- Train local personnel in at-risk areas throughout the state.
- Keep timely and accurate spill information.
- Enforce statutes and regulations relating to oil and hazardous substance spill reporting, cleanup and restoration of the environment.

Industry Preparedness

Program Mission:

The mission of the Industry Preparedness Program is to protect public safety, public health and the environment by ensuring that producers, transporters and distributors of crude oil and refined oil products prevent oil spills and are fully prepared materially and financially to respond and clean up spills.

The program ensures spill prevention and industry spill response readiness through inspections, drills, financial responsibility, and oil discharge prevention and contingency planning, along with registration of oil spill response action contractors. Regulated facilities include terminals and distributors of crude and refined oil products, marine tankers and barges that transport crude and refined oil products, oil pipelines, onshore and offshore oil exploration and production facilities, nontank vessels of more than 400 gross tons, the Alaska Railroad, and operators of underground storage tanks.

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Fax (907) 269-7687
Email betty.schorr@alaska.gov

dec.alaska.gov/spar/ipp

Primary services:

- Review and approve oil discharge prevention and contingency plans.
- Conduct and participate in spill drills to verify by demonstration that regulated operators are in compliance with state response planning requirements.
- Inspect regulated facilities and vessels to provide assistance and to ensure that regulated operators employ the best available technology for spill prevention and response.
- Review and approve applications for proof of financial responsibility to ensure that regulated operators have the financial resources to respond to an oil spill and mitigate environmental damage.
- Register oil spill primary response action contractors identified in oil discharge prevention and contingency plans.
- Regulate and provide technical assistance and training to underground storage tank operators and owners to ensure proper tank operation and maintenance and basic spill prevention.
- Provide technical assistance and information to contingency plan applicants and the general public on spill prevention and response requirements.
- Oversee North Slope oil production facilities, including field inspections, compliance monitoring, and contingency plan review.
- Certify third-party underground storage tank inspectors and collect underground storage tank registration fees.

Contaminated Sites

Program Mission:

The mission of the Contaminated Sites Program is to protect public health and the environment by identifying, overseeing and conducting the cleanup, redevelopment and management of contaminated sites in Alaska.

The program oversees cleanup of all contaminated sites in Alaska. Many of these sites pose a high risk to human health or the environment due to a broad scope of different and multifaceted sources of contamination from industrial and operational activities. More than half of these sites are owned or cleaned up by federal agencies through agreements with the state. The program coordinates the cleanup of state-owned properties, and other sites that have no responsible party. State-incurred costs are recovered from the responsible parties. The program works with all parties to facilitate the reuse or redevelopment of contaminated properties.

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Email steve.bainbridge@alaska.gov

dec.alaska.gov/spar/csp

Primary services:

- Identify, assess, rank, prioritize and track all contaminated sites in Alaska.
- Oversee the cleanup and long-term monitoring of these sites.
- Use term contractors to clean up state-owned, privately owned and orphan sites using a risk-based approach.
- Manage cleanup and provide regulatory oversight for military, federal agency, private party and state-owned contaminated sites.
- Provide regulatory oversight, technical assistance and policy development to Department of Defense and federal civilian agencies on environmental cleanup activities.
- Recover state costs for oversight or cleanup from responsible parties.
- Negotiate with responsible parties, private or federal, for funding agreements to provide effective cleanup of contaminated sites, including the use of Prospective Purchaser Agreements to encourage property reuse and redevelopment.
- Facilitate the reuse of contaminated sites by being responsive to people who want to put properties back into reuse, including state-owned sites, and maintain Brownfield efforts that leverage federal funding for eligible sites with no viable responsible party.
- Manage and close contaminated sites to ensure risk is appropriately controlled over time.
- Provide technical assistance to responsible parties of contaminated sites.

Response Fund Administration

Program Mission:

The mission of the Response Fund Administration is to manage the Oil and Hazardous Substance Release Prevention and Response Fund as a viable, long-term funding source for the state's core spill prevention and response initiatives and provide administrative support to division programs.

The program manages the Prevention and Response Accounts of the Oil and Hazardous Substances Release Prevention and Response Fund, including the recovery of state costs for responding to spills from the responsible party or other sources of funding if recovery from the responsible party is not possible. The program is responsible for tracking the receipt and expenditure of federal dollars for the cleanup of federal facilities, the preparation of the operating and capital budgets and overseeing the division's professional services contracting and procurement. In addition, the program assists division staff with human resource procedures and issues.

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dec.alaska.gov/spar/rfa

Primary services:

- Provide leadership and accountability of all Response Fund Administration activities, support SPAR operations with quality financial analysis and provide budgetary services.
- Manage the Prevention and Response Accounts of the Oil and Hazardous Substance Release Prevention and Response Fund.
- Recover state costs for responding to spills.
- Track and report all operating and capital expenditures and fund source balances to program managers monthly.
- Recover state costs through negotiated agreements such as memorandums of agreement, memorandums of understanding and federal grants.
- Manage and coordinate the receipt and expenditure of federal dollars for the cleanup of federal facilities.
- Develop cost controls and standardize division contracts.
- Manage term contracts and issue Notices to Proceed.
- Provide guidance and assistance to other Spill Prevention and Response programs in general administrative functions such as budget preparation, expenditure tracking, human resources and procurement.
- Provide administrative and financial support during emergency spill response situations.
- Manage Reimbursable Services Agreements for the division.
- Prepare the biennial Response Fund Report.
- In the case of a major spill response, support the Finance Section within the Incident Command System.

Office Locations

Headquarters Office

410 Willoughby Ave., Suite 303
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Juneau, AK 99811-1800
(907) 465-5250
Fax (907) 465-5262

Southcentral Alaska

Anchorage Office
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Anchorage, AK 99501
(907) 269-3094
Fax (907) 269-7687

Bethel Office
P. O. Box 228
Bethel, AK 99559
(907) 543-3215
Fax (907) 543-3216

Soldotna Office
43335 Kalifornsky Beach Road, Suite 11
(Red Diamond Center)
Soldotna, AK 99669
(907) 262-5210
Fax (907) 262-2294

Valdez Office
P. O. Box 1709
Valdez, AK 99686
(907) 835-4698
Fax (907) 835-2429

Southeast Alaska

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410 Willoughby Ave., Suite 302
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Juneau, AK 99811-1800
(907) 465-5250
Fax (907) 465-5262

Ketchikan Office
540 Water St., Suite 203
Ketchikan, AK 99901
(907) 225-6200
Fax (907) 225-0620

Northern Alaska

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Fairbanks, AK 99709
(907) 451-2360
Fax (907) 451-2155

North Slope Office
Pouch 340140
Prudhoe Bay, AK 99734
(907) 659-2215
Fax (907) 659-2345

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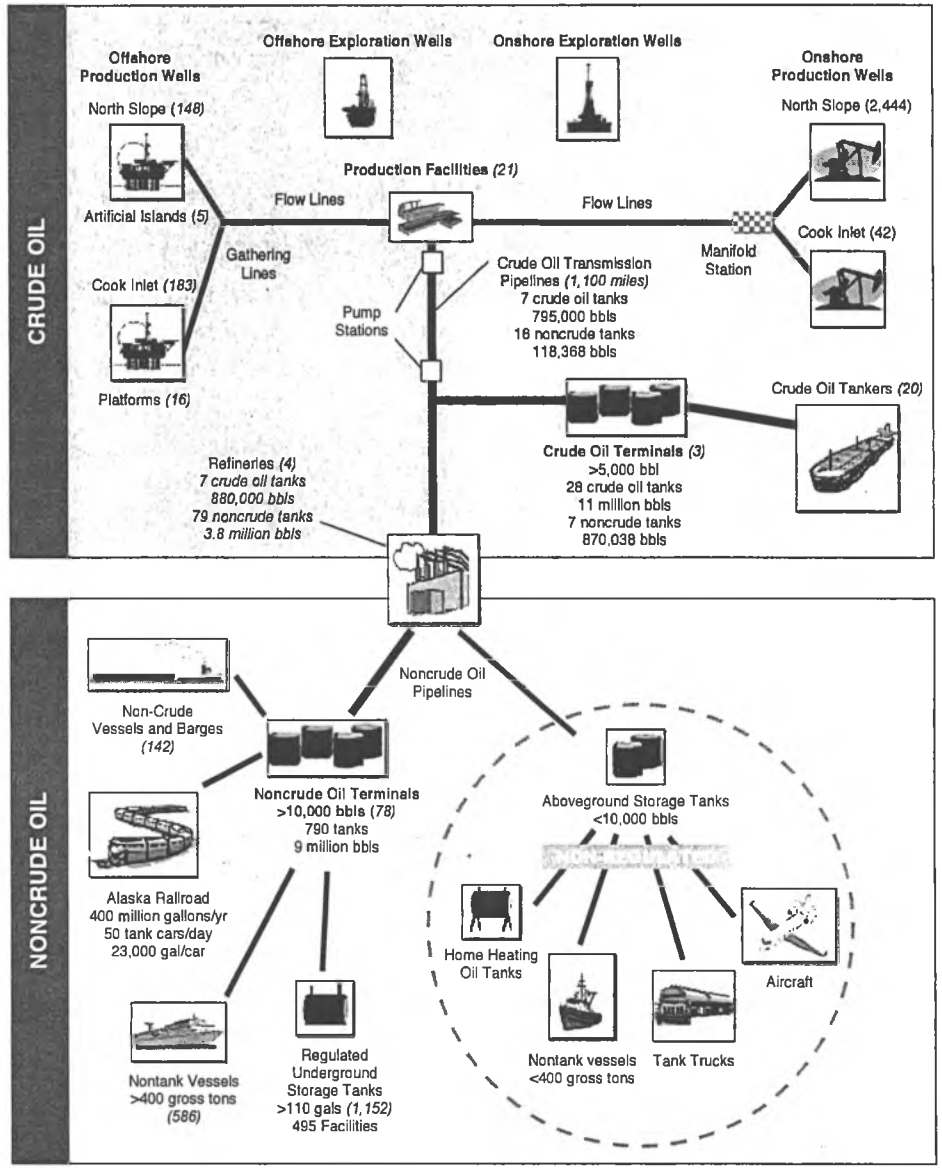
Alaska's Oil Production, Transportation and Storage Network

The facilities designated as "non-regulated" are not required to have a state-approved oil discharge prevention and contingency plan. () indicates number of facilities.



2/14/11 PRESENTATION: ENERGIA CURA

<TARGET><BILL></BILL><SUBJECT>2-14-11 PRESENTATION ENERGIA CURA</SUBJECT><COMM>SRES27</COMM></TARGET>

ENERGIA CURA
5904 Old Airport Way, Suite 134, Fairbanks, Alaska 99709 - 907-452-3466

Fairbanks Pipeline Company

Fairbanks Pipeline Company (FPC) is developing a fit-for-purpose natural gas pipeline system to deliver affordable gas from Prudhoe Bay to Interior Alaska. Its project development approach is market-based. *The size and operating pressure* of its pipeline will be economically designed to transport known gas volumes to Alaskan load centers such as Golden Valley Electric Association, Fairbanks Natural Gas, mines and Military bases contracted over a twenty-year term. FPC's pipeline system will begin operation in 2014.

FPC's pipeline does not have to wait for global and domestic gas prices to increase four-fold to become viable. Gas pipelines in the common lower-48 markets are typically installed in markets where the prices of competing gas supply sources vary by 1% to 5%. This long overdue Alaskan project will reduce current Alaskan wholesale energy prices by close to 50%. This unarguably demonstrates its project feasibility as well as its socio-economic benefits.

Project Funding

FPC's gas pipeline is not receiving State or Federal subsidies. Instead, Energia Cura's principle partners are underwriting the cost of its development. The partners' intent for funding this project's development is to expediently reduce energy costs by 50% and to contain the wealth generated from these savings within the state. Energia Cura is a consultancy headquartered in Fairbanks, Alaska providing a range of services and products to the power, oil & gas and mining industries. It currently operates and maintains Alaska's second largest pipeline system on a throughput basis.

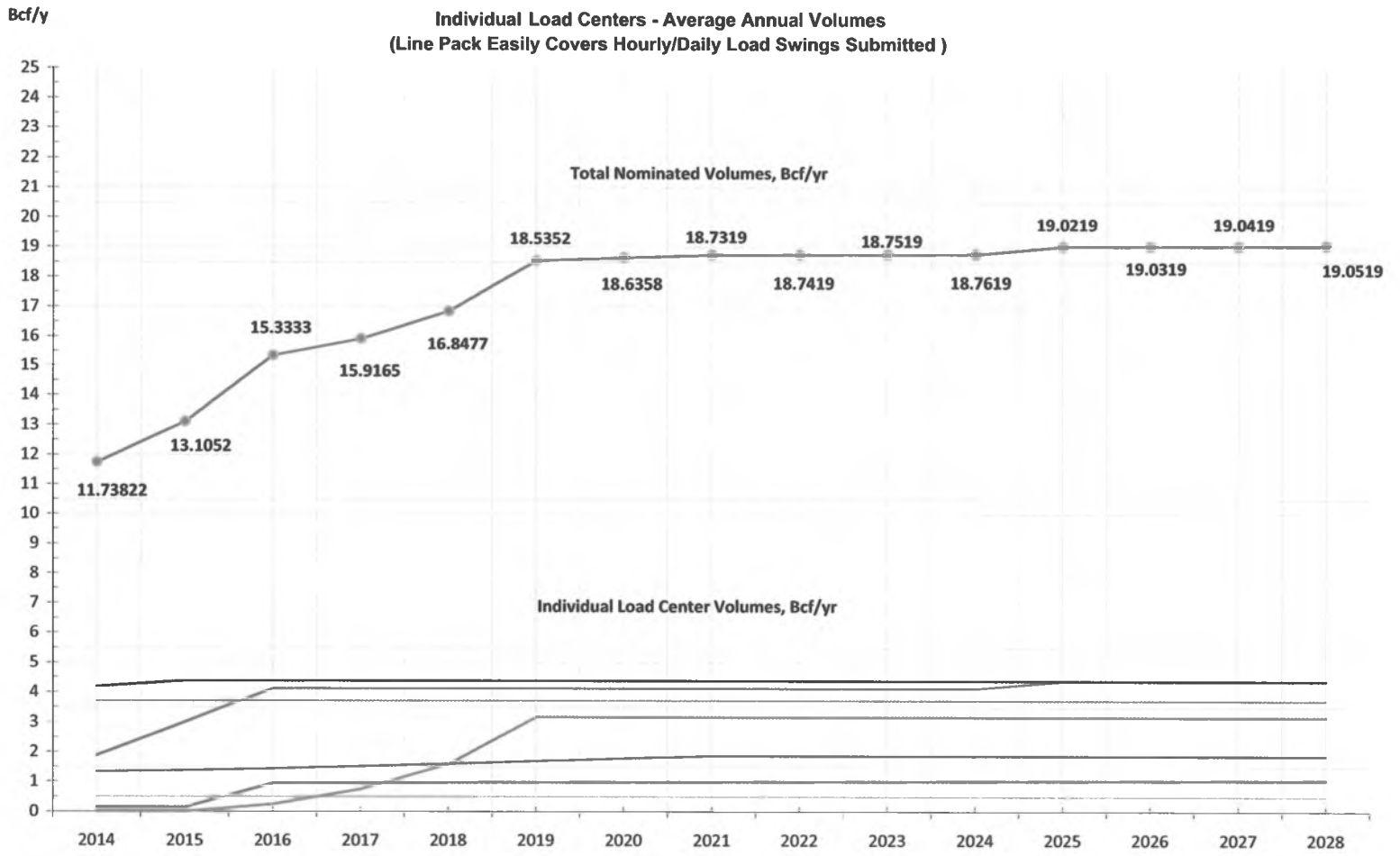
The Open Season

Our project objective is to provide expedient economic relief to thermal markets located along Fairbanks Pipeline Company's primary and secondary pipeline corridors by 2014, by supplying affordable natural gas to ready and willing load centers using proven, economic pipeline transportation methods. Energia Cura conducted the non-binding open season on behalf of the Fairbanks Pipeline Company. Participation in this first phase of the open season process is non-binding for all partaking entities. The second phase of FPC's open season will conclude by acquiring commitments (binding condition precedent agreements) from Alaskan load centers to purchase bundled gas volumes at a predetermined price to include both the gas and its transportation. Consequently, FPC will acquire gas commodities at their source and retain custody of these commodities until custody is transferred to Clients at their plants' (load center) curb.

FPC's open season procedures follow international standards that identify market demand prior to its establishing the design of its pipeline system. Correspondingly, the design criteria for FPC's intrastate natural gas pipeline system will be based on its total gas volumes nominated through the NBOS. When this final design criteria is set in March, 2011, FPC will be able to credibly determine its final cost of service (COS) required to enter into negotiations for establishing condition precedent binding agreements. Negotiations with gas producers for the acquisition of gas commodities started in September and are expected to conclude by March, 2011. Since FPC's offering to Interior load centers is a "bundled service", the commodity fundamentals, (or the cost of the gas commodities), also need to be determined prior to entering into FPC's binding open season.

FPC may elect to proceed with its Project without holding a subsequent Binding Open Season (BOS). FPC may elect to initiate discussions with Interested Parties (IPs) submitting non-binding bids herein to execute Binding Condition Precedent Agreements more expediently than a BOS permits. The NBOS target groups include those IPs interested in securing firm, bundled natural gas service of >0.25 bcf per annum and NGL supplies > 10,000 gal/ per annum. At its sole discretion, and not on an unduly discriminatory basis, FPC may elect to consider requests received after the close of its NBOS period, which occurred at 8 a.m. GMT, on October 1, 2010, including valid appeals to modify initial non-binding bid offer(s). See Attached Nomination curve.

Fairbanks Pipeline Company - Annual Gas Volume Curves



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ENERGIA CURA

SERVICES OFFERED

Project Development
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Energy Management
Control & Automation Systems
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Metrology & CT Accounting

5904 Old Airport Way, Suite 134 Fairbanks, Alaska 99709 907-452-3466

Our consultancy division specializes in energy and process economics. We assist Clients in the acquisition of process fuel and/or feed-stocks through the use of hedge instruments, and in negotiating long-term power purchase, power sales agreements or co-generation agreements. In addition, we assist in the development, financing, and construction of industrial facilities, improvements, and/or additions by performing due-diligence from project inception, through start-up, and commissioning. We take pride in our unbroken record of completing projects on time, within budget and meeting Client expectations.

Our product division supplies industrial control systems and HMI applications to fossil and renewable fueled electrical generation plants, oil & gas production facilities, hazardous liquids/gas gathering pipelines, LACT facilities, transportation pipelines (including leak detection and SCADA), oil & gas metering/custody transfer facilities, product terminal & dispensing facilities, municipal water facilities and ore concentration plants. We offer both green-field and incremental upgrades. Because of the good will maintained with its Clients, Energia Cura usually offers to demonstrate its systems as they operate within their respective process environments.

Our services division provides technical and administrative support to assist Clients in operating and maintaining their industrial facilities in a safe, profitable and compliant manner. Energia Cura's service offerings range from providing technical support "as needed, where needed" to long-term, turnkey service agreements.

Our metrology division provides third-party measurement and custody transfer services including sampling, scheduling and administration of analytical assays, terminal acceptance, and load-rack meter/instrument calibration and repairs, and NIST/API compliant meter proving. Energia Cura owns and uses a Calibron P-25.C3.C1.D3 compact ballistic meter prover capable of proving meters with flowing conditions up to 2,500 GPM at .02% repeatability and a Sartorius weighing platform/indicator certified for legal gravimetric metrology with sensitivity in the range of 1/150,000 grams with an EC rating of Class II.

RECENTLY COMPLETED PROJECTS

- Distributed control system and HMI for an LM-6000 Combined Cycle Power Plant in North Pole, Alaska
- HMI application for the British Petroleum Flow-2 Metering Facility located on the North Slope of Alaska
- Control and automated water dispensing system for Water Wagon in Fairbanks, Alaska
- In-Line-Inspection (pigging) of the mid-line TAPS connection pipelines in North Pole, Alaska
- Construction of the new PSI Refinery Crude and Residual Pipelines in North Pole, Alaska
- HMI for the British Petroleum Endicott Metering Facility on the North Slope of Alaska
- ECDA and physical assessments of TAPS, mid-line connection pipelines in North Pole, Alaska
- Alaska Rail-Belt power and gas market studies for Doyon Ltd.
- Power generation plant sizing and preliminary engineering in Nenana, Alaska
- Construction of the PSI Refinery Metering and Quality-Bank sampling facility

ON-GOING PROJECTS

- Technical support for Ft. Wainwright and GVEA, NPEP power generation facilities
- Operation and maintenance of the PSI Refinery Metering and Quality-Bank sampling facility

CURRENT SERVICE AGREEMENTS

- Petroleum Pipeline System administration and O&M services for the Fairbanks GVEA Pipeline Systems
- North Pole Connection custody transfer accounting and administrative services at the TAPS Midline Connection
- Metrological services for the TAPS, North Pole connectors, and power plants in Alaska
- Audit support for USDOT hazardous liquids pipeline protocol inspections

Please contact us at 907-452-3466 or at asg@energiacura.com if we can assist you in any way.

Scientia Sol Mentis

ENERGIA CURA
Alexander S. Gajdos

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General Experience

- *30+ years in project management, business development, financing, design, construction, and start-up of facilities serving the mining, oil & gas, power generation & defense (radar) industries*
- *Long-term management of power generation facilities, pipeline and utility systems*
- *Technical and industrial project development, construction, start-up, and operation*
- *Project feasibility assessment, capital financing, and management consultancy*
- *Commodity hedge management and contracting*
- *Energy auditing, process optimization, cost of service and tariff analysis*

Achievements

- *Capital planning, design, construction and timely start-up of the 16" GVEA ARC residual pipeline*
- *Development and implementation of tariff for the GVEA pipeline systems*
- *Capital planning, design, construction and timely start-up of the 8" PSI crude and ARC residual pipelines*
- *Development of 6.5 year hedge instrument program for power plant fuel feed-stocks at $14.32/Bbl resulting in $165MM in accumulated savings to Clients*
- *Negotiated consolidated connection & operating agreement between Alyeska Pipeline Service Company and GVEA Pipeline Division*
- *Successful completion of numerous power plant overhaul, re-powering, optimization, and green-field projects*

Alexander S. Gajdos

Mr. Gajdos is currently a managing partner of Energia Cura LLC providing services to industry as identified on Energia Cura's website page (attached). Prior to forming this company, he managed 201 Megawatts of power generation capacity and a pipeline transportation system located in Fairbanks, Alaska for Golden Valley Electric Association, Inc. with movements comprising approximately 30% of total flows running through the Trans-Alaska Pipeline System:

- 84,000,000 Bbls/year of ANS Crude Oil
- 58,000,000 Bbls/year of ARC residual oil

Power generation facilities previously managed by Mr. Gajdos include the following power plants:

- The 126 MW North Pole Combustion Turbine Power Plant
- The 32 MW Zehnder Combustion Turbine Plant
- The 32 MW Chena-6 Combustion Turbine & Diesel Plant

Before joining GVEA in 1990, Mr. Gajdos worked for RCA and GE for approximately 14 years. Mr. Gajdos was involved in developing business proposals to provide technical services to the US Department of Defense, US Joint Chiefs of Staff, and the US Air Force. Subsequent to successful award of these projects, Mr. Gajdos shared management responsibilities with project staff and was responsible for increasing revenues by developing and executing a severable work order program on a shared-savings basis. Some of his other endeavors include:

Project Experience

- Prime and General Contractor: PSI crude and residuum pipelines including the PSI Pigging and Metering Facilities.
- Project Manager: GVEA North Pole units # 1 and # 2 MS7001BR overhauls and regenerator retrofits in North Pole, Alaska.
- Project Manager: Negotiated the purchase and managed the rebuild and installation of Garrett regenerators at the GVEA North Pole Power Plant.
- Project Manager: Development, filing, and implementation of tariff for the GVEA pipeline systems and custody transfer facilities.
- Project Manager: Negotiated a Consolidated Connection & Operating Agreement for the North Pole Metering Facilities (between Alyeska Pipeline Service Co. and GVEA).
- Project Manager: Capital planning, finance, design, construction and start-up of the 16" GVEA ARC residual pipeline system.
- Project Manager: Capital planning, finance, design, construction, and start-up of the GVEA interconnection and pigging facilities.
- Project Manager: Construction and operation of various minimum attended radar facilities for the USDOD located in the Alaskan Bush.
- Owner Representative: Performed owner's due diligence on the construction of the TAPS North Pole Metering Custody Transfer Facility and GVEA's LM6000 combined cycle, naphtha-fired power plant.

ENERGIA CURA
Thomas R. Chapman

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Suite 134
Fairbanks, Alaska 99709

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Cell: (907) 322-0202
Email: tchapman@energiacura.com

Thomas R. Chapman

Experience

- *25+ Years industrial process measurements and control.*
- *Energia Cura Owner/Partner, Industrial Instrumentation and Automation Specialists*
- *System Integration including control, communications & automation with a variety of legacy & contemporary instrumentation & controls*
- *Pipeline Leak Detection Systems – design, installation and operations*
- *Custody Transfer oil measurements, meter proving, pipeline terminal and rack loading*
- *Refinery plant balances, oil movements & storage, automated data reporting*
- *Direct digital process control, communications, and data acquisition systems*

Education

- *Tulane University, 1970*
- *B.A. Economics*
- *Minor: Math & Physics*

Achievements

- *Instrumentation instructor, Process Technology, Tanana Valley Community College*
- *Published technical papers with American Association for the Advancement of Science*

Measurement, Controls, Communications and Automation Technology

Mr. Chapman is currently an owner/partner of Energia Cura, LLC, principally responsible for the engineering & technical aspects of industrial process measurements and controls, metrology, instrumentation, and automation.

From 1996 through 2005, Mr. Chapman was the owner and sole proprietor of K&C Associates, specializing in industrial instrumentation for process control, flow measurement, automation and leak detection systems. Experience includes a variety of consulting and technical work for major oil producers, Alyeska, local refiners, GVEA, and local commercial companies in Fairbanks.

Mr. Chapman was employed by Alyeska Pipeline Company from 1981 through 1996, working at all TAPS facilities from Prudhoe Bay to Valdez. His many areas of expertise include process control, power generation and distribution, topping unit O&M, rack and marine terminal loading, oil movements and storage, and oil measurements for process control and custody transfer. Tom was responsible for a number of cost saving improvements, upgraded metering and control systems, and developed a reputation for his knowledge of custody transfer meter systems.

From 1976 – 1981 Mr. Chapman was employed by the Institute of Marine Science at the University of Alaska, Fairbanks. Prior to this, Mr. Chapman was employed by NOAA aboard a hydrographic survey ship working the Gulf of Alaska and Bering Sea.

Mr. Chapman also is an adjunct instructor with the *'Process Technology Program'* at the University of Alaska, Fairbanks, where he teaches industrial process instrumentation, measurements, control, and automation.

Project Experience

- Developed the control system communications architecture and graphic interface panels for a 60MW cogeneration facility in Fairbanks, Alaska. Also provided engineering and technical support during project design, as well as startup and initial plant O&M support. Responsibility included logic development and PLC network communications.
- Designed & developed graphic interface panels (HMI) for upgrades to BP crude oil measurement skids at Flow Station 2 and Endicott facilities in the Prudhoe Bay oil fields. Responsibility includes communications interface testing and development with the latest Emerson flow measurement equipment and software drivers.

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Thomas R. Chapman

Measurement, Controls, Communications and Automation Technology

Project Experience (cont.)

- Contributed to design, development, implementation and startup of instrumentation and controls for Forest Oils crude oil and gas production facilities in Cook Inlet, Alaska. Areas of responsibility included a new off-shore platform (Osprey), heater/treater facilities at Kustatan & West Mac, and the interface with other producers at the Trading Bay facilities.
- Designed and installed a pipeline leak detection system, for the GVEA pipelines carrying crude and return oil between the local refineries and Alyeska TAPS.
- Designed and installed an automated fuel accounting and reporting system for public utility power generation facilities with 0.5% accuracy of daily accountable balances in excess of 200,000 gallons.
- Provide independent third-party oversight of crude oil custody transfer measurements and meter proving for Alyeska Pipeline, GVEA, and local Fairbanks refineries.
- Design and technical support for refinery meter integrity and security of product load rack facilities, including automation of product load report summaries and refinery material balances.
- Designed and managed the installation of the first digital controllers for TAPS pump stations, which was used as a template for upgrading all other active pump station control systems.
- Design and install the first automated, PLC controlled, potable water dispensing system, open 24/7 to the general public, for water distribution in Fairbanks.

Fairbanks Daily News Miner
August 26, 2010

print

Fairbanks company announces another open season for gas pipeline

by dermotcole
08.26.10 - 04:07 pm

The latest twist to the gas pipeline saga is an announcement today from Energia Cura of Fairbanks for an open season to see if there is enough demand to justify a "small bore" private natural gas pipeline that would supply communities between Prudhoe Bay and Eielson Air Force Base by 2014.

The Energia Cura webiste says the company has completed a variety of projects in the Fairbanks area, including power plant and pipeline work at North Pole. The company points to studies that show that there is potential for developing a project before either a bullet line to Southcentral or a large-diameter pipeline to Canada.

The principal partners of the company are Alexander Gajdos and Thomas Chapman.

Here is the press release from the company:

Energia Cura, a Fairbanks-based energy services and consulting company, announced today that it notified State Officials on August 18th of plans to advance Fairbanks Pipeline Company's efforts to provide affordable natural gas to Interior Alaska communities located between Prudhoe Bay and Eielson Air Force Base by 2014. The non-binding open season, administered by Energia Cura, starts today and lasts until Friday, October 1, 2010. The results of this initial inquiry will determine the future direction of the Fairbanks Pipeline Company's proposed small-bore, fit for purpose pipeline project.

FPC officials stated that this private line is the most expedient option yet identified for universally lowering the Interior's cost of electrical power, LNG sourced natural gas, and heating oil. They point out that this project's supply of affordable fuel to companies such as Golden Valley Electric Association, Fairbanks Natural Gas, and local refineries will save Interior enterprises and consumers close to $1.72 billion over the next twenty years. FPC officials stress that participation by all Interior communities is necessary to make this project a reality.

Company officials also state that FPC's project does not aim to compete with any of the larger pipelines now under consideration. The proposed small-bore gas

Fairbanks Daily News Miner
September 3, 2010

Another Alaska natural gas pipeline idea is pondered
by Christopher Eshleman/ceshleman@newsminer.com
09.03.10 - 12:13 am
FAIRBANKS — A Fairbanks company is gauging interest in a plan to connect to North Slope natural gas fields with a 10-inch diameter buried pipe. Energia Cura is soliciting input from potential customers under a nonbinding "open season" process that opened last week.

Co-owner Alex Gajdos said the firm's owners have been studying the idea for a decade and think a pipeline could be built for about $500 million within four years, provided the plan clears various hurdles.

Gajdos, a former employee for both Golden Valley Electric Association and the Regulatory Commission of Alaska, said the pipeline would be smaller and cheaper than alternatives being considered by state officials and major energy companies. He said a line carrying at least 12 billion cubic feet of gas annually — more than 10 times Fairbanks' current consumption — would avoid the need for multibillion-dollar investments to reach Anchorage.

A bullet pipeline plan drew favor with many state lawmakers last spring. But Gajdos said he expects natural gas prices to remain low, Cook Inlet gas development to increase and Anchorage to seek supplies closer to home. That would leave Fairbanks searching for energy options.

The proposed line would hug the Dalton and Elliott highways to Livengood, where a major gold mine is planned, to the northern edge of Fairbanks. Gajdos said it would then branch toward large customers such as power plants, oil refineries and military bases.

Gajdos and partner Tom Chapman wrote to state officials last month asking for help, as the line would require access to hundreds of miles of state highway rights of way. The company would offer the state a small slice of ownership interest in exchange. Gajdos estimates natural gas could reach the Fairbanks area at a wholesale price of about $10 per thousand cubic feet, less than half the retail price now, under conservative volume estimates.

Gajdos said state agencies have offered limited feedback but said potential investors appear interested. He said he's surprised no one's shopped his idea before. But he acknowledged the potential hurdles inherent in such a plan — a "squeeze play," as he puts it, given physical and economic constraints — and said he hopes policymakers will appreciate and support the plan's simplicity.

Gajdos said an eventual builder-owner could offer equity ownership to private investors

and also could consider options such as traditional financing and public ownership. He estimates a pipeline would represent, largely through reduced energy costs, at least a $1.72 billion value to the Fairbanks area across 20 years.

Gajdos acknowledged plenty of questions remain in the plan. The builder might not be interested in getting into the utility business, he said, which means questions about local distribution are unresolved. He said it remains unanswered whether a dedicated gas treatment plant would be needed on the North Slope. But Gajdos said he and Chapman have sunk personal savings into the plan and think it represents Fairbanks' best short-term energy option.

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Petroleum News

September 5, 2010

Petroleum News – Vol 15 No 36 Week of September 05, 2010

New effort to get gas to Interior led by Energia Cura of Fairbanks

After studying how to get reasonably priced energy to Alaska's Interior for 10 years, Fairbanks-based Energia Cura thinks there may now be enough demand to justify a small-bore, high-pressure gas line from the North Slope to the Fairbanks area.

The firm began a nonbinding open season Aug. 26 to see if there is enough interest to justify moving forward. The estimated annual volume for the line would be 12 billion cubic feet, some 33 million cubic feet per day. (The interstate projects proposed by Denali and TransCanada are based on volumes of about 4.5 billion cubic feet a day, an annual volume of some 1.6 trillion cubic feet.)

The Energia Cura nonbinding open season is being done on behalf of Fairbanks Pipeline Co.

Principles of both Energia Cura and Fairbanks Pipeline Co. are Alexander Gajdos and Thomas Chapman.

Operational by 2014

The issue Energia Cura is addressing is the cost differential Interior residents pay for energy, and the fact that large new enterprises proposed for the Interior face "significant, if not insurmountable barriers to entry" based on the cost of fuel, and uncertainty about fuel future availability, Gajdos said in a letter addressed to state and federal officials.

Another issue is timing: The FPC line could be operational by 2014, compared to 2026 at the earliest for an interstate line.

Energia Cura expects the current supply-demand imbalance in the natural gas market to continue for the next six and a half to 10 years and believes it will be 16 to 20 years before an interstate Alaska North Slope natural gas pipeline project makes natural gas available to Interior Alaska, Gajdos said.

In that time, Interior residents will spend "at least an additional $1.5 billion in avoidable outlays" for higher energy costs — and that's if an interstate line is operational by 2026 — it could be 2030 or later, he said.

The FPC project does not intend to compete with an interstate gas project or with a bullet line to Southcentral.

The intention, Gajdos said, is "to deliver affordable gas to Interior consumers and to the builders of the interstate systems until such point in time as they are placed in service." He said the intent is to design the FPC project to have residual value once a major line is in place.

If the North Slope to Cook Inlet bullet line is completed by 2020, "FPC will have already aggregated major Interior load increments into working service through its primary and secondary transmission segments" and FPC could interconnect north of Livengood with a gas line to Southcentral, Gajdos said.

But Gajdos questioned whether a line to Southcentral will actually be built.

Recent studies have indicated there may be large volumes of natural gas yet to be developed in Cook Inlet, he said, and with the last of the old gas sale contracts based on a stranded market set to expire at the end of this year, higher gas rates in recent contracts and state incentives for Cook Inlet development, "required investments will soon emerge" for additional drilling in the basin.

Interest in project

Gajdos said informal discussions with parties having a potential interest in a line from the North Slope to the Interior even raised the issue of whether the proposal to limit the line's "gas transmission capacity to match tangible and incontrovertible interest" was a wise one.

He said Energia Cura has run hydraulic simulations and done cost of service evaluations over the last decade and those studies have all shown that the project needs to be "precisely regimented to size FPC's delivery infrastructure to meet existing and/or guaranteed future demand" aggregating to "a specific minimum annual throughput."

If sufficient volumes are identified in the nonbinding open season, "FPC's fit-for-purpose approach will prove to be the most expedient and economic means for curtailing avoidable $1.5 billion in future outlays by Interior consumers to meet their challenging sub-arctic energy requirements."

"These sums," Gajdos said, "are far in excess of the installation capital and operating costs associated with FTP's proposed transmission systems."

The line pipe will be specified at higher pressure ratings than required for initial gas operations in order to accommodate modest growth with increased compression, he said.

Firms seeking investment opportunities have indicated they are interested in building segments of the pipeline in exchange for equity in the line, with four Alaska pipeline construction firms exploring in-kind or direct equity participation.

The proposal being discussed would have the firms build segments ranging from 112 to 150 miles, with overall construction management under a single firm.

Gajdos said that following closure of the nonbinding open season Oct. 1, and after FPC completes integrated hydraulic and cost of service simulations, the firm will approach the state for in-kind contributions including provision of Lidar data and right-of-way assignments adjacent to the state's Dalton and Elliott highway corridors.

In exchange, the state would be offered an equity position of 7.2 percent based on an industry average cost of right-of-way development.

(See part 2 of this story in the Sept. 12 issue of Petroleum News.)

—Kristen Nelson

Petroleum News
September 12, 2010

Vol. 15, No. 37 Week of September 12, 2010
Providing coverage of Alaska and northern Canada's oil and gas industry

Energia Cura proposing 10-inch main line

High-pressure line would run from Prudhoe Bay to Fox; high-pressure coiled tubing lines would connect to major load centers

Kristen Nelson

Petroleum News

Energia Cura, on behalf of Fairbanks Pipeline Co., began a nonbinding open season Aug. 26 to determine interest in a small-bore natural gas pipeline from the North Slope to Interior Alaska (see story in Sept. 5 issue of Petroleum News).

The company said its hydraulic simulations are based on a 443-mile 10-inch high-pressure line beginning near Pump Station 1 on the North Slope and ending in Fox, with an annual delivery of 12 billion cubic feet, less out-takes at connection points.

In its open season package Energia Cura noted a lack of distribution feeders to Interior Alaska's major load centers, indicated on a map as Fairbanks, Golden Valley Electric Association, Eielson Air Force Base, the North Pole refinery and Fort Wainwright.

The local natural gas utility, Fairbanks Natural Gas, delivers less than 1 bcf a year of re-gasified liquefied natural gas to residential and commercial customers using a 60-mile, low-pressure, plastic-pipe network.

Energia Cura said the Fairbanks Natural Gas system is capable of servicing residential and commercial loads, but "does not reach, nor can it handle the delivery volumes and pressures required to serve the Interior's major load centers."

The company plans to install high-pressure, coiled tubing feeder lines from its primary segments to service the Interior's industrial load centers, which could include points north of the Fox terminus, "depending on the best routes selected to connect the Interior's most significant load centers."

$500 million

Energia Cura partner Alex Gajdos said in a Sept. 8 release that the cost of the 10-inch line is estimated at $500 million and is projected to save Interior communities and businesses at least $1.72 billion in energy costs (electric, fuel oil and natural gas purchases) over 20 years.

The secondary transmission network of 5-inch high-pressure coiled tubing flowlines would have "moderate and discrete costs of service" based on the short distances needed to connect the Interior's

major load centers and FNG to the primary transmission segment.

Energia Cura said hydraulic and economic simulations project a price for transportation plus gas will be less than $10 per thousand cubic feet at the Fox terminus, based on 12 bcf per year, half of what is now paid by major load centers in the Interior and less than half of the $24 per thousand cubic feet residential rate for Fairbanks Natural Gas' LNG-sourced gas.

The base case for Fairbanks Pipeline Co. was completed after Energia Cura conducted a power evaluation study for a new gold mine proposed in Livengood, a mine with a prospective load of 2.8 bcf per year.

If volumes greater than 12 bcf a year were nominated in the nonbinding open season, the throughput cost would be lower; smaller quantities would result in a higher throughput cost.

Gas conditioning

Asked about gas conditioning, Gajdos told Petroleum News in an e-mail that one option would be to treat gas on the North Slope, return the 12 percent carbon dioxide content of the gas for sequestration and install compression.

Or, raw gas could be moved using existing 4,000 pounds per-square-inch discharge pressure, which would require no compression to be built.

He said that less than 10 percent of the targeted load centers require specification grade gas. Other uses — gas turbines, large furnaces and boilers, etc. — could use raw gas effectively, reducing the size of the gas treatment facility and allowing its construction near the terminus at Fox, avoiding North Slope construction costs.

The downside is that 12 percent of transmission capacity would be lost because CO2 would come down the line, and the ability to sequester that gas on the North Slope would be lost.

A treatment facility near Fox to treat only the 1 bcf per year used by Fairbanks Natural Gas for residential and commercial customers would mean that the 12 percent CO2 content of the gas would be released into the atmosphere, Gajdos said, either at the treatment plant or at the point of combustion for untreated gas, still "a vast improvement over the Interior's current rate of emissions resulting from its fixation on coal and distillates."

The 12 percent loss of capacity would also result in "significant impacts to our final cost of service."

Since volumes are small compared to the proposed interstate lines and the bullet line, smaller, more cost-effective, modular gas treatment equipment could be used than would be possible for the high-volume projects.

While treating gas on the North Slope would cost more, neither option is a deal buster, Gajdos said.

Because of the cost involved in evaluating the two treatment options fully they will not be evaluated until the conclusion of the nonbinding open season, but Gajdos said the evaluation of those costs "is highly prioritized and properly sequenced into our forthcoming and final hydraulic/economic simulations."

Alaska Journal of Commerce
Web posted September 23, 2010

Fairbanks firm pushes lower-cost gas pipeline to Interior city

By Tim Bradner
Alaska Journal of Commerce

A small Fairbanks energy services and consulting company has launched a bid to build a $500 million, 10-inch natural gas pipeline from the North Slope to the Interior Alaska city.

Alex Gajdos, a partner in Energia Cura, said the pipeline could be in operation as early as 2014 and could deliver North Slope gas to a junction with local gas distribution lines for $10 per million cubic feet or less, including transmission and purchase of the gas.

Gajdos said that is about half what Interior residents pay for heating oil or natural gas now delivered as liquid natural gas by truck from Southcentral Alaska. He believes the project could be competitive with a 24-inch bullet gas pipeline being planned by a state corporation.

However, if a large-diameter pipeline from the North Slope to the Lower 48 proceeds, Energia Cura's would provide Fairbanks-area distribution lines that could deliver gas to major load centers, such as Golden Valley Electric Association's oil-fired power plant and the Flint Hills and Petro Star refineries in North Pole, or the existing small residential gas distribution system now owned by Fairbanks Natural Gas.

Energia Cura currently manages the 16-inch crude oil pipeline that delivers oil from the Trans-Alaska Pipeline System to GVEA's power plant and the refineries. It also does power plant consulting work, including the Fort Wainwright power plant owned and operated by Doyon Utilities, a private firm.

Gajdos worked previously for GVEA and General Electric Corp. With GVEA, he was project manager for construction of the pipeline that connects TAPS to the power plant and refineries.

Chapman was previously with Alyeska Pipeline Service Co. and the University of Alaska's Geophysical Institute.

Energia Cura's partners have been mulling the idea for a small-scale pipeline since 2006, Gajdos said. The effort went into high gear in July, when the company completed a study of energy options for a new gold mine being developed by International Tower Hills in Livengood, north of Fairbanks.

Energy options for the mine other than gas aren't that appealing. GVEA's electrical system could be extended north to Livengood, but with the energy situation as it is in the Interior, the utility may be pressed to meet new demand from the mine. Trucking diesel fuel up the Elliot Highway from Fairbanks for on-site power generation isn't an attractive option either.

However, the mine would be located on the route of the pipeline and would be a major customer.

Gajdos said his company's plan envisions no state subsidy, but he has made an offer to the state to take an equity position in the project in return for allowing the pipeline to be buried alongside the state-owned Dalton Highway from the North Slope. Building pipelines parallel to roads is common in Canada, and would reduce the capital cost of the 10-inch pipeline by about 7 percent, Gajdos said.

The state also would have to grant permission for the pipeline to use the Yukon River bridge on the Dalton Highway, but this is true for any of the proposed pipeline projects.

Gajdos said the company is also hoping to negotiate an arrangement with North Slope producers to tie the pipeline into the central gas facility in Prudhoe Bay, where gas is now extracted from crude oil and processed, thereby avoiding much of the cost of building a separate gas treatment plant.

"Our concept is that we will do this step-by-step rather than all at once with a 24-inch pipeline built to Anchorage" from the Slope, Gajdos said.

There isn't enough gas demand in Southcentral Alaska to justify the 24-inch line, which could cost from $6 billion to $12 billion to build. The existing utility demand in the Anchorage area can use only about half of the gas delivered though the 24-inch pipeline.

Cook Inlet also has existing gas production and although fields there are declining, the entry of major new industry players like Apache Corp. indicate that the industry believes the region has potential for new discoveries.

However, a low-cost smaller-diameter pipeline like that proposed by Energia Cura could serve a market of 12 billion cubic feet per day that has been identified in the Fairbanks area, Gajdos said.

By displacing higher-cost heating oil or trucked LNG, the project could save Interior consumers $1.7 billion in energy costs over 20 years, Gajdos said.

Once completed to the Fairbanks area, an extension could be built to serve other parts of the state, even the Donlin Creek gold project on the middle Kuskokwim River. The Donlin Creek partners, Barrick Gold and NovaGold Resources, are now studying a 320-mile, 12-inch gas pipeline from Cook Inlet to the mine, which would like to use gas to power mining operations.

The idea of building the pipeline from Fairbanks instead isn't far-fetched, Gajdos said.

"It's only 60 miles farther, and there are no mountain ranges to cross," unlike the route from the Anchorage area, he said.

Energia Cura would not be involved in a pipeline extension to Donlin Creek, however. That would be a separate project developed and owned by others.

In concept, the 10-inch pipeline could be extended to Southcentral Alaska, Gajdos said, but a more practical first step would be to generate power with gas in Fairbanks and send surplus power to Southcentral utilities down the existing electric intertie. The intertie is used to send surplus power from Southcentral north to Fairbanks, but with the declining gas reserves in southern Alaska, there has been little to share.

Except for power shipped north by GVEA's coal plant in Healy, the intertie is not currently in use.

Sending electricity from Interior to Southcentral Alaska would allow the remaining Cook Inlet gas reserves to be used for residential and commercial space heating.

Fairbanks Daily News Miner
October 18, 2010

Fairbanks firm says there's high interest for it to build a gas pipeline

by Christopher Eshleman / ceshleman@newsminer.com

Oct 18, 2010 | 2020 views | 25 | 6

FAIRBANKS — A Fairbanks firm says it's received strong interest as it looks to pipe natural gas from the North Slope to Fairbanks.

The company, Energia Cura, said Friday a market review gauging demand for natural gas from major energy consumers suggests demand could exceed 15 billion cubic feet per year.

That would represent an exponential increase in Fairbanks' natural gas supply.

Energia Cura co-owner Alex Gajdos said the review justifies a second stage, where the firm would re-run economic models and prepare to solicit estimates from design and construction firms.

The proposal, a buried pipe between the North Slope's vast gas fields and the greater Fairbanks area, would aim to feed major customers — power utilities, military bases or retail distributors, for example — who would also, under the firm's plan, hold equity in a line.

Gajdos said the company has contacted lawmakers to help review the prospect of working with state agencies to address permitting and right of way questions.

"The message were sending here is that the best value to Alaskans for Alaska North Slope gas monetization is to keep it in state," Gajdos said Monday.

The firm's proposed line would hug the Dalton and Elliott highways to Livengood, where a major gold mine is planned, and then reach toward the northern edge of Fairbanks or to North Pole.

Petroleum News

November 7, 2010

Energia Cura says larger line possible

Company proposing small-bore natural gas line from North Slope to Interior says expanded line could allow for gas to Cook Inlet

Kristen Nelson

Petroleum News

Energia Cura believes its proposed 10-inch small-bore natural gas pipeline from Alaska's North Slope should be expanded to 18 inches and a flange provided at Livengood which would allow gas to be moved to Southcentral.

Beyond the flange, the line would drop down to 10 inches to serve Interior needs.

In an Oct. 28 letter to the Alaska Gasline Development Corp., Alexander Gajdos, a principal with Energia Cura, said expansion of the company's proposed line could be done "at a much lower capital cost" than building a 24-inch line from the North Slope to Cook Inlet.

A 24-inch bullet line from the North Slope to Southcentral is the project AGDC is working. The project team was established by the Alaska Legislature with House Bill 369 earlier this year work up a plan for an in-state natural gas pipeline. AGDC will present that project plan to the Legislature by July 1, defining a preferred reliable source of energy for Southcentral and Interior Alaska, with a startup date by the end of 2015.

Energia Cura is proposing a line just to Interior Alaska. It held a nonbinding open season and said after the open season closed in mid-October that it had received nominations in excess of 12 billion cubic feet per year (some 33

million cubic feet per day). The company said a volume of 12 bcf a year would allow it "to deliver natural gas to the Interior at less than half its current cost."

In excess of 19 bcf per year

Gajdos said in the letter to AGDC that to date Energia Cura has received nominations in excess of 19 bcf a year, or more than 52 million cubic feet per day.

He told AGDC that increasing the diameter of the small-bore line from 10 inches to 18 inches provides capacity to supply all Cook Inlet requirements for at least the next 25 years.

And the company's business model does not require state subsidies, he said.

Gajdos said that whether the state subsidizes Alaska North Slope natural gas or a pipeline to Cook Inlet markets, the state's "attainable retained wealth from development and sales of both CI and ANS gas will be compromised." He said the cost of a bullet line, recovered in tariffs, "will both drive gas prices well beyond those now set in current wholesale contracts and reduce the State's net benefit from extraction and sales of these resources"; he also said the proposed 24-inch diameter for the bullet line would be some 70 percent excess capacity over current Cook Inlet demands.

Third-generation GTL

Gajdos said third-generation gas-to-liquids technologies, such as those Royal Dutch Shell is using at its Pearl GTL plant in Qatar, may allow North Slope natural gas to be exported as liquids within the next decade.

"If the Pearl GTL plant confirms Shell's commercial assumptions that inspired its huge capital investment within the next five years, another decade and a half will most likely follow before a similar or more evolved plant can be made operational on Alaska's North Slope," Gajdos said.

The capital requirements for such a plant would be significant, he said, and the Shell plant is not estimated to begin operation until 2012.

But, he said, if a GTL plant could move North Slope natural gas to market as liquids, it would be at premium crude prices "where the energy in crude trades for 2.5 times the energy in gas today."

Gajdos said that third-generation GTL technology, like shale gas, "has the power to instigate another paradigm shift in natural gas economies."

Another perspective

Another perspective comes from David Gottstein, who told AGDC in a letter dated July that "any pipeline project is largely a combination of economics, logistics, finance and politics."

With Southcentral running out of natural gas, he said the alternatives are waiting for the producers to build a gas pipeline — and importing liquefied natural gas in the short term — or "deciding to build an incredibly inefficient bullet or narrow gauge gas pipeline that will saddle Alaskans with high energy costs for decades. While at the same time severely handicapping the prospects for an export project."

Gottstein recommended that the state invest enough money to get natural gas to an Interior hub in a large-diameter line. Oil and gas companies have to wait until they can fill a line before they commit to build, and he projects — based on uncertainty about both pricing and demand — that it could be five to 10 years before companies would actually fund a project.

The State of Alaska, he said, is the only entity in a position to invest money (specifically, "the $3 billion extra it would take to increase the size of a pipe from the North Slope to the Interior suitable for export capacity"), because the state makes most of its money from selling the resource rather than transporting it.

Petroleum News
January 2, 2011

Vol. 16, No. 1 **Week of January 02, 2011**
Providing coverage of Alaska and northern Canada's oil and gas industry

Energia Cura looking to buy Slope gas

Company behind Fairbanks Pipeline Co. project would negotiate with producers to purchase gas; also wants contract for processing

Kristen Nelson

Petroleum News

Of the various projects to move North Slope natural gas to consumers, Energia Cura's Fairbanks Pipeline Co. would be the first, with startup pegged for mid-2014.

This small-bore high-pressure line would run from the North Slope to North Pole in Interior Alaska, and estimates from the ongoing nonbinding open season suggest that the annual volume could exceed 19 billion cubic feet, some 53 million cubic feet per day.

Alex Gajdos and Thomas Chapman of Energia Cura are behind the project and are funding development work.

The goal is to bring affordable energy to Interior Alaska, and to do it with an Alaska-based company, thus keeping value from the project in the state, Gajdos told Petroleum News in a Dec. 14 interview.

The project was originally pegged at a 10-inch line, but when expressions of interest for gas from the line rose from some 12 bcf a year to 19 bcf a year in the continuing nonbinding open season, the line diameter was increased to 12 inches. The 10-inch line was almost precisely scaled to 12 bcf a year, Gajdos said, so the increase to 19 bcf was good news.

While going from 10 inches to 12 inches increases the capital cost for the pipe roughly 32 percent, he said, it increases the capacity 62 to 63 percent. The nonbinding open season has been extended, and Gajdos said Energia Cura is working with the state's congressional delegation to have Eielson Air Force Base at least look at using North

Slope natural gas.

Market the issue

With the Alaska Gasline Development Corp. looking at a bullet line from the North Slope to Southcentral, Energia Cura has proposed increasing the size of the line from the North Slope to Livengood to 18 inches, with a 10-inch line to North Pole running along the Elliott and Richardson highways.

Gajdos said while AGDC is proposing a 24-inch line from the North Slope, that project has to find large industrial users to justify the line.

An 18-inch line would be more than adequate for Cook Inlet's needs well into the future, he said.

With that 18-inch line installed as far as the Interior, with a flange, and combined with price collars established in a recent Cook Inlet gas contract, known costs to move natural gas from the North Slope to Cook Inlet and an established line running as far as Livengood, Southcentral Alaska can wait and watch, Gajdos said.

If there is upward pressure on the price ceiling for natural gas in Southcentral, costs to build the line from the Interior to Cook Inlet can be updated and the line to Cook Inlet could be built if justified.

Working with producers

Gajdos said he has begun talks with the North Slope's major producers about selling gas to the project, which would offer a bundled package of gas and transportation.

The cost of service is essentially what others call a tariff, he said, and includes the capital cost (the pipe) and the operating cost; the bundled cost would also include the gas.

"For a bundled service, which includes the commodity delivered to the curb, you have to include the gas," Gajdos said.

Energia Cura has had preliminary meetings with all of the majors, he said. The company proposes to buy natural gas and also wants the producers to provide compression and treatment facilities and recapture their investment for those services, and required margins, through commodity sales.

It would cost about the same for Fairbanks Pipeline Co. to build the North Slope facilities, but operation and maintenance on the North Slope would be very costly for FPC, while the North Slope producers could leverage their existing facilities and personnel to operate and maintain the compression and treatment facilities, Gajdos

said.

The capital cost for the pipeline portion of the project is about $716 million, he said.

A GTL future for North Slope gas?

Gajdos said he's been following with great interest the gas-to-liquids plant Shell is building in Qatar, a third-generation Fischer-Tropsch facility.

"This plant will be a major, major step forward" in commercial opportunities for GTL, he said.

And if the numbers are correct for Shell's Pearl plant — which should be known fairly soon as the plant goes into operation in 2012 — then "a small GTL plant up north … could defeat any of these other plans (for major gas pipelines)," Gajdos said.

GTL takes gas out of the gas economy because GTL is a liquid, increasing its value.

And it doesn't require infrastructure to transport it to tidewater or to the Canadian border — it makes use of the existing trans-Alaska oil pipeline, he said.

GTL would be injected into the line, along with the crude oil, and would increase the volume of middle cuts such as gasoline and fuel oil, which have the highest value, enhancing the overall value of the liquid moved through the line.

Fairbanks Daily News Miner
February 2, 2011

Local pipeline firm says it hasn't heard back from governor

by dermotcole
Dermot Cole
Feb 02, 2011 | 639 views | 6 | | 6 | | permalink

Energia Cura has named its proposed North Slope to Fairbanks pipeline the "Arctic Fox Pipeline," saying its is small, smart and quick, like the animal of the same name.

The Fairbanks Pipeline Company hopes to gets its pipeline running in three years and supply GVEA, mines, military bases and Fairbanks Natural Gas.

In a press release today, the company said it has presented details of the project to the governor's office, asking for a "due diligence review" as soon as possible.

"FPC has cautioned the Governor that delays in a natural gas pipeline will burden Alaskans, particularly Interior Alaskans, with continued unnecessary spending on high priced energy," the company said. "A response from the Governor's Office is still pending."

"We have substantiated the viability and profitability of an all-Alaska natural gas pipeline and we openly invite the public and our public officials to review our feasibility study and economic analysis," said Alex Gajdos, FPC co-founder. "We want our public officials to see that that there is a valid alternative to waiting for a big pipe. We can move gas to Alaskans now and prosper by owning the pipeline ourselves. We can get gas to Alaskans now."

Fairbanks Daily News Miner
Dermot Cole
February 3, 2011

PIPELINE PLAN: Energia Cura has named its proposed North Slope to Fairbanks pipeline the "Arctic Fox Pipeline," saying it is small, smart and quick, like the animal of the same name.

The Fairbanks Pipeline Company hopes to gets its pipeline running in three years and supply GVEA, mines, military bases and Fairbanks Natural Gas.

In a press release Wednesday, the company stated it has presented details of the project to the governor's office, asking for a "due diligence review" as soon as possible.

"FPC has cautioned the governor that delays in a natural gas pipeline will burden Alaskans, particularly Interior Alaskans, with continued unnecessary spending on high priced energy," the company stated. "A response from the governor's office is still pending."

"We have substantiated the viability and profitability of an all-Alaska natural gas pipeline and we openly invite the public and our public officials to review our feasibility study and economic analysis," said Alex Gajdos, FPC co-founder.

Petroleum News
February 6, 2011

Vol. 16, No. 6 **Week of February 06, 2011**
Providing coverage of Alaska and northern Canada's oil and gas industry

Energia Cura names pipeline Arctic Fox

A proposed small gas pipeline from Alaska's North Slope to the state's Interior now has a name: The Arctic Fox Pipeline.

Energia Cura, a Fairbanks-based energy consulting firm and parent to Fairbanks Pipeline Co., said in a Feb. 2 statement that the line was named after Congressman Don Young, R-Alaska, commented that the proposed line would be small, smart and quick.

Energia Cura met with Young Dec. 27 to discuss the value of the line, which would be a small-diameter high-pressure line moving volumes of gas justified for Interior markets.

Energia Cura said it has also met with Mike Nizich, chief of staff to Gov. Sean Parnell, to reiterate a request for a due diligence review of the project and continues to meet with Alaska leaders and others in the industry.

"We have substantiated the viability and profitability of an all-Alaska natural gas pipeline and we openly invite the public and our public officials to review our feasibility study and economic analysis," said Alex Gajdos, FPC co-founder. "We want our public officials to see that that there is a valid alternative to waiting for a big pipe. We can move gas to Alaskans now and prosper by owning the pipeline ourselves. We can get gas to Alaskans now."

FPC said it will continue to provide its documents to interested parties and will continue to post detailed updates on the firm's website, www.fairbankspipelinecompany.com.

Energia Cura has constructed pipelines in Alaska and operates and maintains a pipeline system connecting the trans-Alaska pipeline system to both North Pole refineries.

—Petroleum News

2/14/11 PRESENTATION: ENERGIA CURA

<TARGET><BILL></BILL><SUBJECT>2-14-11 PRESENTATION ENERGIA CURA</SUBJECT><COMM>SRES27</COMM></TARGET>

ENERGIA CURA
5904 Old Airport Way, Suite 134, Fairbanks, Alaska 99709 - 907-452-3466

Fairbanks Pipeline Company

Fairbanks Pipeline Company (FPC) is developing a fit-for-purpose natural gas pipeline system to deliver affordable gas from Prudhoe Bay to Interior Alaska. Its project development approach is market-based. *The size and operating pressure* of its pipeline will be economically designed to transport known gas volumes to Alaskan load centers such as Golden Valley Electric Association, Fairbanks Natural Gas, mines and Military bases contracted over a twenty-year term. FPC's pipeline system will begin operation in 2014.

FPC's pipeline does not have to wait for global and domestic gas prices to increase four-fold to become viable. Gas pipelines in the common lower-48 markets are typically installed in markets where the prices of competing gas supply sources vary by 1% to 5%. This long overdue Alaskan project will reduce current Alaskan wholesale energy prices by close to 50%. This unarguably demonstrates its project feasibility as well as its socio-economic benefits.

Project Funding

FPC's gas pipeline is not receiving State or Federal subsidies. Instead, Energia Cura's principle partners are underwriting the cost of its development. The partners' intent for funding this project's development is to expediently reduce energy costs by 50% and to contain the wealth generated from these savings within the state. Energia Cura is a consultancy headquartered in Fairbanks, Alaska providing a range of services and products to the power, oil & gas and mining industries. It currently operates and maintains Alaska's second largest pipeline system on a throughput basis.

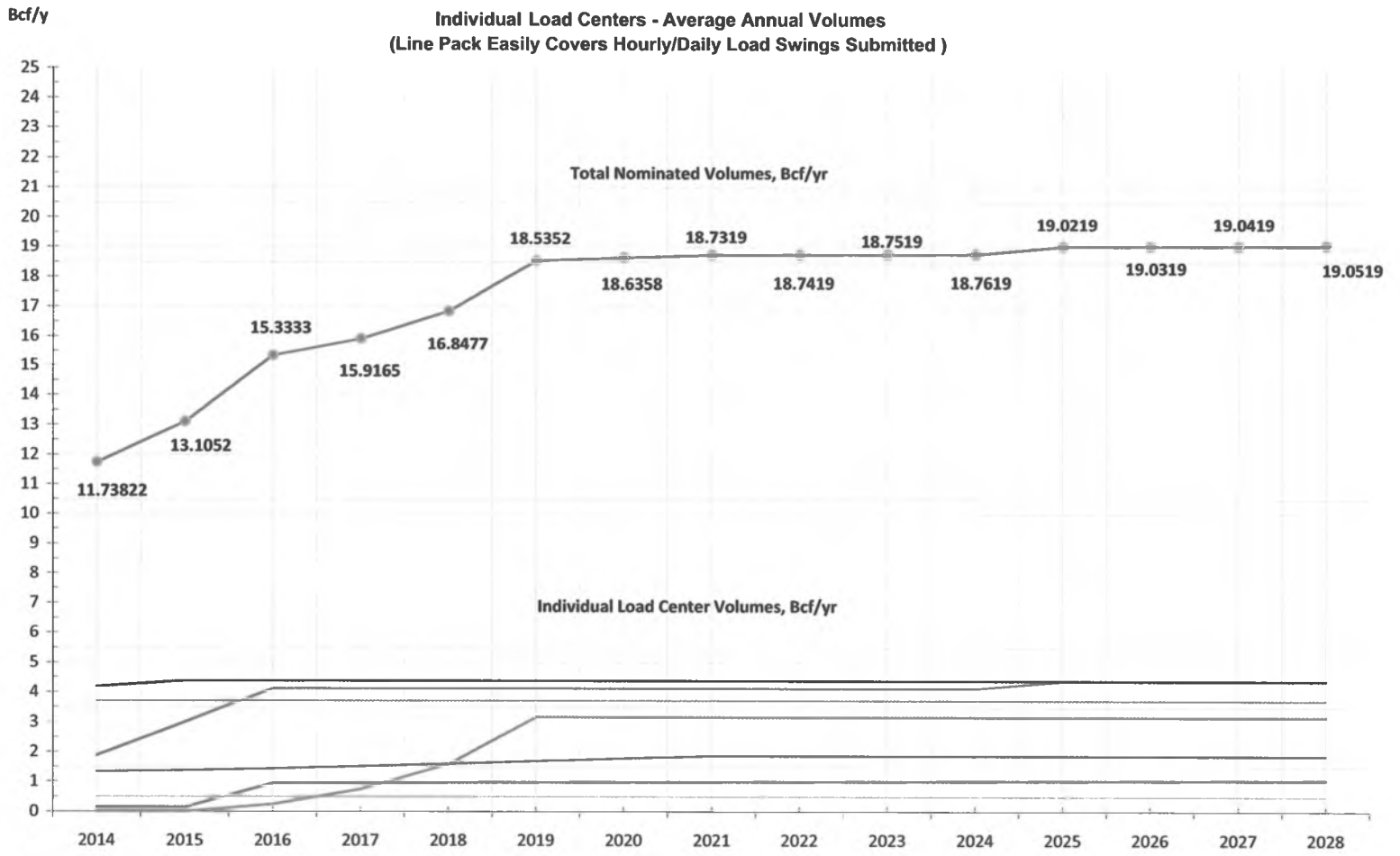
The Open Season

Our project objective is to provide expedient economic relief to thermal markets located along Fairbanks Pipeline Company's primary and secondary pipeline corridors by 2014, by supplying affordable natural gas to ready and willing load centers using proven, economic pipeline transportation methods. Energia Cura conducted the non-binding open season on behalf of the Fairbanks Pipeline Company. Participation in this first phase of the open season process is non-binding for all partaking entities. The second phase of FPC's open season will conclude by acquiring commitments (binding condition precedent agreements) from Alaskan load centers to purchase bundled gas volumes at a predetermined price to include both the gas and its transportation. Consequently, FPC will acquire gas commodities at their source and retain custody of these commodities until custody is transferred to Clients at their plants' (load center) curb.

FPC's open season procedures follow international standards that identify market demand prior to its establishing the design of its pipeline system. Correspondingly, the design criteria for FPC's intrastate natural gas pipeline system will be based on its total gas volumes nominated through the NBOS. When this final design criteria is set in March, 2011, FPC will be able to credibly determine its final cost of service (COS) required to enter into negotiations for establishing condition precedent binding agreements. Negotiations with gas producers for the acquisition of gas commodities started in September and are expected to conclude by March, 2011. Since FPC's offering to Interior load centers is a "bundled service", the commodity fundamentals, (or the cost of the gas commodities), also need to be determined prior to entering into FPC's binding open season.

FPC may elect to proceed with its Project without holding a subsequent Binding Open Season (BOS). FPC may elect to initiate discussions with Interested Parties (IPs) submitting non-binding bids herein to execute Binding Condition Precedent Agreements more expediently than a BOS permits. The NBOS target groups include those IPs interested in securing firm, bundled natural gas service of >0.25 bcf per annum and NGL supplies > 10,000 gal/ per annum. At its sole discretion, and not on an unduly discriminatory basis, FPC may elect to consider requests received after the close of its NBOS period, which occurred at 8 a.m. GMT, on October 1, 2010, including valid appeals to modify initial non-binding bid offer(s). See Attached Nomination curve.

Fairbanks Pipeline Company - Annual Gas Volume Curves



INDUSTRIES SERVED

Oil & Gas

Power & Mining

Transportation

Municipal & Institutional

ENERGIA CURA

5904 Old Airport Way, Suite 134 Fairbanks, Alaska 99709 907-452-3466

SERVICES OFFERED

Project Development
Project Management
Process & Facility Management
Energy Management
Control & Automation Systems
Commodity Hedging
Metrology & CT Accounting

Our consultancy division specializes in energy and process economics. We assist Clients in the acquisition of process fuel and/or feed-stocks through the use of hedge instruments, and in negotiating long-term power purchase, power sales agreements or co-generation agreements. In addition, we assist in the development, financing, and construction of industrial facilities, improvements, and/or additions by performing due-diligence from project inception, through start-up, and commissioning. We take pride in our unbroken record of completing projects on time, within budget and meeting Client expectations.

Our product division supplies industrial control systems and HMI applications to fossil and renewable fueled electrical generation plants, oil & gas production facilities, hazardous liquids/gas gathering pipelines, LACT facilities, transportation pipelines (including leak detection and SCADA), oil & gas metering/custody transfer facilities, product terminal & dispensing facilities, municipal water facilities and ore concentration plants. We offer both green-field and incremental upgrades. Because of the good will maintained with its Clients, Energia Cura usually offers to demonstrate its systems as they operate within their respective process environments.

Our services division provides technical and administrative support to assist Clients in operating and maintaining their industrial facilities in a safe, profitable and compliant manner. Energia Cura's service offerings range from providing technical support "as needed, where needed" to long-term, turnkey service agreements.

Our metrology division provides third-party measurement and custody transfer services including sampling, scheduling and administration of analytical assays, terminal acceptance, and load-rack meter/instrument calibration and repairs, and NIST/API compliant meter proving. Energia Cura owns and uses a Calibron P-25.C3.C1.D3 compact ballistic meter prover capable of proving meters with flowing conditions up to 2,500 GPM at .02% repeatability and a Sartorius weighing platform/indicator certified for legal gravimetric metrology with sensitivity in the range of 1/150,000 grams with an EC rating of Class II.

RECENTLY COMPLETED PROJECTS

- Distributed control system and HMI for an LM-6000 Combined Cycle Power Plant in North Pole, Alaska
- HMI application for the British Petroleum Flow-2 Metering Facility located on the North Slope of Alaska
- Control and automated water dispensing system for Water Wagon in Fairbanks, Alaska
- In-Line-Inspection (pigging) of the mid-line TAPS connection pipelines in North Pole, Alaska
- Construction of the new PSI Refinery Crude and Residual Pipelines in North Pole, Alaska
- HMI for the British Petroleum Endicott Metering Facility on the North Slope of Alaska
- ECDA and physical assessments of TAPS, mid-line connection pipelines in North Pole, Alaska
- Alaska Rail-Belt power and gas market studies for Doyon Ltd.
- Power generation plant sizing and preliminary engineering in Nenana, Alaska
- Construction of the PSI Refinery Metering and Quality-Bank sampling facility

ON-GOING PROJECTS

- Technical support for Ft. Wainwright and GVEA, NPEP power generation facilities
- Operation and maintenance of the PSI Refinery Metering and Quality-Bank sampling facility

CURRENT SERVICE AGREEMENTS

- Petroleum Pipeline System administration and O&M services for the Fairbanks GVEA Pipeline Systems
- North Pole Connection custody transfer accounting and administrative services at the TAPS Midline Connection
- Metrological services for the TAPS, North Pole connectors, and power plants in Alaska
- Audit support for USDOT hazardous liquids pipeline protocol inspections

Please contact us at 907-452-3466 or at asg@energiacura.com if we can assist you in any way.

Scientia Sol Mentis

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General Experience

- *30+ years in project management, business development, financing, design, construction, and start-up of facilities serving the mining, oil & gas, power generation & defense (radar) industries*
- *Long-term management of power generation facilities, pipeline and utility systems*
- *Technical and industrial project development, construction, start-up, and operation*
- *Project feasibility assessment, capital financing, and management consultancy*
- *Commodity hedge management and contracting*
- *Energy auditing, process optimization, cost of service and tariff analysis*

Achievements

- *Capital planning, design, construction and timely start-up of the 16" GVEA ARC residual pipeline*
- *Development and implementation of tariff for the GVEA pipeline systems*
- *Capital planning, design, construction and timely start-up of the 8" PSI crude and ARC residual pipelines*
- *Development of 6.5 year hedge instrument program for power plant fuel feed-stocks at $14.32/Bbl resulting in $165MM in accumulated savings to Clients*
- *Negotiated consolidated connection & operating agreement between Alyeska Pipeline Service Company and GVEA Pipeline Division*
- *Successful completion of numerous power plant overhaul, re-powering, optimization, and green-field projects*

Alexander S. Gajdos

Mr. Gajdos is currently a managing partner of Energia Cura LLC providing services to industry as identified on Energia Cura's website page (attached). Prior to forming this company, he managed 201 Megawatts of power generation capacity and a pipeline transportation system located in Fairbanks, Alaska for Golden Valley Electric Association, Inc. with movements comprising approximately 30% of total flows running through the Trans-Alaska Pipeline System:

- 84,000,000 Bbls/year of ANS Crude Oil
- 58,000,000 Bbls/year of ARC residual oil

Power generation facilities previously managed by Mr. Gajdos include the following power plants:

- The 126 MW North Pole Combustion Turbine Power Plant
- The 32 MW Zehnder Combustion Turbine Plant
- The 32 MW Chena-6 Combustion Turbine & Diesel Plant

Before joining GVEA in 1990, Mr. Gajdos worked for RCA and GE for approximately 14 years. Mr. Gajdos was involved in developing business proposals to provide technical services to the US Department of Defense, US Joint Chiefs of Staff, and the US Air Force. Subsequent to successful award of these projects, Mr. Gajdos shared management responsibilities with project staff and was responsible for increasing revenues by developing and executing a severable work order program on a shared-savings basis. Some of his other endeavors include:

Project Experience

- Prime and General Contractor: PSI crude and residuum pipelines including the PSI Pigging and Metering Facilities.
- Project Manager: GVEA North Pole units # 1 and # 2 MS7001BR overhauls and regenerator retrofits in North Pole, Alaska.
- Project Manager: Negotiated the purchase and managed the rebuild and installation of Garrett regenerators at the GVEA North Pole Power Plant.
- Project Manager: Development, filing, and implementation of tariff for the GVEA pipeline systems and custody transfer facilities.
- Project Manager: Negotiated a Consolidated Connection & Operating Agreement for the North Pole Metering Facilities (between Alyeska Pipeline Service Co. and GVEA).
- Project Manager: Capital planning, finance, design, construction and start-up of the 16" GVEA ARC residual pipeline system.
- Project Manager: Capital planning, finance, design, construction, and start-up of the GVEA interconnection and pigging facilities.
- Project Manager: Construction and operation of various minimum attended radar facilities for the USDOD located in the Alaskan Bush.
- Owner Representative: Performed owner's due diligence on the construction of the TAPS North Pole Metering Custody Transfer Facility and GVEA's LM6000 combined cycle, naphtha-fired power plant.

ENERGIA CURA
Thomas R. Chapman

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Thomas R. Chapman

Experience

- *25+ Years industrial process measurements and control.*
- *Energia Cura Owner/Partner, Industrial Instrumentation and Automation Specialists*
- *System Integration including control, communications & automation with a variety of legacy & contemporary instrumentation & controls*
- *Pipeline Leak Detection Systems – design, installation and operations*
- *Custody Transfer oil measurements, meter proving, pipeline terminal and rack loading*
- *Refinery plant balances, oil movements & storage, automated data reporting*
- *Direct digital process control, communications, and data acquisition systems*

Education

- *Tulane University, 1970*
- *B.A. Economics*
- *Minor: Math & Physics*

Achievements

- *Instrumentation instructor, Process Technology, Tanana Valley Community College*
- *Published technical papers with American Association for the Advancement of Science*

Measurement, Controls, Communications and Automation Technology

Mr. Chapman is currently an owner/partner of Energia Cura, LLC, principally responsible for the engineering & technical aspects of industrial process measurements and controls, metrology, instrumentation, and automation.

From 1996 through 2005, Mr. Chapman was the owner and sole proprietor of K&C Associates, specializing in industrial instrumentation for process control, flow measurement, automation and leak detection systems. Experience includes a variety of consulting and technical work for major oil producers, Alyeska, local refiners, GVEA, and local commercial companies in Fairbanks.

Mr. Chapman was employed by Alyeska Pipeline Company from 1981 through 1996, working at all TAPS facilities from Prudhoe Bay to Valdez. His many areas of expertise include process control, power generation and distribution, topping unit O&M, rack and marine terminal loading, oil movements and storage, and oil measurements for process control and custody transfer. Tom was responsible for a number of cost saving improvements, upgraded metering and control systems, and developed a reputation for his knowledge of custody transfer meter systems.

From 1976 – 1981 Mr. Chapman was employed by the Institute of Marine Science at the University of Alaska, Fairbanks. Prior to this, Mr. Chapman was employed by NOAA aboard a hydrographic survey ship working the Gulf of Alaska and Bering Sea.

Mr. Chapman also is an adjunct instructor with the *'Process Technology Program'* at the University of Alaska, Fairbanks, where he teaches industrial process instrumentation, measurements, control, and automation.

Project Experience

- Developed the control system communications architecture and graphic interface panels for a 60MW cogeneration facility in Fairbanks, Alaska. Also provided engineering and technical support during project design, as well as startup and initial plant O&M support. Responsibility included logic development and PLC network communications.
- Designed & developed graphic interface panels (HMI) for upgrades to BP crude oil measurement skids at Flow Station 2 and Endicott facilities in the Prudhoe Bay oil fields. Responsibility includes communications interface testing and development with the latest Emerson flow measurement equipment and software drivers.

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Thomas R. Chapman

Measurement, Controls, Communications and Automation Technology

Project Experience (cont.)

- Contributed to design, development, implementation and startup of instrumentation and controls for Forest Oils crude oil and gas production facilities in Cook Inlet, Alaska. Areas of responsibility included a new off-shore platform (Osprey), heater/treater facilities at Kustatan & West Mac, and the interface with other producers at the Trading Bay facilities.
- Designed and installed a pipeline leak detection system, for the GVEA pipelines carrying crude and return oil between the local refineries and Alyeska TAPS.
- Designed and installed an automated fuel accounting and reporting system for public utility power generation facilities with 0.5% accuracy of daily accountable balances in excess of 200,000 gallons.
- Provide independent third-party oversight of crude oil custody transfer measurements and meter proving for Alyeska Pipeline, GVEA, and local Fairbanks refineries.
- Design and technical support for refinery meter integrity and security of product load rack facilities, including automation of product load report summaries and refinery material balances.
- Designed and managed the installation of the first digital controllers for TAPS pump stations, which was used as a template for upgrading all other active pump station control systems.
- Design and install the first automated, PLC controlled, potable water dispensing system, open 24/7 to the general public, for water distribution in Fairbanks.

Fairbanks Daily News Miner
August 26, 2010

print

Fairbanks company announces another open season for gas pipeline

by dermotcole
08.26.10 - 04:07 pm

The latest twist to the gas pipeline saga is an announcement today from Energia Cura of Fairbanks for an open season to see if there is enough demand to justify a "small bore" private natural gas pipeline that would supply communities between Prudhoe Bay and Eielson Air Force Base by 2014.

The Energia Cura webiste says the company has completed a variety of projects in the Fairbanks area, including power plant and pipeline work at North Pole. The company points to studies that show that there is potential for developing a project before either a bullet line to Southcentral or a large-diameter pipeline to Canada.

The principal partners of the company are Alexander Gajdos and Thomas Chapman.

Here is the press release from the company:

Energia Cura, a Fairbanks-based energy services and consulting company, announced today that it notified State Officials on August 18th of plans to advance Fairbanks Pipeline Company's efforts to provide affordable natural gas to Interior Alaska communities located between Prudhoe Bay and Eielson Air Force Base by 2014. The non-binding open season, administered by Energia Cura, starts today and lasts until Friday, October 1, 2010. The results of this initial inquiry will determine the future direction of the Fairbanks Pipeline Company's proposed small-bore, fit for purpose pipeline project.

FPC officials stated that this private line is the most expedient option yet identified for universally lowering the Interior's cost of electrical power, LNG sourced natural gas, and heating oil. They point out that this project's supply of affordable fuel to companies such as Golden Valley Electric Association, Fairbanks Natural Gas, and local refineries will save Interior enterprises and consumers close to $1.72 billion over the next twenty years. FPC officials stress that participation by all Interior communities is necessary to make this project a reality.

Company officials also state that FPC's project does not aim to compete with any of the larger pipelines now under consideration. The proposed small-bore gas

Fairbanks Daily News Miner
September 3, 2010

Another Alaska natural gas pipeline idea is pondered
by Christopher Eshleman/ceshleman@newsminer.com
09.03.10 - 12:13 am
FAIRBANKS — A Fairbanks company is gauging interest in a plan to connect to North Slope natural gas fields with a 10-inch diameter buried pipe. Energia Cura is soliciting input from potential customers under a nonbinding "open season" process that opened last week.

Co-owner Alex Gajdos said the firm's owners have been studying the idea for a decade and think a pipeline could be built for about $500 million within four years, provided the plan clears various hurdles.

Gajdos, a former employee for both Golden Valley Electric Association and the Regulatory Commission of Alaska, said the pipeline would be smaller and cheaper than alternatives being considered by state officials and major energy companies. He said a line carrying at least 12 billion cubic feet of gas annually — more than 10 times Fairbanks' current consumption — would avoid the need for multibillion-dollar investments to reach Anchorage.

A bullet pipeline plan drew favor with many state lawmakers last spring. But Gajdos said he expects natural gas prices to remain low, Cook Inlet gas development to increase and Anchorage to seek supplies closer to home. That would leave Fairbanks searching for energy options.

The proposed line would hug the Dalton and Elliott highways to Livengood, where a major gold mine is planned, to the northern edge of Fairbanks. Gajdos said it would then branch toward large customers such as power plants, oil refineries and military bases.

Gajdos and partner Tom Chapman wrote to state officials last month asking for help, as the line would require access to hundreds of miles of state highway rights of way. The company would offer the state a small slice of ownership interest in exchange. Gajdos estimates natural gas could reach the Fairbanks area at a wholesale price of about $10 per thousand cubic feet, less than half the retail price now, under conservative volume estimates.

Gajdos said state agencies have offered limited feedback but said potential investors appear interested. He said he's surprised no one's shopped his idea before. But he acknowledged the potential hurdles inherent in such a plan — a "squeeze play," as he puts it, given physical and economic constraints — and said he hopes policymakers will appreciate and support the plan's simplicity.

Gajdos said an eventual builder-owner could offer equity ownership to private investors

and also could consider options such as traditional financing and public ownership. He estimates a pipeline would represent, largely through reduced energy costs, at least a $1.72 billion value to the Fairbanks area across 20 years.

Gajdos acknowledged plenty of questions remain in the plan. The builder might not be interested in getting into the utility business, he said, which means questions about local distribution are unresolved. He said it remains unanswered whether a dedicated gas treatment plant would be needed on the North Slope. But Gajdos said he and Chapman have sunk personal savings into the plan and think it represents Fairbanks' best short-term energy option.

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Petroleum News

September 5, 2010

Petroleum News – Vol 15 No 36 Week of September 05, 2010

New effort to get gas to Interior led by Energia Cura of Fairbanks

After studying how to get reasonably priced energy to Alaska's Interior for 10 years, Fairbanks-based Energia Cura thinks there may now be enough demand to justify a small-bore, high-pressure gas line from the North Slope to the Fairbanks area.

The firm began a nonbinding open season Aug. 26 to see if there is enough interest to justify moving forward. The estimated annual volume for the line would be 12 billion cubic feet, some 33 million cubic feet per day. (The interstate projects proposed by Denali and TransCanada are based on volumes of about 4.5 billion cubic feet a day, an annual volume of some 1.6 trillion cubic feet.)

The Energia Cura nonbinding open season is being done on behalf of Fairbanks Pipeline Co.

Principles of both Energia Cura and Fairbanks Pipeline Co. are Alexander Gajdos and Thomas Chapman.

Operational by 2014

The issue Energia Cura is addressing is the cost differential Interior residents pay for energy, and the fact that large new enterprises proposed for the Interior face "significant, if not insurmountable barriers to entry" based on the cost of fuel, and uncertainty about fuel future availability, Gajdos said in a letter addressed to state and federal officials.

Another issue is timing: The FPC line could be operational by 2014, compared to 2026 at the earliest for an interstate line.

Energia Cura expects the current supply-demand imbalance in the natural gas market to continue for the next six and a half to 10 years and believes it will be 16 to 20 years before an interstate Alaska North Slope natural gas pipeline project makes natural gas available to Interior Alaska, Gajdos said.

In that time, Interior residents will spend "at least an additional $1.5 billion in avoidable outlays" for higher energy costs — and that's if an interstate line is operational by 2026 — it could be 2030 or later, he said.

The FPC project does not intend to compete with an interstate gas project or with a bullet line to Southcentral.

The intention, Gajdos said, is "to deliver affordable gas to Interior consumers and to the builders of the interstate systems until such point in time as they are placed in service." He said the intent is to design the FPC project to have residual value once a major line is in place.

If the North Slope to Cook Inlet bullet line is completed by 2020, "FPC will have already aggregated major Interior load increments into working service through its primary and secondary transmission segments" and FPC could interconnect north of Livengood with a gas line to Southcentral, Gajdos said.

But Gajdos questioned whether a line to Southcentral will actually be built.

Recent studies have indicated there may be large volumes of natural gas yet to be developed in Cook Inlet, he said, and with the last of the old gas sale contracts based on a stranded market set to expire at the end of this year, higher gas rates in recent contracts and state incentives for Cook Inlet development, "required investments will soon emerge" for additional drilling in the basin.

Interest in project

Gajdos said informal discussions with parties having a potential interest in a line from the North Slope to the Interior even raised the issue of whether the proposal to limit the line's "gas transmission capacity to match tangible and incontrovertible interest" was a wise one.

He said Energia Cura has run hydraulic simulations and done cost of service evaluations over the last decade and those studies have all shown that the project needs to be "precisely regimented to size FPC's delivery infrastructure to meet existing and/or guaranteed future demand" aggregating to "a specific minimum annual throughput."

If sufficient volumes are identified in the nonbinding open season, "FPC's fit-for-purpose approach will prove to be the most expedient and economic means for curtailing avoidable $1.5 billion in future outlays by Interior consumers to meet their challenging sub-arctic energy requirements."

"These sums," Gajdos said, "are far in excess of the installation capital and operating costs associated with FTP's proposed transmission systems."

The line pipe will be specified at higher pressure ratings than required for initial gas operations in order to accommodate modest growth with increased compression, he said.

Firms seeking investment opportunities have indicated they are interested in building segments of the pipeline in exchange for equity in the line, with four Alaska pipeline construction firms exploring in-kind or direct equity participation.

The proposal being discussed would have the firms build segments ranging from 112 to 150 miles, with overall construction management under a single firm.

Gajdos said that following closure of the nonbinding open season Oct. 1, and after FPC completes integrated hydraulic and cost of service simulations, the firm will approach the state for in-kind contributions including provision of Lidar data and right-of-way assignments adjacent to the state's Dalton and Elliott highway corridors.

In exchange, the state would be offered an equity position of 7.2 percent based on an industry average cost of right-of-way development.

(See part 2 of this story in the Sept. 12 issue of Petroleum News.)

—Kristen Nelson

Petroleum News
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Providing coverage of Alaska and northern Canada's oil and gas industry

Energia Cura proposing 10-inch main line

High-pressure line would run from Prudhoe Bay to Fox; high-pressure coiled tubing lines would connect to major load centers

Kristen Nelson

Petroleum News

Energia Cura, on behalf of Fairbanks Pipeline Co., began a nonbinding open season Aug. 26 to determine interest in a small-bore natural gas pipeline from the North Slope to Interior Alaska (see story in Sept. 5 issue of Petroleum News).

The company said its hydraulic simulations are based on a 443-mile 10-inch high-pressure line beginning near Pump Station 1 on the North Slope and ending in Fox, with an annual delivery of 12 billion cubic feet, less out-takes at connection points.

In its open season package Energia Cura noted a lack of distribution feeders to Interior Alaska's major load centers, indicated on a map as Fairbanks, Golden Valley Electric Association, Eielson Air Force Base, the North Pole refinery and Fort Wainwright.

The local natural gas utility, Fairbanks Natural Gas, delivers less than 1 bcf a year of re-gasified liquefied natural gas to residential and commercial customers using a 60-mile, low-pressure, plastic-pipe network.

Energia Cura said the Fairbanks Natural Gas system is capable of servicing residential and commercial loads, but "does not reach, nor can it handle the delivery volumes and pressures required to serve the Interior's major load centers."

The company plans to install high-pressure, coiled tubing feeder lines from its primary segments to service the Interior's industrial load centers, which could include points north of the Fox terminus, "depending on the best routes selected to connect the Interior's most significant load centers."

$500 million

Energia Cura partner Alex Gajdos said in a Sept. 8 release that the cost of the 10-inch line is estimated at $500 million and is projected to save Interior communities and businesses at least $1.72 billion in energy costs (electric, fuel oil and natural gas purchases) over 20 years.

The secondary transmission network of 5-inch high-pressure coiled tubing flowlines would have "moderate and discrete costs of service" based on the short distances needed to connect the Interior's

major load centers and FNG to the primary transmission segment.

Energia Cura said hydraulic and economic simulations project a price for transportation plus gas will be less than $10 per thousand cubic feet at the Fox terminus, based on 12 bcf per year, half of what is now paid by major load centers in the Interior and less than half of the $24 per thousand cubic feet residential rate for Fairbanks Natural Gas' LNG-sourced gas.

The base case for Fairbanks Pipeline Co. was completed after Energia Cura conducted a power evaluation study for a new gold mine proposed in Livengood, a mine with a prospective load of 2.8 bcf per year.

If volumes greater than 12 bcf a year were nominated in the nonbinding open season, the throughput cost would be lower; smaller quantities would result in a higher throughput cost.

Gas conditioning

Asked about gas conditioning, Gajdos told Petroleum News in an e-mail that one option would be to treat gas on the North Slope, return the 12 percent carbon dioxide content of the gas for sequestration and install compression.

Or, raw gas could be moved using existing 4,000 pounds per-square-inch discharge pressure, which would require no compression to be built.

He said that less than 10 percent of the targeted load centers require specification grade gas. Other uses — gas turbines, large furnaces and boilers, etc. — could use raw gas effectively, reducing the size of the gas treatment facility and allowing its construction near the terminus at Fox, avoiding North Slope construction costs.

The downside is that 12 percent of transmission capacity would be lost because CO2 would come down the line, and the ability to sequester that gas on the North Slope would be lost.

A treatment facility near Fox to treat only the 1 bcf per year used by Fairbanks Natural Gas for residential and commercial customers would mean that the 12 percent CO2 content of the gas would be released into the atmosphere, Gajdos said, either at the treatment plant or at the point of combustion for untreated gas, still "a vast improvement over the Interior's current rate of emissions resulting from its fixation on coal and distillates."

The 12 percent loss of capacity would also result in "significant impacts to our final cost of service."

Since volumes are small compared to the proposed interstate lines and the bullet line, smaller, more cost-effective, modular gas treatment equipment could be used than would be possible for the high-volume projects.

While treating gas on the North Slope would cost more, neither option is a deal buster, Gajdos said.

Because of the cost involved in evaluating the two treatment options fully they will not be evaluated until the conclusion of the nonbinding open season, but Gajdos said the evaluation of those costs "is highly prioritized and properly sequenced into our forthcoming and final hydraulic/economic simulations."

Alaska Journal of Commerce
Web posted September 23, 2010

Fairbanks firm pushes lower-cost gas pipeline to Interior city

By Tim Bradner
Alaska Journal of Commerce

A small Fairbanks energy services and consulting company has launched a bid to build a $500 million, 10-inch natural gas pipeline from the North Slope to the Interior Alaska city.

Alex Gajdos, a partner in Energia Cura, said the pipeline could be in operation as early as 2014 and could deliver North Slope gas to a junction with local gas distribution lines for $10 per million cubic feet or less, including transmission and purchase of the gas.

Gajdos said that is about half what Interior residents pay for heating oil or natural gas now delivered as liquid natural gas by truck from Southcentral Alaska. He believes the project could be competitive with a 24-inch bullet gas pipeline being planned by a state corporation.

However, if a large-diameter pipeline from the North Slope to the Lower 48 proceeds, Energia Cura's would provide Fairbanks-area distribution lines that could deliver gas to major load centers, such as Golden Valley Electric Association's oil-fired power plant and the Flint Hills and Petro Star refineries in North Pole, or the existing small residential gas distribution system now owned by Fairbanks Natural Gas.

Energia Cura currently manages the 16-inch crude oil pipeline that delivers oil from the Trans-Alaska Pipeline System to GVEA's power plant and the refineries. It also does power plant consulting work, including the Fort Wainwright power plant owned and operated by Doyon Utilities, a private firm.

Gajdos worked previously for GVEA and General Electric Corp. With GVEA, he was project manager for construction of the pipeline that connects TAPS to the power plant and refineries.

Chapman was previously with Alyeska Pipeline Service Co. and the University of Alaska's Geophysical Institute.

Energia Cura's partners have been mulling the idea for a small-scale pipeline since 2006, Gajdos said. The effort went into high gear in July, when the company completed a study of energy options for a new gold mine being developed by International Tower Hills in Livengood, north of Fairbanks.

Energy options for the mine other than gas aren't that appealing. GVEA's electrical system could be extended north to Livengood, but with the energy situation as it is in the Interior, the utility may be pressed to meet new demand from the mine. Trucking diesel fuel up the Elliot Highway from Fairbanks for on-site power generation isn't an attractive option either.

However, the mine would be located on the route of the pipeline and would be a major customer.

Gajdos said his company's plan envisions no state subsidy, but he has made an offer to the state to take an equity position in the project in return for allowing the pipeline to be buried alongside the state-owned Dalton Highway from the North Slope. Building pipelines parallel to roads is common in Canada, and would reduce the capital cost of the 10-inch pipeline by about 7 percent, Gajdos said.

The state also would have to grant permission for the pipeline to use the Yukon River bridge on the Dalton Highway, but this is true for any of the proposed pipeline projects.

Gajdos said the company is also hoping to negotiate an arrangement with North Slope producers to tie the pipeline into the central gas facility in Prudhoe Bay, where gas is now extracted from crude oil and processed, thereby avoiding much of the cost of building a separate gas treatment plant.

"Our concept is that we will do this step-by-step rather than all at once with a 24-inch pipeline built to Anchorage" from the Slope, Gajdos said.

There isn't enough gas demand in Southcentral Alaska to justify the 24-inch line, which could cost from $6 billion to $12 billion to build. The existing utility demand in the Anchorage area can use only about half of the gas delivered though the 24-inch pipeline.

Cook Inlet also has existing gas production and although fields there are declining, the entry of major new industry players like Apache Corp. indicate that the industry believes the region has potential for new discoveries.

However, a low-cost smaller-diameter pipeline like that proposed by Energia Cura could serve a market of 12 billion cubic feet per day that has been identified in the Fairbanks area, Gajdos said.

By displacing higher-cost heating oil or trucked LNG, the project could save Interior consumers $1.7 billion in energy costs over 20 years, Gajdos said.

Once completed to the Fairbanks area, an extension could be built to serve other parts of the state, even the Donlin Creek gold project on the middle Kuskokwim River. The Donlin Creek partners, Barrick Gold and NovaGold Resources, are now studying a 320-mile, 12-inch gas pipeline from Cook Inlet to the mine, which would like to use gas to power mining operations.

The idea of building the pipeline from Fairbanks instead isn't far-fetched, Gajdos said.

"It's only 60 miles farther, and there are no mountain ranges to cross," unlike the route from the Anchorage area, he said.

Energia Cura would not be involved in a pipeline extension to Donlin Creek, however. That would be a separate project developed and owned by others.

In concept, the 10-inch pipeline could be extended to Southcentral Alaska, Gajdos said, but a more practical first step would be to generate power with gas in Fairbanks and send surplus power to Southcentral utilities down the existing electric intertie. The intertie is used to send surplus power from Southcentral north to Fairbanks, but with the declining gas reserves in southern Alaska, there has been little to share.

Except for power shipped north by GVEA's coal plant in Healy, the intertie is not currently in use.

Sending electricity from Interior to Southcentral Alaska would allow the remaining Cook Inlet gas reserves to be used for residential and commercial space heating.

Fairbanks Daily News Miner
October 18, 2010

Fairbanks firm says there's high interest for it to build a gas pipeline

by Christopher Eshleman / ceshleman@newsminer.com

Oct 18, 2010 | 2020 views | 25 | 6

FAIRBANKS — A Fairbanks firm says it's received strong interest as it looks to pipe natural gas from the North Slope to Fairbanks.

The company, Energia Cura, said Friday a market review gauging demand for natural gas from major energy consumers suggests demand could exceed 15 billion cubic feet per year.

That would represent an exponential increase in Fairbanks' natural gas supply.

Energia Cura co-owner Alex Gajdos said the review justifies a second stage, where the firm would re-run economic models and prepare to solicit estimates from design and construction firms.

The proposal, a buried pipe between the North Slope's vast gas fields and the greater Fairbanks area, would aim to feed major customers — power utilities, military bases or retail distributors, for example — who would also, under the firm's plan, hold equity in a line.

Gajdos said the company has contacted lawmakers to help review the prospect of working with state agencies to address permitting and right of way questions.

"The message were sending here is that the best value to Alaskans for Alaska North Slope gas monetization is to keep it in state," Gajdos said Monday.

The firm's proposed line would hug the Dalton and Elliott highways to Livengood, where a major gold mine is planned, and then reach toward the northern edge of Fairbanks or to North Pole.

Petroleum News

November 7, 2010

Energia Cura says larger line possible

Company proposing small-bore natural gas line from North Slope to Interior says expanded line could allow for gas to Cook Inlet

Kristen Nelson

Petroleum News

Energia Cura believes its proposed 10-inch small-bore natural gas pipeline from Alaska's North Slope should be expanded to 18 inches and a flange provided at Livengood which would allow gas to be moved to Southcentral.

Beyond the flange, the line would drop down to 10 inches to serve Interior needs.

In an Oct. 28 letter to the Alaska Gasline Development Corp., Alexander Gajdos, a principal with Energia Cura, said expansion of the company's proposed line could be done "at a much lower capital cost" than building a 24-inch line from the North Slope to Cook Inlet.

A 24-inch bullet line from the North Slope to Southcentral is the project AGDC is working. The project team was established by the Alaska Legislature with House Bill 369 earlier this year work up a plan for an in-state natural gas pipeline. AGDC will present that project plan to the Legislature by July 1, defining a preferred reliable source of energy for Southcentral and Interior Alaska, with a startup date by the end of 2015.

Energia Cura is proposing a line just to Interior Alaska. It held a nonbinding open season and said after the open season closed in mid-October that it had received nominations in excess of 12 billion cubic feet per year (some 33

million cubic feet per day). The company said a volume of 12 bcf a year would allow it "to deliver natural gas to the Interior at less than half its current cost."

In excess of 19 bcf per year

Gajdos said in the letter to AGDC that to date Energia Cura has received nominations in excess of 19 bcf a year, or more than 52 million cubic feet per day.

He told AGDC that increasing the diameter of the small-bore line from 10 inches to 18 inches provides capacity to supply all Cook Inlet requirements for at least the next 25 years.

And the company's business model does not require state subsidies, he said.

Gajdos said that whether the state subsidizes Alaska North Slope natural gas or a pipeline to Cook Inlet markets, the state's "attainable retained wealth from development and sales of both CI and ANS gas will be compromised." He said the cost of a bullet line, recovered in tariffs, "will both drive gas prices well beyond those now set in current wholesale contracts and reduce the State's net benefit from extraction and sales of these resources"; he also said the proposed 24-inch diameter for the bullet line would be some 70 percent excess capacity over current Cook Inlet demands.

Third-generation GTL

Gajdos said third-generation gas-to-liquids technologies, such as those Royal Dutch Shell is using at its Pearl GTL plant in Qatar, may allow North Slope natural gas to be exported as liquids within the next decade.

"If the Pearl GTL plant confirms Shell's commercial assumptions that inspired its huge capital investment within the next five years, another decade and a half will most likely follow before a similar or more evolved plant can be made operational on Alaska's North Slope," Gajdos said.

The capital requirements for such a plant would be significant, he said, and the Shell plant is not estimated to begin operation until 2012.

But, he said, if a GTL plant could move North Slope natural gas to market as liquids, it would be at premium crude prices "where the energy in crude trades for 2.5 times the energy in gas today."

Gajdos said that third-generation GTL technology, like shale gas, "has the power to instigate another paradigm shift in natural gas economies."

Another perspective

Another perspective comes from David Gottstein, who told AGDC in a letter dated July that "any pipeline project is largely a combination of economics, logistics, finance and politics."

With Southcentral running out of natural gas, he said the alternatives are waiting for the producers to build a gas pipeline — and importing liquefied natural gas in the short term — or "deciding to build an incredibly inefficient bullet or narrow gauge gas pipeline that will saddle Alaskans with high energy costs for decades. While at the same time severely handicapping the prospects for an export project."

Gottstein recommended that the state invest enough money to get natural gas to an Interior hub in a large-diameter line. Oil and gas companies have to wait until they can fill a line before they commit to build, and he projects — based on uncertainty about both pricing and demand — that it could be five to 10 years before companies would actually fund a project.

The State of Alaska, he said, is the only entity in a position to invest money (specifically, "the $3 billion extra it would take to increase the size of a pipe from the North Slope to the Interior suitable for export capacity"), because the state makes most of its money from selling the resource rather than transporting it.

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January 2, 2011

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Providing coverage of Alaska and northern Canada's oil and gas industry

Energia Cura looking to buy Slope gas

Company behind Fairbanks Pipeline Co. project would negotiate with producers to purchase gas; also wants contract for processing

Kristen Nelson

Petroleum News

Of the various projects to move North Slope natural gas to consumers, Energia Cura's Fairbanks Pipeline Co. would be the first, with startup pegged for mid-2014.

This small-bore high-pressure line would run from the North Slope to North Pole in Interior Alaska, and estimates from the ongoing nonbinding open season suggest that the annual volume could exceed 19 billion cubic feet, some 53 million cubic feet per day.

Alex Gajdos and Thomas Chapman of Energia Cura are behind the project and are funding development work.

The goal is to bring affordable energy to Interior Alaska, and to do it with an Alaska-based company, thus keeping value from the project in the state, Gajdos told Petroleum News in a Dec. 14 interview.

The project was originally pegged at a 10-inch line, but when expressions of interest for gas from the line rose from some 12 bcf a year to 19 bcf a year in the continuing nonbinding open season, the line diameter was increased to 12 inches. The 10-inch line was almost precisely scaled to 12 bcf a year, Gajdos said, so the increase to 19 bcf was good news.

While going from 10 inches to 12 inches increases the capital cost for the pipe roughly 32 percent, he said, it increases the capacity 62 to 63 percent. The nonbinding open season has been extended, and Gajdos said Energia Cura is working with the state's congressional delegation to have Eielson Air Force Base at least look at using North

Slope natural gas.

Market the issue

With the Alaska Gasline Development Corp. looking at a bullet line from the North Slope to Southcentral, Energia Cura has proposed increasing the size of the line from the North Slope to Livengood to 18 inches, with a 10-inch line to North Pole running along the Elliott and Richardson highways.

Gajdos said while AGDC is proposing a 24-inch line from the North Slope, that project has to find large industrial users to justify the line.

An 18-inch line would be more than adequate for Cook Inlet's needs well into the future, he said.

With that 18-inch line installed as far as the Interior, with a flange, and combined with price collars established in a recent Cook Inlet gas contract, known costs to move natural gas from the North Slope to Cook Inlet and an established line running as far as Livengood, Southcentral Alaska can wait and watch, Gajdos said.

If there is upward pressure on the price ceiling for natural gas in Southcentral, costs to build the line from the Interior to Cook Inlet can be updated and the line to Cook Inlet could be built if justified.

Working with producers

Gajdos said he has begun talks with the North Slope's major producers about selling gas to the project, which would offer a bundled package of gas and transportation.

The cost of service is essentially what others call a tariff, he said, and includes the capital cost (the pipe) and the operating cost; the bundled cost would also include the gas.

"For a bundled service, which includes the commodity delivered to the curb, you have to include the gas," Gajdos said.

Energia Cura has had preliminary meetings with all of the majors, he said. The company proposes to buy natural gas and also wants the producers to provide compression and treatment facilities and recapture their investment for those services, and required margins, through commodity sales.

It would cost about the same for Fairbanks Pipeline Co. to build the North Slope facilities, but operation and maintenance on the North Slope would be very costly for FPC, while the North Slope producers could leverage their existing facilities and personnel to operate and maintain the compression and treatment facilities, Gajdos

said.

The capital cost for the pipeline portion of the project is about $716 million, he said.

A GTL future for North Slope gas?

Gajdos said he's been following with great interest the gas-to-liquids plant Shell is building in Qatar, a third-generation Fischer-Tropsch facility.

"This plant will be a major, major step forward" in commercial opportunities for GTL, he said.

And if the numbers are correct for Shell's Pearl plant — which should be known fairly soon as the plant goes into operation in 2012 — then "a small GTL plant up north … could defeat any of these other plans (for major gas pipelines)," Gajdos said.

GTL takes gas out of the gas economy because GTL is a liquid, increasing its value.

And it doesn't require infrastructure to transport it to tidewater or to the Canadian border — it makes use of the existing trans-Alaska oil pipeline, he said.

GTL would be injected into the line, along with the crude oil, and would increase the volume of middle cuts such as gasoline and fuel oil, which have the highest value, enhancing the overall value of the liquid moved through the line.

Fairbanks Daily News Miner
February 2, 2011

Local pipeline firm says it hasn't heard back from governor

by dermotcole
Dermot Cole
Feb 02, 2011 | 639 views | 6 | | 6 | | permalink

Energia Cura has named its proposed North Slope to Fairbanks pipeline the "Arctic Fox Pipeline," saying its is small, smart and quick, like the animal of the same name.

The Fairbanks Pipeline Company hopes to gets its pipeline running in three years and supply GVEA, mines, military bases and Fairbanks Natural Gas.

In a press release today, the company said it has presented details of the project to the governor's office, asking for a "due diligence review" as soon as possible.

"FPC has cautioned the Governor that delays in a natural gas pipeline will burden Alaskans, particularly Interior Alaskans, with continued unnecessary spending on high priced energy," the company said. "A response from the Governor's Office is still pending."

"We have substantiated the viability and profitability of an all-Alaska natural gas pipeline and we openly invite the public and our public officials to review our feasibility study and economic analysis," said Alex Gajdos, FPC co-founder. "We want our public officials to see that that there is a valid alternative to waiting for a big pipe. We can move gas to Alaskans now and prosper by owning the pipeline ourselves. We can get gas to Alaskans now."

Fairbanks Daily News Miner
Dermot Cole
February 3, 2011

PIPELINE PLAN: Energia Cura has named its proposed North Slope to Fairbanks pipeline the "Arctic Fox Pipeline," saying it is small, smart and quick, like the animal of the same name.

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In a press release Wednesday, the company stated it has presented details of the project to the governor's office, asking for a "due diligence review" as soon as possible.

"FPC has cautioned the governor that delays in a natural gas pipeline will burden Alaskans, particularly Interior Alaskans, with continued unnecessary spending on high priced energy," the company stated. "A response from the governor's office is still pending."

"We have substantiated the viability and profitability of an all-Alaska natural gas pipeline and we openly invite the public and our public officials to review our feasibility study and economic analysis," said Alex Gajdos, FPC co-founder.

Petroleum News
February 6, 2011

Vol. 16, No. 6 **Week of February 06, 2011**
Providing coverage of Alaska and northern Canada's oil and gas industry

Energia Cura names pipeline Arctic Fox

A proposed small gas pipeline from Alaska's North Slope to the state's Interior now has a name: The Arctic Fox Pipeline.

Energia Cura, a Fairbanks-based energy consulting firm and parent to Fairbanks Pipeline Co., said in a Feb. 2 statement that the line was named after Congressman Don Young, R-Alaska, commented that the proposed line would be small, smart and quick.

Energia Cura met with Young Dec. 27 to discuss the value of the line, which would be a small-diameter high-pressure line moving volumes of gas justified for Interior markets.

Energia Cura said it has also met with Mike Nizich, chief of staff to Gov. Sean Parnell, to reiterate a request for a due diligence review of the project and continues to meet with Alaska leaders and others in the industry.

"We have substantiated the viability and profitability of an all-Alaska natural gas pipeline and we openly invite the public and our public officials to review our feasibility study and economic analysis," said Alex Gajdos, FPC co-founder. "We want our public officials to see that that there is a valid alternative to waiting for a big pipe. We can move gas to Alaskans now and prosper by owning the pipeline ourselves. We can get gas to Alaskans now."

FPC said it will continue to provide its documents to interested parties and will continue to post detailed updates on the firm's website, www.fairbankspipelinecompany.com.

Energia Cura has constructed pipelines in Alaska and operates and maintains a pipeline system connecting the trans-Alaska pipeline system to both North Pole refineries.

—Petroleum News

2/14/11 PRESENTATION: LARRY PERSILY, FEDERAL COORDINATOR, ALASKA NATURAL GAS TRANSPORTATION PROJECTS

<TARGET><BILL></BILL><SUBJECT>2-14-11 PRESENTATION LARRY PERSILY, FEDERAL COORDINATOR, ALASKA NATURAL GAS TRANSPORTATION PROJECTS</SUBJECT><COMM>SRES27</COMM></TARGET>

Larry Persily
Federal Coordinator, Alaska Natural Gas Transportation Projects

Testimony before Senate Resources Committee – Feb. 14, 2011

Thank you for the opportunity to appear today. I'd much prefer to testify before a state Senate committee than a U.S. Senate committee — they have no sense of humor in Washington.

I'm here to tell you that a North Slope natural gas pipeline is possible, but to turn that into probable will take the right market conditions, investors willing to risk tens of billions of dollars — and state involvement.

The right market conditions could come as the nation's electric utilities convert from coal to cleaner-burning natural gas. More demand would drive the need for more supply, and that gives Alaska gas a chance.

If investors see demand building, if they see higher prices for gas in the decades ahead, Alaska has a chance to compete against shale gas.

At some point, Alaskans will need to decide how much they want the pipeline and what is fair for the state — measured not just by how much wealth they expect from the state's share of natural gas resources but what our state would look like without any wealth to share.

The North Slope has thrived on oil, only oil and nothing but oil for 34 years, but it's not going to continue thriving without a way to get gas to market, too. A gas pipeline serving the huge North American market would make Alaska a much more attractive option for the tens of billions of dollars needed to maintain the aging oil pipeline, pump more oil from older fields and explore for new reservoirs.

Add up the investment dollars, the goods and services bought in Alaska, the jobs, tax and royalty revenues, and a gas line can help provide a strong economy for decades to come. It's not just about counting the last tax dollar; it's about a state with a future or a state running out of oil money.

I know Alaskans are frustrated with the pace of gas line development. The reality is that big projects always take longer than expected.

While waiting for the results of the two gas pipeline open seasons that closed just six and four months ago, our office decided it would be helpful for people to have some numbers to ponder, some policy issues to consider as they look at the state's fallback option of underwriting a small in-state gas line.

The report we issued last week had been under way about as long as the open seasons. It was not intended to pick a fight with the in-state line. Our purpose was to promote discussion,

maybe to stir things up just a bit so that Alaskans would know their choices, the costs and the options so that when the time comes they would make the best decision for the state's future.

The direct and indirect benefits to the state and its residents of a large-volume North Slope natural gas pipeline to serve in-state and Lower 48 markets would be substantial.

Tax and royalty revenues would be significantly higher than from a small in-state gas line; a large-volume mainline to Lower 48 markets would spur increased investment in new oil and gas exploration in Alaska; and the pipeline tariff for gas deliveries within Alaska would be substantially less with the economies of scale of a large pipeline.

Our report reviews the opportunity cost to the state of a potential subsidy of a small in-state line vs. the option of possibly applying the same amount of state leverage to a larger mainline project.

If state financial involvement could mean the difference as to whether the mainline is ever built, the state would be far better off committing the equivalent investment in some form or another toward the mainline project rather than as an in-state pipeline subsidy.

Our report determined that even if you could sign up large-volume industrial customers to justify building an in-state pipeline carrying 500 million cubic feet of gas per day from Prudhoe Bay to Southcentral Alaska, the state would have kick in an estimated $4.2 billion toward construction costs to end up with gas at the end of the pipe equivalent to the $7-plus per 1,000 cubic feet that ENSTAR paid on average for Cook Inlet gas last month.

That analysis makes several assumptions, including that you paid producers $2 per 1,000 cubic feet for the gas, and that the state subsidy came as a one-time grant to help cover construction costs.

If Southcentral utilities were willing to pay 25 percent to 30 percent more than they did last month, the state could reduce that subsidy to about $2 billion.

In terms of revenue to the state, an in-state line at 500 million cubic feet a day would generate an estimated $326 million a year in royalty, production tax, property tax and corporate income tax revenue to the state. That assumes private ownership of the line, no change in state tax rates, and gas worth $2 per mcf at the wellhead.

We took those same assumptions and looked at a line carrying 4.5 billion cubic feet of gas per day, mostly to Lower 48 markets plus whatever is needed to meet in-state demand. That project could generate $2.3 billion a year in public revenues, though keep in mind that assumes no change in the state's tax rates — a debatable assumption, given the tight economics of the project and the likelihood that the state would need to do something with its tax structure to help the project.

The North Slope gas line has a chance, but the economics are tight — and risky. If Alaskans believe in a better future with a pipeline, bringing gas to Alaskans while creating jobs

and billions of dollars in new public revenues, it's time (while waiting for the open-season results) to start looking at what the state can do to help move the project's economics in favor of construction.

Not a subsidy or an open-ended financial incentive with nothing in return. Rather, sitting down with all of the parties to look at the problems and find answers.

The federal coordinator's office is willing to help.

Thank you.

Opportunity Cost and Comparison of Subsidizing an In-State Gas Pipeline vs. the Benefits to Alaska of a Mainline to the Lower 48 States

By Roger Marks, oil and gas economics consultant
February 2, 2011

Prepared for the Office of Federal Coordinator
Alaska Natural Gas Transportation Projects

I. Summary

The direct and indirect benefits to the State of Alaska and its residents of a large-volume North Slope natural gas pipeline to serve in-state and Lower 48 markets would be substantial. Tax and royalty revenues would be significantly higher than from a small in-state-only gas pipeline; a large-volume mainline to Lower 48 markets would spur increased investment in new oil and gas exploration in Alaska; and the pipeline tariff for gas deliveries within Alaska would be substantially less with the economies of scale of a mainline. This paper reviews the opportunity cost to the state of a potential subsidy of a small in-state gas line vs. the option of possibly applying the same amount of state leverage to a larger mainline project.

II. Introduction

Many people fear that Southcentral Alaska is running out of natural gas for residential and commercial heating and electrical generation. For decades the sole source of gas has been Cook Inlet fields. Large volumes of gas from these original fields have been withdrawn, depleting the reservoirs, and it is uncertain whether sufficient new reserves will be discovered and produced on a schedule to meet the region's needs for later this decade and past 2020. Cook Inlet gas production peaked in 1996 at an average 610 million cubic feet per day (mmcf/d). By 2009, average daily production was down to 380 million cubic feet.[1]

In an attempt to ensure future gas supplies, the Legislature has adopted several tax incentives to promote additional Cook Inlet exploration and development, including tax and regulatory incentives to promote development of gas storage facilities to allow utilities to buy and hold gas for peak winter needs. ENSTAR, the Southcentral gas utility, is moving ahead to develop a natural gas storage facility, which it expects could be in operation by late 2012. Southcentral

[1] State of Alaska Department of Natural Resources, Division of Oil and Gas, "Alaska Oil & Gas Report," November 2009, p. 26.

utilities also are looking into importing foreign LNG to meet demand — if even on a short-term basis — until new Cook Inlet fields can come online or a pipeline is built to deliver North Slope gas to Southcentral.

Regardless of the success of Cook Inlet exploration and development efforts, North Slope gas is seen by many as a potential long-term gas supply to meet Alaska's in-state needs. Although large-volume Lower 48 customers would be needed to provide the significant financial underpinning for a large-diameter North Slope gas pipeline to serve Lower 48 markets ("mainline"), it is expected that any such mainline would include off-takes for smaller spur lines to serve Alaska customers, eliminating the need for Southcentral to rely solely on Cook Inlet gas while also allowing the expansion of gas distribution elsewhere in Alaska.

Because of the significant economies of scale realized with pipeline transportation, the cost of shipping gas consumed in Alaska would be relatively low on a mainline that moves most of its gas to Lower 48 markets. Federal law requires mileage-based tariffs for Alaska customers on a pipeline serving Lower 48 markets, providing in-state users with low tariffs on their small volume of gas, with the larger customers at the end of the line paying most of the project costs. Alaskans need to understand, however, that applies only to the shared cost of the mainline; Alaska gas buyers would have to pay the entire cost for any local spur lines.

The amount of North Slope gas that would be consumed in Alaska would be relatively low compared to gas shipped out of state. A mainline — as proposed by the Alaska Pipeline Project (TransCanada and ExxonMobil) and Denali (ConocoPhillips and BP) — would carry 4.5 billion cubic feet per day (bcf/d). In 2008, about 208 mmcf/d was consumed in Southcentral either as space heat or for power generation,[2] less than 5 percent of the flow from the proposed mainline. That total does not include two large industrial consumers: The Agrium fertilizer manufacturing plant at Nikiski, which shut down in 2008, or the ConocoPhillips/Marathon gas liquefaction plant at Nikiski, which has significantly cut back its production in recent years and has just two years left on its federal LNG export license.

Though the Cook Inlet gas distribution network does not reach Fairbanks, it is assumed that the state's second largest city and other smaller towns along the Railbelt would tap into a North Slope mainline or spur line, if offered the opportunity. Without new, large-volume industrial or manufacturing customers, it is estimated that 260 mmcf/d of natural gas would be consumed in the Railbelt the first five years of a North Slope pipeline (heating and power generation), and 290 mmcf/d in years 10-15.[3] It is unknown how much of that demand would be supplied by existing or new Cook Inlet gas fields and how much might come from the North Slope.

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[2] State of Alaska Department of Natural Resources: 43 bcf for power generation and 33 bcf for gas utilities.

[3] Northern Economics, "In-State Gas Demand Study Volume 1: Report prepared for TransCanada Alaska Company, LLC," January 2010, p. ES-2.

Although many Alaskans talk hopefully of large-volume in-state industrial and manufacturing customers to boost in-state demand for natural gas, no such committed customers exist at this time and the economics are challenging. The combination of the cost of new gas (at a higher cost than gas from the Cook Inlet legacy fields over the past five decades) and a North Slope pipeline tariff would impose high feedstock costs on any industrial buyer. (At least two proposed mining projects have expressed interest in buying gas for their electrical power needs). Depending on the customer's distance from the mainline or existing Southcentral distribution grid, the additional tariff on a small-volume spur line could be substantial.

Meanwhile, two project development teams — Alaska Pipeline Project and Denali — have held open seasons to measure shippers' interest in contracting for long-term capacity in a North Slope pipeline to serve Lower 48 markets. Bid results could come in early 2011, though significant economic hurdles remain before any developer would proceed to project sanction. Both teams estimate the earliest gas could flow would be 2020.

Because of the uncertainty of a mainline to Lower 48 markets and accompanying spur line(s) to serve in-state customers, many Alaskans are pushing for construction — perhaps with state financial backing — of an exclusively in-state gas line, also called the bullet line or Alaska stand-alone pipeline, to meet Alaska's gas needs sooner than waiting for a mainline. The proposal is for a small-diameter, small-volume pipeline from the North Slope to serve Fairbanks, the Matanuska Valley, Anchorage and the Kenai Peninsula — with the option of possibly liquefying and shipping Alaska LNG overseas.[4]

Because of the high costs of Arctic construction and the economies of scale involved in pipeline transportation, it is assumed for this analysis that an in-state line would need to carry at least 500 mmcf/d in order to bring down the tariffs to within sight of reasonable levels, and even then the costs would be high. The Alaska Gasline Development Corporation, created by the 2010 Legislature to develop a business plan for an in-state line, is focusing on a 500 mmcf/d line, assuming there will be large, in-state industrial customers or expanded LNG exports to carry much of the load beyond the demand for residential and commercial heating and power.

A capacity of 500 mmcf/d is a maximum threshold at this time for an in-state line involving state support. Anything more and the state could face a treble damages claim from TransCanada Corporation under a provision of the state-issued Alaska Gasline Inducement Act (AGIA) license that the company holds for development of a mainline. The statute (AS 43.90.440) says the state would owe the AGIA licensee three times its project development expenses, "If, before the commencement of commercial operations, the state extends to another person preferential royalty or tax treatment or grant of state money for the purpose of facilitating the construction of a competing natural gas pipeline project in this state." State support of a pipeline of less than 500 mmcf/d capacity would not trigger the damages provision in statute.

[4] The economic problems of purchasing and transporting gas for feedstock to supply a price-competitive LNG export plant would be challenging, in addition to securing federal authorization to export Alaska gas.

Regardless of the capacity of an in-state pipeline, it is not clear how much North Slope gas actually would be needed to meet local demand because of the unknown of continued Cook Inlet production. It would depend in great part on how much new gas is discovered and produced in Cook Inlet. Currently, the state estimates Cook Inlet economically recoverable gas resources at 2.4 trillion cubic feet (tcf), with an active exploration program:[5]

All fields: Proved, developed, producing	0.9 tcf
All fields: Probable	0.3 tcf
Additional from existing fields: High confidence	0.4 tcf
Additional from existing fields: Lower confidence	0.6 tcf
All fields: Higher-risk contingent reserves	0.3 tcf
Total	2.4 tcf

However, these reserves will require a high degree of exploration success, and an estimated investment of $2 billion to $3 billion to develop.[6]

As we stated, the tariff for an in-state line would be high. The Alaska Gasline Development Corporation (AGDC) issued a July 1 report: "Alaska Stand Alone Gas Pipeline Project Update and FY 2010 Deliverables". The AGDC report's base-case tariff estimate to Southcentral consumers for a 500 mmcf/d pipeline from the North Slope to Fairbanks, with a 450 mmcf/d pipeline from Fairbanks to Southcentral, would be $8.65 per million Btus (mmBtu) (about 1,000 cubic feet). This is based on a $7.4 billion cost[7] and assumes large-volume industrial or export customers to almost double the pipeline capacity from what would be needed solely for in-state electrical generation and heat. We have verified the tariff estimate with detailed segment modeling. That includes pipeline and gas treatment capital and operating costs, but does not include the price of the gas itself or the cost of the local distribution system. The AGDC report estimates Southcentral local distribution costs at $1.11/mmBtu; Fairbanks local distribution costs would be higher because of the expense of building a new gas distribution system in the community.

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[5] State of Alaska Department of Natural Resources, Division of Oil and Gas and Division of Geological & Geophysical Surveys, "Preliminary Engineering and Geological Evaluation of Remaining Cook Inlet Gas Reserves," December 2009.

[6] Petrotechnical Resources Alaska, "Cook Inlet Gas Study – An Analysis for Meeting the Natural Gas Needs of Cook Inlet Utility Customers," prepared for ENSTAR Natural Gas Company, January 2010.

[7] The AGDC report estimates the total project cost at $7.8 billion, but for this analysis we have removed the natural gas liquids extraction component, as explained at the top of Page 5. That results in a capital cost of $7.4 billion.

And while the AGDC report included 58 cents/mmBtu as a natural gas liquids (NGL) extraction cost to Southcentral consumers, we have excluded those costs here because it is possible a large share of those liquids could be extracted for other customers, who would then likely cover those costs.

With local distribution costs of $1.11/mmBtu, the total transportation cost to Southcentral customers would be $9.76/mmBtu, exclusive of the cost of the gas. Even before adding the cost of the gas, $9.76 is about 22% more than what Southcentral customers paid for natural gas deliveries in October 2010.

Because the tariff is so high, some legislators and many Alaskans have suggested that the state partially subsidize construction of the in-state line. Dan Fauske, CEO of the Alaska Housing Finance Corp., parent company of the AGDC, has been upfront in his public presentations that the line would require significant state investment to bring the tariff to affordable levels, and that it would be up to elected officials to make that policy decision.[8]

The purpose of this analysis is to examine what the amount of such a subsidy might be, and what the opportunity cost of the subsidy might be when compared to the benefits to the state and its residents of the mainline and accompanying in-state spur line(s).

III. Pipeline Configuration for In-State Line

Using the AGDC report, the estimated capital cost for a 500 mmcf/d in-state line is $7.4 billion, including the pipeline and gas treatment plant. This does not include the purchase price of the gas or local distribution costs. The $7.4 billion, per the report, equates to a levelized nominal tariff of $8.65/mmBtu, including depreciation, capital recovery, operating costs and taxes. The $7.4 billion total does not include NGL extraction facilities. It also does not include cost overruns, which are always a risk on big projects.

The base case operates as follows: 500 mmcf/d of Prudhoe Bay gas exits the gas treatment plant and goes to Fairbanks; 50 mmcf/d of gas (methane/ethane) with a 1,035 Btu/cf content is removed for Fairbanks consumers; the line then carries 450 mmcf/d to Southcentral.

Southcental pays for its share (based on volume of gas) of the pipe to Fairbanks (excluding the short spur line required to move the gas the final miles from the line into Fairbanks), plus the entire pipe from Fairbanks to Southcentral.

[8] For example, see Anchorage Daily News, "State would be on the hook for some gas pipeline costs," Aug. 9, 2010, or Alaska Journal of Commerce, "State pursues customers for proposed bullet gasline," Sept. 17, 2010.

The detailed capital costs are as follows (in billions of 2010 dollars):

Gas treatment plant	$2.5
Pipeline North Slope to Fairbanks	$3.0
Spur line to Fairbanks	$0.1
Pipeline Fairbanks to Southcentral	$1.8[9]
Total	$7.4

IV. The Subsidy

The cost of North Slope gas at the wellhead is assumed for this analysis to be $2/mmBtu nominally. An approximate current consensus forecast among industry analysts as to where Lower 48 gas prices could settle after 2020 is about $7/mmBtu. A $2/mmBtu wellhead price in Alaska equates to $7/mmBtu gas in the Lower 48, after subtracting a rough estimate of total gas treatment and transportation costs from the North Slope.[10]

The $2/mmBtu at the North Slope wellhead is a plausible minimum acceptable price to producers, representing a reasonable value for in-state gas sales where a third-party is purchasing the gas on the North Slope for a fixed price and the producers assume neither firm transportation nor market risk.

Adding $2 at the wellhead to the estimated AGDC tariff produces a cost of gas delivered to Southcentral utilities at $10.65/mmBtu, before any local distribution costs.

To analyze a possible one-time subsidy of capital costs to reduce the pipeline tariff for Alaska customers, we calculated from our modeling that about 25% of the AGDC's in-state line tariff is non-capital (operating costs and ad valorem property taxes, assuming private ownership of the pipeline). We presumed that 25% portion would not be subsidized, leaving the capital part of the tariff, $6.49/mmBtu (0.75 X $8.65), as the maximum possible subsidy target.

We assumed the subsidy would be structured to result in a gas price for Southcentral consumers similar to what they would be paying for Cook Inlet gas. Most Cook Inlet gas supply contracts are indexed to Lower 48 gas prices, with a time lag to average out the highs and lows. Lower 48 prices were very high in recent years but have come down quite a bit since. They peaked at $13.68/mmBtu in July 2008, but were in the $3.50/mmBtu range at the start of November 2010. The cost of Cook Inlet gas delivered to ENSTAR, the area's largest consumer utility, averaged $8.69/mcf in 2010 and $7.12/mcf in January 2011.

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[9] The pipeline from Fairbanks to Southcentral follows the Railbelt. The AGDC report concluded this was less expensive than a route through Glennallen.

[10] The $5/mmBtu transportation charge consists of a $3.50/mmBtu cost from Prudhoe Bay to Alberta per the Alaska Pipeline Project or Denali cost estimates, and the current tariff of about $1.50/mmBtu on existing pipelines from Alberta to the Lower 48.

Accordingly, we assumed $7/mmBtu delivered to utilities as the subsidy target. At $7, the price is less than what Southcentral utilities paid during 2007-2009 but perhaps more than what prices will be in the near-term if Lower 48 markets remain oversupplied and prices low.

Another variable is that the anticipated option of commercial gas storage in Cook Inlet in late 2012 could reduce the need for short-notice, high-priced peaking gas in the winter, but those storage costs would be substantial and utilities would need to pass on the costs to their customers. Those added costs, however, would apply only to the gas injected and withdrawn from storage, not all of a utility's gas purchases for the year.

Also, in the event Southcentral utilities begin to import liquefied natural gas (LNG), depending on how world LNG markets evolve, those prices could exceed $7/mcf or, at times of competitive pricing, could be less than $7/mcf.

To bring down the cost of North Slope gas through a 500 mmcf/d in-state line to $7 delivered to utilities would require a subsidy of $3.65/mmBtu ($10.65 delivered cost - $3.65 savings from a construction subsidy = $7 gas, plus local distribution). This represents 56% of the capital component of the tariff ($3.65 out of $6.49). A 56% reduction in the capital cost of the project would require a subsidy covering $4.2 billion of the estimated $7.4 billion construction estimate.

Any cost overruns on the in-state line would increase the required subsidy.

Of course, a state subsidy could take other forms, such as no-interest loans or an ongoing subsidy of natural gas prices to consumers, but for the sake of this analysis we assumed a one-time state subsidy of construction costs to reduce the investment components embedded in the tariff.

The market dynamics for energy costs are much different between Fairbanks and Southcentral. Whereas Southcentral is paying $7/mmBtu for natural gas energy, most consumers in Fairbanks are using heating oil priced off crude oil, resulting in prices near $20/mmBtu.

There is some gas service in Fairbanks; the gas is liquefied at a small plant in the Matanuska Valley and trucked to Fairbanks, where it sold at $23.35/mcf in October 2009, more than three times the price of Southcentral. Accordingly, the in-state line would be relatively more valuable to Fairbanks than Southcentral.

However, most of the gas from the in-state line would be destined for Southcentral, and sharing the costs with Southcentral would greatly reduce gas costs to Fairbanks. While there is no question that Fairbanks has high energy costs, and those problems warrant attention, Southcentral consumption would anchor the in-state line. Thus this analysis focuses on the dynamics of the subsidization surrounding Southcentral energy markets.

To help understand how the variables for the price of gas delivered to Southcentral utilities and the price of gas paid to producers on the North Slope could affect the estimated subsidy, Table 1 shows what the subsidy would need to be at North Slope wellhead gas purchase prices of $1 to

$3 and Cook Inlet delivered gas prices of $5 to $9. Again, our base case is a $2 North Slope purchase price and a $7 Cook Inlet delivered price to utilities.

TABLE 1
REQUIRED SUBSIDY (500 mmcfd line)
($billions)

		Cook Inlet Gas Price ($/mmBtu)				
		$5.00	$6.00	$7.00	$8.00	$9.00
North Slope Gas Purchase Price ($/mmBtu)	$1.00 :	$5.3	$4.2	$3.0	$1.9	$0.7
	$2.00 :	$6.4	$5.3	$4.2	$3.0	$1.9
	$3.00 :	$7.6	$6.4	$5.3	$4.2	$3.0

An even smaller 250 mmcf/d in-state line — a project that assumes no large industrial or export customers — would cost $6 billion with a $14.12/mmBtu tariff. With a $2 gas purchase cost and a target price of $7 Cook Inlet, the subsidy would come to $5.2 billion, about 24 percent more than the 500 mmcf/d line.

However, instead of a billion-dollar-plus subsidy to prop up the economics of an in-state line, perhaps the state could try leveraging the same amount of money in some form to boost the economic viability of the larger mainline (which could include a spur line from the mainline, near Fairbanks, to Southcentral). This contribution could be, for example, in the form of property tax relief during construction, low-interest long-term financing, production tax incentives, an actual capital infusion — or a combination of any or all of the above. The purpose would be to reduce the project's risk with the goal of securing a construction commitment from project sponsors.

Just one example: As a direct capital contribution, the same $4.2 billion that would be needed to reduce the tariff on a 500 mmcf/d in-state line to bring about $7/mmBtu gas to Southcentral would reduce the tariff on the mainline by $0.37/mmBtu. Over 25 years that would add over $15 billion in pre-tax undiscounted cash flow to the project and return large benefits to the state through increased production tax and royalty revenues on larger volumes and a higher wellhead value for the gas. But, as stated, there are other ways the state could consider leveraging its participation with the goal of securing a project commitment.

If state financial involvement could mean the difference as to whether the mainline is ever built, the state would be far better off committing the equivalent investment toward the mainline project rather than as an in-state pipeline subsidy. The most profitable measure of how the state would be better off is through much greater public revenues (taxes and royalties). In addition, the heavier demand for gas by a larger pipeline would do much more to spur increased oil and gas exploration and production on the North Slope than a smaller in-state line, which would not pull enough gas from the North Slope to require any exploration for new reserves.

Of course, the economic viability of the mainline is dependent upon investors believing that long-term market conditions will justify the risks associated with the multibillion-dollar construction project. Certainly, today's short-term market outlook and current gas prices are not sufficient to make the project feasible, and it's unlikely that any state financial assistance or fiscal terms could overcome long-term, low-price market conditions. But if at some time North Slope producers and investors believe in a long-term natural gas market of higher prices and growing demand, state financial assistance or a restructured tax regime could make a meaningful contribution to the project's economics.

V. Revenue Estimates: In-State Line vs. Mainline

There are four state oil and gas revenue streams: royalties, production tax, property tax and corporate income tax. The estimated revenue numbers in this analysis are based on the following assumptions:

- 500 mmcf/d for the in-state line.
- 4.5 bcf/d for the mainline, with an off-take to serve Fairbanks and a 450 mmcf/d spur line from Fairbanks to Southcentral. The additional capital cost for the pipeline capacity for the in-state gas is considered *de minimis*.
- All gas for the in-state line comes from Prudhoe Bay.
- The mainline gets 1.1 bcf/d from Point Thomson and the balance from Prudhoe Bay.
- The wellhead value at Prudhoe Bay is $2/mmBtu.
- The transportation deduction between Prudhoe Bay and Point Thomson is $0.22/mcf.
- The gas delivered to customers has a Btu content of 1,035/cf.
- Because the details of the final disposition of NGLs with an in-state line and a mainline are unknown, for simplicity we assume neither project includes marketing of the heavier NGLs (propane plus C4+). Though certainly the NGLs would be marketed, leaving them out of both projects (in-state and mainline) maintains equality in this analysis.

Royalties

For royalties we assume the following in this analysis:

- The Prudhoe Bay royalty rate is 12.5%.
- The Point Thomson royalty rate is 15%.
- Under these assumptions, we get an annual royalty to the state of $47 million with the in-state line and $527 million with the mainline. At least 25 percent of this would go to the Alaska Permanent Fund.[11]

Production (Severance) Tax[12]

For the production tax we assume the following for this analysis:

- All gas produced and consumed in the state as fuel is subject to an 18 cents/mcf tax, as provided for in state statute as a benefit to in-state consumers.
- Any gas sold out of state is subject to the higher production tax rate (25% of net value) for such gas sales, as defined in state statute (ACES).
- In-state gas sales total 500 mmcf/d in both scenarios (in-state line and mainline).
- 250 mmcf/d of in-state gas is assumed to be used for residential and commercial heat/power and is taxed at the lower rate. The other 250 mmcf/d of in-state gas is assumed to be used for industrial/manufacturing. Of this, half (125 mmcf/d) is assumed to be for fuel and subject to the lower rate, and half (125 mmcf/d) is assumed not to be fuel, perhaps LNG or fertilizer for export. In total then, 375 mmcf/d of the in-state gas is assumed to be used for fuel and taxed at the lower rate, and 125 mmcf/d is assumed to be taxed at the higher rate.
- Oil and gas have been decoupled for the production tax.[13]
- There are no incremental costs to produce gas. The upstream costs will be deductible against the oil and so incrementally no costs are allocated to gas. Hence the net value of the gas is the same as the gross value. (With decoupling of the production tax in state statute, there likely would have to be some allocation of field costs between oil and gas. But for the purpose of this analysis, and for the sake of simplicity, we assumed all of the costs will be attributed to ongoing oil production. To the extent

[11] Leases issued before 1979 have a 25% Permanent Fund contribution rate. Leases issued after 1979 have a 50% rate. Prudhoe Bay and Point Thomson were both leased before 1979.

[12] This assumes the current production tax rate. However, it is not improbable the law would be changed before mainline construction.

[13] Under the production tax the progressivity element is based on the per-unit value of oil and gas combined on a Btu basis. Because oil and gas have such disparate Btu values, it is possible that a major gas sale could decrease overall production taxes from what they were solely with oil. We assume the legislature will fix this prior to a major gas project.

some upstream costs are allocated from oil to gas, gas taxes would be less and oil taxes would be more.)

Thus we get an annual production tax of $57 million for the in-state line and $901 million for a mainline project.

Property Tax

The property tax is 20 mills (2%) assessed annually on the state-determined valuation of the investment. Oil and gas pipeline property (such as steel pipe and equipment) is subject to the tax as soon as it enters the state and during construction, which may be several years before it enters service. The in-state line (assuming it is privately owned) could pay over a half-billion dollars in property tax before it enters service; the mainline nearly $1.1 billion. While the tax is important for communities in dealing with the inevitable social and economic impacts during construction, these large up-front costs depress the economic feasibility of the project.

In addition, given that the property tax is based on cost, it exacerbates the negative impact of a cost overrun; not only are costs higher, but so are property taxes.

Per the AGDC report, the capital cost of the in-state line would be $7.4 billion. This would amount to $175 million (with inflation) in property tax in the first year of pipeline operation. Approximately 50% of this would go to the North Slope Borough, 10% to the Fairbanks North Star Borough, 20% to the Matanuska-Susitna Borough, 5% to the Municipality of Anchorage, and the remaining 15% would go to the state, based on the physical location of the pipeline, compressor stations and gas treatment plant.

Per the Alaska Pipeline Project's open-season documents, the mid-price range for the Alaska portion of the mainline and North Slope gas treatment plant are $11.3 billion each ($22.6 billion) in 2010 dollars, or about $29 billion in nominal dollars. In addition, a 500 mmcf/d spur line from Fairbanks to Southcentral would cost $1.8 billion (this analysis assumes a spur line to Southcentral, developed by someone other than the mainline project sponsors). This would equate to $622 million (with inflation) in property taxes in the first year of mainline pipe operations. Approximately 60% of this would go to the North Slope Borough, 5% would go to the Fairbanks North Star Borough, and the remaining 35% would go to the state. Property taxes also would be owed to the municipalities and state on any privately owned spur lines off the mainline, but we did not calculate those estimates.

State Corporate Income Tax

There are two net-income streams generated. First, there is the return on equity in the pipeline. This starts high and decreases as the unrecovered investment declines each year. Second, there is the net-income tax on the production of the gas after deducting severance and property taxes. Since the return-on-equity component on the pipeline is relatively modest, it's expected that the state corporate income tax take on the gas would be worth far more than on the pipeline itself.

Though income is subject to worldwide apportionment under state law (allocating a percentage of business activity to Alaska), we have modeled the tax as if Alaska was a stand-alone entity. Though simplistic, it is easier for this analysis and still indicative of the relative state take. The tax rate of 9.4% was applied to the income.

We estimated state corporate income tax in year one at $47 million for the in-state line and $283 million for the mainline. Those estimates include the income tax on the pipeline and the gas.

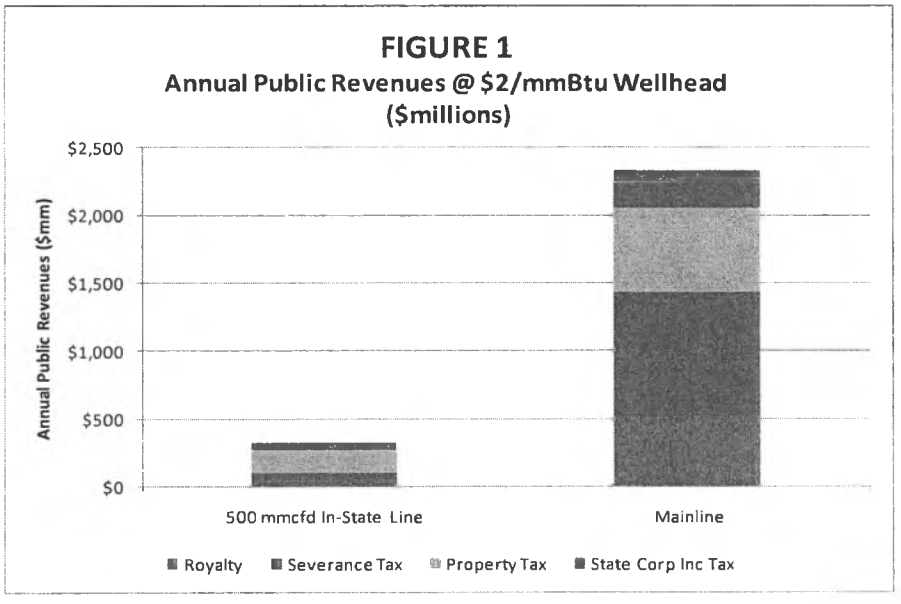
Summary

Table 2 summarizes the difference in public revenues between the in-state line and the larger mainline to serve Lower 48 markets.

Table 2
Annual Public Revenues @ $2/mmBtu Wellhead
($millions)

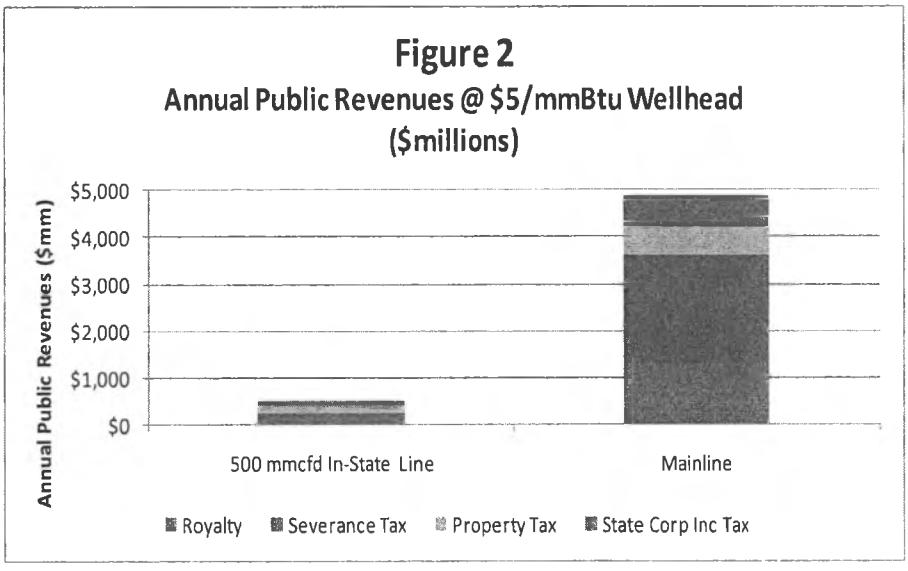
	500 mmcfd	
	In-State Line	Mainline
Royalty	$47	$527
Severance Tax	$57	$901
Property Tax	$175	$622
State Corp Inc Tax	$47	$283
TOTAL	$326	$2,333

Figure 1 illustrates these differences graphically.



Again, these are predicated on a $2 wellhead price, which equates to Alaska gas selling for about $7 in the Lower 48. At higher prices the spread in state revenues between the in-state line and mainline widens further. One reason is that the production tax for in-state gas is fixed in statute at 18 cents/mcf regardless of price, while the production tax rate on gas sold out of state increases as the value of the gas rises. For example, at a $5 wellhead price ($10 Lower 48 price), the in-state line would pull in $502 million a year in total taxes and royalties, while the mainline would generate ten times more at $4.9 billion.

These differences are shown in Figure 2.



For a smaller 250 mmcf/d pipeline, at a $2/mmBtu wellhead value, the relative revenue estimates would be $208 million for the in-state line vs. $2.2 billion for a 4.5 bcf/d mainline (with an additional 250 mmcf/d going to Southcentral). At a $5/mmBtu wellhead the figures are $267 million vs. $4.4 billion, respectively.

VI. Cost of Gas to Southcentral with a Spur Line off the Mainline

Finally, what would the price of gas be to Southcentral consumers with a mainline and off-takes to supply Fairbanks and Southcentral? The gas would realize major economies of scale traveling with the large volume of gas as far as Fairbanks — about half the total journey within Alaska.

With the mainline, the cost of gas would be the sum of four elements: purchase price of the gas (we will assume again that the purchase price of gas is $2), the tariff on the gas treatment plant (GTP), the tariff on the mainline between the North Slope and Fairbanks (or wherever the spur line taps into the mainline), and the tariff on the spur line between Fairbanks and Southcentral.

Per the Alaska Pipeline Project's open-season documents, the mid-point 20-year negotiated tariff for the GTP is $1.41/mmBtu and the in-state portion of the mainline is $0.78/mmBtu, for a total of $2.19.[14] Add in the cost of gas presumed at $2 for this analysis, and deliveries to the Fairbanks off-take could be as low as $4.19/mmBtus, before local distribution costs to consumers.

The estimated capital cost for a 450 mmcf/d spur line between Fairbanks and Southcentral is $1.8 billion. This equates to a tariff of $2.56/mmBtu. Again, the lack of economies of scale on a costly pipeline to move a relatively small amount of gas makes this an expensive segment. This

[14] TransCanada Alaska Co., "Open Season Plan Documents Submitted in Connection with Request for Commission Approval of Detailed Plan for Conducting an Open Season: Volume I of III," FERC Docket No. PF09-11-001, p.10.

would result in a total gas cost to Southcentral utilities of $6.75, or $0.25 lower than our 2020 base price and much less than the unsubsidized cost of $10.65 for a small in-state line. The state certainly could assist in the finances of the spur line to lower the tariff, or use the significant tax and royalty revenues from a mainline to assist residents with their energy costs.

VII. Conclusion

Pipeline economics are significantly affected by economies of scale. Tariffs on smaller-diameter pipelines will be much higher than on large ones, and these differences become increasingly exaggerated with the long pipelines necessary in Alaska. It is difficult to predict significant industrial demand for North Slope natural gas, and it also is unclear how much indigenous Cook Inlet production will endure to meet most or much of local demand in the years ahead.

It will require a significant state subsidy to bring down the cost of gas on an in-state line to reasonable levels; the opportunity costs of such a subsidy are not trivial. An alternative to the in-state line subsidy could be state financial participation toward enhancing the economic feasibility of a pipeline to the Lower 48 that also would bring affordable gas to the Railbelt. The public benefits of such a mainline would dwarf the in-state line:

- Taxes and royalties would be much higher.
- The larger volumes would promote increased North Slope exploration.
- And because of the economies of scale, consumers would get gas priced similarly to a heavily subsidized in-state line.

If the point of an in-state line subsidy is simply to provide lower-cost energy to Alaskans, there are other alternative subsidies that could provide energy at low prices. For example, developing additional hydroelectric power for the Railbelt would free up limited Cook Inlet gas supplies for space heat. Of course, hydro power would not produce any royalty or production tax payments to the state, nor prompt increased investment in North Slope oil and gas exploration. Estimated North Slope gas resources may exceed 100 trillion cubic feet in conventional exploration targets, with that much more possible in unconventional gas hydrates, shale and coal bed methane.[15] In the absence of a major gas line, there has not been a reason to explore for these reserves.

Finally, there is the risk of proceeding with an in-state gas pipeline and having the mainline built later. At that time a large portion of the in-state pipeline project would be redundant, resulting in economic inefficiencies.

[15] National Energy Technology Laboratory, "Alaska North Slope Oil and Gas: A Promising Future or an Area in Decline," DOE/NETL-2009/1385, April 8, 2009.

2/23/11 ANNUAL MINING INDUSTRY BRIEFING

<TARGET><BILL></BILL><SUBJECT>2-23-11 ANNUAL MINING INDUSTRY BRIEFING</SUBJECT><COMM>SRES27</COMM></TARGET>

Annual Mining Industry Briefing
for
Joint House/Senate Resources Committees

February 23, 2011

Today's Agenda

- Historical context — Steve Borell
- Status of Alaska's surface mines — "
- Status of underground mines — Mike Satre
- Review of selected projects pending — Steve Borell

Historical Context

1. **From late 1800s until World War II** - mining was Alaska's largest industry with the most jobs.

2. **From World War II until 1989** - effectively no lode (versus placer) mining in Alaska!

3. **From 1989 to Present** – continued steady growth.

Today – 6 large mines in Alaska; much exploration.

The Question: Why so little mining today?

Mining History Since WW II

At Start of World War II

- Presidential order closed all gold mines
- Needed miners and equipment for war effort

After World War II

- Some placer mining resumed
- Limited lode **exploration** resumed as metal prices allowed
- **Excess base metal production capacity in world**
- **Gold price fixed - but cost of wages and supplies continued to increase**
- Prudhoe Bay, ANCSA (44m ac), ANILCA (104m ac)
- Land and regulatory uncertainty

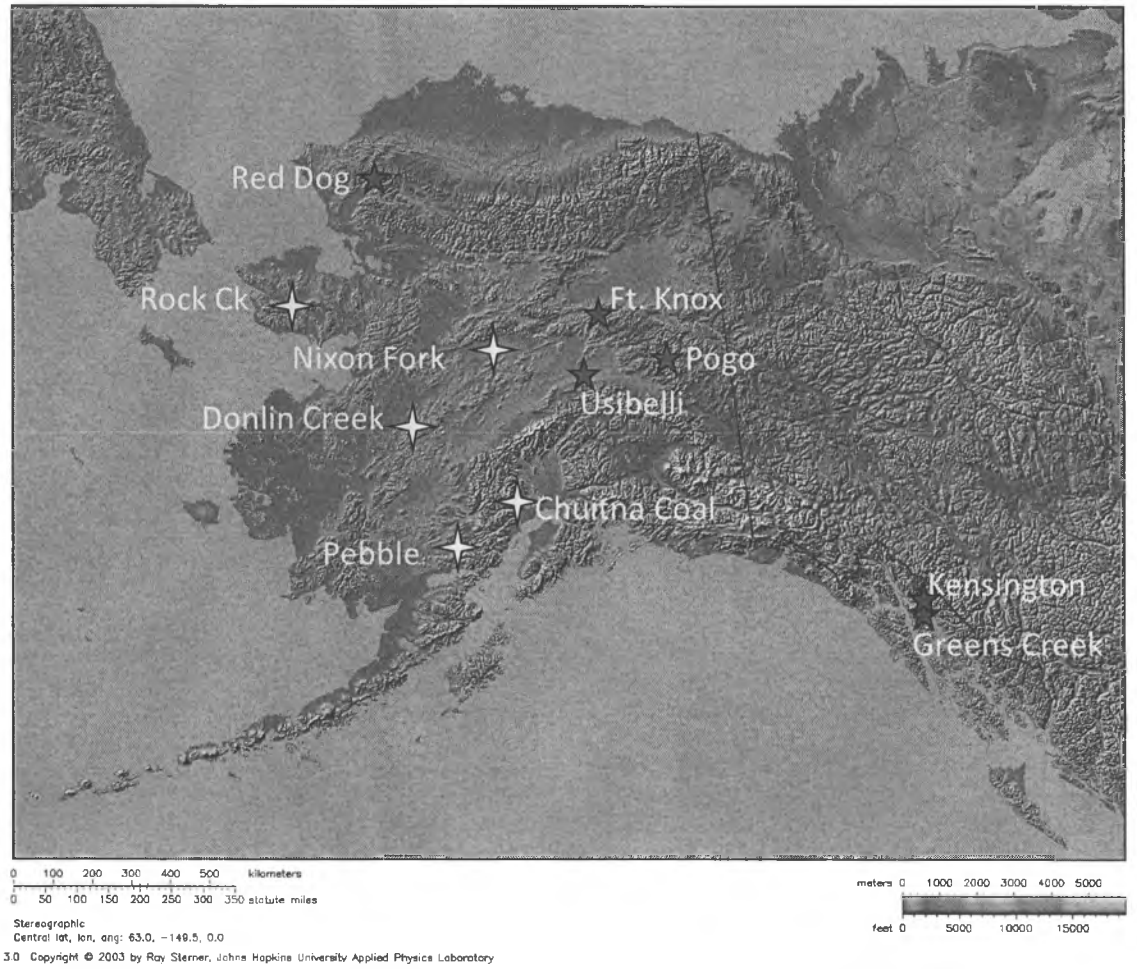
From World War II to1989

- Effectively no lode/hardrock mining, some placer mining, some coal mining
- In 1989 Greens Creek & Red Dog began operating
  - **Proved to the world that a major mine could be permitted in Alaska!**
  - **Proved that all Alaska was not in a Park!**

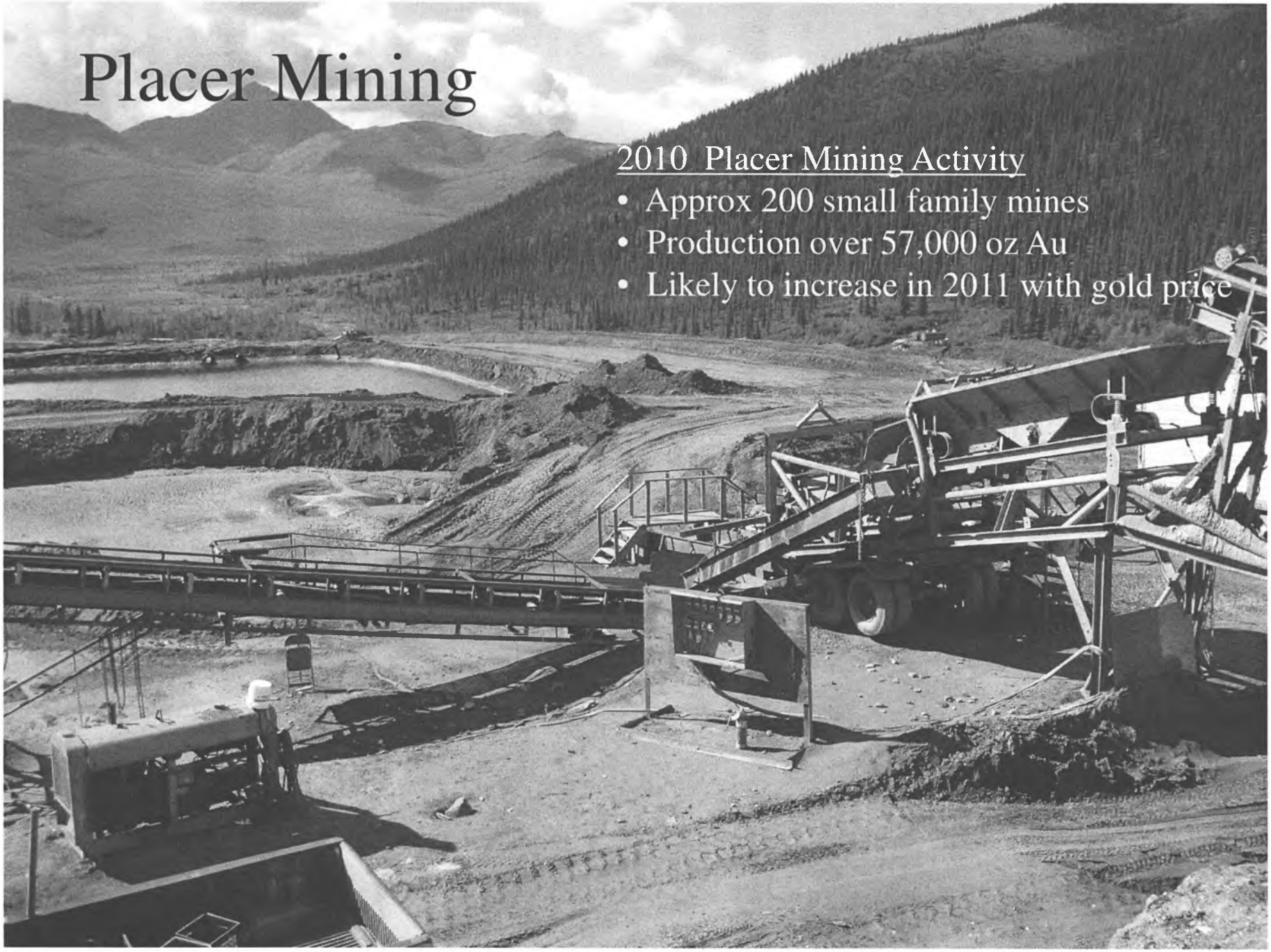
Alaska Major Mines and Projects

★ **Producing mine**

✦ **Developing and major exploration projects**



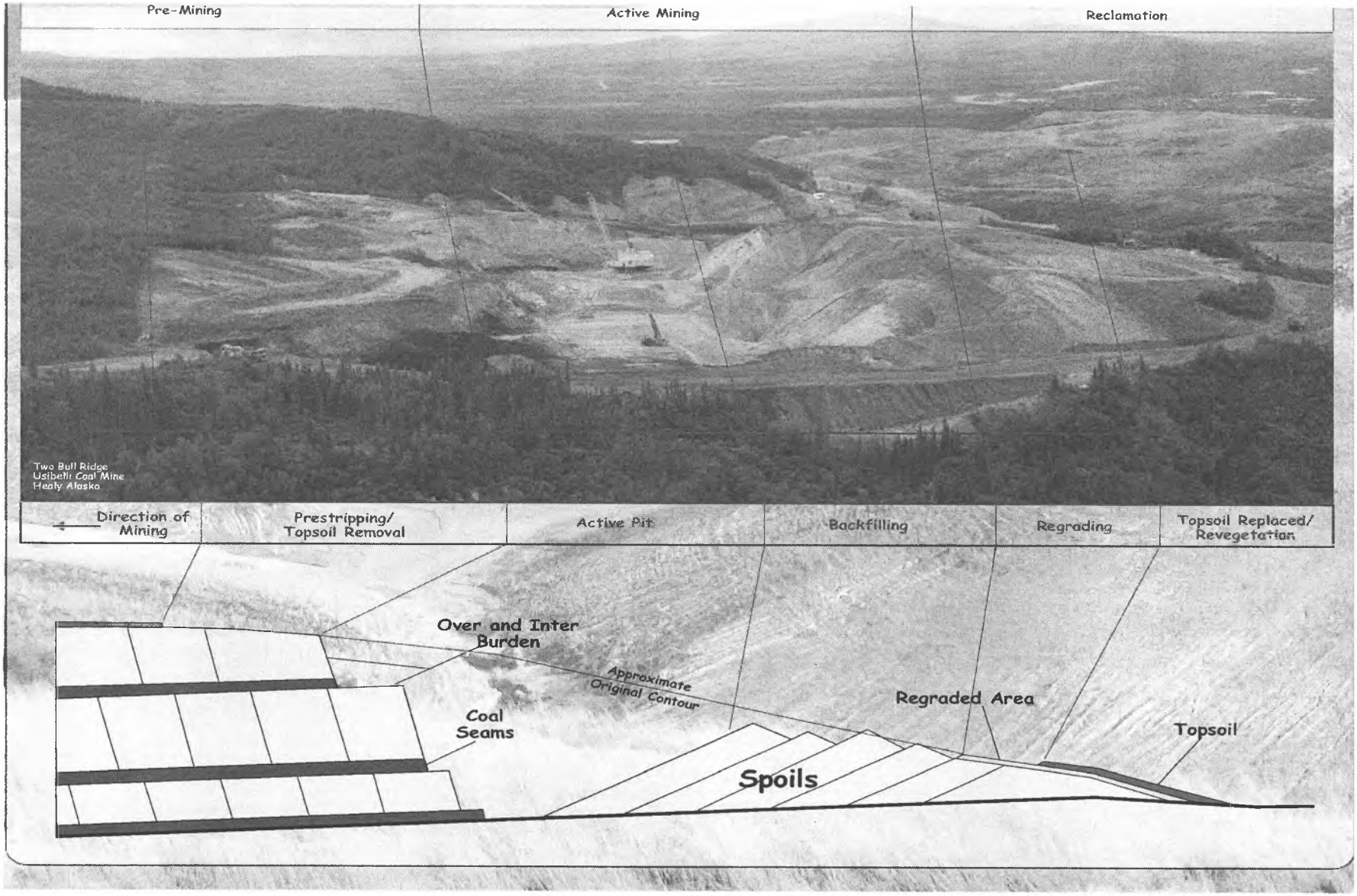
Placer Mining



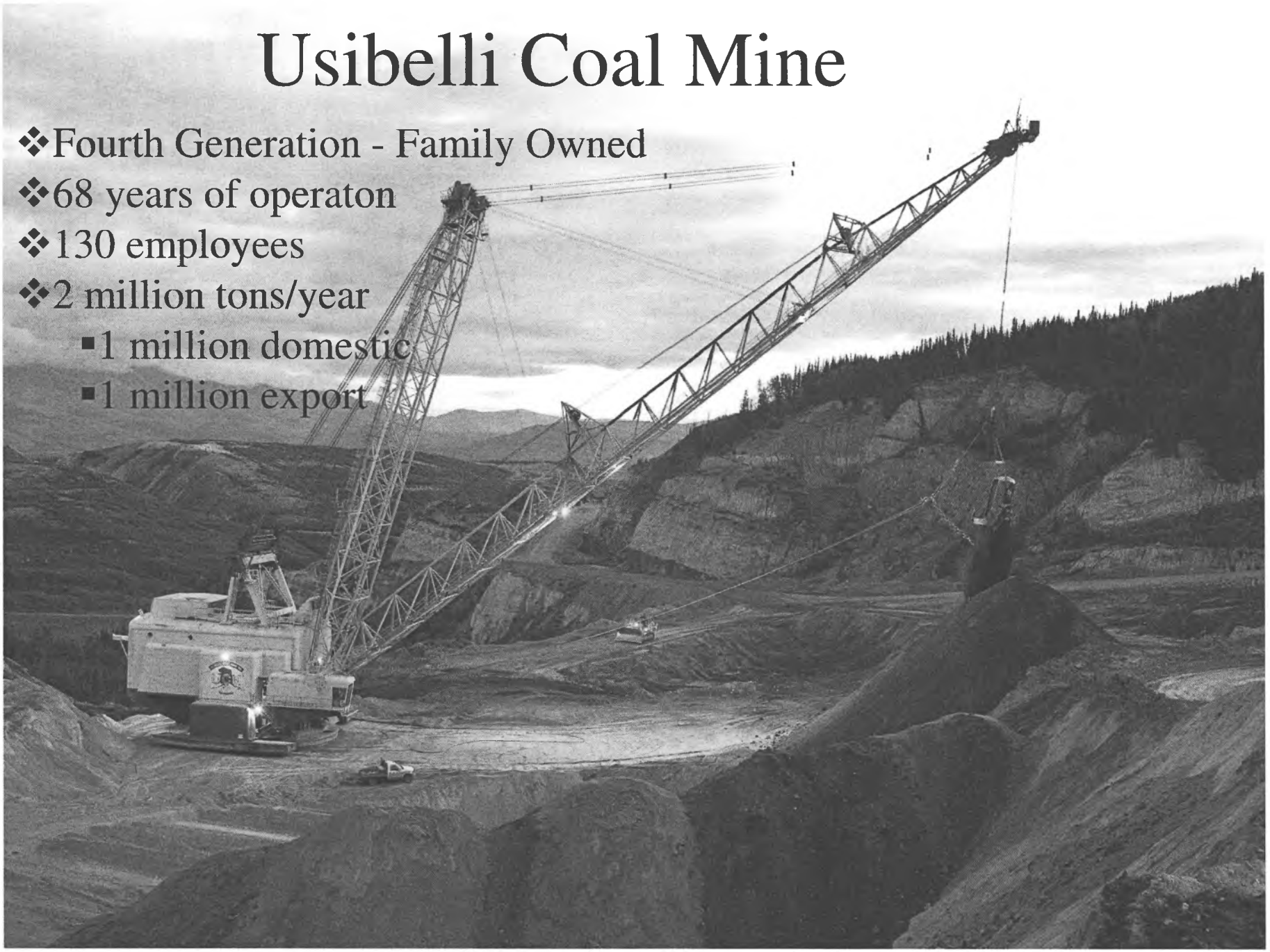
2010 Placer Mining Activity

- Approx 200 small family mines
- Production over 57,000 oz Au
- Likely to increase in 2011 with gold price

Usibelli Coal Mine

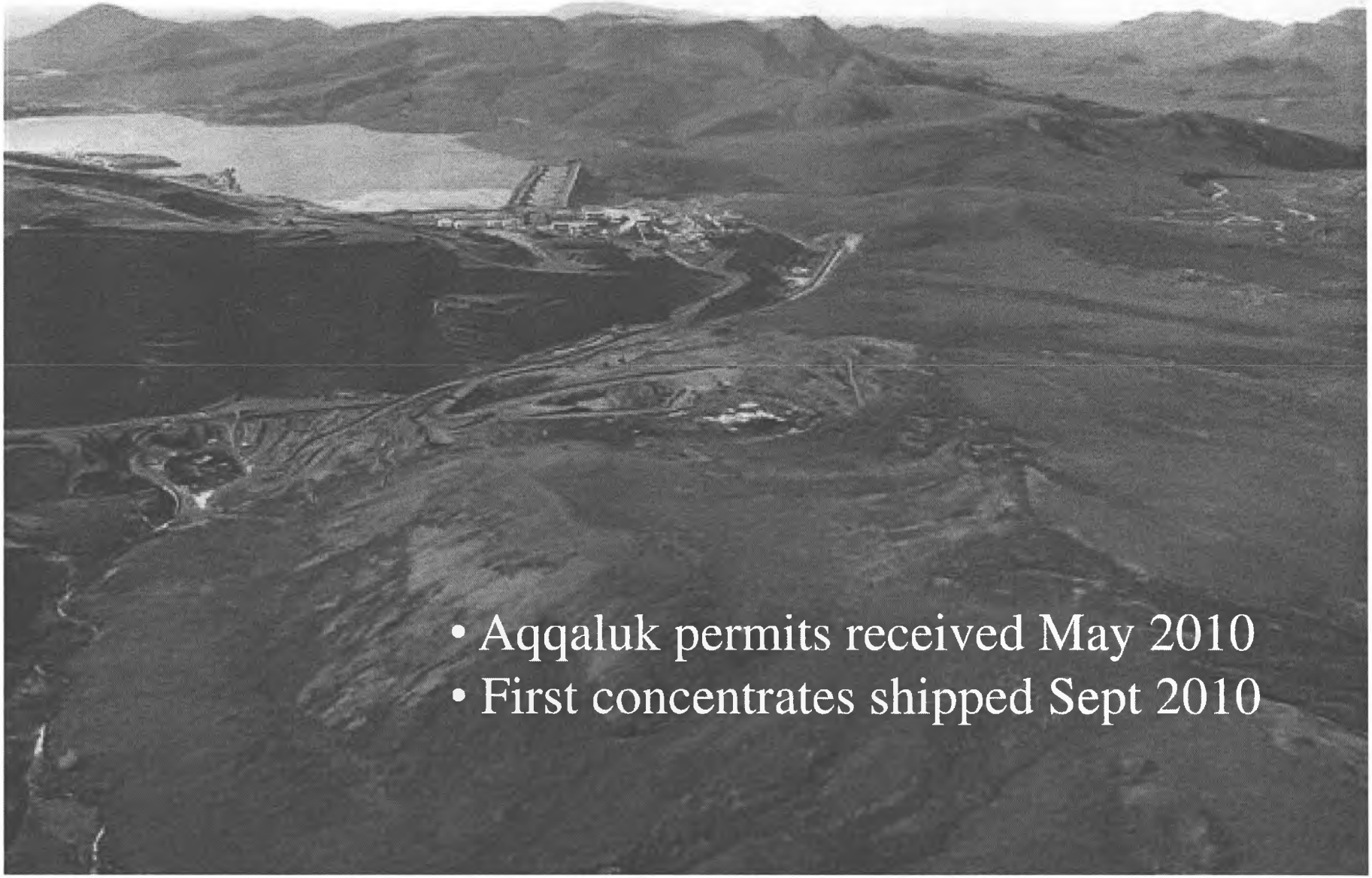


Usibelli Coal Mine



- Fourth Generation - Family Owned
- 68 years of operaton
- 130 employees
- 2 million tons/year
  - 1 million domestic
  - 1 million export

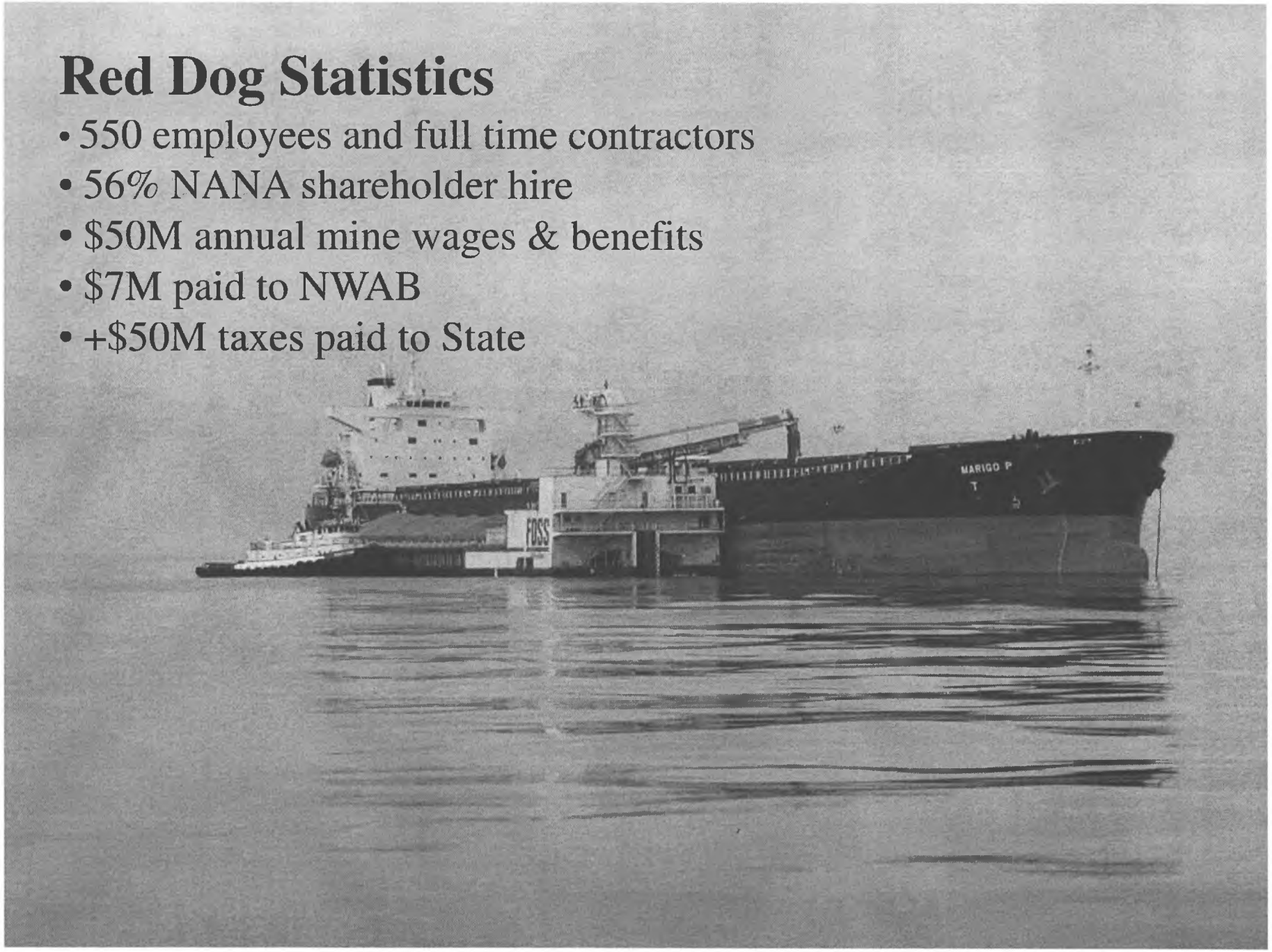
Red Dog Mine



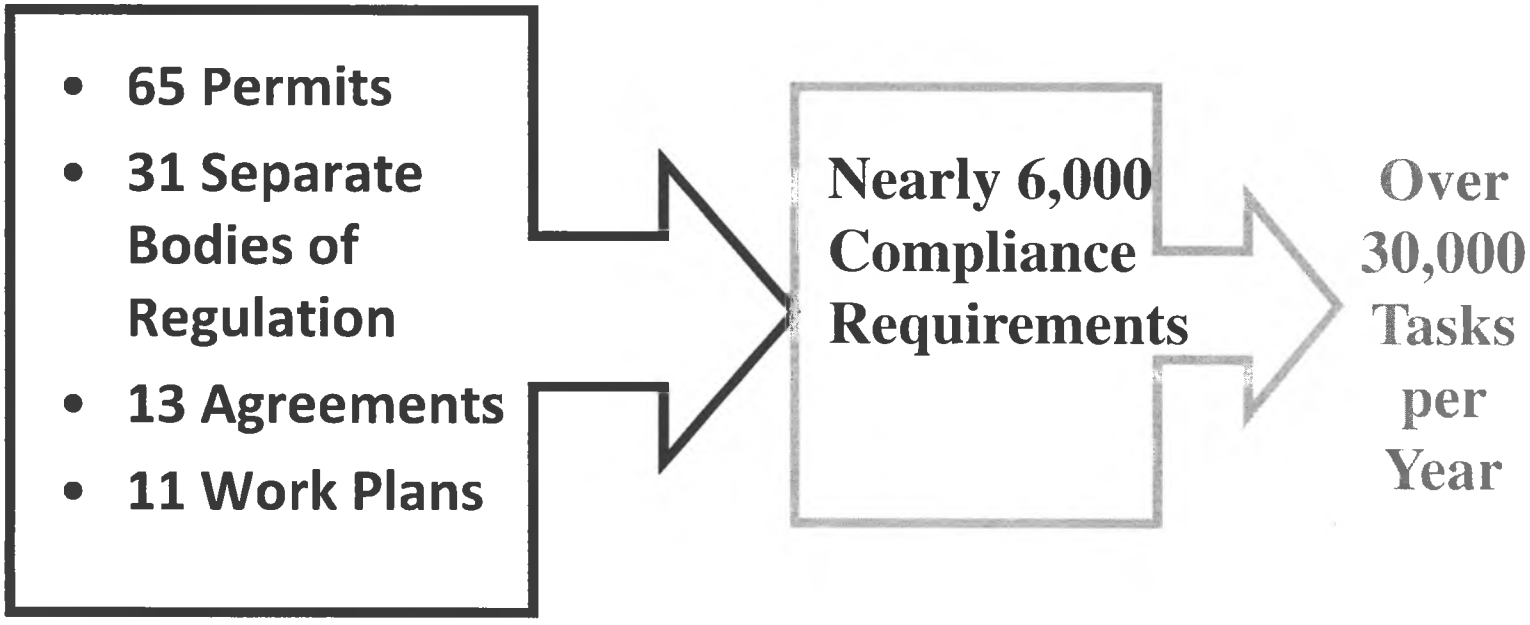
- Aqqaluk permits received May 2010
- First concentrates shipped Sept 2010

Red Dog Statistics

- 550 employees and full time contractors
- 56% NANA shareholder hire
- $50M annual mine wages & benefits
- $7M paid to NWAB
- +$50M taxes paid to State

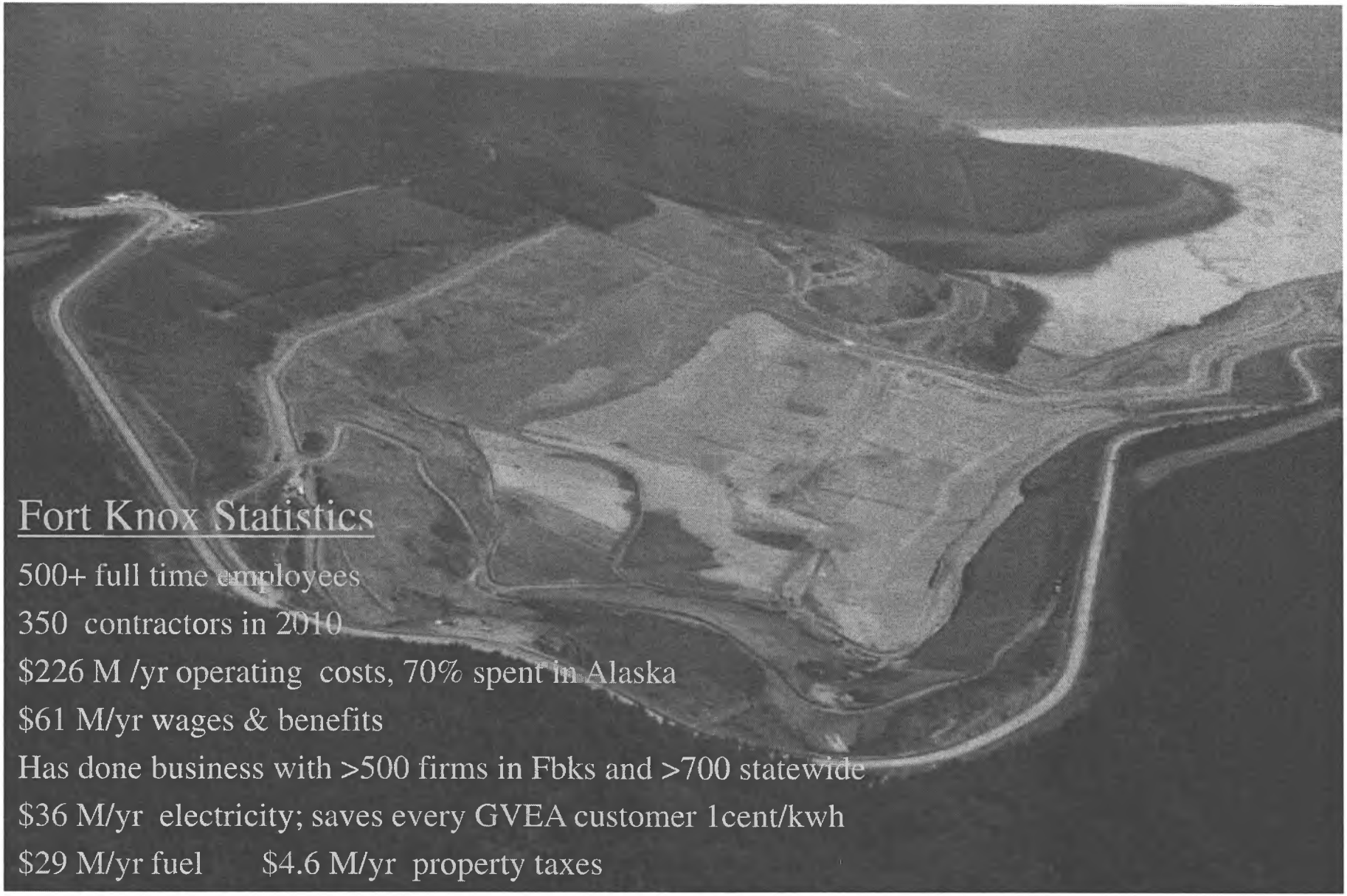


Red Dog Legal and Other Environmental Requirements

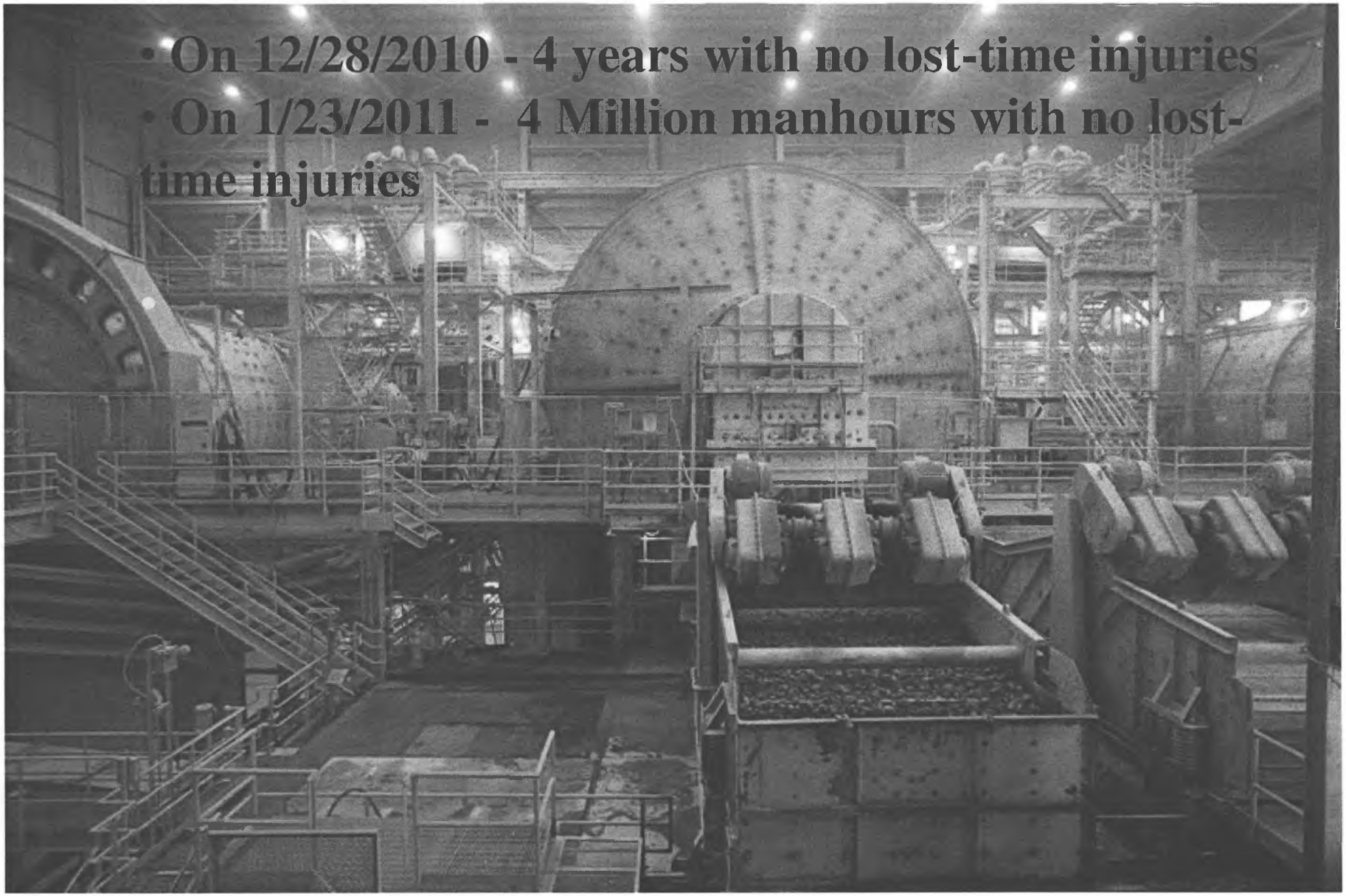


Fort Knox Mine

KINROSS Fort Knox

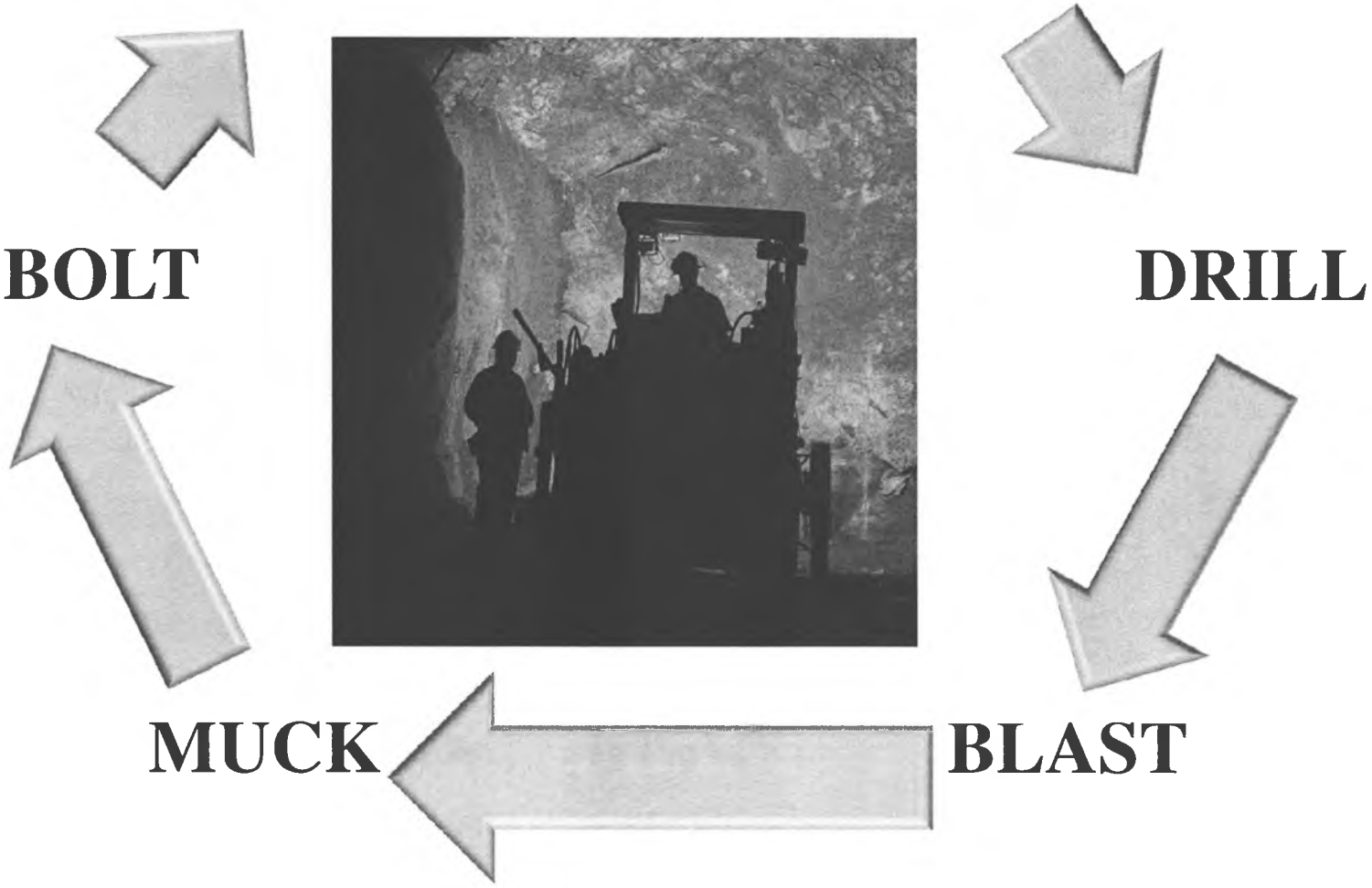


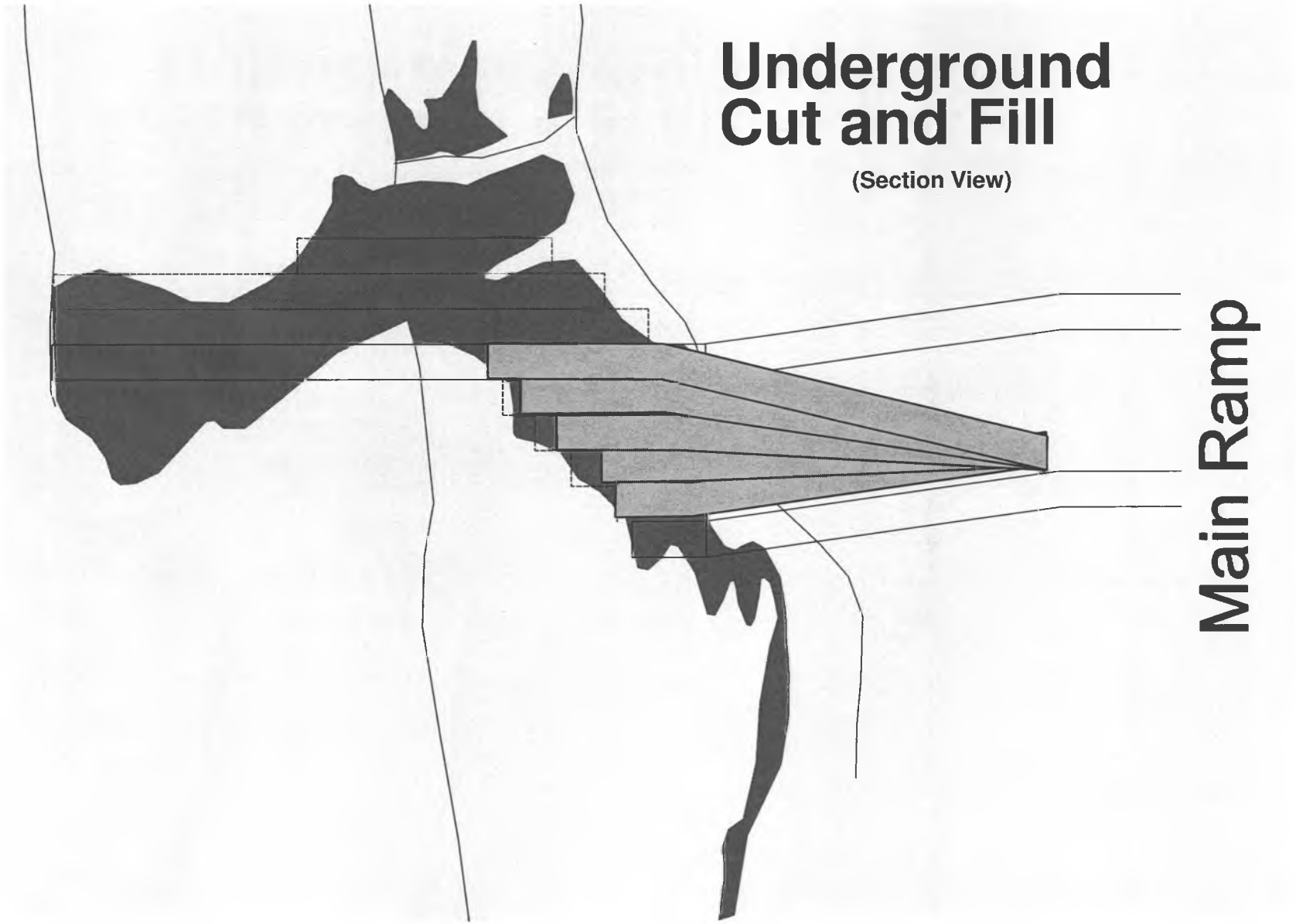
Fort Knox Safety Milestones



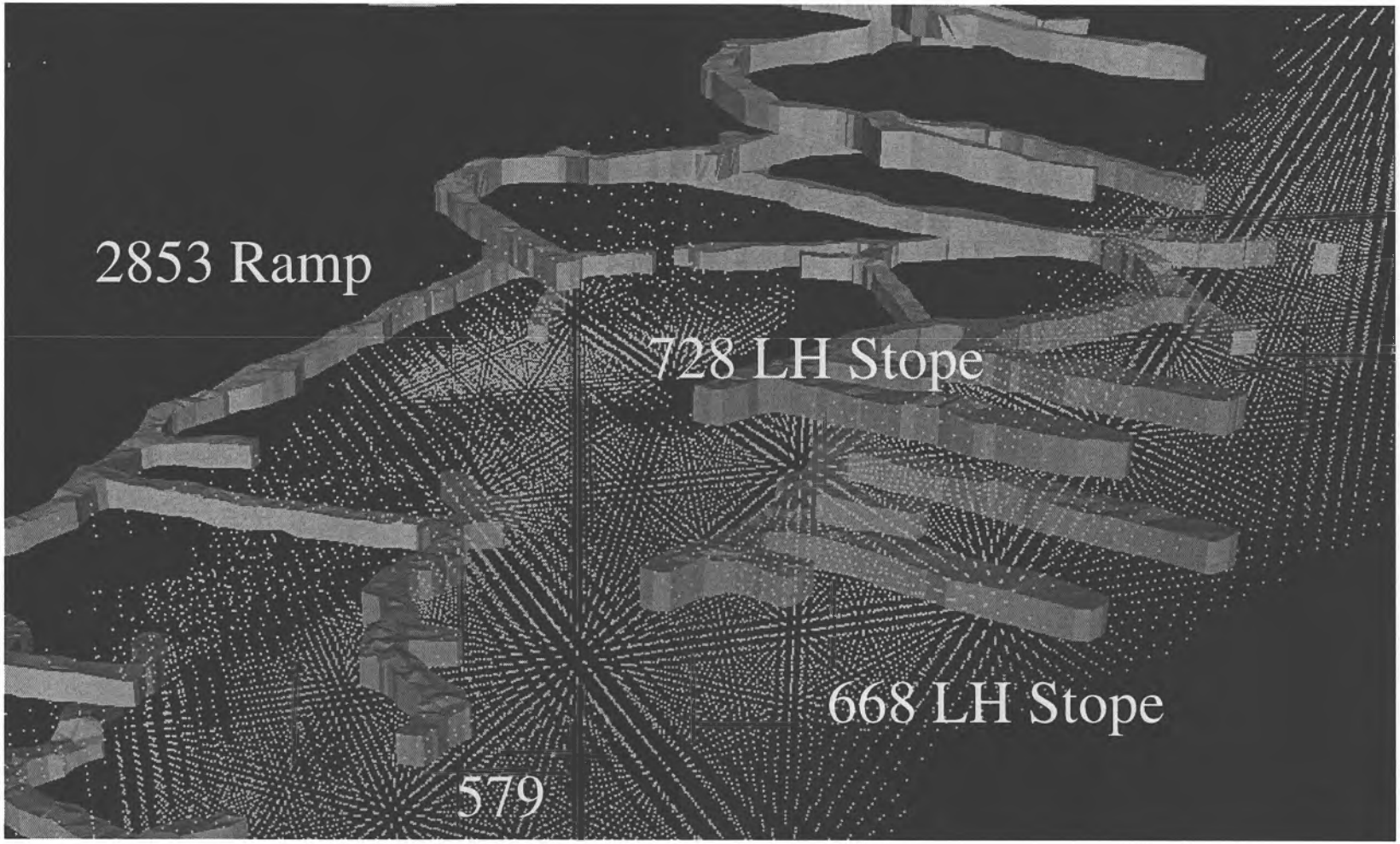
Basic Underground Mining Cycle

Geology + Engineering Control




Underground
Cut and Fill
(Section View)
Main Ramp

Underground Longhole



Hecla Greens Creek Mine

"At a Glance"

- **18 miles south of Juneau on Admiralty Island**
- **High-grade polymetallic orebody**
  - **Silver, zinc, lead and gold**
- **UG mine with surface concentrator**
  - **(2,250 tpd)**
- **Producing three concentrates + dore'**
  - **Zinc, lead and bulk**
- **20 years of production**
  - **Current 10 year mine life**

Hecla Greens Creek Mine

Economic Impact

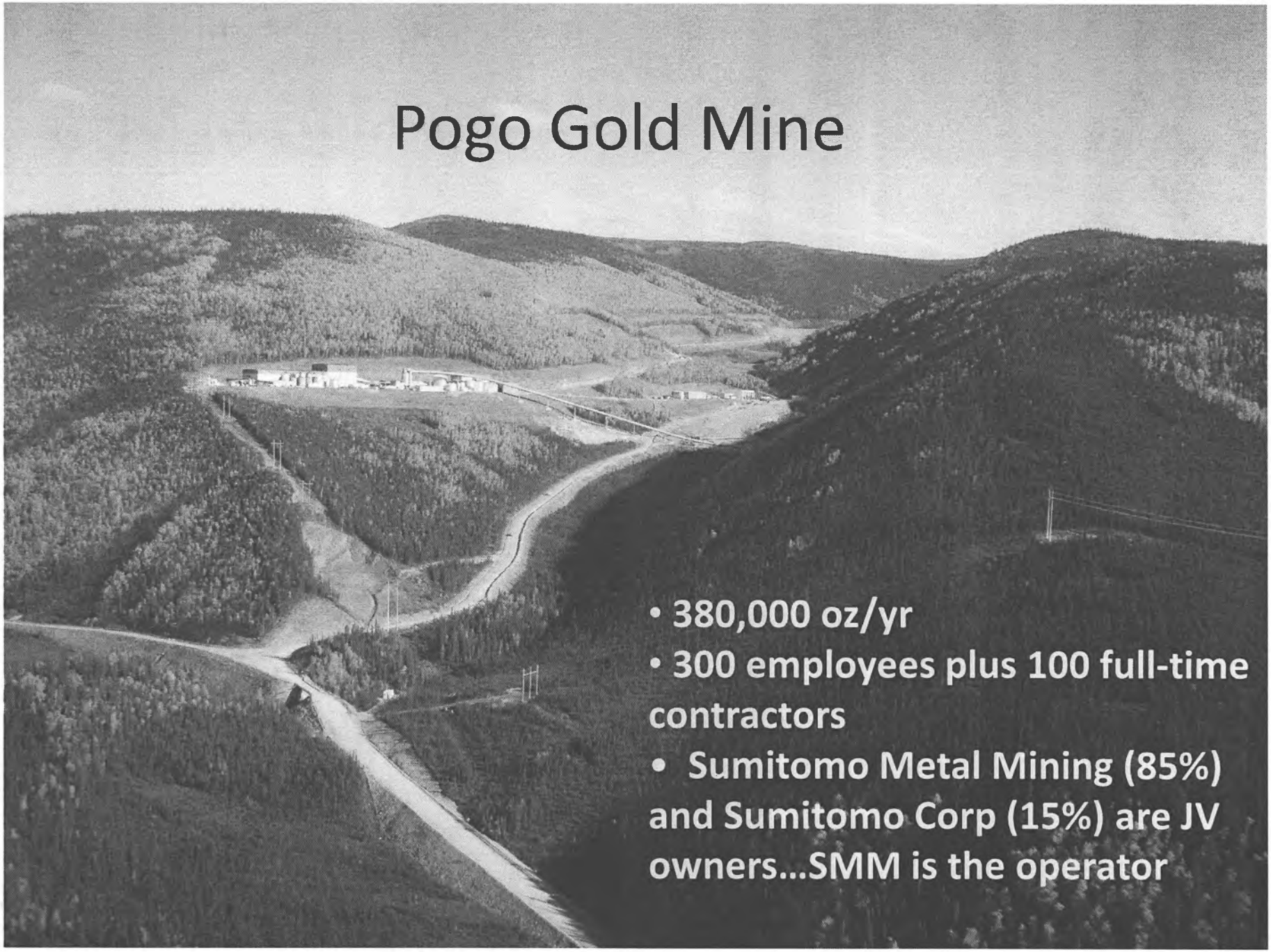
- **340 Employees**
  - **530 total direct and in-direct jobs**
- **Largest private sector employer in Juneau**
- **>$42M in pay and benefits**

Hecla Greens Creek Mine

Tailing Expansion

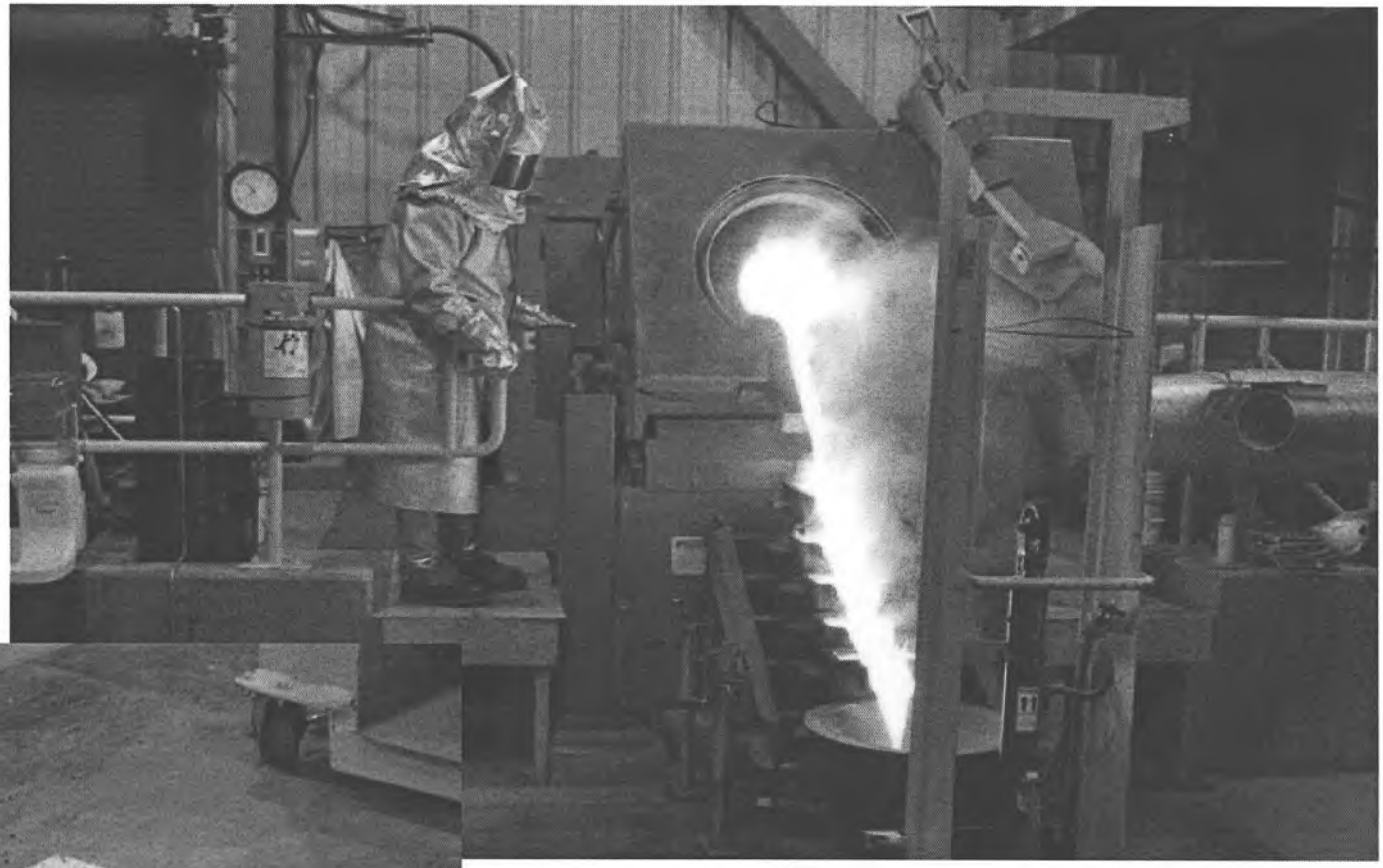
- **NEPA process initiated to add ~30-50 years of tails storage capacity**
- **Proposal will expand the site by ~200 acres**
- **Construction to start in 2012 pending favorable EIS and ROD from Forest**

Pogo Gold Mine

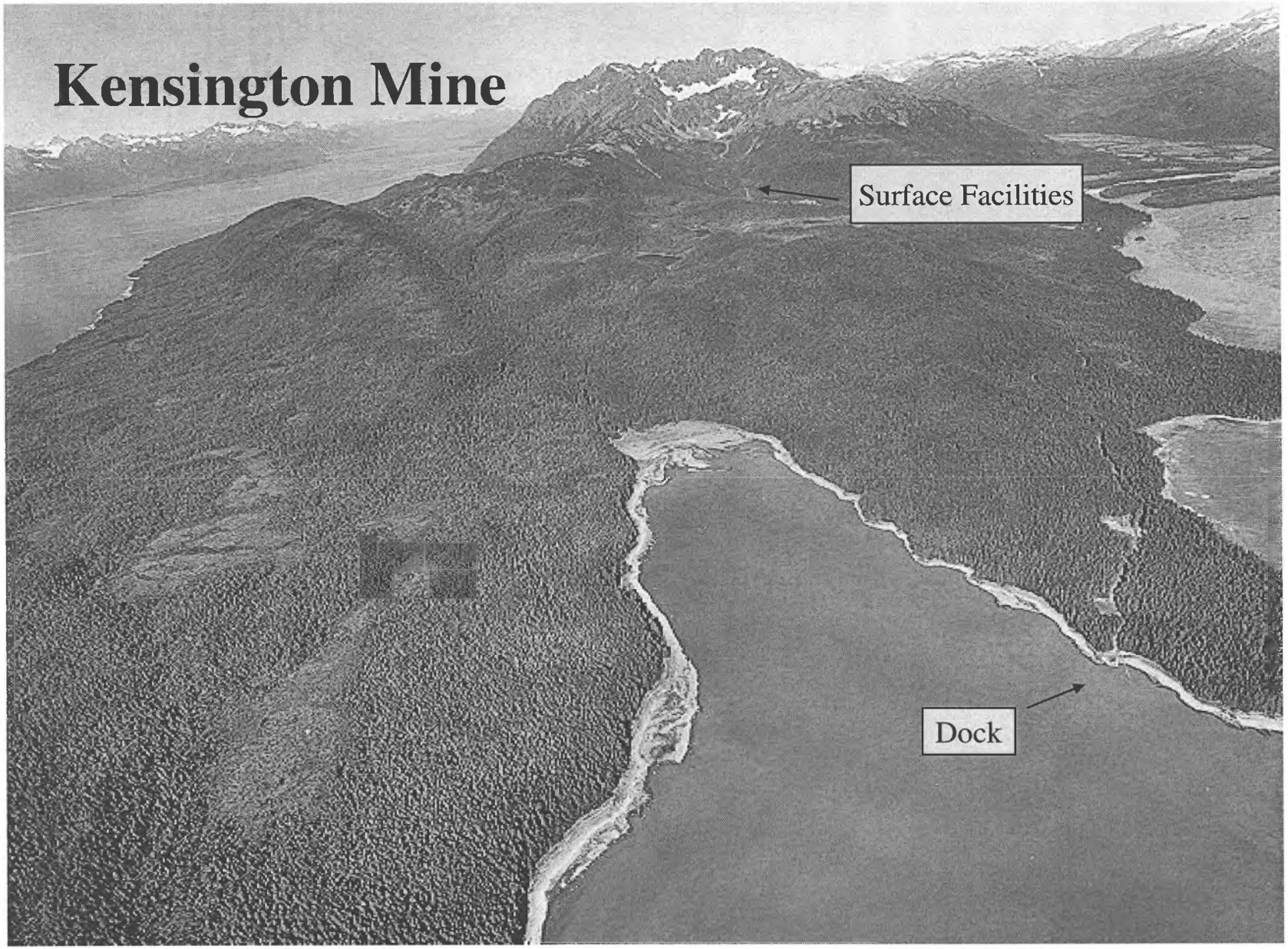


- 380,000 oz/yr
- 300 employees plus 100 full-time contractors
- Sumitomo Metal Mining (85%) and Sumitomo Corp (15%) are JV owners…SMM is the operator

Pogo Gold Mine

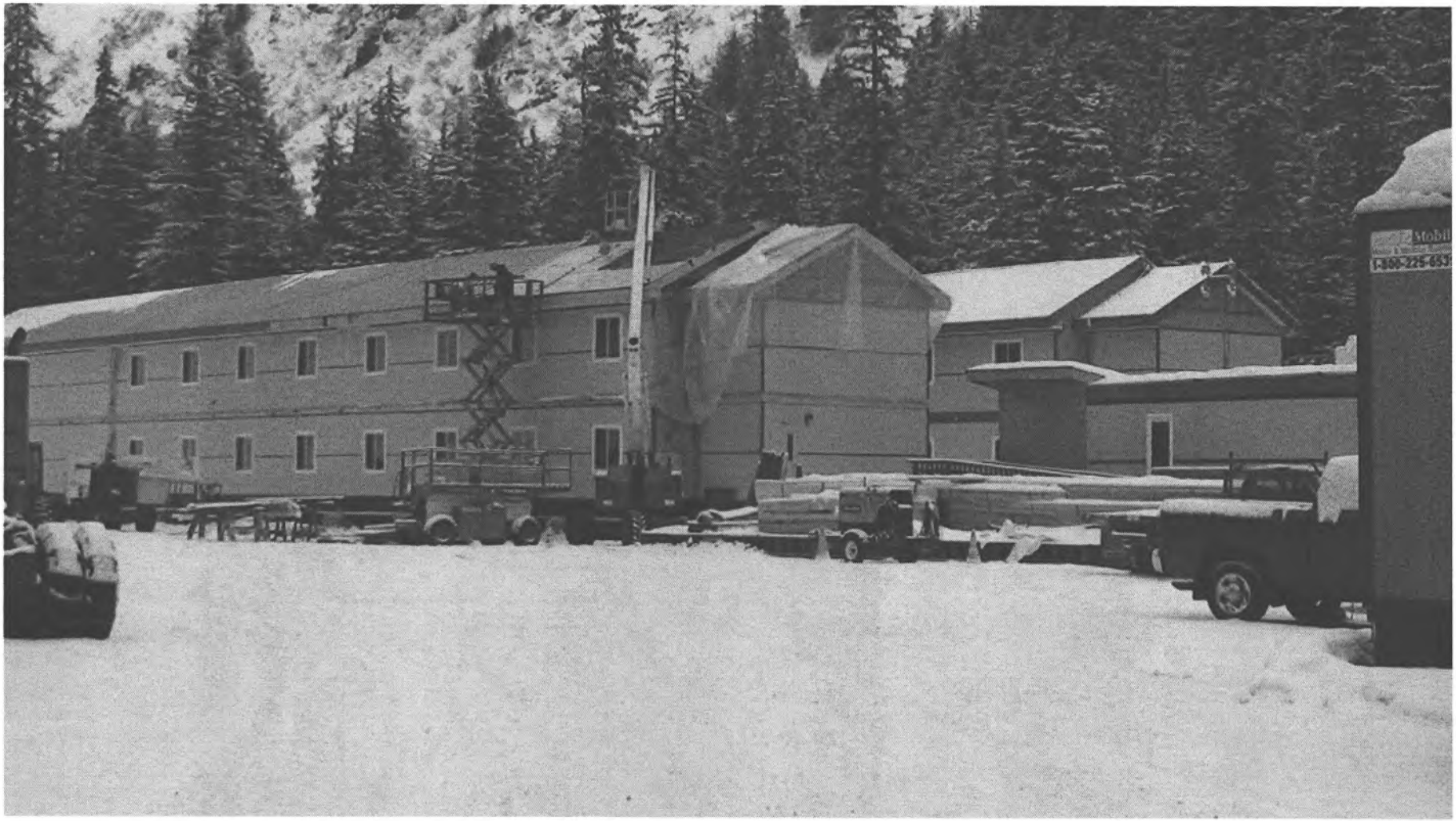


- Focus on safety and environmental performance
- Mine reserves are through 1st Qtr 2017
- On-going exploration to expand ore reserves and mine life


Kensington Mine
Surface Facilities
Dock

Kensington Gold Mine
Began operating July 2010
200 employees
125,000 oz/yr - Ongoing exploration
$25M/yr annual payroll
2nd largest Juneau employer by payroll
$9.3M/yr purchases local goods & services
Several million in local tax revenues

Limited On-site Accommodations



RDC Board at Lower Slate Lake

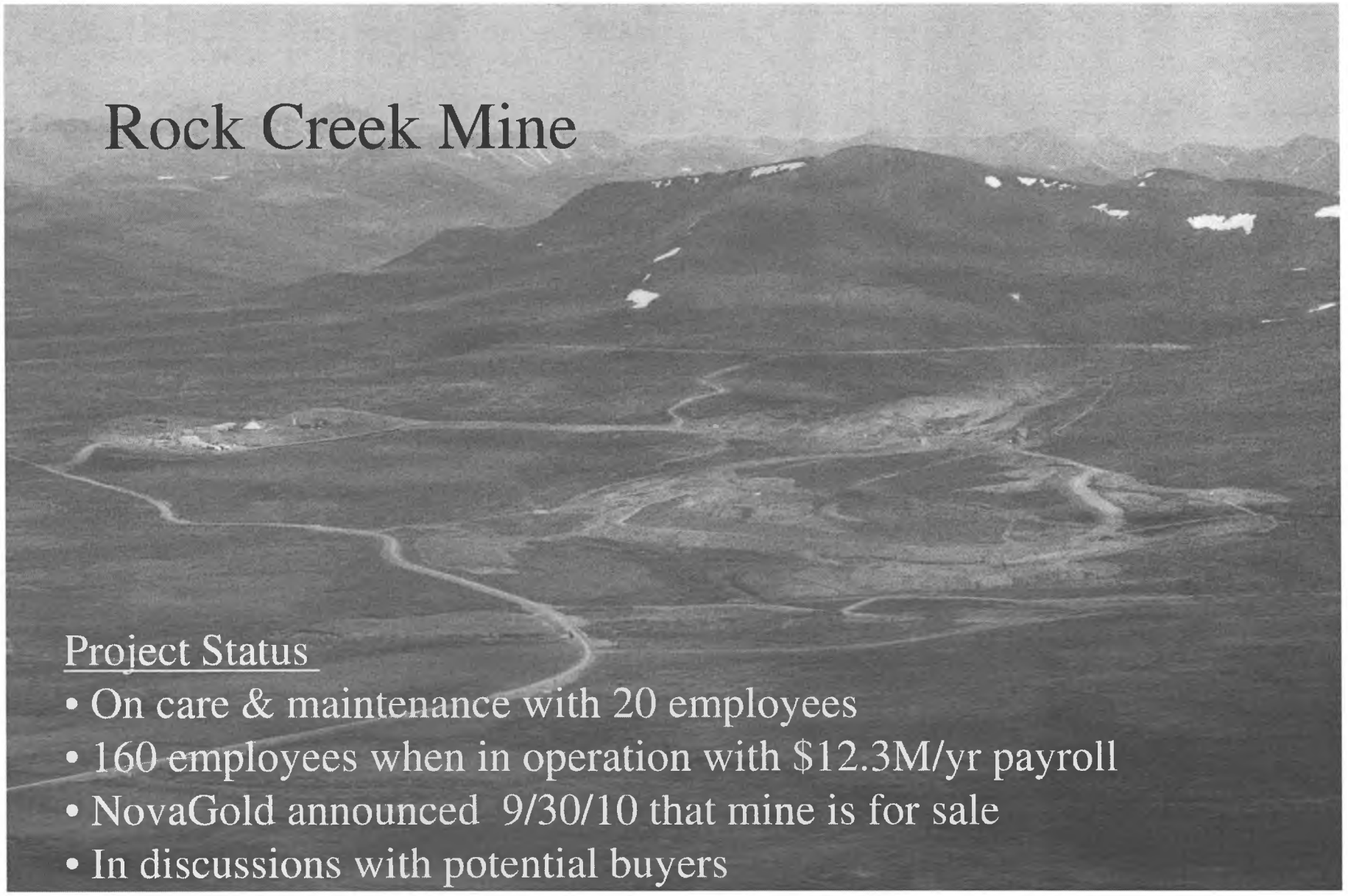
Mines in Idle Status

- **Nixon Fork - Fire River Gold**
- **Rock Creek - Alaska Gold/ NovaGold**

Nixon Fork Mine

Project Status

- Exploration drilling, facility upgrades, mine engineering/design
- Expect to restart production mid-2011
- 40 jobs in 2010 , 100 jobs by end of 2011


Rock Creek Mine
Project Status
• On care & maintenance with 20 employees
• 160 employees when in operation with $12.3M/yr payroll
• NovaGold announced 9/30/10 that mine is for sale
• In discussions with potential buyers

Projects in Advanced Exploration and Permitting

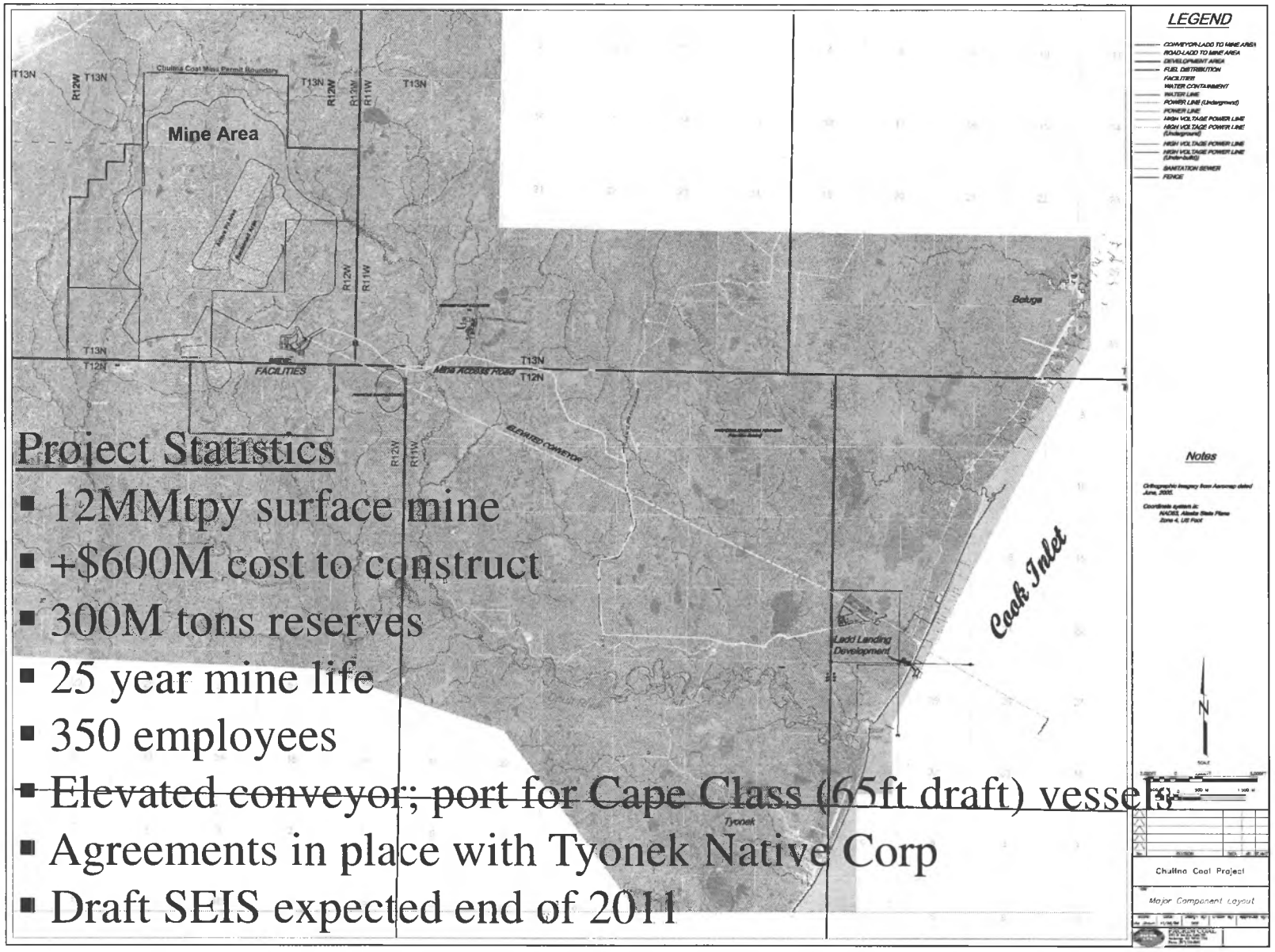
Advanced Permitting

1. Chuitna Coal PACRIM Coal

Advanced Exploration/Pre-permitting

2. Donlin Creek Barrick/NovaGold JV
3. Pebble Partnership NDM/Anglo American JV

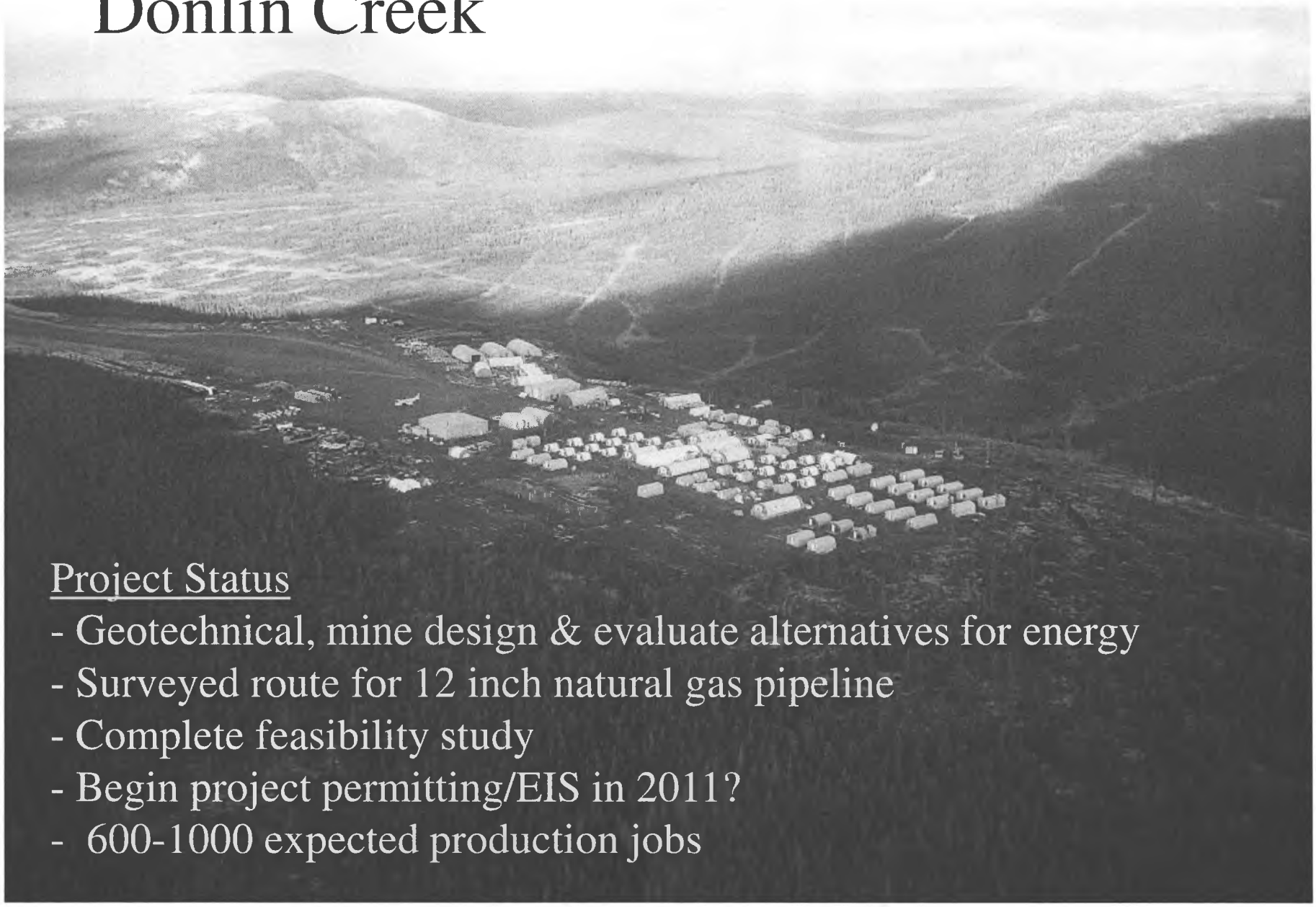
Chuitna Coal Project



Project Statistics

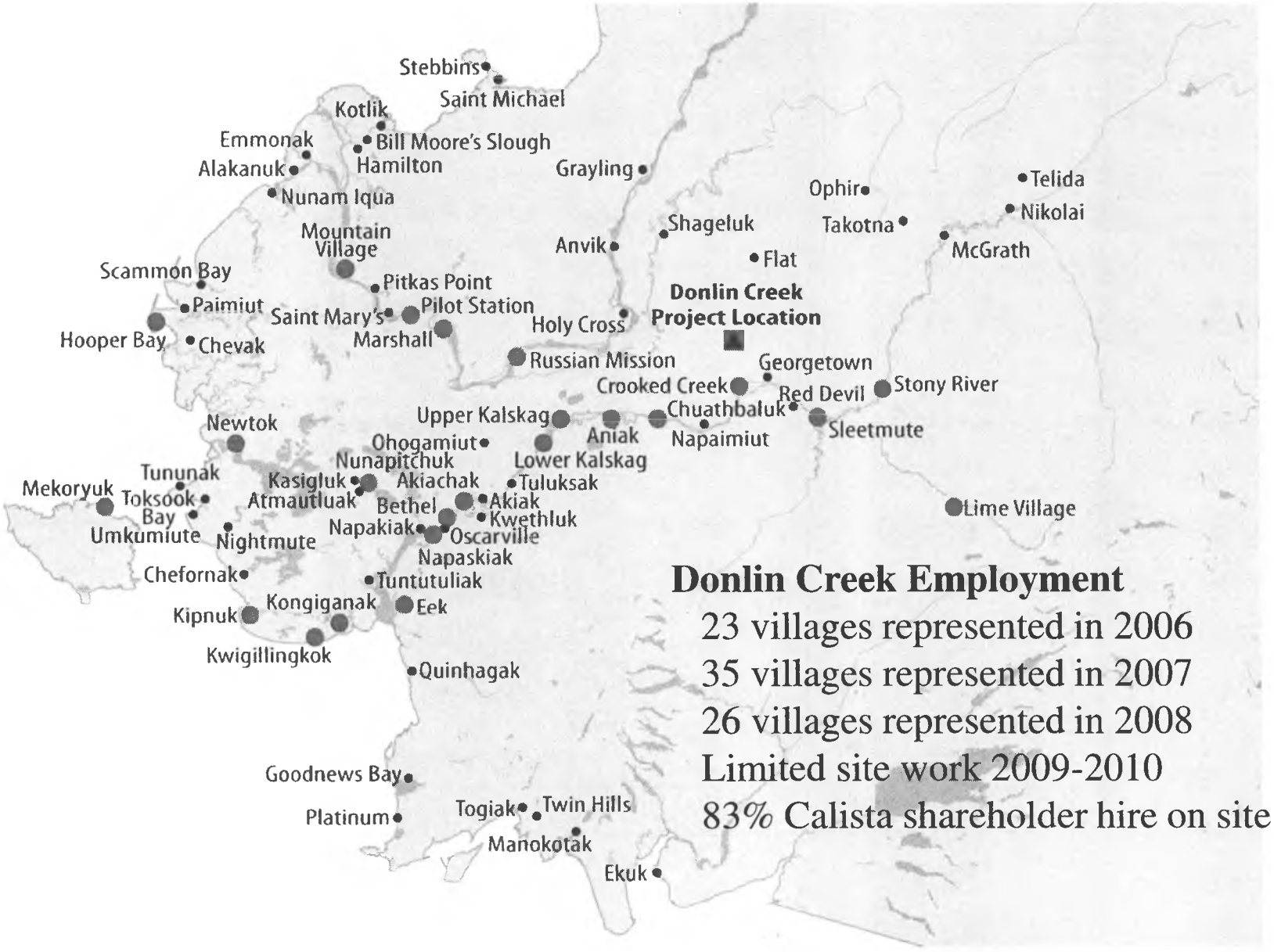
- 12MMtpy surface mine
- +$600M cost to construct
- 300M tons reserves
- 25 year mine life
- 350 employees
- ~~Elevated conveyor; port for Cape Class (65ft draft) vessels~~
- Agreements in place with Tyonek Native Corp
- Draft SEIS expected end of 2011

Donlin Creek



Project Status

- Geotechnical, mine design & evaluate alternatives for energy
- Surveyed route for 12 inch natural gas pipeline
- Complete feasibility study
- Begin project permitting/EIS in 2011?
- 600-1000 expected production jobs



Donlin Creek Employment

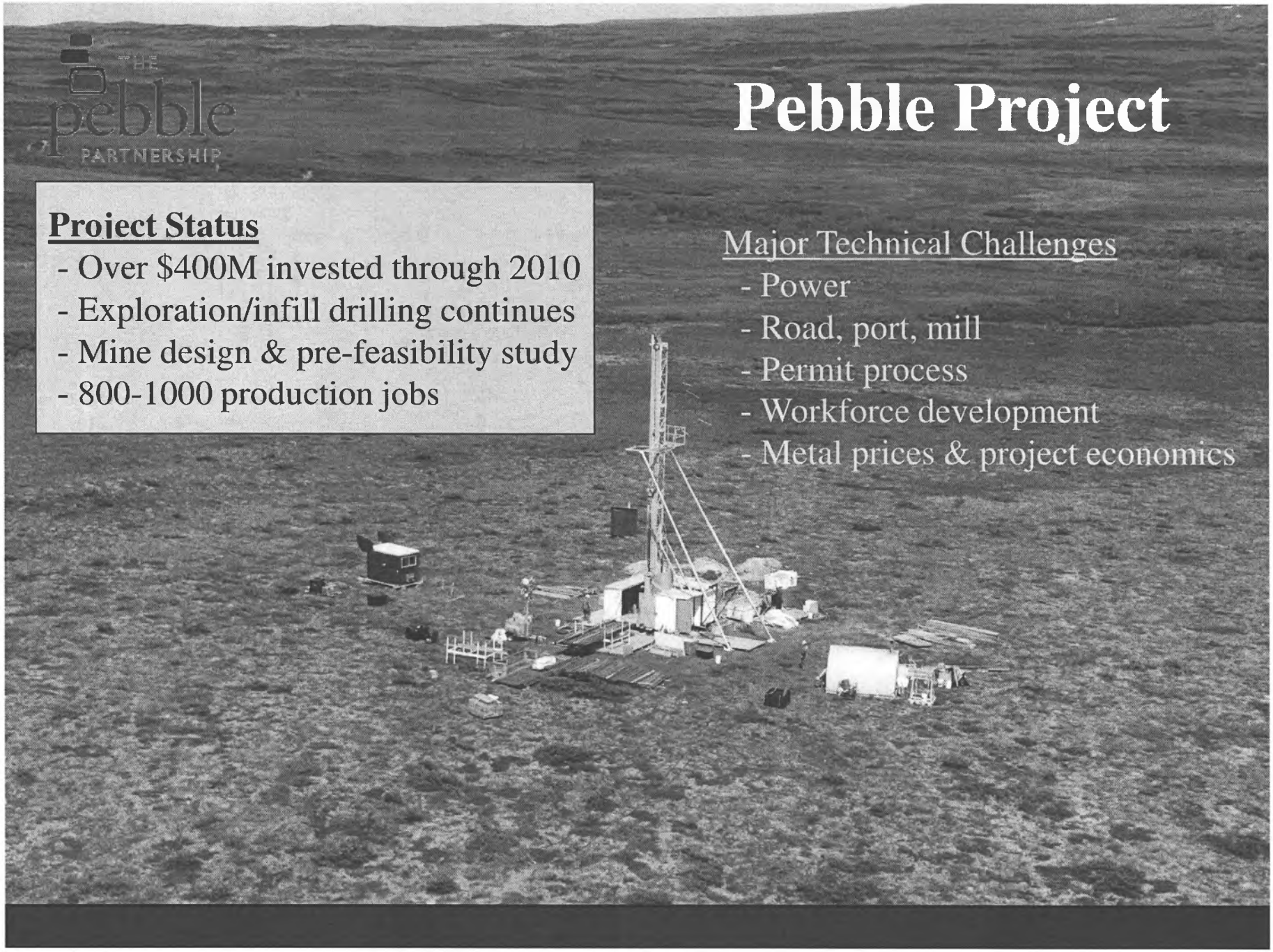
23 villages represented in 2006

35 villages represented in 2007

26 villages represented in 2008

Limited site work 2009-2010

83% Calista shareholder hire on site


THE pebble PARTNERSHIP
Pebble Project
Project Status
- Over $400M invested through 2010
- Exploration/infill drilling continues
- Mine design & pre-feasibility study
- 800-1000 production jobs
Major Technical Challenges
- Power
- Road, port, mill
- Permit process
- Workforce development
- Metal prices & project economics

Drill Site Reclamation

After drill removed

After one year

Pebble – Environmental Baseline Studies

- Surface Water
- Water Quality
- Groundwater
- Geochemistry
- Snow Surveys
- Analytical QA/QC
- Fish & Aquatic Resources
- Macroinvertebrates
- Wetlands
- Trace Elements
- Flow Habitat Study
- Iliamna Lake Study
- Marine
- Wildlife
- Air Quality
- Noise

- Cultural Resources
- Subsistence
- Land Use
- Recreation
- Socioeconomics
- Visual Aesthetics
- Impact assessment & management
- Mine closure & reclamation

>50 independent consulting firms
>500 contractors
>$120 million expended to date

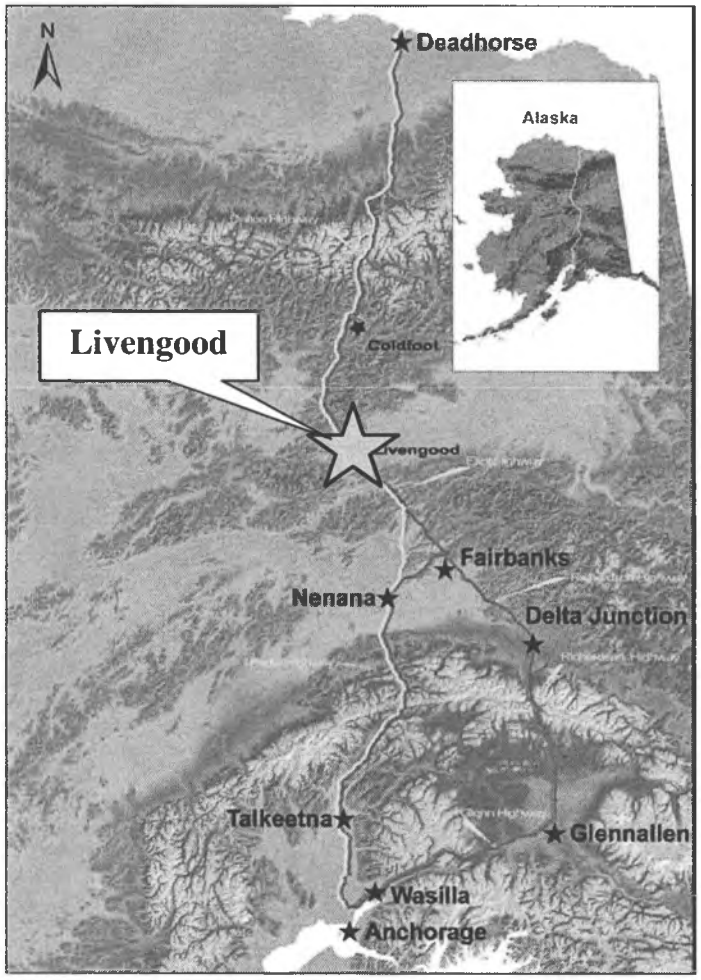
Major Exploration Projects

- 24 projects spent >$1 million each in 2010
- Expect higher number in 2011

Four Example Projects

- Livengood - International Tower Hill Mines
- Niblack - Heatherdale Resources
- Arctic – NovaGold Resources
- Palmer - Constantine Resources

Livengood Gold Project Highlights



Gold Deposit

Indicated Resources of 10.9Moz @ 0.83 g/t Au & Inferred Resources of 2.4Moz @ 0.79 g/t Au (0.5 g/t cutoff). (June 2010)

Geometry of deposit supports low-cost bulk tonnage mining

Favorable infrastructure

All weather paved highway, 70 miles north of Fairbanks

Potential natural gas pipeline - would help project

Project Status

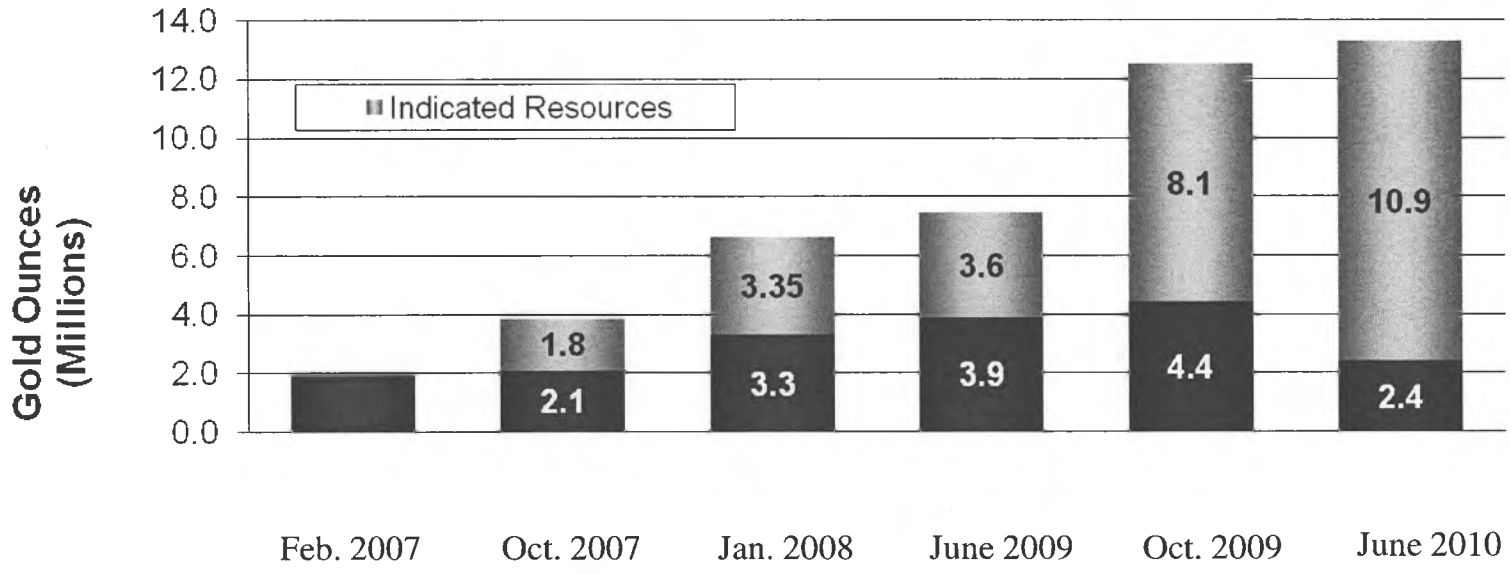
+100 persons on site for drilling, environmental, and engineering work

Over $50 million spent in past 3 years

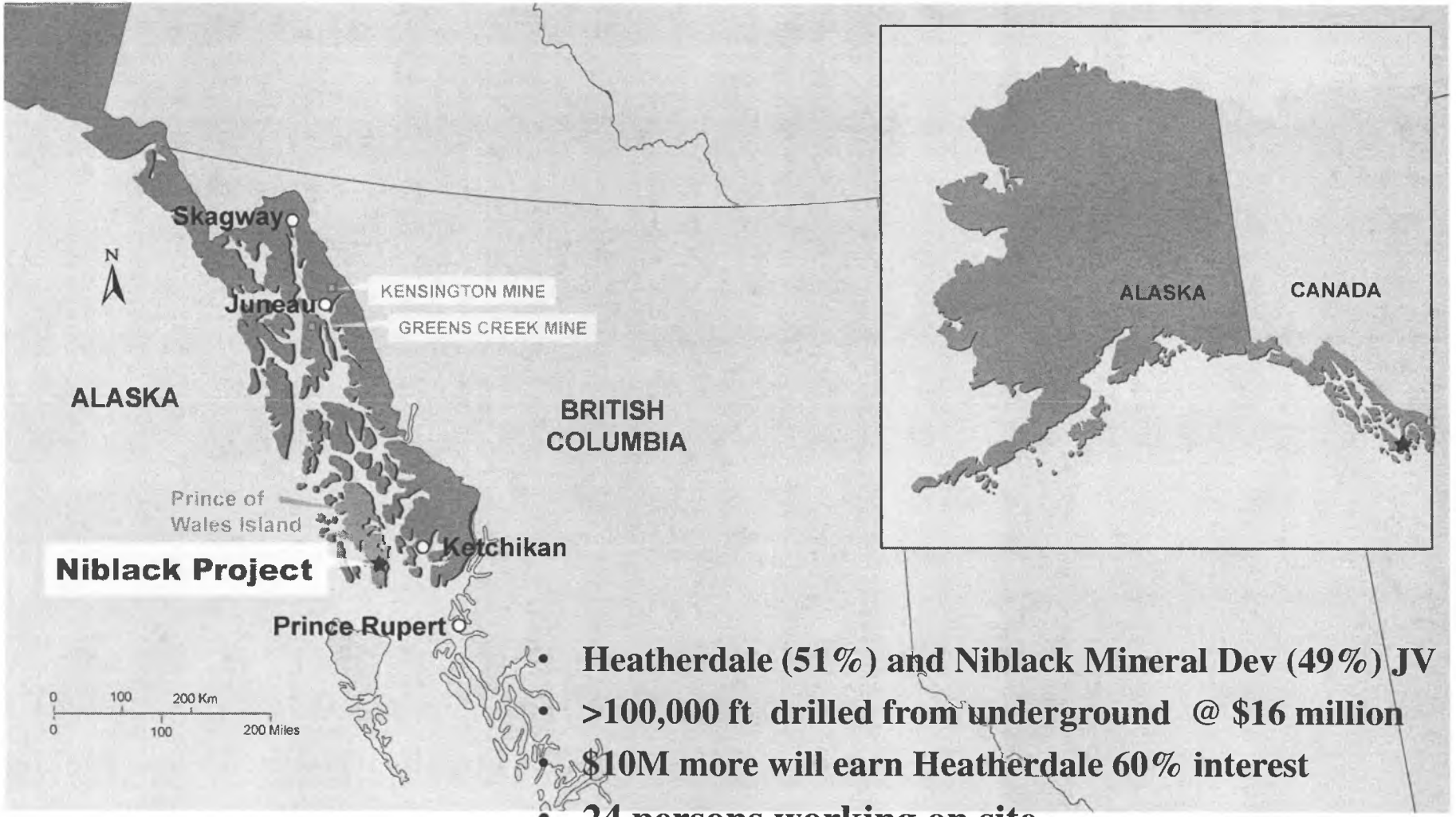
TALONGOLD
Alaska Inc. A SUBSIDIARY OF ITH

INTERNATIONAL TOWER HILL MINES LTD

Livengood Resource Growth

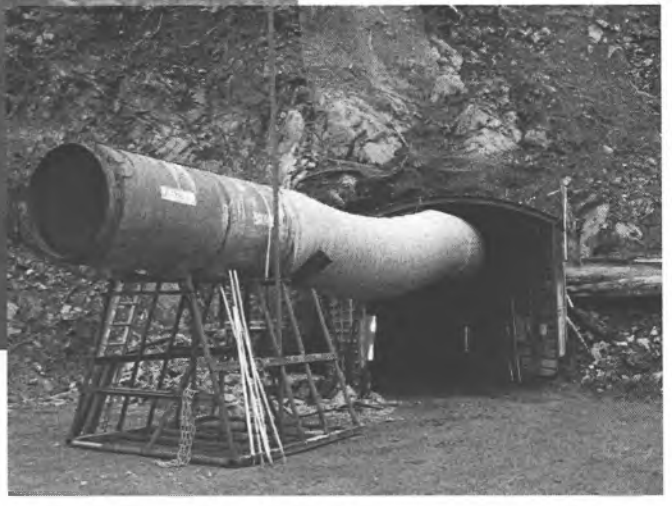


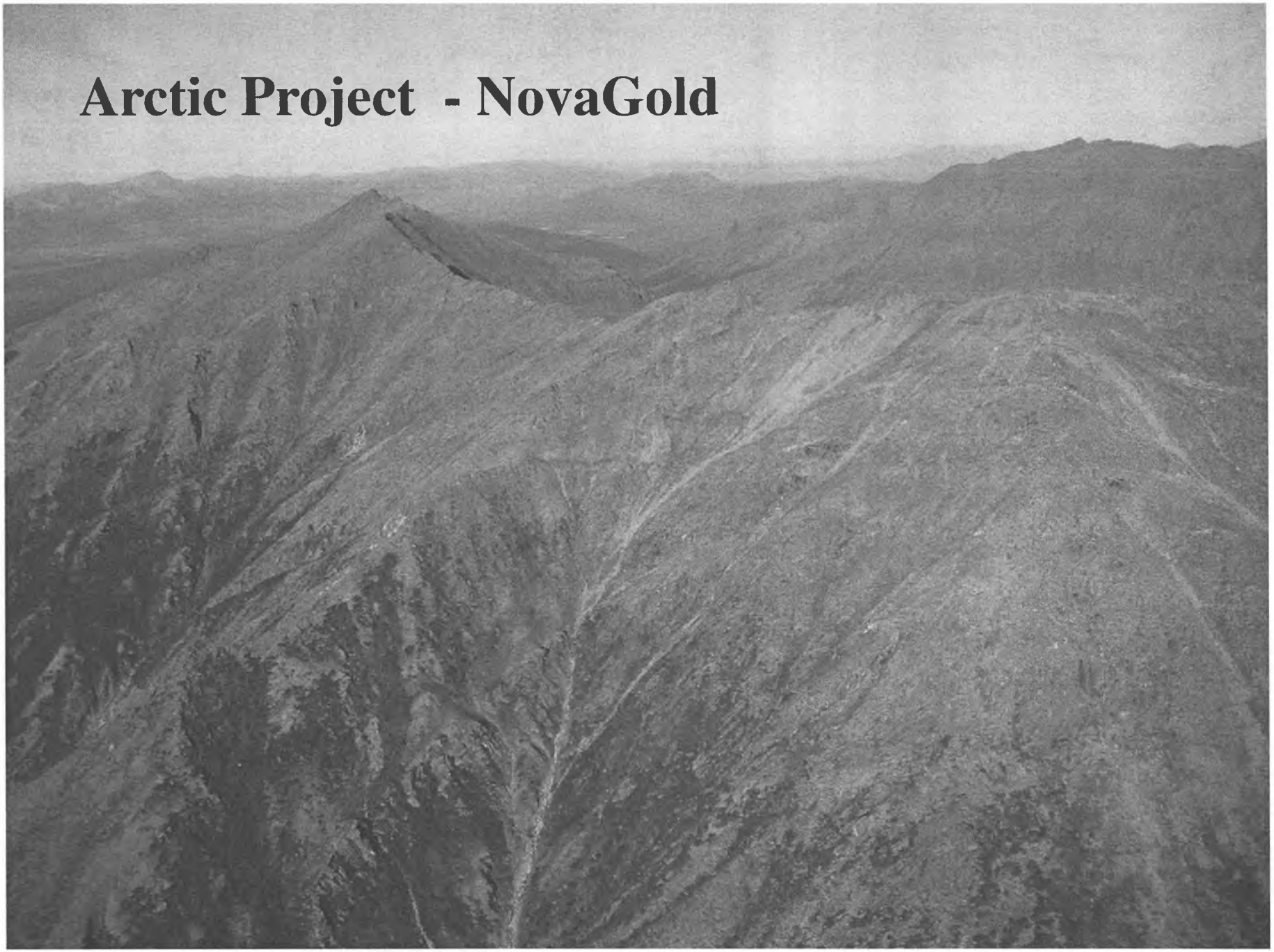
HEATHERDALE
RESOURCES LTD.

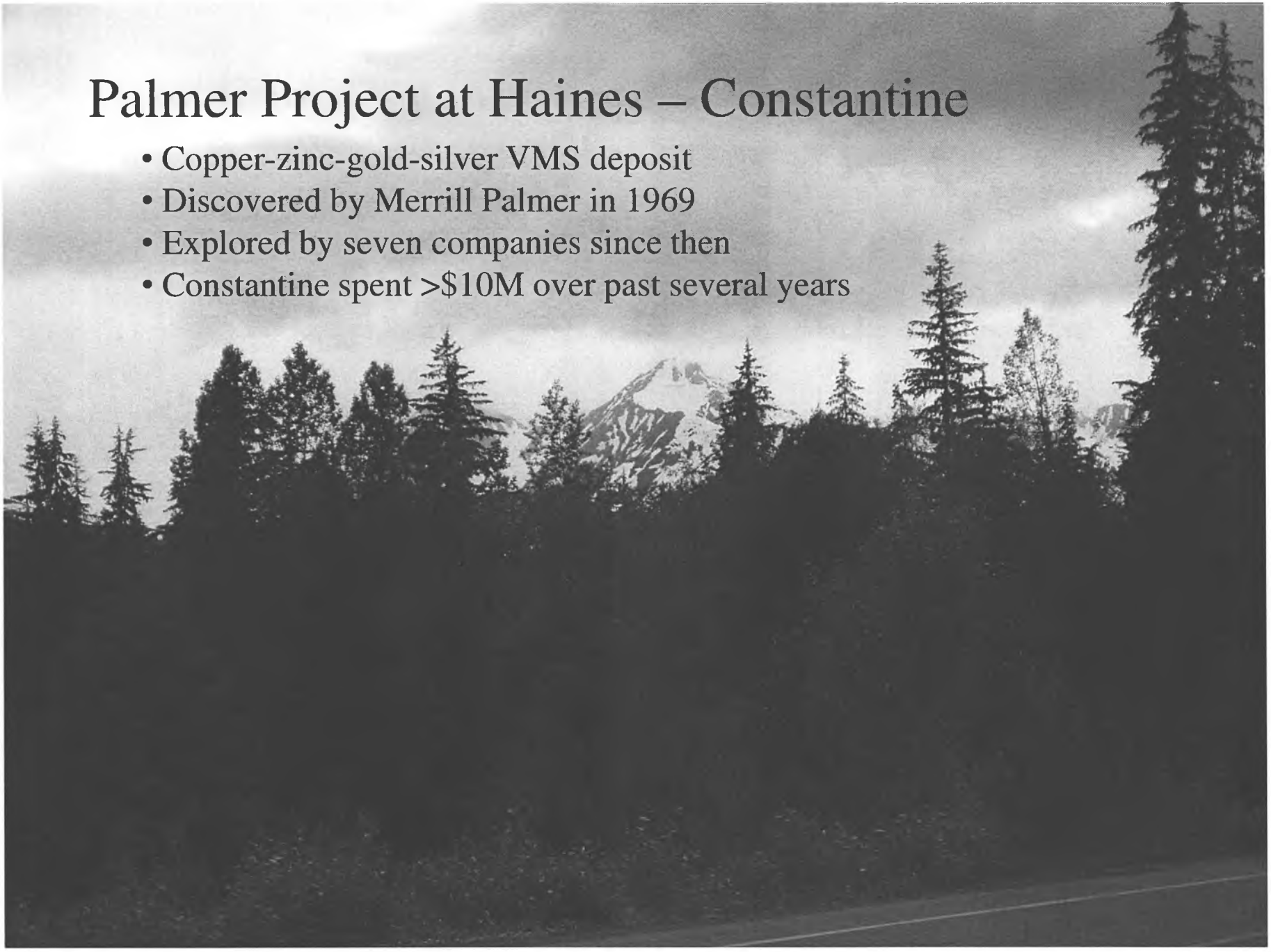


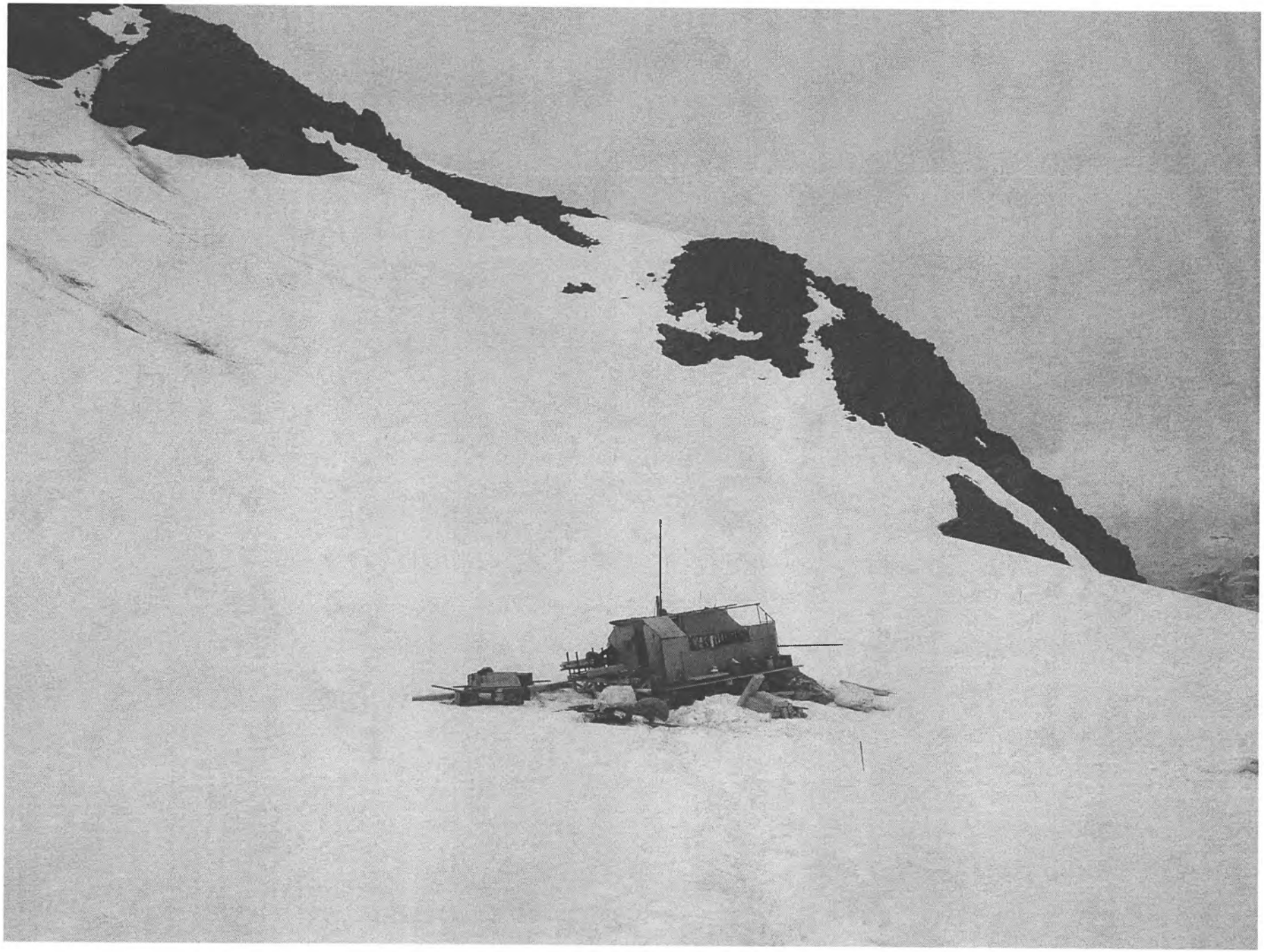
- **Heatherdale (51%) and Niblack Mineral Dev (49%) JV**
- **>100,000 ft drilled from underground @ $16 million**
- **$10M more will earn Heatherdale 60% interest**
- **24 persons working on site**
- **$50 million invested through 2010**

Niblack Project




Arctic Project - NovaGold

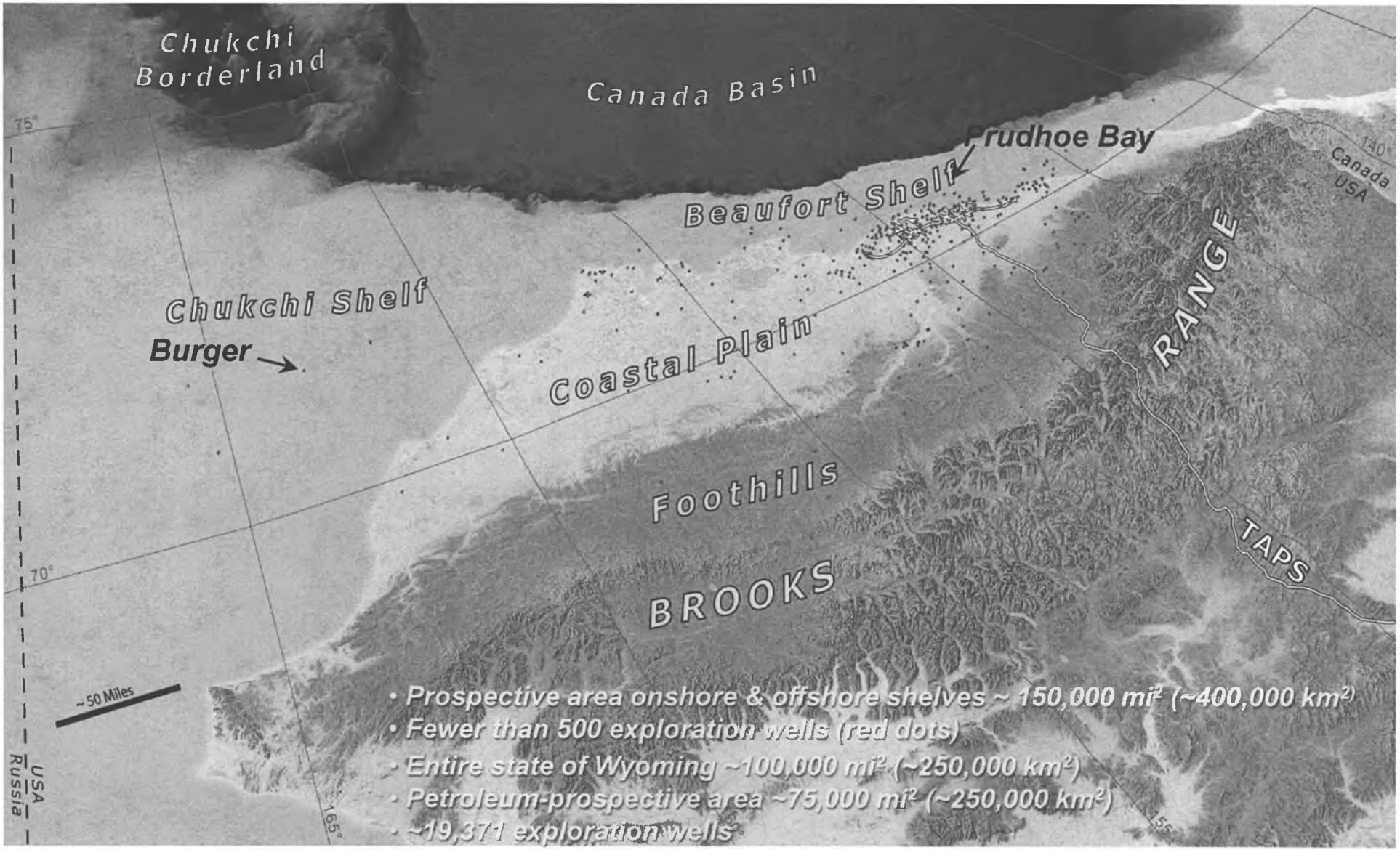

Palmer Project at Haines – Constantine
• Copper-zinc-gold-silver VMS deposit
• Discovered by Merrill Palmer in 1969
• Explored by seven companies since then
• Constantine spent >$10M over past several years



2/23/11 PRESENTATION FOCUS ON NEW OIL & GAS DEVELOPMENT OPPORTUN-ITIES

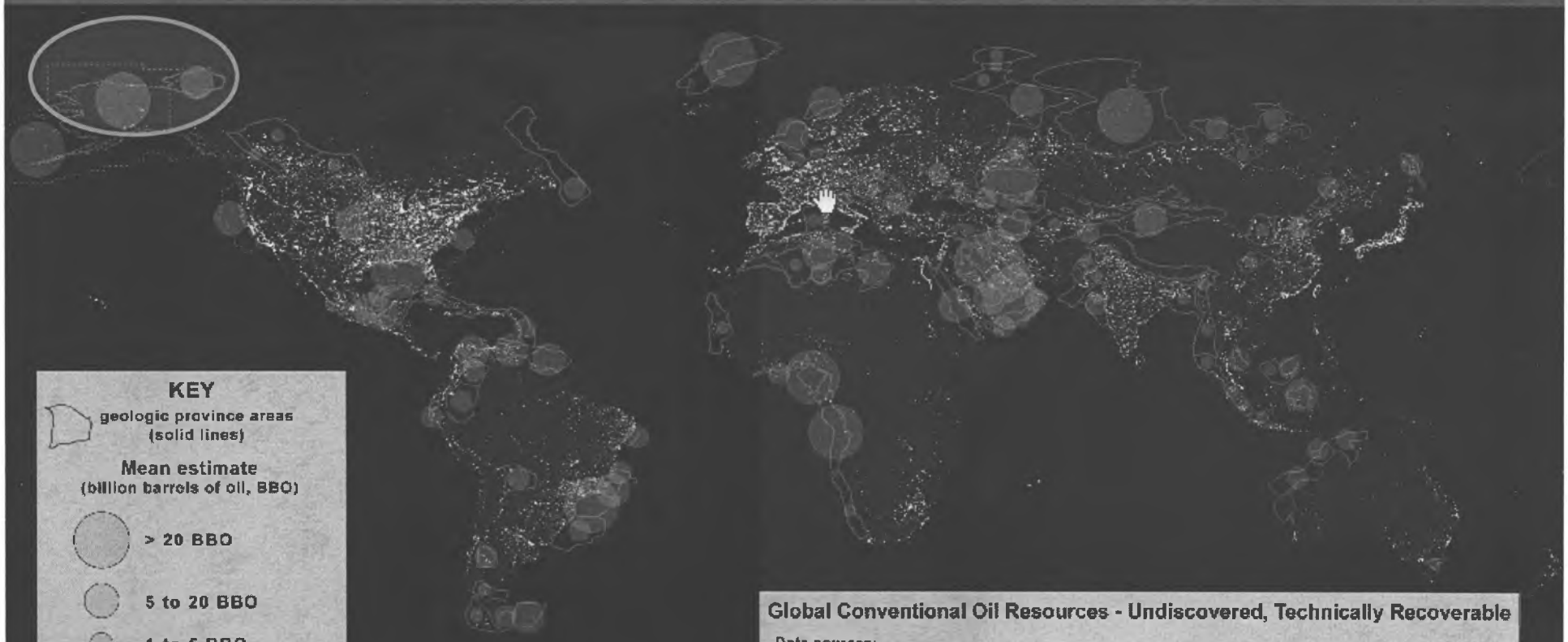
<TARGET><BILL></BILL><SUBJECT>2-23-11 PRESENTATION FOCUS ON NEW OIL and GAS DEVELOPMENT OPPORTUNITIES</SUBJECT><COMM>SRES27</COMM></TARGET>

Arctic Alaska Conventional Oil & Gas Exploration Potential



USGS Slide

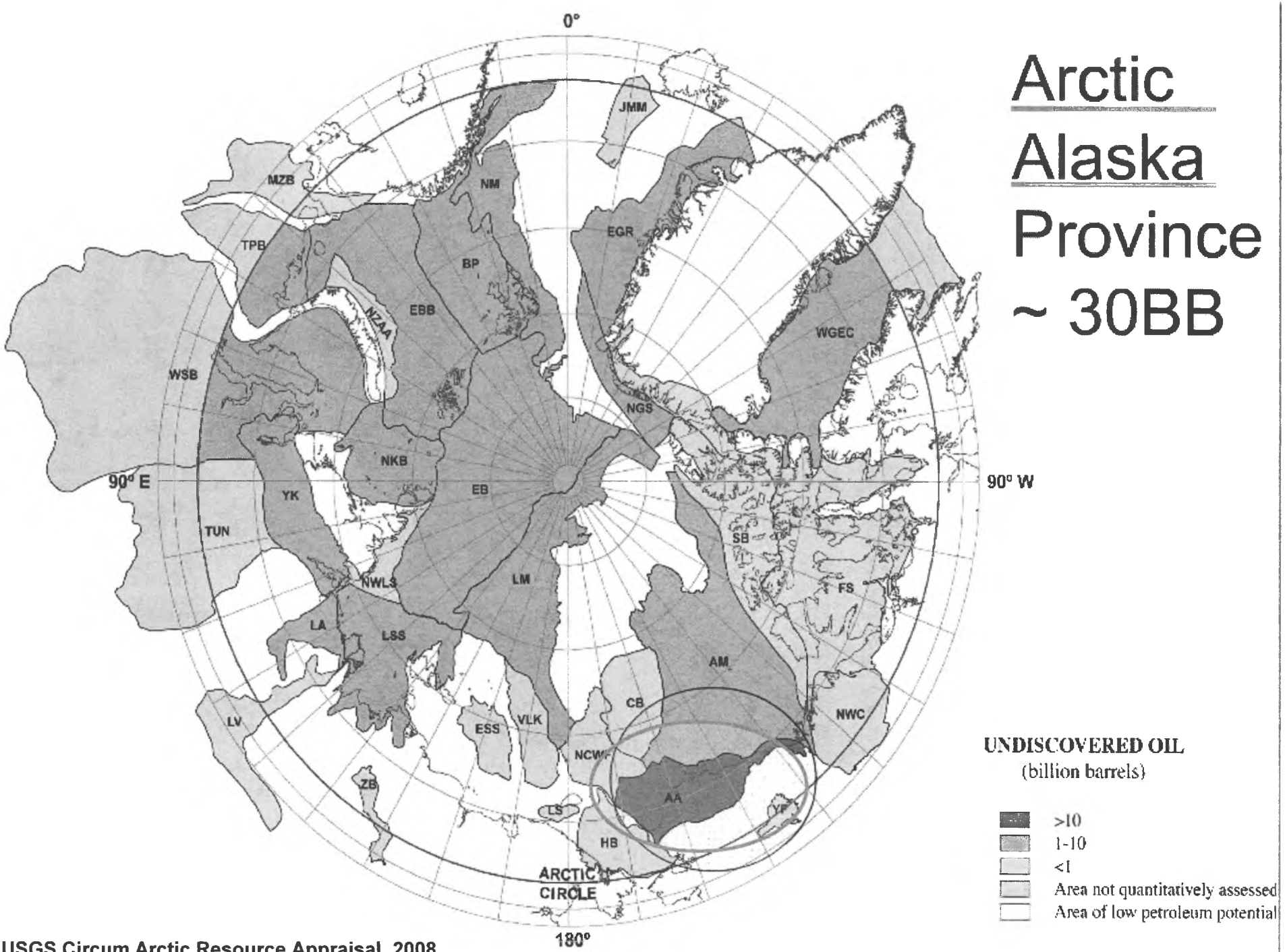
Global Conventional Oil Resources



USGS

Note: Does not include results from USGS Circum-Arctic Oil and Gas Resource Appraisal study.

Arctic Alaska Province ~ 30BB

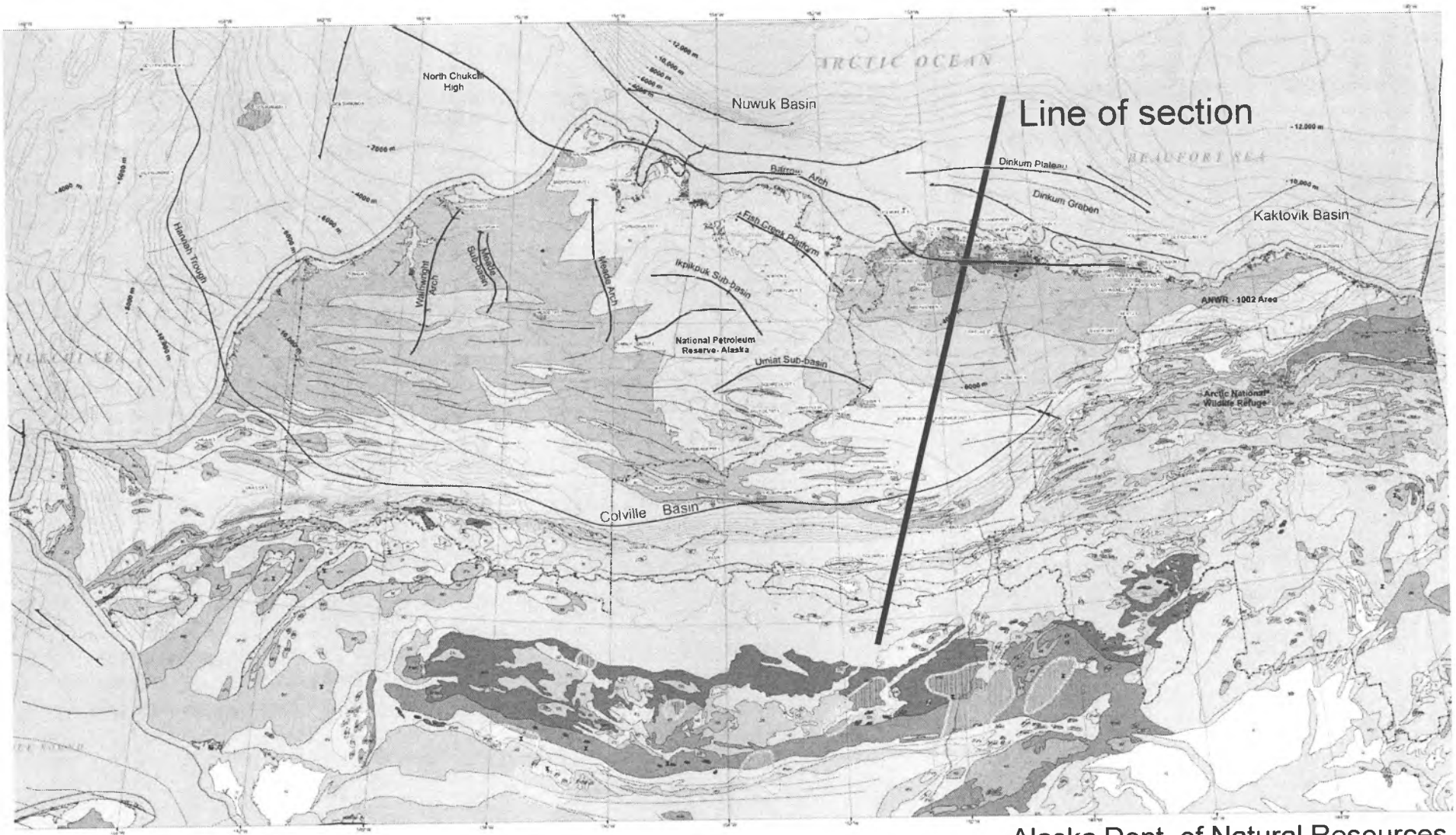


USGS Circum Arctic Resource Appraisal, 2008

CARA Gas Provinces

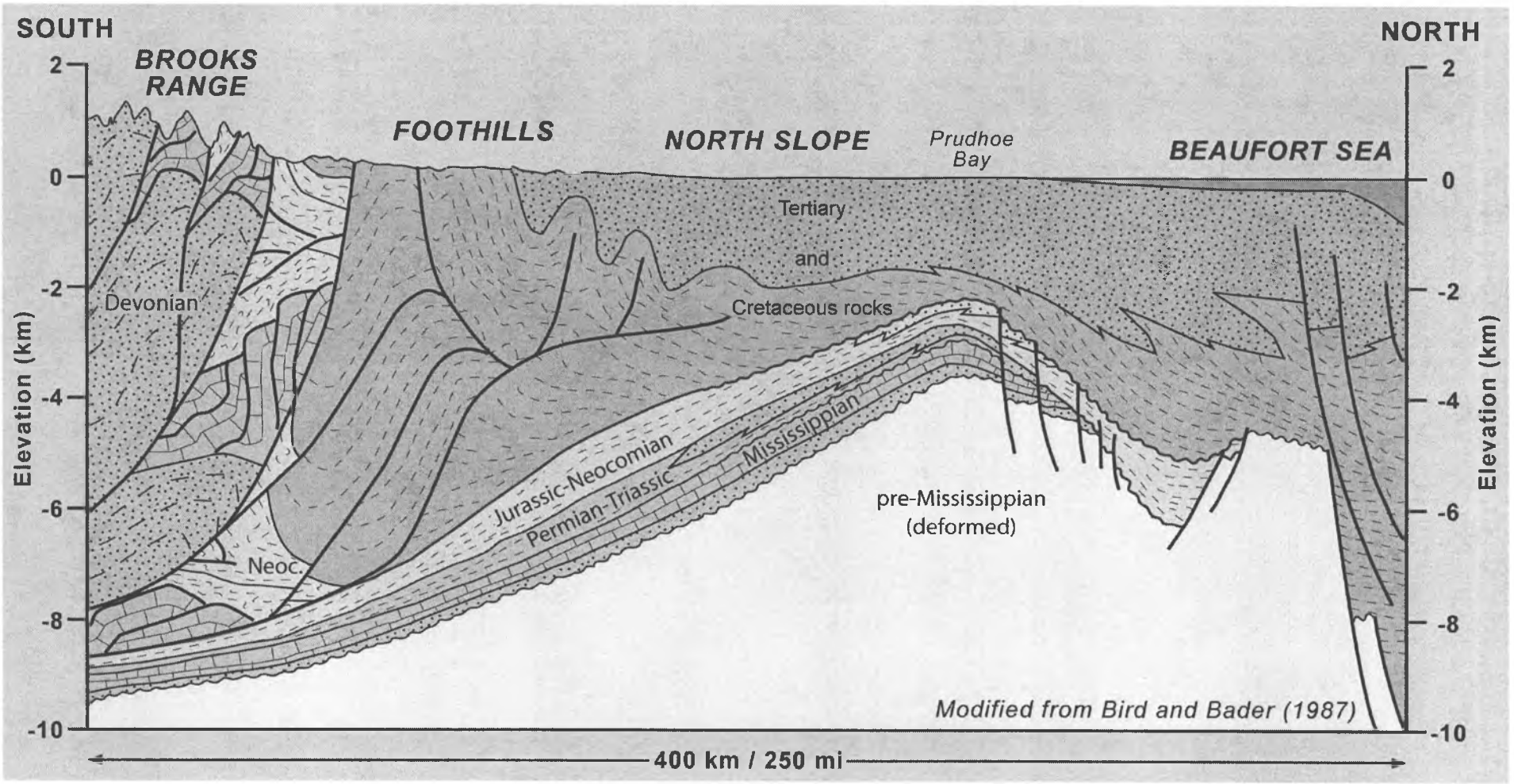
USGS Circum Arctic Resource Appraisal, 2008

North Slope Regional Geology



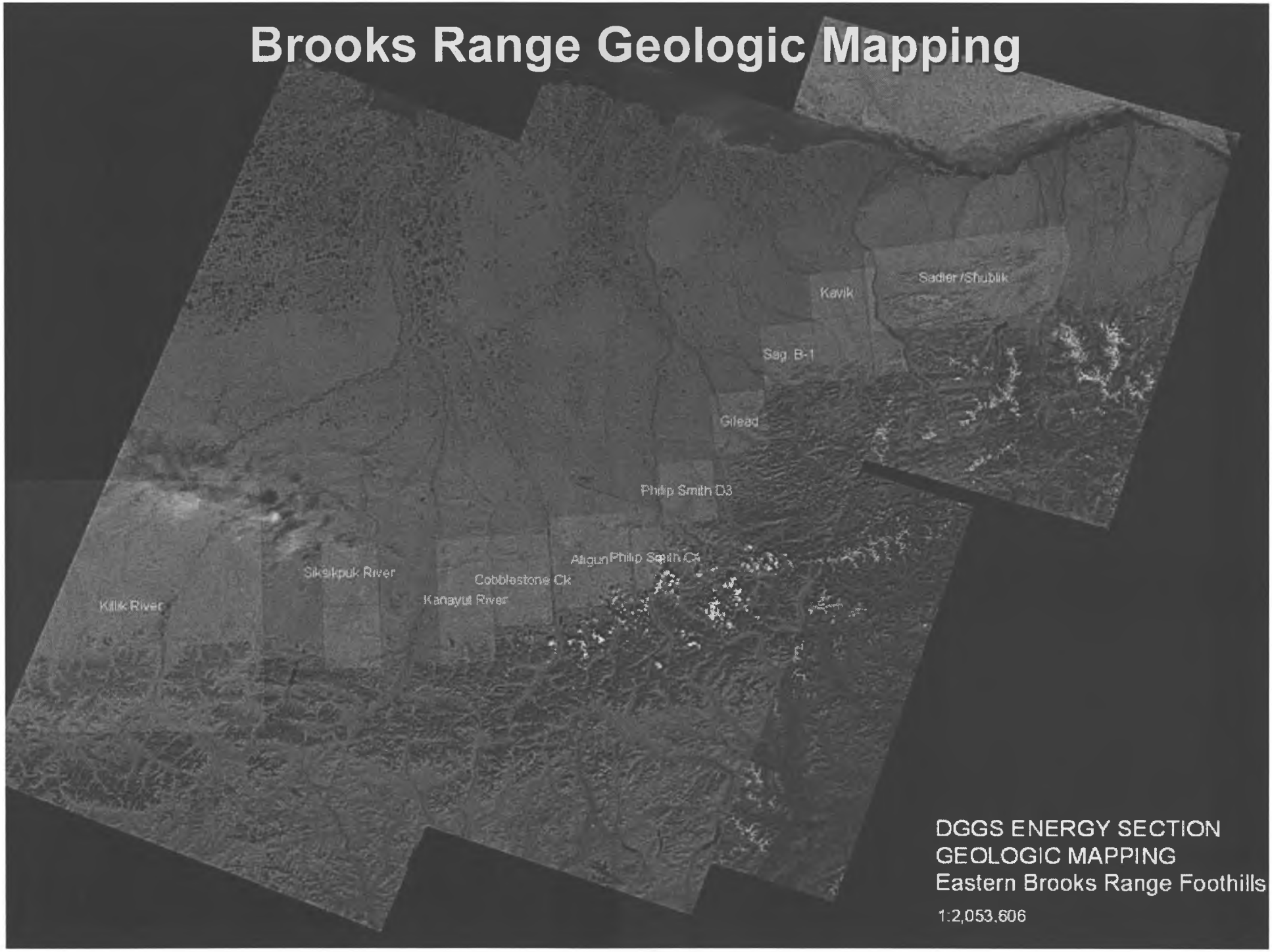
Alaska Dept. of Natural Resources
Division of Oil & Gas

Simplified and Generalized Regional Cross-section



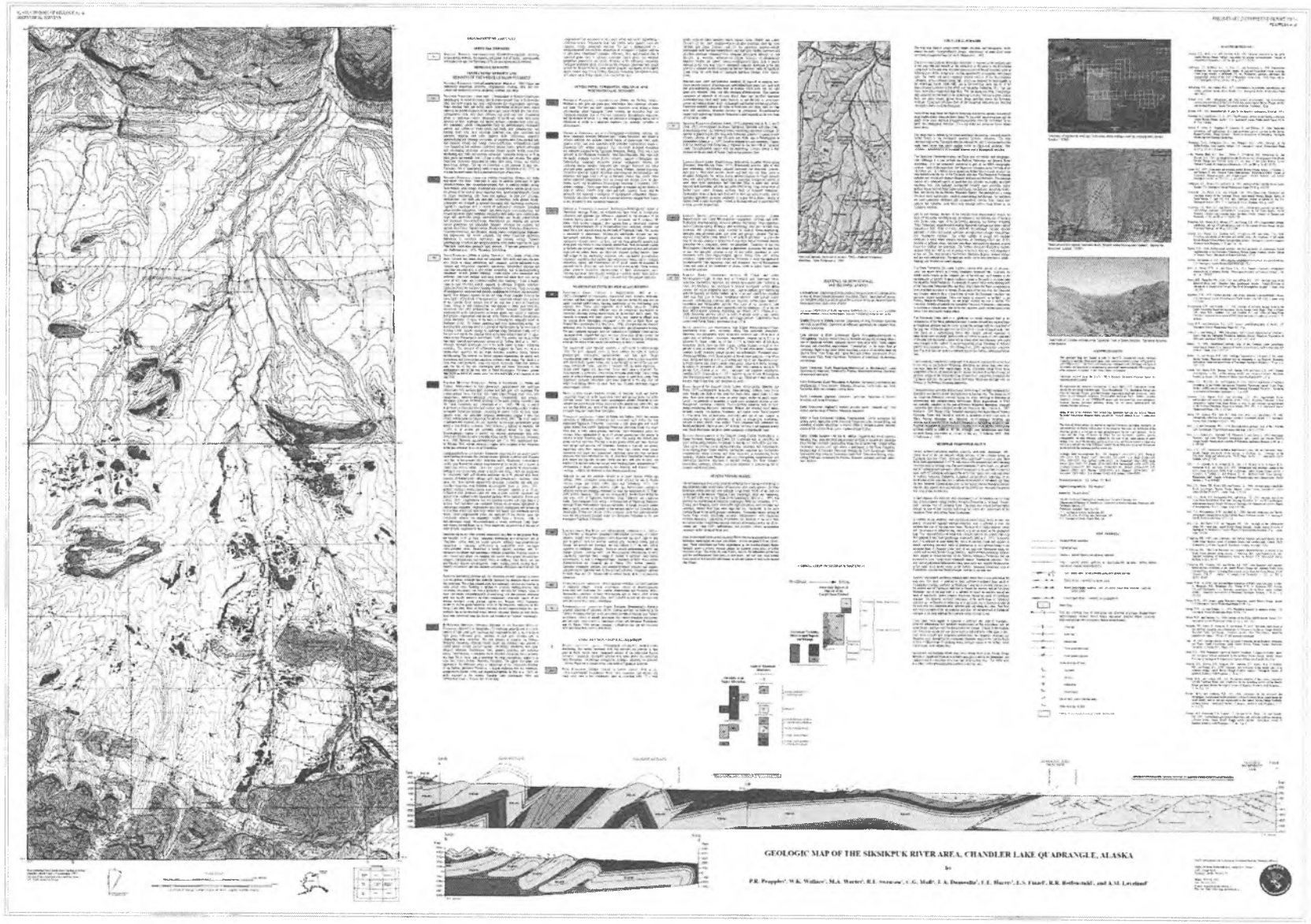
USGS

Brooks Range Geologic Mapping

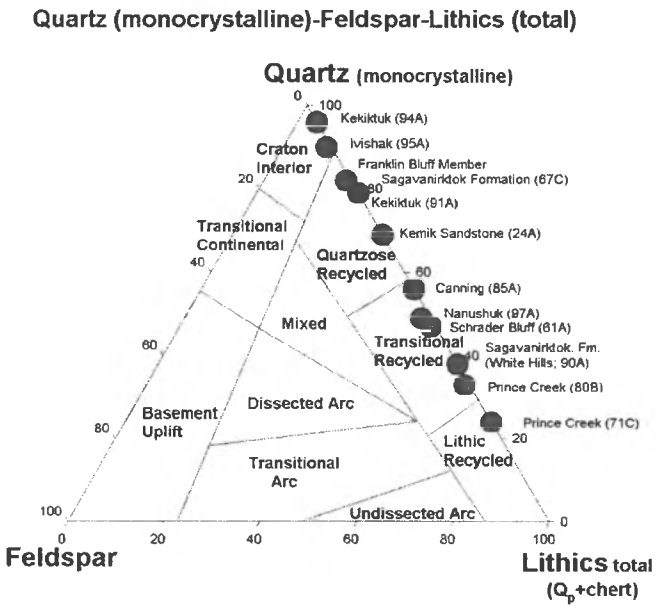


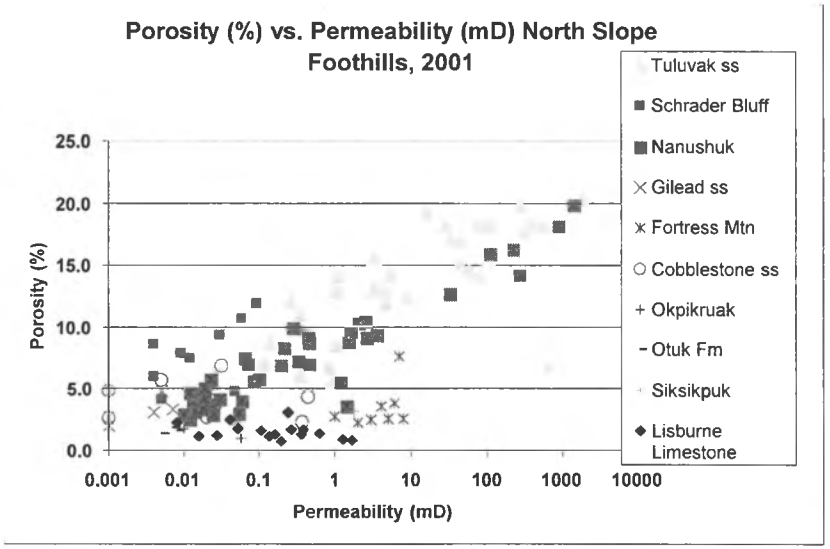
DGGS ENERGY SECTION
GEOLOGIC MAPPING
Eastern Brooks Range Foothills
1:2,053,606

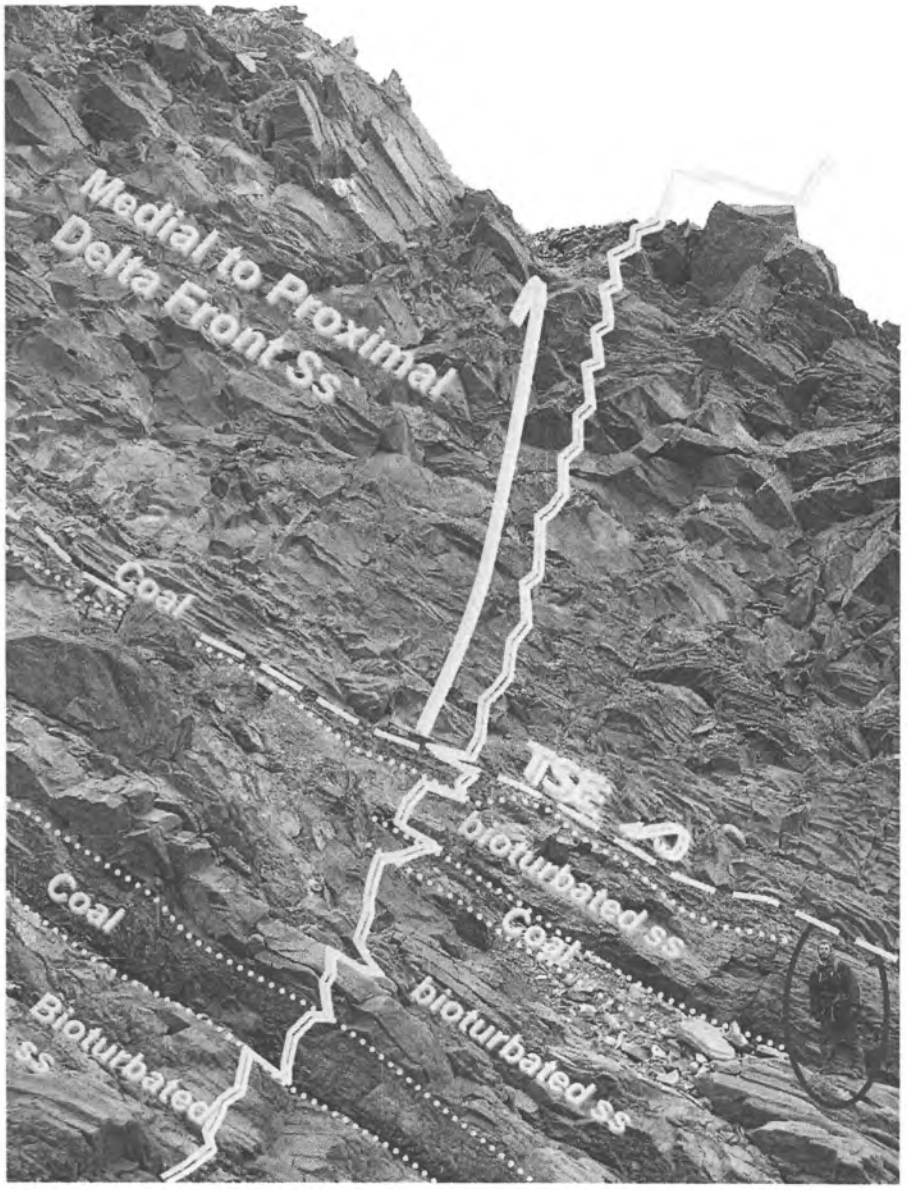
Geologic Mapping



Topical Petroleum-related Studies

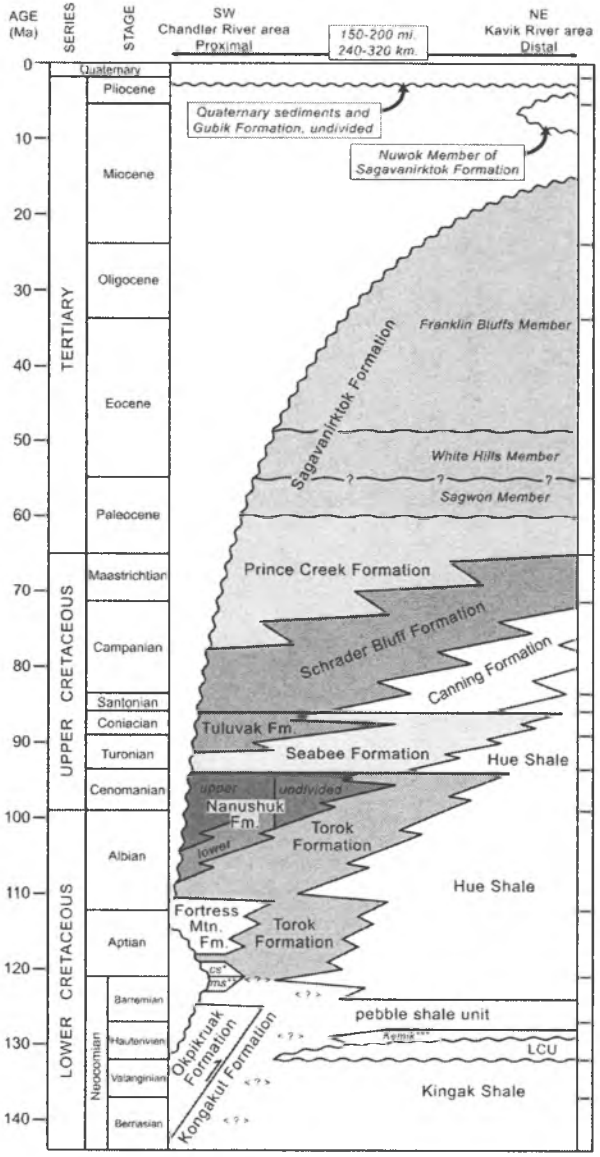


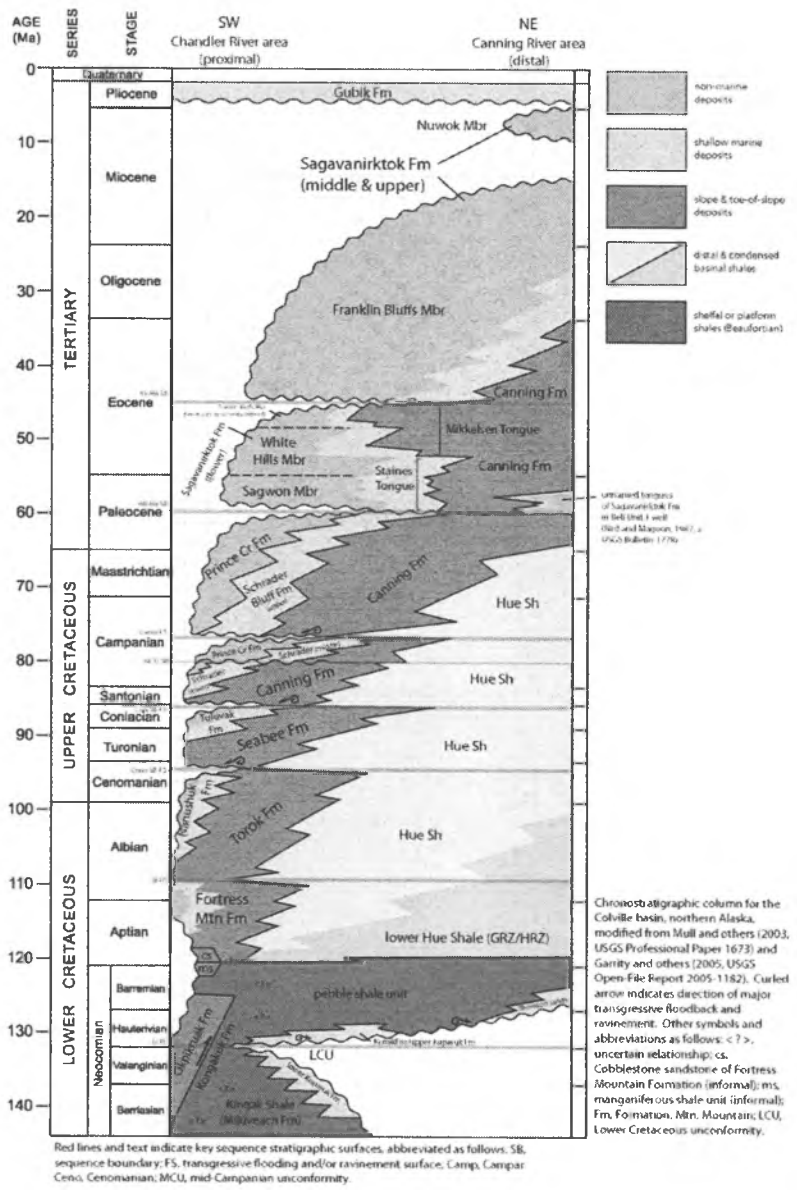




Killik Bend non-marine to deltaic succession, highstand aggradational system tract

Revising and Codifying Stratigraphic Nomenclature

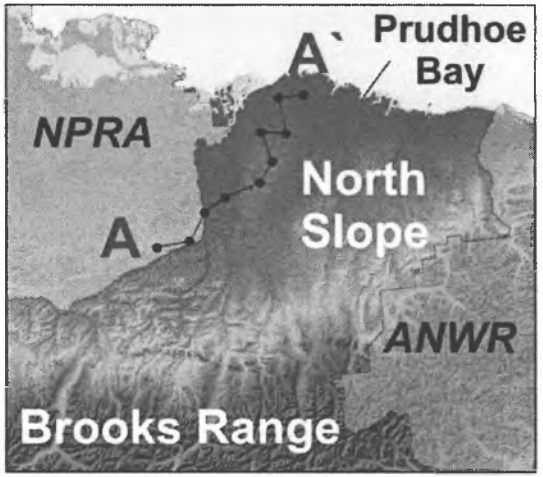




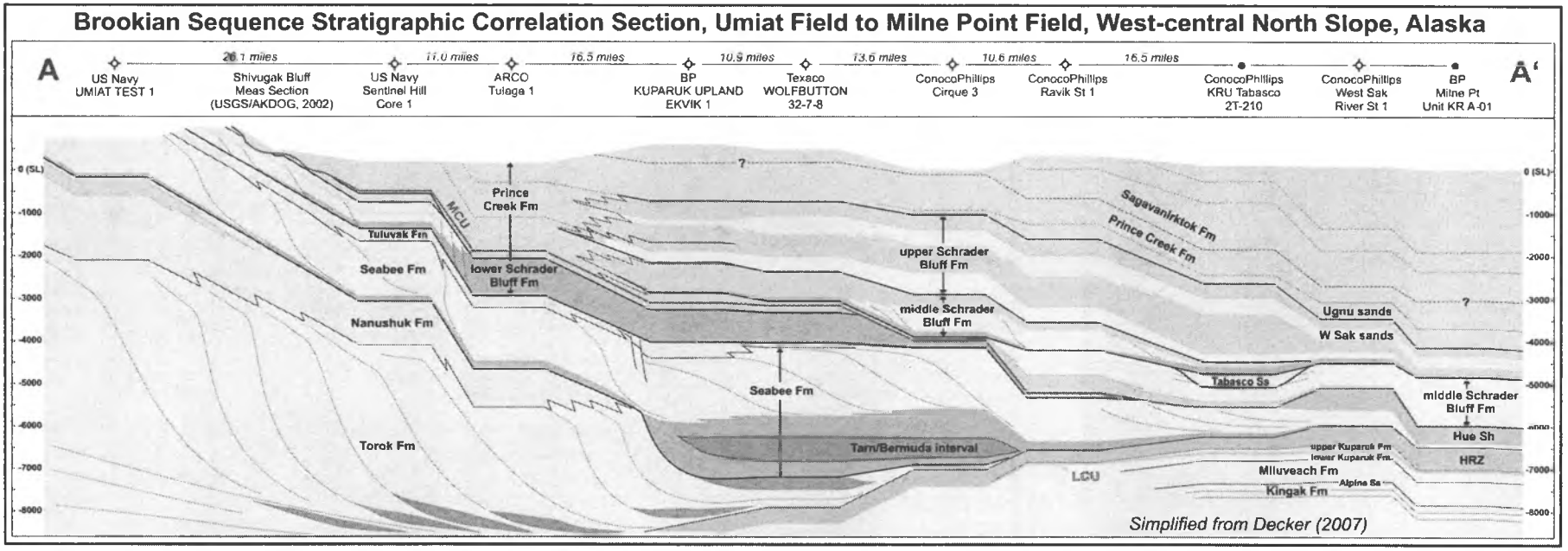
Chronostratigraphic column for the Colville basin, northern Alaska, modified from Mull and others (2003, USGS Professional Paper 1673) and Garrity and others (2005, USGS Open-File Report 2005-1182). Curled arrow indicates direction of major transgressive flooding and ravinement. Other symbols and abbreviations as follows: < ? >, uncertain relationship; cs, Cobblestone sandstone of Fortress Mountain Formation (informal); ms, manganiferous shale unit (informal); Fm, Formation; Mtn, Mountain; LCU, Lower Cretaceous unconformity.

Red lines and text indicate key sequence stratigraphic surfaces, abbreviated as follows: SB, sequence boundary; FS, transgressive flooding and/or ravinement surface; Camp, Campanian; Ceno, Cenomanian; MCU, mid-Campanian unconformity.

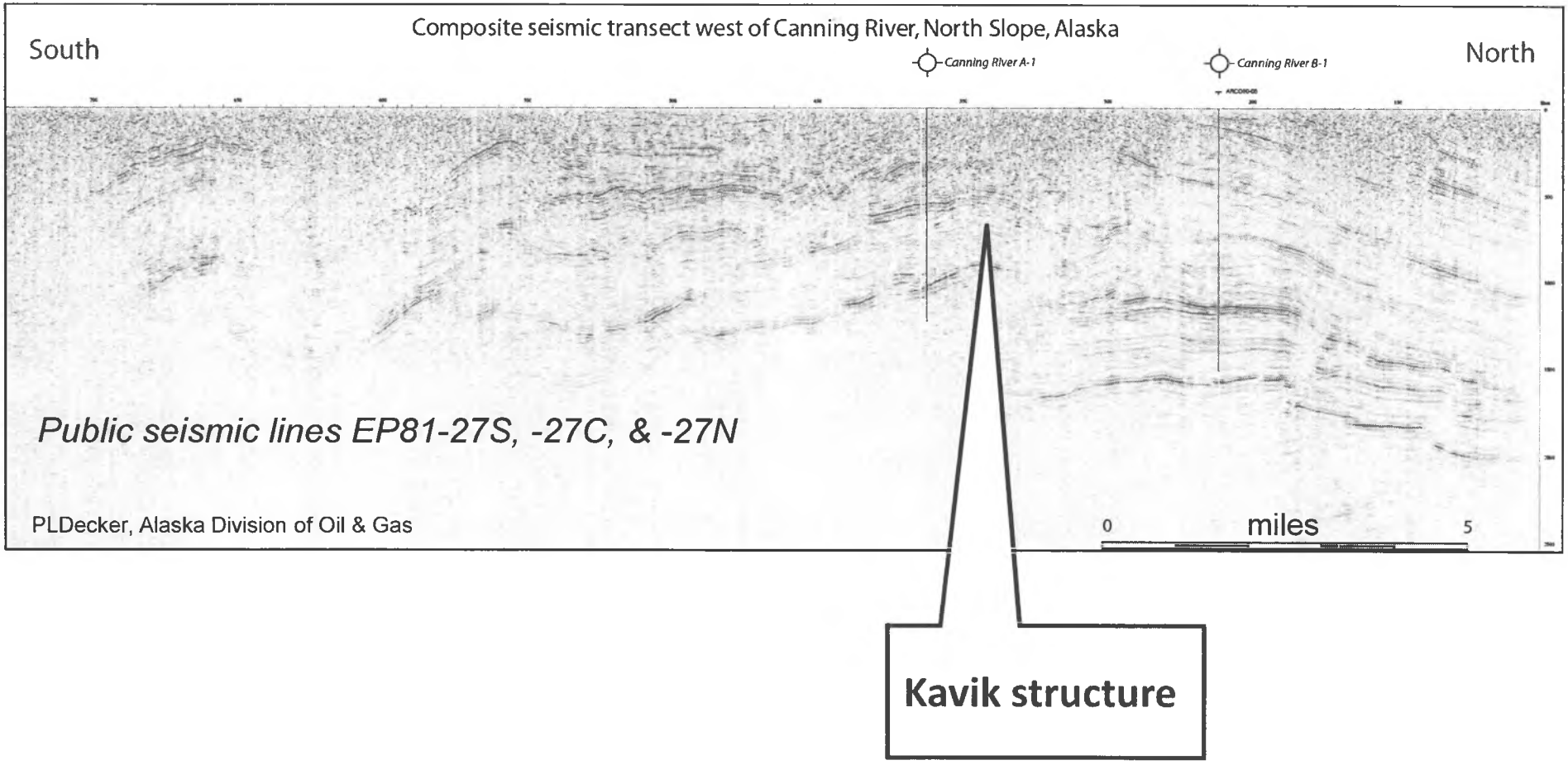
Merging Surface and Subsurface Data



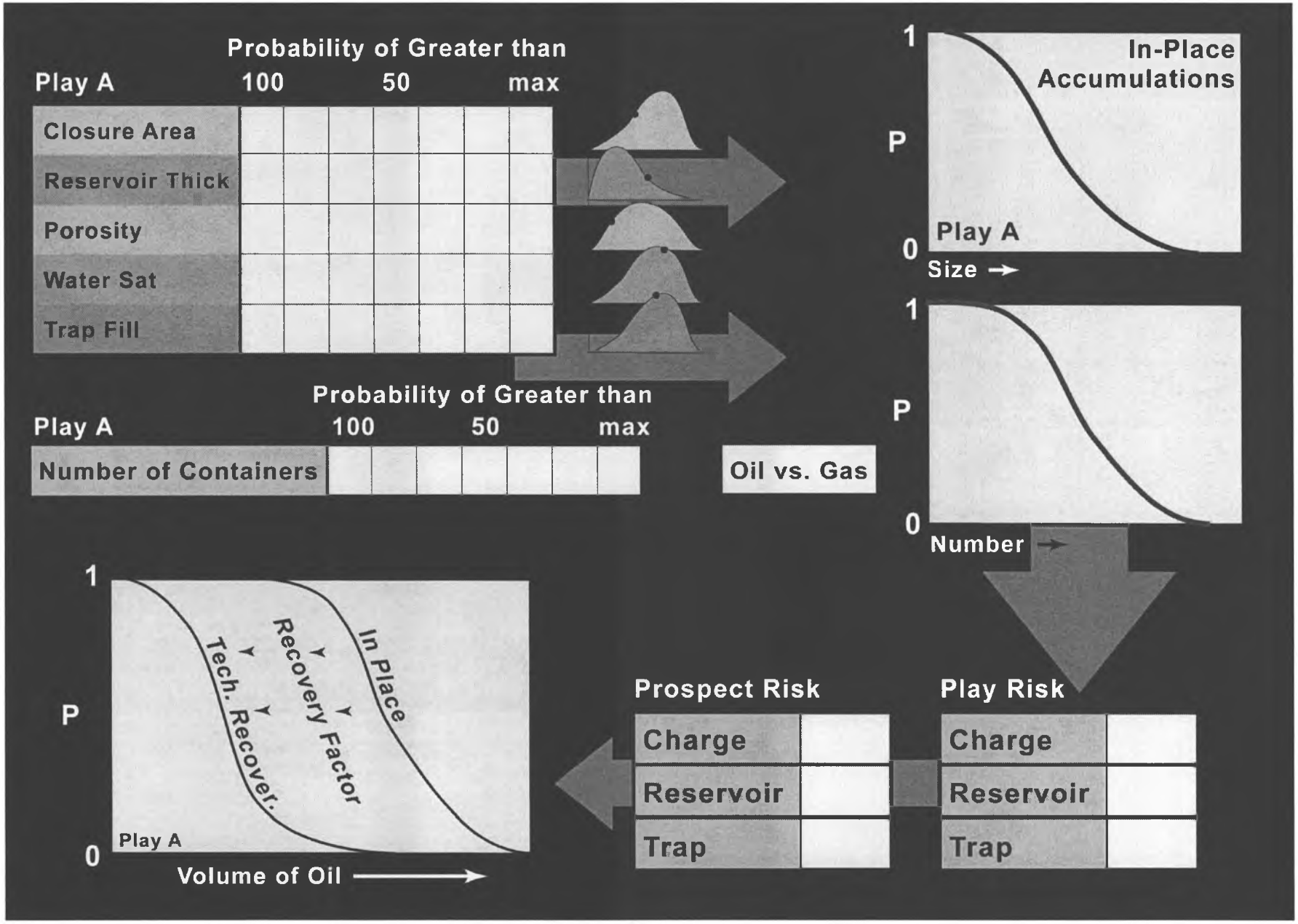
- nonmarine undifferentiated
- shallow marine to proximal shelf ss.
- distal shelf ss. to sltst.
- toe-of-slope turbidites (sand-prone)
- shelf to slope mudst. to sltst.
- condensed or bentonitic sh.



Foothills Structural Plays
Seismic Interpretation

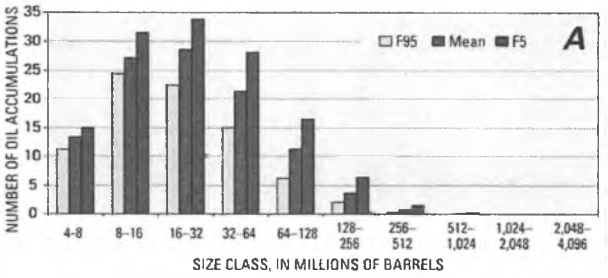


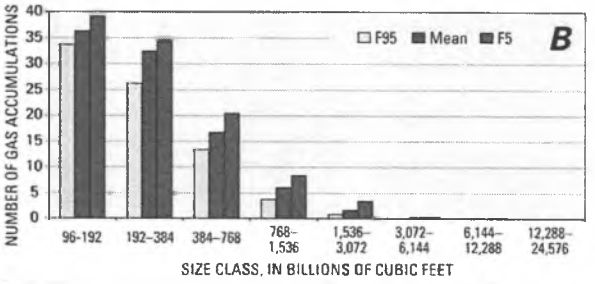
USGS Assessment Methodology – Geologic Basis



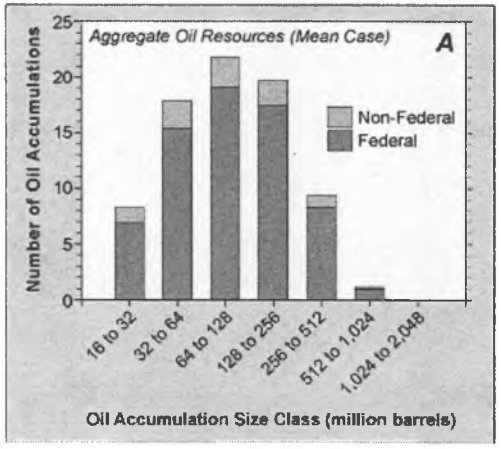
Undiscovered Mean Field Size Distributions - USGS

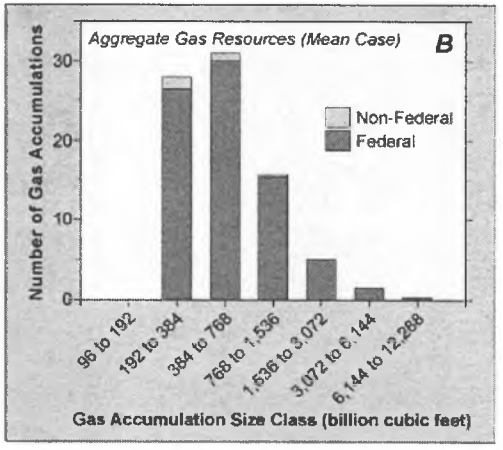
State Lands: ~1 undis-covered oil accumulation > 250 MMBO recoverable. ~ 2 undis-covered gas accumulations > 1.5 TCF recoverable.



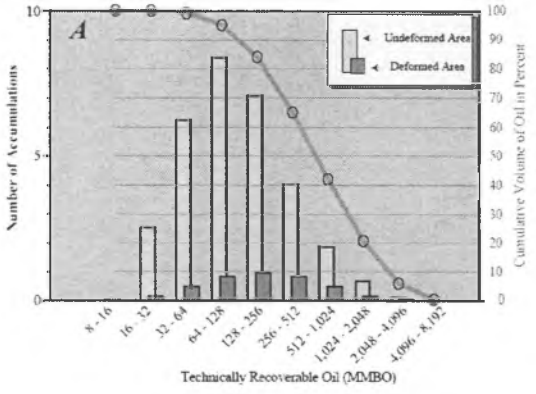


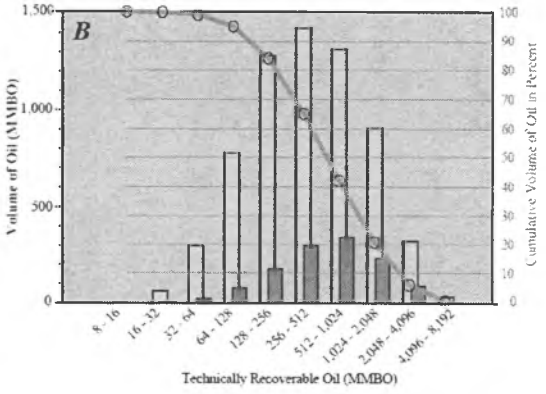
NPRA: ~11 undiscovered oil accumulations > 250 MMBO recoverable. ~7 undiscovered gas accumulations > 1.5 TCF recoverable.



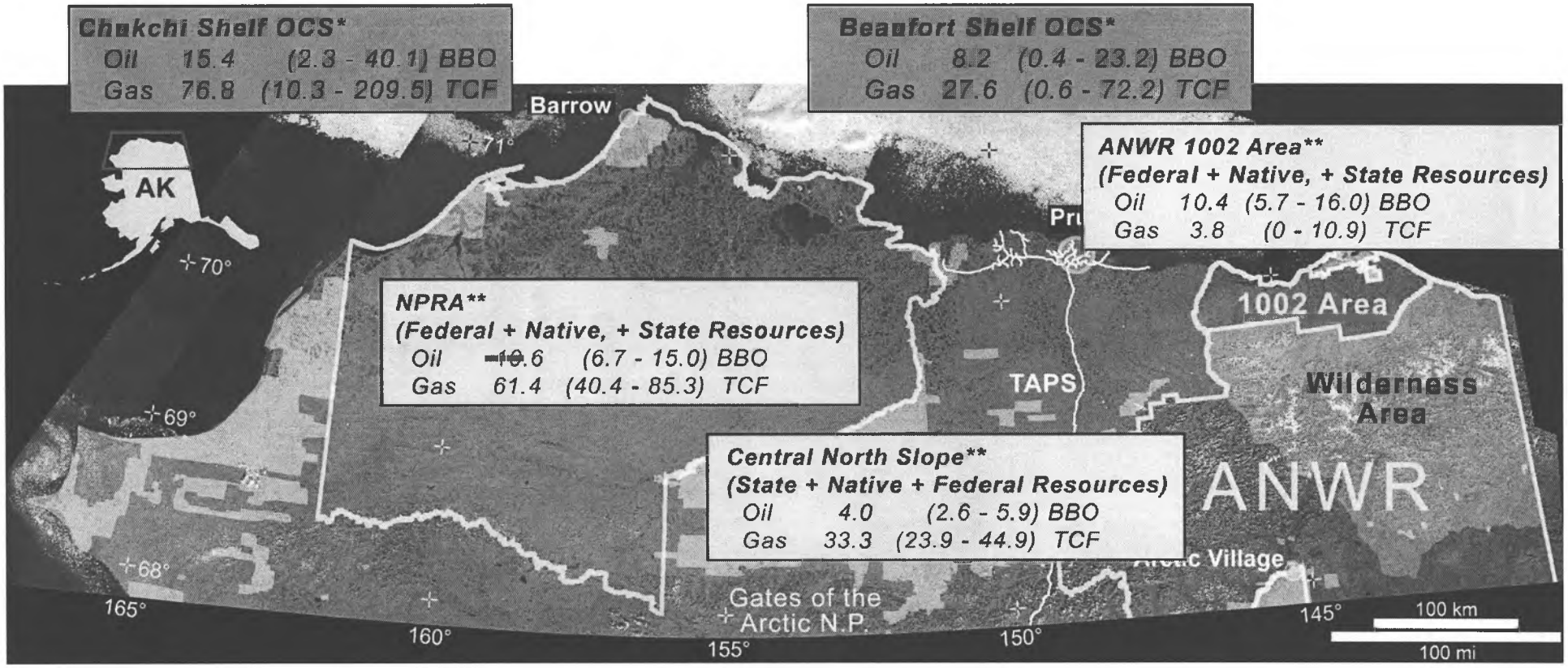


ANWR 1002: ~9 undis-covered oil accumulations > 250 MMBO recoverable (~65% of estimated total recoverable oil volume); gas resource not shown.





USGS Potential for Undiscovered Petroleum in Arctic Alaska



* Oil includes crude oil + natural gas liquids
Gas includes nonassociated + associated gas

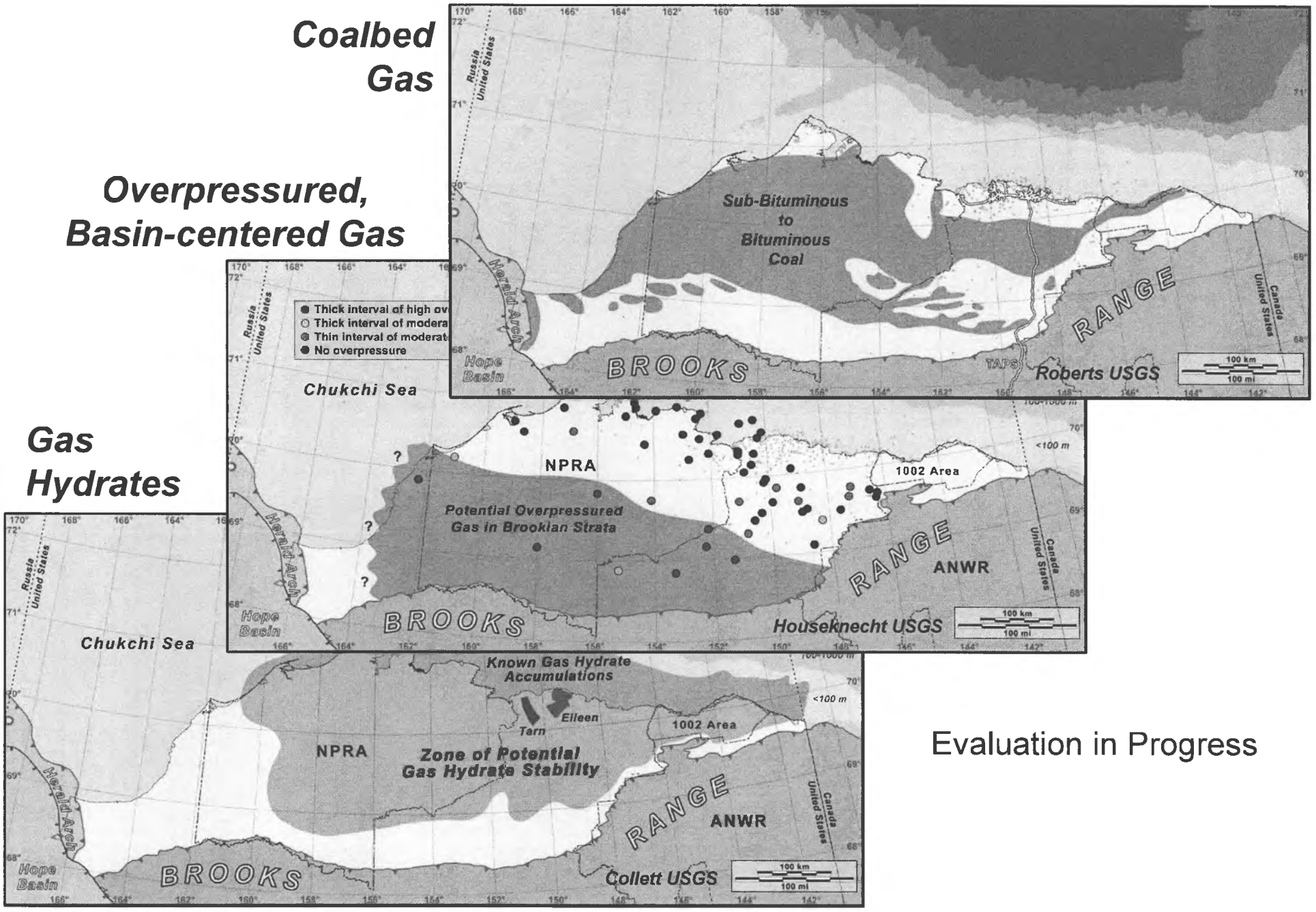
** Oil includes crude oil only
Gas includes nonassociated gas only

"Unconventional" Gas Resources (continuous resources)

Coalbed Gas

Overpressured, Basin-centered Gas

Gas Hydrates

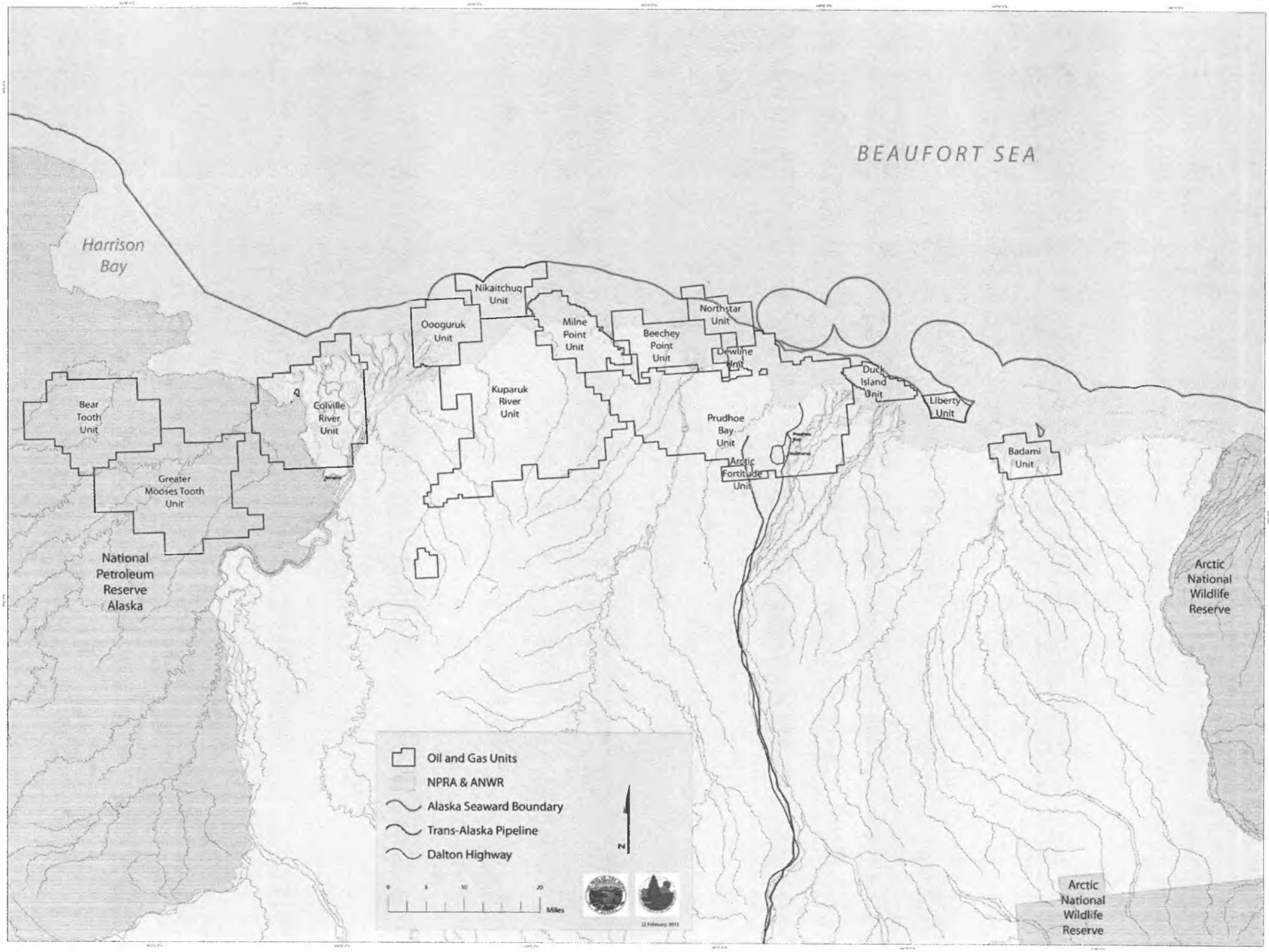


Evaluation in Progress

Northern Alaska and Arctic OCS Resource Estimates

Kevin Banks, Director

February 2011


BEAUFORT SEA
Harrison Bay
Nikaitchuq Unit
Oooguruk Unit
Milne Point Unit
Northstar Unit
Beechey Point Unit
Dewline Unit
Duck Island Unit
Liberty Unit
Bear Tooth Unit
Colville River Unit
Kuparuk River Unit
Prudhoe Bay Unit
Arctic Fortitude Unit
Badami Unit
Greater Mooses Tooth Unit
National Petroleum Reserve Alaska
Arctic National Wildlife Reserve
Arctic National Wildlife Reserve
Oil and Gas Units
NPRA & ANWR
Alaska Seaward Boundary
Trans-Alaska Pipeline
Dalton Highway
N
0 5 10 20
Miles

North Slope "Reserves" Estimates

Developed or Delineated

	Oil Remaining MMBO	Gas Remaining BCF
Barrow		34
Colville River	420	400
Duck River	102	843
Kuparuk River	990	600
Milne Point	210	
Northstar	64	450
Prudhoe Bay	2,450	24,500
Oooguruk	73	
Nikaitchuq	187	
Liberty	114	
Point Thomson	417	8,000
NPRA	140	
Total North Slope	**5,166**	**34,827**

Source: Div. of Oil and Gas, 2009 Alaska Oil & Gas Report

North Slope and Arctic OCS

Discovered Undeveloped Resource Estimates

	Oil – Recoverable Resource MMBO	Gas – Recoverable Resource BCF
Umiat	70 – 300(?)	
Gubik		600(?)
Sivulliq (aka Hammerhead)	100 – 200	
North Tarn	27 – 72	
Kuvlum	160 – 300	
Sandpiper	12	
FEX NPRA	300 – 400(?)	
Total Alaska/Beaufort	**1,299 – 1,984**	**600**

Various sources.

Other North Slope and Arctic OCS

Undeveloped Resource Estimates

- Ugnu (Kuparuk/Milne Point area)
  - Up to 20 billion barrels of ***heavy*** oil in-place
  - BP conservatively estimates that roughly 10 percent may be recoverable, 2 billion barrels
- Burger (Chukchi Sea)
  - 31 million to 1.7 billion barrels of condensate in-place
  - 8 to 27 TCF natural gas in-place

Source-Reservoired Oil Resources
Alaskan North Slope

Paul L. Decker, Petroleum Geologist

Alaska Department of Natural Resources, Division of Oil and Gas

February, 2011

Unconventional resources

Distinguished from conventional resources by

- **lower geologic risk…** hydrocarbons are almost certainly present everywhere within the play fairway

BUT

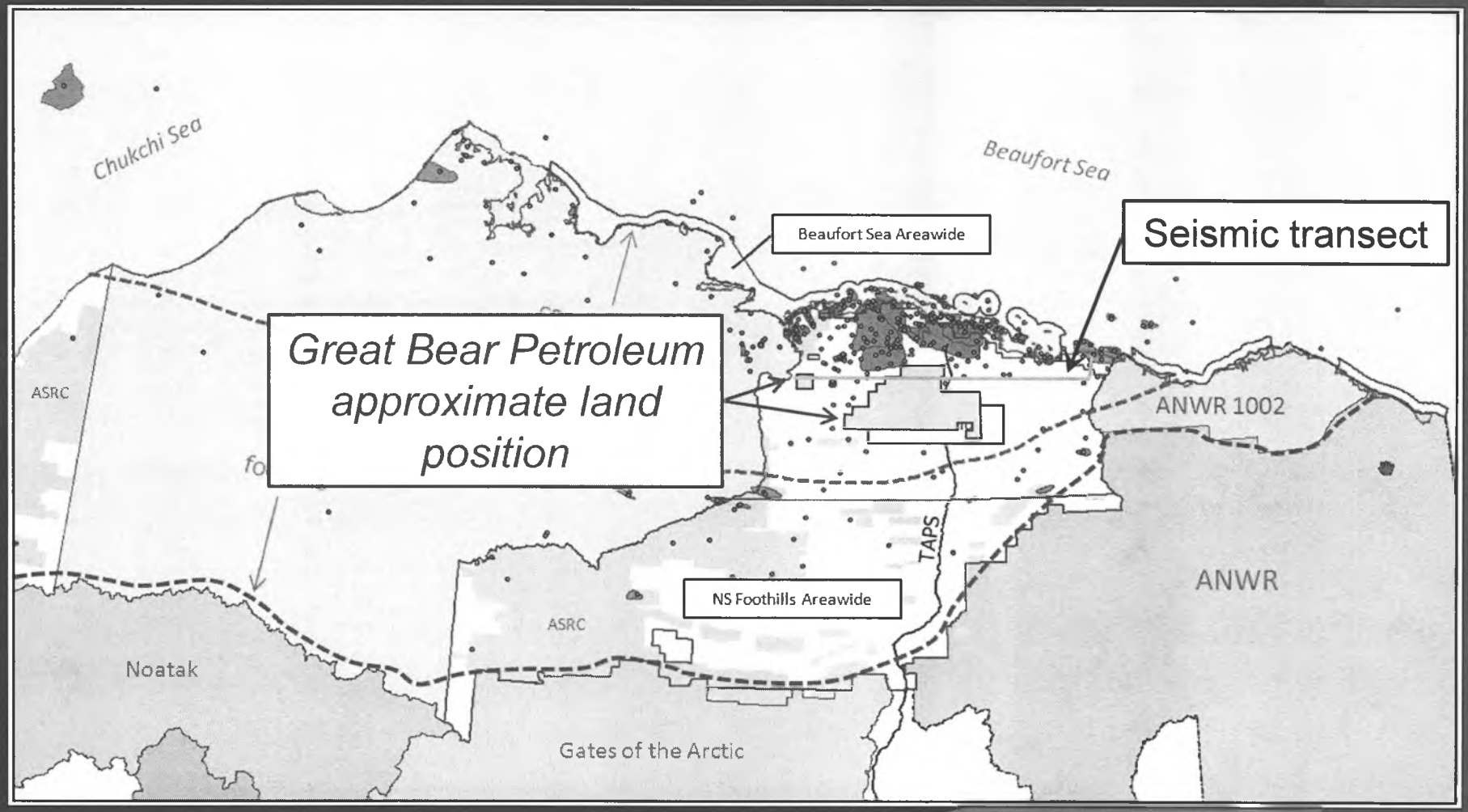
- **higher engineering risk…** not sure the resource will be recoverable everywhere (massive stimulations must succeed)

Unconventional terminology

Some terms are more specific than others

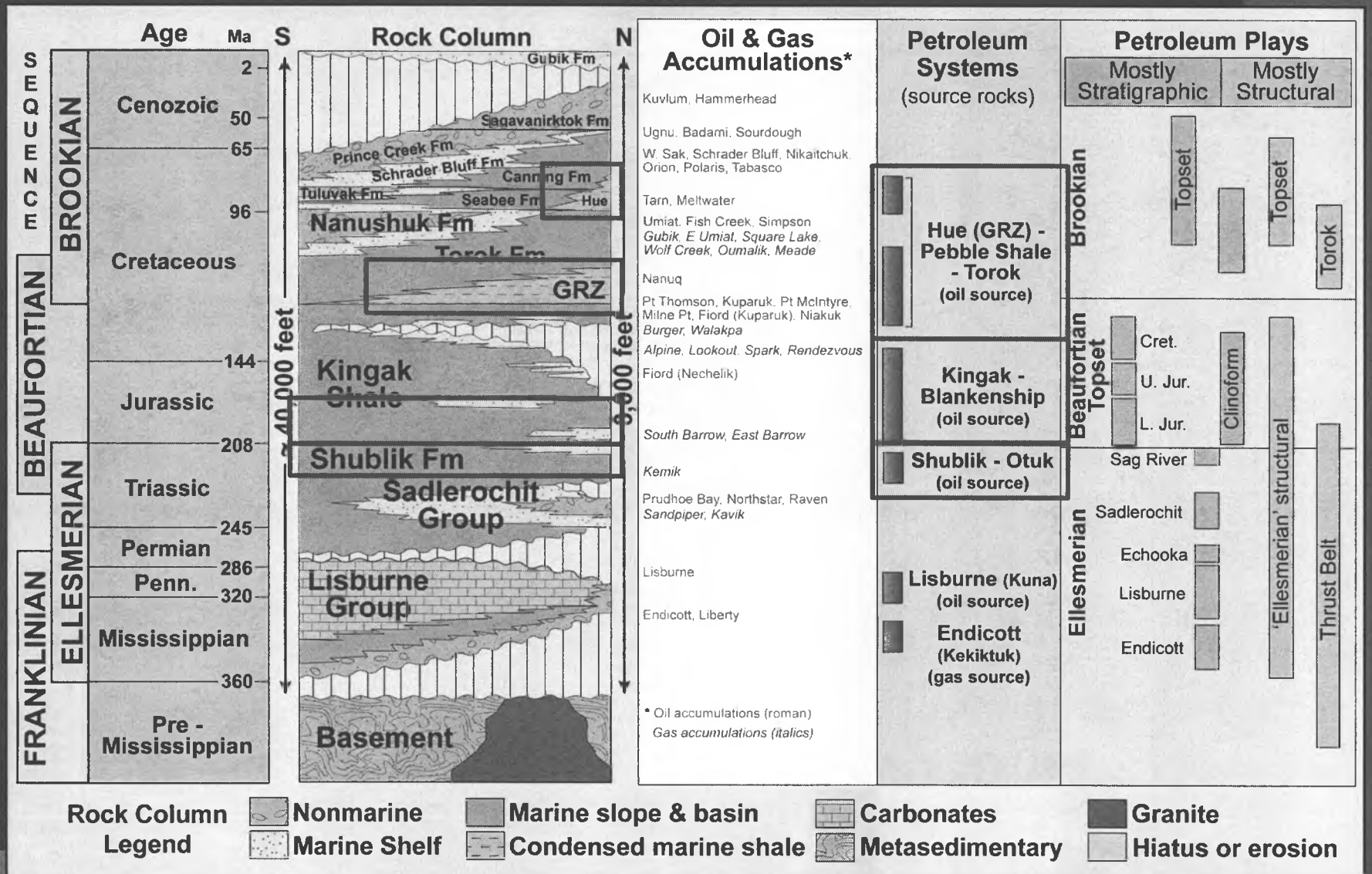
- Resource plays
- Continuous accumulations
- Basin-centered accumulations
- Technology reservoirs
- Tight oil / gas
- Shale gas / shale oil (≠ oil shale)
- Source-reservoired oil / gas
  - ✓ *Source = Reservoir = Trap*

North Slope Region



North Slope Petroleum Systems

3 prolific source rock intervals

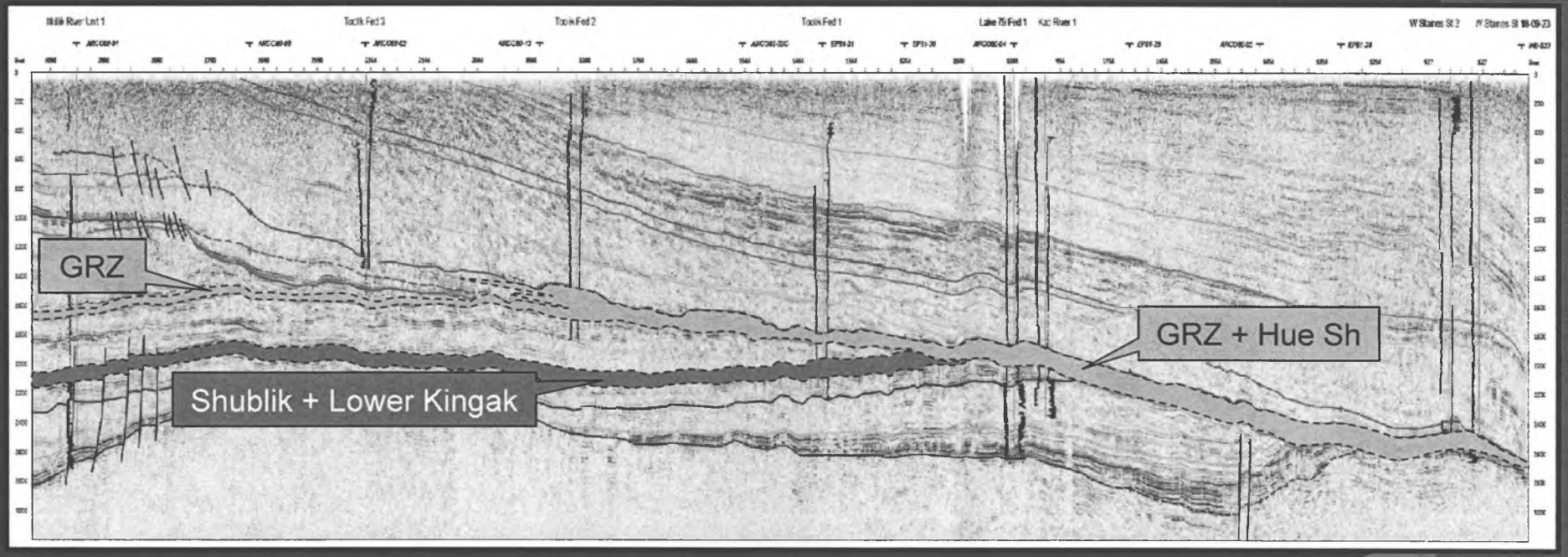


Modified by Alaska Division of Oil and Gas staff from Ken Bird and David Houseknecht (U.S. Geological Survey), personal communication, 2002

Central North Slope Seismic Transect

Public Seismic Line ARCO 80-07& 80-06

West *Total length ~120 miles* East



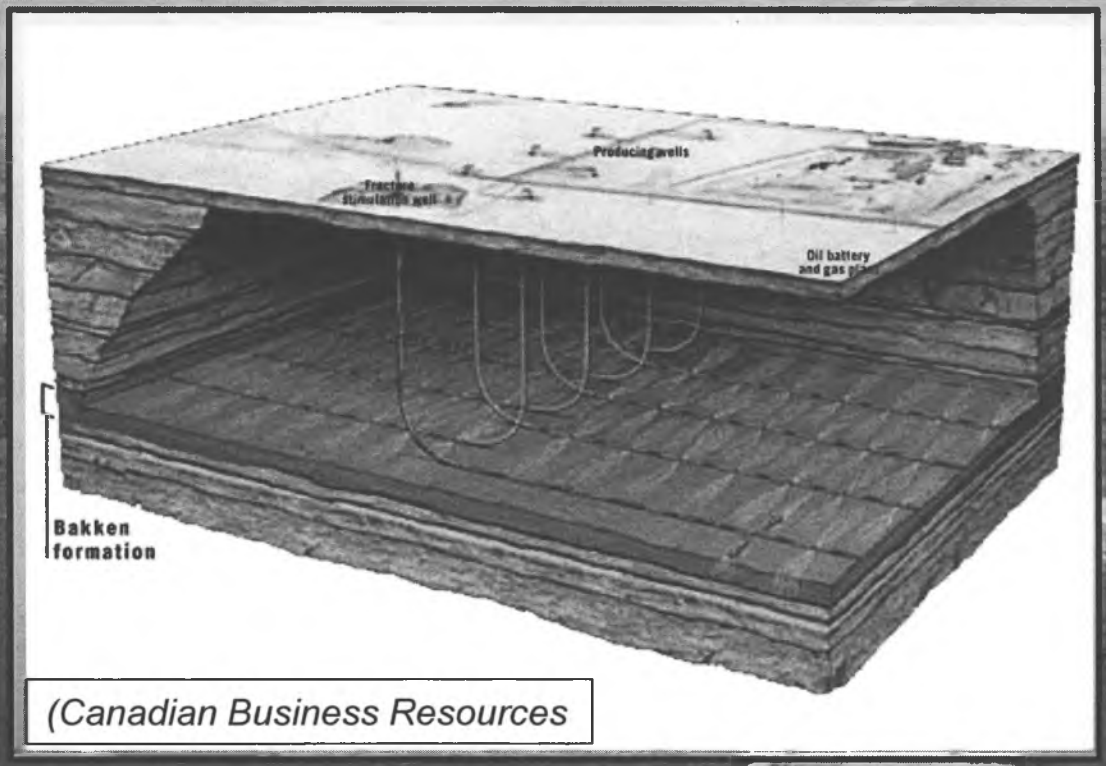
- GRZ-Hue Sh at ~8,000 – 13,000 ft depth
- Shublik + Lower Kingak at ~10,000 ft depth

(Decker, unpublished data, 2010-11)

Key Geologic Factors -- Shale Resource Plays

- **Organic Geochemistry**
  - Total Organic Carbon content (richness)
  - Hydrogen Index (oil-prone, gas-prone, or inert kerogen types)
  - Oil properties (gravity, in-situ viscosity, wax & asphaltene content, etc.)
- **Thermal and Tectonic History**
  - Thermal maturity (immature → oil window → gas window → supermature)
  - Stress-strain history (# of phases of natural fracturing, etc.)
  - Current stress regime (determines orientation of artificial fractures and whether natural fractures are propped open)
- **Petrophysics**
  - Porosity (void space between grains, within grains, and in fractures)
  - Permeability (how connected are pore spaces?)
  - Relative Permeability (oil, gas, water – which flows more readily?)
- **Geomechanics** -- Is the rock brittle enough to create and sustain fractures?
  - Cement content and types (carbonate, silica, sulfides, etc.)
  - Grain content and types (silt, sand, fossil debris, etc.)
  - Layering (thickness and mechanical contrast)

Close Well Spacing, Many Pads



(Canadian Business Resources

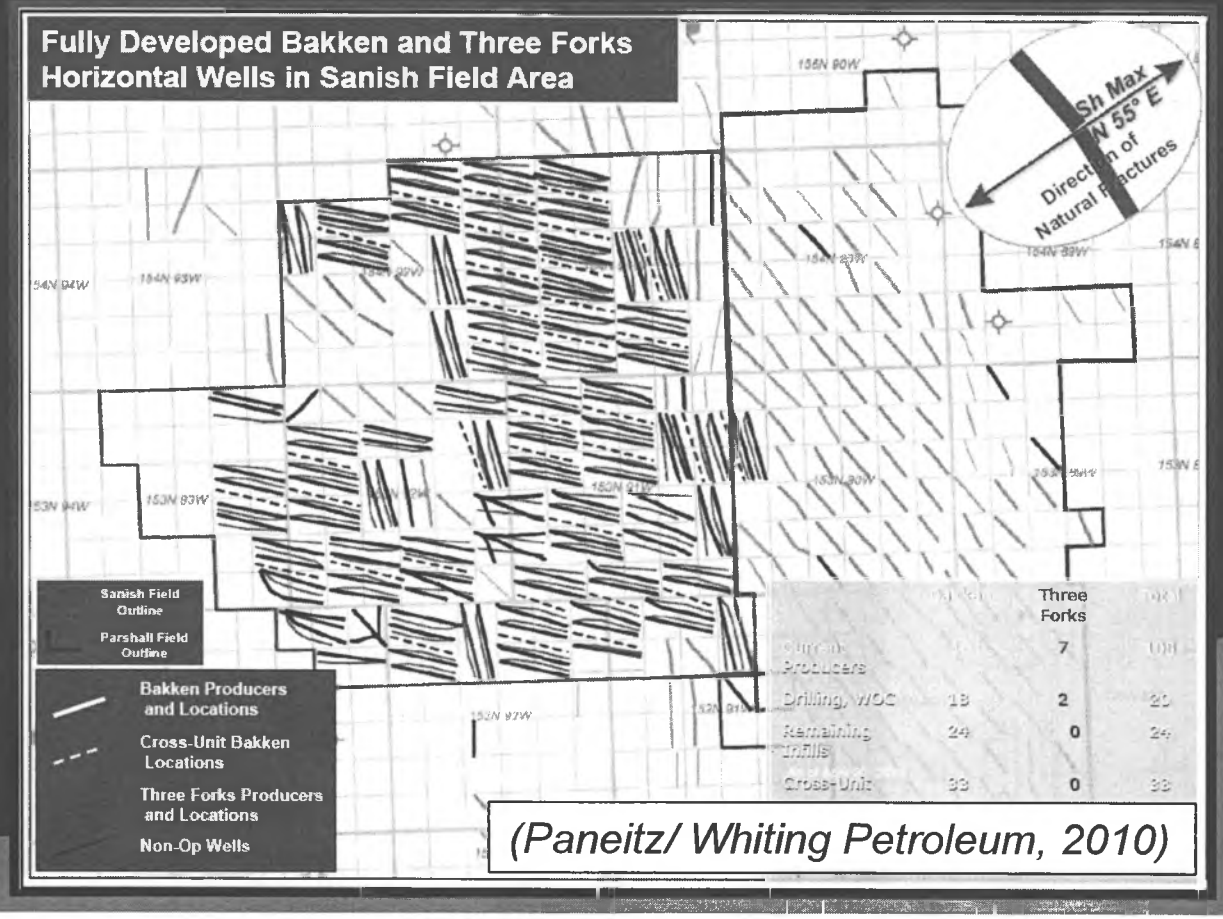
70 acres total surface impact (14 pads, 5 acres each) → 17,920 acres of subsurface development (2 mile-long laterals on each side of road times 7 miles length times 640 acres/mi²)

(courtesy Lynn Helms NDIC, DMR, 2011)

Close Well Spacing, Many Pads

Infrastructure-intensive development

- Bakken Shale — 640 acres/well (Sanish & Parshall Fields)
- Eagle Ford Shale — 125-140 acres/well (EOG plans)
- North Slope ? — 120-060 acres/well (Great Bear estimates)



Frac FAQs

- How do they work?

  Fluid (water + sand + additives for gelling and gel-breaking, etc.) is pumped into an isolated part of the borehole under increasing pressure. When the fluid pressure exceeds the rock strength, the formation fractures and the sand-rich fluid shoots out into the growing cracks. The sand props the fractures open after the frac fluid flows back into the wellbore.

- How much water do they use?

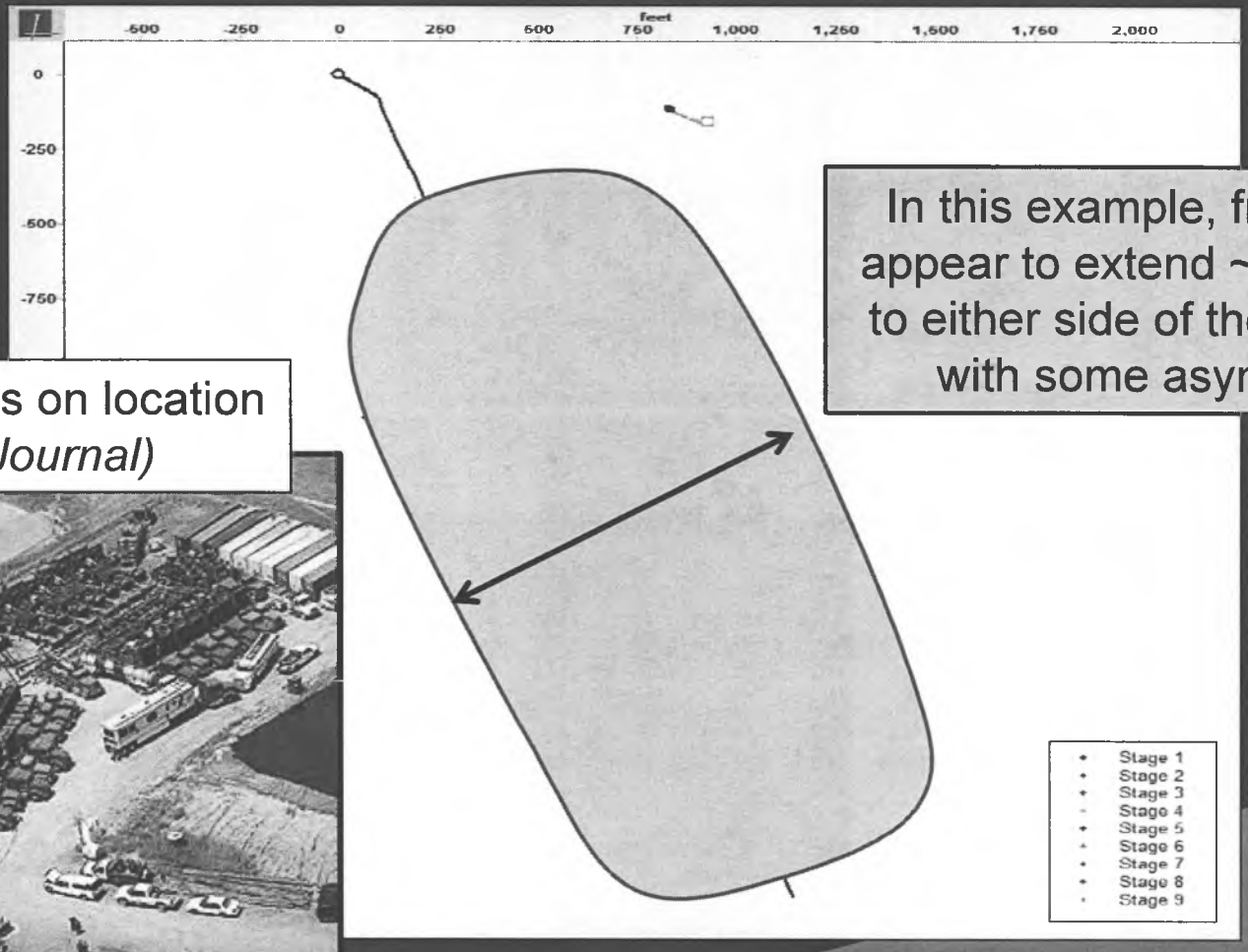
  Frac jobs for horizontal producers in L48 shale plays consume 1 to 5.5 million gallons of water (and millions of pounds of sand) per well, depending on rock properties, number of stages pumped, etc.

- What are the environmental risks?

  Contamination of fresh water aquifers with hydrocarbons and/or frac fluids can occur where the hydrocarbon target and aquifer are not sufficiently separated. ***THIS SHOULD BE AVOIDABLE!***

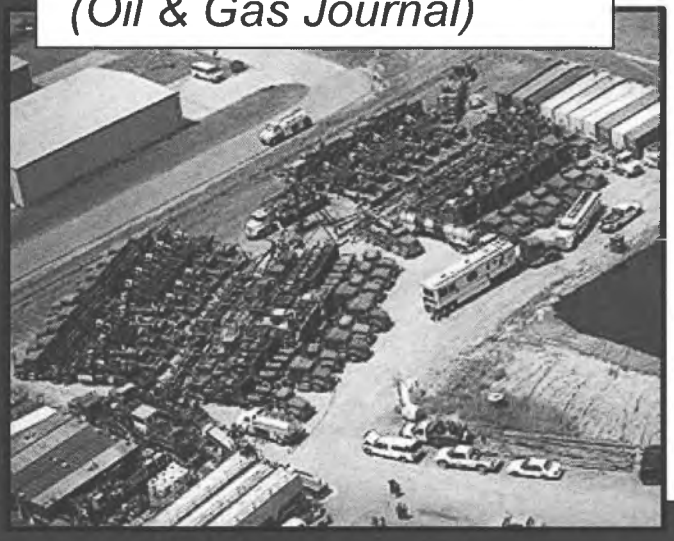
Frac Jobs

Where are the fractures and how far do they extend?



In this example, frac wings appear to extend ~450-550 ft to either side of the wellbore with some asymmetry

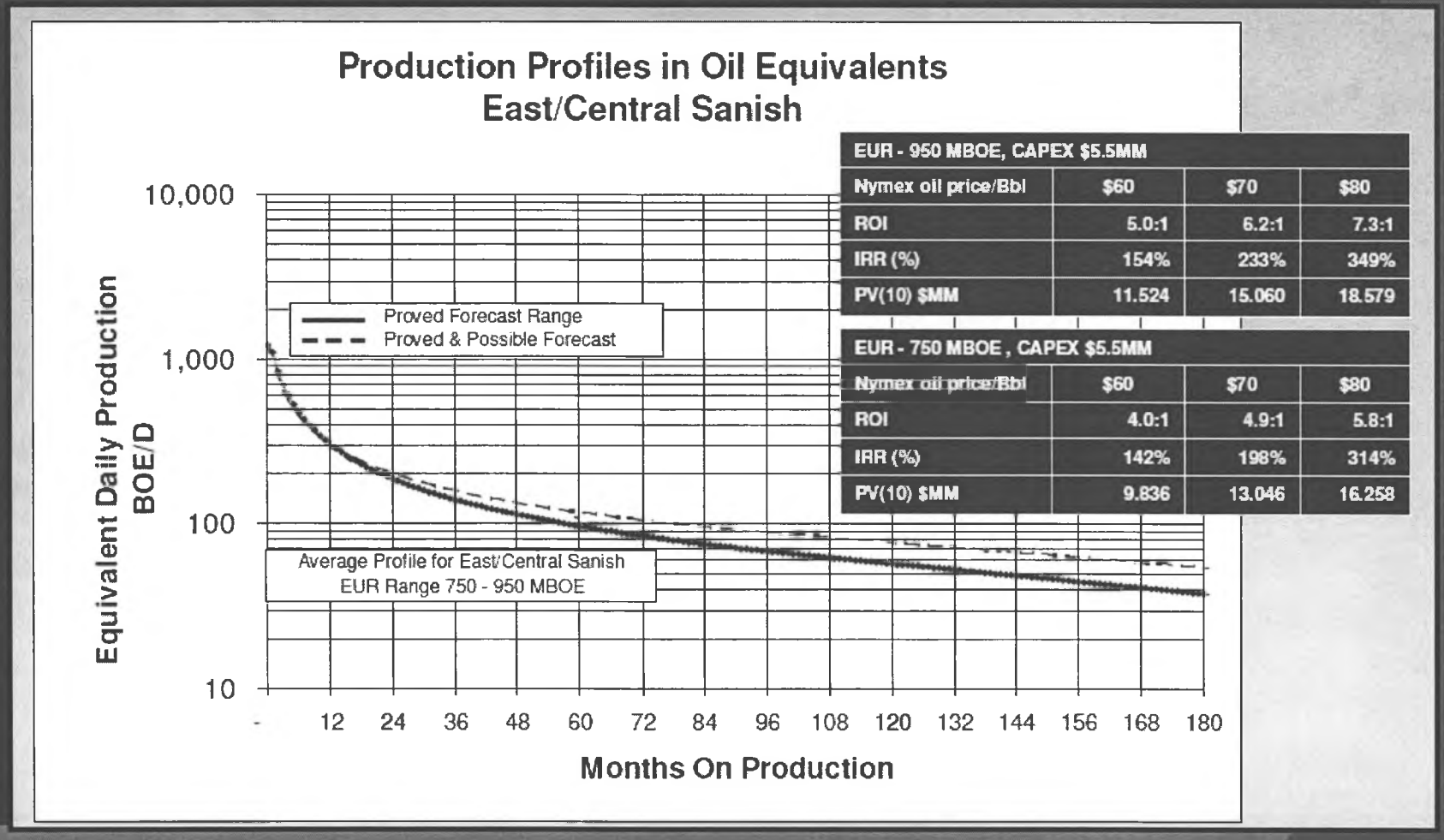
34 frac trucks on location
(Oil & Gas Journal)



Microseismic map of 9-stage hydraulically fractured horizontal well *(Bello, 2009)*

Single well flow rate over time

One producer's average production profile for Bakken Formation production wells – North Dakota



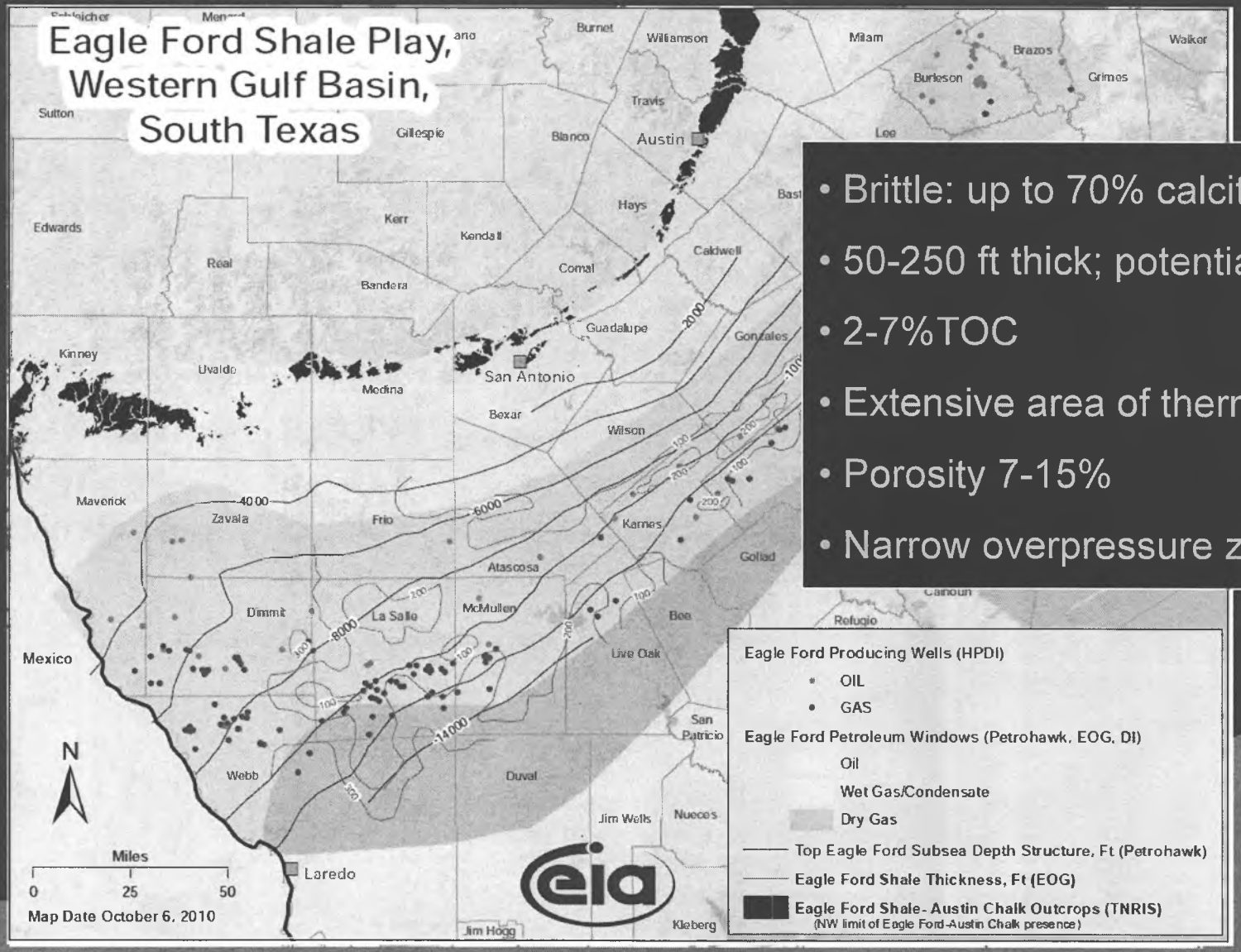
EUR - 950 MBOE, CAPEX $5.5MM			
Nymex oil price/Bbl	$60	$70	$80
ROI	5.0:1	6.2:1	7.3:1
IRR (%)	154%	233%	349%
PV(10) $MM	11.524	15.060	18.579

EUR - 750 MBOE , CAPEX $5.5MM			
Nymex oil price/Bbl	$60	$70	$80
ROI	4.0:1	4.9:1	5.8:1
IRR (%)	142%	198%	314%
PV(10) $MM	9.836	13.046	16.258

(Whiting Petroleum, 2011)

Texas Analogue (?)

Upper Cretaceous Eagle Ford Shale

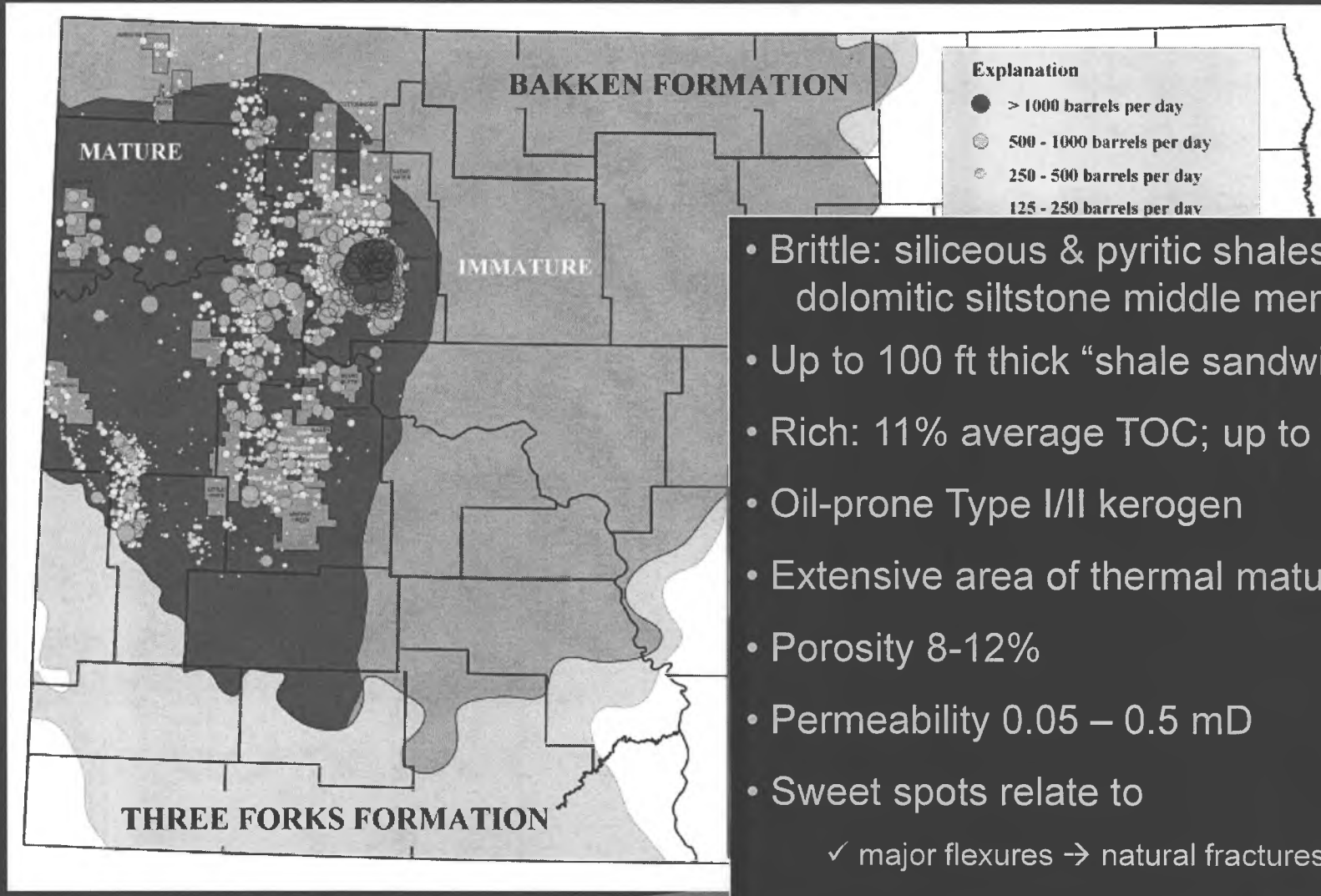


- Brittle: up to 70% calcite
- 50-250 ft thick; potentially all net pay
- 2-7%TOC
- Extensive area of thermal maturity
- Porosity 7-15%
- Narrow overpressure zone

(Energy Information Administration, 2010)

North Dakota Analogue (?)

Devonian-Mississippian Bakken Fm – First 60-90 day oil rates



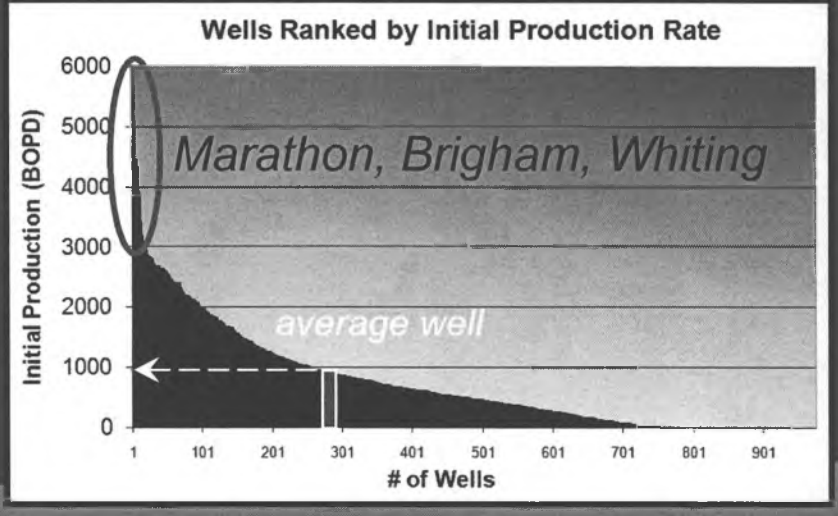
- Brittle: siliceous & pyritic shales; dolomitic siltstone middle member
- Up to 100 ft thick "shale sandwich"
- Rich: 11% average TOC; up to 40%
- Oil-prone Type I/II kerogen
- Extensive area of thermal maturity
- Porosity 8-12%
- Permeability 0.05 – 0.5 mD
- Sweet spots relate to
  - ✓ major flexures → natural fractures
  - ✓ early oil window maturity → overpressure

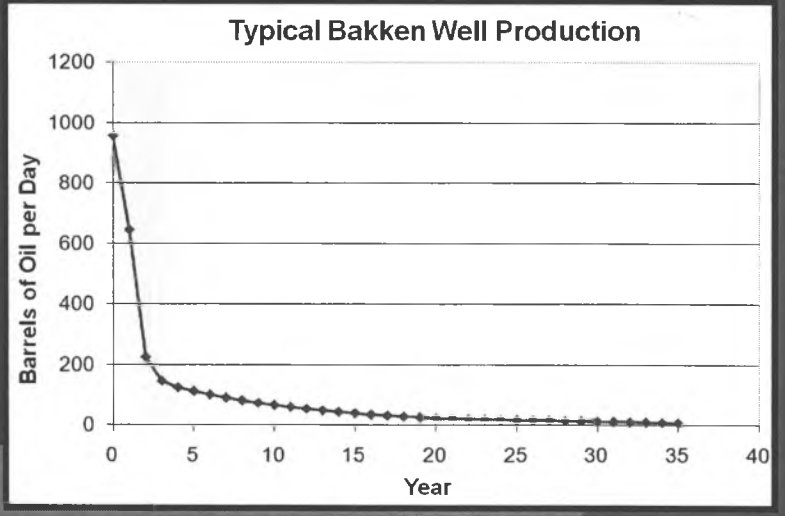
(Nordeng, 2010; Nordeng and others, 2010)

Bakken Well Economics and Production

North Dakota Industrial Commission, Department of Mineral Resources

• Well Cost, Horizontal Producer	$6.1 million (47 jobs)
• Operating Cost, Monthly	< $7,000 (1 job)
• Royalty Rate	16.7%
• Average Initial Production Rate	955 BOPD
• Breakeven IP Oil Rate	235 BOPD
• Breakeven Reserves per well	183,000 bbl
• Breakeven Reserves Success	83%





(courtesy Lynn Helms NDIC, DMR, 2011)

Shublik Formation

Variability in outcrop and well logs

Interbedded shale & limestone, silty-muddy, phosphatic, pyritic (up to 600 ft thick)

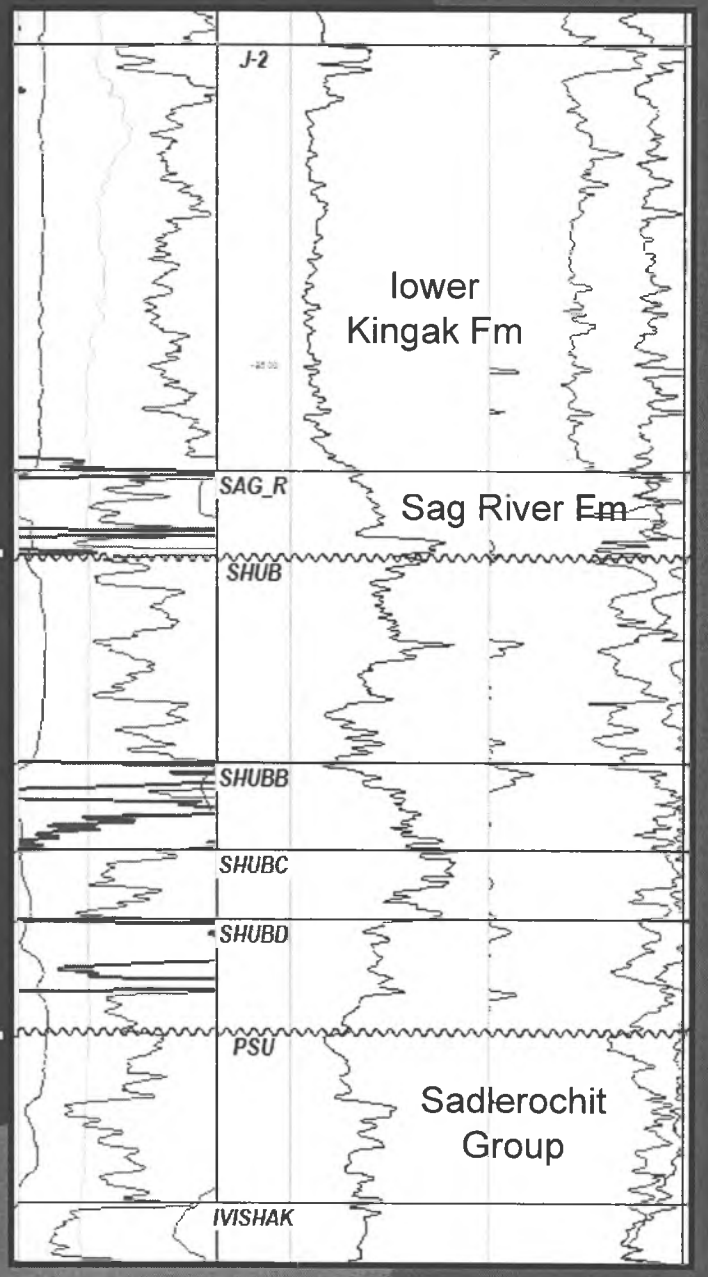
Shublik Fm

Zone A

Zone B

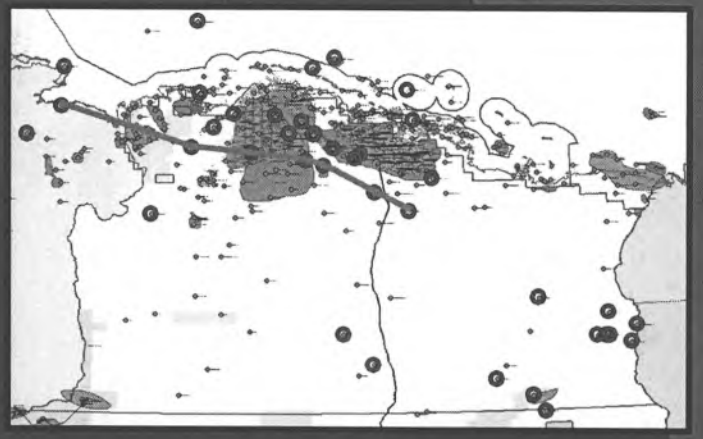
Zone C

Zone D

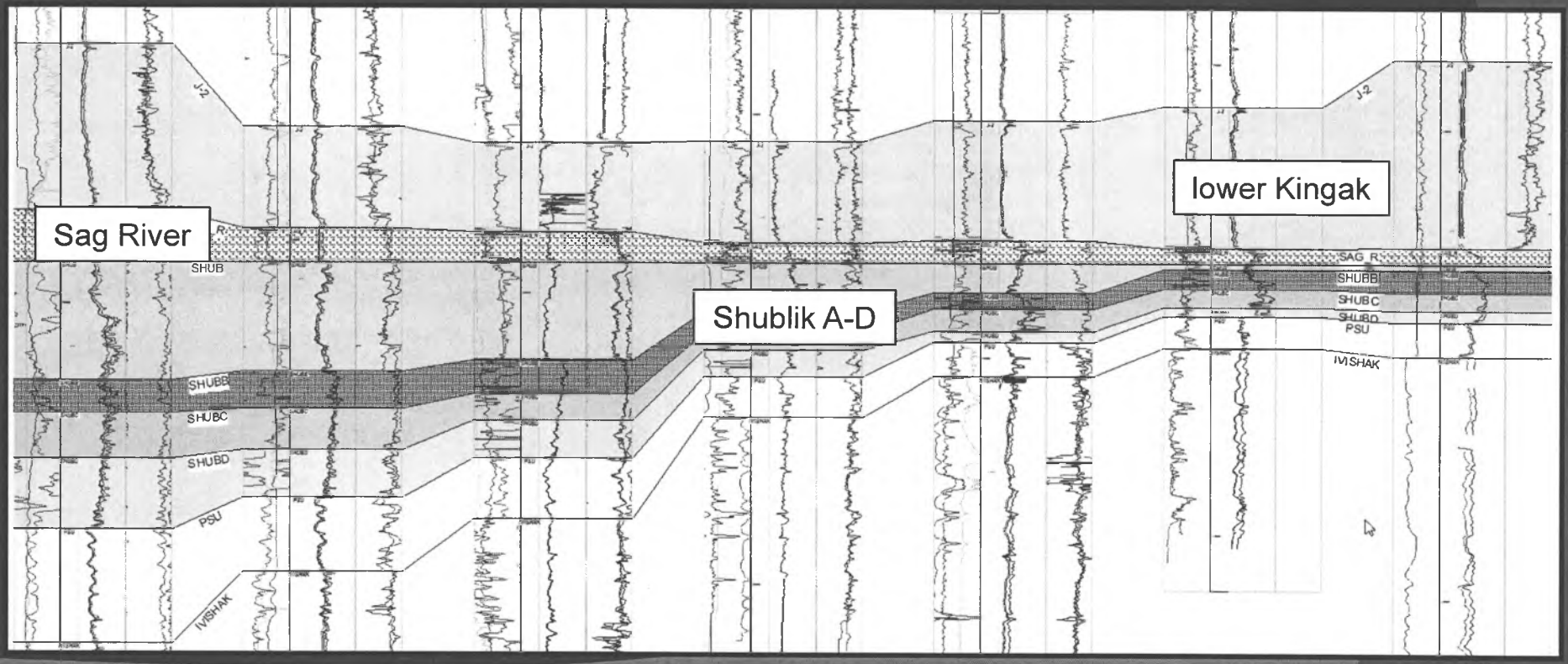


Shublik Formation

Well logs and zonal correlations



S Harr Bay 1 *Kookpuk 1* *KRU 2F-20* *Rock Flour 1* *Hemi Spr 1* *Hemi Spr 3* *Toolik 1*

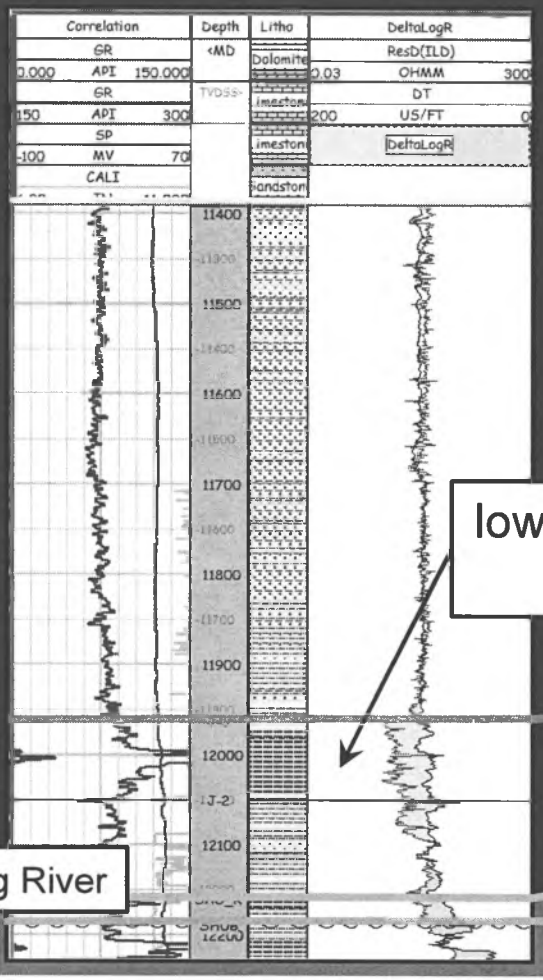


(Decker, unpublished data, 2011)

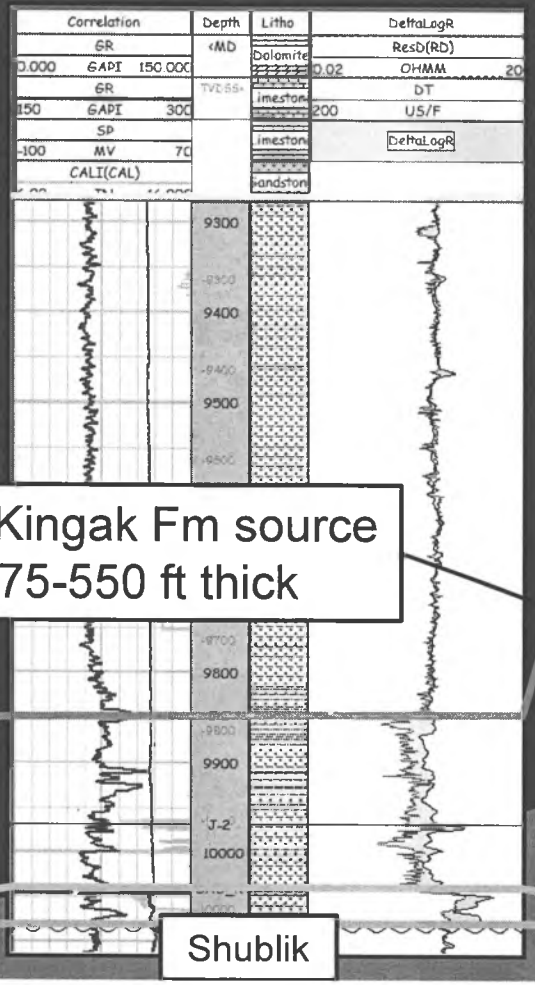
Lower Kingak Formation

[redacted]og R source rock screening

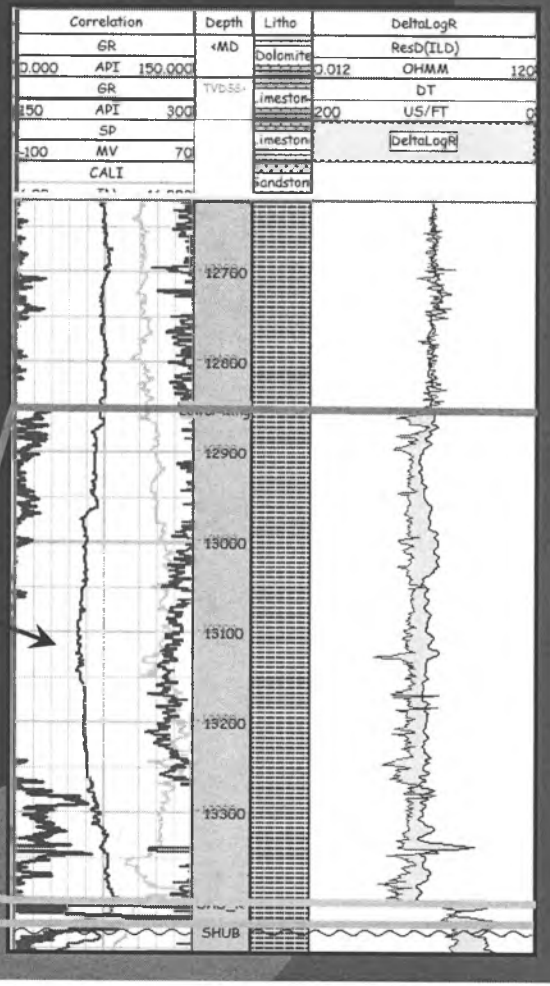
Inigok 1



Itkillik River 1



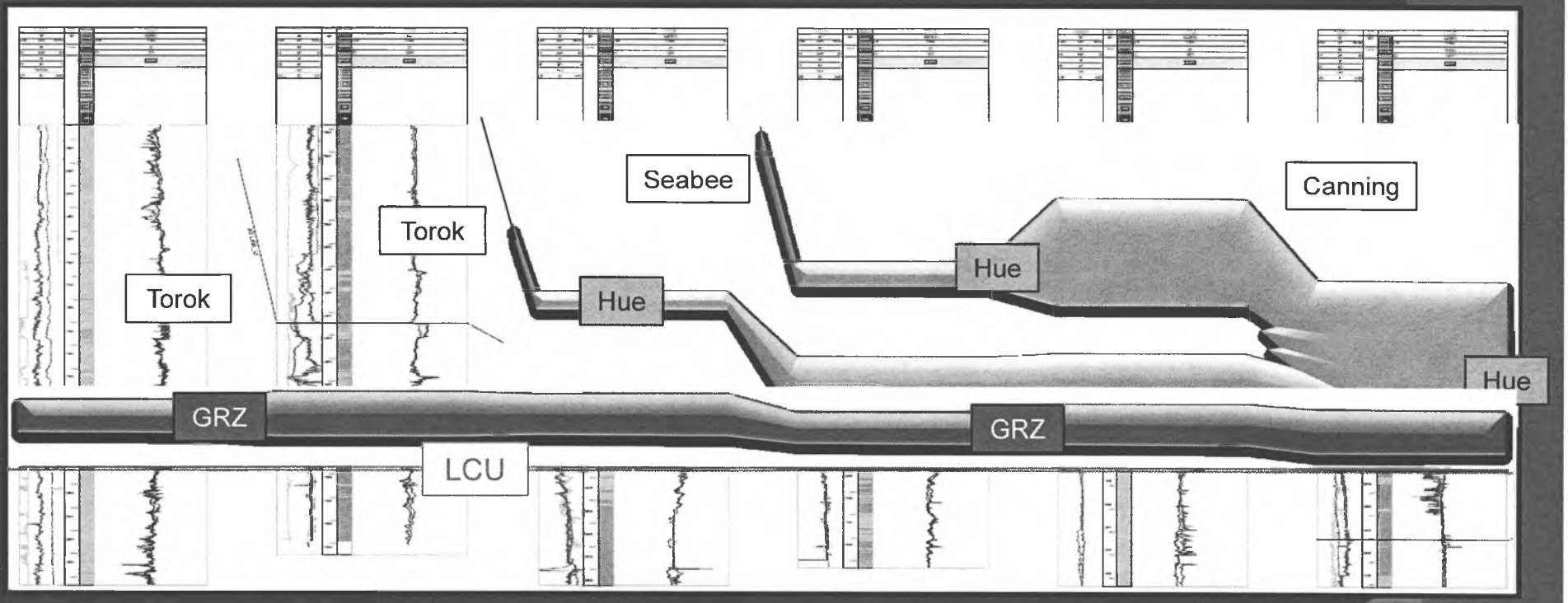
Bush Fed 1



lower Kingak Fm source
~175-550 ft thick

Hue Shale/GRZ

Correlations and log-based Total Organic Content estimates

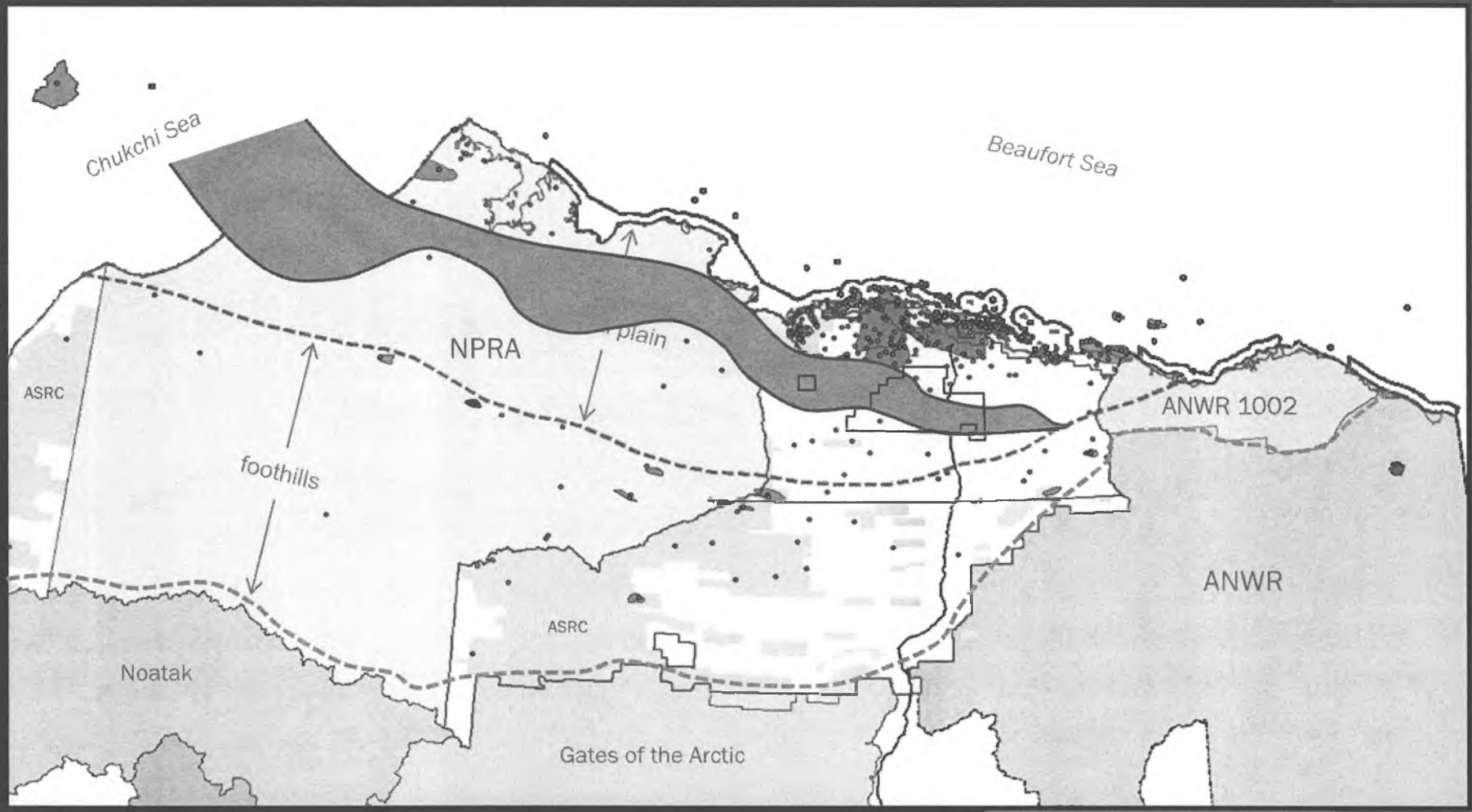


	Itkillik R 1	Atlas 1	Narvaq 1	W Sak 26	Toolik 2	Hemi Spr 3
Log R calculated TOC estimates						
Hue Sh			4.9%	2.6%	3.1%	4.8% (?)
GRZ	2.6%	2.4%	1.6%	5.0%	3.1%	10.3% (?)

(Decker, unpublished data, 2009)

Shublik and Lower Kingak Formations

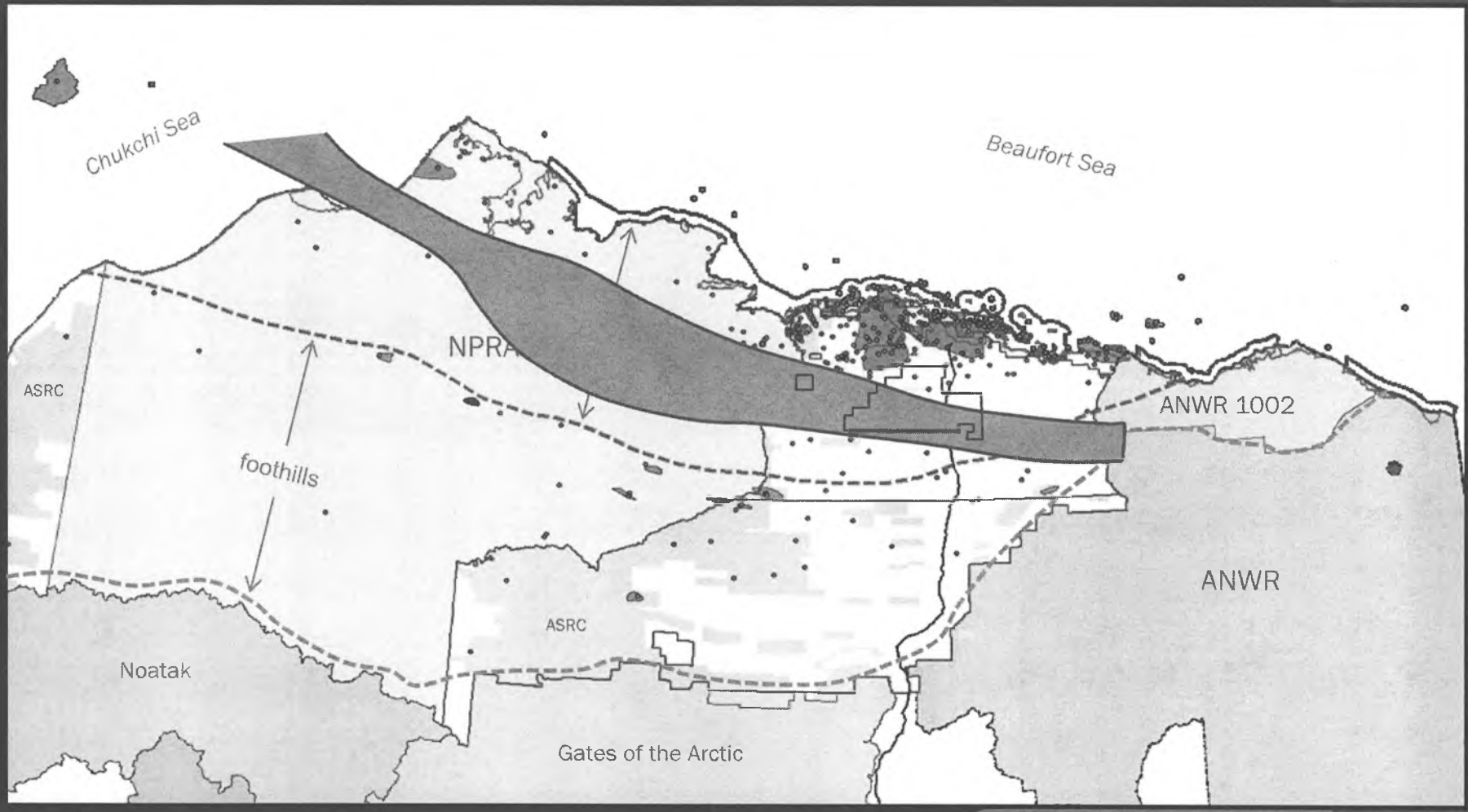
Thermal Maturity Zone



(mature area after Peters and others, 2006)

Hue Shale/GRZ

Thermal Maturity Zone



(mature area after Peters and others, 2006)

Comparison

Source rock characteristics

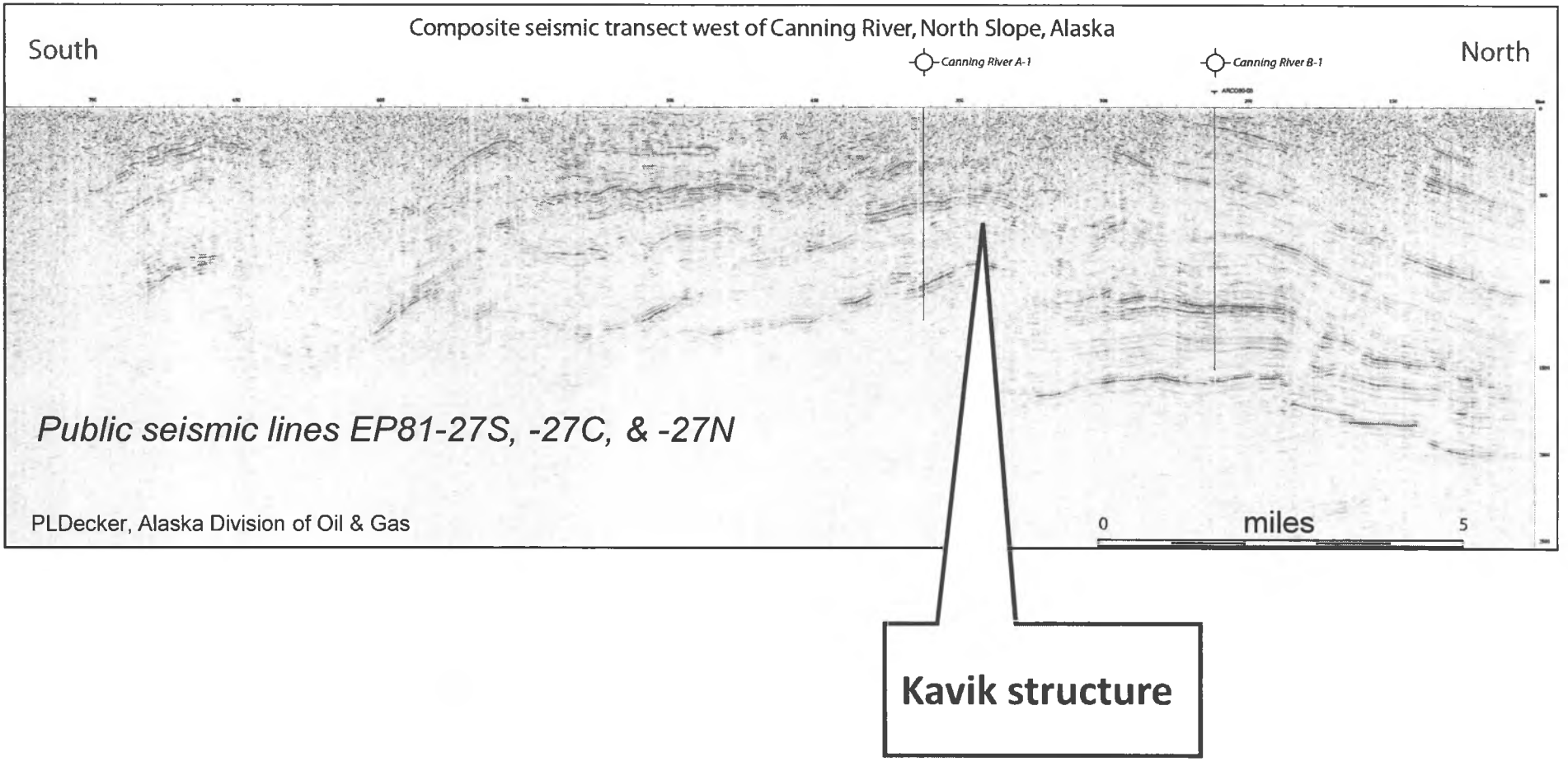
	Bakken	Eagle Ford	Shublik	L. Kingak	Hue/GRZ
Total Organic Carbon	10% avg	2-7%	2.4% avg	5% avg	3% avg
Main Kerogen Types	I/II (oil)	I/II (oil)	I/II-S (oil)	II/III (oil-gas)	II/III (oil-gas)
Oil Gravity, °API	42°	30-50°	24°	40°	38°
Thickness	up to 100 ft	50-250 ft	0-600 ft	175-550 ft	100-800 ft
Thermal Maturity	Imm-Oil-Gas	Imm-Oil-Gas	Imm-Oil-Gas	Imm-Oil-Gas	Imm-Oil-Gas
Lithology & Variability	Sh-Slts-Sh	Sh-Slts-Ls	Sh-Slts-Ls	Shale	Sh-Tuff
Brittleness	Yes - Quartz	Yes - Calcite	Yes - Calcite	No ?	No ?
Natural Fractures	Yes	Locally	some zones	?	?
Overpressure	Yes	Locally	?	Probably	Locally

(compiled from various sources, Decker, 2011)

Summary

- Many variables impact productivity of source-reservoired oil and gas
  - Organic geochemistry
  - Thermal and tectonic history
  - Petrophysics
  - Geomechanics
  - Drilling and completion practices
- Development of North Slope shale oil will likely depend on
  - Successful exploration drilling, data gathering to establish geological favorability
  - Successful production pilot project(s)
  - Lowering drilling and operating costs
  - All-season roads for year-round surface access to new areas
  - More hydraulic frac crews
  - Sufficient water supplies for frac make-up fluid
  - Factual understanding and operator transparency regarding frac practices

Foothills Structural Plays
Seismic Interpretation



2/26/11 PRESENTATIONS: CALISTA REGION ALTERNATIVE ENERGY UPDATE AND GREAT BEAR PETROLEUM

<TARGET><BILL></BILL><SUBJECT>2-26-11 PRESENTATIONS CALISTA REGION ALTERNATIVE ENERGY UPDATE AND GREAT BEAR PETROLEUM</SUBJECT><COMM>SRES27</COMM></TARGET>

Calista Region

Alternative Energy Update

Nuvista Light & Electric Cooperative

2011

George Paul Guy, Nuvista Cooperative Chair

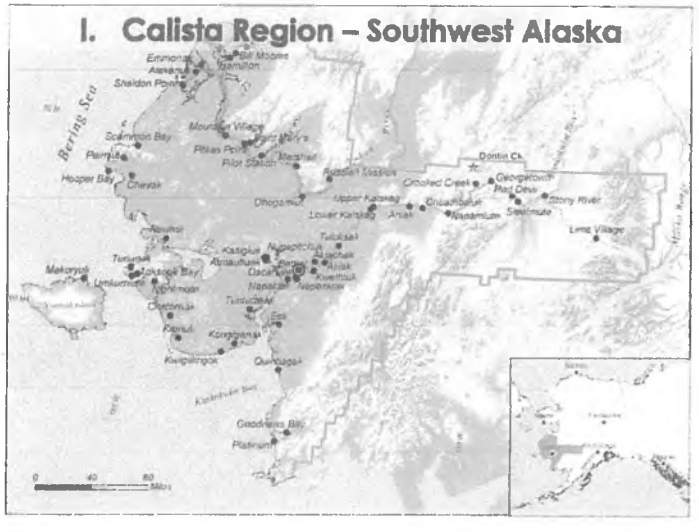
Andrew Guy, Calista President/CEO

Christine Klein, COO

Outline

I. Who We are
II. Energy: Where We've Been & Found
III. Potential Alternative Energy Solutions
IV. Forward to the Next Steps

I. Calista Region – Southwest Alaska



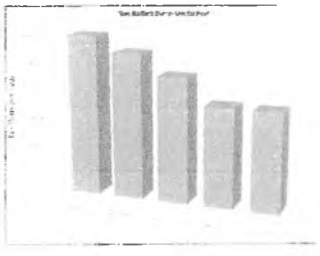
I. Nuvista Cooperative Formation

Non-profit established 1995:

- Utility Cooperative
- Common Goal: to reduce electrical costs to residents
- Assess high cost of power, demands and find alternatives
- Organized as a cooperative to function as a future regional Generation & Transmission utility

- Association of Village Council Presidents (AVCP)
- Yukon Kuskokwim Health Corporation (YKHC)
- AVCP Regional Housing Authority (AVCP-RHA)
- Calista Corporation
- Chaninik Wind Group
- Middle Kuskokwim Electric
- Lower Yukon Representative

I. Region Energy Situation



Diesel

- Region primary home heating fuel, ranges $6.14 to $9.50/gallon
- Fuel deliveries by barged 1-2X year
- 50% of family incomes go to home heating, now grown to 75% income
- Families having to choose between food vs. heating

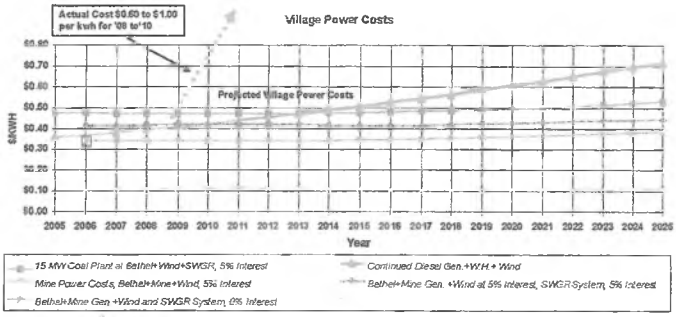
Electricity

- Region small independent village diesel generators
- Household use is 50% Natl Average
- Cost $0.52 to $1.00 per kilowatt hour
- Escalating cost of energy
- PCE cannot keep up

II. Where We've Been

- Over 21 Energy Studies, Data, and Reports since '75.
- >41 largely independent aged diesel power generator plants
- Village generators use >20 million gallons of diesel year
- Transmission lines needed
- 65Mw electrical demand for Bethel +14 villages by 2020
- Coal & Hydropower listed repeatedly as feasible options
- Energy costs escalating

II. Electric Cost Projections (2002)

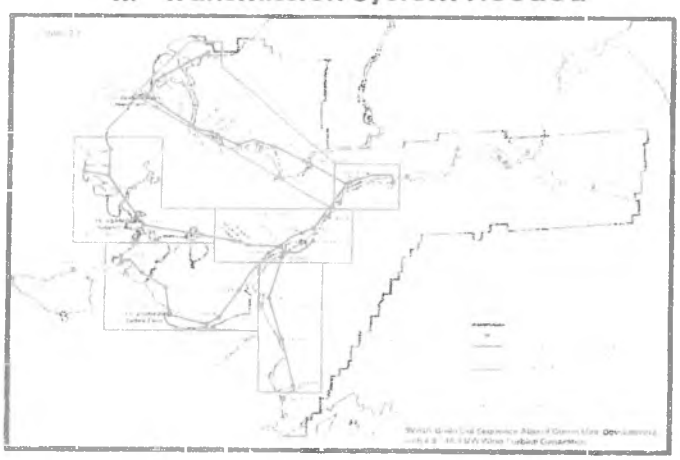


II. Found Energy Needs Varied

Region Villages Vary:

- Diverse Village options
- Conservation Underway but not the complete solutions
- Some Coastal Villages proceed w/ wind generation but there's limited application in region
- Some villages have small needs
- ***One size doesn't fit all!***
- Sub-region Bethel +13 villages 65Mw electrical needs by 2020

II. Transmission System Needed



II. Energy Alternatives Considered

Alt. Energy Type	*Cost to Construct*	*Cost to Operate*	*Use Cost per Kw*	*Capacity to Demand 65kw*	*Public Perception*	*Likelihood or Feasibility*
Diesel (do nothing)	Existing	High	High	Same	-	Existing
Geothermal	High	Low	-	None	Positive	Small
Wind Power	Medium	Low	Low	Low	Positive	Limited
Hydropower	High	Medium	Medium	High	Neutral	High to Medium
Coal Power Plant	High	Medium	Low	High	Negative	Medium to Low
Nuclear Power	Low	Low	Low	High	Very Negative	Poor to None

III. Future - Remaining Candidates

- **Wind Turbines**
  Variable – region precedent, low power production capacity, augments needs, does not work for all areas of region.
- **Coal Power Plant**
  Bethel 15-60 Mw Plant - negative public perception, would provide the cheapest and greatest energy capacity.
- **Hydroelectric Power**
  Kisaralik River – 3 sites Yukon Delta National Wildlife Refuge
  Chikuminuk Lake - in Wood Tikchik State Wilderness park, could provide clean, mid cost, proven alternative energy.

III. Remaining Hydroelectric Sites

III. Hydroelectric Feasibility Findings

Site	Distance miles	Head ft	Generating Capacity (MW)	Year Around Seasonal	Average Annual Energy (GWh)	Projected 2022 Demand GWh	Useable Energy 2022 GWh
Chikuminuk Lake - Allen River Outfall	118	91	13.4	Y	89.3	64.9	65+
Kisaralik - Upper Falls	70	149	27.7	S	89.5		39.7
Kisaralik - Lower Falls	62	122	34.1	S	128.3		46.9
Kisaralik - Golden Gate	57	78	27.0	S	95.3		38.8

IV. Moving Forward & Ahead

Selection of Option(s):

- Nuvista Team & Stakeholders Reviewed latest Findings
- Board Unanimous Decision made to move ahead with request for Hydropower Design Feasibility for Bethel Area.
- Hydro option of Chikuminuk Lake has year around capability to supply ¼ region's population, 13 villages, and displace diesel

A. Bethel Area Sub-Region

Complete plan and project(s) underway to educe energy cost, and integrate those with the larger Region-Wide plan

B. Region-Wide Alternative Energy Plan

Begin a comprehensive region wide alternative energy plan that integrates the work already done and underway to guide future development

IV. Preferred Alternative

Site	Construction Cost in 2010 dollars	Design Cost	Total Project Cost	Estimated 20 year Cost/ Kwh	Meets Bethel Sub-Region 2020+ Demand?
Chikuminuk Lake Outfall	$361.7 M	$81.3 M	$483 M	$0.70-0.58	Yes
Kisaralik Upper Falls	$386.4 M	$92.6 M	$479 M	$0.70-0.65	No
Kisaralik Lower Falls	$329.5 M	$78.5 M	$408 M	$0.70-0.65	No
Kisaralik Golden Gate	$305.5 M	$72.5 M	$378 M	$0.70-0.65	No

IV. Current and Next Tasks

- Complete Hydroelectric Feasibility Study - 1/2011
- Nuvista Board Decision to Proceed Ahead - 1/2011
- Hiring Project Manager to develop scopes, lead public process, oversee work - 4/2011
- Complete Public Hearings and Preferred Alternative designs Spring – Fall 2011
- Start a Comprehensive Region wide Alternative Energy Plan
- Initiate Federal FERC and ROW Processes

IV. Action: Energy Capital Request

Hydroelectric Energy Tasks	Lead Agency	Schedule	Funding	Cost (millions)
1a Detailed Feasibility Assessment, Permitting, Engineering Plans, Licensing	Nuvista, FERC	2011 2014	State	$5.88M
1b Preliminary Design, Site Field Investigations, Specifications	Nuvista AEA	2011 2016	State	$11.75M **$17.6M**
2. Transmission rights-of-ways, and land easements	Nuvista DOI/BLM	2012-20 15	DOI	$7.83M
3. Final Designs, Permits, Mods, and Construction Oversight	Nuvista AEA	2016 2018+	AEA Bonds	$35.25M
4. Construction	TBD	2018 2021	AEA Bonds	$391.7 M

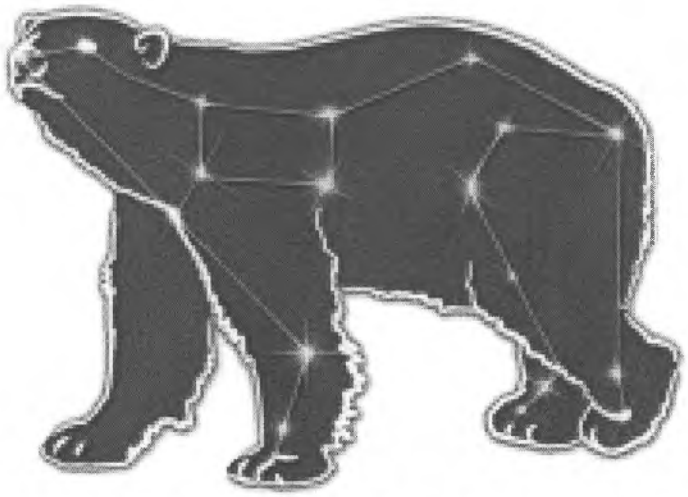
IV. FY2012 Capital Request

Region: Calista/AVCP Southwest Alaska

Project: Chikuminuk Hydroelectric Alternative Energy

Scope: Complete Detailed Feasibility Report, Site Field Investigations, Reconnaissance, Hydrologic Monitoring, Surveys, Permitting, Engineering Plans, FERC Licensing, and Specifications

Cost: **$17,630,000.**



Great Bear Petroleum LLC

Corporate Presentation

Alaska State Capital: Juneau

26th February, 2011

Introducing Great Bear Petroleum

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- All forward-looking statements speak only as of the date of this presentation or, in the case of any document referenced, the date of that document. All subsequent written and oral forward-looking statements attributable to the Company or any person acting on the Company's behalf are qualified by the cautionary statements in this section. The Company does not undertake any obligation to update or revise its forward-looking statements to reflect events, circumstances or changes in expectations after the date of this presentation.

Introducing Great Bear Petroleum

Executive Summary

- Alaska focussed. A proven, world class oil and gas province with 3 mature prolific source rocks: Shublik, Kingak, Hue/HRZ.
- Deep understanding of Alaskan geology and its petroleum systems.
- Great Bear is pursuing what it believes is the most significant emerging resource play in North America.
- 500,000 acres with P50 potential of approximately 2 billion barrels of oil and 12 Tcf of gas.
- Work program will employ proven drilling and completion technologies which are already present in-State.
- Productivity expected to significantly exceed that of analogous South Texas Eagle Ford Shale.
- Targeting near term oil production accessing existing infrastructure.
- Longer term gas resource development tied to broader industry North Slope gas development strategy.
- Supportive State Government.

Great Bear is the leading unconventional resource player on the North Slope and one of the largest in North America.

Great Bear Petroleum LLC

Introducing Great Bear Petroleum

The Team to Deliver

Ed Duncan

B.S., M.A., D.B.A.

President and Chief Operating Officer

- Began his career working regional exploration plays in North Alaska
- Mapped, leased and named the Kuvlum prospect in Camden Bay, planned and managed wellsite operations on the Kaktovik -1 well in the ANWR and mapped and leased the Pt McIntyre field leases
- Over 30 years of experience as a Petroleum Geoscientist and Business Development Manager involved in the evaluation of new business across many of the world's petroleum provinces
- Member of the American Association of Petroleum Geologists

Karen Bryant Duncan

BBA, J.D.

VP – Corporate, General Counsel and Secretary

- A practicing lawyer in the State of Texas since 1987
- Worked at large national law firms for most of her career, achieving partner status
- Over a decade of in-house experience working as corporate counsel for publicly traded corporations
- Karen's expertise covers corporate, securities and oil & gas law

Ryan Moynagh

LLB, MBA, CFA, LIFA

VP – Finance and CFO

- Independent strategic and commercial advisor to oil & gas sector
- Former Investment Banker in Merrill Lynch's Energy & Power Group, based in New York, London and Singapore
- Graduated first-in class in Law and Accounting (First Class Honours), Queens University
- Wharton Business School Executive MBA graduate

Robert Rosenthal

BSc, MSc

VP – New Ventures

- Over 30 years experience in the global oil and gas industry
- Career in Alaska spans nearly 20 years
- Directly involved in discoveries of approx. 1 billion barrels of reserves as world class source rocks
- Responsible for the implementing BP's new exploration strategy in 1990
- Drilled first ever Caney/Woodford well

Mario Traviati

BSc, MSc

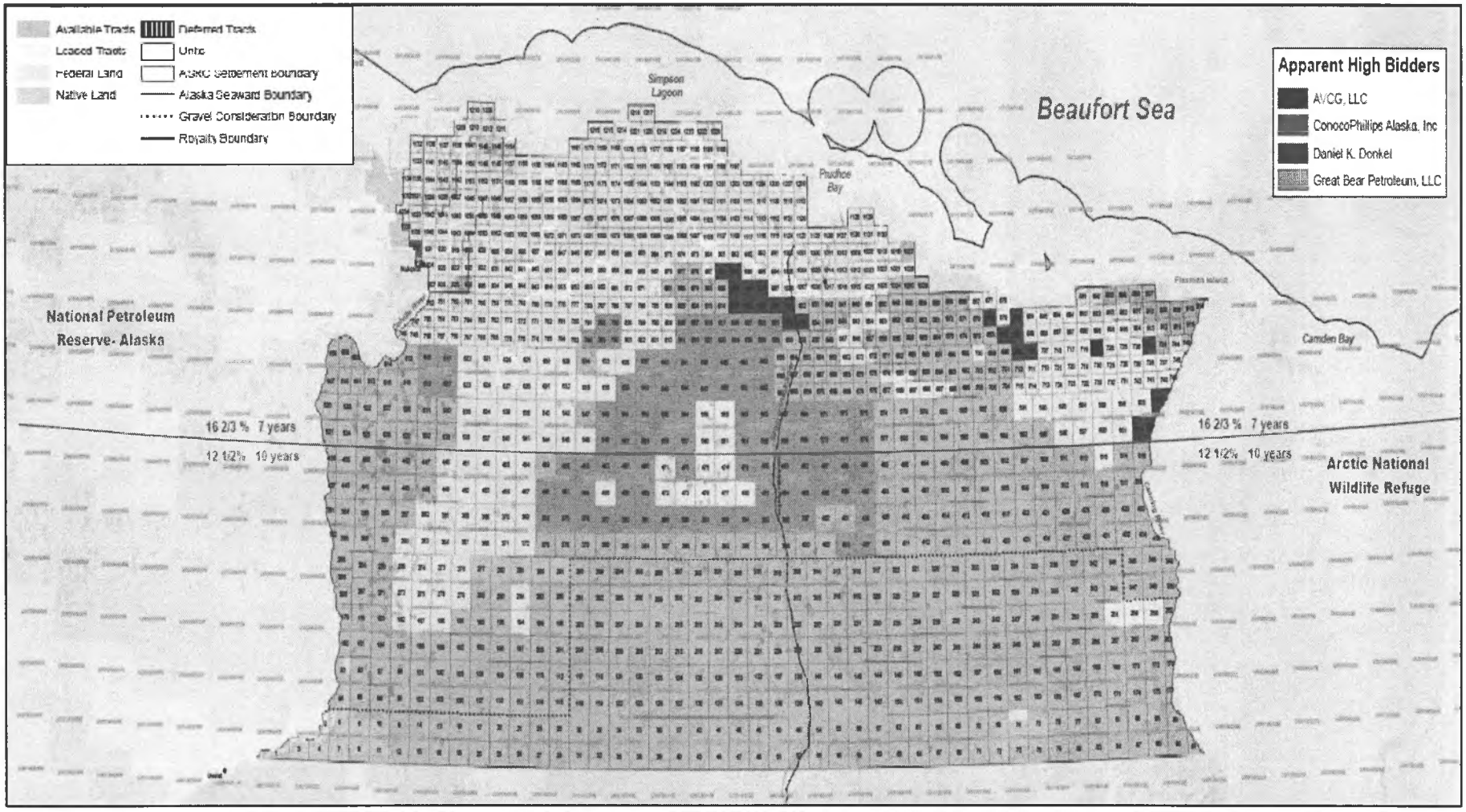
VP – Business Development & Investor Relations

- Former head of Energy Research Asia Pacific at Merrill Lynch
- Excellent contacts at senior levels with governments and corporates across Asia-Pacific, the Sub-Continent & the Middle East
- Formerly an Explorationist with Woodside Petroleum which discovered the vast resources of the North West Shelf

Great Bear Petroleum LLC

Introducing Great Bear Petroleum

High Bidder on 537,500 Acres in the 2010 North Slope Areawide Lease Sale



Source: State of Alaska, Department of Natural Resources, Division of Oil and Gas

(1) Royalty reducible to 6.25% if the lessee under a gas-only lease demonstrates that the potential resources underlying the lease are reasonably estimated to be nonconventional gas

Great Bear Petroleum LLC

North Alaskan Technical Case

Great Bear Petroleum LLC

North Alaska Technical Case

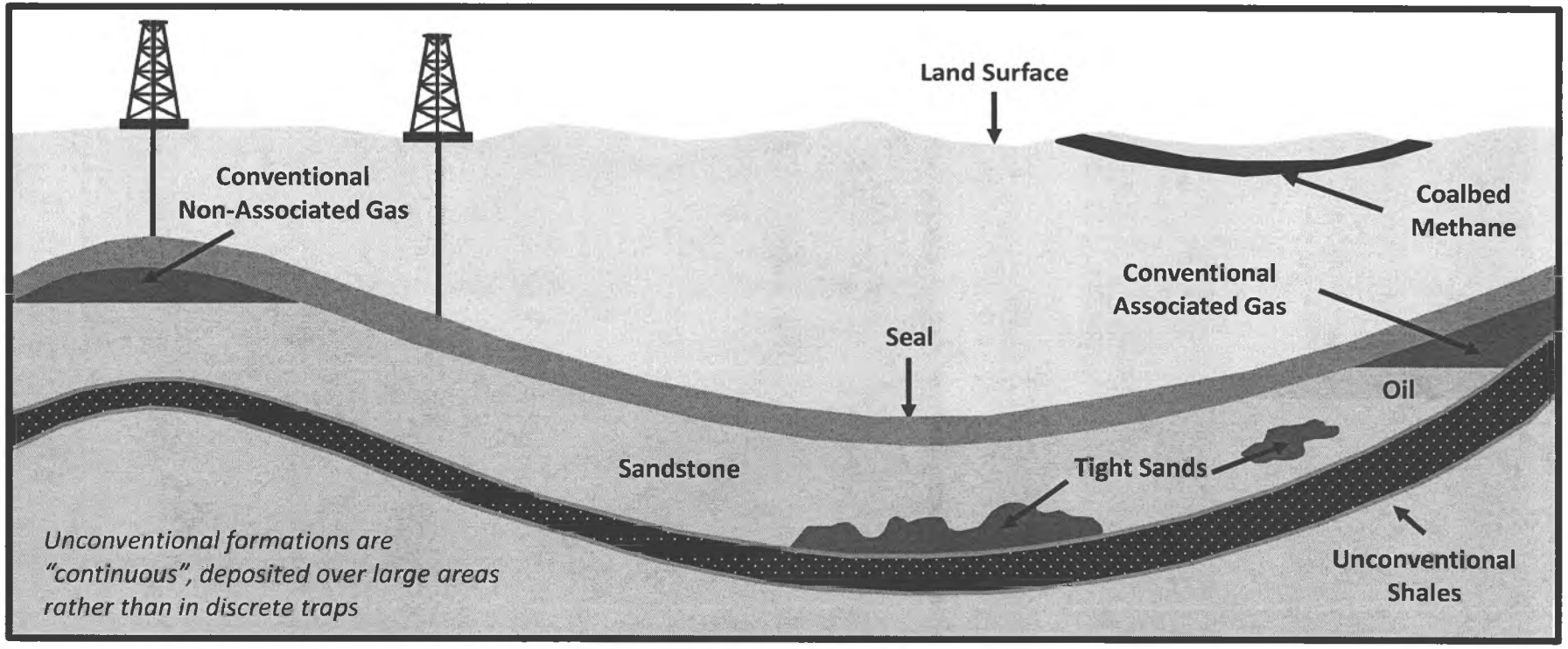
Unconventional Reservoirs Explained

CONVENTIONAL RESERVOIRS

"These are reservoirs that are capable of natural flow and will produce economic volumes of oil and gas without special recovery techniques."

UNCONVENTIONAL RESERVOIRS

"These are reservoirs that cannot be produced at economic flow rates or that do not produce economic volumes of oil and gas without assistance from stimulation treatments or special recovery processes and technologies."



Source: Aurora Oil & Gas

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North Alaskan Technical Case

Discovery Timeline of Key Shale Plays

1981 — Barnett

1st Well Drilled
C.W. Slay No. 1
(Vertical)

Operator
Mitchell Energy

1991 — Barnett

1st Well Drilled
T.P. Sims B No. 1
(Horizontal)

Operator
Mitchell Energy

2004 — Fayetteville

1st Well Drilled
Vaughan #4-22H
IP: 582 MCFPD

Operator
Southwestern Energy

2004 — Marcellus

1st Well Drilled
Calvin Hepler
IP: 141 MCFPD

Operator
Range Resources

2005 — Woodford

1st Well Drilled
by
Devon Energy

2008 — Haynesville

1st Well Drilled
BRAY 27-15-16 H
IP: 372 MCFPD

Operator
Chesapeake Energy

2008 — Eagle Ford

Hawkville Field
IP: 7.6 MMCFPD
250 BOPD

Operator
Petrohawk Energy

2011 — Hue/Shublik/Kingak

1st Well Drilled
Est. 1Q 2012

Operator
Great Bear Petroleum

The obvious is not always apparent.

Source: Company websites, Railroad Commission of Texas, Louisiana Department of Natural Resources, Arkansas Oil & Gas Commission

Great Bear Petroleum LLC

North Alaskan Technical Case

This is More Than a Theory

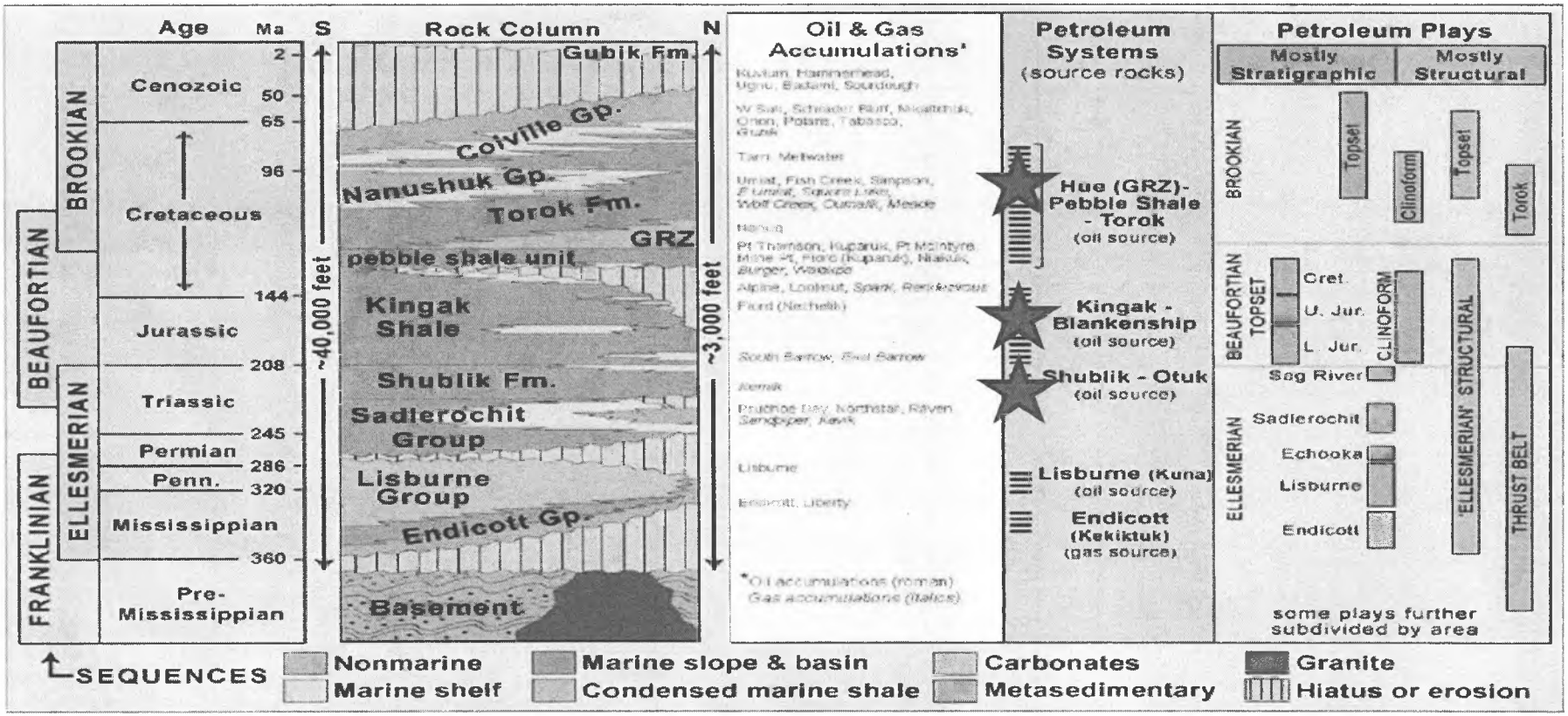
- Conventional exploration has provided a large technical database in support of our thesis.
- Approx. 150 exploration wells have been drilled through the targeted source rocks in North Alaska.
- Cores, sidewall cores, cuttings and outcrop of the target formations have already been evaluated.
- Great Bear has incorporated extensive technical data into its geological model.
- Great Bear has a deep understanding of the shales – this is not speculation, but science.
- Estimates of oil generated from our targeted source rocks approaches 1 trillion barrels of oil equivalent.
- Approximately 100 billion BOE in place has already been discovered just north of our acreage.
- Basin modeling from multiple sources suggests less than 20% of generated product migrates to trap. The balance remains in the source rock. THIS IS OUR TARGET!
- Great Bear's geoscience team will apply proven technologies already utilized in other North American shale plays to unlock the potential of its leases.

Great Bear has been able to access a wealth of existing data that supports our thesis.

Great Bear Petroleum LLC

North Alaskan Technical Case

3 Prolific Source Intervals



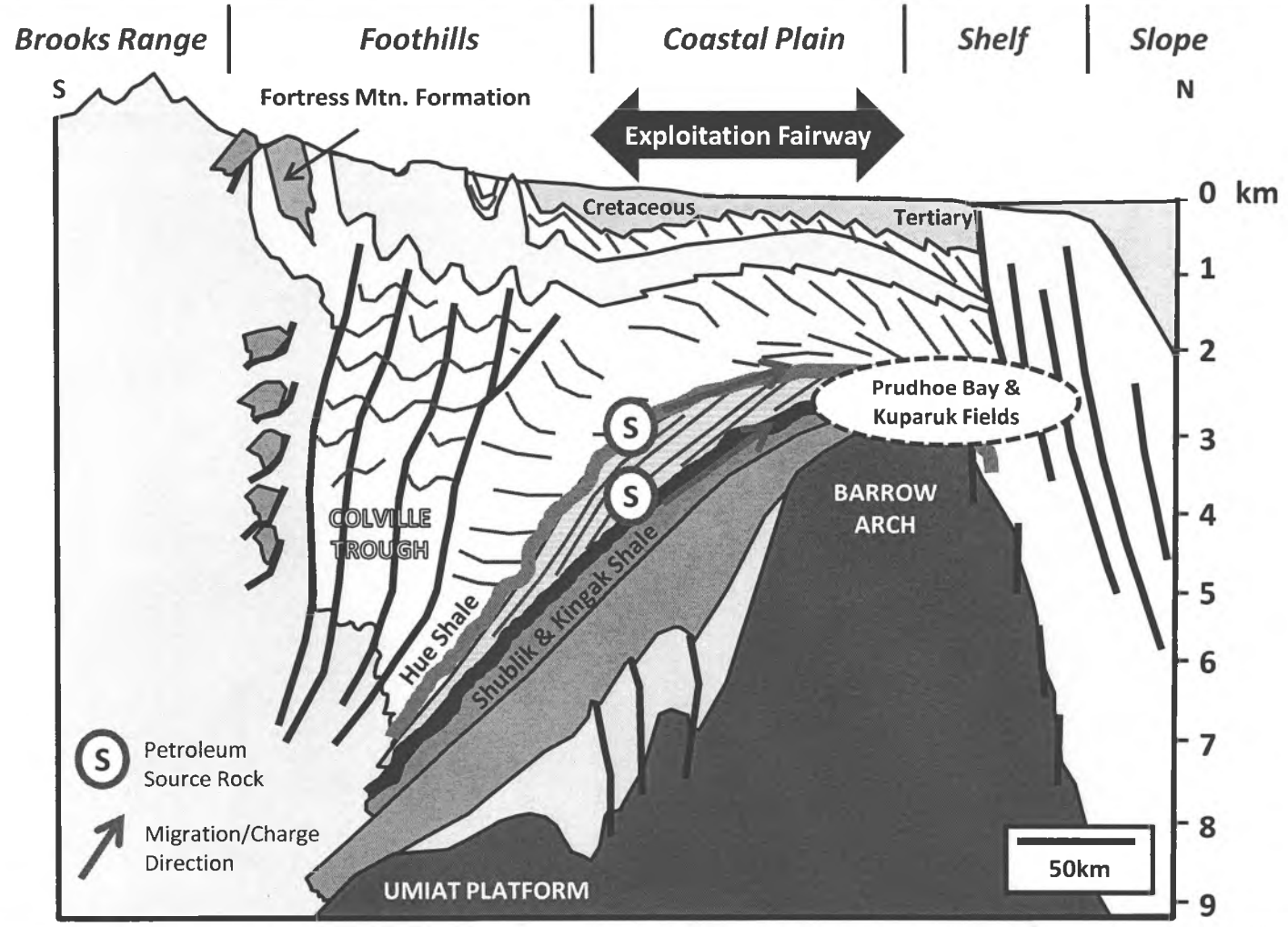
Individually, these source rocks have the potential to deliver a successful unconventional resource play. Collectively, these source rocks through extraordinary quality, common regional distribution, shared burial history and their stacked nature create the opportunity for an unsurpassed resource play volumetric outcome.

Great Bear Petroleum LLC

North Alaskan Technical Case

North Slope - Structural Cross Section

- Petroleum system of North Alaska has:
  - 3 world class source rocks
  - 3 resource play targets
- All 3 source rocks are "co-located"
- All 3 source rocks are mature for oil & gas within Great Bear's focus fairway



Source: Modified From Bird & Bader (1987)

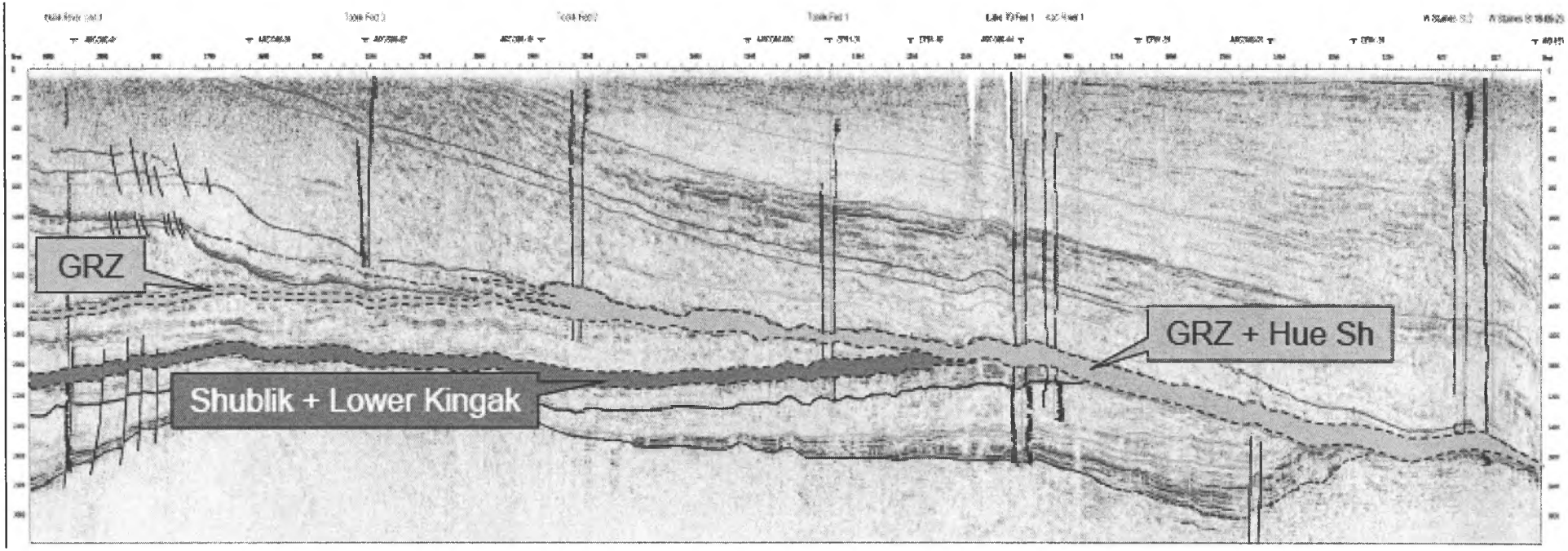
Great Bear Petroleum LLC

North Alaskan Technical Case

Central North Slope Seismic Transect

Public Seismic Line ARCO 80-07 & 80-06

West Total Length ~120km East



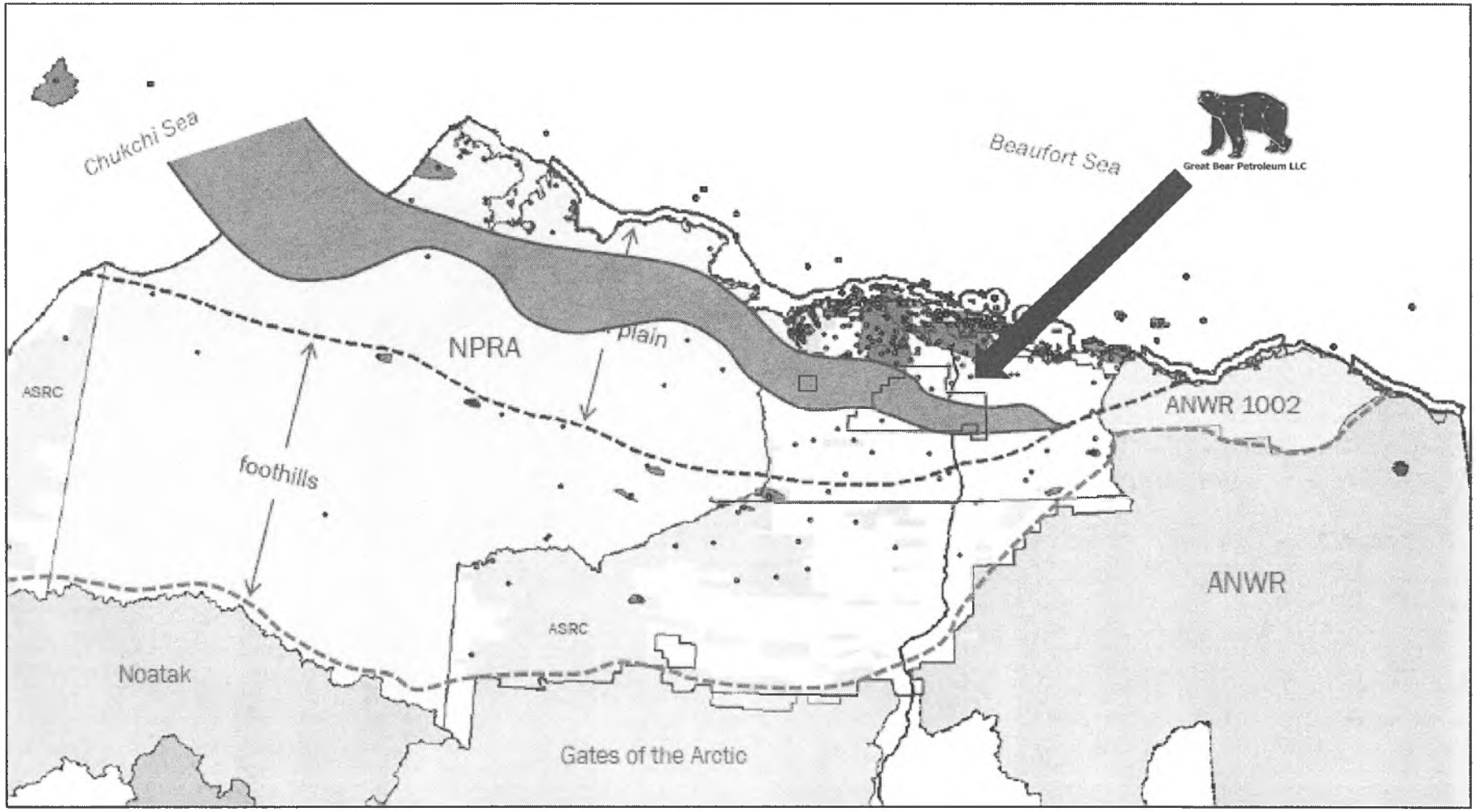
- Hue/HRZ @ ~8,000 – 13,000 ft depth
- Shublik + Lower Kingak @ ~10,000 ft depth

Source: Alaska Department of Natural Resources, Division of Oil and Gas

Great Bear Petroleum LLC

North Alaskan Technical Case

Thermal Maturity Zone: Shublik & Lower Kingak

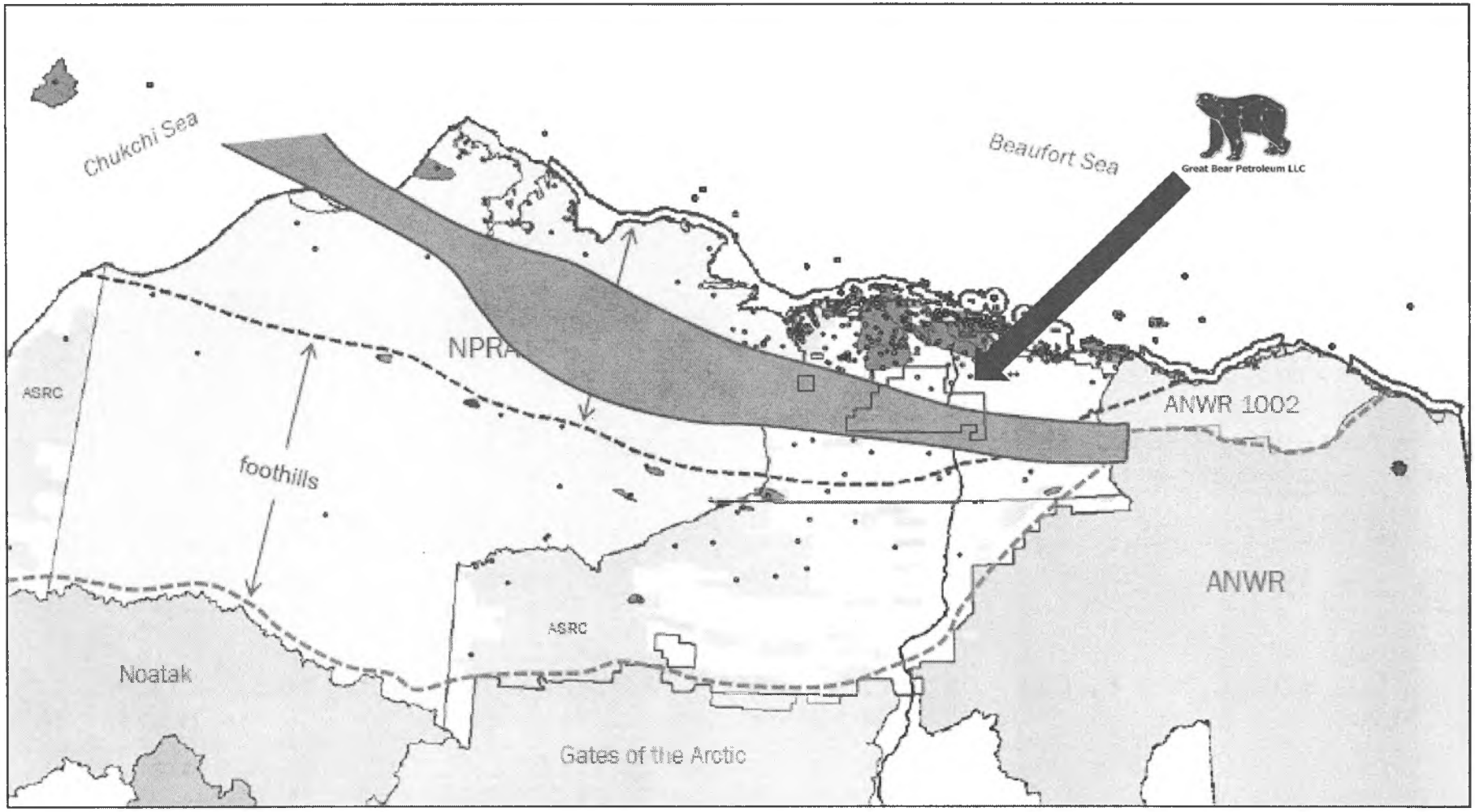


Source: Alaska Department of Natural Resources, Division of Oil and Gas

Great Bear Petroleum LLC

North Alaskan Technical Case

Thermal Maturity Zone: Hue/HRZ



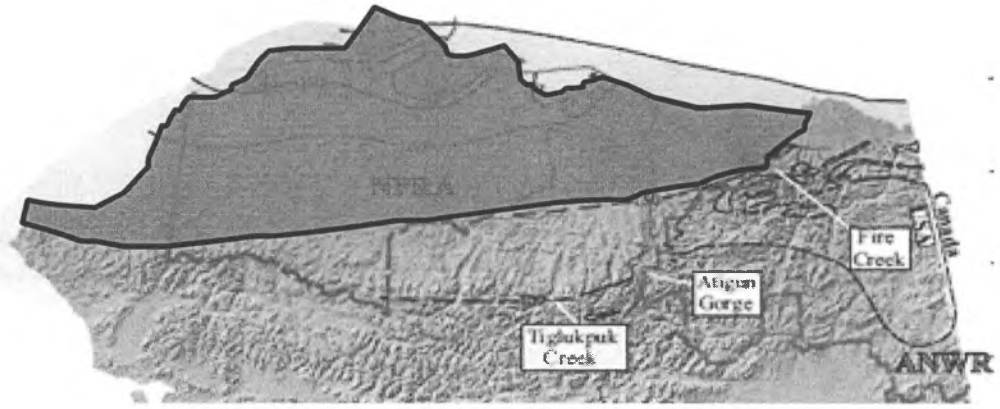
Source: Alaska Department of Natural Resources, Division of Oil and Gas

Great Bear Petroleum LLC

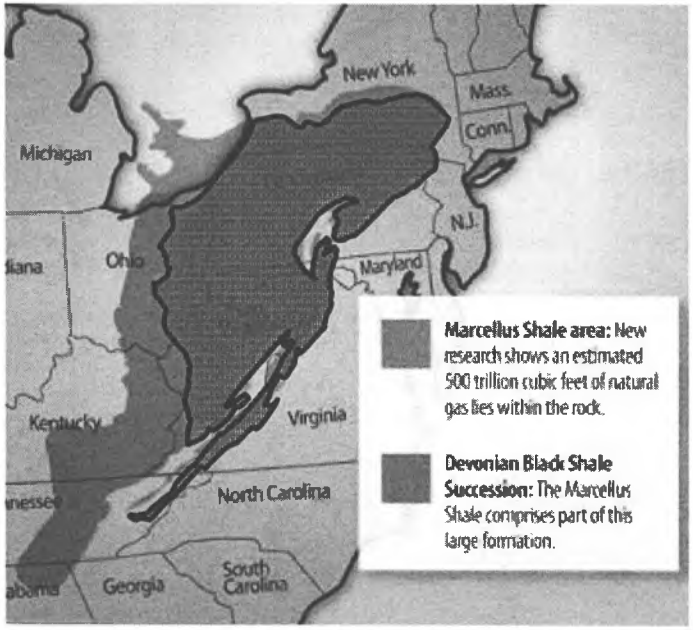
North Alaskan Technical Case

The Scale of the Opportunity Exceeds Comparable Shale Plays in the Lower 48

Shublik Play Fairway



Marcellus Play Fairway



Eagle Ford Play Fairway

The Shublik play fairway alone dramatically exceeds the Marcellus and Eagle Ford shales both in scale and extent.

Note: All fairway maps are approximately the same scale

Great Bear Petroleum LLC

North Alaskan Technical Case

Comparison: Targeted Alaskan Shales are Superior to the Eagle Ford

The Eagle Ford shale represents the best analogue to Great Bear's North Alaskan opportunity. Great Bear has not one shale opportunity, but three; all of which are superior to the Eagle Ford.

Key Technical Comps	Shublik	Kingak	Hue	Eagle Ford
Location	North Alaska	North Alaska	North Alaska	South Texas
TOC Average	4.0	5.0	4.5	3.5
Vitrinite Reflectance	.5 - 2+	.5 - 2+	.5 - 2+	< .5 - 2+
Porosity	< 10%*	< 10%*	< 10%*	< 9%
Thickness Range/Average (meters)	20 - 150/70	30 - 50/40	50 - 100/100	5 - 75/30
Depth (meters)	2,500-3,000	2,500-3,000	2,000-2,500	3,000-4,500

Notes:
** Calculated from average Rho log measurements*
TOC: Total Organic Content (%)
Vitrinite Reflectance (R_o) is a measure of thermal maturity

At the moment the Eagle Ford is the "hottest unconventional oil shale play in the world". We believe that is about to change.

Source: Data from Peters, 2006; Masterson, 2001; Jarvie, 2005; EOG 2010

Great Bear Petroleum LLC

Our Vision

Great Bear Petroleum LLC

Our Vision

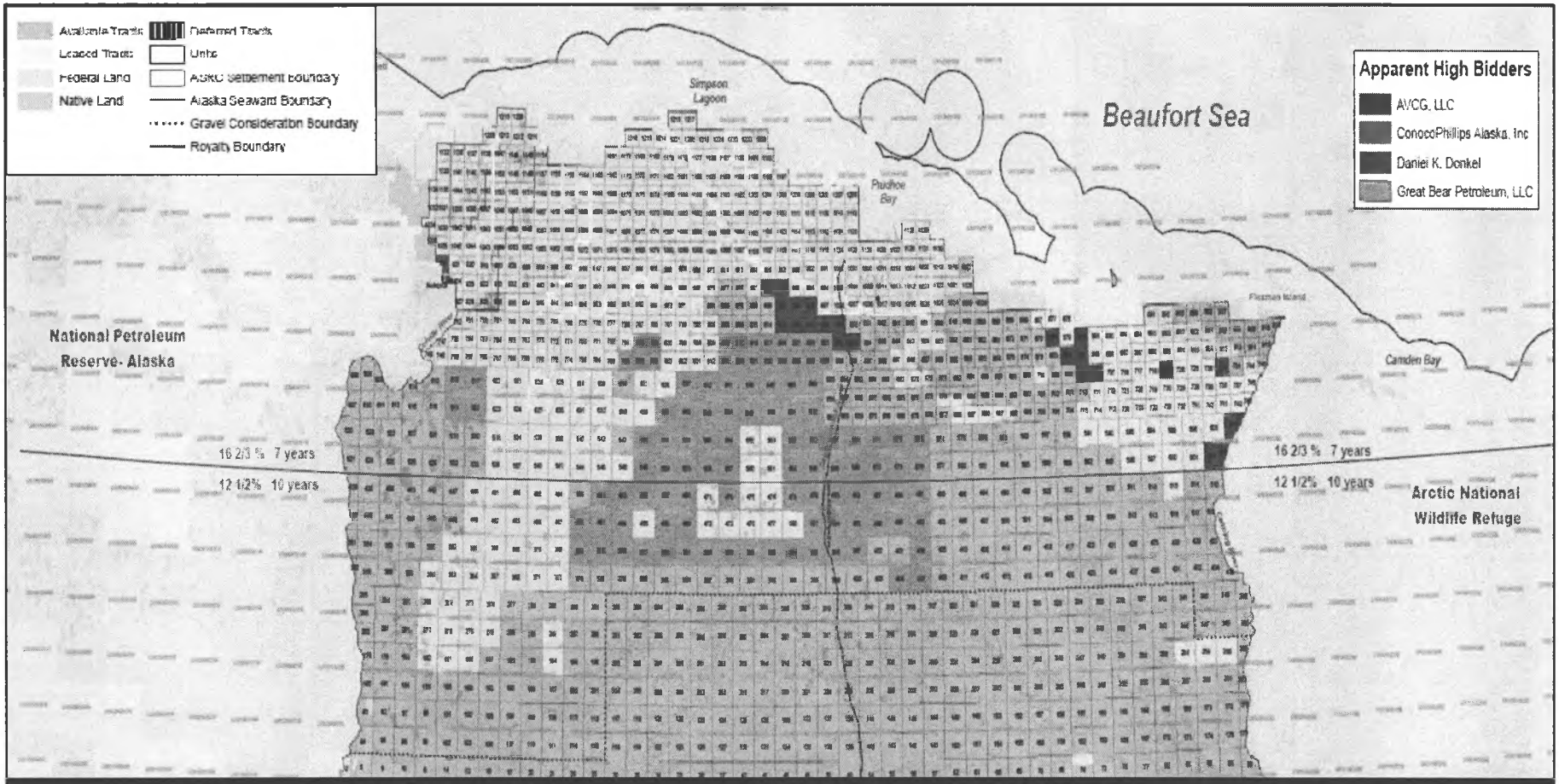
To Be the Leading Unconventional Oil & Gas Producer in Alaska

- Great Bear is leading the industry toward **development of unconventional oil and gas** resources from known, prolific source rocks on the North Slope.
- Development of this resource can secure the energy and economic future of Alaska for the next 50+ years by reversing the State's oil production decline.
- Great Bear is targeting an aggressive program employing proven drilling and completion technologies developed in the Lower 48. Phase One would support **200 wells per year for 15 years** starting 2013.
- Successful development will deliver near-term oil production into TAPS, with forecast **minimum steady state oil production of approximately 150,000 barrels of oil per day** with a significantly higher peak production rate.
- Longer term North Slope gas development strategy, which may include LNG exportation.
- We are singularly focused on Alaska business development.
- We are committed to operating in a safe, environmentally responsible manner and desire to be recognized as a great corporate citizen by the State and the communities where we do business.

Great Bear Petroleum LLC

Our Vision

Great Bear Has Targeted the Heart of the Resource Play

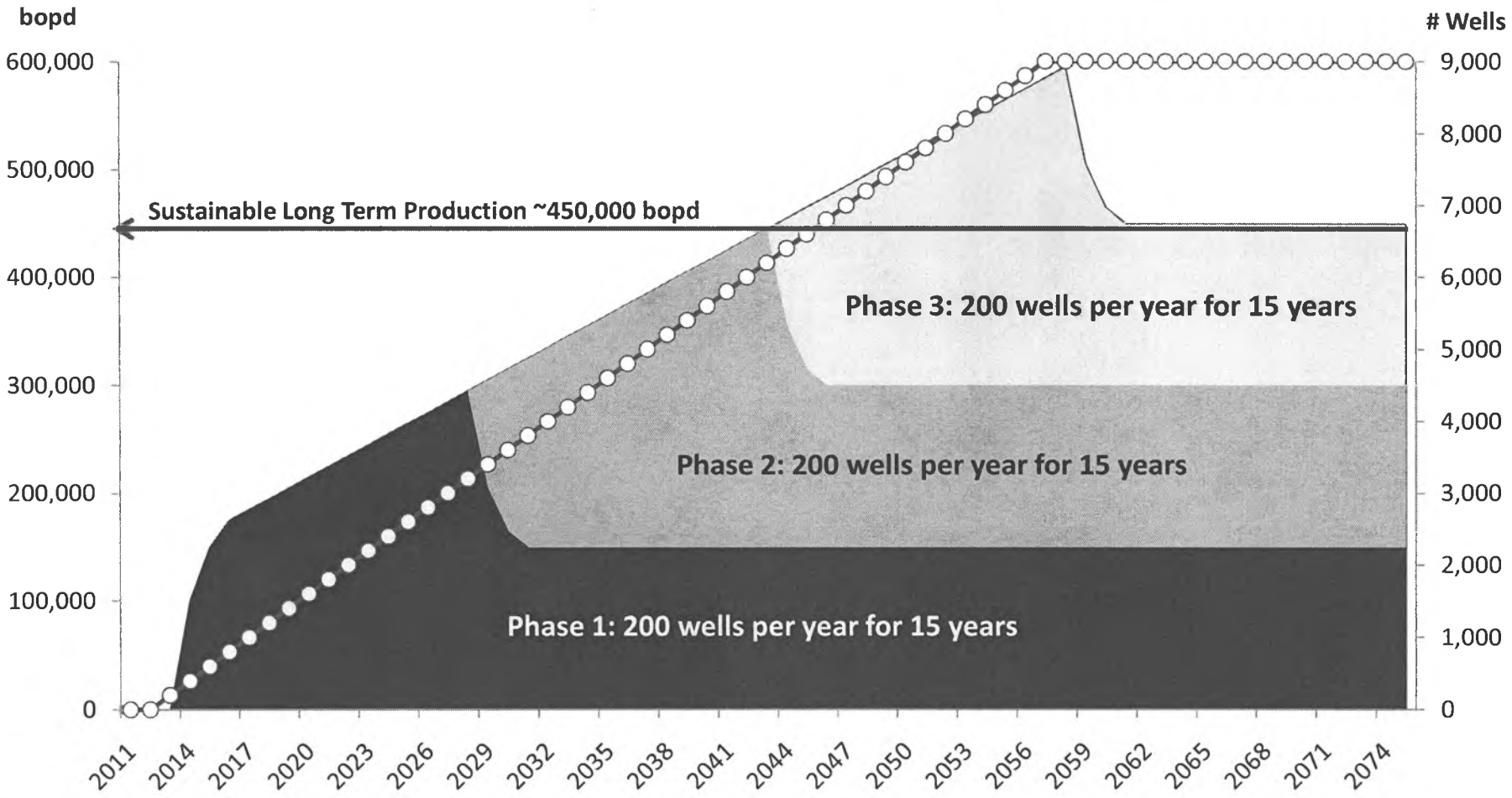


Great Bear is targeting unconventional oil and gas from the source rocks beneath the North Slope providing a long term strategy for Alaska.

Great Bear Petroleum LLC

Our Vision

Potential Oil Production Profile



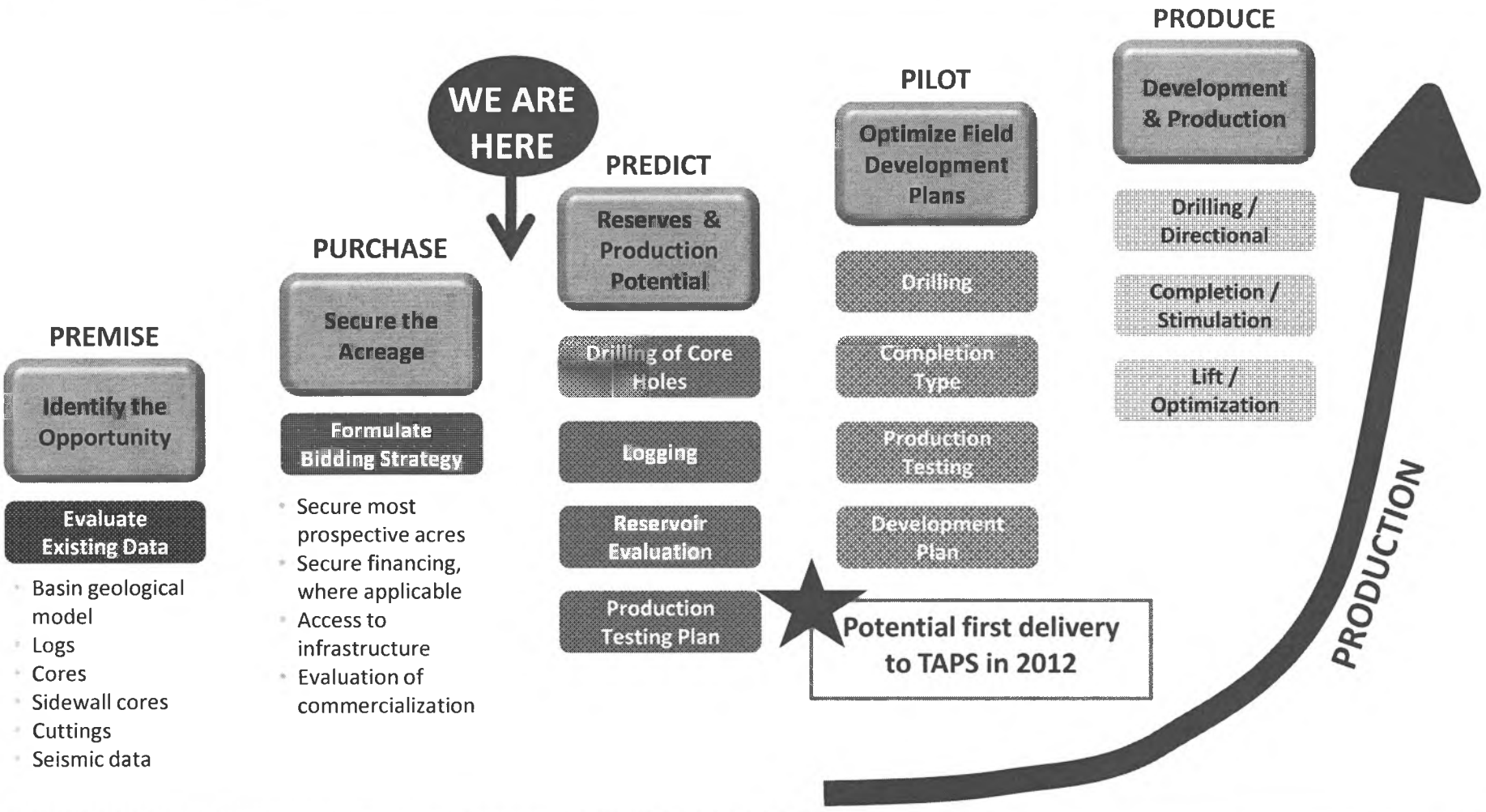
Assumptions:

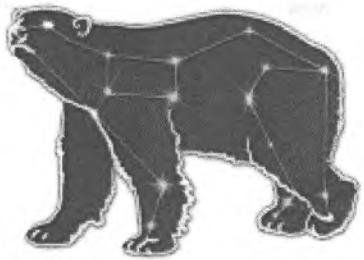
Each Drilling Phase: 200 wells per year over 15 years, commencing 2013. EUR per well 700,000 bbls.
Wells average 500 bopd for year 1, 250 bopd year 2, 125 bopd year 3 then held steady at 50 bopd.
Year round "roads to resources" access for operations.

Great Bear Petroleum LLC

Our Vision

Project Development Timeline





Great Bear Petroleum LLC

The Challenges Ahead

Great Bear Petroleum LLC

The Challenges Ahead

We Believe Alaska's Future Lies With Unconventional Hydrocarbon Sources

- The easy conventional oil has already been found.
- Remaining large volume potential is in **unconventional plays**, e.g. heavy oil, shale oil & gas, CBM.
- Costs will continue to rise on per barrel basis and economic returns will decline due to
  - Field sizes getting smaller
  - Challenging operating environment
  - Exploration for new play types becoming riskier
  - Identified plays such as "shallow heavy oil" and "oil and gas shale" are expensive
- **The ability to deliver unconventional resources to market rests primarily on commercial risk rather than technical risk factors.**
- Discovery and development of Alaska's remaining potential would be significantly enhanced by improvements in Alaska's fiscal terms.

Great Bear Petroleum LLC

The Challenges Ahead

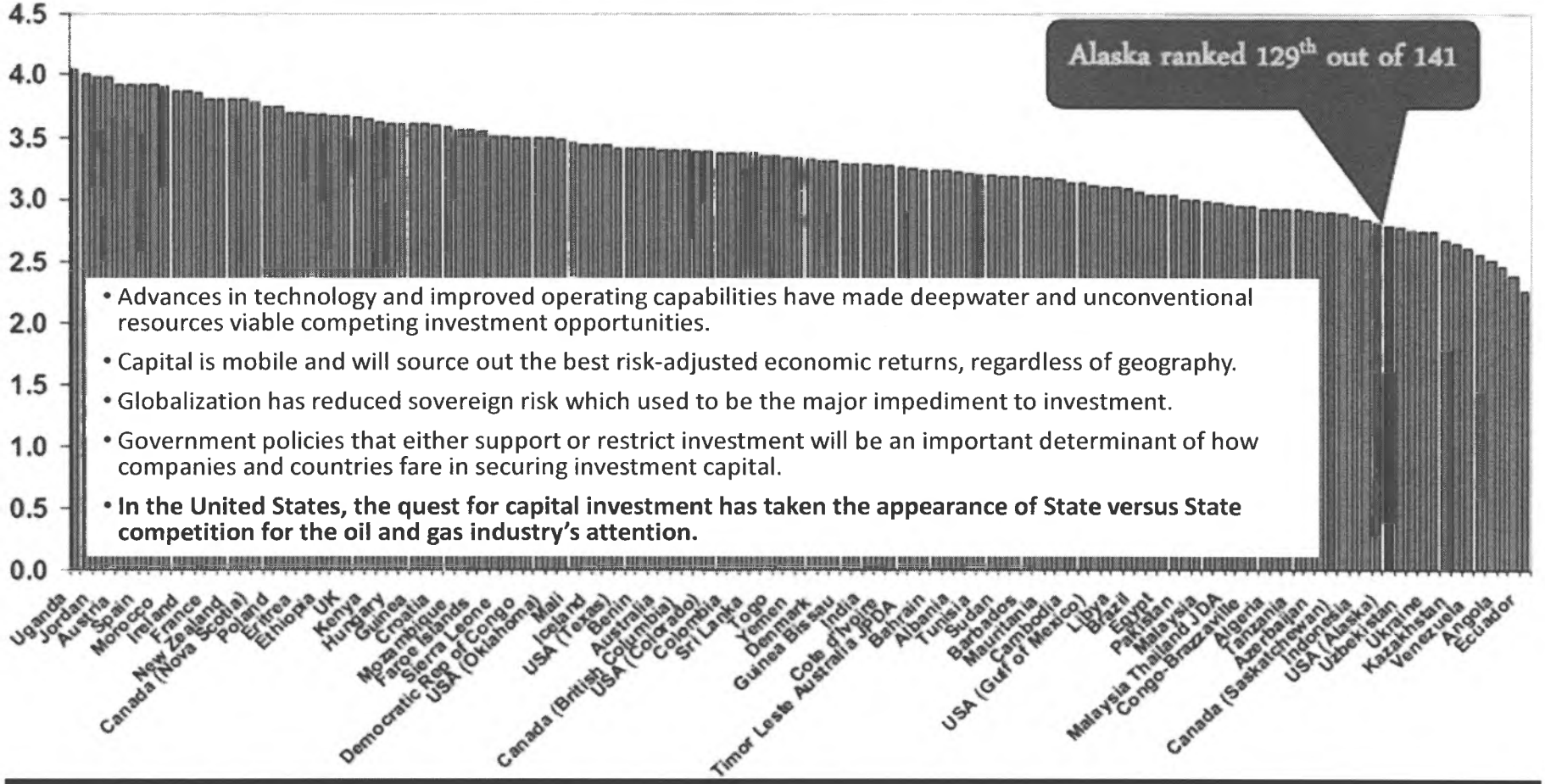
Ability to Execute – Operational Considerations

- Access challenges may impede full scale development – "roads to resources" enabling 365 day a year operations.
- Access to infrastructure, pipelines, water disposal facilities.
- Must have strong industry contractors and equipment dedicated to the North Slope.
- Lease strategy targeted acreage around Trans-Alaska Pipeline for early liquids production – can we access TAPS at reasonable tariff rates?

Great Bear Petroleum LLC

The Challenges Ahead

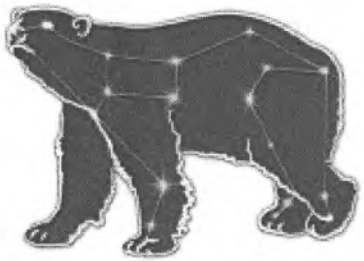
Ability to Execute – Commercial Considerations



- Advances in technology and improved operating capabilities have made deepwater and unconventional resources viable competing investment opportunities.
- Capital is mobile and will source out the best risk-adjusted economic returns, regardless of geography.
- Globalization has reduced sovereign risk which used to be the major impediment to investment.
- Government policies that either support or restrict investment will be an important determinant of how companies and countries fare in securing investment capital.
- **In the United States, the quest for capital investment has taken the appearance of State versus State competition for the oil and gas industry's attention.**

Alaska is competing both domestically and internationally for investment capital.

Source: Wood Mackenzie



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The Potential of Unconventional

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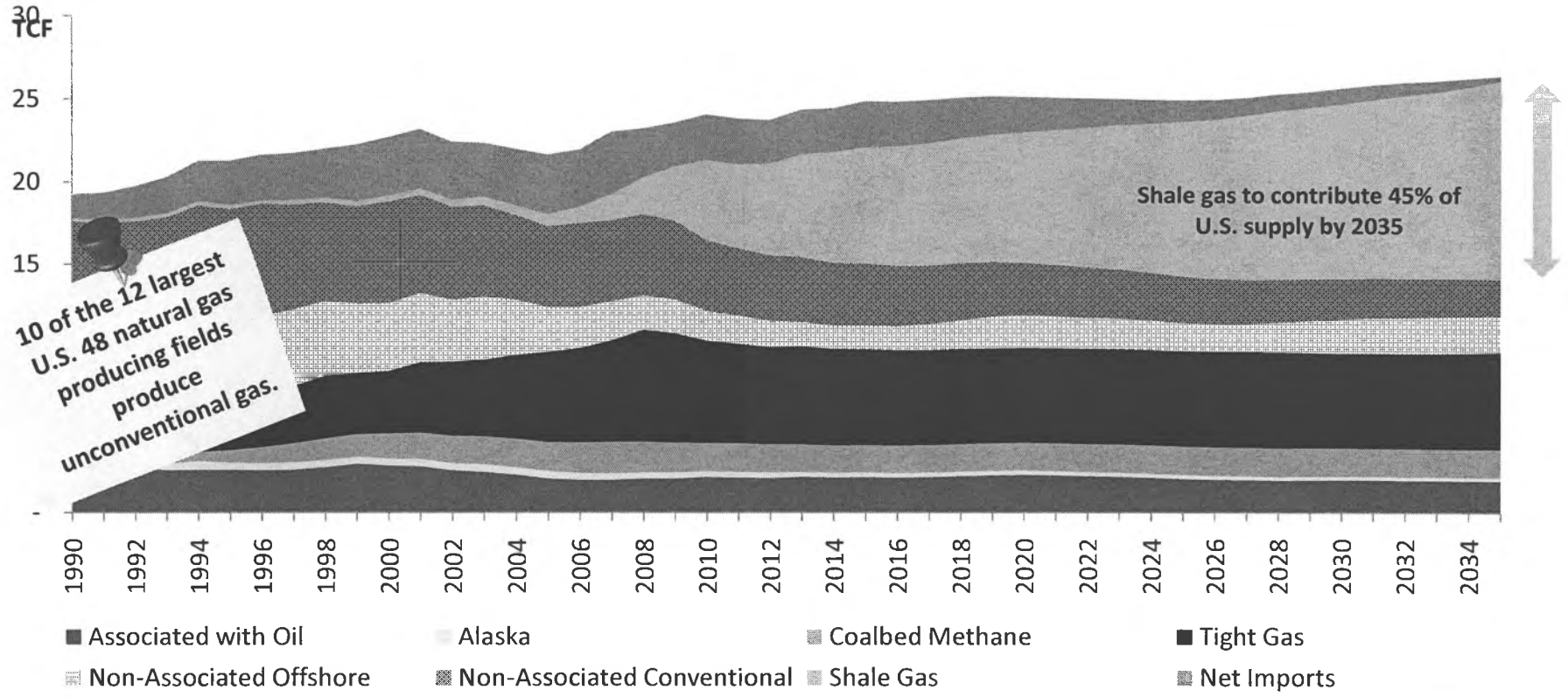
The Potential of Unconventional

Replicating the Success of Shale Gas With Oil?

Historical & Forecast U.S. Natural Gas Production



Shale gas is driving U.S. supply growth.

Source: U.S. Energy Information Administration

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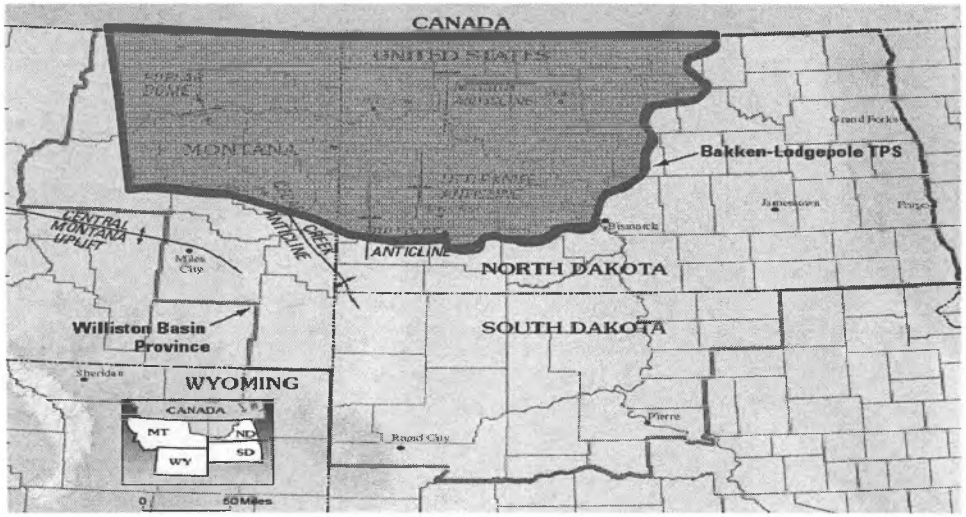
CASE STUDY: Bakken Shale

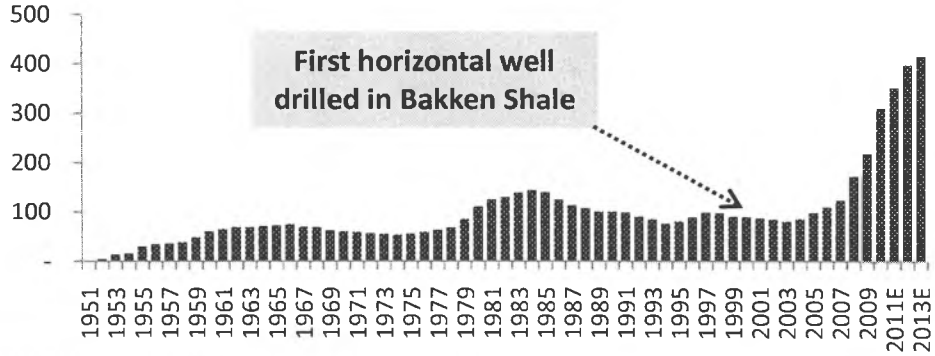
Huge Positive Impact on North Dakota Economy

- Largest "continuous" oil accumulation ever assessed by USGS with estimated mean recoverable oil reserves: 3.7 bn bbls
- Potential huge upside in a second oil-rich shale reserve (Three Forks) that lies below Bakken Shale
- North Dakota has since surpassed Louisiana as 4th largest oil producing state in U.S.
- A recent North Dakota University study identified substantial positive impact from oil & gas development
  - Nearly 13,000 new jobs created between 2005-2009
  - Direct economic impact grew from US$1.3bn in 2005 to US$4.9bn in 2009
  - No. of active wells rose from 3,391 in 2005 to 4,190 in 2009.
  - Each new well has an estimated US$3mn annual impact and creates 47 new jobs
- Lowest unemployment rate in the nation (3.6%)
- Forecast budget surplus of US$1bn in June 2011
- State estimated to collect over US$2bn in oil taxes during the next budget period (Jul 2011-Jun 2013)

Location Map of Bakken Shale



North Dakota – Historical Oil Production (KBOPD)



Note: Reserves estimates are applicable to the Bakken Formation located in the Williston Basin Province, Montana and North Dakota
Source: North Dakota Industrial Commission, Department of Mineral Resources – Oil and Gas Division, North Dakota State Office of Management and Budget, North Dakota Department of Commerce, North Dakota State University, U.S. Geological Survey

Great Bear Petroleum LLC

CASE STUDY: Marcellus Shale

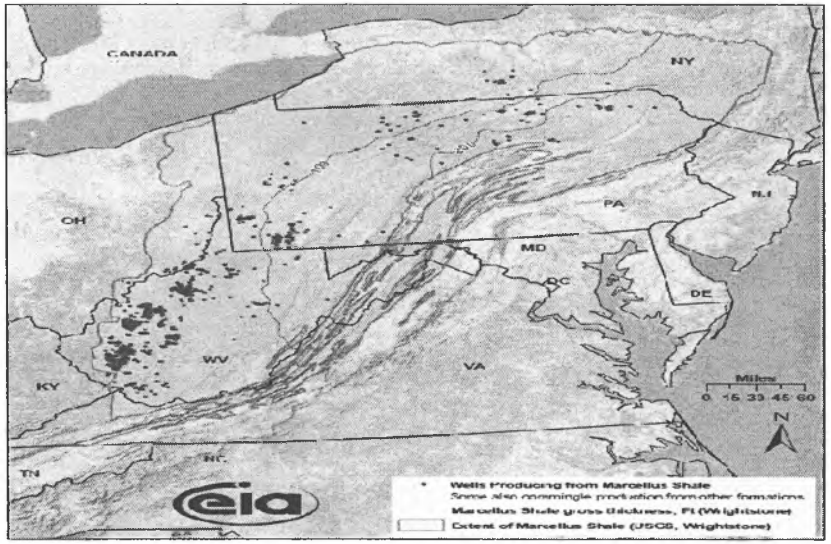
Huge Positive Impact on Pennsylvania and West Virginia Economies

- The Marcellus Shale lies under most of West Virginia, roughly 60% of Pennsylvania and well into the upper tier of New York State
- Largest identified unconventional natural gas accumulation in the world, with estimated recoverable reserves of around 489 TCF

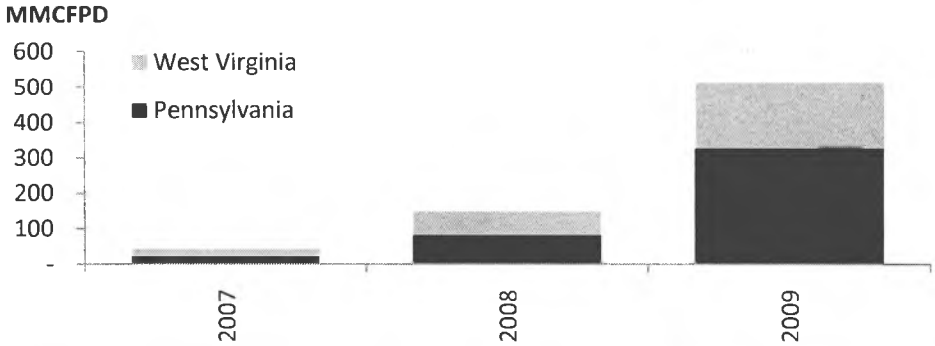
Impact of Marcellus Shale on Economy in 2009

	Pennsylvania	West Virginia
Economic Stimulus (US$bn)		
Direct	3.8	0.9
Indirect	1.6	0.2
Induced	1.8	0.2
TOTAL	**7.2**	**1.3**
Number of Jobs Created		
Direct	21,778	8,436
Indirect	8,732	2,052
Induced	13,587	2,762
TOTAL	**44,098**	**13,249**

Location Map of Marcellus Shale



Marcellus Gas Production – Pennsylvania & West Virginia



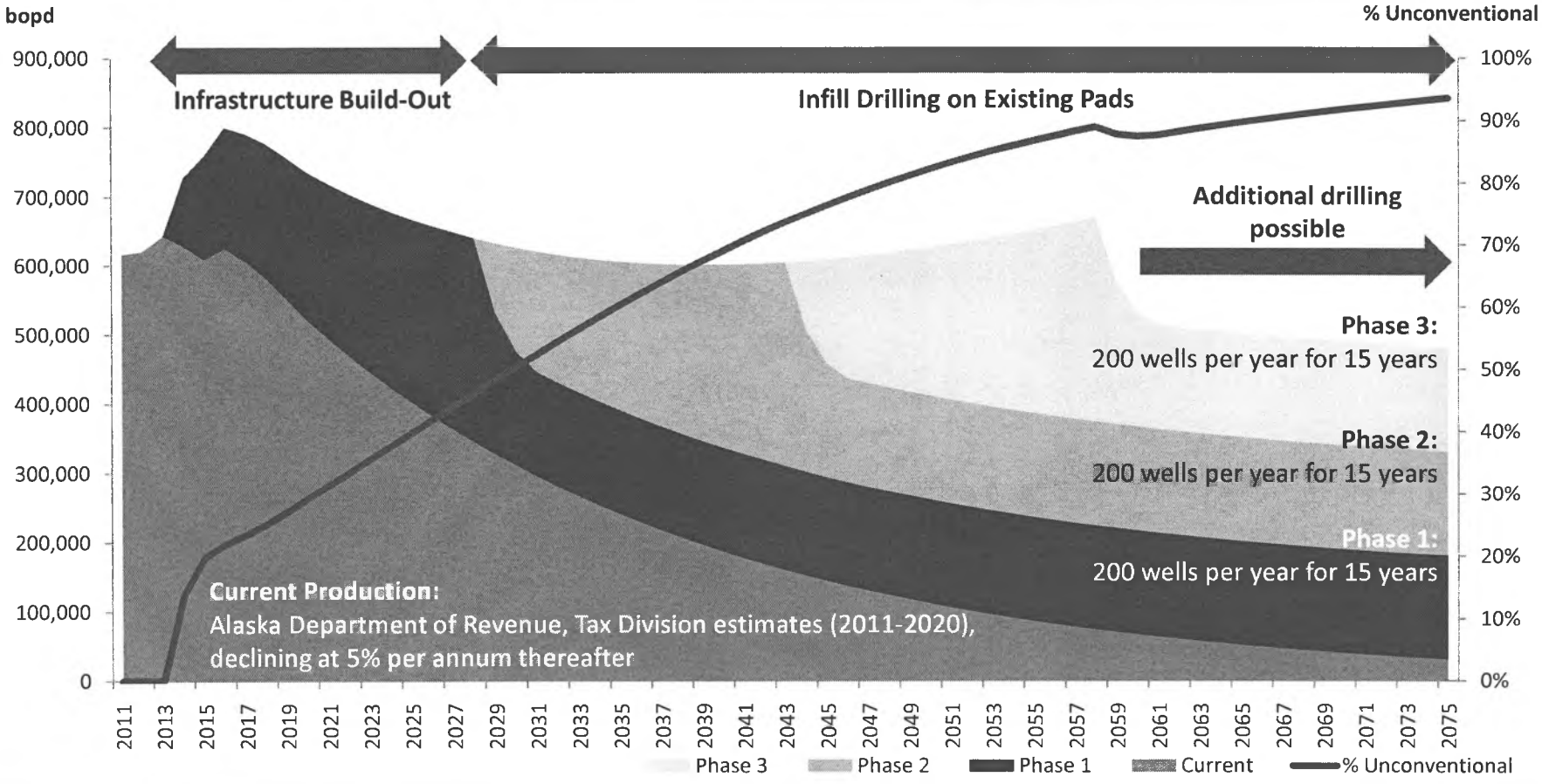
Source: Natural Resource Economics, Inc. Report ("The Economic Impacts of the Marcellus Shale"), U.S. Energy Information Administration

Great Bear Petroleum LLC

CASE STUDY: Alaskan Shales

Securing the Future of TAPS Without the Need for New Discoveries

Alaska's unconventional potential can address and indeed reverse current oil production decline.



Assumptions:

Each Drilling Phase: 200 wells per year over 15 years, commencing 2013. EUR per well 700,000 bbls.
Wells average 500 bopd for year 1, 250 bopd year 2, 125 bopd year 3 then held steady at 50 bopd.
Year round "roads to resources" access for operations.

4/08/11 ALASKA OIL & GAS CONSERVATION COMMISSION - OIL & GAS ACTIVITY ON THE NORTH SLOPE

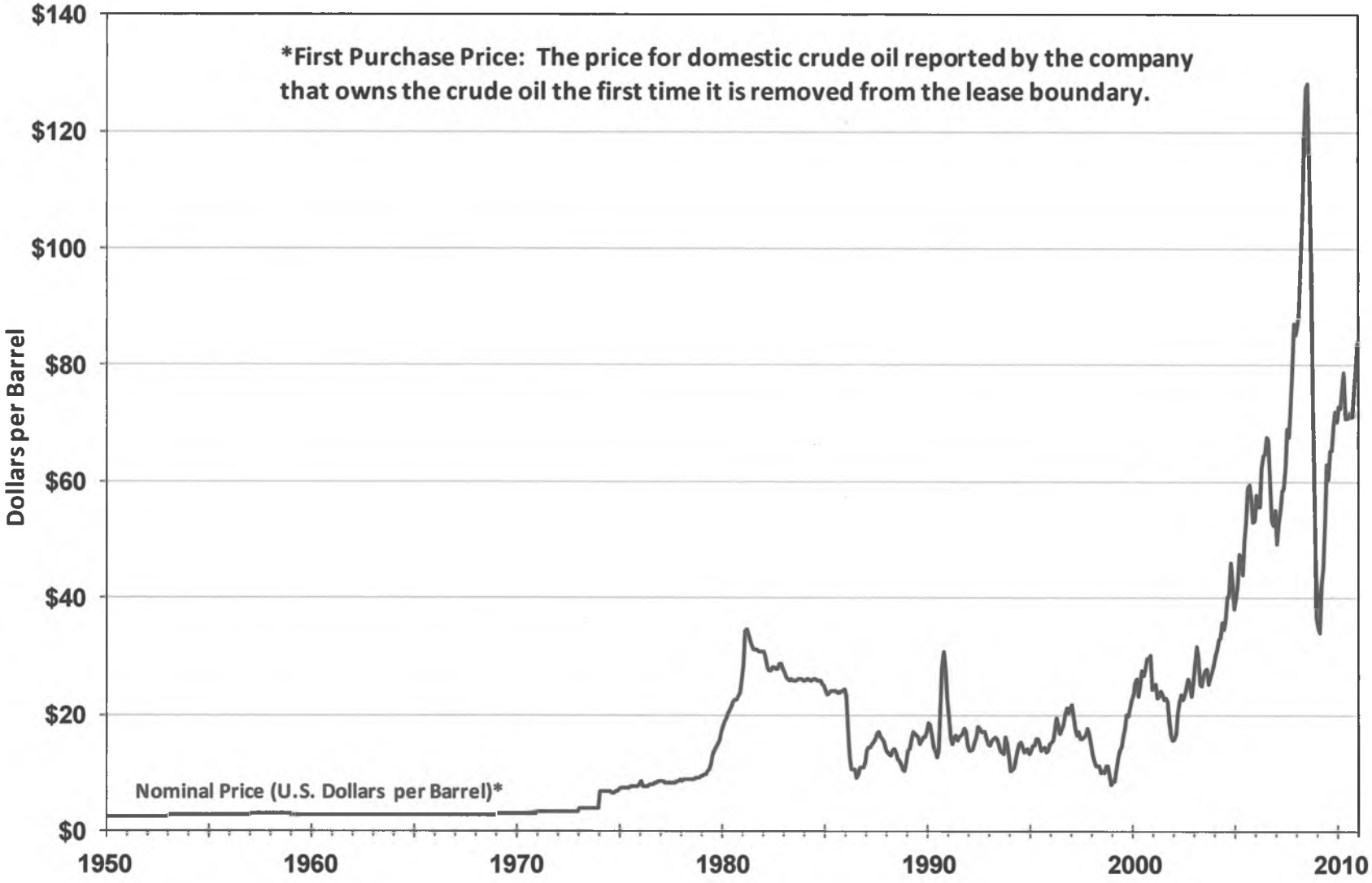
<TARGET><BILL></BILL><SUBJECT>4-08-11 ALASKA OIL and GAS CONSERVATION COMMISSION - OIL and GAS ACTIVITY ON THE NORTH SLOPE</SUBJECT><COMM>SRES27</COMM></TARGET>

Alaska Oil and Gas Conservation Commission (AOGCC)

333 W. 7th Ave., Ste. 100
Anchorage, AK 99501

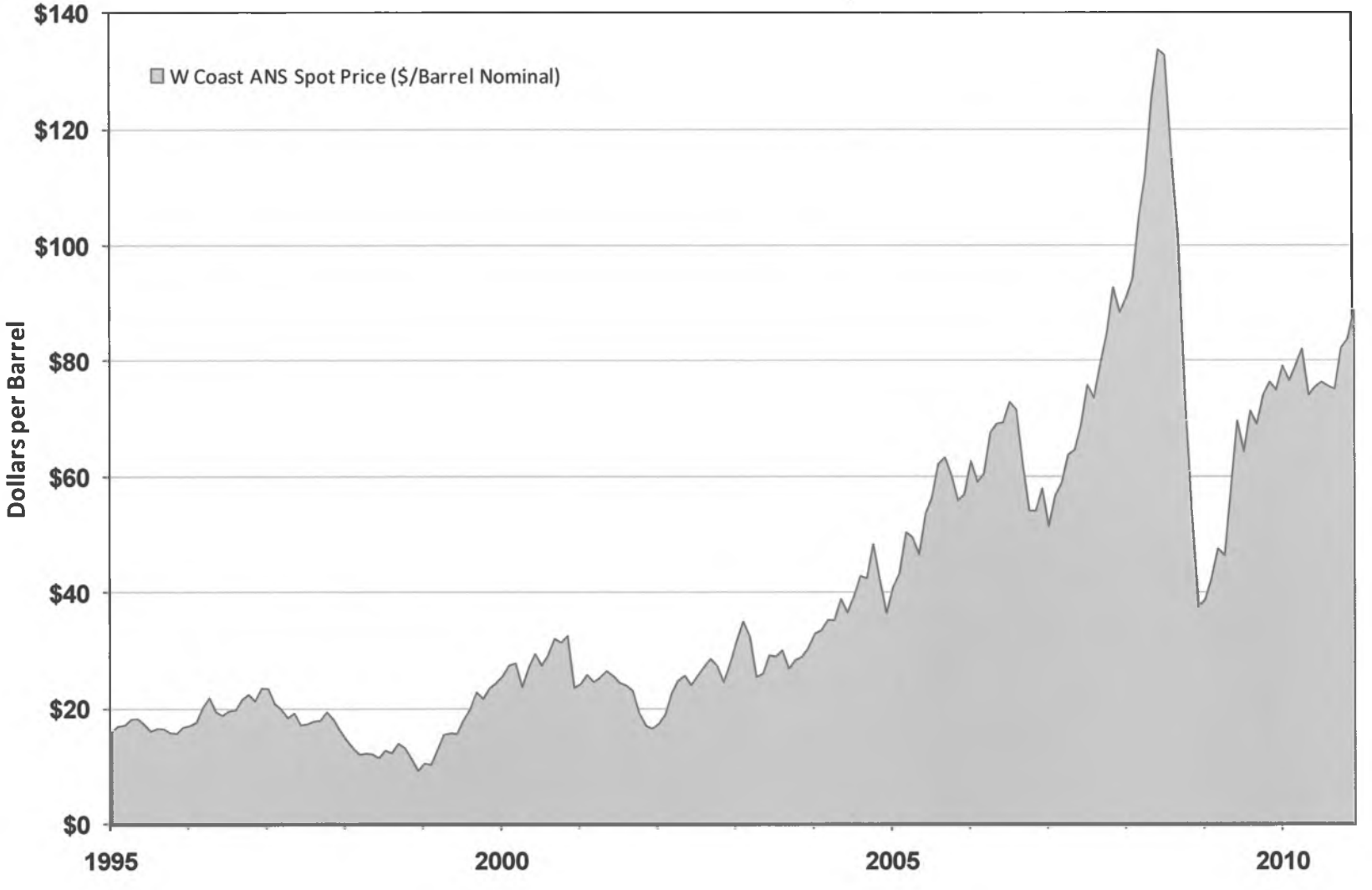
Oh, people can come up with statistics to prove anything, and 14 % of people know that.

U.S. Crude Oil, First Purchase Price - Nominal (1950 - 2010)



*Price Source: U.S. EIA, http://www.eia.doe.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=F005071__3&f=M

West Coast Spot for No Slope Crude



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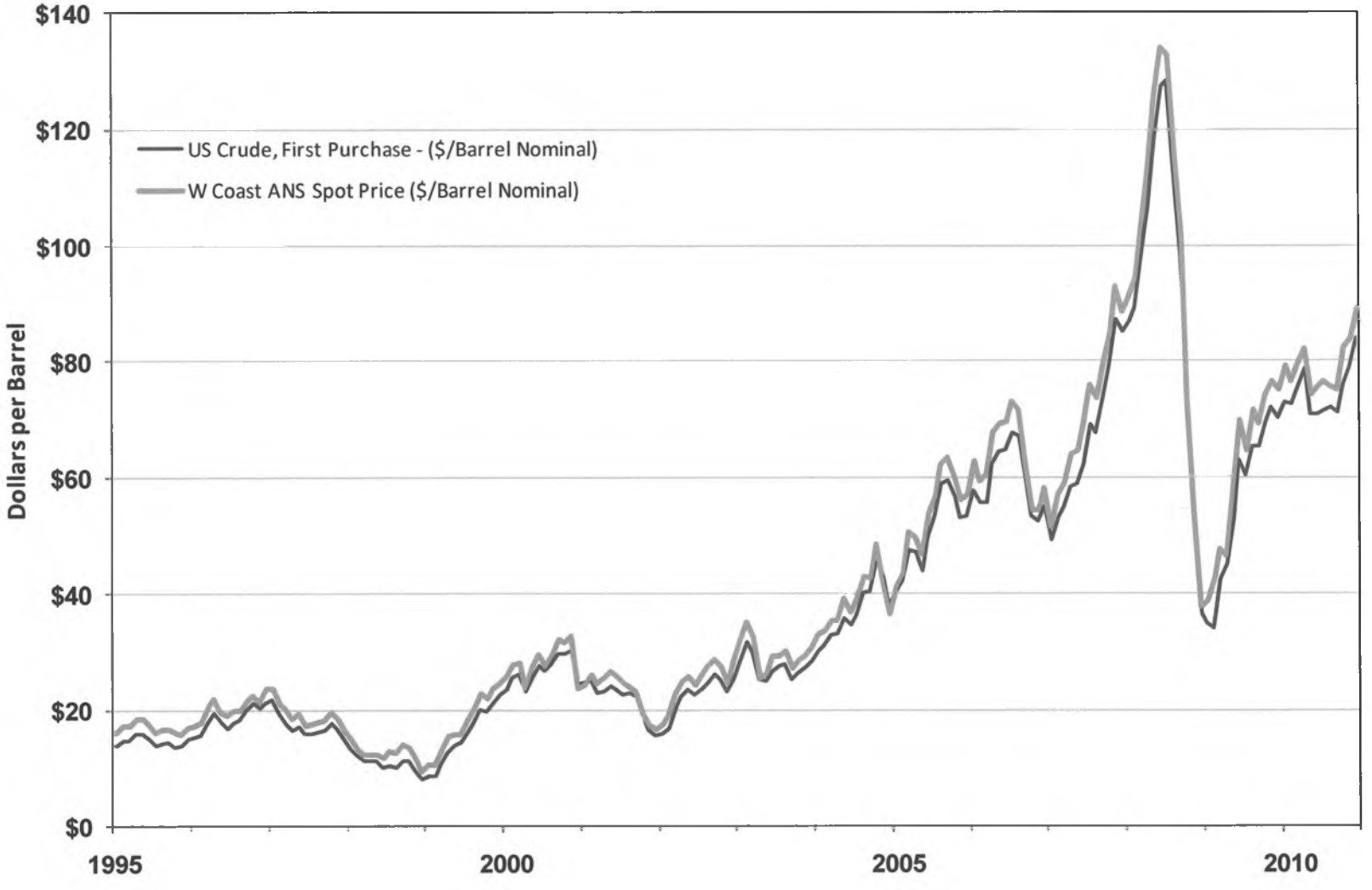
*Price Source: Alaska Department of Revenue, Tax Division at http://tax.alaska.gov/programs/oil/oilprices/ans.aspx

March 22, 2011

US price and No Slope



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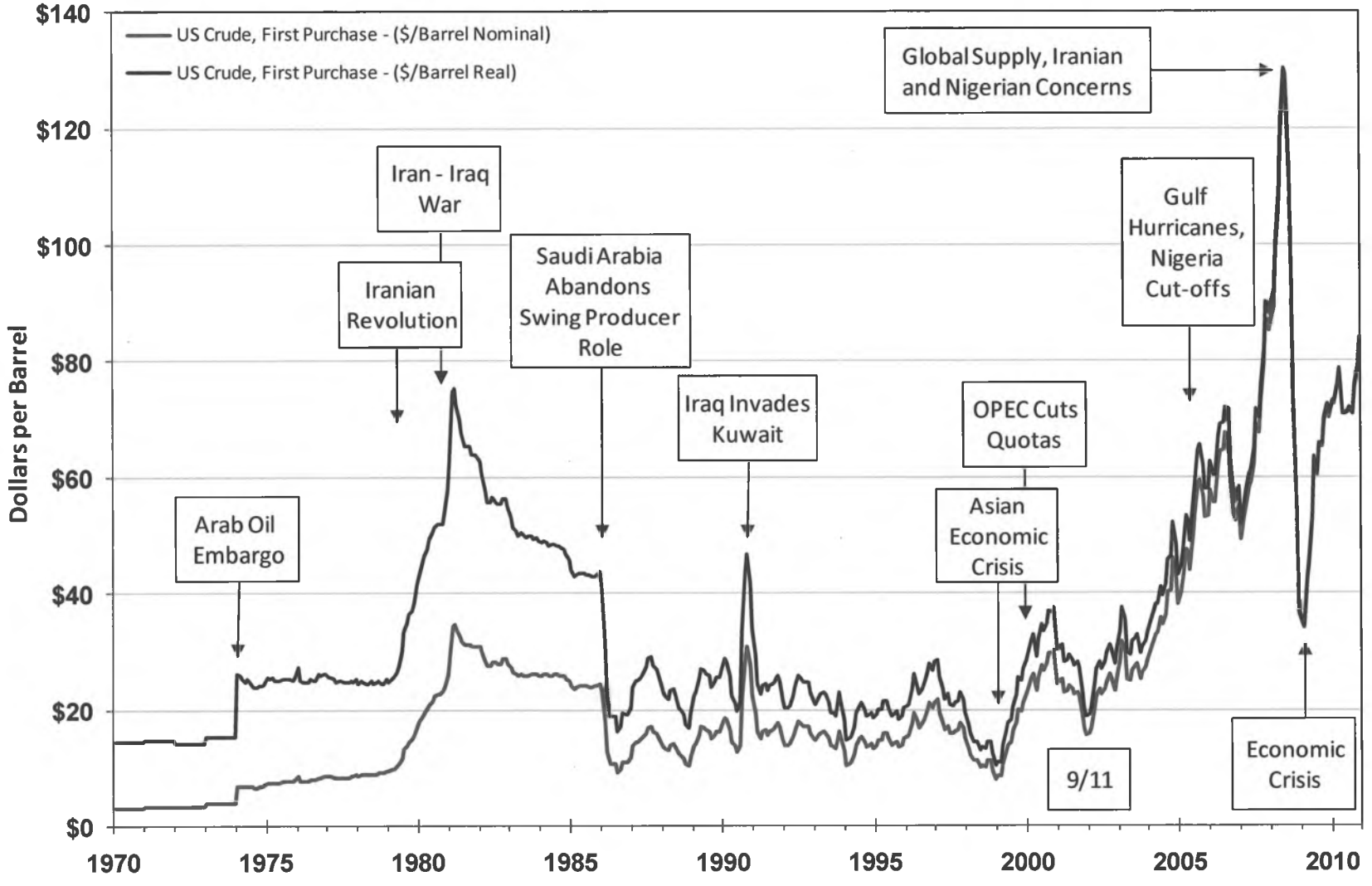
*Price Source: Alaska Department of Revenue, Tax Division at http://tax.alaska.gov/programs/oil/oilprices/ans.aspx

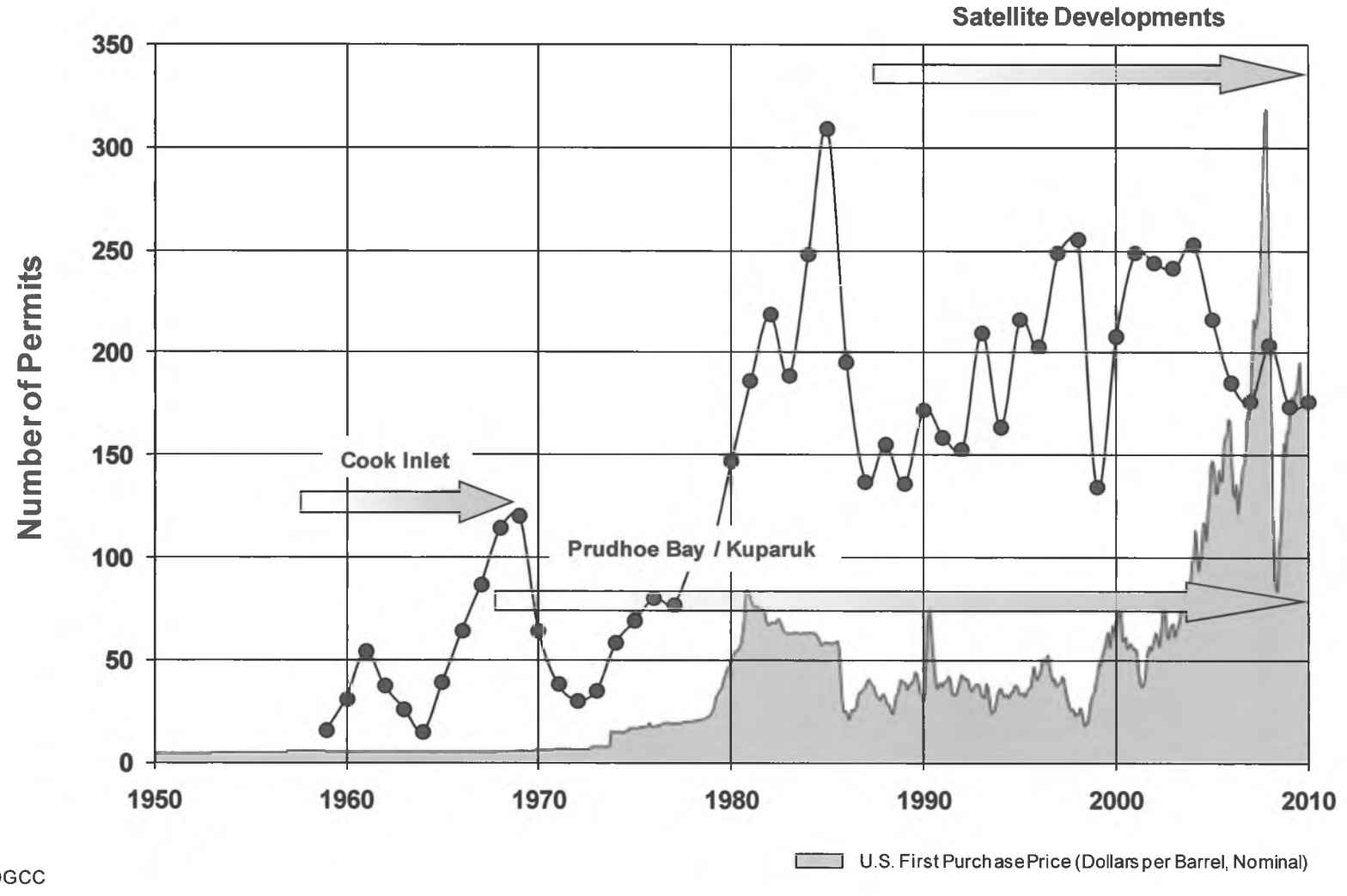
March 22, 2011

Crude Oil Prices (1970 - 2010) with World Events



Events Sources: U.S. EIA World Nominal Oil Price Chronology: 1970-2007 at http://www.eia.doe.gov/emeu/cabs/AOMC/Overview.html
http://newsvote.bbc.co.uk/2/hi/business/7501939.stm; www.nytimes.com/2008/10/16/business/worldbusiness/16iht-oil.4.17027006.html

Alaska Oil and Gas Activity



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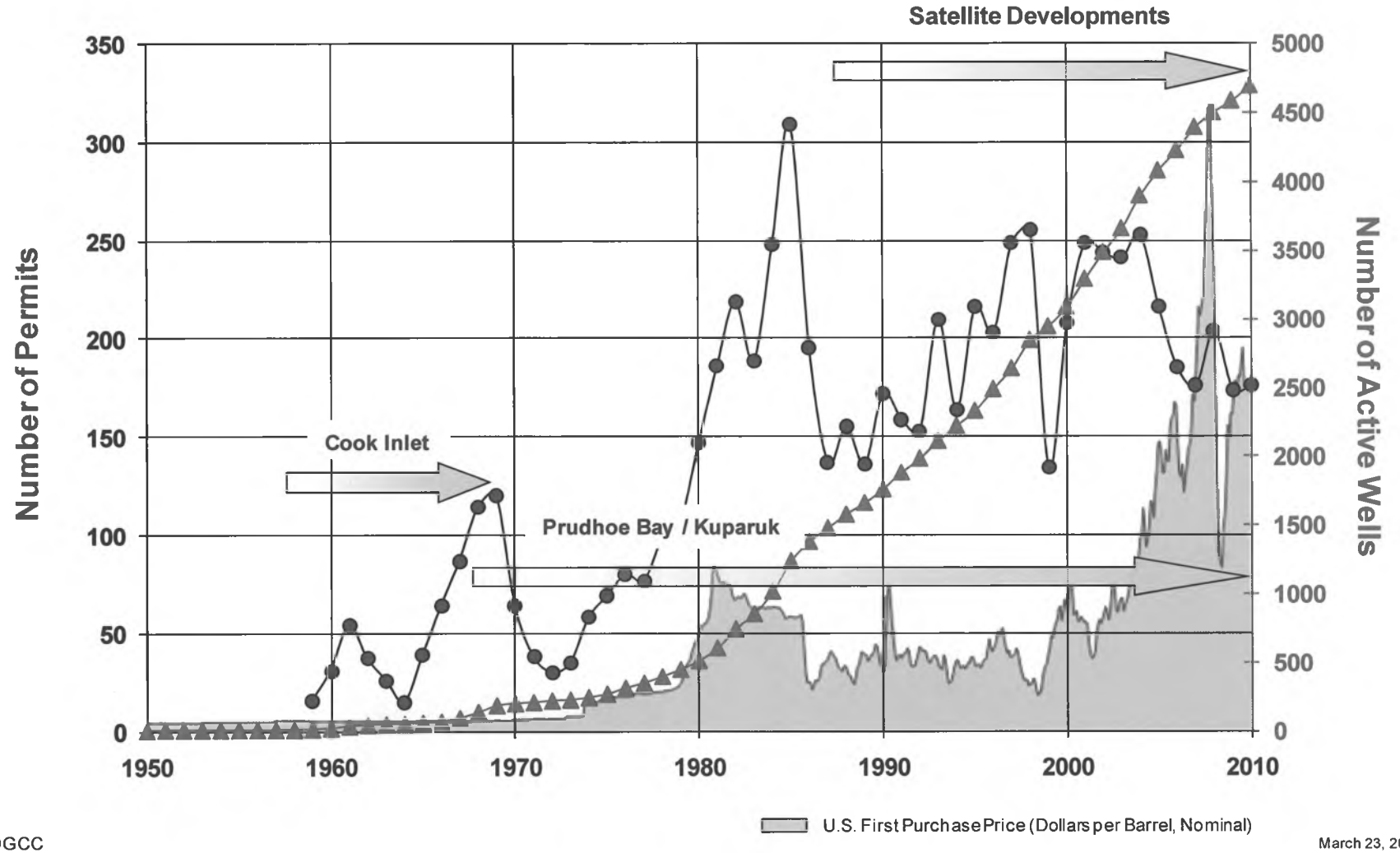
March 23, 2010

Alaska Oil and Gas Activity



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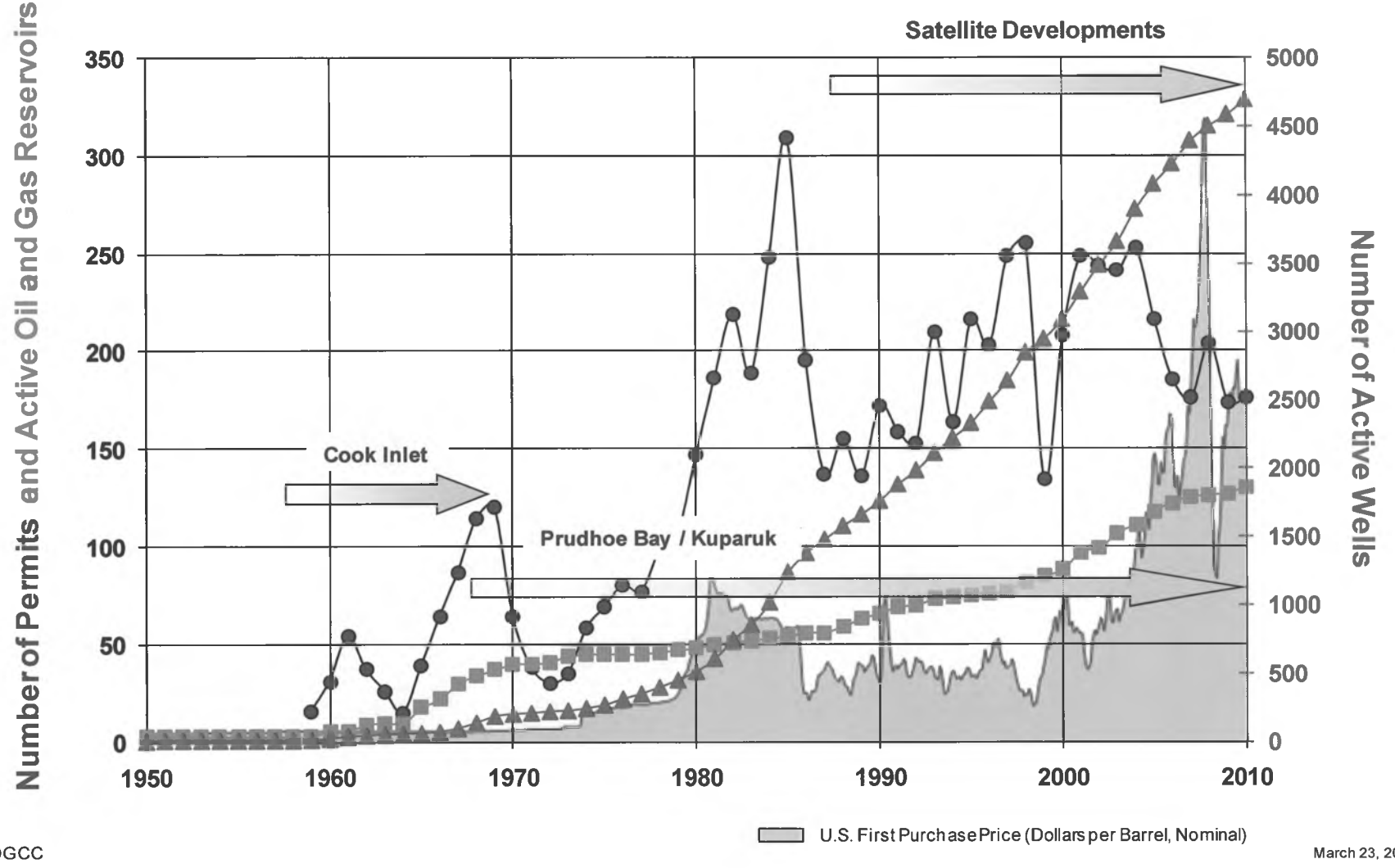
March 23, 2010

Alaska Oil and Gas Activity



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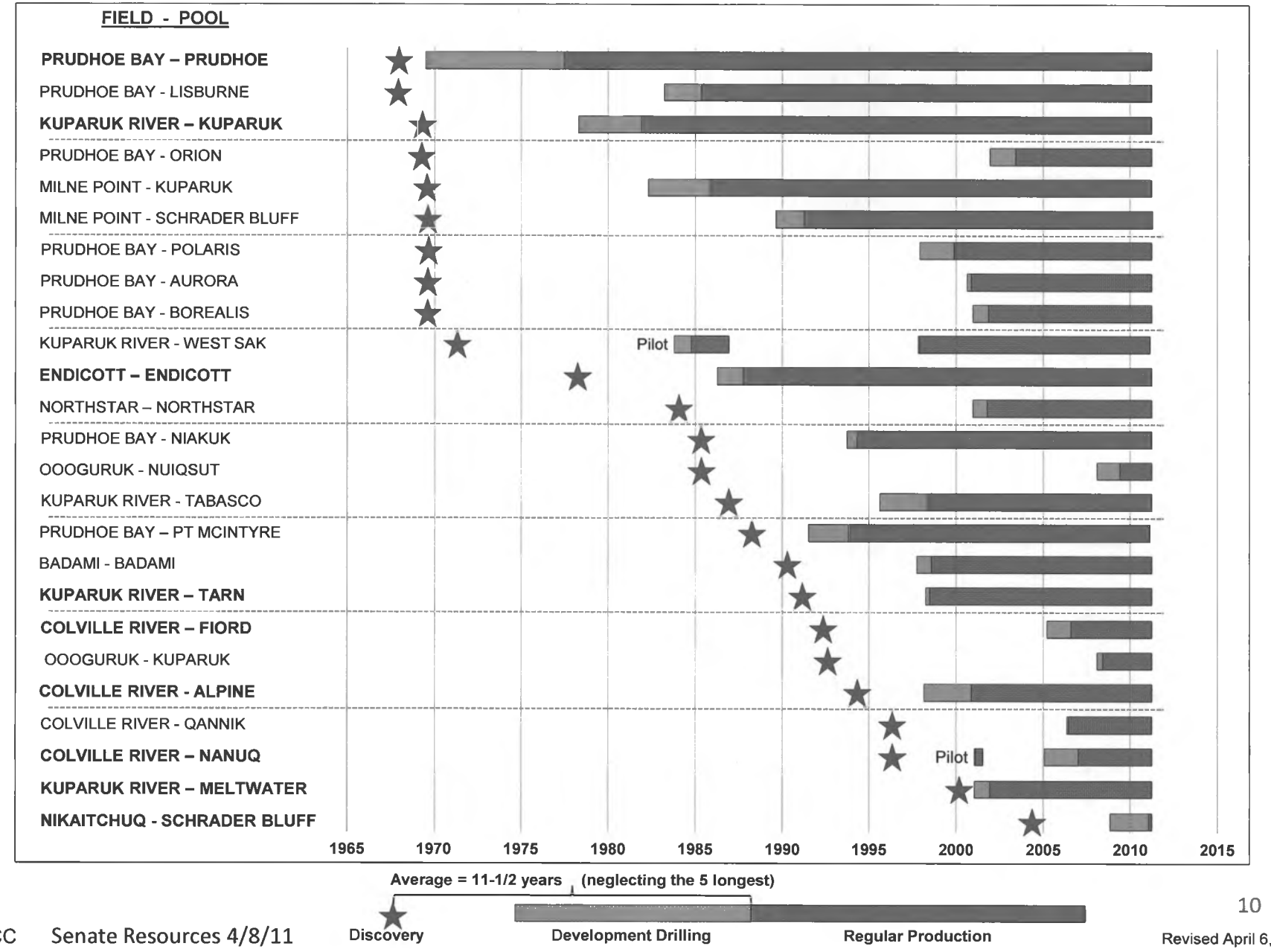
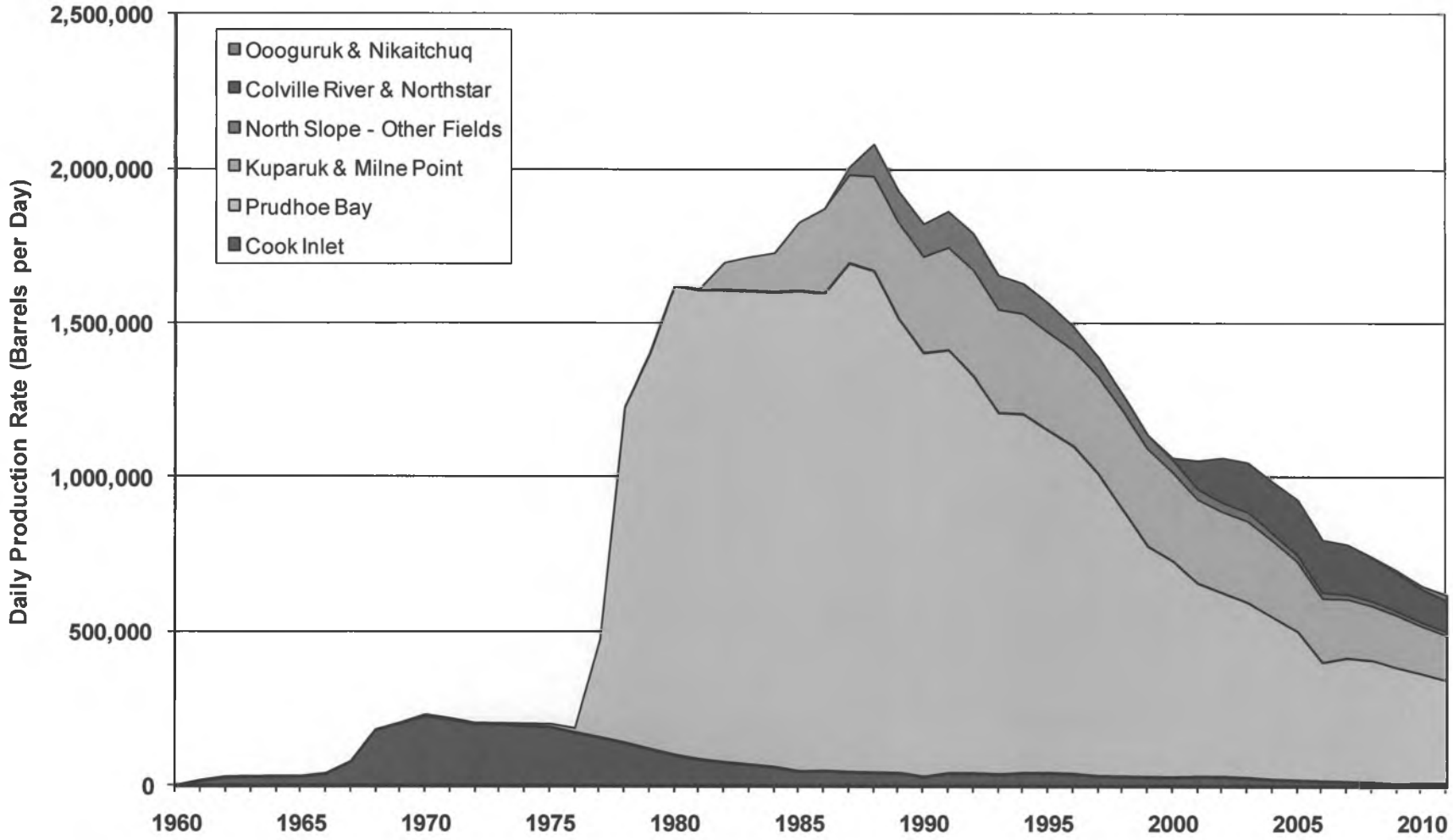
March 23, 2010

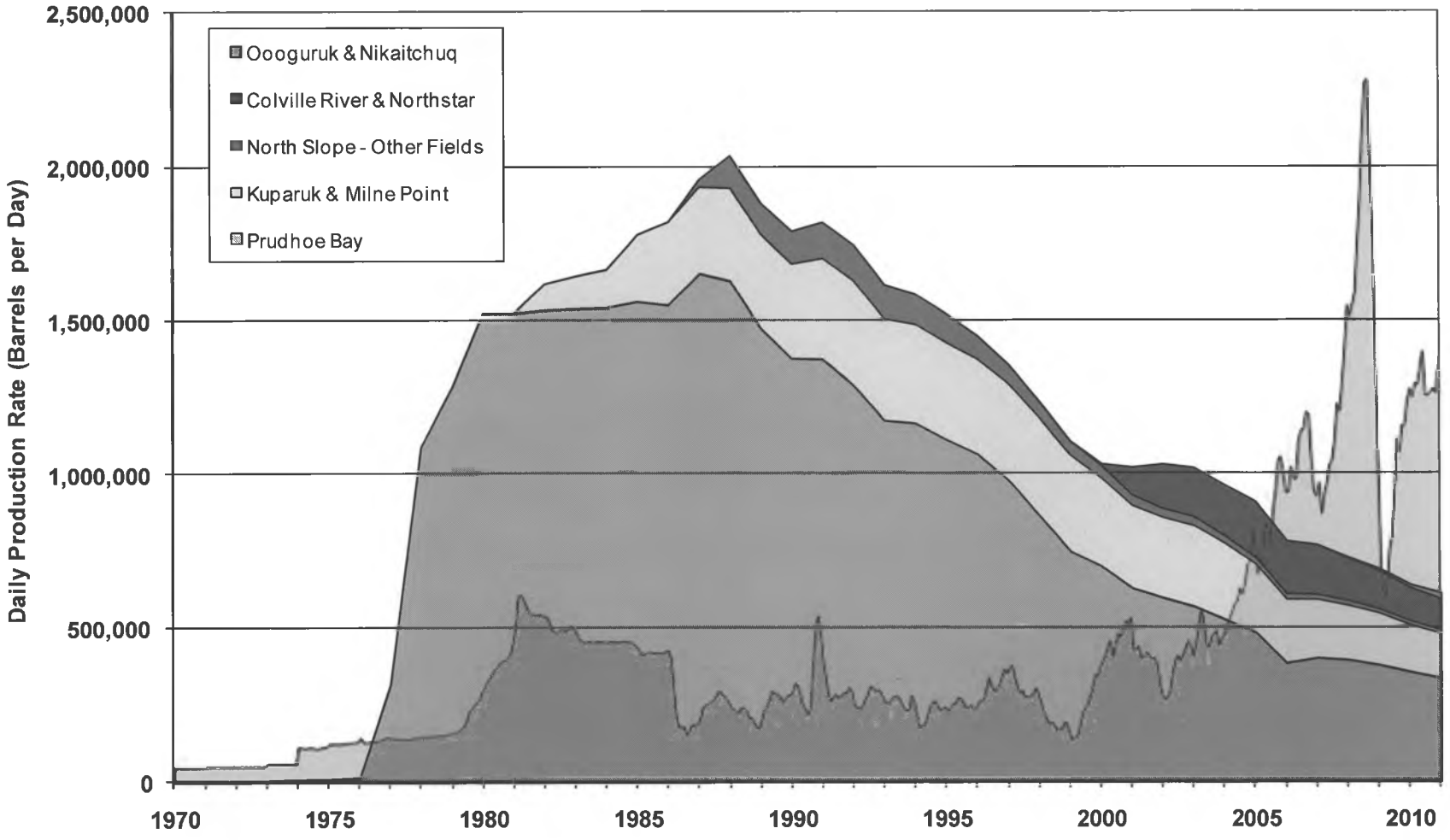
Development Timeline for North Slope Oil Fields



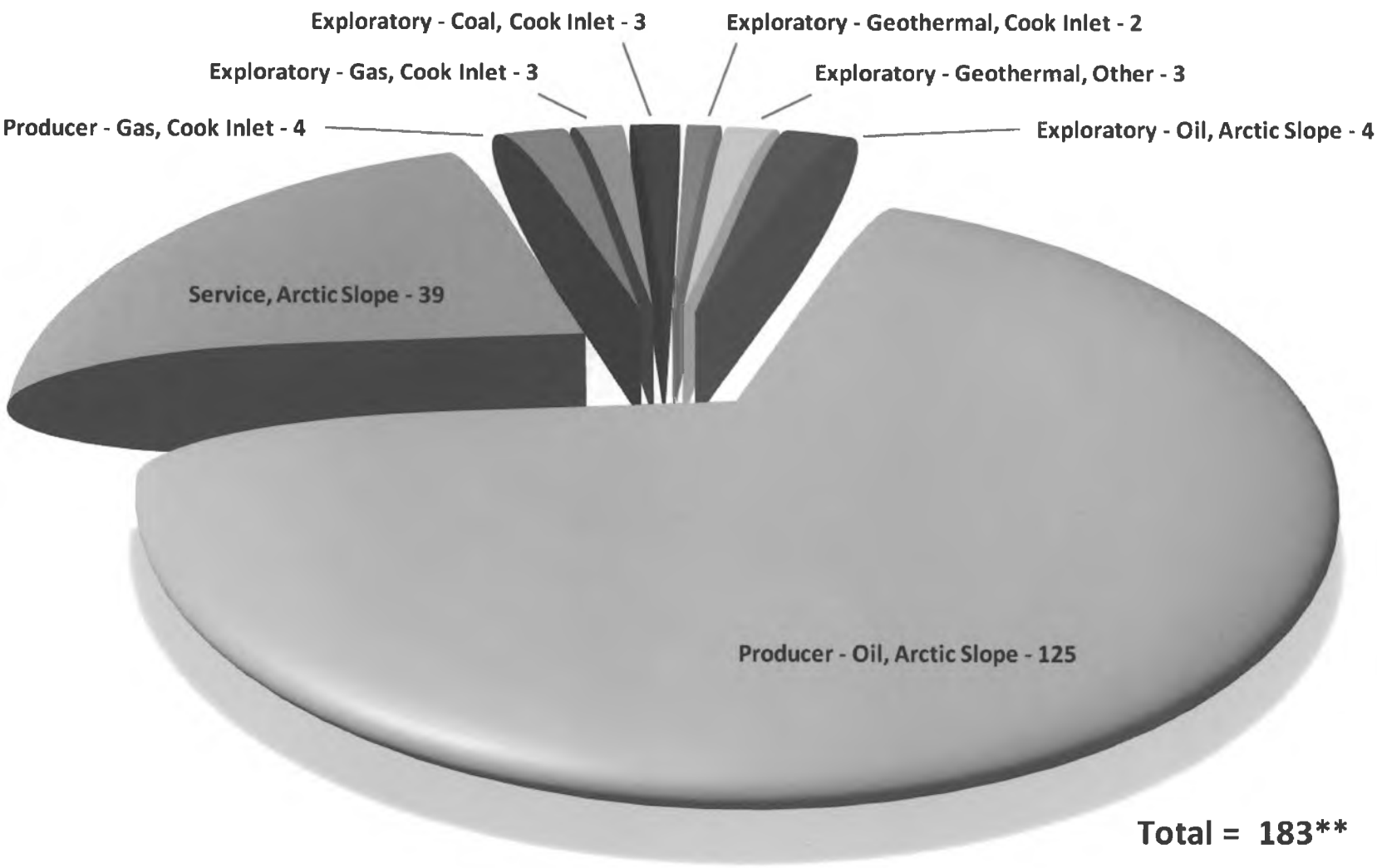
Alaska's Average Daily Oil & NGL Production Rate



North Slope Average Daily Oil & NGL Production Rate



Alaska 2010 New Wells and Wellbores*



Total = 183**

AOGCC

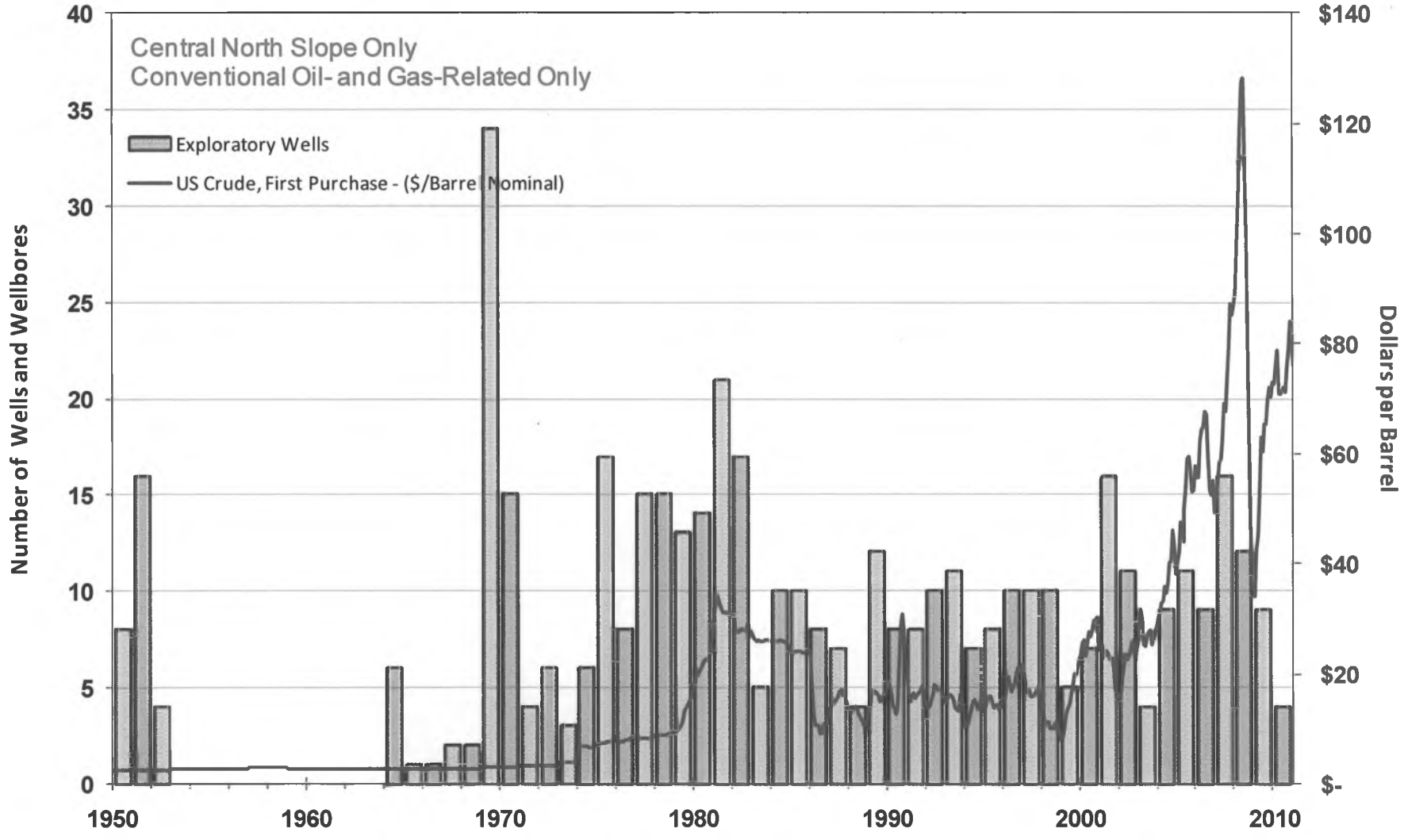
* Completed, Suspended or Abandoned
** Reported as of March 1, 2011

March 1, 2011

Exploratory Wells and Wellbores Drilled (1950 – 2010)

North Slope Oil and Gas Only

with Average Nominal Price of U.S. Crude Oil, First Purchase*

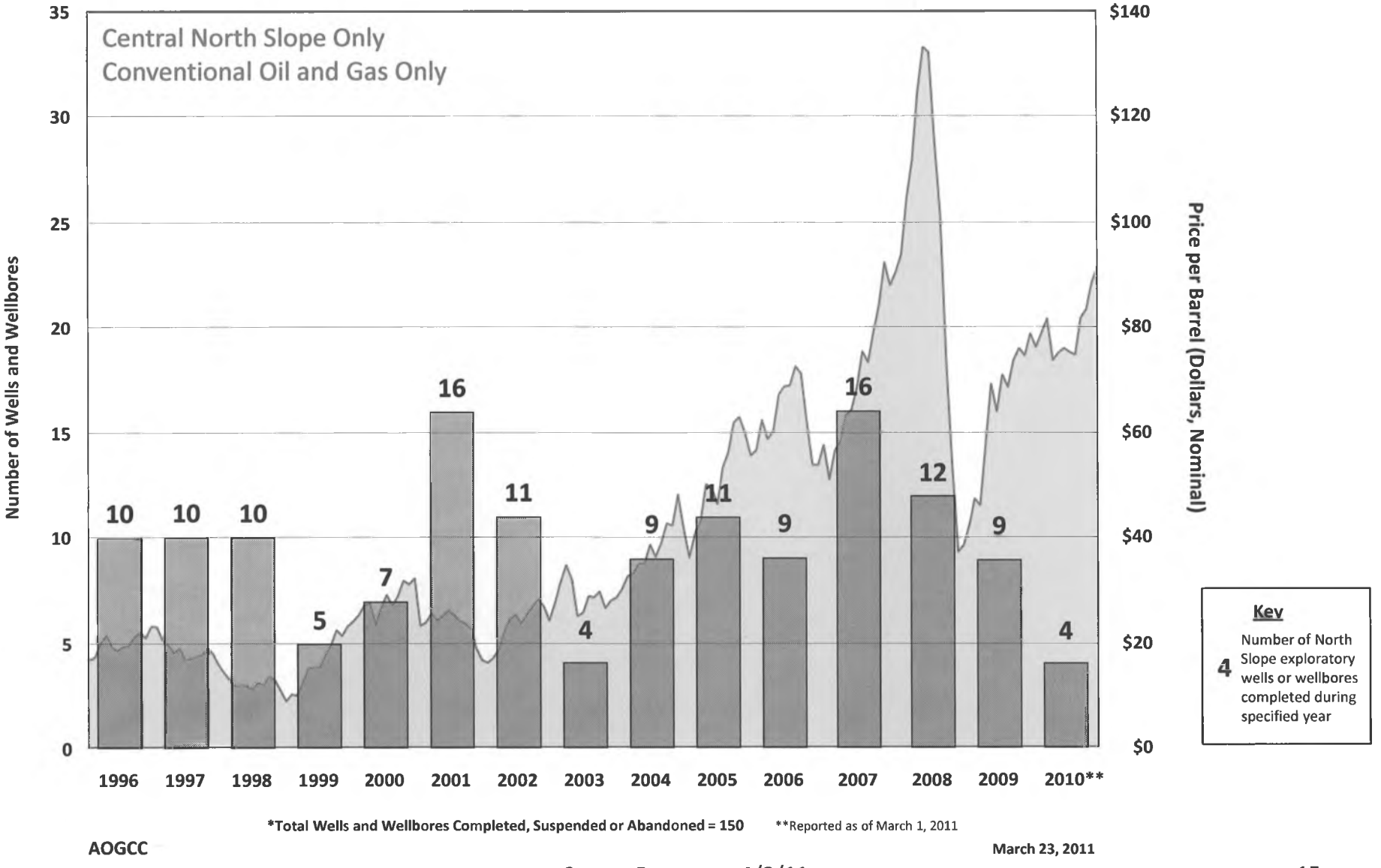


*U.S. EIA - U.S. Crude Oil First Purchase Price (Dollars per Barrel Nominal)

Exploratory Wells and Wellbores Drilled (1996 – 2010)*

North Slope Oil and Gas Only

with West Coast Spot Price for Alaska North Slope Crude Oil



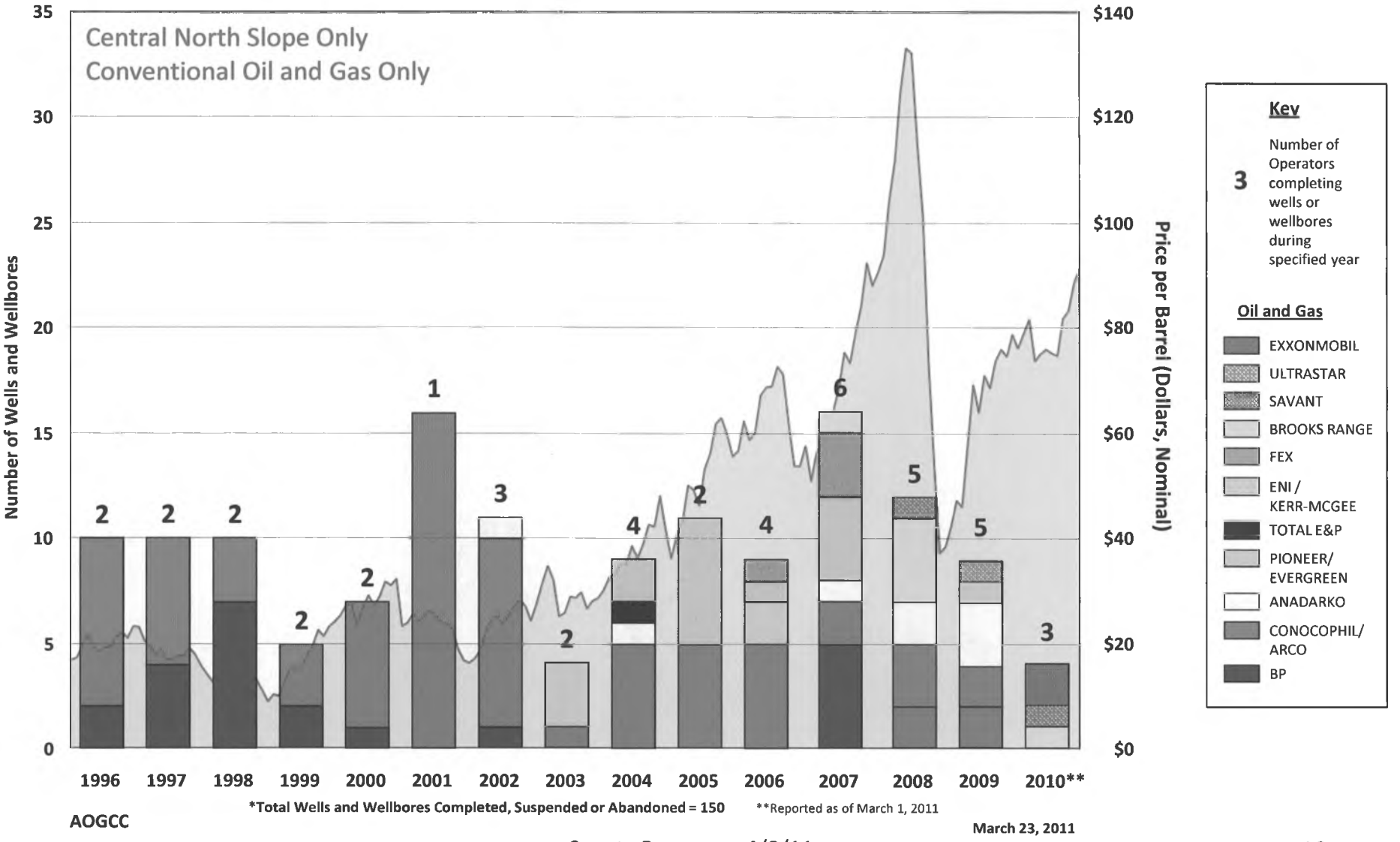
*Total Wells and Wellbores Completed, Suspended or Abandoned = 150 **Reported as of March 1, 2011

AOGCC March 23, 2011

Exploratory Wells and Wellbores Drilled (1996 – 2010)*

North Slope Oil and Gas Only

with West Coast Spot Price for Alaska North Slope Crude Oil



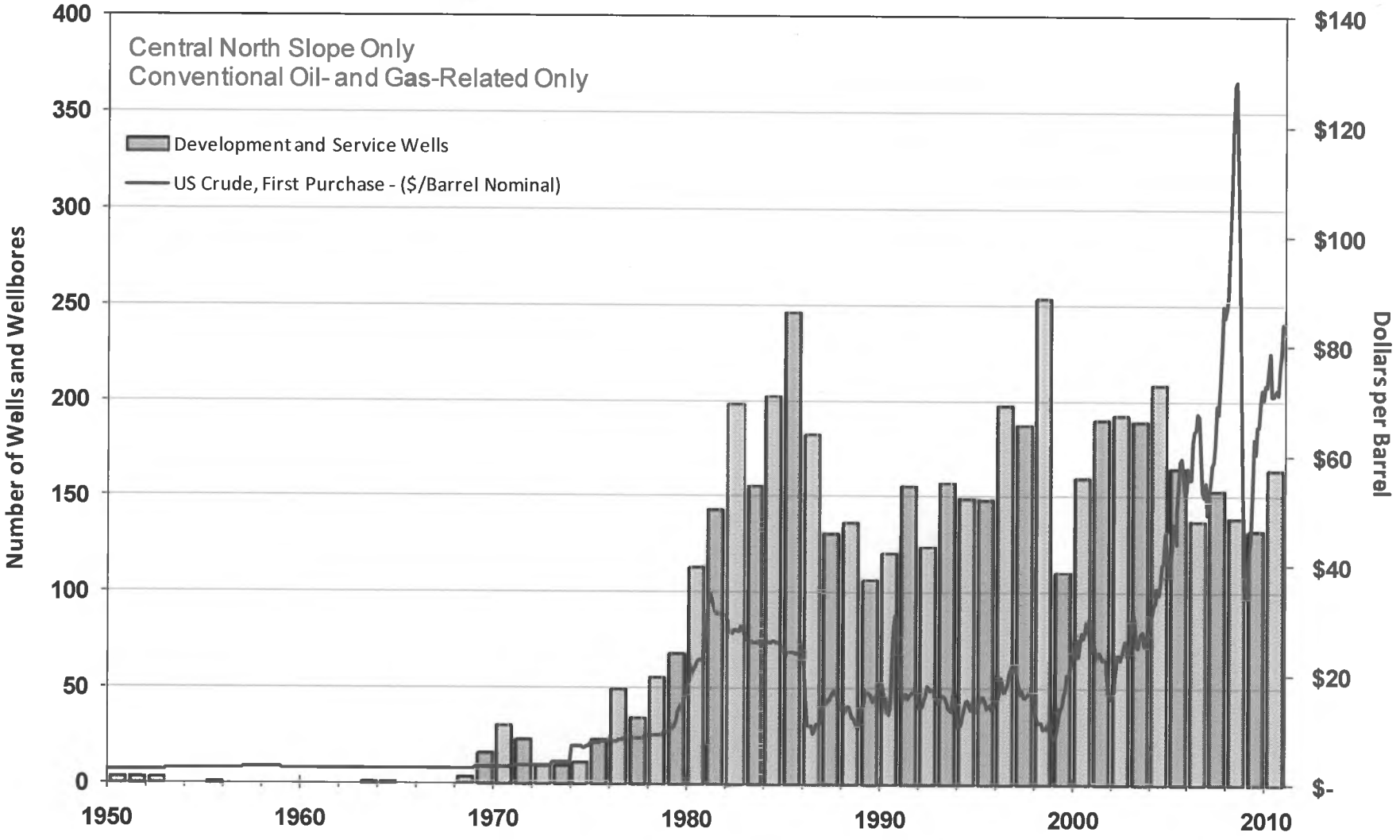
AOGCC

*Total Wells and Wellbores Completed, Suspended or Abandoned = 150

**Reported as of March 1, 2011

March 23, 2011

Development & Service Wells and Wellbores Drilled (1950 – 2010)
North Slope Oil and Gas Only
with Average Nominal Price of U.S. Crude Oil, First Purchase*



AOGCC

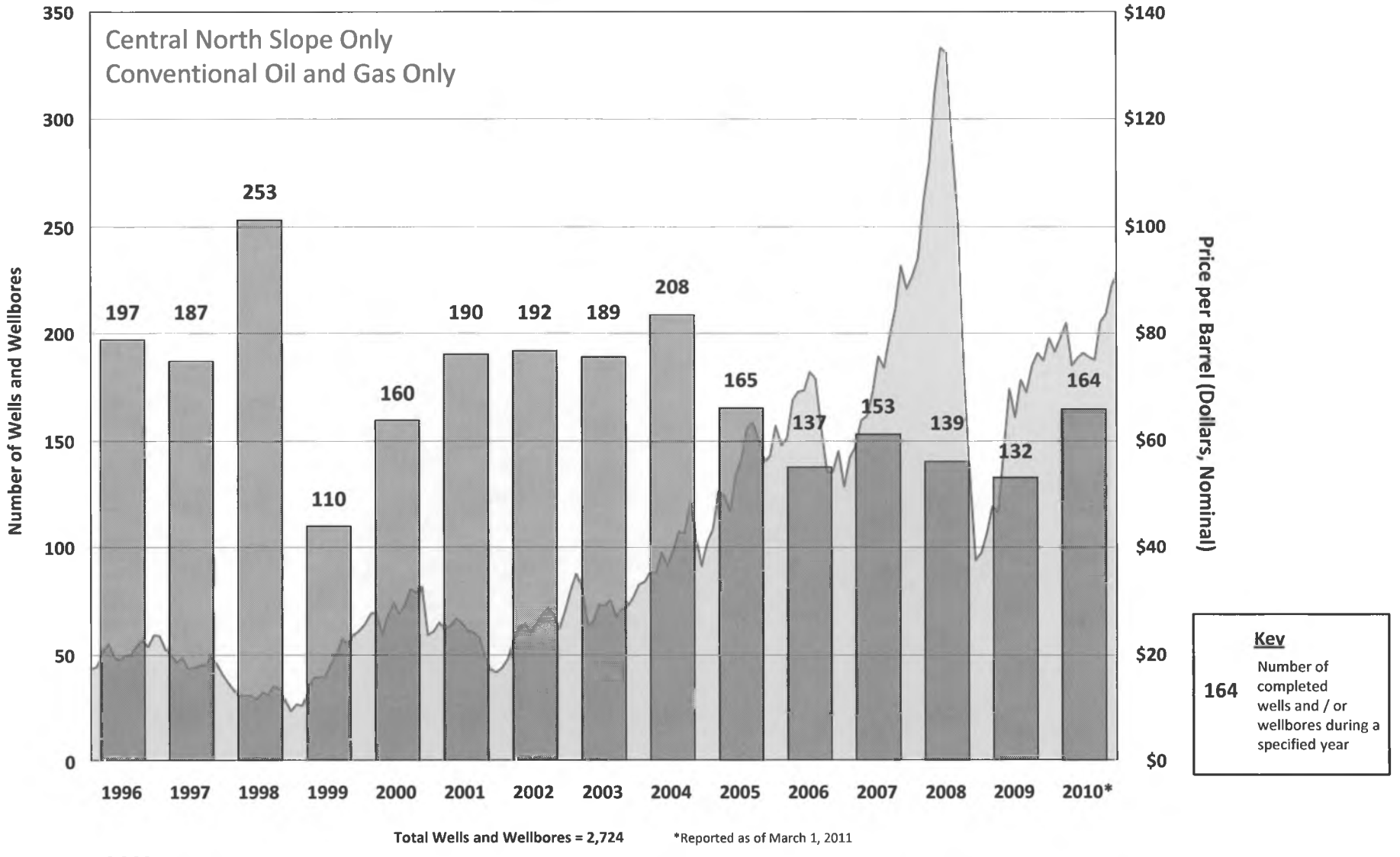
*U.S. EIA - U.S. Crude Oil First Purchase Price (Dollars per Barrel Nominal)

March 23, 2011

Development & Service Wells and Wellbores Drilled (1996 – 2010)*

North Slope Oil and Gas Only

with West Coast Spot Price for Alaska North Slope Crude Oil



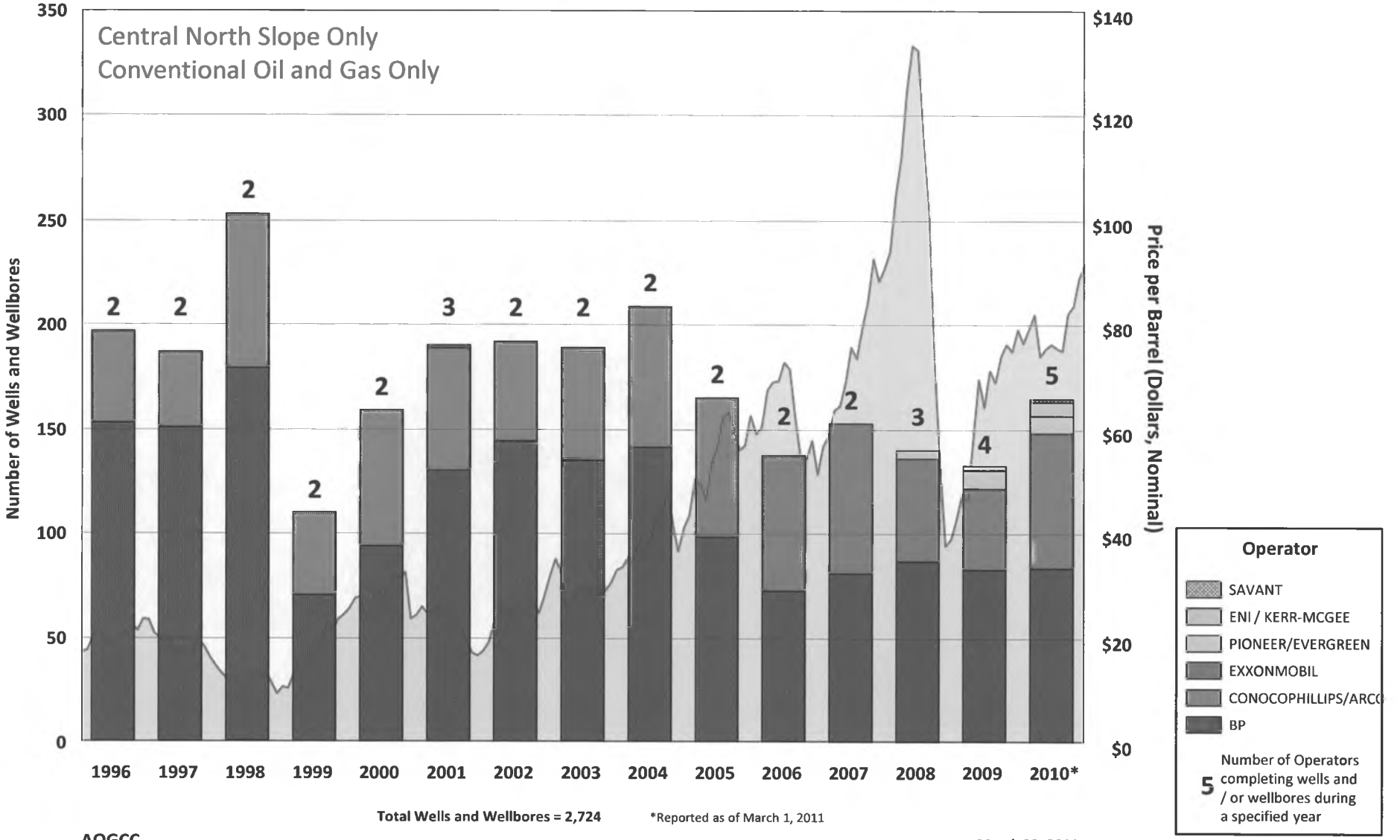
Total Wells and Wellbores = 2,724

*Reported as of March 1, 2011

AOGCC

March 23, 2011

Development & Service Wells and Wellbores Drilled (1996 – 2010)*
North Slope Oil and Gas Only
with West Coast Spot Price for Alaska North Slope Crude Oil



Total Wells and Wellbores = 2,724 *Reported as of March 1, 2011

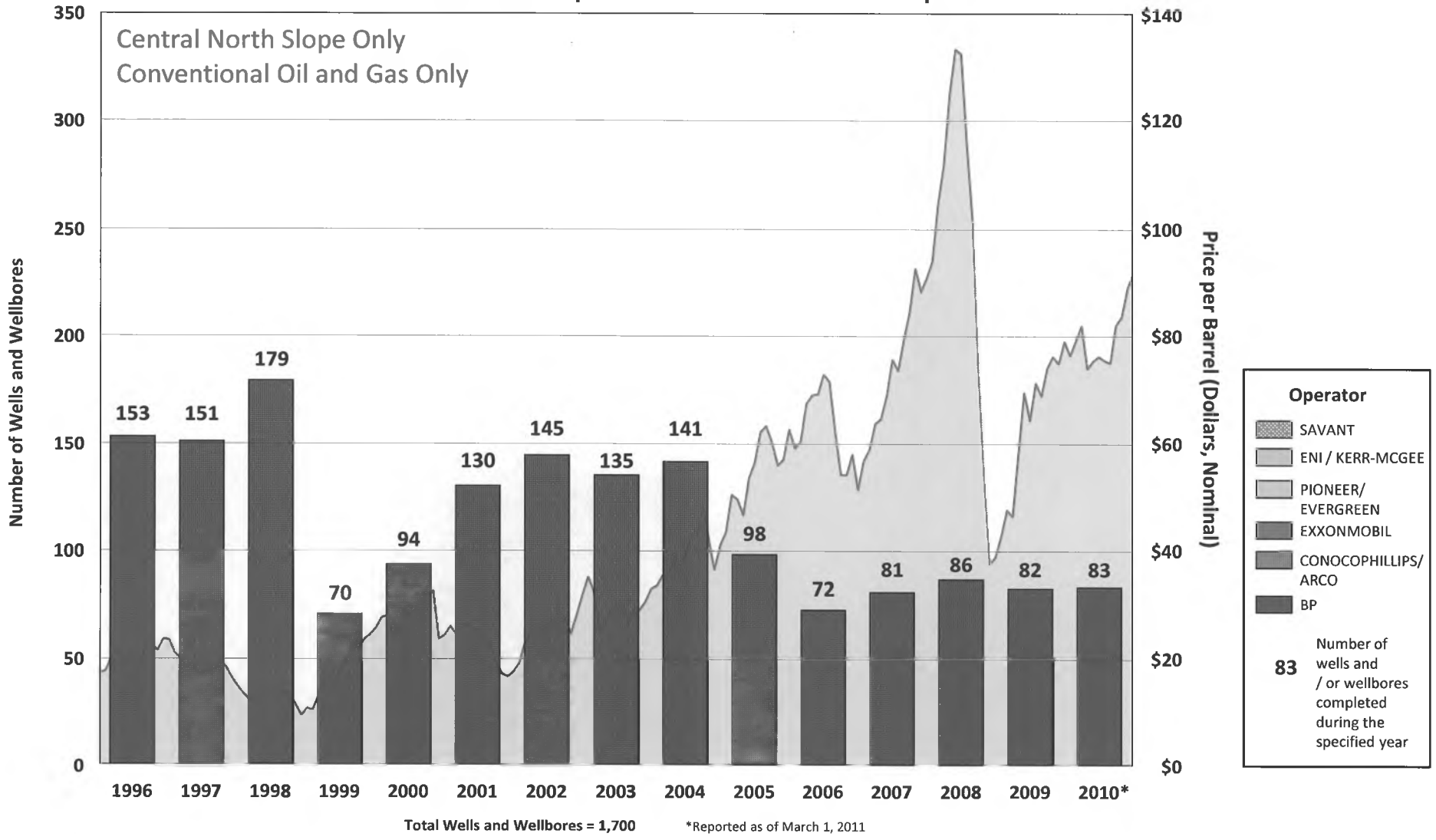
AOGCC **March 23, 2011**

Development & Service Wells and Wellbores Drilled (1996 – 2010)*

North Slope Oil and Gas Only

by BP Exploration (Alaska), Inc.

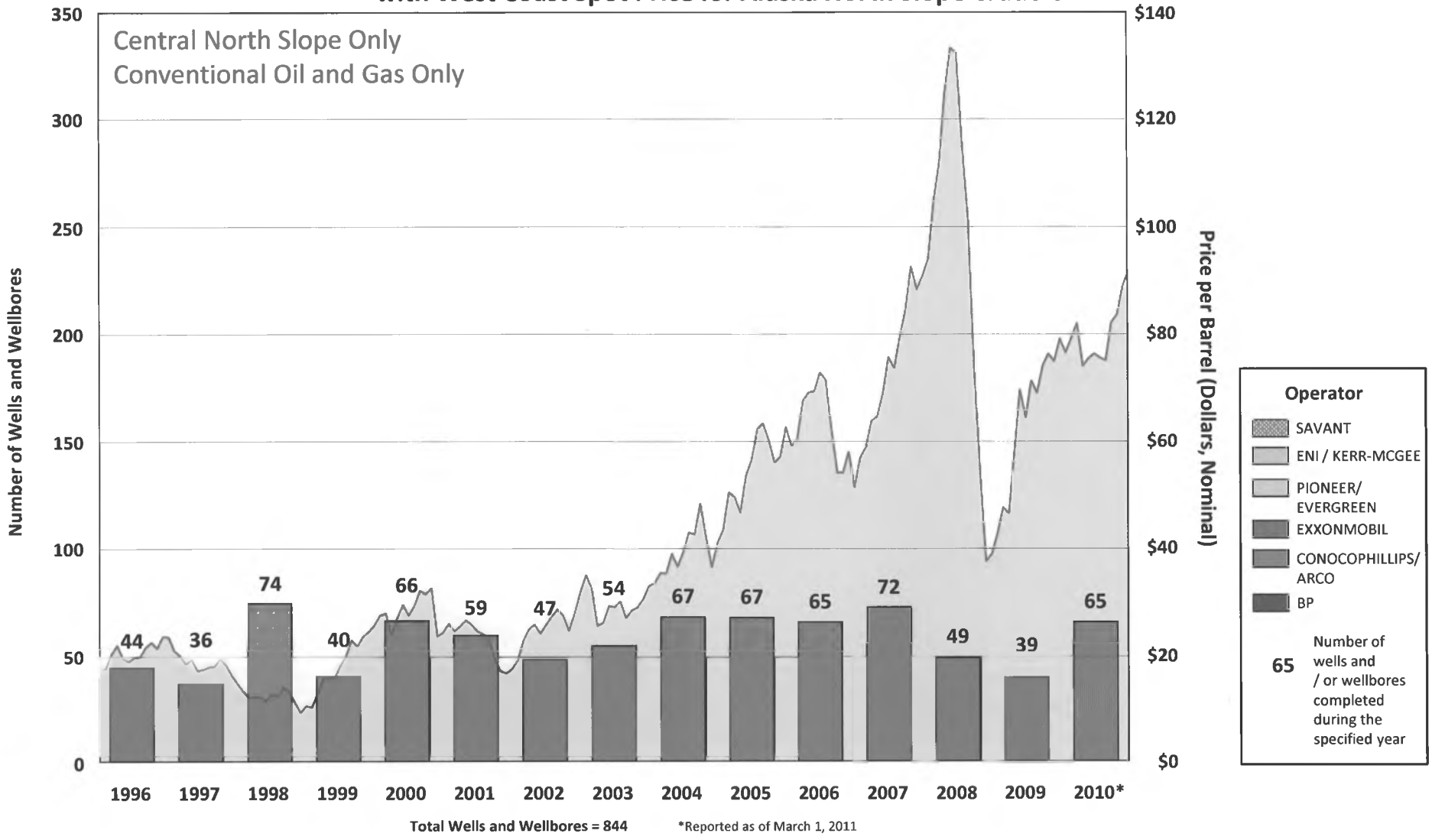
with West Coast Spot Price for Alaska North Slope Crude Oil



Total Wells and Wellbores = 1,700 *Reported as of March 1, 2011

AOGCC **March 23, 2011**

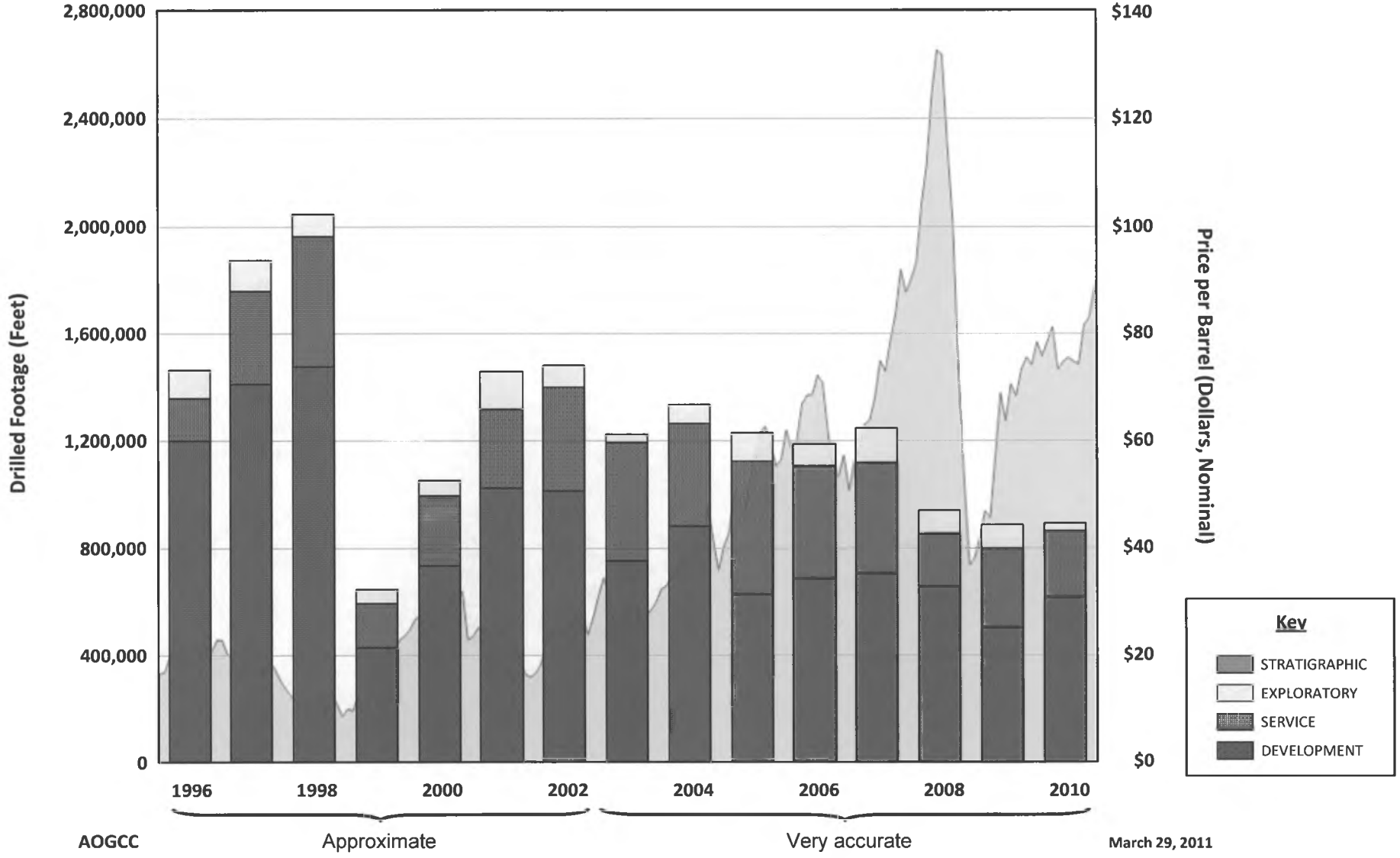
Development & Service Wells and Wellbores Drilled (1996 – 2010)*
North Slope Oil and Gas Only
by ConocoPhillips Alaska, Inc.
with West Coast Spot Price for Alaska North Slope Crude Oil



Total Wells and Wellbores = 844 *Reported as of March 1, 2011

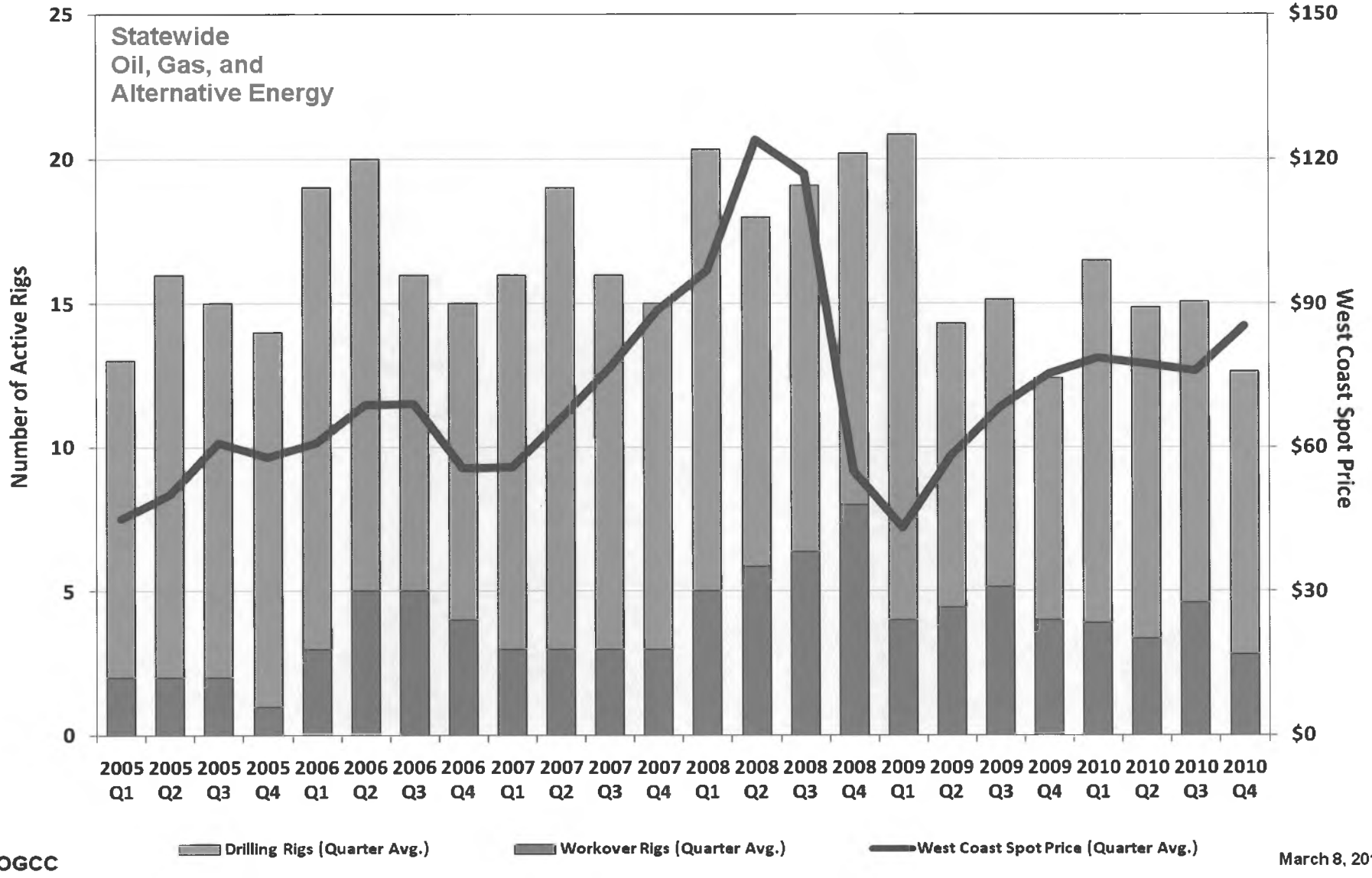
AOGCC March 23, 2011

All Wells and Wellbores Drilled (1996 – 2010)*
North Slope Oil and Gas Only
with West Coast Spot Price for Alaska North Slope Crude Oil



Alaska's Active Drilling and Workover Rigs for Each Quarter (2005 - 2010)

with Quarterly Average West Coast Spot Price for North Slope Crude Oil

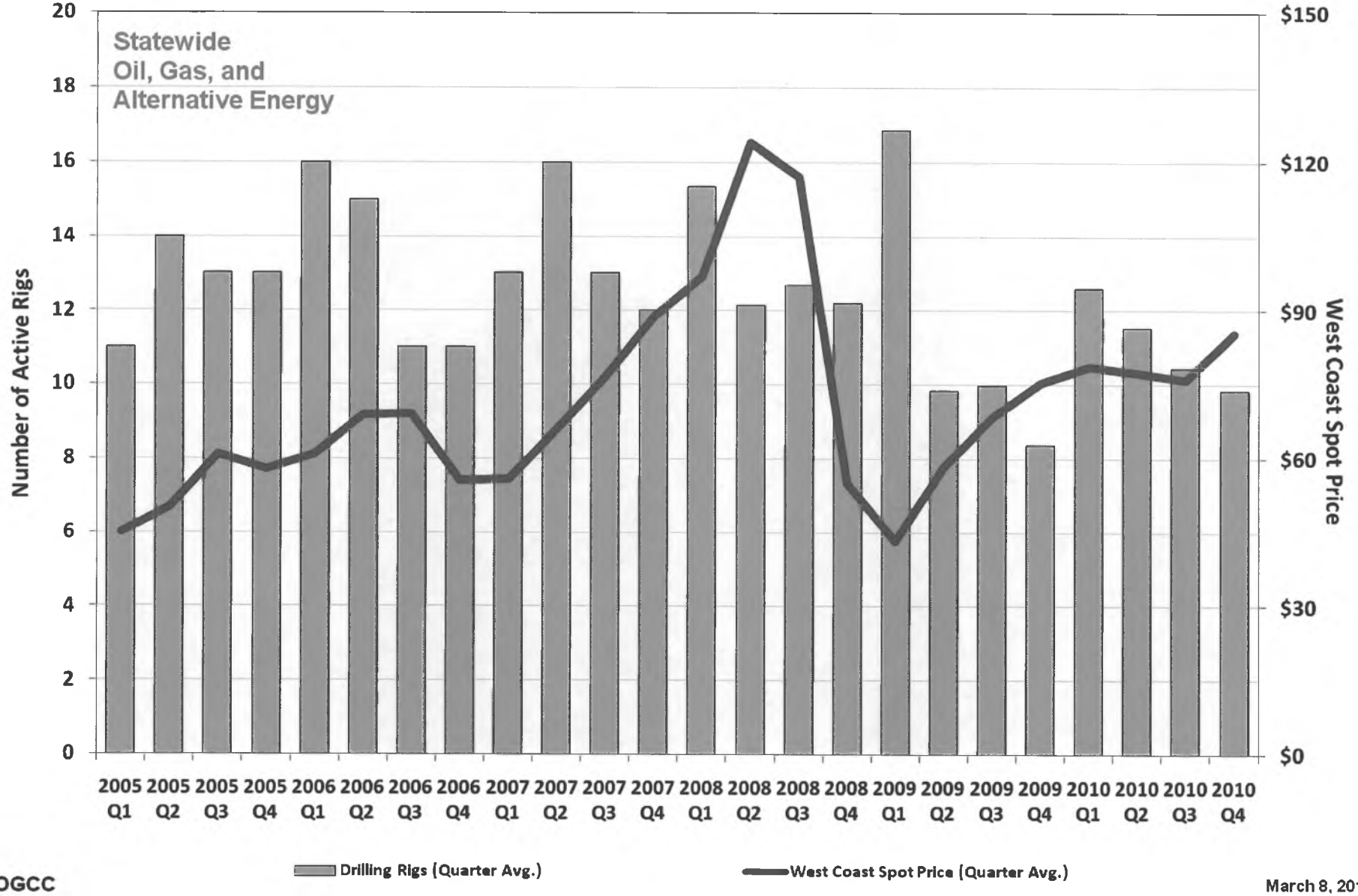


AOGCC

March 8, 2011

Alaska's Active Drilling Rigs for Each Quarter (2005 - 2010)

with Quarterly Average West Coast Spot Price for North Slope Crude Oil

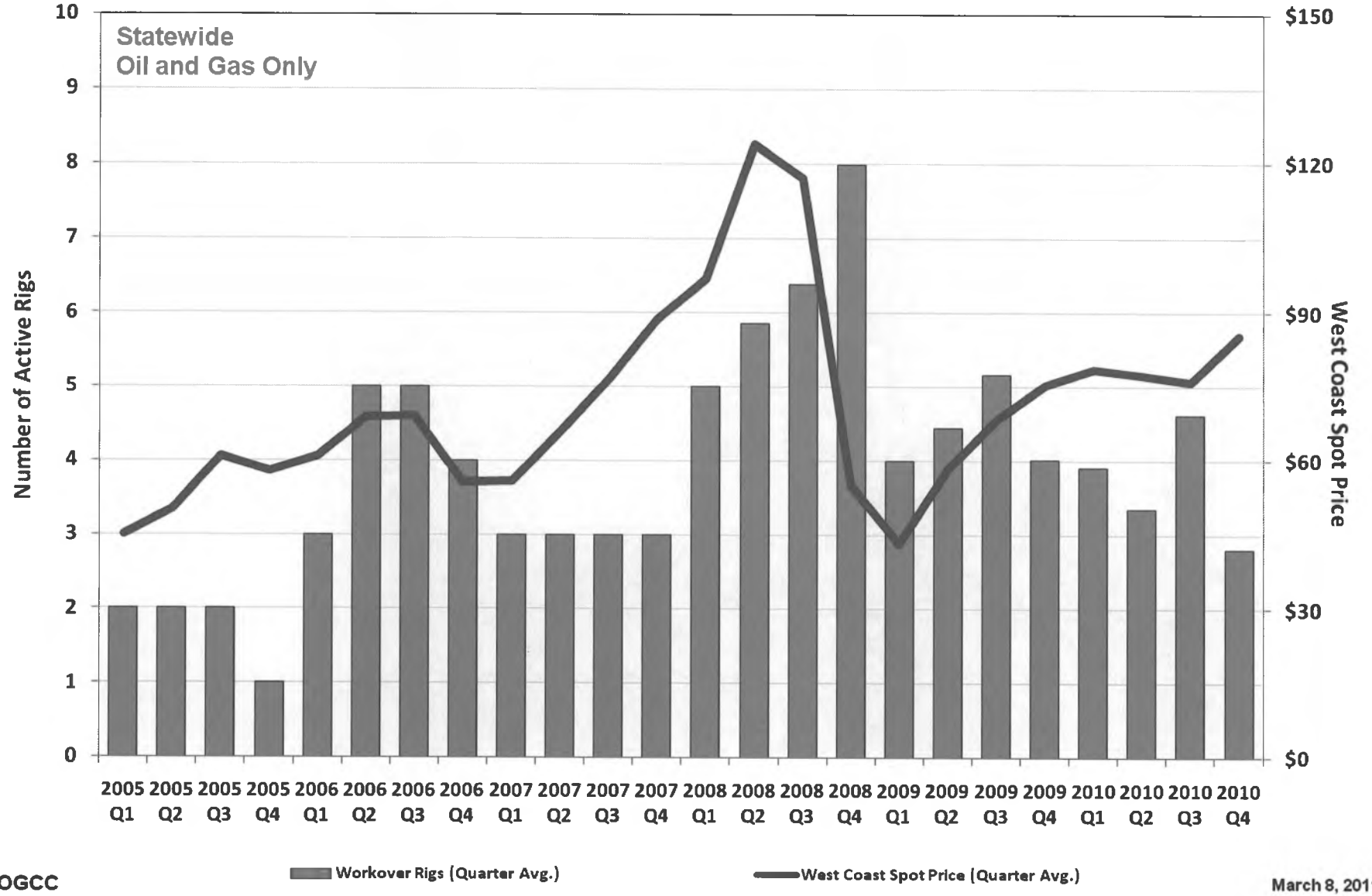


AOGCC

March 8, 2011

Alaska's Active Workover Rigs for Each Quarter (2005 - 2010)

with Quarterly Average West Coast Spot Price for North Slope Crude Oil

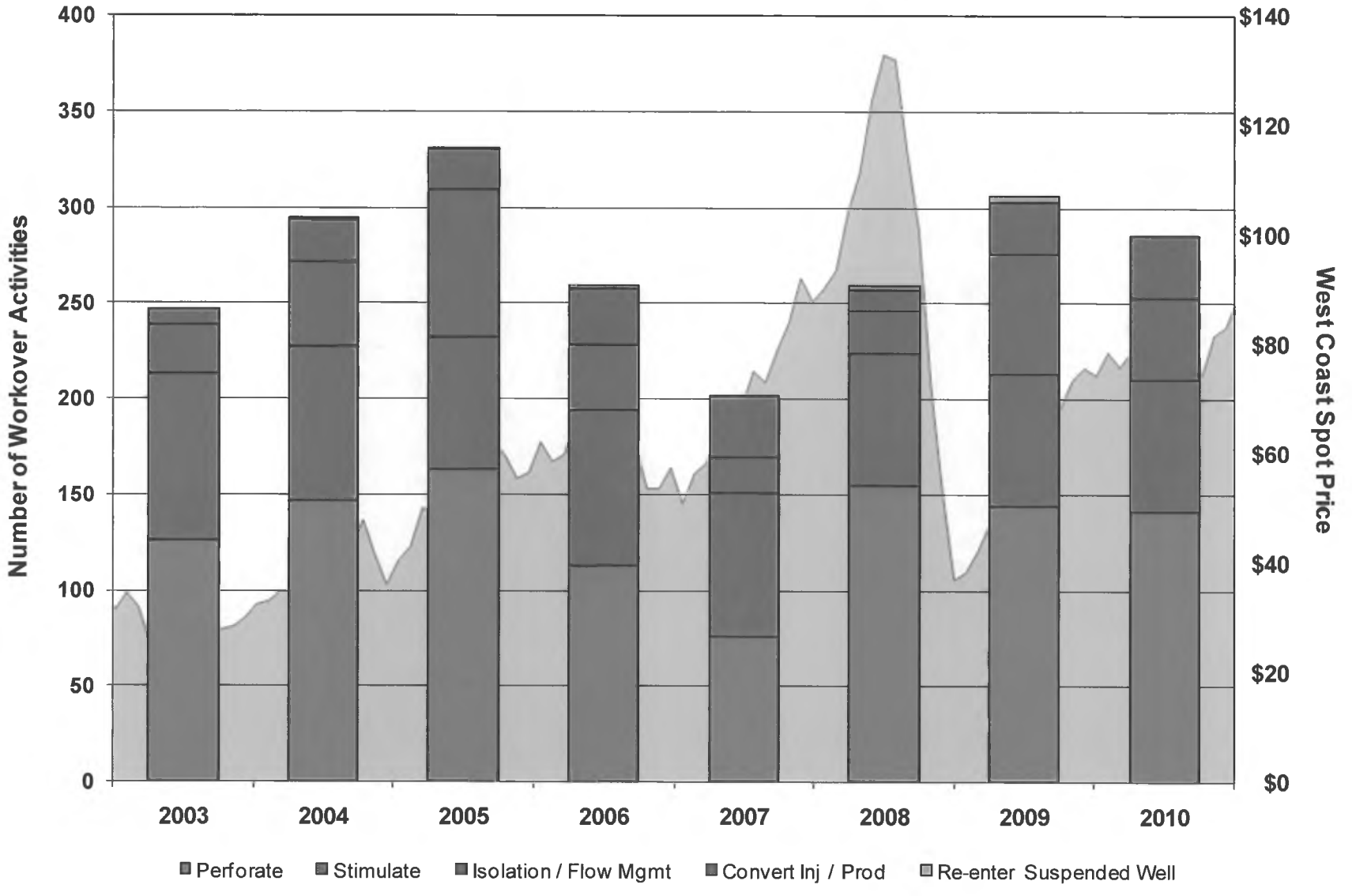


AOGCC

March 8, 2011

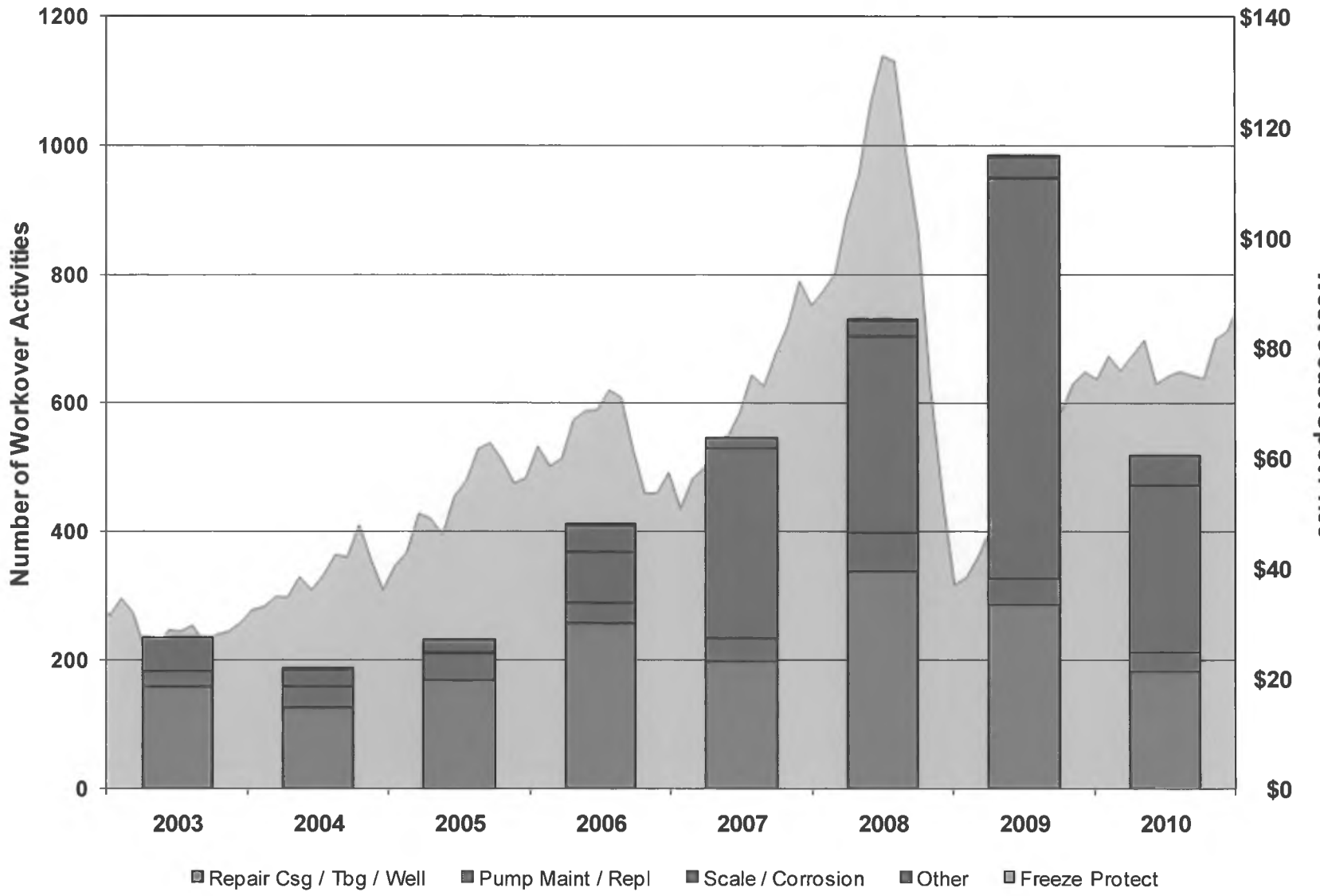
Workover Activity by Type (2003 – 2010)

North Slope Wells: Production Enhancements



Workover Activity by Type (2003 – 2010)

North Slope Wells: Maintenance and Repairs



10/20-21/11 COOK INLET MEETINGS

<TARGET><BILL></BILL><SUBJECT>10-20-21-11 COOK INLET MEETINGS</SUBJECT><COMM>SRES27</COMM></TARGET>

Official Business

Senate Resources Committee

Senator Joe Paskvan, Co-Chair
Room #115: 465-4907

Senator Tom Wagoner, Co-Chair
Room #427: 465-3792

Members:
Senator Bill Wielechowski, Vice-Chair
Senator Hollis French
Senator Lesil McGuire
Senator Bert Stedman
Senator Gary Stevens

COOK INLET MEETING - Kenai City Hall; Kenai, Alaska

Oct. 20, 2011 9am

9-9:30	CI Tax System, Bruce Tangeman, Deputy Commissioner Tax Division
9:30-10	Railbelt Energy Needs, Joe Griffith, President; ARCTEC
10:30-11	Marathon; Wade Hutchings, Business Unit Manager
11-11:30	Apache Corp.; Paul Abokhair, Sr. Commercial Advisor
1:30-2	Escopeta; Vladimir Katic, Alaska Project Manager
2-2:30	CIRI; Ethan Shutt, Sr. Vice President (Coal Gasification)
3-3:30	ORMAT (via teleconference)
3:30-4	Conoco-Phillips; Darren Meznarich
4pm	CINGSA Tour (Legislators only – leave from meeting)

Oct. 21, 2011 10am

10-10:30	Buccaneer; James Watt
10:30-11	LNG Alaska; Keith Meyer
11-11:30	Cook Inlet Energy; David Hall

Notes:

Presentations available online through BASIS – Committees – Hearings Schedule

No presentation for Conoco-Phillips or Cook Inlet Energy – oral testimony.

For information contact: Mary Jackson: 283-7996

Mary Jackson

From: Mary Jackson
Sent: Wednesday, October 19, 2011 3:50 PM
To: JR Wilcox (jr.wilcox@cookinlet.net); David Hall (david.hall@cookinlet.net)
Cc: Jane Conway
Subject: Friday's Tour

Here's who is going – 12 max:

✓ Senator Wagoner, Co-Chair
Senator Stedman
✓ Senator Wielechowski
Senator Giessel
~~Representative Olson~~ canceled

✓ Joe Balash DNR
~~Bruce Tangeman DOR~~ canceled
✓ Alica Egan DOR

+2

✓ Rena Delbridge – staff to Rep. Hawker
✓ TOM WRIGHT, staff to Speaker Chenault

✓ Sharon Long staff to Sen Giessel
✓ Michael Pawlowski staff to Sen McGuire
✓ Konrad Jackson staff to Rep. Olson

9

~~??? someone will want to go, I'm sure. Maybe Rick Koch – Kenai city manager~~.

C u Friday!

Mary j

+2

11

"Village with a Past, City with a Future"

210 Fidalgo Avenue, Kenai, Alaska 99611-7794
Telephone: 907-283-7535 / Fax: 907-283-3014
www.ci.kenai.ak.us

October 20, 2011

Senate Resources Committee
Senator Joe Paskvan, Co-Chair
Senator Tom Wagoner, Co-Chair
Senator Bill Wielechowski, Vice-Chair
Senator Hollis French
Senator Lesil McGuire
Senator Bert Stedman
Senator Gary Stevens

Dear Senators:

It is with pleasure that the City of Kenai welcomes you to our community. As a resource development state, the importance of your work on behalf of the citizens of Alaska cannot be overstated, we appreciate your dedication.

During your Committee meeting, should any of you require the use of an office, computer, small conference room with teleconference capabilities, etc., we would be happy to accommodate your needs.

Thank you for your past efforts in considering legislation that has incentivized the Cook Inlet Basin for oil and gas exploration and development. Within one-half mile of Kenai's City Hall, two drill rigs are working. Additionally, a natural gas transmission pipeline is being constructed that will deliver 10mcf of gas daily to the system beginning in December of this year.

In closing, thanks for being here, and let us know if we can assist you during your visit.

Sincerely,

CITY OF KENAI

Rick R. Koch
City Manager

Rick R. Koch
City Manager

210 Fidalgo Avenue
Kenai, Alaska 99611-7794

City Hall: (907) 283-8222
Cell: (907) 398-0190
Fax: (907) 283-3014
Email: rkoch@ci.kenai.ak.us
http://www.ci.kenai.ak.us

ALASKA NATURAL GAS
TRANSPORTATION PROJECTS
OFFICE OF THE FEDERAL COORDINATOR

Oct. 7, 2011

Senator Lesil McGuire
Alaska State Legislature
716 W. 4th Avenue, Suite 430
Anchorage, AK 99501-2133

Dear Senator McGuire:

As I read (and have re-read) your letter of August 9, I looked to the fact that a key element of the federal Alaska Natural Gas Pipeline Act of 2004 (which created this office) was a presumption "that a public need exists to construct and operate the proposed Alaska natural gas transportation project" to make North Slope gas available to markets in the Lower 48. But Congress also understood that Alaska consumers need access to North Slope gas as well. To that end, the act included language requiring that the project also address in-state needs. To help make the project feasible, the act authorizes generous federal financial assistance through a multibillion-dollar loan guarantee.

The Alaska Legislature's approval in 2007 of the Alaska Gasline Inducement Act was consistent with the objectives of the federal act, and signaled the state's willingness to materially assist in developing the project envisioned by Congress — and long envisioned by Alaskans.

When the Alaska Legislature sent HB 369 to the governor in April 2010, it marked a shift by the state to a more aggressive approach to securing in-state access to North Slope gas. You were a co-sponsor of that bill and, as you note in your letter — and as you have repeatedly pointed out in various legislative deliberations — nothing in that legislation directs a shift against the objectives established by Congress or the state's longstanding goal of a large-diameter gas line to serve out-of-state markets. To the contrary, HB 369 directs that the plan for development of an in-state natural gas pipeline be "compatible but not competitive" with the project envisioned by Congress to bring North Slope gas to the larger North American market.

As the Alaska Gasline Development Corp. July 1 report stated, the larger pipeline project envisioned by Congress would likely bring natural gas to Fairbanks and Anchorage at "significantly lower cost" than the far smaller in-state project analyzed by AGDC. And, as ADGC stated, its project was never intended to compete with a large-diameter pipeline. In accordance with the mandate of House Bill 369, the smaller in-state project analyzed by AGDC is being developed "as a fallback."[1]

[1] AGDC Report, p. 3-12.

The report concludes that the in-state pipeline could conceivably be designed, financed and built by the private sector, but acknowledges that "in all probability [that] will not happen," at least not in the timeframe envisioned.

State involvement may be the answer, the report said. AGDC correctly notes that a larger state financial commitment to the project than the almost $400 million presumed in the report might be required to move the in-state gas line to actual construction. AGDC interviewed officials with 11 North American pipeline companies to get their opinions of the project. Without identifying who said what, AGDC reported the following comments:

- The state could demonstrate its faith in the project "by assuming some of the transportation commitment risk and backstop a shortfall in capacity if it exists after an open season." The report states that 20-year shipping commitments for 100 percent of the pipeline capacity will be needed to secure attractive financing.

- Acknowledging the risk that the actual pipeline costs could greatly exceed the planning estimates, the best way to mitigate the risk would be to develop a tariff structure that recovers all costs, including any overruns, from the pipeline users. Most of the pipeline companies said they would be reluctant to accept the risk of construction cost overruns, "and many expressed the opinion that the State of Alaska should participate through both a capital subsidy, if necessary, and through firm transportation bids of royalty gas to help guarantee capacity."

- "Most of the builder/owner/operators said that the State of Alaska needs to wholly subsidize the project development costs before a successful open season," the report said. (This is similar to the $500 million in cost reimbursement the state pledged to AGIA licensee TransCanada to help cover development costs of the larger pipeline.)

- The report also warns that more state financial involvement may be necessary: "It is important to note that preliminary feedback from potential builder/owner/operators indicates that their appetite for certain risks is very limited. If that feedback is confirmed through the process of selection and negotiation with a builder/owner/operator, then more state involvement will be necessary to complete the project."

The July AGDC report suggests that a backstop commitment by the state of up to $7.5 billion might necessary to move the in-state project forward.

You asked whether the Office of the Federal Coordinator had considered potential synergies between the TransCanada/ExxonMobil larger pipeline (AGIA) and the smaller in-state line (AGDC). More specifically, you asked if we could identify any financial means or other ways in which the state's efforts to meet the need for gas within Alaska could be combined with the state's concurrent efforts to promote a major pipeline into North American markets, thereby improving the odds of success for both.

The answer, hopefully, is yes. Alaska needs both projects, and both projects are linked by the same source of gas; the same daunting economic hurdles; and much of the same engineering, permitting, routing and timing issues. They are especially linked by the reality that each project makes the other one more economically and politically attractive to Alaska. The lowest-cost gas for Alaskans would come from tapping into the economies of scale of the larger pipeline. And the money to help pay for that in-state distribution system could come from the public revenues that would be earned from a large-volume pipeline taking Alaska gas to market.

The Federal Coordinator's office is sponsoring a public forum on the questions raised in your letter to help people look at the issue, consider the options and the benefits of state financial involvement in a gas line. The forum is scheduled for 5:30 to 7 p.m. Tuesday, Oct. 18, at the University of Alaska Anchorage Fine Arts Recital Hall. We have contracted with Gavel-to-Gavel for a live video stream on the web and later rebroadcast on statewide television.

We will have a report available at the forum, setting out the issues and presenting some options for Alaskans to consider.

I offer the services of our office to assist you and your colleagues and the governor as you work toward finding the best answer to Alaska's energy and fiscal future.

Sincerely,

Larry Persily
Federal Coordinator
Alaska Natural Gas Transportation Projects

ALASKA STATE LEGISLATURE

Session
State Capitol Building, Room 125
Juneau, Alaska 99801-1182
Phone (907) 465-2995
Fax (907) 465-6592

Interim
716 West Fourth Avenue, Suite 430
Anchorage, Alaska 99501
Phone (907) 269-0250
Fax (907) 269-0249

SENATOR LESIL MCGUIRE

August 9, 2011

Mr. Larry Persily
Office of the Federal Coordinator
Alaska Natural Gas Transportation Projects
1717 H Street NW, Suite 801
Washington, D.C. 20006

Dear Mr. Persily, Larry

Thank you for the work you have done to ensure federal cooperation and assistance for a large-diameter pipeline to move Alaska North Slope gas to Lower 48 markets. As you know, the Alaska Gasline Development Corporation (AGDC) recently released a plan for the Alaska Stand Alone Pipeline (ASAP) project which included preliminary cost estimates, financing alternatives and an assessment of environmental, market and technical issues for an in-state line. Over the next few months the Alaska State Legislature and the Governor will be reviewing this report and considering what, if any, actions need to be taken to further the project while, at the same time, working on the Alaska Pipeline Project (APP) licensed under the Alaska Gasline Inducement Act (AGIA).

As policymakers evaluate the ASAP report and continue to monitor progress on APP, there will be a tendency for some to continue to pitch one project against the other. Doing so ignores the cooperative operating environment in which both are currently being developed. I fear that if Alaskans characterize the projects as competing prospects we could miss opportunities to fully develop North Slope gas and thereby minimize the benefits of gas development to Alaskans and our nation.

As you are well aware, it was I who insisted on the inclusion of language that directed the AGDC to prepare a plan that was "compatible not competitive" with the AGIA project. I fought for this language because I felt that it was important to avoid costly litigation that could cause unnecessary delays for both projects and because I truly believe that the two efforts, if developed in concert, could complement each other and ensure gas deliveries to Alaskans and the Lower 48 states.

Has the Office of the Federal Coordinator (OFC) generally considered potential synergies between the APP and ASAP projects? More specifically, has your office identified or could you identify financial means or other ways in which the State of Alaska's efforts to meet the need for gas within Alaska could

ALASKA STATE LEGISLATURE

Session
State Capitol Building, Room 125
Juneau, Alaska 99801-1182
Phone (907) 465-2995
Fax (907) 465-6592

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Anchorage, Alaska 99501
Phone (907) 269-0250
Fax (907) 269-0249

SENATOR LESIL MCGUIRE

be combined with the state's concurrent efforts to promote a major pipeline into North American markets, thereby improving the odds of success for both?

Again, the Office of the Federal Coordinator has been an invaluable resource for Alaskans and I have greatly appreciated the public forums and educational opportunities you have provided for the public. Any information you could provide that could help Alaskans evaluate these projects in a holistic context would be greatly appreciated.

Thank you for your continued service.

Sincerely,

Alaska State Senator Lesil McGuire

Senator.Lesil.McGuire@legis.state.ak.us

Tom Wright

From: Joe Dubler <jdubler@ahfc.us>
Sent: Friday, September 23, 2011 11:43 AM
To: Tom Wright
Cc: Dan Fauske; Michael Rocereta; Daryl Kleppin
Subject: Response to ANGDA Cook Inlet Alternatives email

Tom,
Our commercial guys have addressed the most glaring issues that we have with the data:

- In the ANGDA analysis, the only ASAP tariff which is correct is for the 500 mmscfd case. ANGDA estimated the ASAP tariffs for the 250 and 167 mmscfd cases. ANGDA doubled the 500 mmscfd ASAP tariff to get their estimated ASAP tariff for the 250 mmscfd case. Similarly, they tripled the 500 mmscfd ASAP tariff to get their estimated ASAP tariff for the 167 mmscfd case. These assumptions are considerably (~50%) higher than ASAP tariffs for the 250 mmscfd case. ASAP did not publish tariffs for a 167 mmscfd case. **Conclusion**: The ANGDA calculation of ASAP CI natural gas prices for the 250 and 167 mmscfd cases are significantly overstated.
- For the LNG import from Canada, ANGDA used "proprietary estimates" for LNG plants, shipping, etc. which seem low and AGDC has no way of validating. Similarly, for LNG import from the North Slope ANGDA used "order of magnitude" costs estimates which (according to the AACE methodology) have significant uncertainty (-50% to +200%). This makes any detailed comparisons using their pricing highly speculative. Note: the Sahkalin LNG import gas price appears reasonable.
- ANGDA also compares an ASAP "bullet line" tariff to the spur line tariffs from Glenallen and Delta Junction. These comparisons are not relevant. AGDC acknowledges that, if you built a big gas pipeline to Valdez or Alberta, ASAP would become a spur line and the tariffs would be significantly lower.
- Not sure of the reference to the heating cost/value of white birch. This not a realistic option for supplying power and heat to the majority of Alaska residents.

Let me know if you need anything else.

Joe Dubler | Alaska Gasline Development Corp | 907.277.4475 phone | 907.277.4484 fax

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ALASKA NATURAL GAS
TRANSPORTATION PROJECTS
OFFICE OF THE FEDERAL COORDINATOR

State fiscal options to help move Alaska gas

The goal of this paper is to ask: What could the state do to help the economics of a large-volume natural gas pipeline from the North Slope to out-of-state markets, combined with a smaller in-state line to serve Alaska's energy needs? And should the state do anything? We identify several fiscal options, but do not suggest these are the only ones that might help put a gas pipeline into Alaska's future.

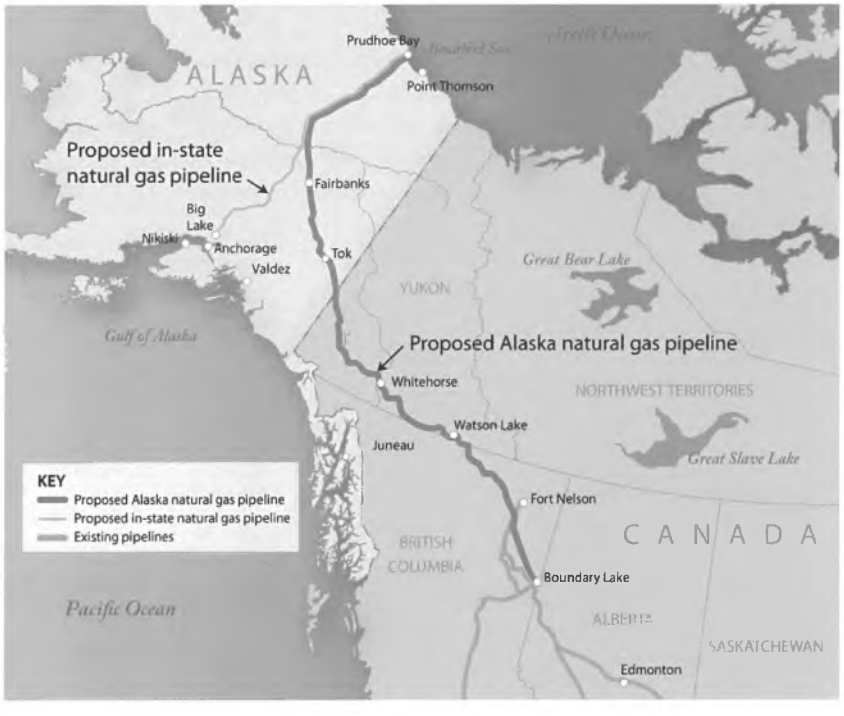
The rewards of state financial involvement with any Alaska gas delivery system could be large: Public revenue from selling the state's stranded gas resources, jobs for Alaskans, and long-lasting low natural gas prices for Alaska homeowners, businesses and utilities thanks to the economies of scale that will greatly reduce transportation costs to in-state markets.[1] Moreover, entry to the worldwide market for North Slope gas promises to improve oil and gas exploration economics and prolong the life of the trans-Alaska oil pipeline.

Certainly, stability of gas supply for Alaskans is essential for any project, especially one with state dollars invested. Southcentral residents and businesses worry that Cook Inlet production could fall short of meeting local needs in the years ahead, and Fairbanks would love to see affordable gas break the economic stranglehold that costly diesel has on its economy. Those concerns have prompted renewed interest in a smaller in-state line to meet local needs if a big pipeline is not going to happen.

While the Alaska Gasline Inducement Act (AGIA) of 2007, which is helping to partially fund development expenses for the larger pipeline to out-of-state markets, requires off-take points along the line for Alaska deliveries, it does not create or fund any mechanism to build and operate a spur line(s) for in-state distribution. The Alaska Gasline Development Corp. (AGDC), created by House Bill 369 in 2010 and partially funded for its initial project development costs, could fill that role if the Legislature and governor so choose.

There would be benefits to planning an out-of-state line and in-state spur to coincide with the same

ALASKA GAS PIPELINE PROJECTS



[1] The July 2011 report by the Alaska Gasline Development Corp. analyzing an in-state pipeline estimated the gas treatment plant and pipeline tariff at $5.63 per million Btu, assuming there are customers for 100 percent of the gas. Because of economies of scale, the tariff on the much larger TransCanada/ExxonMobil project, for example, would be less than half that amount to pipe gas to Fairbanks. The bigger project would require a spur line to serve Southcentral, so the tariff to move gas to Anchorage would be higher than the cost to the Fairbanks area, but likely still less than $5.63.

in-service date. Construction and mobilization efforts could be coordinated, along with scheduling and labor needs. Perhaps more importantly, decisions on the two lines are linked politically and economically for the state.

But could coordinated state assistance get both a large gas line and an in-state delivery system built? A detailed examination of economics, markets and financing strategies would be useful if the state wants to seriously consider its options.

However, there are risks to state financial participation. This background paper identifies some of the risks associated with selected approaches the state could take to help move North Slope gas to Alaska consumers *and* key out-of-state markets, but it does not identify every risk or every potential reward. Markets create their own uncertainties. For example, companies spent almost $10 billion in the past decade building or expanding liquefied natural gas import terminals at U.S. ports because they thought the nation was running short of gas. They guessed wrong.

Federal encouragements

If the state of Alaska decides to provide further assistance with a gas pipeline, it will find itself aligned with federal policy.

Congress, through passage of the Alaska Natural Gas Pipeline Act of 2004 and other legislation, committed the federal government to assist an Alaska gas line project. The 2004 legislation created the Office of Federal Coordinator to oversee federal agency permitting, and also set out an expedited schedule for the Federal Energy Regulatory Commission to prepare the project's environmental impact statement.

In addition, Congress has:

- Authorized a federal loan guarantee to cover much of the project debt (up to $21 billion, as of 2011), which would reduce the cost of borrowing for construction, thereby reducing the debt service payments and pipeline tariff. A lower tariff means a higher "netback" value for the gas as it leaves the ground at North Slope fields, providing more revenue for the producers and the state.
- Provided for accelerated tax depreciation for the pipeline in Alaska, allowing the owners a faster payback on their huge upfront construction cost. Based on current cost estimates for the more than 700 miles of pipe in Alaska, the tax break could reduce the pipeline tariff by an estimated 6 cents per thousand cubic feet (mcf).
- Granted a tax credit for the Prudhoe Bay gas treatment plant, projected by TransCanada/ ExxonMobil to cost as much as $12 billion. The credit could reduce the estimated tariff by 11 cents per mcf.

Assuming the accelerated depreciation and gas treatment plant tax credit reduce the tariff by 17 cents, and adding in the potential savings from a $21 billion federal loan guarantee (estimated at 10 cents to 15 cents per mcf), the reduction in shipping costs from the federal incentives could total $450 million to $550 million a year (close to a 10 percent savings on shipping costs). The tax incentives and loan guarantee, however, are available only for a project that serves U.S. Lower 48 markets.

Alaska paradox: Robust finances, precarious economy

If Alaska wasn't so wealthy, the resources to invest in or assist with a gas line wouldn't be available, and this discussion would be of little more than academic interest.

No state in the union, and only a few sovereign nations, can boast the per-capita financial assets accumulated by Alaska. As of June 30, 2011, the state held $55.5 billion (over $78,000 for every resident) in the Alaska Permanent Fund, Constitutional Budget Reserve Fund and other savings accounts. If Alaska truly wants a gas line(s) to become a reality, it likely has the means to help make it so.

Living on the economic edge

A recent study by Scott Goldsmith of the University of Alaska Anchorage Institute of Social and Economic Research found that half of all Alaska jobs are due to a single industry — petroleum — either directly from that industry or through state outlays financed by petroleum royalties and taxes.[2] North Slope oil

[2] Scott Goldsmith, "Alaska's Petroleum Industry: Transformative, But is it Sustainable?" Presentation sponsored by Northrim Bank, Anchorage, April 2011.

production peaked at 2 million barrels per day in fiscal year 1988 and since then has declined every year but one. Between FY 2009 and 2010, output dropped 7 percent. There is little evidence to suggest the trend will soon reverse.

The state has been protected from the economic effects of this decline by rising oil prices, which as of Oct. 12 stood at $110 per barrel for North Slope crude. However, many Alaskans remember that as recently as December 1998 Alaska oil briefly sold below $9 per barrel. The unbalanced and precarious oil-dependent state of Alaska's economy lends urgency to the discussion of what the state might do to sustain the economy, monetize the stranded gas assets on the North Slope and help lower energy costs for a significant share of residents.

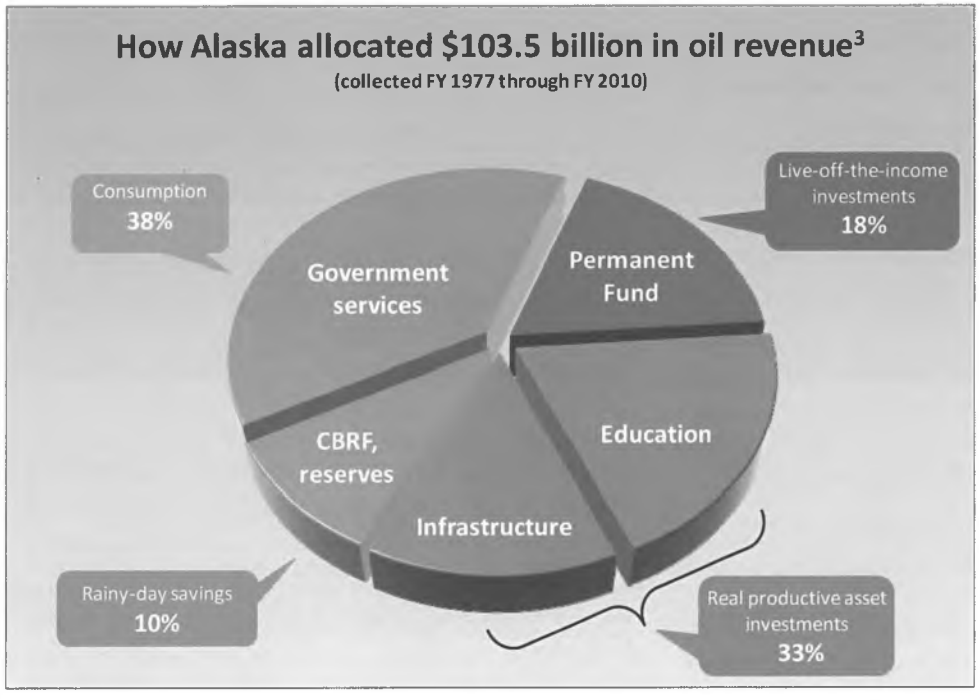
Finding the right balance

There are three distinct ways any individual or organization can use savings to help secure its economic future:

- Live-off-the-income: Put the savings in financial investments with the goal of eventually living wholly or partially off the earnings.
- Rainy-day savings: Place the money in safe, short-term investments to cover emergencies or budget shortfalls.
- Invest in real productive assets: Put the savings in non-financial investments that increase future productivity. For Alaska, these include transportation (roads, ports, harbors and airports), energy projects, other infrastructure, education and job training.

The first two kinds of investments usually go out of state. The third generates real assets in Alaska.

How to deploy the state's billions in financial assets has been a continuing issue for Alaskans. Since 1977, when North Slope crude first flowed down the trans-Alaska pipeline, the state has collected $103.5 billion in oil revenue. About 62 percent has been saved or invested. But as the chart shows, only 33 percent ($34.5 billion) was invested in productive assets including infrastructure and education. Thirty-eight percent was neither saved nor invested; it has been consumed in the form of government services. Eighteen percent has been channeled into the Alaska Permanent Fund, where it supports the state's unique and hugely popular live-off-the-income program, the Permanent Fund dividend. And 10 percent has been allocated to three "rainy-day" accounts, including $10.3 billion in the Constitutional Budget Reserve Fund.



[3] This chart was prepared by Gregg Erickson based on published data from the Alaska Department of Revenue (DOR), Legislative Finance Division (LFD) and the Alaska Permanent Fund Corp. (APFC). Small discrepancies in additive subtotals are due to rounding.

DOR data shows the state received $103.5 billion from oil. The infrastructure investment total ($14.2 billion) is from LFD's historical general fund capital budget data series, plus an estimated $3 billion appropriated to capitalize the Alaska Housing Finance Corp., Alaska Industrial Development and Export Authority and other smaller endowments. Permanent Fund investment income and other investment earnings on oil revenue are not included.

Education investment of $20.4 billion was calculated as a percentage of total general fund operating spending as compiled by LFD to approximate spending through the Department of Education and University of Alaska.

Options for state fiscal assistance to a gas line

The options discussed here were chosen to illustrate broad categories of approaches the state could take to financially assist with a gas pipeline project(s). No development means no revenue and no public benefits for Alaska, so state financial assistance leading to a pipeline that otherwise wouldn't be built is a plus.

1. Provide direct subsidies

The direct-subsidy model familiar to Alaskans is the 2007 Alaska Gasline Inducement Act (AGIA). Under AGIA, the state established a list of "must-have" conditions for a pipeline developer. These included the licensee's acceptance of financing and rate-setting methodologies to produce lower tariffs, a commitment to expand pipeline capacity as needed, adoption of local-hire policies, the opportunity for in-state delivery of gas at reasonable costs, and acceptance of a timeline for submitting a project application to the Federal Energy Regulatory Commission (FERC).

In return, the state agreed to provide the AGIA licensee up to $500 million to help offset the developer's initial design and permitting costs. The state awarded the license to TransCanada in 2008. As part of the deal, TransCanada agreed to submit a project application to FERC by October 2012. If FERC determines that the application is complete, federal law requires a decision by the commission late summer 2014.

By making the subsidy available early in the development process, when risks are highest and potential payouts are the most distant, the state's $500 million provides a clear benefit to project economics. Another advantage is that the state knows from the outset the maximum size of its financial commitment.

This design and permitting subsidy, while moving the project ahead in the risky, early years when it lacks contracted customers, is only one piece of the puzzle to lock in a gas line. The AGIA subsidy will get you a building permit for the pipeline, but without customers and financing there will be no pipeline.

ExxonMobil in 2009 signed up as a partner on the project, and in 2010 TransCanada/ExxonMobil held an open season to solicit bids from potential customers. Though the developer received several bids, it has yet to announce any signed shipping deals on a pipeline to move 4.5 billion cubic feet of gas per day into North America markets.

It appears the AGIA subsidy, by itself, is insufficient to make the gas line a reality. The project is high-centered, waiting for a push from the market and maybe the state to move it forward.

The state could build on the AGIA model by offering a substantial direct subsidy in return for further commitments by the licensee, including commitments to proceed to actual construction. But this could prove very costly to the state, in that it's likely any pipeline developer would require significant sums of state dollars to start ordering steel pipe for a project lacking enough shippers to pay the mortgage. And though a bold move, a direct state cash subsidy cannot change market economics or guarantee the state a positive return on its money.

2. Make equity investment

The state agency created and directed by the Legislature in 2010 to develop a plan for a smaller in-state gas line recommended in its July 2011 report that state ownership of the project would produce the lowest tariffs for moving gas down the line. The Alaska Gasline Development Corp. ran the numbers assuming the state would borrow 100 percent of the estimated $7.5 billion needed for construction. The cost of borrowing money using the state's solid credit rating would be less than what a private owner would expect for a return on its equity investment in the project. Lower cost of capital means a lower tariff. The AGDC analysis calculated that state borrowing to pay the entire in-state pipeline project cost could drop the tariff at least 25 percent from the cost of private ownership — and maybe more if the Internal Revenue Service agreed to let the Alaska Railroad Corp. issue tax-exempt bonds for the project.

But there are risks to the state. Adding the gas line debt to the state's existing debt "would make Alaska's percentage of debt compared to gross domestic product three times any other state," the AGDC report said.[4] State financing of the project "may result in a downgrade of the state's (credit) ratings, depending on the rating agencies' views of the risks and reliability" that pipeline revenues could cover the bond payments, the report added. A downgrade would boost the cost of

[4] Alaska Gasline Development Corp., "Alaska Stand-Alone Gas Pipeline Project Plan," July 1, 2011, pages 4-10.

future borrowing not just for the state, but for school districts and municipalities, too. And borrowing so much money could hinder the state's ability to borrow for other needs in the years ahead, such as for schools or roads. AGDC in its report acknowledged those risks and said it would strive to convince rating agencies that the state could handle the debt.

Another risk would be if tariff revenues were insufficient to cover the pipeline debt payments and operating expenses. If that happened, the state would be liable to cover any shortfall.

The costs of such a potential subsidy are significant. If the state is ready to take such a $7-billion-plus financing risk for the small pipeline, it is worth considering the potential of incurring the same size risk to assist a much larger line to serve out-of-state markets *and* the smaller spur line moving what is needed to meet Alaska's needs. The public benefits of marrying large-pipeline economies of scale and a spur pipeline supplying in-state needs would be gas delivered to Alaskans at the lowest cost while also producing much greater tax and royalty revenue. Under the state's existing tax and royalty structure, public revenues would be **seven times higher** under such a combination than from a stand-alone, smaller in-state gas line.

There also are questions with even partial state ownership of a gas line: Is it a conflict for the state to be both an owner and a regulator? Would politics interfere with pipeline business decisions? Worth asking and worthy of debate.

3. Defer or amend property taxes

The most straightforward of pipeline incentives, and one often discussed in the past, would be to defer or eliminate the substantial property taxes assessed on the project during construction. Property taxes are estimated at $1.1 billion (2010 dollars) during the years of construction, before the pipeline generates any revenue. In addition, under the current property tax structure, construction cost overruns will add to the tax bill — adding up to more cash outflow for shippers.

Past proposals were designed to help project economics by eliminating the heavy front-end loading effect of the state's property tax structure. Because property taxes are paid through the pipeline tariff, any property tax relief will benefit shippers and boost the value of the gas. That's a plus for the project, which needs to attract shippers. Most property tax revenue goes to municipalities, however, so the state likely would need to consider providing offsetting aid to municipalities to cover their actual costs of public services during construction.[5]

In addition to considering tax deferrals during construction, the state could look for a solution to annual battles over what is the taxable value of the pipeline — battles that have consumed millions of dollars and decades of legal fights over the taxable value of the trans-Alaska oil pipeline. For example, rather than assessing the replacement cost or depreciated value of the gas line each year, the state could look at assessing property taxes on the basis of flow down the line. Less flow, less value, less in taxes; or, as long as the line stays full, the taxes stay full, too (perhaps with an inflation escalator). Under the current system, even if the line stays full it would drop in value over the years, knocking down municipal property tax revenues.

4. Defer production taxes

Besides taxing the actual pipeline's value, the state levies taxes on gas production. The state take from its current profits-based production tax on natural gas is expected to be lower than its tax revenue from oil — natural gas is less profitable per Btu than crude oil, after deducting transportation costs. But the

State options

1. Provide direct subsidies
2. Make equity investment
3. Defer or amend property taxes
4. Defer production taxes
5. Modify rules on royalty switching
6. Add to federal loan guarantee
7. Finance construction overruns
8. Take share of shipping commitments

[5] See Information Insights Inc., "*Stranded Gas Development Act Municipal Impact Analysis.*" Prepared for the *Alaska* Department of Revenue, November 2004.

production tax on gas still would be significant for a 4.5 bcf/day pipeline (hundreds of millions of dollars a year, or even a billion-plus, depending on gas prices) and, in fact, would exceed the state's royalty take from gas production. The major North Slope producers, even if they do not own the pipeline, would provide the financing through the tariff they would pay for moving their gas down the line. Any deferral of production taxes during the early years of the project would allow the producers quicker recovery of their investment, thereby lessening their risk if gas prices are depressed at the outset of deliveries. Less risk makes a project more attractive to them. Similarly, back-end loading of tax rates would allow the companies to recover their investment in the early years, with the state waiting for its bigger payday in later years. If the state expects to be cash rich with oil dollars when the gas line starts flowing, Alaska may be in a good position to defer its gas production tax receipts until later.

5. Modify rules on royalty switching

Royalty rates and terms are set by contract when a company and the state sign an oil and gas lease. One term that producers have expressed concerns about is the state's ability to switch frequently and with short notice between taking its royalty share of production in kind (actual ownership of the gas) or in value (letting the producer sell the gas and send a check to the state). The producers believe that could create problems if pipeline capacity does not accompany the switch. They worry that they, as pipeline capacity holders, might not have gas to move when a switch occurs or, alternatively, that they could have state royalty gas to move but lack sufficient capacity rights to transport the gas. This is addressed, in part, in the Alaska Gasline Inducement Act, but may require further consideration to reduce the misalignment risk to producers, which could mean the state taking on some of the risk — trying to lessen the risk to investors to entice them to commit to the project.

6. Add to federal loan guarantee

Congress in 2004 authorized an $18 billion loan guarantee for an out-of-state line. Indexed for inflation to 2011, that guarantee could backstop almost $21 billion of debt.[6] Back in 2004, the amount looked adequate to cover the entire amount a pipeline owner would borrow for construction. That no longer is the case. The pipeline's estimated cost has escalated, and now the guarantee might cover just two-thirds of the debt.

An additional loan guarantee by the state could raise the total to cover the higher construction cost estimate. Whether that would make *the* difference, given the unfavorable gas market, is not clear. But it would further lessen the risk to investors and lower the pipeline tariff, making the project more attractive to shippers and the gas more valuable to the state.

7. Finance construction overruns

Cost-overrun financing by the state (such as a "soft-second" mortgage) is another option.

The risk of construction overruns on such a massive project is real, and the threat to project economics is just as real. The profit left for producers after paying transportation costs could be thin, especially in the early years. Adding the cost of construction overruns to the initial tariff would hurt, and that worries the companies that must sign 20-year binding contracts to ship gas down the line regardless of market conditions.

The problem of paying for potential overruns has hung over a North Slope gas line for decades. One option would be for the state to step in and offer financing to cover some or all of any overruns, structuring the debt to be repaid only after the first lenders are paid (much like a soft-second mortgage on a home gets repaid only after the homeowner pays off the first mortgage, thereby avoiding two payments at the same time). While such a financing plan would stretch out debt payments on the project, that may be preferable to crushing debt payments in the early years. The state could lend money directly for the construction costs, or guarantee the debt taken on by other lenders.

8. Take share of shipping commitments

Signing a firm transportation shipping commitment is another option for the state.

Open seasons, like the one held last year by TransCanada/ExxonMobil, are designed to elicit interest from potential gas shippers that would later commit to firm transportation shipping contracts.

[6] Bill White, "Federal loan guarantee helps pipeline finances," Office of the Federal Coordinator, May 22, 2011. http://www.arcticgas.gov/federal-loan-guarantee-helps-pipeline-finances

Under the contracts, the shipper commits to pay the tariff regardless whether it ships the gas or can sell it downstream for enough to cover the tariff and other costs. The shipping contract is a key element in assuring lenders that their money will be paid back even if market conditions or gas supplies don't materialize as expected.

As a royalty owner of approximately one-eighth of North Slope gas, and as the recipient of production tax revenue, the state could consider taking its royalty gas in kind and also taking its production tax in kind (instead of a check from the producers) and signing shipping commitments equal to its share of the gas flow. This would clearly transfer risk (commodity price and project cost-overrun risk) from the producers to the state. How big a risk would the state be taking if it did that, and could such a commitment make a difference in getting a line built? The answers are unknown at this time, but it would boost the producers' expected rate of return by lowering their liability for having to cover all of the shipping costs. That could help tip the balance on a pipeline.

ALASKA PipelineProject

TransCanada ExxonMobil

ALASKA GASLINE DEVELOPMENT CORP. GAS FOR ALASKANS

Alaska Gasline PORT AUTHORITY

Issues of risk

Given the longstanding concern over the state's unbalanced and unsustainable economy, why hasn't Alaska chosen to invest more of its oil revenue in long-term, productive assets to take up the slack when the state feels the pinch from declining oil? The question is important because the risks of shifting resources to infrastructure and the historical impediments to making such a shift are likely to come up as Alaskans consider whether to provide state assistance to a gas line.

Competition for state funds

A decision to assist a gas line will mean less money is available for other state spending. But many constituencies that depend on state funding worry that throttled-down state spending is imminent anyway, caused by declining oil production. Other big infrastructure projects also could compete with a gas line for state financial assistance. For example, supporters of state assistance for the proposed Kink Arm crossing want the state to guarantee funding that would enable private investors to meet bond payments even if toll revenues fall short of expectations.

Some recipients of state money are likely to view even a highly contingent, potential future commitment of state gas line assistance as a potential threat to their funding — the state has only so much cash and credit to go around.

Doubts about success

Is there any assurance that state assistance will achieve its intended result? Critics of the state's promise to provide assistance to TransCanada under AGIA say the project is uneconomic and assert that reimbursing TransCanada for the remainder of the state's $500 million obligation won't be enough to get the project built. Why throw more money at the project when there is no hope, they say.

The honest answer is that no such assurance is possible. This concern can be allayed if the assistance is structured so that potential costs to the state come late in the project, after major risks are past. Unfortunately, state assistance is likely to have the greatest leverage on a project if it comes early, when risks are greatest.

Doubts about need

Underlying the doubts about success are doubts about need. The current abundance of shale gas in North American markets and the significant build-up of new liquefaction projects to serve the Asia-Pacific LNG market suggest that conditions in 2011 are not favorable for an immediate project commitment on a $30 billion to $50 billion capital investment. However, any number of plausible developments could quickly and substantially improve the economic prospects for a gas line project.

Doubts about the need for assistance can be allayed, however, if the state financial involvement — be it a loan, loan guarantee, equity investment or tax deferral

— includes contingent provisions to recapture the value of state assistance. The owners profit, the state profits, and everyone should try to live happily ever after.

Regional balance

State assistance, if successful in getting the project(s) built, would add a stream of natural gas revenue to the state treasury, improve the prospect for finding additional oil and gas resources, and likely prolong the life of the trans-Alaska oil pipeline. These outcomes benefit every state resident more or less equally, but other benefits, including reduced energy costs and construction employment, would be concentrated in areas along the pipeline route. Achieving political and popular consensus on state assistance may require inducements, such as investments for regions distant from the pipeline project.

Bill Egan, the state's first governor, proposed creation of a state ferry system principally to serve the Southeast Panhandle, but he was careful build support for this idea by linking it to a proposal for a smaller ferry system to serve Southcentral ports and, most importantly, for the state's first four-lane, limited-access freeways to reduce traffic congestion in Anchorage and Fairbanks.

Why is it important?

Alaska is in the envious position of having the cash and solid credit rating that other states — and the federal government — lack. Congress likely has done all it will do to help the gas line, and it's not surprising that even global oil and gas companies are hesitant about signing binding contracts that put them on the collective hook to pay $150 billion or more to ship gas 10, 20, 30 years into the future when natural gas prices are unpredictable.

Accepting the premise that a large out-of-state natural gas pipeline and an in-state line would be good for Alaska, the question is: Can the state help make it happen and, if so, what could the state do to help?

The best answer would be state financial participation that tips the scale toward construction of a large gas line out of state along with an in-state delivery system to help meet Alaskans' energy needs for decades to come.

For more information, please visit our website: www.arcticgas.gov

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Anchorage, AK 99503
(907) 271-5209

Compare Bullet Line To Spur Line

Cook Inlet Retail Gas Price --- $/mmbtu in 2011 dollars

In-State Flowrate (mmscfpd)	ASAP Bullet Line and Alberta Line ($/mmbtu)	Spur Off Alberta Line @ Delta Junction ($/mmbtu)	Spur Off Valdez Line @ Glennallen ($/mmbtu)
500	$12.61	$10.35	$11.13
250	$16.82	$11.66	$11.70
167	$21.03	$12.95	$12.27

Netbacks from Alberta and Korea @ WTI = $80/bbl

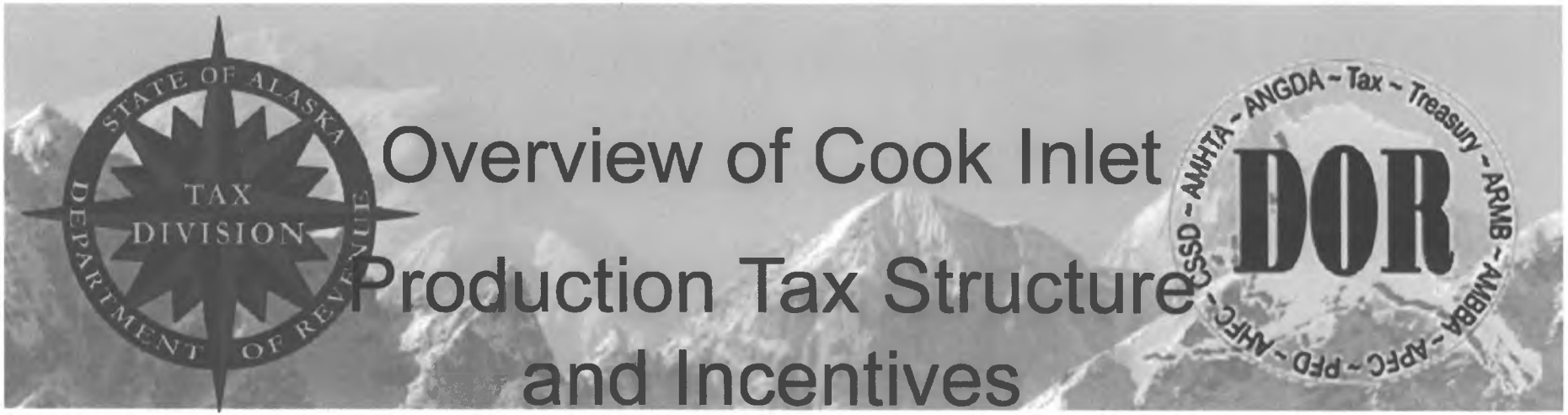
Compare Bullet Line To LNG Import

Cook Inlet Retail Gas Price --- $/mmbtu in 2011 dollars

ASAP Flowrate (mmscfpd)	AGDC Assumed $2/mmbtu @ Wellhead ($/mmbtu)	July 2011 Wellhead of $5/mmbtu ($/mmbtu)	Royalty Settlement Formula For Gas @ ANS = $100/bbl ($/mmbtu)	Pacific LNG Delivered Into Cook Inlet @ WTI = $80/bbl ($/mmbtu)
500	$9.63	$12.63	$12.27	$14.54
250	$15.26	$18.26	$17.90	$14.54
167	$20.89	$23.89	$23.53	$14.54

Avg CI Gas = $8.85/mmbtu *CI Gas Pricing Formulas = $10.00/mmbtu*

White Birch = $12.32/mmbtu *Fuel Oil = $25.81/mmbtu*



Presentation to the
Senate Resources Committee
October 20, 2011
Alaska Department of Revenue

Cook Inlet Production Tax Structure

- **Production Tax is lower of ACES and ELF**
  - **ELF ceiling limits production tax liability**
  - **ELF on oil production is zero, so no production tax paid on oil**
  - **ELF ceiling generally limits tax on gas to an average of $0.177 per mcf**

Sample Tax Calculation on Cook Inlet Gas

ACES TAX CALCULATION	
Taxable mcf/day	20,000
Days per month	30
Total taxable mcf	600,000
Wellhead value in $/mcf	$5
Wellhead value in $/month	$3,000,000
Total opex	$125,000
Total capex	$20,000
Production tax value (PTV)	$2,855,000
Taxable gas in BTU eq barrels	100,000
PTV per BTU eq barrel	$28.6
Base tax rate	25%
Progressive tax rate	0
ACES tax before credits	**$713,750**

ELF TAX CEILING CALCULATION	
Taxable mcf/day	20,000
Days per month	30
Total taxable mcf	600,000
ELF tax limit per mcf	$0.177
ELF tax ceiling	**$106,200**

Production Tax Payable is Lower of ACES tax and ELF tax ceiling - ELF Tax ceiling provides tax benefit of more than $600,000!!

Cook Inlet Oil and Gas Incentives

- **Production Tax Credits**
  - **Qualified capital expenditure credit**
  - **Carry-forward loss credit**
  - **Well lease expenditure credit**
  - **Small Producer credit**
  - **Alternative credit for exploration**
  - **Jack-up rig credit**
  - **Gas storage facility credit**

Cook Inlet Oil and Gas Incentives

- **Credits under AS 43.55.023**
  - **Section (a)(1) 20% credit for qualified capital expenditures (excluding well lease expenditures)**
  - **Section (a)(2) 20% for qualified capital expenditures (except for well lease expenditures) incurred in connection with G&G exploration or exploration well, requires data**
  - **Section (b) 25% carried forward annual loss credit.**

Cook Inlet Oil and Gas Incentives

- **Credits under AS 43.55.023 (cont'd)**
  - **Section (l)(1) 40% credit for well lease expenditures which are intangible drilling costs.**
  - **Section (l)(2) 40% for well lease expenditures incurred in connection with G&G exploration or exploration well**

Cook Inlet Oil and Gas Incentives

- **Credits under AS 43.55.024**
  - **Section (c) Small Producer Credit**
  - **Up to $12 million based on average daily production.**
  - **Production under 50 mbd, eligible for 100% pro-rated to zero from 50 to 100 mbd.**
  - **Credit can only be applied against tax liability.**
  - **Cannot be carried forward**

Cook Inlet Oil and Gas Incentives

- **Credits under AS 43.55.025**
  - **Alternative tax credit for oil and gas exploration commonly referred to as "Exploration tax Credit"**
  - **30% or 40% credit for G&G exploration or drilling an exploration well based on certain conditions**
  - **Requires data be given to DNR**

Cook Inlet Oil and Gas Incentives

- **Credits under AS 43.55.025**
  - **Section (l) Cook inlet Jack-up Rig credit**
  - **Eligible to the first three unaffiliated persons using the same jack-up rig that drill an offshore exploration well**
  - **Credit of 100% / 90% / 80% respectively of up to $25 million of exploration expenditures**
  - **50% of credit to be repaid if exploration activity credited results in sustained production**

Cook Inlet Oil and Gas Incentives

- **Credits under AS 43.20.046**
  - **Cook Inlet Gas Storage credit applicable against the State Corporate Income Tax**
  - **Credit equal to $1.50 per mcf of working gas storage capacity up to lesser of $15 million or 25% of start-up**
  - **Storage facility must have working gas storage capacity of at least 500 million cubic feet and withdrawal capacity of 10 million cubic feet per day**

Overview of Cook Inlet Production Tax Structure and Incentives

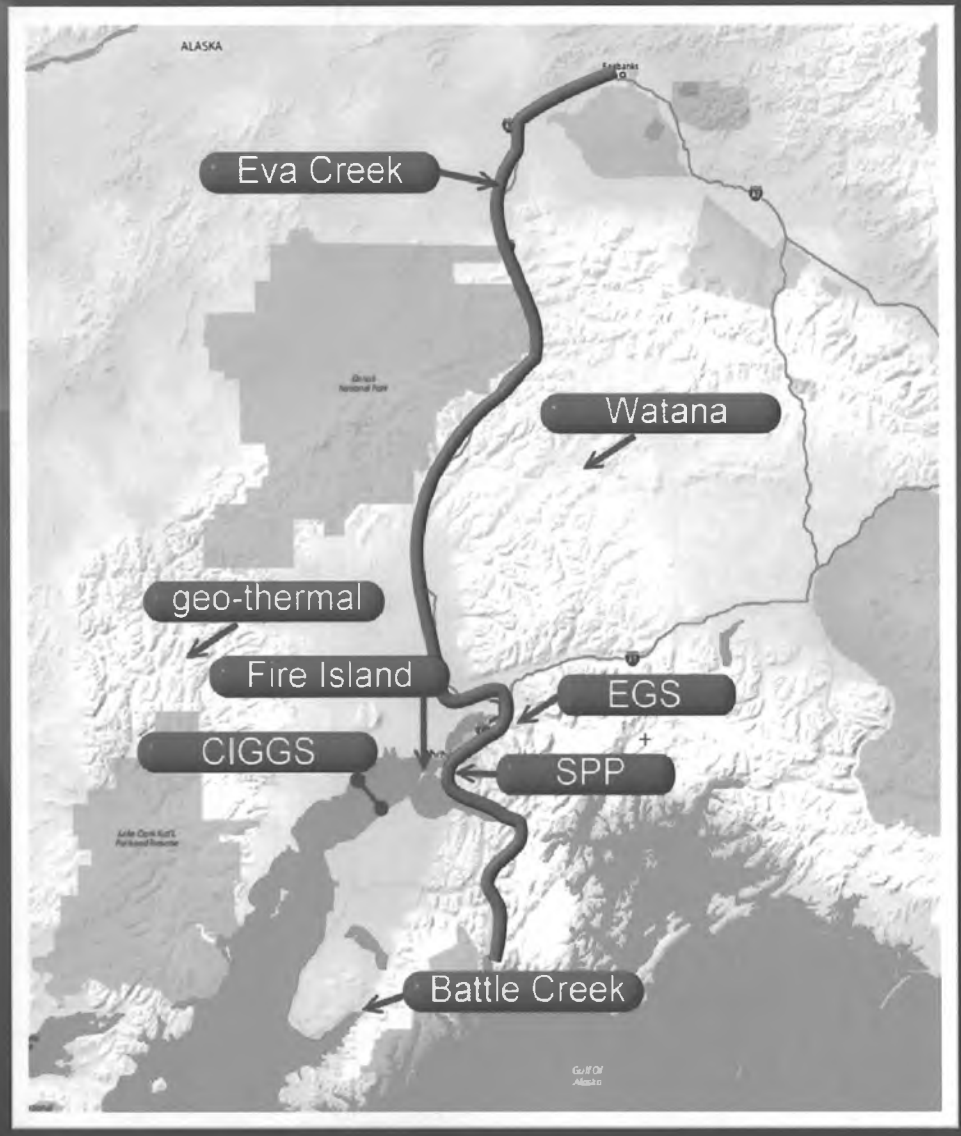
Questions?

ARCTEC UPDATE

Joe Griffith, President, ARCTEC
October 20, 2011

Railbelt Energy Plan

- Southcentral Power Project
- Eklutna Generation Station
- Battle Creek
- Tx projects
- Geo thermal
- Wind
  - Fire Island
  - Eva Creek
- CIGGS remodel
- LNG import/N. Slope
- Watana hydro



Working Together In The Railbelt

- ARCTEC
- Intertie Management Committee
- Alaska Energy Authority
- Bradley Lake Project Management Committee
- Eklutna Operating Committee
- Alaska Intertie Agreement
- Legislative efforts
- Independent gas explorers
- Enstar
  - Cook Inlet Natural Gas Storage Alaska
- LNG importation
- Crisis plans & exercises

ARCTEC
ALASKA RAILBELT COOPERATIVE TRANSMISSION & ELECTRIC COMPANY

Fuel Situation Alternatives

- Cook Inlet exploration
- AGIA spur
- Bullet line
- LNG import, foreign or N. Slope supply
- Propane
- Diesel – last resort

ARCTEC
ALASKA RAILBELT COOPERATIVE TRANSMISSION & ELECTRIC COMPANY

Gas Situation – Electric Utility Viewpoint

- Important to our members
  - Our members take the hit
  - Gas Shortage = rolling blackouts
  - Electricity runs everything
    - Grease for the economy
    - Heat for businesses and homes
    - Gas station fuel pumps (no fuel for generators)
    - Traffic control
    - Communication systems
    - And so much more…

ARCTEC
ALASKA RAILBELT COOPERATIVE TRANSMISSION & ELECTRIC COMPANY

Gas Situation – Electric Utility Viewpoint

- Challenge different than that of Enstar
- A quick solution is needed
- Can't wait on $7-$10B ASAP line
  - Without export – Electrics and Enstar are the market
- Cook Inlet supply preferred
  - We need to drill
  - Permits must be issued
  - Least expensive option
- LNG importation will happen

ARCTEC
ALASKA RAILBELT COOPERATIVE TRANSMISSION & ELECTRIC COMPANY

Fuel Situation

Comparison of Cook Inlet Retail Energy Prices ($/mmbtu)			
ASAP Flowrate (mmscfpd)	500	250	167
ASAP Bullet Line tariff	$9.63	$15.26	$20.89
Current Cook Inlet Gas Cost	$6.84		
Fuel Oil	$26.58		
White Birch ($250/cord)	$12.32		
LNG Import			
From Sakhalin	$16		
From Canada	$13 - $15		
From North Slope	$12		
$80/bbl WTI Oil Price Assumed For Comparison		*Heinze ANGDA 08/09/11*	

Questions & discussion

ARCTEC
ALASKA RAILBELT COOPERATIVE TRANSMISSION & ELECTRIC COMPANY

Alaska Senate Resources: Cook Inlet Meeting

October 20th, 2011

Marathon Oil

Marathon Oil – A Strong New E&P Company

Marathon has a rich history

1887

TODAY

Marathon Oil Corporation

- New Logo – Same Commitment to Safe, Clean, Responsible Operations
- Marathon E&P in Alaska since 1955 (Pre-Statehood)

Marathon Oil

Recent Positive Actions for Oil & Gas Development in CI

- Cook Inlet Tax Incentives
- RCA Process Improvements
- Regulatory Permitting Streamlining
- SE Alaska Gas Market Conditions

Marathon Oil

Current Activities & Investments

- Primary objective is meeting our contractual gas sales commitments
  - Requires high reliability of production
  - Firm plans for investment in maintenance and new equipment
- Recognize future opportunity to capture additional resource & sales
  - Plan to invest in existing well inventory
  - Plan to invest in new wells to test deeper and unproven targets
- Gas Storage
  - Investments in gas storage at our Kenai Gas Field since 2004
  - Plan to continue investing in and utilizing this asset

Marathon Oil

Other Investments

- People
  - > 90% of Alaska based staff are Alaskans
  - Current openings for several technical professionals
- Safety & Environmental
- Community
  - Continue active investment and engagement in our local community

Marathon Oil

ASAP Project Implications

- Need to Strike a Balance between 2 Key Objectives
  - Meet SE Alaska Energy Demand
  - Encourage a vibrant Cook Inlet (CI) Exploration & Production Environment
- Investment in Exploration & Development require Certainty of Market
- ASAP Implications / Uncertainties for CI E&P
  - Impact on current local consumption market (~90 BCF/yr)
    - Line requires long term gas sales contracts
    - These contracts could tie up all the un-contracted future local market
  - Will the small envisioned capacity of ASAP limit potential industrial gas market?
  - What impact will ASAP have in market price for gas in the CI?
  - A lack of a robust industrial gas market coupled with a tied-up local gas market will provide a low incentive for meaningful CI Natural Gas E&P investment

Marathon Oil

Apache

Introduction

APACHE CORPORATION

October 20, 2011

APACHE: STRONG AND INDEPENDENT

APACHE IS ONE THE LARGEST INDEPENDENT PRODUCERS WITH OPERATIONS IN SIX NATIONS ACROSS FIVE CONTINENTS

- YE 2010 proved reserves: 3 billion barrels of oil equivalent
- 1Q2011 production of 732,000 boe/day
- 4,500 employees worldwide
- US$45 billion market capitalization
- Member S&P 100, S&P 500
- No. 206 in Fortune 500

Apache

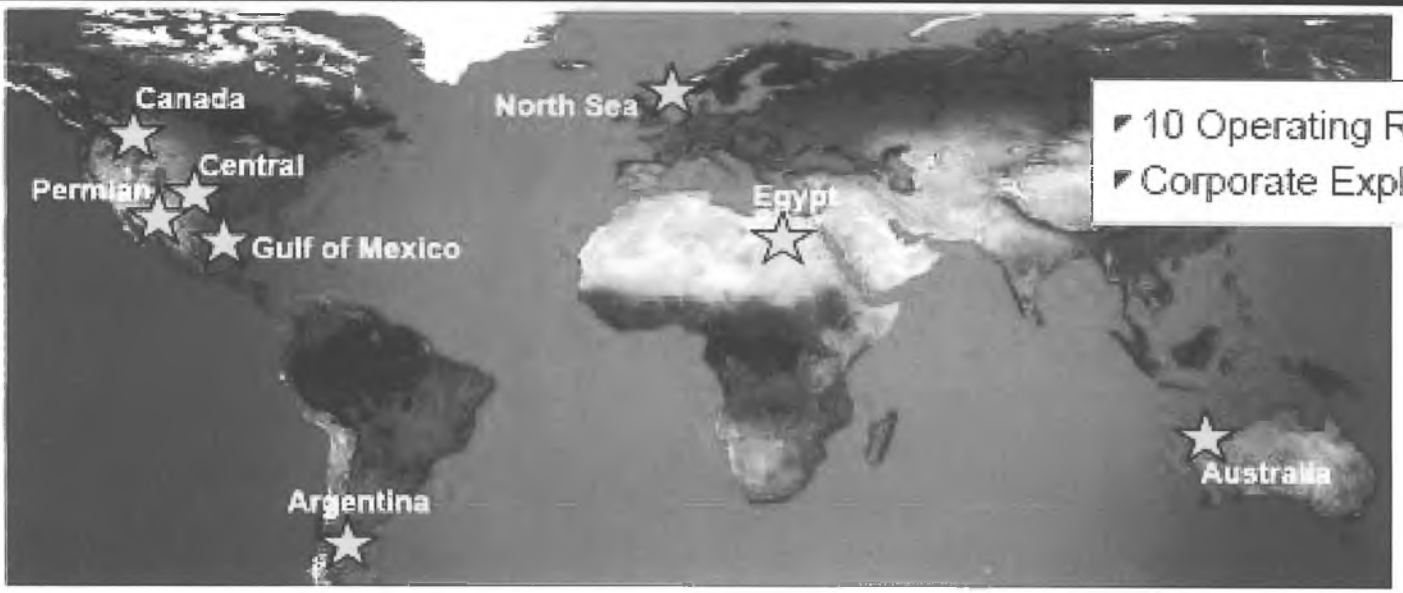
SIGNIFICANT POSITION IN EACH FOCUS AREA

- Largest producer in Egypt's Western Desert
- Apache-EnCana joint venture is largest producer in Canada's Horn River Basin
- 4th-largest producer in Gulf of Mexico; No. 1 in shallow water
- 2nd-largest producer in Texas
- 7th-largest in Argentina
- 3rd-largest in UK North Sea
- 3rd-largest in Australia's Carnarvon Basin

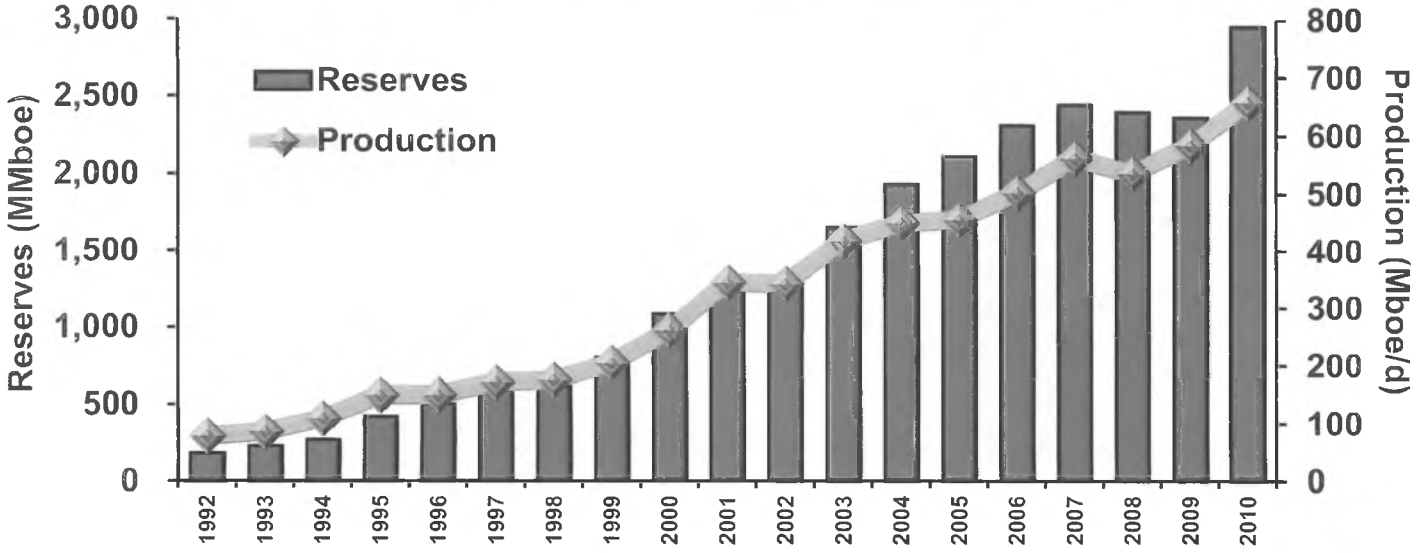
MISSION AND CORE STRATEGIES

- Apache's mission is to grow a profitable global exploration and production company in a safe and environmentally responsible manner for the long-term benefit of our shareholders
- Our core strategies support this mission:
  - *Portfolio of core areas that provide geological and geographical diversity and a balanced commodity mix*
  - *Decentralized decision-making with centralized management and incentive systems – reward performance*
  - *Specialized technical support for regional units*
  - *Global exploration group assessing potential new core areas*
  - *Conservative capital structure*
  - *Rate of return focus*
  - *Innovative, value-driven approach to growth opportunities*

Apache 56 Years of Growth

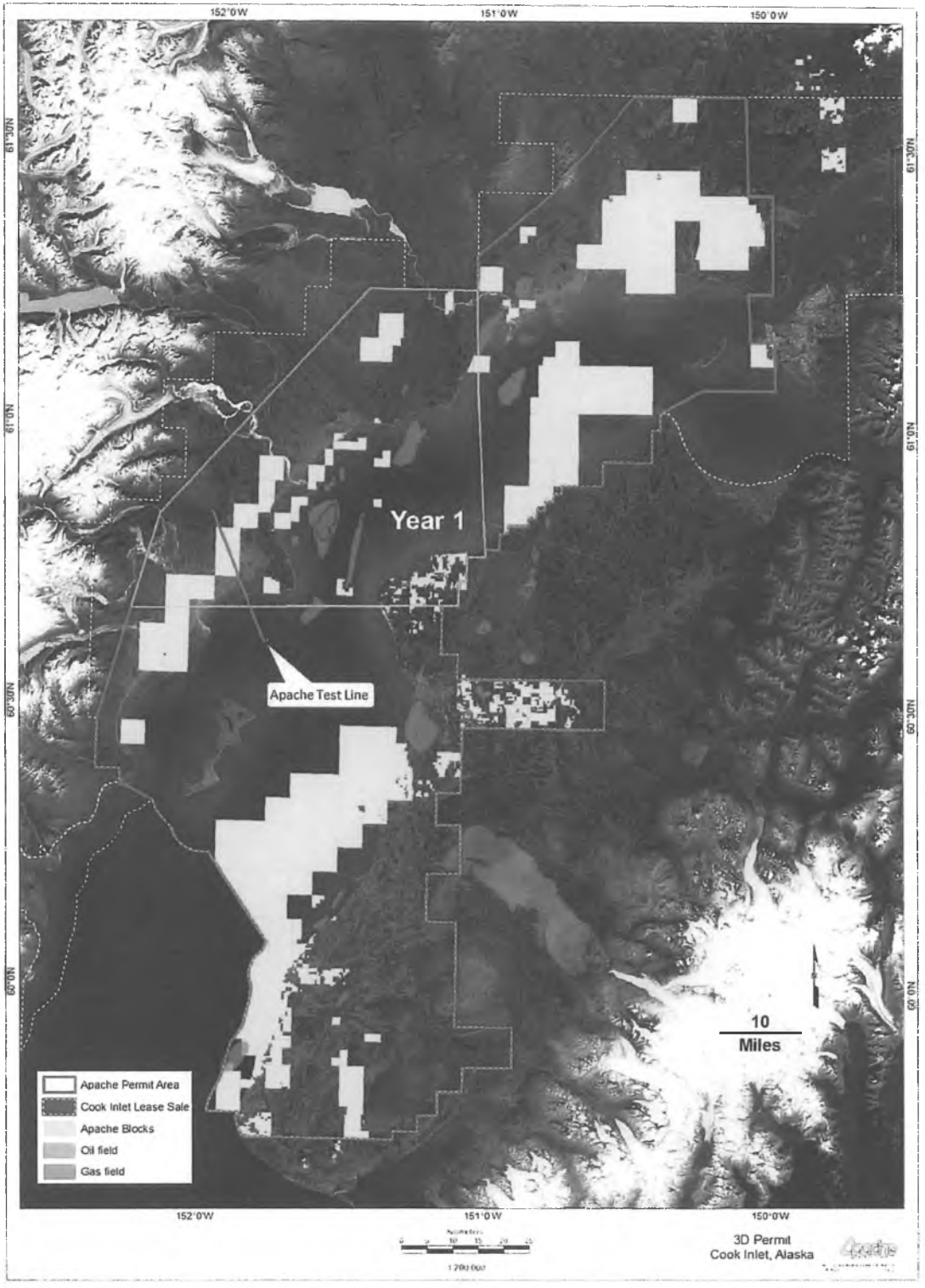


- 10 Operating Regions
- Corporate Exploration Team

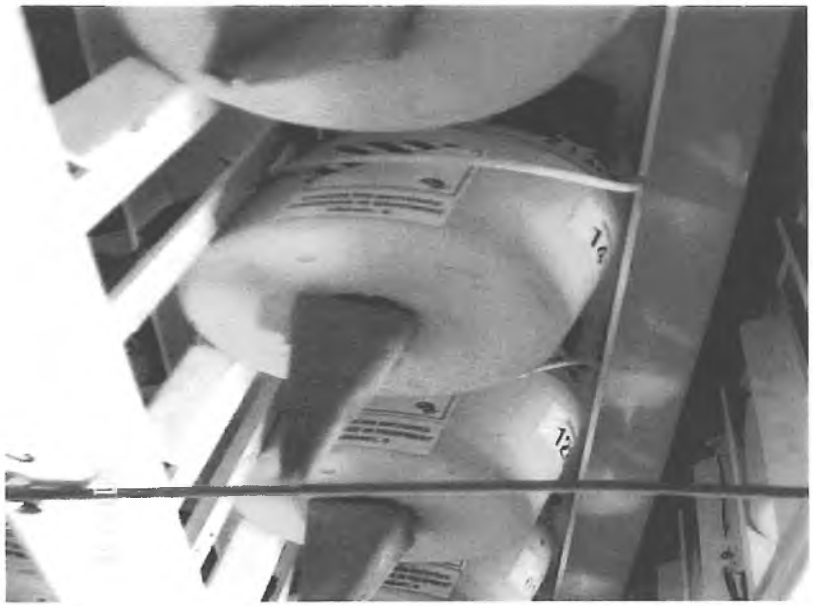


NEW VENTURES: COOK INLET

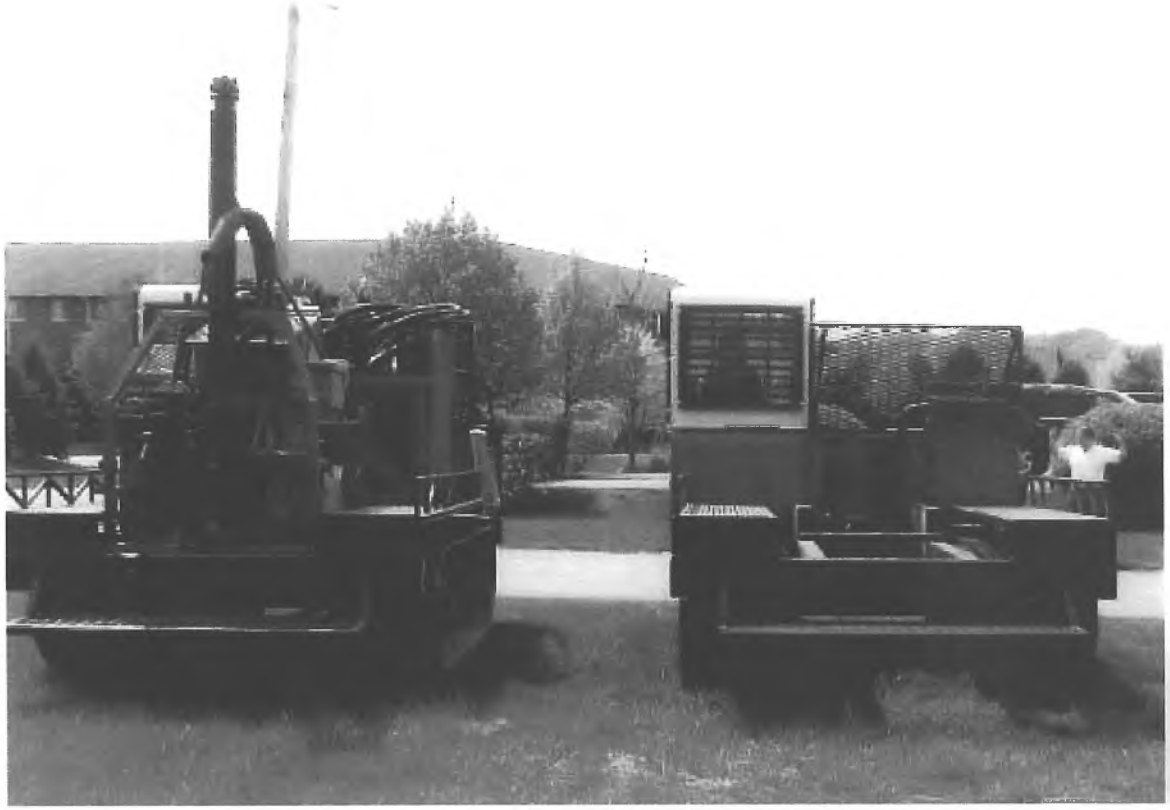
- Apache has become the largest acreage holder in Cook Inlet with more than 800,000 acres
- Oil targets focus
- Limited 3D seismic in the Basin to date
- Extensive 3D seismic survey to commence 2011
- Multi-year Program for 3D seismic; plan to operate year round
- Covers both onshore and offshore acreage
- Cook Inlet is a primary focus for Apache with plans to operate for many years


152°0W
151°0W
150°0W
61°30N
61°0N
60°30N
60°0N
Year 1
Apache Test Line
10
Miles
Apache Permit Area
Cook Inlet Lease Sale
Apache Blocks
Oil field
Gas field
3D Permit
Cook Inlet, Alaska

Onshore & Offshore Seismic Nodes



Seismic Drill Equipment



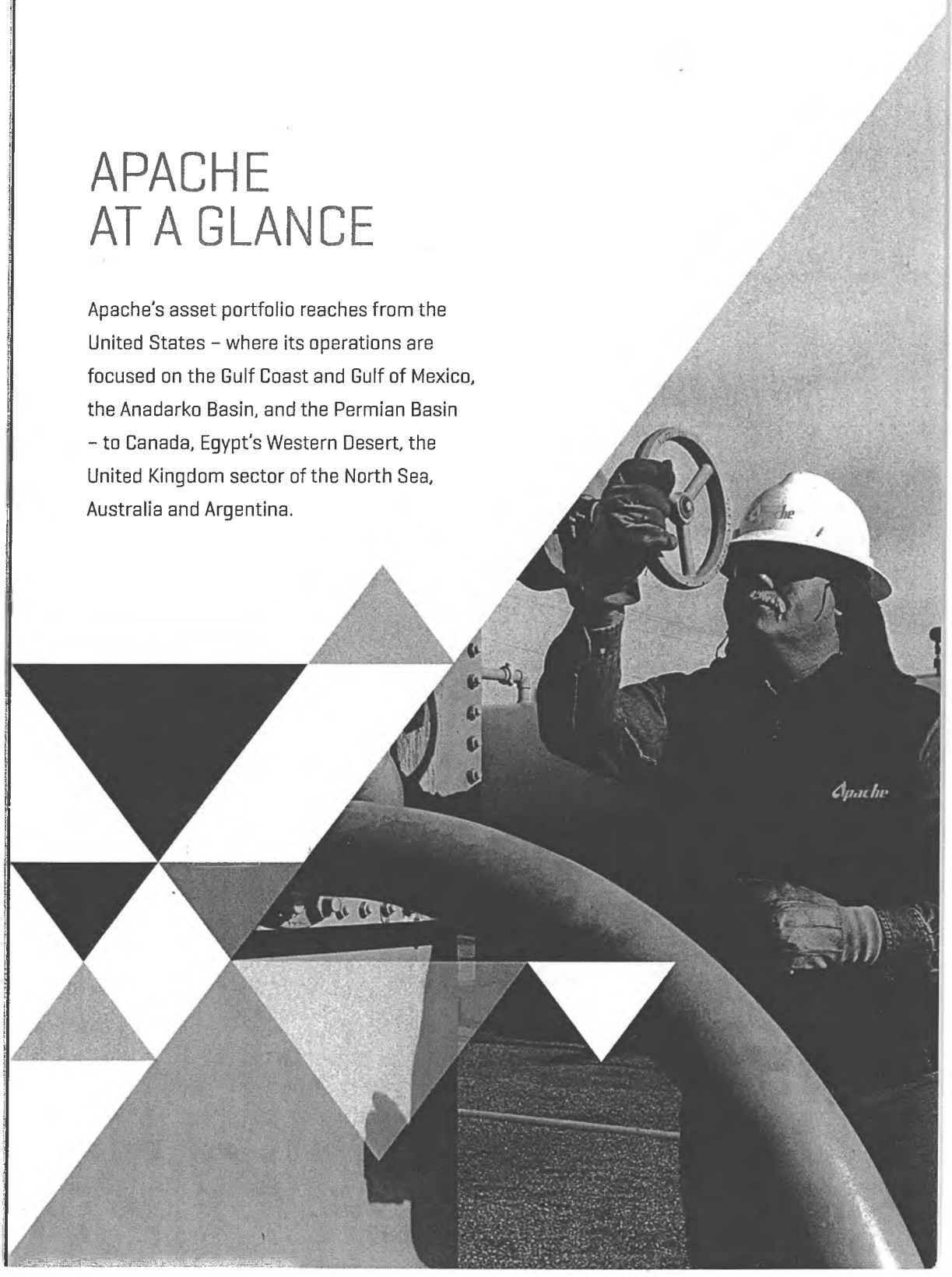
Approvals PERMIT	APPROVAL AGENCY
FEDERAL	
Incidental Harassment Authorization (IHA) for Marine Mammals	National Marine Fisheries Service
Nationwide 6 Permit	US Corps of Army Engineers
STATE	
Geophysical Land Use Permit	Alaska Department of Natural Resources Division of Oil and Gas
Fish Habitat Permit ("Title 16 permit")	Alaska Department of Fish and Game
Letter of Concurrence	State of Historic Preservation Office
Land Use Permit	Mental Health Trust
Special Area Permit	Alaska Department of Fish and Game
LOCAL	
Land Use Permit	Kenai Peninsula Borough
Land Use Permit	Tyonek Native Corporation
Land Use Permit	Cook Inlet Regional Corporation
Land Use Permit	Salamatof Native Corporation
Revocable Use Permit (Private Native Allotments)	Bureau of Indian Affairs
OTHER	
Letters of Non-Objection	Affected lease owners
Private Permits	Landowners

THANK YOU.

QUESTIONS?

APACHE AT A GLANCE

Apache's asset portfolio reaches from the United States – where its operations are focused on the Gulf Coast and Gulf of Mexico, the Anadarko Basin, and the Permian Basin – to Canada, Egypt's Western Desert, the United Kingdom sector of the North Sea, Australia and Argentina.

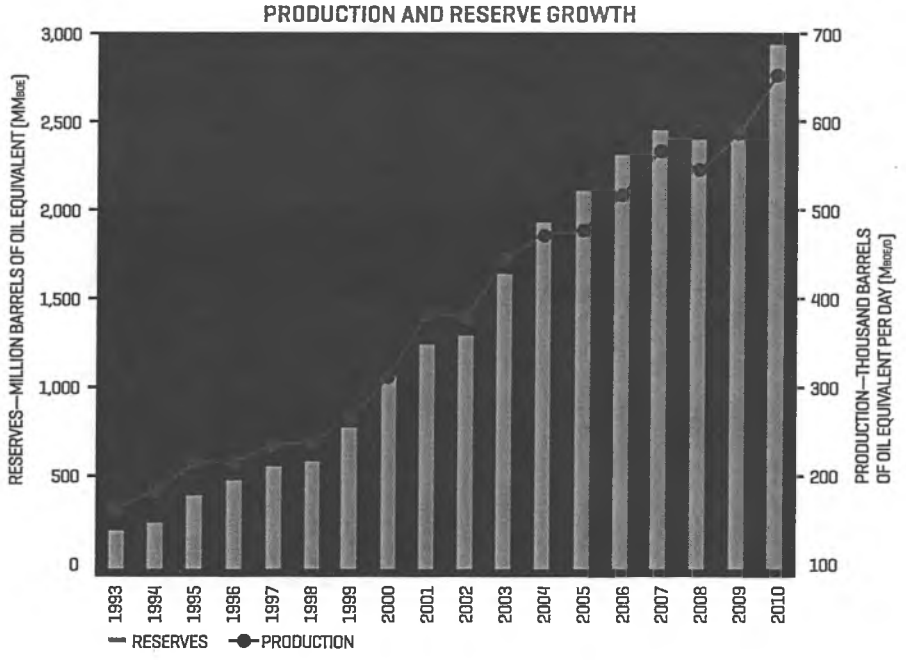


PERFORMANCE HIGHLIGHTS

Apache is a growth company and believes it can grow economically through acquisitions or drilling.

Apache's portfolio strategy has enabled the company to continue to grow throughout commodity cycles. During the past 10 years, the company has invested nearly US$57 billion, approximately 64 percent on exploration and development and 36 percent on acquisitions that enhance critical mass in core areas or establish new operating regions. These investments fueled an 11 percent compounded annual growth rate for reserves and 10 percent for production over the past decade. Apache currently has an inventory of discoveries that will deliver significant future growth, including the Horn River shale gas development in Canada and the Julimar and Reindeer discoveries in Australia.

Apache's strong balance sheet and cash-flow generating capability provide flexibility to further growth from its core drilling program, pursue larger exploration prospects and execute opportunistic acquisitions. Apache's cash flow is underpinned by balanced oil and natural gas production because experience shows that prices for the two commodities rarely move in parallel.



2010 ACQUISITIONS

In 2010, Apache strengthened its global portfolio through a series of transactions that provided additional production and reserves and – more important – significant running room for future growth.

- Apache added quality assets in the Permian Basin and the Gulf of Mexico shelf and gained a strong foothold in the GoM deepwater through the Mariner Energy merger. A separate transaction with Devon Energy Corporation brought additional acreage, infrastructure and production in the Gulf shelf.
- With the acquisition of BP's oil and gas operations in the Permian Basin, Apache solidified its position among the largest producers in one of North America's leading oil-producing regions.
- The company acquired essentially all of BP's upstream natural gas business in western Alberta and British Columbia.
- Apache purchased four under-worked development leases and one exploration concession in Egypt's Western Desert from BP.

DIVERSE OPERATING CAPABILITIES

Apache's global portfolio requires the capacity to operate on a large scale in a range of environments.

The environments where Apache thrives include harsh winters in northern British Columbia and Alberta; searing deserts of Egypt; severe summers in West Texas; offshore in the Gulf of Mexico, the North Sea and Western Australia; and environmentally sensitive areas such as coastal wetlands in Louisiana and marine sanctuaries offshore Australia.

Apache operates significant assets in all areas, including the Forties Field in the North Sea with production of up to 60,000 barrels of oil per day; the Qasr Field in Egypt's Western Desert with gross daily output of 540 million cubic feet of gas and 22,000 barrels of oil; the Permian Basin with net daily output of 66,000 barrels of oil equivalent; and the Van Gogh oil field in Australia, with a floating production, storage and offloading vessel with capacity to process 60,000 barrels of oil per day. Apache is operator of the proposed Kitimat liquefied natural gas project in British Columbia with first production targeted for 2015.

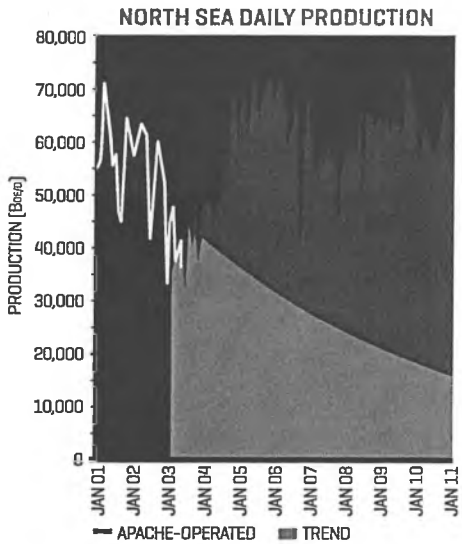
CASE STUDY: NORTH SEA FORTIES FIELD—MATURE ASSET MANAGEMENT

STRATEGY

- Increase production and reduce per-unit operating costs by upgrading facilities to remove production bottlenecks and reduce field downtime.
- Increase production output by drilling new wells identified with 4-D seismic.

RESULTS AFTER EIGHT YEARS OF OWNERSHIP

- Invested US$3.2 billion to upgrade facilities and drill new wells.
- Increased production and maintained output at levels 100 percent above trend expected at time of acquisition.
- Lifting cost declined 39% to US$8.03 per barrel.



CASE STUDY: UNCONVENTIONAL RESOURCES FUEL GROWTH IN ARGENTINA

STRATEGY

- Employ advanced seismic, drilling and well completion technologies to develop abundant resources across 5 million acres in Austral, Neuquén, Cuyo and Noroeste basins.
- Focus on opportunities in unconventional reservoirs eligible for higher Gas Plus pricing.

RESULTS AND PROSPECTS

- 72 Neuquén Basin wells producing approximately 85 MMcf per day under the Gas Plus program with average price approaching $5 per Mcf.
- Drilling South America's first horizontal well targeting shale formations.
- First modern 3-D seismic identified previously untapped structures in Cuyo Basin, a proven oil-producing province.

CULTURE OF RESPONSIBILITY

Individual initiative and sense of responsibility drive Apache's operations; they also infuse our environmental, health and safety programs.

Apache is committed to being a good corporate citizen by operating in a safe and environmentally responsible manner throughout the world and by building enduring relationships with the communities where it operates through commitments to education, civic improvement and rewarding careers.

HEALTH AND SAFETY

Apache employees understand their personal responsibility for ensuring safe and environmentally responsible operations. The company has established high standards to assure workers have the knowledge to do their jobs correctly, as well as comply with regulations and take environmental considerations into account. The company also makes sure that facilities are designed properly and well maintained, and develops plans to respond to extraordinary events.

IN THE COMMUNITY

Apache builds enduring relationships with the communities in which we operate through our commitments to environmental stewardship, sustainable development, education and civic improvement. Our emphasis on education is reflected in support for Fund for Teachers, which has enabled more than 4,000 teachers to travel the world to enrich the experiences they bring to their classrooms; Ucross Foundation, an artist-in-residence program in Wyoming; and Springboard — Educating the Future, which funded construction of 201 schools for young girls in poor rural villages in Egypt. We support important cancer research in the United States, the United Kingdom and Australia.

APACHE-FUNDED SCHOOL FOR YOUNG GIRLS IN RURAL EGYPT

CASE STUDY: RESPONSIBLE SHALE DEVELOPMENT IN CANADA

CHALLENGE

How to tap natural gas from the abundant deep shale reservoir of the Horn River Basin in British Columbia while sustaining the fragile ecosystem.

STRATEGY

Apache develops new and improved methods for drilling and hydraulic fracturing. Multi-well drilling pads permit Apache to drill up to 16 horizontal wells tapping as many as 2,000 acres of a deep shale reservoir from a single surface location, vastly minimizing the impact to the surrounding environment. The Debolt Water Treatment Plant enables Apache to extract saltwater from formations well below drinking water aquifers for use in hydraulic fracturing in shale formations. Water is recovered and reused in a sustainable cycle that minimizes the use of surface water.

RESULTS

Apache is substantially reducing its environmental footprint on the pristine wilderness of the Horn River Basin. By operating in a safe and environmentally responsible manner, the company is protecting the area's delicate ecosystem and fresh water supplies.

Apache's experience in Horn River and unconventional plays in the United States provide the technical foundation for operations in emerging unconventional plays in Argentina's Neuquén province.

AT A GLANCE

Established in 1954, Apache Corporation has grown to become one of the world's top independent oil and gas exploration and production companies with US$43 billion in total assets as of year-end 2010.

Apache's growth and progress results from a diverse team of committed people who share Apache's values of integrity, hard work and respect for others. The company provides its employees with the latest technology and empowers them to make the decisions to fuel its growth. Apache stretches the limits of what's possible through determination, adaptability, discipline, a sense of urgency and a long-term perspective.

Apache's critical mass of exploration acreage, cash-generating production and financial flexibility enables the company to explore for new resources, acquire properties with upside potential and exploit mature fields with new investment and more efficient operations to facilitate future growth.

As Apache has grown, it has continued its commitment to the highest standards of safe and environmentally responsible operations. The company participates in many programs that improve the quality of life in our communities and foster creativity.

ESTABLISHED

1954

REVENUE—2010

$12.1 BILLION

TOTAL ASSETS

$43.4 BILLION

TOTAL ACREAGE (GROSS)

47.5 MILLION

TOTAL EMPLOYEES

4,449

TICKER SYMBOL (NYSE, NASDAQ)

APA

AUSTRALIA

2010 NATURAL GAS PRODUCTION
200 MMCF/DAY

2010 LIQUID HYDROCARBON PRODUCTION
45,908 BARRELS/DAY

PROVED RESERVES
314 MMBOE

GROSS ACREAGE
12.2 MILLION

EGYPT

2010 NATURAL GAS PRODUCTION
375 MMCF/DAY

2010 LIQUID HYDROCARBON PRODUCTION
99,204 BARRELS/DAY

PROVED RESERVES
307 MMBOE

GROSS ACREAGE
11.3 MILLION

NORTH SEA

2010 NATURAL GAS PRODUCTION
2 MMCF/DAY

2010 LIQUID HYDROCARBON PRODUCTION
56,791 BARRELS/DAY

PROVED RESERVES
155 MMBOE

GROSS ACREAGE
822,000

ARGENTINA

2010 NATURAL GAS PRODUCTION
185 MMCF/DAY

2010 LIQUID HYDROCARBON PRODUCTION
13,136 BARRELS/DAY

PROVED RESERVES
116 MMBOE

GROSS ACREAGE
3.4 MILLION

CANADA

2010 NATURAL GAS PRODUCTION
396 MMCF/DAY

2010 LIQUID HYDROCARBON PRODUCTION
17,465 BARRELS/DAY

PROVED RESERVES
757 MMBOE

GROSS ACREAGE
8.4 MILLION

UNITED STATES

2010 NATURAL GAS PRODUCTION
731 MMCF/DAY

2010 LIQUID HYDROCARBON PRODUCTION
110,353 BARRELS/DAY

PROVED RESERVES
1,304 MMBOE

GROSS ACREAGE
9.8 MILLION

APACHE CORPORATION
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HOUSTON, TEXAS 77056-4400
713.296.6000
WWW.APACHECORP.COM

Kitchen Development Scenarios

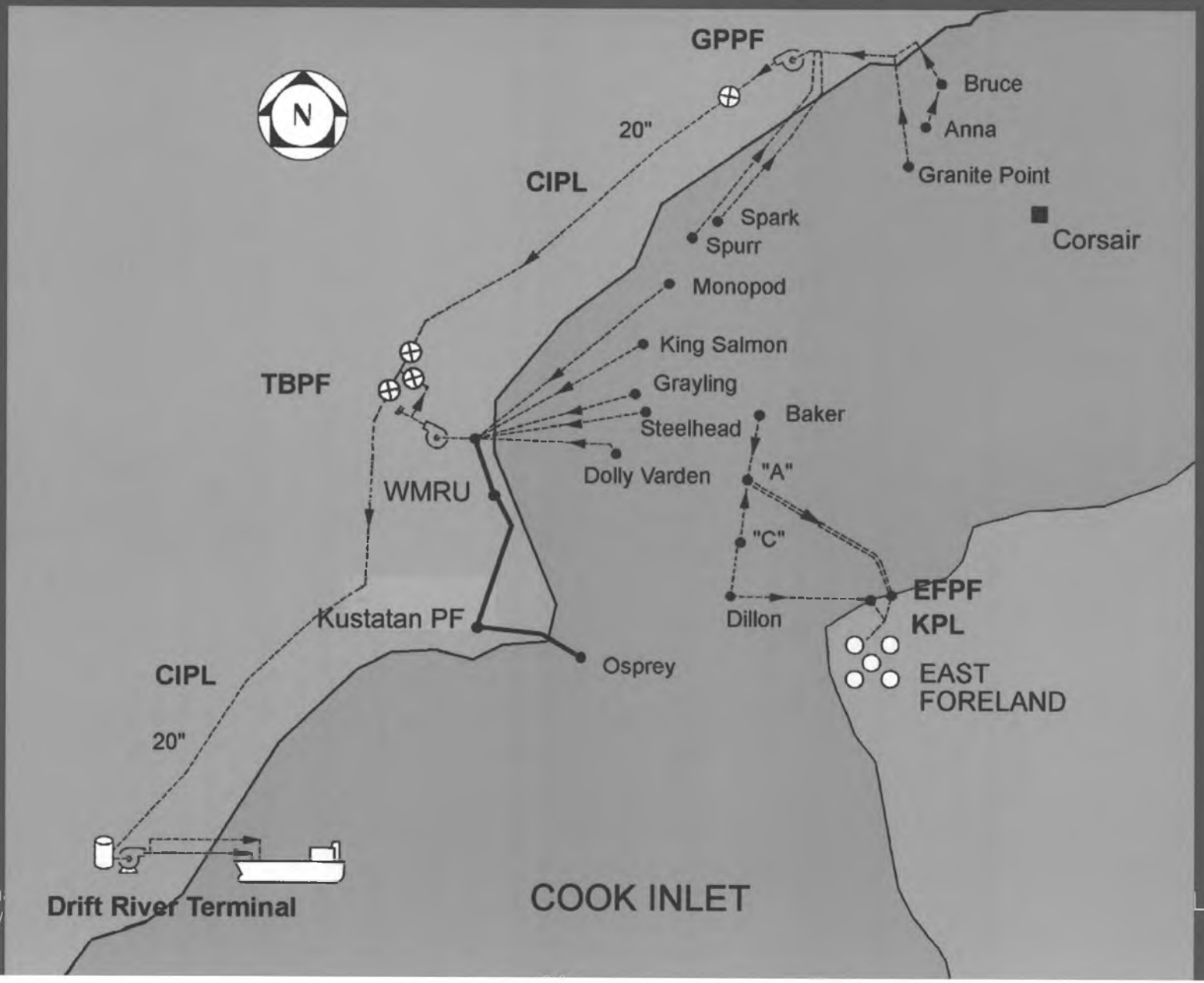
Escopeta Oil Co.

Bruce - Vladimir

Gas Development Presentation

- **Cook Inlet Background**
- **Cook Inlet Design Criteria**
- **Development Options**
  - Outrigger Caisson
  - Subsea
  - Two-Deck Platform
  - Three-Deck Platform
- **Pipelines**
- **Economics**

KLU #1 Location



Environmental Conditions

- **Waterdepth MLLW:** 100 feet
- **Tides:** 30 feet
- **Surface current*:** 10.5 feet per second
- **Bottom current:** 5.3 feet per second
- **Ice thickness*:** 34-inch
- **Wave height*:** 28 feet
- **Earthquake:** API RP2A Zone 4
- **Temperature - air:** minus 40º F (minimum)
- **Temperature – water:** 28 º F (minimum)

* One hundred-year occurrence

Field Development Assumptions

If Gas Only

- Gas Wells: 5
- Initial Production Rate: 50 MMCF/d

If Oil and Gas

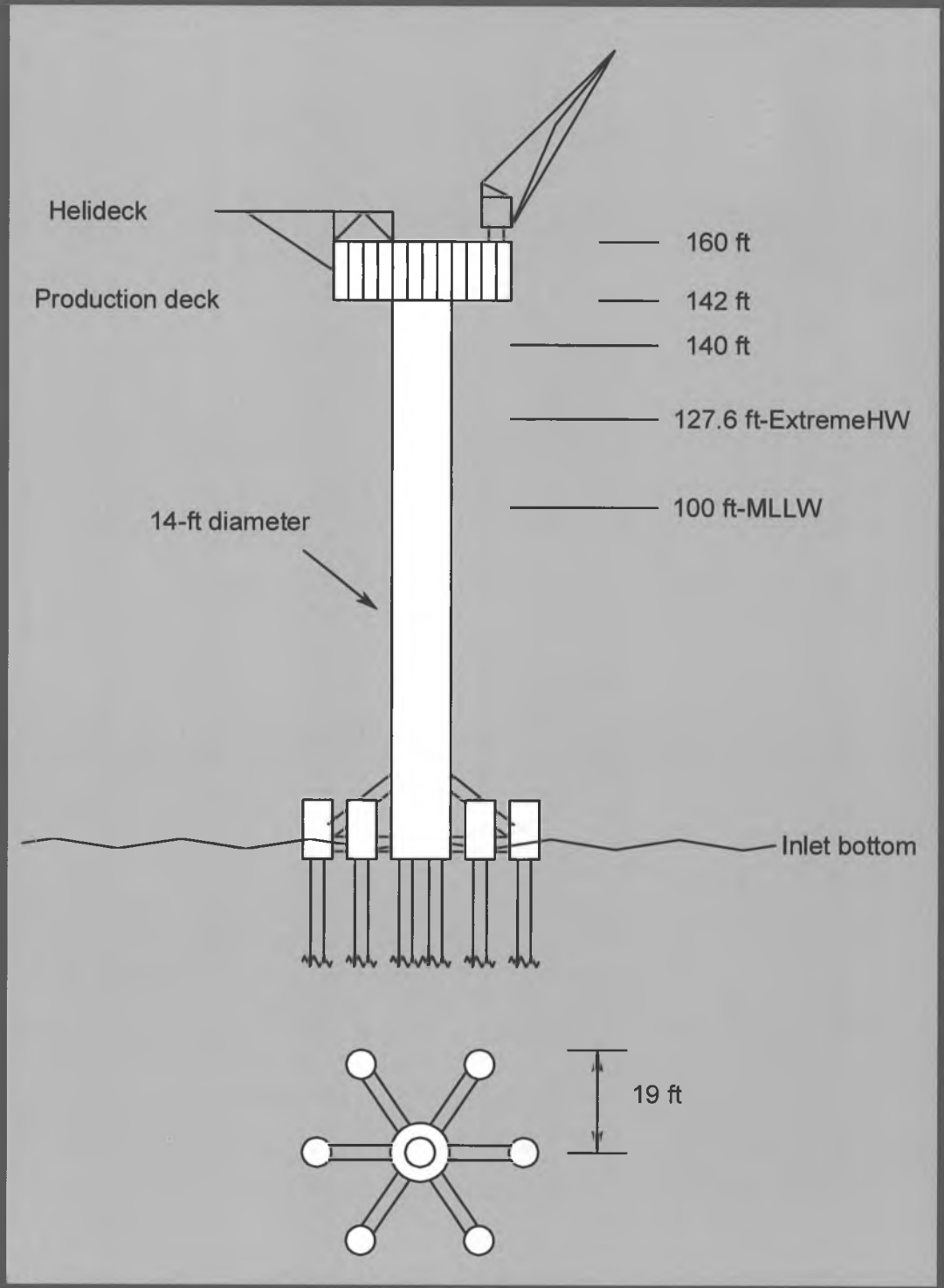
- Gas Wells: 5 Oil Wells : 12
- Initial Production Rate:
- 50 MMCF/d and 12,000 BOPD

Development Options

1. Outrigger Caisson
2. Subsea
3. Two-Deck Platform
4. Three-Deck Platform

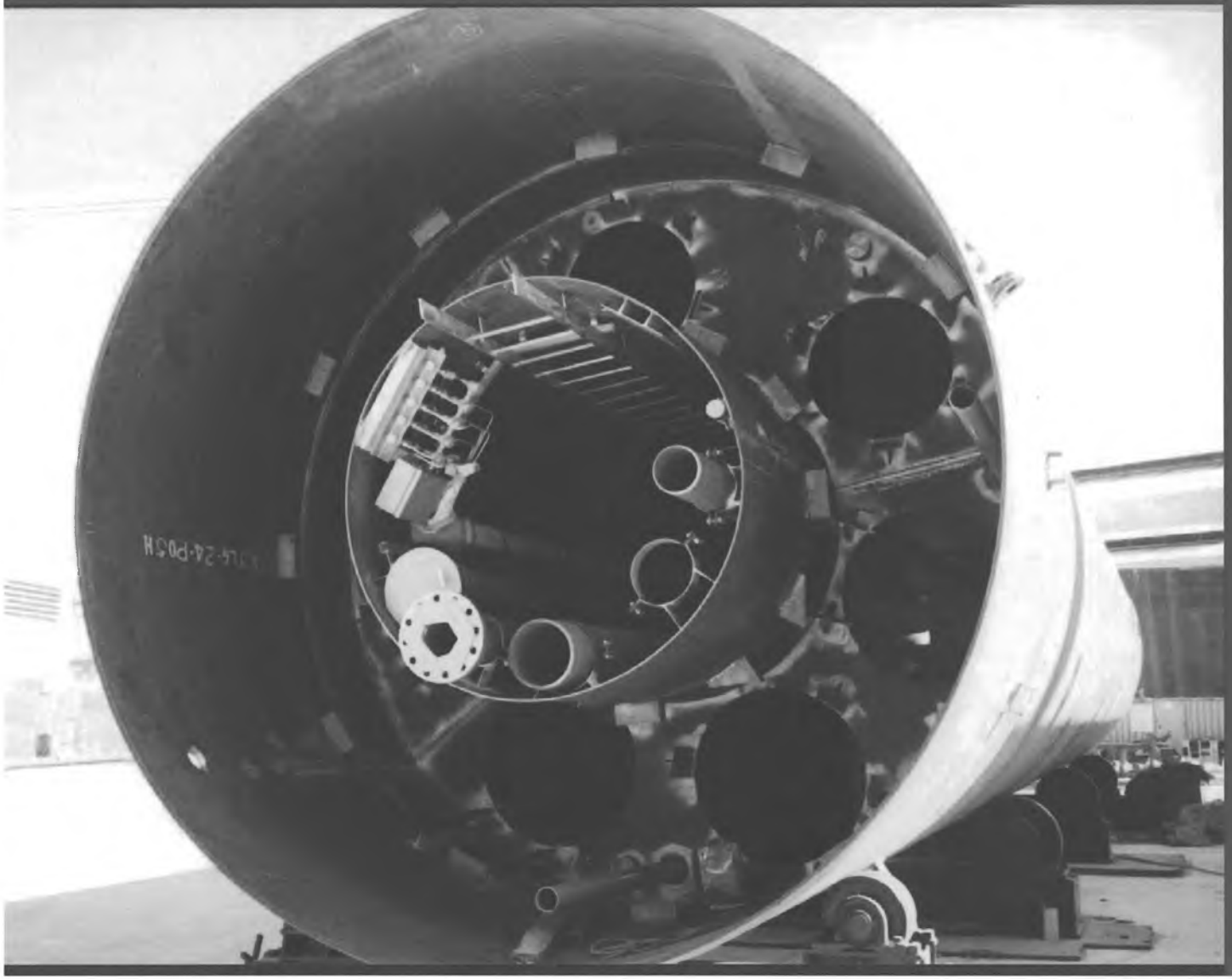
KLU #1
Caisson Platform Development

- **Outrigger caisson platform**
  - Six well capability
  - Deck with heliport
  - Emergency quarters
- **Pipeline to Tyonek Platform or to shore**
  - Single 10-inch gas pipeline
- **Umbilical to Kitchen Lights**
  - Power, methanol and controls



Self-installing outrigger caisson platform concept for six wells

Cross-Section of Platform Osprey Leg

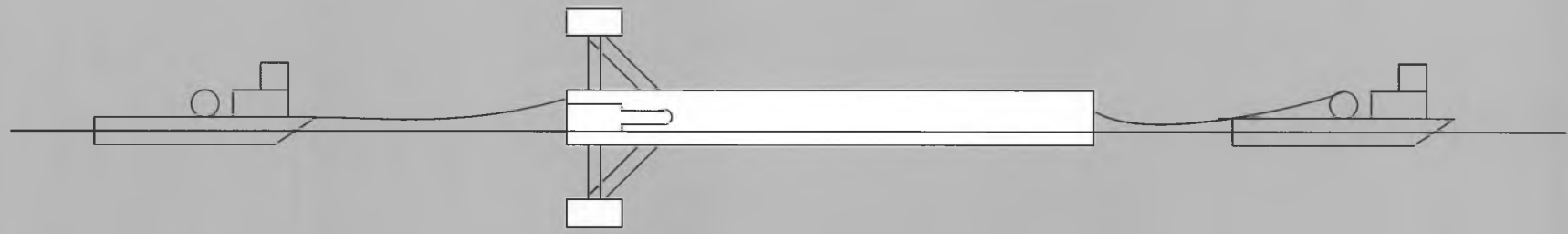


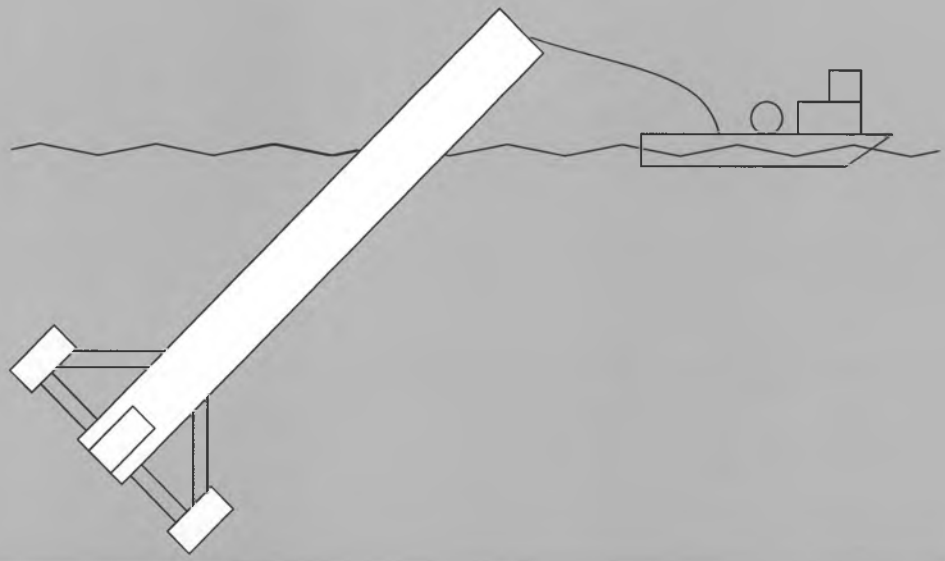
Kitchen Lights caisson will be identical to Cook Inlet platform legs

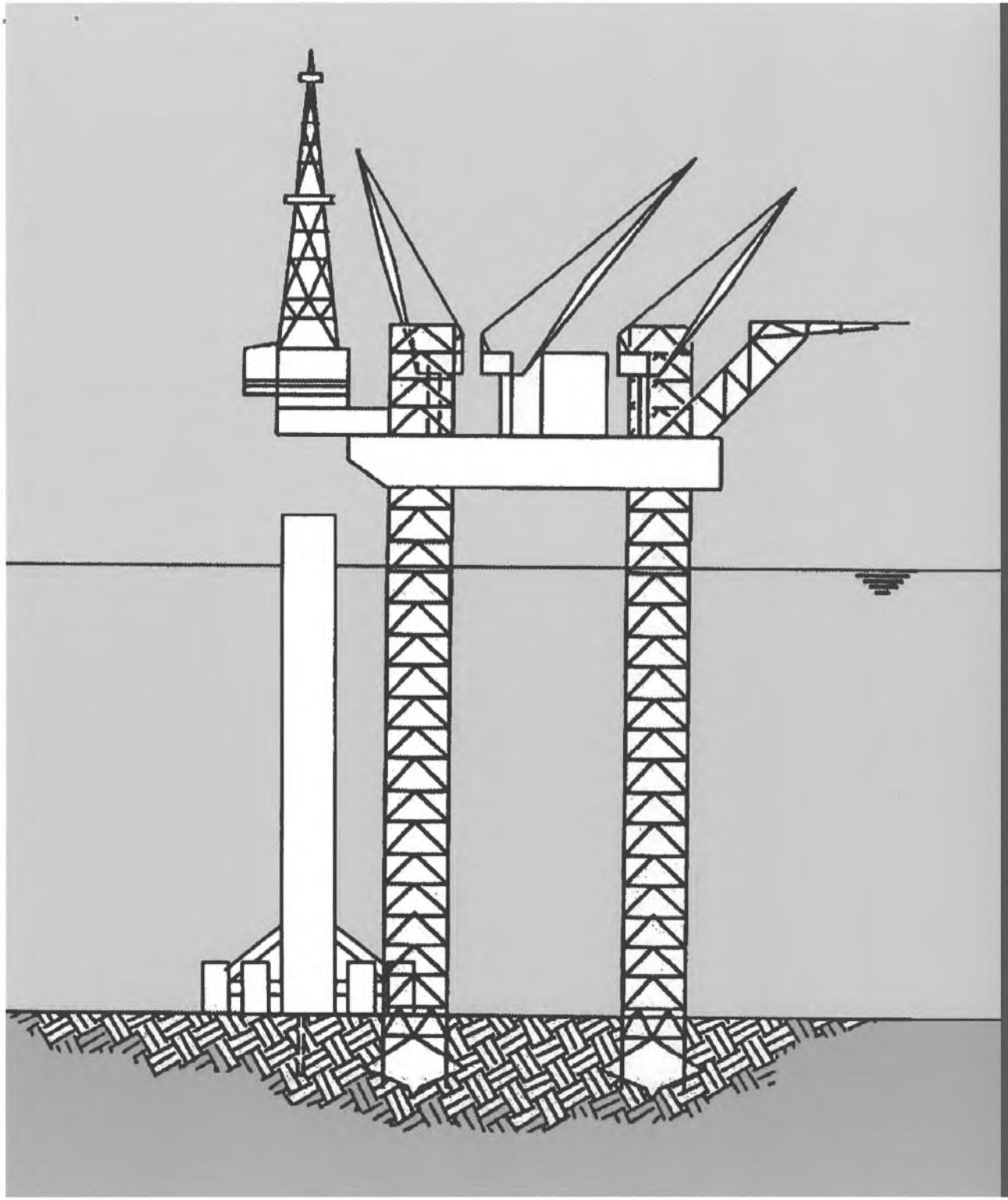
Fabrication & Transportation

- **Fabricate caisson structure**
  - Anchorage
  - Vancouver, Washington
  - SF Bay area
- **Tow caisson to Cook Inlet**

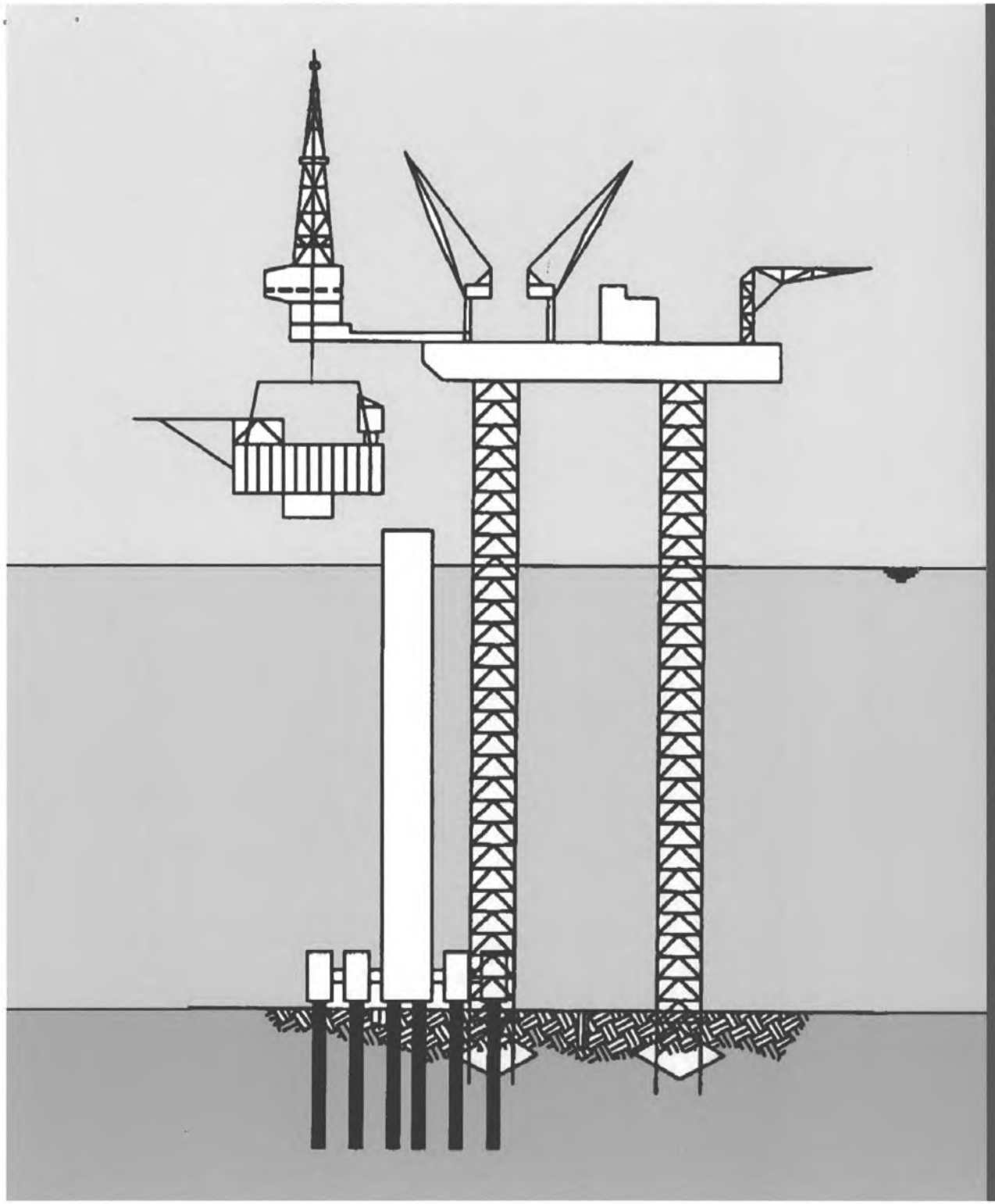
Installation Procedure







After upending the caisson is set on bottom and jack-up drilling unit moves onto location



Assuming the well is successful the jack-up unit is used to drive piles and install the deck .

Annulus of caisson is filled with grout

Outrigger Caisson Platform

- **Advantages**
  - No derrick barge needed for installation
  - Minimum cost
  - Short timeline to production
- **Disadvantages**
  - Has not been done in Cook Inlet
  - Jack-up needed for well intervention (summer)

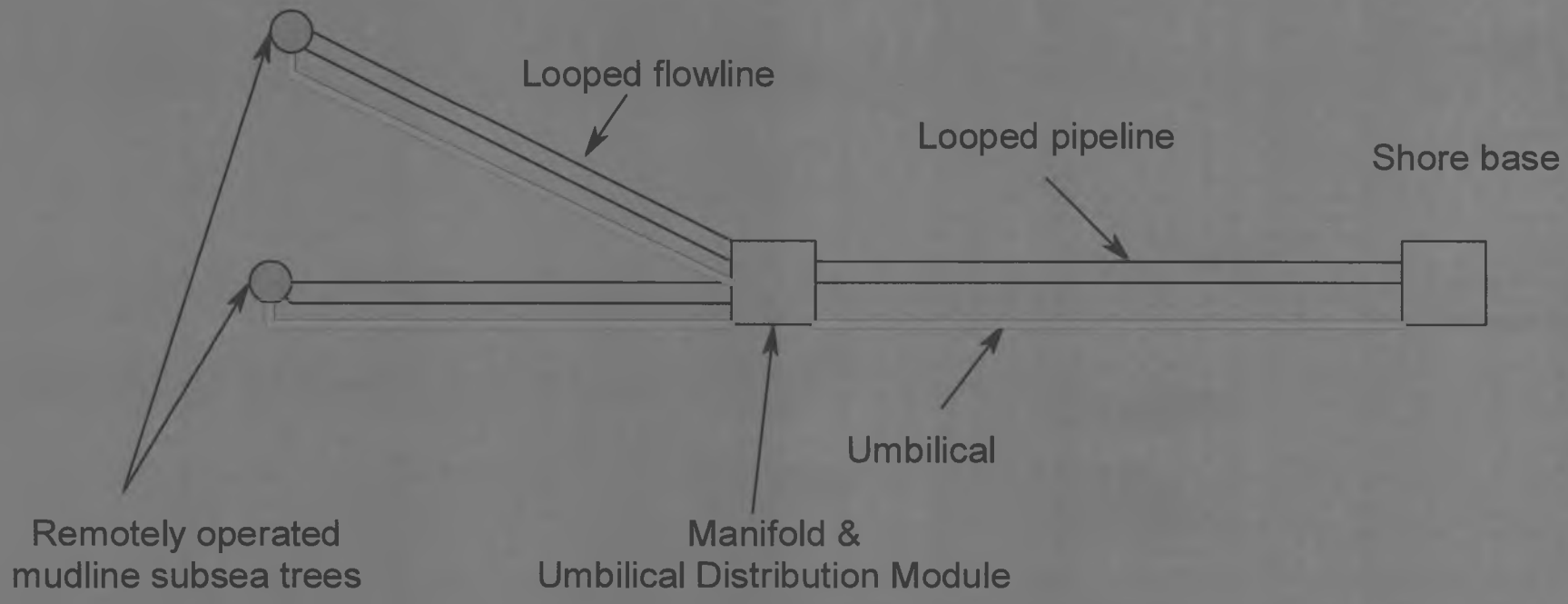
Development Options

1. Outrigger Caisson
2. **Subsea**
3. Two-Deck Platform
4. Three-Deck Platform

Kitchen
Subsea Development

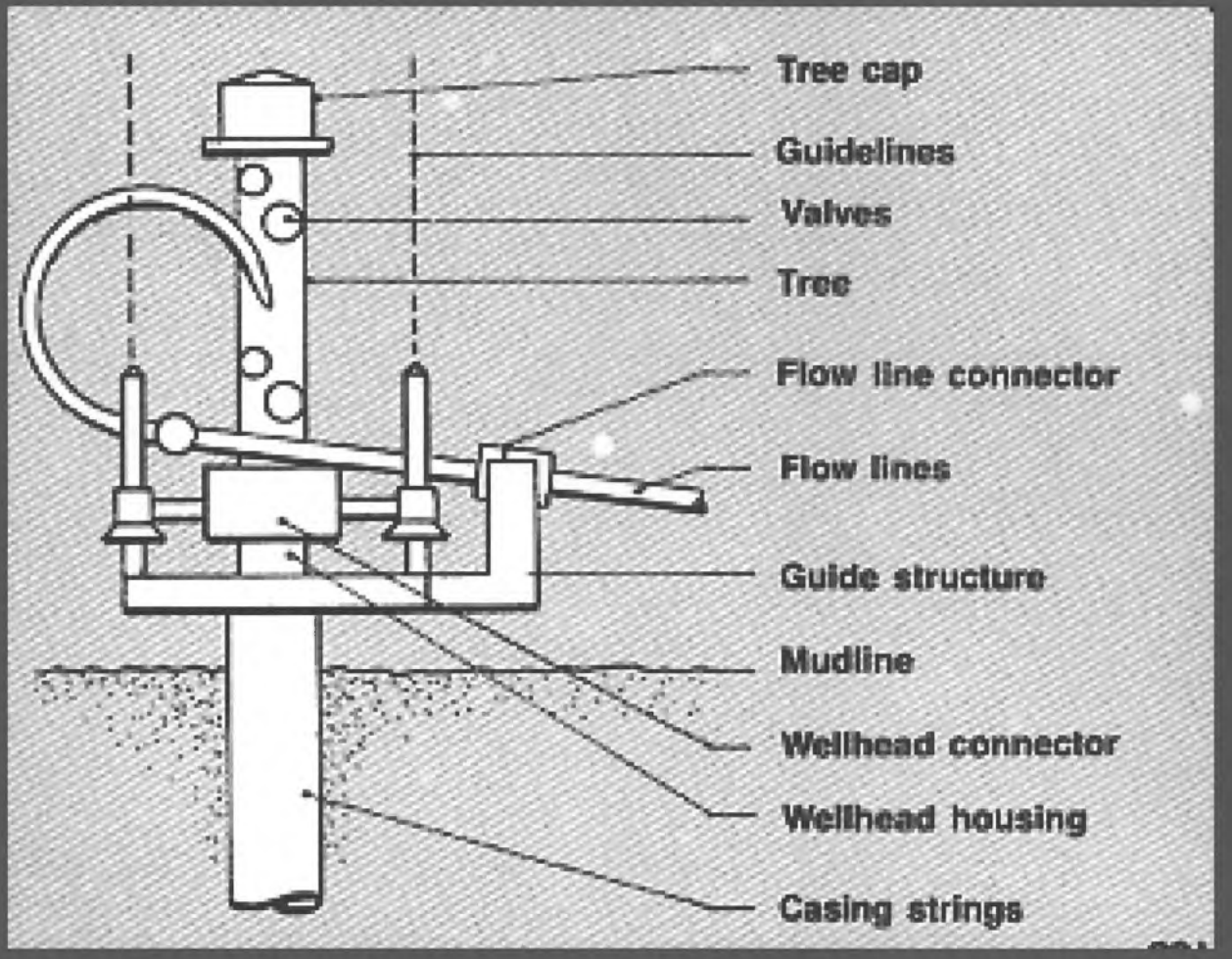
- **Subsea Wells**
  - Individual wells with flowlines to subsea manifold, or,
  - Six well template
- **Pipelines to Tyonek Platform or to East Forelands Prod. Facility**
  - Dual pipelines (for pigging)
- **Umbilical to Kitchen Lights**
  - Power, methanol and controls

Multiple Individual Wells



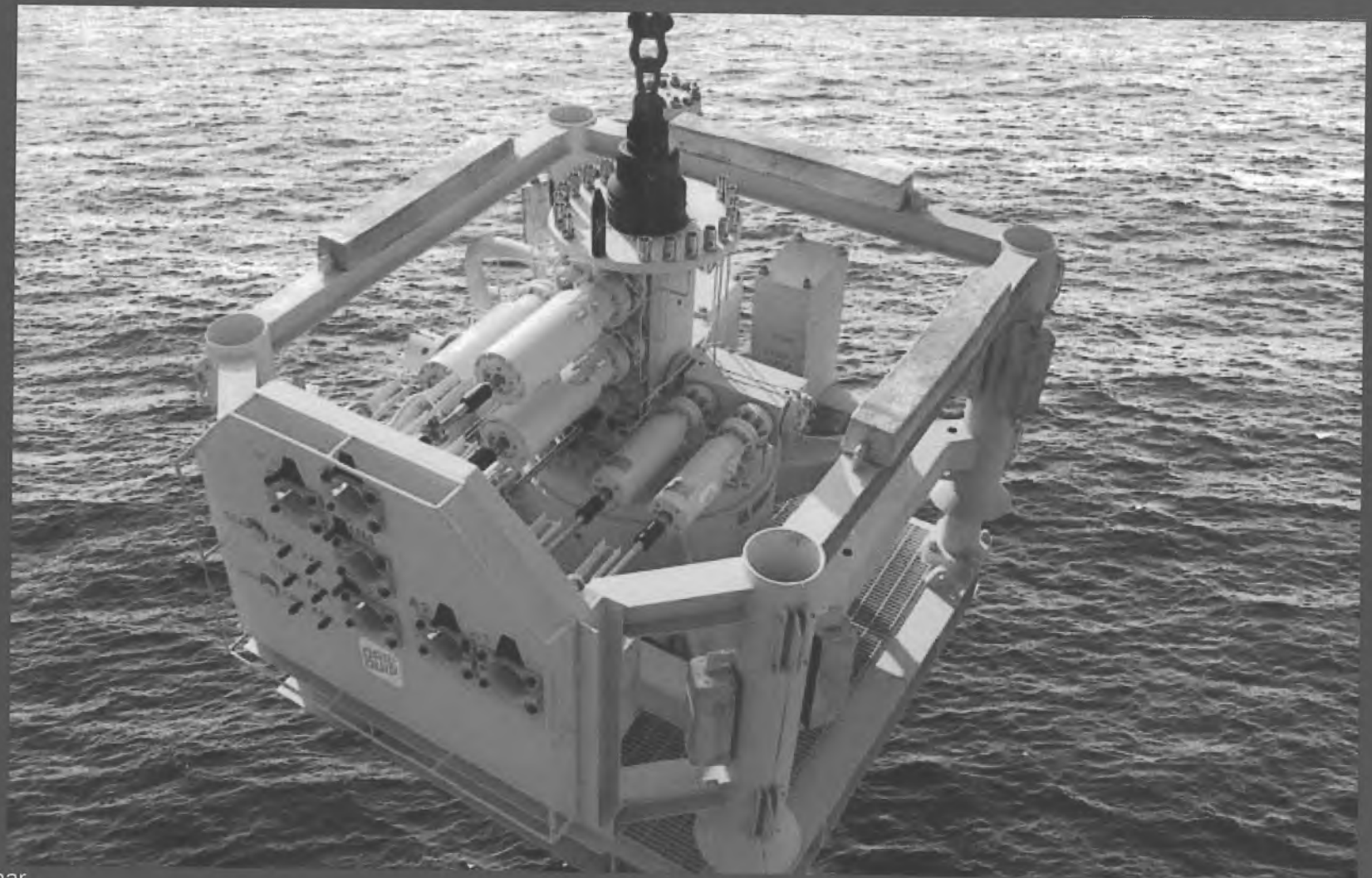
Multiple subsea wells schematic

Individual Subsea Well Completions

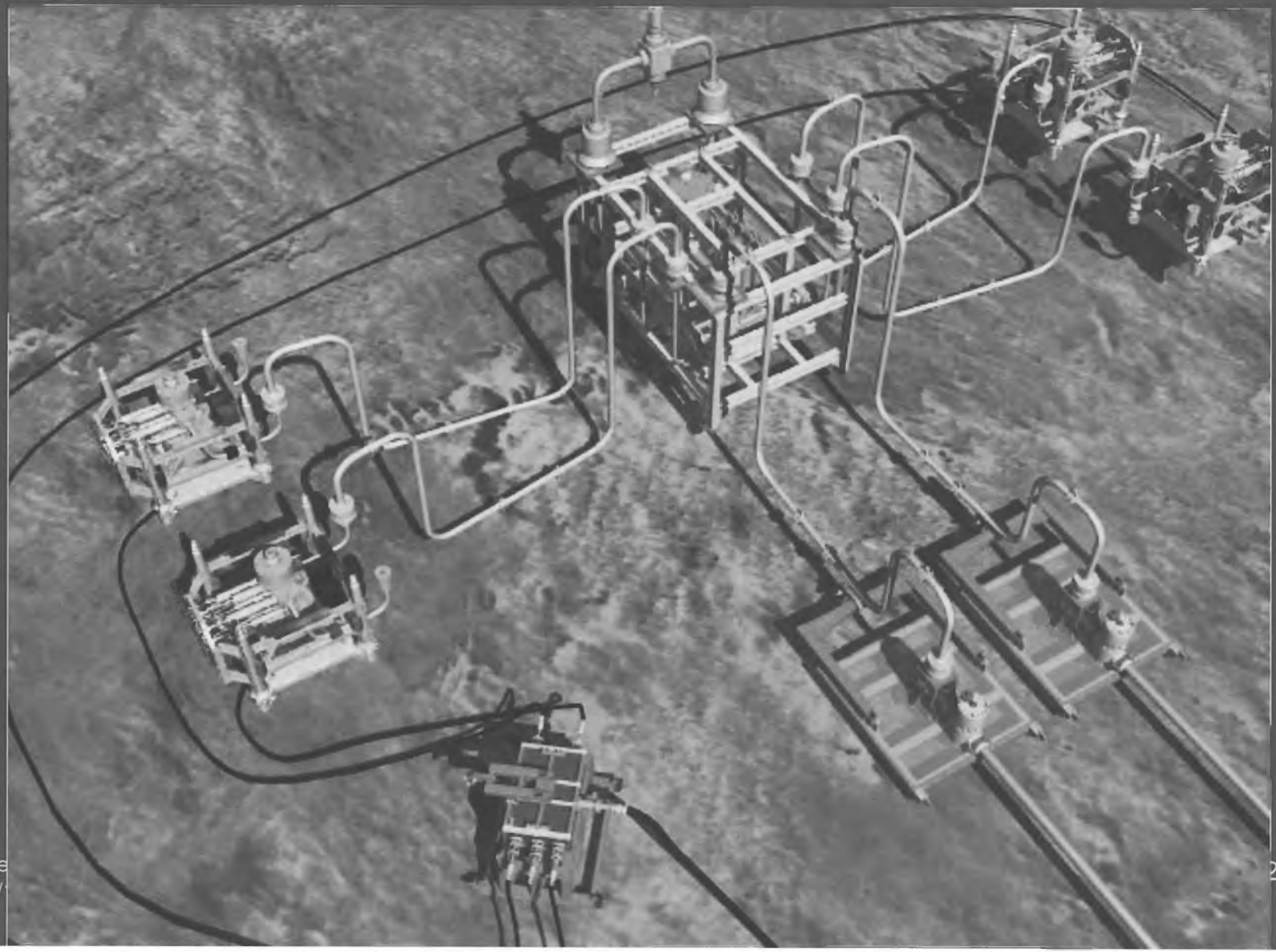


Subsea hookup performed by divers and/or guideline system

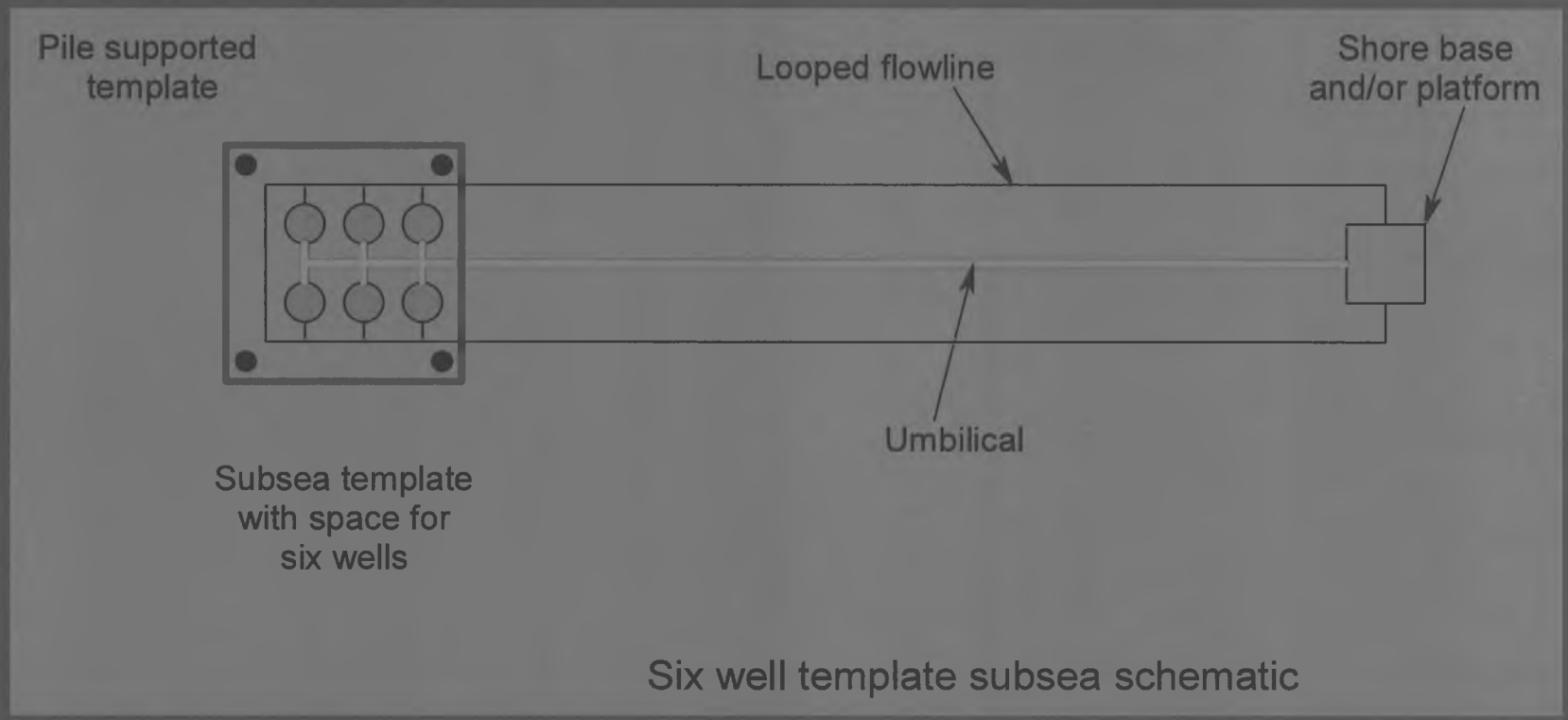
Wellhead Example



Tree and Manifold Layout

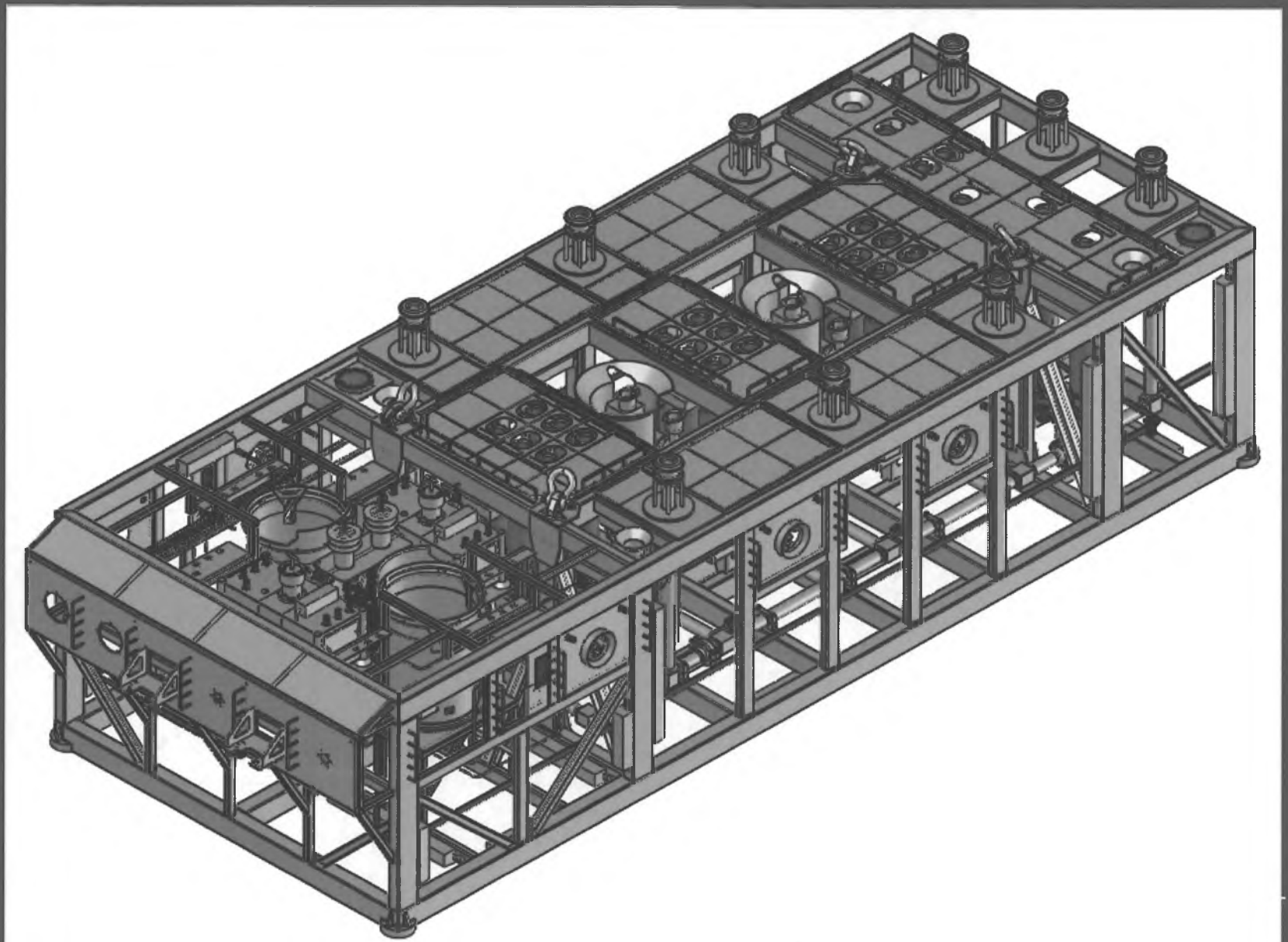


Six Well Subsea Template

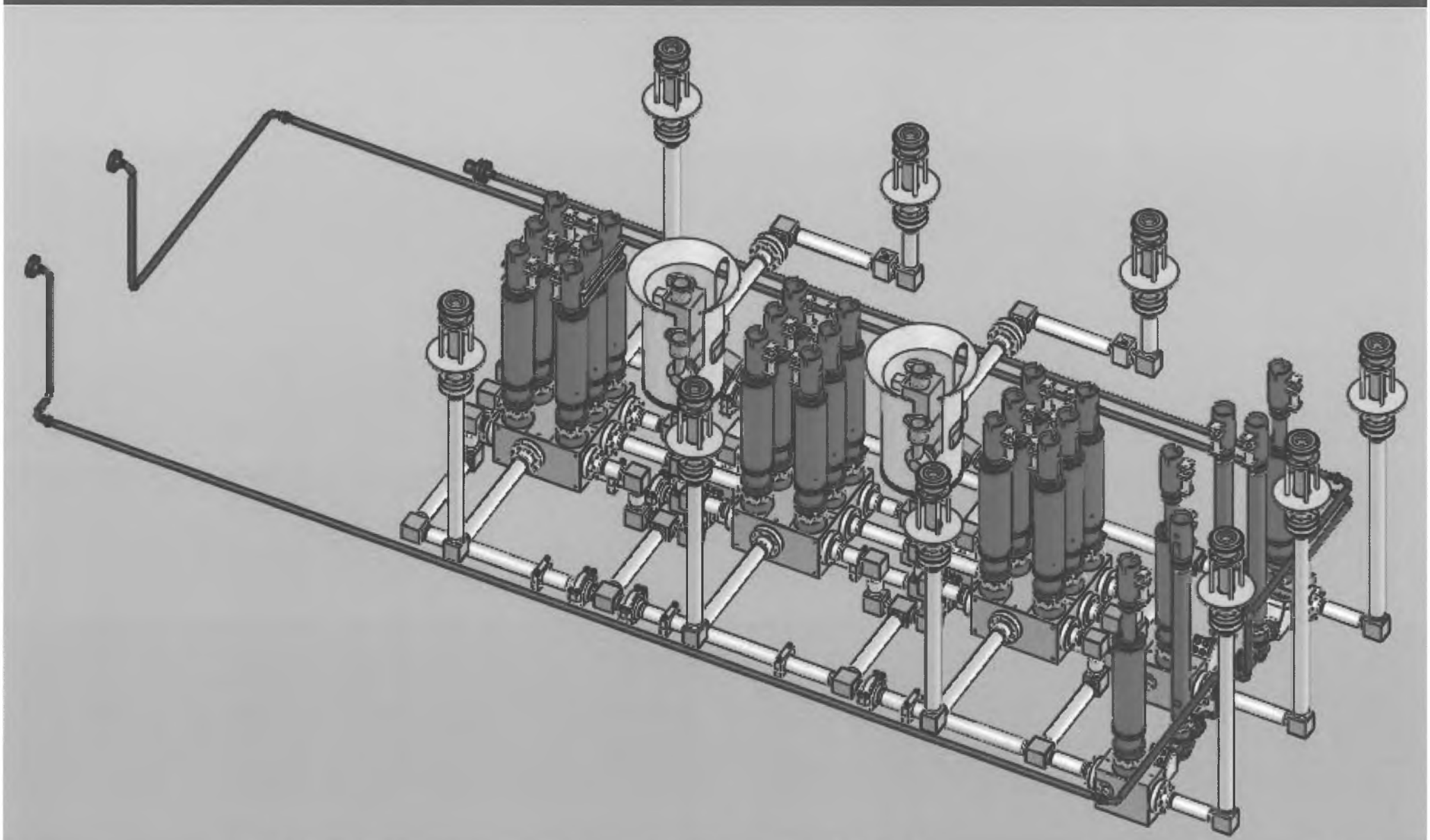


Six well template subsea schematic

Six-Well Tempalte Example



Template Example Schematic



Subsea Development

- **Advantages**
  - No derrick barge needed for installation
  - Short timeline to production
- **Disadvantages**
  - Has not been done in Cook Inlet
  - Complicated hook-up using divers
  - Jack-up needed for well intervention (summer)

Development Options

1. Outrigger Caisson
2. Subsea
3. **Two-Deck Platform**
4. Three-Deck Platform

belmar
3/12/08

Escopeta KLU - 26

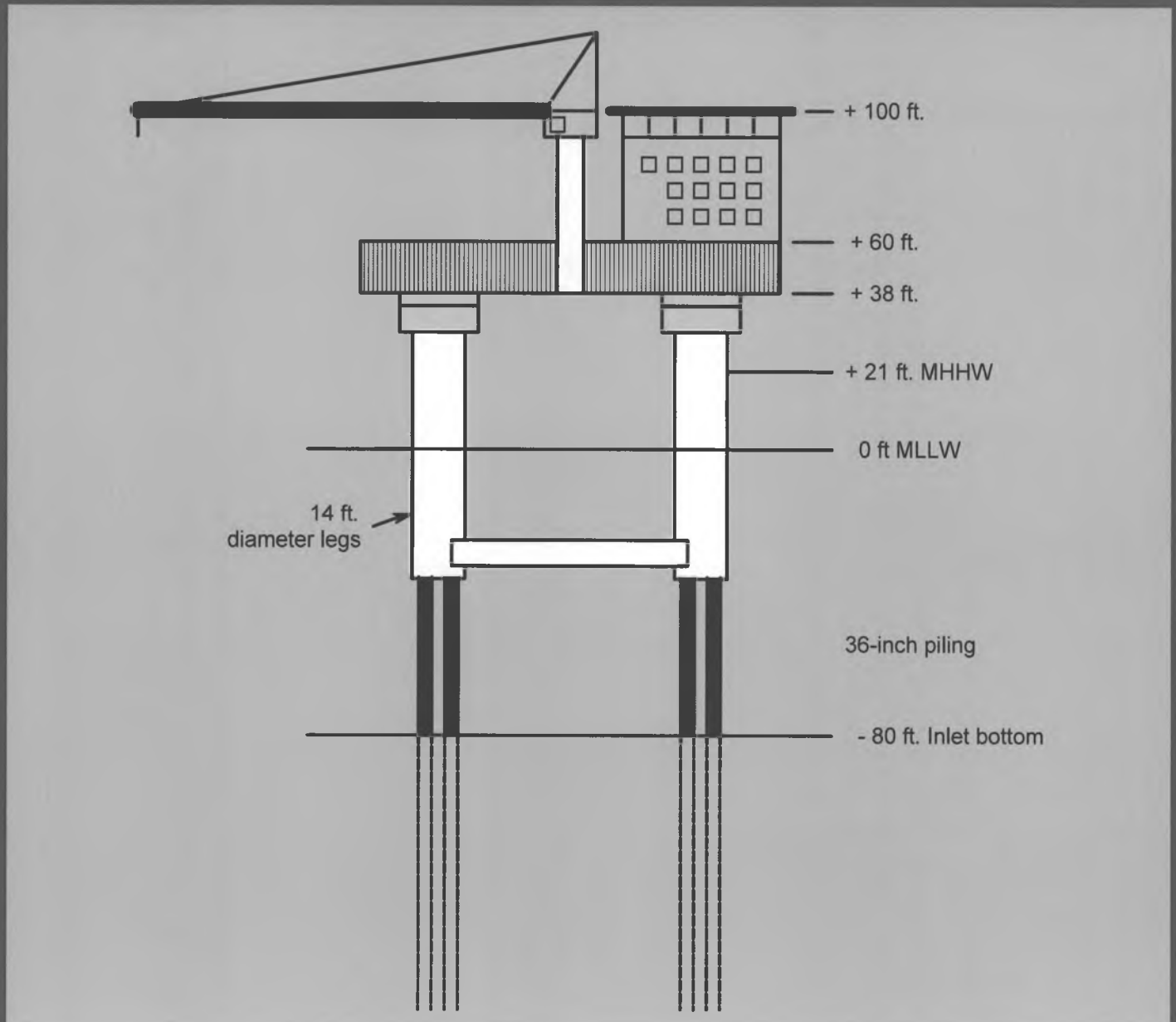
Kitchen
Two-Deck Development

- **Platform**
  - 28-well capacity
- **Pipelines to East Forelands Prod. Fac.**
  - Wet oil and gas pipelines
- **Water Injection Pipeline from EFPF**
  - Produced water and make-up water
- **Umbilical cable from EFPF**
  - Power, methanol and controls

Kitchen Application

- **Osprey Concept Limitation**
  - Tower floatation requirement
- **Deeper Water Concept**
  - Columns only needed in tidal (ice) zone
  - Different installation method

"Deep" Water Two-Deck Platform



Two-Deck Platform

- **Advantages**
  - No derrick barge needed for installation
- **Disadvantages**
  - Has not been done in this water depth in Cook Inlet
  - No space for production facilities
  - Cost

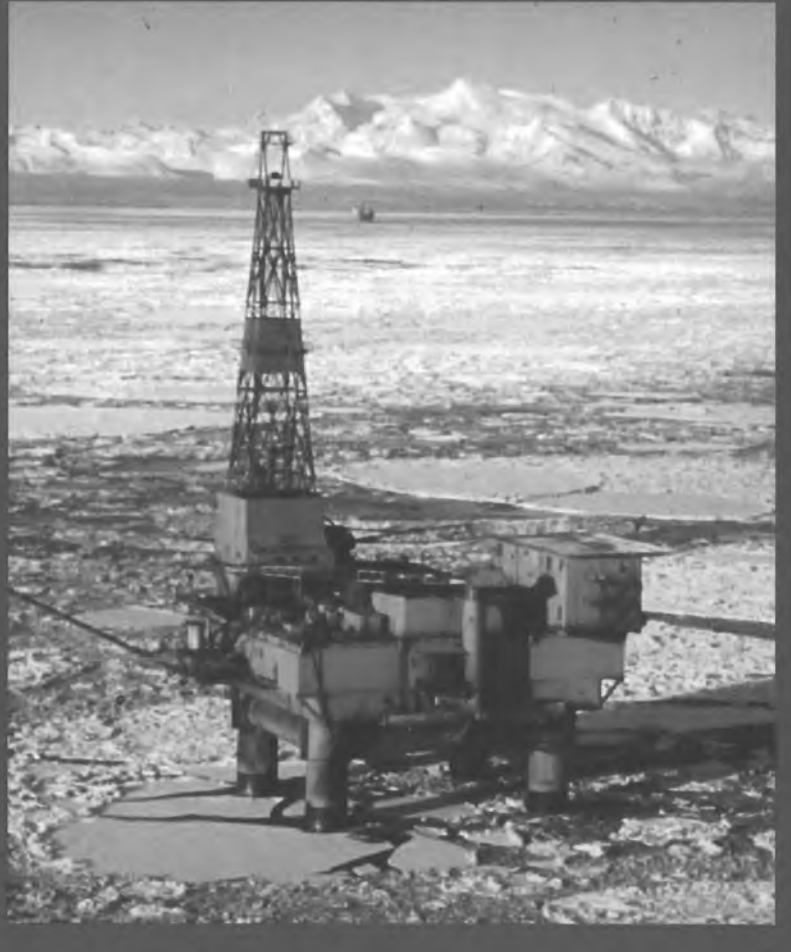
Development Options

1. Outrigger Caisson
2. Subsea
3. Two-Deck Platform
4. Three-Deck Platform

Kitchen
Three-Deck Development

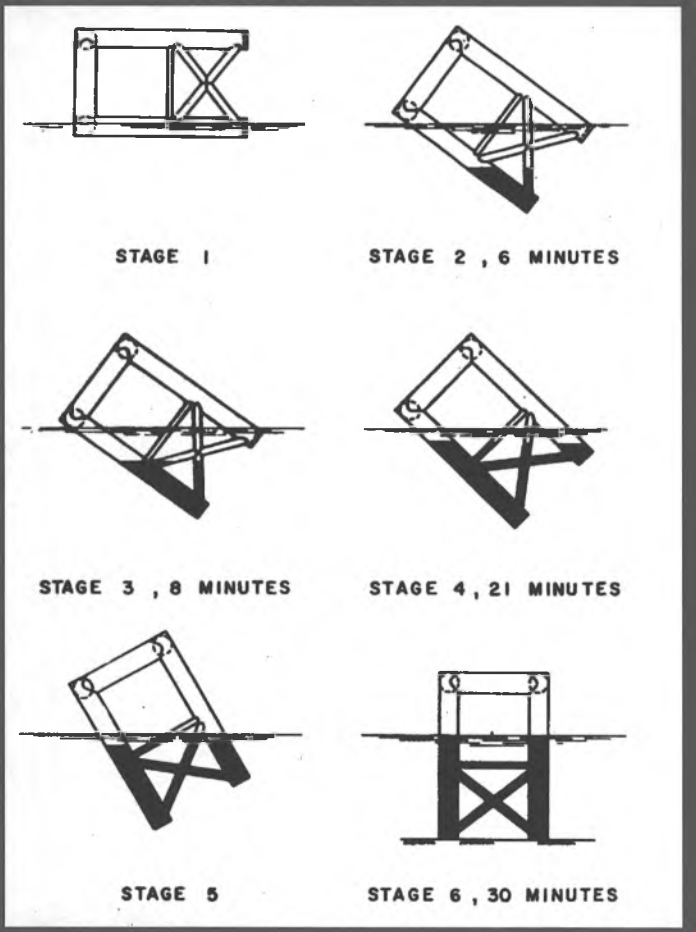
- **Platform**
  - 32-well capacity
- **Pipelines to East Forelands Prod. Fac.**
  - Clean oil and treated gas pipelines
- **Umbilical cable from EFPF**
  - Power, methanol and controls

Three-Deck Cook Inlet Platform



- Platform “C”
- Installed 1967
- 68 ft MLLW
- 32 well capacity
- Leg diameter – 15.5 ft
- Tower – 1,450 ton
- Deck – 2,000 ton
- Piling – 2,200 ton

Upending, April 1967



Installing Decks

Three-Deck Cook Inlet platform

- **Advantages**
  - Proven design
  - Design adaptable to size requirements
  - Space for production and water injection equipment
- **Disadvantages**
  - Requires derrick barge for installation
  - Expensive

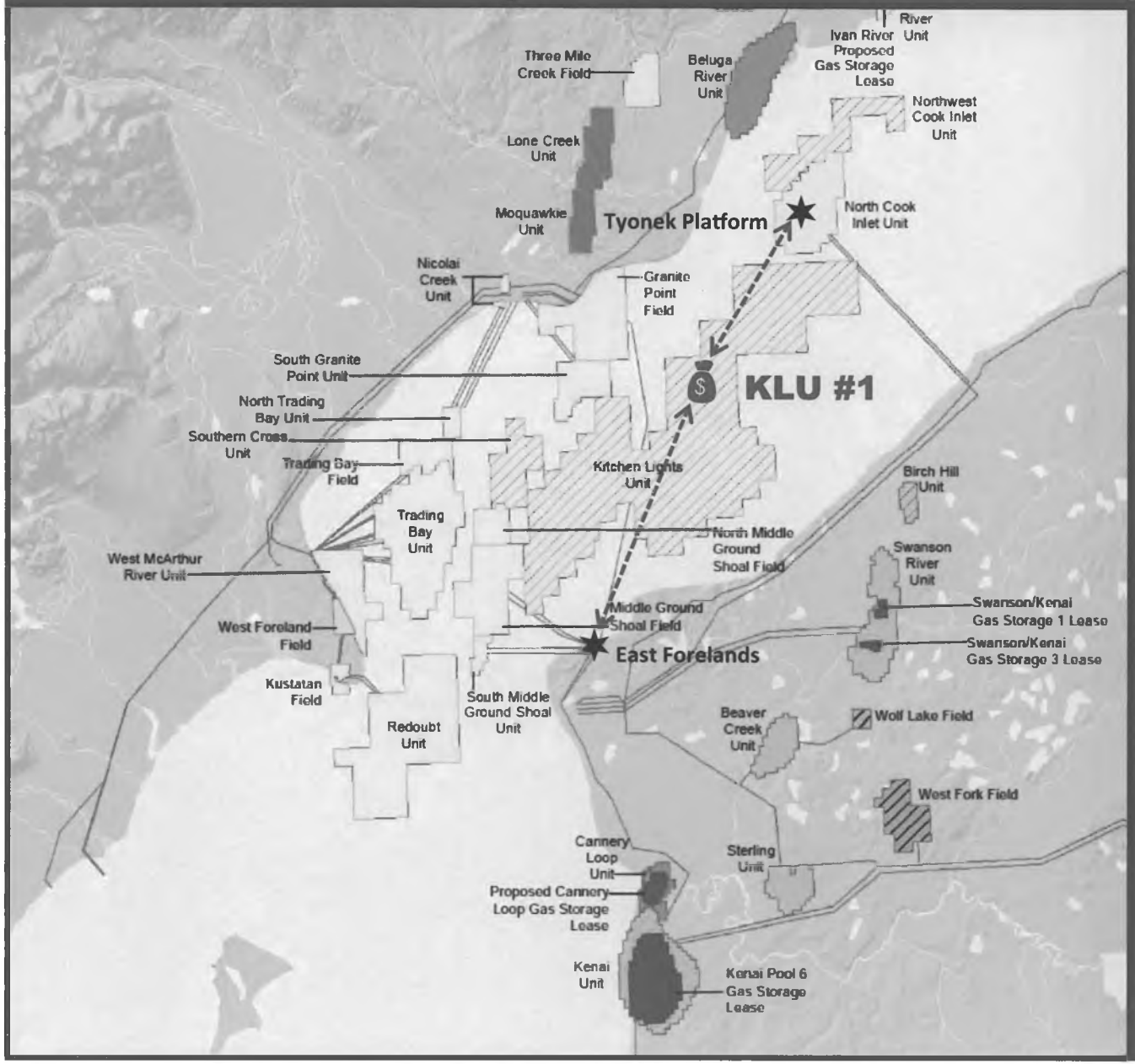
Gas Development Pipeline(s)

- **Gas pipeline, 10-inch, from Kitchen Lights to:**
  - Tyonek platform (about 12 miles), or to
  - East Forelands Production Facility (about 15 miles)
  - Anticipated production 50 MMCF per day
  - Dual and looped pipelines are needed for the subsea case to provide pigging capability
- **Umbilical to Kitchen Lights Unit**
  - Power
  - Methanol
  - Controls

Gas & Oil Development Pipelines

- **Gas and oil pipelines, 10 and 8-inch, from Kitchen to:**
  - New Shore Facility (about 8 miles), or to
  - East Forelands Production Facility (about 15 miles)
  - Anticipated production 50 MMCF/d and 12,000 BOPD
  - Dual and looped pipelines are needed for the subsea case to provide pigging capability
- **Umbilical to Kitchen Lights**
  - Power
  - Methanol
  - Controls

Gas Pipeline Route Options



In this option Kitchen gas will be transported to the Tyonek Platform or the EFPF

Umbilical cable is routed to the Kitchen Lights

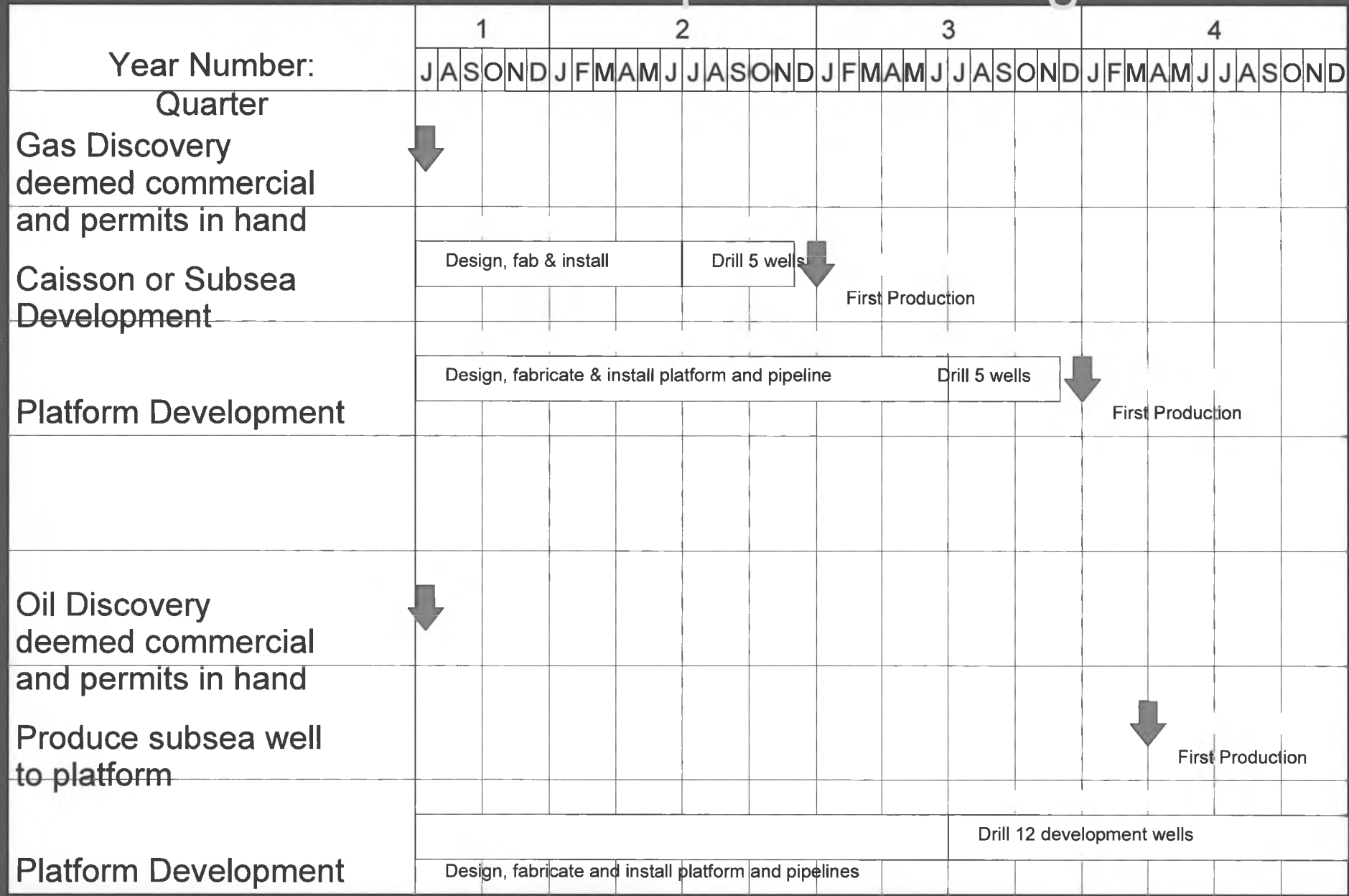
Capital Costs
(based on five gas wells and pipeline option 2)

Development Option	Capital Cost (includes wells, structure, pipelines and facilities) $ Millions
Outrigger Caisson	134
Subsea Template	173
Two-Deck Platform	168
Three-Deck Platform	210

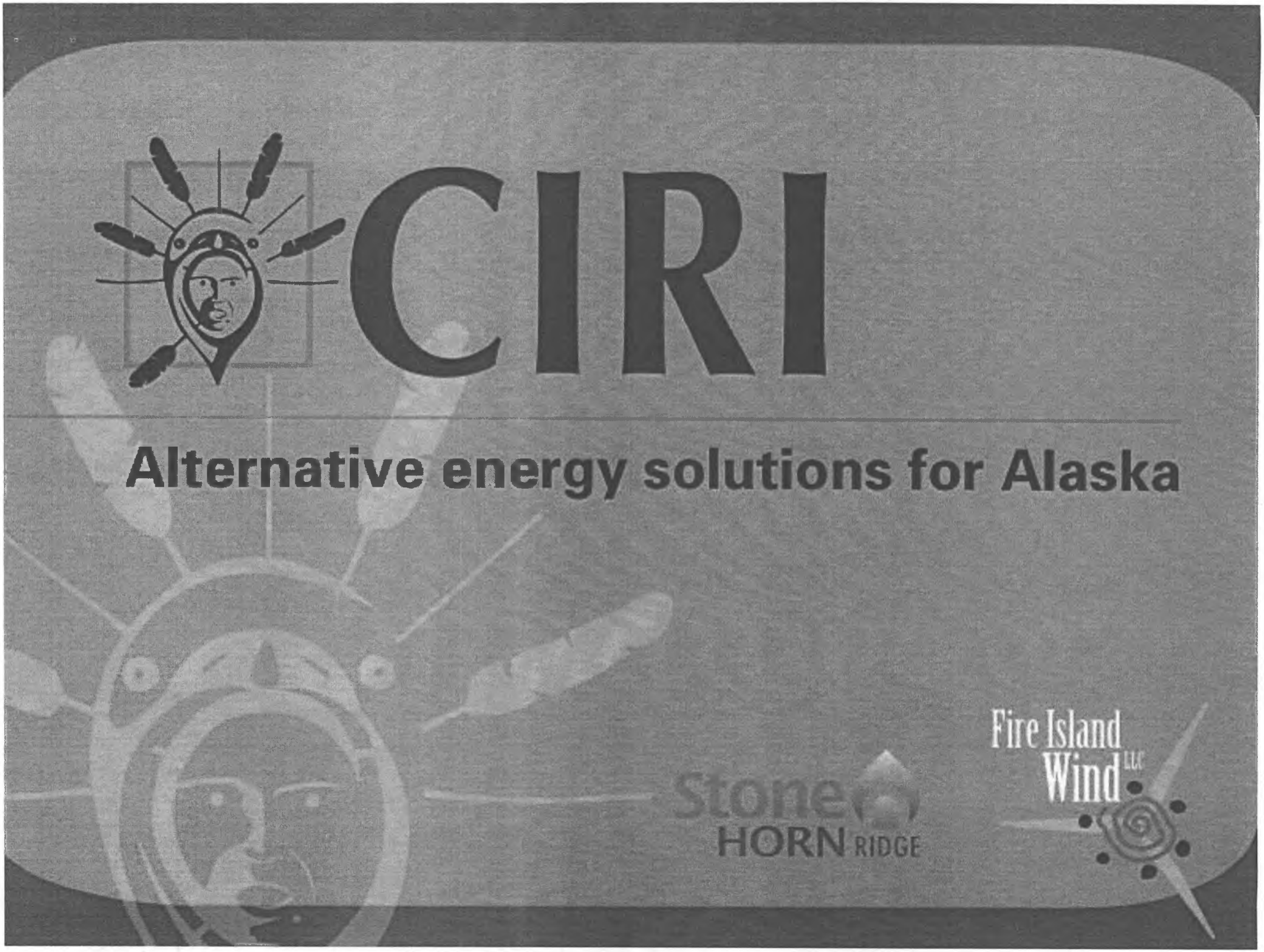
Capital Costs
(based on five gas and twelve oil wells)

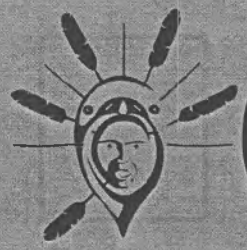
Development Option	Capital Cost (includes wells, structure, pipelines and facilities) $ Millions
Outrigger Caisson	**NA**
Subsea Template	**NA**
Two-Deck Platform	**422**
Three-Deck Platform	**426**

Kitchen Development Timing



belmar
3/12/08
KLU - 43

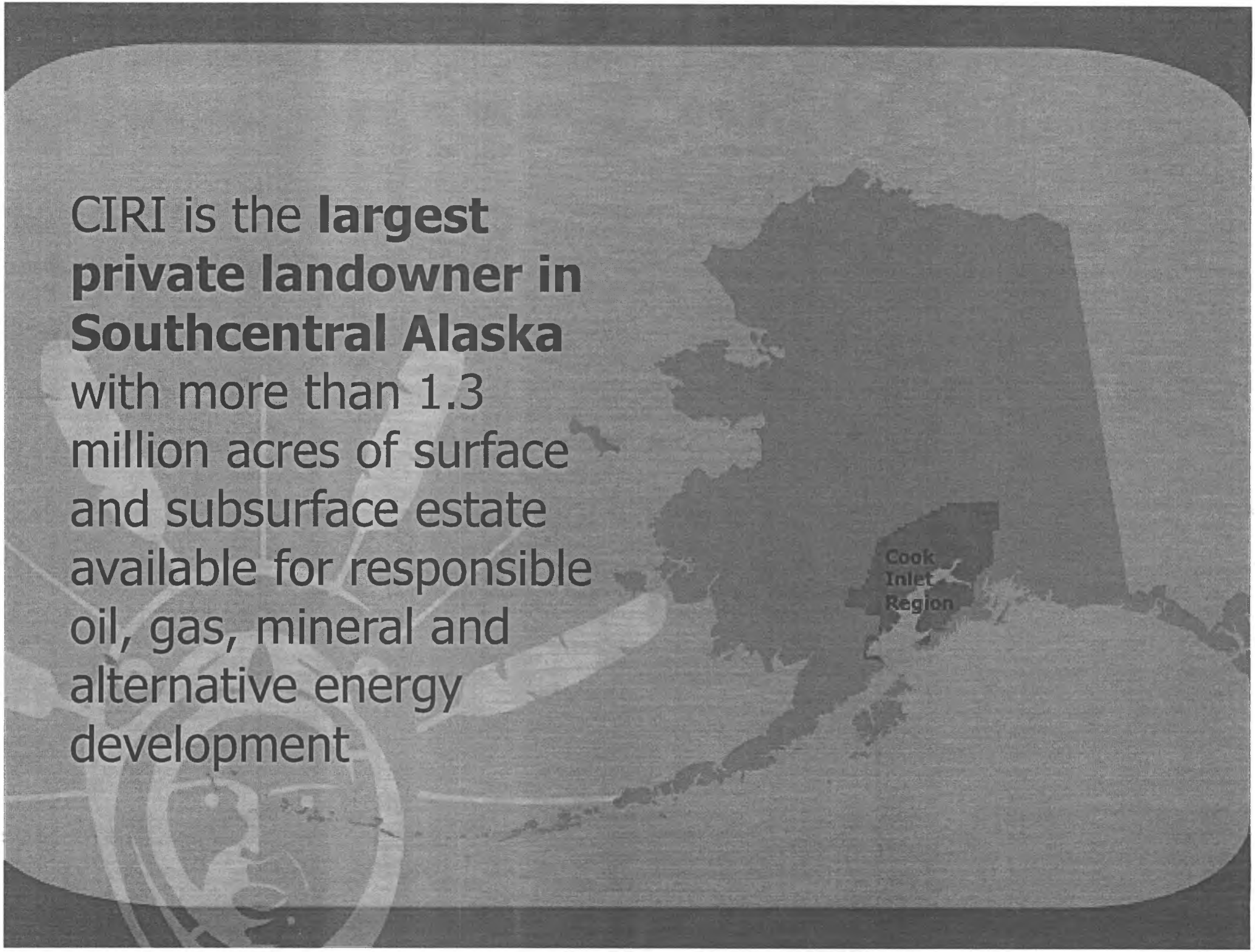

CIRI
Alternative energy solutions for Alaska
Stone
HORN RIDGE
Fire Island
Wind LLC

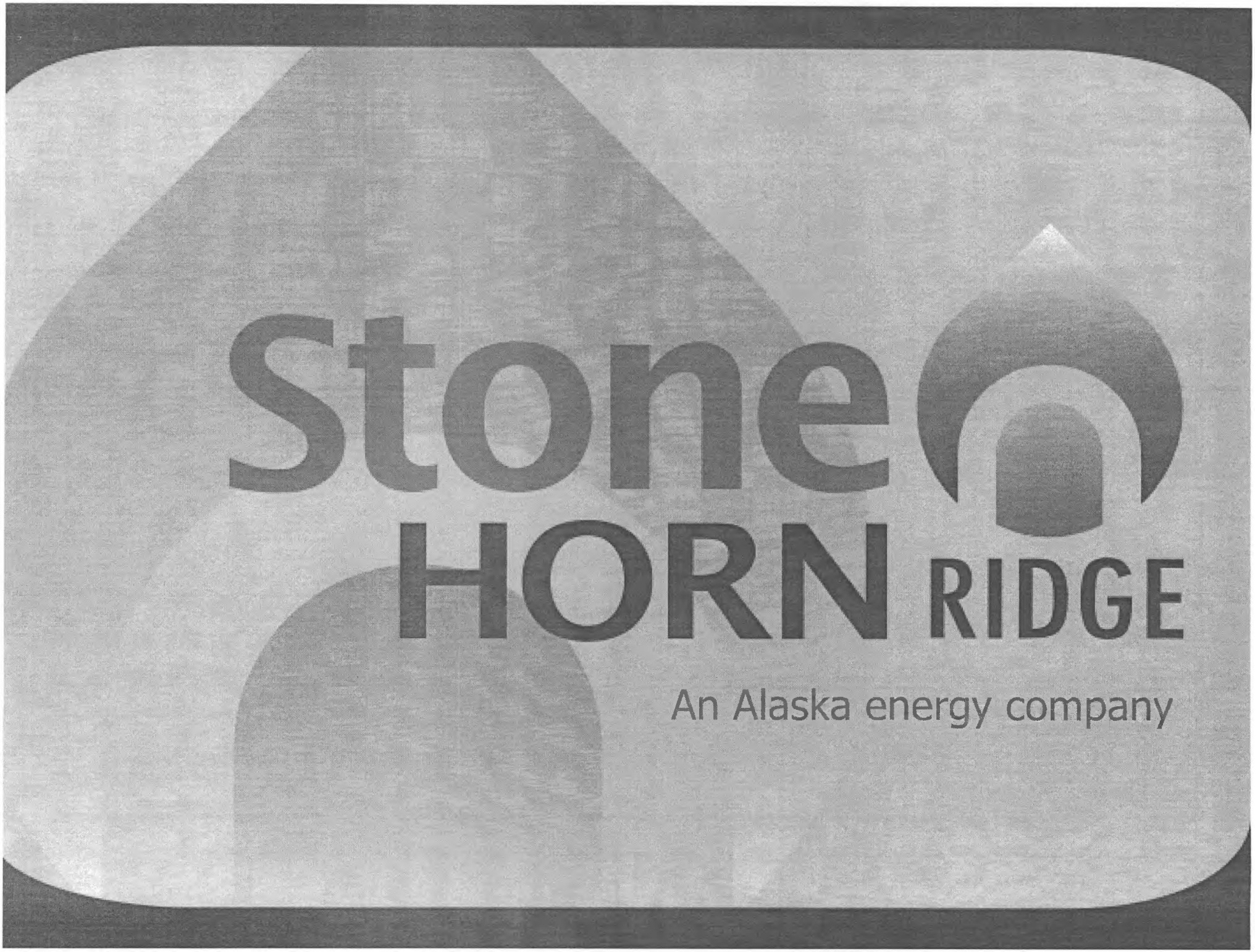


CIRI

An Alaska Native corporation with diverse business interests:

- Energy and resource development
- Oilfield and heavy construction services
- Real estate development and management
- Environmental remediation services
- Tourism and hospitality


CIRI is the **largest private landowner in Southcentral Alaska** with more than 1.3 million acres of surface and subsurface estate available for responsible oil, gas, mineral and alternative energy development
Cook Inlet Region


Stone
HORN RIDGE
An Alaska energy company

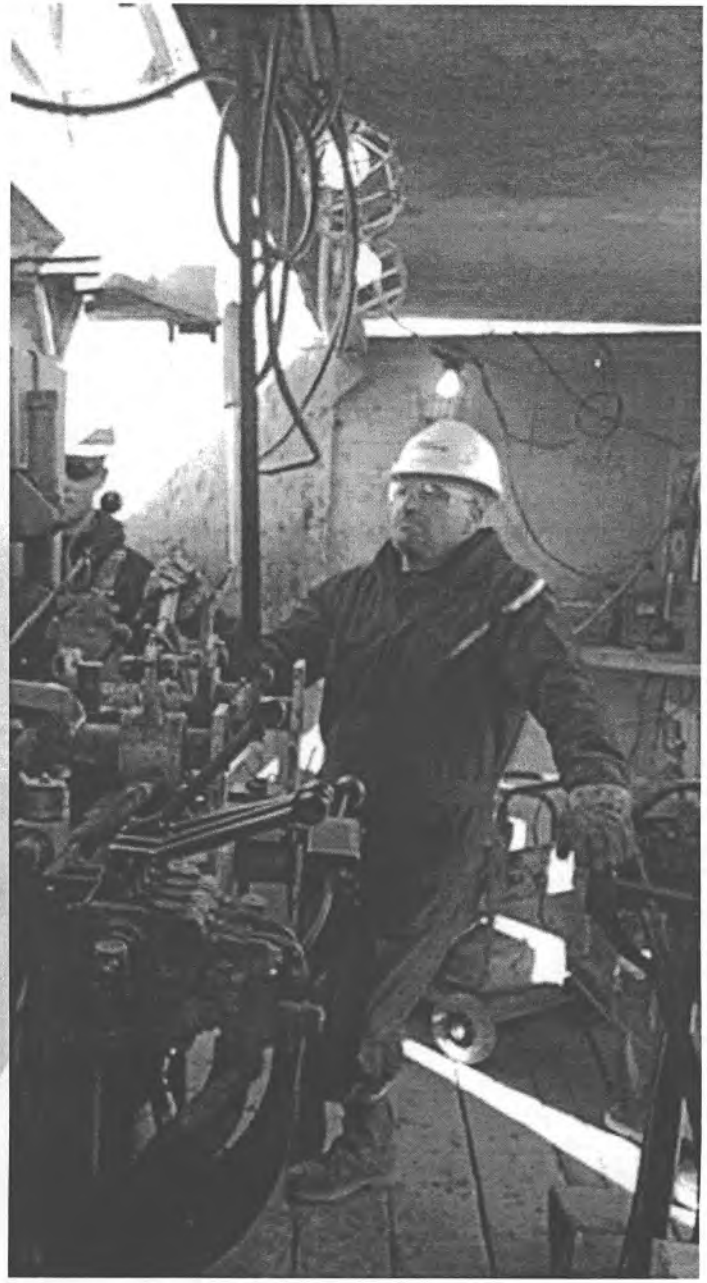
Stone Horn Ridge

- Alaska energy company developing underground coal gasification (UCG) project
- Joint venture of CIRI and Laurus Energy, a Houston-based UCG technology company
- UCG technology provided by license from Ergo Exergy

Stone HORN RIDGE

UCG: Proven, Clean Technology

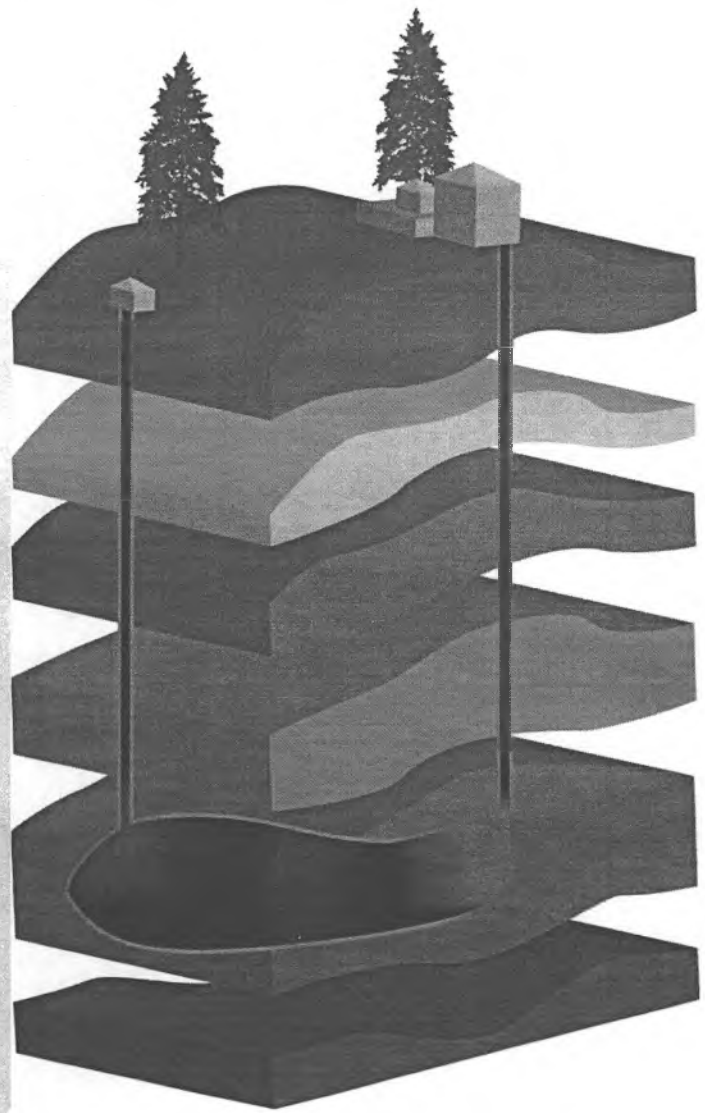
- UCG is a proven technology that converts coal "in situ" to produce syngas
- Process occurs below impermeable rock layers isolated from freshwater aquifers
- Eliminates most environmental and safety risks associated with conventional coal mining, handling, transport and waste
- More than 50 test and commercial projects completed worldwide



Stone HORN RIDGE

UCG Process

- Drill two wells and create a connection between the wells
- At one well, inject an oxidant such as air or oxygen
- Start a combustion reaction
- Heat and pressure gasify coal and drive other reactions
- Second well produces syngas to surface for cleanup and use



Stone HORN RIDGE

Southcentral Alaska Energy

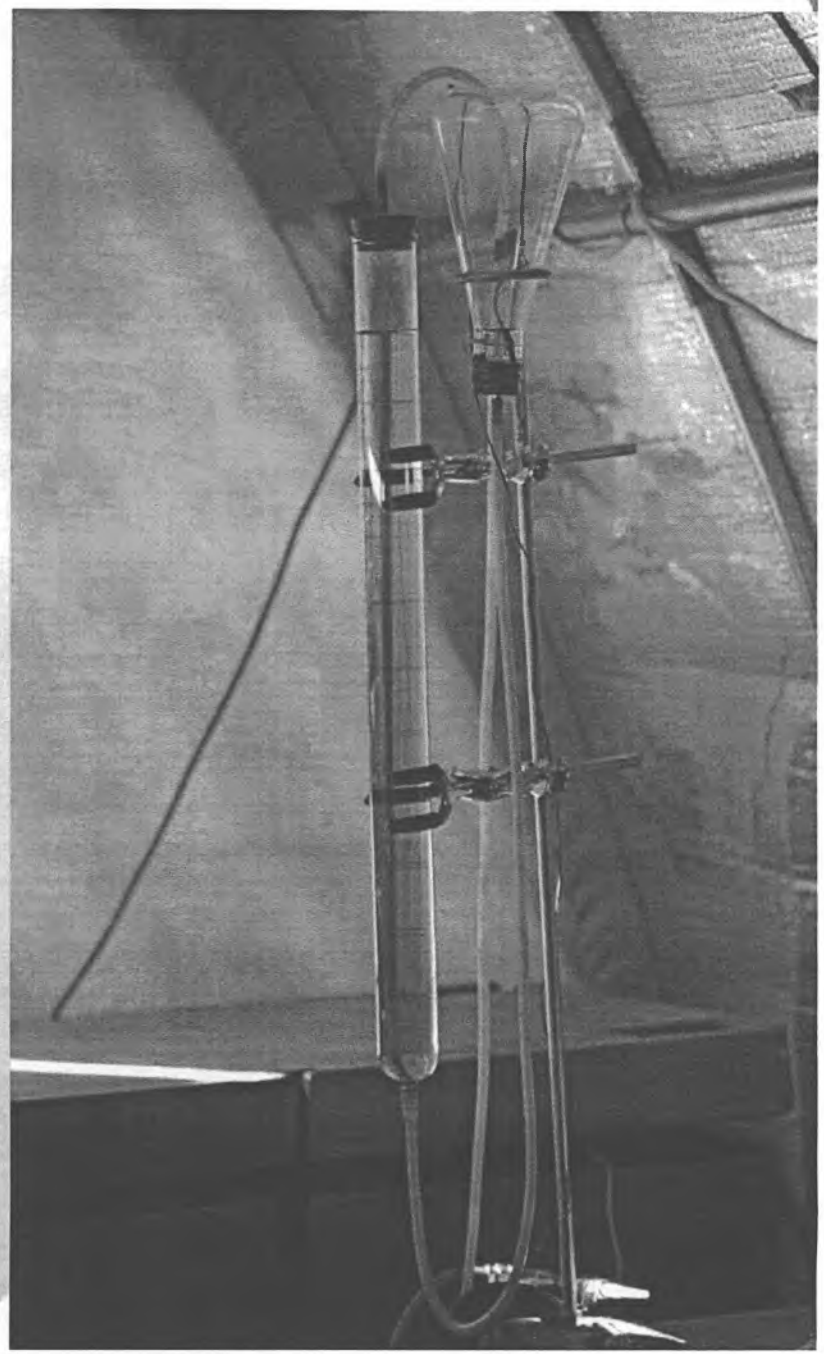
- Produce energy for local use and export
- CIRI core drilling confirmed significant commercial coal reserves
- Favorable geology for UCG development
- Global-scale coal resource
- Tidewater location
- Local energy market need

Stone HORN RIDGE

Uses for Syngas

UCG-produced syngas can be:

- Used to generate electricity
- Upgraded via methanation into synthetic natural gas (methane) for local use and export
- Used as feedstock to produce:
  - clean liquid fuels
  - fertilizer
  - other petrochemical products



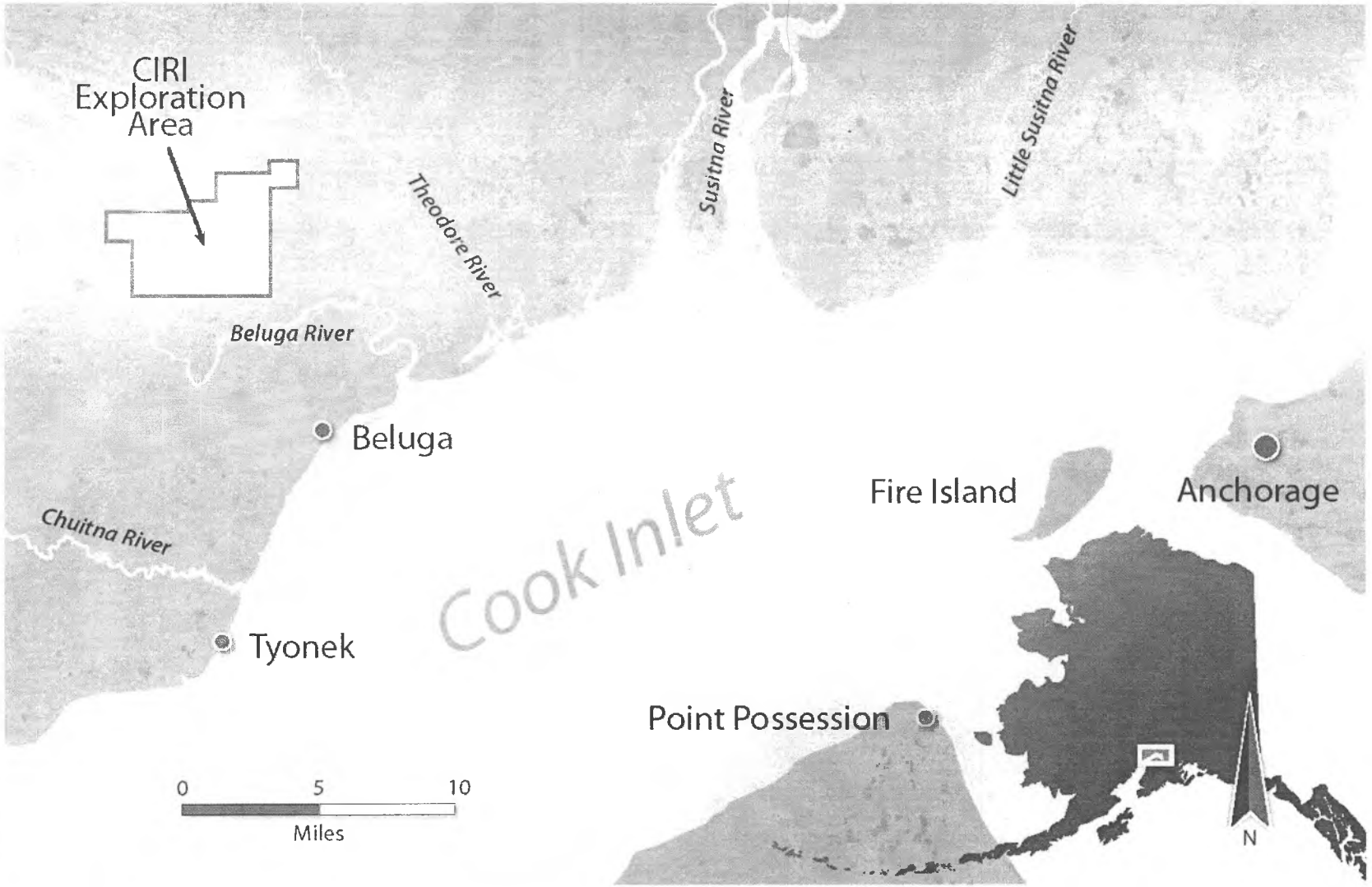
Stone HORN RIDGE

Stone Horn Ridge Project

- Project located on CIRI land
- significant commercial coal reserves confirmed
- Multiple coal seams confirmed more than 650 feet deep, below impermeable rock layers and isolated from freshwater aquifer
- Ongoing study, modeling, testing and monitoring

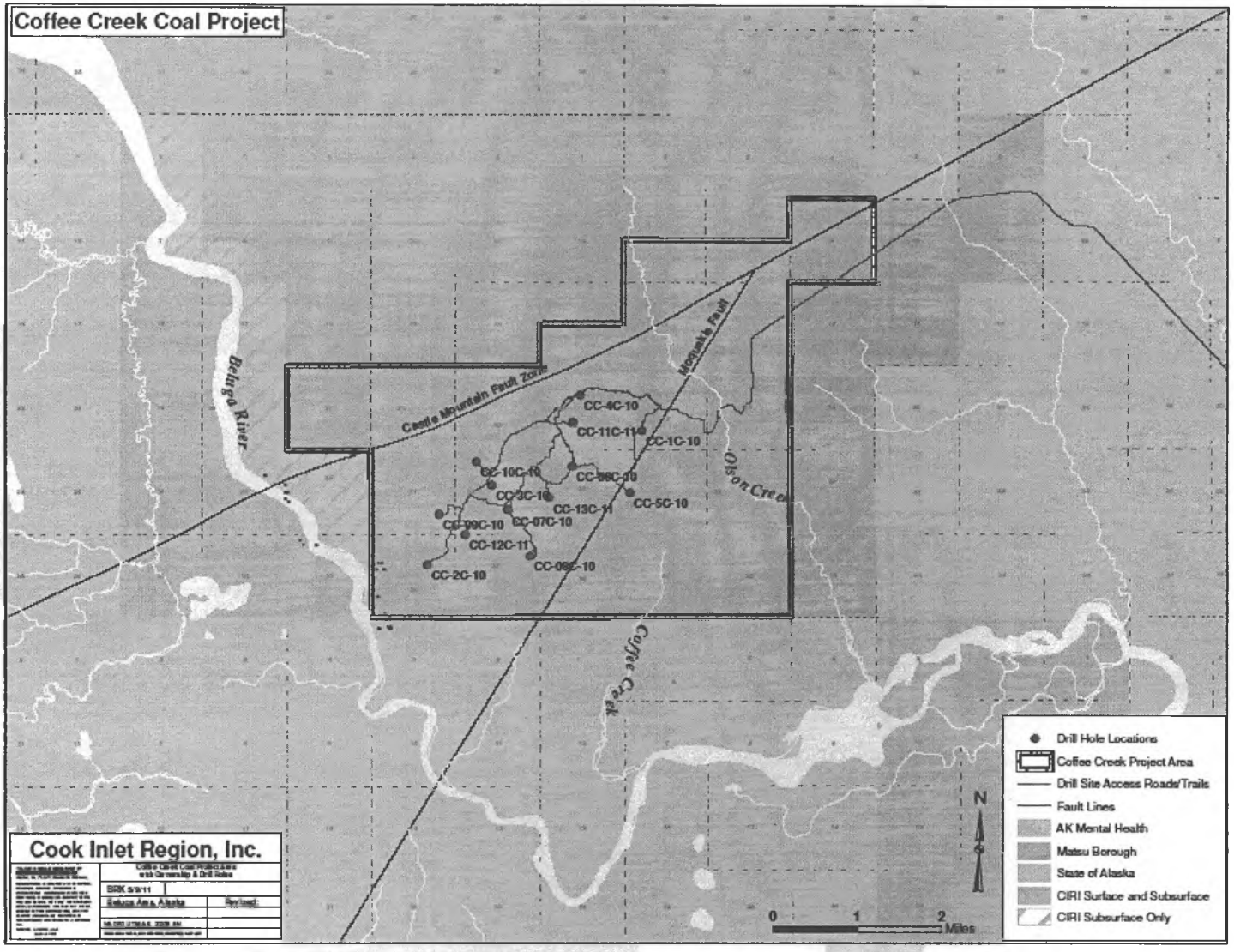
Stone HORN RIDGE

Stone Horn Ridge site



Stone HORN RIDGE

Stone Horn Ridge site



Stone HORN RIDGE

Stone Horn Ridge Project History

- UCG resource and geological evaluation of CIRI lands
- 13-hole core drilling and wire line data program
- Formed Stone Horn Ridge LLC
- Preliminarily validated commercial UCG resource and appropriate geology for development
- Concept engineering and costing of large scale surface facility
- Geological, rock mechanics and hydrogeological modeling

Stone Horn Ridge

Responsible Development

Stone Horn Ridge will only develop a UCG facility after a deliberate, thoughtful process

- Performing all due diligence, environmental risk assessment and necessary permitting
- Committed to developing carbon capture and management program
- Consistently seeking input from community, environmental and technical interests

Stone HORN RIDGE

Project Updates

Next Steps

- Shallow, high-resolution seismic
- Complete model of underground geology
- Initiate permitting process and baseline environmental data collection
- Design site characterization drilling program
- Initiate commercial operations and syngas production as soon as 2015

Stone HORN RIDGE

CIRI.COM

Mary Jackson

From: Paul Thomsen <pthomsen@ormat.com>
Sent: Wednesday, October 19, 2011 5:26 PM
To: Mary Jackson
Cc: Bob Evans; Rahm Orenstein
Subject: RE: Mt Spurr presentation to Senate Resources Committee 20-Oct-11 rev0.pptx

Also presenting tomorrow will be:

Paul Thomsen, Director of Policy and Business Development & Rahm Orenstein, Director of Business Development and project lead for Mt. Spurr.

Best Regards,

Paul

****
Paul A. Thomsen
Ormat Technologies
775.313.6569

From: Paul Thomsen
Sent: Wednesday, October 19, 2011 6:23 PM
To: 'mary_jackson@legis.state.ak.us'
Cc: Bob Evans; Rahm Orenstein
Subject: FW: Mt Spurr presentation to Senate Resources Committee 20-Oct-11 rev0.pptx
Importance: High

Mary,

Attached you will find Ormat's presentation for tomorrow. Thank you for putting up with our tardiness.

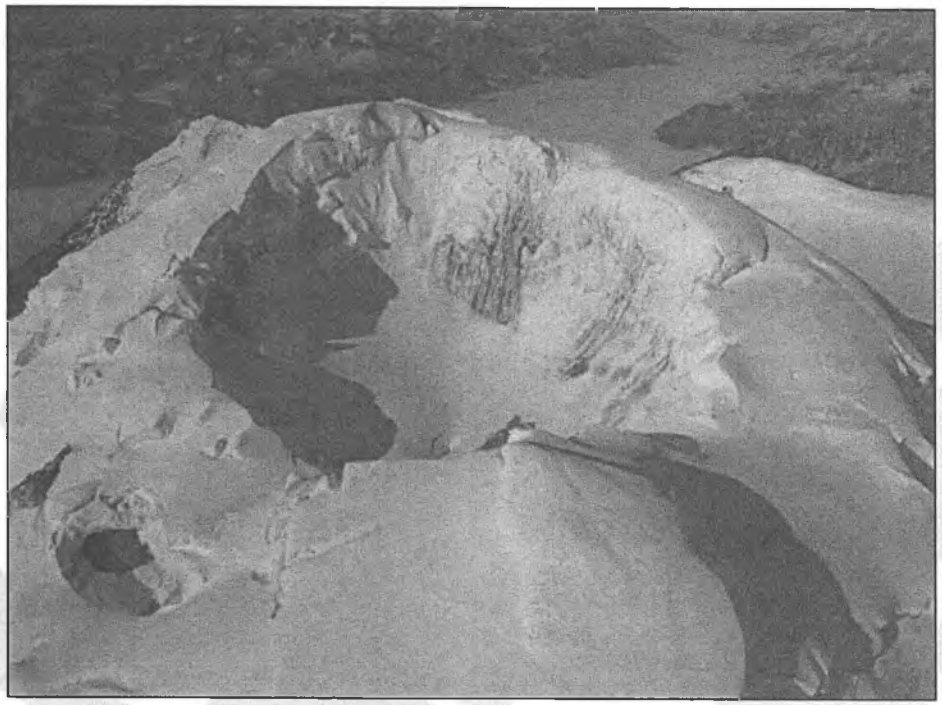
Best Regards,

Paul

****
Paul A. Thomsen
Ormat Technologies
775.313.6569

From: Rahm Orenstein
Sent: Wednesday, October 19, 2011 5:54 PM
To: Paul Thomsen
Subject: Mt Spurr presentation to Senate Resources Committee 20-Oct-11 rev0.pptx
Importance: High

The Mount Spurr Geothermal Project



Senate Resources Committee Meeting
October 20, 2011
Kenai, AK

Paul Thomsen (pthomsen@ormat.com)
Ormat Technologies, Inc.
www.ormat.com

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We will not update these forward-looking statements, even though our situation will change in the future.

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Outline

- Introduction to:
  - Ormat Technology, Inc
  - Geothermal power
  - The Mt. Spurr geothermal project
- Project status and timeline
- Costs, matching funds and overall funding plan
- Local support
- Amount and cost of power supplied to Railbelt
- Economic and environmental impact

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Ormat Brings Credibility

- A leader in geothermal power
- Owns and operates 553* MW worldwide
- Supplied approximately 1,370 MW to 24 countries
- Vertically integrated:
  - Explores, develops, engineers, manufactures, constructs, operates
- Employs approx. 500 people in the U.S. ; >1,100 worldwide
- Publicly traded on the NYSE ("ORA")

* Including the 50 MW of North Brawley in California, which operates at approx. 30 MW

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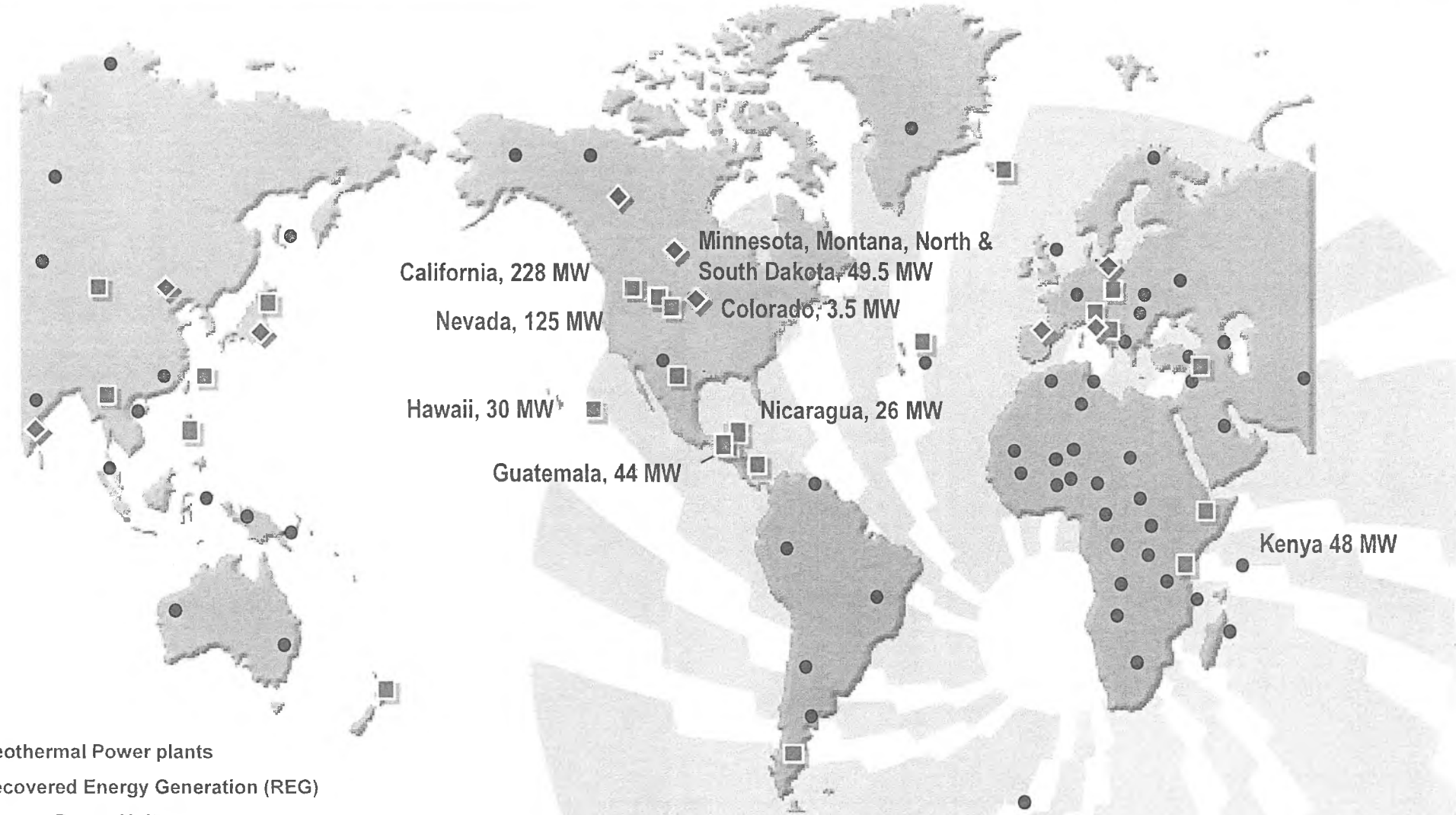
Global Presence
Meeting the Needs of Customers in 71 Countries



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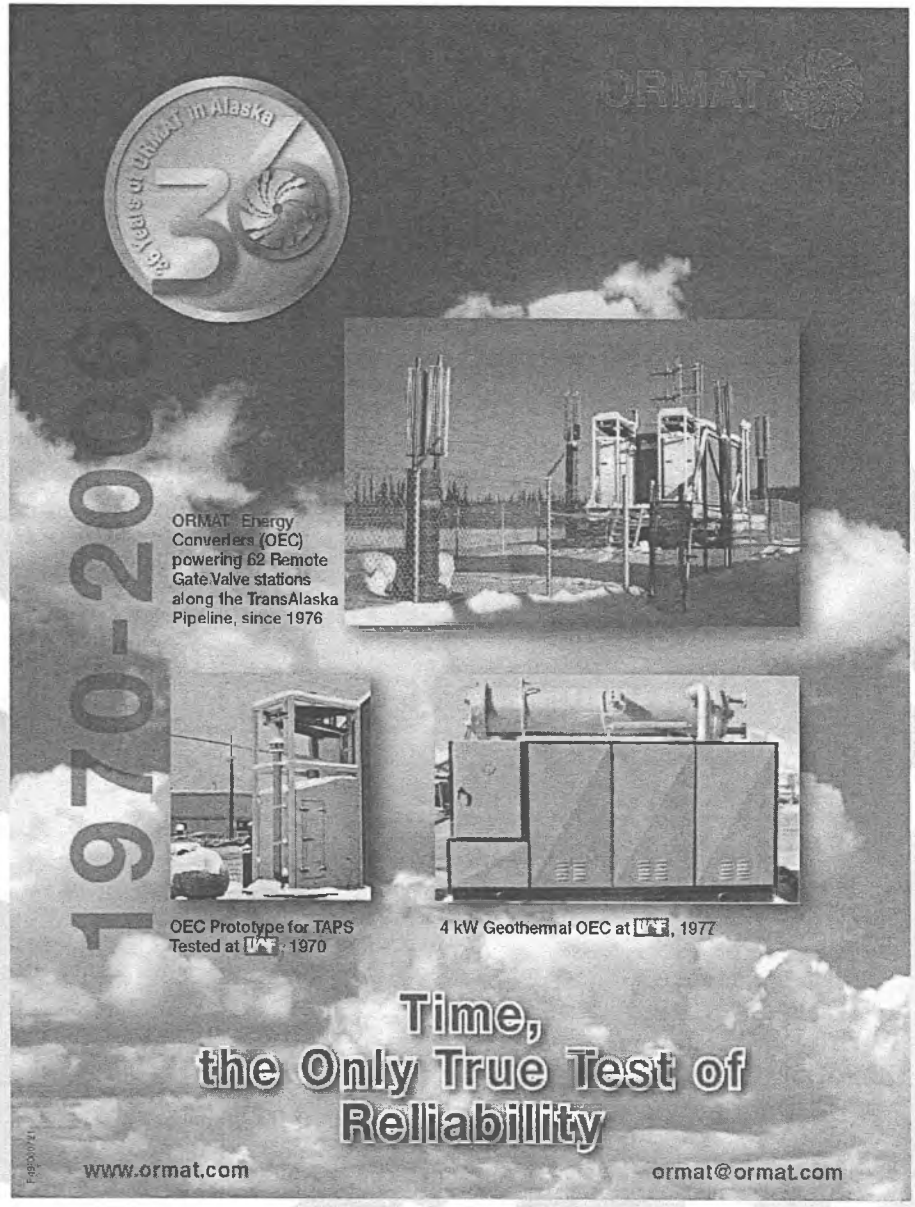
Ormat's Commitment to Alaska

- >100 Remote Power Units
  - Serving remote gate valves
  - TransAlaska Pipeline
  - Since 1975
- First geothermal unit
  - Tested in 1979
  - University of Alaska Fairbanks
  - At Manley Hot Springs
- Approx. $5 million of Ormat equity invested in Mt. Spurr to date



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Geothermal – Key Attributes

- Utilities' renewable energy of choice:
  - Base-load generation
  - Cost-competitive
  - Highly reliable; >95% availability
  - Proven technology: ~11,000 MW deployed worldwide
- No fuel cost risk; Fixed long-term pricing
- Sustainable & environmentally friendly
  - Closed loop system with near zero emissions
  - No water consumption [Mt. Spurr plant will be air-cooled]
  - Minimal surface and visual impact
- Creates long-term, high-quality jobs

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Geothermal – Development Inhibitors

- Resources are scarce
- High upfront CAPEX and risk required in order to discover and confirm the resource

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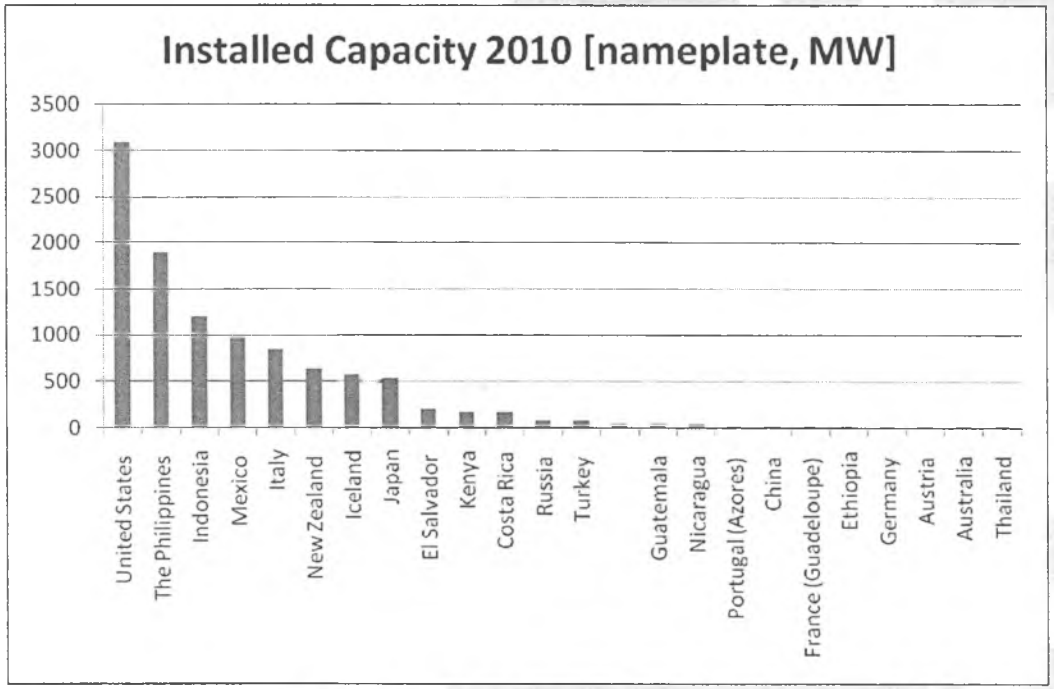
Worldwide Geothermal Deployment

- Approximately 11,000 MW deployed world-wide
- 24 nations have utility-scale geothermal generation
  - US is the world leader, with plants in CA, NV, HI, UT, ID
- Supportive policies have been key to success in all nations



Source: International Geothermal Association

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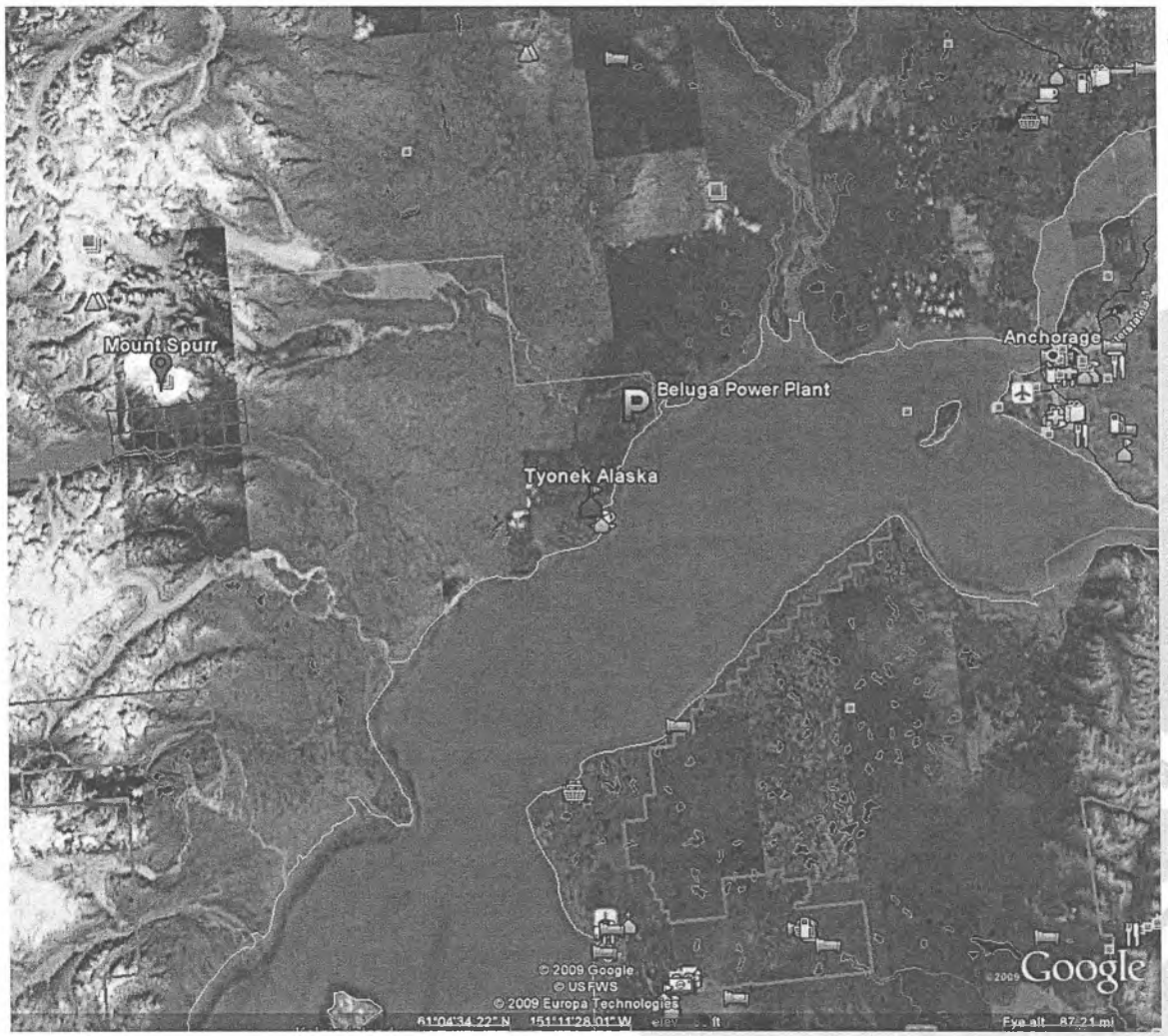
Project Location



West Cook Inlet

~75 miles west of Anchorage

Source: GoogleEarth

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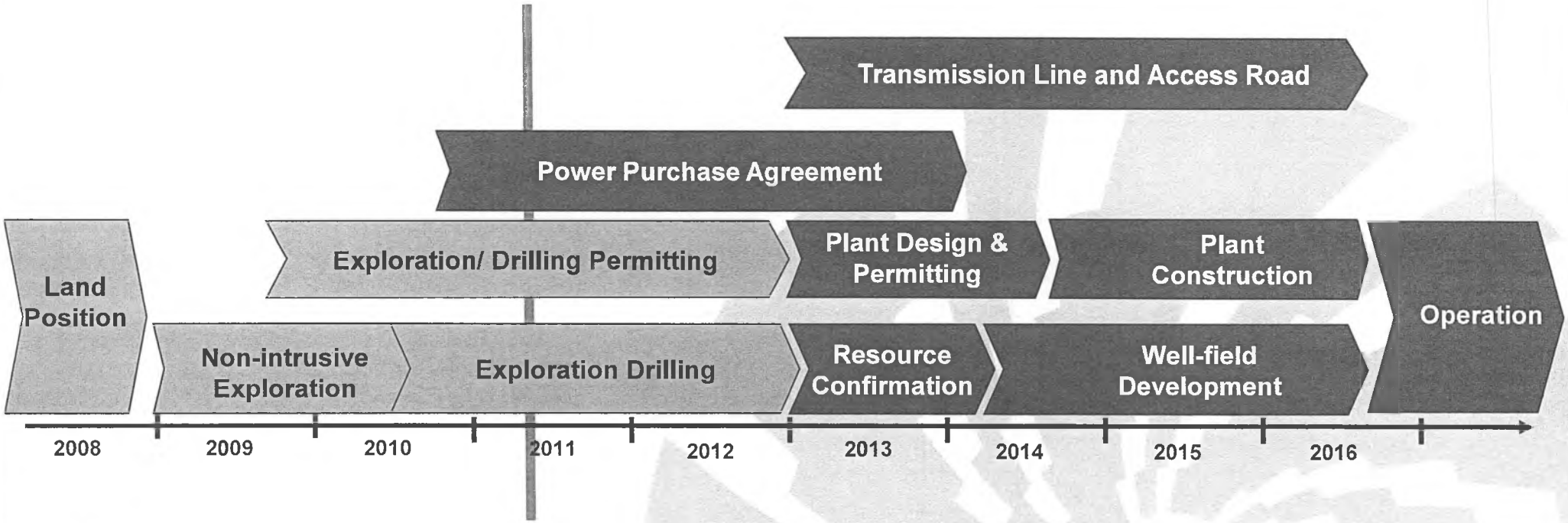
Mt. Spurr – Status & Estimated Timeline



- 36,000 acres of state lands leased from DNR in October 2008
- Non-intrusive exploration conducted summer of 2009 and of 2010
- Two exploration core holes (~1,000 ft) drilled in September 2010
- One deep exploration core hole (~4,000 ft) drilled during summer of 2011

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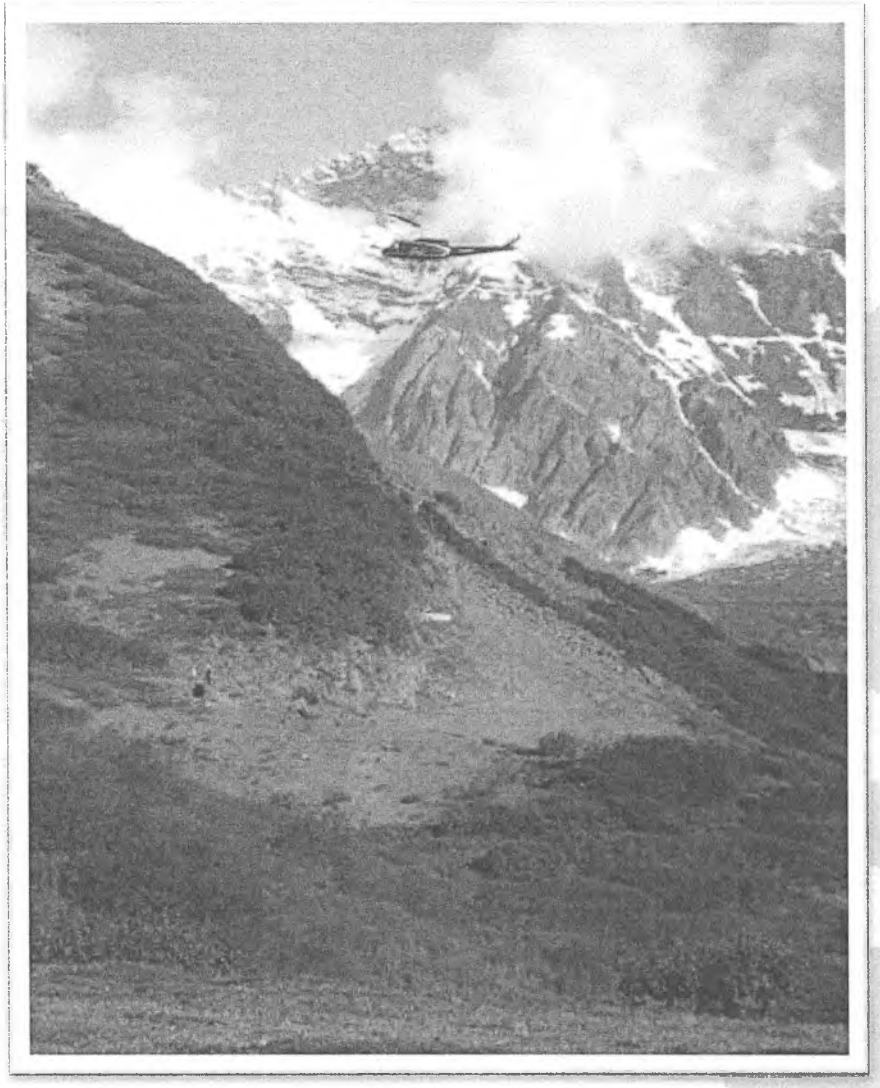
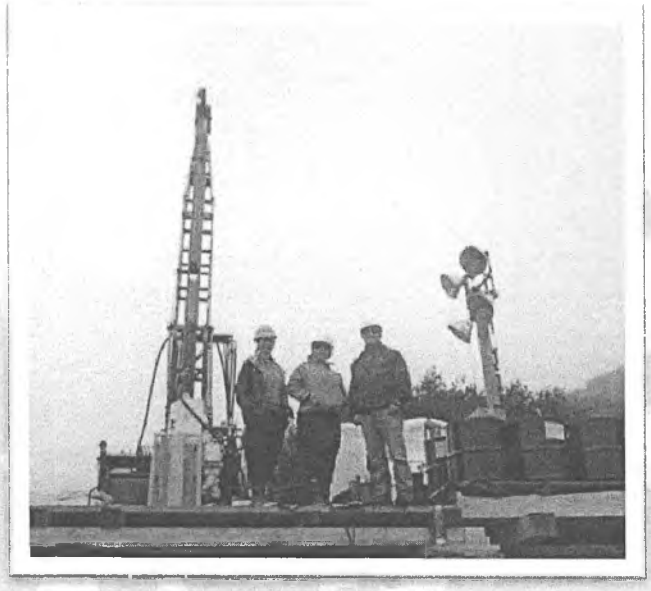
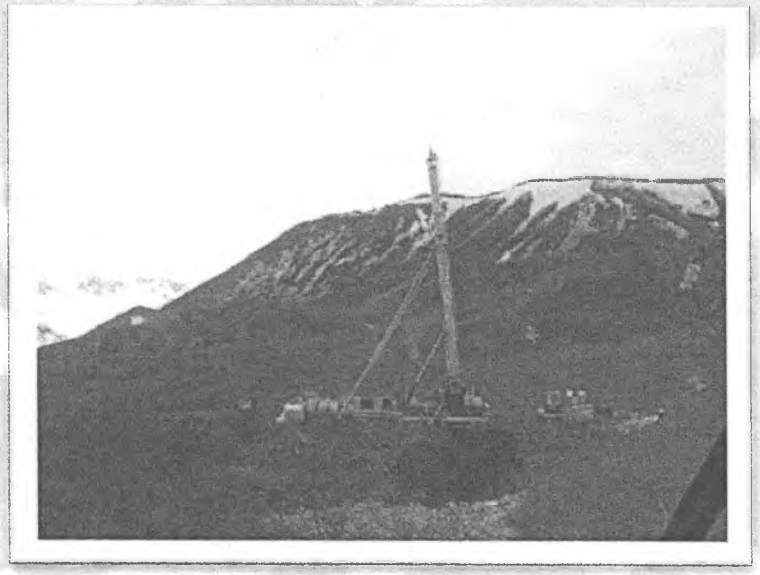
Core Drilling in 2010 and 2011







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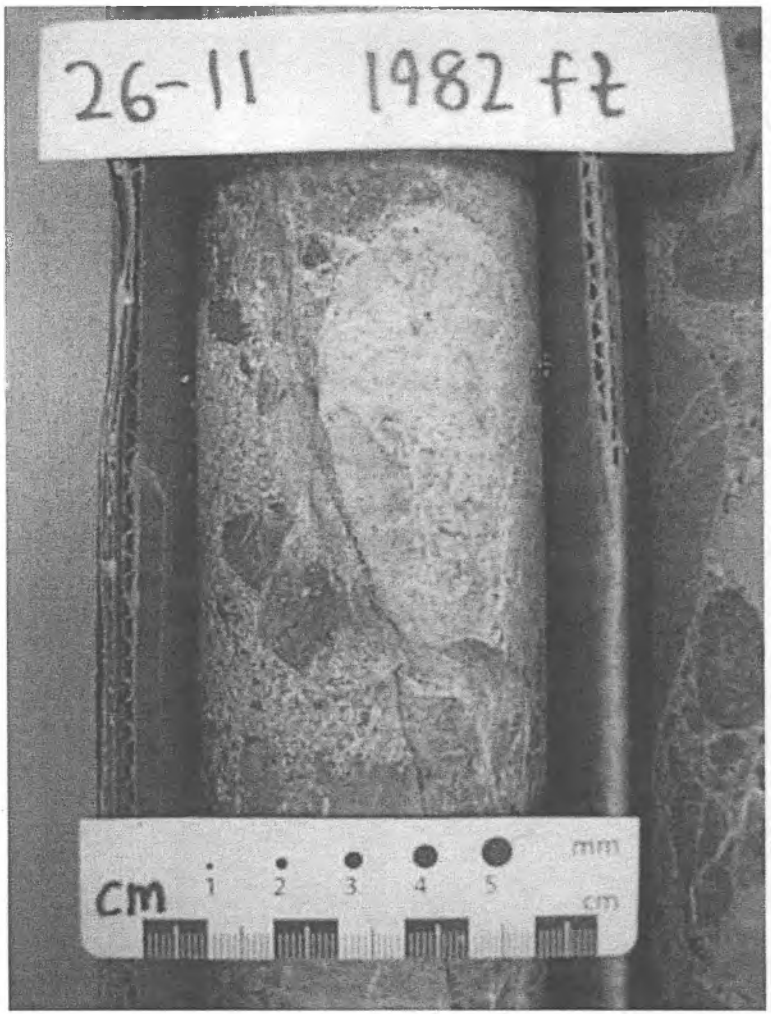
Core Collected – Donated to DNR/DGGS



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Results to Date

- Results from the 2009-2010 exploration and drilling work were encouraging as to the potential existence of a geothermal resource at commercial depths

- Results from the 2011 deep core hole were less encouraging, as the rock type encountered was not a good reservoir rock and the temperatures measured were colder than expected

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Status and Next Steps

- Ormat is currently analyzing the results and updating the 3-D geological model
- All data is being shared with the State (DNR/DGGS, AOGCC) and Ormat is in discussion with these agencies to get thoughts and ideas
- Next step is to update the exploration plan, and may include recommendation to rotary drill a deeper exploration well

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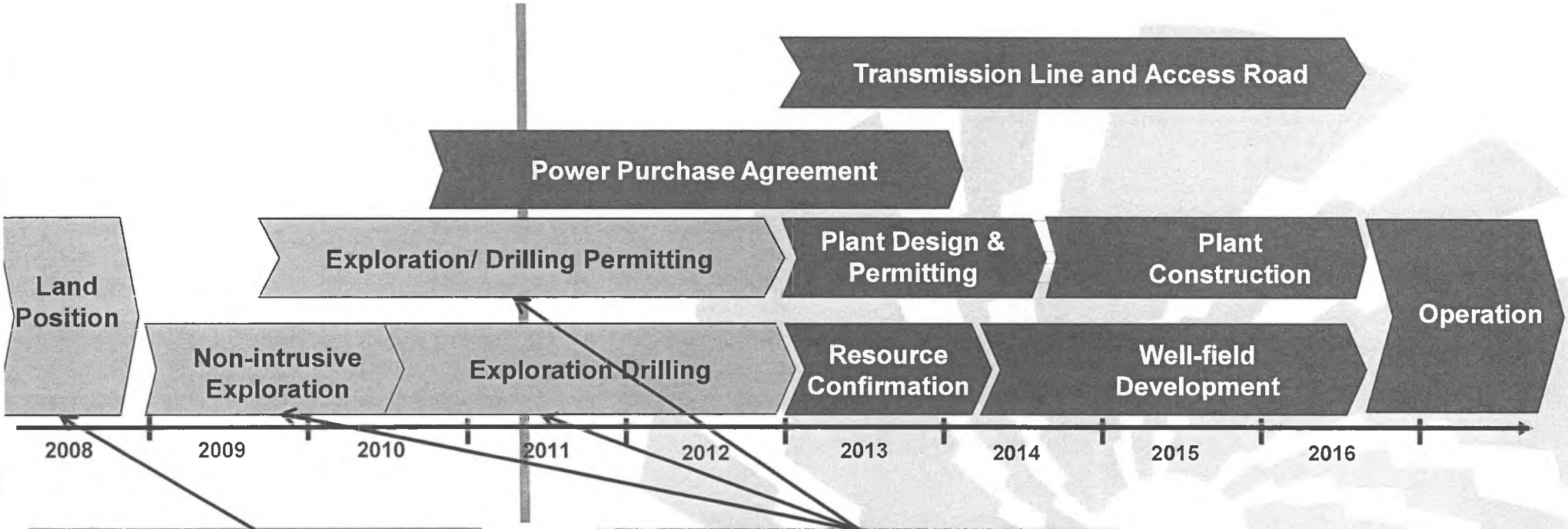
Sources of Funding So Far



Ormat

~$3.5 million bonus payment;
~$100,000 annual rent

Ormat and AEA (round III)

Ormat: ~ $3 million*
AEA: ~$2 million + 17 mil.

* $2.1 million as matching funds per the grant agreement and the rest outside it

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Energy to the Railbelt

- Capacity estimated at 50~100 MW net, average. Target is:
  - ~50 MW in 2016
  - Expand to ~100 MW in 2019
- Near-term solution, bridging the gap to longer-term mega-solutions, e.g. Suisitna/Watana hydro and/or gas pipeline
- At 95% availability: 416~832 GWh/year

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Cost of Power to Railbelt Utilities

- Estimated at ~12 c/kWh
- Fixed price, not coupled with fossil fuels
- Geothermal is a baseload 24/7 resource, therefore utilities will not incur any integration costs
- Price is higher than current avoided costs (5-10 c/kWh), however:
  - Is comparable to other alternatives, e.g. Suisitna/Watana
  - Railbelt utilities' avoided costs are likely to go up with the continued depletion of Cook Inlet gas reserves

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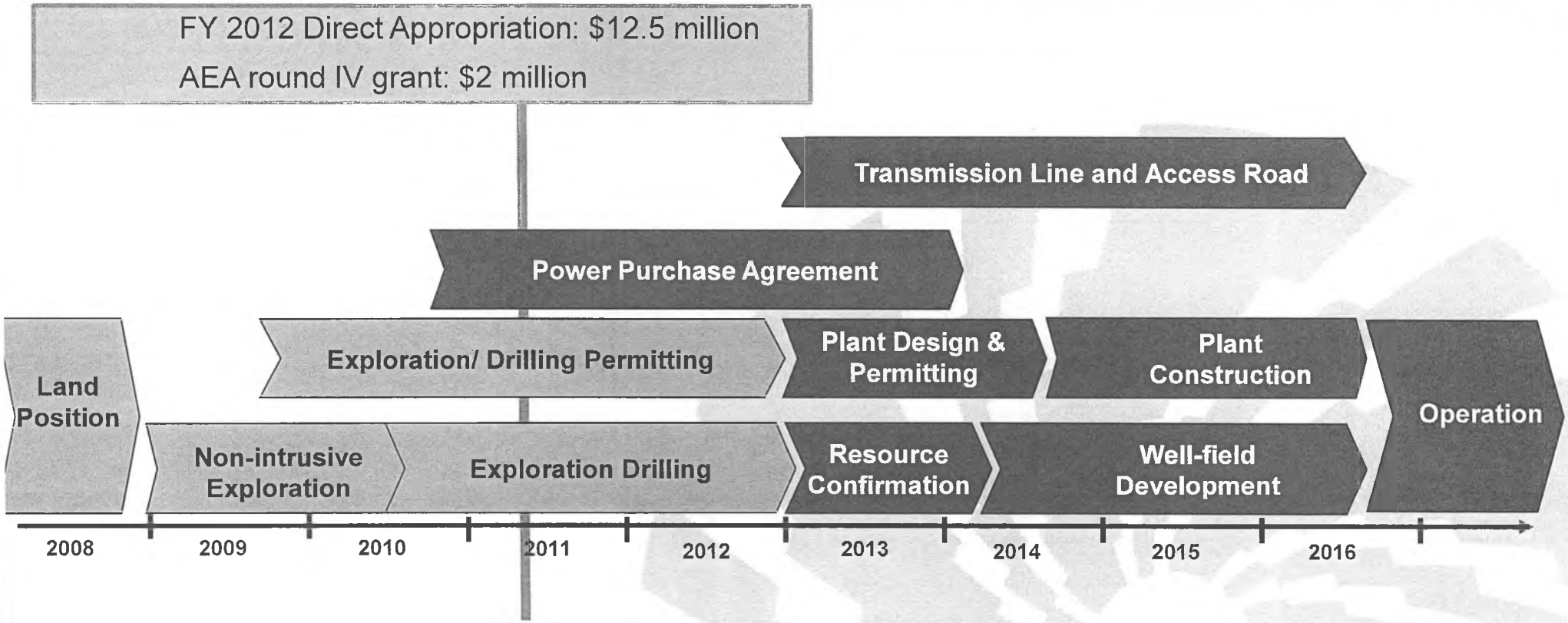
Additional Appropriated Funds



- We will be working with AEA and DNR on updating the scope of work once a new recommended plan of exploration is ready

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Local Support

- From nearest communities:
  - Tyonek:
    - Cooperative agreement with Tyonek Native Corporation (TNC) in place
    - TNC provided Ormat with letters of recommendation
  - Kenai Peninsula Borough
    - Mayor provided Ormat with letters of recommendation
  - Anchorage
    - Mayor provided Ormat with letters of recommendation

- Environmental and renewable energy communities:
  - Cook Inletkeeper
  - Renewable Energy Alaska Project (REAP)

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Regional Priority and AEA Vetting

- Project supported by all 6 Railbelt utilities, separately and via ARCTEC, as a potentially viable near term solution
- Identified by the AEA-sponsored 2010 Railbelt Integrated Resource Plan as a beneficial component in the Railbelt's generation portfolio
- Selected by AEA for round III and IV of the Renewable Energy Fund Grant (REFG)

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Economic Impact

- Alaska's 100 MW of geothermal power could:
  - Provide 50 long term high paying jobs
  - Provide more than 100 construction jobs
  - Impact >200 local vendors
  - Fuel local economy with >$850 million over 30 years

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Environmental Impact

- Alaska's 100 MW of geothermal power could annually:
  - Save ~6,000,000 MMBTU of depleting Cook Inlet natural gas
  - That's roughly the equivalent of Anchorage's entire residential heating consumption
  - Avoid emission of ~320,000 tons of CO_2*

*Calculated for natural gas, assuming 53 Kg of CO_2 per MMBtu (DOE/EIA http://www.eia.doe.gov/oiaf/1605/coefficients.html)

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Summary – Mt Spurr Benefits

- Clean, reliable, field-proven, base-load power to the Railbelt
- Significant relief in Cook Inlet natural gas consumption
- Significant contributor towards 50% renewables by 2025
- Provides long-term price stability
- Near-term solution, bridging the gap to longer-term mega-solutions, e.g. Suisitna hydro and/or gas pipeline
- Provides high quality, long term green jobs

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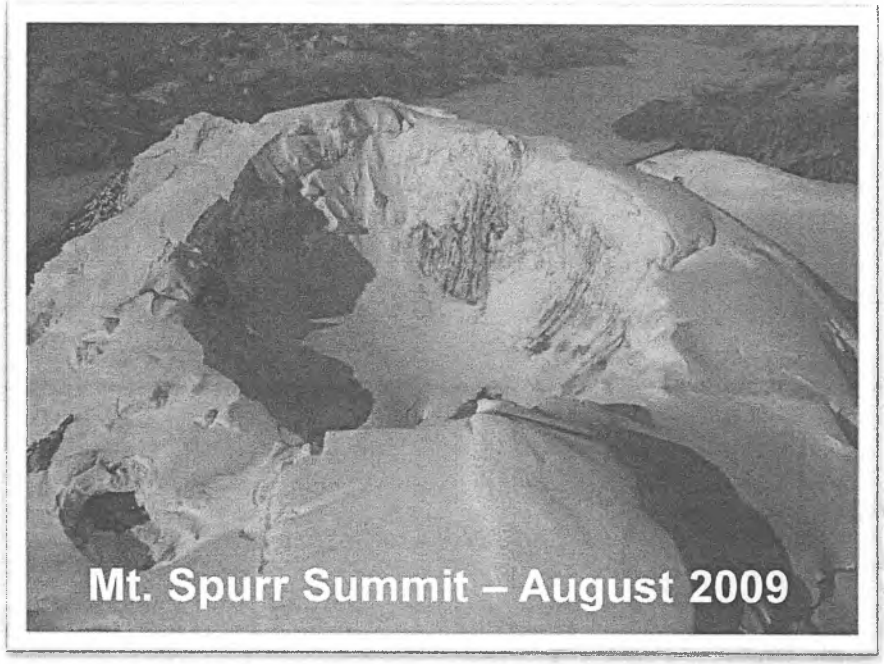
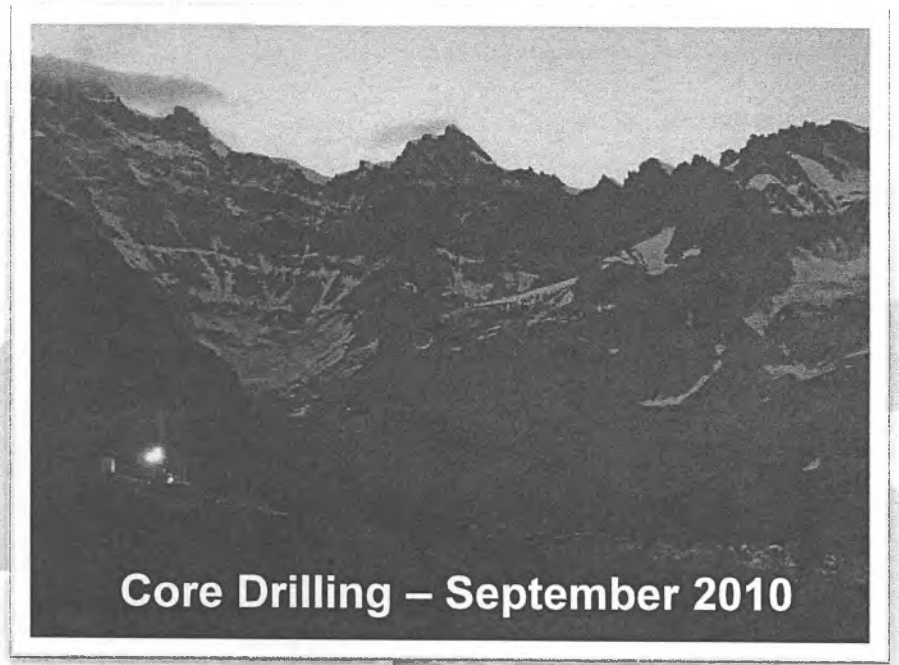
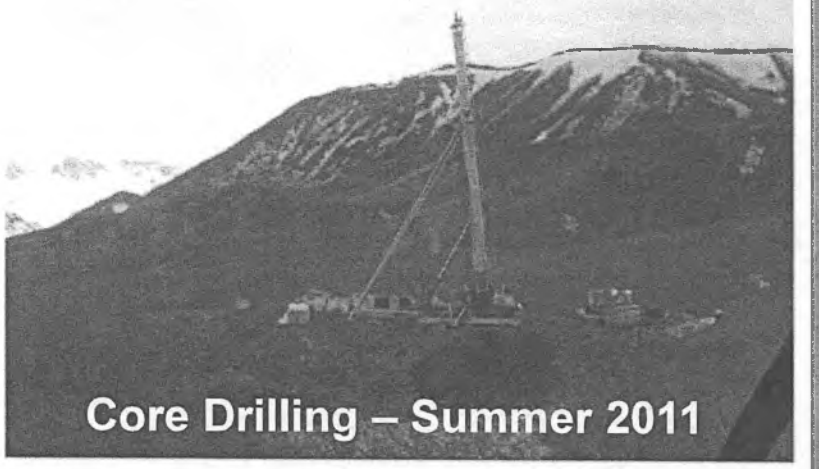

Mt. Spurr Summit – August 2009


Core Drilling – September 2010


Core Drilling – Summer 2011

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BUCCANEER ENERGY

Alaska Senate Resources Committee

Jim Watt

OPERATING PLATFORM COOK INLET, ALASKA

BUCCANEER ENERGY

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- **Forward Looking Statements**
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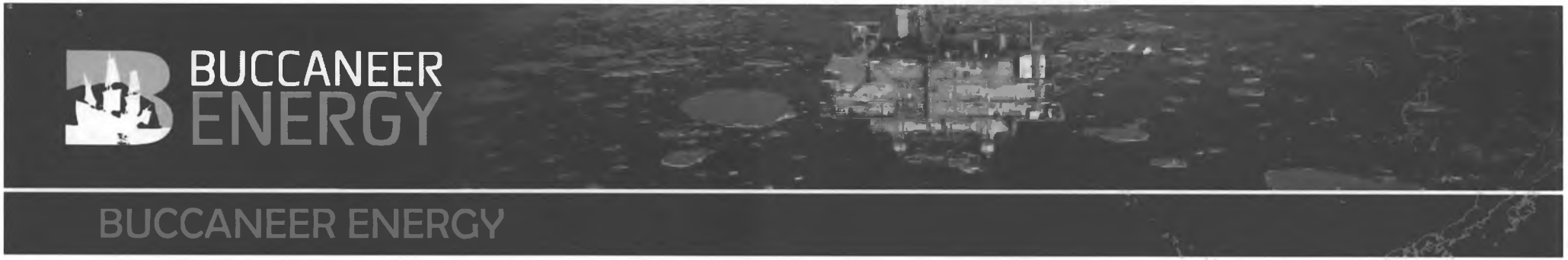
- **Reserves and Values**
  All reserves and valuations are presented for informational purposes and are not guaranteed or warranted by Buccaneer in any way. Anyone interested in a purchase or transaction involving one of the subject properties is encouraged to obtain independent professional verification and base their purchase decisions on their own analysis and their 3rd party input.

- **Competent Persons Statement**
  Information pertaining to Lee County project contained in this report were compiled by Gary Rinehart, BS in Geology from University of Oklahoma and who has had more than 35 years experience in petroleum geology. Mr Rinehart has consented to the inclusion in this report of the technical matters and information herein in the form and context in which it appears.
  Information contained in this report pertaining to the Alaskan projects was reviewed by Dr. Vijay Bangia, PhD in Petroleum Engineering from the University of Tulsa, who has over 30 years experience including employment by Shell Oil Company, Union Texas Petroleum, Burlington Resources and Renaissance Alaska. Dr. Bangia has approved the inclusion in this report of the technical matters and information herein in the form and context in which it appears.



Buccaneer was founded on two core principles:

- Minimize risk
  - Enlisting local talent
  - Acquiring majority positions in projects
  - Managing all operations
  - No "Big E" – stacked pay
- Maximize opportunity
  - Fast track development opportunities
  - Special incentives
    - ✓ Favorable regulatory environment
    - ✓ Strong commodity market

BUCCANEER ENERGY

BUCCANEER - OPERATING OVERVIEW & CORE FOCUS

Alaska
Unique Environment & Opportunity

- Alaska is energy-friendly and in great need of a supply solution
- Cook Inlet: One of the last under-explored frontiers in US
- Unique local fiscal regime with tremendous economic incentive for exploration

Alaska - Onshore

- Kenai Loop development -- Establish production & Cash flow (December 2011); 3P reserves: 51.6BCF
- Firm off-take agreement with Enstar for 31BCF (as of April 2012)
- West Nikolai Creek and West Eagle prospects onshore gas weighted prospects

Alaska - Offshore

- Leases in Cook Inlet Alaska State waters
- Southern Cross 2P Reserves: 12.7 MMBOE (78% oil) + P50 Resource: 14.7 MMBOE (75% oil)
- North West Cook Inlet P50 resource: 49.4 MMBOE

Endeavour
Jack-Up Rig

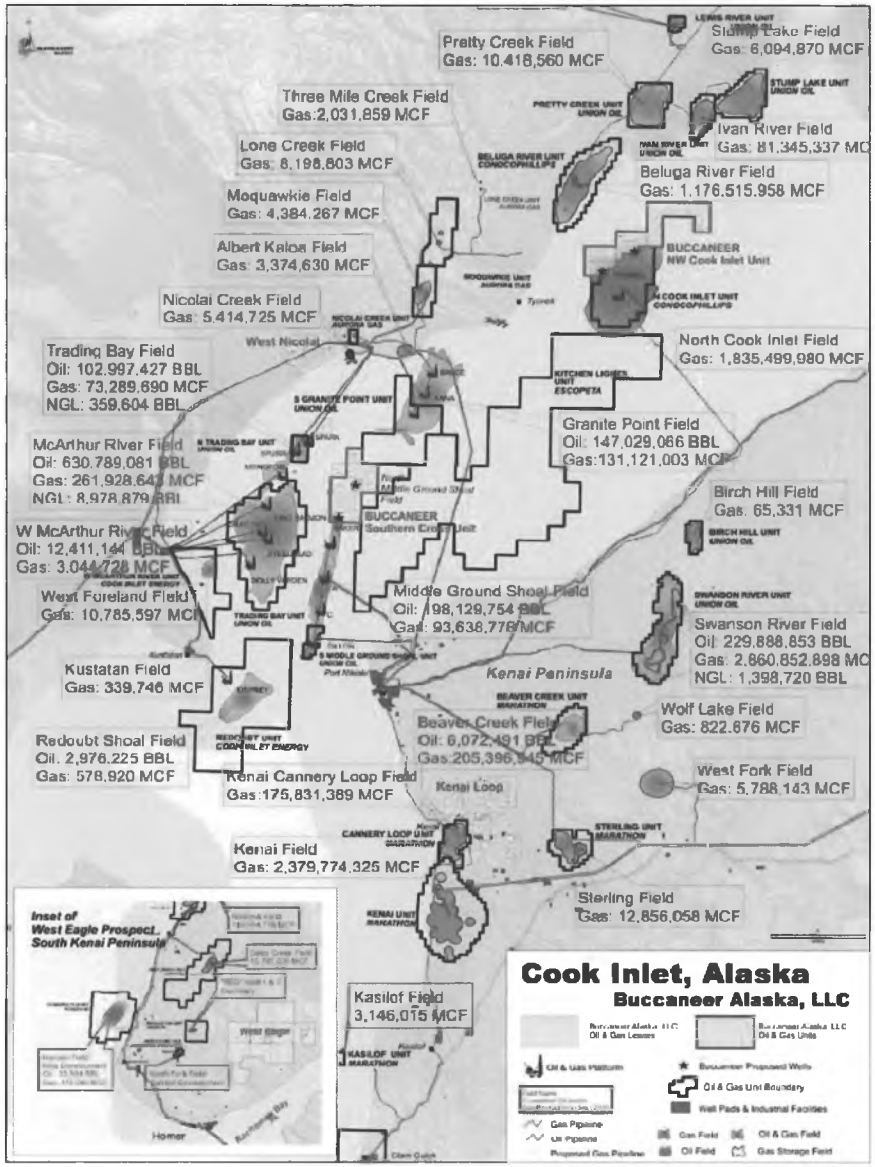
- Strategic asset for Cook Inlet that unlocks Alaskan offshore value by giving ability to access recently unreachable assets
- Agreements executed / finalizing acquisition (Projected 11/2011)

U.S. - Lower 48

- GoM shallow-water gas: Pompano, Swordfish & Big Fish Package -- high potential reserves
- Lee County, Central TX – onshore oil
- Potential near term cash flow

BUCCANEER ENERGY

WHY ALASKA & THE COOK INLET?



- Majors out / Independents In
  - Buccaneer (April 2010)
  - Apache (June 2011)
  - Hilcorp (July 2011)
- Local gas shortage
  - Brownout warnings
  - Plans to import LNG
- Under-explored basin (USGS study)
  - Estimated 600 MMBO & 19 TCF gas
  - Last major gas discovery: 1979
- Cash incentives (ACES)
  - 45% - 65% tax rebates
  - Special Jack-Up Rig rebates
- Premium Natural Gas Prices
  - 50-100% premium to Lower 48
  - Negotiated directly with end users

BUCCANEER ENERGY

LOW HANGING FRUIT

The Cook Inlet has a long and successful history of exploration and production, but much remains untapped

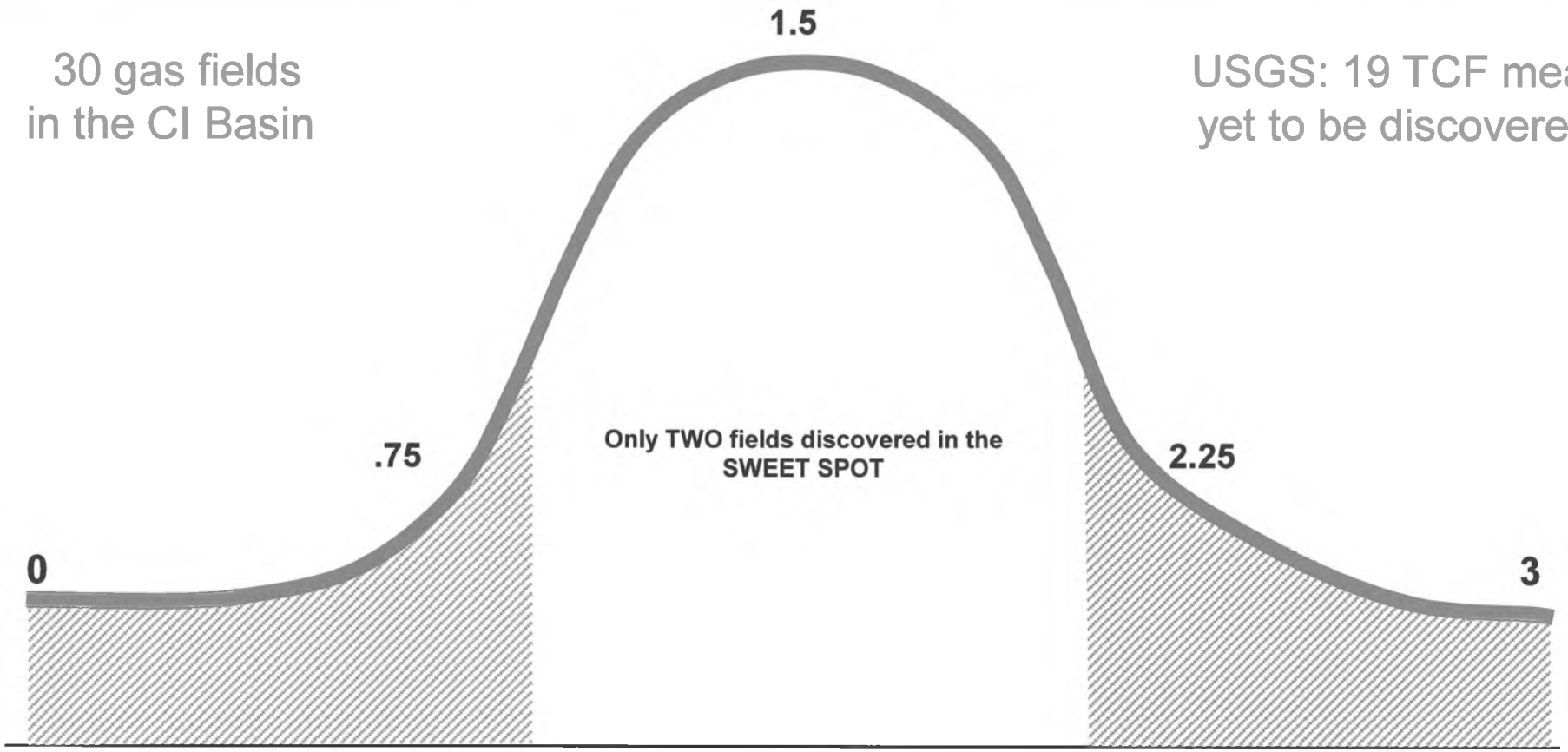
- First gas discovery in Cook Inlet Basin: 1958 – since then, 7.8 TCF of gas produced
- Gas was first encountered in the Cook Inlet basin during exploration for oil in 1950s, then considered stranded
- 1995 USGS study: estimate mean of 2.14 TCF of gas
- 2011 USGS study: estimate 19 TCF of gas and 600 MMBO – includes undiscovered, technically recoverable gas resources, and includes both unconventional and conventional resources
- 1994 was the last time a Jack-Up Rig was in the Cook Inlet
- Last major gas discovery date in Cook Inlet basin, prior to Buccaneer Kenai Loop #1, was over 10 years ago

BUCCANEER ENERGY

THE SWEET SPOT – COOK INLET GAS FIELDS

30 gas fields in the CI Basin

USGS: 19 TCF mean yet to be discovered



Cumulative Production - TCF

BUCCANEER ENERGY

BUCCANEER'S PROVEN SUCCESS – KENAI LOOP / ONSHORE

HIGHLIGHTS – KENAI LOOP #1 WELL

- Leased, permitted and successfully drilled within 9 months
- 100% working interest / 82.0% Net Royalty Interest (NRI); 9,308 Acres
- Adjacent to Marathon's Cannery Loop Field - 175 BCF Produced (22 MMBOE)
- Pipeline construction begins October 2011; production to commence December 2011

GAS SALES CONTRACT APPROVED – ENSTAR

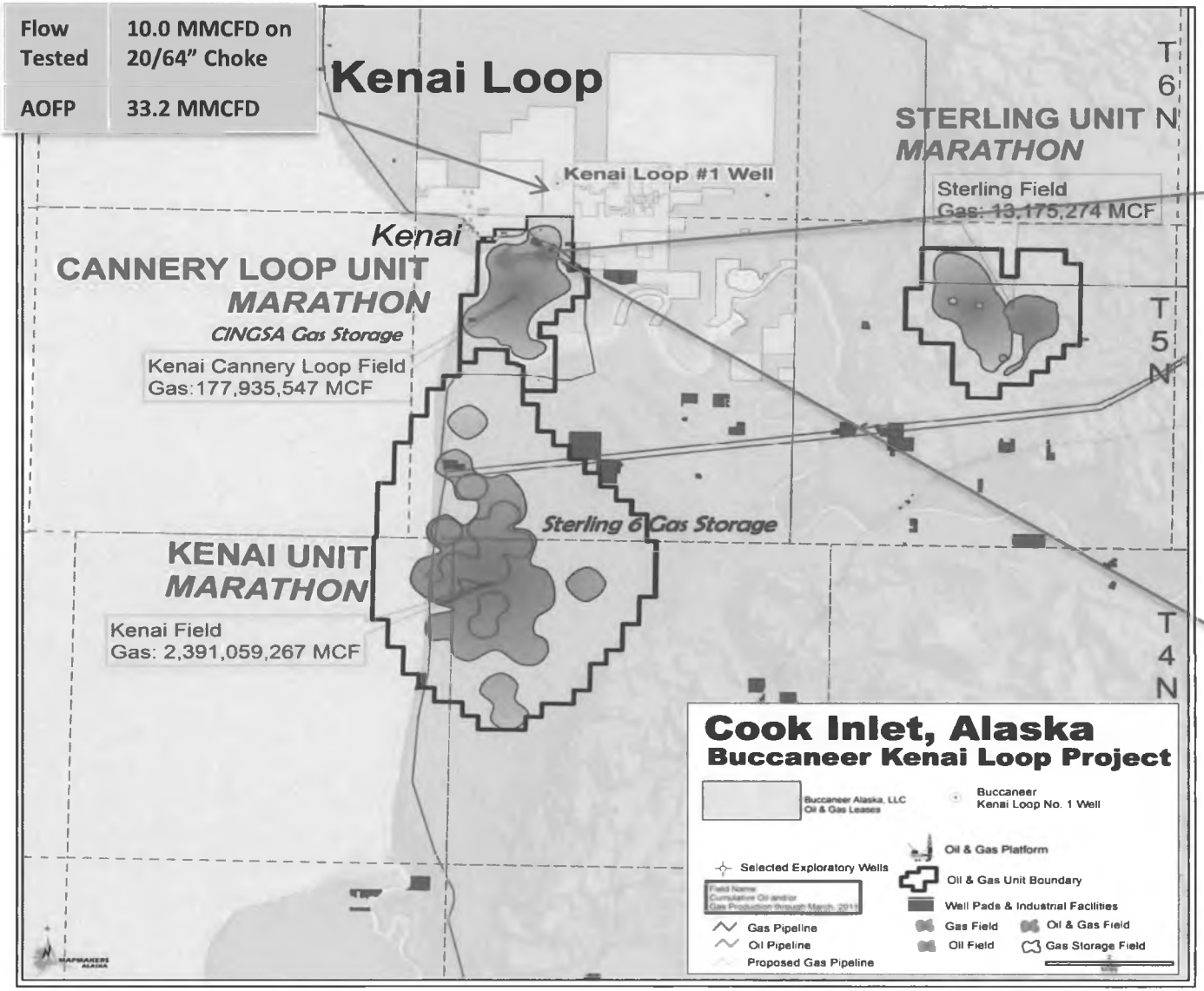
- Firm price and minimum volume of 5.0 MMCFD commences April 2012
- Annual net weighted average price of $6.24 / MCF
- Deliverability of up to 15.0 MMCFD

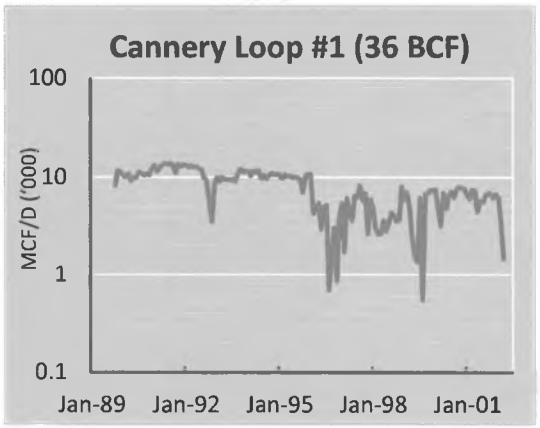
KENAI LOOP – DRILLING & DEVELOPMENT COSTS		
	GROSS – US$	NET of ACES Rebate
Total Cost to Production KL # 1	$12.4 MM	$5.0 MM
Additional Wells Cost to Production	$10.5 MM	$4.2 MM

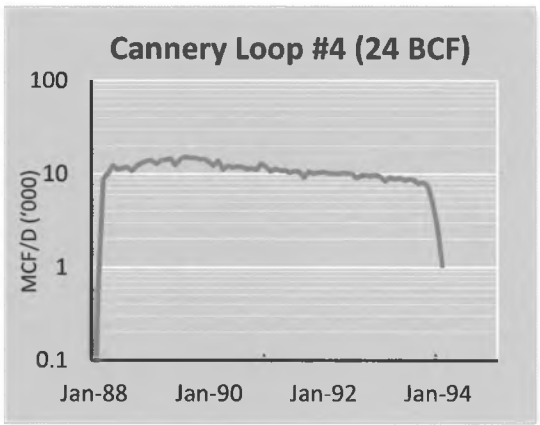
BUCCANEER ENERGY

PROVEN SUCCESS – KENAI LOOP / ONSHORE

Flow Tested	10.0 MMCFD on 20/64" Choke
AOFP	33.2 MMCFD

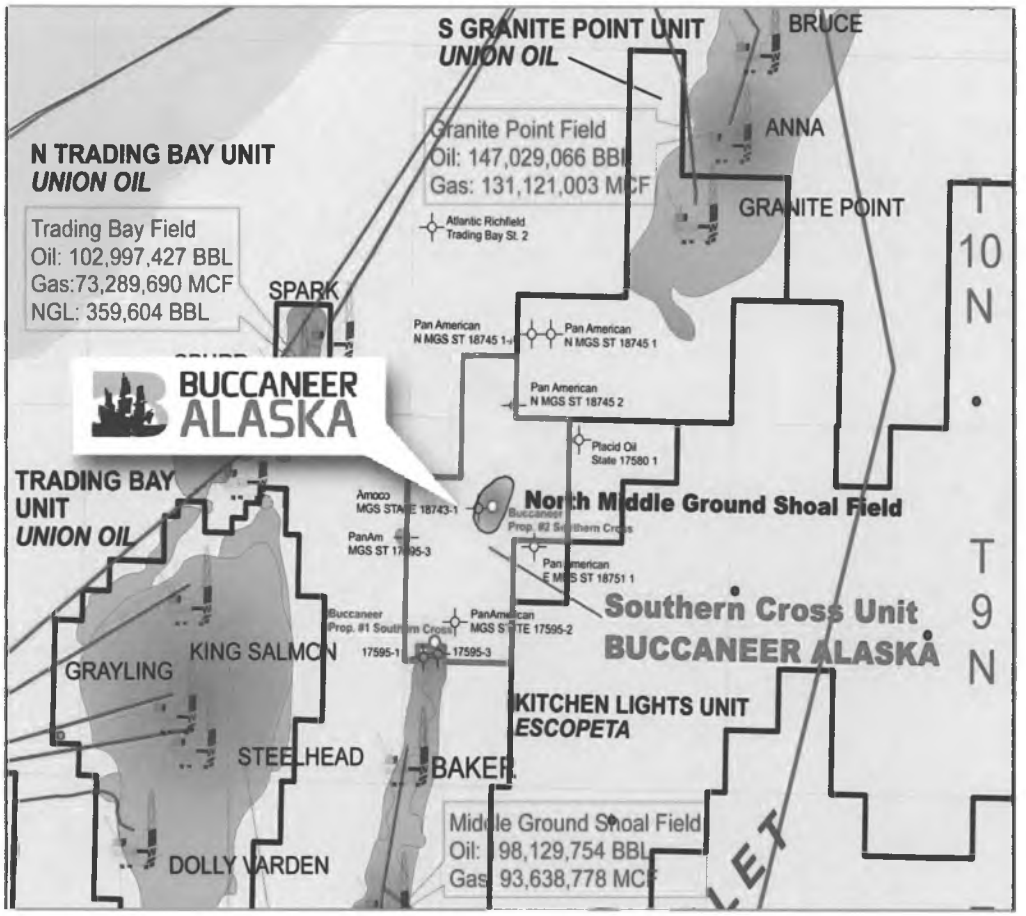






BUCCANEER ENERGY

SOUTHERN CROSS / OFFSHORE

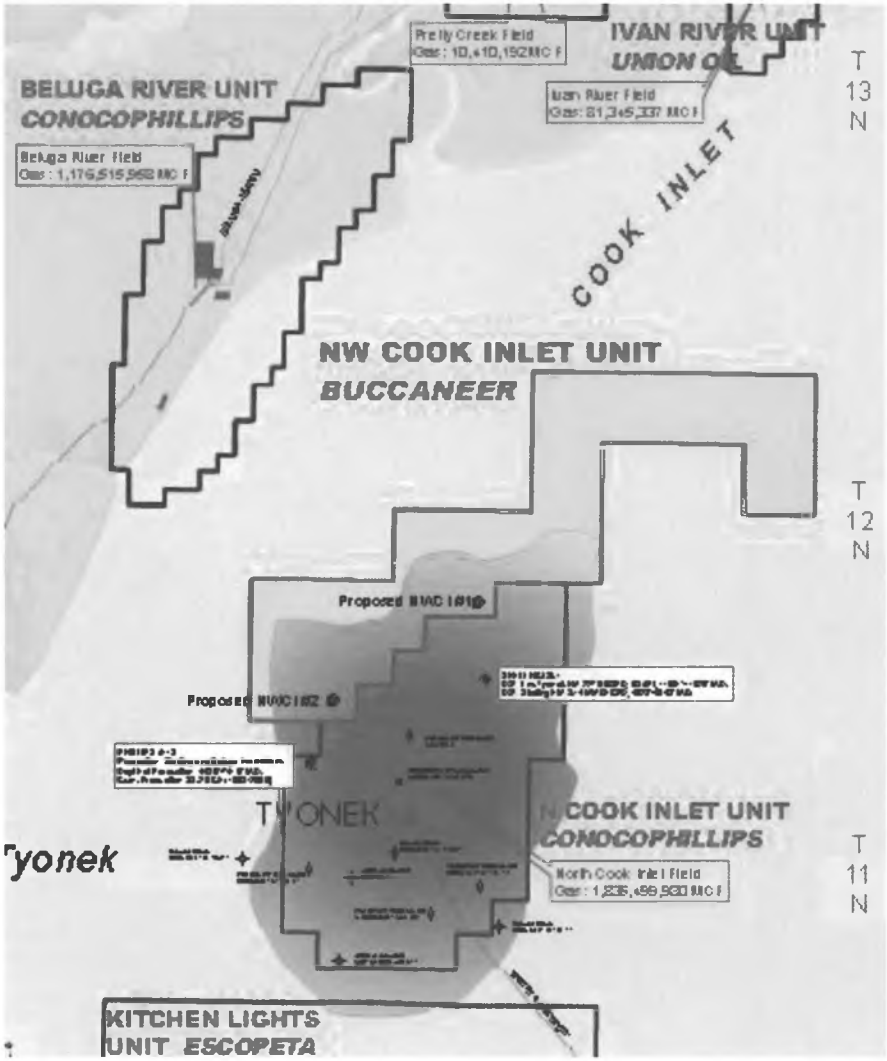


SOUTHERN CROSS UNIT

- 100% working interest/80.0% NRI
- Netherland Sewell booked reserves & resource
- 2P Reserves: 12.7 MMBOE (78% oil) + P50 Resource: 14.7 MMBOE (75% oil)
- Multiple pay sands and on Structure twin historical well which tested gas; was not developed
- Deeper Tyonek and Hemlock oil potential - 90' Drill Stem Test in 1960's well
- Chevron's (Hilcorp) Baker Platform ~ 1.5 miles south
- Projected Ops Costs < $10.00 / BOE

BUCCANEER ENERGY

NORTH WEST COOK INLET / OFFSHORE

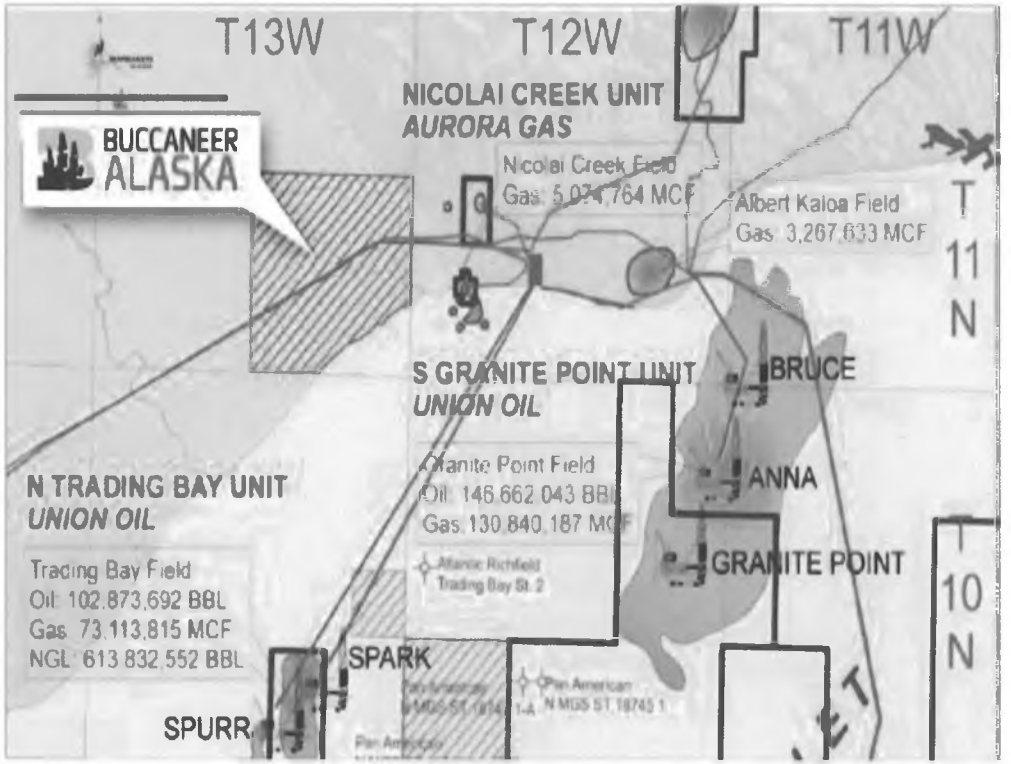


NORTH WEST COOK INLET

- 98.0% working interest/79.0% NRI
- Netherland Sewell P50 resource 49.4 MMBOE
- Adjoins ConocoPhillips field that has produced 1.8 TCF (225 MMBOE)
- Well drilled < 1 mile from lease boundary produced 88 BCF 11 MMBOE) (Phillips # A-13)
- Deeper oil opportunity 5 previous wells tested oil in Lower Tyonek & Hemlock which were never produced
- Shell well most northerly, tested at 2,270 BOPD from Lower Tyonek ~1 mile from lease boundary

BUCCANEER ENERGY

W. NICOLAI / ONSHORE

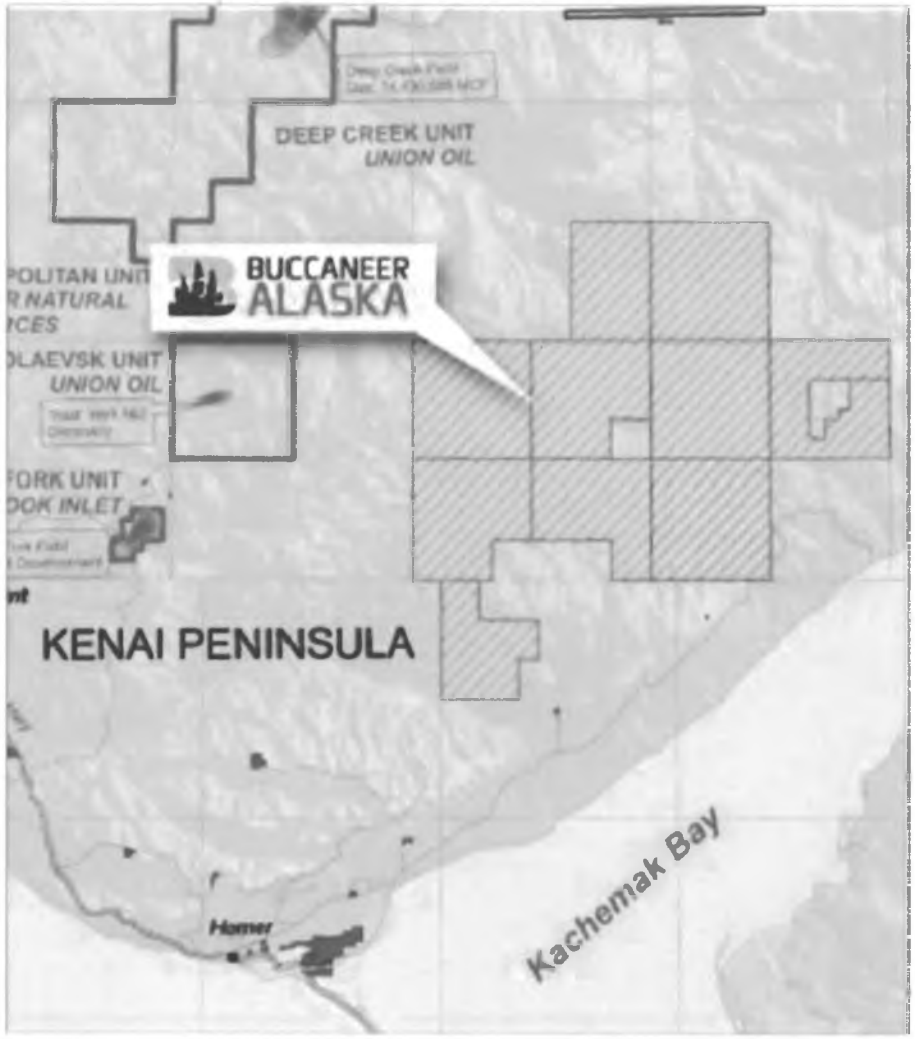


W. NICOLAI

- 4,952 acres; 100% working interest/84.5% NRI
- Shallow multiple stacked pay zones
- Defined gas prospect
- Roads, pipeline and infrastructure approx. 2 miles away – tie into existing sales line
- Acquiring seismic & reprocessing

BUCCANEER ENERGY

WEST EAGLE / ONSHORE



WEST EAGLE

- 49,808 acres; 100% working interest/80% NRI
- Down structure wells had gas & oil pay
- Infrastructure being built to area by Armstrong
- Acquiring seismic & reprocessing

BUCCANEER ENERGY

DEVELOPMENT SCHEDULE

	2H 2011	1H 2012	2H 2012	1H 2013	2H 2013	1H 2014	2H 2014
Kenai Loop - Gas	Pipeline Facilities Commence Production	3D Seismic Development Drilling Production		Production			
Southern Cross – Gas/Oil		Drilling			Pipeline Facilities		Commence Production
Northwest Cook Inlet – Gas/Oil			Drilling		Drilling Pipeline Facilities		Commence Production
W. Nicolai - Gas			Drilling		Commence Production		
W. Eagle – Gas/Oil			Drilling		Commence Production		

BUCCANEER ENERGY

EXTRACTING THE VALUE: JACK – UP RIG ACQUISITION

Kenai Offshore Ventures (KOV) Ownership & Partners

- 50/50 JV with Ezion Holdings (Singapore listed)
- AIDEA owns 100% Preferred Equity
- $86.5 million to acquire, modify & mobilize
- Purchase Agreement executed with Transocean to acquire Endeavour

Acquisition Status

- Joint Ownership Agreement with AIDEA executed
- Senior Debt Facility Term Sheet Executed – Moving To Final Documentation
- Finalizing modification budgets and scheduling with Asian shipyard

Endeavour
The Spirit of Independence

BUCCANEER ENERGY

SELECTING THE RIG CONTRACTOR

Archer Drilling, LLC

- Project manage the shipyard modifications to the jack-up rig
- Manage the mobilization process from Singapore to the Cook Inlet
- Operate and market the rig in the Cook Inlet and the Chukchi Sea

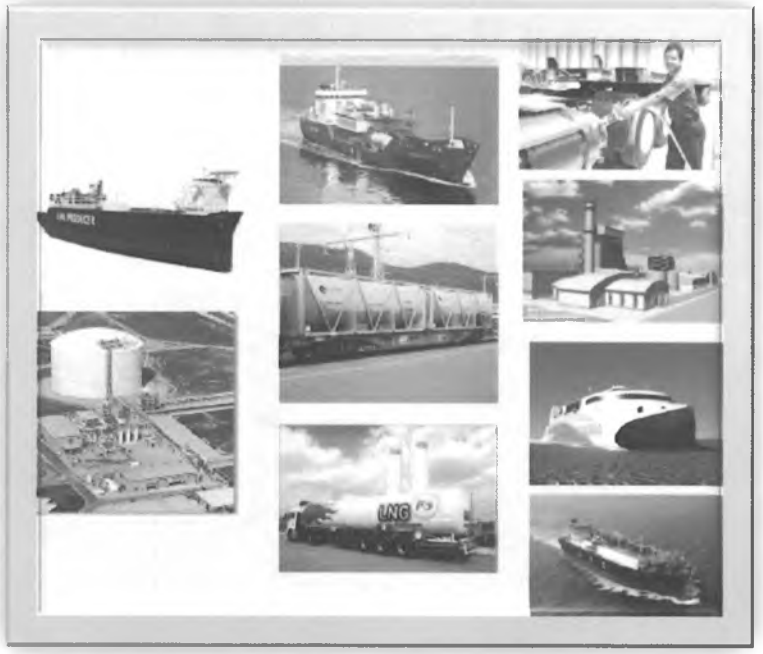
Why Archer?

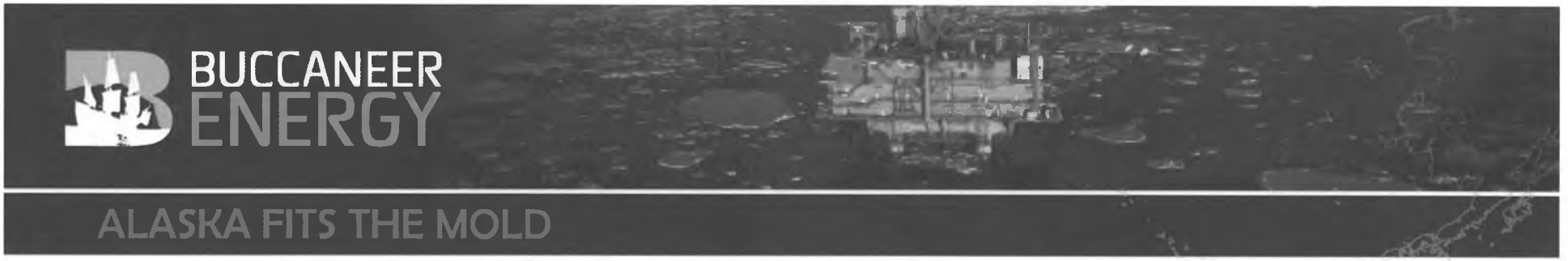
- Currently operating over 100 rigs globally
- Extensive experience operating in harsh environments
- Extensive engineering capabilities
- Very familiar with the LeTourneau 116 Class jack-up rig
- Excellent safety record

BUCCANEER ENERGY

MARKET EXPANSION

- Increased drilling in the Cook Inlet will increase:
  - Gas reserves
  - Gas production in the near term
- Increasing the gas market in Alaska will fuel enthusiasm for continued drilling.
- LNG increasing role in various applications to expand the gas market.

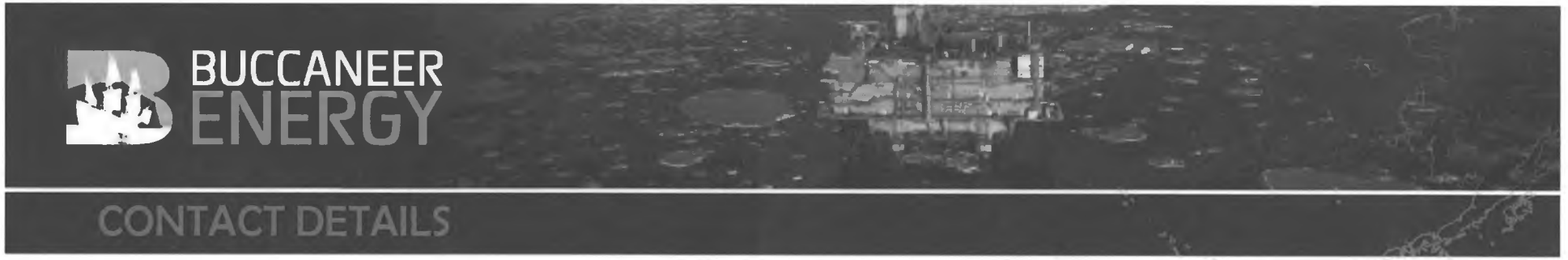




Back to the founding principles:

- Minimize risk
  - Enlisted local talent: Stellar management and assets
  - Acquired majority positions in projects: Kenai Loop
  - Managing operational control: Buccaneer Alaska
  - No "Big E" – stacked pay: Cook Inlet

- Maximize opportunity
  - Fast tracked development opportunities: Kenai Loop #1 – from permitting to production in 9 months
  - Benefited from special incentive: Favorable regulatory environment; strong commodity market; ACES incentives



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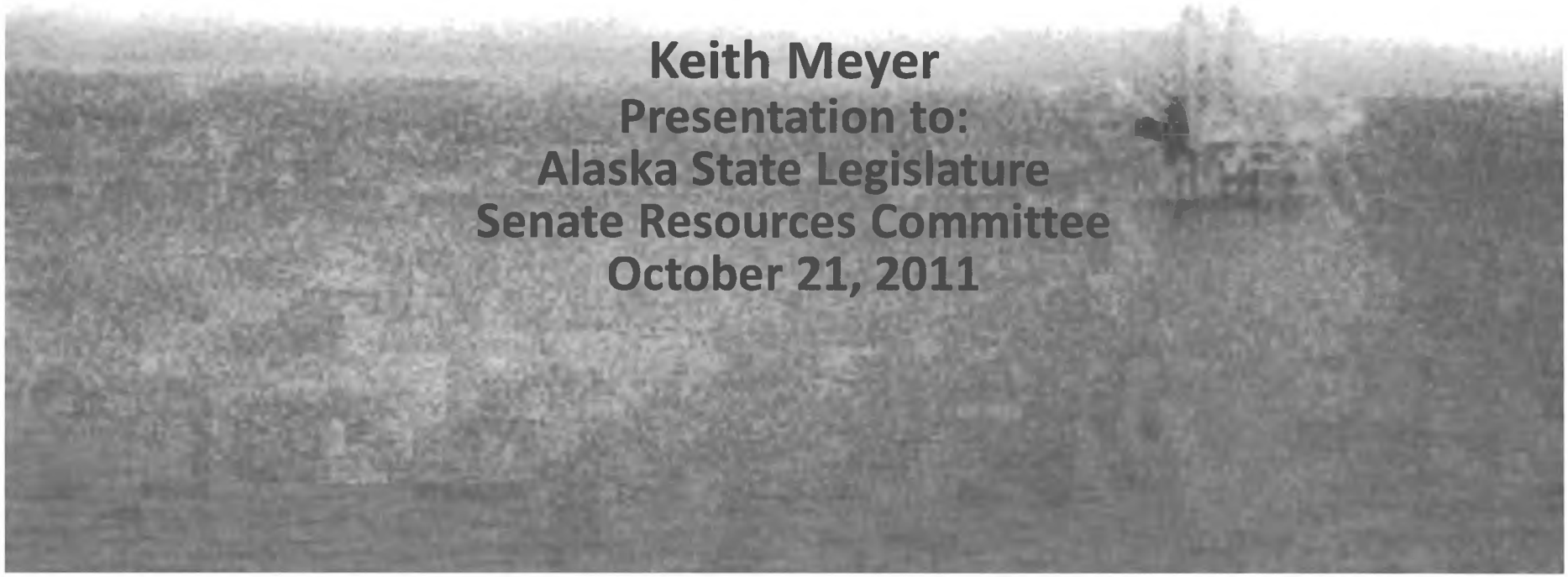
LNG Alaska



Keith Meyer
Presentation to:
Alaska State Legislature
Senate Resources Committee
October 21, 2011

Overview

- Introduction
- Perspective on Cook Inlet gas supply
- Supply push/demand pull
- Changing LNG industry
- Three strategic pillars
- Employment and Trade
- Conclusion

Introduction

LNG Alaska

- **LNG Alaska is an alliance** between LNG Central and Buccaneer Alaska.
- **Objective:** To increase the market reach of Alaskan natural gas through improved LNG production and delivery infrastructure.

Perspective on Cook Inlet Gas

- The decline of Cook Inlet gas has become the scape goat for justifying many alternative energy projects.
  - ***"WHEREAS supplies of natural gas are precipitously declining in Cook Inlet…"*** (ARCTEC resolution authorizing participation in pipeline open season from the north.)
  - ***"Limited and declining Cook Inlet gas deliverability"*** (Black & Veatch study supporting the hydro project.)
  - ***"Our only option to solve with certainty our gas supply needs is through the importation of LNG and we see no way around that,"*** Dan Helmick, manager of regulatory affairs for Anchorage Municipal Light & Power.
- Implications:
  - Cook Inlet gas is **starting from a point of negative public perception**.
  - Somewhat of a self-fulfilling prophecy – fear of no gas chases demand away, which leads to lack of interest to develop more gas.
  - Increased demand will bring supply development.

Supply Push/Demand Pull

- Cook Inlet gas producers will commit supply to a market expansion program.
- Creating sustainable demand will sustain new supply development in the Cook Inlet.
- Enabling Solution: **LNG Alaska**
  - New, efficient, modular liquefaction.
  - Expanded LNG use within the state.
    - ✓ Trucks, rail, and barge deliveries.
    - ✓ Remote storage and revaporization at select locations.
    - ✓ Fuel terminals for truck and marine use.
  - Continued potential for LNG exports.
  - Option for LNG imports.

LNG Alaska is Infrastructure

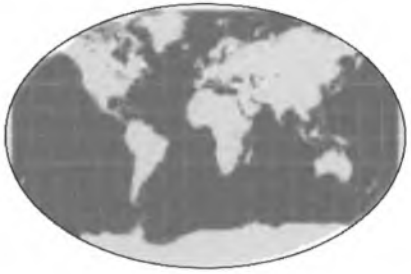
LNG Alaska is infrastructure - capable of liquefying natural gas (LNG), transporting the LNG to in-state markets, and providing export for access to global markets.

LNG Alaska

LNG Production **LNG Transport** **LNG Delivery**

Changing LNG Industry

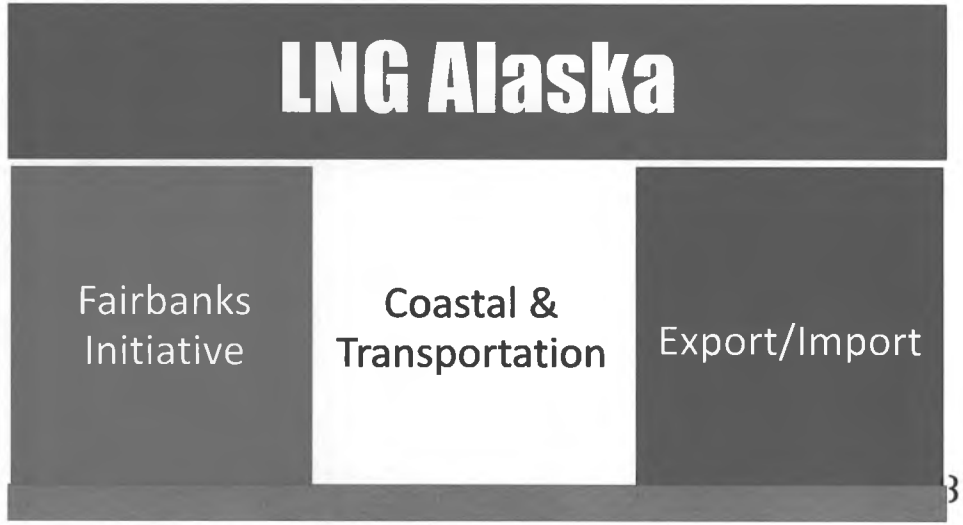
- 22 nations now import LNG – double from just 10 years ago; 30 floating regas facilities planned.
- "Mid-scale" LNG facilities (the size of Kenai, at 1.6 Million tons per year) are now modular and manufactured in factories – including fully contained units in a floating application.
- LNG is now being used as a transportation fuel in road, off-road, and marine applications.
  - Emission reduction and cost savings.
  - Norway shifting to gas fueled transportation.
  - Cruise ships and freighters adding LNG fuel capability.



Three Strategic Pillars

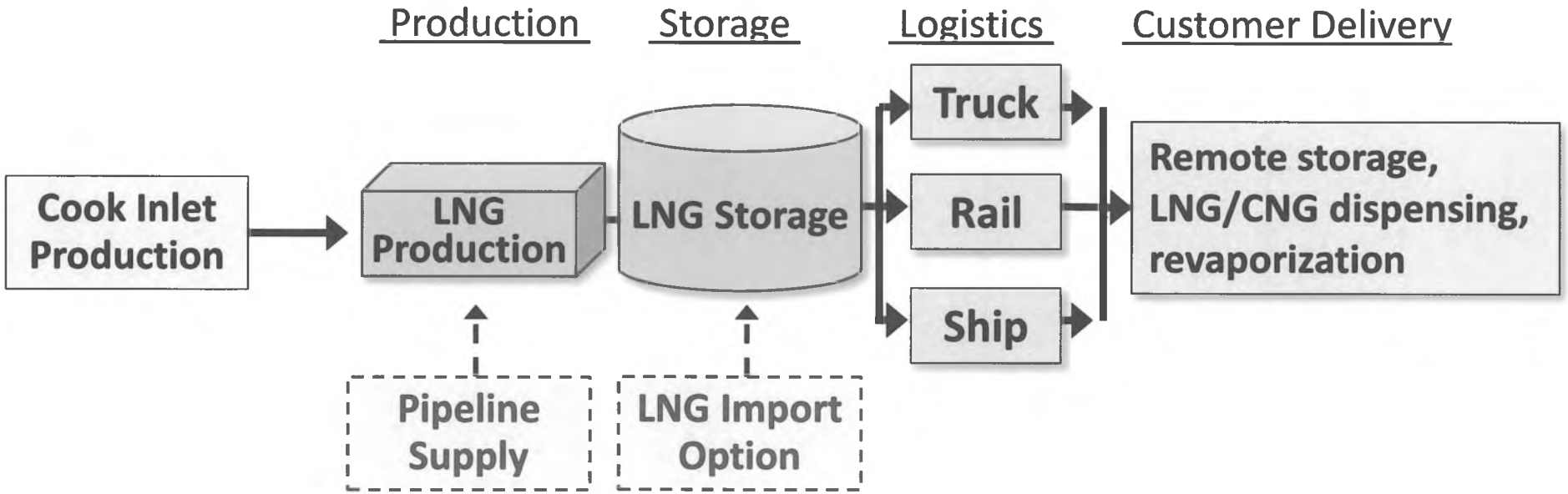
- The **LNG Alaska** program is built on a foundation of three strategic pillars:
  - **1. Fairbanks Initiative** - LNG from the south for power generation and fuel oil displacement.
  - **2. Coastal and Transportation Initiative** - LNG by barge to select coastal towns as a cheaper and cleaner replacement for diesel fuel; fuel for the Alaskan Marine Highway and other transportation markets.
  - **3. Export/import Initiative** - exports of LNG as well as imports if needed.

Although each of the pillars has viability on a stand-alone basis, together they form a stronger and complimentary foundation.



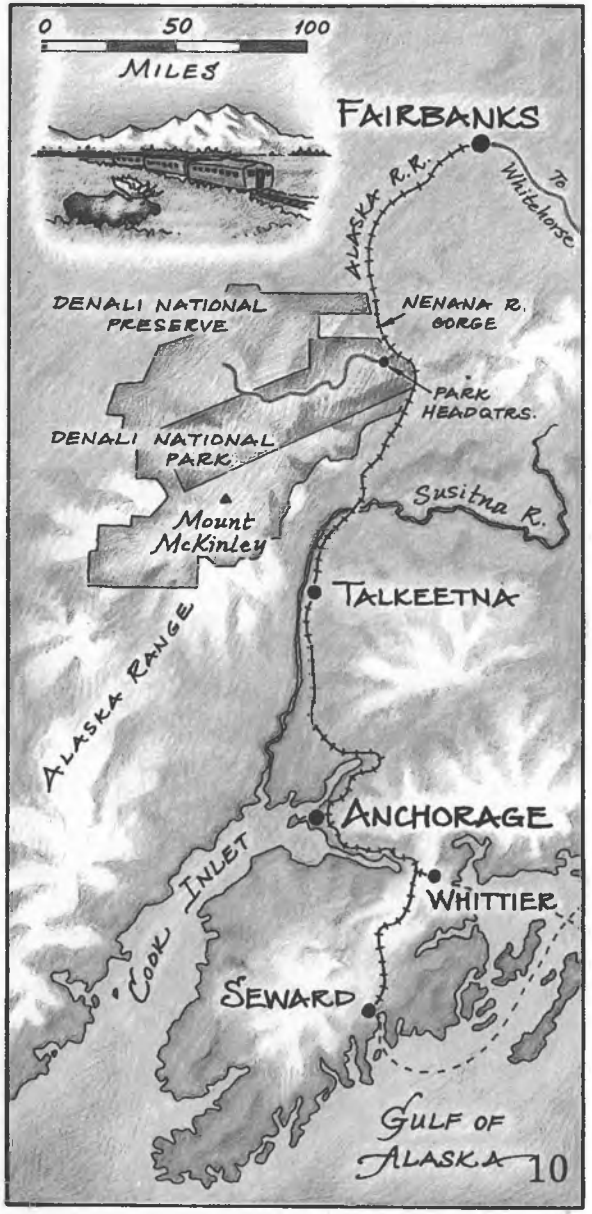
Reliable Infrastructure

- Cook Inlet production is liquefied and stored, then moved by truck, rail, and ship to customer delivery points for use as LNG or revaporized to natural gas.
- The infrastructure investment can be used with pipeline supply or even imported LNG for **long term reliability**.



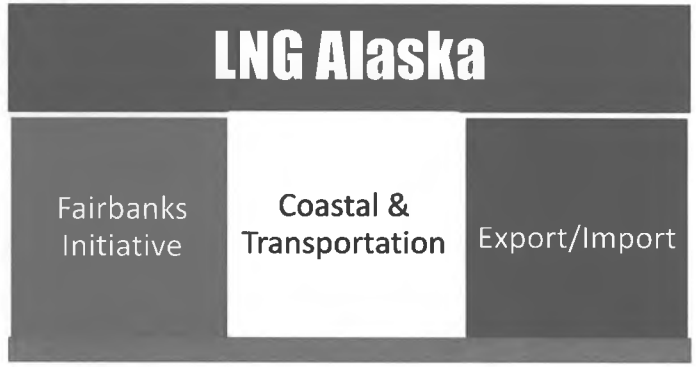
Fairbanks Initiative

- Fairbanks and the Railbelt Region is an important market for the **LNG Alaska** plan.
- Railbelt Region is considering multiple options to address energy supplies and costs.
- **LNG Alaska** can deliver LNG to Fairbanks cheaper and more reliably than a northern alternative.
- A mid-scale LNG facility in the south can be built and operated at a lower cost than in the north; delivery costs are less and more reliable (road and/or rail);
- Supporting legislation has been enacted (such as Senate Bill 42 establishing the Railbelt Energy Fund to help with studies and grants for power projects).



Coastal & Transportation

- The Coastal region has two primary target markets for an LNG/gas market expansion program:

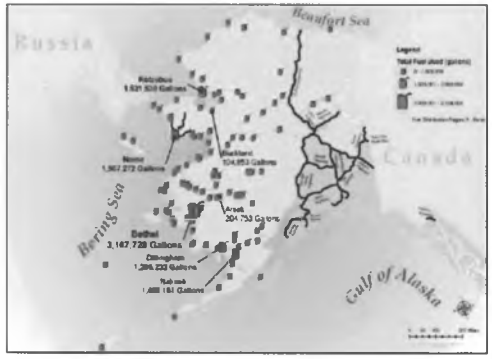


- Power generation:
  - Target diesel fired power plants on coastal cities accessible by barge.
  - Seven to ten cities with power demand large enough to justify effort.
  - Some potential for the Denali Commission to assist with studies and potentially funding. (Federal-State partnership for cost shared infrastructure.)
- Transportation Fuel
  - Initial focus on large marine market, then large trucks
  - Primary target: Alaska Marine Highway System

Coastal: Power Generation

- Power generation in coastal and rural Alaska is largely fueled by local and imported diesel fuel.
- The high price of fuel ($30/MMBtu) and power has been a contentious issue for western Alaskans.
- The Norwegian conversion from oil to gas is a good example applicable to Alaskan coastal towns.

	Gallons/yr (MM's)		Gal/d	Gas Equivalent	
Target Towns	Diesel	LNG	000's	Bcf	MMcf/d
Bethel	7	12	33.1	0.905	2.48
Kotzebue (Red dog mine)	16	28	75.6	2.069	5.67
Other	10	17	47.2	1.293	3.54
	33	57	155.9	4.3	11.7



Source: Map developed by Alaska Map Company with 2006 PCE information on utility fuel consumption

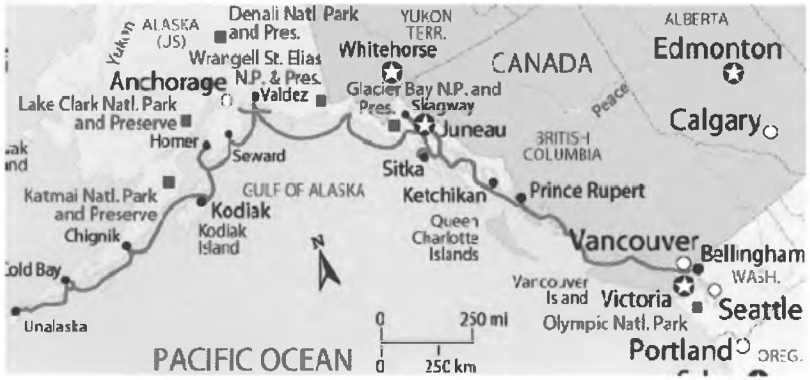
Target: Transportation

- LNG is a growing transportation fuel for on-road, off-road, and marine use.
- On road users are typically large trucks; off-road markets are typically mining vehicles.
- Marine applications include tugboats, workboats, and ferries.
- **The Alaska Marine Highway System would be an ideal demand because of its large load and scheduled route.**

Source: Map developed by Alaska Map Company with data from USGS and Alaska DNR.

Alaska Marine Highway

- Alaska Marine Highway fleet is old.
- State commissioned study to design fuel-efficient vessels to replace aging fleet.
- Dual fueled diesel/LNG marine engines have been in operations for years and meet 2014 emissions requirements (mandatory for U.S. and Canada).
- **Perfect opportunity** for the State of Alaska to use dual-fueled LNG vessels as the new class of clean, energy efficient, Alaska class ferries for the modern Alaska Marine Highway.



Export/Import Potential

- Modularized LNG allows expansion of the facility to fit market demands.
- The existing export facility at Kenai would make a good "staging area" for the **LNG Alaska** plan, but may not be readily available.
- An alternative site with marine access will be investigated.
- The marine jetty and storage tanks can be used for imports for supply reliability.

LNG Alaska

Fairbanks Initiative	Coastal & Transportation	Export/Import

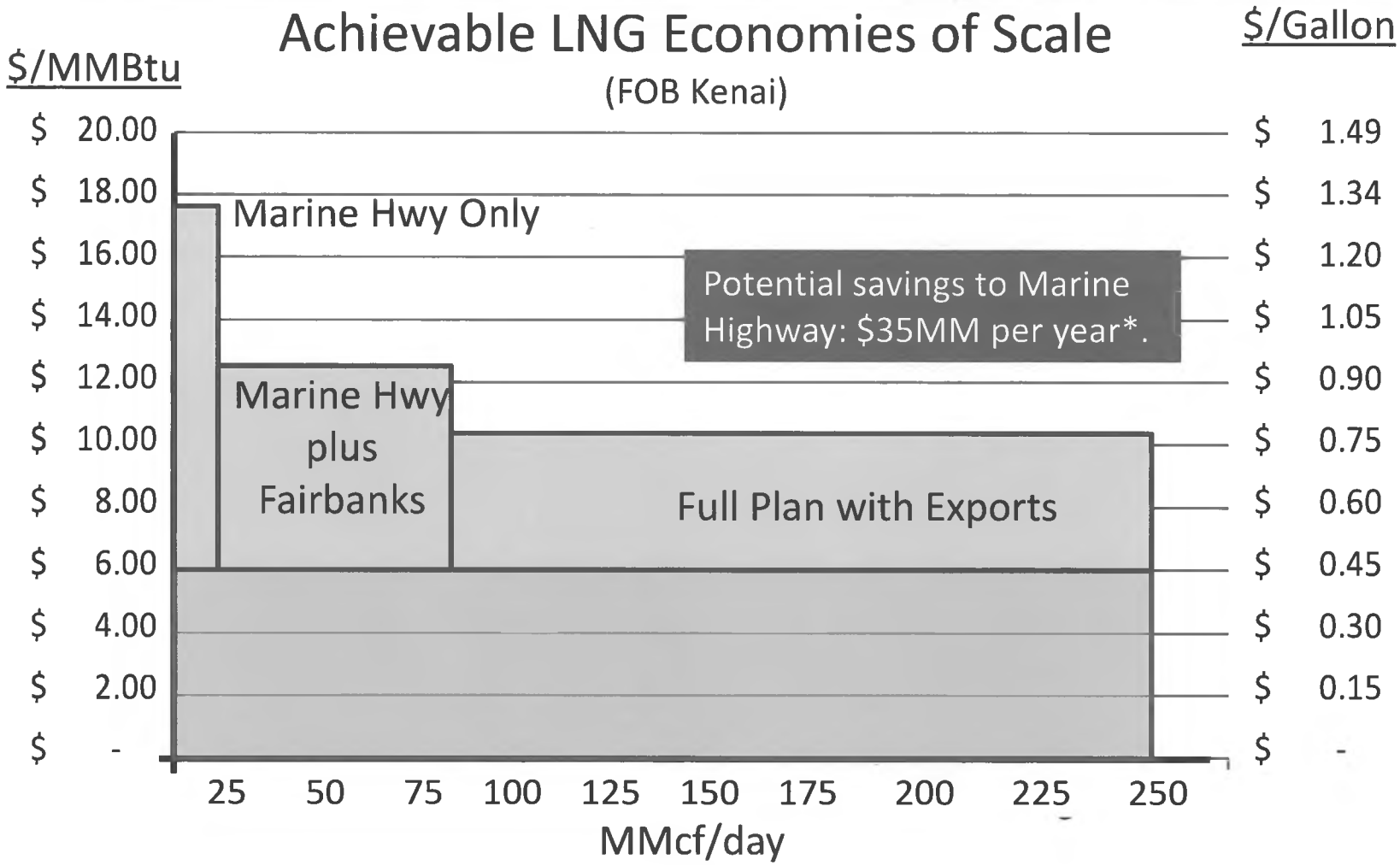
Kenai Export Terminal, Alaska
Photo courtesy of CH-IV International. http://ch-IV.com

Employment & Trade

- **LNG Alaska** will help create jobs in the energy sector:
  - Increased Cook Inlet natural gas production activities.
  - LNG delivery operations.
  - LNG vehicle conversions and maintenance facilities.
  - Expanded natural gas distribution facilities.
- **LNG Alaska** will be beneficial from a trade standpoint.
  - Reduce imports of refined products.
  - Continued/increased international exports.

Economies of Scale

The **LNG Alaska** plan can result in significant fuel cost savings for Alaska customers.



*Based on Alaska Marine Hwy Annual report stating 25 MM gal diesel at $100 MM cost.

Conclusion

- Alaska has significant gas potential in the Cook Inlet.
- Creating natural gas demand and market access will encourage gas production activities.
- Alaska's domestic gas reserves can be used to displace imported refined products, reduce pollution, and reduce the cost of energy to consumers.
- The **LNG Alaska** program will expand the gas market, help create jobs in the energy sector, and be beneficial to trade.
- Alaska has the necessary legislation and incentives in place to help accelerate the **LNG Alaska** program.
- **LNG Alaska** is ready to work with the state to implement a clean, and reliable natural gas expansion program.

Questions?

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505 N. Sam Houston Pkwy E Suite 545
Houston TX 77060
1-(281) 448-1114

Appendix - LNG Experience

Keith Meyer receiving the industry's first "LNG Company of the Year Award" in Rome, Italy 2007.

- Keith Meyer, LNG Central CEO.
- 30 years experience in international energy development, including gas pipelines, gas storage, power generation, LNG, petrochemicals, biofuels; international LNG and gas sales.
- Former Chairman Flex LNG; floating liquefaction.
- Former President Cheniere LNG, developer largest LNG receiving terminal in western hemisphere.
- Originator and co-patent holder of electronic LNG cargo slot bidding system (lnggateway.com).
- Former Vice President Trunkline LNG, receiver of Nigeria's first LNG cargo delivered; largest U.S. spot cargo importer.
- Rice University course instructor; frequent guest speaker and advocate to reduce gas flaring

1/18/12 PRESENTATION DEVELOPING ALASKA'S HEAVY OIL RESOURCES

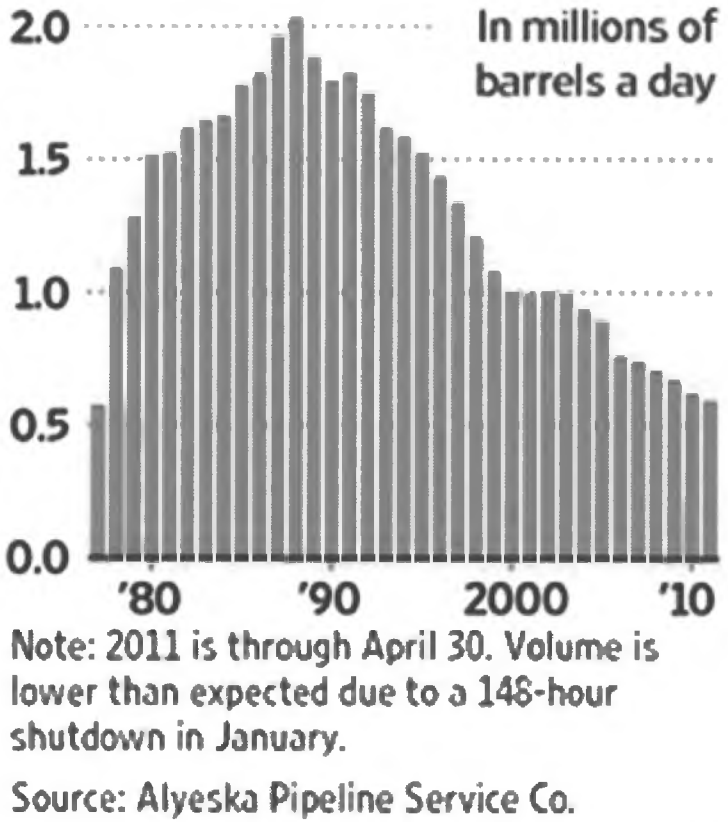
<TARGET><BILL></BILL><SUBJECT>1-18-12 PRESENTATION DEVELOPING ALASKA'S HEAVY OIL RESOURCES</SUBJECT><COMM>SRES27</COMM></TARGET>

Developing Alaska's Heavy Oil Resources

Stephen Yarbro

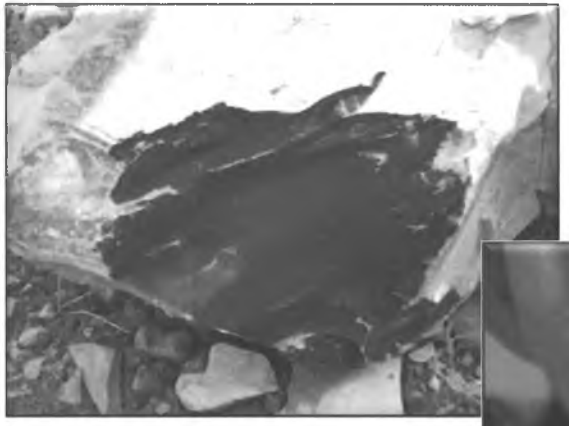
"UNLOCKING THE POTENTIAL"

Decreasing Conventional Oil Production Impacts The Trans-Alaska Pipeline



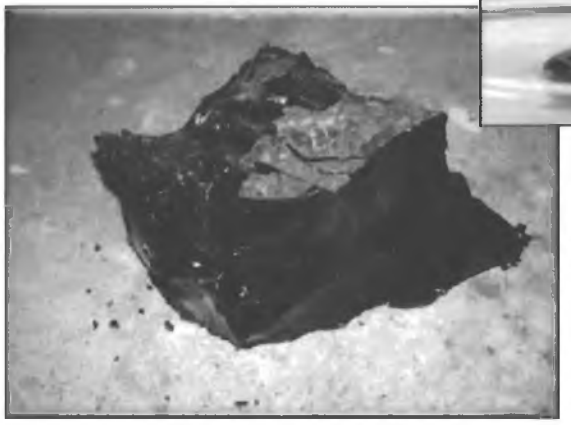
- Harder to find conventional oil
- Drilling is expensive
- Sense of urgency

Globally, 9 to 13 TRILLION barrels of Heavy Oil Assets, but -



Shale

Heavy Oil

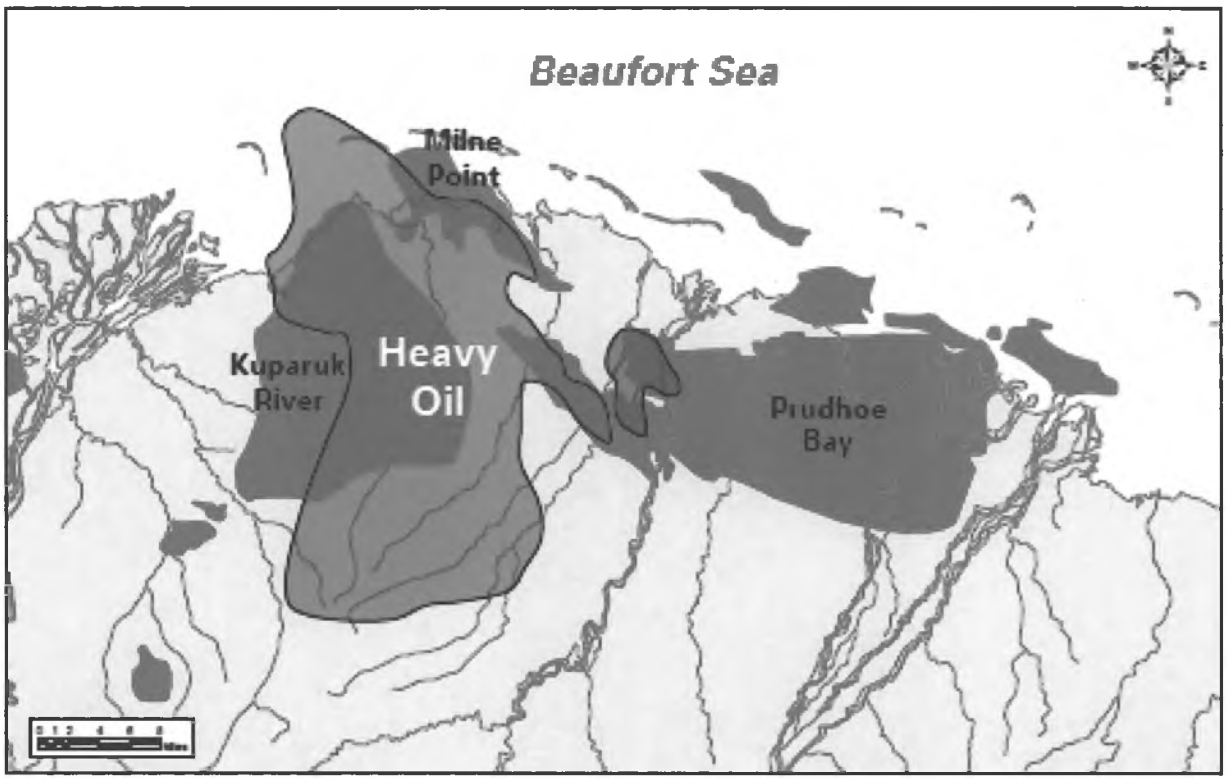


Bitumen

Oil Sands

- **Hard to transport**
- **Sells for $10 to $20 LESS than light crude**
- **Only 1 out of 4 US refineries can process heavy oil**

Heavy Oil Fields in Alaska



- 24 to 33 Billion Bbl Oil Total
- Schrader Bluff/West Sak
  - 12 Bbbls Oil
- Ugnu
  - 12 to 18 Bbbls Oil

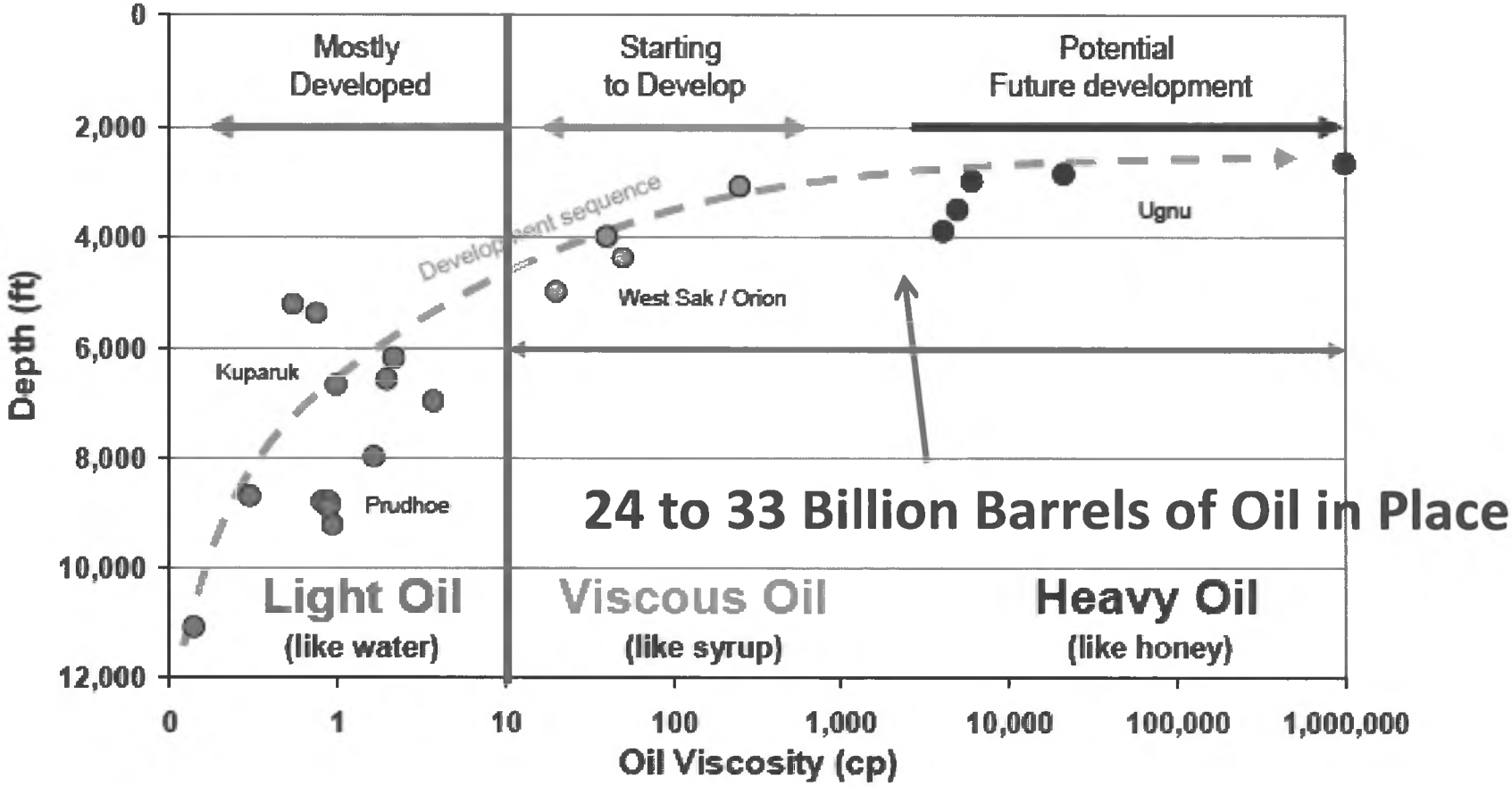
Heavy oil is fairly shallow within 5000 ft. and on-land
Does not require off shore drilling.

Source: www.aoga.org

Important Issues with Heavy Oil

- High viscosity flows very slowly: difficult to transport and wells produce at lower rates than light oil wells
  - Developments require lots of wells
  - Thermal techniques (e.g. steam) may be required for recovery but energy balance and environmental foot print are factors
- Heavy oil is depleted in hydrogen relative to light oil
  - Fewer refined products are derived from heavy oil
  - Heavy oil without upgrading sells at a lower price on the market

Physical Traits of Alaskan Heavy Oil



Barrier to development: The high viscosity prevents transport in the Trans-Alaska Pipeline

Source: www.aoga.org

SuperCritical Water Extraction and Refining (SCWER)

+

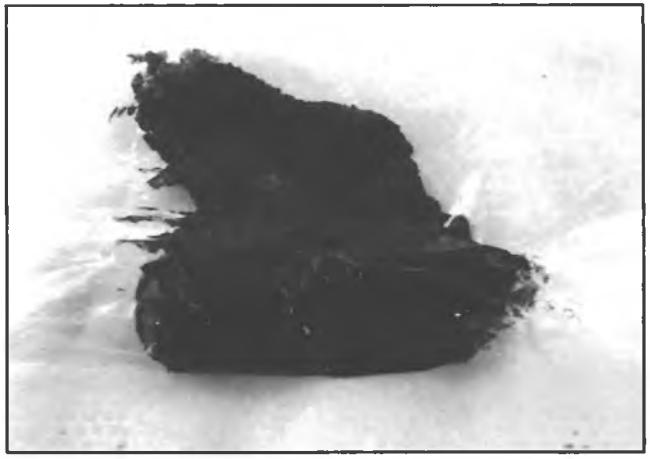
=

Heavy Oil Water Light crude

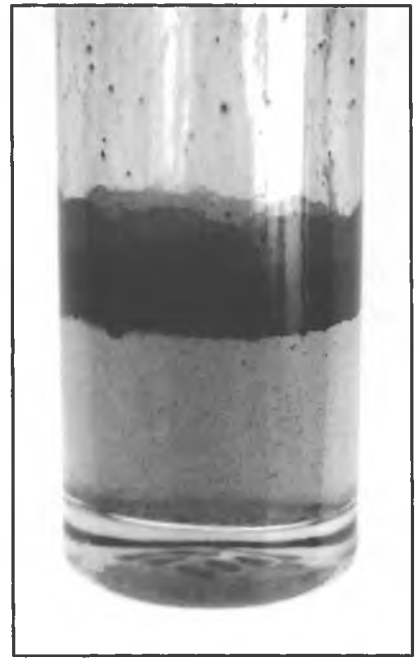
Use the **unique** properties of water at high temperatures and pressures to **make heavy oil into lighter, <u>less viscous crude</u>**

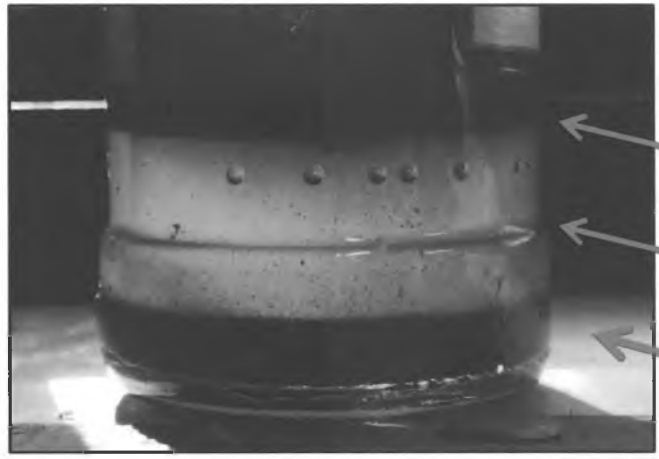
Actual Results with Asphalt/Sand

Asphalt Sample
(With Sand Fibers)



Product Oil
and Water



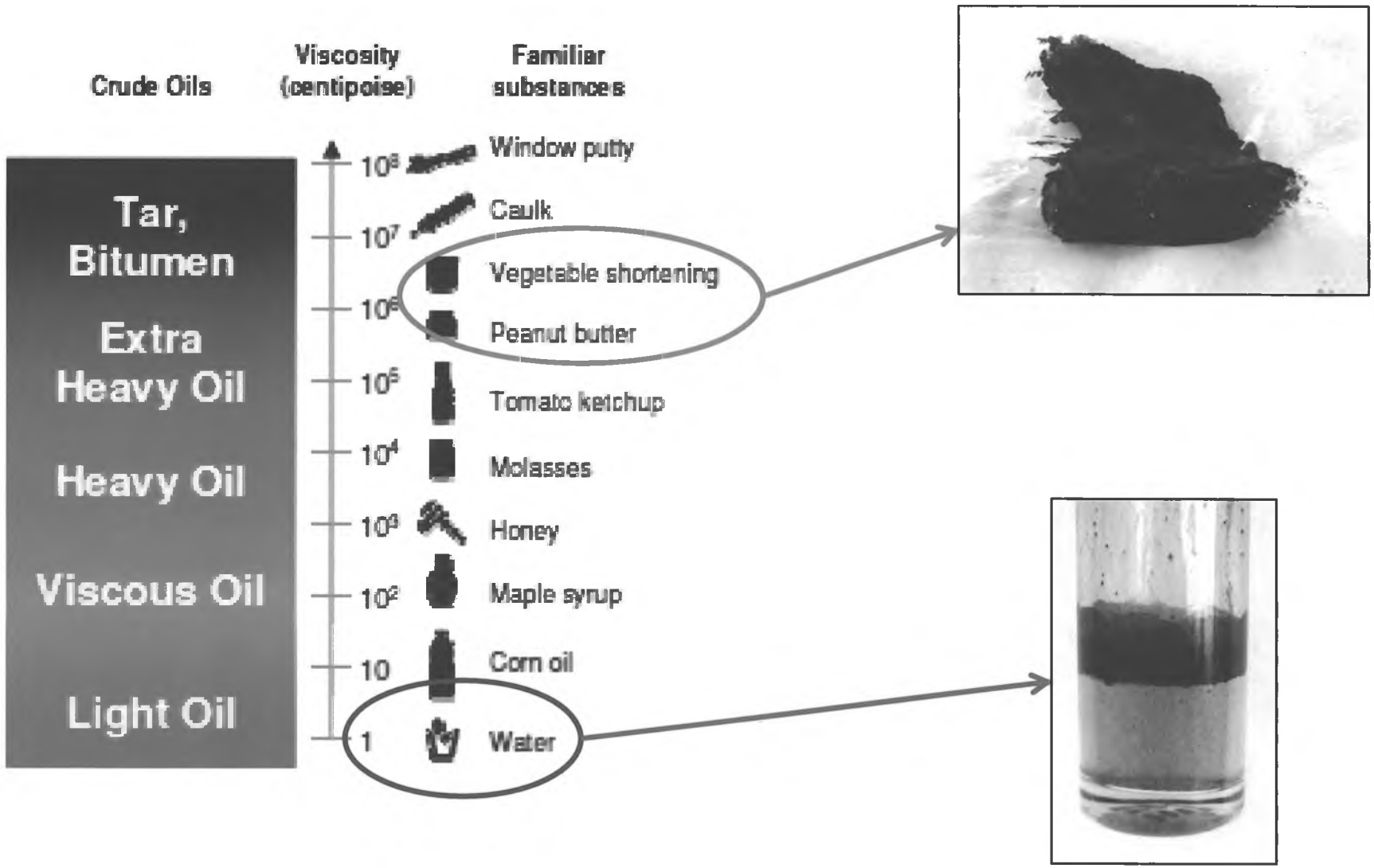


Upgraded Oil

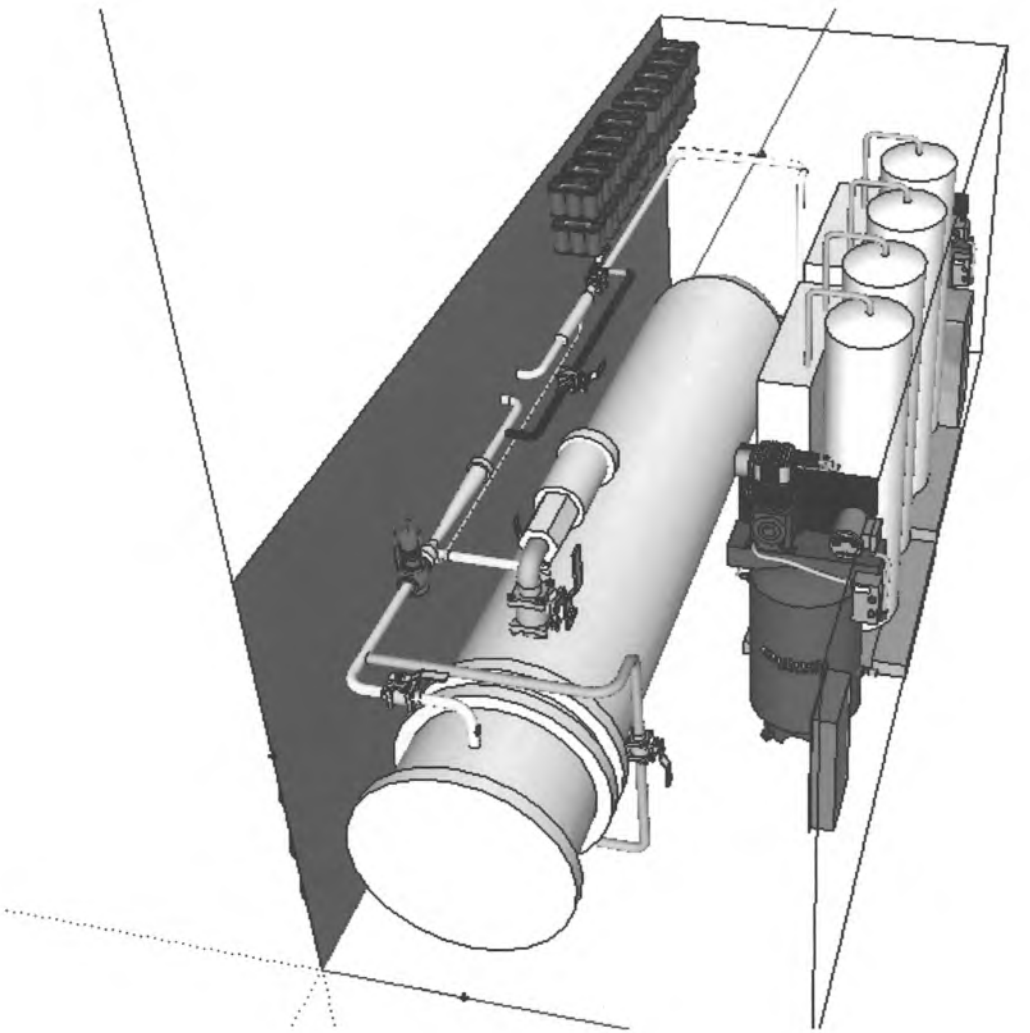
Water/Additives

Sand Particles

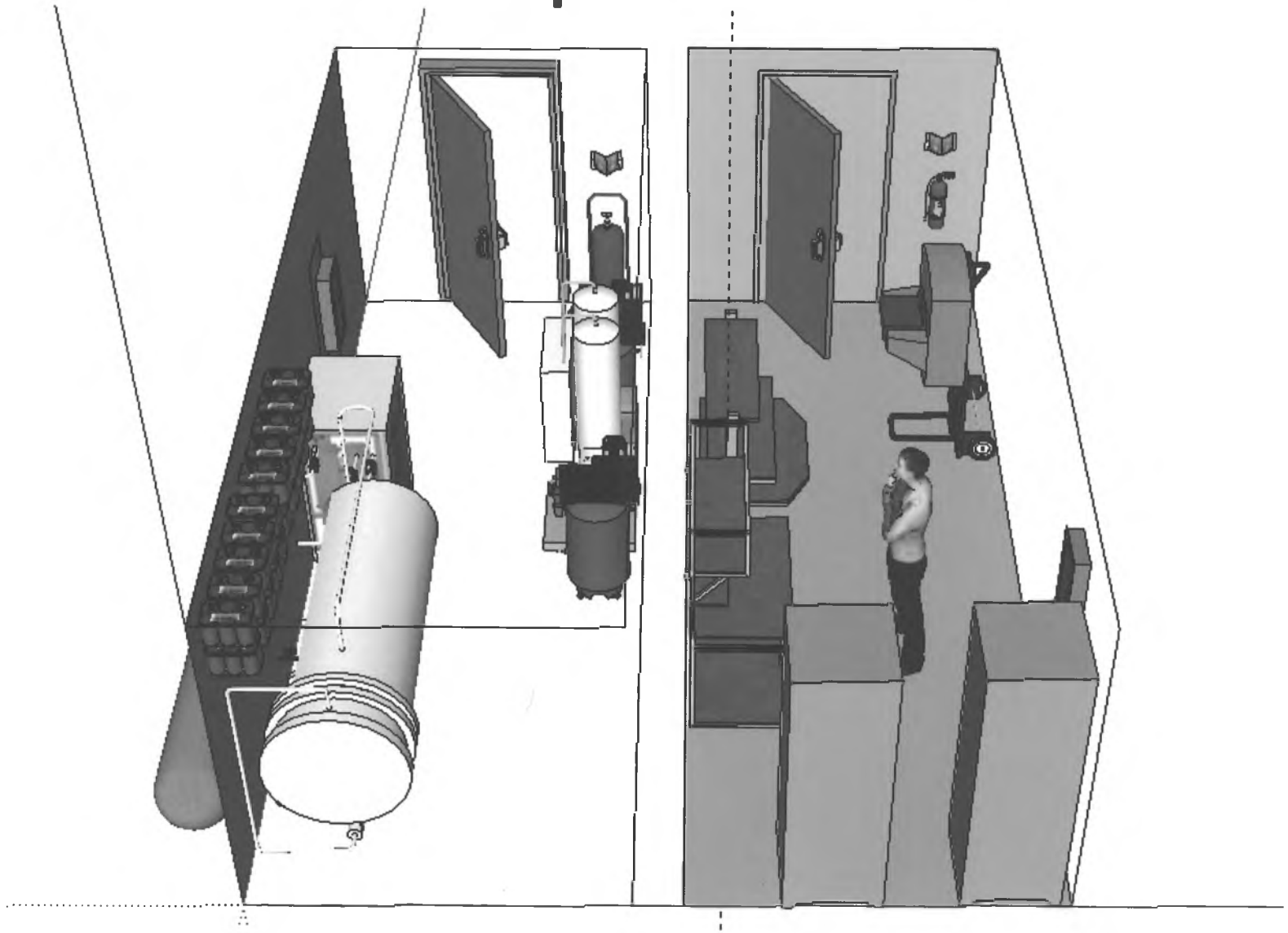
SCWER Processing Reduces Viscosity



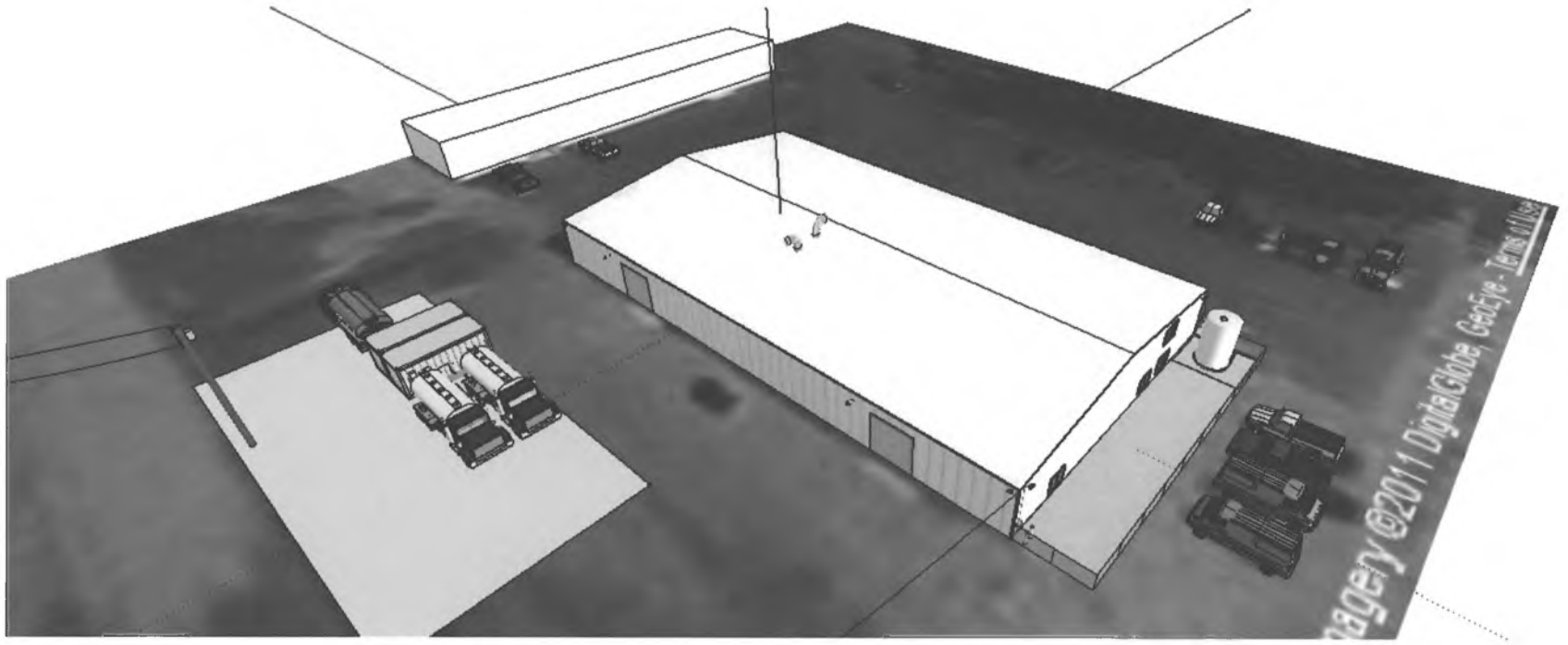
The SCWER Process uses Conventional Equipment



SCWER Pilot Process in Modular Transportainers



SCWER Pilot Located at Fairbanks Pipeline Training Center



Path Forward and Collaboration

- Develop collaboration with University of Alaska and Fairbanks Pipeline School
- Build and test 5 bbl/day unit
  - Leverage technical expertise with Alaska oil production at University of Alaska
  - Integrate with pipeline operations experience at Fairbanks Pipeline Center
- Use industrial experience gained from 5 bbl/day unit to build industrial unit (25 bbl/day) for North Slope production field trials

How SCWER adds Value

- Reduce the viscosity to allow transportation through conventional pipelines without additional heating, refining or solvent addition
- Increase the value of heavy crude with low API gravity (8 to 14) to a higher value crude (>20° API). This can increase the value per barrel of product oil by $20 or more
- Process oil assets that were not financially feasible before, opening up new opportunities for profitable development

Positive Impact for Alaska

- Continue to provide 12% or more of US oil from Alaskan oil fields.
- Maintain and perhaps increase revenue from operating the Trans-Alaskan Pipeline
  - Maintain steady supply of jobs with the pipeline, oil field development, oil production and new jobs associated with SCWER processing
  - Maintain revenue stream for the state
- Alaska has vast 'unconventional oil' reserves which can ensure revenue for the State of Alaska for the foreseeable future, but the viscous, difficult to transport crude needs additional processing to be viable.

The Management Team

- Stephen Yarbro, Heavy Oil Solutions/SNT Ventures, LLC
  - 27 years of process engineering, design and operations experience
  - Past experience at Phillips Petroleum Co.
- Mr. Gerry Myers, Heavy Oil Solutions
- Ms. Michelle Hoeft, Heavy Oil Solutions
- Important relationships for success
  - University of Alaska Petroleum Development Laboratory
  - Fairbanks Pipeline Training Facility

SCWER can provide more oil for the Trans-Alaska Pipeline

- Reduce the viscosity from 'honey' to 'water'
- Integrates with on-site equipment
- Leverages investment in conventional pipelines, trucks, refineries
- Design based on industrially proven technologies
  - Supercritical water oxidation of industrial waste
  - Standard Petrochemical equipment
  - Standard commodity chemicals

1/25/12 OVERVIEW: DANIEL SULLIVAN, COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES

<TARGET><BILL></BILL><SUBJECT>1-25-12 OVERVIEW DANIEL SULLIVAN, COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES</SUBJECT><COMM>SRES27</COMM></TARGET>

State's opportunities are great in 2012

By Dan Sullivan

January 1, 2012

Fairbanks Daily News-Miner

As we ring in the New Year, it is a good time to reflect on the past year and anticipate what lies ahead in 2012. From the Department of Natural Resources' perspective, 2011 was a promising year for responsible resource development — Alaska's most vital economic sector. This underpins our optimism for the coming year.

First, we defined the most critical economic issue facing our state — the declining oil flow through the trans-Alaska pipeline system. To arrest the decline, Gov. Parnell set an ambitious goal to increase production to 1 million barrels per day within a decade and outlined a five-part strategy to increase our competitiveness and attract the billions of investment dollars needed to achieve this goal.

Increasing oil production starts with meaningful oil tax reform when the Legislature convenes again Jan. 17. If the Legislature passes meaningful tax reform, companies have indicated they will commit many billions of dollars in new investment — money that will bring new oil and jobs from our legacy fields.

Second, our strategy to increase oil production is beginning to bear fruit with new projects under way. The upcoming North Slope exploration season will be one of the most active in years. Our December North Slope lease sale brought the state nearly $21 million from various companies and investors. These included new players targeting shale oil and world-class companies such as Shell, ConocoPhillips and Repsol staking out new positions on state land. New exploration means jobs now and new production in the coming decade.

Third, we are seeing signs of a Cook Inlet renaissance. In June, spurred by tax and investment incentives and a U.S. Geological Survey study that showed substantial estimates of oil and gas, the state received the highest number of Cook Inlet lease sale bids in 28 years. New players — such as Apache, Hilcorp, Armstrong, Linc, Buccaneer, and Nordaq — are pursuing opportunities in this region.

Fourth, we are seeing cause for optimism in the mining sector. The latest figures show mineral exploration investment in Alaska exceeded $260 million in 2010, accounting for about one-third of all exploration in the country. Exploration was broad-based, with spending on 34 Alaska projects each exceeding $1 million. Longtime operations such as Red Dog, Fort Knox and Greens Creek have shown that responsible mining comes with high wages and positive economic and social impacts on entire regions.

On Sept. 30, we hosted a sold-out Alaska Strategic and Critical Minerals Summit in Fairbanks. The 250 guests included Gov. Parnell, who laid out the state's strategy to increase mineral development; other government leaders; scientists; mining executives; investors, and foreign

government representatives. The discussions were lively, new connections were made, and many left the summit with great hope that an opportunity has opened to expand Alaska's mining industry, promote our economy, and enhance national security through the development of rare earth elements.

And, fifth, we saw signs in 2011 that the federal government was finally starting to back away from its hard-line, anti-development policy in Alaska, which in 2009 and 2010 could only be described as hostile. We need the federal government as a partner in responsible resource development, not an obstacle.

This is all good news for Alaskans. We are a resource development state — when this sector of the economy thrives, so do most others. The framers of the Alaska Constitution knew the state's resource wealth would play the critical role in spurring private-sector activity, so they enshrined the policy of making our natural resources "available for maximum use" in Article 8, Section 1 of the Alaska Constitution.

But Alaska still faces significant challenges. We must reverse the TAPS throughput decline. Oil production is booming in other hydrocarbon basins, but not here. We must make Alaska more competitive, especially through tax reform.

We must redouble our efforts to work to commercialize North Slope gas. We must address in-state needs, including exorbitant energy costs in Interior and rural Alaska, and maximize the value of our gas resources for future generations. And, we must continue to encourage resource development while safeguarding the environment.

Striking that balance is not always easy, but the state has a proven record of doing it well.

None of these challenges are new to Alaska, but they are surmountable. Indeed, Alaska's opportunities in 2012 clearly outweigh the challenges, due in large measure to our vast resources. By working together and capitalizing on the successes of 2011, Alaskans can move toward increased opportunity, economic well-being, and healthy communities. Let's get to work.

Dan Sullivan is commissioner of the Alaska Department of Natural Resources.

LIBRARY

Briefing Note: One Million Barrels a Day within 10 Years

I. SETTING AMBITIOUS GOALS

An important part of public policy leadership is setting ambitions, compelling visions and goals that citizens and policy makers of the state can unite behind and support. In the realm of social policy, Governor Parnell has done this with the "Choose Respect" campaign and its goal to eradicate Alaska's epidemic levels of sexual abuse and domestic violence.

In the realm of economic policy, the TAPS throughput decline is the most urgent and critical issue facing our state. The Governor is addressing this issue by laying out the vision and goal of increasing TAPS throughput to one million barrels per day within 10 years. The Secure Alaska's Future strategy was designed to support this goal.

II. THRESHOLD ISSUE

The threshold issue for policy makers is whether Alaska has a hydrocarbon basin large enough to meet the one-million-barrels–a-day goal. We believe we do. By any measure, the North Slope of Alaska remains a world-class energy basin, estimated by the USGS to hold about 40 billion barrels of oil and 236 trillion cubic feet of natural gas. In addition, the North Slope has tens of billions of barrels of unconventional resources such as heavy, viscous, and shale oil. Despite its vast potential, the North Slope is still relatively underexplored, with approximately 500 exploration wells drilled. In Wyoming, for example, comparable in size to the North Slope, more than 19,000 exploration wells have been drilled.

Continued oil production decline need not be the fate of our great state. Throughput declines can be reversed. There are examples of other major hydrocarbon basins, such as the North Sea and areas of Texas and North Dakota, where production declines have been reversed as a result of a combination of changes in government policy, increased investment, sustained high oil prices, enhanced recovery, and technological innovation.

III. SECURE ALASKA'S FUTURE—FIVE-PART STRATEGY

The Governor's goal of increasing TAPS throughput to one million barrels per day within 10 years is strongly supported by the Administration's five-part strategy to arrest the decline—"Secure Alaska's Future—Oil." This strategy consists of the following main components.

1. Enhance Alaska's global competitiveness and investment climate (the cornerstone being meaningful tax reform)
2. Ensure the permitting process is structured and efficient
3. Facilitate and incentivize the next phases of North Slope resource development
4. Unlock Alaska's full resource development potential through partnerships with key stakeholders
5. Promote Alaska's resources and positive investment climate to world markets

Over the past year, we have been relentlessly implementing all aspects of this plan. We need the support of and action from the Legislature to fulfill all elements of this important strategy.

IV. POSSIBLE ROADMAP TO ONE MILLION BARRELS

The Governor's goal of one million barrels will require tens of billions of dollars of additional private sector capital investment in Alaska. Improved cooperation between industry, state and federal policy makers is also necessary. We believe there is a general sequencing of development opportunities on the North Slope that can get us to one million barrels within a decade. There are many scenarios, but one example would be the following, where each preceding development builds upon earlier developments:

In 2-5 years:

- Increased infield production from legacy fields
- Development of smaller pools of conventional oil (Oooguruk, Nikaitchuq)(the North Slope is estimated to have "dozens" of such untapped fields ranging from 25 million to 350 million barrels)
- Production from the eastern North Slope, including Point Thomson, which will create economies of scale to explore and develop the eastern North Slope

In 4-7 years:

- Production from shale, viscous and heavy oil plays coming online in substantial quantities (Alaska is endowed with billions of barrels of unconventional resources)
- Development of northeast NPR-A (CD-5 and other satellite fields)
- Development of near offshore (Liberty, etc.)

In 7-10 years:

- Exploration and production from ANWR and other eastern North Slope state and federal lands

In 10 years and beyond:

- Development of OCS (Chukchi and Beaufort)
- Commercialization of North Slope gas, which will lead to additional oil discoveries

V. MANY VARIABLES AFFECTING SUCCESS

Getting to one million barrels of oil per day within a decade is an ambitious goal. It will not be easy. Nevertheless, it is a goal that has garnered broad-based public support and is worth striving for. Whether or not the state can achieve this goal will depend on several factors, some of which we as a state have more control over than others.

We will need significant increases in the level of sustained private sector capital investment. Reforming our tax system is critical in this regard as is a continued high price range for oil. Ideally, this investment will come from all types of companies – legacy producers and other super-majors,

as well as medium and small companies. Similarly, increased and new production will likely need to come from a variety of resource development plays on the North Slope – legacy fields, smaller pools of conventional oil, unconventional oil plays, and federal on-shore and offshore lands. It will also be critical for the federal government to fully support Alaska's one-million-barrels-per-day goal and encourage development and access to federal lands, such as NPR-A, the OCS, and ANWR. Federal policies that continue to prohibit or cause unreasonable delays in exploration and development will significantly undermine this state goal. Indeed, without the federal government as full partners in development and increased access to federal lands, meeting the one million barrels-per-day goal will be very difficult. And lastly, we will need a timely, certain, and predictable permitting process with regard to both state and federal land.

State of ALASKA

Department of Natural Resources

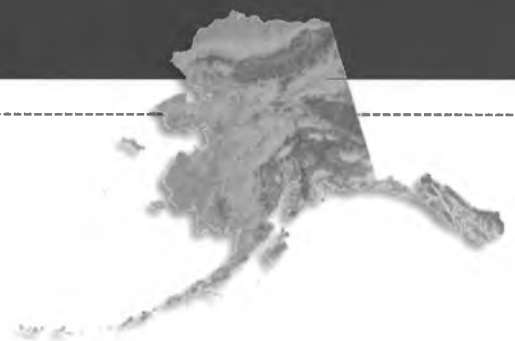
Senate Resources Committee

DNR Overview

January 25, 2012

Commissioner Daniel S. Sullivan
Alaska Department of Natural Resources
www.dnr.alaska.gov

AGENDA

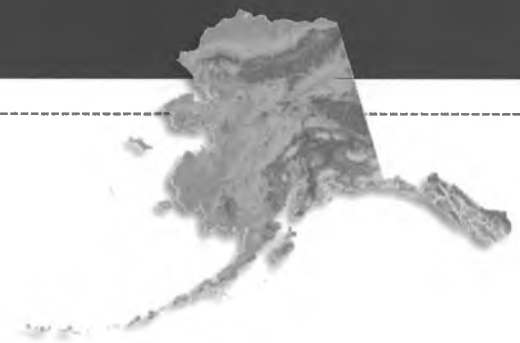


PART I: DNR Overview

PART II: Looking Back on 2011-A Promising Year

PART III: 2012 Opportunities & Challenges

Part I



DNR OVERVIEW

State *of* Alaska

Department of Natural Resources

Article 8, Section 1 of the Alaska Constitution provides:

- *"It is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest."*

DNR Mission Statement:

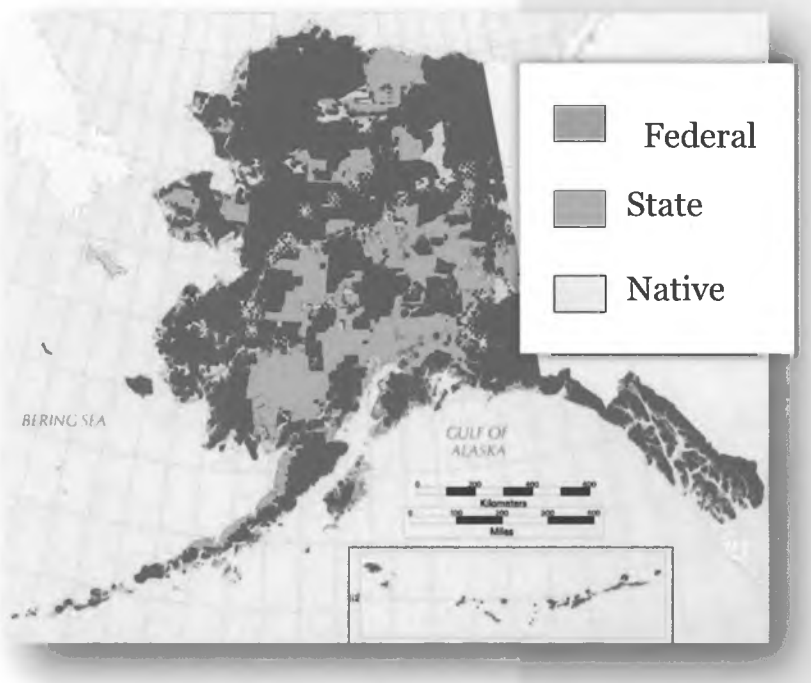
- *Responsibly develop Alaska's resources by making them available for maximum use and benefit consistent with the public interest.*

DNR Core Services:

1. Foster responsible commercial development and use of state land and natural resources, consistent with the public interest, for long-term wealth and employment
2. Provide access to state lands for public and private use, settlement, and recreation
3. Ensure sufficient data acquisition and assessment of land and resources to foster responsible resource development
4. Mitigate threat to the public from natural hazards by providing comprehensive fire protection services on state, private, and municipal lands, and through identifying significant geological hazards

State *of* Alaska

Department of Natural Resources



Land Ownership

- *Federal Land:* More than 200 million acres
- *State Land:* Approx. 100 million acres of uplands, 60 million acres of tidelands, shore lands, and submerged lands, and 40,000 miles of coastline
- *Native Corporation Land:* 44 million acres

DNR:

- Manages one of the largest portfolios of oil, gas, minerals, renewable resources, water, and land in the world
- Manages all oil and gas fields on state land, including two of the largest oil and gas fields in North America
- Oversees all activities that occur on state land

State *of* Alaska

DNR Has 7 Divisions

1. **Division of Agriculture (DoA)**
   - Franci Havemeister, Director
   - Promotes and encourages development of an agriculture industry in Alaska

2. **Division of Forestry (DoF)**
   - Chris Maisch, Director
   - Serves Alaskans through forest management and wildland fire protection

3. **Division of Geological & Geophysical Surveys (DGGS)**
   - Bob Swenson, Director
   - Determines the potential of Alaskan land for production of metals, minerals, fuels, and geothermal resources, the locations and supplies of groundwater and construction material, and the potential geologic hazards to buildings, roads, bridges, and other installations

State *of* Alaska

DNR Has 7 Divisions

4. **Mining Land and Water**
   - Brent Goodrum, Director
   - Provides for the appropriate use and management of Alaska's state owned land and water, aiming toward maximum use consistent with the public interest

5. **Oil & Gas**
   - Bill Barron, Director
   - Responsible for the leasing of state lands for oil, gas, and geothermal exploration

6. **Parks & Outdoor Recreation**
   - Ben Ellis, Director
   - Provides outdoor recreation opportunities and conserves and interprets natural, cultural, and historic resources for the use, enjoyment, and welfare of the people

7. **Support Services**
   - Jean Davis, Director
   - Provides client-focused, efficient and cost-effective financial, budget, procurement, information technology and recording services to DNR and the public

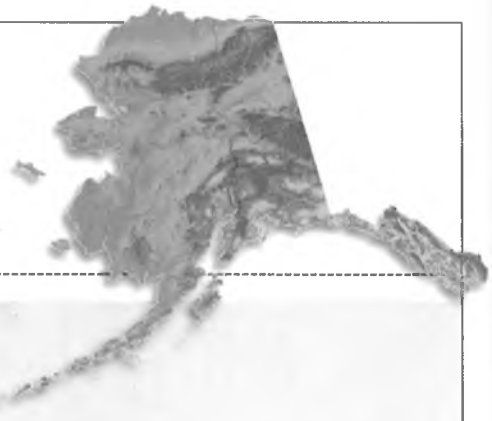
State *of* Alaska

DNR Offices

- **Gas Pipeline Project Office**
  - Kurt Gibson, Director
  - Monitors efforts by the Alaska Pipeline Project (APP) to design, develop, construct and operate a 48-inch natural gas pipeline to commercialize North Slope natural gas
- **Office of Project Management & Permitting**
  - Tom Crafford, Director
  - Coordinates the review of larger scale projects in the state
- **State Pipeline Coordinator's Office**
  - Mike Thompson, State Pipeline Coordinator
  - Issues leases of state land for pipeline rights-of-ways and implements the state's policy set forth in Alaska Statute (AS) 38.35.010 concerning the development, use, and control of a pipeline transportation system within the state

Alaska *as a* Storehouse

Hydrocarbons



North Slope

USGS estimates that Alaska's North Slope has more oil than any other Arctic nation

- **OIL:** Est. 40 billion barrels of conventional oil *(USGS & & BOEMRE)*
- **GAS:** Est. 236 trillion cubic feet of conventional natural gas *(USGS)*

- Alaska has world-class unconventional resources, including tens of billions of barrels of heavy oil, shale oil, and viscous oil, and hundreds of trillions of cubic feet of shale gas, tight gas, and gas hydrates

Cook Inlet

USGS estimates that significant undiscovered volumes of hydrocarbons remain to be found in the Cook Inlet:

- 19 trillion cubic feet of natural gas
- 600 million barrels of oil
- 46 million barrels of natural gas liquids
- In June 2011, the State of Alaska received the highest number of Cook Inlet lease sale bids in 28 years, totaling more than $11 million

Compared to most basins, Alaska is relatively underexplored, with 500 exploration wells on the North Slope, compared to Wyoming's 19,000.

Alaska *as a* Storehouse

Strategic & Critical Minerals

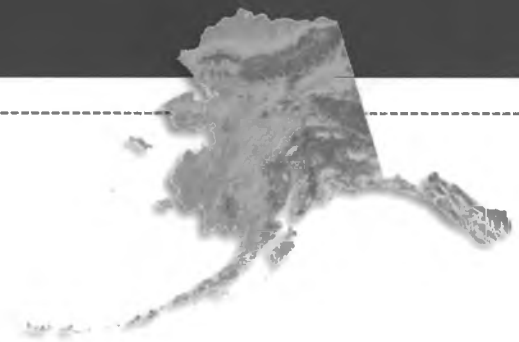
The State of Alaska Ranks in the *Top Ten in the World* for Important Minerals, Including:

- **Coal**: 17% of the world's coal; *2nd most in the world*
- **Copper**: 6% of the world's copper; *3rd most in the world*
- **Lead**: 2% of the world's lead; *6th most in the world*
- **Gold:** 3% of the world's gold; *7th most in the world*
- **Zinc:** 3% of the world's zinc; *8th most in the world*
- **Silver:** 2% of the world's silver; *8th most in the world*

USGS estimates

According to the USGS, Alaska has over 70 occurrences of Rare Earth Elements (REE).

Part II

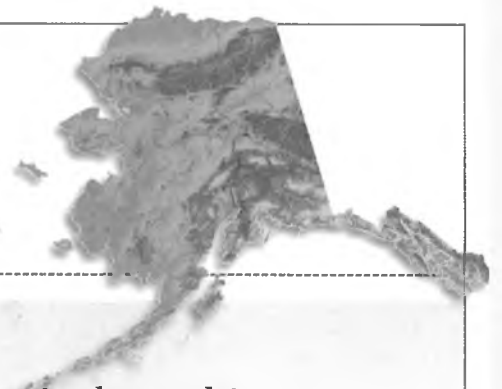


LOOKING BACK ON 2011—

A Promising Year

TAPS

Arresting Throughput Decline



- TAPS has transported over 16.3 billion barrels of oil and natural gas liquids since June of 1977. Production peaked at 2.2 million barrels per day in the late 1980s, representing 25% of U.S. domestic production
- Today, TAPS is producing ~ 600,000 barrels per day, representing about 12% of U.S. domestic production
- The State of Alaska is actively seeking investment in exploration and development of conventional and unconventional resources on state and federal land, onshore and offshore
- TAPS has plenty of capacity for increased throughput
- Federal officials are interested in making this a national priority

Declining oil through TAPS is the most critical economic issue facing our state.

Secure Alaska's Future: *Oil*

The State of Alaska's Comprehensive Strategy to Increase TAPS Throughput to One Million Barrels/Day

I. Enhance Alaska's global competitiveness and investment climate

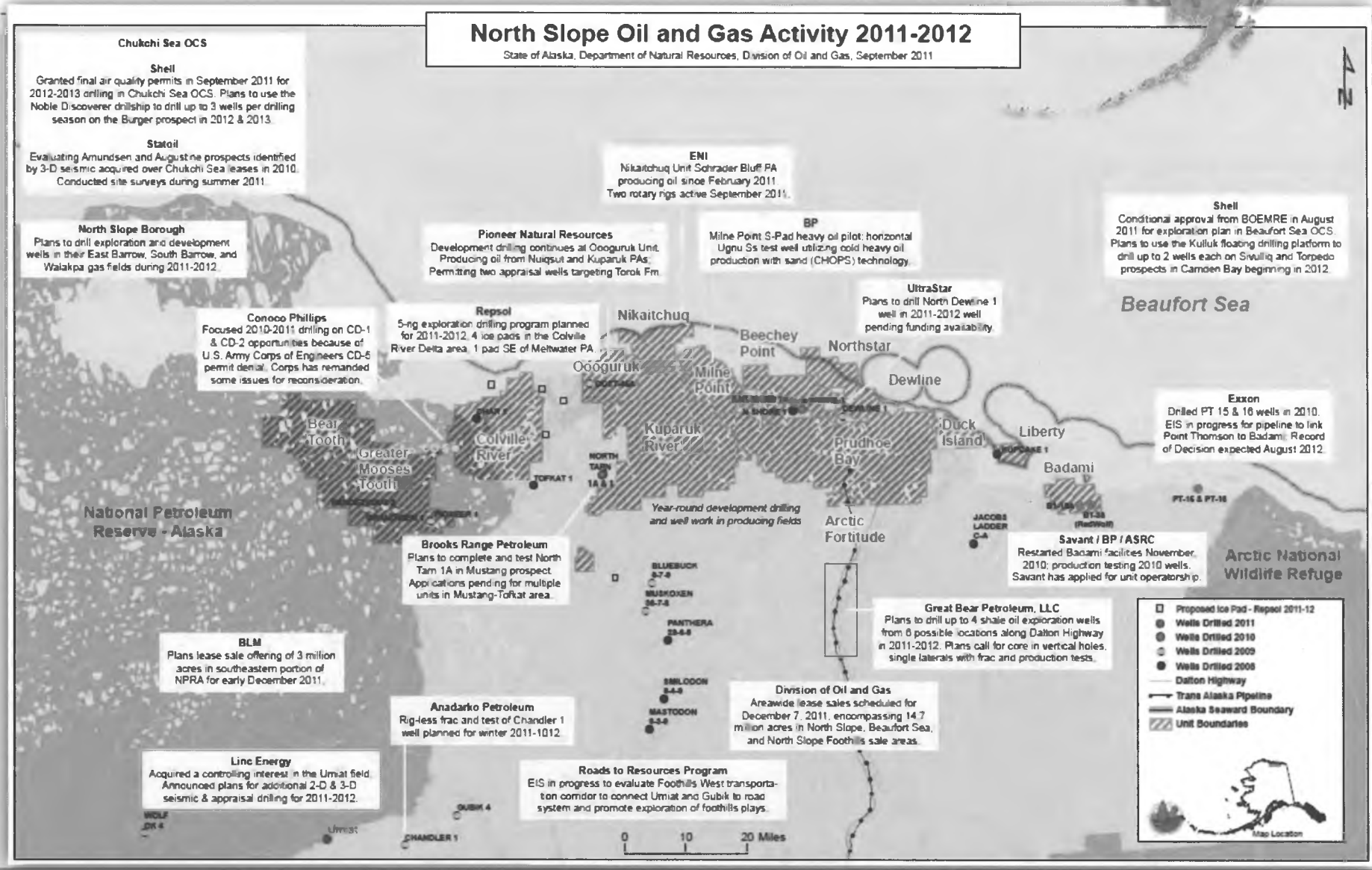
II. Ensure the permitting process is structured and efficient

III. Facilitate and incentivize the next phases of North Slope development

IV. Unlock Alaska's full resource development potential through partnerships with key stakeholders

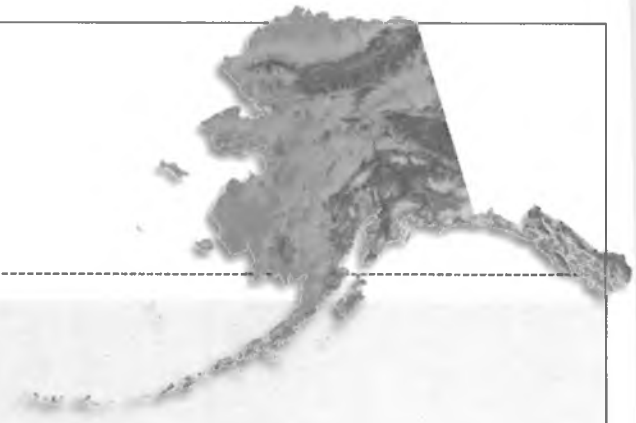
V. Promote Alaska's resources and positive investment climate to world markets

North Slope *Recent & Proposed Activity*

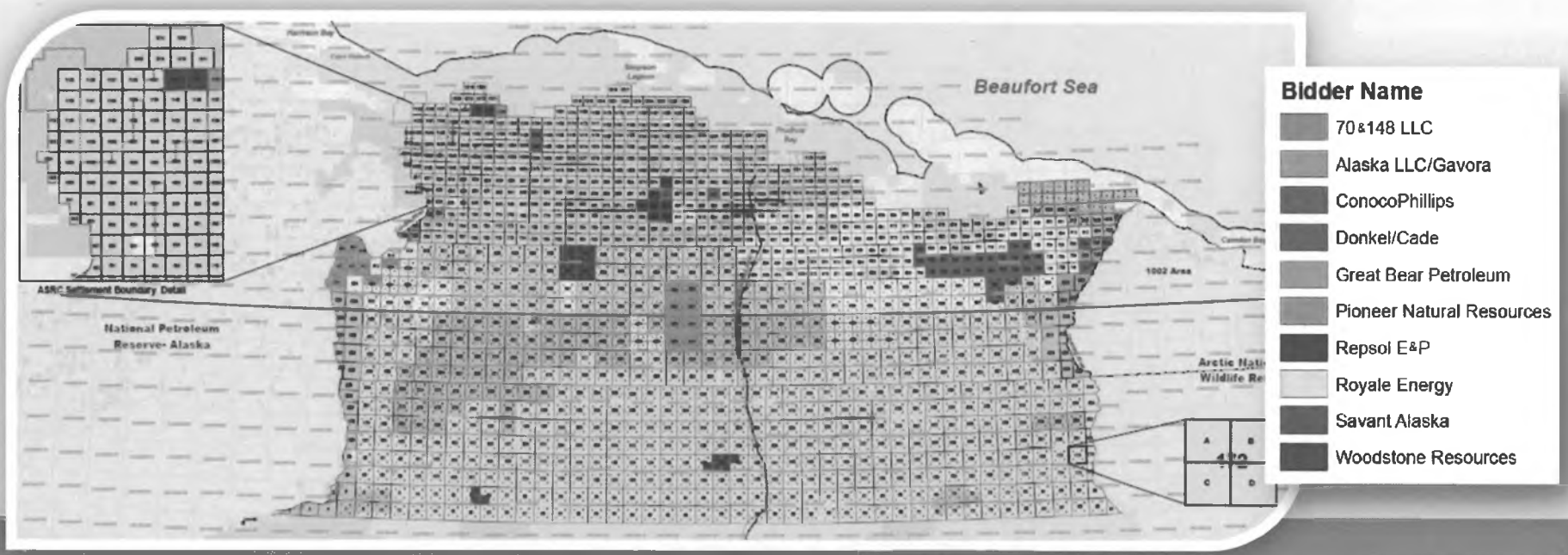


NS & Beaufort Sea

December Lease Sale



- Nearly $21 million from various companies and investors
- Included new players targeting shale oil
- Attracted world-class companies such as Shell, ConocoPhillips, and Repsol, who are staking out new positions on state land
- New exploration means jobs now and new production for decades to come
- State needs billions of dollars in new investment to meet the Governor's one-million-barrels-a-day goal



Cook Inlet Renaissance

In June 2011, the State of Alaska received the highest number of Cook Inlet lease sale bids in 28 years, totaling more than $11 million.

Cook Inlet Estimates

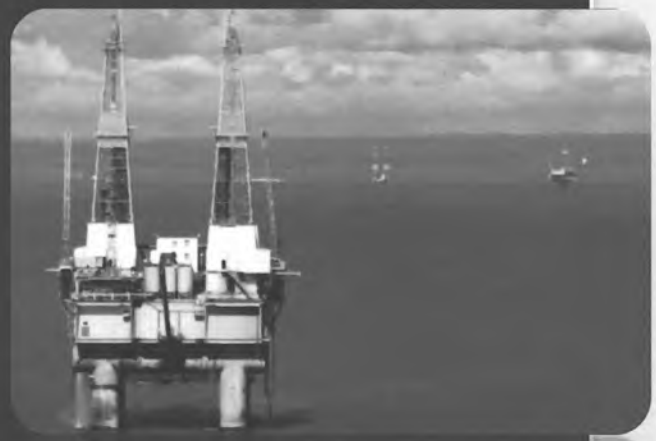
Significant undiscovered volumes of hydrocarbons remain to be found in the Cook Inlet (*USGS*):

- 19 trillion cubic feet of natural gas
- 600 million barrels of oil
- 46 million barrels of natural gas liquids

Cook Inlet Lease Sale Results

- In June 2011, the State of Alaska received the highest number of Cook Inlet lease sale bids in 28 years, totaling more than $11 million
- Total tracts sold: 109
- Total high bonus bids: $11,125,063.80

Cook Inlet Renaissance



Wall Street Journal, August 27, 2011: *"New Energy Estimate Breathes Life Into a Declining Alaskan Oil Field"*

Recent Cook Inlet Activity

- New players investing: Apache, Hilcorp, Armstrong, Linc, Buccaneer, Nordaq, Escopeda
- Significant exploration activity: 8 new exploration wells, one jack-up rig (and one—*possibly two*—on the way), and companies shooting 3-D seismic over large areas of the basin
- 3 new gas supply contracts with utilities
- New gas storage project
- State continues to focus on safe, responsible development and operations

Strategic & Critical Minerals

Recent Mining Activity

The value of mineral production from Alaska totaled an estimated $2.9 billion in 2009 and $3.1 billion in 2010.

- Alaska has six lode producing mines, including one of the world's largest zinc mines, the world's 5th largest silver mine, and 4 major gold mines
- ***Red Dog***: one of the world's largest zinc mines, produced over 593k tons of zinc, 121k tons of lead, and 6.7 million ounces of silver in 2010
- ***Greens Creek***: world's 5th largest silver mine, produced over 7.2 million ounces of silver, 68k ounces of gold, and 75k tons of zinc in 2010
- ***Pogo***: produced 383k ounces of gold in 2010
- ***Fort Knox***: produced 350k ounces of gold in 2010
- ***Usibelli***: produced over 2 million tons of low sulfur coal in 2010
- Two new gold mines came online in 2010: Kensington and Nixon Fork

Strategic & Critical Minerals

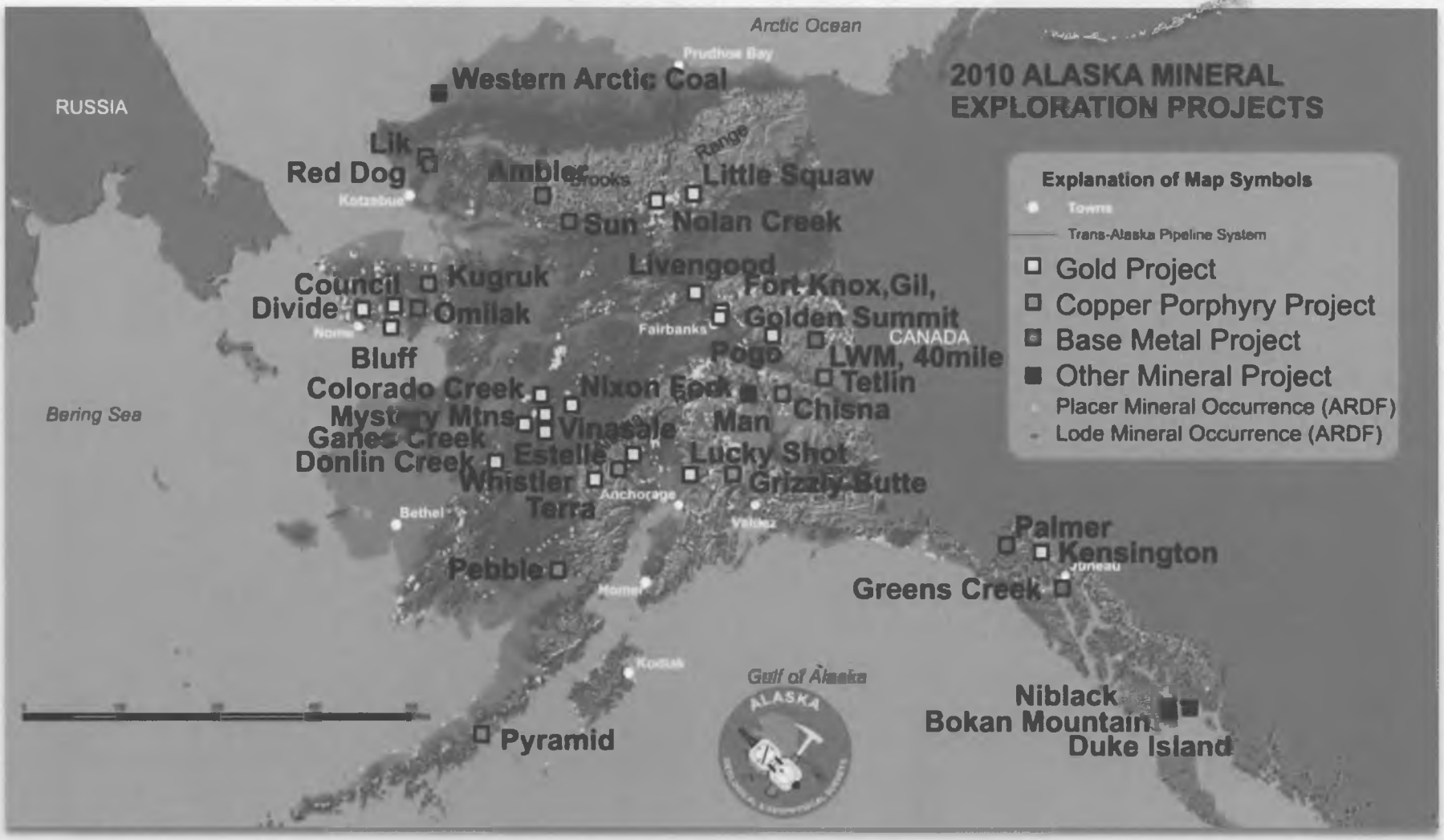
Recent Mining Activity

In 2010, mineral exploration investment in Alaska totaled $264 million - accounting for about one-third of the total spent on exploration in the U.S.

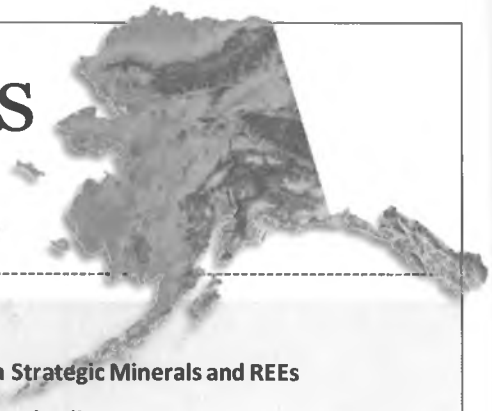
- **Advanced exploration projects:**
  - ***Pebble:*** ~ 80.6 billion pounds of copper, 107.4 million ounces of gold, and 5.6 billion pounds of molybdenum
  - ***Bokan Mountain*****:** enriched in yttrium, dysprosium, and critical heavy Rare Earth Elements
  - ***Donlin:*** ~ 42.3 million ounces of gold
  - ***Money Knob*****:** ~20.6 million ounces of gold
  - ***Niblack*****:** ~7.3 million tons of polymetallic (copper, gold, silver, and zinc) volcanogenic massive sulfide project
- 34 exploration projects spent over $1 million in 2010
- 2011 Nome offshore mineral (gold) lease sale received over $7.6 million in winning bids for 84 tracts on approximately 24,000 acres

Strategic & Critical Minerals

Recent Mining Activity



Alaska Strategic & Critical Minerals Summit, *Fairbanks, 9-30-11*



OPENING REMARKS

Welcome Remarks: Mayor Jerry Cleworth, *City of Fairbanks*, and **Mayor Luke Hopkins**, *Fairbanks North Star Borough*

Day's Overview: Dan Sullivan, *Commissioner, DNR*

PRESENTATIONS: Strategic Minerals—A Global Perspective

General Joe Ralston, *Vice Chairman of The Cohen Group and Former NATO Commander/Supreme Allied Commander, Europe*

Jeff Doebrich, *Acting Program Coordinator, U.S. Geological Survey, Mineral Resources Program*

Jonathan Price, *State Geologist and Director, Nevada Bureau of Mines and Geology*

Jack Lifton, *Founding Principal of Technology Metals Research, LLC, and Consultant, Author, and Lecturer*

KEYNOTE ADDRESS

The Honorable Governor Sean Parnell

Networking Break & Press Conference

LUNCHEON ADDRESS

Honorable U.S. Senator Lisa Murkowski

PRESENTATIONS: Alaska's Strategic Mineral Wealth and Potential

Bob Swenson, *DGGS, DNR*

Dwight Bradley, *Research Geologist, U.S. Geological Survey, Minerals Program, Alaska Science Center*

Jim Barker, *Alaska Project Manager, Ucore Rare Metals, and Former Physical Science Supervisor with the U.S. Bureau of Mines*

PRESENTATIONS: University of Alaska Research on Strategic Minerals and REEs

The Honorable Lieutenant Governor Mead Treadwell

Mark Myers, *Vice Chancellor of Research, UAF*

Dan White, *Associate Vice Chancellor of Research, UAF*

Rajive Ganguli, *Department Chair, Mining & Geological Engineering, UAF*

AFTERNOON ADDRESS

Michael Silver, *President and Chairman of the Board, American Elements*

ROUNDTABLE DISCUSSION: Moving Forward on Strategic Mineral Exploration, Development, and Processing in Alaska

Moderator: Dan Sullivan, *Commissioner, DNR*

The Honorable U.S. Representative Don Young

Susan Bell, *Commissioner, Alaska Department of Commerce, Community, and Economic Development, and Vice-Chair of AIDEA*

Steve Borell, *Executive Director, Alaska Miners Association*

Jim McKenzie, *President and CEO, Ucore Rare Metals*

Ken Peak, *President, Contango Ore*

Curtis Freeman, *President, Avalon Development*

Matt Ganley, *Vice President, Resources and External Affairs, Bering Straits Native Corporation*

Closing Remarks: Ed Fogels, *Deputy Commissioner, DNR*

Reception and Investor Networking at the *Museum of the North*

VIDEO ADDRESS: The Honorable U.S. Senator Mark Begich

Agriculture

2011 Overview of Accomplishments

Division continues to be very busy promoting and encouraging development of the agriculture industry in Alaska

- Worked to increase the demand for Alaska grown products
- Explored new marketing ventures to promote Alaska Grown program
- Formed partnership with commerce for agricultural tourism
- Provided support and promotion to 33 Farmers Markets throughout the state, which continue to grow in popularity
- Continued to update the division's long-range plan
- Excited about a burgeoning peony export program in Alaska
- ARLF continues to revolve and is successful
- Sold 202 acres of state agricultural land this year, which is a good figure

Farm to School Program

- Developed a "School Garden Food Safety" Guidelines
- Completed a product feasibilty study and local product recipe book
- Contributed to the national movement
- Worked with 55% of school districts statewide

Parks & Outdoor Rec.

2011 Overview of Accomplishments

Serves the Alaska public through outdoor recreation, educational programming, and access to public lands

- Provided direct public service through a highly successful volunteer program—in 2011, 462 volunteers collectively donated nearly 70,000 hours to support state parks
- Instituted new initiatives to increase visitation and interest: "Arts in the Parks" and "First Day Hike"
- Built new public use cabins statewide
- Oversaw successful grant programs that support community efforts in historic preservation, recreation and trails
- Provided research necessary to support state's claims to submerged lands under navigable waters and for right-of-ways on historic trails across federal lands

The Alaska Boating safety program is a model for the U.S.

- 299 classes taught in 2011=6,570 students
- Since its inception, 19 kids' lives have been saved as a result of the "kids don't float" life jacket loaner program

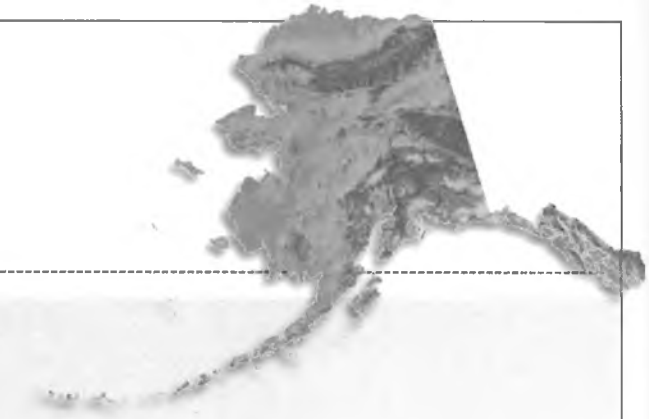
Timber Resources

Alaska has 17% of the nation's forest land

- The Governor's initiative to double the size of the Southeast State Forest (first est. in 2010) was successful with the help of the legislature (*now approx. 50,000 acres total*)
- Alaska Timber Jobs Task Force was established by Administrative Order 258 to advise the Governor on specific actions he can take to grow and revitalize the state's timber industry
  - An example would be the increased use of woody biomass for space heating in schools and other public buildings (*Tok* and *Delta*)
- 69 individual timber sales statewide, totaling 30.9 million board feet –on target for local job creation and community support
- Director Maisch is now a member of the National Assoc. of State Foresters (NASF) Executive Board

Wildland Fires

2011 Season & Wildland Fire Academy



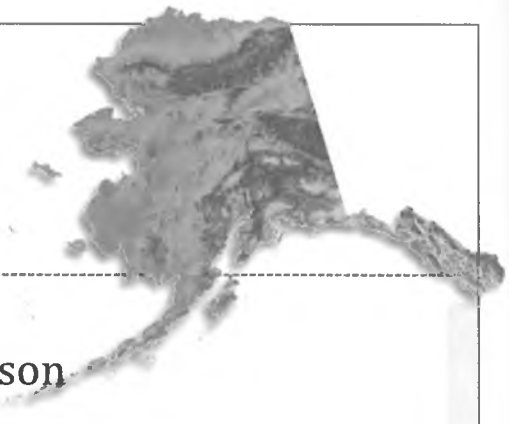
2011 Wildfire Season

- Between April 1 and Sept. 12, there were *511 fires*
  - 365 were 1 acre or less
  - Largest: 54,217 acres (East Volkmar DAS)
  - 373 were human-caused (25,234.8 acres)
  - 138 were lightening-caused (267, 783 acres)
- Payroll for Alaskan EFF (mostly rural-based)crews in 2011 was $7.7 million, which contributes to local communities
- Air tankers were deployed to Lower-48 for 3 months

Wildland Fire Academy

- 2011 Interior Wildland Fire Academy was held in Tok on June 11th; 33 graduates came from across Alaska

Less Hostile Federal Government in 2011?



- In 2011, we saw signs that the federal government was finally starting to back away from its hard-line, anti-development policies in Alaska
- We are actively involved in ongoing engagement with federal agencies
- We are still frustrated by mixed messages and delay tactics; progress feels like 2 steps forward, 1 step back
- CD-5
  - Fed 2010 decision was a shocker; since then, the permit has been pending
  - Permit was finally approved this fall, with an alternative that supports the best interests of the state
- EIS for Point Thomson
  - Recently issued by Corps of Engineers
  - Places emphasis on ANWR's proximity to the project and implies that the state should manage its adjacent lands as if they are part of the refuge
  - This is a serious overreach and an attempt by the USFWS to regulate oil and gas activities on state lands

Part III

2012

OPPORTUNITIES & CHALLENGES

Building on 2011 Progress

It Was a Good Year for Alaskans

- Progress and achievements in 2011 are good news for Alaskans
- We are a resource development state—when this sector of the economy thrives, so do most others
- The framers of the Alaska Constitution knew the state's resource wealth would play a critical role in spurring private sector activity and so enshrined the policy of making Alaska's natural resources ***"available for maximum use"*** in Article 8, Section 1

TAPS Throughput Decline

An Urgent Issue

- Alaska has many opportunities, in large measure due to our abundant natural resource wealth
- **But we still face significant challenges**
  - *We must arrest <u>TAPS throughput decline</u>*
    - This is an *<u>urgent</u>* issue
    - Governor Parnell has laid out an aggressive 5-part strategy to increase production
    - Oil production is booming in other hydrocarbon basins, but not here
  - *We must make Alaska more competitive, especially through <u>meaningful tax reform</u>*

Commercializing NS Gas

Comparative Advantages of AK LNG

- Huge conventional resources next to existing infrastructure
- Massive resource potential: area is underexplored; unconventional resources
- Liquid-rich gas
- Longstanding tradition of exporting to Asia—40 years of LNG exports to Japan
- Stable investment and political climate
- Geo-strategic portfolio diversification
- World-class businesses already investing
- Trained workforce
- Close proximity to markets
- Cost competitive

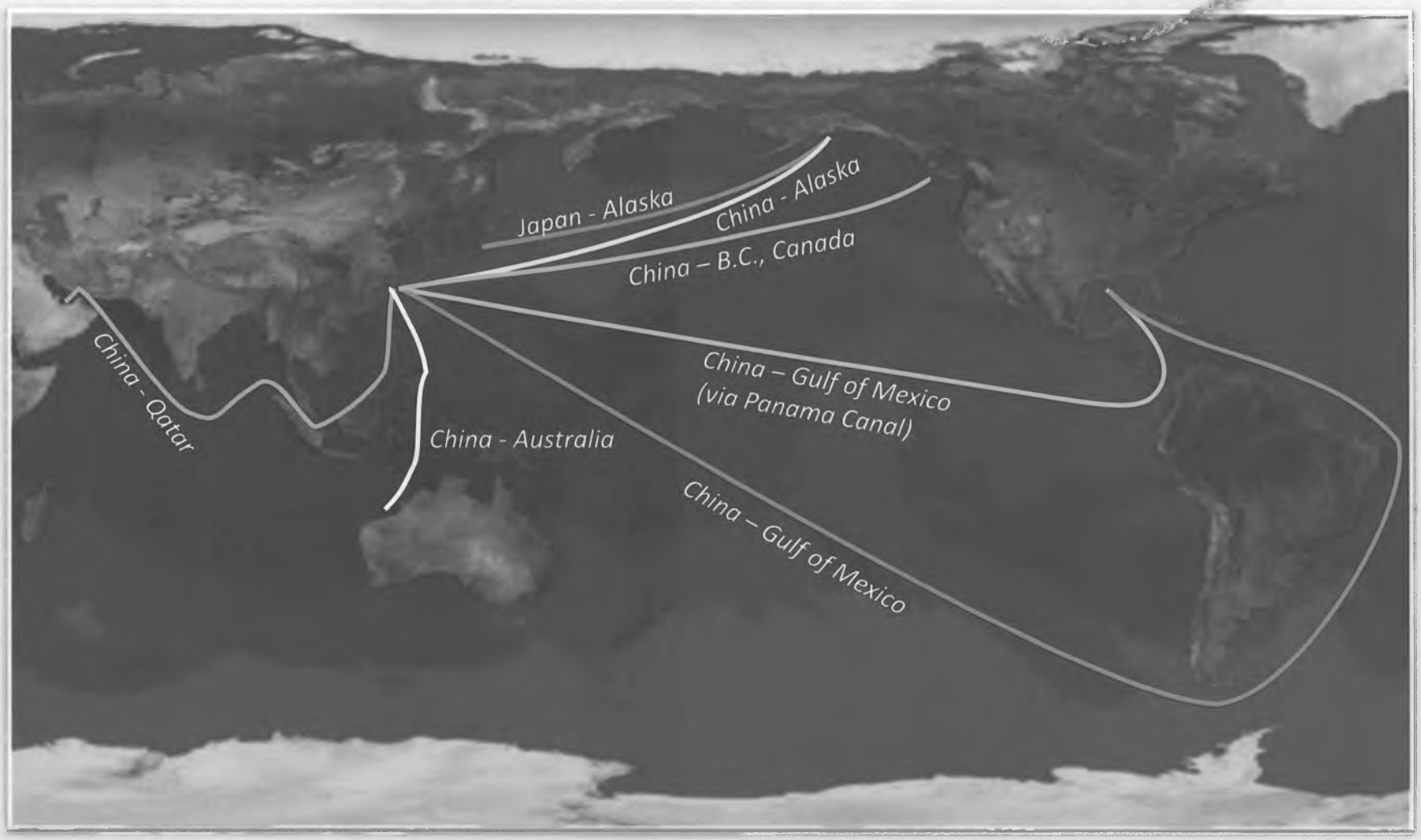
Changes in market demand has led the State of Alaska to shift its focus to exporting LNG to Asia

"Alaska eyes LNG pipeline to Pacific Rim" Financial Times, 11/6/11

"If market demand for gas has truly shifted from the Lower 48 to Pacific Rim markets, then the state of Alaska should be ready to shift along with that. And we are."
– Gov. Parnell, 10/2/11

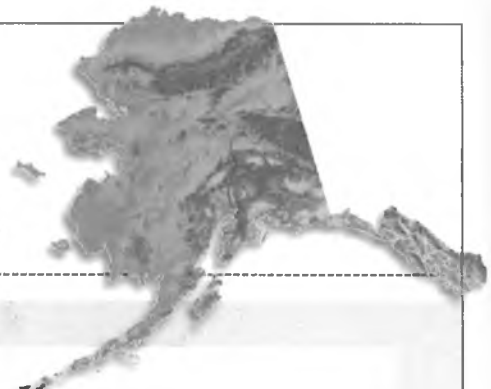
Commercializing NS Gas

Proximity of Alaska LNG to Asia



Commercializing NS Gas

Key Principles & Roadmap



Key principles for any project

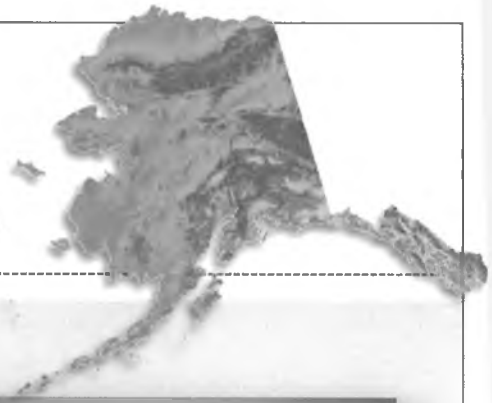
- Gas to address Alaska's in-state needs for abundant supplies of low-cost energy and economic growth
- Gas that will maximize the value of the state's massive resource base through high-volume and export markets
- A project that incentivizes exploration and investment in continued oil and gas development

Governor's Roadmap to Gasline

1. Resolve Point Thomson
2. Align during the first quarter of 2012
3. Two projects—under AGIA and AGDC—complete discussions by third quarter of 2012 determining what potential exists to consolidate projects
4. Harden numbers on an Alaska LNG project by the third quarter of 2012, and identify a pipeline project and associated work schedule
5. If milestones are met, the 2013 Legislature takes up gas tax legislation designed to move the project forward

Responsible Development

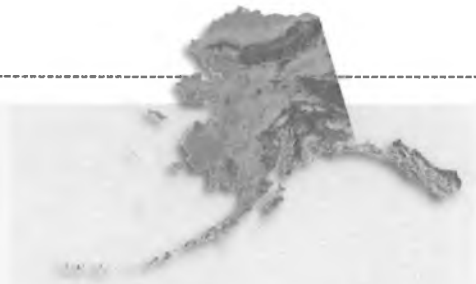
Striking a Balance



- *We must continue to encourage resource development while safeguarding the environment*
  - The State of Alaska has an exceptional record of responsibly developing our resources while protecting the environment
  - Oil and gas development in Alaska is conducted in a safe and responsible manner with some of the most stringent standards in the world

Striking the balance is not always easy, but the state has a proven record of doing it well

In Conclusion



- Many challenges and opportunities
- Opportunities far outweigh the challenges, in large measure due to our abundant natural resource wealth
- Partnerships are key: public, stakeholders, legislature, private sector, Administration

Thank you

1/27/12 PRESENTATION: BRYAN BUTCHER, COMMISSIONER, DEPARTMENT OF REVENUE

<TARGET><BILL></BILL><SUBJECT>1-27-12 PRESENTATION BRYAN BUTCHER, COMMISSIONER, DEPARTMENT OF REVENUE</SUBJECT><COMM>SRES27</COMM></TARGET>

Presentation to the Senate Resources Committee January 27, 2012 Alaska Department of Revenue

Presentation Requested on the Following Items

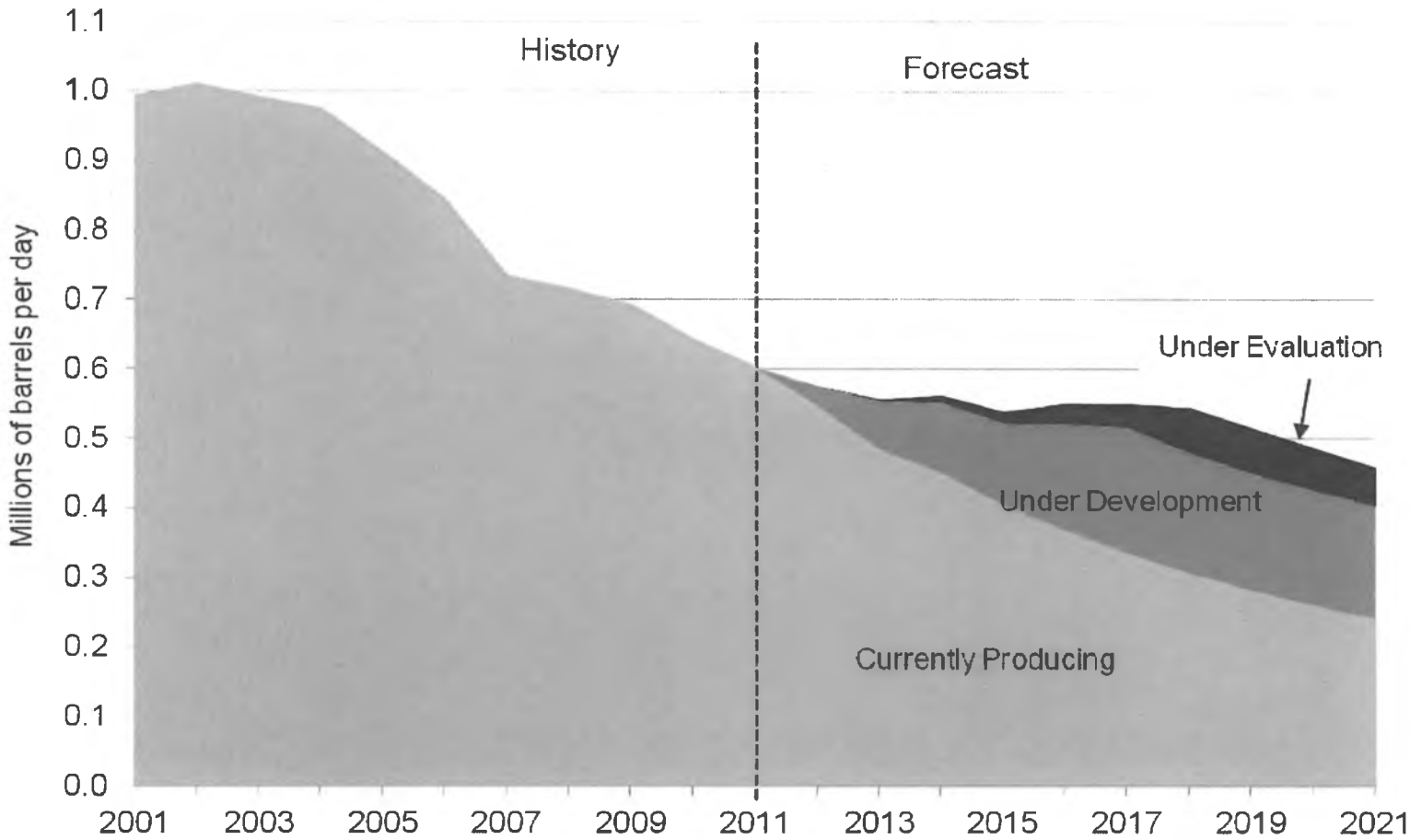
- **Fall 2011 Forecast**
- **Tax Credits**
- **Tax Revenue Management System**
- **Production Tax Audits**
- **Staffing Levels for Audits**
- **Data Assessment Project**
- **Regulations**

Fall 2011
Oil Production
Forecast

Factors That Affect Production Forecasting

1. **GEOLOGY**
   - Rock type and formation characteristics
   - Depth, thickness, pressure
   - Oil & gas characteristics (oil gravity, viscosity, water content, etc.)
2. **DEVELOPMENT PLAN**
   - Well density and development rate
   - Well bore size and completion technique
   - Artificial lift and enhanced oil recovery
   - Facilities & surface operations
3. **COMMERCIAL**
   - Project economics
   - Oil price and market conditions
   - Government Policy: access, regulation, taxation
4. **PRODUCTION PROFILE**
   - History, stage of depletion
   - Use production profile to extrapolate trends
5. **TIMING!**

ANS Production, FY 2001-2011 and Forecast FY 2012 - 2021



Source: Fall 2011 Revenue Sources Book

ANS Production Forecast and Decline Rates, FY 2012 - 2021

Fiscal Year	Currently Producing	% Change from Prior Year	Under Development	Under Evaluation	Total ANS	% Change from Prior Year
2011	0.603	(6.3%)	0.000	0.000	0.603	(6.3%)
2012	0.548	(9.1%)	0.026	0.001	0.574	(4.7%)
2013	0.485	(11.6%)	0.069	0.001	0.555	(3.3%)
2014	0.451	(6.9%)	0.099	0.010	0.561	1.0%
2015	0.406	(10.0%)	0.115	0.017	0.538	(4.1%)
2016	0.369	(9.1%)	0.151	0.029	0.550	2.1%
2017	0.336	(9.1%)	0.179	0.034	0.549	(0.1%)
2018	0.307	(8.5%)	0.171	0.066	0.544	(0.9%)
2019	0.282	(8.1%)	0.166	0.066	0.515	(5.4%)
2020	0.262	(7.4%)	0.164	0.061	0.486	(5.6%)
2021	0.241	(7.7%)	0.161	0.056	0.458	(5.8%)

Source: Fall 2011 Revenue Sources Book

What if Oil Production went to 300,000 b/d in FY13?

If Production was 300,000 barrels per day* …

Projected GF Unrestricted Revenue would be:	$3,900,000,000
Projected FY13 budget is:	$6,430,000,000
Budget to Revenue Shortfall would be:	$2,530,000,000

This magnitude of shortfall could be made up by:

- Every Alaska resident paying the state $3,500
- Or a statewide sales tax of up to 38%
- Or a statewide flat income tax of up to 14%

*Assumptions used in this analysis:
Fall 2011 oil price forecast assumption of $109.47 for FY13
Tariff assumed to be $10 per barrel
Marine costs assumed to be $4 per barrel
Lease expenditures assumed to be 75% of forecast FY13 expenditures
Credits assumed to be 75% of forecast credits taken against tax liability
Corporate income tax assumed to be 75% of forecasted CIT
Sales tax of approximately 15% would raise approximately $1 billion
Income tax of 5.6% of federal adjusted gross income would raise approximately $1 billion

Production Forecast – Improvements in Methodology

- Created standardized reporting forms for production forecasting information.
- Petroleum Engineer and Petroleum Economists compiled the forecast information from electronic reports rather than interpreting data provided by operators in various formats.
- Compliance and standardization improved with regard to reported downtime.
- Production forecasting requires consideration of each project's geology, development plans, production profiles, decline curves and timing.
- Department uses extensive well and field specific data acquired from producers, AOGCC, and DNR.
- New field development is very important in mitigating decline rates.
- Current engineering consultant is a member of the Society of Petroleum Evaluation Engineers (SPEE)
- Forecast included estimating decline curves for thousands of producing wells

Fall 2011
Oil Price and
Revenue Forecast

Fall 2011 DOR Oil Price Forecast

	Real $		Nominal $	
	WTI	ANS	WTI	ANS
FY 2011 (actual)	89.39	94.49	89.39	94.49
FY 2012 (projected)	88.71	106.66	90.92	109.33
FY 2013	91.97	104.20	96.62	109.47
FY 2014	92.75	101.29	99.88	109.08
FY 2015	93.50	98.52	103.21	108.75
FY 2016	93.60	95.27	105.90	107.79

*Note: FY 2012 forecast includes one quarter of actual prices.

Forecast is made in terms of Real WTI , then adjusted using 2.5% inflation rate and a forecast differential to ANS.

Source: Fall 2011 Revenue Sources Book

FY 12 & FY 13 General Fund Unrestricted Revenue Forecast

Revenue Type	FY 12 ($M)	% Total	FY 13 ($ M)	% Total
Royalty - Net PF / SF	$ 2,085.2	23.4%	$ 1,962.0	23.9%
Production Tax	$ 5,376.4	60.2%	$ 4,715.8	57.4%
Corp Income Tax	$ 662.1	7.4%	$ 728.4	8.9%
Property Tax	$ 91.7	1.0%	$ 89.7	1.1%
Subtotal Oil Revenue	$ 8,215.3	92.0%	$ 7,496.0	91.2%
Non-Oil Revenue	$ 712.6	8.0%	$ 721.7	8.8%
Total Revenue	$ 8,927.9	100.0%	$ 8,217.7	100.0%

Source: Fall 2011 Revenue Sources Book

Production Tax Credits Update

Credits Applied Against Production Tax Liability, by Fiscal Year ($M)

	Pre-2008	2008	2009	2010	2011*	2012*	Total
Capital Expenditure Credit	292	219	278	342	345	360	1,837
TIE Credits	171	73	0	0	0	0	244
Small Producer Credits	46	31	27	27	41	35	208
Exploration Credits	48	55	28	42	19	5	196
Totals	557	378	333	412	405	400	2,485

*estimated pending final true-up

Transferable Tax Credits Certificates Claimed by Fiscal Year ($M)

Credit Type	Pre-2008	2008	2009	2010	2011	2012*	Total
Capital Expenditure - .023(a)(1)	52.3	78.4	66.9	114.9	160.7	83.4	556.7
Capital Expenditure Exploration - .023(a)(2)	15.9	13.3	42.6	34.7	4.6	0.4	111.5
Net Operating Loss .023(b)	38.1	85.5	153.8	140.4	188.6	8.3	677.7
Well Lease Expenditure - .023(l)					9.4	23.8	33.2
Exploration -.025	93.2	85.5	56.6	99.5	2.4	2.5	339.7
Total	199.6	325.7	320.0	389.5	365.7	118.4	1,718.9

* through December 2011

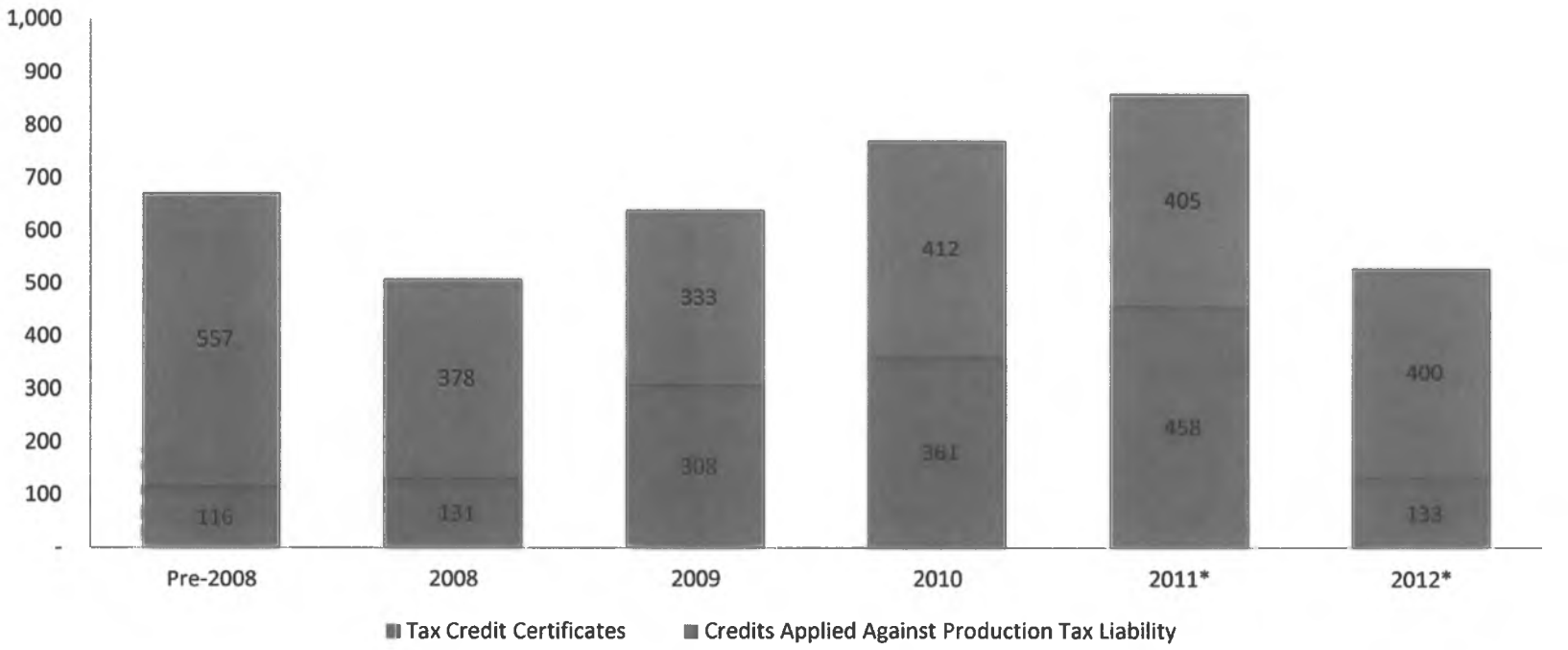
Transferable Tax Credit Certificate Activity by Fiscal Year ($M)

	Pre-2008	2008	2009	2010	2011	2012*	Total
Issued	116.0	130.8	308.0	361.3	458.0	132.9	1,507.1
Refunded	(54.6)	(54.1)	(193.1)	(250.5)	(450.2)	(273.5)	(1276.1)
Transferred/ Applied to Taxes	(52.3)	(62.7)	(46.6)	(20.0)	(7.4)	0	(189.0)
Activity by year	9.1	14.0	68.3	90.8	.3	(140.5)	
Transferable Tax Credit Certificates Outstanding	13.0	13.1	91.5	182.3	182.6	42.0	42.0

* through December 2011

Production Tax Credits

By Fiscal year



* Estimates pending final true-ups

Production Tax Credits

Total Production Tax Credit Impact through FY 2012
($M)

	Pre-2008	2008	2009	2010	2011*	2012*	Total
Tax Credit Certificates	116	131	308	361	458	133	1,507
Credits Applied Against Production Tax Liability	557	378	333	412	405	400	2,485
Total by Year	673	509	641	773	863	533	3,992

*Estimated pending final true-ups

1/27/12 PRESENTATION: BRYAN BUTCHER, COMMISSIONER, DEPARTMENT OF REVENUE

<TARGET><BILL></BILL><SUBJECT>1-27-12 PRESENTATION BRYAN BUTCHER, COMMISSIONER, DEPARTMENT OF REVENUE</SUBJECT><COMM>SRES27</COMM></TARGET>

Presentation to the Senate Resources Committee January 27, 2012 Alaska Department of Revenue

Presentation Requested on the Following Items

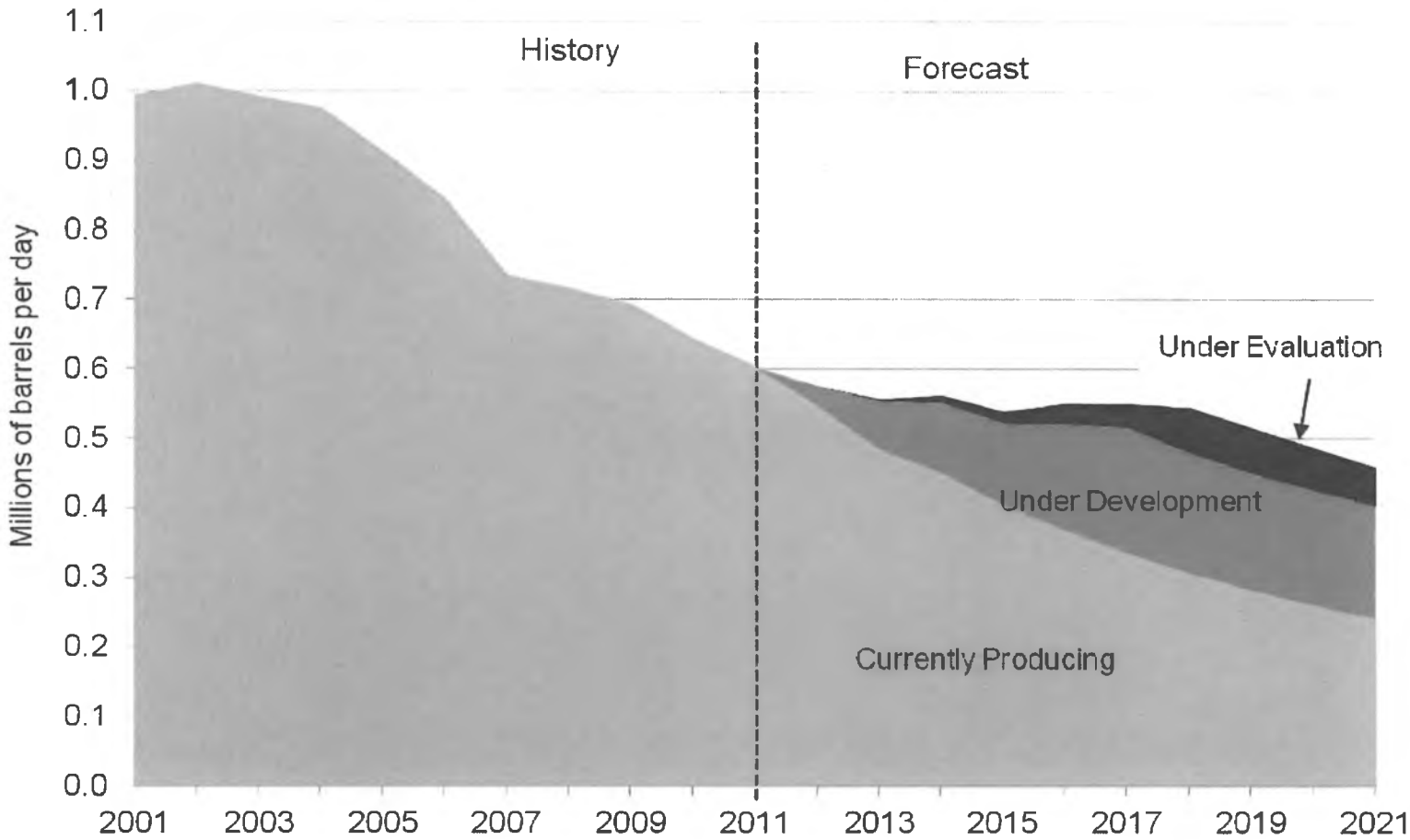
- **Fall 2011 Forecast**
- **Tax Credits**
- **Tax Revenue Management System**
- **Production Tax Audits**
- **Staffing Levels for Audits**
- **Data Assessment Project**
- **Regulations**

Fall 2011
Oil Production
Forecast

Factors That Affect Production Forecasting

1. **GEOLOGY**
   - Rock type and formation characteristics
   - Depth, thickness, pressure
   - Oil & gas characteristics (oil gravity, viscosity, water content, etc.)
2. **DEVELOPMENT PLAN**
   - Well density and development rate
   - Well bore size and completion technique
   - Artificial lift and enhanced oil recovery
   - Facilities & surface operations
3. **COMMERCIAL**
   - Project economics
   - Oil price and market conditions
   - Government Policy: access, regulation, taxation
4. **PRODUCTION PROFILE**
   - History, stage of depletion
   - Use production profile to extrapolate trends
5. **TIMING!**

ANS Production, FY 2001-2011 and Forecast FY 2012 - 2021



Source: Fall 2011 Revenue Sources Book

ANS Production Forecast and Decline Rates, FY 2012 - 2021

Fiscal Year	Currently Producing	% Change from Prior Year	Under Development	Under Evaluation	Total ANS	% Change from Prior Year
2011	0.603	(6.3%)	0.000	0.000	0.603	(6.3%)
2012	0.548	(9.1%)	0.026	0.001	0.574	(4.7%)
2013	0.485	(11.6%)	0.069	0.001	0.555	(3.3%)
2014	0.451	(6.9%)	0.099	0.010	0.561	1.0%
2015	0.406	(10.0%)	0.115	0.017	0.538	(4.1%)
2016	0.369	(9.1%)	0.151	0.029	0.550	2.1%
2017	0.336	(9.1%)	0.179	0.034	0.549	(0.1%)
2018	0.307	(8.5%)	0.171	0.066	0.544	(0.9%)
2019	0.282	(8.1%)	0.166	0.066	0.515	(5.4%)
2020	0.262	(7.4%)	0.164	0.061	0.486	(5.6%)
2021	0.241	(7.7%)	0.161	0.056	0.458	(5.8%)

Source: Fall 2011 Revenue Sources Book

What if Oil Production went to 300,000 b/d in FY13?

If Production was 300,000 barrels per day* …

Projected GF Unrestricted Revenue would be:	$3,900,000,000
Projected FY13 budget is:	$6,430,000,000
Budget to Revenue Shortfall would be:	$2,530,000,000

This magnitude of shortfall could be made up by:

- Every Alaska resident paying the state $3,500
- Or a statewide sales tax of up to 38%
- Or a statewide flat income tax of up to 14%

*Assumptions used in this analysis:
Fall 2011 oil price forecast assumption of $109.47 for FY13
Tariff assumed to be $10 per barrel
Marine costs assumed to be $4 per barrel
Lease expenditures assumed to be 75% of forecast FY13 expenditures
Credits assumed to be 75% of forecast credits taken against tax liability
Corporate income tax assumed to be 75% of forecasted CIT
Sales tax of approximately 15% would raise approximately $1 billion
Income tax of 5.6% of federal adjusted gross income would raise approximately $1 billion

Production Forecast – Improvements in Methodology

- Created standardized reporting forms for production forecasting information.
- Petroleum Engineer and Petroleum Economists compiled the forecast information from electronic reports rather than interpreting data provided by operators in various formats.
- Compliance and standardization improved with regard to reported downtime.
- Production forecasting requires consideration of each project's geology, development plans, production profiles, decline curves and timing.
- Department uses extensive well and field specific data acquired from producers, AOGCC, and DNR.
- New field development is very important in mitigating decline rates.
- Current engineering consultant is a member of the Society of Petroleum Evaluation Engineers (SPEE)
- Forecast included estimating decline curves for thousands of producing wells

Fall 2011
Oil Price and
Revenue Forecast

Fall 2011 DOR Oil Price Forecast

	Real $		Nominal $	
	WTI	ANS	WTI	ANS
FY 2011 (actual)	89.39	94.49	89.39	94.49
FY 2012 (projected)	88.71	106.66	90.92	109.33
FY 2013	91.97	104.20	96.62	109.47
FY 2014	92.75	101.29	99.88	109.08
FY 2015	93.50	98.52	103.21	108.75
FY 2016	93.60	95.27	105.90	107.79

*Note: FY 2012 forecast includes one quarter of actual prices.

Forecast is made in terms of Real WTI , then adjusted using 2.5% inflation rate and a forecast differential to ANS.

Source: Fall 2011 Revenue Sources Book

FY 12 & FY 13 General Fund Unrestricted Revenue Forecast

Revenue Type	FY 12 ($M)	% Total	FY 13 ($ M)	% Total
Royalty - Net PF / SF	$ 2,085.2	23.4%	$ 1,962.0	23.9%
Production Tax	$ 5,376.4	60.2%	$ 4,715.8	57.4%
Corp Income Tax	$ 662.1	7.4%	$ 728.4	8.9%
Property Tax	$ 91.7	1.0%	$ 89.7	1.1%
Subtotal Oil Revenue	$ 8,215.3	92.0%	$ 7,496.0	91.2%
Non-Oil Revenue	$ 712.6	8.0%	$ 721.7	8.8%
Total Revenue	$ 8,927.9	100.0%	$ 8,217.7	100.0%

Source: Fall 2011 Revenue Sources Book

Production Tax Credits Update

Credits Applied Against Production Tax Liability, by Fiscal Year ($M)

	Pre-2008	2008	2009	2010	2011*	2012*	Total
Capital Expenditure Credit	292	219	278	342	345	360	1,837
TIE Credits	171	73	0	0	0	0	244
Small Producer Credits	46	31	27	27	41	35	208
Exploration Credits	48	55	28	42	19	5	196
Totals	557	378	333	412	405	400	2,485

*estimated pending final true-up

Transferable Tax Credits Certificates Claimed by Fiscal Year ($M)

Credit Type	Pre-2008	2008	2009	2010	2011	2012*	Total
Capital Expenditure - .023(a)(1)	52.3	78.4	66.9	114.9	160.7	83.4	556.7
Capital Expenditure Exploration - .023(a)(2)	15.9	13.3	42.6	34.7	4.6	0.4	111.5
Net Operating Loss .023(b)	38.1	85.5	153.8	140.4	188.6	8.3	677.7
Well Lease Expenditure - .023(l)					9.4	23.8	33.2
Exploration -.025	93.2	85.5	56.6	99.5	2.4	2.5	339.7
Total	199.6	325.7	320.0	389.5	365.7	118.4	1,718.9

* through December 2011

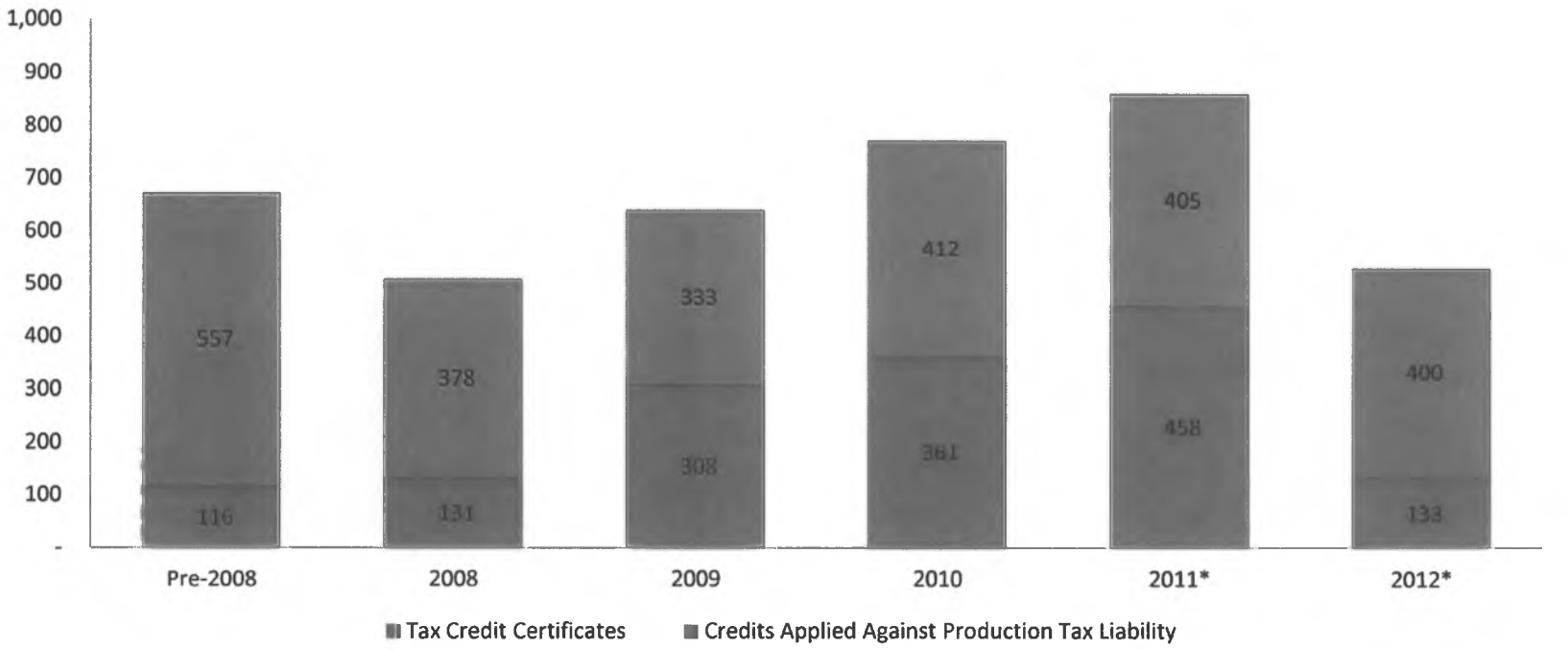
Transferable Tax Credit Certificate Activity by Fiscal Year ($M)

	Pre-2008	2008	2009	2010	2011	2012*	Total
Issued	116.0	130.8	308.0	361.3	458.0	132.9	1,507.1
Refunded	(54.6)	(54.1)	(193.1)	(250.5)	(450.2)	(273.5)	(1276.1)
Transferred/ Applied to Taxes	(52.3)	(62.7)	(46.6)	(20.0)	(7.4)	0	(189.0)
Activity by year	9.1	14.0	68.3	90.8	.3	(140.5)	
Transferable Tax Credit Certificates Outstanding	13.0	13.1	91.5	182.3	182.6	42.0	42.0

* through December 2011

Production Tax Credits

By Fiscal year



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Production Tax Credits

Total Production Tax Credit Impact through FY 2012
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2/01/12 PRESENTATION: STATE TAX POLICY AND OIL PRODUCTION BY SHELBY GERKING

<TARGET><BILL></BILL><SUBJECT>2-01-12 PRESENTATION STATE TAX POLICY AND OIL PRODUCTION BY SHELBY GERKING</SUBJECT><COMM>SRES27</COMM></TARGET>

Senate Resources Committee
February 1, 2012

Today, the Senate Resources Committee welcomes Dr. Shelby Gerking to present research that appears in Chapter 9 of this book, *U.S. Energy Tax Policy*. The chapter, co-authored by Dr. Gerking, is titled "State Tax Policy and Oil Production: The Role of the Severance Tax and Credits for Drilling Expenses."

The book was just published in 2011.

I have read two other research papers authored or co-authored by Dr. Gerking:

- "Effective Tax Rates on Oil and Gas Production: A Ten State Comparison (dated 2005)"

- "State Taxation, Exploration, and Production in the U.S. Oil Industry (dated 2001)"

As Dr. Gerking notes in his research, "Alaska has increased the severance tax on the value of its oil production and attempted to stimulate future production by allowing a credit against this tax for expenditures on capital items, including drilling rigs, infrastructure, exploration, and facility expansion."

While Alaska has not been the sole focus of Dr. Gerking's research, he has tracked the changes in our tax policy over the past decade. His research on state tax policy and oil production is, obviously, relevant to important issues before this committee and, indeed, the State of Alaska.

I am pleased that he is joining us, via teleconference, from The Sunshine State. Welcome, Dr. Gerking. Thank you for participating in this important legislative hearing.

[Gerking response]

For starters, please identify yourself for the record and tell the Committee about your educational background, professional work experience and, especially, your research and experience regarding state tax policy and oil production.

[Gerking response]

I understand that you have testified extensively before State legislatures. Can you please tell the Committee more about those experiences and the sort of information that you have provided other State Legislatures.

[Gerking response]

Thank you. Please proceed with your presentation.

V I T A
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Arizona State University, Assistant Professor, Department of Economics, 1974 – 1978

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Books:

Estimation of Stochastic Input-Output Models: Some Statistical Problems. Leiden, The Netherlands: Martinus Nijhoff Social Sciences Division, 1976.

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"Decentralization and Environmental Decision-Making," in Decentralization and Land Policies (eds.) Gregory K. Ingram and Yu-Hung Hong, Boston, MA, Lincoln Institute of Land Policy (2008).

"What Explains the Increased Utilization of Powder River Basin Coal in Electric Power Generation?" American Journal of Agricultural Economics, XC, No. 4 (November 2008), 933-950. (with Stephen F. Hamilton).

"Family Behavior: Implications for Health Benefits Transfer from Adults to Children," Environmental and Resource Economics, LXIII, No. 1 (May 2009), 31-43 (with Mark Dickie) (Special issue on household behavior and environmental policy).

"SO_2 Policy and Input Substitution under Spatial Monopoly," Resource and Energy Economics, XXXII, No. 3, (August 2010), 327-340. (with Stephen F. Hamilton).

"State Tax Policy and Oil Production: The Role of the Severance Tax and Credits for Drilling Expenses," in U. S. Energy Tax Policy (ed.) Gilbert Metcalf, Cambridge: Cambridge University Press, 2011 (with Ujjayant Chakravorty and Andrew Leach).

"Perceptions of Health Risk and the Smoking Decisions of Young People," Health Economics, forthcoming (with Raman Khaddaria).

"Andy Isserman and the Early Years of the *International Regional Science Review*," International Regional Science Review, forthcoming.

Grants:

"Development of Procedures for Predicting Water Quality Responses to Land Use Measures in the Salt River Basin," Granting Agency: Eisenhower Consortium. Contract Period: September 1, 1976 to August 31, 1978 (Co-Principal Investigator).

"Demand for Second Homes in the Salt River Basin," Granting Agency: Eisenhower Consortium. Contract Period: December 1, 1976 to November 30, 1978 (Principal Investigator).

"Methods Development for Estimation of Benefits of Environmental Improvements," Granting Agency: Environmental Protection Agency. Contract Period: October 29, 1976 to October 28, 1979 (Investigator).

"Methods Development for Estimating Benefits of Environmental Improvements," Granting Agency: Environmental Protection Agency. Contract Period: May 9, 1980 to October 28, 1980 (Investigator).

"Assessing Revenue Adequacy and Capital Facility Needs of Wyoming Local Governments," Granting Agency: Wyoming Department of Economic Planning and

Development. Contract Period: September 30, 1980 to January 15, 1981 (Principal Investigator).

"An Emergency Energy Conservation Plan for Wyoming," Granting Agency: Wyoming Department of Economic Planning and Development. Contract Period: January 16, 1981 to February 28, 1982 (Principal Investigator).

"The Economic Impact of Grand Teton National Park on Teton County, Wyoming," Granting Agency: National Park Service Research Center, University of Wyoming. Contract Period: May 1, 1981 to April 30, 1982 (Principal Investigator).

"Methods Development in Measuring Benefits of Environmental Improvements," Granting Agency: Environmental Protection Agency. Contract Period: June 9, 1981 to June 8, 1983 (Project Director).

"Development of Research Plan for Consortium on Energy Impacts," Granting Agency: Exxon, USA, Mobile Corporation, Gas Research Institute, Amoco Minerals, Inc., Getty Oil Corporation, Gulf Oil Corporation. Contract Period: February, 1982 to December, 1982 (Vice-Chairman, Research Program Committee).

"Recomputing County Specific Assessment Ratios for Certain Types of Property in Wyoming," Granting Agency: Wyoming State Legislature. Contract Period: May 1, 1983 to October 31, 1983 (Principal Investigator).

"Experimental Methods for Assessing Environmental Benefits," Granting Agency: U.S. Environmental Protection Agency. Contract Period: September 1, 1983 to September 30, 1984 (Project Director).

"Improving Accuracy and Reducing Costs of Environmental Benefit Assessments," Granting Agency: U.S. Environmental Protection Agency (via subcontract from University of Colorado). Contract Period: October 1, 1984 to August 30, 1987 (Principal Investigator).

"Potential Intrastate Air Travel for Wyoming State Employees," Granting Agency: Office of the Governor of Wyoming. Contract Period: September 15, 1985 to January 31, 1986 (Principal Investigator).

"Cooperative Industry/University of Wyoming Research Program," Granting Agency: National Science Foundation (University/Industry Cooperative Research Centers Program). Contract Period: October 1, 1986 - September 30, 1991 (R. E. Ewing, Project Director, S. Gerking, Evaluator).

"Economic Development and Diversification Strategies for Wyoming," Granting Agency: Wyoming Legislature and the University of Wyoming. Contract Period: July 2, 1986 to June 30, 1987 (Principal Investigator).

"Improving Environmental Benefit Assessments: Application Studies and Methods Development," Granting Agency: U.S. Environmental Protection Agency. Contract Period: October 1, 1987 to September 30, 1988 (Principal Investigator).

"Enhancement and Coordination of Energy Research: A Plan for Wyoming," Granting Agency: U.S. Department of Energy. Contract Period: October 1, 1991 - September 30, 1992 (Investigator).

"Environmental Research and Development Plan for Wyoming," Granting Agency: U.S. Environmental Protection Agency. Contract Period: October 1, 1991 - May 31, 1992 (Investigator).

"Knowledge Transfer to Stimulate Production of Wyoming Natural Gas," Granting Agency: National Science Foundation. Contract Period: July 15, 1994 - June 30, 1996 (Co-Principal Investigator).

"Public Costs and Benefits of Economic Development," Granting Agency: Wyoming Department of Commerce. Contract Period: April 1996 - August 1996 (Principal Investigator).

"Economic Impacts of the Wyoming Travel Industry," Granting Agency: Wyoming Travel Commission. Contract Period: July 1, 1995 – June 30, 2001 (Principal Investigator).

"Analysis of External Cost Adjustment Factors for Wyoming K-12 Education Finance," Granting Agency: Wyoming Legislative Service Office. Contract Period: June 1, 1999 – July 31, 1999 (Principal Investigator).

"Mineral Tax Incentives and Mineral Production: An Interstate Analysis," Granting Agency: Wyoming Legislative Service Office. Contract Period: July 1, 1999 – June 30, 2004 (Principal Investigator).

"Environmental Risks to Children's Health: Parents' Risk Beliefs, Protective Behavior and Willingness to Pay," Granting Agency: USEPA. Contract Period: April 1, 2001—December 31, 2005 (Co-principal Investigator).

"Willingness to Pay to Reduce Asthma Episodes for Adults and Children," Granting Agency: USEPA. Contract Period: October 1, 2002-September 30, 2007 (Co-Principal Investigator).

"A Consistent Framework for Valuing Latent Morbidity and Mortality Risks to Adults and Children," Granting Agency: USEPA. Contract period: November 1, 2004-October 31, 2008 (Co-Principal Investigator).

"Morbidity Valuation, Benefit Transfer and Family Behavior," Granting Agency: USEPA. Contract period: April 1, 2007-March 31, 2011 (Co-Principal Investigator).

"Fischer-Tropsch Synthesis, Combustion/Emission Characteristics and Economic Impact of Synthetic Jet Fuels," Granting Agency: NASA. Contract Period: January 1, 2007-June 30, 2008 (Co-Principal Investigator).

Other Papers and Documents:

Some Statistical Problems in Estimating Stochastic Input-Output Models, unpublished Ph.D. dissertation, Indiana University, 1975.

"Linear Programming and the Value of Resources," Arizona Business, XXII (July, 1975), pp. 17-24. (With others).

Environmental Baseline Studies for Crow-Indian Coal Leases Socio-Economic Report. Prepared for Westmoreland Resources under the direction of Mountain West Research, Inc., 1975. (With others)

Arizona's Economy Yesterday, Today and Tomorrow. Tempe, Arizona: Bureau of Business and Economic Research, 1976. (With others).

"Development of Procedures for Predicting Water Quality Responses to Land Use Measures in the Salt River Basin," Eisenhower Consortium Report, Rocky Mountain Forest and Range Experiment Station, Ft. Collins, Colorado, 1976. (With others).

"The Demand for Second Homes in Northeastern Arizona," Eisenhower Consortium Report, Rocky Mountain Forest and Range Experiment Station, Ft. Collins, Colorado, 1977. (With others).

"Some Economics of Air Pollution-Induced Chronic Illness," Experiments in Air Pollution Epidemiology, Washington, D.C., USEPA, 1980.

"Effects of Air Pollution and Environmental Variables on Offered Wages," Experiments in Air Pollution Epidemiology, Washington, D.C., USEPA, 1981.

"Assessing Revenue and Capital Facility Needs in Wyoming Local Governments," University of Wyoming: Institute for Policy Research, 1981. (With A. Bryson, S. Nyhus, and J. Merrifield).

"Emergency Energy Conservation Act Management Plan for Wyoming," University of Wyoming, Laramie: Institute for Policy Research, 1981. (With A. Bryson, S. Nyhus, and J. Merrifield).

"Incidence of a Mineral Severance Tax: The Case of Kansas," University of Wyoming, Laramie: Institute for Policy Research, February, 1981. (With J. Mutti and W. Morgan).

"Exportation of State Taxes: A Comparative Analysis." University of Wyoming, Laramie: Institute for Policy Research, February, 1982. (With J. Mutti and W. Morgan).

"Analysis of the Long-Term Impacts and Benefits of Grand Teton National Park on the Economy of Teton County, Wyoming." University of Wyoming, Laramie: National Park Service Research Center, May, 1982. (With J. Merrifield).

"Proposed Plan for a Research Program on the Impacts of Intermountain Energy Development," Consortium on Energy Impacts, October, 1982. (With Others).

"An Economic Analysis of Air Pollution and Health: The Case of St. Louis," Volume VI of Methods Development in Measuring Benefits of Environmental Improvements, U.S. Environmental Protection Agency, Final Report, Cooperative Agreement #CR808893-01-0, July, 1983. (With L. R. Stanley and W. N. Weirick).

"Analyzing Property Tax Assessments in Wyoming: An Assessed Value/Sales Price Ratio Study," Institute for Policy Research, University of Wyoming, Laramie, October, 1983. (With G. Arnott and M. Schilling).

"Wyoming's Near Term Economic Outlook: Modest Growth for the 1980's," Institute for Policy Research, University of Wyoming, Laramie, Wyoming, 1983. (With S. T. Mast and S. E. Atkinson).

"Laboratory Experimental Economics as a Tool for Measuring Public Policy Values," Volume II of Experimental Methods for Assessing Environmental Benefits, U.S. Environmental Protection Agency, Final Report, Cooperative Agreement #CR-811077-01-0, September, 1984. (With others).

"Valuing Safety: Two Approaches," Volume IV of Experimental Methods for Assessing Environmental Benefits, U.S. Environmental Protection Agency, Final Report, Cooperative Agreement #CR-811077-01-0, September, 1984. (With others).

"Estimating Benefits of Reducing Community Low-Level Ozone Exposure: A Feasibility Study," Volume III of Experimental Methods for Assessing Environmental Benefits, U.S. Environmental Protection Agency, Final Report, Cooperative Agreement #CR-811077-01-0, September, 1984. (With others).

"Estimating Benefits of Reducing Community Low-Level Ozone Exposure," Volume III of Improving Accuracy and Reducing Costs of Environmental Benefit Assessments,

U.S. Environmental Protection Agency, Final Report, Cooperative Agreement #CR812054-01-1, September, 1985. (With others).

The Accuracy of Marginal Value of Safety Measures: Evidence from a National Sample of American Workers," Volume VI of Improving Accuracy and Reducing Costs of Environmental Benefit Assessments, U.S. Environmental Protection Agency, Final Report, Cooperative Agreement #CR812054-01-1, September, 1985. (With others).

"Forecasting Oil and Gas Employment and Electricity Use in Wyoming," Enhanced Oil Recovery Institute, University of Wyoming, Laramie, Wyoming, October, 1985. (With R. E. Ewing).

"Production and Taxation in Wyoming's Energy Industry: The Case of Crude Oil, Natural Gas, and Carbon Dioxide," Enhanced Oil Recovery Institute, University of Wyoming, Laramie, Wyoming, January, 1986. (With R. E. Ewing).

"Potential for Commercial Air Travel by Wyoming State Employees," Institute for Policy Research, University of Wyoming, Laramie, January, 1986. (With A. Weber).

"Value of Symptoms of Ozone Exposure: An Application of the Averting Behavior Method," in Improving Accuracy and Reducing Costs of Environmental Benefit Assessments, U.S. Environmental Protection Agency, Final Report, Cooperative Agreement #CR812054-01-2, September, 1986. (With others).

"Reconciling Averting Behavior and Contingent Valuation Benefit Estimates of Reducing Symptoms of Ozone Exposure," in Improving Accuracy and Reducing Costs of Environmental Benefit Assessments, U.S. Environmental Protection Agency, Cooperative Agreement #CR812054-01-2, February, 1987. (With others).

"Economic Development and Diversification Strategies for Wyoming," Institute for Policy Research, University of Wyoming, Laramie, Wyoming, July, 1987. (With S. K. Yost).

"Valuing Morbidity: An Overview and State of the Art Assessment," in Improving Accuracy and Reducing Costs of Environmental Benefit Assessments, U.S. Environmental Protection Agency, Cooperative Agreement #CR812054-01-2, December, 1987. (With others).

"Historical Profile of the University of Wyoming Enhanced Oil Recovery Institute," National Science Foundation, University/Industry Cooperative Research Program, January, 1988.

"Stratospheric Ozone Depletion, Skin Damage Risks, and Protective Action," in Improving Environmental Benefit Assessments, U.S. Environmental Protection

Agency, Cooperative Agreement #CR-814647-01-0, October, 1989. (With M. Dickie and M. Agee).

"Report on State-Federal Technology Partnership Colloquium," in Science and Technology Linkage (Proceedings of the Ninth Annual EPSCoR Conference), Rapid City, South Dakota, University of South Dakota, 1994.

"Wyoming's Economy: An Historical Perspective and Forecast," Department of Economics, University of Wyoming, February 1994.

"The Future of Minerals in Wyoming: Revenue Analysis," Institute for Energy Research, University of Wyoming, November 1995.

"Income, Revenue from Personal Taxes, and Public Service Costs," Department of Economics and Finance, University of Wyoming, May 1996.

"Wyoming's Economy, Tax Structure, and Prospects for Economic Growth," Department of Economics and Finance, University of Wyoming, June 1996.

"Economic Impact of the Yellowstone National Park Closure on Teton and Park Counties," Department of Economics and Finance, University of Wyoming, June 1996.

"The Economic Contribution of the Travel Industry in Wyoming," Morey and Associates, Jackson, Wyoming, April 1997. (With Michael Morey).

"Productivity," World Book Encyclopedia, 1998.

"Review of Industrial Incentives: Competition Among American States and Cities, by Peter S. Fisher and Alan H. Peters. 1998. Kalamazoo, Michigan: Upjohn," Journal of Regional Science, XXXIX, No. 2 (May 1999), 411-413.

"Analysis of External Cost Adjustment Factors in Wyoming K-12 Education Finance," University of Wyoming, July 1999.

"Mineral Tax Incentives, Mineral Production and the Wyoming Economy," Department of Economics and Finance, University of Wyoming, December 1, 2000.

'Income, Revenue from Personal Taxes, and Public Service Costs in Orange County, Florida," Institute for Economic Competitiveness, University of Central Florida, September 30, 2004.

"Taxation of Oil and Gas: A Ten State Comparison," University of Central Florida, April 11, 2005.

"A Consistent Framwework for Valuing Latent Morbidity and Mortality Risks to Adults and Children," United States Environmental Protection Agency, RD-83159201-0, July 9, 2009 (with Mark Dickie).

"Morbidity Valuation, Benefit Transfer and Family Behavior," United States Environmental Protection Agency, RD-83326301-0, July 31, 2011.

Professional Service:

Editorships:

Associate Editor, Journal of Regional Science, 1996 - present.

Guest Editor (with Stephen C. Sheppard and Andrew M. Isserman) symposium issue in honor of Roger Bolton, International Regional Science Review, July, 2009.

Editorial Board member, International Review of Environmental and Resource Economics, 2006-present.

Editorial Board member, Letters in Spatial and Resource Economics, 2006-2010.

Guest Editor (with G.W. Harrison and J.A. List) for symposium issue on risk perception, valuation, and policy, Environmental and Resource Economics XXXIII, No.3, March 2006.

Editorial Board member, International Yearbook in Environmental Economics, 1995-2005.

Editorial Board member, International Regional Science Review, 1986 - present.

Editorial Council member, Journal of Environmental Economics and Management, 1989 - 1991.

Editorial Board member, Growth and Change, 1988 - 1993.

Co-Editor, International Regional Science Review, 1979 - 1986.

Guest Editor for a symposium issue in honor of William H. Miernyk, Socioeconomic Planning Sciences, XVIII, No. 5, (1984).

Advisory Editor, Wyoming Quarterly Update, 1981 - 1984.

Government Service (federal/international):

Greek Ministry of Education, External reviewer for the Archimedes III research program (2010-present)

European Commission, European Research Council, Advanced Grants Panel, 2008-2013.

U.S. Environmental Protection Agency, Science Advisory Board Council on Clean Air Compliance Analysis, 2006-2012.

U.S. Environmental Protection Agency, STAR and GRO Fellowships "Economics" Review Panel, 2005-2007.

Special Reviewer, Social Sciences and Population Study Committee, National Institute of Child Health and Human Development, June, 1983.

Visiting Staff Member, Los Alamos Scientific Laboratory, 1981 - 82.

Member, Special Study Committee on International Migration, National Institute of Child Health and Human Development, March, 1980.

Judge, Ph.D. Dissertation Competition, sponsored jointly by Regional Science Association and Economic Development Administration, Fall, 1979.

Government Appointments (Wyoming):

Tax Reform 2000 Committee, 1997-1999.

Experimental Program to Stimulate Competitive Research (EPSCoR) Steering Committee, 1985-1995.

Economic Development and Stabilization Board, 1988-1993.

Science, Technology and Energy Authority, 1989-1993 (Executive Director).

Science Advisor, Governor's Office, 1993-1994.

Member, Peacekeeper Modeling Task Force, University of Wyoming representative, April, 1983 - September, 1984.

Other Service:

Co-Chair, Local Arrangements Committee for Miami meeting, North American Regional Science Council, November 2011

Member, Program Committee, Annual Meetings of the European Association of Environmental and Resource Economists, 2007, 2009, 2011, 2012

Member, Program Committee, Annual Meetings of the Association of Environmental and Resource Economists, 2011, 2012

Member Program Committee, World Congress of Environmental Economists, 2010

Councillor, Regional Science Association, International, 1986 – 1988

Proposal Reviewer for:

Rockefeller Foundation (Research Program on U.S. Immigration Policy)
National Science Foundation (Economics and Geography and Regional Science)
Environmental Protection Agency (Health Effects of Air Pollution)
Public Policy Institute of California (policy issues facing California)
Economic and Social Research Council, United Kingdom

Referee for:

Economic Journal
International Economic Review
Review of Economics and Statistics
Southern Economic Journal
Journal of Environmental Economics and Management
American Journal of Agricultural Economics
Ricerche Economiche
Journal of Regional Science
Regional Science and Urban Economics
Papers, Regional Science Association
Environmental and Planning, A
Growth and Change
International Regional Science Review
Social Science Journal
Social Science Quarterly
Defense Economics
Journal of Risk and Uncertainty
Review of International Economics
Environment and Development Economics
Journal of Geographical Systems
Urban Studies
Resource and Energy Economics

Ecological Economics
Environmental and Resource Economics
Journal of Political Economy
Rand Journal of Economics
Experimental Economics
Contemporary Economic Policy
Land Economics

Doctoral Students:

Raman Khaddaria, Department of Economics, University of Central Florida (Ph.D. granted August 2011)

Anne Alexander, Department of Economics, University of Wyoming (Ph.D. granted May 2001)

John A. List, Department of Economics, University of Chicago (Ph.D. granted August 1996)

Mark T. Dickie, Department of Economics, University of Central Florida (Ph.D. granted May 1987)

John Merrifield, Department of Economics, University of Texas, San Antonio (Ph.D. granted December 1984)

William N. Weirick, Department of Economics, Louisiana State University, Monroe, Louisiana (Ph.D. granted December 1984)

Dennis O. Olson, Department of Finance, University of Northern British Columbia, Prince George, British Columbia (Ph.D. granted July 1982)

Fellowships, Honors, and Awards:

Visiting Grant, Netherlands Organization for Scientific Research (NWO), 1999-2000.

Flittie Sabbatical Award, University of Wyoming, 1999-2000.

Top Professor, awarded by UW Chapter of Mortar Board, 1994.

Certificate of Appreciation, awarded by Wyoming Governor Sullivan, September 1993.

UW President's Speakers Series Lecture, 1991.

Medal of Achievement in Regional Economics, awarded by Council on Regional Economy, USSR Academy of Sciences, Moscow, 1990.

Grant-in-Aid of Research, Department of Economics, University of Wyoming, Summer 1978.

Grant-in-Aid of Research, Office of Grants and Contracts, Arizona State University, Summer 1976 and Summer 1977.

Henry M. Oliver Prize for Distinguished Achievement in Economics, awarded by the Department of Economics, Indiana University, 1975.

Finalist, Ph.D. Dissertation Competition, sponsored jointly by the Regional Science Association and the Economic Development Administration, Fall 1975.

Dissertation Fellowship in Applied Urban Economics, Indiana University, 1973 - 1974.

Grant-in-Aid of Research, Division of Research, Indiana University, 1973 - 1974.

Fellowship for Graduate Study in Business, University of Washington, 1968 - 1969.

Selected Presentations:

University of Illinois, Andrew Isserman Memorial Conference, November 2011

Tinbergen Institute, Labor and Environmental Economics Seminar, April 2011

Tilburg University, Tilburg Sustainability Center, October 2010

ETH Zurich, Seminar in Energy, Environmental and Resource Economics, May 2010

American Tax Policy Institute, October 2009

Canadian Resource and Environmental Economics Study Group, October 2009.

Tilburg University, CentER, September 2008

University of Alberta, Department of Economics, September 2008

Georgia State University, Department of Economics, April 2008

Netherlands Environmental Assessment Agency, November 2007

Erasmus University Rotterdam, Tinbergen Institute, November 2006

University of Illinois, Department of Agricultural and Consumer Economics, September 2006

NBER Summer Institute, Environmental Economics Workshop, July 2006.

Conference on Valuing Environmental Health Risk Reduction to Children, USEPA National Centers for Environmental Research and Environmental Economics, April 2006.

University of Wyoming, Casper College Center, November 2004.

University of Maryland, Agricultural and Resource Economics Department, October 2004.

NBER Summer Institute, Environmental Economics Workshop, August 2004

University of Wyoming, Stroock Forum on Wyoming Lands and People, April 2004.

Free University of Amsterdam, Department of Spatial Economics, February, 2004.

Conference on Valuing Environmental Health Risk Reduction to Children, USEPA National Centers for Environmental Research and Environmental Economics, October, 2003.

University of Durham, Department of Economics, September 2003.

International Conference on Environmental Risk Assessment, Wageningen Agricultural University, June 2002.

University of South Florida, Department of Economics, Tampa, Florida, December 2001.

UCF/CentER International Conference on Environmental Economics and Policy, Orlando, Florida, December 2000.

University of Illinois, Departments of Natural Resources and Environmental Sciences and Agricultural and Consumer Economics, November 2000.

Colorado State University, Department of Economics, October 2000.

European Science Foundation Conference on International Dimensions of Environmental Policy, Kerkrade, the Netherlands, October 2000.

University of York, Department of Environment, York, United Kingdom, May 2000.

University of Groningen, Economics Faculty, Groningen, the Netherlands, May 1985 and February 2000.

University of Nevada, Las Vegas, Department of Economics, December 1999.

Netherlands Organization for Scientific Research, Conference on Environmental Policy and Industrial Location, Maastricht, the Netherlands, October 1999.

Tinbergen Institute, Amsterdam, the Netherlands, October 1999.

Tilburg Unversity, Center for Economic Research (CentER), Tilburg, the Netherlands, September 1999.

Indiana University, School of Public and Environmental Affairs, January 1997.

University of Central Florida, College of Business, March 1997, March 1999.

Western Economic Roundtable, Center for the New West, Denver, Colorado, February 1994, June 1996, and September 1998.

University of Kentucky, Department of Economics, Lexington, Kentucky, November 1995.

West Virginia University, Regional Research Institute, Morgantown, West Virginia, November 1995.

Wageningen Agricultural University, Department of General Economics, Wageningen, the Netherlands, September 1994.

Montana State University, Bozeman, Montana, Department of Agricultural Economics and Economics, May, 1993

University of Maine, Orono, Maine, Department of Economics, March 1991.

West Virginia University, Morgantown, West Virginia, Conference marking the 25th Anniversary of the Regional Research Institute, 1990.

US-USSR Commission on the Humanities and Social Sciences of the American Council of Learned Societies and the Soviet Academy of Sciences, Fourth Soviet-American Seminar on Regional Economics and Planning, Yalta, USSR, 1990.

USSR Academy of Sciences, Central Economics and Mathematics Institute, Moscow, 1990.

University of Florida, Gainesville, Florida, Department of Economics, 1990.

National Science Foundation, Fifth Annual Conference on the Experimental Program to Stimulate Competitive Research, Humacao, Puerto Rico, 1989.

Free University of Amsterdam, European Science Foundation Conference on Economic Analysis for Environmental Toxicology: Applications on Persistent Micro-Pollutants, Noordwijkerhout, the Netherlands, 1989.

Wageningen Agricultural University, Wageningen, the Netherlands, Department of General Economics, 1989.

University of Louisville, Louisville, Kentucky, Conference on Regional Modelling, 1989.

Federal Reserve Bank of Kansas City, Denver Branch, Denver, Colorado, 1989.

US-USSR Commission on the Humanities and Social Sciences of the American Council of Learned Societies and the Soviet Academy of Sciences, Third Soviet-American Seminar on Regional Economics and Planning, Alpine Lakes, West Virginia, 1988.

Arizona State University, Tempe, Arizona, Department of Economics, 1988.

University of Tennessee, Knoxville, Tennessee, A Symposium on Industry Location and Public Policy, 1988.

University of Tennessee, Knoxville, Tennessee, International Conference on Migration and Labor Market Efficiency, 1987.

Wageningen Agricultural University, Wageningen, The Netherlands, Conference on Environmental Policy in a Market Economy, 1987.

Free University of Amsterdam, Amsterdam, the Netherlands, Department of Economics, 1987.

U.S. Environmental Protection Agency, Washington, D.C., Office of Policy Analysis, joint seminar with Environmental Law Institute, 1987.

University of Kentucky, Lexington, Kentucky, Department of Economics, 1987.

West Virginia University, Morgantown, West Virginia, Department of Economics and Regional Research Institute, 1986.

U.S. Environmental Protection Agency, Washington, D.C., Office of Policy Analysis, joint seminar with Environmental Law Institute, 1986.

Urban Institute, Washington, D.C., Conference on Traffic Safety Policy, 1986.

American Association for the Advancement of Science, Los Angeles, California, 1985.

University of Vienna, Vienna, Austria, Department of Geography, 1985.

University of Economics, Vienna, Austria, Economics Staff Seminar, 1985.

University of Chicago, Chicago, Illinois, Resources Workshop, 1984.

University of Iowa, Iowa City, Iowa, Department of Geography, 1982.

University of Colorado, Boulder, Colorado, Department of Economics, 1982.

Consultant:

Westmoreland Resources
Western Governors' Policy Office
Mathtech
Kansas State Senate
Pacific Power and Light
Louisiana Board of Regents
Morey and Associates
Consulate-General of Japan
Center for the New West
Union Pacific Resources
HDR Engineering, Inc.
Utah Tax Commission
Fishkind and Associates
Lincoln Institute of Land Policy
Shook, Hardy & Bacon L.L.P.

Organizations:

American Economic Association
Regional Science Association, International
European Association of Environmental and Resource Economists
Association of Environmental and Resource Economists

January 11, 2012

Senate Resources Committee
Wednesday, February 1
Dr. Shelby Gerking: State Tax Policy and Oil Production

DRAFT DRAFT DRAFT DRAFT

Introduction:

1. Please tell the Committee about your educational background, professional work experience, and, especially, your research and experience regarding state tax policy and oil production.

2. I understand that you have testified extensively before State legislatures. Can you please tell the Committee more about those experiences and the sort of information that you have been asked to provide.

State Tax Policy and Oil Production:

1. On the first page of the chapter titled, State Tax Policy and Oil Production, you present some interesting questions to the reader. Can you please elaborate briefly on a few of these:

    a. "To what extent do state energy tax increases result in lower collections of federal tax revenues?" For the folks following this issue, does a decrease in state taxes increase federal tax revenues? What is the net gain/loss for the taxpayer?
    b. "Do state taxes tilt the time path of energy production to the present or future?" Why is the answer to this question important to policy makers? What are the pros and cons for Alaska?
    c. "How do upstream subsidies for exploration and development work together with downstream taxes on production to influence the levels and time paths of production and tax collections?" This sounds important. Please elaborate.
    d. "What are the implications of these taxes for the long-run sustainable use of nonrenewable natural resources?" What should we be thinking about here?

2. Key result (page 306): "Oil production is closely related to the size of the reserve base and is relatively insensitive to changes in oil prices. This outcome, which is broadly consistent with experience in the U.S. oil industry over the past 50 years, leads to the conclusion that the severance tax has little effect on production levels and serves mainly to redirect rents earned in the oil industry to the public sector. Thus, increases in severance tax rates or a reduction in the subsidies provided to the oil and gas industry may lead to rent taxation and therefore have only marginal effects on the the drilling and production of oil ..."

Help us better understand

a. As you can imagine, this is not the message we are hearing from the oil industry and their advocates. Can you help us understand this better?

3. The State of Alaska offers generous credits to the oil and gas industry and we have several bills currently before the legislature to expand tax credits. Please elaborate on the statement that, "a drilling expense credit may cost more than the incremental severance tax revenue obtained, although such credits may be worthwhile concessions if a state's objective is to generate greater support for increasing the severance tax rate."

4. You note that, "State and local tax burdens on oil producers are endlessly compared in state tax commission and legislative hearings as industry representatives make their case for more favorable tax treatment."

   a. This sounds familiar to the members of this committee and, indeed, all Alaskans. Can you please comment on the pros and cons of such comparisons?
   b. Besides the comparison of effective tax rates, what other economic indicators should be considered (e.g., IRR, ROI, etc.)? Which are most important to the investor?

5. You cited a study that found, "the response of production with respect to the tax change turns out to be highly inelastic (-0.06)." This is a very important concept for Alaskans to understand. Please explain.

6. Can you please help us understand Table 9.2 on page 322?

7. Can you please help us understand Figure 9.1 on page 323?

8. I am interested in a statement on page 330: "This outcome raises a question as to whether other public policy instruments, such as support for research to lower drilling costs or to increase finding rates, might spur drilling at a lower cost to the state." Please elaborate. Do you have examples from other states?

9. As a refresher to those of us who studied statistics many years ago, can you please give us a very brief review of "credibility" and "validity"? Respectfully, how can we be sure that this chapter, State Tax Policy and Oil Production, is relevant to Alaska?

Senate Resources Committee
Supplemental Questions
February 1, 2012

Effective Tax Rates on Oil and Gas Production: A Ten-State Comparison

Please talk about "property taxes on oil and gas reserves." Example.

"Taxes on reserves provide operators with strong incentives to accelerate production at times when oil and gas prices are rising, as they attempt to reduce the extent of their tax liability." If boosting throughput in the Trans Alaska Pipeline System (TAPS) is the highest priority of the State, might this be a "strong incentive" to boost throughput?

"The myriad of exemptions, incentives, different tax bases, special features and frequent changes in tax laws, at both the State and Federal government levels, create considerable complexity in understanding and tracking tax law over time." This does not seem to stop such state-to-state comparisons. Why?

Why do you say that, *"ranking states in terms of their total or cumulative tax burden on the oil and gas extraction industry is not particularly fruitful and may be misleading"?* Don't companies use the "cumulative tax burden" when deciding where to invest?

State Taxation, Exploration, and Production in the U.S. Oil Industry (2001)

What is meant by the *"optimal time path for exploration and production"?*

"The aim of exploration is to add to the reserve base, which is a form of geographically immobile capital." What is the significance of this concept?

In another paper of you co-authored in 2001 – State Taxation, Exploration, and Production in the U.S. Oil Industry – it was reported that, *"Analyzing taxes individually appears to overstate the effects on exploration and production by ignoring potential offsets and tax base interactions. These results suggest that taxes should not be analyzed independently without careful reference to the entire tax structure applied by all levels of government."* Please explain.

In the same 2001 study, you conclude that, *"General results of this study suggest that oil production is highly inelastic with respect to changes in production taxes. This inelastic response may provide incentives for state officials to substantially increase these taxes risking little in the way of reduced industry activity while gaining much needed tax revenue. State severance tax increases clearly reduce the net price faced by producers, but it is reserves, not net price, that drives production in this industry. Moreover, the effects of increased state severance taxes are partially offset by reduced tax collections by all other levels of government."* Please explain.

Senate Resources Committee

State Tax Policy and Oil Production

Dr. Shelby Gerking
University of Central Florida and Tilburg University

February 1, 2012

Introduction

- **Nominal (legislated) severance tax rates**
- **Effective tax rates**
  - **(dollars collected)/(value of production)**

Table 9.1. *Oil production (in Mbbl) and tax rates for selected U.S. states, 2007*

State	Production	Severance tax		Corporate income tax rate[o]
		Nominal rate	Effective rate	
Alaska	263,595	12.25–15%[a]	12%	1.0–9.4%
California	216,778	None	None	8.84%
Colorado	23,237	2–5%[b]	0.7%	4.63%
Kansas	36,490	4.33%[c]	3.0%[l]	4.0–7.35%
Louisiana	76,651	3.125–12.50%[d]	9.4%	4.0–8.0%
Montana	34,829	15.1%[e]	8.6%	6.75%
New Mexico	58,831	7.1%[f]	7.5%[m]	4.8–7.6%
North Dakota	45,058	5.0–11.5%[g]	–[n]	2.6–7.05%
Oklahoma	60,952	7.0%[h]	6.9%	6.0%
Texas	396,894	4.6%[i]	3.1%	1.0%[p]
Utah	19,520	3.0–5.0%[j]	2.4%	5.0%
Wyoming	54,130	4.0–6.0%[k]	5.3%	None

What is the effect of a change in the severance tax rate or a change in incentives to find new reserves?

- Oil Production
- Drilling Activity
- Severance Tax Collections

Simulation Model

- Based on Hotelling (1931) and Pindyck (1978)
- Profit maximization over time
  - Revenues earned by
    - Production from existing reserves
    - Exploration for new reserves
  - Costs
    - Drilling costs
    - Operating costs

Simulation Model (cont.)

- Key features
  - Compares costs to the amount produced
  - Accounts for interaction between state and federal tax collections
- Uses U.S. data on production, costs, proven reserves, federal and state corporate tax rates, etc. and discount rate of 4%
  - Not a model of a particular state
  - Not a model of Alaska

Four Scenarios

- Severance Tax Rate = 0% (Model A)
- Severance Tax Rate = 12% (Model B)
- Severance Tax Rate = 25% (Model C)
- Severance Tax Rate = 25% with credit of 22% of drilling costs against severance tax liabilities (Model D)

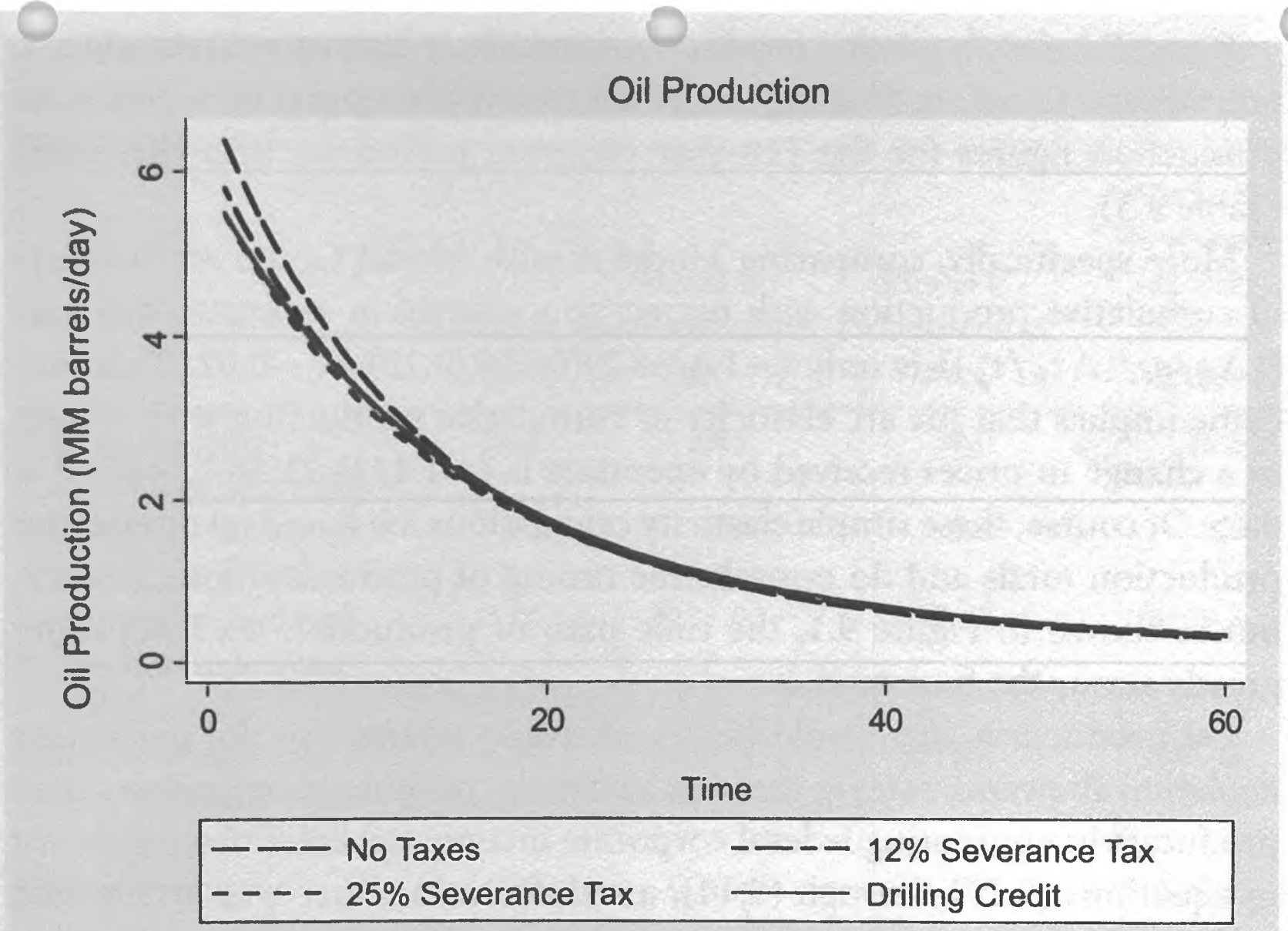
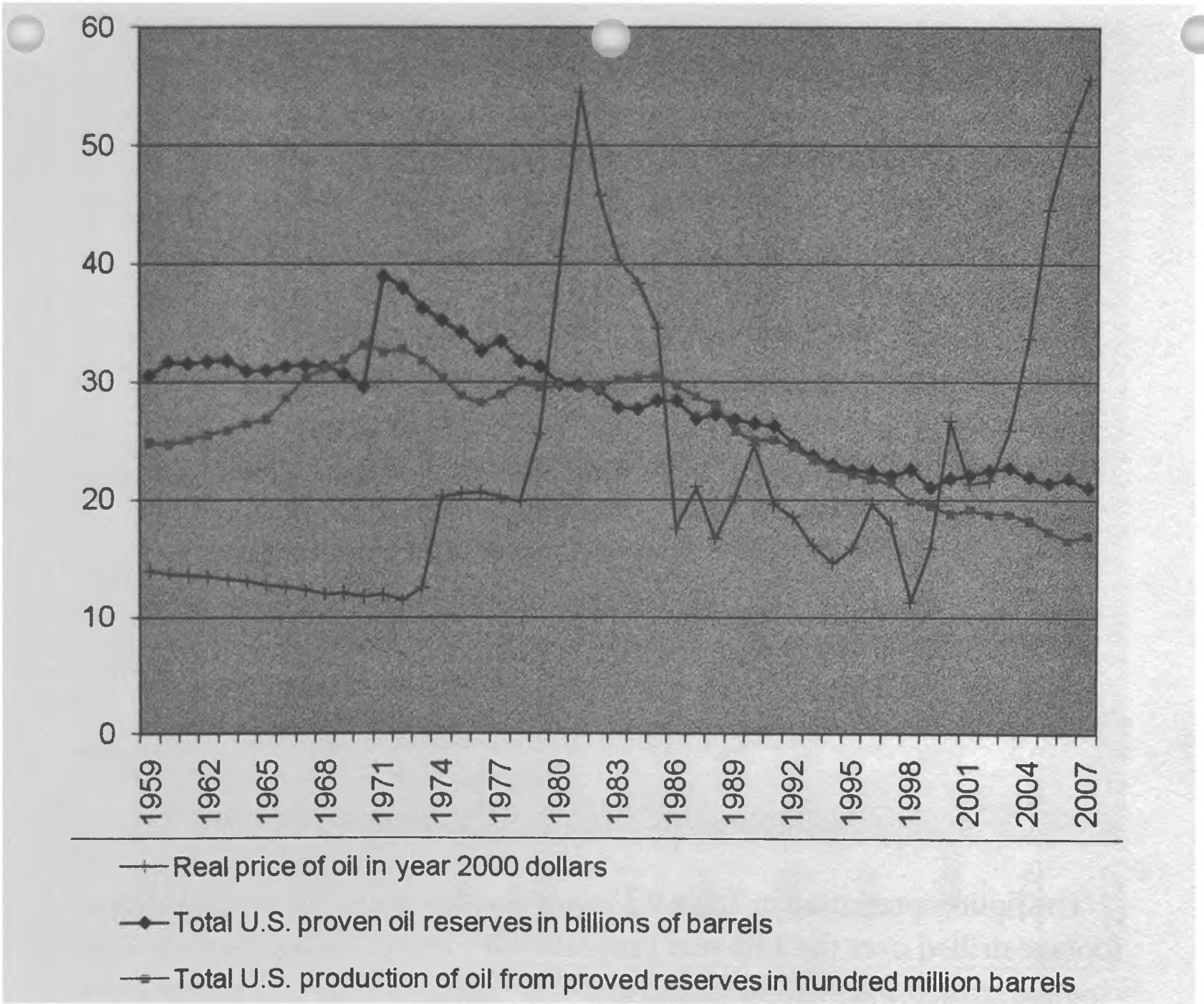


Figure 9.1. Oil production is quite insensitive to the tax structure in the U.S. case.



State Tax Policy and Oil Production

TABLE 9.3.

TOTAL DRILLING, PRODUCTION, TAX COLLECTIONS, PROFITS, AND RESERVES FOR FOUR MODELS OVER THE 110-YEAR PROGRAM

	Model A no taxes	Model B 12% severance tax	Model C 25% severance tax	Model D 25% severance tax with drilling subsidy
Total production (in billions of barrels)	39.4	38.5	38.0	38.6
Total footage drilled (in billions of feet)	4.5	3.9	3.6	3.9
Discounted public land royalties (in billions of dollars)	$0	$131.0	$126.3	$129.3
Discounted severance tax Collections (in billions of dollars)	$0	$159.0	$319.2	$307.5
Effective severance tax Rate	0	0.109	0.228	0.212
Discounted state corporate income tax revenue (in billions of dollars)	$0	$60.9	$49.6	$50.8
Discounted federal corporate income tax revenue (in billions of dollars)	$0	$230.0	$182.5	$188.4
Discounted depletion allowance deductions (in billions of dollars)	$0	$119.2	$114.9	$117.7
Discounted pre-tax total revenue (in billions of dollars)	$1,544	$1,456	$1,403	$1,437
Discounted extraction costs (in billions of dollars)	$186.3	$151.8	$130.1	$133.0
Discounted drilling costs (in billions of dollars)	$125.6	$84.4	$68.3	$88.3
Discounted firm profits (in billions of dollars)	$1,231	$638	$527	$539
Beginning reserves (in billions of barrels)	20	20	20	20

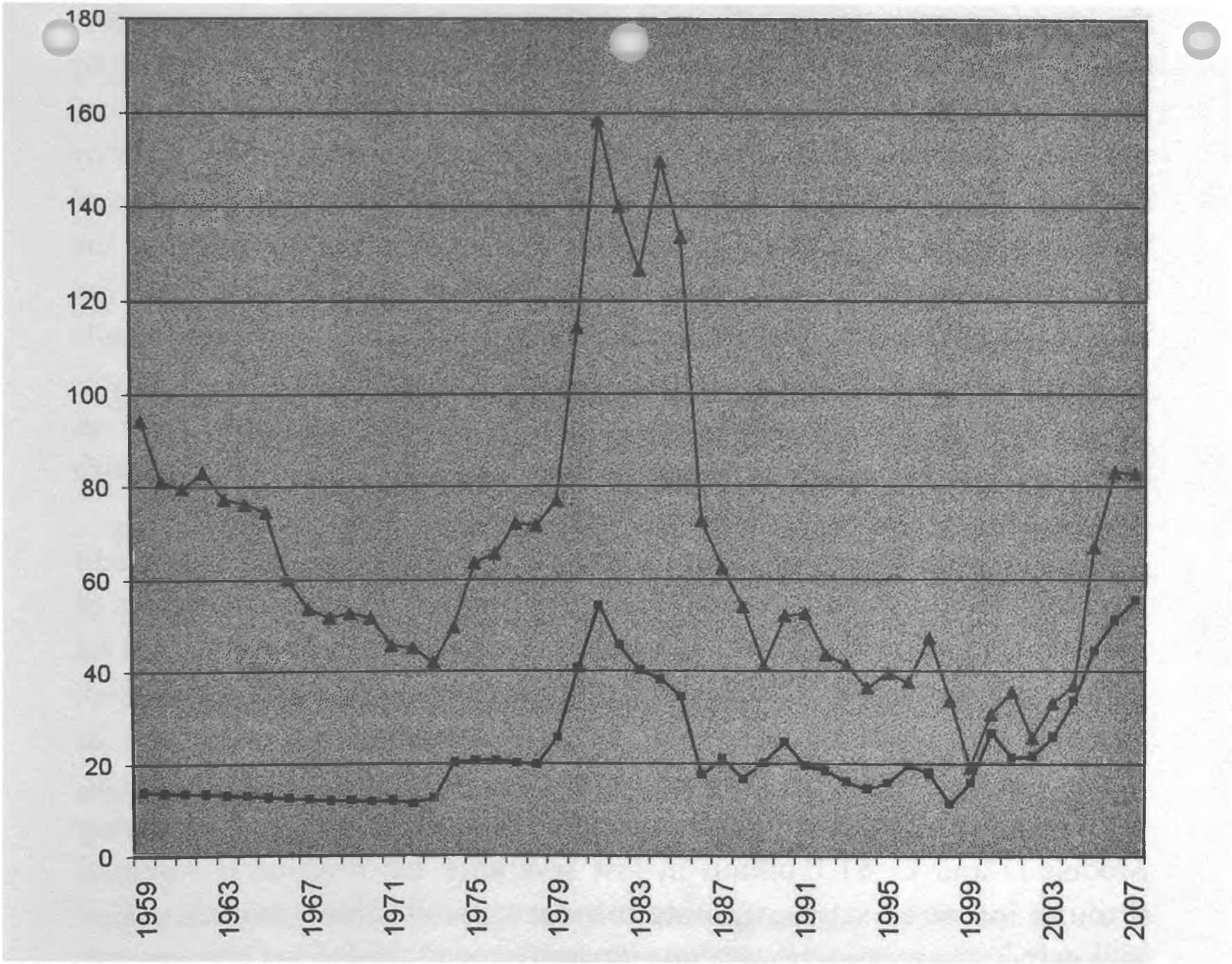


Figure 4. Price movements coincide with changes in footage of wells drilled.

State Tax Policy and Oil Production

still – but it is still clear that in the absence of such an alternative policy, a higher gas tax would clearly boost economic efficiency.

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NINE

State Tax Policy and Oil Production

The Role of the Severance Tax and Credits for Drilling Expenses

Ujjayant Chakravorty, Shelby Gerking, and Andrew Leach

9.1 Introduction

Although most energy-producing states have levied taxes on the value of oil, natural gas, and coal production for many years, changes in these taxes have become headline news as state governments grapple with budget shortfalls brought about by the current recession. For instance, Alaska has increased the severance tax on the value of its oil production and attempted to stimulate future production by allowing a credit against this tax for expenditures on capital items, including drilling rigs, infrastructure, exploration, and facility expansion (Alaska Department of Revenue 2008). In late 2008, California Governor Arnold Schwarzenegger proposed levying a 9.9 percent production tax on the value of most onshore oil production to help close a projected $24 billion budget deficit, but he subsequently reversed his position (Casselman 2009; Skelton 2009). The Pennsylvania legislature is considering a proposal to levy a 5 percent tax on the value of natural gas produced from the giant Marcellus shale deposit, but the bill is opposed by industry leaders who contend that it would result in 30 percent less drilling as well as revenue reductions to state and local governments totaling $880 million over the next decade (George 2009).

These measures, both enacted and proposed, raise a number of long-standing and important questions about the effects of state energy taxes that go well beyond their potential to provide a solid revenue base to support public services. Given the overlapping tax bases claimed by states and the federal government, to what extent do state energy tax increases result in lower collections of federal tax revenues, including the federal corporate income tax? Do state energy taxes restrict production and encourage "high-grading" of energy reserves and by how much? Do state taxes tilt the time path of energy production to the present or to the future? How do upstream

subsidies for exploration and development work together with downstream taxes on production to influence the levels and time paths of production and tax collections? What are the implications of these taxes for the long-run sustainable use of nonrenewable natural resources? The analysis in this chapter bears directly on these questions. It also serves as a basis to examine proposed changes in federal tax policy, including the elimination of the percentage depletion allowance and the expensing of intangible drilling costs.

We adapt the Hotelling model developed by Pindyck (1978) to examine how a state's taxes and subsidies at different stages of resource exploration and production alter the behavior of oil producers and thus impact on exploration activity, additions to the reserve base, and the production of energy. In our model, returns to exploration are subject to diminishing returns, and the cost of production is affected both by the level of reserves and the level of output. Producers located in a given state are assumed to produce only a small fraction of world output and therefore face an exogenously determined price of oil. We calibrate the model using data from U.S. oil fields to evaluate the effects of alternative tax and subsidy policies on drilling and production, on tax revenue accruing to states and to the federal government, as well as on the time path of drilling expenditures and resource production.

A key result from the calibrated model is that oil production is closely linked to the size of the reserve base and is relatively insensitive to changes in oil prices. This outcome, which is broadly consistent with experience in the U.S. oil industry over the past 50 years, leads to the conclusion that the severance tax has little effect on production levels and serves mainly to redirect rents earned in the oil industry to the public sector. Thus, increases in severance taxes or a reduction in the subsidies provided to the oil and gas industry may lead to rent taxation and therefore have only marginal effects on the drilling and production of oil and few adverse impacts in terms of national security and increasing U.S. dependence on foreign oil.

Prior simulation studies (Deacon 1993; Kunce et al. 2003) also have considered aspects of these issues, but a novel feature here focuses on effects of combining subsidies for exploration and development with taxes on the value of energy production. The rationale for subsidizing exploration and development is to expand the reserve base and ultimately to stimulate oil production in much the same way as an investment tax credit (see Chirinko 2000) might increase capital formation and boost output in manufacturing. As previously indicated, this type of tax policy has been adopted by Alaska, and it has been suggested as a model for other states (Headwaters Economics 2009). It may also bear on national energy tax policy in light of the interest in stimulating drilling for new reserves.[1] The simulations suggest that a drilling expense credit may cost more than the incremental severance tax revenue obtained, although such credits may be worthwhile concessions if a state's objective is to generate greater support for increasing the severance tax rate.

The remainder of the chapter is organized into six sections. Section 9.2 reviews the issue of oil taxation in twelve major oil-producing states in the United States. Section 9.3 summarizes findings from the literature regarding temporal economic effects of state energy tax policies. Section 9.4 describes the extended Pindyck (1978) model that is used as a conceptual basis for our tax policy simulations. Section 9.5 discusses the way in which the model was parameterized. Section 9.6 presents simulation results, and Section 9.7 concludes.

9.2 Overview of State Taxation of the U.S. Oil Industry

Key taxes on nonrenewable resource development levied by state and local governments can be divided into three main groups: taxes on production, property, and income. In its simplest form, the production or severance tax is levied on the gross value (or volume) of production of the resource as it is "severed" from the ground. The severance tax is the most widely adopted state tax specifically applying to the U.S. oil industry and will receive the most attention in the discussion. State and local governments also levy property taxes on the assessed (quasi market) value of equipment *above* ground and/or reserves *beneath* the ground. Income taxes are levied against the accounting net income of extraction firms. Although these taxes are generally aimed at extracting economic rents earned by producers from the sale of nonrenewable resources, their effects on production, exploration, and development can differ substantially (see Section 9.3). The discussion in this section briefly summarizes how these taxes are applied in major oil producing U.S. states and how they interact with each other and with other taxes on energy producers levied at the federal level. A more detailed

[1] At the Republican National Convention in 2008, Michael Steele, former Lieutenant Governor of Maryland and currently Chairman of the Republican National Committee, underscored his view that more exploration for energy resources is needed with his now famous line, "Drill, Baby, Drill." This sentiment was echoed by Republican Vice-Presidential nominee, Sarah Palin, who as Governor of Alaska, signed legislation granting a partial credit for drilling expenses against severance tax liabilities paid at an increased tax rate. For further details, see Ball (2008).

state-by-state survey of taxation and regulation of oil and gas production is available from the Interstate Oil and Gas Compact Commission (2007) and a more up-to-date survey can be constructed from a Lexis-Nexis search of state statutes. Hellerstein (1983) provides a useful discussion of the legal basis for state taxation of natural resources.

Table 9.1 presents data on oil production, nominal (legislated) oil severance tax rates, effective severance tax rates, and nominal corporate income tax rates for the twelve U.S. states that produced the most oil in 2007.[2]

As shown, production in these states ranged from a high of 397 million barrels in Texas to a low of 20 million barrels in Utah. Nominal severance tax rates varied widely across states as well. All states except California levied a severance tax against the value of production.[3] As mentioned earlier, California is considering whether to adopt such a tax. In Alaska and Montana, nominal tax rates can exceed 10 percent. Other tax code features reflect important interstate differences.[4] Severance taxes are generally levied against the "net value" of production, where each state has its own definition of this concept. Some states, such as Wyoming, tax the value of production at the wellhead (the top of the well), whereas others, like Utah, tax the value of production at the wellfoot (the bottom of the well), which in effect allows a deduction for lifting costs. Most states subtract royalty payments (computed as a percentage of gross value of production) for production on public land in computing net production value for determining severance tax liabilities (Louisiana does not). Public land royalties are relatively more important in Alaska, Colorado, New Mexico, Utah, and Wyoming than in other states owing to their large shares of publicly owned land. State energy tax codes are subject to frequent changes as well. For instance, Alaska now allows producers to take a credit against severance tax liabilities for capital expenditures used in exploration and development, whereas this feature was not available in 2007 and thus is not reflected in Table 9.1.

In New Mexico and North Dakota, the severance tax is actually the sum of two or more different levies on net production value. In Colorado, severance taxes are paid at graduated rates that depend on the gross income of operators, and in Alaska, Oklahoma, and Utah prevailing rates depend on the price of oil. In Colorado, Kansas, and Wyoming, local governments levy a substantial tax against the value of energy production. Although this tax is generally called a property tax by tax administrators, it is in

[2] The year 2007 is the most recent year for which effective tax rate data could be assembled (see discussion below).

[3] California does levy a property tax on reserves in the ground (see below).

[4] See footnotes to Table 9.1.

Table 9.1. *Oil production (in Mbbl) and tax rates for selected U.S. states, 2007*

State	Production	Severance tax		Corporate income tax rate[o]
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Utah	19,520	3.0–5.0%[j]	2.4%	5.0%
Wyoming	54,130	4.0–6.0%[k]	5.3%	None

[a] Lower rate applies to fields in production less than 5 years; higher rate applies to fields in production more than 5 years.

[b] Rate depends on gross income of operator and excludes county ad valorem taxes at 4–10%.

[c] Excludes county ad valorem taxes of approximately 4%.

[d] Tax rate of 3.125% applies only to stripper well production.

[e] Rate applies to nonworking interest owners; working interest owners pay lower rates that vary by type of well.

[f] Rate is the sum of oil severance tax, oil school tax, and oil conservation tax; local ad valorem taxes at approximately 1.2% are excluded.

[g] Depends on the level of an oil extraction tax that varies by type of well; tax rate on stripper well production is 0%.

[h] Excludes ad valorem taxes that vary by county.

[i] Excludes county ad valorem levies and (small) state regulatory and conservation levies.

[j] Lower rate applies to first $13/bbl; higher rate applies above $13/bbl. Excludes county ad valorem levies; stripper well production is not subject to severance tax.

[k] Stripper well production taxed at 4%; other production taxed at 6%; excludes county levies at 5.9–7.7%.

[l] Effective rate is for oil and natural gas combined.

[m] Effective rate is for oil and gas combined.

[n] Insufficient information available.

[o] Tax rates depend on level of income before taxes for most states.

[p] This is the rate for a gross receipts tax that replaced the corporate income tax in 2007 (see Tax Foundation 2009a).

Sources: Production data from U.S. Department of Energy (2009b). Nominal severance tax rate data from Interstate Oil and Gas Compact Commission (2007). Effective severance tax rate data are authors' calculations (see text). State corporate income tax rate data from Tax Foundation (2009a).

effect a severance tax levied by local governments. Many states have granted innumerable exemptions and credits against state severance tax liabilities for special situations that may be encountered by operators. Production from stripper wells (wells that produce fewer than ten barrels per day), for example, is taxed at lower rates in some states than is production from better producing wells. Production from wells employing secondary or tertiary recovery methods is sometimes taxed at lower rates as well.

A further complicating feature in analyzing economic effects of state severance taxes is that states and the federal government levy other types of taxes on oil producers and tax bases interact, particularly at the state and federal levels. Except for Wyoming, all of the twelve states levy a corporate income or franchise tax that applies to oil producers. Nominal rates for this tax, taken from the Tax Foundation (2009a), are shown for each state in Table 9.1. State corporate income taxes often are levied on a similar base to that used in computing federal corporate income tax liabilities, but the state tax rates generally are lower than the top federal rates for this tax, which currently are in the 35 to 40 percent range (Tax Foundation 2009b). State corporate income tax payments are deductible against federal corporate income tax liabilities, and state and local production tax payments are deductible against both. In some states, federal corporate income tax payments are deductible in computing state corporation income taxes and in others it is not. Although local governments in most of the states utilize some form of a property tax on oil and gas extraction equipment, property taxes on reserves are levied only in relatively few states such as California and Texas.

State and local tax burdens on oil producers are endlessly compared in state tax commission and legislative hearings as industry representatives make their case for more favorable tax treatment. Yet, because of variations across states in the application of severance and other taxes, a comparison of nominal tax rates is not particularly useful. A judgment based on a comparison of nominal rates that one state's severance tax, for example, is higher than that in another state might easily be reversed once the potentially numerous exemptions, credits, incentives, deductibility, and other special features of tax law are accounted for. Instead, more meaningful comparisons across states can be obtained by computing effective tax rates expressed as the ratio of revenue collected from a particular tax to the value of production. The calculation of effective tax rates fully accounts for, without enumerating, state-specific aspects of tax treatment faced by producers and facilitates comparisons between states because the value of production is used as a common denominator.

Table 9.1 presents effective severance tax rates prevailing in 2007 for the twelve most important oil-producing states. Unfortunately, information regarding severance tax collections is neither available from a single source nor published in a common format. In consequence, data on severance tax collections needed for the numerators of the effective tax rates were obtained by searching state department of revenue reports available on the Internet and by directly contacting knowledgeable people in these agencies as questions arose. Estimates of the value of production in each state were obtained by multiplying production volumes by the average prevailing price per barrel of crude oil. State production volumes were obtained from the Energy Information Administration, U.S. Department of Energy (2009b). Average wellhead prices of oil in each state were taken from the American Petroleum Institute (2009). The price and production volume data exclude oil produced in the Outer Continental Shelf (OCS) that is not subject to state taxation. As shown in Table 9.1, among states that levy a severance tax, effective tax rates in 2007 vary from 0.7 percent in Colorado to 12 percent in Alaska. Because of the many special tax code features just discussed, these rates tend to be lower than corresponding nominal tax rates.

9.3 Prior Literature

A sizable literature deals with the economic effects of the three types of taxes discussed in the previous section. It may be useful to briefly describe this work before proceeding with the theoretical structure we assume in this chapter. Discussion is limited to intertemporal issues; thus, topics such as interstate tax shifting or "tax exporting" are ignored (Gerking and Mutti 1981; McLure 1969; Metcalf 1993). The severance tax is given the most detailed treatment because it has been widely adopted and because its effects are the focus of the simulations presented in Section 9.6.

9.3.1 Production Taxation

Hotelling's (1931) seminal analytic work considers a per unit severance tax in a model with an endogenous price (net of constant extraction costs) and the total exhaustion of fixed reserves. The severance tax is found to conserve the resource by extending the time it takes to exhaust the total pool. Herfindahl (1967) extends this result with a model that features an extraction cost function that depends on output. Under competition, the severance tax is shown to tilt production to the future (i.e., delay production), thereby

extending the life of the pool. The pool is fully exhausted at a postponed terminal period.

Burness (1976) reformulates the dynamic framework by including severance tax rates that vary over time. In this model, price is exogenous, reserves are fully depleted, and extraction cost depends only on output. The general proposition derived is that the severance tax will tilt production to the future if the tax rate is held constant or rises at a rate less than the discount rate. A severance tax that rises with the discount rate will not distort the time path of production. Conrad and Hool (1984) show that introducing varying grades of the resource into the model make no difference to this result.

Levhari and Leviatan (1977) allow for an extraction cost function that depends on both current and cumulative production so that as more of the resource is extracted over time, the more it costs to produce an incremental unit. Thus, in this model, the resource may not be fully exhausted. The effect of per unit severance taxation on time to exhaustion now is ambiguous. If the resource price is constant over time, terminal time is shortened and high-grading (removing ore of the highest grade while leaving lower grade ore in the ground) may occur. Nonetheless, if tax rates vary over time, then, as Heaps (1985) demonstrates, total recovery of the resource and the economic life of the resource can either increase or decrease but in opposite directions. Because these two effects of the tax work against each other, the net impact on depletion cannot be determined.

If resource quality varies across pools but is the same within a pool, Conrad (1978, 1981) shows that mine lives are shortened and lower-quality resource is left in the ground when a per unit severance tax is levied. Krautkraemer (1990) examines the effect of production taxation in a finite reserve model when resource quality varies within a given deposit. In addition to firms choosing the rate of extraction, they also choose the marginal grade cutoff at each point in time. A production tax induces high-grading at each instant of time and not just at the end of the production program. Interestingly, a production tax reduces total resource recovery and a low-grade resource left in the ground will not be extracted, even if at some point in the future the production tax is eliminated.

Uhler (1979) includes a brief examination, for the first time, of the effects of production taxation in a model of nonrenewable natural resource extraction with both production and exploration. The possibility of exploration means that the reserve base is no longer fixed. Also, when the model allows for exploration and reserve additions, the dynamics of the process become complex and equilibrium conditions no longer have closed form solutions.

Effects of production taxation, therefore, were examined with simulations. The model was parameterized for a small oil- and gas-producing region in Alberta, Canada. When a severance tax is imposed at a constant rate, operators decrease production and exploration in all periods while the endogenous price of the resource rises.

Deacon (1993) also simulates effects of severance taxation using the model developed by Pindyck (1978) and later applied by Yücel (1986, 1989). In Deacon's formulation, the oil industry is taken to be competitive, so the time path of the resource price is treated as exogenous. In the simulations, the resource price is assumed to rise in the early years of the production program, but at a rate less than the assumed 5 percent discount rate. Similar to the analytic results derived by Burness (1976) and others in models that abstracted from exploration, the application of an ad valorem severance tax tilts production to the future in comparison to a no-tax base case. Over the life of the program, however, the tax reduces output, implying that an important effect of the production tax is to induce high-grading. In addition, simulations show that a production tax reduces drilling in all periods and that drilling shuts down prematurely in comparison to the no-tax case.

Kunce et al. (2003) also simulate effects of production taxation using the Pindyck (1978) framework, but they parameterize the model for a single state (Wyoming) rather than the nation as a whole, as was the case in the Deacon (1993) study. They consider the effect of doubling the state's production tax on oil extraction in a setting where oil producers are assumed to be price takers. A key feature of this study was to embed the production tax in a broader tax system that allowed for interactive tax bases and tax shifting between the local, state, and federal governments. Simulations demonstrate that a hypothetical doubling of Wyoming's production tax leads to reduced drilling and reduced oil production in each subsequent period. Estimated production declines, however, are comparatively modest; the response of production with respect to the tax change turns out to be highly inelastic (-0.06). Thus, the main effects of the tax increase would be to rather dramatically increase Wyoming's severance tax revenue and to reduce federal corporate income taxes paid by producers.

9.3.2 Property Taxation

Taxation of property, specifically reserves, has received little attention in the literature on production from nonrenewable resources. One reason for this may be the practical complexity of levying such taxes. Nonetheless, Hotelling (1931) demonstrates that a constant percentage tax on the value of reserves

will induce firms to extract more rapidly as they attempt to "mine out from under the tax." Conrad and Hool (1981) show that a constant tax rate per unit of reserves encourages extraction of higher-grade resource in the early periods of the program, but the cutoff grades are lower, thus extending the life of the mine. The property tax is also examined by Heaps and Helliwell (1985) in a model that allows for new reserve investment. The tax is shown to tilt production to the present and to reduce investment in new deposits to avoid holding costs. Simulations by Gamponia and Mendelsohn (1985) show that a property tax on reserves results in tilting production to the present. Deacon (1993) obtains the same outcome in his simulation study and also confirms the Heaps and Helliwell (1985) result by showing that the property tax on reserves results in lower levels of drilling in the early years of the program.

9.3.3 Income Taxation

Burness (1976) analyzes a profits tax on a nonrenewable resource producer with fixed reserves and concludes that output trajectories will not change when the tax is applied at a constant rate. If the tax rate increases over time, however, firms will speed up depletion of the fixed reserve. Conrad and Hool (1984) model a progressive profits tax, finding that such a tax will not exhibit the neutrality of a flat rate profits tax with regard to the extraction path and grade selection. Deacon (1993) simulates a structure broadly similar to federal corporate income taxation with expensing of current and capitalized drilling costs. Simulated paths of extraction, drilling effort and reserves show little distortion from the no-tax base case. These results suggest that income taxation is the least distortionary among the three types of energy taxes imposed by U.S. states.

9.4 Conceptual Framework

We propose a simple dynamic model in the tradition of Hotelling (1931) and Pindyck (1978) with some modifications. The idea is to examine the producers' response when states or a social planner imposes a menu of taxes and subsidies on oil production. We consider three tax/subsidy instruments – a severance tax, a corporate income tax, and a subsidy on drilling expenditures. Producers choose the optimal amount of drilling (and therefore reserve additions) and production of oil to maximize profits.

The model is dynamic, with a known discount rate and no uncertainty. Resource producers face an output price of the commodity that is

exogenously determined. Ideally, output prices should be endogenously determined through the process of dynamic optimization, as in Pindyck (1978). However, because our goal is to examine the effect of various tax regimes under assumptions of alternative petroleum prices and a single U.S. state produces only a small fraction of world output, the exogenous price assumption may be a reasonable approximation. In any case, a partial equilibrium model with endogenous prices may leave too many factors that critically affect oil prices out of the model (e.g., international financial markets, world economic growth).

Let the output price of petroleum be given by $p(t)$ where the argument t denotes time. Then the social planner imposes a set of taxes $(1 - \alpha_p)$ such that the net price received by the producer is the fraction α_p times the price.[5] Thus, the production revenue accruing to producers of energy is given by $\alpha_p p q$ where q is the quantity of oil sold by the producer. We assume that whatever is extracted is sold – there is no storage.

Because we distinguish between production and exploration, we define reserves R at any given time t and the cumulative addition to the stock of petroleum given by x. The relationship between stocks and reserves is given by the differential equation

$$\dot{R}(t) = f(w, x) - q \tag{9.1}$$

That is, the change in reserves is equal to the addition in reserves net of production, as in Pindyck (1978). The function f represents the addition to reserves as a function of drilling effort w and cumulative additions to the stock x and we assume that $f_1 > 0$; $f_{11} > 0$; $f_2 < 0$ $f_{22} > 0$ and $f_{12} < 0$. More drilling effort (w) leads to higher reserve additions, but at a decreasing rate. Higher cumulative discoveries x cause current reserve additions to decline (at a decreasing rate). It is more difficult to add to the reserve base, the higher the discoveries made in the past. Finally, the marginal effect of reserve additions as a function of drilling decline with increases in cumulative stock. For convenience we assume that the stock of resource grows linearly with drilling effort. However, the cost of drilling increases in a convex fashion with drilling effort, given by $k(w)$ where $k'(w) > 0$; $k''(w) \geq 0$ and $k(0) = 0$. Finally, the total cost of extraction is given by $c(q, R)$ with $c_1 > 0$, $c_2 > 0$, $c_2 < 0$, $c_{22} > 0$ and $c_{12} < 0$.[6] That is, the total "lifting" cost increases with quantity produced – for instance,

[5] The tax parameter α_p and two other tax parameters to be defined momentarily are empirically specified in the next section.

[6] In Pindyck's (1978) original formulation, both average and marginal lifting costs depended on R but not on q.

as oil is extracted from greater depths – and it also decreases concavely with current reserves. This specification follows from the view that oil is produced using reserves (a form of capital) and nonreserve inputs (i.e., physical capital other than reserves and labor), so that extraction costs are positively related to output and negatively related to reserves. The cross-partial derivative c_{12} is assumed to be negative.

We introduce two other tax/subsidy parameters in this framework, namely, the portion $(1 - \alpha_c)$ of the production cost that is deductible in computing tax liabilities, so that the net production cost faced by firms is $\alpha_c c(q, R)$ and the part $(1 - \alpha_D)$ that is deductible by the firm, which implies that the net drilling cost payable by the firm is given by $\alpha_D k(w)$. The major goals in this chapter are to examine how the three different tax/subsidy policy instruments, given by α_p, α_c and α_D, affect drilling activity, reserve additions, and production, as well as to compare their corresponding revenue and welfare implications.

Finally, given a fixed discount rate $r > 0$ the social planner solves the following problem:

$$\underset{q,w,x,R}{Max} \int_0^{\infty} [\alpha_p p q - \alpha_c c(q, R) - \alpha_D k(w)] e^{-rt} dt \tag{9.2}$$

which is subject to the following equations:

$$\dot{x} = w \tag{9.3}$$

and

$$\dot{R} = f(w, x) - q \tag{9.4}$$

The current value Hamiltonian for this problem is

$$H = \alpha_p p q - \alpha_c c(q, R) - \alpha_D k(w) + \lambda w + \theta[f(w, x) - q] \tag{9.5}$$

so that the first-order conditions are given by

$$\alpha_p p \leq \alpha_c c_q + \theta \; (= \; iff \; q > 0) \tag{9.6}$$

$$\theta f_w \leq \alpha_D k_w - \lambda (= \; iff \; w > 0) \tag{9.7}$$

$$\dot{\lambda} = r\lambda - \theta f_x \tag{9.8}$$

$$\dot{\theta} = r\theta + \alpha_c c_R \tag{9.9}$$

along with transversality conditions not shown here. The co-state variable λ represents the shadow price of an additional unit of discovered oil. Note that the higher the cumulative discoveries, the lower the additions to reserves. Hence, the shadow price λ will be negative. The shadow price θ represents the discounted increment to profits resulting from the addition of one unit of reserves. Reserves decrease the cost of production and therefore θ should be positive.

An important implication of the model (see equation (9.6)) is that the firm will decide to produce $(q > 0)$ if the discounted after-tax wellhead oil price net of marginal extraction costs exceeds the present value of future profits from an additional unit of reserves (θ).[7] Condition (9.7) equates the marginal benefits and costs of an additional well drilled. The benefits are in the form of an increase in reserve additions, which are given by the expression θf_w. The costs are twofold: the marginal cost of drilling net of drilling subsidies denoted by the term $\alpha_D k_w$ plus the negative effect on reserve additions from an addition to the cumulative resource stock given by λ.

Equations (9.8) and (9.9) give the time path of the derivatives for the two shadow prices λ and θ. The rate of increase in the shadow price λ has two components – the discount rate r and the fact that taking out a unit of resource increases the "cost" in the future through lower marginal reserve additions. Because f_x is assumed to be negative, the first term $r\lambda$ is negative and the second term $-\theta f_x$ is positive. At least initially the latter term is likely to be large because of the high value of reserve additions, in which case $\dot{\lambda}(t)$ is likely to be positive and the value of lambda, which is negative, will decline over time. In this model, then, additions to stock adversely impact reserve formation; hence, the interpretation is completely different than in the standard Hotelling model with no exploration activity. The extra cost of drilling is that it decreases the future benefit of drilling. The time path of the marginal value of a unit of reserve θ also increases at the rate of discount but is tempered by its effect on lifting costs – additions to reserves have the added benefit of helping reduce the cost of production, net of production subsidies. This is given by the negative term $\alpha_c c_R$.

In this chapter we do not focus on the analytics of this model, which is similar to the model developed by Pindyck with some key differences. The

[7] Notice that condition (9.7) differs from the corresponding condition derived by Pindyck (1978) in that marginal lifting costs increase with increases in q. Consequently, rather than producing at some maximum rate subject to constraints given by reserve levels, geology, and technology, the firm pays attention to how its lifting costs are affected by the level of output.

main difference is that his production costs are independent of reserves, whereas in our case, production costs decline with cumulative reserves. Moreover, here the focus is on the three tax/subsidy instruments, and we show how they play different roles in influencing production and drilling behavior by firms.

9.5 Calibration of the Simulation Model

Simulations from the model developed in the previous section are constructed based on estimates of the drilling cost, lifting cost, and reserve additions equations, specifying values for the tax/subsidy and other parameters.

9.5.1 Equation Estimates

Estimation of $k(w)$ and $f(w, x)$ are treated together because they are used to compute the marginal cost of reserve additions (k_w/f_w), a key relationship in the model described above. Drilling cost per foot is assumed to be linearly related to footage drilled, as shown in equation (9.10):

$$k(w)/w = \phi w + u \tag{9.10}$$

where ϕ is the parameter to be estimated and the disturbance term u is normally distributed. This specification ensures that the marginal cost of drilling is positive and increasing in footage drilled as long as $\phi > 0$. Using annual data for the United States from 1959 to 2007, with drilling cost per foot measured in year 2000 dollars and footage drilled measured in millions of feet, the least squares estimate of ϕ is 1.23 with t-statistic of 8.17.[8]

The production function for gross reserve additions is specified as

$$f(w, x) = A w^{\rho} e^{-\beta \cdot x} e^{v} \tag{9.11}$$

where A, ρ, and β are parameters to be estimated and the disturbance term e^{v} is assumed lognormally distributed with mean of unity and variance σ_v^2. Equation (9.11) is similar to the one describing the discovery process proposed by Uhler (1976) and later adopted by Pindyck (1978). The idea behind this equation is that the marginal product of drilling declines as footage drilled accumulates. Estimation of equation (9.11) used annual data from seven important oil-producing U.S. states (California, Kansas, Louisiana, New Mexico, Oklahoma, Texas, and Wyoming) for which complete information on the requisite variables was assembled for the period 1970–97.[9] Oil reserve additions are defined as extensions, new field discoveries and new reservoir discoveries in old fields. The footage drilled variable was defined as in equation (9.10) and the cumulative footage variable was created by adding year-by-year over the sample period for each state. After taking natural logarithms of equation (9.11) and with state-effects included, we obtain least squares estimates of $\rho = 0.95$ (t-statistic = 14.18) and $\beta = 0.000437$ (t-statistic = 1.37). The value of A (28.78) was selected so that the equation predicted U.S. reserve additions in 2007. This equation shows that the marginal product of drilling (f_w) decreases with footage drilled as well as with cumulative drilling, although the coefficient of cumulative drilling is insignificant at conventional levels.

Because data on oil extraction costs are weak, $C(q, R)$ could not be econometrically estimated. Instead, this equation was calibrated for the United States with a Cobb-Douglas functional form using methods described in Deacon (1993). Results show that if the output elasticity of nonreserve inputs is 0.35, then for 2007, $C/q = 458.1(q/R)^{1.86}$. The value of 458.1 is selected so that the right-hand side will predict average U.S. operating cost per barrel in 2007 of $7.56.[10] Note that the Cobb-Douglas form implies that extraction costs rise without limit as reserves approach zero and fall as production declines.

9.5.2 Specification of Tax/Subsidy Parameters

Values for the parameters α_j ($j = p, c, D$) were specified by choosing representative rates of state and federal taxes faced by oil producers and then inserting these values into equations (9.12) through (9.14).

$$\alpha_p = (1 - \tau_{us})(1 - \tau_s)(1 - \tau_r)(1 - \tau_p) + \tau_{us}(1 - \tau_r)\gamma \tag{9.12}$$

$$\alpha_c = (1 - \tau_{us})(1 - \tau_s) \tag{9.13}$$

$$\alpha_D = \{(1 - \tau_{us}\eta - (1 - \tau_{us})\delta)\} \tag{9.14}$$

In equations (9.12), (9.13), and (9.14), τ_{us} denotes the federal corporate income tax rate, τ_s is the state corporate income tax rate, τ_r denotes the royalty rate on production from public (state and federal) land, τ_p is the

[8] Data were taken from American Petroleum Institute (2009).

[9] Data were taken from American Petroleum Institute (various years).

[10] Data were taken from U.S. Department of Energy (2009a).

state severance tax rate, and δ represents the percentage of drilling costs that may be taken as a credit against state severance tax liabilities. This credit is a prominent tax code feature in Alaska. Also, γ represents the federal percentage depletion allowance weighted by the percentage of production attributable to eligible producers (nonintegrated independents), and $\eta = e + (1 - e)f$ denotes the expensed portion of current and capitalized drilling costs attributable to current period revenues for purposes of computing federal corporate income tax liabilities, where e is the percentage of current period drilling costs expensed for tax purposes and f is the present value of cost depletion deductions per unit of depletable expense (see Deacon 1993 for further details).

These equations do not capture all aspects of the tax code facing oil producers. Instead, they merely reflect important tax features and relationships between taxes affecting the oil industry in most states and at the federal level: (1) severance taxes are levied on the wellhead price of oil; (2) royalty payments for production on public land are deductible in computing state severance tax liabilities; (3) public land royalty payments, state severance taxes, and extraction costs are deductible in computing state corporate income tax liabilities; and (4) public land royalty payments, state severance taxes, and state corporate income taxes are deductible in computing federal corporate income taxes. Federal corporate income tax payments are adjusted because of the percentage depletion allowance and special treatment of drilling costs. These equations highlight interaction between tax bases and are more detailed than the corresponding treatment given by Moroney (1997) and Deacon et al. (1990). The equations incorporate the entire tax structure into the model, rather than simply analyzing one tax at a time as in Deacon (1993). Equations (9.12) through (9.14), however, ignore local taxes on the value of production as well as possible property taxes on reserves (levied by relatively few states). As noted in Section 9.2, state tax treatment of the oil industry is not uniform; the specification of the parameters α_j ($j = p, c, D$) would require reformulation to represent the tax structure of a particular state.

9.5.3 Values of Tax/Subsidy Parameters Used in Simulations

Four simulations of the model are considered in the following section. The base case simulation considers a situation in which no taxes are levied and no subsidies are allowed (No-tax Model A); the values for the tax parameters are $\alpha_p = 1$, $\alpha_c = 1$, $\alpha_D = 1$. The Low-tax Model B considers a situation in which the nominal severance tax rate is $\tau_p = 0.12$, the state corporate income tax rate is $\tau_s = 0.06$, and public land royalty payments as a fraction of total production value is $\tau_r = 0.09$. These choices for state corporate income tax and severance tax rates are broadly representative of actual nominal rates for these taxes (see Table 9.1). The public land royalty payment fraction is similar to actual values for oil-producing states in the western United States (Gerking 2005). At the federal level, the effective federal corporate income tax rate is set at $\tau_{us} = 0.30$. The current nominal depletion rate of 15 percent applies to about 60 percent of U.S. oil production; thus, $\gamma = 0.09$.[11] The expensed portion of current period drilling costs is approximately 40 percent for the industry, and the present value of depletion deductions for capitalized drilling cost can be approximated by $(q/R)/(r + (q/R))$, assuming that it is approximately 8 percent; therefore $\eta = 0.40 + (1 - 0.4)^*(0.08/(0.04 + 0.08)) = 0.8$. The parameter δ is set to zero. Thus, the tax policy parameters for Model B are $\alpha_p = 0.55$, $\alpha_c = 0.67$, $\alpha_D = 0.76$.

The High-tax Model C sets all taxes equal to their Model B values, except for the severance tax, which is set at $\tau_p = .25$. Hence, $\alpha_p = 0.47$, $\alpha_c = 0.67$, $\alpha_D = 0.76$. The Drilling Subsidy Model D sets all tax parameters equal to their Model C values, except that δ is set to 0.22, so that $\alpha_p = 0.47$, $\alpha_c = 0.67$, $\alpha_D = 0.61$.

9.5.4 Other Parameters

Each model uses a discount rate of $r = .04$, an oil price of $p = \$70$ per barrel, and is run for 110 periods at which point drilling all but ceases in the four models because it is no longer profitable. The initial value of reserves (R) was set to 20 billion barrels. This value approximates the quantity of proven reserves for the United States in 2007. The initial value of cumulative footage drilled was arbitrarily set to 2 billion feet, which is roughly equal to the cumulative footage for oil wells drilled in the United States in the past 30 years.

9.6 Discussion of Simulation Results

Results of simulations are obtained from solving the first-order equations of the model (equations (9.6) and (9.9)) after substituting values of the

[11] The percentage of production accounted for by nonintegrated independents was approximated by subtracting from unity the ratio of oil and natural gas liquids production by producers subject to USDOE financial reporting system (FRS) requirements to total oil and total natural gas liquids production. For 2007, this ratio was 0.612. Data were taken from U.S.Department of Energy (2009c, 2009d, 2009e).

Table 9.2. *Selected values from solutions for the four models: Year 1*

	Model A	Model B	Model C	Model D
Production in billions of barrels (q)	2.33	2.16	2.03	2.03
Drilled footage in millions of feet (w)	92.44	72.21	63.43	74.26
After-tax price per barrel received by producers ($\alpha_p P$)	$70.00	$38.50	$32.90	$32.90
After-tax marginal extraction cost of one additional barrel ($\alpha_c C_q$)	$24.03	$13.98	$12.46	$12.46
Reserve additions from drilling an additional million feet in billions of barrels (f_w)	0.0091	0.0092	0.0093	0.0092
Total reserve additions in billions of barrels (wf_w)	0.841	0.664	0.588	0.683
After-tax marginal cost of drilling one additional foot ($\alpha_D k_w$)	$227.40	$135.00	$118.59	$111.43
Beginning reserves in billions of barrels (R)	20	20	20	20
Ending reserves (R)	18.55	18.50	18.56	18.65
θ	$45.80	$24.50	$20.50	$20.50
λ	$227.00	$135.00	$119.00	$111.00

tax/subsidy parameters and specific equations for drilling costs (equation (9.10)), reserve additions (equation (9.11)), and lifting costs. Table 9.2 shows selected solution values for year 1 for the four models.

In year 1 for Model A, for example, solutions for the level of production and footage drilled are 2.3 billion barrels per year (6.4 million barrels per day) and 92.44 million feet, respectively. These values, together with initial reserves set to 20 billion barrels and $P = \$70$, imply that the marginal cost of extracting an additional barrel of oil is $c_q = \$24.03$ and the marginal cost of drilling an additional foot is $227.40. Over the course of year 1, reserves fall because production exceeds reserve additions. The present value of future profits from an additional barrel of reserves is $\theta = \$45.80$ (see equation (9.6)), and the present value of drilling cost reductions from an additional unit of reserves is the negative of $\lambda = \$227$ (see equation (9.7)). Both of these two shadow prices steadily converge toward zero over time.

Values presented in Table 9.2 for Models B and C are interpreted similarly. In these two models, production and drilling are lower than in Model A, in part because the severance tax causes prices received by producers to fall disproportionately relative to extraction and drilling costs. In Model D, production is the same as for Model C because tax rates and initial values

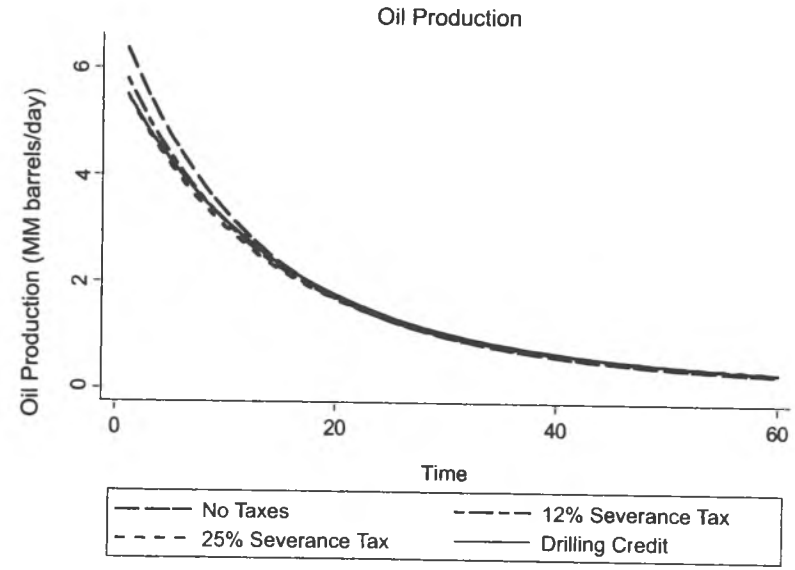

Figure 9.1. Oil production is quite insensitive to the tax structure in the U.S. case.

of reserves are the same, but footage drilled is higher because of the drilling expense subsidy. In all three models, the shadow values λ and θ converge toward zero over time, just as in Model A.

Figure 9.1 shows the time profile of oil production in millions of barrels per day for each of the four models.

In each model, production declines substantially over time. The no-tax case (Model A) shows the highest production rates. The introduction of taxes in Model B tilts production (slightly) to the future, as predicted by models of extraction from fixed reserves (see Section 9.4). Numerical calculations indicate that production rates for Model B are lower than for Model A until year 26, at which point production rates become higher for Model B than for Model A. In Model C, tilting of production to the future is more pronounced in comparison to Model A than it is for Model B because of the higher severance tax rate assumed. Production in Model C is lower in the early years of the program, but begins to exceed production in Model B by year 27. Introduction of the subsidy for drilling expenses tilts production back to the present in comparison with Model C. Model D production initially exceeds that for Model C, but is lower than that for Model C after year 48.

Figure 9.1 also shows that production is relatively insensitive to changes in tax rates and therefore to changes in prices received by operators. Cumulative production figures for the 110-year program period confirm this result (Table 9.3).

More specifically, comparing Model A with Model C, the arc elasticity of cumulative production with respect to a change in severance tax rates $((\Delta q/q)/(\Delta \tau_p/\tau_p))$ is only $(-1.4/38.7)(0.125/0.25) = -0.02$. This outcome implies that the arc elasticity of cumulative production with respect to a change in prices received by operators is $(-1.4/38.7)(56.7/-26.6) = 0.05$. Of course, these simple elasticity calculations are based on cumulative production totals and do not take the timing of production into account, but as shown in Figure 9.1, the time path of production does not differ greatly across the four models.

Oil production also would be insensitive to changes in the percentage depletion allowance rate (η) that can be used by nonintegrated independent producers in computing federal corporate income tax liabilities. As shown in equations (9.12) through (9.14), a reduction in either η or an increase in the severance tax rate τ_p lowers α_p while leaving α_c and α_D unchanged. In fact, given the values of the tax parameters used for Models B, C, and D, eliminating the percentage depletion allowance would have the same effect on production as a four percentage point increase in the severance tax. This parallel between changes in severance tax rates and the changes in the percentage depletion allowance may be of interest in light of the Obama Administration's proposal to eliminate the latter tax preference (see Krueger 2009). Of course, changes in the severance tax and changes in the oil depletion allowance will not have equivalent effects on the collection of other taxes at the state and federal levels.

Insensitivity of oil production to severance tax increases would be to some extent expected in these simulations because a key effect of the tax simply is to reduce industry profits. The assumed price of oil ($70/bbl) is relatively high by historical standards; thus, discounted profit is a relatively large percentage (80 percent) of discounted total revenue. In consequence, the array of taxes imposed in Model B can cut into profits without substantially altering drilling or production. Kunce et al. (2003) found somewhat greater responsiveness of oil production to changes in severance tax rates when setting P (P = $23) at a lower value than the one used in this study. In their simulations, which envision a lower ratio of profit to total revenue, the long-run elasticity of production to changes in the severance tax rate was −0.06.

Table 9.3. *Total drilling, production, tax collections, profits, and reserves for four models over the 110-year program*

	Model A no taxes	Model B 12% severance tax	Model C 25% severance tax	Model D 25% severance tax with drilling subsidy
Total production (in billions of barrels)	39.4	38.5	38.0	38.6
Total footage drilled (in billions of feet)	4.5	3.9	3.6	3.9
Discounted public land royalties (in billions of dollars)	$0	$131.0	$126.3	$129.3
Discounted severance tax Collections (in billions of dollars)	$0	$159.0	$319.2	$307.5
Effective severance tax Rate	0	0.109	0.228	0.212
Discounted state corporate income tax revenue (in billions of dollars)	$0	$60.9	$49.6	$50.8
Discounted federal corporate income tax revenue (in billions of dollars)	$0	$230.0	$182.5	$188.4
Discounted depletion allowance deductions (in billions of dollars)	$0	$119.2	$114.9	$117.7
Discounted pre-tax total revenue (in billions of dollars)	$1,544	$1,456	$1,403	$1,437
Discounted extraction costs (in billions of dollars)	$186.3	$151.8	$130.1	$133.0
Discounted drilling costs (in billions of dollars)	$125.6	$84.4	$68.3	$88.3
Discounted firm profits (in billions of dollars)	$1,231	$638	$527	$539
Beginning reserves (in billions of barrels)	20	20	20	20

In any case, the inelasticity of production with respect to severance tax and price changes suggests that severance tax collections computed as $s = \tau_p(1 - \tau_r)pq - \delta k(w)$ should increase roughly in proportion to changes in the tax rate when $\delta = 0$. As shown in Table 9.3, discounted (at 4 percent) severance tax collections over the 110-year program period total $159.0 billion for Model B and $319.2 billion for Model C. Effective severance tax rates for these two models are 0.109 and 0.228, respectively. These figures suggest that the arc elasticity of discounted severance tax collections with respect to a change in the effective tax rate is 0.95 (assuming unchanged royalty rates and oil prices). Model D, which includes the credit ($\delta = 0.22$) for drilling expenses, reflects smaller severance tax collections than Model C.

Table 9.3 indicates that severance tax rate increases result in lower collections of both state and federal corporate income taxes. Because of the deductibility of severance tax payments against these two taxes, discounted state corporate income tax collections fall from $60.9 billion in Model B to $49.6 billion in Model C, and discounted federal corporate income tax collections fall from $230.0 billion in Model B to $182.5 billion in Model C. Notice that the decline in federal corporate income tax collections is cushioned by declines in depletion allowance deductions ($119 billion to $114.9 billion) and in deductions for current and capitalized drilling costs. The value of these two deductions declines because both production and drilling are lower in Model D than in Model C. Also, discounted oil industry profits fall sharply when all taxes are imposed (compare Model A with Models B and C). In any case, the main effects of severance tax rate increases are to redirect (1) oil industry profits to the public sector and (2) tax payments from the federal level to the state level.

Although the specific way in which the model is parameterized may be responsible for the relative insensitivity of production to changes in oil prices and severance tax rates, results shown in Figure 9.1 and Table 9.3 are broadly consistent with U.S. experience over the past half-century. Figure 9.2 shows this by plotting total U.S. proven reserves (in billions of barrels), total U.S. production from proven reserves (in hundred millions of barrels), and the real price of crude oil (in year 2000 dollars).

Proven reserves stood at roughly 30 billion barrels from 1959 to1970, increased to nearly 40 billion barrels in 1971 with the discovery of oil in Prudhoe Bay, and then declined steadily thereafter to 20.9 billion barrels in 2007. Over this time period, production followed a similar pattern, remaining between 8 percent and 11 percent of reserves in each year; on average, production represented 9.2 percent of reserves with standard error

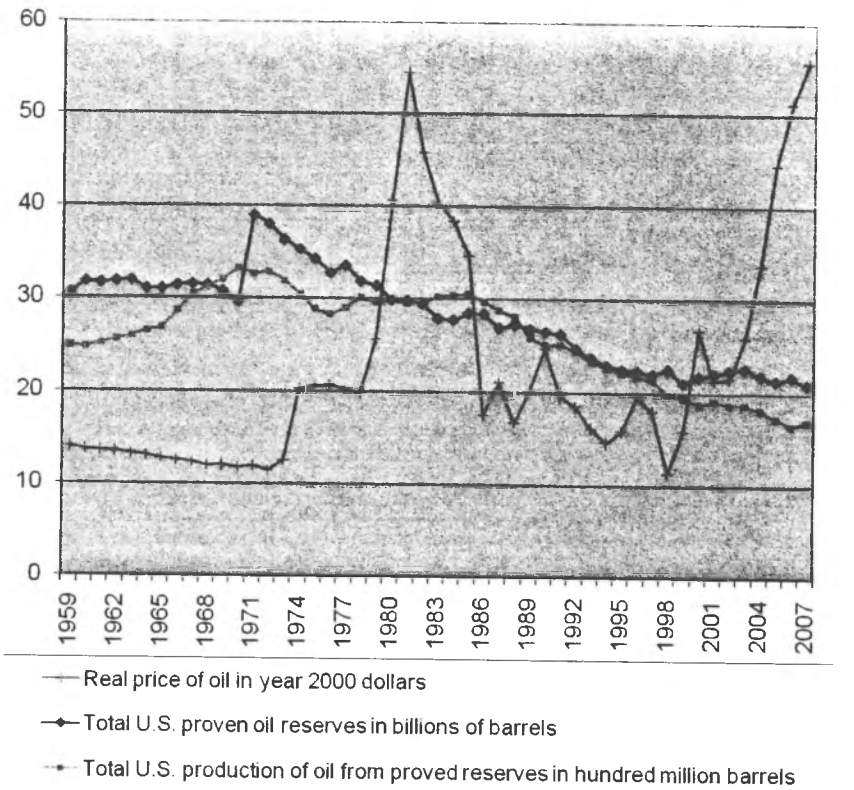

Figure 9.2. U.S. oil production has been insensitive to oil prices over the past 50 years.

of 1.34. Real crude oil prices, on the other hand, exhibited greater variability, but neither the spike in the late 1970s and early 1980s nor the price increase seen in recent years appears to have had much effect on production.

Drilling activity during the 110-year program shows greater percentage differences across the four models (see Figure 9.3 and Table 9.3) than were computed for production.

Model A has the most drilling in each year of the simulation period. Total drilling in Models B and C are lower by 13.3 percent and 20.0 percent, respectively, than in Model A, because the imposition of severance taxes reduces the future payoff from this activity. The effect of the 22 percent drilling expense credit in Model D is to increase drilling above the levels predicted for Model B, but still 13.3 percent below the level predicted for Model A. Total drilling over the 110-year simulation period (net of the starting value of 2 billion feet) is 4.5 billion feet for Model A, 3.9 billion feet for Model B, 3.6 billion feet for Model C, and 3.9 billion feet for Model D.

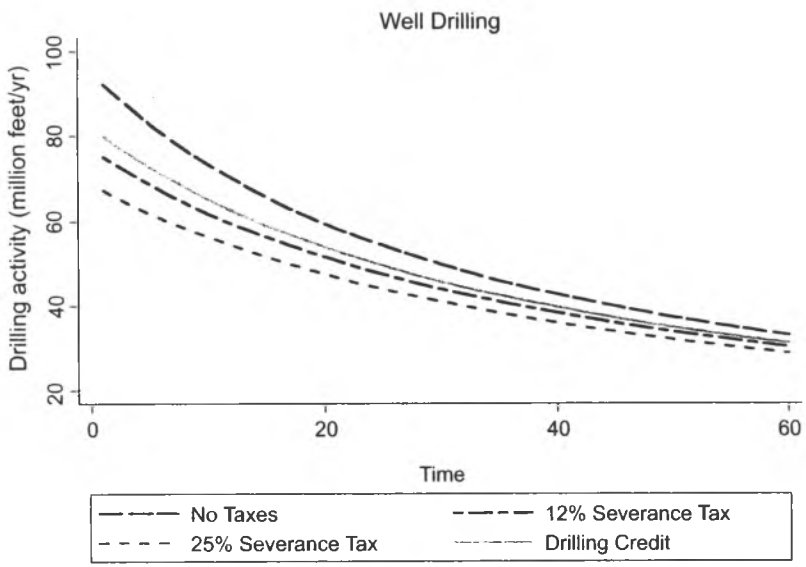

Figure 9.3. Drilling activity is more sensitive to the tax regime.

The figures presented in Table 9.3 imply that the long-run arc elasticity of footage drilled over the 110-year program with respect to the severance tax changes contemplated in Models B and C is −0.07. The corresponding price elasticity is 0.91. Thus, in percentage terms, drilling is more responsive to tax and price changes than is production. Figure 9.4 shows that these results are roughly consistent with the observed relationship between drilling footage and real oil prices (defined as in Figure 9.2) in the United States over the past 50 years.

As shown, drilling footage responds positively to changes in the real oil price, and a regression of the natural logarithm of footage drilled on the natural logarithm of the real price of crude oil yields a coefficient of the latter variable of 0.44 (t-statistic = 3.38). This estimate compares favorably with estimates produced by the simulation model.

Another perspective on the results for the time path of drilling and production can be obtained by focusing on the behavior of reserves. In all four models, initial reserves are set to 20 billion barrels. Drilling leads to annual reserve additions, and reserve additions are highest when more drilling is carried out. In consequence, reserve additions tend to be higher for Model A than for either Models B or C. Reserve additions also are higher for Model D than for Model B, again illustrating the effect of the drilling expense

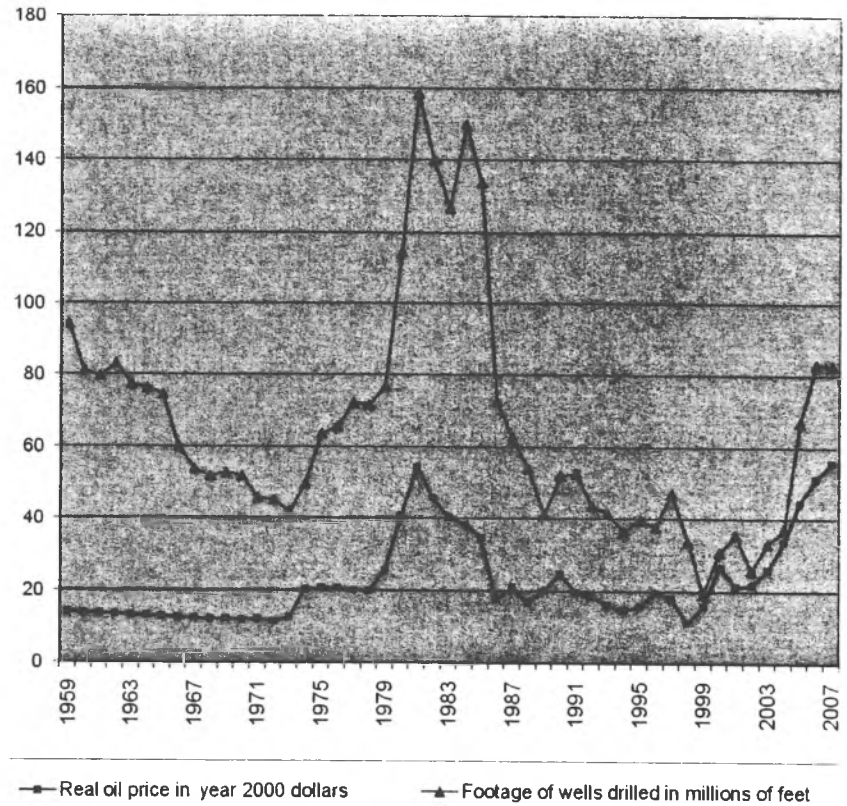

Figure 9.4. Price movements coincide with changes in footage of wells drilled.

subsidy. In all four models, however, annual reserve additions always are exceeded by annual production and thus reflect declining reserves over time. This outcome can be seen in Table 9.3 by comparing beginning reserves with the much smaller corresponding figures for ending reserves.[12] Moreover, this outcome is consistent with the previously discussed trends presented in Figure 9.2, which illustrate that U.S. proven reserves have declined by about 50 percent over the past half-century.

Table 9.3 presents additional information concerning the effect of the 22 percent drilling expense credit subsidy on drilling, production, reserves, and tax collections.[13] As discussed previously, the credit spurs drilling over

[12] The ending values for reserves reflect high-grading brought about by the severance tax, as discussed in the theoretical literature. For instance, ending reserves in Models B and C are 38 percent and 63 percent higher, respectively, than for Model A.

[13] Results presented below concerning effects of a drilling expense credit may also inform the current debate about the proposed elimination of the possibility to expense intangible

the life of the program, which adds to the reserve base and raises production (compare Models C and D). Discounted drilling expenditures rise by 29 percent ($20 billion), but because drilling expenditures rise at an increasing rate with footage drilled (see equation (9.10)), footage drilled rises by a smaller percentage (8 percent or 0.3 billion feet). The 0.6 billion barrel increase in production associated with the credit approximately offsets the effect on production of increasing the severance tax rate from 12 percent to 25 percent (compare Models B and D). Application of the credit results in 14 percent fewer remaining reserves at the end of the program (compare Models C and D) and roughly offsets the effect on ending reserves that results from the severance tax increase in Model C as compared with Model D.

The incremental production resulting from the drilling expense credit results in an increased present value of severance tax collections (gross of the credit) in Model D ($326.9 billion) as compared with Model C ($319.2 billion). Once the present value of drilling expense credits are subtracted, however, the net-of-credit present value of severance tax collections in Model D ($307.5 billion) ends up lower than in Model C by 3.7 percent, yet they are 93.4 percent higher in Model D than in Model B. Comparing Models D and C, $1.2 billion in lost severance tax revenue is regained through increased state corporate income tax collections; however, $5.9 billion in lost severance tax revenue is transferred to the federal government in the form of higher federal corporate income tax payments. In any case, the drilling expense credit results in a net loss in discounted state tax revenue of $10.5 billion. It costs about $17.50 in lost discounted state tax revenue (both severance tax and state corporate income tax) to produce an additional barrel of oil and about $35.00 of lost discounted state tax revenue to drill an additional foot. Additionally, each dollar of discounted state tax revenue lost because of the credit is associated with a $1.90 increase in drilling expenditures.

This outcome raises a question as to whether other public policy instruments, such as support for research to lower drilling costs or to increase finding rates, might spur drilling at lower cost to the state. Nonetheless, if a state's objective in granting the drilling expense credit is to gain support for increasing the severance tax rate from 12 percent to 25 percent, it is a relatively inexpensive concession. On the other hand, a state that expects the drilling expense credit to more than pay for itself through severance

drilling costs in computing federal corporate income tax liabilities. Both types of policies operate through α_D while leaving the other two tax parameters unchanged.

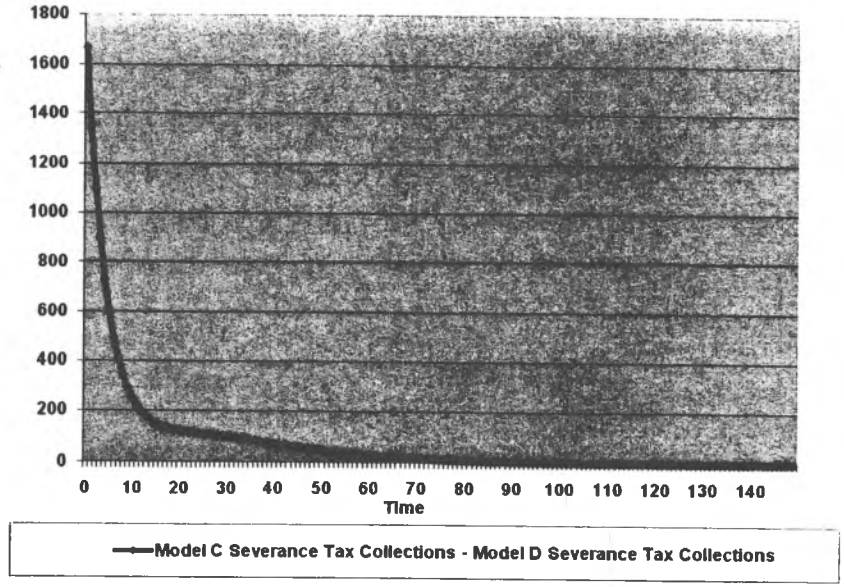

Figure 9.5. Discounted severance tax losses from the drilling expense credit accumulate over time.

tax collections will be disappointed because it simply generates too little incremental oil production. In fact, the drilling expense credit is not only cost-ineffective when evaluated over the entire program, it is cost-ineffective in each program year, as shown in Figure 9.5.

As can be seen from Table 9.2, the credit results in a 17 percent increase in drilling in year 1 (compare Models C and D), but no additional production and thus no additional revenue. Model D production begins to reflect the additional drilling in year 2 and exceeds that for Model C until year 48. During these years, severance tax losses in Model D compared to Model C are smaller than the value of the credit. As indicated, beginning in year 49, production in Model C is larger than that for Model D. Thus, in years 49 to 110, the loss in severance tax revenue in Model D compared to Model C exceeds the value of the credit.

A possible concern about these calculations is that they pertain to a model that is parameterized using U.S. oilfield data. In particular, one conjecture might be that a drilling credit might be financially more attractive in an area that has been less extensively explored, so that the marginal product of drilling in identifying new reserves would be higher. To check this idea, the simulation model was recalibrated by assuming that cumulative drilled footage prior to the start of the program was 500 million feet, rather than

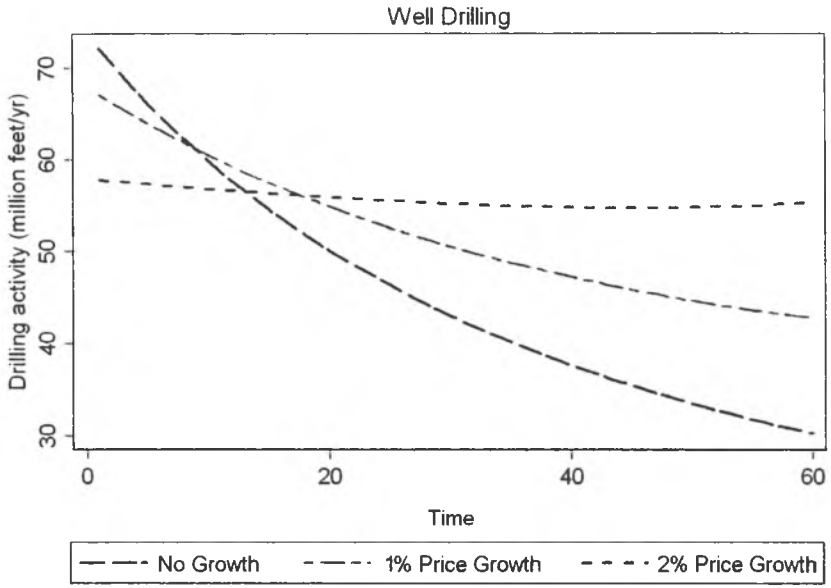

Figure 9.6. Oil drilling tilts to the future with exogenous growth in oil prices.

2 billion feet. This alteration roughly doubles the marginal product of drilling in identifying new reserves, which in turn stimulates drilling, reserve additions, and production. Therefore, Model C discounted severance tax collections are higher than those shown in Table 9.3. Model D discounted severance tax collections also are higher than in Table 9.3, but still lower than the comparable value for Model C. Thus, in both absolute and percentage terms, severance tax losses from the drilling expense credit are larger when cumulative footage drilled totals 500 million feet as compared with 2 billion feet.

It would also be of interest to construct a simulation using the actual path of oil prices over the last several decades. This price, however, exhibits sharp increases and decreases over time (see Figure 9.2), causing the simulation algorithm to break down. As a second choice, we performed a set of sensitivity analyses to reflect a forecast that oil prices will rise over time, at two exogenously given rates. Of course, with perfect foresight, prices cannot go up faster than the rate of discount, because then oil production will be postponed to the future. We thus assume exogenous growth rates in oil prices of 1 percent and 2 percent. As shown in Figure 9.6, drilling activity flattens out with a 2 percent growth in prices.

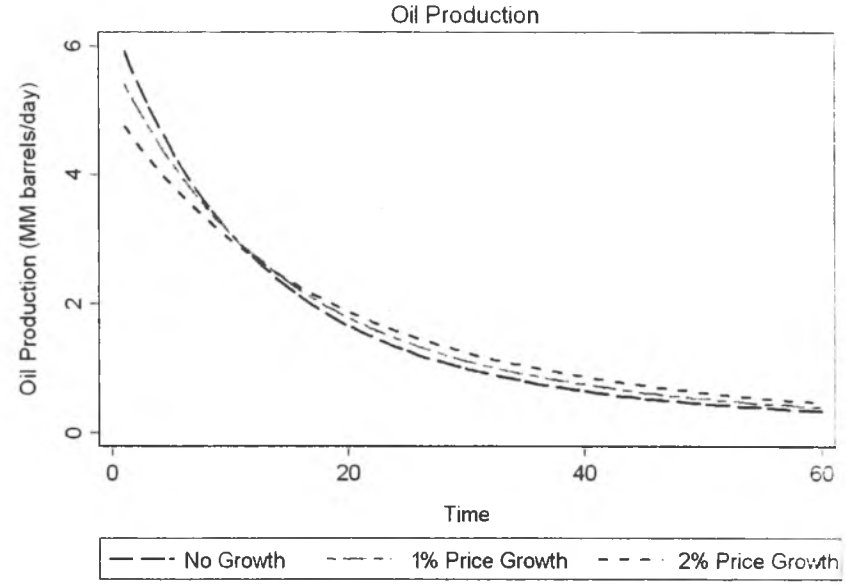

Figure 9.7. Oil production does not change appreciably with growth in oil prices.

However, oil production is relatively insensitive to oil price growth, as shown in Figure 9.7. This is because even though drilling activity shifts out to the future with an increase in prices, the decline in returns from cumulative drilling keeps production from leveling out in time. Production continues to fall, as in the case with constant prices. Figure 9.8 shows the change in reserve additions in the price growth scenario.

9.7 Concluding Remarks

This chapter described tax policies pursued by U.S. states that impact the oil industry. Three types of taxes are discussed: (1) the severance or production tax, (2) the property tax, and (3) the corporate income tax. The severance tax then is further analyzed in light of its widespread use in energy-producing states and its potential to generate revenues to support public services. The analysis is carried out using an adaptation of a conceptual model (Pindyck 1978) of exploration/development and production of exhaustible resources in which oil prices are taken as exogenous. This perspective is a useful simplification for an analysis of state taxes because no state produces enough oil to appreciably affect the world price. Simulations obtained from calibrating the model suggest that oil production volumes will be quite insensitive to

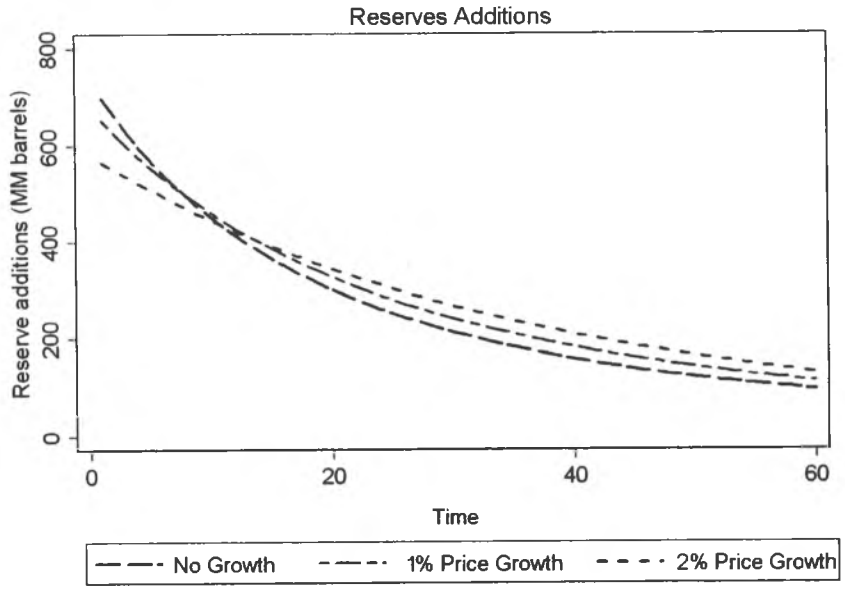

Figure 9.8. Reserve additions change only marginally with growth in oil prices.

price and severance tax rate changes. Thus, an increase in the severance tax rate is seen to generate proportionally more severance tax revenue, as its main effect is to redirect economic rents earned in the oil industry towards the public sector. An implication of this result turns out to be that the proposed elimination of the percentage depletion allowance, available to nonintegrated independent oil producers, may have much the same effect on production as a severance tax increase, although changes in the two types of tax measures may have quite different effects on the distribution of tax revenue between the state and federal levels of government.

Simulations based on the U.S. experience demonstrate that the credit for drilling expenses does turn out to increase drilling as intended. However, if the credit is applied in the United States, particularly in areas where a great deal of drilling has already occurred, its contribution to identifying new reserves may be rather limited. In other words, much of the continental United States has been extensively explored, so the chances of large oil discoveries probably are small. Simulations of the model show that the drilling expense credit does not generate enough incremental severance tax revenue to pay for itself. Additional work needs to be carried out to see whether alternative public policies to stimulate exploration and development might be more cost-effective as well as the extent to which the results presented continue to hold when the model is parameterized differently.

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EFFECTIVE TAX RATES ON OIL AND GAS PRODUCTION: A TEN STATE COMPARISON

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EFFECTIVE TAX RATES ON OIL AND GAS PRODUCTION:
A TEN STATE COMPARISON
DRAFT (28 APR 05)

1. Overview

The purpose of this report is to compare taxation of the oil and gas industry in ten major producing states: (1) Alaska, (2) California, (3) Colorado, (4) Kansas, (5) Louisiana, (6) New Mexico, (7) Oklahoma, (8) Texas, (9) Utah, and (10) Wyoming. In 2003, production of oil and gas varied considerably across these states. As shown in Table 1, Texas is the nation's leading state in both oil and gas production.

Table 1: Production of oil and natural gas for top producing states: 2003[a]

STATE	PRODUCTION OF NATURAL GAS (IN BCFs)	PRODUCTION OF CRUDE OIL (in thousands of barrels)
Alaska	456	355,582
California	323	250,000
Colorado	978	21,109
Kansas	384	33,944
Louisiana	1,225	90,111
New Mexico	1,493	66,130
Oklahoma	1,483	65,356
Texas	4,911	405,801
Utah	265	13,096
Wyoming	1,470	52,407

[a] Source: Energy Information Administration, U.S. Department of Energy, www.eia.doe.gov.

Utah produces the smallest quantities of oil and gas among the ten states listed.

Additionally, among major oil and gas producing states, tax structures vary considerably and tax bases interact, particularly between the state and federal level. For example, among the ten states listed in Table 1, all states except California levy severance

taxes against the value of production. Severance taxes dominate other forms of state/local taxation of oil in Alaska, Oklahoma, Texas, Wyoming, and Louisiana. Conservation taxes, levied by virtually all energy producing states on the value of production, are included in the analysis below but revenues generated by such taxes generally are relatively small. All of the ten states levy a corporate income tax that applies to oil and gas producers except for Wyoming and Texas. In some states, the federal corporate income tax liability is deductible in computing state corporation income taxes and in others it is not. While local governments in most of the states utilize some form of a property tax on oil and gas extraction equipment, property taxes on oil and gas reserves are levied only in California, Kansas, Texas, and Utah. Taxes on reserves provide operators with strong incentives to accelerate production at times when oil and gas prices are rising, as they attempt to reduce the extent of their tax liability. Most states treat royalty payments (computed as a percentage of gross value of production) for production on public land as deductible items in computing severance tax liabilities (Louisiana does not). Public land royalties are relatively more important in Alaska, Colorado, New Mexico, Utah, and Wyoming than in other states due to their large shares of publicly owned land. Also, states have granted innumerable exemptions and credits (which differ by state and year) against various tax liabilities for special situations that may be encountered by operators.

The myriad of exemptions, incentives, different tax bases, special features and frequent changes in tax laws, at both the state and federal government levels, create considerable complexity in understanding and tracking of tax law over time. Rather than itemize tax code details, economists have a simple and straightforward way of dealing

with taxes that does not require a comprehensive understanding of each state's tax law or an itemization of specific tax incentives. This method involves computation of what are called effective tax rates. Effective tax rates can be expressed as the ratio of taxes (or royalties) collected from a particular tax to the value of production. Thus, the calculation of effective tax rates fully account for all tax incentives granted against all types of taxes faced by oil and gas industry as well as the fact that different states compute tax liabilities based on values at different points in the production/distribution chain. Also, use of a common denominator (value of production at the wellhead) makes it easier to compare tax burdens between states, and for a given state, makes it possible to simply add effective property tax, severance tax, and royalty rates together if desired.

Effective rates are computed in this study for all types of taxes and royalties, except for state corporate income taxes. State corporate income taxes differ from other forms of state taxation of oil and gas, because production costs and other expenses are deductible items in determining liabilities. Because data on such costs are unavailable, only nominal state corporate income tax rates are presented.

Data on state severance taxes, state and local property taxes, and royalty payments for production on state lands are not available from a single source nor are they published in a common format. In consequence, these data were obtained by searching through state agency annual reports available on the internet and by directly contacting knowledgeable people in these agencies as questions arose. Information regarding nominal state corporate income tax rates was obtained from the Tax Foundation for the year 2003. Data on federal royalty payments from oil and gas production on federal lands, which consists of onshore mineral leases, Indian mineral leases, and leases on military

lands and National Petroleum Reserve Lands were obtained from the U.S. Department of the Interior, Minerals Management Service. The Energy Information Administration, U.S. Department of Energy publishes annual data on oil and gas production volumes together with average wellhead prices of oil and gas in each state. These data exclude oil and gas produced in the Outer Continental Shelf (OCS) that is not subject to taxation by states. Use of the Department of Energy data permits the wellhead value of production of oil and gas to be determined from a common source for each state in each year. These value of production figures are used as the denominators in making the effective tax rate calculations.

One aspect of data collection for state and local taxes was to ensure that the year of production matched to the year of valuation of tax liabilities or collection of tax revenue. In several states, state severance and/or local ad valorem tax collections are based on the previous year's production. Additionally, in the case of Wyoming, Texas and Louisiana adjustments were made to the tax revenue data to account for several large tax protests or appeals. In the latter two states, tax revenue is reported in the year of the legal settlement rather than adjusting revenue for the year in which the tax liability was generated. Accordingly, the data were adjusted to reflect the latter concept. In the case of Wyoming, tax revenue from tax protest and appeal settlements is assigned to the year the tax liability was created. Adjustments for tax protests and appeals were not possible for the state of Alaska and to some extent represent a potential source of error (probably small) in computing effective tax rates for all states.

Tax administration procedures created problems in several states with respect to being able to obtain tax data, particularly information on local property tax liabilities.

Property taxes are administered at the local government level, but in most states, at least in recent years, the state government has had an increasing amount of oversight. The oversight takes various forms from establishing property tax assessment procedures or assessing the property directly to collecting information and reporting statewide values of assessed property by category, including oil and gas extraction equipment, and average statewide mill levies for non-municipal property. This development makes it easier to compute effective property tax rates today as compared with earlier years when local assessor's offices were the only source of these data in many states.

2. Tax Rate Measurement in each State

The general aspects of the tax structure for each of the ten major producing states as it applies to oil and gas are outlined below for the years 2001-2003. The tax structures differ by state depending on the particular taxes employed and the base for each tax. The taxes relevant to oil and gas and selected additional data collection issues are discussed for each state below.

Alaska. Alaska has a state corporation income tax, a severance tax and a property tax on capital improvements and equipment. The federal corporation income tax is not deductible in computing state corporation income tax liabilities. Royalties from production on public lands are deductible in computing the severance tax. The state has an alternative minimum specific severance tax of $.80 per barrel or oil. In consequence, when the ad valorem tax falls below $.80/bbl., the specific tax is used. Most of the tax revenue and royalty information is available on the internet at www.revenue.state.ak.us. An explanation of the data was obtained from officials at the Alaska Department of Revenue, Oil and Gas Audit Division.

California. The focus of the tax analysis for California is oil since California is not a major gas producing state. At the state level the key tax on the oil industry is the corporation income tax; the federal corporate income tax is not deductible. There is no severance tax in California, although there is a conservation tax of $0.05/ bbl of production. The property tax is administered at the county level and includes surface property, equipment and the estimated value of mineral reserves. Since there are no statewide tax revenue data on oil property, information from Kern County, which accounts for seventy percent of oil production in California, was used to represent the state-wide average. A time series of the estimated property tax expressed in cents per barrel of oil produced was obtained from the Chief Appraiser, Oil and Gas Division of Mineral Rights, Kern County. Total state property tax revenue was estimated by multiplying the property tax per barrel times the total number of barrels of oil produced in California. Royalty information relating to production on public lands was obtained from the California State Lands Commission. The royalty rate for production on state lands is about eighteen percent with a floor of one sixth. However, California produces relatively little oil from state lands. Also, this floor can be reduced if it can be demonstrated by a study that it is economically feasible for old wells to continue production if the royalty rate is reduced. California's taxation of oil and gas differs substantially from the tax treatment applied in other states. Thus, California taxes on oil and gas should be compared to those levied in other states with caution.

Colorado. The state of Colorado levies a severance tax on the value of oil and gas produced. Tax rates range from 2%-5% depending on gross income from oil and gas sales of the producer. Local governments also levy a property tax on the value of land,

improvements and other property used in the production of oil and gas. Oil and gas land is valued differently than other classes of Colorado property subject to property taxation. Rather than being appraised according to its market value, the value of land producing oil and gas is calculated as a percentage of the sale price obtained for the product at the wellhead. The percentage of the sale price subject to taxation depends on whether the production is classified as primary or secondary. Working and/or royalty interest owners in Colorado are permitted take a credit of 87.5% of property taxes against their state severance tax liabilities. This means that the local property tax generates considerably more revenue than does the state severance tax. Data were taken from published records of the Colorado Department of Revenue, the Colorado Department of Local Affairs (Property Tax Division), Colorado Oil and Gas Conservation Commission, and the Colorado State Land Board. Comparatively little oil and gas production in Colorado occurs on state property, so state royalties account for only a small percentage of total public revenue generated by oil and gas activity.

Kansas. In Kansas, the key taxes at the state level are a severance tax on oil and gas production and a corporation income tax. Royalties from production on public lands are not deductible in computing severance tax liabilities. Royalties from production on state lands are unimportant, amounting to less than $80 thousand annually. A local property tax is levied on royalty, working interest, itemized equipment, and reserves in the ground. The Kansas Department of Revenue, Mineral Tax Bureau provided data on severance taxes. Property tax information was obtained from the Kansas Department of Revenue, Mineral Tax Division. Additional information was obtained from the Kansas Corporation Commission and from the Kansas Geological Survey.

Louisiana. The state of Louisiana levies a severance tax on the value of oil and the volume of gas production. Louisiana also levies a corporation income tax. Royalties from production on public lands are not deducted in computing severance tax liabilities. The federal income tax is deductible in computing state corporate income tax liabilities. The property tax is levied on oil and gas wells and surface equipment, and it is administered at the parish (country) level. The State Department of Revenue, Severance Tax Division provided the severance tax information. The Louisiana Tax Commission provided information about property tax collections. These data were used to calculate property tax liabilities for oil and gas combined. Information on royalties and production of oil and gas on state lands was provided by the State of Louisiana, Department of Natural Resources, Technology Assessment Division.

New Mexico. The state of New Mexico levies a number of separate production taxes on oil and gas, referred to as oil and gas extraction taxes. The taxes consist of the Oil and Gas Severance Tax, Oil and Gas Emergency School Tax, Oil and Gas A*d Valorem* Production Tax, and the Oil and Gas Production Equipment Tax. The revenues collected are reported for oil and gas combined. An additional tax is levied on natural gas, the Natural Gas Processors Tax. For purposes of the analysis here the separate taxes are combined to form one production tax whose effective tax rate is total tax collections per year divided by the annual value of production. The New Mexico Taxation and Revenue Department, Oil and Gas Division provided information concerning severance taxes. Royalties from production on public lands are deductible in establishing valuation for the production taxes. Information on royalties from production on state lands also was obtained from the New Mexico Taxation and Revenue Department. There is no separate

property tax on oil and gas equipment. Equipment is taxed through the Oil and Gas Production Equipment Tax mentioned above. Additionally, the state of New Mexico levies a corporation income tax. Federal corporate income tax liabilities are not deductible in computing the state tax liability.

Oklahoma. The state of Oklahoma levies a severance tax on oil and gas production, and a corporate income tax is applied. Royalties from production on public lands are deductible in computing severance tax liabilities, but federal corporate taxes are not deductible in the computation of state corporate income tax liabilities. The severance tax is levied in lieu of a property taxes, although a property tax is levied on equipment if a well is shut in for 13 consecutive months or more. In any case, the property tax generates little revenue and is ignored in the effective tax rate calculations. Severance tax revenue data were obtained from the Oklahoma Tax Commission. Data are reported for oil and gas combined. The Oklahoma Tax Commission provided the information to calculate the value of production from public lands, and the Commissioner of the Land Office provided the data on oil royalty and gas royalty from production on school lands in directly useable form.

Texas. The state of Texas levies a state severance tax on oil and gas production, and a property tax is levied at the local level on the estimated present value of minerals in the ground as well as structures and equipment. Severance tax revenue for oil and natural gas reported separately were obtained from published reports of the Railroad Commission of Texas and the Texas Comptroller of Public Accounts. The state does not levy a corporate income tax. Royalties from public lands are deductible in computing severance tax liabilities. In addition to a school property tax, counties and special districts levy

property taxes. School property tax revenue is available for oil and gas combined on an annual basis. At the recommendation of officials at the Texas Taxpayer and Research Association, school tax revenue was grossed up by five eighths to approximate total oil and natural gas property tax revenue statewide. This total was allocated between oil and gas based on the estimated gross value of oil reserves relative to gas reserves (price of oil, or gas, times the estimated volume of reserves, by year).

Royalties from production on state lands are allocated to The Permanent School Fund which was established to provide investment income to support public education for students in grades K-12, and the Permanent University Fund which has a similar purpose for public higher education in Texas. The data were obtained from the administrators of these funds.

Utah. The State of Utah levies a severance tax on oil and gas production at the state level. For oil, the tax rate is 3% of value of the first $13 per barrel and 5% of value above $13. For natural gas, the tax rate is 3% of value up to the first $1.50 per mcf and 5% of value above $1.50 per mcf. Information regarding severance tax collections on oil and gas combined was taken from the Annual Reports of the Utah Tax Commission. Severance tax collections on oil production then were separated from those on natural gas production using supplementary data on net taxable values furnished by the Commission. These supplementary data also contained information regarding royalties paid for production on federal, state, and tribal lands. Production of oil and gas on state land is relatively unimportant, but production from federal and tribal lands is much more prominent. Property taxes charged against oil and gas extraction and the value of reserves in the ground are taken from tables showing the total of such taxes charged against various

classes of property presented in the Utah Property Tax: Annual Statistical Reports for 2001, 2002, and 2003. Additional information on the Utah tax structure for oil and gas is available in the History of the Utah Tax Structure, compiled by the Utah Tax Commission. Utah levies a corporate income tax at the rate of 5%.

Wyoming. The state of Wyoming levies a severance tax on oil and gas production and a production tax is levied at the local level, too (the local *ad valorem* production tax). In Wyoming, royalty payments from production on state and federal lands are deductible in computing production tax liabilities. Data on royalty payments from production on state lands were obtained from the State Land Office. Additionally, a local government property tax is levied on oil and gas equipment, including drilling rigs, oil and gas well equipment, gathering lines and tank batteries. Total property tax liabilities were estimated by year by multiplying the total statewide assessed valuation for oil and gas equipment combined by the average statewide mill levy for all purposes (not including municipality levies). The total estimated property tax liability for oil and gas equipment combined was portioned between oil and gas based on the annual value of oil production and natural gas production in Wyoming. The average effective property tax rate on equipment is expressed as the ratio of the estimated tax liability for oil (or gas) equipment to the value of oil (or gas) production. Wyoming does not levy a state corporation income tax. The tax data were obtained from the Wyoming Department of Revenue. The average effective tax rate is expressed as the ratio of taxes collected to total value of production for both the state severance tax and the local *ad valorem* tax.

3. Comparison of Effective Rates of Oil and Gas Taxation

State tax structures are compared based on effective rates of taxation. These

effective rates fully account for all tax incentives that have been granted to oil and gas operators in each state. Thus, the effective rates calculated generally are lower than the nominal rates of tax that would prevail if no incentives had been granted. Effective rates were computed annually for the period 2001-2003 and are shown in Table 2. Effective tax rates for oil and gas are presented for those states that provide separate collections information. Federal royalty information was available from the U.S. Department of Interior, Minerals Management Service only for the year 2001. In the case of production and property taxes, and state and federal royalties, the effective tax rate is the ratio of tax collections or liabilities to gross value of production.

Comparisons of the effective tax rates highlight the substantial differences in the tax structures of the energy producing states, and in the relative importance of production on public lands. Beginning with oil, Table 2 shows that Wyoming relies on state and local production taxes as major sources of oil revenue. Royalties from production on public lands are a major revenue source for the federal government, as a large share of Wyoming's oil and gas production is on federal land. State production and local property taxes are the major revenue sources in Texas. In the case of Louisiana, state production taxes and royalties from production on state lands and waters are the important sources of revenue. Louisiana also levies a state corporation income tax. In Oklahoma, the state production tax is most important. Oklahoma also levies a state corporate income tax. Property and production taxes are major revenue sources in Kansas and a corporate income tax is levied. The state production tax and royalties from production on state lands are most important in Alaska, and a corporate income tax exists. In California the property tax on reserves is most important and a corporation tax is levied. Royalties from

production on state lands have diminished in importance in California over the past 20 years. In New Mexico, production taxes and royalties from production on both federal and state lands are important, and a corporation income tax exists. In Colorado, the property tax is most important and the state levies a corporate income tax. Utah's effective severance tax rates on oil and gas production are in the 3.5%-4% range and the state levies a 5% corporate income tax.

Another useful perspective is a comparison of each source of revenue across states. Regarding production taxes, the effective taxes are highest in Alaska, Wyoming (state and local combined) and Louisiana, all with effective tax rates in excess of ten percent in 1997. Effective rates are lowest in Colorado, Utah, Kansas, and Texas. California does not levy a production tax on oil and gas. In 2003, effective property tax rates were highest in Colorado (4.7%), Kansas (5.4%), and California (3.4%). The highest effective tax rates on operating profits of the oil and gas extraction industry, and industry in general, are levied in Alaska and California. Again, Texas and Wyoming do not levy corporation income taxes. The key factor determining effective royalty rates is the volume of production on public lands. In 2003, Alaska (9.3%), and Louisiana (4.6%) had the highest effective state royalty rates. In 2001, the highest effective federal royalty rate occurs in Wyoming (7.1% for oil and 9.1% for gas) followed by New Mexico (5.0% for oil and 9.6% for gas) and Utah (4.4% for oil and gas combined).

The tax structures for natural gas are quite similar to oil, although nominal production tax rates differ between oil and gas in some states. Notable differences occur in Louisiana in which the severance tax is levied on the value of oil production, but on the quantity of gas produced. State corporate income tax rates are the same for natural gas

and oil.

A comparison of effective rates by tax across states shows a pattern somewhat similar to oil. In 2003, Wyoming (state and local combined) and Texas had the highest effective tax rates on natural gas production, 10.1% and 8.1%, respectively. Effective state royalty rates were highest in Louisiana and New Mexico, and federal rates were highest in Wyoming, Utah, and New Mexico, reflecting the importance of production on public lands in these states.

Extending the comparisons of taxes among the energy producing states further, to the point of ranking states in terms of their total or cumulative tax burden on the oil and gas extraction industry, is not particularly fruitful and may be misleading. The three types of taxes, production, property and income, have different effects on production, exploration and development. Moreover, extraction, exploration and development costs differ among the energy producing states, too. Stated differently, state and local taxes are but one element affecting decisions to produce, explore and develop nonrenewable resources and should not be considered in isolation from other key factors.

One form of inter-state tax comparison, called hypothetical tax bill studies, is based on a profile of a hypothetical firm, producing a certain amount of product, generating a given amount of sales revenue with specified capital, labor and other costs. Hypothetical tax bills are calculated for this firm based on the tax structures of different states in which the firm might locate. There are several important problems associated with such studies. First, the analysis assumes that all costs except taxes are the same across states, and normally this is an incorrect assumption, particularly in the case of oil and gas exploration, development and production. Second, such studies assume that the

firm uses the same factor inputs in the same proportions, such as capital and labor, irrespective of the geographic location. Stated differently, it is assumed that the production function is fixed and identical irrespective of where the firm locates. Again, this is usually an incorrect assumption, particularly since production costs differ across locations. Finally, the hypothetical firm seldom exists, and it is misleading to infer tax or other costs for other plant or firm profiles different from the hypothetical firm created for the tax comparison.

Table 2: Effective Tax and Royalty Rates for Selected States, 2001-2003

Alaska

Year	*Production Oil*	*Property Oil*	*State Corporate Petroleum*	*State Royalty Oil*	*Federal Royalty Oil*
2001	0.105	<0.01	0.050	0.116	<0.01
2002	0.067	<0.01	0.024	0.079	<0.01
2003	0.094	<0.01	0.017	0.0934	<0.01

California

Year	*Property Oil*	*State Royalty Oil*	*Conservation Tax*	*Federal Royalty Oil*	*Corporate Income*
2001	0.035	0.01	<0.01	<0.01	
2002	0.031	0.01	<0.01	<0.01	
2003	0.038	0.01	<0.01	<0.01	8.84%

Colorado

Year	*Production Oil and Gas*	*Property Oil and Gas*	*State Royalty Oil and Gas*	*Federal Royalty*	*Corporate Income*
2001	0.016	0.046	<0.01	0.018	
2002	0.014	0.047	<0.01		
2003	0.010	0.047	<0.01		4.63%

Kansas

Year	*Production Oil and Gas*	*Property Oil and Gas*	*State Royalty Oil and Gas*	*Federal Royalty Oil and Gas*	*Corporate Income*
2001	0.042	0.044	<0.01	<0.01	
2002	0.030	0.043	<0.01		
2003	0.027	0.054	<0.01		4%-7.35%[a]

[a]nominal rate depends on amount of corporation income

Louisiana

Year	*Production Oil*	*Production Gas*	*Property*	*State Royalty Oil*	*State Royalty Gas*	*Federal Royalty Oil*	*Federal Royalty Gas*	*Corporate Income*
2001	0.128	0.020	<0.01	0.048	0.043	<0.01	<0.01	
2002	0.109	0.032	<0.01	0.043	0.043			
2003	0.115	0.020[a]	<0.01	0.046	0.042			4%-8%[b]

[a]natural gas taxed by volume, not according to value
[b]nominal rate depends on amount of corporation income

New Mexico

Year	*Production Oil and Gas*	*State Royalty Oil and Gas*	*Federal Royalty Oil*	*Federal Royalty Gas*	*State Corporate Income[a]*
2001	0.081	0.036	0.050	0.096	
2002	0.074	0.035			
2003	0.079	0.026			4.8%-7.6%

[a]nominal rate depends on amount of corporation income

Oklahoma

Year	*Production Oil and Gas*	*State Royalty Oil and Gas*	*Federal Royalty Oil and Gas*	*Corporate Income*
2001	0.094	<0.01	<0.01	
2002	0.068	<0.01		
2003	0.064	<0.01		6.0%

Texas

Year	*Production Oil*	*Production Gas*	*Property Oil and Gas*	*State Royalty Oil and Gas*	*Federal Royalty Oil and Gas*
2001	0.045	0.051	0.030	<0.01	<0.01
2002	0.035	0.042	0.024	<0.01	<0.01
2003	0.042	0.055	0.029	<0.01	<0.01

Utah

Year	*Production Oil*	*Production Gas*	*Property Oil and Gas*	*State Royalty Oil and Gas*	*Federal Royalty Oil*	*Federal Royalty Gas*	*Corporate Income*
2001	0.035	0.039	0.014	<0.01	0.023	0.053	
2002	0.035	0.032	0.019	<0.01			
2003	0.038	0.038	0.011	<0.01			5.0%

Wyoming

Year	*State Production Oil*	*State Production Gas*	*Local ad valorem Oil*	*Local ad Valorem Gas*	*Local Property*	*State Royalty —Oil and Gas*	*Federal Royalty Oil*	*Federal Royalty Gas*
2001	0.060	0.059	0.054	0.062	<0.01	<0.01	0.071	0.091
2002	0.045	0.034	0.058	0.062	<0.01	<0.01		
2003	0.049	0.038	0.059	0.063	<0.01	<0.01		

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STATE TAXATION, EXPLORATION, AND PRODUCTION IN THE U.S. OIL INDUSTRY

Abstract

How do firms in nonrenewable resource industries respond to changes in state taxes? This paper employs state-specific estimates of Pindyck's (1978) widely cited model of natural resource supply to simulate effects of changes in state production (severance) tax policy on the timing of exploration and output by firms in the U.S. oil industry. The framework developed can be applied to any of 15 states that produce significant quantities of oil, and allows for interactions between taxes levied by different levels of government. Results of this study suggest that oil production is highly inelastic with respect to changes in production taxes. A production tax rate increase is shown to decrease early period exploration effort, affect little change in reserve additions and future production, and substantially increase discounted tax revenue. Policy implications of this outcome suggest that state officials may consider raising production tax rates as a way to increase revenue while risking little in the way of loss to future oil activity.

1. Introduction

How do firms in nonrenewable resource industries respond to changes in state taxes? It may be tempting to look for answers to this question in the empirical literature on effects of state taxation (see, for example, Bartik 1985, Helms 1985, Papke 1991, 1994, and Holmes 1998). These papers focus on firms with mobile capital that choose where to locate on the basis of factors affecting revenues and costs. This perspective, however, is not particularly relevant when looking at the behavior of firms extracting nonrenewable natural resources. Such firms cannot change location because they are tied to a geographically immobile reserve base that makes up a key component of their capital stock. On the other hand, extractive firms can and probably do alter the timing of their activities when state taxes and other public policies change. Yet, little is known about the extent to which they do this even though commercially valuable deposits of natural resources are found in most U.S. states and some states such as Texas, Oklahoma, Louisiana, Wyoming, and Alaska rely heavily on taxation of oil, gas, and/or coal production to fund public services.

This paper uses state-specific estimates of Pindyck's (1978) widely cited model of natural resource supply to simulate effects of changes in state production (severance) tax policy on the timing of exploration and output by firms in the U.S. oil industry. The framework developed can be applied to any of 15 states that produce significant quantities of oil, and allows for interactions between taxes levied by different levels of government. It is arguably superior to and more comprehensive than previous efforts to develop econometric and/or simulation models of taxation and natural resource exploration and production. For example, Deacon, DeCanio, Frech, and Johnson (1990)

and Moroney (1997) focus only on one state (California and Texas, respectively), and estimate econometric equations that may not be consistent with a dynamic profit-maximizing framework. Pesaran (1990) estimates an econometric model of offshore oil production in the UK that can be better justified theoretically, but does not consider the role of taxes. Simulation studies conducted by Yucel (1989) and Deacon (1993) examine effects of various types of tax changes on exploration and production, but do not consider interactions between tax bases claimed by different levels of government. Additionally, these studies do not allow for possible interstate differences in exploration and extraction costs and are aimed mainly at assessing the generality of theoretical results obtained in more limited settings (see, for example, Burness 1976, Conrad and Hool 1980, and Heaps 1985) rather than analyzing possible outcomes of changes in state tax policies.

Results of this study suggest that oil production is highly inelastic with respect to changes in production taxes so deadweight losses from altering these taxes are likely to be small. As a consequence, state officials may consider raising production tax rates as a way to increase revenue. It is worth noting in this context that because state production taxes are deductible against federal corporate income tax liabilities, increases in production tax rates increase state revenues partly at the expense of federal tax collections. These points are more fully discussed in Section 3 after developing the framework for the simulation model in the next section.

2. The Simulation Model

This section shows how Pindyck's (1978) model of nonrenewable resource development is adapted to simulate effects of state production tax changes. The

discussion begins with a brief overview of the Pindyck model and then discusses estimation of key equations and tax parameters.

Conceptual Model

The model assumes that perfectly competitive producers maximize the discounted present value of future operating profits from the sale of resources and because one such firm is chosen to represent the industry, the common pool problem and well-spacing regulations are not considered (see McDonald 1994 for discussion of these issues). The firm's problem is to take the future time path of output prices and taxes as given and then choose optimal time paths for exploration and production. This approach is similar to that taken in previously cited econometric studies of effects of changes in state tax policy on state economic growth and ignores the possibility that choices of tax bases and rates are endogenous (i.e., that governments consider the firm's objective function in choosing taxes that maximize community welfare). Also, the model defines exploration to include resource development, although the two activities clearly are not the same (Adelman 1990). The aim of exploration is to add to the reserve base, which as indicated in the introduction, is a form of geographically immobile capital.

The firm's maximization problem is

$$\max_{q,w} \Omega = \int_0^\infty [qp - C(q,R) - D(w) - \gamma R]e^{-rt}\, dt \tag{1}$$

subject to

$$\dot{R} = \dot{x} - q \tag{2}$$

$$\dot{x} = f(w,x) \tag{3}$$

$$q \geq 0, w \geq 0, R \geq 0, x \geq 0 \tag{4}$$

where a dot over a variable denotes a time rate of change, q denotes the quantity of oil extracted measured in barrels, p denotes the exogenous market price per barrel net of all taxes, $C(\cdot)$ denotes the total cost net of taxes of extracting the resource, which is assumed to depend on production (q) and reserve levels (R), $D(w)$ denotes total cost of exploration for additional reserves net of taxes, w denotes exploratory effort, γ denotes the net of all tax constant effective property tax rate on reserves, r denotes the discount rate which represents the risk-free real rate of long-term borrowing, x denotes cumulative reserve additions (discoveries), $f(\cdot)$ denotes the production function for gross reserve additions ($\dot{x}$), and $\dot{R}$ denotes reserve additions net of production (q).[1] In this formulation, the net-of-tax price per barrel is related to the wellhead (pre-tax) price (p^*) according to $p = \alpha_p p^*$, where α_p is a tax policy parameter such that $0 < \alpha_p < 1$. Correspondingly, $C(q,R) = \alpha_c C^*(q,R)$ and $D(w) = \alpha_D D^*(w)$, where α_c and α_D also are tax policy parameters that lie on the unit interval. These tax policy parameters are discussed more fully later on in this section.

Model Implementation

To implement the model, equations for exploration costs (D^*), production of reserve additions (f), and extraction costs (C^*) are estimated and then substituted into the model along with estimates of the tax parameters α_p, α_c, α_D, and γ. Effects of tax changes then are obtained by simulation. Estimates of the tax parameters are described first followed by discussion of estimates of equations for D^*, f, and C^*.

Tax Parameters

General considerations in developing estimates of the four tax policy parameters for major oil producing states are briefly outlined below and technical details are described in Appendix A. Among major oil producing states, tax structures vary considerably and tax bases interact, particularly between the state and federal level. For example, among the eight states responsible for about 89% of U.S. oil production (Alaska, California, Kansas, Louisiana, New Mexico, Oklahoma, Texas, and Wyoming), all states except California levy production taxes against the value of output. Production taxes dominate other forms of local taxation in Alaska, Wyoming, and Louisiana. Most states do not levy property taxes on the value of reserves in the ground (Texas and California do). Most states treat royalty payments (computed as a percentage of gross value of production) for production on public land as deductible items in computing severance tax liabilities (Louisiana does not). Public land royalties are prominent in Alaska, New Mexico, and Wyoming due to the large shares of publicly owned land. Most states levy a corporate income tax that applies to oil operators (Wyoming and Texas do not). Also, states have granted innumerable exemptions and credits (which differ by state) against various tax liabilities for special situations that may be encountered by operators. Within states, counties apply their own mill levies to compute property taxes on equipment at different rates. However, taxation of structures and equipment are usually less important than other sources of revenue and are ignored below.

Regarding federal taxes, all incorporated producers file federal corporate income tax returns that allow deductions for various types of operating costs and for state and local tax payments. Independent producers (those without downstream refining or retail

interests) are permitted to take a percentage depletion allowance, while major producers are allowed only cost depletion, which is significantly less generous. Both major and independent incorporated producers can expense intangible drilling costs incurred on their federal corporate income tax returns. The fact that some smaller producers are not incorporated and may therefore face alternative state and federal tax treatment is ignored.

The myriad of state-specific special features described above creates considerable complexity in tracking tax law over time. Rather than itemize tax code details, effective tax rates are used to translate dynamic tax policy into a tractable form. Effective rates can be expressed as the ratio of taxes (or royalties) collected from a particular tax to the value of production. Thus, the calculation of specific effective tax rates fully account for exemptions, incentives, different tax bases, and frequent changes in tax law both at the state and federal level. For a detail account of the taxation of the oil industry see Gerking, Morgan, Kunce, and Kerkvliet (2000), Chapter 2.

Marginal Cost of Reserve Additions

The before-tax marginal cost of reserve additions (D_w^* / f_w) is computed from estimates of equations for drilling costs and for the production of reserve additions. Drilling costs are assumed to be proportional to drilling effort as shown in equation (5)

$$D^*(w) = \phi w e^u \tag{5}$$

where ϕ is the parameter to be estimated and the disturbance term e^u is lognormally distributed with mean of unity and variance σ_u^2. The production function for reserve additions is specified as

$$f(w, x) = A w^{\rho} e^{-\beta \cdot x} e^v \tag{6}$$

where A, ρ, and β are parameters to be estimated and the disturbance e^{v} is assumed lognormally distributed with mean of unity and variance σ_v^2. Equation (6) is similar to the equation describing the discovery process proposed by Uhler (1976) and later adopted by Pindyck (1978) and Pesaran (1990). The idea behind this equation is that the marginal product of exploration declines as reserve discoveries cumulate.

Estimation used annual data from the 15 U.S. states for which complete information on variables needed could be assembled for the period 1970-98.[2] These states accounted for 96.5% of total U.S. oil production over this time period. Drilling costs are measured by total real costs (both tangible and intangible) of each well completed, including dry holes.[3] Nominal cost values were deflated using the 1995 GDP deflator. Oil reserve additions are defined as extensions, new field discoveries and new reservoir discoveries in old fields. The total number of wells drilled for each state since 1859 (when the first oil well was drilled in Pennsylvania) is used as a proxy for x. Data sources and sample means of variables used in the analysis are presented in Table 1.

Equation (5) and equation (6) were estimated in natural logarithms. Both equations used an instrument for the number of wells drilled because w is an endogenous variable in the model presented in Section 2. The instrument was obtained from the predicted values from a regression of the number of wells on cumulative drilling and the wellhead price as shown in Appendix A. Estimates of the drilling cost equation, equation (5), are obtained by regressing drilling cost per well on dummy variables for states and years. Coefficients of state and year dummies are jointly significant at the 1% level and the R^2 is 0.90. The idea behind using this approach is to get state- and time-specific estimates of ϕ. This parameter is expected to vary across states because of differences in

geologic conditions, geographic remoteness of on-shore oil resources, and whether drilling occurs in off-shore coastal waters (note that most states in the data set are landlocked). Time varying factors common to all states may include technological advancement and macroeconomic cycles. State-specific estimates of ϕ test different from each other, except Texas and Oklahoma, at the 5% level.

Estimates of equation (6), shown below in equation (7), allow for state-specific intercept terms (time-specific effects were jointly insignificant), common slope coefficients across states, and are corrected for first-order serial correlation (ρ =0.431).

$$\ln(ADDED\ RESERVES) = \ln A + \underset{(t)\ (5.33)}{0.69*\ln(PREDWELLS)} - \underset{(-1.37)}{0.000006*CWELLS}. \quad (7)$$

State-specific estimates of A are jointly significant at the 1% level and $R^2 = 0.40$.[4] These results show that the marginal product of drilling (f_w) decreases with wells drilled as well as with cumulative drilling, although the coefficient of cumulative drilling is insignificant at conventional levels.

Estimates of equations (5) and (6) combined show that the marginal cost of reserve additions (D_w^*/f_w) increases with drilling activity. As w increases, the marginal cost of drilling is constant, but the marginal product of drilling in finding new reserves (f_w) falls. Table 2 reports values of D_w^*, f_w, and D_w^*/f_w by state for seven major oil producing states. These estimates use 1998 values for numbers of wells drilled and cumulative drilling and are corrected for conversion from logarithms (see Greene 1997, p. 279). Estimates of D_w^* and f_w reflect considerable variation across the seven states. Estimates of marginal drilling cost range from $127,943 in Kansas to $1,218,758 in Louisiana. Marginal reserve additions from drilling (f_w) range from 7,460 barrels in Kansas to 64,862 barrels in Louisiana. Thus, while drilling in Louisiana is relatively

more expensive than in Kansas, Louisiana experiences a greater payoff from these more costly exploration and development efforts. Values of D_w^*/f_w for the seven states range from a low of $17.15 per barrel in Kansas to a high of $26.04 in Texas.

Extraction Costs

Because data on oil extraction costs are weak, $C(q, R)$ could not be econometrically estimated. Instead, this equation was calibrated for each state with a Cobb-Douglas functional form using methods described in Deacon (1993). Cost parameter calibration specifics are described in Appendix A. Results show that the 1998 marginal extraction costs range from a low of $4.89 per barrel in Kansas to a high of $8.81 per barrel in Louisiana. Additionally, the Cobb-Douglas form implies that extraction costs rise without limit as reserves approach zero and that a positive level of reserves will remain at any terminal time T. Thus, boundary conditions used in the simulations reported in Section 3 allow production to continue after incentives for further exploration vanish so that the terminal date for the exploration/production program must be set arbitrarily. This fixed program period could be interpreted as the producer's relevant planning horizon.

3. Simulation Results

The model presented in Section 2 can be simulated to obtain responses of exploration and production to changes in various types of taxes in any of 15 oil producing states. Simulations presented below focus on production tax changes in Wyoming. The production tax is the most important tax levied on the oil industry by oil producing states (see Section 2) and changes in production taxes turn out to have quite similar effects in all major oil producing states so results from one state are used to represent the others

(for results of tax changes in other major oil producing states, see Gerking, Kunce, Morgan, and Kerkvliet 2000). Also, simulations reported are based on the assumption that tax changes in one state do not affect the wellhead price of oil seen by operators in other states. This assumption probably is not unreasonable in view of the fact that oil prices are internationally determined and even the largest producing U.S. state (Texas) accounts for only a small percentage (4.2% from 1970-98) of world output.[5] Moreover, as shown below, tax changes considered lead to comparatively small changes in output, so these interstate effects are not likely to be important in any case.

Simulations for Wyoming were performed using the instrumental variable estimates of equations (5) and (6), the calibrated production cost function and the tax parameters, both derived in Appendix A. The discount rate, r, was set at 4% to reflect the risk-free real rate of long-term borrowing and the future price path was fixed at $23.00 per barrel each year reflecting the real sample mean for all 15 states. Other price trajectories were simulated, but the alternative paths have little or no effect on the comparative results presented below. The initial value of reserves and cumulative wells drilled were fixed to year-end 1998 levels at 550 million barrels and 40,439 wells, respectively. To obtain numerical solutions for the optimal time paths of drilling, production, and reserves, difference equation approximations are derived for the time rates of change in exploratory effort ($\dot{w}$), production ($\dot{q}$), and for the state variable evolution equations (2) and (3). For example, the evolution of reserves, equation (2), is approximated by the difference, $R_{t+1} - R_t = f_t - q_t$. The model is then solved recursively by iterating over the initial values of the control variables, q and w, until transversality conditions are satisfied. Under these base conditions, exploratory effort approaches zero

after approximately 40 years, thus the terminal time is set to 40 periods. The solver algorithm in Microsoft Excel was used to generate numerical solutions.

Before the simulation results are discussed, a historical analysis of Wyoming's oil experience is warranted. Figure 1 depicts the actual time paths of real price, drilling, production, and reserves for Wyoming from 1970-98. In this figure, the vertical axis shows price per bbl (dotted line) in \$1995 $\times$ 10, drilling (dashed line) in total wells, production (solid line) in bbls $\times$ 10^5, and reserves (bold line) in millions of barrels (MMbbls). In reviewing these data, several observations are noteworthy. Historical drilling appears sensitive to price. Total wells drilled increases markedly during the high price period of the early 1980s. Extraction activity, however, appears to map the declining proved reserve level in the state. In fact, oil production continued to decline during the late 1970s and early 1980s even though real prices increased 2 1/2 fold. The increased drilling experienced in the early to mid 1980s failed to replenish the depleting oil reserve in the state and production closely followed the reserve decline.

This apparent historical insensitivity of production to changes in price raises an interesting policy question: If severance tax changes are reflected in net price (as modeled in section 2), what are the effects of a severance tax increase? Many oil states, as previously described — including Wyoming, rely heavily on production taxes to fund local public goods and officials may have incentives to raise production taxes for the revenue. The inherent trade off to severance tax increases is the purported loss of economic activity generated by the industry within the state. To examine this, the first simulation conducted shows the effects of *doubling* Wyoming's effective state severance tax rate for the full 40-year program. Results detailing the simulated differences in the

timing of drilling, production, and discounted severance tax revenue for the full tax interaction model (outlined above) are presented in the top section of Table 3. Comparative individual program year results, divided into 10-year increments, show that doubling the state severance tax markedly decreases early period drilling. Drilling decreases by 19.4% in the first year of the simulated program and this difference converges to zero by year 40. Interestingly, 10 year fractional results show that 63.8% of the total 1208 well decrease occurs in the first 20 years of the program. Figure 2 graphically compares the effects of the tax increase (dotted line) to the base drilling solution (bold line). With less drilling in the early years of the program, fewer new reserves are identified and, as shown in Figure 3, future production of oil slightly diverges downward from the base solution. Production results presented in Table 3 show this gradual divergence — a 2.4% drop in year one falling to an 11.8% decline in year 40. Through the life of the program, doubling the state severance tax decreases total production by about 48 MMbbls or 5.7% below the base solution.

The largest change associated with doubling the state oil severance tax appears to come from discounted severance tax collections. As shown in Table 3, the tax increase results in an increase in the present value of Wyoming severance tax collections from $609 million to $1165 million, an increase of over 91%. The majority (87.6%) of this $556 million increase occurs in the first half of the simulated program due to the relatively small production loss generated by the tax increase and discounting. Because severance taxes are deductible in computing federal corporate income tax liabilities, discounted tax payments to the federal government decrease by $60 million or about 11% below the base simulation. Also, the severance tax increase transfers local government

revenue to the state because of the production decline. Discounted local production taxes decrease by $34 million or 5% below the base solution. The same can be said for discounted public land royalties which decrease by 4.6% ($50 million) because of the decrease in future production.

The tax interactions described above highlight a key feature of the model developed here — oil producers do not face the full effect of an increase in the severance tax rate. As shown, tax base and rate interactions partially offset the pure-effect of the severance tax rate increase. To illustrate this clearly, counterpart simulations were conducted where all tax effects, other than state level production tax rates, were effectively *zeroed out*. The lower section of Table 3 presents the counterpart Wyoming results. When all tax interactions are ignored, doubling the state severance tax decreases relative drilling by 32.8% and production by 11.2%, a decrease in activity roughly 2 times larger than found in the full tax interaction model examined above. Timing effects are similar to the full tax interaction model results. Because the severance tax increase now invokes a larger production loss, discounted state severance taxes increase by 83% as compared to the 91% increase in the full tax interaction model. Analyzing taxes individually appears to overstate the affects on exploration and production by ignoring potential offsets and tax base interactions. These results suggest that taxes should not be analyzed independently without careful reference to the entire tax structure applied by all levels of government.

General results of this study suggest that oil production is highly inelastic with respect to changes in production taxes. This inelastic response may provide incentives for state officials to substantially increase these taxes risking little in the way of reduced

industry activity while gaining much needed tax revenue. State severance tax increases clearly reduce the net price faced by producers but it is reserves, not net price, that drives production in this industry. Moreover, the effects of increased state severance taxes are partially offset by reduced tax collections by all other levels of government.

4. Conclusions

This paper has adapted Pindyck's (1978) model of nonrenewable natural resource production to take account of taxation at the federal and state-local government levels. Equations of the model are estimated from panel data on production, exploration and reserve additions for 15 states over the period 1970-98. The model is designed so that effects of changes in existing state production tax rates on the timing and evolution of exploration and production can be simulated into the mid-21st century. Results of this study suggest that oil production is highly inelastic with respect to changes in production taxes. A production tax rate increase is shown to decrease early period exploration effort, invoke little change in reserve additions and subsequently future production, and substantially increase discounted tax revenue. Policy implications of this outcome suggest that state officials may consider raising production tax rates as a way to increase revenue while risking little in the way of loss to future oil activity.

Endnotes

[1]Pindyck's (1978) original specification of the extraction cost function is retained here in spite of the logical inconsistencies discussed by Livernois and Uhler (1987), Livernois (1987), and Swierzbinski and Mendelsohn (1989). These authors argue that Pindyck's extraction cost function is defensible when reserves are of uniform quality but in the presence of exploration, reserves must be treated as heterogeneous because the most accessible deposits are added to the reserve base first. They show that aggregation of extraction costs across heterogeneous deposits is not valid except under special circumstances. Another problem with this function is that extraction costs should be a function of γ. The extraction cost function derived from profit-maximization at a point in time subject to a production constraint would have γ as an argument because the reserve base is an input to oil and gas production. These complications are ignored in the analysis below because of severe data constraints on estimating the extraction cost function.

[2] The Energy Information Administration and the American Petroleum Institute report annual production data for 31 states over this period, but data on reserve additions, cumulative drilling, and drilling costs are not available in all years for the 16 smallest producing states. The 15 states included in the panel are Alaska, Alabama, California, Colorado, Kansas, Louisiana, Michigan, Mississippi, Montana, North Dakota, New Mexico, Oklahoma, Texas, Utah, and Wyoming.

[3] Major cost items are for labor, materials, supplies, machinery and tools, water, transportation, fuels, power, and direct overhead for operations such as permitting and preparation, road building, drilling pit construction, erecting and dismantling derricks/drilling rigs, drilling hole, casing, hauling and disposal of waste materials and site restoration. For additional details, see Joint Association Survey on Drilling Costs, Appendix A (1998).

[4] Corrected (see Greene 1997, p. 279) state-specific intercept terms (and t-statistics) for 7 major producing states are: CA 0.17(2.01), KS 0.06(1.06), LA 0.57(2.21), NM 0.19(1.68), OK 0.07(1.94), TX 0.01(1.11), WY 0.29(2.03). Equation (6) was also estimated allowing for both state-specific intercepts and state-specific coefficients for ρ and β. This strategy was unsuccessful as it yielded mostly insignificant estimates of state-specific slope interactions.

[5]Source of world oil production for 1970-98, www.eia.doe.gov/emeu/international/petroleu.html.

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Table 1
Variable Definitions, Data Sources, and Sample Means
(Excludes federal OCS activity.)

Variable	***Definition***	***Source***	***Mean***
TRCOST	Total drilling cost in millions of 1995 dollars, by state and year.	American Petroleum Institute, *Joint Association Survey on Drilling Costs.* Annual.	427.6
ADDED RESERVES	Oil reserve extensions, new field discoveries and new reservoir discoveries in old fields, by state and year in millions of barrels.	US Energy Information Administration, *U.S. Crude Oil, Natural Gas and Gas Liquids Reserves Annual Report.* Annual	42.0
WELLS	Oil wells drilled in a state by year.	American Petroleum Institute, *Joint Association Survey on Drilling Costs.* Annual.	943
CWELLS	Cumulative total wells drilled in a state beginning in 1859.	American Petroleum Institute, *Petroleum Facts & Figures.* 1971 Ed.	1.07E+5
PRICE	Average well head oil price, by state and year, in 1995 dollars per barrel.	American Petroleum Institute, *Basic Petroleum Data Book.* Annual.	22.80
PRICE2	Average real price per barrel squared.	- -	656.3
CWELLS2	Cumulative oil wells squared.	- -	4.3E+10
*PRICE * CWELLS*	Interaction of real price and cumulative wells.	- -	2.5E+6

Table 2
Pre-Tax Marginal Drilling Cost, Marginal Reserve Additions,
and Pre-Tax Marginal Cost of Reserve Additions for 7 Major Producing States

State	D_w^* **(in $)**	f_w **(in bbls)**[a]	D_w^* / f_w [a]
California	274,675	11,464	23.96
Kansas	127,943	7,460	17.15
Louisiana	1,218,758	64,862	18.79
New Mexico	485,698	22,148	21.93
Oklahoma	345,706	15,223	22.71
Texas	342,266	13,144	26.04
Wyoming	593,162	34,627	17.13

[a] Assumes wells drilled at the actual 1998 count. State-specific cumulative wells total is set to actual 1998 values in all calculations.

Table 3
Timing of Drilling, Production,
and Discounted Severance Tax Revenue

Full Tax Interaction Model

	Individual Program Year:					
	Year 1	*Year 10*	*Year 20*	*Year 30*	*Year 40*	*Total*
Drilling (Base Solution, in wells)	211	203	187	132	2	6274
Drilling (Double Tax)	170	165	152	116	2	5066
Change from Base	-19.4 %	-18.7 %	-18.7 %	-12.1 %	0.0 %	-19.2 %
Production (Base, in MMbbls)	57.7	27.0	15.9	12.1	7.6	834.3
Production (Double Tax)	56.3	25.9	14.7	10.8	6.7	786.6
Change from Base	-2.4 %	-4.1 %	-7.5 %	-10.7 %	-11.8 %	-5.7 %
Severance Tax Revenue (Base, $MM)	66.6	21.3	8.2	4.2	1.9	608.6
Severance Tax Revenue (Double Tax)	130.2	41.0	15.2	7.4	3.3	1165.2
Change from Base	95.5 %	92.5 %	85.4 %	76.2 %	73.7 %	91.5 %

	10 Year Fractions of Total Change from Base Solution:			
	Years 1-10	*Years 11-20*	*Years 21-30*	*Years 31-40*
Drilling	33.0 %	30.8 %	25.9 %	10.3 %
Production	21.2 %	24.8 %	27.0 %	27.0 %
Severance Tax Revenue	67.2 %	20.4 %	8.4 %	4.0 %

No Tax Interaction Model

	Individual Program Year:					
	Year 1	*Year 10*	*Year 20*	*Year 30*	*Year 40*	*Total*
Drilling (Base Solution, in wells)	283	271	249	175	1	8363
Drilling (Double Tax)	189	183	168	119	1	5624
Change from Base	-33.1 %	-32.6 %	-32.4 %	-32.0 %	0.0 %	-32.8 %
Production (Base, in MMbbls)	59.6	28.8	18.0	14.2	9.0	911.0
Production (Double Tax)	57.0	26.4	15.3	11.4	7.2	809.3
Change from Base	-4.4 %	-8.3 %	-15.0 %	-19.7 %	-20.1 %	-11.2 %
Severance Tax Revenue (Base, $MM)	75.6	24.9	10.2	5.3	2.5	714.3
Severance Tax Revenue (Double Tax)	144.7	45.9	17.4	8.6	3.9	1307.8
Change from Base	91.4 %	84.3 %	70.6 %	62.3 %	56.0 %	83.1 %

	10 Year Fractions of Total Change from Base Solution:			
	Years 1-10	*Years 11-20*	*Years 21-30*	*Years 31-40*
Drilling	33.2 %	30.9 %	25.9 %	10.0 %
Production	21.0 %	25.1 %	26.9 %	27.0 %
Severance Tax Revenue	68.1 %	20.1 %	8.0 %	3.8 %

Figure 1. Wyoming Oil, 1970-98

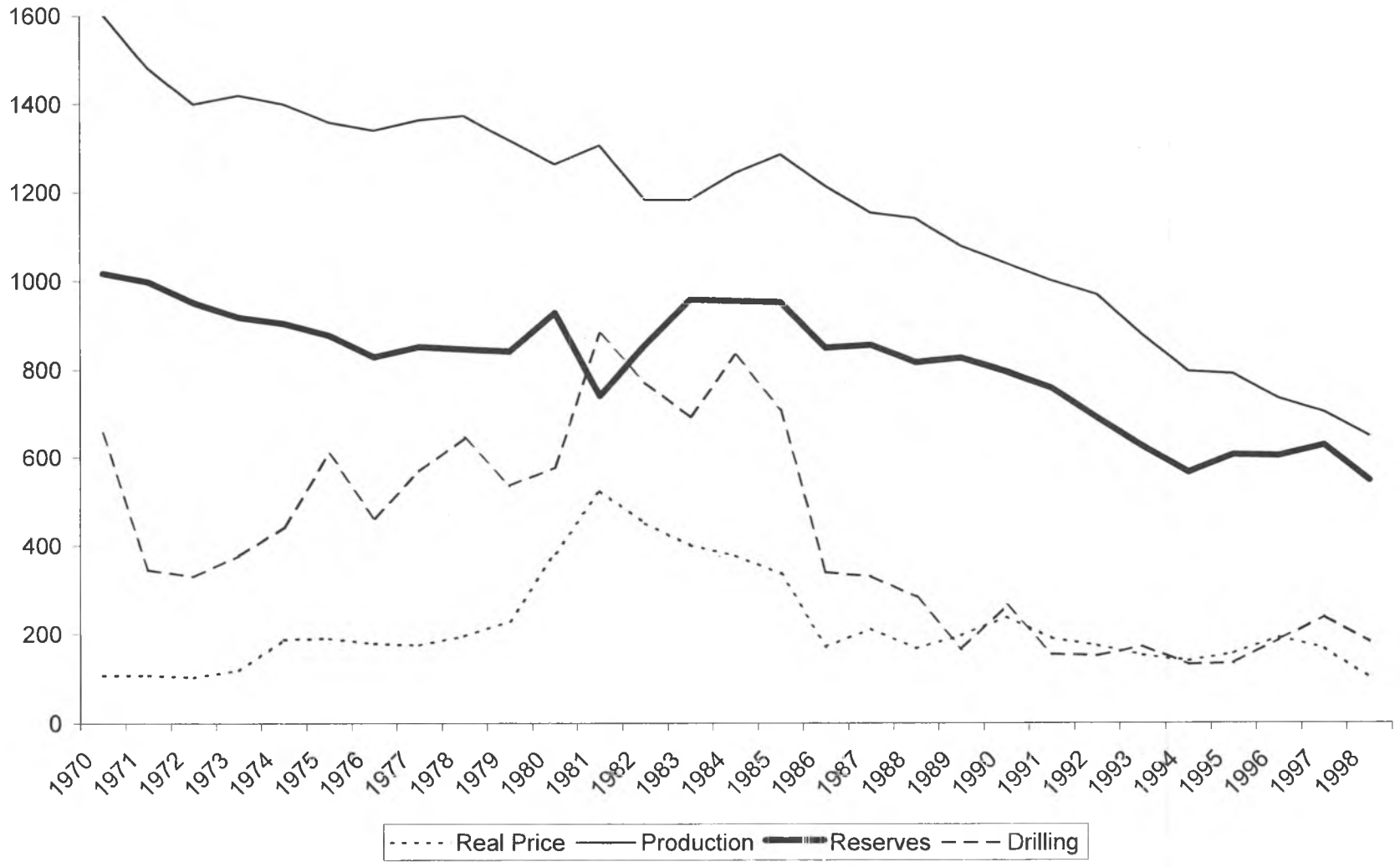


Figure 2. Wyoming Drilling

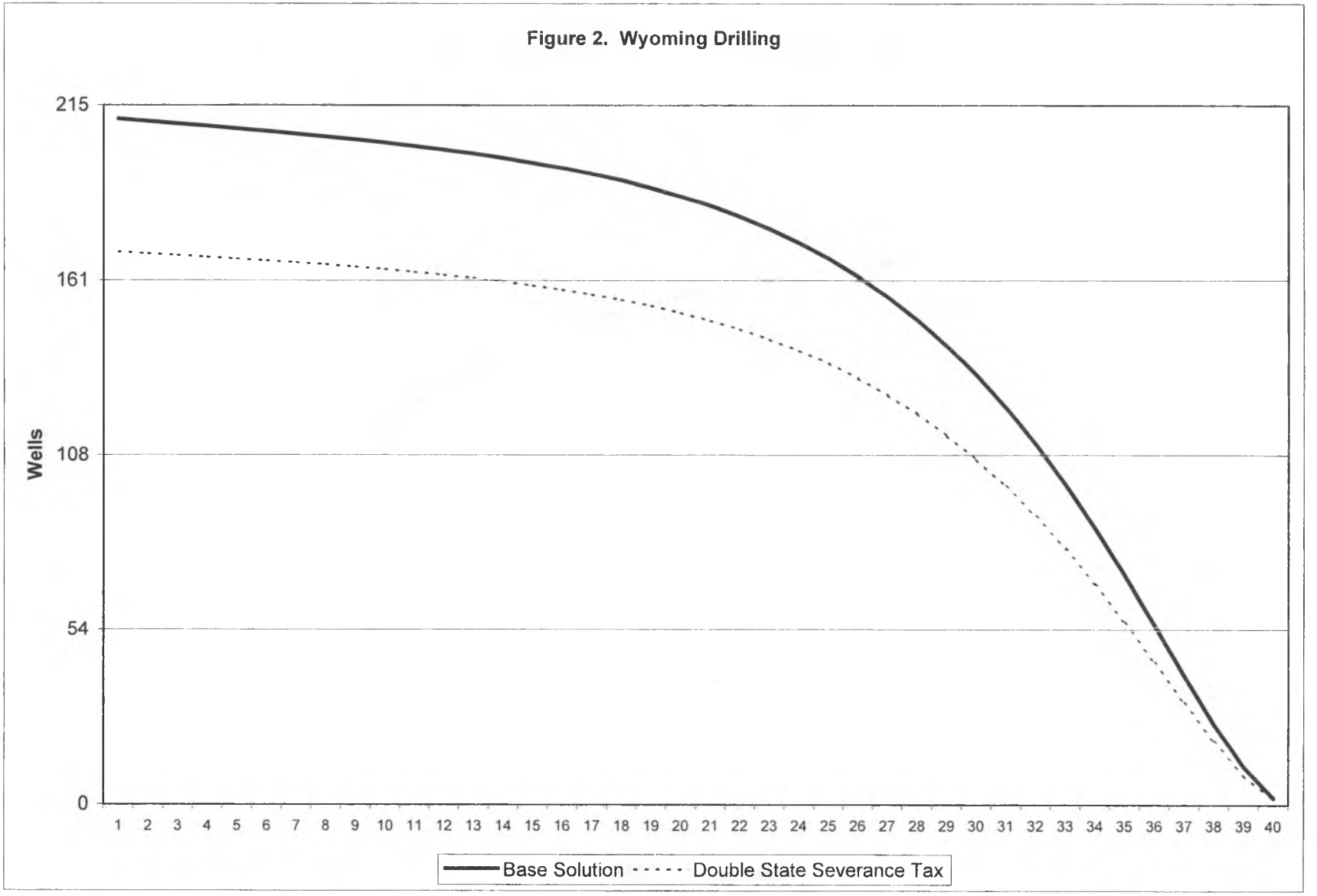
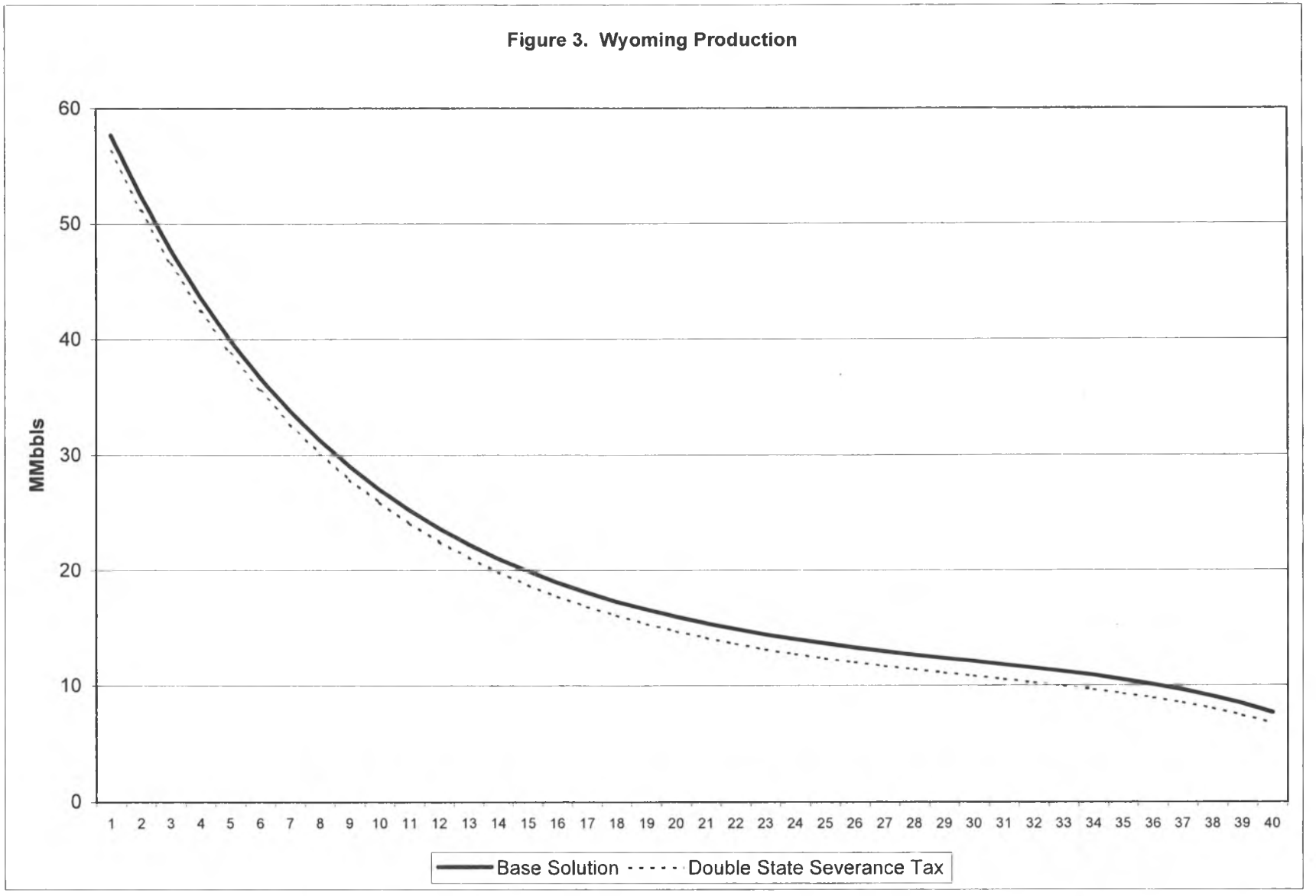


Figure 3. Wyoming Production



Appendix A

Tax Policy Parameters

For most states in most years, γ and α_j $(j=p,c,D)$ can be specified by noting whether reserves are subject to a property tax (see text equation (1)) and then evaluating equations (A.1)-(A.4).

$$\gamma = \{(1-\tau_{us})(1-\tau_s)\tau_R\} \tag{A.1}$$

$$\alpha_p = \{(1-\tau_{us})(1-\tau_s)(1-\tau_r)(1-\tau_p) + \tau_{us}(1-\tau_r)\delta\} \tag{A.2}$$

$$\alpha_c = \{(1-\tau_{us})(1-\tau_s)\} \tag{A.3}$$

$$\alpha_D = \{(1-\tau_{us})(1-\tau_s)\eta\} \tag{A.4}$$

A derivation of equations (A.1)-(A.4) can be found in Gerking, Morgan, Kunce, and Kerkvliet (2000), Appendix C. In (A.1)-(A.4), τ_{us} denotes the federal corporate income tax rate, τ_s denotes the state corporate income tax rate, τ_R denotes the property tax rate on reserves weighted by the per unit assessed value, τ_r denotes the royalty rate on production from public (state and federal) land, τ_p denotes the production (severance) tax rate, δ denotes the federal percentage depletion allowance weighted by the percentage of production attributable to eligible producers (nonintegrated independents), and η denotes the expensed portion of current and capitalized drilling costs attributable to current period revenues. η is made up of two components: (1) the percentage of current period drilling costs expensed and (2) the estimated present value of cost depletion deductions for the capitalized portion of current and past drilling expenditures. Producers are allowed to expense costs associated with drilling dry holes along with certain intangible costs (e.g., labor and fuel) for completed wells as they are incurred. All direct

(tangible) expenditures for completed wells must be capitalized then depleted over the life of the producing well. In the illustration at hand, equations (A.1)-(A.4) can be simplified because Wyoming does not have a state corporate income tax ($\tau_s=0$) and does not levy a property tax against reserves in the ground ($\tau_R=0$).

This formulation captures several aspects of the U.S. tax structure as it applies to the oil industry. (1) Federal royalty payments are deductible in computing state production tax liabilities. (2) Federal royalty payments, state production taxes, state property taxes on reserves, extraction costs, and certain drilling costs (described above) are deductible in computing both state and federal corporate income tax liabilities. (3) State corporate income taxes are deductible against federal corporate income tax liabilities. As noted in text section 2, state tax treatment of the oil industry is not uniform and there are a number of situations in which these equations would have to be modified. Notice that this treatment of taxes in the model highlights the interaction between tax bases and is more detailed than the corresponding treatment given by Moroney (1997) or Deacon, DeCanio, Frech, and Johnson (1990). Also, the entire tax structure is incorporated into the model, rather than simply analyzing one tax at a time as in Deacon (1993).

All tax parameters in equations (A.1)-(A.4) are effective rather than nominal rates. States grant numerous credits and exemptions against taxes levied, so nominal rates generally overstate amounts actually paid. State and local data required for these effective rate calculations are neither available from a central source nor compiled in a common format, so they were obtained directly from tax officials in each state (see Gerking, Morgan, Kunce, and Kerkvliet 2000, Chapter 2). In developing the *base*

solution for Wyoming, royalty rates are computed as the sum of state and federal royalty payments divided by the gross value of production and averaged 9% for oil in the late 1990s. This percentage is higher than for other oil producing states because of the comparatively large share of Wyoming's production on public lands. Production tax rates are computed as total production tax collections divided by the prior year's gross value of production net of public land royalties. In Wyoming, there are both local and state levies against this one-year-lagged net value of production. The sum of the two average effective rates in the late 90's totaled approximately 11.9% (local 6.7% and state 5.2%). At the federal level, data from Statistics of Income (U.S. Department of Treasury, 1997-1998) for the oil and gas sector show that federal corporate taxes paid averaged about 10% of *net operating* income in 1998. Also, the current nominal percentage depletion rate of 15% applied to about 58% of Wyoming oil producers in 1998, thus δ = 8.7%. Also, the expensed portion of current period drilling costs is approximately 40% for the industry and the present value of depletion deductions for capitalized drilling cost can be approximated by $(q/R)/(r+(q/R))$, assuming that the ratio of production to reserves is constant (Deacon 1993). Wyoming's mean value of q/R was approximately 8% for the sample period 1996-1998, therefore $\eta = 0.40 + (1 - 0.4)*(0.08 / (0.04 + 0.08)) = 0.8$. The base tax policy parameters for Wyoming are $\alpha_p = 0.73$, $\alpha_c = 0.90$, $\alpha_D = 0.72$, $\gamma = 0$.

Estimate of an Instrument for WELLS

An instrument for the natural logarithm of *WELLS* was used as an explanatory variable in estimating both text equations (5) and (6) with *CWELLS* entering equation (6) as the proxy for x. Instrumental variable estimation is appropriate because w is an endogenous variable in the model presented in Section 2. An instrument for w was

obtained by predicting the natural logarithm of the number of wells drilled from the one-way fixed-effects regression reported in Table A.1. Time-specific effects tested insignificant at conventional levels and $R^2 = 0.91$. *PRICE* and *CWELLS* were included as explanatory variables because they are exogenous variables in the model. *PRICE2, CWELLS2,* and *PRICE*CWELLS* were included to account for non-linearities expected in light of relationships in the model (see Table 1 for descriptions). All estimated coefficients are significantly different from zero except the interaction term *PRICE*CWELLS*. The marginal effect of *WELLS* with respect to *PRICE* increases at a decreasing rate. The Pearson correlation between the actual values of ln*(WELLS)* and the corresponding predicted values, ln*(PREDWELLS)*, is 0.96.

Table A.1
Construction of Instrument ln*(PREDWELLS)*

Explanatory Variable	***Coefficient*** (t-statistic)
PRICE	0.064 (6.49)
PRICE2	-0.45E-3 (-2.90)
CWELLS	-0.22E-4 (-5.19)
CWELLS2	0.15E-10 (4.17)
*PRICE*CWELLS*	0.18E-7 (1.51)

Extraction Cost Function

Direct operating (lifting) cost for oil by region at depths of 2,000, 4,000, 8,000, and 12,000 feet are available from annual cost index studies published by the DOE/EIA

for the period 1970-1998. However, these data are of limited value for two reasons. First, cost estimates are not always disaggregated to the state level and cost estimates for other states may not be representative of all production. Second, through the mid-1980s, price controls on oil and/or gas distorted production incentives, making historical extraction costs difficult to compare with extraction costs in more recent years. As a compromise, following Deacon (1993), values of extraction cost parameters are calibrated for the following Cobb-Douglas function,

$$C(q, R) = \kappa q^{\varepsilon} R^{1-\varepsilon} \ , \qquad \text{(A.5)}$$

where $\varepsilon = 1/\mu$, μ is the production share of non-reserve inputs, and κ is a constant value that drives the production cost modeled to an average level of *lifting costs* representative of the 1998 DOA/EIA surveyed estimates described above. State-specific estimates for μ are established from the data on operating cost, drilling cost, production, reserve additions, and reserve levels described above (see Kunce, Gerking, and Morgan 2001 for specific calibration methods). Marginal extraction costs per barrel using 1998 data for 7 major producing states are: CA \$6.12, KS \$4.89, LA \$8.81, NM \$6.27, OK \$6.89, TX \$6.71, and WY \$6.43. The 1998 calibrated oil production cost parameters for Wyoming are $\varepsilon = 2.93$ and $\kappa = 141$.

2/03/12 PRESENTATION: DNR NORTH SLOPE FACILITY ACCESS STUDY

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DNR North Slope Facility Access Pilot Study

May 2004

Presentation to Alaska Senate Resources Committee

February 3, 2012

Thomas P. Walsh

PRA

Petrotechnical Resources Alaska

Project Overview

- Study commissioned by Alaska Department of Natural Resources, Division of Oil and Gas in 2004
- "Facility sharing is critical for the future of the oil and gas industry on the North Slope"
- Delivery of final report in May, 2004

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Motivation

- Avoid regulation of facilities access
- Develop fair and equitable sharing process for North Slope Facilities
- Achieve mutual benefit for all parties

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Project Goals

- Characterize the existing facilities
- Tabulate their current throughput
- Quantify theoretical capacities
- Identify, quantify, and market excess capacity

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Project Goals (cont'd)

- Disseminate information to encourage hydrocarbon development on the North Slope.
- Identify needs and desires of:
  - Independent explorers and producers
  - North Slope facility owners/operators
- Describe how facility access is managed in other oil and gas provinces
- Develop guidelines for facility access on the North Slope

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Parties impacted by issues

- Major Oil Companies currently producing and operating on the North Slope.
- Potential third-party producers attempting to explore and develop on the North Slope.
- State of Alaska.

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Benefits

- Mitigate North Slope Oil decline by including Independents.
- Educate independents; remove myths and perceptions.
- Reduce unit operating and transportation costs.
- Extend economic field life for mature fields.
- Accelerate new field development.
- Maximize resource exploitation.
- Minimize waste/footprint.

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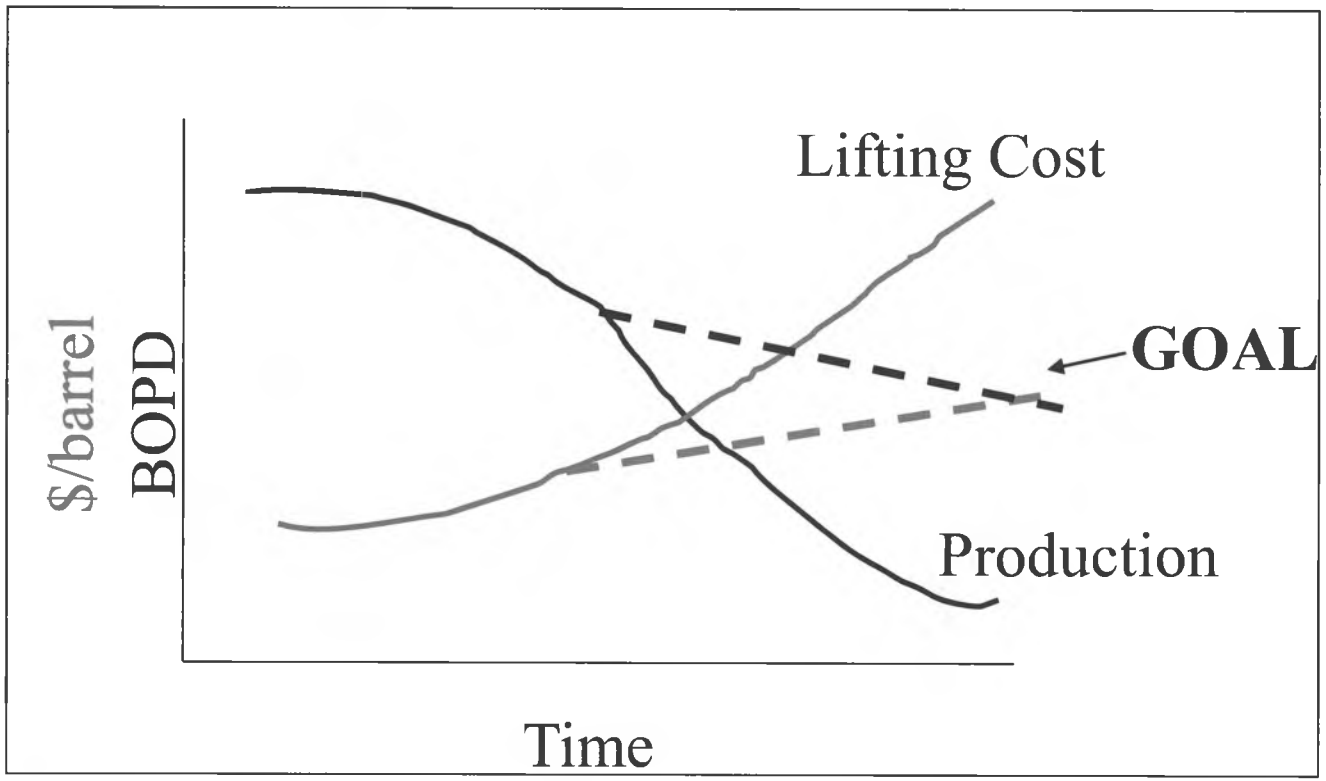
Benefit



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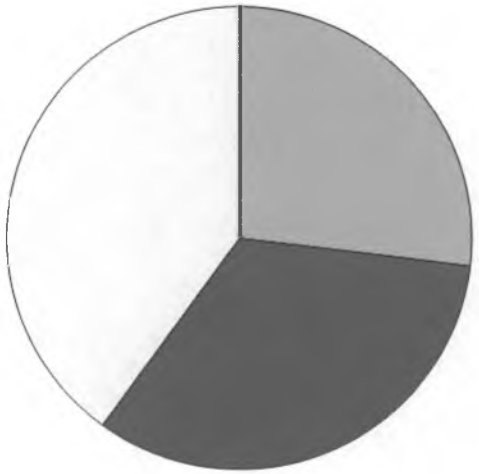
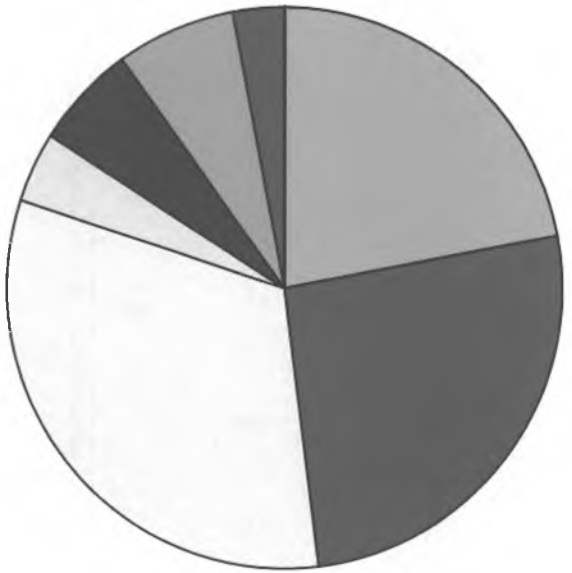
A bigger pie

Today's North Slope Production



Future Production



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Challenges

- Overcome unaligned interests.
- Address system dynamics.
- Maintain high standard of operational integrity.
- Reconcile conflicting asset valuations.

  Ad Valorem vs replacement

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Questions to the Operators

- What are the benefits to WIOs?
- What do you want potential third-party producers to know?
- Where is existing or future excess capacity?
- What is the process and cost of gaining access?

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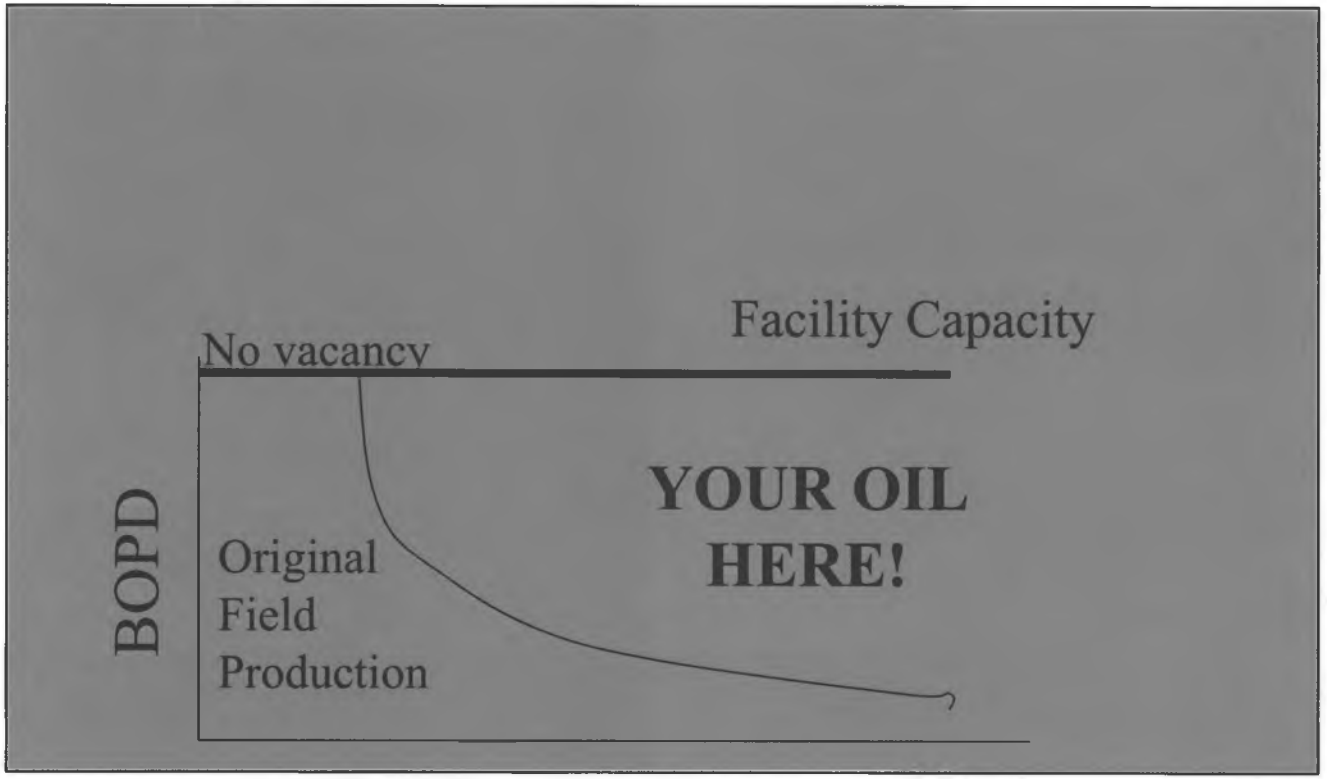
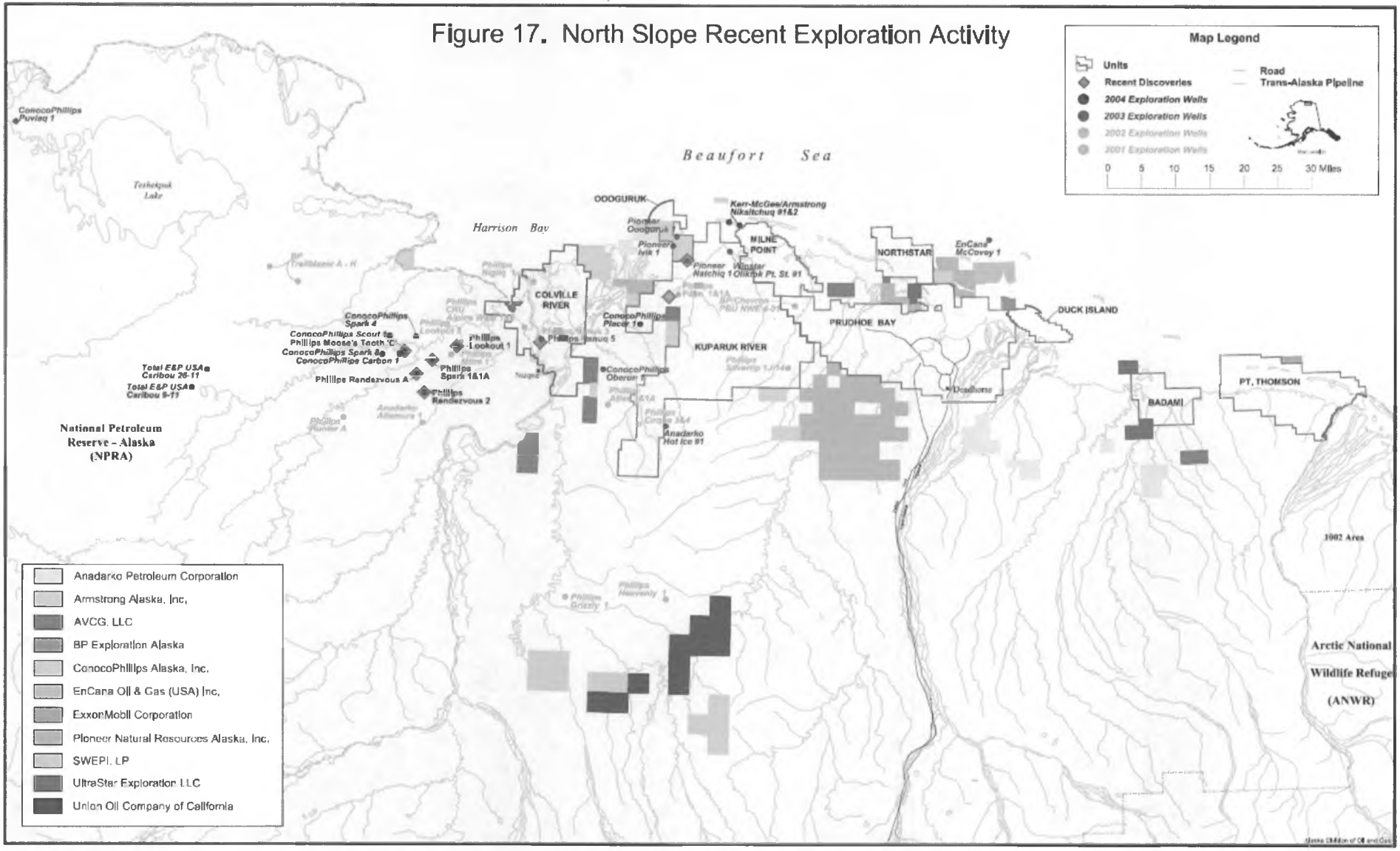
Future Production?



Petrotechnical Resources Alaska

Figure 17. North Slope Recent Exploration Activity



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North Slope Units and Processing Facilities

Alaska Department of Natural Resources, Division of Oil & Gas
November 2003

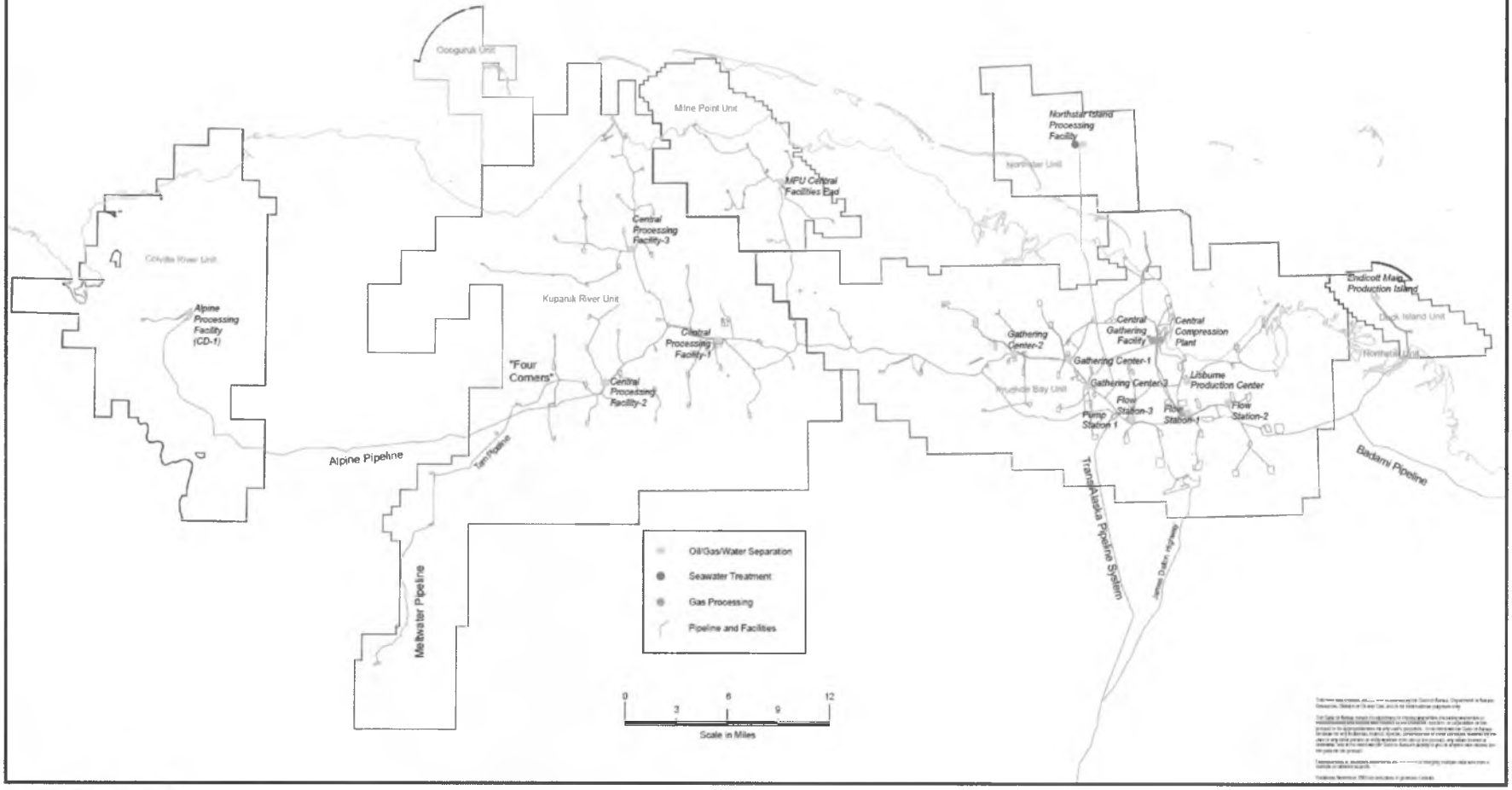

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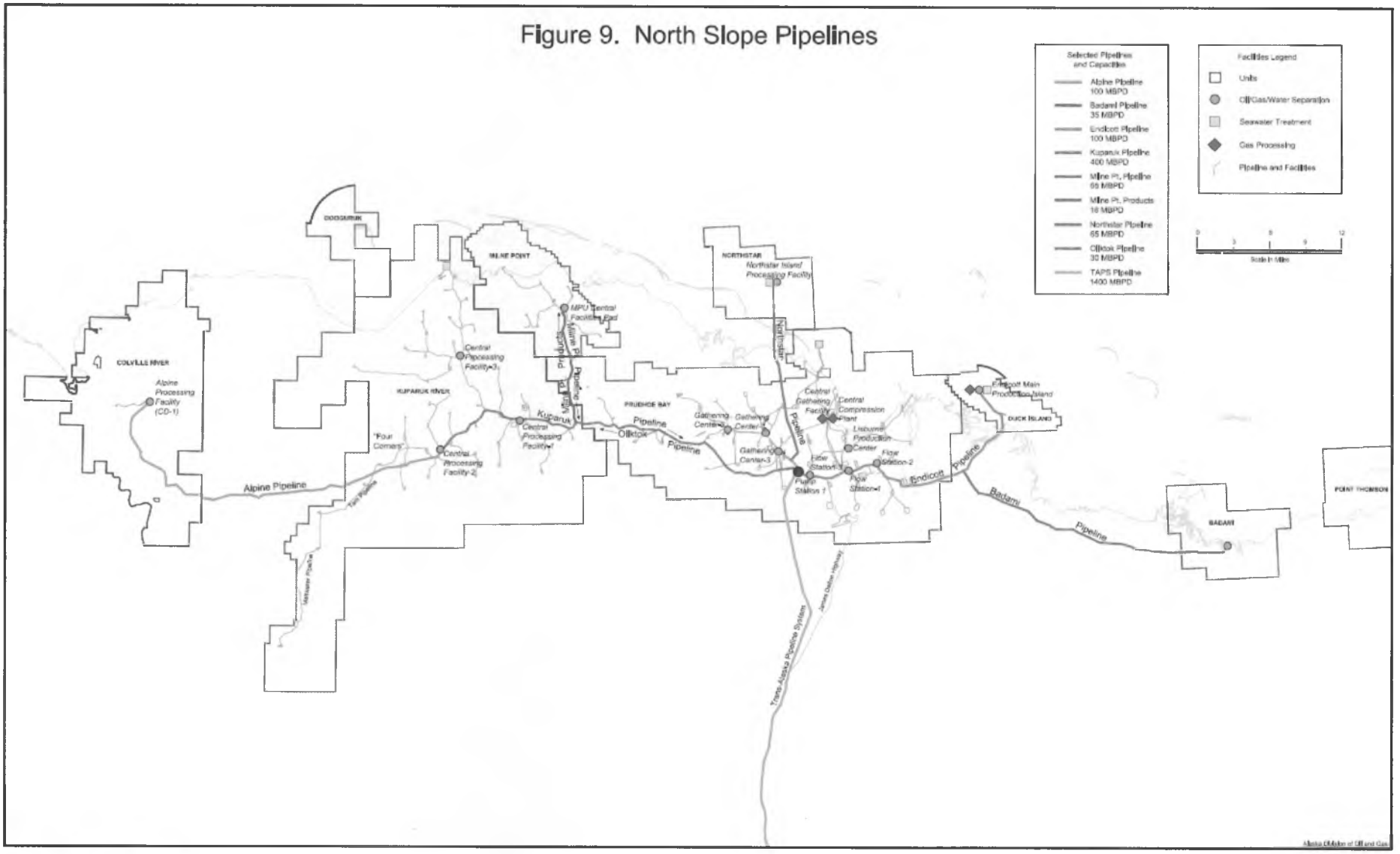
Figure 9. North Slope Pipelines



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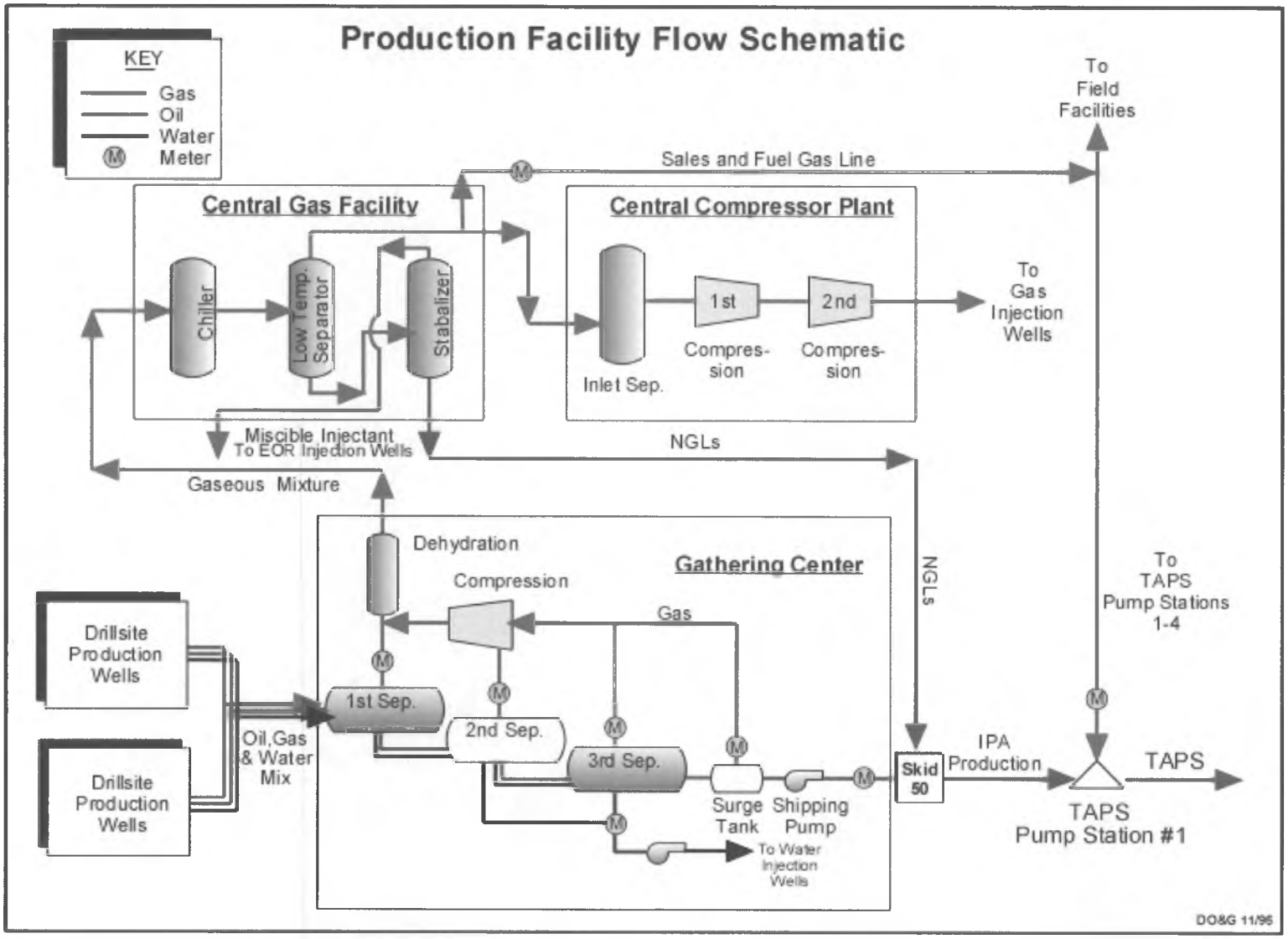

Individual process flow diagrams received from operators for: Alpine, Badami, Endicott, Kuparuk, Milne Pt., Northstar, Pt. McIntyre, Lisburne, and Prudhoe Bay

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Table 9 North Slope Pipeline Capacities and Projected Field Production

(a) Badami includes projected Liberty throughput
(b) Endicott includes Badami and Liberty throughput
(c) Kuparuk includes Alpine and Milne Pt. throughput

MBPD Year	Badami Pipeline	Endicott Pipeline	Milne Pt. Pipeline	Alpine Pipeline	Kuparuk Pipeline	NorthStar Pipeline	TAPS Pipeline
Current Capacity '04	**35**	**100**	**65**	**100**	**400**	**65**	**1400**
2003	0	29	51	98	361	62	994
2004	0	30	52	99	359	68	997
2005	0	29	53	98	364	60	982
2006	0	27	57	103	376	50	968
2007	0	25	58	117	390	40	954
2008	0	24	59	117	379	32	923
2009	0	22	59	104	367	27	878
2010	35	56	59	86	338	20	852
2011	50	70	58	71	322	17	824
2012	48	66	57	60	300	15	775
2013	38	55	56	51	290	12	734
2014	31	47	56	44	273	10	691
2015	27	42	55	38	267	9	663

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TAPS Specs

The pipeline specifications for the oil delivery to PS1 are as follows:

- Maximum basic sediment and water (BS&W) content of 0.35%
- Minimum delivery temperature of 105° F to prevent paraffin deposition
- Maximum delivery temperature of 142° F
- Maximum True Vapor Pressure of 14.2 psia

TAPS is a common carrier pipeline, and does not discriminate against shippers, but will prorate if capacity exceeded.

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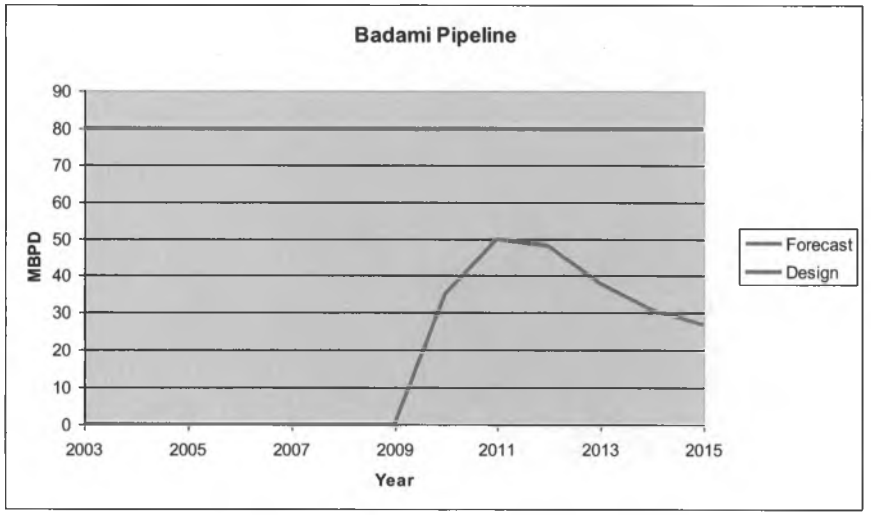
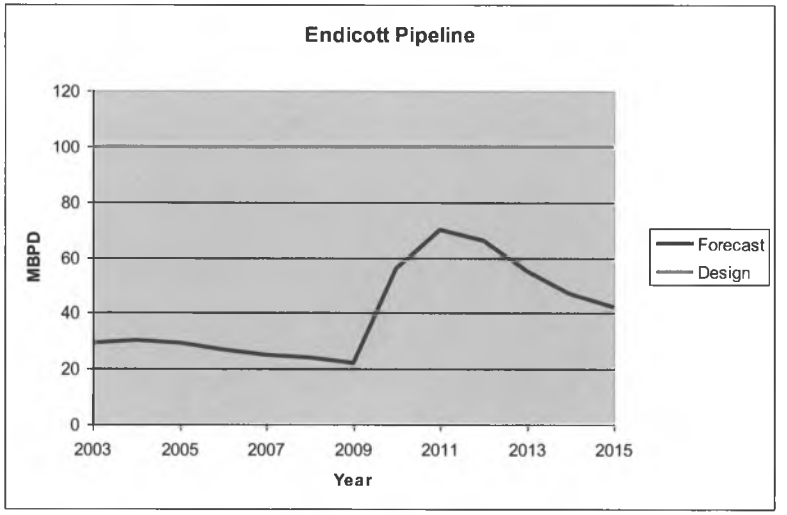
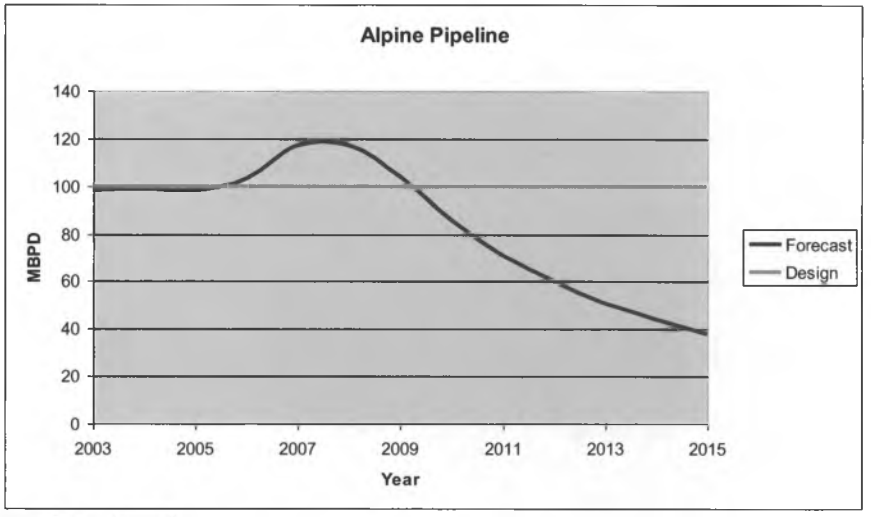
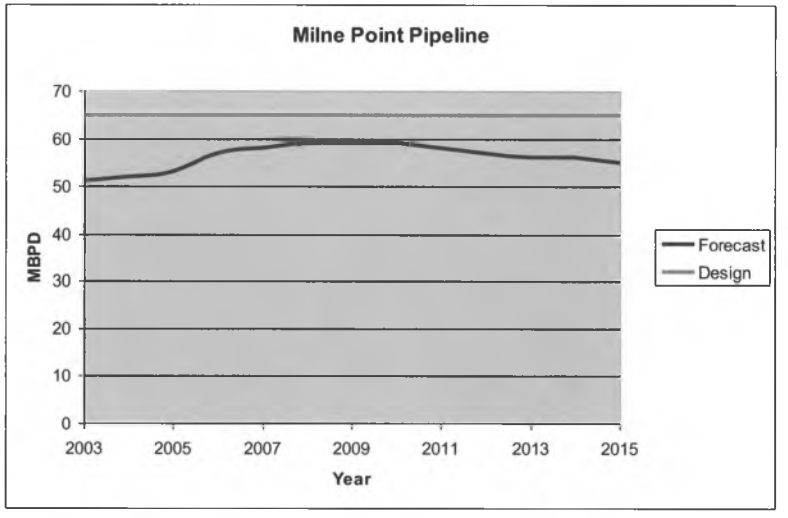
Pipeline Capacities and Forecasts









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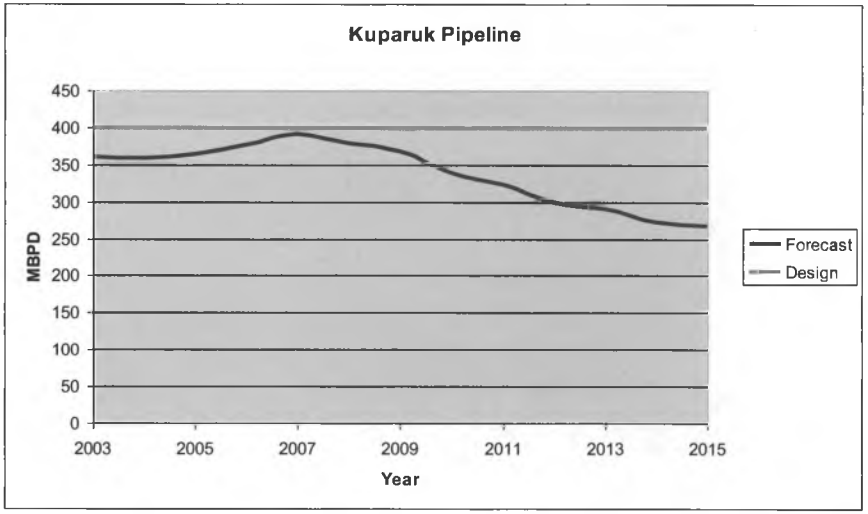
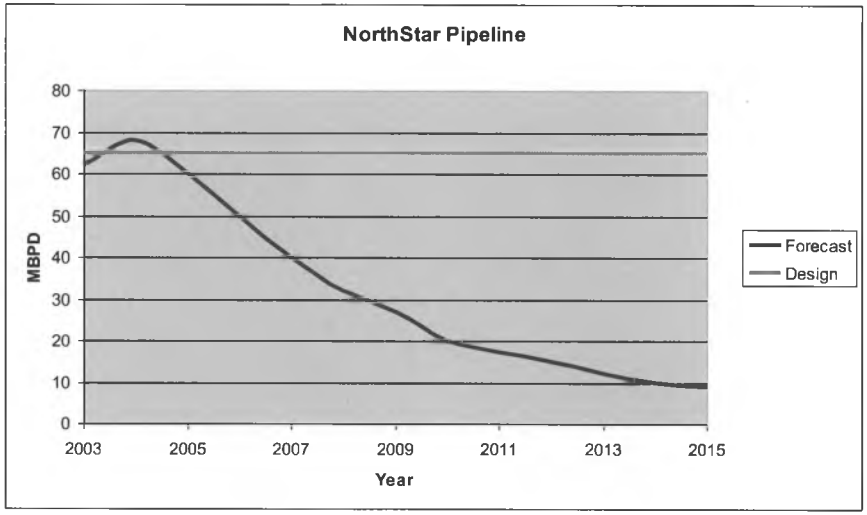
Pipeline Capacities and Forecasts





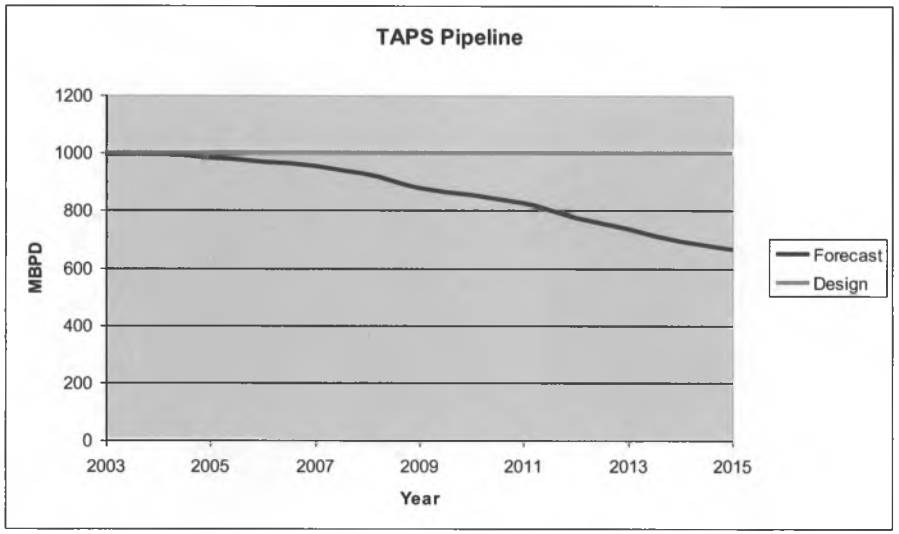


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Table 10 Facility and Pipeline Capacity/Constraint Summary

•Feeds into Kuparuk Pipeline and dependent upon space there.

Facility	Capacity Available for:	Constrained Stream	Backout	Pipeline
Alpine	none	oil, gas, water	likely	Full
Badami	oil, gas, water	none	not likely	Not Full
Endicott	oil	gas, water	likely	Not Full
Kuparuk	oil	gas, water	likely	Near Full
Milne Point	oil, gas, water	water 2011	maybe	*
Northstar	oil, gas, water	gas 2006	maybe	Near Full
Pt. Mac/Lis	oil, water,	gas	likely	Near Full
	oil	gas, water	Certain	Not Full

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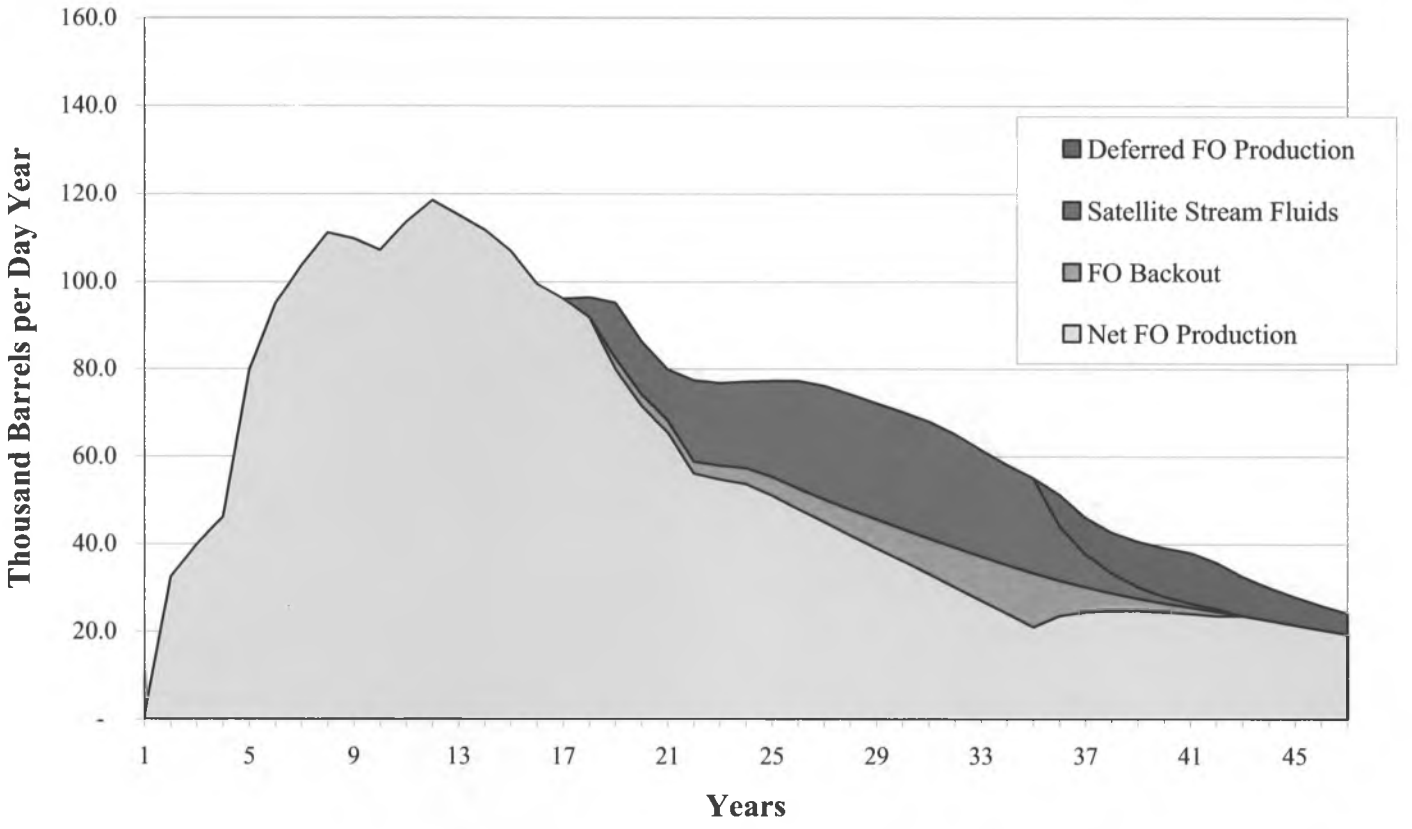
Petrotechnical Resources Alaska

Hypothetical Backout Profile



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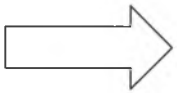
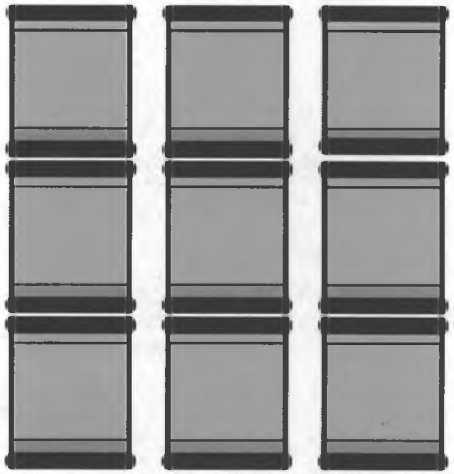
Backout Concept

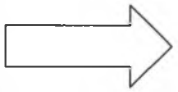
Water / Gas constrained facility



One Barrel current production
high gas/ water cut oil



Water / Gas constrained facility



Nine Barrels potential satellite production
low gas/ water cut oil

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Summary

•Facility Owners and Independents are generally supportive of facility sharing

•Value of facility sharing is dependent on proximity of production to processing,
characteristics of oil to be processed, specific constraints of target facility, etc.

•Means and motivation exist to implement facility sharing agreements, and at least two examples available

•Not all cases will fit

•No oil currently being "held-up" due to facility sharing issues

•More transparency and more discoveries would be helpful

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Acknowledgments

- Bob Kaltenbach, Chantal Walsh, Cathy Foerster, Tom Walsh, Jan MacDonald, Pete Stokes, Chris Livesey and Will Nebesky

- Bill Van Dyke

- A tremendous amount of data and support to this study was provided by the North Slope Facility Owners and Operators: BP Exploration (Alaska) Inc., ConocoPhillips Alaska, Inc., and ExxonMobil. Additionally, the following Independent Oil companies submitted valuable insight and ideas to this evaluation: Winstar, Talisman, Alaska Venture Capital Group, Kerr McGee, and DevonCanada.

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2/03/12 PRESENTATION: NORTH SLOPE FACILITIES, CAPACITIES, AND EXPANSION TECHNOLOGIES

<TARGET><BILL></BILL><SUBJECT>2-03-12 PRESENTATION NORTH SLOPE FACILITIES, CAPACITIES, AND EXPANSION TECHNOLOGIES</SUBJECT><COMM>SRES27</COMM></TARGET>

library

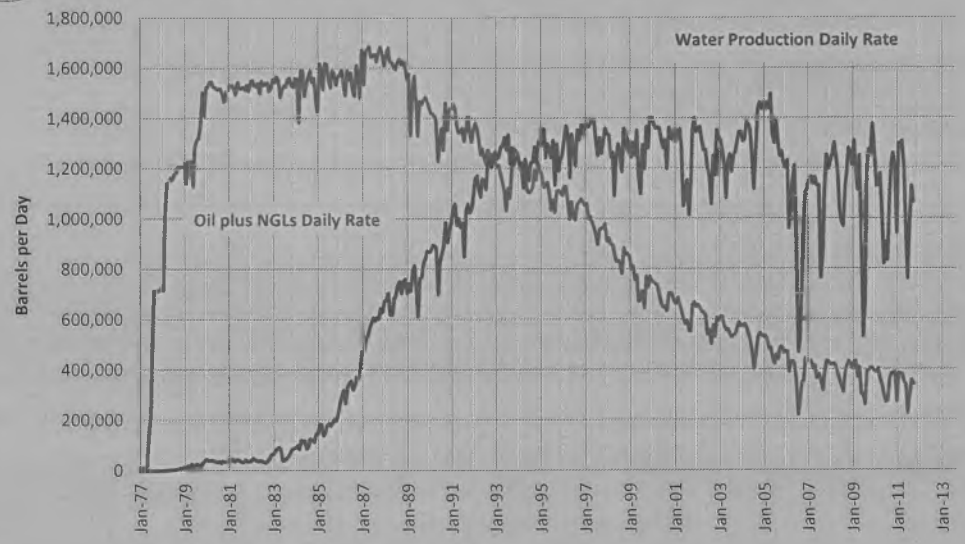
Senate Resources Committee
3 February 2012

William C. Barron
Director
Division of Oil and Gas

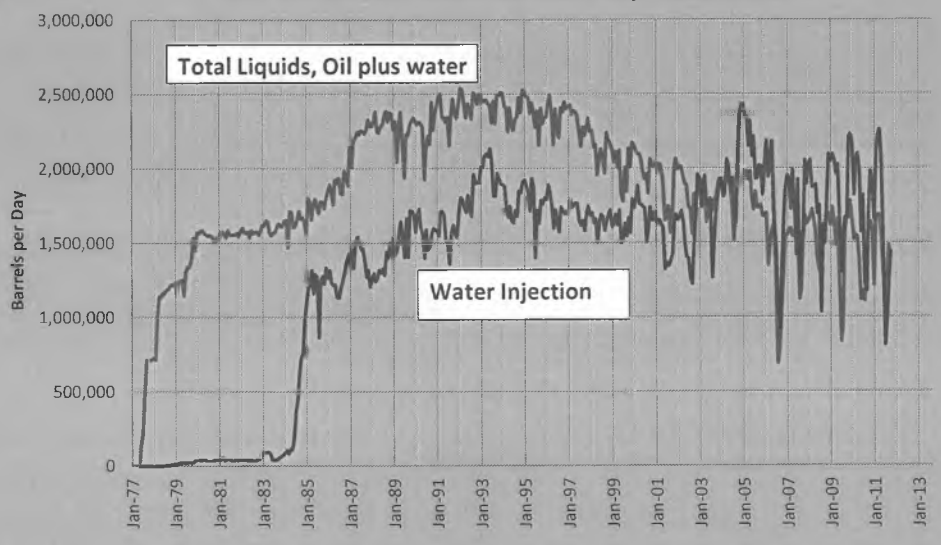
Overview

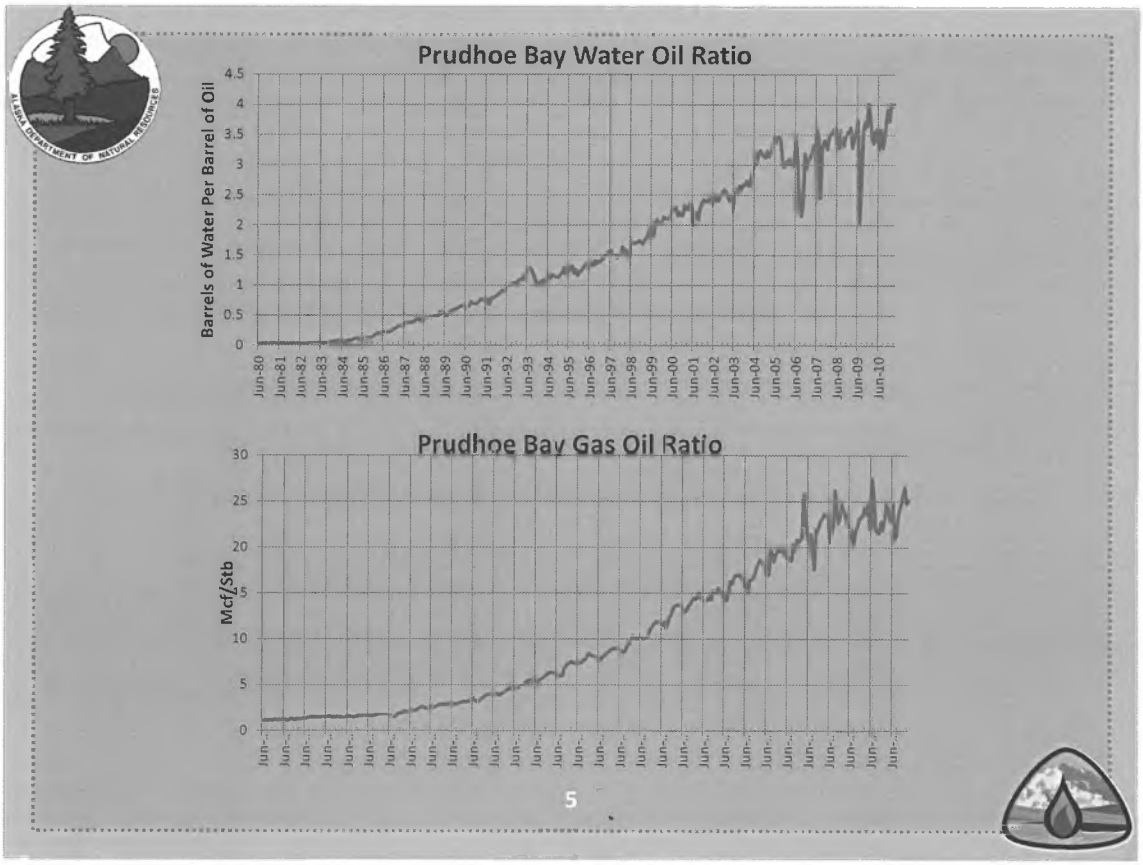
- Update North Slope Facilities Expansion
- New Technologies
- Appendix

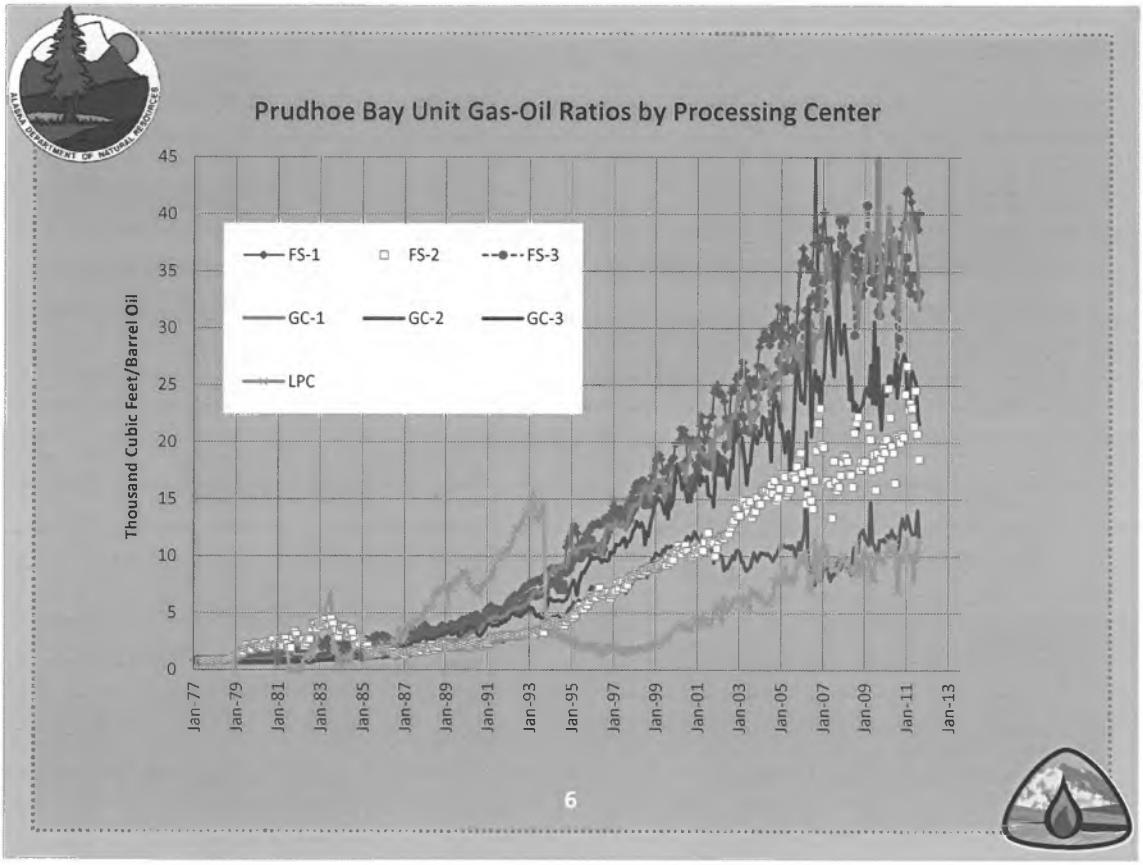
Prudhoe Bay Unit, Oil and Water Production Rates



Prudhoe Bay Unit,
Total Fluid Production and Water Injection Rates

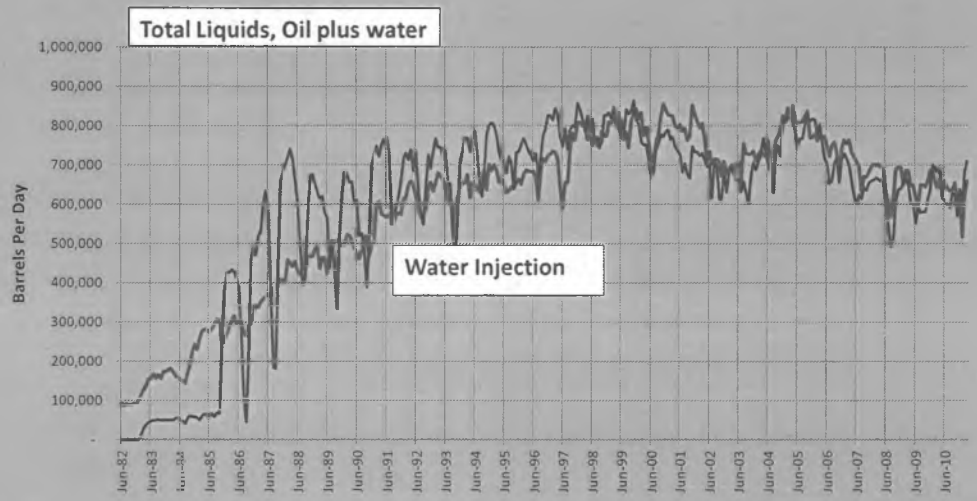



Prudhoe Bay Water Oil Ratio
Barrels of Water Per Barrel of Oil
0
0.5
1
1.5
2
2.5
3
3.5
4
4.5
Jun-80
Jun-81
Jun-82
Jun-83
Jun-84
Jun-85
Jun-86
Jun-87
Jun-88
Jun-89
Jun-90
Jun-91
Jun-92
Jun-93
Jun-94
Jun-95
Jun-96
Jun-97
Jun-98
Jun-99
Jun-00
Jun-01
Jun-02
Jun-03
Jun-04
Jun-05
Jun-06
Jun-07
Jun-08
Jun-09
Jun-10
Prudhoe Bay Gas Oil Ratio
Mcf/Stb
0
5
10
15
20
25
30
5

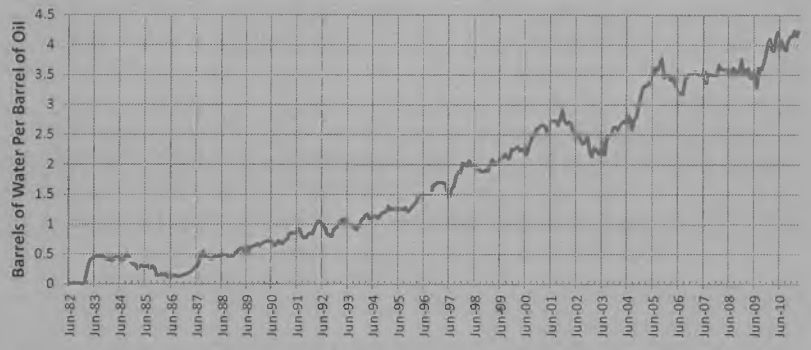

Prudhoe Bay Unit Gas-Oil Ratios by Processing Center
Thousand Cubic Feet/Barrel Oil
0
5
10
15
20
25
30
35
40
45
FS-1
FS-2
FS-3
GC-1
GC-2
GC-3
LPC
Jan-77
Jan-79
Jan-81
Jan-83
Jan-85
Jan-87
Jan-89
Jan-91
Jan-93
Jan-95
Jan-97
Jan-99
Jan-01
Jan-03
Jan-05
Jan-07
Jan-09
Jan-11
Jan-13
6

Kuparuk River, Oil and Water Production Rates

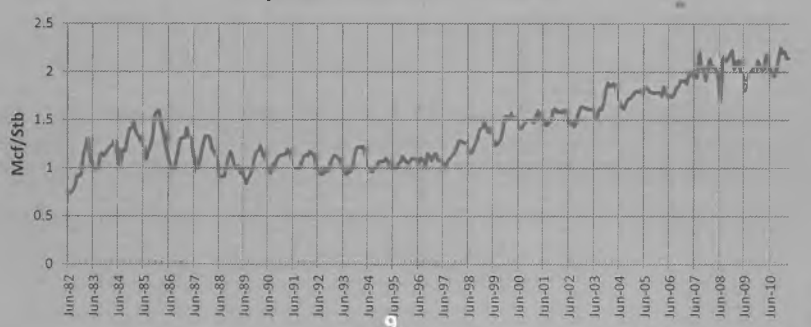
Kuparuk River,
Total Fluid Production and Water Injection Rates



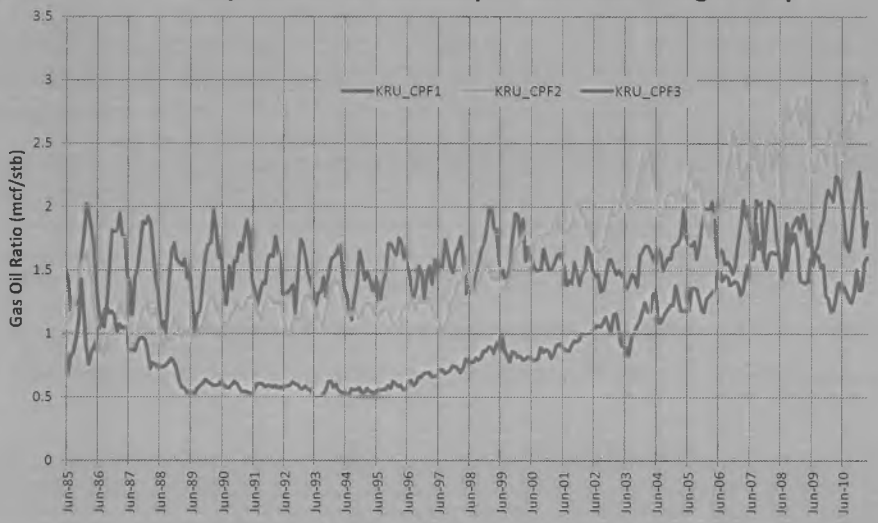
Kuparuk River Water Oil Ratio



Kuparuk River Gas Oil Ratio



Kuparuk Gas Oil Ratio by Central Processing Facility



- GOR behavior by facility indicates that CPF2 could have the largest issue with gas constraints if oil production were to increase

Capacity of North Slope Facilities

Unit	Facility startup date	Oil and NGLs, Standard barrels Per day (stb/d)	Gas, million standard cubic feet per day (mmscfd)	Water (bwpd)	Water injection (bwpd)	Handling limitations & comments
Badami	1998	35,000	25	12,000	30,000	No limits
CoMille River	2000, exp 2004,2005	140,000	180	100,000	140,000	We know of no limits
Endicott	1986	115,000	455	225,000	245,000	Limited gas & water
KU						
CPF-1	1981	170,000	200	250,000	250,000	
CPF-2	1983	160,000	260	250,000	300,000	
CPF-3	1985	85,000	150	100,000	220,000	
Milne Point	1983	75,000	42	99,000		None known for current development
Northstar	2001	77,000	555	30,000		Limited by gas handling, water production is not at limit. Uncertain whether rated capacity is current
PBU						
FS-1	1977	360,000	2,800	140,000		
FS-2	1977	360,000	1,200	650,000		
FS-2	1979	360,000	1,300	300,000		
GC-1	1977	330,000	2,600	180,000		
GC-2	1977	250,000	1,070	300,000		
GC-3	1978		1,100	275,000		
CGF	1977 , exp 1986, 1990, 1994		8,700			
CCP	6/1977, exp 1986, 1990, 1994		7,700			
LPC Greater Pt. McIntyre	12/1986	205,000	450	120,000		Limited gas, water, and total fluid. Some wells from Pt. McIntyre flow into GC1
Oooguruk	2008					Production to Kuparuk CPF-3. No known handling limits at **Oooguruk**
Nikaitchuq	2011	40,000	Unknown	120,000		No limits at this time

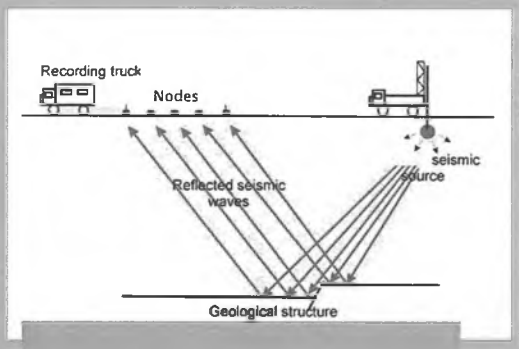
New Technologies

- Nodal technology
- Heavy Oil – CHOPS
- Gas Cap Water Injection

Nodal Technology

State of the Art Technology

- Recording Impact is Minimized:
  - Size and weight is up to 9X less
  - No cables on land minimizing impact to vegetation and wildlife = Footprint minimized
  - Time in area of operation is reduced
- Autonomous: There is no communication between any of the components.
- Cable-Free Operation: Each unit is 100 percent free of external cables/wireless.
- Reliability: The absence of any external cables provides the units with extraordinary field reliability.
- Continuous Recording: Each node begins acquiring data, recording continuously and locally storing the data onto internal FLASH memory until retrieved.
- Self Contained: Each unit contains all of the elements and technologies needed to sense, acquire, digitize, filter and store the seismic data.



Operation:
The sound waves that are generated are sent deep into the subsurface. When they reflect back to the surface, they are captured by geophones and recorded by a computer.

An image of the subsurface, called a seismic profile, is created. This profile allows geologists to predict where oil and natural gas deposits may be located. An **"Ultra-sound"** of the earth is created.

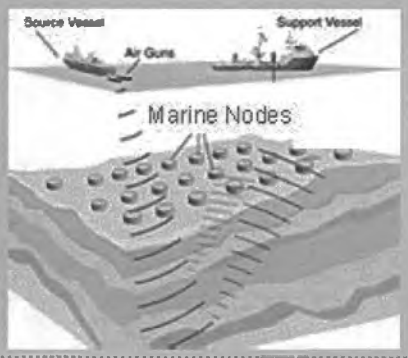
Deploying land nodes

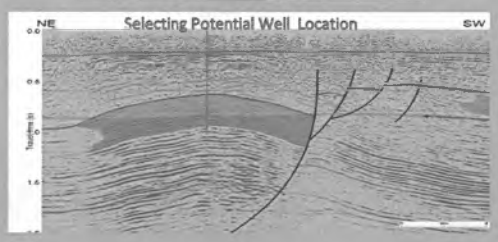
Apache Cook Inlet November 2011

- Marine (Wireless) Nodes deployed in the Cook Inlet from vessels made and rigged in Alaska....and manned by Alaskan crews.
- The nodes are tethered to each other with rope and retrieved within 15 days.
- The nodes are rated to 700 meters of water depth.
- Minimizes Tidal influence
- Nodes Rest on the Seabed providing higher quality data
- Sound waves are produced using compressed air
- Multi vessel acquisition permits a larger "acquisition area" in a shorter period of time

Deploying and Retrieving nodes (data)

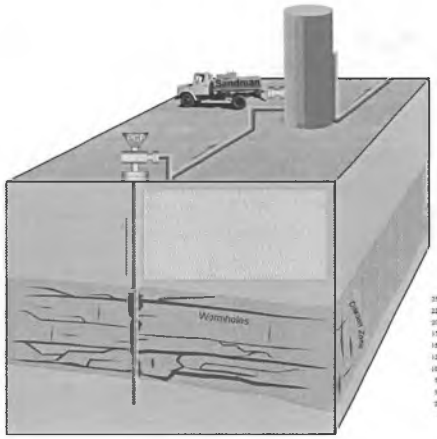
Downloading seismic information and recharging



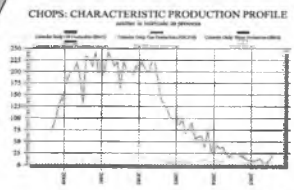


Cold Heavy Oil Production with Sand

CHOPS Elements



- Unconsolidated rocks
- PCP Pump
- Surface Drive
- Heated Separation Tank
- Sand Disposal

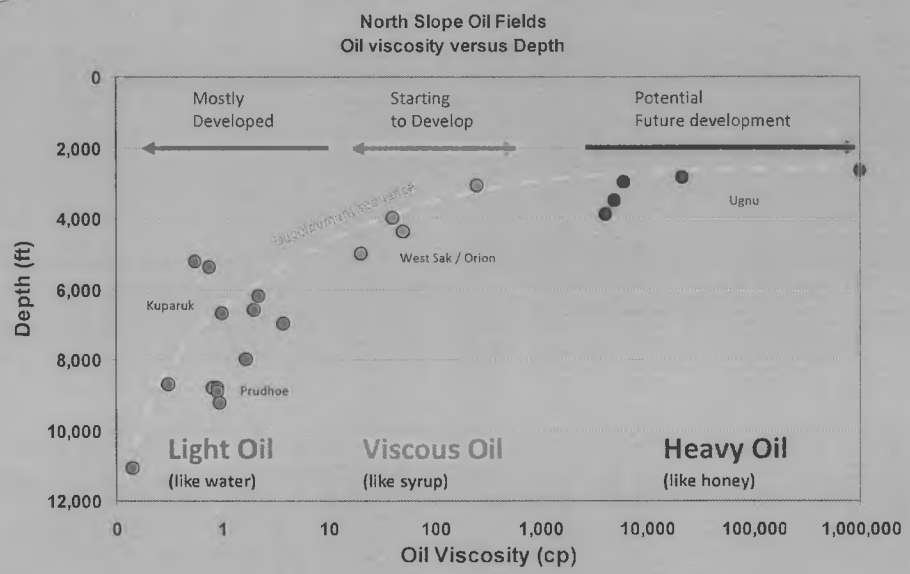


RENEWAL

Courtesy of BP

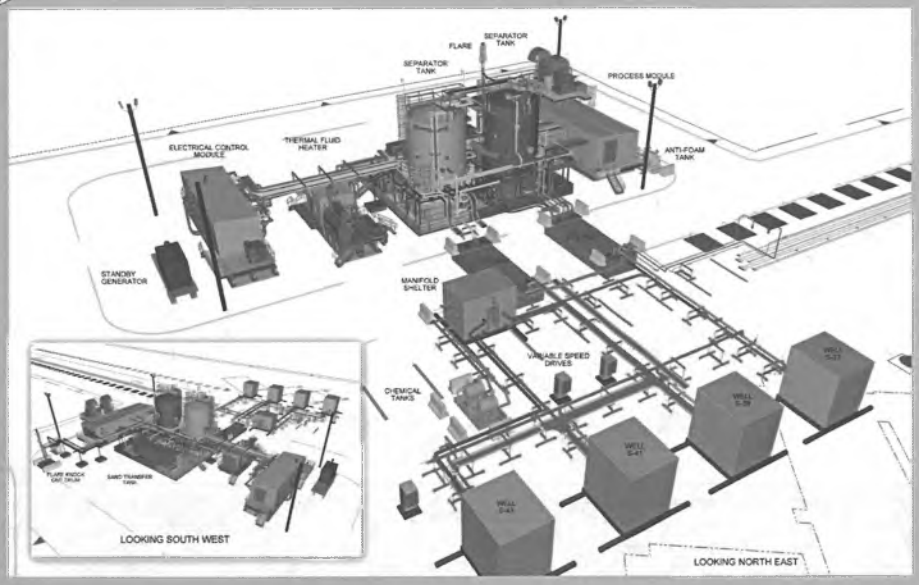
Alaska Fluid Viscosity

Alaska fluids range over a continuum of viscosities



Courtesy of BP

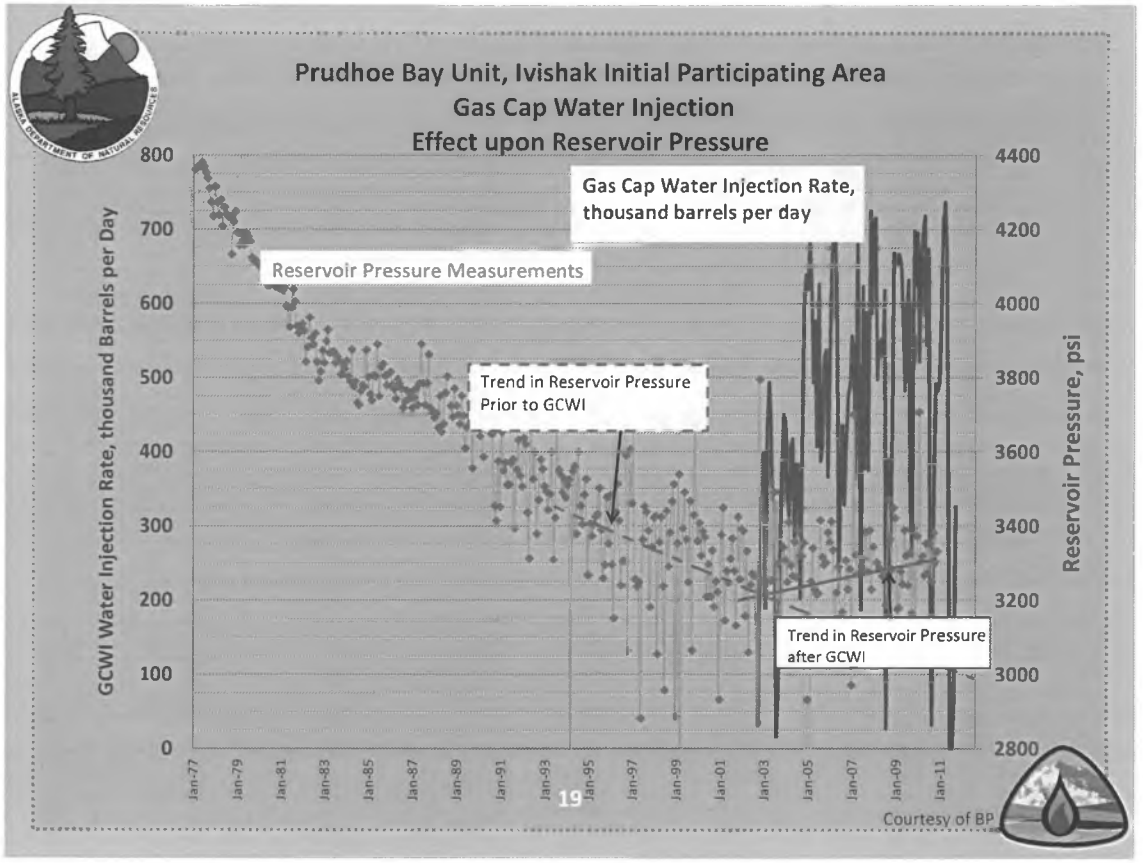
Milne Point S-Pad Heavy Oil Facility



Courtesy of BP

Prudhoe Bay Unit, Ivishak Reservoir Gas Cap (GCWI)

- Water Injection into the gas cap of the Ivishak reservoir was begun in late 2002 to maintain reservoir pressure and increase oil reserves.
- In 2001, the Prudhoe Bay Unit Working Interest Owners (WIO) testified to AOGCC that approximately 200 million Barrels additional recovery would result from the project.
- Average pressure decline was approximately 25-35 psi per year before GCWI.
- Since the start of GCWI, the reservoir pressure has increased by approximately 100 psi (approximate increase of 12 psi per year).


Prudhoe Bay Unit, Ivishak Initial Participating Area
Gas Cap Water Injection
Effect upon Reservoir Pressure
GCWI Water Injection Rate, thousand Barrels per Day
Reservoir Pressure, psi
Gas Cap Water Injection Rate, thousand barrels per day
Reservoir Pressure Measurements
Trend in Reservoir Pressure Prior to GCWI
Trend in Reservoir Pressure after GCWI
800
700
600
500
400
300
200
100
0
4400
4200
4000
3800
3600
3400
3200
3000
2800
Jan-77
Jan-79
Jan-81
Jan-83
Jan-85
Jan-87
Jan-89
Jan-91
Jan-93
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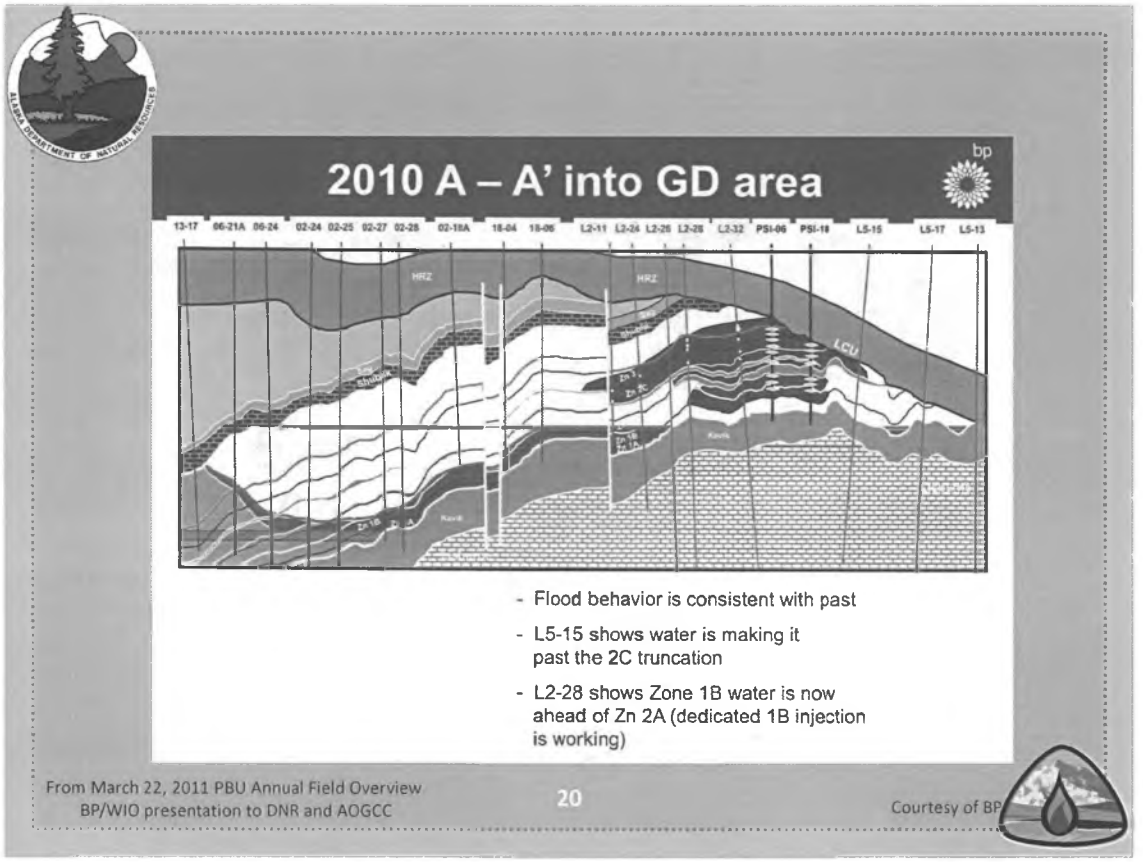
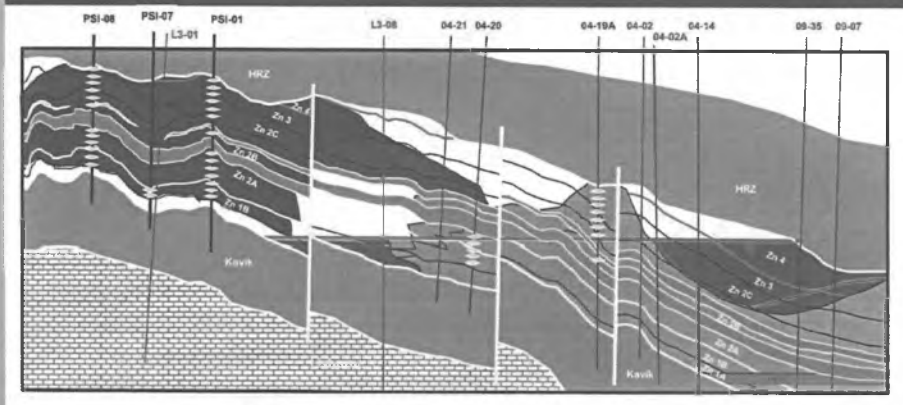
Jan-01
Jan-03
Jan-05
Jan-07
Jan-09
Jan-11
19
Courtesy of BP


2010 A – A' into GD area
bp
13-17
06-21A
09-24
02-24
02-25
02-27
02-28
02-19A
18-04
18-06
L2-11
L2-24
L2-26
L2-28
L2-32
PSI-06
PSI-19
L5-15
L5-17
L5-13
HRZ
HRZ
LCU
Kavik
Kavik
- Flood behavior is consistent with past
- L5-15 shows water is making it past the 2C truncation
- L2-28 shows Zone 1B water is now ahead of Zn 2A (dedicated 1B injection is working)
From March 22, 2011 PBU Annual Field Overview
BP/WIO presentation to DNR and AOGCC
20
Courtesy of BP

2010 B – B' into FS2 area



- Flood behavior is consistent with past
- GCWI is extending to FS2 waterflood

From March 22, 2011 PBU Annual Field Overview
BP/WIO presentation to DNR and AOGCC

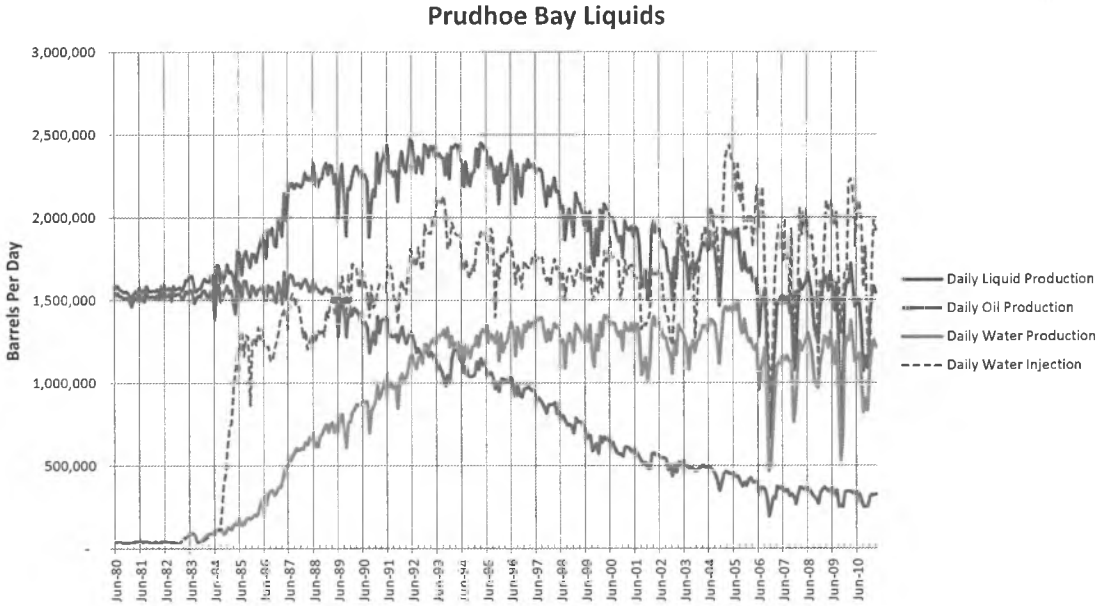
21

Courtesy of BP

Appendix

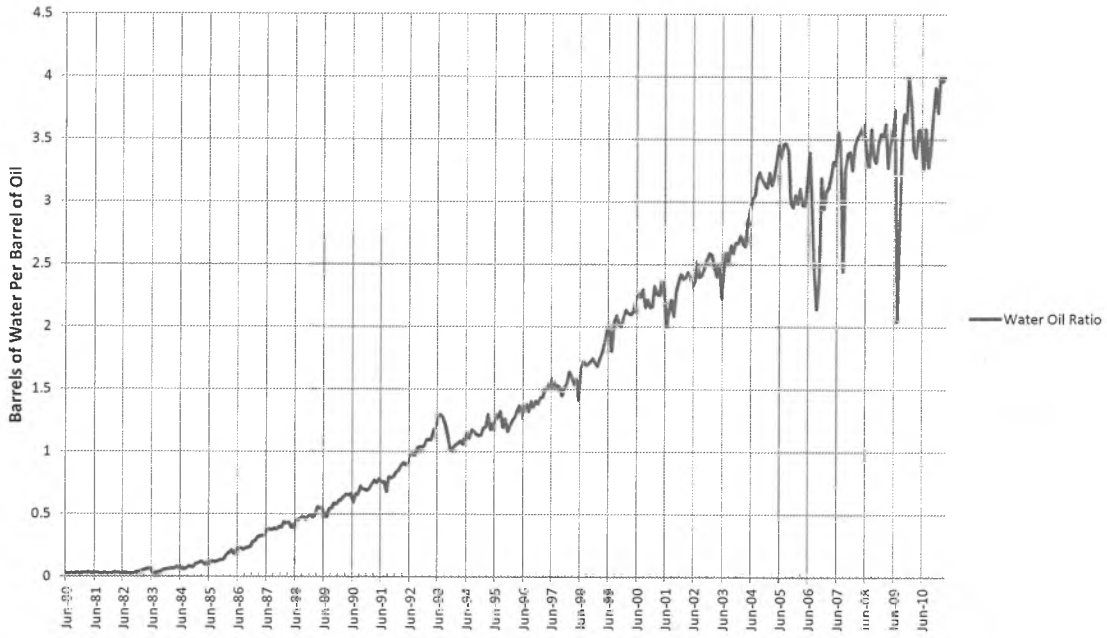
- Annotated slides of Prudhoe Bay and Kuparuk River units production history data relevant to expansion of gas processing and water handling facilities.

Prudhoe Bay Unit



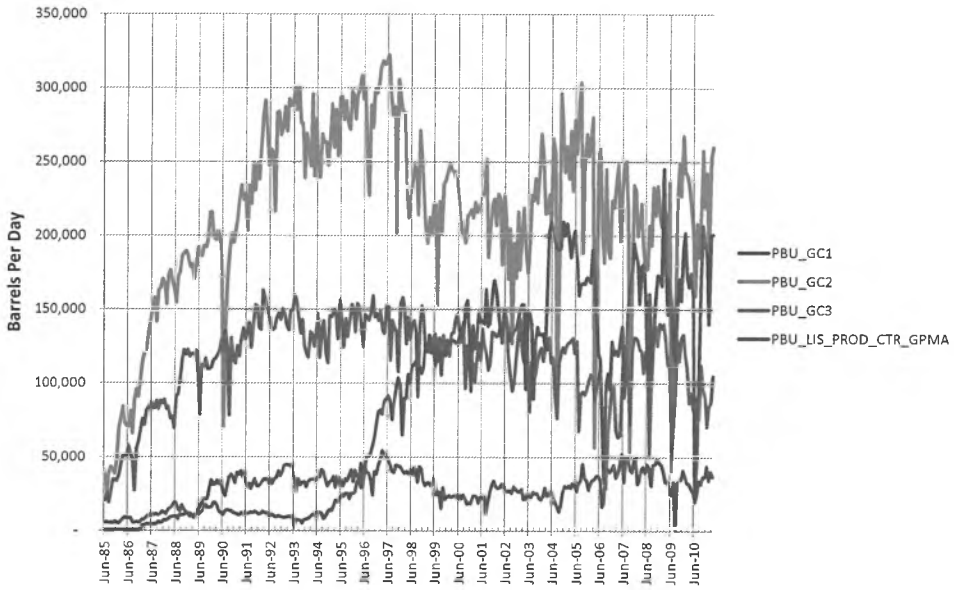
- Liquid throughput has declined considerably since the mid 90's due to oil rate decline
- Lisburne, Pt. McIntyre, Niakuk production into LPC began in 1997, increasing oil rates and water handling capacity.
- Western Satellite development after 1999 helped stem Prudhoe decline.
- Gas cap water injection began in '02, considerably increasing utilization of seawater injection capacity, and helped to stem decline with stabilized reservoir pressures

Prudhoe Bay Water Oil Ratio



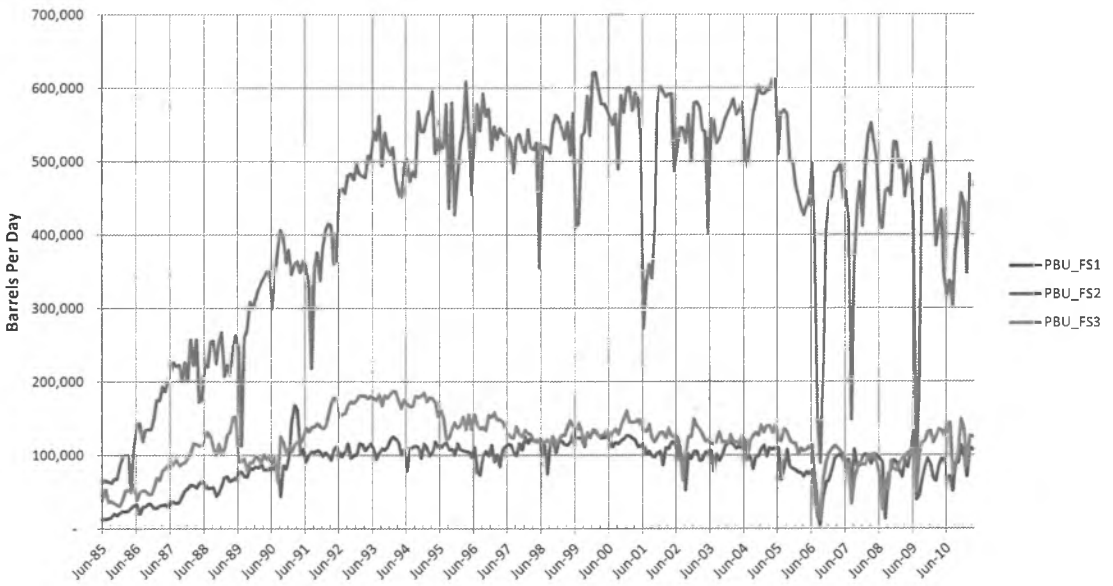
- The water oil ratio has reached 4:1 at Prudhoe with continued waterflood maturity.

Prudhoe Water Production by Gathering Center and LPC



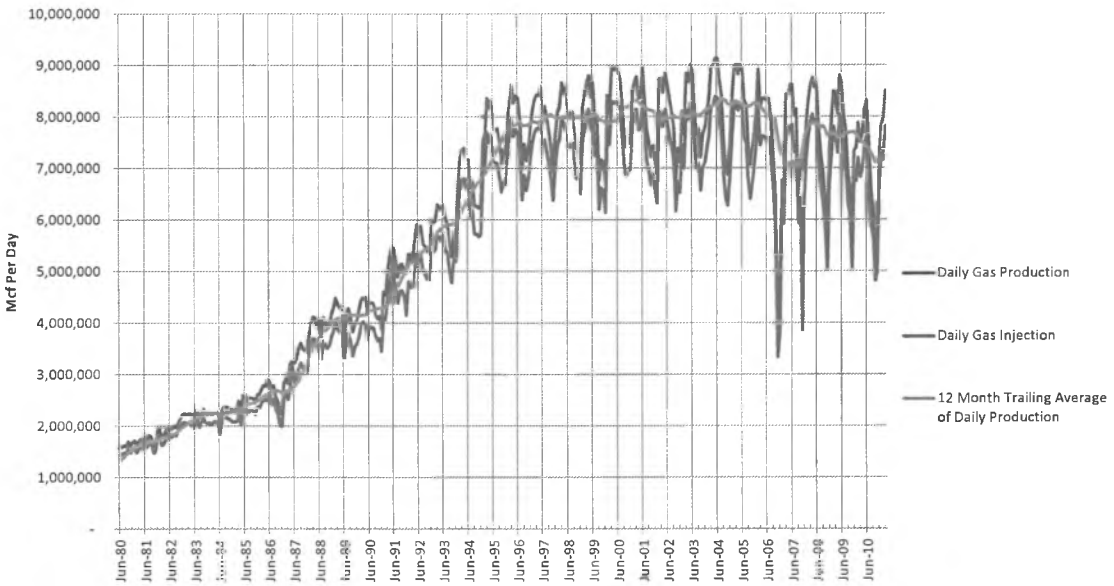
- GC1 is nearer the gas cap and has less waterflood injection, so water production is lower.
- Expansion in water injection pumping capacity at LPC in 2004.

Prudhoe Water Production by Flow Station



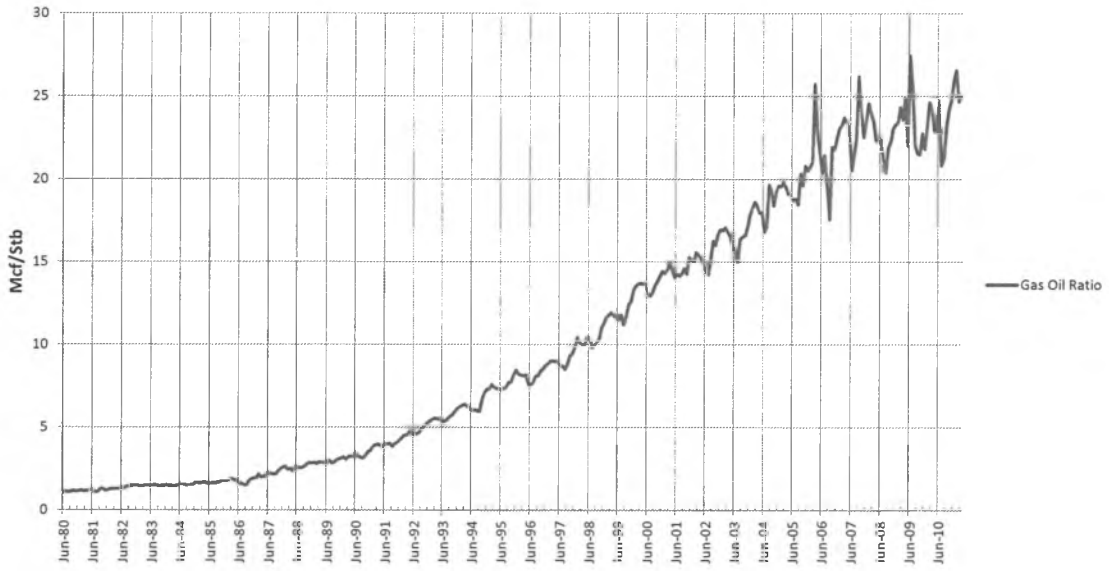
- Flow Station 2 is largely a waterflood area reflected in the higher water production rates

Prudhoe Bay Gas



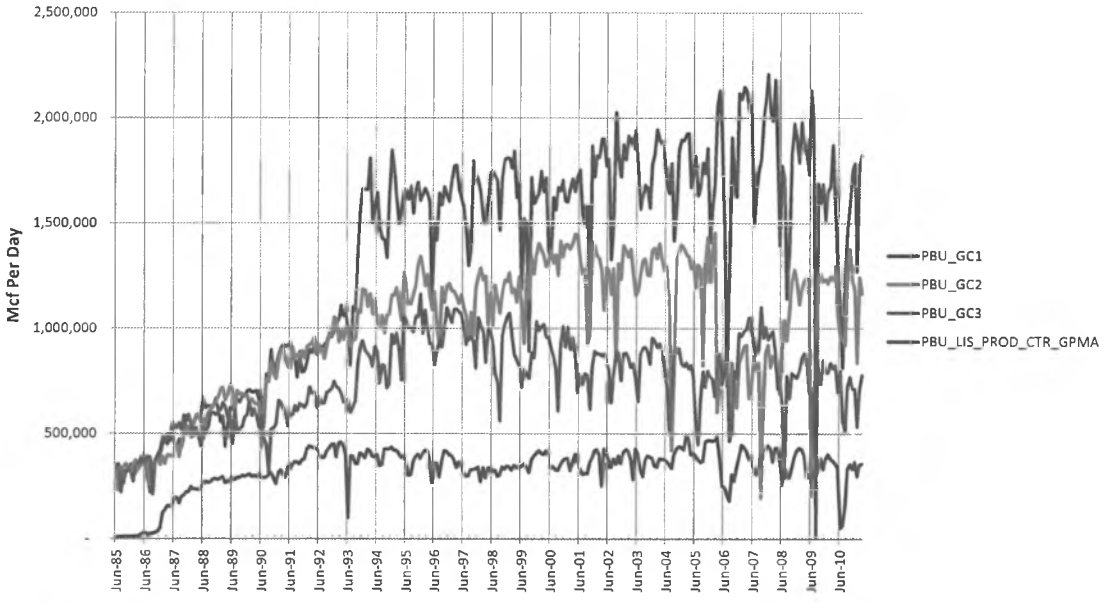
- Gas Handling Expansion – Greater Prudhoe Bay
  - CGF 1987 - Gas handling increased from +/- 4.2 BCFD from +/- 2.7 BCFD. NGL processing allows for sales into TAPS and use in miscible gas injection.
  - GHX1 1990 - gas handling increased from +/- 4.2 BCFD from +/- 5.7 BCFD
  - GHX2 1995 – gas handling increased from +/-5.7 BCFD to +/- 8.0 BCFD
- Total Prudhoe Bay gas throughput has fallen in recent years. 2006-2007 reduction due to 2006 corrosion and shutdown issues. The reductions after 2008 may be due to increased shut-downs for repair and line replacement after the 2006 shut-down.

Prudhoe Bay Gas Oil Ratio



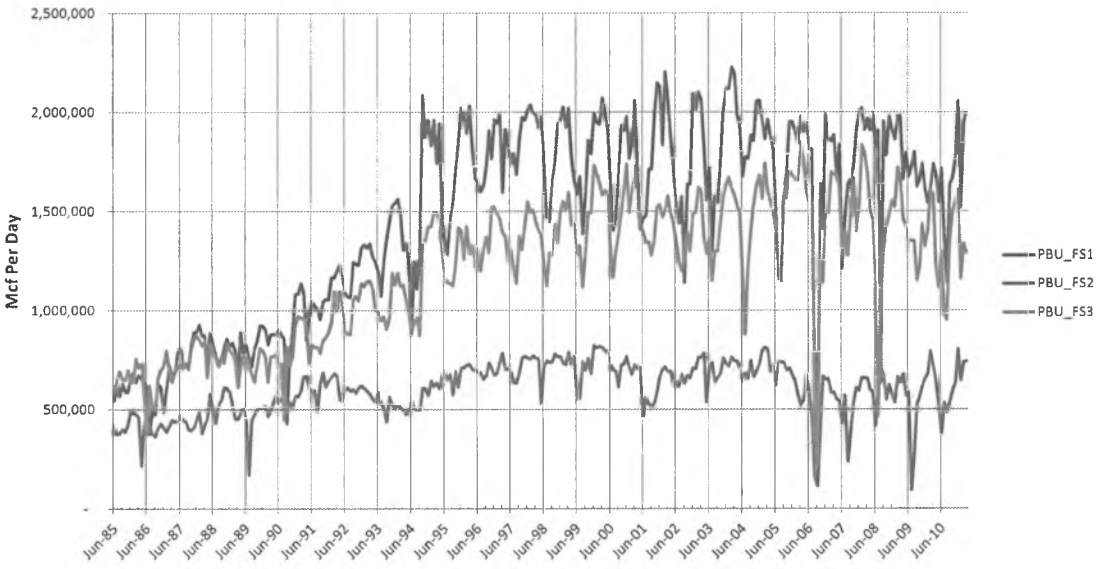
- Average GOR is approaching 25,000 cubic feet per barrel, but this ranges widely among different parts of the field, even more so among individual wells.

Prudhoe Gas Production by Gathering Center and LPC



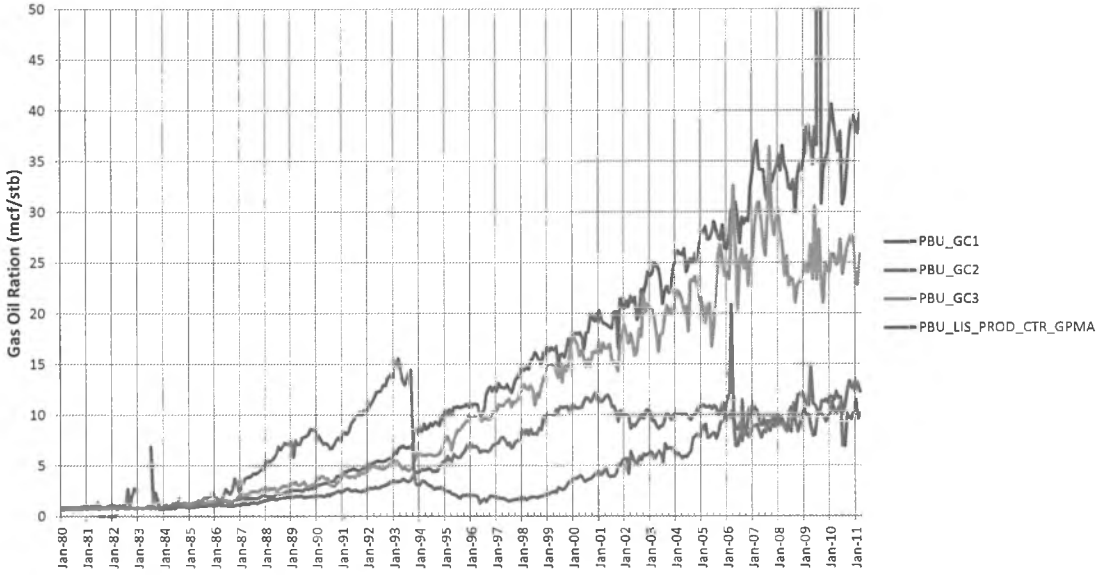
- GC2 was the main facility affected by the 2006 shutdown issues.

Prudhoe Gas Production by Flow Station



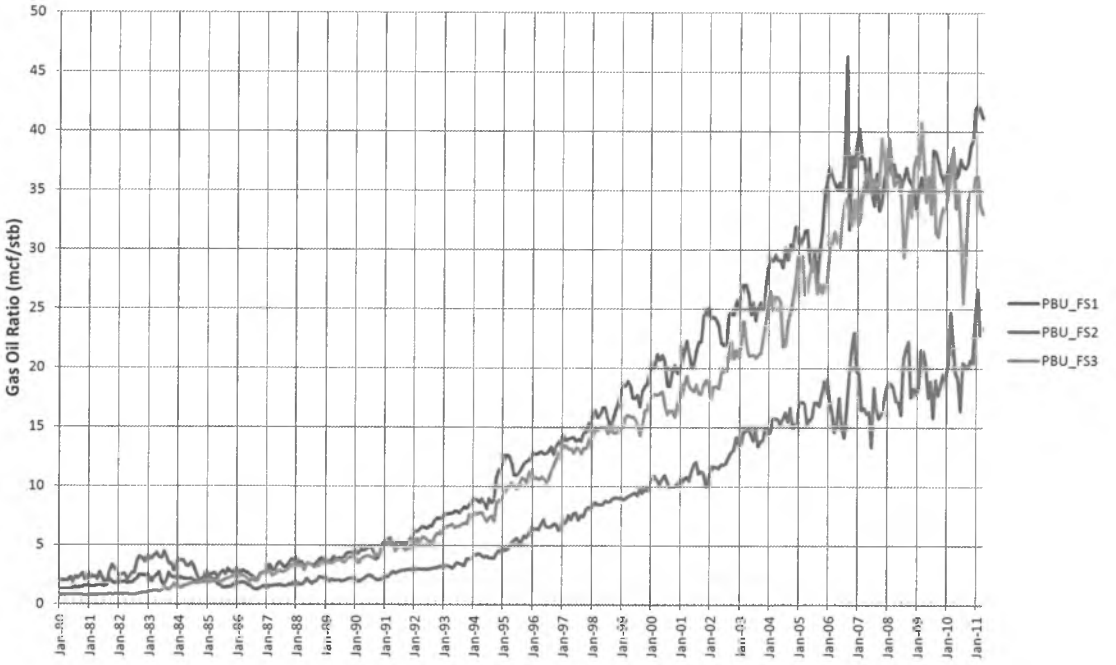
- FS3 gas production has dropped recently, indicating the possibility of spare capacity.
- FS1 and FS2 remain near their peak production

Prudhoe Bay Gas Oil Ratio by Gathering Center and LPC



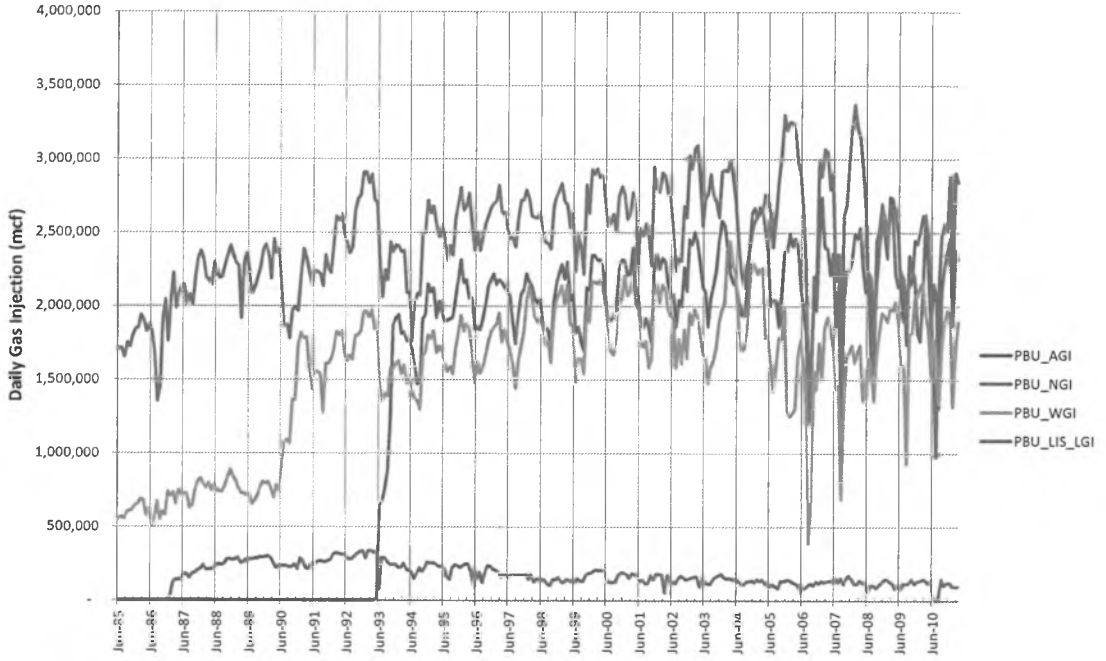
- Average GOR at GC2 and LPC is lower than other gathering centers.
- GC2 leveling of GOR starting in 1999 is a result of western satellite development.
- Gas partial processing plant being considered for GC2 may be needed for efficient continued development of the western satellites (less oil backout when new wells are brought on line)
- LPC gas handling increase may improve oil rates and allow for additional drilling and facilities sharing with developments outside of PBU

Prudhoe Bay Gas Oil Ratio by Flow Station



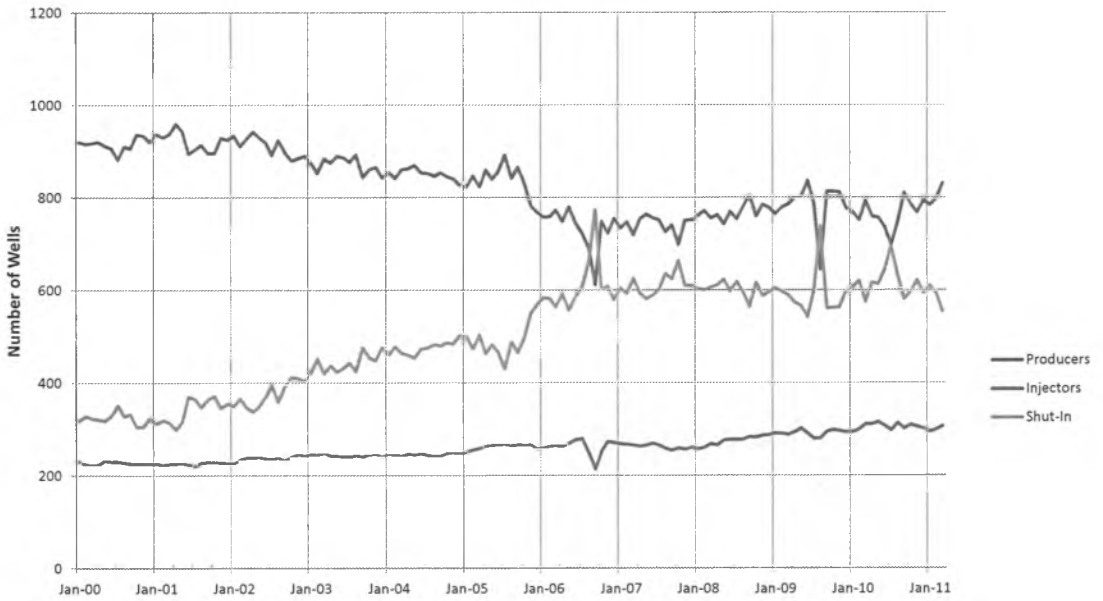
- FS2 has lower GOR as it is largely a waterflood area and further from the gas cap

Prudhoe Bay Gas Injection by Facility



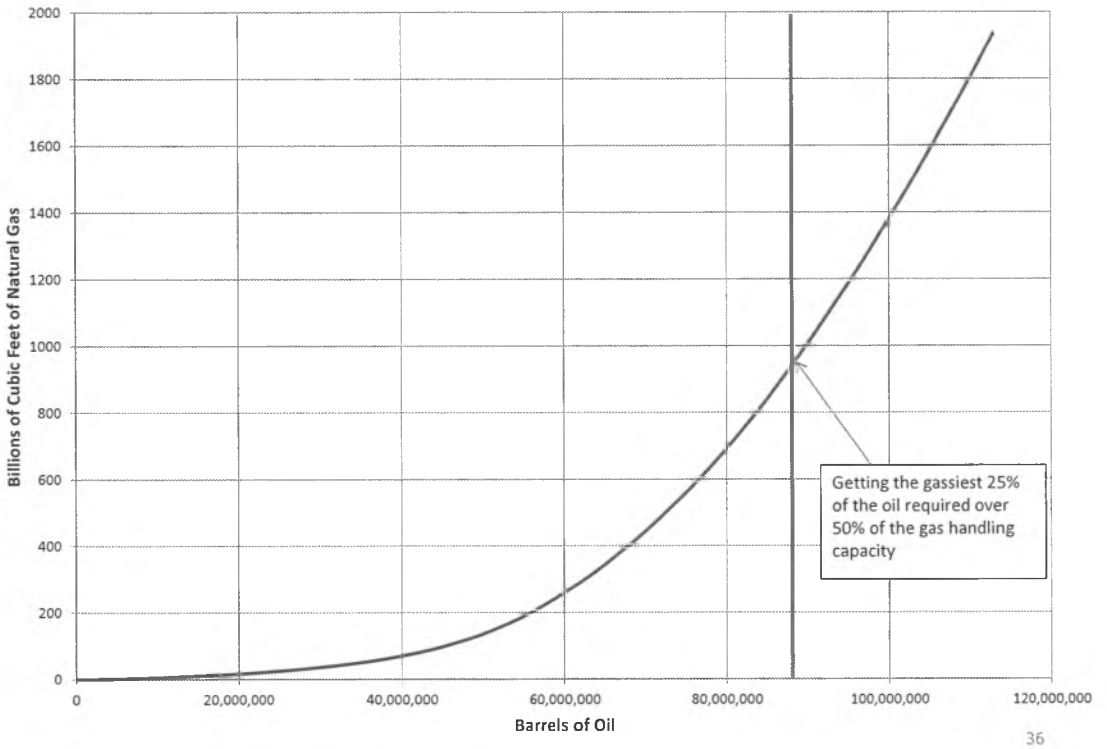
- This plot does not reflect MI injection.
- Lisburne LGI gas cap injection reduction is due to gas compression use by Pt. McIntyre. Pt. McIntyre gas injection is not shown on the graph.

Prudhoe Bay Well Count

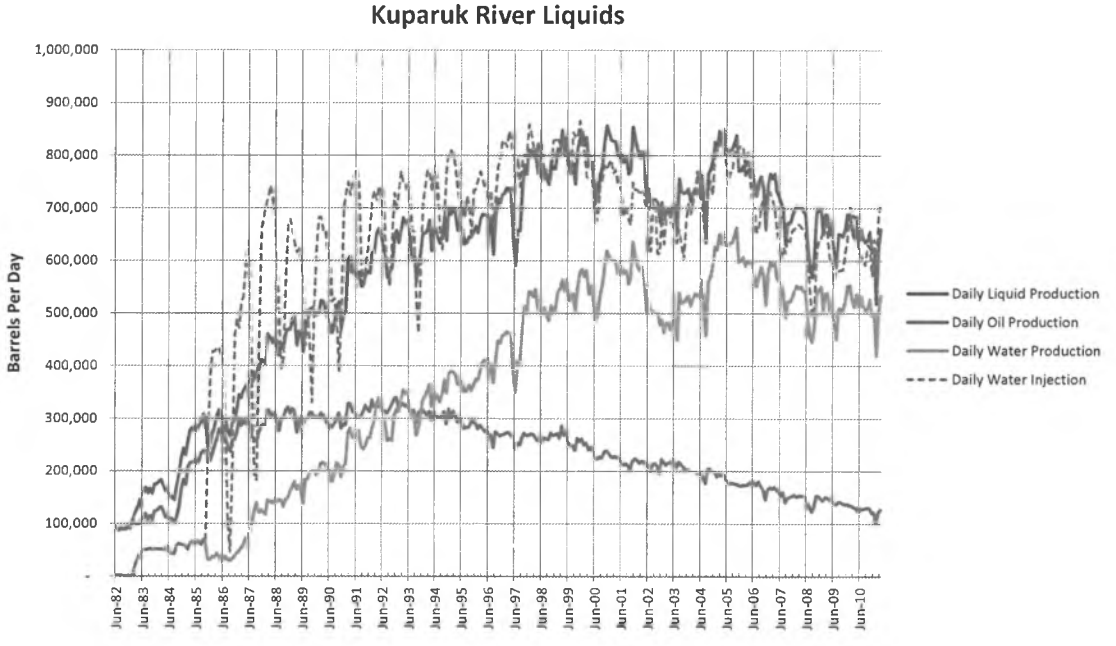


- Significant increase in shut-in wells due to mechanical integrity problems, increasing gas rates, conversion to water and MI injection, and the 2006 shut-down/corrosion problems

Cumulative Gas vs Cumulative Oil in Prudhoe Bay (2010)

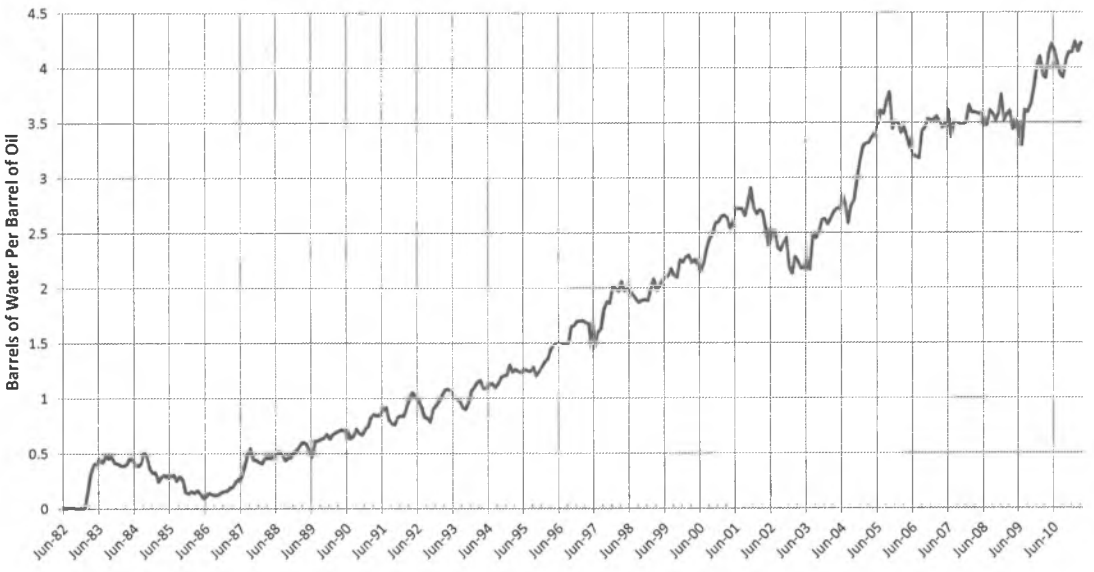


Kuparuk River Unit



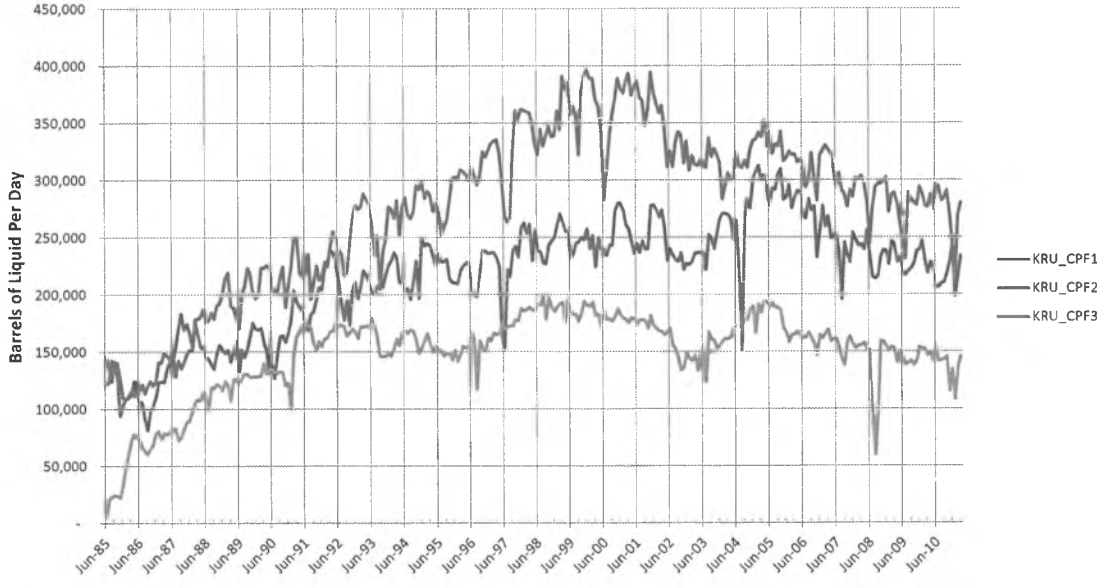
- Current field wide water production is well below former peaks which indicates spare capacity
- Water production correlates strongly to water injection as it should in a late stage waterflood
- Current facility constraints would most likely be around integrity of all steel components

Kuparuk River Water Oil Ratio



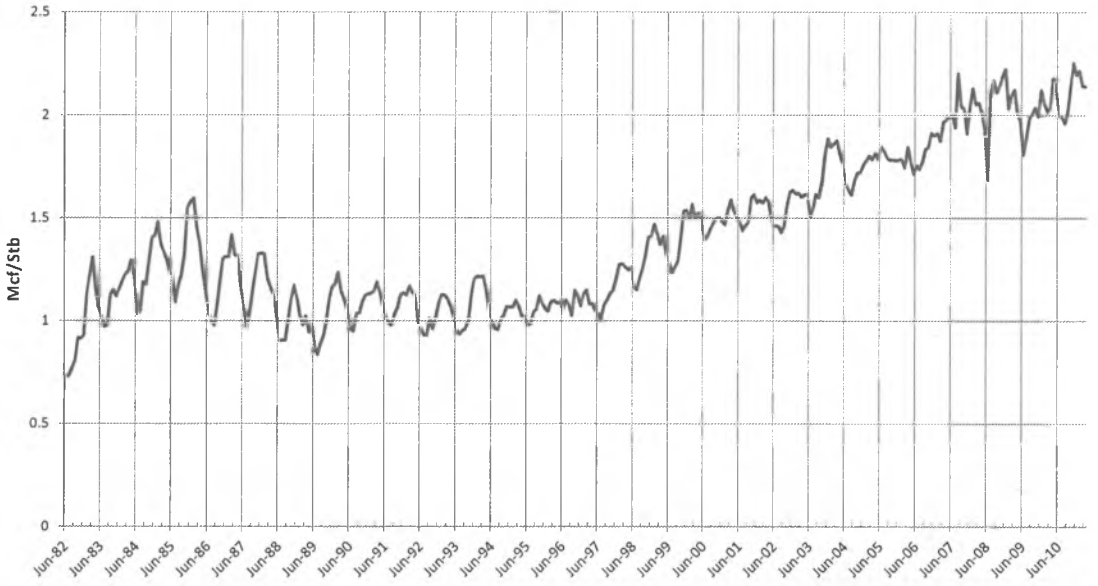
- The water oil ratio has recently exceeded 4:1 which corresponds to an 80% water cut
- It is not uncommon to see water cut for an individual well reach 95%+
- The dip seen in '02-'04 is due to a successful EOR program utilizing imported NGL from PBU

Kuparuk River Liquid Production by Cental Processing Facility



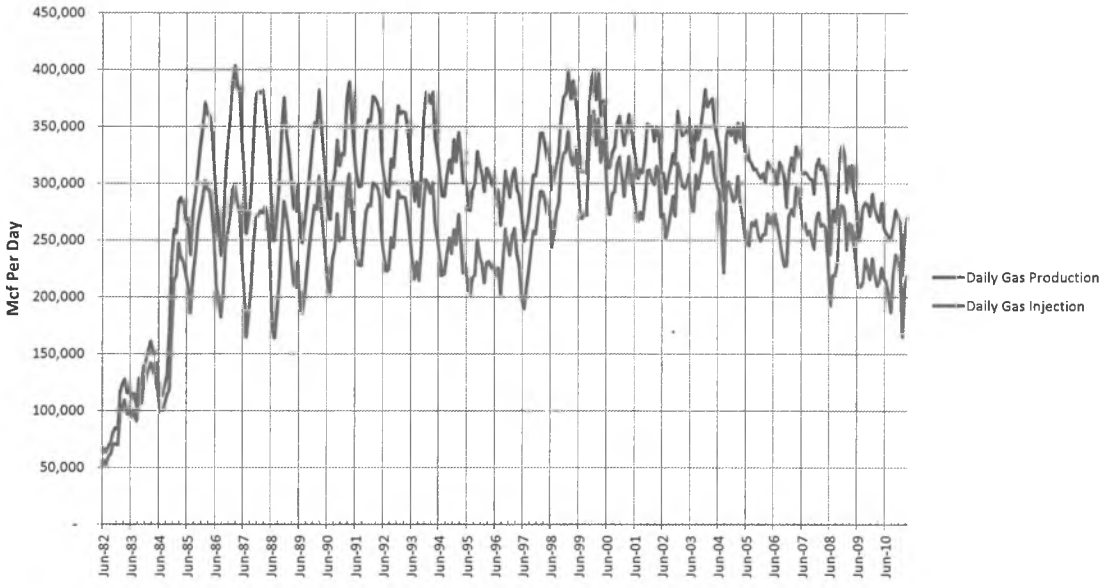
- Central Processing Facilities number one and two are likely not running at full capacity, number three may be
- If the quality of the produced oil changes in a way that it takes longer to separate from water, then it is possible that daily separation capacity could drop

Kuparuk River Gas Oil Ratio



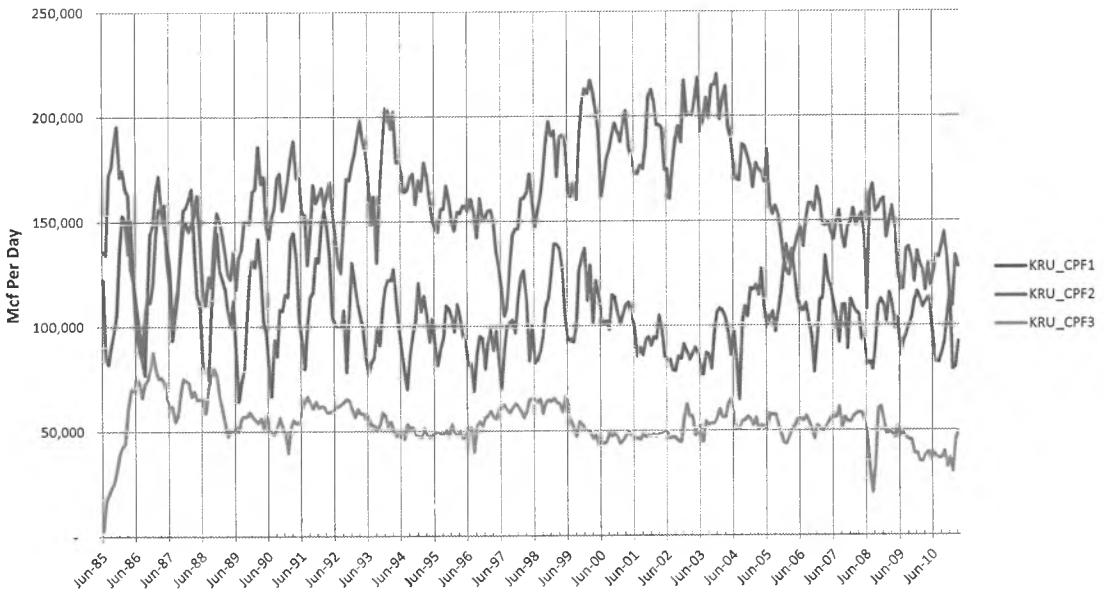
- The low gas oil ratio is what should be expected from an undersaturated reservoir such as Kuparuk
- It follows that there is no reason for GOR to increase significantly in the future unless a major secondary EOR (gas based) is pursued

Kuparuk River Gas



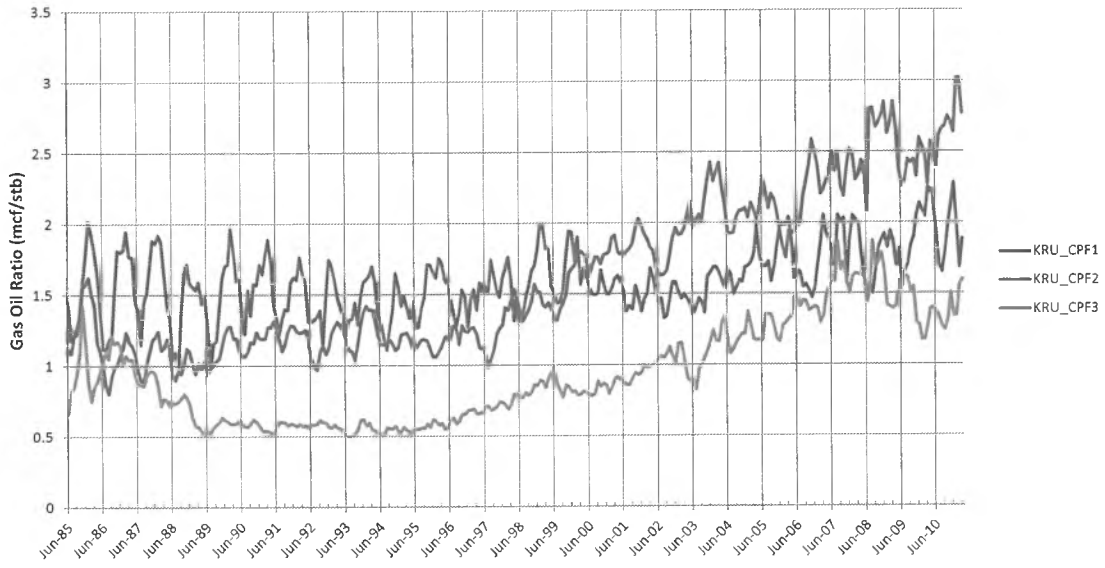
- Gas production and consequently gas injection has steadily declined over the last decade
- ConocoPhillips plans on importing gas to the field in the near future to maintain optimum producing conditions
- Field-wide there is spare capacity for gas, but there could be constraints at a specific facility

Kuparuk River Gas Production by Central Processing Facility

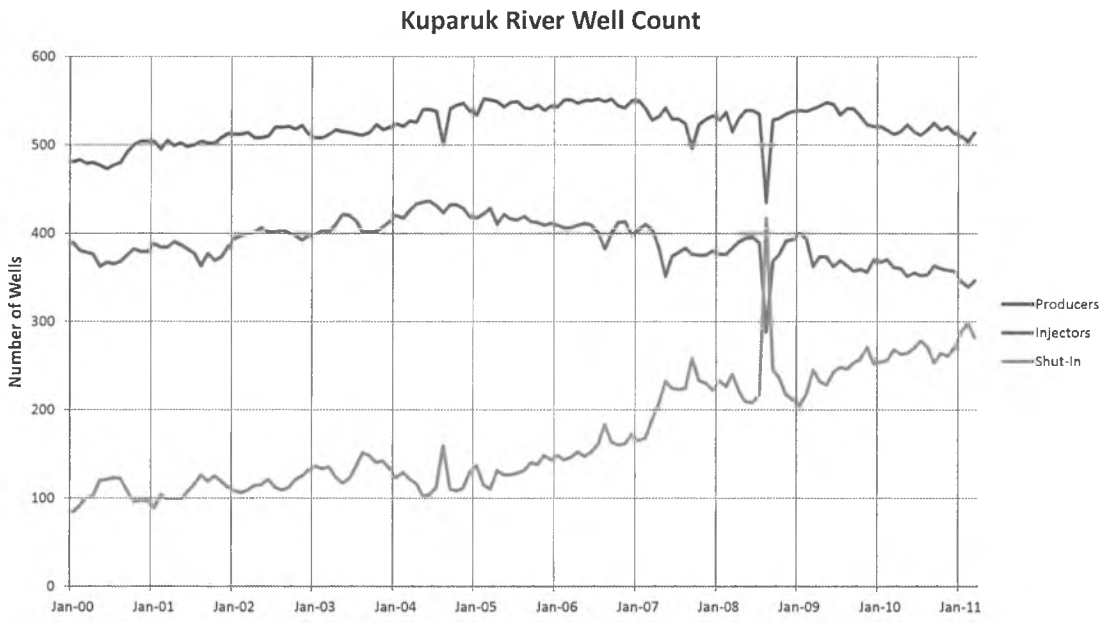


- It appears that all three facilities are not currently operating at peak capacity
- CPF2 underwent an expansion project in 2002
- The expansion project increased oil production for approximately a two year period

Kuparuk Gas Oil Ratio by Central Processing Facility



- GOR behavior by facility indicates that CPF2 could have the largest issue with gas constraints if oil production were to increase



- Shut-in wells have been climbing steadily since 2005 due to casing integrity and mature patterns
- The total well count has climbed during this time as new wells are being drilled for field expansion

Library

Date: **June 8, 2011**

To: **Senator Paskvan**

From: **DNR Division of Oil and Gas**

Re: **North Slope Facilities Expansion**

Enclosed is a document summarizing facilities expansion at Prudhoe Bay and Kuparuk, as requested by e-mail from you to Commissioner Sullivan. We have distilled most of your questions down to three basic issues addressed in this response.

1) Current and historical facilities (gas, water, and liquid handling) capacity
2) Effect upon oil production of increasing gas-oil ratios and water cut, and the impact of gas- and water-handling expansions
3) Are increases in gas- and water-handling limits required to increase North Slope oil recovery?

We are limiting this summary to major larger scale processing projects at the Prudhoe Bay Unit (emphasis upon Sadlerochit Initial Participating Area and Western Satellites) and the Kuparuk River Unit. There are also public documents which provide more thorough descriptions of capacities that may be of use to you.[1,2,3] You also requested information on horsepower and investments. It would take a bit more time to track public information down on these items.

While we do not have sufficient public information to quantify the oil production benefits of future gas and water handling capacity investments, it is our belief that additional gas and water handling capacity investments will be necessary in some cases for continuing operation of maturing fields, development and expansion of satellite reservoirs, and to allow for facilities sharing with other new developments outside of current Units. These investments are unlikely to be as massive as that for such items as the Prudhoe Gas Handling expansions and Seawater Injection and Treatment plants; rather smaller, more localized projects, debottlenecking, and upgrades are anticipated within the nearby infrastructure of the major Units.

We hope this is useful to you. If you have questions or need further information, please let us know.

---

[1] State of Alaska, Department of Natural Resources, Division of Oil and Gas and and Petrotechnical Resources of Alaska; *North Slope of Alaska Facility Sharing Study;* May 2004;
December, 2009
(http://www.dog.dnr.alaska.gov/oil/products/publications/otherreports/nsfacility/facility.share.report.pdf)

[2] ConocoPhillips Alaska; Facilities Limits; updated 1/6/2010;
http://www.conocophillipsalaska.com/facilityaccess/FacilityLimits.asp

[3] BP Alaska, Inc; *"BP in Alaska"*; 2009;
(http://www.bp.com/liveassets/bp_internet/globalbp/STAGING/global_assets/downloads/A/abp_wwd_alaska_bp_in_alaska_2009.pdf)

North Slope Facilities Capacities and Expansions

The summary below addresses capacity limits for processing units within the Prudhoe Bay Unit and Kuparuk River Unit. Specifically we address the following aspects:

1) Current and historical facilities (gas, water, and liquid handling) capacity
2) Historical production volumes, the effect upon oil production of increasing gas-oil ratios and water cut, and the impact of gas and water handling expansions
3) Additional gas and water handling limits needed to increase North Slope Oil recovery

Figures illustrating historical production are provided in a separate PowerPoint file as an appendix.

Prudhoe Bay Unit

The current oil processing capacity of both the IPA facilities and the LPC is mainly limited by the amount of associated gas that can be processed and injected, however there are some limits on water handling. In other words, some of the processing capacities cannot be used because of the inability to process and inject the increasingly higher quantity of gas that is produced with the oil and water. Although efforts to shut off gas have been effective in some wells, in general higher GOR wells must be shut in with each additional new well addition. So, these new wells will "back-out" oil due to shut-in of other Prudhoe wells. The effects of this back-out vary by major processing facilities as outlined below. The following summarizes facilities capacities for the major facilities at Prudhoe Bay.

Current Prudhoe Bay capacities

The following table summarizes publicly available oil, gas, and water handling capacities for the major facilities at Prudhoe Bay. While the sum of gas production capacity at the flow stations may be as high as 10 BCF/D, the rated compression capacity at the Central Gas Facilities limits overall gas production to 8.7 BCF/D. [1]

Table 1

The capacity of each major facility is shown in the following table. However, in actual operations, the capacity of a single facility for a given component cannot be viewed in isolation and instead must be viewed in the context of the overall PBU system and other factors, such as weather and TAPS pro-rations. As such, rarely, if ever, can the capacity of more than one component (oil, water, or gas) be achieved simultaneously.

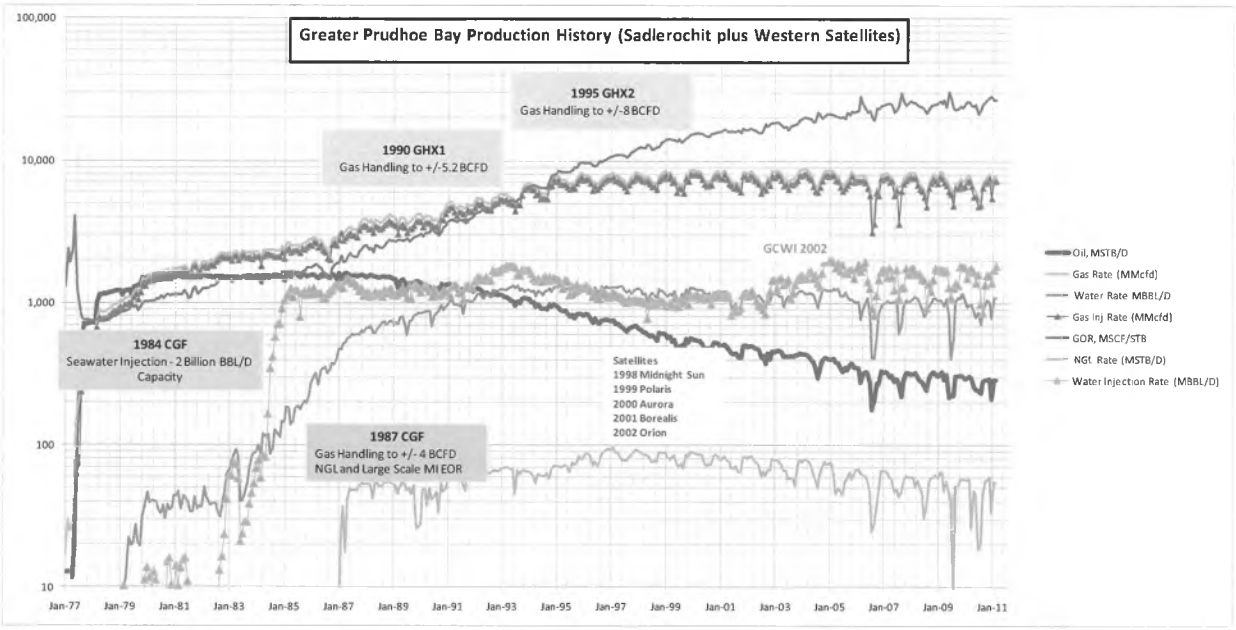
Facility	Oil Capacity MBD	Water Capacity MBD	Gas Capacity MMSCF	Gas Lift Gas Compression Capacity MMSCF
FS-1	360	130	2800	
FS-2	360	650	1150	
FS-3	360	240	1350	460
GC-1	330	150	2600	900
GC-2	250	300 *	1070	
GC-3	**	250	1100	
LPC	205	160	470	
CGF			8700	

* PW Tank currently out of service limits water to ~230 MBWPD
** GC-3 oil processing equipment was taken out of service; must consider GC-3 and FS-3 as single entity for oil processing capacity considerations

[1] ConocoPhillips Alaska Publication; *"Facilities Limits"*; initial publication 2002, updated 1/6/2010; (http://www.conocophillipsalaska.com/facilityaccess/FacilityLimits.asp)

Production and Major Facilities Expansion History

The following summarizes production history and major facilities capacity additions within the Greater Prudhoe Bay area (Sadlerochit plus Western Satellites – excludes Greater Point McIntyre). It should be noted that many smaller facilities and infrastructure expansions have occurred over time to accommodate new wells and drillsites, however major gas handling expansion has not occurred after 1995 with GHX2 addition.



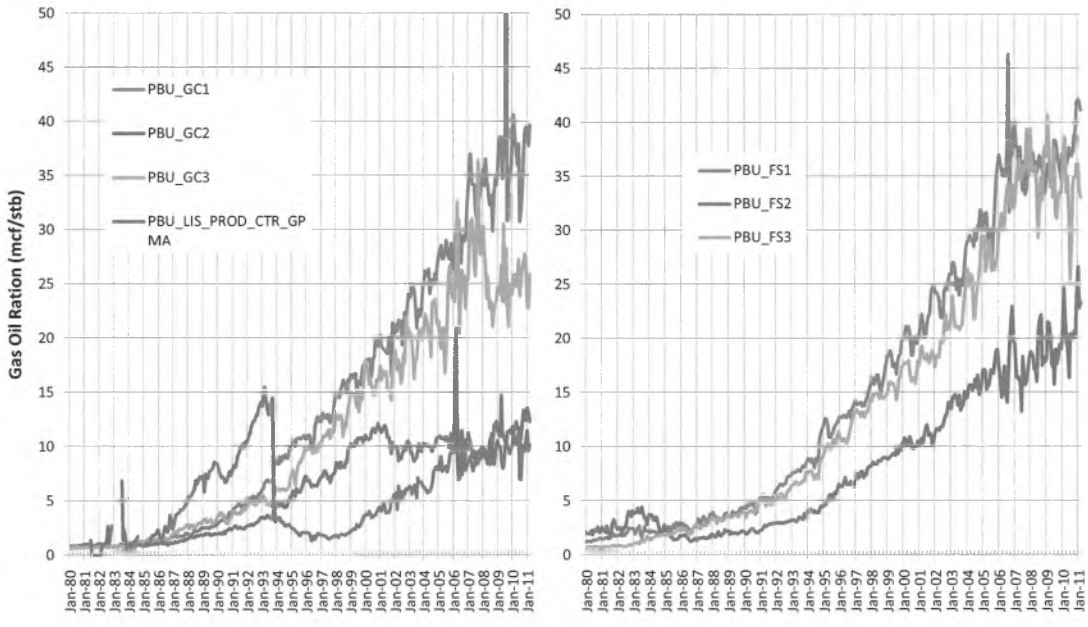
- 1983 - Major Seawater Injection Plant and Seawater Treatment Plant; 2 Billion Barrels per day injection capacity – $2 Billion
- Gas Handling Expansion – Greater Prudhoe Bay
  - CGF 1987 - Gas handling increased from +/- 2.7 BCFD to +/- 4.2 BCFD. NGL processing allows for sales into TAPS and use in miscible gas injection.
  - GHX1 1990 - gas handling increased from +/- 4.2 BCFD to +/- 5.7 BCFD
  - GHX2 1995 – gas handling increased from +/-5.7 BCFD to +/- 8.0 BCFD
- 2002 - Gas Cap Water Injection
  - Seawater is being injected into the Prudhoe Bay Ivishak gas cap to stabilize reservoir pressure.
  - Approximate incremental recovery 150-200 MMSTB (per AOGCC testimony)
- Greater Prudhoe Bay Western Satellites - (Note – Excludes GPMA)
  - Midnight Sun (1997), Polaris (production start date: 1999), Aurora (2000), Borealis (production start date: 2001), Orion (production start date: 2002), Put River (production start date: 2008).

Prudhoe Bay Future Opportunities/Needs

We do not have sufficient publicly available information to quantitatively address the oil production benefits of future gas and water handling capacity investments. However, investments in additional gas and water handling may be necessary to realize efficient and economic oil recovery: 1) for development and expansion of satellite reservoirs, 2) for facilities sharing with other new developments outside of current units, and 3) for acceleration and increased oil rates in the maturing fields. These investments are unlikely to be as massive as that for such items as the Prudhoe Gas Handling expansions and Seawater Injection and Treatment plants; rather smaller more localized projects, debottlenecking, and upgrades are anticipated within the nearby infrastructure of the Prudhoe Bay Unit.

An example of a gas expansion opportunity being considered by the Prudhoe Bay Owners includes a "Gas Partial Processing Plant" which would be placed upstream of Gathering Center 2 at a Z Pad (western portion of the Prudhoe Bay Unit). Currently, the existing GORs are low at GC2 relative to other processing facilities because the facility has not been upgraded with sufficient gas processing capability. As a result, the oil rate benefit from drilling new wells in that part of the field is significantly reduced because even moderate GOR wells have to be shut-in to accommodate the new production. The proposed gas partial processing plant would partially separate gas from incoming production Drill Pads Z, W, L, and V, then dehydrate and compress the gas for use in local gas lift. Such a plant should significantly improve the economics of new western region drilling and is a key component required for a new I Pad viscous oil development. Our very rough calculation suggests that approximately 400 MMSCF/D added gas processing could allow for about 15,000-35,000 STB/D additional oil rate (range depends upon new well and drillsite developments).

Prudhoe Bay Gas Oil Ratio Comparison by Major Processing Facility



Kuparuk River Unit

Kuparuk River facilities were built and sized for the Kuparuk Participating Area, which is the main PA in the Kuparuk River Unit. Peak liquid throughput was roughly 800,000 barrels of liquid per day. This throughput was achieved both in the late 1990s-early 2000s as well as the 2004-05 period when NGL imports were ended. Peak water production was reached during the 2004-05 liquids peak with 650,000 barrels of water per day. Water injection peaked in the late 1990s, equaling the liquid production rate at the time which was 800,000 barrels per day. Gas production peaked at 400,000 MCF per day in 2002, coinciding with the last gas handling expansion at Kuparuk. These peaks aren't necessarily hard limits, nor can we be 100% certain they can be achieved again in the future. As equipment ages it may lose some capacity so those peaks may no longer be obtainable, but they provide a good guideline for what was possible to achieve with functioning equipment.

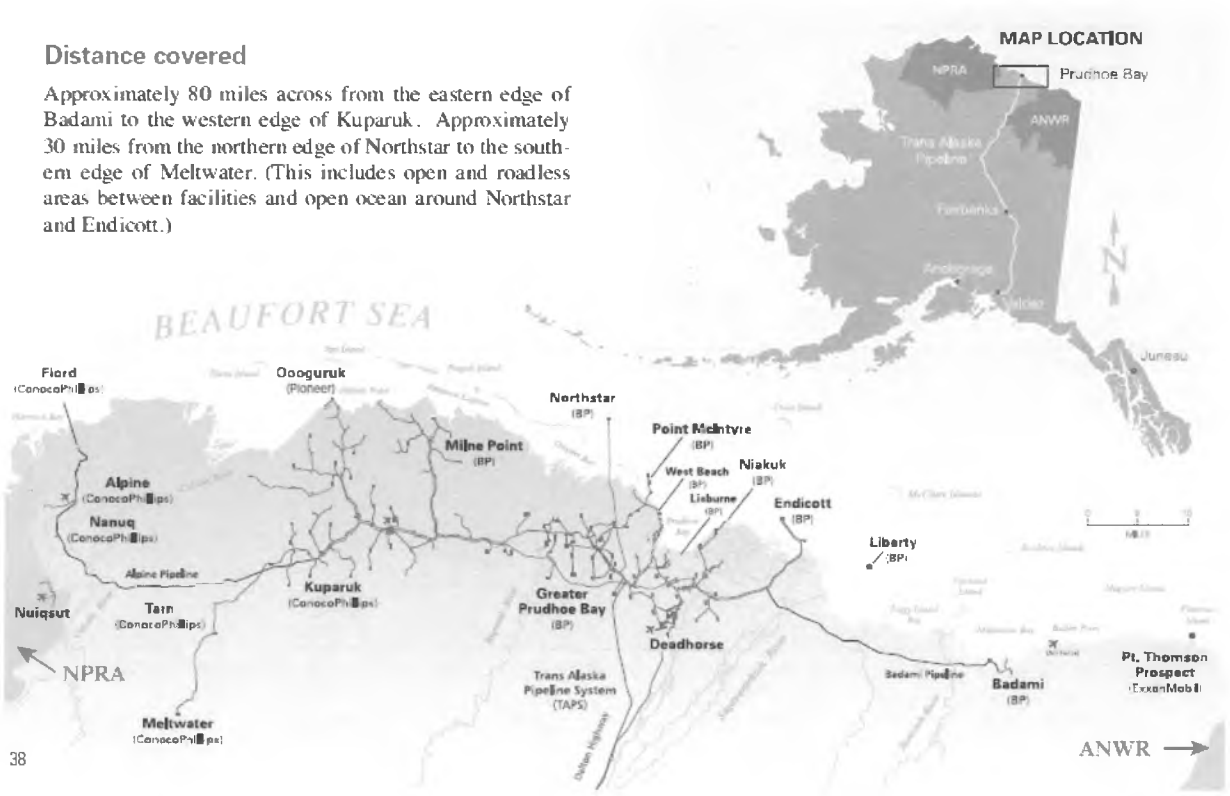
As any field matures it is likely to encounter an increased amount of gas and water per barrel of oil. If the current facilities in a field were not designed for the amount of liquid and gas being produced then wells with high GOR and high water cut may need to be shut-in, curtailing production. A facilities expansion would only increase recovery rate if there were shut-in wells to bring online or new wells that could be drilled to produce into the new facilities. In general there will be some tradeoff between how much oil can be gained by increasing facilities and how much those facilities cost. A balance must be achieved in both the initial sizing of facilities as well as any decision to expand facilities later. Kuparuk River facilities were sized in a way where it did not need to expand to deal with increasing GOR and water cut. It is possible to design facilities large enough to not have to be expanded, but that it may not always be optimal.

In some cases new facilities may be necessary to increase North Slope production. There is no question that new oil will need to be processed somewhere, the question is whether that should be somewhere in existing facilities or at a new facility. This comes down to an economic decision of whether it is cheaper to build new or pay to put production through an existing facility. At Kuparuk there is little need to expand facilities for current operations, but if any new satellites were to be brought in, or a new EOR project was undertaken then facilities would likely need to be expanded to accommodate increased volumes. Similarly, the size of a new development will have a lot to do with the decision to rent space or build new. If the development is of a size where it can easily fit into available space, that may be the cheaper option, but if that development is large enough to pay for its own facilities then it is probably optimal to build new and not deal with the expenses and logistical issues of running multiple developments through a single set of facilities.

North Slope Fields Map

Distance covered

Approximately 80 miles across from the eastern edge of Badami to the western edge of Kuparuk. Approximately 30 miles from the northern edge of Northstar to the southern edge of Meltwater. (This includes open and roadless areas between facilities and open ocean around Northstar and Endicott.)



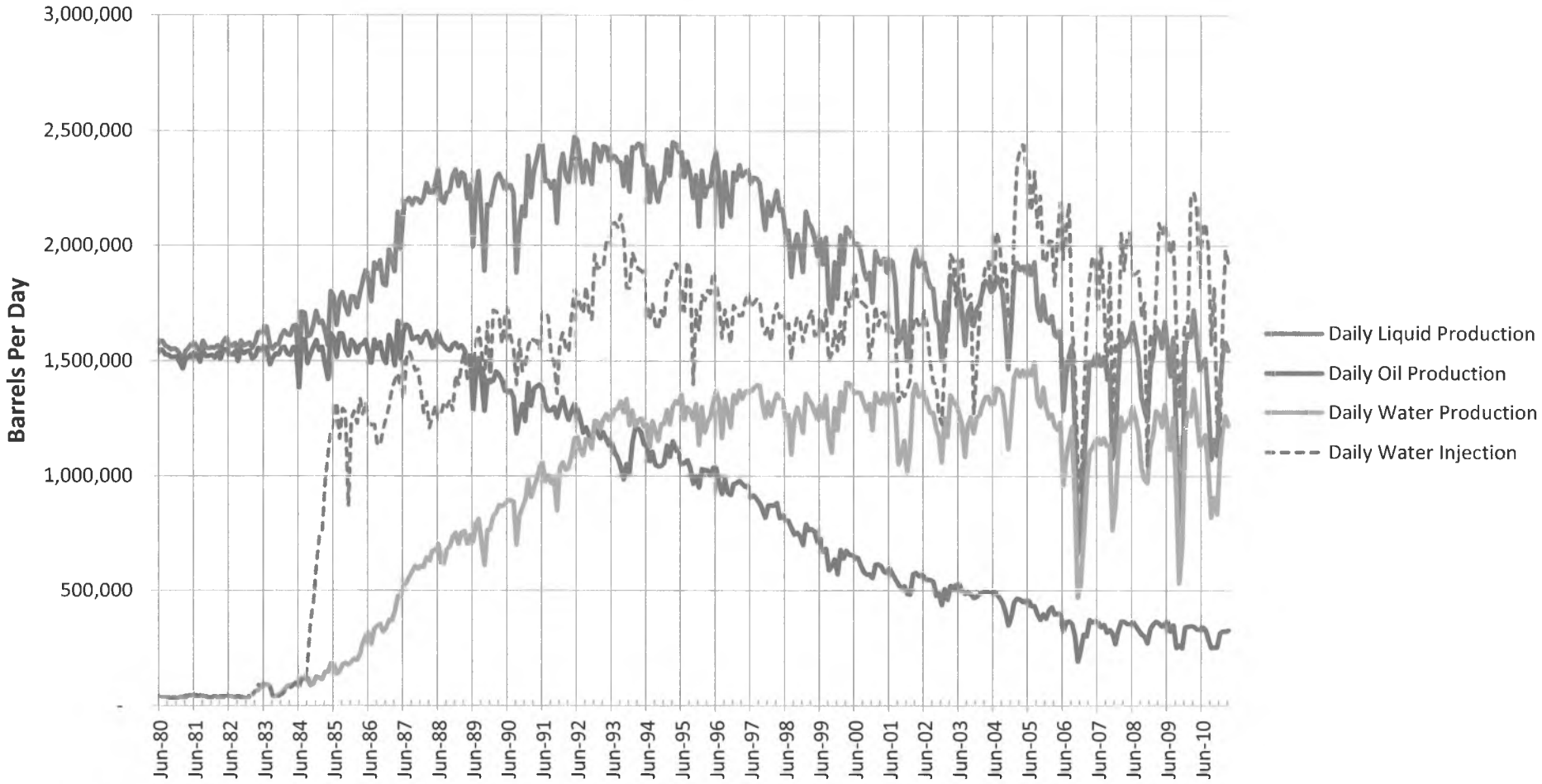
See BP Alaska, Inc; *"BP in Alaska"*; 2009; (http://www.bp.com/liveassets/bp_internet/globalbp/STAGING/global_assets/downloads/A/abp_wwd_alaska_bp_in_alaska_2009.pdf)

Appendix

- Annotated slides of Prudhoe Bay and Kuparuk River units production history data relevant to expansion of gas processing and water handling facilities.

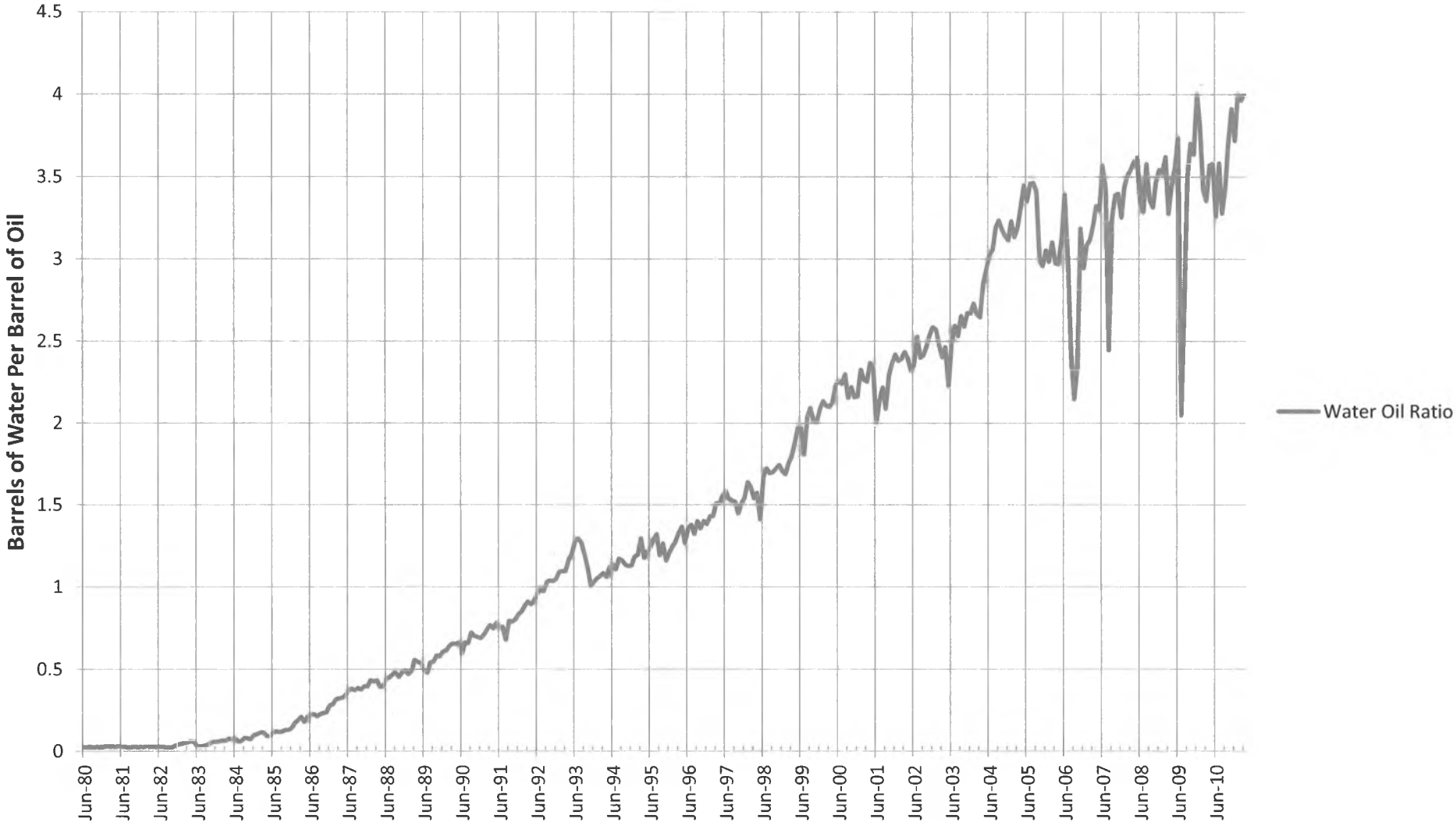
Prudhoe Bay Unit

Prudhoe Bay Liquids



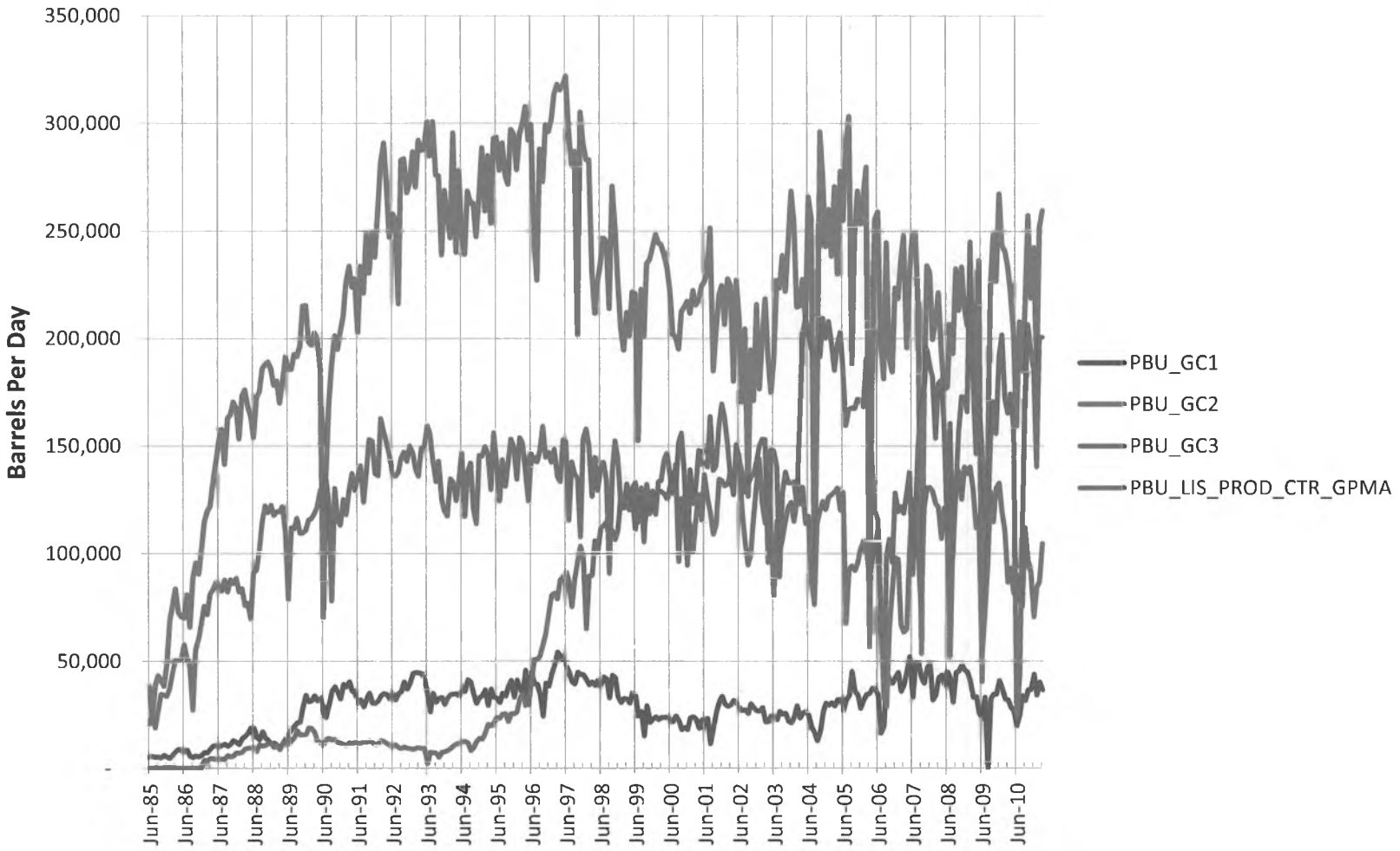
- Liquid throughput has declined considerably since the mid 90's due to oil rate decline
- Lisburne, Pt. McIntyre, Niakuk production into LPC began in 1997, increasing oil rates and water handling capacity.
- Western Satellite development after 1999 helped stem Prudhoe decline.
- Gas cap water injection began in '02, considerably increasing utilization of seawater injection capacity, and helped to stem decline with stabilized reservoir pressures

Prudhoe Bay Water Oil Ratio



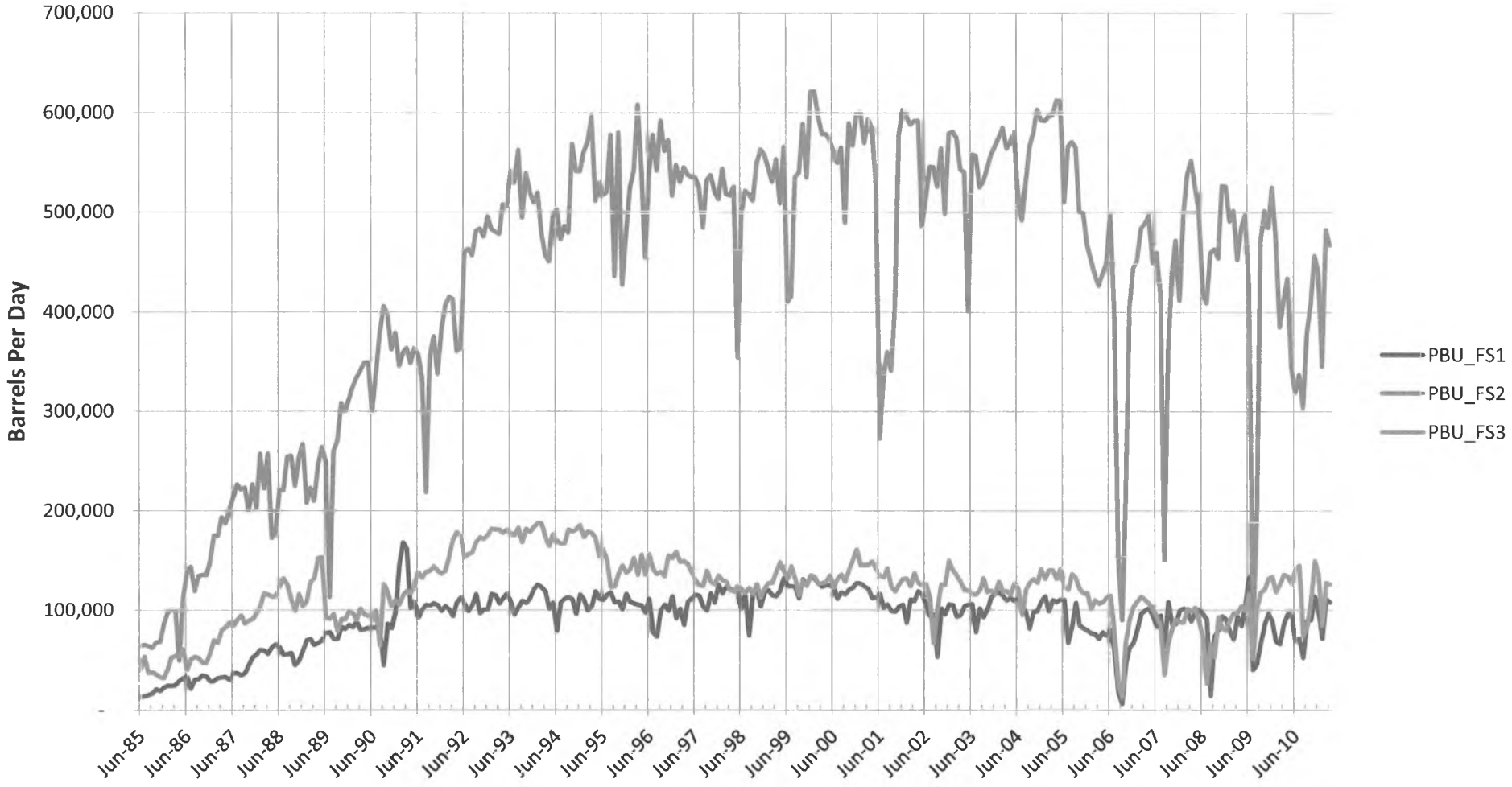
- The water oil ratio has reached 4:1 at Prudhoe with continued waterflood maturity.

Prudhoe Water Production by Gathering Center and LPC



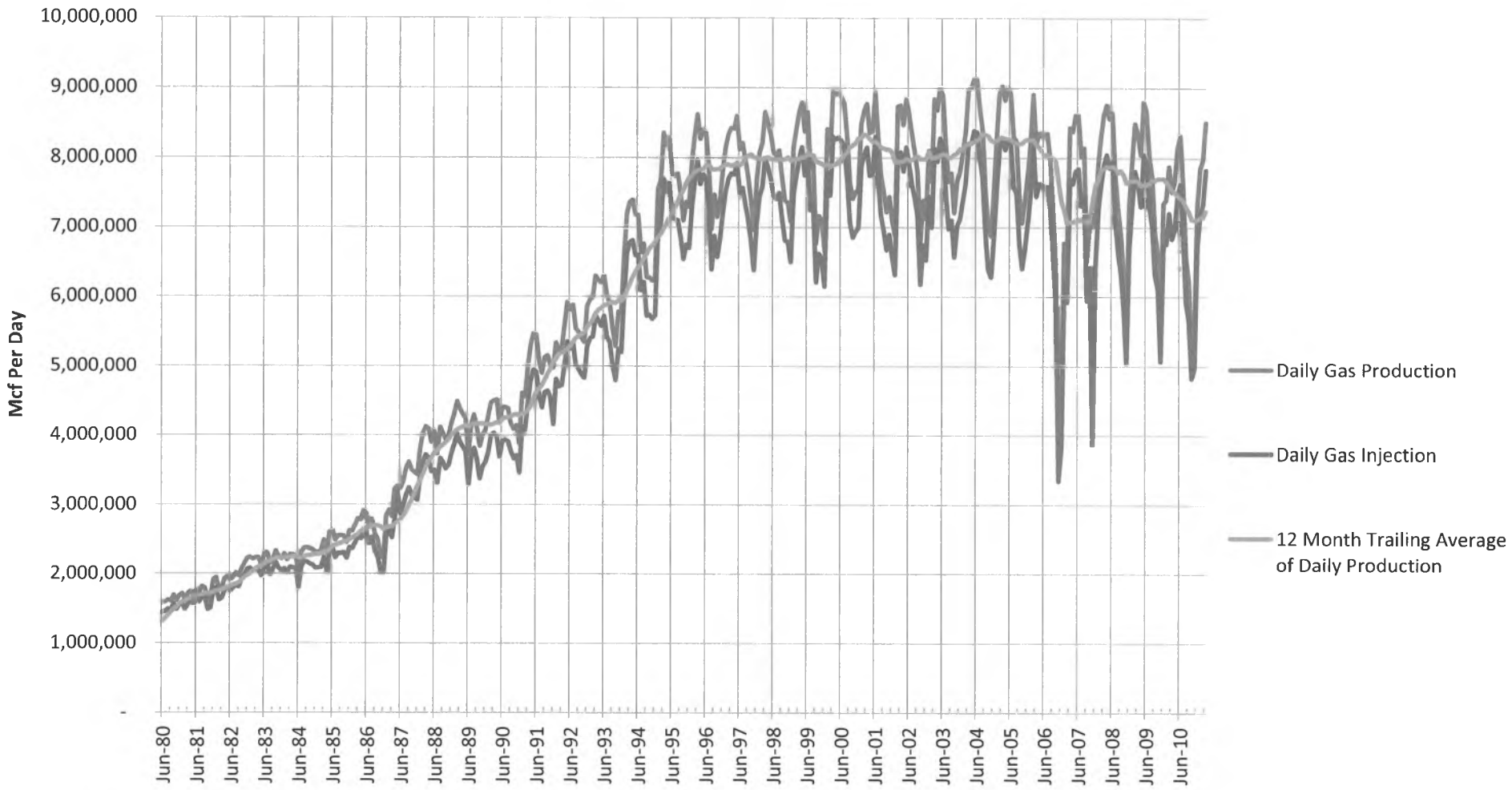
- GC1 is nearer the gas cap and has less waterflood injection, so water production is lower.
- Expansion in water injection pumping capacity at LPC in 2004.

Prudhoe Water Production by Flow Station



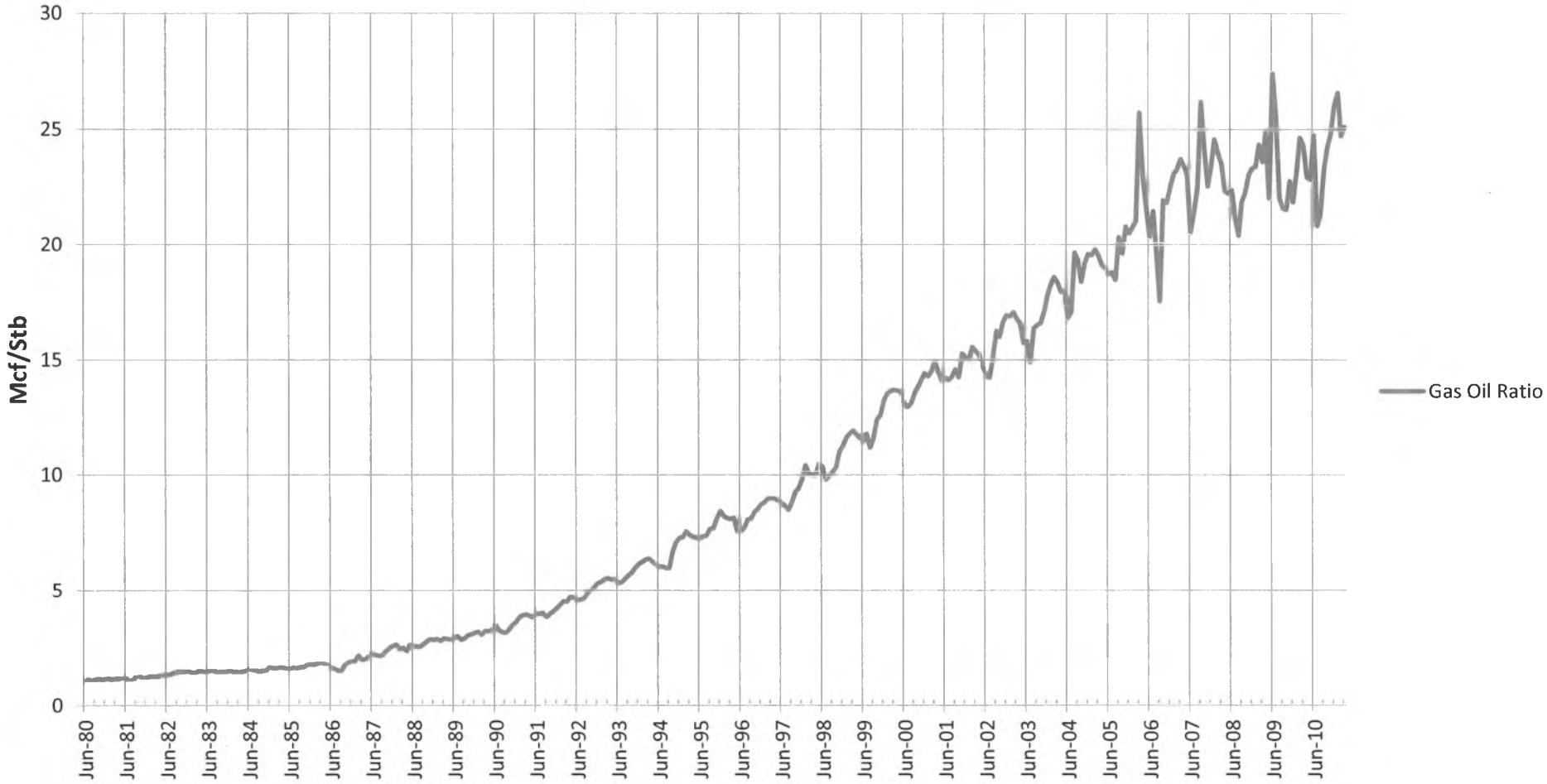
- Flow Station 2 is largely a waterflood area reflected in the higher water production rates

Prudhoe Bay Gas



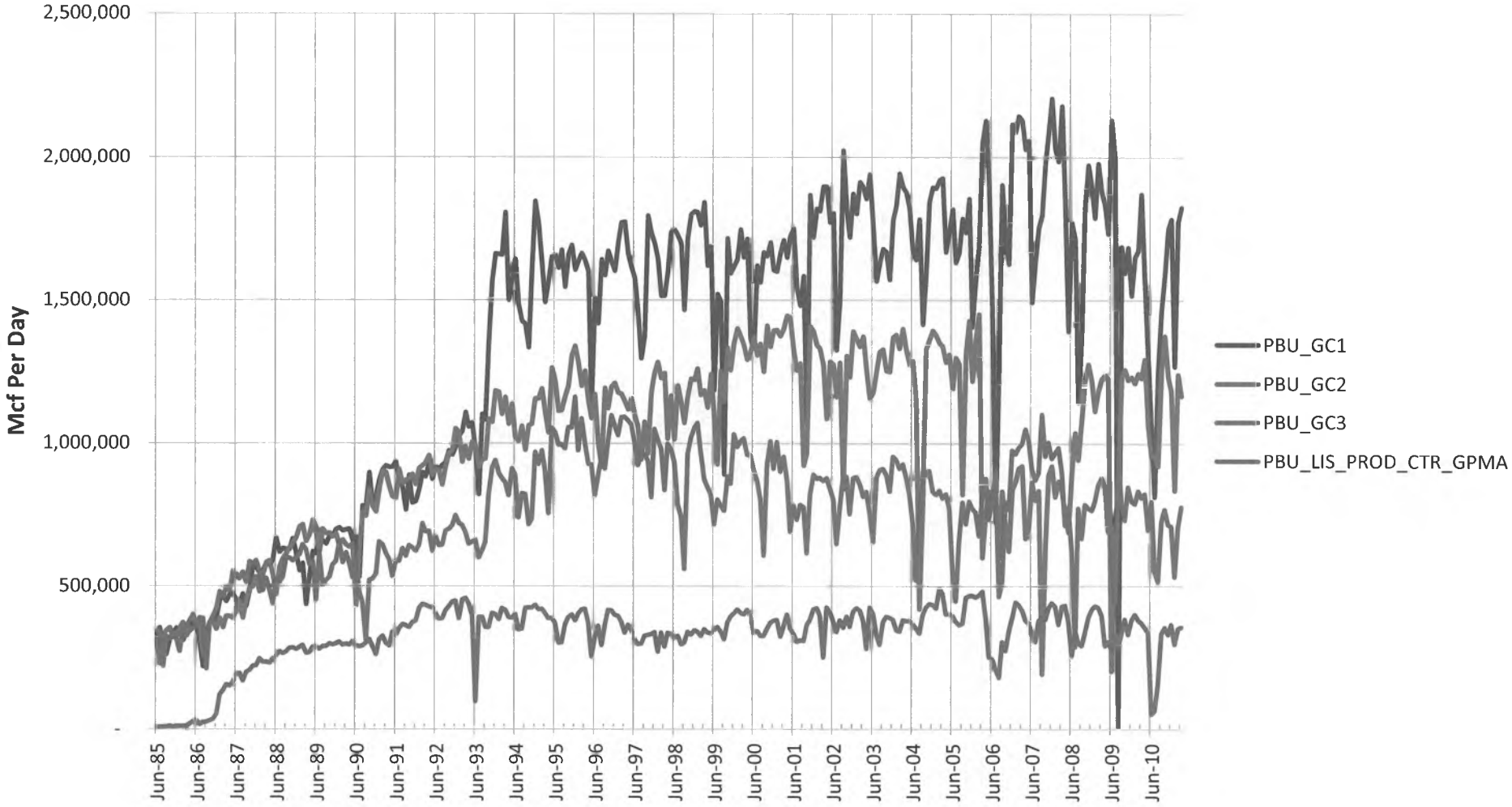
- Gas Handling Expansion – Greater Prudhoe Bay
  - CGF 1987 - Gas handling increased from +/- 4.2 BCFD from +/- 2.7 BCFD. NGL processing allows for sales into TAPS and use in miscible gas injection.
  - GHX1 1990 - gas handling increased from +/- 4.2 BCFD from +/- 5.7 BCFD
  - GHX2 1995 – gas handling increased from +/-5.7 BCFD to +/- 8.0 BCFD
- Total Prudhoe Bay gas throughput has fallen in recent years. 2006-2007 reduction due to 2006 corrosion and shutdown issues. The reductions after 2008 may be due to increased shut-downs for repair and line replacement after the 2006 shut-down.

Prudhoe Bay Gas Oil Ratio



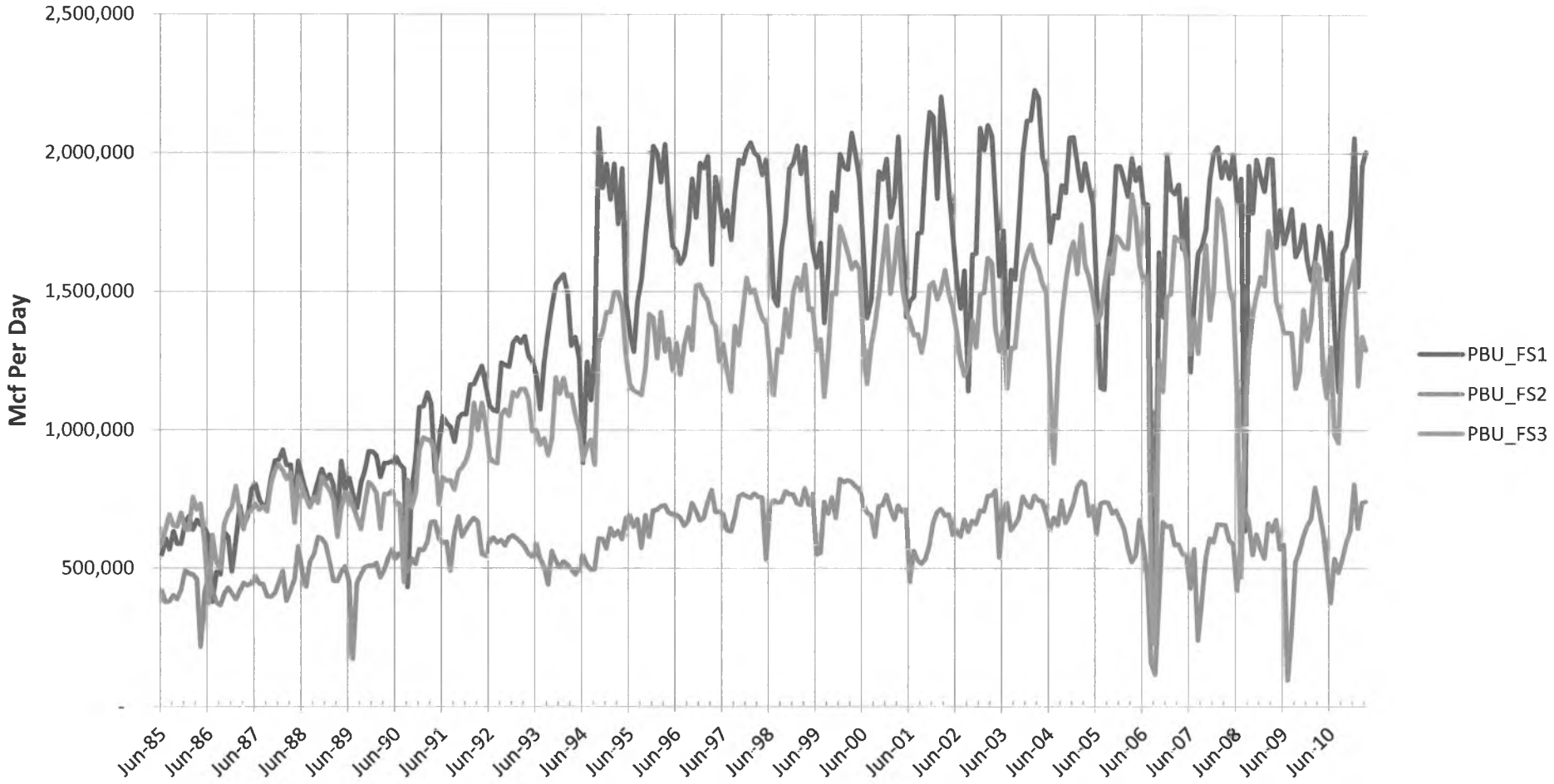
- Average GOR is approaching 25,000 cubic feet per barrel, but this ranges widely among different parts of the field, even more so among individual wells.

Prudhoe Gas Production by Gathering Center and LPC



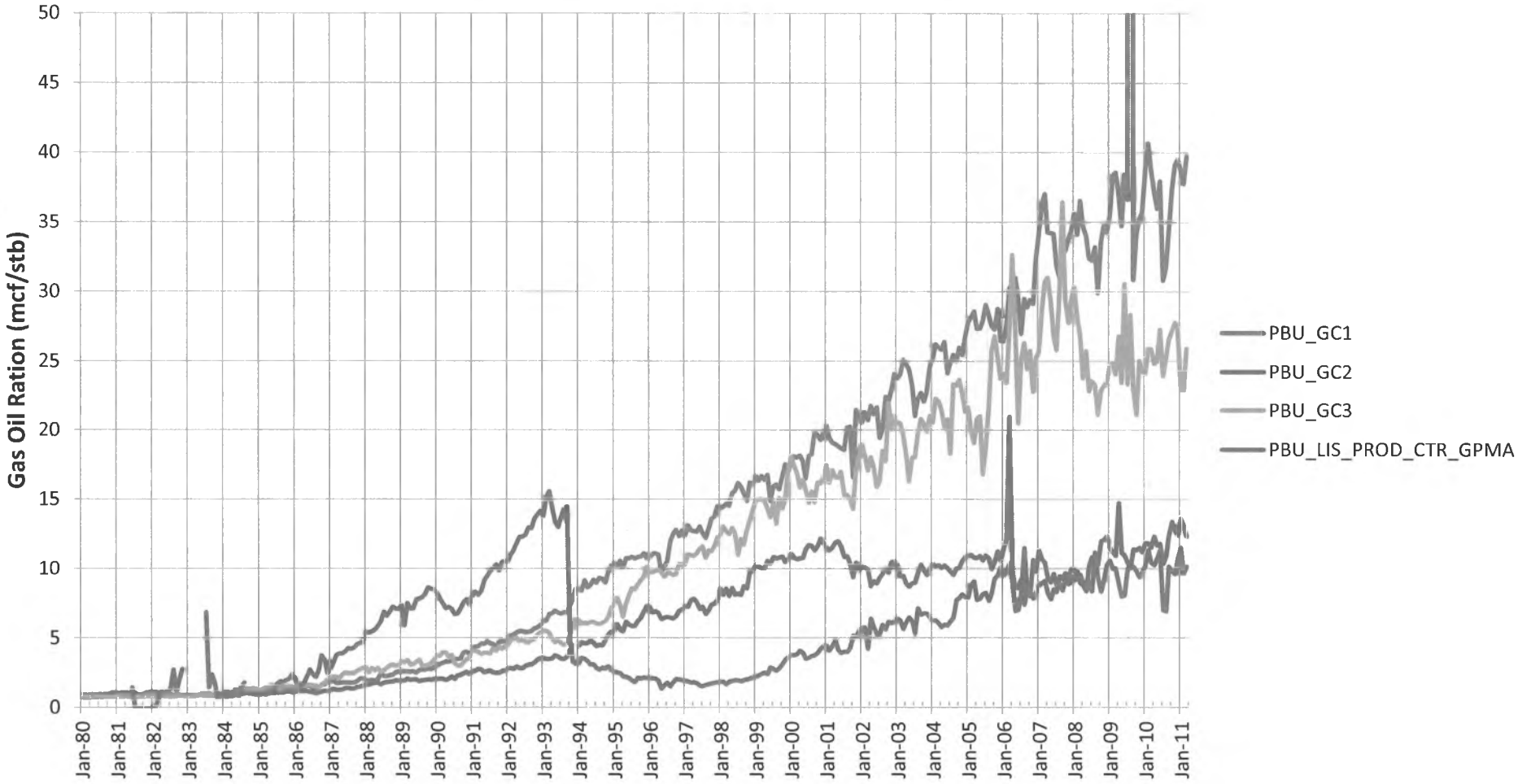
- GC2 was the main facility affected by the 2006 shutdown issues.

Prudhoe Gas Production by Flow Station



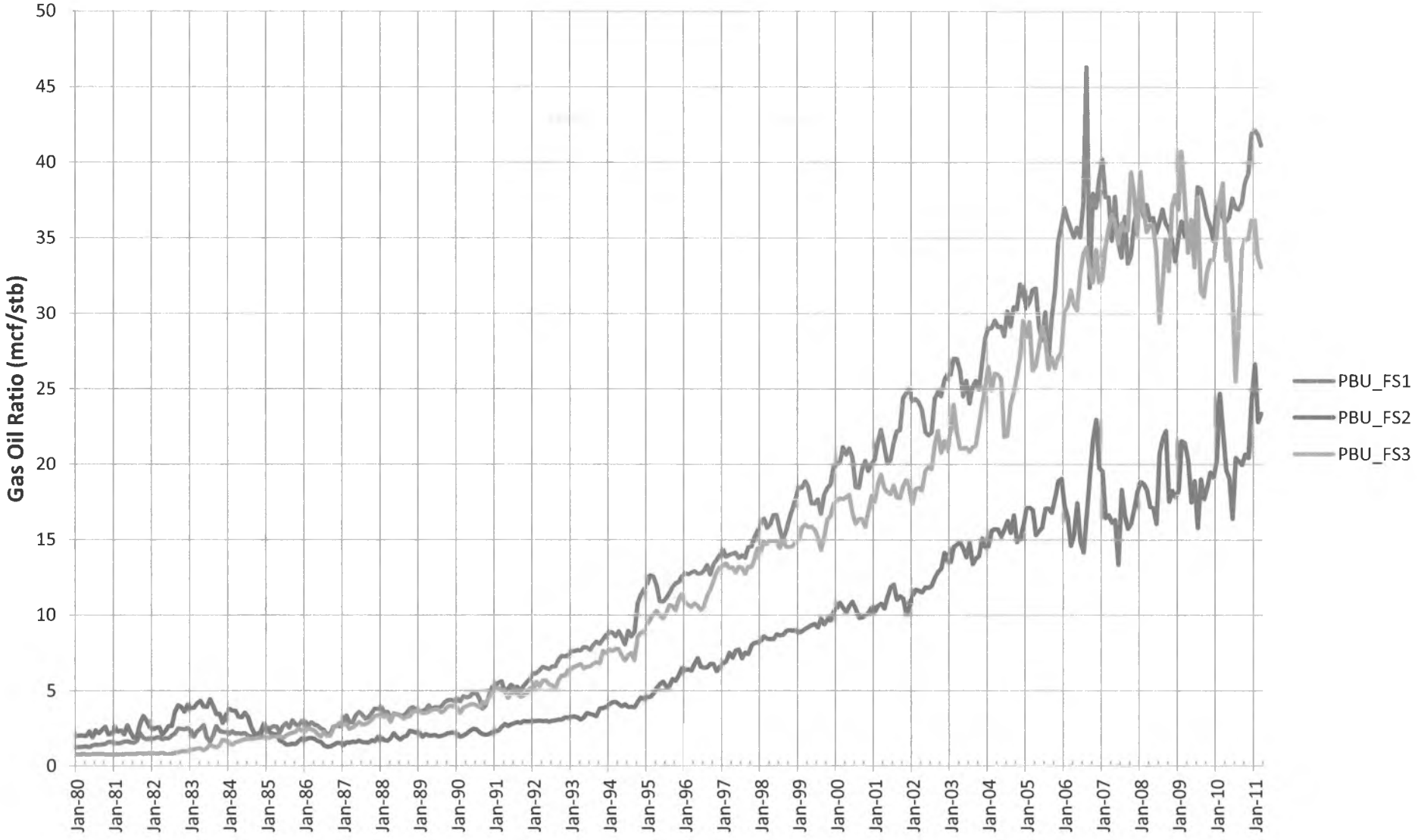
- FS3 gas production has dropped recently, indicating the possibility of spare capacity.
- FS1 and FS2 remain near their peak production

Prudhoe Bay Gas Oil Ratio by Gathering Center and LPC



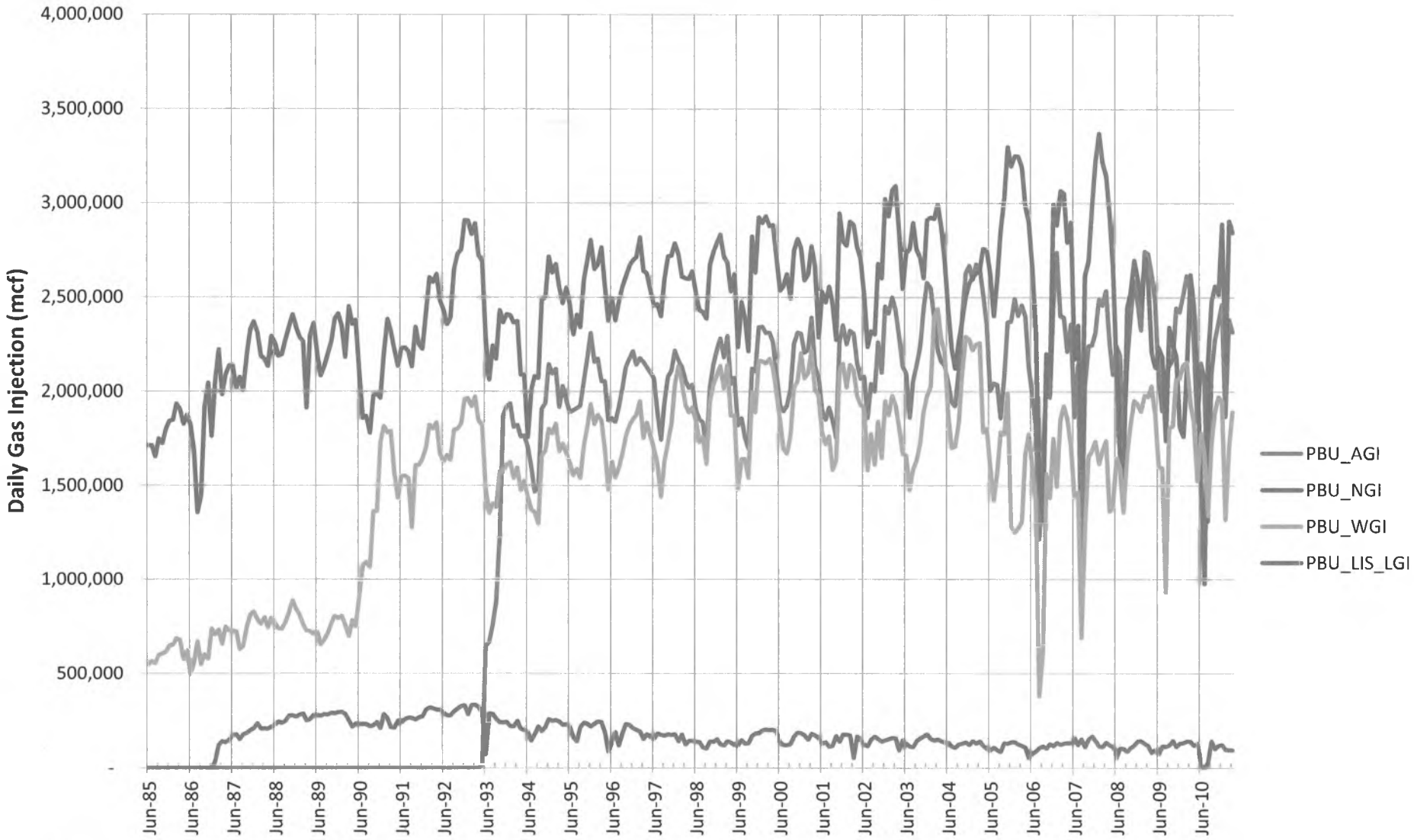
- Average GOR at GC2 and LPC is lower than other gathering centers.
- GC2 leveling of GOR starting in 1999 is a result of western satellite development.
- Gas partial processing plant being considered for GC2 may be needed for efficient continued development of the western satellites (less oil backout when new wells are brought on line)
- LPC gas handling increase may improve oil rates and allow for additional drilling and facilities sharing with developments outside of PBU

Prudhoe Bay Gas Oil Ratio by Flow Station



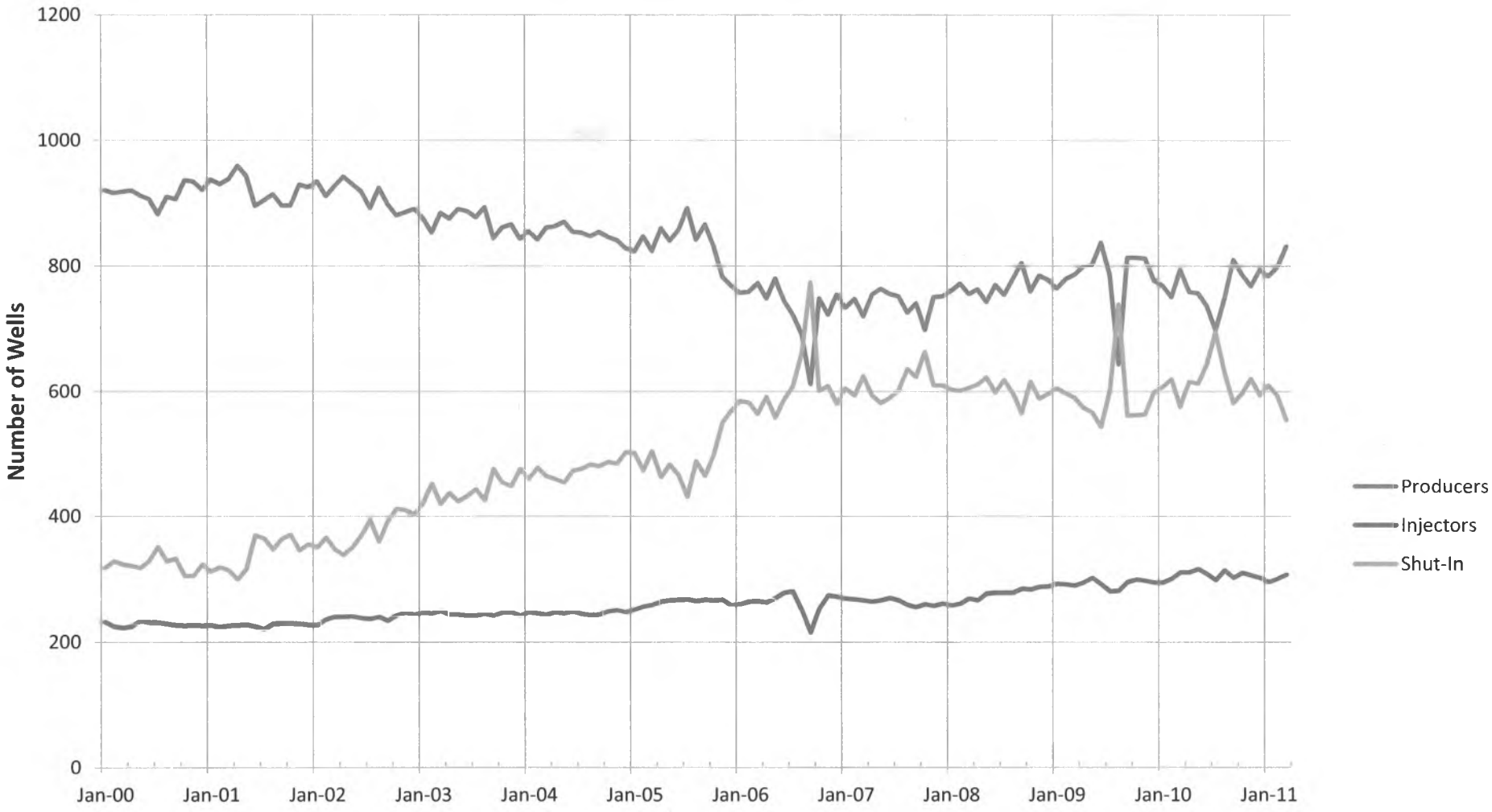
- FS2 has lower GOR as it is largely a waterflood area and further from the gas cap

Prudhoe Bay Gas Injection by Facility



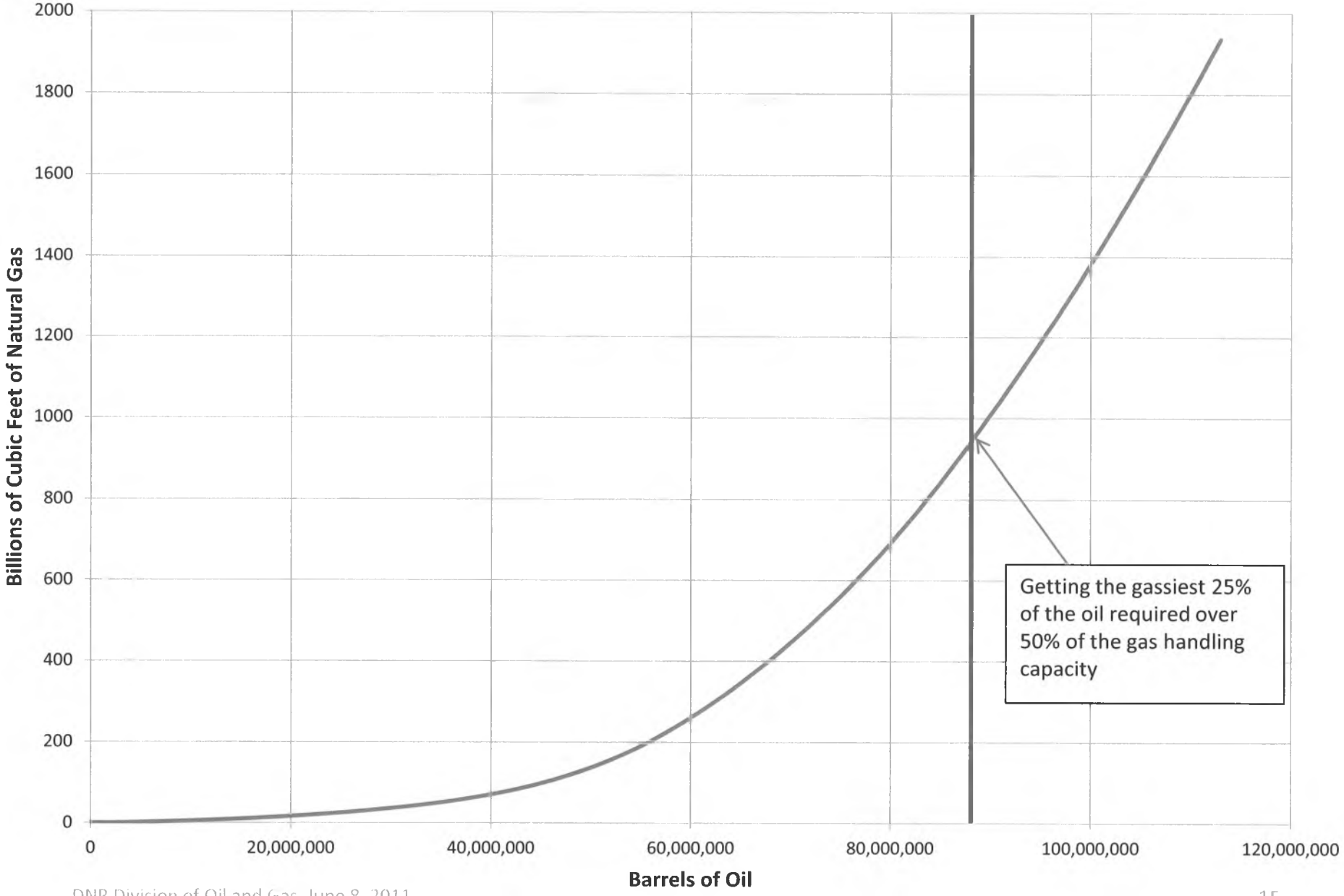
- This plot does not reflect MI injection.
- Lisburne LGI gas cap injection reduction is due to gas compression use by Pt. McIntyre. Pt. McIntyre gas injection is not shown on the graph.

Prudhoe Bay Well Count



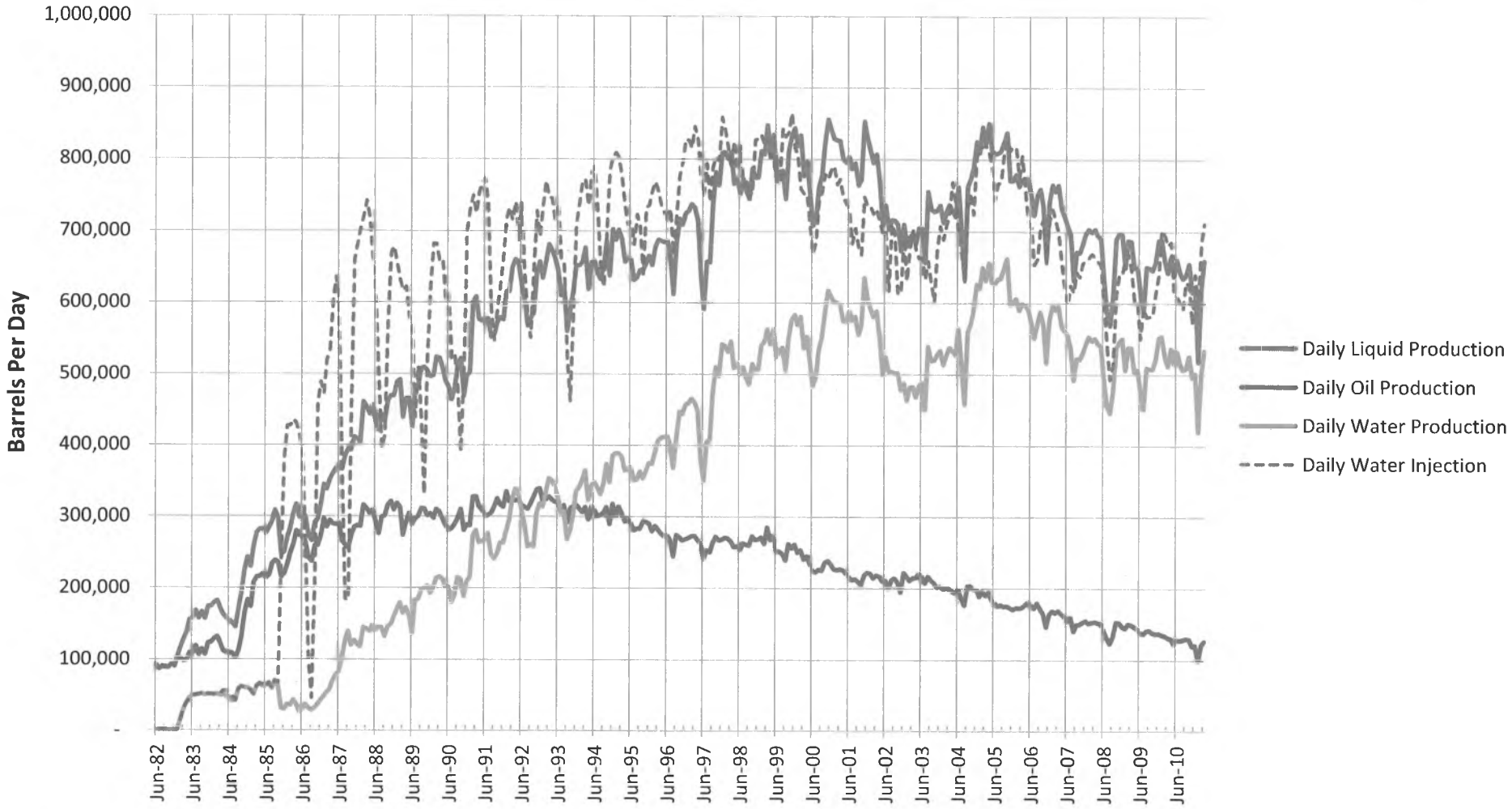
- Significant increase in shut-in wells due to mechanical integrity problems, increasing gas rates, conversion to water and MI injection, and the 2006 shut-down/corrosion problems

Cumulative Gas vs Cumulative Oil in Prudhoe Bay (2010)



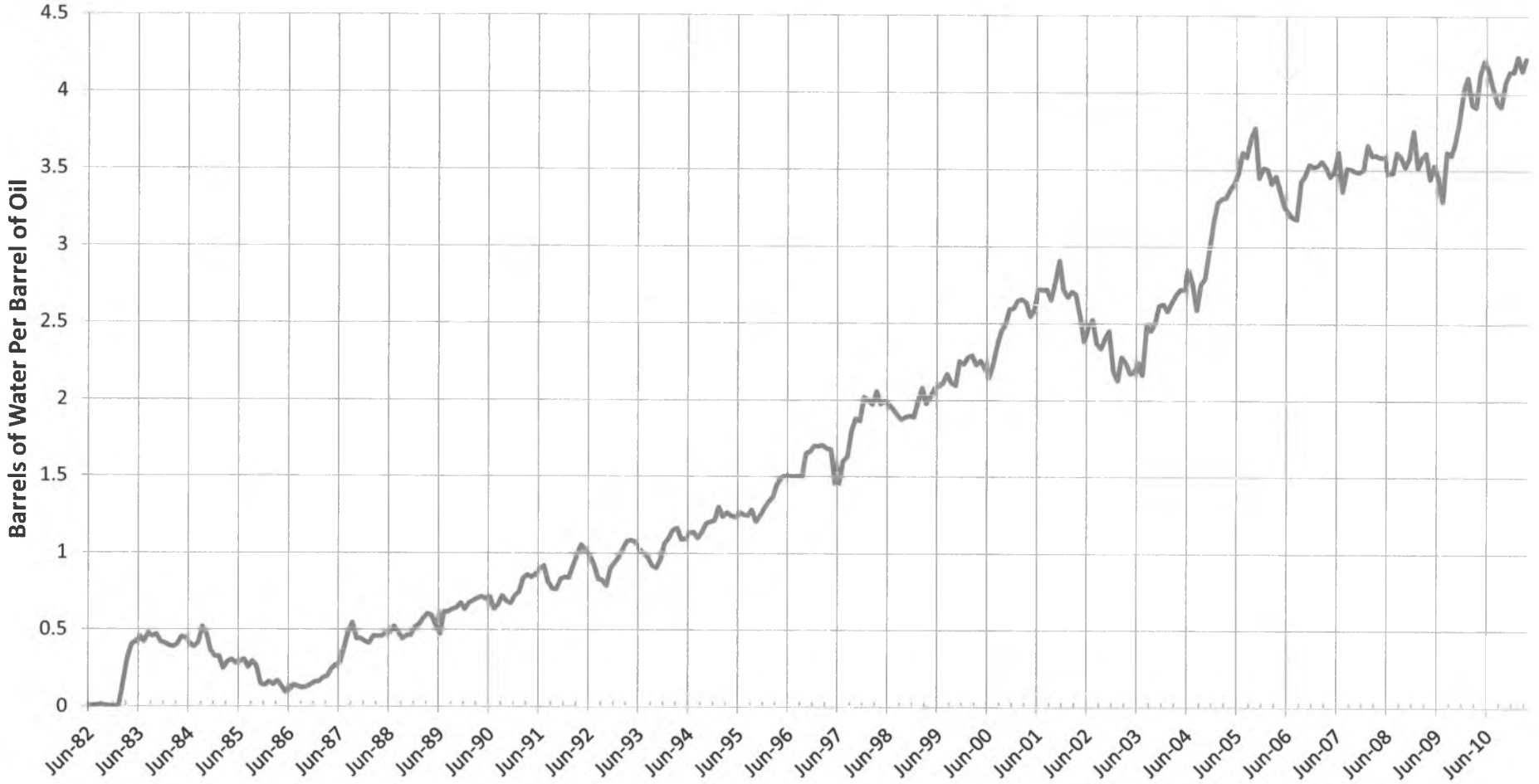
Kuparuk River Unit

Kuparuk River Liquids



- Current field wide water production is well below former peaks which indicates spare capacity
- Water production correlates strongly to water injection as it should in a late stage waterflood
- Current facility constraints would most likely be around integrity of all steel components

Kuparuk River Water Oil Ratio

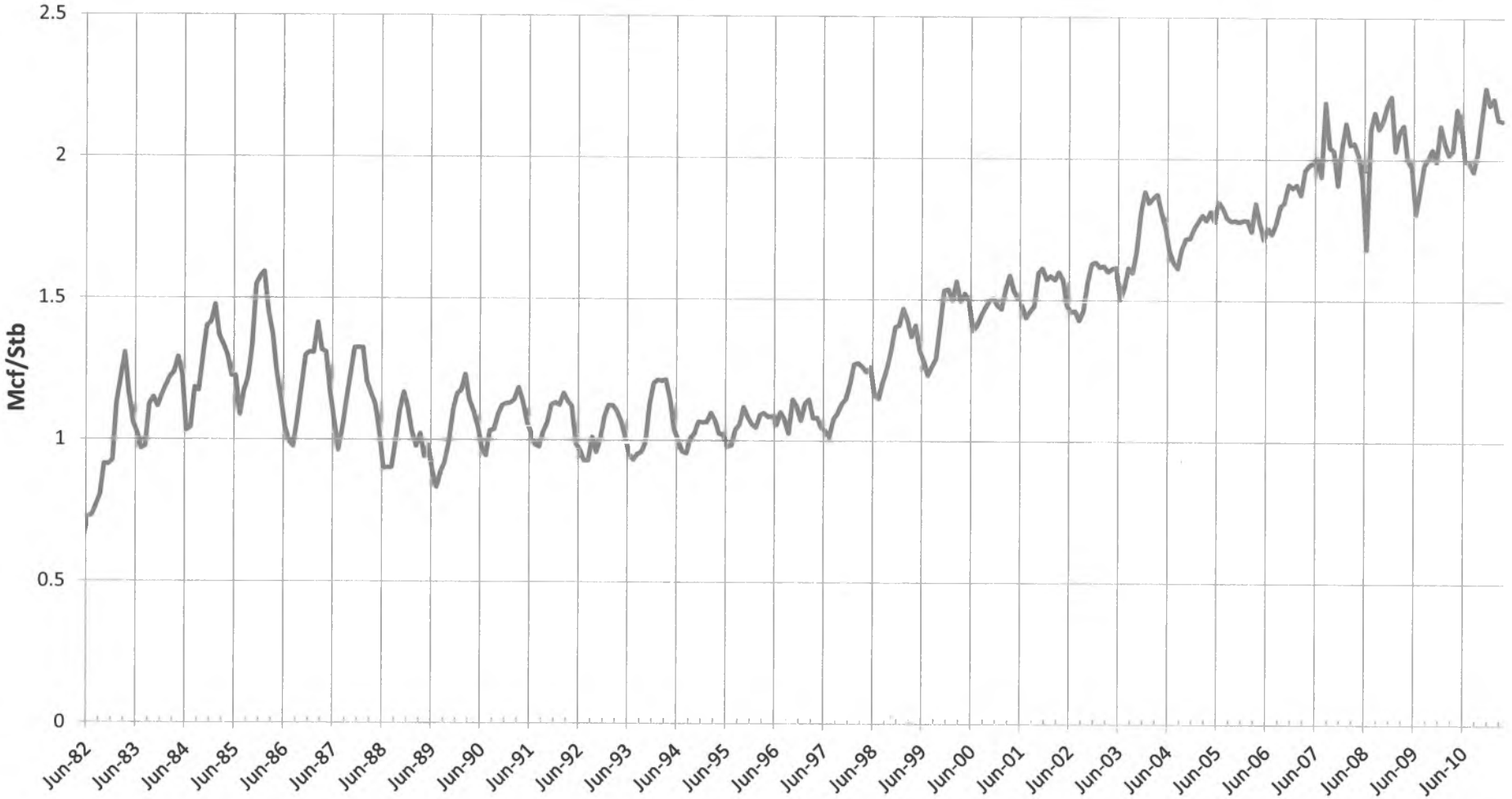


- The water oil ratio has recently exceeded 4:1 which corresponds to an 80% water cut
- It is not uncommon to see water cut for an individual well reach 95%+
- The dip seen in '02-'04 is due to a successful EOR program utilizing imported NGL from PBU

Kuparuk River Liquid Production by Cental Processing Facility

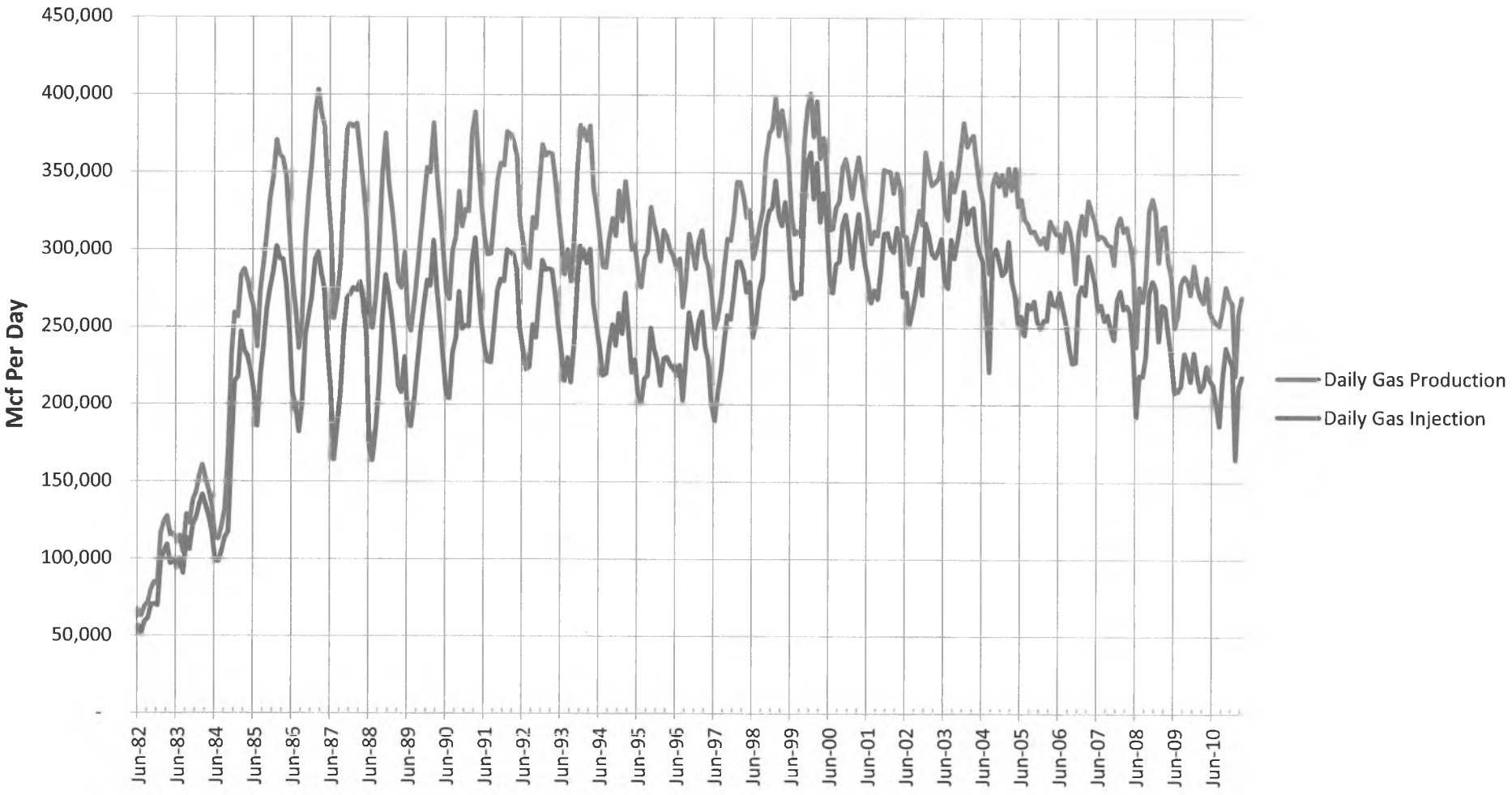
- Central Processing Facilities number one and two are likely not running at full capacity, number three may be
- If the quality of the produced oil changes in a way that it takes longer to separate from water, then it is possible that daily separation capacity could drop

Kuparuk River Gas Oil Ratio



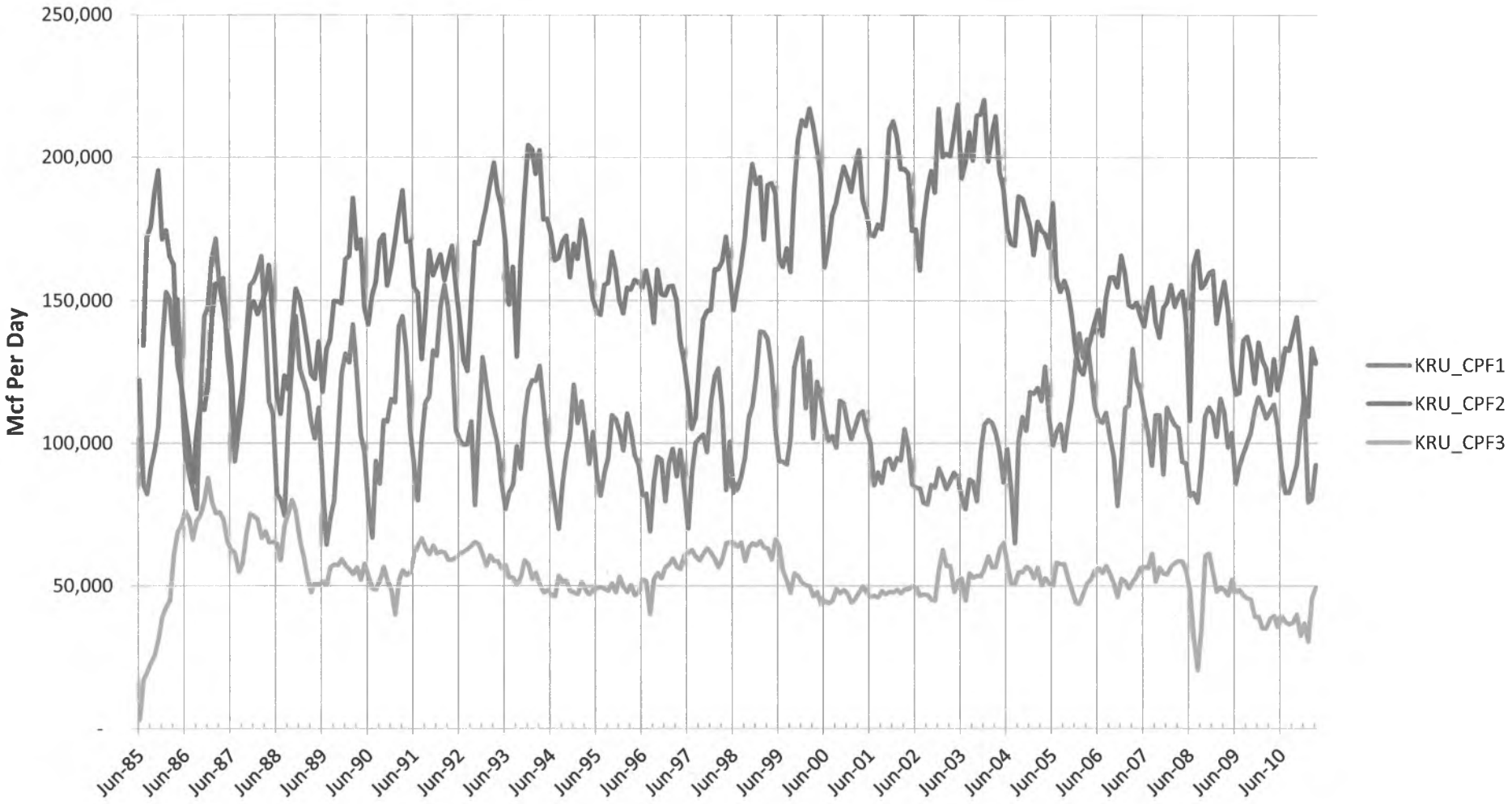
- The low gas oil ratio is what should be expected from an undersaturated reservoir such as Kuparuk
- It follows that there is no reason for GOR to increase significantly in the future unless a major secondary EOR (gas based) is pursued

Kuparuk River Gas



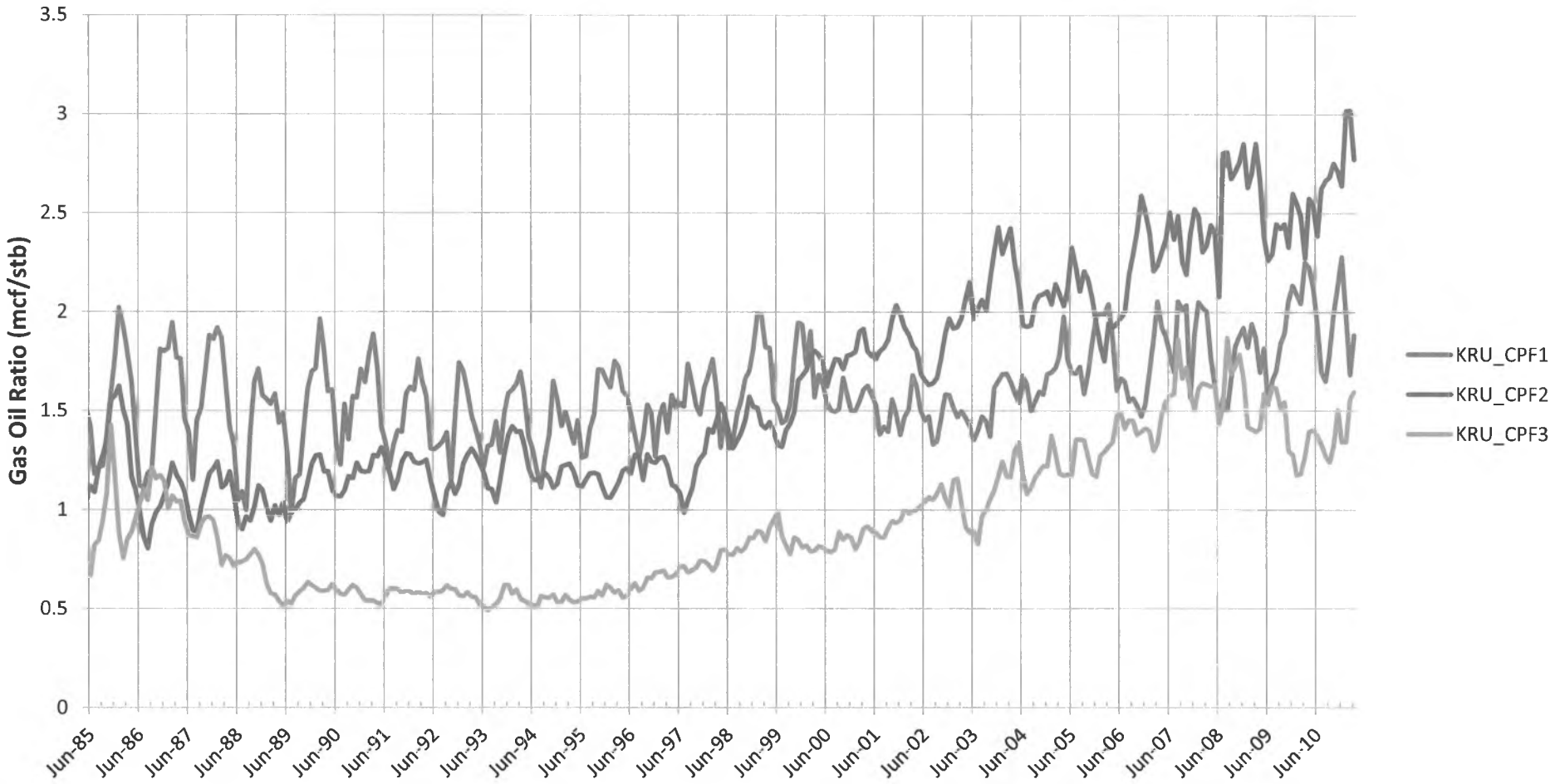
- Gas production and consequently gas injection has steadily declined over the last decade
- ConocoPhillips plans on importing gas to the field in the near future to maintain optimum producing conditions
- Field-wide there is spare capacity for gas, but there could be constraints at a specific facility

Kuparuk River Gas Production by Central Processing Facility



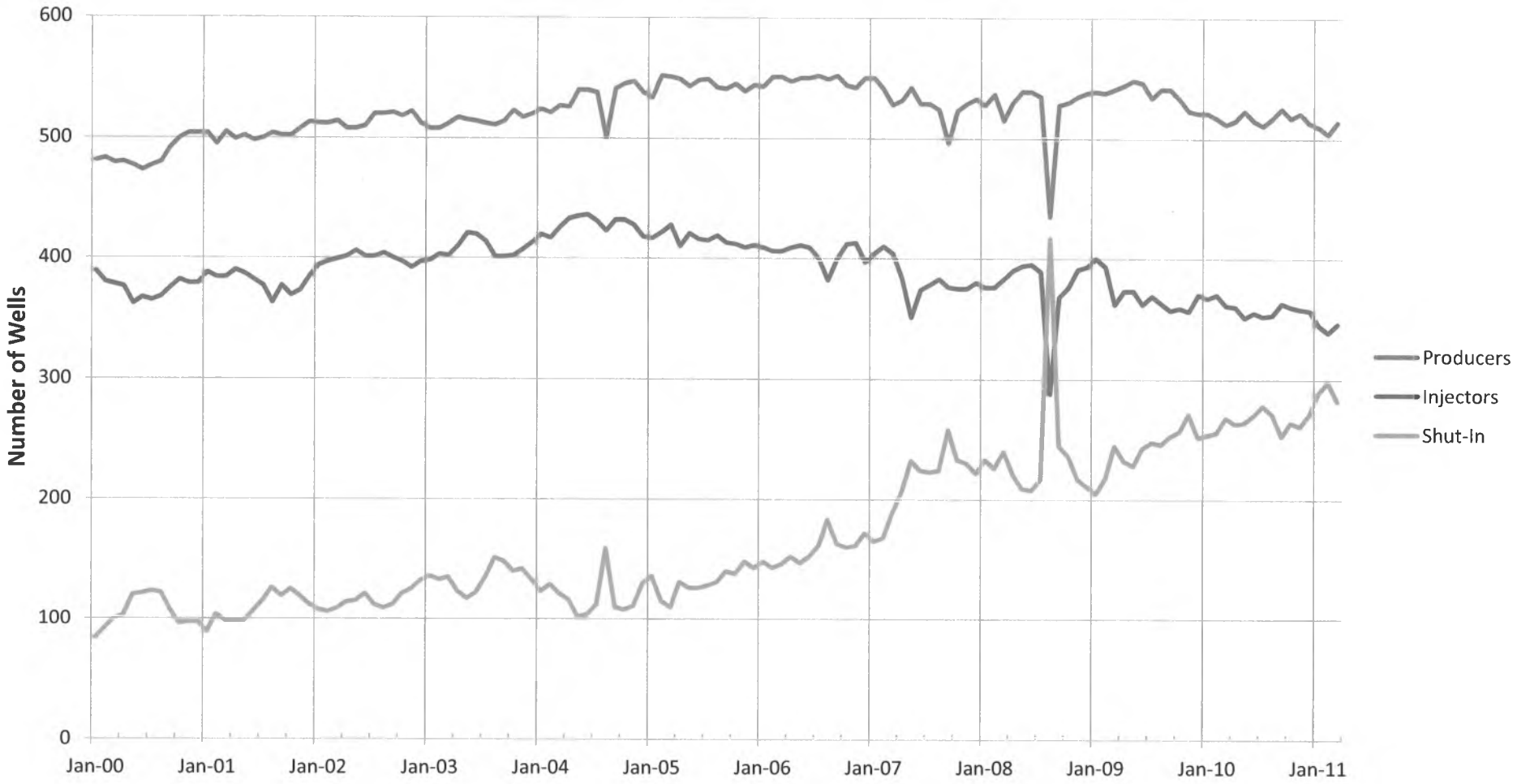
- It appears that all three facilities are not currently operating at peak capacity
- CPF2 underwent an expansion project in 2002
- The expansion project increased oil production for approximately a two year period

Kuparuk Gas Oil Ratio by Central Processing Facility



- GOR behavior by facility indicates that CPF2 could have the largest issue with gas constraints if oil production were to increase

Kuparuk River Well Count



- Shut-in wells have been climbing steadily since 2005 due to casing integrity and mature patterns
- The total well count has climbed during this time as new wells are being drilled for field expansion

2/6 - 2/8/12 OVERVIEW: GLEASON DECISION OF 12/30/11 REGARDING THE ASSESSED VALUATION OF THE TRANS ALASKA PIPELINE

<TARGET><BILL></BILL><SUBJECT>2-6 - 2-8-12 OVERVIEW GLEASON DECISION OF 12-30-11 REGARDING THE ASSESSED VALUATION OF THE TRANS ALASKA PIPELINE</SUBJECT><COMM>SRES27</COMM></TARGET>

Senate Resources Committee
PowerPoint Presentation

By

Robin O. Brena and Craig W. Richards

February 6-8, 2012

Senate Resource Committee Presentation

By Robin O. Brena and Craig W. Richards

February 6 – February 8, 2012

Introduction

Decision Following Trial De Novo, Case No. 3AN-06-8446 CI
(2007-2009 Tax Years Consolidated) Assessed Valuations of the Trans Alaska Pipeline System (December 30, 2011)
("Gleason Decision")

Robin O. Brena—Counsel for the Fairbanks North Star Borough and Lead Counsel for the Municipalities in the 2007-09 Assessed Valuations Case for TAPS

Craig W. Richards—Counsel for the City of Valdez and Co-Counsel for the Municipalities in the 2007-09 Assessed Valuations Case for TAPS

Mr. Brena and Mr. Richards are testifying as to their own personal opinions as Alaskan residents and are not representing any client or being paid for their testimony.

Introduction

Robin O. Brena

Mr. Brena is a life-long Alaskan who grew up in Skagway. He has received a Masters of Business Administration ("MBA") and a Doctor of Jurisprudence ("JD") from the Willamette University and a Master of Laws in Real Property ("LL.M.") from the University of Miami. He has been the Chairman of the Real Estate Section of the Alaska Bar Association, Chairman of the Estate Planning and Probate Section of the Alaska Bar Association, and has taught Advanced Business Law at the University of Alaska.

Mr. Brena is the owner of Brena, Bell & Clarkson, P.C., an Anchorage law firm that emphasizes oil and gas, public utilities, tax assessment, real estate, commercial, regulatory, and telecommunications law. Representative current and prior clients in the oil and gas and tax assessment areas of practice are Fairbanks North Star Borough; Anadarko Petroleum Corp.; City of Valdez; Tesoro Corporation; Aurora Gas, LLC; Aurora Power Resources, Inc.; Murphy Exploration (Alaska) Inc.; Cook Inlet Energy, LLC; Agrium Inc.; Nabors Alaska Drilling, Inc.; Doyon Drilling, Inc.; Doyon Parker Joint Venture; Nordic-Calista Services No. 1; and Parker Drilling, Inc.

Mr. Brena has been involved in several major tax assessment cases in Alaska involving drilling rigs, an oil refinery, tankers, and pipelines. He has also been involved in the many of the major pipeline regulatory cases before the Federal Energy Regulatory Commission ("FERC"), the Regulatory Commission of Alaska ("RCA"), and the Washington Utilities and Transportation Commission ("WUTC") involving the Trans-Alaska Pipeline System ("TAPS"), Cook Inlet Pipeline System ("CIPL"), Cook Inlet Gas Gathering System ("CIGGS"), Kenai Pipeline Company ("KPL"), Olympic Pipeline, and Enstar.

Mr. Brena represented the Fairbanks North Star Borough and was the lead counsel for the Municipalities before the Honorable Judge Gleason in the ad valorem case concerning TAPS for the 2007-09 tax years.

Introduction
Craig W. Richards

Mr. Richards grew up in Fairbanks, Alaska, where he graduated from West Valley High School in 1993. He studied finance as an undergraduate at the University of Virginia, and holds a *Juris Doctor* from Washington & Lee University and a MBA from Duke University.

Mr. Richards practices law with Bill Walker and Joe Levesque at Walker & Levesque, LLC in Anchorage, Alaska. His practice focuses on finance, tax, municipal, and oil and gas law. Mr. Richards has been involved with numerous oil and gas taxation disputes, including those relating to TAPS and the tankers that call at Valdez. Through his representation of the Alaska Gasline Port Authority, as well as other clients, he has spent many years working on an LNG project to Valdez. He has also been actively involved in the proposal to truck North Slope gas to interior Alaska, and the proceedings related to the termination of the Point Thomson Unit. The firm also acts as bond counsel on TAPS' refinancings.

Mr. Richards, along with Mr. Walker, represented the City of Valdez before the Honorable Sharon Gleason in the recent de novo trial relating to the 2007 – 2009 assessed value of TAPS.

Introduction

1. This is a consolidated appeal of the State Assessment Review Board ("SARB" or "Board") Decisions of the 2007, 2008, and 2009 assessments of the Trans Alaska Pipeline System ("TAPS") for ad valorem tax purposes under AS 43.56. SARB assessed the value of TAPS for 2007 at $4.588895312 billion, for 2008 at $6.154447972 billion, and for 2009 at $9.045892 billion.

Gleason Decision ¶ 1

Introduction

599. [F]or the reasons expressed herein, this Court finds that as of January 1, 2007, 2008, and 2009, the "full and true value" of the Trans Alaska Pipeline System, "with due regard to the economic value of the property based on the estimated life of the proven reserves of gas or unrefined oil then technically, economically, and legally deliverable into the transportation facility" is $8.941 billion for 2007, $9.644 billion for 2008, and $9.249 billion for 2009.

Gleason Decision ¶ 599

Introduction

Source Materials

2007-2009 Decision:

http://akdemocrats.org/rep_gara/2012/01/05/sen-french-bp-withholds-oil-pipeline-evidence-credibility-in-oil-tax-debate-questioned/

2006 Amended Decision:

http://aws.state.ak.us/officeofadminhearings/Documents/TAX/TAX06SARB%20Amended%20Sup%20Ct%20decision.pdf

Overview

- Introduction
- Overview
- Market Structure
  - Integrated Operations with Concentrated Market Power
  - Stages of Development
  - Barriers to Competitive Entry
- The Life of TAPS
  - Price of ANS Crude Oil
  - Reserves and Throughput
  - Minimum Mechanical Throughput
- Access to Information
- Conclusion

Overview

546. Brent Eyre, on behalf of the Municipalities, employed a discounted cash flow income approach to value the integrated economic unit of which TAPS is a part at $40.2 billion in 2007, $44.2 billion in 2008, and $50.4 billion in 2009. Dr. James Smith, on behalf of the Owners, testified that Mr. Eyre's unit value of the integrated ANS enterprise should be reduced by slightly less than 10% for each year, for a value of $36.4 billion in 2007, $41.1 billion in 2008, and $46.0 billion in 2009.

Gleason Decision ¶ 546

Overview

Integrated Value of the ANS Unit

	Comparison of Valuation Results, Before and After Corrections (all values in $ billions)			
		Jan 1, 2007	Jan 1, 2008	Jan 1, 2009
Eyre	Results Reported by Mr. Eyre			
	System	$40.159	$44.208	$50.439
	TAPS	$8.812	$9.611	$10.688
Smith	Results Obtained from Corrected Model			
	System	$36.401	$41.079	$46.000
	TAPS	$0.259	$0.645	$2.555

TO-07-433 (Dr. Smith Chart)

Market Structure

Integrated Operations with Market Power

Concentrated Market Power Integrated Value of the Unit

- **Shows ANS unit will generate roughly $36 - $50 billion in discounted cash flow value**
- **Current Value of Parts of the Unit Substantially Less than $36 - $50 billion**
  - Taxable upstream assets, most valued on RCNLD, assessed at between $8-$10 billion for 2007 to 2009 [2007-2009 Trial Tr. 13040 (Greeley)]
  - Even under Dr. Smith's calculations, a $13 billion TAPS value leaves between $13 billion and $26 billion in unallocated unit value for non-taxable property
    - Includes intangibles (if any), leases, certain locally assessed property, etc. [*See* AS 43.56.020; AS 43.56210(5)(B)]
- **Unit Income is Sufficient to Justify:**
  - Billions in capital investment above the over $2 billion annual capital investment already anticipated in the integrated model
  - Replacing TAPS at $20+ billion
  - A $13+ billion TAPS value

Market Structure
Overview

- Integrated Operations with Market Power
- Stages of Development
- Barriers to Competitive Entry

Market Structure

Integrated Operations with Market Power

- Integrated Operations
- Market (ANS Basin) Dominance by Big 3
- Limited Competition

Market Structure

Integrated Operations with Market Power

69. The TAPS Owners did not and could not have independently financed the original construction of TAPS and they do not independently finance substantial improvements to TAPS. Instead, the affiliated production companies have financed TAPS' construction. And the evidence at trial demonstrated that all significant funding decisions for TAPS are not made by the TAPS Owners, but by the affiliated parent corporations or upstream producer affiliates of each Owner.

Gleason Decision ¶ 69

Market Structure

Integrated Operations with Market Power

70. As of the lien dates, the parent companies of the three largest owners of TAPS (BP, ConocoPhillips, and ExxonMobil) had a combined 95% ownership interest in TAPS. These same three parent companies also had a combined total in excess of 96% of the estimated production on the North Slope. This close correlation between estimated production and ownership interest in TAPS is expected to remain in place for the foreseeable future. . . . [E]ach of the five TAPS Owners has an affiliate with oil to be transported on TAPS.

Gleason Decision ¶ 70

Market Structure

Integrated Operations with Market Power

71. Each Owner's affiliated producer has an economic incentive to nominate its ANS production to its affiliated TAPS Owner. As explained by Charles Coulson, the President of BP Pipelines:

> There has been a strong pattern of shippers on TAPS nominating their barrels to affiliated pipeline companies. There are a variety of reasons for this behavior, but mostly it can be understood by thinking about integrated corporate economics. When an upstream affiliate ships barrels in its pipeline affiliate's space, it pays the published tariff rate to the pipeline affiliate, and no money leaves the corporate family.

Gleason Decision ¶ 71

Market Structure

Integrated Operations with Market Power

114. In the case of TAPS, AS 43.56.060(e)(2)'s reference to "economic value" and not "market value" is consistent with the reality that there is no market for TAPS as a standalone investment based solely on its tariff income. Even if there might be a buyer of TAPS based solely on its tariff income, the evidence at the trial de novo conclusively demonstrated that a TAPS Owner would not sell its interest in TAPS without the assurance that its affiliated oil from the Alaska North Slope could be shipped to market. . . .

Gleason Decision ¶ 114

Market Structure

Integrated Operations with Market Power

124. [F]or the evidence persuasively demonstrates that ANS producers would rebuild TAPS at a cost of billions of dollars to transport ANS petroleum products to market if TAPS was not in existence as of the lien dates. And the producers would replace TAPS not for the tariff income they might realize, but to monetize the approximately 7 to 8 billion barrels of proven reserves that were at the ANS as of the lien dates.

Gleason Decision ¶ 124

Market Structure

Integrated Operations with Market Power

549. As in the 2006 tax year litigation, the Court finds again that tariff income is not the primary driver of the economic value of TAPS under AS 43.56. As SARB has held, and as this Court has previously discussed in these findings, TAPS was not built or operated for tariff income, but to monetize the vast ANS reserves of the producer oil companies by bringing those reserves to market. In this regard Mr. Coulson, the President of BP Pipelines (Alaska) Inc. and the Chairman of the Owners' Committee for TAPS at the time, testified as follows:

> Q: It's fair to say that TAPS was built by the producers?
>
> THE WITNESS: Yes.
>
> Q. And it's fair to say that TAPS was built - that the economic driver was the integrated economics of bringing the Alaska North Slope oil to market?
>
> THE WITNESS: As I understand the history of TAPS, and indeed of most basin-opening developments, it's usually the resource owner that has to make the infrastructure development happen because of the risks associated with an undertaking like that.
>
> Q. And the reason that the resource owner takes those risks is in order to monetize the resource and bring it to market, correct?
>
> THE WITNESS: Yes.

Gleason Decision ¶ 549

Market Structure

Integrated Operations with Market Power

551. [T]he Owners' reliance upon the tariff income approach fails to recognize that TAPS was built, is operated, and would be replaced at an estimated cost of approximately $19 billion if it were not in existence, not because of a desire to realize tariff income, but because of the overwhelming economic value arising from its highly integrated use for transporting ANS production to market.

Gleason Decision ¶ 551

Market Structure

Integration – North Dakota

Testimony of Mr. Barry E. Sullivan (Munis' witness)

Q. And do you have a ... comparative sense between the TAPS system and other systems with regard to access for that independent shipper?

A. [I]n North Dakota, there's a new field called the Bakken field and it's ... a fairly hot area of exploration and development.

There's Enbridge Pipeline in the Bakken that has about 180 different shippers, and there are numerous marketers operating within that area that will buy and sell oil for you....

That contrasts with the situation on the North Slope where ... the producers themselves, the Big 3, do not sell oil at the North Slope and you can't buy oil at Pump Station 1 and transport it on TAPS. The policy of the Big 3 is to sell delivered oil in delivery markets.

Tesoro is the only shipper that's been able to buy North Slope oil and ship it on the TAPS system. So I think there's a big contrast between the way that the North Slope market works and other producing regions in North America.

2007-2009 Trial Tr. 8562-63

Market Structure

Integration – Gulf of Mexico

Testimony of Mr. Barry Sullivan (Munis' witness)

[I]f you compared what's happened in the North Slope of Alaska to the offshore Gulf of Mexico, which ... began, real exploration, probably back in the 1960s... you could look at the Gulf of Mexico today and it is an extremely competitive and well-explored area with numerous production companies and probably hundreds of different owners and producers that contrasts dramatically with what's happened in the North Slope.

And you don't have the level of competition on the North Slope that should be there after 35 years.

And I believe part of that is the vertical -- part of that can be caused by the vertical integration of the TAPS Carriers and their ownership of TAPS.

2007-2009 Trial Tr. 8556-58

Market Structure

Integrated Operations with Market Power

Testimony of Mr. Michael J. Remsha (Owners' witness)

Q. Okay. It is very simple. Let me go back to my hypothetical. Do you believe that the TAPS Owners would sell me TAPS for $20 billion for the expressed purpose of shutting it down?

A. Most likely not.

Q. Why not?

A. Because they want to be able to have the opportunity to take oil from the North Slope and bring it to market.

2007-2009 Trial Tr. 692

Market Structure

Stages of Development

- Role of Majors / Role of Independents
- ANS Oil Development
- ANS Gas Development
- Cook Inlet Development
  - Open Infrastructure (Agrium)
  - Limited Open Market (Enstar & Export)
  - Tax Policy

Market Structure

Barriers to Competitive Entry

- Access to Field Facilities
  - ARCO Merger Partial Opportunity
  - Telecommunications Industry Example
- Transportation by Common Carrier Pipelines
  - History of TAPS Rates
  - Tariff Provisions
    - Restrictions on New Shippers
    - Tankage Penalties
- Transportation by Tankers

Market Structure

Barriers to Competitive Entry

561. Historically, regulatory disputes concerning TAPS' tariff rates have most often been resolved by settlement among the parties rather than by a substantive determination by FERC or the RCA. The settlement that has governed TAPS' tariff rates for the majority of the time it has been in service has been the TAPS Settlement Agreement ("TSA"). The TSA contained a complex and unique rate methodology referred to as the TSM. Both the State and the TAPS Owners supported the TSA. An Explanatory Statement by the State of Alaska and the Department of Justice in support of the settlement stated, "Alaska and DOJ believe that as a settlement, the tariff stream produced by the TSM is a fair and reasonable attempt to achieve a tariff profile that will encourage economically efficient exploration of North Slope petroleum resources."

Gleason Decision ¶ 561

Market Structure

Barriers to Competitive Entry

562. The RCA found that under the TSM, between 1977 and 1996, the TAPS Owners collected, in 1997 dollars, $13.5 billion more than would have been collected under the current rate methodology used by the RCA to set rates on TAPS. Nevertheless, the TSM was approved by FERC.

Gleason Decision ¶ 562

Market Structure

Barriers to Competitive Entry

TAPS Settlement Methodology (TSM)

RCA Order 151:

http://rca.alaska.gov/RCAWeb/ViewFile.aspx?id=03D92432-C32B-4C77-A47A-5705B899FC10

FERC Opinion 502:

http://www.ferc.gov/whats-new/comm-meet/2008/061908/G-1.pdf

Market Structure
Source Materials

- Cicchetti Report (MUN7-0001)
- Sullivan Report (MUN7-0008)
- BP Tariff Memo (MUN7-0001 at 2455)

The Life of TAPS

Overview

- Price of ANS Crude Oil
- Reserves and Throughput
- Minimum Throughput

The Life of TAPS

Price of ANS Crude Oil

- Price Increases / Throughput Declines
- Value of Reserves / Engineering Solutions
- EIA Forecasts
- Real Price Growth

The Life of TAPS
Price of ANS Crude Oil

The EIA Price Forecasts Support Increasing Per Unit Throughput Value

- The Energy Information Administration (EIA) collects and publishes historic information and makes short- and long-term price forecasts
- Price Trends are up with increasing world demand.
- Since adopting NEMS in 1994, virtually all the future reference price forecasts post 1999 have underestimated actual crude prices
- Turning points follow crises, spare capacity, and worldwide demand/supply

The Life of TAPS

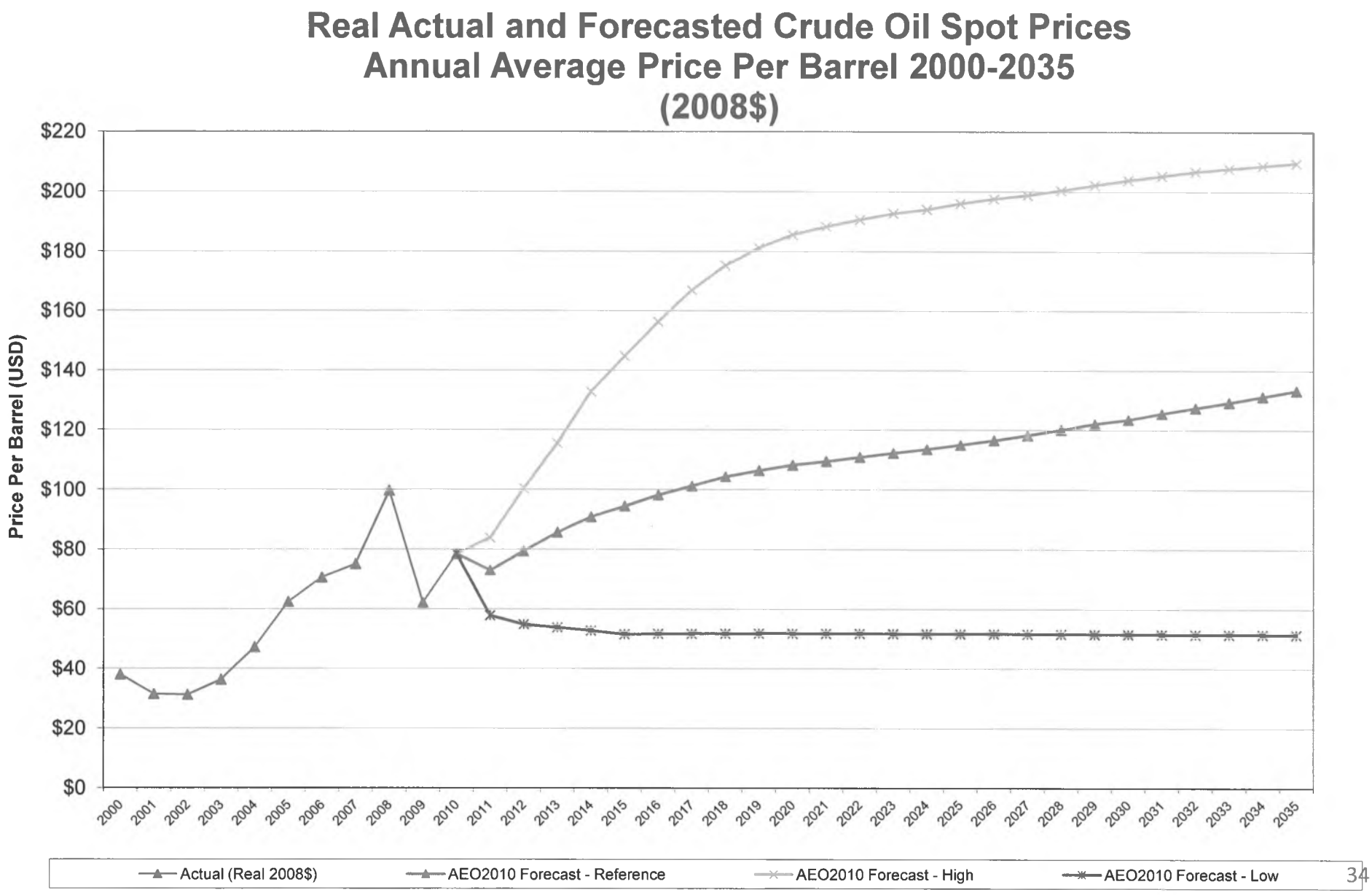
Price of ANS Crude Oil

480. Mr. Platt relied upon the U.S. Department of Energy's Energy Information Administration ("EIA") price forecast, which forecasted real market price growth for each of the three assessment years at approximately 1% per annum. Based on the evidence presented at trial, this Court finds that reliance on that forecast was reasonable. Oil prices during the three assessment years were volatile, such that the forward-looking projections made by the EIA during that period varied considerably. Yet the highest oil price forecasted by the EIA for calendar year 2011 during the assessment years was $74.08 per barrel, while the actual price of oil on October 18, 2011 was $113 per barrel. Mr. Platt also explained that due to the highly progressive nature of Alaska's production tax, oilfield economics at high real oil prices are not materially affected by price variations. Overall, this Court found Mr. Platt's production forecast and economic testing to be persuasive.

Gleason Decision ¶ 480

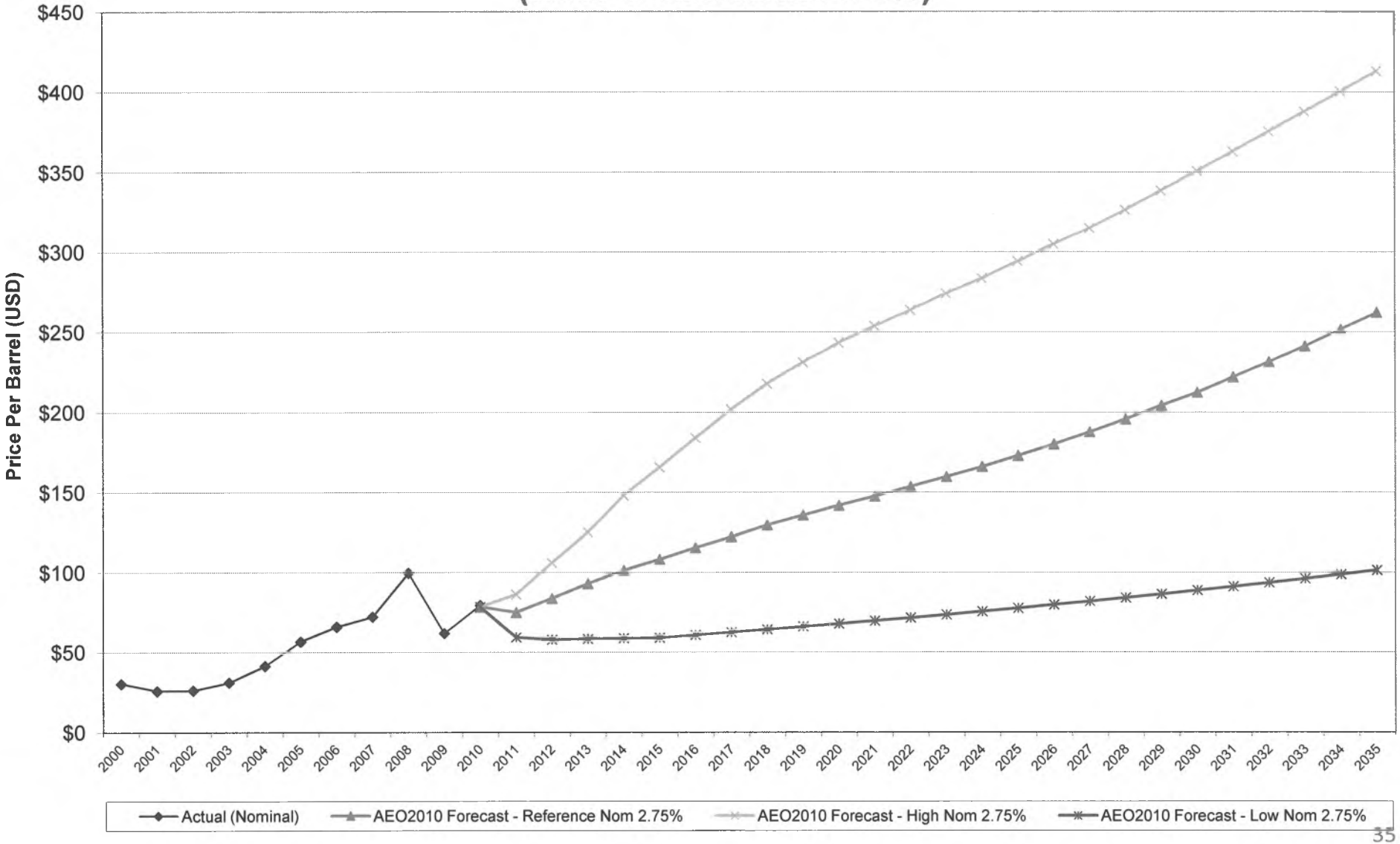
The Life of TAPS

Price of ANS Crude Oil



The Life of TAPS, Price of ANS Crude Oil

Nominal Actual and Forecasted Crude Oil Spot Prices
Annual Average Price Per Barrel 2000-2035
(Rate of Inflation: 2.75%)



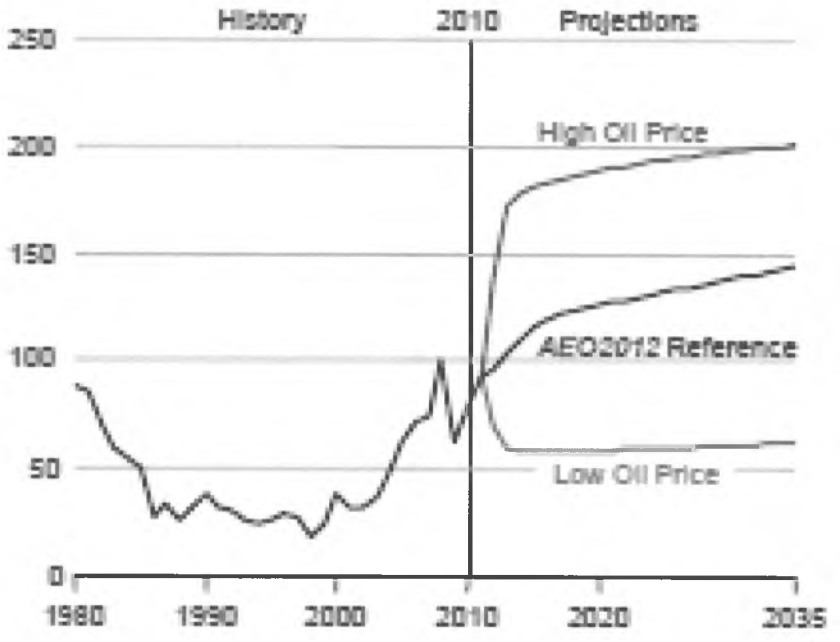
The Life of TAPS

Price of ANS Crude Oil

EIA Price Forecast

Prices for crude oil in 2011 remained generally in a range between $85 and $110 per barrel. In 2011, WTI prices were lower than Brent prices because of pipeline capacity constraints that prevented complete arbitrage between WTI and Brent prices. Real imported sweet crude oil prices (2010 dollars) in the AEO2012 Reference case rise to $120 per barrel in 2016 (Figure 5) as pipeline capacity from Cushing, Oklahoma, to the Gulf Coast increases, the world economy recovers, and global demand grows more rapidly than the available supplies of liquids from producers outside the Organization of the Petroleum Exporting Countries (OPEC). In 2035, the average real price of crude oil in the Reference case is about $145 per barrel in 2010 dollars, or about $230 per barrel in nominal dollars.

Figure 5. Average annual world oil prices in three cases, 1980-2035 (real 2010 dollars per barrel)



http://www.eia.gov/forecasts/aeo/er/pdf/0383er(2012).pdf

The Life of TAPS

Reserves and Throughput

- Judge Gleason's Decision as to the Life of TAPS is Based on a Limited Definition of Proved Reserves Only and Does Not Consider Probably, Possible, or Speculative Categories
- Proven Reserves Were 9.6 Billion Barrels (1977) and are 7-7.8 Billion Barrels (2007-09) / Approximately 16 Billion Barrels Produced
- Value of Reserves Has Increased Substantially / Life Linked to Value (Increase of $10 Barrel = 5.5 Years for TAPS)
- Internal Information / Financial Information Support Longer Life for TAPS

The Life of TAPS
Reserves and Throughput

In August 2007, DOE and the National Energy Technology Laboratory (NETL) Reported "Economically Recoverable" Reserves at High Prices and With Natural Gas Development*

	(2005-2050) Billion Barrels
Total	35-36
Without ANWR 1002	29.5
Without ANWR 1002 and Chukchi Sea	19.5
Without ANWR 1002, Chukchi Sea and Beaufort Sea	15.5
Without ANWR 1002, Chukchi Sea, Beaufort Sea, and No Natural Gas Development	9.5

***The DOE/NETL issued an Addendum to this Report in April 2009 with the same estimates.**

MUN7-9205 at 8

The Life of TAPS

Reserves and Throughput

Value of Remaining Crude for the Next 25 Years Will Exceed Current Cumulative Value of Oil Shipped

	Cumulative Value of TAPS Through 2010
Barrels	16.3 billion barrels
Nominal Value	$451.6 billion
Real Value (2008$)	$740.7 billion

	Future Value of TAPS: 2011 Through 2035	
	Low *	**High + Beaufort Starting in 2016 ***
	9.5 Billion Barrels Remaining	**19.5 Billion Barrels Remaining**
Barrels	5.9 billion barrels	10.9 billion barrels
Nominal Value	$800.5 billion	$1,539.6 billion
Real Value (2008$)	$593.5 billion	$1,122.1 billion

Source of Prices: EIA Annual Energy Outlook 2010 Forecast Reference Prices for Imported Crude Oil in Nominal$ and 2008$

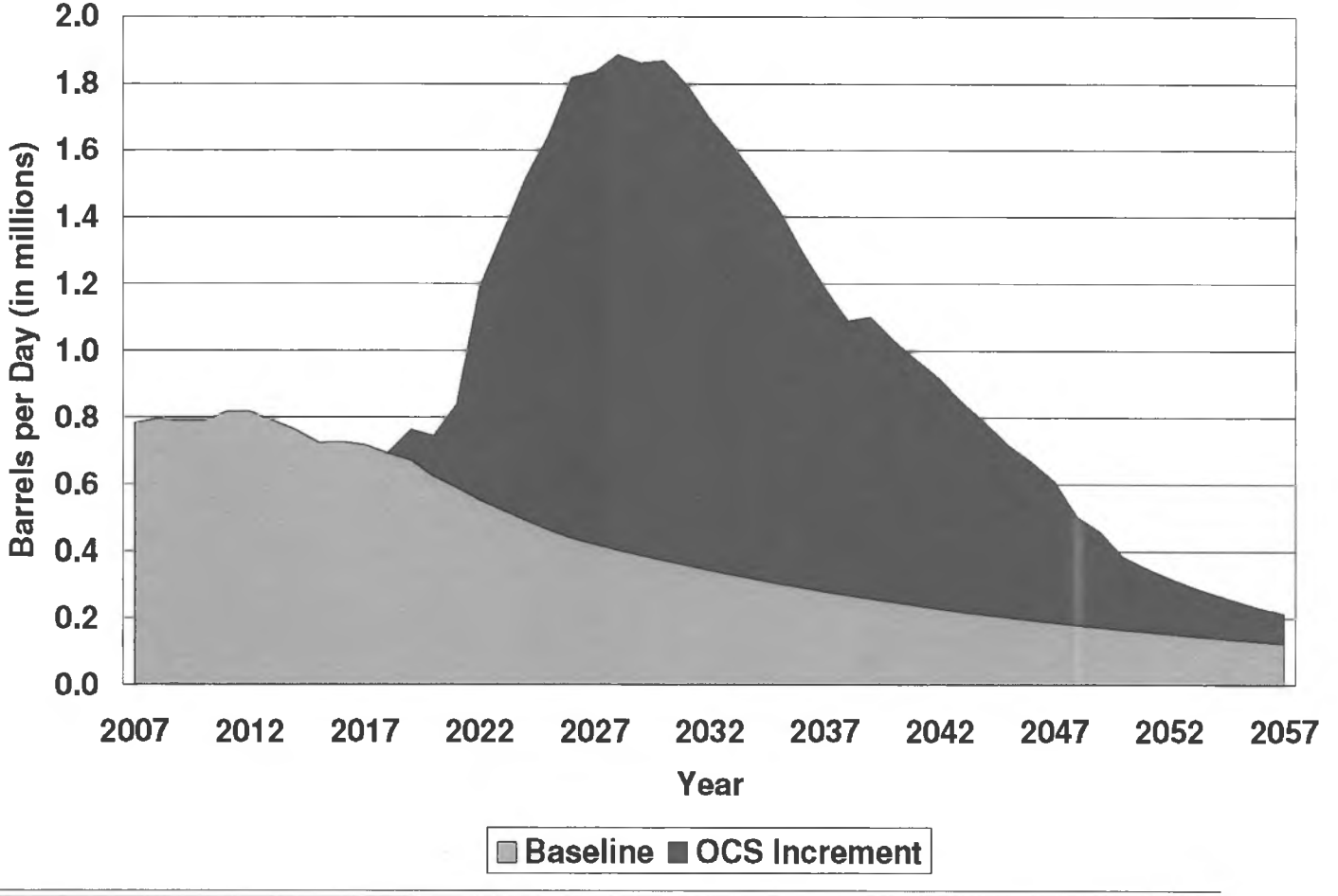
*See DOE/NETL for volumes through 2050, prorated through 2035.

MUN7-9205 at 13

The Life of TAPS

Reserves and Throughput

Oil Production with OCS



MUN7-0653, Page 8 of 10

MUN7-0653 at 8

THE LIFE OF TAPS - Reserves and Throughput

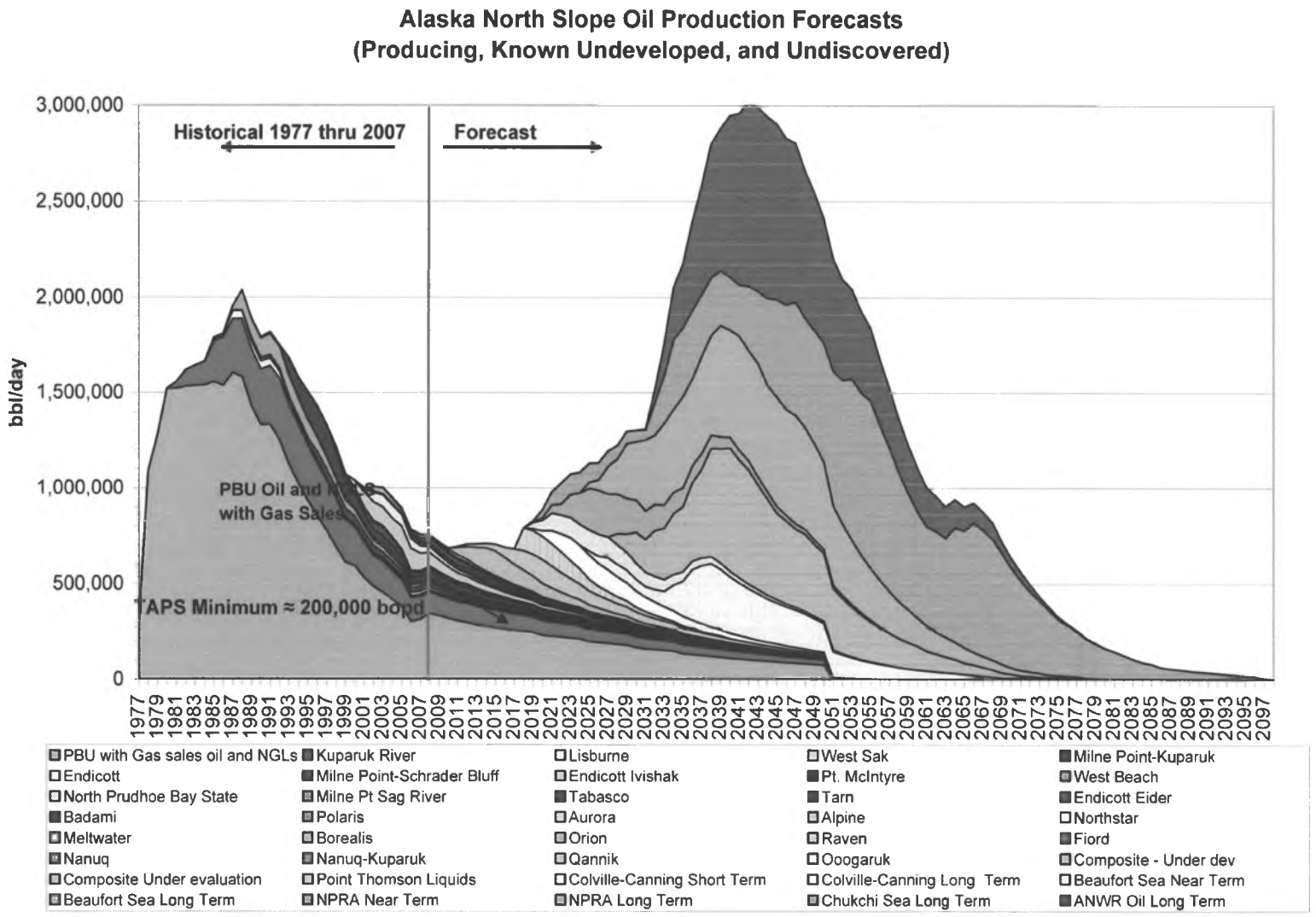


Figure 3-55. Alaska North Slope historical and forecast oil production from producing fields, known undeveloped fields, and undiscovered fields.

MUN7-0014 at 10 (Hite)

The Life of TAPS

Reserves and Throughput

439. The applicable statute requires consideration of the "estimated life of the proven reserves of gas and unrefined oil then technically, economically and legal deliverable into the transportation facility."

Gleason Decision ¶ 439

The Life of TAPS

Reserves and Throughput

465. Dudley Platt is one of the preeminent production forecasters in the state, although he is not a petroleum engineer. He began making oil production forecasts for the State of Alaska in 1989. Mr. Platt prepared a production forecast for the Department every year through 2009. This Court relied on Mr. Platt's production forecast to determine TAPS' end-of-life in the 2006 tax year trial.

Gleason Decision ¶ 465

The Life of TAPS

Reserves and Throughput

468. Decline curve analysis is one component in the determination of the economic life of ANS proven reserves? Mr. Platt's forecast incorporated a decline curve analysis at the pool level, as opposed to a well-by-well analysis used by both the Owners' and Department's witnesses? Mr. Platt persuasively testified that, based on his experience working in the oil industry, long-range production forecasters do not use decline curves on a well-by-well basis? Mr. Van Dyke explained that well-by-well analysis can work well for a small lease in Kansas with four wells, but not for a field with 1,000 wells that are regularly being turned on and off: "it's not the best approach to use a well-by-well method as compared to the pool - a pool level method to forecast production." Decline curve analysis at the well level requires subjective analysis of highly variable historic data to estimate future production rates for each well.

Gleason Decision ¶ 468

The Life of TAPS

Reserves and Throughput

501. Overall, this Court finds that Mr. Molli's Fall 2010 forecast, and the Assessor's adjustments to that forecast for each tax year, are considerably less reliable than the production forecast prepared by the Municipalities' witness Dudley Platt.

Gleason Decision ¶ 501

The Life of TAPS

Reserves and Throughput

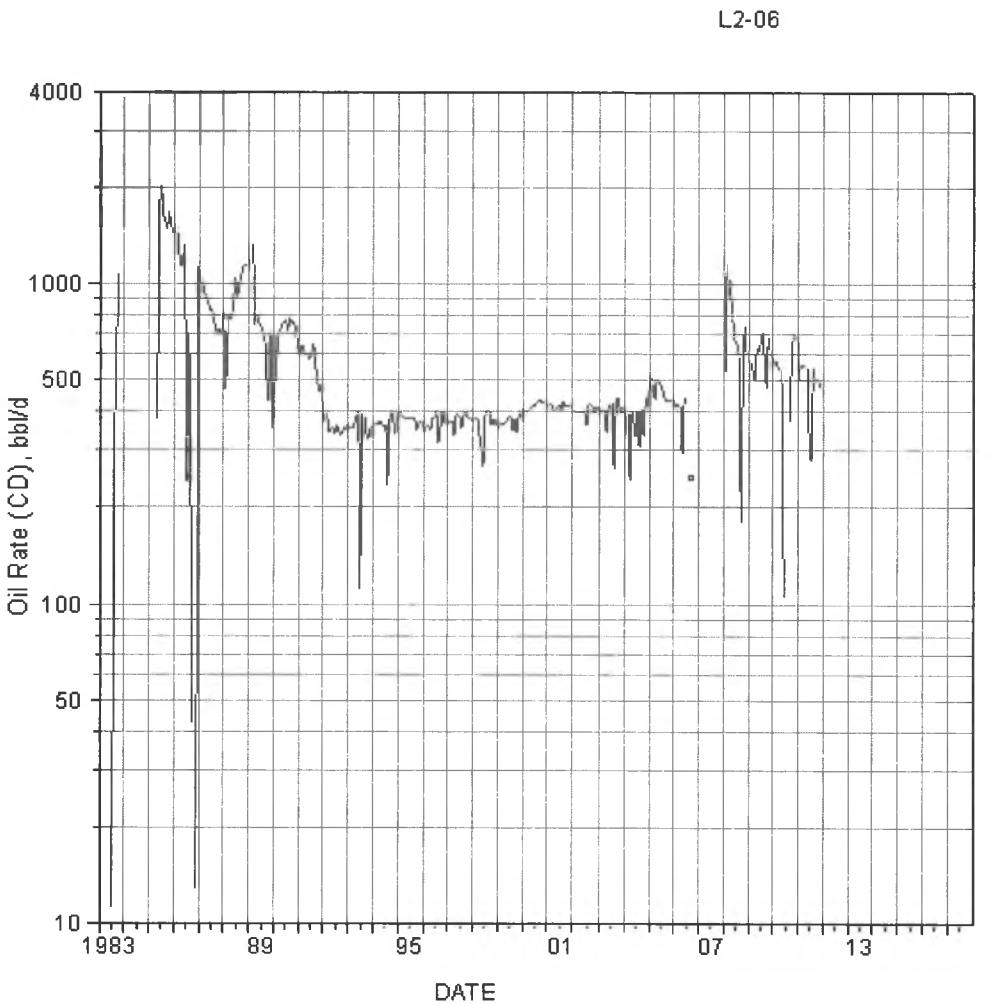
Pool v. Well-by-Well Forecasting

- In 2009 DOR changed from a pool to a well-by-well forecasting methodology
- "[A] pool based analysis is generally preferable to a well-based analysis." [Gleason Decision ¶ 471]
  - Not relied on by industry
    - Fine "for a small lease in Kansas with four wells, but not for a field with 1,000 wells that that are regularly being turned on and off . . ." [Gleason Decision ¶ 468]
    - Good modeling does not look at wells on a standalone basis
  - Backward looking
    - Requires "subjective analysis of highly variable historic data to estimate future production rates for each well." [Gleason Decision ¶ 494]
    - Often difficult to determine future performance of wells based on just historic data
      - Starts and stops, increasing production, etc.
      - DOR has historic data; it does not know of the story of each well
  - Not holistic, failing to reflect:
    - Industry estimates of oil in place or total recovery
    - Dynamic interaction of physical forces within reservoir, including interaction of wells
    - New projects and wells
      - Thus assumptions must be made about impacts on existing wells and new wells
  - When AS 43.56 enacted, DOR's opinion was "it could be done more accurately on a field basis, as one well could dry up immediately." [Gleason Decision ¶ 470]

The Life of TAPS

Reserves and Throughput

Example of Lisburne Well



For other examples of wells that are difficult to forecast – see Platt Examples in documents provided

The Life of TAPS
Reserves and Throughput

- Municipalities pursued all avenues to get actual field models and reserves information
  - Discovery requests and depositions of Owners
  - Argued Owners had Rule 34 control over production affiliate information
  - Served third-party subpoenas on affiliate producers
  - Sought discovery of BP's data rooms for attempted 2010 sale
- Ended up getting a "patchwork" of reserves and production forecasts from primarily BP; Court would not permit production of BPXA's reserves economic models
- Most useful produced materials related to BPPA's transportation cost estimates for BPXA's reserves economics model
- The BPXA reserves and production estimates in BPPA's possession confirm the reasonableness of:
  - The total barrels recovered under Mr. Platt's forecast
  - The estimated end-of-life of Prudhoe Bay field determined by Mr. Platt and as reflected in the Prudhoe Bay Royalty Trust 10-K filings

The Life of TAPS

Reserves and Throughput

492. The internal reserves and long term production forecasting information that was made available through discovery was not reviewed by two of the Owners' reserves witnesses, Mr. Hartz or Mr. Marks, and only cursorily reviewed by Mr. Hoolahan (and not synthesized into his analysis). Further, Mr. Hoolahan did not have representatives of the Owners or their affiliated producers review his reserves estimates to provide feedback. This is despite the fact that the internal reserves information presented at trial was substantially different from Mr. Hoolahan's conclusions. The fact that none of the Owners' reserves experts meaningfully addressed the BP internal reserves information at trial had a substantial negative impact on the weight this Court accorded to their testimony.

Gleason Decision ¶ 492

The Life of TAPS

Reserves and Throughput

495. The determination of the estimated proven reserves should be assessed in light of the evidence available to, and presented by, each of the parties. The Owners did not persuasively rebut the Municipalities' evidence regarding proven reserves, including information contained in filings by the BP Royalty Trust and the confidential reserves information produced in discovery.

Gleason Decision ¶ 495

The Life of TAPS

Reserves and Throughput

BP Royalty Trust End-of-Life

- The BP Prudhoe Bay Royalty Trust is a publicly traded trust that has a royalty interest in certain BP production
- Each year BPXA provides the Trust and their auditors, Miller and Lents, Ltd., with reservoir, production and other information
- In the past the Trust's 10-K included BPXA's opinion as to the end-of-life of Prudhoe
- "BP Alaska expects continued economic production from Prudhoe Bay field at a declining rate through 2075." [MUN7-4072 at 13]

The Life of TAPS

Reserves and Throughput

502. BP Exploration (Alaska), an affiliated company of one of the taxpayers in this case, BP Pipelines, provides SEC reserves information on the Prudhoe Bay field each year to the BP Prudhoe Bay Royalty Trust. The information is audited by an independent oil and gas consultant, Miller and Lents, before submission to the SEC. The Trust's SEC filing for year-end 2005, using the SEC's heightened "reasonable certainty" standard for proven reserves, represented that "BP Alaska expects continued economic production [from Prudhoe Bay] at a declining rate until the year 2065 ... ." In the year-end 2006, 2007 and 2008 SEC 10-K filings, BP represented continued economic production at Prudhoe Bay until 2062, 2075 and 2049, respectively. The 2049 economic end-of-life calculation for December 31, 2008 was based on the price of oil on that date of $44.60, while the December 31, 2006 economic end-of-life date was based on an oil price of $61.06. Both of these amounts were considerably below the average price of oil during those years and its predicted future price. The 2007 filing was based on the price of oil on December 31, 2007 of $96.01.

Gleason Decision ¶ 502

The Life of TAPS
Reserves and Throughput

503. The following chart sets out the assumed end-of-life in the Prudhoe Bay Royalty Trust SEC filings and as calculated by each of the parties' experts.

Comparison of Prudhoe Bay End-of-Life Determinations

	CY 2007	CY 2008	CY 2009
PB Royalty Trust	2062[837]	2075[838]	2049[839]
Muni @ 100,000 bbl/d	2067[840]	2066[841]	2068[842]
Muni @ Economic Limit	2075[843]	2075[844]	2075[845]
SOA @ 150,000 bbl/d	2040[846]	2040[847]	2040[848]
SOA @ Economic Limit	2043[849]	2044[850]	2053[851]
Hoolahan – Initial	2026[852]	2033[853]	2021[854]
Hoolahan – Corrected	2046[855]	2053[856]	2032[857]

Gleason Decision ¶ 503

The Life of TAPS

Reserves and Throughput

BP Royalty Trust End-of-Life

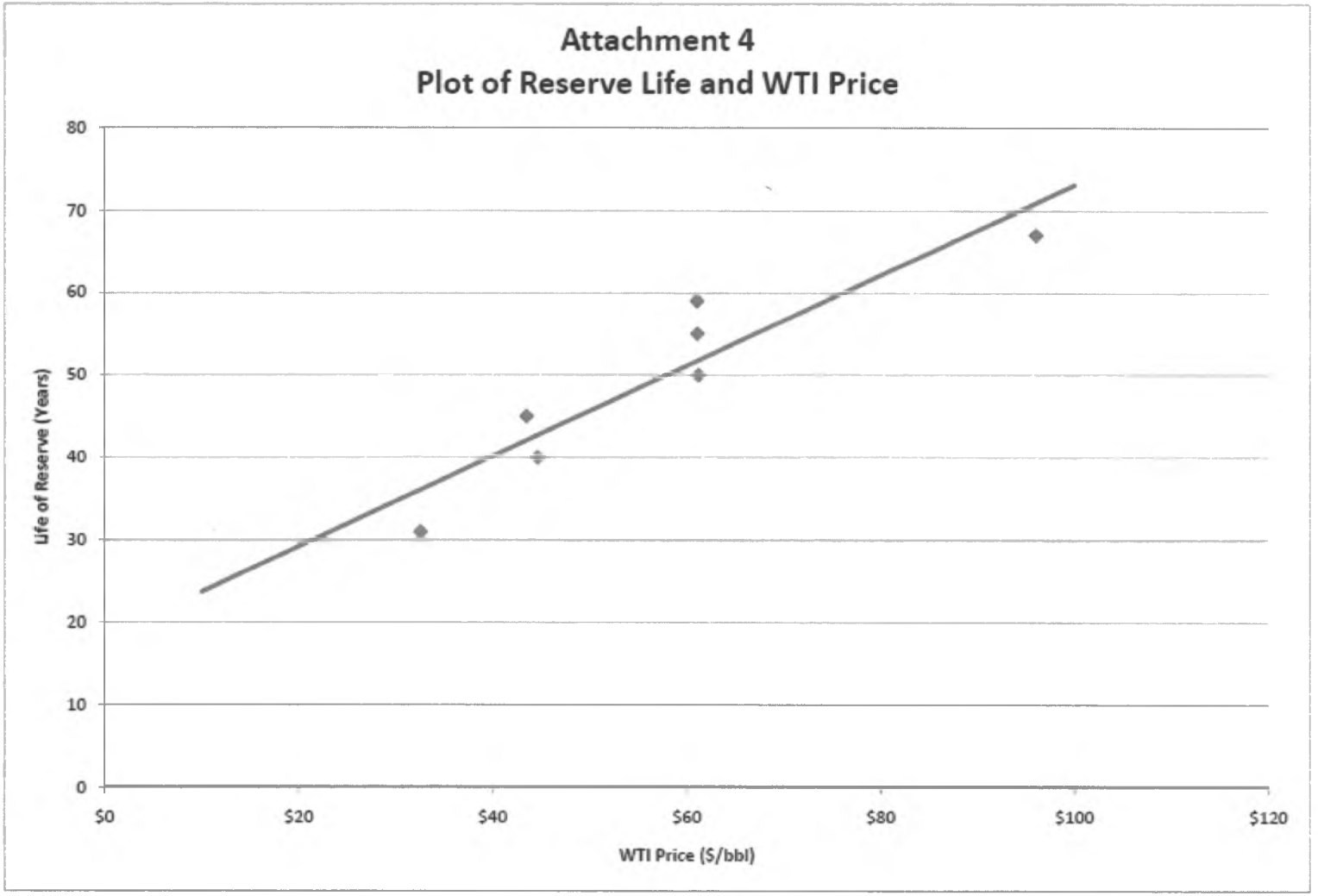
- The estimated end-of-life has varied each reporting year based on the price of oil
- From as low at 2049 in 2009 to as high as 2075 in 2008
- There is a strong correlation that for every $10 increase in oil prices, the economic life of Prudhoe Bay increases about 5.5 years [MUN7-0001 at 15-16 (Cicchetti)]

The Life of TAPS
Reserves and Throughput

24. I prepared a chart and some simple regressions in Attachment 4 to show the relation between economic life and WTI prices that BP relies upon in its various recent SEC 10-K filings. I plotted the relationship between the estimated life of the Prudhoe Bay reserves and WTI year-end prices. In particular, I found that for every $10 increase in year-end WTI prices, the economic life of Prudhoe Bay increases about 5.5 years. (See the linear regression in Attachment 4.)

MUN7-0001 at 15-16 (Cicchetti)

The Life of TAPS
Reserves and Throughput



MUN7-0001 at 121 (Cicchetti)

The Life of TAPS

Reserves and Throughput

506. With Point Thomson removed from Mr. Platt's corrected reserves estimates for 2007 and 2009, the total proven reserves for each of the lien dates is as follows:

2007 7.812 billion barrels

2008 7.759 billion barrels

2009 7.077 billion barrels

Gleason Decision ¶ 506

The Life of TAPS

Reserves and Throughput

- ANS will continue to economically produce oil, as demonstrated by BP, through 2075 based only on proved reserves

  – Assuming a minimal mechanical capacity of 100,000 bbl/d, the Court found the end-of-life of TAPS given current proved reserves is at least 2066. [Gleason Decision ¶ 505]

- Life of the ANS is even longer when production from heavy oil, ANWR, OCS, and other non-proved sources is considered

The Life of TAPS
Minimum Throughput

- Hydraulic Limit (None)
- Mechanical Limit (Less than 50,000 BPD)
- Operational Concerns (Solutions)
  - Temperature, Wax, Pigging, etc.
  - No Pipeline has Shut in Economic Production
  - Value of Oil Behind Pipe Dominates Solutions
    - 300,000 BPD to 100,000 BPD = 2 Billion of Proved Reserves
    - Engineering Solutions to Low Flow is Pennies / Value of Transporting Oil to Market is Dollars
  - Engineering Solutions Are Apparent

The Life of TAPS
Minimum Throughput

- **Alaska law doesn't contemplate a mechanical limit**
  - AS 43.56.060(e)(2) and 15 AAC 56.110(c) state life of operating pipelines to be "based on the estimated life of the proven reserves"
- **Economic life of other taxable pipelines in Alaska based on life of proven reserves, not a mechanical limit** [2007-2009 Trial Tr. 11565 (Hoffbeck)]
- **Common sense and expert testimony demonstrate no otherwise economic pipeline has shut in at 100,000, 50,000 BPD or below** [2007-2009 Trial Tr. 5130-31 (Riordan); Tr. 8266-68 (quoting Coulson Deposition); Tr. 11895 (Remsha)]
  - Proof is in the Tasting—No pipeline in the history of man has shut-in economic production due to pipeline operational concerns (Example: CIPL)
- **BP has identified engineering solutions to operate TAPS at ultra low flows**
  - Heating gets you to 70,000 BPD; below that options like fluid injection (to get flow rates up) will be identified as needed [MUN7-3020 at 8]
  - "When coupled with the fact that there is a practical limit to the number of heater locations be added, 50,000 BPD to 70,000 BPD is probably the [low flow] limit to [point source heating] due to wax deposition and pigging concerns. Further reduction in flow will require investigation of other options that maintain higher flow velocities, such as seawater commodity supplementation." [MUN7-3020 at 8]
- **Thus state law, Alaska tax practice for other pipelines, industry experience, and BP's own reserves booking contemplate no identifiable mechanical limit**

The Life of TAPS

Minimum Throughput

401. The Municipalities' expert Dr. Jerry Modisette testified that there is no hydraulic or mechanical minimum throughput limit because the pipeline will be within pressure constraints at flows down to zero and the pump rate can also go down to zero through reducing pumps, throttling, and recirculation. Former Alyeska Chief Operating Officer Dan Hisey concurred that there is no hydraulic or mechanical minimum throughput limit on TAPS. The Owners' expert, Ulli Pietsch, also testified that there is no hydraulic or mechanical reason that TAPS cannot operate down to 50,000 bbl/d. The inquiry therefore turns to whether there is an operational constraint that would prevent TAPS from transporting oil at some minimum capacity limit.

Gleason Decision ¶ 401

The Life of TAPS

Minimum Throughput

Testimony of Mr. Ulli Pietsch (Owners' Witness)

Q. I'm going to make this very simple. I want to ask you questions. I'm going to ask you questions in three buckets: Hydraulically, mechanically, and operationally.

A. Okay.

* * *

Q. So there is no reason that TAPS cannot hydraulically operate at a teaspoonful a day, correct?

A. Correct.

* * *

Q. Is there any mechanical reason, that assuming a proper recirculation system is in place, that TAPS cannot operate at 50,000 barrels a day?

A. No.

* * *

Q. Okay. So hydraulically and mechanically, there is no reason that TAPS, as it currently exists, cannot operate down to 50,000 barrels a day, assuming recirculation?

A. Correct.

2007-2009 Trial Tr. 2022-25

The Life of TAPS

Minimum Throughput

404. BPPA analyst John Haines testified at the trial in this case. In an email dated November 5, 2004, Mr. Haines stated:

> Momentum is starting to grow around booking more reserves based on an updated view of TAPS' minimum achievable rates ... Lastly, when TAPS rates reach 100 MBD [100,000 bbl/d] we stop. Our consultant thinks we can probably operate TAPS below this minimum rate, but we didn't want to push it any further at this time.

Gleason Decision ¶ 404

The Life of TAPS
Minimum Throughput

409. In its initial year-end 2004 reserves submission to the BP London office, which was scheduled a couple of months before the JTG Study was concluded, BP Exploration and BP Pipelines personnel determined "an effective TAPS minimum throughput level of 150,000 bbl/d at 2053," using "conservative assumptions." The report added:

> In the case of GPB [Greater Prudhoe Bay] and KRU [Kuparuk River Unit] (the biggest contributors to the reserves adds) each of these fields were still cash flow positive at 2064 (end of our tariff profile). The reserves coordinators arbitrarily chose to cut-off life at the earlier dates (2053 for GPB and 2047 for GKA) just to give themselves some future cushion.

Gleason Decision ¶ 409

The Life of TAPS

Minimum Throughput

406. In 2004, BP Pipelines retained JTG Technology Consortium to conduct a study to revisit the minimum throughput limit on TAPS, The 308-page JTG report was completed in 2005 ("JTG Study") and concluded that "the low flow limit of the existing 48-inch TAPS pipeline was determined to be a PS [Pump Station] 1 rate of 135 MB/day [135,000 bbl/d]."

Gleason Decision ¶ 406

The Life of TAPS

Minimum Throughput

408. BPPA and its affiliates relied upon the JTG Study's conclusion of a 135,000 bbl/d low-flow limit to create tariff profiles that BP then used to report its reserves for several years to the SEC.

Gleason Decision ¶ 408

The Life of TAPS

Minimum Throughput

412. BP Pipelines failed to provide the 2005 JTG Study in discovery for the 2006 ad valorem tax year proceedings. That study would have supported the Municipalities' position in that litigation that TAPS could operate down to 150,000 bbl/d or less, and may well have resulted in the Court finding a minimum capacity limit lower than the 200,000 bbl/d that this Court applied for that assessment year.

Gleason Decision ¶ 412

The Life of TAPS

Minimum Throughput

414. In 2010, BP Pipelines retained Phil Carpenter, a subject matter expert who was also used extensively by Alyeska in its Low Flow study, to determine whether TAPS could operate at levels below the 135,000 bbl/d threshold put forth in the 2005 JTG Study. At trial, Mr. Haines of BP Pipelines explained:

> The JTG study ... essentially had two different paths that you could live with ... One path was you would throw investments at TAPS and eventually the south leg would die at a rate of 135. You would start a railroading apparatus at that point. ... the south leg always died first because of the extraction of oil at Fairbanks at the Fairbanks refinery ... Except if you wanted to throw another $3 billion at the problem and replace the north leg with a replacement 20-inch line ... [so as to be able to transport down to 45,000 bbl/day] ... And the economic hurdle of paying for that $3 billion of replacement line investment created a very large stair-step in the economic profile, the granularity I was talking about.

Gleason Decision ¶ 414

The Life of TAPS

Minimum Throughput

415. In a May 19, 2010 email, Mr. Haines provided Mr. Carpenter with a copy of the 2005 JTG Study and explained:

> You probably want to start with the executive summary. As we discussed on the phone, our reserves reporting relied on a 'low oil Price' scenario and a 'high oil price scenario.' These are identified in the report as Scenario 2 and Scenario 3. What we are looking for in your work effort is some sort of intermediate solution that could be used to extend the limit beyond 135 MBD [135,000 bbl/d] (Scenario 2), but would not have a $3 billion hurdle that would allow us to get down to 45 MBD [45,000 bbl/d]. In other words, something for a "middle oil price" scenario.

Gleason Decision ¶ 415

The Life of TAPS

Minimum Throughput

416. A June 11, 2010 email from Mr. Carpenter contained a list of over a dozen low throughput options he had analyzed. On June 15, 2010, Mr. Haines responded back that:

> I've had a chance to talk to our upstream reserves guys, and they advise that Option 2 (run cold and sweep with freeze suppressant) sounds like it might be pushing things too far, because it requires achieving a level of confidence in the physics of the problem - a level of "proof" that our study will not be capable of fully defining. So, they agree we can drop it from the list ....

Mr. Haines then discussed the various other options, concluding:

> From a pragmatic viewpoint, it seems to me that item 1 (heaters) may be exactly what we're looking for (in terms of finding a sure-fire way to bridge between the 135 MBD [135,000 bbl/d] endpoint and the large capital cost of replacing the north leg). I say this because if we can find a way to lower the endpoint from 135 MBD [135,000 bbl/d] to say something in the range of 100 MBD [100,000 bbl/d] or less, that kind of solution would probably act to close the gap our reserves guys are seeking.

Gleason Decision ¶ 416

The Life of TAPS

Minimum Throughput

418. Consistent with that opinion, on July 20, 2010, Mr. Carpenter circulated a draft of the 2010 Carpenter Study: "The analysis concluded that point source heating of the oil is the best solution for operation of 100,000 [bbl/d]." Mr. Haines' response to the draft stated:

> Thanks for the updated report. This is shaping up nicely, and is exactly the "fit for purpose" product we were looking for. ... Probably the most significant edits we've made to your most recent draft involved turning on the railroad when the PS-1 rate hits 140 MBD [140,000 bbl/d] (and turning off the south leg), and running the north leg down to 70 MBD [70,000 bbl/d]. This means some of the south leg heaters will likely not be installed at rates below 140 MBD [140,000 bbl/d] (because of laminar flow issues).

Gleason Decision ¶ 418

The Life of TAPS

Minimum Throughput

420. The 2010 Carpenter Study did not foreclose lower throughput levels below its conclusions, acknowledging that other technologies apart from point source heating "may eventually offer better solutions with fewer unknowns, lower throughput limits and lower shutdown risk, but these options are less developed and well understood at this time." The Study stated that "50,000 [bbl/d] to 70,000 [bbl/d] is probably the limit for [the point source heating] approach due to wax deposition and pigging concerns. Further reduction in flow will require investigation of other options that maintain higher flow velocities, such as seawater commodity supplementation."

Gleason Decision ¶ 420

The Life of TAPS

Minimum Throughput

422. In the fall of 2010, BPPA used the lower minimum throughput determinations from the Carpenter Study in its transportation tariff calculations. Those calculations, in turn, were provided to BP Production forecasting personnel who then used that information to book BP's proven reserves in 2010. That BP relied upon the Carpenter Study's 100,000 to 70,000 bbl/d low flow estimate to book its reserves is compelling evidence that these figures may be reasonably relied upon by this Court to determine the assessed value of TAPS.

Gleason Decision ¶ 422

The Life of TAPS

Minimum Throughput

The Studies: Alyeska LoFIS

- The Alyeska Low-Flow Impact Study (LoFIS) was limited in scope: "Flow volumes of less than about 350,000 BPD subject TAPS operations and pipeline integrity to greater degrees of uncertainty that require investigation and study beyond that accomplished through the LoFIS. Measures to mitigate these issues utilizing the existing 48-inch pipe at throughputs below 350,000 BPD have not been determined at the date of this report."

  [Executive Summary of LoFIS Final Report (public version, June 15, 2011) at 3]
- Mr. McDevitt's deposition and trial testimony confirmed that the LoFIS team was subject to a 300,000 bbl/d limit. [2007-2009 Trial Tr. 10975-82] Mr. Haines also confirmed the limitation. [2007-2009 Trial Tr. 11404]

The Life of TAPS

Minimum Throughput

Alyeska Cannot Show A 300,000 bbl/d Limit

- Mr. McDevitt stated at trial that it was not possible for TAPS to operate under 300,000 bbl/d, but later changed his answer to "highly unlikely" when asked in the context of BP's booking practices. [2007-2009 Trial Tr. 11025-27, 11093]
- Mr. Carpenter was a subject-matter expert for water transport, hydraulic size formation and heat transfer in the Alyeska LoFIS team while he conducted his study for BP. [2007-2009 Trial Tr. 10960-61]
- Mr. Riordan testified that he did not know for a fact that the existing facility cannot operate at 100,000 bbl/d. [2007-2009 Trial Tr. 5129]

The Life of TAPS

Minimum Throughput

430. This Court finds the JTG and Carpenter studies, which were conducted by TAPS' largest Owner for the specific purpose of evaluating the ability of TAPS to operate at throughputs well below 300,000 bbl/d and relied upon by BP for booking its proven reserves, to be far more persuasive than the LoFIS study in determining TAPS' minimum throughput capacity.

Gleason Decision ¶ 430

The Life of TAPS

Minimum Throughput

431. At trial, the Municipalities' expert Dr. Jerry Modisette persuasively opined why he had determined that TAPS could operate at 100,000 bbl/d. Indeed, Dr. Modisette asserted TAPS could operate at far lower throughputs than that, particularly if the oil were recirculated through the pumps so as to raise its temperature - a project Alyeska is planning to try this winter.

Gleason Decision ¶ 431

The Life of TAPS

Minimum Throughput

432. With regard to the low-flow operational issues identified in the Alyeska study, including water dropout and corrosion, ice formation within the crude oil, ice lenses or frost heaves in the soil, and wax precipitation and deposition, the weight of the evidence at trial persuaded this Court that it is more likely than not that there will be engineering solutions to mitigate these problems on TAPS at throughputs down to 100,000 bbl/d or less.

Gleason Decision ¶ 432

The Life of TAPS

Minimum Throughput

The Operational Issues Can Be Mitigated

Hisey Chart	Mitigation Measures Available															
	Water			Heat			Pigging						Chemical Treatment			
Issue/Concern	Lower Spec Limit	Remove	Improve Monitoring Capability	Recirculate	Point Source	Add, Repair, Replace Insulation	Increase Frequency	Add Launchers Receivers	Divert Incoming Stream	Install Washers	Modify Cleaning Pig Design	Modify Operating Procedure	Corrosion	Freeze Point	Emulsion	Wax Point
Wax																
pipe wall deposit				X	X	X	X	X		X	X				X	X
instrumentation	X	X	X	X	X	X								X	X	X
smart-pig data				X	X	X	X	X			X					X
cleaning volume				X	X	X	X	X	X	X	X				X	X
Ice																
equipment damage	X	X	X	X	X	X			X					X		
valve operation	X	X	X	X	X	X	X				X		X	X		
ice plugs	X	X	X	X	X	X	X	X			X		X	X		
Other																
Cold Restart	X	X	X	X	X	X						X		X	X	X
Frost Heave				X	X	X										
Increased corrosion	X	X	X				X	X					X	X	X	
Slack Line												X				
Crude Oil "gelling"				X	X	X									X	X

The Life of TAPS

Minimum Throughput

434. The August 2010 Larkspur Study estimates approximately $2 billion in undiscounted costs for heating TAPS so as to be able to transport 100,000 bbl/d. This is based on the 2010 Carpenter Study's use of substantial redundancy resulting in 70% excess heating capacity. Thus, the actual cost could well be considerably lower. However, even Larkspur's estimated expense is self-evidently economic in light of the value of TAPS' proven reserves, The Court was persuaded by Mr. Hisey's testimony that even if the heating and other mitigation measures cost upwards of hundreds of millions of dollars in the coming decades, it would still be economical to make such investments to keep TAPS operating at and below 100,000 bbl/d "to move North Slope crude oil and keep that transportation base available for future fields, future production."

Gleason Decision ¶ 434

The Life of TAPS

Minimum Throughput

437. This Court finds the conclusions reached in the 2005 JTG study, together with the opinions reached in the 2010 Carpenter Study and Larkspur Study, as well as the opinions of Dr. Modisette and Mr. Hisey, to be more credible and persuasive than Mr. McDevitt's opinion on TAPS' minimum throughput capacity.

Gleason Decision ¶ 437

The Life of TAPS

Minimum Throughput

438. For the foregoing reasons, and after careful consideration of all of the evidence presented at trial, this Court finds it more likely than not that TAPS can effectively transport throughputs at least down to a minimum flow rate of 100,000 bbl/d.

Gleason Decision ¶ 438

The Life of TAPS

Minimum Throughput
Maximum Limit of 100,000 BPD

- Mr. Hisey testified that even hundreds of millions of dollars in heating and other low flow mitigation efforts are economic to keep TAPS operating at and below 100,000 bbl/d [2007-2009 Trial Tr. 9000]
- Dr. Modisette testified that the Texaco Cal 20 pipeline uses more heating per unit than the worst case heating scenario for TAPS [2007-2009 Trial Tr. 9061-63]
- No witness was aware of a pipeline that shut in production for operational reasons when it was flowing economic oil [2007-2009 Trial Tr. 674 (Remsha); Tr. 5130-31 (Riordan); Tr. 8266-68 (quoting Coulson deposition); Tr. 9218 (Malvick); Tr. 11090 (McDevitt); Tr. 11895 (Remsha)]

The Life of TAPS

Minimum Throughput Economics of Continued Operation

Forecast Year	Platt Production Rate Range (barrels/day)	Stranded Oil Volume Over Applicable Forecast Range	Average EIA Real Oil Price Forecast Over Applicable Time Period (per bbl)	Total Value of Stranded Oil
2009				
	300,000 to 100,000	2.0 billion bbl	$169.06	**$338,120,000,000**
	200,000 to 100,000	1.2 billion bbl	$177.25	$212,700,000,000
	150,000 to 100,000	0.7 billion bbl	$183.30	$128,310,000,000

SOURCES:

MUN7-4306, MUN7-4309, and MUN7-4313

MUN7-0017 p. 23

The Life of TAPS
Source Materials

- Platt Report (MUN7-0024)
- Platt Rebuttal Report (MUN7-0026)
- Hite Report (MUN7-0014)
- Van Dyke Report (MUN7-0017)
- Van Dyke Report Supplement (MUN7-0018)
- Unpredictable Wells Data
- BP Royalty Trust (MUN7-4072)
- JTG Report (MUN7-3000)
- Carpenter Study (MUN7-3020)
- Larkspur Study (MUN7-3044)
- Haines Testimony
- Modisette Report (MUN7-0028)
- Hisey Report (MUN7-0034)
- Hisey PowerPoint

Access to Information

- Relevant Statutes
- Department Will Not Use Subpoena Power
- The Department Overuses Taxpayer Confidential Designations
- Department Will Not Agree to a Joint Administrative Agreement

Access to Information

491. SARB observed the following in its Certificate of Determination for the 2007 assessment year:

> The Board also found that the Owners failed to take advantage of the opportunity to provide the Division with persuasive data to challenge the reserves estimates or throughput projections used by the Division if the Owners have such data. The Board found that the Owners chose not to the [sic] share information that the Owners and their parent companies possess regarding throughput and proven reserves with the Division or the Board and instead chose to present evidence and testimony from outside experts who did not have access to the information the Owners possess that was not already in the public record, and who lacked adequate direct experience with, or expertise about, the TAPS or the Alaska North Slope reserves.

Gleason Decision ¶ 491

Access to Information

5. AS 43.56.080 grants the Division certain investigative powers when assessing AS 43.56 properties, including the power to "enter any premise necessary for the investigation during reasonable hours," to "examine property and appropriate records," and to compel owner representatives "to appear for examination under oath by the department." There was no persuasive evidence presented at the trial de novo that the Division has ever exercised these powers with respect to the valuation of TAPS.

Gleason Decision ¶ 5

Access to Information

6. The Division broadly interprets what it considers "taxpayer confidential" information under applicable statutes and will not disclose such information to the Municipalities specifically or to the public generally. The Division considers all information that it receives from a taxpayer as "taxpayer confidential," even if it does not contain the particularities of a taxpayer's business affairs and is obtainable from the public domain. As a result, the Division did not provide the Owners' new replacement cost study by Stantec Consulting, Inc. ("Stantec") to the Municipalities.

Gleason Decision ¶ 6

Access to Information

7. AS 43.56.060(g) provides that "[t]he department may enter into agreements with a municipality for the cooperative or joint administration of the assessing authority conferred on the department by this section." The North Slope Borough previously had such an agreement with the Department. The City of Valdez and Fairbanks North Star Borough have never been parties to joint assessment agreements with the Department.

Gleason Decision ¶ 7

Access to Information

8. In its 2010 decision, SARB expressed its concerns regarding the Division's assessment practices:

> The Board believes that it is time for the Division to address the problems created by the way it handles taxpayer confidential information in the assessment process. The Division's failure to provide interested parties with the information on which the assessment was made in time to allow those parties meaningful input in the determination of the property's assessed value, before that determination is subject to limited review of an appeal before the Board, has the potential to throw the fundamental fairness of the AS 43.56 assessment process into question. The Board believes that, due to the Division's current practices with regard to the use of taxpayer confidential information in its AS 43.56 assessments, that process is close to broken and is headed in the wrong direction.

This Court concurs with the Board's observations in this regard.

Gleason Decision ¶ 8

Access to Information
Information at DOR Level

- History of TAPS Valuation
- DOR Process
- Access to Taxpayer Information
- Treatment of Taxpayer Information
- Consequence of Lack of Access to Information

Access to Information

History of TAPS Valuation

- DOR relying on TSM based rates lead the assessments falling from over $8 billion in the mid-1980s to $2.75 billion in 2001 [Gleason Decision ¶ 30]
- For decades the valuation of TAPS was a negotiated process that largely excluded the Municipalities
- The Municipalities fully engaged the process for the 2005 assessment

Access to Information

Observation About DOR's Process

- Key DOR staff are fair, dedicated, and highly competent
- The SARB has also been balanced and diligent
- However the DOR process–as related to information relied on in the taxation process–is close to broken. [Gleason Decision ¶ 8]

Access to Information

Access to Confidential Information

- Taxing authorities typically compel information
  - DOR can subpoena information, depose taxpayer representatives, and investigate property and records

    [AS 43.56.080; AS 29.45.130; AS 43.55.040(a)]
- DOR policy is to work cooperatively with industry, so it does not exercise these powers [Gleason Decision ¶ 8]
- Thus, DOR relies on information that a taxpayer volunteers or that is publicly available

Access to Information
Taxpayer Information

- The Alaska Public Records Act, AS 40.25.110, requires State documents to be subject to public examination

- Exception exists under AS 40.25.100(a) for tax information "that discloses the particulars of the business or affairs of a taxpayer" in which case the "information shall be kept confidential except when . . . required in an official investigation [or proceeding]"

- AS 43.05.230(a) also makes it unlawful to "divulge the amount of income or the particulars set out or disclosed in a report or return" except in conjunction with "investigations or proceedings"

Access to Information

Taxpayer Information

DOR narrowly reads taxpayer confidentiality statutes, denying public access to:

- All information provided by taxpayers
  - Non-sensitive correspondence, hypothetical studies, publicly available information, etc.
- Information provided for its production forecasting, which is a budgeting function [2007-2009 Trial Tr. 8813-14, Tr. 10874-877]
- The Municipalities
  - AS 43.56.060(g) allows for joint administration of taxes
  - North Slope Borough had such an agreement until recently

Access to Information

Consequence of Information Access

- Industry acts to prevent the best information from harming its position on taxes
  - Low flow documents
  - Royalty trust statements removed
  - BP Pipelines no longer participating in reserves function [2007-2009 Trial Tr. 11480]
  - As a matter of policy DOR does not compel the production of useful information
- DOR does not make publicly available taxpayer information in its possession
- Result–DOR and Legislature do not have access to information necessary to be informed about oil and gas tax issues in Alaska

Access to Information
Source Materials

- Alaska Statutes

Conclusion

- Open Access to Facilities
- Reasonable Transportation Rates
- Minimize Barriers to Entry
- Sound Tax Policy
  - Recognizes Market Structure
  - Recognizes Specific Behavior and Participants Most Likely to Be Impacted by Tax Incentives
  - Recognizes Stage of Development of Basin

THANK YOU

Information Used for Internal Decisions

The complete version of the last three field development plans, for each field, provided to the working interest owners.

The resource support package for each field.

All authorization for expenditures ("AFE"), or proposed AFEs that are for amounts over $25 million and that were drafted in the last three years.

All annual and quarterly strategic and budget reporting documents (e.g., strategic planning unit and group financial outlooks), for the last two years, for each producer's Alaska operations.

All financial analysis and internal planning documents relating to heavy or viscous oil drafted in the last two years, including each producer's long term budget plan and production forecast for heavy oil and viscous oil development.

A list of all projects made uneconomic by ACES, including the financial analysis supporting that conclusion.

What know Gwen / Mulp 10-K's

Information Developed for Regulatory Purposes

Everything provided to the BP Prudhoe Bay Royalty Trust or its auditors for yearend 2010 and 2011.

The last two yearend review packages for each field.

Information Provided to Potential Purchasers

In 2010, after the Gulf well blowout, BP considered selling its Alaska assets. BP set up electronic data rooms containing the documents about its Alaska operations that were necessary for potential purchasers to conduct their due diligence reviews. It would require little effort for BP to allow the Legislature access to those data rooms.

Provided to the Senate Resources Committee by Craig Richards and Robin Brena (2/8/2012)

2/09/12 JUDGE GLEASON'S DECISION: AN ALTERNATIVE PERSPECTIVE BY BRADFORD KEITHLEY

<TARGET><BILL></BILL><SUBJECT>2-09-12 JUDGE GLEASON'S DECISION AN ALTERNATIVE PERSPECTIVE BY BRADFORD KEITHLEY</SUBJECT><COMM>SRES27</COMM></TARGET>

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Brad Keithley is a partner and co-head of the Oil & Gas practice at Perkins Coie. He is based in the firm's Anchorage and Washington, D.C. offices. Prior to joining Perkins Coie, Brad was a partner for 18 years with the global law firm of Jones Day, based primarily in the firm's Dallas and Houston offices, and before that was senior vice president and general counsel of Arkla, Inc., at the time the third largest gas company in the United States (and now part of CenterPoint Energy Inc.). Brad started his career as an attorney advisor in the Office of the General Counsel to the Secretary of the Air Force, after which he joined and became a partner with Hall, Estill, Hardwick, Gable, Collingsworth & Nelson, in Tulsa, Oklahoma.

Throughout his career, Brad's practice has been concentrated in the areas of oil & gas regulation, commercial transactions and litigation. His clients have included major oil & gas companies, oil & gas pipelines, large and medium independents, as well as major consumers of natural gas. During the last ten years, Brad's practice has focused primarily on matters related to Alaska oil & gas, international and U.S. LNG issues, matters related to oil & gas exploration, and development and production on U.S. federal lands and waters. Brad is a past co-chair of the Institute of Energy Law's Annual Oil & Gas Law Conference and was a founding co-chair of the Institute's Annual Law of LNG Conference.

EDUCATION

- University of Virginia School of Law, J.D., 1976
  Notes Editor, *Journal of International Law*
- University of Tulsa, B.S., 1973

BAR ADMISSIONS

- Virginia
- District of Columbia
- Oklahoma
- Alaska

COURT ADMISSIONS

- U.S. Supreme Court
- U.S. Court of Appeals for the District of Columbia Circuit

PROFESSIONAL RECOGNITION

- Ranked by *Chambers USA*, as "America's Leading Business Lawyers," 2004 - 2008, 2010
- Ranked by *Chambers USA*, as "America's Leading Environment & Natural Resources Lawyers," 2011

PROFESSIONAL LEADERSHIP

- Center for American and International Law, Institute for Energy Law, Advisory Committee, 2000 - Present; Oil & Gas Committee, 2002 - Present
- Center for American and International Law, Institute for Energy Law, Annual Conference on the Law of LNG, Co-Chair, 2004 - 2005
- Center for American and International Law, Institute for Energy Law, Oil & Gas Committee, Chair, 2003
- Center for American and International Law, Institute for Energy Law, Annual Oil &

Gas Law Conference, Co-Chair, 2001 - 2002

- Rocky Mountain Mineral Law Foundation
- Energy Bar Association

COMMUNITY INVOLVEMENT

- University of Virginia School of Law Annual Giving Campaign, National Chair, 2010 - present
- Regional University System of Oklahoma, Ad Hoc Committee on System Development, 2005 - 2007

RELATED EMPLOYMENT

- Jones Day, Dallas and Houston, TX, Partner, 1990 - 2008
- Arkla, Inc., Little Rock, AR and Shreveport, LA, Senior Vice President & General Counsel, 1987 - 1990; Vice President & General Counsel, 1984 - 1987
- Hall, Hardwick, Gable, Collingsworth & Nelson, Tulsa, OK, Partner, 1981 - 1984; Associate, 1978 - 1981
- Secretary of the Air Force, Office of the General Counsel, Attorney/Advisor, 1976 - 1978

PAST EVENTS

12.01.2011 - 12.02.2011	**Issues Relating to Developing Federal Lands and Waters in Alaska** Speaking Engagement Law Seminars International William A. Egan Civic & Convention Center / Anchorage, AK
12.06.2010 - 12.07.2010	**The Sixth Annual Comprehensive Conference on Energy in Alaska** Speaking Engagement Dena'ina Civic & Convention Center / Anchorage, AK
12.07.2009	**Meeting the Challenge of Extracting and Getting Alaska's Natural Resources to Market** Speaking Engagement William A. Egan Civic & Convention Center / Anchorage, AK

Perkins Coie | Legal Counsel to Great Companies

Judge Gleason's Decision: An Alternate Perspective

Bradford G. Keithley
Partner & Co-Head, Oil & Gas Practice
Perkins Coie LLP

August 9, 2012

Disclaimers

- The opinions expressed here are entirely my own; not speaking on behalf of any client
- Not involved in the case, but monitored the case and have studied the decision closely because of its potential impact on Alaska
- Not here to challenge or dispute the logic or conclusion of the opinion

Agenda

- Background
- What the decision says
- What the decision doesn't say
- The implications for the future

Background of the Case

- State court dispute over the valuation of TAPS for property tax purposes
- Parties: Alyeska v. the North Slope Borough, Fairbanks North Star Borough and Valdez (and the Alaska Dep't of Revenue)
- Life of TAPS is relevant to TAPS economic value and accumulated depreciation
- Decision subject to appeal to the Alaska Supreme Court

What the Decision Says

- Judge Gleason found that the value of TAPS for property tax purposes was $8.94 B (2007), $9.64 (2008), $9.24 (2009)
- In the course of determining those values, concluded that "the life of TAPS based on its proven reserves and incorporating its minimum capacity throughput limitations as of … 2007, 2008 and 2009 is at least until 2065."
- Based on her conclusion that TAPS can continue to accommodate flows as low as 70,000 bbl/d

What the Decision Doesn't Say

- The decision doesn't say anything about current or reasonably foreseeable production levels
  - The decision simply says that the production tail will continue longer
- The decision also doesn't say anything about the effect of declining production on the state's economic well being
  - The decision doesn't speak to state revenue

The Implications

- Joe Balash has it right …
  - "Deputy Natural Resources Commissioner Joe Balash said *a 300,000-barrel a day throughput scenario … would be a 'disaster*,' because at that level, the state budget would be in a 'dire deficit.'"
    - Becky Borher (AP), Fairbanks Daily News-Miner, Jan. 8, 2012 (17 paragraphs into the story).
- To paraphrase James Carville from the 1992 Presidential campaign
  - In Alaska, "It's the production rate …"
  - … not the reserve life

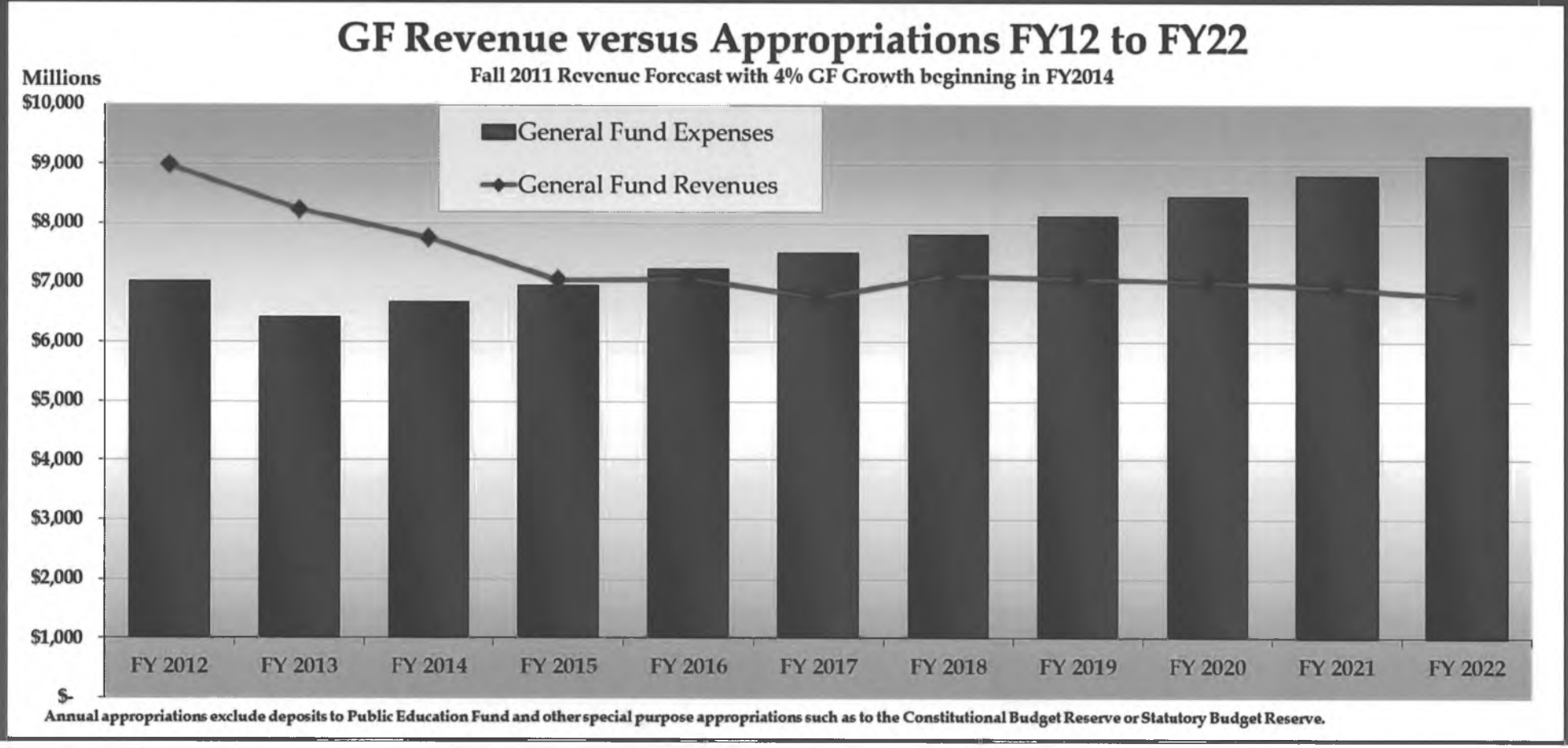
Current ANS Production Forecast

Figure 4-11. Alaska North Slope Production, FY 2011 and Forecasted FY 2012-2021[1] (million barrels per day)

Fiscal Year	Currently Producing	Percent Change from Prior Yr.	Under Development	Under Evaluation	Total ANS	Percent Change from Prior Yr.
2011	0.603	(6.3%)	0.000	0.000	0.603	(6.3%)
2012	0.548	(9.1%)	0.026	0.001	0.574	(4.7%)
2013	0.485	(11.6%)	0.069	0.001	0.555	(3.3%)
2014	0.451	(6.9%)	0.099	0.010	0.561	1.0%
2015	0.406	(10.0%)	0.115	0.017	0.538	(4.1%)
2016	0.369	(9.1%)	0.151	0.029	0.550	2.1%
2017	0.336	(9.1%)	0.179	0.034	0.549	(0.1%)
2018	0.307	(8.5%)	0.171	0.066	0.544	(0.9%)
2019	0.282	(8.1%)	0.166	0.066	0.515	(5.4%)
2020	0.262	(7.4%)	0.164	0.061	0.486	(5.6%)
2021	0.241	(7.7%)	0.161	0.056	0.458	(5.8%)

[1] Some of the oil forecasted in the Under Development and Under Evaluation categories are from new projects in fields currently producing.

Scenario 3: Governor's FY2013 Budget with 4% Annual GF Expenditure Growth beginning in FY2014



Source: Office of Management and Budget FY2013 10-Year Plan (p. 13)

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Scenario 3: Governor's FY2013 Budget with 4% Annual GF Expenditure Growth beginning in FY2014

Oil Price & Production	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Fall 2011 forecast ANS West Coast ($/bbl.)	$108.98	$109.47	$109.08	$108.75	$107.79	$106.05	$108.76	$111.54	$114.39	$117.31	$120.31
Fall 2011 forecast ANS production (mmbbl./day)	0.574	0.555	0.561	0.538	0.550	0.549	0.544	0.515	0.486	0.458	0.432
Revenue vs. Spending ($millions)											
General Fund Revenues [1/]	$8,981.8	$8,217.7	$7,742.8	$7,043.4	$7,065.5	$6,738.9	$7,125.0	$7,070.4	$7,012.1	$6,917.5	$6,757.0
General Fund Expenses	$7,041.8	$6,430.2	$6,687.4	$6,954.9	$7,233.1	$7,522.4	$7,823.3	$8,136.3	$8,461.7	$8,800.2	$9,152.2
Budget Surplus/Shortfall	$1,940.0	$1,787.5	$1,055.4	$88.5	$167.6	$783.5	$698.3	$1,065.9	$1,449.6	$1,882.7	$2,395.2
Reserve Balances ($millions)											
CBRF Main Account Balance End of Year	$5,408.7	$5,615.9	$5,830.2	$6,051.9	$6,281.3	$6,518.6	$6,764.1	$7,018.0	$7,280.8	$7,552.6	$6,703.9
CBRF Subaccount Balance End of Year	$4,972.2	$5,323.6	$5,700.0	$6,102.9	$6,534.4	$6,996.3	$7,490.9	$8,020.4	$8,587.4	$9,194.5	$9,844.4
CBRF Total	$10,380.9	$10,939.5	$11,530.2	$12,154.8	$12,815.6	$13,514.9	$14,254.9	$15,038.4	$15,868.2	$16,747.0	$16,548.3
Statutory Budget Reserve Balance	$4,402.1	$6,189.5	$7,245.0	$7,333.5	$7,165.9	$6,382.4	$5,684.1	$4,618.2	$3,168.6	$1,285.9	$0.0
TOTAL RESERVES	$14,783.0	$17,129.1	$18,775.2	$19,488.3	$19,981.6	$19,897.3	$19,939.0	$19,656.6	$19,036.7	$18,033.0	$16,548.3

Source: Office of Management and Budget FY2013 10-Year Plan (p. 14)

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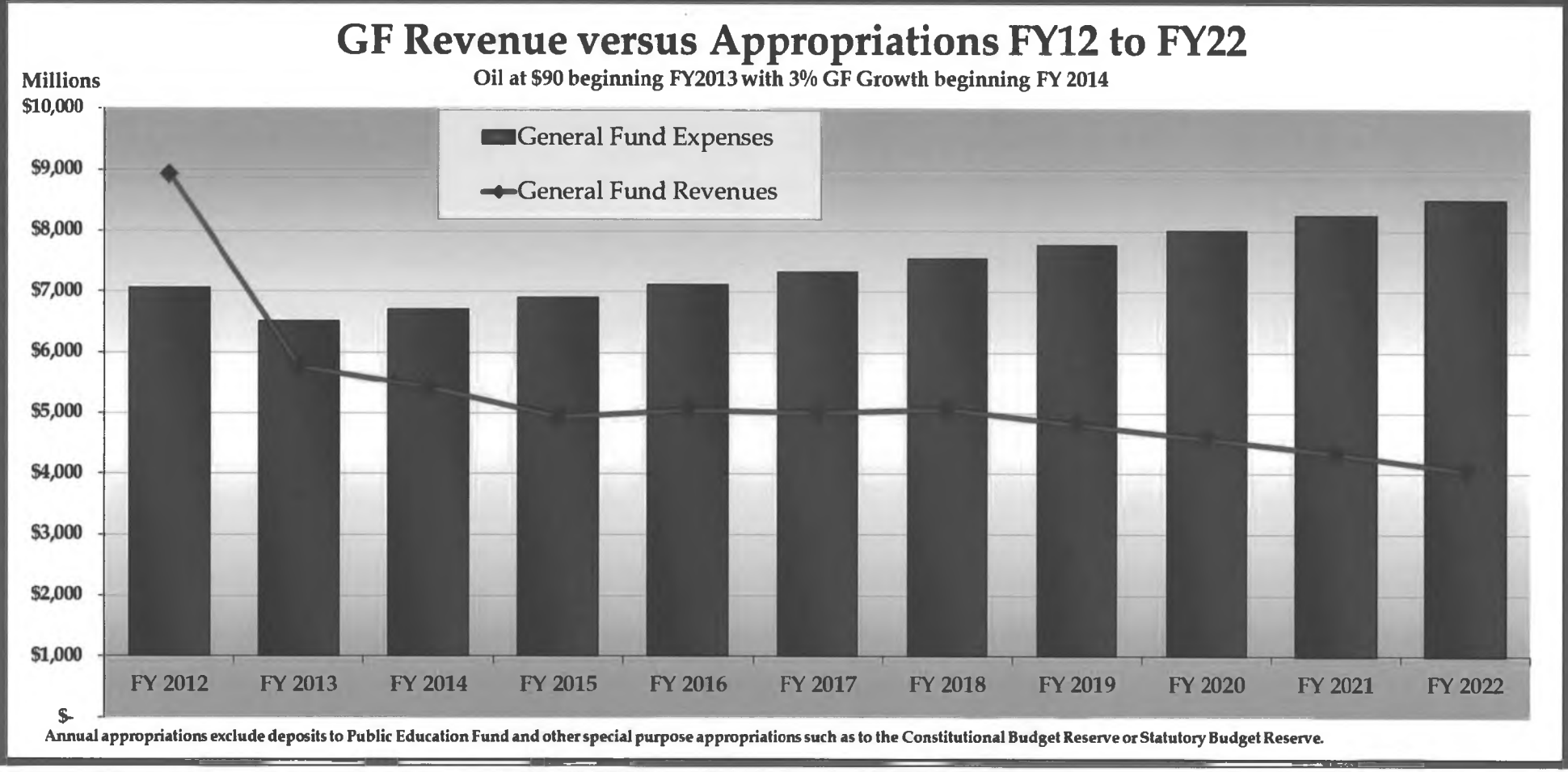
Scenario 2: Revenue@$90 oil FY2013 Governor's Budget plus 3% Annual Growth beginning FY2014



Source: Office of Management and Budget FY2013 10-Year Plan (p. 11)

Perkins Coie

Scenario 2: Revenue@$90 oil FY2013 Governor's Budget plus 3% Annual Growth beginning FY2014

Oil Price & Production	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Fall 2011 forecast ANS West Coast ($/bbl)	$108.98	$90.00	$90.00	$90.00	$90.00	$90.00	$90.00	$90.00	$90.00	$90.00	$90.00
Fall 2011 forecast ANS production (mmbbl./day)	0.574	0.555	0.561	0.538	0.550	0.549	0.544	0.515	0.486	0.458	0.432
Revenue vs. Spending ($millions)											
General Fund Revenues[1/]	$8,981.8	$5,775.3	$5,414.2	$4,926.1	$5,049.8	$5,001.6	$5,056.2	$4,807.1	$4,574.3	$4,331.3	$4,041.2
General Fund Expenses	$7,041.8	$6,430.2	$6,623.1	$6,821.8	$7,026.5	$7,237.2	$7,454.4	$7,678.0	$7,908.3	$8,145.6	$8,390.0
Budget Surplus/Shortfall	**$1,940.0**	**$654.9**	**$1,208.9**	**$1,895.7**	**$1,976.6**	**$2,235.7**	**$2,398.2**	**$2,870.9**	**$3,334.1**	**$3,814.3**	**$4,348.7**
Reserve Balances ($millions)											
CBRF Main Account Balance End of Year	$5,408.7	$5,615.9	$5,830.2	$6,051.9	$4,922.3	$2,835.4	$510.9	$0.0	$0.0	$0.0	$0.0
CBRF Subaccount Balance End of Year	$4,972.2	$5,323.6	$5,700.0	$6,102.9	$6,534.4	$6,996.3	$7,490.9	$5,801.2	$2,771.7	$0.0	$0.0
CBRF Total	$10,380.9	$10,939.5	$11,530.2	$12,154.8	$11,456.7	$9,831.7	$8,001.8	$5,599.7	$2,771.7	$0.0	$0.0
Statutory Budget Reserve Balance	$4,402.1	$3,747.2	$2,538.2	$642.5	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
TOTAL RESERVES	**$14,783.0**	**$14,686.7**	**$14,068.4**	**$12,797.4**	**$11,456.7**	**$9,831.7**	**$8,001.8**	**$5,599.7**	**$2,771.7**	**$0.0**	**$0.0**

Source: Office of Management and Budget FY2013 10-Year Plan (p. 12)

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... maybe even Scenario 2 is too optimistic

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Shell sees oil lows of $70 in 2012 volatility

Oil giant reports 54% jump in 2011 profits despite tough final quarter

BY EMILY GOSDEN, THE TELEGRAPH FEBRUARY 2, 2012

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STORY | PHOTOS (1)

Shell's chief executive, Peter Voser, outlined an aggressive long-term growth strategy, focused on 'upstream' exploration and production. He said the strategy would help Shell ride out volatility and increase cash flow by up to 50pc over the next four years. It would spend

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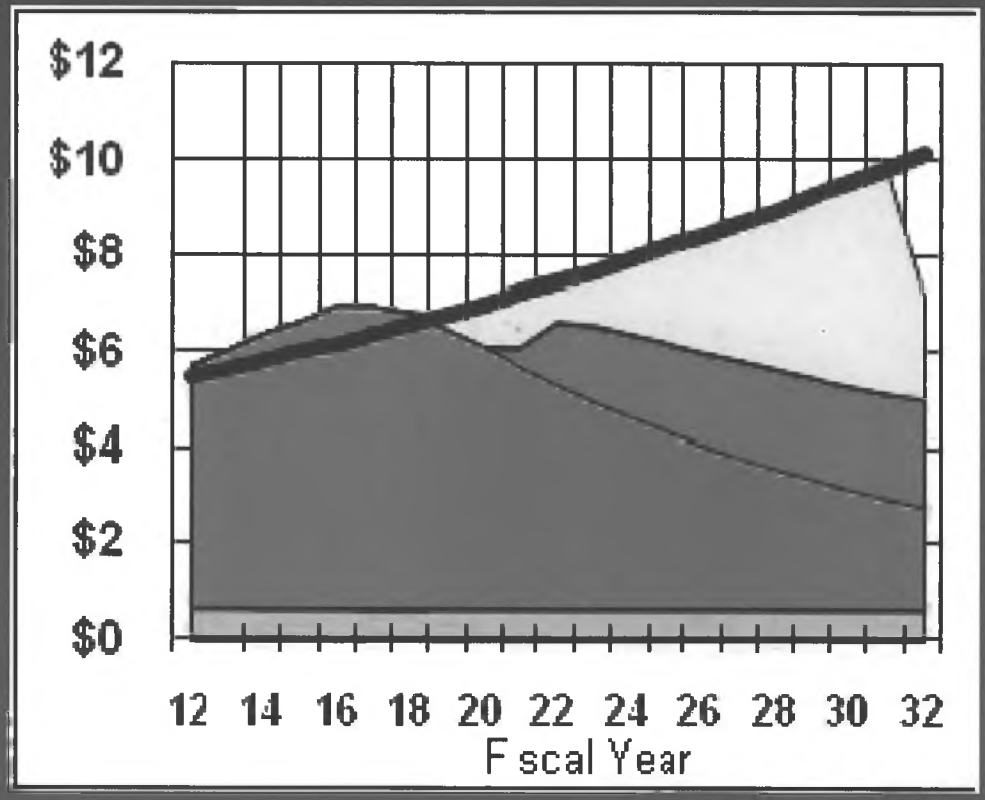
Another perspective …

- The Administration's 10-year forecast only goes out to 2022
- Last year, Scott Goldsmith of UAA's Institute of Social and Economic Research (ISER) extended last year's forecast on out another ten years …

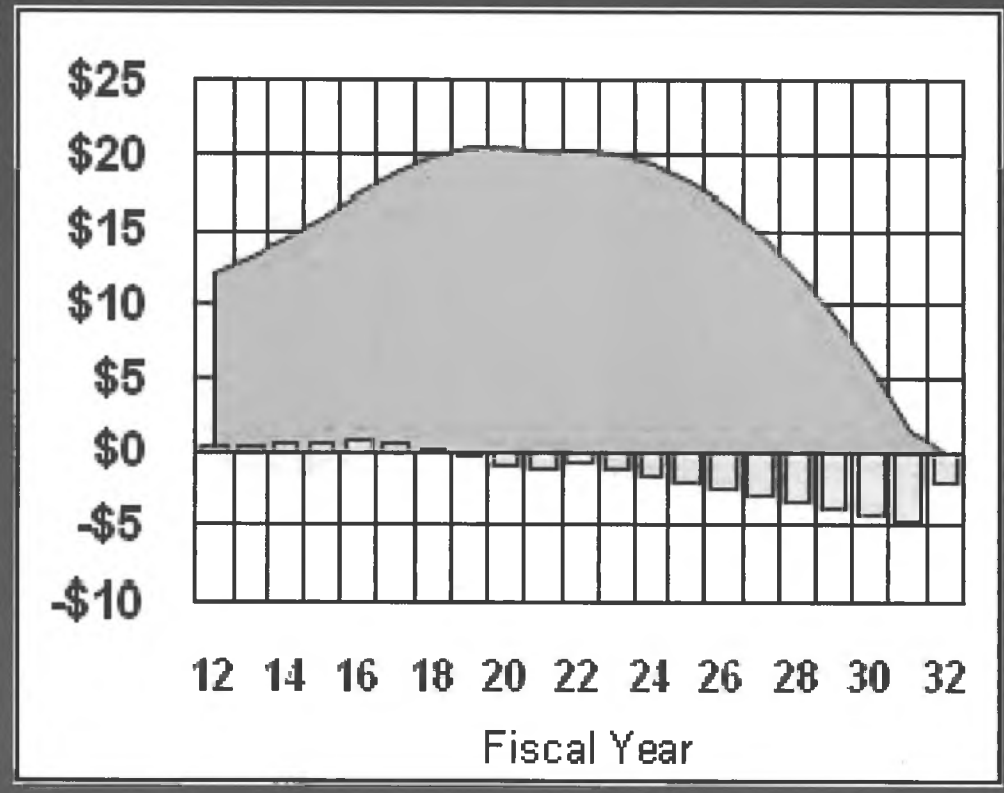
OMB FISCAL PLAN—EXTENDED

(2012 Billion $, includes gas monetization)

GF Projection



Financial Reserve



Source: Revising the State Fiscal Plan to Account for Petroleum Wealth, Web Note No. 9, Institute of Social and Economic Research University of Alaska Anchorage by Scott Goldsmith (p. 5, 2011)

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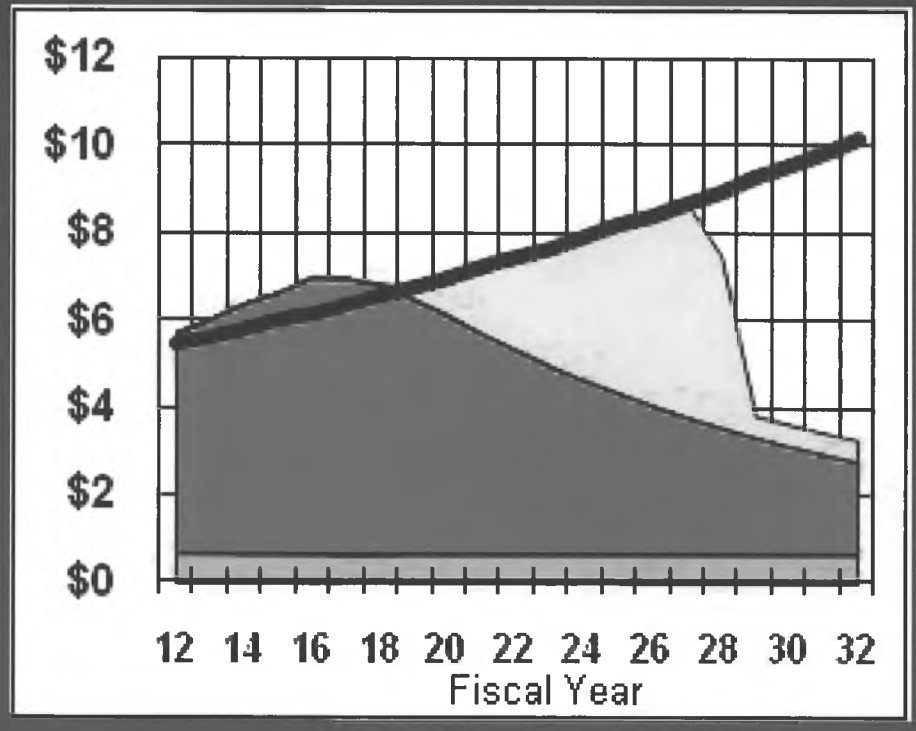
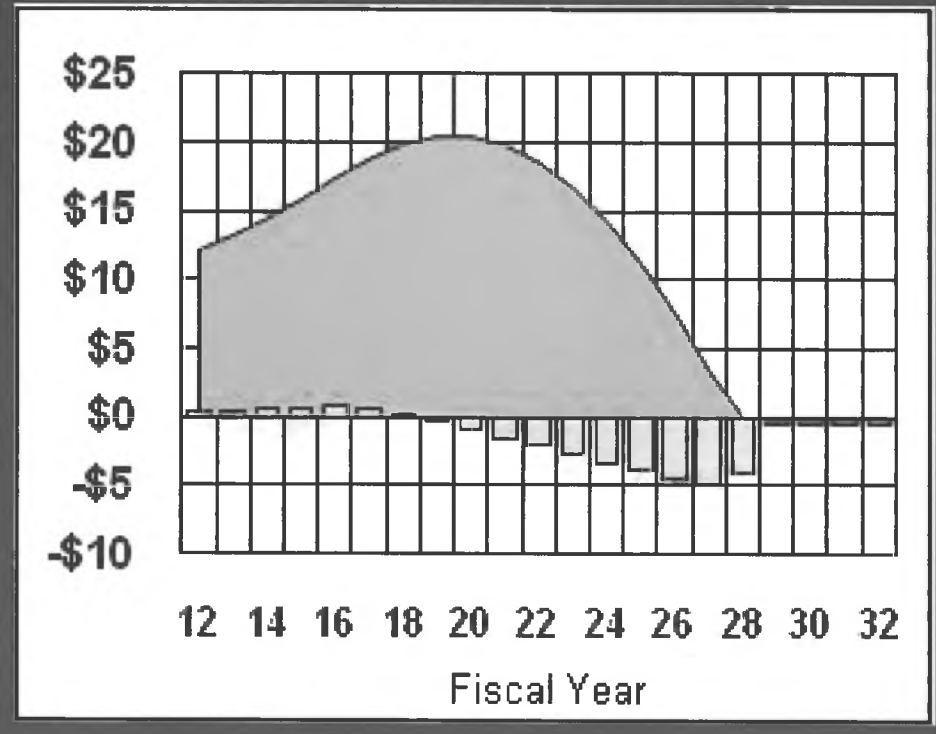
OMB FISCAL PLAN—EXTENDED

(2012 Billion $, no gas)

GF Projection



Financial Reserve



Source: Revising the State Fiscal Plan to Account for Petroleum Wealth, Web Note No. 9, Institute of Social and Economic Research University of Alaska Anchorage by Scott Goldsmith (p. 5, 2011)

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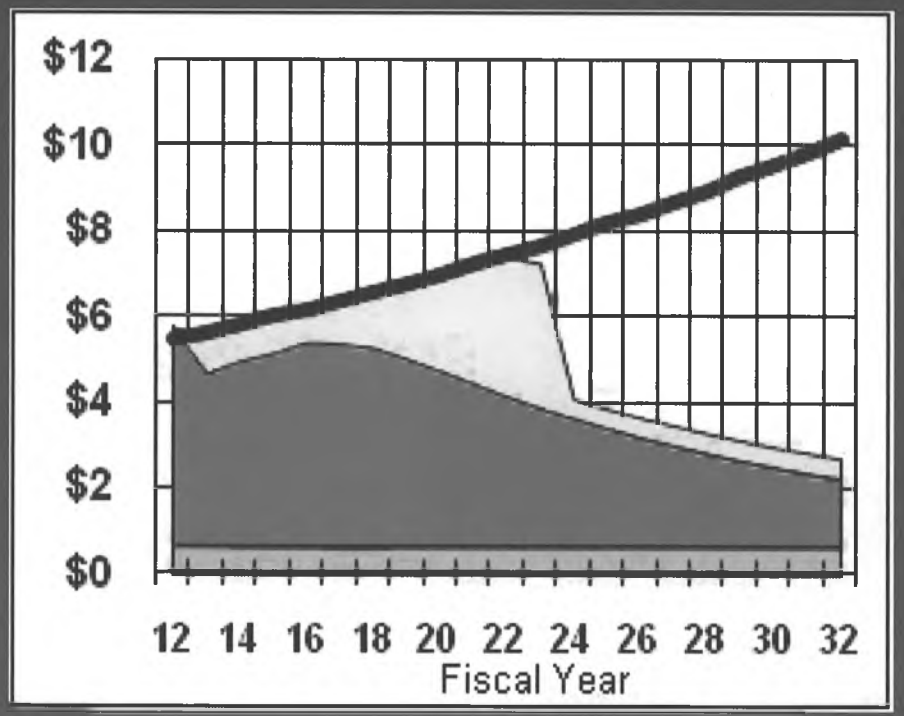
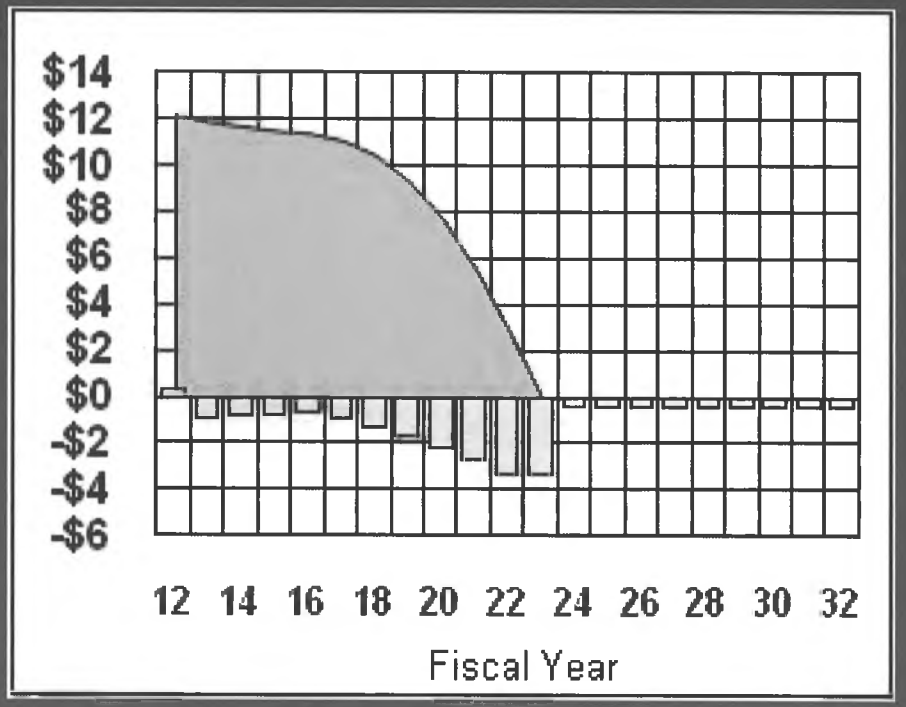
OMB FISCAL PLAN—EXTENDED

(2012 Billion $, no gas/75% of oil price)

GF Projection



Financial Reserve



Source: Revising the State Fiscal Plan to Account for Petroleum Wealth, Web Note No. 9, Institute of Social and Economic Research University of Alaska Anchorage by Scott Goldsmith (p. 5, 2011)

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Other Consequences of the Decision

- Increases TAPS rates
  - Roughly 25% of current TAPS rates are to recover ad valorem taxes; increased taxes, increased rates
- Decision disproportionately benefits NSB, Fairbanks and Valdez; hurts State
  - Increased TAPS rates reduce royalty and production taxes
- Significant additional tax hike on industry
  - Reinforces perception of unpredictable and litigious Alaska business environment

Conclusion

- Judge Gleason's Decision …
  - … says nothing about which decline curve Alaska is on
  - … at most, the decision merely says that the tail end of the decline curve may be extended longer than some have previously forecast
- In short, the person that turns the lights off on Alaska's economy can stay a few more years, but the remainder will have left long before

Back Up Slides

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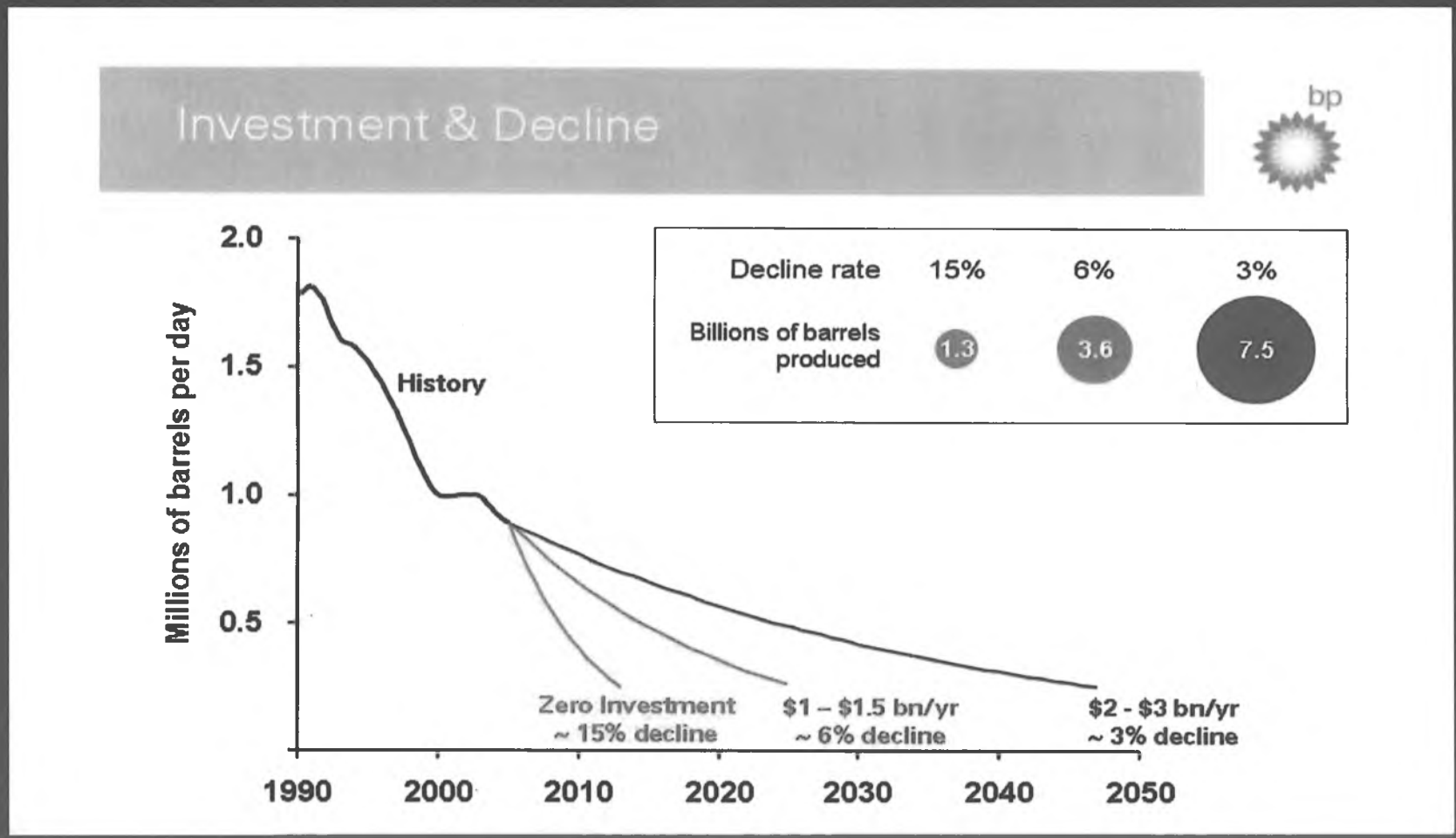
Alaska's Three Alternative Futures



Source: BP Presentation on Proposed PPT (Alaska State Legislature House & Senate Resources Committees 2006)

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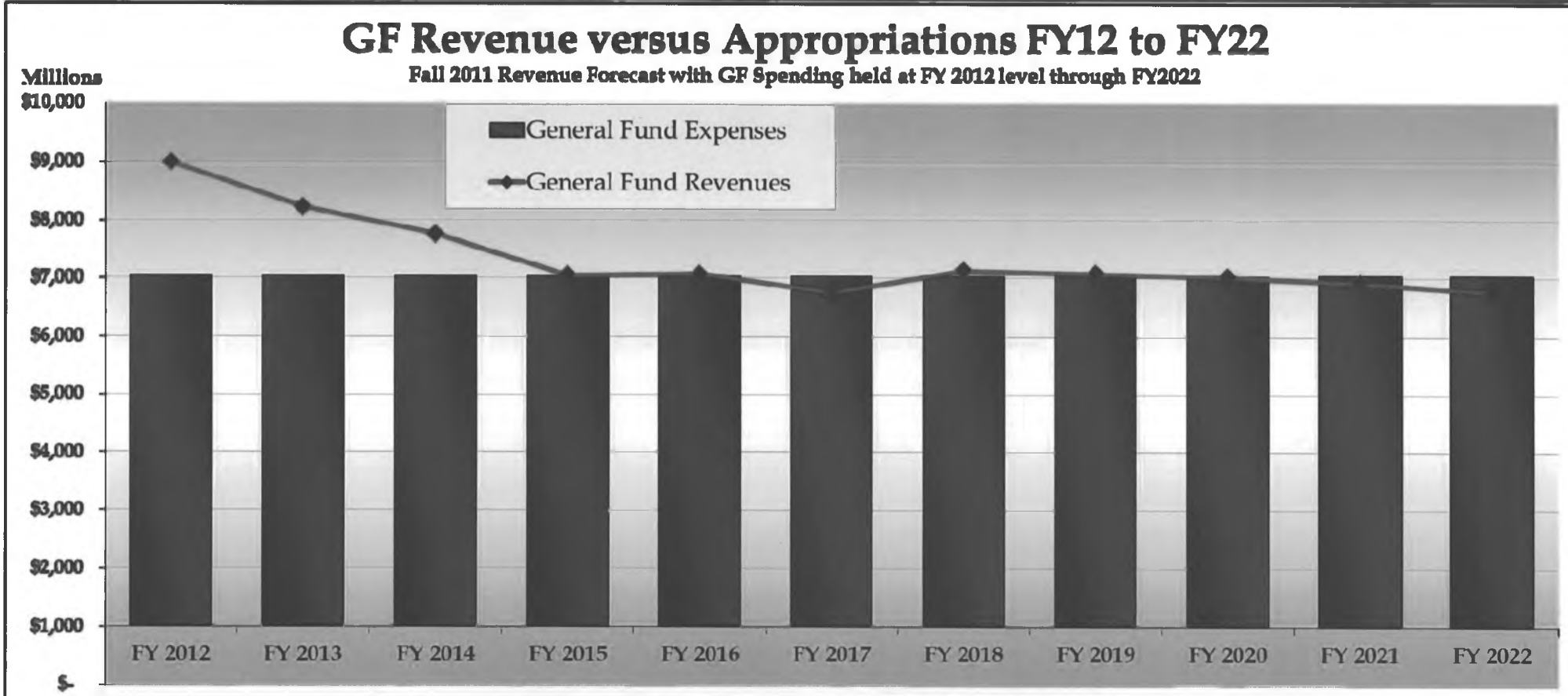
Scenario 1: General Fund Spending held at FY2012 level ($7.0 billion) through FY2022



Source: Office of Management and Budget FY2013 10-Year Plan (p. 9)

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Scenario 1: General Fund Spending held at FY2012 level ($7.0 billion) through FY2022

Oil Price & Production	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Fall 2011 forecast ANS West Coast ($/bbl.)	$108.98	$109.47	$109.08	$108.75	$107.79	$106.05	$108.76	$111.54	$114.39	$117.31	$120.31
Fall 2011 forecast ANS production (mmbbl./day)	0.574	0.555	0.561	0.538	0.550	0.549	0.544	0.515	0.486	0.458	0.432
Revenue vs. Spending ($millions)											
General Fund Revenues[1/]	$8,981.8	$8,217.7	$7,742.8	$7,043.4	$7,065.5	$6,738.9	$7,125.0	$7,070.4	$7,012.1	$6,917.5	$6,757.0
General Fund Expenses	$7,041.8	$7,041.8	$7,041.8	$7,041.8	$7,041.8	$7,041.8	$7,041.8	$7,041.8	$7,041.8	$7,041.8	$7,041.8
Budget Surplus/Shortfall	$1,940.0	$1,175.9	$701.0	$1.6	$23.7	$302.9	$83.2	$28.6	$29.7	$124.3	$284.8
Reserve Balances ($millions)											
CBRF Main Account Balance End of Year	$5,408.7	$5,615.9	$5,830.2	$6,051.9	$6,281.3	$6,518.6	$6,764.1	$7,018.0	$7,280.8	$7,552.6	$7,833.8
CBRF Subaccount Balance End of Year	$4,972.2	$5,323.6	$5,700.0	$6,102.9	$6,534.4	$6,996.3	$7,490.9	$8,020.4	$8,587.4	$9,194.5	$9,844.4
CBRF Total	$10,380.9	$10,939.5	$11,530.2	$12,154.8	$12,815.6	$13,514.9	$14,254.9	$15,038.4	$15,868.2	$16,747.0	$17,678.2
Statutory Budget Reserve Balance	$4,402.1	$5,577.9	$6,279.0	$6,280.6	$6,304.3	$6,001.5	$6,084.7	$6,113.2	$6,083.5	$5,959.2	$5,674.4
TOTAL RESERVES	**$14,783.0**	**$16,517.5**	**$17,809.2**	**$18,435.5**	**$19,120.0**	**$19,516.3**	**$20,339.6**	**$21,151.7**	**$21,951.7**	**$22,706.3**	**$23,352.6**

Source: Office of Management and Budget FY2013 10-Year Plan (p. 10)

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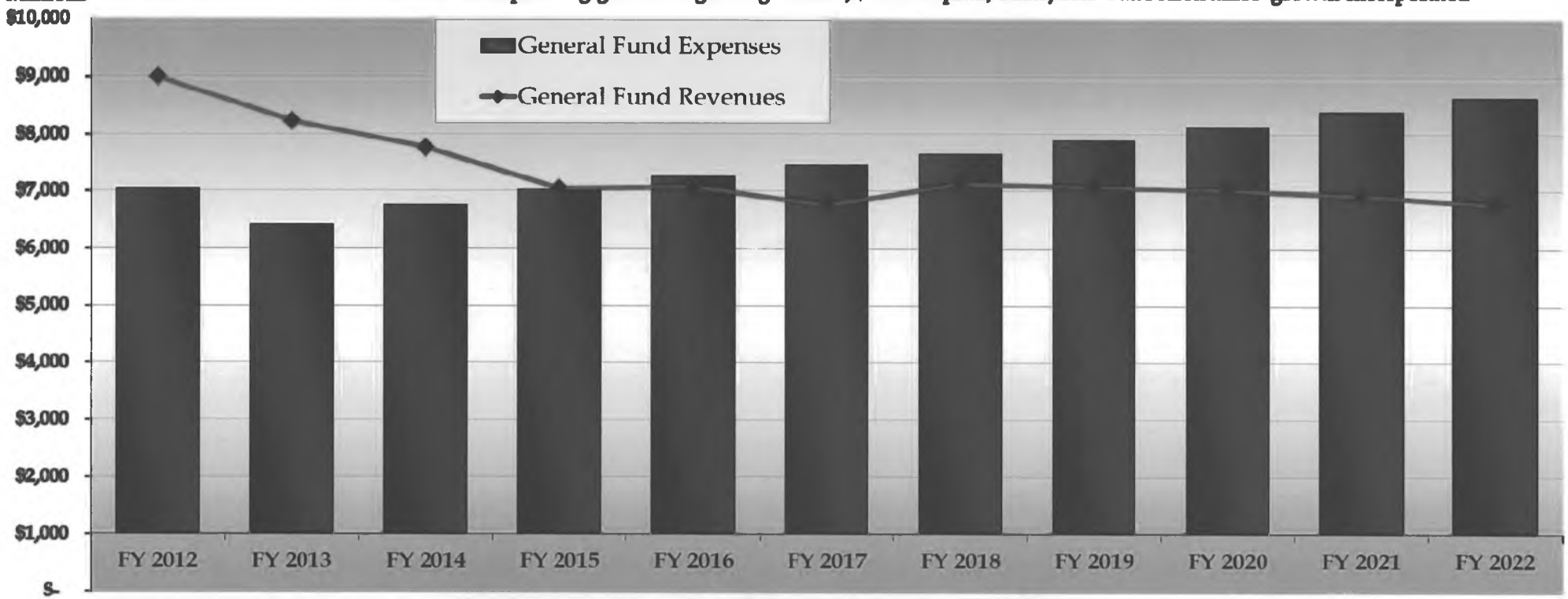
Scenario 4: FY2013 Governor's Budget with 4% Annual Agency Growth, Capital at $1.0 B, PERS/TRS

GF Revenue versus Appropriations FY12 to FY22

Fall 2011 Revenue forecast with 4% GF Spending growth beginning FY2014, $1.0 B Capital, PERS/TRS State Assistance growth incorporated



Annual appropriations exclude deposits to Public Education Fund and other special purpose appropriations such as to the Constitutional Budget Reserve or Statutory Budget Reserve.

Source: Office of Management and Budget FY2013 10-Year Plan (p. 15)

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Scenario 4: FY2013 Governor's Budget with 4% Annual Agency Growth, Capital at $1.0 B, PERS/TRS

Oil Price & Production	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Fall 2011 forecast ANS West Coast ($/bbl.)	$108.98	$109.47	$109.08	$108.75	$107.79	$106.05	$108.76	$111.54	$114.39	$117.31	$120.31
Fall 2011 forecast ANS production (mmbbl./day)	0.574	0.555	0.561	0.538	0.550	0.549	0.544	0.515	0.486	0.458	0.432
Revenue vs. Spending ($millions)											
General Fund Revenues [1/]	$8,981.8	$8,217.7	$7,742.8	$7,043.4	$7,065.5	$6,738.9	$7,125.0	$7,070.4	$7,012.1	$6,917.5	$6,757.0
General Fund Expenses	$7,041.8	$6,430.2	$6,763.6	$7,029.2	$7,271.3	$7,463.1	$7,663.3	$7,890.1	$8,129.3	$8,378.4	$8,639.7
Budget Surplus/Shortfall	$1,940.0	$1,787.5	$979.2	$14.2	$205.8	$724.2	$538.3	$819.7	$1,117.2	$1,460.9	$1,882.7
Reserve Balances ($millions)											
CBRF Main Account Balance End of Year	$5,408.7	$5,615.9	$5,830.2	$6,051.9	$6,281.3	$6,518.6	$6,764.1	$7,018.0	$7,280.8	$7,552.6	$7,833.8
CBRF Subaccount Balance End of Year	$4,972.2	$5,323.6	$5,700.0	$6,102.9	$6,534.4	$6,996.3	$7,490.9	$8,020.4	$8,587.4	$9,194.5	$9,844.4
CBRF Total	$10,380.9	$10,939.5	$11,530.2	$12,154.8	$12,815.6	$13,514.9	$14,254.9	$15,038.4	$15,868.2	$16,747.0	$17,678.2
Statutory Budget Reserve Balance	$4,402.1	$6,189.5	$7,168.8	$7,183.0	$6,977.3	$6,253.0	$5,714.7	$4,895.0	$3,777.8	$2,316.9	$434.2
TOTAL RESERVES	$14,783.0	$17,129.1	$18,699.0	$19,337.9	$19,792.9	$19,767.9	$19,969.6	$19,933.4	$19,646.0	$19,064.0	$18,112.4

Source: Office of Management and Budget FY2013 10-Year Plan (p. 16)

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2/17/12 PRESENTATION: ANALYSIS OF OIL INDUSTRY INVESTMENT STRATEGIES BY PFC ENERGY

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Discussion Slides: Alaska Senate Resource Committee

February 17-18, 2012

Tony Reinsch
Senior Director, Upstream & Gas
PFC Energy

Janak Mayer
Manager, Upstream & Gas
PFC Energy

PFC Energy

The Art of Taxation

"The art of taxation consists in so plucking the goose as to get the most feathers with the least hissing."

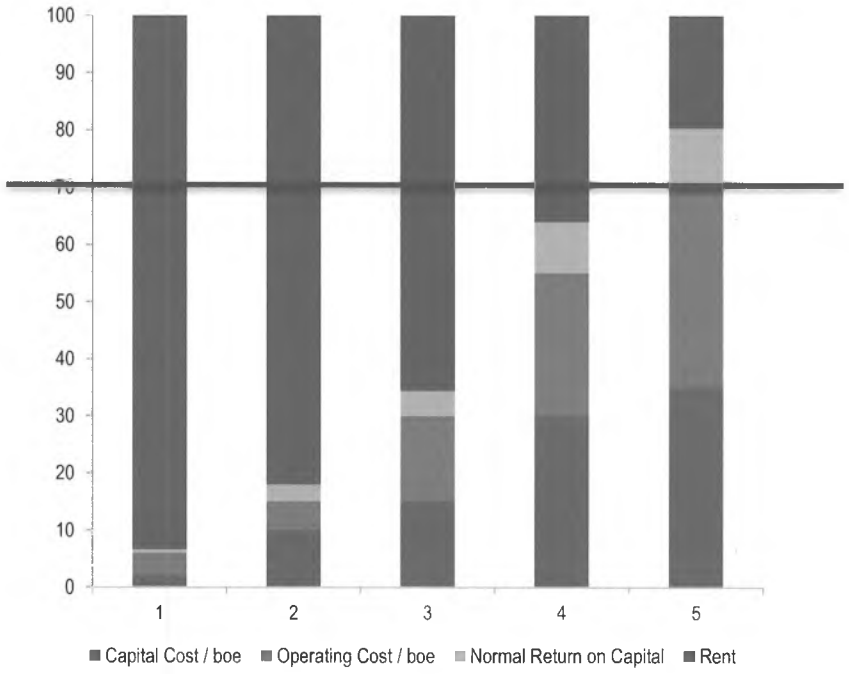
Jean Baptiste Colbert - Economist and Minister of Finance under King Louis XIV of France, 1619

…or, in more contemporary terms

- The art of taxation consists in maximizing revenues, subject to two important constraints
  - **Efficiency:** Not distorting investment choices, or preventing marginal investments that would otherwise have been made from occurring
  - **Competitiveness:** Ensuring that in the real world, which is characterized by limited capital with competing uses

Efficiency: Conclusions on a Fixed Percentage Royalty

- The fixed royalty is **inefficient** because it distorts investment, making previously marginal projects uneconomic at a given price
- It is highly **regressive** with regard to both price and cost, because Relative Government Take falls as prices rise, and as costs fall
- This also increases **sovereign risk** – since when prices rise, governments will be tempted to set a new rate, even though investments have been made on the basis of the current one
- It has only one major strength – it is very **simple to administer**, requiring knowledge of only 2 variables - production and price



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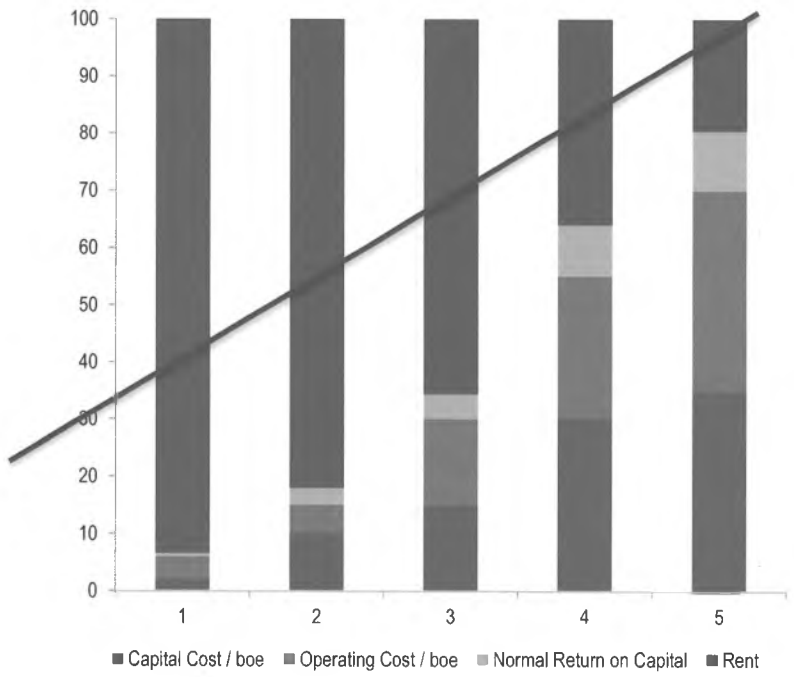
Efficiency: Targeting Economic Rent

- What we would like to do instead is to tax the red bars – the Economic Rent – directly
- That way, we could *pluck more feathers*, with less *hissing*
- What are the different ways, over time, that governments have attempted to do this?



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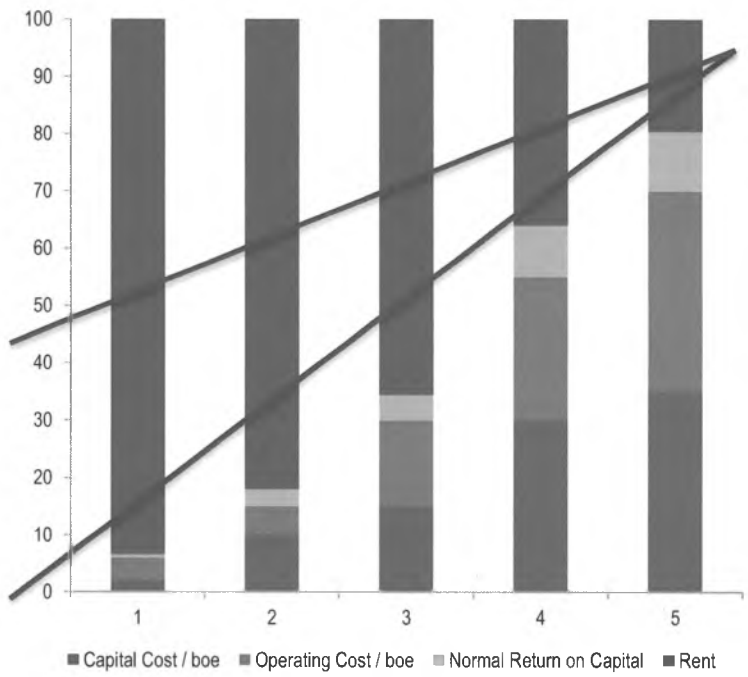
Progressivity

- Progressivity may be used for a range of different purposes in a fiscal regime
  - In some cases, used to counterbalance the inherent regressivity of other elements of the regime
  - In other cases, a deliberate policy to not only a steady share of the rents, but to capture ever more as economics improve
- Implemented properly (ie taxing only economic rents), both of these approaches can be efficient – ie non-distorting of relative investment opportunities at the margin
- Regimes that use both high levels of relative government take, in addition to high progressivity to capture most or all of the upside of high price environments are will not necessarily, however, be competitive



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Different Implementations of Progressivity: Production Levels

- One of the earliest and still commonest metrics used to progressively increase rates of government take for projects that produce more economic rent has been the use of sliding scales for the split of profit oil or the setting of a royalty, based on levels of production, as is the case in Vietnam's PSC fiscal system
- Brazil similarly applies a production-level-based windfall profits tax in its tax-royalty system
- Such systems are almost always bracketed, so the higher rate applies only to production above a given threshold
- Production-based progressivity uses production levels as a proxy for profitability – and it is an imperfect proxy at best
  - The Vietnam example here attempts to improve here by setting different tiers, based on project cost
  - British Columbia, Canada uses a combination of Price and Production Quantity in its progressive Royalty rate

Vietnam Fiscal Terms			Pre-2010	Post-2010 with Incentives	Post-2010 without Incentives	Deepwater/ Frontier
Oil Royalty		mb/d				
	<=	20.00	8%	7%	10%	6%
	>20 <=	50.00	10%	9%	12%	8%
	>50 <=	75.00	10%	11%	14%	8%
	>75 <=	100.00	15%	13%	19%	10%
	>100 <=	150.00	20%	18%	24%	15%
	>150		25%	23%	29%	20%
Gas Royalty		mmcf/d				
	<=	176.55	0%	1%	2%	0%
	>176.55 <=	350.00	5%	3%	5%	3%
	>350		25%	6%	10%	6%
Cost Oil Limit			35%	35%	35%	50%
Cost Gas Limit			60%	60%	60%	70%
Profit Oil Split to Gov.		mb/d				
	<=	75.00	50%	50%	50%	50%
	>75 <=	100.00	55%	55%	55%	55%
	>100 <=	150.00	60%	60%	60%	60%
	>150		70%	70%	70%	70%
Profit Gas Split			50%	50%	50%	50%
Corporate Tax Rate		32%				

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Different Implementations of Progressivity: Price

- A number of regimes are progressive explicitly on price
- This approach is particularly common in setting "windfall profits" taxes
- China and Venezuela both use a price-progressive windfall profits tax to capture progressive shares of economic rent in high price environments
- Such systems are almost always bracketed, taxing only profits resulting from the higher price bracket at the higher rate
- Alaska's ACES system is an exception to this rule

Thresholds for Venezuela's Windfall Profits Tax

Oil Price	Rate
< $40	0%
$ 40 - $70	20%
$ 70 - $90	80%
$ 90 - $100	90%
> $100	95%

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Different Implementations of Progressivity: Cost Recovery

- A more sophisticated approach to targeting economic rent more directly is for a regime to be progressive using the extent to which a project has recovered its costs as a metric by which to set the tax or profit sharing rate
- Malaysia's current PSC model, introduced in 1997, uses "R-Factor", the ratio of cumulative revenues to cumulative costs, to set its profit split and its cost limit
- Once a project has recovered its costs, profit share to the IOC is progressively reduced

Malaysia Fiscal Terms						
Oil Royalty	10%					
	R Factor					
1997 PSC Parameters	R<=1.0	R<=1.4	R<=2.0	R<=2.5	R<=3.0	R>3
Cost Oil/Gas Limit	70%	60%	50%	30%	30%	30%
Unutilized Cost Oil/Gas Split (below TH'	0%	80%	70%	60%	50%	40%
Unutilized Cost Oil/Gas Split (above TH'	0%	40%	40%	40%	40%	20%
Profit Oil/Gas Split (below THV)	80%	70%	60%	50%	40%	30%
Profit Oil/Gas Split (above THV)	40%	30%	30%	30%	30%	10%
Threshold Value (THV) - Oil	30	mmbbls				
Threshold Value (THV) - Gas	0.75	tcf				

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Different Implementations of Progressivity: Rates of Return

- Similarly, some regimes seek to target "super-profits" more directly by linking progressivity to the Internal Rate of Return (IRR) that a project has accomplished by any point in time
  - Angola's PSC regime uses IRR to set the profit oil split
    - Onshore and Shallow Water

IRR	Contractor's Share
< 20%	60%
20 – 25%	50%
25 – 30%	40%
> 30%	30%

    - Deepwater

IRR	Contractor's Share
< 15%	80%
15 – 25%	60%
25 – 30%	40%
> 30%	20%

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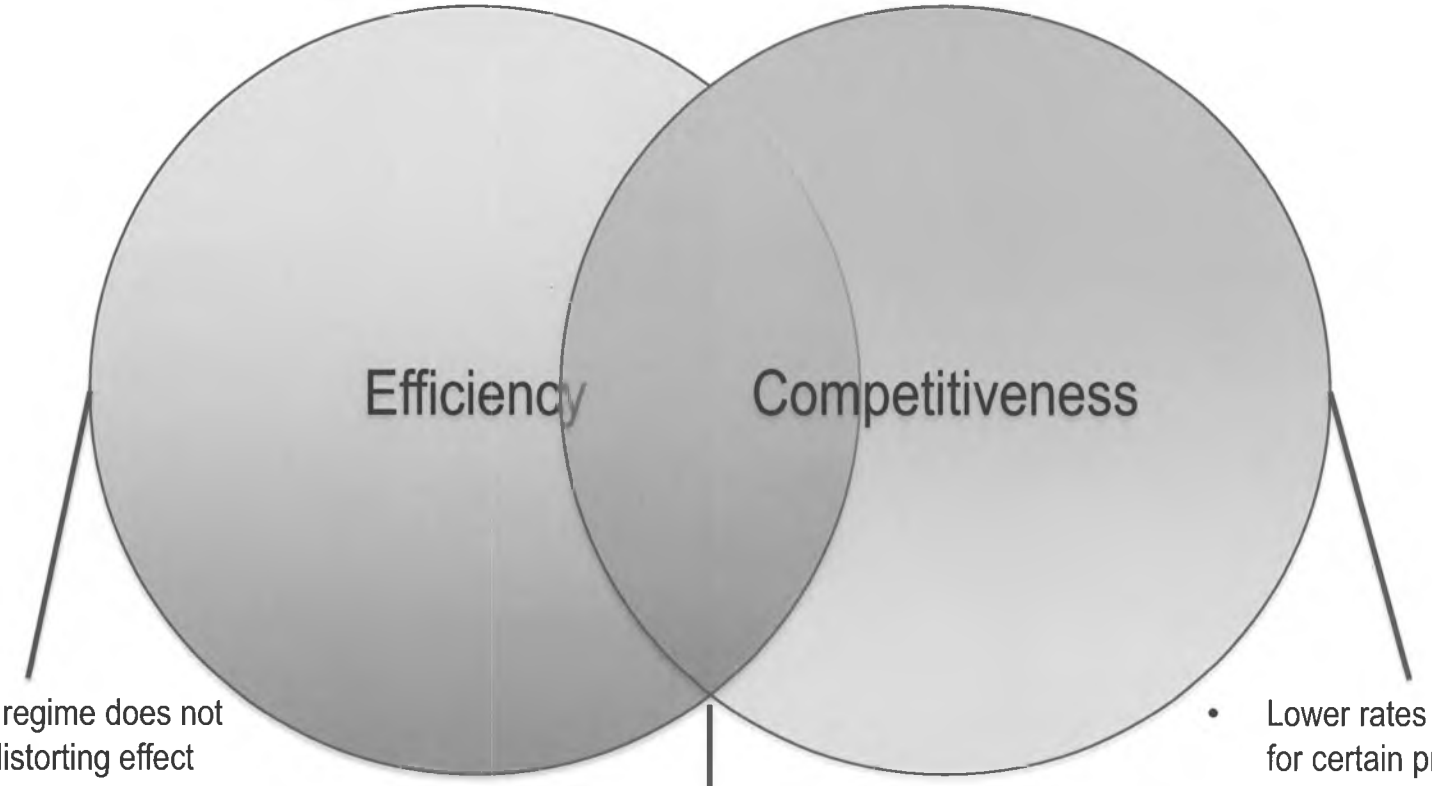
Different Implementations of Progressivity: Taxing Rent Directly

- Many of these regimes are highly complex, and use highly imperfect proxies for targeting economic rent
- Australia's Petroleum Resource Rent Tax, by contrast, is unusual in being both very simple in design, and in seeking to tax economic rent directly
- The tax seeks to replicate the economics of a 40% direct participation by the state, by taxing net cashflow at a rate of 40%
- All losses, however, are carried forward indefinitely, and maintain present value since they are inflated each year by a rate similar to the corporate cost of capital
- The ultimate economics are as if government is paying a 40% share of the cost of development, and taking a 40% share of the resulting cashflow
- With no royalty, and no other taxes in the system other than Corporate Income Tax, this is one of the simplest fiscal designs anywhere, but also one of the most efficient – because it taxes rent directly

Finding the Intersection



- Efficient regime does not have a distorting effect on project economics
- But rates are too high, and other jurisdictions are more successful in attracting capital as a result

- Regime does not distort investment
- Rates are internationally competitive, given fundamental attractiveness of the opportunity

- Lower rates may mean for certain projects or asset types, the regime is highly internationally competitive
- But distorting structure means certain otherwise marginal projects are unviable

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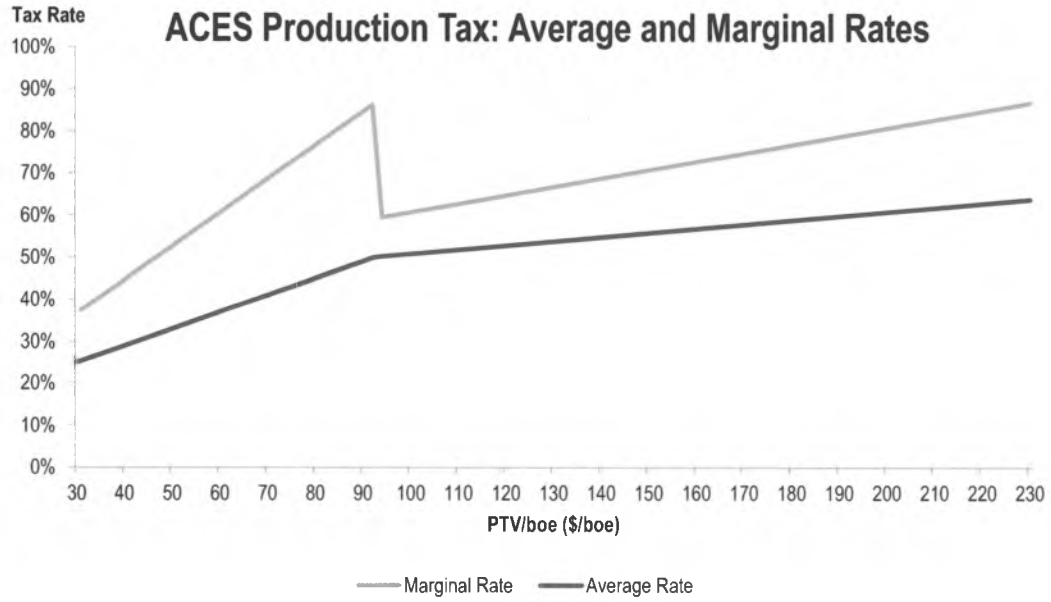
Average vs Marginal Rates



- It is average or effective rates, not marginal rates that drive project economics at a given price level
- Marginal rates remain, however, a useful metric for understanding key aspects of a regime
- The **difference between marginal and average** rates enable us to understand **how progressive a regime** is on a comparative basis
- Marginal rates represent the combination of high average rates with high progressivity
- In a profit-based system, high marginal rates may create perverse incentives with regard to cost control, encouraging "gold-plating"

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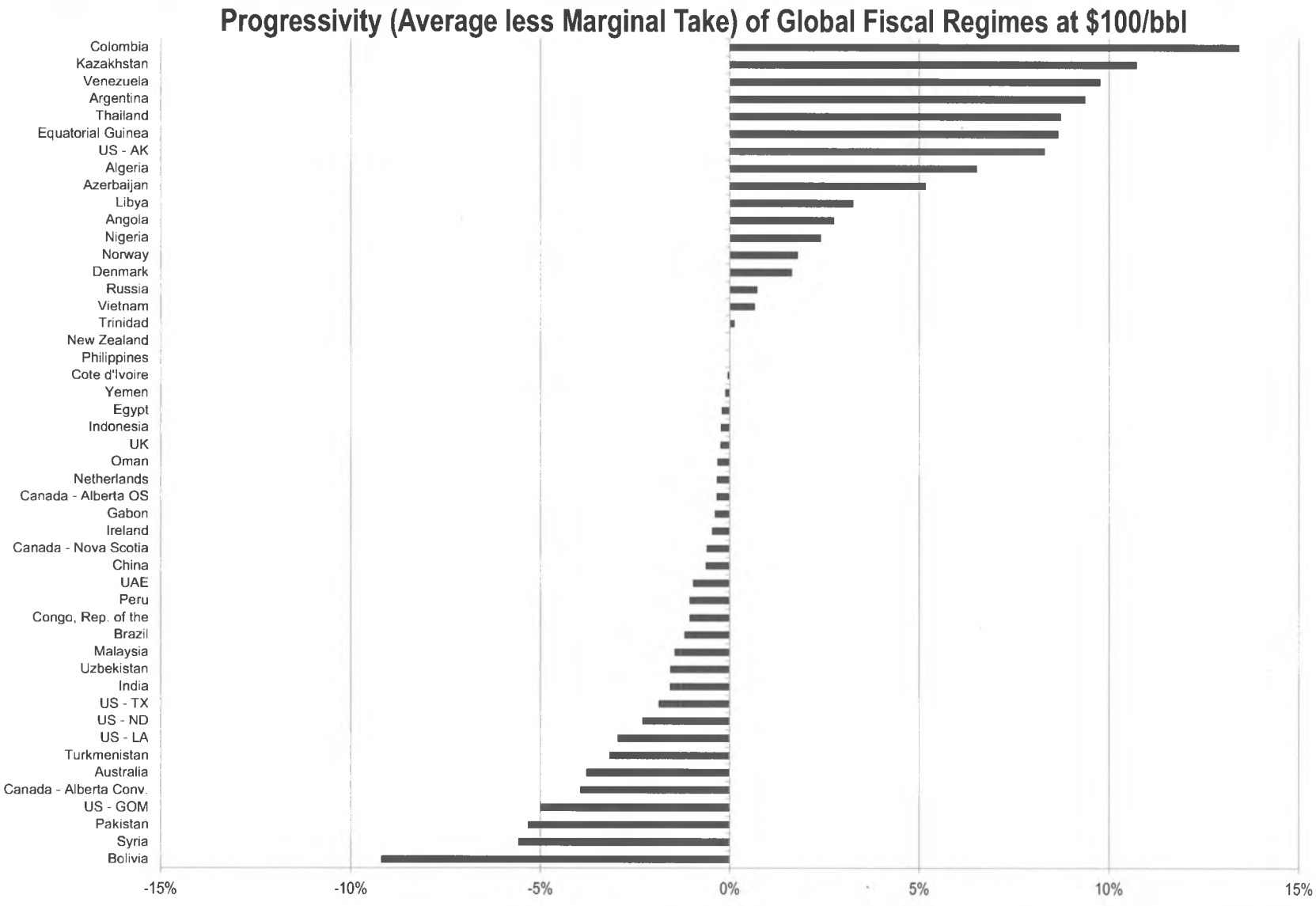
Benchmarking Progressivity for a Range of Global Regimes



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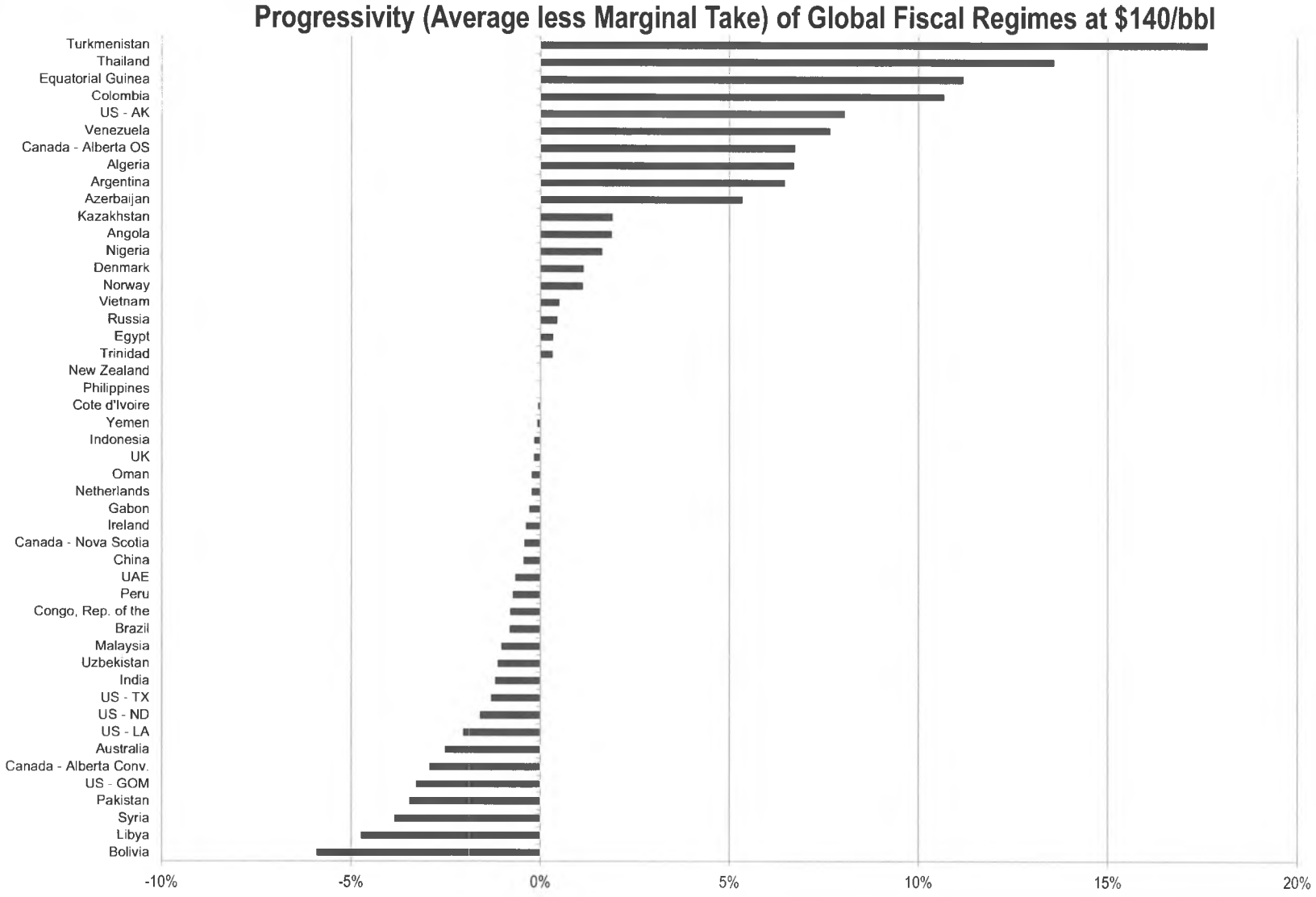
Benchmarking Progressivity for a Range of Global Regimes



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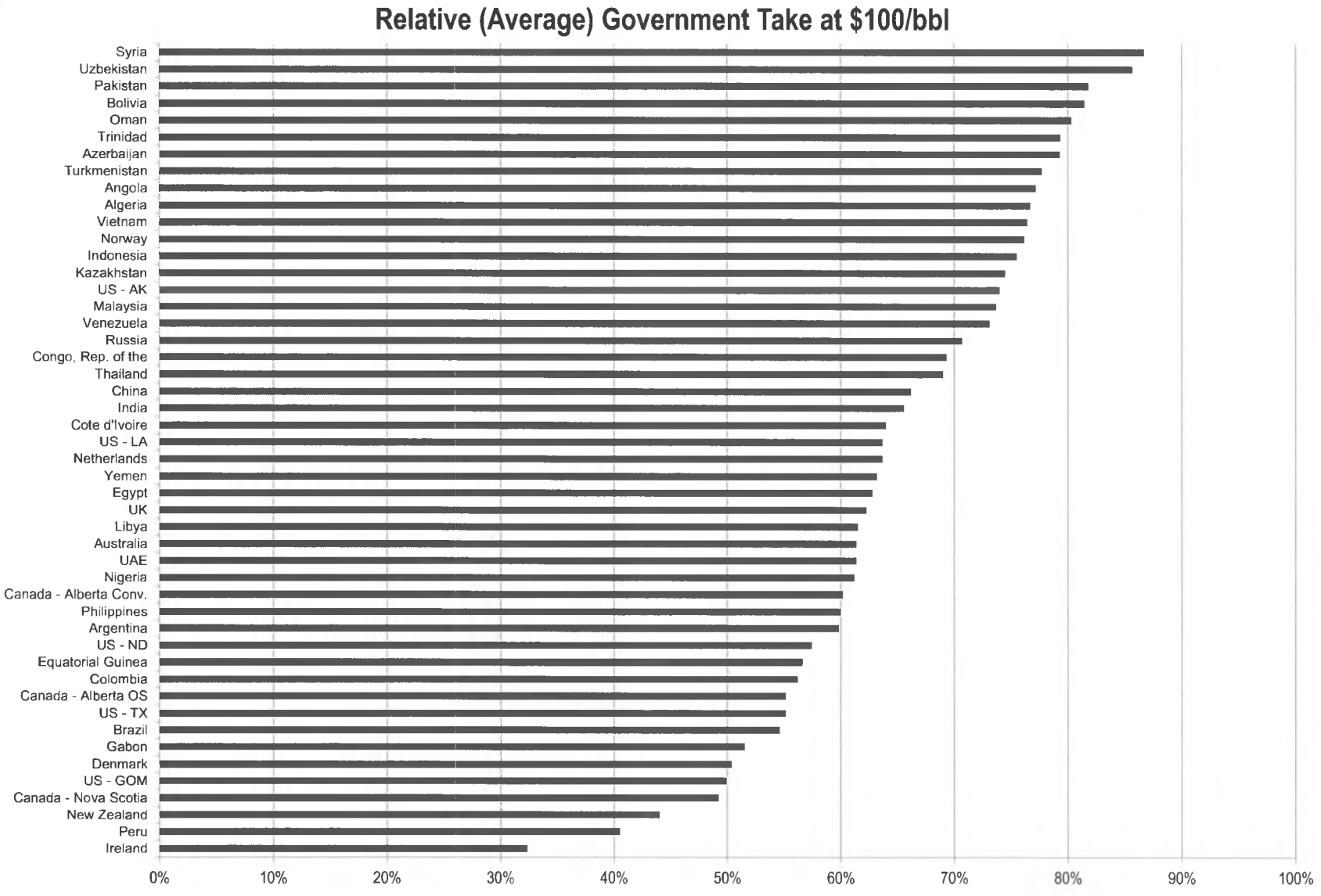
Regime Competitiveness: Relative Government Take



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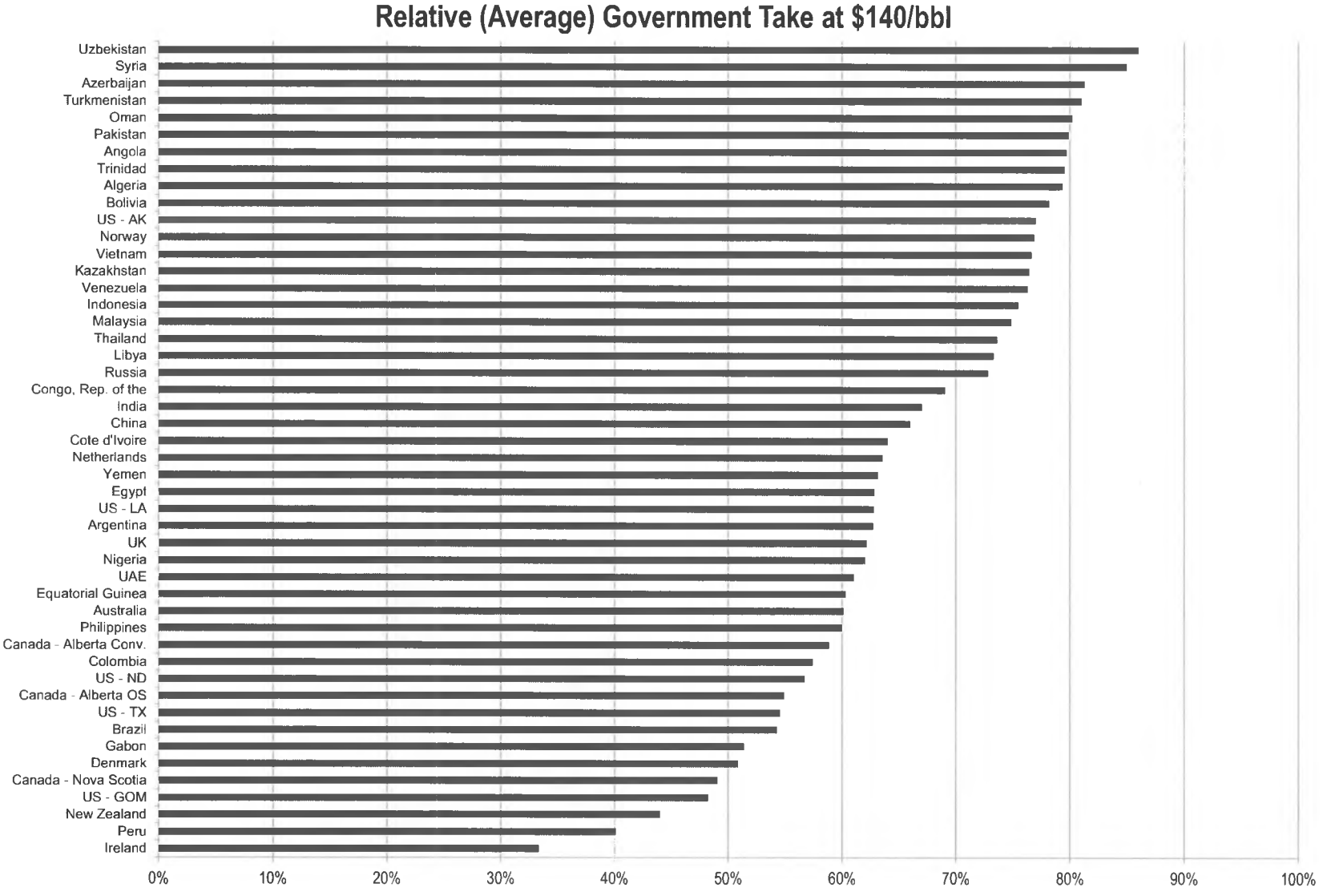
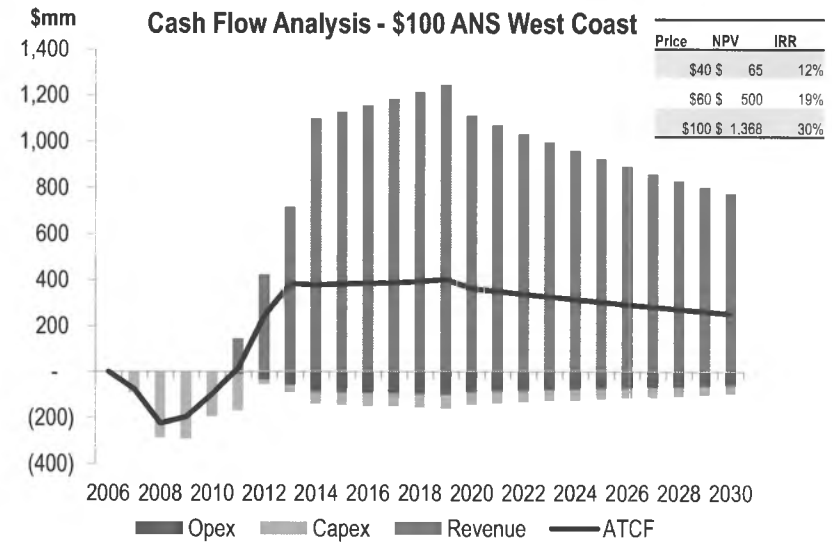
Regime Competitiveness: Relative Government Take



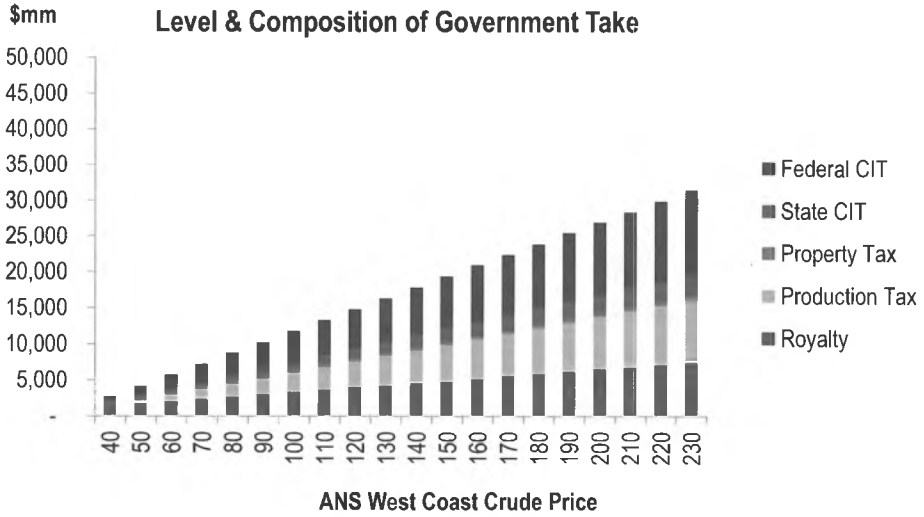
PFC Energy

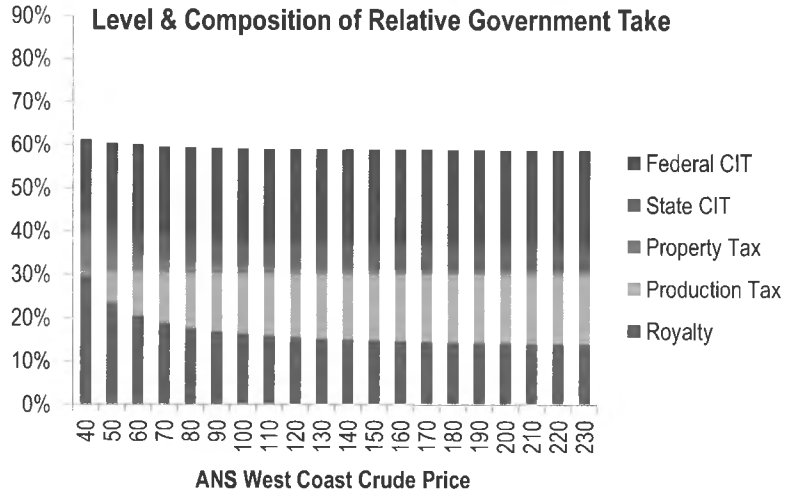
PPT As Originally Proposed



Price	NPV	IRR
$40	$ 65	12%
$60	$ 500	19%
$100	$ 1,368	30%

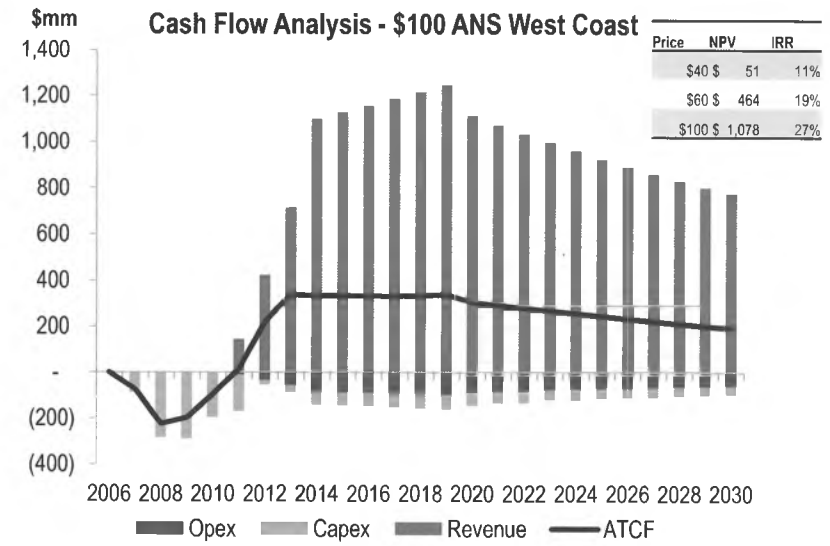
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	30%	1%	9%	5%	44%	17%	61%
50	23%	7%	5%	5%	41%	19%	60%
60	20%	10%	4%	5%	40%	20%	60%
70	19%	12%	3%	5%	39%	21%	59%
80	18%	13%	3%	5%	38%	21%	59%
90	17%	13%	2%	6%	38%	21%	59%
100	16%	14%	2%	6%	38%	21%	59%
110	16%	14%	2%	6%	37%	21%	59%
120	16%	15%	1%	6%	37%	22%	59%
130	15%	15%	1%	6%	37%	22%	59%
140	15%	15%	1%	6%	37%	22%	59%
150	15%	15%	1%	6%	37%	22%	59%
160	15%	15%	1%	6%	37%	22%	59%
170	14%	16%	1%	6%	37%	22%	59%
180	14%	16%	1%	6%	37%	22%	59%
190	14%	16%	1%	6%	37%	22%	59%
200	14%	16%	1%	6%	37%	22%	59%
210	14%	16%	1%	6%	37%	22%	59%
220	14%	16%	1%	6%	37%	22%	59%
230	14%	16%	1%	6%	37%	22%	59%





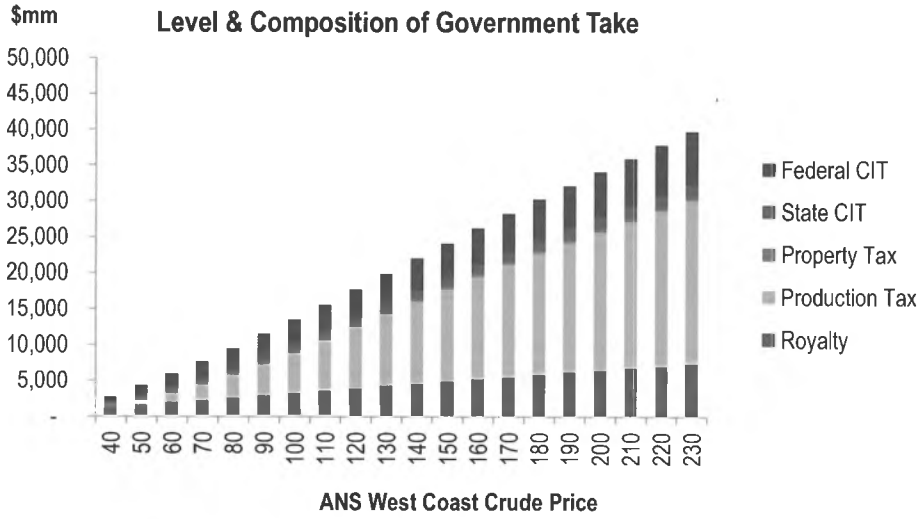
PFC Energy

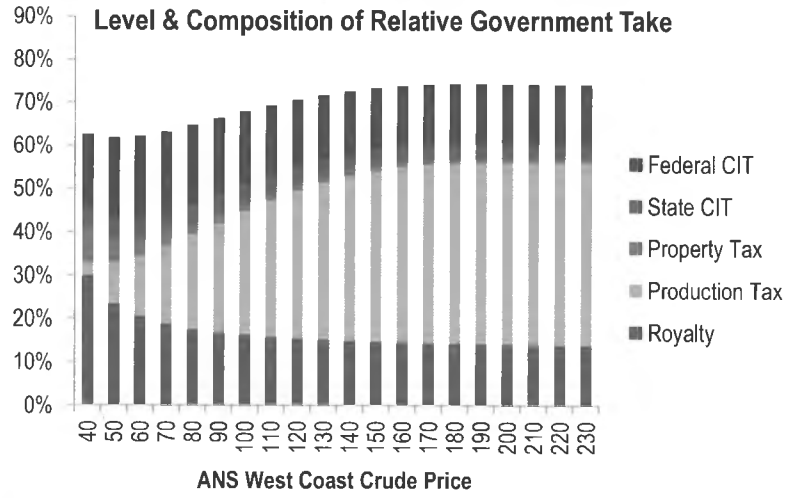
PPT As Enacted



Price	NPV	IRR
$40	$ 51	11%
$60	$ 464	19%
$100	$ 1,078	27%

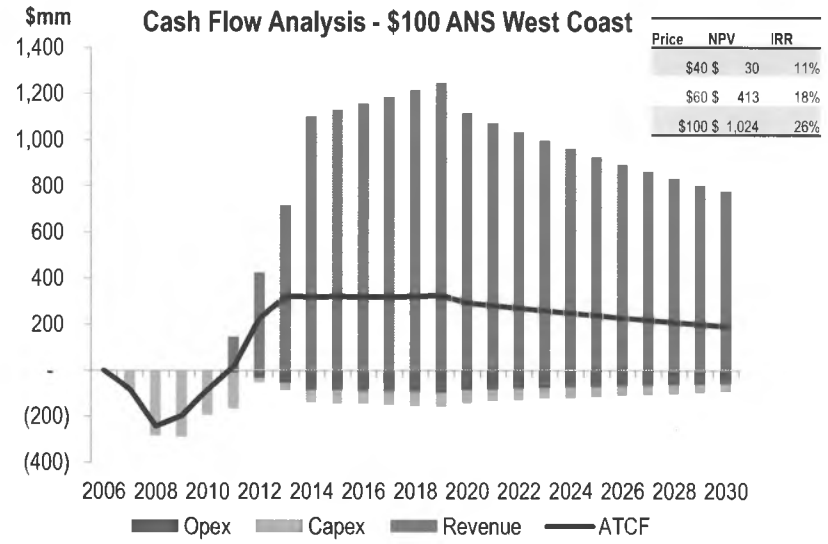
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	30%	3%	9%	4%	46%	17%	63%
50	23%	9%	5%	5%	43%	19%	62%
60	20%	14%	4%	5%	43%	19%	62%
70	19%	18%	3%	5%	45%	19%	63%
80	18%	22%	3%	5%	47%	18%	65%
90	17%	25%	2%	5%	49%	18%	66%
100	16%	28%	2%	4%	51%	17%	68%
110	16%	32%	2%	4%	53%	16%	69%
120	16%	34%	1%	4%	55%	15%	71%
130	15%	36%	1%	4%	57%	15%	72%
140	15%	38%	1%	4%	58%	15%	73%
150	15%	39%	1%	4%	59%	14%	73%
160	15%	40%	1%	4%	60%	14%	74%
170	14%	41%	1%	4%	60%	14%	74%
180	14%	42%	1%	4%	61%	14%	74%
190	14%	42%	1%	4%	61%	14%	74%
200	14%	42%	1%	4%	61%	14%	74%
210	14%	42%	1%	4%	61%	14%	74%
220	14%	42%	1%	4%	60%	14%	74%
230	14%	42%	1%	4%	60%	14%	74%



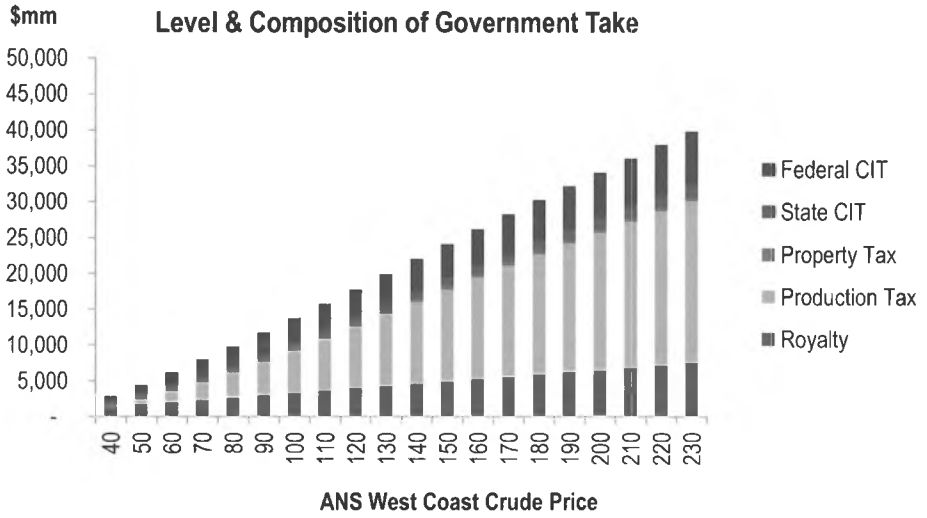


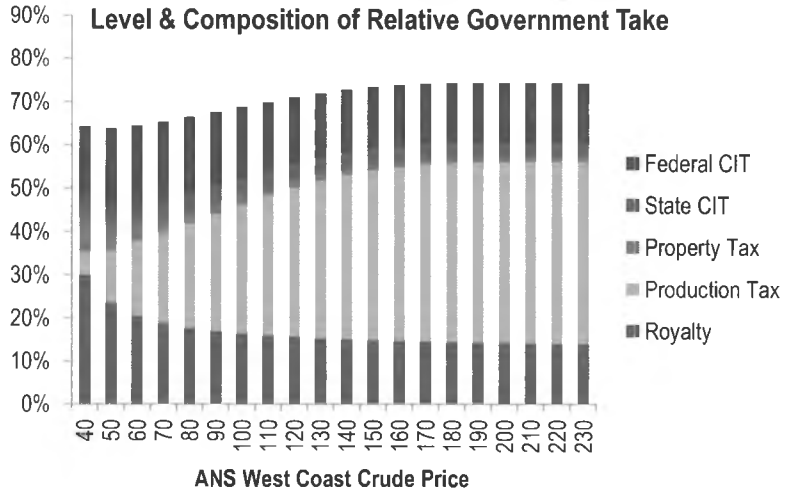
PFC Energy

ACES As Proposed



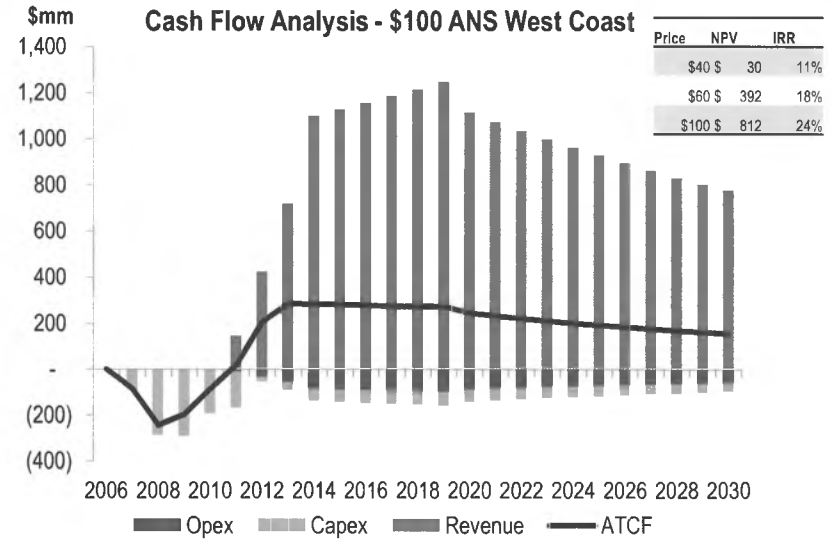
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	30%	5%	9%	4%	48%	16%	64%
50	23%	12%	5%	5%	46%	18%	64%
60	20%	17%	4%	5%	46%	18%	64%
70	19%	21%	3%	5%	47%	18%	65%
80	18%	24%	3%	5%	49%	17%	66%
90	17%	27%	2%	4%	51%	17%	68%
100	16%	30%	2%	4%	52%	16%	69%
110	16%	32%	2%	4%	54%	16%	70%
120	16%	35%	1%	4%	56%	15%	71%
130	15%	37%	1%	4%	57%	15%	72%
140	15%	38%	1%	4%	58%	15%	73%
150	15%	39%	1%	4%	59%	14%	73%
160	15%	40%	1%	4%	60%	14%	74%
170	14%	41%	1%	4%	60%	14%	74%
180	14%	42%	1%	4%	60%	14%	74%
190	14%	42%	1%	4%	61%	14%	74%
200	14%	42%	1%	4%	61%	14%	74%
210	14%	42%	1%	4%	61%	14%	74%
220	14%	42%	1%	4%	61%	14%	74%
230	14%	42%	1%	4%	60%	14%	74%





PFC Energy

ACES As Enacted



Price	NPV	IRR
$40	$ 30	11%
$60	$ 392	18%
$100	$ 812	24%

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	30%	5%	9%	4%	48%	16%	64%
50	23%	13%	5%	5%	47%	18%	64%
60	20%	20%	4%	5%	49%	17%	66%
70	19%	26%	3%	4%	52%	16%	68%
80	18%	31%	3%	4%	55%	15%	71%
90	17%	35%	2%	4%	58%	14%	73%
100	16%	39%	2%	4%	60%	14%	74%
110	16%	41%	2%	3%	62%	13%	75%
120	16%	43%	1%	3%	63%	13%	76%
130	15%	45%	1%	3%	64%	12%	77%
140	15%	46%	1%	3%	65%	12%	77%
150	15%	47%	1%	3%	66%	12%	78%
160	15%	49%	1%	3%	67%	11%	79%
170	14%	50%	1%	3%	68%	11%	79%
180	14%	51%	1%	3%	69%	11%	80%
190	14%	52%	1%	3%	70%	10%	80%
200	14%	53%	1%	3%	71%	10%	81%
210	14%	55%	1%	3%	72%	10%	82%
220	14%	56%	1%	2%	73%	9%	82%
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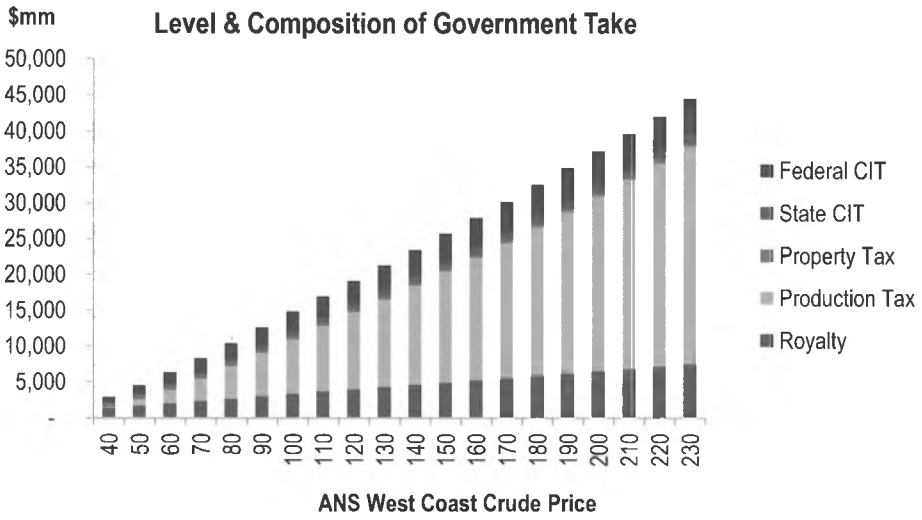
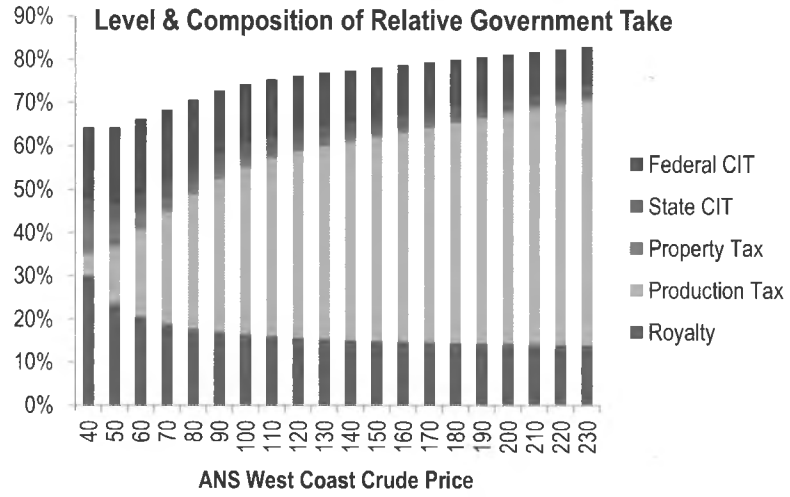
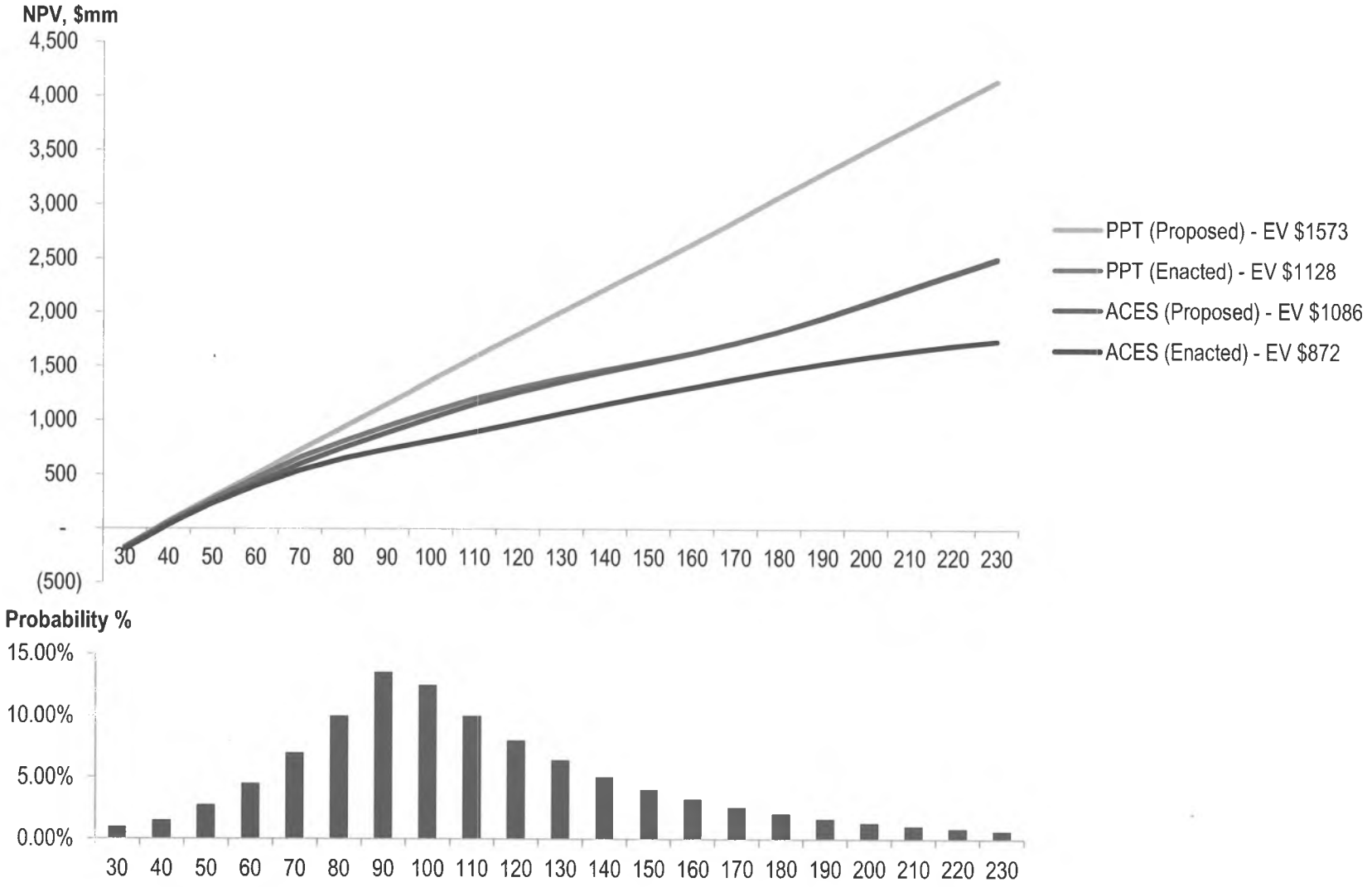




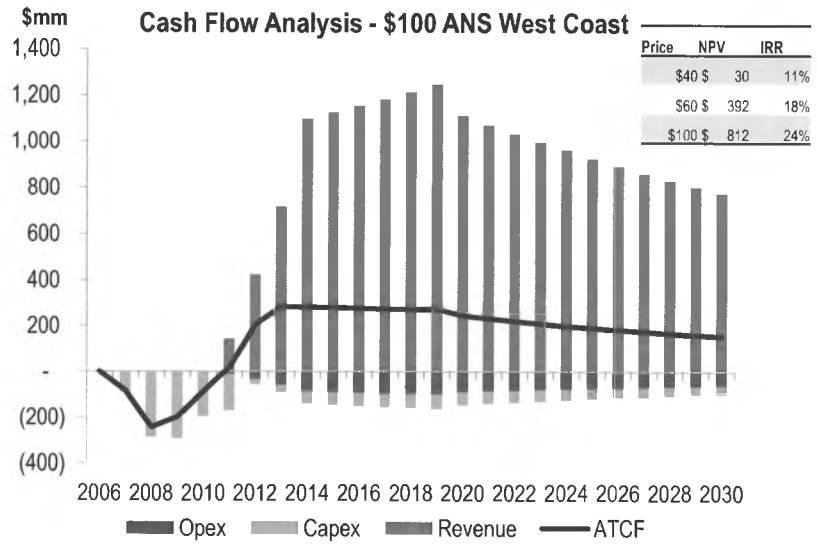
PFC Energy

Limitations on Price Upside: A Probabilistic Approach

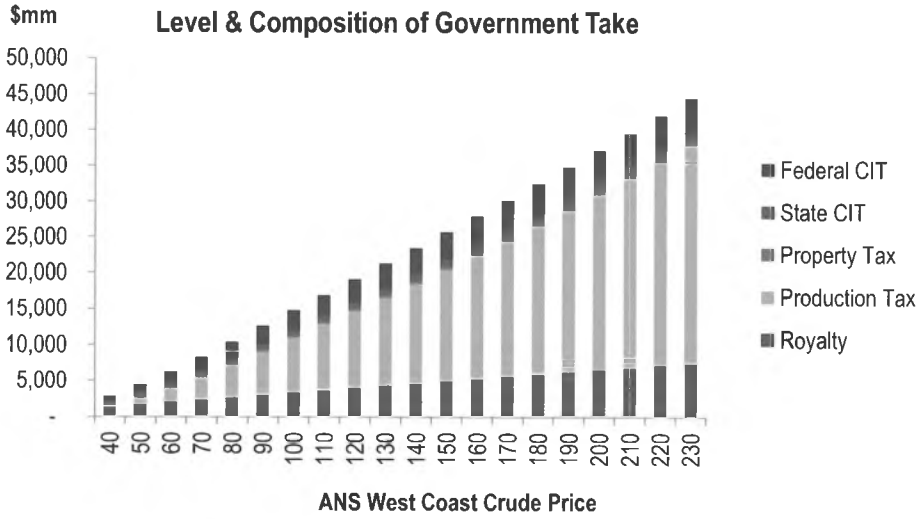


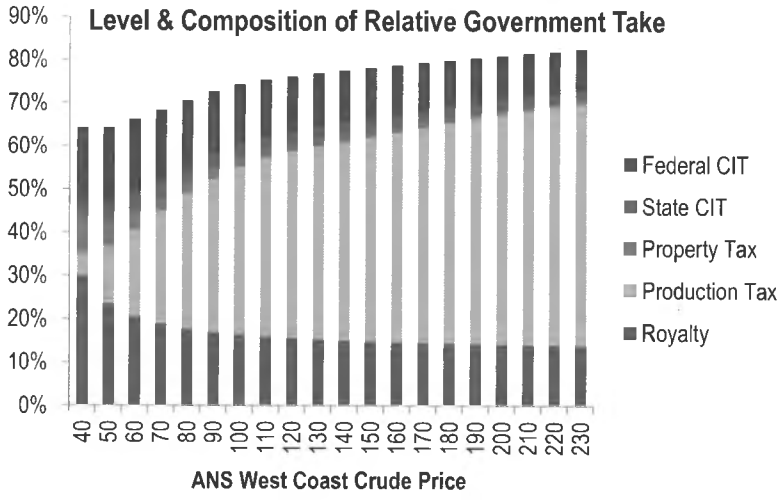
PFC Energy

ACES – Capped at Maximum of 70%



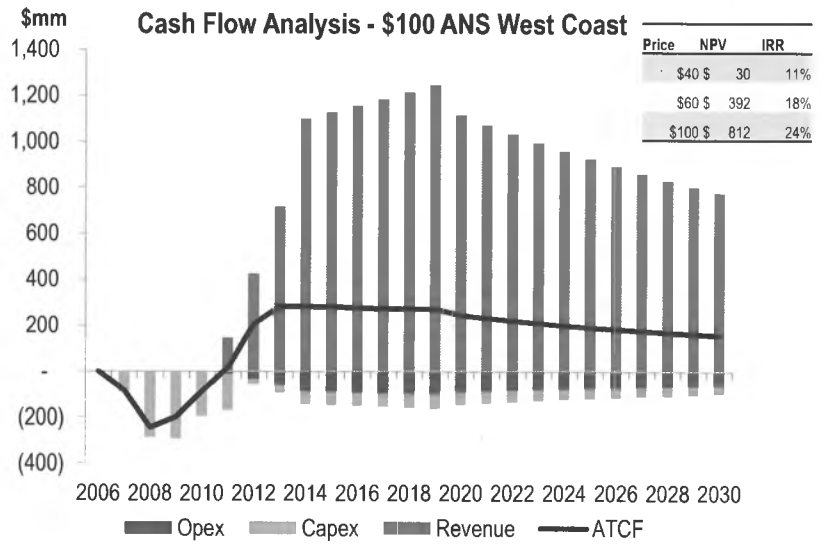
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	30%	5%	9%	4%	48%	16%	64%
50	23%	13%	5%	5%	47%	18%	64%
60	20%	20%	4%	5%	49%	17%	66%
70	19%	26%	3%	4%	52%	16%	68%
80	18%	31%	3%	4%	55%	15%	71%
90	17%	35%	2%	4%	58%	14%	73%
100	16%	39%	2%	4%	60%	14%	74%
110	16%	41%	2%	3%	62%	13%	75%
120	16%	43%	1%	3%	63%	13%	76%
130	15%	45%	1%	3%	64%	12%	77%
140	15%	46%	1%	3%	65%	12%	77%
150	15%	47%	1%	3%	66%	12%	78%
160	15%	49%	1%	3%	67%	11%	79%
170	14%	50%	1%	3%	68%	11%	79%
180	14%	51%	1%	3%	69%	11%	80%
190	14%	52%	1%	3%	70%	10%	80%
200	14%	53%	1%	3%	71%	10%	81%
210	14%	54%	1%	3%	72%	10%	81%
220	14%	55%	1%	3%	72%	10%	82%
230	14%	56%	1%	2%	73%	9%	82%





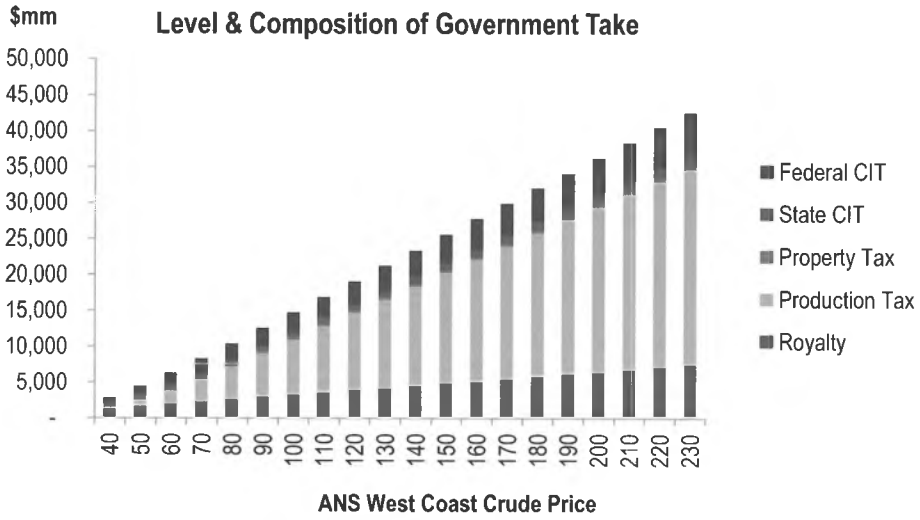
PFC Energy

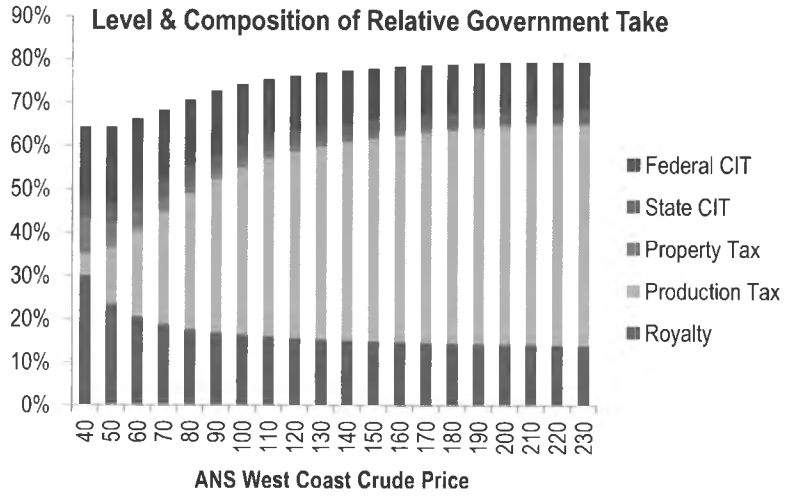
ACES – Capped at Maximum of 60%



Price	NPV	IRR
$40	$ 30	11%
$60	$ 392	18%
$100	$ 812	24%

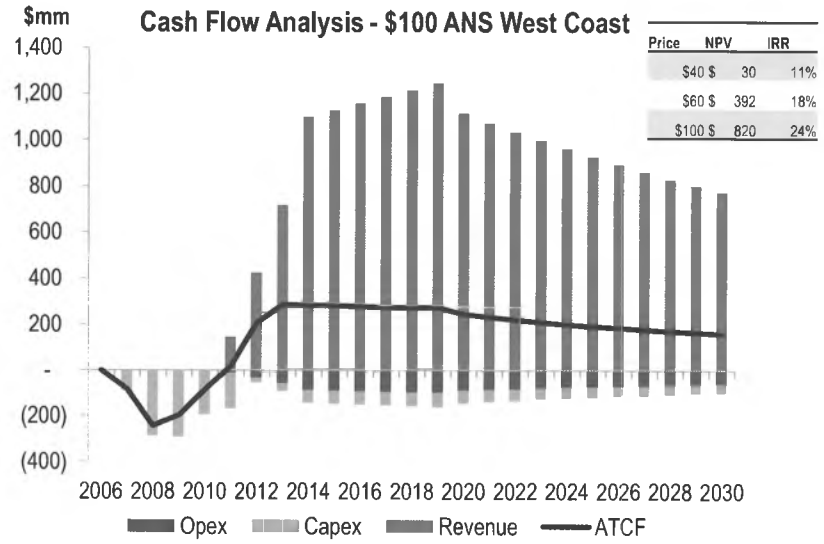
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	30%	5%	9%	4%	48%	16%	64%
50	23%	13%	5%	5%	47%	18%	64%
60	20%	20%	4%	5%	49%	17%	66%
70	19%	26%	3%	4%	52%	16%	68%
80	18%	31%	3%	4%	55%	15%	71%
90	17%	35%	2%	4%	58%	14%	73%
100	16%	39%	2%	4%	60%	14%	74%
110	16%	41%	2%	3%	62%	13%	75%
120	16%	43%	1%	3%	63%	13%	76%
130	15%	45%	1%	3%	64%	12%	77%
140	15%	46%	1%	3%	65%	12%	77%
150	15%	47%	1%	3%	66%	12%	78%
160	15%	48%	1%	3%	67%	12%	78%
170	14%	49%	1%	3%	67%	12%	79%
180	14%	49%	1%	3%	67%	11%	79%
190	14%	50%	1%	3%	68%	11%	79%
200	14%	50%	1%	3%	68%	11%	79%
210	14%	51%	1%	3%	68%	11%	79%
220	14%	51%	1%	3%	68%	11%	79%
230	14%	51%	1%	3%	68%	11%	79%





PFC Energy

ACES – Capped at Maximum of 50%



Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	30%	5%	9%	4%	48%	16%	64%
50	23%	13%	5%	5%	47%	18%	64%
60	20%	20%	4%	5%	49%	17%	66%
70	19%	26%	3%	4%	52%	16%	68%
80	18%	31%	3%	4%	55%	15%	71%
90	17%	35%	2%	4%	58%	15%	72%
100	16%	38%	2%	4%	60%	14%	74%
110	16%	40%	2%	4%	61%	14%	74%
120	16%	41%	1%	4%	61%	13%	74%
130	15%	41%	1%	4%	61%	13%	75%
140	15%	41%	1%	4%	61%	14%	75%
150	15%	41%	1%	4%	61%	14%	75%
160	15%	42%	1%	4%	61%	14%	75%
170	14%	42%	1%	4%	61%	14%	74%
180	14%	42%	1%	4%	61%	14%	74%
190	14%	42%	1%	4%	61%	14%	74%
200	14%	42%	1%	4%	61%	14%	74%
210	14%	42%	1%	4%	61%	14%	74%
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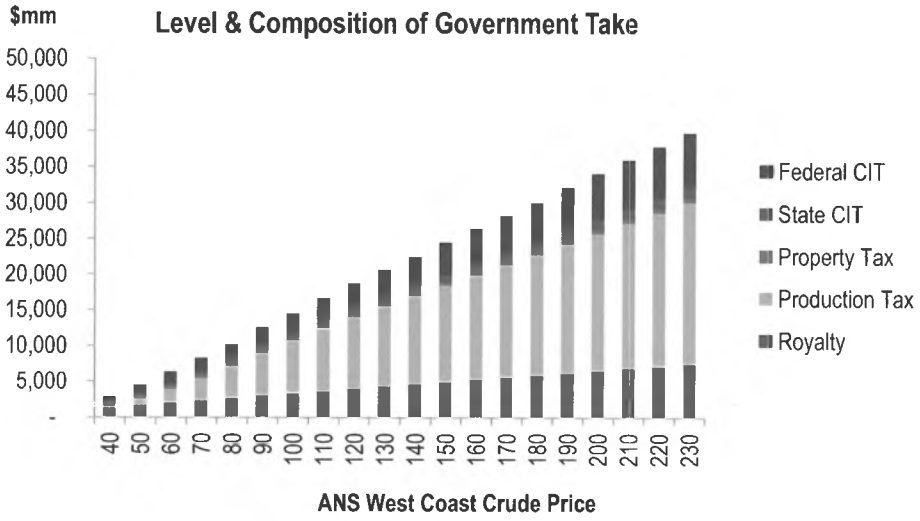
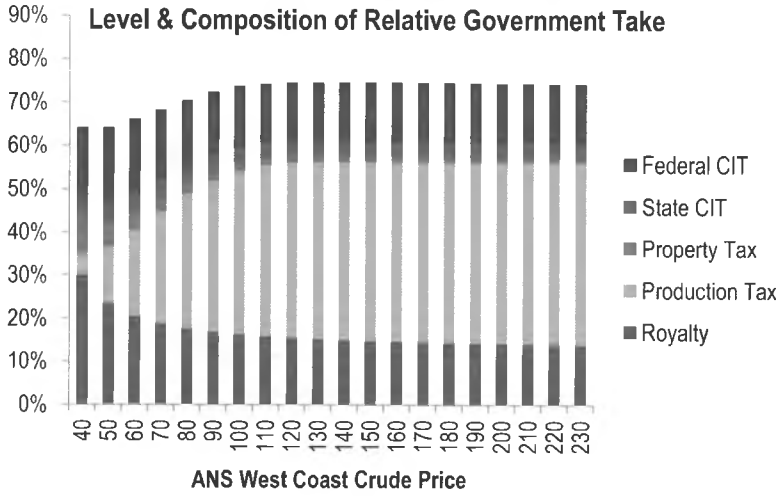
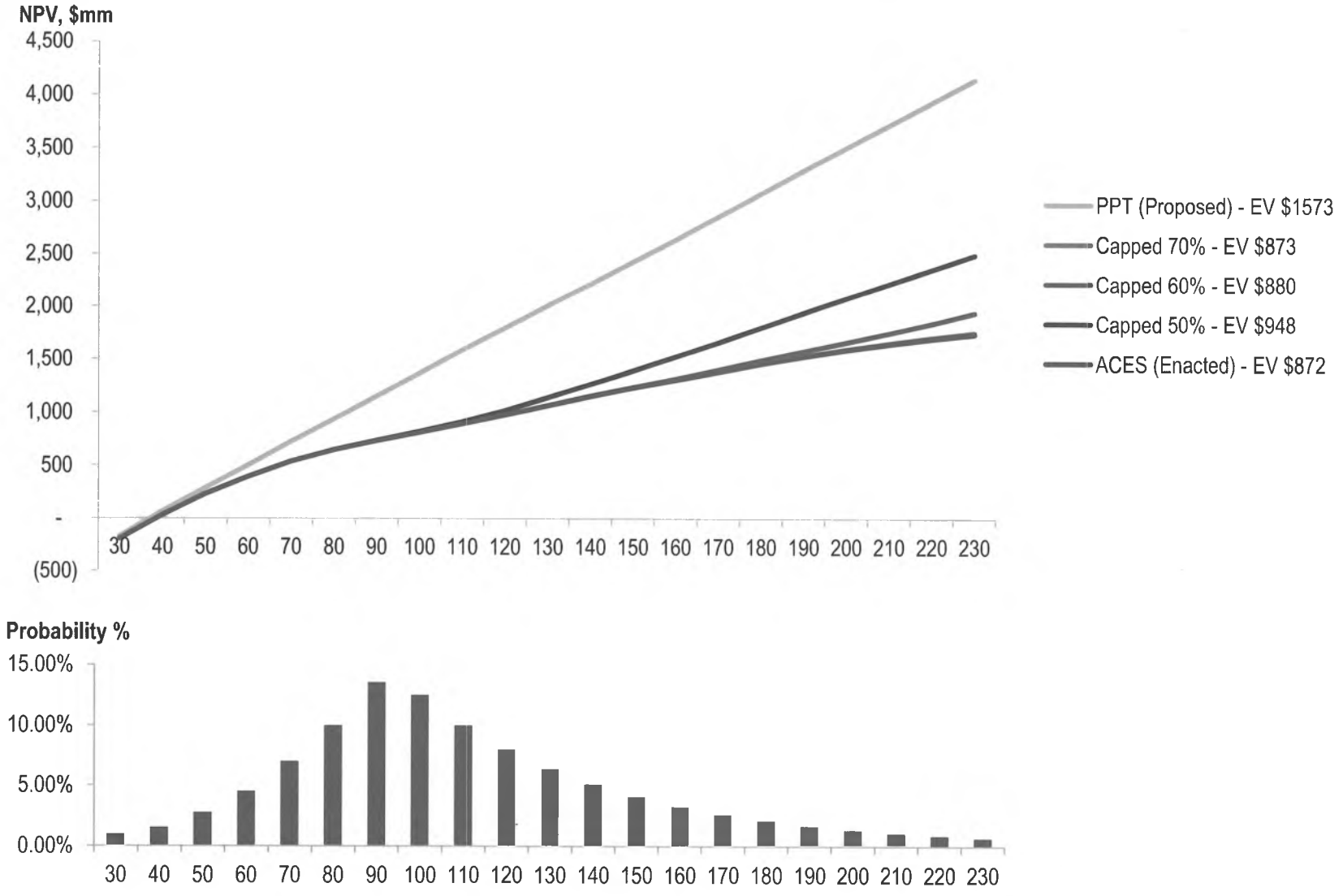




PFC Energy

Limitations on Price Upside: A Probabilistic Approach



PFC Energy

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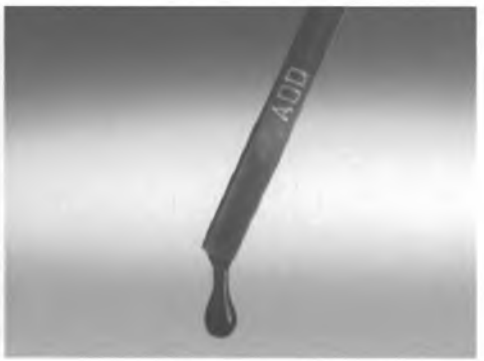

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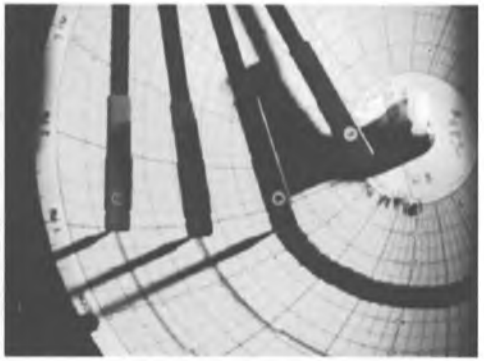

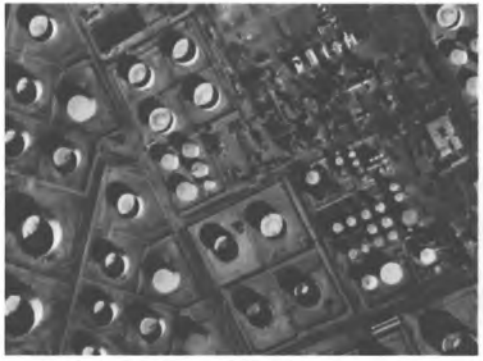

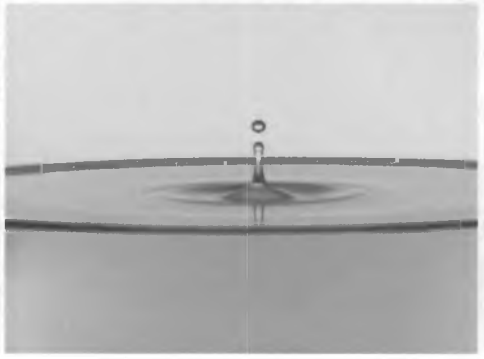

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Discussion Slides: Alaska Senate Resource Committee

February 17-18, 2012

Tony Reinsch
Senior Director, Upstream & Gas
PFC Energy

Janak Mayer
Manager, Upstream & Gas
PFC Energy

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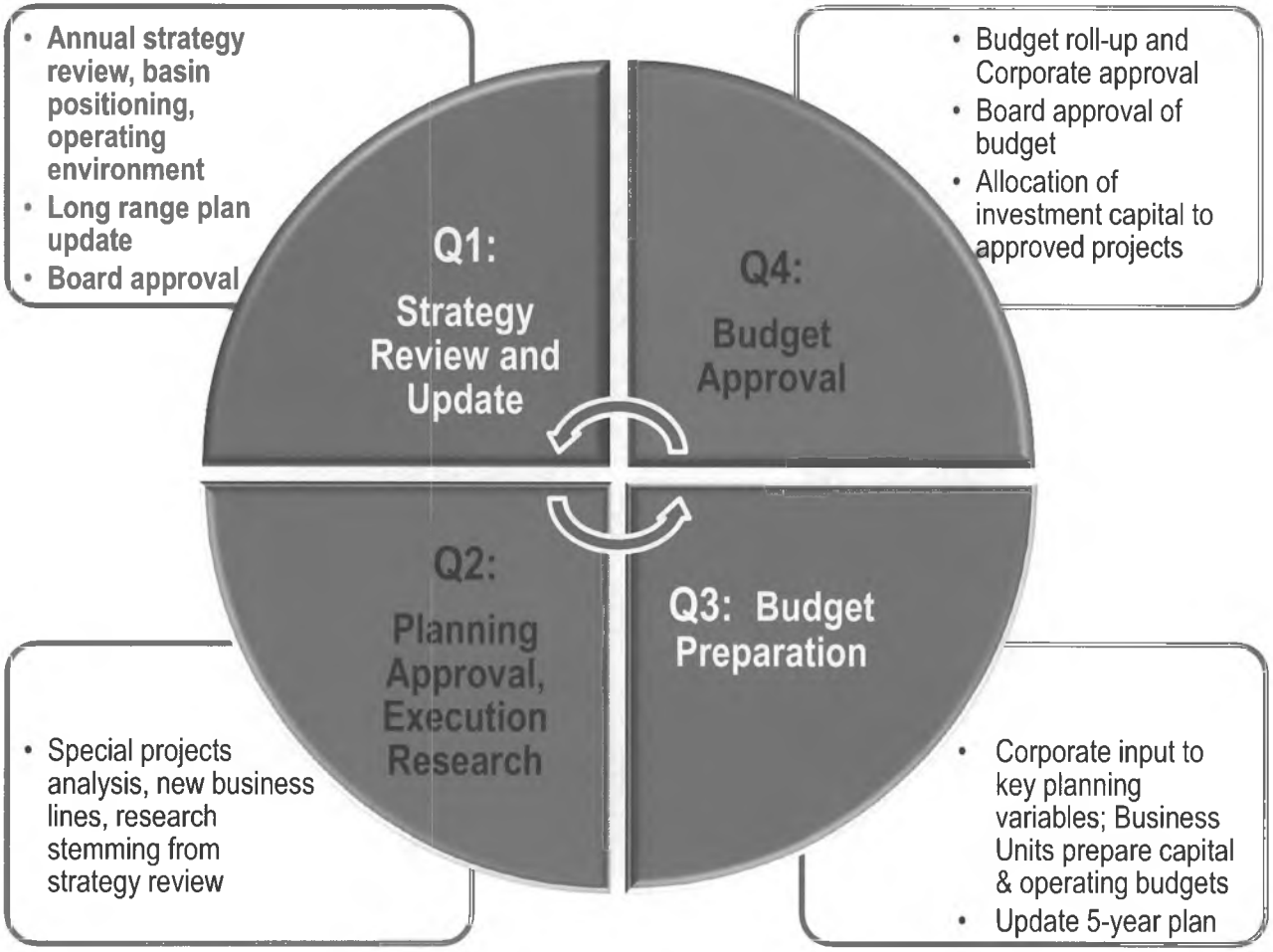
IOC Decision Making: Capital Allocation, Budget and Long-Range Planning

Points to Address: Discussion of Company Behaviors and Decision Making

- Key considerations for companies in making investment decisions, including decisions on whether to develop particular resources in the near term or postpone development
- Key metrics including ROCE, NPV, IRR, consideration of asset metrics versus portfolio metrics, and differences between integrated vs non-integrated companies

Annual Planning Cycle

Oil and gas companies follow a standardized process linking the annual Budget cycle to the Long Range Plan and corporate Strategy



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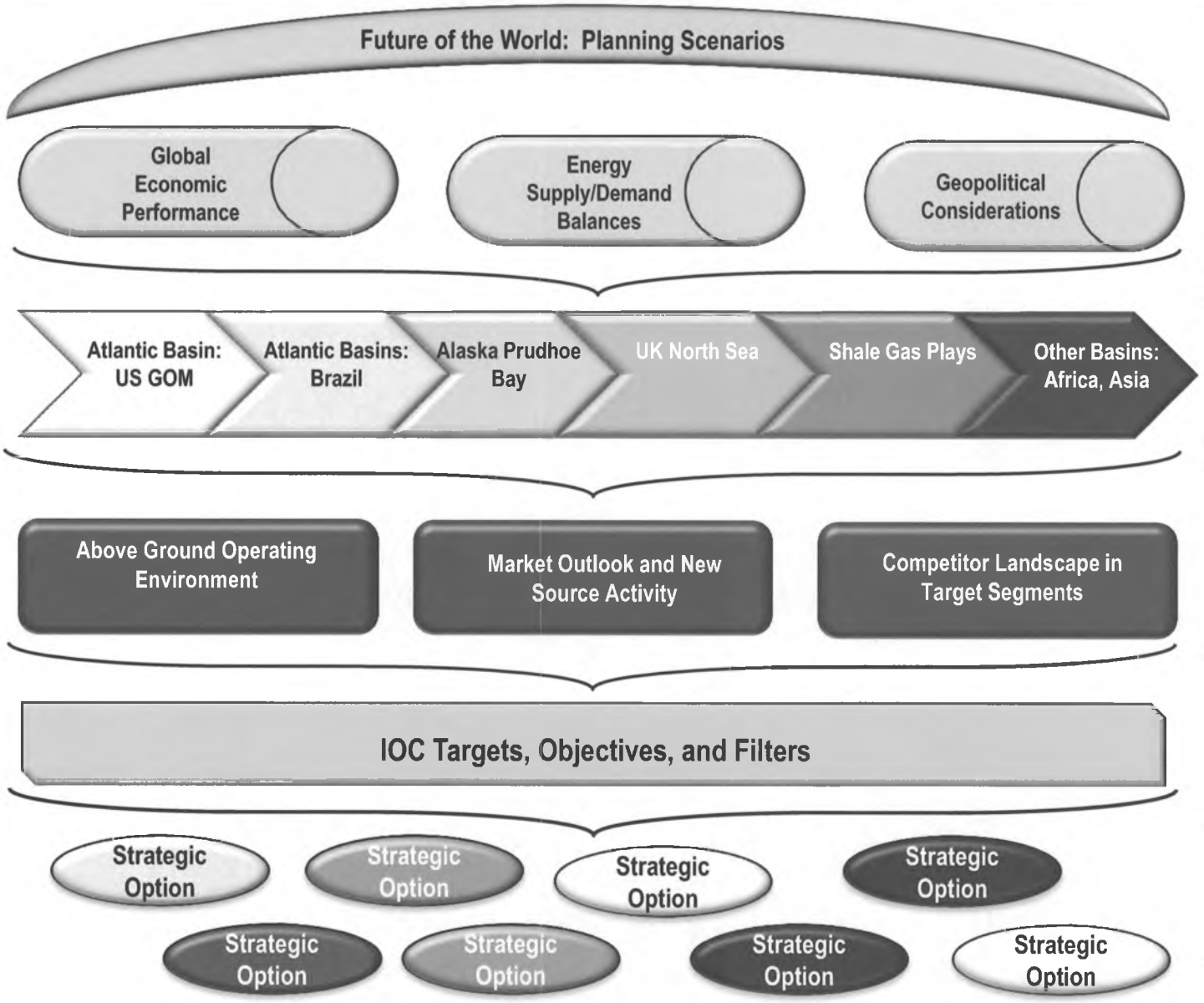
Strategy, Planning and Positioning



External Planning Environment: Identifying key uncertainties and forcing factors that will impact company Strategy and Long Run Planning

Preferred Operating Regions and Basins

Above ground risk, Potential "No Go" Geography

Blockers, Enablers, Gaps, Logjams; Determine materiality "Size of the Prize"

Identify Filters for Option Selection

Strategic Options: Robust across scenarios, Consistent with Objectives and Filters

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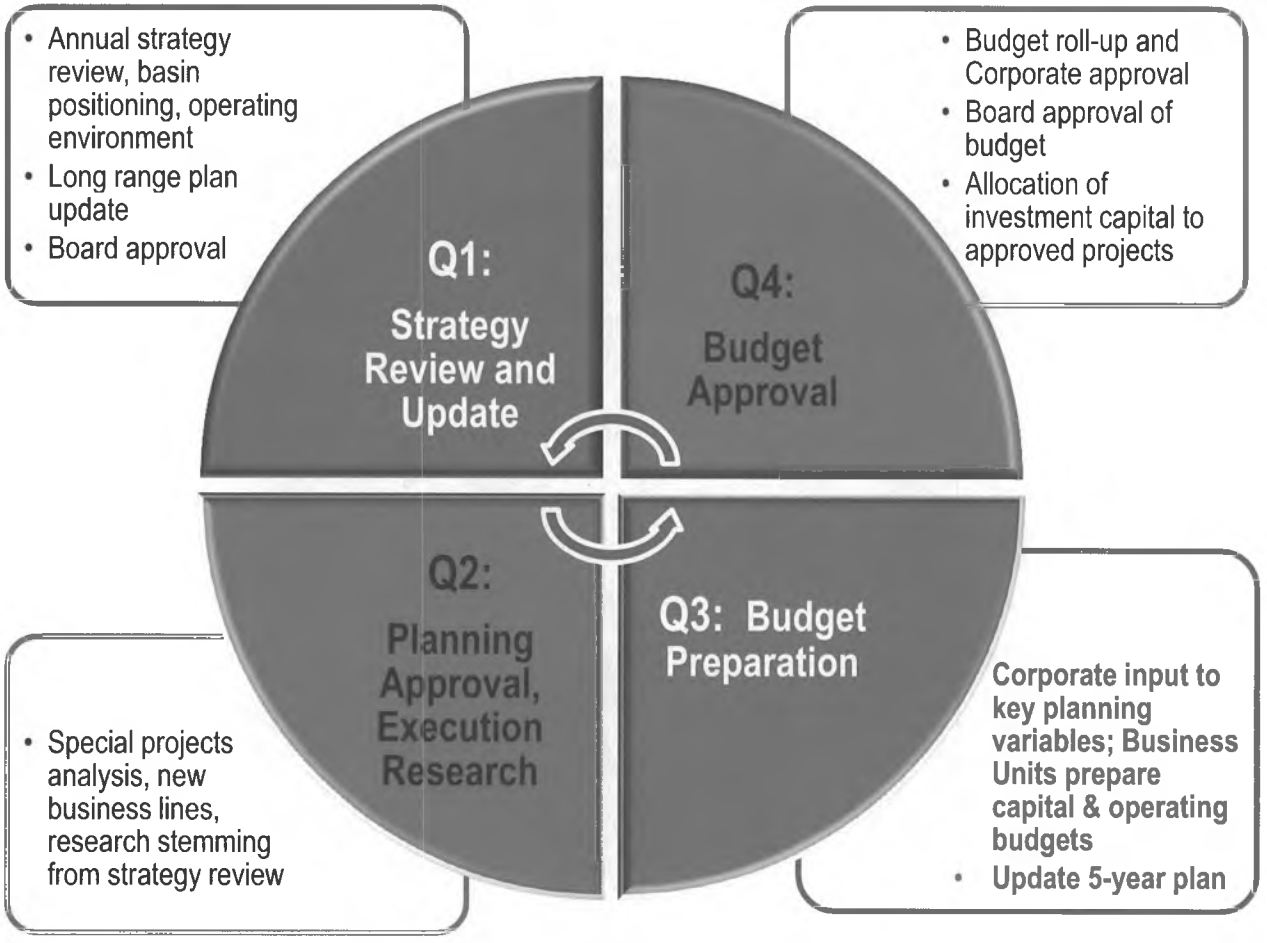
Annual Planning Cycle



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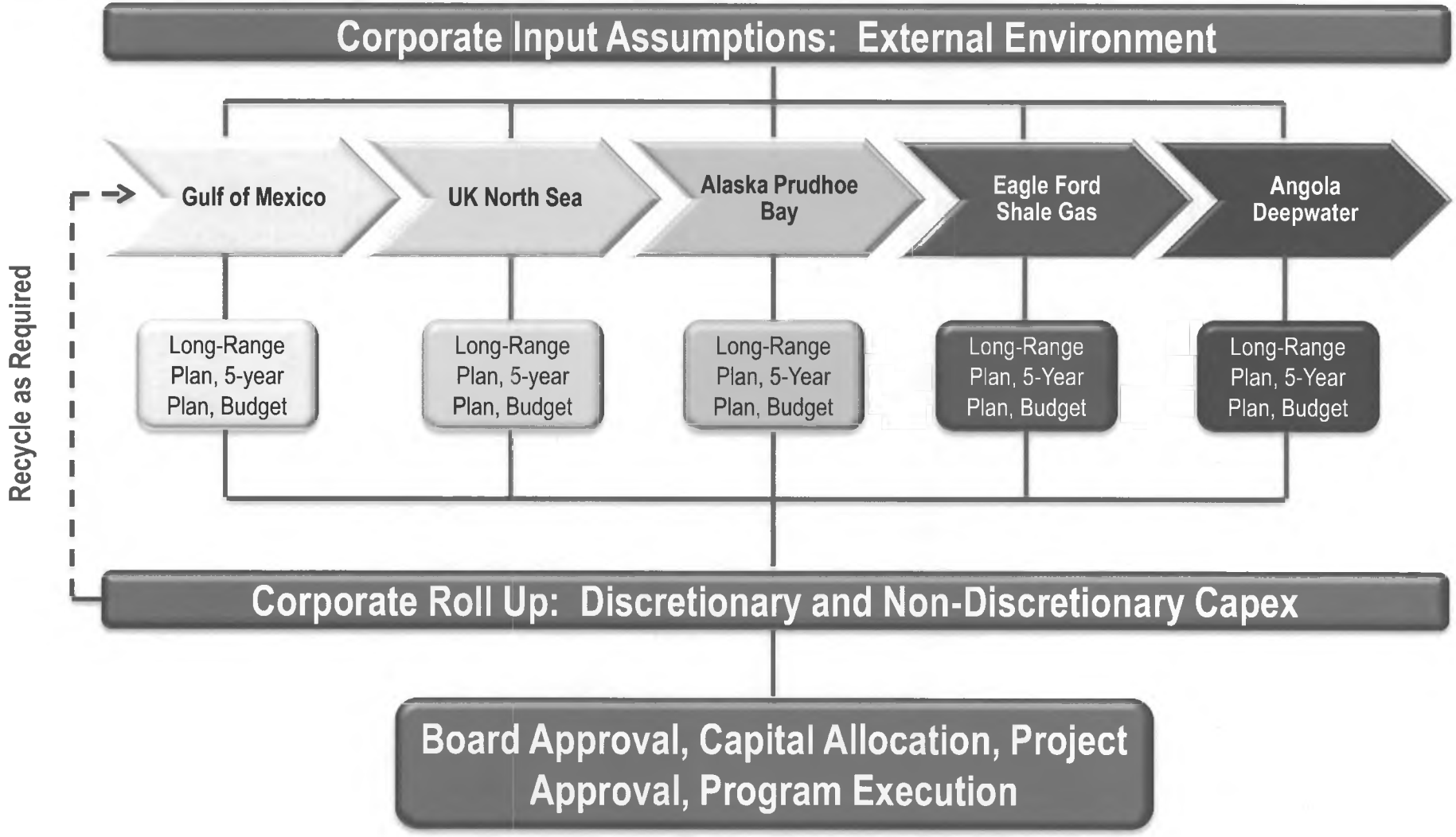
Planning Cycle and Capital Allocation



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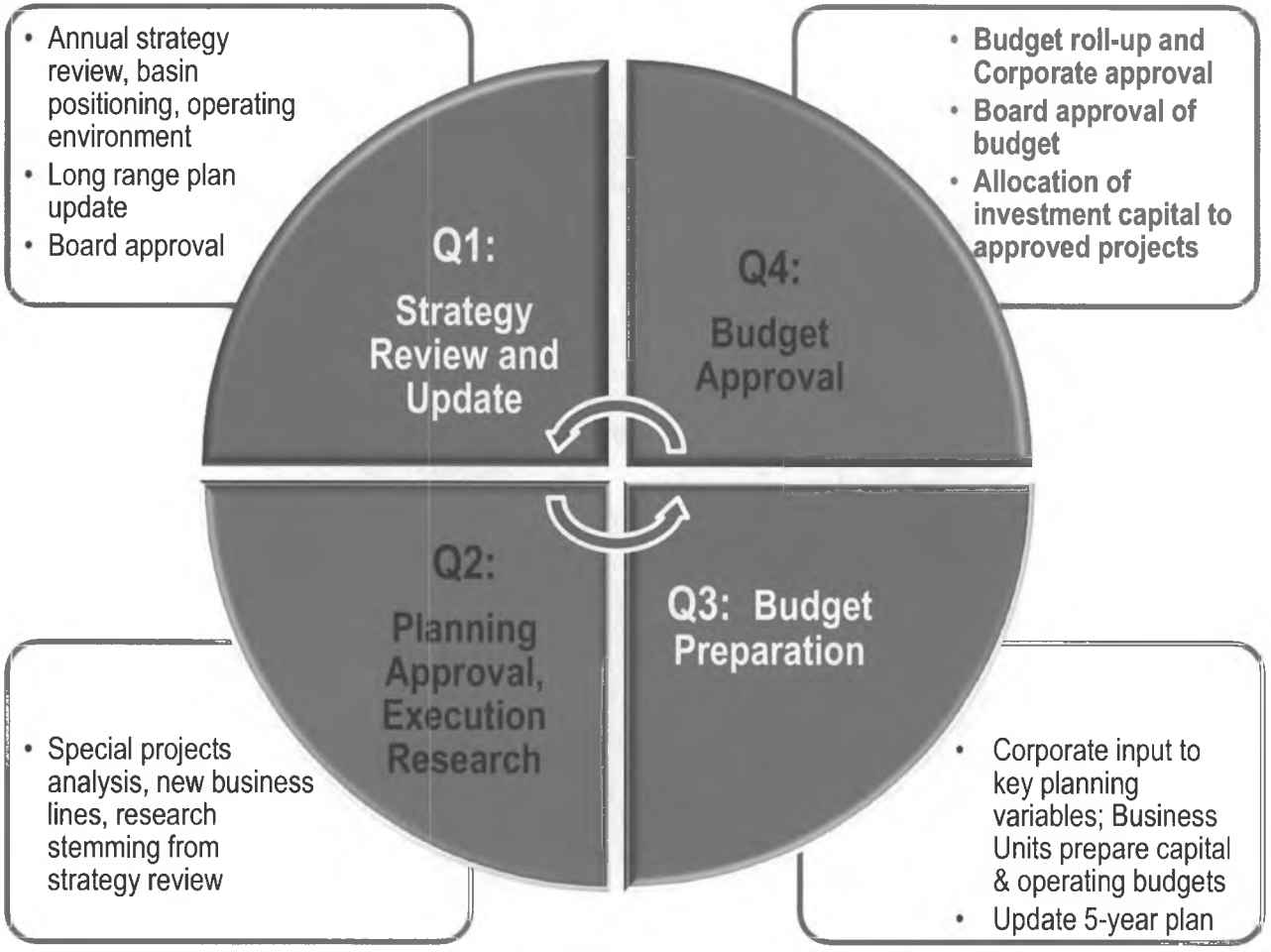
Annual Planning Cycle



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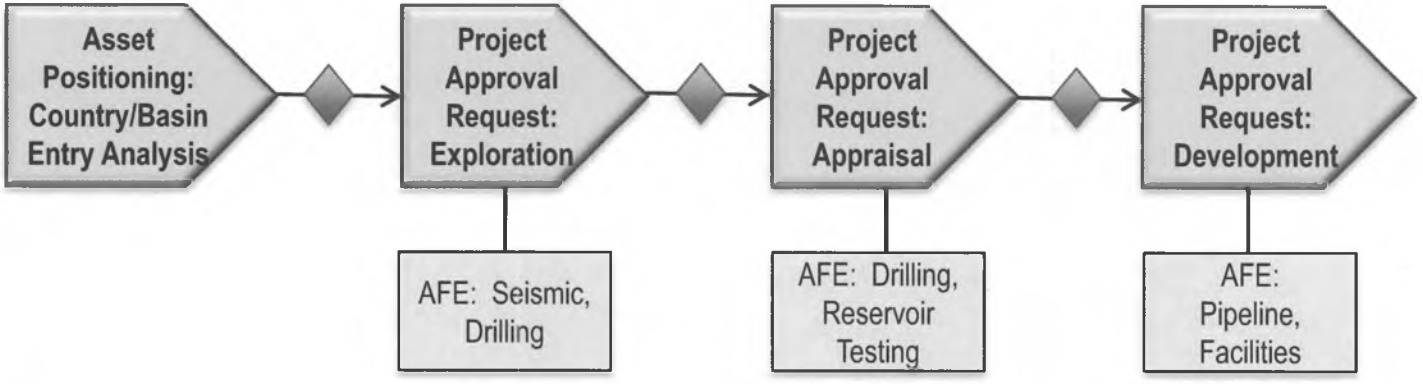
Attracting Capital: The Project Approval Process

- Materiality, total capex exposure, full-cycle economics/metrics, are all considerations in determining whether an IOC will position, or continue to invest, in a particular asset, basin, country.
- Each project is is disaggregated into "discrete investment decisions", in the form of Project Approval Requests (PARs), creating a natural *stage-gate* for capital approval and allocation.
  - A PAR can extend beyond a single fiscal year budget, depending on scope of the work program. Represents ***non-discretionary*** capex at the start of the budget year
  - Each PAR has one or a series of associated AFEs for a specific activity or capex element
  - Sum of AFEs for a calendar year = ***capital Budget***
- Each stage-gate creates an opportunity for the Company to continue, amend, suspend, or exit/divest

Asset Modelling and Decision Process: Materiality and Total Capex Exposure



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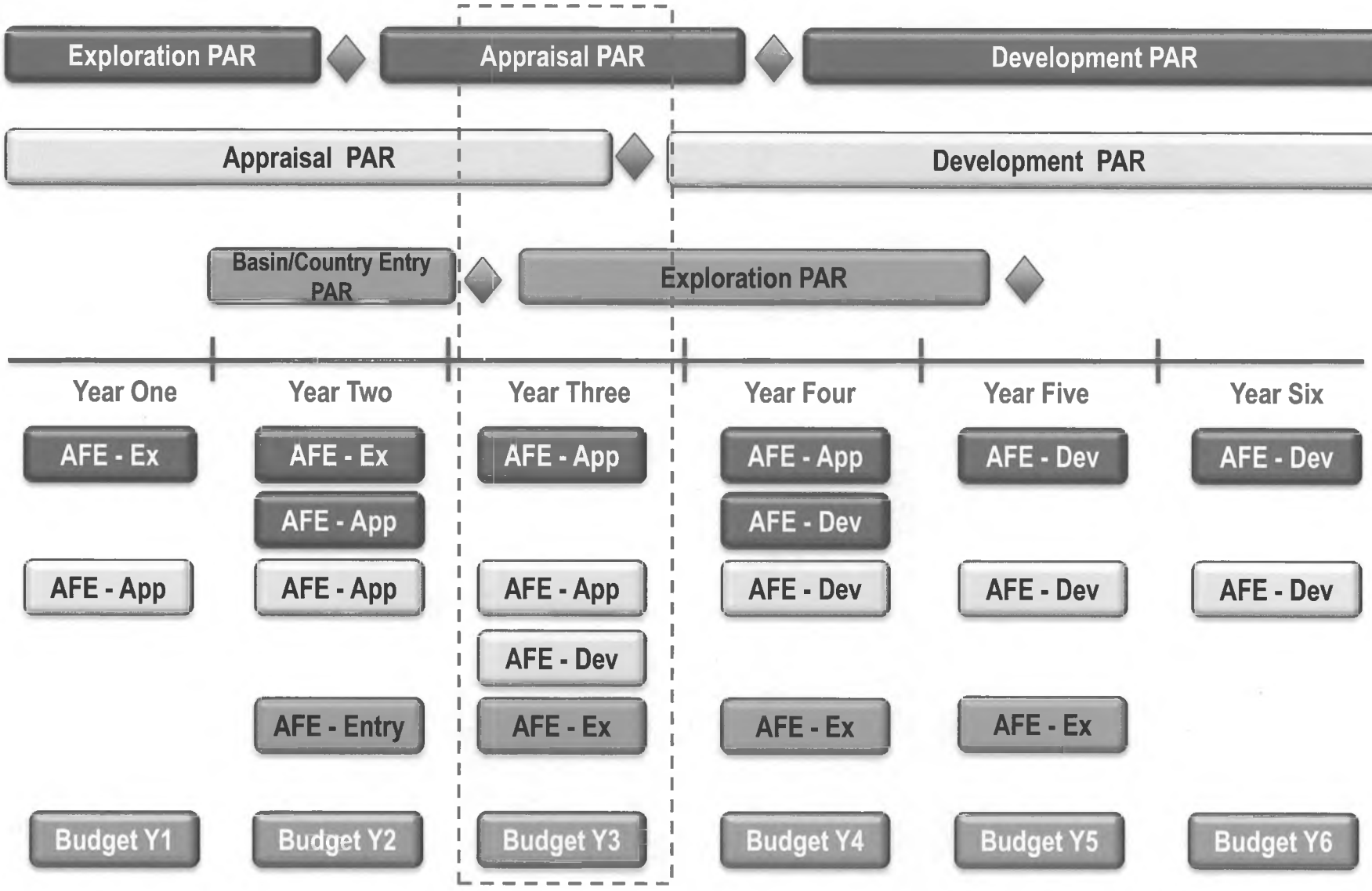
Business Control Architecture:
PAR => AFE => Budget



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Upstream Financial Metrics: Measuring Performance

- **Growth** .. Ability to manage the "top line."
  - CAGR in Production and Reserves relative to target
  - Quality of growth .. Where, how, consistent or not
  - Plowback Rate. .. To show relative growth intentions between different regions

- **Profitability** .. Ability to manage the "bottom line."
  - Upstream Cash flows
  - Upstream Net Income
  - Upstream Production Costs

  } Absolute and "per boe" basis

- **Efficiency** .. Ability to manage capital.
  - Upstream ROCE
  - Finding costs, F&D costs, Replacement Costs

- **Cash Flow** .. Ability to manage investment/re-investment in the portfolio.
  - Financial Strategy (debt targets, debt/capital ratio, dividend requirements)
  - Self-financing nature of portfolio (free cash flow versus capex: regional and global)

- **Risk** .. Ability to manage a diversified portfolio.
  - Financial Risk: Debt-to-Capital ratio, financial flexibility
  - New Source Risk: thinner margin barrels dominating new source volumes

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Project Selection and Decision Metrics

Energy companies employ a variety of Benchmarks or Metrics to rank investment opportunities and to allocate financial capital. Some of the more common include:

- Pay-out period; length of time required to recoup financial capital being placed at risk. Simplest selection metric, important to firms with scarce capital resources. No reference to project value after pay-out
- Internal Rate of Return; discount rate at which PV of costs = PV of revenues
- Net Present Value; PV of costs less PV of revenue flows (using discount rate reflecting cost of capital, cost of borrowing, or other);
  - NPV/boe; incorporates concept of investment efficiency
  - NPV/Investment; incorporates assessment of return to the investment dollar. Also referred to as **PVPI**
- Recycle Ratio: Netback or profit per boe divided by F&D cost per boe. A measure of project or corporate profitability
- Discounted and Undiscounted Net Cash Flow Profiles; measure of availability of free cash flow for follow on or alternative investments
- Maximum Negative Cash Flow Exposure; useful in situations where access to financial capital is an issue. What is the maximum exposure being undertaken by the firm
- Net Booked Reserves; contribution of the projects to corporate value (based on bookable reserves, amongst other measures)
- Capex/boe; cost per barrel of production capacity. Burdens the projects by the cost of infrastructure, facilities, etc. Tends to favor less complex, more mature capex alternatives

Project Metrics: Net Present Value

- **Net Present Value (NPV)**: The estimated value of a project when all future net cash flows are discounted to the present at an appropriate rate (the "discount factor"). If NPV > 0, then the project is expected to deliver a return greater than the cost of development, including a return on capital invested (accounted for in the discount rate).
- Advantages:
  - **Time value at corporate rate included**
  - **Can be calculated exactly**
  - **Can accommodate risk**
    - **NOTE: Above ground risk incorporated through discounting of costs and/or revenue flows, *NOT* through use of alternative discount rates**
  - **Useful for valuing properties**
  - **Discount rate reflects corporate preference for opportunity cost of investment capital (e.g., market interest rate, cost of equity capital, weighted average cost of capital (debt and equity))**
- Disadvantages:
  - **Difficult to rank projects. Significantly different capital and expenditure profiles can deliver the same NPV, due to the effect of discounting.**
    - **E.g., very large cash flows in a future time period can have the same "present value" as small cash flows in forward years. This may not, however, have the same impact and value for the company treasury**

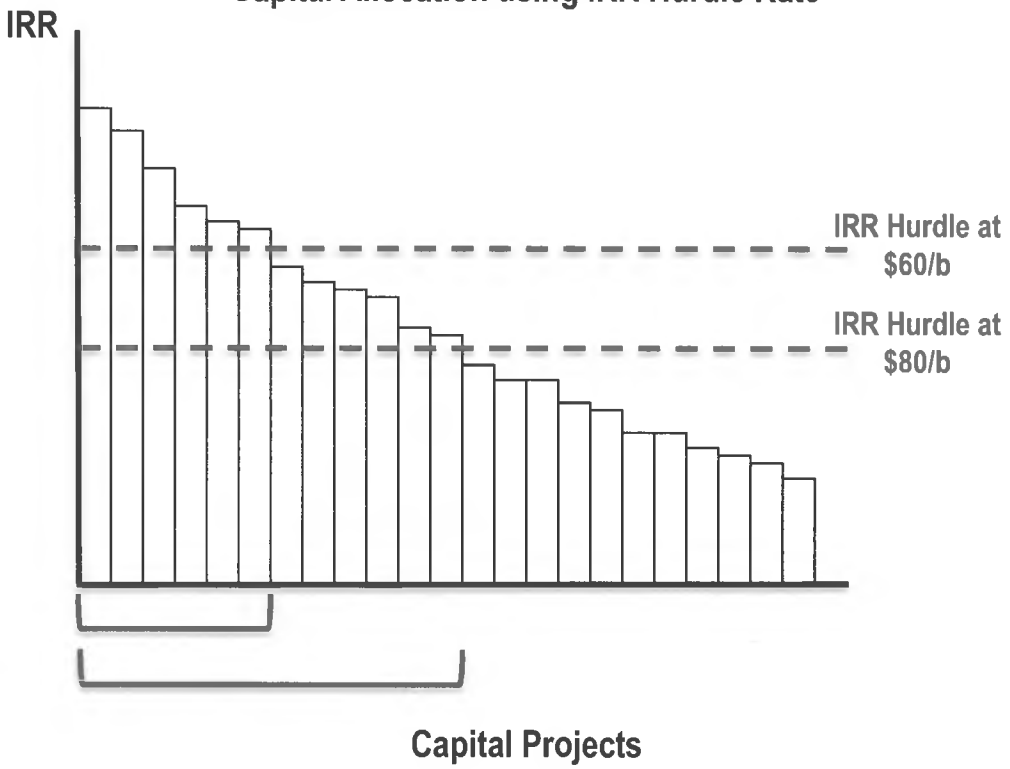
Project Decision Variables: Internal Rate of Return

- **Internal Rate of Return (IRR)**: The discount rate that equates all future cash inflows to outflows at a point in time (usually the present)
- Advantages:
  - **Easy to understand.**
  - **Incorporates time value**
  - **Can be compared to a required minimum (or hurdle rate)**
  - **Independent of magnitude of cash flows.**
- Disadvantages:
  - **Multiple rates of return are possible in cases of material cash flow volatility (e.g., large positive and negative swings over project life); uncomfortable for decision makers looking for unique decision criteria**
  - **Doesn't measure absolute worth of the project**
  - **Not useful for ranking discrete projects**
  - **Implicit assumption that interim cash flow is invested at calculated IRR (issue for high return projects) => overstates the true project value**

Capital Allocation: IRR Hurdle Rate

- Eligible projects ranked by IRR:
  - **Eligibility based on series of discrete project metrics within each PAR**
  - **Metrics change at each stage of the project cycle, as risks are addressed and estimates become more certain**
  - **Examples:**
    - **NPV10 > 0**
    - **PVPI > 1.3**
    - **Payback < 3 years**
- Corporate establishes a "hurdle" IRR number. Projects with IRR's in excess of the hurdle rate attract budget capital, while those below the hurdle rate are not funded

Capital Allocation using IRR Hurdle Rate



- Issues with IRR Hurdle Rate:
  - **Increase in free cash flow (due to, say, rise in energy prices) => increased capital budget => lower Hurdle rate in order to undertake additional projects => reduce overall portfolio quality and lower efficiency of capital employed. Evidenced in *cycles of value destruction* within the industry**
  - **Gaming the system: Project managers have an incentive to overstate the "size of the prize" or understate costs, in order to attract investment capital to proposed projects**
  - **IRR ranking does not speak to *materiality* => equivalent IRR's can have substantially different capex and revenue profiles**

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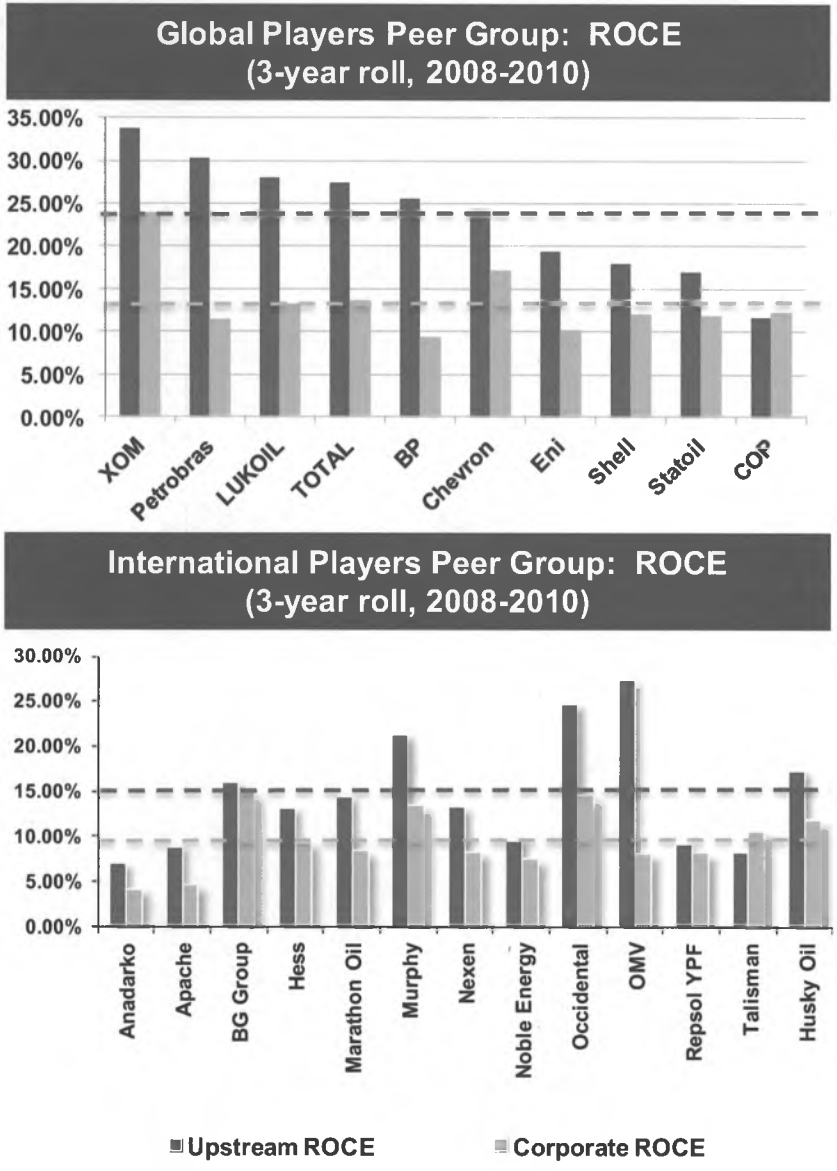
Portfolio Efficiency: Return on Capital Employed (ROCE)

- **Return on Capital Employed**:
  - ROCE = [(Net profit before interest and taxes) / (Gross Capital employed)] x 100
  - Where:
    - Gross capital employed = Fixed assets + Investments + Current assets OR
    - Gross capital employed = Share Capital + General & Capital Reserves + Long term loans
    - (+) Correlation with production, commodity prices
    - (-) Correlation with upstream spending
  - Indicates how well management has used the investment made by owners and creditors into the business. The higher the return on capital employed, the more efficient the firm is in using its funds. Time series analysis will reveal whether the profitability of the company is improving or eroding



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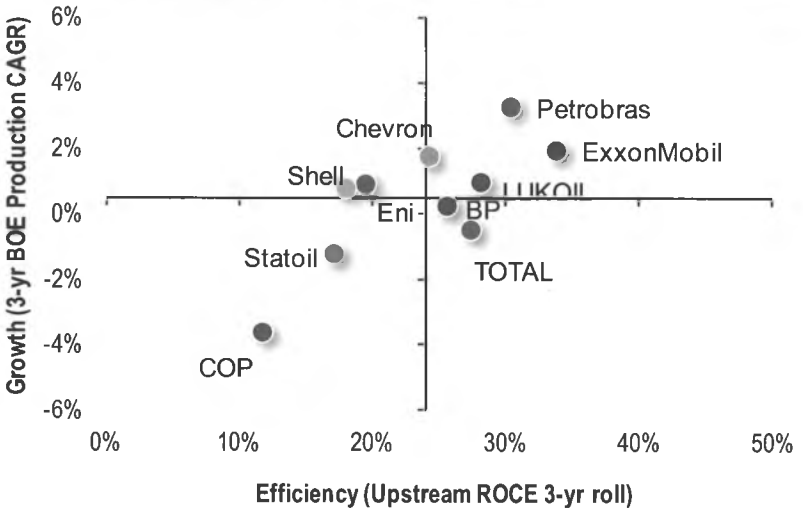
Portfolio Efficiency: Return on Capital Employed (ROCE)

- **Issues with ROCE:**
  - Major capital project investments increase the denominator in advance of revenue (profit) impacts in the numerator => *penalizes the IOC for major capital investment undertakings*
    - Explains in part why it is unusual to find companies with high ROCE and growth metrics
  - Once in place, the scale of major capital project investments tend to deliver superior ROCE performance => *bias toward large asset portfolios*
    - Exception is deepwater developments, where high, short plateaus and steep production declines can result in highly volatile ROCE outcomes
  - Depreciation creates bias in favor of mature portfolio: More mature the asset base, the lower the denominator and the higher the ROCE (all else being equal)

Global Players Peer Group: Growth v Efficiency



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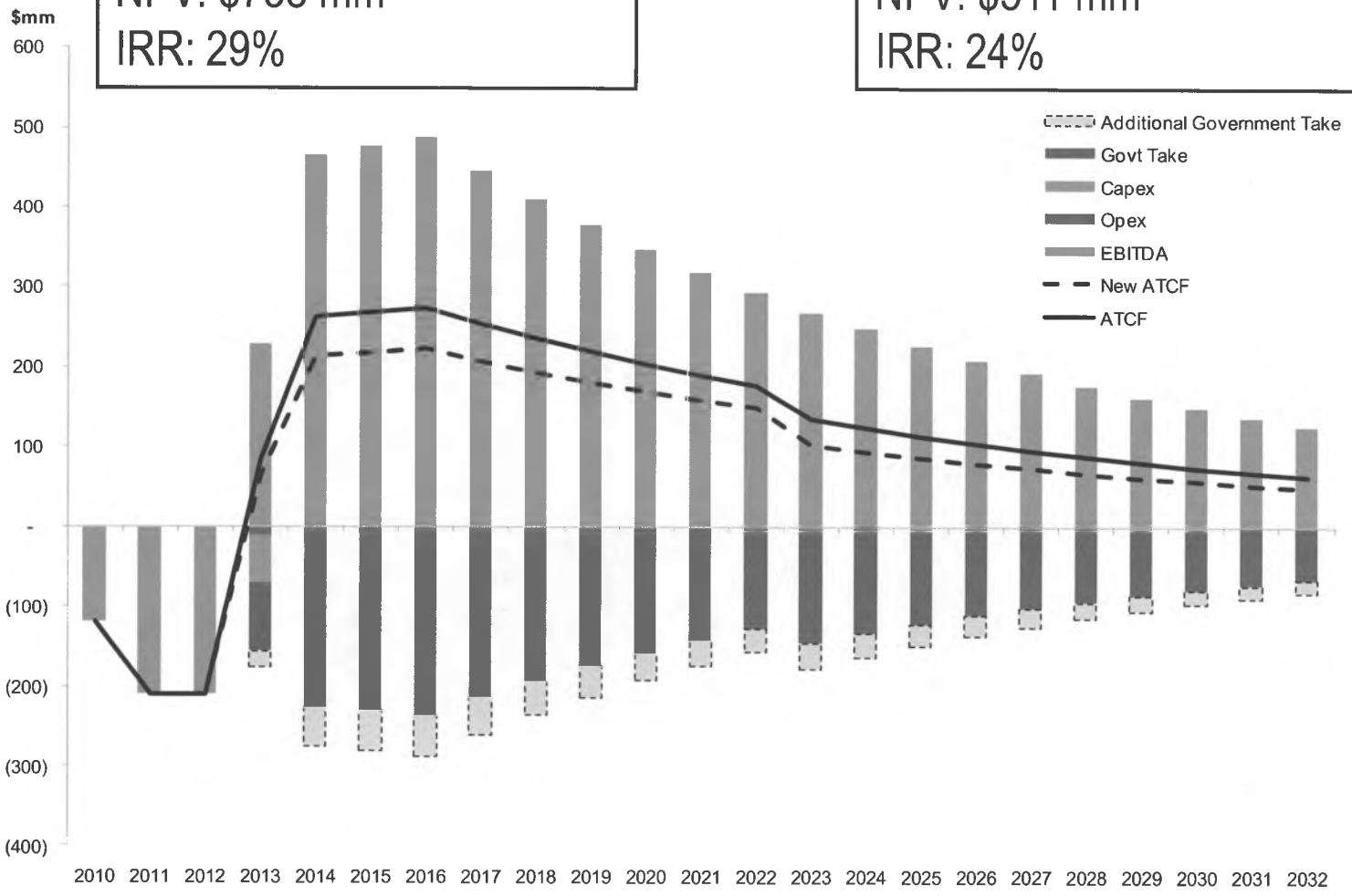
Fiscal Changes Impact Project Economics

Example: Increase In UK Supplementary Ring Fence Charge

Supp. Profits Tax of 20%
50 mmboe field
NPV: $738 mm
IRR: 29%

Supp. Profits Tax of 32%
50 mmboe field
NPV: $511 mm
IRR: 24%



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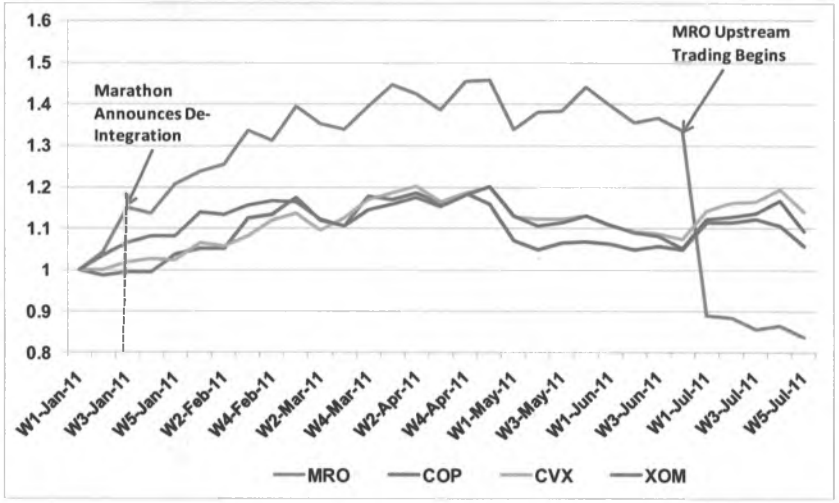
Issue: Integration, Project Economics, and Decision Making

- *Share appreciation* appears the Number One driver for de-integration. Marathon and ConocoPhillips have both concluded that integration hides value that can otherwise be secured through greater management focus, transparency, and more appropriate strategy and execution within the de-integrated entities
- *Market development arguments* for a Downstream presence have largely ended
  - BP, TOTAL, Shell all divesting from Africa in favor of "pure play" refiners and marketers
  - No remaining examples where downstream presence is key to upstream success.

Weekly Share Price Performance, Selected IOCs (Week 1, January 2011 = 1.0)



- Improvements in internal decision processes and external regulation have eroded any value that could be secured through *cross-subsidization or barriers to competitor entry*
  - Rate of return regulation in midstream operations, open-access provisions, increased sophistication in both project and portfolio analysis => few opportunities remaining for active market manipulation
- There are *technical drivers* for integration, related to specific crude types and processing challenges (e.g., Canadian oil sands, Brazil waxy heavy crude, Venezuela ultra-heavy, Chad acidic crudes). However, these benefits can be secured through contracts and JV or partnering agreements with third party refiners

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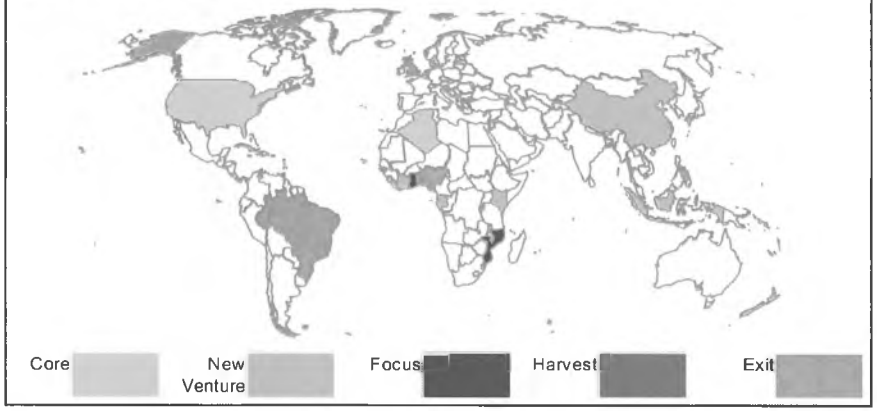
Issue: Basin Allocation and Free Cash Flow Distribution

- **"Core Area": Produces a stable stream of net cash flows, irrespective of commodity price variations and production replacement capabilities, and is material to the company. Can contribute to investment activity in other regions, but requires more than replacement level investment in order to maintain core area status. Tends to corresponds to a company's legacy assets.**
- **"Focus Area": Significant contributor to projected new source production and reserves growth in the medium- to long-term. Typically a net consumer of free cash flow until significant production levels are achieved.**
- **"New Venture": Areas new to the company—may be unexplored to fairly mature. Company has few, if any, assets and investment inflows can be modest (positions are usually characterized by exploration activity).**
- **"Harvest Area": Produces positive net cash flow, with investment activity typically at/below replacement level. Limits to growth from lack of geological potential, competitor landscape, limited "room to run", etc.**

Global Areas of Upstream Operations

		US	Algeria	China	Cote d'Ivoire	Gabon	Indonesia	Kenya	Liberia	New Zealand	Sierra Leone
Liquids	(mboe/d)	30	23	0	0	0	0	0	0	0	0
Gas	(mboe/d)	38	0	0	0	0	0	0	0	0	0

		Ghana	Mozambique	Benin	Brazil	Faroe Islands	Malta	Nigeria	Qatar	T&T	United Kingdom
Liquids	(mboe/d)	0	0	0	0	0	0	0	0	0	0
Gas	(mboe/d)	0	0	0	0	0	0	0	0	0	0



- **"Sit & Hold": Substantial resource base but investment delayed due to unattractive fiscal terms or significant above ground risks. Company may hold large projects in this area but is holding back the pace of investment.**
- **"Exit/Potential Exit": For reasons including lack of materiality, limits to future growth, change in strategy, the company has/is expected to make a decision to exit (asset sales, asset swaps, relinquishment of acreage).**

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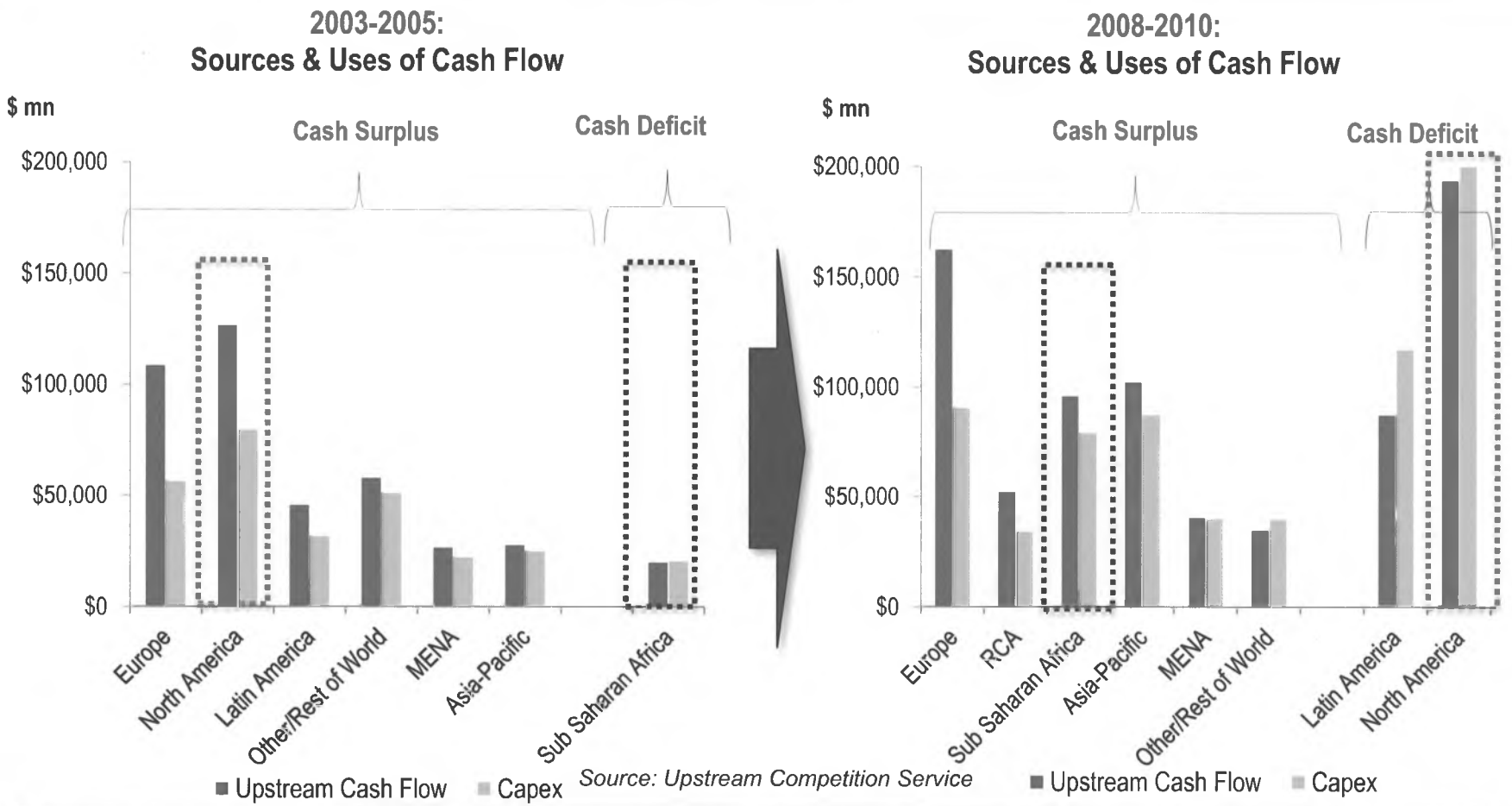
Basin Success Delivers Transition in Free Cash Flow Allocation



Source: Upstream Competition Service

Along with Europe, Sub-Saharan Africa is now a key cash generating region for the IOCs—with surplus cash flow now supporting growth in North America

** Includes data from the following companies: Anadarko, Apache, BG, BHP, BP, CNRL, Chevron, ConocoPhillips, Devon, EnCana, Eni, ExxonMobil, Hess, Husky Oil, Marathon, Murphy, Nexen, Noble Energy, Oxy, Petrobras, Repsol YPF, Santos, Shell, Statoil, Suncor, Talisman, TOTAL, Woodside*

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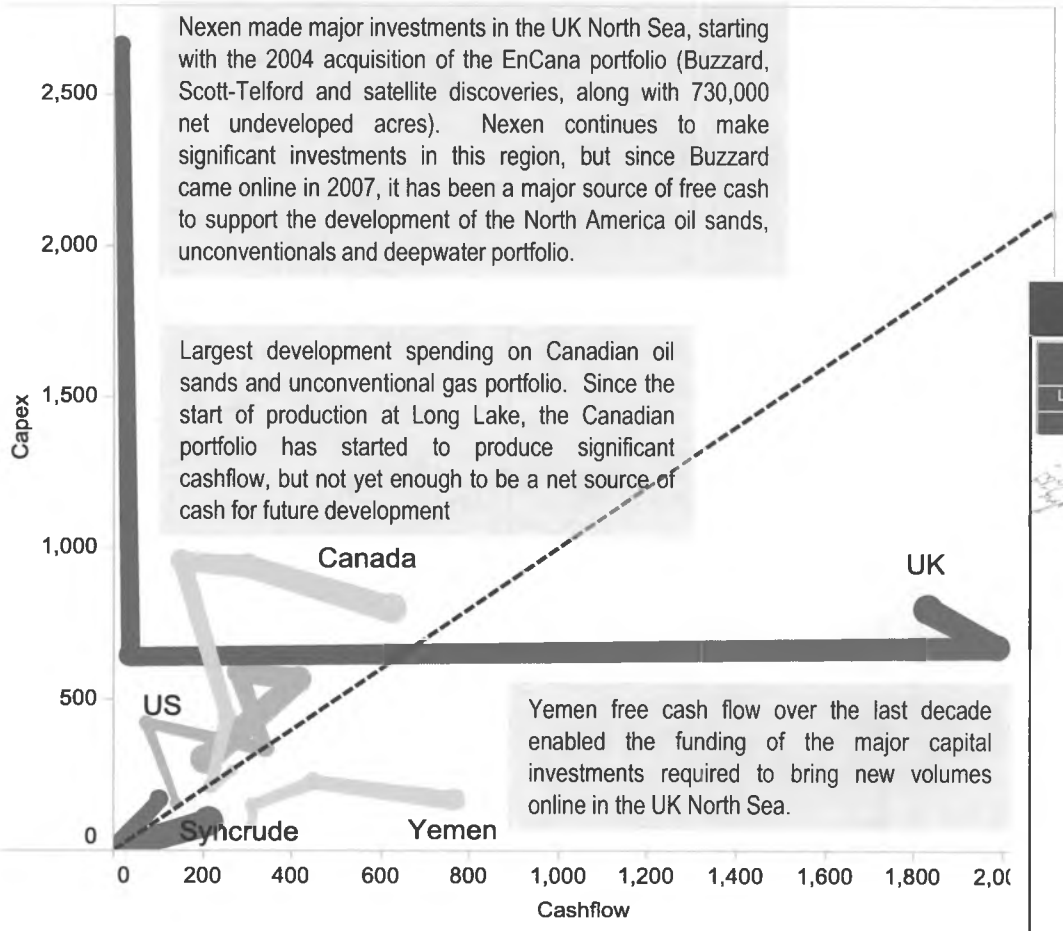
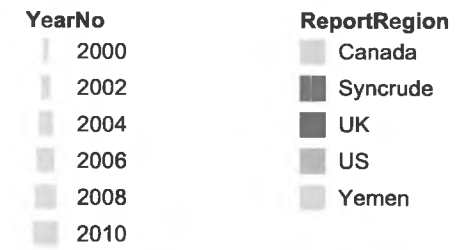
Example: Nexen Inc.

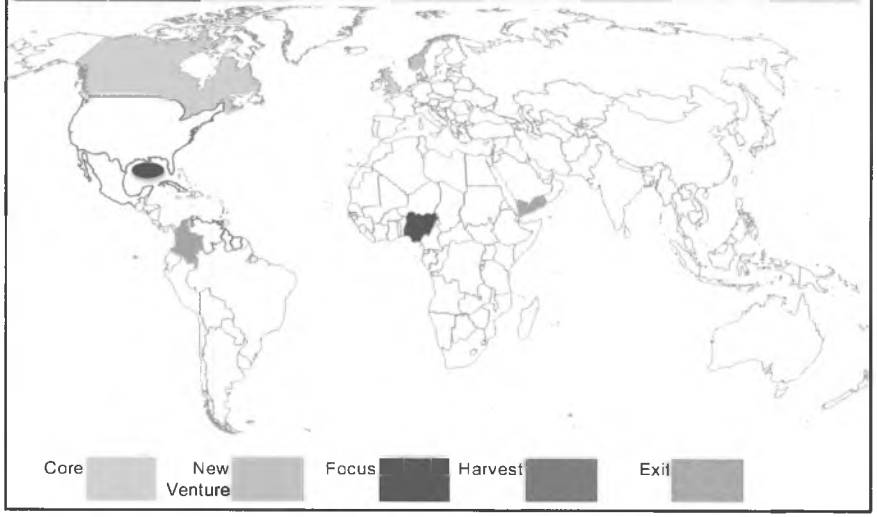
- Free cash flow from Yemen/Masila block directed to North Sea assets; then from North Sea to Canadian oil sands and shale gas assets.
- Currently in Exit process in Yemen and shifting to Harvest in the UK





Global Areas of Upstream Operations

		Canada	United Kingdom	USA	Nigeria	Yemen	Colombia	Norway
Liquids	(mboe/d)	41	104	8	0	23	2	0
Gas	(mboe/d)	19	6	16	0	0	0	0



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Example: ExxonMobil Global Areas of Upstream Operations

Country	Liquids (mboe/d)	Gas (mboe/d)
Qatar	232	644
USA	408	433
Nigeria	391	2
Norway	246	117
Netherlands	0	340
Canada	242	86
UAE	246	0
United Kingdom	80	92
Kazakhstan	127	24
Angola	141	0
Malaysia	48	86
Australia	51	55
Germany	0	91
Equatorial Guinea	53	0
Russia	43	8
Indonesia	13	36
Chad	43	0
Azerbaijan	21	0
Argentina	0	9
Papua New Guinea	7	0
Thailand	0	4

Country	Liquids (mboe/d)	Gas (mboe/d)
Brazil	0	0
Cameroon	0	0
Colombia	0	0
Congo	0	0
Greenland	0	0
Guyana	0	0
Hungary	0	0
Iraq	0	0
Ireland	0	0
Italy	0	0
Libya	0	0

Country	Liquids (mboe/d)	Gas (mboe/d)
Madagascar	0	0
New Zealand	0	0
Philippines	0	0
Poland	0	0
Romania	0	0
Tanzania	0	0
Turkey	0	0
Vietnam	0	0
Yemen	0	0

Core
New Venture
Focus
Harvest
Exit

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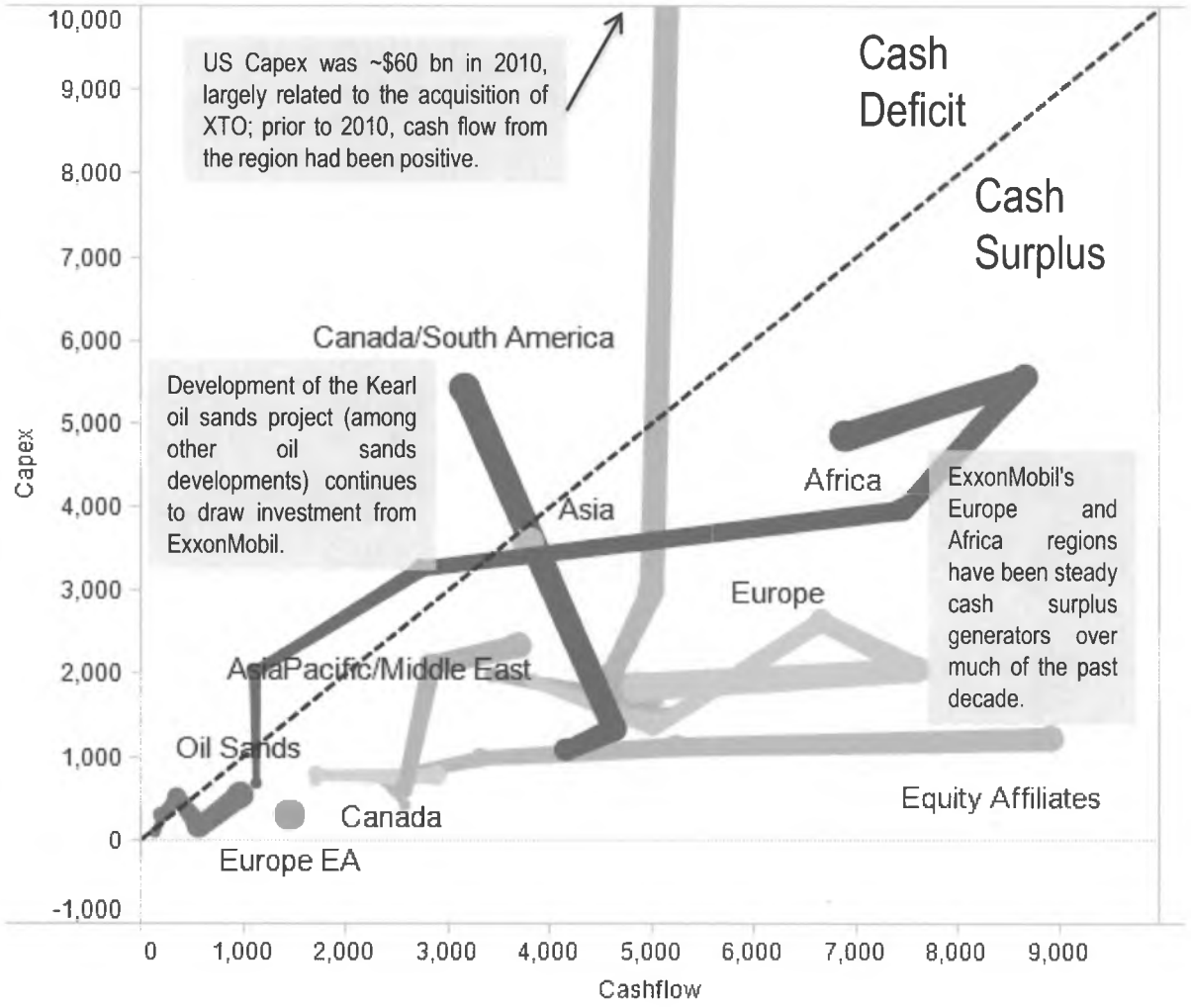
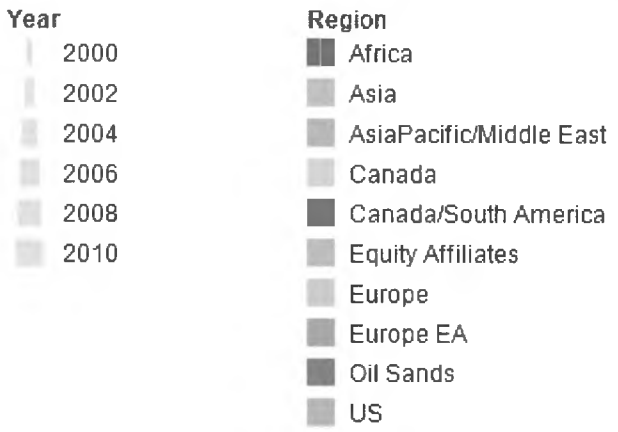
Example: ExxonMobil
How the Portfolio is Financed





- US Onshore Europe were major sources of free cash flow for development of Middle East LNG and West Africa
- Now these latter regions are generating the free cash flow to support investment in US Onshore resource plays

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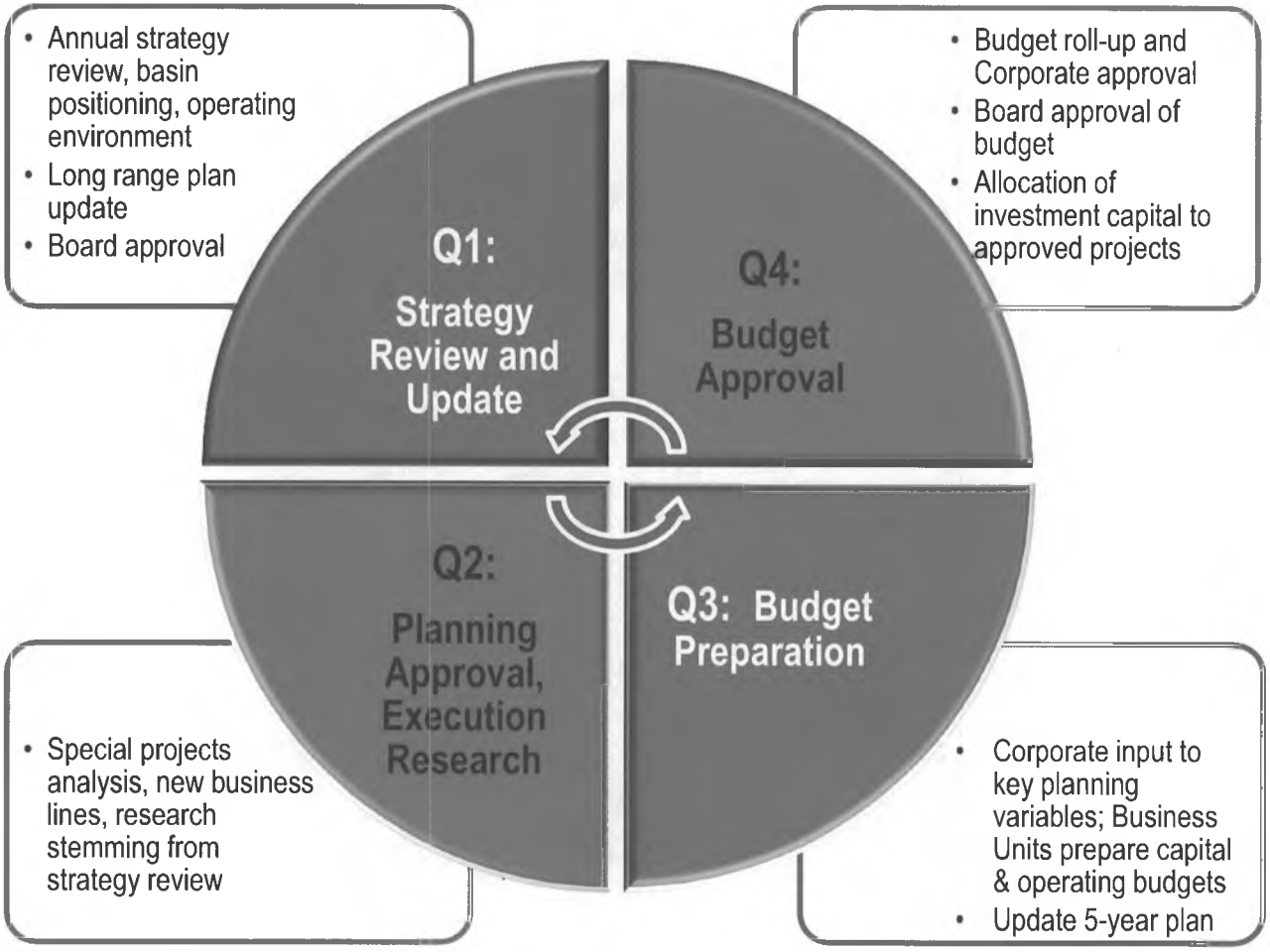
Questions and Discussion



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Principles of Fiscal Regime Design

Points to Address: Conceptual Overview of Progressivity

- Progressive vs. regressive fiscal regimes
- Rationale for a progressive fiscal regime
- How the concept of progressivity works in a range of other hydrocarbon jurisdictions
- Problems in the application of progressivity

The Art of Taxation

"The art of taxation consists in so plucking the goose as to get the most feathers with the least hissing."

Jean Baptiste Colbert - Economist and Minister of Finance under King Louis XIV of France, 1619

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...or, in more contemporary terms

- The art of taxation consists in maximizing revenues, subject to two important constraints
  - **Efficiency:** Not distorting investment choices, or preventing marginal investments that would otherwise have been made from occurring
  - **Competitiveness:** Ensuring that in the real world, which is characterized by limited capital with competing uses

Efficiency

- Efficiency is an absolute concept – the degree of distortion in a taxation regime is something we can assess solely in relation to ourselves
  - Need to examine the incidence of the tax under different price and cost levels
  - Understand what components of the underlying economic activity are being taxed

Competitiveness

- Competitiveness is a relative concept – it requires us to examine our attractiveness in comparison to others
  - Need to understand what other jurisdictions we are competing with for capital
  - Need to understand whose capital we are competing for
  - Need to understand how rates of return for projects compare to what our target investors can achieve in other jurisdictions

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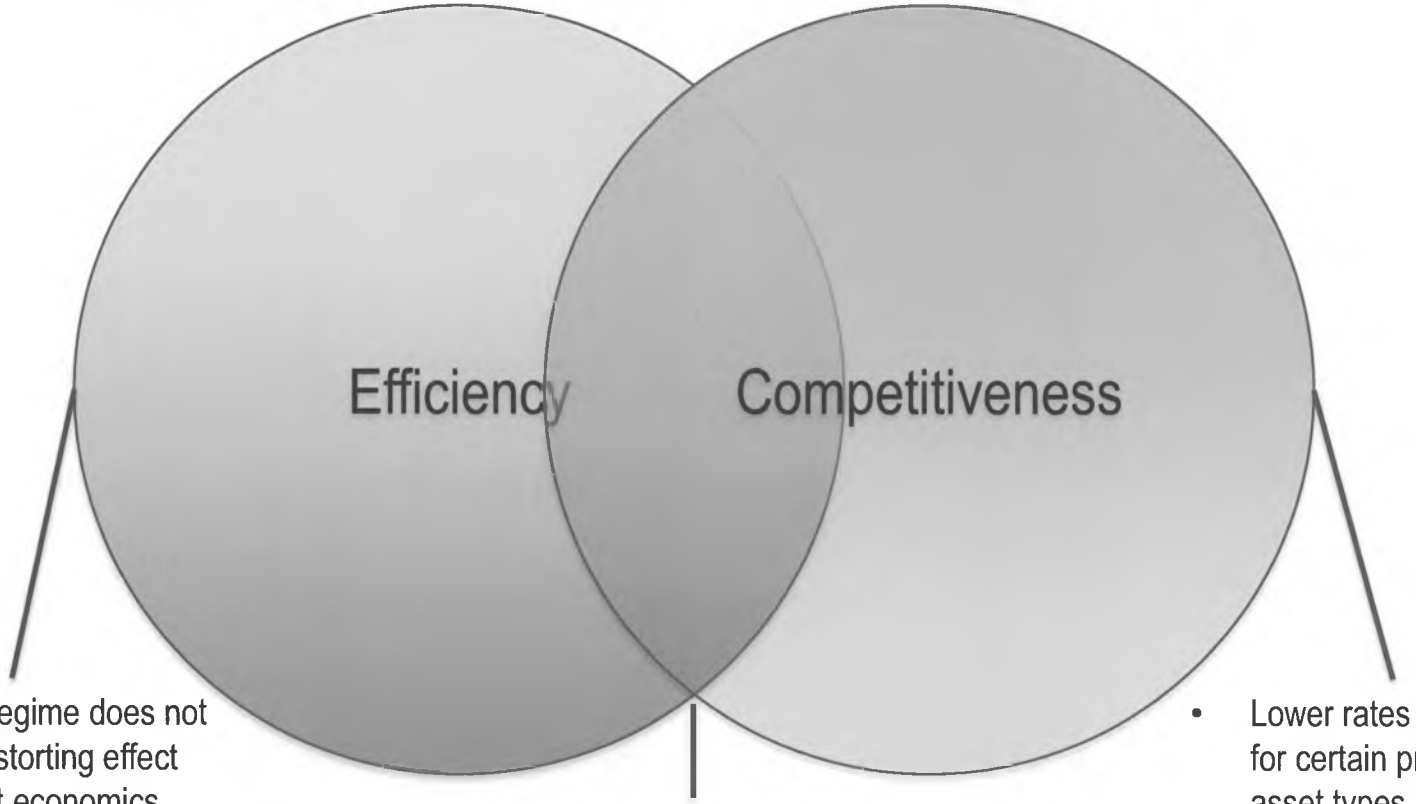
Finding the Intersection



- Efficient regime does not have a distorting effect on project economics
- But rates are too high, and other jurisdictions are more successful in attracting capital as a result

- Regime does not distort investment
- Rates are internationally competitive, given fundamental attractiveness of the opportunity

- Lower rates may mean for certain projects or asset types, the regime is highly internationally competitive
- But distorting structure means certain otherwise marginal projects are unviable

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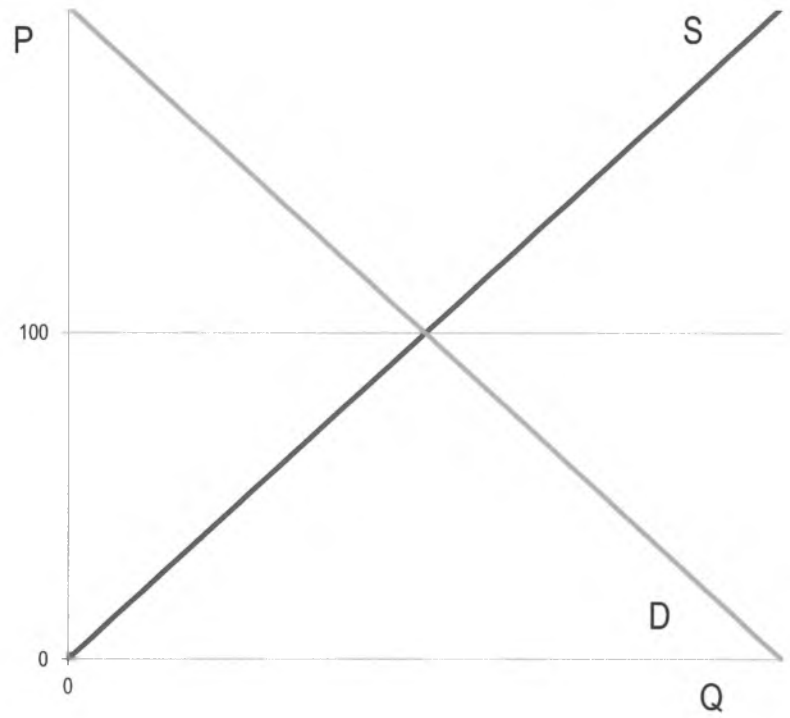
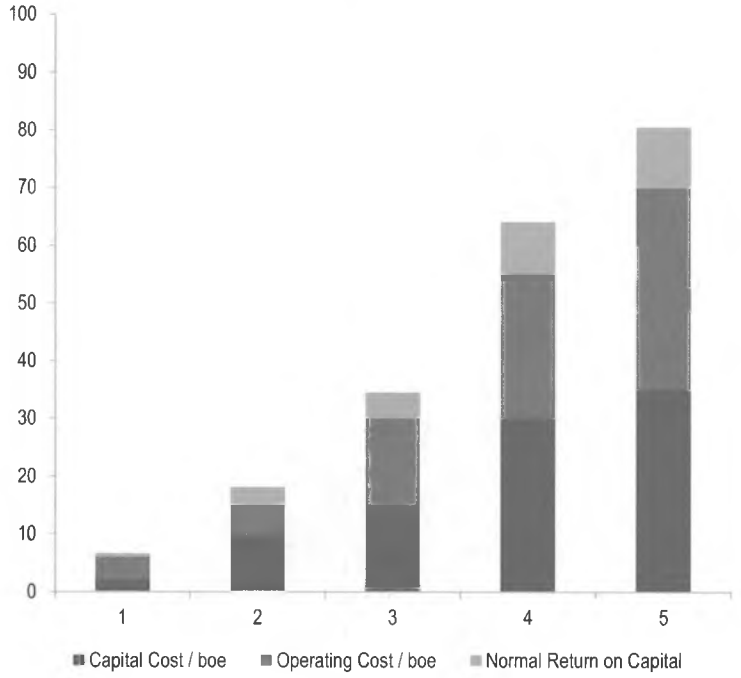
Efficiency: Supply, Demand & Price

Upward Sloping Supply Curve





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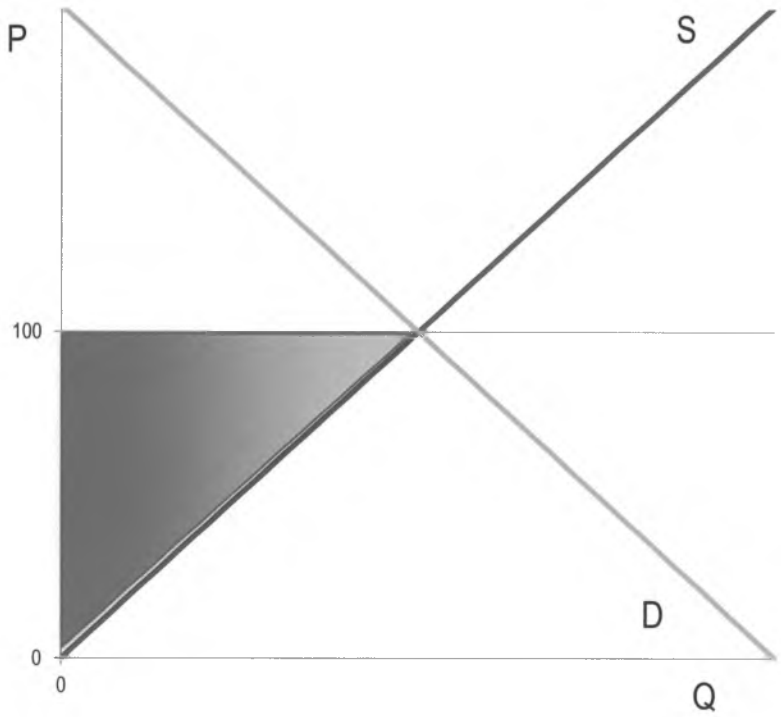
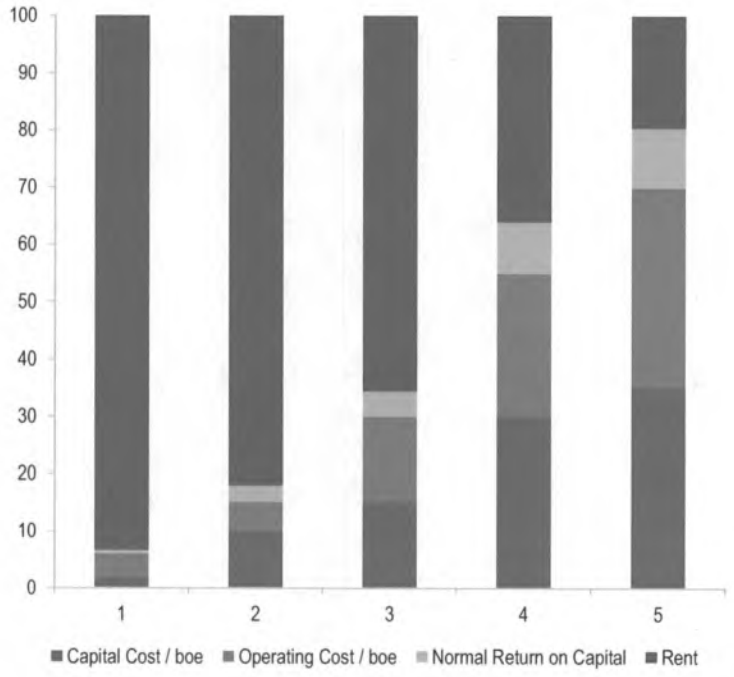
Efficiency: Economic Rent

Upward Sloping Supply Curve





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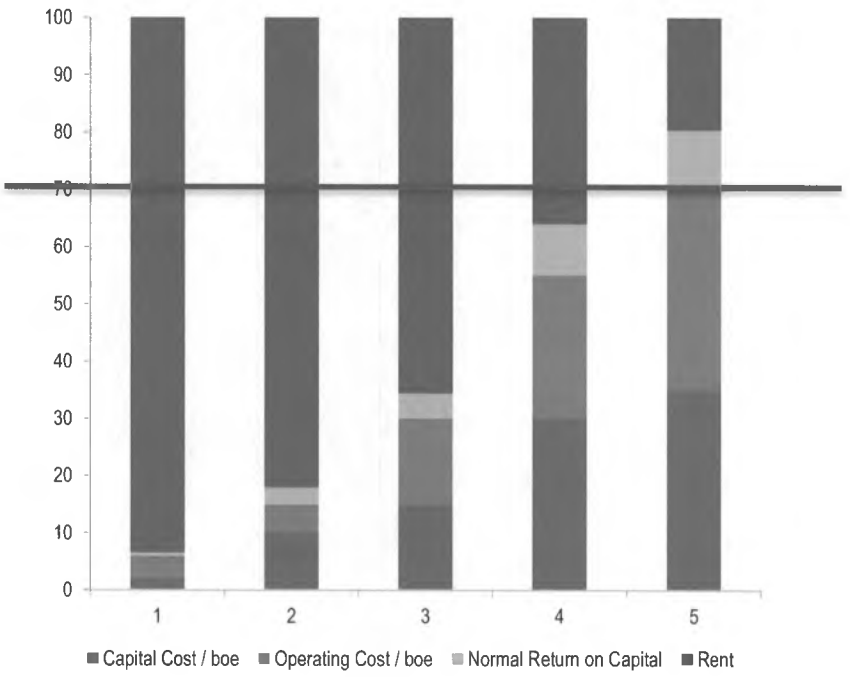
Impact of a 30% Royalty

- The royalty successfully captures 30% of Gross Revenues from projects 1-4 for the Government
- The tax, however is highly distorting: Project 5 no longer earns a normal return on capital; if it were a prospective investment, it would now have negative NPV and would be cancelled
- If the oil price were to fall, the 30% royalty would make further projects non-economic



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Relative Government Take (Definition)

$$\textbf{Relative Government Take} = \frac{\text{Government Take}}{\text{Divisible Income}}$$

Divisible Income equals Gross Revenues less costs, including capex and transportation costs.

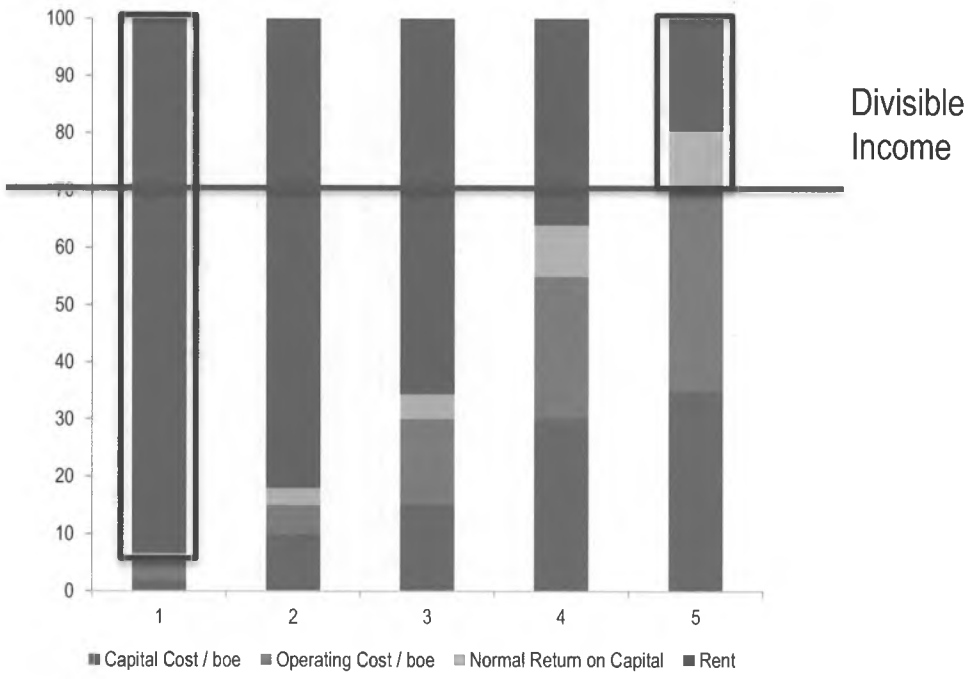
Government Take includes all payments the government mandates in its function as a sovereign:

- Royalties
- Land rental fees, property taxes
- Production taxes
- Income taxes

Government Take does not include amounts the government earns in an entrepreneurial function.

Relative Government Take Impact of a 30% Royalty

- The impact of the Royalty on Relative Government Take is also very different across different projects
  - For project 5, it is 100%
  - For project 1 it is less than 30%
- So a fixed percentage royalty is highly regressive with regard to costs – as costs increase, so does Relative Government Take



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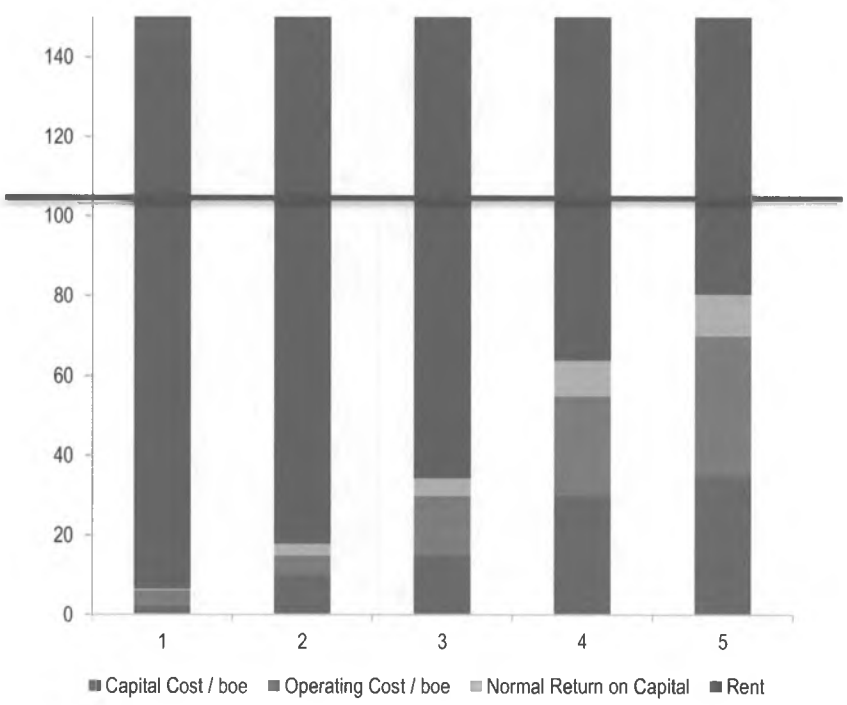
Impact of an Oil Price Increase

- If the oil price rises to $150/bbl, all projects are once again economic – but Relative Government Take has fallen dramatically, particularly for the more expensive projects
- For Project 5 it has fallen from 100% to 56%
- For Project 4 it has fallen from 66% to 47%



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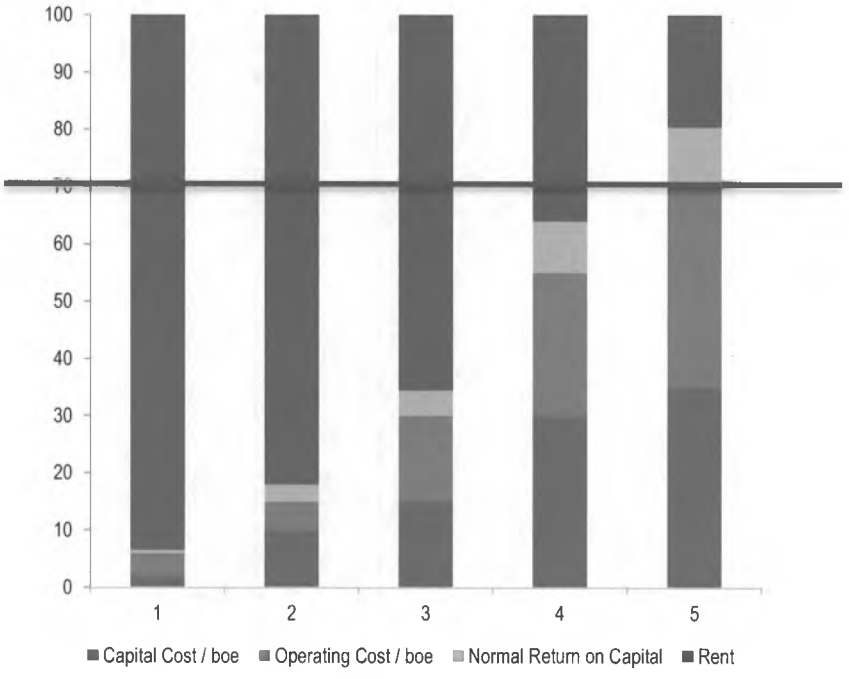
Efficiency: Conclusions on a Fixed Percentage Royalty

- The fixed royalty is **inefficient** because it distorts investment, making previously marginal projects uneconomic at a given price
- It is highly **regressive** with regard to both price and cost, because Relative Government Take falls as prices rise, and as costs fall
- This also increases **sovereign risk** – since when prices rise, governments will be tempted to set a new rate, even though investments have been made on the basis of the current one
- It has only one major strength – it is very **simple to administer**, requiring knowledge of only 2 variables - production and price



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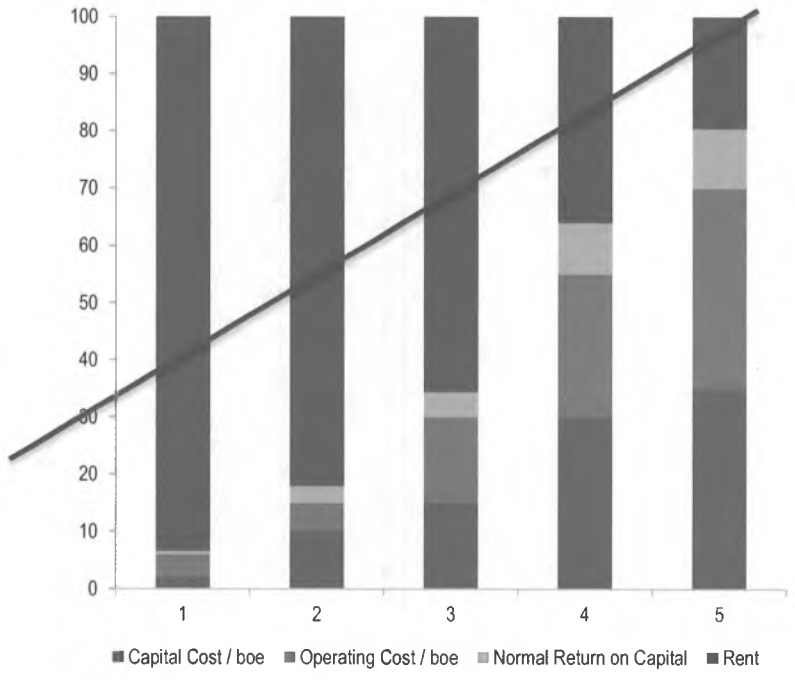
Efficiency: Targeting Economic Rent

- What we would like to do instead is to tax the red bars – the Economic Rent – directly
- That way, we could *pluck more feathers*, with less *hissing*
- What are the different ways, over time, that governments have attempted to do this?



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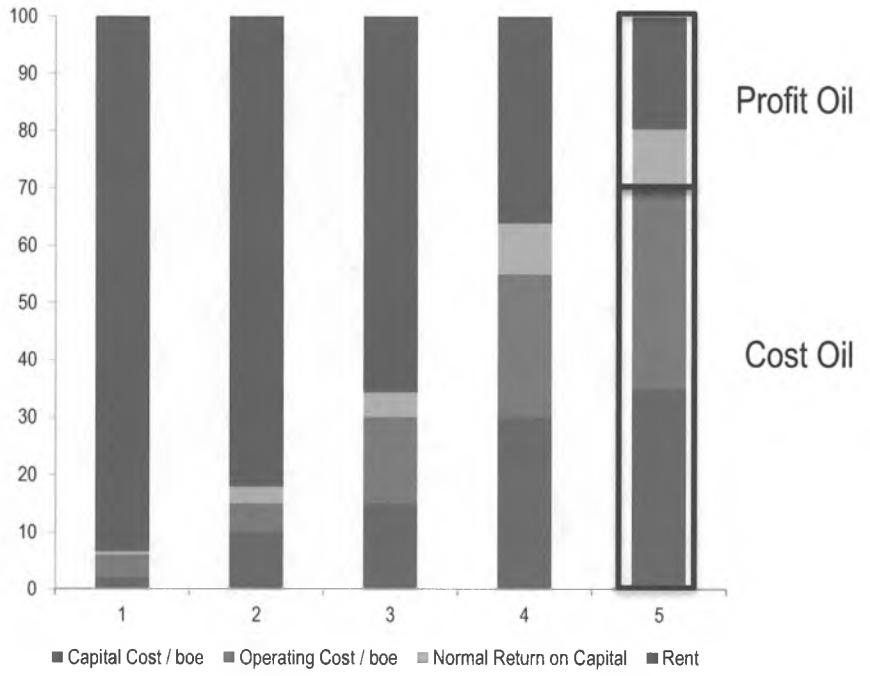
A Brief History of Production Sharing Contracts

- ACES is in many ways a reflection of a recent trend we have seen in tax/royalty regimes around the world that have endeavored to capture a greater share of rent, by replicating many aspects of the economics of a Production Sharing Contract system (PSC). What is a PSC, and how did these evolve?
- Until the 1960s and 1970s, the global oil industry was dominated by tax/royalty type "concessions" for oil and gas production
- These were very simple to administer, and made sense so long as prices were reasonably low, and reasonably stable, and oil was easy to produce
- In many cases, relatively generous terms for oil companies reflected the colonial-era world in which the concessions had been set
- Rising nationalism in oil producing countries saw the first moves away from this system
  - OPEC formed in 1960
  - Indonesia introduced first "Contracts of Work" in mid 1960s, with terminology and mechanics very similar to later PSCs
- The 1973 Arab Oil Embargo sent oil prices from $3 to $12/bbl, dramatically eroding government take under tax/royalty systems, as International Oil Company profits surged
- Resulted in the widespread rescission of existing concessions in major oil producing nations, and introduction of Production Sharing Contracts

Structure of a Simple PSC

- Core to the PSC concept is the differentiation between "Cost Oil" and "Profit Oil"
- Cost Oil represents barrels of production required to recover (undiscounted) operating and capital costs
  - Under a PSC, an International Oil Company (IOC) is generally entitled to all available barrels required to recover costs
  - This would make Government Take backloaded, since governments could only receive barrels after IOC costs have been fully recovered
  - Governments that wish to front-load their payments often place a limit on the percentage of barrels in any given year than can be used for cost recovery
- The remainder of production (net of royalties, etc) is deemed Profit Oil
  - Profit Oil is split between the government and the IOC



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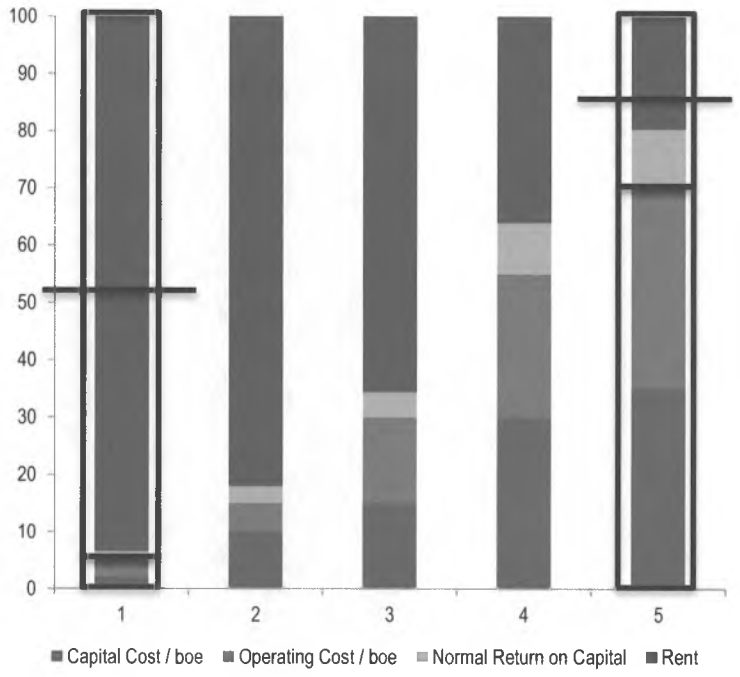
Malaysia-Thailand Joint-Development Area: A Very Simple PSC

- The Malaysia Thailand Joint Development Area (MTJDA) has one of the simplest PSC structures anywhere
  - Cost Oil Limit: 50% of available gross revenues in any year
  - Profit Oil Split: 50% to IOC contractors, 50% to MTJDA Authority
  - 20% Corporate Income Tax (reduced in early years of production)
- Unlike the Royalty system we looked at, this is not regressive with regard to either price or cost – it is neutral with regard to both
  - If we simplify and ignore the impact of Corporate Income Tax, we can see that regardless of cost or price levels, Government Take will always be 50%
- Because it includes the normal return on capital in the "tax" base, it is regressive with regard to economic rent
  - Higher cost projects have a higher normal return on capital, and so the 50% split captures a higher share of the rent



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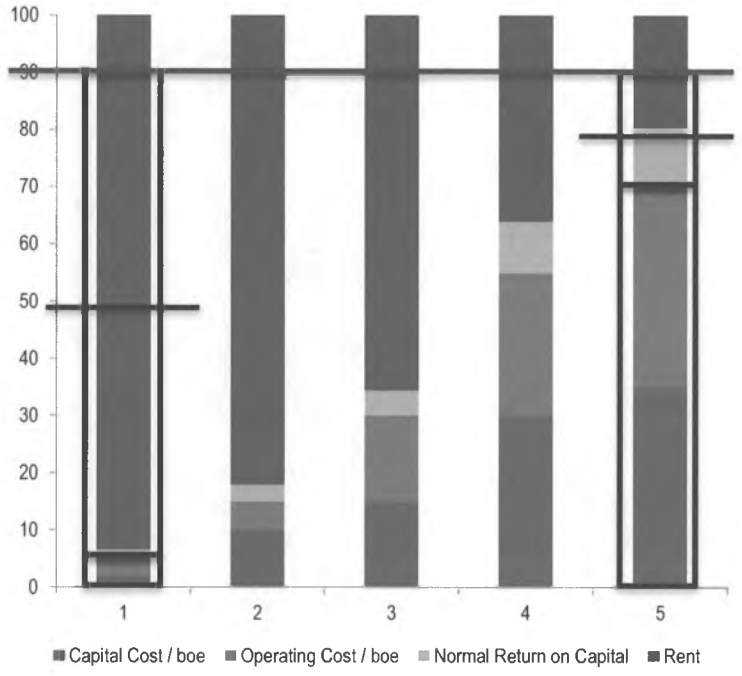
Many PSC-type regimes include progressive and regressive elements

- Many such systems (including PSC-replicating tax royalty systems) incorporate regressive elements like fixed-percentage royalties
  - Without progressive elements to counter these, these will no longer achieve the neutral Relative Government Take
  - In this example with a 10% royalty, Relative Government Take is higher in the high cost case, or in low price environments
- Some regimes, therefore add progressivity to their profit-focused components to compensate for regressive elements of the regime, to achieve a more neutral outcome
- Often, however, application of progressivity has been taken further, to focus on limiting the share of rent received by IOCs in high price environments, and maximizing Relative Government Take in these cases



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Progressivity may be focused on any of a range of metrics

- Tomorrow we will look at how progressivity works in a number of different regimes, both tax/royalties and PSCs around the world
- We will see that progressivity in different regimes is focused on a range of different metrics, including
  - Production levels
  - Price levels
  - Extent of cost recovery (ie, "R-Factor")
  - Rates of return (ie IRR)
- We will talk about what these may mean from an efficiency standpoint, but also what they may mean from a competitiveness standpoint – and why these may be quite different
- We will examine progressivity under ACES, including
  - How progressivity affects "upside" for oil companies, and what that means for project value, and thus ability to attract capital
  - What Government Take would look like (state and total, absolute and relative) under ACES in a range of different modification scenarios

Appendix: Additional Slides on Integrated v Non Integrated Oil Companies

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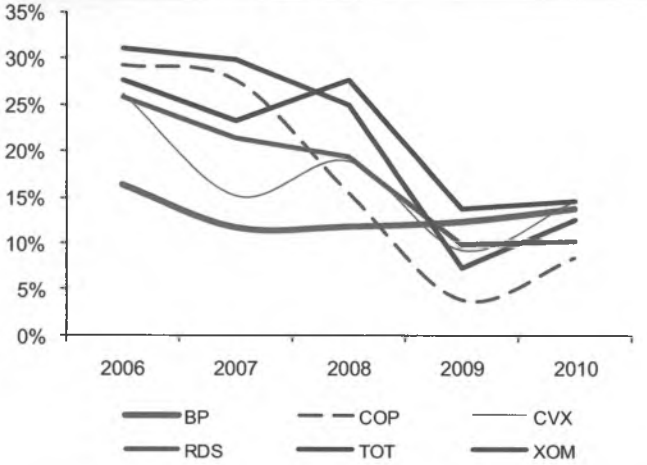
Issue: Integration, Project Economics, and Decision Making

Arguments For Integration

- Superior market/financial management over commodity cycle
  - Counter: Collapse in Downstream profitability has seen a rise in successful "pure play" refining companies
- Integration is important for molecule management; ensures sophisticated refining capacity is in place for particular crudes
  - Counter: Independent IOCs are not hitting roadblocks in this regard; independent refiners are responsive to requirements.

Downstream ROCE – Selected Integrated IOCs (3-year roll)



- Integration is relevant for specific oil developments (e.g., Canadian oil sands, Venezuela heavy, high wax or acid content)
- Integration is a technical differentiator amongst IOCs => enhance ability to secure projects
  - Counter: The ability to build a refinery—which few IOCs have actually done recently—has little in common with the ability to execute efficiently on complicated upstream projects
- Integration allows participation in the Downstream Non-OECD growth story
  - Counter: The rapid petroleum product demand growth regions (China, Middle East, India) are dominated by NOCs or quasi-NOCs; choose partners based on what they bring to the table

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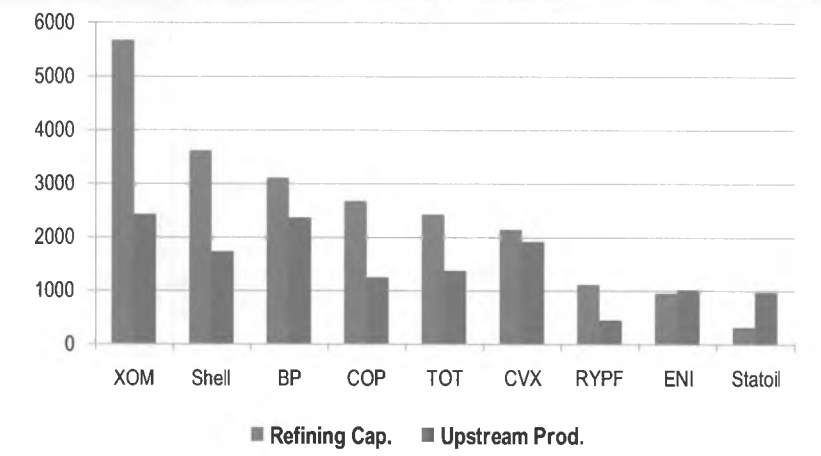
Issue: Integration, Project Economics, and Decision Making

Arguments Against Integration

- Capital markets value integrated IOCs below the sum of their parts
  - Counter: Expensive to split a company => if there is any identifiable value, should remain integrated (e.g., refining-petchems)
- Strategic focus: In many integrated companies, the Downstream sector is neglected strategically at the expense of Upstream positioning and growth—particularly in the current climate of narrow refining margins and sustained, high oil prices.
  - Counter: Unless the integrated IOC is certain that refining margins and economics will never recover, there is merit to retaining this mechanism for optimal capital allocation between sectors
- Materiality: There are few materially, physically integrated IOCs remaining
  - ExxonMobil and TOTAL have pursued integration between refining and petrochemicals, and there are strong arguments to continue this form of integration
  - Statoil, Eni, and Repsol are integrated on the basis of past roles as quasi-NOCs, and would likely face considerable government opposition to de-integration
- The world has evolved: more flexible and liquid trading markets and improved market & industry regulation have eroded whatever market management or cross subsidization benefits integrated IOCs derived from Downstream presence/dominance over the first 70+ years of their existence.

Refining Capacity versus Upstream Oil Production
Selected Integrated IOCs, 2010 (mboe/d)



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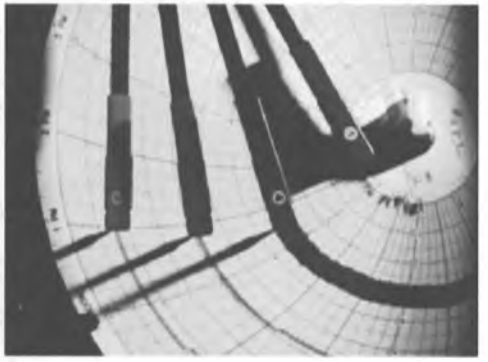

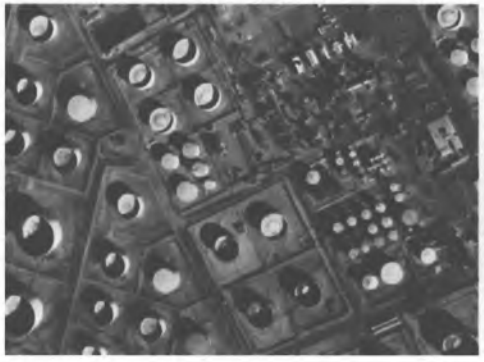

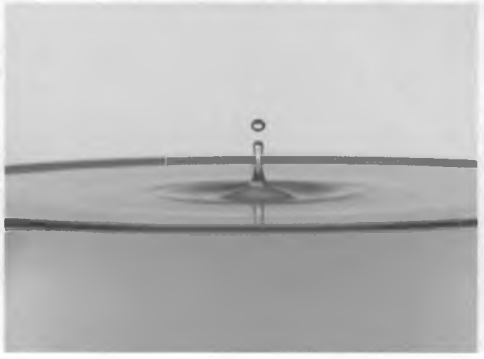

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2/21/12 PRESENTATION: ANALYSIS OF ROYALTY MODIFICATION BY DNR

<TARGET><BILL></BILL><SUBJECT>2-21-12 PRESENTATION ANALYSIS OF ROYALTY MODIFICATION BY DNR</SUBJECT><COMM>SRES27</COMM></TARGET>

Senator G
Deputy Comm Tangeman

Senate Resources Committee
Joe Paskvan, Co-Chair
February 21, 2012

Let's call the meeting to order.

Let the record reflect that it is _____ p.m. on Tuesday, February 21.

Let the record reflect that there is a quorum. Present are

- Co-Chair Wagoner
- Senator Stedman
- Senator Stevens
- Senator Wielechowski
- Senator French
- Senator McGuire
- And myself, Senator Paskvan

Today, the Senate Resources Committee has several items on the agenda:

1. First, from 3:30pm to approximately 5pm, we will have a discussion about ROYALTY MODIFICATION, FOCUSING ON THE ECONOMIC ANALYSIS, with the Department of Natural Resource's Division of Oil and Gas.

Director Bill Barron

2. Beginning at approximately 4:55pm, Senator Wagoner will then chair a hearing on a few pieces of legislation. We need to start the bill hearing at this precise time so that Johanna Bales can offer testimony here before a 5pm Budget Subcommittee hearing in another room.

Welcome back, Mr. Barrron. I understand that Commissioner Sullivan is on the teleconference and will offer the Committee some opening remarks.

Please introduce yourselves for the public record and then begin your testimony.

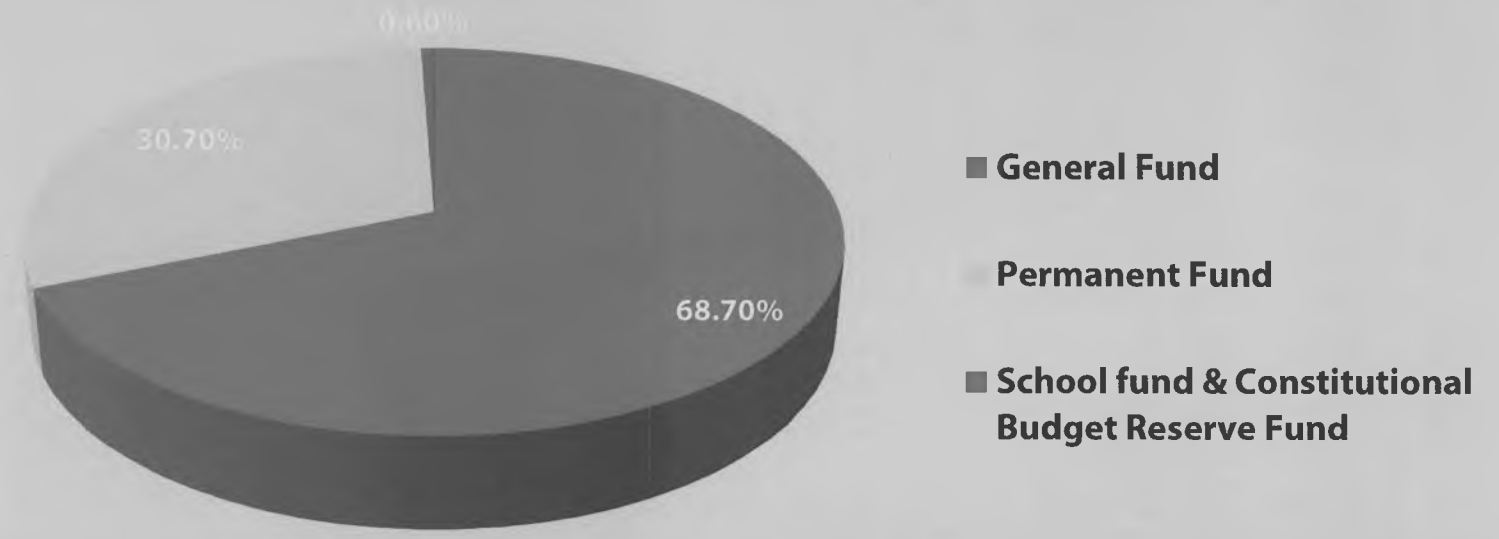
Senate Resources Committee
21 February 2012

William C. Barron
Director
Division of Oil and Gas

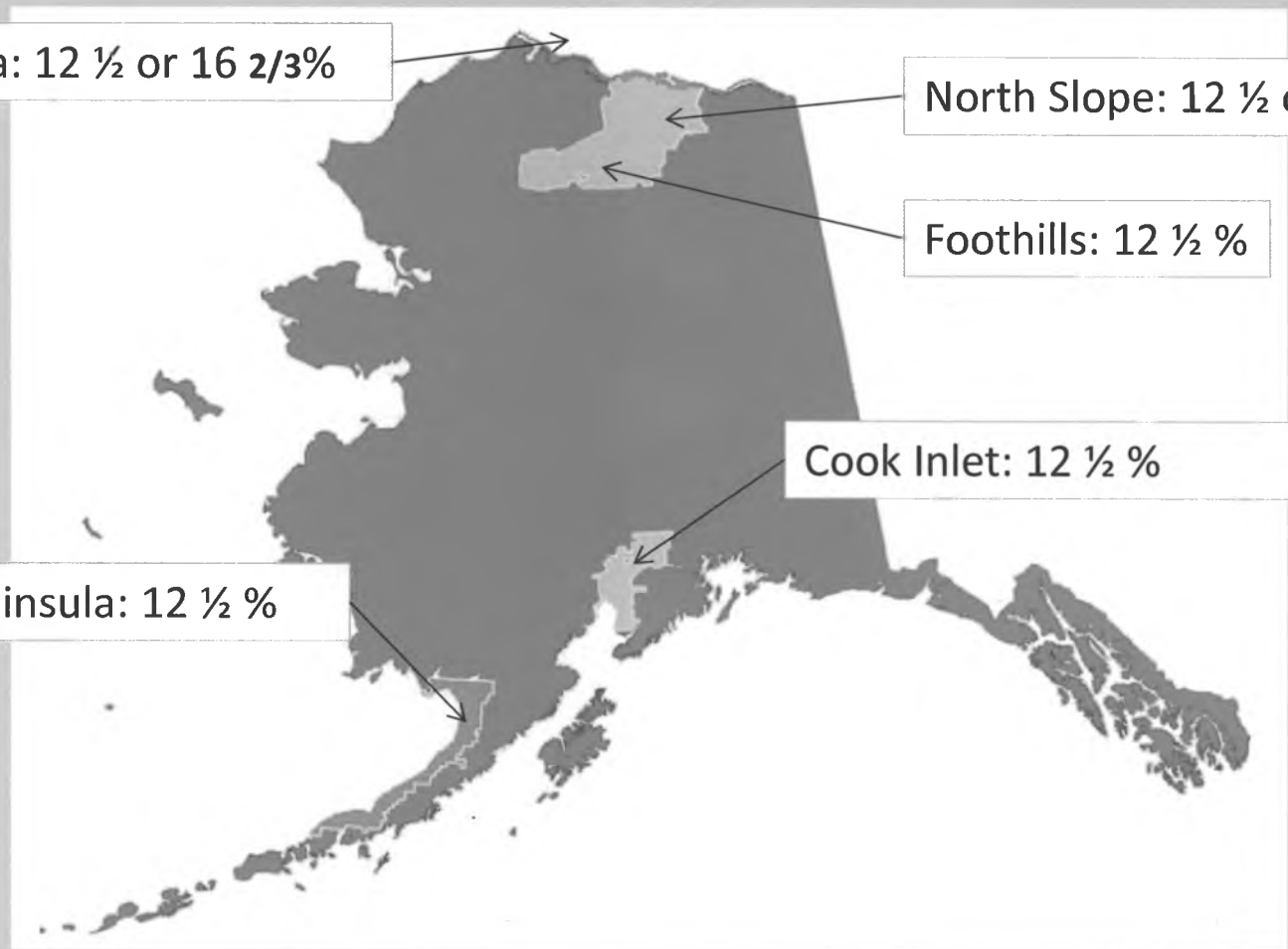
What is Royalty?
How is it distributed?

ROYALTY: THE STATE'S SHARE of the product or profit reserved by the owner of land for permitting another to develop his land for oil or gas

FY 2012 (through January) Royalty Revenue Distribution



Unmodified Royalty Rates by Region



History of Royalty Modification:
Legislative Action

- Royalty modification statute is a long-standing statute
  - An exchange for pool or field development
    - Legislatively-created mechanism to increase field and pool production
- Recent amendments in 1995 (HB 207) & 2003 (HB 28)
  - 1995 amendment (House Bill 207):
    - Lowered state oil royalties to encourage production and raise them when economic conditions warranted it
      - Allows DNR to analyze three prongs of any decision about the economics of an oil field: 1) costs of development, 2) the volume of oil in the field, and 3) the price of oil in making royalty reduction.
    - Added "new fields and pools"
      - As the industry starts to go out into new frontiers, we are looking at developing smaller and smaller fields. (Commissioner Shivley)
  - 2003 amendments (House Bill 28):
    - Intended to modify the 1995 law
      - Spur development of uneconomical fields by setting forth a more understandable and workable modification process
      - Protecting the public's interest and maintain public's input
    - Push to get Liberty and Badami online

History of Royalty Modification:
Circumstances Surrounding Amendments

- What was the product price at that time?
  - 1995 ~ $15-18/barrel
  - 2003 ~ $25-30/barrel
- What was going on in industry?
  - 1995:
    - Milne Point shut-in
    - Continued low oil prices
    - Only 1 new unit on North Slope since 1981 (North Star)
    - World-wide production declining due to industry consolidations and automobile efficiency and other Clean Air Act standards
  - 2003:
    - TAPS throughput dips below 1 million BOPD
    - Beginning of four year surge in North Slope unit approvals in 2001
    - Oil prices begin first climb since the 1980s moving above $30/barrel
    - Virtually no use of royalty modification by industry in last 7 years

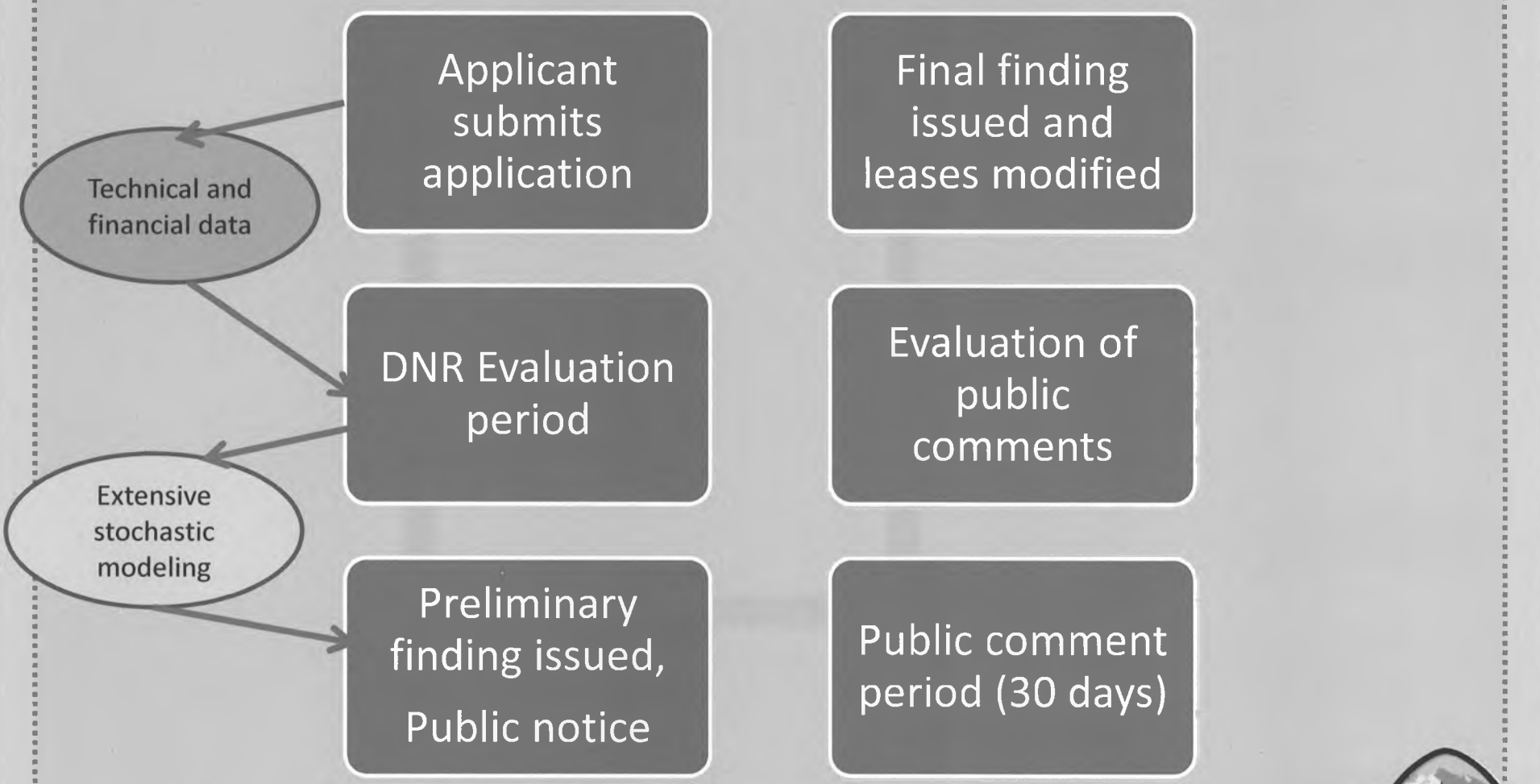
Royalty Modification
AS 38.05.180(j)

- Allows commissioner to modify royalty to allow for production from a field or pool under three conditions/scenarios:
  - Not in production
    - Field or pool must be sufficiently delineated
    - Field that would not otherwise be economically feasible
    - Royalty shall never be lower than 5%
  - Prolong economic life
    - As costs increase or price decreases… to make future production uneconomic
    - Royalty shall never be lower than 3%
  - Re-establish production
    - Royalty shall never be lower than 3%

Royalty Modification
AS 38.05.180(j)

- Commissioner may not approve unless he determines that lessee makes a clear and convincing showing that relief is in the best interest of the state
  - Without royalty modification, oil or gas production from the field or pool would probably not proceed i.e. shutin
  - Royalty modification is applied only to the point where investor is inclined to develop
- DNR may hire an independent contractor at the applicant's expense, for up to $150,000 per application
  - Selected by lessee from contractor list provided by DNR
- Relief mechanism must adjust percentage based on a change in the price of oil or gas and may also be based on other relevant factors such as a change in production rate, projected ultimate recovery, development costs, and operating costs. AS 38.05.180(j)(1)(A)(3)

Application Review Process Map



Decision Parameters

Royalty modification is provided if it can be demonstrated that the project is uneconomic without royalty relief.

Calculations:

Use Expected Monetary Value (EMV) to determine project economics

Monte carlo

Key Parameters :

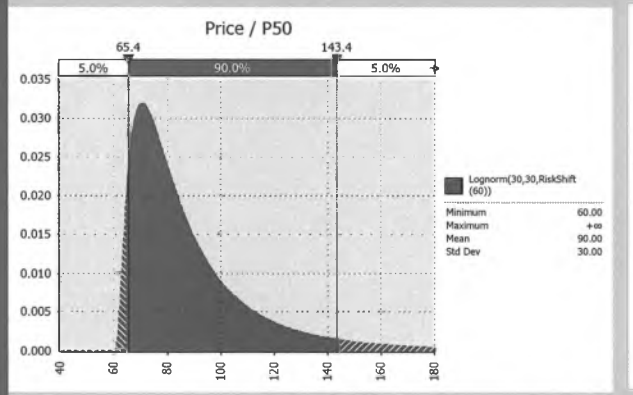
- Price of oil
- Potential reserves and production rates
- Capital Expenditures (CAPEX)
- Operating Expenditures (OPEX)

There is uncertainty associated with key parameters

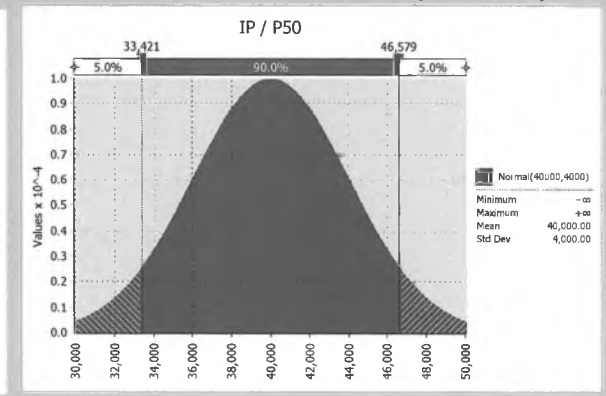
Modeling Uncertainty - Stylized Example

Input Distributions

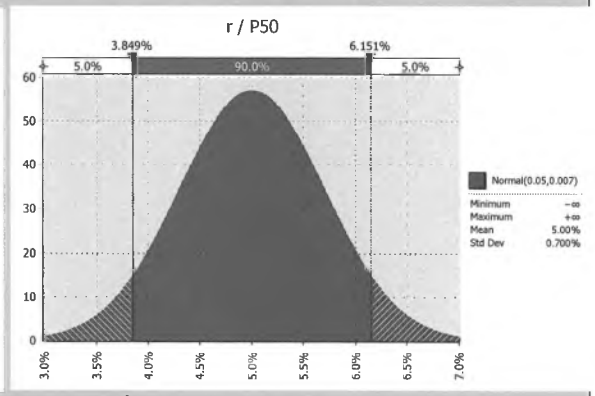
Price ($/bbl)



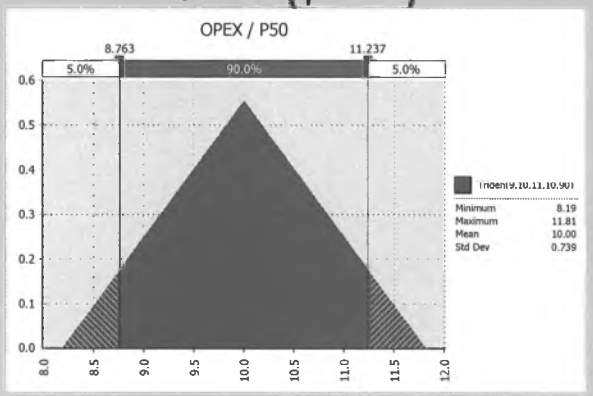
Initial Production (BOPD)



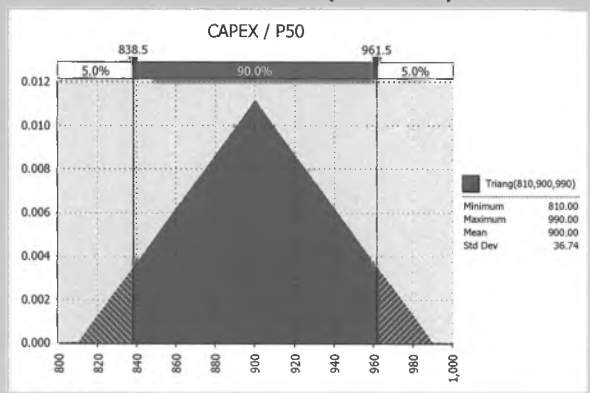
Production Decline (%)



OPEX ($MM)

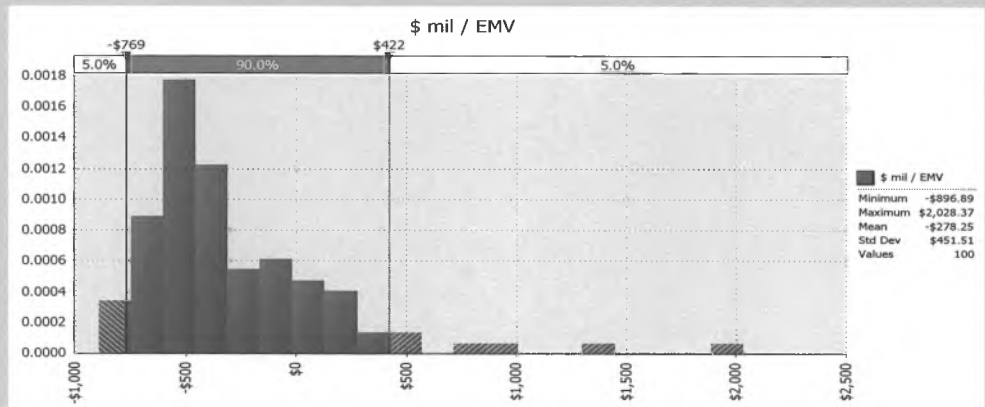


CAPEX ($MM)



Output Distribution

EMV ($MM)



Royalty Modification Applications

- February 1995 BP application for Milne Point
  - Application explicitly made only to comply with BP's contract with OXY
- 1997 Unocal application for 10 platforms in Cook Inlet
  - Unocal did not continue to pursue application
- 1999 Phillips application for Tyonek Deep in Cook Inlet
  - Phillips withdrew the application

2006 Nikaitchuq.

Royalty Modification Applications

- 2005 Pioneer Natural Resources application for leases in and near the Oooguruk Unit
  - Approval effective February 2, 2006
  - Royalty is reduced from 12.5% or 16.66667% to 5% on all production from the delineated reservoirs from the subject leases until NPSL payout.
  - Beginning on NPSL payout, royalty rates step-up to original royalty rates in four annual steps.
- 2006 Kerr-McGee application for leases in the Nikaitchuq and Tuvaaq units
  - Denied October 31, 2006
- 2007 Chevron application for leases in the Ivan River and Stump Lake units
  - Chevron withdrew the application

Kenai area

Royalty Modification Applications

- 2007 ENI application for leases in the Nikaitchuq Unit
  - Approval effective January 30, 2008
  - Royalty modification can be triggered by either of two mechanisms.
  - Low price trigger: for 25 years after first commercial production, if ANS WC inflation adjusted price falls below $42.64, royalty is modified to 5% on production from all subject leases from the reservoirs delineated in the application.
  - Low production trigger: between 18 months and 120 months after first commercial production, if production from all subject leases averages below 4,000 BOPD, royalty is modified to 5% no matter what oil prices are.

Summary

- Royalty modification is given in exchange for pool or field development
- Application must be for a pool/field – not projects
- Allows for production in new, shut-in, and existing fields/pools demonstrated to be economically unfeasible without royalty relief
- DNR uses Expected Monetary Value (EMV) to determine project economics
- Only 2 royalty modifications granted (Oooguruk and Nikaitchuq Units) 6 applications since 1996.
- Nikaitchuq royalty relief has never been realized – essentially serves as oil price insurance

Please answer the questions below, which were submitted to Commissioner Sullivan on 1/26:

Senator Paskvan is interested in learning more about DNR's economic analysis that is included in the Final Findings and Determination of the Commissioner of the Department of Natural Resources, regarding the Nikaitchuq Development Royalty Modification Application (see p. 19 – 20), which says, in part:

> *The DNR has determined that under the PPT and over the life of the project, KMG would pay, on a discounted basis, about $120 million less in taxes than under the previous fiscal regime. The high capital expenditures for the Nikaitchuq project serve to offset other statewide income streams and lower the overall tax obligation for the corporation. KMG and its parent, Anadarko Petroleum Corporation, will realize very large profits from Alaska production if oil prices stay at current high levels over the next several years.*
>
> *Simultaneously, high capital expenditures at Nikaitchuq will be taking place, resulting in lower net income statewide, offsetting statewide income dollar for dollar and generating "qualified capex" credits that reduce tax obligations. Additionally, at high prices the progressive element of the PPT will be in effect, further increasing taxes for KMG.*
>
> *Capital investments in Nikaitchuq development offset income and result in a lower net tax liability to KMG. Other impacts PPT will have on this project are shown in Table 1 [attached, p. 20]. From the working interest owner's perspective, the new tax regime improves the NPV, IRR, and the profit to investment ratio for the Nikaitchuq development project. At the same time PPT is improving the economics for the working interest owners, the State of Alaska is giving up a significant amount of tax revenue for this project.*

Some questions about this:

1. Why would Kerr-McGee (KMG) pay less under PPT than the previous fiscal regime (i.e., ELF), when PPT is generally understood to be a tax increase over ELF? If this is true, is it possible, then, that they would pay even less under ACES than PPT?

2. How is "over the life of the project … on a discounted basis" a different analysis than, simply, the nominal and/or effective tax rate?

3. DNR said in the Final Findings above: "The high capital expenditures for the Nikaitchuq project serve to offset other statewide income streams and lower the overall tax obligation for the corporation." Is this statement equally true for other current projects on the North Slope today? Why or why not?

4. In 2006 when oil prices were ~$60 per barrel, DNR found that: "KMG and its parent, Anadarko Petroleum Corporation, will realize very large profits from Alaska production if

oil prices stay at current high levels over the next several years." Is it the case, then, that KMG (or current operator) and its parent are currently realizing "very large profits" in 2012 since oil is, and has been, ~$100 per barrel? Or have other factors materialized over the past few years that reduced their profit (ACES, higher opex, higher capex, for example)?

5. In the Final Findings above, DNR stated: "Simultaneously, high capital expenditures at Nikaitchuq will be taking place, resulting in lower net income statewide, offsetting statewide income dollar for dollar and generating 'qualified capex' credits that reduce tax obligations." How has ACES changed or not changed the accuracy of this analysis since it replaced PPT?

6. DNR said in 2006 that, "From the working interest owner's perspective, the new tax regime improves the NPV, IRR, and the profit to investment ratio for the Nikaitchuq development project." Is the same true for the working interest owners under the current ACES tax regime? That is, does ACES improve the NPV, IRR, and the profit to investment ratio for new project development on the North Slope? Why or why not? How can we know?

7. In 2006, DNR found that: "At the same time PPT is improving the economics for the working interest owners, the State of Alaska is giving up a significant amount of tax revenue for this project." Is this statement still true today with the ACES tax system in effect? That is, if you substitute "ACES" for "PPT" in the sentence above, is it still accurate? Why or why not?

Final Findings and Determination Nikaitchuq Royalty Modification
Economic Analysis, pages 13 – 16
January 11, 2008

1. It is understood that, "The ADNR decision framework is confidential." Please tell the Committee what you can re: "It is designed to replicate the kind of framework used by industry for making prudent oil and gas investment decisions under uncertain conditional involving significant capital outlays and lengthy project lifes."

2. What do you mean by "prudent"? DNR mentions the "prudent-investor standard;" please elaborate on that concept. What does it mean? How is it applied? Ditto for "prudent-investor standards for economic feasibility."

3. How does DNR determine what "is in the best interests of the state" (page 18, #4)?

Sen Paskvan requests detailed, substantive information about the economic analysis.

Final Findings and Determination Nikaitchuq Development Royalty Modification
Economic Analysis, pages 17 – 20
October 30, 2006

1. Please explain Economic Analysis, which begins on page 17, paragraph 1. Why does DNR believe "granting royalty modification should influence the behavior of the applicant" (i.e., what's the rationale)? How do you know if royalty modification influences the behavior of the applicant or not? Please elaborate.

2. What does DNR mean by "forward-looking" companies, "sunk costs," and "project sanctioning decision"? Please describe each.

3. Please describe DNR's "own in-house economic model (DNR Model)." What is it? Who works on it? Is it accurate and effective? What, as specifically as you can describe, are the inputs and outputs? Please talk about the "assumptions and methods currently in use by the U.S. Minerals Management Service (MMS) for the Deep Water Royalty Relief Program (DWRR)."

4. Please discuss the concepts advanced on page 18, re: "a particular view of a projects economics," "40-year time horizon," "various financial metrics for the project including annual and cumulative discounted and undiscounted cash flow, years to payout, NPV, EMV, and IRR on investment, as well as state revenues." Why are these concepts important in evaluating royalty modification applications? What does this analysis tell you? Why is this analysis applied?

5. Please describe the Monte Carlo simulation employed by DNR. What is a Monte Carlo simulation? What are the inputs and outputs? What does it tell you?

6. DNR says, "Calculating risk weighted outcomes is critical to a full analysis of a project." Please describe "risk weighted outcomes" and how they are calculated by DNR. Why are they "critical to the full analysis of a project"?

7. Please describe annual netback price calculations, etc.

Nikaitchuq Development
Royalty Modification
Application

Final Findings and Determination of the Commissioner
of the Department of Natural Resources

DENIAL OF MODIFICATION OF ROYALTY
FOR LEASES: ADLs 355021, 355024, 388571, 388572, 388574, 388575, 388577, 388578, 388580, 388581, 388582, 388583, 390615, and 390616

October 30, 2006

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VII. ATTACHMENTS

1. Request for Royalty Modification, Kerr-McGee, January 11, 2006.
2. Alaska Statute 38.05.180(j)
3. Nikaitchuq Development Area Map
4. Nikaitchuq Project Map
5. Economic Analysis and Internal Decision Process,
   Cover page, (CONFIDENTIAL under AS 38.05.180(j) and "Deliberative Process Privilege")
   The following attachments are included as attachments to the Confidential Economic Analysis and Internal Decision Process

   Econ One, Presentation to Legislature, August, 2005
   "Presentation On Alaska Gas Pipeline Project, Investment Decision-Making by Oil and Gas Companies"
   Kerr-McGee Nikaitchuq Area Project Report, January 11, 2006
   DNR Flow chart of decision process metrics, summary and overview of mechanism.
   DNR Model printouts to support confidential analysis

6. Applicant Submittals and Work Sessions.
7. Copy of Public Notice Affidavits
8. Public Comments

I. BACKGROUND

On January 11, 2006, Kerr-McGee Oil & Gas Corporation[1] (KMG) as operator of the Nikaitchuq Unit (NU) and on behalf of itself and ENI Petroleum Exploration Co. Inc. (ENI) submitted an application (Attachment 1) to the commissioner of the State of Alaska Department of Natural Resources (DNR) for royalty modification under AS 38.05.180(j)(1)(A) (Attachment 2). This Findings and Determination responds to the royalty modification application as required under AS 38.05.180(j)(11)(B).

KMG applied for royalty modification on 14 leases that overlie the Schrader Bluff and Sag River pools. They requested that the fixed royalty rate of 12.5 percent on the two Net Profit Share (NPS) leases, ADLs 355021 and 355024, and that the fixed royalty rate of 16.66667 percent on the 12 other leases, ADLs 388580, 388581, 388583, 388582, 390615, 390616, 388571, 388572, 388574, 388575, 388577, and 388578, be reduced to the minimum rate allowed, 5 percent, with the net profit rate to remain at 30 percent on the two NPS leases.

The commissioner published the Preliminary Findings and Determination and gave public notice of a 30-day public comment period that began on September 1, 2006, and closed at 5 p.m. October 2, 2006, with legal advertisements in the Anchorage Daily News, The Fairbanks News-Miner, and The Arctic Sounder (Attachment 7). The commissioner offered to appear before the Legislative Budget and Audit Committee to provide a review of the Findings and Determination, the Confidential Economic Analysis, and the administrative process, but no invitation for this briefing was received. The submitted data will be held confidential under AS 38.05.035(a)(9) at the request of the lessee and the Confidential Economic Analysis and Internal Decision Process will be held confidential under the Deliberative Process Privilege. This Final Findings and Determination is not appealable to the court.

II. SUMMARY OF KMG'S APPLICATION FOR ROYALTY MODIFICATION

A. Lease Summary

KMG applied for royalty modification on 14 leases. Twelve of the leases are committed to units. ADL 355024, an NPS lease, is committed in its entirety to the Kuparuk River Unit (KRU) and in part to the Kuparuk Participating Area (KPA). ADL 355021, also an NPS lease, is committed in its entirety to the Milne Point Unit (MPU) and in part to the MPU-KPA. Four leases are committed in their entirety to the Nikaitchuq Unit (NU), (ADLs 388580, 388581, 388582, 388583), and six are committed in their entirety to the Tuvaaq Unit (TU), (ADLs 388571, 388572, 388574, 388575, 388577, 388578). The remaining two leases, (ADLs 390615 and 390616), are not committed to a unit and remain in their primary term. (Attachment 3)

[1] Kerr-McGee Oil & Gas Corporation was acquired by Anadarko Petroleum Corp. on August 11, 2006, and is now a wholly-owned subsidiary.

DNR issued ADL 355024 effective June 1, 1983, on Competitive Oil and Gas Lease Form No. DMEM-4-83 (NET PROFIT SHARE)(REVISED May 5, 1983) DNR 10-1113, with a primary term of 10 years, 12.5 percent fixed royalty rate, and 30 percent NPS for the state. Effective June 1, 1985, ADL 355024 was committed in part to the KRU and in part to the KRU-KPA. Effective June 16, 1988, ADL 355024 was committed in its entirety to the KRU (Third Expansion of the Kuparuk River Unit).

DNR issued ADL 355021 effective August 1, 1983, on Competitive Oil and Gas Lease Form No. DMEM-4-83 (NET PROFIT SHARE)(REVISED May 5, 1983) DNR 10-1113, with a primary term of 10 years, 12.5 percent fixed royalty rate, and 30 percent NPS for the state. Effective April 27, 1992, ADL 355021 was committed in its entirety to the MPU in the Third Expansion of the MPU. The Northwest Milne #1 well was drilled on ADL 355021 and effective August 5, 1994, the well was certified capable of producing in paying quantities, thereby extending the lease's primary term indefinitely. Effective June 4, 1994, the lease was committed in part to the MPU-KPA.

DNR issued ADLs, 388571, 388572, 388574, 388575, 388577, 388578, 388580, 388581, 388582, and 388583 on state lease form DOG 9609(REV 6/97), effective January 1, 1998, with a seven-year primary term and a 16.66667 percent royalty rate. Effective April 30, 2004, ADLs 388580, 388581, 388582, and 388583 were committed in their entirety to the NU, and effective August 21, 2004, ADLs 388571, 388572, 388574, 388575, 388577, and 388578 were committed in their entirety to the Tuvaaq Unit extending the leases' terms beyond the primary term.

DNR issued ADLs 390615 and 390616 effective July 1, 2005, on state lease Form No. DOG 200204(REV10/03) with a seven-year primary term and a 16.66667 percent royalty rate.

As a result of assignments of working and royalty interest shares, KMG and ENI have established ownership positions in segments of the two NPS leases, ADLS 355024 and 355021. The royalty modification application is limited solely to the segments of these leases in which KMG and ENI retain working interest ownership (Attachments 1, 3 and 4).

ADL 355024 contains two horizontally differentiated segments, Segment 1 and Segment 2. Segment 1, the southern portion of ADL 355024, is not a part of the royalty modification application and KMG and ENI have no working interest in Segment 1. In Segment 2, commonly referred to as the Kigun portion of the lease, KMG retains a 54.74 percent working interest while ENI retains 44.8 percent. Armstrong Alaska and ExxonMobil each retain less than one percent working interest of Segment 2 only.

ADL 355021 contains three vertically differentiated segments, Segment 1, Segment A, and Segment B. KMG and ENI have no working interest ownership in Segment 1, which comprises the depth of the entire lease from the surface to 7,526 feet true vertical depth (TVD). Segment 1 is not part of the royalty modification application. Segment A,

referred to as Sag River, comprising the depth of the entire lease from 7,526 feet TVD to 9,507 feet TVD is owned by KMG (70 percent working interest owner), and ENI (30 percent working interest owner). Only Segment A of ADL 355021 is included in the royalty modification application. Segment B comprises the balance of the depth of the entire lease, from 9,507 feet to the center of the earth. KMG retains a 35 percent working interest ownership in this segment and ENI holds 15 percent. George Alan Joyce Jr. and Herbaly Exploration LLC hold 5 percent and 45 percent working owner interest respectively. Segment B is not part of the royalty modification application.

KMG and ENI retain 82.00 percent and 18.00 percent, respectively, of the six Tuvaaq leases, ADLs 388571, 388572, 388574, 388575, 388577, 388578. The four Nikaitchuq leases, 388580, 388581, 388582, and 388583, and the two non-unitized leases, ADLs 390615 and 390616, are owned 70 percent by KMG and 30 percent by ENI.

B. Project Development History

In the 2003-2004 and 2004-2005 exploration/appraisal drilling programs KMG/Armstrong encountered accumulations of hydrocarbons in the area of the then proposed NU that included heavy oil and relatively good reservoir rock in the Schrader Bluff Formation and higher-quality oils, but worse reservoir rock in the Sag River Formation. KMG drilled six wells in the Nikaitchuq area in the 2004 and 2005 winter drilling seasons. During the first quarter of 2004, KMG drilled two exploration wells in the NU, the Nikaitchuq #1 and #2 wells to the east of the proposed TU. The Tuvaaq #1 exploration well was also drilled to test the continuity of the Schrader Bluff reservoirs along with examining the potential of deeper horizons. Effective April 30, 2004, the NU was formed and effective August 21, 2004, TU was formed. Each Initial Plan of Exploration for these units was attached and made part of each unit agreement as Exhibit G.

The conclusions regarding the reservoirs and projected performance were derived from studies of the performance from similar reservoirs being developed by offsetting operators, evaluation of multiple exploration/appraisal wells on the Schrader Bluff and Sag River reservoirs drilled in 2004 and 2005, and extensive reservoir and commercial modeling. The confidential analyses of the proposed development were reviewed in meetings with the Division of Oil and Gas (DOG) in August 2005, and DOG held several working sessions with KMG throughout the fall. KMG submitted the Application for Royalty Modification for ADLs 355021, 355024, 388571, 388572, 388574, 388575, 388577, 388578, 388580, 388581, 388582, 388583, 390615, and 390616 on January 11, 2006.

The planned development incorporates the following:

- formation of a new unit possibly comprised of the area currently committed to the Nikaitchuq and Tuvaaq units, surrounding acreage such as ADLs 390615 and 390616, and segments of ADLs 355021 and 355024 in which KMG has a working interest ownership;

- construction of a gravel pad with drilling, gathering, and production facilities on Oliktok Point near the existing ConocoPhillips Alaska Inc. seawater treatment facility;
- construction of a gravel drilling island near Spy Island tied back via a 3.8-mile subsea flow line and utility bundle to Oliktok Point for fluid processing;
- construction of a +/-14 mile pipeline from Oliktok Point to a tie-in near KRU DS-1Y pad for connection to the Kuparuk Transportation common carrier pipeline; and
- consideration of future modifications required to adjust facility configuration to accommodate actual results of well performance.

Development studies indicate that extended reach horizontal producing and injection wells required for pressure maintenance are needed to economically recover the hydrocarbons in place. The planned development would permit a relatively small footprint for centralized facilities and minimal well pads, thereby reducing environmental impacts to the region. Initial drilling will be from a 313,000-square-foot pad to be constructed at Oliktok Point. Existing roads will be used for access. The production facilities will be located on the same pad. A small gravel island is to be constructed shoreward of the barrier islands for future drilling. A subsea bundle containing a three-phase production line and multiple utility lines will be constructed to connect the gravel island to Oliktok Point to transport production to Oliktok Point and provide fuel, secondary recovery fluid, and power to the gravel island.

III. SUMMARY OF ROYALTY MODIFICATION AUTHORITY AS 38.05.180(j)(1)(A), (2), (3), (4)(A), (5)

A. Royalty Modification Requirements

AS 38.05.180(j)(1)(A) authorizes the DNR commissioner to provide for royalty modification on individual leases, leases unitized as described in (p) of this section (AS 38.05.180), leases subject to an agreement described in (s) or (t) of this section (AS 38.05.180), or interests unitized under AS 31.05 to allow for production from an oil or gas field or pool if:

1. the oil or gas field or pool has been sufficiently delineated to the satisfaction of the commissioner;
2. the field or pool has not previously produced oil or gas for sale; and
3. oil or gas production from the field or pool would not otherwise be economically feasible.

Under AS 38.05.180(j)(2), the commissioner may not grant a royalty modification unless the lessee or lessees requesting the royalty modification make a clear and convincing showing that a royalty modification meets the requirements of AS 38.05.180(j) and is in the best interests of the state.

B. Royalty Modification Terms

Under AS 38.05.180(j)(3) the royalty modification terms must provide for an increase or decrease or other modification of the state's royalty share by a sliding scale royalty or other mechanism that shall be based on a change in the price of oil or gas and may also be based on other relevant factors such as a change in production rate, projected ultimate recovery, development costs, and operating costs.

Under AS 38.05.180(j)(4)(A) a royalty modification may not be granted for the field or pool if the royalty modification would result in a royalty rate of less than 5 percent in amount or value of the production removed or sold from a lease or leases covering the field or pool.

Under AS 38.05.180(j)(5) a royalty reduction must include an explicit condition that the royalty reduction is not assignable without the prior written approval, which may not be unreasonably withheld, by the commissioner. The commissioner shall, in the preliminary and final findings and determinations, set out the conditions under which the royalty reduction may be assigned and may not grant a royalty reduction without an explicit condition that the royalty reduction is not transferable.

IV. DISCUSSION OF ROYALTY MODIFICATION REQUIREMENTS

A. Leases Are Eligible For Consideration

The leases meet the requirements for consideration. Six of the leases proposed for royalty modification are committed in entirety to the TU, four to the NU, one to the MPU, one to the KRU, and two are non-unitized leases. AS 38.05.180(j)(1) allows modification of royalty for individual leases and unitized leases.

B. Reservoir Description and Delineation

1. Introduction To Reservoir Description

The commissioner may grant royalty modification to allow for production from an oil or gas field or pool if the oil or gas field or pool has been sufficiently delineated to the satisfaction of the commissioner. For purposes of this decision, the KMG Nikaitchuq #1 is considered the type well for both the Schrader Bluff and Sag River pools. Nikaitchuq #1, completed April 1, 2004, was the first well drilled within the NU and proved potential in both the Sag River and Schrader Bluff formations. The Schrader Bluff pool encompasses both the N and OA Sands and is defined in Nikaitchuq #1 as the interval between 4,865 feet measured depth (MD) (3,999 feet subsea TVD) and 5,096 feet MD (4,174 feet subsea TVD). The Sag River pool is defined in Nikaitchuq #1 as the interval between 10,359 feet MD (8,631 feet subsea TVD) and 10,738 feet MD (9,039 feet subsea TVD).

The Nikaitchuq area for which royalty relief is sought lies offshore in the Beaufort Sea in the vicinity of Spy Island, approximately three miles north of Oliktok Point. The Nikaitchuq area is north of and contiguous with the northern edges of the KRU and MPU.

The MPU field lies to the south-southeast of the proposed unit and produces oil from the Schrader Bluff, Kuparuk, and Sag River formations.

2. Early Exploration History of the Area

Two early key exploration wells lie within several miles of the Nikaitchuq development area. The Unocal East Harrison Bay State #1 well lies near the northwest corner of the KRU, to the southwest of the NU. The well was drilled in February 1977 to a measured depth of 9,809 feet, bottoming in argillite basement. The East Harrison Bay State #1 well logs appear to contain about 15 feet of oil-bearing Kuparuk sandstone that appears cemented in the upper half. The Jurassic section looks silty on logs. The ARCO Kalubik 3 well, drilled in February 1998, lies to the south-southwest of the Nikaitchuq area. The well bottomed in the Jurassic at a measured depth of 7,000 feet. The well encountered a 40-foot-thick MD interval of Kuparuk C sandstone that appears on electric logs as oil-bearing, but siderite cemented in the upper 10 feet of the interval. On well logs the Jurassic interval appears silty with a 12-foot silty sand developed around 6,565 feet MD. The well was plugged and abandoned on March 6, 1998.

3. Drilling History

The first major exploration activity in the area in the early 1970s targeted the Ivishak Formation following the discovery of the prolific Ivishak Formation in Prudhoe Bay State #1 in 1967. The Hamilton Brothers Milne Point #18-1 was one of the early wells drilled on the Milne Point structure in 1970 in search of Ivishak and Lisburne objectives. This well encountered about 50 feet of tight oil-saturated sandstone that was not tested and a section of Kuparuk sandstone that tested at a rate of 875 BOPD. This discovery led to increased industry interest in the Milne Point area and led to exploration and delineation drilling for Kuparuk reserves. In the early 1980s the Sag River was cored in the Conoco Milne Point Unit #C-1 well and contained bleeding oil and gas. The Sag River Sandstone was also cored in the MPU #L-1 well and contained no visible porosity or staining and the Sag River appeared tight on wire line logs.

In the early 1990s about a dozen wells were drilled to the west-southwest of the Nikaitchuq area with Jurassic sandstones and Kuparuk C sandstones as targets. The ARCO Kalubik #1 well encountered approximately 160 feet of productive Nuiqsut and Nechelik sandstone that tested at an unstimulated rate of 336 BOPD. In addition the well penetrated an 85-foot section of Sag River Sandstone with calculated log porosities in the range of 15 to 22 percent. The Thetis Island #1 well also encountered an 80-foot section of porous Sag River sandstone with log-calculated porosities in the range of 16-24 percent. A pay section of Nuiqsut sandstone was also encountered in this well that tested at an average rate of 120 BOPD with a high rate of 650 BOPD. Both the Kalubik #1 well

and Thetis Island #1 well drilled through Brookian sandstones that contained mud log hydrocarbon shows.

In the late 1990s BP drilled several dedicated Sag River Sandstone test wells, including MPU #C-23, #K-33, #E-13A, 3F-33, #F-33A, and #F-73A. Alaska Oil and Gas Conservation Commission (AOGCC) production data indicate that several Milne Point wells have produced oil out of the Sag River Sandstone and two oil producing wells MPU F-33A and K-33, are currently shut-in. MPU #C-23 produced 378,012 barrels of oil between 1996 and 2001. MPU #F-33 produced 314,276 barrels of oil between September 1996 and May 1999 and was subsequently plugged and abandoned. MPU #K-33 has produced approximately 93,241 barrels of oil since 1997. MPU #E-13A produced 366,665 barrels of oil between 1995 and April 2001. MPU #F-33A produced approximately 533,351 barrels of oil since April of 2001. MPU #F-73A produced 13,430 and is now a water alternating gas injection (WAGIN) well. AOGCC reservoir data indicate that the oil commonly recovered from the Sag River sandstone has an API oil gravity of about 37 degrees. Total production from the MPU Sag River Sandstone has been 1,709,268 barrels of oil and 1,754,912 MSCF gas through February 2006.

The original GOR ranged from 784 – 974 SCF/STB. Production from the Sag River pool at MPU has been intermittent with shut-in periods from June 1999 through February 2002 and all of 2006.

4. Certified Wells in the Vicinity

Eight wells southwest of the Nikaitchuq area have been certified by the state as capable of production in paying quantities: the Exxon Thetis Island #1, the Kalubik #1, the Kuukpik #3; and five Colville Delta wells (Texaco Colville #1, #1A, #2, and #3 and the Amerada Hess Corporation Colville 25-13-6). The two closest certified wells to the Nikaitchuq development area are the Exxon Thetis Island #1 and ARCO Kalubik #1. The Pioneer Ivik #1 well, drilled about three miles south of Thetis Island #1 well in 2003, tested 1,300 BOPD in Jurassic sands.

The Exxon Thetis Island #1 well was spud on March 6, 1993, and completed on April 28, 1993. A combined co-mingled drill stem test was conducted in two intervals: 6,356 – 6,364 feet MD in a thin Kuparuk C sandstone and 6,404 – 6,460 feet MD in a Jurassic (probably Nuiqsut) sandstone. During the first 24 hours of the well test the well stabilized on an 18/64" choke at a flow rate of 64 BWPD and 43 BOPD (rate varied between 50-350 BOPD) of 24.8-degree API oil. The well was then treated with acid and flowed for 30 hours. The well flow rate stabilized on an 18/64" choke at an average rate of 154 BOPD in the last four hours of the test (188 BOPD rate the last hour of the test). Exxon also tested a sandstone within the Seabee Formation at 5,576 – 5,633 feet MD that produced mud filtrate with a trace of oil. Exxon applied for Thetis Island Unit Well 1 certification for lease ADL 379301 on May 18, 1994. The Thetis Island well was certified as capable of production in paying quantities on February 24, 1995.

The ARCO Kalubik #1 was spud on March 5, 1992, and completed on May 1, 1992. A drill stem test was conducted on the Kalubik #1 between April 16-19, 1992, on a perforated interval of Kuparuk C sandstone from 6,085 – 6,120 feet MD. The interval was tested for a 24-hour flow period and produced at a rate of 1,200 BOPD with a 450 GOR and 0 percent water cut. Two other intervals were tested in the well. An upper Cretaceous sandstone (5,050 – 5,250 feet MD) recovered 4.5 BO and 146 BW in a 12.5-hour test from which an average oil rate of 10 BOPD was calculated. The Jurassic Nuiqsut sandstone at 6,385-6,445 feet MD was also tested and recovered 280 BO (with a measured API gravity of 23 and a GOR of 232 scf/stb) and no formation water. During the 20-hour test a measured oil rate of 336 BOPD was recorded. ARCO applied for well certification for the Kalubik 1 well on 9/8/1997 and the well was certified by the state for the Kuparuk C sandstone effective January 21, 1998.

Southwest of the Kalubik #1 well the Texaco Colville Delta #1, #2, and #3, and the Amerada Hess Corporation (AHC) Colville #25-13-6 1 wells were certified by the state as capable of production in paying quantities from the Jurassic Nuiqsut sandstone on 10/14/1991. In the Texaco Colville Delta #3 well a test was done on a Torok sandstone (5,120 – 5,183 feet MD) that recovered 841 BO (24-degree API gravity) and diesel, 2 BW, and 508 MCF in 95.75 hours. A Torok test in the Texaco Colville Delta #2 well was wet. The state certified the ARCO Kuukpik #3 well as capable of production in paying quantities for the Kuparuk C and Jurassic Nuiqsut sandstones on April 14, 1993.

5. Brookian Sandstone Potential

Brookian sandstones were deposited during latest Cretaceous and Paleocene time in available accommodation spaces as the Colville Trough was filled with sediment in response to thrust loading from the Brooks Range, a large north vergent fold and thrust belt to the south. Brookian sandstone at 5,050 – 5,250 feet in the Kalubik #1 well tested oil (API gravity not measured) at the rate of 10 BOPD. Brookian sands were also tested in the Thetis Island #1 well at depths of 5,576 – 5,578 feet MD and 5,631 – 5,633 feet MD that produced mud filtrate with a trace of oil.

6. Jurassic Sandstone Potential

Several wells in the Colville Delta area tested Nuiqsut sands: the Texaco Colville Delta #1 well produced at a rate of 1,075 BOPD of 25 API oil; the Texaco Colville Delta #2 well produced at a rate of 409 BOPD with the measured oil gravity varying from 24- to 40-degree API; the Texaco Colville Delta #3 well produced at a rate of 2,170 BOPD of 27.7-degree API oil; and the ARCO Kalubik #1 well produced at a rate of 410 BOPD of 21-degree gravity oil.

7. Sag River Formation Tests

KMG Nikaitchuq #1 (completed April 1, 2004)
Nikaitchuq #1 encountered 41 feet gross and 23 feet net pay in the Schrader Bluff OA sand and 33 feet gross and 17 feet net Sag River B Sand. The Schrader Bluff was not tested.

On April 19, 2004 KMG announced that the Nikaitchuq #1 well "production tested more than 960 BOPD of 38-degree API crude" from the Sag River Sandstone between the depth of 10,408 – 10,472 feet MD (8,679 – 8,741 feet subsea TVD). The Sag River sand was tested for 210 hours, fluids were produced for 150 hours after oil reached surface. Daily rate peaked at 960 BOPD on Day 3 and declined to 760 BOPD at the end of the Day 6. Daily rates were calculated on a 24-hour basis rather than using instantaneous rates as plotted in the operator's report. GOR was 937 SCF/STB during the test. Wellhead pressure (WHP) fluctuated during the test mainly caused by water-loading and gas-slugging. The final WHP ranged between 300 psi to 400 psi and 14 percent water cut. A pressure transient test analysis showed permeability of about 3 – 4 millidarcies and no skin effect (undamaged). The 591-foot test radius of investigation represents about 25 acres, a relatively small portion of the reservoir.

KMG Nikaitchuq #2
The well encountered 30.5 feet gross Sag River sand and 7 feet net Schrader Bluff OA sand. There was no flow test conducted. The well was cored in the Sag River Sandstone and permeability measured 2 millidarcies indicating tight reservoir rock.

KMG Nikaitchuq #3
A 3,000-foot horizontal section was drilled with approximately 1,834 feet of net pay in the Sag River Sandstone. The Sag River was tested using a pump for 81 hours after oil surfaced. The initial rate declined from 1,327 BOPD at Day 1 to 760 BOPD (at 81 hours) of 32-degree API oil. Solution GOR averaged about 230 SCF/STB during the test. Wellhead pressure stabilized at 130 psi and pump intake pressure down hole finished at 1,230 psi prior to shut-in. Water cut ranged from 40-60 percent during the test but the water source was not determined conclusively. Pressure transient analysis indicated 5 millidarcies permeability, no skin damage, and the drainage area bounded by faults. Source of water production hampers the assessment of the formation's productivity.

8. Schrader Bluff Formation Tests

KMG Nikaitchuq #4
Approximately 3,000 feet of gross horizontal Schrader Bluff formation was drilled in this well, with approximately 2,270 feet of net pay, from a 30foot TVD net pay thickness. A two-week production test was performed on the well using an electric submersible pump (ESP) to aid in producing the 16 – 17 API crude. The well tested at rates up to 1,200 barrels of oil per day during periods of the initial test. Permeability estimated from the test were greater than 350 millidarcies and was confirmed from the analysis of the tests conducted on a whole core obtained from the well.

KMG Tuvaaq #1

The well was not tested. It penetrated 30 feet net pay Schrader Bluff OA Sand and 12 feet net Schrader Bluff N sand. There were no cores taken at Tuvaaq. Schrader Bluff N sand was interpreted to be oil filled here and at Kigun #1 appeared unconsolidated with permeability estimated from 100-1000 millidarcies and porosity 25-35 percent.

KMG Kigun #1

The well was not tested. It penetrated 29 feet net pay Schrader Bluff OA sand and 30 feet net N sand. An MDT tool run sampled the Schrader Bluff OA fluids which were 18° API, GOR 59 SCF/STB and viscosity of 82 cp at 87 degree reservoir temperature. (Contamination of the samples with oil-based mud caused concern about the reliability of the sample estimates.) Schrader Bluff OA sand core data indicated 25 percent to 38 percent porosity and up to 1,000 millidarcies permeability in the sandstone intervals.

9. Analog Schrader Bluff Formation Performance

The MPU Schrader Bluff Pool (Figure 1), KRU West Sak pool (Figure 2) and Prudhoe Bay Unit (PBU) Polaris and Orion pools – Figure 3, represent Schrader Bluff Formation analog performance. Each of the pools was developed initially with vertical or slanted completions. More recently a number of horizontal lateral and multi-lateral wells have been completed in each of these pools. MPU and KRU Schrader Bluff wells show a distinct, lower rate performance than the newer developed Polaris and Orion pool wells. The later Schrader Bluff Formation developments are building on earlier techniques by going from vertical to horizontal and multilaterals wells. The horizontal and multilaterals should consistently outperform the older wells because more formation is exposed and the completions are more efficient.

The wells in each Schrader Bluff Formation pool exhibit early flush production for six to 12 months. The PBU Schrader Bluff completions show slightly higher initial rate profiles followed by relatively steep decline. The average MPU Schrader Bluff completion (heavy bright green points and line) declined from 1,200 bopd to 500 bopd at 12 to 40 months. KRU West Sak lateral completions performed similar to MPU Schrader Bluff.

KMG has stated its plan is to develop Nikaitchuq Schrader Bluff Formation with horizontal wells. KMG's prognosis of performance can be compared to the analogs by evaluating average Schrader Bluff well performance from initial completion to date. There is nearly five years of history for the various Schrader Bluff Formation wells. Orion appears to be more productive so far but the long-term performance has not been adequately defined. KMG appears to assume its development will improve on the previous KRU and MPU Schrader Bluff completions by using the latest technology, namely horizontal and or multilateral completions. KMG's cases align reasonably with the MPU Schrader Bluff and KRU West Sak and PBU Polaris average performance. PBU Orion performance is notably better than KMG's high case average rates.

10. Analog Sag River Formation Performance

The Sag River Formation has been developed on a stand alone basis at MPU. Well performance is depicted in Figure 4 for the five MPU Sag River completions. They consistently show initial flush production followed by steep decline within the first year to less than 50 percent of the initial rate. KMG's Sag River tests showed similar initial production rates and comparable if not more pronounced decline. At this time no obvious upside is evident based on analog performance and KMG's test results. Stimulation and perhaps innovative EOR techniques could improve recovery prospects in the Sag River Formation at Nikaitchuq.

11. The Pools Are Sufficiently Delineated

KMG has adequately delineated the Schrader Bluff Formation in the Nikaitchuq area. The company's drilling, testing, and evaluation programs appear to have highlighted the obvious risks and identified the possible upside by extending drilling and completion technology. The Nikaitchuq facility may be standalone and therefore is likely economically challenged more so than the KRU, MPU, and PBU Schrader Bluff developments. These pools had established infrastructures to provide the basis for development.

Sag River Formation has lighter oil than the Schrader Bluff; however, it is plagued with poor quality reservoir rock. The development potential is marginal at best unless there are significant advances in stimulation or EOR technology. Delineation of the Sag River Formation at Nikaitchuq has revealed nothing better than the analog at MPU.

Figure 1. MPU Schrader Bluff Formation lateral performance and average performance (heavy green).

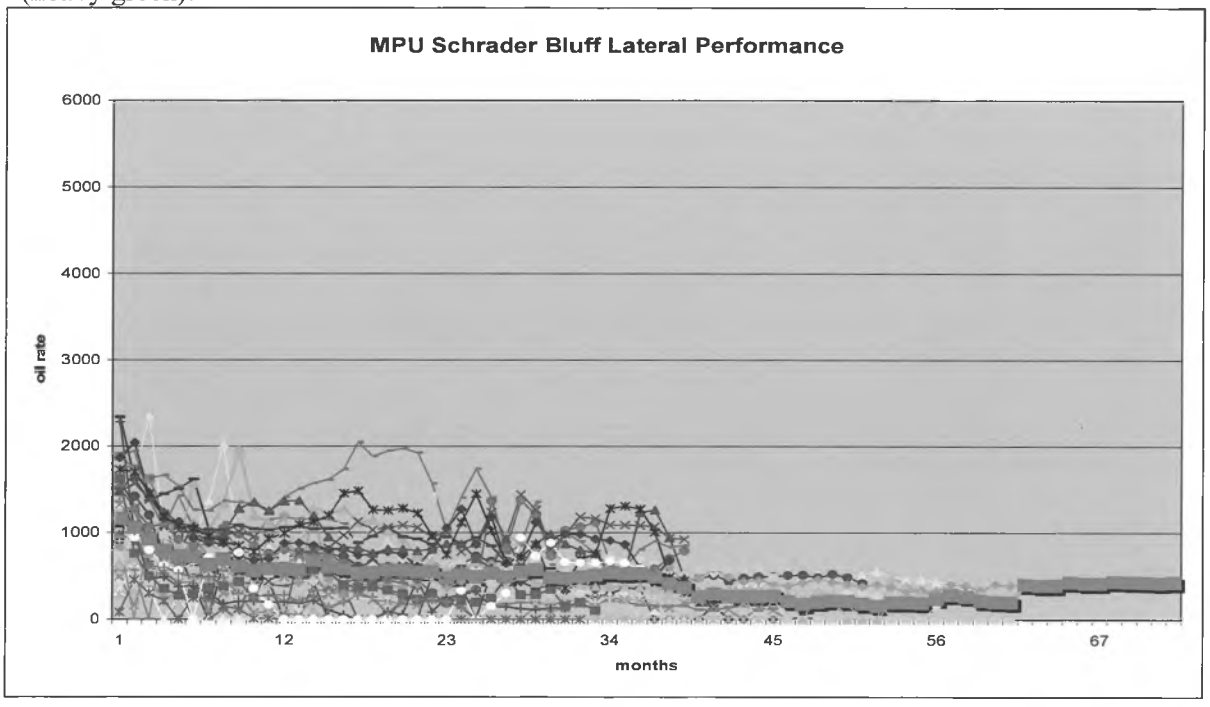


Figure 2. KRU West Sak sands lateral performance and average performance (heavy orange).

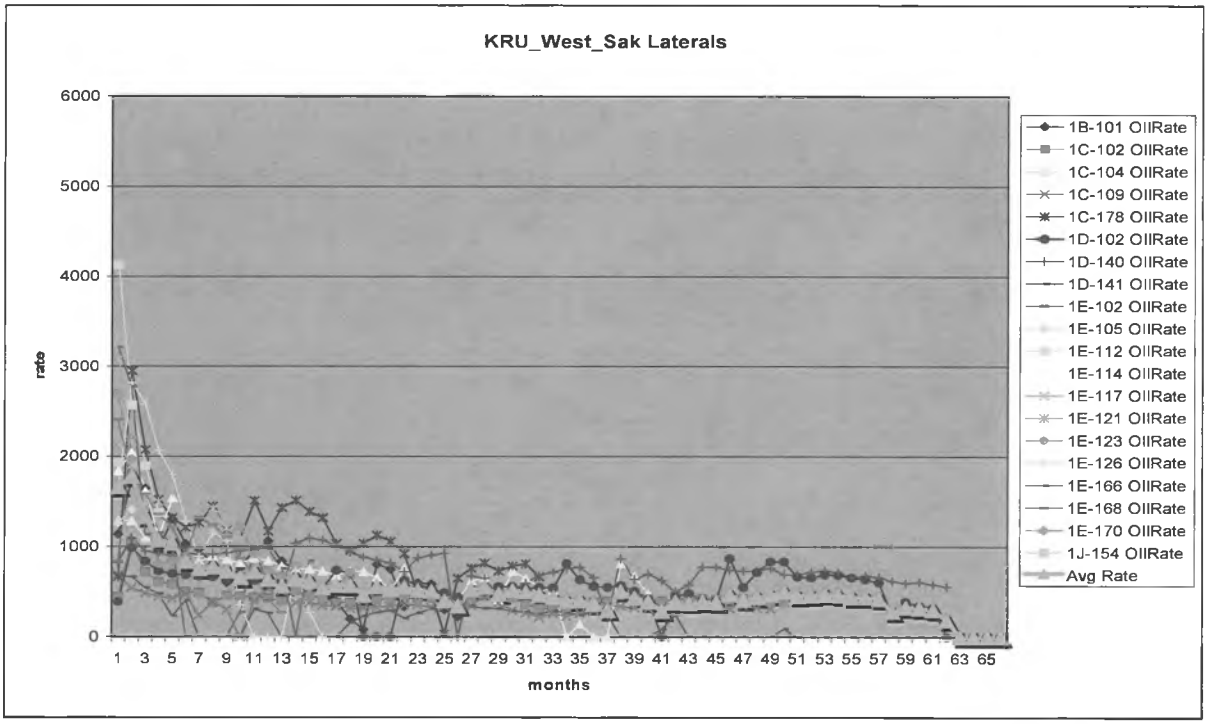


Figure 3. PBU Polaris and Orion Schrader Bluff Formation initial performance.

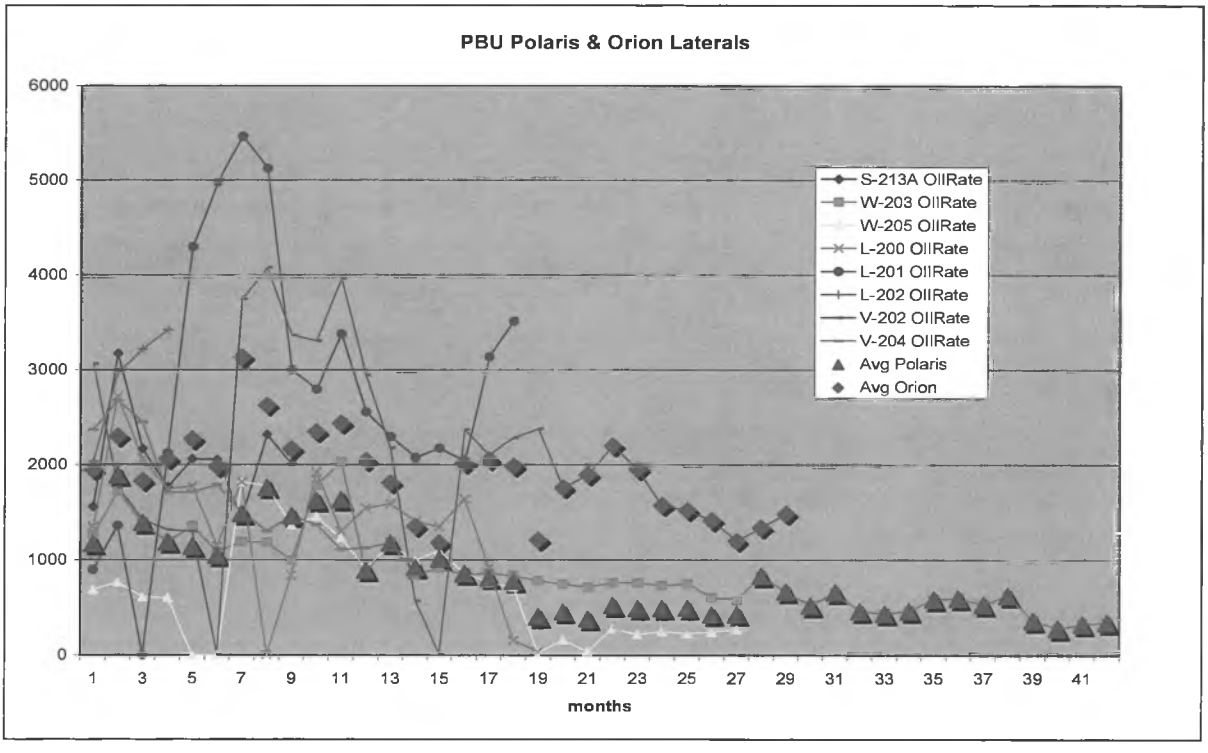
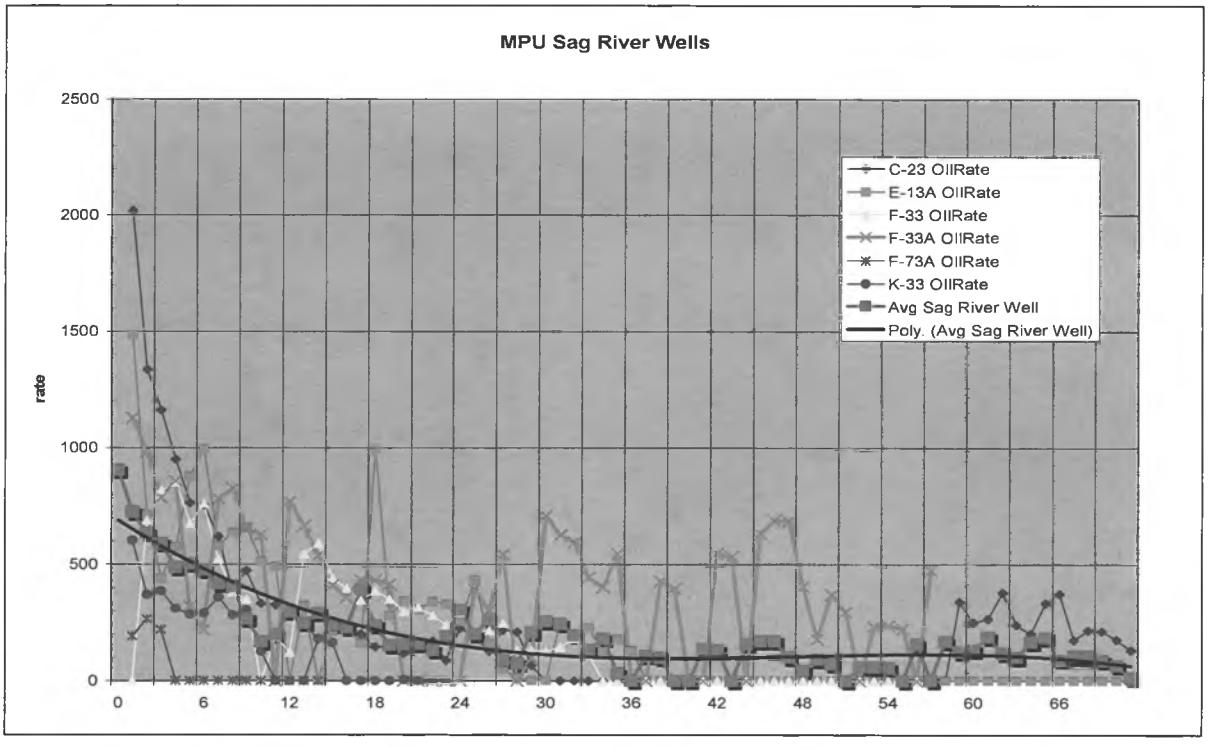


Figure 4. MPU Sag River Formation initial well performance.



C. The Pools Underlying The Leases Have Not Previously Produced Oil or Gas for Sale

No production of oil or gas for sale has occurred from these pools.

D. Oil Production Is Economically Feasible

KMG has submitted financial and technical data and analyses and requested that they be held confidential in accordance with AS 38.05.035(a)(9). Thus, this section does not discuss any confidential information concerning KMG's geologic, engineering and cost data. These documents are included and discussed in detail in the Confidential Economic Analysis and Internal Decision Process in Attachment 5.

To obtain royalty relief the applicant must show by clear and convincing evidence that without royalty modification the project is not economically feasible. The history of this area indicates little interest in area prospects with high exploration and development costs and low production estimates. These assessments were all made under much less beneficial fiscal assumptions which have since improved as discussed below.

E. Economic Analysis

DNR believes that granting royalty modification should influence the behavior of the applicant – it should make a material difference to the applicant's decision-making. If, by modifying lease terms for the applicant, its behavior is not changed, i.e., working interest owners would have done the project anyway, the state has given up the value of the lost revenue for no reason. Because most companies are forward-looking in their decision-making process, DNR excludes sunk costs prior to the date of the application from the royalty modification analysis and the determination of whether a project is economically feasible. Sunk costs, or expenditures sanctioned prior to an application, do not factor into a project sanctioning decision for a forward-looking company and therefore should not be a factor in the determination of granting or denying royalty modification.

DNR analyzed the information submitted by KMG and used its own in-house economic model (DNR Model) for the Nikaitchuq development to independently assess the financial need and ultimate economic effects of a royalty modification for both KMG and the State of Alaska. KMG shared with the state portions of its proprietary economic model, but the state chose to use its own model that incorporated many input assumptions provided by KMG.

DNR examined the assumptions and methods currently in use by the U.S. Minerals Management Service (MMS) for the Deep Water Royalty Relief Program (DWRR). The MMS has developed an in-house proprietary probabilistic economic model for Royalty Suspension Viability Program (RSVP). Where possible, DNR adopted an approach

similar to that of the MMS by developing an independent model and implementing a decision path using economic metrics from the model.

An economic model reflects a particular view of a project's economics. The DNR Model describes the expected investment, production, price, revenue, and cost for the Nikaitchuq development over at least a 40-year time horizon. The DNR Model incorporates the state and federal tax and royalty fiscal system, as well as other important commercial relationships. This in-house model also was flexible, allowing DNR to quickly incorporate changes to the fiscal system and properly model the recently enacted production tax (PPT), signed into law on August 22, 2006. The model provides a platform for systematic evaluation of a change in the royalty rate in terms of various financial metrics for the project including annual and cumulative discounted and undiscounted cash flow, years to payout, net present value (NPV), expected monetary value (EMV), and internal rate of return (IRR) on investment, as well as state revenues. Also, DNR used its model to carry out sensitivity analysis of key driver assumptions and to characterize certain price, production, and cost variables in terms of probability distributions to evaluate how uncertainty among these drivers affects key project metrics and state revenues.

DNR incorporated the applicant's input data and probabilities into its model to derive independent results for the economic feasibility of the project. The DNR Model examines a range of possible inputs to derive a P50, or median, outcome from a Monte Carlo simulation. The P50 result is the value where 50 percent of the outcomes lay below this point and 50 percent of the outcomes lay above the P50 outcome. The DNR Model uses Palisades Software's "@Risk" Monte Carlo software application to run the simulations and generate charts, graphs and reports used in analysis.

For example, consider the determination of the amount of original oil in place (OOIP). The applicant submitted three scenarios (low, medium, and high) that characterize the range and likelihood of possible outcomes for the key determinants of OOIP: recovery rate, water saturation, permeability, porosity, net pay and areal extent. Each OOIP determinant is assigned a probabilistic value of perhaps P90, P50 and P10. The applicant's simulations indicate that 90 percent of the results are at least equal to X_{LOW}, n other words, the low case. A P50 indicates that 50 percent of the results are at least equal to X_{MEDIAN}, the median case. The P10 case is the high side case. Here the results fall at or above the X_{HIGH} range only 10 percent of the time. DNR's estimate of OOIP is calculated as a distribution of possible OOIP outcomes that takes into account the ranges and likelihoods for each of the OOIP determinants. The P50 OOIP calculated by the DNR Model directly incorporates uncertainty; it is risk weighted.

Calculating risk weighted outcomes is critical to a full analysis of a project. Once an OOIP distribution has been determined, an estimated ultimate recovery distribution and rate profile are determined based on the applicant's reservoir simulation results. The rate profile, when combined with netback price, determines the revenue stream. Annual netback prices were generated from an Ornstein-Uhlenbech type Mean-Reversion price

model[2] with parameters estimated as described by Schwartz (1997)[3] using annual price data for Alaska North Slope (ANS) West Coast crude as reported by Platt's. The price for 2006 was taken from U.S. Energy Information Agency's most recent price projection for West Texas Intermediate (WTI) crude, and adjusted for ANS-WTI basis by taking the previous 12-month average difference between these two prices. The riskweighted cost profiles are then matched to the revenue stream generated by the probabilistic price and production models. This yields an NPV distribution. The mean of the NPV distribution is the EMV for the entire project that incorporates uncertainty and can be compared "apples-to-apples" with other versions of the project.

Various what-if sensitivity analyses may be run by varying fiscal terms such as the tax system, interest rate, royalty rate and discount rate. For example, using the Excel goal seek function on discount rate, the DNR Model will calculate the discount rate at which the project reaches payout in 25 years. The DNR Model can assess outcomes for any level of probability, P1, P10, P99, for example, the state's share of divisible income under the P10 case, (high side).

The DNR and KMG models did not produce identical results. The numerous work sessions and presentations (Attachment 6) served to resolve some differences in modeling between DNR and KMG. And while the resulting DNR model reflects some disagreement between DNR and KMG on the model results, the differences can largely be explained by differences in the following formulas and assumptions:

1. severance tax formulas and input data assumptions;
2. oil price assumptions;
3. TAPS tariffs assumptions; and
4. oil quality adjustments assumptions.

DNR has received increasingly detailed input data from KMG at several points during the royalty modification application process. With each submission, KMG has revised the range of possible outcomes for resource, production, and cost. This reflects the increased level of knowledge that KMG has gained through study of the project and a more focused view of the project scope on the leases where the resources have been best delineated. DNR has used its model to analyze the series of submissions and has independently determined that the Nikaitchuq development, under the revised production tax, PPT, is economically feasible and does not require royalty modification.

The DNR has determined that under the PPT and over the life of the project, KMG would pay, on a discounted basis, about $120 million less in taxes than under the previous fiscal regime. The high capital expenditures for the Nikaitchuq project serve to offset other statewide income streams and lower the overall tax obligation for the corporation. KMG and its parent, Anadarko Petroleum Corporation, will realize very large profits from Alaska production if oil prices stay at current high levels over the next several years.

less under PPT

[2] Dixit & Pindyck, 1994, http://www.puc-rio.br/marco.ind/sim_stoc_proc.html#mc-mrd

[3] The Stochastic Behavior of Commodity Prices: Implications for Valuation and Hedging", Schwartz, E., Journal of Finance, 1997, Volume 52, issue 3, 923-973

Simultaneously, high capital expenditures at Nikaitchuq will be taking place, resulting in lower net income statewide, offsetting statewide income dollar for dollar and generating "qualified capex" credits that reduce tax obligations. Additionally, at high prices the progressive element of the PPT will be in effect, further increasing taxes for KMG. Capital investments in Nikaitchuq development offset income and result in a lower net tax liability to KMG.

Other impacts PPT will have on this project are shown in Table 1. From the working interest owner's perspective, the new tax regime improves the NPV, IRR, and the profit to investment ratio for the Nikaitchuq development project. At the same time PPT is improving the economics for the working interest owners, the State of Alaska is giving up a significant amount of tax revenue for this project.

Table 1. Effect of severance tax change, implementing PPT, on project economics.

	With PPT - Without PPT Difference
NPV(12% discount rate)	$86 MM
IRR	6.5%
Profit/Investment	17.7%
State of Alaska NPV(5)	-$87 MM

Under AS 38.05.180(j)(7)(A)&(B), DNR has the option of contracting with an independent consultant to provide additional analysis of a royalty modification application. The value of the contract is limited to $150,000.00, to be paid by the applicant. DNR did not contract with an outside consultant for the analysis of this application.

During DNR's discussions with the applicant and analysis of its royalty modification application KMG expressed concern that if the commissioner denied royalty modification it might be precluded from applying for royalty modification at a later date based on new information. The royalty modification statute does not preclude a company that has previously applied for royalty modification from applying again.

V. DISCUSSION OF THE FINAL FINDINGS AND DETERMINATIONS

A. Royalty Modification Requirements

1. KMG's application for royalty modification on ADLs 355021, 355024, 388571, 388572, 388574, 388575, 388577, 388578, 388580, 388581, 388582, 388583, 390615, 390616, meets the requirements for consideration under AS 38.05.180(j)(1). KMG paid the filing fee and submitted a complete application for the royalty modification, including financial and technical data that meet the requirements of 11 AAC 88.105, 11 AAC 83.185, 11 AAC 05.010(a)(10)(H), and AS 38.05.180(j)(6).

2. The Schrader Bluff and Sag River pools have been sufficiently delineated to the satisfaction of the commissioner for the purpose of considering royalty modification and these pools have not previously produced oil or gas for sale.
3. KMG has not shown that oil or gas production from the Schrader Bluff and Sag River pools would not otherwise be economically feasible.
4. KMG has failed to make a clear and convincing showing that a modification of royalty meets the requirements of 38.05.180(j) and is in the best interests of the state.

B. Royalty Modification Denied

AS 38.05.180(j)(1)(A), under which the application considered here was made, authorizes the DNR commissioner to provide for royalty modification when, in part, oil or gas production from the field or pool would not otherwise be economically feasible. DNR concludes that KMG has failed to show by clear and convincing evidence that the Nikaitchuq development project is economically infeasible without royalty modification and that the modification is in the best interests of the state.

C. Summary of Public Comments

The only public comment received was from the applicant. DNR believes that all of the applicants concerns have been addressed during the detailed analysis and numerous discussions that have occurred throughout the process of evaluating this application.

VI. FINAL FINDINGS AND DETERMINATION

After consideration and analysis of the materials presented by the applicant and comments received regarding the preliminary finding and determination, the DNR has determined that royalty modification for the Nikaitchuq development project is unwarranted. Newly implemented changes to the tax structure for the State of Alaska have materially improved the economics of this project. Therefore, the royalty modification application is hereby denied.

10/31/06

Michael L. Menge
Commissioner

Date

cc: William Van Dyke, Director, Division of Oil and Gas
Kevin Banks, Senior Commercial Analyst, Division of Oil and Gas
Jeff Landry, Department of Law

VII. ATTACHMENTS

ATTACHMENT 1
Nikaitchuq Royalty Modification Application, Kerr McGee, January 11, 2006

KERR-McGEE OIL & GAS CORPORATION
15666 Northchase • Houston, TX 77060

DAVID HENKE
SENIOR INTERNATIONAL NEGOTIATOR

PHONE (281) 673-6337
FAX (281) 673-5345

January 11, 2006

The Honorable , Commissioner Michael Menge
Department of Natural Resources, State of Alaska
550 W. 7th Avenue, Suite 1400
Anchorage, AK 99501

Re: Request for Royalty Modification
Various Leases
North Slope Alaska

Dear Commissioner Menge,

Kerr-McGee Oil & Gas Corporation ("Kerr-McGee") has drilled 3 exploratory wells and 3 appraisal wells in the area depicted on Exhibit A attached hereto (hereinafter "Area"). It has conducted extensive reservoir evaluation, engineering studies, and economic analysis to determine if it is feasible to develop and produce the hydrocarbons discovered in the Schrader Bluff and Sag River formations. Kerr-McGee has, on a confidential basis, shared with various personnel within the Division of Oil and Gas reservoir data, the results of reservoir and engineering analysis, and economic studies related to the Area.

Kerr-McGee hereby requests Royalty Modification for the Alaska State leases described on Exhibit "B" attached hereto ("Subject Leases") pursuant to AS 38.05.180(j). This application is limited to production from the stratigraphic equivalent of the interval from 3,470' to 8,600' TVDSS on the Kigun #1 PB01 log. As to ADL 355021 it is further limited to those depths below the stratigraphic equivalent of 100' below 7,426' TVDSS as drilled in the Conoco NW Milne No. 1 Well. As to ADL 355024 this application is limited to that portion of the lease described on Exhibit B.

This application is submitted by Kerr-McGee on behalf of itself and co-lessee Eni Petroleum Exploration Co. Inc. ("ENI").

Kerr-McGee on behalf of itself and ENI respectfully requests your approval and authorization of the reduction of royalty from the amount set out on Exhibit B to a flat five percent.

A check in the amount of two hundred fifty dollars ($250.00) is attached hereto in payment of the filing fee for this application.

Kerr-McGee has previously provided to personnel of the Division of Oil and Gas, on a confidential

basis, detailed geologic, engineering, and economic analysis sufficient to establish the following:

1 The oil field or pool underlying the Subject Leases has been sufficiently delineated.
2 The oil field or pool has not previously produced oil or gas for sale
3 Oil production from the field or pool would not otherwise be economically feasible.

A summary of the data previously submitted, together with related exhibits which we request you consider in making your determination is attached.

Kerr-McGee submits that it has made a clear and convincing showing through this application and the previously submitted confidential information that the proposed modification of royalty is in the best interest of the State of Alaska and meets the requirements of AS 38.05.180 (j).

Kerr-McGee requests that the information previously provided on a confidential basis remain confidential to the extent permitted by law and regulation and consistent with the requirements of this application and the related review process.

Yours truly,

David Henke

Note: Throughout this document click on the Exhibits and Figures with boxes and jump to the picture of that particular Exhibit or Figure. Click on the Figure number in the lower right hand corner and jump back to the text of the document.

Request for Royalty Modification Submitted January 11, 2006

EXHIBIT A TO THE MODIFICATION OF ROYALTY APPLICATION FILED BY
KERR-McGEE OIL & GAS CORPORATION ON JANUARY 11, 2006

Request for Royalty Modification Submitted January 11, 2006

EXHIBIT B TO THE MODIFICATION OF ROYALTY APPLICATION FILED BY KERR-McGEE OIL & GAS CORPORATION ON JANUARY 11, 2006

LEASE NUMBER	WORKING INTEREST OWNERS	WORKING INTEREST rounded	NET REV INTEREST rounded	LEASE EFFECTIVE DATE	ACRES	ROYALTY BURDEN
ADL 388581	Kerr-McGee	70.00%	56.0%	1/1/1998	2,500.00	16.66667%
		30.00%	24.0%			
ADL 388580	Kerr-McGee	70.00%	56.0%	1/1/1998	2,560.00	16.66667%
		30.00%	24.0%			
ADL 388583	Kerr-McGee	70.00%	56.0%	1/1/1998	1,894.00	16.66667%
		30.00%	24.0%			
ADL 388582	Kerr-McGee	70.00%	56.0%	1/1/1998	1,280.00	16.66667%
		30.00%	24.0%			
ADL355021 depth limited	Kerr-McGee	70.00%	57.75%	8/1/1983	5,120.00	12.5%
		30.00%	24.75%			+ 30%NPS
			- 30%NPS			
ADL 390615	Kerr-McGee	70.00%	58.33%	7/1/2005	1,280.00	16.66667%
		30.00%	25.00%			
ADL 390616	Kerr-McGee	70.00%	58.33%	7/1/2005	1,280.00	16.66667%
		30.00%	25.00%			
ADL388571	Kerr-McGee	82.00%	64.85%	11/1/1998	2,766.36	16.66667%
		18.00%	14.24%			
ADL388572	Kerr-McGee	82.00%	64.85%	1/1/1998	1,968.24	16.66667%
		18.00%	14.24%			
ADL388574	Kerr-McGee	82.00%	64.85%	1/1/1998	1,920.00	16.66667%
		18.00%	14.24%			
ADL388575	Kerr-McGee	82.00%	64.85%	1/1/1998	2,560.00	16.66667%
		18.00%	14.24%			
ADL388577	Kerr-McGee	82.00%	64.85%	1/1/1998	1,280.00	16.66667%
		18.00%	14.24%			
ADL388578	Kerr-McGee	82.00%	64.85%	1/1/1998	1,280.00	16.66667%
		18.00%	14.24%			
Part of ADL 355024 as set out to the right	Kerr-McGee	54.80%	44.8%	6/1/1983	3,780.00	12.5% + 30% NPS
		44.84%	36.7%			
	ExxonMobil	0.36%	0.32%			
	T14N, R8E U Sections 24, 25, 36	T14N, R9E U Sections 19, 30, 31				

ATTACHMENT 2
Alaska Statute 38.05.180(j)

The commissioner

(1) may provide for modification of royalty on individual leases, leases unitized as described in (p) of this section, leases subject to an agreement described in (s) or (t) of this section, or interests unitized under AS 31.05

(A) to allow for production from an oil or gas field or pool if

(i) the oil or gas field or pool has been sufficiently delineated to the satisfaction of the commissioner;

(ii) the field or pool has not previously produced oil or gas for sale; and

(iii) oil or gas production from the field or pool would not otherwise be economically feasible;

(B) to prolong the economic life of an oil or gas field or pool as per barrel or barrel equivalent costs increase or as the price of oil or gas decreases, and the increase or decrease is sufficient to make future production no longer economically feasible; or

(C) to reestablish production of shut-in oil or gas that would not otherwise be economically feasible;

(2) may not grant a royalty modification unless the lessee or lessees requesting the change make a clear and convincing showing that a modification of royalty meets the requirements of this subsection and is in the best interests of the state;

(3) shall provide for an increase or decrease or other modification of the state's royalty share by a sliding scale royalty or other mechanism that shall be based on a change in the price of oil or gas and may also be based on other relevant factors such as a change in production rate, projected ultimate recovery, development costs, and operating costs;

(4) may not grant a royalty reduction for a field or pool

(A) under (1)(A) of this subsection if the royalty modification for the field or pool would establish a royalty rate of less than five percent in amount or value of the production removed or sold from a lease or leases covering the field or pool;

(B) under (1)(B) or (1)(C) of this subsection if the royalty modification for the field or pool would establish a royalty rate of less than three percent in amount or value of the production removed or sold from a lease or leases covering the field or pool;

(5) may not grant a royalty reduction under this subsection without including an explicit condition that the royalty reduction is not assignable without the prior written approval, which may not be unreasonably withheld, by the commissioner; the commissioner shall, in the preliminary and final findings and determinations, set out the conditions under which the royalty reduction may be assigned;

(6) shall require the lessee or lessees to submit, with the application for the royalty reduction, financial and technical data that demonstrate that the requirements of this subsection are met; the commissioner

(A) may require disclosure of only the financial and technical data related to development, production, and transportation of oil and gas or gas only from the field or pool that are reasonably available to the applicant; and

(B) shall keep the data confidential under AS 38.05.035 (a)(9) at the request of the lessee or lessees making application for the royalty reduction; the confidential data may be disclosed by the commissioner to legislators and to the legislative auditor and as directed by the chair or vice-chair of the Legislative Budget and Audit Committee to the director of the division of legislative finance, the permanent employees of their respective divisions who are responsible for evaluating a royalty reduction, and to agents or contractors of the legislative auditor or the legislative finance director who are engaged under contract to evaluate the royalty reduction, if they sign an appropriate confidentiality agreement;

(7) may

(A) require the lessee or lessees making application for the royalty reduction under (1)(A) of this subsection to pay for the services of an independent contractor, selected by the lessee or lessees from a list of qualified consultants compiled by the commissioner, to evaluate hydrocarbon development, production, transportation, and economics and to assist the commissioner in evaluating the application and financial and technical data; if, under this subparagraph, the commissioner requires payment for the services of an independent contractor, the total cost of the services to be paid for by the lessee or lessees may not exceed $150,000 for each application, and the commissioner shall determine the relevant scope of the work to be performed by the contractor; selection of an independent contractor under this subparagraph is not subject to AS 36.30;

(B) with the mutual consent of the lessee or lessees making application for the royalty reduction under (1)(B) or (1)(C) of this subsection, request payment for the services of an independent contractor, selected from a list of qualified consultants to evaluate hydrocarbon development, production, transportation, and economics by the commissioner to assist the commissioner in evaluating the application and financial and technical data; if, under this subparagraph, the commissioner requires payment for the services of an independent contractor, the total cost of the services that may be paid for by the lessee or lessees may not exceed $150,000 for each application, and the commissioner shall determine the relevant scope of the work to be performed by the

contractor; selection of an independent contractor under this subparagraph is not subject to AS 36.30;

(8) shall make and publish a preliminary findings and determination on the royalty reduction application, give reasonable public notice of the preliminary findings and determination, and invite public comment on the preliminary findings and determination during a 30-day period for receipt of public comment;

(9) shall offer to appear before the Legislative Budget and Audit Committee, on a day that is not earlier than 10 days and not later than 20 days after giving public notice under (8) of this subsection, to provide the committee a review of the commissioner's preliminary findings and determination on the royalty reduction application and administrative process; if the Legislative Budget and Audit Committee accepts the commissioner's offer, the committee shall give notice of the committee's meeting to all members of the legislature;

(10) shall make copies of the preliminary findings and determination available to

(A) the presiding officer of each house of the legislature;

(B) the chairs of the legislature's standing committees on resources; and

(C) the chairs of the legislature's special committees on oil and gas, if any;

(11) shall, within 30 days after the close of the public comment period under (8) of this subsection,

(A) prepare a summary of the public response to the commissioner's preliminary findings and determination;

(B) make a findings and determination; the commissioner's findings and determination prepared under this subparagraph regarding a royalty reduction is final and not appealable to the court;

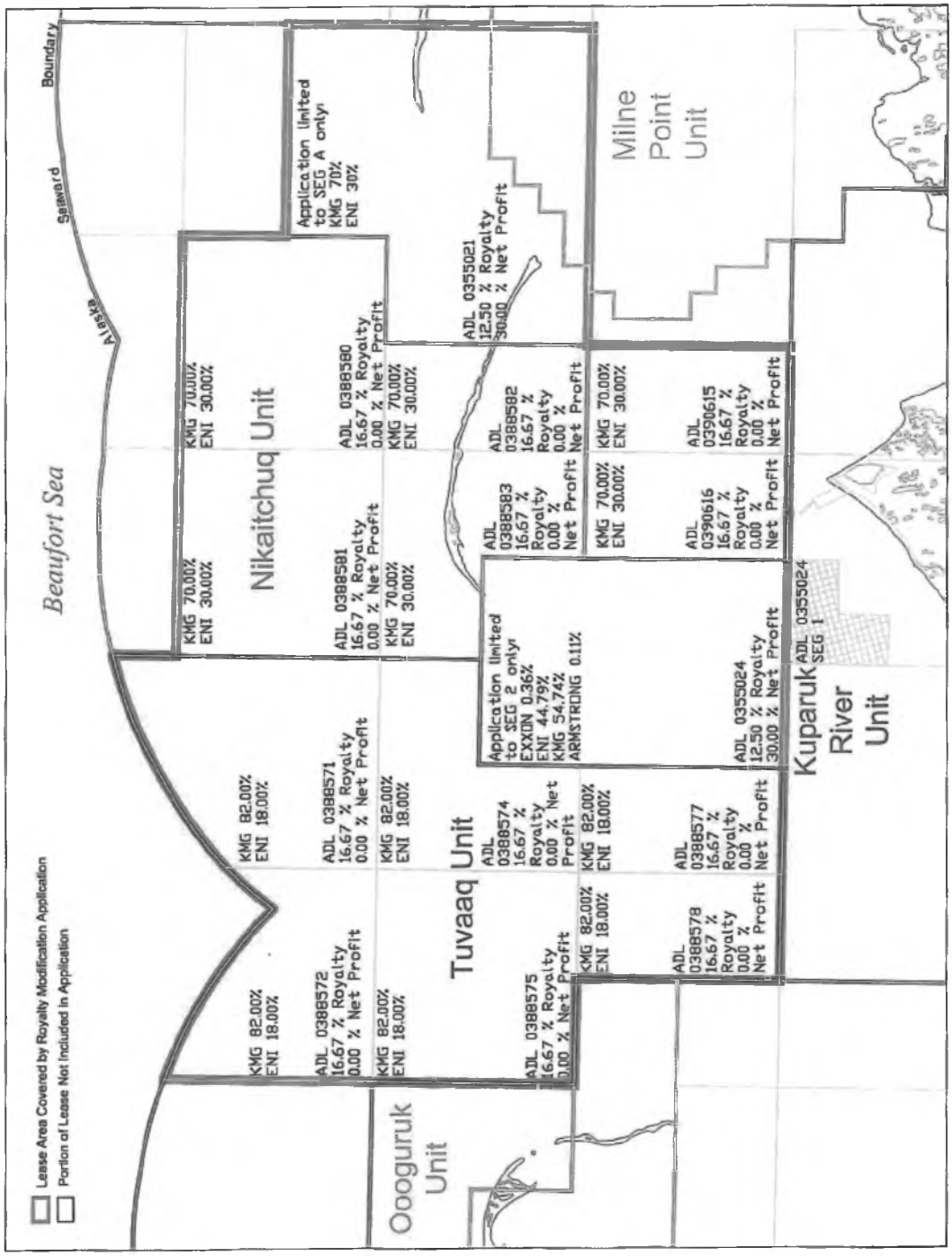
(C) transmit a copy of the findings and determination to the lessee;

(D) with the applicant's consent, amend the applicant's lease or unitization agreement consistent with the commissioner's final decision; and

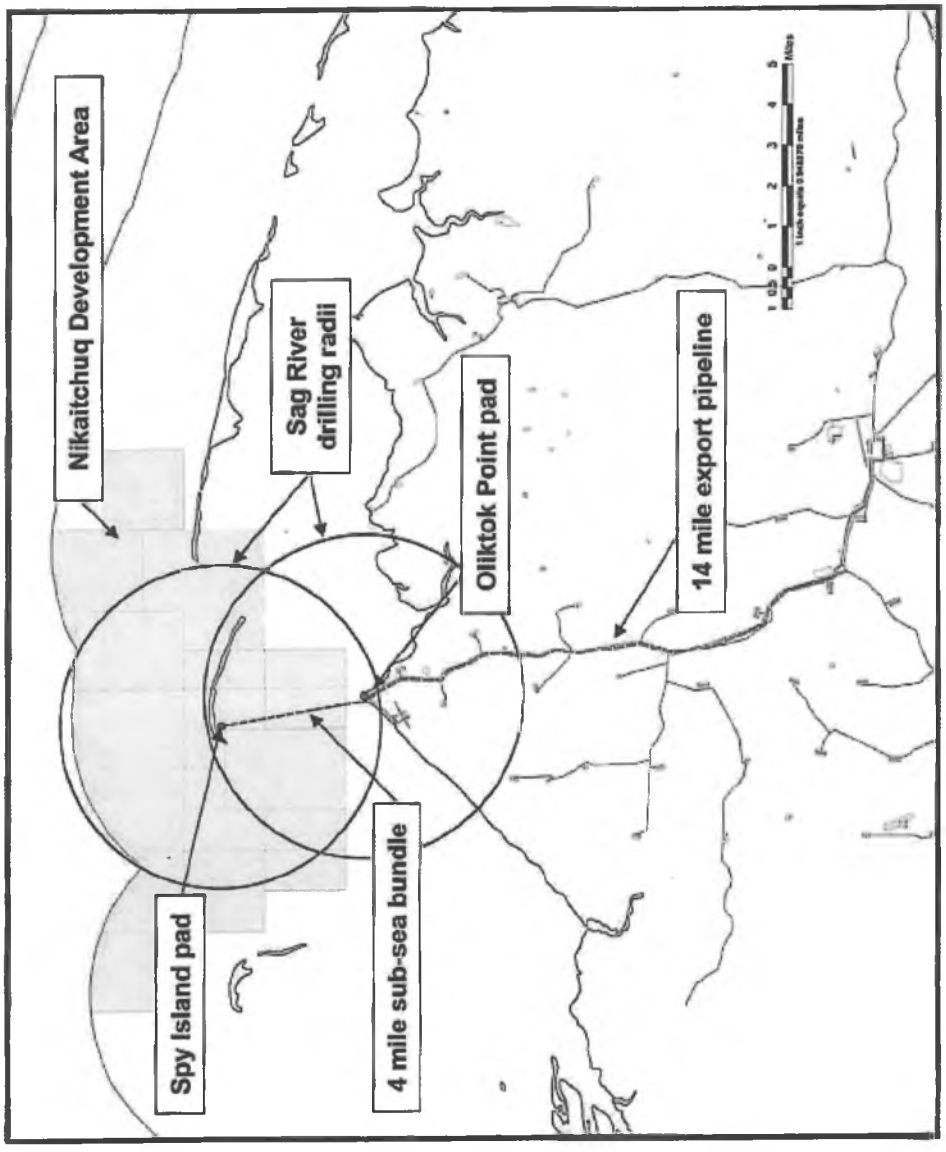
(E) make copies of the final findings and determination available to each person who submitted comment under (8) of this subsection and who has filed a request for the copies;

(12) is not limited by the provisions of AS 38.05.134 (3) or (f) of this section in the commissioner's determination under this subsection.

ATTACHMENT 3
NIKAITCHUQ DEVELOPMENT AREA MAP



ATTACHMENT 4
NIKAITCHUQ PROJECT MAP



ATTACHMENT 5
Confidential Economic Analysis and Internal Decision Process

Nikaitchuq Development Royalty Modification Application

Findings and Determination of the Commissioner of the Department of Natural Resources

CONFIDENTIAL under AS 38.05.180(j) and "Deliberative Process Privilege"

Economic Analysis and Internal Decision Process

October ??, 2006

ATTACHMENT 6

Applicant Submittals and Work Sessions

Applicant Submittals:

August, 2005	Powerpoint presentation of G&G
January 11, 2006	Formal Application for Royalty Modification

Work Sessions and Presentations:

June 23, 2005	NIkaitchuq Unit review
July 9, 2005,	Geology, Geophysics and Engineering
August 9, 2005	Reservoir Engineering Economics
September 27, 2005	Royalty Modification Pre-Application
November 3, 2005	Royalty Modification Pre-Application
November 9, 2005	Royalty Modification Pre-Application
January 11, 2006	Royalty Modification Application
February 9, 2006	Royalty Modification Application

ATTACHMENT 7

Anchorage Daily News
Affidavit of Publication

9/5/2006

1001 Northway Drive, Anchorage, AK 99508

AD #	DATE	PO	ACCOUNT	PRICE PER DAY	OTHER CHARGES	OTHER CHARGES #2	OTHER CHARGES #3	OTHER CHARGES #4	OTHER CHARGES #5	GRAND TOTAL
944037	09/01/2006	10G1674	ALAS1350	$619.36						
				$619.36	$0.00	$0.00	$0.00	$0.00	$0.00	$619.36

STATE OF ALASKA
THIRD JUDICIAL DISTRICT

Christine Clark, being first duly sworn on oath deposes and says that she is an advertising representative of the Anchorage Daily News, a daily newspaper.

That said newspaper has been approved by the Third Judicial Court, Anchorage, Alaska, and it now and has been published in the English language continually as a daily newspaper in Anchorage, Alaska, and it is now and during all said time was printed in an office maintained at the aforesaid place of publication of said newspaper. That the annexed is a copy of an advertisement as it was published in regular issues (and not in supplemental form) of said newspaper on the above dates and that such newspaper was regularly distributed to its subscribers during all of said period. That the full amount of the fee charged for the foregoing publication is not in excess of the rate charged private individuals.

Signed _____

Subscribed and sworn to me before this date:

September 6, 2006

Notary Public in and for the State of Alaska.
Third Division. Anchorage, Alaska

MY COMMISSION EXPIRES: 09/12/2007

Kimberly A. Kirby

KIMBERLY A. KIRBY NOTARY PUBLIC STATE OF ALASKA My Commission Expires Sept. 12, 2007

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS

August 29, 2006

NOTICE
OF THE ISSUANCE OF THE
PRELIMINARY FINDINGS AND DETERMINATION
DENYING ROYALTY MODIFICATION ON
NIKAITCHUQ DEVELOPMENT LEASES:
ADLs 390615 and 390616 (NON-UNITIZED LEASES);
ADL 355021 (COMMITTED TO THE KUPARUK RIVER UNIT);
ADL 355024 (COMMITTED TO THE MILNE POINT UNIT);
ADLs 388571, 388572, 388574, 388575, 388577, and 388578
(COMMITTED TO THE TUVAAQ UNIT);
AND
ADLs 388580, 388581, 388582, 388583, 390615, and 390616
(COMMITTED TO THE NIKAITCHUQ UNIT)

The Alaska Department of Natural Resources (ADNR), Division of Oil and Gas (DO&G), gives notice under AS 38.05.180(j)(8) that it has issued the preliminary findings and determination under AS 38.05.180(j)(1)(A) that denies the royalty modification request on the 14 leases: ADL's 355021, 355024, 388580, 388581, 388583, 388582, 390615, 390616, 388571, 388572, 388574, 388575, 388577, and 388578. DNR received a correctly filed initial application on January 11, 2006, from Kerr-McGee Oil & Gas Corporation (KMG) as operator of the Nikaitchuq and Tuvaaq units on behalf of itself and ENI Petroleum Exploration Co. Inc. (ENI).

To determine whether this royalty modification should be granted, the commissioner of ADNR is required to issue a final written finding and determination that the royalty modification applies to individual leases, leases unitized as described in AS 38.05.180(p), (s) or (t), or interests unitized under AS 31.05 to allow for production from an oil or gas field or pool if

1) the oil or gas field or pool has been sufficiently delineated to the satisfaction of the Commissioner;
2) the field or pool has not previously produced oil or gas for sale; and
3) oil or gas production from the field or pool would not otherwise be economically feasible;

ADNR has received and analyzed the applicant information regarding the development of these 14 leases. The analysis was then used to prepare this written preliminary finding and determination, which addresses the amended January 11, 2006, application. In this preliminary findings and determination the Commissioner establishes the scope of the administrative review for the denial of royalty modification and considers and discusses certain important facts and issues determined to be material as required by AS 38.05.180(j)(1)(A) upon which the commissioner will base his final determination.

The commissioner shall publish this Preliminary Findings and Decision and give public notice of a 30-day public comment period as well as offer to appear before the Legislative Budget and Audit Committee and provide a review of the Findings and Determination and the administrative process. The commissioner shall keep the submitted data confidential under AS 38.05.035 (a)(9) at the request of the lessee or lessees making application for the royalty reduction. Within 30 days of the close of the public comment period the commissioner will prepare a summary of the public comments and make a Final Findings and Determination. The commissioner's final Findings and Determination regarding royalty modification is final and not appealable to the court.

PUBLIC COMMENT
DO&G invites the public to comment on any aspect of the royalty modification including the preliminary findings and determination and any proposed term or condition. Comments should be mailed, faxed or e-mailed to the Division of Oil and Gas, 550 W. 7th Ave., Suite 800, Anchorage, Alaska 99501-3560, Attention: Tim Ryherd, Commercial Analyst, Department of Natural Resources, Division of Oil and Gas; Phone 907-269-8771, Fax 907-269-8938; e-mail Tim_Ryherd@dnr.state.ak.us. Comments must be received no later than 5:00 p.m., October 2, 2006, to be considered in the final findings and determination.

Interested individuals may obtain copies of the preliminary finding and determination from DNR's website at www.dog.dnr.state.ak.us. The documents are also available for public review at the following locations: the Alaska State Library in Juneau, the Loussac Library in Anchorage, the DNR Public Information Center in Fairbanks, Anchorage, and the Barrow City Clerk's Office.

SUBJECT LEASE DESCRIPTION
The 14 subject leases are all located offshore in the Beaufort Sea north of Oliktok Point on Alaska's North Slope. Two of the subject leases are not committed to any oil and gas unit (ADLs 390615 and 390616); one lease is committed to the Kuparuk River Unit (ADL 355021); one lease is committed to the Milne Point Unit (ADL 355024); six leases are committed to the Tuvaaq Unit (ADLs 388571, 388572, 388574, 388575, 388577, and 388578); and six leases are committed to the Nikaitchuq Unit (ADLs 388580, 388581, 388582, 388583, 390615, and 390616). The amended application requests that the royalty rate for ADLs 355021 and 355024 be modified from a fixed royalty rate of 12.5 percent with a 30 percent NPS to the State to a 5 percent royalty rate with a 20 percent net profit share to the State, and that the royalty rate for ADLs 388581, 388580, 388583, 388582, 390615, 390616, 388571, 388572, 388574, 388575, 388577, and 388578 be modified from a fixed royalty rate of 16.6667 percent to a fixed royalty rate of 5 percent.

MAPS
A map of the subject lease area is available on the division's website at www.dog.dnr.state.ak.us and in the Preliminary Findings and Determination document.

FINAL BEST INTEREST FINDING
DNR anticipates making the final findings and determination available to the public on or about October 9, 2006.

ALTERNATIVE COMMUNICATION FORMATS
The ADNR, DO&G complies with Title II of the Americans with Disabilities Act of 1990. This publication can be made available on CD or in alternative communication formats upon request. Please contact Brock Stellar at (907)375-8231 to make any necessary arrangements.

Date: August 29, 2006
/s/: Michael L. Mange Date
Commissioner

AO# 10-G-1674
Publish: September 1, 2006

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ANCHORAGE, AK 99501

Date: September 14, 2006
CASE/PO: 10.G.1672
INVOICE : 906003575
PAPER: ARCTIC SOUNDER

AFFIDAVIT OF PUBLICATION

UNITED STATES OF AMERICA, STATE OF ALASKA, THIRD DIVISION. BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC THIS DAY PERSONALLY APPEARED SHANNON MOONEY WHO, BEING FIRST DULY SWORN, ACCORDING TO LAW, SAYS THAT SHE IS THE BILLING CLERK FOR:

THE ARCTIC SOUNDER,

PUBLISHED AT ANCHORAGE IN SAID DIVISION THREE AND STATE OF ALASKA AND THAT THE ADVERTISEMENT, OF WHICH THE ANNEXED IS A TRUE COPY, WAS PUBLISHED IN SAID PUBLICATION ON 9/7/2006 AND THEREAFTER FOR A TOTAL OF 1 CONSECUTIVE ISSUE(S), THE LAST PUBLICATION APPEARING ON 9/7/2006, AND THAT THE RATE CHARGED THEREON IS NOT IN EXCESS OF THE RATE CHARGED TO PRIVATE INDIVIDUALS.

STAMP

CHRISTINA RITTER NOTARY PUBLIC STATE OF ALASKA My Commission Expires March 24, 2009

SHANNON D. MOONEY
BILLING CLERK, ALASKA NEWSPAPERS

SUBSCRIBED AND SWORN TO ME ON September 14, 2006

CHRISTINA RITTER
MY COMMISSION EXPIRES ON MARCH 24, 2009

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Serving the Northwest Arctic Borough and the North Slope Borough

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(312146 8/24-9/21)

Community Support Services Coordinator

Hope Community Resources Inc. is recruiting for a Community Support Services Coordinator for our Juneau office. BA degree required with preference for Master's Degree in Health/Social Science, Special Ed or related fields, with an emphasis of study in mental health/developmental disabilities. A minimum of two year's work exp. in mental health/human Services, at least one year of case management & supervisory experience. Must be able to work in a fast paced environment with a diverse caseload & coordinate effectively with other agencies, state personnel & program administrators. Exp[illegible] with the Alaska Medicaid waiver pro[illegible]ghly desirable. Previous training/expe[illegible] in mental health, family/individual counseling, group dynamics, & crises interventions is preferred. Must be able to coordinate services, facilitate meetings, quality assure supports, & develop & implement behavioral plans. Strong oral & written communication skills are essential. Hope offers a competitive salary [illegible]cellent benefits. Please apply in per[illegible]pe Community Resources Inc. 540 W[illegible] Airport Rd. (907) 561-5335 or 1 800-478-0078. Applications can be downloaded from our website at www.hopeataska.org Hope is an EOE
(312195 9/7-9/26)

NOTICE OF APPRENTICESHIP OPPORTUNITY CONSTRUCTION DRIVER APPRENTICE

The Alaska Teamsters Construction/ Maintenance/Pipeline Joint Apprenticeship and Training Committee will have application request forms at the Teamsters Training Center beginning September 1, 2006. Applications will then be sent at your request beginning the week of September 21, 2006. Apprenticeship applications will be accepted from September 28, 2006 thru October 10, 2006 and must be received at the Teamster Training Center 1049 Whitney Road Anchorage, AK 99501 (907) 278-3674 in person or mail by 4:30 PM October 10, 2006. Minimum qualifications: age 18 to apply, age 19 upon date of indenture, high school diploma or GED, must meet USDOT drug, alcohol and medical requirements, must have an Alaska class "D" driver license for at least one year and provide a motor vehicle 10 year driving history report. The "Construction Driver Apprenticeship Program" requires four periods of 500 hours of on-the-job training (2400 Hours total) and a minimum of 144

LEGAL NOTICES

Division of Retirement and Benefits, at P.O. Box 110203, Juneau, Alaska 99811-0203. Comments may also be submitted by e-mail sent to Anna_Kirsanova@admin.state.ak.us or by facsimile at (907) 465-3655. The comments must be received no later than 5:00 p.m. on September 30, 2006.

Oral or written comments may also be submitted at one of the following hearings:

September 27, 2006, in the 6th floor conference room of the State Office Building, 333 Willoughby Avenue, Juneau, Alaska. Hearing will be from 1 p.m. to 4 p.m.

September 28, 2006, in the 16th floor conference room of the Atwood Building, 550 W. 7th Avenue, Anchorage, Alaska. Hearing will be from 1 p.m. to 4 p.m.

Both hearings might be extended to accommodate those present before 3 p.m. who did not have the opportunity to comment. Those not able to attend in person may participate via teleconference by calling 1-800-315-6338 and using code 3597# when prompted.

If you are a person with a disability who needs a special accommodation in order to participate in this process, please contact Anna Kirsanova at 800-821-2251 or in Juneau at 465-3597 no later than September 18, 2006, to ensure that any necessary accommodations can be provided.

For a copy of the proposed regulation changes, contact Anna Kirsanova at 800-821-2251 or in Juneau at 465-3597, or go to www.state.ak.us/drb.

After the public comment period ends, the Department of Administration will either adopt these or other provisions dealing with the same subject, without further notice, or decide to take no action on them. The language of the final regulations may be different from that of the proposed regulations. You should comment during the time allowed if your interests could be affected.

Statutory Authority: AS 14.25.005, AS 39.30.090; AS 39.35.005, AS 22.25.027. Former AS 39.37.090

Statutes Being Implemented, Interpreted, or Made Specific: AS 14.25, AS 22.25, AS 39.30.090-39.30.095, AS 39.35, former AS 39.37

Fiscal Information: It is estimated that the proposed regulation changes will require increased appropriations as follows: FY 07, $464,000.0—1,221,000.0; FY 08, $1,020,500.0—2,685,500.0; FY 09, $1,122,500.0—2,954,000.0; FY 10, $1,235,000.0—3,249,500.0

DATE: 8/31/2006

/s/ Traci Carpenter, Plan Administrator
(312217 9/7)

NOTICE OF THE ISSUANCE OF THE PRELIMINARY FINDINGS AND DETERMINATION DENYING ROYALTY MODIFICATION ON NIKAITCHUQ DEVELOPMENT LEASES:

ADLs 390615 and 390616 (NON-UNITIZED LEASES);

ADL 355021 (COMMITTED TO THE KUPARUK RIVER UNIT);

ADL 355024 (COMMITTED TO THE MILNE POINT UNIT);

ADLs 388571, 388572, 388574, 388575, 388577, and 388578

(COMMITTED TO THE TUVAAQ UNIT);

AND

ADLs 388580, 388581, 388582, 388583, 390615, and 390616

LEGAL NOTICES

(COMMITTED TO THE NIKAITCHUQ UNIT)

The Alaska Department of Natural Resources (ADNR), Division of Oil and Gas (DO&G), gives notice under AS 38.05.180(j)(8) that it has issued the preliminary findings and determination under AS 38.05.180(j)(1)(A) that denies the royalty modification request on the 14 leases: ADL's 355021, 355024, 388580, 388581, 388583, 388582, 390615, 390616, 388571, 388572, 388574, 388575, 388577, and 388578. DNR received a correctly filed initial application on January 11,2006, from Kerr-McGee Oil & Gas Corporation (KMG) as operator of the Nikaitchuq and Tuvaaq units on behalf of itself and ENI Petroleum Exploration Co. Inc. (ENI).

To determine whether this royalty modification should be granted, the commissioner of ADNR is required to issue a final written finding and determination that the royalty modification applies to individual leases, leases unitized as described in AS 38.05.180(p), (s) or (t), or interests unitized under AS 31.05 to allow for production from an oil or gas field or pool if

1. the oil or gas field or pool has been sufficiently delineated to the satisfaction of the Commissioner;

2. the field or pool has not previously produced oil or gas for sale; and

3. oil or gas production from the field or pool would not otherwise be economically feasible;

ADNR has received and analyzed the applicant information regarding the development of these 14 leases. The analysis was then used to prepare this written preliminary finding and determination, which addresses the amended January 11, 2006, application. In this preliminary findings and determination the Commissioner establishes the scope of the administrative review for the denial of royalty modification and considers and discusses certain important facts and issues determined to be material as required by AS 38.05.180(j)(1)(A) upon which the commissioner will base his fina[illegible]nation.

The commissioner shall i[illegible]s Preliminary Findings and Decision and give public notice of a 30-day public comment period as well as offer to appear before the Legislative Budget and Audit Committee and provide a review of the Findings and Determination and the administrative process. The commissioner shall keep the submitted data c[illegible]l under AS 38.05.035 (a)(9) at the r[illegible] the lessee or lessees making application for the royalty reduction. Within 30 days of the close of the public comment period the commissioner will prepare a summary of the public comments and make a Final Findings and Determination. The commissioner's final Findings and Determination regarding royalty modification is final and not appealable to the court.

PUBLIC COMMENT

DO&G invites the public to comment on any aspect of the royalty modification including the preliminary findings and determination and any proposed term or condition. Comments should be mailed, faxed or e-mailed to the Division of Oil and Gas, 550 W. 7th Ave., Suite 800, Anchorage, Alaska 99501-3560, Attention: Tim Ryherd, Commercial Analyst, Department of Natural Resources, Division of Oil and Gas; Phone 907-269-8771, Fax 907-269-8938; e-mail Tim_Ryherd@dnr.state.ak.us. Comments must be received no later than 5:00 p.m., October 2, 2006, to be considered in the final findings and determination.

Interested individuals may obtain copies of the preliminary finding and determination from DNR's website at www.dog.dnr.state.ak.us. The documents are also available for public review at the following locations: the Alaska State Library in Juneau, the Loussac Library in Anchorage, the DNR Public Information Center in Fairbanks, Anchorage, and the Barrow City Clerk's Office.

SUBJECT LEASE DESCRIPTION

The 14 subject leases are all located offshore in the Beaufort Sea north of Oliktok Point on Alaska's North Slope. Two of the subject leases are not committed to any oil and gas unit (ADLs 390615 and 390616); one lease is committed to the Kuparuk River Unit (ADL 355021); one lease is committed to the Milne Point Unit (ADL 355024); six leases are committed to the Tuvaaq Unit (ADLs 388571, 388572, 388574, 388575, 388577, and 388578); and six leases are committed to the Nikaitchuq Unit (ADLs 388580, 388581, 388582, 388583, 390615, and 390616). The amended application requests that the royalty rate for ADLs 355021 and 355024 be modified from a fixed royalty rate of 12.5 percent with a 30 percent NPS to the State to a 5 percent royalty rate with a 30 percent net profit share to the State, and that the royalty rate for ADLs 388581, 388580, 388583, 388582, 390615, 390616, 388571, 388572, 388574, 388575, 388577, and 388578 be modified from a fixed royalty rate of 16.6667 percent to a fixed royalty rate of 5 percent.

MAPS

A map of the subject lease area is available on the division's website at www.dog.dnr.state.ak.us and in the Preliminary Findings and Determination document.

FINAL BEST INTEREST FINDING

DNR anticipates making the final findings and determination available to the public on or about October 9, 2006.

ALTERNATIVE COMMUNICATION FORMATS

The ADNR, DO&G complies with Title II of the Americans with Disabilities Act of 1990. This publication can be made available on CD or in alternative communication formats upon request. Please contact Brock Stellar at (907)375-8251 to make any necessary arrangements.

Michael L. Menge
Commissioner
Published: 9/7
(312211 9/7)

AFFIDAVIT OF PUBLICATION

UNITED STATES OF AMERICA
STATE OF ALASKA } SS.
FOURTH DISTRICT

136399

NOTICE OF THE ISSUANCE OF THE PRELIMINARY FINDINGS AND DETERMINATION DENYING ROYALTY MODIFICATION ON NIKAITCHUQ DEVELOPMENT LEASES:
ADLs 390615 & 390616 (NON-UNITIZED LEASES)
ADL 355021 (COMMITTED TO THE KUPARUK RIVER UNIT); ADL 355024 (COMMITTED TO THE MILNE POINT UNIT): ADLs 388571, 388572,388574,388575 88577, and 388578 (COMMITTED TO THE TUVAAQ UNIT); AND ADLs 388580, 388581, 388583, 390615, and 390616 (COMMITTED TO THE NIKAITCHUQ UNIT)

he Alaska Department of latural Resources ADNR), Division of Oil nd Gas (DO&G), gives otice under AS 8 05.180(j)(8) that it has ssued th preliminary findngs and determination nder AS 38.05.180(j)(1) N that denies the royalty odification request on ie 14 leases: ADL's 55021, 355024, 388580, 38581, 388583, 388582, 90615, 390616, 388571, 88572, 388574, 388575, 38577, and 388578. DNR eceived a correctly filed ified application on Janu-y 11, 2006, from KerrcGee Oil & Gas Corpotion (KMG) as operator the Nikaitchuq and vaaq units on behalf of elf and ENI Petroleum ploration Co. Inc. (ENI).

determine whether this yalty modification ould be granted, the mmissioner of ADNR is quired to issue a final tion finding and deternation that the royalty odification applies to ividual leases, leases tized as described in 38.05.180(p), (s) or (t), nterests unitized under 31.05 to allow for proction from oil or gas l or pool if the oil gas field or pool been sufficiently neated to the satisfac- of the Commissioner; the field or pool has previously produced r gas for sale; and oil or gas production n the field or pool uld not otherwise be nomically feasible.

ADNR has received and analyzed the applicant information regarding the development of these 14 leases. The analysis was then used to prepare this written preliminary finding and determination the Commissioner establishes the scope of the administrative review for the denial of royalty modification and considers and discusses certain important facts and issues determined to be material as required by AS 38.05.180(j)(1)(A) upon which the commissioner will base his final determination.

The commissioner shall publish this Preliminary Findings and Decision and give public notice of a 30-day public comment period as well as offer to appear before the Legislative Budget and Audit Committee and provide a review of the Findings and Determination and the administrative process. The Commissioner shall keep the submitted data confidential under AS 38.05.035(a)(9) at the request of the lessee or lessees making application for the royalty reduction. Within 30 days of the close of the public comment period the commissioner will prepare a summary of the public comments and make a Final Findings and Determination. The commissioner's final Findings and Determination regarding royalty modification is final and not appealable to the court.

PUBLIC COMMENT
DO&G invites the public to comment on any aspect of the royalty modification including the preliminary findings and determination and any proposed term or condition. Comments should be mailed, faxed or e-mailed to the Division of Oil and Gas, 550 W. 7th Ave., Suite 800, Anchorage, Alaska 99501-3560, Attention: Tim Ryherd, Commercial Analyst, Department of Natural Resources, Division of Oil and Gas; Phone 907-269-8771, Fax 907-269-8938; e-mail Tim_Ryherd@dnr.state.ak. us. Comments must be received no later than 5:00p, October 2, 2006, to be considered in the final findings and determination.
Interested individuals may obtain cop es of the preliminary finding and determination from DNR's website, at www.dog.dnr.state.ak.us. The documents are also available for public review at the following locations: the Alaska State Library in Juneau, the Loussac Library in Anchorage, the DNR Public Information Center in Fairbanks, Anchorage, and the Barrow City Clerk's Office.

SUBJECT LEASE DESCRIPTION
The 14 subject leases are all located offshore in the Beaufort Sea north of Oliktok Point on Alaska's North Slope. Two of the subject leases are not committed to any oil and gas unit (ADL's 390615 and 390616); one lease is committed to the Kuparuk River Unit (ADL 355021); one lease is committed to the Milne Point Unit (ADL 355024); six leases are committed toe h Tuvaaq Unit (ADLs 388571, 388572, 388574, 388575, 388577, and 388578); and six leases are committed to the Nikaitchuq Unit (ADLs 388580, 388581, 388582, 388583, 390615, and 390616). The amended application requests that the royalty rate for ADLs 355021 and355024 be modified from fixed royalty rate of 12.5 percent with a 30 percent NPS to the State to a 5 percent royalty rate with a 30 percent net profit share to the State, and that the royalty rate for ADLs 388581, 388580, 388583, 388582, 390615, 390616, 388571, 388582, 388574, 388575, 388577, and 388578 be modified from a fixed royalty rate of 5 percent.

MAPS
A map of the subject lease area is available to the public on or about October 9, 2006.

ALTERNATIVE COMMUNICATION FORMATS
The ADNR, DO&G complies with Title II of the Americans with Disabilities Act of 1990. This publication can be made available on CD or in alternative communication formats upon request.Please Contact Brock Stelzer at (907) 375 8251 to make any necessary arrangements.
/s/By: Michael L. Menge
Publish: September 2,

SHANNA S NOTA PUBLIC STATE OF ALAS

Before me, the undersigned, a notary public, this day personally appeared Katy Gallegos, who, being first duly sworn, according to law, says that he/she is an Advertising Clerk of the Fairbanks Daily News-Miner, a newspaper (i) published in newspaper format, (ii) distributed daily more than 50 weeks per year, (iii) with a total circulation of more than 500 and more than 10% of the population of the Fourth Judicial District, (iv) holding a second class mailing permit from the United States Postal Service, (v) not published primarily to distribute advertising, and (vi) not intended for a particular professional or occupational group. The advertisement which is attached is a true copy of the advertisement published in said paper on the following day(s):

9/2/2006

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and that the rate charged thereon is not excess of the rate charged private individuals, with the usual discounts.

Katy Gallegos

Subscribed and sworn to before me on this 30 day of SEPTEMBE, 20 06

Notary Public in and for the State Alaska.

My commission expires August 26, 2009

ATTACHMENT 8
Public Comments

DNR received public comment from the following persons.

Mr. David Henke (via email)
Senior International Negotiator
Anadarko Petroleum Corp.
16666 Northchase
Houston, Texas 77060

Tim J. Ryherd

From: Henke, David
Sent: Monday, October 02, 2006 11:22 AM
To: tim_ryherd@dnr.state.ak.us
Cc: david.lawler
Subject: Comments re Preliminary Findings.... - Royalty Modification - Nikaitchuq area

Both Kerr-McGee Oil & Gas Corporation and Eni Petroleum US LLC have reviewed the Preliminary Findings and Determination for the requested royalty modification for the various leases in the Nikaitchuq area. We have each made individual determinations of the projected effect of the PPT legislation. We have also attempted to match the analysis completed by the DNR staff. Thus far we have not been successful in matching the results obtained by the DNR staff.

We believe it is premature to deny the application at this time for the following reasons:

1. We believe a full and open discussion between the staff and representatives of both Kerr-McGee and Eni identifying the parameters used for the calculation of the expected PPT results should be completed before a final decision is issued. Both Kerr-McGee and Eni will be ready to participate in such discussions during the first half of October. The analysis used in and following such discussions should be considered in the final determination process.

2. The Preliminary Findings and Determination were based upon the impact of recent changes in tax provisions but did not include an evaluation of ongoing changes in project economics or the currently estimated first production date. The costs for the Nikaitchuq project continue to increase and the costs in place after the completion of the 2-well program described below should be a more accurate estimate of the actual costs of the project at the point in time when a decision to proceed with sanction will be made. We believe a full analysis of the information available after the completion of the 2-well program will justify royalty modification.

3. We are conducting a 2-well program to gather additional information before making our final decision on sanctioning the project. The results, including costs, of this 2-well program should be utilized in making the final determination on royalty modification.

Please note my E-Mail Address has changed. Please update your contact list

Final Findings and Determination

For

Nikaitchuq Development
Royalty Modification
Application

Commissioner of the Department of Natural Resources

APPROVAL
OF MODIFICATION OF ROYALTY
FOR LEASES:
ADLs 388571, 388572, 388574, 388575, 388577, 388581, 388582, 388583, 390615, 390616 and 391283

January 11, 2008

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1. Nikaitchuq Royalty Modification Application (October 16, 2007)
2. Map of Royalty Modification Leases Committed to Nikaitchuq Unit
3. Copy of Public Notice Issuance
4. Public Notice Affidavits
5. Map of Nikaitchuq Development Area
6. First Expansion of the Nikaitchuq Unit Area, Termination of the Tuvaaq Unit, and the Contraction of the Kuparuk River Unit Area

7. Economic Analysis and Internal Decision Process: Final Findings and Determination For Nikaitchuq Royalty Modification Application (CONFIDENTIAL under AS 38.05.180(j) and "Deliberative Process Privilege")
8. Public Comments

I. INTRODUCTION AND BACKGROUND

A. Introduction

On October 16, 2007, Eni US Operating Co. Inc. (Eni), as operator of the Nikaitchuq Unit (NU), on behalf of its affiliate Eni Petroleum US LLC, 100 percent working interest owner of the subject leases, submitted an application to the commissioner of the State of Alaska Department of Natural Resources (ADNR) for modification of royalty under AS 38.05.180(j)(1)(A) (Attachment 1). On November 30, 2007, ADNR issued a Preliminary Findings and Determination to respond to Eni's royalty modification application. The public was invited to comment on the preliminary decision for 30 days ending January 7, 2008. ADNR hereby issues its Final Findings and Determination as required under AS 38.05.

Eni has applied for royalty modification on 12 leases which overlie the Schrader Bluff and the Sag River reservoirs. However, the Sag River reservoir was withdrawn from the application at the request of Eni. Eni requests that the fixed royalty rates of

- 12.5 percent on the Net Profit Share (NPS) lease, ADL 391283, and
- 16.66667 percent on the 11 leases (ADLs 388571, 388572, 388574, 388575, 388577, 388580, 388581, 388582, 388583, 390615, and 390616)

be reduced to the minimum rate allowed, 5.0 percent, with an annual sliding-scale royalty percentage adjustment based on the level of Alaska North Slope West Coast (ANSWC) crude oil price. The 30 percent net profit share rate on ADL 391283 is to remain unchanged. Attachment 2 depicts the Nikaitchuq Unit boundaries and leases subject to this royalty modification application.

This Final Findings and Determination responds to the royalty modification application as required under AS 38.05.180(j)(8). Part I summarizes the royalty modification application and process. Part II reviews the history of the Nikaitchuq Unit formation and development, and Eni's royalty modification application. Part III reviews the state's authority to carry out royalty modification. Part IV reviews the requirements and terms of royalty modification pursuant to this application. Part V contains ADNR's analysis of the application under the royalty modification criteria. Part VI is the Final Findings and Determination.

B. Royalty Modification Procedure

This Final Findings and Determination is the first step in a process contemplated in AS 38.05.180(j) that could result in an authorization to modify the royalty terms for certain leases. The commissioner published the Preliminary Findings and Determination, gave public notice of a 30-day public comment period (Attachments 3 and 4), and offered to appear before the Legislative Budget and Audit Committee to provide a review of the

Findings and Determination and the administrative process. The commissioner will keep the submitted data confidential under AS 38.05.035(a)(9) at the request of the lessee or lessees making application for the royalty reduction. This Final Findings and Determination by ADNR regarding royalty modification is final and not appealable. With the Applicant's concurrence, ADNR will amend the subject leases to conform to the terms of this royalty modification Final Findings and Determination.

II. SUMMARY OF ENI'S APPLICATION FOR ROYALTY MODIFICATION

A. Unit and Lease Summary

ADNR approved the formation of the Nikaitchuq Unit effective April 29, 2004. At that time, Kerr-McGee Oil & Gas Corp. (KMG) held 70 percent of the working interest and Armstrong Oil & Gas Inc. (Armstrong) held 30 percent. The unit originally consisted of eight leases covering 12,968 offshore acres in the shallow waters of Harrison Bay in the Beaufort Sea, approximately three miles north of Oliktok Point. The Kuparuk River Unit (KRU) lies to the south, and the Milne Point Unit (MPU) lies to the east of the Nikaitchuq Unit. The Tuvaaq Unit, formed in August 2004, was adjacent to the western boundary of the original Nikaitchuq Unit. Effective October 5, 2007, ADNR approved the first expansion of the Nikaitchuq Unit, termination of the Tuvaaq Unit and the contraction of the Kuparuk River Unit. The Nikaitchuq Unit expanded to include all of the Tuvaaq Unit leases, the Kigun lease, formerly committed to the KRU, and two additional leases acquired by ENI at the 2004 Beaufort Sea Sale.

All 12 leases in the Eni royalty modification application are committed to the expanded Nikaitchuq Unit. (See lease map in Attachment 2.)

The ownership of the Nikaitchuq Unit has changed significantly since formation. Eni acquired Armstrong's 30 percent WIO of Nikaitchuq Unit in August 2005. In August 2006, Anadarko Petroleum Co. (Anadarko) acquired KMG, including KMG's 70 percent WIO in Nikaitchuq Unit, and became Nikaitchuq Unit operator. Eni subsequently acquired the remaining 70 percent Nikaitchuq Unit ownership from the operator, Anadarko, in March 2007, and became the 100 percent WIO and operator of Nikaitchuq Unit.

On January 11, 2006, KMG submitted an application for royalty modification under AS 38.05.180(j)(1)(A) for 14 leases of which 12 are the subject of this application.[1] KMG's application requested that the royalty rate for the 14 leases be modified from their respective existing fixed royalty rates of 16.67 percent and 12.5 percent to a fixed royalty rate of 5 percent. Effective October 31, 2006, the ADNR issued the Final Findings and Determination of the Commissioner of the Department of Natural Resources for the Nikaitchuq Development Royalty Modification Application denying KMG's application for royalty modification.

[1] The KMG application included ADLs 355021, 355024, 388571, 388572, 388574, 388575, 388577, 388578, 388580, 388581, 388582, 388583, 390615, and 390616.

B. Project Development History

In the 2003-2004 and 2004-2005 exploration/appraisal drilling programs KMG/Armstrong encountered accumulations of hydrocarbons in the area of the then-proposed Nikaitchuq Unit. A total of six wells were drilled in the Nikaitchuq area in the 2004 and 2005 winter drilling seasons; two additional wells were drilled in 2006.

The planned development includes:

- Construction of a gravel pad with drilling, gathering and production facilities on Oliktok Point near the existing ConocoPhillips Alaska Inc. seawater treatment facility.
- Construction of a gravel drilling island near Spy Island tied back via a 3.8-mile subsea flow line and utility bundle to Oliktok Point for fluid processing.
- Construction of a +/-14-mile pipeline from Oliktok Point to a tie-in near KRU DS-1Y pad for connection to the Kuparuk Transportation common carrier pipeline.
- Consideration of future modifications required to adjust facility configuration to accommodate actual results of well performance.
- A total of 73 wells drilled between 2008 and 2011, of which 31 are expected to be producers.
- First oil expected in 2010.

Development studies indicate that extended reach horizontal producing and injection wells required for pressure maintenance are needed to economically recover the hydrocarbons in place. The planned development would permit a relatively small "footprint" for centralized facilities and minimal well pads, thereby reducing environmental impacts to the region. Initial drilling will be from a 313,000-square-foot pad to be constructed at Oliktok Point. Existing roads will be utilized for access. The production facilities will be located on the same pad. Later, a small gravel island is to be constructed within the barrier islands for future drilling. A subsea bundle containing a three-phase production line and multiple utility lines will be constructed to connect the gravel island to Oliktok Point to transport production and provide fuel, secondary recovery fluid, and power to the gravel island.

C. Eni Royalty Modification Request

On October 16, 2007, Eni submitted an application (Attachment 3) to the ADNR commissioner for modification of royalty on 12 leases, ADLs: 388571, 388572, 388574, 388575, 388577, 388580, 388581, 388582, 388583, 390615, and 390616 and ADL 391283 under AS 38.05.180(j)(1)(A). In accordance with 11 AAC 88.105, 11 AAC 83.185, and 11 AAC 05.010(a)(10)(H) Eni submitted a complete application with the required $250.00 filing fee.

The Eni application for royalty modification submitted on October 16, 2007, requests a 5.0 percent fixed royalty if the Alaska North Slope West Coast (ANSWC) crude oil price falls below an ANSWC price equivalent to the U.S. Department of Interior, Minerals Management Service (MMS) NYMEX West Texas Intermediate (WTI) oil price threshold for royalty modification for OCS August 2004-2006 deepwater oil leases in the Gulf of Mexico (GOM).[2] Eni proposes a sliding-scale royalty rate in any month after production start-up (expected in 2010) that would range between 5.0 and 16.6667 percent, depending on the average monthly price of ANSWC crude oil. An ANSWC monthly (nominal) price below the Alaska Department of Revenue (ADOR) *Spring 2007 Revenue Sources* forecast between 2010 (the year of first production) and 2017 shown in Figure II.1 (below) would trigger a reduced royalty rate from original fixed lease rates of 12.5 percent and 16.6667 percent, respectively. The amount of the reduction in royalty percentage would depend on (a) the original lease rate (either 12.5 percent or 16.6667 percent) and (b) the extent to which the actual future oil price falls below the ADOR forecast threshold.[3]

The original fixed royalty rate of 16.6667 percent for ADLs 388571, 388572, 388574, 388575, 388577, 388581, 388582, 388583, 390615, and 390616 and 12.5 percent with 30 percent net profit for ADL 391283 would be subject to the sliding scale modification in a low commodity price environment to a level at or above a floor of 5 percent. The 30 percent net profit share to the State attached to ADL 391283 would be unchanged under the Eni royalty modification proposal.

The Eni application also would provide full royalty relief at a reduced rate of 5 percent for all leases regardless of oil price if monthly production is below 4,000 barrels of oil per day for the first 10 years following the effective date of the royalty modification decision.

[2] ADNR estimates threshold to be $42.53 per barrel in 2010 based on a 2007 NYMEX WTI price of $42.64 assuming a 94 percent basis adjustment to ANSWC and 2 percent price escalation pursuant to the ENI proposal. See: MMS, *Price Thresholds and Annual Market Prices for MMS Deepwater and Deep Depth Oil and Gas Royalty Relief Programs*, Deep Water Oil, Economics Division at www.mms.gov/econ/DWRRAPrice1.htm.

[3] Under the Eni proposal, the royalty percentage rate adjustment would be approximately ¾ percentage point per $1 change in ANSWC price for leases with a 16.6667 percent base royalty rate and ½ percentage point per $1 change in ANSWC price for leases with a 12.5 percent base royalty rate. After 2017, the ADOR ANSWC price forecast is inflated by the monthly change in the Producer Price Index (PPI).

III. SUMMARY OF ROYALTY MODIFICATION AUTHORITY AS 38.05.180(j)(1)(A), (2), (3), (4)(A), (5)

A. General Royalty Modification Requirements

AS 38.05.180(j)(1)(A) authorizes the DNR commissioner to provide for royalty modification on individual leases, leases unitized as described in (p) of this section (AS 38.05.180), leases subject to an agreement described in (s) or (t) of this section (AS 38.05.180), or interests unitized under AS 31.05 to allow for production from an oil or gas field or pool if:

1. the oil or gas field or pool has been sufficiently delineated to the satisfaction of the commissioner;
2. the field or pool has not previously produced oil or gas for sale; and
3. oil or gas production from the field or pool would not otherwise be economically feasible.
4. Under AS 38.05.180(j)(2), the commissioner may not grant a royalty modification unless the lessee or lessees requesting the royalty modification make a clear and convincing showing that a royalty modification meets the three requirements set out above and is in the best interests of the state.

B. General Royalty Modification Terms

1. Under AS 38.05.180(j)(3) the royalty modification terms must provide for an increase or decrease or other modification of the state's royalty share by a sliding-scale royalty or other mechanism that shall be based on a change in the price of oil or gas and may also be based on other relevant factors such as a change in production rate, projected ultimate recovery, development costs, and operating costs.
2. Under AS 38.05.180(j)(4)(A) a modification to royalty may not be granted for the field or pool if the royalty modification would result in a royalty rate of less than 5 percent in amount or value of the production removed or sold from a lease or leases covering the field or pool.
3. Under AS 38.05.180(j)(5) a royalty reduction must include an explicit condition that the royalty reduction is not assignable without the prior written approval, which may not be unreasonably withheld, by the commissioner. The commissioner shall, in the preliminary and final findings and determinations, set out the conditions under which the royalty reduction may be assigned and may not grant a royalty reduction without an explicit condition that the royalty reduction is not transferable.

IV. DISCUSSION OF ROYALTY MODIFICATION CRITERIA

A. Leases Are Eligible For Consideration

The leases meet the requirements for consideration and all eleven subject leases proposed for royalty modification are committed in entirety to the Nikaitchuq Unit. AS 38.05.180(j)(1) allows modification of royalty for individual leases and unitized leases.

B. Reservoir Delineation: Discussion of Reservoir Geology and Engineering

1. Introduction to reservoir delineation.

The commissioner may grant royalty modification to allow for production from an oil or gas field or pool if the oil or gas field or pool has been sufficiently delineated to the satisfaction of the commissioner.

The area within the Nikaitchuq Unit for which royalty relief is sought lies offshore in the Beaufort Sea in the vicinity of Spy Island, approximately three miles north of Oliktok Point. The Nikaitchuq Unit is north of and contiguous with the northern edge of the KRU and the Milne Point Unit (MPU). The KRU is operated by ConocoPhillips and produces from the Cretaceous Kuparuk River Formation and shallower Schrader Bluff Formation. The BP-operated MPU field lies to the south-southeast of the Nikaitchuq Unit and produces oil from the Schrader Bluff, Kuparuk, and Triassic Sag River formations. The western edge of the proposed Nikaitchuq Unit is adjacent to the recently expanded Oooguruk Unit (OU) operated by Pioneer. Production from the OU is expected from the Kuparuk and Jurassic Nuiqsut sandstones.

Within the Nikaitchuq Unit, potential commercially recoverable reserves have been tested in both the Cretaceous Schrader Bluff and the Triassic Sag River formations.

Based upon the submitted application and the planned initial development, the request for royalty modification at Nikaitchuq is limited to the OA sand of the Schrader Bluff Formation. For the purpose of this application, the OA sand is defined in Kerr McGee Nikaitchuq #1 (API No. 50629231930000), completed in 2004, as the interval between 5034 feet measured depth (4127 feet subsea true vertical depth) and 5090 feet measured depth (4170 feet subsea true vertical depth).

ENI has adequately delineated the OA sand of the Schrader Bluff Formation in the Nikaitchuq area. Their drilling, testing, and evaluation programs appear to have highlighted the obvious risks inherent to developing viscous oil and identified the possible upside potential available through use of extended reach drilling and advanced completion technologies.

Although upside potential may also exist within the shallower Schrader Bluff N sand interval, the current lack of core, well test, or fluid data from this interval increases the risk and precludes it from being deemed delineated and included as part of this application. ENI plans to gather more data to thoroughly evaluate the N sand during the course of developing the deeper OA sand.

The Sag River Formation contains lighter oil than the Schrader; however, it is plagued with poor quality reservoir rock. The development potential is marginal at best unless there are significant advances in stimulation or enhanced oil recovery technology. Delineation of the Sag River Formation at Nikaitchuq to date has revealed limited reserves and similar test results to the analog at MPU where wells within the Sag River Formation consistently show initial flush production followed by steep decline within the first year. ENI is still evaluating the development potential of this interval and, as such, it has been excluded from this application.

2. Exploration History of the Area

Two key early exploration wells lie within several miles of the Nikaitchuq development area. The Unocal East Harrison Bay State #1 well lies near the northwest corner of the KRU, to the southwest of the Nikaitchuq Unit. The well was drilled in February 1977 to a measured depth of 9,809 feet, bottoming in argillite basement. The East Harrison Bay State #1 well logs appear to contain about 15 feet of oil-bearing Kuparuk Formation that appears cemented in the upper half. The Jurassic section looks silty on logs. The ARCO Kalubik #3 well, drilled in February 1998, lies to the south-southwest of the Nikaitchuq area. The well bottomed in the Jurassic at a measured depth of 7,000 feet. The well encountered a 40-foot-thick measured depth (MD) interval of Kuparuk C sandstone that appears on electric logs as oil-bearing, but siderite cemented in the upper 10 feet of the interval. On well logs the Jurassic interval contains silt with a 12-foot silty sand developed around 6,565 feet MD. The well was plugged and abandoned on March 6, 1998.

3. Drilling History

The first major exploration activity in the area in the early 1970s targeted the Ivishak Formation following the discovery of the prolific Ivishak Formation in Prudhoe Bay State #1 in 1967. The Hamilton Brothers Milne Point #18-1 was one of the early wells drilled on the Milne Point structure in 1970 in search of Ivishak and Lisburne objectives. This well encountered about 50 feet of tight oil-saturated sandstone that was not tested and a section of Kuparuk sandstone that tested at a rate of 875 BOPD. This discovery led to increased industry interest in the Milne Point area and led to exploration and delineation drilling for Kuparuk reserves. In the early 1980s the Sag River was cored in the Conoco Milne Point Unit #C-1 well and contained bleeding oil and gas. The Sag River Sandstone was also cored in the MPU #L-1 well and contained no visible porosity or staining and appeared tight on wire line logs.

In the early 1990s about a dozen wells were drilled to the west-southwest of the Nikaitchuq area with Jurassic sandstones and Kuparuk C sandstones as targets. The ARCO Kalubik #1 well encountered approximately 160 feet of productive Nuiqsut and Nechelik sandstone that tested approximately 336 BOPD (un-stimulated). In addition, the well penetrated an 85-foot section of Sag River Sandstone with calculated log porosities in the range of 15 to 22 percent. The Thetis Island #1 well also encountered an 80-foot section of porous Sag River sandstone with log-calculated porosities in the range of 16-24 percent. A pay section of Nuiqsut sandstone was also encountered that tested at an average rate of 120 BOPD with a high rate of 650 BOPD. Both the Kalubik #1 well and Thetis Island #1 well drilled through Brookian sandstones that contained mud log hydrocarbon shows.

In the late 1990s BP drilled several dedicated Sag River Sandstone test wells, including MPU #C-23, #K-33, #E-13A, 3F-33, #F-33A, and #F-73A. Alaska Oil and Gas Conservation Commission (AOGCC) production data indicate that several Milne Point wells have produced oil out of the Sag River Sandstone and two oil producing wells MPU F-33A and K-33, are currently shut-in. MPU #C-23 produced 378,012 barrels of oil between 1996 and 2001. MPU #F-33 produced 314,276 barrels of oil between September 1996 and May 1999 and was subsequently plugged and abandoned. MPU #K-33 has produced approximately 93,241 barrels of oil since 1997. MPU #E-13A produced 366,665 barrels of oil between 1995 and April 2001. MPU #F-33A produced approximately 661,099 barrels of oil since April of 2001. MPU #F-73A produced 13,430 and is now a water-alternating-gas injection (WAGIN) well. BP estimated the original oil-in-place (OOIP) at 62 MM STB oil and the reservoir area about 8500 acres based upon seismic and log data during an AOGCC Conservation Order hearing in May 1998. AOGCC reservoir data indicate that the oil commonly recovered from the Sag River sandstone has an API oil gravity of about 37 degrees. Total production from the MPU Sag River Sandstone has been 1,834,131 barrels of oil and 1,875,668 MSCF gas through October 2007. MPU Sag River recovery is less than 3 percent to date based on OOIP. The original GOR ranged from 784 – 974 SCF/STB. Production from the Sag River pool at MPU has been intermittent with extended shut-in periods since June 1999.

Between 2004 and 2005, Kerr McGee (KMG) drilled six wells in the Nikaitchuq and Tuvaaq Units. Initially, the primary exploration target was the Sag River Formation; the Kuparuk Formation was a secondary target. Although the wells did not encounter reservoir quality sand in the Kuparuk, the well logs indicated that sands in the shallower Schrader Bluff Formation were prospective. KMG then adjusted the exploration program to thoroughly evaluate the Schrader Bluff Formation. Three of the six wells tested oil from the viscous Schrader Bluff or Sag River formations. In 2006/2007 KMG drilled two additional pre-development wells from Oliktok Point to further delineate and test the Schrader Bluff sandstone. The two wells are currently suspended.

4. Schrader Bluff Formation Tests

KMG Nikaitchuq #4

Approximately 3,000 feet of gross horizontal Schrader Bluff OA sand was drilled in this well, with approximately 2,270 feet of horizontal or lateral net pay, from a 30-foot true-vertical-depth net pay thickness. A two-week production test was performed on the well using an electric submersible pump (ESP) to aid in producing the 16–17 API crude. The well tested at rates up to 1,200 barrels of oil per day during periods of the initial test. Permeability estimated from the test was greater than 350 millidarcies and was confirmed from the analysis of the flow tests conducted on a whole core obtained from the well.

KMG Tuvaaq #1

The well was not tested. It penetrated 30 feet net pay Schrader Bluff OA Sand and 12 feet net Schrader Bluff N sand. There were no cores taken at Tuvaaq. Schrader Bluff N sand was interpreted to be oil-filled here and at Kigun #1 appeared unconsolidated with permeability estimated from 100-1000 millidarcies and porosity 25-35 percent.

KMG Kigun #1

The well was not tested. It penetrated 29 feet net pay Schrader Bluff OA sand and 30 feet net N sand. An MDT tool run sampled the Schrader Bluff OA fluids which were 18 degree API, GOR 59 SCF/STB and viscosity of 82 cp at 87 degree reservoir temperature. (Contamination of the samples with oil-based mud caused concern about the reliability of the sample estimates and properties.) Schrader Bluff OA sand core data indicated 25 percent to 38 percent porosity and up to 1,000 millidarcies permeability in the sandstone intervals.

KMG Oliktok Point I-1 KMG Oliktok Point I-2

These two wells were drilled by KMG during the 2006/2007 drilling season as pre-development wells to further test and delineate the Schrader Bluff reservoir. These wells have been suspended. Results from these wells are currently held confidential under AS 38.05.035(a)(9).

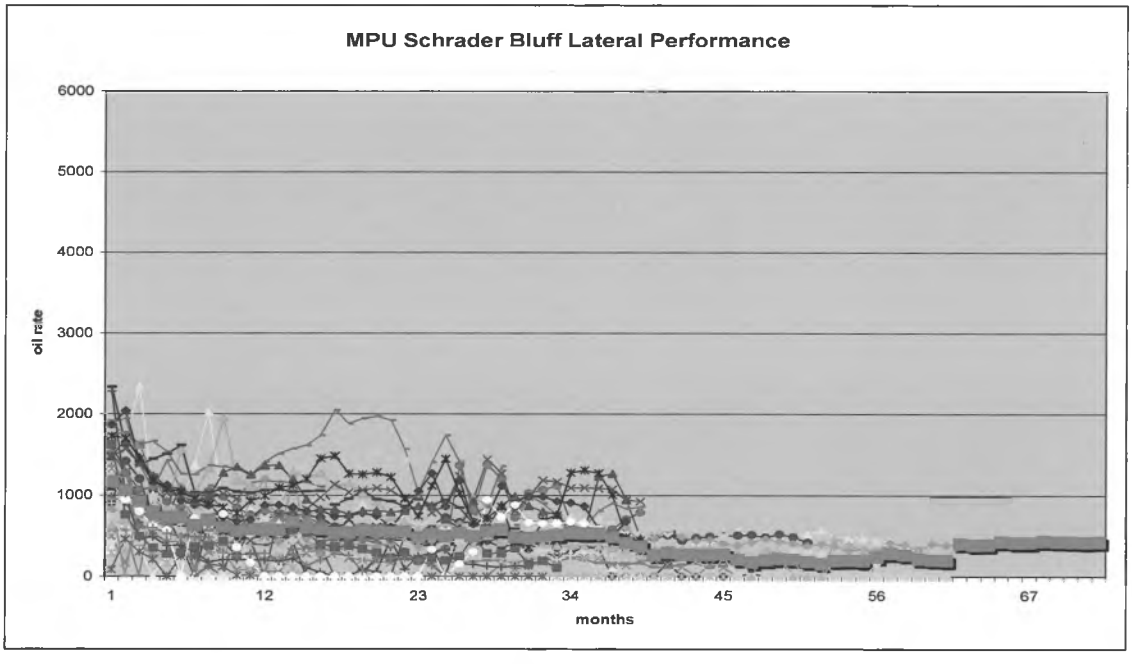
5. Analog Schrader Bluff Formation Performance

Milne Point Unit (MPU) Schrader Bluff Pool (Figure 1), Kuparuk River Unit (KRU) West Sak Pool (Figure 2) and Prudhoe Bay Unit (PBU) Polaris and Orion pools – Figure 3, represent analog Schrader Bluff Formation horizontal well performance. Each of the pools was developed initially with vertical or slanted completions. More recently a number of horizontal lateral and multi-lateral wells have been completed in each of these pools. MPU and KRU Schrader Bluff wells show a distinct, lower rate performance than the newer developed Polaris and Orion Pool wells. A significant portion of the performance difference is likely due to differences in fluid quality. Within the Schrader Bluff Formation / West Sak, developments oil gravities can vary between 15-24 degrees API and viscosity can vary between 5-130 centipoise. To date, development has been limited to those areas with higher API Gravity and lower viscosity. Later Schrader Bluff Formation developments are building on earlier techniques by going from vertical to

horizontal and multilaterals wells. The horizontal and multilaterals should consistently outperform the older wells because more formation is exposed and the completions are more efficient.

The wells in each Schrader Bluff Formation pool exhibit early flush production for six to 12 months. The PBU Schrader Bluff completions show slightly higher initial rate profiles followed by relatively steep decline. The average MPU Schrader Bluff completion (heavy bright green points and line) declined from 1200 bopd to 500 bopd at 12 to 40 months. KRU West Sak lateral completions have performed similar to MPU Schrader Bluff.

Figure 1. MPU Schrader Bluff Formation lateral performance and average performance (heavy green).



6. Reservoir delineation determination.

ENI has adequately delineated the OA sand of the Schrader Bluff Formation in the Nikaitchuq area. Their drilling, testing, and evaluation programs appear to have highlighted the obvious risks inherent to developing viscous oil and identified the possible upside potential available through use of extended reach drilling and advanced completion technologies.

Figure 2. KRU West Sak sands lateral performance and average performance (heavy orange).

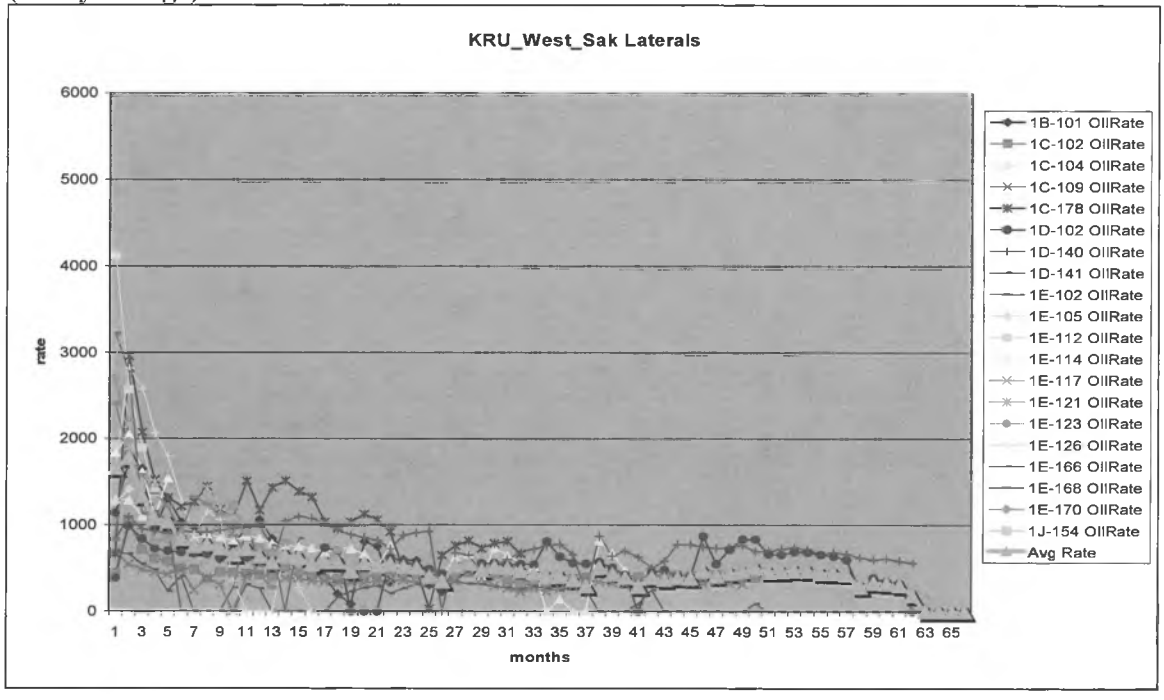
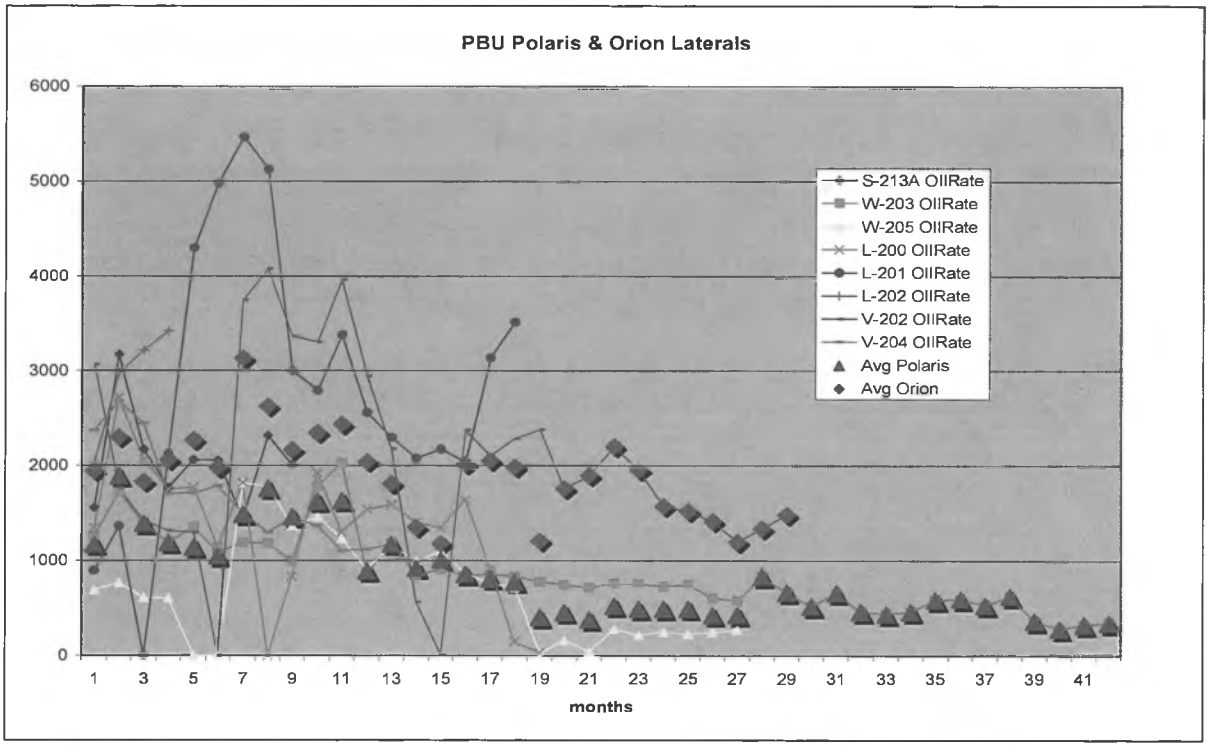


Figure 3. PBU Polaris and Orion Schrader Bluff Formation initial performance.



ENI stated that their plan is to develop Nikaitchuq Schrader Bluff Formation with horizontal wells. Their prognosis of performance can be compared to the analogs by evaluating average Schrader Bluff well performance from initial completion to date. There are up to seven years of production history for the various Schrader Bluff Formation horizontal and lateral wells. Orion appears to be more productive so far but the long term performance has yet to be defined. ENI appears to estimate their development will improve on the previous KRU and MPU Schrader Bluff completions by using the latest technology, namely very long horizontal and or multi-lateral completions. ENI's cases align reasonably with the MPU Schrader Bluff and KRU West Sak and PBU Polaris average performance. PBU Orion performance is notably better than ENI's high case average rates. Analyses of oil samples taken within the OA sand in the Nikaitchuq area demonstrate measured oil viscosities of 95–188 centipoise. This is heavier than the average viscosity of production from existing KRU, MPU and PBU Schrader Bluff developments. In addition, the Nikaitchuq development will include construction of a new standalone facility. The KRU, MPU, and PBU Schrader Bluff pools had existing infrastructure and production from other formations to support the additional development. Both of these factors increase the risk and make this project more economically challenged compared to existing heavy oil developments.

C. No Previous Sale of Produced Oil or Gas

The pools underlying the leases have not previously produced oil or gas for sale.

D. Economic Analysis

ADNR used its own in-house probabilistic economic model (ADNR Model) for the Nikaitchuq development to independently assess the financial performance and ultimate economic effects of a royalty modification for both Eni and for the State of Alaska. Eni shared with the state portions of its proprietary economic model, but the state chose to use its own model that incorporated many input assumptions provided by Eni.[4]

ADNR closely examined the assumptions and methods currently in use by the U.S. Minerals Management Service (MMS) for the Deep Water Royalty Relief Program. The MMS has developed an in-house proprietary probabilistic economic model for Royalty Suspension Viability Program. ADNR adopted an approach similar to that of the MMS by applying the quantitative results from the ADNR model to a prudent-investor decision framework. The ADNR decision framework is confidential. It is designed to replicate the kind of analytical framework used by industry for making prudent oil and gas investment decisions under uncertain conditions involving significant capital outlays and lengthy project life cycles.

[4] Eni has submitted financial and technical data and analyses and requested that they be held confidential in accordance with AS 38.05.035(a)(9). Thus this section does not discuss any confidential information concerning Eni's geologic, engineering and cost data. These documents are included and discussed in detail in the confidential *Economic Analysis and Internal Decision Process*, (Attachment 6).

The prudent investor standard is maintained throughout the project evaluation process. Under this standard, ADNR incorporates a collection of project performance benchmarks that are consistent with industry norms.

To obtain royalty relief the applicant must show by clear and convincing evidence that without royalty modification the project is not economically feasible. Nikaitchuq is an offshore, heavy oil prospect with relatively high expected exploration and development costs and low expected production possibilities. The final analysis of Nikaitchuq project development conducted by ADNR pursuant to the Eni royalty modification application suggests that, under reasonable assumptions about future oil prices and without some form of royalty relief, this project would not be sanctioned for funding and development.

In its simplest form, the ADNR Model describes project cash-flows for the Nikaitchuq development over a 50-year time horizon. The ADNR Model incorporates expected investment, production, price, revenue, and cost. It incorporates fiscal system attributes, including state and federal tax, state production tax (including the recent ACES legislation)[5], and royalty obligations, as well as other important commercial relationships, such as facility sharing and pipeline transportation charges.

The ADNR in-house model is flexible enough to allow ADNR to evaluate the effects of changes to the fiscal system. The model provides a platform for systematic evaluation of the effect of a change to the royalty rate. The model calculates the changes to the various financial metrics that result from a change in the royalty rate. These metrics include annual and cumulative discounted and undiscounted cash flow, years to payout, net present value (NPV), expected monetary value (EMV), and internal rate of return (IRR) on investment, as well as state revenues. Also, ADNR used its model to carry out sensitivity analysis of key driver assumptions and to characterize certain price, production, and cost variables in terms of probability distributions to evaluate how uncertainty among these drivers affects key project metrics and state revenues.

Eni furnished ADNR with 200 realizations of project production that depict the range of values and probabilities for the many reservoir factors that that determine ultimate reservoir recovery (e.g., aerial and vertical extent, rock characteristics, fluid composition and properties). These 200 Eni realizations represent the universe of possible resource recovery outcomes for ADNR's Monte Carlo analysis that fit the well-test data. The ADNR model samples repeatedly from this universe of production realizations, as well as from volatility inherent in price formation, as characterized in the mean reversion price model (see below), to generate a distribution of net present value (NPV) outcomes for the Nikaitchuq project. The central tendency (mean and median) and dispersion (variance) of the NPV outcomes depict project performance uncertainty and speak to the dimensions of ADNR's prudent-investor decision framework mentioned above.

ADNR incorporated the applicant's input data into its model along with its own assumptions about the path of uncertain future prices to derive independent results for the

[5] See HB2001 (11/15/2007).

economic feasibility of the Nikaitchuq project. The ADNR Model examines a range of possible inputs to derive a P50, or median, outcome from a Monte Carlo simulation. The P50 result is the value where 50 percent of the outcomes lay below this point and 50 percent of the outcomes lay above the P50 outcome. The ADNR Model uses Palisades Software's "@Risk" Monte Carlo software application to run the simulations and determine risk-weighted outcomes reported in the confidential supplement to this *Final Findings and Determination* (Attachment 7).

Calculating risk weighted outcomes is critical to a full analysis of a project. The probabilistic rate profile, determined based on the applicant's reservoir simulation results, is combined with pricing to determine the project revenue stream. Annual Alaska North Slope West Coast (ANSWC) crude oil prices were generated from an Ornstein-Uhlenbech type Mean-Reversion price model[6] with parameters estimated as described by Schwartz, (1997)[7] using annual price data for ANSWC crude as reported by Platt's. The starting ANSWC delivered price used in the model is $67 per barrel, the average price for 2007. The risk weighted cost profiles are then matched to the revenue stream generated by the probabilistic price and production models. This yields an NPV distribution. The mean of the NPV distribution is the EMV for the entire project that incorporates uncertainty and can be compared "apples-to-apples" with other versions of the project.

ADNR analyzed various senarios to explore Nikaitchuq project performance with and without royalty modification. DNR approves royalty modification only when it believes a project will not go forward without it. This means that the impact to royalty revenues to the state is the difference between the royalty revenues with royalty modification as was prescribed in the DNR decision and zero. Even under low price scenarios, ADNR determined that the state can expect to receive an additional $100 million over the life of the project.

If it is assumed that the project could have gone forward without royalty modification (again, not what ADNR assumes) the impact would be as indicated in Table 1. This table presents several possible price scenarios and the indicated change to the state royalty cash flow stream.

In Table 1 the scenarios labeled "$43 and Above (Sustained)" and "$40 Sustained" simply use a flat price deck for "Alaska North Slope West Coast" (ANSWC) crude oil (before inflation) for the life of the project, the price does not vary from year-to-year. An oil price of $40 is always just below the $42.64 royalty modification threshold and thus results in 5 percent royalty rates for every barrel of oil produced from the reservoir for the life of the project and the greatest negative impact to overall state royalty revenues.

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[6] Dixit & Pindyck, 1994, http://www.puc-rio.br/marco.ind/sim_stoc_proc.html#mc-mrd.

[7] The Stochastic Behavior of Commodity Prices: Implications for Valuation and Hedging", Schwartz, E., Journal of Finance, 1997, Volume 52, issue 3, 923-973

Table 1. Change in Alaska royalty revenues if royalty modification were not necessary and project produced oil without royalty modification.

Price Scenario	Impact on State of Alaska Royalty Revenue ("With Royalty Modification Per Decision" Minus "Without Royalty Modification", 5% discount rate)
$43 and Above (Sustained)	$0 million
DNR Price Model	($39 million)
$40 Sustained	($160 million)

The "DNR Price Model" scenario does not use a constant or "sustained" price for the life of the project (i.e. flat price deck) as is the case with the other two scenarios in Table 1. We use a forward-looking, Monte Carlo-based "mean-reversion" model, as discussed above. This price model creates a price forecast where oil price fluctuates over time, simulating real-life price variability similar to what history has shown. The price for 2007, $67 per barrel ANSWC, was taken from U.S. Energy Information Agency's most recent price projection for West Texas Intermediate (WTI) crude, and adjusted for ANS-WTI basis by taking the previous 12-month average difference between these two prices. The model reverts to DNR's expected mean value of $53 per barrel, over time.

The ADNR has determined that under ADNR's price and discounting assumptions, the project attributes furnished by Eni, and the existing lease royalty rates in effect prior to this *Final Finding and Determination* (16.6667 percent fixed royalty rate and the 12.5 percent fixed royalty with 30 percent NPS for ADL 391283), the Nikaitchuq project does not meet prudent-investor standards for economic feasibility. ADNR concludes further that the royalty modification terms and conditions stipulated in Section IV.B would improve project economics. Eni represents that royalty modification would make project sanction more likely.

V. PUBLIC COMMENTS

On November 30, 2007, ADNR issued a Preliminary Findings and Determination to respond to Eni's royalty modification application. The public was invited to comment on the preliminary decision for thirty days, ending January 7, 2008 (Attachments 3 and 4).

No comments were received from the public.

VI. STATE'S PROPOSED ROYALTY MODIFICATION

A. Royalty Modification Requirements for the Nikaitchuq Project

1. Eni's application for royalty modification on ADLs 388571, 388572, 388574, 388575, 388577, 388580, 388581, 388582, 388583, 390615, and 390616, and ADL 391283 meets the requirements for consideration under AS 38.05.180(j)(1). Eni has paid the filing fee and submitted a complete application for the royalty modification including financial and technical data that meet the requirements of 11 AAC 88.105, 11 AAC 83.185, 11 AAC 05.010(a)(10)(H), and AS 38.05.180(j)(6).

2. The Schrader Bluff pool has been sufficiently delineated to the satisfaction of the commissioner for the purpose of considering royalty modification; this pool has not previously produced oil or gas for sale.

3. Eni has shown that oil or gas production from the Schrader Bluff pool would not otherwise be economically feasible.

4. Eni has made a clear and convincing showing that a modification of royalty meets the requirements of 38.05.180(j)(1)(A), and is in the best interests of the state.

B. Royalty Modification Terms for the Nikaitchuq Project

1. Royalty modification pursuant to the terms herein is granted to Eni US Operating Co. Inc. (Eni), as operator and 100 percent working interest owner of the Nikaitchuq project (Project), on ADLs 388571, 388572, 388575, 388574, 388577, 388581, 388582, 388583, 390615, 390616, and 391283. Royalty modification is denied for ADL 388580 because there was no apparent resource allocated to this lease.

2. Only production from Nikaitchuq Unit's Schrader Bluff OA reservoir, as delineated under this Findings and Determination, shall be eligible for royalty modification. To receive royalty modification on production, the lease must be committed to an approved participating area within six years of the date of Project sanction. After six years, any subject lease or portion of a subject lease not committed to an approved participating area for the Nikaitchuq Schrader Bluff OA reservoir shall revert to the respective individual lease royalty rates that were in effect immediately prior to this Findings and Determination.

3. If the Project, not materially changed from that set out in the October 16, 2007, royalty modification application, is not sanctioned by all working interest owners by February 28, 2008, this royalty modification decision is rescinded.

4. Within 30 days following the date of Project sanction, the working interest owners shall provide ADNR with the Project sanction documents, approvals for expenditure, and other documents supporting the technical and financial data submitted with Project sanction documents excluding any proprietary data. ADNR agrees to keep all such data confidential.

5. If six years following the date of Project sanction total actual Project spending starting December 1, 2007, does not meet $822 million in nominal dollars, then this royalty modification is rescinded. If 11 years following the date of Project sanction total actual Project spending does not meet $1.398 billion in nominal dollars, then this royalty modification is rescinded. The ADNR may audit the working interest owners' spending on this Project to determine compliance any time between the sixth and the 13th year following Project sanction. If at either cost threshold juncture this royalty modification is rescinded, then Eni will refund to the State of Alaska the difference between the royalty which would have been due at the royalty rates that were in effect immediately prior to the effective date of this Findings and Determination and the royalty due at the modified royalty rate, with interest as set forth in AS 38.05.135(d).

6. The NPS lease regulations set out in 11 AAC 83.201 – 11 AAC 83.295 remain in full force and effect for ADL 391283, except that the cost to the applicant for the application for royalty modification will not be included in any NPS lease Development Account balance.

7. (a) Nikaitchuq royalty modification mechanism implemented as follows:

   i. Original lease rates are 12.5 percent for ADL 391283 and 16.67 percent for ADLs 388571, 388572, 388575, 388574, 388577, 388581, 388582, 388583, 390615, and 390616.

   ii. For the first 25 years following the date of first sustained production, when Alaska North Slope West Coast ("ANS WC") delivered crude prices are below the threshold price per barrel as adjusted by inflation, then production from the Nikaitchuq Schrader Bluff OA reservoir on the subject lease will pay a 5 percent royalty. The ANS WC crude price for the month of production is the average assessment by Platt's Oilgram Price Report and Reuters online data providing service, of the spot price for ANS delivered on the West Coast. The average assessment of the spot price for ANS by each reporting service is the average of the midpoints of the high and low closing assessments for the spot price for ANS for all days during the month of production for which closing assessments are

reported. The threshold price shall start at $42.64 per barrel. This threshold price will be adjusted annually for inflation starting on May 1, 2008, and shall be adjusted on each May 1 thereafter. The inflation adjustment shall be (1 + inflation rate) multiplied by the previous year's inflation-adjusted threshold price. The inflation rate shall be determined by taking the previous year's annual implicit price deflator for GDP (initially, for the year 2007) as reported by the end of April of each year, dividing that deflator by the two-years-previous annual implicit price deflator (initially, for the year 2006), and then subtracting 1. The source of the inflation data shall be the Department of Commerce Bureau of Analysis (BEA) U.S. Economic Accounts-GDP. National Income and Productions Account (NIPA) Table 1.1.9. When the monthly ANS WC oil price is above the threshold, royalty rates for production attributable to such month(s) shall return to the original lease royalty rates.

iii. This royalty modification shall be terminated 25 years following the date of first sustained production and at that time royalty rates shall revert to the respective individual lease royalty rates that were in effect immediately prior to this Findings and Determination.

(b) For the 18th through the 120th months after first commercial production from the Nikaitchuq Schrader Bluff OA reservoir, if production from all of the subject leases averages below 4,000 barrels of oil per day for any previous twelve month period, full royalty modification rates of 5 percent shall be in effect for all production from the Nikaitchuq Schrader Bluff OA reservoir, regardless of oil price. Provided, however, nothing in this provision shall prevent Eni from applying for royalty modification under AS 38.05.180 (j)(1)(B)or (C).

8. In the determination of royalty value of oil or gas from any of its properties, Eni shall waive any rights to a transportation deduction for the pipeline constructed pursuant to the Easement granted on ADL 417493. This waiver shall remain in effect even if such pipeline is converted to a common carrier.

9. If any working interest owner should contract to use any processing facilities at any time for production from the reservoirs delineated and leases covered in this Findings and Determination, that working interest owner shall furnish ADNR the facilities contract, including information regarding the fee structure and volumes processed unless such contract prevents disclosure of such information. This information will be kept confidential by ADNR. The working interest owner shall also furnish produced oil, water, and gas volumes on a monthly basis broken down by individual working interest owner.

10. Should any third party petition the Nikaitchuq Unit facility owners to contract for use of any unit facilities, the cost of use shall be based on market rates. Any

resulting contract covering facilities access or use shall be shared with the ADNR. ADNR agrees to keep all such information confidential.

11. This royalty modification is not assignable without prior written approval of the ADNR commissioner, which shall not be unreasonably withheld. The assignee must be fit, willing, and able to satisfy all of the duties and obligations attached to this royalty modification and all other lease terms.

12. If at any time royalty modification is rescinded, the terms and conditions of this Findings and Determination shall terminate, with two exceptions. First, the provisions of Term 8 shall survive the termination of royalty modification. Second, all obligations to keep information confidential that was submitted pursuant to this Findings and Determination shall survive the termination of royalty modification.

VI. PROPOSED FINDINGS AND DETERMINATION

After detailed consideration where all the materials presented by the applicant were reviewed and incorporated into our analysis, the ADNR has determined that Eni meets the necessary requirements and that royalty modification for the Nikaitchuq development project is warranted under the terms established in Section IV of this finding and determination.

1/11/08

Thomas E. Irwin
Commissioner

Date

cc: Kevin Banks, Director, Division of Oil and Gas
Antony Scott, Senior Commercial Analyst, Division of Oil and Gas
Jeff Landry, Department of Law

2/22/12 MINING INDUSTRY BRIEFING

<TARGET><BILL></BILL><SUBJECT>2-22-12 MINING INDUSTRY BRIEFING</SUBJECT><COMM>SRES27</COMM></TARGET>

ALASKA MINERS ASSOCIATION, INC.

Issues of Concern
for the Alaska Mining Industry for 2012

Actions needed by the Administration and/or the Legislature: January 2012

CRITICAL ITEMS: PERMITTING INTEGRITY – LITIGATION REFORM – ENERGY – INFRASTRUCTURE

Integrity of Permitting System - Ensure the integrity of the current rigorous, science-based state permitting process and fund it at a level that will ensure its integrity.

- Provide sufficient staff and funding for permitting functions of the Departments of Natural Resources, Fish & Game and Environmental Conservation.
- Ensure and enhance public confidence in the permitting system.

Increase Oil Flow in TAPS – Without oil flow the entire State economy will implode, with serious consequences for every business, including mining.

Litigation Reform – Support efforts to bring more accountability to the appeals and litigation processes for community and resource development projects.

Infrastructure - Advocate for and fund infrastructure that will provide access to remote areas of Alaska so natural resource projects can be developed.

- Settle on a route from the Parks/Dalton Hwys to Western Alaska and begin the development.
- Establish an effective design standard for pioneer roads.
- Fund roads between communities.

Energy - Advocate and adopt a state energy plan and fund interties, pipelines, hydroelectric, etc. to provide energy for resource development and communities.

- Ensure that Healy Plant #2 comes on line at the earliest possible date.
- Rationalize the management and control of the railbelt electrical intertie system.
- Fund and construct a regional electrical interties.
- Develop and implement a strategy to provide stable sources of energy to the railbelt.

PERMITTING PROCESS

Wetlands Mitigation & Banking – Establish a State mitigation program and evaluate State primacy over Section 404 wetlands mitigation, permitting and management.

Water Quality Standards - Continue to review water quality standards to ensure standards are scientifically supportable and developed using Alaska-specific criteria. Also, ensure continued availability of mixing zones and adoption of anti-degradation regulations.

EPA Permit Review Process - Oppose use of 404(c) and Aquatic Resources of National Importance (ARNI) to stop projects.

Public Interest Litigation – Enact legislation to require public disclosure of funding sources for public interest litigation.

Non-Profit Foundation Money - Enact legislation to require public disclosure whenever funds from 501(c)(3) non-profit foundations are used to affect public policy; disclosure to include name of the source, amounts and purpose for which the moneys are given.

Financial Assurance - Ensure that financial assurance (bonding) requirements for environmental compliance are managed exclusively by the State. Aggressively oppose federal takeover.

Endangered Species Act – Continue to aggressively oppose ESA listings in the courts to ensure decisions are based on sound science.

FISCAL ISSUES

Taxation - Maintain an equitable and stable tax structure at state and local government levels.

State Fiscal Policy - Adopt a long range fiscal plan.
Annual Airborne Geophysical Mapping Program - Increase funding for the extremely effective airborne geophysical mapping program.

Mineral Education & Training - Continue to support mining engineering and geological engineering, geology, the Mining and Petroleum Training Service (MAPTS), and the Delta Mine Training Center (DMTC) at levels that will ensure a trained workforce; continue funding the State's share of Alaska Resources Education (ARE).

LAND MANAGEMENT ISSUES

State Authorities - Ensure development of state-owned natural resources is not compromised by municipal or borough regulations or taxation or local government moratorium.

Land Management Philosophy - Ensure that uses of land are not mutually exclusive - resource development and recreation; mining and fish; oil and caribou; resource development and subsistence.

RS-2477 Rights-of-Way & Navigability - Continue to systematically and aggressively pursue State rights, both administratively and in the courts, to RS-2477 rights-of-way and State ownership and authority over navigable waters as granted at Statehood.

State Lands - Ensure no net loss of multiple use lands. *Oppose* additions to any state parks, refuges, critical habitat areas, marine restricted areas, or any other restricted-use areas, *unless* an equal acreage of other lands already having a similar designation is released and the new area being designated is first evaluated for mineral potential.

Land Transfers - Prior to any state land transfers to boroughs, land disposals/sales, or leases not required for resource development, require a detailed mineral evaluation, to include airborne geophysical surveys, be completed to help ensure that mineralized lands or key access routes are not transferred.

Outdated Federal Withdrawals - Pursue removal of old federal land withdrawals (where purpose for withdrawal has expired) which are blocking land transfers to the State, such as PLO 5150, the outer pipeline corridor. Encourage BLM to remove such PLOs and open the lands through its land planning process.

New Federal Withdrawals - Oppose all new federal land withdrawals, marine restricted areas, Antiquities Act designations, BLM wilderness studies, etc. and fight vigorously against additional buffers or other restrictions to multiple use of federal lands in Alaska. Oppose 2001 Roadless Rule and support the restoration of the 2003 Tongass Exemption. The Alaska National Interest Lands Conservation Act (ANILCA) provides that "no more" federal land will be withdrawn for parks, preserves, monuments, wilderness designations, wild & scenic river designations, etc.

International Heritage & Biosphere Designations - Oppose establishment of international parks, biosphere reserves, and world heritage sites, such as the so-called Beringia (over the Seward Peninsula & Bering Sea), NPRA, or ANWR. International designations would - 1) surrender partial sovereignty to the United Nations, and 2) eliminate access across the affected lands and waters.

Federal Mining Law - Continue to oppose changes to federal law and regulations that would be adverse to Alaska miners.

NPR-A – Petition Congress to open NPR-A to mineral entry and coal leasing.

OTHER ISSUES

Business Climate – Promote Alaska resource opportunities to counter the negative perceptions identified in polls by CNBC, Forbes, etc.

NEPA - Provide funding for State agencies to participate in NEPA processes.

Coal Development - Encourage utilization of coal liquefaction and gasification technologies for Alaska's vast coal resources.

Climate Change - Oppose all federal actions unless they are based on sound data and peer-reviewed science.

Jones Act - Because Jones Act vessels for bulk mineral shipments are not available, petition Congress to amend the Jones Act to allow use of non-Jones Act vessels for shipment of "non-petroleum bulk natural resources within or from Alaska or intra-Alaska shipments of petroleum".

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The Economic Benefits of Alaska's Mining Industry

January 2012

Mining is a growing force in Alaska's economy

providing jobs for thousands of Alaskans and millions of dollars of personal income throughout Alaska. Alaska's mining industry includes exploration, mine development, and mineral production. Alaska's mines produce zinc, lead, gold, silver, coal, as well as construction materials, such as sand, gravel, and rock.

In 2011, Alaska's mining industry provided:

- **4,500 direct** mining **jobs** in Alaska.
- **9,000 total** direct and indirect **jobs** attributed to Alaska mining industry.
- **$620 million** in total direct and indirect **payroll**.
- Some of Alaska's highest paying jobs with an estimated **average annual wage of $100,000**, over twice the state average for all sectors of the economy.
- **$17 million** in **local government revenue** through property taxes and payments in lieu of taxes.
- **$148 million** in **state government revenue** through rents, royalties, fees, and taxes, up 170% from 2010.
- **$172 million** in payments to **Alaska Native corporations**.
- **Mostly year-round jobs for residents** of more than **120 communities** throughout Alaska, half of which are found in rural Alaska where few other jobs are available.

Largest Producing Mines and Selected Advanced Exploration Projects

State and Local Government Tax Obligations

	Land Status	Mining License Tax	State Royalty Payments	Local Govt. Tax Payments
Producing Mines				
Usibelli Coal	State	X	X	X
Greens Creek	Private	X		X
Red Dog	Private	X		X
Fort Knox	State/Mental Health Trust	X	X	X
Nixon Fork	Federal	X		
Pogo	State	X	X	
Kensington	Private/Federal	X	X	X
Advanced Exploration Projects (Projected Payments)				
Chuitna Coal Project	State/Mental Health Trust/ Private/Borough	X	X	X
Wishbone Hill	State/Mental Health Trust/ Private	X	X	X
Donlin Gold	Private	X		
Livengood	State/Mental Health Trust	X	X	
Niblack	State/Federal	X	X	
Pebble Project	State	X	X	X

2011 Economic Benefits

estimated

Exploration

- **$300 million** spent on exploration, up 13% from 2010.
- **60 exploration projects** spending more than $100,000, of which **30 projects spent more than $1 million**.
- **$2.8 billion** spent on exploration since 1981.

Development

- **$175 million** spent on **mine construction,** down 40% from 2010.

Production

- **$3.8 billion** in **gross mineral production value** from Red Dog, Greens Creek, Fort Knox, Pogo, Kensington, and Usibelli Coal mines, placer mines, and rock, sand, and gravel operations, up 16% from 2010.
- More than **200 placer mines** produced **70,000 ounces** of gold, as well as platinum.
- **$80 million in production value** from more than 120 active rock quarries, and sand and gravel operations.
- Export value of **$1.3 billion**, or **31%** of Alaska's **total exports** (2010).

Usibelli Coal Mine
Coal

- Alaska's only operating coal mine, exporting half of its production in 2011
- Fuels 40% of Interior Alaska's electricity
- Founded in 1943
- 138 employees in 2011

Greens Creek Mine
Silver, zinc, gold, and lead

- Among the world's top 10 silver producers
- Largest Southeast Alaska for-profit employer, in terms of payroll
- Largest payer of property tax in the City & Borough of Juneau
- Discovered in 1975, producing from 1989 to 1993, and continuously since 1996
- 355 employees in 2011

Red Dog Operations
Zinc, lead, and silver

- One of the world's largest zinc concentrate producers
- Only taxpayer in the Northwest Arctic Borough
- Discovered in 1968, producing since 1989
- 620 employees (including 130 contractors) in 2011

Fort Knox Mine
Gold

- Alaska's largest surface gold mine
- Largest single property taxpayer in the Fairbanks North Star Borough
- Discovered in 1984, producing since 1996
- 500 employees in 2011

Pogo Mine
Gold

- Discovered in 1994, producing since 2006
- 312 full-time employees and 150 full-time contractors in 2011
- Paid more than $51 million in wages in 2011
- Capital spending exceeded $11 million in 2011

Kensington
Gold

- 2011 marked the first full year of production
- Expect nearly 90,000 ounces of gold in 2011
- Adding infrastructure to provide long-term, sustainable production
- 230 employees in 2011

Nixon Fork
Gold and copper

- Discovered in 1917, intermittent production since 1920s
- Production suspended in 2007, re-opened in 2011
- 100 jobs in 2011

Chuitna
Coal

- Currently in the permitting process
- 300-350 expected production jobs

Wishbone Hill
Coal

- First mined in 1916
- Project feasibility study completed in November 2011
- 75-125 potential production jobs

Donlin Gold
Gold

- Discovered in 1988, continued exploration since 1995
- Permitting process expected to start in 2012
- 87% Calista shareholder hire at its camp operation
- Up to 1,400 potential production jobs, depending on the production timeline

Livengood
Gold

- Placer mining began in 1914, lode deposit discovered in 2007
- Pre-feasibility Study expected by June 2012
- Approximately 500 potential production jobs

Niblack
Gold, silver, copper, and zinc

- Ongoing exploration for more than 10 years
- $26 million invested since 2009
- 200-300 potential production jobs

Pebble Project
Copper, gold, and molybdenum

- Discovered in 1987, ongoing exploration and environmental studies since 2002
- Over $400 million invested through 2010
- 800-1,000 potential production jobs

Alaska Miners Association, Inc. • 3305 Arctic Blvd., #105 • Anchorage, Alaska 99503
TEL: 907.563.9229 • FAX: 907.563.9225
www.alaskaminers.org

Strengthening Local Economies and Communities

Mining companies strengthen Alaska's local economies by employing Alaska residents from more than 120 Alaska communities located in 26 out of 29 Alaska boroughs or census areas. The industry also purchases supplies and services from hundreds of Alaska businesses.

These mining companies are also a significant source of stable revenue for local governments, as well as significant state government revenue. In 2011, Alaska's mining industry paid:

An estimated total of **$17.2 million to local governments,** including:

- $8.9 million in payment in lieu of taxes (PILT) by Red Dog to the Northwest Arctic Borough.
- $5.6 million in property taxes paid by Fort Knox to the Fairbanks North Star Borough.
- $1.4 million in property taxes paid by Greens Creek to the City and Borough of Juneau.
- $1.2 million in property taxes paid by Kensington to the City and Borough of Juneau.
- Tax payments to other local governments, including Denali Borough, City of Nome and others.
- Mining industry employees also pay local property and sales taxes.

Mining companies paid an estimated **$148 million to state government** in royalties, rents, fees, and taxes, up 170% from 2010.

The mining industry also paid **$70.1 million in other state government-related revenues,** including:

- $28 million to the Alaska Railroad Corporation – $21 million for moving coal and $7 million for moving sand and gravel.
- $41.1 million to Alaska Industrial Development & Export Authority for the use of state-owned facilities (DeLong Mountain Regional Transportation System and Skagway Ore Terminal).

- $1.0 million to the Alaska Mental Health Trust for rents and royalty payments, and construction material sales.

Partnering with Alaska Native Corporations

All Alaska Native corporations benefited from mining industry activity – in 7(i) and (j) royalty sharing payments, in jobs for shareholders, or through business partnerships.

- $169.9 million in net proceeds from Red Dog Operations to NANA and distributed $82.0 million to other Alaska Native regional and village corporations.
- 56% of the 550 year-round jobs at Red Dog are filled by NANA shareholders, including Teck Cominco, NANA Lynden and NANA Management Services jobs.
- Calista Corporation anticipates $2 million in royalties and other revenue for mineral agreements, including lode exploration, placer gold production, and construction material sales.
- Calista shareholders, descendants and spouses predominantly fill the exploration camp jobs at Donlin Gold.

Many Alaska Native corporations have taken the opportunity to develop businesses that serve the mining sector, including: NANA Regional Corporation, Calista Corporation, The Kuskokwim Corporation, Central Council Tlinglit & Haida Indian Tribes of Alaska, Goldbelt, Inc., Kake Tribal Corporation, Klukwan, Inc., Prince of Wales Tribal Enterprise Consortium, Iliamna Development Corporation, Pedro Bay Corporation, Alaska Peninsula Corporation, Kijik Corporation, Igiugig Native Corporation, Tenalian Incorporated, and Tyonek Native Corporation.

Every Alaska Native region has some form of mining potential, ranging from gravel operations to gold, silver, copper, nickel, lead, zinc, platinum, tungsten, manganese, rare earth minerals, jade, limestone, and coal deposits. Several Alaska Native corporations, such as NANA Regional Corporation, Calista Corporation, The Aleut Corporation, Sealaska Corporation, CIRI, Doyon Ltd., Ahtna Inc. and Arctic Slope Regional Corporation, are actively evaluating the mining potential in their regions.

Special thanks to Dave Szumigala, Alaska Department of Natural Resources, and Lisa Harbo, Alaska Department of Commerce, Community and Economic Development for their assistance. Other sources used in this report include: State of Alaska Departments of Commerce, Community and Economic Development, Labor and Workforce Development, Natural Resources, and Revenue, Alaska Railroad Corporation, Alaska Industrial Development & Export Authority, various local and borough governments, and mining companies. Prepared in consultation with McDowell Group, Inc.

Library

Mining Industry Briefing

Alaska Miners Association
Council of Alaska Producers

Joint House/Senate Resources Committees
February 22, 2012

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Alaska Producers

Mining Works for Alaska – 2011

- Seven producing large mines
- 30 exploration projects >$1M
- >4,500 direct mining jobs
- $100,000 average annual wage

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Alaska Producers

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Alaska Producers

2011 Operational Milestones

- New, more efficient mills- Red Dog
- 5 Moz Strong - Ft. Knox
- Investment in the future - Pogo
- Record exports- Usibelli

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2011 Operational Milestones

- A new beginning – Nixon Fork
- First full year – Kensington
- Tails Expansion – Greens Creek

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2011 Development Milestones

- Feasibility Update – Donlin Gold
- PA complete – Livengood
- Environmental Baseline Studies – Pebble

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2011 Development Milestones

- Partnerships - NANA/Novacopper
- Increased Resources - Niblack
- SEIS work continues- Chuitna
- Feasibility + Permitting- Wishbone Hill

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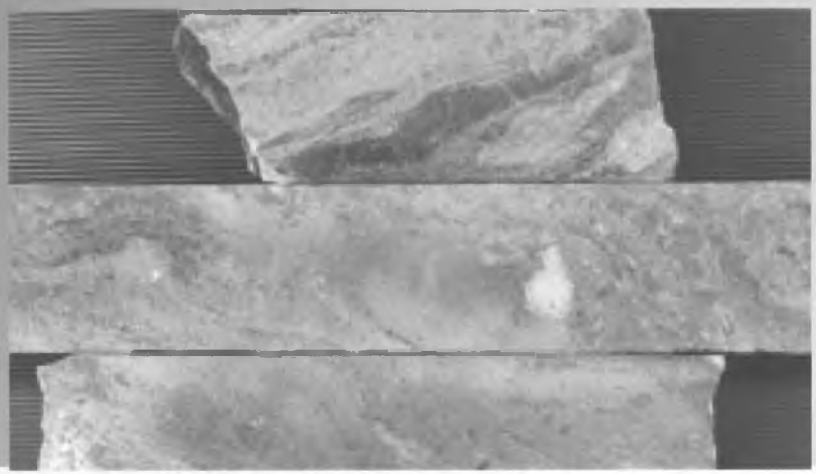
2011 Exploration Milestones

- Exploration investment up 13%
- >60 Exploration projects
- Juniors lead the way



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2011 REE/Critical Minerals

- State funding of REE Inventory
- Ucore investment at Bokan Mountain
- Alaska strategically poised to be a world leader

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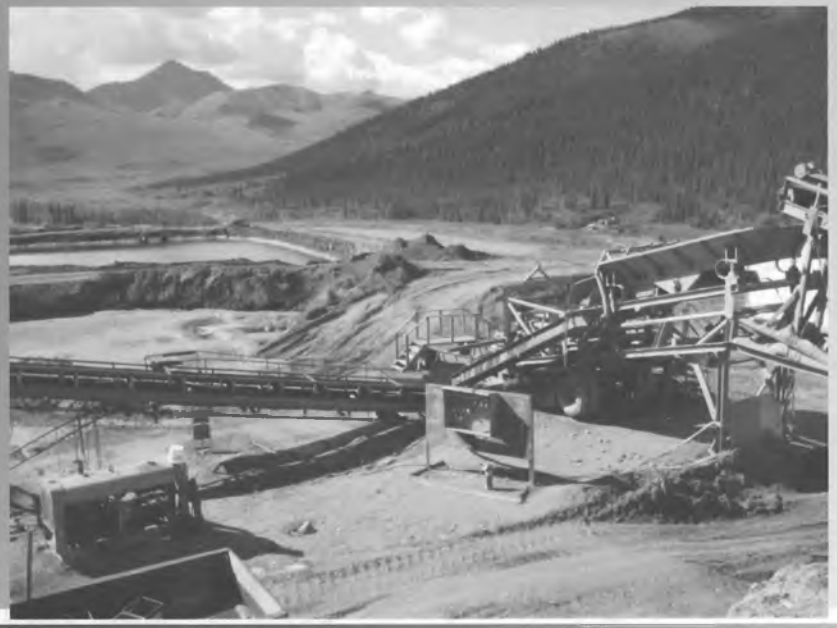
2011 Placer Mining

- >200 Placer Mines
- >70,000 Oz Mined



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Challenges

- High Risk
- Infrastructure
- Perceptions

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Opportunities

- Mineral Potential
- Rigorous Permitting
- Public Support
- Workforce Development

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Vitalizing Alaska's Workforce

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Looking to the Future:

- Alaska
  - Potential
  - Means
  - Opportunity

- Mining *will work* for Alaska

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AMA Issues of Concern

- Integrity of the Permitting System
- Increased Oil Flow in TAPS
- Litigation Reform
- Infrastructure
- Energy

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AMA Permitting Issue – Wetlands

- U.S. Army Corps of Engineers – Section 404
- All activities on all lands
- >50% of Alaska is classified as wetlands
- 'No Net Loss' is the policy
- Impacts must be offset
- Compensatory Mitigation Credits are required

ALASKA MINERS ASSOCIATION

AMA Advocates

- Establishing a State mitigation program
- Evaluating State primacy over Section 404 wetlands mitigation, permitting, and management
- Many states with similar issues have established state run programs
- Provide mitigation credits where there are limited options
- Developed to address DOT needs, expanded to other permittees

ALASKA MINERS ASSOCIATION

Perspectives

- Alaska's scale is unique
  - Access to mineral lands is vital
  - Industry is a century old but in its infancy
  - Infrastructure is key limitation
    - Roads to Resources
    - Lines to Mines
  - Uncertainty is the enemy of economic investment
  - Need to continue to strengthen the process

ALASKA MINERS ASSOCIATION

The Economic Impacts of Alaska's Mining Industry

Prepared for:

Joint Senate and House Resources Committee

Prepared by:
McDowell Group, Inc.
Anchorage · Juneau

February 22, 2012

"Celebrating 40 years of excellence in research & consulting."

McDowell Group

Presentation Contents

- Overview of Alaska Mining Activity
- Employment and Payroll
- Alaska Resident Employment
- Alaska Spending
- Payments to Local and State Governments
- Benefits to Alaska Native community

Alaska Mining Activity in 2011

- Exploration
  - $300 million , up 13% from 2010
  - 60 exploration projects spending more than $100,000
- Development
  - $175 million, down 40% from 2010

Alaska Mining Activity in 2011

- Production
  - $3.8 billion in gross mineral production value
  - >200 placer mines
  - >120 active RSG operations
- Exports of $1.3 billion (2010) or 31% of AK's exports

Employment and Payroll (2011)

- 4,500 direct jobs
- 9,000 total direct and indirect jobs
- $620 million in total direct and indirect payroll
- Average annual wage of $100,000 (double the statewide average)

Purchases of Goods and Services in Alaska

- Large operating mines spent $620 million on goods and services
  - $500 million (or 70% of total) was spent with Alaska businesses
- More than 600 Alaska businesses provided goods and services to Alaska's large mines
- 500 Alaska businesses supported advanced exploration projects

Payments to Local Governments (2011)

$17.2 million to local governments, including:

- $8.9 million in PILT to NWAB
- $5.6 million to FNSB
- $2.6 million to CBJ
- Other payments to Denali Borough City of Nome, etc.
- Employees also pay local property and sales tax

Payments to State Government (2011)

- $148 million in royalties, rents, fees, and taxes -- up 170% from 2010
- Also paid $70 million in other revenues, including:
  - $28 million to Alaska Railroad (coal, sand & gravel)
  - $41 million to AIDEA for DeLong Mountain Regional Transportation System &Skagway Ore Terminal use
  - $1 million to the Alaska Mental Health Trust

Benefits to Alaska Native Corporations

- Nearly all Alaska Native corporations benefit from mining
  - 7(i) and (j) royalty sharing payments
  - jobs for shareholders and descendants
  - business partnerships

Benefits to Alaska Native Corporations

- ANC benefits include:
  - $170 million in net proceeds from Red Dog Operations to NANA, of which $82 million was distributed to other ANCSA regional and village corporations
  - 56% of the 550 year-round jobs at Red Dog are filled by NANA shareholders
- Every ANCSA region has some form of mining potential

Summary

- Significant source of jobs (9,000 jobs in Alaska)
- Provides high-paying, year-round jobs
- Key source of tax revenue, especially to local governments
- Critical ANC benefits
- Economic benefits spread throughout Alaska

Thank You!

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Council of
Alaska Producers

2/23/12 PRESENTATION BY DEPARTMENT OF REVENUE: ACCESS TO INFORMATION AND FISCAL NOTE ANALYSIS

<TARGET><BILL></BILL><SUBJECT>2-23-12 PRESENTATION BY DEPARTMENT OF REVENUE ACCESS TO INFORMATION AND FISCAL NOTE ANALYSIS</SUBJECT><COMM>SRES27</COMM></TARGET>

Senate Resources Committee
Joe Paskvan, Co-Chair
February 23, 2012

Let's call the meeting to order.

Let the record reflect that it is _____ p.m. on ~~Tuesday~~ Thursday, February 23.

Let the record reflect that there is a quorum. Present are

- Co-Chair Wagoner
- Senator Stedman
- Senator Stevens
- Senator Wielechowski
- Senator French
- Senator McGuire
- And myself, Senator Paskvan

During this hearing, the Senate Resources Committee will learn more about the Department of Revenue's perspective on "Access to Information" and "Taxpayer Confidentiality."

This issue first presented itself to me when I read the December 30, 2011, Decision Following Trial De Novo regarding the Assessed Valuations of TAPS.

In that decision, the judge wrote that the Alaska statutes "grant the Division certain investigative powers" but that "there was no persuasive evidence presented at the trial de novo that the Division has ever exercised these powers with respect to the valuation of TAPS."

Additionally, the judge wrote, "The Division broadly interprets what it considers 'taxpayer confidential' information under applicable statutes and will not disclose such information to the Municipalities specifically or public generally. The Division considers all information that it receives from a taxpayer as 'taxpayer confidential,' even if it does not contain the particularities of a taxpayer's business affairs and is obtainable from the public domain."

There is more in the decision about this issue, and we have discussed it in detail during a prior hearing; however, today is the Department of Revenue's day. I look forward to their testimony.

Welcome back, Commissioner Butcher.

Please introduce yourself for the public record and then begin your testimony.

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IN THE SUPERIOR COURT FOR THE STATE OF ALASKA

THIRD JUDICIAL DISTRICT AT ANCHORAGE

BP PIPELINES (ALASKA) INC., EXXONMOBIL PIPELINE COMPANY, UNOCAL PIPELINE COMPANY, CONOCOPHILLIPS TRANSPORTATION ALASKA, INC. and KOCH ALASKA PIPELINE COMPANY, Owners, and ALYESKA PIPELINE SERVICE COMPANY, as Agent for the Owners, FAIRBANKS NORTH STAR BOROUGH and CITY OF VALDEZ, Appellants/Cross-Appellants, v. STATE OF ALASKA DEPARTMENT OF REVENUE, STATE ASSESSMENT REVIEW BOARD, and NORTH SLOPE BOROUGH, Appellees.	Case No. 3AN-06-8446 CI (Consolidated) Tax years 2007/08/09

ORDER ON RECONSIDERATION RE EXHIBITS SOA7-11 and SOA7-110

The Department and the Municipalities dispute the extent to which SOA7-11 and SOA7-110 should be confidential. The Municipalities submitted copies of the exhibits with proposed redactions on October 28, 2011. This Court issued an oral ruling with respect to confidentiality of those documents on October 31, 2011.[1] Thereafter, both parties filed motions to reconsider that order. At the request of the Court, each party filed responses to those motions to reconsider.

[1] Tr. 12429 – 12432

This Court ordered that for all fields with three or more producers or explorers, the categories of production in that field, including under development (UD) and under evaluation (UE), would be public. For fields with less than three or more producers or explorers, only the total production would be public.

The State seeks reconsideration and argues that the individual categories should remain confidential for all fields, regardless of the number of producers within the field. The State asserts that because the UD and UE categories of production "were informed by information from the operator, ... then taxpayer confidential communications and information received from the operator could be determined."[2]

The Municipalities assert that the Court should not have made any of the production forecasts confidential, regardless of the number of producers in a given field. They assert that the portions of SOA7-11 and SOA7-110 that they designated to be public do not contain taxpayer information protected by any applicable statute,[3] that the Department changed its policy to make this information confidential in 2006 without following proper rule-making procedures,[4] and that they are only seeking to have the Department's own work product made public – not information from the operators.[5]

---

[2] SOA's Motion for Reconsideration at 3.

[3] Munis' Motion for Reconsideration at 3.

[4] *Id.* at 4.

[5] *Id.* at 5.

Based upon this Court's review of the parties' submissions, and applying the same legal analysis that was set forth by this Court in the Order re Confidentiality of Certain Exhibits dated October 17, 2011,[6] the Municipalities' Motion to Reconsider is GRANTED. SOA7-11 and SOA7-110 shall be public except as to the redactions proposed by the Municipalities in their filing dated October 28, 2011.

This Order shall become effective twenty days from the date of its distribution, unless otherwise ordered by the Court. Upon receipt of this Order, the State shall immediately provide a copy of this Order to all entities that may have provided confidential information to the State that is included within the two exhibits, and shall accord to each such entity the opportunity to review the public and confidential versions of each exhibit.

DATED this 29th day of December, 2011.

Sharon Gleason
Judge of the Superior Court

I certify that on 12.30.11
a copy was mailed to each of the following
at their address of record:
Diane Mercer
Judicial Assistant / Deputy Clerk

Scedorf, Palumbo, Mahoney, Garatoni, Gabel
Diemer, Johnson, Richards, Brena, Long
& Baker

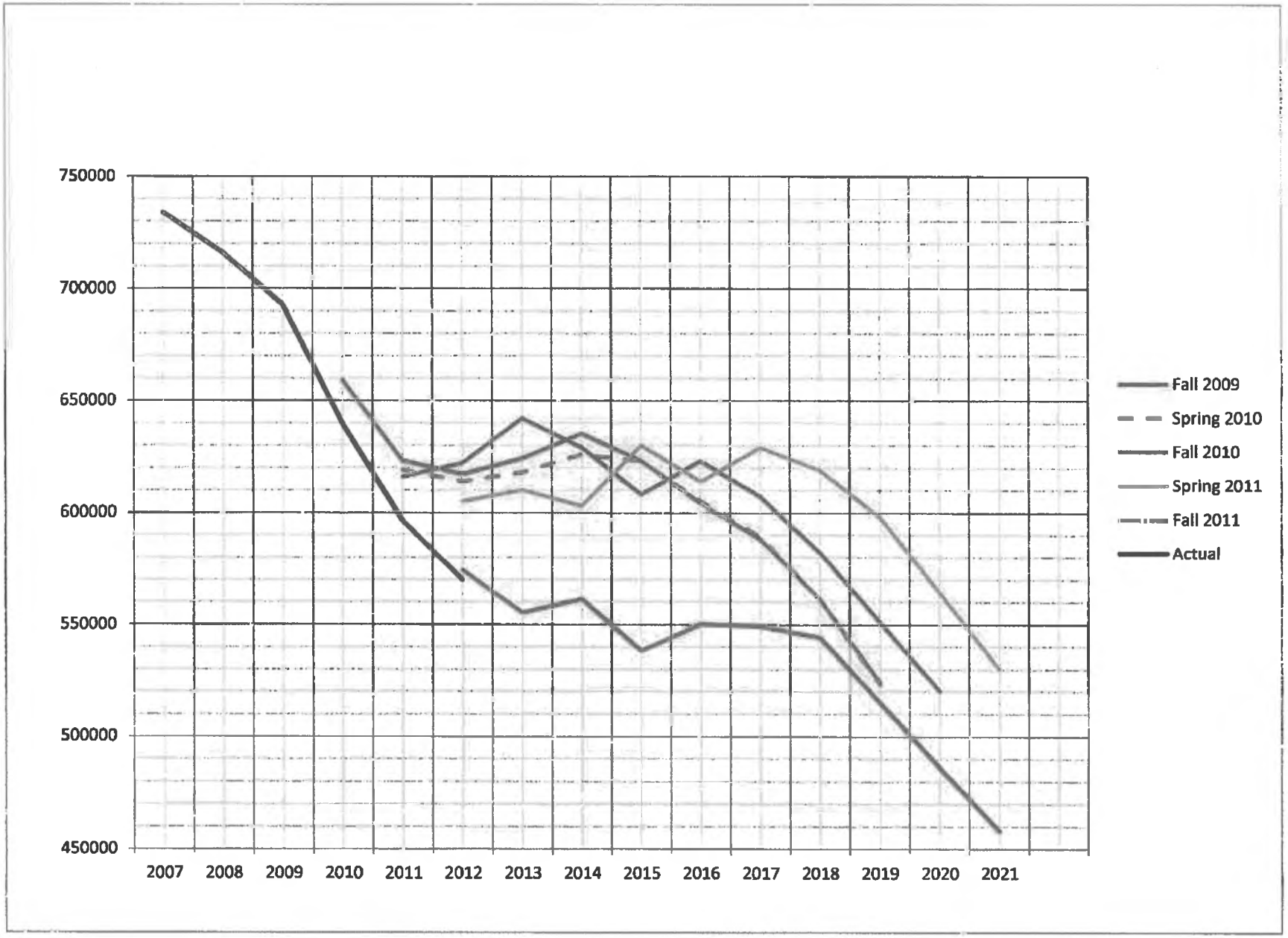
[6] Pages one through five of that Order is incorporated by reference as if fully set forth herein.

FY	Actual	Fall 2009	Spring 2010	Fall 2010	Spring 2011	Fall 2011	2011 Fall v. Spring	Fall 2011 vs. Fall 2009
2010	644,000	659,000	650,000					
2011	603,000	623,000	619,000	616,000	605,000			
2012		617,000	614,000	622,000	610,000	574,000	(36,000)	(43,000)
2013		624,000	618,000	642,000	603,000	555,000	(48,000)	(69,000)
2014		635,000	626,000	629,000	630,000	561,000	(69,000)	(74,000)
2015		623,000	623,000	608,000	614,000	538,000	(76,000)	(85,000)
2016		604,000	605,000	623,000	629,000	550,000	(79,000)	(54,000)
2017		588,000	589,000	607,000	619,000	549,000	(70,000)	(39,000)
2018		561,000	561,000	582,000	598,000	544,000	(54,000)	(17,000)
2019		524,000	523,000	551,000	564,000	515,000	(49,000)	(9,000)
2020				520,000	530,000	486,000	(44,000)	
2021						458,000		

What dig b/w this?

This table represents DOR forecasts made by the DOR's new production forecaster, Frank Molli.
Frank Molli lives in Colorado, and prior to late August of 2011 had never been to the North Slope.
In August 2011 Mr. Molli spent 2 days on the North Slope with the State Petroleum property assessor and briefl
The DOR estimate for FY 2012 has dropped significantly between the Spring 2011 and Fall 2011 forecasts.
ACES had been in effect for two years prior to the Fall 2009 forecast.
Due to the aggregating of individual field forecasts into 'groups' (i.e., Prudhoe Bay and Milne Point or Oooguruk
It is unclear what judgments regarding the NPRA are being made by DOR (is Umiat in the mix? What assumptio

Why is there such a significant difference b/w Spring 11 and Fall 11 forecast?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2021
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Spring 2010
Fall 2010
Spring 2011
Fall 2011
Actual

Access to Information / Confidentiality
February 23, 2012

Notes

1. DOR reading of statutes is the broadest possible, even broader than a plain reading would support, in my opinion.

2. Why is any information provided to DOR treated as the business particulars of a taxpayer? For instance why are hypothetical cost studies that contain no business particulars treated as confidential? Why is the data received when doing the production forecast for the revenue sources book confidential - although the companies are taxpayers (as is every entity and person at some level) but they are not providing the information as part of the taxation process? It's just an excuse to do business behind closed doors, it seems to me.

3. Even if DOR interpretation of statutes were reasonable, the process could be opened up via legislation. As a matter of public policy, this seems so obviously in the best interests of the public and in preventing corruption. Would they support that?

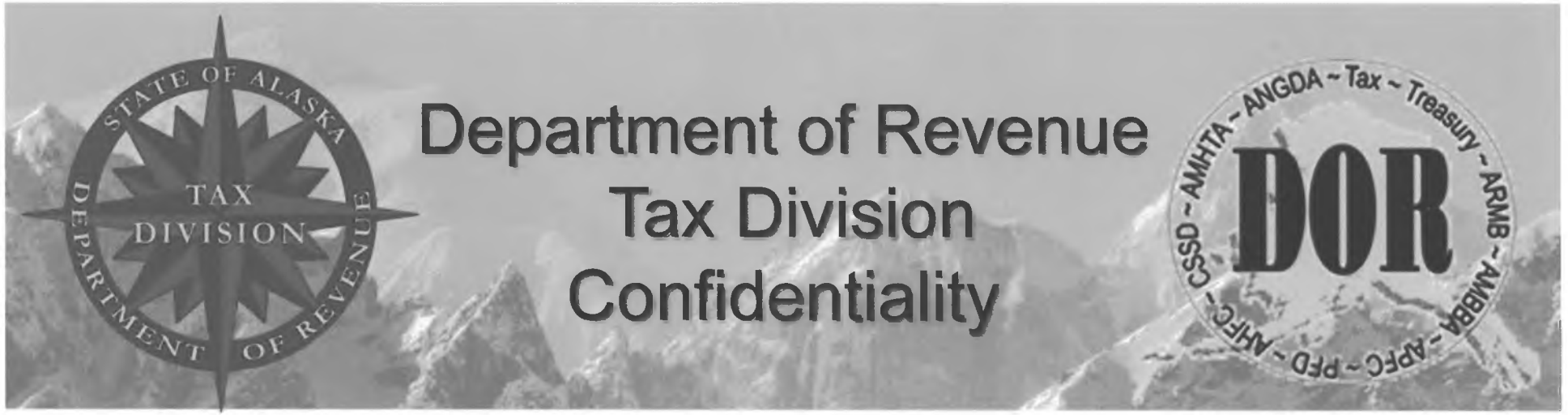
4. It's suggested DOR has good information provided by industry via subpoenas and cooperation. Gleason reviewed what DOR had and was unimpressed by what was voluntarily provided (that was in her latest decision).

5. I doubt DOR uses subpoenas with any regularity or with vigor in the context of production taxes because info they do have tends to show up in the property tax context and production forecasting (although I am not familiar with DORs use of subpoenas in this area).

Question re: Forecast Information

The Revenue Sources Book only publishes production forecasts for the next 10 years. How do we (and the public) know the forecast beyond that?

Could you please provide the Committee with that information on a pool basis (Orion, West Sak is a pool, etc.)?



Presentation to the Senate Resources Committee February 23, 2012 Alaska Department of Revenue

Access to Information

- Assessment Process
- Relevant Confidentiality Statutes
- Legislators' Concerns Regarding Confidentiality
- DOR Information Gathering Procedures
- State Assessment Review Board (SARB) Proceedings
- Subpoena Power
- Joint Administrative Agreements
- Municipal Codes
- Benefits of Confidentiality

Assessment Process

- Preliminary Assessment by State Assessor
- Appeal to Department & Informal Conference Decision
- Appeal to SARB & SARB Determination
- Certified Assessment
- Appeal to Superior Court & Superior Court Decision
- Appeal to State Supreme Court & Supreme Court Decision

Relevant Statutes

- AS 43.05.230 states in part
  - "It is unlawful for a current or former officer, employee, or agent of the state to divulge the amount of income or the particulars set out or disclosed in a ***report or return*** made under this title . . ."
- AS 40.25.100(a) which also applies to DOR states in part
  - "Information in the possession of the Department of Revenue that discloses the particulars of the business or affairs of ***a taxpayer or other person*** is not a matter of public record . . ." It further states that this information will be "kept confidential".
- The statutes referenced above are very broad and apply to all information that discloses the business affairs of all persons, not just taxpayers
- AS 43.05.230(f) provides that for each violation of confidentiality there is a penalty of up to $5,000 or prison sentence of up to 2 years or both

Legislators' Concerns Regarding Confidentiality

- During special legislative session (ACES) in 2007, the topic of confidentiality came up on several occasions
- Industry concerned with DOR's ability to maintain taxpayer confidentiality
- Legislators voiced those same concerns
- Legislators discussed increasing penalties for breaches of confidentiality
- As a result DOR adopted a "Confidentiality Policy" and requires annual confidentiality training of all DOR employees, contractors and others that have legal access to taxpayer information

DOR Information Gathering Procedures

- DOR compels taxpayers to provide information in a variety of ways
- Tax returns and property tax statements must be signed by the taxpayer as truthful renditions under penalties of perjury
- DOR and DNR receive confidential producer data related to reserves, such as confidential plans of development (for which there are also public versions available) and proprietary production forecasts internal to producer companies
- TAPS assessments by DOR (not SARB) were $4.5 billion in 2007, $7.2 billion in 2008 and $7.7 billion in 2009.
- Using information under the de novo provisions at trial in 2011 that was not actually in existence in 2007, the Superior Court ruled TAPS value at $8.9 billion in 2007, $9.6 billion in 2008, and $9.2 billion in 2009. The Municipalities in contrast argued TAPS value is at least $13 billion, while the TAPS Owners argued TAPS value is around $1 billion.
- Based upon the information in existence at the time the Department conducted its property tax assessments for the 2007-2009 tax years, the Department's valuations were reasonable.

SARB Proceedings

- 1983 AG Opinion
  - Determinations of the SARB are public
    - "There is nothing in AS 09.25.100 [renumbered to the current AS 40.25.100] nor AS 43.05.230 that implies that the legislature intended these assessment procedures and records to be confidential. Both of these statutes are aimed a preventing disclosure of information on the amount of income of a taxpayer or the particulars of a business of a taxpayer. These restrictions are not violated by assessing property of the taxpayer and making the valuation of that property open to the public."
  - Information on the amount of income or the particulars of a business of a taxpayer should be held confidential
    - "15 AAC 56.005(b) makes the property statement filed by a person owning property taxable under AS 43.56 a 'report or return for purposes of AS 43.05 and 15 AAC 05.' To the extent that the statement reveals information on the amount of income or the particulars of a business of a taxpayer, the statement should be held confidential in accordance with the dictates of AS 09.25.100 and AS 43.05.230."

SARB Proceedings (cont.)

- In compliance with the 1983 AG opinion, SARB conducts public hearings
- SARB does not, however, hold taxpayer information confidential as required under the statutes and as advised by the AG opinion
- All information would be available to SARB and the municipalities during SARB proceedings if taxpayer information was treated as confidential in accordance with applicable statutes and the AG opinion

Subpoena Power

- AS 43.05.040(a) grants subpoena power to DOR
- Subpoenas are expensive and time consuming
- Subpoenas can be appealed, or DOR may seek a court order to compel a taxpayer to comply with a subpoena
- As such, subpoenas are litigated and can be litigated all the way to the Alaska Supreme Court
- Subpoenas have been utilized by DOR but only when deemed necessary
- Subpoenas have not been used on property tax issues due to statutory deadlines and the reality that any confidential information received under a subpoena would not be reviewed by SARB upon appeal of the Department's assessments

Joint Administrative Agreements

- AS 43.56.060(g) allows the Department to "enter into agreements with a municipality for the cooperative or joint administration of the assessing authority . . ."
- DOR had an agreement for several years with North Slope Borough (NSB)
- DOR ended the agreement with the NSB when NSB's only two employees working under the agreement retired and the NSB did not hire new employees to continue the cooperative joint administration of the property tax function
- DOR previously engaged in discussions with other municipalities up through 2007 for Memorandums of Understanding ("MOUs"), but agreement on MOU terms could not be reached primarily due to the requirement that the municipalities must provide resources to assist in the assessment function. Since that time, Municipalities have not requested MOUs.

who said — is this recorded somewhere?

NOTE:
"blatantly false" → ask for more information.

Municipal Codes

- NSB Ordinance - Chapter 3.27.050 states in part
  - "(A) Every person having ownership or control of or an interest in AS 43.56 property must file with the Borough Assessor a copy of the return filed with the Department of Revenue..."
  - "(B) The Assessor is not bound to accept the return rendered by the Department of Revenue as correct but may make an independent investigation whether or not a return has been filed on the AS 43.56 property. In either case, the Assessor may make his own valuation of the AS 43.56 property, which is prima facie evidence of value."
- Valdez Ordinance – Chapter 3.28.020 states in part
  - "(A) Every person having ownership or control of or an interest in property taxable under Alaska Statutes chapter 43.56..., shall file with the city assessor a copy of the Alaska Statutes Chapter 43.56 property tax return filed with the State of Alaska Department of Revenue..."
  - "(B) The Assessor is not bound to accept the return rendered to the Department of Revenue as correct. He may make an independent investigation of Alaska Statutes Chapter 43.56 property... In either case, the assessor may make his own valuation of the Alaska Statutes Chapter 43.56 property, which is prima facie evidence of value."
- The Department does not know if the Fairbanks North Star Borough has a similar provision, but if not, it certainly has the ability to enact one
- Existing municipal ordinances give municipalities the ability to conduct their own investigations regarding property tax assessments. To DOR's knowledge, municipalities have never done this.

Benefits of Confidentiality

- Leads to cooperation between DOR and its taxpayers
- Fosters trust in us by our taxpayers
- Lends credibility to the Division
- Aids us in obtaining information without costly litigation

Summary of Confidentiality

- Confidentiality statutes are very broad; all information regarding business affairs of any person is confidential
- SARB does not put measures in place, such as issuing protective orders, to protect taxpayer confidential information in administering its AS 43.56 property assessment appeal hearings
- Municipalities have access to all taxpayer information at Superior Court under protective order. In addition, some municipalities have ordinances which allow them to conduct their own investigations regarding property taxes.
- DOR is willing to enter into agreements with municipalities under 43.56.060(g), but in so doing municipalities must assist cooperatively in the assessment process
- The intent of AS 43.56.060(g) is not, nor are MOU agreements executed, to simply to give municipalities information.

Questions?

Access to Information

- Relevant Statutes
- Department Will Not Use Subpoena Power
- The Department Overuses Taxpayer Confidential Designations
- Department Will Not Agree to a Joint Administrative Agreement

The Life of TAPS
Source Materials

- Platt Report (MUN7-0024)
- Platt Rebuttal Report (MUN7-0026)
- Hite Report (MUN7-0014)
- Van Dyke Report (MUN7-0017)
- Van Dyke Report Supplement (MUN7-0018)
- Unpredictable Wells Data
- BP Royalty Trust (MUN7-4072)
- JTG Report (MUN7-3000)
- Carpenter Study (MUN7-3020)
- Larkspur Study (MUN7-3044)
- Haines Testimony
- Modisette Report (MUN7-0028)
- Hisey Report (MUN7-0034)
- Hisey PowerPoint

Access to Information

491. SARB observed the following in its Certificate of Determination for the 2007 assessment year:

> The Board also found that the Owners failed to take advantage of the opportunity to provide the Division with persuasive data to challenge the reserves estimates or throughput projections used by the Division if the Owners have such data. The Board found that the Owners chose not to the [sic] share information that the Owners and their parent companies possess regarding throughput and proven reserves with the Division or the Board and instead chose to present evidence and testimony from outside experts who did not have access to the information the Owners possess that was not already in the public record, and who lacked adequate direct experience with, or expertise about, the TAPS or the Alaska North Slope reserves.

Gleason Decision ¶ 491

Access to Information

5. AS 43.56.080 grants the Division certain investigative powers when assessing AS 43.56 properties, including the power to "enter any premise necessary for the investigation during reasonable hours," to "examine property and appropriate records," and to compel owner representatives "to appear for examination under oath by the department." There was no persuasive evidence presented at the trial de novo that the Division has ever exercised these powers with respect to the valuation of TAPS.

Gleason Decision ¶ 5

Access to Information

6. The Division broadly interprets what it considers "taxpayer confidential" information under applicable statutes and will not disclose such information to the Municipalities specifically or to the public generally. The Division considers all information that it receives from a taxpayer as "taxpayer confidential," even if it does not contain the particularities of a taxpayer's business affairs and is obtainable from the public domain. As a result, the Division did not provide the Owners' new replacement cost study by Stantec Consulting, Inc. ("Stantec") to the Municipalities.

Gleason Decision ¶ 6

Access to Information

7. AS 43.56.060(g) provides that "[t]he department may enter into agreements with a municipality for the cooperative or joint administration of the assessing authority conferred on the department by this section." The North Slope Borough previously had such an agreement with the Department. The City of Valdez and Fairbanks North Star Borough have never been parties to joint assessment agreements with the Department.

Gleason Decision ¶ 7

Access to Information

8. In its 2010 decision, SARB expressed its concerns regarding the Division's assessment practices:

> The Board believes that it is time for the Division to address the problems created by the way it handles taxpayer confidential information in the assessment process. The Division's failure to provide interested parties with the information on which the assessment was made in time to allow those parties meaningful input in the determination of the property's assessed value, before that determination is subject to limited review of an appeal before the Board, has the potential to throw the fundamental fairness of the AS 43.56 assessment process into question. The Board believes that, due to the Division's current practices with regard to the use of taxpayer confidential information in its AS 43.56 assessments, that process is close to broken and is headed in the wrong direction.

This Court concurs with the Board's observations in this regard.

Gleason Decision ¶ 8

Access to Information
Information at DOR Level

- History of TAPS Valuation
- DOR Process
- Access to Taxpayer Information
- Treatment of Taxpayer Information
- Consequence of Lack of Access to Information

Access to Information

History of TAPS Valuation

- DOR relying on TSM based rates lead the assessments falling from over $8 billion in the mid-1980s to $2.75 billion in 2001 [Gleason Decision ¶ 30]
- For decades the valuation of TAPS was a negotiated process that largely excluded the Municipalities
- The Municipalities fully engaged the process for the 2005 assessment

Access to Information

Observation About DOR's Process

- Key DOR staff are fair, dedicated, and highly competent
- The SARB has also been balanced and diligent
- However the DOR process–as related to information relied on in the taxation process–is close to broken. [Gleason Decision ¶ 8]

Access to Information

Access to Confidential Information

- Taxing authorities typically compel information
  - DOR can subpoena information, depose taxpayer representatives, and investigate property and records [AS 43.56.080; AS 29.45.130; AS 43.55.040(a)]
- DOR policy is to work cooperatively with industry, so it does not exercise these powers [Gleason Decision ¶ 8]
- Thus, DOR relies on information that a taxpayer volunteers or that is publicly available

Access to Information
Taxpayer Information

- The Alaska Public Records Act, AS 40.25.110, requires State documents to be subject to public examination

- Exception exists under AS 40.25.100(a) for tax information "that discloses the particulars of the business or affairs of a taxpayer" in which case the "information shall be kept confidential except when . . . required in an official investigation [or proceeding]"

- AS 43.05.230(a) also makes it unlawful to "divulge the amount of income or the particulars set out or disclosed in a report or return" except in conjunction with "investigations or proceedings"

Access to Information

Taxpayer Information

DOR narrowly reads taxpayer confidentiality statutes, denying public access to:

- All information provided by taxpayers
  - Non-sensitive correspondence, hypothetical studies, publicly available information, etc.
- Information provided for its production forecasting, which is a budgeting function [2007-2009 Trial Tr. 8813-14, Tr. 10874-877]
- The Municipalities
  - AS 43.56.060(g) allows for joint administration of taxes
  - North Slope Borough had such an agreement until recently

Access to Information

Consequence of Information Access

- Industry acts to prevent the best information from harming its position on taxes
  - Low flow documents
  - Royalty trust statements removed
  - BP Pipelines no longer participating in reserves function [2007-2009 Trial Tr. 11480]
  - As a matter of policy DOR does not compel the production of useful information
- DOR does not make publicly available taxpayer information in its possession
- Result–DOR and Legislature do not have access to information necessary to be informed about oil and gas tax issues in Alaska

Access to Information
Source Materials

- Alaska Statutes

Conclusion

- Open Access to Facilities
- Reasonable Transportation Rates
- Minimize Barriers to Entry
- Sound Tax Policy
  - Recognizes Market Structure
  - Recognizes Specific Behavior and Participants Most Likely to Be Impacted by Tax Incentives
  - Recognizes Stage of Development of Basin

THANK YOU

3/01/12 DEPARTMENT OF REVENUE: RESPONSES TO COMMITTEE QUESTIONS ON OIL AND GAS PRODUCTION TAX

<TARGET><BILL></BILL><SUBJECT>3-01-12 DEPARTMENT OF REVENUE RESPONSES TO COMMITTEE QUESTIONS ON OIL AND GAS PRODUCTION TAX</SUBJECT><COMM>SRES27</COMM></TARGET>

Senate Resources Committee

Oil and Gas Production Tax

Department of Revenue:

Responses to Committee Questions

March 1, 2012

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

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The Honorable Joe Paskvan
Alaska State Senator
State Capitol, Room115
Juneau, Alaska 99801

December 21, 2011

Dear Senator Paskvan,

Thank you for your detailed and thoughtful lists of questions submitted to the Department of Revenue in May and September of this year. As previously discussed, we have been working on the answers to your questions during the interim and are providing them now, as a single package, in advance of the 2012 legislative session. It was very important for me to use the most up-to-date information available and the Fall 2011 Revenue Sources Book (RSB) is what we are using to answer your questions. At the same time as we were preparing the RSB over the past several months, we were also undertaking several other projects that will provide even more information. This will also no doubt lead to good discussions this session.

The analysis contained herein involved the work of numerous individuals on the Department of Revenue team and required large time commitments and custom model runs with significant manual analysis required. Staff were directed to make your request a top priority after completing the Fall 2011 revenue forecast and they should be commended for the time and effort put into this request.

Please don't hesitate to contact me with any additional information requests. We look forward to a constructive and meaningful discussion with you about how to best achieve our mutual goal of increasing oil and gas production in Alaska and incentivizing company investment in exciting and challenging new resources that hold the potential to mitigate the production decline.

Sincerely,

Bryan Butcher
Commissioner

Questions from emails dated May 2, 2011 and May 3, 2011:

1. **Regarding the income statement charts sent on Sunday, May 1:**
   a. **Are the credits from Cook Inlet included within the "Estimated Tax after refunded credits" category?**

      The income statement tables provided on May 1, 2011 included estimates for all production tax credits, including Cook Inlet. Note that our estimates have recently been revised from those provided on May 1, to reflect new information included in the Fall 2011 forecast.

   b. **Are there other credits or deductions which are not reflected in the charts?**

      The income statement tables provided on May 1 are illustrative of all credits and deductions taken. Note that the income statement format is an oversimplification of the tax calculation which in reality is a company-specific calculation. Therefore actual deductions and credits on the company-specific calculations will vary somewhat with those shown on the income statement. Please pay particular attention to the footnotes to the income statement tables to better understand the limitations of the income statement format.

2. **Explain the difference between the $2.572 B in FY11 capital expenditures in the charts and the $2.761B in capital expenditures presented to the Senate Finance Committee on 2/10/11.**

   The $2.572 billion estimate was published in the Fall 2010 RSB and represented a *Fiscal Year* 2011 estimate. The presentation made on February 10, 2011 to the Senate Finance Committee of $2.761 billion represented a *Calendar* Year 2011 estimate.

3. **Provide 5 years of forward-looking capital expenditure estimates as reported by operators in both the fall and the spring of each year, starting with 2005 estimates.**

   See answer to question 4, below.

4. **Provide 5 years of forward-looking capital expenditure estimate as reported by companies with little or no production, starting with 2005 estimates.**

Due to confidentiality requirements, we cannot provide the actual forward-looking capital expenditure estimates that we received from companies. However we can provide the aggregate capital expenditure forecasts prepared by DOR. Our forecast is based primarily on company-provided information that we receive from operators, supplemented as needed by publicly available information, and conversations with non-operators about their spending plans. For the Fall 2011 revenue forecast, we expanded our consultations with non-operators to gain additional confidential information about their capital spending plans, and this information was incorporated into our Fall 2011 revenue forecast.

The table below shows the capital cost forecasts used by DOR in each forecast release for 5 years, beginning with Fall 2006. Prior to Fall 2006, the DOR forecast did not incorporate capital expenditure forecasts because the production tax in place at the time was based on gross value adjusted by an Economic Limit Factor.

Capital Expenditure Estimates - all North Slope Capital Expenditures
All Amounts in $ Millions

Forecast	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Fall 2006	$ 1,467	$ 1,507	$ 1,548	$ 1,591	$ 1,635					
Spring 2007	$ 1,346	$ 1,896	$ 1,975	$ 1,954	$ 2,031					
Fall 2007		$ 1,502	$ 1,896	$ 1,976	$ 1,962	$ 2,031				
Spring 2008		$ 2,182	$ 2,491	$ 2,829	$ 2,970	$ 3,460				
Fall 2008			$ 2,342	$ 3,009	$ 3,044	$ 2,869	$ 3,122			
Spring 2009			$ 2,123	$ 2,933	$ 2,910	$ 2,505	$ 2,912			
Fall 2009				$ 2,505	$ 2,882	$ 2,924	$ 2,723	$ 2,623		
Spring 2010				$ 2,430	$ 2,945	$ 2,955	$ 2,762	$ 2,674		
Fall 2010					$ 2,572	$ 2,937	$ 3,175	$ 3,019	$ 2,899	
Spring 2011					$ 2,451	$ 2,793	$ 3,135	$ 3,054	$ 2,909	
Fall 2011						$ 2,702	$ 3,018	$ 3,688	$ 3,889	$ 3,323

5. **Regarding the drafting of regulations to receive additional information about credits and categories of expenditures:**

   a. **Provide detail on the types of information DOR/DNR will be requesting.**

   The Department does not have statutory authority to retroactively require a producer or explorer to provide information related to prior years' capital expenditures. The Department is in the process of developing a list of categories for future reporting that would identify various types of capital expenditure categories and reports that would be incorporated into the TRMS project referenced in the question.

Workshops were held October 10, 2011, November 10, 2011, and December 12, 2011 to discuss the appropriate categories to be included and reported.

b. **Provide information about the statutory authority for requesting the information.**

AS 43.55.040(5) and AS 43.55.110 provide the Department with statutory authority for filing of reports under Chapter 55 of Title 43, Revenue and Taxation. This information may be disclosed under AS 43.55.890 if the information is aggregated among three or more producers or explorers and presented in such a manner as to preclude the determination of the affected parties.

6. **Regarding the "effective tax rate":**

a. **Should the "effective tax rate" be based upon the "Estimated Tax after refunded credits" as shown on the income statement charts sent on Sunday, May 1?**

The goal of the "effective tax rate" metrics we have presented on several occasions is to illustrate the overall tax rate that is paid by a typical company currently producing oil on the North Slope at a given oil price. Credits that are refunded are not included in the calculation of the production tax for two reasons: (1) they are not treated as deductions from the production tax in either our state accounting system or state tax system and require special appropriation by the legislature; and (2) they represent payments made to companies that have no production tax liability in the state.

b. **Is not the split of profit oil, defined as the split of PTV, the best way to analyze Alaska's production tax system?**

Several different metrics can be of value in analyzing Alaska's production tax system, and no one piece of information should be taken in isolation.

7. **Provide income statement charts showing all credits for FY12 using the Spring 2011 forecast for oil prices from $40 to $200 per barrel in $5 increments. Hold all other assumptions constant, including assumptions regarding credits.**

Addendum A of this document contains income statement tables as requested with the following changes: (1) In order to use the most recent information

available to DOR, the tables are presented using the Fall 2011 forecast model and assumptions. (2) The tables presented are for FY 2013, so as to use a year with no actual data so as to better illustrate the impacts of changing prices. (3) The tables begin with a $50 oil price.

PLEASE NOTE THAT THESE STATEMENTS ARE SIMPLIFICATIONS, INTENDED TO ILLUSTRATE A VERY COMPLEX SET OF COMPANY-SPECIFIC TAX CALCULATIONS AT VARIOUS PRICES AND SHOULD BE INTERPRETED AS SUCH.

8. **Provide income statement charts for FY10-FY12 using Fall 2010 and Spring 2011 forecasts assuming HB110/SB49 were applicable in those years. Hold all other assumptions constant, including assumptions regarding credits.**

We previously provided income statement illustrations for HB110/SB49 for FY10-12 using Fall 2010 forecast assumptions, in our response to Senate Resources questions dated March 19, 2011. As requested, those tables are provided again (with clarification of the "base tax" and "progressive tax" per our response to Question 11 of your September 22, 2011 letter to DOR), and we also provide the income statement illustrations using the Spring 2011 forecast assumptions. Additionally, in order to provide you with the most current information and forecast assumptions, we have provided information beyond your initial request and added income statement charts for FY11-FY13 using the Fall 2011 forecast assumptions. See Addendum B for all of these charts.

Note that for the well lease expenditure credits extended to the North Slope under HB110/SB49, the tables prepared under the Fall 2010 and Spring 2011 assumptions assumed that the entire amount of the credit would be applied against tax liability. In actuality, only a portion of the well credits would accrue to companies that could apply them against tax liability; this fact is reflected in tables prepared using the Fall 2011 assumptions.

Additionally, we have provided a detailed breakdown of all credits applied against tax liability as well as detail on credits available for refund. We hope you will find this additional information helpful.

PLEASE NOTE THAT THESE STATEMENTS ARE SIMPLIFICATIONS, INTENDED TO ILLUSTRATE A VERY COMPLEX SET OF COMPANY-SPECIFIC TAX CALCULATIONS AT VARIOUS PRICES AND SHOULD BE INTERPRETED AS SUCH.

9. **Provide income statement charts or other similar analysis to reflect production tax impact on various types of producers, including incumbent producer and new producer.**

The tables below illustrate one hypothetical example of the production tax impact on new and incumbent producers. In this example, 10,000 barrels per day of production is added through a capital investment of $250 million and operating expenditures of $30 million by both a hypothetical new producer and a hypothetical incumbent producer. The new producer is assumed to have no other production in the state, and the incumbent producer already has production of 100,000 b/d prior to the investment. The tables show the difference in tax paid and in value to the producers in one year of production.

As you will see in the tables, the new producer pays no production tax due to the small producer credit, and receives refundable credits for capital expenditure credits and for net operating loss credits. The incumbent producer benefits from credits for capital expenditures and from the tax rate being lower due to the additional barrels produced. This is just one possible illustration using one possible set of assumptions.

New Producer - Investment in 10,000 b/d Project	
Oil price	$100
Transport costs	$8
Wellhead price	$92
Total production in barrels/day	10,000
Total annual production in barrels	3,650,000
Value of total production	$335,800,000
Royalty	$41,975,000
Value of taxable barrels	$293,825,000
Operating expenditures	$30,000,000
Capital expenditures	$250,000,000
Production tax value	13,825,000
Higher of base tax or minimum tax	11,753,000
Progressive tax	$0
Total tax before credits	11,753,000
Small producer credit	11,753,000
Credit to be refunded	$116,543,750
Total tax after credits	**$0**

Incumbent Producer - Existing Production	
Oil price	$100
Transport costs	$8
Wellhead price	$92
Total production in barrels/day	100,000
Total annual production in barrels	36,500,000
Value of total production	$3,358,000,000
Royalty	$419,750,000
Value of taxable barrels	$2,938,250,000
Operating expenditures	$300,000,000
Capital expenditures	$200,000,000
Production tax value	$2,438,250,000
Base tax (25% * PTV)	$609,562,500
Progressive tax	$451,997,155
Total tax before credits	$1,061,559,655
Credits	$40,000,000
Other credits	$0
Total tax after credits	**$1,021,559,655**

Incumbent Producer - WITH INVESTMENT	
Oil price	$100
Transport costs	$8
Wellhead price	$92
Total production in barrels/day	110,000
Total annual production in barrels	40,150,000
Value of total production	$3,693,800,000
Royalty	$461,725,000
Value of taxable barrels	$3,232,075,000
Operating expenditures	$330,000,000
Capital expenditures	$450,000,000
Production tax value	$2,452,075,000
Base tax (25% * PTV)	$613,018,750
Progressive tax	$390,346,260
Total tax before credits	$1,003,365,010
Credits	$90,000,000
Other credits	$0
Total tax after credits	**$913,365,010**

10. Provide income statement chart for FY12 assuming production of only 250,000 b/d of unconventional oil with capex of $22.33 per barrel, using oil prices from $50 to $150 per barrel in $5 increments. Hold all other assumptions constant.

Addendum C-1 presents an illustration using the income statement format of the production tax calculation for a hypothetical producer with 250,000 barrels per day of production. As requested, these statements are produced from $50 to $150 per barrel in $5 increments. We use the $22.33 per barrel capital expenditure assumption you provided and also use the following assumptions to illustrate an "unconventional" oil concept: $20 / barrel operating expenditure, 15% quality bank discount, 12.5% royalty, and no change in transportation costs from our Fall 2011 forecast for FY 12.

Note that the income statements in this illustration are for a hypothetical producer and project in full production and do not include the massive expenditures that would be required during the development phase for unconventional oil development on this scale. Currently, heavy oil development is in the pilot project stage and years away from potential commercial production.

PLEASE NOTE THAT THESE STATEMENTS ARE SIMPLIFICATIONS, INTENDED TO ILLUSTRATE A VERY COMPLEX SET OF COMPANY-SPECIFIC TAX CALCULATIONS AT VARIOUS PRICES UNDER THIS HYPOTHETICAL SCENARIO AND SHOULD BE INTERPRETED AS SUCH.

11. Provide income statement chart for FY12 assuming FY12 production plus 250,000 b/d of heavy oil (capex of $22.33 per barrel? Not specified). Apply a quality price differential if appropriate. Hold all other assumptions constant.

The illustration in Addendum C-2 provides a hypothetical income statement for FY 12, at the fall 2011 forecast price, with 250,000 barrels per day of heavy oil added. For consistency with our response to question 10, we used the same assumptions and simply added the production to our existing FY 12 income statement as provided in the Fall 2011 Revenue Sources Book.

In addition to our forecasted production and costs for FY12, an additional 250,000 barrels per day of production is assumed. For the additional production we use the $22.33 per barrel capital expenditure assumption you provided for question 10 and also use the following assumptions to illustrate a "heavy" oil concept: $20 / barrel operating expenditure, 15% quality bank discount, 12.5% royalty, and no change in transportation costs from our Fall 2011 forecast for FY 12.

Note that the heavy oil production represents an illustration of a project in full production and does not include the massive expenditures that would be required during the development phase for unconventional oil development on this scale. Currently, heavy oil development is in the pilot project stage and years away from potential commercial production.

PLEASE NOTE THAT THESE STATEMENTS ARE SIMPLIFICATIONS, INTENDED TO ILLUSTRATE A VERY COMPLEX SET OF COMPANY-SPECIFIC TAX CALCULATIONS AT VARIOUS PRICES UNDER THIS HYPOTHETICAL SCENARIO AND SHOULD BE INTERPRETED AS SUCH.

Questions from September 22, 2011 letter to Commissioner Butcher:

1. **What has the recent 100 plus days delivered as to the filling of the high level DOR positions? For example, what is the status of the Director of the Tax Division, Commercial analysts, Audit Master and others? If any difficulty has been encountered in filling these positions, is there any particular identified reason? What are the key positions that currently remain unfilled? How many positions within your department are currently unfilled?**

   Matt Fonder accepted our offer for the Tax Director position and started on October 24th. We have filled both Commercial Analyst positions, one of whom has graciously accepted the responsibilities relating to the Chief Economist. We also have an Acting Assistant Chief Economist in Juneau. We purposely wanted to address these positions prior to recruiting for the final high level position of Audit Master which is still vacant. However, now that we have a better feel for our team and what everyone brings to the table, we are in a better position to begin the recruitment process for the 4th of 4 Audit Masters. We are currently working on this recruitment.

2. **What number of personnel would need to be hired to have DOR fully staffed?**

   "Fully staffed" is certainly a noble goal but for any organization this size, public or private, 0% vacancy is generally unattainable. As of September 27, 2011 we were running just over 6% for the department.

3. **I would like to know how the regulation drafting process is proceeding. What areas have been covered and what areas still need to be rewritten?**

   This response pertains to regulations being drafted for the ACES production tax only and does not address any other regulation projects by the Department.

   Since the passage of ACES the Department has implemented or amended over 70 regulations related to oil and gas production taxes. These include regulations for

lease expenditures and overhead under AS 43.55.165, exploration credits, facility sharing/access, valuation and transportation of gas related to a major gas sale under AGIA, and other miscellaneous and conforming changes. Note that the regulations for the exploration credits under AS 43.55.025 were written prior to the passage of SB 309 and HB 280, respectively, that included the "Jack-up Rig credit" under AS 43.55.025(l) and the "well lease expenditure credit" under AS 43.55.023(l). However, the Department has drafted an Advisory Bulletin (under AS 43.55.110(g)) addressing issues related to the credit under AS 43.55.025(l).

The Department has recently completed the public process for regulation changes required under AS 43.55.011(m) related to what were formerly treated as "excess tax credits" under ceilings required by AS 43.55.011(j), (k), and (o). The Department is currently in discussions with the Department of Law to assess the need for regulations for geological and geophysical exploration, the heating value of gas, information required for forecast reporting requirements, and the well lease expenditure credit.

4. **I understand the implementation of the tax management system may take 3- 5 years. What is currently DOR's knowledge as to the gaps in Alaska's capacity to understand capital expenditures?**

   The Department does not have statutory authority to retroactively require a producer or explorer to provide information related to prior years' capital expenditures. The Department is in the process of developing a list of categories for future reporting that would identify various types of capital expenditure categories and reports that would be incorporated into the TRMS project referenced in the question.

   Workshops were held October 10, 2011, November 10, 2011, and December 12, 2011 to discuss the appropriate categories to be included and reported.

5. **As you know I am most interested in the production tax bill which you are carrying. I have had a number of inquires as to aspects of Alaska's system, including its credits. As DOR is carrying the tax bill, I assume that inquires should be directed to DOR. Please let me know if I am in error or misunderstand as to where I can or should forward my inquiries.**

   You are correct. Please route inquiries through the Commissioner's office. Also to the extent possible we hope that you will share in our goal of keeping future inquiries focused and constructive so that we can best use our staff resources and produce analysis that will be of value in decision making.

6. **Based upon the return of Mr. Dees from vacation in June, possibly the credit issue can be better understood. Please let me know if I may directly contact Mr. Dees, Audit Master, as to credit issues?**

Please route inquiries through the Commissioner's office so that staff time can be allocated and appropriate staff can respond.

7. **I have been trying to obtain the actual bottom line amount of production tax money which Alaska keeps after all credits, whether under ACES, PPT or previous system, what is the actual net dollar amount of production tax money for each year from 2000 until now. I would like to know this both as to calendar and fiscal years if possible. By "all credits" I mean, especially as to ACES, the following credits:**

   - **qualified cap exped, 023(a)(l)**
   - **CFAL, 023(b)**
   - **TIE, 023(i)**
   - **40% Cook Inlet, 023(1)**
   - **new area dev, 024(a)**
   - **small producer, 024(c)**
   - **exploration 30 40, 025**
   - **Cook Inlet jack-up, 025)1)**
   - **CAPEX exploration well, 023(a)(2)**
   - **other credits.**

   The following table presents total production tax for FY 2000 to FY 2011 including an accounting of total credits applied against tax liability. This information is being provided in fiscal year format as our accounting system, Revenue Sources Books, and Annual Reports from which the information is drawn all operated on a fiscal year basis.

Total Production Tax and Tax after all credits, FY 2000 to FY 2011 ($ millions)

Fiscal Year	2000	2001	2002	2003	2004	2005	2006[1]
Production Tax before Credits	$ 703	$ 704	$ 496	$ 599	$ 652	$ 863	$ 1,200
Credits Applied Against Tax Liability	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Tax after credits	$ 703	$ 704	$ 496	$ 599	$ 652	$ 863	$ 1,200
Credits Refunded	NA	NA	NA	NA	NA	NA	NA
Production Tax after refunded credits	$ 703	$ 704	$ 496	$ 599	$ 652	$ 863	$ 1,200

Fiscal Year	2007[1]	2008	2009	2010	2011	Total FY 00-11
Production Tax before Credits	$ 2,764	$ 7,198	$ 3,445	$ 3,288	$ 4,958	$ 26,869
Credits Applied Against Tax Liability	$ 556	$ 375	$ 333	$ 417	$ 405	$ 2,086
Total Tax after credits	$ 2,208	$ 6,823	$ 3,112	$ 2,871	$ 4,553	$ 24,783
Credits Refunded	$ 55	$ 54	$ 193	$ 250	$ 450	$ 1,002
Production Tax after refunded credits	$ 2,153	$ 6,769	$ 2,919	$ 2,621	$ 4,103	$ 23,781

(1) The combined total of tax credits applied against tax liabilities in FY07 include tax credits earned during the months of April and May 2006.

8. **I am interested in first receiving the gross production tax [I guess in the nominal amount] for each fiscal year from 2000 to present. I would then like to have for each year the delineation of the amount of each credit for each year. This would then be followed with the amount kept by Alaska after all credits are accounted for. How could I find in past Revenue books [possibly] a starting point for your nominal production tax? Is there an explanation or method or way to understand the impact of credits on the nominal tax rate, as I am interested in an actual bottom line dollar amount, the credits deducted include both offsets against the tax and payments by the state . If a credit is spread over more than 1 tax reporting year, please identify the gross and the amounts for each year.[I understand that CAPEX is spread over 2 years and that this is shown as credit against tax or for purchase.] To some extent I believe that this is shown in the Revenue Sources book, as to CAP EX anyway.**

The table in Question 7 above shows the amount of production tax revenue collected after all credits have been accounted for. Because production tax credits are often not applied or refunded in the period in which they were earned, we are unable to match credits with the spending that earned them. We can, however, give an estimate of the nominal tax rate for each year by dividing the production tax after all credits by the gross value at the point of production for each year. This analysis would effectively illustrate what an equivalent nominal tax rate on the gross production value would be, much like the tax rates that are applied to the gross value in many states. This information is shown below.

Production Tax as a Percentage of Gross Value at Point of Production (in $millions unless otherwise noted)

Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Value at Point of Production	$6 556	$7 145	$5 498	$7 396	$8 544	$11 650	$15 188	$14 608	$20 746	$13 681	$14 157	$16 813
Production tax before credits	$703	$704	$496	$599	$652	$863	$1 200	$2 764	$7 198	$3 445	$3 288	$4 956
Credits applied against tax liability								$656	$375	$333	$417	$405
Production tax after credits against tax liability	$703	$704	$496	$599	$652	$863	$1 200	$2 208	$6 823	$3 112	$2 871	$4 553
Credits refunded								$55	$54	$193	$250	$450
Production Tax after Credits against tax liability and refunded credits	$703	$704	$496	$599	$652	$863	$1 200	$2 153	$6 769	$2 919	$2 621	$4 103
Tax Received/Value at Point of Production												
Before Credits	11%	10%	9%	8%	8%	7%	8%	19%	35%	25%	23%	29%
After Credits applied against tax liability	11%	10%	9%	8%	8%	7%	8%	15%	33%	23%	20%	27%
After credits applied to tax liability and credits refunded	11%	10%	9%	8%	8%	7%	8%	15%	33%	21%	19%	24%

9. **I am interested in receiving this information in a format followed by Fall2010 RSB appendix D. Again, my overriding intent is to receive the actual bottom line amount of production tax money that Alaska actually keeps.**

   The income statement format is an illustration of the production tax calculation only intended to help people understand how the production tax calculation works. Since it is a simplified presentation of a very complex tax system, it does not exactly reflect the "actual bottom line" tax revenue to the state. Refer to our table presented above for the actual production tax revenue before and after credits for each year from FY 2000 to FY 2011, as well as an accounting of production tax after credits refunded.

10. **I am also interested in receiving the responses as to my inquires of May 3, 2011. I am interested in maintaining the parameters as set forth in the email. I need the charts-FY 2010, 2011 and 2012 Fall10 and Spring 11 forecasts depicting SB49/HB 110.**

    Responses to your May 3, 2011 inquiries are included in this response document. Also, to the extent possible, we provided analysis using the Fall 2011 forecast assumptions which reflect the best available and most current information at this time, so as to be most helpful in understanding the tax and making decisions about the tax.

11. **There were 3 charts provided as part of the 3/19/11 DOR letter. Who prepared those charts? What information was relied upon as to rate of progressivity? Why is the rate not shown next to "Progressive Tax" line? [The rate is shown at 7.4%, current tax system, in chart of FY 2011 using Fall 2010 forecast.] [Also, the amount of the progressive tax under the current system is $686.7M] How is Progressive Tax for FY 2011, page 8 of 3/19/11, of $1,029.9 calculated under SB49 analysis? Something does not appear to add up, do you agree? I need an**

explanation of this as the production tax value per barrel is $48.54 under both charts. Is there a reason for the stark increase in progressivity tax under SB49 analysis?

The tables were prepared by staff in our Economics Research Group. The income statement tables were produced using our Fall 2010 revenue forecast assumptions and model, under current law and as modified to reflect the provisions of HB 110 / SB49.

Three income statement format tables were provided showing an illustration of the tax calculation under ACES, in the Fall 2010 Revenue Source Book, Appendix D. At your request, three income statement format tables were provided showing an illustration of the tax calculation under SB 49, in the response dated March 19, 2011 addressing numerous questions and information requests made by members of the Senate Resources committee.

Under ACES, a base tax and progressivity calculation are clearly and separately provided for in statute, with the base tax rate calculated under AS 43.55.011(e), and the progressive surcharge calculated under AS 43.55.011(g).

Under SB 49, there is no longer a distinct "base tax" and "progressivity surcharge" but rather a bracketed tax rate system, with the entire tax calculation provided for under AS 43.55.011(g).

For purposes of preparing the income statement tables, the "progressive tax" shown under ACES represented revenue for the progressive surcharge, over and above the base tax rate. The "progressive tax" line in the SB 49 income statements represented the entire tax for all tax brackets except the first tax bracket. While the total tax was presented correctly in the SB 49 tables, we agree that the breakout between "base tax" and "progressive tax" was confusing. As a result, in the HB 110 / SB 49 income statements provided in this response, the "base tax" represents 25% of production tax value (or 15% for examples of hypothetical production qualifying for the 15% new fields base rate), and "progressivity" represents all tax above and beyond the base rate. This presentation should be easier to understand and more readily comparable to the current tax system.

12. **Could a CAPEX credit under low pricing of oil exceed actual production tax to be received? In other words, could credits, at low oil pricing, overwhelm the tax itself? Does HB 110 / SB49 increase the risk of credits overwhelming the tax? What occurs if credits overwhelm the tax?**

If credits exceed production tax, the state could potentially collect zero production tax in a year at very low oil prices. HB110/ SB49 does not create this scenario, and since the first tax bracket in HB110/SB49 retains the ACES base

rate of 25%, the tax liability before credits under either tax system would be similar when production tax value per barrel is $30 or less. The expansion of the credit system under HB110/SB49 could increase the amount of credits available, however.

The production tax is a company-specific calculation and even at current prices, some companies have expenditures that exceed the value of oil produced (companies with very little production in the state and explorers for example). Such companies, as long as they meet certain criteria, can apply to the state for a transferrable tax credit certificate which can be transferred to another company or refunded by the state. The monies for purchasing tax credit certificates are appropriated annually by the legislature into a sub-fund of the General Fund established for that purpose. Under a low oil price scenario, we would expect that more companies would have low or no production tax liability and those eligible would request refunds for credits. Under such a scenario, many companies would curtail expenditures unless or until oil prices recover.

13. What increase or decrease in OPEX and CAPEX does DOR see between now and 2020? What increase or decrease in downstream costs does DOR see between now and 2020?

The following table presents the Fall 2011 forecast assumptions for total operating expenditures, total capital expenditures, and total downstream costs (ANS Marine Transportation, TAPS tariff, and other downstream costs) for FY 2011 as well as the forecast for FY 2012 through FY 2020. Note that the level of expenditures is based primarily on information provided by operators and non-operators and assumes that oil prices maintain or exceed forecasted levels.

Fiscal Year	2011	2012	2013	2014	2015
Total Operating Expenditures ($ million)	$ 2,614	$ 2,579	$ 2,375	$ 2,375	$ 2,359
Total Capital Expenditures ($ million)	$ 2,317	$ 2,743	$ 3,057	$ 3,726	$ 3,926
Average Downstream Costs ($ / barrel)	$ 7.17	$ 8.72	$ 8.56	$ 8.83	$ 9.15

Fiscal Year	2016	2017	2018	2019	2020
Total Operating Expenditures ($ million)	$ 2,384	$ 2,428	$ 2,664	$ 2,683	$ 2,711
Total Capital Expenditures ($ million)	$ 3,360	$ 2,882	$ 2,499	$ 2,348	$ 2,304
Average Downstream Costs ($ / barrel)	$ 9.55	$ 9.78	$ 10.00	$ 10.35	$ 10.76

14. What spread between WTI and ANS does DOR see between now and 2020? What is the current in-house belief of oil prices for the remainder of this fiscal year?

The differential between WTI and ANS has been volatile over the past year. ANS began the year trading at a modest premium to WTI, and by September 2011 ANS traded as high as $28.60 / barrel over WTI. As of December 9, 2011, ANS traded at a premium of about $8 / barrel over WTI.

To prepare the Fall 2011 revenue forecast, DOR applied a market-based differential estimate to derive ANS prices from our forecast for WTI prices. This produced an estimated differential of $18.41 (ANS premium) for FY 2012. Since preparing this estimate, the differential has narrowed to about $8 / barrel as of December 9, 2011. However, the narrowing has been a result of WTI prices increasing relative to other global crude oils (for example, Brent and Dubai), while ANS prices have remained near forecasted levels and in line with global crude oil prices.

More discussion of the ANS / WTI differential and the outlook and methodology used for the Fall 2011 forecast may be found on page 34 of the Fall 2011 Revenue Sources Book.

15. I would like a HB110/SB49 application prepared upon the May 1, 2011 charts. The income statement approach seems to be most understandable. The charts arise out of the April17, 2011 email from me to Mr. Tangeman.

We previously provided income statement illustrations for HB110/SB49 for FY10-12 using Fall 2010 forecast assumptions, in our response to Senate Resources questions dated March 19, 2011. As requested, those tables are provided again (with a new presentation of the "base tax" and "progressive tax" per our response to Question 11 of your September 22, 2011 letter to DOR with the base tax representing 25% of production tax value), and we also provide the income statement illustrations using the Spring 2011 forecast assumptions. Additionally, in order to provide you with the most current information and forecast assumptions, we have provided information beyond your initial request and added income statement charts for FY11-FY13 using the Fall 2011 forecast assumptions. See Addendum B for all of these charts.

Note that for the well lease expenditure credits extended to the North Slope under HB110/SB49, the tables prepared under the Fall 2010 and Spring 2011 assumptions assumed that the entire amount of the credit would be applied against tax liability. In actuality, only a portion of the well credits would accrue to companies that could apply them against tax liability; this fact is reflected in tables prepared using the Fall 2011 assumptions.

Additionally, we have provided a detailed breakdown of all credits applied against tax liability as well as detail on credits available for refund. We hope you will find this additional information helpful.

PLEASE NOTE THAT THESE STATEMENTS ARE SIMPLIFICATIONS, INTENDED TO ILLUSTRATE A VERY COMPLEX SET OF COMPANY-SPECIFIC TAX CALCULATIONS AT VARIOUS PRICES AND SHOULD BE INTERPRETED AS SUCH.

16. **I would request charts following a Fall2010 RSB appendix D format under proposed HB 110/SB 49, as to the estimated monies, if any, to be received by Alaska assuming 500,000bbl's/day and 700,000 bbl's/day from Shells proposed Chukchi and Beaufort Sea operations.**

We are unable to fulfill your request with the information provided. It is not clear what oil price you would like us to use or what fields/companies are producing the 500,000 barrels per day. If you would like to provide us with more specific information, we will be happy to accommodate your request.

With regard to the Beaufort Sea operations, most of the production would likely be in federal waters and not subject to the production tax. An addition of 700,000 barrels of oil through TAPS should, however, lower the tariff in the range of $2.00 per barrel, providing the state with additional royalty and production tax revenue from barrels produced on state lands.

17. **I would request charts following a Fall2010 RSB appendix D format under proposed HB 110/SB 49, as to the estimated monies, if any, to be received by Alaska assuming 100,000 bbls/day from a hypothetical NPRA development.**

The income statement tables in Addendum D show an illustration of revenue from a hypothetical 100,000 barrel per day development, under HB 110 / SB 49. *As requested, these tables are provided in the income statement format and therefore are for a single year only and only include production tax revenue and do not include property tax, corporate income tax, or shared royalties.*

Addendum D presents an illustration using the income statement format of the production tax calculation under HB 110 / SB 49 for a hypothetical producer with 100,000 barrels per day of production. We prepared these statements at several oil prices: our Fall 2011 forecast for FY 12 ($108.89), and also $75, $100 and $125. We use ongoing capital costs of $10 per barrel and $15 per barrel operating expenditure. We assume a 12.5% royalty. For transportation costs for

this illustration we use the Fall 2011 forecast for FY 12, plus an additional $2 per barrel.

Note that the income statements in this illustration are for a hypothetical producer and project in full production and do not include the significant expenditures that would be required during the development phase for a new NPRA oil development on this scale.

PLEASE NOTE THAT THESE STATEMENTS ARE SIMPLIFICATIONS, INTENDED TO ILLUSTRATE A VERY COMPLEX SET OF COMPANY-SPECIFIC TAX CALCULATIONS AT VARIOUS PRICES UNDER THIS HYPOTHETICAL SCENARIO AND SHOULD BE INTERPRETED AS SUCH.

18. **Over the years, from 2000 to present, what record of underpayment as to the royalty revenue has occurred? In part, please set forth the amounts collected from each year, 2000-present.**

The Department of Revenue does not assess royalty payments or track the underpayment of royalty revenue. Royalty payments fall under the jurisdiction of the Department of Natural Resources. Questions regarding royalty payments should be directed to that department.

19. **Same as question 18, but pertaining to the production tax revenue.**

We do not have an analysis of underpayments for each tax year readily available, however we do have information about total collections from production tax assessments and settlements, which are deposited into the Constitutional Budget Reserve Fund. The following data come from the Tax Division Annual Reports.

Oil and Gas Production Tax to CBRF ($ millions)

Fiscal Year	Amount
2011	62.9
2010	459.8
2009	81.1
2008	47.2
2007	17.5
2006	2.6
2005	21.3
2004	4.2
2003	3.7
2002	24.2
2001	34.8
2000	17.5

20. How does Alaska compare as to other jurisdictions as to the discovering underpayments of a.) royalty monies and b.) production tax monies.

The Department of Revenue has not prepared any analysis regarding underpayments of oil and gas revenues as compared to other jurisdictions.

21. Importantly, I would welcome you alerting me to other areas which are or which will be impacting DOR. As always, you may call me at any time and I certainly welcome the opportunity to meet with you also at any time.

Thank you, I look forward to working with you this session and making progress towards improving Alaska's attractiveness to new oil development.

ADDENDUM A:

FY 2013 Production Tax Estimates – Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions and oil prices from $50 to $200 in $5 increments

These tables are meant to provide an illustration of the production tax calculation under current law, at a range of different ANS prices. Since this is a simplification of the tax calculation, total tax amounts shown here may not exactly match those reported in other analysis. The following notes apply to all the tables in this addendum:

(1) Royalty, Federal and other barrels represents our best estimate of barrels that are not taxed. This estimate includes both state and federal royalty barrels, barrels produced from federal offshore property, and barrels used in production. For purposes of this calculation, also includes barrels produced by companies with zero PTV. The effectively taxable volume amount shown here is calculated AT OUR FORECAST PRICE and we do not adjust it between tables.

(2) For purposes of this illustration, to more closely reflect actual tax received by the state, "taxable barrels" shown here exclude barrels produced by companies expected to have zero tax liability.

(3) Deductible Lease Expenditures represents our best estimate of lease expenditures that are applicable to currently producing fields that are likely to produce a tax liability for the company or companies producing them. The per-barrel expenditures reflect expenditures per taxable barrel and do not reflect expenditures per all barrels produced.

(4) Estimated Total Tax after credits is a calculated total based on constant daily production, constant oil prices, constant expenditures for the entire year, and no company specific information. Variations in these assumptions captured in larger revenue models will produce different results that differ from the estimates in the simple model above.

(5) Lease expenditures not included in Tax Revenue Calculation represents lease expenditures made by companies with little to no tax liability.

(6) Estimated Tax after refunded credits represents the total estimated tax revenue minus the amount of credits refunded, which is paid by appropriation through the Production Tax Credit Fund at AS 43.55.028.

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $50 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$50.00	555,227	$27.8
Annual Production (bbl)			
Total		202,657,895	$10,132.9
Royalty, Federal and other barrels[1]		-30,158,081	($1,507.9)
Taxable barrels [2]		172,499,814	$8,625.0
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$12.88		($2,221.3)
Deductible Capital Expenditures	-$12.53		($2,161.7)
Total Lease Expenditures	-$25.41	172,499,814	($4,382.9)
Production Tax			
Production Tax Value (PTV)			$2,765.0
Base Tax (25%*PTV)			$691.3
Production Tax Value per barrel	$16.03		
Progressive Tax = (0% * PTV)			$0.0
Total Tax before credits			$691.3
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($385.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($425.0)
Estimated Total Tax after credits[4]			**$266.3**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**($150.0)**
Capital Expenditures			**($860.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($1,010.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($435.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($500.0)**
Estimated Tax after refunded credits [7]			**($233.7)**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $55 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$55.00	555,227	$30.5
Annual Production (bbl)			
Total		202,657,895	$11,146.2
Royalty, Federal and other barrels[1]		-30,158,081	($1,658.7)
Taxable barrels [2]		172,499,814	$9,487.5
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.09		($2,257.7)
Deductible Capital Expenditures	-$12.98		($2,238.9)
Total Lease Expenditures	-$26.07	172,499,814	($4,496.5)
Production Tax			
Production Tax Value (PTV)			$3,513.9
Base Tax (25%*PTV)			$878.5
Production Tax Value per barrel	$20.37		
Progressive Tax = (0% * PTV)			$0.0
Total Tax before credits			$878.5
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($405.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($450.0)
Estimated Total Tax after credits[4]			**$428.5**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**($120.0)**
Capital Expenditures			**($780.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($900.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($410.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($475.0)**
Estimated Tax after refunded credits [7]			**($46.5)**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $60 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$60.00	555,227	$33.3
Annual Production (bbl)			
Total		202,657,895	$12,159.5
Royalty, Federal and other barrels[1]		-30,158,081	($1,809.5)
Taxable barrels [2]		172,499,814	$10,350.0
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.16		($2,269.8)
Deductible Capital Expenditures	-$13.13		($2,264.6)
Total Lease Expenditures	-$26.29	172,499,814	($4,534.4)
Production Tax			
Production Tax Value (PTV)			$4,338.5
Base Tax (25%*PTV)			$1,084.6
Production Tax Value per barrel	$25.15		
Progressive Tax = (0% * PTV)			$0.0
Total Tax before credits			$1,084.6
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($405.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($450.0)
Estimated Total Tax after credits[4]			**$634.6**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**($100.0)**
Capital Expenditures			**($750.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($850.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($410.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($475.0)**
Estimated Tax after refunded credits [7]			**$159.6**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $65 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$65.00	555,227	$36.1
Annual Production (bbl)			
Total		202,657,895	$13,172.8
Royalty, Federal and other barrels[1]		-30,158,081	($1,960.3)
Taxable barrels [2]		172,499,814	$11,212.5
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.16		($2,269.8)
Deductible Capital Expenditures	-$13.13		($2,264.6)
Total Lease Expenditures	-$26.29	172,499,814	($4,534.4)
Production Tax			
Production Tax Value (PTV)			$5,201.0
Base Tax (25%*PTV)			$1,300.3
Production Tax Value per barrel	$30.15		
Progressive Tax = (0.1% * PTV)			$3.1
Total Tax before credits			$1,303.4
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($410.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($450.0)
Estimated Total Tax after credits[4]			**$853.4**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**($100.0)**
Capital Expenditures			**($750.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($850.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($385.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($450.0)**
Estimated Tax after refunded credits [7]			**$403.4**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $70 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$70.00	555,227	$38.9
Annual Production (bbl)			
Total		202,657,895	$14,186.1
Royalty, Federal and other barrels[1]		-30,158,081	($2,111.1)
Taxable barrels [2]		172,499,814	$12,075.0
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.16		($2,269.8)
Deductible Capital Expenditures	-$13.13		($2,264.6)
Total Lease Expenditures	-$26.29	172,499,814	($4,534.4)
Production Tax			
Production Tax Value (PTV)			$6,063.5
Base Tax (25%*PTV)			$1,515.9
Production Tax Value per barrel	$35.15		
Progressive Tax = (2.1% * PTV)			$124.9
Total Tax before credits			$1,640.8
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($410.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($450.0)
Estimated Total Tax after credits[4]			**$1,190.8**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**($100.0)**
Capital Expenditures			**($750.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($850.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($385.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($450.0)**
Estimated Tax after refunded credits [7]			**$740.8**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $75 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$75.00	555,227	$41.6
Annual Production (bbl)			
Total		202,657,895	$15,199.3
Royalty, Federal and other barrels[1]		-30,158,081	($2,261.9)
Taxable barrels [2]		172,499,814	$12,937.5
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.16		($2,269.8)
Deductible Capital Expenditures	-$13.13		($2,264.6)
Total Lease Expenditures	-$26.29	172,499,814	($4,534.4)
Production Tax			
Production Tax Value (PTV)			$6,926.0
Base Tax (25%*PTV)			$1,731.5
Production Tax Value per barrel	$40.15		
Progressive Tax = (4.1% * PTV)			$281.2
Total Tax before credits			$2,012.7
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($415.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($450.0)
Estimated Total Tax after credits[4]			**$1,562.7**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**($100.0)**
Capital Expenditures			**($750.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($850.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($360.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($425.0)**
Estimated Tax after refunded credits [7]			**$1,137.7**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $80 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$80.00	555,227	$44.4
Annual Production (bbl)			
Total		202,657,895	$16,212.6
Royalty, Federal and other barrels[1]		-30,158,081	($2,412.6)
Taxable barrels [2]		172,499,814	$13,800.0
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.16		($2,269.8)
Deductible Capital Expenditures	-$13.13		($2,264.6)
Total Lease Expenditures	-$26.29	172,499,814	($4,534.4)
Production Tax			
Production Tax Value (PTV)			$7,788.5
Base Tax (25%*PTV)			$1,947.1
Production Tax Value per barrel	$45.15		
Progressive Tax = (6.1% * PTV)			$472.0
Total Tax before credits			$2,419.2
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($415.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($450.0)
Estimated Total Tax after credits[4]			**$1,969.2**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**($100.0)**
Capital Expenditures			**($750.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($850.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($360.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($425.0)**
Estimated Tax after refunded credits [7]			**$1,544.2**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $85 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$85.00	555,227	$47.2
Annual Production (bbl)			
Total		202,657,895	$17,225.9
Royalty, Federal and other barrels[1]		-30,158,081	($2,563.4)
Taxable barrels [2]		172,499,814	$14,662.5
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.16		($2,269.8)
Deductible Capital Expenditures	-$13.13		($2,264.6)
Total Lease Expenditures	-$26.29	172,499,814	($4,534.4)
Production Tax			
Production Tax Value (PTV)			$8,651.0
Base Tax (25%*PTV)			$2,162.8
Production Tax Value per barrel	$50.15		
Progressive Tax = (8.1% * PTV)			$697.3
Total Tax before credits			$2,860.1
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($415.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($450.0)
Estimated Total Tax after credits[4]			**$2,410.1**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**($100.0)**
Capital Expenditures			**($750.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($850.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($360.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($425.0)**
Estimated Tax after refunded credits [7]			**$1,985.1**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $90 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$90.00	555,227	$50.0
Annual Production (bbl)			
Total		202,657,895	$18,239.2
Royalty, Federal and other barrels[1]		-30,158,081	($2,714.2)
Taxable barrels [2]		172,499,814	$15,525.0
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.16		($2,269.8)
Deductible Capital Expenditures	-$13.13		($2,264.6)
Total Lease Expenditures	-$26.29	172,499,814	($4,534.4)
Production Tax			
Production Tax Value (PTV)			$9,513.5
Base Tax (25%*PTV)			$2,378.4
Production Tax Value per barrel	$55.15		
Progressive Tax = (10.1% * PTV)			$957.1
Total Tax before credits			$3,335.5
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($415.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($450.0)
Estimated Total Tax after credits[4]			**$2,885.5**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**($100.0)**
Capital Expenditures			**($750.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($850.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($335.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($400.0)**
Estimated Tax after refunded credits [7]			**$2,485.5**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $95 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$95.00	555,227	$52.7
Annual Production (bbl)			
Total		202,657,895	$19,252.5
Royalty, Federal and other barrels[1]		-30,158,081	($2,865.0)
Taxable barrels [2]		172,499,814	$16,387.5
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.58		($2,342.6)
Deductible Capital Expenditures	-$14.67		($2,530.0)
Total Lease Expenditures	-$28.25	172,499,814	($4,872.5)
Production Tax			
Production Tax Value (PTV)			$10,037.9
Base Tax (25%*PTV)			$2,509.5
Production Tax Value per barrel	$58.19		
Progressive Tax = (11.3% * PTV)			$1,131.9
Total Tax before credits			$3,641.4
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($415.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($450.0)
Estimated Total Tax after credits[4]			**$3,191.4**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**($30.0)**
Capital Expenditures			**($490.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($520.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($335.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($400.0)**
Estimated Tax after refunded credits [7]			**$2,791.4**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $100 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$100.00	555,227	$55.5
Annual Production (bbl)			
Total		202,657,895	$20,265.8
Royalty, Federal and other barrels[1]		-30,158,081	($3,015.8)
Taxable barrels [2]		172,499,814	$17,250.0
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.58		($2,342.6)
Deductible Capital Expenditures	-$14.67		($2,530.0)
Total Lease Expenditures	-$28.25	172,499,814	($4,872.5)
Production Tax			
Production Tax Value (PTV)			$10,900.4
Base Tax (25%*PTV)			$2,725.1
Production Tax Value per barrel	$63.19		
Progressive Tax = (13.3% * PTV)			$1,447.2
Total Tax before credits			$4,172.3
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($415.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($450.0)
Estimated Total Tax after credits[4]			**$3,722.3**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**($30.0)**
Capital Expenditures			**($490.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($520.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($335.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($400.0)**
Estimated Tax after refunded credits [7]			**$3,322.3**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $105 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$105.00	555,227	$58.3
Annual Production (bbl)			
Total		202,657,895	$21,279.1
Royalty, Federal and other barrels[1]		-30,158,081	($3,166.6)
Taxable barrels [2]		172,499,814	$18,112.5
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.75		($2,372.5)
Deductible Capital Expenditures	-$15.36		($2,648.9)
Total Lease Expenditures	-$29.11	172,499,814	($5,021.5)
Production Tax			
Production Tax Value (PTV)			$11,614.0
Base Tax (25%*PTV)			$2,903.5
Production Tax Value per barrel	$67.33		
Progressive Tax = (14.9% * PTV)			$1,734.1
Total Tax before credits			$4,637.6
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($420.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($450.0)
Estimated Total Tax after credits[4]			**$4,187.6**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**$0.0**
Capital Expenditures			**($370.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($370.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($335.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($400.0)**
Estimated Tax after refunded credits [7]			**$3,787.6**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $110 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$110.00	555,227	$61.1
Annual Production (bbl)			
Total		202,657,895	$22,292.4
Royalty, Federal and other barrels[1]		-30,158,081	($3,317.4)
Taxable barrels [2]		172,499,814	$18,975.0
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.75		($2,372.5)
Deductible Capital Expenditures	-$15.36		($2,648.9)
Total Lease Expenditures	-$29.11	172,499,814	($5,021.5)
Production Tax			
Production Tax Value (PTV)			$12,476.5
Base Tax (25%*PTV)			$3,119.1
Production Tax Value per barrel	$72.33		
Progressive Tax = (16.9% * PTV)			$2,112.4
Total Tax before credits			$5,231.5
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($420.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($450.0)
Estimated Total Tax after credits[4]			**$4,781.5**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**$0.0**
Capital Expenditures			**($370.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($370.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($335.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($400.0)**
Estimated Tax after refunded credits [7]			**$4,381.5**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $115 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$115.00	555,227	$63.9
Annual Production (bbl)			
Total		202,657,895	$23,305.7
Royalty, Federal and other barrels[1]		-30,158,081	($3,468.2)
Taxable barrels [2]		172,499,814	$19,837.5
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.75		($2,372.5)
Deductible Capital Expenditures	-$15.36		($2,648.9)
Total Lease Expenditures	-$29.11	172,499,814	($5,021.5)
Production Tax			
Production Tax Value (PTV)			$13,339.0
Base Tax (25%*PTV)			$3,334.7
Production Tax Value per barrel	$77.33		
Progressive Tax = (18.9% * PTV)			$2,525.2
Total Tax before credits			$5,860.0
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($420.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($475.0)
Estimated Total Tax after credits[4]			**$5,385.0**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**$0.0**
Capital Expenditures			**($370.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($370.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($335.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($400.0)**
Estimated Tax after refunded credits [7]			**$4,985.0**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $120 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$120.00	555,227	$66.6
Annual Production (bbl)			
Total		202,657,895	$24,318.9
Royalty, Federal and other barrels[1]		-30,158,081	($3,619.0)
Taxable barrels [2]		172,499,814	$20,700.0
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.75		($2,372.5)
Deductible Capital Expenditures	-$15.36		($2,648.9)
Total Lease Expenditures	-$29.11	172,499,814	($5,021.5)
Production Tax			
Production Tax Value (PTV)			$14,201.5
Base Tax (25%*PTV)			$3,550.4
Production Tax Value per barrel	$82.33		
Progressive Tax = (20.9% * PTV)			$2,972.5
Total Tax before credits			$6,522.9
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($425.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($475.0)
Estimated Total Tax after credits[4]			**$6,047.9**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**$0.0**
Capital Expenditures			**($370.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($370.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($335.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($400.0)**
Estimated Tax after refunded credits [7]			**$5,647.9**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $125 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$125.00	555,227	$69.4
Annual Production (bbl)			
Total		202,657,895	$25,332.2
Royalty, Federal and other barrels[1]		-30,158,081	($3,769.8)
Taxable barrels [2]		172,499,814	$21,562.5
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.75		($2,372.5)
Deductible Capital Expenditures	-$15.36		($2,648.9)
Total Lease Expenditures	-$29.11	172,499,814	($5,021.5)
Production Tax			
Production Tax Value (PTV)			$15,064.0
Base Tax (25%*PTV)			$3,766.0
Production Tax Value per barrel	$87.33		
Progressive Tax = (22.9% * PTV)			$3,454.3
Total Tax before credits			$7,220.3
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($425.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($475.0)
Estimated Total Tax after credits[4]			**$6,745.3**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**$0.0**
Capital Expenditures			**($370.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($370.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($335.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($400.0)**
Estimated Tax after refunded credits [7]			**$6,345.3**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $130 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$130.00	555,227	$72.2
Annual Production (bbl)			
Total		202,657,895	$26,345.5
Royalty, Federal and other barrels[1]		-30,158,081	($3,920.6)
Taxable barrels [2]		172,499,814	$22,425.0
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.75		($2,372.5)
Deductible Capital Expenditures	-$15.36		($2,648.9)
Total Lease Expenditures	-$29.11	172,499,814	($5,021.5)
Production Tax			
Production Tax Value (PTV)			$15,926.5
Base Tax (25%*PTV)			$3,981.6
Production Tax Value per barrel	$92.33		
Progressive Tax = (24.9% * PTV)			$3,970.6
Total Tax before credits			$7,952.3
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($430.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($475.0)
Estimated Total Tax after credits[4]			**$7,477.3**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**$0.0**
Capital Expenditures			**($370.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($370.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($335.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			($400.0)
Estimated Tax after refunded credits [7]			**$7,077.3**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $135 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$135.00	555,227	$75.0
Annual Production (bbl)			
Total		202,657,895	$27,358.8
Royalty, Federal and other barrels[1]		-30,158,081	($4,071.3)
Taxable barrels [2]		172,499,814	$23,287.5
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.75		($2,372.5)
Deductible Capital Expenditures	-$15.36		($2,648.9)
Total Lease Expenditures	-$29.11	172,499,814	($5,021.5)
Production Tax			
Production Tax Value (PTV)			$16,789.0
Base Tax (25%*PTV)			$4,197.2
Production Tax Value per barrel	$97.33		
Progressive Tax = (25.5% * PTV)			$4,278.3
Total Tax before credits			$8,475.5
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($430.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($475.0)
Estimated Total Tax after credits[4]			**$8,000.5**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**$0.0**
Capital Expenditures			**($370.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($370.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($310.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($375.0)**
Estimated Tax after refunded credits [7]			**$7,625.5**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $140 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$140.00	555,227	$77.7
Annual Production (bbl)			
Total		202,657,895	$28,372.1
Royalty, Federal and other barrels[1]		-30,158,081	($4,222.1)
Taxable barrels [2]		172,499,814	$24,150.0
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.75		($2,372.5)
Deductible Capital Expenditures	-$15.36		($2,648.9)
Total Lease Expenditures	-$29.11	172,499,814	($5,021.5)
Production Tax			
Production Tax Value (PTV)			$17,651.5
Base Tax (25%*PTV)			$4,412.9
Production Tax Value per barrel	$102.33		
Progressive Tax = (26% * PTV)			$4,586.3
Total Tax before credits			$8,999.2
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($440.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($475.0)
Estimated Total Tax after credits[4]			**$8,524.2**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**$0.0**
Capital Expenditures			**($370.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($370.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($310.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($375.0)**
Estimated Tax after refunded credits [7]			**$8,149.2**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $145 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$145.00	555,227	$80.5
Annual Production (bbl)			
Total		202,657,895	$29,385.4
Royalty, Federal and other barrels[1]		-30,158,081	($4,372.9)
Taxable barrels [2]		172,499,814	$25,012.5
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.75		($2,372.5)
Deductible Capital Expenditures	-$15.36		($2,648.9)
Total Lease Expenditures	-$29.11	172,499,814	($5,021.5)
Production Tax			
Production Tax Value (PTV)			$18,514.0
Base Tax (25%*PTV)			$4,628.5
Production Tax Value per barrel	$107.33		
Progressive Tax = (26.5% * PTV)			$4,903.0
Total Tax before credits			$9,531.5
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($440.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($475.0)
Estimated Total Tax after credits[4]			**$9,056.5**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**$0.0**
Capital Expenditures			**($370.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($370.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($310.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($375.0)**
Estimated Tax after refunded credits [7]			**$8,681.5**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $150 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$150.00	555,227	$83.3
Annual Production (bbl)			
Total		202,657,895	$30,398.7
Royalty, Federal and other barrels[1]		-30,158,081	($4,523.7)
Taxable barrels [2]		172,499,814	$25,875.0
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.75		($2,372.5)
Deductible Capital Expenditures	-$15.36		($2,648.9)
Total Lease Expenditures	-$29.11	172,499,814	($5,021.5)
Production Tax			
Production Tax Value (PTV)			$19,376.5
Base Tax (25%*PTV)			$4,844.1
Production Tax Value per barrel	$112.33		
Progressive Tax = (27% * PTV)			$5,228.3
Total Tax before credits			$10,072.4
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($440.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($475.0)
Estimated Total Tax after credits[4]			**$9,597.4**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**$0.0**
Capital Expenditures			**($370.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($370.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($310.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($375.0)**
Estimated Tax after refunded credits [7]			**$9,222.4**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $155 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$155.00	555,227	$86.1
Annual Production (bbl)			
Total		202,657,895	$31,412.0
Royalty, Federal and other barrels[1]		-30,158,081	($4,674.5)
Taxable barrels [2]		172,499,814	$26,737.5
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.75		($2,372.5)
Deductible Capital Expenditures	-$15.36		($2,648.9)
Total Lease Expenditures	-$29.11	172,499,814	($5,021.5)
Production Tax			
Production Tax Value (PTV)			$20,239.0
Base Tax (25%*PTV)			$5,059.7
Production Tax Value per barrel	$117.33		
Progressive Tax = (27.5% * PTV)			$5,562.2
Total Tax before credits			$10,622.0
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($440.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($475.0)
Estimated Total Tax after credits[4]			**$10,147.0**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**$0.0**
Capital Expenditures			**($370.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($370.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($310.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($375.0)**
Estimated Tax after refunded credits [7]			**$9,772.0**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $160 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$160.00	555,227	$88.8
Annual Production (bbl)			
Total		202,657,895	$32,425.3
Royalty, Federal and other barrels[1]		-30,158,081	($4,825.3)
Taxable barrels [2]		172,499,814	$27,600.0
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.75		($2,372.5)
Deductible Capital Expenditures	-$15.36		($2,648.9)
Total Lease Expenditures	-$29.11	172,499,814	($5,021.5)
Production Tax			
Production Tax Value (PTV)			$21,101.5
Base Tax (25%*PTV)			$5,275.4
Production Tax Value per barrel	$122.33		
Progressive Tax = (28% * PTV)			$5,904.8
Total Tax before credits			$11,180.1
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($440.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($475.0)
Estimated Total Tax after credits[4]			**$10,705.1**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**$0.0**
Capital Expenditures			**($370.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($370.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($310.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($375.0)**
Estimated Tax after refunded credits [7]			**$10,330.1**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $165 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$165.00	555,227	$91.6
Annual Production (bbl)			
Total		202,657,895	$33,438.6
Royalty, Federal and other barrels[1]		-30,158,081	($4,976.1)
Taxable barrels [2]		172,499,814	$28,462.5
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.75		($2,372.5)
Deductible Capital Expenditures	-$15.36		($2,648.9)
Total Lease Expenditures	-$29.11	172,499,814	($5,021.5)
Production Tax			
Production Tax Value (PTV)			$21,964.0
Base Tax (25%*PTV)			$5,491.0
Production Tax Value per barrel	$127.33		
Progressive Tax = (28.5% * PTV)			$6,255.9
Total Tax before credits			$11,746.9
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($435.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Total Credits			($475.0)
Estimated Total Tax after credits[4]			$11,271.9
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			($2.2)
Capital Expenditures			($407.7)
Total Lease Expenditures not included in Tax Revenue Calculation			($409.9)
Credits to be Refunded			
Qualified Capital Expenditure and NOL Credits (.023)			**($310.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($375.0)**
Estimated Tax after refunded credits [7]			**$10,896.9**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $170 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$170.00	555,227	$94.4
Annual Production (bbl)			
Total		202,657,895	$34,451.8
Royalty, Federal and other barrels[1]		-30,158,081	($5,126.9)
Taxable barrels [2]		172,499,814	$29,325.0
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.75		($2,372.5)
Deductible Capital Expenditures	-$15.36		($2,648.9)
Total Lease Expenditures	-$29.11	172,499,814	($5,021.5)
Production Tax			
Production Tax Value (PTV)			$22,826.5
Base Tax (25%*PTV)			$5,706.6
Production Tax Value per barrel	$132.33		
Progressive Tax = (29% * PTV)			$6,615.7
Total Tax before credits			$12,322.4
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($440.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($475.0)
Estimated Total Tax after credits[4]			**$11,847.4**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**$0.0**
Capital Expenditures			**($370.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($370.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($310.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($375.0)**
Estimated Tax after refunded credits [7]			**$11,472.4**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $175 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$175.00	555,227	$97.2
Annual Production (bbl)			
Total		202,657,895	$35,465.1
Royalty, Federal and other barrels[1]		-30,158,081	($5,277.7)
Taxable barrels [2]		172,499,814	$30,187.5
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.75		($2,372.5)
Deductible Capital Expenditures	-$15.36		($2,648.9)
Total Lease Expenditures	-$29.11	172,499,814	($5,021.5)
Production Tax			
Production Tax Value (PTV)			$23,689.0
Base Tax (25%*PTV)			$5,922.2
Production Tax Value per barrel	$137.33		
Progressive Tax = (29.5% * PTV)			$6,984.2
Total Tax before credits			$12,906.4
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($440.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($475.0)
Estimated Total Tax after credits[4]			**$12,431.4**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**$0.0**
Capital Expenditures			**($370.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($370.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($310.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($375.0)**
Estimated Tax after refunded credits [7]			**$12,056.4**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $180 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$180.00	555,227	$99.9
Annual Production (bbl)			
Total		202,657,895	$36,478.4
Royalty, Federal and other barrels[1]		-30,158,081	($5,428.5)
Taxable barrels [2]		172,499,814	$31,050.0
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.75		($2,372.5)
Deductible Capital Expenditures	-$15.36		($2,648.9)
Total Lease Expenditures	-$29.11	172,499,814	($5,021.5)
Production Tax			
Production Tax Value (PTV)			$24,551.5
Base Tax (25%*PTV)			$6,137.9
Production Tax Value per barrel	$142.33		
Progressive Tax = (30% * PTV)			$7,361.2
Total Tax before credits			$13,499.1
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($440.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($475.0)
Estimated Total Tax after credits[4]			**$13,024.1**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**$0.0**
Capital Expenditures			**($370.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($370.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($310.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($375.0)**
Estimated Tax after refunded credits [7]			**$12,649.1**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $185 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$185.00	555,227	$102.7
Annual Production (bbl)			
Total		202,657,895	$37,491.7
Royalty, Federal and other barrels[1]		-30,158,081	($5,579.2)
Taxable barrels [2]		172,499,814	$31,912.5
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.75		($2,372.5)
Deductible Capital Expenditures	-$15.36		($2,648.9)
Total Lease Expenditures	-$29.11	172,499,814	($5,021.5)
Production Tax			
Production Tax Value (PTV)			$25,414.0
Base Tax (25%*PTV)			$6,353.5
Production Tax Value per barrel	$147.33		
Progressive Tax = (30.5% * PTV)			$7,746.9
Total Tax before credits			$14,100.4
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($440.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($475.0)
Estimated Total Tax after credits[4]			**$13,625.4**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**$0.0**
Capital Expenditures			**($370.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($370.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($310.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($375.0)**
Estimated Tax after refunded credits [7]			**$13,250.4**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $190 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$190.00	555,227	$105.5
Annual Production (bbl)			
Total		202,657,895	$38,505.0
Royalty, Federal and other barrels[1]		-30,158,081	($5,730.0)
Taxable barrels [2]		172,499,814	$32,775.0
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.75		($2,372.5)
Deductible Capital Expenditures	-$15.36		($2,648.9)
Total Lease Expenditures	-$29.11	172,499,814	($5,021.5)
Production Tax			
Production Tax Value (PTV)			$26,276.5
Base Tax (25%*PTV)			$6,569.1
Production Tax Value per barrel	$152.33		
Progressive Tax = (31% * PTV)			$8,141.2
Total Tax before credits			$14,710.3
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($440.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($475.0)
Estimated Total Tax after credits[4]			**$14,235.3**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**$0.0**
Capital Expenditures			**($370.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($370.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($310.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($375.0)**
Estimated Tax after refunded credits [7]			**$13,860.3**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $195 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$195.00	555,227	$108.3
Annual Production (bbl)			
Total		202,657,895	$39,518.3
Royalty, Federal and other barrels[1]		-30,158,081	($5,880.8)
Taxable barrels [2]		172,499,814	$33,637.5
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.75		($2,372.5)
Deductible Capital Expenditures	-$15.36		($2,648.9)
Total Lease Expenditures	-$29.11	172,499,814	($5,021.5)
Production Tax			
Production Tax Value (PTV)			$27,139.0
Base Tax (25%*PTV)			$6,784.7
Production Tax Value per barrel	$157.33		
Progressive Tax = (31.5% * PTV)			$8,544.1
Total Tax before credits			$15,328.8
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($440.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($475.0)
Estimated Total Tax after credits[4]			**$14,853.8**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**$0.0**
Capital Expenditures			**($370.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($370.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($310.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($375.0)**
Estimated Tax after refunded credits [7]			**$14,478.8**

FY 2013 Production Tax Estimates - Income Statement Format showing ALL Credits using Fall 2011 forecast assumptions with $200 ANS price

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$200.00	555,227	$111.0
Annual Production (bbl)			
Total		202,657,895	$40,531.6
Royalty, Federal and other barrels[1]		-30,158,081	($6,031.6)
Taxable barrels [2]		172,499,814	$34,500.0
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.75		($2,372.5)
Deductible Capital Expenditures	-$15.36		($2,648.9)
Total Lease Expenditures	-$29.11	172,499,814	($5,021.5)
Production Tax			
Production Tax Value (PTV)			$28,001.5
Base Tax (25%*PTV)			$7,000.4
Production Tax Value per barrel	$162.33		
Progressive Tax = (32% * PTV)			$8,955.6
Total Tax before credits			$15,956.0
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($440.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Credits			($475.0)
Estimated Total Tax after credits[4]			**$15,481.0**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			**$0.0**
Capital Expenditures			**($370.0)**
Total Lease Expenditures not included in Tax Revenue Calculation			**($370.0)**
Credits to be Refunded [6]			
Qualified Capital Expenditure and NOL Credits (.023)			**($310.0)**
Alternative Credits for Exploration (.025)			**($65.0)**
Total Credits to be Refunded			**($375.0)**
Estimated Tax after refunded credits [7]			**$15,106.0**

ADDENDUM B-1:
FY 2010-FY 2012 Production Tax Estimates - Income Statement Format showing ALL credits Assuming Fall 2010 Forecast assumptions and HB 110/SB 49 tax system

These tables are meant to provide an illustration of the production tax calculation under HB110/SB49 in various years and using various forecast assumptions. Since this is a simplification of the tax calculation, total tax amounts shown here may not exactly match those estimated in other analysis. The following notes apply to all the tables in this addendum:

DOR historical and current revenue models are based on fiscal year data, which is also used for this analysis. To the extent that HB110/SB49 would use calendar year averages for production, price, and costs, the results may differ from that shown in this illustration.

(1) Royalty, Federal and other barrels represents our best estimate of barrels that are not taxed. This estimate includes both state and federal royalty barrels, barrels produced from federal offshore property, and barrels used in production.

(2) Deductible Lease Expenditures represents our best estimate of lease expenditures that are applicable to currently producing fields that are likely to produce a tax liability for the company or companies producing them. The per-barrel expenditures reflect expenditures per taxable barrel and do not reflect expenditures per all barrels produced.

(3) New well lease expenditure credits under HB110/SB49 are shown fully deducted against tax liability for consistency with previously presented information using the Fall 2010 and Spring 2011 forecast assumptions. Beginning with estimates using Fall 2011 forecast assumptions, we include a portion of these credits as taken against tax liability, and a portion as available for refund.

(4) Estimated Total Tax after credits is a calculated total based on constant daily production, constant oil prices, constant expenditures for the entire year, and no company specific information. Variations in these assumptions captured in larger revenue models will produce different results that differ from the estimates in the simple model above.

(5) Lease expenditures not included in Tax Revenue Calculation represents lease expenditures made by companies with little to no tax liability.

(6) Estimated Tax after refunded credits represents the total estimated tax revenue minus the amount of credits refunded, which is paid by appropriation through the Production Tax Credit Fund at AS 43.55.028.

FY 2010 Production Tax Estimates - Income Statement showing ALL Credits using Fall 2010 Forecast Assumptions, HB110/SB49 tax system

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$74.90	643,517	$48.2
Annual Production (bbl)			
Total		234,883,705	$17,592.8
Royalty, Federal and other barrels[1]		-31,067,340	($2,326.9)
Taxable barrels		203,816,365	$15,265.8
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.21		
TAPS Tariff	-$3.81		
Other	$0.00		
Total Transportation Costs	-$6.02	203,816,365	($1,227.0)
Deductible Lease Expenditures[2]			
Deductible Operating Expenditures	-$10.64		($2,168.7)
Deductible Capital Expenditures	-$8.55		($1,742.0)
Total Lease Expenditures	-$19.19	203,816,365	($3,910.7)
Production Tax			
Production Tax Value (PTV)			$10,128.2
"Base Tax" (25% of PTV)			$2,532.0
Production Tax Value per barrel	$49.69		
"Progressive Tax" (tax over 25% of PTV)			$173.5
Total Tax before credits			$2,705.5
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($322.0)
Small Producer Credits (.024)			($38.0)
Alternative Credits for Exploration (.025)			$0.0
Additional Well Credits per HB110/SB49 [3]			($300.0)
Credits			($650.0)
Estimated Total Tax after credits[4]			**$2,055.5**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			($101.3)
Capital Expenditures			($646.7)
Total Lease Expenditures not included in Tax Revenue Calculation			**($748.0)**
Credits to be Refunded			
Qualified Capital Expenditure and NOL Credits (.023)			($229.2)
Alternative Credits for Exploration (.025)			($21.3)
Total Credits to be Refunded			**($250.5)**
Estimated Tax after refunded credits [6]			**$1,805.0**

FY 2011 Production Tax Estimates - Income Statement showing ALL Credits using Fall 2010 Forecast Assumptions, HB110/SB49 tax system

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$77.96	615,902	$48.0
Annual Production (bbl)			
Total		224,804,230	$17,525.7
Royalty, Federal and other barrels[1]		-34,100,490	($2,658.5)
Taxable barrels		190,703,740	$14,867.3
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.07		
TAPS Tariff	-$4.17		
Other	$0.24		
Total Transportation Costs	-$6.00	190,703,740	($1,144.2)
Deductible Lease Expenditures[2]			
Deductible Operating Expenditures	-$12.99		($2,477.0)
Deductible Capital Expenditures	-$10.43		($1,988.4)
Total Lease Expenditures	-$23.42	190,703,740	($4,465.4)
Production Tax			
Production Tax Value (PTV)			$9,257.6
"Base Tax" (25% of PTV)			$2,314.4
Production Tax Value per barrel	$48.54		
"Progressive Tax" (tax over 25% of PTV)			$145.8
Total Tax before credits			$2,460.2
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($370.0)
Small Producer Credits (.024)			($30.0)
Alternative Credits for Exploration (.025)			$0.0
Additional Well Credits per HB110/SB49 [3]			($300.0)
Credits			($700.0)
Estimated Total Tax after credits[4]			**$1,760.2**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			($76.0)
Capital Expenditures			($584.0)
Total Lease Expenditures not included in Tax Revenue Calculation			**($660.0)**
Credits to be Refunded			
Qualified Capital Expenditure and NOL Credits (.023)			($418.3)
Alternative Credits for Exploration (.025)			($11.7)
Total Credits to be Refunded			**($430.0)**
Estimated Tax after refunded credits [6]			**$1,330.2**

FY 2012 Production Tax Estimates - Income Statement showing ALL Credits using Fall 2010 Forecast Assumptions, HB110/SB49 tax system

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$82.67	622,182	$51.4
Annual Production (bbl)			
Total		227,096,430	$18,774.1
Royalty, Federal and other barrels[1]		-34,669,890	($2,866.2)
Taxable barrels		192,426,540	$15,907.9
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.05		
TAPS Tariff	-$4.67		
Other	$0.33		
Total Transportation Costs	-$6.39	192,426,540	($1,229.6)
Deductible Lease Expenditures[2]			
Deductible Operating Expenditures	-$12.86		($2,474.1)
Deductible Capital Expenditures	-$13.14		($2,528.3)
Total Lease Expenditures	-$26.00	192,426,540	($5,002.4)
Production Tax			
Production Tax Value (PTV)			$9,675.9
"Base Tax" (25% of PTV)			$2,419.0
Production Tax Value per barrel	$50.28		
"Progressive Tax" (tax over 25% of PTV)			$172.2
Total Tax before credits			$2,591.2
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($420.0)
Small Producer Credits (.024)			($30.0)
Alternative Credits for Exploration (.025)			$0.0
Additional Well Credits per HB110/SB49 [3]			($300.0)
Credits			($750.0)
Estimated Total Tax after credits[4]			**$1,841.2**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			($84.0)
Capital Expenditures			($408.0)
Total Lease Expenditures not included in Tax Revenue Calculation			**($492.0)**
Credits to be Refunded			
Qualified Capital Expenditure and NOL Credits (.023)			($332.5)
Alternative Credits for Exploration (.025)			($67.5)
Total Credits to be Refunded			($400.0)
Estimated Tax after refunded credits [6]			**$1,441.2**

ADDENDUM B-2:
FY 2010-FY 2012 Production Tax Estimates – Income Statement Format showing ALL Credits Assuming Spring 2011 Forecast assumptions and HB 110 / SB 49 tax system

These tables are meant to provide an illustration of the production tax calculation under HB110/SB49 in various years and using various forecast assumptions. Since this is a simplification of the tax calculation, total tax amounts shown here may not exactly match those estimated in other analysis. The following notes apply to all the tables in this addendum:

DOR historical and current revenue models are based on fiscal year data, which is also used for this analysis. To the extent that HB110/SB49 would use calendar year averages for production, price, and costs, the results may differ from that shown in this illustration.

(1) Royalty, Federal and other barrels represents our best estimate of barrels that are not taxed. This estimate includes both state and federal royalty barrels, barrels produced from federal offshore property, and barrels used in production.

(2) Deductible Lease Expenditures represents our best estimate of lease expenditures that are applicable to currently producing fields that are likely to produce a tax liability for the company or companies producing them. The per-barrel expenditures reflect expenditures per taxable barrel and do not reflect expenditures per all barrels produced.

(3) New well lease expenditure credits under HB110/SB49 are shown fully deducted against tax liability for consistency with previously presented information using the Fall 2010 and Spring 2011 forecast assumptions. Beginning with estimates using Fall 2011 forecast assumptions, we include a portion of these credits as taken against tax liability, and a portion as available for refund.

(4) Estimated Total Tax after credits is a calculated total based on constant daily production, constant oil prices, constant expenditures for the entire year, and no company specific information. Variations in these assumptions captured in larger revenue models will produce different results that differ from the estimates in the simple model above.

(5) Lease expenditures not included in Tax Revenue Calculation represents lease expenditures made by companies with little to no tax liability.

(6) Estimated Tax after refunded credits represents the total estimated tax revenue minus the amount of credits refunded, which is paid by appropriation through the Production Tax Credit Fund at AS 43.55.028.

FY 2010 Production Tax Estimates - Income Statement Format Showing ALL Credits using Spring 2011 Forecast Assumptions, HB110/SB49 tax system

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$74.90	643,517	$48.2
Annual Production (bbl)			
Total		234,883,705	$17,592.8
Royalty, Federal and other barrels[1]		-31,067,340	($2,326.9)
Taxable barrels		203,816,365	$15,265.8
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.21		
TAPS Tariff	-$3.81		
Other	$0.00		
Total Transportation Costs	-$6.02	203,816,365	($1,227.0)
Deductible Lease Expenditures[2]			
Deductible Operating Expenditures	-$10.64		($2,168.7)
Deductible Capital Expenditures	-$8.55		($1,742.0)
Total Lease Expenditures	-$19.19	203,816,365	($3,910.7)
Production Tax			
Production Tax Value (PTV)			$10,128.2
"Base Tax" (25% of PTV)			$2,532.0
Production Tax Value per barrel	$49.69		
"Progressive Tax" (tax over 25% of PTV)			$173.5
Total Tax before credits			$2,705.5
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($344.0)
Small Producer Credits (.024)			($36.0)
Alternative Credits for Exploration (.025)			($30.0)
Additional Well Credits per HB110/SB49 [3]			($300.0)
Credits			($700.0)
Estimated Total Tax after credits[4]			**$2,005.5**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			($101.3)
Capital Expenditures			($646.7)
Total Lease Expenditures not included in Tax Revenue Calculation			**($748.0)**
Credits to be Refunded			
Qualified Capital Expenditure and NOL Credits (.023)			($229.2)
Alternative Credits for Exploration (.025)			($21.3)
Total Credits to be Refunded			**($250.5)**
Estimated Tax after refunded credits [6]			**$1,755.0**

FY 2011 Production Tax Estimates - Income Statement Format Showing ALL Credits using Spring 2011 Forecast Assumptions, HB110/SB49 tax system

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$91.13	605,328	$55.2
Annual Production (bbl)			
Total		220,944,720	$20,134.7
Royalty, Federal and other barrels[1]		-28,560,520	($2,602.7)
Taxable barrels		192,384,200	$17,532.0
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.07		
TAPS Tariff	-$4.36		
Other	$0.24		
Total Transportation Costs	-$6.19	192,384,200	($1,190.9)
Deductible Lease Expenditures[2]			
Deductible Operating Expenditures	-$12.94		($2,490.0)
Deductible Capital Expenditures	-$9.88		($1,900.0)
Total Lease Expenditures	-$22.82	192,384,200	($4,390.0)
Production Tax			
Production Tax Value (PTV)			$11,951.1
"Base Tax" (25% of PTV)			$2,987.8
Production Tax Value per barrel	$62.12		
"Progressive Tax" (tax over 25% of PTV)			$411.7
Total Tax before credits			$3,399.4
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($390.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			($20.0)
Additional Well Credits per HB110/SB49 [3]			($300.0)
Credits			($750.0)
Estimated Total Tax after credits[3]			**$2,649.4**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			($60.0)
Capital Expenditures			($550.0)
Total Lease Expenditures not included in Tax Revenue Calculation			**($610.0)**
Credits to be Refunded			
Qualified Capital Expenditure and NOL Credits (.023)			($418.3)
Alternative Credits for Exploration (.025)			($11.7)
Total Credits to be Refunded			**($430.0)**
Estimated Tax after refunded credits [6]			**$2,219.4**

FY 2012 Production Tax Estimates - Income Statement Format Showing ALL Credits using Spring 2011 Forecast Assumptions, HB110/SB49 tax system

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$94.70	610,460	$57.8
Annual Production (bbl)			
Total		222,817,900	$21,100.9
Royalty, Federal and other barrels[1]		-28,686,445	($2,716.6)
Taxable barrels		194,131,455	$18,384.2
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.05		
TAPS Tariff	-$4.48		
Other	$0.34		
Total Transportation Costs	-$6.19	194,131,455	($1,201.7)
Deductible Lease Expenditures[2]			
Deductible Operating Expenditures	-$12.81		($2,486.0)
Deductible Capital Expenditures	-$12.33		($2,393.0)
Total Lease Expenditures	-$25.13	194,131,455	($4,879.0)
Production Tax			
Production Tax Value (PTV)			$12,303.6
"Base Tax" (25% of PTV)			$3,075.9
Production Tax Value per barrel	$63.38		
"Progressive Tax" (tax over 25% of PTV)			$446.1
Total Tax before credits			$3,522.0
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($415.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			($10.0)
Additional Well Credits per HB110/SB49 [3]			($300.0)
Credits			($765.0)
Estimated Total Tax after credits[3]			**$2,757.0**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			($60.0)
Capital Expenditures			($400.0)
Total Lease Expenditures not included in Tax Revenue Calculation			**($460.0)**
Credits to be Refunded			
Qualified Capital Expenditure and NOL Credits (.023)			($317.5)
Alternative Credits for Exploration (.025)			($67.5)
Total Credits to be Refunded			**($385.0)**
Estimated Tax after refunded credits [6]			**$2,372.0**

ADDENDUM B-3:
FY 2011-FY 2013 Production Tax Estimates – Income Statement Format Assuming Fall 2011 Forecast assumptions and HB 110/SB 49 tax system

These tables are meant to provide an illustration of the production tax calculation under HB110/SB49 in various years and using various forecast assumptions. Since this is a simplification of the tax calculation, total tax amounts shown here may not exactly match those estimated in other analysis. The following notes apply to all the tables in this addendum:

DOR historical and current revenue models are based on fiscal year data, which is also used for this analysis. To the extent that HB110/SB49 would use calendar year averages for production, price, and costs, the results may differ from that shown in this illustration.

(1) Royalty, Federal and other barrels represents our best estimate of barrels that are not taxed. This estimate includes both state and federal royalty barrels, barrels produced from federal offshore property, and barrels used in production. For purposes of this calculation, also includes barrels produced by companies with zero PTV.

(2) For purposes of this illustration, to more closely reflect actual tax received by the state, "taxable barrels" shown here exclude barrels produced by companies expected to have zero tax liability.

(3) Deductible Lease Expenditures represents our best estimate of lease expenditures that are applicable to currently producing fields that are likely to produce a tax liability for the company or companies producing them. The per-barrel expenditures reflect expenditures per taxable barrel and do not reflect expenditures per all barrels produced.

(4) For new well lease expenditure credits under HB 110/SB49 we include a portion of these credits as taken against tax liability, and a portion as available for refund.

(5) Estimated Total Tax after credits is a calculated total based on constant daily production, constant oil prices, constant expenditures for the entire year, and no company specific information. Variations in these assumptions captured in larger revenue models will produce different results that differ from the estimates in the simple model above.

(6) Lease expenditures not included in Tax Revenue Calculation represents lease expenditures made by companies with little to no tax liability.

(7) Estimated Tax after refunded credits represents the total estimated tax revenue minus the amount of credits refunded, which is paid by appropriation through the Production Tax Credit Fund at AS 43.55.028.

FY 2011 Production Tax Estimates - Income Statement Format Showing ALL Credits using Fall 2011 Forecast Assumptions, HB110/SB49 tax system

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$94.49	602,723	$56.9
Annual Production (bbl)			
Total		219,993,895	$20,786.7
Royalty, Federal and other barrels[1]		-29,505,505	($2,787.9)
Taxable barrels [2]		190,488,390	$17,998.8
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.45		
TAPS Tariff	-$4.02		
Other	-$0.70		
Total Transportation Costs	-$7.17	190,488,390	($1,365.8)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.22		($2,517.4)
Deductible Capital Expenditures	-$8.52		($1,622.9)
Total Lease Expenditures	-$21.74	190,488,390	($4,140.3)
Production Tax			
Production Tax Value (PTV)			$12,492.6
"Base Tax" (25% of PTV)			$3,123.2
Production Tax Value per barrel	$65.58		
"Progressive Tax" (tax over 25% of PTV)			$489.9
Total Tax before credits			$3,613.1
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			
Small Producer Credits (.024)			
Alternative Credits for Exploration (.025)			
Additional Well Credits per HB110/SB49 [4]			($150.0)
Credits			($550.0)
Estimated Total Tax after credits[5]			**$3,063.1**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			($96.6)
Capital Expenditures			($694.1)
Total Lease Expenditures not included in Tax Revenue Calculation			**($790.7)**
Credits to be Refunded			
Qualified Capital Expenditure and NOL Credits (.023)			
Alternative Credits for Exploration (.025)			
Additional Well Credits per HB110/SB49			
Total Credits to be Refunded			**($450.0)**
Estimated Tax after refunded credits [6]			**$2,613.1**

FY 2012 Production Tax Estimates - Income Statement Format Showing ALL Credits using Fall 2011 Forecast Assumptions, HB110/SB49 tax system

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$108.98	574,373	$62.6
Annual Production (bbl)			
Total		209,646,327	$22,848.2
Royalty, Federal and other barrels[1]		-33,702,389	($3,673.0)
Taxable barrels [2]		175,943,938	$19,175.1
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.71		
TAPS Tariff	-$5.16		
Other	-$0.85		
Total Transportation Costs	-$8.72	175,943,938	($1,534.6)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$14.03		($2,468.1)
Deductible Capital Expenditures	-$10.25		($1,804.0)
Total Lease Expenditures	-$24.28	175,943,938	($4,272.1)
Production Tax			
Production Tax Value (PTV)			$13,368.5
"Base Tax" (25% of PTV)			$3,342.1
Production Tax Value per barrel	$75.98		
"Progressive Tax" (tax over 25% of PTV)			$755.9
Total Tax before credits			$4,098.0
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($355.0)
Small Producer Credits (.024)			($45.0)
Alternative Credits for Exploration (.025)			$0.0
Additional Well Credits per HB110/SB49 [4]			($150.0)
Credits			($550.0)
Estimated Total Tax after credits[4]			**$3,548.0**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			($111.3)
Capital Expenditures			($938.7)
Total Lease Expenditures not included in Tax Revenue Calculation			**($1,050.0)**
Credits to be Refunded			
Qualified Capital Expenditure and NOL Credits (.023)			($245.0)
Alternative Credits for Exploration (.025)			($80.0)
Additional Well Credits per HB110/SB49			($100.0)
Total Credits to be Refunded			($325.0)
Estimated Tax after refunded credits [6]			**$3,223.0**

FY 2013 Production Tax Estimates - Income Statement Format Showing ALL Credits using Fall 2011 Forecast Assumptions, HB110/SB49 tax system

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$109.47	555,227	$60.8
Annual Production (bbl)			
Total		202,657,895	$22,185.1
Royalty, Federal and other barrels[1]		-30,158,081	($3,301.4)
Taxable barrels [2]		172,499,814	$18,883.7
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.70		
TAPS Tariff	-$4.96		
Other	-$0.91		
Total Transportation Costs	-$8.56	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$13.75		($2,372.5)
Deductible Capital Expenditures	-$15.36		($2,648.9)
Total Lease Expenditures	-$29.11	172,499,814	($5,021.5)
Production Tax			
Production Tax Value (PTV)			$12,385.2
"Base Tax" (25% of PTV)			$3,096.3
Production Tax Value per barrel	$71.80		
"Progressive Tax" (tax over 25% of PTV)			$615.0
Total Tax before credits			$3,711.3
Credits against Tax Liability			
Qualified Capital Expenditure Credits (.023)			($410.0)
Small Producer Credits (.024)			($40.0)
Alternative Credits for Exploration (.025)			$0.0
Additional Well Credits per HB110/SB49 [4]			($225.0)
Credits			($675.0)
Estimated Total Tax after credits[4]			**$3,036.3**
Lease Expenditures not included in Tax Revenue Calculation [5]			
Operating Expenditures			($2.2)
Capital Expenditures			($407.7)
Total Lease Expenditures not included in Tax Revenue Calculation			**($409.9)**
Credits to be Refunded			
Qualified Capital Expenditure and NOL Credits (.023)			($335.0)
Alternative Credits for Exploration (.025)			($65.0)
Additional Well Credits per HB110/SB49			($50.0)
Total Credits to be Refunded			**($450.0)**
Estimated Tax after refunded credits [6]			**$2,586.3**

ADDENDUM C-1:

FY 2012 Production Tax Estimates – Income Statement Format for illustration of 250,000 barrels per day of "Unconventional Oil" using provided assumptions

These tables are meant to provide an illustration of the production tax calculation under current law in FY 12, for a hypothetical producer with 250,000 barrels per day of unconventional oil production, using a specific set of assumptions. This is a hypothetical only prepared by request. The following notes apply to all the tables in this addendum:

(1) This analysis illustrates the tax calculation for a hypothetical producer for a single year with the following characteristics: 250,000 barrels per day production from state land, 15% quality discount, $22.33 / barrel capex, $20 / barrel opex. No company-specific modeling is included. Importantly, this illustration assumes an operation in full production with the stated costs and does not consider the development phase when large expenditures are made without corresponding production.

(2) For purposes of this illustration, this number reflects a 12.5% royalty only.

(3) For purposes of this illustration, deductible lease expenditures are assumed to be $22.33 / barrel (for all barrels) for capital expenditures and $20 / barrel (for all barrels) for operating expenditures. The per-barrel expenditures shown here reflect expenditures per taxable barrel, for consistency with other income statement presentation, and do not reflect expenditures per all barrels produced.

(4) Estimated Total Tax after credits is a calculated total based on constant daily production, constant oil prices, constant expenditures for the entire year, and no company specific information. Variations in these assumptions captured in larger revenue models will produce different results that differ from the estimates in the simple model above.

(5) At lower prices, credits not applied against tax liability could be carried forward or sold but would not be eligible for refund for a producer with 250,000 barrels per day of production.

FY 2012 Production Tax Estimates - Income Statement Format for illustration of 250,000 barrels per day of "Unconventional Oil" using provided assumptions[1]

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$50.00	250,000	$10.6
Annual Production (bbl)			
Total		91,250,000	$3,878.1
Royalty barrels[2]		-11,406,250	($484.8)
Taxable barrels		79,843,750	$3,393.4
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.71		
TAPS Tariff	-$5.16		
Other	-$0.85		
Total Transportation Costs	-$8.72	79,843,750	($696.4)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$22.86		($1,825.0)
Deductible Capital Expenditures	-$25.52		($2,037.6)
Total Lease Expenditures	-$48.38	79,843,750	($3,862.6)
Production Tax			
Production Tax Value (PTV)			$0.0
Base Tax (25%*PTV)			$0.0
Production Tax Value per barrel	$0.00		
Progressive Tax = (0% * PTV)			$0.0
Total Tax before credits			$0.0
Credits			$0.0
Estimated Total Tax after credits[4]			**$0.0**
Credits Carried Forward [5]			**($407.5)**

FY 2012 Production Tax Estimates - Income Statement Format for illustration of 250,000 barrels per day of "Unconventional Oil" using provided assumptions[1]

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$55.00	250,000	$11.7
Annual Production (bbl)			
Total		91,250,000	$4,265.9
Royalty barrels[2]		-11,406,250	($533.2)
Taxable barrels		79,843,750	$3,732.7
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.71		
TAPS Tariff	-$5.16		
Other	-$0.85		
Total Transportation Costs	-$8.72	79,843,750	($696.4)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$22.86		($1,825.0)
Deductible Capital Expenditures	-$25.52		($2,037.6)
Total Lease Expenditures	-$48.38	79,843,750	($3,862.6)
Production Tax			
Production Tax Value (PTV)			$0.0
Base Tax (25%*PTV)			$0.0
Production Tax Value per barrel	$0.00		
Progressive Tax = (0% * PTV)			$0.0
Total Tax before credits			$0.0
Credits			$0.0
Estimated Total Tax after credits[4]			**$0.0**
Credits Carried Forward [5]			**($407.5)**

FY 2012 Production Tax Estimates - Income Statement Format for illustration of 250,000 barrels per day of "Unconventional Oil" using provided assumptions[1]

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$60.00	250,000	$12.8
Annual Production (bbl)			
Total		91,250,000	$4,653.8
Royalty barrels[2]		-11,406,250	($581.7)
Taxable barrels		79,843,750	$4,072.0
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.71		
TAPS Tariff	-$5.16		
Other	-$0.85		
Total Transportation Costs	-$8.72	79,843,750	($696.4)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$22.86		($1,825.0)
Deductible Capital Expenditures	-$25.52		($2,037.6)
Total Lease Expenditures	-$48.38	79,843,750	($3,862.6)
Production Tax			
Production Tax Value (PTV)			$0.0
Base Tax (25%*PTV)			$0.0
Production Tax Value per barrel	$0.00		
Progressive Tax = (0% * PTV)			$0.0
Total Tax before credits			$0.0
Credits			$0.0
Estimated Total Tax after credits[4]			**$0.0**
Credits Carried Forward [5]			**($407.5)**

FY 2012 Production Tax Estimates - Income Statement Format for illustration of 250,000 barrels per day of "Unconventional Oil" using provided assumptions[1]

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$65.00	250,000	$13.8
Annual Production (bbl)			
Total		91,250,000	$5,041.6
Royalty barrels[2]		-11,406,250	($630.2)
Taxable barrels		79,843,750	$4,411.4
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.71		
TAPS Tariff	-$5.16		
Other	-$0.85		
Total Transportation Costs	-$8.72	79,843,750	($696.4)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$22.86		($1,825.0)
Deductible Capital Expenditures	-$25.52		($2,037.6)
Total Lease Expenditures	-$48.38	79,843,750	($3,862.6)
Production Tax			
Production Tax Value (PTV)			$0.0
Base Tax (25%*PTV)			$0.0
Production Tax Value per barrel	$0.00		
Progressive Tax = (0% * PTV)			$0.0
Total Tax before credits			$0.0
Credits			$0.0
Estimated Total Tax after credits[4]			**$0.0**
Credits Carried Forward [5]			**($407.5)**

FY 2012 Production Tax Estimates - Income Statement Format for illustration of 250,000 barrels per day of "Unconventional Oil" using provided assumptions[1]

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$70.00	250,000	$14.9
Annual Production (bbl)			
Total		91,250,000	$5,429.4
Royalty barrels[2]		-11,406,250	($678.7)
Taxable barrels		79,843,750	$4,750.7
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.71		
TAPS Tariff	-$5.16		
Other	-$0.85		
Total Transportation Costs	-$8.72	79,843,750	($696.4)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$22.86		($1,825.0)
Deductible Capital Expenditures	-$25.52		($2,037.6)
Total Lease Expenditures	-$48.38	79,843,750	($3,862.6)
Production Tax			
Production Tax Value (PTV)			$191.7
Base Tax (25%*PTV)			$47.9
Production Tax Value per barrel	$2.40		
Progressive Tax = (0% * PTV)			$0.0
Total Tax before credits			$47.9
Credits			($47.9)
Estimated Totai Tax after credits[4]			**$0.0**
Credits Carried Forward [5]			**($359.6)**

FY 2012 Production Tax Estimates - Income Statement Format for illustration of 250,000 barrels per day of "Unconventional Oil" using provided assumptions[1]

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$75.00	250,000	$15.9
Annual Production (bbl)			
Total		91,250,000	$5,817.2
Royalty barrels[2]		-11,406,250	($727.1)
Taxable barrels		79,843,750	$5,090.0
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.71		
TAPS Tariff	-$5.16		
Other	-$0.85		
Total Transportation Costs	-$8.72	79,843,750	($696.4)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$22.86		($1,825.0)
Deductible Capital Expenditures	-$25.52		($2,037.6)
Total Lease Expenditures	-$48.38	79,843,750	($3,862.6)
Production Tax			
Production Tax Value (PTV)			$531.0
Base Tax (25%*PTV)			$132.8
Production Tax Value per barrel	$6.65		
Progressive Tax = (0% * PTV)			$0.0
Total Tax before credits			$132.8
Credits			($132.8)
Estimated Total Tax after credits[4]			**$0.0**
Credits Carried Forward [5]			**($274.8)**

FY 2012 Production Tax Estimates - Income Statement Format for illustration of 250,000 barrels per day of "Unconventional Oil" using provided assumptions[1]

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$80.00	250,000	$17.0
Annual Production (bbl)			
Total		91,250,000	$6,205.0
Royalty barrels[2]		-11,406,250	($775.6)
Taxable barrels		79,843,750	$5,429.4
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.71		
TAPS Tariff	-$5.16		
Other	-$0.85		
Total Transportation Costs	-$8.72	79,843,750	($696.4)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$22.86		($1,825.0)
Deductible Capital Expenditures	-$25.52		($2,037.6)
Total Lease Expenditures	-$48.38	79,843,750	($3,862.6)
Production Tax			
Production Tax Value (PTV)			$870.4
Base Tax (25%*PTV)			$217.6
Production Tax Value per barrel	$10.90		
Progressive Tax = (0% * PTV)			$0.0
Total Tax before credits			$217.6
Credits			($217.6)
Estimated Total Tax after credits[4]			**$0.0**
Credits Carried Forward [5]			**($189.9)**

FY 2012 Production Tax Estimates - Income Statement Format for illustration of 250,000 barrels per day of "Unconventional Oil" using provided assumptions[1]

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$85.00	250,000	$18.1
Annual Production (bbl)			
Total		91,250,000	$6,592.8
Royalty barrels[2]		-11,406,250	($824.1)
Taxable barrels		79,843,750	$5,768.7
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.71		
TAPS Tariff	-$5.16		
Other	-$0.85		
Total Transportation Costs	-$8.72	79,843,750	($696.4)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$22.86		($1,825.0)
Deductible Capital Expenditures	-$25.52		($2,037.6)
Total Lease Expenditures	-$48.38	79,843,750	($3,862.6)
Production Tax			
Production Tax Value (PTV)			$1,209.7
Base Tax (25%*PTV)			$302.4
Production Tax Value per barrel	$15.15		
Progressive Tax = (0% * PTV)			$0.0
Total Tax before credits			$302.4
Credits			($302.4)
Estimated Total Tax after credits[4]			**$0.0**
Credits Carried Forward [5]			**($105.1)**

FY 2012 Production Tax Estimates - Income Statement Format for illustration of 250,000 barrels per day of "Unconventional Oil" using provided assumptions[1]

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$90.00	250,000	$19.1
Annual Production (bbl)			
Total		91,250,000	$6,980.6
Royalty barrels[2]		-11,406,250	($872.6)
Taxable barrels		79,843,750	$6,108.0
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.71		
TAPS Tariff	-$5.16		
Other	-$0.85		
Total Transportation Costs	-$8.72	79,843,750	($696.4)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$22.86		($1,825.0)
Deductible Capital Expenditures	-$25.52		($2,037.6)
Total Lease Expenditures	-$48.38	79,843,750	($3,862.6)
Production Tax			
Production Tax Value (PTV)			$1,549.0
Base Tax (25%*PTV)			$387.3
Production Tax Value per barrel	$19.40		
Progressive Tax = (0% * PTV)			$0.0
Total Tax before credits			$387.3
Credits			($387.3)
Estimated Total Tax after credits[4]			**$0.0**
Credits Carried Forward [5]			**($20.3)**

FY 2012 Production Tax Estimates - Income Statement Format for illustration of 250,000 barrels per day of "Unconventional Oil" using provided assumptions[1]

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$95.00	250,000	$20.2
Annual Production (bbl)			
Total		91,250,000	$7,368.4
Royalty barrels[2]		-11,406,250	($921.1)
Taxable barrels		79,843,750	$6,447.4
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.71		
TAPS Tariff	-$5.16		
Other	-$0.85		
Total Transportation Costs	-$8.72	79,843,750	($696.4)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$22.86		($1,825.0)
Deductible Capital Expenditures	-$25.52		($2,037.6)
Total Lease Expenditures	-$48.38	79,843,750	($3,862.6)
Production Tax			
Production Tax Value (PTV)			$1,888.4
Base Tax (25%*PTV)			$472.1
Production Tax Value per barrel	$23.65		
Progressive Tax = (0% * PTV)			$0.0
Total Tax before credits			$472.1
Credits			($407.5)
Estimated Total Tax after credits[4]			**$64.6**
Credits Carried Forward [5]			**$0.0**

FY 2012 Production Tax Estimates - Income Statement Format for illustration of 250,000 barrels per day of "Unconventional Oil" using provided assumptions[1]

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$100.00	250,000	$21.3
Annual Production (bbl)			
Total		91,250,000	$7,756.3
Royalty barrels[2]		-11,406,250	($969.5)
Taxable barrels		79,843,750	$6,786.7
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.71		
TAPS Tariff	-$5.16		
Other	-$0.85		
Total Transportation Costs	-$8.72	79,843,750	($696.4)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$22.86		($1,825.0)
Deductible Capital Expenditures	-$25.52		($2,037.6)
Total Lease Expenditures	-$48.38	79,843,750	($3,862.6)
Production Tax			
Production Tax Value (PTV)			$2,227.7
Base Tax (25%*PTV)			$556.9
Production Tax Value per barrel	$27.90		
Progressive Tax = (0% * PTV)			$0.0
Total Tax before credits			$556.9
Credits			($407.5)
Estimated Total Tax after credits[4]			**$149.4**
Credits Carried Forward [5]			**$0.0**

FY 2012 Production Tax Estimates - Income Statement Format for illustration of 250,000 barrels per day of "Unconventional Oil" using provided assumptions[1]

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$105.00	250,000	$22.3
Annual Production (bbl)			
Total		91,250,000	$8,144.1
Royalty barrels[2]		-11,406,250	($1,018.0)
Taxable barrels		79,843,750	$7,126.1
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.71		
TAPS Tariff	-$5.16		
Other	-$0.85		
Total Transportation Costs	-$8.72	79,843,750	($696.4)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$22.86		($1,825.0)
Deductible Capital Expenditures	-$25.52		($2,037.6)
Total Lease Expenditures	-$48.38	79,843,750	($3,862.6)
Production Tax			
Production Tax Value (PTV)			$2,567.1
Base Tax (25%*PTV)			$641.8
Production Tax Value per barrel	$32.15		
Progressive Tax = (0.9% * PTV)			$22.1
Total Tax before credits			$663.9
Credits			($407.5)
Estimated Total Tax after credits[4]			**$256.3**
Credits Carried Forward [5]			**$0.0**

FY 2012 Production Tax Estimates - Income Statement Format for illustration of 250,000 barrels per day of "Unconventional Oil" using provided assumptions[1]

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$110.00	250,000	$23.4
Annual Production (bbl)			
Total		91,250,000	$8,531.9
Royalty barrels[2]		-11,406,250	($1,066.5)
Taxable barrels		79,843,750	$7,465.4
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.71		
TAPS Tariff	-$5.16		
Other	-$0.85		
Total Transportation Costs	-$8.72	79,843,750	($696.4)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$22.86		($1,825.0)
Deductible Capital Expenditures	-$25.52		($2,037.6)
Total Lease Expenditures	-$48.38	79,843,750	($3,862.6)
Production Tax			
Production Tax Value (PTV)			$2,906.4
Base Tax (25%*PTV)			$726.6
Production Tax Value per barrel	$36.40		
Progressive Tax = (2.6% * PTV)			$74.4
Total Tax before credits			$801.0
Credits			($407.5)
Estimated Total Tax after credits[4]			**$393.5**
Credits Carried Forward [5]			**$0.0**

FY 2012 Production Tax Estimates - Income Statement Format for illustration of 250,000 barrels per day of "Unconventional Oil" using provided assumptions[1]

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$115.00	250,000	$24.4
Annual Production (bbl)			
Total		91,250,000	$8,919.7
Royalty barrels[2]		-11,406,250	($1,115.0)
Taxable barrels		79,843,750	$7,804.7
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.71		
TAPS Tariff	-$5.16		
Other	-$0.85		
Total Transportation Costs	-$8.72	79,843,750	($696.4)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$22.86		($1,825.0)
Deductible Capital Expenditures	-$25.52		($2,037.6)
Total Lease Expenditures	-$48.38	79,843,750	($3,862.6)
Production Tax			
Production Tax Value (PTV)			$3,245.7
Base Tax (25%*PTV)			$811.4
Production Tax Value per barrel	$40.65		
Progressive Tax = (4.3% * PTV)			$138.3
Total Tax before credits			$949.7
Credits			($407.5)
Estimated Total Tax after credits[4]			**$542.2**
Credits Carried Forward [5]			**$0.0**

FY 2012 Production Tax Estimates - Income Statement Format for illustration of 250,000 barrels per day of "Unconventional Oil" using provided assumptions[1]

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$120.00	250,000	$25.5
Annual Production (bbl)			
Total		91,250,000	$9,307.5
Royalty barrels[2]		-11,406,250	($1,163.4)
Taxable barrels		79,843,750	$8,144.1
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.71		
TAPS Tariff	-$5.16		
Other	-$0.85		
Total Transportation Costs	-$8.72	79,843,750	($696.4)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$22.86		($1,825.0)
Deductible Capital Expenditures	-$25.52		($2,037.6)
Total Lease Expenditures	-$48.38	79,843,750	($3,862.6)
Production Tax			
Production Tax Value (PTV)			$3,585.1
Base Tax (25%*PTV)			$896.3
Production Tax Value per barrel	$44.90		
Progressive Tax = (6% * PTV)			$213.7
Total Tax before credits			$1,109.9
Credits			($407.5)
Estimated Totai Tax after credits[4]			**$702.4**
Credits Carried Forward [5]			**$0.0**

FY 2012 Production Tax Estimates - Income Statement Format for illustration of 250,000 barrels per day of "Unconventional Oil" using provided assumptions[1]

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$125.00	250,000	$26.6
Annual Production (bbl)			
Total		91,250,000	$9,695.3
Royalty barrels[2]		-11,406,250	($1,211.9)
Taxable barrels		79,843,750	$8,483.4
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.71		
TAPS Tariff	-$5.16		
Other	-$0.85		
Total Transportation Costs	-$8.72	79,843,750	($696.4)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$22.86		($1,825.0)
Deductible Capital Expenditures	-$25.52		($2,037.6)
Total Lease Expenditures	-$48.38	79,843,750	($3,862.6)
Production Tax			
Production Tax Value (PTV)			$3,924.4
Base Tax (25%*PTV)			$981.1
Production Tax Value per barrel	$49.15		
Progressive Tax = (7.7% * PTV)			$300.6
Total Tax before credits			$1,281.7
Credits			($407.5)
Estimated Total Tax after credits[4]			**$874.2**
Credits Carried Forward [5]			**$0.0**

FY 2012 Production Tax Estimates - Income Statement Format for illustration of 250,000 barrels per day of "Unconventional Oil" using provided assumptions[1]

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$130.00	250,000	$27.6
Annual Production (bbl)			
Total		91,250,000	$10,083.1
Royalty barrels[2]		-11,406,250	($1,260.4)
Taxable barrels		79,843,750	$8,822.7
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.71		
TAPS Tariff	-$5.16		
Other	-$0.85		
Total Transportation Costs	-$8.72	79,843,750	($696.4)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$22.86		($1,825.0)
Deductible Capital Expenditures	-$25.52		($2,037.6)
Total Lease Expenditures	-$48.38	79,843,750	($3,862.6)
Production Tax			
Production Tax Value (PTV)			$4,263.7
Base Tax (25%*PTV)			$1,065.9
Production Tax Value per barrel	$53.40		
Progressive Tax = (9.4% * PTV)			$399.1
Total Tax before credits			$1,465.0
Credits			($407.5)
Estimated Totai Tax after credits[4]			**$1,057.5**
Credits Carried Forward [5]			**$0.0**

FY 2012 Production Tax Estimates - Income Statement Format for illustration of 250,000 barrels per day of "Unconventional Oil" using provided assumptions[1]

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$135.00	250,000	$28.7
Annual Production (bbl)			
Total		91,250,000	$10,470.9
Royalty barrels[2]		-11,406,250	($1,308.9)
Taxable barrels		79,843,750	$9,162.1
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.71		
TAPS Tariff	-$5.16		
Other	-$0.85		
Total Transportation Costs	-$8.72	79,843,750	($696.4)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$22.86		($1,825.0)
Deductible Capital Expenditures	-$25.52		($2,037.6)
Total Lease Expenditures	-$48.38	79,843,750	($3,862.6)
Production Tax			
Production Tax Value (PTV)			$4,603.1
Base Tax (25%*PTV)			$1,150.8
Production Tax Value per barrel	$57.65		
Progressive Tax = (11.1% * PTV)			$509.1
Total Tax before credits			$1,659.9
Credits			($407.5)
Estimated Total Tax after credits[4]			**$1,252.4**
Credits Carried Forward [5]			**$0.0**

FY 2012 Production Tax Estimates - Income Statement Format for illustration of 250,000 barrels per day of "Unconventional Oil" using provided assumptions[1]

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$140.00	250,000	$29.8
Annual Production (bbl)			
Total		91,250,000	$10,858.8
Royalty barrels[2]		-11,406,250	($1,357.3)
Taxable barrels		79,843,750	$9,501.4
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.71		
TAPS Tariff	-$5.16		
Other	-$0.85		
Total Transportation Costs	-$8.72	79,843,750	($696.4)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$22.86		($1,825.0)
Deductible Capital Expenditures	-$25.52		($2,037.6)
Total Lease Expenditures	-$48.38	79,843,750	($3,862.6)
Production Tax			
Production Tax Value (PTV)			$4,942.4
Base Tax (25%*PTV)			$1,235.6
Production Tax Value per barrel	$61.90		
Progressive Tax = (12.8% * PTV)			$630.7
Total Tax before credits			$1,866.3
Credits			($407.5)
Estimated Total Tax after credits[4]			**$1,458.7**
Credits Carried Forward [5]			**$0.0**

FY 2012 Production Tax Estimates - Income Statement Format for illustration of 250,000 barrels per day of "Unconventional Oil" using provided assumptions[1]

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$145.00	250,000	$30.8
Annual Production (bbl)			
Total		91,250,000	$11,246.6
Royalty barrels[2]		-11,406,250	($1,405.8)
Taxable barrels		79,843,750	$9,840.7
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.71		
TAPS Tariff	-$5.16		
Other	-$0.85		
Total Transportation Costs	-$8.72	79,843,750	($696.4)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$22.86		($1,825.0)
Deductible Capital Expenditures	-$25.52		($2,037.6)
Total Lease Expenditures	-$48.38	79,843,750	($3,862.6)
Production Tax			
Production Tax Value (PTV)			$5,281.7
Base Tax (25%*PTV)			$1,320.4
Production Tax Value per barrel	$66.15		
Progressive Tax = (14.5% * PTV)			$763.8
Total Tax before credits			$2,084.2
Credits			($407.5)
Estimated Total Tax after credits[4]			**$1,676.7**
Credits Carried Forward [5]			**$0.0**

FY 2012 Production Tax Estimates - Income Statement Format for illustration of 250,000 barrels per day of "Unconventional Oil" using provided assumptions[1]

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$150.00	250,000	$31.9
Annual Production (bbl)			
Total		91,250,000	$11,634.4
Royalty barrels[2]		-11,406,250	($1,454.3)
Taxable barrels		79,843,750	$10,180.1
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.71		
TAPS Tariff	-$5.16		
Other	-$0.85		
Total Transportation Costs	-$8.72	79,843,750	($696.4)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$22.86		($1,825.0)
Deductible Capital Expenditures	-$25.52		($2,037.6)
Total Lease Expenditures	-$48.38	79,843,750	($3,862.6)
Production Tax			
Production Tax Value (PTV)			$5,621.1
Base Tax (25%*PTV)			$1,405.3
Production Tax Value per barrel	$70.40		
Progressive Tax = (16.2% * PTV)			$908.4
Total Tax before credits			$2,313.7
Credits			($407.5)
Estimated Total Tax after credits[4]			**$1,906.1**
Credits Carried Forward [5]			**$0.0**

ADDENDUM C-2:

FY 2012 Production Tax Estimates – Income Statement Format for illustration of 250,000 barrels per day of "Heavy Oil" using provided assumptions, PLUS existing FY 2012 forecast

This table is meant to provide an illustration of the production tax calculation under current law in FY 12, assuming our Fall 2011 forecast assumptions for FY 12, PLUS 250,000 barrels per day of unconventional oil production, using a specific set of assumptions. This is a hypothetical only prepared by request. The following notes apply to this addendum:

(1) This analysis takes the FY12 income statement from the Fall 2011 RSB and adds and illustration for additional production with the following characteristics: 250,000 barrels per day production from state land, 15% quality discount, $22.33 / barrel capex, $20 / barrel opex. No company-specific modeling is included. Importantly, this illustration assumes an operation in full production with the stated costs and does not consider the development phase when large expenditures are made without corresponding production.

(2) Royalty, Federal and other barrels represents our best estimate of barrels that are not taxed. This estimate includes both state and federal royalty barrels, barrels produced from federal offshore property, and barrels used in production. For purposes of this calculation, also includes barrels produced by companies with negative PTV. For the additional production illustration, assumes a 12.5% royalty rate only.

(3) Deductible Lease Expenditures represents our best estimate of lease expenditures that are applicable to currently producing fields that are likely to produce a tax liability for the company or companies producing them. For the additional production, deductible lease expenditures are assumed to be $22.33 / barrel (for all barrels) for capital expenditures and $20 / barrel (for all barrels) for operating expenditures. The per-barrel expenditures shown here reflect expenditures per taxable barrel, for consistency with other income statement presentation, and do not reflect expenditures per all barrels produced.

(4) Estimated Total Tax after credits is a calculated total based on constant daily production, constant oil prices, constant expenditures for the entire year, and no company specific information. Variations in these assumptions captured in larger revenue models will produce different results that differ from the estimates in the simple model above.

FY 2012 Production Tax Estimates - Income Statement Format using Fall 2011 forecast assumptions, PLUS 250,000 barrels per day of "Heavy Oil" using provided assumptions[1]

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$108.98	824,373	$85.7
Annual Production (bbl)			
Total		300,896,327	$31,294.0
Royalty, Federal and other barrels[2]		-45,108,639	($4,728.8)
Taxable barrels[3]		255,787,688	$26,565.2
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.71		
TAPS Tariff	-$5.16		
Other	-$0.85		
Total Transportation Costs	-$8.72	255,787,688	($2,231.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	-$16.78		($4,293.1)
Deductible Capital Expenditures	-$15.02		($3,841.6)
Total Lease Expenditures	-$31.80	255,787,688	($8,134.7)
Production Tax			
Production Tax Value (PTV)			$16,199.5
Base Tax (25%*PTV)			$4,049.9
Production Tax Value per barrel	$63.33		
Progressive Tax = (13.3% * PTV)			$2,159.8
Total Tax before credits			$6,209.7
Total Credits			($807.5)
Estimated Total Tax after credits[4]			**$5,402.2**

ADDENDUM D:

FY 2012 Production Tax Estimates – Income Statement Format for illustration of 100,000 barrels per day of "NPRA Development" under HB110/SB49

These tables are meant to provide an illustration of the production tax calculation under HB110/SB49 in FY 12, for a hypothetical producer with 100,000 barrels per day of NPRA oil production, assuming HB110 / SB49 were in full effect and the development received the 15 percent new fields base rate. The tables are produced at several prices: our FY 12 forecast price, $75, $100, and $125. This is a hypothetical only prepared by request. The following notes apply to all the tables in this addendum:

(1) This analysis illustrates the tax calculation for a hypothetical producer for a single year with the following characteristics: 100,000 barrels per day production from NPRA, $10 / barrel capex, $15 / barrel opex. No company-specific modeling is included. **Importantly, this illustration assumes an operation in full production with the stated costs and does not consider the development phase when large expenditures are made without corresponding production.**

(2) For purposes of this illustration, this number reflects a 12.5% royalty only.

(3) For purposes of this illustration, adds $2 / barrel to Fall 2011 forecast amounts to account for potential feeder pipeline costs.

(4) Deductible lease expenditures are assumed to be $10 / barrel (for all barrels) for capital expenditures and $15 / barrel (for all barrels) for operating expenditures. The per-barrel expenditures shown here reflect expenditures per taxable barrel, for consistency with other income statement presentation, and do not reflect expenditures per all barrels produced.

(5) For illustration purposes, assumes that all provisions of HB 110 / SB 49 are in place and that the development would qualify for the 15 percent new field base rate.

(6) Estimated Total Tax after credits is a calculated total based on constant daily production, constant oil prices, constant expenditures for the entire year, and no company specific information. Variations in these assumptions captured in larger revenue models will produce different results that differ from the estimates in the simple model above.

FY 2012 Production Tax Estimates - Income Statement Format for illustration of 100,000 barrels per day of "NPRA oil" under HB 110/SB49[1]

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$108.89	100,000	$10.9
Annual Production (bbl)			
Total		36,500,000	$3,974.5
Royalty barrels[2]		-4,562,500	($496.8)
Taxable barrels		31,937,500	$3,477.7
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.71		
TAPS Tariff	-$5.16		
Other[3]	-$2.85		
Total Transportation Costs	-$10.72	31,937,500	($342.4)
Deductible Lease Expenditures[4]			
Deductible Operating Expenditures	-$17.14		($547.5)
Deductible Capital Expenditures	-$11.43		($365.0)
Total Lease Expenditures	-$28.57	31,937,500	($912.5)
Production Tax[5]			
Production Tax Value (PTV)			$2,222.7
"Base Tax" (15% of PTV)			$333.4
Production Tax Value per barrel	$69.60		
"Progressive Tax" (tax over 15% of PTV)			$101.6
Total Tax before credits			$435.0
Credits (including additional well credits)			($104.4)
Estimated Total Tax after credits[6]			**$330.6**

FY 2012 Production Tax Estimates - Income Statement Format for illustration of 100,000 barrels per day of "NPRA oil" under HB 110/SB49[1]

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$75.00	100,000	$7.5
Annual Production (bbl)			
Total		36,500,000	$2,737.5
Royalty barrels[2]		-4,562,500	($342.2)
Taxable barrels		31,937,500	$2,395.3
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.71		
TAPS Tariff	-$5.16		
Other[3]	-$2.85		
Total Transportation Costs	-$10.72	31,937,500	($342.4)
Deductible Lease Expenditures[4]			
Deductible Operating Expenditures	-$17.14		($547.5)
Deductible Capital Expenditures	-$11.43		($365.0)
Total Lease Expenditures	-$28.57	31,937,500	($912.5)
Production Tax[5]			
Production Tax Value (PTV)			$1,140.4
"Base Tax" (15% of PTV)			$171.1
Production Tax Value per barrel	$35.71		
"Progressive Tax" (tax over 15% of PTV)			$4.6
Total Tax before credits			$175.6
Credits (including additional well credits)			($104.4)
Estimated Total Tax after credits[6]			**$71.2**

FY 2012 Production Tax Estimates - Income Statement Format for illustration of 100,000 barrels per day of "NPRA oil" under HB 110/SB49[1]

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$100.00	100,000	$10.0
Annual Production (bbl)			
Total		36,500,000	$3,650.0
Royalty barrels[2]		-4,562,500	($456.3)
Taxable barrels		31,937,500	$3,193.8
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.71		
TAPS Tariff	-$5.16		
Other[3]	-$2.85		
Total Transportation Costs	-$10.72	31,937,500	($342.4)
Deductible Lease Expenditures[4]			
Deductible Operating Expenditures	-$17.14		($547.5)
Deductible Capital Expenditures	-$11.43		($365.0)
Total Lease Expenditures	-$28.57	31,937,500	($912.5)
Production Tax[5]			
Production Tax Value (PTV)			$1,938.8
"Base Tax" (15% of PTV)			$290.8
Production Tax Value per barrel	$60.71		
"Progressive Tax" (tax over 15% of PTV)			$62.7
Total Tax before credits			$353.6
Credits (including additional well credits)			($104.4)
Estimated Total Tax after credits[6]			**$249.2**

FY 2012 Production Tax Estimates - Income Statement Format for illustration of 100,000 barrels per day of "NPRA oil" under HB 110/SB49[1]

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$125.00	100,000	$12.5
Annual Production (bbl)			
Total		36,500,000	$4,562.5
Royalty barrels[2]		-4,562,500	($570.3)
Taxable barrels		31,937,500	$3,992.2
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.71		
TAPS Tariff	-$5.16		
Other[3]	-$2.85		
Total Transportation Costs	-$10.72	31,937,500	($342.4)
Deductible Lease Expenditures[4]			
Deductible Operating Expenditures	-$17.14		($547.5)
Deductible Capital Expenditures	-$11.43		($365.0)
Total Lease Expenditures	-$28.57	31,937,500	($912.5)
Production Tax[5]			
Production Tax Value (PTV)			$2,737.3
"Base Tax" (15% of PTV)			$410.6
Production Tax Value per barrel	$85.71		
"Progressive Tax" (tax over 15% of PTV)			$200.7
Total Tax before credits			$611.3
Credits (including additional well credits)			($104.4)
Estimated Total Tax after credits[6]			**$506.9**

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

SEAN PARNELL, GOVERNOR
333 Willoughby Avenue, 11th Floor
P.O. Box 110400
Juneau, Alaska 99811-0400
Phone: (907) 465-2300
Fax: (907) 465-2389

The Honorable Joe Paskvan
Alaska State Senator
State Capitol, Room115
Juneau, Alaska 99801

December 21, 2011

Dear Senator Paskvan,

Thank you for your detailed and thoughtful lists of questions submitted to the Department of Revenue in May and September of this year. As previously discussed, we have been working on the answers to your questions during the interim and are providing them now, as a single package, in advance of the 2012 legislative session. It was very important for me to use the most up-to-date information available and the Fall 2011 Revenue Sources Book (RSB) is what we are using to answer your questions. At the same time as we were preparing the RSB over the past several months, we were also undertaking several other projects that will provide even more information. This will also no doubt lead to good discussions this session.

The analysis contained herein involved the work of numerous individuals on the Department of Revenue team and required large time commitments and custom model runs with significant manual analysis required. Staff were directed to make your request a top priority after completing the Fall 2011 revenue forecast and they should be commended for the time and effort put into this request.

Please don't hesitate to contact me with any additional information requests. We look forward to a constructive and meaningful discussion with you about how to best achieve our mutual goal of increasing oil and gas production in Alaska and incentivizing company investment in exciting and challenging new resources that hold the potential to mitigate the production decline.

Sincerely,

Bryan Butcher
Commissioner

State of Alaska

Department of Revenue

Commissioner's Office

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November 13, 2009

The Honorable Edward S. Itta
Mayor, North Slope Borough
P.O. Box 69
Barrow, AK 99723

Dear Mayor Itta,

The Department of Revenue has over the years benefited from the assessment assistance provided by the North Slope Borough (NSB) under a Memorandum of Understanding (MOU) authorized under AS 43.56.060(g). Since the MOU's most recent revision in 2006, the Department has undergone a series of internal initiatives to strengthen the protection of taxpayer confidential information. We do not believe the current MOU is consistent with these internal standards. Therefore, please consider this notification that the Department is withdrawing from the agreement effective 30 days from the date of this letter as required in section seven of the MOU.

In light of the recent staff retirements within the NSB, which has left the NSB Audit Group without staff, the Department will now resume performing the appraisal functions that had been previously performed by the NSB under the MOU. As a result, we do not anticipate any negative impacts to the NSB or the state from the termination of the current MOU. Should the opportunity arise in the future to again work together under AS 43.56.060(g), we remain open to developing a new MOU with the NSB consistent with the Department's confidentiality requirements.

In accordance with paragraph 4 of the MOU, please have all AS 43.56 hard copy files stored at the NSB returned to the Department. Likewise, all electronic AS 43.56 files should be copied onto a disk and returned to the Department and subsequently deleted from all NSB computers and servers.

To avoid any confusion regarding the exchange of confidential taxpayer information, the Department will notify AS 43.56 taxpayers that the Department and NSB are no longer exchanging information pursuant to an MOU relating to AS 43.56 assessment matters.

We thank you for the excellent working relationship we have enjoyed with the NSB property assessment staff over the years.

Sincerely,

Marcia Davis

Marcia Davis, Deputy Commissioner

Cc: Randy Hoffbeck, Director, Administration & Financ
Bessie O'Rouke, NSB Attorney
Bonnie Harris, Asst. Attorney General

Sen. Joe Paskvan

From: Tangeman, Bruce E (DOR) <bruce.tangeman@alaska.gov>
Sent: Tuesday, May 03, 2011 4:34 PM
To: Sen. Joe Paskvan
Subject: RE: Questions / May 3, 2011

Follow Up Flag: Follow up
Flag Status: Flagged

Good Afternoon Senator,

I have received the below request as well as the request dated 5/2/11 3:57pm (CORRECTED version). I have been and will continue to pass along your appreciation to the folks in my department who have worked so hard on your requests. I am fortunate to be working with such a terrific group of people.

As you may or may not be aware, we are a fairly lean shop when it comes to this type of detailed economic analysis and back in January I requested of them to "drop everything else & all hands on deck" during the regular 90 day session in order to turn requests around as fast as possible. We've got some folks on vacation and those that are here are catching up on their other day-to-day duties that were "neglected" during the 90 day session.

That being said, we will absolutely get to work on your very detailed requests from 5/2 and 5/3 however I cannot guarantee a turnaround time on these. It may take several weeks but we will keep you posted as to their progress.

Thanks and we'll talk soon.

Bruce Tangeman
Deputy Commissioner
Department of Revenue
(907) 269-0721

From: Sen. Joe Paskvan [mailto:Senator_Joe_Paskvan@legis.state.ak.us]
Sent: Tuesday, May 03, 2011 4:09 PM
To: Tangeman, Bruce E (DOR)
Subject: Questions / May 3, 2011

Hello Bruce,

I very much appreciate the assistance that you and the Department have been providing. Please extend my gratitude to all of your team members.

I have been thinking about the numbers that you sent me on Sunday and, respectfully, would like to submit more questions for you to analyze.

Using the FY12 Production Tax Estimates showing all credits (from the charts transmitted May 1) and also using the Spring 2011 forecast, I request a number of charts be prepared as to prices of $40, $50, $75, $80, $100, $110 to $175 in $5.00 increasing incremental pricing, and $200 per barrel. The chart that I have already been provided shows the calculations based upon a $94.70 price per barrel. The current depicted transportation costs, total lease expenditures, credits against tax liability and credits to be refunded should be held constant in this new analysis. This, I believe, will

change the amount of royalty and production tax value which will then result in a change of the total tax before credits, the estimated tax after credits and the estimated tax after refund amounts. The range of prices will depict the application of the base rate and various levels of progressivity, including the transition beyond $92.50 PTV. (Generally, I am interested in receiving the numbers that apply pursuant to the spectrum of pricing under AS 43.55.011(g), (g)(1) and (g)(2)). Please let me know if this request has been framed in an acceptable manner in order to receive charts at the various pricing levels. Please let me know if you have any questions.

I also request that the 6 charts – FY2010, FY2011 and FY2012 under both the Fall 10 and Spring 11 forecasts provided to me on May 1st – be recalculated assuming HB110/SB49 were applicable for the years 2010, 2011 and 2012. Based upon that assumption, what effect would the tax change have upon the 1) total tax before credits, 2) estimated tax after credits and 3) estimated tax after refund for each of those years. In other words, all values within the charts should remain constant except for the tax rate.

I am also interested in the types of financial information that you can share which might better show the production tax impact upon existing operators with production as compared to operators without production. In particular, I am interested in any internal method for analyzing the production tax impact upon various types of central North Slope operators. Can the 6 charts be adjusted to reflect various types of operators and if so can this adjustment extend to the impact at a spectrum of crude prices?

I also request that, as to the unconventional oil such as heavy oil, a FY2012 Production Tax forecast be prepared solely as to the unconventional oil and assuming 250,000 barrels per day and also assuming a $10/barrel increase in capital expenditure over the current $12.33 rate. The other downstream costs and deductible lease expenditure rates should remain the same. Royalty would, of course, be appropriately adjusted based upon the volume. I request that the individual charts span the range in prices based upon this assumption from $50/ barrel to $150/barrel, in $5/barrel increments.

Lastly, I request that charts at various prices be prepared based upon the assumption above as to heavy oil, as an unconventional oil, and its injection or its blending with 2012 conventional oil throughput. This separate set of charts would combine the 610,460 barrels per day conventional oil, under the FY2012 Production Tax Estimates showing All Credits and using the Spring 2011 forecast assumptions, and the 250,000 barrels per day of heavy oil for tax purposes. If the difference between the quality price differential of the heavy oil can be estimated as compared to the conventional oil pricing, please reflect that price difference in the chart.

Again, I very much appreciate your efforts. Please let me know if you have any questions or comments.

Sincerely,

Joe

Sen. Joe Paskvan

From: Tangeman, Bruce E (DOR) <bruce.tangeman@alaska.gov>
Sent: Tuesday, May 17, 2011 10:10 AM
To: Sen. Joe Paskvan
Cc: Butcher, Bryan D (DOR); Jeff Stepp
Subject: Response times for your questions

Follow Up Flag: Follow up
Flag Status: Flagged

Good Morning Senator,

I wanted to respond to your many questions we have received over the past few weeks. As I stated in my May 3rd response, the Petroleum Economic Analysis group within the Tax Division is a fairly lean shop. This group did a tremendous amount of work during session responding to hundreds of questions we received from both House and Senate committees. At my direction, I requested that they make these responses their #1 priority in order to educate the legislature on one of the Governor's highest priorities - HB110/SB49.

However now that session has come to an end these folks need to catch up with their other priorities that face the Department of Revenue and the State of Alaska such as continuing the audit process and the continued revamping of regulations. We are also in the process of filling several high level positions, including the Director of the Tax Division, Commercial Analysts, and Audit Master that could eventually help address questions such as yours. However at this time I do not have someone I can dedicate solely to addressing these questions and therefore I cannot promise when we will be able to get back to you with responses. Once we are fully staffed I should have a better feel for how we can fully engage our staff to address both the day-to-day business of the State and special requests such as your questions.

Until then, I believe you have some very knowledgeable resources at your disposal such as Legislative Research, Legislative Finance, and the various consultants LB&A has under contract that should be able to address most of your questions.

That being said, HB110/SB49 will continue to be a high priority for the State and I fully expect to continue working closely, as we did all session, with you and your staff during the interim.

Thanks for your time and I look forward to chatting with you soon.

Bruce Tangeman
Deputy Commissioner
Department of Revenue
(907) 269-0721

Sen. Joe Paskvan

From: Tangeman, Bruce E (DOR) <bruce.tangeman@alaska.gov>
Sent: Wednesday, December 14, 2011 5:12 PM
To: Sen. Joe Paskvan
Cc: Jeff Stepp; Butcher, Bryan D (DOR); Brakes, Heather K (GOV)
Subject: Questions Update

Good Afternoon Senator Paskvan,

I wanted to give you a brief update on your questions you have forwarded to DOR. I can appreciate the fact that you may not have received responses as quickly as you would have hoped, but we have put the RSB to bed and are finishing up your responses and should have them for you by late next week and well in advance of session kick-off.

It was very important for me to use the most up-to-date information available and the Fall 2011 Revenue Sources Book (RSB) is what we are using to answer your questions. At the same time as we were neck deep in the RSB compilation we were also undertaking several other projects that will provide even more information. This will also no doubt lead to good discussions this session.

As was done last year, I will be instructing my Tax Division staff to be ready to go DAY ONE of session and that all other issues are to fall in line behind answering questions and providing information. This system certainly lead to a backlog for my staff in their day-to-day duties that required catch-up duty once session was over but I think it was well worth it. As a side note, I'd like to pass along that they certainly appreciated the kind public words you used in describing the service we provided you and your staff with quick responses and always being available last session. You will see the same service this coming session.

Thanks again for your patience Joe and I look forward to working with you this session.

Bruce Tangeman
Deputy Commissioner
Department of Revenue
(907) 269-0721 (w)
(907) 317-1221 (c)

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

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January 17, 2012

The Honorable Joseph Paskvan
Alaska State Legislature
State Capitol Room 115
Juneau, AK 99801

Dear Senator Paskvan

Thank you for providing the Department of Natural Resources (DNR) the opportunity to respond to your questions concerning permitting, facility access, new resource developments, and pipeline capacity considerations among other issues important to oil and gas development in Alaska, as outlined in your September 22, 2011, and October 6, 2011, letters. I regret that our response was not more prompt. The breadth of the subject matter and volume of your questions required us to collect information from different divisions within the department and from outside resources. While this response was a top priority for my staff, the demands of processing unit and permit applications, lease sale preparation, task forces, and other daily demands delayed our response.

DNR is making significant strides toward accelerating the rate of bringing new resources online, maintaining production from our legacy fields, and providing new independent operators the means for successful exploration and production. We hope this response will assist you and the legislature in making policy decisions critical to boosting oil production in our state.

I look forward to meeting with you in the coming months.

Sincerely,

Daniel S. Sullivan
Commissioner

Cc: Bill Barron, Director, Division of Oil and Gas

Please find below DNR's responses to the 30 questions from September 22, 2011.

1(a) Q. I would like to have DNR's current knowledge as to the fluid handling capacities of the central North Slope treatment facilities.

A. The following table provides a list of capacities for the central North Slope facilities along with handling limitations to the best of our knowledge.

Unit	Oil and NGLs, standard barrels per day (stb/d)	Gas, million standard cubic feet per day (mmscfd)	Water (bwpd)	Water Injection (bwpd)	Handling Limitations and comments
Badami	35,000	25	12,000	30,000	No Limits
Colville River	140,000	180	100,000	140,000	We know of no limits at this time
Endicott	115,000	455	225,000	245,000	Limited gas and water
Kuparuk					Limited Gas, water, and total fluid handling
CPF-1	170,000	200	250,000	250,000	
CPF-2	160,000	260	250,000	300,000	
CPF-3	85,000	150	100,000	220,000	
Milne Point	75,000	42	99,000		None known for current development
Northstar	77,000	555	30,000		Limited by gas handling, water production is not at limit. Uncertain whether rated capacity is current.
PBU					Limited gas, water handling - Note: cannot add up each facility to obtain total facilities restrictions
FS-1	360,000	2,800	140,000		
FS-2	360,000	1,200	650,000		
FS-3	360,000	1,300	300,000		
GC-1	330,000	2,600	180,000		
GC-2	250,000	1,070	300,000		
GC-3		1,100	275,000		
CGF		8,700			
CCP		7,700			
LPC - Greater Pt. McIntyre	205,000	450	120,000		Limited gas, water, and total fluid. Some wells from Pt. McIntyre flow into GC1
Oooguruk					Production to Kuparuk CPF-3. No known handling limits at Oooguruk.
Nikaitchuq	40,000	unknown	120,000		No limits at this time

1(b) Q: I would like to know the individual ownership interests in all central North Slope treatment facilities.

A: Companies are not required to submit information on ownership interest for treatment facilities to the State; therefore, we have no information to provide for this question. However, facility ownership typically follows working interest ownership percentages. This statement is supported by the fact that operating and capital expenditures on facilities are split amongst partners based on their interest ownership percentages in the field.

1(c) Q: What internal analysis has DNR prepared as to likely continuing near future [next five years or so] constraints as to treatment capacity at particular facilities?

A: To our knowledge, there are no sanctioned projects to increase treatment capacities. The Prudhoe Bay Unit (PBU) Working Interest Owners (WIO) are considering the installation of a gas partial processing plant in the GC2 area, Pad Z, which would partially separate 350 million cubic feet of gas from well production, and compress the gas for gas lift. This will decrease the volume of gas to the central facilities, effectively increasing gas handling, which would be especially beneficial as the Gas-to-Oil Ratios are lower at GC2 as compared to other facilities, and there is potential for increased rates and reserves through drilling of western satellite wells. The increased gas handling will allow for less back-out of oil from existing wells when new wells are brought on line. As noted, however, this project has not been sanctioned and therefore is several years away if in fact it is ever undertaken.

1(d) Q. I would like to know the specifics as to the individual facility constraints as to both water and gas and which facilities are currently constrained as to either the water or the gas or both water and gas, also, as to oil flow downstream of the facility, what line capacity constraints, if any exist?

A. See table above in question 1(a) for the individual facility's status. As noted above, because the facilities are integrated with one another, a significant constraint on oil production to consider is the gas constraints at the central facilities, such as the CCP and the CGF in the Prudhoe Bay Unit.

1(e) Q. What knowledge, if any, as to the construction of new treatment facilities has been conveyed by the oil industry?

A. See answer to question 1(c) above.

1(f) Q. What information does DNR have as to the likely duration of the current constraints in processing capacity of water and gas?

A. With the exception of the potential PBU partial processing plant (not sanctioned), we have no information that the facilities' handling capacities will be increased in the near future.

1(g) Q. The DNR knows of no major gas handling expansion for the Prudhoe Bay area occurring after 1995.

A. That is accurate.

2(a) Q. What information does DNR have as to well shut in as a result of back out facility sharing? [By this I mean conduct both as to inter-company and intra-company conduct.]

A. The operator of each unit is required to submit to the AOGCC a list of all wells that are shut in (SI) for more than one year, and the reasons for SI. We recommend contacting AOGCC for further details on this matter. That said, the annual surveillance reports submitted to the AOGCC are shared with DNR and the operators usually list those wells SI for greater than one year and note those that are shut-in because they are non-competitive either due to water or gas production. However, we have not seen information concerning wells SI due to facility sharing.

2(b) Q. Who is the person at DNR that is most knowledgeable as to back-out agreements and facility sharing agreements?

A. Kevin Banks with the Division of Oil and Gas is the most knowledgeable on these subjects.

3 Q. Other than fluid handling capacities at the treatment facility, what other types of facilities sharing arrangements is the oil industry entering into on the central North Slope? Who within is most knowledgeable as to this area? Can facilities sharing be used as a barrier to development of Alaska's resources?

A. There are other facility sharing agreements, other than fluid handling, on the North Slope. DNR would not necessarily know about other sharing agreements (with the exception of fluid handling agreements as parties need DNR approval to commingle fluids). All facility sharing agreements are confidential. To our knowledge, other services and facilities being shared include gravel roads, drilling pads, grind and inject facilities, gravel mining pits, and power supplies. General, common facility sharing is a routine practice within the industry as a means of decreasing overall operating and capital costs. As noted in testimony by Director Bill Barron in November 2011 House Resource committee hearing on oil development impediments, the Division of Oil and Gas will be encouraging industry to cooperate on developing common needs to reduce costs of operation. The Division of Oil and Gas is likely the most knowledgeable on this subject.

4(a) Q. Ultimate TAPS throughput is associated with the capacities of the treatment facilities on the central North Slope. What internal analysis of the range of throughput reduction is anticipated within the next 5 to 10 years if no additional treatment facilities for conventional oil processing are constructed?

A. DNR does not publish our own predictions. However, DNR reservoir engineers review results of the Department of Revenue's (DOR) published predictions, and they are similar to our own. The following was published by the DOR in their Fall 2011 forecast.

Figure 4-11. Alaska North Slope Production, FY 2011 and Forecasted FY 2012-2021[m] (million barrels per day)

Fiscal Year	Currently Producing	Percent Change from Prior Yr.	Under Development	Under Evaluation	Total ANS	Percent Change from Prior Yr.
2011	0.603	(6.3%)	0.000	0.000	0.603	(6.3%)
2012	0.548	(9.1%)	0.026	0.001	0.574	(4.7%)
2013	0.485	(11.6%)	0.069	0.001	0.555	(3.3%)
2014	0.451	(6.9%)	0.099	0.010	0.561	1.0%
2015	0.406	(10.0%)	0.115	0.017	0.538	(4.1%)
2016	0.369	(9.1%)	0.151	0.029	0.550	2.1%
2017	0.336	(9.1%)	0.179	0.034	0.549	(0.1%)
2018	0.307	(8.5%)	0.171	0.066	0.544	(0.9%)
2019	0.282	(8.1%)	0.166	0.066	0.515	(5.4%)
2020	0.262	(7.4%)	0.164	0.061	0.486	(5.6%)
2021	0.241	(7.7%)	0.161	0.056	0.458	(5.8%)

4(b) Q. Has DNR assessed the engineering or science of a mature oil field as to likely increasing volumes of water and or gas in the next 5 to 10 years?

A. With only a handful of engineers on staff, engineering assessments and studies are rarely undertaken by Department staff. DNR has not undertaken its own assessment of the engineering or science at Prudhoe Bay or Kuparuk. However, some aspects of mature oil fields are well-known. In water-flooded fields, the water-oil ratio will increase over time. Furthermore, the ability to lift the high water cut wells with the existing systems (mostly gas lift) becomes problematic. Similarly, fields such as Prudhoe with gas cap expansion will experience increasing gas-oil ratios. The operators have put a lot of effort into sidetracking wells to areas where oil has been unswept by water or gas, and hence should have lower gas-oil and water-oil ratios at initial production. At some point, as these unswept areas are produced, lower oil rates will result from the well work. The water and gas production rates are constrained by the facilities handling, and hence, with the increasing gas-oil and water-oil ratios, the oil rate decreases.

4(c) Q. Who within DNR is the most knowledgeable in this area?

A. The Division of Oil and Gas has engineers knowledgeable on these subjects; however, we ask that legislative inquiries be directed to the Director's Office or DNR Legislative Liaison Esther Tempel.

5(a) Q. We have had discussions as to the need for revisions to the state's regulations. What is the status of these revisions to the regulations, particularly those related to shale oil development? Is Alaska's DNR fully prepared for a transition to the likely future of unconventional oil development? What DNR additional staffing might need to be addressed and what new areas of staffing should be considered?

A. DNR has established a permitting task force led by Deputy Commissioner Ed Fogels to help streamline the State's permitting process and relieve the current permit backlog. DNR has also established a multi-agency shale oil task force to facilitate and efficiently permit environmentally responsible North Slope shale resource development on State lands. The shale task force is led by the Division of Oil and Gas and includes representatives from DEC, Fish and Game, AOGCC, DMLW, and OPMP. The shale task force is currently identifying regulatory issues and staffing needs to address the increased pace and magnitude of permitting and development inherent in shale oil development. The state is well-positioned from a regulatory and statutory standpoint to manage shale development because the permitting required for conventional wells is applicable to shale development.

DNR is leading the effort to prepare the state for the potential of widespread shale oil development on state lands. The shale task force has been in operation for a mere three months. Although progress has been steady, the scope of their work is large. The shale task force will have more details on staffing needs as it completes its work in March 2012.

5(b) Q. What other areas of interest is DNR considering may participate in the upcoming lease sale?

A. It has been just over a year since the news of shale oil development struck Alaska. News of BP's successful production of heavy oil at Milne Point occurred less than a year ago. DNR representatives have actively marketed the fall lease sale to companies throughout the world. We have two major new players (Shell and Royale Energy) investing in the North Slope with Conoco leasing a number of tracts near Badami and Nordaq moving north to explore Smith Bay. While we were excited by the magnitude of the sale, we have not learned the intentions of the new bidders.

5(c) Q. As to heavy oil development, are regulatory modifications needed or appropriate to this area?

A. Heavy oil permitting has been following the lines of conventional oil development. Current heavy oil development takes place in current operations and participating areas with existing infrastructure. We do not see a need to make regulatory or staffing changes to address the heavy oil development at this time.

6(a) Q. What are DNR's thoughts on quality bank adjustments as to heavy oil?

DNR believes that the litigation process, which involves significant tension between commercially-sophisticated parties, has generally produced a reasonable quality bank compensation formula.

TAPS crudes of different quality are comingled. The TAPS quality bank is a means by which different shippers compensate each other for the fact that the value of the crude that a given shipper's delivery to the line differs from the value that the shipper receives when it receives comingled crude at destination.

From the narrow view of royalty and tax value, the state should be largely indifferent as to the particulars of the quality bank formula. A formula that Shipper A might view as an under-compensation for degradation in its crude quality causes a symmetric over-compensation for Shipper B's crude. Overall, state value should be largely unaffected.

Of course, the state has a broader dynamic interest in ensuring that the quality bank treats all parties fairly, as this promotes maximum efficient development of state resources. The TAPS quality bank litigation has been hard-fought over for many years. The litigation has involved commercial tension between extremely sophisticated parties with detailed knowledge and understanding of how refineries run and value crude oil of different qualities. The state has also participated in this process. In general, the state believes that the process has produced reasonable results and will continue to do so for heavy and viscous oil production.

6(b) Q. What sources of information does DNR look to as to pricing of heavy oil in other jurisdictions?

A. The DNR subscribes to several periodicals that report prices of a number of different crudes. These include Platt's Oilgram News, Oil Daily, and Petroleum Argus.

6(c) Q. What are DNR's thoughts on the magnitude of the operating and capital expenditures needed for heavy oil?

A. Heavy oil development on the North Slope may benefit from the existence of considerable "sunk" infrastructure costs that may be used towards processing and transporting heavy

oil. That said, incremental capital costs are likely to be considerable and DNR is of the general belief that these will be materially greater on a dollar-per-barrel basis than for legacy production on the North Slope. DNR lacks data to offer good estimates on the relative magnitude difference, however. We do not have projections for CapEx and OpEx necessary for heavy oil development.

7. Q. **I would also like similar information, to that requested in the above paragraph, but in the area of shale oil.**

A. DNR's understanding is that an "average" horizontal producing shale oil well in the Bakken has CapEx costs of over $6 million, with annual OpEx around $85,000. Costs in Alaska are expected to considerably exceed these figures. To date, no well has yet been drilled for shale oil in Alaska. Until many such wells have been drilled and produced, the question of costs cannot be answered with a great degree of confidence.

8. Q: **Who within DNR is most knowledgeable in the individual areas of heavy and shale oil production?**

A: The Division of Oil and Gas has several individuals in the Resource Evaluation and Commercial sections knowledgeable in the areas of heavy and shale oil development. To determine the person most suitable to answer questions, please contact the Division of Oil and Gas Director's Office.

9. Q. **What is the drilling activity expected to be between now and summer 2012? Are all drilling rigs currently under contract even if not currently drilling? Are there any rigs which are now idle? What is the type of activity which they are performing? How many exploration wells are anticipated in the drilling season? How many development wells are anticipated in the upcoming drilling season? How many well work-over projects are anticipated?**

See the table in Exhibit A for anticipated exploration activities during the winter 2011-2012 drilling season. This is a list of plan of operations applications submitted to DNR this year. Exploration drilling activities generally cease during the summer months on the North Slope but may continue during the summer in Cook Inlet at locations located near existing infrastructure. The Alaska Oil and Gas Conservation Commission is better equipped to answer questions about the availability of drill rigs and number of exploration and development wells under permit for the upcoming year.

10. Q. **An area of critical importance is in the process of permitting. What percentage of increase or decrease in permit applications has occurred from that which was submitted in 2007, for example, to the 2010 and 2011 time periods, what do you expect for next year? What generally can be said as to the types and numbers of permits which are**

currently being filed? What historical data exists as to the numbers and types of permit applications from, for example, 2000 to present? What historical data exists about the companies submitting those applications? What is the permit application distribution between majors and independents over the past 10 years?

A. Below is a list of Lease and Unit plan of operations applications for independent and major operators in 2007, 2010, and 2011. The change between 2007 and 2010 are not significant; however, the lease plan of operations applications dropped nearly 40% for major operators in 2011 from 2007 and 2010.

Year	*Type of Permit Application*	Operator	Count
2007	*Lease Plan of Operations*	Independent operator	10
2007	*Lease Plan of Operations*	Major operator	86
2007	*Unit Plan of Operations*	Independent operator	6
2007	*Unit Plan of Operations*	Major operator	25
2010	*Lease Plan of Operations*	Independent operator	4
2010	*Lease Plan of Operations*	Major operator	85
2010	*Unit Plan of Operations*	Independent operator	5
2010	*Unit Plan of Operations*	Major operator	23
2011	*Lease Plan of Operations*	Independent operator	6
2011	*Lease Plan of Operations*	Major operator	51
2011	*Unit Plan of Operations*	Independent operator	4
2011	*Unit Plan of Operations*	Major operator	24

A list of submitted applications for plan of operations permits can be found in Exhibit A which details proposed activities for this winter. We are receiving a steady amount of permits applications for exploration work this winter. However, plan of operation approval does not necessarily translate to drilling this winter. At this juncture, we have not received the volume of exploration applications that was projected by companies. Below is a table providing permit counts from 2000-2011 between majors and independents.

Division of Oil & Gas Permitting Activity : 2000 through 2011

Permit type	Operator type	Count
Easements	Independent operators	7
Geothermal Plan of Operations	Independent operators	11
Lease Plan of Operations	Independent operators	81
Multiple Land Use Permit	Independent operators	41
Unit Plan of Operations	Independent operators	41
Lease Plan of Operations	Major operators	644
Multiple Land Use Permit	Major operators	25
Unit Plan of Operations	Major operators	186

11(a) Q. I generally understand that consideration is occurring as to the adding of NGL's downstream of pump station 1 as compared to adding this stream upstream of pump station 1.

A: Currently, NGLs are injected upstream of Skid 50 and flow into Pump Station 1 through the Sadlerochit (Prudhoe) 501 transit oil pipeline. DNR has received no information on plans for studies on injecting NGLs directly into TAPS, downstream of Pump Station 1. Alyeska Pipeline Service Company and the North Slope producers are studying a number of changes to processing facilities and TAPS. A number of screening studies, estimates, conceptual designs, and other efforts are currently being conducted to enhance low-throughput and cold-temperature operations.

Introduction of NGLs into TAPS is not a straight-forward replacement for the same volume of oil. NGLs have a higher vapor pressure and there is probably a limit to the volume able to enter TAPS. Introduction of NGLs into TAPS from the newly-completed Central Gas Facility in Prudhoe during the early 1990s resulted in vapor control problems and required modifications to facilities. Thus, there is still much to learn about this process.

11(b) Q. What potential volumes are considered from NGLs?

A. For the main Prudhoe area, NGLs sold into the pipeline in 2010 averaged 45.6 thousand barrels per day (MSTB/D).

11(c) Q. Does DNR have an estimate to the volumes in barrels of NGLs from the gas volumes from GHX1 and GHX2?

A. As a result of GHX1, peak NGL sales increased by approximately 18,000 barrels per Day (STBD) from additional gas handling of +/- 1.8 billion cubic feet per day (BSCFD)

As a result of GHX2, peak NGL sales increased by approximately 20,000 barrels per Day (STBD) from additional gas handling of +/- 2.0 billion cubic feet per day (BSCFD)

11(d) Q. What percentage, if any, of NGLs which are used for miscible injection are, in the future, not recoverable?

A. We do not have estimates of these volumes. The recovery of remaining NGLs depend upon future depletions plans such as injection of water, lean gas, or CO2 to sweep NGLs remaining.

11(e) Q. What volume of NGLs is necessary for miscible injection?

A. Miscible injection averaged 169 million cubic feet per day (MMSCF/D) in 2010. Of these volumes, 24.7% consisted of propane and about 2.2% were heavier end hydrocarbons. Not all of the propane volumes can be stabilized as liquids. Only volumes of NGLs that cannot be sold into TAPS, due to vapor pressure restrictions, are used for miscible injection. It is likely that if more miscible gas volumes were available, they would be used to increase recovery in Prudhoe, including the satellite pools.

11(f) Q. What additional oil volume is currently extracted because of NGL miscible injection?

A. As noted above, propanes and heavier components comprise about 27% of the gas volume of MI, or 46.6 MMscfd. We do not have this volume in barrels, and as also stated above, these volumes cannot be stabilized into oil for TAPS.

12. Q. Has DNR analyzed the potential volume of liquids which can be transported by TAPS if a GTL processing plant was located on the central North Slope?

A. DNR has no definitive information on this issue. The ability for TAPS to transport hydrocarbon liquids depends upon the type of hydrocarbons that a GTL plant will produce. Light hydrocarbons (such as NGLs) can create vapor-pressure problems. Heavy oils can create excessive pressure loss and require additional pumps or pump stations. Theoretically, TAPS can ship the same volume of artificially produced hydrocarbon liquid as naturally produced oil, if the liquid is tailored to have physical characteristics similar to current North Slope production. The current limit of TAPS facilities is 1.4MM BOPD, with injection of large amounts of Drag Reducing Agent.

13. Q. Has DNR analyzed the potential range of volumes of heavy oil which would flow through TAPS?

A. No. Heavy oil throughput is really a question of how aggressively BP and Conoco Philips pursue new viscous development. We could see these levels stay flat at current rates, decline, or increase. Ultimately, heavy oil development will depend on price, success of ongoing pilot projects, availability of diluents such as NGLs, perhaps TAPS heating situation, and other factors relevant to a company's investment strategy.

Current total production for existing developed "viscous" oil is 36,000 BOPD, with a peak of 44,000 BOPD in 2008. Online wells have stayed relatively steady since 2008. Note these are "viscous" Schrader Bluff/West Sak pools, not the "heavy" Ugnu formation which is in current pilot testing at Milne Point and Kuparuk.

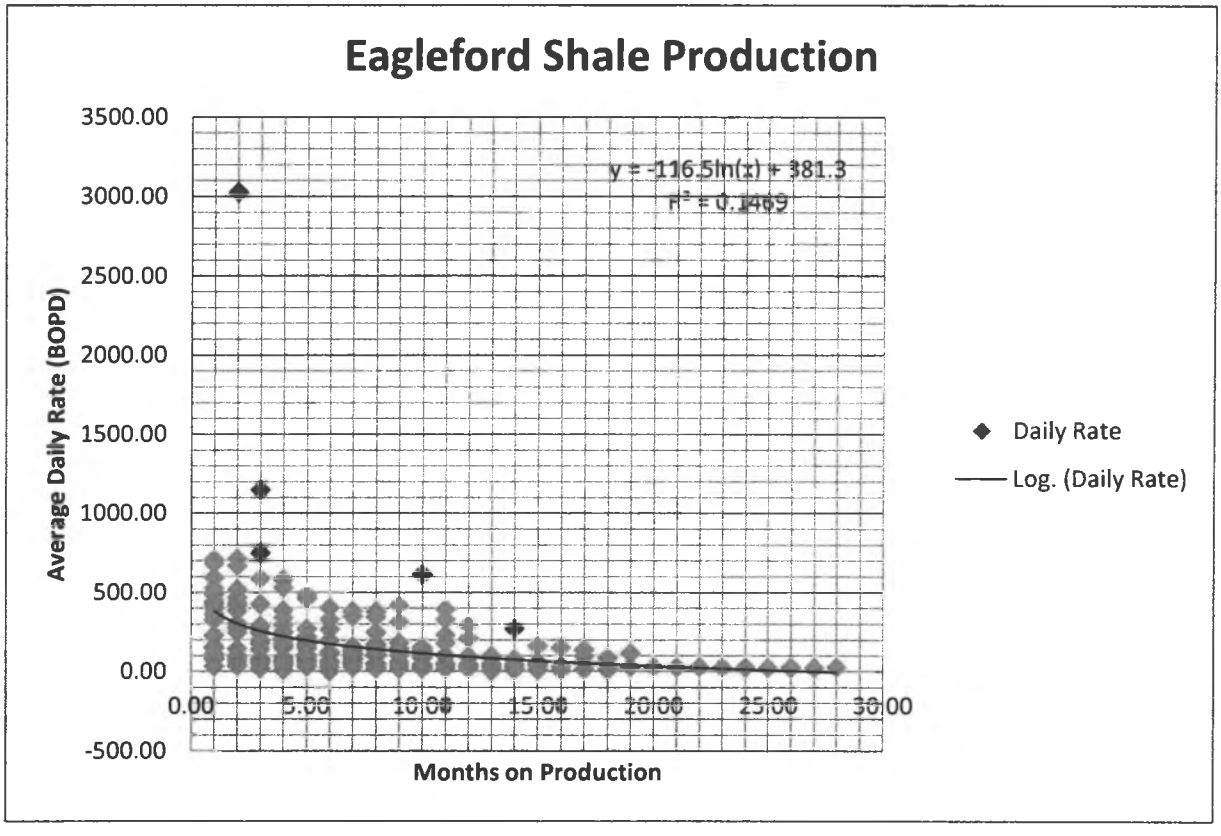
14. Q Has DNR analyzed the potential ranges of volumes of the oil obtained from the Chukchi/Beaufort from Shell's current plans that would travel through TAPS?

A. No. We do not have resource volumes or production forecasts for all of Shell's OCS oil prospects. Some have known, discovered resources (Sivulliq/Hammerhead) and others (Torpedo, etc.) are still undrilled, undiscovered, hypothetical barrels. Burger in the Chukchi has known gas and is prospective for oil or condensate liquids, but whether it will ship via TAPS is uncertain.

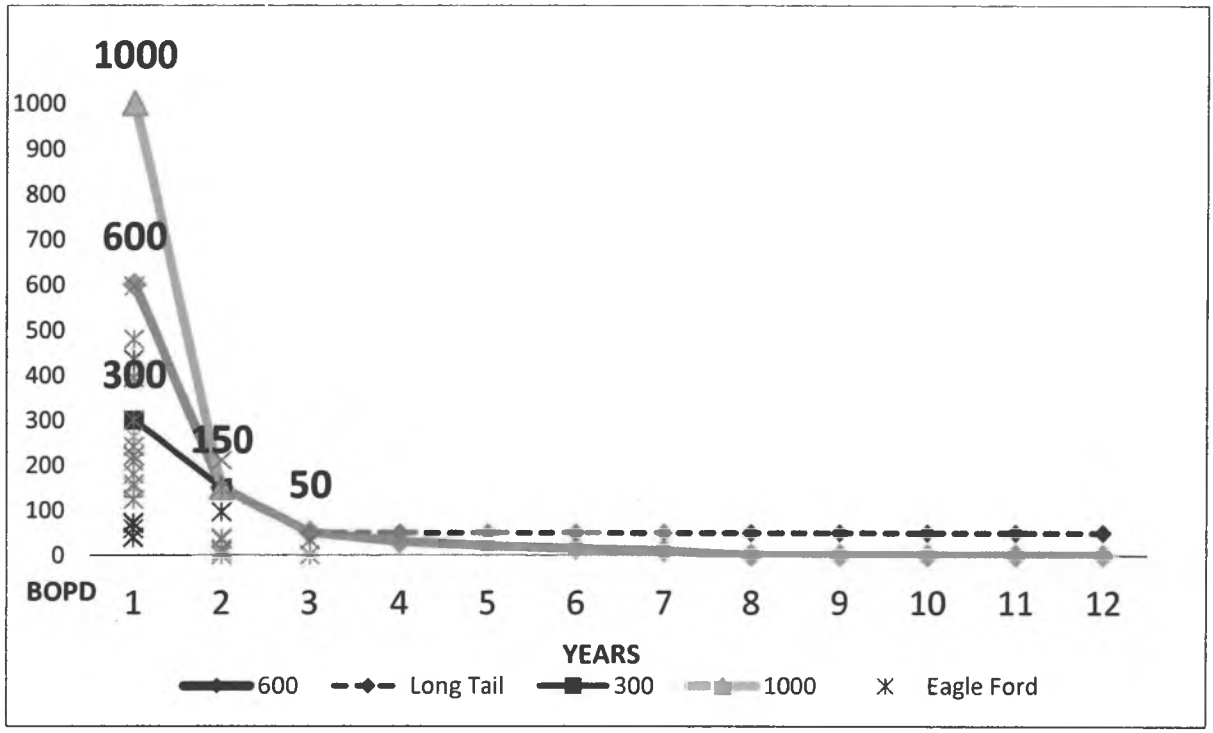
15. Q. Has DNR analyzed the potential volumes of Shale oil from Alaska's source rocks that may travel through TAPS assuming the successful implementation of shale oil extraction in Alaska?

A. DNR's analysis regarding the potential of the Alaskan shale resource play has centered on production of oil wells in the Eagle Ford Shale in Texas. The Eagle Ford was selected because the primary target of the current Alaskan operator, Great Bear, is the Shublik shale which has been compared to the Eagle Ford formation as an analogue.

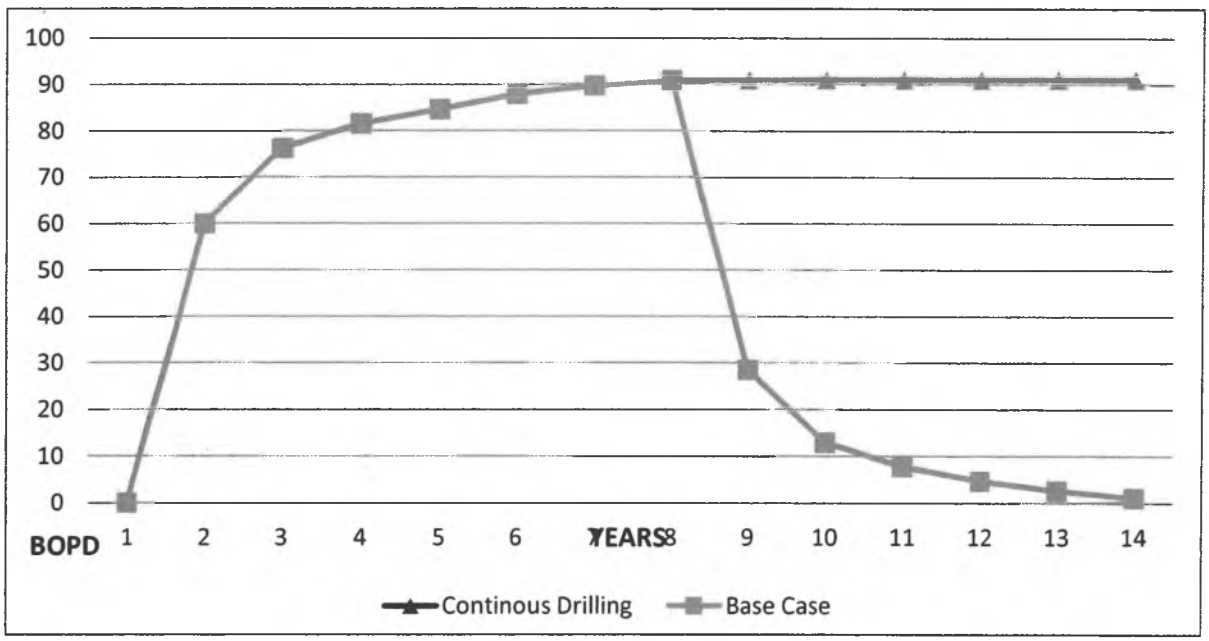
The central question around any shale development is whether or not the characteristics of the shale itself will allow hydraulic fracturing and production of hydrocarbons in commercially successful volumes. Until testing of the Alaskan source rocks occurs, the true potential will not be known. If the Eagle Ford is a true indicator of potential oil production of the Shublik, production could mirror data from the Texas Railroad Commission website. Research conducted by DNR and University of Alaska graduate students indicated that for Eagle Ford certified oil wells, production was as follows: First month production was between 80 and 700 BOPD for a first month average. The oldest well of the data set was at 24.5 BOPD after 28 months.



With this data, the Division of Oil and Gas commercial team developed the following single well dual lateral production profiles:



The commercial team then built up the following production profile based on a six-rig drilling program with year-on-year development within the lease term of 10 years and drilling for 7 years or continuing beyond the lease term with all leases held by at least one well:



This case shows a rate of 90,000 BOPD rate potential assuming all wells produce with the same rate initially which will most likely not be true. The rate will increase with more rigs

drilling the wells. Twelve rigs would result in a potential 180,000 BOPD added to the pipeline.

It is important to understand that these numbers are based on year-on-year "assembly line" type of development with all wells being equal in the production arena. While the assembly line type of development can be within the control of the state and the operators, the production is not, especially when data is studied for any other shale resource currently in production. The case also studies a single interval, not three as proposed in the highest Great Bear estimates. Prior to any tests being completed on the Shublik interval, all production data discussed above are only educated guesses as tests may find actual production to be lower or higher.

16 **Q. Has DNR analyzed the range of volumes of conventional oil from Conoco Phillips Colville River development assuming the bridge crossing is approved?**

A. Although there are no public numbers available, DNR believes that a wide range of possible oil reserves can be estimated for the proposed CD-5 pad based on the performance of the Alpine field consisting of the CD-1 and CD-2 pads and the two satellite areas: the Fiord CD-3 pad and the Nanuq CD-4 pad. DNR sees the possibility of 25-200 MM BOPD being recovered from CD-5 with peak production of 10-100 thousand barrels per day based on what we have seen at the first four pads.

17. **Q. What strategic planning would be needed to increase TAPS throughput capacity above 1.1 million bbl's/day should oil volumes, both conventional and unconventional, need to be transported by TAPS?**

A. TAPS capacity can be increased above 1.1 million BOPD. However, increases beyond 1.4 million BOPD or significant increases in unconventional oil (heavy oil or NGLs) may require modifications. The capacities of the facilities and the mainline are addressed independently:

Mainline: The mainline appears sufficient for rates of 1.1 million BOPD. It has flowed at rates up to 2.1 million BOPD. However, this was not a TAPS physical limit, but a maximum created by North Slope production decisions and regulatory approvals. Since that time, Alyeska has de-rated the maximum allowable pressure in certain locations. Alyeska would likely have to repair or replace specific pipe defects to increase pressure in these sections again. Typical mainline modifications can be made within a year of funding.

Facilities: The new Strategic Reconfiguration (SR) facilities can pump 1.14 million BOPD with no modifications. Simulations performed by Alyeska indicate that with large volumes of Drag Reducing Agent, the SR facilities can transport up to 1.4 million BOPD.

Alyeska designed each SR pump station for future expansion by allowing room to add one additional pump, motor, turbine, and variable frequency device (VFD).

Legacy Pump Stations with higher capacities are still online at Pump Station (PS) 01 and PS07. Part or all of abandoned legacy pump stations still exist at PS02, PS03, PS04, PS06, PS08 and PS09. PS05 contains piping to add more pumps.

Extensive production of non-conventional oil or NGLs may require additional pumps at existing pump stations or new pump stations. Adding redundant equipment to increase reliability would require more equipment. Typical major facility modifications can be made in two to five years at existing sites and three to five years at new sites or sites requiring air permits.

18. Q. **What are DNR's thoughts as to the additional fluid handling treatment facilities needed within the next 5-10 years? I am interested in this information both as to conventional and unconventional oil and state and federal land developments.**

A. It is likely that, as new discoveries are made or opportunities are found within existing fields, operators will continue to build or expand facilities as needed. The need for incremental oil processing facilities on the North Slope will be driven by the exploration and development activities being undertaken today. At present, we do not know the projected results of those efforts. Without an assessment of incremental production, we cannot estimate the amount of incremental facilities needed.

19. Q. **Do you agree that Alaska's current production tax credits provide for both the CAPEX deduction of costs and credit of 20% as they relate to fluid handling, both treatment facility upgrades and construction?**

A. We would agree with this assessment for all of the geographic areas listed, with the exception of Chukchi and Beaufort Sea oil. Production from the Outer Continental Shelf (OCS) is not on land within the geographic boundaries of the state, and therefore not subject to the state production tax. Accordingly, costs associated with developing OCS acreage do not receive deductions or credits under Alaska's current production tax system.

20. Q. **Does DNR acknowledge that if additional treatment facilities had been constructed on the central North Slope, for example in 2005, that 1) TAPS throughput would exceed the current throughput and 2) assuming excess capacity at the newer constructed facility that would provide motivation for exploration, especially by independent oil companies?**

A. With regard to (1): There are areas on the North Slope where processing facility constraints require operators to make optimization decisions about which wells to shut in (e.g. those with the highest ratios of gas to oil production) and which to keep in production. If there were more gas and water handling facilities available then the economics of keeping marginal wells online would improve. All else equal, that would lead to increased production.

That said, this says nothing about the economics of constructing additional facilities or debottlenecking existing facilities to increase their capacity. The economics of those decisions are not known by the DNR, as we do not know the cost of incremental facilities or the benefits of augmenting or accelerating production by bringing additional wells online.

With regard to (2): If there was excess capacity at newer constructed facilities, and such capacity was made available at commercially reasonable terms, then additional exploration could be facilitated. The key issues here are the relative costs of fluid processing at a large facility versus a possibly much smaller modular facility, and the commercial terms by which excess capacity might be made available. DNR does not currently have adequate estimates of these relative costs, in part because the model of using smaller modular processing facilities has not yet been developed on the North Slope.

21. **Q. What analysis has DNR done as to why it took approximately 30 years for the first independent to produce any oil from the central North Slope? Who at DNR is most knowledgeable as to potential impediments to independent production of Alaska's resources?**

A. DNR has conducted no formal analysis or finding concerning this question. Any, or a large, number of potential factors invite speculation, including: high costs of unaffiliated transportation (TAPS and OPA-90 compliant tankers); the pace of technology diffusion associated with Arctic operation acumen; comparatively lower historical oil prices; the high costs of exploration and development in an Arctic environment; smaller apparent remaining oil fields to develop; or costs of complying with environmental sensitivities.

Additional questions as to potential impediments to independent production of Alaska's resources should be directed to Bill Barron, Director of the Division of Oil and Gas.

22. **Q. Please set forth: a) the types of non-public information and b) the types of public information which DNR has which would qualify the oil production benefits of future gas and water handling capacity investments as stated June 8th 2011.**

A. Projections to quantify benefits of gas and water handling capacity investment are based on AOGCC's production data, which is publicly available, and aspects of a company's plan of development that are non-confidential. DNR receives confidential data in the plans of development submitted to the Division of Oil and Gas that can be helpful in determining benefits of investment; however, we are unable to make projections based on this information for fear that our interpolation will reveal confidential data. DNR does not receive company information critical for developing projections such as optimization records, reservoir models, or cost and price information. Thus, we are limited in what benefits of adding handling capacity we can project.

23(a) Q. How many BCF of gas does the central North Slope consume in a years' time and set forth the benefit to Alaska in either royalty or tax revenues which Alaska receives for that gas?

A. The State's share of gas produced and sold off unit (royalty-bearing gas) in 2010 was 3.52 BCF. The State received $11,676,308 for that gas. Non-royalty bearing gas for in unit consumption was 450 BCF in 2010.

23(b) Q. Has there been a royalty inventory as to any gas volumes used on the central North Slope?

A. DNR has not initiated a royalty inventory at this time.

24(a) Q. What water oil ratio does DNR anticipate at Prudhoe Bay from 2010 (at, I believe approximately 4: 1 water oil ratio) to 2020?

A. At the current rate of drilling, sidetrack, and work-overs, we estimate an average field-wide water-to-oil ratio of approximately 6 to 7:1 on average for Prudhoe Bay (Ivishak Initial Participating Area plus western satellite development).

24(b) Q. Will those increasing water oil ratios over the next decade reduce throughput from Prudhoe Bay?

A. Yes, increasing water-to-oil ratios will reduce oil throughput from the water-flood areas. Work-over or sidetracks of wells to reduce water will have diminishing rate impacts over time. In addition, artificial lift using gas lift will become increasingly inefficient.

25. Q. How is NGL processing for sales into TAPS accounted for in royalty?

A. NGLs are valued as oil, except that DL-1 leases subject to the 1995 Gas Settlement Agreement pay a higher field cost deduction.

26. Q. Does DNR agree that throughput in 2006-2007 occurred due to corrosion and shut down issues?

A. We are unable to comment on these issues because they are the subject of litigation scheduled for trial.

27. Q: Well work-over activity in the central North Slope has been high in recent years. Is it generally accurate that the activity will likely increase production volumes from the wells for years to come, but subject to the treatment facility constraints?

A: Rig or non-rig work-overs have proven to be the most cost effective method of maintaining the highest production rates of current reserves. To state that the activity increases production volumes and will for years to come is not exactly correct. The activity returns most wells to their highest possible production rates by fixing an issue that is typically mechanical in a well. In a few cases, the work-over activity will access new reserves. For the most part, this work maintains or accelerates the production of current reserves. It is important to caution that production volumes from a well will not be perpetually increased through work-over activities as the reserves are diminished over time. The comment on production increase being constrained by treatment facility limitations is generally correct. If the production of the newly-fixed well is not impacted, there is typically another less competitive well or wells that are backed out of the system to make room for the increased production.

28. Q. Does DNR agree that oil throughput at Prudhoe Bay is constrained by the ability of field operators to process and re-inject associated natural gas?

A. Yes, gas processing is a significant facility constraint in Prudhoe Bay. While new wells could be drilled with lower GORs, other high GOR wells have to be shut-in because of the gas processing limitation.

29. Q. As of the early 1990's, does DNR agree that Prudhoe Bay was past the point where well drilling could stave off a falling oil rate?

A. Yes. The Prudhoe Bay Unit WIOs had a very aggressive drilling program in 1986-1992. In addition, a major gas handling expansion (GHX-1) occurred in the late 1980s which helped stem decline. Significant delay in the production plateau would have been difficult.

Please find below DNR's responses to the 11 questions from October 6, 2011.

1(a) Q. The Charter of Development dated December 1999 contains facility requirements. Who is the person most knowledgeable at DNR as to paragraphs F and G?

A. A number of DNR staff is familiar with certain aspects of the Charter. We ask that inquiries be directed to DOG Director Bill Barron to identify the staff member with the most knowledge on a specific aspect of the Charter.

1(b) Q. Specifically, what are the past and current understandings of terms as to:

a. Non-discriminatory, just and reasonable?
See response below

b. Allowing access to existing unit facilities?
See response below

c. Reasonable commercial terms?

A. For question (a) – (c), we have asked the Department of Law to provide interpretations on contract terms for you.

d. Further, who are the qualified producers under G?

A. At this time, it appears that qualified producers counted under paragraph G would be the following: ASRC, Doyon, Murphy Exploration, Petro-Hunt, Pioneer, Savant, and NANA Corporation. However, we are not privy to the assets of each of these corporations.

e. What leasehold production has been purchased by Charter signers?

A. Production has been purchased from the Northstar, Nikaitchuq, Colville River, Oooguruk, and Badami units.

f. What accounting as to the 30,000 bbls/day exists?

A. There has not been an official accounting of the volume; however, the Division of Oil and Gas has current information on production sold by qualified producers.

g. Has the 30,000 bbls/day been reached?

A. From our information, it appears that less than half that amount is currently being sold by qualified producers.

h. What policy background exists as to the inclusion of these paragraphs in the Charter?

A. The merger of BP and ARCO would have led to the entire North Slope being operated by a single entity. There were concerns from the Federal Trade Commission on the potential effect of the merger on the downstream crude oil market and the petroleum products market on the US West Coast. The State provided its position in paragraph F (1) of the Charter agreement. To our knowledge, the State has never intervened to ensure that BP and ConocoPhillips have complied with the Charter in a facility access dispute or in purchases of crude from smaller producers. Furthermore, DNR has not been asked by interested parties to invoke the Charter for access to facilities operated by BP and ConocoPhillips.

i. What if anything has been accomplished by paragraphs F and G?

A. Most notably, the provisions of the Charter were effective in helping Pioneer negotiate a facility sharing agreement with Conoco for the Oooguruk unit production. UltraStar has also come to terms with BP on a framework for access to drill sites and for future use of Lisburne facilities for the Dewline unit. We presume the Charter was instrumental in negotiating the UltraStar agreement, but we cannot confirm this fact.

2(a) Q. Since 1995 has any treatment facility, other than ENI's, been built?

A. Alpine facility installation in 1999-2000. Expansion of processing facilities has occurred since 1995 which is detailed in the answer to question 5 below.

2(b) Q. What are the ENI treatment facility capacities?

A. ENI's treatment facility capacity is around 40,000 barrels of oil per day of heavy crude with sand and 120,000 barrels of water per day.

2(c) Q. What current end throughput comes from ENI's facility?

A. The current end throughput, to the best of our knowledge, is 6-7000 BOPD and 100 BWPD.

2(d) Q. Is there spare capacity at the ENI facility?

A. There appears to be spare capacity at the ENI facility based on the numbers above.

2(e) Q. Is any spare capacity expected to be used by ENI alone?

A. Treatment facilities could reduce oil production reaching TAPS if facilities reaching fluid limits are not augmented and well workovers and new drilling are not employed in a field to access new lower GOR and WOR reserves. Otherwise, operators have been employing smaller-scale facilities additions/debottlenecking to address fluid handling, for example:

- Milne Point processing expansions in 1996
- Alpine expanded water handling
- Prudhoe Bay Unit
  - GC2 water handling debottlenecking and miscible gas lines to the West End of PBU
  - Prudhoe GPMA LPC – installed miscible injection (MI) pump. Increased water handling.
  - MI is also being sent to Pt. McIntyre from PBU via conversion of a water line to an MI line
  - Seawater injection started back up and water being injected into Prudhoe gas cap. This is proving to increase reservoir energy, decrease decline, and reduce GORs
  - Water injection into Lisburne gas cap to reduce GORs
- Oooguruk Unit processes production through sharing at KRU CPF3. New drill sites, lines for injection of water and gas lift were installed.

6. **Q. Do you agree that without more fluid treatment capacity, oil throughput is constrained?**

A. Oil throughput constraint is not solely a fluid treatment issue as gas separation is also a factor. In some fields fluid treatment may constrain throughput; however, with proper resource management, most fields are able to adapt to decreasing GORs and overcome constraints without additional fluid treatment capacity.

7. **Q. For how many years have treatment facility constraints affected oil throughput volumes?**

A. We are unable to provide a timeline on purported constraints. Continuous debottlenecking and drilling or work overs are used to stem throughput decline which inhibit our ability to track these issues. Debottlenecking and work overs are actions of a prudent operator decreasing constraint occurrences. It appears that some of the fields such as Badami and Nikaitchuq may not be limited for some time. Proper resource management helps to limit gas and water processing constraints.

8. **Q. Can treatment facility access be used in a manner harmful to Alaska's interests? If so, how?**

A. It is unclear how increased access by third parties to treatment facilities, under commercially reasonable terms, could bring harm to Alaska's interests. The Division is not aware of any development that has not proceeded simply because reasonable third party access terms could not be negotiated.

9. **Q. Can a company's internal conduct as to back outs of volumes be used in a manner harmful to Alaska? If so, how?**

A. This question is difficult to answer without clarification on what is meant by "a company's internal conduct as to backout volumes." We request more specifics or information in order to answer this question properly.

10. **Q. Do Alaska's credits allow for expansion of and construction of treatment handling facilities? By this I mean: Does both deduction from gross and credit [20%] to bottom line currently exist? It is my belief that the current tax system allows for both deduction and credit as to treatment handling facilities.**

A. Generally, capital expenditures for expanding or constructing new treatment facilities would generally count as permissible lease expenditures under ACES, and so would allow a working interest owner to both deduct the expenses and qualify for a qualified capital expenditure credit. For more information on this topic, we suggest contacting the Department of Revenue which is responsible for administering the production tax system.

11(a) Q. As to fluid volume handling, what are the percentages of access by company at each facility? The total at each facility should equal 100%.

11(b) Q. Of all operators at central North Slope, who have entered into back out agreements?

11(c) Q. Of all operators at central North Slope, who have entered into sharing agreements?

11(d) Q. As to those agreements, please identify the payer and payee and the volumes and facility percentages.

11(e) Q. What are the highest percentages of a facility's capacity which has been subject to an agreement?

11(f) Q. What companies have internally engaged in back out type conduct?

A. [*This response addresses all the questions posed in 11 above*]
We noted in an earlier question that back out and facility sharing agreements between two separate units are confidential. There are numerous in-unit agreements that DNR receives on a voluntary basis; however, industry is very hesitant to provide these documents. For the state to continue to receive these documents, there must be a degree of trust that the agreements will not become public unless absolutely necessary. Therefore, answering the questions above will lead DNR breaching our duty of

confidentiality or the possibility industry will discontinue their practice of providing in-unit agreements to DNR.

Company	Project Name	Project Type	Project Description	Received Date
Buccaneer	**Cook Inlet Exploratory Drilling**	**Exploration**	Buccaneer plans to conduct a four well, offshore exploratory drilling program in upper Cook Inlet at its proposed locations on the following State of Alaska oil and gas leases: Alaska Division of Land (ADL) 17595-2 (Southern Cross Unit #1), ADL 391108 (Southern Cross Unit #2), ADL 391270 (Northwest Cook Inlet Unit #1), and ADL 391611 (Northwest Cook Inlet Unit #2). **Purpose:** (To explore for oil & gas). **Proposed start-up date:** 07/01/2011 **Expected Completion Date**: 08/31/2013	**7/11/2011**
Cook Inlet Energy, LLC	**Otter Prospect Gas Exploration Well**	**Exploration**	An exploratory drilling program. **Purpose:** to test the Lower Miocene Sterling and Beluga formations and Upper Oligocene - Lower Miocene Tyonek formation that CIE has named the "Otter Prospect" . **Proposed start-up date:** 10/01/2011; **Expected Completion Date:** 9/30/2012	**8/10/2011**
Nuna Exploration	**2011-2012 North Slope Exploration Wells**	**Exploration**	PNRA proposes to drill and test two exploration wells with associated activities as described in the POO. **Proposed start-up date:** 11/1/2011; **Expected Completion Date:** 5/31/2012	**8/10/2011**
UltraStar Exploration, LLC	**North Dewline #1 Well**	**Exploration**	Directionally drill one onshore well from an ice pad off lease. Dependent on rig availability. **Purpose:** To assess oil and gas reserves within oil and gas leases held by UltraStar. **Proposed start-up date:** 12/01/2011 **Expected Completion Date:** 04/30/2012	**8/18/2011**
Great Bear	**Great Bear 2011-2012 E&E Program**	**Exploration**	Exploration & Evaluation Program (E&E Program) which includes up to 4 vertical wells for coring samples and potential laterals with hydraulic fracture stimulation, with the possibility for two additional wells, if required. **Purpose:** To prove the unconventional resource play. **Proposed start-up date:** 11/01/2011 **Expected Completion Date:** Summer/Fall 2012	**9/14/2011**
Repsol	**Repsol**	**Exploration**	Single vertical well and, time permitting, up to two sidetracks from an ice pad. **Purpose**: is to primarily assess oil reserves within leases operated by Repsol. **Proposed start-up date:** 11/01/2011 **Expected Completion Date:** 05/31/2012	**9/16/2011**

Repsol	**Repsol**	**Exploration**	Single vertical well and, time permitting, up to two sidetracks from an ice pad. Purpose: is to primarily assess oil reserves within leases operated by Repsol. **Proposed start-up date:** 11/01/2011 **Expected Completion Date:** 05/31/2012 **Well Names to Drill:** Qugruk No. 3, Kachemach No. 1	**9/16/2011**
Brooks Range Petroleum Corporation	**2011-2012 Mustang Exploration Program**	**Exploration**	BRPC requests the following modifications - to re-enter & complete North Tarn 1A well at the North Tarn Pad, and if successful, drlill up to 3 additional wells from the same pad; and possibly perform a short term production flow test(s); use Nabors rig 7ES during the 2011-2012 drilling season; update exploration activity timeframes - ice road & pad construction (pre-packing) may commence as soon as November 2011, with drilling activities scheduled for completion by the end of the winter tundra travel season (April-May2012). **Purpose:** to find significant hydrocarbons during drilling and then test and confirm flow rates and reservoir characteristics. **Proposed start-up date:** 11/1/2011 **Expected Completion Date:** 08/31/2011	**9/21/2011**
ConocoPhillips Alaska, Inc.	**Shark Tooth No. 1**	**Exploration**	CPAI proposes to build approximately 4 miles of ice road, an ice pad and to drill a single appraisal well, approximately 2 miles east of Drill Site 2L in the south-west area of the Kuparuk River Unit (KRU). **Purpose:** To provide additional reservoir information in this area and narrow uncertainty around reservoir description parameters including oil-water contact, sand quality and thickness, and oil viscosity **Proposed start-up date:** 01/01/2012 **Expected Completion Date:** 04/30/2012	**10/13/2011**
NordAq Energy Inc.	**Tiger Eye North No. 1 Exploration Project**	**Exploration**	NordAq proposes an exploratory drilling program for one well, Tiger Eye North #1, which will be drilled in summer 2012. **Purpose:** (To explore for oil & gas). **Proposed start-up date:** 11/01/2011 **Expected Completion Date:** 09/15/2012	**10/26/2011**
CGGVeritas	**Tabasco 3D Seismic**	**Geophysical**	**Project Description:** CGGVeritas plans to acquire a multi-client 3D seismic program on the North Slope this winter 2012 on behalf of the CGGVeritas Multi-Client & New Ventures Division. **Purpose:** To shoot approximately 200-300 square miles of 3D Seismic . **Proposed start-up date:** December 15, 2011; **Expected Completion Date:** May 31, 2012; **PROGRAM NAME:** Tabasco North 3D and Tabasco South 3D.	**10/24/2011**

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL & GAS

SEAN PARNELL, GOVERNOR

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February 9, 2012

Senator Joseph Paskvan
Senate Resources Committee Co-chair
State Capitol Room 115
Juneau AK, 99801

Senator Thomas Wagoner
Senate Resources Committee Co-Chair
State Capitol Room 427
Juneau AK, 9980

Dear Senators:

I wanted to take this opportunity to thank you both for inviting me to testify before the Senate Resources Committee on February 3, 2012. The committee is trying to understand a very complex subject matter, and I am pleased that the Division has been called upon to provide the factual basis for crafting solutions to perceived facility issues. This correspondence allows me to reiterate a few of the more salient aspects of my testimony and present to the committee an updated table on Capacities of North Slope Facilities from page 11 of my February 3rd slide package (enclosed). It is crucial that we all operate under a similar framework and understanding of reservoir dynamics and facility capabilities; therefore, I offer the bulleted information below to clarify the main points of my testimony. Please keep in mind the underlying pretext of my comments involved the issue of third party access to existing process facilities.

- The Prudhoe and Kuparuk units are experiencing typical reservoir depletion which requires handling and processing of increasing amounts of water and gas, decisions on facility management, effective well utilization, and complex reservoir management.
- Facilities are designed to meet a wide range of production profiles with varying water-oil and gas-oil ratios (WOR and GOR, respectively). As the reservoir matures, reservoir management and facility debottlenecking for water and gas handling, water and/or gas injection to maintain reservoir pressure, well workovers, and new infield development drilling is required.
- Pipeline capacity is available throughout most of the North Slope, thus companies with new oil discoveries will need to negotiate to share the existing transport facilities.
- Corporate culture and size of a discovery typically dictate decisions whether to build new process facilities or enter into commercial agreements to access existing facilities.
- Statutory changes for facility access will be difficult and likely ineffective due to the complexity and idiosyncrasies of each field's physical assets, reservoir management approach, and commercial conditions.

Again, thank you for the opportunity and I look forward to future discussions.

Sincerely,

W.C. Barron
Director

Cc: Daniel Sullivan, Commissioner Department of Natural Resources
Joseph Balash, Deputy Commissioner, Department of Natural Resources
Senator Hollis French
Senator Lesil McGuire
Senator Bert Stedman
Senator Gary Stevens
Senator Bill Wielechowski, Senate Resources Committee Vice-Chair

Enclosed: *Capacities of North Slope Facilities.doc*

Capacity of North Slope Facilities						
Unit	**Oil and NGLs, standard barrels per day (stb/d)**	**Gas, million standard cubic feet per day (mmscfd)**	**Water (bwpd)**	**Water Injection (bwpd)**	**Handling Limitations, and comments**	**Field/Facility Startup**
Badami	35,000	25	12,000	30,000	No Limits	Aug 1998
Colville River	140,000	180	100,000	140,000	We know of no limits at this time	Nov 2000, expansions in 2004 and 2005
Endicott	115,000	455	225,000	245,000	Limited gas and water	Jul 1986
Kuparuk					Limited Gas, water, & total fluid handling	
CPF-1	170,000	200	250,000	250,000	Rates currently below referenced limits	Dec 1981
CPF-2	160,000	260	250,000	300,000	Rates currently below referenced limits; may be nearing water limits	Jun 1983
CPF-3	85,000	150	100,000	220,000	Rates currently below referenced limits	Jun 1985
Milne Point	75,000	42	99,000		None known for current development	Jul 1983
Northstar	77,000	555	30,000		Limited by gas handling, water production is not at limit. Uncertain whether rated capacity is current.	Oct 2001
PBU					Limited gas, water handling - Note: cannot add up each facility to obtain total field restrictions. SI wells to maintain field limits.	
FS-1	360,000	2,800	140,000		Limited gas and water handling	Jun 1977
FS-2	360,000	1,200	650,000		Possible water handling limit	Jun 1977

FS-3	360,000	1,300	300,000		Note: FS-3 and GC-3 production can be diverted to either/both gathering center. Combined FS-3 and GC-3 at gas handling limits	Mar 1979
GC-1	330,000	2,600	180,000		High GORs - some wells not competitive at field level.	May 1977
GC-2	250,000	1,070	300,000		Limited gas and water handling	Jun 1977
GC-3		1,100	275,000		Note: FS-3 and GC-3 production can be diverted to either/both gathering center. Combined FS-3 and GC-3 at gas handling limits	Apr 1978
CGF		8,700			Limited by gas handling. Note, while "Design" capacity is 8.7 BCF/D peak, actual operating capacity around 7.5 BCFD average yearly at the plant inlet, with peaks of around 8.2 BCFD.	Jun 1977 Full Start, (NGL initial prod 1980, expansions in 1986, 1990, and 1994)
CCP		8,700			Actual Injection Peaks at 7.2-7.8 BCFD. Limited by CGF gas handling capacity	Jun 1977 Expansions in 1986, 1990, and 1994, Peak NGL Rate 97,000/day in 1996
LPC - Greater Pt. McIntyre	205,000	450	120,000		Limited gas, water, and total fluid. Some wells from Pt. McIntyre flow into GC1	Dec 1986
Oooguruk					Production to Kuparuk CPF-3. No known handling limits at Oooguruk.	Jun 2008
Nikaitchuq	40,000	unknown	120,000		No limits at this time	Jan 2011

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

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The Honorable Hollis French
Alaska State Senator
State Capitol, Room 417
Juneau, AK 99801

February 13, 2012

Dear Senator French:

Thank you for your email on January 30, following up with questions you have from the Senate Resources committee.

1. *Today in committee your slide #3 told us that Texas is BOOMING (your caps). Imagine how I felt to read in your department's recent publication "Alaska's Oil and Gas Fiscal Regime" on page 4 that "Oil production in Texas is up slightly". Which is it?*

   After decades of a production decline remarkably similar to Alaska's, Texas has flattened out their decline curve and begun to increase production. This activity has resulted in thousands of new jobs and has played a large role in pulling Texas out of the nationwide recession. Defining what is considered a boom is subjective. In my opinion, if we can achieve in Alaska what has been achieved in Texas over the last few years, I would consider that a boom.

2. *Last week I asked you about whether the new production in Texas was conventional or shale oil. You replied that is was conventional. You have been asked to document that assertation. Please share your documentation with me as well.*

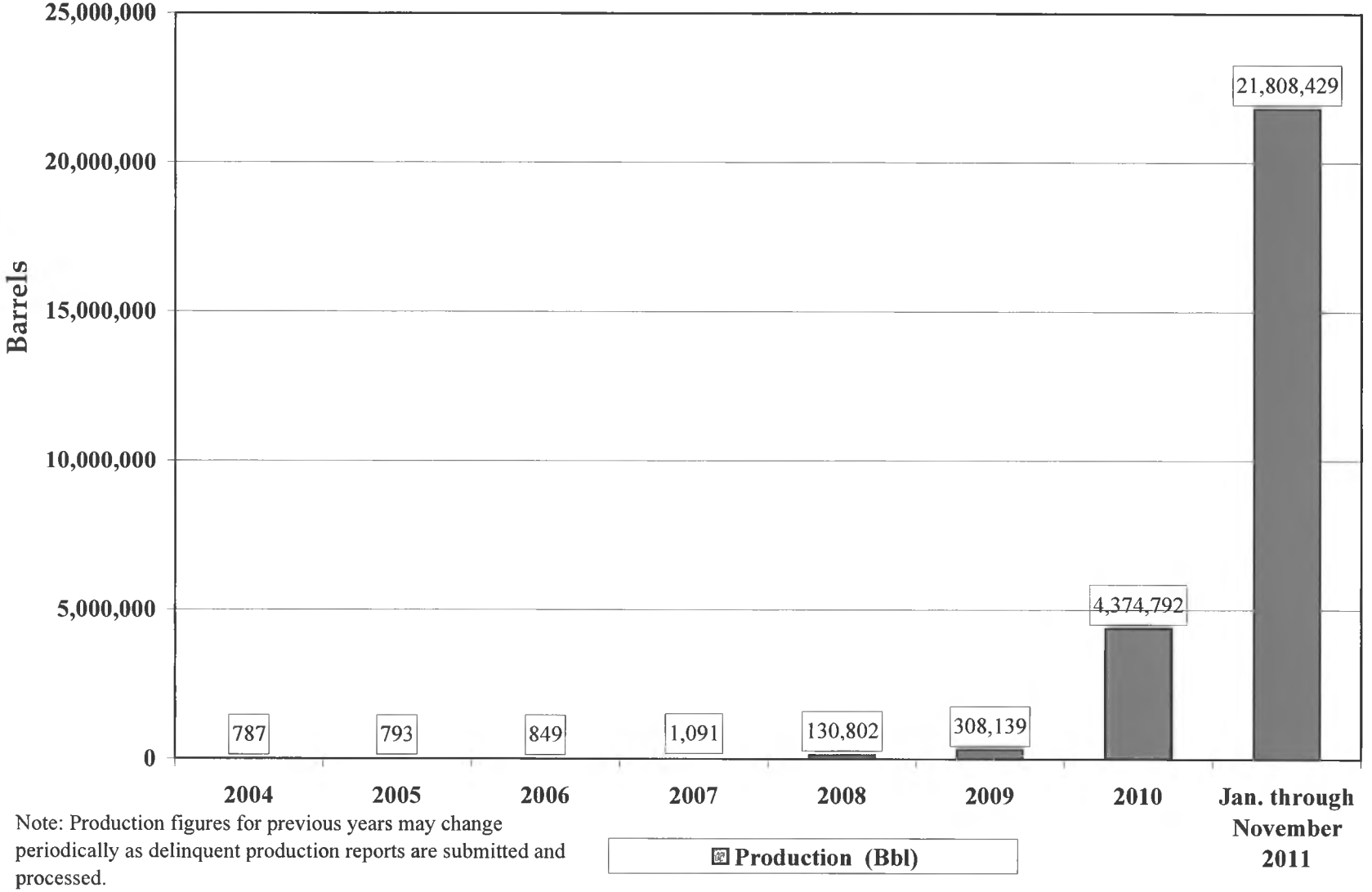
   Comments made recently about the flattening of the decline curve having resulted from conventional oil are a result of our face to face discussions with the Railroad Commission of Texas, the Texas equivalent of AOGCC. The majority of shale oil being produced in Texas is from the Eagle Ford shale play. Attached you will find a year to year summary of shale oil production from Eagle Ford from 2004 through November, 2011. This information may be found on-line at http://www.rrc.state.tx.us/eagleford/EagleFordOilProduction.pdf . As you can see, the biggest jump in production occurred in 2011, which was not included in DOR's slide presented to you in Senate Resources on January 27, 2012.

Please let me know if you have any further questions or comments.

Sincerely,

Bryan Butcher
Commissioner

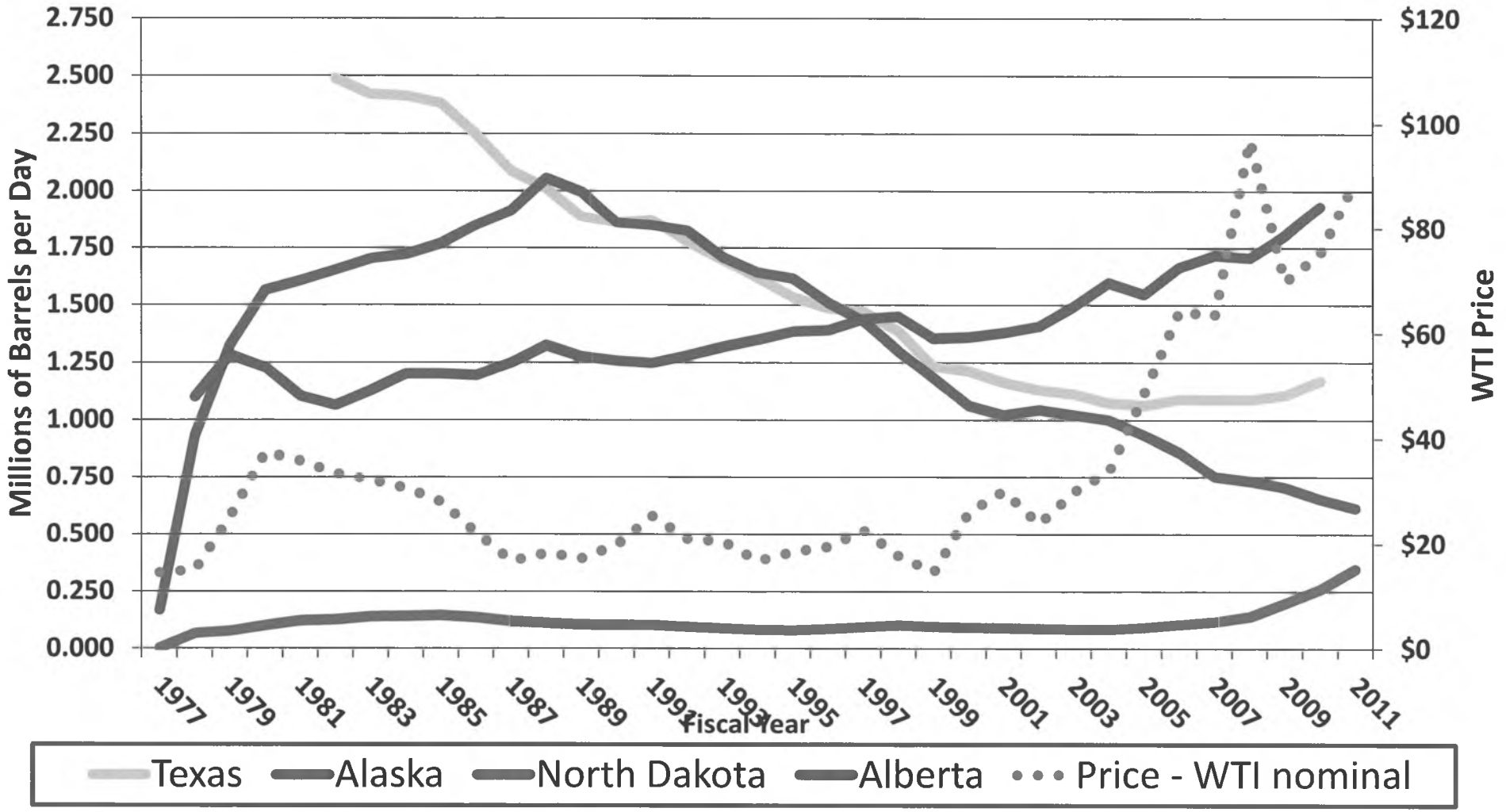
Texas Eagle Ford Shale
Oil Production
2004 through November 2011



Note: Production figures for previous years may change periodically as delinquent production reports are submitted and processed.

Historical Oil Production:

How Did Our Competition Fare When Prices Spiked?



Alaska Department of Revenue

Date	Oil (BBL)	Casinghead (MCF)	GW Gas (MCF)	Condensate (BBL)	
Jan-93	50,410,883	109,240,003	368,487,412	2,868,768	
Feb-93	45,634,807	100,315,316	333,803,869	2,635,625	
Mar-93	50,288,197	112,470,511	370,855,621	2,912,724	
Apr-93	48,194,383	108,833,723	357,648,663	2,829,670	
May-93	49,330,072	111,948,174	364,967,997	2,961,272	
Jun-93	47,325,888	108,375,587	355,754,561	2,806,981	
Jul-93	48,402,757	112,725,162	368,052,666	2,820,234	560,175,224
Aug-93	48,495,965	113,445,090	361,159,467	2,873,056	
Sep-93	46,676,980	108,095,830	354,101,464	2,880,129	
Oct-93	48,174,274	111,399,790	369,469,246	3,154,330	
Nov-93	46,684,142	105,183,018	359,436,905	3,010,380	
Dec-93	47,998,045	108,261,339	372,968,218	3,127,598	
Jan-94	47,559,087	103,588,382	371,962,703	3,258,257	
Feb-94	42,761,629	93,939,019	338,543,186	2,942,935	
Mar-94	47,216,646	105,889,097	378,809,303	3,289,080	
Apr-94	45,253,940	102,156,321	367,339,947	3,256,350	
May-94	46,481,636	103,217,072	380,074,210	3,331,047	
Jun-94	44,470,123	101,971,226	369,522,229	3,163,677	
Jul-94	45,651,191	104,876,650	385,926,314	3,190,125	527,630,849
Aug-94	45,406,572	103,726,890	387,528,313	3,225,722	
Sep-94	43,864,046	100,334,526	369,094,963	3,120,514	
Oct-94	45,177,641	102,139,134	374,996,690	3,168,542	
Nov-94	43,930,284	97,897,556	376,193,990	3,208,258	
Dec-94	45,225,529	99,205,361	393,977,720	3,378,847	
Jan-95	44,769,396	97,922,016	386,797,930	3,369,920	
Feb-95	40,530,039	89,357,270	351,660,260	3,063,593	
Mar-95	44,492,958	98,660,854	385,485,716	3,299,473	
Apr-95	42,888,214	95,463,285	376,917,475	3,140,929	
May-95	43,732,241	97,852,080	391,974,723	3,226,111	
Jun-95	41,962,738	93,150,340	375,128,378	3,023,749	
Jul-95	43,015,328	95,955,495	383,712,358	3,084,630	507,229,632
Aug-95	42,905,303	94,446,314	384,858,313	3,070,852	
Sep-95	41,555,275	91,978,762	376,863,211	2,964,995	
Oct-95	43,386,365	94,761,673	387,338,704	3,109,813	
Nov-95	42,147,523	91,870,145	380,018,682	3,089,429	
Dec-95	43,143,510	92,984,905	390,595,711	3,230,991	
Jan-96	42,869,137	91,473,292	394,590,594	3,322,378	
Feb-96	40,094,489	85,625,846	373,488,881	3,142,721	
Mar-96	43,274,774	92,489,085	402,131,972	3,389,804	
Apr-96	41,544,145	91,308,796	388,392,145	3,253,991	
May-96	42,552,997	94,780,851	402,606,771	3,367,951	
Jun-96	40,740,786	91,502,856	387,455,505	3,198,347	
Jul-96	41,788,129	94,887,830	403,936,453	3,261,825	492,980,731

Aug-96	41,607,796	94,095,097	402,175,138	3,190,269	
Sep-96	40,516,299	90,264,848	391,627,977	3,129,738	
Oct-96	42,195,694	94,151,389	408,811,420	3,330,974	
Nov-96	40,678,069	88,829,427	400,490,096	3,237,084	
Dec-96	41,896,364	89,450,716	421,340,026	3,452,256	
Jan-97	41,238,982	86,003,115	414,908,428	3,438,150	
Feb-97	38,133,744	78,917,770	377,642,194	3,133,614	
Mar-97	42,138,722	88,748,217	416,556,246	3,432,572	
Apr-97	40,565,996	86,311,533	398,246,673	3,313,723	
May-97	41,879,880	89,908,133	406,973,417	3,285,217	
Jun-97	40,341,056	86,573,448	388,374,829	3,185,841	
Jul-97	41,710,723	90,006,734	401,944,271	3,221,346	484,319,182
Aug-97	41,404,796	89,027,622	401,527,066	3,207,608	
Sep-97	40,353,013	85,992,746	390,924,353	3,121,789	
Oct-97	41,753,155	88,209,755	408,403,138	3,333,095	
Nov-97	40,489,849	82,285,165	401,569,762	3,348,842	
Dec-97	41,359,688	83,557,575	413,261,658	3,481,091	
Jan-98	41,484,256	84,508,939	411,669,113	3,467,247	
Feb-98	37,503,314	76,537,915	375,805,531	3,123,752	
Mar-98	41,048,736	84,263,848	413,796,757	3,503,844	
Apr-98	39,252,278	81,515,824	402,645,173	3,300,949	
May-98	39,986,368	84,839,198	412,912,374	3,302,668	
Jun-98	37,973,006	82,900,535	398,165,655	3,099,334	
Jul-98	38,333,668	84,572,119	412,172,028	3,293,516	426,480,737
Aug-98	38,300,860	83,233,372	416,871,948	3,579,032	
Sep-98	36,651,510	79,729,972	399,262,417	3,264,479	
Oct-98	37,439,325	80,553,716	411,902,551	3,426,606	
Nov-98	35,874,870	76,279,936	399,708,428	3,296,289	
Dec-98	35,645,248	74,107,356	401,221,625	3,232,161	
Jan-99	35,510,034	75,675,374	405,332,533	3,350,129	
Feb-99	32,041,306	69,079,010	366,501,044	2,936,937	
Mar-99	35,073,530	74,850,472	401,215,018	3,206,716	
Apr-99	33,794,135	73,715,300	385,417,871	3,064,441	
May-99	34,590,335	75,782,691	396,128,152	2,996,758	
Jun-99	33,225,916	74,184,170	383,402,393	2,896,703	
Jul-99	34,276,330	76,861,171	396,207,036	2,927,729	407,371,803
Aug-99	34,066,441	76,096,512	393,106,095	2,839,147	
Sep-99	33,270,396	73,216,156	385,906,600	2,845,136	
Oct-99	34,747,638	74,728,161	403,033,540	2,985,521	
Nov-99	33,729,389	71,951,298	394,975,448	3,106,569	
Dec-99	34,750,904	72,598,056	405,889,097	3,312,640	
Jan-00	34,757,643	73,151,024	406,471,170	3,309,094	
Feb-00	32,759,546	69,134,724	380,318,890	3,057,733	
Mar-00	34,685,003	74,792,104	411,425,735	3,228,974	
Apr-00	33,409,498	73,138,392	398,752,544	3,043,115	
May-00	34,107,063	74,153,188	414,088,435	3,031,344	
Jun-00	32,811,952	73,050,309	403,750,917	2,980,521	

Jul-00	33,717,365	75,688,056	414,692,209	2,984,025	390,144,695
Aug-00	33,746,259	75,494,464	414,251,140	3,046,110	
Sep-00	32,578,391	73,145,294	400,207,646	2,960,029	
Oct-00	33,652,340	73,167,136	415,919,939	3,186,189	
Nov-00	32,338,212	69,491,602	402,638,705	3,163,280	
Dec-00	32,554,940	69,494,319	421,288,572	3,365,853	
Jan-01	33,143,747	71,731,678	420,555,401	3,428,622	
Feb-01	29,922,315	64,864,188	381,364,957	3,130,902	
Mar-01	32,987,442	71,331,809	422,566,211	3,499,134	
Apr-01	31,741,116	71,442,394	408,035,999	3,341,273	
May-01	32,542,176	73,411,685	423,976,609	3,224,485	
Jun-01	31,220,392	73,009,965	409,756,198	3,107,222	
Jul-01	32,034,928	74,812,091	420,838,153	3,197,562	372,997,390
Aug-01	32,019,127	74,204,186	421,747,154	3,174,675	
Sep-01	30,834,035	71,602,352	410,712,464	3,114,131	
Oct-01	32,236,848	73,176,738	424,025,917	3,340,132	
Nov-01	30,739,745	69,845,489	408,237,193	3,323,766	
Dec-01	31,764,783	70,383,290	422,830,870	3,564,394	
Jan-02	31,845,735	70,237,201	419,019,231	3,631,557	
Feb-02	28,673,519	63,658,080	378,149,833	3,285,983	
Mar-02	31,498,312	71,037,945	418,554,245	3,404,923	
Apr-02	30,285,455	69,166,656	405,194,795	3,367,749	
May-02	31,225,661	70,850,062	417,998,453	3,370,745	
Jun-02	29,839,242	69,737,649	403,297,385	3,136,187	
Jul-02	30,607,151	71,985,305	417,238,580	3,268,871	361,712,229
Aug-02	30,676,792	71,122,237	416,011,791	3,292,214	
Sep-02	29,699,919	70,332,118	398,436,756	3,204,511	
Oct-02	30,596,406	69,686,073	415,808,708	3,383,161	
Nov-02	29,935,899	67,026,508	399,237,951	3,297,489	
Dec-02	30,854,075	70,643,146	409,977,175	3,397,728	
Jan-03	30,834,596	69,194,691	408,134,894	3,500,664	
Feb-03	27,874,342	63,586,763	372,815,887	3,170,741	
Mar-03	30,939,101	69,908,627	422,167,254	3,638,657	
Apr-03	29,874,043	68,812,305	406,620,962	3,398,006	
May-03	30,573,954	71,322,344	424,675,355	3,456,703	
Jun-03	29,245,951	68,523,848	411,795,697	3,313,724	
Jul-03	30,143,033	72,066,529	427,274,208	3,428,752	355,814,518
Aug-03	30,159,655	72,128,815	426,862,585	3,368,774	
Sep-03	29,460,536	70,322,574	414,084,817	3,381,189	
Oct-03	30,572,435	71,056,110	427,170,169	3,498,957	
Nov-03	29,470,069	67,978,940	413,939,894	3,379,627	
Dec-03	30,273,633	73,241,712	429,709,032	3,703,802	
Jan-04	30,095,903	75,758,180	430,938,707	3,701,486	
Feb-04	28,226,668	70,546,029	403,197,322	3,473,469	
Mar-04	30,157,682	76,476,100	430,908,165	3,600,576	
Apr-04	29,019,005	73,963,629	420,145,506	3,442,323	
May-04	29,801,770	77,350,146	434,395,350	3,421,758	

Jun-04	28,434,129	75,044,260	418,264,403	3,274,501	
Jul-04	29,412,483	78,585,847	434,617,157	3,349,931	350,191,783
Aug-04	29,512,847	78,970,845	433,711,001	3,325,463	
Sep-04	28,736,912	77,373,935	420,458,030	3,286,343	
Oct-04	29,586,737	80,367,138	438,221,376	3,503,637	
Nov-04	28,652,719	77,121,992	424,367,577	3,418,822	
Dec-04	29,667,679	78,408,024	435,037,648	3,616,111	
Jan-05	29,962,056	55,050,907	440,727,586	3,772,911	
Feb-05	27,187,915	50,976,837	404,012,631	3,525,280	
Mar-05	30,153,217	60,423,002	451,706,648	3,878,329	
Apr-05	28,994,237	56,128,361	440,606,274	3,710,884	
May-05	29,696,799	58,110,559	451,759,221	3,741,033	
Jun-05	28,628,182	56,126,800	437,558,785	3,463,012	
Jul-05	29,293,674	57,301,984	458,159,799	3,589,341	347,158,617
Aug-05	29,366,976	57,716,463	463,080,949	3,639,737	
Sep-05	27,952,501	52,706,946	431,005,094	3,195,196	
Oct-05	29,544,016	56,775,060	466,963,656	3,624,049	
Nov-05	28,748,575	54,956,988	457,724,424	3,633,899	
Dec-05	29,413,807	55,550,451	472,299,208	3,838,925	
Jan-06	29,704,766	57,771,973	473,093,910	3,920,658	
Feb-06	26,907,758	51,212,473	425,902,292	3,529,468	
Mar-06	29,750,235	57,925,920	476,668,004	3,933,364	
Apr-06	28,660,651	56,487,430	463,760,098	3,717,294	
May-06	29,423,019	57,539,913	482,386,048	3,728,018	
Jun-06	28,392,639	55,657,578	465,431,657	3,543,635	
Jul-06	29,224,395	57,267,246	482,847,581	3,685,508	344,453,305
Aug-06	29,093,672	56,832,051	486,527,604	3,700,237	
Sep-06	28,460,070	57,705,210	473,987,298	3,651,243	
Oct-06	29,575,238	58,824,926	490,646,432	3,853,798	
Nov-06	28,657,237	56,170,289	477,632,882	3,843,024	
Dec-06	29,429,280	58,535,986	495,614,280	3,966,995	
Jan-07	28,868,316	57,272,894	489,145,682	3,911,101	
Feb-07	26,489,647	53,085,325	453,265,114	3,690,190	
Mar-07	29,291,322	59,402,965	515,646,695	4,196,909	
Apr-07	28,466,896	56,926,606	499,999,565	4,001,665	
May-07	29,092,873	59,707,532	523,694,198	4,134,255	
Jun-07	27,804,359	57,892,624	515,041,609	3,923,400	
Jul-07	28,854,805	60,532,902	532,711,007	3,966,211	347,418,838
Aug-07	28,906,389	60,982,584	541,929,168	4,063,759	
Sep-07	28,136,753	58,985,550	527,228,383	3,931,461	
Oct-07	29,114,723	61,524,088	551,224,992	4,105,497	
Nov-07	28,366,639	58,804,611	543,761,444	4,137,063	
Dec-07	29,398,206	59,730,189	569,056,241	4,304,973	
Jan-08	29,456,966	59,844,078	569,542,795	4,453,055	
Feb-08	27,842,638	57,915,392	541,995,118	4,173,345	
Mar-08	29,865,456	62,540,912	588,171,329	4,676,304	
Apr-08	28,959,208	61,574,650	572,759,578	4,427,836	

May-08	29,881,601	64,783,439	600,160,143	4,505,566	
Jun-08	28,635,454	62,097,022	582,828,781	4,265,193	
Jul-08	29,964,810	65,835,274	603,743,854	4,443,463	353,438,970
Aug-08	29,977,614	65,403,945	611,529,452	4,424,510	
Sep-08	27,992,720	54,955,861	560,025,674	3,665,475	
Oct-08	30,404,293	64,092,416	618,750,094	4,463,880	
Nov-08	29,803,191	63,983,314	605,019,515	4,420,714	
Dec-08	30,513,715	64,431,032	623,102,126	4,594,885	
Jan-09	30,415,304	64,658,367	625,816,513	4,681,529	
Feb-09	27,361,156	57,290,372	560,702,863	4,136,756	
Mar-09	30,134,398	64,410,165	620,837,116	4,501,249	
Apr-09	28,995,316	64,143,695	587,146,542	4,286,232	
May-09	29,554,495	66,156,646	596,492,632	4,167,179	
Jun-09	28,321,958	64,427,336	569,749,640	3,786,262	
Jul-09	29,012,101	66,803,831	579,951,613	3,908,183	351,644,267
Aug-09	29,178,867	65,806,771	574,811,215	3,864,706	
Sep-09	28,657,021	65,475,881	542,706,316	3,739,691	
Oct-09	29,501,845	66,500,954	557,976,643	3,943,842	
Nov-09	28,881,115	65,858,101	540,881,601	4,082,915	
Dec-09	29,418,318	65,873,455	555,381,895	4,299,450	
Jan-10	29,567,497	66,389,022	557,906,862	4,413,750	
Feb-10	27,149,472	61,234,825	512,121,686	4,175,407	
Mar-10	30,496,226	68,993,042	576,796,942	4,679,579	
Apr-10	29,608,326	68,185,924	547,150,824	4,423,406	
May-10	30,696,387	72,054,543	573,083,751	4,696,247	
Jun-10	29,477,092	67,916,948	546,235,800	4,430,938	
Jul-10	30,832,155	70,720,903	563,406,844	4,470,981	305,315,543
Aug-10	31,109,469	71,682,518	563,029,486	4,591,741	
Sep-10	30,511,774	70,652,877	543,820,256	4,430,829	
Oct-10	31,850,859	73,503,789	555,127,493	4,586,541	
Nov-10	30,840,136	70,879,218	533,866,372	4,557,492	
Dec-10	32,018,590	73,908,593	543,234,413	4,667,383	
Jan-11	31,542,694	72,074,230	525,344,791	4,590,189	
Feb-11	26,465,698	60,141,910	444,547,428	3,928,850	
Mar-11	31,141,010	71,754,674	510,632,980	4,405,900	
Apr-11	29,003,158	66,049,970	476,974,404	3,799,668	

BBL/YR	FY 94	FY 95	FY 96	FY 97	FY 98
MMBL/D	5.6E+08	527630849	507229632	492980731	484319182
	1.534727	1.44556397	1.389670225	1.35063214	1.326901868

BBL/YR	FY 99	FY 00	FY 01	FY 02	FY 03
MMBL/D	4.26E+08	407371803	390144695	372997390	361712229
	1.16844	1.116087132	1.068889575	1.021910658	0.990992408

BBL/YR	FY 04	FY 05	FY 06	FY 07	FY 08
MMBL/D	3.56E+08	350191783	347158617	344453305	347418838
	0.974834	0.959429542	0.951119499	0.943707685	0.951832433

BBL/YR	FY 09	FY 10	FY 11
MMBL/D	3.53E+08	351644267	305315543
	0.968326	0.963408951	0.83648094

Source: Texas Railroad Commission
http://www.rrc.state.tx.us/data/index.php

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

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The Honorable Joe Paskvan
The Honorable Tom Wagoner
Co-Chairs, Senate Resources Committee
Alaska State Senate
State Capitol, Room 119
Juneau, AK 99801

February 14, 2012

Re: Response to Questions from Senate Resources Hearing on January 27, 2012

Dear Senators Paskvan and Wagoner:

The purpose of this document is to respond to the follow-up questions raised by the Senate Resources Committee meeting during our presentation to the committee on January 27, 2012. The requests/questions and responses follow.

1) **Provide details on how the Department studies "Project Economics" per slide 4.**

The Department does not perform project economics on individual projects included in our production forecast. In the Department's view, the economic viability of the projects and development included in the production forecast is implied by the individual company's inclusion in their production forecast submission.

2) **Identify what projects are in the "under development" and "under evaluation" categories, to the extent possible.**

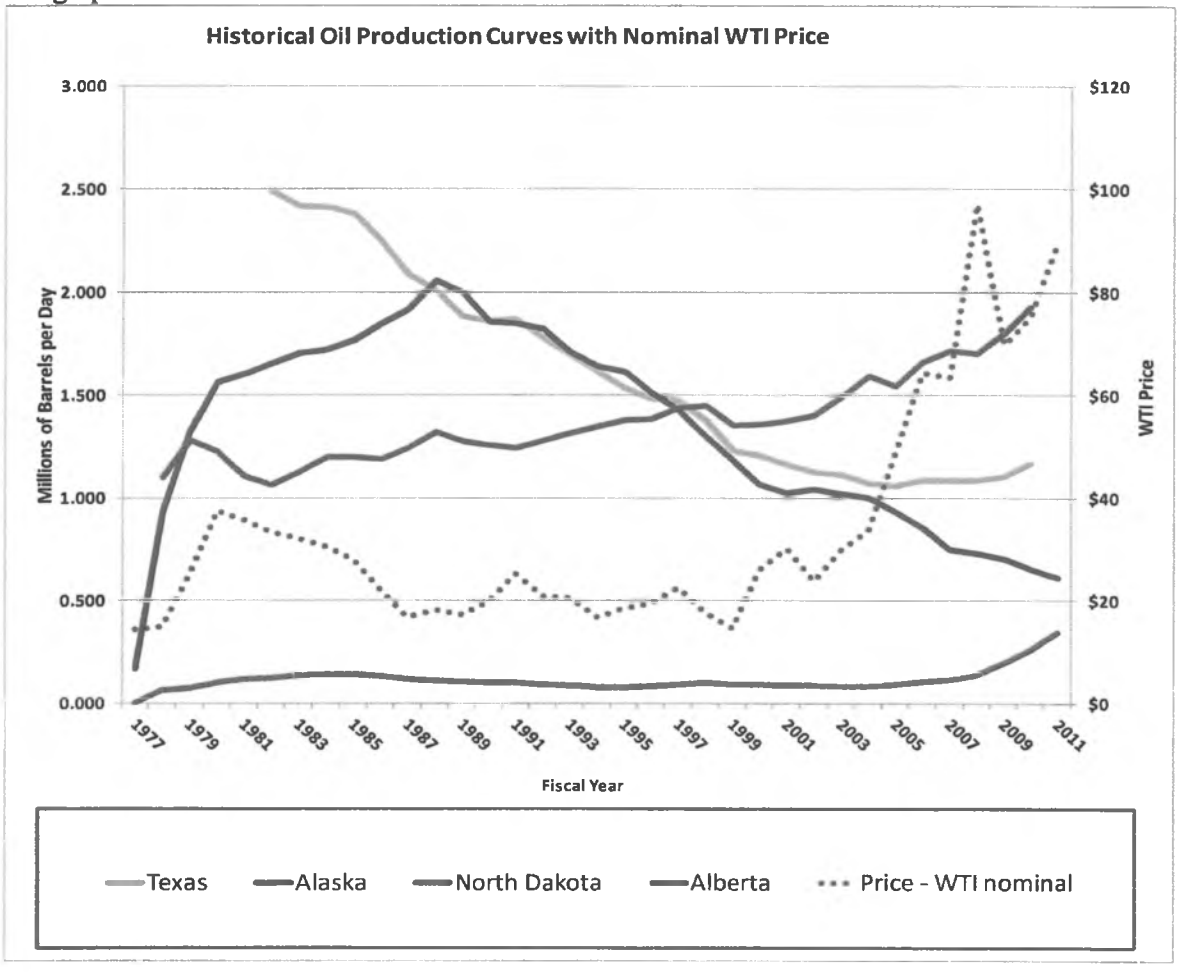
From the Department's Fall 2011 Revenue Sources Book, pg 41, located online here: *http://www.tax.alaska.gov//programs/documentviewer/viewer.aspx?2443f*

"Examples of production currently under development include the Nanuq and Alpine West satellites at Alpine, the Borealis and Orion satellites at Prudhoe Bay, development drilling at Liberty, Oooguruk and Nikaitchuq, and ongoing development drilling at Prudhoe Bay and Kuparuk."

"Under Evaluation: Examples include longer term Orion drilling, long-term production from Pt. Thomson and associated satellites, and pools within NPR-A."

3) Provide data to support information provided to the Senate Resources Committee on the production increases / decreases in Texas and other jurisdictions compared to Alaska

See graph with notes and sources below.



Notes and Sources

- Alaska production is from the same sources used in publication of the RSB and includes NGLs and non-state volumes at Northstar.
- North Dakota Production was provided by the North Dakota Pipeline Authority.
- Texas, Oklahoma and California production is all from the EIA. Texas oil production includes volumes from the Eagle Ford and Barnett shale plays.
- Alberta and Saskatchewan production is from the Canadian Association of Petroleum Producers and includes both oil sands and heavy oil production. Also, please note the

Alberta data was adjusted from two separate sources at CAPP per conversations with individuals at CAPP in Alberta and may not match the data online exactly.
- Alaskan production and ND production are in Fiscal Years (FY). All other production is in Calendar Year (CY).

4) Provide estimates for Prudhoe and Kuparuk recovery rates compared to Texas, Oklahoma, and North Dakota

Recovery rates are estimates that vary with the resource, reservoir, and recovery types. Further, recovery rates vary both over time, and from one field to another. The recovery rate for Prudhoe Bay as outlined in the attachment, "Prudhoe Lisburne Fact sheet" was originally expected to be 40% but has increased to over 60% due to new technologies. Kuparuk recovery is expected to exceed 40%. Publicly available estimates for recovery factors in the Bakken in North Dakota range from 3% to 50%. The Department was unable to obtain recovery rates, or estimated recovery rates for Texas or Oklahoma. Estimated recovery rates for individual fields in Texas and Oklahoma will vary with the resource, reservoir and recovery types.

5) Provide an estimate of revenue under the 300,000 barrels per day scenario like Slide 7 of the Senate Resources presentation of January 27, 2012, using HB 110.

As currently written, most of the provisions of HB 110 would take effect on January 1, 2013, meaning that HB 110 would be in place for only half of FY 2013. However, in order to be responsive to your question, we have calculated the revenue as if HB 110 were in effect for the entirety of FY 2013. With that assumption, and an assumption of $300 million for well lease expenditure credits, plus all the assumptions included in slide 7, we estimate total GF unrestricted revenue to be $3.2 billion.

Using the same assumptions in slide 7 of the presentation, a total of GF unrestricted revenue in FY 2013 of $3.2 billion would translate out to a revenue to budget shortfall of $3.23 billion. Based on high level assumptions regarding income and sales in the state, this amount could hypothetically be filled by one of the following: (1) every Alaska resident paying the state $4,500; (2) a statewide sales tax of up to 48%; or (3) a statewide flat income tax of up to 18%.

6) Provide monetary value of 100% deduction for capital expenditures for all years shown on slides 13 and 14

The following table illustrates the approximate benefit of 100% deduction of capital expenditures in FY 2007-FY 2011 and forecasted FY 2012. To estimate these values, we calculate the statewide tax liability using the "income statement" approach, under status quo (with 100% deduction for capital expenditures in the year the expenditure was made), and under ACES with an alternative deduction for capital expenditures. Two alternatives are shown:

1. The first assumes a 10-year depreciation schedule for capital expenditures beginning in FY 2007. For this presentation we assume that in FY 2007, the only deduction would be for 1/10th of that year's spending. In FY 2008, the deduction would be 1/10th of that year's spending plus 1/10th of the prior year's spending, and so on. This attempts to illustrate the impact of a depreciation schedule for capital expenditures had such a schedule been put in place for the net profits tax when it was first enacted.
2. The second alternative assumes that no deduction at all is allowed for capital expenditures in calculating production tax and so all capital expenditures were removed from the tax calculation.

Note that our calculations use yearly and statewide averages instead of company-specific monthly calculations, and therefore are approximate. The capital expenditure numbers used are company-reported capital expenditures before exclusions. Also, note that this analysis considers only companies with tax liability, and the value of being able to deduct capital expenditures in calculating tax due – it does not consider the value of the Net Operating Loss Carry forward credit to companies without a tax liability.

See table on the following page and also attached "Prudhoe Lisburne Fact sheet."

I hope these answers fully address your questions.

Sincerely,

Bruce Tangeman
Deputy Commissioner

Estimated monetary value of 100% deduction for capital expenditures, FY 2007 - FY 2011 and forecast FY 2012 ($M)

Current Production Tax Calculation - using 100% deduction for capital expenditures in the year earned						
Fiscal Year	2007	2008	2009	2010	2011	2012
Taxable barrels	277,972,233	226,024,764	218,438,995	203,816,365	190,488,390	175,943,938
Gross Value at Point of Production	16,026	20,403	13,513	14,039	16,633	17,641
Deductible Operating Expenses	2,228	1,897	2,050	2,169	2,517	2,468
Deductible Capital Expenses	1,446	1,914	1,750	1,742	1,623	1,804
Production Tax Value	12,352	16,592	9,713	10,128	12,493	13,368
PTV / Barrel	$ 44.43	$ 73.41	$ 44.46	$ 49.69	$ 65.58	$ 75.98
tax rate	23.6%	42.4%	30.8%	32.9%	39.2%	43.4%
Total Tax before credits	**2,916.1**	**7,028.9**	**2,990.1**	**3,329.8**	**4,901.3**	**5,800.9**

Alternative Production Tax Calculation - using 10-year depreciation of capital expenditures beginning FY 2007						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Fiscal Year	2007	2008	2009	2010	2011	2012
Taxable barrels	277,972,233	226,024,764	218,438,995	203,816,365	190,488,390	175,943,938
Gross Value at Point of Production	16,026	20,403	13,513	14,039	16,633	17,641
Deductible Operating Expenses	2,228	1,897	2,050	2,169	2,517	2,468
Deductible Capital Expenses	145	336	511	685	847	1,028
Production Tax Value	13,653	18,170	10,952	11,185	13,268	14,145
PTV / Barrel	$ 49.12	$ 80.39	$ 50.14	$ 54.88	$ 69.65	$ 80.39
tax rate	24.8%	45.2%	33.1%	35.0%	40.9%	45.2%
Total Tax before credits	**3,383.2**	**8,204.4**	**3,620.0**	**3,909.2**	**5,421.5**	**6,387.2**
Est Benefit of 100% CapEx Deduction vs Depreciation *	**467.1**	**1,175.5**	**629.9**	**579.4**	**520.3**	**586.4**

This benefit decreases over time as more years are included in the calculation.

Alternative Production Tax Calculation - with no deduction for capital expenditures						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Fiscal Year	2007	2008	2009	2010	2011	2012
Taxable barrels	277,972,233	226,024,764	218,438,995	203,816,365	190,488,390	175,943,938
Gross Value at Point of Production	16,026	20,403	13,513	14,039	16,633	17,641
Deductible Operating Expenses	2,228	1,897	2,050	2,169	2,517	2,468
Deductible Capital Expenses	-	-	-	-	-	-
Production Tax Value	13,798	18,506	11,463	11,870	14,116	15,172
PTV / Barrel	$ 49.64	$ 81.87	$ 52.48	$ 58.24	$ 74.10	$ 86.23
tax rate	24.9%	45.7%	34.0%	36.3%	42.6%	47.5%
Total Tax before credits	**3,437.0**	**8,466.2**	**3,896.2**	**4,308.3**	**6,019.0**	**7,205.9**
Est Benefit of 100% CapEx Deduction vs no CapEx Deduction	**520.9**	**1,437.3**	**906.1**	**978.5**	**1,117.8**	**1,405.1**

Amounts in $ millions except for tax rate

Amounts shown here are illustrations using "income statement" approach, not precise company-specific calculations

FY 2007-2008 taken from DOR forecast models, FY 2009+ taken from "Income Statement" sheets

Depreciation example assumes 10-year depreciation with 2007 being the first year. In 2007, only 10% of 2007 capex is deducted. In 2008, the deduction is 10% of 2007 plus 10% of 2008, and so on.

FY 2007 tax is PPT and represents 14 months of production, FY 2008-on are ACES

GREATER PRUDHOE BAY

After more than 30 years of production, Prudhoe Bay remains the largest oil field in North America and ranks among the 20 largest fields ever discovered. When production started at the Prudhoe Bay field the recovery rate of the 25 billion barrels of oil in place was expected to reach 40 percent. Today, using new technologies that estimate has increased to more than 60 percent.

The initial producing area of Prudhoe Bay field has produced more than 12 billion barrels, of which BP's net cumulative production is approximately 4.6 billion barrels of oil equivalent (BOE). Production from the Prudhoe Bay initial producing area averaged approximately 314,000 BOE per day in 2008. The Energy Information Administration estimates the field also contains an estimated recoverable 26 trillion cubic feet of natural gas in an overlying gas cap and in solution with the oil.

Prudhoe Bay produces from the Sadlerochit sandstone formation, nearly 9,000 feet below sea level. The oil bearing column is 500 feet thick in some areas. The Greater Prudhoe Bay Area, which includes the fields of Prudhoe Bay, its satellite fields and the Greater Point McIntyre Area fields, in total produce about 392,000 BOE per day. Cumulative production has exceeded 13 billion barrels; BP's net share is 4.8 billion barrels.

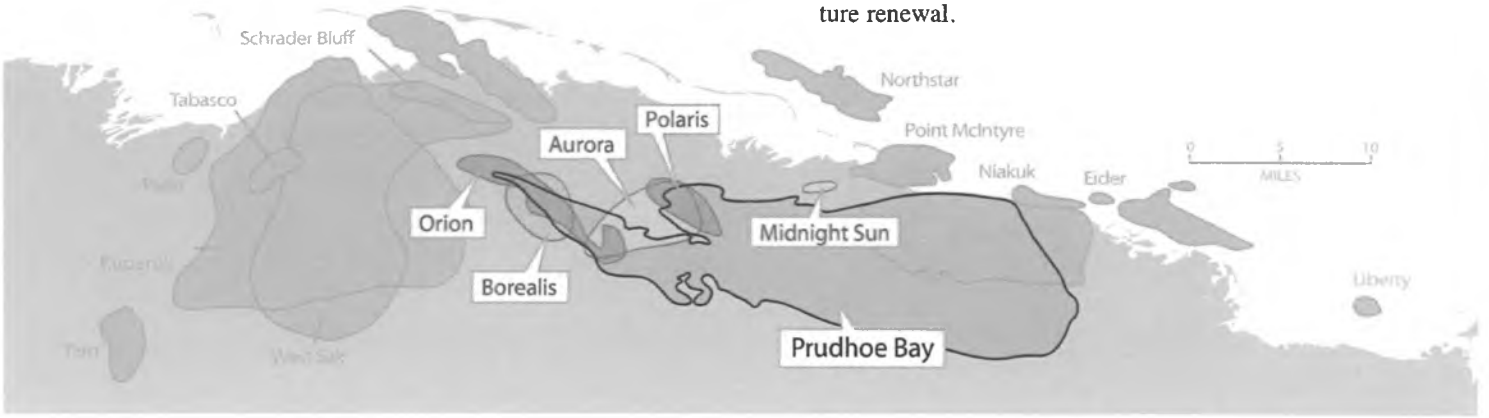
BP's net production from Greater Prudhoe Bay Area averages approximately 98,000 barrels of oil equivalent per day (BOED). Prudhoe Bay was discovered in 1968 and came on-stream June 20, 1977. Production averaged more than 1.5 million barrels of oil and gas liquids per day for more than a decade.

Prudhoe Bay satellites

Satellite fields are smaller accumulations of oil that can often be developed using existing infrastructure. The average daily production from Prudhoe Bay satellites is about 45,700 barrels of oil equivalent per day. BP's net share of that production is about 8,600 barrels. There are five satellite fields currently producing and the liquids are processed through the field's main facilities. Aurora and Borealis satellite fields produce from similar formations. Midnight Sun produces from a sandstone formation at 8,000 feet below sea level. Orion and Polaris fields both produce the difficult heavy oil from the Schrader Bluff formation, at depths of 4,000 to 5,000 feet below sea level. By using advanced drilling technologies we are growing this important resource. The Prudhoe Bay satellite fields have produced more than 118 million barrels of oil equivalent. BP's net cumulative production is approximately 23.4 million barrels of oil equivalent.

Prudhoe Bay renewal

BP completed replacing 16-miles of oil transit lines and put these lines into service in late 2008. The project included rebuilding the main Prudhoe Bay oil delivery system, pigging modules, corrosion inhibitor injection facilities, state-of-the-art leak detection, metering facilities and all the affiliated electrical and emergency systems. This $500 million project incorporates the best technology and materials to ensure safe operations. BP will continue to invest in safe, reliable and efficient operations through infrastructure renewal.



GREATER POINT MCINTYRE

The Greater Point McIntyre Area encompasses Point McIntyre field and the nearby satellite fields of West Beach, North Prudhoe Bay, Niakuk and Western Niakuk. The Lisburne Production Center processes fluids from Point McIntyre Area fields and the Lisburne field. Production averaged about 40,900 barrels per day in 2008. Cumulative production from the Greater Point McIntyre area is 717 million barrels of oil equivalent. BP's cumulative net production is approximately 165 million barrels of oil equivalent.

Point McIntyre

Located seven miles north of Prudhoe Bay, the Point McIntyre field was discovered in 1988 and came on-line in 1993. Point McIntyre contained an estimated 900 million barrels of oil in place, of which about 500 million barrels is recoverable with existing technology. The field's production peaked in 1996 at 170,000 barrels per day. Production averaged about 27,000 barrels per day in 2008. BP produces the field from two gravel drill site pads. Production rates are maintained through drilling new wells, enhanced oil recovery methods and upgrades to facilities.

Drill rig at Point McIntyre.

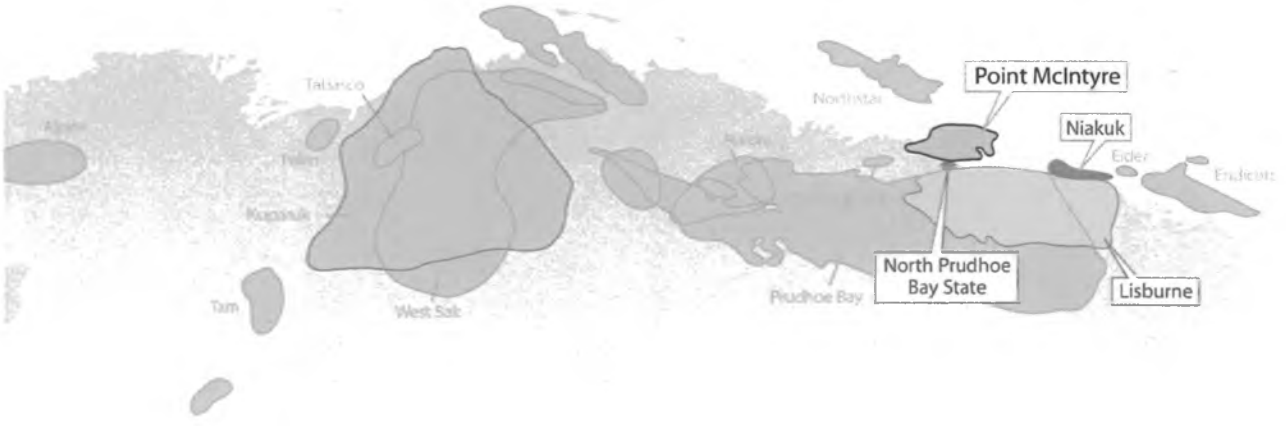
Niakuk and Western Niakuk

The Niakuk fields lie offshore and contain about 300 million barrels of original oil in place. Production in 2008 averaged about 5,500 barrels per day from the lower Cretaceous Kuparuk River formation, a structurally and stratigraphically complex formation.

Lisburne Processing Center

Lisburne

The Lisburne field is a complex, fractured carbonate reservoir that lies underneath and adjacent to the main Ivishak reservoir at Prudhoe Bay. The field was discovered in 1968 along with the Prudhoe Bay field and came on-stream in late 1986. The field contained an estimated 1.8 billion barrels of oil in place. Production averaged about 8,400 barrels per day in 2008. Cumulative production from the Lisburne field is is nearly 189 million barrels of oil equivalent. BP's cumulative net production from the field is approximately 44 million barrels of oil equivalent. Horizontal drilling technology using coiled tubing drilling, along with geosciences techniques to identify fracture and fault locations, have increased production rates in recent years.



The Niakuk and Western Niakuk fields lie offshore of the Prudhoe Bay.

Oil Fields	Point McIntyre	Niakuk	Lisburne
Owners	BP (Operator) ~26% ConocoPhillips ~36% ExxonMobil ~36% Chevron ~2%	BP (Operator) ~26% ConocoPhillips ~36% ExxonMobil ~36% Chevron ~2%	BP (Operator) ~26% ConocoPhillips ~36% ExxonMobil ~36% Chevron ~2%
Field Data			
Participating Field Area	10,834 acres	6,443 acres	79,929 acres
Original Oil in Place	0.8 billion barrels	0.2 billion barrels	1.8 billion barrels
Original Gas in Place	0.9 trillion SCF	0.1 trillion SCF	0.3 trillion SCF
Cumulative Oil Production	Gross Field	Gross Field	Gross Field
Production (12/31/08) (millions of barrels of oil equivalent)	434	91.3	188.5
Current Rates (12/31/08)	Gross Field	Gross Field	Gross Field
Oil (thousands BOE/day)	27	5.5	8.4
Number of Wells			
Oil Producers	61	18	79
Gas Injection	1	0	4
Water Injection	9	7	0
WAG Injection*	6	0	0

** Water Alternating Gas Injector*

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

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February 16, 2012

The Honorable Joe Paskvan
The Honorable Tom Wagoner
Co-Chairs, Senate Resources Committee
Alaska State Senate
State Capitol, Room 119
Juneau, AK 99801

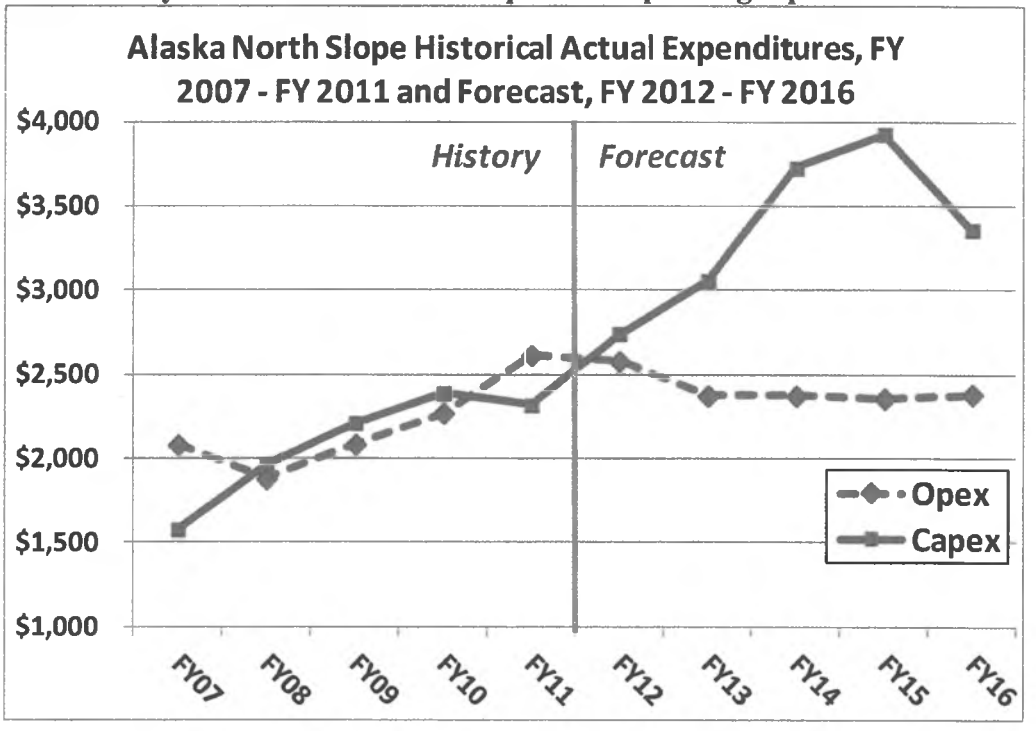
Re: Response to questions from Senate Resources Hearing on February 10, 2012

The purpose of this document is to respond to the follow-up questions raised by the Senate Resources Committee meeting on February 10, 2012.
The requests/questions and responses follow.

1) **Provide details on Texas reserves tax.**

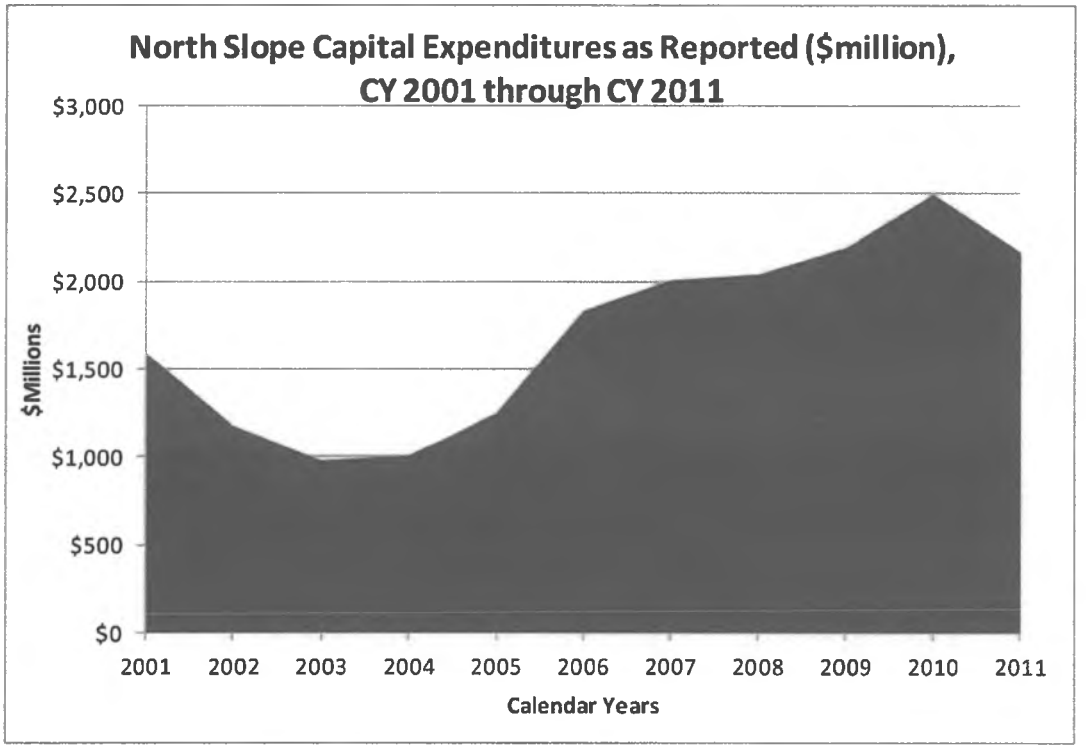
The Texas fiscal system is discussed on page 37 of our publication "Alaska's Oil and Gas Fiscal Regime – A Closer Look from a Global Perspective." Texas includes oil and gas reserves in their property tax calculation; property taxes are assessed at 2.5 percent, levied on the fair market value of reserves as determined by discounted present value. This rate reflects a statewide percent average for counties and school districts.

2) **Add several years of forecasts to our capital and operating expenditure slide.**



3) Provide expenditure history beginning in 2000 or as far back as we have it

Slide 6 of our presentation includes the 5 fiscal years of actual operating and capital expenditure information, subsequent to the enactment of a net profits tax, based on company submitted annual returns and monthly information forms. This slide, which is included above with extended forecast information per the committee's request, represents the extent of our complete data for total lease expenditures. We do not have complete operating expenditure information prior to FY 2007.
For capital expenditures, we do have data on a calendar year basis beginning with 2001. That information was provided to the committee in Chart 3 of the "Oil & Gas Tax Status Report 2011" dated January 18, 2011 and has been updated here for your convenience.



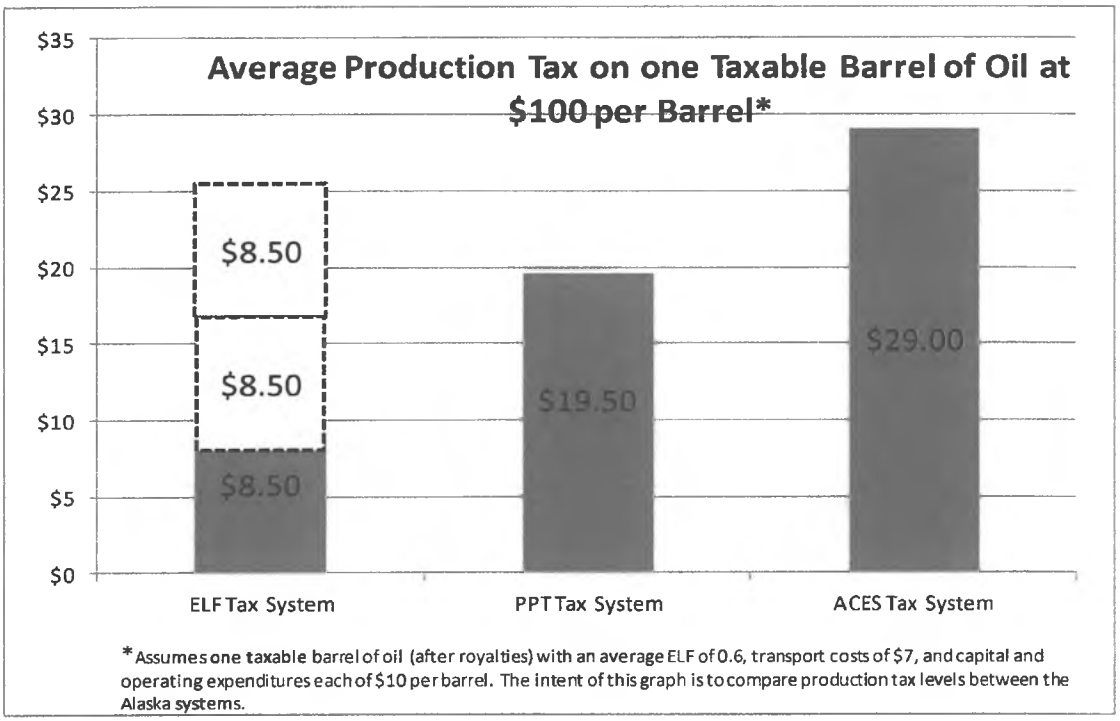
4) Provide calculations for how we arrive at $29 tax per barrel at $100 and provide the tax per barrel chart on Slide 10 with PPT included.

The illustration presented to the Senate Resources Committee was primarily intended to show how the production tax under the ELF system compares to the production tax under the ACES system at today's oil prices. The tax calculation was simplified for a wider audience by removing reference to royalties. The calculation as indicated in the slide presented for the Senate Resources Committee assumes that the barrel is a "taxable" barrel. If we had included royalties in the calculation, the numbers would have been slightly lower, but the effect would have been the same—that is, at $100 per barrel, the ACES tax was triple the amount it would have been under the ELF tax system.

The following calculations show how the $29 in tax per taxable barrel (without the impact of royalties) is calculated under ACES at $100 per barrel. We also include the calculations under ELF and PPT per the request of the committee. As noted, this example assumes transportation costs of $7 per barrel, and capital and operating expenditures each of $10 per taxable barrel. The calculation for the PPT assumes that TIE credits add credits equal to 10% of the capital expenditures. These assumptions are in line with the level of expenditures in place when ACES was implemented in FY 2008.

Again, the high-level simplistic analysis is intended to show how the tax burden changed from ELF to PPT to ACES. As shown, PPT more than doubled the tax burden compared to the ELF system, while ACES more than tripled it.

Tax Calculations - One TAXABLE barrel				
	ELF	**PPT**	**ACES**	
Destination Value	$100.00	$100.00	$100.00	
Value at Wellhead	$93.00	$93.00	$93.00	
Prod Tax Value	--	$73.00	$73.00	
Base tax rate	15.0%	22.5%	25.0%	
Progressive tax rate	--	8.3%	17.2%	
Total tax rate	15.0%	30.8%	42.2%	
Average ELF (2006)	0.6	--	--	
Tax before credits	$8.37	$22.45	$30.81	
Credits**	--	$3.00	$2.00	
Tax after credits (rounded)	$8.50	$19.50	$29.00	
**PPT tax calculation assumes TIE credits of $1 per barrel				



5) Provide information on Cook Inlet and how SB 309 impacted activity at different prices, credits, and tax rates. Provide examples of what SB 309 has done to incentivize activity.

SB 309 (2010), which was later incorporated into HB 280 (2010), "The Cook Inlet Recovery Act," expanded the alternative tax credit for oil and gas exploration under AS 43.55.025 and changed the existing Gas Exploration and Development credit under AS 43.20.043. SB 309 created what is commonly referred to as the "Cook Inlet Jack-up Rig Credit," which offers a credit to the first three unaffiliated persons that drill an offshore exploration well for the purposes of discovering oil or gas in Cook Inlet that penetrates and evaluates a prospect in the pre-Tertiary zone using a jack-up rig. Following the bill's passage, Furie Operating Alaska (formerly Escopeta) used a jack-up rig to begin drilling the KLU No. 1 well in Cook Inlet in September 2011. Escopeta cited the Jack-up Rig Credit as incentive to drilling the KLU No. 1 well. A second company, Buccaneer Alaska, expects to have a jack-up rig in Cook Inlet in April 2012 and begin drilling May.

SB 309 also increased the existing Gas Exploration and Development credit under AS 43.20.043. It increased the credit from 10% to 25% of qualified expenditures beginning January 1, 2010 and increased the amount of corporate income tax liability the credit can offset from 50% to 75%. While these changes are an incentive for natural gas exploration and development in Cook Inlet, the amount of Gas Exploration and Development credits applied against corporate income tax liability cannot be reported due to taxpayer confidentiality constraints.

Senate Bill 309 and the natural gas storage credit provisions in HB 280 have expanded the incentives for developing both oil and gas in Cook Inlet. There has been a resurgence of interest and activity in Cook Inlet that may be at least partially attributable to the incentives provided. However, the department cannot determine with any certainty the exact impact that oil or gas prices, credits, and tax rates would have had on Cook Inlet activity.

6) **How many wells have come back into production due to high prices in Texas that were previously shut in?**

We contacted the Oil and Gas Division of the Railroad Commission of Texas to assist with this request. They compared two snapshots of their wellbore database, one as of 1/31/2012 and one as of 1/31/2007.

Of the 90,174 wellbores wells that were inactive as of 1/31/2007, 19,028 are now plugged, 15,271 have been returned to active operation or worked over, and 55,875 remain in inactive status.

Note: this is a comparison of two snapshots in time. If a well had returned to active operation and then became inactive again, or if a well had returned to active operation and then been plugged, those would not show up in the data. One cannot point to high oil prices as the sole factor in play here. For example, in 2009 Texas adopted additional requirements associated with an operator's inactive well inventory; the resulting cleanup of records as well as restoration of wells to activity to avoid those requirements may have also contributed (in an indeterminable degree) to the shift.

7) **Provide backup for Alaska's 26.8% effective tax rate in slide 11**

The 26.8% effective tax rate was calculated by the Montana Department of Revenue as follows:

Oil and Gas Revenue Collected divided by the Value of Oil and Natural Gas Produced = $6,900,000,000/$25,741,800,390 = 26.8%

Based on the total revenue the Montana Department of Revenue included, it appears that they incorporated only the production tax and the petroleum property tax into their totals and did not include state petroleum royalties or corporate income tax.

I hope these answers fully address your questions.

Sincerely,

Bruce Tangeman
Deputy Commissioner

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

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The Honorable Bert Stedman
The Honorable Lyman Hoffman
Co-Chairs, Senate Finance Committee
Alaska State Senate
Juneau, AK 99801

February 16, 2012

Re: Response to questions from Senate Finance Hearing on February 2, 2012

Dear Senators Stedman and Hoffman:

The purpose of this document is to respond to the follow-up questions raised by the Senate Finance Committee meeting on February 2, 2012.
The requests/questions and responses follow.

1) **Provide what information the Department of Revenue (DOR) has about facilities constraining oil production (i.e. lack of gas or water handling capacity).**

Most of the facilities on the slope are constrained by either available gas handling or water handling capacity or both. Gas handling constraints are the reason we see the large swings when comparing summer to winter production. This is because of ambient temperature fluctuations. Gas compressors are powered by gas turbines whose efficiency and power output vary significantly with the ambient temperatures. Colder ambient temperatures yield high horsepower outputs and increased gas compression capacities. Well oil production on the slope is optimized to an incremental GOR (gas oil ratio) and WOR (water oil ratio) based on facility handling constraints.

The department accounts for facility handling constraints in its production forecast on an individual well basis. The well history will include when the well was producing versus when the well was shut in based on facility handling constraints. In fitting a decline curve, the shut in periods of time are factored in and reflected in the forecast.

2) **Provide further breakdown of FY 13 / 14 / 15 expenditure forecasts as much as possible.**

The Department of Revenue is seeking clarification from the Department of Law on the extent to which it can disclose information about expenditure forecasts provided by companies.

3) **What amount of expenditures is made by oil companies that are not deductible for purposes of the ACES tax?**

The amount of expenditures that are not deductible for the ACES tax is not reported to the Department of Revenue. There are several expenditures that are specifically excluded from qualifying as lease expenditures under ACES at AS 43.55.165(e), such as costs for dismantlement, removal, surrender or abandonment of a facility, pipeline, or other property used for producing oil and/or gas. Costs for deferred maintenance are also disallowed as well as a limitation on capital expenditures (the "$.30 haircut" under AS 43.55.165(e)(18)).

Regulations detailing qualified lease expenditures are written to conform to allowable costs as provided for under most joint operating agreements (JOAs). Most JOAs (as well as our lease expenditures) allow direct costs of production as well as an allowance for overhead expenses. The state allows a fixed percentage of 4.5% of direct costs as an overhead allowance that may be deducted as lease expenditures. The statutes provide that only those costs that are related to exploring for, developing, or producing oil or gas may be deducted as lease expenditures. Therefore, expenditures that are related to research and development type costs are not allowed as lease expenditures since they are not expenditures related to exploring for, developing, or producing oil or gas.

4) **How much production do the credits the state has issued translate out to?**

Based on our understanding of the question, the intent is to translate production tax credits in each year to a certain amount of production for each year. To illustrate this concept, we present total credits in each year relative to lease expenditures per barrel in each year. The resulting calculation illustrates the number of barrels for which the costs would be covered by the total credits in each fiscal year. When viewing this data, note that many credits are issued to companies that are not producing oil, and also that many if not most credits represent investments in future production as opposed to current year production.

Illustration of Amount of Production that would be paid for by tax credits, FY 2007-FY 2012

	FY 2007 / Pre-2008 [1]	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Total Credits [2] ($ million)	$673	$509	$641	$773	$863	$533
Total Lease Expenditures ($ million)	$3,659	$3,848	$4,297	$4,659	$4,931	$5,322
ANS Production, bpd	734,000	716,000	693,000	644,000	603,000	574,000
Lease Expenditures per Barrel of Total Production	$13.70	$14.70	$17.00	$19.80	$22.40	$25.30
Total Credits / Lease Expenditures per Barrel	49,124,000	34,626,000	37,706,000	39,040,000	38,527,000	21,067,000

(1) To simplify this analysis all "pre-2008" credits are shown relative to FY 2007 production.
(2) Includes both tax credit certificates and credits applied against production tax liability. FY 2011 and FY 2012 are estimated pending final true-ups.

5) Provide history of year-forward forecasts (ie 2011 forecast for FY 12, 2010 forecast for FY 11, etc).

The following table presents the Fall forecasts for lease expenditures for the following year (ie Fall 2007 forecast for FY 2008, etc), for Fall 2007 through Fall 2011 forecasts. We also include the actual lease expenditures for the first four years.

Year-forward lease expenditure forecasts and actuals

Forecast	Year Forecasted	Forecast Opex ($ millions)	Actual Opex ($ millions)	Forecast Capex ($ millions)	Actual Capex ($ millions)	Forecast Total ($ millions)	Actual Total ($ millions)
Fall 2007	FY 2008	$ 2,149	$ 1,881	$ 2,188	$ 1,967	$ 4,337	$ 3,848
Fall 2008	FY 2009	$ 2,153	$ 2,085	$ 2,373	$ 2,212	$ 4,526	$ 4,297
Fall 2009	FY 2010	$ 1,996	$ 2,270	$ 2,505	$ 2,389	$ 4,501	$ 4,659
Fall 2010	FY 2011	$ 2,553	$ 2,614	$ 2,572	$ 2,317	$ 5,125	$ 4,931
Fall 2011	FY 2012	$ 2,579		$ 2,743		$ 5,322	

Source: Fall 2007-Fall 2011 Revenue Sources Book "Basic Data" tables

6) Break out credit for Cook Inlet.

See attached S FIN 2.2.12 credits.pdf

7) Update credit slides with FY 2013 projections.

See attached S FIN 2.2.12 credits.pdf

8) Provide information about the basis of our 10-year property tax forecast.

Property taxes are difficult to forecast for a variety of reasons. As such, in forecasting petroleum property taxes, the Department has adopted a simple model which takes the previous year assessed tax value, and projects it forward with assumptions that depreciation slightly offsets appreciation. This is a conservative estimate. The state's petroleum property tax forecast is outlined at the top of page 27 of the Department's Fall 2011 Revenue Sources Book.

9) Show municipal and state shares each year.

The property tax forecast is limited to the state's share. The Department does not forecast municipal property taxes. However, the Department does acquire current fiscal year property tax by municipality. The breakdown can be found on page 43 of the Department's Fall 2011 Revenue Sources Book. It is the Department's understanding that certain municipalities may conduct their own property tax forecasts, but the Department does not receive or review those forecasts.

10) Compare our forecast to expectations based on the Gleason decision.

The Department has not performed further property tax forecasting based on Judge Gleason's recent decision. Judge Gleason's decision is not yet "final" at the Superior Court level, and will likely get appealed to the Alaska Supreme Court for a final determination

11) Provide a history for CBRF (slide 4) of starting balance and fund flows.

See attached document named S FIN 2.2.12 CBRF Analysis Chart.pdf, which has been prepared in response to a question regarding the Constitutional Budget Reserve Fund cash flows. We started in 1991 with the appropriation into the CBRF. Each of the blue bars represents either a contribution or withdrawal into the CBRF. The investment income (represented by the green line) plus the cumulative amount contributed (represented by the light blue fill) equals the net asset value (represented by the black dotted line). We have also placed the various tax structures and price of oil on the graph so that a historical construct can be made around the CBRF inflow and outflows.

12) Provide a history of monthly cash flows for PCE… appropriations, earnings, payments out, and rates of return.

See attached document named S FIN 2.2.12 PCE Analysis – FY11 & FY12.pdf, which shows the monthly contributions, withdrawals and income or loss to the Power Cost Equalization fund along with rates of return. This information is updated monthly on the Department of Revenue's website http://www.dor.alaska.gov/treasury/programs/programs/other/ifr/index.aspx?2012

13) Make a recommendation for changes to PCE payout rates and rates of return.

The Power Cost Equalization Endowment (PCE) provides ongoing funding to assist in stabilizing electricity rates throughout the state as well as to make grants to improve state utility performance. The key operating assumptions set in statute are for the commissioner of revenue to invest the endowment to achieve at least a seven percent nominal return over time and for the endowment to provide for annual disbursements of seven percent based on the past 36 month endowment balance.

Since the PCE's expected long term return of 7% is equal to the 7% disbursement level, the fund and the purchasing power of disbursements can be expected to diminish with inflation over time absent additional state support. Many endowments are structured to payout current benefits while protecting future purchasing power to provide a similar level of future benefits. Funds are generally designed to accomplish this by targeting a rate of return that exceeds the payout level by the expected inflation rate.

The addition of $400 million to the PCE in July of 2011 provides the state with an opportunity to protect the endowment against inflation without requiring an increase in risk or a reduction from recent appropriations.

The endowment targets a nominal rate of return of at least 7% which necessitates a relatively high level of risk. This level of risk and return is reasonable since it is consistent with the long term ability of the endowment to bear risk.

To protect the endowment from inflation, I recommend decreasing the appropriation level. The long term expectation for inflation is 3%. Since the target return is 7%, this leaves 4% for appropriation. Over the long term, a 4% real rate of return for appropriation should be achievable.

As a result of the recent $400 million infusion, a 4% appropriation should result in disbursements increasing by 30% from $22.9 million in FY2011 to an estimated $29.8 million in FY2014. The additional capital is averaging into the appropriation calculation over a three year period between FY2012 and FY2014. To avoid a reduction in the level of recent appropriations, I would recommend transitioning to the 4% rate by fixing the appropriations for FY2012 and FY2013 at $25 million and $27.3 million. The following table provides the recent appropriations, the 4% estimates, and the recommendation:

Fiscal Year	(a) 36 Month Average Value	(b) Appropriation	(c) 4% Calculation	(d) Recommendation
FY2008	301,024,639	21,071,725		
FY2009	340,491,397	23,834,398		
FY2010	338,189,252	23,673,248		
FY2011	327,150,521	22,900,536		
FY2012 est.	*468,541,379*		*18,700,000*	*25,000,000 fixed $*
FY2013 est.	*606,523,926*		*24,300,000*	*27,300,000 fixed $*
FY2014 est.	*744,575,228*		*29,800,000*	*29,800,000 4%*

Protecting the Power Cost Equalization Endowment from the impact of long term inflation will help preserve the purchasing power of the endowment and allow for future benefits to increase with inflation. The current disbursement model is likely to result in either decreasing future disbursements or the need for additional state support. The state has a unique opportunity this fiscal year to move toward inflation-proofing this endowment without increasing risk or decreasing the level of recent appropriations.

14) Provide a report about the PF earnings reserve account over the past 5 years, balances, and how it was invested.

See attached document named S FIN 2.2.12 APFC earnings reserve.pdf

I hope the answers fully address your questions.

Sincerely,

Bruce Tangeman
Deputy Commissioner

Enclosures

Production Tax Credits

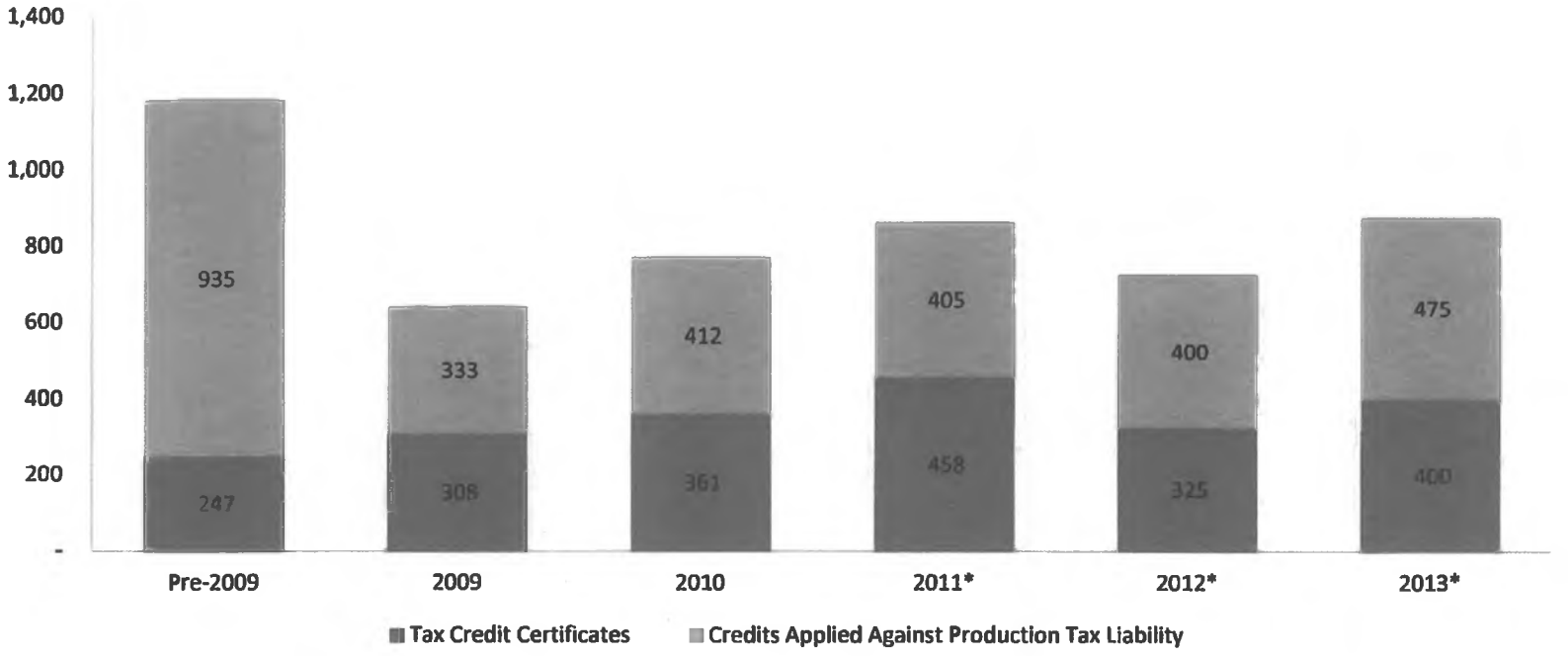
Total Production Tax Credit Impact through FY 2013 ($M)

	Pre-2009	2009	2010	2011*	2012*	2013*	Total
Tax Credit Certificates	247	308	361	458	325	400	2,099
Credits Applied Against Production Tax Liability	935	333	412	405	400	475	2,961
Total by Year	1,182	641	773	863	725	875	5,060

***Estimated pending final true-ups**

Production Tax Credits

By Fiscal year ($M)



* Estimates pending final true-ups

Transferable Tax Credits Certificates Claimed by Fiscal Year ($M)

Credit Type	Pre-2008	2008	2009	2010	2011	2012*	Total
Capital Expenditure - .023(a)(1)	52.3	78.4	66.9	114.9	160.7	83.4	556.7
Capital Expenditure Exploration - .023(a)(2)	15.9	13.3	42.6	34.7	4.6	0.4	111.5
Carried Forward Annual Loss .023(b)	38.1	148.5	153.8	140.4	188.6	8.3	677.7
Well Lease Expenditure - .023(l)					9.4	23.8	33.2
Exploration -.025	93.2	85.5	56.6	99.5	2.4	2.5	339.7
Total	199.6	325.7	320.0	389.5	365.7	118.4	1,718.9

* through December 2011

Transferable Tax Credit Certificate Activity by Fiscal Year ($M)

	Pre-2008	2008	2009	2010	2011	2012*	Total
Issued	116.0	130.8	308.0	361.3	458.0	132.9	1,507.1
Refunded	(54.6)	(54.1)	(193.1)	(250.5)	(450.2)	(273.5)	(1276.1)
Transferred/ Applied to Taxes	(52.3)	(62.7)	(46.6)	(20.0)	(7.4)	0	(189.0)
Activity by year	9.1	14.0	68.3	90.8	.3	(140.5)	
Transferable Tax Credit Certificates Outstanding	9.1	23.1	91.5	182.3	182.6	42.0	42.0

* through December 2011

Credits Applied Against Production Tax Liability, by Fiscal Year ($M)

	Pre-2009	2009	2010	2011*	2012*	2013*	Total
Capital Exp Credit AS 43.55.023(a) & (l)	511	278	342	345	360	415	2,252
TIE Credits AS 43.55.023(i)	244	0	0	0	0	0	244
Small Producer Credits AS 43.55.024	77	27	27	41	35	35	242
Exploration Credits AS 43.55.025	103	28	42	19	5	25	222
Totals	935	333	412	405	400	475	2,961

*estimated pending final true-up

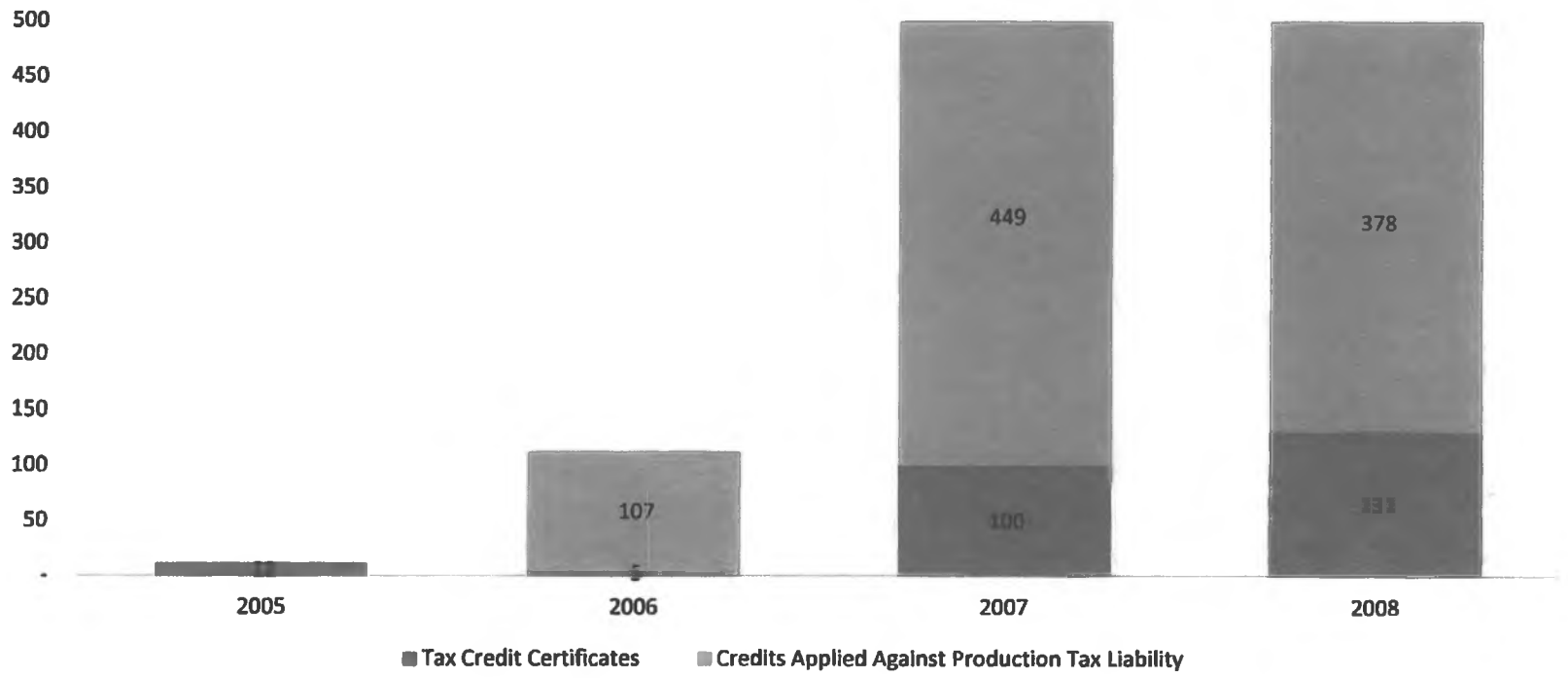
Production Tax Credits

Fiscal Years 2005 – 2008
($M)

	2005	2006	2007	2008	Total
Tax Credit Certificates	11	5	100	131	247
Credits Applied Against Production Tax Liability		107	449	378	935
Total by Year	11	112	549	509	1,182

Production Tax Credits

Fiscal Years 2005 – 2008
($M)



State of Alaska
Department of Revenue

Commissioner Bryan Butcher

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The Honorable Joe Paskvan
Alaska State Senator
State Capitol, Room 115
Juneau, Alaska 99801

February 20, 2012

Dear Senator Paskvan:

I am writing in response to your recent questions regarding the "Gas Partial Processing Plant," and specifically, your requests for information on:

1) Whether BP has applied for a tax credit for this project; and
2) If so, provide the details including the amount of credits rewarded.

The provisions of Alaska statutes 40.25.100 and 43.05.230(a) require the Department to hold information provided in returns or reports confidential. These statutes are taken seriously by all Department staff. Generally speaking, the Department is required to keep all taxpayer information that it receives confidential. Alaska statute 43.05.230(f) makes it a crime for an individual to release such information, punishable by up to a $5,000 fine, or two years in jail, or both.

I hope our response fully answers your question.

Sincerely,

Bruce Tangeman
Deputy Commissioner

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

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The Honorable Joe Paskvan
Alaska State Senator
State Capitol, Room115
Juneau, Alaska 99801

February 21, 2012

Re: Memo dated January 28, 2012.

Dear Senator Paskvan:

This letter is in response to the memo you sent to me on January 28, 2012, with questions regarding Alaska's hypothetical income statement using Department of Revenue price, production, and tax and credit forecasts. Below, I have itemized your requests and questions and my responses based on enumerated paragraphs from your memo.

Paragraph 3: "I request charts/slides for FY 11, FY12 and FY13 in the income statement format [i.e. in a similar format to Fall 2011 RSB D-1a, D-1b, and D-1c] showing in a new column to the right side of the current Value column the 25% private royalty load and the 10% gross production tax load. I would like the royalty amount to appear in the same horizontal line as Alaska's royalty and I would also like to have the gross production tax to appear on the same horizontal line as Total Tax before credits. For each year, the same revenue earned in Alaska is to be used such that the 25% and 10% load is applied for FY11 on revenue [$million] of $20,786.7, for FY12 on revenue of $22,848.2 and for FY13 on revenue of $22,185.1."

Response: Figures 1 through 3, attached to the end of this letter, are modifications on figures D-1a, D-1b, and D-1c, from the *Fall 2011 Revenue Sources Book* (RSB), as requested. I added a column on each figure where calculations of hypothetical royalty and gross tax are shown.

I am concerned with the assertion in your January 28 memo that the royalty rates in North Dakota and Texas are 25 and 35 percent, respectively. These values are the extreme high values of a range you may have seen in the comparison table in DOR's publication titled *Alaska's Oil and Gas Fiscal Regime* (January 2012).[1]

[1] Alaska Department of Revenue, 2012, Alaska's Oil and Gas Fiscal Regime – A Closer Look from a Global Perspective. Table 6-2 provides minimum and maximum ranges of values for fiscal term elements for twelve jurisdictions that comprise Alaska's fiscal regime peer group.

I believe that if, for simplicity, you want to model a single royalty rate and a single severance tax rate, it is prudent to use values similar to those recommended by PFC Energy and others in their *World Rating of Oil and Gas Fiscal Terms (2011)*, which quotes a royalty rate of 18.75 percent and severance tax rate of 11.5 percent used for modeling North Dakota and a royalty rate of 25 percent and severance tax rate of 4.6 percent for modeling Texas. I use assumptions for your request that are more representative of fiscal terms for North Dakota[2].

Paragraph 4: "My very rough calculations using, for example, FY11 revenue show royalty at $5,196.6 [I have not factored in federal royalty monies] and gross resource tax at $2,078.6 for a total of $7,275.2. Is this accurate?"

Response: It appears that the value you calculated, $5,196.6 million, is the value of royalty production assuming price and gross annual production equals the values seen in the Fall 2011 RSB D-1a, but using a 25 percent royalty rate.

Your gross tax calculation is incorrect. In most states, the royalty interest in oil produced from a state, federal or municipal oil and gas lease is exempt from severance tax. Almost all of Alaska's oil and gas are produced from leases that would qualify in most states for royalty oil exemption from severance tax. I would recommend assuming all royalty production is exempt from severance tax in your hypothetical example, since that is the case in Alaska, and that is the way that I have done the calculation in the tables provided with this letter.

Paragraph 5: "In FY11, FY12, FY13 charts/slides, I would like to also show for each year the credits for potential purchase as shown on page 31 of Fall 2011 RSB. This results, for example, in a reduction from $4,501.28 to $4,051.28 in FY11 at the bottom line."

Response: Figures 1 through 3, attached to the end of this letter, include the requested modifications.

Paragraph 6: "The no OPEX or CAPEX deduction or credits are not to be factored into the far right hand column as North Dakota does not have deductions or credits. Is this correct?"

Response: North Dakota does not offer direct OPEX or CAPEX deductions or credits.

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[2] PFC Energy, Van Meurs Corp., and Rodgers Oil & Gas Consulting, 2011, World Rating of Oil and Gas Terms: Volume 1, North America, Annex C. A detailed breakdown and description of North Dakota's fiscal terms is provided on pages 100 – 105 of Annex C. A detailed breakdown and description of Texas' fiscal terms is provided on pages 114 – 116 of Annex C.

Paragraph 7: "On a different topic, how many barrels are excluded under the footnote 2 to the income statement? Also, what models, as discussed in footnote 4, can be shared with Senate Resources?"

Response: Regarding Footnote 2, disclosing production attributed to companies expected to have zero tax liability would violate DOR confidentiality constraints. Regarding Footnote 4, we shared an ACES and HB110 revenue model with you on March 17, 2011. This model is still a good tool to apply to these issues. The "larger models" referred to in Footnote 4 include confidential taxpayer information and cannot be made public.

Paragraph 8: "I also request that DOR prepare a chart/slide using the FY13 income statement depiction but changing only one variable which is to increase the ANS Oil Price to $110.46. This is a $1/bbl increase as to FY13, D-1c in Fall 2011 RSB."

Response: Figure 4 provides the change as requested.

I hope this letter fully addresses your needs on these issues. Please remember that the original estimates in figures D-1a, D-1b, and D-1c of the RSB are simplifications of complicated tax and credit calculations and do not accurately reflect Department of Revenue expectations. Calculations based on modifying these figures are subject to the same accuracy issues. The modifications are provided here at your request and do not reflect Department of Revenue expectations.

Sincerely,

Bryan Butcher
Commissioner

Figure 1. FY 2011 production tax estimate, reproduced from Fall 2011 RSB Figure D-1a Income Statement. Modified by adding column with hypothetical calculations (highlighted) added at the request of Senator Paskvan.

			As reported in Fall 2011 RSB	Per Paskvan Request
	Price	**Barrels**	**Value ($MM)**	**Value ($MM)**
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$94.49	602,723	$56.9	$56.9
Annual Production (bbl)				
Total		219,993,895	$20,786.7	$20,786.7
Royalty, Federal and other barrels[1]		-29,505,505	($2,787.9)	
Hypothetical Royalty at 18.75%, 100% Exempt bbls.		-41,248,855		($3,897.5)
Taxable Value[2]			$17,998.8	$16,889.2
Downstream (Transportation) Costs ($/bbl)				
ANS Marine Transportation	($2.45)			
TAPS Tariff	($4.02)			
Other	($0.70)			
Total Transportation Costs on Taxable Barrels	($7.17)	190,488,390	($1,365.8)	
Deductible Lease Expenditures[3]				
Deductible Operating Expenditures	($13.22)		($2,517.4)	
Deductible Capital Expenditures	($8.52)		($1,622.9)	
Total Lease Expenditures on Taxable Barrels	($21.74)	190,488,390	($4,140.3)	
Hypothetical Gross Production Tax				
Hypothetical Gross Tax at 11.5%				$1,688.9
Current Net Production Tax				
Production Tax Value (PTV)			$12,492.6	
Base Tax (25%*PTV)			$3,123.2	
Production Tax Value per barrel	$65.58			
Progressive Tax = (14.2% * PTV)			$1,778.1	
Total Tax before credits			$4,901.2	
Credits Used Against Tax Liability ($MM)			($400.0)	
Estimated Total Tax After Credits Against Taxes[4]			**$4,501.2**	
Credits for Potential Purchase ($MM)			($450.0)	
Estimated Total State Revenue After Credits			**$4,051.2**	
Hypothetical Royalty + Production/Severance Tax			**($6,839.1)**	**($5,586.4)**

Notes: (1) Royalty, Federal and other barrels represents our best estimate of barrels that are not taxed. This estimate includes both state and federal royalty barrels, barrels produced from federal offshore property, and barrels used in production. For purposes of this calculation, also includes barrels produced by companies with negative PTV.

(2) For purposes of this illustration, to more closely reflect actual tax received by the state, "taxable value" shown here excludes the value of barrels produced by companies expected to have zero tax liability.

(3) Deductible Lease Expenditures represents our best estimate of lease expenditures that are applicable to currently producing fields that are likely to produce a tax liability for the company or companies producing them. The per-barrel expenditures reflect expenditures per taxable barrel and do not reflect expenditures per all barrels produced.

(4) Estimated Total Tax after credits is a calculated total based on constant daily production, constant oil prices, constant expenditures for the entire year, and no company specific information. Variations in these assumptions captured in larger revenue models will produce different results that differ from the estimates in the simple model above.

Figure 2. FY 2012 production tax estimate, reproduced from Fall 2011 RSB Figure D-1b Income Statement. Modified by adding column with hypothetical calculations (highlighted) added at the request of Senator Paskvan

			As reported in Fall 2011 RSB	Per Paskvan Request
	Price	**Barrels**	**Value ($MM)**	**Value ($MM)**
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$108.98	574,373	$62.6	$62.6
Annual Production (bbl)				
Total		219,993,895	$23,975.8	$23,975.8
Royalty, Federal and other barrels[1]		-29,505,505	($3,215.6)	
Hypothetical Royalty at 18.75%, 100% Exempt bbls.		-41,248,855		($4,495.5)
Taxable Value[2]			$20,760.2	$19,480.3
Downstream (Transportation) Costs ($/bbl)				
ANS Marine Transportation	($2.71)			
TAPS Tariff	($5.16)			
Other	($0.85)			
Total Transportation Costs on Taxable Barrels	($8.72)	190,488,390	($1,661.4)	
Deductible Lease Expenditures[3]				
Deductible Operating Expenditures	($13.22)		($2,517.4)	
Deductible Capital Expenditures	($8.52)		($1,622.9)	
Total Lease Expenditures on Taxable Barrels	($21.74)	190,488,390	($4,140.3)	
Hypothetical Gross Production Tax				
Hypothetical Gross Tax at 11.5%				$1,948.0
Current Net Production Tax				
Production Tax Value (PTV)			$14,958.4	
Base Tax (25%*PTV)			$3,739.6	
Production Tax Value per barrel	$78.53			
Progressive Tax = (19.4% * PTV)			$2,903.5	
Total Tax before credits			$6,643.1	
Credits Used Against Tax Liability ($MM)			($400.0)	
Estimated Total Tax After Credits Against Taxes[4]			**$6,243.1**	
Credits for Potential Purchase ($MM)			($450.0)	
Estimated Total State Revenue After Credits			**$5,793.1**	
Hypothetical Royalty + Production/Severance Tax			**($9,008.8)**	**($6,443.5)**

Notes: (1) Royalty, Federal and other barrels represents our best estimate of barrels that are not taxed. This estimate includes both state and federal royalty barrels, barrels produced from federal offshore property, and barrels used in production. For purposes of this calculation, also includes barrels produced by companies with negative PTV.

(2) For purposes of this illustration, to more closely reflect actual tax received by the state, "taxable value" shown here excludes the value of barrels produced by companies expected to have zero tax liability.

(3) Deductible Lease Expenditures represents our best estimate of lease expenditures that are applicable to currently producing fields that are likely to produce a tax liability for the company or companies producing them. The per-barrel expenditures reflect expenditures per taxable barrel and do not reflect expenditures per all barrels produced.

(4) Estimated Total Tax after credits is a calculated total based on constant daily production, constant oil prices, constant expenditures for the entire year, and no company specific information. Variations in these assumptions captured in larger revenue models will produce different results that differ from the estimates in the simple model above.

Figure 3. FY 2013 production tax estimate, reproduced from Fall 2011 RSB Figure D-1c Income Statement. Modified by adding column with hypothetical calculations (highlighted) added at the request of Senator Paskvan

			As reported in Fall 2011 RSB	Per Paskvan Request
	Price	**Barrels**	**Value ($MM)**	**Value ($MM)**
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$109.47	555,227	$60.8	$60.8
Annual Production (bbl)				
Total		202,657,895	$22,185.1	$22,185.1
Royalty, Federal and other barrels[1]		-30,158,081	($3,301.4)	
Hypothetical Royalty at 18.75%, 100% Exempt bbls.		-37,998,355		($4,159.7)
Taxable Value[2]			$18,883.7	$18,025.4
Downstream (Transportation) Costs ($/bbl)				
ANS Marine Transportation	($2.70)			
TAPS Tariff	($4.96)			
Other	($0.91)			
Total Transportation Costs on Taxable Barrels	($8.56)	172,499,814	($1,477.0)	
Deductible Lease Expenditures[3]				
Deductible Operating Expenditures	($13.75)		($2,372.5)	
Deductible Capital Expenditures	($15.36)		($2,648.9)	
Total Lease Expenditures on Taxable Barrels	($29.11)	172,499,814	($5,021.5)	
Hypothetical Gross Production Tax				
Hypothetical Gross Tax at 11.5%				$1,802.5
Current Net Production Tax				
Production Tax Value (PTV)			$12,385.2	
Base Tax (25%*PTV)			$3,096.3	
Production Tax Value per barrel	$71.80			
Progressive Tax = (16.7% * PTV)			$2,070.7	
Total Tax before credits			$5,167.0	
Credits Used Against Tax Liability ($MM)			($450.0)	
Estimated Total Tax After Credits Against Taxes [4]			**$4,717.0**	
Credits for Potential Purchase ($MM)			($400.0)	
Estimated Total State Revenue After Credits			**$4,317.0**	
Hypothetical Royalty + Production/Severance Tax			**($7,618.5)**	**($5,962.3)**

Notes: (1) Royalty, Federal and other barrels represents our best estimate of barrels that are not taxed. This estimate includes both state and federal royalty barrels, barrels produced from federal offshore property, and barrels used in production. For purposes of this calculation, also includes barrels produced by companies with negative PTV.

(2) For purposes of this illustration, to more closely reflect actual tax received by the state, "taxable value" shown here excludes the value of barrels produced by companies expected to have zero tax liability.

(3) Deductible Lease Expenditures represents our best estimate of lease expenditures that are applicable to currently producing fields that are likely to produce a tax liability for the company or companies producing them. The per-barrel expenditures reflect expenditures per taxable barrel and do not reflect expenditures per all barrels produced.

(4) Estimated Total Tax after credits is a calculated total based on constant daily production, constant oil prices, constant expenditures for the entire year, and no company specific information. Variations in these assumptions captured in larger revenue models will produce different results that differ from the estimates in the simple model above.

Figure 4. Hypothetical FY 2013 calculation, similar to Figure 3 (above), but with average ANS price set at $110.46, all other input elements remain as shown in Figure 3. Produced at the request of Senator Paskvan.

			As reported in Fall 2011 RSB
	Price	**Barrels**	**Value ($MM)**
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$110.46	555,227	$61.3
Annual Production (bbl)			
Total		202,657,895	$22,385.6
Royalty, Federal and other barrels[1]		-30,158,081	($3,331.3)
Taxable Value[2]			$19,054.3
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	($2.70)		
TAPS Tariff	($4.96)		
Other	($0.91)		
Total Transportation Costs on Taxable Barrels	($8.56)	172,499,814	($1,477.0)
Deductible Lease Expenditures[3]			
Deductible Operating Expenditures	($13.75)		($2,372.5)
Deductible Capital Expenditures	($15.36)		($2,648.9)
Total Lease Expenditures on Taxable Barrels	($29.11)	172,499,814	($5,021.5)
Current Net Production Tax			
Production Tax Value (PTV)			$12,555.8
Base Tax (25%*PTV)			$3,139.0
Production Tax Value per barrel	$72.79		
Progressive Tax = (17.1% * PTV)			$2,148.9
Total Tax before credits			$5,287.9
Credits Used Against Tax Liability ($MM)			($450.0)
Estimated Total Tax After Credits Against Taxes [4]			**$4,837.9**
Credits for Potential Purchase ($MM)			($400.0)
Estimated Total State Revenue After Credits			**$4,437.9**
Hypothetical Royalty + Production/Severance Tax			**($7,769.2)**

Notes: (1) Royalty, Federal and other barrels represents our best estimate of barrels that are not taxed. This estimate includes both state and federal royalty barrels, barrels produced from federal offshore property, and barrels used in production. For purposes of this calculation, also includes barrels produced by companies with negative PTV.

(2) For purposes of this illustration, to more closely reflect actual tax received by the state, "taxable value" shown here excludes the value of barrels produced by companies expected to have zero tax liability.

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Department of Revenue

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February 28, 2012

The Honorable Joe Paskvan
The Honorable Tom Wagoner
Co-Chairs, Senate Resources Committee
Alaska State Legislature
Juneau AK, 99801

SUBJECT: Response to Questions from Senate Resources Meeting on February 27, 2012

Dear Senators Paskvan and Wagoner:

Thank you for the opportunity to provide our follow-up responses from the Senate Resources Committee meeting on February 27, 2012. The questions and responses follow.

1.) **Is the 30 cents per barrel capital expenditures exclusion included in the snapshot model charts presented?**

For purposes of the charts presented we did not separately break out the 30 cents / barrel exclusion. Please remember that charts and analysis presented in committee represent volume-weighted data that has been aggregated to a high level to identify trends in how various tax schemes impact North Slope operations. This is a high-level comparison that makes simplifying assumptions allowing the user to compare different fiscal regimes and the conclusions and outcomes of the model are the same whether or not this specific provision is broken out.

2.) **What would the FY 12 revenue impact be if amendment B.5 was in effect for the full year?**

For FY 2012, based on our Fall 2011 forecast assumptions, the provisions of amendment B.5 (bracketed progressivity with 50% maximum tax rate) would impact revenue by approximately $1.7 billion if in effect for the full year.

3.) **What would the difference be between amendment B.5 and CSSB 192, for FY 12, at $150 per barrel?**

If the provisions of CSSB 192 were in effect for the full year in FY 2012, and assuming our Fall 2011 forecast assumptions except for a constant ANS price of $150 per barrel, we would expect approximately $9.90 billion in production tax revenue. Under the provisions of amendment B-5 and the same assumptions, we would expect approximately $7.15 billion in production tax revenue, for a difference of approximately $2.75 billion.

4.) What is the revenue impact of amendment B.18?

Using the Fall 2011 oil price, production, and cost levels, production tax values for the next several years do not exceed roughly $72 per barrel. Therefore, the progressivity rates in this amendment do not have a dramatic impact on production tax revenues. Our modeling results regarding the impact of amendment B.18 over the term of the fiscal note are as follows:

Revenue Impact of Amendment B.18 FY13 - FY18 ($millions)	
FY 2013	$27.00
FY 2014	$7.00
FY 2015	$0.00
FY 2016	$0.00
FY 2017	$0.00
FY 2018	$1.50

5.) Provide charts for amendment B.8 and amendment B.18 similar to charts we provided for bracketed progressivity amendments.

See attached slides.

6.) Provide marginal tax rates for each of the proposals shown in the presentation.

See attached slides.

We hope our responses fully answer your questions.

Sincerely,

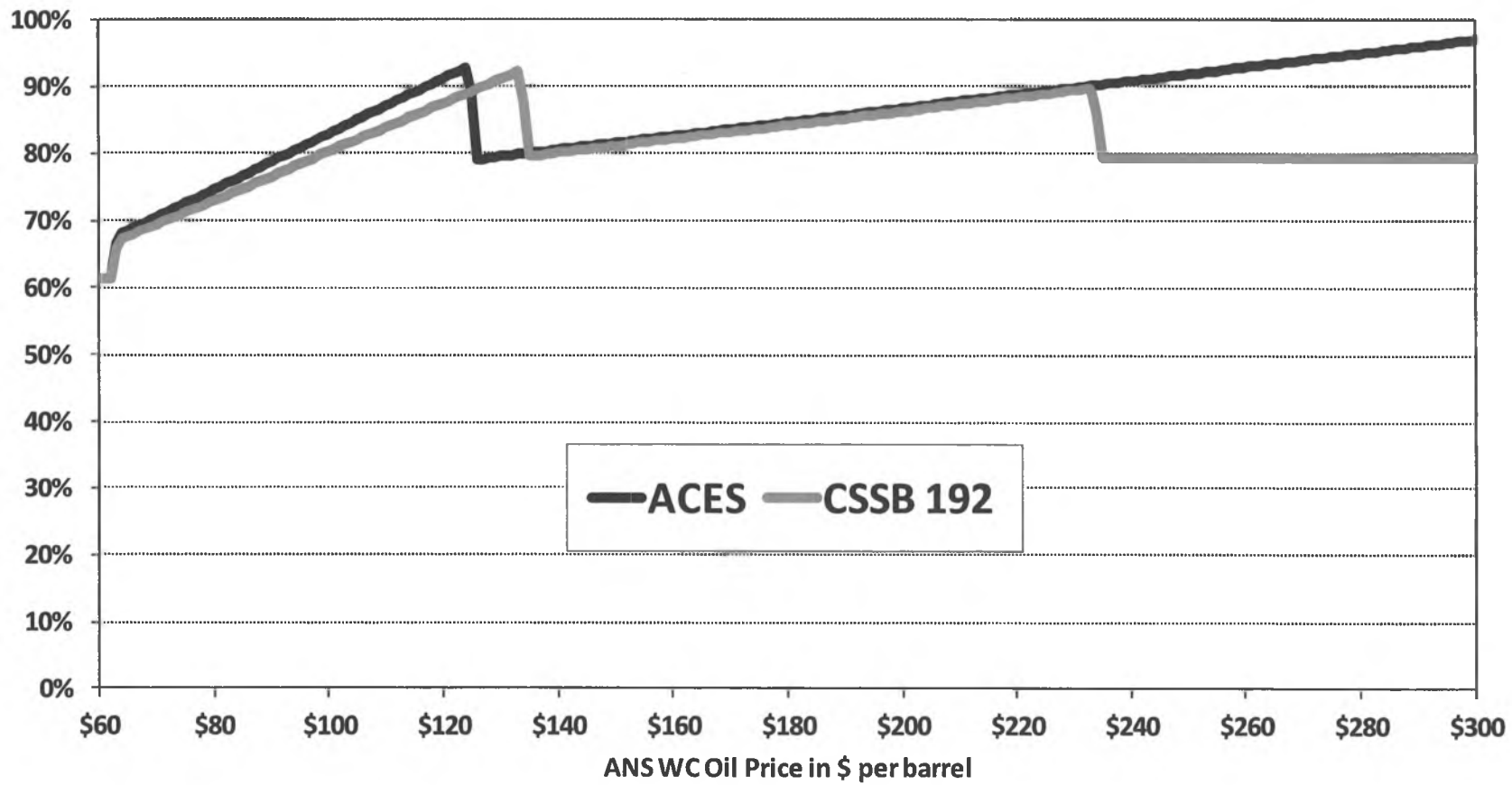
Bruce Tangeman
Deputy Commissioner

Enclosures

Marginal Government Take

(includes all federal and state taxes)

ACES and CSSB 192 \B

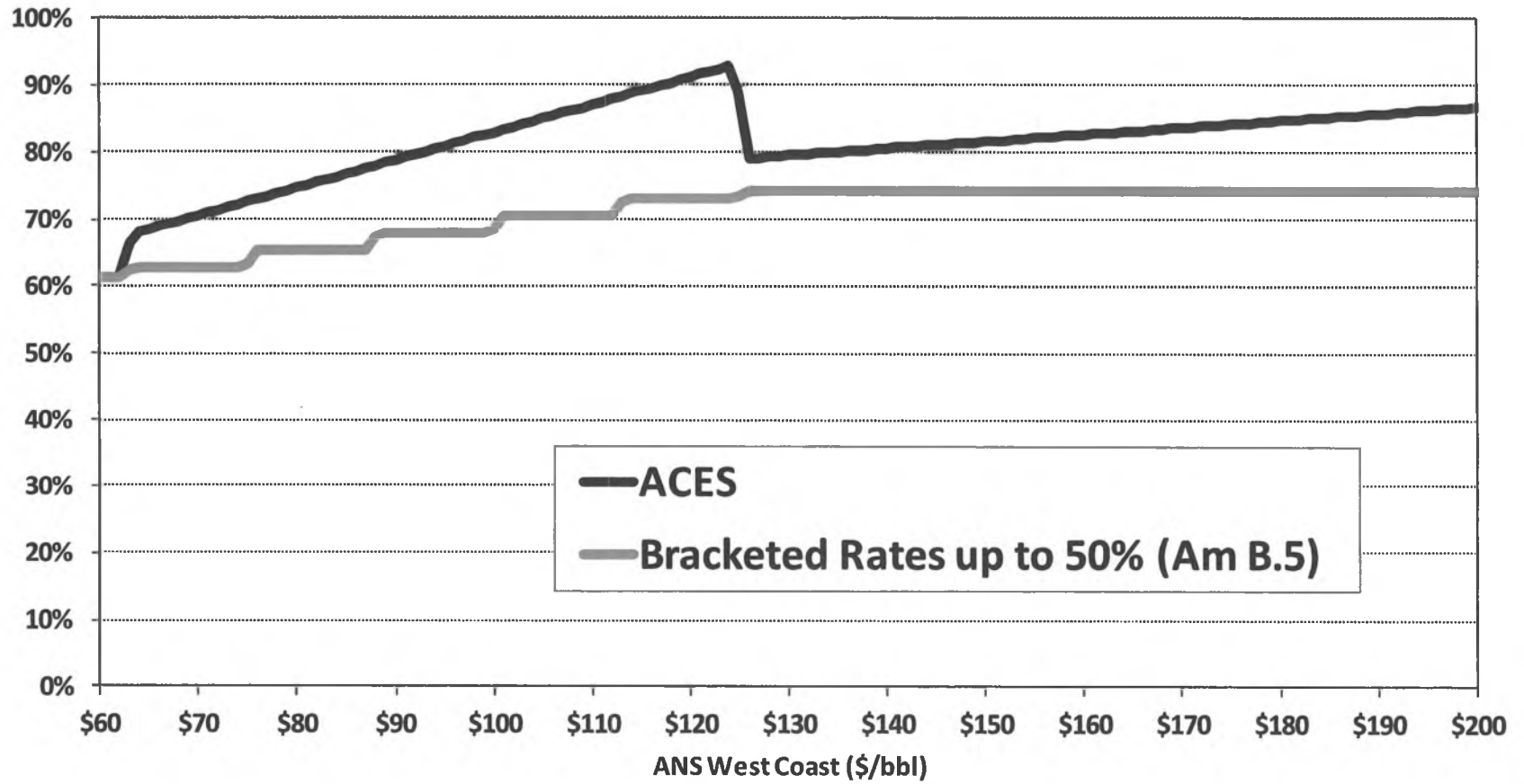


Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Marginal Government Take

(includes all federal and state taxes)

ACES and Bracketed Rates up to 50% (Am B.5)

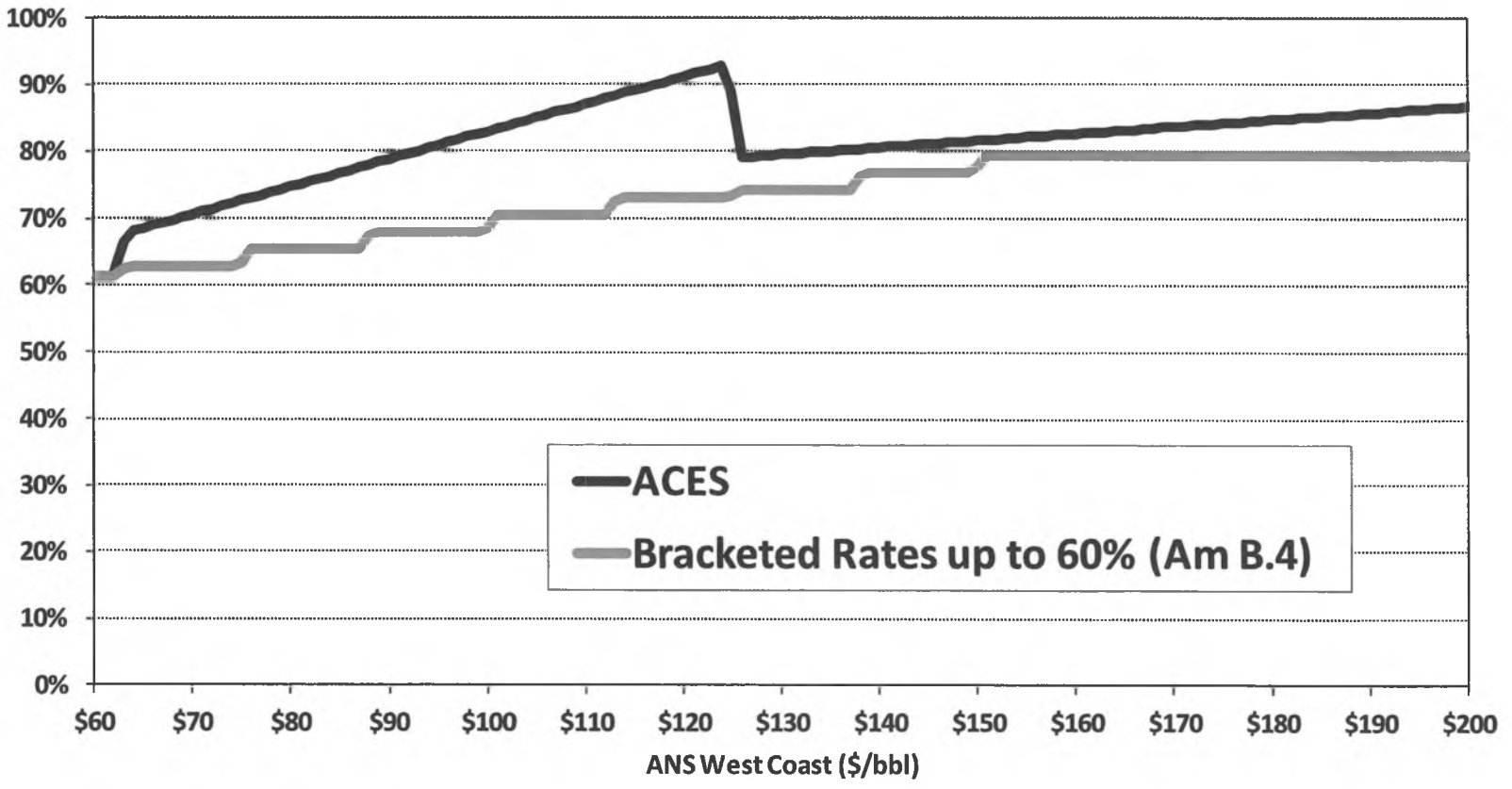


Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Marginal Government Take

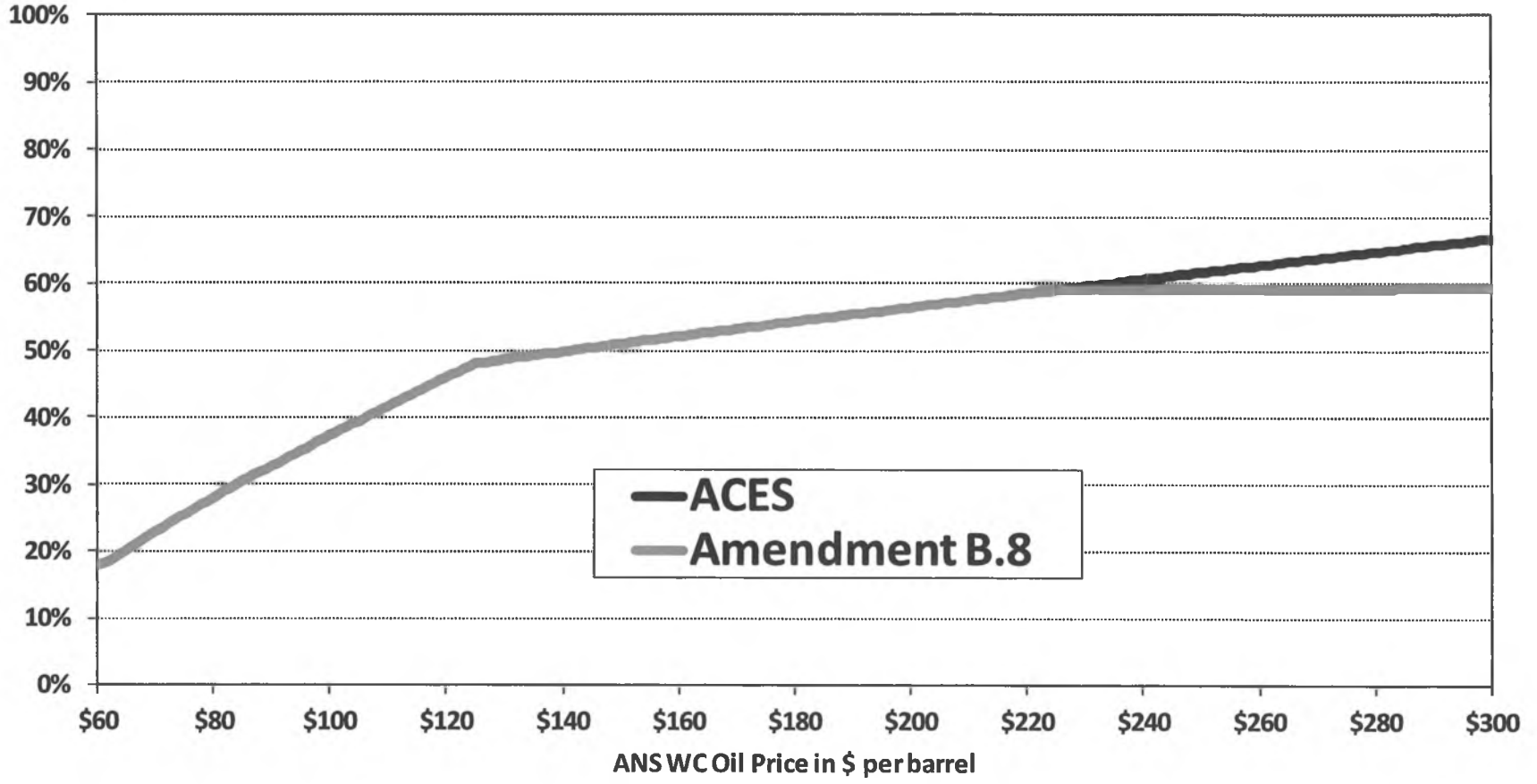
(includes all federal and state taxes)

ACES and Bracketed Rates up to 60% (Am B.4)



Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Effective Production Tax Rates:
ACES and Am B.8 (ACES capped at 60%)

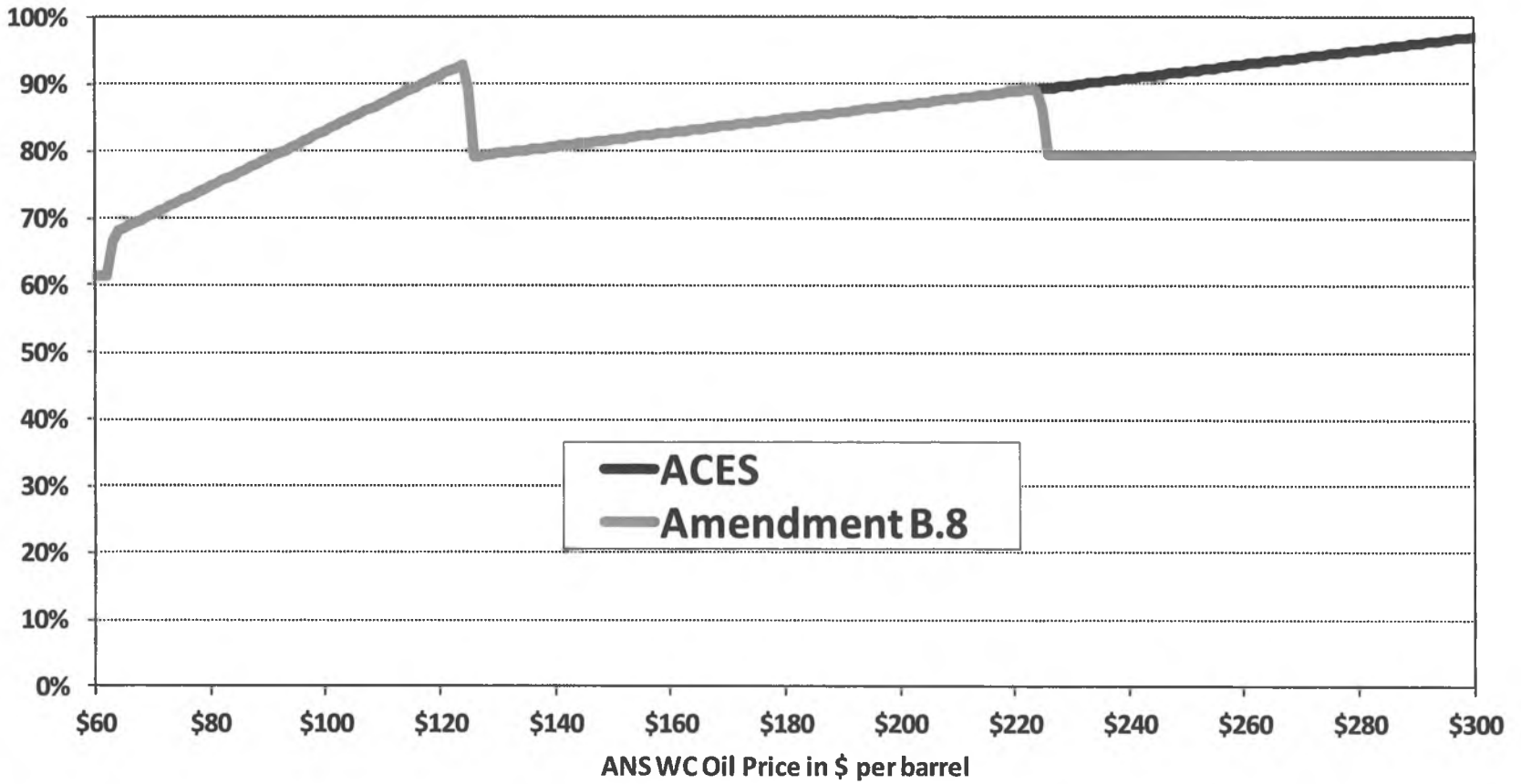


Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Marginal Government Take

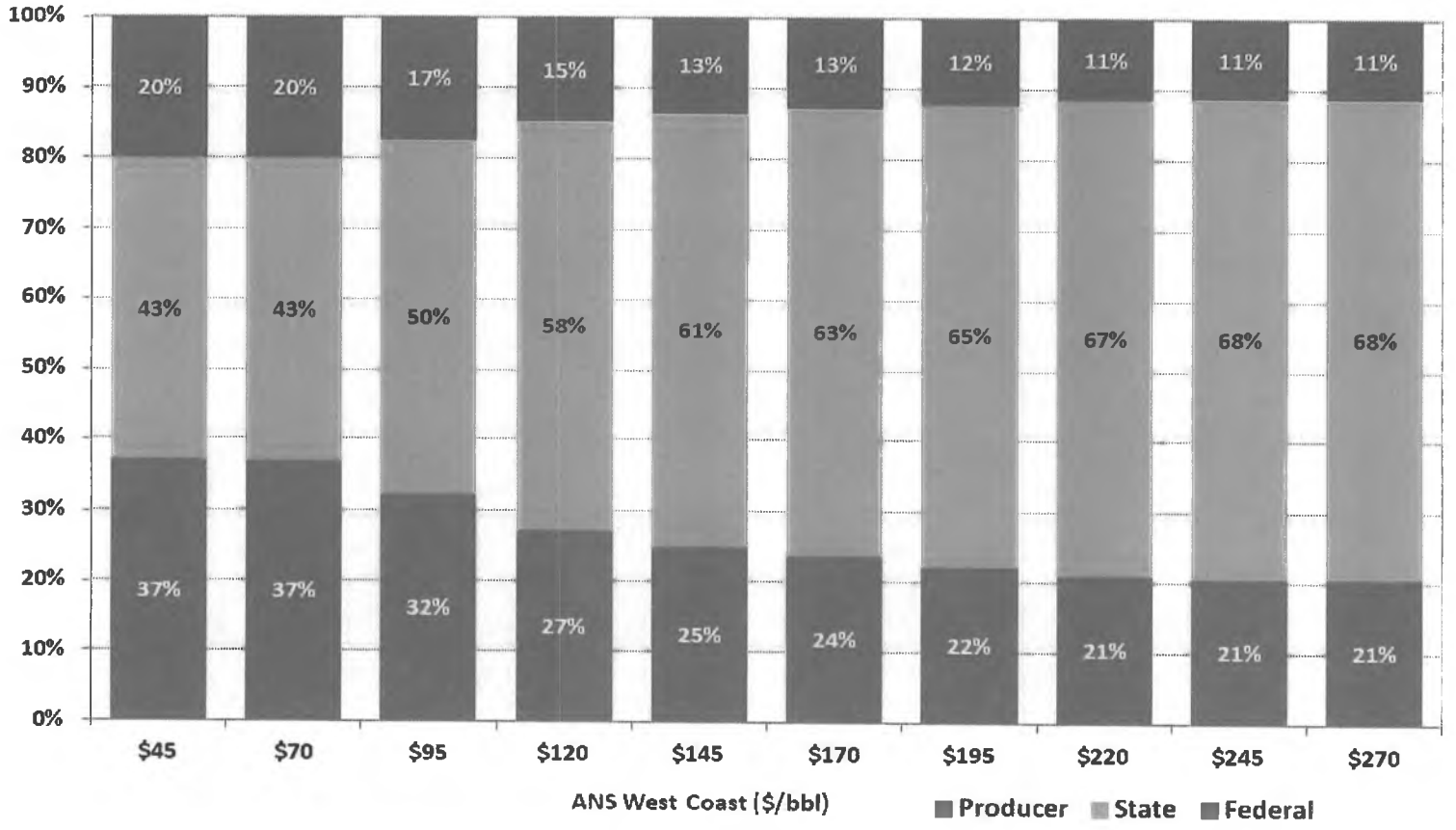
(includes all federal and state taxes)

ACES and Am B.8 (ACES capped at 60%)



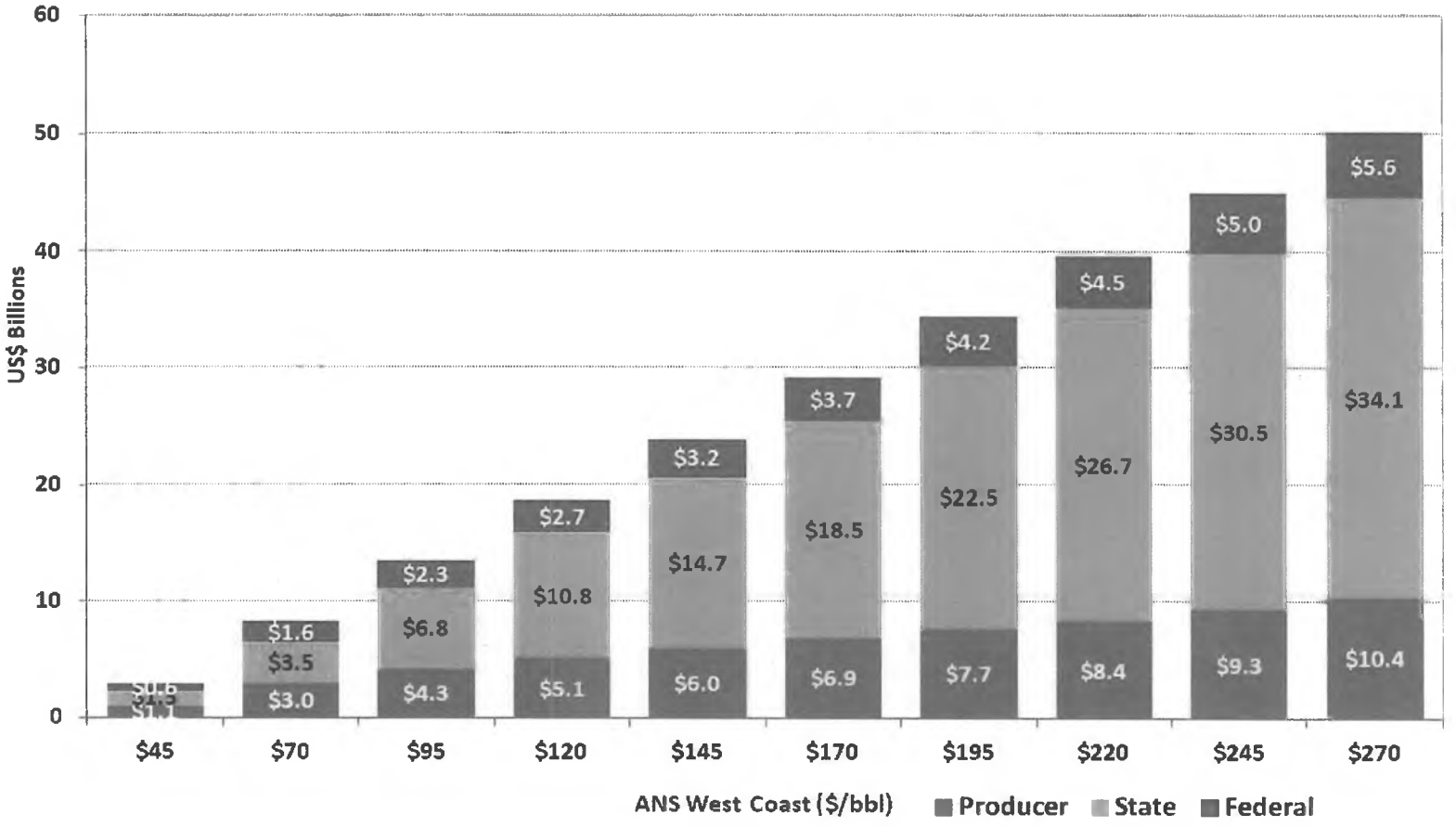
Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Share of Profit under Amendment B.8 (ACES capped at 60%)



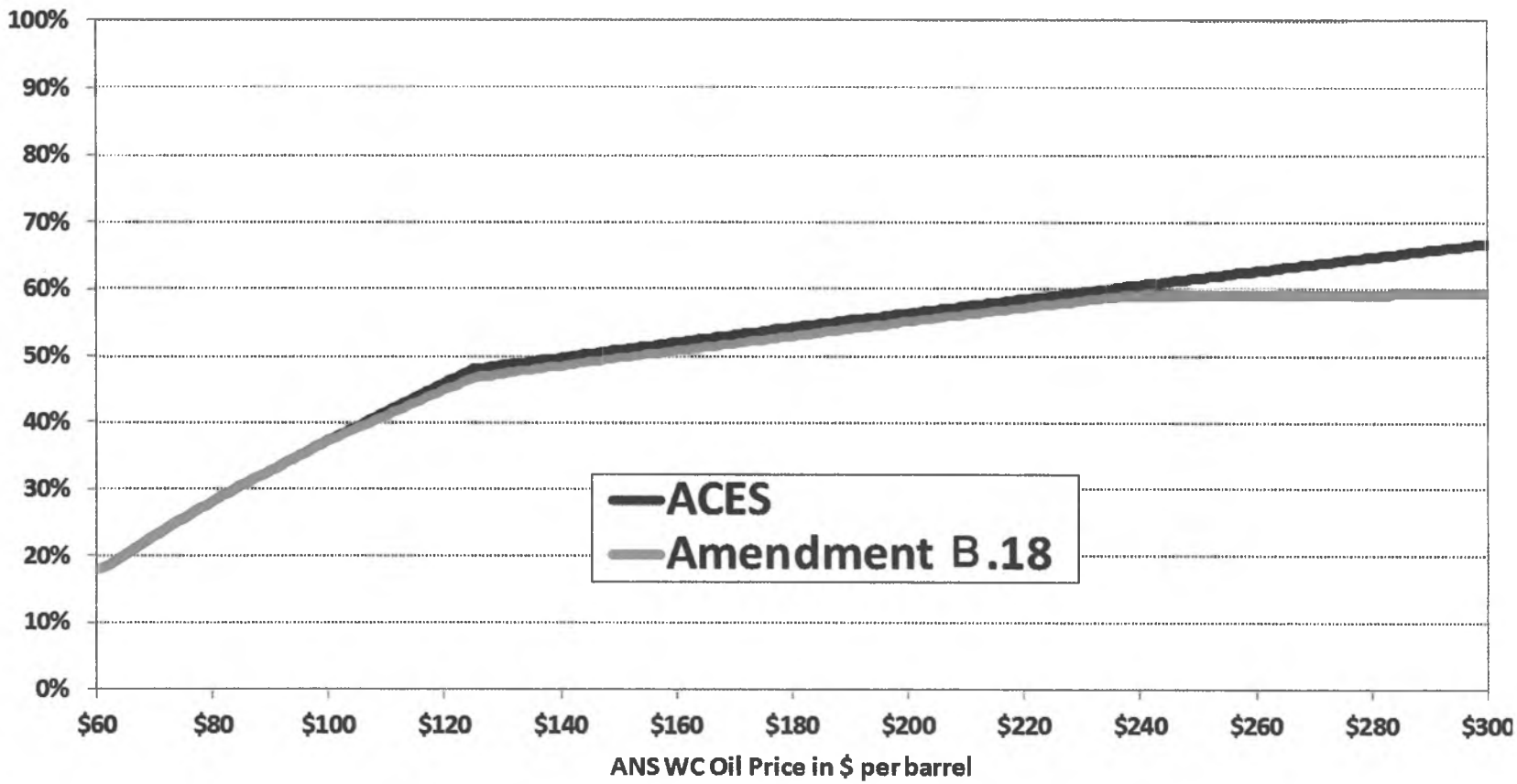
Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Absolute Profit under Amendment B.8 (ACES capped at 60%)



Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Effective Production Tax Rates:
ACES and Am B.18 (ACES capped at 60%, 0.35% progressivity from $67.50 to $92.50 PTV)

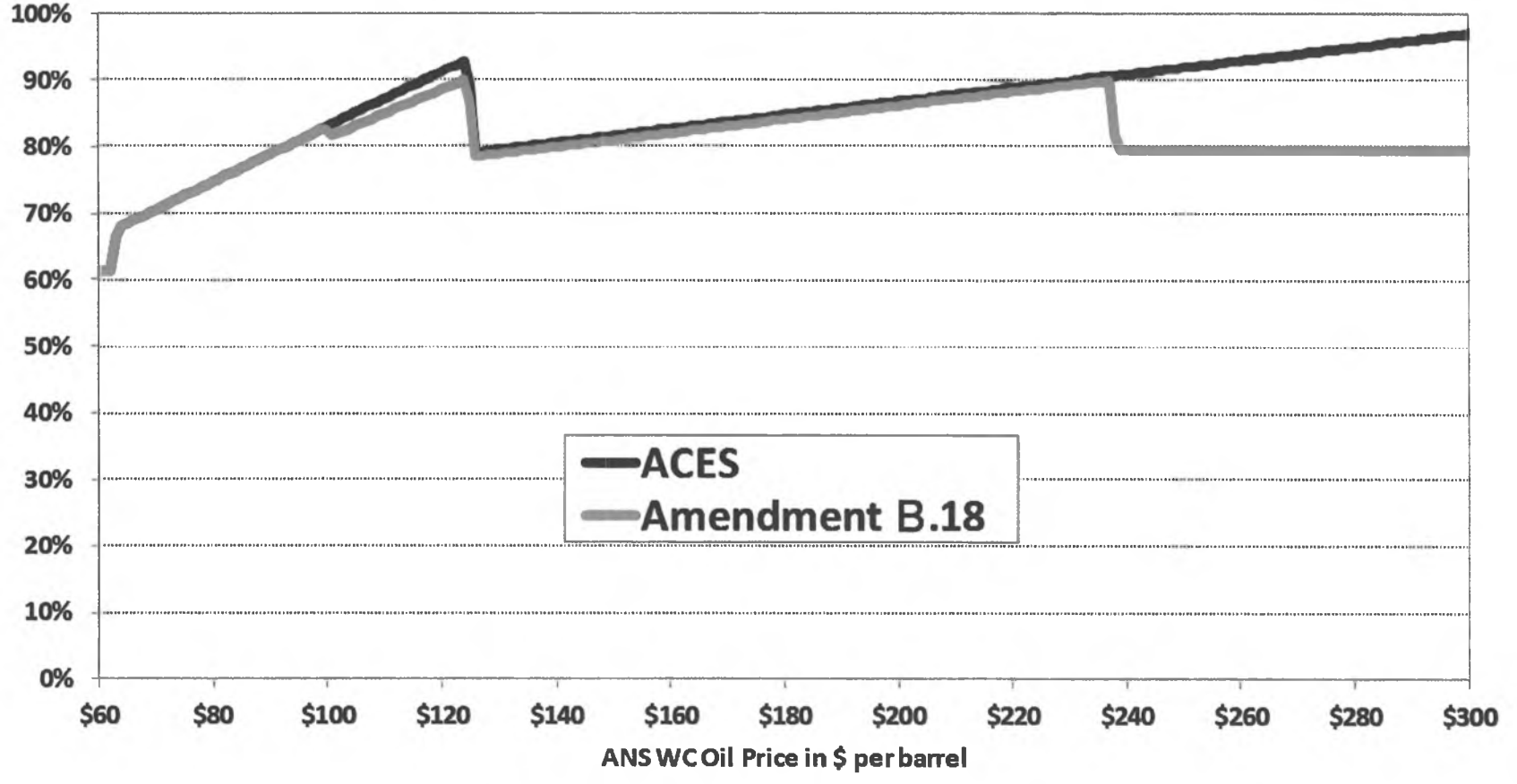


Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Marginal Government Take

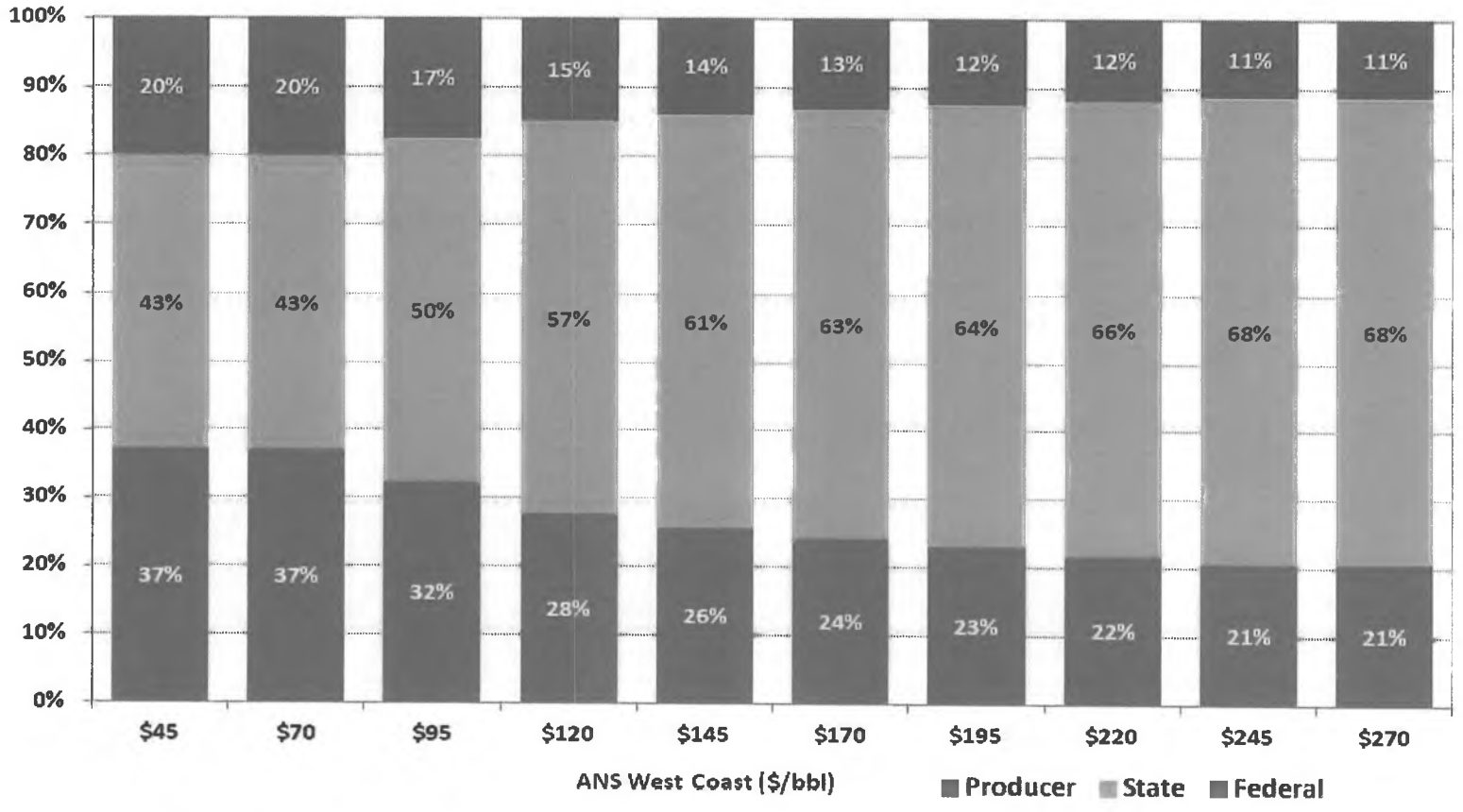
(includes all federal and state taxes)

ACES and Am B.18 (ACES capped at 60%, 0.35% progressivity from $67.50 to $92.50 PTV)



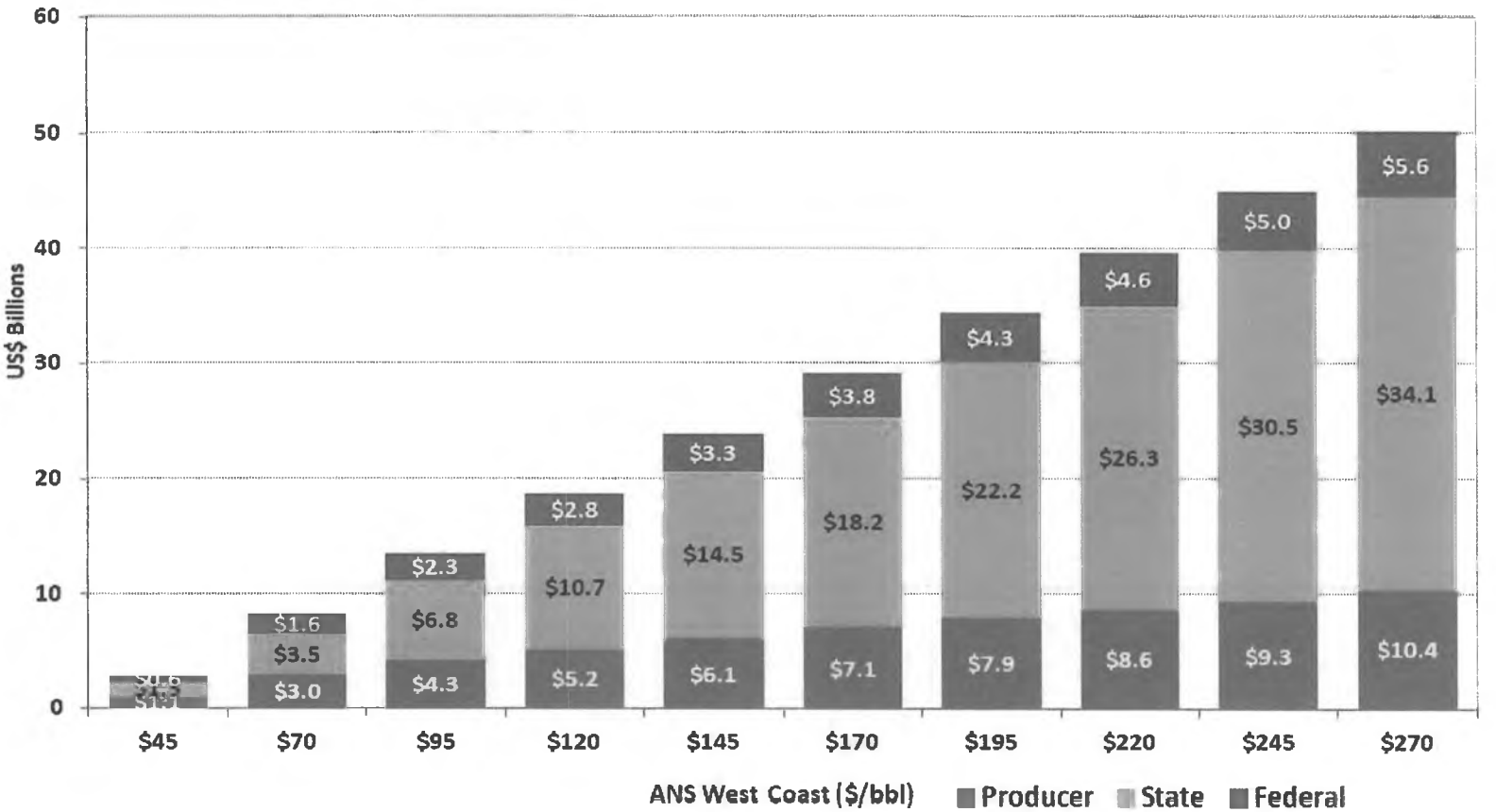
Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Share of Profit under Amendment B.18 (ACES capped at 60%, 0.35% progressivity from $67.50 to $92.50 PTV)



Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Absolute Profit under Amendment B.18 (ACES capped at 60%, 0.35% progressivity from $67.50 to $92.50 PTV)



Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

J. Scott Jepsen
Vice President, External Affairs

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ConocoPhillips
Alaska, Inc.

RECEIVED
FEB 29 2012

February 29, 2012

The Honorable Joe Paskvan
Co-Chairman, Senate Resources Committee
Alaska State Legislature
Alaska State Capitol, Room 115
Juneau, AK 99801-1182

Dear Senator Paskvan:

Thank you for your letter dated February 22, 2012. We are happy to clarify the statements that we made regarding the net income and payments to governmental authorities for ConocoPhillips Company and its wholly owned subsidiaries (including ConocoPhillips Alaska, Inc.) operating in Alaska ("CPA"), as well as our analysis of the data in the Alaska Department of Revenue Fall 2011 Revenue Source Book (RSB).

Let me first address CPA's tax and royalty payments in comparison to our reported net income. For the years 2007 through 2011, CPA earned total net income of $9.83 billion. During that same time period, we paid a total of approximately $21 billion in royalties and taxes (taxes include payments to local governments, the State of Alaska, and the federal government). For the year 2011, CPA earned $1.98 billion and paid a total of approximately $5 billion in taxes and royalties. Of this $5 billion, approximately $4 billion (taxes and royalties) was paid to the State of Alaska alone. All of the tax numbers come directly from the 10-K forms that CPA has filed with the Securities and Exchange Commission. The value of the royalty payments has been estimated using our actual royalty rate of 13.6%. These figures form the basis for our statement that in Alaska, we pay approximately twice as much in taxes and royalties as we earn.

Your letter also attempts to understand our comments in the context of the industry as a whole as portrayed by the RSB for FY2011. I believe that the following discussion will help in understanding why industry earnings as a whole track CPA's government payments to earnings ratio.

When we consider the tax burden in Alaska, we take into account all of the taxes we pay. The additional burdens that were excluded in your analysis do make a significant difference with respect to the industry's tax burden as well as the tax revenue for state and local

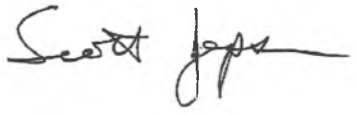
governments. Using the RSB, the industry paid $542 million in state income taxes and $476 million in property taxes (state share $110 million, local share $366 million). The total of these additional burdens is over $1 billion more in taxes to the industry than in your analysis.

There are two other areas that differ between our analysis and yours. First, we have used a federal tax rate of 35% which corresponds to our federal tax rate. Second, it appears that $850 million of tax credits were deducted from the calculated production tax to determine the production tax paid after credits. From the large producer perspective, $400MM applies to the producers' tax liability. The other $450 million is identified as "Credits for Potential Purchase" earned by those parties who do not generate sufficient production tax liability to utilize the credits. The production tax paying producers do not receive the benefit of the "Credits for Potential Purchase" unless the credits are purchased at some nominal discount, in which case the value realized by the purchaser is a small fraction of the tax credit itself. Including these adjustments, the production tax paying producers paid approximately $11 billion dollars in taxes and royalties with after tax cash flow of approximately $4.7 billion dollars. This results in a ratio of tax and royalty payments to earnings of about 2.3. Excluding federal tax payments, the ratio of state taxes and royalty to earnings is about 1.8.

As a sensitivity, we have looked at the case where ANS crude is priced at $120/bbl (versus $94.49/bbl in the RSB) with all other assumptions in the RSB remaining the same. The $120/bbl case demonstrates one of the key problems with ACES – as prices increase, industry sees very little of the uplift. At $120/bbl, our model estimates total government share and royalties is about 3 times industry's share, and state severance tax alone is about 1.5 times the industry total share. In absolute terms, with a price increase from $94.49/bbl to $120/bbl, we estimate industry's share increases about $700MM while the state's share (taxes and royalties) increases by approximately $4.5 billion.

I appreciate your desire to understand the basis for our statements as well as to understand our perspective regarding the reasons that we believe substantial changes are needed to ACES to attract more investment by the industry. I hope this response to your letter has helped in this regard as well as in understanding the basis for our comments regarding the ratio of taxes and royalties to profits. Please feel free to contact me if you have additional questions.

Respectfully,



J. Scott Jepsen

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

SEAN PARNELL, GOVERNOR
333 Willoughby Avenue, 11th Floor
P.O. Box 110400
Juneau, Alaska 99811-0400
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March 1, 2012

The Honorable Joe Paskvan
The Honorable Tom Wagoner
Co-Chairs, Senate Resources Committee
Alaska State Legislature
Juneau, Alaska 99801

RE: DOR "Access to Information" Power Point Presentation

Dear Senators Paskvan and Wagoner:

Thank you for the opportunity to provide our follow-up responses from the Senate Resources Committee meeting on February 23, 2012. The questions/comments and responses follow.

1.) **Clarification about Slide 6 demonstrating that the difference between the DOR assessed TAPS values and Superior Court values was due to information that did not exist before the trial.**

To clarify Slide 6 from the Department's Power Point presentation to your committee on February 23, 2012, on the subject matter of, "Access to Information."

The fourth bullet point of Slide 6 stated in part:

> "TAPS assessments by DOR (not SARB) were $4.5 billion in 2007…"

The fifth bullet point of Slide 6 stated in part:

"Using information under the de novo provisions at trial in 2011 that was not actually in existence in 2007, the Superior Court ruled TAPS value at $8.9 billion in 2007…"

Questions from the committee, as well as the Department's responses to those questions, were framed in the context of Alaska North Slope (ANS) reserve estimates. The information this slide is referring to, however, is TAPS replacement cost data and not ANS reserves data. The Department's statements in relation to Slide 6 therefore should be taken only in the context of TAPS replacement cost data and not in the context of a position on ANS reserves.

Slide 6 is simply meant to demonstrate that TAPS assessed value as determined by the Superior Court continues to most closely agree with the Department's assessments relative to the values

argued by the Municipalities and the TAPS Owners. In the recent 2011 TAPS property tax trial covering tax years 2007 – 2009, the biggest discrepancy between the Department's and court's assessed value occurred in tax year 2007. The main reason for the discrepancy was the court's reliance on TAPS replacement cost data that was in existence in 2011, but did not actually exist in 2007 when the Department did the original assessment.

It is also important to clarify that this TAPS replacement cost data did not exist in 2007, as opposed to being in the possession of the TAPS owners and not provided to the Department. Rather, this TAPS replacement cost data was information the Municipalities commissioned after the 2007 TAPS assessment. It was provided to the Department to consider for the 2008 TAPS assessment. The Department did in 2008 rely on this data, and did so before the tax year was under litigation. The Department continues to consider and rely on this data in its TAPS assessments, irrespective of the ongoing TAPS litigation.

2.) **Why was the FY 2016 production forecast reduced by 79,000 barrels per day from Spring 2011 to Fall 2011, and can we release the supporting documents from producers based on court order that any production with 3 or more companies be made public?**

- In response to your question regarding the 79,000 BPD difference between DOR's Spring 2011 forecast and Fall 2011 forecast for FY 2016:
    - In our spring forecast, we included the Umiat, Orion, Nikaitchuq, and Liberty fields;
    - Between the release of our spring forecast and the compilation of info for our fall forecast, there were changes in all of the fields listed above which caused DOR to reduce its estimates (changes re: deferred plans, reduced scope, and reduced reserves).

3.) **Provide backup for bullet 3 on slide 10, explaining why the cooperative agreement with the North Slope Borough was ended. Provide the letter from Marsha Davis regarding ending the North Slope Borough cooperative agreement for property tax.**

Please see attached letter from Deputy Commissioner Marcia Davis re: the ending of the North Slope Borough cooperative agreement for property tax.

Sincerely,

Bruce Tangeman
Deputy Commissioner

Enclosure

State of Alaska

Department of Revenue

Commissioner's Office

SEAN PARNELL, GOVERNOR
333 Willoughby Avenue, 11th Floor
P.O. Box 110400
Juneau, Alaska 99811-0405
Phone: (907) 465-2300
Fax: (907) 465-2394

November 13, 2009

The Honorable Edward S. Itta
Mayor, North Slope Borough
P.O. Box 69
Barrow, AK 99723

Dear Mayor Itta,

The Department of Revenue has over the years benefited from the assessment assistance provided by the North Slope Borough (NSB) under a Memorandum of Understanding (MOU) authorized under AS 43.56.060(g). Since the MOU's most recent revision in 2006, the Department has undergone a series of internal initiatives to strengthen the protection of taxpayer confidential information. We do not believe the current MOU is consistent with these internal standards. Therefore, please consider this notification that the Department is withdrawing from the agreement effective 30 days from the date of this letter as required in section seven of the MOU.

In light of the recent staff retirements within the NSB, which has left the NSB Audit Group without staff, the Department will now resume performing the appraisal functions that had been previously performed by the NSB under the MOU. As a result, we do not anticipate any negative impacts to the NSB or the state from the termination of the current MOU. Should the opportunity arise in the future to again work together under AS 43.56.060(g), we remain open to developing a new MOU with the NSB consistent with the Department's confidentiality requirements.

In accordance with paragraph 4 of the MOU, please have all AS 43.56 hard copy files stored at the NSB returned to the Department. Likewise, all electronic AS 43.56 files should be copied onto a disk and returned to the Department and subsequently deleted from all NSB computers and servers.

To avoid any confusion regarding the exchange of confidential taxpayer information, the Department will notify AS 43.56 taxpayers that the Department and NSB are no longer exchanging information pursuant to an MOU relating to AS 43.56 assessment matters.

We thank you for the excellent working relationship we have enjoyed with the NSB property assessment staff over the years.

Sincerely,

Marcia Davis

Marcia Davis, Deputy Commissioner

Cc: Randy Hoffbeck, Director, Administration & Financ
Bessie O'Rouke, NSB Attorney
Bonnie Harris, Asst. Attorney General

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

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The Honorable Bert Stedman
State Capitol Room 516
Juneau AK, 99801

March 20, 2012

The Honorable Lyman Hoffman
State Capitol Room 518
Juneau AK, 99801

SUBJECT: Response to Questions from Senate Finance Meeting on March 14, 2012

Dear Senators Stedman and Hoffman:

Thank you for your questions and the opportunity to provide our follow-up responses from the Senate Finance Committee meeting on March 14, 2012. The questions and responses follow.

1. **Reproduce slide 5 using total lease expenditures for all companies.**

   Please see slide 1 attached.

2. **Can you run another slide #5 that shows the production tax revenue in dollars on the Y axis and the ANS WC Oil price in $ per barrel on the X axis but only from $60 to $140 instead of going all the way out to $300.**

   Please see slide 2 attached, with the X axis out to $200 per barrel.

3. **Reproduce slides 21-23 using 25% and 20% federal CIT rates.**

   Please see slides 3-8 attached.

4. **Reproduce slides 21-23 using total lease expenditures for all companies.**

   Please see slides 9-11 attached.

5. **Reproduce slides 21-23 showing total dollars to state, federal, and producer.**

   Please see slides 12-14 attached.

6. **For slide 27, what gross tax rate would generate an equal amount of production tax at $120 / barrel for each tax system?**

   Using FY 2012 assumptions of $8.72 in transport costs, opex of $14.03 per taxable barrel, and capex of $10.25 per taxable barrel, we calculated the following "equivalent" gross tax for ANS WC oil price of $120 per barrel.

   ACES Tax System: 35%
   HB 110 Brackets only: 24%

7. **For slide 29, provide share of profit charts, both as percent and dollar value.**

   Please see slides 15-20 attached.

8. **Reproduce slide 24 using total lease expenditures for all companies.**

   Please see slide 21 attached.

9. **Provide administration's position regarding continuing separate tax treatment for gas produced in Cook Inlet and gas used in state.**

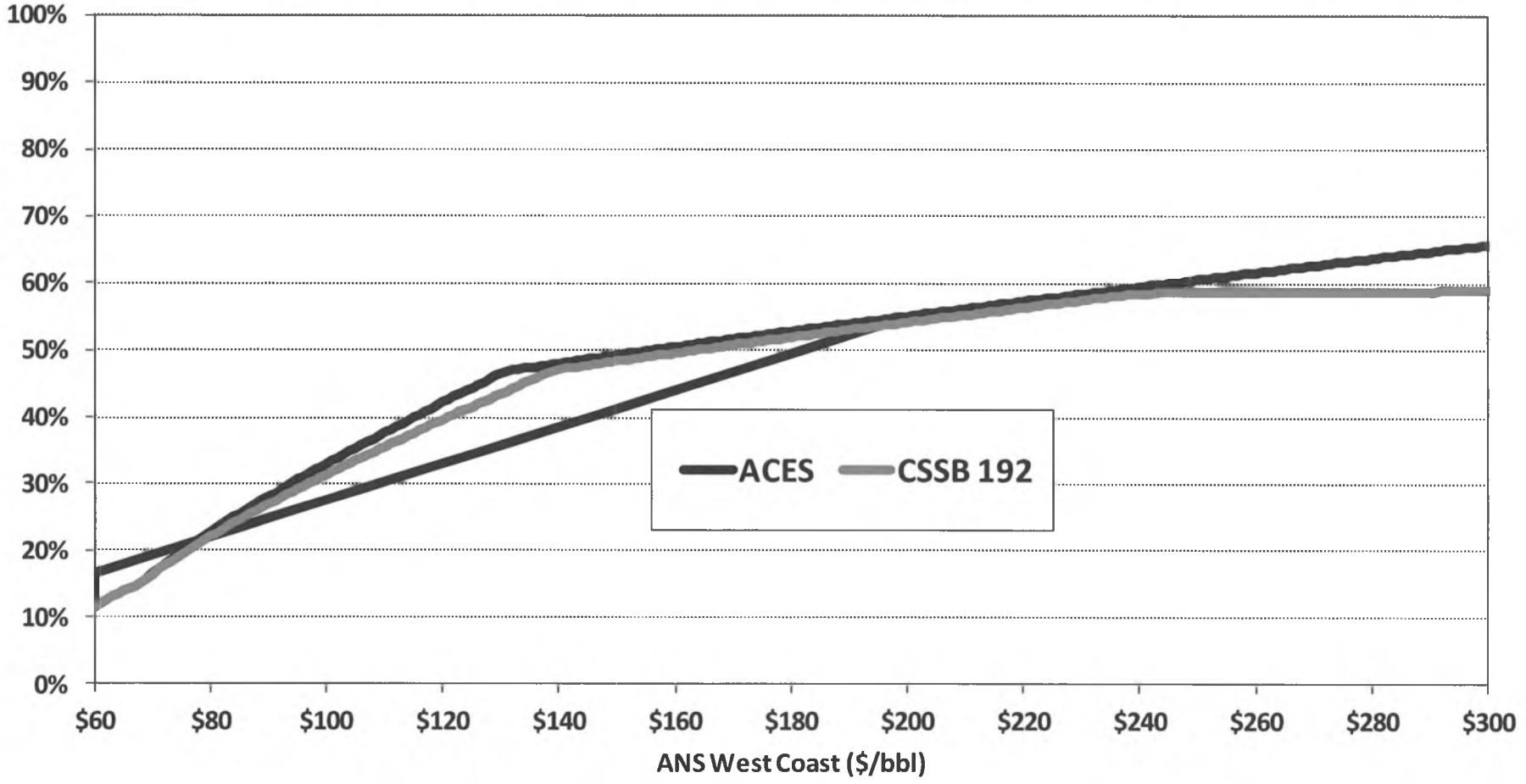
   The administration has not proposed making any changes to the current gas tax structure during this legislative session. The Governor has stated that he wants to address oil taxes this session to make Alaska more competitive for company investment that would lead to additional oil production. The Governor has also stated that he wants to address gas taxes in a future legislative session, in the context of a more concrete proposal for major gas sales.

We hope our responses fully answer your questions.

Sincerely,

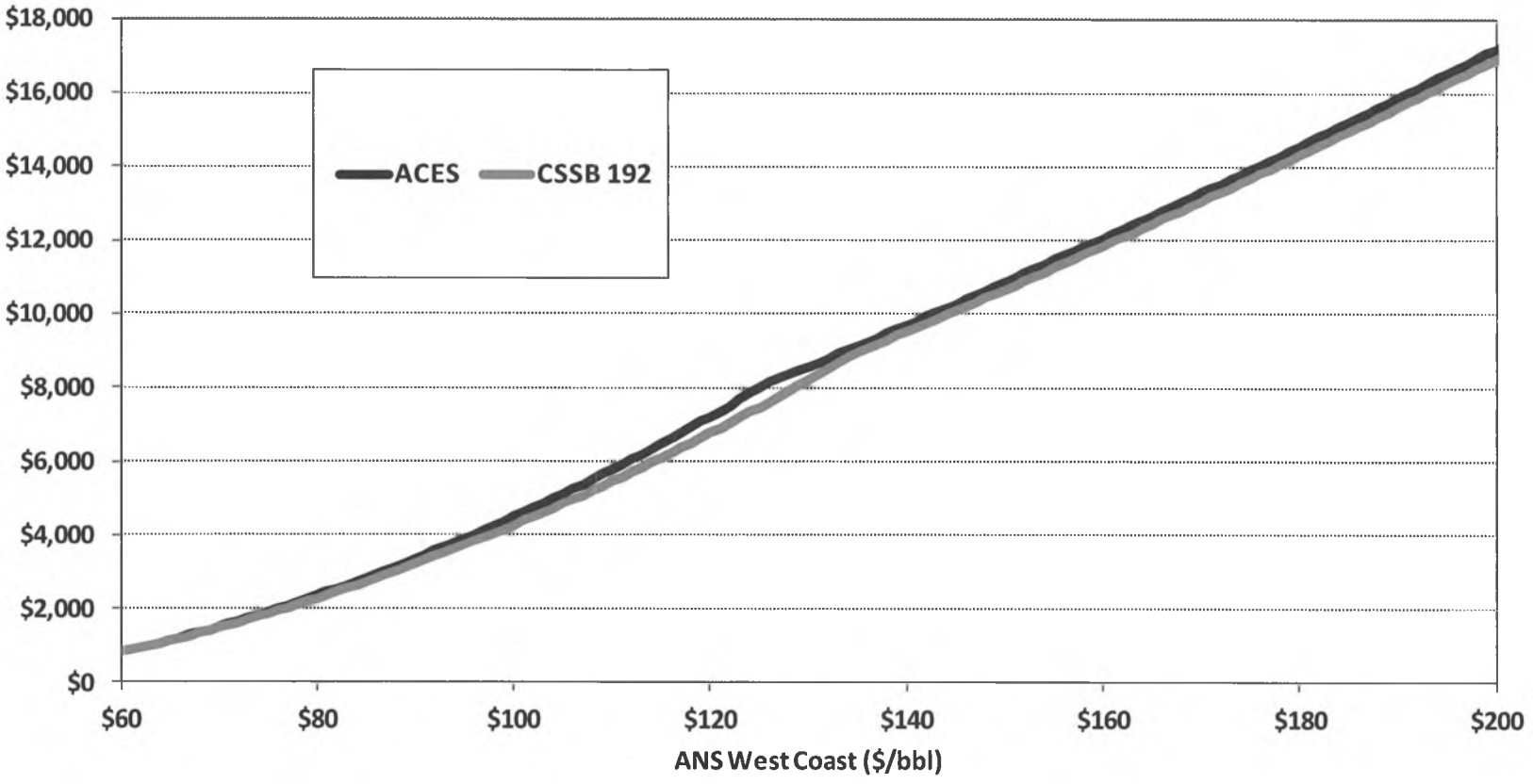
Bruce Tangeman
Deputy Commissioner

Effective Production Tax Rates: ACES and CSSB 192 (progressivity only) using Total Lease Expenditures for all Companies



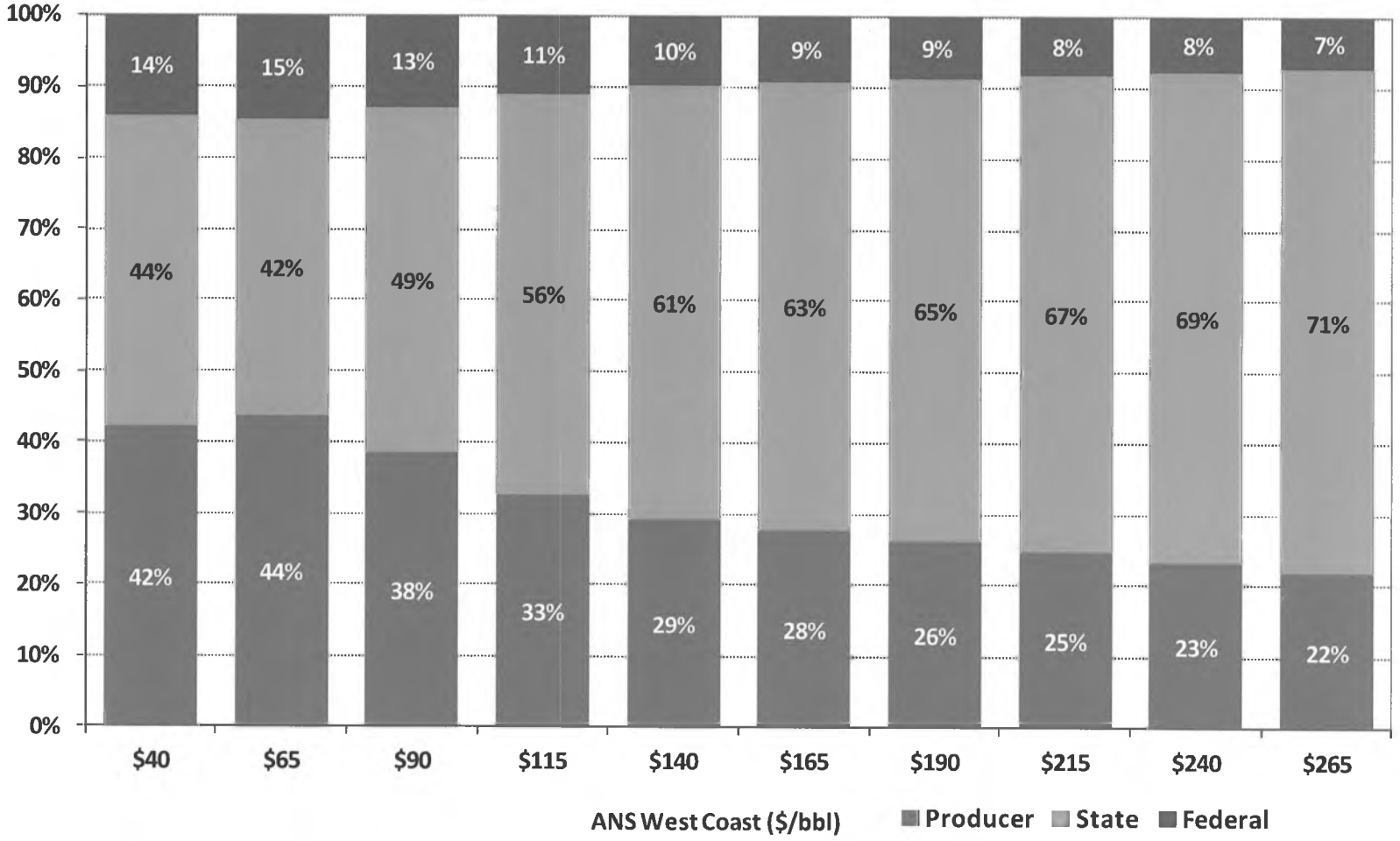
Assumes FY 2012 expenditures for all companies regardless of whether they have a tax liability: Transport costs of $8.72/ bbl, Opex of $14.06 per taxable barrel, and Capex of $14.95 per taxable barrel.

Production Tax Revenue after credits: ACES and CSSB 192 (progressivity only)



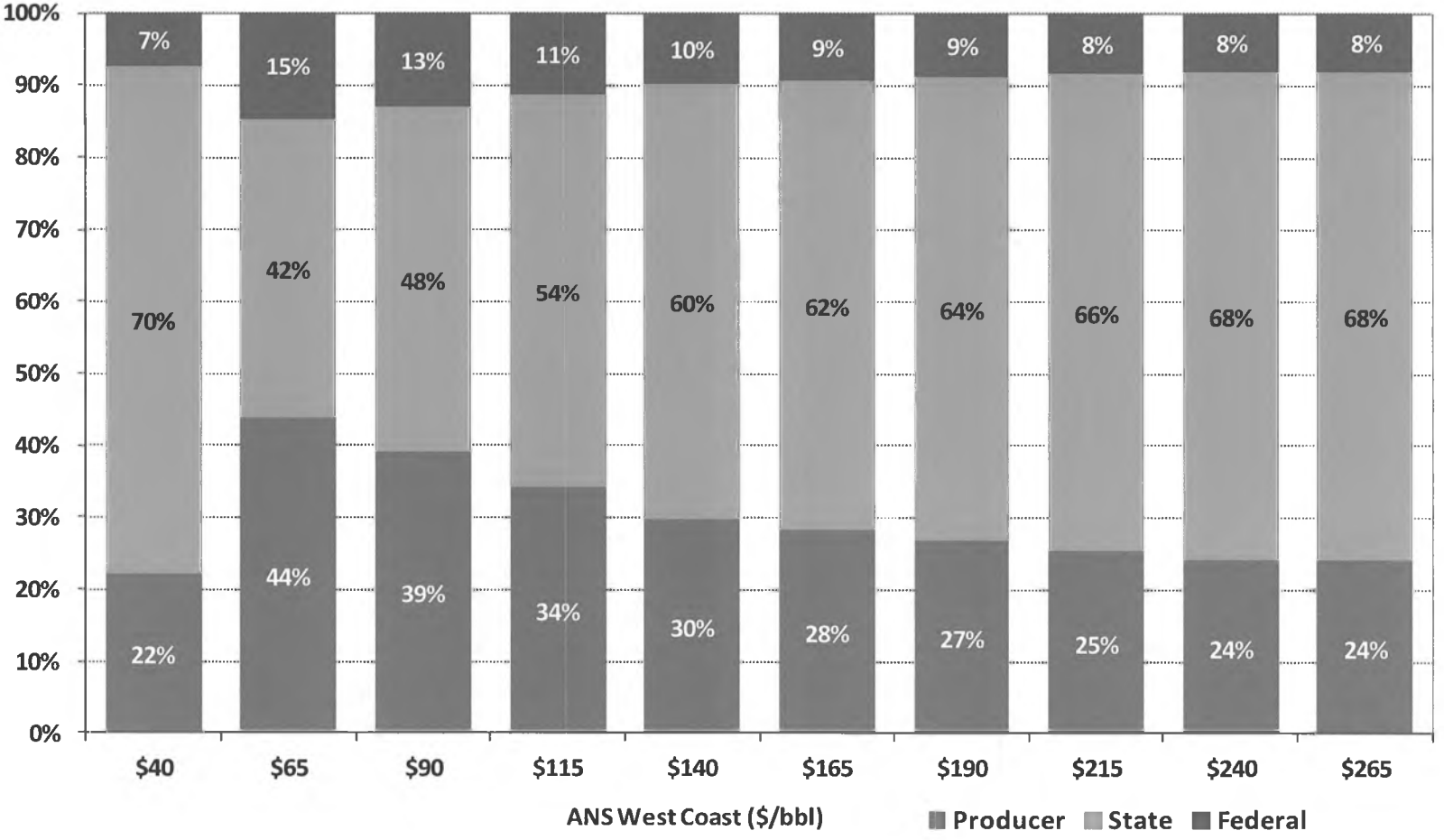
Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Share of Profit under ACES with 25% federal CIT



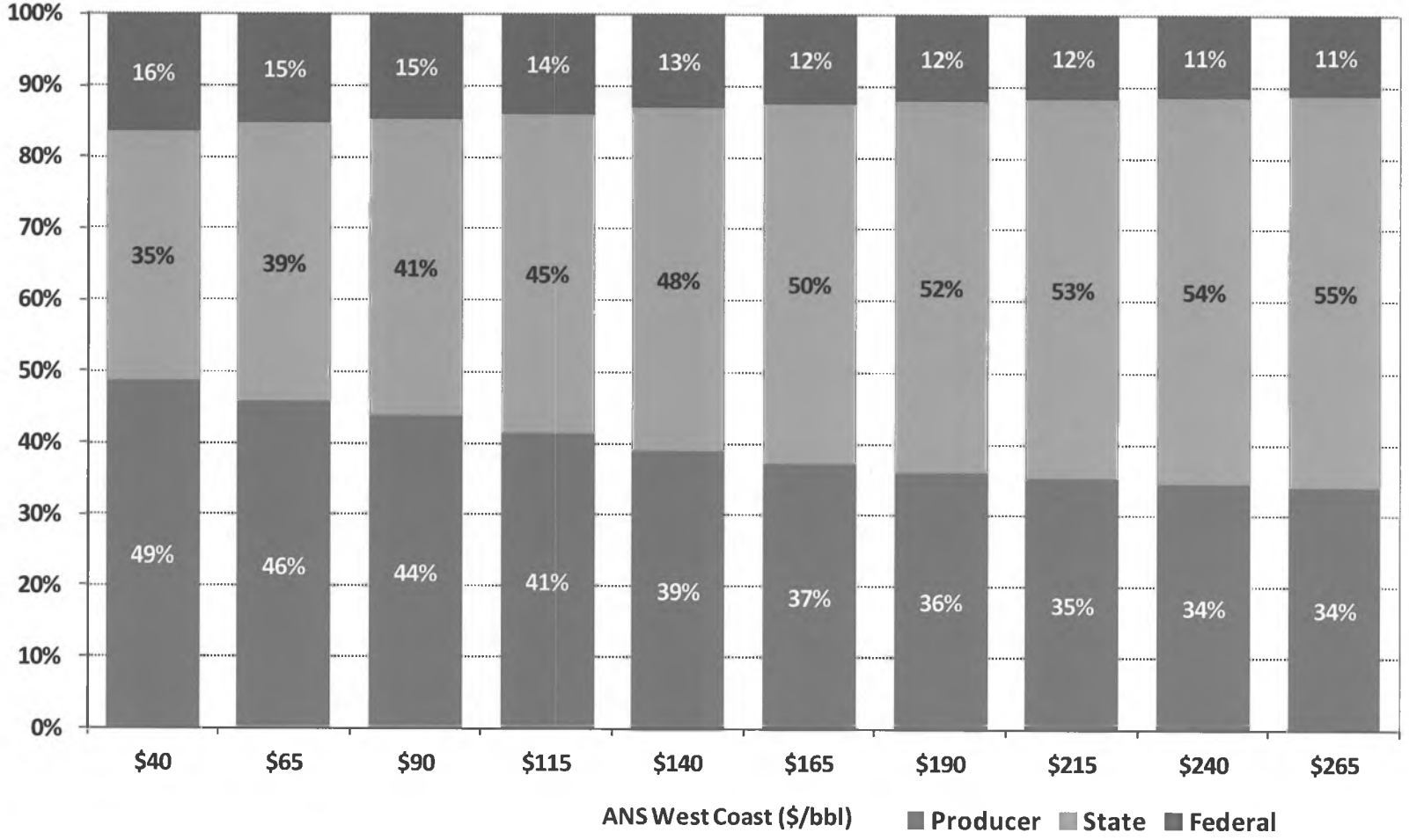
Profit defined as total gross value of all oil produced, less transportation costs and lease expenditures.
Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Share of Profit under CSSB 192 with 25% federal CIT



Profit defined as total gross value of all oil produced, less transportation costs and lease expenditures.
Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.
Assumes that 80% of production is impacted by 10% gross minimum tax with no credits allowed against gross tax.

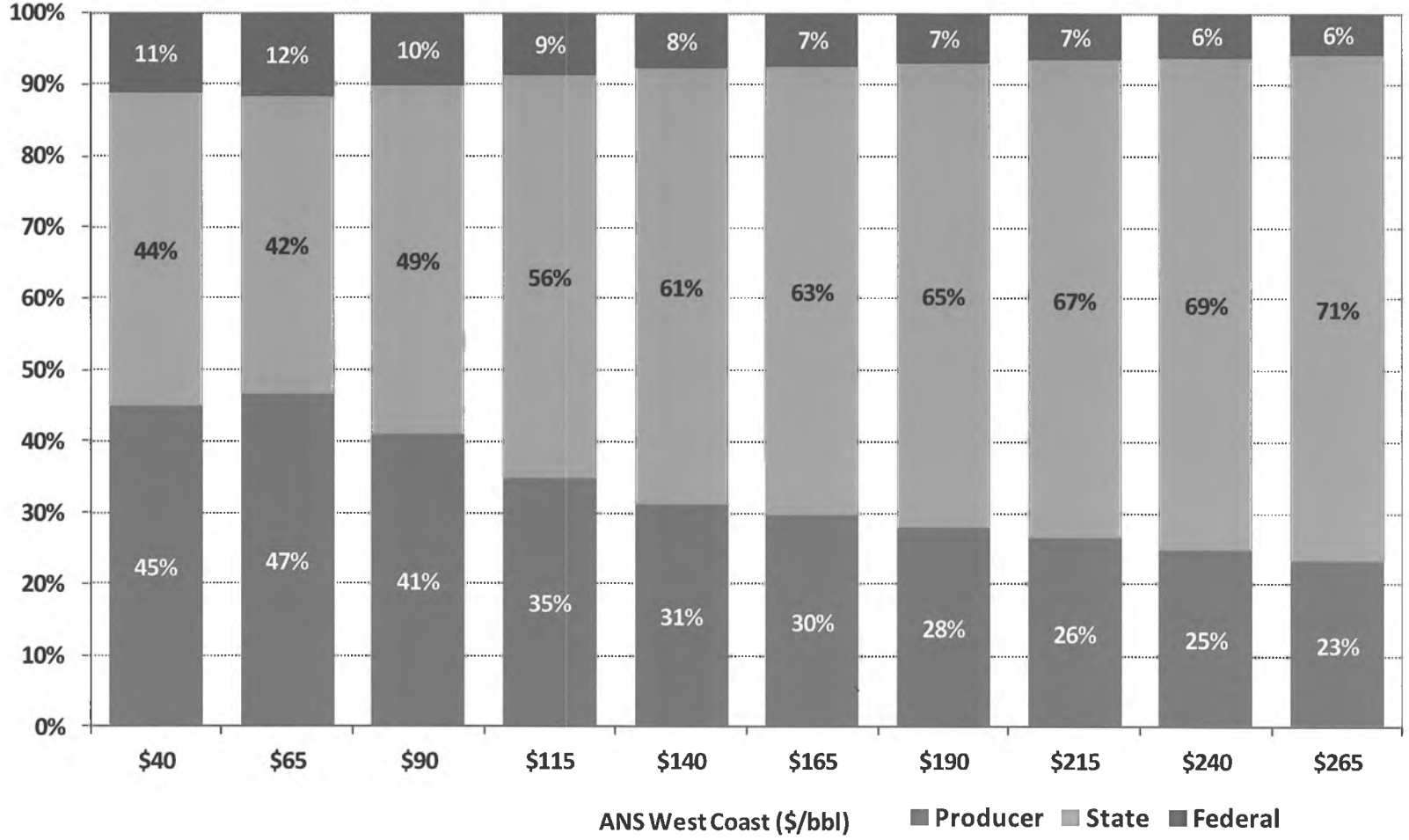
Share of Profit under CS HB 110 (FIN) with 25% federal CIT



Profit defined as total gross value of all oil produced, less transportation costs and lease expenditures.

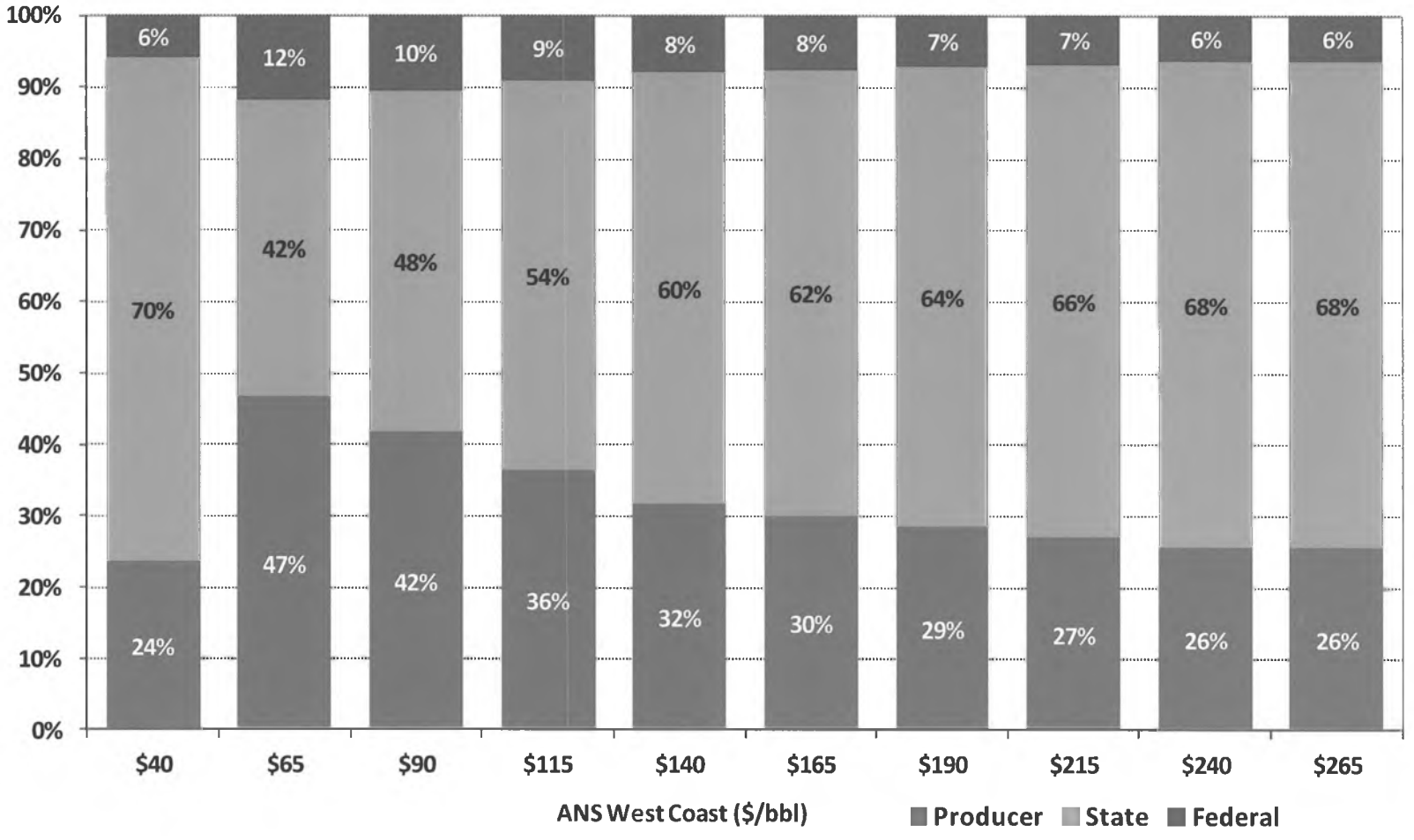
Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Share of Profit under ACES with 20% federal CIT



Profit defined as total gross value of all oil produced, less transportation costs and lease expenditures.
Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Share of Profit under CSSB 192 with 20% federal CIT



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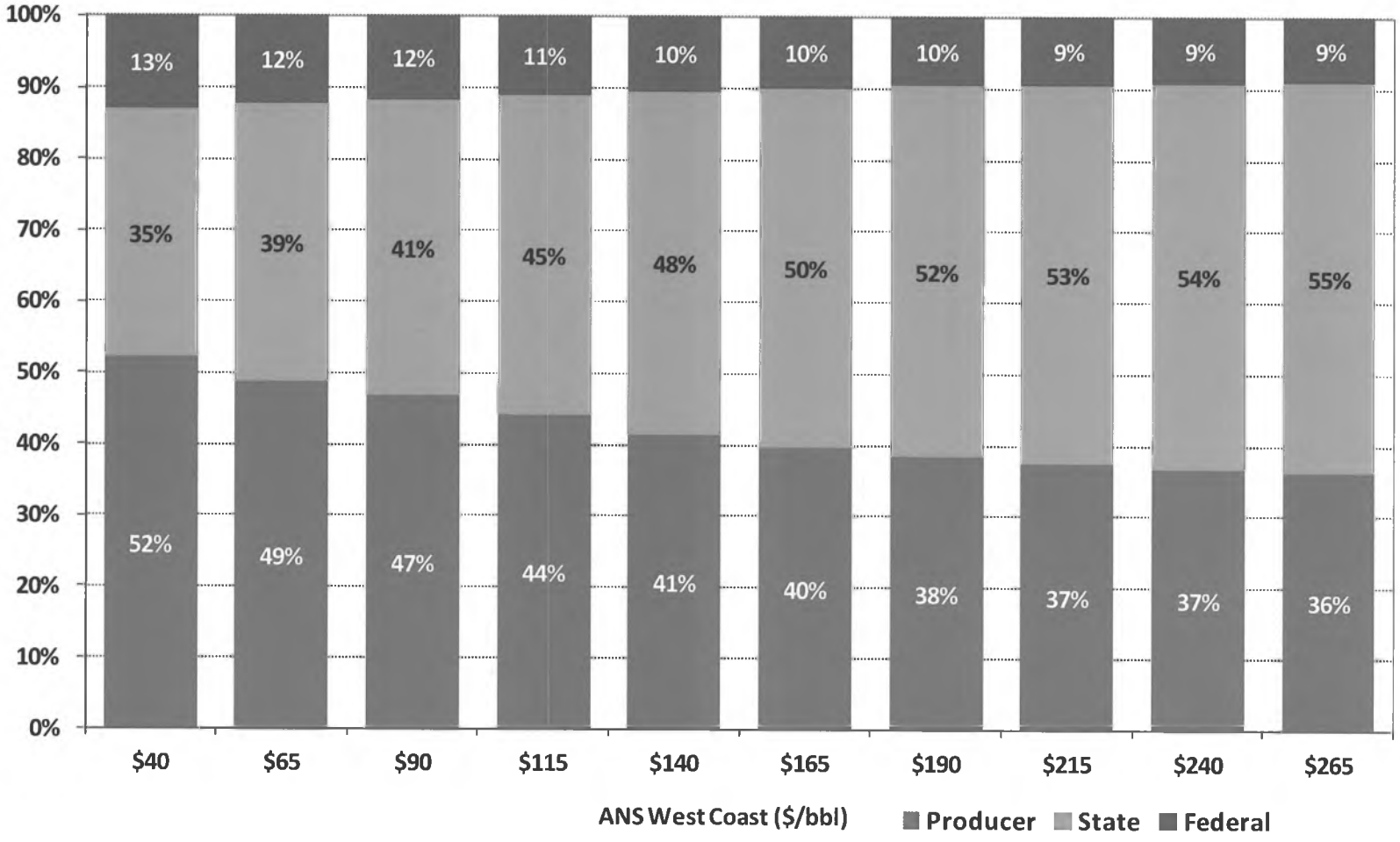
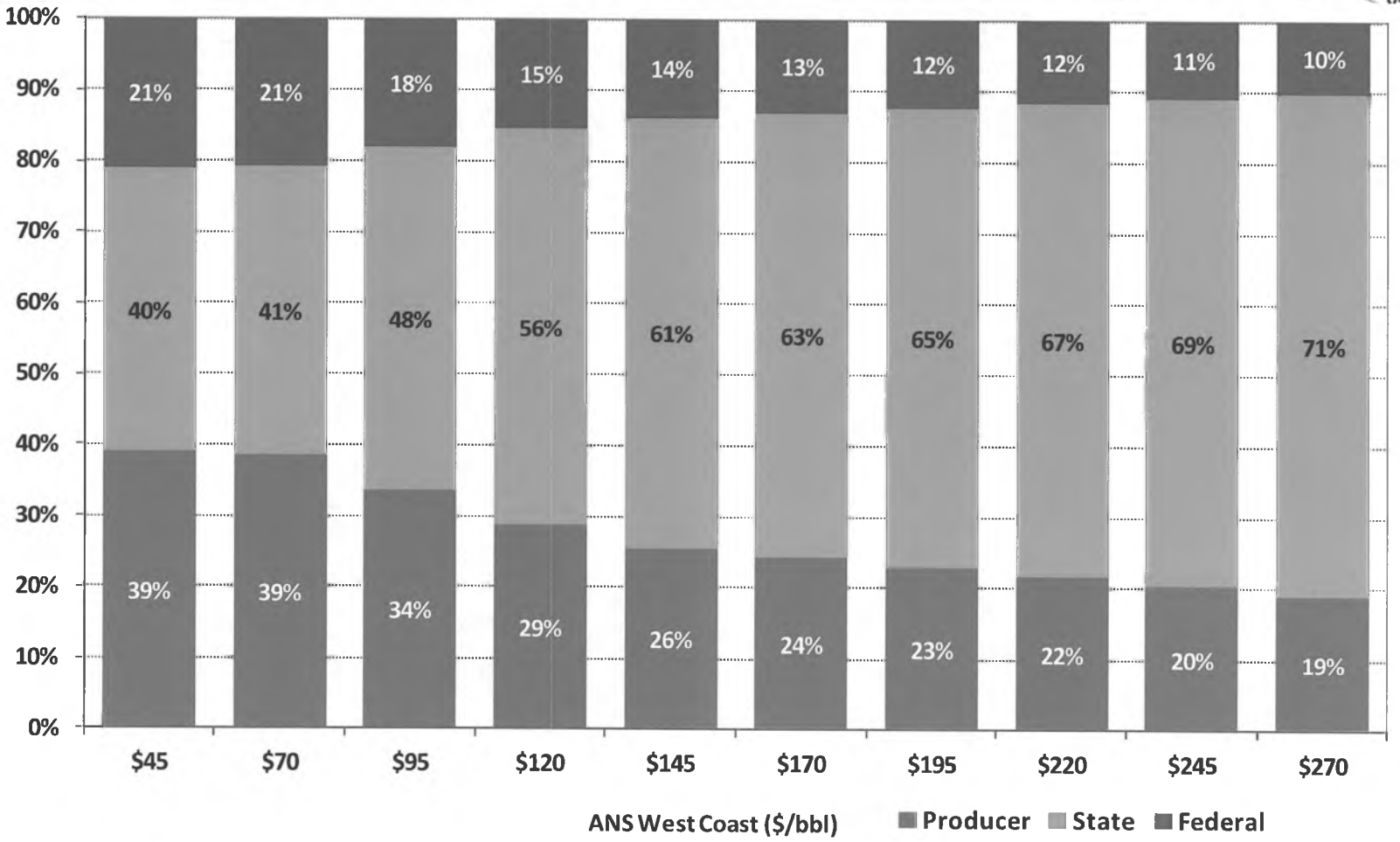
Share of Profit under CS HB 110 (FIN) with 20% federal CIT



Profit defined as total gross value of all oil produced, less transportation costs and lease expenditures.
Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Share of Profit under ACES

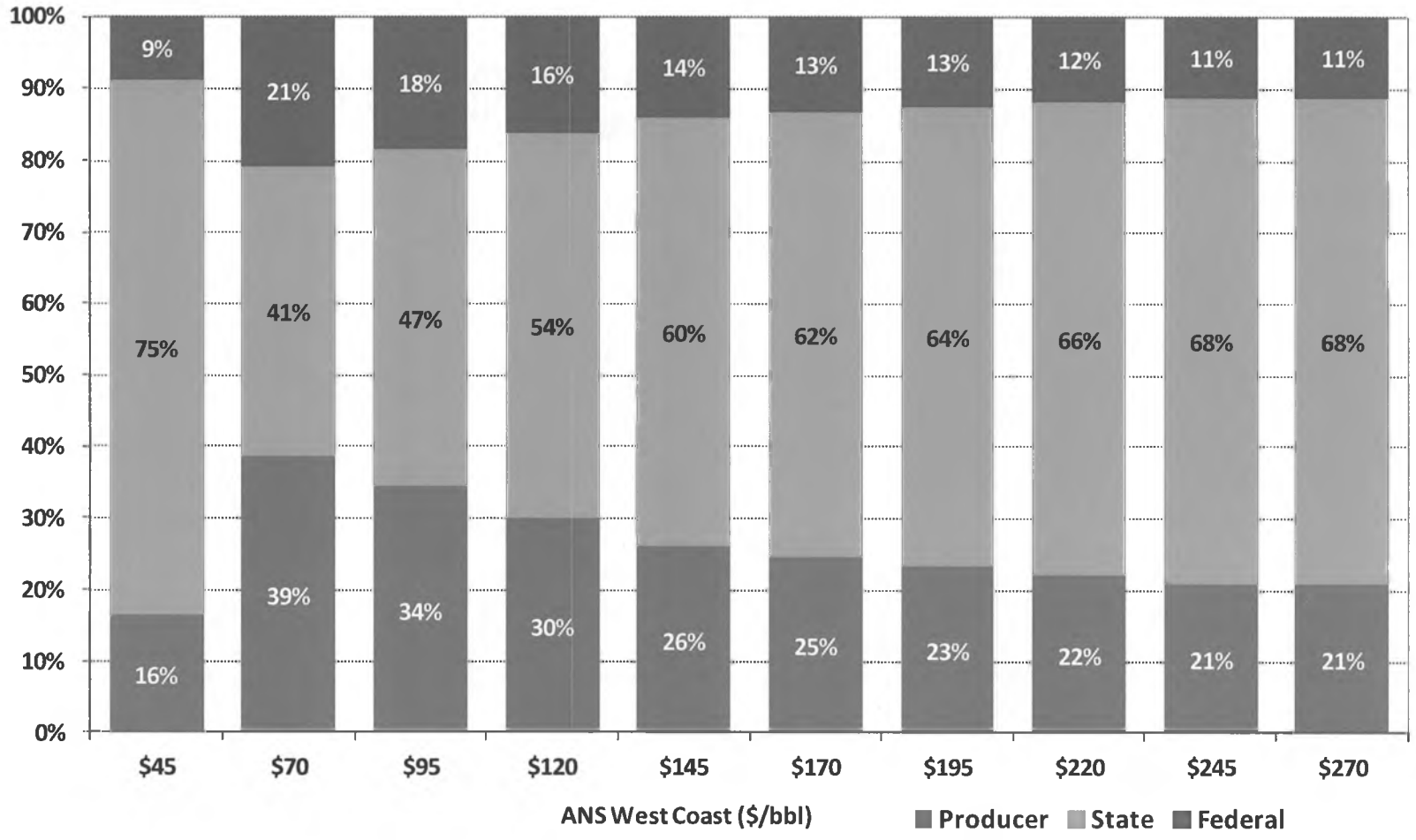
Using total lease expenditures for all companies



Profit defined as total gross value of all oil produced, less transportation costs and lease expenditures.
Assumes FY 2012 expenditures for all companies regardless of whether they have a tax liability: Transport costs of $8.72/ bbl, Opex of $14.06 per taxable barrel, and Capex of $14.95 per taxable barrel).

Share of Profit under CSSB 192

Using total lease expenditures for all companies



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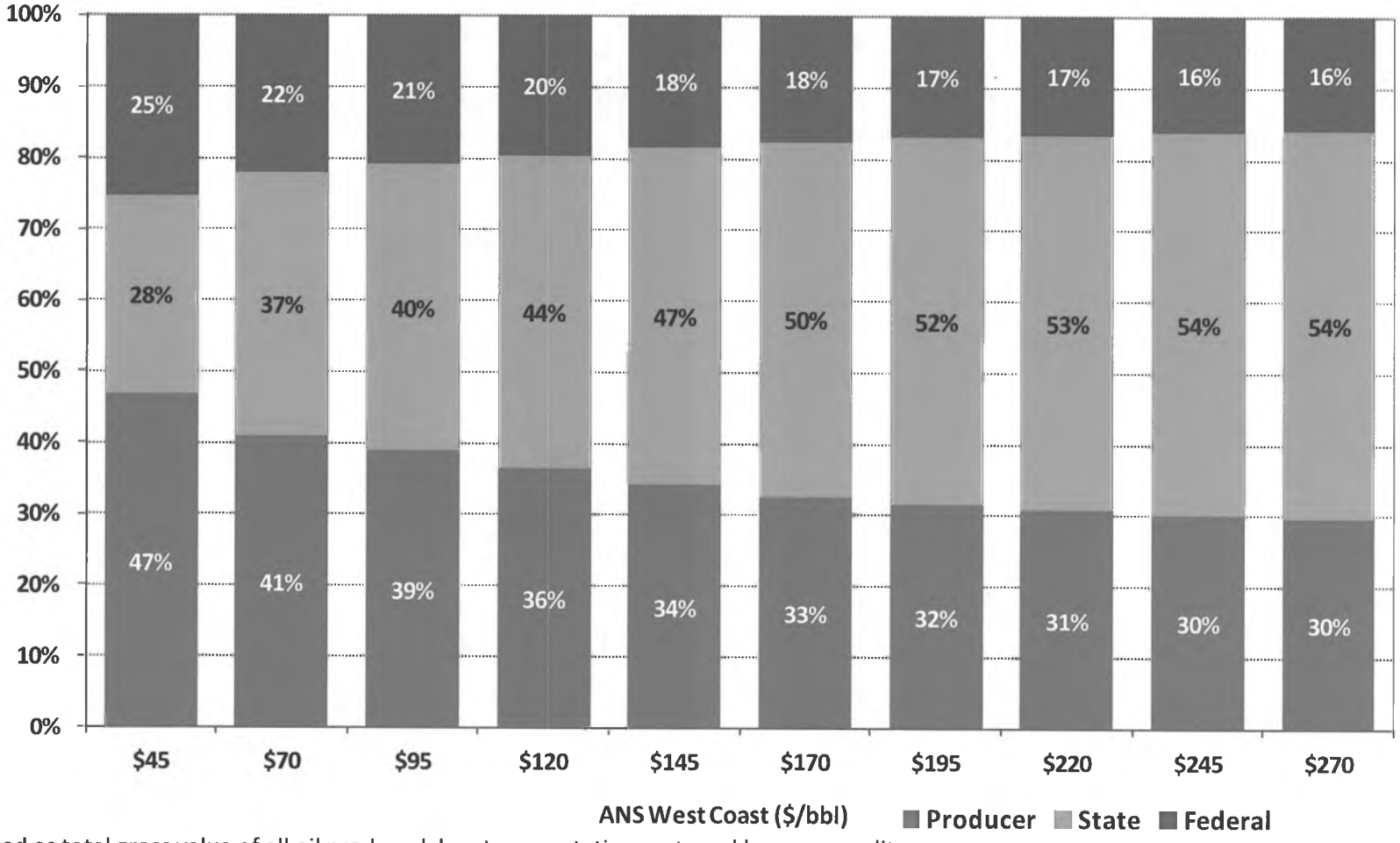
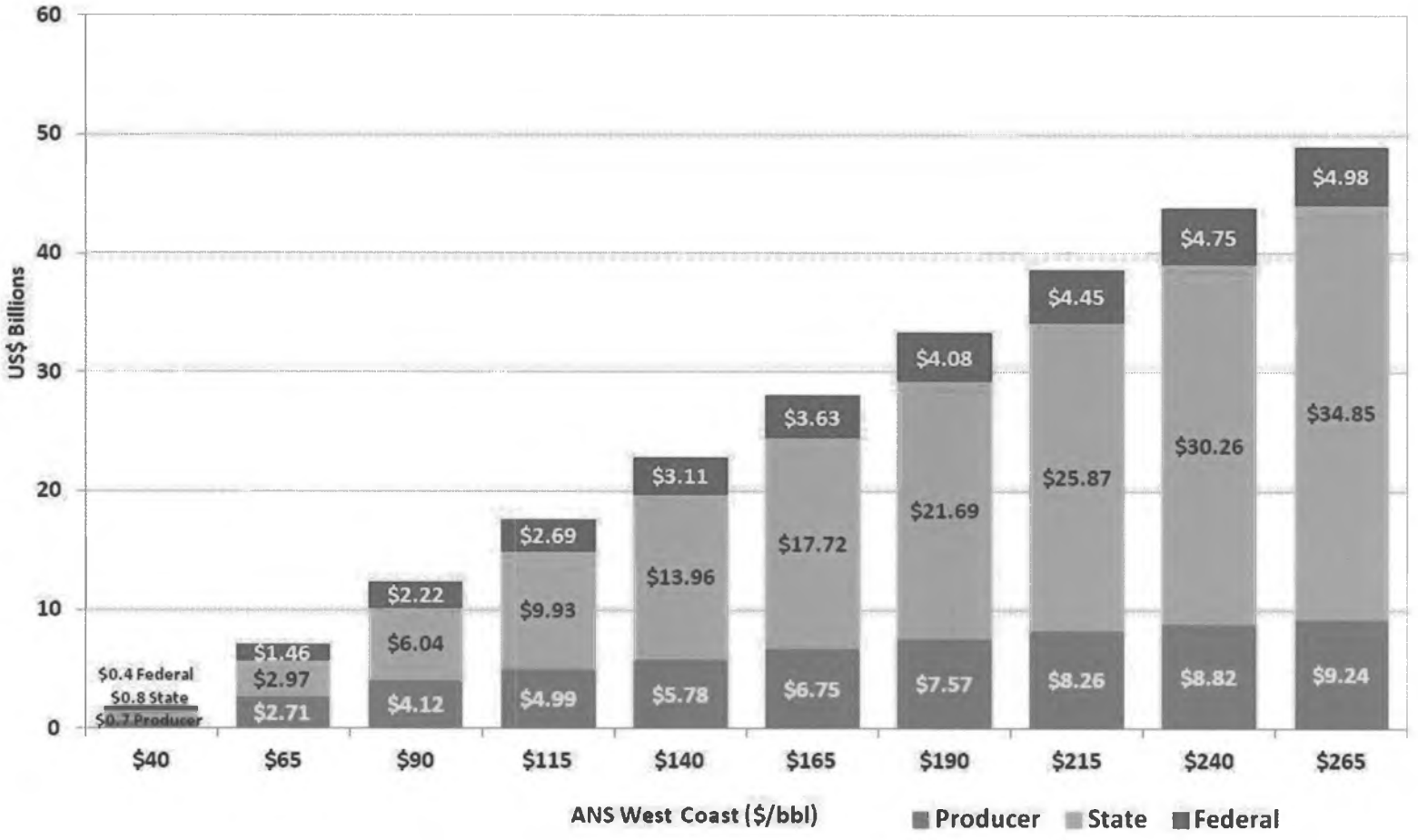
Share of Profit under CS HB 110 (FIN)

Using total lease expenditures for all companies



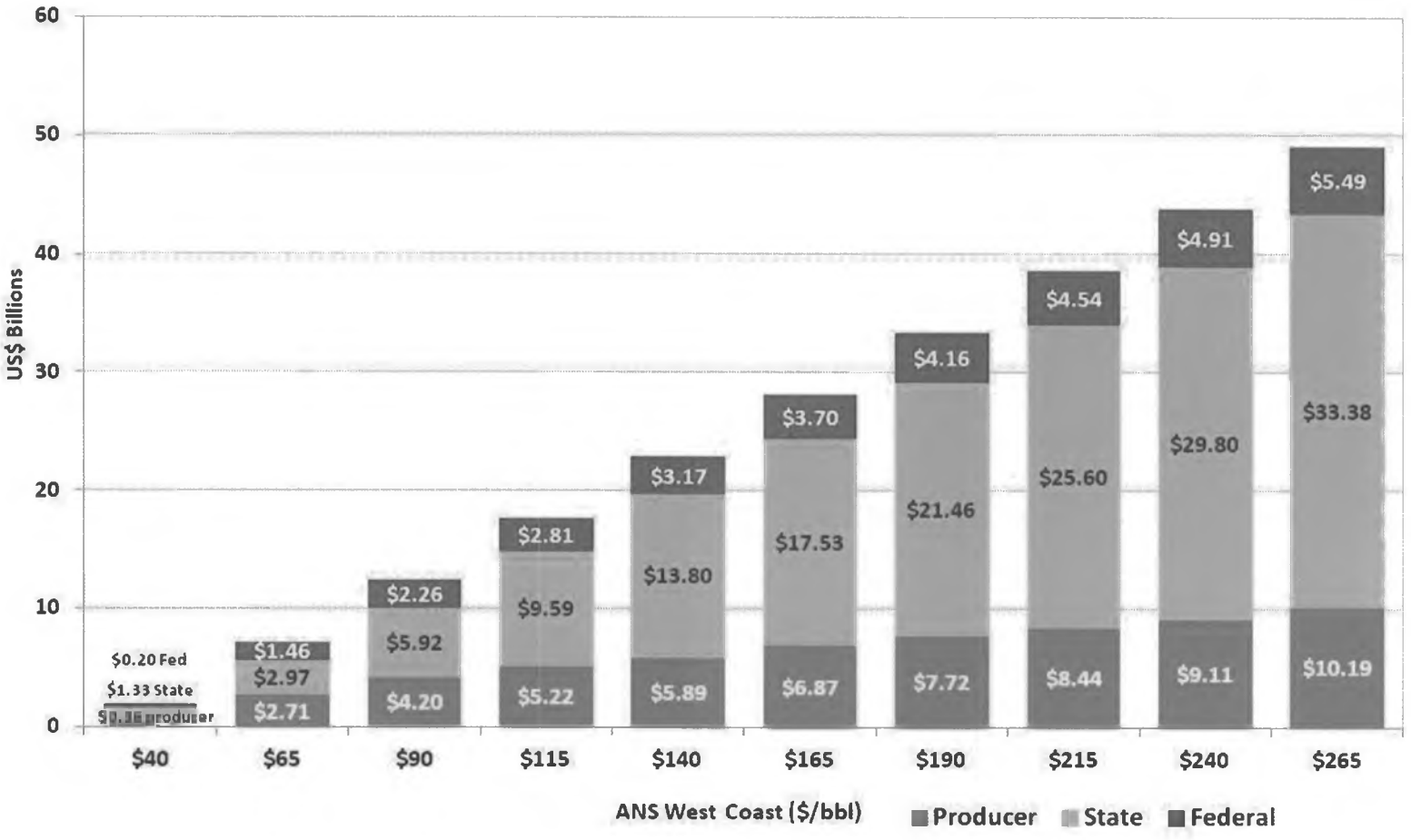
Profit defined as total gross value of all oil produced, less transportation costs and lease expenditures.
Assumes FY 2012 expenditures for all companies regardless of whether they have a tax liability: Transport costs of $8.72/ bbl, Opex of $2579 million ($12.30 per total barrel), and Capex $2743 million ($13.08 per total barrel).

Absolute Profit Split under ACES



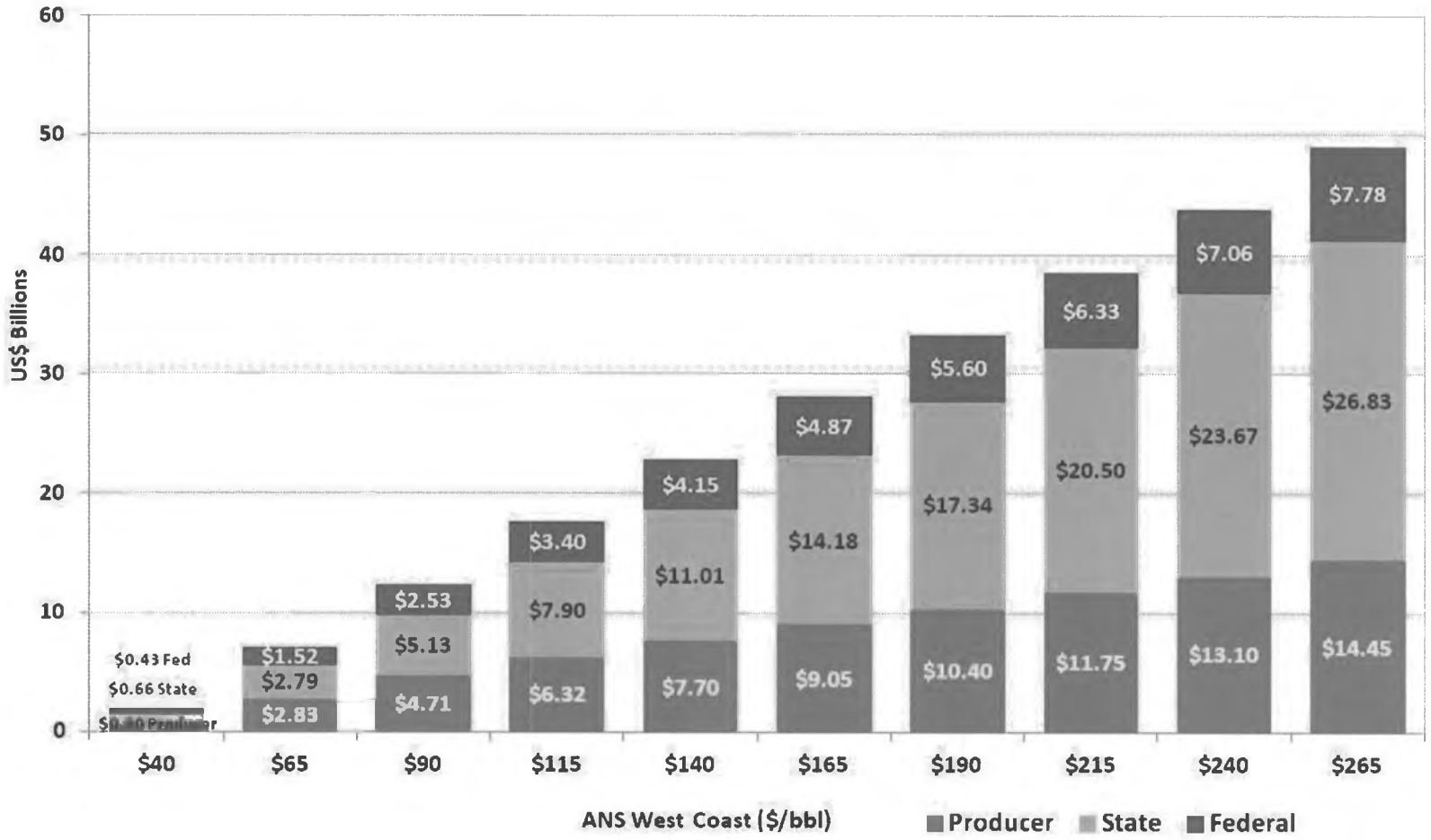
Profit defined as total gross value of all oil produced, less transportation costs and lease expenditures.
Assumes FY 2012 production of .574 mmb/d, transport costs of $8.72/bbl, opex of $14.03 per taxable barrel, and capex of $10.25 per taxable bbl.

Absolute Profit Split under CSSB 192



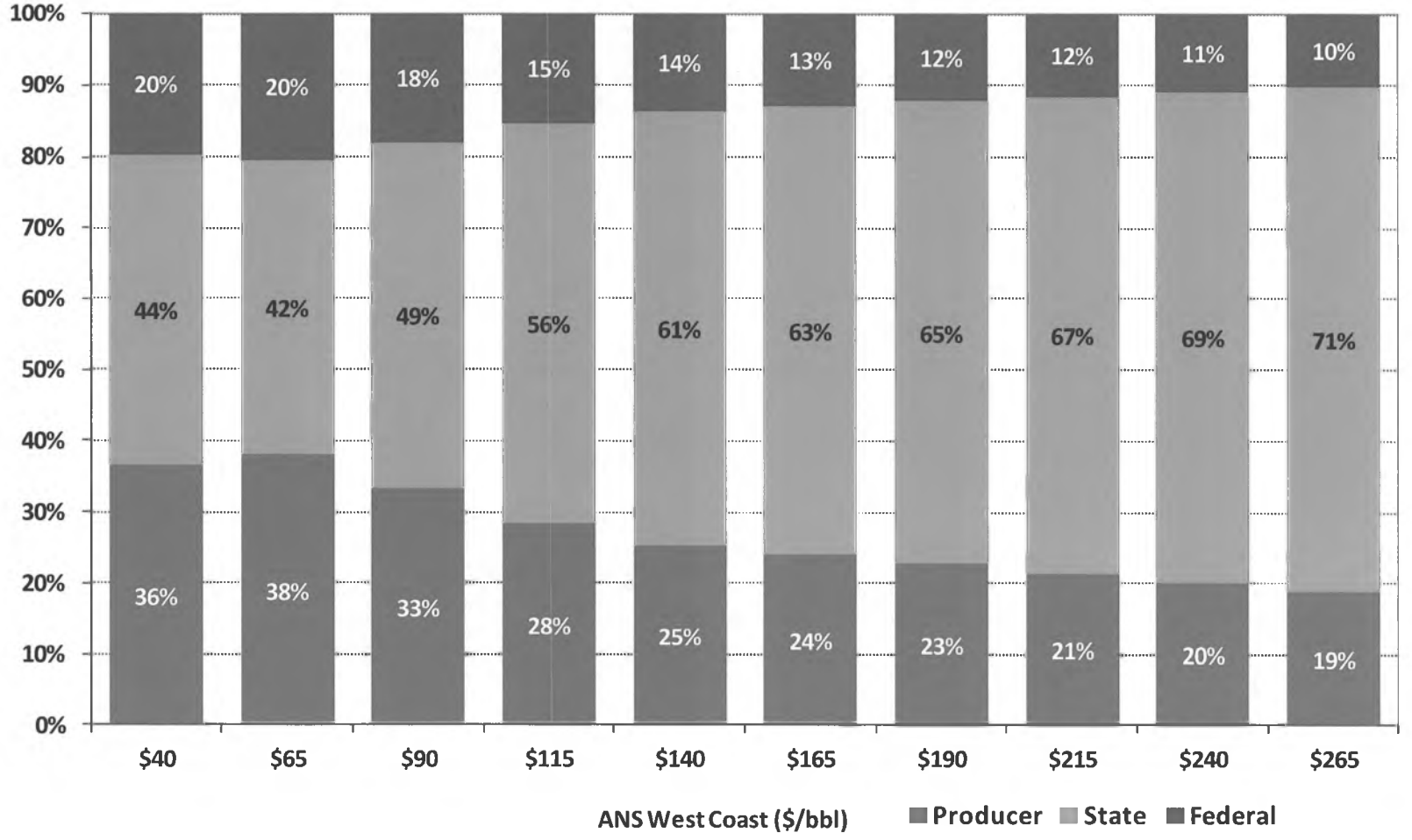
Profit defined as total gross value of all oil produced, less transportation costs and lease expenditures.
Assumes FY 2012 production of .574 mmb/d, transport costs of $8.72/bbl, opex of $14.03 per taxable barrel, and capex of $10.25 per taxable bbl.

Absolute Profit Split under CSHB 110(FIN)



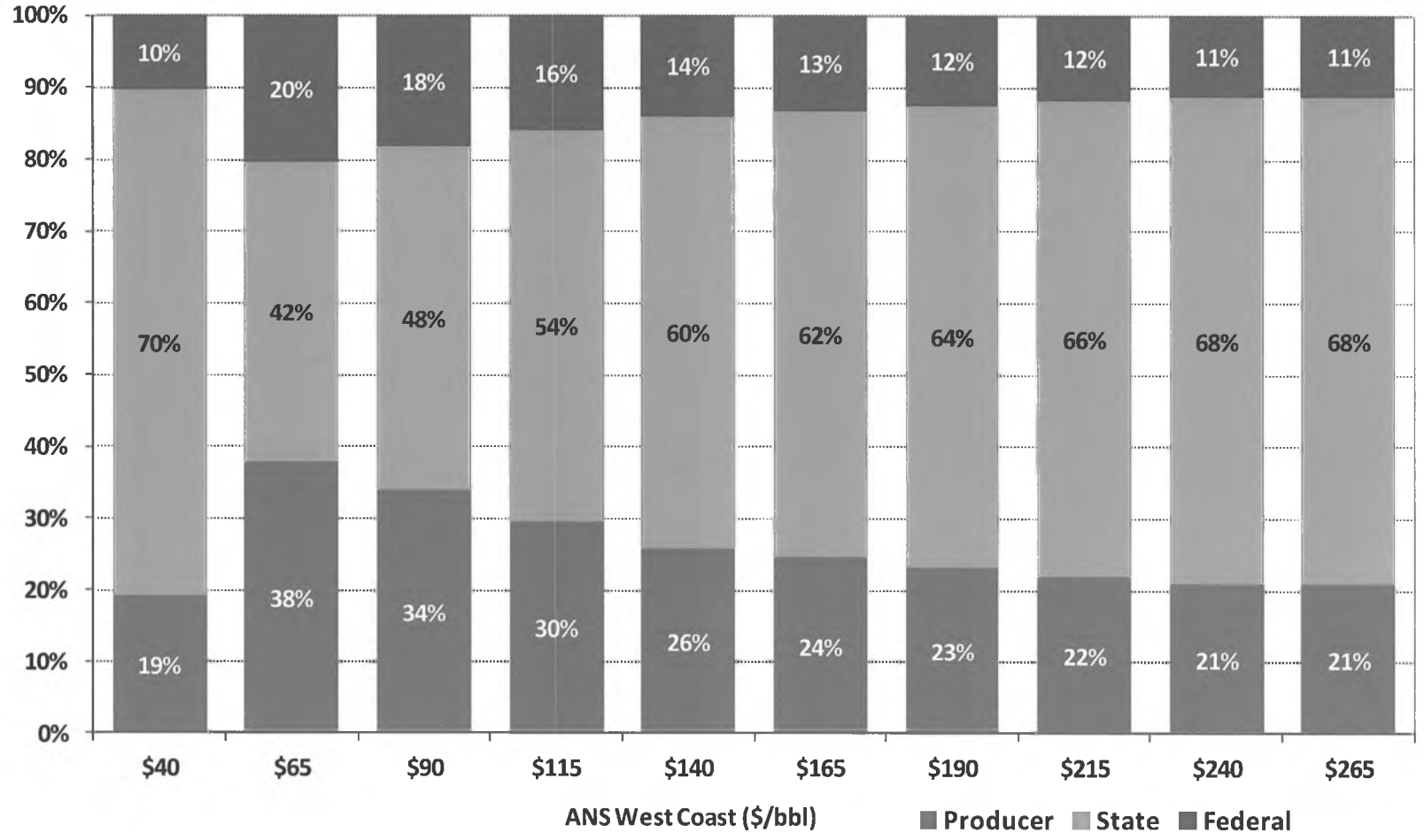
Profit defined as total gross value of all oil produced, less transportation costs and lease expenditures.
Assumes FY 2012 production of .574 mmb/d, transport costs of $8.72/bbl, opex of $14.03 per taxable barrel, and capex of $10.25 per taxable bbl.

Share of Profit under ACES



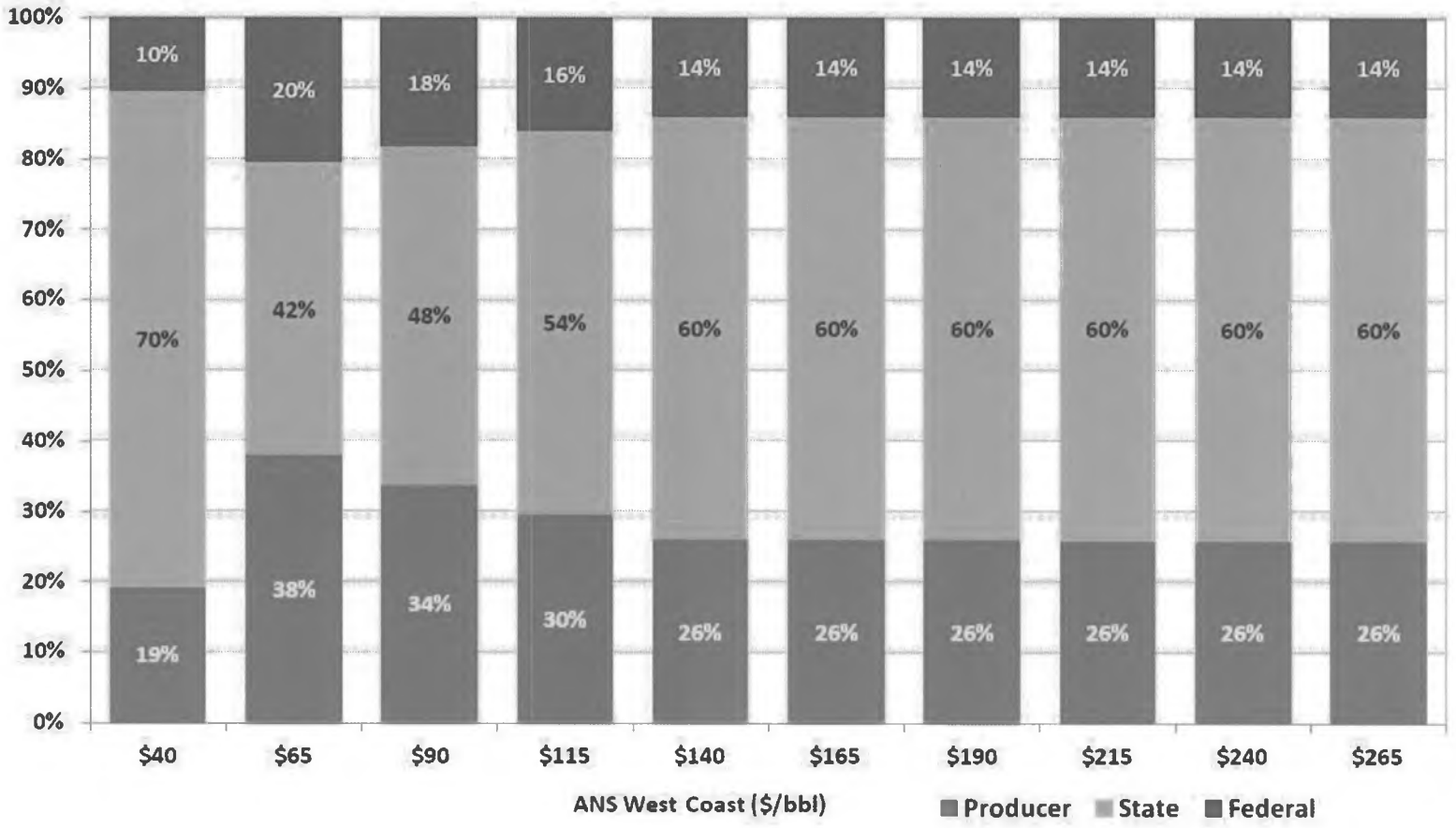
Profit defined as total gross value of all oil produced, less transportation costs and lease expenditures.
Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Share of Profit under CSSB 192



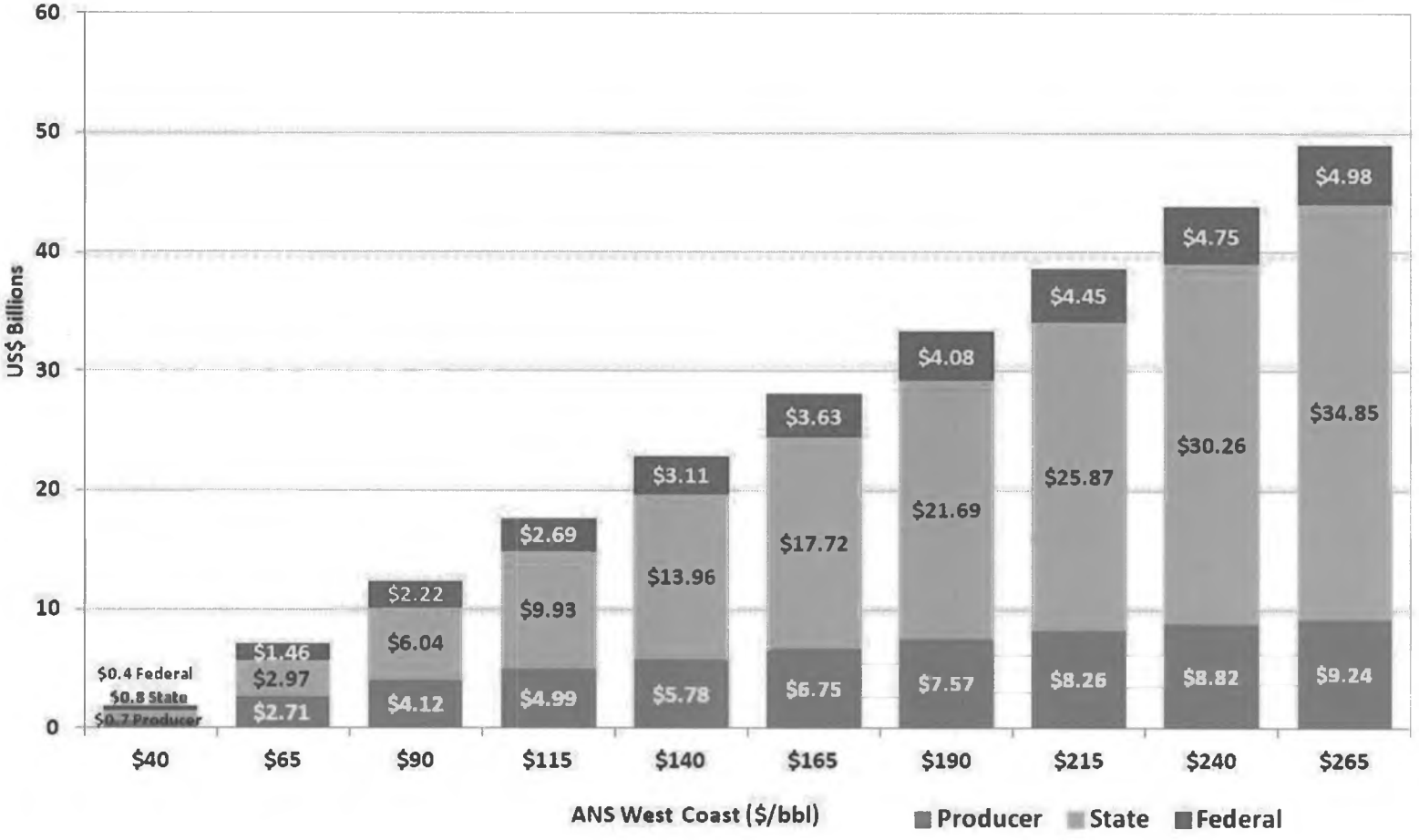
Profit defined as total gross value of all oil produced, less transportation costs and lease expenditures. Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl. Assumes that 80% of production is impacted by 10% gross minimum tax with no credits allowed against gross tax.

Share of Profit under CSSB 192 with 50% Maximum Tax Rate



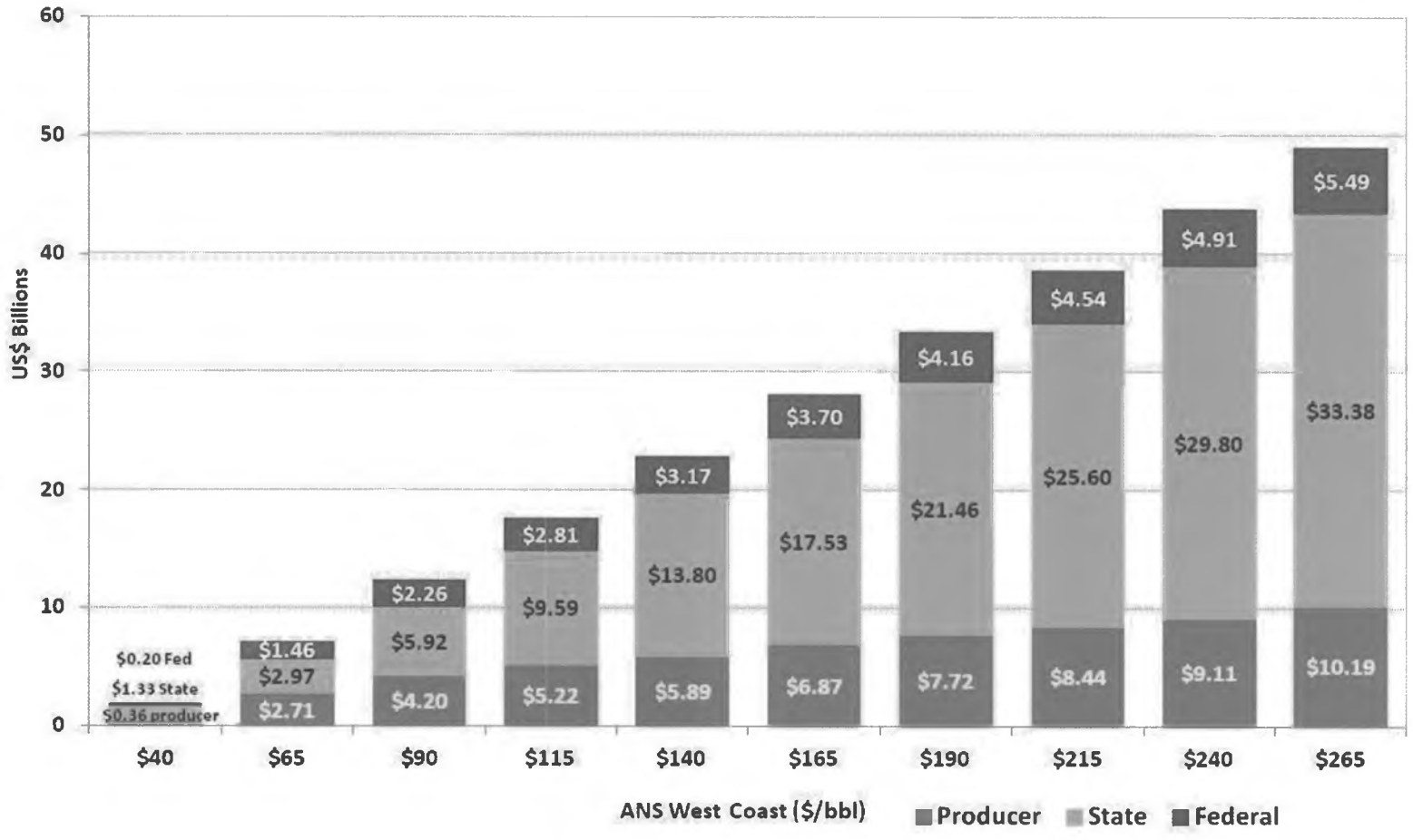
Profit defined as total gross value of all oil produced, less transportation costs and lease expenditures. Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl. Assumes that 80% of production is impacted by 10% gross minimum tax with no credits allowed against gross tax.

Absolute Profit Split under ACES



Profit defined as total gross value of all oil produced, less transportation costs and lease expenditures. Assumes FY 2012 production of .574 mmb/d, transport costs of $8.72/bbl, opex of $14.03 per taxable barrel, and capex of $10.25 per taxable bbl.

Absolute Profit Split under CSSB 192



Profit defined as total gross value of all oil produced, less transportation costs and lease expenditures.
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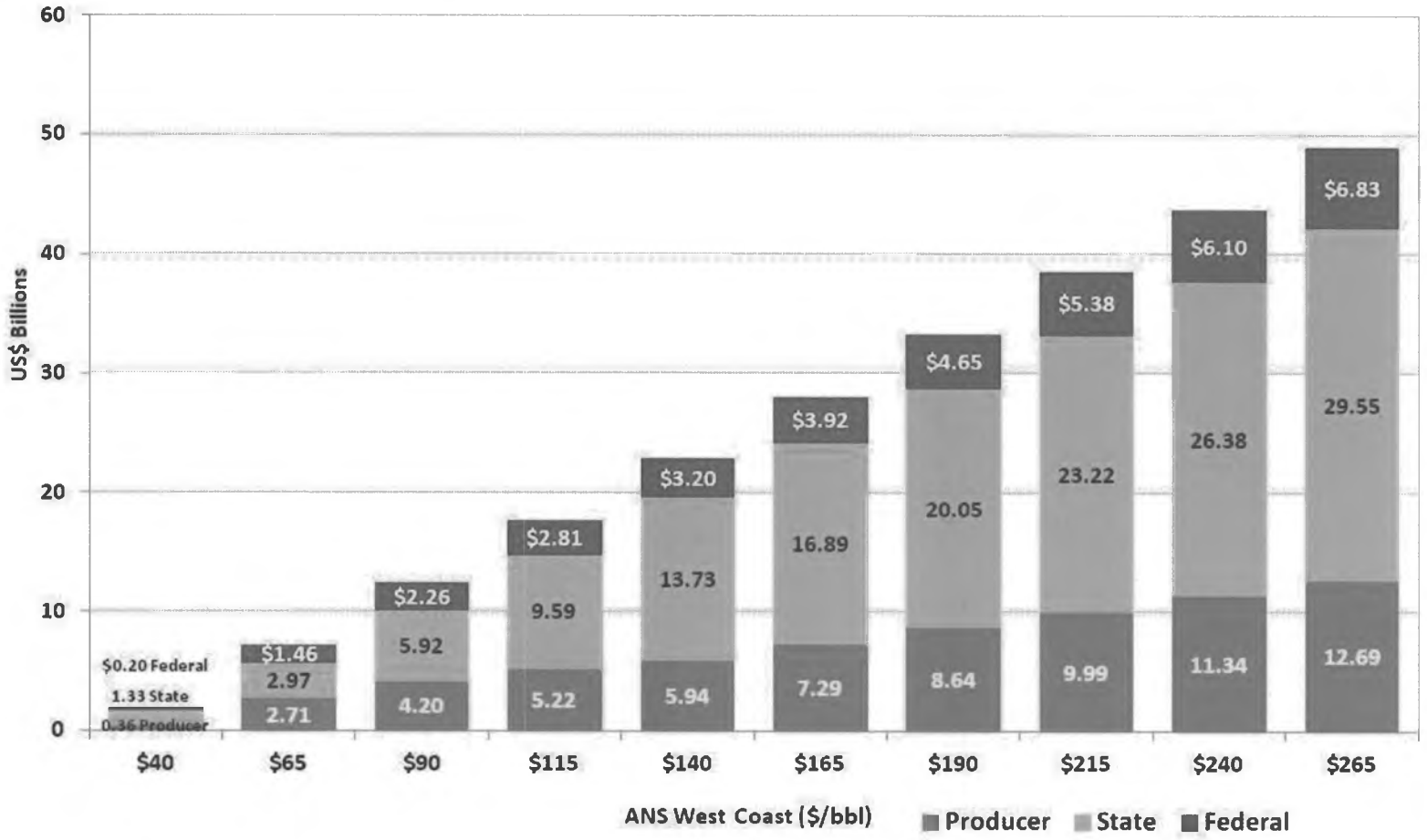
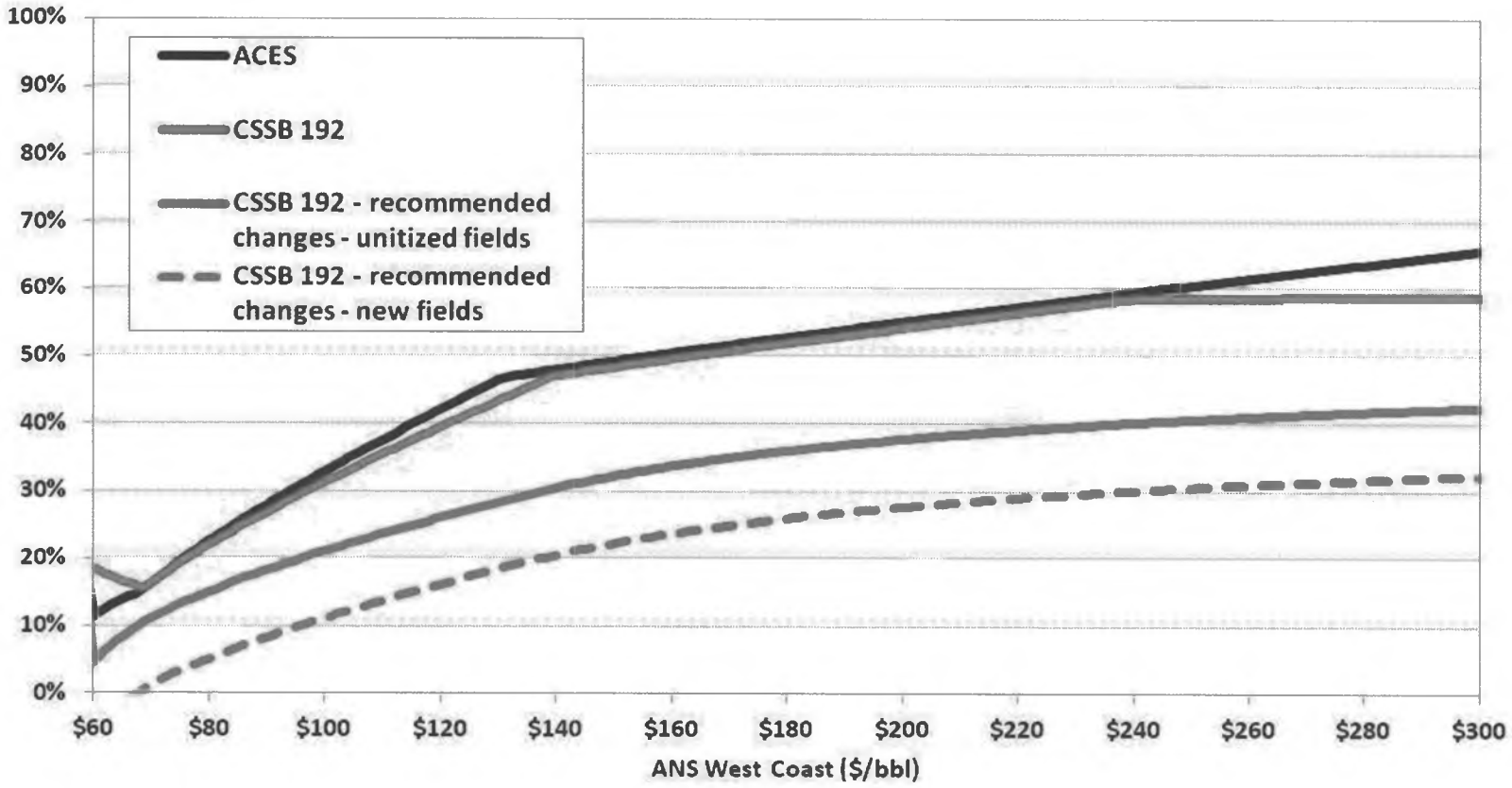
Absolute Profit Split under CSSB 192 with 50% Maximum Tax Rate



Profit defined as total gross value of all oil produced, less transportation costs and lease expenditures. Assumes FY 2012 production of .574 mmb/d, transport costs of $8.72/bbl, opex of $14.03 per taxable barrel, and capex of $10.25 per taxable bbl. Assumes that 80% of production is impacted by 10% gross minimum tax with no credits allowed against gross tax.

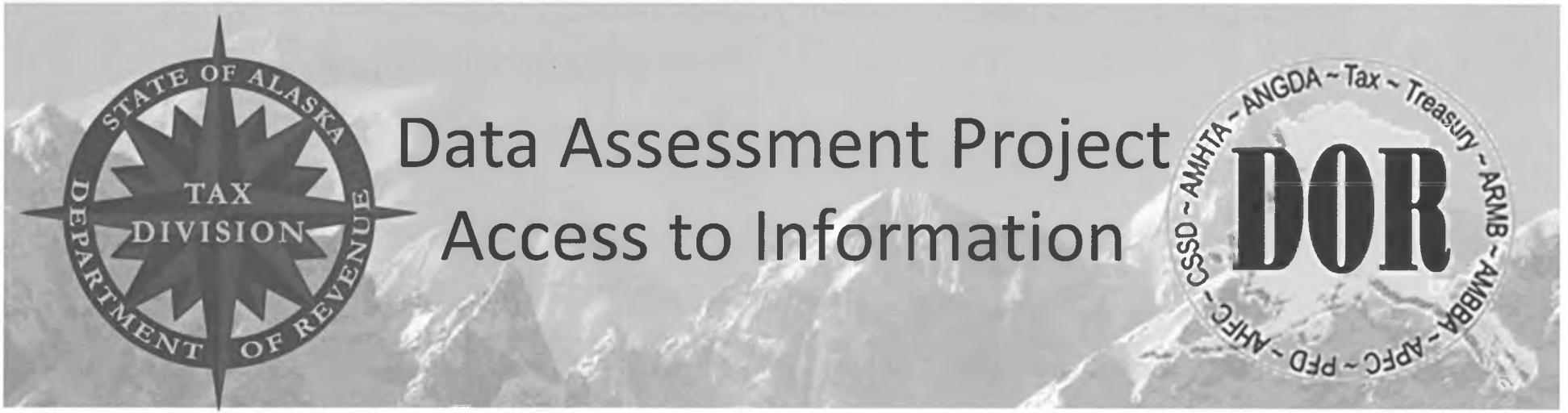
Effective Production Tax Rate (Post-Credits) using Total Lease Expenditures for all companies



Assumes FY2012 expenditures for all companies, regardless of whether they have a tax liability: transport costs of $8.72/bbl, Opex of $14.06 per taxable barrel, and Capex of $14.95 per taxable bbl.

3/26/12 PRESENTATION BY DEPARTMENT OF REVENUE: DATA ASSESSMENT PROJECT

<TARGET><BILL></BILL><SUBJECT>3-26-12 PRESENTATION BY DEPARTMENT OF REVENUE DATA ASSESSMENT PROJECT</SUBJECT><COMM>SRES27</COMM></TARGET>



Presentation to Senate Finance
March 26, 2012
Alaska Department of Revenue

Slide Index

- Project purpose and goals
- Accomplishments to Date
- Project Approach
- Five Focus Areas
- Cost Information Gathering Process
- Data Assessment – Over the Past Year
- Capital Expenditure Categories
- 5 Year Look Back Overview
- Data Assessment – Next 15 Months
- Data Assessment – Future 2014 Forward
- Benefits of the Project
- Next Steps
- Handout List
- Industry Information Catalogue
- SB 192, Amendment 26 Comparison to Currently Collected Data by Agency

Data Assessment Project
Purpose and Objective

Purpose: to establish the foundation of data types required by the department for establishing a centralized, reliable, secure, and automated database of oil and gas production and tax information for DOR to evaluate tax obligations, have efficient reporting, have full compliance from producers/explorers, and for data integration into more advanced information and revenue management systems.

Objective: to assist in the design, development, and implementation of standardized reporting forms from industry leading to the development and implementation of a standardized and automated collection of oil and gas production volume, value, expense, credits, cost forecasts and revenue information to address tax related oil and gas economic, financial, and policy issues and questions for the legislature, the Governor and department.

Accomplishments
Spring 2011 to Spring 2012

- Gathered data, identified information needs and sources.
- Completed Industry Information Catalogue – *Handout 1.*
- Focused on 5 Areas of oil and gas tax information needs.
- Hosted 4 industry workshops to communicate goals.
- Requested and compiled 5-year look back (2006—2010) of capital expenditures (CAPEX) by high level category.
- Integrated, streamlined, and automated forms.
- Proposed work plan to obtain/report detail data for FY12.
- Proposed work plan to integrate (sub ledger) oil and gas accounting data into other information systems .

Project Approach

DOR used an "integrated collaborative" approach among DOR , DNR, AOGCC, industry, and other agencies to gather current information.

- Identified current information received by DOR, DNR, AOGCC and other oil and gas industry associated agencies – "Industry Information Catalogue" – *Handout 1*.
- Identified and cross referenced statute and regulation requirements of data received and NOT received.
- Reviewed past and current DOR information requests.
- Reviewed compliance level of responses
- Identified type and format of information submitted by companies (PDF,'s Excel Spreadsheets, etc) for documents, graphs, charts, displays, narratives, spreadsheet data files.

Focus on Current Areas

- Production Forecast Reporting
- Cost Forecast Reporting
- Monthly Information Reporting
- Credit Application Filing
- Annual Production Tax Return

These areas are the key sources of oil and gas tax related information and reporting activities.

Cost Information Gathering Process

- Conducted in house discussion and review.
- Developed CAPEX & OPEX Expense Category Lists.
- Conducted 4 workshops with industry.
- Industry responsive in both active participation and written comments.
- Developed CAPEX 5 year look-back of high level cost categories.
- Proposed forward-looking more detailed CAPEX and OPEX cost categories – *Handout 2*.

Data Assessment to Date

- Data Assessment Project accomplishments, forms & processes.
- 5 Year Look Back effort – compiled baseline data.
- Annual Cost Supplemental Information Report, rev 1.
  - Effective for CY 2011 tax reporting due March 31, 2012
  - Uses high level look back CAPEX categories
  - Filed by producers and explorers
- Near completion of Annual Production Tax Return

Capital Expenditure Categories

- Look Back Categories for 2006-2010:
  - Geological & Geophysical Work (G&G)
  - Exploration Drilling
  - Development Drilling
  - Facilities
  - Other Capital
- High level categories were used as a result of workshop discussions with industry to balance the department's information needs and the industry's ability to respond in a short time frame for 5 years of historical data.
- Categorized capital expenditure data provided represents 90% of company reported capital expenditures relating to credits.

5 Year Look Back (2006-2010) Qualified Capital Expenditures

- Another aspect of the Data Assessment Project included the 5 year look back of qualified capital expenditures into pre-defined industry compatible categories.
- The pre-defined categories for the look back were high level common categories used across the industry to serve as a historical baseline for analysis.
- For CY 2012 and forward tax reporting the department has proposed expanded pre-defined more detailed CAPEX and OPEX cost categories to the industry.

Data Assessment Next 15 Months

- Host prospective Cost Information Workshops on CAPEX\OPEX.
- Update Annual Cost Supplemental Information Report , rev 2.
  - Effective for CY 2012 reporting due March 31, 2013
  - Uses more detailed categories following additional workshops – April 2012
  - Filed by producers and explorers
- Finalization of Annual Production Tax Return for 2012 reporting.
- Consolidating standardized forms to eliminate duplicate reporting.
  - Finalize oil and gas reporting processes, definitions
  - Compile 5 YLB historical cost data with 2012 cost data for analysis
- Complete the foundation and basis for data integration with a Tax Revenue Management System ("TRMS").
- Refine proposed work plan to initiate development and integration of standardized oil and gas accounting information into a secured database once the Tax Revenue Management System ("TRMS ") project plans decisions advance.

Data Assessment
Future July 2014 Forward

- The project has defined what we need to do to organize the oil and gas accounting information.
- TRMS project needs to establish the project implementation plan in order for our project to integrate into that system.
- After TRMS project implementation plan is defined, the next step is to define how the oil and gas accounting information will be incorporated into TRMS and when it can begin.

Benefits of Data Assessment Project

- Proposed reporting definitions and automation standards.
- Established reporting categories for qualified capital expenditures categories.
- Obtained historical capital expenditure information.
- Developed requirements to report cost categories going forward in 2012.
- Identified potential for electronic data sharing among associated agencies.

Next Steps

- Continued interaction with stakeholders to complete indentifying and defining more detailed cost categories for both CAPEX and OPEX for 2012 tax reporting
- Complete standardization of forms, format and content
- Automation of the standardized forms

Handouts

1 – Industry Information Catalogue

2 – Proposed Master Expenditure Cost Categories detailed CAPEX and OPEX and definitions

3 – SB 192, Amendment 26 information requirements comparison to currently collected data by Agency

Industry Information Catalogue

- The department's review catalogued information reported to the following State of Alaska agencies:
  - Department of Revenue, Tax Division
  - Department of Natural Resources, Division of Oil & Gas
  - Alaska Oil & Gas Conservation Commission

SB 192, Amd 26 Petroleum Information Management System (PIMS)

- 90% of PIMS data requirements already collected by DOR, DNR and AOGCC.
- 4 out of 35 data items not currently collected and require further coordination with Department of Labor.
- More data collected by DOR, DNR and AOGCC than identified in SB 192, Amendment 26.

QUESTIONS?

CONFIR-MATIONS 2011

<TARGET><BILL></BILL><SUBJECT>CONFIRMATIONS 2011</SUBJECT><COMM>SRES27</COMM></TARGET>

-majackson

March 30, 2011

Wednesday April 6, 2011 – Senator Paskvan to Chair

Big Game Commercial Services Board; (R) Karen Polley

Big Game Comercial Services Board; (R) Kelly Vrem

Board of Game; (R) Stanley "Stosh" Hoffman

Board of Game; (R) Ted Spraker

Board of Game; (R) Nathan Turner

Board of Game; (N) Nick Yurko

(R) = reappointment

(N) = new appointment

Karen Polley
Big Game Commercial Services Board

Karen (Ryals) Polley

Summary of Qualifications

Over 25 years of experience in education including teaching, administration, leadership, planning, and development of adult education, vocational education, and employment training programs. My employment has given me experience in policy development and regulations at the state and national levels. I have had the opportunity to develop extensive service on boards and commissions including the Professional Teaching Practices Commission, The Glacier Highway Electric Association Board, National Association of State Directors of Vocational Education, the Juneau Community Garden Association, The University of Alaska Vocational Education Advisory Board, Alaska Nutrition Education Training Program Advisory Committee, and the Alaska Home Economics Association Board. My professional positions enabled me to be instrumental in the initiation and establishment of multiple agency collaborative efforts including the Departments of Education, Health and Social Service, Labor, Community and Regional Affairs, municipal governments and the private sector. In my leisure time I enjoy hunting, fishing and outdoor recreation.

Employment

2005- Present	Self employment: Stone Soup Alaska Designs
1999-2005	University of Alaska Southeast Ketchikan Campus Director, Ketchikan
1997-1998	Owner/ Operator, Polley's Waterbug Service
1995-1996	Interim Director, School of Career Education, University of Alaska Southeast
1994-1996	Consultant with Ernest Polley and Associates
1992-1993	Program Coordinator, Southeast Regional Resource Center, Juneau
1987-1991	Director of Adult and Vocational Education, Alaska Department of Education, Juneau
1978-1987	Education Administrator Career and Vocational Education, Alaska Department of Education, Juneau
1974-1978	Instructor, Juneau Douglas Community College
1968-1974	Home Economics Teacher, City and Borough of Juneau School District, Juneau

Education

United State Merchant Marine License 50 ton qualification 1998-2008
Certificate Basic Facilitator, Association for Quality and Participation 1992
Principals Credential, University of Alaska Southeast, Juneau 1998
M. Ed Secondary Education, University of Alaska Juneau, 1978
BA Home Economics and BA in Home Economics Education, Eastern Washington State University, Cheney, 1968

Awards

Excellence in Education for Work, 1987 the Alaska Committee
Alaska Home Economist Outstanding Contributions Award 1983, Alaska Home Economics Association
Leadership in Vocational Education Award 1980, Alaska State Vocational Association
Home Economist of the Year, 1991, Alaska Home Economic Association
Meritorious Service Award for Outstanding Service, 1991 from the Alaska State Vocational Association

Kelly Vrem

Kelly Vrem
Big Game Commercial Services Board

Objective: Registered Guide Member of the Big Game Commercial Services Board

Biography

I was born in Anchorage 1953. Eagle River resident 1954-1979, Bethel 1979-82, Chugiak 1982-2009, Sutton 2009-present. Married to Linda 35 years, 3 children.

Linda and I reside on 20 acres in Sutton where we keep our 13 horses, and we own a hanger at the Birchwood Airport with my brother Tracy and his wife.

Experience

Big Game Guiding

- Licensed as an Assistant Guide 1973
- Employed by Gene Needels of Chugiak in GMU's 11, 12,13 and 9. I was a pilot as well as an assistant guide and I continued to work for Gene until 1982 while my business was getting established.
- My Registered Guide License was obtained in December 1977 Currently Master Guide #102
- 1979 to present self-employed in my guiding business.
  I am licensed to guide in GMU's 6,9,11,13, 14, 16-22, 25 and 27

At this time we guide in the Wrangell Mountains, Alaska Peninsula, and Game Management Unit 16. I also work for Bruce Werba of Holy Cross as a guide and pilot in support of his guiding operation in GMU 18 & 21.

Over the years we have operated a guide business on State, Forest Service, USFWS, BLM and National Park Service lands.

While my Guide business was getting established I was a heavy equipment operator in IUOE Local 302, and as a commercial pilot and mechanic.

Commercial Pilot

As you can see I have worked for several air operators. My air taxi was also a licensed Transporter in GMU 19. I understand the needs and concerns of that segment of Big Game Commercial Service Providers.

- Commercial Pilot 1979
- Chugiak Aviation Bethel 1980-81 on demand charter
- SEAIR North Slope and Bethel 1981-84 Scheduled mail and passenger service in Bethel, Air support for geophysical exploration companies on the North Slope, operating out of Umiat and Deadhorse

- 1985 USFWS Yukon Delta National Wildlife Refuge Bethel Wildlife surveys and research support.
- Woods Air Service Palmer 1990-93. State wide on demand charter and fuel hauling.
- Owner and Director of Operations, Chief Pilot and Director of Maintenance Nordic Flying Service 1994-2005 Birchwood Airport.

Ratings and Education

Commercial Pilot Instrument Rating; SEL; MEL; SES; Helicopter; Airline Transport Pilot MEL; A&P Mechanic, IA.

During my 15,000 hours of Alaska flying time, I've had the good fortune to see Alaska from Yakutat Bay to Cold Bay to Prudhoe Bay. My flying career has allowed me to fly J3's to DC-6's. I still take a flying job at a fishing Lodge operated by my Brother Tracy as time permits.

Big Game Commercial Services Board

As an Assistant Guide and then a young Registered Guide I began attending the Guide Board meetings in 1974 and have attended the majority of the meetings conducted by both governing bodies of guides and transporters to date. It was my privilege to help on several special and sub committees for the BGCSB. I have also proctored for the oral tests on occasion. I regularly attend Board of Game meetings as an APHA member and served on the Western Alaska Moose Management Planning Committee. I have maintained an active interest and participated in guiding boards since the 70's. I have seen the Board process from its inception to the present. I feel I have more to contribute and would consider it an honor to serve on the commercial Services Board.

I have been an active member of the Alaska Professional Hunters Association Since 1979. Serving over 14 years as a board member of the APHA and Vice President for the past several years

Education

Chugiak, and Eagle River Elementary Schools Chugiak High School class of 1971

Western State College, Gunnison CO 1971-1972 I did not return for the sophomore year so I could pursue my guiding career.

Other Activities

Board Member of Anchorage Ski Club 1991 to 1996. Volunteer director and a coach of the Anchorage Ski Club Racing Team. We had skiers from 8 to 18 years old in the program

Hobbies

Ski Racing, current member of the Alyeska Ski Club, Masters Ski Racing program

Adult league hockey. Alaska Aviation .

Alaska Organizations

Alaska Professional Hunters Association Alaska Airmen's Association

Alaska Outdoor Council Birchwood Airport Association

Hoffman, Stanley "Stosh"
Board of Game

Stanley (Stosh) Hoffman, Jr.

Objective: *Interested in serving on the State of Alaska Board of Game*

Summary of Qualifications

- Lifelong Alaskan
- Very Familiar with Hunting, Guiding, Subsistence Activities
- Experienced Assistant Guide, License #3951 (Big Game) Issued 8/12/97
- Commercial Fisherman, 21 Years, Captain 10 Years
- Familiar with City, State and Federal Agencies and Regulations
- Familiar with Alaska Native Cultures and Languages
- Self-Motivated

Owner & Business Manager:
S & A Rentals, Nunapik Dish Network,
Tundra Fencing

Work History

Employment Duties	*Position*	*Employer/Address*	*Reason for Leaving*
1/07 – Present	Director of Corporate Facilities	Yukon-Kuskokwim Health Corporation PO Box 528 Bethel, AK 99559	N/A
7/98 – 1/07	Projects/Safety Manager; Assist Director of Public Works; Project Supervisor; Port Supervisor; Construction Project Foreman Supervisor:	City of Bethel PO Box 388 Bethel, AK 99559	Accepted Position with YKHC

HOFFMAN Pg. 2/2

10/92-7/98	Driver: Operate fuel truck, deliver bulk fuel.	Hoffman Fuel Service PO Box 406 Bethel, AK 99559	Left while employed w/ summer jobs
1992 – 1998	various seasonal construction jobs in the Bethel area.		

Education History

High School:	McGrath High School	McGrath, Alaska 1985 – 1989
Degree/Diploma:	High School Diploma – Salutatorian	
College:	University of Alaska Anchorage	1989-1991 General Courses

Spraker, Ted H.
Board of Game

Ted H. Spraker

I was raised in Wyoming and completed my college education at the University of Wyoming. I hold a bachelor's degree in Wildlife Management and Master's in Range Management. I finished graduate school in May of 1973 and moved to Alaska in July. I have never been out of the state except for vacations. I'm 53 years old and married to Elaina Spraker. I have one son from a previous marriage, Clint, 23 and two stepchildren with Elaina, Ashley 14 and Kyle 12. My wife and all of our children are successful big game hunters and enjoy fishing. Kyle is my trapping partner.

Work.

I worked for U.S. Fish and Wildlife Service for five months, three in Southeast and two at the Kenai Moose Research Center in 1973.

I was hired by Department of Fish and Game on February 1, 1974, following one month of volunteer work. I worked in the Anchorage office for eight months before being promoted to Assistant Wildlife Biologist and transferred to Glennallen.

In July 1978, I was promoted to Area Wildlife Biologist and transferred to Soldotna as the biologist for the Kenai Peninsula. I remained in that position until I retired June 1, 2002, 28 years 4 months service.

Accomplishments with the Department:

I have made many changes during my near three decades career with the Department concerning wildlife, and hunting and trapping opportunities. Some of the most important projects were: In 1981, I presented survey data to the Board of Game to change the goat hunting on the Kenai. This hunting program is still in place

I served as the project leader when caribou were relocated from Glennallen to the Kenai in 1985 and 1986 to establish the Twin Lakes, Killey River and Fox River herds. Eighty animals were released that grew to over 800 by fall 2002. One of the reasons we moved caribou was to establish new herds for hunting.

In 1987, I worked with the five local Fish and Game Advisory Committees and Board of Game to change the bag limit for moose from an "any bull" program to a Selective Harvest System. This effort was successful in restoring the bull to cow ratio, resulting in an improvement in our local moose population's health and longer hunting seasons. The success on the Kenai inspired the Board of Game to approve this system for other Game Management Units from southeast to the interior.

I have received several conservation awards including the Life Time Conservation award from Safari Club International and a conservation award from the local trappers association.

I'm a member of the Alaska Trappers Association, Safari Club International and a lifetime member of NRA. I'm an avid hunter, trapper and fisherman. I have commercial halibut fished every year since 1979 and currently hold a small IFQ.

I'm interested in being on the Board of Game due to my long-term involvement in this regulatory process and wildlife management. I also believe that under this new administration the Board will be allowed to make needed changes to benefit wildlife populations and their habitats, and a variety of users across the state.

Thank you for your support,

Ted

Turner, Nathan
Board of Game

Nathan Turner

I was born and raised on a dairy farm in upstate New York. From an early age I learned the values and benefits of living a life close to the land, and especially the hard work and rewards that result from being dependent on the natural resources for your livelihood. I am grateful for those early years on the farm, and the important lessons that this type of life has to offer.

In 1989, at age 17, my father and I headed for Alaska with two pick-ups loaded with the essentials, the result of his lifelong dream of trapping in the Far North, and also a timely advertisement in Fur - Fish - and Game magazine; *Trapline For Sale in Alaska.* It took us 6 days to reach Alaska, and 10 additional days were spent on the road system in the Interior, preparing for our first winter on the Kantishna River. The trapline we purchased had been unused for the previous 12 years, but had been started in 1926, and few but the old timers in the country even knew where it was. We were dropped off by a local bush pilot from Nenana in mid September, and for the next ten months we learned a lot about Alaska… The winter of 1989 and 1990 was record breaking for the deep cold spells and snowfall – every winter has been an easy one since!

The next year one of my brothers joined us, we began in earnest to build our traplines into something that could support our family for the years to come. We started with the idea to treat trapping as though it were a business, working 6 days a week, with our cut-off period for trapping being 40 below. Three years later we started an additional trapline 85 miles to the west in the Nowitna country and during the next 19 years we cleared over two hundred miles of trapline trails for our dog teams and sno-gos, operated subsistence and test fishwheels (for both Fish and Game and the National Park Service), annually grew large gardens for our winter needs, built log homes and cabins for hire in the bush, and seasonally guided big game hunters. When we first arrived in the country, we were often told that the days of life on the trapline were gone; that this way of life wasn't possible anymore in Alaska. We found that they were wrong. The country hadn't changed and the economics of the life hadn't changed so much as the spirit of the people seemed to have. With first the dream, hard work, and room to grow we found that it is still possible to live a rich and rewarding life directly from the resources the country provides. Alaska has been generous to us.

In 1996 I started working as an assistant hunting guide in the Nowitna drainages for the neighboring trapper who had a small guiding operation. We worked together for 6 years, guiding hunters in our adjoining trapping areas, before I started contracting clients on my own in 2002. Since then, I have been fortunate to share this guiding opportunity with other neighbors in my part of the Interior – all of us currently live and trap close to the areas we hunt in. We have been able to meet our annual subsistence needs, while being paid to do so, much like the trapline. The harvested meat is shared among our families, and with less successful neighbors in the region. These packing and guiding jobs are the only local means of employment for most of us, other than trapping.

For the past 14 years I have also worked as an assistant guide for sheep in the Northern Brooks Range, and for Brown Bear out of Cold Bay on the Alaska Peninsula. In spite of having my own guiding business, I continue to work as an assistant guide on these hunts since it allows for me to annually visit these remote parts of the State, which have become a very important to me, and

also to simply be 'a guide' and share in the daily adventure with the hunters as the experience unfolds.

Participation in the Public Process:

In recent years, I have felt the need and responsibility to actively take part in the public processes that have to do with my family's way of life. I have actively participated with the Board of Game process during the last 4 years, submitting proposals for consideration and volunteering to participate in side boards that I feel have the ability to affect my way of life. I have also been actively involved in the restructuring efforts of the guiding industry. In 2007 I was nominated and elected to the Board of Directors of the Alaska Professional Hunters Association, the only professional association for the industry in the State. Our work in recent years has focused on aiding the Big Game Commercial Services Board in bringing oversight and accountability to guiding activities in the State and working with the Dept. of Natural Resources in creating the Guide Concession Area program. The goal of this program is to minimize the overcrowding of service providers throughout the State, while at the same time establishing a framework by which service providers can be held accountable for resource stewardship and their conduct in the field. Every user group will benefit from these efforts at self reform.

Purpose for Applying to the Board:

As noted above, I have come to feel a strong sense of responsibility to participate in the public processes that have bearing on my family's ability to make a living from the land. I recognize that there are many others in the State who are in similar situations, and yet I believe that I may have a somewhat unique perspective to bring to the table. I also feel that we need to continue the focus on restoring our wildlife populations in challenged parts of the State through sound management practices, and that these efforts will in time ease the conflicts among our various user groups.

Formal education:

I completed my final two years of high school through the Yukon Koyukuk School District, Northwind correspondence program based out of Nenana. A teacher visited by bush plane several times during the winter to check my work. I was twice selected for "Who's Who Among American High School Students", and also competed in the Academic Decathlon.

Work History:

Through 1989: raised on our family dairy farm

1989 through present:

- actively trapping 5 to 6 months of each season since 1989
- seasonally guiding big game guiding hunters (3 to 4 months each year) since 1996
- I and my family have built 19 structures (mostly log) along several rivers of the Interior, a number of these for hire during the summer months. For several summers I also worked

intermittently as a carpenter's helper for a local contractor in Fairbanks. We have built our own fishwheels, dogsleds, snowshoes, and boats over the years.
- subsistence fishing for our annual needs

Licensing Held :

Private Pilot license - land and seaplane
Captain - Inland Freshwater Six pack license
Alaskan Registered Guide – No. 1036

Past Participation with Government Processes:

- I have a held a number trapping cabin permits with both the Bureau of Land Management, and the US Fish and Wildlife Service for many years now, all in good standing.
- I have several permitted hunting camps on BLM, USFWS, and State of Alaska lands, all in good standing.
- For many years we operated test recovery wheels for counting salmon entering Denali National Park via the Kantishna River drainage, funded by both the State and the National Park Service.
- In the early to mid 90's we supplied the USFWS in Galena with Lynx and Marten carcasses for their wildfire / marten studies, and continue to provide marten carcasses to the State Area Biologist in Galena to maintain the data continuity.
- We volunteered salmon blood samples to an ADF&G biologist in Fairbanks to aid in his studies related to stress levels in tagged salmon we had recovered, part of his Master's thesis.

Memberships :

The Alaska Trappers Association
The Alaska Professional Hunters Association

Yurko, Nick
Board of Game

Nick Yurko

Professional Experience

Sharon Steel Corporation - Sharon, Pennsylvania (1962 – 70)
1970 moved to AK
Was a commercial fisherman in 70's – 80's: powertrolling, longliner
27 years with Juneau School District
Janitor, painter, plumber, retired as senior heating/ventilation technician
Retired in 1995
1998 – 2009, maintenance Wings of Alaska/Wings Airways
Wings Airways, part-owner since 2002

Fish and Game Experience

Juneau-Douglas Fish and Game Advisory Committee for 30 years, including chairman
Hunter Information & Training Program – volunteer youth instructor
Boys Scouts/Girl Scouts/Cub Scouts – volunteer archery instructor

Volunteer Experience

Golden North Salmon Derby volunteer (fish cleaner) 30 years Territorial Sportsman
Chairman, Helping Hands – nonprofit food distribution to needy individuals/families since 1994
Juneau Archery Club – co-founder

MTG: APRIL 4, 2011

-majackson

March 30, 2011

Confirmation – Senate Resources

Monday April 4, 2011 – Senator Wagoner to Chair

AOGCC; (R) Dan Seamount

Commercial Fisheries Entry Commission; (N) Ben Brown

Board of Fisheries; (R) William Brown

Board of Fisheries; (N) Susan Jeffrey

Board of Fisheries; (R) John Jensen

Board of Fisheries; (R) Michael Smith

DAN SEAMOUNT Jr.

Seamount, Daniel
Alaska Oil & Gas Conservation Commission

Is Chair of the Alaska Oil & Gas Conservation Commission in which he has been a commissioner since 2000. The mission of the Commission is to protect the public interest in exploration and development of oil and gas resources throughout Alaska. The main emphasis is regulation of underground drilling and reservoir development operations to ensure conservation of resources, protection of drinking water, and protection of correlative rights. The Commission staff consists of geologists, petroleum engineers, reservoir engineers, IT personnel, and support staff.

He has worked on many important Alaskan issues over the past 10+ years including the North Slope Natural Gas Pipeline, the evolving Cook Inlet Energy supply challenges, the development of Colville River and Northstar Oil fields, the continuing development of the world class Prudhoe Bay and Kaparuk River oil Fields, investigations of several major incidents, the advances of energy sources such as geothermal and underground coal gasification, and much more.

While commissioner he has been an associate and official representative of four consecutive Alaska Governors to the Interstate Oil and Gas Compact Commission (IOGCC), Vice-Chair in 2008, and was chairman of the North American Coastal Alliance and Public Lands Committees of the IOGCC. He also was Vice-Chair of DOE' s Ultra-deep Water Advisory Committee in 2007 and presently continues as an active member.

For 27 years prior to that he worked in exploration and development geology at different times for Chevron, Marathon, and Unocal in California, the Rocky Mountains, the Mid-continent, and Alaska.

He has an M.S. in Geology from the University of CA, Riverside with an emphasis on geothermal development and exploration and is a licensed professional geologist in Alaska.

RESUME'

DANIEL TAYLOR SEAMOUNT Jr.
State of Alaska Professional Geologist License #507
AIPG Certified Professional Geologist #10425
State of Texas Professional Geologist- #3182 (expired)

WORK EXPERIENCE:

Alaska Oil & Gas Conservation Commission, 2/14/00 to Present
Title: ***Commissioner (Geologist Seat)***

Duties: Help manage State Oil & Gas Conservation Commission (AOGCC) whose mission is to protect the public interest in exploration and development of oil and gas resources throughout Alaska. Main emphasis is regulation of underground drilling and reservoir development operations to ensure conservation of resources, protection of drinking water, and protection of correlative rights. Associated with full range of petroleum geology, reservoir engineering, and drilling engineering of the State's exploration areas and oil and gas fields. Exploration activity mainly includes Cook Inlet and North Slope. Participate in numerous hearings and incident investigations. Write conservation, disposal, area, and storage injection orders. Help in managing the Class II Underground Injection Control (UIC) program as authorized by the U.S. Environmental Protection Agency. Worked on multi-agency task force to develop regulations and policies to ensure protection of underground sources of drinking water in areas of coal bed methane development. Periodically advise and make presentations to State & Federal Legislatures and the Governor's office concerning energy legislation and policy. Chaired the IOGCC North American Coastal Alliance and Public Lands Committee. IOGCC representative of Governors Knowles, Murkowski, Palin, and Parnell. IOGCC Vice-chair in 2006. 2007 Vice-chair and presently member of DOE's Ultra-deep Water Advisory Committee.

Seamount International Eploration, 2004 to 2006
Title: ***Geological Consultant (part time)***
Duties: Advised investors on oil and gas prospects in Kazakhstan

Union Oil Co. of Ca., 2/8/93 to 2/14/00
Title: ***Senior Advising Geologist***

Duties: Most of the time was the geologist on a team with geophysicists, reservoir engineers and drilling engineers to redevelop the tightly folded Middle Ground Shoal (MGS) and Trading Bay Fields. Planned highly deviated and sidetracked wells and directed drillers to the targets. Assisted research department in reservoir simulations of MGS. Also, for 3½ years explored for hydrocarbons in Cook Inlet Basin on both regional and specific prospect levels. Worked on prospects in the offshore, Matanuska Valley, South Cook Inlet, Susitna Basin and west side and east side areas. Estimated volumetric and economic potential of the prospects. For 3 ½ years was project manager and Team leader of a group, which exploited development, exploration, and business opportunities in Cook Inlet and Alaska North Slope. Was project manager of the Matanuska Valley Coal Bed Methane project (Pioneer Unit). Heavily involved in planning and budgeting wells and forming partnerships. Made numerous written and oral presentations to management and partners to update them on project progress and presented to state agencies (DNR & AOGCC) to form units, drilling PA's, spacing exceptions, and plans of operations. Involved in some evaluation of OBO North Slope Oil Fields and prospects. Proficient in Landmark's Stratworks, Petroworks, and Seisworks packages.

SEAMOUNT 46.3/3

Union Oil Co. of Ca.(UNOCAL), 5/16/88 to 2/8/93
Titles: ***District Development Geologist: 8/89 to 2/93***
Geologist: 5/88 to 8/89
Duties: Supervised and worked development and exploration geology of UNOCAL operated properties in the San Juan, Paradox, and Piceance Basins. Exploited tight sandstone reservoirs (27 wells), coal seam gas (57 wells), and conventional sandstone and carbonate oil and gas reservoirs. Horizontal, deviated, and vertical well bores were utilized. Additional work included managing geological contractors; progress reporting of drilling programs and field mapping. Presented San Juan Dakota reservoir characterization results to NM State O&G Comm. in approval process of tight gas sands designation. Worked with Utah O&G Comm. in forming Lisbon Field Unit. Presented to numerous potential partners and was on a team which sold Unocal's alternative fuel tax credit to outside investors.

Marathon Oil Co., 7/13/81 to 5/16/88
Titles: ***Staff Geologist: 1986 to 1988***
Project Supervisor: 1984 to 1986
Geologist: 1981 to 1984
Duties: Oil and gas prospecting in the D-J Basin (one Paleozoic discovery), the Green River Basin (assisted in two Moxa Arch Frontier and Dakota gas discoveries and one sub-economic oil well), the Las Animas Arch (Morrow ss), and the central Kansas uplift (Pennsylvanian basal ss and Lansing- Kansas City Fm.). Work included regional & local mapping of structures, thickness', and facies of Rocky Mountain petroleum reservoirs and presentation of prospects to management. Was expert witness in Nebraska lawsuit between Marathon and KN Energy concerning underground gas storage.

Chevron U.S.A. Inc., 8/18/73 to 1/3/79
Titles: ***Geologic Assistant: 1975-1979***
Computer Analyst: 1973-1975
Duties: Utilized geologic and geophysical computer programs. Performed well site work and prospect generation in California onshore and offshore. Correlated logs and generated structure and isopach maps. Witnessed logging runs, DST's, production tests, coring, and fracture stimulations.

EDUCATION:

M.S. - Geology, 6/81, University of CA, Riverside, CA.
Emphasis on geothermal development and exploration. Thesis titled, " Well Log Study of the Hydrothermally Altered Sediments of Cerro Prieto Geothermal Field, Baja California, Mexico".

B.S. - Geology, 5/73, University of CA, Riverside

UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 110
Juneau, Alaska 99801-1172
(907) 586-2820
(907) 463-2545 Fax
E-Mail: ufa@ufa-fish.org
www.ufa-fish.org

April 4, 2011

Senator Tom Wagoner, Co-Chair
Senator Joe Paskvan, Co-Chair
Senate Resources Committee
Alaska State Legislature
120 4th Street, State Capitol, Room 3
Juneau AK 99801-1182

RE: Support for Confirmation of Ben Brown for Commercial Fishery Entry Commissioner

Dear Senators Paskvan, Senator Wagoner, and Committee members,

United Fishermen of Alaska (UFA) represents 38 Alaska commercial fishing organizations from fisheries throughout Alaska and the federal waters off our shores. UFA supports the confirmation of Ben Brown for Commercial Fishery Entry Commissioner.

The Commercial Fishery Entry Commission (CFEC) administers permitting for commercial fisheries, involving complex issues based on statute, regulation, and interpretation of historical court cases. This permitting is a cornerstone of stability that is a primary key to the sustainability of Alaska's fisheries, and essential to ensuring that our fisheries provide maximum benefits to Alaskans.

We feel Mr. Brown's background as a legislative aide and experience in the legal profession provide the qualifications for this position. We support the approval of Ben Brown's appointment by the Senate Resources Committee and by the Alaska State Legislature.

Thank you for your consideration.

Sincerely,

Mark D. Vinsel

Mark Vinsel
Executive Director

Brown, Benjamin
Alaska Commerical Fisheries Entry Commission

Benjamin Brown

Employment

Baxter Bruce & Sullivan P.C.
Juneau, Alaska
associate attorney
April 2007 – present

Choate Law Firm LLC
Juneau, Alaska
associate attorney
September 2006 – March 2007

The Juneau Empire
Juneau, Alaska
columnist
October 2003 – present

Alaska Department of Environmental Conservation
Juneau & Anchorage, Alaska
legislative liaison
January – November 2005

Lisa Murkowski for US Senate
Juneau & Anchorage, Alaska
research director/regional co-ordinator
November 2003 – November 2004

Alaska State Chamber of Commerce
Juneau, Alaska
legislative lobbyist
legislative session 2003

Alaska Department of Revenue
Juneau, Alaska
administrative hearing officer
September – December 2002

The Hon. Larry Weeks, Presiding Judge
1st Judicial District, Alaska Court System
Juneau, Alaska
law clerk
August 2001 – August 2002

The Hon. Mark Green
Public Advocate for the City of New York
New York, N.Y.
legal intern
March – May 2001

Gilmore & Doherty
Anchorage, Alaska
legal intern
September – November 2000

Alaska Office of Public Advocacy, Defense Section
Anchorage, Alaska
legal intern
March – May 2000

The Hon. Ted Stevens
US Senator for Alaska
Washington, D.C.
legal intern/legislative assistant
September – November 1999

The Alaska Legislature
Juneau & Anchorage, Alaska
legislative aide
1991 – 1998

The Anchorage Press
Juneau & Anchorage, Alaska
columnist
1997 & 1998

Education

Northeastern University
School of Law
Boston, Massachusetts
J.D.
2001

Georgetown University School of Foreign Service Washington, D.C.	B.S.F.S. 1992
Palmer High School Palmer, Alaska	Diploma 1985

Professional associations

The Alaska Bar Association	April 2002 – present
The Juneau Bar Association	April 2002 – present president, vice-president/treasurer, secretary
The New York State Bar	passed July 2002 examination

Other activities

Alaska Humanities Forum	treasurer, board of directors
Alaska Moving Image Preservation Association	board of directors
Alaska State Council of the Arts	chairman, grant review panelist
American Red Cross, Southeast Alaska	development committee
Anchorage Sister Cities Commission	public relations, commissioner
CoastAlaska	vice-chairman, secretary, board of directors finance committee, corporate documents committee
Friends of the Alaska State Museum	1st vice-president, board of directors
Juneau Arts & Humanities Council	board of trustees, concert committee
KTOO-FM&TV	chairman, board of directors, finance committee DJ, theatre critic, auctioneer
the theatre	theatrical résumé available as requested

Brown, William S.
Board of Fisheries

William S. Brown

Education:
BA (economics and mathematics), Texas Christian University, 1971
MA (economics), Texas Christian University, 1972
Ph.D. (economics), University of Colorado, 1977

Employment History:
Assistant Professor of Economics, University of Wisconsin-Oshkosh, 1977 - 1982.
Associate Professor of Economics, Metropolitan State College, Denver, 1982 - 1985
Associate Professor of Economics, Rollins College, Winter Park, FL, 1985 - 1987.
Associate Professor of Economics, University Puget Sound, 1987 - 1991.
Professor of Economics, University of Alaska-Southeast in Juneau, 1991 - 2000.
Owner-Operator, Taku Reel Repair, Juneau, AK 2000 - present.

Selected Publications:
Principles of Economics. West Publishing Co., 1995. Also published as two paperback volumes, Principles of Microeconomics and Principles of Macroeconomics.
Introducing Econometrics. West Publishing Co., 1991.
Macroeconomics. Prentice-Hall, Inc. North American and English international editions published in 1988. Estonian translation, 1991.
Diversifying the Alaskan Economy: Cultural and Economic Constraints." Journal of Economic Issues. June 1996. Co-author: Clive S. Thomas.
"The Alaska Permanent Fund: Good Sense or Political Expediency?" Challenge Magazine. September/October 1994. Co-author: Clive S. Thomas.
"Deindustrialization and Industrial Structure." Journal of Economic Issues. June 1988.

Relevant experience:
My academic background will make me a valuable asset to the Board of Fisheries. One of my teaching fields, Resource and Environmental Economics, is directly applicable to the work of the Board. Just as importantly, my training as an economist forces me to see the costs and benefits of any action and to see the tradeoffs involved in any decision.
I have also been an avid fisherman my entire life. My father first took me fishing when I was 4 years old -- I still remember my first fish! -- and have become only more passionate about fishing in my later years. I have been traveling to Mexico almost every year since 1980 to fish for marlin. For my 50th birthday, I took a trip to Mongolia to fish for taimen, the largest salmonid in the world. And to celebrate my victory over prostate cancer, I went to Egypt to fish for Nile perch in 2007.

My passion for fish and fishing is why I want to serve on the Alaska Board of Fisheries. I will have one interest while serving on the Board: To protect the fisheries resource. Managed correctly, our children and grandchildren will enjoy the same fishing opportunities I have, and Alaska will do its job to provide excellent quality fish for the tables of the world. But if we are not careful, we'll see the Alaskan fisheries go the way of Atlantic salmon and Atlantic halibut. My first term on the Board has been hard work, but also a learning and rewarding experience. I am most proud that I was able to bring careful data analysis to the work of the board; my economics background has helped considerably in this area. I hope to continue on the Board and am confident that I can be more effective in the years ahead.

Jeffrey, Susan
Board of Fisheries

SUSAN JEFFREY

Objective

To serve the state as a member of the State of Alaska Board of Fisheries and use my fisheries knowledge, background and experience as a public official to conserve and develop the fishery resources of the State of Alaska.

Highlights of Qualifications

- Elected Official, Kodiak Island Borough Assembly, 2005-present
- Borough representative, Kodiak Fishery Advisory Committee, 2007-present
- Commercial salmon fisherman at Kodiak family setnet site, 1987-present
- Subsistence halibut and salmon fisherman, 1972-present
- Co-founder/board member, Kodiak Maritime Museum, 1995-present
- Fisheries reporter/editor, *Kodiak Daily Mirror*, 1994-2002
- Freelance fisheries writer, 1991-2002
- Editor, *Homeport Kodiak* fisheries journal, 1991-1993
- Co-owner, commercial crab vessel, 1978-1987

Education

2006 Bachelor/Liberal Arts Degree, University of Alaska Southeast
1993 Associate of Arts Degree, University of Alaska Anchorage

Experience

2008-present Library Assistant, University of Alaska Anchorage, Kodiak College
2005-present Member, Kodiak Island Borough Assembly
1987-Present Owner/Operator commercial salmon fishing business
2006 Author, *The Russian-American* Magazin: *A Legacy Built to Last*
2004-2006 Full-time student
2002-2004 High School Registrar, Kodiak Island Borough School District
Staff Writer/Fisheries Editor, *Kodiak Daily Mirror*
1991-Present Freelance Writer/Photographer
Editor/News writer, *Homeport Kodiak* fisheries journal

Personal Statement

Alaska's fishery resources are vital to the State of Alaska and must be managed wisely so they remain sustainable. To that end, the Board of Fisheries is charged with conserving and developing Alaska's fishery resources for subsistence, sport, commercial sport, commercial and personal use fisheries. Making allocative decisions within these fisheries requires careful, thoughtful analysis of the science and socio-economic studies presented to the Board of Fisheries. Based on nearly 40 years of personal involvement in Alaska's fisheries, I understand that serving on the Board of Fisheries often involves a contentious deliberative public process. It is not for the faint of heart but I am willing to serve because I believe that only through a fair, well-informed public process can the state wisely conserve and develop its world-class fishery resources for future generations.

Jensen, John E.
Board of Fisheries

December 2, 2002

John E. Jensen

RESUME
COMMERCIAL FISHING HISTORY

FISHERIES

1965: This was the first year I was a paid commercial fisherman, I crewed during the halibut fishery in the summer.

1966-1967: SE AK—crew for salmon seine.
Gulf of AK—halibut crew.

1968: SE AK—salmon seine as crew.

1969-1971: Gulf of Alaska—halibut and seined salmon in
SE AK—crew for salmon seine.
Bering Sea/Aleutians—red crab crew.

1972: SE AK—salmon gillnet, I purchased my first commercial fishing boat, the F/V High Voltage; salmon seining.
Gulf of AK—crew halibut.

1973-1976: SE AK—salmon gillnet.
Gulf of AK—crew for halibut.

1977: SE AK—salmon gillnet.
Gulf of AK—crew for halibut.
Bering Sea/Aleutians—crew for red king crab.

1978-79: SE AK—salmon gillnet.
Gulf of AK—crew for halibut, tanner crab.

1980: SE AK—salmon gillnet.
Gulf of AK—crewed for halibut.
For two months I participated in the building of my boat, F/V Summer Breeze in Puyallup, WA.

1981: SE AK—salmon gillnet, halibut, experimental fishery for octopus pot fishing, Dungeness crab, tanner crab and herring gillnet.

1982: SE AK—halibut, tanner /red crab, salmon gillnet, herring gillnet, herring seining as crew.
Bristol Bay—salmon gillnet, herring gillnet.

1983: SE AK—halibut, tanner/red crab, salmon gillnet, herring gillnet, octopus pot fishing.
Bristol Bay—herring gillnet, salmon gillnet

1984: SE AK—halibut, tanner/red crab, Dungeness, salmon gillnet, herring gillnet.
Bristol Bay—salmon gillnet, herring gillnet.
Togiak/Security Cove/Goodnews Bay—herring gillnet, roe on kelp.

1985: SE AK—halibut, tanner, salmon gillnet, herring gillnet.
Bristol Bay—herring seine, salmon gillnet.
Norton Sound—herring gillnet as crew.

1986: SE AK—halibut, tanner crab, Dungeness crab.
Bristol Bay—herring seining/salmon gillnet.
SE AK—skipper for salmon tendering

1987-1989: SE AK—tanner crab, halibut.
1987: Prince William Sound—tendered for herring with a 58' vessel as skipper.
Alaska Peninsula—salmon drift gillnet.

1990-1993 SE AK—tanner crab, halibut, salmon gillnet. I skippered a 96' king crab/tender for salmon tendering.
1991: Dungeness crab.
1992: Blackcod.

1993-1995: SE AK—tanner/red/Dungeness crab, halibut and some salmon gillnetting.

1996-1998: SE Alaska—tanners/red crab, Dungeness crab.

1997-2002: SE Alaska: tanners/ red crab(when there was a season)/brown crab, Dungeness crab.
Gulf of AK/SE: F/V Westerly—crew for halibut/blackcod

2002 SE Alaska: F/V Westerly—Skipper for salmon tendering

John E. Jensen

Resume

FISHING VESSELS:Owned and Operated

1972-1979	F/V High Voltage	33' Fiberglass Gillnet/Longline
1980-1991	F/V Summer Breeze	36' Aluminum Gillnet/Crab/Longline
1982-1989	F/V Pamela Rae	32' Aluminum Bristol Bay Gillnet/Seine
1989-1993	F/V Perseverance	46' Fiberglass Seine/Crab

OTHER FISHING VESSELS:

F/V Symphony
F/V Westerly
F/V Johnny L
F/V Chichagof
F/V Viking Queen
F/V Adventure
F/V Tani Rae
F/V Westerly (new)
F/V Coral
F/V Theresa Marie
F/V Logan T
F/V Galatea

RESUME

Background: I was born in Petersburg, AK, February 16, 1951. I am a lifetime resident of Petersburg. I graduated from Petersburg High School in 1969. I attended Yakima Valley College for 1 year before purchasing my first fishing vessel and beginning my fishing career. I am a third generation Alaska fisherman. I have fished commercially since 1965. I have owned and operated four fishing vessels from 1972-1993. I have participated in fisheries in SE Alaska, Bristol Bay, Gulf of Alaska, Bering Sea/Aleutians, Alaska Peninsula, Cook Inlet, Prince William Sound, and Western Alaska. I have attended Merchant Marine Training Services in Seattle, WA and acquired my Master 100 GT and Assistance Towing license.

Other Interests: Hunting and sport fishing, camping, woodworking, reading, Alaskan history.

Family: I have been married to Pamela R. (Meeks) of Petersburg, AK. Since 1972. We have two sons, Jeremy and Samuel.

WORK EXPERIENCE: Listed separately.

John E. Jensen

VOLUNTEER ORGANIZATION MEMBERSHIP

Petersburg Fishermen's Union
1968-1974
Secretary-Treasurer
1972-1974

Petersburg Advisory Board
1972-1982

Petersburg Vessel Owners Association
2000-2002

United Fishermen of AK
2001-02

Tanner and King Crab Task Force
2000-02

City of Petersburg
Planning and Zoning Commission
1999-2002

Smith, Michael
Board of Fisheries

BIOGRAPHY FOR
MICHAEL E. SMITH

Recent Employment
Director, Subsistence Resources 2002-Present
Tanana Chiefs Conference
122 1st Avenue, Ste 600
Fairbanks, Alaska 99701
(907)452-8251 Ext. 3256

Past Employment
Morton & Pitalo Planner 1998-02
Self-employed Builder/Fisherman/Handyman 1994-98
Legislative Affairs Agency Senator's Hoffman/Binkley 1989-1994
Representative Wallis
Tanana Chiefs Conference Local Government Specialist 1985-1989

Relevant Fishing Experience
Subsistence and commercial fishing-Yukon River
Advisor -Yukon River Panel US/Canada Treaty Panel
Member- Joint Technical Committee/Yukon River Panel (JTC)
Member-Arctic Yukon Kuskokwim Sustainable Salmon Initiative (AYKSSI)
Member-Western Arctic Salmon Stock Identification Program (WASSIP)
Member-North Pacific Fisheries Management Council
"Bering Seas Bycatch Working Group"
Member-AYK Escapement Goal Review Committee

Other Board Activity
Board of Game- Tier II Subsistence Review Committee
Member-Alaska Migratory Bird Co-Management Council
Former Board Member/President-Alaska Legal Services Corp.
Former Board Member-Habitat for Humanity/Fairbanks
Former Board Member-Fairbanks Community Health Corporation

Biography of Daniel S. Sullivan

From June 2009 until December 2010, Sullivan served as Alaska's Attorney General. In that capacity, Sullivan focused on issues of natural resource management and development. Under his leadership, the Department of Law undertook an aggressive strategy of initiating and intervening in environmental and related federal litigation to protect the state's economic and resource development interests in areas from timber to mining to Outer Continental Shelf oil and gas development. Sullivan has led the state's negotiations with ExxonMobil over the disputed Point Thomson field, a role he will continue to hold at DNR. He also served on the Governor's Resource Development Subcabinet and was a trustee of the Exxon Valdez Oil Spill Trustee Council.

Prior to becoming Attorney General, Sullivan served as the U.S. Assistant Secretary of State for Economic, Energy, and Business Affairs. His nomination by President George W. Bush for this position was unanimously confirmed by the United States Senate in May 2006, and he served until January 2009. In this role, he was a senior advisor to Secretary of State Condoleezza Rice and other top U.S. government officials on the formulation and execution of international energy, economic, trade, finance, transportation, telecommunications, and Arctic policies. Sullivan also led and managed the 200-employee State Department Bureau of Economic, Energy, and Business Affairs.

As the Assistant Secretary of State, much of Sullivan's work focused on international energy issues. He served as the U.S. Governing Board member of the Paris-based International Energy Agency – the world's premier energy security organization. He and the State Department bureau he led worked closely with the Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects on Alaska gas pipeline issues. He also worked on the development and implementation of major gas and oil pipeline projects in Central Asia and the Caspian Sea region. Sullivan also was responsible for overseeing and leading several complex international negotiations of strategic importance to the United States, including sovereign debt restructuring accords, aviation liberalization agreements, and serving as the primary negotiator for the President at the Group of Eight (G8) Summits. Prior to serving as the Assistant Secretary of State, Sullivan was a Director in the International Economics Directorate of the National Security Council and National Economic Council staffs at the White House.

Legal and Academic Background

Sullivan is one of a select number of Alaska attorneys who has held judicial clerkships on both the highest state and highest federal courts in Alaska. He was a judicial law clerk for Judge Andrew Kleinfeld of the United States Court of Appeals for the Ninth Circuit in Fairbanks from 1997-98 and for Chief Justice Warren Matthews of the Alaska Supreme Court in Anchorage from 1998-99. Following his clerkships, Sullivan joined the Anchorage office of Perkins, Coie, LLP. His practice focused on corporate transactions and commercial litigation, and he represented a variety of clients, including Alaska small businesses and Native corporations.

Sullivan graduated *magna cum laude* from Harvard University, earning a bachelors degree in Economics, where he was a Harvard College scholar during each of his four years. Sullivan graduated *cum laude* from Georgetown University Law Center, earning a Juris Doctor and Masters of Science in Foreign Service joint degree. He was an articles editor on the *Georgetown Law Journal*. During his final year at Georgetown, Sullivan worked as a law clerk for Judge James L. Buckley on the U.S. Court of Appeals for the District of Columbia Circuit.

U.S. Military Service

Sullivan has served in the United States Marine Corps since 1993 on active duty and in the reserves as an infantry and reconnaissance officer, including with Second Battalion, Fifth Marines at Camp Pendleton, California, and for several years with Anchorage-based Echo Company, Fourth Reconnaissance Battalion – the Marine Corps Reserve's premier cold weather reconnaissance unit. In recent years, Sullivan has been recalled to active duty twice: in January 2009 to help draft a regional strategy report for the Commander of U.S. Central Command (CENTCOM), General David Petraeus, and from December 2004 until April 2006 to serve as a strategic advisor to CENTCOM Commander General John Abizaid. He now serves in the U.S. Marine Corps' active reserves with the 4th Marine Division's Anti-Terrorist Battalion.

Awards, Honors, and Personal Information

Sullivan is the recipient of numerous professional, academic, and military awards, including the White House Fellowship, the National Security Council Outstanding Service Award, and the Defense Meritorious Service Medal. He is a member of the Council on Foreign Relations.

Sullivan was born in Fairview Park, Ohio. He has been married for 16 years to Julie Fate Sullivan of Fairbanks. They moved to Alaska in 1997, after Sullivan completed active duty service with the Marine Corps. They have three daughters.

CORA J. CAMPBELL
1840 Wickersham Avenue
Juneau, AK 99801

OBJECTIVE

Consideration by the Joint Boards of Fish and Game as a candidate for Commissioner of the Alaska Department of Fish and Game.

SUMMARY OF QUALIFICATIONS

- Comprehensive understanding of Alaska's fish and wildlife and natural resource management issues.
- Established working relationships with administration, legislature, fish and game employees, and user groups as well as expertise in state and federal regulatory forums.
- Experienced developing and implementing policies and programs for the State of Alaska related to management of fisheries and wildlife.
- Proven expertise in interdepartmental coordination, grants administration, budget development, communication with the legislative branch, and representing the State of Alaska in policy forums.

PROFESSIONAL EXPERIENCE

Fisheries Policy Advisor and Special Assistant 2007-2010

Office of the Governor, Juneau, AK

Served as fisheries policy advisor and special assistant in the Office of the Governor with responsibilities for fish and game, environmental conservation, climate change, natural resources, commercial fisheries entry commission, revolving loan funds, seafood marketing and Arctic issues.

With governor and commissioners, developed and implemented State of Alaska policies and programs for fisheries, wildlife, environmental conservation, and resource management.

Coordinated with state and federal agencies, legislative and congressional offices, and stakeholders to develop and negotiate adoption of state and federal legislation and funding requests.

Responsible for review and recommendations on policy matters, budget requests, legislation, and regulations for multiple State of Alaska departments.

Chaired Fisheries and Oceans sub-cabinet responsible for designing and administering grant programs, development of fisheries and oceans policy, and coordination of various departments involved in regulation and development of Alaska's fisheries.

Served as the Governor's representative to various boards and committees, including the North Pacific Fishery Management Council and the Alaska Seafood Marketing Institute Board of Directors.

Primary responsibility for constituent contacts, correspondence, and meetings on behalf of the Governor.

Subsistence Outreach Coordinator 2005-2007

United Fishermen of Alaska, Juneau, AK

Coordinated education and outreach program to increase the number and diversity of users and interest groups involved in the federal subsistence management process. Produced newsletters, reports, and briefings focusing on interaction between federal and state managers and impacts of federal management on user groups. Maintained extensive website dedicated to subsistence in Alaska and responded to inquiries.

Executive Director 2001-2007

Petersburg Vessel Owners Association, Petersburg, AK

Fisheries policy analyst and advisor for regional fishing association. Advocated for a diverse group of fishermen in state, federal, and international regulatory and legislative forums. Analyzed fisheries issues, prepared briefings, and provided policy guidance to board of directors. Negotiated passage of regulations, coordinated collaborative research projects with management agencies, and managed office and budget for association. Increased supporting membership in association by twenty percent.

Advisory Panel Member 2003-2006

North Pacific Fishery Management Council, Anchorage, AK

Provided policy guidance to North Pacific Fishery Management Council on conservation, management, and allocation decisions for federal fisheries off Alaska. Prepared amendments, motions, and testimony on fishery management proposals and served on various committees.

Subsistence Chair/Executive Committee Member 2001-2006

United Fishermen of Alaska, Juneau, AK

Leadership role in statewide fisheries organization. Provided analysis, briefings, and policy guidance for state and federal subsistence management issues. Assisted in development and implementation of policies and representation of organization in various forums. Supervised subsistence program staff, budget, and operations.

Fisheries Committee Member 2002-2006

Southeast Conference, Juneau, AK

Served as a member of an advisory group tasked with providing conference members with policies and actions relevant to fisheries issues and economic development in Southeast Alaska.

Advisory Panel Member 2003-2004

North Pacific Research Board, Anchorage, AK

Served as a panel member responsible for recommending research and funding priorities to address fishery management needs in the North Pacific.

Commercial Fishing/Shore Operations 1992-2006

Various Fishing Vessels,, Petersburg, AK

Employed as crew for various commercial fisheries including salmon trolling, seining, and Dungeness crabbing. Managed shore operations for diversified fishing business including financing, accounting, tax preparation, state and federal permitting and reporting, and contracts.

EDUCATION

Bachelor of Arts in Education 2000

Pacific Lutheran University, Tacoma, WA

SFW Alaska

P.O.Box 4096 – Palmer, AK 99645 907-746-GAME

March 16, 2010

Dear Senator:

As you approach confirmation of the Governor's appointments, the Board of Directors of the Alaska Chapter of Sportsmen For Fish and Wildlife unanimously encourages a "yes" vote for Ms. Cora Campbell as Commissioner of the Alaska Department of Fish and Game.

As you know, SFW-Alaska membership includes more than 2,000 Alaskans whose goal is supporting management for abundance of Alaska's fish and game resources.

Sincerely,

SPORTSMEN FOR FISH AND WILDLIFE – ALASKA

Ralph C. Seekins

Ralph Seekins
President

CAMPBELL

Mary Jackson

From: Sen. Tom Wagoner
Sent: Wednesday, March 23, 2011 1:29 PM
To: Mary Jackson
Subject: FW: DF&G Commissioner confirmation
Attachments: Halibut Catch Chart1.pdf; ATT00001.htm; Halibut Catch Sheet1.pdf; ATT00002.htm; NPacific_Tables_Econ2006.pdf; ATT00003.htm; NPacific_Tables_Econ2007.pdf; ATT00004.htm; NPacific_Tables_Econ2008.pdf; ATT00005.htm

From: Melvin Grove [mailto:mbgrove@mtaonline.net]
Sent: Wednesday, March 23, 2011 1:19 PM
Cc: Cora (GOV) Campbell J; governor@alaska.gov
Subject: DF&G Commissioner confirmation

Dear Senators and Representatives,

The PWSCBA supports the conformation of Cora Campbell and believe she will make a good DF&G Commissioner. However this positions will require her to step out of her commercial fishing background and look closely at how the sport fishing industry impacts our state economically and our resources. I've just completed the attached graph showing the commercial and sport halibut fishing catch since 1995 when the IFQ program began. The graph should explain what has happened very clearly.

I'm also attaching some of the reference material and information that any commissioner holding this position should analyze and understand when representing the state as a voting member of the NPMFC. The economic health and well being of our state and the lively hood of many Alaskans is dependent on decisions made by the commissioner. We are seeing some severe economic impacts in the recreational fisheries based on the attached NMFS annual reports.

Things of note between 2006 and 2008 for all recreational fishing in Alaska:

For Hire non-resident angler expenditures down from 148M to 83.6M
Private resident up 50.2M from 28.8M

Total Trip Expenditures down from 209.5M to 121.6M for Non Residents Up 69.9M from 48M for Residents

Total state Trip and durable Equipment expenditures down from 499M to 388.9M

Loss of 1206 For Hire Jobs
Loss of 96.4M in total For Hire Sales
Loss of 54.4M in Value Added Revenue
Loss of 133M in total sales all together and combined with 78M loss in value added is a total loss of economic expenditures totaling $211,000,000.00

This is equal to or more then the revenue generated by commercially caught halibut on an industry utilizing less the 15% of the resource.

The question we must ask of Cora is how does she in her role as commissioner intend to stop the hemorrhaging we're currently seeing in economic losses in our recreational fisheries? The lively hood of many Alaskans is counting on Cora Campbell and we believe she will use her best judgement to set aside any prejudice for the commercial fishing industry for what's best for the state of Alaska.

CAMPBELL

UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 110
Juneau, Alaska 99801-1172
(907) 586-2820
(907) 463-2545 Fax
E-Mail: ufa@ufa-fish.org
www.ufa-fish.org

March 21, 2011

Senator Tom Wagoner, Co-Chair
Senator Joe Paskvan, Co-Chair
Senate Resources Committee
Alaska State Legislature
120 4th Street, State Capitol, Room 3
Juneau AK 99801-1182

RE: Support for Confirmation of Cora Campbell as Fish and Game Commissioner

Dear Senators Paskvan, Senator Wagoner, and Committee members,

United Fishermen of Alaska (UFA) represents 38 Alaska commercial fishing organizations from fisheries throughout Alaska and the federal waters off our shores. UFA supports the confirmation of Cora Campbell as Commissioner of the Alaska Department of Fish and Game.

Campbell's experience in the state and federal fisheries management processes, and her experience as Fisheries Policy Analyst for Governor Palin and Natural Resources Policy Analyst for Governor Parnell provide her with broad knowledge of fish and game management throughout Alaska.

We support the approval of Ms. Campbell's appointment by the Senate Resources Committee and by the Alaska State Legislature.

Thank you for your consideration.

Sincerely,

Mark D. Vinsel

Mark Vinsel
Executive Director

CAMPBELL

WACDA

WESTERN ALASKA COMMUNITY DEVELOPMENT ASSOCIATION

March 21, 2011

State of Alaska
Senate Resources Committee of the 27th Legislature
Senator Thomas Wagoner, Co-Chair
State Capitol, Room 427
Juneau, AK 99801-1182

Dear Senator Wagoner:

On behalf of the six CDQ entities, the 65 eligible CDQ communities and the more than 29,000 residents of western Alaska, the Western Alaska Community Development Association extends its support for the confirmation of the appointment of Cora Campbell as Commissioner of the Alaska Department of Fish and Game.

As a lifelong Alaskan, Ms. Campbell has been exposed to multiple facets of the fishing industry. From her experience with state and federal fishery and regulatory forums to her service to the North Pacific Fisheries Management Council, the Exxon Valdez Oil Spill Trustee Council, and the North Pacific Research Board, Campbell has developed a fine-honed sense of the challenges and opportunities encompassed in Alaska's fisheries. She understands how inextricably the communities and residents of western Alaska are tied to the fishery resources of the Bering Sea. Campbell has dedicated countless hours to representing the best interests of all Alaskans, advocating for Alaska's fishing, hunting, and wildlife viewing opportunities. Through her attention to detail, grace under pressure, and even temperament, she is distinguishing herself as a leader.

For these reasons and more, the Western Alaska Community Development Association urges your full support of the appointment of Cora Campbell as the Commissioner of the Department of Fish and Game. Please call on us if we can provide additional information or support for Ms. Campbell's appointment.

Sincerely,

WESTERN ALASKA COMMUNITY DEVELOPMENT ASSOCIATION

Aggie M. Blandford,
Executive Director

dc: WACDA Board of Directors, APICDA, BBEDC, CBSFA, CVRF, NSEDC, YDFDA

425 G Street, Suite 720 • Anchorage, Alaska 99501 • T 907 868 7634 • F 907 868 7635 • wacda.org

CAMPBELL

Mary Jackson

From: Sen. Tom Wagoner
Sent: Friday, March 18, 2011 2:43 PM
To: Mary Jackson
Subject: FW: ADF&G Commissioner. Please do not confirm Cora Campbell.

From: Emilie Springer [mailto:emiliespringer@gmail.com]
Sent: Friday, March 18, 2011 2:11 PM
To: sara jackinsky
Cc: Rep. Alan Austerman; Rep. Alan Dick; Rep. Berta Gardner; Rep. Bob Herron; Rep. Bob Miller; Rep. Cathy Munoz; Rep. Craig Johnson; Rep. Eric Feige; Rep. Lance Pruitt; Rep. Neal Foster; Rep. Paul Seaton; Rep. Steve Thompson; Rep. Wes Keller; Sen. Bert Stedman; Sen. Bill Wielechowski; Sen. Gary Stevens; Sen. Hollis French; Sen. Joe Paskvan; Sen. Joe Thomas; Sen. Lesil McGuire; Sen. Tom Wagoner
Subject: Re: ADF&G Commissioner. Please do not confirm Cora Campbell.

Emilie Springer
PO BOX 2882
HOMER, AK 99603
emiliespringer@gmail.com
esspringer@alaska.edu

March 18, 2011

Dear Alaska Representatives,

I received this email message from Sara Jackinsky and I agree with her and also urge you to consider the qualifications that Cora Campbell holds for the significance of this position. As a graduate student in the field of fisheries as well as a personal family history and current involvement in the industry, it is distressing what has been considered as thorough and credible for a position such as ADFG "Commissioner." Her background, though interesting, is not enough to make the top-level decisions necessary for Alaska state fishery resources.

Sincerely,
Emilie Springer

On Fri, Mar 18, 2011 at 11:32 AM, sara jackinsky <sarajackinsky@gmail.com> wrote:

Sara Jackinsky
PO Box 1044
Homer, AK 99603
907.235.6417
sarajackinsky@gmail.com

I urge a vote against confirmation of Cora Campbell as Commissioner of Fish and Game.

Fish and Game resources are important and vital to Alaska. The people of Alaska are entitled to the best leadership available in this area.

Ms. Campbell is not qualified to hold this position. Ms. Campbell holds ONLY a BA in Education from Pacific Lutheran University. She has no scientific background. She has no research background. She has no conservation background. She has no education in fisheries issues. She has no statistical background. She has no economic background. Her experience includes attending meetings, her resume states she has been fishing since early 1990's. She is age 31 now so this would put her at about age 10. Are you seriously considering this as professional experience or is this just padding her resume. It appears that her entire resume is heavily padded.

If this appointment is confirmed it is a slap in the face to those involved in commercial fishing, sport fishing, subsistence fishing in Alaska, as well as a detriment to the fish and game resources of Alaska. It is a slap to those who have pursued their education in fisheries and related fields, and to all others who have worked hard at their education.

Please, let's honor this State and it's resources. The people of the State of Alaska deserve a Commissioner who is knowledgeable, who has a background and EDUCATION in an appropriate area (in this case fisheries, biology, natural resources, etc), who has experience.

If this appointment goes through, it is merely a case of "who you know," with no regard to the importance of the position. An appointment with these qualifications is not a healthy nor an appropriate way to conduct the business of such an important resource.

Again, I urge denial of confirmation this appointment.

Regards,

Sara Jackinsky

CAMPBELL

Mary Jackson

From: Sen. Tom Wagoner
Sent: Friday, March 18, 2011 2:43 PM
To: Mary Jackson
Subject: FW: ADF&G Commissioner. Please do not confirm Cora Campbell.

From: sara jackinsky [mailto:sarajackinsky@gmail.com]
Sent: Friday, March 18, 2011 11:33 AM
To: Rep. Alan Austerman; Rep. Alan Dick; Rep. Berta Gardner; Rep. Bob Herron; Rep. Bob Miller; Rep. Cathy Munoz; Rep. Craig Johnson; Rep. Eric Feige; Rep. Lance Pruitt; Rep. Neal Foster; Rep. Paul Seaton; Rep. Steve Thompson; Rep. Wes Keller; Sen. Bert Stedman; Sen. Bill Wielechowski; Sen. Gary Stevens; Sen. Hollis French; Sen. Joe Paskvan; Sen. Joe Thomas; Sen. Lesil McGuire; Sen. Tom Wagoner
Subject: ADF&G Commissioner. Please do not confirm Cora Campbell.

Sara Jackinsky
PO Box 1044
Homer, AK 99603
907.235.6417
sarajackinsky@gmail.com

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Please, let's honor this State and it's resources. The people of the State of Alaska deserve a Commissioner who is knowledgeable, who has a background and EDUCATION in an appropriate area (in this case fisheries, biology, natural resources, etc), who has experience.

If this appointment goes through, it is merely a case of "who you know," with no regard to the importance of the position. An appointment with these qualifications is not a healthy nor an appropriate way to conduct the business of such an important resource.

Again, I urge denial of confirmation this appointment.

Regards,

Sara Jackinsky

Alaska State Legislature

Please enter into the record my testimony to the Senate Resources
committee name

Committee on Campbell, ADF&G Confirmation, dated 3-23-11
bill # / subject — public hearing date

Dear Senate Resources Standing Committee,

I strongly oppose the confirmation of Cora Campbell! I have several friends in various positions in game and fish, I have asked them what they think about this nomination and they just shrug their shoulders and say it was a shock. They have varying opinions as to how it came about but they all seem to agree in the fact that she isn't qualified or experienced enough to run the department. She is probably a great kid. A shooting star, she will probably grow up someday to be something quite great, but right now we need a leader in game and fish. We are facing huge issues in almost every area of Fish and Game. This would be a monumental challenge to an experienced manager but we are going to through this kid to the wolves? We are being challenged for the right to manage our resources by our national government, we are experiencing a decline in every game animal or fish run we use! The only thing that is doing well are bears and wolves. We won't make it very far eating those. The commercial fish division keeps saying if we would just harvest more fish it would solve all of our problems. Maximum sustained yield. Yet we are running out of fish and they want to blame pike. The pike have been there longer than the nets but we need to kill more fish. This is the school Cora came up in and thinks is the answer. It is true that in years of small returns God helps the rebound of our stocks by providing a higher survival rate for the threatened young. However it doesn't work if you pound it to near extinction year, after year, after year! This is the mindset of the young Cora Campbell. She has been surrounded by it her entire life, yes, she is the daughter of a commercial fisherman and has only worked in the commercial fishing side of Game and Fish. So not only has she not run anything like the entire fish and game department, She has never put on the hat of any other of the branches of Game and Fish. Not to mention the STRONG commercial fishing ties. I voted for our Governor last election and this selection has made me regret that decision. I don't have any faith in his ability to choose a "QUALIFIED" applicant for our various appointed positions. So he won't get my vote again, I can't vote for all of you but I can pass the word about how you do as our representatives.
Thanks,
Monte Roberts
Concerned Tax Payer

Signed: Monte Roberts
Testifier

Self
Representing (optional)

PO Box 1106 (35745 Beaconhill St) Soldotna, AK 99669
Address

262-8518
Phone number

CAMPBELL

Mary Jackson

From: Doug Letch
Sent: Tuesday, March 22, 2011 11:18 AM
To: Jeff Stepp; Mary Jackson
Subject: FW: Commissioner ADF&G

A Homer constituent asked that his comments on Commissioner Campbell be entered into the record.

Thanks,
Doug

Dear Senator,

Departments of Education, and of Fish and Game ,and the Regulatory Commission have been constructed to limit the power of a governor to control them. With other state agencies that is not true. They are designed to be more at a governor's command.

The immediate concern is a new commissioner for ADF&G. The proper process is for the Joint Board of Fisheries and Game to advertise the position, to review candidates qualifications, to solicit comment from the local advisory committees and from the general public, and to choose one or more names for a governor to consider. A governor may reject nominees and ask for additional choices. A governor should not tell the the boards whom to nominate.
After appointment, subject to legislative confirmation, the commissioner serves at the pleasure of the governor. As with education, the management of wildlife and fish was identified as so central to the general welfare that the founders tried to insulate them from politics as usual and the politics of the moment.

The harvesting and use of wild resources of our lands and waters is basic to community and family needs and responsibilities. Less so in some times, and in some places, as extraction industries come and go, but perhaps even more vital as booms turn to busts; and mining and oil towns return to dust.

The process for selection of a commissioner for ADF&G has been honored often in the breech by governors wishing to exercize more authority. This is also true, of course, for choices for the governing boards whose members are often appointed for just those reasons prohibited in statute: geographical location of residence and factional interest. It could be that the time has come to think again about establishing professional boards (or at least one for fisheries), but while the present system is in place it should be utilized according to governing law.

There were no public meeting act hearings or advisory commmittee processes leading to the nomination of the commissioner candidate now being considered for confirmation. For this reason the matter should be remanded to the joint boards for orderly consideration by the properly established process. I recognize this means that the present acting commissioner will continue to serve in the interim and may well emerge as the choice of the process due.

My personal criteria for an ADF&G commissioner includes significant scientific education, preferably in wildlife biology, and meaningful years of effective service in the field, and in the labs, and in the offices of fish and wildlife management agencies, preferably in Alaska. I can think of two past commissioners without such qualifications; one an economist by training, one a landsman, but both had prior experience in resource agencies including ADF&G.

Since statehood, as a general matter, the Alaska Department of Fisheries and Game, and its commissioners, have benefited by universal respect for high caliber management. Very well respected around the nation and the world.

Neglect of our instruments, established by the founders to provide for the utilization of replenishable resources, has resulted in a department diminished in spirit, in quality, in ability to sustain yields, and in the respect for Alaska's resource management program.

Respectfully, Larry Smith

No virus found in this incoming message.
Checked by AVG - www.avg.com
Version: 8.5.449 / Virus Database: 271.1.1/3520 - Release Date: 03/21/11 07:34:00

CAMPBELL

Mary Jackson

From: Sen. Tom Wagoner
Sent: Monday, March 21, 2011 4:03 PM
To: Mary Jackson
Subject: FW: New Pom:Fish & Game (both)

Confirmations - commissioner F&G
Amy

-----Original Message-----
From: Shay Wilson
Sent: Monday, March 21, 2011 10:23 AM
To: Sen. Tom Wagoner
Subject: New Pom:Fish & Game (both)

Victor VanBallenberghe
8941 Winchester St

Anchorage 99507-3972,
vicvanb@alaska.com
907-344-1613

Senate Resources Committee Members: I urge you to carefully explore the qualifications of Cora Campbell at Wednesday's confirmation hearing. She is much too inexperienced and unqualified for the ADF&G Commissioner's job.

CAMPBELL

KETCHIKAN HERRING ACTION GROUP
7942 South Tongass Highway
Ketchikan, Alaska 99901
(907) 225-3697

January 2, 2011

Dear Legislator,

This letter is to inform you that we join with the Alaska Native Brotherhood *in opposing* the appointment of Cora Crome Campbell by Governor Parnell to head the Alaska Department of Fish and Game.

Cora Campbell was formerly appointed to be Governor Palin's fisheries advisor following the recommendations of the Petersburg Vessel Owners Association, which she was former Executive Director of.

During her tenure as fisheries advisor to the governor, it was difficult if not impossible to reach the governor on issues that related to subsistence, sport fishing, and conservation. Her own interests and lack of experience are well known throughout Southeast Alaska.

As commissioner of the Alaska Department of Fish and Game, we are concerned that her focus will be more on "maximum yield" rather than on "maximum sustainable yield" when it comes to fisheries interests involving her former colleagues, supporters, and personal family members operating in the herring industry. This can be detrimental to many fisheries stocks in Alaska, create further division among user groups, and foster a degree of mistrust with the Department of Fish and Game at a time when all interests need to work together.

We have seen no evidence that her former agenda will not carry over in her position as commissioner of the Alaska Department of Fish and Game.

Considering her conflict of interest and lack of experience in biological and critical habitat issues, please vote NO to the appointment of Cora Campbell as commissioner of the Alaska Department of Fish and Game.

Very Sincerely,

Andy Rauwolf, Chair
Ketchikan Herring Action Group
7942 South Tongass Hwy.
Ketchikan, Alaska 99901

CONFIR-MATIONS 2012

<TARGET><BILL></BILL><SUBJECT>CONFIRMATIONS 2012</SUBJECT><COMM>SRES27</COMM></TARGET>

Alaska State Legislature

Senate

Office of the Secretary

Official Business

State Capitol, Room 211
Juneau, Alaska 99801-1182
Phone: (907) 465-3701
Fax: (907) 465-2832
Email:senate_secretary@legis.state.ak.us

Memorandum

TO: Senator Paskvan, Cochair
Senator Wagoner, Cochair
Resources Committee

FROM: Kirsten Waid
Secretary of the Senate

DATE: April 2, 2012

SUBJECT: Confirmation of Governor's Appointments

Pursuant to AS 39.05.080, the President has referred the following names for legislative confirmation to your committee for a hearing, recommendation and report:

Board of Game
Teresa Sager-Albaugh – Tok
Appointed: 7/1/2009
Reappointed: 7/1/2012 Term Expires: 6/30/2015

Robert Mumford – Anchorage
Appointed: 7/1/2012 Term Expires: 6/30/2015

Board of Fisheries
Orville Huntington – Huslia
Appointed: 7/1/2012 Term Expires: 6/30/2015

Karl Johnstone – Anchorage
Appointed: 12/05/2008
Reappointed: 7/1/2009
Reappointed: 7/1/2012 Term Expires: 6/30/2015

Resumes will be transmitted electronically.

KW:jcs
gl #3

BOARD OF FISHERIES

Orville Huntington
Huslia, AK 99746

Orville Huntington was born in Huslia, Alaska and received a B.S. in Wildlife Biology from University of Alaska, Fairbanks. Mr. Huntington is dedicated to working closely with young people to promote the values of traditional Native elders combined with contemporary western knowledge. He is committed to protecting the aboriginal rights of Native people to continue to live a subsistence way of life and preserve the cultural beliefs associated with that way of life as it is consistent with State and Federal law. His primary responsibilities continue to be the preservation of Native subsistence hunting, fishing, gathering and trapping opportunities and the cultural events that surround those beliefs, and as a public servant for the village of Huslia and the 43 villages of the Tanana Chiefs Conference region.

Mr. Huntington currently works as the Wildlife and Parks Director for the Tanana Chiefs Conference. Prior to that, he served for 14 years as a Refuge Information Technician at the Koyukuk/Nowitna NWR Complex and U.S. Fish and Wildlife Service. As a scientist he worked closely with local village people in the villages of Kaltag, Nulato, Koyukuk, Galena, Ruby, Huslia and Hughes on subsistence surveys.

Previous employment:

- Seasonal labor, Bureau of Land Management (Emergency Fire Fighter)
- Fisherman
- Laborer's and Carpenter's Union
- Huslia Tribal Council (Tribal Operations Specialist)
- Tribal and City Council member

Affiliations:

- Alaska Federation of Natives board of directors (interior village representative)
- K'oyitl'ots'ina Ltd. Board of Directors (Treasurer) for the villages of Huslia, Hughes, Allakaket and Alatna
- Brooks Range Contracting Board of Directors
- Koyukuk Moose Hunter's Working Group
- Interior Regional Housing Authority Board of Commissioners
- Interior Athabascan Tribal College Board of Trustees
- Alaska Native Science Commission Board of Commissioners

Board of Fisheries

1. Please comment on your qualifications for the position and tell the Committee the reasons that you'd like to be appointed to the Board of Fisheries.

2. Please comment on the two or three most important issues facing the Board of Fisheries. If confirmed, how do you intend to deal with these issues?

Alaska Department of Fish and Game

Welcome to the Board of Fisheries!

Board of Fisheries Members 2011-2012

Board of Fisheries News

- Board of Fisheries Call for Proposals 2012-2013 (*PDF 68 kB*)
- Board of Fisheries 2012–2013 Meeting Schedule (*PDF 56 kB*)

About the Board

The Alaska Board of Fisheries consists of seven members serving three-year terms. Members are appointed by the governor and confirmed by the legislature. Members are appointed on the basis of interest in public affairs, good judgment, knowledge, and ability in the field of action of the board, with a view to providing diversity of interest and points of view in the membership (see Alaska Statute 16.05.221).

The Board of Fisheries' m@ain role is to conserve and develop the fishery resources of the state. This involves setting seasons, bag limits, methods and means for the state's subsistence, commercial, sport, guided sport, and personal use fisheries, and it also involves setting policy and direction for the management of the state's fishery resources. The board is charged with making allocative decisions, and the department is responsible for management based on those decisions.

The board meeting cycle is three years long. The Meetings generally occur from October through March. The Board of Fisheries meets four to six times per year in communities around the state to consider proposed changes to fisheries regulations around the state. The board uses the biological and socioeconomic information provided by the Alaska Department of Fish and Game, public comment received from people inside and outside of the state, and guidance from the Alaska Department of Public Safety and Alaska Department of Law when creating regulations that are sound and enforceable.

Board of Fisheries Authority

The Board of Fisheries is established under Alaska Statute 16.05.221 for the purposes of the conservation and development of the fisheries resources of the state. The Board of Fisheries has the authority to adopt

regulations described in AS 16.05.251 including: establishing open and closed seasons and areas for taking fish; setting quotas, bag limits, harvest levels and limitations for taking fish; and establishing the methods and means for the taking of fish. The regulations the Board of Fisheries has authority over are 5 AAC Chapters 1- 77.

Resume

Name:	Karl S. Johnstone
Address:	Anchorage, Alaska 99516
Time in Alaska:	1967 to present
Date of Birth:	
Health:	Perfect
Education:	Bachelor's degree in Business, 1964 U. of Arizona Juris Doctor in Law, 1967 U. of Arizona
Work Experience:	Private Practice of Law 1968 through 1978 Superior Court Judge 1979 through July 1996 Part time mediator/arbitrator and limited practice 1997 through present
Position applying for:	Member of North Pacific Fishery Management Council or Alaska Fish Board
Related Experience:	Owned and fished Limited entry permits for set net and drift net salmon fishing in Bristol Bay from 1984 through 1988. Owned and fished Limited entry permits for gillnet herring in S.E. Alaska and Prince William Sound from 1984 through 1988. Have been an active sport fisherman through out Alaska since 1967 to present.
Other activities:	Golf, flying, building aircraft, fishing, reading.
References:	Jim Palin Doug Baily Landa Baily
Contact information:	

Employment Applicant Profile

Personal Information

First Name: karl Middle Initial: (Optional) Last Name: johnstone

Social Security Number:

Mailing Address:

City: anch State: ak Zip Code: 99516 Country: U.S.

Home Phone: *Area Code first

Work/Message Phone: *Area Code first

Email: (Optional)

Are you currently an Alaska Resident? yes Yes No

Do you have a legal right to accept employment in the United States? yes Yes No

Are you related to any person currently working for the State of Alaska? Yes no No

If Yes, please list their name(s), their Departments(s), and your relationship(s):

Have you ever been convicted of a felony? Yes no No
Have you been convicted of a misdemeanor within the past five years? Yes no No

If you answered Yes to either of the above questions, please explain below:

Note: If you have been convicted of a felony, you will be required to provide a copy of your judgment if chosen for an interview.

Education & Training
Education: Check highest level attained

High School
- Some High School
- HS Graduate or GED

Post Secondary
- Some College
- Associate's Degree
- Bachelor's Degree
- Master's Degree

J.D. Doctorate

School Name U. of Arizona
School Location Tucson, Ariz.
Areas of Study Law
Degrees obtained J.D.

School Name
School Location
Areas of Study
Degrees obtained

School Name
School Location
Areas of Study
Degrees obtained

School Name
School Location
Areas of Study
Degrees obtained

Certifications, licenses and date obtained.
Inactive member of Ariz. and Ak. Bar Associations

Career-specific, job-related training and skills.
Legal

Experience:
Work History: List up to four employers.
Name of employer and location: Self mployed as a lawyer
Start Date:
(Month/Day/Year) march, 1968
Ending Date:
(Month/Day/Year) Nov, 1979
Job Title:
Supervisor's Name:
Supervisor's Phone
Number:
Employment Type: Full-Time Part-Time
Hours/Week worked:
Salary: (Monthly)
Description. Please describe your duties.
practice of law in business and labor fields

Name of employer and location: Stat of Alaska
Start Date:
(Month/Day/Year) Nov 1978
Ending Date:
(Month/Day/Year) July 25, 1996
Job Title: superior court judge
Supervisor's Name:
Supervisor's Phone
Number:

Employment Type: Full-Time Part-Time
Hours/Week worked:
Salary: (Monthly)
Description. Please describe your duties.

Name of employer and location:
Start Date:
(Month/Day/Year)
Ending Date:
(Month/Day/Year)
Job Title:
Supervisor's Name:
Supervisor's Phone
Number:
Employment Type: Full-Time Part-Time
Hours/Week worked:
Salary: (Monthly)
Description. Please describe your duties.

Name of employer and location:
Start Date:
(Month/Day/Year)
Ending Date:
(Month/Day/Year)

Job Title:
Supervisor's Name:
Supervisor's Phone
Number:
Employment Type: Full-Time Part-Time
Hours/Week worked:
Salary: (Monthly)
Description. Please describe your duties.

Veterans'/National Guard Preference
Are you a veteran or a member of the Alaska National Guard? If no, you may proceed to the Optional State of Alaska Equal Employment Opportunity Questionnaire below.

Are you a veteran who served on active duty (not active duty for training) in the United States Armed Forces and did you receive an honorable or general discharge? Yes No

If Yes:

Did you serve during a war* OR during the period beginning April 28, 1952, and ending July 1, 1955? OR

Did you serve for more than 180 consecutive days, any part of which occurred during the following periods:

- After November 11, 1918, and before December 2, 1919;
- After September 15, 1940, and before December 7, a941;
- After December 31, 1946, and before January 1, 1948;
- After June 26, 1950, and before April 18, 1952;
- After January 31, 1955, and before October 15, 1976; or
- In the Alaska Territorial Guard?

Did you serve during the Gulf War period beginning August 2, 1990, and ending January 2, 1992? AND If you originally enlisted after September 7, 1980, or entered on active duty on or after October 14, 1982, without having previously completed 24 months of continuos active duty, did you serve continuously for 24 months or the full period called or ordered to active duty? OR

Were you awarded a campaign or expedition medal or an award or decoration for heroism or gallantry in action? AND if you originally enlisted after September 7, 1980, or entered on active duty on or after October 14, 1982, without having previously completed 24 months of continuous active duty, did you serve continuously for more than 180 days or the full period called or ordered to active duty?

Yes No

OR

Are you currently a member of the Alaska National Guard and have you served for eight (8) years or longer? Yes No

*Under Title 5 Section 2108 of the United States Code the following time periods are considered periods of war.

- World War I Between April 6, 1917, and November 11, 1918, inclusive Unless service was with the United States military forces in Russia, then the ending date is April 1, 1920. Service after November 11, 1918, and before July 2, 1921, is considered World War I service if time was served in the active military, naval, or air service after April 5, 1917, and before November 12, 1918.
- World War II: Between December 7, 1941, and December 31, 1946. If in service on December 31, 1946, continuous service before July 26, 1947, is also considered World War II service.

Are you entitled to disability compensation, disability retirement benefits, or disability pension under laws administered by the United States Department of Veterans Affairs or a military department? OR

Were you honorably discharged and awarded the Purple Heart? Yes No

The State of Alaska complies with Title I of the Americans with Disabilities Act (ADA). Individuals with disabilities who require special accommodation, auxiliary aides or services, or alternative communication formats call 465-3897 in Juneau or (907) 465-3514 TTY.

We are an equal opportunity employer and support workplace diversity.

Please read carefully before submitting this profile: I certify the information I have entered on this form is true to the best of my knowledge. I understand if I conceal or enter false information this form, my name may be removed from consideration for a job, or I may be removed from my job, if hired. I understand the information in this profile may be released in an authorized legal investigation; and before I am hired I will be required to sign an official State Form certifying these statements are true. I agree that the State of Alaska, or its agents, may contact current or former employers or other persons who know me in order to obtain additional information.

Applicant's Signature: Karl J Johnstone

Jeff Stepp

From: Pudge Kleinkauf <pudge@womensflyfishing.net>
Sent: Sunday, April 08, 2012 12:03 PM
To: Sen. Joe Paskvan
Subject: confirmation of Karl Johnstone to the Alaska Board of Fish

Categories: Printed

4/8/12 Dear Senator Paskvan: I'm writing to urge your support in the confirmation of Karl Johnstone's re-appointment to the Alaska Board of Fish. Mr. Johnstone has always been a valuable member of the Board because of his willingness to listen to both sides of an issue and make thoughtful, well informed decisions, just as he did as a Superior Court Judge. His concern is for Alaska's fisheries first and foremost, and as such he represents the resource rather than one specific constituency or the other. I urge you to support his confirmation.

Sincerely,
Pudge Kleinkauf

Cecilia "Pudge" Kleinkauf,Owner
Women's Flyfishing®
P.O. Box 243963
Anchorage, AK 99524
phone/fax (907) 274-7113
www.womensflyfishing.net
pudge@womensflyfishing.net

Author: -***Fly Fishing for Alaska's Arctic Grayling: Sailfish of the North***
Frank Amato Publications, 2009

Benjamin Franklin Award-winning Books

-***River Girls: Fly Fishing for Young Women***
Johnson Books, 2006
and
-***Fly Fishing Women Explore Alaska***
Epicenter Press, 2003

Jeff Stepp

From: Cristy Somers-Fry <realist468@gmail.com>
Sent: Sunday, April 08, 2012 11:42 PM
To: Sen. Joe Paskvan
Subject: Karl Johnstone

Categories: Printed

Mr. Paskvan,
On Monday, your Resources Committee will be vetting Karl Jonstone for re-appointment to the Board of Fisheries. As I'm sure you know by now, there are serious questions about his residency as well as his fitness to serve on that board. I know you are in possession of some documents that have been making the rounds pointing out some of the more serious allegations against him.

I will be signed up to testify at my local LIO, but that testimony does not offer the opportunity to ask questions of Mr. Johnstone. You, however, will have that opportunity.

As I mentioned in an email to Mr. Kawasaki, which I believe has been forwarded to you by his staff member, Mindy O'Neall, I am very concerned not only about Mr. Johnstone's residency, but also about the inclusion of Bob Penny in internal BOF emails. In the off-chance you did not get a copy of that email, I'm pasting in the content of my portion of that exchange below.

Bob Penny is a well-known, powerful, and influential Kenai businessman with a vested interest in eliminating as much of commercial salmon fishing in upper Cook Inlet as possible,

My hope is that as co-chair of the Senate Resources Committee, in addition to the residency questions, etc, you will ask pertinent questions of Mr. Johnstone regarding why on earth Mr. Penny has been included in internal BOF emails, and when he will be able to provide copies of all the emails that were blind-copied to Mr. Penny. I also would like to know who else has been included on that email chain, specifically which members of the Kenai River Sportfishing Association, such as Ricky Gease, Rueben Hanke, etc.

With regards to the question about him having flown to Georgia to have Billy Morris, of Morris Communications which owns the Alaska Journal of Commerce, kill a follow-up story about his residency, the person to whom he was overheard bragging that he did that was Rueben Hanke.

As I said in my email to Mr. Kawasaki, this all points to a level of corruption in the Board of Fisheries that is nothing short of astounding. The fact that it goes at least as far up the ladder as Kelly Hepler is unforgivable, and something that the legislature should be very, very concerned about. Is this the way we want the people's business to be conducted? Please, please look into these allegations before you move his confirmation out of committee.

My many thanks for your attention to this matter,
Cristy Fry
299-6745

email to Scott Kawasaki:
Mr Kawasaki,
Thank you for asking the questions you did of Karl Johnstone at yesterday's hearing. I suspect he did indeed have those documents you were working from, he just hadn't figured out how to counter some of the allegations

yet. It would have been nice to have asked him if he had access to his email where he was so that he could have read them before you continued. That being said, I'm wondering when he will again be available in a public setting to answer the rest of your questions on the record?

One thing that did not make it into the documents you had, the State apparently tried to pay John Jensen a per diem at a meeting in Petersburg, his home town, (although he did not ask for it and did not cash it,) presumably to be able to say, "See, OTHER people get per diems in their home towns, too!" This would come out in an audit of Boards Support books.

One thing that bothers me almost as much as him not being a resident is the inclusion of Bob Penny in internal BOF emails. We have always known that Bob ran the Cook Inlet meetings; at the last round he would walk through the back of the room when the board took a break, nod his head, and the four board members who consistently voted with the sport fishermen would follow him out of the room (the votes were consistently 4-3). To find out that Bob is included in internal board business is just too much. And Kelly Hepler KNEW he was being copied, he REPLIED to him! I need to know, and so does everyone else in Cook Inlet, the extent of Bob's influence on this board and the broader ADF&G in Cook Inlet decisions, and the extent of his inclusion in internal board emails.

Please don't let this fall between the cracks. All of this is true and will be made public, Morris Communications is not the only game in town. The Board of Fisheries is corrupt in its current form, and any decisions made 4-3 when it turns out Johnstone was not a resident at the time of the 2011 Cook Inlet meetings should be thrown out. Please make the necessary investigations.

Thank you again.
Cristy Fry
[illegible]mer
[illegible]-6745

RECEIVED

APR 0 6 2012

Dear Legislator,

On April 10 you will be asked to confirm a non-resident, KARL JOHNSTONE, to the Board of Fish (BOF). We ask you to say no to this appointment and ask the Governor to nominate a resident of Alaska who will fairly and objectively represent the resource for those who utilize our fisheries resources for work and recreation.

Karl Johnstone, the Governor's nominee, no longer lives in Alaska year round and is not qualified to serve on the BOF. News reports and documents received through the Freedom of Information Act from the Alaska Department of Fish and Game indicate that Mr. Johnstone lives in Arizona for at least eight months out of the year. His home in Anchorage, which he claims as his "primary residence," is occupied for only a couple of months during the summer. When Karl returns to Alaska for BOF Meetings in his "home town," he stays in a hotel on the State's dime, claiming per diem rather than opening the home he shutters for the winter.

Karl is the only Board or Commission member statewide receiving these special payments, contrary to Statute and the Alaska Administrative Manual. Why? Prior to his appointment to the BOF in 2008, Mr. Johnstone did not receive a Permanent Fund Dividend (PFD) check. Once appointed, he began claiming a PFD check. Public Records Requests were submitted and have brought residency problems to light which the Legislature should look into immediately. The financial records we have seen entered from the department indicate illegal payments were made. It is time for a Legislative audit of the Boards Support budget to discover if there are serious irregularities concerning a non-resident BOF Member. The Department and the Board process should be above reproach and fair and legal for all.

From the public records request, it is obvious that some staff in the Department knows Mr. Johnstone resides for a majority of the year in Arizona. Department staff should have informed the Governor to prevent him from making this nomination. In looking at Mr. Johnstone's history, it is revealed that there is a long history of ethical issues. Alaska residents should be able to rely on a vetting process within the Governor's office. A full review of Mr. Johnstone's records should occur to determine if Mr. Johnstone's appointment is legal, or has resulted in illegal payments as he travels from Arizona to Alaska for BOF meetings.

On March 4, the Alaska Journal of Commerce published a story on Mr. Johnstone that raised the issue of residency and illegal payments. Mr. Johnstone authored a full page opinion piece which spoke of how the BOF works, but never answered the original questions of residency and illegal payments. Mr. Johnstone was overheard boasting to "his constituents" that he was going to Georgia to get future stories concerning himself pulled. William Morris, the owner of the Alaska Journal of Commerce, lives in Georgia. What happened to the follow-up article? Did Mr. Johnstone pressure the Alaska Journal of Commerce to back off, one can only guess. In time, the answers will come out; we hope you will not embarrass Alaska residents by re-confirming this individual in the BOF.

Judge's integrity comes under question as election issue

By SHEILA TOOMEY
Daily News reporter

Low ratings for integrity, by lawyers in general and by his fellow judges in particular, are why the Alaska Judicial Council recommended that Karl Johnstone be removed from the Anchorage Superior Court bench, according to council Executive Director Hal Brown.

Johnstone

But Johnstone said the ratings are basically a popularity contest and pointed out that he has never been sanctioned or disciplined by any of the panels that oversee judicial conduct.

"My integrity is unblemished," he said.

Of 17 judges on the ballot for retention Nov. 8, only Johnstone has been deemed "not qualified" by the judicial council. Partly because voters rarely have independent information about how judges do their jobs, the council's judgment could spell real trouble for him.

The rating is done by lawyers, judges, police and probation officers in a written, anonymous survey.

Johnstone was rated by 631 people. He received acceptable or better ratings from lawyers and judges in categories dealing with legal ability and administrative skills; law enforcement officers in general rated him acceptable or better in all categories except "freedom from arrogance."

He ran into trouble in categories listed under judicial temperament and integrity, including an unacceptable integrity rating from judges in the Third Judicial District and from judges statewide.

An acceptable rating is 3. Johnstone was given an average rating of 2.8 by other judges.

He categorized it as the equivalent of a C-minus and said he thought it should be better.

Judges who said they had substantial direct professional experience with Johnstone rated him slightly lower, at 2.6, according to council figures.

"We're talking about people who are not only lawyers," Brown said, "they're judges, presumably the people who are working most closely day to day with Judge Johnstone."

Said Brown: "No Superior Court judge has ever received an unacceptable survey rating in integrity, from the time that the judicial council started doing surveys, which was in 1976."

Judge Mark Rowland, Johnstone's colleague and longtime friend on the Superior Court bench, said he knows of no reason why anyone should question Johnstone's integrity.

"I've known Judge Johnstone for a long time. I know him to be an excellent judge and a valuable addition to the bench in Anchorage," Rowland said.

On the survey, integrity is defined as conducting oneself in a manner free from impropriety or the appearance of impropriety. Respondents do not have to back up their ratings with specific allegations.

Johnstone said he was disturbed and puzzled by his low marks. "It's impossible for me to respond to an anonymous rating on integrity."

Said Johnstone: "There's not a public employee in the state who gets rated on the basis of anonymous ratings."

He attributed the low grades to old grudges from lawyers and judges he pushed too hard during his early years on the bench in an effort to make the court system more efficient.

He was appointed by Jay Hammond in 1979.

"I pushed real hard initially, too hard initially; and I've been outspoken; and I've never adopted the company line or joined the fraternity that says leave well enough alone; and it's made me unpopular. ... Grudges just sometimes don't die. ... What better way to get back at a judge you don't like for one reason or another ... than to be able to anonymously attack his integrity without having to identify yourself and without having to be specific?"

Johnstone originally attributed the judicial council's recommendation that he not be retained to a 2.2 rating on "freedom from arrogance" — the lowest rating he received in any category. Brown said that was not so.

"His very poor ratings as far as arrogance were not the leading reasons. ... The focus would have to be on the integrity."

Brown also disputed Johnstone's suggestion that people who didn't like him simply voted across the board against him. "They marked him low on eight out of 20 categories. They didn't just go through and vote the entire ticket, so-called."

And although law enforcement officers in general gave Johnstone an acceptable 3.2 rating for integrity, those who said they had substantial direct professional experience with him rated him an unacceptable 2.9, Brown said.

Johnstone handles mostly criminal cases. One reason the low ratings puzzled him, he said, is that he is rarely bumped off cases by lawyers these days and rarely is overturned by appeals courts.

This is the first year Johnstone has faced a peer review. He was on the ballot in 1982 and was retained by the voters. However, a dispute over whether he belonged on the ballot, which went all the way to the Alaska Supreme Court, delayed the decision until it was too late for him to be included in the judicial council survey.

The judicial council is a constitutionally mandated watchdog agency that evaluates judicial applicants and judges standing for retention. Brown emphasized that the survey results are only one factor considered by the six members of the council in reaching a decision to recommend for or against. Candidates fill out a detailed questionnaire and special questionnaires are sent to attorneys who have appeared before the judge under review. Council staff does a background check on the candidate and meets with the candidate in person.

Johnstone said he is relying on the public to recognize that he is doing a good job. He pointed to support from Victims for Justice, a group that sends court watchers to observe judges. Of the Superior Court judges standing for retention, Johnstone got the highest overall rating from up to 15 group participants.

The Judicial Council's record for convincing voters to get rid of judges is mixed. In 1976 and 1980, the council recommended against retention of Juneau District Court Judge Gerald Williams. The voters sided with him both times.

The council twice recommended against retention of Anchorage District Court judges Joseph Brewer and Virgil Vochoska. Voters turned them out in 1982.

THIRD JUDICIAL DISTRICT RETENTION ELECTION

Overall judicial performance, rated by members of bar association, law enforcement officers *

NAME	APPOINTED	TYPE OF CASES	BAR RANKING	POLICE RANKING
		SUPREME COURT		
EDMOND BURKE	April 1975	N/A	3.84	**
JAY RABINOWITZ	Feb. 1965	N/A	4.23	**
		ANCHORAGE SUPERIOR COURT		
RENE GONZALEZ	Nov. 1984	Primarily criminal	3.57	2.67
KAREN HUNT	Jan. 1984	Primarily civil	4.06	3.22
KARL JOHNSTONE	Oct. 1979	Primarily criminal	2.88	3.19
JOAN KATZ	Nov. 1984	Primarily civil	3.87	3.63
PETER MICHALSKI	Jan. 1985	Mixed civil/criminal	3.53	3.83
MILTON SOUTER	Jan. 1978	Primarily civil	3.69	3.31
		ANCHORAGE DISTRICT COURT		
GLEN ANDERSON	March 1978	Mixed case load	4.19	3.99
NATALIE FINN	March 1983	Mixed case load	4.12	4.04
WILLIAM FULD	March 1983	Mixed case load	3.42	3.44
JOHN MASON	Dec. 1970	Mixed case load	3.21	3.04
		VALDEZ SUPERIOR COURT		
JOHN BOSSHARD	May 1984	Mixed case load	3.25	3.69
		PALMER DISTRICT COURT		
PETER ASHMAN	Aug. 1987	Mixed case load	4.39	3.51

*Highest rating is 5. Lowest acceptable rating is 3. **Justices not rated by law enforcement.

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JAY RABINOWITZ	Feb 1985	N A	4 23	**
		ANCHORAGE SUPERIOR COURT		
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KAREN HUNT	Jan 1984	Primarily civil	4 06	3 22
KARL JOHNSTONE	Oct. 1979	Primarily criminal	2 88	3 19
JOAN KATZ	Nov. 1984	Primarily civil	3 67	3 63
PETER MICHALSKI	Jan 1985	Mixed civil/criminal	3 53	3 83
MILTON SOUTER	Jan 1978	Primarily civil	3 69	3 31
		ANCHORAGE DISTRICT COURT		
GLEN ANDERSON	March 1978	Mixed case load	4 19	3 96
NATALIE FINN	March 1983	Mixed case load	4 12	4 04
WILLIAM FULD	March 1983	Mixed case load	3 42	3 44
JOHN MASON	Dec. 1970	Mixed case load	3 21	3 04
		VALDEZ SUPERIOR COURT		
JOHN BOSSHARD	May 1984	Mixed case load	3 25	3 69
		PALMER DISTRICT COURT		
PETER ASHMAN	Aug 1987	Mixed case load	4 39	3 51

*Highest rating is 5. Lowest acceptable rating is 3. ** Justices not rated by law enforcement.

Come on Governor Parnell, in a State with over 700,000 People, Do We Really Need to Import a Board of Fisheries Member from Arizona?

Karl's wife's business web page states "in Arizona from October to May" - 8 Months - (www.valvanbrocklin.com)
Karl's Anchorage phone says "Don't Leave a Message – Call him at a (928) Area Code", which is in Arizona

In the last two years, the Board of Fisheries has met in Anchorage for a total of 43 Days –

- ✓ **Karl's hotel - $5,000**
- ✓ **Karl's per diem - $3,000**
- ✓ **This picture of Karl's house with an unplowed driveway and NO footprints to the house since Nov. 1, 2011 (the first snow) – $Priceless**

Under the Alaska Administrative Manual - AAM 60.180:
In a Meeting in the "vicinity of the Member's residence, the Member is not in travel status and not entitled to reimbursement for per diem or lodging." This rule is enforced for all other Board and Commission Members except Karl Johnstone. Mel Morris did not get paid for meetings in Kodiak, Bonnie Williams did not get paid for meetings in Fairbanks, Janet Woods did not get paid for meetings in Fairbanks, John Jensen did not get paid for meetings in Petersburg. The distance from the meeting location to Karl's house is shorter than the distance to the hotel where Karl stayed. Karl never stays in the hotel where the meeting is held, so why would Commissioner Campbell waive this rule and reimburse Karl as she seeks an increase to the Board budget to cover increased costs of over $300,000? Contact your Legislator to request an audit of ADF&G Boards Support and make Bob Penny "Buy Alaskan" – The Board of Fish process should NOT be for sale!
More to Follow!

This Picture Taken March 30, 2012.
6 Days after a Board of Fisheries meeting in Anchorage

Top Ten
Reasons Karl Johnstone should **NOT** be reappointed to the BOF:

1. In an October 30, 1988 Anchorage Daily News article, Karl Johnstone was given "low ratings for integrity, by lawyers in general and his fellow judges in particular" by the Judicial Council. In fact, in each of the three times he came up for review, his judicial scores were pathetic – hardly inspiring.

   http://news.google.com/newspapers?nid=1828&dat=19881030&id=eEAdAAAAIBAJ&sjid=7aYEAAAAIBAJ&pg=1325,7122185

2. Mr. Johnstone has failed to comply with an ADF&G public records request for copies of e-mails he sent to other BOF members along with upper level staff from ADF&G. He also apparently "BLIND" copied Bob Penny. Had Bob Penny not hit the "Reply to All" button, we would have never known Karl Johnstone was sending emails to non-BOF and Department individuals. We still don't know is who else was "BLIND" copied on the emails. As a former Judge, he should comply with the public records request, just as other BOF members have and disclose this chain of e-mails before he is confirmed.

3. In 2000, Mr. Johnstone was publicly reprimanded by the Alaska State Supreme Court for creating the appearance of impropriety in the hiring of Richard McVeigh. http://www.touchngo.com/sp/html/sp-5273.htm

4. In December 2011, Mr. Johnstone accepted a car ride from a lobbyist for Kenai River Sport Fishing to and from a BOF meeting in Valdez. This financial gratuity from a lobbyist has never been disclosed.

5. When Mr. Johnstone was originally appointed to the BOF in 2008, he did not receive a PFD. But, he now "qualifies" for a 2009, 2010 and 2011 PFD because he returns for BOF meetings in the winter.

6. In 2007, 2008 or 2009, Mr. Johnstone did not qualify for the City of Anchorage residential property tax exemption. Now, in 2010 and 2011, he has received the exemption. Under the exemption rules, he must occupy his Anchorage residence for at least 185 days per year.

7. In 2010, as a "resident" of Arizona, he did not get the senior property tax exemption in the City of Anchorage. But now, beginning in 2011, he receives the exemption.

8. Mr. Johnstone is the only Board or Commission member in Alaska to receive a "waiver" for hotel and per diem payments while attending BOF meetings in his "hometown." These payments have been in excess of $8,000. Karl also receives a State of Alaska retirement of nearly $10,000 per month. Does the State really need to pay for his hotel bill in Anchorage, which is "his hometown?" ADF&G

said these waivers were granted because it is in the State's interest to allow Mr. Johnstone to meet with constituents and allow time to prepare for the BOF meetings. These reasons would not seem nearly as contrived if other Board members were afforded the same accommodations. Mr. Johnstone's house was not available in the winter, and he did not stay in the same hotel the BOF meeting was held. In fact, the last two BOF meetings were held at a hotel which was nearer to Mr. Johnstone's house than the hotel where he stayed. Once again, this creates the appearance of impropriety.

9. In an e-mail exchange prior to the 2011Valdez BOF meeting, Mr. Johnstone wrote that "If the flight from Anchorage to Valdez is cancelled or can't get into Valdez, I plan on checking into the Capt. Cook and I will wait for further information." First, he is flying in from Phoenix and going to a hotel in Anchorage, not his house, which certainly seems inappropriate. Secondly, this is five days prior to the meeting; there are no constituents to meet with. It would appear that some ADF&G staff are helping a non-resident cover up residency problems. Is Mr. Johnstone simply a "snowbird?" Is he really now a resident of Arizona? The Alaska State Legislature should start an investigation immediately to determine these residency issues.

10. And the number 10 reason that Karl Johnstone should not serve a second term on the BOF is quite simple: He is an arrogant, bombastic bully who abuses the public and ADF&G staff. A Kenai River Sportfish group and various guide and charter groups seem to control his vote. He is not objective or fair to other user groups. Perhaps that is how "business" is conducted in Arizona, but in Alaska we deserve better. This is not an allocation fight over sport and commercial fish; it is a fight over what is fair and legal. Confirming Karl Johnstone to the BOF for a second term needs to be prevented.

Kimberly Vanwyhe

From: Ted Crookston <tedcrookston@me.com>
Sent: Friday, April 06, 2012 12:01 AM
To: Sen. Joe Paskvan
Subject: Karl Johnstone

Dear Senator Paskvan;

I am writing to express my complaint against the reappointment of Karl Johnstone to the Board of Fisheries.

My personal experience is that he is fully aligned with and essentially "working for" the KRSA organization and that he shows disregard for other voices of reason and science with a predetermined intention of following a one-sided agenda.

I add my voice to many others in urging the legislature to require Governor Parnell to select another appointee who will adhere to the intended ethics and spirit of the Alaska Board of Fisheries.

Thank you.

Ted Crookston

April 5, 2012

Dear Senator Paskvan,
On Friday you'll be asked confirm Karl Johnstone to the board of fish. I hope you'll consider saying no and asking Governor Parnell to reconsider Frank Kelty or another candidate who is a resident of Alaska.
Some serious questions have been raised regarding Mr. Johnstone's residency, questions he has not answered. By his own admission, Mr. Johnstone spends eight months a year in Arizona. Prior to being appointed to the Board of Fish by Governor Palin, he did not receive a PFD. How can he possibly be considered a resident of Alaska?
A recent story in the Alaska Journal of Commerce shows that Mr. Johnstone does not occupy his home in Anchorage during the winter. When BOF meetings are held in Anchorage, Mr. Johnstone does not stay in the home he claims is his primary residence, instead staying in hotels at the expense of the State of Alaska.
In addition to Mr. Johnstone's questionable residency he has been a divisive force on the BOF.
If you're wondering why Mr. Johnstone concerns me so much it is because he seems to have no regard for commercial fishing interests in Cook Inlet. My family and I fish in the inlet and I am concerned about our future with Mr. Johnstone leading the Board of Fish. Rather than consider the inlet as resource that can be shared by sport, personal use and commercial fishermen, he seems intent on shutting down or seriously curtailing commercial salmon fishing. He appears to base his decisions on politics rather than biology and I'm afraid he is undermining public trust in the BOF process.
I started commercial fishing for salmon in Cook Inlet in 1981 and things have changed the dramatically over the years since. Sport fishing interests have taken a greater role in allocation decisions and rightly so, the population has increased in and so to the demands on the resource. But Cook Inlet is big enough and the runs are strong enough to support all users in good years and bad. Please consider finding another candidate who will treat all users in a manner that is fair and equitable.

Sincerely

Andy Hall
Chugiak Alaska
907 688 7626

-----Original Message-----
From: Karl Johnstone [mailto:johnstone@commspeed.net]
Sent: Monday, November 28, 2011 4:46 AM
To: Wellard, Monica J (DFG); Bedford, David G (DFG); Hepler, Kelly R (DFG)
Cc: Bill Brown Brown; Vince W webster; susan jeffrey; J Jensen Jensen; Alaska Board of Fisheries Tom Kluberton; Mike Smith
Subject: weather

Hello All: I have been tracking the weather for the Gulf of Alaska and it looks like a very large storm will be hitting the Gulf and South Central Alaska Tuesday and Wednesday with significant snow and/or rain forecast for PWS. I am not sure what contingency plans can be made at this late date in the event that we are unable to get to Valdez. The forecast for Valdez calls for 80% chance of snow all week starting Tuesday. If the flight from Anchorage to Valdez is cancelled or can't get into Valdez, I plan on checking into the Capt. Cook and will wait for further information. Karl

Dear Legislator,

On Friday you will be asked to confirm a non-resident to the Board of Fish, we ask you to say no to this appointment and ask the Governor to nominate a resident of Alaska who will fairly represent those who utilize our fisheries resources for work and recreation.

Karl Johnstone, the governor's nominee, no longer lives in Alaska full time. He is not qualified to serve on the board of fish. News reports and documents received from the Alaska Department of Fish and Game through a Freedom of Informaton Act request indicate that Mr. Johnstone lives in Arizona for at least eight months a year. A home in Anchorage, which he claims as his "primary residence," is only occupied a couple of months during the summer. When he returns to Alaska for Board of Fish Meetings in his "home town" he stays in a hotel on the state's dime, claiming per diem rather than open up the home he shutters for the winter.

Prior to his appointment to the board of fish in 2008, Mr. Johnstone did not receive a Permanent Fund Check. Once appointed, he began claiming a check.

He is the only Board or Commission member evidently statewide receiving this special dispensation, contrary to Statute and the Alaska Administrative Manual. Why? The answers we have seen from the department are ridiculous and ring of cover-up. It is time for a legislative Audit of the Boards Support budget to discover if there are serious irregularities and illegal acts that have aided a non-resident Board Member. Is ADF&G staff providing this support simply because Mr. Johnstone is powerful or is he delivering results that some upper level staff within the department are seeking. The Department and the Board process should be above reproach and be fair and legal for all, we can then argue for our share of the pie and feel like at least the playing field was level and fair.

From the partial FOI request it is obvious that upper level staff in the department knows Mr. Johnstone resides a significant portion of the year in Arizona and should have informed the Governor to prevent him from making this embarrassing spectacle necessary. Are these facts just Mr. Johnstone once again creating the appearance of impropriety or are they as we suspect a much deeper problem? We have just begun to look into Mr. Johnstone's appointment and have found a long history of ethical problems which have apparently continued to today without much notice. We should be able to rely on a vetting process within the Governor's office however it would appear this has been deficient. We intend to continue to press for full disclosure of the records to see if Mr. Johnstone's appointment is illegal or has resulted in additional expenses to the state so that he can return to Alaska for BoF meetings.

On March 4 the Alaska Journal of Commerce published a story on Mr. Johnstone that had many of these facts and which also alluded to a subsequent story; instead, Mr. Johnstone authored what appeared to be a full page op-ed piece which spoke of how hard the Board works, but never answered the original questions posed by the article. Mr. Johnstone was overheard boasting to "his constiuents" at the most recent Board meeting that he went to Georgia and got the story killed, now we learn that William Morris the owner of the Journal lives in Georgia. What happened to the follow-up article, did Mr. Johnstone pressure the Journal to back off, one can

only guess? In time the answers will come out, we hope you haven't embarrassed the state by reconfirming this individual in the interim.

Top Ten

Reasons Karl Johnstone should **NOT** be on the Board of Fish

1. In an October 30, 1988 Anchorage Daily News article Karl Johnstone was given "Low ratings for integrity, by lawyers in general and his fellow judges in particular" from a rating by the Judicial Council. In fact in each of the three times he came up for review his scores were pathetic. Hardly inspiring.
   http://news.google.com/newspapers?nid=1828&dat=19881030&id=eEAdAAAAIBAJ&sjid=7aYEAAAAIBAJ&pg=1325,7122185

2. Mr. Johnstone has failed to comply with a Public Records Request sent to ADF&G on February 24 requesting copies of an e-mail he sent to other BoF members along with upper level staff from ADF&G where he apparently "BLIND" copied Bob Penny. Had Bob Penny not been dumb enough to hit the reply to all button we would have never known. What we still don't know is who else was "BLIND" copied and what other "ethical challenges" Mr. Johnstone has perpetrated. As a former Judge he should follow the public records request just as other Board members have and disclose this chain of e-mails long before he is confirmed so the legislature knows just what they are getting.

3. In 2000 Mr. Johnstone was publicly reprimanded for creating the appearance of impropriety in the hiring of Richard McVeigh in 1994 while he was a judge in Anchorage, he retired shortly afterwards.

4. In December 2011 Mr. Johnstone rode in a car to and from a Board meeting in Valdez with a lobbyist for Kenai River Sport Fishing, at least 12 hours of lobbying time, no telling what was discussed. Once again creating the appearance of impropriety!

5. Mr. Johnstone did not receive the PFD in 2008 when he was originally appointed to the Board or in 2009, but he now "qualifies" for the PFD in 2010 and 2011 because he now returns for Board meetings which occur in the winter.

6. He did not get the City of Anchorage residential property tax exemption, approximately $300, in 2007, 2008 or in 2009 but now beginning in 2010 and 2011 he receives the exemption. Under the rules he must occupy the house 185 days per year. He has used his airline tickets and PFD qualifications in 2010 and 2011 to qualify for the exemption; only problem he stays in a state paid for hotel and not his house during these Board meetings.

7. He did not get the City of Anchorage senior property tax exemption in 2007, 2008 or in 2009 but now beginning in 2010 and 2011 he receives the exemption which requires the same criteria as above. This one is worth $2,300 per year and has been recently challenged.

8. Mr. Johnstone is the only Board or Commission member in Alaska receiving a "waiver" to stay in a hotel and receive per diem while in meetings in his "hometown" totaling roughly $8,000. ADF&G has said these waivers were granted because it is in the State's interest to allow him to meet with constituents and because of the extensive reading he must do. These reasons would not seem nearly as contrived if other Board members were afforded the same accommodations or if Mr. Johnstone's house was livable in the winter, which it is not, or if he stayed in the same hotel as the meeting which he does not. In fact two of the meetings in the last two years were at the Coast Inn by the airport, much closer to Mr. Johnstone's house than the hotel Captain Cook where he stayed. Once again creating the appearance of impropriety!

9. In an e-mail exchange prior to the Valdez Board meeting in December 2011Mr. Johnstone writes that "If the flight from Anchorage to Valdez is cancelled or can't get into Valdez, I plan on checking into the Capt. Cook and I will wait for further information." First he is flying in from Phoenix and going to a hotel in Anchorage not his house which certainly seems inappropriate and secondly this is 5 days before the meeting, hardly in the state's interest for him to need to stay at a hotel when the meeting is not even started and there are no constituents to meet with. It would appear that some in AFF&G are helping a non-resident to cover up his residency problems or at least waiving hotel

and per diem costs in appropriately. Is Mr. Johnstone simply a "snowbird" or is he really now a resident of Arizona? Only the state can determine these facts and that investigation should be started immediately! The state (ADF&G) has not yet complied with all of the FOI or public records request which was submitted in February and again in March. When they do many of these facts will be made abundantly clear, hopefully the legislature will not look foolish for confirming someone with what appears to be a number of "improprieties" at best.

10. And the number 10 reason that Karl Johnstone should not serve a second term on the Board is quite simple. He is an arrogant, bombastic bully who abuses the public and ADF&G staff and only sees one side of an argument; Kenai River Sport Fish and the guide/ charter industry own the man. He is not objective or fair to other users. Perhaps that is how "business" is conducted in Arizona, but in Alaska we deserve better. This is not an allocation fight over sport and commercial fish; it is a fight for what is fair and legal. Confirming Karl Johnstone to the Board of Fish for a second term is going to expose the state to numerous legal challenges beginning with his e-mails that he has failed to produce.

Come on Governor Parnell, Alaska has over 700,000 people, do we really need to import a Board of Fisheries member from Arizona?

Karl's wife has a business Web Page, it states in Arizona from October to May-8 Months-(www.valvanbrocklin.com)

Karl's Anchorage phone says "don't leave a message call him at a (928) Area Code"-Arizona

In the last two years the Board has met in Anchorage 43 days-

Karl's hotel cost $5,000
Karl's per diem cost $3,000
The picture of Karl's house with an unplowed driveway and NO footprints to the house since the first snow on Nov. 1st-Priceless!
This picture was taken March 30, 2012-6 days after an Anchorage BoF meeting.

Under the Alaska Administrative Manual- AAM 60.180 in a meeting in the "vicinity of the member's residence the member is not in "Travel Status" and not entitled to reimbursement for per diem or lodging. This rule stands for all other Board and Commission members in Alaska, except Karl Johnstone. Mel Morris didn't get paid for meetings in Kodiak! Bonnie Williams didn't get paid for meetings in Fairbanks! Janet Woods didn't get paid for meetings in Fairbanks! John Jensen didn't get paid for meetings in Petersburg! No Board of Game member gets this payment. Karl stays in the Hotel Captain Cook which has never been the location of a Board meeting and since he never stays in the meeting location hotel, why would Commissioner Campbell waive this rule and pay Karl. She is seeking an increase to Boards budget because of increased costs of over $300,000? Ask Your Legislator to request an audit of ADF&G Boards Support and Make Bob Penny Buy Alaskan-More to Follow!

Paid for by Alaskan's For Ending Corruption in State Government

State of Alaska Department of Fish and Game
Fish & Game Boards/Advisory Committees
State Fiscal Year 2009 July 1, 2008 - June 30, 2009
Board of Fisheries

October 08-10, 2008 - Work Session Meeting (Fairbanks)

Board Member	Airfare	Luggage Cart	Surface Trans (mileage/ Parking/Car Rental/fuel)	Lodging	M&IE	Misc ATM fees	Misc exp's	STO Fees	Total Travel $
Brown, William	548.00	0.00	10.00	195.00	240.00	6.04	0.00	38.00	$1,037.04
Campbell, Jeremiah	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	$0.00
Delo, Howard	0.00	0.00	366.80	195.00	240.00	0.00	0.00	19.00	$820.80
Jensen, John	943.51	0.00	0.00	318.35	213.65	0.00	0.00	38.00	$1,513.51
Morris, Mel	744.00	0.00	21.00	195.00	180.00	0.00	0.00	19.00	$1,159.00
Webster, Vince	648.50	0.00	0.00	276.00	256.00	0.00	0.00	12.00	$1,192.50
Williams, Bonnie	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	$0.00
								BOF Member Total Travel Costs:	**$5,722.85**

December 01-07, 2008 - Prince William Sound Meeting (Cordova)

Board Member	Airfare	Luggage Cart	Surface Trans (mileage/ Parking/Car Rental/fuel)	Lodging	M&IE	Misc ATM fees	Misc exp's	STO Fees	Total Travel $
Brown, William	601.49	0.00	0.00	760.00	528.00	6.04	0.00	19.00	$1,914.53
Delo, Howard	459.50	0.00	144.70	760.00	496.00	0.00	0.00	19.00	$1,879.20
Jensen, John	653.00	0.00	97.73	800.00	468.00	12.56	0.00	19.00	$2,050.29
Morris, Mel	484.01	0.00	0.00	760.00	496.00	0.00	0.00	19.00	$1,759.01
Webster, Vince	661.01	0.00	0.00	760.00	528.00	0.00	0.00	12.00	$1,961.01
Williams, Bonnie	435.50	0.00	100.00	665.00	452.00	8.00	0.00	12.00	$1,672.50
								BOF Member Total Travel Costs:	**$11,236.54**

January 21-27, 2009 - Southeast & Yakutat Shellfish Meeting (Petersburg)

Board Member	Airfare	Luggage Cart	Surface Trans (mileage/ Parking/Car Rental/fuel)	Lodging	M&IE	Misc ATM fees	Misc exp's	STO Fees	Total Travel $
Brown, William	277.00	0.00	0.00	800.00	480.00	0.00	0.00	19.00	$1,576.00
Delo, Howard	496.00	0.00	148.40	800.00	540.00	0.00	0.00	19.00	$2,003.40
Jensen, John	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	$0.00
Johnstone, Karl	0.00	0.00	66.27	1,314.99	496.00	0.00	10.00	19.00	$1,906.26
Morris, Mel	647.00	0.00	36.00	800.00	508.00	0.00	0.00	19.00	$2,010.00
Webster, Vince	430.00	0.00	0.00	983.99	528.00	0.00	0.00	12.00	$1,953.99
Williams, Bonnie	597.51	0.00	0.00	896.88	443.12	19.00	0.00	12.00	$1,968.51
								BOF Member Total Travel Costs:	**$11,418.16**

February 17-27, 2009 - Southeast & Yakutat Finfish Meeting (Sitka)

Board Member	Airfare	Luggage Cart	Surface Trans (mileage/ Parking/Car Rental/fuel)	Lodging	M&IE	Misc ATM fees	Misc exp's	STO Fees	Total Travel $
Brown, William	244.01	0.00	0.00	1,131.00	602.00	18.16	0.00	12.00	$2,007.17
Delo, Howard	488.50	0.00	181.85	825.00	672.00	0.00	0.00	19.00	$2,186.35
Jensen, John	1,054.25	0.00	0.00	594.00	388.00	0.00	0.00	38.00	$2,074.25
Johnstone, Karl	0.00	0.00	56.00	1,089.00	644.00	0.00	10.00	19.00	$1,818.00
Morris, Mel	649.00	0.00	0.00	1,100.00	476.00	0.00	0.00	19.00	$2,244.00
Webster, Vince	852.51	0.00	10.00	825.00	708.00	0.00	0.00	12.00	$2,407.51
Williams, Bonnie	583.99	0.00	70.00	950.15	475.95	10.00	0.00	12.00	$2,102.09
								BOF Member Total Travel Costs:	$14,839.37

March 16-20, 2009 - Statewide Misc Shellfish Meeting (Anchorage)

Board Member	Airfare	Luggage Cart	Surface Trans (mileage/ Parking/Car Rental/fuel)	Lodging	M&IE	Misc ATM fees	Misc exp's	STO Fees	Total Travel $
Brown, William	454.33	0.00	0.00	495.00	202.00	4.04	0.00	19.00	$1,174.37
Delo, Howard	0.00	0.00	79.70	0.00	348.00	0.00	0.00	0.00	$427.70
Jensen, John	801.59	0.00	110.48	594.00	436.00	4.95	0.00	19.00	$1,966.02
Johnstone, Karl	0.00	0.00	106.50	0.00	300.00	0.00	0.00	0.00	$406.50
Morris, Mel	608.34	0.00	28.00	495.00	332.00	0.00	0.00	19.00	$1,482.34
Webster, Vince	0.00	0.00	20.00	0.00	360.00	0.00	0.00	0.00	$380.00
Williams, Bonnie	0.00	0.00	411.40	0.00	254.30	0.00	0.00	0.00	$665.70
								BOF Member Total Travel Costs:	$6,502.63

State Fiscal Year 2010 July 1, 2009 - June 30, 2010

Board of Fisheries

October 13-14, 2009 - Work Session Meeting (Anchorage)

Board Member	Airfare	Luggage Cart	Surface Trans (mileage/ Parking/Car Rental/fuel)	Lodging	M&IE	Misc ATM fees	Misc exp's	STO Fees	Total Travel $
Brown, William	277.70	0.00	25.00	198.00	180.00	0.00	0.00	20.00	$700.70
Delo, Howard	0.00	0.00	63.31	234.00	180.00	0.00	0.00	20.00	$497.31
Jensen, John	404.70	0.00	20.00	396.00	256.00	4.95	0.00	20.00	$1,101.65
Johnstone, Karl	0.00	0.00	0.00	0.00	148.00	0.00	0.00	0.00	$148.00
Morris, Mel	291.50	0.00	62.00	99.00	180.00	0.00	0.00	20.00	$652.50
Webster, Vince	886.00	0.00	40.00	297.00	240.00	0.00	0.00	20.00	$1,483.00
Woods, Janet	371.06	0.00	0.00	333.60	212.00	0.00	0.00	40.00	$956.66
								BOF Member Total Travel Costs:	$5,539.82

December 01-08, 2009 - Bristol Bay Finfish Meeting (Anchorage)

Board Member	Airfare	Luggage Cart	Surface Trans (mileage/ Parking/Car Rental/fuel)	Lodging	M&IE	Misc ATM fees	Misc exp's	STO Fees	Total Travel $
Brown, William	315.30	0.00	20.00	979.60	556.60	6.04	0.00	20.00	$1,897.54
Delo, Howard	0.00	0.00	69.36	801.95	530.05	0.00	0.00	20.00	$1,421.36
Jensen, John	75.00	0.00	36.00	891.00	556.00	14.85	0.00	20.00	$1,592.85
Johnstone, Karl	0.00	0.00	0.00	891.00	540.00	0.00	0.00	0.00	$1,431.00
Morris, Mel	397.00	0.00	60.00	891.00	524.00	0.00	0.00	20.00	$1,892.00
Webster, Vince	414.00	0.00	45.00	693.00	588.00	0.00	0.00	20.00	$1,760.00
Woods, Janet	217.70	0.00	20.00	693.00	452.00	12.08	0.00	29.08	$1,423.86
								BOF Member Total Travel Costs:	$11,418.61

January 26-31, 2010 - Arctic-Yukon-Kuskokwim Finfish Meeting (Fairbanks)
February 02-06, 2010 - AK Peninsula/Aleutian Islands Finfish Meeting (Anchorage)

Board Member	Airfare	Luggage Cart	Surface Trans (mileage/ Parking/Car Rental/fuel)	Lodging	M&IE	Misc ATM fees	Misc exp's	STO Fees	Total Travel $
Brown, William	555.90	0.00	20.00	1,077.00	828.00	12.12	0.00	30.77	$2,523.79
Delo, Howard	177.70	0.00	130.75	1,116.95	756.05	0.00	0.00	20.00	$2,201.45
Jensen, John	970.91	0.00	20.00	1,339.41	775.75	9.95	28.04	30.77	$3,174.83
Johnstone, Karl	177.70	0.00	0.00	1,176.00	796.00	0.00	0.00	20.00	$2,169.70
Morris, Mel	619.20	0.00	104.00	1,077.00	932.00	0.00	0.00	52.31	$2,784.51
Webster, Vince	643.70	0.00	41.00	1,176.00	888.00	0.00	0.00	30.77	$2,779.47
Woods, Janet	197.00	0.00	197.70	221.76	480.00	13.03	0.00	20.00	$1,129.49
								BOF Member Total Travel Costs:	$16,763.24

March 16-20, 2010 - Statewide Finfish & Supplemental Issues Meeting (Anchorage)

Board Member	Airfare	Luggage Cart	Surface Trans (mileage/ Parking/Car Rental/fuel)	Lodging	M&IE	Misc ATM fees	Misc exp's	STO Fees	Total Travel $
Brown, William	434.70	0.00	25.00	693.00	440.00	10.59	0.00	30.77	$1,634.06
Delo, Howard	0.00	0.00	59.35	702.00	368.05	0.00	0.00	20.00	$1,149.40
Jensen, John	663.26	0.00	29.00	693.00	436.00	4.55	0.00	30.77	$1,856.58
Johnstone, Karl	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	$0.00
Morris, Mel	512.50	0.00	48.00	703.00	404.00	0.00	0.00	49.91	$1,717.41
Webster, Vince	489.00	0.00	42.00	693.00	468.00	0.00	0.00	41.54	$1,733.54
Woods, Janet	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	$0.00
								BOF Member Total Travel Costs:	$8,090.99

Financial records being pulled from archives. Update to follow.

State Fiscal Year 2011 July 1, 2010 - June 30, 2011

Board of Fisheries

October 13-14, 2010 - Work Session Meeting (Kenai)

Board Member	Airfare	Luggage Cart	Surface Trans (mileage/ Parking/Car Rental/fuel)	Lodging	M&IE	Misc ATM fees	Misc exp's	STO Fees	Total Travel $
Brown, William	496.30	0.00	0.00	158.00	164.00	6.04	0.00	10.76	$835.10
Jensen, John	540.80	0.00	0.00	237.00	136.00	0.00	0.00	10.76	$924.56
Johnstone, Karl	182.00	0.00	30.00	158.00	148.00	0.00	0.00	10.76	$528.76
Kluberton, Tom	182.00	0.00	154.00	316.00	252.00	0.00	0.00	10.76	$914.76
Morris, Mel	487.40	0.00	15.00	158.00	168.00	0.00	0.00	10.76	$839.16
Smith, Michael	0.00	0.00	160.00	261.00	204.00	0.00	0.00	0.00	$625.00
Webster, Vince	634.40	0.00	10.00	237.00	180.00	0.00	0.00	10.76	$1,072.16
								BOF Member Total Travel Costs:	**$5,739.50**

November 15-18, 2010 - Lower Cook Inlet Finfish Meeting (Homer)

Board Member	Airfare	Luggage Cart	Surface Trans (mileage/ Parking/Car Rental/fuel)	Lodging	M&IE	Misc ATM fees	Misc exp's	STO Fees	Total Travel $
Brown, William	644.90	0.00	0.00	405.00	268.00	0.00	0.00	10.76	$1,328.66
Jensen, John	668.40	0.00	0.00	734.00	316.00	6.04	0.00	10.76	$1,735.20
Johnstone, Karl	248.00	0.00	20.00	504.00	236.00	0.00	0.00	0.00	$1,008.00
Kluberton, Tom	256.00	0.00	107.00	405.00	252.00	0.00	0.00	10.76	$1,030.76
Morris, Mel	520.00	0.00	25.00	324.00	240.00	0.00	0.00	10.76	$1,119.76
Smith, Michael	461.90	0.00	0.00	405.00	240.00	0.00	0.00	10.76	$1,117.66
Webster, Vince	1,398.00	0.00	0.00	423.00	360.00	0.00	0.00	83.64	$2,264.64
								BOF Member Total Travel Costs:	**$9,604.68**

January 11-14, 2011 - Kodiak & Chignik Finfish Meeting (Kodiak)
January 16-19, 2011 - Chignik Finfish Meeting (Anchorage)

Board Member	Airfare	Luggage Cart	Surface Trans (mileage/ Parking/Car Rental/fuel)	Lodging	M&IE	Misc ATM fees	Misc exp's	STO Fees	Total Travel $
Brown, William	502.40	0.00	20.00	1,040.00	600.00	7.06	0.00	10.76	$2,180.22
Jensen, John	815.10	0.00	118.78	1,227.00	720.00	7.06	0.00	61.37	$2,949.31
Johnstone, Karl	361.11	0.00	20.00	1,026.00	668.00	0.00	0.00	0.00	$2,075.11
Kluberton, Tom	316.82	0.00	159.14	890.00	576.00	0.00	0.00	10.76	$1,952.72
Morris, Mel	238.00	0.00	45.00	297.95	272.00	0.00	0.00	20.04	$872.99
Smith, Michael	451.40	0.00	0.00	944.95	572.00	7.20	0.00	10.76	$1,986.31
Webster, Vince	730.00	0.00	44.00	944.95	600.00	0.00	0.00	10.76	$2,329.71
								BOF Member Total Travel Costs:	**$14,346.37**

February 20 - March 05, 2011 - Upper Cook Inlet Finfish Meeting (Anchorage)

Board Member	Airfare	Luggage Cart	Surface Trans (mileage/ Parking/Car Rental/fuel)	Lodging	M&IE	Misc ATM fees	Misc exp's	STO Fees	Total Travel $
Brown, William	442.64	0.00	46.00	1,485.00	900.00	6.04	0.00	10.15	$2,889.83
Jensen, John	706.90	0.00	41.00	1,287.00	856.00	7.40	0.00	53.17	$2,951.47
Johnstone, Karl	0.00	0.00	41.00	1,485.00	900.00	0.00	0.00	0.00	$2,426.00
Kluberton, Tom	0.00	0.00	274.08	1,386.00	888.00	0.00	0.00	0.00	$2,548.08
Morris, Mel	389.00	0.00	15.00	1,485.00	916.00	0.00	0.00	10.15	$2,815.15
Smith, Michael	266.89	0.00	140.00	1,386.00	888.00	12.00	0.00	10.15	$2,703.04
Webster, Vince	470.00	0.00	45.00	1,485.00	948.00	0.00	0.00	20.77	$2,968.77
								BOF Member Total Travel Costs:	$19,302.34

March 22-26, 2011 - Statewide King & Tanner Crab & Supplemental Issues Meeting (Anchorage)

Board Member	Airfare	Luggage Cart	Surface Trans (mileage/ Parking/Car Rental/fuel)	Lodging	M&IE	Misc ATM fees	Misc exp's	STO Fees	Total Travel $
Brown, William	354.89	0.00	43.00	594.00	360.00	11.61	0.00	20.77	$1,384.27
Jensen, John	646.89	0.00	45.00	594.00	376.00	0.00	0.00	20.77	$1,682.66
Johnstone, Karl	0.00	0.00	41.00	594.00	360.00	0.00	0.00	0.00	$995.00
Kluberton, Tom	0.00	0.00	178.08	495.00	316.00	0.00	0.00	0.00	$989.08
Morris, Mel	25.00	0.00	60.00	594.00	344.00	0.00	0.00	35.77	$1,058.77
Smith, Michael	138.89	0.00	20.00	594.00	360.00	6.00	0.00	20.77	$1,139.66
Webster, Vince	40.00	0.00	47.00	594.00	360.00	0.00	0.00	20.77	$1,061.77
								BOF Member Total Travel Costs:	$8,311.21

State Fiscal Year 2012 July 1, 2011 - June 30, 2012

Board of Fisheries

October 04-05, 2011 - Work Session Meeting (Anchorage)
October 06-10, 2011 - Pacific Cod Meeting (Anchorage)

Board Member	Airfare	Luggage Cart	Surface Trans (mileage/ Parking/Car Rental/fuel)	Lodging	M&IE	Misc ATM fees	Misc exp's	STO Fees	Total Travel $
Brown, William	453.90	0.00	25.00	693.00	436.00	9.57	0.00	18.74	$1,636.21
Jeffrey, Sue	383.50	0.00	103.75	990.00	584.00	4.60	0.00	19.39	$2,085.24
Jensen, John	748.81	4.00	0.00	990.00	616.00	0.00	0.00	9.02	$2,367.83
Johnstone, Karl	0.00	0.00	108.00	792.00	540.00	0.00	0.00	0.00	$1,440.00
Kluberton, Tom	0.00	0.00	236.23	792.00	464.00	0.00	0.00	0.00	$1,492.23
Smith, Michael	0.00	0.00	221.90	1,290.00	612.00	10.00	0.00	0.00	$2,133.90
Webster, Vince	505.00	0.00	140.00	990.00	584.00	0.00	0.00	29.11	$2,248.11
								BOF Member Total Travel Costs:	$13,403.52

December 02-07, 2011 - Prince William Sound and Upper Copper River/Upper Susitna River Finfish (Valdez)

Board Member	Airfare	Luggage Cart	Surface Trans (mileage/ Parking/Car Rental/fuel)	Lodging	M&IE	Misc ATM fees	Misc exp's	STO Fees	Total Travel $
Brown, William	505.53	0.00	25.00	594.00	408.00	7.06	0.00	28.92	$1,568.51
Jeffrey, Sue	802.00	0.00	42.00	534.00	396.00	0.00	0.00	39.32	$1,813.32
Jensen, John	702.50	0.00	0.00	534.00	392.00	0.00	0.00	23.20	$1,651.70
Johnstone, Karl	0.00	0.00	0.00	774.00	452.00	0.00	0.00	37.94	$1,263.94
Kluberton, Tom	123.00	0.00	186.00	774.00	396.00	0.00	0.00	48.12	$1,527.12
Smith, Michael	0.00	0.00	399.60	474.00	436.00	8.40	0.00	0.00	$1,318.00
Webster, Vince	847.00	0.00	40.00	693.00	432.00	0.00	0.00	28.92	$2,040.92
								BOF Member Total Travel Costs:	$11,183.51

January 15-21, 2012 - Southeast & Yakutat Shellfish Meeting (Petersburg)

Board Member	Airfare	Luggage Cart	Surface Trans (mileage/ Parking/Car Rental/fuel)	Lodging	M&IE	Misc ATM fees	Misc exp's	STO Fees	Total Travel $
Brown, William	293.80	0.00	0.00	1,225.00	436.00	6.04	18.00	19.05	$1,997.89
Jeffrey, Sue	925.55	0.00	47.50	770.00	480.00	0.00	0.00	19.05	$2,242.10
Jensen, John	0.00	0.00	55.50	0.00	360.00	0.00	0.00	0.00	$415.50
Johnstone, Karl	0.00	0.00	56.00	1,225.00	436.00	0.00	10.00	0.00	$1,727.00
Kluberton, Tom	427.71	0.00	189.88	1,120.00	528.00	0.00	21.00	8.78	$2,295.37
Smith, Michael	609.10	0.00	0.00	595.00	448.00	8.00	0.00	47.87	$1,707.97
Webster, Vince	976.45	0.00	45.00	1,330.00	512.00	0.00	21.00	19.05	$2,903.50
								BOF Member Total Travel Costs:	$13,289.33

February 24 - March 04, 2012 - Southeast and Yakutat Finfish Meeting (Ketchikan)

Finalized costs not determined 3/13/12

Board Member	Airfare	Luggage Cart	Surface Trans (mileage/ Parking/Car Rental/fuel)	Lodging	M&IE	Misc ATM fees	Misc exp's	STO Fees	Total Travel $
Brown, William	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	$0.00
Jeffrey, Sue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	$0.00
Jensen, John	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	$0.00
Johnstone, Karl	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	$0.00
Kluberton, Tom	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	$0.00
Smith, Michael	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	$0.00
Webster, Vince	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	$0.00
								BOF Member Total Travel Costs:	$0.00

Governor Sean Parnell
P.O. Box 110001
Juneau, AK 99811-0001

March 25, 2012

Dear Governor Parnell,

My name is Andy Hall, and I am a Cook Inlet set net fisherman and lifelong resident of Alaska. I am writing to express my concerns over the actions and residency status of the current Board of Fisheries chairman Karl Johnstone.

Over the last few years Mr. Johnstone's actions on the BOF, at least in regard to upper Cook Inlet, appear to be focused on ending commercial fishing in the Inlet or at best rendering it economically unfeasible as a means to make a living.

Mr. Johnstone, along with fellow BOF members Mike Smith, Bill Brown and Tom Kluberton, hold a majority position on the board and have routinely voted to cut fishing opportunities for Inlet fishermen, limiting fishing time, closing waters to drift fishermen, etc.

I can list the actions that I see as negative but I'd be presenting them through my own biased perspective. I ask that you seek input from people you trust and ask them if Cook Inlet commercial fishermen have been treated responsibly and fairly by the BOF.

Justification for many of these actions has been provided by lobbyists for the guide industry while ignoring recommendations from the Alaska Department of Fish and Game. Certainly in-river guides should have a say in the decision-making process, but of late their action requests have been enacted without regard for their affect on other users and to the fishery itself. Action requests from commercial fishermen have been ignored. A quick look at the actions taken by the BOF in 2011 when it last took up Upper Cook Inlet management will support my last statement.

Cook Inlet has enough fish for all user groups to share, in good years and bad, under the wise management of state biologists. ADF&G's management of Alaska's salmon is renowned the world over but questioned and subverted by political interests in one body of water, Cook Inlet. Don't let this to spread to other Alaska fisheries.

Governor Parnell, you are about to decide whether or not to reappoint Mr. Johnstone to the BOF. I ask you to thank him for his work and allow his term to expire.

I'm sure you're aware of the recent story that ran in the Alaska Journal of Commerce indicating Mr. Johnstone may not even be a legal resident of the state. Yes, he has had a long and storied career in Alaska, but he lives elsewhere for eight months a year. How can he be eligible to serve on the BOF?

For the sake of maintaining public trust in the BOF process and sustaining a diversified and healthy Cook Inlet fishery that provides for sport anglers, personal use and commercial fishermen, please consider naming someone other than Karl Johnstone to the BOF.

Respectfully

George Andrew (Andy) Hall
PO Box 771663
Eagle River, Alaska
99577
(907) 688-7626

From: Mike Smith <mikearlsmith@gmail.com>
To: "Tom Kluberton, Alaska Board of Fisheries" <talkingfish@mtaonline.net>
Cc: "RCPenney@aol.com" <RCPenney@aol.com>; "johnstone@commspeed.net" <johnstone@commspeed.net>; "kelly.hepler@alaska.gov" <kelly.hepler@alaska.gov>; "monica.wellard@alaska.gov" <monica.wellard@alaska.gov>; "wsbrown@gci.net" <wsbrown@gci.net>; "vwebster256@yahoo.com" <vwebster256@yahoo.com>; "susanjeffrey@gmail.com" <susanjeffrey@gmail.com>; "omasou64@yahoo.com" <omasou64@yahoo.com>
Sent: Wednesday, November 30, 2011 2:07 PM
Subject: Re: valdez weather

I'll be driving tomorrow morning from Fairbanks, will stop in Glenallen and check and then decide to either turn for Anch or go straight to Valdez, see u all soon, I hope!!!!

Thanks
Mike

-------- Original Message --------
Subject: Re: valdez weather
Date: Wed, 30 Nov 2011 13:48:22 -0900
From: Tom Kluberton, Alaska Board of Fisheries <talkingfish@mtaonline.net>
To:RCPenney@aol.com
CC:johnstone@commspeed.net, kelly.hepler@alaska.gov, monica.wellard@alaska.gov, wsbrown@gci.net, vwebster256@yahoo.com, susanjeffrey@gmail.com, omasou64@yahoo.com, mikearlsmith@gmail.com

All,

I have a 4-Runner and would be O.K. with driving, but prefer to meet riders in Wasilla/Palmer as I'd be coming from Talkeetna.

The car can manage driver + 3 comfortably or driver + 4 in a crush situation.

I'll leave it to the Dept. to advise on the disposition of plane tickets if we move to a Plan-B before the Airline actually cancels the flight (I suppose we could depart en-mass from Anchorage International as soon as they cancel), how the issue of the public and staff facing the same hurdle might affect the validity of the meeting, etc. . .

Will stand-by, and, my default is to show up at the airport to see what happens.

Got my fingers crossed. . .

Tom

From Hepler, Kelly R (DFG) **Date** Wednesday, November 30, 2011 7:34:00 AM
To Karl Johnstone
Cc
Subject RE: valdez weather

You available for a call now?

-----Original Message-----
From: Karl Johnstone [mailto:johnstone@commspeed.net]
Sent: Wednesday, November 30, 2011 6:56 AM
To: Hepler, Kelly R (DFG); Wellard, Monica J (DFG)
Cc: Bill Brown Brown; Vince W webster; susan jeffrey; J Jensen Jensen; Mike Smith; Alaska Board of Fisheries Tom Kluberton
Subject: valdez weather

Hi Kelly and Monica: Just an update on the Valdez weather and some information that might help you decide on alternatives. As you know I am a pilot with a fair number of hours in alaska. As of this hour, the aviation terminal forecast goes to around 4AM tomorrow. It calls for cloud bases of around 1500' and visibilities varying around 2 miles, sometimes more or less. Long range forecasts, which may not be very reliable call for 80 to 100% snow all day on Thursday. Cloud cover and visibility are unknown. There is no precision approach to the Valdez airport that I am aware of. Because of the terrain, very high minimums apply. Actually VFR minimums are much lower but an air carrier will very likely not attempt VFR flight into Valdez except in very good conditions and then only during daylight hours. The minimum IFR altitude for an instrument approach is 4500'. That means that if the field is not in sight at 4500' during final approach the pilot is required to execute a missed approach. Similar standards apply to departures. and additional restrictions apply at night. The minimums for departure require the pilot to be able to see visually up to around 2000' all the way to Bligh and then he or she can proceed on instruments. However that does not apply at night. Higher conditions must prevail then. In my experience, air carriers will not attempt a flight when the forecast is below minimums and given that our flight to Valdez is scheduled at around 5PM it will be technically at night. I could be incorrect about the minimums I am referring to, but they are what I got online for the Valdez airport. There may be a GPS approach that I am unaware of that allows a lower approach, but I could not find it. If I am correct, I am thinking that it is unlikely that anyone will be able to fly from Anch to Valdez on Thursday and probably the next day as well. I am thinking that perhaps a car caravan could be considered from Anch to Valdez as an alternative in the event we cannot fly. It is around a 6 hour drive in normal winter conditions. A check with the DOT on road conditions would be advisable to make sure it can be accomplished. I do not mean to put a damper on the trip, but merely am providing what limited information I can. Karl

From Hepler, Kelly R (DFG) **Date** Wednesday, November 30, 2011 12:14:00 PM
To RCPenney@aol.com
Cc
Subject RE: valdez weather

Hey Bob. I am getting a little different read on the weather than Karl down on the golf course. Karl and I talked earlier today. Monica Wellard is flying ERA into Valdez as we speak so we need to see if she actually lands or not. Take care.

From: RCPenney@aol.com [mailto:RCPenney@aol.com]
Sent: Wednesday, November 30, 2011 10:28 AM
To: johnstone@commspeed.net; Hepler, Kelly R (DFG); Wellard, Monica J (DFG)
Cc: wsbrown@gci.net; vwebster256@yahoo.com; susanjeffrey@gmail.com; omasou64@yahoo.com; mikearlsmith@gmail.com; talkingfish@mtaonline.net
Subject: Re: valdez weather

How can anyone refute that info? KJ is an excellent qualified aviator-what kind of car, huh? b

In a message dated 11/30/2011 7:56:16 A.M. Pacific Standard Time, johnstone@commspeed.net writes:

> Hi Kelly and Monica: Just an update on the Valdez weather and some information that might help you decide on alternatives. As you know i am a pilot with a fair number of hours in alaska. As of this hour, the aviation terminal forecast goes to around 4AM tomorrow. It calls for cloud bases of around 1500' and visibilities varying around 2 miles, sometimes more or less. Long range forecasts, which may not be very reliable call for 80 to 100% snow all day on Thursday. Cloud cover and visibility are unknown. There is no precision approach to the Valdez airport that i am aware of. Because of the terrain, very high minimums apply. Actually VFR minimums are much lower but an air carrier will very likely not attempt VFR flight into Valdez except in very good conditions and then only during daylight hours. The minimum IFR altitude for an instrument approach is 4500'. That means that if the field is not in sight at 4500' during final approach the pilot is required to execute a missed approach. Similar standards apply to departures. and additional restrictions apply at night. The minimums for departure require the pilot to be able to see visually up to around 2000' all the way to Bligh and then he or she can proceed on instruments. However that does not apply at night. Higher conditions must prevail then. In my experience, air carriers will not attempt a flight when the forecast is below minimums and given that our flight to Valdez is scheduled at around 5PM it will be technically at night. I could be incorrect about the minimums i am referring to, but they are what i got online for the Valdez airport. There may be a GPS approach that I am unaware of that allows a lower approach, but I could not find it. If i am correct, I am thinking that it is unlikely that anyone will be able to fly from Anch to Valdez on Thursday and probably the next day as well. I am thinking that perhaps a car caravan could be considered from Anch to Valdez as an alternative in the event we cannot fly. It is around a 6 hour drive in normal winter conditions. A check with the DOT on road conditions would be advisable to make sure it can be accomplished. I do not mean to put a damper on the trip, but merely am providing what limited information I can. Karl=

From: Nelson, Hazel C (DFG)
To: Olson, Lisa E (DFG)
Subject: FW: BOF Committee Process
Date: Monday, March 12, 2012 11:05:00 AM

Found more on Valdez

Hazel Nelson, Director
ADFG Division of Subsistence

From: Wellard, Monica J (DFG)
Sent: Monday, October 17, 2011 6:46 AM
To: Swanton, Charles O (DFG); Regnart, Jeff R (DFG); Nelson, Hazel C (DFG)
Cc: Hepler, Kelly R (DFG); Bedford, David G (DFG)
Subject: FW: BOF Committee Process

This is a message Karl sent to the other board members on Friday regarding the committee process.

From: Karl Johnstone [mailto:johnstone@alaska.net]
Sent: Friday, October 14, 2011 3:58 PM
To: Bill Brown Brown; Vince W webster; J Jensen Jensen; Alaska Board of Fisheries Tom Kluberton; Michael Smith; susanjeffrey@gmail.com
Cc: Campbell, Cora J (DFG); Bedford, David G (DFG); Hepler, Kelly R (DFG); Wellard, Monica J (DFG); Nelson, Lance B (LAW)
Subject: Fwd: BOF Committee Process

Hello All:

I plan on using the committee of a whole process in Valdez instead of separate smaller committees as done in the past. Listed below are several reasons for this decision:

1) I have been advised by the Department of Law that using the committee of a whole process would help avoid any appearance of potential conflict with the Open Meetings Act.

2) I believe that we will have greater public awareness of our actions.

3) Members of the public that might wish to participate in more than one committee but could not sit in more than one at a time will be able to participate in any proposals that are of interest to them.

4) Since no report will be necessary, it will save significant staff resources.

It is my hope that having all members present for public discussion on all proposals that we will be better informed and prepared

in making our decisions. I realize that using a committee as a whole process may take more time than running concurrent committees. However, by eliminating the need for a committee report and then the need to refine that report, we might make up for some of the additional time needed doing the committee as a whole.

Committee of the whole Process

In order to facilitate this process, I intend on having proposals logically grouped together similar as we did when using the committee process. These groups will be given a number or letter designation. Three members of the Board will be assigned to each group, one of whom will be designated to lead the public discussion pertaining to the proposals in that group. Prior to the public discussion for each group the discussion leader, with the assistance of the other members assigned to the group, if needed, shall circulate a sign-up sheet for those public members who wish to speak during the discussion of the proposals in that group. Public members shall be selected for the purpose of maximizing public participation and with a goal of obtaining a fair and reasonable representation of those who may be affected by the proposals. After a reasonable sign-up opportunity, comment and questions from the public on that group of proposals will be limited to those who signed-up and were approved by the board members who obtained the signatures. The member who leads the discussion shall make sure that only those who have signed up are permitted to speak. However, I encourage flexibility in granting additional sign-ups any time prior to the public discussion when it may be necessary to get good representation. Those not listed to speak may ask questions or make comments by enlisting those who are approved to speak for them.

Deliberation Process

During deliberations the three board members assigned to any group, shall in addition to other deliberative discussions, initiate discussions of relevant policies and standards that are to be applied to all proposals in their group. Any other members may and are encouraged to participate in such standards and policy considerations together with engaging in all other relevant discussions. Should any board member believe that substitute language or an amendment to any proposal is in order they may, with the assistance of staff, develop and propose such changes at the proper time.

I have discussed these procedures with representatives of the Department of Fish and Game, the Board Support Executive Director, and the Department of Law lawyer representing the Board. They all believe that this process will be consistent with and not in violation of the Open Meeting Act or the APA, will help us develop a good record, and maximize public participation. Please let me have your comments and suggestions. I can't promise that I will incorporate them, but I will give them thoughtful consideration. This process will be used on a trial basis and may be modified appropriately as needed.

Karl Johnstone

Jeff Stepp

From: Smith, Abby E (DFG) <abby.smith@alaska.gov>
Sent: Wednesday, March 14, 2012 4:21 PM
To: Andrew Jensen
Cc: Brooks, Kevin A (DFG); Hepler, Kelly R (DFG)
Subject: ADF&G Public Records Request: BOF Travel Costs
Attachments: Itemized BOF Travel 2009-2012.pdf

Good Afternoon,

The Alaska Department of Fish and Game has prepared records responsive to the first part of your Alaska Public Records Request. Specifically, you requested:

> "Meeting expenses paid for Board of Fisheries members from 2009-2012. The information should include every board meeting during the requested period, be itemized by board member and by expense category (i.e. per diem, hotel, surface transportation, misc, etc.) and amount paid in each category with totals for each member and each meeting."

The attached document includes the requested information in the desired format. Please note that there is a piece of financial information not included for one meeting. This record is being pulled from State Archives and updated information will be provided as soon as it is retrieved.

The second part of your request for communications about the Valdez Board of Fish meeting in December 2011 is still in process and we plan to have those records to you as soon as possible. Thank you for your recent clarification of this part of the request.

If you have any questions or concerns, feel free to contact me.

Have a great day.

Sincerely,

Abby Smith

Office Manager
Commissioner's Office, ADF&G
907-465-6141 (office)
907-209-3037 (cell)

Jeff Stepp

From: Brooks, Kevin A (DFG) <kevin.brooks@alaska.gov>
Sent: Thursday, March 01, 2012 1:08 PM
To: andrew.jensen@alaskajournal.com
Cc: Smith, Abby E (DFG); Hepler, Kelly R (DFG); Campbell, Cora J (DFG); Long, Nancy K (DFG); Leighow, Sharon W (GOV)
Subject: RE: Request for comment and FOIA status update
Attachments: State Admin Manual Sect. 60.180.pdf; Johnstone Approvals.pdf

Mr. Jensen,

Commissioner Campbell forwarded your inquiry regarding payments made to BOF Chairman Karl Johnstone to me for response. I have provided answers to each of your questions below in blue.

My responses are limited to questions raised in your February 29th email. Other staff in the department are compiling responses to your initial request from last Friday, February 24th.

If you have any questions regarding information I have provided below, please feel free to contact me.

Sincerely,

Kevin Brooks
Director of Administrative Services
Department of Fish and Game
907-465-5999

From: Andrew Jensen [mailto:andrew.jensen@alaskajournal.com]
Sent: Wednesday, February 29, 2012 9:22 AM
To: Campbell, Cora J (DFG); Long, Nancy K (DFG); Leighow, Sharon W (GOV)
Cc: Webster, Tom (LAA); Melissa Campbell
Subject: Request for comment and FOIA status update

Hello, I am writing to inquire about a FOIA request sent to the Board Support office of ADF&G and the commissioner's office last Friday, Feb. 24. I have not heard back from anyone on this request and would like a confirmation it was received and a status update of when the information I've requested will be available.

In the interim, I need comments from the Commissioner and the Governor's office regarding information currently in my possession that shows that Board of Fisheries Chairman Karl Johnstone had $1,440 in travel expenses for the October meeting in Anchorage. Given that Mr. Johnstone lives in Anchorage, the payment of per diem and other travel expenses such as hotel and mileage or rental car are against state law. I refer to
AS 39.20.185. Per Diem Prohibited in Community of Residence, which states:

"A state official or employee who is a member of the judicial council or a state official or employee appointed by the governor to a state board, commission, or committee established under the authority of law is not entitled to per diem when the meeting or other business takes place in the community of which the member is a resident."

AS 39.20.190 defines the terms "employee" or "state employee" as someone working for a state agency. It further defines "official" or "state official" as the head of a state agency, i.e. the commissioner of a state department. Mr. Johnstone is neither a state employee or a state official as defined in AS 39.20.190 and therefore is not covered by AS 39.20.185.

This section of Alaska Statutes specifically addresses state employees and/or officials who are appointed to a board or commission. For example, the current director of Enterprise Technology Services in the Department of Administration is also a member of the State Board of Education, and the commissioners of Revenue and Administration are both members of the Alaska Retirement Management Board.

My questions that need responses as soon as possible are as follows:

Why was Mr. Johnstone allowed to claim per diem and stay in a hotel during a meeting in Anchorage when he lives in Anchorage?

Travel costs for board members are addressed in AS 39.20.180, and further clarified in the State Administrative Manual (AAM 60.180, copy attached) promulgated by the Department of Administration under AS 39.20.160. The entire manual is available online at http://doa.alaska.gov/dof/manuals/aam/

The AAM delegates authority to the commissioner or designee to authorize reimbursement when a meeting takes place within the vicinity (within 50 miles) of the member's residence, when in the best interest of the state. Approval was granted to Mr. Johnstone because meeting days require long hours and work sessions in the evenings, and informal meetings with the public and other board members before and after formal, on-the-record sessions. Preparation for meetings also requires review of hundreds of pages of reading material.

Who within the Department of Fish and Game approved these travel expenses?

Authority to approve waivers to the "50-mile" rule has been delegated to me as Director of Administrative Services; and Cristine O'Sullivan, Finance Officer for ADFG. Ms. O'Sullivan approved the waiver for Mr. Johnstone (copy attached).

Is Commissioner Campbell aware that Mr. Johnstone was allowed to receive travel expenses in his community of residence in violation of state law? If she was aware, why has she allowed these reimbursements to be paid?

As discussed above, payment for expenses in the vicinity of the member's home is not a violation of state law, and is allowable under the State Administrative Manual. Commissioner Campbell was not aware of the request or the subsequent approval of the request at the time it was granted.

Has Mr. Johnstone received per diem and hotel expenses for other meetings in Anchorage?

Yes, a quick review revealed a similar approval for the February-March 2011 meeting, and also for the upcoming BOF meeting later this month (copies attached). As we compile information in response to your public records request for board member expenditures back to 2009, we will let you know if there are any other similar approvals.

Knowing that state law regarding per diem payments was violated during the October meeting in Anchorage, what if anything is being done to correct this situation?

Again, no violation has occurred. Any such request requires prior approval by an appropriate departmental authority based on legitimate business reasons.

The information in my possession was generated by ADF&G in a table format, and should be easily generated for the previous meetings for which I requested information. Similarly, the request regarding emails concerning the Valdez meeting in my FOIA is limited to a fairly specific time period and should not be difficult to collect. Please advise when I can expect to receive these records, and when I will be receiving responses soon to the above questions.
Thank you for your help.

--
Andrew Jensen

Reporter
Alaska Journal of Commerce
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Anchorage, AK 99518
907-275-2165 (office)
479-445-7201 (mobile)
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www.twitter.com/alaskajournal

Jeff Stepp

From: Smith, Abby E (DFG) <abby.smith@alaska.gov>
Sent: Wednesday, March 21, 2012 10:14 AM
To: Andrew Jensen
Cc: Brooks, Kevin A (DFG); Hepler, Kelly R (DFG); Wellard, Monica J (DFG)
Subject: 120049 ADF&G Public Records Request: FINAL
Attachments: 120049 APRA Responsive Records.pdf

Good Morning,

The Alaska Department of Fish and Game has prepared records responsive to the second part of your Alaska Public Records Request. Specifically, you requested the following in your clarification of March 9, 2012:

> "Regarding the second paragraph, the information I'm looking for is related to preparations for the Valdez meeting. If there is confusion, I would clarify that the request is not for every email among staff and board members during the requested period, but for only emails related to preparations for the Valdez meeting. My request still includes any emails received from Penney, or sent to Penney, by staff and board members, either directly, cc or bcc.
>
> To help the process, the specific topics covered would be:
>
> Weather issues
> Transportation issues
> Any discussion about changing the meeting location or the schedule of the meeting"

The attached document includes the requested information. Please note that your most recent request for information on 3/16/2012 is being handled as a separate Alaska Public Records Request and we expect to have the response available very soon.

Feel free to contact me with any questions or concerns.

Thanks,

Abby Smith

Office Manager
Commissioner's Office, ADF&G
907-465-6141 (office)
907-209-3037 (cell)

From: Smith, Abby E (DFG)
Sent: Wednesday, March 14, 2012 4:21 PM
To: 'Andrew Jensen'
Cc: Brooks, Kevin A (DFG); Hepler, Kelly R (DFG)
Subject: ADF&G Public Records Request: BOF Travel Costs

Good Afternoon,

The Alaska Department of Fish and Game has prepared records responsive to the first part of your Alaska Public Records Request. Specifically, you requested:

> "Meeting expenses paid for Board of Fisheries members from 2009-2012. The information should include every board meeting during the requested period, be itemized by board member and by expense category (i.e. per

diem, hotel, surface transportation, misc, etc.) and amount paid in each category with totals for each member and each meeting."

attached document includes the requested information in the desired format. Please note that there is a piece of financial information not included for one meeting. This record is being pulled from State Archives and updated information will be provided as soon as it is retrieved.

The second part of your request for communications about the Valdez Board of Fish meeting in December 2011 is still in process and we plan to have those records to you as soon as possible. Thank you for your recent clarification of this part of the request.

If you have any questions or concerns, feel free to contact me.

Have a great day.

Sincerely,

Abby Smith

Office Manager
Commissioner's Office, ADF&G
907-465-6141 (office)
907-209-3037 (cell)

Out of Session:
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Juneau, AK 99801-1182
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(907) 465-4821 (Fax)

SENATOR
DONALD C. OLSON

April 9, 2012

DISTRICT T

Alakanuk
Ambler
Anaktuvuk Pass
Atqasuk
Barrow
Brevig Mission
Browerville
Buckland
Chevak
Deering
Diomede
Elim
Emmonak
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Hooper Bay
Kaktovik
Kiana
Kivalina
Kobuk
Kotlik
Kotzebue
Koyuk
Mountain Village
Noatak
Nome
Noorvik
Nuiqsut
Nunam Iqua
Pilot Station
Pitka's Point
Point Hope
Point Lay
St. Mary's
St. Michael
Savoonga
Scammon Bay
Selawik
Shaktoolik
Shishmaref
Shungnak
Stebbins
[illegible]ller
Unalakleet
Wainwright
Wales
White Mountain

Dear Honorable Thomas Wagoner, Chair
Honorable Joe Paskvan, Chair
Honorable Eric Representative Feige; Chair
Honorable Representative Paul Seaton, Chair

I'm writing this letter in support for the nomination of Mr. Orville Huntington to the Board of Fisheries (BOF). As the State Senator for Senate District T, I represent approximately 47 communities, the majority of whom depend on salmon and other fish as a staple in their diet. Furthermore, the salmon are also crucial to the economic and cultural way of life for the communities in my district.

To add to his qualifications and this recommendation, Mr. Huntington is from the Arctic-Yukon-Kuskokwim region. He has proven to be ardent in his work on fisheries and his representation will be valuable for this region. The past several years, the Chinook stocks have seen a severe decline. As a result, the fishermen and families that depend on the salmon for their sustenance have endured several economic and cultural hardships. In these grave times, it is imperative that Mr. Huntington be appointed to be BOF. His experience, knowledge and understanding of the salmon stocks and the rural needs make him the appropriate appointment.

Thank you for your time and consideration to this urgent matter. If you have any questions, please do not hesitate to contact my office at 907) 465-3707.

Sincerely,

Senator Donald Olson
Alaska Senate District T

Huntington, Orville
Board of Fisheries

Orville Huntington
Huslia, AK 99746

Orville Huntington was born in Huslia, Alaska and received a B.S. in Wildlife Biology from University of Alaska, Fairbanks. Mr. Huntington is dedicated to working closely with young people to promote the values of traditional Native elders combined with contemporary western knowledge. He is committed to protecting the aboriginal rights of Native people to continue to live a subsistence way of life and preserve the cultural beliefs associated with that way of life as it is consistent with State and Federal law. His primary responsibilities continue to be the preservation of Native subsistence hunting, fishing, gathering and trapping opportunities and the cultural events that surround those beliefs, and as a public servant for the village of Huslia and the 43 villages of the Tanana Chiefs Conference region.

Mr. Huntington currently works as the Wildlife and Parks Director for the Tanana Chiefs Conference. Prior to that, he served for 14 years as a Refuge Information Technician at the Koyukuk/Nowitna NWR Complex and U.S. Fish and Wildlife Service. As a scientist he worked closely with local village people in the villages of Kaltag, Nulato, Koyukuk, Galena, Ruby, Huslia and Hughes on subsistence surveys.

Previous employment:

- Seasonal labor, Bureau of Land Management (Emergency Fire Fighter)
- Fisherman
- Laborer's and Carpenter's Union
- Huslia Tribal Council (Tribal Operations Specialist)
- Tribal and City Council member

Affiliations:

- Alaska Federation of Natives board of directors (interior village representative)
- K'oyitl'ots'ina Ltd. Board of Directors (Treasurer) for the villages of Huslia, Hughes, Allakaket and Alatna
- Brooks Range Contracting Board of Directors
- Koyukuk Moose Hunter's Working Group
- Interior Regional Housing Authority Board of Commissioners
- Interior Athabascan Tribal College Board of Trustees
- Alaska Native Science Commission Board of Commissioners

webmaster@courts.state.ak.us

Alaska Trial Court Cases

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Case Information:

Case numbers with a suffix of "CR" means that the case was filed as a criminal case. Example: 3AN-10-00001CR

Case numbers with a suffix of "MO" or no suffix means that the case was filed as a minor offense (non-criminal). Example: 3AN-10-00100MO

Caution:
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To see the disposition of the charges:
Click the **Parties** tab > Click defendant's name > Click the **Charges** tab

New Search...

Summary | Parties | Events | Dockets | Disposition | Costs

4GA-04-00022CR State of Alaska vs. Huntington, Orville

Plaintiff	Defendant
State of Alaska	Huntington, Orville
Attorney(s)	**Attorney(s)**
Full Name	**Full Name**
Address	**Address**
City/State/Zip	**City/State/Zip**
Phone	**Phone**

Charges

Charge Dscr	AS11.61.120: Harassment	**Degree of Offense**	Class B Misdemeanor

Case Judge

Assigned Judge Burbank, Winston S

Case Attributes

Number	4GA-04-00022CR
Status	Closed
Filed	02/20/2004

ALASKA FEDERATION
OF NATIVES

April 6, 2012

The Honorable Joe Paskvan, Co-chair
Senate Resources Committee
Alaska State Senate
State Capitol Room 511
Juneau, AK 99801
Via email: Senator_Joe_Paskvan@legis.state.ak.us

The Honorable Tom Wagner
Senate Resources Committee
Alaska State Senate
State Capitol Room 427
Juneau, AK 99801
Via email: Tom_Wagoner@legis.state.ak.us

Re: Letter Supporting the Confirmation of Orville Huntington to Board of Fish

Dear Co-chair Paskvan and Co-chair Wagner:

On behalf of the Alaska Federation of Natives (AFN), I am writing to urge your support of Governor Sean Parnell's nomination of Orville Huntington to the Alaska Board of Fisheries.

AFN is the largest Alaska Native organization in Alaska. Our membership includes 178 villages (both federally recognized tribes and village corporations), 13 regional for-profit Native corporations (established pursuant to the Alaska Native Claims Settlement Act), and 11 regional non-profit and tribal consortia that contract and run federal and state programs providing a broad range of human services to their member villages. AFN's over-arching mission is to enhance and promote the cultural, economic and political voice of Alaska Natives. We are committed to ensuring that Alaska Natives continue to have a strong voice in our State government.

Each of the Board of Fisheries' seven members are appointed based on interest in public affairs, good judgment, knowledge, and ability in the field of action of the board, with a view to providing diversity of interest and points of view in the membership[1]. Governor Parnell, by his appointment, demonstrates his confidence that Orville Huntington will exemplify each of the characteristics desired in a Board of Fisheries member, and AFN absolutely agrees.

I will be on travel status on Monday, April 9, 2012 when you hold a committee hearing on the confirmation of the nominees for the Board of Fish. I hope my letter supporting the confirmation of Mr. Huntington to the Alaska Board of Fisheries will be considered timely submitted although I am submitting it today.

Thank you for your time and consideration. Please let me know if you have questions or need additional information.

Sincerely,

Nelson Angapak, Sr.
Senior Vice President

Cc: Honorable Governor Sean Parnell
Jason Hooley, Director of Boards & Commissions

[1] Alaska Statute 16.05.221

ALASKA FEDERATION
OF NATIVES

April 6, 2012

Alaska State Senate
Alaska State House of Representatives
Juneau, AK 99811-0001

RE: Confirmation of Orville Huntington to the Alaska Board of Fisheries

Dear Alaska State Senators and Representatives:

On behalf of the Alaska Federation of Natives (AFN), I am writing to urge your support of Governor Parnell's nomination of Orville Huntington to the Alaska Board of Fisheries. AFN is the largest Alaska Native organization in Alaska. Our membership includes 178 villages (both federally recognized tribes and village corporations), 13 regional for-profit Native corporations (established pursuant to the Alaska Native Claims Settlement Act), and 11 regional non-profit and tribal consortia that contract and run federal and state programs providing a broad range of human services to their member villages. AFN's over-arching mission is to enhance and promote the cultural, economic and political voice of Alaska Natives. We are committed to ensuring that Alaska Natives continue to have a strong voice in our State government.

Each of the Board of Fisheries' seven members are appointed based on interest in public affairs, good judgment, knowledge, and ability in the field of action of the board, with a view to providing diversity of interest and points of view in the membership[1]. Governor Parnell, by his appointment, demonstrates his confidence that Orville Huntington will exemplify each of the characteristics desired in a Board of Fisheries member, and AFN absolutely agrees.

Thank you for your time and consideration. Please let me know if you have questions or need additional information.

Sincerely,

Nelson Angapak, Sr.
Senior Vice President, Alaska Federation of Natives

Cc: Honorable Governor Sean Parnell
Jason Hooley, Director of Boards & Commissions

[1] Alaska Statute 16.05.221

Raymond Watson, Chairperson
Myron P. Naneng Sr., President
Phone: (907) 543-7300
Fax: (907) 543-3369

AVCP

Association of Village Council Presidents
Administration
Pouch 219, Bethel, AK 99559

Akiachak
Akiak
Alakanuk
Andreafsky
Aniak
Atmautluak
Bethel
Bill Moore's Sl.
Chefornak
Chevak
Chuathbaluk
Chuloonawick
Crooked Creek
Eek
Emmonak
Georgetown
Goodnews Bay
Hamilton
Hooper Bay
Lower Kalskag
Upper Kalskag
Kasigluk
Kipnuk
Kongiganak
Kotlik
Kwethluk
Kwigillingok
Lime Village
Marshall
Mekoryuk
Mtn. Village
Napaimiut
Napakiak
Napaskiak
Newtok
Nightmute
Nunakauyak
Nunam Iqua
Nunapitchuk
Ohogamiut
Oscarville
Paimiut
Pilot Station
Pitka's Point
Platinum
Quinhagak
Red Devil
Russian Mission
Scammon Bay
Sleetmute
St. Mary's
Stony River
Tuluksak
Tuntutuliak
Tununak
Umkumiut

April 5, 2012

Alaska State Legislature
Alaska State Senate
Alaska House of Representatives
Juneau, Alaska 99811-0001

Dear Alaska State Senators & Representatives,

I am writing as President of the Association of Village Council Presidents (AVCP) to support the appointment and confirmation of Orville Huntington to the Alaska Board of Fisheries. AVCP represents 56 federally recognized Native Villages located along the Yukon and Kuskokwim River drainages. Our villages depend on salmon and other fish as a central part of their diet. Salmon are also vital to the economic and cultural way of life of the people residing in the region.

It is absolutely essential that the BOF include a person from the Arctic-Yukon-Kuskokwim region and Orville Huntington will be a dedicated and effective representative for the region. This is a critical time for the salmon fishery resources in the region and the people who depend upon these stocks. The Chinook stocks on the Yukon and Kuskokwim River are in a serious cycle of decline. As a result of these declines, commercial fisheries are closed and subsistence fisheries are severely restricted. In these times, it is particularly necessary that Mr. Huntington be appointed to the Board. He has a broad and intimate knowledge and understanding of the salmon stocks and the users on the Yukon and Kuskokwim. His role in helping to arrive at regulatory solutions is essential.

Users are very concerned about the way the salmon fisheries have been managed in the region. Failing to appoint Orville Huntington will increase peoples' concerns and broaden the divide between the state managers and the Board and users. I urge you on behalf of the Yukon and Kuskokwim users to appoint Orville Huntington. Please feel free to call me if I can provide more information.

Sincerely,

Myron P. Naneng, Sr.
President, AVCP

cc: Honorable Governor Sean Parnell
Jason Hooley, Director of Boards & Commissions

Laws for the SEA

Covering fisheries, seafood & environmental issues in the Alaska Legislature

VOLUME 18 #16 APRIL 9 2012 6 DAYS TO ADJOURNMENT

IN THIS EDITION

****Session adjournment controls Coastal Zone ballot placement. Page 3.**
****AOC hits Fish Board candidate with selective quotes. Page 4.**
****Supreme Court censured Fish Board chairman in last career. Page 5.**
****SB 203/HB 336/Energy assistance vouchers nearing passage. Page 8.**
****Senate shrinking Anchorage MacKenzie port funding. Page 10.**

SB 91
HOUSE HEARING TODAY ON GUIDE LICENSE SUNSET

The first House hearing of the session on extension of the sport fishing guide license and logbook extension is scheduled for 1 p.m. today in the **House Resources Committee.**

The Senate unanimously passed **SB 91,** without debate, on April 4. Sponsored by **Sen. Lesil McGuire** (R-Anch.) the bill moves the program sunset date to Jan. 1, 2017 from next Jan. 1. No House version was introduced.

HB 347
HOUSE DEBATING MUNY MUZZLE BILL

Stiffening opposition from local governments against **HB 347** didn't slow its progress through two committees to the House floor vote less than six weeks after it was introduced.

The bill got a second floor reading Friday, and a substantial amendment, but was held for its final House vote Monday.

The original bill said any spending by a municipality to influence a state or local initiative petition must first be approved in a local election. The amendment from Anchorage Democrat **Lindsey Holmes** deleted that provision relating to local initiatives and passed on a 20-16 vote, with 15 majority members in support.

Introduced Feb. 22 by Soldotna **Rep. Kurt Olson,** the bill has 12 fellow Republican cosponsors, all but Haines **Rep. Bill Thomas** and Ketchikan Rep. **Kyle Johansen** from Anchorage or Interior districts. The bill moved through the House State Affairs and Judiciary Committees with only one hearing in each.

"I believe this is a direct response to the coastal management initiative," said **Kathy Wasserman,** executive director of the **Alaska Municipal League,** at the bill's April 2 hearing in the House Judiciary Committee.

Unalaska Mayor Shirley Marquardt, current AML, president, also questioned the proposal. "I'm not seeing a reason why this has become a problem for the state and municipalities that it needs to be fixed," she said by teleconference

Olson is adamant that his bill is not a reaction to municipal funding that helped pay for signature gathering for the **Sea Party** initiative petition that put revival of the **Alaska Coastal Management Program** on the next state general election ballot. He has complained, at hearings, about what he suggested were tens of thousands of local government dollars spent on petition signature gathering.

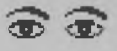
Reports filed through January with the **Alaska Public Offices Commission** show the North Slope and Bristol Bay Boroughs, respectively contributed $25,000 and $4,000 to the Sea Party. The Aleutian Pribilof Islands Community Development Association and **Western Alaska Community Development Association** gave $10,000 and $5,000 respectively and the **Bristol Bay Native Corporation** gave $5,000.

The local officials also bridled at Olson's assertion, backed by somewhat conflicting memos from Dept. of Law and legislative attorneys, that municipal governments have no free speech rights. "This is just trying to stifle our word. I don't know what some members are afraid of," Wasserman added with Olson sitting directly behind her.

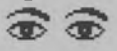
Legislative attorney **Alpheus Bullard** wrote a Jan. 19 memo to Olson "to alert you to constitutional issues raised by the bill." He noted a 1988 **US Supreme Court** ruling that Colorado could not prohibit the payment of signature collectors because circulation of initiative petitions is "core political speech." **(Continued on Page 2.)**

Quotes from the Week

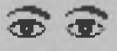
"This is one of the rare occasions when the Murkowski Administration might have made a mistake. That wasn't a gag line. (Laughs from the room) I guess it was."
--Rep. Bill Stoltze (R-Chugiak), on HB 125, moving the Alcohol Beverage Control Board to the Dept. of Commerce from the Dept. of Public Safety, where it was placed during the Murkowski Administration, during House floor debate, April 4.



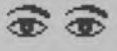
"Let me put it this way, in my district we don't have those problems."
--Sen. Bert Stedman (R-Sitka) commenting on cost overruns and dodgy financial planning of major South Central projects including the Goose Creek Prison, Port MacKenzie, Port of Anchorage and Knik Arm toll bridge, April 7.



"Anyone who relies on fish and wildlife for part of what they eat and what they have for their own culture, sport fishing or sport hunting or subsistence is all the same really."
--Board of Fisheries appointee Orville Huntington, when asked to define "subsubsistence" harvesting, during his confirmation hearing in the House Fish Committee, April 5.



"If you look out for the resource first, everybody hates you."
--Howard Delo, former Fish Board member, during House Fish Committee confirmation hearings on new Fish Board members, April 5.



MUZZLE BILL CONSTITUTIONALITY UNCERTAIN (From Page 1.)

Assistant Attorney General **John Ptacin** wrote in a March 27 memo that the bill has no constitutional problems because government entities, "including municipalities have no independent **First Amendment** rights."

In an April 2 memo responding to Olson's specific constitutionality question, Bullard said the question is "broad (and) involving the complex government speech doctrine," then dodged it. He said HB 347 is only "state constraint on certain municipal expenditures."

Rep. Max Gruenberg (D-Anch.) questioned the bill's constitutionality in its State Affairs Committee hearing. He noted that Alaska's constitution has stronger personal rights protections than those of most other states and that Bullard's second memo cited no Alaska court cases to support his views. "Municipalities, as the representative of the people, may have very significant First Amendment rights of free speech," Gruenberg said.

He wrote 13 amendments for the bill's Judiciary Committee hearing but offer only five of which two were adopted. One, which Olson endorsed, added an Aug. 29 effective date to prevent the complications that could arise if the coastal zone initiative petition is on the Aug. 28 primary ballot and the bill took effect in the middle of the election campaign. The second amendment removed repetitive language.

Gruenberg offered and then withdrew another amendment to protected municipal officials from criminal prosecution for failure to comply with the bill after eliciting the statement from the legislature's attorney that local officials could be charged with crimes "It is on the record that a person can be criminally and civilly liable," Gruenberg said.

SESSION ADJOURNMENT DATE CONTROLS COASTAL ZONE INITIATIVE BALLOT SCHEDULE

It's all but official that the legislature won't pass a bill to reestablish a coastal zone management, but the timing of end of the session remains an important factor in the fate of the **Sea Party's** initiative petition that does so.

Article 11, Sec. Four of the **Alaska Constitution** says a properly qualified initiative petition, which the Sea Party's is, appears on the next statewide election ballot "more than 120 days after adjournment of the legislative session following the filing."

That's the current session and if it ends by its statutory, 90-day deadline of April 15, the 120th day falls on Aug. 3 and the petition appears on the Aug. 28 primary.

If lawmakers ignore the 90-day limit and the session continues under the constitution's 120-day limit, then April 28 becomes the deadline for adjournment to keep the petition on the primary election ballot.

These events would also impact HJR 4, Rep. Peggy Wilson's resolution putting a constitutional amendment to re-establish a dedicated transportation projects fund on the next general election ballot. The resolution is in the Senate Finance Committee.

HJR 26
SECOND SENATE SEA OTTER HEARING TODAY

Rep. Peggy Wilson's resolution calling on federal authorities to do something to address the impact on subsistence and commercial fishing from the expanding sea otter population in the Southeast Panhandle should move out of the **Senate Resources Committee** after its second hearing this afternoon.

HJR 26 was reviewed there without action last Wednesday.

The resolution asks for an amendment to the **Marine Mammal Protection Act** to replace references to "authentic" and "traditional" products with the phrase "Alaska Native articles of handicraft." The change would allow Native artisans to create modern items, for example with zippers, and could enhance the economic prospects for Native-run tanneries in Sitka and possibly other communities in the region.

The resolution also asks federal managers to "expand and enhance" small business and broader economic opportunities for residents of the region.

Sen. Tom Wagoner (R-Nikiski), cochairman of the Senate Resources Committee expressed support for the resolution and said **Kachemak Bay** and other locales outside the Southeast region area also being decimated by sea otter population growth. Other lawmakers showed some skepticism.

"It's always a little bit dangerous when mankind tries to plays around with the ecological balance," said **Sen. Bill Wielechowski** (D-Anch.).

'DUDE' FISHING LICENSES MAY COST STATE $390K

Two members of the **Fishermen's Fund Advisory & Appeals Council** are calling for an increase in the fee for 7-day nonresident commercial fishing crew licenses to close a loophole that may be costing the state more than $390,000 a year.

The current fee schedule could threaten the long-term viability of the self-supporting $11 million fund that pays for medical treatment of on-the-job injuries to harvesters without health insurance, warned **James Herbert** and **Clay Bezenek,** at their **Senate Resources Committee** hearing, April 6.

"By our calculations may be as much as $393,000 that the state is not realizing from the sale of nonresident crew member licenses 'cause of the way this is structure," Herbert said. **Gov. Sean Parnell** named Herbert to a fourth term, and Bezenek to a second on the council.

In an April 4 letter responding to questions from **Rep Paul Seaton** (R-Homer), Herbert said sales of the 7-day commercial fishing crew license, first offered in 2004 to help promote "dude fishing" excursions for tourists, have steadily increased, resulting in a drop in overall state income and revenues to the Fishermen's Fund.

"We are unaware of any business in the state that regularly advertises 'Dude Fishing,' though we imagine it happens occasionally," Herbert wrote with reference to the advisory counsel.

The one-week license cost $30 regardless of residence. Full year licenses cost $60 for residents and $200 for nonresidents. "CFEC cannot readily tell us where these licenses were issued and how many were sold to the same individual. Regardless, something is wrong here," Herbert wrote.

"More than likely this is a large and attractive loop hole in the licensing process for some of our

crewmen," he continued.

"We feel for the most part this is coming out of the **Bristol Bay** region where the fishery is about one month long," added Bezenek at the hearing.

Using **Commercial Fishing Entry Commission** data for 2011, Herbert wrote that the state would have earned $459,200 if all 2,296 nonresident crewmembers working in Alaska that year had bought $200 crew licenses. If those nonresidents all bought only one 7-day license their total bill would have been $68,880.

Herbert said nonresidents could save money even if they bought as many as six one-week licenses at the current rate to see them through the Bristol Bay sockeye season.

Under state law the Fishermen's Fund receives 39% of the value of each crew license sold up to $50. Herbert acknowledged that the fund would receive more revenue if one person bought six 7-day licenses instead of a seasonal license but suggested that's not happening.

"Personally I doubt that there are that many people buying six 7-day nonresident licenses. I think the numbers point in the direction that this is an unfortunate loophole in the fee schedule that benefits nonresidents and hurts the state," he wrote.

"Enforcement only samples a small portion of the fleet, so it could be that some individuals only buy one license and hope for the best," he added.

Herbert's letter said the "simplest solution" is an increase in the 7-day fee for nonresidents to $100. That would make it, like the equivalent resident license, half of the full-season rate and probably avoid any legal difficulties from overcharging nonresidents.

Bezenek suggested the law could also be changed to allow the same person to buy only one 7-day license per year. "I don't think it'll hurt the dude fishing industry that hasn't really picked up yet," he added.

AOC CITES SELECTIVELY IN HUNTINGTON FISH BOARD OPPOSITION

With a broad blast at the knowledgeability of recent **Board of Fishery** members, the **Alaska Outdoor Council** declared its opposition to the confirmation of new appointee **Orville Huntington** at his **House Fish Committee** hearing, April 5.

Spokesmen for other sport fishing organizations either endorsed or declared their neutrality on Huntington's appointment. No representatives of any commercial fishing organizations testified.

"Lately we have observed a disturbing trend. The trend is the governor nominating and the legislature confirming people to the Board of Fisheries who do not know the laws that are working with it," said **Rod Arno,** executive director of the AOC in testimony during the confirmation hearings.

Arno did not comment specifically during the subsequent hearing on the qualifications of **Karl Johnstone,** a former judge and current board chairman who was appointed to his second full term by **Gov. Sean Parnell.** Huntington was named to his first 3-year term.

Selectively quoting a passage from a two-paragraph biography of Huntington provided by the governor's office, Arno suggested Huntington did not demonstrate sufficient knowledge, or perhaps support, of Alaskans' equal rights to subsistence harvest opportunities.

Earlier in the hearing Chairman **Steve Thompson** (R-Fairbanks) said the same passage in which Huntington referred to defending "aboriginal rights" of Native people "jumped out at me." Thompson noted that aboriginal rights in Alaska were extinguished by the **Alaska Native Claims Settlement Act.**

"That was when I worked for Fish & Wildlife," Huntington said with reference to the US Fish & Wildlife Service. "There's no aboriginal rights in the State of Alaska, except for **Metlakatla,** maybe," Huntington added, with reference to the only "Indian reservation" in the state, on the southern Southeast island.

During the hearing's public comment period Arno quoted part of a line from the biography, which declared that Huntington "is committed to protecting the aboriginal rights of Native people to continue to live a subsistence way of life and preserve the cultural beliefs associated with that way of life."

"This statement that he wants to protect aboriginal rights is a cause for concern," Arno continued.

The origin of the short biography is also unclear, as Arno heard if he was listening to the committee's questions before he testified, but Arno ignored the uncertainty and suggested it didn't matter when the statement was written, or who wrote it. "It is troubling that he wrote it in the first place," he declared.

Rep. Alan Austerman (R-Kodiak) then noted that Arno had not read the full sentence, but left off the final phrase, which indicated that Huntington supported the Native aboriginal right "as it is consistent with State and Federal law."

"Does that make any difference to you as the AOC or did you only want to read the first part of his sentence?" Austerman asked.

Arno claimed that he left the nine words out "for time's sake," adding, "It doesn't make a bit of difference."

Where the entire biography came from was never clarified. **Rep. Scott Kawasaki** (D-Fairbanks) noted that it is written in the third person and asked for its origin.

Huntington said it came from the governor's office and may have been written by **Jason Hooley,** director of the Office of Boards & Commissions, or **John Moller,** the governor's senior rural affairs advisor.

Contacted after the hearing **Sharon Leighow,** the governor's press secretary, said in a phone message, "We did not write it. We did supply it, though, to the committee." She added that Huntington apparently used the biography in previous job applications.

In his opening statement by teleconference, Huntington, who works for the **Tanana Chiefs Conference,** said he volunteered for the Fish Board "because I thought I could be fair to all the fisheries users of Alaska. I thought Interior would be well represented by me on the board."

Asked to define "subsistence user," Huntington said, "A subsistence user is anyone who relies on fish or wildlife for part of what they eat and what they have for their own culture whether it's sport fishing or sport hunting or subsistence hunting. It's all the same really."

A lifetime resident of **Huslia,** Huntington said his father, Jimmy, was a member of the Alaska Legislature and his uncle, Sidney, a former Game Board member. He said he no longer owns any commercial fishing permit because of the continuing closure of Interior river fisheries.

"I just found it was better to actually work than to try to fish. There was no money in it," he said.

Rep. Thompson noted that nine "Huntingtons" were listed as permit holders in Commercial Fishery Entry Commission records from 2010 and asked Orville for his views on conflicts of interest.

"I don't think it's right that we vote any time there is something to be gained," Huntington declared, noting that two cousins are permit holders.

Huntington said he would base his board votes on scientific information, primarily from the **Dept. of Fish & Game.** "Their staff seems to have the best science."

"As long as you can defend it scientifically I'll support it. It doesn't matter if it's from my own back yard. I won't support it," Huntington added.

Thompson also noted a 2004 court case in which Huntington was convicted of misdemeanor harassment and asked for an explanation "so that we know that it's not a temper problem."

Huntington said the incident occurred shortly before his wife died. "It was a hard time in my life. I pleaded no contest but it was set aside by the court. It's not an anger problem," he said.

The **Kenai River Sportfishing Association** neither endorsed nor opposed Huntington's confirmation but Exec. Dir. **Ricky Gease said,** "Although we're neutral, I'm looking forward to sitting down with Mr. Huntington in the future and talking about our local issues." He said Huntington answered the committee's questions "in a fair and honest manner. He cleared up some ... what could be troubling issues for us."

Melvin Grove, noting that he is president of the **Prince William Sound Charterboat Association,** but speaking only for himself, said of Huntington, "If he does believe all Alaskans are subsistence users I would support his nomination."

Speaking for **Kawerak,** the Nome-based regional nonprofit group, **Rose Fosdick** strongly endorsed Huntington. "He understands the **Yukon River** and knows the salmon population history and health," she said.

Committees no longer vote to endorse or oppose the confirmation of gubernatorial appointees.

SUPREME COURT CENSURED FISH BOARD CHAIRMAN FOR APPEARANCE OF IMPROPRIETY WHILE JUDGE

The chairman of the **Board of Fisheries** was publicly reprimanded by the **Alaska Supreme Court** in 2000 for leaving "the appearance of impropriety" in his appointment of the state coroner for Third Judicial District where he was presiding judge when he retired from the state bench in 1996.

Although **Karl Johnstone** was vaguely questioned by one lawmaker about "allegations of improprieties" relating to his homes in Anchorage and Prescott, Arizona, at his April 5 confirmation hearing in the **House Fish Committee,** the high court censure was not mentioned last week, nor during his first legislative review after he was appointed to the board in 2008 by **Gov. Sarah Palin.**

"Our independent review of the record convinces us that, in their totality, the events of this case give rise to an overwhelming appearance of impropriety; they would leave an objectively reasonable person with the indelible impression that (Coroner) McVeigh's hiring involved favoritism," the Supreme Court declared in the May 19, 2000 opinion.

The opinion also implicates former **Chief Justice Daniel Moore,** who was presiding when the events of the matter occurred and a personal friend of McVeigh.

The **Senate Resources Committee** has Johnstone slated for a confirmation hearing this afternoon at 3:30. A House/Senate session is scheduled for Tuesday morning to vote on all of **Gov. Sean Parnell's** new board and commission appointees.

Parnell announced the appointments of Johnstone and Huslia resident **Orville Huntington** to the Fish Board on March 31. For the first time in at least two decades the **House Resources Committee** will not hold a confirmation hearing on new Fish Board appointees.

The Supreme Court opinion came in response to Johnstone's challenge to a ruling by the **Alaska Commission on Judicial Conduct** that his appointment of coroner **Richard McVeigh** created the appearance of impropriety. The high court issued the public reprimand, apparently Johnstone's only punishment, at the recommendation of the commission.

"Judge Johnstone's conduct was negligent at best ... And at worst, given that the judge was repeatedly advised of the undesirable appearance that his actions would create, his mental state could be classified as recklessness or actual knowledge" of wrongdoing, the opinion declared.

McVeigh was appointed coroner in January 1995. The commission received a complaint shortly afterwards and began a preliminary investigation of the matter that February, according to the opinion.

Johnstone retired from the bench after 17 years in July 1996 but the investigation continued. A special counsel was hired in February 1997 and the commission issued a complaint about three months later. A three-day, formal disciplinary hearing was held in October 1997.

On a 3-5 vote the commission "declined to find clear and convincing evidence of actual impropriety" but unanimously **found the evidence sufficient to support the charge that it created the appearance of impropriety.**

Beside challenging the substance of the commission's finding, Johnstone also claimed it had no jurisdiction because he was retired.

Johnstone rejects hiring process after Chief Justice suggests applicant

The Supreme Court rejected that argument and its review of the case indicates that Johnstone largely caused his own problems after the previous coroner resigned.

As presiding judge of the district, Johnstone had the authority to directly appoint a replacement to the partially exempt post. Instead he directing area court administrator **Albert Szal** to commence a standard merit recruitment process, which includes various public notice, application and deadline requirements.

After the recruitment bulletin was issued the court personnel office found 39 qualified applicants and narrowed the eight finalists. A committee appointed by Szal ranked the finalists and agreed that one person clearly topped the list, but two others followed not far behind.

"At some point during the recruitment process," the opinion continues, Johnstone informed Szal that he wanted the new coroner to have legal training and experience, criteria that had not been included in the recruitment bulletin.

When Szal provided Johnstone with the results of the recruitment process in December 1994 Johnstone, apparently inaccurately, "expressed dissatisfaction that none of the top-ranked candidates had any legal training," the opinion notes.

Johnstone discussed the situation with then-Chief Justice **Daniel Moore,** who "suggested that Richard McVeigh either had applied or might apply for the coroner position," the opinion continues.

It notes that McVeigh has legal training, previous public employment and "he was also a personal friend of the chief justice."

Johnstone contacted McVeigh about the job shortly afterwards and McVeigh applied the next day with a cover letter and resume rather than completion of the form required of all other applicants.

While Szal was on a short vacation Johnstone contacted his secretary and ordered that the personnel committee interview McVeigh. It did so but largely retained its previous ranking and placed McVeigh sixth among the now nine finalists.

Johnstone said he would appoint McVeigh anyway. He met again with the chief justice and Szal and, during the meeting was advised against hiring McVeigh by **Stephanie Cole,** then deputy court administrative director.

Johnstone ignored warning of risk to court credibility

"Cole warned that accepting the late application could jeopardize the credibility of the court system's hiring process," the opinion continued. She said McVeigh was ineligible for hiring because he had applied after the deadline and that the only proper way he could be considered was to throw out the previous process and begin again.

Johnstone gave that order, but Szal noted that the first applicant pool had included other attorneys and that the administrator "could not justifiably declare all 39 candidates unsuitable for the job."

In a December 21, 1994 letter Szal informed the previous candidates that Johnstone had not selected any of them and that a "subsequent selection process" would occur.

That never happened. Instead, Szal contacted McVeigh to discuss his appointment as

coroner only to find that he first was reluctant to take the job for fear that he would jeopardize his state retirement payments.

Johnstone then ordered the appointment of McVeigh on a temporary basis, allowing him to collect his retirement and a new salary.

Cole, the deputy administrator, first counseled against this approach. She later concluded a temporary appointment for an indefinite term would be illegal, and counseled Johnstone against signing appointment order, the opinion said.

Johnstone, "through Szal, then submitted a second order by fax, proposing to appoint McVeigh as temporary coroner for a term of eleven months," the opinion continued without further explanation.

In a Jan. 6 memo to Johnstone, Cole wrote, "I asked Al Szal today if, in fact, Mr. McVeigh's appointment had an expected duration of eleven months or less. Al indicated that he did not know."

Cole also provided Johnstone with another way to sidestep the law by applying through administrative channels for an exemption authorizing him to hire a temporary coroner. A Jan. 11 memo from Szal to Cole declared, according to the opinion, "Presiding Judge Karl Johnstone has informed me that he does not expect Richard McVeigh to occupy the position of coroner for more than 11 months. Therefore, . . . Mr. McVeigh can be placed on the payroll as a temporary employee."

McVeigh was then appointed.

More recently, Johnstone was in the news for collecting preapproved per diem payments for hotel rooms in downtown Anchorage for board meetings last October and last month, despite having a permanent residence on Potter Valley Road about 12 miles away.

Photos of Johnstone's home, published March 1 by the **Alaska Journal of Commerce,** showed several feet of snow completely surrounding a house that had no appearance of recent occupation. The magazine reported that the **Dept. of Fish & Game** approved $108 for surface transportation, $792 for a hotel room and $540 in meal expenses for the board's Oct. 4-10 meetings and preapproval for expenses for this week's sessions.

Johnstone labeled Fish Board 'commuter'

Rep. Bob Herron (D-Bethel) said during last week's hearing that he had receive "lots of emails ... most of the time, to be perfectly honest, it's about having a Board of Fisheries member who, quote unquote, commutes from the Lower 48."

It wasn't clear where Johnstone was during his confirmation hearing, but he said by teleconference that he had heard the same complaints after his original appointment.

"Because I own a home in Prescott does not in my opinion, I believe legally anyway, mean I'm not a resident," Johnstone said. "While I'm not there fulltime it's certainly enough to constitute a residence," he added.

Declaring that it was his choice to avoid Alaska's cold winters he said, "many people do it, including some legislators."

Also at last week's hearing **Rep. Scott Kawasaki** (D-Fairbanks) asked Johnstone if he had received copies of "some things that were written opposing your confirmation to a second term."

Johnstone indicated he had received the information but Kawasaki said the apparently anonymous information had been distributed to the other committee members and that he wanted to review "several pages of documents with allegations of improprieties on your homes in Arizona and Anchorage."

"When things are not signed and people throw out random stuff I don't usually trust it, but I want to make sure you got it before House Resources," Kawasaki said.

Johnstone then explained that after his early board meetings in 2009 he "realized my job, like yours as lawmakers, is not 8 to 5."

Before the past winter's Anchorage meetings Johnston said he asked the Fish Board's executive director about per diem policy and let him know Johnstone's home was 15 miles from the downtown Anchorage meeting location.

Johnstone added that if his preference would be to work an 8 to 5 meeting day if he had to drive home and "didn't want to be wined and dined and stay up late and find himself fatigued and drive home at 10 p.m."

"I never asked for anything. I never demanded anything, but apparently I was issued a waiver by board executive director," Johnstone said.

Despite his history, Johnstone was strongly endorsed for reappointment by fellow board members **Bill Brown,** of Juneau, former board member **Howard Delo,** of Big Lake, and several sport fishing and professional guide's organizations.

The **United Fishermen of Alaska** endorsed Johnstone's appointment in 2009 but did not comment at his hearing last week.

HCR 18
SENATE PASSES 'GRAY OF FLEET' RESOLUTION

The Senate unanimously agreed to the plan to appoint two lawmakers to keep an eye on **University of Alaska** efforts to expand its seafood industry-related curriculum and help more Alaskan youth make it their career at some level.

HCR 18, sponsored by the **House Fish Committee,** originally intended to prompt legislative action to reverse the aging or "graying" of Alaska's commercial fishing fleet. As passed the resolution directs the House speaker and Senate president to appoint one member each who will serve as liaisons to the university. The liaisons are directed to report, quarterly, on the university efforts and to offer any recommendations for changes by Jan 20, 2013.

"This helps these young people get started in an industry that's going to be here in Alaska for a long, long time," said **Sen. Tom Wagoner** (R-Nikiski), a commercial fisherman, before the Senate vote.

HB 59 *First reported in LFTS #15, April 4.*
'BUY ALASKAN' LOAN RATE CUT PASSED BY HOUSE

Rep. Paul Seaton's bill allowing the state to cut two percent off commercial fishing loans used mainly to buy machinery or equipment manufactured in Alaska passed the House, April 4, on a 40-0 vote. **HB 59** has no Senate twin and was referred to the **Senate Resources** and **Finance Committees.**

The bill allows the **Div. of Economic Development** to offer a two percent cut in interest rates on engine upgrade and energy efficiency loans from the **Commercial Fishing Revolving Loan Fund** if at least 50% of the borrowed amount is spent on gear manufactured in the state.

The loan portfolio operates with a three percent floor on interest rates and the current low prime interest rate effectively means even if the bill becomes law it won't provide any rate relief until commercial interest rates rise. The bill was amended in the House Finance Committee to apply only to new energy efficiency loans and its permissive language means loan managers are free to reject rate reduction requests in any case.

"The purpose of this bill is to support and create jobs in Alaska," said Seaton (R-Homer). He noted that the Alaska Diesel Electric Co., in Anchorage, and **Coastal Refrigeration,** in Homer, manufacture equipment that could be purchased with loans that would qualify for the bill's interest rate cut.

SB 203/HB 336
ENERGY ASSISTANCE VOUCHERS NEAR PASSAGE

The chance that Alaskans will receive a little help with their energy bills this fall increased slightly with the advancement of **HB 336** out of the House Energy Committee, April 3.

With a week remaining in the session HB 336, sponsored by Rep. Steve Thompson (R-Fairbanks), still faces House Labor & Commerce and Finance Committee hearings. The bill had been there since it was introduced on Feb. 22.

The substantially identical Senate version, **SB 203,** moved out of the Senate Finance Committee, April 6 and faces a Senate floor vote today.

The **Dept. of Revenue** fiscal note on HB 336 estimates costs from $115 million to $430 million. The broad range is a result of projections using what it said are the current state average cost of kilowatt-hours of 15.5 cents and the $3.50 average for 2010 heating fuel prices, with a note that the latter has probably risen. The Permanent Fund Div. said the bill will cost another $291,000 to cover its hold harmless provision for welfare recipients.

As amended in the Energy Committee the bill gives all adults eligible for Permanent Fund dividend checks a voucher worth 250 gallons of heating oil, 35,000 cubic feet of natural gas or 1,500 kilowatt-hours as applicable to their permanent residences. Voucher values would be based on local prices on a date chosen by the Alaska Housing Finance Corp., which would administer the program.

A provision added at the request of Energy Committee Chairman **Neil Foster** (D-Nome) to cover wood-heating homeowners is not present in the Senate bill. It allows residents without "reasonable access" to heating oil, natural gas or electricity to receive a $500 check, the rough equivalent of a two-month supply of cordwood. Renters who certify that they pay no direct heating or energy costs may receive a $250 check or have their voucher transferred their landlords. Landlords would be required to deduct the "full value" of the voucher from their tenants' rent.

Senate Finance Committee Report on SB 203
Recommending "do pass": Hoffman, Thomas, Egan, Olson, Ellis.
No recommendation: Stedman.

SB 159
SENATE SENDS SUSITNA FOREST BILL TO HOUSE

With a 20-0 vote the Senate, April 4, passed **SB 159, Sen. Linda Menard's** bill to create Alaska's fourth state forest. No House version was introduced.

The Susitna State Forest would include 763,200 acres among 14 parcels. Designation as a state forest prioritizes the included lands for logging and clears the way for the Div. of Forestry to invest in logging roads and other subsidies to allow long term timber harvests.

"This is set aside, like I said, for hunters, fishers, for mining," Menard said in her comments before the Senate vote. The bill has an April 10 hearing in the House Community & Regional Affairs Committee

Senate, House, Governor agree on $3.2B total
CAPITAL BUDGET ON SENATE FLOOR MONDAY

A fiscal 2013 capital budget said to have House and executive branch agreement on a final total in the $3.2 billion range is scheduled for a Senate floor vote on Monday after being adopted, but not reported out of the Senate Finance Committee shortly after 9 p.m. Saturday.

The committee draft of **SB 160** contains $2.63 billion in spending, including $720 million in Senate project and no changes from $1.8 billion in projects included in **Gov. Sean Parnell's** original bill, according to **Sen. Bert Stedman** (R-Sitka), cochairman of the Senate Finance Committee. The House will add another $720 million worth of projects as part of the three-way agreement that should result in minimal vetoes, he added.

"That's what I'd expect, that there wouldn't be a lot of that.
We had a set target and we stayed within it. Unless there's an issue with one of the projects, technical issue, then I would expect him to step in with his veto pen for checks and balances. That's what it's for," Stedman said.

OMB Dir. **Karen Rehfeld** was present for the seven-minute hearing, which included only adoption of the new draft and a brief description by Stedman's aid **Wes Eiler.**

The bill includes $56.1 million and $43.5 million, respectively, from the Parnell Administration FY 12 capital and operating expenses.

A spending breakdown by House Districts released with the Senate bill shows top recipients as $380 million for Anchorage area wide, $155.3 million for Fairbanks area wide, $104.4 million Bering Straits, Kodiak $87 million, Kenai $82.7 million, Ketchikan $76.7 million and Mat-Su area wide $76.5 million.

The Capital City was in the middle of the pack with $45 million. At the bottom were Richardson/Glenn Highways (Dist. 12) with $20.5 million and the Northwest Arctic Region (Dists. 39, 40) with $15.9 million.

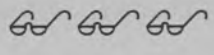
HJR 4
DEDICATED TRANSPORTATION FUND MOVES TO SENATE FINANCE COMMITTEE

Rep. **Peggy Wilson** thinks the Senate will pass her resolution for a constitutional amendment to reestablish a dedicated transportation projects fund if it gets the chance to take a vote. **HJR 4** moved out of the Senate Transportation Committee, April 3, into the growing line of bills awaiting Senate Finance Committee review.

If ratified by the voters the resolution deposits all revenues from motor fuel, studded tire and vehicle rental taxes, plus their license and registration fees into the **Alaska Transportation Infrastructure Fund.** Wilson (R-Wrangell) wants "ATIF" endowed with a $1 billion appropriation, which she

hopes will provide $100 million annually for projects that would be prioritized by a stakeholder panel but finally chosen by the legislature.

Sen. Charlie Huggins (R-Wasilla) said at the hearing that he'd support a $2 billion endowment.



SENATE SHRINKING SOUTH CENTRAL PORT FUNDING

Funding for a railroad extension to **Port MacKenzie** will be cut from $110 million to "probably $30 million" in the statewide general obligation bill, Senate Finance Committee Cochairman **Bert Stedman** (R-Sitka) said Saturday. The new draft of **SB 163,** the general obligation bond bill, should get a hearing today.

Stedman said total funding in the bill will remain at $450 million as introduced but other changes are forthcoming.

The **Senate Transportation Committee,** last month, added $50 million each for a deep-water port at Cape Blossom near Kotzebue and improvements to the Port of Nome.

The Anchorage port project should end up with $100 million, half of the governor's request. The GO bond bill will contain $50 million, another $25 million is in **SB 160,** the FY 13 capital projects bill and Stedman said he was "optimistic" the House would add another $25 million.

Stedman said the Port MacKenzie project is surviving only on its political connections.

"If that dysfunctional project was anywhere with a smaller population it would be stopped by the state and they'd be forced to either go through **AIDEA** (Alaska Industrial Development & Export Authority) with a business model that works or come up with some package," said. "I'm not in a position to put the kibosh on it, or I'd stop it in its tracks," he added.

Stedman agreed with reporters that the Anchorage port project suffered up to $30 million in "waste."

Asked to assess the cost overruns in the Goose Creek prison, KABATA **(Knik Arm Bridge And Toll Authority)** and port projects Stedman said, "Let me put it this way, in my district we don't have those problems."

CORRECTION

Laws for the SEA reported, incorrectly, in last Monday's edition ('**FY 13 BUDGET READY SENATE VOTE**') that the new state operating budget approved by the Senate Finance Committee was $22.1 million higher than that proposed by **Gov. Sean Parnell.**

The $9.5 billion budget in **HB 284**, which passed the Senate Wednesday on a 14-6 vote, is $22.1 million lower than the governor's spending plan

Laws for the SEA regrets the error.

OTHER BILLS & NEWS

HB 219
HOUSE OK'S EMERGENCY SERVICE SUBSCRIPTIONS

Legislation exempting volunteer fire, ambulance and other emergency departments operated by local government and nonprofit agencies from state insurance law passed the House on a 40-0 vote, April 4.

HB 219, sponsored by **Rep. Eric Feige** (R-Chikaloon), is a response the **Div. of Insurance's** interpretation that annual optional "subscription" fees paid by local residents to support the emergency services amount to insurance policies subject to state regulation. Feige is a founder and chief of the **Chikaloon Fire Dept.**

No Senate version was introduced and HB 219 was referred to the Senate Community & Regional Affairs and State Affairs Committees.

HB 125
HOUSE BACKS ABC BOARD MOVE TO DCCED

HB 125, the hotly debated bill to move the **Alcohol Beverage Control Board** from the **Dept. of Public Safety** to the more business-friendly **Dept. of Commerce** easily passed the House, April 4, after adoption of an amendment delaying the administrative relocation one year to July 1, 2012.

Sponsored by the **Legislative Budget & Audit Committee,** the bill is a top priority of the **Cabaret, Hotel, Retailers & Restaurant Association,** which has argued that the state should do more to promote the liquor industry.

Rep. Bill Stoltze (R-Chugiak) called the bill, "probably not the best politics (but) ... important public policy."

Opposition to the move came mainly from Democrats including majority caucus members Neal Foster, Bob Herron and Reggie Joule. Anchorage Rep. **Anna Fairclough** was the only Republican to vote against the bill. No Senate version was introduced.

HB 125 was referred to the Senate Labor & Commerce and Finance Committees.

HB 64
HOUSE PASSES PERMANENT VEHICLE, TRAILER REG ADDS SOFT CAP ON LOCAL REG TAXES

Legislation offering permanent registration to owners of motor vehicles at least eight years old and any noncommercial trailers passed the House on a 39-0 vote, April 5, after the bill's effective date was moved from 2015 to the end of this year.

HB 64 sets the permanent fee at a one-time combination of the current biennial registration fees plus $25. Those are $100 and $30 for motor vehicles and trailers, respectively. The bill also allows collection of a $2 fee on permanently registered vehicles if they are under an emission control inspection program.

Permanent registration expires if the item is sold.

The size of the bill's impact on local governments is unknown but negative on the 16 that now impose vehicle registration taxes. The Alaska Municipal League spoke against it when it was introduced last year but has grown silent in large part because House Finance Cochair **Bill Stoltze** (R-Chugiak) is it's prime sponsor.

The bill allows the **Div. of Motor Vehicles** to continue to collect the local taxes for municipalities, but only if they are no more than $100.

HB 312
ENERGY CONVERSION LOAN UP FOR HOUSE VOTE

Rep. Tammie Wilson's expanded bill offering effectively free loans for home heating improvements was amended in the House Finance Committee and is scheduled for a House floor vote today.

In what would be another program managed by the **Alaska Housing Finance Corp., HB 312** offers ten-year loans, at one percent interest, for the lesser of $7,500 or the actual cost of a new heating device powered by natural gas, propane, electricity, biomass (meaning pellets) or district heating. The device must be the primary heating source for the residence.

To qualify for a loan, the home must first be inspected by a certified energy-rater or mechanical contractor to confirm that the device will improve energy efficiency. The cost of the inspection, labor and materials for the installation would be paid by the homeowner.

SB 23
FILM TAX EXTENSION STILL IN SUBCOMMITTEE

The subcommittee on the proposed ten-year extension of Alaska's film tax credit may be ready to take the issue, and even a new version of **SB 23** back to the full **House Finance Committee** on Monday.

Rep. Mia Costello (R-Anch.), chair of the subcommittee, said after its sixth

session, Friday, that she wants to find a way to link the level of credits allowed for salaries of film stars, screen writers, producers and directors, known as "above the line" expenditures, to an increase in "below the line" spending, which includes jobs and vendor contracts for Alaskans.

Costello also suggested the creation of a small "film board" of perhaps three members, that would oversee program administration generally and specifically review the movie scripts and production proposals for their treatment of oil and other resource development issues.

"Above the line" costs may account for over 50% of a feature film budget but the bill limits credits to no more than 15% of total qualified expenditures for a single project.

Joe Mathis, vice president of **NANA Development Corp.** said the regional Native corporation subsidiary supplies many "below the line" services. He said the bill must be passed this year to allow the growing flow of Alaskan film projects to continue. Mathis called for a "competitive cap" on above the line spending and provisions for the state to buy credits back from producers to assure they would receive full value.

Film credits generally trade in the 85 to 90 percent range among the several states offering them.

In a 20-minute address the head of the **University of Alaska** film program called for creation of a comprehensive workforce training program, state subsidies for sound stages and other infrastructure and direct grants to Alaskan film projects.

Jerry LaVine, owner of **Connection Films**, in Anchorage, opposed the bill without major changes and said increases in "below the line" credits hurts his business by making it more attractive for Hollywood producers to use their regular Lower 48 contractors. LaVine also charged that the bill contains a "loophole" that allows Alaskan businesses to serve effectively as fronts for Outside vendors.

"The industry was growing before the incentive program began distorting the economics," LaVine said.

Mark Brinser, a 30-year industry veteran in Homer who produces TV commercials and documentaries, spoke against the bill and spent more than ten uninterrupted minutes lashing the Hollywood film industry as "a traveling circus of carpetbaggers wandering around the country" taking advantage of film credits.

"These people are the master chefs at cooking the books," Brinser said.

Committee Hearings & Other Events April 9-13

The legislature is operating under the so-called "24-Hour Rule," which requires that committee meetings be publicly announced before midnight on the night before they occur. For immediate information on committee schedules check the legislature's BASIS webpage at: <http://www.legis.state.ak.us/basis/start.asp?session=27>.

MONDAY, April 9

8 A.M. House Finance Subcommittee: SB 23/Film production tax credit sunset.

9:00 House Finance Committee: HB 286/General Obligation bonds for port projects.

1:00 House Resources Committee: SB 91/Sport fishing guide license & logbook sunset extension.

1:00 Senate Finance Committee: SB 163/General Obligation bonds for port projects.

3:30 Senate Resources Committee: Board of Fisheries confirmation hearings for **Orville Huntington, Karl Johnstone; HJR 26/**Sea otter management; **SB 207/**Sport fishing license exemption for disabled persons.

TUESDAY, April 10

9 A.M. House Community & Regional Affairs Committee: SB 159/

Susitna State Forest.

11:00 Joint House/Senate Session: Vote on confirmation of new board & commission appointees.

1:30 Senate Labor & Commerce Committee: HB 252/Small business income tax exemption; **HB 301/**Permanent boating safety regulations.

3:30 Senate Resources Committee: HCR 24/Establish state food resources development group.

5:00 House Energy Committee: Review of short & long term stability of gas from Cook Inlet fields.

WEDNESDAY, April 11

1:30 P.M. Senate Judiciary Committee: HB 168/Wage & contractor security bonds.

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Fisherman's Fund Advisory and Appeals Council

Before Senate Resources 4-4-12

Clay Bezenek – Ketchikan

Appointed: 12/26/2007

Reappointed: 3/1/2012

Term Expires: 3/1/2017

James Herbert – Seward

Appointed: 9/19/1997

Reappointed: 1/31/2001

Reappointed: 3/8/2006

Reappointed: 5/17/2011

Term Expires: 3/1/2016

MAJackson 4/3/12

FISHERMAN'S FUND ADVISORY AND APPEALS

General: Please comment on the most important issue facing the Fisherman's Fund Advisory and Appeals Board and how you intend to approach that issue.

Clay Bezenek: You are being re-appointed, Mr. Bezenek. What is the most difficult issue that you've had to deal with? What was the outcome?

Boards & Commissions Factsheets

FISHERMEN'S FUND ADVISORY & APPEALS

Board: Fishermen's Fund Advisory and Appeals Council
Board identification number: 038

Department: DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

Authority: AS 23.35.010

Status: Active

Sunset date:

Requirements: Legislative Confirmation and Financial Disclosure

Prohibitions: None

Term: 5 years

Description: The board consists of 6 members: 5 appointed by Governor from five specific districts listed in statute and the Commissioner of the Deptartment of Labor, or the commissioner's designee, who serves as chair.

Function: The council consults with the Commissioner (or designee) regarding negative decisions on appeals filed in relation to care of sick and disabled fisherman; Advises the department on administration of the fund.

Chair: Labor Commissioner.

Special facts: Each district is set out in Alaska Statute as follows: District 1: Wrangell and areas south; District 2: Areas north of Wrangell to include Yakutat; District 3: Areas west of Yakutat to East Coast of Alaska Peninsula, including Prince William Sound, Cook Inlet, and Kodiak; District 4: Areas west of Alaska Peninsula to Cape Newenham, including Bristol Bay. District 5: Areas north of Cape Newenham, including Kuskokwim, Yukon, Kotzebue, and the Arctic.

Compensation: Standard Travel and Per Diem. No additional compensation.

Meetings: 2 times per year; 10 days maximum.

For further information and to reach individual members, contact:
Ms. Velma Thomas
Program Coordinator
Department of Labor and Workforce Development
P.O. Box 115512
Juneau, AK 99811-5512
Phone: (907) 465-6045, FAX: (907) 465-2797

Fishermen's Fund Advisory & Appeals Roster

Go to the Fishermen's Fund Advisory & Appeals Home page

We appreciate your interest in Boards and Commissions. For further information contact the Boards and Commissions staff at (907) 465-3500 or at **boards@alaska.gov**.

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Boards & Commissions Roster

FISHERMEN'S FUND ADVISORY & APPEALS (038)

Member	Date Appointed	Reappointed	Term Expires
Larry Bartman District 4	4/7/2008	5/27/2009	3/1/2014
Clay Bezenek District 1	12/26/2007	3/1/2012	3/1/2017
James W. Herbert District 3	9/19/1997	5/17/2011	3/1/2016
Michael P. Monagle Commissioner/Labor & Workforce Development/Designee	8/19/2010		
Mark Saldi District 2	3/26/2008		3/1/2013
VACANT District 5			3/1/2010

Return to the fact sheet

We appreciate your interest in Boards and Commissions. For further information contact the Boards and Commissions staff at (907) 465-3500 or at **boards@alaska.gov**.

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STATE OF ALASKA
OFFICE OF THE GOVERNOR
P.O. Box 110001, Juneau, AK 99811-0001
Phone: (907) 465-3500 Fax: (907) 465-3532 269-7461

BOARDS AND COMMISSIONS APPLICATION FORM

INSTRUCTIONS

A separate application is required for each position for which you apply. Complete and specific answers will aid in rapid and accurate processing of your resume. Please type or print legibly in ink. Forward to the above address. Be sure your answers are true. A willfully false answer may result in your disqualification or removal from office if you are appointed.

Board or Commission and seat for which I am applying: Fishermans Fund Board
(For example, Board of Agriculture, public seat)

Please list any other State Boards or Commissions on which you currently or previously have served:
Fish Fund Bord 08-12

Name: Clay Bezenek

Mailing Address: _____

Residence Address: _____

City, State and Zip Code: Ketchikan Ak 99901

Home or Message Telephone: _____ Business Telephone: _____

Fax Number: _____ Cell Phone: _____

Email address: _____

AS 39-05-100 requires that a person appointed to a state board or commission be a registered voter prior to the last general election:

Are you a registered voter: YES X NO _____ Voter Registration Number (Optional): _____

Social Security Number (Optional, required if appointed for travel, reimbursement etc.): _____

Have you ever been convicted of a misdemeanor within the past five years or a felony within the past ten years?

YES _____ NO X if "YES", explain the circumstances on a separate sheet of paper and attach it to this application. A conviction is not necessarily grounds for disqualification. The number of convictions, nature, recentness, and relationship to the board position applied for, will be evaluated and a determination will be made after a review of all relevant facts.

CONFLICTS OF INTEREST: Certain boards and commissions require full disclosure of personal financial data under AS 39.50.010. If required for the board or commission for which you are applying, are you willing to do so?
YES X NO _____

Could you or any member of your family be affected financially by decisions to be made by the board or commission for which you have applied? YES _____ NO X

If "YES", explain:

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TRAINING AND EXPERIENCE: (If resume attached, it is not necessary to complete items A-D)

A. List any professional licenses, certifications, or registrations and dates obtained that may be used as qualifying criteria:

100 Ton masters License
AB license
Numerous endorsements

B. List both formal and informal education and training experiences: (Use additional paper if necessary).

K-12 Bagley Lake Public Schools. Bottle Lake, MN 1968-1980
Concordia College. Moorhead, MN 1980-82

C. List any community service, municipal government, and state positions held, and any awards received. Include both compensated and uncompensated positions (such as president of a service organization or a mayor). Include length of time serviced.

SARDFA Board of Directors 2yrs
Ketchikan Advisory Board (Fish & Game) 4yrs
First Lutheran Church Council 1yr

D. Employment work history – paid, unpaid or voluntary: (Use additional paper of necessary).

Commercial Fisherman 1983 - present

The Office of the Governor and the State of Alaska have an Affirmative Action Equal Employment Opportunity Program. To assist in the program, you are asked to voluntarily answer the following questions to provide the information necessary for reporting purposes. Under State and Federal law, the information you provide will not be used to illegally discriminate against you.

DATE OF BIRTH: _____ **SEX: FEMALE** _____ **MALE** _____

ETHNICITY:
Alaska Native ___ **American Indian** ___ **Asian or Pacific Islander** ___ **Black** ___ **Hispanic** ___ **White** ___

MILITARY SERVICE (if applicable, give dates): _____

CERTIFICATION: I swear the information I have entered on this form is true to the best of my knowledge. I understand that if I deliberately conceal or enter false information on the form my application may be rejected, I may be removed from the list of eligible candidates, or I may be removed from the position. I agree that the Office of the Governor may contact present or former employers or other persons who know me to obtain an additional information about my skills and abilities. I understand that the information on this application is public information and may be released through a legal request for such information.

Signature (in ink): _____ **Date:** 11/20/11

Please attach a current resume with your application.

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STATE OF ALASKA
OFFICE OF THE GOVERNOR

BOARDS AND COMMISSIONS

Name: Carl Clay Bozarth Date: 12/20/11

(Indicate top three boards/commissions of interest by number with #1 as your preference)

	Accounting Board
	Aerospace Development Corporation
	Alaska Commercial
	Alaska Gasline Development Corporation
	Alaska Juvenile Justice Advisory Committee
	Alaska Mariculture Development Board
	Alaska Statehood Celebration Commission
	Alaska Veterans & Pioneers Council
	Attorney / Bar Activity
	Alaska Workforce Council
	Architect / Engineer / Land Surveying
	Arts Council
	Assessment Review Board
	Aviation Advisory Board
	Bar Examiners
	Bar Association
	Bethel Port Authority
	Big Game Commercial Services
	Boating Safety Council
	Board of Game
	Board of Nursing
	Boiler / Pressure Vessel Committee
	Boundary Commission
	Chiropractic Examiners
	Commercial Fisheries Entry Commission
	Commercial Passenger Vessel Board
	Concealed Handgun Permit Review Committee
	Corrections Industries Administration Board
	Dental Examiners
	Dietetic / Nutrition Services
	Electrical Administrative Board
	Emergency Medical Services Council
	Emergency Response Commission
	Environmental Crimes Against Property Task Force
	Fairbanks Golf Course Authority
	Fairbanks Regional Convention & Visitors Bureau
	Fish & Game Board
	Fish & Game Advisory Committees
	Fisheries Enhancement Task Force
	Fisheries Resource Landing Tax Advisory Committee
	Geriatric Mental Health Advisory Committee
	Governor's Council on Disabilities & Special Education
	Governor's Subsistence Advisory Committee
	Health Facilities Council
	Hearing Aid Dealers
	Hospital Medical Staff Peer Review Committee
	Human Trafficking Task Force
	Interstate Oil & Gas Compact
	Judicial Council
	Juvenile Justice Advisory Committee
	Labor Relations Agency
	Land Surveyors
	Law Examiners
	Local Boundary Commission
	Marine Pilots
	Marine Transportation Advisory Board
	Medical Assistance Review Board
	Medical Board
	Mental Health Trust Authority
	Midwives
	Motorcycle Operator Safety
	Motor Vehicle Dealers
	National Guard Youth Challenge Program
	National Petroleum Reserve Alaska Impact Mitigation Program
	Natural Gas Pipeline Coordinator
	Natural Resource Conservation Development Board
	Nursing Home Administrators
	Occupational Therapy
	Oil & Gas Conservation Commission
	Optometry
	Parole Board
	Pharmacy
	Physical Therapy
	Physician Assistant
	Podiatry
	Psychologist / Psychological Associate Examiners
	Public Defender Agency
	Public Guardian
	Public Offices Commission
	Real Estate Appraisers
	Real Estate Commission
	Respiratory Care Examiners
	Retirement Board
	Social Work Examiners
	Speech-Language Pathology & Audiology
	Substance Abuse Treatment Program Certification Committee
	Surveyors
	Teacher Certification
	Telemedicine Council
	Tourism Marketing Board
	Travel Industry Management
	Veterans' Advisory Council
	Veterinary Examiners
	Victims of Crime Compensation Board
	Water Pollution Control Revolving Fund
	Workers' Compensation Board
	Workers' Safety & Compensation Appeals Commission
	Workforce Investment Board
	Yukon River Panel

	Accounting Board
	Aerospace Development Corporation
	Alaska Commercial
	Alaska Gasline Development Corporation
	Alaska Juvenile Justice Advisory Committee
	Alaska Mariculture Development Board
	Alaska Statehood Celebration Commission
	Alaska Veterans & Pioneers Council
	Attorney / Bar Activity
	Alaska Workforce Council
	Architect / Engineer / Land Surveying
	Arts Council
	Assessment Review Board
	Aviation Advisory Board
	Bar Examiners
	Bar Association
	Bethel Port Authority
	Big Game Commercial Services
	Boating Safety Council
	Board of Game
	Board of Nursing
	Boiler / Pressure Vessel Committee
	Boundary Commission
	Chiropractic Examiners
	Commercial Fisheries Entry Commission
	Commercial Passenger Vessel Board
	Concealed Handgun Permit Review Committee
	Corrections Industries Administration Board
	Dental Examiners
	Dietetic / Nutrition Services
	Electrical Administrative Board
	Emergency Medical Services Council
	Emergency Response Commission
	Environmental Crimes Against Property Task Force
	Fairbanks Golf Course Authority
	Fairbanks Regional Convention & Visitors Bureau
	Fish & Game Board
	Fish & Game Advisory Committees
	Fisheries Enhancement Task Force
	Fisheries Resource Landing Tax Advisory Committee
	Geriatric Mental Health Advisory Committee
	Governor's Council on Disabilities & Special Education
	Governor's Subsistence Advisory Committee
	Health Facilities Council
	Hearing Aid Dealers
	Hospital Medical Staff Peer Review Committee
	Human Trafficking Task Force
	Interstate Oil & Gas Compact
	Judicial Council
	Juvenile Justice Advisory Committee
	Labor Relations Agency
	Land Surveyors
	Law Examiners
	Local Boundary Commission
	Marine Pilots
	Marine Transportation Advisory Board
	Medical Assistance Review Board
	Medical Board
	Mental Health Trust Authority
	Midwives
	Motorcycle Operator Safety
	Motor Vehicle Dealers
	National Guard Youth Challenge Program
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	Natural Gas Pipeline Coordinator
	Natural Resource Conservation Development Board
	Nursing Home Administrators
	Occupational Therapy
	Oil & Gas Conservation Commission
	Optometry
	Parole Board
	Pharmacy
	Physical Therapy
	Physician Assistant
	Podiatry
	Psychologist / Psychological Associate Examiners
	Public Defender Agency
	Public Guardian
	Public Offices Commission
	Real Estate Appraisers
	Real Estate Commission
	Respiratory Care Examiners
	Retirement Board
	Social Work Examiners
	Speech-Language Pathology & Audiology
	Substance Abuse Treatment Program Certification Committee
	Surveyors
	Teacher Certification
	Telemedicine Council
	Tourism Marketing Board
	Travel Industry Management
	Veterans' Advisory Council
	Veterinary Examiners
	Victims of Crime Compensation Board
	Water Pollution Control Revolving Fund
	Workers' Compensation Board
	Workers' Safety & Compensation Appeals Commission
	Workforce Investment Board
	Yukon River Panel

X	Fishermen's Fund Advisory & Appeals
	Forestry
	Geology
	Health Council
	Historical Commission
	Historical Records Advisory
	Human Rights Commission
	Housing Finance Corporation
	Human Rights
	Immigration Forums
	Independent Living Council
	Industrial Development / Export Authority
	International Oil & Gas Compact
	Judicial Council
	Judicial Council
	Land Trust Council
	Living Trust Authority
	Mariculture Advisory
	Local Boundary Commission
	Marine Pilots
	Marine Transportation Advisory Board
	Medical Assistance Review Board
	Medical Board
	Mental Health Trust Authority
	Midwives
	Motorcycle Operator Safety
	Motor Vehicle Dealers
	National Guard Youth Challenge Program
	National Petroleum Reserve Alaska Impact Mitigation Program
	Natural Gas Pipeline Coordinator
	Natural Resource Conservation Development Board
	North Pacific Anadromous Fish Commission
	North Pacific Fisheries Management Council
	North Pacific Research Board
	Nursing
	Occupational Safety
	Oil & Gas Conservation Commission
	Optometry
	Pacific Marine Fisheries Commission
	Pacific Salmon Commission-Commissioners
	Pacific Salmon Commission- Northern Panel

	Pacific Salmon Commission-Transboundary Panel
	Parole Board
	Permanent Fund
	Pharmacy Board
	Physical / Occupational Therapy
	Pioneer's Homes / Advisory
	Police Standards Council
	Postsecondary Education
	Professional Engineers
	Professional Teaching Practices
	Psychologist / Psychological assoc.
	Public Defense Commission
	Prince William Sound Oil Spill Recovery Institute
	Railroad Corporation
	Real Estate Appraisers
	Real Estate Commission
	Retirement
	Respiratory Commission (RCA)
	Russian / Oil & Gas Development
	Salmon Advisory Council
	Science / Technology Institute
	Seafood / Food Safety Commission
	Social Work Examiners
	Student Loan Corporation
	Subsistence Resource Commissioner
	Substance Abuse Council
	Surveyors
	Teacher Certification
	Tourism Marketing Board
	Travel Industry Management
	Veterans' Advisory Council
	Veterinary Examiners
	Violent Crimes Compensation Board
	Water and Wastewater Works
	Western Interstate Comm. / Higher Educ.
	Wood-Tikchik State Park
	Worker's compensation
	Worker's Compensation Appeals Commission
	Workforce Investment Board
	Yukon River Panel

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If appointed, a press release will be issued announcing your appointment pending the completion of the appointment process with the Governor's office. Please supply our office with the following information that will be included in the press release.

(Name): Clay Bazeneh (Age): ____ (Hometown): Ketchikan, Ak
is (Job title/Place of employment): Commercial Fisherman / F/V Salty
(Name) holds (Listing of earned degrees like bachelor's, master's,
ect.): 28 yr commercial Fisherman Fisheries from Ketchikan to Norton Sound
Salmon via Wht Herring
(Or list relevant experience to the position you are being appointed to) and dive fisheries

Examples:

John A. Doe, 38 of Soldotna, is Director of T-Shirts & Co. Doe holds a bachelor's degree in business administration from X University and a master's degree in communications from X University.

John A. Doe, 38 of Palmer, is the owner and operator of Doe and Associates, Inc. Doe previously served as division manager at X, Inc. Doe is a certified personnel consultant.

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SEAFA
Southeast Alaska Fishermen's Alliance

Bezenek

About

SEAFA is a non-profit, membership based, multi-gear commercial fishing organization designed to assist in maintaining, enhancing and prolonging the longevity of the commercial fishermen, commercial fishing industry, coastal communities and the sustainability of the resources.

Mission Statement

"SEAFA's Goal is to preserve, promote, protect and perpetuate the fishing industry, for the salmon, crab, shrimp and longline fisheries of Southeast Alaska; To further promote legislation, conservation, management, safety at sea and the general welfare for the mutual benefit of all members."

Board of Directors

Tim Grussendorf, President 9286 Rivercourt Way Juneau, Alaska 99801 Phone: 907-789-4303	Mac Meiners, Vice-President 9001 Firndale Juneau, Alaska 99801 Phone: 907-789-4748	Paul Burrill, Director 17040 Island View Drive Juneau, Alaska 99801 Phone: 907-586-1025
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Kay Andrew, Director PO Box 7211 Ketchikan, Alaska 99901 Phone: 907-225-2463	LukeWhitethorn, Director PO Box 1716 Petersburg, Alaska 99833 Phone: 907-722-4308	Clay Bezenek, Director PO Box 6464 Ketchikan, Alaska 99901 Phone: 907-225-3738

Kathy Hansen, Executive Director is on the Board of Directors as Secretary in a non-voting capacity.

9369 North Douglas Hwy, Juneau, AK 99801
907-586-6652

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Bezenek

Are you searching for **clay bezenek alaska**? Highlight these search terms in the article

Grant approved to improve shellfish testing program

Posted: Thursday, January 04, 2001

KETCHIKAN (AP) -- The Ketchikan Gateway Borough has approved a grant to improve a paralytic shellfish poisoning testing program.

The assembly on Tuesday unanimously approved appropriating $15,000 for the Southeast Alaska Regional Dive Fisheries Association. The money will pay for consultant Cheryl Sutton to work with the Department of Environmental Conservation on the program to allow for pre-opening testing.

Geoduck clams are in demand in the Orient but processors can't guarantee timely delivery because the clams must be tested after fishery openings, fisherman Clay Bezenek told the assembly.

The Alaska Department of Environmental Conservation does not perform pre-fishery testing in Southeast Alaska because the geoduck fishery near Ketchikan is too far from the state testing laboratory in Palmer, Bezenek said.

Dive fisheries in Canada and Washington are more competitive because authorities conduct tests in the weeks before fisheries open and continue testing during fishing periods, he said.

Clam beds are either approved as being free of toxins or are closed to fishing. Dive fishermen, therefore, can ship the clams directly from the grounds to customers in China and other nations.

The 104 licensed divers in Southeast took about 400,000 pounds of clams in the last year. The dive association is projecting that the fishery will soon produce more than a million pounds a year.

The price for live geoducks has increased from 50 cents a pound a few years ago, to $6 or more a pound, Bezenek said.

Related Searches

USD FISHERMAN CHERYL SUTTON
STATE TESTING LABORATORY CENT GBP **CHINA** CONSULTANT
CANADA DEPARTMENT OF ENVIRONMENTAL CONSERVATION
CLAY BEZENEK **KETCHIKAN GATEWAY BOROUGH**
ENVIRONMENT WASHINGTON
SOUTHEAST ALASKA REGIONAL DIVE FISHERIES ASSOCIATI

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JuneauEmpire.com

Bezenek

Are you searching for **"CLAY BEZENEK"**? Highlight these search terms in the article

The rest of the geoduck farming story

My turn

Posted: Thursday, February 22, 2001

By A column

CLAY BEZENEK

I am a geoduck diver in Southeast Alaska and would like to respond to Mr. Pihlman's letter (Empire, Feb. 21) regarding the Southeast Regional Dive Fisheries Associations {SARDFA} letter (Empire, Feb. 13) regarding the geoduck aquaculture permit applications.

Mr. Pihlman's letter has some "Clintonesque" statements in it that I'd like to respond to. "Clintonesque" in my opinion, means putting make-up on a half or mistruth, and hoping people don't call you on it. Well, people became well-aware of Clinton's tactics and it's time for you to be aware of the real truths regarding the whole geoduck aquaculture fiasco.

The reason that people have become so venomous regarding the geoduck resource in Southeast is because the clams have become one of the most highly sought after seafood products in the world! The prices in Washington normally range from $7-10 per pound for these mollusks, and the outlook remains good. So people are trying to gain access to these animals at any cost.

I would like to start out by saying that I haven't heard a single harvest diver say that they're against aquaculture for geoducks. What they do have a great problem with is aquaculture permittees gaining access to large amounts of wild geoducks on their sites.

A couple examples of what some permittees said on their applications to the state are: "No naturally occurring geoducks here..." The state, with their own survey, found this applicant to have roughly 325,000 pounds of clams on his proposed site.

Another applicant claimed, after 20 survey dives, to have seen marginal geoduck distribution of wild clam on his sites... The Fish and Game survey results: 615,000 pounds of clams! Does everybody see our point now? I'll do the math for you. At $4.50 live price, which I received for my live clams this year, the first site equals $1.46 million, the second $2.77 million.

This isn't the idea that any of us commercial fisherman had to what "farming" was all about! We believe that you plant a seed, keep the predators out, then harvest your product. What is happening is the Aquatic Farm Act is being loopholed to death so some people can capitalize off our state's resources.

And by the way, SARDFA has been the best thing to happen to the dive fisheries in Southeast since the drysuit! We have developed a working relationship with the Legislature, Fish and Game, and our local municipalities that is second to none. Our executive director, Julie Decker, has gone beyond what any fisheries executive director I have been associated with. As far as ethics and integrity goes, she's won the respect of a lot of people in Southeast Alaska.

Mr. Pihlmans' letter is in poor taste and really doesn't deserve any reply. I'm just letting you people of Juneau hear my version of the truth. All my statements can be verified by the state of Alaska.

Clay Bezenek is a commercial salmon fisherman and harvest diver who lives in Ketchikan.

Related Content

- Tim has been there
- Juneau Empire Story Archive
- Juneau Empire Story Archive
- The rest of the geoduck farming story
- Time to take a different look at fisheries resource management

Related Searches

JuneauEmpire.com

Bezenek

Are you searching for **"CLAY BEZENEK"**? Highlight these search terms in the article

Time to take a different look at fisheries resource management

My turn

Posted: Monday, February 26, 2001

By A column
BRIAN ZWICK

As a member of the Southeast Alaska Regional Dive Fisheries Association, SARDFA, and geoduck diver I would like to comment on the recent debate over aquaculture. I have seen the geoduck fishery in Alaska go from almost nothing 15 years ago to now almost less than nothing in terms of dollars we make. I wonder if it's time to take a different look at how we manage some of our fishery resources

Aquatic farmers for geoducks want to go into areas that are not being used by our dive fishery and develop aquatic farms using the existing stock to increase the productivity of the of the bed. If we are not using the resource and it doesn't conflict with the fishery, I don't see why another commercial user group shouldn't have the opportunity for another use.

If someone can come up with a better way to bring more value to the fishery or resource then I feel we should listen. Part of the problem in Alaska is that we have heard so much hype about what others in Washington and Canada are making from the geoducks resource that we can't seem to properly assess our own resource.

I have seen the letters from SARDFA Executive Director Julie Decker and SARDFA members Clay Bezenek and Lance Pihlman. I have no vested interest in any of the proposed aquatic farms and as a geoduck diver eligible for a limited entry permit I support the geoduck farmers.

What I don't support is Mrs. Decker saying that SARDFA believes that these farmers will "rob" and "destroy" the resource. Those are ridiculous statements and unfounded.

I find it frustrating that Mrs. Decker and members like Clay Bezenek say they are not opposed to aquatic farms, yet we are just now finding out that SARDFA has taken thousands of dollars from our self assessment fund to hire lawyers to file briefs against "all" of the geoduck farmers in the lawsuit against the state. Who is robbing who here? This is my money and they are taking it to fight against something that many of us support. What these members of SARDFA are really saying is that they are not against geoduck farms, just anybody who is currently trying to do it.

Mr. Bezenek talks about the 800,000 pounds of resource on the proposed farm sites, but fails to point out that there are about 18 million pounds of geoduck bio-mass dedicated to the current fishery. He also fails to point out that fishery is still open today because nobody wants the product.

By next year limited entry will be in place that will give sole commercial access to 104 divers with only 52 of these permits being transferable, and the majority of those permits going to out of state divers. Using Mr. Bezenek's numbers and logic, by next year, 52 mostly out-of-state diver will have the sole rights to buy and sell $81 million worth of geoduck resource and he believes any future commercial expansion of the resource should go entirely to this one group.

Mr. Bezenek talks about the geoduck aquaculture fiasco. In my opinion the real fiasco here is SARDFA and the Alaska Department of Fish & Game (ADF&G). In my view all of the misinformation and nonfacts have been coming from SARDFA and ADF&G.

Related Content

- Tim has been there
- Juneau Empire Story Archive
- Juneau Empire Story Archive
- The rest of the geoduck farming story
- Time to take a different look at fisheries resource management

If you look at how we are taxing ourselves it really doesn't make a lot of sense. For example, we are currently taxed on our sea cucumber fishery, yet the fishery is fully developed and completely funded through ADF&G' s budget. The tax this year increased ADF&G's budget for this fishery by 250 percent. This money goes into the general fund and then goes directly back to ADF&G.

In my view SARDFA will likely end up being a good example of how not to manage or develop fisheries. What we have done here, is to completely politicize an industry that really just needed a little funding and some good science and management.

Brian Zwick is a SARDFA member and a geoduck diver who lives in Ketchikan.

Related Searches

LANCE PIHLMAN **KETCHIKAN** **CANADA** **ALASKA**
SOUTHEAST ALASKA REGIONAL DIVE FISHERIES ASSOCIATI
USD **BRIAN ZWICK** CLAY BEZENEK **JULIE DECKER** DIVER
ALASKA DEPARTMENT OF FISH & GAME **GEODUCK DIVER** GBP
WASHINGTON EXECUTIVE DIRECTOR

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JuneauEmpire.com

Bezenek

Are you searching for **"CLAY BEZENEK"**? Highlight these search terms in the article

Tim has been there

Letter to the Editor

Posted: Monday, November 04, 2002

I urge my fellow commercial fishing families to vote for Tim Grussendorf for state House. Tim has been a commercial fisherman for 23 years and has lived through the tough fishing seasons. Tim knows what needs to be done to save our lifestyle.

I've fished around Tim on the grounds. He has the dedication, commitment, hard-work ethic, and intuition to change how he did business to adapt to changing market demands to enable him to continue being a commercial fisherman. These are the same qualities that we need in our elected officials.

Only a commercial fisherman who has lived the lifestyle and gone through the tough fishing seasons understands what it takes to be in this line of work.

Let's join the United Fisherman of Alaska in supporting Tim.

We need a representative in the Legislature to look out for our interests. We need Tim Grussendorf to be our state representative.

Clay Bezenek

F/V Salty

Ketchikan

Related Content

- Tim has been there
- Juneau Empire Story Archive
- Juneau Empire Story Archive
- The rest of the geoduck farming story
- Time to take a different look at fisheries resource management

Related Searches

COMMERCIAL FISHERMAN **UNITED FISHERMAN** **ALASKA** STATE REPRESENTATIVE **REPRESENTATIVE** CLAY BEZENEK **TIM GRUSSENDORF**

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OFFICE OF THE GOVERNOR
MAILROOM
JAN 12 2006

Jim Herbert

Seward, AK 99664

ROAPP / Fishmens Fund Ad. / 038
ENTERED
1-12-06
dc

January 6, 2006

Boards and Commissions
Office of the Governor
P.O. Box 110001
Juneau, AK 99811-0001

Dear Madam or Sir:

Please accept my application for reappointment to the Fisherman's Fund Advisory and Appeals Council. My current term expires at the end of this month. I understand that if no new person is appointed I will continue serving until such time as the Governor makes a decision.

I have submitted the standard application and attached a resume. As a serving member of the Fisherman's Council, I feel I can offer corporate knowledge and general experience in coping with individual appeals. The financial health of the Fund has always been of great importance to me and I feel I can provide solid advice and perspective on fiduciary matters.

Please contact me if you need more information or if I should submit other forms or letters.

Sincerely yours,

Jim Herbert

Jim Herbert

STATE OF ALASKA
OFFICE OF THE GOVERNOR
P.O. Box 110001, Juneau, AK 99811-0001
Phone: (907) 465-3500 Fax: (907) 465-3532

BOARDS AND COMMISSIONS APPLICATION FORM

INSTRUCTIONS

A separate application is required for each position for which you apply. Complete and specific answers will aid in rapid and accurate processing of your resume. Please type or print legibly in ink. Forward to the above address. Be sure your answers are true. A willfully false answer may result in your disqualification or removal from office if you are appointed.

Board or Commission and seat for which I am applying: Fisherman's Fund Advisory & Appeals Council
(For example, Board of Agriculture, public seat)

Please list any other State Boards or Commissions on which you currently or previously have served:
NONE

Name: James Herbert

Mailing Address: _____

Residence Address: _____

City, State and Zip Code: _____

Home or Message Telephone: _____ Business Telephone: _____

Fax Number: _____ Cell Phone: _____

Email address: _____

AS 39-05-100 requires that a person appointed to a state board or commission be a registered voter prior to the last general election:

Are you a registered voter: YES ✓ NO _____ Voter Registration Number (Optional): _____

Social Security Number (Optional, required if appointed for travel, reimbursement etc.): on file

Have you ever been convicted of a misdemeanor within the past five years or a felony within the past ten years?

YES _____ NO X if "YES", explain the circumstances on a separate sheet of paper and attach it to this application. A conviction is not necessarily grounds for disqualification. The number of convictions, nature, recentness, and relationship to the board position applied for, will be evaluated and a determination will be made after a review of all relevant facts.

CONFLICTS OF INTEREST: Certain boards and commissions require full disclosure of personal financial data under AS 39.50.010. If required for the board or commission for which you are applying, are you willing to do so?
YES X NO _____

Could you or any member of your family be affected financially by decisions to be made by the board or commission for which you have applied? YES _____ NO X

If "YES", explain:

TRAINING AND EXPERIENCE: (If resume attached, it is not necessary to complete items A-D)

A. List any professional licenses, certifications, or registrations and dates obtained that may be used as qualifying criteria:

please see resume

B. List both formal and informal education and training experiences: (Use additional paper if necessary).

C. List any community service, municipal government, and state positions held, and any awards received. Include both compensated and uncompensated positions (such as president of a service organization or a mayor). Include length of time serviced.

D. Employment work history – paid, unpaid or voluntary: (Use additional paper of necessary).

The Office of the Governor and the State of Alaska have an Affirmative Action Equal Employment Opportunity Program. To assist in the program, you are asked to voluntarily answer the following questions to provide the information necessary for reporting purposes. Under State and Federal law, the information you provide will no be used to illegally discriminate against you.

DATE OF BIRTH: / / SEX: FEMALE _____ MALE _____

ETHNICITY:
Alaska Native ___ American Indian ___ Asian or Pacific Islander ___ Black ___ Hispanic ___ Whit ___

MILITARY SERVICE (if applicable, give dates): _____

CERTIFICATION: I swear the information I have entered on this form is true to the best of my knowledge. I understand that if I deliberately conceal or enter false information on the form my application may be rejected, I may be removed from the list of eligible candidates, or I may be removed from the position. I agree that the Office of the Governor may contact present or former employees or other persons who know me to obtain an additional information about my skills and abilities. I understand that the information on this application is public information and may be released through a legal request for such information.

Signature (in ink): James Herbert Date: January 6, 2006

Please attach a current resume with your application

RESUME

JAMES W. HERBERT
Seward, Alaska 99664

EDUCATION:

Mount Vernon High School, Mount Vernon, New York
September 1961 – June 1965
Regents Diploma
University of Wisconsin, Madison, WI
September 1965 -June 1969
Bachelor of Arts. Major in Zoology
University of Oregon, Eugene, OR
January 1975 - December 1976
Master of Arts, Marine Biology
Oregon State University, Marine Science Center,
Newport, OR, Spring 1975

LICENSES AND CERTIFICATES:

U.S. Coast Guard Merchant Marine License (#774244)
Master - 1600 GT Oceans
Unlimited Radar Observer Endorsement
Marine Fire Fighting School - Delgado Community College
STCW Certificate – BST, PSC, ARPA, BRM, RFPNW
Merchant Mariner Document - Able Seaman - Unlimited
Instructor - Trainer Alaska Marine Safety Education Association.
Emergency Medical Technician I
National Cargo Bureau Fishing Vessel Stability Certificate.
Commercial Driver's License - Class B and Passengers

EXPERIENCE:

September 2001 – present: Owner/operator F/V CAPTAIN COOK, 48 foot fiberglass fishing and research vessel. Commercial fishing and charter operations in South Central Alaska.

June 1995 - present: Skipper or Mate of MARITIME MAID, 86 foot research vessel operating in the Gulf of Alaska and Southeast Alaska. Oversight of a crew of four and up to 15 researchers conducting biological research.

December 1987 – May 2004: Maritime Department Head/Instructor at Alaska Vocational Technical Center, Seward, AK. Teaching marine related classes including Net Repair, Electronic Fish Finding, Radar, Loran, GPS, Trawling Technology, Commercial Fishing Methods, Safety and Survival, First Aid, CPR, and Vessel Operator Training. Development of a large number of USCG approved courses. Community Development Quota training outreach.

April 1988 - June 1996: Owner/operator of NORTHERN LIGHT, a 43-foot steel fishing vessel. Primary focus is long line fishing and salmon seining in Kodiak Island waters. Providing a learning and job opportunity for four individuals.

January 1979 - June 1987: Owner/operator of the 48 foot steel combination vessel CAPE CHACON. Responsibilities included the safe, efficient, and profitable operation of vessel targeting on salmon, scallops, shrimp, halibut, ground fish, Dungeness, tanner, and king crab. Also salmon research charters for the Alaska Department of Fish and Game. Waters of Southeast Alaska to Kodiak Island.

January - May 1981: Instructor Marine Program, Prince William Sound Community College, Valdez, AK. Teaching a wide variety of courses relevant to commercial fishing including Seamanship, Hydraulics, Diesel Mechanics, Trawling, Long Lining, Pot Fishing, Net Construction and Repair.

ORGANIZATIONS:

US Coast Guard Commercial Fishing Industry Vessel Advisory Committee
1989 - 1992, 1995- 2005.
Chairman 1998 - 2005

Alaska Marine Safety Education Association
Board of Directors 1990 – present
Chairman 1999 – present

Alaska Fisherman's Fund Advisory and Appeals Council
1997 – present

United Fishermen of Alaska
1985 - present

North Pacific Fisherman's Association
Member 1980 - present
Board of Directors 1986 - 1993

Homer Fish and Game Advisory Committee
Member - 1979 - 1991
Chairman - 1985 – 1989

Senate Resources Committee
Joe Paskvan, Co-Chair / April 6, 2012

Thank you, Senator Wagoner.

I will chair the hearings for the four people nominated to serve on the Big Game Commercial Services Board and the three people nominated to serve on the Board of Game.

I will first ask each of the Big Game Commercial Services Board nominees to make a brief 3 minute statement about his or her qualifications and his or her reasons for wanting to serve on the respective Board. Then Committee members will ask questions of that nominee.

Once each nominee has completed his or her statement and committee members have asked questions, we will go to public testimony – on each of the Big Game Commercial Services Board nominees – and allow two minutes for those statements.

We will then repeat the same process for the Board of Game nominees.

The order will be:

Big Game Commercial Services Board

Michael Meekin – Palmer
Michele Metz – Douglas
Donald Quarberg – Delta Junction
Brenda Rebne – Anchorage

Board of Game

Lynn Keogh, Jr. – Anchorage
Teresa Sager-Albaugh – Tok
Robert Mumford – Anchorage

Senate Resources Committee
Confirmation of Governor's Appointments

FRIDAY, APRIL 6

Fishermen's Fund Advisory and Appeals Council

Clay Bezenek – Ketchikan
Appointed: 12/26/2007
Reappointed: 3/1/2012 Term Expires: 3/1/2017

James Herbert – Seward
Appointed: 9/19/1997
Reappointed: 1/31/2001
Reappointed: 3/8/2006
Reappointed: 5/17/2011 Term Expires: 3/1/2016

Big Game Commercial Services Board

Michael Meekin – Palmer
Appointed: 2/1/2012 Term Expires: 3/1/2015

Michele Metz – Douglas
Appointed: 2/1/2012 Term Expires: 3/1/2014

Donald Quarberg – Delta Junction
Appointed: 6/20/2011 Term Expires: 3/1/2014

Brenda Rebne – Anchorage
Appointed: 1/28/2008
Reappointed: 3/1/2012 Term Expires: 3/1/2016

Board of Game

Lynn Keogh, Jr. – Anchorage
Appointed: 7/28/2011 Term Expires: 6/30/2013

Teresa Sager-Albaugh – Tok
Appointed: 7/1/2009
Reappointed: 7/1/2012 Term Expires: 6/30/2015

Robert Mumford – Anchorage
Appointed: 7/1/2012 Term Expires: 6/30/2015

MONDAY, APRIL 9

Board of Fisheries

Orville Huntington – Huslia
Appointed: 7/1/2012 Term Expires: 6/30/2015

Karl Johnstone – Anchorage
Appointed: 12/05/2008
Reappointed: 7/1/2009
Reappointed: 7/1/2012 Term Expires: 6/30/2015

Senate Resources Committee
Confirmation Hearings
April 6, 2012

MOTION TO FORWARD THE NOMINEES

In accordance with AS 39.05.080, the Senate Resources Committee is forwarding the following names to a joint session of the Legislature for a hearing.

Big Game Commercial Services Board

Michael Meekin
Michele Metz
Donald Quarberg
Brenda Rebne

It should be noted that this does not reflect an intent by any of the members to vote for or against the confirmation of the individuals during any further sessions.

Are there any objections? If not, the names will be forwarded.

~~Let the record reflect that it is _____ p.m. We are adjourned.~~

Senate Resources Committee
Confirmation Hearings
April 6, 2012

MOTION TO FORWARD THE NOMINEES

In accordance with AS 39.05.080, the Senate Resources Committee is forwarding the following names to a joint session of the Legislature for a hearing.

Board of Game

Lynn Keogh, Jr.
Teresa Sager-Albaugh
Robert Mumford

It should be noted that this does not reflect an intent by any of the members to vote for or against the confirmation of the individuals during any further sessions.

Are there any objections? If not, the names will be forwarded.

Let the record reflect that it is _____ p.m. We are adjourned.

SENATE
CONFIRMATION COMMITTEE REPORT

Date: 4-6-2012

In accordance with AS 39.05.080, the Resources Committee reviewed the following and recommends the appointment(s) be forwarded to a joint session for consideration:

Big Game Commercial Services Board

Michael Meekin – Palmer
Appointed: 2/1/2012 Term Expires: 3/1/2015

Michele Metz – Douglas
Appointed: 2/1/2012 Term Expires: 3/1/2014

Donald Quarberg – Delta Junction
Appointed: 6/20/2011 Term Expires: 3/1/2014

Brenda Rebne – Anchorage
Appointed: 1/28/2008
Reappointed: 3/1/2012 Term Expires: 3/1/2016

This does not reflect an intent by any of the members to vote for or against the confirmation of the individual(s) during any further sessions.

Signature:	Printed Last Name
	Wielechowski
	French
Cochair:	PASKVAN
Cochair:	WAGONER

Please return to the Senate Secretary's Office (Room 211).

BIG GAME COMMERCIAL SERVICES BOARD

General: Please comment on the most important issue facing the Big Game Commercial Services Board and how you intend to approach that issue.

Big Game Commercial Services Board

- Licensing Information
- Application/Forms
- Examinations
- Guide Use Areas
- List of Licensees
- Frequently Asked Questions
- Board Business
- Minutes
- Meetings
- What's New
- Board Members
- Board Sanctioned Subcommittees
- Statutes and Regulations
- BGCS Statutes and Regulations
- Centralized Licensing Statutes
- Centralized Licensing Regulations

In the interest of the state's wildlife resources, the Big Game Commercial Services Board adopts regulations governing the big game commercial service industry in Alaska.

The Board makes final licensing decision and takes disciplinary actions against persons who violate licensing laws.

The Big Game Commercial Services Board is staffed by the Division of Corporations, Business and Professional Licensing.

The Big Game Commercial Services Board consists of two licensed Registered Guide-Outfitters, two licensed Transporters, two private landholders, two public members, and one member from the Board of Game.

Board members are appointed by the Governor and confirmed by the Legislature.

Board of Game
Summary of hunting regulation changes for 2009-2010
Click here to read

Board approved Assistant Guide training course
Click here to read

GUI ListServe - To receive agendas, minutes and other Board related materials, we invite you to subscribe to the GUI electronic mailing list. ***Click on ListServe***

ListServe

(You may cancel your subscription at any time)

FYI - GUA 13-2
Letter of Notice from the State Big Game Board Investigator
Please Click Here ***to Read***

Regulated Professions

- Assistant Guide
- Class-A Assistant Guide
- Master Guide-Outfitter
- Registered Guide-Outfitter
- Transporter

Contact Information

Mail: P.O. Box 110806
Juneau, AK 99811-0806

Quick Links...

- Buy a Business License
- Business License Search
- Professional License Search
- Download List of License Holders

Of Interest...

- Business Licensing
- Small Business Development
- Other Occupations Licensed in Alaska
- Notices of Proposed Regulations

Get Acrobat Reader

Applications may be viewed and printed with Adobe Acrobat Reader 6.0 or higher. If you do not have Adobe Acrobat Reader 6.0 or higher, please click on the Adobe logo and download the free software now. If you are unable to view or download an application, please contact us by telephone or e-mail. Providing your complete mailing address will enable us to mail you the application.

Other application forms may be mailed to you or picked up at a division office. Completed applications must be signed and submitted to the division with the appropriate fees.

Karl Marx (A-K)
Licensing Examiner
Karl.Marx@alaska.gov
Phone: (907) 465-2543
Fax: (907) 465-2974

Licensing Examiner (L-Z)
Vacant
license@alaska.gov
Phone: (907) 465-2550
Fax: (907) 465-2974

Acupuncturists
Architects, Engineers, and Land Surveyors
Audiologists and Speech-Language Pathologists
Barbers and Hairdressers
Big Game Commercial Services Board
Chiropractic Examiners
Collection Agencies

Webmaster Contact the Division

Big Game Commercial Services Board

Licensing Information
Application/Forms
Examinations
Guide Use Areas
List of Licensees
➢ Frequently Asked Questions
Board Business
Minutes
Meetings
➢ What's New
Board Members
Board Sanctioned Subcommittees
Statutes and Regulations
BGCS Statutes and Regulations
Centralized Licensing Statutes
Centralized Licensing Regulations

Frequently Asked Questions

1. Do I need a guide?

Nonresidents who hunt Brown Bear, Dall Sheep, or Mountain Goat must be accompanied in the field by licensed Alaska Big Game Registered Guide-Outfitter or be accompanied in the filed by an Alaska resident 19 years or older who is within the second degree of kindred.

Nonresident aliens (non-U.S. citizens) hunting any big game must be accompanied in the field by an Alaska Big Game Registered Guide-Outfitter.

2. How can I receive a list of big game guides?

Download List of Licensees from Internet.

To receive a list in the mail of all currently licensed Big Game Master/Registered Guides-Outfitters and Transporters, submit a check or money order in the amount of $5 (U.S. currency), made payable to the State of Alaska. Upon receipt of your written request and $5 fee, a list will be forwarded to you. The $5 fee and written request can be mailed to:

Division of Corporations, Business and Professional Licensing
Big Game Commercial Services Board
P.O. Box 110806
Juneau, AK 99811-0806

If a guide-outfitter intends to provide big game services during the calendar year, the roster will provide the guide use area(s) that the master or registered guide-outfitter is authorized to provide big game services and the addresses of the master/registered guide-outfitters and transporters.

3. How do I get a list of big game guide-outfitters that provide services for a particular species?

Obtain the most current hunting regulations from the Department of Fish and Game, Wildlife Conservation (907 465-2376), to determine which Game Management Unit(s) list the type of species you are interested in hunting. Once you have determined the Game Management Unit(s) you want to hunt in, you can request a list of currently licensed big game master/registered guide-outfitters who provide services in the unit(s) (see number 4 below).

4. Can I obtain a list of guide-outfitters who are providing big game services in a specific Game Management Unit (GMU)?

There are two ways you can obtain this information:

1. Click here for the website that provides a list of guides-outfitters who are providing big game services in a specific game management unit.

2. Submit a written request and state which GMU(s) you

Quick Links...
- Buy a Business License
- Business License Search
- Professional License Search
- Download List of License Holders

Of Interest...
- Business Licensing
- Small Business Development
- Other Occupations Licensed in Alaska
- Notices of Proposed Regulations

Get Acrobat Reader

Applications may be viewed and printed with Adobe Acrobat Reader 6.0 or higher. If you do not have Adobe Acrobat Reader 6.0 or higher, please click on the Adobe logo and download the free software now. If you are unable to view or download an application, please contact us by telephone or e-mail. Providing your complete mailing address will enable us to mail you the application.

Other application forms may be mailed to you or picked up at a division office. Completed applications must be signed and submitted to the division with the appropriate fees.

would like. Enclose a check or money order in the amount of $5 (U.S. currency), made payable to the State of Alaska, and mail to the address above. Upon receipt of your written request and $5 fee, the list will be forwarded to you.

NOTE: Each guide-outfitter can only operate within three GUAs for which he registers annually. GUAs are subdivisions of GMUs.

5. How do I obtain a hunting license, tags, drawing permit, or hunting regulations?

To obtain any of the above items, click on the following web address:

http://www.wildlife.alaska.gov/

6. How do I get an application to become a Fishing Guide or obtain a list of Fishing Guides?

To obtain any information regarding fishing guides, click on the following web address: http://www.sf.adfg.state.ak.us/statewide/SF_home.cfm

Fishing guides also need a Business License. **Please visit:** www.commerce.state.ak.us/occ

7. Can I pay application, examination, license, or the big game guide-outfitter and transporter list fees by credit card?

Yes, this office does accept credit cards for the application, examination, licensing fees, or for the list of big game guide-outfitters and transporters. Please visit: www.commerce.state.ak.us/occ and click on "Credit Card Authorization Form."

8. I am a registered guide-outfitter in need of an assistant who is looking for work. Does the board maintain a list of guides seeking employment?

The board does not maintain a list of licensed guides seeking employment. However, you can purchase a list of all currently licensed guides or you can download the information from the Internet. **See FAQ #2.**

9. How do I notify the office of a change of address?

We must have the request for address change in writing. We will accept a fax, E-mail, or written notice that comes directly from you. We cannot accept a telephone call for a change of address.

10. I lost my license and I need a new one, how do I get a copy? Can you fax it?

To obtain a copy of your license, submit a written request and a duplicate license fee of $5 (U.S. Currency). The duplicate license fee can be paid in the form of a check or money order made payable to the State of Alaska, and mailed to the address above. Upon receipt of your written request and $5 duplicate license fee, we will mail the duplicate license to you. We do not fax licenses.

11. When will I receive my license renewal form?

Master/Registered Guide-Outfitter, Class-A Assistant Guide, Assistant Guide, and Transporter licenses expire on December 31 on odd-numbered years. Renewal forms are mailed to all current licensees

approximately 30 days prior to the expiration date.

12. I am a guide/outfitter in another state. Does the Alaska Big Game Commercial Services Board have reciprocity with any other states?

The board does not offer reciprocity. To become a contracting guide in Alaska, you must have performed the services of either a licensed class-A assistant or assistant guide in the state for a part of each three years (Alaska Statute (AS) 08.54.610(6)) and meet the requirements of AS 08-54.605 and .610.

Application forms describe the qualification requirements for licensure.

13. Can a nonresident or nonresident alien obtain a guide or transporter license?

A nonresident can obtain a guide or transporter license by meeting the qualifications under Alaska Statute 08.54 and 12 AAC 75.

A nonresident alien may also obtain a guide or transporter license by meeting the qualifications under Alaska Statute 08.54 and 12 AAC 75.

Although the board may issue a nonresident alien a professional license, that does not mean the board is giving the individual authority to work in the United States. Licensees must meet all the requirements of the State and Federal government. The board advises each nonresident alien who obtains a professional license to contact immigration officials regarding the process for receiving authority to actually work in the United States.

14. Can I take the Registered Guide-Outfitter or Game Management Unit Certification examination in another location or time other than what is specified on the examination schedule?

The Registered Guide-Outfitter and Game Management Unit (GMU) certification examination locations and dates are predetermined and set by current statute (Alaska Statute 08.54.600(8) and regulations 12 AAC 75.100-.110)

We do not administer Registered Guide-Outfitter and GMU examinations at any different location or dates.

15. What first aid courses are recognized by the board?

The following are first aid courses recognized by the board:

- The American Red Cross
- American Heart Association
- Medic First Aid
- National Safety Council

(*We do not have telephone numbers for the above first aid administrators.*)

Acupuncturists
Architects, Engineers, and Land Surveyors
Audiologists and Speech-Language Pathologists
Barbers and Hairdressers
Big Game Commercial Services Board
Chiropractic Examiners
Collection Agencies

Webmaster Contact the Division

Meekin, Michael John
Big Game Commercial Services

Big Game Commercial Services Board **Michael John Meekin**

General Information

Board/Commission and seat you are seeking:
Big Game Commercial Services Board, Air Taxi

Additional Boards/Commissions of interest:
1) Big Game Commercial Services Board

State Boards/Commissions on which you have served
Citizens Advisory Commission on Federal Areas

First	*Middlename*	*Last Name*
Michael	**John**	**Meekin**
Mailing Address	*City* **Palmer**	*State & ZIP*
Home/Message Phone	*Business Phone*	*Cell Phone*
Email Address	*Are you a registered voter?* **Yes**	

Date of Birth	*Ethnicity*
Gender	
Military Service	

Conflict of Interest

Certain boards and commissions require full disclosure of personal financial data under AS 39.50.010. If required for the board or commission for which you are applying, are you willing to do so?
Yes

Could you or any member of your family be affected financially by decisions to be made by the board or commission for which you are applying?
Yes

Please explain the potential financial benefit
I own and operate an air taxi business. BG Comm Service Board decisions might affect operation and business.

Employment History

Employment work history including paid, unpaid or voluntary.
Self employed in air taxi business since 1981

Education, Training, Experience & Qualifications

List both formal and informal education and training experiences:
High School diploma, Lathrop, 1972
Commercial/Instrument pilots license training

List any professional licenses, certifications, or registrations and dates

obtained that may be used as qualifying criteria:
Registered guide license No. 455
Air Taxi Certificate
Transporter License No. 110

List any community service, municipal government, and state positions held, and any awards received.
Federal/State Lands board-present
Palmer Airport Advisory Commission 2006-2011
MatSu Fish and Game Advisory Committed 1990s

Conviction Record

Have you ever been convicted of a misdemeanor within the past five years or a felony within the past ten years?
No

Conviction Circumstances

Certification of Accuracy & Completeness

By submitting this online application, I swear the information I have entered on this form is true to the best of my knowledge. I understand that if I deliberately conceal or enter false information on the form my application may be rejected, I may be removed from the list of eligible candidates, or I may be removed from the position. I agree that the Office of the Governor may contact present or former employees or other persons who know me to obtain an additional information about my skills and abilities. I understand that the information on this application is public information and may be released through a legal request for such information.

Type "I certify"
"I certify"

Resumé Addendum
none

Press Release Wording

Michele Metz

Professional Profile

- Employed with Sealaska Corporation Natural Resources Department as the Lands Manager

  Responsible for the development of land access and use and Native heritage and culture policies, subject to management and Board of Director approval; oversee ANCSA land management and administer Natural Resources contracts and agreements relating to Sealaska land and facilities; ensure that cultural and heritage values are protected (through management of 14(h)(1) cemetery and historical sites), and that shareholder objectives are met; responsible for all ANCSA land records and documents.

- BLA from UAS focused on Government, Anthropology, and Alaska Native Studies
- Delegate to the Central Council, Tlingit & Haida Indian Tribes of Alaska
- Executive Committee Member for the local Tlingit & Haida Chapter
- Member of Alaska Native Sisterhood Camp #2

Work History

Assistant Lands Manager Natural Resources Administrative Assistant	Sealaska Corporation One Sealaska Plaza, Suite 400 Juneau, AK 99801	April 2004 – Dec. 2009 Dec. 2002 – March 2004
Assistant to the President Cultural Resource Specialist Data Entry Technician (Part-time)	Central Council of Tlingit and Haida Indian Tribes of Alaska 320 W Willoughby, Suite 300 Juneau, AK 99801	April 1998 – May 2002 April 1997 – April 1998 Jan. 1995 – April 1997
Full-time Student	University of Alaska, Southeast	Sept. 1993 – May 1996
Office Support Staff	Arco Alaska, Inc.	Jan. 4 – May 31, 1993
Full-time Student	University of Alaska, Southeast	Sept. – Dec. 1992
Executive Secretary	Alaska Department of Natural Resources Office of the Commissioner	August 1987 – June 1992
Executive Secretary	Alaska Office of the Governor	August 1984 – August 1987
Secretary	Alaska Department of Administration Office of the Commissioner	April 2 – August 10, 1984
Secretary Clerk for Mortgage Loan Section	Alaska Department of Revenue Treasury Division	Sept. 82 – March 1984 Sept. 1979 – August 1982

JuneauEmpire.com

Metz

National Native American Awareness Month: Michele Metz

Posted: Thursday, November 05, 2009

Age: 48.

Residency: Douglas.

Tribe, moiety and clan: Tlingit, Chookaneidi (Eagle/Porpoise).

Positions: Executive Council of the Central Council of Tlingit and Haida Indian Tribes of Alaska, Executive Committee of the Tlingit and Haida Indians of the city of Juneau, secretary for Alaska Native Sisterhood Camp 2, Sealaska shareholder descendant and Huna Totem shareholder, and assistant lands manager for Sealaska Corp.

Hobbies: Reading and traveling.

Quote: "Being Alaskan Native means to me that I have an intrinsic tie to the land and water of Southeast and to all the Alaska Native people who have lived in Southeast before me and those yet to be born. This belief shapes all of my actions - personally and professionally."

• The Juneau Empire will profile a different member of Juneau's Alaska Native community each day during November. To be profiled e-mail editor@juneauempire.com or call 907-523-2272.

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Metz

Sealaska Lands Manager Appointed to Big Game Commercial Services Board

Alaska Governor Sean Parnell announced in early February 2012 that Michele Metz would serve on the Big Game Commercial Services Board. The board oversees licensing and regulating activities of providers of commercial services to big game hunters for Alaska. The board is under the Alaska Department of Commerce, Community, and Economic Development.

According to the press release from the Office of the Governor, "Service on a board or commission provides an opportunity for Alaskans to take ownership of their government," Gov. Parnell said. "I am proud of these individuals, representing all regions of the state, who have stepped forward to serve the public. I am pleased to present these names to the Legislature for approval."

The board includes two registered guide/outfitters, two licensed transporters, one member chosen by the Board of Game, two private landholders and two public members. Metz fills one of two seats representing private landholders.

Metz is the Sealaska lands manager and has worked with Sealaska since 2002.

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M.
MAR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
P.O. Box 110001, Juneau, AK 99811-0001
Phone: (907) 465-3500 Fax: (907) 465-3532

BOARDS AND COMMISSIONS APPLICATION FORM

INSTRUCTIONS

A separate application is required for each position for which you apply. Complete and specific answers will aid in rapid and accurate processing of your resume. Please type or print legibly in ink. Forward to the above address. Be sure your answers are true. A willfully false answer may result in your disqualification or removal from office if you are appointed.

Board or Commission and seat for which I am applying: BIG GAME COMMERCIAL SERVICES BOARD
PUBLIC SEAT
(For example, Board of Agriculture, public seat)

Please list any other State Boards or Commissions on which you currently or previously have served:
NONE

Name: DON QUARBERG

Mailing Address: _____

Residence Address: _____

City, State and Zip Code: _____

Home or Message Telephone: _____ Business Telephone: _____

Fax Number: _____ Cell Phone: N/A

Email address: _____

AS 39-05-100 requires that a person appointed to a state board or commission be a registered voter prior to the last general election:

Are you a registered voter: YES X NO _____ Voter Registration Number (Optional): _____

Social Security Number (Optional, required if appointed for travel, reimbursement etc.): _____

Have you ever been convicted of a misdemeanor within the past five years or a felony within the past ten years?

YES _____ NO X if "YES", explain the circumstances on a separate sheet of paper and attach it to this application. A conviction is not necessarily grounds for disqualification. The number of convictions, nature, recentness, and relationship to the board position applied for, will be evaluated and a determination will be made after a review of all relevant facts.

CONFLICTS OF INTEREST: Certain boards and commissions require full disclosure of personal financial data under AS 39.50.010. If required for the board or commission for which you are applying, are you willing to do so?
YES X NO _____

Could you or any member of your family be affected financially by decisions to be made by the board or commission for which you have applied? YES _____ NO X

If "YES", explain:

SEE ATTACHED

TRAINING AND EXPERIENCE: (If resume attached, it is not necessary to complete items A-D)

A. List any professional licenses, certifications, or registrations and dates obtained that may be used as qualifying criteria:

B. List both formal and informal education and training experiences: (Use additional paper if necessary).

C. List any community service, municipal government, and state positions held, and any awards received. Include both compensated and uncompensated positions (such as president of a service organization or a mayor). Include length of time serviced.

D. Employment work history – paid, unpaid or voluntary: (Use additional paper of necessary).

The Office of the Governor and the State of Alaska have an Affirmative Action Equal Employment Opportunity Program. To assist in the program, you are asked to voluntarily answer the following questions to provide the information necessary for reporting purposes. Under State and Federal law, the information you provide will not be used to illegally discriminate against you.

DATE OF BIRTH: _____ SEX: FEMALE _____ MALE _____

ETHNICITY:
Alaska Native ___ American Indian ___ Asian or Pacific Islander ___ Black ___ Hispanic ___ White ___

MILITARY SERVICE (if applicable, give dates): _____

CERTIFICATION: I swear the information I have entered on this form is true to the best of my knowledge. I understand that if I deliberately conceal or enter false information on the form my application may be rejected, I may be removed from the list of eligible candidates, or I may be removed from the position. I agree that the Office of the Governor may contact present or former employees or other persons who know me to obtain an additional information about my skills and abilities. I understand that the information on this application is public information and may be released through a legal request for such information.

Signature (in ink): _____ Date: 3/25/11

Please attach a current resume with your application.

STATE OF ALASKA
OFFICE OF THE GOVERNOR

BOARDS AND COMMISSIONS

Name: DON QUARBERG Date: 3/25/11

(Indicate top three boards/commissions of interest by number with #1 as your preference)

	Accounting Board
	Aerospace Development Corporation
	Aging Commission
	Agriculture & Conservation
	Alaska Juvenile Justice Advisory Committee
	Alaska Retirement Management Board
	Alaska Statehood Celebration Commission
	Alaska-Alberta Bilateral Council
	Alcohol/Drug Abuse
	Alcoholic Beverage Control
	Architects/Engineers/ Land Surveyors
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	Assessment Review Board
	Aviation Advisory Board
	Bald Eagle Preserve
	Bar Association
	Barbers & Hairdressers
	Bering Sea Fishery Advisory Board
1	Big Game Commercial Services
	Boating Safety Council
	Broadcasting Commission
	Children's Trust Board
	Chiropractic Examiners
	Clemency Advisory Committee
	Commemorative Coin Commission
	Commercial Fisheries Entry
	Commercial Fishing/Agriculture Bank
	Community Service Commission
	Denali Access System Advisory Committee
	Dental Examiners
	Disabilities/Special Education
	Domestic Violence/Sexual Assault
	Education & Early Development
	Education Commission/States
	Emergency Medical Services
	Emergency Response Commission
	Employment of People with Disabilities
	Exxon Valdez Oil Spill Trustee
	Faith-Based & Community Initiatives Council
	Fire Standards Council
	Fisheries

	Fisherman's Fund Advisory & Appeals
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	Game
	Health Council
	Historical Commission
	Historical Records Advisory
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	Housing Finance Corporation
	Human Rights
	Humanities Forum
	Independent Living Council
	Industrial Development/Export Authority
	Interstate Oil & Gas Compact
	Judicial Conduct
	Judicial Council
	Knik Arm Bridge
	Labor Relations Agency
	Libraries Advisory
	Local Boundary Commission
	Marine Pilots
	Marine Transportation Advisory Board
	Marital & Family Therapy
	Medical Board
	Mental Health Board
	Mental Health Trust Authority
	Midwives
	Minerals Commission
	Municipal Bond Bank
	Natural Gas Authority
	Natural Gas Pipeline Corporation
	Natural Resources Conservation Dev
	North Pacific Anadromous Fish
	North Pacific Fisheries Management Council
	North Pacific Research Board
	Nursing
	Occupational Safety
	Oil & Gas Conservation Commission
	Optometry
	Pacific Marine Fisheries Commission
	Pacific Salmon Commission-Commissioners
	Pacific Salmon Commission- Northern Panel

	Pacific Salmon Commission-Transboundary Panel
	Parole Board
	Permanent Fund
	Pharmacy Board
	Physical/Occupational Therapy
	Pioneer's Home Advisory
	Police Standards Council
	Postsecondary Education
	Professional Counselors
	Professional Teaching Practices
	Psychologist/ Psychological assoc.
	Public Offices Commission
	PWS Oil Spill Recovery Institute
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	Regulatory Commission (RCA)
	Royalty Oil & Gas Development
	Safety Advisory Council
	Seafood Marketing Institute
	Seismic Hazards Safety Commission
	Social Work Examiners
	Student Loan Corporation
	Subsistence Resource Commissions
	Suicide Prevention Council
	Telecommunications
	Uniform State Laws
	Veterans Advisory Council
	Veterinary Examiners
	Violent Crimes Compensation
	Water and Wastewater Works
	Western Interstate Comm/Higher Educ
	Wood-Tikchik State Park
	Worker's compensation
	Worker's Compensation Appeals Commission
	Workforce Investment Board
	Yukon River Panel

SEE ATTACHED

If appointed, a press release will be issued announcing your appointment pending the completion of the appointment process with the Governor's office. Please supply our office with the following information that will be included in the press release.

(Name):_____, (Age):____of (Hometown):_____
is (Job title/Place of employment):_____.
(Name) holds (Listing of earned degrees like bachelor's, master's, ect.):_____,
(Or list relevant experience to the position you are being appointed to)

Examples:

John A. Doe, 38 of Soldotna, is Director of T-Shirts & Co. Doe holds a bachelor's degree in business administration from X University and a master's degree in communications from X University.

John A. Doe, 38 of Palmer, is the owner and operator of Doe and Associates, Inc. Doe previously served as division manager at X, Inc. Doe is a certified personnel consultant.

BIG GAME COMMERCIAL SERVICES BOARD APPLICATION
FOR DON QUARBERG, PAGE 2

A: N/A

B: University of Wisconsin, Bachelors Degree in Natural Resources and Water Resources Management.

Texas A&M University, Master of Science Degree in Fisheries Science.

35 years as a resident of Interior Alaska.

Member of the Alaska Professional Hunters Association.

Member of the Alaska Outdoor Council

Member of the National Rifle Association

Member of Safari Club International

Attended Big Game Commercial Services Board meeting to testify as chair of the Delta Fish and Game Advisory Committee on the AK DNR Guide Concession Areas prospectus. My testimony followed an intensive review (over 20 hours) with local registered guides and assistant guides in an effort to educate myself about the guiding industry in Alaska, as I am not professionally involved in that activity.

C: Current chair and member of the Delta Fish and Game Advisory Committee (20+ years).

Current member of the Delta Bison Management Working Group (30 years +/).

Past President/member of the Deltana Fair Board (12 years).

Past member/officer of the Delta Lions Club (20 years).

Past member of the Salcha - Delta Soil and Water Conservation District (20 years).

D: US Navy, Aviation Electrician, 1961-1965.

Texas A&M University, Research Associate, 1972-1974.

USDA- Soil Conservation Service, Soil/District Conservationist (1976-1979).

University of Alaska Fairbanks, Cooperative Extension Service, Agricultural Agent, (1979-1997).

Retired, Professor Emeritus, University of Alaska Fairbanks, (1997 - present).

BIG GAME COMMERCIAL SERVICES BOARD APPLICATION FOR DON QUARBERG, PAGE 4

Donald M Quarberg, age 67 of Delta Junction is a retired Professor Emeritus of Extension from the University of Alaska - Fairbanks. Mr. Quarberg holds a bachelor's degree in natural resources and water management from the University of Wisconsin and a Master of Science degree in Fisheries Science from Texas A&M University. In addition, he has a long history of serving on the Delta Junction Fish and Game Advisory Committee and the Delta Bison Management Working Group with the Department of Fish and Game.

JuneauEmpire.com

Quarberg

Are you searching for **"DON QUARBERG"**? Highlight these search terms in the article

Alaska opens Delta Junction bison hunt early

Posted: Monday, July 26, 2010

FAIRBANKS - The state is opening the Delta Junction bison hunt two months early to help cut down on damage to local crops.

The early hunt that begins Monday will be for bulls only and will take place in limited areas.

Hunters with permits can take bison on private and public land north of the Alaska Highway. One parcel of private agricultural land south of the highway also will be open.

The early season does not apply to the 90,000-acre Delta Junction Bison Range or military lands south of the Alaska Highway. This is where bison typically roam before moving into farm fields.

A crop damage assessment conducted last fall estimated that bison caused more than $142,000 worth of damage to crop lands.

"We're hoping an early hunt can be a helpful management tool," biologist Steve DuBois with the Alaska Department of Fish and Game said in a statement.

The Delta bison hunt, which normally opens Oct. 1, is the most popular drawing permit hunt in the state. It attracts more than 10,000 applications each year for about 100 permits. The state issued 70 bull permits and 50 cow permits this year.

Crop damage caused by bison has been a long-standing problem for farmers in the area. The 400-head herd spends about half its time on private agricultural land, where the animals eat, tromp and destroy crops like barley, hay and potatoes.

Some farmers have called for fencing the herd in or fencing their crops in, as well as reducing the size of the herd. Hunters have strongly opposed those options, resulting in a stalemate over the issue.

The early hunt was a suggestion from the Delta Bison Working Group, an advisory committee created by Fish and Game. The group, which has representatives from farming and hunting interests, has not come to any kind of consensus over decreasing herd size or fencing.

Delta farmer Mike Schultz, who represents the farming community in the group, said opening the season earlier is "worth a try."

Don Quarberg, one of two hunting representatives, agreed.

"I don't think (an earlier hunting season) is going to be the salvation but it can't be any worse," he said. "At least they're doing something."

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Quarberg

The Alaska News.com

Big Game Board Member Chosen

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Governor Parnell appointed Don Quarberg to the Big Game Commercial Services Board. The announcement was made on July 6, 2011 and included 8 other government organizations and departments aside from the Big Game Commercial. Those other appointments are reported as separate articles here on The Alaska News dot com.

As a part of his tasks, he will be advising for the regulating and licensing activities of providers of commercial services to big game hunters in the interest of the state's wildlife resources.

Quarberg is from Delta Junction and works as a professor emeritus at the University of Alaska Fairbanks and current chair of the Delta Fish & Game Advisory Committee. Quarberg is an active member or leader of several hunting and outdoor-related Alaskan organizations such as the Alaska Professional Hunters Association, Alaska Outdoor Council, National Rifle Association, and Safari Club International.

Formerly, he has also served as a member of the Delta Bison Management Working Group, the Deltana Fair Board of Directors, the Delta Lions Club, and the Salcha-Delta Soil and Water Conservation District.

His dedication to his work and the long line of agencies he has served only proves his flexibility when handling and dealing with different working environment and people.

Quarberg is a U.S. Navy veteran and holds a master's degree in fisheries science from Texas A&M University. His bachelor's degree in natural resources and water resources management is from the University of Wisconsin.

Photo Credit RGBstock.com

Big Game Board Member Chosen

Meet the Author: Diane Jensen

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Fairbanks Daily News Miner

print

Quarberg appointed to guide board

by Staff Report / newsroom@newsminer.com
07.06.11 - 11:46 pm

FAIRBANKS — Don Quarberg of Delta Junction has been appointed by Gov. Sean Parnell to the Big Game Commercial Services Board, the state panel that licenses and regulates guides and other commercial hunting service providers.

Quarberg will take a seat reserved for a member of the public, according to a news release Wednesday from the Office of the Governor.

Quarberg is chairman of the Delta Fish and Game Advisory Committee and a member of the Alaska Professional Hunters Association, Alaska Outdoor Council, National Rifle Association and Safari Club International, according to the news release.

Quarberg, a retired University of Alaska Fairbanks professor, for many years worked as the Cooperative Extension agriculture agent in Delta. He holds a master's degree in fisheries science from Texas A&M University.

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Fairbanks Daily News Miner

print

Quarberg

Delta Junction farmers call for multimillion-dollar bison fence

by Tim Mowry / tmowry@newsminer.com
04.18.11 - 11:10 pm

FAIRBANKS — If you build it, they will still come. But at least they won't be able to get in.

That's the premise behind a proposal from an advisory group to the Alaska Department of Fish and Game to fence in 100,000 acres of private agricultural land in Delta Junction to prevent crop damage caused by a herd of wild bison.

The proposal includes approximately 160 miles of fence around two large blocks of agricultural land and a 45-mile "drift" fence on the south side of the Richardson and Alaska highways from the Tanana River to the Gerstle River to keep bison out of areas that will not be fenced in.

At this point, nobody really knows how much the project would cost, where the money would come from to pay for it, what state agency would lead the project, or whether the Alaska Legislature would even give its needed approval.

"It's kind of pie in the sky," is how Don Quarberg of Delta, a hunting representative on the working group, put it.

Fencing is one of the topics that will be discussed Thursday during a public meeting sponsored by the Department of Fish and Game to discuss an update of the Delta Bison Management Plan. The meeting is at 7 p.m. in the Alpine Lodge.

The department is also proposing to reduce the size of the herd in an attempt to reduce crop damage. The department's management objective is 360 bison before spring calving, and the state is proposing a new objective of 275 to 325 pre-calving. The herd currently numbers about 340 animals.

The purpose of Thursday's meeting is to get feedback on the proposals and future management, state wildlife planner Randy Rogers with the Department of Fish and Game in Fairbanks said.

"We expect we will get quite a lot of public comment," he said

Hunters will likely provide a good portion of that comment. A permit to hunt Delta bison is the most coveted hunting permit in Alaska. Last year, the department received more than 20,000 applications from hunters for 120 drawing permits.

The hunting community has offered no support for fencing, whether it's fencing the bison in or out, Rogers said. Hunters also oppose any reduction in the herd.

But some farmers say something has to be done. Bison get approximately half their food supply from agricultural land. In addition to eating crops like hay and

barley, bison damage plants by tromping through them.

The Department of Fish and Game has a mandate from the Legislature to manage a free-ranging bison herd, so "we don't consider any fencing options as part of the plan right now," Rogers said.

The Legislature has shown little interest in Delta bison management, Rogers said, though Rep. Eric Feige, R-Chickaloon, co-chairman of the House Resources Committee, asked the department for an estimate of how much it would cost to fence the bison onto the 90,000-acre Delta Bison Range, which was established by the Legislature in 1977 to provide food for the bison.

Based on Fish and Game's rough estimate of $50,000 per mile, it would cost roughly $3.15 million to fence in the bison range, which has a circumference of 63 miles. That compares to approximately $8 million to build 160 miles of fence to enclose private agricultural land and $2.25 million to build a 45-mile drift fence on the south side of the Alaska Highway to keep them away from agricultural lands.

Division of Agriculture Director Franci Havemeister, meanwhile, agreed that fencing is the only way to keep bison out of agricultural land.

"Ultimately it's a funding issue," she said. "Who's going to pay for it?"

Delta cooperative extension agent Phil Kaspari, a farmer and member of the bison working group, would like to see some kind of fence to protect farmers' crops.

"I see that as a huge improvement for the agricultural community, but I'm not optimistic in seeing anything happen for years, " he said.

A written comment period of at least 30 days will follow Thursday's meeting, Rogers said.

Contact staff writer Tim Mowry at 459-7587.

Bison meeting

The Alaska Department of Fish and Game is holding a public meeting Thursday at the Alpine Lodge on Dale Road to talk about future management of the Delta Bison Herd. Public comment will be accepted. The meeting begins at 7 p.m.

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Rebne, Brenda
Big Game Commercial Svcs Board

STATE OF ALASKA
OFFICE OF THE GOVERNOR
P.O. Box 110001, Juneau, AK 99811-0001
Phone: (907) 465-3500 Fax: (907) 465-3532

BOARDS AND COMMISSIONS APPLICATION FORM

INSTRUCTIONS

A separate application is required for each position for which you apply. Complete and specific answers will aid in rapid and accurate processing of your resume. Please type or print legibly in ink. Forward to the above address. Be sure your answers are true. A willfully false answer may result in your disqualification or removal from office if you are appointed.

Board or Commission and seat for which I am applying: **Big Game Commercial Service Board**
(For example, Board of Agriculture, public seat)

Please list any other State Boards or Commissions on which you currently or previously have served:

Name: **Brenda Ann Rebne**

Mailing Address: ___

Residence Address: ___

City, State and Zip Code: **Anchorage, Alaska 99504**

Home or Message Telephone: ___ Business Telephone: ___

Fax Number: ___ Cell Phone: ___

Email address: ___

AS 39-05-100 requires that a person appointed to a state board or commission be a registered voter prior to the last general election:

Are you a registered voter: YES X NO ___ Voter Registration Number (Optional): ___

Social Security Number (Optional, required if appointed for travel, reimbursement etc.): ___

Have you ever been convicted of a misdemeanor within the past five years or a felony within the past ten years? YES X NO ___ if 'YES', explain the circumstances on a separate sheet of paper and attach it to this application. A conviction is not necessarily grounds for disqualification. The number of convictions, nature, recentness, and relationship to the board position applied for, will be evaluated and a determination will be made after a review of all relevant facts. **2007 - fined $500.00 for illegally shooting a moose. I immediately turned myself and the moose in to the local State Trooper, where the moose was promptly transferred to a local community member. Horns were short of 50" requirement.**

CONFLICTS OF INTEREST: Certain boards and commissions require full disclosure of personal financial data under AS 39.50.010. If required for the board or commission for which you are applying, are you willing to do so?

YES X NO ___

Could you or any member of your family be affected financially by decisions to be made by the board or commission for which you have applied? YES ___ NO X

If 'YES', explain:

TRAINING AND EXPERIENCE: (If resume attached, it is not necessary to complete items A-D)

A. List any professional licenses, certifications, or registrations and dates obtained that may be used as qualifying criteria.

B. List both formal and informal education and training experiences: (Use additional paper if necessary).

Currently enrolled in the Degree Completion Program at Alaska Pacific University pursuing a Bachelor's in Business Management.

C. List any community service, municipal government, and state positions held, and any awards received. Include both compensated and uncompensated positions (such as president of a service organization or a mayor).

Membership in Other Organizations, Offices Held & Dates:

NativeVillage of Cantwell Board Member, Secretary/Treasurer, 2000 - 2003
CantwellSuccessorVillageOrganization, Chair, May 2002 - 2003
Copper RiverNative Association, 2000 - 2003
- Cantwell Board of Director
- Bylaws Committee
- Budget and Audit Committee

CopperRiver Basin Regional Housing Authority, Commissioner, 2000 - 2005
Alaska Inter-Tribal Council board member, October 2000 - October 2002
- Executive Committee
- Finance Committee
- Human Resources Committee
- Convention Committee

AlaskaFederation of Natives, Board Member, October 2001 - Present
- Subsistence Committee Workgroup, Chair
- Legislative Committee
- Convention Committee

Copper Valley Economic Development Council, 2000 - November 2002
State-Tribal Relations Team, 2000 - October 2002

D. Employment work history - paid, unpaid or voluntary: (Use additional paper of necessary).

Current Occupation: VP of Corporate Affairs
Company: Ahtna Incorporated

Address:
Phone: (907)
Cell: (907)
Email

10Year Work History

- Tribal Administrator, NativeVillageofCantwell, April 1998- June 1999
- Village Tourism Coordinator, Ahtna Incorporated, July 1999 - June 2002
- Corporate Relations Manager, Ahtna Incorporated, June 2002 - June 2004
- VP of Corporate Affairs, Ahtna Incorporated, June 2004 - Present

The Office of the Governor and the State of Alaska have an Affirmative Action Equal Employment Opportunity Program. To assist in the program, you are asked to voluntarily answer the following questions to provide the information necessary for reporting purposes. Under State and Federal law, the information you provide will not be used to illegally discriminate against you.

DATE OF BIRTH: SEX: FEMALE MALE

ETHNICITY:

Alaska Native American Indian Asian or Pacific Islander Black Hispanic White

MILITARY SERVICE (if applicable, give dates):

CERTIFICATION: I swear the information I have entered on this form is true to the best of my knowledge. I understand that if I deliberately conceal or enter false information on the form my application may be rejected, I may be removed from the list of eligible candidates, or I may be removed from the position. I agree that the Office of the Governor may contact present or former employees or other persons who know me to obtain an additional information about my skills and abilities. I understand that the information on this application is public information and may be released through a legal request for such information.

Signature (in ink): Date:

Please attach a current resume with your application.

STATE OF ALASKA
OFFICE OF THE GOVERNOR

BOARDS AND COMMISSIONS

Name: _____ Date: _____

(Indicate top three boards/commissions of interest by number with #1 as your preference)

	Accounting Board
	Aerospace Development Corporation
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	Agriculture & Conservation
	Alaska Juvenile Justice Advisory Committee
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	Bald Eagle Preserve
	Bar Association
	Barbers & Hairdressers
	Bering Sea Fishery Advisory Board
	Big Game Commercial Services
	Boating Safety Council
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	Children's Trust Board
	Chiropractic Examiners
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	Faith-Based & Community Initiatives Council
	Fire Standards Council
	Fisheries

	Fisherman's Fund Advisory & Appeals
	Forestry
	Game
	Health Council
	Historical Commission
	Historical Records Advisory
	Homeless Council
	Housing Finance Corporation
	Human Rights
	Humanities Forum
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	Marine Pilots
	Marine Transportation Advisory Board
	Marital & Family Therapy
	Medical Board
	Mental Health Board
	Mental Health Trust Authority
	Midwives
	Minerals Commission
	Municipal Bond Bank
	Natural Gas Authority
	Natural Gas Pipeline Corporation
	Natural Resources Conservation Dev
	North Pacific Anadromous Fish
	North Pacific Fisheries Management Council
	North Pacific Research Board
	Nursing
	Occupational Safety
	Oil & Gas Conservation Commission
	Optometry
	Pacific Marine Fisheries Commission
	Pacific Salmon Commission-Commissioners
	Pacific Salmon Commission- Northern Panel

	Pacific Salmon Commission Transboundary Panel
	Parole Board
	Permanent Fund
	Pharmacy Board
	Physical/Occupational Therapy
	Pioneer's Home Advisory
	Police Standards Council
	Postsecondary Education
	Professional Counselors
	Professional Teaching Practices
	Psychologist/ Psychological Assoc
	Public Offices Commission
	PWS Oil Spill Recovery Institute
	Railroad Corporation
	Real Estate Appraisers
	Real Estate Commission
	Regents
	Regulatory Commission (RCA)
	Royalty Oil & Gas Development
	Safety Advisory Council
	Seafood Marketing Institute
	Seismic Hazards Safety Commission
	Social Work Examiners
	Student Loan Corporation
	Subsistence Resource Commissions
	Suicide Prevention Council
	Telecommunications
	Uniform State Laws
	Veterans Advisory Council
	Veterinary Examiners
	Violent Crimes Compensation
	Water and Wastewater Works
	Western Interstate Comm/Higher Educ
	Wood-Tikchik State Park
	Workers compensation
	Worker's Compensation Appeals Commission
	Workforce Investment Board
	Yukon River Panel

If appointed, a press release will be issued announcing your appointment pending the completion of the appointment process with the Governor's office. Please supply our office with the following information that will be included in the press release.

Name):Brenda Rebne, (Age):48, of Cantwell, Alaska:
is VP of Corporate Affairs for Ahtna, Incorporated.

Brenda Rebne, of Anchorage, Alaska is VP of Corporate Affairs for Ahtna, Incorporated and is currently pursuing a Bachelor's Degree in Business and Administration Management at Alaska Pacific University. She was born and raised in Alaska and her hometown is Cantwell, Alaska. Ms. Rebne, is hoping to follow her families footsteps by serving the communities of Alaska by continuing to promote responsible use of Alaska's wildlife resources.

ALASKA FEDERATION OF NATIVES

ABOUT US

Alaska Federation of Natives
1577 C Street,
Suite 300
Anchorage, AK
99501
Phone
907.274.3611
Fax 907.276.7989

AFN LEADERSHIP

Julie Kitka
President

State Senator
Albert Kookesh
Co-Chair
Sealaska
Corporation

Ralph Andersen
Co-Chair
Bristol Bay Native
Association

BOARD OF DIRECTORS

Brenda Rebne
Ahtna Villages

Brenda Rebne has served as the Ahtna Village Representative of the AFN Board for four years. She has been employed by Ahtna, Inc. for eight years and currently holds the position of Vice-President of Corporate Affairs. Ms. Rebne has two children, Grant and Tracy and resides in Anchorage.

Return to AFN Board List

MORE BOARD BIOS

Albert Kookesh, Co-Chair of the Board
Andrew Teuber
Bert Adams
Bertha Franulovich
Brenda Rebne
Christopher Gene
Dimitri Philemonof
Edward Thomas
Felix Hess
Fenton Rexford
Francis Norman
Fred Christensen
Gail Schubert
Georgianna Lincoln
Gloria O'Neill
Greg, Razo
Herman Kingnak, Sr.
Jason Bourdukofsky
Jerry Isaac
Joseph Chythlook
Ken Johns
Loretta Bullard
Marie Greene
Myron Naneng
Nancy Barnes
Orville Huntington
Ralph Andersen, Co-Chair of the Board
Rosita Worl
Sheri Buretta
Stephanie Thompson
Steve Ivanoff
Tara Sweeney
Thomas Mack
Tim Towarak
Tom Tilden
Will Anderson
Willie Kasavulie

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Rebne

H.A.V.E-Alaska

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BOARD OF DIRECTORS

Diane Benson
Fairbanks Pipeline Company
Former Alaska Lt. Governor Candidate
Chugiak, AK

When my son was severely injured in the Iraq War I could not imagine how he or our family could ever recover. Within weeks after losing both legs to a bomb my son saw a poster at physical therapy of an amputee skiing. He decided that was what he wanted to do. He and his wife thereafter learned together to ski, scuba dive, and bike marathons. When people come together as a community and provide opportunity to those struggling; make the dream of being in motion come true, lives change and communities are enriched. Today, my son and his wife are happy and active. After our time at Walter Reed Army Medical I had to do something and so I became involved in various groups including the ADA Commission, the VFW Ladies Auxiliary Post 10041, the Anchorage Chamber's Military Appreciation Committee, the Military Order of the Purple Heart and now, HAVE-Alaska.

Kyle Moxley
U.S. Army Ret.
Tolsona Lake, AK

"I served in Iraq 9/1/2003 – 3/26/2004 when I was severely injured by an IED during a patrol in Fallujah. I have since been through multiple surgeries and therapies that enabled me to keep the presence of my right arm. I have since earned a Bachelor's in Business Administration and am currently working on my M.B.A . I have always envisioned myself in the military and now that I can no longer physically be in the military, I can be an active part of veteran's lives."

Karla Moxley
Educator
Tolsona Lake, AK

"Although I have never actively served in the military, I have been influenced by my father and brother, both Marines' drill instructors, and my wounded warrior husband, Kyle. Since my husband's injuries, I have acquired a wealth of knowledge, lists of resources and numerous contacts that I enjoy sharing with other wounded soldiers and their families. As the primary caregiver of a wounded soldier, I offer a unique prospective towards interacting with and caring for wounded warriors. I am a wife, a mom of five children, a high school math teacher and coach, plus I am earning my Master's in Educational Leadership."

Brenda Rebne
President-Ahtna Facilities Services
Anchorage/Cantwell, AK

"In this last year, I've spent a lot of time at a medical facility that services wounded warriors. Nothing can make a person enjoying freedom feel smaller than being face to face with a wounded warrior. The sacrifices are great and for these strong and valued warriors lifelong. What can I do to say thank you? Words are so fleeting and thank you just isn't enough. So I'm going to commit to this cause and do the best job I can. As the saying goes, "I don't know, what I don't know" but I'm willing to learn and I'm willing to put the time in to help make the organization worthy of its mission and do something positive that actually means something more than a thank you could ever do. How much more would it do for a wounded warrior that may have thought they would never be able to enjoy the outdoors or those activities again? I can't imagine. If I can play a small part in making that happen, I'm there!"

Aaron Bloomquist
Full Curl Outdoors
Tok/Copper Center, AK

"My dedication to our veterans stems from a reverence for "The Greatest Generation" in my family. Of my grandparents and great uncles, seven served in World War II. My grandfather Charlie Fisher served in every

theater in WWII. He was the inspiration for much of my love of the outdoors. He instilled in me a respect and admiration for those that fight so we, as Americans, may live free and fulfilling lives. I organized our first Wounded Warrior bear hunt in 2006 after reading about veterans fishing trips on Kodiak Island. I was honored to share the field with Dan, Doc, and Brian, all severely injured Veterans of the war in Iraq. I hope all the veterans served by HAVE-Alaska are as excited to spend time in our great State as I am to host them on their adventures."

Mark John
VP-Marketing-Major Alaska Corporation
Anchorage, AK

"I have the utmost respect and admiration for our military. Their un-selfless service and bravery does not get recognized nearly enough. I believe we should express our gratitude to our veterans, those who are presently serving and those who have served each and every day, not just on special occasions. We should not forget their service but do all we can to provide them what they require to do their job now and assist them when they return; especially those harmed and wounded protecting our personal freedom. Let us always be thankful for the contributions of our military and not forget the sacrifice they have made for us."

Ron Jordan
U.S Navy 1969-1974
Anchorage, AK

"I am a Navy veteran myself. I was A Navy medic from Aug. 1969 to January 1974. In that time I served with the 12th. Artillery third Marine Division. I also served with the Kenai Alaska National Guard as A medic 1977 to 1978 after coming back to Alaska and while living in Homer in 1974 to 1978. Being able to help and improve the life style of the military injured and being able to give them the self reliance to do the things that they would like to do for themselves is a good thing."

Craig Fleener
Dept. Commissioner ADF&G - Game
Fort Yukon/ Anchorage, Ak
(Currently deployed to Afghanistan with the National Guard)

Bruce Morgan
President - Sampson Steel
Anchorage, AK

1 pending

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E-mail: info@have-alaska.org

Rebne

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Alaska Game Board Chairman Ron Somerville Apologizes for Offensive Remarks to Natives

Implies Absent Natives Off Drinking Beer

Alex deMarban / Anchorage Daily News / November 2, 2006

The new Board of Game chairman apologized Wednesday for implying that Natives absent from a recent meeting may have been off drinking beer.

Ron Somerville, who has a long history of angering Natives with outspoken views on subsistence, added that the uproar in the Native community over the comments is a diversionary tactic.

The Game Board is restricting subsistence hunts in the Nelchina basin north and east of Anchorage, including the popular caribou hunt, and Natives from the region strongly oppose the changes.

Somerville, of Juneau, said he was trying to lighten tension at the end of a long Game Board meeting last month when he made his comment about beer drinking.

"If I offended somebody, I'm terribly, terribly embarrassed by that, if it was taken other than as just a way of breaking the tension and I apologize for that. I don't think I have to, to be honest with you, but if that's what happened and someone took it wrong ..." he said.

A Native woman privately complained to him at the meeting that the comments were offensive, he said. He had not heard of any other complaints until now, he said.

The Alaska Federation of Natives voted Saturday to ask the U.S. Department of Justice, the Alaska Human Rights Commission and the state ombudsman to investigate the remarks.

Alcohol is a sensitive topic in Native villages, where it's blamed for high rates of violent crime, suicide, fetal alcohol syndrome and other ills.

If the remarks are deemed "inappropriate, discriminatory, oppressive or discourteous," AFN will ask the state to pursue "corrective action," including removing Somerville, according to a resolution passed at the AFN convention.

Somerville made his remarks Oct. 7. During a public comment period, he called on three people in a row signed up to speak but who weren't there, according to a recording provided by Game Board staff.

The three were part of a group of more than 50 Alaska Natives from Copper River-area communities who had been speaking throughout the day.

Some charged the board with wanting to restrict subsistence hunting to create a surplus of caribou, leaving enough to open a sport hunt for the first time in 17 years next year.

After the third speaker didn't show, Somerville said:

"There must have been a run on free beer or something."

Somerville called Donna Hicks of Copper Center to speak.

Hicks was present. "Don't like beer, Donna?" he asked.

Some general laughter followed the statements, though it's impossible to tell from the recording who is laughing.

Several Natives in the audience were offended.

"I was like, 'That was uncalled for, especially since he knew we were all Indians,' " said Tammany Straughn of Cantwell. "It's stereotyping, like, 'Oh they're drunken Indians.' That's the way I felt."

Board member Ben Grussendorf of Sitka "kind of stiffened up" when he heard the comment, he said.

News Articles/Press Releases
Editorials/Opinions

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- Alaska Governor Frank Murkowski
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- Alaska Media
- State Senate
- Alaska Board of Game

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There were about 45 people in the audience. About six Natives looked at each other, apparently questioning the remarks, he said.

Grussendorf said the meeting had become somewhat informal, even conversational.

"I think he meant it in jest, and it just didn't sit well," Grussendorf said.

Somerville, appointed chairman at that October meeting, is no stranger to political fire storms or Native issues.

For much of the 1980s, he headed the pro-sport hunting and fishing Alaska Outdoor Council, leading efforts to overturn the state's old rural priority for subsistence.

In 1991, Gov. Wally Hickel suggested Somerville to head the Department of Fish and Game, touching off a statewide flurry of protests by Alaska Natives.

The appointment, ultimately rejected by the fish and game boards, was critical because the state was seeking new ways to provide subsistence hunting and fishing. The state's rural priority had been ruled unconstitutional in 1989.

The AFN delegates were told of Somerville's comments by Brenda Rebne of Ahtna Inc., the Glennallen-based regional Native corporation for the Copper River area.

The board wants to make the Nelchina rules so cumbersome that people won't apply to subsistence hunt, Rebne announced at the convention.

She pointed out that the Game Board has made it impossible for many young people to proxy hunt for elders, among other restrictions.

In October, the board also reduced the number of caribou permits per household from three to two.

The board plans to continue discussing, but not make decisions on, Nelchina subsistence hunts at its Nov. 10-15 meeting in Wrangell, said Matt Robus, state director of wildlife conservation.

Furthers restrictions the board might consider at an Anchorage meeting in March include reducing ATV and other vehicular use, such as planes and RVs that take hunters nearer to prey, and awarding permits based in part on household income.

The Nelchina caribou hunt has been contentious for years, with many hunters saying it's unfair and excludes too many.

Thousands of Alaskans apply every year to hunt caribou in the basin, an area roughly framed by the Parks, Denali, Richardson, Glenn and Tok Cutoff highways, but sometimes only a small percentage win permits.

Once the board finishes rewriting the rules, it will redefine the amount of caribou and moose necessary for subsistence hunts. If there's a surplus of caribou, the board could create a general drawing hunt for all Alaskans after subsistence needs are met.

That's not the board's intent, Somerville said Wednesday, but it might end up that way.

Daily News reporter Alex deMarban can be reached at ademarban@adn.com or 257-4310.

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SENATE
CONFIRMATION COMMITTEE REPORT

Date: Apr. 16, 2012

In accordance with AS 39.05.080, the Resources Committee reviewed the following and recommends the appointment(s) be forwarded to a joint session for consideration:

Board of Game

Lynn Keogh, Jr. – Anchorage
Appointed: 7/28/2011 Term Expires: 6/30/2013

Teresa Sager-Albaugh – Tok
Appointed: 7/1/2009
Reappointed: 7/1/2012 Term Expires: 6/30/2015

Robert Mumford – Anchorage
Appointed: 7/1/2012 Term Expires: 6/30/2015

This does not reflect an intent by any of the members to vote for or against the confirmation of the individual(s) during any further sessions.

Signature:	Printed Last Name
	Wielechowski
	French
Cochair:	Parkinson
Cochair:	Wagoner

Please return to the Senate Secretary's Office (Room 211).

BOARD OF GAME

GENERAL: According to the statutes (**AS 16.05.221. Boards of Fisheries and Game),** "The governor shall appoint each member on the basis of interest in public affairs, good judgment, knowledge, and ability in the field of action of the board, and with a view to providing diversity of interest and points of view in the membership."

1. Do you believe that a "diversity of interest and points of view" is, in fact, important to the Board of Game? Please explain.

2. Please comment on the "diversity of interest and points of view" in the current membership of the Board of Game.

3. Do you believe that your appointment would provide "diversity of interest and points of view," as required by statute? Please explain.

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Alaska Statutes.
Title 16. Fish and Game
Chapter 5. Fish and Game Code
Section 221. Boards of Fisheries and Game.

previous: Section 220. The Board of Fish and Game. [Repealed, Sec. 40 Ch 206 SLA 1975].
next: Section 230. Term of Office. [Repealed, Sec. 40 Ch 206 SLA 1975].

AS 16.05.221. Boards of Fisheries and Game.

(a) For purposes of the conservation and development of the fishery resources of the state, there is created the Board of Fisheries composed of seven members appointed by the governor, subject to confirmation by a majority of the members of the legislature in joint session. The governor shall appoint each member on the basis of interest in public affairs, good judgment, knowledge, and ability in the field of action of the board, and with a view to providing diversity of interest and points of view in the membership. The appointed members shall be residents of the state and shall be appointed without regard to political affiliation or geographical location of residence. The commissioner is not a member of the Board of Fisheries, but shall be ex officio secretary.

(b) For purposes of the conservation and development of the game resources of the state, there is created a Board of Game composed of seven members appointed by the governor, subject to confirmation by a majority of the members of the legislature in joint session. The governor shall appoint each member on the basis of interest in public affairs, good judgment, knowledge, and ability in the field of action of the board, and with a view to providing diversity of interest and points of view in the membership. The appointed members shall be residents of the state and shall be appointed without regard to political affiliation or geographical location of residence. The commissioner is not a member of the Board of Game, but shall be ex officio secretary.

(c) Members of the Board of Game serve staggered terms of three years and, except as provided in AS 39.05.080 (4), each member serves until a successor is appointed. An appointment to fill a

vacancy in the membership of the Board of Game shall be made in the same manner as the original appointment and, except as provided in AS 39.05.080 (4), an appointment to fill a vacancy is for the balance of the unexpired term.

(d) Members of the Board of Fisheries serve staggered terms of three years. The terms of members of the board begin on July 1. Notwithstanding AS 39.05.080 (1), by April 1 of the calendar year in which the term expires, the governor shall appoint a person to fill the vacancy that will arise on the board due to expiration of the term of a member of the board and submit the name of the person to the legislature for confirmation. If a vacancy arises on the board, the governor shall, within 30 days after the vacancy arises, appoint a person to serve the balance of the unexpired term and submit the name of the person to the legislature for confirmation. A person appointed to fill the balance of an unexpired term shall serve on the board from the date of appointment until the earlier of the expiration of the term or the failure of the legislature to confirm the person under AS 39.05.080.

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Note to HTML Version:

This version of the Alaska Statutes is current through December, 2007. The Alaska Statutes were automatically converted to HTML from a plain text format. Every effort has been made to ensure their accuracy, but this can not be guaranteed. *If it is critical that the precise terms of the Alaska Statutes be known, it is recommended that more formal sources be consulted.* For statutes adopted after the effective date of these statutes, see, Alaska State Legislature If any errors are found, please e-mail Touch N' Go systems at E-mail. We hope you find this information useful.

This page has been updated: 08/26/2011 16:41:16

Alaska Department of Fish and Game

Welcome to the Alaska Board of Game!

Board of Game Members, 2011-2012

Board of Game News

- Board of Game to Meet in Fairbanks, March 2-11
- Notice of proposed changes in the regulations of the Alaska Board of Game - Interior Region 2012 (*PDF 55 kB*)

Board of Game

The Board of Game consists of seven members serving three-year terms. Members are appointed by the governor and confirmed by the legislature. Members are appointed on the basis of interest in public affairs, good judgment, knowledge, and ability in the field of action of the board, with a view to providing diversity of interest and points of view in the membership (see Alaska Statute 16.05.221).

The Board of Game's main role is to conserve and develop Alaska's wildlife resources. This includes establishing open and closed seasons, areas for taking game, setting bag limits; and regulating methods and means. The board is also involved with setting policy and direction for the management of the state's wildlife resources. The board is charged with making allocative decisions, and the Department of Fish and Game is responsible for management based on those decisions.

The board meeting cycle generally occurs from October through March. The board considers changes to regulations on a region-based schedule. Each region will be discussed on a Two-year cycle. Board of Game meetings vary in duration from 5 to 11 days and occur in communities around the state. The board may also meet due to a court action, legislation or an emergency situation. The board uses biological and socioeconomic information provided by the Alaska Department of Fish and Game, public comment received from people inside and outside of the state, and guidance from the Alaska Department of Public Safety and Alaska Department of Law when creating regulations that are sound and enforceable.

The Board of Game's authority to adopt regulations as described in AS 16.05.255. Those regulations can be found under 5 AAC Chapters 84, 85, 92, and 99.

Call For Proposals

The Alaska Board of Game calls for proposed changes in the regulations pertaining to hunting, trapping, and the use of game for the following regions:

1. Southeast Region (Game Management Units 1, 2, 3, 4, and 5)
2. Southcentral Region (Game Management Units 6, 7, 8, 14C, and 15)
3. Central/Southwest Region (Game Management Units 9, 10, 11, 13, 14A, 14B, 15, 16 & 17)

Read More

Proposal Deadline

The Board of Game is now issuing an annual Call for Proposals rather than a separate a Call for each meeting. The proposal deadline for the 2012/2013 meeting cycle will be May 1, 2012. For every year thereafter, the proposal deadline will be May 1st. For those years when May 1st occurs on a weekend, the proposal deadline will be set for the Friday preceding that weekend.

Game, Board of **Lynn B Keogh JR.**

General Information

Board/Commission and seat you are seeking:
Game, Board of, Public Seat

Additional Boards/Commissions of interest:
1) Game, Board of

State Boards/Commissions on which you have served
Anchorage Fish & Game Advisory Board - 6yrs.

First	*Middlename*	*Last Name*
Lynn	**B**	**Keogh JR.**

Mailing Address	*City*	*State & ZIP*
	Anchorage	

Home/Message Phone	*Business Phone*	*Cell Phone*

Email Address	*Are you a registered voter?*
	Yes

Date of Birth	*Ethnicity*
Gender	
Military Service	

Conflict of Interest

Certain boards and commissions require full disclosure of personal financial data under AS 39.50.010. If required for the board or commission for which you are applying, are you willing to do so?
Yes

Could you or any member of your family be affected financially by decisions to be made by the board or commission for which you are applying?
No

Please explain the potential financial benefit

Employment History

Employment work history including paid, unpaid or voluntary.
Owner - Key-O's Guide Service, since 1986 (Fishing Guide)
Big Game Guide for various Guide Services
Bear Guard - 2006 to present

Education, Training, Experience & Qualifications

List both formal and informal education and training experiences:
High School Graduate - East Anchorage 1982
Lifelong Alaskan with extensive experience as a professional hunter, trapper and fisherman.

obtained that may be used as qualifying criteria:
U.S. Coast Guard Licensed Captain - since 1988
Registered Big Game Guide - since 1992
Business License, owner of Sportfishing Charter Business - since 1986
Learn to Return Survival Certification
Hunter Education Certification
Fish & Game Sportfishing Guide and Business License
Transportation Worker Identification Credential (TWIC) - 2009
Maritime Consortium Drug Testing Program
American Red Cross

List any community service, municipal government, and state positions held, and any awards received.
None

Conviction Record

Have you ever been convicted of a misdemeanor within the past five years or a felony within the past ten years?
No

Conviction Circumstances

Certification of Accuracy & Completeness

By submitting this online application, I swear the information I have entered on this form is true to the best of my knowledge. I understand that if I deliberately conceal or enter false information on the form my application may be rejected, I may be removed from the list of eligible candidates, or I may be removed from the position. I agree that the Office of the Governor may contact present or former employees or other persons who know me to obtain an additional information about my skills and abilities. I understand that the information on this application is public information and may be released through a legal request for such information.

Type "I certify"
"I certify"

Resumé Addendum

Press Release Wording

{Your Name}, {age} of {hometown}, is {job title/place of employment} holds {education level, school, or relevant experiences}.

Submitted: 05/06/10 at 10:19 am from 74.124.79.35

Alaska Trappers Association

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Meet Your Board of Directors
Lynn Keogh (former member)

Name
Lynn Keogh
Year of Birth
1964
Place of Birth
Anchorage
Occupation
Hunting and fishing guide
Age when started trapping
4-5
How did you get started?
I started trapping with my dad. Whether it was hunting, fishing or trapping, he took me along. Thirty-seven years later, we are still trapping partners.
Special memories of early years
The 'learning game.' There were no trapping classes available when we started, so we learned everything by trial and error.
Number of years trapping in Alaska
37
Locations trapped in Alaska
South of Alaska Range
Special memories of trapping in Alaska

- Trapping full-time with my dad.
- Getting my kids involved in trapping.
- Opening day of the season; the kids either skip school or take off work to help Dad and me put out the 'lines.

Click here to go back to list of board members

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Keogh

Thu. Mar. 2212:46 pm | 34° Broken clouds

Opinion

Monday, March 19, 2012

Governor Parnell, show some respect for wildlife, and Alaskans

By **TINA M. BROWN**

7 comments »

Latest by ArtVandelay 2 days 22 hours ago

Former of Fish & Game Conservation Director Corey Rossi's wildlife violations are an embarrassment to Alaska, a disgrace to the Parnell administration, an insult to the good people who work at Fish & Game and an affront to all Alaskans. Unfortunately, Rossi was not the only individual in Alaska's wildlife management who should resign.

Cliff Judkins, the current chair of the Board of Game, was with Corey Rossi and former BoG member Bob Bell on a musk ox hunt during which they were caught with trophy horns that were supposed to have been destroyed as a condition of their subsistence hunt. Nevertheless, Governor Parnell did not ask Judkins to step down from the BoG or even from his position as chair.

Members of Advisory Committees (local volunteer groups statewide that send recommendations on proposals to the Board of Game and the Board of Fish) are not currently vetted. While most AC members are dedicated, knowledgeable citizens, some recent and/or current AC members in our state have wildlife violations, sex violations; and even though the Juneau-Douglas Advisory Committee is a deservedly well respected group, one of its former members was a convicted felon. (Note that the JDAC now asks each applicant about his/her record, even though the state does not require such vetting.)

The Joint Boards (Board of Game and Board of Fish) is currently addressing this AC vetting problem, however some members of the Board of Game and the Board of Fish have wildlife violations themselves, including Parnell's most recently confirmed appointee. Parnell knew of this appointee's wildlife violations when he appointed him, but chose not to tell our legislators during the confirmation process.

And Parnell's most recent appointee, Lynn Keogh, Jr., who is currently in the process of being confirmed by the state Legislature, has a fairly lengthy civil court record (**http://www.courtrecords.alaska.gov/pa/pa.urd/PAMW6500**) including listings in Anchorage, Glennallen, Homer, Kenai, and Palmer. Additionally, despite the state mandate for diversity in the Board of Game, Mr. Keogh's resume clearly shows that he brings nothing new to the BoG.

Predator control in Alaska is out of control because many of those who manage Alaska's wildlife are out of control. Governor Parnell, stop letting underqualified and disreputable people manage Alaska's wildlife. Clean up your house: Replace Mr. Rossi with someone who has the professional qualifications, education, experience, and personal integrity necessary for the position; reform wildlife management in the last frontier, and appoint reputable people with diverse backgrounds to our Board of Game. Alaska's wildlife belongs to all Alaskans. Start treating it — and the Alaskans whom you represent — with respect.

• Brown is a resident of Juneau.

0 9

7 comments »

Latest by ArtVandelay 2 days 22 hours ago

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Welcome, guest

ALASKA STATE LEGISLATURE

SENATOR HOLLIS FRENCH

April 3, 2012

Lynn Keogh
4778 Mills Drive
Anchorage, AK 99508

Dear Mr. Keogh,

I'm writing in advance of your confirmation hearing before the Senate Resources Committee this Friday, April 6, 2012. As a member of the committee, I have received numerous emails urging me to vote one way or the other regarding your nomination. Some of those emails have alleged that you have had past brushes with the law. While the application you filed with the Board does not record any convictions for the past ten years, my staff has shown me a lengthy list of court cases that appear in Court View, which bear your name. I have no way of knowing whether or not any of these cases actually involve you. I anticipate asking you a question about the cases on the record during the confirmation hearing. In the interest of fairness, it seemed better to send you this letter now informing you of my intention.

Here are the questions I intend to ask. How many times have you been charged with a crime as an adult? How many times have you been convicted of a crime as an adult? What were the circumstances surrounding those convictions? Are there any civil cases that you have been involved in that should come to the committee's attention?

Sincerely yours,

Session: State Capitol • Juneau, Alaska 99801 • (907) 465-3892 • 1 (866) 465-3892 • Fax: (907) 465-6595
Interim: 716 West 4th Avenue • Anchorage, Alaska 99501 • (907) 269-0234 • Fax: (907) 269-0238

BOARD OF GAME APPOINTMENTS

April 4, 2012

Tom Lamal
1734 Becker Ridge Road
Fairbanks, Alaska 99709
(907) 479-7544 Hm. 388-5153 cell
tomlamal@yahoo.com

Dear Governor Parnell,

As you consider appointing new members to the Board of Game, please rebalance the Board so that the residents' interests are considered on an equal basis with the commercial guide interests.

Many residents are concerned with the focus of the current Board of Game. For example, in January there were 23 proposals presented to the BOG Statewide Meeting requesting some preferences for resident hunters and the board rejected all requests. Now, residents will have to wait until 2016 when the Board of Game will consider statewide proposals.

Presently the Board of Game is comprised of two guides (Nate Turner & Lynn Keogh), one assistant guide (Stosh Hoffman), present and past representatives to the Big Game Commercial Services Board (Ted Spraker & Robert Mumford) and several board members who have close ties or are directly associated with the Alaska Professional Hunters Association, which lobbies to keep commercial operations in the forefront.

All of the Western States, except Alaska have a high allocation of game for their residents and don't force nonresidents to use a guide for any specie. Alaska is missing an excellent opportunity to collect a lot more money in tag fees without discouraging nonresident participation.

I would be honored to have the opportunity to discuss this with you or someone on your staff and I would be willing to fly to Juneau if that would help the resident's cause. I have served on different boards, a commission and committees, so I understand how things can get directed away from a group's mission.

I urge you to appoint Board of Game members who want to keep Alaska family hunting traditions in place and create quality opportunities for our youth.

Sincerely,
Tom Lamal

Jeff Stepp

From: Janice Golub <golubjan@gmail.com>
Sent: Friday, April 06, 2012 2:42 PM
To: Sen. Hollis French; Sen. Lesil McGuire; Sen. Bert Stedman; Sen. Tom Wagoner; Sen. Joe Paskvan; Sen. Bill Wielechowski; Sen. Gary Stevens
Subject: Board of Game Appointments

Categories: Printed

Dear Senators,
I am writing to express my dismay over the potential nominees to the Board of Game that you will be presented with this afternoon.

Once again, Gov Parnell has failed to offer a diverse perspective to the Board. The BoG is already top-heavy with professional hunters and trappers who will benefit monetarily from BoG decisions. Enough is enough.

All three nominees (MsTeresa Sager-Albaugh, Mr Robert Mumford, and Mr Lynn Keogh Jr) have narrow viewpoints and bring no change to the current makeup of the Board. Sager-Albaugh has voted in the past for intensive predator control. Mumford is a member of the Alaska Professional Hunters Association, and Keogh is an active guide who has voted (as a nominee) for the airborne killing of wolves, and also for the killing of bears.

In particular, Mr Keogh seems to have not been vetted at all by the Parnell administration. He has a lengthy public record on the CourtView website. If he cannot obey even our basic laws -- repeatedly -- how can he hold a position that makes rules for others to follow? Given the recent wrongdoings of members of the department, State needs only candidates that have demonstrated integrity.

Today is a crucial day; you have the ability to bring long-overdue change to the composition of this Board. Please reject these nominees and demand that Gov Parnell selects nominees who are non-consumptive users, or bring a rational, educated scientific background into game management.

Thank you for your time and consideration.
Best regards,
Janice Golub
POB 35096
Fort Wainwright, AK 99703-0096
907-347-4366

Jeff Stepp

From: Marilyn <lostinspace@matnet.com>
Sent: Thursday, April 05, 2012 4:54 PM
To: Sen. Joe Paskvan
Subject: Board of Game appointment: Lynn Keogh

Dear Senator Paskvan,

I am writing to ask for a "NO" vote on the appointment of Lynn Keogh to the Alaska Board of Game. Mr. Keogh has demonstrated an incredible disrespect for the laws of Alaska, evidenced by numerous violations in the records of the Alaska Court System. Someone with such poor judgment has no place serving on the board that addresses the game laws of Alaska.

Thank you for your consideration.

Sincerely,
Marilyn Houser
2411 Ingra Street
Anchorage, AK 99508

Jeff Stepp

From: Kelly Walters <kwalters@alaska.com>
Sent: Friday, April 06, 2012 12:51 PM
To: Sen. Lesil McGuire; Sen. Bill Wielechowski; Sen. Joe Paskvan; Sen. Hollis French; Sen. Gary Stevens; Sen. Bert Stedman; Sen. Tom Wagoner
Cc: Rep. Mia Costello
Subject: Appalling and threatening email sent by Randy Ruedrich! Please view!
Attachments: IMG-20120405-02102.jpg

Importance: High

Categories: Printed

Senate Resource Committee Members:

I am a hunter and a fisherman. I am appalled at the direction our Board of Game has taken. They are no longer science-based and are doing great and irreparable harm to our wildlife and game management. We are becoming a WILD GAME FARM.

Our constitution is inclusive and diverse. The Board of Game is narrow and focused on eliminating bears and wolves-in the most horrific manner.

I am urging you to vote for diversity and for sound game management. Please Vote Down the following appointments:
Lynn Keogh Jr.
Teresa Sager-Albaugh
Robert Mumford

I have attached a screen shot of an email sent by Randy Ruedrich basically threatening legislators if they don't do what Rod Arno of the Alaska Outdoor Council wants them to do. How much longer can Alaska's wildlife sustain the blows from a decade of NO DIVERSITY ON THE BOARD?

PLEASE DO SOMETHING! VOTE THESE RADICALS OUT!

Here is some other information on why I strongly urge you to vote down Lynn Keogh's nomination:

1. Keogh is an active guide, and hunter and trapper. He will be another loyal representative of hunters and trappers, bringing no diversity to a body that is mandated to represent all Alaskans. The approximately 85% of Alaskans who neither hunt nor trap currently have no say about how Alaska's wildlife is managed.
2. Keogh has a narrow viewpoint: he is a staunch advocate for killing predators. As a BOG nominee (which entitled him to vote at recent meetings) he voted in favor of airborne killing of wolves on the Kenai Peninsula, despite overwhelming public opposition.
3. Keogh has enthusiastically joined the BOG's war on bears. His resume and his votes at the recent Fairbanks BOG meeting demonstrate that he would continue to support extreme control (killing) programs targeting bears and other predators.
4. Keogh apparently has little appreciation for state laws, as evidenced by his encounters with the Alaska court system over the years. (See www.courtrecords.alaska.gov) In light of several recent and highly publicized debacles involving wildlife managers in Alaska, nominees must be held to the highest degree of integrity. Keogh fails such scrutiny.

For many of the same reasons, I urge you to vote down Teresa Sager-Albaugh:

. Teresa Sager-Albaugh is up for reappointment to the BOG. She, like Keogh, is very bad news for our wildlife. She helped vote down the Denali Buffer Zone for wolves in 2008 and also voted for aerial wolf killing on the Kenai Peninsula, both times ignoring overwhelming public input. She is staunchly pro-[illegible]ensive Management (killing predators to boost moose populations for hunters), an NRA member, and former president of the pro-hunting Alaska Outdoor Council. In short, she brings absolutely no diversity to the BOG.

Vote down Robert Mumford as well:

. Robert Mumford is a retired Alaska State Trooper, Division of Fish and Wildlife Protection. He is a lifetime member of the NRA and a member of the Alaska Professional Hunters Association. He's a former member of the Alaska Big Game Commercial Services Board, which licenses hunting guides and regulates the big game commercial service (guided hunt) industry. We see nothing in his listed qualifications that indicates he would bring any diversity to the BOG.

Jeff Stepp

From: Gail Heineman <gail_heineman@yahoo.com>
Sent: Friday, April 06, 2012 1:10 PM
To: Sen. Joe Paskvan
Subject: Do Not Approve Lynn Keogh Jr. for the Board of Game

Senator Paskvan,
I moved to Alaska in 1981 to live in the wilderness north of Talkeetna. I value wildlife and nature, and I have an education in fisheries and wildlife management.
I urge you to NOT approve Lynn Keogh Jr., because we the vast majority of Alaskans who are non-consumptive users of wildlife would continue to have no representation if he is appointed.
Gail Heineman
2732 W 67th Ave
Anchorage AK 99502

-----Original Message-----
From: Arthur Greenwalt [mailto:dobieman@gci.net]
Sent: Monday, March 19, 2012 5:48 PM
To: Sen. Joe Paskvan
Cc: Art Greenwalt
Subject: Lynn Keogh, Board of Game Candidate

Dear Senator Paskvan and Staff:

Recently I contacted your Juneau office with my concerns about Mr. Keogh Jr. I elaborate on them bit more further along in this email. Suffiice it to say Gov. Parnell's choice of this individual is a real slap in the face to the 85% of Alaskans who neither hunt or trap yet constitutionally are equal owners of our wildlife resource. Of specific interest are his interactions with the state court system, which have been many. I have been told his 2011 PDF check was garnished and he owes several thousands of dollars to the courts, which assertions should be documented in the attached PFD files.

To be specific:

1. As a guide and hunter he provides no diversity to a state entity originally designed to exhibit such. In fact, the Board as presently constituted offers no diversity whatsoever leaving the 85% of Alaskans who neither hunt or trap with no voice concerning a resource the State Constitution holds as equally owned by all residents.

2. Narrow viewpoint and lack of insight. Mr. Keogh is anti-predator. He has already shown this perspective in recent votes in which he has participated on the board. For instance, when the board took up airborne killing of wolves on the Kenai Peninsula, there were 380 comments sent to the members against the program and only 6 supporting it. Mr. Keogh and the others voted airborne killing into place. Though Fish and Game had noted the habitat is already very limited in providing moose forage due to decades of fire suppression, and even though one BOG member said he couldn't see where predator control would make any difference, it was enacted.

Similarly, when Rep. Seaton at the recent House Resources Comm. hearing on Keogh's nomination noted that the moose forage in his district has been devastated by an abundance of hares competing for the vegetation, Mr. Keogh correctly noted the plants will produce toxins that keep the hares from eating them. What Mr. Keogh apparently did not understand is this is a process that can take months. Apparently, he expects the moose to suspend foraging while waiting for this to take place. Such a lack of insight and understanding is distressing in someone in such a position.

3. He has apparently little appreciation for state laws as evidenced by his encounters with the court system over the years. Included below are just some records revealed by a search of the state files. Also, you can find Mr. Keogh Jr.'s (note the birthdate in distinguishing between Sr. and Jr.) extensive court record at: http://www.courtrecords.alaska.gov/pa/pa.urd/PAMW6500 Given the recent debacle with Corey Rossi it would behoove any entity associated with wildlife management in Alaska to be held to a high degree of integrity. His documented history would fail such scrutiny.

At a time when Alaskans are becoming more aware of the failings and biases of our Board of Game, of how it fails to represent but a select, elite group of people, appointments to this Board should be able to pass a litmus test of considerable quality and intensity for certainly they will be subject to such each time they meet with the public.

CAUTION: This screen shows only that a case was filed. It does not show how the case ended. Do not assume that a defendant was convicted just because a criminal case was filed.

Search Criteria

Last Name: keogh*; **First Name:** lynn;

Search Results

27 record(s) found.

1-27 of 27 **Sort Results..** Go

Party	Affl	Party Type	D.O.B	Case Status	Case Number
Keogh, Lynn		DFNDT	10/29/1932	Closed	3AN-00A1217921
Keogh, Lynn		DFNDT		Closed	3AN-03-05561CI
Keogh, Lynn		DFNDT		Closed	3AN-04-13452CI
Keogh, Lynn		DFNDT		Closed	3AN-90-05243SC
Keogh, Lynn		DFNDT	07/17/1964	Closed	3KN-04-G718313
Keogh, Lynn		DFNDT	07/17/1964	Closed	3KN-04-G718314
Keogh, Lynn		DFNDT		Closed	3KN-06-00232SC
Keogh, Lynn		DFNDT	07/17/1964	Closed	3KN-09-G725248
Keogh, Lynn		DFNDT	07/17/1964	Closed	3KN-95-G707540
Keogh, Lynn B		DFNDT		Closed	3AN-02-12940CI
Keogh Jr, Lynn B		DFNDT		Closed	3AN-03-03251SC
Keogh Jr, Lynn B		DFNDT		Closed	3AN-03-11600CI
Keogh, Lynn B		DFNDT	07/17/1964	Closed	3AN-05-04250MO
Keogh, Lynn B		DFNDT		Closed	3AN-06-10755CI
Keogh, Lynn B		DFNDT		Closed	3AN-06-10756CI
Keogh Jr, Lynn B		DFNDT		Closed	3AN-09-06875CI
Keogh Jr, Lynn B		PLNTF		Closed	3AN-97-00781SC
Keogh, Lynn B		DFNDT	07/17/1964	Closed	3GL-11-00423MO
Keogh, Lynn B		DFNDT	07/17/1964	Closed	3HO-00T1122992
Keogh, Lynn B		DFNDT	07/17/1964	Closed	3HO-04-G719131
Keogh, Lynn B		DFNDT	07/17/1964	Closed	3HO-11-00637MO
Keogh, Lynn B		DFNDT		Closed	3KN-06-00110SC
Keogh, Lynn B		DFNDT	07/17/1964	Closed	3PA-00T1129103
Keogh, Lynn B		DFNDT	07/17/1964	Closed	3PA-05-10175MO
Keogh, Lynn B		DFNDT	07/17/1964	Closed	3PA-92-T702822
Keogh, Lynn B		DFNDT	10/29/1932	Closed	3PA-99-W006651
Keogh, Lynn B		DFNDT	07/17/1964	Closed	3SW-91-T666390

Kimberly Vanwyhe

From: tmbrown3@aol.com
Sent: Friday, April 06, 2012 8:18 AM
To: Sen. Joe Paskvan
Subject: Opposition to Confirmation of Lynn Keogh, Jr. to Board of Game

Dear Senator Paskvan:

http://juneauempire.com/opinion/2012-03-19/governor-parnell-show-some-respect-wildlife-and-alaskans

Not long ago, you and other members of the Senate Resources Committee grilled Governor Parnell's most recent new BoG appointee Nick Yurko on some tough issues, particularly bear snaring. While this was gratifying to watch, it did no good. Mr. Yurko listenend politely, got confirmed (after which time we discovered that he had fish & wildlife violations which the governor chose not to reveal to you), and started voting for controversial extreme predator control measures such as bear snaring, which is widely opposed by the majority of Alaskans, including, for crying out loud, the Safari Club International.

Now you have coming before you Lynn Keogh, Jr., who brings no diversity whatsoever to the Board of Game and who also supports controversial extreme predator control measures such as bear snaring. Additionally, Mr. Keogh has a questionable civil court record.

I do not have to like the members of the Board of Game, but I **do** have to be represented, and I **do** have to respect the members of the Board of Game. I am not currently represented by any Board of Game members, and I will not be represented by Lynn Keogh. Neither do I respect Mr. Keogh, given his apparent disregard for the law and for the wildlife management views of the majority of Alaskans.

In the case of Board of Game appointees, the buck starts with Governor Parnell, but the buck ***stops*** with our Legislature. You are not rubber stampers, and I urge you not to act like rubber stampers. Somebody has to step up to do the right thing for Alaska's wildlife and for the majority of Alaskans who depend upon it in various ways. That somebody has to be you. We can do better than Lynn Keogh; in fact, there are several better choices on the list of BoG applicants. I urge you to do the right thing by voting against the confirmation of Lynn Keogh for the Board of Game.

Sincerely,
Tina M. Brown

523-5402 (H)
209-4219 (C)

-----Original Message-----
From: tmbrown3 <tmbrown3@aol.com>

Kimberly Vanwyhe

m: Thomas E. Meacham <tmeacham@gci.net>
Sent: Friday, April 06, 2012 9:54 AM
To: Sen. Joe Paskvan
Subject: Please vote NO on Lynn Keogh Jr. for Game Board

Dear Sen. Paskvan,

Please oppose the nomination of Lynn Keogh, Jr. for the Alaska Board of Game.

His appointment further insures that the Board will continue to have NO diversity of opinion or viewpoints, since he is a hunter or trapper like all sitting members of the
Board. Where are the Board members who should come from the **80 percent** of Alaskans who do not hunt or trap, but who also are owners in common of this public resource?

In addition to Mr. Keogh's background (which is identical to all current Board members, and fails to fulfill the diversity requirements of the statutes), his numerous documented brushes with the la clearly show a disrespect for the rule of law as the basis for a civil society.

Thank you for considering our expression of opinion on this matter. We hope you will act consistent with it.

Tom and Jane Meacham
chorage, Alaska

Kimberly Vanwyhe

From: Thomas E. Meacham <tmeacham@gci.net>
Sent: Friday, April 06, 2012 10:00 AM
To: Sen. Joe Paskvan
Subject: Fwd: Please vote NO on Lynn Keogh Jr. for Game Board

Begin forwarded message:

From: "Thomas E. Meacham" <tmeacham@gci.net>
Date: April 6, 2012 9:53:45 AM AKDT
To: Senator_Joe_Paskvan@legis.state.ak.us

Subject: Please vote NO on Lynn Keogh Jr. for Game Board

Dear Sen. Paskvan,

Please oppose the nomination of Lynn Keogh, Jr. for the Alaska Board of Game.

His appointment further insures that the Board will continue to have NO diversity of opinion or viewpoints, since he is a hunter or trapper like all sitting members of the
Board. Where are the Board members who should come from the **80 percent** of Alaskans who do not hunt or trap, but who also are owners in common of this public resource?

In addition to Mr. Keogh's background (which is identical to all current Board members, and fails to fulfill the diversity requirements of the statutes), his numerous documented brushes with the law clearly show a disrespect for the rule of law as the basis for a civil society.

Thank you for considering our expression of opinion on this matter. We hope you will act consistent with it.

Tom and Jane Meacham
Anchorage, Alaska

To: Senator_Hollis_French <Senator_Hollis_French@legis.state.ak.us>
Sent: Wed, Mar 28, 2012 9:47 am
Subject: Opposition to Confirmation of Lynn Keogh, Jr. to Board of Game

Dear Senator French:

Mr. Lynn Keogh, Jr., has been appointed to the Alaska Board of Game. I have deep concerns over his appointment and urge you to vote against his confirmation.

1. Mr. Keogh has a long civil court record over the years in Anchorage, Glennallen, Homer, Kenai, and Palmer. You can view all of his court records at http://www.courtrecords.alaska.gov/pa/pa.urd/PAMW6500. When viewed as a body, his offenses suggest a pattern of disregard for the law. It is reasonable to believe that this pattern is likely to prevail in other aspects of Mr. Keogh's life. This is not the kind of person I want representing me on the Board of Game.

2. According to Alaska Statue *AS 16.05.221 (b),* members of the Board of Game should provide "diversity of interest and points of view in the membership." Mr. Keogh's resume shows that he brings no diversity to the Board, a body which already lacks diversity; Mr. Keogh is a guide and a hunter appointed to join a board already filled with guides and hunters. Where, for instance, is representation for the robust and growing tourism industry? Where is representation for nonconsumptive users such as wildlife photographers, nature writers, hikers, backpackers, and other wildlife viewers? These by far constitute the majority of users of Alaska's wildlife resources.

3. Many Alaskans and other people from down south and all over the world (potential tourists) are deeply disappointed in and discouraged by recent BoG actions such as bear snaring (for the first time since statehood). Given his resume and his votes at the very recent Fairbanks BoG meeting, Mr. Keogh, if confirmed, will further disappoint and discourage those people.

4. The most recently confirmed BoG member has fish & wildlife violations on record, and other current BoG members have fish & wildlife violations on record in the Alaska Court System. This is both disturbing and embarrassing; adding another BoG member with a record such as Mr. Keogh's would exacerbate an already disgraceful situation.

5. At a time when the public image of Alaska's wildlife management officials is already tarnished, there is no reason to further damage the reputation of Alaska's wildlife management policies.

6. Alaskans want and deserve to respect and trust their Board of Game members. We trust you to select such members. The list of Board of Game applicants contains 37 names. Several of these applicants have excellent qualifications and clean criminal records. They are responsible, honest individuals who would bring much needed diversity to the BoG. With such candidates ready and willing to serve, there is no reason for you to confirm a candidate as questionable as Mr. Keogh. We can and should do better.

7. Keogh has already demonstrated that he does not support the views of the majority of Alaskans. Given his resume and his recent votes at the Fairbanks BoG meeting, it is clear that Keogh supports the war on bears. Also, Keogh supported the airborne killing of wolves on the Kenai, a measure that was overwhelmingly opposed by Alaskans. Keogh's approach to wildlife management will further alienate Alaskans and potential tourists to our state.

According to Alaska Statute, members of the Board of Game shall be appointed on the "basis of interest in public affairs, good judgment...and with a view to providing diversity of interest and points of view in the membership." Mr. Keogh does not fulfill these qualifications, so I urge you to vote against the confirmation of Lynn Keogh, Jr. to the Board of Game.

Sincerely,
Tina M. Brown

19400 Beardsley Way
Juneau, AK 99801

523-5402 (H)
209-4219 (C)

Kimberly Vanwyhe

m: Jos Bakker <josb1214@aol.com>
Sent: Friday, April 06, 2012 9:24 AM
To: Sen. Joe Paskvan
Subject: Keogh hearing

To whom it may concern:

I am concerned over Mr. Lynn Keogh's appointment to the Alaska Board of Game. The Senate Resources Committee confirmation hearing is Friday, April 6, 2012, at 3:30 pm. I am sending my concerns to you for your consideration.
Mr. Keogh has a long civil court record over the years in Anchorage, Glennallen, Homer, Kenai, and Palmer.
According to Alaska Statute, members of the Board of Game shall be appointed on the "basis of interest in public affairs, good judgment, knowledge, and ability in the field of action of the Board, and with a view to providing diversity of interest and points of view in the membership."
Mr. Keogh's numerous court records suggest to me that he does not meet these qualifications.
Additionally, Mr. Keogh's resume shows experience in an area already overrepresented on the Board and does not add to the diversity of user community points of view which an effective Board should be able to represent. This, too, suggest to me that Mr. Keogh does not meet the qualifications necessary to become a member of the Alaska Board of Game.
Alaskans want to respect their members of the Board of Game, and they want their Board of Game members to represent all Alaskans, especially since the State Constitution states that Alaska's wildlife belongs to each of us.
I hope you will consider my concerns during your deliberations at the confirmation hearing.

Sincerely
Jos Bakker josb1214@aol.com

Jeff Stepp

m: Penelope Wells <pawellsak@gmail.com>
Sent: Thursday, April 05, 2012 9:45 AM
To: Sen. Joe Paskvan
Subject: Opposition to Lynn Keogh's Nomination to the Board of Game

Dear Senator Paskvan,

I am resending my letter of March 26th for your consideration as I will not be able to give testimony at tomorrow's public hearings voicing my opposition to appointee Lynn Keogh to the Board of Game.

Thank you for your attention to this important matter.

Regards,

Penelope Wells

Dear Senator Paskvan:

Back in the 1980's, I lived in College Gate and would take my neighbor's dog, Sugar Bear, on walks in the neighborhood. Upon passing Lynn Keogh Sr.'s house, Sugar Bear seemed to sense something ominous and would pull us as far as she could to the other side of the street. Through the garage door windows and sometimes when the doors were open, you could see trapping paraphernalia, animal skins, and hopefully only skins, hanging up. I could never understand why he ran, albeit discreetly, his trapping outfit in our comfortable Anchorage neighborhood.

Apparently, the Keogh family are still in the trapping and hunting business. Unfortunately, nominating Lynn Keogh to the Board of Game would be electing more of the same. His bias toward a small minority interest to the exclusion of others would be detrimental to balanced board of game management policies. I believe Keogh's trapping business is a conflict of interest. Also, I question his integrity to serve on the Board when Court records reveal his many game violations.

The current Board of Game is a sham and desperately needs a diverse range of individuals reflecting the demographics of our State. There are many qualified candidates out there and it would be refreshing to see more science-based and outdoor recreational candidates nominated to the Board.

Please consider the majority of us non-consumptive, recreational Alaskans--along with millions of visitors from all corners of the world (including my relatives)--who wish to view and marvel over our magnificent Alaskan wildlife; a national treasure worth much more alive than dead!

Again, for the above reasons, please vote against Lynn Keogh's nomination to the Board of Game.

Look forward to hearing from you.

Respectfully submitted,

Penelope Wells
P.O. Box 240454
Anchorage, AK 99524-0454

Jeff Stepp

From: melissa goozen <chugaloo@hotmail.com>
Sent: Wednesday, April 04, 2012 1:13 PM
To: Sen. Bert Stedman; Sen. Dennis Egan; Sen. Albert Kookesh; Sen. Joe Thomas; Sen. Joe Paskvan; Sen. John Coghill; Sen. Linda Menard; Sen. Charlie Huggins; Sen. Fred Dyson; Sen. Bill Wielechowski; Sen. Bettye Davis; Sen. Johnny Ellis; Sen. Hollis French; Sen. Lesil McGuire; Sen. Kevin Meyer; Sen. Cathy Giessel; Sen. Tom Wagoner; Sen. Gary Stevens; Sen. Lyman Hoffman; Sen. Donny Olson
Subject: Do not confirm Lynn Keogh

Dear Representative,
As a long time Alaskan and from a family that hunts and fishes, I feel we need achieve some semblance of balance on the board. Our state government needs to uphold the law and only confirm appointees who qualify and provide diversity of interest and points of view. There are 40 other names on the list of possible nominees, besides Lynn Keogh, and the Governor needs to go back and reconsider other names which include at least a couple of prominent scientists.
It is time to strike a balance and confirm a prominent scientist.
Do not confirm Lynn Keogh.
Sincerely,
Melissa Goozen

Jeff Stepp

From: melissa goozen <chugaloo@hotmail.com>
Sent: Wednesday, April 04, 2012 1:14 PM
To: Sen. Bert Stedman; Sen. Dennis Egan; Sen. Albert Kookesh; Sen. Joe Thomas; Sen. Joe Paskvan; Sen. John Coghill; Sen. Linda Menard; Sen. Charlie Huggins; Sen. Fred Dyson; Sen. Bill Wielechowski; Sen. Bettye Davis; Sen. Johnny Ellis; Sen. Hollis French; Sen. Lesil McGuire; Sen. Kevin Meyer; Sen. Cathy Giessel; Sen. Tom Wagoner; Sen. Gary Stevens; Sen. Lyman Hoffman; Sen. Donny Olson
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Do not confirm Lynn Keogh.
Sincerely,
Melissa Goozen

BOARD OF GAME APPOINTMENTS

April 4, 2012

Tom Lamal
1734 Becker Ridge Road
Fairbanks, Alaska 99709
(907) 479-7544 Hm. 388-5153 cell
tomlamal@yahoo.com

Dear Governor Parnell,

As you consider appointing new members to the Board of Game, please rebalance the Board so that the residents' interests are considered on an equal basis with the commercial guide interests.

Many residents are concerned with the focus of the current Board of Game. For example, in January there were 23 proposals presented to the BOG Statewide Meeting requesting some preferences for resident hunters and the board rejected all requests. Now, residents will have to wait until 2016 when the Board of Game will consider statewide proposals.

Presently the Board of Game is comprised of two guides (Nate Turner & Lynn Keogh), one assistant guide (Stosh Hoffman), present and past representatives to the Big Game Commercial Services Board (Ted Spraker & Robert Mumford) and several board members who have close ties or are directly associated with the Alaska Professional Hunters Association, which lobbies to keep commercial operations in the forefront.

All of the Western States, except Alaska have a high allocation of game for their residents and don't force nonresidents to use a guide for any specie. Alaska is missing an excellent opportunity to collect a lot more money in tag fees without discouraging nonresident participation.

I would be honored to have the opportunity to discuss this with you or someone on your staff and I would be willing to fly to Juneau if that would help the resident's cause. I have served on different boards, a commission and committees, so I understand how things can get directed away from a group's mission.

I urge you to appoint Board of Game members who want to keep Alaska family hunting traditions in place and create quality opportunities for our youth.

Sincerely,
□Tom Lamal

Jeff Stepp

From: Kneeland Taylor <kneelandt@alaska.com>
Sent: Wednesday, April 04, 2012 9:04 PM
To: Sen. Joe Paskvan
Subject: Lynn Keogh's nomination to the Board of Game

I urge you to oppose Lynn Keogh's appointment to the Board of Game. In 2000-2001 I served on a Board of Game subcommittee with Mr. Keogh. The purpose of the subcommittee was to reach a consensus solution to the conflicts between trappers and hikers with dogs. The only area of the State to be considered was GMU 14(c) which encompasses primarily Chugach State Park and its busy hiking and skiing trails.

A majority of the committee members were trappers and hunters, but there were two of us who were there to represent hikers and cross country skiers. The subcommittee met six times, with each meeting consuming most of a day. The ADF&G provided us with mediators, and substantial support.

Mr. Keogh is a trapper, and it was clear from the beginning that his goal was to destroy the possibility of compromise. At several of our meetings Mr. Keogh started in early with personal attacks on the hiker/skier members of the committee. Much time was wasted. Ultimately no compromise was reached.

No one on the Board of Game represents my views. And yet some of the members are polite, amiable, and easy to talk to. That is not true of all members of the BOG.

If approved, Mr. Keogh will be join the unfriendly members who steadfastly refuse to speak with non hunters. I no longer expect appointment of a non hunter to the BOG. It has been 40 years since the last non hunter was on the BOG, and it is obvious that there is an unspoken policy mandating that only hunters and trappers be appointed.

But it reasonable to hope that the newest appointee to the BOG will be a person who will treat non hunters with respect, and who will converse with non hunters in an amiable fashion. That's the Alaskan way.

Mr. Keogh shouldn't be appointed. He will make things worse than they already are.

Very truly yours, Kneeland Taylor

Jeff Stepp

From: mncmichaelice <aurbo@ak.net>
Sent: Thursday, April 05, 2012 6:09 AM
To: Sen. Joe Paskvan
Subject: Please vote against Keoghs nomination
Attachments: image001.gif

Hello Mr. Paskvan,

First, I am a hunter and I am not against trapping. But I feel that Mr. Keogh is not a good candidate for the "Bored" of Game which has become an unbalanced board in recent years. There are many more uses for animals besides killing and eating and I don't think Mr. Keogh realizes that perspective.

Thank you,
Michael T. Ice

Blue Skies and fair winds,

Mike

Jeff Stepp

From: Larry Casey <icsteelhead@gmail.com>
Sent: Thursday, April 05, 2012 6:20 AM
To: Sen. Joe Paskvan
Subject: Board of Game

As a twenty year military veteran who owns a concealed carry permit and owns a four wheeler andactively seeks hunting permits I certainly do not fit the pre-conceived image of the anti-hunting crowd.

However, I believe the board of game is a broke and ineffective agency that only seeks to increase game populations primarily for the well heeled and this war on predators absolutely stinks.

I do not want Mr. Keogh on the board of game.

Please appoint someone who would like to keep Alaska wild and perhaps wants to preserve wildlife.

Thank you for your time.

Sincerely,

Larry Casey and Family
12428 Winter Park Circle
Eagle River, AK 99577

Kimberly Vanwyhe

From: Deb Thomas <sapph8888@yahoo.com>
Sent: Friday, March 30, 2012 10:58 AM
To: Sen. Joe Paskvan
Subject: Board of game prospective appointee Keogh

Categories: Staff Appointments

Dear Senator Paskvan,

Please do not appoint Mr. Keogh to the Alaska Board of Game. We do not like his methods of "game management" and predator control beliefs and intentions! The Board of Game in Alaska has become a disgrace that many, (I believe the majority) of Alaskan citizens are disgusted and outraged by. It is not supported by empirical evidence, the opinions of Alaska biologists and it is cruel and unethical.
If these methods continue, they are also a threat to the image and value of Alaskan wilderness which will not only affect its citizens, but the tourist industry.
Please sir, you must understand and agree that a so-called predator control policy that has as its goal the extermination of every bear in a 300+ square mile area is unheard of, proven to be unscientifically ineffective where extremely short- term results, if any, are gained at all (many biologists have testified that it will not make a difference, killing off predators has not been effective in the past, that the cause of lower ungulate populations is over-hunting by humans and destruction of habitat.)
The answer to this is not an escalation in the killing off of predators, to include extermination of bears in entire units, shooting brown bears at bait stations (a first), and an escalation in the aerial hunting of wolves, now beginning on the Kenai Peninsula for the first time in Alaska.
As you know, the board recently considered snaring brown bears, but tabled the measure due to public outrage. I am quite certain this cruel possibility will be attempted by them again.
We do not want an Alaska where bears and wolves are extinct, which is the case in almost every state in the lower 48 because of the type of behavior and attitudes that Mr. Parnell has and his prospective appointee, Mr. Keogh have and the type of incompetence exhibited by our own board of fish & game.
Please do not allow this prospective appointee of Mr. Parnell – Mr. Keogh- be appointed. He will only perpetuate the disgraceful performance of our Fish and Game board.
Respectfully,
Deb Thomas
P.O. BOX 5081
Nikolaevsk, AK 99556
907-399-6788

Kimberly Vanwyhe

From: Patricia Gaedeke <iniakuk@gmail.com>
Sent: Thursday, March 29, 2012 12:24 PM
To: Sen. Joe Paskvan
Subject: Please do not confirm Lynn Keogh to the Board of Game

If we are ever to achieve some semblance of balance on the board, we need to demand that our legislators uphold the law and only confirm appointees who qualify and provide diversity of interest and points of view. There are 40 other names on the list of possible nominees, and the Governor needs to go back and reconsider other names which include at least a couple of prominent scientists.

Please do not confirm Mr. Keogh to the Board of Game.

Patricia Gaedeke, Owner
Iniakuk Lake Wilderness Lodge, LLC
www.gofarnorth.com
877.479.6354
Remote. Exceptional. Unforgettable. Since 1974

Kimberly Vanwyhe

From: Mary Goode <alaskadaz@yahoo.com>
Sent: Thursday, March 29, 2012 11:50 AM
To: Sen. Joe Paskvan; Sen. Tom Wagoner; Sen. Bill Wielechowski
Subject: Keogh appointment

Dear Sirs:

I am writing to oppose the appointment of Lynn Keogh Jr. to the AK Board of Game. From what I understand Mr. Keogh is a hunter and guide and has been cited for wildlife violations. I would think that someone with violations would not be considered.

I would like to see someone represent the animals, and since that won't happen, how about someone with the tourist industry, or wildlife photographer, or a grandfather who takes his children for walks on the trails.

From serving on boards in my former state, I'm sure Mr. Keogh wasn't the only person put up for consideration, if he was, then Alaska is in a very sad place.

Thank you,

Mary B. Goode
Juneau, Alaska

Kimberly Vanwyhe

m: Mary Willson <mwillson@gci.net>
Sent: Wednesday, March 28, 2012 7:28 PM
To: Sen. Joe Paskvan
Subject: Mr Keogh's nomination to the BoG

I strongly oppose this nomination. Mr Keogh has a long record of court appearances that does not suggest much interest in ethics or lawfulness or integrity—rather the opposite!. Furthermore he does not provide the least bit of diversity to the Board, and diversity is part of the mandate for structuring the Board. There are other nominees who would provide the needed diversity. In the past, he has shown little or no respect to folks of differing opinions, which is inappropriate in any government official. Please vote NO!

Kimberly Vanwyhe

From: Patricia OBrien <patriciaobrien@gci.net>
Sent: Wednesday, March 28, 2012 1:17 PM
To: Sen. Joe Paskvan
Subject: Do not confirm Lynn Keogh, please.

Dear Senator Paskvan,

The BoG shows no interest in meeting the responsibility to always hold open meetings and listen to members of the public who have a wider vision for our wildlife, one that credibly involves the public and that balances decisions from diverse points of view. One view being that our wildlife resources, including bears, are highly valuable to non-trappers, i.e., the tourism industry, photographers, and persons like me who simply enjoy viewing them.

Trapper, Lynn Keogh, will add no diversity as required by *AS 16.05.221 (b),* to the BoG and the BoG already seriously lacks diversity. They often vote in lock step! In addition, Mr. Keogh's criminal history, shows a disregard for the law. With other BoG members having a history of legal violations, including fish and game violations, our elected representatives need to say, "Enough!"

I am counting on you to refuse to confirm Lynn Keogh to the BoG. Please send a message that most Alaskan's expect a diverse and higher standard for those who make decisions about wildlife for all Alaskans instead of for an insular few.

Thank you for considering my views.

Pat

Patricia OBrien
(907) 789-9405
PO Box 35451
Juneau, Alaska 99803-5451

Kimberly Vanwyhe

From:	tmbrown3@aol.com
Sent:	Wednesday, March 28, 2012 10:06 AM
To:	Sen. Joe Paskvan
Subject:	Opposition to Confirmation of Lynn Keogh, Jr. to Board of Game

Dear Senator Paskvan:

Mr. Lynn Keogh, Jr., has been appointed to the Alaska Board of Game. I have deep concerns over his appointment and urge you to vote against his confirmation.

1. Mr. Keogh has a long civil court record over the years in Anchorage, Glennallen, Homer, Kenai, and Palmer. You can view all of his court records at http://www.courtrecords.alaska.gov/pa/pa.urd/PAMW6500. When viewed as a body, his offenses suggest a pattern of disregard for the law. It is reasonable to believe that this pattern is likely to prevail in other aspects of Mr. Keogh's life. This is not the kind of person I want representing me on the Board of Game.

2. According to Alaska Statue *AS 16.05.221 (b),* members of the Board of Game should provide "diversity of interest and points of view in the membership." Mr. Keogh's resume shows that he brings no diversity to the Board, a body which already lacks diversity; Mr. Keogh is a guide and a hunter appointed to join a board already filled with guides and hunters. Where, for instance, is representation for the robust and growing tourism industry? Where is representation for nonconsumptive users such as wildlife photographers, nature writers, hikers, backpackers, and other wildlife viewers? These by far constitute the majority of users of Alaska's wildlife resources.

3. Many Alaskans and other people from down south and all over the world (potential tourists) are deeply disappointed in and discouraged by recent BoG actions such as bear snaring (for the first time since statehood). Given his resume and his votes at the very recent Fairbanks BoG meeting, Mr. Keogh, if confirmed, will further disappoint and discourage those people.

4. The most recently confirmed BoG member has fish & wildlife violations on record, and other current BoG members have fish & wildlife violations on record in the Alaska Court System. This is both disturbing and embarrassing; adding another BoG member with a record such as Mr. Keogh's would exacerbate an already disgraceful situation.

5. At a time when the public image of Alaska's wildlife management officials is already tarnished, there is no reason to further damage the reputation of Alaska's wildlife management policies.

6. Alaskans want and deserve to respect and trust their Board of Game members. We trust you to select such members. The list of Board of Game applicants contains 37 names. Several of these applicants have excellent qualifications and clean criminal records. They are responsible, honest individuals who would bring much needed diversity to the BoG. With such candidates ready and willing to serve, there is no reason for you to confirm a candidate as questionable as Mr. Keogh. We can and should do better.

7. Keogh has already demonstrated that he does not support the views of the majority of Alaskans. Given his resume and his recent votes at the Fairbanks BoG meeting, it is clear that Keogh supports the war on bears. Also, Keogh supported the airborne killing of wolves on the Kenai, a measure that was overwhelmingly opposed by Alaskans. Keogh's approach to wildlife management will further alienate Alaskans and potential tourists to our state.

According to Alaska Statute, members of the Board of Game shall be appointed on the "basis of interest in public affairs, good judgment...and with a view to providing diversity of interest and points of view in the membership." Mr. Keogh does not fulfill these qualifications, so I urge you to vote against the confirmation of Lynn Keogh, Jr. to the Board of Game.

Sincerely,
Tina M. Brown

19400 Beardsley Way
Juneau, AK 99801

523-5402 (H)
209-4219 (C)

Kimberly Vanwyhe

From: April Warwick <awarwick@ak.net>
Sent: Wednesday, March 28, 2012 9:02 AM
To: Sen. Joe Paskvan
Subject: Vote No to Lynn Keogh Jr. nomination to the BOG

Hello Senator Paskvan:

I'm an Alaskan and I'm a person who cares deeply about keeping AK's wildlife wild. I think the current Board of Game has done a horrible job representing the majority of Alaskans – 80% of Alaskan's do not hunt, 100% of the BOG hunt and too many of them make their living from guiding hunts. Lynn Keogh Jr. is just another hunter that does not represent me in wanting to conserve the natural wildlife system. On top of that, he already has 13 violations against him, so he is another person with no respect for following the rules or caring for wildlife. He is not the right person to be on the BOG; please vote against his nomination to the Board of Game.

April Warwick
5716 Kennyhill Drive
Anchorage, AK 99504
907 338-7777

Kimberly Vanwyhe

m: Carol <busface1999@yahoo.com>
Sent: Tuesday, March 27, 2012 10:23 AM
To: Sen. Joe Paskvan; Sen. Tom Wagoner; "Senator Bill Wielechowski"@legis.state.ak.us; Sen. Bert Stedman; Sen. Lesil McGuire; Senator_Hollis_French@legis.state.ask.us; Senator_Gary_Srtevens@legis.state.ak.us
Subject: Board of Game Nominee Lynn Keogh

3/27/12

Senate Resources Committee:

Despite 4 other well qualified candidates for the Board of Game that would bring much-needed diversity of viewpoints to this extremely biased, one-sided Board, the Governor chose to nominate a very controversial, biased hunter/trapper, Lynn Keogh.
I'm urging you to vote against the Governor's nominee to the Board of Game, Lynn Keogh for the following very compelling reasons:

1. Keogh is a strong advocate of predator control using all methods. Despite overwhelming public opposition for airborne killing of wolves on the Kenai, Keogh voted in favor of the killing. In fact, the majority of Alaskans do not hunt or trap AND are opposed to predator control. Even a good number of hunters and trappers are opposed to this archaic, unnecessary, cruel, unscientific, baseless activity that the Board and Dept have chosen to continually expand throughout the state.

2. Court records show at least thirteen violations of state laws over the past several years by Mr. Keogh. Do you really want to appoint another repeated offender lawbreaker to an important State Board? Obviously this man has shown a lack of good judgement on numerous occasions, or maybe he believes he is above the law.

3. Keogh has been rude and dismissive to people who do not share his biased opinions. This has been demonstrated in AWA Advisory Board meetings and will no doubt continue at BOG meetings.

4. Keogh has shown himself to be an extremist when it comes to predator control. This type of person SHOULD NOT be seated on a Board that is already extreme in their views and represent only some hunters and trappers instead of the majority of Alaskan citizens as well as citizens of the U.S. who also "own" this wildlife.

Thank you.

Carol Jensen
Anchorage, Alaska

Kimberly Vanwyhe

From: Dave Hunsaker <dave.c.hunsaker@gmail.com>
Sent: Tuesday, March 27, 2012 9:10 AM
To: Sen. Joe Paskvan
Subject: no on Keogh

Dear Senator Paskvan:

As a 40 year resident of Alaska and active outdoorsman, I am urging you to vote against the nomination of Lynn Keogh, Jr. for the open seat on the Board of Game. I do not feel that his well-publicized views represent the majority of Alaskans. He would be a disaster to a Board that is already held in deep suspicion by many of us.

Thank you very much.

Dave Hunsaker

Kimberly Vanwyhe

m: Penelope Wells <pawellsak@gmail.com>
Sent: Monday, March 26, 2012 8:59 PM
To: Sen. Joe Paskvan
Subject: Opposition to Lynn Keogh's Nomination to the Board of Game

Dear Senator Paskvan,

Back in the 1980's, I lived in College Gate and would take my neighbor's dog, Sugar Bear, on walks in the neighborhood. Upon passing Lynn Keogh Sr.'s house, Sugar Bear seemed to sense something ominous and would pull us as far as she could to the other side of the street. Through the garage door windows and sometimes when the doors were open, you could see trapping paraphernalia, animal skins, and hopefully only skins, hanging up. I could never understand why he ran, albeit discreetly, his trapping outfit in our comfortable Anchorage neighborhood.

Apparently, the Keogh family are still in the trapping and hunting business. Unfortunately, nominating Lynn Keogh to the Board of Game would be electing more of the same. His bias toward a small minority interest to the exclusion of others would be detrimental to balanced board of game management policies. I believe Keogh's trapping business is a conflict of interest. Also, I question his integrity to serve on the Board when Court records reveal his many game violations.

The current Board of Game is a sham and desperately needs a diverse range of individuals reflecting the demographics of our State. There are many qualified candidates out there and it would be refreshing to see more science-based and outdoor recreational candidates nominated to the Board.

ase consider the majority of us non-consumptive, recreational Alaskans--along with millions of visitors from all corners of the world (including my relatives)--who wish to view and marvel over our magnificent Alaskan wildlife; a national treasure worth much more alive than dead!

Again, for the above reasons, please vote against Lynn Keogh's nomination to the Board of Game.

Look forward to hearing from you.

Respectfully submitted,

Penelope Wells
P.O. Box 240454
Anchorage, AK 99524-0454

Kimberly Vanwyhe

---

m: jhuesemann@olypen.com
Sent: Monday, March 26, 2012 2:12 PM
To: Sen. Joe Paskvan
Subject: Vote AGAINST Keogh

Dear Senator,

Keogh is an EXTREMIST and does NOT represent the people of Alaska or their wishes. Please vote AGAINST Keogh.

Sincerely,

Dr. Michael Huesemann
Dr. Joyce Huesemann
jhuesemann@olypen.com

Kimberly Vanwyhe

From: Paul Chanek <pchanek@ak.net>
Sent: Monday, March 26, 2012 2:05 PM
To: Sen. Joe Paskvan
Subject: Do NOT appoint Lynn Keogh to BOG

If anyone doubted that BOG appointments are rigged to support an already very unpopular agenda of extreme hunting/trapping/snaring/baiting and all the rest, the governor's latest nomination of Lynn Keogh proves it. As his record shows, the man is utterly unqualified to sit on the BOG (or any board, for that matter), dictating statewide policy. Keogh is obviously being suggested as a last gasp effort to keep the voting as is--in favor of the current unpopular, unscientific, totally biased and incompetent agenda. How transparent can it get?

There are plenty of other truly qualified applicants who will bring a diversity of opinion to the BOG, representing other views--based on science and actually responsive to public opinion--of how to manage our precious wildlife resources. This would be in line with what the Alaskan constitution dictates--representation for ALL Alaskans, who, incidentally, own these wildlife resources-- not just a politically well-connected minority. This extreme bias of the BOG has gone on long enough--in my 28 years here I have yet to see a representative of "non-consumptive" wildlife use on the BOG. Since the Murkowski administration, we have seen nothing but extremists, resulting in the current mess we are in (or "train wreck", as Tony Knowles aptly termed it). The BOG's utter disregard of dissenting opinion is an insult to the people of this state, and their irresponsible "management" tactics an insult to our intelligence. This cannot be allowed to continue. We need a truly diverse, representative Board, not this stacked deck we are consistently being dealt. It's in your power to do something about it--like stop Keogh's appointment and insist on someone from a differing (God forbid, even a non-consumptive!) point-of-view. What a concept!

Keogh's record speaks for itself: Several run-ins with the law, a disruptive, bullying presence in previous board scenarios, open support for the current extremist "anti-predator" agenda, and intolerance for opposing views--just what the Governor ordered, apparently. Any of the above should make him unqualified to sit on a statewide board, supposedly meant to represent, in an unbiased manner, the interests of all citizens of this state. It's impossible not to see through this ruse--and I hope you will bring it to a screeching halt. If you don't, who will?

It would be utterly refreshing--and sensible--to see a BOG which was truly balanced, which responded to public opinion and needs, which had a sense of ethics and professionalism (speaking of which, why is Judkins, a game law violator, still sitting as BOG director?), and was truly interested in managing wildlife for the benefit of all. In the current BOG, we have none of this. Appointing Keogh will only perpetuate an intolerable situation. Appointing someone with a fresh, unbiased, ethical perspective will do no end of good to remedy it.

Sincerely,

Paul Chanek
21035 Country View Dr
Chugiak, AK 99567
pchanek@ak.net

Kimberly Vanwyhe

m: Darrell & Cindy Birkhimer <oakfronts@yahoo.com>
Sent: Monday, March 26, 2012 1:51 PM
To: Sen. Gary Stevens
Cc: Sen. Joe Paskvan; Sen. Tom Wagoner; Sen. Bert Stedman; Sen. Hollis French; Sen. Bill Wielechowski
Subject: Lynn Keogh Jr?

Dear Honorable Senators ,

With the recent highly publicized Corey Rossi scandal, why would Gov. Parnell select a person who has chosen to disregard of so many state laws. There must be diversity to prevent tyranny in the Board of Game. Please stop this nomination abomination. Vote no on Lynn Keogh Jr.

Respectfully,
Cindy Birkhimer

Kimberly Vanwyhe

m: Susan L Vogt <bias@alaska.net>
Sent: Monday, March 26, 2012 9:41 AM
To: Sen. Joe Paskvan; Sen. Tom Wagoner; Sen. Bill Wielechowski; Sen. Bert Stedman; Sen. Lesil McGuire; Sen. Hollis French; Sen. Gary Stevens
Subject: Lynn Keogh is NOT the right choice for the BOG!

Dear Sirs and Madam;

It would be greatly appreciated if for once the BOG was not stacked with predator haters.

Of course since man is the top predator it "natural" to eliminate all others but today is the 21st century. I enjoy wildlife for what it is and am also a scientist that knows by eliminating all predators the ecosystem is out of whack. Lynn Keogh is the same old knuckle dragger mold the BOG has always had. 90 percent of Alaskan's do not hunt, trap or otherwise kill wildlife. Speak for us for a change!

Susan L Vogt, CPESC
Principal Consultant
Independent Consultant Associated
269 Bias Drive #B
Fairbanks, Alaska 99712
(907) 388-8671
bias@alaska.net

Kimberly Vanwyhe

m: Arthur Greenwalt <dobieman@gci.net>
Sent: Monday, March 26, 2012 9:40 AM
To: Sen. Joe Paskvan
Subject: Lynn Keogh, Candidate for Board of Game (additional information)
Attachments: KEOGH 3AN-03-5561.$7585..pdf; ATT00001.htm; KEOGH 3KN-06-110 SC.$4863.46.pdf; ATT00002.htm; KEOGH.3AN-06-10755 CI.$14,758.pdf; ATT00003.htm; KEOGH.3AN-06-10756 CI. $50,612.57.pdf; ATT00004.htm; KEOGH.COURT CASES ON WEBSITE.pdf; ATT00005.htm

Dear Senator Paskvan:

Governor Parnell's choice of Lynn Keogh Jr. is a slap in the face to the 85% of Alaskans who neither hunt or trap yet constitutionally are equal owners of our wildlife resource. Of specific interest are his interactions with the state court system, which have been many, and the perpetuation of the status quo he brings to the Board of Game as yet another guide and hunter.

To be specific:

1. As a guide and hunter he provides no diversity to a state entity originally designed to exhibit such. In fact, the Board as presently constituted offers no diversity whatsoever leaving the 85% of Alaskans who neither hunt or trap with no voice concerning a resource the State Constitution holds as equally owned by all residents.

2. Narrow viewpoint. Mr. Keogh is unreservedly anti-predator. He has already shown this perspective in recent votes in which he has participated on the board. For instance, when the board took up airborne killing of wolves on the Kenai Peninsula, there were 380 comments sent to the members against the program and only 6 supporting it. Mr. Keogh and the others voted airborne killing into place. Though Fish and Game had noted the habitat is already very limited in providing moose forage due to decades of fire suppression, and even though one BOG member said he couldn't see where predator control would make any difference, it was enacted.

3. Lack of insight. When Rep. Seaton at the recent House Resources Comm. hearing on Keogh's nomination noted that the moose forage in his district has been devastated by an abundance of hares competing for the vegetation, Mr. Keogh correctly noted the plants will produce toxins that keep the hares from eating them. What Mr. Keogh apparently did not understand is this is a process that can take months. Apparently, he expects the moose to suspend foraging while waiting for this to take place. Such a lack of insight and understanding is distressing in someone in such a position.

4. Keogh apparently has little appreciation for state laws. as evidenced by his encounters with the Alaska court system over the years. Court records at http://www.courtrecords.alaska.gov show at least 13 violations over the past several years. Given the recent highly publicized debacles involving former Alaska Department of Fish & Game Commissioner Corey Rossi and BOG member Cliff Judkins (who still sits on the Board), a wildlife management nominee must be held to the highest degree of integrity. Keogh's documented history fails such scrutiny. It is unconscionable to let a person make crucial decisions when he has demonstrated a long-standing pattern of poor judgment.

5. At least 4 people who are currently on the applicant list for the BOG would bring diversity to the Board by representing the vast majority of residents who do not hunt or trap. All of these applicants have clean court records, and all are respectable Alaskans we can trust to make wildlife management decisions based on science. Keogh is not one of them.

6. Keogh has already joined the BOG's war on bears. Many, many Alaskans and potential visitors are outraged and discouraged by recent BOG-approved programs such as bear baiting and snaring. Given his resume and his votes at the recent Fairbanks BOG meeting, Keogh would continue to support extreme control (killing) programs targeting bears and other predators. Each year visitors

spend millions of dollars hoping to see Alaska's bears and other wildlife; policies favored by Keogh give the state a "black eye" and cause economic harm to the tourism industry.

7. Several years ago AWA Advisory Board member Kneeland Taylor served with Keogh on a committee set up to work out a compromise between trappers and hikers with dogs. Kneeland reports that Keogh began most meetings with verbal personal attacks on the hikers, and did his best to sabotage the committee's work. He ultimately succeeded, and the result was no compromise.

At a time when Alaskans are becoming more aware of the failings and biases of our Board of Game, of how it fails to represent but a select, elite group of people, appointments to this Board should be able to pass a litmus test of considerable quality and intensity for certainly they will be subject to such each time they meet with the public.

Kimberly Vanwyhe

m: njans@gci.net
Sent: Monday, March 26, 2012 9:35 AM
To: Sen. Joe Paskvan
Subject: Lynn Keogh

Dear Senator Paskvan,

As a longtime Alaskan, who has lived almost half my life in the bush, I strongly oppose Lynn Keogh's appointment to the Board of Game. He adds no diversity to the Board, has a pattern of legal issues in his past, and has shown so far, in his vote for Kenai predator control, that he does not consider ADFG's scientific input to be important. He does not work well with those who have opposing views--a necessary quality on a Board that is supposed to thoughtfully consider the views of all Alaskans. The Board currently has no diversity at all, and this is the time to inject some into a board that is supposed to represent Alaska's public, but is instead becoming inscreasingly radical, and a rubber stamp for white urban sport-hunting-guiding-trapping organizations who support irrational, non-science-based programs in the false belief they will make more moose and caribou by pushing carrying capacity to the brink--a sure recipe for unsound management leading to unending boom and bust cycles instead of sustained yield. I am a longtime hunter who eats far more caribou and bear than beef--and I still find Mr. Keogh's views objectionable and a reflection of a very narrow spectrum of Alaska's diverse views. All should be included on the Board of Game, and currently, this is not the case.

I strongly urge you to vote against the confirmation of Lynn Keogh to the BOG and to support a candidate that will bring much-needed diversity to the Board.

.erely,

Nick Jans
Juneau, AK
njans@gci.net

Kimberly Vanwyhe

m: Lee Ann Stiff <LeeAnn.Stiff@Yardi.Com>
Sent: Monday, March 26, 2012 8:52 AM
To: Sen. Joe Paskvan
Subject: Vote against Lynn Keogh

Dear Senator,

Lynn Keogh does not represent the majority of Alaskans and I urge you to **vote against** his nomination to the Board of Game.

Please consider:

1. **Keogh is an active guide, and hunter and trapper**. (He boasts of learning to trap when he was a youngster, and he served on the Alaska Trappers Association board of directors.) As such **he will bring no diversity** to a body that is mandated to represent **all** Alaskans. In fact, the BOG presently offers **no diversity whatsoever**, leaving the 85% of Alaskans who neither hunt nor trap with no voice concerning a resource the State Constitution holds as equally owned by all residents.

2. **Keogh has a narrow viewpoint: he is a staunch advocate for killing predators**. As a BOG nominee (which entitled him to vote at recent meetings) this viewpoint was evident. For instance, when the Board took up airborne killing of wolves on the Kenai Peninsula there was overwhelming public opposition (over 300 comments and hours of testimony against, and only six comments for it), but Keogh voted in favor of the plan and it was approved.

3. **Keogh lacks knowledge and insight**. Rep. Paul Seaton at a recent House Resources Committee hearing noted that the moose forage in his district has been devastated by an abundance of hares competing for the vegetation. Keogh correctly noted the plants will produce toxins that keep the hares from eating them. However, what Keogh seemed not to understand is this process can take months. Apparently, he expects the moose to suspend foraging while waiting. Such a lack of insight and understanding is distressing in someone who would have authority over wildlife management.

4. **Keogh apparently has little appreciation for state laws**, as evidenced by his encounters with the Alaska court system over the years. Court records at **www.courtrecords.alaska.gov** show at least 13 violations over the past several years. Given the recent highly publicized debacles involving former director of Alaska's Division of Wildlife Conservation Corey Rossi and BOG member Cliff Judkins (who still sits on the Board), a wildlife management nominee must be held to the highest degree of integrity. Keogh's documented history fails such scrutiny. It is unconscionable to let a person make crucial decisions when **he has demonstrated a long-standing pattern of poor judgment**.

5. **At least 4 people who are currently on the applicant list for the BOG would bring diversity to the Board** by representing the vast majority of residents who do not hunt or trap. All of these applicants have clean court records, and all are respectable Alaskans we can trust to make wildlife management decisions based on science. Keogh is not one of them.

6. **Keogh has already joined the BOG's war on bears**. Many, **many** Alaskans and potential visitors are outraged and discouraged by recent BOG-approved programs such as bear baiting and snaring. Given his resume and his votes at the recent Fairbanks BOG meeting, **Keogh would continue to support extreme control (killing) programs targeting bears and other predators**. Each year visitors spend millions of dollars hoping to see Alaska's bears and other wildlife; policies favored by Keogh give the state a "black eye" and cause serious economic harm to the tourism industry.

7. **Keogh has proven to be discourteous and dismissive to those with opposing views**. Several years ago AWA Advisory Board member Kneeland Taylor served with Keogh on a committee set up to work out a compromise between trappers and hikers with dogs. Kneeland reported that Keogh began most meetings with

verbal personal attacks on the hikers, and did his best to sabotage the committee's work. He ultimately succeeded, and the result was no compromise.

Sincerely,
Lee Ann Stiff

Kimberly Vanwyhe

m: Marybeth Holleman <marybeth.holleman@gmail.com>
Sent: Monday, March 26, 2012 8:34 AM
To: Sen. Joe Paskvan
Subject: BOG appointee Lynn Keogh Jr. of Anchorage

Dear Senator Paskvan:

I urge you to vote against the Governor's nomination of Lynn Keogh to the Board of Game. Mr. Keogh has had 13 violations of state laws in the last few years, thus showing no respect for state laws. Having someone with this kind of record serving on the Board which oversees Alaska's wildlife management simply doesn't make sense. As well, he doesn't add diversity to the representation on the BOG. What we need is someone who represents the other 85 percent of Alaskans who value viewing wildlife over hunting and trapping wildife.

Thank you -
Marybeth Holleman

--
Marybeth Holleman
Anchorage AK
www.marybethholleman.com

n after all this time, the sun never says to the earth, "You owe me." Look what happens with a love like that. It lights the whole sky. ~Hafiz

Kimberly Vanwyhe

m: dogtraining@friendsforlifedogtraining.com
Sent: Monday, March 26, 2012 7:22 AM
To: Sen. Joe Paskvan
Subject: BOG Seat

Dear Esteemed committee Member,

I am writing this to express my deepest concern to the recent nomination by Governor Sean Parnell of Lynn Keogh for the vacant Board of Game Seat. I encourage you to please keep in mind that Alaska is a very diverse land of different people and cultures and a one size fits all mentality cannot work when it comes to managing wildlife. Please keep Alaska diverse by nominating someone other than Lynn Keogh JR to the BOG board so that the board will be able to accept different viewpoints other than those of hunters. I know that there are currently 4 other candidates that will bring diversity to the BOG. Please keep this in mind when making this very important choice for Alaska and its wildlife.

Sincerely,

Dennis Fehling

Kimberly Vanwyhe

From: Arthur Greenwalt <dobieman@gci.net>
Sent: Wednesday, March 07, 2012 7:20 PM
To: Sen. Joe Paskvan
Subject: Lynn Keogh Appointment to Board of Game

Dear Senator Paskvan:

This email comes from a deep concern over the latest Board of Game appointment by Gov. Parnell, i.e., Lynn Keogh. My hope is to bring sufficient attention to the total inadequacy of Mr. Keogh for this position to the pertinent members of the Senate and House.

There are three major points (and perhaps many other near-major) to be made in objection to this appointment.

1. Lack of diversity. Mr. Keogh is a guide and a hunter. The BOG already has two guides and all members are hunters. Yet the state constitution says the board should represent all Alaskans as we are all equal (and I stress "equal") owners of this resource. What this reality means is, for instance, if you neither hunt nor trap you have no representation on the board that sets all the regulations concerning your wildlife. As such, you and the 84% of Alaskans who hold neither hunting or trapping licenses are without voice in these matters. Mr. Keogh's presence simply emphasizes that lack of concern for a diverse board.

2. Narrow viewpoint and lack of insight. Mr. Keogh is anti-predator. He has already shown this perspective in recent votes in which he has participated on the board. For instance, when the board took up airborne killing of wolves on the Kenai Peninsula, there were 380 comments sent to the members against the program and only 6 supporting it. Mr. Keogh and the others voted airborne killing into place. Though Fish and Game had noted the habitat is already very limited in providing moose forage due to decades of fire suppression, and even though one BOG member said he couldn't see where predator control would make any difference, it was enacted.

Similarly, when Rep. Seaton at the recent House Resources Comm. hearing on Keogh's nomination noted that the moose forage in his district has been devastated by an abundance of hares competing for the vegetation, Mr. Keogh correctly noted the plants will produce toxins that keep the hares from eating them. What Mr. Keogh apparently did not understand is this is a process that can take months. Apparently, he expects the moose to suspend foraging while waiting for this to take place. Such a lack of insight and understanding is distressing in someone in such a position.

3. Court violations. A quick search of COURTVIEW reveals that Mr. Keogh (Jr.) has had 13 violations lodged against him in the past several years. That is a minimum of the 27 listed as at times it is hard to distinguish between Jr. and Sr. Regardless, it shows a rather astounding lack of concern in following state laws, a lack that is quite liable to have diffused into other areas of his life. In view of the recent debacle of Corey Rossi and our game laws, one would think the governor would take pains to present an appointment of unquestionable integrity. This is most definitely not the case with Lynn Keogh.

At a time when wildlife issues are splitting the state in so many ways; at a time when outside trophy hunting organizations are expanding their influence on our wildlife management, it would seem there is all the more need for a diverse, knowledgeable, upstanding Board of Game. Instead, in all these respects our board fails to measure up.

I hope I have piqued your interest in this issue. Mr. Keogh's nomination will be going before the Senate Resources Committee soon then it starts its journey to a final joint hearing at the end of the session. It is my hope Mr. Keogh will be denied a position on the Board of Game for the above reasons. We need a Board of Game that responds to the science of the management issues rather than to the wishes of a few trophy hunting organizations with influence in Alaska. There are numerous possible nominees far more qualified in all respects on the list of potential BOG nominations. Mr. Parnell could have chosen far more wisely.

Thank you,

Art Greenwalt, Vice Pres., Alaska Wildlife Alliance
374-3043, Fairbanks

Kimberly Vanwyhe

From: Mary La Fever <maryla@alaska.com>
Sent: Monday, March 26, 2012 7:17 AM
To: Mary La Fever
Subject: Board of Game Appointment

Dear Senator:

I am writing to ask you to vote AGAINST the nomination of Lynn Keogh to the Board of Game. In part, what repulses me is that his untempered personality allegedly gets in the way of his effectiveness ~~ (perhaps appointing him to an anger management class might be a better reward for his behavior).
Personal attacks and rudeness have no place in this committee.

Additionally, keeping our wildlife safe must be a priority, not bear baiting and snaring. We need diversity, thoughtfulness and a respect of existing law from board members at the Board of Game. This would keep those of us who love the wildlife (and civil discourse) ~ AND the tourists ~ happy.

Best Regards,
Mary W. LaFever

Kimberly Vanwyhe

m: phantmwlf@aol.com
Sent: Monday, March 26, 2012 6:32 AM
To: Sen. Joe Paskvan

Dear Senator Paskvan,

I am writing to ask that you consider NOT nominating Lynn Keogh Jr. to the Board of Game. His record as an active hunter and trapper would surely guarantee yet another voice for those pursuits, despite the fact that the majority of Alaskans neither hunt nor trap. For example, there was overwhelming public opposition to the airborne killing of wolves on the Kenai Peninsula, and yet Keogh voted in favor and the plan was approved.

Even if you cared nothing about Alaska's wildlife, many tourists who live outside of Alaska do, and Alaskan tourism suffers. There are others on the applicant list for the BOG who would bring diversity to the Board by representing the majority of Alaskans who do not hunt or trap, and I urge you to vote for one of them instead.

Sincerely,
Nicole Wilde

Kimberly Vanwyhe

From:	Darrell & Cindy Birkhimer <oakfronts@yahoo.com>
Sent:	Monday, March 26, 2012 1:51 PM
To:	Sen. Gary Stevens
Cc:	Sen. Joe Paskvan; Sen. Tom Wagoner; Sen. Bert Stedman; Sen. Hollis French; Sen. Bill Wielechowski
Subject:	Lynn Keogh Jr?

Dear Honorable Senators ,

With the recent highly publicized Corey Rossi scandal, why would Gov. Parnell select a person who has chosen to disregard of so many state laws. There must be diversity to prevent tyranny in the Board of Game. Please stop this nomination abomination. Vote no on Lynn Keogh Jr.

Respectfully,
Cindy Birkhimer

Kimberly Vanwyhe

From: Gail Clark <owlcaller@gmail.com>
Sent: Monday, March 26, 2012 3:39 PM
To: Sen. Joe Paskvan
Subject: Alaska Board of Game

Dear Senator,

I am concerned about the nomination of Keogh to the BOG. Someone who's only objective seems to be the destruction of wildlife and ways to do it (his history re bears and wolves for example) has no place on the Board of Game. Someone with a more biodiverse perspective should be strongly considered.

Thanks for considering my opinion.
Gail Clark

Kimberly Vanwyhe

From: Gerald Brookman <brookman@alaska.net>
Sent: Tuesday, March 27, 2012 3:37 PM
To: Sen. Joe Paskvan; Sen. Tom Wagoner; Sen. Bill Wielechowski; Sen. Bert Stedman; Sen. Lesil McGuire; Sen. Hollis French; Sen. Gary Stevens
Subject: Board of Game Nominee

Senators:

I have lived in Alaska since 1957 and have hunted both large and small game here. While I have not trapped in Alaska, my father trapped from the age of 10 until late in his life, and taught me to skin animals and make sets when I was growing up (in Illinois).

I would like to urge that you vote against the confirmation of Lynn Keogh Jr. of Anchorage to the Board of Game. The board of Game needs diversity, and this nominee is just more of the same old group that has been populating this Board for years. I hope you will send the Governor a message that we need to have at least one member of the Board of Game who represents non-consumptive users.

Thank you.

Gerald R. Brookman
715 Muir Avenue
Kenai, Alaska 99611-8816

Kimberly Vanwyhe

From: Bob Gengler <goatb@mtaonline.net>
Sent: Saturday, March 31, 2012 10:25 AM
To: Sen. Joe Paskvan
Subject: BOG Nominee

Senator Paskvan,

I am writing to you to oppose Gov. Parnell's latest nominee to the Board of Game, Lynn Keogh, Jr. With the recent embarrassing, high profile incidents involving Corey Rossi and Denby Lloyd, it would seem to me that the State would want upstanding people involved in making decisions. While I do not personally know Mr. Keogh other than meeting him at a State Park meeting in 2007, a quick search of the Alaska Court System records show multiple interactions with the Police and the Court system over the years. The phrase, "the tip of the iceberg" comes to mind.

Back on 04/18/07, Mr. Keogh was "attacked" by a brown bear near it's den, after he killed another bear outside the entrance to the den. After this incident, it does not take a rocket scientist to imagine that Mr.
Keogh, if he did have any respect for wildlife to start with, would likely prefer that not one bear remain in Alaska.

While Mr. Keogh may be an excellent trapper, he should not be a member of the BOG. Over the last 12 years, an ever increasing radical approach has been pushed for and adopted by this State. The true biologists in ADF&G have seemed to move hand in hand with almost all recommendations that the BOG, a citizen advisory board, has proposed with no observable resistance. If there was some Board or group within the State that served as a check on the BOG's power, then it might not be so bad that single minded individuals like Mr. Keogh held this position.
Unfortunately, no one with any other view of the situation appears to exist in this State.

The amount of money that the State has spent over the years on this extensive predator control and wildlife management should be an embarrassment but it seems that the State has millions of dollars to throw at this issue. It has become apparent that the State does not care that the positions in the BOG are filled with single minded hunters and trappers and that no other views or ideas are represented. Those other views and ideas are held by the rest of the State, the 85% or to put it in numbers, the over 613,000 Alaska residents who neither hunt or trap.
It would be good if you and our other Legislators would represent their constituents, not just the vocal, rich, radical few, and select people for the BOG who know how to manage wildlife for a sustainable future and not just to kill predators.

I could go on but I will not. Mr. Keogh is not an appropriate candidate for the BOG, and I would hope that you seriously consider the path the State has chosen to take and the individuals that it is choosing to "manage" it's wildlife. Sound science has not been involved in most of the decisions over the last 12 years. There are several other candidates for this position that actually are qualified and would bring some sanity, balance, and sound science to the out of control circus that is the Alaska Board of Game.

Sincerely,

Robert Gengler
18625 S. Kanaga Lp.
Eagle River, AK 99577

Kimberly Vanwyhe

From: Chuck Brandstetter <cbrandstetter@indy.rr.com>
Sent: Monday, April 02, 2012 7:18 AM
To: Sen. Joe Paskvan
Cc: cbrandstetter@indy.rr.com
Subject: Board of Game appoointment

My husband and I are opposed to the appointment of Lynn Keogh Jr. to the Board of Game. We are both retired and planned eagerly to spend a month in Alaska coming to see your diverse and wonderful wildlife. We will not do so until Alaska protects their wildlife. Appointing Mr. Keogh to your Board of Game will not bring the diversity of opinions to the Board that your laws intend. Debate and listening to other opinions is the foundation of our county and democracy. Mr. Keogh is a trapper, hunter, and guide. His opinions will be similar to those already on the board. Your wildlife deserves input from people with differing opinions on how to protect them. Seeing wildlife happy and safe is a major reason many people come from all over the world to visit your state. We all want to see bear, wolf, moose, etc. We do not come to hunt, but come to enjoy your animals alive in their native habitat. We have killed off all our bears, wolves, etc in Indiana. Please do not make the same mistake we made here in the lower 48. We did not respect and protect our wildlife and they are now gone forever. When our friends and family member communicate their desire or plans to go to Alaska we tell them about your Board of Game and the hunting practices of aerial killing, trapping, snaring and managing wildlife for moose hunters. They are horrified. Please appoint someone to your Board of Game that will speak up for the animals. In our opinion the board does not fairly represent your wildlife and those of us who do not want to kill them. Thank you for your consideration in this matter.

Diane and Charles Brandstetter
5670 Carvel Ave
Indianapolis, Indiana 46220
[redacted]-257-8721

If you are interested in further discourse do not hesitate to contact us at the address or telephone number above!

Kimberly Vanwyhe

m: svalenti@acsalaska.net
Sent: Tuesday, March 27, 2012 5:37 PM
To: Sen. Joe Paskvan
Subject: new BOG nominee

Dear Senator Paskvan:

Please oppose the appointment of Lynn Keough to the Board of Game. There are enough representatives that favor big game hunting already. We need a more balanced board, one that represents other points of view such as tourism and recreational use of our wild lands.

Our natural resources are supposed to be managed for the benefit of all Alaskans.
This nominee will not contribute to that mandate. Thank you,

Sincerely,

Susan Valenti

Kimberly Vanwyhe

From: armunro <armunro@gci.net>
Sent: Monday, March 26, 2012 11:16 AM
To: Sen. Joe Paskvan
Subject: BoG

This person is unqualified for appointment to Board of Game.
Alan R. Munro

Jeff Stepp

From: Valerie Connor <valerie@akcenter.org>
Sent: Wednesday, April 04, 2012 10:55 AM
To: Sen. Joe Paskvan; Sen. Tom Wagoner
Cc: Sen. Bill Wielechowski; Sen. Bert Stedman; Sen. Lesil McGuire; Sen. Gary Stevens
Subject: Confirmation hearings
Attachments: Senate Resources confirmation hearings.pdf

April 4, 2012

RE: Confirmation of Board of Game Nominee Lynn Keogh

Dear Senators,

The Alaska Center for the Environment, Alaska Wildlife Alliance, Defenders of Wildlife, the National Parks Conservation Association, and concerned citizens would like to thank you for the opportunity to comment on Board of Game nominee, Lynn Keogh.

Our organizations have been advocating for years for a more balanced and diverse Board of Game as required by law. According to Alaska Statute *AS 16.05.221 (b)* members of the Board of Game shall be appointed on the "basis of interest in public affairs, good judgment, knowledge, and ability in the field of action of the board, and **with a view to providing diversity of interest and points of view in the membership.**"

This statute aims to protect citizens' rights from being undermined by powerful special interest groups. It is written in law that Alaska's resources are to be used for the common good; therefore committees, commissions and boards are often mandated to reflect a variety of interests.

Currently the Board of Game is made up entirely of professional guides, hunters and trappers and one retired biologist. There is no one to represent the tourism industry, wildlife viewers or other non-consumptive users.

Over the past decade, the Board of Game has become more extreme, and now serves only a small subset of Alaskans. The recent approval to shoot grizzly bears from helicopters, wolves on the Kenai without scientific justification, and the use of snares to kill bears in Unit 16B and 19D, despite overwhelming public opposition from many different segments of the population, are only a few of the latest examples.

The lack of science-based decision making at the Board of Game level, combined with the political nature of wildlife management has lead to a loss of trust and credibility. Alaskans from all walks of life are speaking up, clearly revealing their concerns and frustration over the direction our state is taking.

If this seven member board is to continue to wield all of the power over how our wildlife resources are utilized, then we need to get serious about appointing qualified members who will each bring something valuable and unique to the table.

After reviewing Mr. Keogh's resume, observing him at the Board of Game meetings and reviewing his voting record, we are confident that Mr. Keogh does not add any diversity or expertise to this board.

There are forty names on the list of possible nominees, a couple of which are respected scientists who would restore some credibility and **diversity of interest and points of view** to the Board of Game.

It is our recommendation that the Senate Resources Committee not confirm Mr. Keogh to the Board of Game.

Thank you for your consideration.

Sincerely,
Valerie Connor
Conservation Director
Alaska Center for the Environment

Tina Brown
President
Alaska Wildlife Alliance

Theresa Fiorino
Alaska Representative
Defenders of Wildlife

Jim Stratton
Alaska and Pacific NW Regional Director
National Parks Conservation Association

Bill Sherwonit
Citizen, Writer

Valerie Connor
Conservation Director
Alaska Center for the Environment

ALASKA CENTER *for the* ENVIRONMENT

Senators Joe Paskvan and Thomas Wagoner
Co-Chairs
Senate Resources Committee
Alaska State Capitol
Juneau Alaska, 99801

April 3, 2012, 2012

RE: Confirmation of Board of Game Nominee Lynn Keogh

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the use of snares to kill bears in Unit 16B and 19D, despite overwhelming public opposition from many different segments of the population, are only a few of the latest examples.

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Valerie Connor
Conservation Director
Alaska Center for the Environment

Tina Brown
President
Alaska Wildlife Alliance

Theresa Fiorino
Alaska Representative
Defenders of Wildlife

Jim Stratton
Alaska and Pacific NW Regional Director
National Parks Conservation Association

Bill Sherwonit
Citizen, Writer

CC: Senator Bill Wielechowski, Senator Bert Stedman, Senator Lesil McGuire, Senator Hollis French, Senator Gary Stevens

Sen. Joe Paskvan

From: Blanche Tinius <btinius@mtaonline.net>
Sent: Thursday, April 05, 2012 3:13 PM
To: undisclosed-recipients@imta-38.everyone.net
Subject: Lynn Keogh's nomination to BoG

Dear Senators:

Please vote against the nomination of Lynn Keogh to the Board of Game. This man is a trapper, hunter and guide and offers no diversity. He would represent only a very small portion of Alaskans, those who are hunters and trappers. He has no respect for wildlife and has a narrow point of view. Members on the Board of Game need to be diversified to represent all Alaskans, not just hunters and trappers. They also need to be of ethical and moral character. Please vote against Lynn Keogh's nimination.

Thank you.

Blanche Tinius
Eagle River
btinius@mtaonline.net

Sen. Joe Paskvan

From: Rudy Wittshirk <fromtheland@mtaonline.net>
Sent: Thursday, April 05, 2012 2:43 PM
To: Sen. Joe Paskvan
Subject: Board of Game Confirmation

Dear Senator Paskvan:

Regarding confirmation of most recent Board of Game appointee: The only difference between Al Barrette and Lynn Keogh, Jr. is that the latter doesn't publicly quote the Bible to justify killing wolves.

Apparently, the Alaska constitutional mandate for "diversity " in wildlife management is being interpreted as having a roughly equal number of guides, hunters and trappers appointed to the Board of Game. Boy that 15 or so percent of Alaskans who hunt and trap---and especially the professional guiding services---are really well-represented on the Board of Game by a "diverse" group of hunters, trappers and guiding service operators! - Rudy Wittshirk

Sen. Joe Paskvan

From: Kim Stephanie Fitzgerald <kimf@mtaonline.net>
Sent: Thursday, April 05, 2012 11:42 AM
To: Sen. Joe Paskvan
Subject: Opposed to Lynn Keogh, BOG nominee

Categories: Printed

We need a balanced Board of Game as BOG is supposed to represent ALL Alaskans.
Current BOG is way out of balance and favors Commercial and Sport Hunters, Trappers, Local and Out Of State Organizations. Science and many State F & G, F & W. persons do not support ongoing predator control when unwise overhunting , limited browse, natural fluctuations are key factors in less Game.
Dog Sled rides, tours, lectures and home of the Hedlund Gray Husky.

Sen. Joe Paskvan

From: akwildlifeimages <akwildlifeimages@gci.net>
Sent: Thursday, April 05, 2012 9:50 AM
To: Sen. Joe Paskvan
Subject: BOG

Dear Senator Paskvan
Please do not support Lynn Keogh Jr. for the Board of Game. What Alaska needs is diversity on the BOG, Lynn Keogh will continue the hunter and trapping domination of that institution. He has a history of questionable judgments concerning fish and game, such as which recently cost Cori Rossi his job. In this case as in MANY OTHERS Governor Parnell continues to dismiss many Alaskan's concerns.
thank you

Didier Lindsey
338-5216

Alaska Outdoor Council

310 K Street, Suite 200
Anchorage, Alaska 99501
Phone: (907) 264-6645 Fax: (907) 264-6602
e-mail: aoc@alaskaoutdoorcouncil.com
web: www.alaskaoutdoorcouncil.org

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April 5, 2012

Senator Joe Paskvan, Co-Chairman, Senate Resources Committee
Senator Tom Wagoner, Co-Chairman, Senate Resources Committee
Alaska State Legislature, Senate Resources Committee
State Capitol Building
Juneau, Alaska 99801

Dear Senators,

The Alaska Outdoor Council supports the nomination of Mr. Lynn Keogh to the Alaska Board of Game.

The Alaska Outdoor Council (AOC) is a statewide organization of 10,000 Alaskans who hunt, fish, trap and enjoy the Alaska outdoor lifestyle. Our members depend on the Board of Game to make reasoned decisions on the allocation of the public game resource. Mr. Keogh has distinguished himself in this regard. He has participated in a limited number of meetings of the Board since his appointment, but has already contributed a great deal. AOC generally likes to see nominees be familiar with the BOG process. Mr. Keogh has a long record of service to his local Fish and Game Advisory Committee and has participated in that capacity in the Board of Game process. We also like to see a working familiarity with the basic provisions of the constitution, statutes and regulations that guide the board. Mr. Keogh has demonstrated this knowledge, both through the questions he asks of the public, his fellow board members and the department, but also in the statements he has made about his votes.

As you might expect, there is organized opposition to Mr. Keogh. Those organized against Mr. Keogh, representing a small percentage of Alaskans, hope to force the Governor to appoint someone with a limited perspective on how game resources are used. This opposition is based (but not always stated) on his votes on proposals before the board to implement scientific management. AS 16.05.255 (h) is clear: "The Board of Game shall establish population and harvest goals and seasons for intensive management of identified big game prey populations to achieve a high level of human harvest." While we understand that some people disagree with this policy as established by the legislature, we hope you will agree that it would be patently unfair for legislators to vote against Mr. Keogh based on his vote to implement a policy that the legislature itself established. Further, Mr. Keogh's votes during his short tenure on the board have been consistent with other board members who were confirmed by the legislature by sizable majorities.

The AOC communicates with its members through a variety of media. These votes on confirmations to the Board of Game are some of the most important issues before the

legislature to AOC members. It should come as no surprise to you that we will be making available to AOC members and clubs information about the confirmation process, as well as how individual legislators vote, so they can be informed as they participate in their democracy. Allow me to share with you that we spent the last few weekends at large gatherings of Alaskans, from all walks of life, who love the outdoors. The unanimous position of the hundreds of Alaskans that visited our booth in the main pavilion at the largest sportsman's show in the state was to support Lynn Keogh. We hope the legislature will recognize that broad support from the general public, and confirm him to the board.

We thank you for your public service, and ask that you join the majority of Alaskans, as opposed to a small but organized group of opponents, in supporting Lynn Keogh to the Board of Game.

Sincerely,

Rod Arno

Executive Director
Alaska Outdoor Council

Bill Iverson

President
Alaska Outdoor Council

Jeff Stepp

From: Chris Osowski <chrisosowski@msn.com>
Sent: Friday, April 06, 2012 3:50 PM
To: Sen. Joe Paskvan
Subject: Lynn Keogh confirmation to BOG

Dear Senator Paskvan, I've been keeping an eye on your progress with modifying the oil tax and am pleased with the discussion and research that the senate has given the issue thus far, and remain grateful for your having asked some tough but fair and objective questions while it was in your hands. I'm hopeful for some kind of changes to better incentivise the large producers to undertake more exploration and pursue more aggressively new production opportunities and give them an opportunity to demonstrate their stated interest in further developing a mutually beneficial and rewarding business relationship with the state of Alaska rather than the blind allegience seemingly demonstrated in the past, exclusively for the benefit of the bottom line profits for their shareholders. I remain convinced that mutually beneficial and respectful business realationships are not only possible, but in the long run more profitiable for both parties, and appreciate your leadership in creating that type of opportunity, and ensuring it developes in a two way fashion.

I understand you are considering Lynn Keogh's confirmation to the Board of Game today, for whatever it's worth, while I dont know Lynn personally I do associate with several of his friends and know them to all be standup citizens. I honestly believe he is a good choice for the postion, and while I trust in your judgement in the end as to weather there are other more well suited individuals or not, I also trust that you will give full and fair consideration for his qualifications and for folks like myself who believe he will fairly and fully represent our needs with respect to quality management of this portion of our great states resources. I truly believe Lynn to be a conservationist with the welfare of Alaska's wildlife as his first priority.

Thanks again for all you do, we will be thinking of you along with Biship Kettler here in Kuparuk tonight when we have small Good Friday gathering.

Chris

Oh, by the way, I promised Senator Ellis I'd weigh in on the Film incentives he's supporting as well, of course I support tax advantages to stimulate industry, be it oil, or tourism, or film making, or fishing. I hope you'll let him know I backed him up!

Also, I dotn know if you are aware that I've been a volunteer on the Alaska Safe Boating Committe for the past 5 years? The house recently passed HB 310 repealing the sunset provision of our budget clause, I hope you have a chance to be involved in those discussions on our behalf as well. Jeff Johnson and the few people who with him work for you (and us) in overseeing safe boating practices, are very effective, very frugal, and should be allowed to focus on continuing to improve safe boating in our state, especially rural communities which they are impacing in such a powerful way, without having to spend so much time appealing to the legislature for their small amount of funding every year.

Wow, I'm embarrassed to write with so many requests of you like this! Thankfully I know you're on our side and have great staff to help you keep track of so many things!

Viva La Fairbanks!

Jeff Stepp

From: Craig Compeau <craig@compeaus.com>
Sent: Friday, April 06, 2012 3:25 PM
To: Sen. Joe Paskvan
Subject: Lynn Keogh

Categories: Printed

Hi Joe-
Just wanted to make sure that you are aware of the incredible level of support in Fairbanks for Lynn Keogh on the BOG.
I am hearing rumors about opposition due to a couple minor non criminal violations.
Would be a sad shame to 86 a guy for something as trivial as that, especially with the knowledge and passion he has for Alaskans right to hunt and fish. Sure hope you can help with this.

On behalf of the Laundry House Gang and true Alaskans throughout the interior.

Sincerely-

Craig Compeau
VP/Compeau's Inc.
4122 Boat Street
Fairbanks, AK 99709
907-479-2271 Ex.116 (P)
907-478-7669 Ex.116 (TF)
907-474-9537 (F)

www.compeaus.com
www.sixboats.com

Watch our SJX jet boat performance video.

http://youtu.be/bdRLf9xAdTc

Kimberly Vanwyhe

From: Orville Gilman III <ogre@mtaonline.net>
Sent: Friday, April 06, 2012 1:02 AM
To: Sen. Joe Paskvan

I support Lynn Keogh's appointment to the board of Game
Orville Gilman III

Kimberly Vanwyhe

From: Emma Lee Grennan <elgrennan@yahoo.com>
Sent: Friday, April 06, 2012 7:13 AM
To: Sen. Joe Paskvan
Cc: Rep. Scott Kawasaki
Subject: Lynn Keogh - BOG confirmation

Greetings

I strongly support Lynn Keogh for a seat on the Board of Game. I attended the recent BOG Interior meetings. We need his knowledge, experience and foresight for the future of our game resources.

Please confirm his appointment!

Thank you

Emma Lee Grennan
Fairbanks, Alaska

Kimberly Vanwyhe

From: kinneyca@mtaonline.net
Sent: Friday, April 06, 2012 6:28 AM
To: Sen. Joe Paskvan
Subject: Lynn Keogh - BOG Seat

Hello,
I would like to express my support for Lynn Keogh to be assigned a seat on the Board of Game.
Thank you,
Carl Kinney
746-4421

---

mail2web.com – Enhanced email for the mobile individual based on Microsoft® Exchange - http://link.mail2web.com/Personal/EnhancedEmail

Kimberly Vanwyhe

From: Dave Young <absocountry2@hotmail.com>
Sent: Friday, April 06, 2012 12:27 AM
To: Sen. Joe Paskvan
Subject: Board of Game

Hello,
I am just writing this to inform you I strongly support Lynn Keogh and Theresa Segar-Albaugh for seats on the Board of Game. I am also not opposed to Bob Mumford. Please join me with your support on his matter.
Thank You,
David & Billie Young

Kimberly Vanwyhe

---

m: Jubal <jubalb@gmail.com>
Sent: Friday, April 06, 2012 8:47 AM
To: Sen. Joe Paskvan
Subject: strongly support Lynn Keogh

BACKCOUNTRY HUNTERS AND ANGLERS
ALASKA CHAPTER

www.alaskabackcountryhunters.org

March 22, 2012

To: Senator Joe Paskvan, Senator Tom Wagoner
Senate Resources Committee
Re: Confirmation of Lynn Keogh for appointment to the Alaska Board of Game

Dear Senator Paskvan and Senator Wagoner,

I am writing to express Alaska Backcountry Hunters & Anglers **support** of Lynn Keogh's appointment and confirmation to the Alaska Board of Game (BOG).

I have attended many BOG meetings as a representative of our organization, and I recently attended the March 2012 Region III BOG meeting in Fairbanks. I was there all day every day of the meeting, but this was the first meeting I have attended since Mr Keogh was appointed. I was very impressed with how he respectfully engaged and interacted with all members of the public, both on and off the record, and his active verbal involvement in deliberations of the board.

He is well spoken and considers all sides, and whether or not our organization may agree or disagree with how he votes on various proposals, we believe he will be a valuable asset to the BOG.

We fully support his confirmation to the Board of Game.

Sincerely,
Mark Richards
Co-chair Alaska Backcountry Hunters & Anglers
Alaskabha@starband.net

ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the Senate Resources
Committee Name

Committee on Confirmation BOG Dated 4/16 3:30pm
Bill / Subject

See attached

SIGNED: Al Barrette
Testifier

Representing

380 Peger Rd. FBK, AK 99709
Address / Phone Number

April 3, 2012

Fairbanks Area Legislators,

The Fairbanks Fish and Game Advisory Committee (FAC) supports the confirmation of appointed Board of Game member Lynn Keogh.

The FAC is made up of 15 members elected by the community's of Fairbanks, North Pole, Ester and Salcha, all having different backgrounds but unified in the common goal of managing our wildlife resources for present and future generations.

During our March 23rd monthly meeting the FAC voted unanimously to support the confirmation of Lynn Keogh. Our members feel Mr. Keogh is very approachable and open to the concerns of our communities regarding Game Board issues. During the last three Board of Game meetings Mr. Keogh was well prepared to openly discuss written proposals and to accept recommendations for solutions to very highly contested issues. During several discussions Mr. Keogh's input helped put closure on issues of debate providing strong compromise.

The FAC supports Mr. Keogh's confirmation to the Board of Game.

Sincerely,

Terry Marquette, Chairman
Fairbanks Fish and Game Advisory Committee

Sen. Joe Paskvan

From: Thane Humphrey <thane@theproterosgroup.com>
Sent: Thursday, April 05, 2012 1:25 PM
To: Rep. Cathy Munoz; Rep. Berta Gardner; Rep. Scott Kawasaki; Rep. Eric Feige; Rep. Peggy Wilson; Rep. Paul Seaton; Rep. Alan Dick; Rep. Bob Herron; Rep. Neal Foster; Sen. Joe Paskvan; Sen. Tom Wagoner; Sen. Bert Stedman; Sen. Bill Wielechowski; Sen. Lesil McGuire; Sen. Hollis French; Sen. Gary Stevens
Subject: POM on confirmation hearing for Lynn Keogh

Dear Representatives:
As a lifelong, third generation Alaskan who believes strongly in the rights of Alaskan's to control their own fish and game resources and in the prioritizing of personal consumption before commercial benefit, I would like to encourage you to confirm Lynn Keogh to the board of game for the State of Alaska.

Thank you,
Thane

The Proteros Group
The Power Of The Human Element

Building Successes In A Changing World
Thane Humphrey
Business Relationship Director
P.O. Box 872335
Wasilla, AK 99687
Phone 907-715-8009
Fax 907-631-3458
Email: thane@theproterosgroup.com
www.theproterosgroup.com

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Sen. Joe Paskvan

From: Thomas Scarborough <tjfgscarb@gmail.com>
Sent: Thursday, April 05, 2012 11:30 AM
To: Sen. Joe Paskvan
Subject: Lynn Keogh

Please vote to confirm Lynn Keogh. Lynn has a strong background in use and management of Alaska's wildlife resources. He believes in Alaskan's right to utilize our wildlife resources.

Tom Scarborough
40 year resident of Alaska

--
Tom and Judy Scarborough
http://tomjudy.rocketfuelteam.net
www.7282446.myforevergreen.org
www.7282446.getinspirin.com

Sen. Joe Paskvan

From: Dan Caldwell <danc302@mtaonline.net>
Sent: Thursday, April 05, 2012 10:57 AM
To: Sen. Joe Paskvan
Subject: Lynn Keogh

Dear Senator: Joe Paskvan,

I am writing in support of Lynn Keogh's appointment to the Alaska Board of Game. Mr. Keogh is a lifelong Alaskan, and owner and operator of Key O's Guide Service, a family-owned sport fishing business. He is also a former director of the Alaska Trappers Association, and a two-term member of the Anchorage Fish and Game Advisory Board. Mr. Keogh started trapping with his father as a young child, and he has been an avid hunter and fisherman, as well as a professional guide, since that time. He believes strongly in Alaskans inherent right to utilize and grow our game population for the maximum benefit of all Alaskans. To say the least, Mr. Keogh's extensive knowledge in hunting, fishing, and trapping is an asset to the Board of Game. Please vote in favor of Mr. Keogh's confirmation tomorrow, Friday, April 6.

I also strongly support Theresa Sager-Albaugh for reappointment and do not oppose Bob Mumford.

Best Regards,

Dan Caldwell

Sen. Joe Paskvan

From: Cliff Judkins <cjudkins@mtaonline.net>
Sent: Thursday, April 05, 2012 10:44 AM
To: Sen. Joe Paskvan; Sen. Tom Wagoner; Sen. Bert Stedman; Sen. Bill Wielechowski; Sen. Lesil McGuire; Sen. Hollis French; Sen. Gary Stevens
Subject: Board of Game appointments

Senate Resources--I urge you to support the reappointment of Teresa Sager-Alba and Lynn Keogh and the appointment of Bob Mumford to the Board of Game. I am sure that these folks will continue the sound-scientific based management process that the Board has followed for the past nine years.

Parnell's Nominee for the Board of Game – More of the Same (Act Today!)

4

An email obtained by The Mudflats shows Republican Party Chair Randy Ruedrich forwarding an email from Rod Arno of the Alaska Outdoor Council which threatens legislators with strong-arm tactics if they don't approve Governor Sean Parnell's latest disastrous appointment to the Board of Game.

From: Randy Ruedrich <xxxxxx@gci.net>
Date: March 30, 2012 8:09:07 AM AKDT
To: <xxxxxx@kpunet.net>, <xxxxxx@gci.net>, <xxxxxx@hotmail.com>
Subject: Anti's go after Lynn Keogh's confirmation to Board of Game

Get the word out, we can't let the antis defeat Lynn's confirmation to the BOG like they did with Al Barrette.

POMs need to be sent to every legislator from now until the Joint House and Senate Confirmations vote supporting Keogh. Plus let legislators know we'll go after everyone of them who votes against Keogh next November.

Thanks Rod , AOC

"Go after every one of them who votes against Keogh?" Mr. Arno and Mr. Ruedrich may wish to note that legislators do not take an oath to special interest groups, nor to their political party. They take one to the people.

Lynn Keogh's appointment to the Board of Game needs to be confirmed by the legislature for him to keep his seat on the board. Keep in mind that the Board of Game is supposed to represent a diversity of wildlife interests – hunting, trapping, biology, photography, tourism, bear watching, and those who simply enjoy the opportunity that the outdoor life in Alaska affords to sometimes catch sight of its amazing wildlife. This diversity isn't just a suggestion, or an idealistic goal – it is mandated by statute that demands a diversity of interest and points of view.

At this point in time, the Board is overrun with only a couple of these groups, namely big game hunting and trapping. Does Keogh bring anything new to the board? Hardly.

So far he has approved killing both wolves and bears from helicopters, and also the baiting of brown bears – all extreme and controversial positions that would have been unimagined in Alaska until recently. He also voted to approve total extermination of bears in a 540 square mile area and to reduce wolves to the "lowest level possible" in a 1,360 square mile area.

Not only that, but in the growing tradition of Parnell appointments who do not appear to have been vetted, Mr. Keough has a civil court record as long as your arm. He is the defendant in all cases, and the plaintiff is the State of Alaska. Most of the long list of offenses are for traffic violations, but four are of particular interest, and involve illegal use of a high horsepower motor while guiding, and not paying boat launch fees. He seems to have a problem with issues of respecting rules, and repeatedly trying to get away with things about which he should know better. One wonders with a list this long of times he did get caught, how many times didn't he?

You can behold Mr. Keogh's impressive civil court record HERE.

Yowza. Right?

The Senate did hear testimony from three people regarding Mr. Keogh. There was Valerie O'Connor from the Alaska Center for the Environment who spoke in opposition to his nomination. Then there was Juneau resident Tina Brown, also opposed.

Didn't anyone stick up for Mr. Keogh? Oh, yes. Someone did. This guy. Remember him? Yup, Al Barrett – the one skinning a wolf in a video while quoting verses from the Bible. It's good to have friends… Barrett's nomination for this very position got soundly rejected by the legislature, and it's time that Mr. Keogh met the same fate.

As Ms. Brown from Juneau said, in an opinion piece that ran in the Juneau Empire:

If we are ever to achieve some semblance of balance on the board, we need to demand that our legislators uphold the law and only confirm appointees who qualify and provide diversity of interest and points of view.

Predator control in Alaska is out of control because many of those who manage Alaska's wildlife are out of control. Governor Parnell, stop letting underqualified and disreputable people manage Alaska's wildlife. Clean up your house…

One disastrous Sean Parnell commission pick went down in flames yesterday. After massive public outcry, the "racist dentist" extracted himself from consideration for appointment to the Alaska Public Offices Commission.

Please contact your state senator TODAY and make sure to tell them not to be intimidated by threats from special interest groups, and their own party. Tell them to vote NO on Lynn Keogh, and to ask the governor to find a qualified candidate who brings the diversity to the board that the law mandates.

And do it TODAY. The Senate votes at 3:30pm.

Readers who viewed this page, also viewed:

- Open Thread – Homer Mudflats

- Situation Normal in Alaska – Complete Election Disaster
- Voices from the Flats – Shannyn Moore on Skinning the Truth
- Powered by Where did they go from here?

Post Metadata

Date
April 6th, 2012

Author
AKMuckraker

Category
Alaska Board of Game, Alaska Legislature, Featured, Fish & Wildlife, Head bangery, Republicans, Sean Parnell, Vitamin Democracy

Tags
Alaska Outdoor Council, All Barrett, Lynn Keogh, Sean Parnell

Trackback URI

Comments RSS

10 to "Parnell's Nominee for the Board of Game – More of the Same (Act Today!)"

1. 1

beaglemom says:

April 6, 2012 at 3:42 AM

What is it about Republicans that makes them dislike government so much? Even when they are in control. If a governor's nominated appointees have to be confirmed by the legislature, why not just accept what they do? Republicans for decades have been in full tantrum mode and it is dangerous to our system of government. I truly believe that modern Republicans would much prefer a dictatorship, of their own making of course, all the while wrapping themselves in apple pie, motherhood and the flag.

It is just sickening and it is happening all over the country as well as in Washington. In Michigan, where the governor is a Republican and they control both houses of the legislature, they are finding ways around the state constitution's requirement for a 2/3

majority to have a law take immediate effect. For years that requirement probably served their purposes but now, because the Democratic minority could stall their agenda, they want to circumvent it.

And, of course, we know what is going on in Washington. Anything to block the success of the Obama Administration or the American people. It doesn't matter that the Republicans brought the country to the brink of disaster by the end of the Bush Administration, all they care about is not letting the country or the president succeed.

Republicans have no love for their country. That's the story, plain and simple. In their anger at having lost the general election in 2008, in their anger about not having total control of everything in the states they think they own, they have betrayed the American people. And this American is hopping mad!

Reply

- 1.1

Diane says:

April 6, 2012 at 3:54 AM

It occurs to me that they think that government interferes with everything they think is fun and their god given right.

Guns, shooting animals, big cars with poor gas mileage, having a theocracy, woman in the kitchen barefoot and pregnant, no paying for anything that they don't want, schools, roads etc.
I could go on and on.

Reply

- 1.1.1

Mo says:

April 6, 2012 at 5:40 AM

Am working my way through Chris Mooney's The Republican Brain. Thought I wouldn't get much out of it, that I knew all this stuff already. I was wrong. Holy cow, I had no idea.

http://www.amazon.com/The-Republican-Brain-Science-ebook/dp/B007AKBJ8K/ref=kinw_dp_ke?ie=UTF8&m=AG56TWVU5XWC2

Reply

2. 2

Millie says:

April 6, 2012 at 3:46 AM

Parnell is doing a horrible job as Gov of Alaska!!!

Reply

3. 3

juneaudream says:

April 6, 2012 at 4:50 AM

At 74..and having gone trapping here in Oregon..from the time I was in fifth grade..until I graduated from high school..for 6 weeks..every winter..I learned the history, the rules and the ethos of what is done..and why. We trapped..under permit..and the state kept count..as the rules were for thinning..not destruction of whole ..swaths of an area. Keeping all sorts of ..populations..in-balence. Reading the ..beyond selfserving rules which are being pushed, as we speak..rather then looking to scientific ..balencing of assorted interests..is sickening to me/mine.

Reply

4. 4

Zyxomma says:

April 6, 2012 at 5:26 AM

Has Parnell ever nominated anyone who isn't an @sshat? Just wondering.

Reply

5. 5

Pinwheel says:

April 6, 2012 at 8:47 AM

Just sent an email off to Senator French. Maybe preaching to the choir but I know it can't hurt to keep the pressure on and lines of communication open.

Congratulations on Vitamin Democracy to get rid of the Dentist. He should be boycotted out of business. Educate more Dentists.

Reply

6. 6

Dagian says:

April 6, 2012 at 9:12 AM

I posted this in the open thread too, but I think it kinda fits here, too.

jaw drops, eyes pop

sargegreg
1:55 PM EDT
New post: Scott Walker has quietly repealed Wisconsin's equal pay law, and the Obama campaign is hanging the issue around Romney's neck:

http://www.washingtonpost.com/blogs/plum-line/post/scott-walker-may-loom-over-presidential-election/2012/04/06/gIQAEwFzzS_blog.html

Reply

7. 7

Moose Pucky says:

April 6, 2012 at 10:07 AM

My cousins are hanging there. They keep our family strong.

Reply

8. 8

whoami says:

April 6, 2012 at 10:15 AM

Alaska Outdoor Council

310 K Street, Suite 200
Anchorage, Alaska 99501
Phone: (907) 264-6645 Fax: (907) 264-6602
e-mail: aoc@alaskaoutdoorcouncil.com
web: www.alaskaoutdoorcouncil.org

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Palmer

April 5, 2012

Senator Joe Paskvan, Co-Chairman, Senate Resources Committee
Senator Tom Wagoner, Co-Chairman, Senate Resources Committee
Alaska State Legislature, Senate Resources Committee
State Capitol Building
Juneau, Alaska 99801

Dear Senators,

The Alaska Outdoor Council supports the nomination of Mr. Lynn Keogh to the Alaska Board of Game.

The Alaska Outdoor Council (AOC) is a statewide organization of 10,000 Alaskans who hunt, fish, trap and enjoy the Alaska outdoor lifestyle. Our members depend on the Board of Game to make reasoned decisions on the allocation of the public game resource. Mr. Keogh has distinguished himself in this regard. He has participated in a limited number of meetings of the Board since his appointment, but has already contributed a great deal. AOC generally likes to see nominees be familiar with the BOG process. Mr. Keogh has a long record of service to his local Fish and Game Advisory Committee and has participated in that capacity in the Board of Game process. We also like to see a working familiarity with the basic provisions of the constitution, statutes and regulations that guide the board. Mr. Keogh has demonstrated this knowledge, both through the questions he asks of the public, his fellow board members and the department, but also in the statements he has made about his votes.

As you might expect, there is organized opposition to Mr. Keogh. Those organized against Mr. Keogh, representing a small percentage of Alaskans, hope to force the Governor to appoint someone with a limited perspective on how game resources are used. This opposition is based (but not always stated) on his votes on proposals before the board to implement scientific management. AS 16.05.255 (h) is clear: "The Board of Game shall establish population and harvest goals and seasons for intensive management of identified big game prey populations to achieve a high level of human harvest." While we understand that some people disagree with this policy as established by the legislature, we hope you will agree that it would be patently unfair for legislators to vote against Mr. Keogh based on his vote to implement a policy that the legislature itself established. Further, Mr. Keogh's votes during his short tenure on the board have been consistent with other board members who were confirmed by the legislature by sizable majorities.

The AOC communicates with its members through a variety of media. These votes on confirmations to the Board of Game are some of the most important issues before the

legislature to AOC members. It should come as no surprise to you that we will be making available to AOC members and clubs information about the confirmation process, as well as how individual legislators vote, so they can be informed as they participate in their democracy. Allow me to share with you that we spent the last few weekends at large gatherings of Alaskans, from all walks of life, who love the outdoors. The unanimous position of the hundreds of Alaskans that visited our booth in the main pavilion at the largest sportsman's show in the state was to support Lynn Keogh. We hope the legislature will recognize that broad support from the general public, and confirm him to the board.

We thank you for your public service, and ask that you join the majority of Alaskans, as opposed to a small but organized group of opponents, in supporting Lynn Keogh to the Board of Game.

Sincerely,

Rod Arno

Executive Director
Alaska Outdoor Council

Bill Iverson

President
Alaska Outdoor Council

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

I support legislative confirmation of Lynn Keogh to the Alaska Board of Game.

Mr. Keogh has broad experience in the outdoors, has been a thoughtful participant in the board process, and is qualified to serve.

Please enter my comments into the record of your committee hearing when you consider Mr. Keogh's confirmation.

Thank you.

Name: KEN WYNNE

Address: 9432 NORTHERWOOD City: PALMER

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: Chenoa Johanson

Address: P.O. Box 872101 City: Wasilla

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: PAT LORENTZ

Address: 3910 CROSSON DR 99517 City: ANCH.

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: ERIC JAMESON

Address: 9311 Flatlock St City: Anchorage

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: Roland Cochrane

Address: P.O. Box 873708 City: Wasilla

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: Jennifer Lorentz

Address: 3910 Crosson Drive City: Anchorage

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: Shawn Hinkley

Address: 3250 E 40th #B Anchorage AK City: Anchorage

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Please enter my comments into the record of your committee hearing when you consider Mr. Keogh's confirmation.

Thank you.

Name: Lea Jones

Address: 1402 M St. City: Anchorage AK 99501

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: Jonathan S. Enbow

Address: 24037 Dolly Ave #D1 City: Chugiak, AK 99567

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: BILL IVERSON

Address: 36708 MORGANS LOOP City: SOLDOTNA

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: JAMES SALAYE

Address: 6559 KAKA SIDE LOOP City: ANCHORAGE

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Please enter my comments into the record of your committee hearing when you consider Mr. Keogh's confirmation.

Thank you.

Name: Michael Park

Address: 3500A W. 40th City: Anchorage

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Please enter my comments into the record of your committee hearing when you consider Mr. Keogh's confirmation.

Thank you.

Name: Frank Dutton

Address: Po Box 771742 City: Eagle River

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Please enter my comments into the record of your committee hearing when you consider Mr. Keogh's confirmation.

Thank you.

Name: C.R. Busby Jr

Address: 8420 DAGAN ST City: ANCHORAGE 99507

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
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Thank you.

Name: Ken Soldn

Address: Po Box 230336 City: Anc-

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Senator Joe Paskvan
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Representative Eric Feige
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Thank you.

Name: RICHARD ROBERTS

Address: 3223 EASTGATE City: ANCHORAGE

Senator Tom Wagoner
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Representative Eric Feige
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Thank you.

Name: TRAVIS CROSS

Address: 1231 W. NORTHERN LTS. City: Anchorage

Senator Tom Wagoner
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Thank you.

Name: STEVE BOLTZ

Address: 17364 TECUMSEH DR City: EAGLE RIVER, AK

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Senator Joe Paskvan
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Thank you.

Name: Duane L. Roering

Address: 6931 Burlwood Dr. City: Anchorage

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Thank you.

Name: Laurie Linsley

Address: 4640 Nakoma City: Anchorage 99516

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Name: Cole Petersen

Address: Rufus 2722 City: Seward

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Name: JOAN BOLTZ

Address: 17364 Teklanika Dr City: Eagle River AK

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Thank you.

Name: Roy Slemp

Address: _____ City: Anchorage

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Name: Glenn G. Hettle

Address: 4301 S. Wells Fe Rd City: Castle 98654

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Thank you.

Name: Josh Hoke

Address: 1920 Ocean Park Dr. City: Anchorage

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Name: Charles F Fair

Address: 1521 Eldorado #30 City: Anch.

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Name: Paul Michaud

Address: 198 Matthew Paul Way City: Anchorage

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Thank you.

Name: Kurt W. Stedinger Jr

Address: 13440 View Heights Way City: Anchorage

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Thank you.

Name: Anthony Brooks

Address: PO Box 873485 City: Wasilla

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Name: Carol Stedinger

Address: 13440 View Heights Anchorage City: Anch, AK

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Name: Louis E. Mayer

Address: 10020 Maximilian Drive City: Anchorage, AK

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Name: Jeremy Miller

Address: 14036 Dorothy Ave City: Palmer

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Name: Lori Swecker

Address: 8419 Heather Circle City: Anchorage

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Name: Rick Lantz

Address: 1001 Allison cir 99515 City: Anchorage

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Name: Jim Allen

Address: Box 1174 Seward City: Seward, AK

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Thank you.

Name: Michael Swecker

Address: 8419 HEATHER, CIR City: ANCHORAGE 99502

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Name: Lorna Marsh

Address: General Delivery City: Eagle River [99577]

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Thank you.

Name: [signature]

Address: P.O. Box 110582 City: Anch

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Name: Todd A Hecker

Address: 189 E Nelson Ave #117 City: Wasilla

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Name: Paul Lincoln

Address: 10260 Sextant Circle, Anch, AK City: 99515

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Thank you.

Name: Charlie MacDonald

Address: PO Box 730 City: Sterling, AK

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Name: David H. Hecker

Address: 189 E Nelson Ave #117 City: Wasilla

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Name: Loren Kanto

Address: 26239 E Buckshot Dr City: Palmer

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Name: Hans Weinmeister

Address: 9701 Elmore Rd City: Anchorage 99507

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Name: CARL L NELSON

Address: 2544 KENSINGTON DR City: ANCHORAGE

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Thank you.

Name: Dan Montgomery

Address: P.O. Box 874492 Wasilla, AK 99687 City: Wasilla

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Name: [signature]

Address: 46963 Lake City: Nikiski

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Name: Joe Turtle

Address: 7020 Windsor Dr. City: Wasilla

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Name: GREG Ramsey

Address: 2548 Beluga Bay Cir City: Anch

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Name: Peter Adams

Mr. Peter Adams
220 Mariner Dr.
Anchorage, AK 99515-3607

Address: City:

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Name: BRIAN WILLIAMS

Address: 11800 CANLE ST City: ANCHORAGE AK 99516

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Name: Darren Fidler

Address: 7467 N. UNGA City: Wasilla

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Thank you.

Name: Steve Cockroft

Address: PO Box 874960 City: Wasilla AK 99687

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Name: Michele Loeretz

Address: 5251 E Alder Dr. City: Wasilla

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Name: Jim HAGEE

Address: 20935 SUNSET BLVD City: CHUGIAK, AK 99507

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Name: Shaun Jensen

Address: 2957 misty springs ct. City: Anchorage

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Thank you.

Name: PJ Henry

Address: 3232 Fairgate Pl City: Anchorage

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Name: Kris Hartvigson

Address: 6830 Oakwood Dr City: Anchorage

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Name: Sam MacKee

Address: Box 140122 City: Anch AK

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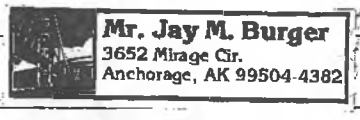
Name: 

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Name: George Jacoby

Address: 8166 Endicott City: Anchorage

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Thank you.

Name: Phillip VELARDE

Address: 13100 RIDGEVIEW DR, City: ANCH. AK

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Name: Michelle Ritchie

Address: 1407 O Street City: Anchorage

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Name: Andrew J Ritchie

Address: 1407 O Street City: Anchorage

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Name: Al Kiefer

Address: 430 Winfield Cir City: Anchorage

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Name: Josh Baker

Address: 2808 Valleywood DR Apt #2 City: Anchorage

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Please enter my comments into the record of your committee hearing when you consider Mr. Keogh's confirmation.

Thank you.

Name: Sarah Nevschwander

Address: PO Box 671305 Chugiak AK 99567 City: Chugiak

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: MATT Dickerson

Address: 51525 Finland LN #10 City: Kenai 99611

Senator Tom Wagoner
Senator Joe Paskvan
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Representative Paul Seaton
Representative Eric Feige
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Thank you.

Name: David Neuschwander

Address: PO 71305 Chugiak City: Chugiak

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Representative Eric Feige
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Thank you.

Name: Donald Renfroe Jr.

Address: 4904 DeArmoun Rd. Anchorage, AK 99516 City: Anchorage, AK

Senator Tom Wagoner
Senator Joe Paskvan
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Representative Paul Seaton
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Thank you.

Name: CLAY D. BURTON

Address: 17506 BARONOFF AVE. City: EAGLE RIVER, AK 99577

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
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Thank you.

Name: JIM NABULSI

Address: 10428 Holland Cir City: Eagle River

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Senator Joe Paskvan
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Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: George Nash

Address: 820 Bay Cir City: AK

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Senator Joe Paskvan
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Representative Eric Feige
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Thank you.

Name: Michael Stutz

Address: 19111 Birchwood Lp City: Chugiak AK

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Thank you.

Name: [signature]

Address: _____ Mr. Scott Paquette
1526 Medfra St. Apt. 7
Anchorage, AK 99501
_____ City: _____

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Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

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Thank you.

Name: Kevin Sage

Address: PO Box 3502 Palmer City: Palmer

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Thank you.

Name: Jeremy Mudra

Address: 2310 LINCOLN City: Bush

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Thank you.

Name: William C Walter

Address: 1609 Summit View St City: Anchorage

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Thank you.

Name: TOM OBERG

Address: 9750 COPPER DR City: ANCHORAGE, AK 99506

Senator Tom Wagoner
Senator Joe Paskvan
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Representative Eric Feige
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Thank you.

Name: John Smart

Address: 19911 Quiet Way City: Chugiak

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Thank you.

Name: Thomas R. Martin

Address: 3601 Taiga DR City: Anchorage 99516

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Thank you.

Name: Gary R. Fahey

Address: 12140 Rushwood Cr City: Anchorage AK

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Thank you.

Name: Harry Byerly

Address: 230 E. Schrock Rd City: Wasilla

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Thank you.

Name: Cynthia Byerly

Address: 230 E Schrock Rd City: Wasilla, AK 99654

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Thank you.

Name: John Corey

Address: P.O. Box 36 City: Sutton

Senator Tom Wagoner
Senator Joe Paskvan
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Thank you.

Name: Charles Aber

Address: 4807 Buckingham Way City: Anch, Ak 99503

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Thank you.

Name: Scott Shellhorn

Address: 5406 W Dimond #3 City: Anchorage AK 99502

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Name: Alexander Armagost

Address: 16400 E Smith Rd City: Palmer

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Thank you.

Name: RRADY NIEDER

Address: 9850 CONIFER ST. City: ANCHORAGE

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Name: Brett Nieder

Address: 828 Country Woods Drive City: Anchorage

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Thank you.

Name: Don Hanks 694-2229

Address: Box 621 City: Eagle River AK

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Name: David White

Address: 3471 Meander Way City: Juneau

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Thank you.

Name: David Nunley

Address: 2051 S Jensen Rd Palmer AK 99645 City: Palmer

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Name: Mel Killi

Address: 8131 Evans Circle City: Anchorage

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Name: Mark Glassmaker

Address: 33361 Keystone Dr. City: Soldotna, AK

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Name: Mike Harms

Address: 1043-1A Lingonberry Ct. City: Anchorage

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Name: GREG BRUSH

Address: PO Box 4278 City: Soldotna, AK.

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Name: JOHN CLER

Address: 5274 E Pine ST City: WASILLA AK 99654

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Name: Michael E McKenna

Address: 2254 Brookshire Loop City: Anchorage

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Name: Fred Schwoden

Address: PO Box 505, Willow City: Willow AK

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Thank you.

Name: CoA B Spry

Address: 570 Vooker Ave Unit A City: JBER

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Name: Tyler Yerbich Tyler Yerbich

Address: 3732 Robin St. City: Anchorage

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Name: Thomas McAlister

Address: 2110 Chandalar Dr. City: Anchorage

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Thank you.

Name: Bob Staats

Address: POB 877211 City: Wasilla

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Name: DAVID DOUGLAS

Address: 5401 WHISPERING SPRUCE City: ANCHORAGE 99516

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Thank you.

Name: KEN HUCKEBA

Address: 6800 MCBETH DR. City: ANCHORAGE

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Name: Elizabeth Benedict

Address: 521 W 12 1st cr City: Anchorage 99515

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Name: John Johnson

Address: 8830 Beck Cir City: Anchorage

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Thank you.

Name: Vikke Waters

Address: 1800 Belmont Cir City: Palmer

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Name: Billy Rousseau

Address: 13417 Stephenson St. City: Anchorage

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Name: Andrew Meyer

Address: 1333 Gilmore trail City: FAIRBANKS, AK

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Thank you.

Name: Danny Weaver

Address: 200 W 34th Ave #413 City: Anch.

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Name: Donovan Walsh

Address: 1901 Belair DR City: Anch.

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Name: Robert Walsh

Address: 1901 Belair DR. City: Anchorage 99517

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Thank you.

Name: [signature]

Address: 8103 River Estates City: Soldotna

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Name: Edward Mahle

Address: Box 477706 City: Chugiak, AK

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Name: GARY HOFFMAN

Address: 4223 TORCH RUN DR. City: ANCH.

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Name: Robert Francisco

Address: 6911 Oakwood Dr. City: Anchorage

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Name: Thomas Johnson

Address: PO Box 879798 City: Wasilla 99687

Senator Tom Wagoner
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Name: Michael Bosch

Address: 1055 E 17th Anchorage 99501 City: Anchorage

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
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I support legislative confirmation of Lynn Keogh to the Alaska Board of Game.

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Please enter my comments into the record of your committee hearing when you consider Mr. Keogh's confirmation.

Thank you.

Name: Dena Potts

Address: 11600 TRAILS END RD City: Anchorage, AK 99507

Senator Tom Wagoner
Senator Joe Paskvan
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Thank you.

Name: Jennifer Johnson Jennifer Johnson

Address: PO Box 879798 Wasilla City: 99687

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Senator Joe Paskvan
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Representative Paul Seaton
Representative Eric Feige
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Thank you.

Name: Vicki Stewart

Address: 297 Adamson City: Soldotna

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Representative Eric Feige
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Thank you.

Name: JAN DURRINGTON

Address: 208 LANE ST. AK City: ANCHORAGE

Senator Tom Wagoner
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Representative Paul Seaton
Representative Eric Feige
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Thank you.

Name: Douglas A. Lange

Address: PO Box 1974 City: Palmer

Senator Tom Wagoner
Senator Joe Paskvan
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Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: Betty Herbert

Address: Box 874182 City: Wasilla

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Senator Joe Paskvan
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Representative Eric Feige
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Thank you.

Name: Scott Peterson

Address: 205 South Second St City: Petersburg AK 99833

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Thank you.

Name: Greg Brown

Address: 5201 E. Northern Lights Blvd #8W City: ANC

Senator Tom Wagoner
Senator Joe Paskvan
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Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: Steven S Smith

Address: 101 West Benson #503 City: Anch.

Senator Tom Wagoner
Senator Joe Paskvan
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Thank you.

Name: Jeanette Lamson

Address: 20182 Tuluan Dr. City: Chugiak, AK

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Representative Eric Feige
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Thank you.

Name: Tony Sp

Address: PO Box 670298 City: Chugiak

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Thank you.

Name:

Address: 10781 Barr Rd City: Anchorage

Senator Tom Wagoner
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Thank you.

Name: JAMES BAKER

Address: 12121 WINTER PARK PL City: EAGLE RIVER

Senator Tom Wagoner
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Representative Eric Feige
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Thank you.

Name: DUSTIN DAVIS

Address: 12122 ROLLING MEADOW CIR City: ANCHORAGE 99516

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Representative Eric Feige
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Thank you.

Name: Tom Nuppel

Address: 9020 Lower Circle City: Anchorage AK

Senator Tom Wagoner
Senator Joe Paskvan
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Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: Lawrence Armstrong

Address: 2621 E 84th Ave City: Anchorage

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Senator Joe Paskvan
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Representative Eric Feige
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Thank you.

Name: Mary Ellen Stewart

Address: 2401 Scarborough City: Anchorage

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Name: Pete Stewart

Address: 2401 Scarborough D City: Anchorage

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Thank you.

Name: Brock J. Olson

Address: 9731 Vanguard Dr APT 13 City: Anchorage

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Name: Lisa Steven

Address: 501 Tognak Cir City: Anch 99503

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Name: Brett Spindler

Address: 7396 N. False Pass cir City: Wasilla

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Name: Joshua Noe

Address: 360 breeze court City: Anchorage

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Senator Joe Paskvan
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Thank you.

Name: Melissa Benedict

Address: 7410 Bearfoot CR City: Anchorage

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Thank you.

Name: Tom Mayfield

Address: 9620 Lower Canyon Creek Anch AK City: Anchorage

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Thank you.

Name: JOSEPH W. SLOAK

Address: 10250 JAMESTOWN DR. # 8 City: ANCHORAGE

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

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Thank you.

Name: James C. Heakinhorn

Address: PO Box 1425 Anchor Point City: AK 99556

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Thank you.

Name: Kirsten Ronning

Address: 2815 Leeward Dr. City: Anchorage

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Name: Lee McKnight

Address: Sturbridge Circle City: Anchorage

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Name: Eugene Yackey

Address: 21931 Rebecca cir City: Chugiak AK 99567

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Name: Tim Sears

Address: 9095 E Gold Pan dr City: Palmer

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Name: Jeff Trotter

Address: 971 S Joanne Dr City: Palmer

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Name:

Address: 401 S Wasilla St. Unit 10 City: Wasilla

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Name: Cody Dahl 884-0804

Address: 8244 Loganberry St City: Anchorage

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Name: John M. Watson

Address: 9499 Brayton DR #172 City: Anchorage

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Name: Nathan Dutton

Address: 9103 Northstar Anchorage, AK City: Anchorage

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Thank you.

Name: JACK SMOTHERS

Address: PO Box 1106 City: TALKEETNA, AK 99676

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Name: Ken Ishmael

Address: 1056 Seffor Cir City: Palmer

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Name: Patti Gillham

Address: 1164-A Kenai Ave. City: JBER, AK 99505

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Name: Todd Braun

Address: 50420 Kachemak Cr City: Kenai

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Name: Jim Eikenbary

Address: 9021 Cathedral Pl City: Anchorage

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Name: Greg Sholly

Address: 1623 Early View Drive City: Anchorage

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Name: Corey McGee

Address: P.O. Box 8275 Nikiski AK City:

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Thank you.

Name: Jan Murray

Address: 17465 Kati Lynn City: Eagle River AK 99577

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Thank you.

Name: Raymond L. Miller

Address: 18755 Fish Hatchery Rd City: Eagle River AK 99577

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Name: Mark Olson

Address: 3000 Rabbit Cr. City: Anchorage

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Thank you.

Name: Kari Huff

Address: 2680 N Cottonwood Loop City: Wasilla

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Thank you.

Name: DONALD PICKETT

Address: Box 874793 City: WASILLA 99687

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907 744 0880

Name: Paul Byrs (Paul Byrns)

Address: 20506 Sun Hawk Rd City: Chugiak

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Thank you.

Name: John Hendrix

Address: [redacted] PO Box 1113 City: Homer

Senator Tom Wagoner
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Representative Eric Feige
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Name: Blair Martin

Address: 48500 DMR Road City: Kenai

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Name: Sylvester Merkey

Address: 18637 S. Kanaga City: Eagle River

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Name: FRED BACON

Address: POBox111376 City: Anch Ak 99511

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Name: Russell Helminen

Address: 4502 Klondike Ct City: Anchorage

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Thank you.

Name: [illegible]

Address: 7622 [illegible] City: Anchorage

Senator Tom Wagoner
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Thank you.

Name: JEFF DUCK

Address: PT. ALSWORTH, AK 99653 City: _____

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Name: Hunter Folkedahl

Address: 4251 Rosen Ct APT C City: Anchorage

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Name: Robert Lewis

Address: 200 E 45th AVE Anch, AK City: Anchorage

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Name: Ted Sierociński

Address: 5325 Sharon St City: Anchorage Ak

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Thank you.

Name: CHRIS CARROLL

Address: 710 MANCHESTER LP City: FAIRBANKS

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Representative Eric Feige
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Thank you.

Name: Michael Davis

Address: 10140 Salix Cir City: Anchorage

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Thank you.

Name: Michelle Collins

Address: 22330 Knik Vista St. City: Chugiak

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Address: 22330 Knik Vista City: Chugiak

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Thank you.

Name: [signature]

Address: 4008 Jeanne Dr City: Wasilla

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Thank you.

Name: George Rawls

Address: 6526 Colgate Dr City: Anch 99504

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Thank you.

Name: Bryan E Brown

Address: 7231 Russell Circle City: Anchorage AK 99507

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Thank you.

Name: Paula Harrison

Address: 400 S Jerome City: WASILLA

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Thank you.

Name: Robert Huffaker

Address: 16650 N Centurion dr #2 City: Wasilla

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Thank you.

Name: Richard Warren

Address: 937 W 72nd City: Anchorage

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Thank you.

Name: TAL MAXWELL

Address: 4801 SHELDON ST City: ANCHORAGE

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Thank you.

Name: Troy Johnson

Address: 14033 Pickett St. 99516 City: Anchorage

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Name: [signature]

Address: 3505 Huntington Dr City: Soldotna

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Name: Steve Erickson

Address: PO Box 875506 City: Wasilla AK 99687

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Name: David Whisnant

Address: 2435 Hiland Rd City: Eagle River

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Name: Dave Richardson

Address: POBox 2312 City: Soldotna

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Name: Nick Hoggan

Address: 726 D Pl. Apt 401 City: Achorage

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Name: John B Preuit

Address: 7362 W. PARKS Hwy #595 City: WASILLA

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Name: [signature]

Address: 6740 Lawlor Circle Anchorage AK City: Anchorage

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Name: [signature]

Address: 2261 Casey Cir Apt 4 City: Anchorage

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Thank you.

Name: Joel A. Reed Joel A. Reed

Address: 8340 Sue St. City: Anchorage

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Name: Andrew Hegener

Address: 5078 Borge Ave. Unit B ~~JBER~~ AK City: JBER 99506

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Name: Rodney Evans

Address: 2701 Kempton Hills Dr. City: Anch. 99516

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Thank you.

Name: Kevin Tierney

Address: 8133 Lamplighter Ct. City: Anch, AK 99502

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Name: Sarah Valentine

Address: Box 542 Glennallen AK 99588 City: Glennallen

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Name: Marisa Freese

Address: PO Box 773 City: Glennallen

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Name: MARTIN JOHNSON

Address: 1120 ANOKA CIR City: ANCHORAGE

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Name: LARRY L OSBORN Jr 106

Address: 12200 WAGNER ST. City: ANCHORAGE

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Name: Michael NOE

Address: 366 breezecourt City: Anchorage

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Name: David A. O'Brien

Address: P.O. Box 2056 City: Cordova

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Name: Wesley Hansen

Address: 19431 middleton Loop City: Eagle River

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Name: L. Bruce McCrea

Address: 9515 Dundas Cir City: Eagle River AK 99577

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Name: Lori Stayden

Address: Box 200251 City: Anch AK

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Name: Taylor Hayden

Address: POB 64 City: Sleetmute

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Name: Joe Tougas

Address: PO Box 825 City: Seward
Seward AK 99664

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Thank you.

Name: Shaun Tueker

Address: P.O. Box 200153 City: Anchorage

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Name: Richard E Whitehead

Address: 24555 Jean Circle City: Eagl River AK 99577

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Name: John James

Address: 18308 James Way City: Eagle River

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Name: R. Dawn Thompson Jr

Address: 1885 W Church Ridge Dr City: Wasilla, AK

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Name: Patrick Curtis

Address: 11601 Birch Trail Cr Un B City: Anchorage

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Name: James B. Benedict

Address: 924 E 45 Ct. City: Anchorage

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Name: Barry Fowler

Address: 11401 Old Glenn City: Eagle River

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Thank you.

Name: [illegible]

Address: 200 W. 34th Ave #313 City: Anchorage 99503

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Address: 521 W 121st Circle City: Anchorage

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Name: Bjorn Wood

Address: 1919 Beaver Pl. Anchorage AK 99504 City: Anchorage

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Name: Richard Birdsall RICHARD BIRDSALL

Address: 1919 Beaver Pl City: Anchorage 99504

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Name: Daniel Berg

Address: 12801 Silver Spruce Dr. City: Anchorage

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Name: JUSTIN KANE

Address: PO BOX 671554 City: CHUGIAK

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Name: Peter Mulcahy

Address: 22737 Oak Knoll City: Chugiak

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Name: Ryan Booher

Address: 19025 2nd St City: ER, AK

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

I support legislative confirmation of Lynn Keogh to the Alaska Board of Game.

Mr. Keogh has broad experience in the outdoors, has been a thoughtful participant in the board process, and is qualified to serve.

Please enter my comments into the record of your committee hearing when you consider Mr. Keogh's confirmation.

Thank you.

Name: Marlin Scoby

Address: 8620 E 20th Ave City: ANCHORAGE

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Senator Joe Paskvan
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Representative Eric Feige
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Thank you.

Name: Marianne Hamilton

Address: 3300 Bear Ridge Cir City: Eagle River

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Senator Joe Paskvan
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Thank you.

Name: SCOTT THORSTAD

Address: 7700 BETHANY CIR, ANCHORAGE City: ANCHORAGE

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Senator Joe Paskvan
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Representative Paul Seaton
Representative Eric Feige
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Thank you.

Name: Mike Wainman

Address: 3300 Bear Ridge Cir City: Eagle River

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Representative Eric Feige
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Thank you.

Name: William Brown

Address: 7047 Arnold Ave Unit C City: JBER

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Senator Joe Paskvan
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Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: Tina Brown

Address: 7047 Arnold Ave #C City: JBER

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Senator Joe Paskvan
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Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: Herman Jones

Address: 1860 W. Suburban City: Wasilla

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Senator Joe Paskvan
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Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: Charles A M. Sherwood Sr

Address: 840 Howard Cir Anchorage AK. 99504 City: Anchorage

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

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Thank you.

Name: Scott Oldani

Address: 749 Oceanview Dr. City: Anchorage

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Thank you.

Name: Jacquelin Daley

Address: 10762 Edgewood Circle City: Eagle River

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Thank you.

Name: Lance Hagedorn

Address: 19530 Third St. City: Eagle River

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Thank you.

Name: Brian Stuart

Address: Anchorage AK 99504 City:

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Senator Joe Paskvan
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Representative Eric Feige
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Thank you.

Name: Glenda Foss

Address: 7005 W Island Lake City: Wasilla

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Thank you.

Name: JAN BASS

Address: 7001 W. Island Lake Dr City: Wasilla

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Thank you.

Name: Robert Caywood

Addr Robert 743 Old Glenn Hiway City: Chugiak

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Thank you.

Name: Patrick Smith

Address: 1315 Cordova Anchorage City: Anchorage

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Thank you.

Name: Tom Hobbleth

Address: 3752 Gray Loop Unit C City: JBER

Senator Tom Wagoner
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Thank you.

Name: Marion Marks

Address: 11400 Bear Paw St. City: Anch. AK 99516

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Thank you.

Name: DAVE HIRN

Address: 7431 WADE CIRCLE City: ANCHORAGE

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Thank you.

Name: Monique Hackett

Address: 2450 Bayloop Unit C City: JBER, AK 99506

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Co-Chairs, Alaska State Senate Resources Committee

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Representative Eric Feige
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Thank you.

Name: GARY BOWEN

Address: 2281 EAST SUN MTN AVE City: WASILLA

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Thank you.

Name: J. Huss

Address: 7141 Dawn Dr Anch. Ak City: 99502

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Thank you.

Name: Jerome Robinson

Address: _____ City: Anchorage Alaska

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Senator Joe Paskvan
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Thank you.

Name: Jim Dickens

Address: 154 B Kenai Ave City: Fort Richardson AK

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Thank you.

Name: Raymond Nix Sr

Address: 5200 S. Old Glenn Hwy City: Palmer 99645

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Thank you.

Name: Frankie Coles

Address: 172 SPARTA Way Apt A City: JBER, AK 99505

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Thank you.

Name: Edgar Sims

Address: 9260 Roy St A City: Anchorage, AK

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Thank you.

Name: Francine Lamb

Address: 5901 E 6th Ave #144 City: Anchorage

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Thank you.

Name: Britt Trogelle

Address: 3120 E. 41ST AVE City: ANCHORAGE

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Thank you.

Name: ROB HEMMEN

Address: 18724 Mountain Plover CR City: ANCHORAGE, AK 99516

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Thank you.

Name: [illegible]

Address: 452 [illegible] Goose Bay Rd City: [illegible]

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Thank you.

Name: BARRY TASKEWICZ

Address: 1300 N. Comfort Court City: Palmer

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Thank you. Allen Dubord

Name: Allen Dubord

Address: PO Box 672589 Chugiak Ak City: 99567

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Thank you.

Name: Carlton Carpenter

Address: 6901 Howard Ave City: Anchorage

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Thank you.

Name: Grant Schoaf

Address: 25050 Cates Ave City: Eagle River

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Name: Todd Hahn

Address: PO Box 672258 City: Chugiak

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Name: Marjorie Wilson

Address: 2203 W 48th City: Anchorage

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Thank you.

Name: Jenn Schoaf

Address: 25050 Cates Ave City: Eagle River AK

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Name: John Hoffman

Address: P.O. Box 231316 City: Anchorage

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Name: Jacquish R Watson

Address: 2203 W 48th #1 City: Anchorage

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Name: Dan Erickson

Address: 5700 South Hanson Loop City: Wasilla

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Name: Charlie R Busby

Address: 5420 DAGAN ST City: Anchorage 99502

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Thank you.

Name: Warren F. Olson

Address: 5961 ORTH CIRCLE City: Anch. 99507

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Name: Michael Wrey

Address: 16911 Danny Drive City: Eagl River 99577

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Name: Robert Klein

Address: 3140 Flyway City: Anchorage

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Thank you.

Name: MICHAEL KAHLER

Address: 21435 GINGER LEE City: CHUGIAK

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Thank you.

Name: Eugene Singer

Address: 7101 Chad St City: Anch. Ak.

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Name: Michael Smith

Address: PO Box 877361 City: Wasilla AK

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Name: HAROLD LAU

Address: 9901 Whitefish Cir City: Anchorage

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Name: Andrew Wiersch

Address: 2350 W Bonigo City: Wasilla

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Thank you.

Name: Gaylene Ellis Gaylene Ellis

Address: 341 Eastman St City: Cordova AK

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Name: Joel Spano

Address: 17105 Meadow Creek dr City: Eagle River

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Name: Dave Leonard

Address: 7607 Arlene St City: Anchorage

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Name: Mary Brown

Address: 4221 Thompson St City: Anchorage

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

I support legislative confirmation of Lynn Keogh to the Alaska Board of Game.

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Please enter my comments into the record of your committee hearing when you consider Mr. Keogh's confirmation.

Thank you.

Name: AARON SANDERS

Address: 6047 APT B ANCHORAGE City: 99

Senator Tom Wagoner
Senator Joe Paskvan
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Representative Eric Feige
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Thank you.

Name: Lori Wilton

Address: 1021 POTLATCH Cir ANCH City: 99503

Senator Tom Wagoner
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Representative Paul Seaton
Representative Eric Feige
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Thank you.

Name: Travis Cahelgowen

Address: 500 Meriondale Cir. City: Wasilla

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Senator Joe Paskvan
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Thank you.

Name: JOHN G FICHER

Address: 801 N Wil Circle City: WASILLA AK

Senator Tom Wagoner
Senator Joe Paskvan
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Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: Frank A. Shaft

Address: 3916 Tom White Cr City: ANC

Senator Tom Wagoner
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Representative Eric Feige
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Thank you.

Name: Chad Rachel

Address: 20658 Mountainside Dr. City: ER

Senator Tom Wagoner
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Thank you.

Name: Brian L Johnson

Address: 13141 Lupine Rd City: Anchorage AK 99516

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Thank you.

Name: Kristjan Johnson

Address: 847 N. Flower Anch. Ak 99508 City:

Senator Tom Wagoner
Senator Joe Paskvan
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Representative Paul Seaton
Representative Eric Feige
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Thank you.

Name: Robert D Mardis / Robert D Mardis

Address: 9728 Dinaaka Dr City: Eagle River

Senator Tom Wagoner
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Representative Eric Feige
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Thank you.

Name: Rick C. Ellis / Rick C. Ellis

Address: 341 S. GASTMAN CT. City: WASILLA

Senator Tom Wagoner
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Representative Eric Feige
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Thank you.

Name: Don Gardner

Address: 6000 E Ranch Cut City: Palmer

Don Miller

Senator Tom Wagoner
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Thank you.

Name: Mike Soik / MSA

Address: 12500 Bainbridge Rd. City: Anchorage

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Thank you.

Name: John Gantz

Address: 10143 Stewart Ln City: Eagle River

Senator Tom Wagoner
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Thank you.

Name: Carol Felder

Address: 4010 E Fairview Cir City: Palmer

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Thank you.

Name: Jeff Brinkman

Address: 11800 Humble Ct. City: Anch.

Jeff Brinkman

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Name: William Okpik

Address: 4076 Birch Park Cir. City: Wasilla

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Thank you.

Name: Blair J. Tudor

Address: 175 Richland Dr. Grants Pass, OR City:

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Name: JOSEPH M BUCI

Address: 450 WINFIELD CIR City: ANCHORAGE 99515

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Thank you.

Name: KEITH LAUWERS

Address: 5133 STRAWBERRY RD City: ANCHORAGE AK 99502

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Thank you.

Name: ROBERT MARK STAMM

Address: 00531 HEIGHT CIR City: ANCHORAGE

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Thank you.

Name: Willow Hetrick

Address: 6601 Weimer Drive Apt H City: Anchorage, AK 99582

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Thank you.

Name: Scott [illegible]

Address: 17502 Laokan CT E.R. City: Eagle River

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Name: Michael C Warner

Address: PO Box 18146 City: Coffman Cove, Ak 99918

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Name: Brad Roberts

Address: 1220 E. 16th Ave Unit #1 City: Anchorage

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Name: Susan Olson

Address: 29965 Eagle River Rd City: Eagle River

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Thank you.

Name: Christopher Wiles

Address: 6914S Anderson Circle City: JBER, AK 99506

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Thank you.

Name: RICHARD VATHKE

Address: 6800 COLONIAL CRT City: ANCH AK.

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Name: Keith Olson Keith Olson

Address: 29965 Eagle River Rd. City: Eagle River

Senator Tom Wagoner
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Name: Mark LRiffitt

Address: 1845 S. Heather Meadows Cp City: Anchorage

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Name: James Russell

Address: 170 Edinborough City: Palmer

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Senator Joe Paskvan
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Name: Matthew Dietrich

Address: 5509 E 34th Ave City: Anchorage

Matthew Dietrich

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Name: KENNETH M. SOIK Kenneth M Soik

Address: 12500 BAINBRIDGE RD City: ANCHORAGE

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Name: Jackie Johnson

Address: 189 E. Nelson PMB 163 City: Wasilla

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Thank you.

Name: JOHN FOSTER JR

Address: P.O. BOX 875591 City: WASILLA

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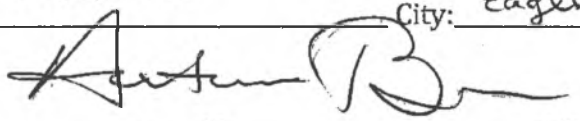
Thank you.

Name: Autumn Brown

Address: 12327 Vista Ridge Lp City: Eagle River, AK



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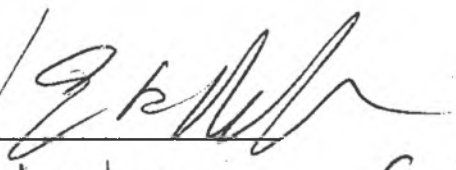
Name: Eric McMillan



Address: 12327 Vista Ridge Loop City: Eagle River

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Name: Andrew Plory

Address: 6661 Baby Bear Dr. City: Anchorage

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Name: Bobby Stone

Address: PO Box 670688 C City: Chugiak

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Name: Travis Mulholland

Address: Po box 771202 City: Eagle River

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Thank you.

Name: Ray Mulholland

Address: P.O. Box 77120 City: ER

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Name: Tyler Knight

Address: 1835 caribou loop City: Wasilla, AK

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Name: Troy Knight

Address: 1835 caribou loop RD City: Wasilla

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Name: Angelina Lovell

Address: 17612 Toakoana Way City: Eagle River

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Name: Garry Bendt

Address: 17612 Balkoana City: ER, AK

Senator Tom Wagoner
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Thank you.

Name: Buddy Lane

Address: P.O. Box 55925 North Pole, AK 99705 City: _____

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Name: Michael Carey

Address: 4314 E. 9th Ave B Anchorage, Alaska City: Anchorage

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Name: Brad Sparks

Address: 1892 Braditya St City:
Anchorage, AK 99516

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Name: Ryan Nolan

Address: 5922 Goodwin Ave Unit B City: JBER 99506

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Name: Berta Mills

Address: 2041 Grey wolf cir City: Anchorage

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Name: DAVE CHAMBERLAIN

Address: 3211 Creekside Dr. City: Anchorage

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Name: Chris Carman

Address: 12916 Lindsey Cir. City: Anchorage

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Thank you.

Name: JERRY HEDSTROM

Address: 2136 LAUREN ANN CIR. City: ANCHORAGE 99515

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
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Name: Nile Flickinger

Address: 3608 Wesleyan Dr City: Anchorage

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Thank you.

Name: Kenneth I Feinman

Address: 1201 Denali #211 City: Anchorage

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Representative Eric Feige
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Thank you.

Name: GARY STEVENS

Address: 20734 CRABTREE ST City: CHUGIAK

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Representative Eric Feige
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Thank you.

Name: Steve McClure

Address: 34754 Killey Street City: Soldotna, AK

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Thank you.

Name: Richard & Quincy

Address: 3350 Old Squaw Loop City: Wasilla, AK 99654

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Name: Jeffrey Warner

Address: 10141 Colville ST City: Eagle River

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Thank you.

Name: KRISTA REED

Address: PO BOX 244992, ~~ANCH~~ AK City: ANCHORAGE

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Thank you.

Name: Andrew N. Couch Andrew N. Couch

Address: 14660 E Gunnysack Rd City: Palmer, AK 99645

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Thank you.

Name: Michael Flores

Address: P.O. Box 1627 City: Soldotna

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Thank you.

Name: ISAAC CORTEZ

Address: 3860 AMBERBAY. LP. 99515 City: ANCHORAGE

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Thank you.

Name: Micah Golden

Address: Po Box 4277 City: Palmer

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Thank you.

Name: Daryl Sutton

Address: 3452E Poppywood ST City: Soldotna

Toll Free Telephone Numbers – Senate Resources Committee

Senator Tom Wagoner – Kenai – 800-964-5733
Senator Joe Paskvan – Fairbanks – 877-665-3709
Senator Gary Stevens – Kodiak – 800-821-4925
Senator Bert Stedman – Sitka – 877-463-3873
Senator Bill Wielechowski – Anchorage – 800-550-2435
Senator Hollis French – Anchorage – 866-465-3892

Toll Free Telephone Numbers – House Resources Committee

Representative Paul Seaton – Homer – 800-665-2689
Representative Eric Feige – Chikaloon – 888-465-4859
Representative Peggy Wilson – Wrangell - 800-686-3824
Representative Bob Herron – Bethel – 800-323-4942
Representative Cathy Munoz – Juneau – 800-968-6744
Representative Alan Dick – Stoney River – 800-491-4527
Representative Berta Gardner – Anchorage – 800-331-4930
Representative Scott Kawasaki – Fairbanks – 866-465-3466

Senate email format: sen.firstname.lastname@legis.state.ak.us
House email format: rep.firstname.lastname@legis.state.ak.us

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Name: Shawn Toth

Address: 21451 Whitewater Circle City: Eagle River

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Thank you.

Name: David Dahl

Address: 9500 Solar Drive City: Anch.

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Thank you.

Name: Janelle Plumb

Address: 2225 Whispering Birch Dr City: Chugiak AK

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Name: Colin L Be

Address: 17342 Rachel ave City: Eagle River

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Thank you.

Name: Christine Harvey

Address: Box 216 TOK City: _____

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Thank you.

Name: M J Harney

Address: Po Box 286 City: Tok

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Thank you.

Name: Brian White

Address: 3030 North Banner Way City: Wasilla

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Thank you.

Name: Joseph Pirtle

Address: 4124 Bullard Ave Unit A City: JBER AK

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Thank you.

Name: Mike Griffin

Address: 7650 Debby Circle City: Anc 99507

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Thank you.

Name: JAY MCCABE

Address: 1100 W. 32nd Ave. #1 City: ANCHORAGE / 99503

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Name: Mike Heter

Address: 47140 Francis Heber City: Soldotna, Ak

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Name: Stephen Tough

Address: 47365 Clarence Drive City: Soldotna

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Thank you.

Name: Robert S Klink

Address: 6310 W 80th City: Anch 99502

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Name: Charles Snyder

Address: 1209 Hamilton Dr City: Anchorage

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Name: Ron Nicholson

Address: PO Box 3575 City: Palmer

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Name: Thomas Witt

Address: 2491 Chilkoot Ave. City: Ft. Richards—Ak

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Name: JIM BICKMAN

Address: 9316 UPPER KOGRU DR. City: EAGLE RIVER

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Name: Gerald Bannister

Address: 30258 E Edmund Drive City: Eagle River, AK

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Name: Bret Kolt

Address: 2000 N. Cranberry Ct City: Wasilla

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Name: Steve A Reed

Address: 7533E Jim Cottrell Cir City: Palmer

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Thank you.

Name: [signature]

Address: _____ City: A-K

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Name: Mike Tomas

Address: 610 W 42nd City: Anch

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Name: Tom Willoughby

Address: P.O. Box 298003 WASILLA AK 99629 City: _____

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Name: Ben Daily

Address: PO Box 231896 City: Anchorage 99523

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Name: J.R. Hobak

Address: P.O. Box 298725 City: Wasilla 99629

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Name: Scott Stewart

Address: 3231 W Greenward City: Wasilla

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Thank you.

Name: STEVEN ANCIER

Address: Box 83044 FBX 99708 City: _____

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Name: Walt Orzechowski

Address: 4037 James Dr City: Anchorage

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Name: Hardtack, Joshua

Address: 3556 E Serendipity LP City: Wasilla

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Thank you.

Name: Pete Nelson

Address: 8499 Drayton Dr. #166 ~~Anch. AK.~~ City: Anch. AK. 99507

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Name: Hiram Gunter

Address: 3727 Vasler Ave Unit A City: JBER

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Name: Jerrid Hixon

Address: 11720 Business Blvd #205 City: Eagle River

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Name: Leona Sprinkle

Address: 311 Beulah Cr City: Anch

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Thank you.

Name: STEPHEN LOPEZ

Address: 12061 JONNS ROAD City: ANCHORAGE

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Name: Paul Wrahm

Address: Box 2601 City: Seward

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Thank you.

Name: Patty Beals

Address: P.O. Box 1486 Seward Ak City: 99664

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Thank you.

Name: Delinda Cain

Address: PO Box 770781 City: Eagle River

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Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

I support legislative confirmation of Lynn Keogh to the Alaska Board of Game.

Mr. Keogh has broad experience in the outdoors, has been a thoughtful participant in the board process, and is qualified to serve.

Please enter my comments into the record of your committee hearing when you consider Mr. Keogh's confirmation.

Thank you.

Name: Randy Adair

Address: 5800 W. Birch Harbor City: Juneau
Juneau, AK 99623

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
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Thank you.

Name: Carlos Pasco

Address: 6090 E Mickadee Drive City: Palmer 99645

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: James Cain

Address: P.O. Box 770781 City: Eagle River, AK

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: Tom Colley

Address: 5351 E MEADOW DRIVE City: WASILLA
WASILLA AK 99654

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
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Thank you.

Name: Todd Condon

Address: PO Box 942 City: Talkeetna AK

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: Paula Caywood

Address: PO Box 774042 City: Eagle River

Senator Tom Wagoner
Senator Joe Paskvan
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Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: Andrew R. Zajac

Address: POB 773496 ~~Eagle River~~ City: Eagle River 99577

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Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: Joe Caswell

Address: 33375 Keystone City: Soldotna

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Senator Joe Paskvan
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Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: Dale Britton

Address: 3251 W Bradon Ave City: Wasilla

Senator Tom Wagoner
Senator Joe Paskvan
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Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: Travis Snyder

Address: 2911 Braeview St. City: Anchorage

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Senator Joe Paskvan
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Representative Eric Feige
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Thank you.

Name: Sean Fabry

Address: 5010 126th Cr City: Anchorage

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Senator Joe Paskvan
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Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: DONALD G. FREDERICK

Address: PO BOX 112108 City: ANCHORAGE AK 99511

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: John Sligis

Address: 8270 W. Susan Dr. City: Wasilla AK

Senator Tom Wagoner
Senator Joe Paskvan
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Thank you.

Name: Barbara Gray

Address: Bx 1777 City: Soldotna

Senator Tom Wagoner
Senator Joe Paskvan
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Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: Adam Caswell

Address: 12621 Crested Butte Eagle River Alaska 99577 City:

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: STEWART VALLADOLID

Address: 3600 PARSONS AVE City: ANCHORAGE

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
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Thank you.

Name: Todd Killeen

Address: PO Box 751 City: Palmer 99645

Senator Tom Wagoner
Senator Joe Paskvan
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Thank you.

Name: Jerry Gray

Address: 42464 Box 1777 City: Soldotna

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Senator Joe Paskvan
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Thank you.

Name: Vic Bowman

Address: 201 E Dimond City: ANCH 99515

Senator Tom Wagoner
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Representative Eric Feige
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Thank you.

Name: Ben Holsclaw

Address: 2680 N Cottonwood Lp City: Wasilla 99654

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Thank you.

Name: Levi Keogh

Address: 3447 E 68th Apt B. City: Anchorage

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Thank you.

Name: Joshua S. Sandridge

Address: 7053 Chennault Ave JBER AK 99506 City: Anchorage

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

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Representative Eric Feige
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Thank you.

Name: Kevin Tierney

Address: 8133 Lamplighter Ct. City: Anchorage, AK 99502

humane killing

Senator Tom Wagoner
Senator Joe Paskvan
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Thank you.

Name: Am Post

Address: 13111 Hidden Falls Ave City: Eagle River

Senator Tom Wagoner
Senator Joe Paskvan
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Thank you.

Name: Rod Weaver

Address: 3624 Alamosa Dr City: Anch 99502

Senator Tom Wagoner
Senator Joe Paskvan
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Representative Eric Feige
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Thank you.

Name: William Lewis

Address: 18045 N. Parkview City: Eagle River AK

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Name: James A. Befort

Address: 1000 Fred Circle City: Anchorage

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Thank you.

Name: Taylor Kaminski3

Address: P.O. 1095 [illegible] City: Kasilof Ak

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Thank you.

Name: Steve Barnett

Address: 1301 W Tudor Rd Anch AK 99503 City:

Senator Tom Wagoner
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Thank you.

Name: Taylor Thorp

Address: 35555 Kenai Spur Hwy #263 City: Soldotna

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Name: Greg McNeil

Address: PO Box 241162 City: Anchorage 99524

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Thank you.

Name: Eddie J. Nelson

Address: 1281 E 19 D-304 City: ANCHORAGE 99501

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Thank you.

Name: Ron Cama

Address: 125 Luther Ave City: WASILLA

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Senator Joe Paskvan
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Thank you.

Name: MARK M MITCHAM

Address: 5535 EAST 42ND AVE #3 City: ANCHORAGE, AK

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Co-Chairs, Alaska State Senate Resources Committee

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Name: Paul Barnett

Address: 1555 N. Kuhn Dr City: Palmer, AK.

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Name: Casey Marr

Address: 5050 E. Alder Dr. City: Wasilla

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Name: Tyson Bibnar

Address: 23434 Glenn Hill Circle City: Chugiak

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Thank you.

Name: Aaron Cook

Address: 7362 W Parks Hwy #755 City: Wasilla 99654

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Thank you.

Name: Lynda Breck

Address: 9255 Chugach Palmer Ak City: Palmer Ak

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Thank you.

Name: Brian Hudgins

Address: 5212 Fenger Ave Unit A City: JBER, AK

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Name: Wilmar Alejandro

Address: 11940 Ellen Ave City: Anchorage, AK

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Thank you.

Name: Chad Johnson

Address: P.O. Box 2156 City: Soldotna

Senator Tom Wagoner
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Thank you.

Name: Paul LeFond

Address: 171 Mountain View DR City: Homer

Senator Tom Wagoner
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Thank you.

Name: Robert Thurman

Address: PO Box 874580 City: Wasilla

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Thank you.

Name: David McConnell

Address: 39485 Bluff Ct City: Sterling AK 99672

Senator Tom Wagoner
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Thank you.

Name: Joel C Wheeler

Address: 821 W. 71st Ave City: Anchorage

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Thank you.

Name: ROBERT SAY

Address: 820 W. 88th AVE City: ANCH, AK

Senator Tom Wagoner
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Representative Eric Feige
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Thank you.

Name: Scott Anderson

Address: P.O. Box 234225 City: Anch.

Senator Tom Wagoner
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Thank you.

Name: William J. Fricke

Address: 5900 Homer Dr City: Anchorage

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Thank you.

Name: BRYANT COX

Address: 2395 W Discovery Dr City: WASILLA

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Thank you.

Name: William B. O'Brien

Address: PO Box 242471 Anchorage City: Anchorage

Senator Tom Wagoner
Senator Joe Paskvan
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Thank you.

Name: INGAMAR JOHANSON

Address: P.O. BOX 872101 City: WASILLA

Senator Tom Wagoner
Senator Joe Paskvan
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Representative Eric Feige
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Thank you.

Name: Ruth Cox

Address: 2395 W. Discovery Hwy. City: Wasilla

Senator Tom Wagoner
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Thank you.

Name: Cary Bloomquist

Address: PO Box 560 City: TOK

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

I support legislative confirmation of Lynn Keogh to the Alaska Board of Game.

Mr. Keogh has broad experience in the outdoors, has been a thoughtful participant in the board process, and is qualified to serve.

Please enter my comments into the record of your committee hearing when you consider Mr. Keogh's confirmation.

Thank you.

Name: Melissa Johnson

Address: PO Box 111 Copper Center City: Copper Center

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: David Dressel

Address: 9351 Stuart Circle City: Eagle River

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: Aaron Bloomquist

Address: Po Box 560 City: Tok

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: Amber Allen Amber L. Allen

Address: 4150 E. Wickersham Way City: Wasilla

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: DaNene Dressel

Address: 9357 Stuart Circle City: Eagle River

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: Steve Pitsbaugh

Address: 19714 War Admiral Rd City: ER/AK

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Thank you.

Name: Don Fullen

Address: 4150 East Wickersham Loop City: Wasilla AK 99654

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Please enter my comments into the record of your committee hearing when you consider Mr. Keogh's confirmation.

Thank you.

Name: Daniel Schmitz

Address: P.O. Box 111 Copper Center City: AK

Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Alaska State Senate Resources Committee

Representative Paul Seaton
Representative Eric Feige
Co-Chairs, Alaska State House Resources Committee

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Please enter my comments into the record of your committee hearing when you consider Mr. Keogh's confirmation.

Thank you.

Name: Yvonne Nunes

Address: 16812 Eleanora St City: Eagle River

Sager-Albaugh, Teresa
Board of Game

Teresa Sager Albaugh
[redacted]
Tok, Alaska 99780

I am a lifelong Alaskan, raised in Fairbanks, and a 23 year resident of the Tok / Mentasta area. I have a strong personal interest and family background in hunting, fishing and trapping, and support sound scientific, sustained yield management of Alaska's renewable resources. I also support the tenets of our state constitution guaranteeing all residents equal access to fish and game.

WORK HISTORY

1996 – Present
***Summit Consulting Services, Inc.*, Tok, Alaska**
(Remote Project Construction Management & Design Services)
Personnel Management • Proposal Development • Internal Operations Management

1983 – 1995
Alaska State Legislature

- 1995: Senate Rules Committee Aide • Senator Mike Miller, Chair
- 1993 – 1994: Senate Resources Committee Aide • Senator Mike Miller, Chair
- 1985 – 1992: Legislative Aide • Representative / Senator Steve Frank
- 1984: Interim Legislative Aide • Representative Dick Shultz
- 1984: House C&RA Committee Secretary • Representative Mike Miller, Chair
- 1983: Legislative Secretary • Representative John Ringstad

1981 – 1982
Fairbanks North Star Borough Transit System
Clerk / Revenue Collections

EDUCATION

Graduate, Monroe Catholic High School • Fairbanks

VOLUNTEER / NON-PROFIT POSITIONS

Alaska Outdoor Council
- President (2005 – 2007)
- Board Member (1986 – 1990 and 2004 – 2007)

Alaska Division of Elections • District R / 36 – Mentasta Precinct
- Chair / Volunteer Poll Worker Coordinator (1998 – Present)

Slana Alaskans Unite • Secretary (1998 – Present)

MEMBERSHIPS

Alaska Outdoor Council
Slana Alaskans Unite
National Rifle Association
Focus on the Family

PERSONAL BACKGROUND

I grew up in a family where being outdoors - well out of town and away from the crowds – was considered a great thing. As a child, my five siblings and I spent summers with our mother, father, aunt, uncle and grandparents at the family cabin, where we literally got our feet wet, our faces dirty, and our hearts and minds filled with a deep appreciation for "the woods." We learned to fish with a rod and reel, handle firearms, and to clean and eat what we killed. As adults, we have continued these traditions and we have the pleasure of now passing them on to our children, nieces and nephews.

I personally have had the good fortune of many wonderful hunting opportunities for moose, caribou, sheep, bear, and deer, as well as ducks, ptarmigan and grouse. My husband, Bill, runs a trapline in the winter and as often as possible I join him to learn from and share the experience. We live in a log home, haul water, run a propane cook stove and lights, and provide our own part-time power system. Much of our diet comes from the wild food we harvest and each year's bounty from the garden.

I have no formal or professional training in wildlife management. My experience comes from a combination of personal field observation spending time in the natural environment, and a layman's study of applicable state and federal fish and game laws.

In part because of my personal interest in the outdoors, my work as a legislative aide often involved resource issues, which allowed me to hear many hours of testimony from Alaskans who expressed their perspectives and strong opinions on a wide range of fish and wildlife issues. I was also fortunate to have worked toward the passage of laws that have benefited hunters and trappers. My service on the board of directors of the Alaska Outdoor Council, including two years as president, has further broadened my understanding and appreciation of how important wildlife and the outdoors are to the people of the state. I have attended local Advisory Committee meetings, offered testimony to the Game Board, and provided public comments to the National Park Service on proposals of impact to the people, land, fish and game of my area.

Enabling present and future Alaskans to be responsible stewards of the resource, and to continue building and strengthening our outdoor heritage by assuring opportunity, are objectives I consider very meaningful and important. I believe they are goals that can be pursued and achieved through the efforts of the Board of Game, and I would be grateful for the opportunity to serve in that capacity.

Jeff Stepp

From: Arthur Greenwalt <dobieman@gci.net>
Sent: Tuesday, April 03, 2012 12:46 PM
To: Sen. Joe Paskvan
Subject: Appointments of Sager-Albaugh and Mumford to Board of Game

Dear Senator Paskvan:

I am writing to ask you do not confirm Teresa Sager-Albaugh to another term on the Board of Game.

She has shown her unwillingness to listen to public input when, before she was first confirmed but had been appointed, she voted against the wishes of the 500 signatories to a petition supporting the continuation of the Denali Buffer Zone. She voted in favor of 5 recreational trappers. In doing so she also chose to ignore the testimony of the park superintendent.

She brings absolutely no diversity to the Board, being a former president of the Alaska Outdoor Council and an NRA member. Once again, the vast majority of non-hunting Alaskans are being ignored and have no real voice in this resource which is owned equally by all Alaskans according to the state constitution. Sager-Albaugh has consistently, often against the science, voted in favor of Intensive Management. In short, she is one of the worst choices for continued service on the BoG.

As for Mr. Mumford, I take heart in his considerable experience as a wildlife trooper. I hope that will serve him well should he be confirmed. But once again I see no diversity in his presence as he is a hunter, NRA member, member of the Alaska Professional Hunters Association, and cannot be said to represent that constantly-ignored 85% of non-hunting Alaskans.

While I cannot speak to Mr. Mumford's perspective, definitely Ms. Sager-Albaugh brings nothing good from her previous term and promises only more of the same mismanagement that anymore is the mark of the present Board of Game.

Thank you,

Art Greenwalt, Vice Pres. Alaska Wildlife Alliance

Game, Board of **Robert Don Mumford**

General Information

Board/Commission and seat you are seeking:
Game, Board of, Public Seat

Additional Boards/Commissions of interest
1) Game, Board of

State Boards/Commissions on which you have served
Big Game Commercial Services

First	*Middlename*	*Last Name*
Robert	**Don**	**Mumford**

Mailing Address	*City*	*State & ZIP*
[redacted]	**Anchorage**	**AK 99516**

Home/Message Phone	*Business Phone*	*Cell Phone*
[redacted]		[redacted]

Email Address
[redacted]

Are you a registered voter?
Yes

[redacted]

Conflict of Interest

Certain boards and commissions require full disclosure of personal financial data under AS 39.50.010. If required for the board or commission for which you are applying, are you willing to do so?
Yes

Could you or any member of your family be affected financially by decisions to be made by the board or commission for which you are applying?
No

Please explain the potential financial benefit

Employment History

Employment work history including paid, unpaid or voluntary.
40 Mile Air Service, Tok Alaska. Doyon Universal Services armed security 2004,2008. Sportsmans Warehouse January-April 2004. Assistant Guide May 2002. Alaska State Troopers/Fish and Wildlife Protection 1982-2002. USAF Eimendorf AFB September 1975-June 1979. Municipality of Anchorage computer operator 2003.

Education, Training, Experience & Qualifications

List both formal and informal education and training experiences:
Laguna Beach High School- Diploma. Various courses U.A.A. U.S.Air Force School of Applied Aerospace Science. Sheldon Jackson Community College. Alaska State Trooper Training Academy.

[redacted]

List any professional licenses, certifications, or registrations and dates obtained that may be used as qualifying criteria:
Commercial Pilot, Training in aerial Wildlife surveys, Retired Fish and Wildlife Trooper with 20 years experience.Advanced Alaska Law Enforcement Certificate.

List any community service, municipal government, and state positions held, and any awards received:
Retired Lieutenant Alaska State Troopers, 1982-2002, Meritorious Service and Bravery awards. Alaska Hunter Education Instructor.

Conviction Record

Have you ever been convicted of a misdemeanor within the past five years or a felony within the past ten years?
No

Conviction Circumstances

Certification of Accuracy & Completeness

By submitting this online application, I swear the information I have entered on this form is true to the best of my knowledge. I understand that if I deliberately conceal or enter false information on the form my application may be rejected, I may be removed from the list of eligible candidates, or I may be removed from the position. I agree that the Office of the Governor may contact present or former employees or other persons who know me to obtain an additional information about my skills and abilities. I understand that the information on this application is public information and may be released through a legal request for such information.

Type "I certify"
"I certify"

Resumé Addendum
ROBERT D. MUMFORD
[redacted]
Anchorage, Alaska

PERSONAL

[redacted]

WORK HISTORY

2002 - Present; DOYON UNIVERSAL SERVICES
Security at the Port of Anchorage, Kuparuk Oil Field on the North Slope, Native Village of Tyonek land security.

1982 - 2002; DEPT. OF PUBLIC SAFETY, State Trooper / Fish Wildlife Protection.

1980 - 1981; MUNICIPALITY OF ANCHORAGE. Computer Operator.

1979 - 1980; Planning and Research Company, Anchorage. Computer Operator.

1975 - 1979; U.S. AIR FORCE, Computer Operator Stationed at Elmendorf A.F.B.

Arctic Air Alaska commercial pilot, wildlife survey work; and 40 Mile Air Service, Hunter transportation.

BOARDS and COMMISSIONS

[redacted]

Big Game Commercial Services Board, Public member, 3/3/2006, reappointed 3/1/2010.

MEMBERSHIPS

N.R.A. Life Member
Rocky Mountain Elk Foundation, Life Member
Alaska Professional Hunters Association, Life Member
Aircraft Owners and Pilots Association
Alaska Airmen Association
Fraternal Order of Alaska State Troopers
Alaska Peace Officers Association

HOBBIES and INTERESTS

Family, aviation, wildlife viewing and photography, hunting, shooting, and fishing.

STATEMENT

I have lived in Alaska continuously since 1976 and have always had a passion for the diverse wildlife here. After leaving the military I continued working in the computer field for a couple of years, but always with the goal of ultimately obtaining employment with the Alaska State Trooper's Fish Wildlife Protection Division. I became an Alaska State Trooper in January 1982 and transferred into the Wildlife division in 1984, in which I remained throughout my career. By choice, I transferred several times to various posts throughout the state, and enjoyed the unique diversity each offered. I served in the communities of Palmer, Wasilla, Sand Point, Kodiak, Fairbanks, Coldfoot, Soldotna and Anchorage. During these assignments I was privileged to learn the local areas, become acquainted with the people who live there, and contacted the resource users. Living in the regions I patrolled helped me develop good judgment and an understanding of the people I contacted. I also learned to develop good working relations with the various State and Federal agencies that have parallel goals in the stewardship of Alaska's wildlife.

After retiring from AST Fish Wildlife Protection in 2002 I worked briefly as an assistant guide on the Alaska Peninsula. Additionally, I was employed as a commercial pilot surveying wildlife from Prudhoe Bay to Barrow, and I continue to work seasonally in Tok, transporting sportsmen into and out of the field. I am also a current volunteer Alaska Hunter Education instructor. During the summer of 2010 I worked under contract to provide Land Security for the Native Village of Tyonek.

I have proudly served as a member of the Big Game Commercial Services Board over four years, and am the Board appointed liaison with the Wildlife Troopers. I was reappointed to the board in March, 2010 for a final four year term.

My strong commitment to Alaska's wildlife combined with my experience in many areas of Alaska and knowledge of the people and issues that we face, I believe qualify me to serve on the Board of Game. I would be honored to be appointed and would work hard to be a productive member of the Board of Game.

Press Release Wording

Robert Mumford, [redacted] of Anchorage has been appointed to the Board of Game. Robert is a retired Fish and Wildlife Trooper that has lived in Alaska for over 35 years. He has served on the Big Game Commercial Services Board and is employed by Doyon Universal Services and is also a commercial pilot.

Submitted: 10/14/10 at 4:02 pm from 209.112.214.171

SB

13

<TARGET><BILL>SB 13</BILL><SUBJECT>SB
13</SUBJECT><COMM>SRES27</COMM></TARGET>

Senator Hollis French

Capitol Room 417
465-3892
465-6595 fax

MEMORANDUM

Date: 3/7/2011

To: Senator Tom Wagoner, Co-Chair
Senate Resources Committee

From: Senator Hollis French HFS

RE: Hearing Request – SB 13 – Waive Park Fee for Disabled Veterans

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This is a request that you schedule a hearing for SB 13 – Waive Park Fee for Disabled Veterans. For the committee's use, I have attached a copy of the bill, a sponsor statement, a sectional, related statutes and some backup materials.

If you have any questions, please contact Andy Moderow in my office at 907-465-4923.

Senator Hollis French

Sponsor Statement

SB 13 – Waive Park Fee for Disabled Veterans

Alaska's veterans served our country with pride. This legislation shows a small token of our appreciation, by providing disabled veterans in our state with free access to state park facilities.

Our parks provide all Alaskans with the opportunity explore and recreate in Alaska's wild places. To provide these opportunities to those with disabilities, many park facilities are compliant with ADA standards. Six cabins have been modified to include features like wheelchair ramps. Two boat launches, 14 campgrounds, 10 historic sites and dozens of day use locations provide handicap accessible facilities. Regardless of disability, the system is truly open to all Alaskans.

In 1991, Alaska passed a law which created a special disabled veteran camping permit, providing disabled veterans with free camping in state park campgrounds. Senate Bill 13 extends this free benefit to public use cabins, boat ramps, RV facilities and day parking.

Please join me and support this meaningful piece of legislation.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM March 8, 2011

SUBJECT: Sectional Summary for SB 13 (Work Order No. 27-LS0097\A)

TO: Senator Hollis French
Attn: Andy Moderow

FROM: Donald M. Bullock Jr.
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Amends AS 41.21.026(a) to reference to the exceptions in AS 41.21.026(d) and (f).

Section 2. Amends AS 41.21.026(d) to refer to a veteran in the singular to conform to the amendment to AS 41.21.026(e) in sec. 3 of the bill, and to new subsection AS 41.21.026(f) that would be added by sec. 4 of the bill.

Section 3. Amends AS 41.21.026(e) by adding a definition of "veteran" for purposes of AS 41.21.026.

Section 4. Adds a new subsection -- AS 41.21.026(f) -- to describe the fees in AS 41.21.026(a) that may not be charged or collected from a resident who is a disabled veteran.

DMB:ljw
11-162.ljw

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version **SB 13**
() Publish Date

Identifier (file name) SB 13-DNR-PM-03-18-11
Title Waive park fees for disabled vets
Sponsor Senator French
Requester Senate Resources

Dept. Affected Natural Resources
Appropriation Parks and Recreation Management
Allocation Parks Management
OMB Component Number 452

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services	252.0		252.0	252.0	252.0	252.0	252.0
Travel							
Services	10.0						
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**262.0**	**0.0**	**252.0**	**252.0**	**252.0**	**252.0**	**252.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES	**(252.0)**		**(252.0)**	**(252.0)**	**(252.0)**	**(252.0)**	**(252.0)**

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	262.0		252.0	252.0	252.0	252.0	252.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**262.0**	**0.0**	**252.0**	**252.0**	**252.0**	**252.0**	**252.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version

Prepared by Ben Ellis, Director
Division Parks and Outdoor Recreation
Approved by Daniel S. Sullivan
Department of Natural Resources

Phone 269-8701
Date/Time 3/18/11 12:00 AM
Date 3/18/2011

(Revised 1/27/2011 OMB)

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 13

Analysis

The current statute (AS 41.21.026(d)) provides an exemption to disabled veterans from paying fees for overnight camping in a state park facility. SB 13 would expand the exemption from state park fees for disabled veterans to include the following additional park fees:

- Rental of public use cabins
- Use of an RV dump station
- Admission or guided tours to a visitor centor or historic site
- Use of an approved boat ramp
- Day use
- Attendance to educational programs

It would cost approximately $10,000 in programming changes to the online cabin reservation system to implement the exemption from fees for disabled vets.

This legislation would result in a annual loss of revenue to the state of up to $252,000 in park user fees. This fiscal note includes $252,000 in general funds to replace the anticipated loss of revenue, to allow the same level of service in state parks to continue . If the lost fees are not replaced, the Division of Parks could lose approximately three park ranger positions.

It is likely some public use cabins could be vacant but not available to the public because they would be reserved by disabled vets but not used. There may be an increase in use and demand of park facilities as a result of this legislation.

Current Statutes

Sec. 41.21.026. Fees for the use of state park system facilities.

(a) Notwithstanding (b) of this section, the department may charge or collect a fee in a park unit for

(1) rental of public use cabins or other overnight lodgings;

(2) overnight use of a developed campsite;

(3) special park use permits;

(4) competitive and exclusive commercial use permits;

(5) noncompetitive and nonexclusive commercial use permits;

(6) use of a sewage holding tank dump station;

(7) admission to or guided tours of visitor centers and historic sites;

(8) use of an improved boat ramp in a park facility developed principally for boat launching;

(9) sale of firewood;

(10) sale of merchandise for informational or educational purposes related to public use and understanding of parks, including maps, plans, and other graphic materials;

(11) use of a developed facility that has developed parking and rest rooms; and

(12) presentation or attendance at programs related to natural or cultural history, outdoor skills or education, or other topics concerned with public use, enjoyment, or understanding of parks.

(b) The department may not charge or collect a fee for an ordinary use of a park unit or the use of a restroom in a park unit.

(c) The department shall establish the fees that may be charged or collected under (a) of this section by regulation. Before setting the fees, the department shall consider at public hearings

(1) the cost to the state of operating the facility or managing the activity;

(2) the normal fees charged for similar facilities or activities by governmental and nongovernmental entities;

(3) the cost of administering a fee collection program for the facility or activity; and

(4) the public interest.

(d) The department shall issue free of charge to disabled veterans of this country an annual state park developed campsite permit. The permit shall allow a disabled veteran to use a state park developed campsite for personal recreation use without a charge or fee under (a)(2) of this section. While utilizing a developed campsite without charge under this subsection, the disabled veteran shall comply with all other statutes or regulations pertaining to the use of the developed campsite. The department shall provide a form for use by a disabled veteran when applying for a permit under this section. Not later than February 1 of each year, the department shall prepare a report on the number of permits issued to disabled veterans under this subsection during the previous calendar year and notify the legislature that the report is available.

(e) In this section, "developed campsite" means a campsite having access to the following public facilities:

(1) restrooms;

(2) a picnic table;

(3) an outdoor cooking facility; and

(4) an approved water source.

Current Statutes

Sec. 38.05.067. Preference for veterans for unoccupied residential land.

(a) Except as provided in (d) of this section, before offering to the general public any unoccupied residential land, the director shall offer the land at a restricted sale at which only veterans may buy.

(b) The director may not sell the land under this section at less than the fair appraised market value. The director shall adopt regulations necessary to ensure that land sold under this section is for bona fide residential use and not for speculation.

(c) When not in conflict with this section, other provisions of AS 38.05.045 - 38.05.067 apply to sales under this section.

(d) This section does not apply to the sale of state land under AS 38.05.057 , AS 38.08, or AS 38.09.

(e) In this section, "veteran" means a person with 90 days or more of active service in the armed forces of the United States who has been honorably discharged or a person with 90 days or more of service in the Alaska Territorial Guard.

Current Statutes

Sec. 01.10.055. Residency.

(a) A person establishes residency in the state by being physically present in the state with the intent to remain in the state indefinitely and to make a home in the state.

(b) A person demonstrates the intent required under (a) of this section

(1) by maintaining a principal place of abode in the state for at least 30 days or for a longer period if a longer period is required by law or regulation; and

(2) by providing other proof of intent as may be required by law or regulation, which may include proof that the person is not claiming residency outside the state or obtaining benefits under a claim of residency outside the state.

(c) A person who establishes residency in the state remains a resident during an absence from the state unless during the absence the person establishes or claims residency in another state, territory, or country, or performs other acts or is absent under circumstances that are inconsistent with the intent required under (a) of this section to remain a resident of this state.

2010 ALASKA STATE PARKS FEES

Fees subject to change.

Alaska Department of NATURAL RESOURCES

Revised March 2010

ANNUAL PASSES	
Alaska Resident Disabled Vet Camping (1 Only)	Free
Daily Parking	$40*
Second Daily Parking (Same household)	$20*
Boat Launch	$75*
Second Boat Launch (Same household)	$40*
Combination (Day Use/Boat Launch) **NOTE: 2nd & subsequent passes $100.**	$100

***Purchase of 3rd and subsequent passes are at full price.**

There is a $10 decal fee to replace unsalvageable decals. Damaged decal must be presented.

CAMPING	Charge	Per
Anchorage Area		
Chugach State Park		
- Bird Creek CG	$15	Site
- Bird Creek Overflow	$15	Vehicle
- Eagle River CG/Executive Site	$15/$30 C*	Site
- Eklutna Lake CG	$10	Site
Mat-Su / Copper Basin Area		
Big Lake North & South SRS	$15 C*	Vehicle
Denali State Park		
- Byers Lake CG	$10	Site
- Denali View North & South CG	$10	Vehicle
- Lower Troublesome CG	$10	Vehicle
Finger Lake SRS	$15 C*	Vehicle
Hatcher Pass Gold Mint/Gov Peak	$10	Vehicle
Kepler-Bradley SRA (**Tents Only**)	$10 C*	Site
King Mountain SRS	$15 C*	Site
Matanuska Glacier SRS ** C*	$15/$10	Site/Vhcle
Montana Creek**	$20	Vehicle
Nancy Lake SRA-South Rolly L.	$10	Site
Nancy Lake SRS	$10	Site
Rocky Lake SRS	$15 C*	Site
Willow Creek SRA	$10	Vehicle
Dry Creek SRS **	$12 C*	Site
Lake Louise SRA / Walk-In	$5	
- Army Point CG	$15 C*	Vehicle
- Lake Louise CG	$15 C*	Vehicle
Liberty Falls SRS** **(CLOSED 5/08)**	$12 C*	Vehicle
Porcupine Creek SRS **	$12 C*	Vehicle
Squirrel Creek SRS **	$12 C*	Site
Northern/Interior Area		
Big Delta SHP	$5	Vehicle
Birch Lake	$10	Vehicle
Chena River SRA		
- Red Squirrel CG	$10	Vehicle
- Rosehip CG	$10	Site
- Tors Trail CG	$10	Site
Chena River SRS		
- Hook-Up Sites (Elec & water)	$28 C*	Site
- No Hook-Up Sites	$17 C*	Site
- Sites W1 – W5 (Walk In Camping)	$10 C*	Site
Clearwater SRS	$10	Site
Delta SRS	$10	Site
Donnelly Creek SRS	$10	Site

C* = Contracted

Northern/Interior Area Con't		
Eagle Trail SRS	$15	Site
Harding Lake CG	$10	Site
- Harding Lake Parking Area	$10	Vehicle
Lower Chatanika River SRA	Passively	Managed
Moon Lake SRS	$15	Site
Quartz Lake SRA		
- Lost Lake CG	$10	Site
- Quartz Lake CG	$10	Site
- Quartz Lake Camping/ Parking Area	$10	Vehicle
Salcha River SRS	$10	Vehicle
Tok River SRS	$15 C*	Site
Upper Chatanika River SRS **	$13 C*	Vehicle
Southeast Area		
Chilkat SP	$10	Site
Chilkoot Lake SRS	$10	Site
Eagle Beach SRS	$10	Site
Mosquito Lake SRS	$10	Site
Portage Cove SRS	$5	Site
Settlers Cove SRS	$10	Site
Kenai Area		
Anchor River SRA		
- Coho CG	$12 C*	Site
- Halibut CG	$12 C*	Site
- Silver King CG	$12 C*	Site
- Slidehole CG	$12 C*	Site
- Steelhead CG	$12 C*	Site
Blueberry Lake SRS **	$14 C*	Site
Captain Cook SRA - Discovery	$12 C*	Site
Clam Gulch SRA	$10	Site
Crooked Creek SRS	$10	Site
Deep Creek SRA		
- Deep Creek Beach CG	$10	Site
- Deep Creek North CG	$10	Site
- Deep Creek South CG	$10	Site
Johnson Lake SRA	$10	Site
Kasilof River SRS	$10	Site
Kenai River SMA		
- Bing's Landing CG	$10	Site
- Funny River CG	$10	Vehicle
- Izaak Walton CG	$10	Site
- Morgan's Landing CG	$10	Site
Ninilchik SRA		
- Ninilchik Beach CG	$10	Vehicle
- Ninilchik River CG	$10	Site
- Ninilchik Scenic CG	$10	Site
- Ninilchik View CG	$10	Site
Stariski SRS	$12 C*	Site
Kodiak Area		
Buskin River SRS**	$10	Site
Fort Abercrombie SHP**	$10	Site

**The fee for self-registration ("iron ranger") for overnight camping at these contract-managed facilities is as listed above. If Park staff or the contract manager's staff has to collect the fee due to non-payment, an additional fee will be charged as follows:
$2 at Montana Creek & Upper Chatanika
$3 at Chena River, Matanuska Glacier, & Porcupine Creek
$5 at Buskin River, Dry Creek, Ft. Abercrombie, Liberty Falls, & Squirrel Creel

DAILY PARKING	Per Vehicle
Anchor River SRA	$5 **C***
Big Lake North / South SRS	$5 **C***
Birch Lake SRS	$5
Chena Rvr SRA (Angel Rocks & Tors)	$5
Chugach State Park-All Access Points	$5 (**C*-Eagle River**)
Captain Cook SRA	$5 **C***
Clam Gulch SRA	$5
Crooked Creek SRS	$5
Deep Creek SRA (North & South)	$5
Dry Creek SRS	$5 **C***
Eagle Beach SRS	$5
Eagle River Nature Center	$5 (Decal not accepted)
Ermine Hill TH/Little Coal Creek (Denali)	$5
Finger Lake SRS	$5 **C***
Harding Lake SRA	$5
Hatcher Pass East Mgmnt Area	$5
Independence Mine SHP	$5
Kasilof River SRS	$5
Kenai River SMA-Bings Landing, Izaak Walton, Cooper & Morgan's Landing, (Slikok Crk/Flats (July)	$5
The Pillars (KRSMA)	$5 (Decal not accepted)
Johnson Lake SRA	$5
Kepler-Bradley Lakes	$5 **C***
King Mountain	$5 **C***
Lake Louise SRA	$5 **C* ($3 w/decal)**
Liberty Falls SRS	$5 **C***
Lowell Point SRS	$5
Matanuska Glacier SRS	$5 **C***
Montana Creek (**see page 1)	$10 **C***
Nancy Lake SRA	$5
Ninilchik Beach & Overlook	$5
Quartz Lake SRA	$5
Rocky Lake SRS	$5 **C***
Scout Lake SRS	No Charge
Squirrel Creek SRS	$5 **C***
Willow Creek SRA	$5

BOAT LAUNCHING	Charge
Big Lake North / South SRS	$10 **C***
Birch Lake SRS	$10
Chena River SRS	$5 **C***
Chilkat	$5
Clearwater SRS	$5
Deep Creek SRA	$5
Deep Creek/Anchor River Tractor	$55 **C*** (Decal not accepted)
Finger Lake SRS	$10 **C***
Harding Lake SRA	$10
Kasilof River SRS	$5
Kenai River SMA	
- Bing's Landing & Izaak Walton	$10
- Cooper Landing	$5
- The Pillars	$10 (Decal not accepted)
Lake Aleknagik SRS	$10
Lake Louise SRA	$10 **C* ($7 w/decal)**
Nancy Lake SRS	$10
Old Sitka SHP	$10
Quartz Lake SRA	$10
Salcha River SRS	$10

SANITARY DUMP STATIONS	Charge
Big Delta SHP	$5
Byers Lake	$5
Chena River SRS	$5 **C***
Chugach SP - Eagle River CG	$5 **C***
Harding Lake SRA	$5
Ninilchik SRA	$5
NOTE: Nightly campers may dump free at Chena River SRS, & Hardling Lake SRA	

PUBLIC USE CABINS	Peak / Non-Peak
Anchorage Area	
Chugach State Park	
- Eklutna Lake (1 cabin)	$50 $40
- Serenity Falls Hut (Call PIC 269-8400)	
- Eagle River Nature Center (3 cabin/yurts)	694-2108
Whittier – Decision Point Cabin	$65 $50
Kenai / PWS Area/Seward/Homer/Valdez	
Caines Head SRA (Seward) (2 cabins)	$65 $50
Thumb Cove SMP (Seward) (2 cabins)	$65 $50
Kachemak Bay SP (Homer)	
- Halibut Cove Lagoon (3 cabins)	$65 $50
- China Poot Lake (1 cabin)	$65 $50
- Mooses Valley (1 cabin)	$35 $25
- Sea Star (Tutka Bay) (1 cabin)	$65 $50
- 6 Yurts (**C*** Nomad Shelter @235-0135)	
Shoup Bay SMP (Valdez) (3 cabins)	$65 $50
Gulf Coast Cabins	
-Midtimber Lake & Vitus Lake	$65 $50
Kodiak Area	
Afognak Island SP (2 cabins)	$35 $25
Shuyak Island SP (4 cabins)	$75 $60
Mat-Su Area	
Denali State Park-Byers Lake (3cabins)	$60 $45
Nancy Lake SRA	
- James Lake – (1 cabin)	$45 $30
- Lynx Lake – (3 cabins)	$35 $25
- Nancy Lake (4 cabins)	$45 $30
- Red Shirt Lake (4 cabins)	$45 $30
- Bald Lake (1 cabin)	$60 $45
Fairbanks Area	
Birch Lake Cabin	$35 $25
Chena River SRA	
-Trail Access: Upper & Lower Angel, Nugget, Colorado, & Stiles Creek Cabins	$25 $20
-Road Access: North Fork/Chena River/Hunt	$50 $40
Salcha River SRS (1 cabin)	$25 $20
Quartz Lake SRA (2 cabins)	$35 $25
Fielding Lake SRA (1 cabin)	$35 $25
Ice Fishing Huts - Day Use Only (7 huts)	$15
Southeast	
-Pt Bridget (3) Cowee/Blue Mussel/Camping Cove	$45 $35
-St James/Oliver Inlet - Hinman/Seymour	$35 $25
-Tiger Olson (Taku Harbor)	$35 $25
- Rupe Andrews (Shelter Island)	$35 $25
- Grindall Island (1)	$35 $25
Fees, capacity limits, and stay limits for cabins vary. The above fees are the nightly base rate. Contact the local park office for details or see our web site at www.alaskastateparks.org & click on Public Use Cabins.	

GUIDED TOURS OF HISTORICAL SITES	
Ft. Abercrombie	
Adults / Seniors (60+) / Child Under 10	$3 / $2 / Free
Independence Mine SHP	
Adults / Child Under 12	$5 / $3
Park Ranger led tour by arrangement	$30/Person
Totem Bight	$5

COMMERCIAL ACTIVITIES

People conducting commercial activities in state parks must have a current commercial use permit. Permit requirements, stipulations and fees vary. Contact the appropriate local park office for information.

RESERVED USE OF DEVELOPED FACILITIES

The State Park system has numerous picnic shelters, group camping areas, visitor centers, and other facilities that can be reserved for the exclusive use of groups. Contact local park offices for information on available sites, fees and other details.

C* = Contracted

Division of Parks and Outdoor Recreation

Alaska Department of Natural Resources

ADA Facilities

This listing is alphabetized by facility type, such as trails, cabins or campgrounds. The Alaska State Parks Statewide Brochure has facilities listed by town with a notation marking facilities with accessible features. Click here for the statewide brochure.

If a park or cabin is underlined, click on the name for more information on that park or cabin. Click on the town name for park location and other facilities, as shown in the statewide brochure pages.

For more detailed information, visit the State's ADA Coordinator's Office ADA Parks Accessibility Survey 2002.

Disclaimer: Accessibility standards change over time as guidelines are being developed. When a facility is built or remodeled, it meets guidelines current at the time of construction. Although access issues are addressed, some persons with particular disabilities may have difficulty with, for example, the signing, window latches or stoves. It is recommended that the disabled park visitor bring along a fully able companion on his or her first visit to a park facility in case of difficulties or problems. Solo trips can be taken later, knowing the facility and terrain. If anyone using facilities listed here encounters difficulties not mentioned, please contact local park staff or email: dnr.pksweb@alaska.gov Suggestions and comments are welcomed.

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Cabins
Campgrounds
Day Use Areas and Picnic Sites
Drinking Water
Fishing Access
Historic Sites
Picnic Shelters
Restrooms
Trail heads and Trails
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Boat Launches

- Kenai River Special Management Area - Cooper Landing Boat Launch, near Sterling
  A 250 foot boardwalk connects parking, toilets and the boat ramp. The boardwalk has a maximum gradient of 5%. There are also viewing areas and interpretive displays. Pressurized water is available.
- Kenai River Special Management Area - The Pillars Boat Launch, near Kenai
  Accessible dock with a less than 5% gradient to it. Dock is only for boat exit/entry - no fishing allowed from dock. There is paved parking with easy access to viewing deck with interpretive displays. Pressurized water is available.

Cabins

- Chena River State Recreation Area - Chena River Cabin. near Fairbanks with road access
  There is a ramp up to the porch and a ramp from the cabin to the latrine. North Fork Cabin, in the same park, also has road access, but is not fully accessible.
- Chena River State Recreation Area - Twin Bears Camp. near Fairbanks with road access
  This facility has 12 rustic cabins, mess hall and recreation hall. It can be rented by an individuals or group. Ramps exist between three cabins, mess hall, recreation hall and main latrine.
- Chugach State Park State Park - Yuditnu Cabin. near Anchorage
  The cabin is accessible, but the latrine is not. Therefore, help may be needed when

using the latrine. The trail to access the cabin is an old road. Motorized access is allowed, by snowmachines in the winter (all week) and ATVs in the summer (Sunday thru Wednesday only). Bicycles are also allowed (all week).

- Kachemak Bay State Park - Halibut Cove Lagoon East Cabin, remote park near Homer

  Cabin and latrine are along a boardwalk with a maximum gradient of 5%. Assistance may be needed on the ramp from the dock to the cabin boardwalk system. At low tide, the ramp is very steep.
- Shoup Bay State Marine Park - Kittiwake Cabin, remote park near Valdez

  Recommend inner lagoon drop off. Assistance may be needed from boat to hard-pack gravel trail. Click on park name above for more information.
- Thumb Cove State Marine Park - Spruce Glacier Cabin, remote park near Seward

  Assistance may be needed from the beach to boardwalk system. Boardwalk extends from fire ring on beach to the cabin and latrine.

Campgrounds

- Anchor River State Recreation Area - Halibut Day Use, near Homer
- Anchor River State Recreation Area - Slidehole Day Use, near Homer
- Birch Lake State Recreation Site, near Fairbanks
- Chena River State Recreation Site, in Fairbanks
- Chugach State Park - Bird Creek Campground Overflow, near Anchorage
- Chugach State Park - Eagle River Campground, near Anchorage
- Crooked Creek State Recreation Site, near Soldotna
- Deep Creek State Recreation Area - Deep Creek North Campground, near Homer
- Denali State Park - Denali Viewpoint North Campground, near Trapper Creek
- Kenai River Special Management Area - Bings Landing Campground, near Sterling
- Kenai River Special Management Area - Izaak Walton Campground, near Sterling
- Kenai River Special Management Area - Morgans Landing Campground, near Sterling
- Lower Chatanika River State Recreation Area, near Fairbanks
- Ninilchik State Recreation Area - Ninilchik Overlook, near Homer

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Day Use Areas and Picnic Sites

- Anchor River State Recreation Area - Halibut Day Use, near Homer
- Anchor River State Recreation Area - Slidehole Day Use, near Homer

  Pressurized water is available.
- Big Delta State Historical Park, near Delta Junction

  Pressurized water is available.
- Big Lake North State Recreation Site, near Wasilla
- Chena River State Recreation Area - Red Squirrel Campground, near Fairbanks
- Chena River State Recreation Area - Tors Trail Campground, near Fairbanks
- Chena River State Recreation Site, in Fairbanks
- Chugach State Park - Eklutna Lake Campground, near Anchorage
- Chugach State Park - McHugh Creek Day Use, near Anchorage

  Paved.
- Crooked Creek State Recreation Site, near Soldotna
- Deep Creek State Recreation Area - Deep Creek South Day Use, near Homer
- Delta State Recreation Site, near Delta Junction

  Pressurized water is available.
- Harding Lake State Recreation Area, near Fairbanks
- Kenai River Special Management Area - Bings Landing Day Use, near Sterling
- Matanuska Lakes State Recreation Area (formerly Kepler-Bradley Lake State Recreation Area) - Matanuska Lake, near Palmer
- Lower Chatanika River State Recreation Area, near Fairbanks
- Ninilchik State Recreation Area - Ninilchik Overlook, near Homer
- Ninilchik State Recreation Area - Ninilchik River, near Homer

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Drinking Water

Most drinking water facilities in state parks are hand pumps with cement pads for access. These are shown in the statewide brochure pages mentioned at the top of the page. A small number of facilities have pressurized water and are listed here. If the facility is listed elsewhere on this page, pressurized water is mentioned there as well.

- Anchor River State Recreation Area - Slidehole Campground and Day Use, near Homer
- Big Delta State Historical Park, near Delta Junction
- Chena River State Recreation Site, in Fairbanks
- Chugach State Park - Eagle River Campground, near Anchorage
- Delta State Recreation Site, near Delta Junction
- Denali State Park - Alaska Veteran's Memorial, near Trapper Creek
- Kenai River Special Management Area - Cooper Landing Boat Launch, near Sterling
- Kenai River Special Management Area - The Pillars Boat Launch, near Kenai

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Fishing Access

- Buskin River State Recreation Site, near Kodiak
  Accessible fishing platform at river's edge. Parking and trail to platform is paved.
- Chugach State Park - Bird Creek, near Anchorage
  Fishing is from a pier over the river. Best to use at high tide. At low tide, the water is beyond the pier. Paved access to the pier.
- Crooked Creek State Recreation Site, near Soldotna
  May need assistance getting to and from the river due to a steep grade.
- Deep Creek State Recreation Area - Deep Creek North Campground, near Homer
  Trail is gravel path to river, may need assistance. Parking and viewing area with interpretive displays is paved.
- Matanuska Lakes State Recreation Area (formerly Kepler-Bradley Lake State Recreation Area) - Matanuska Lake, near Palmer
  Trail to accessible fishing dock is a 500 foot gravel path with a 8.3% maximum gradient and handrails.
- Kenai River Special Management Area - Bings Landing Campground, near Sterling
  Accessible boardwalk along river.
- Quartz Lake State Recreation Area, near Delta Junction
  At Quartz Lake Campground, gravel trail with less then 5% grade to accessible fishing dock. At Lost Lake Campground, gravel trail with less then 5% grade to accessible boat/fishing dock.

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Historic Sites

- Baranof Castle State Historic Site, near Sitka
  An accessible, 700 foot, concrete sidewalk with handrails leads from the street level to interpretive displays and viewpoint at the top of Castle Hill. The maximum gradient is 8.3% and the elevation gain is 40 feet.
- Big Delta State Historical Park, near Delta Junction
  The visitor center, called Rika's Roadhouse, has accessible ramp. Trails are hard-pack gravel with interpretive sites. Pressurized water is available.
- Denali State Park - Alaska Veteran's Memorial, near Trapper Creek
  Parking, trails, picnic sites, interpretive shelter and the memorial are paved with a less than 5 % slope. Pressurized water is available.
- Fort Abercrombie State Historical Park, near Kodiak
  Kodiak Military History Museum are accessible.
- Independence Mine State Historical Park, near Palmer
  Visitor Center is accessible by ramp. Parking, nearby trails and interpretive site with

spotting scopes are paved.

- Old Sitka State Historic Park, near Sitka
  Trails are hard-pack gravel, with sections of boardwalk. Approximately 100 feet of trail has a 14% gradient. The rest of the trail has a gradient of 12% or less. Parking is paved.
- Petroglyph Beach State Historic Site, in Wrangell
  An accessible boardwalk leads to a viewing deck and interpretive displays overlooking Petroglyph Beach. The boardwalk has a maximum gradient of 8.3% and is approximately 220 feet.
- Potter Section House State Historical Site, near Anchorage
  Trails around the house are paved. Nearby viewing deck and boardwalk has a 8% maximum gradient. The house itself is park office space and not open to the public.
- Totem Bight State Historical Park, near Ketchikan
  The trails are hard-pack gravel - may need assistance on steep portions. Buildings are accessible.
- Wickersham State Historic Site, in Juneau
  The Wickersham House Museum is accessible.

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Picnic Shelters

- Anchor River State Recreation Area - Slidehole Campground, near Homer
  Pressurized water.
- Big Lake North State Recreation Site, near Wasilla
  Paved parking, gravel path.
- Captain Cook State Recreation Area - Stormy Lake Day Use, near Kenai
- Chena River State Recreation Area - Red Squirrel Campground, near Fairbanks
  Paved parking, gravel path.
- Chena River State Recreation Site, in Fairbanks
- Chugach State Park - Eklutna Lake Campground, near Anchorage
- Clam Gulch State Recreation Area, near Soldotna
- Delta State Recreation Site, near Delta Junction
  Pressurized water is available.
- Fort Abercrombie State Historical Park, near Kodiak
- Harding Lake State Recreation Area, near Fairbanks
- Johnson Lake State Recreation Area, near Soldotna
- Kenai River Special Management Area - Bings Landing Campground, near Sterling
- Lake Louise State Recreation Area, near Glennallen
- Lower Chatanika River State Recreation Area, near Fairbanks
- Ninilchik State Recreation Area - Ninilchik River Campground, near Homer
- Quartz Lake State Recreation Area - Quartz Lake Campground, near Delta Junction
- Settlers Cove State Recreation Site, near Ketchikan
- Tok River State Recreation Site, near Tok

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Restrooms

Most restrooms facilities in state parks are pit latrines. Those that are accessible are shown in the statewide brochure pages mentioned at the top of the page. A small number of facilities have flush toilets and are listed here. If the facility is listed elsewhere on this page, flush toilets are mentioned there as well.

- Chena River State Recreation Site, in Fairbanks
- Chugach State Park - Eagle River Campground, near Anchorage
  Flush toilets in overflow area only.

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Trailheads and Trails

- Chilkat Bald Eagle Preserve, near Haines
  1.75 mile trail of pavement and boardwalk for viewing eagles along the Chilkat River.
- Chugach State Park - Bird Creek to Indian Bike Trail, near Anchorage
  A paved trail starts at Indian Creek at mile 103.0 of the Seward Highway and goes east along Turnagain Arm to Bird Creek Campground and beyond to mile 99.2 of the Seward Highway. Grade exceeds 5% in the Bird Creek area. The trail is eight feet wide with no shoulder.
- Chugach State Park - Bird Point to Girdwood Bike Path, near Anchorage
  The trail is the Old Seward Highway between Bird Point and Girdwood, and is now a paved, multi use path for pedestrians, bicycles and other non-motorized use. It starts at Mile 96.1 of the Seward Highway (Bird Point) and ends at mile 90.1, near the Girdwood turnoff, with a total length of six miles. The typical width is 10 feet with wide unpaved shoulders for runners. Twice, the path exceeds a 5% gradient with a maximum of 7%: for 800 feet at 0.2 miles east of Bird Point, and for 500 feet at 3 miles, halfway between Bird Point and Girdwood. Where the gradient exceeds 5%, the paved width is 12 feet. Restrooms and picnic shelters are at approximately one mile east of Bird Point, and two miles west of Girdwood.
- Chugach State Park - Bird Ridge Trailhead, near Anchorage
  Lower section of trail is paved, a distance of approximately 0.3 miles. Viewing areas at either end of pavement, with accessible restrooms at the upper end. Average gradient is 4.7% with the entire trail less than 8%. There is no cross slope and the trail width is 4.74 feet/1.4 meters. Elevation gain is 66 feet. Parking is paved. Upper section of trail is steep and unimproved. This trail has a trail guide with Universal Access Information. Request one from the DNR Public Information Center.
- Chugach State Park - Eagle River Nature Center, near Anchorage
  The center itself is accessible. Surrounding area and trails are hard-pack gravel. Beginning section of trail has a long, 8% maximum gradient. Parking is paved
- Chugach State Park - Eklutna Lake, near Anchorage
  The Lakeside Trail is an old, gravel road bed, with some large ruts and rocks. Sections have been rebuilt due to damage from the lake and have a steep gradient. ATVs (Sunday thru Wednesday only) and bicycles (all week) use the trail.
- Chugach State Park - Potter Creek Interpretive Trail, near Anchorage
  Paved parking, with interpretive panels and spotting scope. The first 220 feet of this 0.46 mile trail is paved, with accessible restrooms at the end. The 5.3% is the maximum gradient for this section. The trail continues from there as hard-pack gravel and has a greater than 8% gradient, with 17% maximum gradient. There is no cross slope and the trail width is 5 feet/1.5 meters. Elevation gain is 240 feet. Trail connects to the unimproved Turnagain Arm Trail. This trail has a trail guide with Universal Access Information. Request one from the DNR Public Information Center.
- Denali State Park - Alaska Veteran's Memorial, near Trapper Creek
  Trails are paved throughout the Memorial.
- Denali State Park - Denali View North, near Trapper Creek
  Approximately 1200 feet of paved trail with interpretive panels.
- Independence Mine State Historical Park, near Palmer
  Visitor Center is accessible by ramp. Trails to the center core of the mine compound are paved with less than 5% gradient. Trail to the mine portal is paved with a 15% gradient. Other trails are hard-pack gravel.
- Matanuska Lakes State Recreation Area (formerly Kepler-Bradley Lake State Recreation Area) - Matanuska Lake, near Palmer
  Trails are hard-pack gravel.
- Lake Louise State Recreation Area, near Glennallen
  Trail is hard-pack gravel.
- Old Sitka State Historic Park, near Sitka
  Trails are hard-pack gravel, with sections of boardwalk. Approximately 100 feet of trail has a 14% gradient. The rest of the trail has a gradient of 12% or less. Parking is paved.
- Settlers Cove State Recreation Site, near Ketchikan
  A short portion of the trail is accessible for approximately 200 yards to the Lunch Creek Bridge.
- Totem Bight State Historical Park, near Ketchikan
  The trails are hard-pack gravel - may need assistance on steep portions. Buildings are accessible.

- Willow Creek State Recreation Area - Willow Creek Campground, near Wasilla
  Trail is hard-pack gravel down to the river.

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Viewpoints

- Chugach State Park - Beluga Point, near Anchorage
  At Mile 110.5 of the Seward Highway along Turnagain Arm. Paved parking, spotting scopes, interpretive panels.
- Chugach State Park - Bird Point, near Anchorage
  At Mile 95 of the Seward Highway along Turnagain Arm. Paved parking, spotting scopes, interpretive panels, accessible restrooms.
- Chugach State Park - Glen Alps, near Anchorage
  On the Hillside, off Upper Huffman. Paved and hard-packed gravel trails leads to viewpoint on hill that overlooks Anchorage, Cook Inlet and the Alaska Range. Accessible restrooms.
- Denali State Park - Denali View North, near Trapper Creek
  At Mile 162.7 of the Parks Highway. Paved parking and approximately 1200 feet of paved trail with interpretive panels. Accessible restrooms
- Denali State Park - Denali View South, near Trapper Creek
  At Mile 135.2 of the Parks Highway. Paved parking, interpretive panels, accessible restrooms.

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Visitor Centers

- Big Delta State Historical Park, near Delta Junction
  The visitor center, called Rika's Roadhouse, has a ramp. Trails are hard-pack gravel with interpretive sites. Pressurized water is available.
- Chugach State Park - Eagle River Nature Center, near Anchorage
  The center is accessible. Parking is paved. Surrounding grounds and trails are hard-pack gravel. Beginning section of trail has 8% maximum gradient.
- Independence Mine State Historical Park, near Palmer
  Visitor Center has a ramp. Trails to the center core of the mine compound are paved with less than 5% gradient. Trail to the mine portal is paved with a 15% gradient. Other trails are hard-pack gravel.

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Division of Parks and Outdoor Recreation

Alaska Department of Natural Resources

Disabled Veteran's Annual Camping Pass

The legislature granted Disabled Alaskan Veterans (DAV) the right to receive one Alaska State Park Camping Pass free of charge. The DAV Camping Pass, which is valid in all developed Alaska State Park campgrounds, is good for two years. There is no DAV pass for boat launch or day use, nor can the DAV camping pass be used to purchase a boat launch or day use pass as the second pass at the discount rate.

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To receive a free DAV camping pass, an eligible disabled veteran must present proof of a **service connected disability and Alaska residency** at either the Anchorage or Fairbanks DNR Public Information Centers (see below). Alaskan resident is defined as a person who is physically present in the state with the intent to remain indefinitely and to make a home in the state, has maintained the person's domicile in the state for the 12 consecutive months prior to requesting the issuance of a Disabled Alaska Veteran (DAV) camping pass, is not claiming residency in another state, territory or country, and is not obtaining benefits under claim of residency in another state, territory or country. Proof of residency can be in the form of an Alaskan Driver's License, Alaska Sport Fishing or hunting License, Alaska Voters Registration Card, or other documentation suitable to the department that proves Alaska residency.

Evidence of service connected disability can be provided by the presentation of a Veteran's Administration Patient Data Card (red, white, and blue) imprinted with "service connected disability" under the photo identification, or a current year letter from the US Department of Veteran's Affairs, which states the person has a service-connected disability and is signed by the Veteran Services Officer. Other types of VA cards exist, but cannot be accepted as proof of disability. Information on obtaining either the card or the letter can be found through the local Veteran's Administration office or calling 1-800-827-1000. Please note: A Veterans Universal Access Identification card with the veteran's social security number and birth date printed on the card will no longer be accepted, in compliance with the Personal Information Protection Act which passed the Alaska Legislature in 2008. .

The Disabled Alaska Veteran camping pass is non-transferable. If the qualified DAV's vehicle is sold, the decal must be removed. Or, if the windshield is broken and must be replaced, the individual is requested to scrape as much of the decal off as possible and return the remains to any area office. In either of these cases, a replacement decal will be issued for $10 upon receipt of the removed decal. If the decal is lost or if no remains of a previous decal can be produced, and the DNR has record of the owner's previous issuance of the DAV decal, a one-time replacement decal may be purchased for $100.

For further information, please contact the Anchorage or Fairbanks Public Information Center.

550 W 7th Ave, Suite 1260
Anchorage, AK 99501-3557
phone: 907-269-8400
TDD: 907269-8411
fax: 907-269-8901

3700 Airport Way
Fairbanks, AK 99709-4699
phone: 907-451-2705
TDD: 907-451-2770
fax: 907-451-2706

Return to Alaska State Parks Fee page.

Unit Name	Unit # (See Maps)	No. of Campsites	Picnic Sites	Toilets	Drinking Water	Trails	Historical Features	Boat Launch	Fishing	Cabins	Nearest Community	Location
Alaska Chilkat Bald Eagle Preserve	81			♿		●			●		Haines	Mi. 8-31 Haines Hwy.
Baranof Castle SHS	103						♿				Sitka	Lincoln Street
Chilkat SP	85	35	●	♿	●	●			●		Haines	Mi. 7 Mud Bay Rd.
Chilkoot Lake SRS	83	32	●	♿	●				●		Haines	Mi. 10 Lutak Rd.
Eagle Beach SRA	90	16	♿	♿	♿	♿			●	♿	Juneau	Mi. 29 Glacier Hwy.
Ernest Gruening SHP	93		●			●	●		●		Juneau	Mi. 24 Glacier Hwy.
Ft. Rousseau Causeway SHP	105					●	●				Sitka	Sitka Area ★
Halibut Point SRS	104		●	♿	●	●			●		Sitka	Mi. 4.4 Halibut Point Rd.
Juneau Trail System ST	94					●	●				Juneau	Juneau Area
Mosquito Lake SRS	82	5		●	●				●		Haines	Mi. 27.2 Haines Hwy.
Old Sitka SHP	106			♿		♿	♿		●		Sitka	Mi. 7.5 Halibut Point Rd.
Petroglyph Beach SHS	110					●	●		●		Wrangell	Grave Street
Point Bridget SP	89			●		●			●	●	Juneau	Mi. 38.5 Glacier Hwy.
Portage Cove SRS (tent only)	84	9	●	♿	●				●		Haines	Mi. 1 Beach Rd.
Refuge Cove SRS	120		●	♿		●			●		Ketchikan	Mi. 8.7 Tongass Rd.
Settlers Cove SRS	116	14	♿	♿	♿	♿			●		Ketchikan	Mi. 18 N. Tongass Rd.
Totem Bight SHP	121		♿	♿	♿	♿	♿				Ketchikan	Mi. 10 Tongass Rd.
Wickersham SHS	95			♿	♿		♿				Juneau	7th Street
State Marine Parks												
Beecher Pass SMP	109			UNDEVELOPED					●		Wrangell	Mitkof Island ★
Betton Island SMP	117			UNDEVELOPED					●		Ketchikan	Clover Passage ★
Big Bear/Baby Bear SMP	100			UNDEVELOPED					●		Sitka	Peril Strait ★
Black Sands Beach SMP	122		●	♿					●		Ketchikan	South end of Gravina Island ★
Channel Island SMP	91		●	●		●			●	●	Juneau	Lynn Canal ★
Chilkat Islands SMP	86			UNDEVELOPED					●		Haines	Lynn Canal ★
Dall Bay SMP	123			UNDEVELOPED					●		Ketchikan	Gravina Island ★
Funter Bay SMP	96			UNDEVELOPED					●		Juneau	Admiralty Island ★
Grant Island SMP	118			UNDEVELOPED					●		Ketchikan	Clover Passage ★
Grindall Island SMP	119			●		●			●	●	Ketchikan	Clarence Strait ★
High Island SMP	108			UNDEVELOPED					●		Kuiu Island	Kake Rocky Passage ★
Hole in the Wall SMP	114			UNDEVELOPED					●		Prince of Wales Is.	Kake Sumner Straight
Joe Mace Island SMP	112			UNDEVELOPED					●		Wrangell	Sumner Strait ★
Magoun Island SMP	102			UNDEVELOPED					●		Sitka	Krestof Sound ★
Mill Creek SMP	111			UNDEVELOPED					●		Wrangell	Eastern Passage ★
Oliver Inlet SMP	97			●		●			●	●	Juneau	Admiralty Island ★
Pavlov Harbor SMP	99			UNDEVELOPED					●		Chicagof Island	Tenakee Freshwater Bay ★
Salmon Bay SMP	113			UNDEVELOPED					●		Prince of Wales Is.	Wrangell Kashevarof Passage ★
Sea Lion Cove SMP	101					●			●		Sitka	Kruzof Island ★
Security Bay SMP	107			UNDEVELOPED					●		Petersburg	Chatham Strait ★
Shelter Island SMP	92			UNDEVELOPED					●		Juneau	Lynn Canal ★
St. James Bay SMP	88								●	●	Juneau	Lynn Canal ★
Sullivan Island SMP	87			UNDEVELOPED					●		Juneau	Lynn Canal ★
Taku Harbor SMP	98			●					●	●	Juneau	Stephens Passage ★
Thom's Place SMP	115			UNDEVELOPED					●		Wrangell	Wrangell Island ★

Amend #1

27-LS0097\A.1
Bullock
1/19/12

AMENDMENT

OFFERED IN THE SENATE

TO: SB 13

Page 1, line 1, following "**waiver**":

Insert "**or reduction**"

Page 1, line 5:

Delete "**and (f)**"

Insert "**, (f), and (g)**"

Page 3, line 1:

Delete "a new subsection"

Insert "new subsections"

Page 3, line 2:

Delete "(a)(1), (6) - (8)"

Insert "(a)(6) - (8)"

Page 3, following line 3:

Insert a new subsection to read:

"(g) The department may not charge or collect a fee from a disabled veteran for the rental of a public use cabin under (a)(1) of this section that is more than 50 percent of the fee that would be charged or collected from a person that is not a disabled veteran."

SENATE BILL NO. 13

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY SENATOR FRENCH

Introduced: 1/19/11
Referred: Resources, Finance

A BILL

FOR AN ACT ENTITLED

"An Act providing for the waiver of certain fees and charges in state parks for disabled veterans." or reduction

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

*** Section 1.** AS 41.21.026(a) is amended to read:

(a) Notwithstanding (b) of this section **and except as provided in (d) ~~and (f)~~** and (g) **of this section**, the department may charge or collect a fee in a park unit for

(1) rental of public use cabins or other overnight lodgings;

(2) overnight use of a developed campsite;

(3) special park use permits;

(4) competitive and exclusive commercial use permits;

(5) noncompetitive and nonexclusive commercial use permits;

(6) use of a sewage holding tank dump station;

(7) admission to or guided tours of visitor centers and historic sites;

(8) use of an improved boat ramp in a park facility developed

principally for boat launching;

(9) sale of firewood;

(10) sale of merchandise for informational or educational purposes related to public use and understanding of parks, including maps, plans, and other graphic materials;

(11) use of a developed facility that has developed parking and rest rooms; and

(12) presentation or attendance at programs related to natural or cultural history, outdoor skills or education, or other topics concerned with public use, enjoyment, or understanding of parks.

* **Sec. 2.** AS 41.21.026(d) is amended to read:

(d) The department shall issue free of charge to **a** disabled **veteran** [VETERANS] of this country an annual state park developed campsite permit. The permit shall allow **the** [A] disabled veteran to use a state park developed campsite for personal recreation use without a charge or fee under (a)(2) of this section. While utilizing a developed campsite without charge under this subsection, the disabled veteran shall comply with all other statutes or regulations pertaining to the use of the developed campsite. The department shall provide a form for use by a disabled veteran when applying for a permit under this section. Not later than February 1 of each year, the department shall prepare a report on the number of permits issued to disabled veterans under this subsection during the previous calendar year and notify the legislature that the report is available.

* **Sec. 3.** AS 41.21.026(e) is amended to read:

(e) In this section,

(1) "developed campsite" means a campsite having access to the following public facilities:

(A) [(1)] restrooms;

(B) [(2)] a picnic table;

(C) [(3)] an outdoor cooking facility; and

(D) [(4)] an approved water source**;**

(2) "veteran" has the meaning given in AS 38.05.067.

(5)

* **Sec. 4.** AS 41.21.026 is amended by adding a new subsection to read:

(f) The department may not charge or collect a fee under (a)~~(1)~~, (6) - (8), (11), or (12) of this section from a resident who is a disabled veteran.

(g) The dept. may not...

SB

24

<TARGET><BILL>SB 24</BILL><SUBJECT>SB
24</SUBJECT><COMM>SRES27</COMM></TARGET>

ALASKA STATE LEGISLATURE

Session
State Capitol Building, Room 125
Juneau, Alaska 99801-1182
Phone (907) 465-2995
Fax (907) 465-6592

Interim
716 West Fourth Avenue, Suite 430
Anchorage, Alaska 99501
Phone (907) 269-0250
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SENATOR LESIL MCGUIRE

SPONSOR STATEMENT FOR SENATE BILL 24

"An Act establishing the Sport Fishing Guide Services Board and licensing requirements for sport fishing guide-outfitters, sport fishing outfitters, sport fishing assistant guides, and sport fishing transporters; making conforming amendments; allowing the Department of Fish and Game to collect information on guiding services; and providing for an effective date."

Sport fishing is a key element of Alaska's cultural and economic landscape and the sustainable development of our fisheries is one of the Legislature's fundamental constitutional responsibilities. Each year approximately 460,000 individuals spend roughly 2.5 million days sport fishing in Alaska. Sport fishing and especially guided sport fishing has become an integral part of Alaska's economy. In 2007 guided sport fishing contributed an estimated $641 million to Alaska's economy and supported 7183 jobs. Annual direct expenditures attributed to sport fishing totaled $1.4 billion or 3.1% of the total gross state product (GSP) in 2007. An average of 1,670 sport fishing business licenses and 1,981 sport fishing guide licenses have been sold annually of which 90% are issued to Alaska residents. The sport fishing guide services industry is also an important source of information for fisheries managers. Sport fishing guides currently provide logbook data to the Department of Fish and Game which provides the department with one of the critical tools required to manage our fisheries.

Senate Bill 24 seeks to achieve two goals, each consistent with the language set forth in the State Constitution which mandates sustainable development for the maximum economic benefit of Alaska. The first goal is to assure that Alaska's sport fishing services continue to compete favorable in the marketplace with the best in the world. The second goal is to assure that, as the state's valuable fishery resources are invested in the sport fishing services industry, the State of Alaska is doing so as would a diligent investor in any business. SB 24 achieves these goals by establishing a more accurate, stable and appropriate regulatory framework than currently exists. Also, by shifting regulation of the industry from the Department of Fish and Game to a Sport Fishing Guide Services Board established within the Department of Commerce, Community and Economic Development SB 24 places sport fishing guides alongside other analogous industry groups. The new board is modeled on a similar board created for big game guides in 2005 and will promote self-regulation, quality control and accountability in the industry.

SB 24 also recognizing the importance of the logbook program by proposing to permanently repeal the logbook's termination language in the existing statute. The Alaska legislature extended the program's termination date for one year only in both 2009 and 2010. Data collected through the logbook program provides information fishery managers need. The program also allows Alaska to receive an exemption from the National Saltwater Angler Registry; a federal program that would begin levying fees for registration in 2011.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM January 24, 2011

SUBJECT: Sectional summary of SB 24 (Work Order 27-LS0278\A)

TO: Senator Lesil McGuire
Attn: Mike Pawlowski

FROM: Brian J. Kane BJK
Legislative Counsel

You have requested a sectional summary of SB 24, a bill establishing a Sport Fishing Guide Services Board and certain licensing requirements.

Please note that a sectional summary of a bill is not an authoritative interpretation of a bill. The bill itself is the best statement of its contents.

Section 1 of the bill states the purpose of the bill.

Section 2 of the bill adds the Sport Fishing Guide Services Board to the applicability section of the Business and Profession's "Centralized Licensing" chapter.

Section 3 of the bill creates the Sport Fishing Guide Services Board along with the board's duties and powers regarding licensing and regulating the activities of providers of sport fishing guide, sport fishing outfitter, sport fishing assistant guide, and sport fishing transportation services to persons engaging in sport fishing in the interest of the state's fisheries resources. This section also establishes the licensing requirements for a sport fishing guide-outfitter, sport fishing outfitter, sport fishing assistant guide, and sport fishing transporter, as well as enforcement measures and a list of unlawful acts.

Section 4 of the bill amends AS 16.05.395 to conform to changes made in the bill.

Section 5 of the bill allows the Department of Fish and Game to collect certain information and records from sport fishing guide-outfitters, sport fishing outfitters, and sport fishing transporters.

Section 6 of the bill amends AS 25.27.244(a)(2) to conform to the licensing changes made by the bill.

Section 7 of the bill amends AS 41.21.506(b) to conform to the licensing changes made by the bill.

Section 8 of the bill extends the the sunset date of certain sections relating to sport fishing operators and guides so that the current statutory requirements for operator and guide licensing remain in effect until the effective date of certain provisions of the bill.

Section 9 of the bill repeals sections 22 and 31, ch. 58, SLA 2010, which are sections related to sport operators and guides that have a conditional effective date, in order to conform with changes made in this bill.

Section 10 of the bill provides for the initial appointment of members of the Sport Fishing Guide Services Board.

Section 11 of the bill provides a procedure for accepting license applications for sport fishing guide-outfitter licenses, sport fishing outfitter licenses, sport fishing assistant guide licenses, and sport fishing transporter licenses.

Section 12 of the bill repeals a conditional effective date in order to conform with changes made in this bill.

Sections 13 and 14 of the bill provide for effective dates.

BJK:ljw
11-038.ljw

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version **SB24**
() Publish Date

SB024-DFG-SFD-02-07-11
Title An Act establishing the Sport Fishing Guide Services Board

Dept. Affected Fish & Game
Appropriation Sport Fisheries
Allocation Sport Fisheries

Sponsor Senate McGuire
Requester Senate Resources Committee

OMB Component Number 464

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services	40.0		40.0	40.0	40.0	40.0	40.0
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**40.0**	**0.0**	**40.0**	**40.0**	**40.0**	**40.0**	**40.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES 1024 Fish & Game Fun	**(240.0)**		**(240.0)**	**(240.0)**	**(240.0)**	**(240.0)**	**(240.0)**

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1007 I/A Receipts	440.0		440.0	440.0	440.0	440.0	440.0
1024 Fish & Game Fund	(400.0)		(400.0)	(400.0)	(400.0)	(400.0)	(400.0)
TOTAL	**40.0**	**0.0**	**40.0**	**40.0**	**40.0**	**40.0**	**40.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by Charles O. Swanton, Director — Phone 465-6184
Division Sport Fisheries — Date/Time 2/7/11 11:30AM
Approved by Kevin Brooks, Administrative Services Director — Date 2/7/2011
Administrative Services

(Revised 1/27/2011 OMB)

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB24

Analysis

This bill will create a nine member Sport Fishing Guide Services Board in the Department of Commerce, Community, and Economic Development (DCCED), and establish two new licensing categories.

As DCCED will have the authority to collect license fees, this will result in a loss of Fish & Game Fund revenue to ADF&G of approximately $240.0 per year.

The cost of operating the exisiting program in ADF&G is approximately $400.0, and includes statewide licensing of sport fishing business owners and sport fishing guides, registering all vessels used in guided sport fishing trips, and logbook reporting activities for all guided fishing trips. Annual revenue shortfalls of approximately $200.0 have been covered by Fish & Game Funds. Adding two new license categories will increase program costs (logbooks, data processing, and recording) by an estimated $40.0.

The department assumes fees will be set to generate enough revenue to the General Fund to fund the cost of administering the entire program, and that $440.0 interagency receipts will be received by ADF&G from DCCED via a Reimbursable Services Agreement.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version
() Publish Date

Identifier (file name) SB024-CCED-CBPL-2-4-11

Dept. Affected DCCED

Title Establishing the Sport Fish Guide Services Board

Appropriation Corporations, Business and Professional Licensing

Allocation Corporations, Business and Professional Licensing

Sponsor Senator Lesil McGuire

Requester Senate Resources

OMB Component Number 2360

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services	424.3	0.0	424.3	424.3	424.3	424.3	424.3
Travel	18.0	0.0	18.0	18.0	18.0	18.0	18.0
Services	656.3	0.0	656.3	656.3	656.3	656.3	656.3
Commodities	20.0	0.0	8.0	8.0	8.0	8.0	8.0
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**1,118.6**	**0.0**	**1,106.6**	**1,106.6**	**1,106.6**	**1,106.6**	**1,106.6**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES	**1,118.6**	**1,118.6**	**1,106.6**	**1,106.6**	**1,106.6**	**1,106.6**	**1,106.6**

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
1156 Receipt Support Services	1,118.6	0.0	1,106.6	1,106.6	1,106.6	1,106.6	1,106.6
TOTAL	**1,118.6**	**0.0**	**1,106.6**	**1,106.6**	**1,106.6**	**1,106.6**	**1,106.6**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time	3	3	3	3	3	3	3
Part-time	2	2	2	2	2	2	2
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Prepared by Don Habeger, Director — Phone 465-2536
Division Corporations, Business and Professional Licensing — Date/Time 2/7/11 3:15 PM
Approved by Susan K. Bell, Commissioner — Date 2/7/2011
Commerce, Community and Economic Development

(Revised 1/27/2011 OMB)

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. _____

Analysis

SB 24 places the administration of the Sports Fishing Guide Services Board in the Department of Commerce, Community and Economic Development with an effective date for most provisions of the bill of January 1, 2012.

Personal Services consist of three full time positions of one Investigator and two Licensing Examiners. Also included are two part time positions for Regulations Specialist and Licensing Supervisor. This staffing level is consistent with Personal Service requirements for the existing service level for the Big Game Commercial Services Board.

Travel costs are for board meetings inclusive of appointed members and staff. These cost estimates are for two board meetings a year.

Services cost include board support activities such as advertising, room rentals, printing, expert witnesses, network, legal services, IT support, Administrative Hearings and other general office functions.

Commodities has a one time start up cost of 15.0 for office furniture and hardware. After the first year of service these costs are expected to come down and stabilize.

This program includes the cost of collection of logbook data sheets, data processing and analysis, and providing a summary of all reported participation, effort and harvest information to regulatory bodies such as the Alaska Board of Fisheries and North Pacific Fishery Management Council.

Services includes the cost of the RSA to Fish and Game.

Senate Bill 24: Sport Fishing Guides; Board, Licenses

Sponsor Statement

What, exactly, is the problem that this legislation is attempting to solve? What are the benefits to the State and small businesses of passing this legislation? What are the risks/consequences of not passing this legislation?

Is the development of Alaska's fisheries unsustainable without the passage of this legislation?

Is ADF&G doing a poor job of managing the resource? Does ADF&G have enough resources (staff, etc.) to manage all the logbook data submitted by members of the sport fishing guide industry?

Does ADF&G support shifting regulation of the industry to Department of Commerce, Community & Economic Development? Does DCCED want to regulate the industry?

Legislation

Comments from ADF&G? Support or oppose?

Comments from Department of Commerce, Community, and Economic Development? Support or oppose?

What is the economic impact on guides and lodge owners? Please compare cost of current licenses vs. cost of new licenses. Please describe impact of legislation on small business owners.

Letters of Support

Kenai River Sportfishing Association (Eldon Mulder, Board Chair)
Kenai River Professional Guide Association
Nanci Lyon, Alaska Sportsman's Bear Trail Lodge (King Salmon)
Rueben Hanke, Harry Gaines Kenai River Fishing
Forrest Bradden, SouthEast Alaska Guides Organization (Sitka)

Letters of Opposition

Kyle Kelley, General Manager, Alaska Wildland Adventures (Cooper Landing)
Roark Brown, Owner, Homer Ocean Charters (Homer)
Kent John, Sport Fishing Operations Manager, Great Alaska Adventure Lodge
Mark & Miriam Edwards, Owners, Naha Bay Outdoor Adventures (near Ketchikan)

SB 24: SUPPORT
(PROVIDED BY SPONSOR)

Kenai River
Professional Guide
ASSOCIATION

Senator Lesil McGuire
State Capitol Building, Room 125
Juneau, AK 99801-1182

January 21, 2011

Dear Senator McGuire:

Kenai River Professional Guide Association (KRPGA) is a 501 (c) 6 non-profit organization devoted to protecting and preserving our national treasure, the Kenai River. Our primary goal is to foster responsible and sustainable Alaska sport fishing opportunity while promoting habitat protection and pro-active management of Kenai Peninsula sport fisheries. We support and represent the guided sportfishing industry on the Kenai River, one of the largest bodies of sport fishing guides in Alaska. KRPGA has long supported responsible and ethical guided fishing on the Kenai Peninsula and elsewhere in the state.

KRPGA strongly supports SB-24, an act that would establish a sport fishing guide services board and licensing requirements for sport fishing guide-outfitters, sport fishing outfitters, sport fishing assistant guides, and sport fishing transporters. We appreciate the comprehensive nature of the bill, as it encompasses all major sectors of the sportfishing industry.

We have been in support of a professional sportfishing guide services board for many years and have had our representatives at most of the meetings that have taken place thus far through the Alaska Department of Fish and Game (ADF&G). KRPGA has been a leading advocate for professional standards on the Kenai River, including the establishment of the Kenai River Guide Academy through Kenai Peninsula College, which is now a requirement to guide on the Kenai River.

Thank you for your efforts in bringing forth this legislation. KRPGA looks forward to working with the Legislature in forming the new guide services board and lend our full support. We believe that a Guide Board of our peers is a positive step into the future for our industry and the State of Alaska.

Sincerely,

Dave Goggia
KRPGA President

011 Board Members

Eldon Mulder - *Board Chair*
President - The Mulder Company

Ron Rainey - *Vice Chair*
Ron's Alaska Lodge - Retired

Kevin Branson - *Secretary & Treasurer*
CPA, Thomas, Head & Greisen

Jim Golden - *Vice President*
Owner, The Sports Den

Rik Bucy
General Manager,
Tesoro Northstores - Retired

Gene Diamond
Sales Manager, Specialty Imports

Bill Eckhardt
President, Alaska USA Federal Credit Union

Richard Erkeneff
Owner, Kenai River Raven

Mike Felix
esident, AT&T Alaska

Mark Hamilton
President, University of Alaska-Retired

Reuben Hanke
Owner, Harry Gaines Kenai River Fishing

Bill MacKay
Senior Vice President, Alaska Airlines

Kristin Mellinger
Executive VP/ CFO,
Arctic Slope Regional Corp.

Jason Paret
CFO, Central Peninsula Hospital

Robert Penney
Owner, PENCO Properties

Karen Rey, RN
Territory Manager,
Alaska St. Jude Medical

Gary Turner
Director, Kenai Peninsula College

KENAI RIVER SPORTFISHING
ASSOCIATION

January 21, 2011

Senator Lesil McGuire
State Capitol Building, Room 125
Juneau, AK 99801-1182

Dear Senator McGuire:

Kenai River Sportfishing Association (KRSA) is a 501 (c) 3 fishery conservation organization dedicated to preserving the greatest fishing river in the world – the Kenai – through program work in habitat protection, fisheries management, research, and angler education.

KRSA supports Senate Bill 24 (SB 24), which would establish the Sport Fishing Guide Services Board and licensing requirements for sport fishing guide-outfitters, sport fishing outfitters, sport fishing assistant guides, and sport fishing transporters. KRSA believes that the best interests of the state would be served through the establishment of a professional services board that ensures consistent and comprehensive standards in the guided sport fishing industry in Alaska. A professional services board will provide for accountability, quality control and self-regulation for this industry, similar in scope to the big game guide industry and other analogous industry groups.

Are these standards currently lacking?

The 2007 report from the Alaska Department of Fish and Game (ADF&G) on the *Economic Impacts and Contributions of Sportfishing in Alaska* demonstrated that sportfishing is a significant contributor to the Alaskan economy. With approximately 460,000 in sport fishing license sales and 2.5 million angler days in 2007, the sportfishing industry accounted for $1.4 billion in direct expenditures, of which guided sport fishing generated $641 million in expenditures and supported more than 7,000 jobs. On average there are close to 1,700 sport fishing business licenses and 2,000 sport fishing guide licenses sold in Alaska, of which 90% are issued to Alaska residents. As guided sport fishing is an integral component of the Alaskan economy, a sport fishing guide services board would establish a more stable, appropriate and accurate regulatory framework than currently exists, and would help assure that Alaska's sport fishing industry is in position to compete favorably in the marketplace with other world class destinations.

Isn't ADF&G doing a good job now?

224 Kenai Avenue, Suite 102 • Soldotna, Alaska 99669
Phone: (907) 262-8588 • Fax: (907) 262-8582 • www.kenairiversportfishing.com • E-mail: info@kenairiversportfishing.com

In addition to the establishment of a guide services board, KRSA also supports other important aspects of SB 24, specifically the removal of sunset language on the guide logbook program. As the charter logbook program provides the Department with important information on guided angler activities and harvests, it is appropriate that sunset language be permanently removed on one of the important tools required for responsible management of our fisheries. The logbook program allows Alaska an exemption from the National Saltwater Angler Registry, a federal program that will begin levying fees for registration in 2011.

Thank you for your effort in sponsoring SB 24. We look forward to testifying in support of SB 24 as it moves through the Legislature this year.

Respectfully,

Ricky Gease

Ricky Gease
KRSA Executive Director

Distributed by Sen. McGuire's office

Open eyes to shady dealings

By Howard Delo Outdoors | Posted: Thursday, December 29, 2011 9:28 pm

I'm finding as I get older the time just seems to fly by, even on the rare occasions when it drags, like sitting in the dentist's chair listening to the drill and smelling the burning bone or lying motionless on a too-small table for 30 minutes or more while the MRI machine is clanking, grinding and buzzing an inch from my face. Tomorrow wraps up another year that actually only started about four months ago — or so it seems!

I'd like to wish you all a happy and prosperous New Year with the hope that all your fishing trips produce whoppers (fish or stories, doesn't really matter which) and your hunting trips fill your freezers (or mine if you feel generous).

Speaking of that, if you are planning to apply for any drawing permit hunts for the fall 2012 and the spring 2013, you only have until tomorrow at 5 p.m. to submit your online application to Fish and Game. If you have questions, call the Palmer office at 746-6300 today before end of business to get an answer.

On a more serious note, I wrote an article for the paper a couple of weeks ago suggesting that the sport fish guide licensing process needs to be overhauled to allow for the revocation of a guide's license in the event that person is convicted of a serious Fish and Game violation or is a repeat offender in violating the more minor Fish and Game regulations. Right now, no statute or regulation mandates the loss of a sport fish guide license in case of a violation conviction, no matter how many times or how serious the violation.

Let me give you a little behind the scenes on how that article came about. A reader had emailed the paper asking if the news staff intended to do a follow-up story on a guide who was cited this past fishing season on multiple counts of a Class A misdemeanor Fish and Game violation. The paper had published a short article in August about the original citation. That first article contained information that the particular guide had been convicted in 2006 of some other Fish and Game violations involving a hefty fine and jail time, both of which were largely suspended. The inquiring email stated that the trial for the current charges was scheduled for early December.

I was asked to look into the situation and develop a story. I found out that the trial was rescheduled into early January 2012, so no resolution of the current charges would be immediately available. I also found out from public court records that the particular individual involved had several other Fish and Game convictions from previous years, as well as other relatively minor traffic convictions and a DUI conviction on his record.

When I asked folks involved in law enforcement and in the sport fish guide license issuing program if these convictions could result in the guide losing his license, I was told that would not happen for lack of a statute or regulation providing that authority to the issuing agency.

I used this information, minus the non-Fish and Game violation convictions, in the article to essentially set the stage to illustrate why the sport fish guide licensing process needed revision.

This particular individual has held a guide's license for years and, short of a judge ordering revocation as part of sentencing for a conviction, cannot be denied a new license for the next year if he applies and meets the general criteria and provides the required paperwork.

There were several comments added to the story by readers, all of which openly called for this person's license revocation and agreeing that the process needs to be tightened up to prevent future abuses of this sort. Further information has come to light since that article was published that this same individual was convicted of multiple federal felonies in another state in past years as well. These are the facts as available through public court records.

A couple of other things are simmering on the back burner related to this story. I believe a bill has been introduced in the Legislature to form a sport fish guide services board analogous to the hunting guide services board that already exists.

If established, this services board could have regulatory authority to revoke licenses for ethical reasons, just as the hunting guide board currently has.

Since this board would probably be established within the Department of Commerce, Community and Economic Development, where the hunting guide services board currently is placed, its regulatory authority over sport fish guides could be significant if set up appropriately.

I also inquired if the Alaska Board of Fisheries (BOF) had the authority to revoke a sportsfish guide license for cause. I haven't gotten an answer to that question yet, but I would suspect the BOF does not have that level of authority.

They exist to regulate methods and means, seasons, and generally to allocate the harvestable surplus portion of a fishery — not decide under what conditions user licenses can be issued or retained.

The creation of a sport fish guide services board would be a step in the right direction.

However, I still think a legislative statute specifying why and for how long a sport fish guide license can be revoked for violation convictions would be a valuable tool in overseeing the sport fish guide industry. I would think the ethical and honest sport fish guides and their representative organizations would openly support such a statute as well.

We all tell jokes about used car salesmen and their supposedly shady dealings. Would the sport fishing guides want the same stereotype in the public eye? I would think not! Appropriate laws and service boards with oversight of that industry would dispel any stereotype of shady dealings, at least in my mind!

Howard Delo is a retired fisheries biologist with the Alaska Department of Fish and Game. You can leave him a message by emailing sports@frontiersman.com.

Katmai Service Providers Inc.

An Organization of Commercial Operators in
Katmai National Park and Preserve

February 16, 2011

Honorable Senator Joe Paskvan
Co-Chair, Senate Resources committee

RE: SB24

Dear Senator Paskvan:

Katmai Service Providers is a non-profit organization that represents businesses that provide Sportfishing, bear viewing and other Services to visitors to Southwestern Alaska. Following this letter is our membership roster which includes the major National Park Service Commercial Use Authorizations licensed to do business in and around Katmai National Park & Preserve.

Two years ago, we discovered that the Alaska Department of Fish and Game had established a Task Force to create new regulations to address "overcrowding" in the Sportfishing Business/Guide Industry. In spite of the fact that all of our sportfishing business owners and guides were licensed by the Department, our members were never directly notified of the new regulations proposal, public hearing schedule or web based comment opportunities. Furthermore, the Department didn't provide or post web based information on who was on the Task Force, how they were selected, or how to contact them to provide input. Additionally, the proposed regulations submitted by the Task Force were a "mirror image" of the Big Game Commercial Services Board Hunting Guide Regulations which lacked initiative and foresight in addressing issues specific to the Sportfishing industry. These proposed regulatory requirements were simply not applicable to the Sport Fishing industry and we prevailed in our efforts to have the issue dropped……now, to our dismay, it has arrived again in the form of Senate Bill SB24.

Katmai Service Providers is again strongly opposed to SB24 for the following reasons:

1) Once again the entire Sportfishing industry was not timely notified of your proposed bill and asked for our input even though it will affect our very existence. We don't understand why industry input was once again unsolicited particularly in light of what occurred two years ago. Why not get the support of the industry you are proposing to regulate so that reasonable changes may be discussed and implemented?

2) SB24 is the same "mirror image" of the Big Game Board's language that we opposed two years ago because it doesn't fit our industry! If the licensing system truly needs changing,

why not build on what is currently in place rather than copy a 50 year old program designed for the hunting industry.

3) SB24 is too broad and attempts to apply the same regulatory standards to the entire state. If there is a problem in a specific geographical area (i.e. Kenai Peninsula) that may need additional regulation, it could be addressed on a regional basis working through the local borough in conjunction with the Alaska Department of Fish and Game. Sportfishing businesses in Alaska are already highly regulated by local Boroughs, the National Park Service, the U.S. fish and Wildlife Service, the Coast Guard, the Alaska DNR as well as the Alaska Department of Fish and Game.

4) The Senator Sponsor statement tries to push the bill into law by stating that the ADF&G needs the data from the logbooks. We as an industry agree; renew the current law that expires in 2011 that requires us to fill out the logbooks. Furthermore, the bill implies that this new law would help with issues of safety. See item 3 above; this concern has already been addressed with requirements that all guides a USCG license, CPR etc. Lastly, the bill attempts to put the enforcement of regulations on the Board. I don't know that misconduct by fishing guides is a big problem. Regardless, you will still have to have due process. You have to catch violators in the act and prosecute them. That is still going to be up to law enforcement personnel operating in the field, not some board investigator.

In summary, the proposed statewide legislation is too broad and lack's industry insight to improve the current regulatory system. And above all, a compelling need for change has not been established. Therefore, we must strongly oppose SB24 as it will seriously hinder our businesses as well as the stated #1 goal of keeping the Alaska Sportfishing Industry the best in the world!

Thank you for providing Katmai Service Providers the opportunity to comment on SB24. We would be happy to meet with you and any of your constituents if you have any questions or comments in this regard.

Sincerely,

Sonny Petersen
President
Katmai Service Providers

cc: Katmai Service Providers (Attached list)
Katmai National Park – Commercial Use Authorization Holders (By email)
Alaska State Senators

Katmai Service Providers Inc. Members List

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February 7, 2011

Senate Resources Committee
Senator Thomas Wagoner
Alaska State Capitol, Room #427
Juneau, AK 99801
Sen.Thomas.Wagoner@legis.state.ak.us

Dear Senator Wagoner;

I respectfully submit the following comments in full support of Senate Bill 24.

I am the owner and operator of Alaska Sportsman's Bear Trail Lodge located in King Salmon Alaska. I have been living and operating in the King Salmon area as a sport fishing guide and lodge owner for 25 years. I have been a member of several special task forces put together by prior administrations to address fishery and socio economic concerns in the Bristol Bay area as well as the rest of Alaska. I was an active participant in the original task force put together to create and mold this idea of professionalizing the sport fishing industry and I fully believe in the work we preformed and the resulting bill reflected here.

In light of the fact that the sport fishing industry has grown to proportions beyond anyone's belief who was here in the 70's and 80's, I feel it is time that we take action to insure future growth is controlled and directed in a manner that will protect and preserve all the states fisheries while maintaining an industry environment that is competitive and healthy.

This bill takes into consideration the diversity found in Alaska's guided fisheries and the unique challenges found in various areas of the state. It will not impose unnecessary restrictions to guides in Southwest Alaska that may be needed to conserve fishery resources in Southeast Alaska. It was formed around a foundation that has already proven reliable to the state. It was personally important to me, before I could support this idea, that it would be based on something that was already working in a manner acceptable in an outdoor industry. By using the framework the Big Game industry had laid out previously, I found the foundation I needed to lend my support.

I hope you might find the same comfort in your preliminary review of this bill. I know that there will be opposition to overcome, but I would hope that those who are opposed might also realize that taking initiative to protect, provide and police our own industry will strengthen our industry in the long term. I encourage you to contact me at any point and will be happy to make myself as available as possible to support the content of this bill.

Thank you for the opportunity to comment on this bill, please don't hesitate to contact me for any further information or support you might require.

Sincerely,

Nanci A Morris Lyon
Alaska Sportsman's Bear Trail Lodge
P.O. Box 221
King Salmon, AK 99613
Work Phone 246-2327
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gofish@bristolbay.com

Jeff Stepp

From: Mary Jackson
Sent: Monday, February 07, 2011 10:12 AM
To: Senate Resources
Cc: Jeff Stepp
Subject: FW: Support for SB 24

Jeff:

I'm going to send support/opposition emails to the senate resources account.

I''ve set up folders for this bill and will set them up for others as needed.

m

From: Sen. Tom Wagoner
Sent: Monday, February 07, 2011 9:19 AM
To: Mary Jackson
Subject: FW: Support for SB 24

From: Reuben Hanke [mailto:reuben@harrygaines.com]
Sent: Saturday, February 05, 2011 3:35 PM
To: Sen. Tom Wagoner
Subject: Support for SB 24

Senator Wagoner,

I am pleased to see that SB 24 has made it to the hearing stage in the Senate Resources Committee. This bill is something that has been needed for a long time in the sport fishing industry and I strongly support the passage of this bill. As a sport fishing guide on the Kenai and surrounding area, as well as a Registered Big Game guide, I can see the need for the sport fishing industry to finally become recognized for what it truly is and SB 24 will accomplish that.

With the State of Alaska investing heavily in fish resources for our industry, there needs to be accountability on our part so that the state can rest assured that we are providing the best product available for consumers as they come to visit our great state. The current licensing standards that we have in statute are not an accurate picture of the typical business model that we see operating in the field at this time and SB 24 reflects what is really happening in today's industry. This will go a long way to providing more accurate information to Fish and Game and the Department of Commerce, Community and Economic Development for future decisions that will shape this industry. I am also concerned that the current minimum qualifications that we have in statute will sunset at the end of this year if this bill does not pass. I guess this means that some will go back to providing services without a first aid card or even liability insurance. I am quite sure that we, as a state, have come further than that. The idea of a professional board is certainly not a new concept. There are several industries in this state that embrace this system and seem to be doing an excellent job of monitoring, collecting information and setting up ethical standards to ensure best business practices for their longevity. These are just a few examples of the benefits of SB 24.

As a member of the original task force that was set up to tackle this issue, I was surprised that such a diverse group of individuals from across the state were able to sit down, communicate and create a comprehensive consensus document that is now known as SB 24. That just shows us that there are industry concerns statewide whether we operate in salt or fresh water that everyone felt needed to be addressed.

Please feel free to contact myself and other members of the task force if you have any particular questions or need any assistance. I am sure that all of us will be willing to help and support your efforts. Thank you.

FISH ON!

Reuben G. Hanke
Owner, Harry Gaines Kenai River Fishing
Fish Camp 907-262-5097
Cell 907-398-5097

Jeff Stepp

From: Mary Jackson
Sent: Monday, February 07, 2011 10:11 AM
To: Senate Resources
Subject: FW: Support SB 24

From: Sen. Tom Wagoner
Sent: Monday, February 07, 2011 9:19 AM
To: Mary Jackson
Subject: FW: Support SB 24

From: SEAFA [mailto:seafa@gci.net]
Sent: Monday, February 07, 2011 8:41 AM
To: Sen. Tom Wagoner
Subject: Support SB 24

Senator Wagoner,

As the only commercial representative serving on the State of Alaska workgroup several years ago for the guided sport industry we developed the Sport fish guide Services Board modeled after the big game guide board which had the support of the committee as well as my personal support. Please contact me if you have any questions about SB 24 and we would be happy to discuss the legislation from the commercial fishing perspective.

Sincerely,
Kathy Hansen
Southeast Alaska Fishermen's Alliance
9369 North Douglas Hwy
Juneau, AK 99801
907-586-6652
Email: seafa@gci.net
http://www.seafa.org

SEAGO
SouthEast **Alaska** Guides Organization

February 7, 2011

Senator Lesil McGuire
State Capitol Room 125
Juneau AK, 99801

Re: Support for Senate Bill 24

Dear Senator McGuire:

The Southeast Alaska Guides Organization (SEAGO) represents charter operators and lodges throughout the Southeast Alaska region. We are writing to you in support of Senate Bill 24—the Sport Fishing Guide Services Board.

We believe that a Guide Services Board would have the following positive effects on our industry:

1) The program will help to clarify the size and scope of our industry, the extent of its activity, and help to identify individuals or groups that seek to operate outside of regulation.

2) By thus identifying our industry, and with research we understand will be conducted through the program, the board will help to quantify the economic, and socio-economic value and impacts of our industry on Alaska's communities.

3) The Sport Fishing Guide Services Board will bind the industry into a cohesive group that can interact on a credible, influential level with state, federal, and international regulatory agencies.

4) The Board will have authority to regulate, if need be, the level of activity and effort in any given unit of its own definition, thereby protecting and preserving the viability of the industry and the investment of its participants. We understand that any development of regulation for the industry will be done in total transparency with input and influence by industry members and the public at large.

We give Senate Bill 24 our fullest support. Please let us know if there is anything further we can do to facilitate the passing of this bill.

Sincerely,

Forrest Braden
Interim Executive Director, SEAGO
907 747-6963

Jeff Stepp

From: Kyle Kelley [kyle@alaska-wildland.com]
Sent: Friday, February 04, 2011 12:31 PM
To: Sen. Joe Paskvan
Subject: Senate Bill 24

Senator Paskvan,

Thank you for your time in reviewing this letter. I'm the General Manager for Alaska Wildland Adventures in Cooper Landing, AK. We operate, among other things, the Kenai River Sportfishing Lodge that primarily fishes the Kenai (Upper and lower sections) and Resurrection Bay. We employ a staff of eight full time guides that all operate motorized and drift only boats. This coming season will be our 35th year of business of providing fully guided fishing experiences to our clients.

Recently, Senate Bill 24 that has been introduced by Senator McGuire has come to my attention. I am highly concerned about the negative impact this bill will have the future of my business and the ability of our industry to be competitive for the greater good of the customer.

This bill introduces very stringent regulations and creates another level of bureaucracy to already heavily regulated sport fishing fishery. As you are probably aware, the Kenai River is managed by Alaska state parks under the title of Kenai River Special Management Area (KRSMA). This special management area is a partnership with Kenai National Wildlife Refuge (KNWR) and Chugach National Forest (CNF) that manages all guide fishing and non-fishing (scenic rafting) activity on the Kenai River and watershed. KRSMA has established many levels of regulations and laws in order for our company to operate on this body of water. Our fishing guides are required to attend the Kenai River Guide Academy, obtain a U.S. Coast Guard license, enroll in a mandated drug testing program, and pay expensive guide fee's. Alone, the Kenai River Guide Academy requires our staff to attend an eight-hour course that is five days in length during the off-season. This Academy requires our guide staff to take unpaid time off and pay for their own expenses to attend the course in Soldotna, no matter if they live there or not.

On top of these regulations, KNWR (Federal management) has its own requirements and operates a limited entry system that further regulates our business and guide staff. The current requirements and regulations alone should prove that our guides meet the qualification to be professional guides on the river. SB 24 would just add unnecessary and redundant regulations to our fishery that is already heavily regulated and enforced. Currently the Kenai River has a complex management environment and adding another form of regulation, like you propose, will make it even more difficult for our business. Our operating season is only ninety days long because of our short Alaskan summers and

the more government regulations that are add on to that season, the more likely we cannot succeed as business.

I'm concerned that SB 24 would reduce competition for our clients, terminate employment opportunities for our staff and make it uneconomical to operate our business.

Our sportfishing business alone brings in over $600,000 annually in revenue that goes directly back to staff payroll, purchasing local services, and other avenues that trickle back into the surrounding communities in which we operate. Creating a Sport fishing board that only consists of nine members who would be responsible for the entire state regulations of sport fishing guides would not properly represent the diversity that Alaska has with it many different sport fishing waters. What is good for one area is probably not going to be the same for the other. Each fishery area brings its own circumstance and issues that are not the same statewide. This board could lead to more and more regulations when we already have systems and regulations in place that can handle what you propose.

Simply put, the market price point for a guided fishing trip cannot possibly pay for the increased costs this legislation would require.

I would like to learn more about the need for this bill.

Thank you for your time and I look forward to your reply.

Sincerely,

Kyle T. Kelley

--

Kyle Kelley, General Manager
Alaska Wildland Adventures
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dwood, AK 99587
Phone: 907-783-2928
Fax: 907-783-2130
www.alaskawildland.com

Jeff Stepp

From: Roark Brown [roark@xyz.net]
Sent: Friday, February 04, 2011 12:34 PM
To: Sen. Joe Paskvan
Subject: SB 24

Dear Senator Paskvan,

I am writing to express my opposition to SB 24, I know you are hearing the bill today and plan on holding it for a later hearing with public testimony but I wanted to let you know early that there is strong opposition to this bill in the guided sport fishing industry.

As a long time guided sport fishing operator (over 25 years) I have seen the regulatory burden grow substantially in scope and cost. I am unaware of what problem this bill is trying to fix other than some lower Kenai River guides trying to level the playing field so every guide is subjected to the same hurdles they have to overcome. The Kenai regulations were enacted because of a substantial overcrowding situation on the river that led to extreme competition for clients and some unscrupulous operators crossing the line of ethical behavior. As you know, in a competitive business environment, businesses that operate unethically, unsafely, or at a level of customer satisfaction lower than their competitors are quickly eliminated. While some level of government regulation is needed, this bill crosses into regulating good behavior at the expense of those that are already operating quality businesses.

Presently operators are subject to the following federal, state and local regulations and more, this bill just adds to that. Currently operators are subject to the following federal regulations...

Operators of motorized vessels must obtain a USCG license which requires a minimum of 360 days of documented boating experience.
Operators must pass physical exams to maintain their license
Operators must document sea time to stay current and renew every five years
Operators and crews must be drug tested and in a random testing program
Operators must adhere to USCG "rules of the road" or risk citation
Operators must know and follow federal fisheries regulations (halibut)
Vessels must be current at all time with required federal safety standards
Operators are subjected to boardings by federal officers
Operators on federal lands (forest service) have additional requirements

State regulations include...

Mandatory business licensing
Mandatory guide licensing
Mandatory insurance requirements
Mandatory First Aid and CPR
Mandatory log books and record keeping
Knowledge and practice of state fishing regulations or we are cited, not the angler
On water and dockside boardings for safety, enforcement and creel surveys and sampling
State Park permitting (cumbersome) for those operating in a park

Local regulation includes...

Local area licensing - cities
Sales tax collection and reporting - cities and boroughs
Head and/or passenger tax i.e. Whittier
Bed tax collection and reporting i.e. Kodiak

In addition most responsible businesses are members of local and state chambers of commerce, CVBs, marketing organizations, charter associations, etc. that encourage and support safe and ethical business practices.

As an operator who also works as a big game transporter and thus deals with the big game commercial services board I can personally attest to the problems with that agency including infighting of the different classifications of operators and an 'exclude them to protect myself' type mentality. This bill is not needed and is not wanted by much of the industry. I e you not to move it.

Thank you for your help on tourism issues! What we need is stable, sustainable marketing dollars that will benefit the industry, create jobs, strengthen families, and provide revenue to our state, not more regulation. Feel free to contact me at any time and thanks for all that you do.

Roark Brown
Homer Ocean Charters/Otter Cove Resort
roark@xyz.net
www.homerocean.com www.ottercoveresort.com
(907)235-6212 office, (907)399-1269 cell
Homer's leading provider of recreational activities!

Jeff Stepp

m: Kent John [kent@greatalaska.com]
nt: Friday, February 04, 2011 3:54 PM
To: Sen. Joe Paskvan
Subject: Senate Bill 24

Dear Joe:

I am contacting you regarding Senate Bill 24. My name is Kent John, and I am the sport fishing operations manager for Great Alaska Adventure Lodge. I am also the president of the Alaska Wilderness Recreation and Tourism Association- a consortium of wilderness dependent businesses in the state of Alaska.

Great Alaska Adventure Lodge is currently in our 30th year of operation providing guided sport fishing, adventure travel and wildlife viewing experiences on the Kenai Peninsula, Lake Clark National Park and Denali. We currently employ 12 or more fishing guides annually, with taxable revenue over a million dollars annually.

Our sport fishing operations are focused on the upper, middle and lower Kenai river, with offshore boats running in Cook Inlet and Seward/Resurrection bay.

As I am sure you know, the Kenai river is currently the most highly regulated river in the state, if not the world. All guides are required to complete the mandatory Kenai River Guide Academy- 40 class hours (only offered in the off-season currently, with no on-online version available) combining guide ethics, river access, landowner/boat use issues, salmon biology, regulations and much more.

course is already the most extensive required guide course in the united states, and the limited number of seats available make getting new guides a challenge for many operators- one that we as Kenai River lodge owners and guide services have embraced, for the quality guides that the system produces. This bill would not have the same effect- *it would cripple our industry.*

The upper Kenai river is also a limited entry area, with a limited number of businesses allowed to run sport fishing operation on the watershed. The federal Refuge requirements mean extensive management in addition to the overall Kenai River requirements.

Finally, the saltwater environment has already reached a "limited entry" status as of this coming season.

Senate Bill 24 would add an unnecessary and frankly devastating layer of bureaucracy to this already challenging process for lodge owners across the state. Unlike the trophy hunting industry, which is based upon a model of very few animals being harvested with a very high cost per animal, much of our sport fishing is non-consumptive as we release a large percentage of our catch every year, including 100% of our native trout and Steelhead species. Applying the same model from guided hunting to guided sport fishing would be devastating to our industry.

I urge you not to support this bill. The sport fishing industry is a trickle down economic model that provides millions upon millions of dollars to the local economy, as well as providing local jobs, government taxes, and all without overly leveraging our state's amazing resources. To add this unnecessary and damaging level of bureaucracy would, in my opinion, be the potential tipping point for economic viability for many operators like myself who employ more than one or two guides.

ou would like to discuss this, I am available on my cell phone at 907 398 6372 or by email at Kent@greatalaska.com. I will be calling in to listen to the proceedings on Monday.

Thank you for your time.

Sincerely,

><(((º>.....

Kent L. John
Owner/Lead guide
Great Alaska Adventure Lodge- Alaska's destination for Adventure!
President- *Alaska Wilderness Recreation and Tourism Association*
Adventure Green Alaska – *Silver Award- Sustainable Travel Destination*

SB 24

Jeff Stepp

From: Sen. Joe Paskvan
Sent: Tuesday, February 01, 2011 1:48 PM
To: Jeff Stepp
Subject: FW: Concerns About Draft Bill - Sport Fishing Guide Services Board and Licensing Bill/ referenced 26-LS0521/A, dated 2/18/09

Follow Up Flag: Follow up
Flag Status: Flagged

From: Mark & Miriam Edwards [ContactUs@NahaBayOutdoorAdventures.com]
Sent: Wednesday, January 26, 2011 5:37 PM
To: Sen. Joe Paskvan
Subject: Fw: Concerns About Draft Bill - Sport Fishing Guide Services Board and Licensing Bill/ referenced 26-LS0521/A, dated 2/18/09

Please see my email below to Senator Lesil McGuire regarding the proposed Guide Bill.

Also below are my original concerns regarding this bill when it was first talked about in 2008.

It is hard to see what this bill is trying to accomplish.

- The fish stocks in both fresh and saltwater are expertly managed by the Department of Alaska Fish and Game, who have the ability to introduce emergency measures at local levels if species are threatened.

- If there are examples of over crowding of guides at "hot spots" then these problems should be managed at a local level in the region impacted.

This proposed bill will put many small "ma & pa" operations out of business over night. This will have a devastating impact on many small communities across Alaska.

Please do everything you can to stop this bill.

Regards / thanks

Mark & Miriam Edwards
Naha Bay Outdoor Adventures

----- Original Message -----
From: Mark & Miriam Edwards<mailto:ContactUs@NahaBayOutdoorAdventures.com>
To: Senator_Lesil_McGuire@legis.state.ak.us<mailto:Senator_Lesil_McGuire@legis.state.ak.us>
Sent: Wednesday, January 26, 2011 6:54 PM
Subject: Fw: Concerns About Draft Bill - Sport Fishing Guide Services Board and Licensing Bill/ referenced 26-LS0521/A, dated 2/18/09

Senator Lesil McGuire,

Please see below my original comments and concerns regarding the Guide Bill.

I made these comments back in 2008. My comments are just as applicable now as they were back in 2008.

So, please note - I have just invested nearly $50,000 for a halibut charter permit as required by federal regulations which take effect this year.
Under your proposed bill I will not be able to use it. Therefore not only will you be putting me out of business with this proposal I would have also flushed $50,000 down the drain.

We very much hope that you discuss the bill with the senators who looked closely at this a few years ago, and we very much hope that you kill this bill.

Regards

Mark & Miriam Edwards
Naha Bay Outdoor Adventures

----- Original Message -----
From: Rep. Les Gara<mailto:Representative_Les_Gara@legis.state.ak.us>
To: Mark & Miriam Edwards<mailto:ContactUs@NahaBayOutdoorAdventures.com> ; David Theriault<mailto:David_Theriault@legis.state.ak.us>
Sent: Monday, March 09, 2009 10:30 AM
Subject: RE: Concerns About Draft Bill - Sport Fishing Guide Services Board and Licensing Bill/ referenced 26-LS0521/A, dated 2/18/09

Thanks. Dave, please keep this so when the bill gets finally drafted, we can put these comments for our review in the bill file. Les

-----Original Message-----
From: Mark & Miriam Edwards [mailto:ContactUs@NahaBayOutdoorAdventures.com]
Sent: Saturday, March 07, 2009 11:56 AM
To: Rep. Les Gara
Subject: Concerns About Draft Bill - Sport Fishing Guide Services Board and Licensing Bill/ referenced 26-LS0521/A, dated 2/18/09

P.O. Box 7482
Ketchikan,
Alaska
AK 99901

6th March 2008

For the attention of Representative Les Gara,

This letter provides our concerns about the Sport Fishing Guide Services Board and Licensing Bill/ referenced 26-LS0521/A, dated 2/18/09 which is currently at the draft stage. If our interpretation of the Bill is correct, my wife and I will be put out of business at the end of 2009, and will be forced to leave southeast Alaska.

About Us

My wife and I, and two children moved to Southeast Alaska in the spring of 2002 in order to get away from big city living and its associated problems. We established a small Bed and Breakfast remote from the road system at Loring in Naha Bay which is about 20 miles north of Ketchikan. Ketchikan is an economically depressed city which has not fully recovered from the closure of the pulp mill in 1997. Loring is a very small remote community with no job opportunities. We have only been able to move to this beautiful area of southeast Alaska by

establishing our own business. If our business fails as a result of changing regulations we will be forced to leave our home in southeast Alaska.

When we established our small B&B, we decided to limit the number of guests to 6, and typically the groups that book with us are smaller and consist of no more than 2, 3 or 4 people. We started by offering lodging and self-guided skiff rentals and we made arrangements for third party charters when required. Hiring of independent charters proved to be difficult and unreliable due to our remote location. Hiring of independent freshwater guides was (and still is) impossible due to the fact that there are no independent guides operate in our area. In the spring of 2007, I obtained my US Coast Guard Captains license, and we started to offer our own saltwater charters and guided freshwater fishing as part of our lodging, with myself being the charter captain and freshwater guide. The increased income, reliability and flexibility arising from offering our own guide and charter service has significantly improved the long term viability of our small business.

We have chosen to keep our business small and diversified in order to limit our impact on our neighbors and the surrounding environment. Most days, when I charter fish, I operate in saltwater areas with no other charter boat or private fishing boat. When I guide on the remote rivers to the north of us, we do not encounter any other anglers whatsoever.

Our business model targets small family groups who want a remote Alaskan experience and who want to experience several styles of Alaskan fishing. A typical booking for example may involve 6 nights accommodation with a day of charter fishing, a day of guided freshwater fishing, a day of self-guided fishing and possibly some non fishing guided days such as marine wildlife tours or nature walks. Overall, saltwater charters and guided freshwater fishing only make up about 30% of our total fishing days, but guests choosing a small number of guided days make up over 90% of our business. In other words, just about all of our guests want at least one of two days of saltwater charters or guided freshwater fishing as part of their longer stay with us.

Any impact on our ability to provide guide and charter and guide services for our guests will have an immediate and devastating impact on our business and way of life. We do not believe that we are unique, and there are many similar small scale "ma and pa" operations who are also threatened by the proposals within the Sport Fish Guide Services Board and Licensing Bill.

Impact of the Sport Fish Guide Services Board and Licensing Bill on Us and Other Small Businesses Like Ours.

Generally, we believe that the Bill as currently written will fail to achieve its objective of protecting the resources whilst providing a safe experience's for visitors and is in fact unnecessary. To date, Alaska's fish resources have been expertly managed by Alaska Department of Fish and Game and there are currently no concerns about fish species under the management of AKF&G. If there are concerns at localized "hot spots" about the number of guides, this should be addressed by legislation that manages this issue at these particular hot spot locations.

Also, we feel that this legislation will unfairly impact small guide businesses and B&B type lodges such as ourselves which are the back bone of the Alaska tourist experience and economy. These businesses are also essential to the Alaskan remote way of life and economy of small communities. This Bill will result in the closure of these small businesses and drive customers to the larger lodges and guide services. This will result in an increase in concentration of fishing effort at specific places of businesses. In other words, the effect of the legislation will be the exact opposite of what is trying to achieve.

We can support the above statements by highlighting our concerns about specific portions of the bill and how they impact us directly. We also know that we are not unique and our concerns are shared by other small businesses such as ours.

First, it is unclear from the language of the bill how existing self-employed guides operating their own business as allowed by the current Combined Sport Fishing Guide -Business License will be grandfathered into the new system of licenses. The Bill makes no mention of this type of guide/business. This in itself is creating a significant degree of stress and uncertainty. We, like other owner operated guide businesses take bookings a number of years in advance. We already have bookings for 2010 and are currently responding to enquiries for 2011. We are now facing the prospect that a future change in regulations that prevents us from providing guide or charter services will leave us in breach of our current obligations.

Section 08.57.110. of the proposed bill says "The Department shall issue a sport fishing guide-outfitter license to a natural person if the person …. (8) has been licensed as and performed the services of a sport fishing assistant guide in the state for at least 20 days in each of three years and received favorable recommendation from at least one licensed sport fishing guide-outfitter".

Taken at its literal sense, this implies that to qualify for the new sport fishing guide-outfitter license you must have worked for someone else for 3 years. This would exclude me and many others like me who are self-employed and who have operated our own businesses with the current Combined Sport Fishing Business and Guide License. It is also totally unrealistic for me to have to work for someone else for the next 3 years to obtain a guide license. Even if there were guide jobs available, the pay would not be sufficient for me to support my family. We would also have to close down our business and loose the goodwill and reputation that we have worked so hard to build up over the last seven years.

reference to a qualifying number of days is also an area of significant concern to me and other small owner/operated guide businesses. My number of guided days in 2007 was around 12. In 2008 it was around 10. I currently have commitments for 2009 for 19 guided days. (added Jan 2011 .... In 2010 we provided 26 days if guiding services.) If 20 days per year over 3 years is in fact to be some form of qualifying criteria, me and many other small self employed owner/operators will be excluded from obtaining a guide license. In effect, small owner/operated guide businesses will be punished for developing small sustainable business models.

For me, and many other similar small owner/operated guide businesses, the impact of not being allowed to guide on our B&B business will be devastating. As stated above, whilst the number of guided fishing days is relatively small compared with larger lodge and guide operations, these guests make up over 90% of our business. If I cannot guide, my wife and I loose over 90% of our entire revenue. This will put us out of business immediately.

We have looked at alternatives and can advise the following:

* It will be impossible for me to take a job as an assistant guide for a three year qualifying period. Even if job opportunities were available, the pay will not be sufficient for me to support my family. In the meantime our existing business is closed down with the loss of seven years good will and reputation.

* Our remote location makes booking third party charters very expensive and unreliable. business cannot withstand the increased costs of hiring independent charter boats. Our remote location makes hiring independent freshwater guides impossible. There are no other independent freshwater guides operating in our area.

* Our business model does not support the salary and overheads associated with directly employing licensed captains and guides. We would need to increase the guest capacity to support more staff. Our premise is not large enough to accommodate additional guests and staff. Increasing the size of our business with more guests and staff will have a negative impact on our neighbors living in our small community (which is the exact opposite of the intent of the Guide Bill!), and local government planning restrictions in fact prevent us from expanding at our current location. Relocating is also not a viable alternative.

As sated above, we do not believe that the Bill will achieve its objectives. We request that this Bill should be withdrawn and legislation drawn up to study and address the issue of excessive guides operating at localized hot spots.

Failing this, if this legislation is going to progress, we request that the following proposal is incorporated into the Bill in order to alleviate the disproportionate effect this Bill will have on small owner operated guide business currently operating with the current Combined Sport Fishing Guide and Business License.

We propose that the following text (highlighted in red) is added to Section 08.57.110.

Section 08.57.110. Sport fishing Guide-Outfitter License

"The Department shall issue a sport fishing-outfitter license to a natural person if the person: …..

re-number clause (8), as (8.1) then add a new text and clause (8.2). so over all this section reads as:

…….. start revised text……

(8.1) has been licensed as and performed the services of a sport fishing assistant guide in the state for at least 20 days in each of three years and received favorable recommendation from at least one licensed sport fishing guide-outfitter.

Or

(8.2) has been licensed as and has performed the services of a combined sport fishing guide and sport fishing business for 3 years, and has maintained the required liability insurance for these 3 years, and has received favorable recommendation from at least one client for each of these 3 years.

…….. end revised text……..

(Note: The above proposal assumes that the legislation will come into effect in 2010 and the minimum qualifying years are 2007, 2008 and 2009.)

We very much hope that our proposals are considered, and if the Bill continues to move forward we very much hope that our amendment is incorporated in the Bill in order to avert the disproportionate and devastating impact that this Bill will have on small owner operated guide businesses.

We very much thank you for your consideration in this matter. If you have any questions, please call me on 907 617 2895.

Regards

Mark & Miriam Edwards
Naha Bay Outdoor Adventures

Sport Fishing Guide Services Board – SB24 Quick Reference Guide

The purpose of this Act is to promote the health, safety, and welfare of the guided fish angler and the stability of the sport fish guide industry in the state by regulating the activities of providers of sport fishing guide, outfitter, and transportation services.*

Requirement	Current Guide Regulation	After Guide Bill			
		Guide	Assistant Guide	Outfitter	Transporter
• A current Alaska sport fishing license, tags, stamps or permits that are required to engage in the sport fishery	✓	✓	✓	✓	✓
• A current sport fishing guide license	✓	✓	✓	✓	✓
• A current U.S.C.G. Operator's license if operating a motorized vessel on navigable waters and current TWIC card	✓	✓	✓	✓	✓
• Current first aid card.	✓	✓	✓	✓	✓
• Be a resident of the United States, Canada, Mexico or a resident alien	✓	✓	✓	✓	✓
• Assistants, deckhands, and similar persons who work directly under the supervision of and on the same vessel as a fishing guide are exempt from the guide licensing requirements.	✓				
• A copy of the current ADF&G sport fishing business license of the guide's employer;	✓				
• A Photo ID	✓	✓	✓	✓	✓
• All businesses must have a logbook.	✓	✓			
• Current State of Alaska Business License	✓	✓		✓	✓
• Insurance - liability or marine protection policy providing coverage of at least $100,000 for each incident, and $300,000 per year	✓	✓		✓	✓
• All vessels, powered and unpowered, must have a current AK # issued by the DMV	✓	✓		✓	✓
• A person may not receive or renew a license if his right to obtain or exercise the privileges granted by a sport fishing guide outfitter, sport fishing outfitter, sport fishing assistant guide, or sport fishing transporter license or registration is suspended or revoked in this state or another state or in Canada or Mexico.		✓	✓	✓	✓
• Licensing responsibility falls under Department of Commerce, Community, and Economic Development.		✓	✓	✓	✓
• A written and oral qualification and certification examination s		✓		✓	✓
• Provide employment agreement with guide outfitter or passes certification course			✓		
• Board will establish sport fish guide use units and registration requirements.		✓		✓	

Requirement	Current Guide Regulation	After Guide Bill			
		Guide	Assistant Guide	Outfitter	Transporter
• Provide an activity report on a form provided by ADF&G		✓		✓	✓
• Board renews licenses every two years		✓	✓	✓	✓
• Anyone who pilots an aircraft to transport clients during the provision of sport fishing activities, shall have a commercial pilot's rating or a minimum of 500 hours of flying time in the state		✓	✓	✓	✓
• Board will enforce regulations		✓	✓	✓	✓

Rev 1/22/11

* A copy of the guide Services Bill, (SB-24) can be found here:
http://www.legis.state.ak.us/basis/get_bill.asp?bill=SB%20%2024&session=27

Note: This comparison is made to the working copy of SB-24 as of January, 2011. Final legislation may vary in content and requirements from this document. Please refer to the final bill upon passage for detail regulations.

SB 24 OVERVIEW January 20, 2012

SB 24: 2012

The Senate Resources Committee heard and held SB 24 Sport Fishing Guiding Services, during the session in 2011.

The Committee subsequently established a Sub-committee, chaired by Senator Wagoner with Senator McGuire and Senator Stedman as members. Additionally, Representatives Austerman and Thompson participated in the Sub-committee.

Emails were sent to as many interested parties as we could determine from the public comments (totaling some 63) on September 13, 2011 directing them to the website for this legislation and asking for their comments. That site is:

http://aksenate.org/mcguire/SB24/

A public hearing was held on October 10, 2011 at the Anchorage LIO.

Majackson 1-20-12

ALASKA STATE LEGISLATURE

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SENATOR LESIL MCGUIRE

Changes to SB 24 (27-LS0278\A) in CS SB 24 (27-LS0278\I)

Please note that this analysis is not an authoritative interpretation of changes to the bill. The bill itself is the best statement of its contents.

The following references are to the A version of SB 24

Title The following changes were made to the Title of the bill:

1. No changes.

Section 1 The following changes were made to section 1:

1. Inserted new subsection (b) which expresses legislative intent that the funding for the electronic systems required under section 6 are to come from general funds.

Section 2 The following changes were made to section 2:

1. No changes.

Section 3 Inserted new subsection 3 inserting the Sport Fish Guide Services Board established in section 4 to the list of Boards and Commissions in AS 08.03.01(c) that provides for termination dates (2018) and transition provisions upon termination.

Section 4 The following changes were made to section 3 (new section 4):

1. Deleted language on p. 3 lines 10-18 authorizing the board to adopt a certification examination for unit areas.
2. Inserted new language (I version, p. 2, lines 24-28) requiring one member from each of the major sport fish regions; southeast, southcentral and interior.
3. Inserted new language (I version, p. 3, lines 5-6) prohibiting the public member from having held a commercial fishing license or permit.
4. Inserted new requirements (I version, p. 4, lines 7-13) that the board make recommendations to the legislature on the impact of sport fishing on the state's economy and how to mitigate constraints on the industry to the legislature and the governor.
5. Deleted language on p. 4, lines 11-18 allowing the board to establish guide use units.

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6. Inserted new language requiring board approval before a regulation that limits entry to sport fishing guides can go into effect (I version, p. 4, lines 20-22)
7. Inserted new language (I version, p. 4, lines 23-26) requiring that the examination must be offered electronically and that an applicant who fails the examination may immediately retake the examination.
8. Changed the name of license established on p. 4, line 27 from "Sport Fishing-Guide Outfitter" to "Sport Fishing Guide."
9. Changed the sport fishing guide license from a biennial to an annual license.
10. Deleted the requirement on p. 5, line 11-12 to pass a certification examination on guide use units in order to obtain a "sport fishing guide license."
11. Deleted the requirement on p. 5, lines 13-15 to be licensed for three years as an assistant guide in order to obtain a "sport fishing guide license."
12. Deleted the requirement on p. 5, lines 16-17 to satisfy "all additional requirements" established by the board in order to obtain a "sport fishing guide license."
13. Deleted the authorization on p. 5, lines 26-28 authorizing a sport fishing guide to operate as an assistant guide.
14. Changed the language on p. 5, line 31 from "directly supervise" to "supervise or employ" to describe relationship between assistant guide and a sport fishing guide.
15. Deleted the language on p. 6, line 2-3 authorizing a sport fishing guide supervise another guide operating in a unit.
16. Changed the Sport Fishing Outfitter license from a biennial license to an annual license.
17. Deleted the requirement on p. 7, line 8-9 that a person pass a qualification examination in order to receive a Sport Fishing Outfitter license.
18. Deleted the requirement on p. 7, line 9-10 that a person pass a qualification examination for the unit they are operating in to receive a Sport Fishing Outfitter license.
19. Deleted the requirement on p. 7, line 12-13 that a person satisfy "all additional requirements" adopted by the board to get a Sport Fishing Outfitter license.
20. Clarified on p. 7, line 17 that a Sport Fishing Guide, as well as a Sport Fishing Outfitter can provide sport fishing outfitter services.

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SENATOR LESIL MCGUIRE

21. Changed the age limit to become a Sport Fishing Assistant Guide on p. 8, line 5 to 16 years old from 18.
22. Added "or supervises" to the requirement that an assistant guide show proof of employment by a person with a Sport Fishing Guide license to the language on p. 8, line 15-17.
23. Deleted the requirement on p. 8, line 18-19 that a person satisfy "all additional requirements" in order to obtain an assistant guide license.
24. Changed the language from "supervision and employ" to "supervision **or** employ" on p. 8, line 25 to clarify relationship between a Sport Fishing Guide and an Assistant Guide.
25. Changed the language on p. 9, line 7-8 to require an assistant guide to carry proof of "employment or supervision by a currently licensed sport fishing guide.
26. Deleted the language prohibiting the department from granting a renewal to a person who has not maintained their license (p. 10, lines 18-31).
27. Deleted the language on p. 11, line 1-4 relating to a sport fishing guide or assistant guide personally piloting an aircraft.
28. Deleted the language on p. 11, lines 17-19 allowing a guide to be disciplined by the board for breaching an agreement with a client.
29. Deleted the language on p. 11, lines 20-21 allowing a guide to be disciplined by the board for failing to comply with limitations or conditions of professional practice of the licensee.
30. Added new language (I version, p. 11, lines 8-10) allowing the board to notify state or federal agencies if a disciplinary action has been taken.
31. Deleted the language on p. 13, lines 4-8 prohibiting a guide from operating in a unit for which the guide has not been licensed.
32. Removed "assistant guide" from the responsibility section (p. 14, line 31 – p. 15 line 15).
33. Changed the "department of fish and game" on page 15, line 26-27 to "the department" of commerce, community and economic development.

Section 5 The following changes were made to Section 4:

1. No changes.

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SENATOR LESIL MCGUIRE

Section 6 The following changes were made to Section 5:

1. Changed "may" to "shall" on p. 19, line 20 to require sport fishing logbook records to be electronic.

Section 7 The following changes were made to Section 6:

1. Added language from AS 16.480.280(c) that prohibits falsification of information on logbook forms.

Section 8 The following changes were made to Section 7:

1. No changes.

Section 9 The following changes were made to Section 8:

1. Changed the repeal date for the existing guide program from January 1, 2013 to January 1, 2015.

Section 10 The following changes were made to Section 9:

1. No changes.

Section 11 The following changes were made to Section 10:

1. No changes.

Section 12 The following changes were made to Section 11:

1. Changed the effective date of the examination required under AS 08.57.030(a)(1) to 2015.

Section 13 The following changes were made to Section 12:

1. No changes.

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SENATOR LESIL MCGUIRE

Section 14 The following changes were made to Section 13:

1. Changed effective date of certain sections to January 1, 2013 for the following sections and statutes:
    a. Section 1 (legislative intent)
    b. Section 2 (centralized licensing)
    c. Section 3 (termination dates for regulatory boards)
    d. Section 11 (uncodified law)
    e. Section 12 (repeal of section 32, ch. 58, SLA 10)
    f. AS 08.57.010 (creation and membership of the board)
    g. AS 08.57.020 (board assistance)
    h. AS 08.57.030 (powers and duties of the board)
        i. (a)(1), (preparation of the examination)
        ii. (a)(6), (adoption of regulation
        iii. (a)(8), (meet at least twice annually)
        iv. (b)(1), (establish code of ethics)
    i. 08.57.240 (license and examination fees)
    j. 08.57.490 (definitions)

Section 15 The following changes were made to Section 14:

1. The effective date was changed from January 1, 2013 to January 1, 2015, except as provided in section 14.

27-LS0278\I
Bullard
1/19/12

CS FOR SENATE BILL NO. 24( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): SENATOR MCGUIRE

A BILL

FOR AN ACT ENTITLED

"An Act establishing the Sport Fishing Guide Services Board and licensing requirements for sport fishing guides, sport fishing outfitters, sport fishing assistant guides, and sport fishing transporters; making conforming amendments; allowing the Department of Fish and Game to collect information on guiding services; and providing for an effective date."

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

*** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE PURPOSE AND INTENT. (a) The purpose of this Act is to promote the health, safety, and welfare of the guided fish angler and the stability of the sport fish guide industry in the state by regulating the activities of providers of sport fishing guide, outfitter, and transportation services.

(b) It is the intent of the legislature that funding for the establishment of an electronic

system to store forms, records, and reports as required by AS 16.05.396(f), added by sec. 6 of this Act, be appropriated from the general fund.

* **Sec. 2.** AS 08.01.010 is amended by adding a new paragraph to read:

(39) Sport Fishing Guide Services Board (AS 08.57.010).

* **Sec. 3.** AS 08.03.010(c) is amended by adding a new paragraph to read:

(22) Sport Fishing Guide Services Board (AS 08.57.010) - June 30, 2018.

* **Sec. 4.** AS 08 is amended by adding a new chapter to read:

Chapter 57. Sport Fishing Guides and Related Occupations.

Article 1. Sport Fishing Guides, Outfitters, Assistant Guides, and Transporters.

Sec. 08.57.010. Creation and membership of board. (a) For the purposes of licensing and regulating the activities of providers of sport fishing guide, sport fishing outfitter, sport fishing assistant guide and sport fishing transportation services to persons engaging in sport fishing in the interest of the state's fisheries resources, the Sport Fishing Guide Services Board is created. For administrative purposes, the board is in the Department of Commerce, Community, and Economic Development.

(b) The board consists of nine members appointed by the governor and subject to confirmation by the legislature as follows:

(1) five members who are currently licensed sport fishing guides or sport fishing outfitters under this chapter, at least three of whom are currently licensed sport fishing guides; the five members must include

(A) both salt water and fresh water sport fishing guides or sport fishing outfitters; and

(B) at least one person employed as a sport fishing guide or a sport fishing outfitter in the Interior region of the state; at least one person employed as a sport fishing guide or a sport fishing outfitter in the Southcentral region of the state; and at least one person employed as a sport fishing guide or a sport fishing outfitter in the Southeast region of the state;

(2) one member who is a currently licensed sport fishing transporter under this chapter;

(3) one member of the Board of Fisheries;

(4) two public members who

(A) are familiar with the Alaska sport fishing industry;

(B) do not hold a current license issued under this chapter or a current commercial fishing license or permit issued under AS 16;

(C) have not held a commercial fishing license or permit under AS 16; and

(D) are familiar with concerns of private landowners and access issues related to sport fishing activities under this chapter.

(c) The board members serve staggered three-year terms.

(d) Members of the board do not receive compensation, but are entitled to per diem and travel expenses authorized for boards and commissions under AS 39.20.180.

Sec. 08.57.020. Board assistance. State agencies shall provide the board with information, data, or technical assistance requested by the board for the purposes of licensing and regulating the activities of providers of sport fishing guide, sport fishing outfitter, sport fishing assistant guide, or sport fishing transportation services.

Sec. 08.57.030. Duties and powers of board. (a) The board shall

(1) prepare and grade a qualification examination for a sport fishing guide license that requires demonstration that the applicant is qualified generally to provide sport fishing guide and sport fishing outfitter services, and, in particular, possesses knowledge of fishing and sport fishing laws and regulations;

(2) authorize the issuance of a sport fishing guide, sport fishing outfitter, sport fishing assistant guide, or sport fishing transporter license if the applicant for the license satisfies the requirements for the license;

(3) impose appropriate disciplinary sanctions on a licensee under this chapter;

(4) require an applicant for issuance or renewal of any class of license issued under this chapter to state in a written and signed document whether the applicant's right to obtain, or exercise the privileges granted by, a sport fishing guide, sport fishing outfitter, sport fishing assistant guide, or sport fishing transporter license is revoked or suspended in this state or another state or in Canada or Mexico;

(5) regularly disseminate information regarding examinations and

other qualifications for all classes of licenses described in this chapter;

(6) adopt procedural and substantive regulations required by this chapter;

(7) provide for administration of examinations for sport fishing guide licenses at least twice a year;

(8) meet at least twice annually;

(9) report to the governor and the legislature on the economic effect of sport fishing on the state's economy and make recommendations to mitigate constraints, including those of the government, on sport fishing and the sport fishing industry; and

(10) during the first 10 days of the regular legislative session, make an annual report of the board's recommendations to the governor and notify the legislature that the report is available.

(b) The board may adopt regulations as the board considers appropriate to

(1) establish a code of ethics for professions regulated by the board; and

(2) authorize the department to obtain from the Department of Fish and Game a copy of a sport fishing guide's logbooks and other information that is required by AS 16.05.396.

(c) Notwithstanding AS 16.05.020, 16.05.251, and 16.05.258, a regulation that limits entry to sport fishing guides must be approved by the board before it goes into effect.

(d) An examination prepared by the board under (a)(1) of this section must, in a manner accessible to the public, be offered electronically. An applicant who fails an examination may immediately retake the examination on payment of a fee established under AS 08.57.240.

Article 2. Licensing and Certification.

Sec. 08.57.100. Eligibility for licenses. Notwithstanding AS 08.57.110 - 08.57.150, a person may not receive or renew a sport fishing guide, sport fishing outfitter, sport fishing assistant guide, or sport fishing transporter license if the person's right to obtain or exercise the privileges granted by a sport fishing guide,

sport fishing outfitter, sport fishing assistant guide, or sport fishing transporter license or registration is suspended or revoked in this state or another state or in Canada or Mexico.

outfitter

Sec. 08.57.110. Sport fishing guide license. (a) On and after January 1, 2014, the department shall issue an annual sport fishing guide license to a natural person if the person

(1) is 18 years of age or older;

(2) is a citizen of the United States, Canada, or Mexico, or is a resident alien;

(3) is certified in first aid and cardiopulmonary resuscitation by the American Red Cross or a similar organization;

(4) holds a license to carry passengers for hire issued by the United States Coast Guard if, in the provision of sport fishing guide services, the person operates a vessel and the license is required by the United States Coast Guard for the area in which the sport fishing guide provides sport fishing guide services;

(5) holds a current sport fishing license from this state;

(6) has passed a qualification examination approved by the board for a sport fishing guide license;

(7) has applied for a sport fishing guide license on a form provided by the department and paid the license application fee and the sport fishing guide license fee.

(b) A person may not provide sport fishing guide services unless the person holds a current sport fishing guide license.

(c) A sport fishing guide may guide and outfit sport fishing activities and may provide transportation services, personally or through a sport fishing assistant guide, to clients of the sport fishing guide.

(d) A sport fishing guide may

(1) directly provide sport fishing guide services to clients; or

(2) supervise or employ an assistant guide who provides sport fishing assistant guide services to clients.

(e) While engaged in providing sport fishing guide services, a sport fishing

guide shall have the following documents readily available for inspection on request of a representative of the Department of Fish and Game or a peace officer of the state:

(1) a current sport fishing guide license;

(2) the current licenses, tags, permits, and reporting forms that are required to engage in the sport fishery for which the sport fishing guide services are being provided;

(3) a driver's license or similar identification card that is issued by a state or federal agency and that bears a photograph of the sport fishing guide.

(f) A master sport fishing guide license authorizes a sport fishing guide to use the title master sport fishing guide, but is, for all other purposes under this chapter, a sport fishing guide license. The department shall issue an annual, renewable master sport fishing guide license to a natural person if the person

(1) is, at the time of application for a master sport fishing guide license, currently licensed as a sport fishing guide under this section;

(2) provides an affidavit certifying that the person has operated in the state as a sport fishing guide for at least 12 of the last 15 years, including the year immediately preceding the year in which the person applies for a master sport fishing guide license;

(3) submits 10 letters from clients for whom the person has personally provided sport fishing guiding services that give the sport fishing guide favorable evaluations; and

(4) applies for a master sport fishing guide license on a form provided by the department and pays the application fee, if any.

Sec. 08.57.120. Sport fishing outfitter license. (a) On and after January 1, 2014, the department shall issue an annual sport fishing outfitter license to a natural person if the person

(1) is 18 years of age or older;

(2) is a citizen of the United States, Canada, or Mexico, or is a resident alien;

(3) is certified in first aid and cardiopulmonary resuscitation by the American Red Cross or a similar organization;

(4) holds a current sport fishing license from this state; and

(5) has applied for a sport fishing outfitter license on a form provided by the department and paid the license application fee and the sport fishing outfitter license fee.

(b) A person may not provide sport fishing outfitter services unless the person holds a current sport fishing guide or sport fishing outfitter license.

(c) A person holding a sport fishing outfitter license may not provide sport fishing guide services or transportation services, personally or through a sport fishing assistant guide, unless the person also holds a sport fishing guide license.

(d) A person holding a sport fishing outfitter license may not be physically present with the client during any portion of the sport fishing activities unless the person also holds a sport fishing guide or sport fishing assistant guide license.

(e) A sport fishing outfitter shall provide an activity report on a form provided by the Department of Fish and Game, which must contain all information the Department of Fish and Game requires.

(f) While engaged in providing sport fishing outfitting services, a sport fishing outfitter shall have the following documents readily available for inspection on request of a representative of the Department of Fish and Game or a peace officer of the state:

(1) a current sport fishing outfitter license; and

(2) a driver's license or similar identification card that is issued by a state or federal agency and that bears a photograph of the sport fishing outfitter.

Sec. 08.57.130. Sport fishing assistant guide license. (a) On and after January 1, 2014, the department shall issue an annual sport fishing assistant guide license to a natural person if the person

(1) is 16 years of age or older;

(2) is a citizen of the United States, Canada, or Mexico, or is a resident alien;

(3) is certified in first aid and cardiopulmonary resuscitation by the American Red Cross or a similar organization;

(4) holds a license to carry passengers for hire issued by the United States Coast Guard if, in the provision of sport fishing guide services, the person

operates a vessel and the license is required by the United States Coast Guard for the area in which the sport fishing assistant guide provides sport fishing guide services;

(5) holds a current sport fishing license from this state;

(6) provides to the department a written employment agreement from a currently licensed sport fishing guide who employs or supervises the sport fishing assistant guide; and

(7) has applied for a sport fishing assistant guide license on a form provided by the department and pays the license application fee and the license fee.

(b) A person may not provide sport fishing assistant guide services unless the persons holds a current sport fishing assistant guide license.

(c) A sport fishing assistant guide may not participate in a guided sport fishing activity unless under the supervision or employ of a currently licensed sport fishing guide.

(d) While providing sport fishing assistant guide services, a sport fishing assistant guide shall have the following documents readily available for inspection on request of a representative of the Department of Fish and Game or a peace officer of the state:

(1) a current sport fishing assistant guide license;

(2) the current licenses, tags, permits, and reporting forms that are required to engage in the sport fishery for which the sport fishing assistant guide services are being provided;

(3) a driver's license or similar identification card that is issued by a state or federal agency and that bears a photograph of the sport fishing assistant guide; and

(4) proof of employment or supervision by a currently licensed sport fishing guide.

Sec. 08.57.140. Sport fishing transporter license. (a) On and after January 1, 2014, the department shall issue an annual sport fishing transporter license to a natural person if the person

(1) applies for a sport fishing transporter license on a form provided by the department; and

(2) pays the license application fee and the license fee.

(b) A person may not provide sport fishing transporter services and accommodations unless the person holds a current sport fishing transporter license.

(c) A sport fishing transporter

(1) may provide transportation services and accommodations to persons engaging in sport fishing in the field

(A) at a permanent lodge, house, or cabin owned by the transporter; or

(B) on a boat with permanent living quarters; - transporter - and

(2) may not provide sport fishing guide, sport fishing outfitter, or sport fishing assistant guide services without holding the appropriate licenses.

(d) While providing transportation services, a sport fishing transporter shall have the following documents readily available for inspection:

(1) a current sport fishing transporter license;

(2) a driver's license or similar identification card that is issued by a state or federal agency and that bears a photograph of the sport fishing transporter.

(e) In this section, "field"

(1) means an area outside of established year-round dwellings, businesses, or other developments associated with a city, town, or village;

(2) does not include permanent hotels or roadhouses on the state road system or state or federally maintained airports.

Sec. 08.57.150. Renewal of sport fishing guide, sport fishing outfitter, sport fishing assistant guide, and sport fishing transporter licenses. (a) An applicant for renewal of a sport fishing guide, sport fishing outfitter, sport fishing assistant guide, or sport fishing transporter license shall submit

(1) a request for renewal of the license on a form provided by the department;

(2) an affidavit that all required logbooks and reports due during the term of the prior license have been filed as required; and

(3) the appropriate license fees for the next licensing period.

(b) The department may not renew a sport fishing guide, sport fishing

outfitter, sport fishing assistant guide, or sport fishing transporter license under this section unless

(1) all fees have been paid in full; and

(2) the applicant provides evidence of continued professional competence as required by the board.

Sec. 08.57.160. Financial responsibility and other requirements for sport fishing guides, sport fishing outfitters, and sport fishing transporters. The department shall require satisfactory proof of sport fishing guides, sport fishing outfitters, and sport fishing transporters of a general liability insurance policy or marine protection and indemnity insurance policy, covering the services provided by the person and the person's employees to clients engaged in sport fishing that provides coverage of at least $100,000 for each incident, and $300,000 for all incidents in a year. The person shall maintain the insurance required by this section for the duration of the license.

Article 3. Enforcement.

Sec. 08.57.200. Discipline of a sport fishing guide, sport fishing outfitter, sport fishing assistant guide, and sport fishing transporter. (a) The board may impose a disciplinary sanction in a timely manner under (b) of this section and in accordance with AS 08.01.075 if the board finds that a licensee

- felony
- moral turpitude

(1) is convicted of a violation of a state or federal statute or regulation relating to sport fishing or to provision of sport fishing guide, sport fishing assistant guide, sport fishing outfitter, or sport fishing transportation services;

(2) has failed to file records or reports required by law;

(3) has negligently misrepresented or omitted a material fact on an application for any class of sport fishing guide, sport fishing outfitter, sport fishing assistant guide, or sport fishing transporter license.

(b) The board may impose the following disciplinary sanctions, singly or in combination:

(1) permanently revoke a license;

(2) suspend a license for a specified period;

(3) censure or reprimand a licensee;

(4) impose limitations or conditions on the professional practice of a licensee;

(5) impose requirements for remedial professional education to correct deficiencies in the education, training, and skill of the licensee;

(6) impose probation requiring a licensee to report regularly to the board on matters related to the grounds for probation;

(7) impose a civil fine not to exceed $5,000.

(c) If the board imposes a disciplinary sanction under (b) of this section, the board shall, as the board considers appropriate, notify the applicable state and federal agencies.

(d) The board shall permanently revoke a license issued under this chapter if the board finds, after a hearing, that the license was obtained through fraud, deceit, or misrepresentation.

(e) A certified copy of a judgment of conviction of a licensee for an offense is conclusive evidence of the commission of that offense in a disciplinary proceeding instituted against the licensee under this section based on that conviction, regardless of whether the conviction resulted from a plea of nolo contendere or the conviction is under appeal, unless the conviction is overturned on appeal.

(f) A person whose license is suspended or revoked under this section may not engage in the provision of sport fishing guide, sport fishing outfitter, sport fishing assistant guide, or sport fishing transportation services during the period of license suspension or revocation.

(g) If the board revokes a license under this section, the person whose license has been revoked shall immediately surrender the license to the department.

(h) The board may, before a final hearing is held or during an appeal, summarily suspend a licensee from practice of a profession under this chapter for a period of not more than 30 days if the board finds that the licensee poses a clear and immediate danger to the public health and safety. A person is entitled to a hearing before the board to appeal a summary suspension within seven days after the order of suspension is issued. A person may appeal an adverse decision of the board on an appeal of summary suspension to a court of competent jurisdiction.

Sec. 08.57.210. Unlawful acts. (a) It is unlawful for a

(1) person who is licensed under this chapter intentionally to obstruct or hinder or attempt to obstruct or hinder lawful sport fishing engaged in by a person who is not a client of the person;

(2) sport fishing assistant guide knowingly to guide or outfit sport fishing activities except while employed and supervised by a sport fishing guide;

(3) person who is licensed under this chapter knowingly to enter or remain on private, state, or federal land unlawfully during the course of providing sport fishing guide, sport fishing outfitter, sport fishing assistant guide, or sport fishing transportation services;

(4) person who is licensed under this chapter to

(A) commit or aid in the commission of a violation of this chapter, a regulation adopted under this chapter, or a state or federal sport fishing statute or regulation; or

(B) permit the licensee's client to commit a violation of a regulation adopted under this chapter or a state or federal sport fishing statute or regulation that the licensee knows or should know is being or will be committed without

(i) attempting to prevent it, short of using force; and

(ii) promptly reporting the violation to the Department of Public Safety by the most expeditious reasonable means available;

(5) person without a current sport fishing guide license knowingly to guide or advertise as or represent to be a sport fishing guide;

(6) person without a current master sport fishing guide license knowingly to advertise as or represent to be a master sport fishing guide;

(7) person without a current sport fishing guide license or sport fishing outfitter license knowingly to outfit or advertise as or represent to be a sport fishing outfitter;

(8) person without a current sport fishing guide or sport fishing assistant guide license knowingly to provide sport fishing assistant guide services;

(9) person without a current sport fishing guide or transporter license

knowingly to provide sport fishing transportation services or advertise as or represent to be a sport fishing transporter;

(10) person knowingly to provide sport fishing guide, sport fishing assistant guide, sport fishing outfitter, or sport fishing transportation services during the period for which the person's license to provide that service is suspended or revoked;

(11) person who is licensed as a sport fishing transporter, or who provides transportation services under a transporter license, knowingly to accompany or direct a client of the person in sport fishing activities except as necessary to perform the specific duties of transporting, embarking, or disembarking a client or clients, the client's or clients' equipment, or fish harvested by the client or clients.

(b) Except as provided in (c) - (e) of this section, in addition to disciplinary sanctions imposed under AS 08.57.200, a person who commits an offense set out in (a) of this section, is guilty of a class A misdemeanor.

(c) A person licensed as a sport fishing guide but not as a master sport fishing guide who, without any culpable mental state, advertises as or represents to be a master sport fishing guide is guilty of a violation.

(d) In addition to disciplinary sanctions imposed under AS 08.57.200, a person who, without any culpable mental state, violates AS 08.57.110(e) is guilty of a violation.

(e) In addition to disciplinary sanctions imposed under AS 08.57.200, a person who knowingly violates AS 08.57.110(e) is, for a

(1) first offense in a three-year period, guilty of a violation; and

(2) second or subsequent offense in a three-year period, guilty of a class B misdemeanor.

(f) In addition to any other penalty provided by law, a court may revoke a license issued under this chapter of a person who is convicted under this chapter, and equipment may be seized and forfeited in accordance with AS 16.05.190 and 16.05.195.

Sec. 08.57.220. Responsibility of sport fishing guide, outfitter, or transporter for violations. A sport fishing guide, sport fishing outfitter, or sport

fishing transporter is equally responsible

(1) under AS 08.57.200 for a violation of this chapter, a regulation adopted under this chapter, or a state or federal sport fishing statute or regulation, committed by a person while in the course of the person's employment with the sport fishing guide, sport fishing outfitter, or sport fishing transporter; or

(2) under AS 08.57.210 for a violation of this chapter, a regulation adopted under this chapter, or a state or federal sport fishing statute or regulation, committed by a person while in the course of the person's employment with the sport fishing guide, sport fishing outfitter, or sport fishing transporter if the sport fishing guide, sport fishing outfitter, or sport fishing transporter expressly or impliedly authorizes an unlawful act.

Sec. 08.57.230. Sport fishing guide, outfitter, and transporter records. (a) A person who holds a sport fishing guide license issued under AS 08.57.110, a sport fishing outfitter license issued under AS 08.57.120, or a sport fishing transporter license issued under AS 08.57.140 shall comply with the reporting requirements of AS 16.05.396.

(b) A person who is required to complete a report under this section may not provide false information or omit material facts in a report.

(c) A person who is required to complete a report under this section may not be issued a license under AS 08.57.110 unless the Department of Fish and Game has received all reports required under AS 16.05.396 and this section.

Sec. 08.57.240. License and examination fees. (a) The department shall set fees under AS 08.01.065 for a

(1) sport fishing guide license;

(2) sport fishing outfitter license;

(3) sport fishing assistant guide license;

(4) sport fishing transporter license;

(5) license application fee.

(b) In setting license fees, the department shall consider the cost of reporting and reimburse the Department of Fish and Game for costs associated with reporting.

(c) The license fee for the sport fishing guide, outfitter, or assistant guide

license is in addition to the fee required for a sport fishing license issued by the Department of Fish and Game under AS 16.05.340.

(d) An applicant for a qualifying examination for a sport fishing guide license shall pay a fee established by regulations adopted under AS 08.01.065.

(e) The fee for the sport fishing transporter license must be equal to the fee for the sport fishing guide.

(f) The amount of the license fee for a nonresident may not be less than two times the amount of the license fee for a resident and may be increased by the board by regulation.

Article 4. General Provisions.

Sec. 08.57.490. Definitions. In this chapter,

(1) "board" means the Sport Fishing Guide Services Board;

(2) "client" means a person who is a member of a fishing party that engages or uses a person to provide sport fishing guide services and who is not a licensed sport fishing guide or sport fishing assistant guide;

(3) "compensation"

(A) means direct or indirect payment, remuneration, or other benefits received in return for services, regardless of the source; in this subparagraph, "benefits" includes wages or other employment benefits given directly or indirectly to an individual or organization, and any dues, payments, fees, or other remuneration given directly or indirectly to a fishing club, business, organization, or individual who provides sport fishing guide services;

(B) does not include reimbursement for the actual daily expenses for fuel, food, or bait;

(4) "department" means the Department of Commerce, Community, and Economic Development;

(5) "fish" means any species of aquatic finfish, invertebrate, or amphibian, in any stage of its life cycle, found in or introduced into the state, and includes any part of the aquatic finfish, invertebrate, or amphibian;

(6) "sport fishing" means the taking of or attempting to take for personal use, and not for sale or barter, any fresh water, marine, or anadromous fish by

hook and line held in the hand, or by hook and line with the line attached to a pole or rod that is held in the hand or closely attended, or by other means defined by the Board of Fisheries;

(7) "sport fishing guide services"

(A) means assistance, for compensation or with the intent to receive compensation, to a person to take or to attempt to take fish by accompanying or physically directing a person during sport fishing activities;

(B) does not include services provided by an assistant, deckhand, or similar person who works directly under the supervision of and on the same vessel as the sport fishing guide or sport fishing assistant guide;

(8) "sport fishing outfitter services" means the provision, for compensation or with the intent to receive compensation, of vessels and sport fishing equipment to one or more persons who use them for sport fishing activities; in this paragraph, the provision of vessels and sport fishing equipment includes rentals, leases, or other exchanges where transfer of ownership does not occur and the vessel or sport fishing equipment is returned to the provider;

(9) "take" means taking, pursuing, fishing, or in any manner disturbing, capturing, or killing or attempting to take, pursue, fish, or in any manner capture or kill fish;

(10) "transportation services" means the carriage, for compensation or with the intent to receive compensation, of persons engaged in sport fishing, their equipment, or fish harvested to or from sport fishing activities and the advertising of these services; "transportation services" does not include the carriage by aircraft of persons engaged in sport fishing, their equipment, or fish harvested

(A) on nonstop flights between airports listed in the Alaska supplement to the Airmen's Guide published by the Federal Aviation Administration; or

(B) by an air taxi operator or air carrier for which the carriage of those persons, their equipment, or fish harvested is only an incidental portion of its business; in this subparagraph, "incidental" means transportation provided to those persons by an air taxi operator or air carrier who does not

(i) charge more than the usual tariff or charter rate for the carriage of those persons, their equipment, or fish harvested;

(ii) advertise transportation services or sport fishing activities to the public; in this sub-subparagraph, "advertise" means soliciting persons seeking to engage in sport fishing to be customers of an air taxi operator or air carrier for the purpose of providing air transportation for sport fishing activities through the use of print or electronic media, including advertising at trade shows, or the use of sport fishing broker services or other promotional services;

(11) "vessel" means a floating craft, powered, towed, rowed, or otherwise propelled, that is used for delivering, landing, or taking fish within the jurisdiction of the state.

*** Sec. 5.** AS 16.05.395 is amended to read:

Sec. 16.05.395. Sport fishing vessel registration. For calendar year 2005 and subsequent calendar years, a person may not use a vessel to provide sport fishing services under **AS 08.57** [AS 16.40.260 - 16.40.299] unless the vessel is registered with the department and proof of registration is attached to and clearly visible on the vessel while the vessel is used to provide sport fishing services. The department shall register vessels used to provide sport fishing services, and provide proof of registration, without charge. The department may adopt regulations as the department finds necessary to implement this section.

*** Sec. 6.** AS 16.05 is amended by adding a new section to read:

Sec. 16.05.396. Sport fishing guide, sport fishing outfitter, and sport fishing transporter records; confidentiality of records and activity reports. (a) The department may collect information from sport fishing guides, including

(1) the name and license number of each vessel that is used in providing sport fishing guide services;

(2) the amount of fishing effort, catch, and harvest by clients of a sport fishing guide;

(3) the locations fished during the provision of sport fishing guide services; and

(4) other information that the department requires by regulation.

(b) The department may collect information from sport fishing outfitters and transporters.

(c) Information collected under this section is confidential to the extent provided under AS 16.05.815 or AS 40.25.110.

(d) The department may adopt regulations under AS 44.62 (Administrative Procedure Act) that it considers necessary to implement this section.

(e) The department shall make sport fishing log books received under this section and activity reports received under AS 08.57.140 available for law enforcement purposes to state agencies, federal law enforcement agencies, and other law enforcement agencies on request.

(f) Forms, records, and reports required under this chapter shall be distributed, received, and stored electronically.

(g) A person who is required to provide information under this section may not provide false information or omit material facts in a report or other information provided under this section.

*** Sec. 7.** AS 25.27.244(s)(2) is amended to read:

(2) "license"

(A) means, except as provided in (B) of this paragraph, a license, certificate, permit, registration, or other authorization that, at the time of issuance, will be valid for more than 150 days and that may be acquired from a state agency to perform an occupation, including the following:

(i) license relating to boxing or wrestling under AS 05.10;

(ii) authorization to perform an occupation regulated under AS 08;

(iii) teacher certificate under AS 14.20;

(iv) authorization under AS 18.08 to perform emergency medical services;

(v) asbestos worker certification under AS 18.31;

(vi) boiler operator's license under AS 18.60.395;

(vii) certificate of fitness under AS 18.62;

(viii) hazardous painting certification under AS 18.63;

(ix) security guard license under AS 18.65.400 - 18.65.490;

(x) license relating to insurance under AS 21.27;

(xi) employment agency permit under AS 23.15.330 - 23.15.520;

(xii) registration as a broker-dealer, an agent, a state investment adviser, or an investment adviser representative under AS 45.55.030;

(xiii) certification as a pesticide applicator under AS 46.03.320;

(xiv) certification as a storage tank worker or contractor under AS 46.03.375;

(xv) certification as a water and wastewater works operator under AS 46.30;

(xvi) commercial crewmember fishing license under AS 16.05.480 other than an entry permit or interim-use permit under AS 16.43;

(xvii) fish transporter permit under AS 16.05.671;

(xviii) sport fishing **guide license under AS 08.57.110** [OPERATOR LICENSE UNDER AS 16.40.260];

(xix) sport fishing **outfitter** [GUIDE] license under **AS 08.57.120** [AS 16.40.270];

(B) does not include

(i) a vessel license issued under AS 16.05.490 or 16.05.530;

(ii) [REPEALED

(iii)] a business license issued under AS 43.70;

(iii) [(iv)] an entry permit or interim-use permit issued under AS 16.43; or

(iv) [(v)] a driver's license issued under AS 28.15;

*** Sec. 8.** AS 41.21.506(b) is amended to read:

(b) The commissioner shall adopt regulations under AS 44.62 (Administrative Procedure Act) that are necessary to achieve the purposes of AS 41.21.500 - 41.21.514 and to implement the plan adopted under (a) of this section. The regulations must

(1) designate incompatible uses and prohibit or restrict them; and

(2) establish a registration, licensing, or comparable procedure for professional fishing guides and **the** [SUCH] additional fishing guide controls **that** [AS] the commissioner considers necessary; notwithstanding the requirements established by the commissioner to implement this paragraph, the commissioner shall establish a procedure by which the holder of a valid sport fishing **guide** [OPERATOR] license issued under **AS 08.57.110** [AS 16.40.260] may petition for, and the director of the division of parks, or the director's designee, shall expeditiously issue, a waiver to allow the sport fishing **guide** [OPERATOR] license holder **access to the** [TO USE THE SERVICES IN THE] Kenai River Special Management Area **for guide services even if the guide** [OF A GUIDE LICENSED UNDER AS 16.40.270 WHO] has not completed the procedures and additional controls that are required by the department under this paragraph; the waiver authorized in this paragraph applies only for the duration of the sport fishing season during which the waiver application is submitted and only if the sport fishing operator license holder

(A) employing the licensed guide has lost the services of a licensed guide because of unforeseen circumstances; and

(B) is unable to hire as a replacement an available licensed guide who has satisfied all the requirements of this paragraph, including those required by regulation.

*** Sec. 9.** Section 8, ch. 70, SLA 2004, as amended by sec. 3, ch. 61, SLA 2009, sec. 1, ch. 48, SLA 2010, and sec. 1, ch. 13, SLA 2011, is amended to read:

Sec. 8. AS 16.05.340(a)(26); AS 16.40.260, 16.40.270, 16.40.280, 16.40.290, 16.40.299 [; AS 25.27.244(s)(2)(A)(xviii), AND 25.27.244(s)(2)(A)(xix)] are repealed January 1, **2015** [2013].

*** Sec. 10.** Sections 22 and 31, ch. 58, SLA 2010, are repealed.

*** Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to read:

INITIAL APPOINTMENT OF MEMBERS OF THE SPORT FISHING GUIDE SERVICES BOARD. (a) Notwithstanding AS 08.57.010(c), added by sec. 4 of this Act, and AS 39.05.055, the governor shall appoint the initial members of the Sport Fishing Guide Services Board to serve terms as follows and shall designate the terms to be served by each person appointed:

(1) three members serve for one year;

(2) three members serve for two years; and

(3) three members serve for three years.

(b) Notwithstanding AS 08.57.010(b), the governor shall appoint persons who are active, licensed registered guides under AS 16.40.260 - 16.40.299 at the time of appointment to fill the initial registered guide positions on the Sport Fishing Guide Services Board.

*** Sec. 12.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICATIONS. The Sport Fishing Guide Services Board shall

(1) accept applications for sport fishing guide licenses, sport fishing outfitter licenses, sport fishing assistant guide licenses, and sport fishing transporter licenses, and be available to administer, not later than January 1, 2015, the required examination under AS 08.57.030(a)(1), as added by sec. 4 of this Act; and

(2) issue, effective January 1, 2015, to those applicants under (1) of this section who satisfy all requirements for a particular license a valid sport fishing guide license, sport fishing outfitter license, sport fishing assistant guide license, or sport fishing transporter license.

*** Sec. 13.** Section 32, ch. 58, SLA 2010, is repealed.

*** Sec. 14.** Sections 1, 2, 3, 11, and 12, and AS 08.57.010, 08.57.020, 08.57.030(a)(1), 08.57.030(a)(6), 08.57.030(a)(8), 08.57.030(b)(1), 08.57.240, and 08.57.490, as enacted by sec. 4 of this Act, take effect January 1, 2013.

*** Sec. 15.** Except as provided in sec. 14 of this Act, this Act takes effect January 1, 2015.

SENATE BILL NO. 24

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY SENATOR MCGUIRE

Introduced: 1/19/11
Referred: Resources, Finance

A BILL

FOR AN ACT ENTITLED

"An Act establishing the Sport Fishing Guide Services Board and licensing requirements for sport fishing guide-outfitters, sport fishing outfitters, sport fishing assistant guides, and sport fishing transporters; making conforming amendments; allowing the Department of Fish and Game to collect information on guiding services; and providing for an effective date."

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

*** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

PURPOSE. The purpose of this Act is to promote the health, safety, and welfare of the guided fish angler and the stability of the sport fish guide industry in the state by regulating the activities of providers of sport fishing guide, outfitter, and transportation services.

*** Sec. 2.** AS 08.01.010 is amended by adding a new paragraph to read:

(39) Sport Fishing Guide Services Board (AS 08.57.010).

* **Sec. 3.** AS 08 is amended by adding a new chapter to read:

Chapter 57. Sport Fishing Guide-outfitters and Related Occupations.

Article 1. Sport Fishing Guide-outfitters, Outfitters, Assistant Guides, and Transporters.

Sec. 08.57.010. Creation and membership of board. (a) For the purposes of licensing and regulating the activities of providers of sport fishing guide, sport fishing outfitter, sport fishing assistant guide and sport fishing transportation services to persons engaging in sport fishing in the interest of the state's fisheries resources, the Sport Fishing Guide Services Board is created. For administrative purposes, the board is in the Department of Commerce, Community, and Economic Development.

(b) The board consists of nine members appointed by the governor and subject to confirmation by the legislature as follows:

(1) five members who are currently licensed sport fishing guide-outfitters or sport fishing outfitters under this chapter, representing both salt water and fresh water sport fishing guide-outfitters or sport fishing outfitters; at least three of the five members shall be currently licensed sport fishing guide-outfitters;

(2) one member who is a currently licensed sport fishing transporter under this chapter;

(3) one member of the Board of Fisheries;

(4) two public members who

(A) are familiar with the Alaska sport fishing industry;

(B) do not hold a current license issued under this chapter or a current commercial fishing license issued under AS 16; and

(C) are familiar with concerns of private landowners and access issues related to sport fishing activities under this chapter.

(c) The board members serve staggered three-year terms.

(d) Members of the board do not receive compensation, but are entitled to per diem and travel expenses authorized for boards and commissions under AS 39.20.180.

Sec. 08.57.020. Board assistance. State agencies shall provide the board with information, data, or technical assistance requested by the board for the purposes of licensing and regulating the activities of providers of sport fishing guide-outfitter, sport fishing outfitter, sport fishing assistant guide, or sport fishing transportation

services.

Sec. 08.57.030. Duties and powers of board. (a) The board shall

(1) prepare and grade

(A) a qualification examination, in written and oral form, for a sport fishing guide-outfitter and sport fishing outfitter license that requires demonstration that the applicant is qualified generally to provide sport fishing guide-outfitter and sport fishing outfitter services, as appropriate, and, in particular, possesses knowledge of fishing and sport fishing laws and regulations; and

(B) a certification examination, in written and oral form, for each sport fish guide use unit in which the sport fishing guide-outfitter or sport fishing outfitter intends to provide services; the examination must require demonstration that the applicant is qualified to provide sport fishing guide-outfitter or sport fishing outfitter, as appropriate, in the sport fish guide use unit for which the applicant seeks to be certified and, in particular, must require demonstration that the applicant possesses knowledge of the terrain, water, transportation problems, fish, and other characteristics of the sport fish guide use unit;

(2) authorize the issuance of a sport fishing guide-outfitter, sport fishing outfitter, sport fishing assistant guide, or sport fishing transporter license if the applicant for the license satisfies the requirements for the license;

(3) impose appropriate disciplinary sanctions on a licensee under this chapter;

(4) require an applicant for issuance or renewal of any class of license issued under this chapter to state in a written and signed document whether the applicant's right to obtain, or exercise the privileges granted by, a sport fishing guide-outfitter, sport fishing outfitter, sport fishing assistant guide, or sport fishing transporter license is revoked or suspended in this state or another state or in Canada or Mexico;

(5) regularly disseminate information regarding examinations and other qualifications for all classes of licenses described in this chapter;

(6) adopt procedural and substantive regulations required by this chapter;

(7) provide for administration of examinations for sport fishing guide-outfitter and sport fishing outfitter licenses at least twice a year; and

(8) meet at least twice annually.

(b) The board may adopt regulations as the board considers appropriate to

(1) establish a code of ethics for professions regulated by the board;

(2) authorize the department to obtain a copy of a sport fishing guide-outfitter's logbooks or outfitter service records from the Department of Fish and Game that are required by AS 16.05.396;

(3) establish sport fish guide use units and registration requirements for sport fish guide use units;

(4) establish, as necessary for resource conservation purposes and to promote economic stability within the sport fish guide industry,

(A) the maximum number of licensees who may operate in a sport fish guide use unit; and

(B) a concessionaire program to achieve the maximum number of licensees in sport fish guide use units.

Is there currently any limit?

Article 2. Licensing and Certification.

Sec. 08.57.100. Eligibility for licenses. Notwithstanding AS 08.57.110 - 08.57.150, a person may not receive or renew a sport fishing guide-outfitter, sport fishing outfitter, sport fishing assistant guide, or sport fishing transporter license if the person's right to obtain or exercise the privileges granted by a sport fishing guide-outfitter, sport fishing outfitter, sport fishing assistant guide, or sport fishing transporter license or registration is suspended or revoked in this state or another state or in Canada or Mexico.

Sec. 08.57.110. Sport fishing guide-outfitter license. (a) On and after January 1, 2013, the department shall issue a biennial sport fishing guide-outfitter license to a natural person if the person

(1) is 18 years of age or older;

(2) is a citizen of the United States, Canada, or Mexico, or is a resident

alien;

(3) is certified in first aid and cardiopulmonary resuscitation by the American Red Cross or a similar organization;

(4) holds a license to carry passengers for hire issued by the United States Coast Guard if, in the provision of sport fishing guide services, the person operates a vessel and the license is required by the United States Coast Guard for the area in which the sport fishing guide-outfitter provides sport fishing guide services;

(5) holds a current sport fishing license from this state;

(6) has passed a qualification examination for a sport fishing guide-outfitter license;

(7) has passed a certification examination prepared by the board for the sport fish guide use unit or units in which the person operates;

(8) has been licensed as and performed the services of a sport fishing assistant guide in the state for at least 20 days in each of three years and received a favorable recommendation from at least one licensed sport fishing guide-outfitter;

(9) satisfies all additional requirements adopted in regulation by the board;

(10) has applied for a sport fishing guide-outfitter license on a form provided by the department and paid the license application fee and the sport fishing guide-outfitter license fee.

(b) A person may not provide sport fishing guide-outfitter services unless the person holds a current sport fishing guide-outfitter license.

(c) A sport fishing guide-outfitter may guide or outfit sport fishing activities and may provide transportation services, personally or through a sport fishing assistant guide, to clients of the sport fishing guide-outfitter.

(d) A person who is licensed as a sport fishing guide-outfitter may be employed by another sport fishing guide-outfitter to perform the functions of a sport fishing assistant guide and may operate as a sport fishing assistant guide.

(e) A sport fishing guide-outfitter may

(1) directly provide sport fishing guide-outfitter services to clients;

(2) directly supervise an assistant guide who provides sport fishing

assistant guide services to clients; or

(3) directly supervise a sport fishing guide-outfitter who is not certified for the sport fish guide use unit in which the sport fishing guide-outfitter is operating.

(f) While engaged in providing sport fishing guide-outfitter services, a sport fishing guide-outfitter shall have the following documents readily available for inspection on request of a representative of the Department of Fish and Game or a peace officer of the state:

(1) a current sport fishing guide-outfitter license;

(2) the current licenses, tags, permits, and reporting forms that are required to engage in the sport fishery for which the sport fishing guide services are being provided;

(3) a driver's license or similar identification card that is issued by a state or federal agency and that bears a photograph of the sport fishing guide-outfitter.

(g) A master sport fishing guide-outfitter license authorizes a sport fishing guide-outfitter to use the title master sport fishing guide-outfitter, but is, for all other purposes under this chapter, a sport fishing guide-outfitter license. The department shall issue a biennial, renewable master sport fishing guide-outfitter license to a natural person if the person

(1) is, at the time of application for a master sport fishing guide-outfitter license, currently licensed as a sport fishing guide-outfitter under this section;

(2) provides an affidavit certifying that the person has operated in the state as a sport fishing guide-outfitter for at least 12 of the last 15 years, including the year immediately preceding the year in which the person applies for a master sport fishing guide-outfitter license;

(3) submits 10 letters from clients for whom the person has personally provided sport fishing guiding or outfitting services that give the sport fishing guide-outfitter favorable evaluations; and

(4) applies for a master sport fishing guide-outfitter license on a form provided by the department and pays the application fee, if any.

Sec. 08.57.120. Sport fishing outfitter license. (a) On and after January 1, 2013, the department shall issue a biennial sport fishing outfitter license to a natural

person if the person

(1) is 18 years of age or older;

(2) is a citizen of the United States, Canada, or Mexico, or is a resident alien;

(3) is certified in first aid and cardiopulmonary resuscitation by the American Red Cross or a similar organization;

(4) holds a current sport fishing license from this state;

(5) has passed a qualification examination for a sport fishing outfitter license;

(6) has passed a certification examination prepared by the board for the sport fish guide use unit in which the person operates;

(7) satisfies all additional requirements adopted in regulation by the board; and

(8) has applied for a sport fishing outfitter license on a form provided by the department and paid the license application fee and the sport fishing outfitter license fee.

(b) A person may not provide sport fishing outfitter services unless the person holds a current sport fishing outfitter license.

(c) A sport fishing outfitter may not provide sport fishing guide-outfitter services or transportation services, personally or through a sport fishing assistant guide.

(d) A sport fishing outfitter may not be physically present with the client during any portion of the sport fishing activities.

(e) A sport fishing outfitter shall provide an activity report on a form provided by the Department of Fish and Game, which must contain all information the Department of Fish and Game requires.

(f) While engaged in providing sport fishing outfitting services, a sport fishing outfitter shall have the following documents readily available for inspection on request of a representative of the Department of Fish and Game or a peace officer of the state:

(1) a current sport fishing outfitter license; and

(2) a driver's license or similar identification card that is issued by a

state or federal agency and that bears a photograph of the sport fishing outfitter.

Sec. 08.57.130. Sport fishing assistant guide license. (a) On and after January 1, 2013, the department shall issue a biennial sport fishing assistant guide license to a natural person if the person

(1) is 18 years of age or older;

(2) is a citizen of the United States, Canada, or Mexico, or is a resident alien;

(3) is certified in first aid and cardiopulmonary resuscitation by the American Red Cross or a similar organization;

(4) holds a license to carry passengers for hire issued by the United States Coast Guard if, in the provision of sport fishing guide services, the person operates a vessel and the license is required by the United States Coast Guard for the area in which the sport fishing assistant guide provides sport fishing guide services;

(5) holds a current sport fishing license from this state;

(6) provides to the department a written employment agreement from a currently licensed sport fishing guide-outfitter who employs the sport fishing assistant guide or has passed a sport fishing assistant guide course approved by the board;

(7) satisfies all additional requirements adopted in regulation by the board; and

(8) has applied for a sport fishing assistant guide license on a form provided by the department and pays the license application fee and the license fee.

(b) A person may not provide sport fishing assistant guide services unless the persons holds a current sport fishing assistant guide license.

(c) A sport fishing assistant guide may not participate in a guided sport fishing activity unless under the supervision and employ of a currently licensed sport fishing guide-outfitter.

(d) While providing sport fishing assistant guide services, a sport fishing assistant guide shall have the following documents readily available for inspection on request of a representative of the Department of Fish and Game or a peace officer of the state:

(1) a current sport fishing assistant guide license;

(2) the current licenses, tags, permits, and reporting forms that are required to engage in the sport fishery for which the sport fishing assistant guide services are being provided;

(3) a driver's license or similar identification card that is issued by a state or federal agency and that bears a photograph of the sport fishing assistant guide; and

(4) proof of employment by a currently licensed sport fishing guide-outfitter.

Sec. 08.57.140. Sport fishing transporter license. (a) On and after January 1, 2013, the department shall issue a biennial sport fishing transporter license to a natural person if the person is a licensed big game transporter under AS 08.54.650 or

(1) applies for a sport fishing transporter license on a form provided by the department;

(2) pays the license application fee and the license fee; and

(3) satisfies all additional requirements adopted in regulation by the board.

(b) A person may not provide sport fishing transporter services and accommodations unless the person holds a current sport fishing transporter license.

(c) A sport fishing transporter

(1) may provide transportation services and accommodations to persons engaging in sport fishing in the field

(A) at a permanent lodge, house, or cabin owned by the transporter; or

(B) on a boat with permanent living quarters;

(2) may not provide sport fishing guide-outfitter, sport fishing outfitter, or sport fishing assistant guide services without holding the appropriate licenses.

(d) While providing transportation services, a sport fishing transporter shall have the following documents readily available for inspection:

(1) a current sport fishing transporter license;

(2) a driver's license or similar identification card that is issued by a state or federal agency and that bears a photograph of the sport fishing transporter.

(e) In this section, "field"

(1) means an area outside of established year-round dwellings, businesses, or other developments associated with a city, town, or village;

(2) does not include permanent hotels or roadhouses on the state road system or state or federally maintained airports.

Sec. 08.57.150. Renewal of sport fishing guide-outfitter, sport fishing outfitter, sport fishing assistant guide, and sport fishing transporter licenses. (a) An applicant for renewal of a sport fishing guide-outfitter, sport fishing outfitter, sport fishing assistant guide, or sport fishing transporter license shall submit

(1) a request for renewal of the license on a form provided by the department;

(2) an affidavit that all required logbooks and reports due during the term of the prior license have been filed as required; and

(3) the appropriate license fees for the next licensing period.

(b) The department may not renew a sport fishing guide-outfitter, sport fishing outfitter, sport fishing assistant guide, or sport fishing transporter license under this section unless all fees have been paid in full.

(c) The department may not issue a license to a person who held a sport fishing guide-outfitter, sport fishing outfitter, sport fishing assistant guide, or sport fishing transporter license and who has failed to renew the license under this section for four consecutive years unless the person again meets the qualifications for initial issuance of the license under AS 08.57.110 - 08.57.140, as appropriate.

Sec. 08.57.160. Financial responsibility and other requirements for sport fishing guide-outfitters, sport fishing outfitters, and sport fishing transporters. (a) The department shall require satisfactory proof of sport fishing guide-outfitters, sport fishing outfitters, and sport fishing transporters of a general liability insurance policy or marine protection and indemnity insurance policy, covering the services provided by the person and the person's employees to clients engaged in sport fishing that provides coverage of at least $100,000 for each incident, and $300,000 for all incidents in a year. The person shall maintain the insurance required by this subsection for the duration of the license.

(b) If a sport fishing guide-outfitter or sport fishing assistant guide personally pilots an aircraft to transport clients during the provision of sport fishing activities, the sport fishing guide-outfitter or sport fishing assistant guide shall have a commercial pilot's rating or a minimum of 500 hours of flying time in the state.

Article 3. Enforcement.

Sec. 08.57.200. Discipline of a sport fishing guide-outfitter, sport fishing outfitter, sport fishing assistant guide, and sport fishing transporter. (a) The board may impose a disciplinary sanction in a timely manner under (b) of this section and in accordance with AS 08.01.075 if the board finds that a licensee

(1) is convicted of a violation of a state or federal statute or regulation relating to sport fishing or to provision of sport fishing guide-outfitter, sport fishing assistant guide, sport fishing outfitter, or sport fishing transportation services;

(2) has failed to file records or reports required by law;

(3) has negligently misrepresented or omitted a material fact on an application for any class of sport fishing guide-outfitter, sport fishing outfitter, sport fishing assistant guide, or sport fishing transporter license;

(4) has breached an agreement with a client to provide sport fishing guide-outfitter, sport fishing outfitter, or sport fishing transportation services to a client; or

(5) has failed to comply with limitations or conditions of the professional practice of the licensee.

(b) The board may impose the following disciplinary sanctions, singly or in combination:

(1) permanently revoke a license;

(2) suspend a license for a specified period;

(3) censure or reprimand a licensee;

(4) impose limitations or conditions on the professional practice of a licensee;

(5) impose requirements for remedial professional education to correct deficiencies in the education, training, and skill of the licensee;

(6) impose probation requiring a licensee to report regularly to the

board on matters related to the grounds for probation;

(7) impose a civil fine not to exceed $5,000.

(c) The board shall permanently revoke a license issued under this chapter if the board finds, after a hearing, that the license was obtained through fraud, deceit, or misrepresentation.

(d) A certified copy of a judgment of conviction of a licensee for an offense is conclusive evidence of the commission of that offense in a disciplinary proceeding instituted against the licensee under this section based on that conviction, regardless of whether the conviction resulted from a plea of nolo contendere or the conviction is under appeal, unless the conviction is overturned on appeal.

(e) A person whose license is suspended or revoked under this section may not engage in the provision of sport fishing guide-outfitter, sport fishing outfitter, sport fishing assistant guide, or sport fishing transportation services during the period of license suspension or revocation.

(f) If the board revokes a license under this section, the person whose license has been revoked shall immediately surrender the license to the department.

(g) The board may, before a final hearing is held or during an appeal, summarily suspend a licensee from practice of a profession under this chapter for a period of not more than 30 days if the board finds that the licensee poses a clear and immediate danger to the public health and safety. A person is entitled to a hearing before the board to appeal a summary suspension within seven days after the order of suspension is issued. A person may appeal an adverse decision of the board on an appeal of summary suspension to a court of competent jurisdiction.

Sec. 08.57.210. Unlawful acts. (a) It is unlawful for a

(1) person who is licensed under this chapter to intentionally obstruct or hinder or attempt to obstruct or hinder lawful sport fishing engaged in by a person who is not a client of the person;

(2) sport fishing assistant guide to knowingly guide or outfit sport fishing activities except while employed and supervised by a sport fishing guide-outfitter;

(3) person who is licensed under this chapter to knowingly enter or

remain on private, state, or federal land unlawfully during the course of providing sport fishing guide-outfitter, sport fishing outfitting, sport fishing assistant guide, or sport fishing transportation services;

(4) sport fishing guide-outfitter to knowingly engage in providing sport fishing guide services outside of a sport fish guide use unit for which the sport fishing guide-outfitter is certified unless the registration requirement for the unit has been suspended by the board or unless the board has not adopted by regulation a registration requirement for a sport fish guide use unit;

(5) person to knowingly guide or outfit without having a current sport fishing guide-outfitter, sport fishing outfitter, or sport fishing assistant guide license and a valid Alaska sport fishing license in actual possession;

(6) person who is licensed under this chapter to

(A) commit or aid in the commission of a violation of this chapter, a regulation adopted under this chapter, or a state or federal sport fishing statute or regulation; or

(B) permit the licensee's client to commit a violation of a regulation adopted under this chapter or a state or federal sport fishing statute or regulation that the licensee knows or should know is being or will be committed without

(i) attempting to prevent it, short of using force; and

(ii) promptly reporting the violation to the Department of Public Safety by the most expeditious reasonable means available;

(7) person without a current sport fishing guide-outfitter license to knowingly guide or outfit or advertise as or represent to be a sport fishing guide-outfitter;

pg 6 line 21-25

(8) person without a current master sport fishing guide-outfitter license to knowingly advertise as or represent to be a master sport fishing guide-outfitter;

(9) person without a current sport fishing outfitter license to knowingly outfit or advertise as or represent to be a sport fishing outfitter;

(10) person without a current sport fishing assistant guide license to knowingly provide sport fishing assistant guide services;

(11) person without a current sport fishing guide-outfitter or transporter license to knowingly provide sport fishing transportation services or advertise as or represent to be a sport fishing transporter;

(12) person to knowingly provide sport fishing guide-outfitter, sport fishing assistant guide, sport fishing outfitter, or sport fishing transportation services during the period for which the person's license to provide that service is suspended or revoked;

(13) person who is licensed as a sport fishing transporter, or who provides transportation services under a transporter license, to knowingly accompany or direct a client of the person in sport fishing activities except as necessary to perform the specific duties of transporting, embarking, or disembarking a client or clients, their equipment, or fish harvested by the client or clients.

(b) Except as provided in (c) - (e) of this section, in addition to disciplinary sanctions imposed under AS 08.57.200, a person who commits an offense set out in (a) of this section, is guilty of a class A misdemeanor.

(c) A person licensed as a sport fishing guide-outfitter who, without any culpable mental state, advertises as or represents to be a master sport fishing guide-outfitter is guilty of a violation.

(d) In addition to disciplinary sanctions imposed under AS 08.57.200, a person who, without any culpable mental state, violates AS 08.57.110(f) is guilty of a violation.

(e) In addition to disciplinary sanctions imposed under AS 08.57.200, a person who knowingly violates AS 08.57.110(f) is, for a

(1) first offense in a three-year period, guilty of a violation; and

(2) second or subsequent offense in a three-year period, guilty of a class B misdemeanor.

(f) In addition to any other penalty provided by law, a court may revoke a license issued under this chapter of a person who is convicted under this chapter, and equipment may be seized and forfeited in accordance with AS 16.05.190 and 16.05.195.

Sec. 08.57.220. Responsibility of sport fishing guide-outfitter, assistant

guide, outfitter, or transporter for violations. A sport fishing guide-outfitter, sport fishing outfitter, sport fishing assistant guide, or sport fishing transporter is equally responsible

(1) under AS 08.57.200 for a violation of this chapter, a regulation adopted under this chapter, or a state or federal sport fishing statute or regulation, committed by a person while in the course of the person's employment with the sport fishing guide-outfitter, sport fishing outfitter, sport fishing assistant guide, or sport fishing transporter; or

(2) under AS 08.57.210 for a violation of this chapter, a regulation adopted under this chapter, or a state or federal sport fishing statute or regulation, committed by a person while in the course of the person's employment with the sport fishing guide-outfitter, sport fishing outfitter, sport fishing assistant guide, or sport fishing transporter if the sport fishing guide-outfitter, sport fishing outfitter, sport fishing assistant guide, or sport fishing transporter expressly or impliedly authorizes an unlawful act.

Sec. 08.57.230. Sport fishing guide-outfitter, outfitter, and transporter records. (a) A person who holds a sport fishing guide-outfitter license issued under AS 08.57.110, a sport fishing outfitter license issued under AS 08.57.120, or a sport fishing transporter license issued under AS 08.57.140 shall comply with the reporting requirements of AS 16.05.396.

(b) A person who is required to complete a report under this section may not provide false information or omit material facts in a report.

(c) A person who is required to complete a report under this section may not be issued a license under AS 08.57.110 unless the Department of Fish and Game has received all reports required under AS 16.05.396 and this section.

Sec. 08.57.240. License and examination fees. (a) The Department of Fish and Game shall set fees under AS 08.01.065 for a

(1) sport fishing guide-outfitter license;

(2) sport fishing outfitter license;

(3) sport fishing assistant guide license;

(4) sport fishing transporter license;

(5) license application fee.

(b) In setting license fees, the Department of Fish and Game shall consider the cost of reporting and reimburse the department for costs associated with reporting.

(c) The license fee for the sport fishing guide-outfitter, outfitter, or assistant guide license is in addition to the fee required for a sport fishing license issued by the Department of Fish and Game under AS 16.05.340.

(d) An applicant for a qualifying examination for a sport fishing guide-outfitter license or outfitter license shall pay a fee established by regulations adopted under AS 08.01.065.

(e) The fee for the sport fishing transporter license must be equal to the fee for the sport fishing guide-outfitter.

(f) The amount of the license fee for a nonresident may not be less than two times the amount of the license fee for a resident and may be increased by the board by regulation.

Article 4. General Provisions.

Sec. 08.57.490. Definitions. In this chapter,

(1) "board" means the Sport Fishing Guide Services Board;

(2) "client" means a person who is a member of a fishing party that engages or uses a person to provide sport fishing guide services and who is not a licensed sport fishing guide-outfitter or sport fishing assistant guide;

(3) "compensation"

(A) means payment, remuneration, and other benefits received in return for services;

(B) includes wages or other employment benefits given directly or indirectly to an individual or organization, and any dues, payments, fees, or other remuneration given directly or indirectly to a fishing club, business, organization, or individual who provides sport fishing guide services;

(C) does not include reimbursement for the actual daily expenses for fuel, food, or bait;

(4) "department" means the Department of Commerce, Community, and Economic Development;

(5) "fish" means any species of aquatic finfish, invertebrate, or amphibian, in any stage of its life cycle, found in or introduced into the state, and includes any part of the aquatic finfish, invertebrate, or amphibian;

(6) "sport fishing" means the taking of or attempting to take for personal use, and not for sale or barter, any fresh water, marine, or anadromous fish by hook and line held in the hand, or by hook and line with the line attached to a pole or rod that is held in the hand or closely attended, or by other means defined by the Board of Fisheries;

(7) "sport fishing guide services"

(A) means assistance, for compensation or with the intent to receive compensation, to a person to take or to attempt to take fish by accompanying or physically directing a person during sport fishing activities;

(B) does not include services provided by an assistant, deckhand, or similar person who works directly under the supervision of and on the same vessel as the sport fishing guide or sport fishing assistant guide;

(8) "sport fishing outfitter services" means the provision, for compensation or with the intent to receive compensation, of vessels and sport fishing equipment to one or more persons who use them for sport fishing activities if the provider of the services does not direct or accompany, and is not present with, the person or persons while the sport fishing activities are occurring; in this paragraph, the provision of vessels and sport fishing equipment includes rentals, leases, or other exchanges where transfer of ownership does not occur and the vessel or sport fishing equipment is returned to the provider;

(9) "take" means taking, pursuing, fishing, or in any manner disturbing, capturing, or killing or attempting to take, pursue, fish, or in any manner capture or kill fish;

(10) "transportation services" means the carriage, for compensation or with the intent to receive compensation, of persons engaged in sport fishing, their equipment, or fish harvested to or from sport fishing activities and the advertising of these services; "transportation services" does not include the carriage by aircraft of persons engaged in sport fishing, their equipment, or fish harvested

(A) on nonstop flights between airports listed in the Alaska supplement to the Airmen's Guide published by the Federal Aviation Administration; or

(B) by an air taxi operator or air carrier for which the carriage of those persons, their equipment, or fish harvested is only an incidental portion of its business; in this subparagraph, "incidental" means transportation provided to those persons by an air taxi operator or air carrier who does not

(i) charge more than the usual tariff or charter rate for the carriage of those persons, their equipment, or fish harvested;

(ii) advertise transportation services or sport fishing activities to the public; in this sub-subparagraph, "advertise" means soliciting persons seeking to engage in sport fishing to be customers of an air taxi operator or air carrier for the purpose of providing air transportation for sport fishing activities through the use of print or electronic media, including advertising at trade shows, or the use of sport fishing broker services or other promotional services;

(11) "vessel" means a floating craft, powered, towed, rowed, or otherwise propelled, that is used for delivering, landing, or taking fish within the jurisdiction of the state.

*** Sec. 4.** AS 16.05.395 is amended to read:

Sec. 16.05.395. Sport fishing vessel registration. For calendar year 2005 and subsequent calendar years, a person may not use a vessel to provide sport fishing services under **AS 08.57** [AS 16.40.260 - 16.40.299] unless the vessel is registered with the department and proof of registration is attached to and clearly visible on the vessel while the vessel is used to provide sport fishing services. The department shall register vessels used to provide sport fishing services, and provide proof of registration, without charge. The department may adopt regulations as the department finds necessary to implement this section.

*** Sec. 5.** AS 16.05 is amended by adding new sections to read:

Sec. 16.05.396. Sport fishing guide-outfitter, sport fishing outfitter, and sport fishing transporter records; confidentiality of records and activity reports.

(a) The department may collect information from sport fishing guide-outfitters, including

(1) the name and license number of each vessel that is used in providing sport fishing guide services;

(2) the amount of fishing effort, catch, and harvest by clients of a sport fishing guide-outfitter;

(3) the locations fished during the provision of sport fishing guide services; and

(4) other information that the department requires by regulation.

(b) The department may collect information from sport fishing outfitters and transporters.

(c) Information collected under this section is confidential to the extent provided under AS 16.05.815 or AS 40.25.110.

(d) The department may adopt regulations under AS 44.62 (Administrative Procedure Act) that it considers necessary to implement this section.

(e) The department shall make sport fishing log books received under this section and activity reports received under AS 08.57.140 available for law enforcement purposes to state agencies, federal law enforcement agencies, and other law enforcement agencies on request.

(f) Forms, records, and reports required under this chapter may be distributed, received, and stored electronically.

Sec. 16.05.398. Sport fishing guide-outfitter, sport fishing outfitter, sport fishing assistant guide, and sport fishing transporter fees. The department shall perform the duties prescribed in AS 08.57.240.

*** Sec. 6.** AS 25.27.244(s)(2) is amended to read:

(2) "license"

(A) means, except as provided in (B) of this paragraph, a license, certificate, permit, registration, or other authorization that, at the time of issuance, will be valid for more than 150 days and that may be acquired from a state agency to perform an occupation, including the following:

(i) license relating to boxing or wrestling under

AS 05.10;

(ii) authorization to perform an occupation regulated under AS 08;

(iii) teacher certificate under AS 14.20;

(iv) authorization under AS 18.08 to perform emergency medical services;

(v) asbestos worker certification under AS 18.31;

(vi) boiler operator's license under AS 18.60.395;

(vii) certificate of fitness under AS 18.62;

(viii) hazardous painting certification under AS 18.63;

(ix) security guard license under AS 18.65.400 - 18.65.490;

(x) license relating to insurance under AS 21.27;

(xi) employment agency permit under AS 23.15.330 - 23.15.520;

(xii) registration as a broker-dealer, an agent, a state investment adviser, or an investment adviser representative under AS 45.55.030;

(xiii) certification as a pesticide applicator under AS 46.03.320;

(xiv) certification as a storage tank worker or contractor under AS 46.03.375;

(xv) certification as a water and wastewater works operator under AS 46.30;

(xvi) commercial crewmember fishing license under AS 16.05.480 other than an entry permit or interim-use permit under AS 16.43;

(xvii) fish transporter permit under AS 16.05.671;

(xviii) sport fishing **guide-outfitter license under AS 08.57.110** [OPERATOR LICENSE UNDER AS 16.40.260];

(xix) sport fishing **outfitter** [GUIDE] license under

AS 08.57.120 [AS 16.40.270];

(B) does not include

(i) a vessel license issued under AS 16.05.490 or 16.05.530;

(ii) [REPEALED

(iii)] a business license issued under AS 43.70;

(iii) [(iv)] an entry permit or interim-use permit issued under AS 16.43; or

(iv) [(v)] a driver's license issued under AS 28.15;

*** Sec. 7.** AS 41.21.506(b) is amended to read:

(b) The commissioner shall adopt regulations under AS 44.62 (Administrative Procedure Act) that are necessary to achieve the purposes of AS 41.21.500 - 41.21.514 and to implement the plan adopted under (a) of this section. The regulations must

(1) designate incompatible uses and prohibit or restrict them; and

(2) establish a registration, licensing, or comparable procedure for professional fishing guides and such additional fishing guide controls as the commissioner considers necessary; notwithstanding the requirements established by the commissioner to implement this paragraph, the commissioner shall establish a procedure by which the holder of a valid sport fishing **guide-outfitter** [OPERATOR] license issued under **AS 08.57.110** [AS 16.40.260] may petition for, and the director of the division of parks, or the director's designee, shall expeditiously issue, a waiver to allow the sport fishing **guide-outfitter** [OPERATOR] license holder **access to the** [TO USE THE SERVICES IN THE] Kenai River Special Management Area **for guide-outfitter services even if the guide-outfitter** [OF A GUIDE LICENSED UNDER AS 16.40.270 WHO] has not completed the procedures and additional controls that are required by the department under this paragraph; the waiver authorized in this paragraph applies only for the duration of the sport fishing season during which the waiver application is submitted and only if the sport fishing operator license holder

(A) employing the licensed guide has lost the services of a licensed guide because of unforeseen circumstances; and

(B) is unable to hire as a replacement an available licensed guide who has satisfied all the requirements of this paragraph, including those required by regulation.

*** Sec. 8.** Section 8, ch. 70, SLA 2004, as amended by sec. 3, ch. 61, SLA 2009, and sec. 1, ch. 48, SLA 2010, is amended to read:

Sec. 8. AS 16.05.340(a)(26); AS 16.40.260, 16.40.270, 16.40.280, 16.40.290, 16.40.299 [; AS 25.27.244(s)(2)(A)(xviii), AND 25.27.244(s)(2)(A)(xix)] are repealed January 1, **2013** [2012].

*** Sec. 9.** Sections 22 and 31, ch. 58, SLA 2010, are repealed.

*** Sec. 10.** The uncodified law of the State of Alaska is amended by adding a new section to read:

INITIAL APPOINTMENT OF MEMBERS OF THE SPORT FISHING GUIDE SERVICES BOARD. (a) Notwithstanding AS 08.57.010(c), added by sec. 3 of this Act, and AS 39.05.055, the governor shall appoint the initial members of the Sport Fishing Guide Services Board to serve terms as follows and shall designate the terms to be served by each person appointed:

(1) three members serve for one year;

(2) three members serve for two years; and

(3) three members serve for three years.

(b) The governor shall appoint persons who are active, licensed registered guides under AS 16.40.260 - 16.40.299 at the time of appointment to fill the initial registered guide-outfitter positions on the Sport Fishing Guide Services Board.

*** Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICATIONS. The Sport Fishing Guide Services Board shall

(1) accept applications for sport fishing guide-outfitter licenses, sport fishing outfitter licenses, sport fishing assistant guide licenses, and sport fishing transporter licenses, and be available to administer, not later than April 1, 2012, the required examinations and certification under AS 08.57.030(a)(1), as added by sec. 3 of this Act; and

(2) issue, effective January 1, 2013, to those applicants under (1) of this section who satisfy all requirements for a particular license a valid sport fishing guide-

outfitter license, sport fishing outfitter license, sport fishing assistant guide license, or sport fishing transporter license.

* **Sec. 12.** Section 32, ch. 58, SLA 2010, is repealed.

* **Sec. 13.** Sections 8, 9, and 12 of this Act take effect January 1, 2013.

* **Sec. 14.** Except as provided in sec. 13 of this Act, this Act takes effect January 1, 2012.

SB 24 INFO
(PROVIDED BY SPONSOR)

Special Publication No. 09-11

Participation, Effort, and Harvest in the Sport Fish Business/Guide Licensing and Logbook Programs, 2006-2008

by

Dora Sigurdsson

and

Bob Powers

September 2009

Alaska Department of Fish and Game

Divisions of Sport Fish and Commercial Fisheries

Symbols and Abbreviations

The following symbols and abbreviations, and others approved for the Système International d'Unités (SI), are used without definition in the following reports by the Divisions of Sport Fish and of Commercial Fisheries: Fishery Manuscripts, Fishery Data Series Reports, Fishery Management Reports, and Special Publications. All others, including deviations from definitions listed below, are noted in the text at first mention, as well as in the titles or footnotes of tables, and in figure or figure captions.

Weights and measures (metric)

centimeter	cm
deciliter	dL
gram	g
hectare	ha
kilogram	kg
kilometer	km
liter	L
meter	m
milliliter	mL
millimeter	mm

Weights and measures (English)

cubic feet per second	ft^3/s
foot	ft
gallon	gal
inch	in
mile	mi
nautical mile	nmi
ounce	oz
pound	lb
quart	qt
yard	yd

Time and temperature

day	d
degrees Celsius	°C
degrees Fahrenheit	°F
degrees kelvin	K
hour	h
minute	min
second	s

Physics and chemistry

all atomic symbols	
alternating current	AC
ampere	A
calorie	cal
direct current	DC
hertz	Hz
horsepower	hp
hydrogen ion activity (negative log of)	pH
parts per million	ppm
parts per thousand	ppt, ‰
volts	V
watts	W

General

Alaska Administrative Code	AAC
all commonly accepted abbreviations	e.g., Mr., Mrs., AM, PM, etc.
all commonly accepted professional titles	e.g., Dr., Ph.D., R.N., etc.
at	@
compass directions:	
east	E
north	N
south	S
west	W
copyright	©
corporate suffixes:	
Company	Co.
Corporation	Corp.
Incorporated	Inc.
Limited	Ltd.
District of Columbia	D.C.
et alii (and others)	et al.
et cetera (and so forth)	etc.
exempli gratia (for example)	e.g.
Federal Information Code	FIC
id est (that is)	i.e.
latitude or longitude	lat. or long.
monetary symbols (U.S.)	$, ¢
months (tables and figures): first three letters	Jan,...,Dec
registered trademark	®
trademark	™
United States (adjective)	U.S.
United States of America (noun)	USA
U.S.C.	United States Code
U.S. state	use two-letter abbreviations (e.g., AK, WA)

Measures (fisheries)

fork length	FL
mideye to fork	MEF
mideye to tail fork	METF
standard length	SL
total length	TL

Mathematics, statistics

all standard mathematical signs, symbols and abbreviations	
alternate hypothesis	H_A
base of natural logarithm	e
catch per unit effort	CPUE
coefficient of variation	CV
common test statistics	(F, t, χ^2, etc.)
confidence interval	CI
correlation coefficient (multiple)	R
correlation coefficient (simple)	r
covariance	cov
degree (angular)	°
degrees of freedom	df
expected value	E
greater than	$>$
greater than or equal to	$\geq$
harvest per unit effort	HPUE
less than	$<$
less than or equal to	$\leq$
logarithm (natural)	ln
logarithm (base 10)	log
logarithm (specify base)	$\log_2$, etc.
minute (angular)	'
not significant	NS
null hypothesis	H_O
percent	%
probability	P
probability of a type I error (rejection of the null hypothesis when true)	α
probability of a type II error (acceptance of the null hypothesis when false)	β
second (angular)	"
standard deviation	SD
standard error	SE
variance	
population	Var
sample	var

LEGISLATIVE RESEARCH SERVICES

Alaska State Legislature
Division of Legal and Research Services
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Memorandum

TO: Senator Lesil McGuire

FROM: Susan Warner, Legislative Analyst

DATE: February 7, 2011

RE: Professional/Occupational Licensing Regulated by the Alaska Department of Commerce, Community, and Economic Development.

LRS Report 11.149

You asked about licensing regulated by the Alaska Department of Commerce, Community, and Economic Development. Specifically you asked for the number of licensees per industry sector regulated by the Department and by boards within the Department.

There are 20 licensing boards regulated by the Alaska Department of Commerce, Community, and Economic Development (DCCED), Division of Professional Licensing. Additionally, the Division regulates several occupations without a board. We provide a list of all regulatory bodies within DCCED, and the professions and number of licensees they regulate, on the following page.

We hope this is helpful. If you have questions or need additional information, please let us know.

Professional/Occupational Licensing Regulated by the Alaska Department of Commerce, Community, and Economic Development (DCCED)

Regulatory Authority	Profession/Occupation	No. of licensees
Board of Public Accountancy	Public accountants	1,495
Board of Registration for Architects, Engineers, and Land Surveyors	Architect and engineer corporations	529
	Architects, engineers, and land surveyors	5,484
Board of Barbers and Hairdressers	Barbers, body piercers, estheticians, hairdressers, shop/school owners, and tattooists	5,962
Big Game Commercial Services Board	Guides and transporters	1,728
Board of Chiropractic Examiners	Chiropractors	246
Board of Dental Examiners	Office permits, hygienists, and dentists	1,805
Board of Marine Pilots	Marine pilots and vessel agents	105
Board of Marital and Family Therapy	Marital and family therapists	84
State Medical Board	Physicians and osteopaths	3,714
Board of Certified Direct-Entry Midwives	Midwives	55
Board of Nursing	Nurse aides	2,908
	Nurses	11,247
Board of Examiners in Optometry	Optometrists	160
Board of Pharmacy	Pharmacists and drug distributors	2,834
State Physical Therapy and Occupational Therapy Board	Physical and occupational therapists	976
Board of Professional Counselors	Counselors	488
Board of Psychologist and Psychological Associate Examiners	Psychologists	253
Board of Certified Real Estate Appraisers	Real estate appraisers	254
Real Estate Commission	Real estate brokers	2,329
Board of Social Work Examiners	Social workers	643
Board of Veterinary Examiners	Veterinarians and veterinarian technicians	428
DCCED Division of Professional Licensing (not regulated under a board or commission)	Acupuncturists	95
	Audiologists and hearing aid dealers	81
	Animal euthanasia program licenses	13
	Collection agency	530
	Concert promoters	17
	Contractors	5,729
	Dieticians	173
	Dispensing opticians	104
	Electrical administrators	848
	Geologists	651
	Guardians and conservators	8
	Home inspectors	69
	Mechanical administrators	517
	Mortgage originators	282
	Mortgage licensees	107
	Mortuary, embalmers, and funeral home owners	132
	Naturopaths	47
	Nursing home administrators	47
	Nutritionists	5
	Physician assistants	502
	Residential contractor endorsements	707
	Speech pathologists	223
	Underground storage tank workers	69
Total number of licensees		54,683

Source: An online database provided by the Alaska DCCED, Division of Corporations, Business, and Professional Licensing: *http://www.commerce.state.ak.us/occ/home_professional_lic.htm.* February 4, 2011.

Sport Fishing Guide Limited Entry Task Force

	Members				Dec.11, 12	
	Name	FW/SW	Address	Phone #	Mon/Tue	E-Mail Addresses
1	Reuben Hanke	FW	P.O. Box 624, Kenai, AK 99611	262-5097	OK	reuben@harrygaines.com
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Notes:
Schedule two days; November 29th and 30th or November 30th and December 1st.
Place and Time to be announced
State will pay for travel expenses (air or gas mileage), hotel and per diem. SAVE RECIEPTS!!
Be giving thought to:
The value of adding Limited Entry as a tool into the state's "tool box". What criteria should be used to limit a fishery and how should it be us
An information packet will be sent one week prior to this meeting.

* This document was just received on Monday 2/7 at 1:30pm : HAS NOT BEEN REVIEWED

Sport Fishing in Alaska

Sport fishing is a key element of Alaska's cultural and economic landscape and the sustainable development of our fisheries is one of the Legislature's fundamental constitutional responsibilities. Each year approximately 460,000 individuals spend roughly 2.5 million days sport fishing in Alaska. Sport fishing and especially guided sport fishing has become an integral part of Alaska's economy. In 2007 guided sport fishing contributed an estimated $641 million to Alaska's economy and supported 7183 jobs. Annual direct expenditures attributed to sport fishing totaled $1.4 billion or 3.1% of the total gross state product (GSP) in 2007. An average of 1,670 sport fishing business licenses and 1,981 sport fishing guide licenses have been sold annually of which 90% are issued to Alaska residents. The sport fishing guide services industry is also an important source of information for fisheries managers. Sport fishing guides currently provide logbook data to the Department of Fish and Game which provides the department with one of the critical tools required to manage our fisheries.

Senate Resources Sport Fishing Guide Licensing Program Subcommittee

The State of Alaska's current licensing system for sport fishing guides will expire on January 1, 2013. Previous attempts by the Legislature to extend this program for more than a year or to create a new licensing system for guides have spurred debates about the program within the guiding community and amongst policy makers. This spring, the Senate Resources Committee established a subcommittee to evaluate the State's sport fishing guide licensing program and craft solutions to address the needs of the industry and the public while protecting our precious resources.

The Senate Resources Committee created this website to provide a forum for the public to weigh in on the issues and for the subcommittee to post its work and announcements. Please submit your comments using the form below and submit your email address to receive updates about upcoming hearings and the subcommittee's work.

Name

E-mail

Alaska Department of Fish and Game
Division of Sport Fish

Briefing Paper

Issue: Limited entry for the Alaskan sport fishing guide industry.

Background: Alaska has some of the most known sport fisheries in the world. The sport fish guide industry provides Alaskans and visitors to our state opportunities to participate in Alaskan sport fisheries. These opportunities result in anglers being able to feed their families as well as contribute to the economies of Alaska's many coastal communities. They also result in numerous job opportunities, both directly as owners of guide businesses and their employed guides and deckhands and indirectly as hotel owners tackle stores, and packaging services.

Total Number of Businesses Registered/Licensed by Year								
1998	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
2,065	2,242	2,184	2,129	2,102	2,086	2,087	1,648	1,688

Total Number of Guides Registered/Licensed by Year								
1998	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
3,823	4,225	4,437	4,550	4,757	4,827	5,054	1,760	1,915

Increasingly allocation conflicts between unguided and guided fisheries and between commercial and guided fisheries are occurring. To address these conflicts various regulatory agencies are trying to "restrict" guide operations. This is being done in a variety of means including, but not limited to, limiting days guided anglers can fish to limiting the number of guided anglers on a vessel. Regulatory agencies, including the National Marine Fisheries Service and various federal and state land management agencies including the Alaska State Parks are also limiting guide operations through federally-authorized limited entry programs or concessionaire permits, respectively.

None of these programs however comprehensively address the root issue. As a result these attempts cause instability in the sport fishing guide industry. For example, over a 7 year period about 45% of the participants in the halibut charter fishery changed. They also differentially impact anglers who rely on guide operations to access Alaska's fishery resources, many of whom are Alaskans.

A recent legal opinion from the Department of Law suggests it is possible to legislatively authorize a limited entry program for the Alaskan sport fishing guide industry. To assess support for developing a limited entry program, the Department convened a cross-section of guides from across Alaska. This group supported introducing legislation and entertaining the debate as to adding this tool to the management tool box. The framework of the proposed program is attached.

Recommendation: Introduce legislation to create a limited entry program for the Alaska sport fish guide industry.

Benefits of establishing a sport fish guide limited entry program:

- Assures resource conservation/sustainability
- Reduces economic distress among guides
- Preserving the quality experience of the angler
- Increases customer (client) confidence in industry
- Considers impacts of federal regulatory actions
- Considers "balloon effects" of management
- Stabilize the sport fish guide industry
- Eases regulatory management of fisheries
- Prevents economic distress/over-capitalization among guides
- Limits effort on fully utilized stocks
- Avoids over-capitalization
- Considers regional/fishery differences
- Reduces allocation issues

Drawbacks of establishing a sport fish guide limited entry program:

- Requires establishment of an infrastructure (and associated costs) for program administration
- Reduces free enterprise and competition in the sport fishing guide industry
- May increase cost of participation in the guided sport fishery

Potential supporters:

- Established guides in the sport fishing community
- Regulatory agencies
- Commercial anglers
- Private anglers worried about competition with guides for fishing areas

Potential critics:

- Individuals who wish to enter the sport fishing guide business in the future.
- Sport anglers concerned about increased cost due to loss of competition

Contact: Kelly Hepler, Director – Division of Sport Fish, Alaska Department of Fish and Game

Attachment A
Framework for a Limited Entry Program for the Sport Fish Guide Industry

Who petitions: The options include the Commissioner of ADF&G, the Alaska Board of Fisheries, and/or the industry. Under Administrative Procedures Act anyone can petition.

Criteria for establishment: Industry economics, resource conservation, fully allocated fisheries, angler access, etc…

Who would be granted a limited entry permit: The holders of the sport fish operators license (i.e., the business owners).

Area endorsement: A permit would allow a business to operate within a defined area. People not holding a permit would not be allowed to operate in the area.

Unit endorsement: A permit would allow a business to provide some number of angler-days of fishing opportunity within the defined geography. A sub-option could include the ability to allocate the angler-days by species (e.g., 50% could be for halibut).

Initial issuance: Based on logbook history on client days based on qualifying years.

Duration of issuance: Indefinite in duration. (benefits Alaskans, property of the commons, would disadvantage businesses)

Sale: Allowed to any ADFG licensed sport fish operator up to ownership caps.

Transfers: Allow in-season transfers of some percentage (10%) of a business' client-days to another business already in the fishery (up to ownership caps).

Ownerships caps: vary by region or fishery (with grandfather clause), but underlying idea is to prevent excessive consolidation and allow new entrants.

Use Provisions: Issued business must use permits and endorsements to provide sport fishing guide services.

Who oversees: ADFG or CFEC or a new SFEC

Fees: Proportional based on value of fishery; Percent of value of permit

What criteria should be used to determine if a fishery is to be limited?

- Are existing regulations sufficient to address resource conservation concerns without cause economic distress among guides?
- Would use of existing regulatory structures differentially impact guided vs. unguided anglers access to resources?
- Would companion fisheries be impacted? If so, should they be included?
- Is management served?
- Upon petition – a control date is established.
- Quality of experience

What criteria should be used to determine the optimal number of permits and client-days in the fishery?

- Limit may be the maximum number of client days fished in the fishery in one the last 4 years.
- Is management served (is there a reason to increase or decrease is number)?
- Quality of experience.

How would shares (client-days) be distributed?

- History of past participation in the limited fishery (Number of client-days).
- History of consistent participation (client-days) in the fishery.
- Investment in guide operations (vessels, gear, lodges, client lists, etc).
- Relative income dependence (may have issues).

Swanton, Charles O (DFG)

From: Sigurdsson, Halldora K (DFG)
Sent: Friday, October 29, 2010 4:41 PM
To: Swanton, Charles O (DFG)
Subject: Meeting Dates
Attachments: DVL_Project Plan-Sport Fish Guide Limtied Entry.doc; Strickler_Language_CommSportsFishGuides.doc

Task Force Meetings: some of my notes are a little 'sketchy" but this is close:
All meetings were held in Anchorage;

1. December 11 -12, 2006 (initial meeting to establish the framework)
2. March 6 -7, 2007
3. April 10, 2007
4. November 30, 2007
5. January, 2008
6. November 19, 2008

Public "Road Show" Meetings: Statewide;

1. Sitka – September 18, 2008
2. Fairbanks – October 7, 2008
3. Ketchikan – October 20, 2008
4. Soldotna – October 27, 2008
5. Homer – October 28, 2008
6. Anchorage – November 12, 2008
7. Palmer – November 13, 2008
8. Juneau – November 15, 2008
9. Kodiak – November 17, 2008

Anything else Charlie? Just give me a holler. I have so much collected from those glory days; from the original briefing paper to a summary of definitions, so there is a good chance I have whatever else you might need. Have a good weekend.

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Sport Fishing Guide Services Board Concept
Summary of Progress
December 9, 2008

Concept initiation

- 2006, Commissioner Campbell formulated a task force composed of sport fish guide interests statewide with a charge statement to investigate limited entry for the sport fishing guide industry.
- Task force composition included 2 guide operators from Southeast Alaska, 4 guide operators from South-central (2 saltwater, 2 freshwater), 2 freshwater guide operators from the Interior, and a commercial fisheries representative.
- In January 2008, emphasis of the task force shifted to a guide services board approach patterned after the big game commercial service board. This shift was motivated by the realization that a limited entry program would require a constitutional amendment.
- During September 2008, draft language was posted on the Department website including: the creation, composition, and duties of the board; guide license types, examinations, ethics standards and penalties for violations.
- The Department held 10 public meetings during October-November 2008 (4 in Southeast, 1 in Kodiak, 1 in Fairbanks, and 4 in South-central).

Standard public meeting message

- The Department only had approval from Commissioner Lloyd and the Governor's Office to seek public comments and report back to the Commissioner.
- This concept HAS NOT been approved for legislative submission in January, 2009.
- Information conveyed included:
    - Formation of the guide service board;
    - The various classes and requirements of license types and testing procedures;
    - Ethics complaints and penalties for violations;
    - Concepts of guide use units and limitations of guides in units where the board determined that there were excessive numbers of guides.
- We (ADF&G staff) took extensive notes which will be posted on Department web site soon.

Results of public meetings

- Approximately 260 people in total attended.
- The largest meetings were in Anchorage (~75 people) and Soldotna (~45 people).
- 2% (7 individuals) supported the language as presented. A majority of the public attending and comments on the web site postings opposed the language.
- 25-30% of the people wanted some form of limitation, but not the language presented. Most preferred a Limited Entry system similar to the existing program for commercial fisheries.
- The remainder of people thought that some type of restriction on guide numbers was necessary IN CERTAIN AREAS OF THE STATE, but did not want to see the proposed regulations imposed statewide. Some offered alternatives such as super exclusive registration programs.
- A number of people at two meetings suggested we should HOLD OFF ON SUBMITTING LEGISLATION until two major issues are addressed:
    1. Determine how the board would decide how many guides should operate in any guide use unit, with Dept. of Law approval of the process; and
    2. How will the concessionaire program work to cap or reduce the number of guides in those units, and will DNR and Dept. of Law approve the process?
- People at several meetings recommended that guide restrictions be implemented in salt water fisheries, but not in fresh water fisheries. The concept of regional boards vs. one statewide board also surfaced several times.
- Participants felt that licensing and guide use unit exams were unreasonable and an insult to long term operators.
- A number of people at several meetings preferred to limit all types of anglers to reduce effort/harvest (guided and unguided).
- The make up of guide service board membership was questioned at many meetings. The current language has guide-outfitters and outfitters being a majority of board members.
- One recommendation from the Kodiak meeting was that one board member should be a licensed guide-outfitter who lived and operated in a coastal community of 500 people or less.

ADF&G Contact: Charlie Swanton, phone: 465-6184.

ARTICLE 1. SPORT FISHING GUIDES, OUTFITTERS, ASSISTANT GUIDES AND TRANSPORTERS

Sec. 08.54.590. Purpose. The purpose of this chapter is to promote stability of the sport fish guide industry in Alaska by regulating the activities of providers of sport fishing guide, outfitter, and transporter services to sport fishermen.

Sec. 08.54.591. Creation and membership of board.

(a) For the purposes of licensing and regulating the activities of providers of sport fishing guide, outfitter, and transporter services to sport fishermen in the interest of the state's fisheries resources, there is created the Sport Fishing Guide Services Board. For administrative purposes, the board is in the Department of Commerce, Community, and Economic Development.

(b) The board shall consist of nine members as follows:

(1) Five members who are currently licensed sport fishing guide-outfitters or sport fishing outfitters under this article, both salt water and fresh water sport fishing guide-outfitters shall be represented; at least three of the five must be currently licensed sport fishing guide-outfitters;

(2) one member who is currently a licensed sport fishing transporter under this article;

(3) one member of the Board of Fisheries who is chosen by the Board of Fisheries;

(4) two public members who are familiar with the Alaskan sport fishing industry, who do not hold a current license issued under this chapter or a current commercial fishing license issued under AS16; and are familiar with private landowner and access issues affected by sport fishing activities governed under this chapter.

Sec. 08.54.595. Board assistance.

(a) State agencies shall provide the board with information, data, or technical assistance requested by the board for the purposes of licensing and regulating the activities of providers of sport fishing guide-outfitter, outfitter, assistant guide or transporter services to sport fishermen.

Sec. 08.54.600. Duties of board.

(a) The board shall

(1) prepare and grade:

(A) a qualification examination for a sport fishing guide-outfitter, outfitter, and assistant guide license that requires demonstration that the applicant is qualified generally to provide sport fishing guide-outfitter, outfitter, and assistant guide activities and, in particular, possesses knowledge of fishing and sport fish laws and regulations; and

(B) a certification examination for each Sport Fish Guide Use Unit in which the sport fishing guide-outfitter, outfitter, or assistant guide intends to provide services in; the examination must require demonstration that the applicant is qualified to provide sport fishing guide-outfitter, outfitter, or assistant guide services in the Sport Fish Guide Use Unit for which the applicant seeks to be certified and, in particular, must require demonstration that the applicant possesses knowledge of the terrain, waters, transportation problems, fish, and other characteristics of the Sport Fish Guide Use Unit.

(2) authorize the issuance of sport fishing guide-outfitter, outfitter, assistant guide, and transporter licenses after the applicant for the license satisfies the requirements for the license;

(3) impose appropriate disciplinary sanctions on a licensee under AS 08.54.600 - 08.54.790;

(4) require an applicant for issuance or renewal of any class of license issued under this article to state in a written and signed document whether the applicant's right to obtain, or exercise the privileges granted by, a sport fishing guide-outfitter, outfitter, assistant guide, or transportation license is revoked or suspended in this state or another state or in Canada;

(5) regularly disseminate information regarding examinations and other qualifications for all classes of licenses described in this article;

(6) adopt procedural and substantive regulations required by this chapter;

(7) provide for administration of examinations for sport fishing guide-outfitter, outfitter, and assistant guide-outfitter licenses at least twice a year; and

(8) meet at least twice annually.

(b) The board may adopt regulations as the board considers appropriate to

(1) establish a code of ethics for professions regulated by the board;

(2) authorize the department to obtain a copy of a sport fish guide-outfitter logbooks or outfitter service records from the Department of Fish & Game;

(3) establish Sport Fish Guide Use Units;

(4) establish as necessary for resource conservation purposes and/or to promote economic stability within the sport fish guide industry

(A) the maximum number of certified licensees who may operate in a Sport Fish Guide Use Unit and

(B) a concessionaire program to limit participation by licensees within Sport Fish Guide Use Units.

(5) establish regulations that will bring persons who, in the past, provided sport fishing guide-operator, assistant guide, outfitter or transporter services as defined in current statute and regulation into compliance with new statutes and regulations pertaining to such and establish a time-frame and criteria for doing so.

Sec. 08.54.605. Eligibility for licenses.

(a) Notwithstanding AS 08.54.610, 08.54.620, 08.54.630, 08.54.650, and 08.54.660, a person may not receive or renew a sport fish guide-outfitter, outfitter, assistant guide, or transporter license if :

(1) the person has been convicted of a felony offense against the person under AS 11.41, or similar federal laws or laws of other states, or

(2) the person's right to obtain, or exercise the privileges granted by, a sport fishing guiding, outfitting, assistant guide, or transportation services license or registration is suspended or revoked in this state or another state or in Canada or Mexico.

(b) A person may not receive a certification for a Sport Fish Guide Use Unit if the person is prohibited by (a) of this section from receiving or renewing a sport fishing guide-outfitter, outfitter, or assistant guide license.

Sec. 08.54.610. Sport fishing guide-outfitter license.

(a) A natural person may obtain a biannual sport fishing guide-outfitter license if the person:

(1) is a citizen of the United States, Canada, or Mexico, or is a resident alien;

(2) is certified in first aid and CPR by the American Red Cross or a similar organization;

(3) holds a license to carry passengers for hire issued by the United States Coast Guard if the person operates a vessel in the provision of sport fishing guide services and the license is required by the United States Coast Guard for the area in which the sport fishing guide-outfitter provides sport fishing guide services;

(4) holds a current sport fishing license from this state;

(5) has passed a qualification examination for a sport fishing guide-outfitter license

(6) has passed a certification examination prepared by the board for the Sport Fish Guide Use unit in which he operates;

(7) has been licensed as and performed the services of a sport fishing assistant guide in the state for at least 20 days within each of three years and received a favorable recommendation from at least one licensed sport fishing guide-outfitter;

(8) satisfies all additional requirements adopted in regulation by the Sport Fishing Guide Services Board.

(9) has applied for a sport fishing guide-outfitter license on a form provided by the department and paid the license application fee and the sport fishing guide-outfitter license fee.

(b) A person may not provide sport fishing guide-outfitter services unless the person holds a current sport fishing guide-outfitter license;

(c) A sport fishing guide-outfitter may guide or outfit sport fishing activities and may provide transportation services, personally or through a sport fish assistant guide, to sport fishermen who are clients of the sport fishing guide-outfitter.

(d) A person who is licensed as a sport fishing guide-outfitter may be employed by another sport fishing guide-outfitter to perform the functions of an assistant sport fishing guide and may operate as an assistant sport fishing guide in any Sport Fish Guide Use Unit for which the person is certified as a sport fishing guide-outfitter under 610 (a)(6) of this chapter or as an assistant sport fishing guide under 630(a)(6) of this Chapter.

(e) A sport fishing guide-outfitter shall

(1) directly provide sport fishing guide-outfitter services to clients, or

(2) directly supervise an assistant guide who provides sport fishing assistant guide services to clients, or

(3) directly supervise a sport fishing guide-outfitter who is not certified for the Sport Fishing Guide Use Unit in which they are operating.

(f) While engaged in providing sport fishing guide-outfitter services, a sport fishing guide-outfitter shall have readily available for inspection upon request of a representative of the Department or a peace officer of the state the following:

(1) a current sport fishing guide-outfitter license;

(2) the current licenses, tags, permits and reporting forms that are required to engage in the sport fishery for which the sport fishing guide services are being provided;

(3) a driver's license or similar identification card that is issued by a state or federal agency and that bears a photograph of the sport fishing guide-outfitter;

(g) A master sport fishing guide-outfitter license authorizes a sport fishing guide-outfitter to use the title master sport fishing guide-outfitter, but is for all other purposes under this chapter a sport fishing guide-outfitter license. A natural person is entitled to receive a renewable master sport fishing guide-outfitter license if the person

(1) is, at the time of application for a master sport fishing guide-outfitter license, currently licensed as a sport fishing guide-outfitter under this section;

(2) provide an affidavit certifying that they have operated in the state as a sport fishing guide-outfitter for at least 12 of the last 15 years, including the year immediately preceding the year in which the person applies for a master sport fishing guide-outfitter license;

(3) submits 10 letters from clients for whom the person has personally provided sport fishing guiding or outfitting services and the person receives a favorable evaluation; and

(4) applies for a master sport fishing guide-outfitter license on a form provided by the department and pays the application fee, if any.

Sec. 08.54.620. Sport fishing outfitter license

(a) A natural person may obtain a biannual sport fishing outfitter license if the person:

(1) is a citizen of the United States, Canada, or Mexico, or is a resident alien;

(2) is certified in first aid and CPR by the American Red Cross or a similar organization;

(3) holds a current sport fishing license from this state;

(4) has passed a qualification examination for a sport fishing outfitter license;

(5) has passed a certification examination prepared by the board for the Sport Fish Guide Use Unit in which they operate;

(6) satisfies all additional requirements adopted in regulation by the Sport Fishing Guide Services Board; and,

(7) has applied for a sport fishing outfitter license on a form provided by the department and paid the license application fee and the sport fishing outfitter license fee.

(b) A person may not provide sport fishing outfitter services unless the person holds a current sport fishing outfitter license;

(c) A sport fishing outfitter may not provide sport fishing guide-outfitter services or provide transportation services, personally or through a sport fish assistant guide.

(d) A sport fishing outfitter shall not be physically present with the client during any portion of the sport fishing activities.

(e) A sport fishing outfitter shall provide an activity report on a form provided by the Department of Fish and Game. An activity report must contain all information required by the Department of Fish and Game.

(f) While engaged in providing sport fishing outfitting services, a sport fishing outfitter shall have readily available for inspection upon request of a representative of the Department or a peace officer of the state the following:

(1) a current sport fishing outfitter license;

(2) a driver's license or similar identification card that is issued by a state or federal agency and that bears a photograph of the sport fishing outfitter;

Sec. 08.54.630. Assistant sport fishing guide license.

(a) A natural person is entitled to an assistant sport fishing guide license if the person

(1) is a citizen of the United States, Canada, or Mexico, or is a resident alien;

(2) is certified in first aid and CPR by the American Red Cross or a similar organization;

(3) holds a license to carry passengers for hire issued by the United States Coast Guard if the person operates a vessel in the provision of sport fishing guide services and the license is required by the United States Coast Guard for the area in which the sport fishing assistant guide provides sport fishing guide services;

(4) holds a current sport fishing license from this state;

(A) provides to the Department a written employment agreement from a currently licensed sport fishing guide-outfitter who employs the sport fish assistant guide.

(5) satisfies all additional requirements adopted in regulation by the Sport Fishing Guide Services Board; and

(6) applies for an assistant sport fishing guide-outfitter license on a form provided by the department and pays the license application fee and the license fee.

(b) An assistant sport fishing guide shall be under the supervision of a currently licensed sport fishing guide-outfitter while participating in a guided sport fishing activity.

(c) While providing assistant sport fishing guide services, an assistant sport fishing guide shall have readily available for inspection upon request of a representative of the Department or a peace officer of the state the following:

(1) a current assistant sport fishing guide license;

(2) the current licenses, tags, permits and reporting forms that are required to engage in the sport fishery for which the assistant sport fishing guide services are being provided;

(3) a driver's license or similar identification card that is issued by a state or federal agency and that bears a photograph of the assistant sport fishing guide; and

(4) proof of employment by a currently licensed sport fishing guide.

Sec. 08.54.650. Sport Fishing Transporter license.

(a) A person is entitled to a sport fishing transporter license if the person is a licensed Big Game transporter under AS 08.54.650 or

(1) applies for a sport fishing transporter license on a form provided by the department; and

(2) pays the license application fee and the license fee.

(3) satisfies all additional requirements adopted in regulation by the Sport Fishing Guide Services Board.

(b) A sport fishing transporter may not provide sport fishing guide-outfitter, sport fishing outfitter services, or sport fishing assistant guide services without holding the appropriate licenses.

(c) While providing transporting services, a sport fishing transporter shall have readily available for inspection

(1) a current sport fishing transporter license;

(2) a driver's license or similar identification card that is issued by a state or federal agency and that bears a photograph of the sport fishing transporter;

Sec. 08.54.660. Renewal of sport fishing guide-outfitter, outfitter, assistant guide, and transporter licenses.

(a) An applicant for renewal of a sport fishing guide-outfitter, outfitter, assistant guide, or transporter license shall submit

(1) a request for renewal of the license on a form provided by the Department; and

(2) the appropriate license fees for the next licensing period.

(b) The department shall not renew a sport fishing guide-outfitter, outfitter, assistant guide, or transporter license under this section unless all fees have been paid in full and the sport fishing guide-outfitter, outfitter, assistant guide, or transporter has signed an affidavit that all required logbooks and reports due during the term of the prior license have been filed as required

Sec. 08.54.670. Failure to renew.

The department may not issue a license to a person who held a sport fishing guide-outfitter, outfitter, assistant guide, or transporter license and who has failed to renew the license under this chapter for four consecutive years unless the person again meets the qualifications for initial issuance of the license

Sec. 08.54.680. Financial responsibility and other requirements for sport fishing guide-outfitters, outfitters, and transporters.

(a) The department requires satisfactory proof of sport fishing guide-outfitters, outfitters, and transporters of a general liability insurance policy or marine protection and indemnity insurance policy, covering the services provided by the person and the person's employees to sport fishermen, that provides coverage of at least $100,000 for each incident, and $300,000 for all incidents in a year;

(b) If a sport fishing guide-outfitter, or assistant guide personally pilots an aircraft to transport clients during the provision of sport fishing activities, the sport fishing guide-outfitter, or assistant guide shall have a commercial pilot's rating or a minimum of 500 hours of flying time in the state.

ARTICLE 02. ENFORCEMENT

Sec. 08.54.710. Discipline of a sport fishing guide-outfitter, outfitter, assistant guides and transporters.

(a) The board may impose a disciplinary sanction in a timely manner under (c) of this section and in accordance with AS08.01.075 if the board finds that a licensee;

(1) is convicted of a violation of any state or federal statute or regulation relating to sport fishing or to provision of sport fishing guide, outfitter, or transportation services;

(2) has failed to file records or reports required by law;

(3) has negligently misrepresented or omitted a material fact on an application for any class of sport fishing guide, outfitter or transporter license; or

(4) has breached an agreement with a client to provide sport fishing guide-outfitter, outfitter, or transportation services to a client.

(5) has failed to comply with limitations or conditions of the professional practice of the licensee.

(b) The board may impose a disciplinary sanction in a timely manner under (c)(3) - (7) of this section if the board finds, after a hearing, that a licensee has acted unethically as a sport fishing guide-outfitter, outfitter, assistant guide, or transporter.

(c) The board may impose the following disciplinary sanctions, singly or in combination:

(1) permanently revoke a license;

(2) suspend a license for a specified period;

(3) censure or reprimand a licensee;

(4) impose limitations or conditions on the professional practice of a licensee;

(5) impose requirements for remedial professional education to correct deficiencies in the education, training, and skill of the licensee;

(6) impose probation requiring a licensee to report regularly to the board on matters related to the grounds for probation;

(7) impose a civil fine not to exceed $5,000.

(d) The board shall permanently revoke any license issued under this chapter if the board finds after a hearing that the license was obtained through fraud, deceit, or misrepresentation.

(e) A certified copy of a judgment of conviction of a licensee for an offense is conclusive evidence of the commission of that offense in a disciplinary proceeding instituted

against the licensee under this section based on that conviction, regardless of whether the conviction resulted from a plea of nolo contendere or the conviction is under appeal, unless the conviction is overturned on appeal.

(f) A person whose license is suspended or revoked under this section may not engage in the provision of sport fishing guide-outfitter, outfitter, assistant guide, or transportation services during the period of license suspension or revocation.

(g) If the board revokes a license under this section, the person whose license has been revoked shall immediately surrender the license to the department.

(h) The board may summarily suspend a licensee from practice of the profession under this chapter, for a period of not more than 30 days, before a final hearing is held or during an appeal if the board finds that the licensee poses a clear and immediate danger to the public health and safety. A person is entitled to a hearing before the board to appeal the summary suspension within seven days after the order of suspension is issued. A person may appeal an adverse decision of the board on an appeal of summary suspension to a court of competent jurisdiction.

Sec. 08.54.720. Unlawful acts.

(a) It is unlawful for a:

(1) person who is licensed under this chapter to intentionally obstruct or hinder or attempt to obstruct or hinder lawful sport fishing engaged in by a person who is not a client of the person;

(2) a sport fishing assistant guide to knowingly guide or outfit sport fishing activities except while employed and supervised by a sport fishing guide-outfitter;

(3) person who is licensed under this chapter to knowingly enter or remain on private, state, or federal land unlawfully during the course of providing sport fishing guide services, outfitting services or transportation services;

(4) sport fishing guide-outfitter to knowingly engage in providing sport fishing guide services outside of a sport fish Guide Use Unit for which the sport fishing guide-outfitter is certified unless the registration requirement for the Unit has been suspended by the board;

(5) person to knowingly guide or outfit without having a current sport fishing guide-outfitter, outfitter or assistant guide license and a valid Alaska sport fishing license in actual possession;

(6) sport fishing guide-outfitter to knowingly fail to comply with AS 08.54.610(e);

(7) person who is licensed under this chapter to:

(A) commit or aid in the commission of a violation of this chapter, a regulation adopted under this chapter, or a state or federal sport fishing statute or regulation by the licensee or the client of the licensee; or

(B) permit the commission by a client of the licensee of a violation of a regulation adopted under this chapter, or a state or federal sport fishing statute or regulation that the licensee knows or should know is being or will be committed without

(i) attempting to prevent it, short of using force; and

(ii) promptly reporting the violation to the Department of Public Safety by the earliest reasonable means available.

(8) person without a current sport fishing guide-outfitter license to knowingly guide or outfit, advertise as a guide-outfitter, or represent to be a guide-outfitter;

(9) person without a current master sport fishing guide-outfitter license to knowingly advertise as, or represent to be, a master sport fishing guide-outfitter;

(10) person without a current sport fishing outfitter license to knowingly outfit, advertise as or represent to be a sport fishing outfitter

(11) person without a current assistant sport fishing guide license to knowingly provide assistant sport fishing guide services;

(12) person without a current sport fishing guide-outfitter or transporter license to knowingly provide transportation services, advertise as or represent to be a sport fishing transporter;

(13) person to knowingly provide sport fishing guide-outfitter services, assistant guide services, outfitter services or transportation services during the period for which the person's license to provide that service is suspended or revoked;

(14) person who is licensed as a sport fishing transporter, or who provides transportation services under a transporter license, to knowingly accompany or direct a sport fisherman in sport fishing activities who is a client of the person except as necessary to perform the specific duties of transporting, embarking or disembarking sport fishermen, their equipment, or fish harvested by sport fishermen;

(b) In addition to disciplinary sanctions imposed under AS 08.54.710, a person who commits an offense set out in (a) of this section, is guilty of a class A misdemeanor.

(1) A person licensed as a sport fishing guide-outfitter who, without any culpable mental state, violates (a)(9) of this section is guilty of a violation.

(2) A person who, without any culpable mental state, violates AS 08.54.610(f) is guilty of a violation.

(3) A person who knowingly violates AS 08.54.610(f) is, for a

(A) first offense in a three-year period, guilty of a violation; and

(B) second or subsequent offense in a three-year period, guilty of a class B misdemeanor.

(c) In addition to any other penalty provided by law, a court may revoke a license issued under this chapter of a person who is convicted under this chapter and equipment may be seized and forfeited in accordance with AS16.05.190-195.

Sec. 08.54.740. Responsibility of sport fishing guide, assistant guide, outfitter, or transporter for violations.

(a) A sport fishing guide-outfitter, assistant guide, outfitter, or transporter is equally responsible under AS 08.54.710-720 for a violation of this chapter, a regulation adopted under this chapter, or a state or federal sport fishing statute or regulation committed by a person while in the course of the person's employment with the sport fishing guide-outfitter, assistant guide, outfitter, or transporter.

Sec. 08.54.760. Sport Fishing Guide and Outfitter records; confidentiality of records and activity reports.

(a) The Department of Fish & Game may collect information from sport fishing guide-outfitters including

(1) the name and license number of each vessel that is used in providing sport fishing guide services;

(2) the amount of fishing effort, catch, and harvest by clients of a sport fishing guide-outfitter;

(3) the locations fished during the provision of sport fishing guide services; and

(4) other information that the Department of Fish & Game or the board requires by regulation.

(b) The Department of Fish and Game may collect information from sport fishing outfitters and transporters

(c) A person who holds a sport fishing guide-outfitter or outfitter license issued under AS 08.54.610 shall comply with the reporting requirements in this section.

(d) A person who is required to complete reports under this section shall not provide false information or omit material facts in a report.

(e) A person who is required to complete reports under this section may not be issued a license under AS 08.54.610 unless the Department of Fish and Game has received all reports required under this section for the preceding year.

(f) Information collected under this section is confidential to the extent provided under AS 16.05.815 or AS 40.25.110.

(g) The Department of Fish and Game may adopt regulations under AS 44.62 (Administrative Procedure Act) that it considers necessary to implement this section.

(h) The Department of Fish and Game shall make sport fishing log books received under this section, and activity reports received under AS 08.54.650 , available to state agencies, federal law enforcement agencies, and other law enforcement agencies if requested for law enforcement purposes.

(i) Forms, records, and reports required under this chapter may be distributed, received, and stored electronically.

Sec. 08.54.770. License and examination fees.

NOTE: Realistic license fees, based upon estimated program costs, will be developed and will be posted for public review as soon as they are available

(a) The department shall set fees under AS 08.01.065 for each of the following:

(1) sport fishing guide-outfitter license;

(2) sport fishing outfitter license;

(3) sport fishing assistant guide license;

(4) sport fishing transporter license;

(5) license application fee.

(b) In setting license fees, the department shall consider the cost of reporting and reimburse the Department of Fish and Game for costs associated with reporting.

(c) The license fee for the sport fishing guide-outfitter, outfitter, or assistant guide license is in addition to the fee required for a sport fishing license issued by the Department of Fish and Game under AS 16.05.340 .

(d) An applicant for a qualifying examination for a sport fishing guide-outfitter license shall pay a fee established by regulations adopted under AS 08.01.065 .

(e) The fee for the sport fishing transporter license must be equal to the fee for the sport fishing guide-outfitter and outfitter license.

(f) The amount of the license fee for a nonresident shall be at least two times the amount of the license fee for a resident and may be increased by the board by regulation.

Sec. 08.54.790. Definitions.

(1) "board" means the Sport Fishing Guide Services Board;

(2) "client" means a person who is a member of a fishing party that engages or uses a person to provide sport fishing guide services and who is not a licensed sport fishing guide-outfitter or sport fishing assistant guide;

(3) "compensation" means payment, remuneration, and other benefits received in return for services. "Compensation" includes wages or other employment benefits given directly or indirectly to an individual or organization, and any dues, payments, fees, or other remuneration given directly or indirectly to a fishing club, business, organization, or individual who provides sport fishing guide services. "Compensation" does not include reimbursement for the actual daily expenses for fuel, food, or bait.

(4) "department" means the Department of Commerce, Community, and Economic Development;

(5) "fish" means any species of aquatic finfish, invertebrate, or amphibian, in any stage of its life cycle, found in or introduced into the state, and includes any part of such aquatic finfish, invertebrate, or amphibian;

(6) "sport fishing equipment" means fishing rods, poles, reels, lines, bait, hooks, lures, flies, fish attractants, landing nets, gaffs, and other equipment commonly used to take or attempt to take sport-caught fish.

(7) "sport fishing assistant guide" means a person who, for compensation or with intent to receive compensation, provides sport fishing guide services to clients of a licensed sport fishing guide-outfitter during sport fishing activities.

(8) "sport fishing outfitter services" means to provide, for compensation or with the intent to receive compensation, vessels that are located in the water and sport fishing equipment to persons who use them for sport fishing activities by a person who neither directs, accompanies or is present with the sport fishermen while the sport fishing activities are occurring

(9) "sport fishing" means the taking of or attempting to take for personal use, and not for sale or barter, any fresh water, marine, or anadromous fish by hook and line held in the hand, or by hook and line with the line attached to a pole or rod which is held in the hand or closely attended, or by other means defined by the Alaska Board of Fisheries;

(10) "sport fishing guide-outfitter" means a person who is licensed to provide sport fishing guide-outfitter services to persons who are engaged in sport fishing;

(11) "sport fishing guide services" means assistance, for compensation or with the intent to receive compensation, to a person to take or to attempt to take fish by accompanying or physically directing a person during sport fishing activities. "Sport fishing guide services" does not include services provided by an assistant, deckhand, or similar person who works directly under the supervision of and on the same vessel as the sport fishing guide or assistant sport fishing guide.

(12) "take" means taking, pursuing, fishing, or in any manner disturbing, capturing, or killing or attempting to take, pursue, fish, or in any manner capture or kill fish;

(13) "transportation services" means the carriage for compensation of a person, their equipment, or fish harvested to or from sport fishing activities and advertises these services; "transportation services" does not include the carriage by aircraft of sport fishermen, their equipment, or fish harvested

(A) on nonstop flights between airports listed in the Alaska supplement to the Airmen's Guide published by the Federal Aviation Administration; or

(B) by an air taxi operator or air carrier for which the carriage of sport fishermen, their equipment, or fish harvested is only an incidental portion of its business; in this subparagraph, "incidental" means transportation provided to a sport fisherman by an air taxi operator or air carrier who does not

(i) charge more than the usual tariff or charter rate for the carriage of sport fishermen, their equipment, or fish harvested;

(ii) advertise transportation services or sport fishing activities to the public; in this sub-subparagraph, "advertise" means soliciting sport fishermen to be customers of an air taxi operator or air carrier for the purpose of providing air transportation for sport fishing activities through the use of print or electronic media, including advertising at trade shows, or the use of sport fishing broker services or other promotional services.

(14) "vessel" means a floating craft powered, towed, rowed, or otherwise propelled, which is used for delivering, landing, or taking fish within the jurisdiction of the state,

Swanton, Charles O (DFG)

From: Sigurdsson, Halldora K (DFG)
Sent: Friday, October 29, 2010 4:11 PM
To: Swanton, Charles O (DFG)
Subject: FW: RE: Guide Services Board Meetings

An Oct. 2008 email from Rob to Jenny Strickler with preliminary license costs.

Dora Sigurdsson, Fishery Biologist
ADF&G Sport Fish RTS
Anchorage, Alaska
907-267-2390

-----Original Message-----
From: Bentz, Robert W (DFG)
Sent: Sunday, October 26, 2008 1:55 PM
To: Sigurdsson, Halldora K (DFG)
Subject: RE: RE: Guide Services Board Meetings

Dora,

I finished working with Jenny Strickler at Commerce and worked out numbers that Charlie approves. They are PRELIMINARY estimates and could be modified but are the best we have to date. They are:

Guide-Outfitter: $165/year

Nonresident guide-outfitter: $330

Assistant Guide: $70

Outfitter: $200

Transporter: $200

I'll be in Soldotna Monday, October 27 and Homer Tuesday, October 28 for public meetings and will make these PRELIMINARY numbers available then.

Rob

-----Original Message-----
From: Sigurdsson, Halldora K (DFG)
Sent: Wednesday, October 22, 2008 9:14 AM
To: Bentz, Robert W (DFG)
Subject: FW: RE: Guide Services Board Meetings

We are being asked if we have any estimated costs under the new licensing proposal.

Dora Sigurdsson, Fishery Biologist
ADF&G - Div. of Sport Fish RTS
(907) 267-2390

-----Original Message-----
From: rrohrer@alaska.com [mailto:rrohrer@alaska.com]

SPECIAL PUBLICATION NO. 09-11

PARTICIPATION, EFFORT, AND HARVEST IN THE SPORT FISH BUSINESS/GUIDE LICENSING AND LOGBOOK PROGRAMS, 2006-2008

by

Dora Sigurdsson

and

Bob Powers

Division of Sport Fish Research and Technical Services, Anchorage

Alaska Department of Fish and Game
Division of Sport Fish, Research and Technical Services
333 Raspberry Road, Anchorage, Alaska, 99518-1599

September 2009

The Special Publication series was established by the Division of Sport Fish in 1991 for the publication of techniques and procedures manuals, informational pamphlets, special subject reports to decision-making bodies, symposia and workshop proceedings, application software documentation, in-house lectures, and became a joint divisional series in 2004 with the Division of Commercial Fisheries. Special Publications are intended for fishery and other technical professionals. Special Publications are available through the Alaska State Library, Alaska Resources Library and Information Services (ARLIS) and on the Internet: http://www.sf.adfg.state.ak.us/statewide/divreports/html/intersearch.cfm. This publication has undergone editorial and peer review.

Dora Sigurdsson and Bob Powers
Alaska Department of Fish and Game, Division of Sport Fish, Research and Technical Services
333 Raspberry Road, Anchorage, AK 99518-1599, USA

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ABSTRACT

In 2006, 1,677 sport fishing businesses and 3,454 guides licensed under the Alaska Department of Fish and Game guide and business registration program, signifying intent to provide sport fishing services in Alaska. The program licensed 1,695 businesses and 3,531 guides in 2007, and 1,659 sport fishing businesses and 3,522 sport fishing guides in 2008. Of the 1,659 sport fishing businesses registered in 2008, 1,525 were combination owner/guide licenses. Based on the 2008 physical addresses of both the businesses and guides, 90% of the businesses were residents of Alaska, and 10% were from other residency strata (defined as nonresidents), 72% of the guides were residents and 28% were nonresidents.

Of the 2,553 saltwater logbooks issued in 2008, 2,089 were activated, and of the 2,538 freshwater logbooks issued in 2008, 1,785 were activated. Of those businesses that submitted logbook information in 2008, 58% offered saltwater services, and 42% offered freshwater guided services. In 2006, logbook records show that 1,368 saltwater vessels were active, 1,409 were active in 2007 and 1,355 were active in 2008. On average during those three years, 55% of the saltwater vessels were active in Southeast Alaska and 45% were active in Southcentral Alaska.

A total of 65,671 saltwater charter trips were conducted in 2006, 67,152 trips in 2007, and 62,006 trips in 2008 statewide. On average, 84% of the saltwater angler days were nonresidents, 12% were residents and 4% were crew, comped fishing or unknown residency. In freshwater, 46,781 trips were taken in 2006, 48,697 in 2007, and 48,501 in 2008. Of the statewide freshwater trips, 90% of the angler days were nonresidents, 8% were residents, and 2% were crew fishing or unknown residency.

Average saltwater salmon harvests between 2006 and 2008 show that coho and king salmon were the predominant species, consisting of 67% and 15% of the harvest respectively statewide. Saltwater bottomfish harvests between 2006 and 2008 show that Pacific halibut were the predominant species with 68% of the total saltwater harvest statewide. Total halibut harvest statewide ranged from 379,473 fish in 2007 to a low of 339,718 fish in 2008. In freshwater, coho salmon were the predominant harvested species, followed by sockeye and then king salmon.

Key words: Sport fishing, guide and business registration, freshwater logbook, saltwater logbook, participation, effort, harvest, sport fishing vessel, Pacific halibut, salmon, bottomfish, Southeast Alaska, Southcentral Alaska

BACKGROUND

The Alaska Department of Fish and Game (ADF&G) Division of Sport Fish (DSF) has operated a program since 1998 to register and license both sport fishing guides and sport fishing guide businesses and to collect information on sport fishing participation, effort, and harvest by saltwater and freshwater guided clients. This report briefly summarizes the approach, history, and results of this program for 2006 through 2008.

GUIDE AND BUSINESS REGISTRATION AND LICENSING

The activities of the guided sport fishing industry in Alaska have significantly increased in recent years with implications to fish allocation and management decisions. Resolution of related issues was hampered by lack of information regarding the industry and its impact on fishery resources in many parts of Alaska. The sport fishing guide and business registration and licensing programs were designed to provide a comprehensive system to better define this diverse industry throughout Alaska. A brief history of the statewide registration and licensing process follows.

Beginning in May 1995 the owner(s) of any business that engaged in sport fish guiding of anglers anywhere in Alaska were required to register their business information, employees acting as sport fishing guides for the business, and listing all vessels used for guiding. In 1997 sport fishing guides were required to register and provide information about the employing business (Dean 2001; Dean and Howe 1999).

In 1998, the Alaska Board of Fisheries (BOF) adopted new statewide sport fishing guide registration regulations and definitions during their February Statewide Finfish meeting in Girdwood, Alaska (5 AAC 75.075: *Sport Fishing Services and Sport Fishing Guide Services; License Requirements; Regulations of Activities)*. It should be stressed that this was a registration process, not a licensing process. No fees were required and businesses and guides were allowed to provide services in any area of the state, assuming other regulatory requirements were met. In 1998 ADF&G registered guide businesses and guides and stopped registering charter vessels, because the Commercial Fisheries Entry Commission (CFEC) implemented a licensing program for all vessels to be used for guided sport fishing. From 1998 through 2004, ADF&G continued to register sport fishing businesses and sport fishing guides.

On May 11, 2004, the Alaska Legislature adopted House Bill 452 (HB 452), that established licensing requirements for sport fishing guide business owners and sport fishing guides on a statewide basis. This bill was created to establish minimum professional standards that were required of both freshwater and saltwater sport fish guides and business owners before a license could be obtained. The standards were established to protect consumers and to promote the viability and legitimacy of a professional sport fish guide industry. Businesses providing sport fish guided services were now required to obtain a State of Alaska Occupational Business License and hold liability insurance with a minimum of $300,000 coverage for all incidents in a year (AS 16.40.260). Licensed sport fishing guides were required (1) to be citizens of the United States, Canada, or Mexico, (2) hold a current first aid card, (3) have a current year Alaska sport fishing license and (4) have a valid U.S. Coast Guard operator's license if they were to operate a motorized vessel in navigable waters. License application forms and the information collected have remained consistent in design from 2006 through 2008 (Appendix A).

LOGBOOKS

In February, 1998 the BOF adopted regulations (5 AAC 75.076) requiring logbooks for saltwater charter vessels statewide. Information on the amounts and locations of charter activity and actual participation and harvest by individual vessels and businesses was needed by the BOF for allocation and management of Chinook salmon *Oncorhynchus tshawytscha*, rockfish *Sebastes* spp., and lingcod *Ophiodon elongatus*, and by the North Pacific Fisheries Management Council (NPFMC) for allocation of Pacific halibut *Hippoglossus stenolepis*. To meet these information needs ADF&G implemented a saltwater sport fishing charter vessel logbook program for DSF Region I, Southeast Alaska (Southeast), and Region II, Southcentral Alaska (Southcentral; Table 1; Figure 1).

In 1999, the NPFMC was considering proposals to limit the guided sport halibut harvest. Their concerns were: (1) that growth in this fishery was reallocating resources away from the individual fishing quota (IFQ) commercial longline fishery, and (2) that in some areas there was overcapitalization and localized depletion of the halibut resource. NPFMC endorsed a two-prong approach to resolve the perceived impact of increased guided charter halibut fishing. The first was establishment of guideline harvest limits (GHL) for International Pacific Halibut Commission (IPHC) Areas 2C and 3A (Figure 2), and the second was a process to establish local area management plans for halibut fisheries in coastal communities.

Since 1998, the logbook design has undergone annual revisions, driven primarily by changes or improvements in the collection of halibut, lingcod and rockfish data through the logbook program, Statewide Harvest Survey (SWHS), and expanded port sampling programs. House Bill

452, adopted in 2004, not only established new licensing requirements, but also established a logbook reporting requirement for all freshwater businesses in addition to the existing saltwater reporting requirements. For various reasons, both technical and policy-based, information on halibut harvests was not collected from 2002 through 2005. The collection of halibut data was resumed in 2006. In addition, the 2006 logbook was redesigned to require reporting of angler license numbers and the harvest and release numbers by angler in an effort to improve reporting and facilitate evaluation of the quality of logbook data (Appendix C).

The data from logbooks are compiled to show where fishing effort occurs, the extent of participation, and the species and numbers of fish kept and released by individual clients. This information is used for regulation and the development and management of fisheries, for project evaluation, and for formulation of department policies and priorities that reflect angler needs, concerns, and preferences. It also provides ADF&G with a tool to promote management of Alaska's resources for sustained yield.

Table 1.–Division of Sport Fish regions and management areas.

	Regions
SE	Southeast Alaska
SC	Southcentral Alaska
AYK	Arctic-Yukon-Kuskokwim
	Areas
Southeast Alaska	
A	Ketchikan
B	Prince of Wales Island
C	Kake, Petersburg, Wrangell, Stikine
D	Sitka
E	Juneau
F	Haines-Skagway
G	Glacier Bay
H	Yakutat
Southcentral Alaska	
J	North Gulf Coast/Prince William Sound
K	Knik Arm Drainage
L	Anchorage
M	Susitna River Drainage
N	West Side Cook Inlet
P	Kenai Peninsula
Q	Kodiak
R	Naknek River Drainage/Alaska Peninsula Area
S	Kvichak River Drainage
T	Nushagak, Wood River and Togiak
Arctic-Yukon-Kuskokwim	
I	Upper Copper River Drainage
U	Tanana River Drainage
V	Kuskokwim River/Kuskokwim Bay Drainages
W	Norton Sound/Seward Peninsula
X	Northwest Alaska
Y	Yukon River Drainage
Z	North Slope/Brooks Range

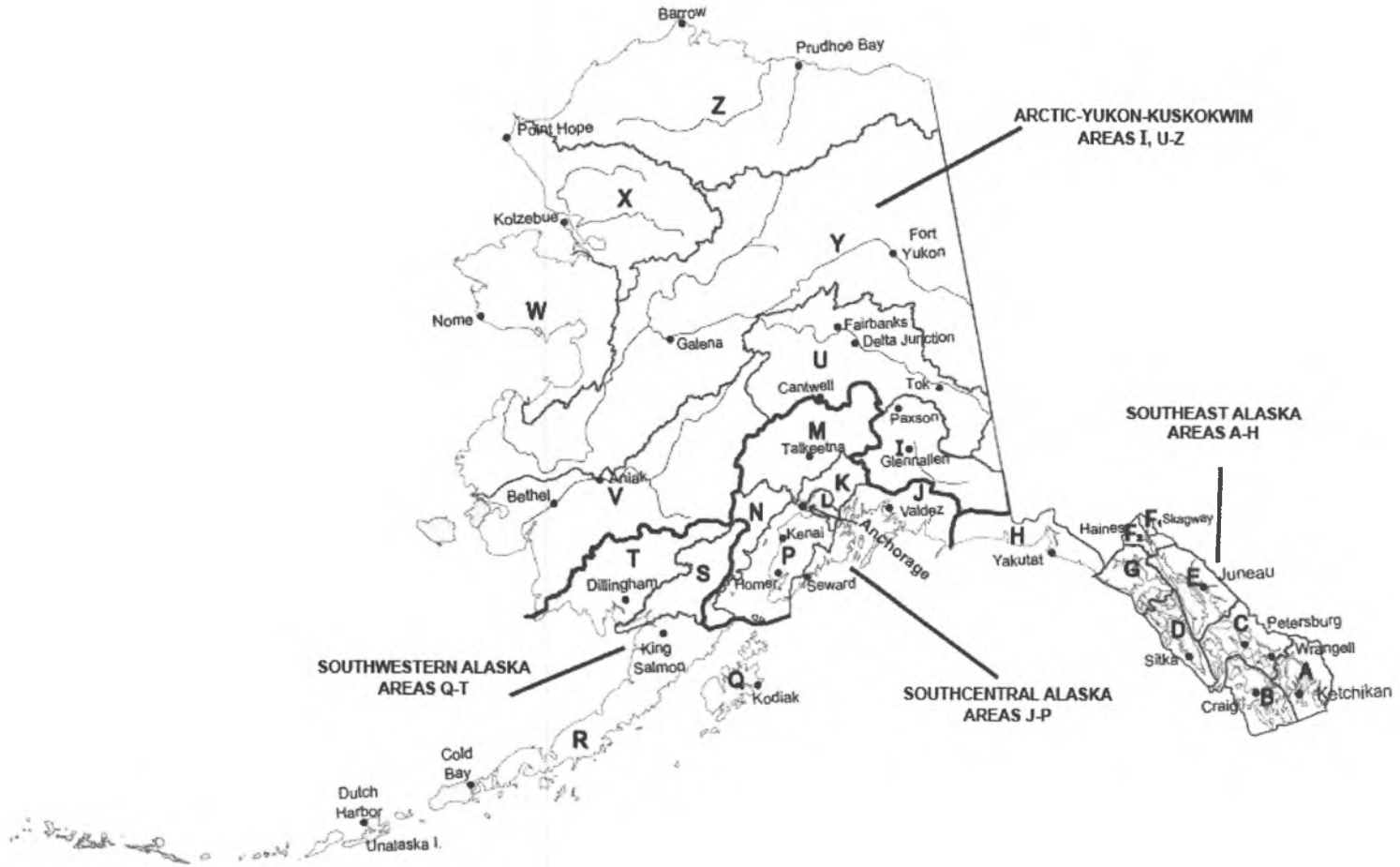

Figure 1.–Map of Alaska and Division of Sport Fish regions and management areas.

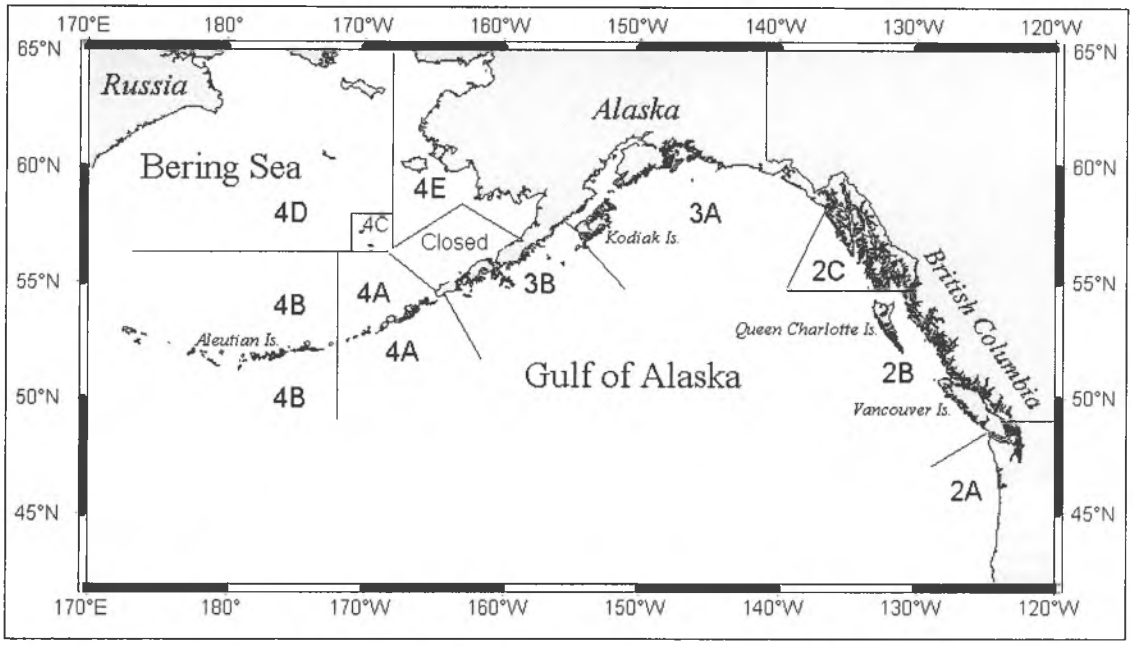

Figure 2.–International Pacific Halibut Commission (IPHC) regulatory areas.

Currently, a logbook record is required for every chartered or guided trip taken with clients, defined as an outing with one group of clients that ends when the clients and their fish (if fish were kept) are offloaded. Each trip is associated with an individual licensed business and guide.

VESSEL REGISTRATION

In addition to establishing a licensing program and statewide freshwater logbook requirement, HB 452 included establishment of a vessel registration program to be conducted by ADF&G as part of the logbook program to monitor the number of vessels used in the guided marine and freshwater fisheries. All boats used in marine or fresh water were referred to as "charter or guide boats" regardless of their size or the manner in which they are used. All vessels used in the charter guide industry were required to be registered with ADF&G. Vessel registration information was collected when logbooks were issued to a business. Registration information included the Department of Motor Vehicles or DMV number or the U.S. Coast Guard vessel documentation number. Upon completion of vessel registration with ADF&G, each vessel was provided with two decals and year tags to indicate that the vessel is used in the guide industry (Appendix B3 and B4). Decals must be applied and visible on both sides of the vessel.

METHODS

GUIDE AND BUSINESS LICENSING

Businesses and guides can be licensed to provide sport fishing guided services if they meet the minimum qualifications specified in regulation (AS 16.40.260 and AS 16.40.270).

During the month of January from 2006 through 2008, the Division of Sport Fish mailed renewal license applications to each sport fishing guide and sport fishing business that was licensed in the previous year. In addition, guides and businesses could obtain a license in person at local

ADF&G offices or through the Internet. The license applications could be used in any of three ways (Appendix A):

- To license a business only,
- To license a guide only,
- To license a combination business and guide (an owner/operator where the owner also conducted the guiding).

The licensing process collected business owner or guide name, permanent mailing information, permanent and inseason phone number if applicable. Additionally, the name of the business, name of the business owner, occupational business license number, insurance company information and insurance binder or policy number and effective dates were required. A guide is required to be a citizen of the United States, Canada, or Mexico, hold a current first aid card and have a current year Alaska sport fishing license along with any tags or permits required for specific fisheries. If a guide planned to operate a motorized vessel on navigable waters with clients on board, the guide was required to have a current U.S. Coast Guard Operator's License and provide that number and expiration date on the license application.

Unique license numbers were assigned according to how licensing occurred. License numbers did not remain the same in subsequent years. If an operator or guide licensed at an ADF&G office, a pre-numbered application was used and that number became the license number for that year. Renewal or internet license applications were randomly assigned numbers by the computer database that processed the information

Once the license applications were reviewed for completeness and accuracy, DSF mailed a wallet-sized license to each guide or business. Those applicants who licensed by going to an ADF&G office received a copy of their license, which allowed them to operate immediately. Those who licensed using the renewal application or by applying through the Internet, were required to wait until they received their license in the mail prior to operating or providing guiding services.

LOGBOOK DATA COLLECTION

A standard statewide saltwater logbook design was used from 2006 through 2008 (Appendix B). The freshwater logbook underwent very few changes between 2006 and 2008. Logbook reporting is a mandatory process governed by regulation (AS 16.40.280). As such, the reporting process was considered to be a census of all charter/guided trips. Logbooks were available and issued from ADF&G area offices located statewide, in addition to vendors located in Valdez and Seward.

Other than a few minor design changes, both the saltwater and freshwater logbooks collected the same information during all three years. Some changes were made to improve or simplify the use of the forms based on operator input, and to improve the capture of client and crew harvest information. Some of the annual design changes in the saltwater logbook were driven primarily by changes or improvements in the collection of halibut and rockfish data, and by requests from the NPFMC for information needed for allocation of halibut. In 2006, both logbooks were redesigned to require reporting of angler license numbers and the harvest and release numbers by angler in an effort to improve reporting and facilitate evaluation of the quality of logbook data. The most significant changes made to the saltwater logbook occurred between 2005 and 2006 (Appendix C).

Changes between the 2005 and 2006 saltwater logbooks included:

- The data page design went from a single page designed to collect information from nine different trips to a data page that collected information from one unique trip per page.
- A section to collect Business and Vessel Information was added. Business and Guide license numbers along with the Alaska Boat Registration number (AK. #) or U.S.C.G. documentation number was recorded on every data page. This information was intended to confirm that the information was associated with the correct business on record, and to validate the vessel registration information.
- A section to collect Trip information was added. Trip information collected the date fished, port or community where clients or fish were off-loaded, total number of clients on the vessel including those that did not fish, targeted species (salmon or bottomfish), primary statistical area fished, maximum number of rods fished, and number of boat hours fished. This design change resulted in more detailed information unique to each trip taken with a group of clients.
- A section to collect Individual Angler and Catch Information was added. In 2006, the collection of halibut information resumed. The new design also required the reporting of individual angler license numbers along with harvest and release numbers by angler in an effort to improve reporting and facilitate evaluation of the quality of logbook data.
- A signature line was added that required the guide who led the trip to sign their name certifying that the information was true and correct to the best of their knowledge.
- A notice statement drafted by the NPFMC was printed within the front cover of the 2006 saltwater logbook. The notice announced that a control date of December 9, 2005 was being established. Those businesses and guides not participating in the Southeast or Southcentral charter halibut industry by this date might not be eligible for future access and/or quota in these fisheries.

No significant changes took place in the freshwater logbook design between 2005 and 2006 (Appendix D).

Changes between the 2006 and 2007 saltwater logbooks include:

- Additional client information was obtained, to indicate if "comped" anglers fished. A "comped" angler was an angler who did not compensate the guide for that charter trip. By including "comped" anglers, the data captured by onsite dockside samplers and data from the logbook census were more comparable, since all anglers on board a charter vessel and their catches were now being counted.
- Vessel AK # or U.S.C.G. documentation numbers were no longer being collected on each data page. The vessel information collected during the logbook assignment to a business on the sign-out sheet was adequate.

No significant changes took place in the freshwater logbook design between 2006 and 2007 (Appendix D).

The changes to the saltwater logbook forms between 2007 and 2008 were in response to requests by the NPFMC in an effort to continue improvement in the collection of halibut information in preparation for a potential IFQ or moratorium program. Changes between the 2007 and 2008 saltwater logbooks include:

- A request to collect information on the port or community where the fishing trip began.
- Indicate the IPHC area fished: 2C, 3A, 3B or 4.
- The collection of the angler's first and last name in addition to the angler license number.
- The number of halibut kept year-to-date (YTD) in IPHC area 2C in anticipation of an annual limit on guided halibut harvest per client. The annual limit was never implemented but this column had already been added and logbooks distributed prior to the decision to not implement an annual halibut limit.
- The signature of an angler on the back side of each trip sheet if that angler kept halibut in 2C as verification of the information provided on the data page.

No significant changes took place in the freshwater logbook between 2007 and 2008 (Appendix D).

Saltwater Logbook Forms

A saltwater logbook consisted of the cover page, schedule of reporting deadlines, one logbook check out sheet to show the business to which the logbook was issued and register the saltwater vessel, a set of instructions for filling out the information on the logbook sheets, and 50 data sheets to record trip information. Data collection on each of the 50 pages consisted of:

- ADF&G business owner license number;
- ADF&G guide license number for the guide leading the trip;
- Date that fishing took place;
- Port or community where fishing began;
- Port or community of off loading,
- Total number of paying clients on the vessel (including those that did not fish, but not including "comped" anglers or crew members that fished);
- Primary statistical area fished while targeting salmon or bottomfish;
- Number of boat hours fished;
- Crew, client, and "comped" angler's current ADF&G sport fishing license or PID (permanent fishing license) number, birthdate of youth anglers under the age of 16;
- First and last name of each client and youth angler;
- Client residency(Alaska resident/nonresident of Alaska);
- A breakdown by fish species kept (and/or released) by each individual angler.

During a saltwater charter trip, the operator must decide if his/her gear or fishing methods are effectively targeting bottomfish, salmon or both. A 6-digit statistical code where most of the fish were caught or targeted is logged for each trip. Statistical maps were provided to the operator upon logbook issuance.

Saltwater species information collected included kept and released information for "large" Chinook (king salmon) 28" and longer and for "small" Chinook (king salmon) less than 28". Also recorded were coho *O. kisutch*, sockeye *O. nerka*, pink *O. gorbuscha*, and chum *O. keta*

salmon, halibut, lingcod, pelagic rockfish, yelloweye, and other nonpelagic rockfish, salmon shark *Lamna ditropis*, and a category for the number of all other species not already listed (Appendix C).

To determine the number of businesses and guides that were "active" in the industry, a cross reference is made to the logbooks to determine if actual guided trips were provided. If ADF&G received at least one charter vessel trip form that reported targeted effort, the charter operation turning in the form was considered an "active" bottomfish or salmon charter operator with an "active" vessel.

Freshwater Logbook Forms

A freshwater logbook consisted of the cover page, schedule of reporting deadlines, one logbook check out sheet to show the business to which the logbook was issued, a freshwater vessel registration page that collects the unique AK # assigned by the Department of Motor Vehicles (DMV) or a United States Coast Guard (USCG) documentation number and primary drainage, a set of instructions for filling out the information on the logbook sheets, and 50 data sheets to record trip information. Data collection on each of the 50 pages consisted of:

- ADF&G guide license number,
- Date that fishing took place,
- Specific name of river, stream or lake fished,
- Site code of site fished as reference within a list provided with each logbook,
- Number of logbook pages used for a specific trip,
- Name of any other species kept,
- Crew, client, and "comped" angler's current ADF&G sport fishing license number, and a youth angler designation for anglers under 16 years of age.
- Client residency,
- A breakdown by fish species kept and released.

Upon acquiring a freshwater logbook, the operator registers all vessels that may be used during the course of the fishing season. Freshwater vessel registration requires that the vessel already have a unique AK # assigned by DMV or a USCG documentation number. Freshwater vessels primarily have AK #'s. The operator must provide the AK # and indicate the primary freshwater drainage where the vessel will operate.

The freshwater logbook does not collect targeted species information like the saltwater logbook, it collects information on species kept and released regardless of what was targeted or sought after. A trip is counted if a logbook data page is submitted with effort information regardless of catch. Freshwater trips are assigned a region of the state based on the name of the site fished, each freshwater site is assigned a unique regional alpha code followed by a numeric code within the region in which it is located (Table 1).

Freshwater information collected were: kept and released numbers for king, coho, and sockeye salmon, cutthroat *O. clarkii*, rainbow and steelhead trout *O. mykiss*, lake trout *Salvelinus namaycush*, Dolly Varden *S. malma*, Arctic grayling *Thymallus arcticus*, northern pike *Esox lucius*, sheefish *Stenodus leucichthys* and a category for the number of all other fish not already listed (Appendix D).

Business operators are allowed to and even encouraged to pick up as many logbooks as they anticipated needing during the course of the season. The ability to acquire as many logbooks as are needed prevents them from having to make multiple trips to an ADF&G office. As a result, numerous businesses ended up getting more logbooks than were eventually used. Because of this, ADF&G differentiates between the number of logbooks issued versus the number that are actually used or activated.

LOGBOOK OUTREACH AND VERIFICATION

In December 2005, the Commissioner of the ADF&G issued a statement that detailed the strategies for assuring the accuracy of reporting of Pacific halibut harvest for the saltwater charter logbook. (Appendix E).

Outreach

An outreach program was initiated to reach as many operators as possible to field questions and to ensure compliance with the reporting requirements. The outreach program was conducted on-site (in the field) by ADF&G employees and off-site from the Anchorage ADF&G office.

On-site Logbook Inspections

Logbook outreach occurred in parts of Southeast and Southcentral regions in conjunction with existing creel survey and port sampling programs. "Courtesy logbook inspections" were conducted as time allowed by ADF&G creel and port sampling technicians during their regular dockside checks of the primary fisheries from May through September. In addition, management staff conducted periodic checks of charter logbooks, mostly in 2006. Logbooks were inspected to make sure that they were filled out correctly, and staff answered any questions about how they should be filled out. These checks were not intended for enforcement or for evaluating the accuracy of data but rather as another opportunity to encourage compliance and completeness and as an indicator of how important logbook data are to ADF&G. These inspections were conducted as time allowed by ADF&G creel and port sampling technicians during their regular dockside checks for the primary fisheries from May through September.

Off-site Logbook Review

The goal of the outreach program was to ensure compliance with all reporting requirements, by emphasizing education early in the season. Off-site outreach was conducted by the Division of Sport Fish, Research and Technical Services (RTS) staff in the Anchorage office. All logbook trip data was subject to a reporting deadline. Logbook data pages were required to be completed and returned to ADF&G on a weekly basis as specified in the instructions of both the saltwater and freshwater logbooks. Timely submission was a requirement to facilitate recall and to allow ADF&G staff to review each data page for completeness and legibility. All logbook data sheets were received by RTS in Anchorage where ADF&G data entry staff date-stamped each data page with the date received, reviewed each page for incomplete, illegible or erroneous information, and conducted phone calls to business owners and guides for follow up and clarification. Calls early in the season were intended to alleviate repeat errors in reporting which were thought to result in fewer calls being necessary later in the fishing season.

As logbook data sheets were received, RTS staff conducted reviews by monitoring all data for completion and legibility prior to data entry. In the event that some of the logbook data sheets required verification from the operator or guide, staff would place phone calls

Phone calls to the business owners and guides significantly improved the quality of the data, minimized reoccurring mistakes by the guide, increased compliance, and contributed to the outreach portion of this program. Logbook data entry staff contacted charter operators to resolve logbook reporting issues and to improve future reporting. These calls were intended to improve data quality and reinforce the message to the guide industry that logbook data are important and are consistently being reviewed. In 2006, 3,011 calls were made to operators, 1,415 in 2007 and 2,160 in 2008. Follow up phone calls have become a valuable outreach tool and will continue to be a standard procedure in the future.

Verification

Logbook data were compared to actual counts of harvested fish (verified) and to reported harvest data (unverified) from onsite interviews. These comparisons are ongoing and are part of a more comprehensive evaluation of logbook data quality (Meyer et al. 2008).

Two unique methods were used to conduct post-season verification of logbook data:

1. A comparison was made between logbook data and guided trip information collected from the Alaska Statewide Harvest Survey (SWHS; Jennings et al. 2007).
2. The data collected from the logbooks was compared to the data collected in the saltwater creel programs administered through ADF&G. Saltwater creel programs include the *Assessment of Recreational Halibut and Groundfish Harvest in Southcentral Alaska* program in Homer, the *Haines Marine Sport Fishery Harvest in Southeast Alaska*(Chapell *In prep*), and the *Harvest estimates for selected marine sport fisheries in Southeast Alaska* (Wendt and Jaenicke *In prep*).

RESULTS

Guide and Business Licensing

In 2006, 1,677 sport fishing businesses and 3,454 guides were licensed with ADF&G. In 2007, 1,695 businesses and 3,531 guides were licensed, and in 2008, 1,659 sport fishing businesses and 3,522 sport fishing guides were licensed with ADF&G to provide sport fishing services in Alaska. The total number of businesses and guides includes all saltwater and freshwater operators. Of the 1,659 sport fishing businesses licensed in 2008, 1,525 were combination owner/guide licenses. Physical addresses of both the businesses and guides in 2008 indicated that 90% of the businesses were Alaska residents, and 10% were from other residency strata (defined as nonresidents), 72% of the guides were residents and 28% were nonresidents.

The licensed businesses and guides were subtotaled by region for Southeast, Southcentral, and Other Alaska, including the Arctic-Yukon-Kuskokwim area and nonresident license applicants.

From 2006 through 2008, an average of 28% of the licensed businesses had physical addresses in Southeast, 57% in Southcentral, 5% had permanent addresses in other parts of Alaska, and 10% had nonresident addresses based on their license applications. From 2006 through 2008, an average of 22% of the licensed guides had permanent addresses in Southeast, while 47% in Southcentral, 4% in other parts of Alaska and 27% had nonresident addresses based on their license applications (Table 2).

Based on the submission of saltwater logbook data pages with trip information in 2006, 777 businesses provided saltwater services and 503 provided freshwater services, and 140 businesses

provided both freshwater and saltwater services. In 2007, 786 businesses provided saltwater services and 513 provided freshwater services and 132 businesses provided both freshwater and saltwater services. In 2008, 766 businesses provided saltwater services and 508 provided freshwater services and 122 businesses provided both freshwater and saltwater services (Table 3 and Table 4).

Table 2.–Number of licensed businesses and guides by region, 2006–2008.

Licensed Businesses [a]			
Region [b]	2006	2007	2008
Southeast	38	39	43
Southcentral	62	70	66
Other Alaska	5	2	2
Resident Total	105	111	111
Other U.S.	25	18	23
Foreign	0	0	0
Nonresident Total	25	18	23
Total business only licenses	130	129	134
Combination Licenses [c]			
Region			
Southeast	432	422	413
Southcentral	891	910	887
Other Alaska	71	74	75
Resident Total	1,394	1,406	1,375
Other U.S.	153	160	150
Foreign	0	0	0
Nonresident Total	153	160	150
Total	1,547	1,566	1,525
Total business only and combination business/guide licenses	1,677	1,695	1,659
Licensed Guides [d]			
Region			
Southeast	346	334	319
Southcentral	731	777	765
Other Alaska	66	75	80
Resident Total	1,143	1,186	1,164
Other U.S.	762	779	831
Foreign	2	0	2
Nonresident Total	764	779	833
Total	1,907	1,965	1,997
Total licensed guides	3,454	3,531	3,522

Note: Data are current as of 07/08/09.

[a] Business only licenses that do not include the owner as a guide.

[b] Region assigned based on physical address indicated at time of licensing.

[c] Combination licenses that include the business and the business owner as the guide.

[d] Guide license only, no business license.

Table 3.–Number of active saltwater businesses and guides by region, 2006–2008.

	Active Businesses[a]			Active Guides[b]		
Region[c]	2006	2007	2008	2006	2007	2008
SE	439	430	429	881	873	860
SC	479	488	459	772	766	740
Total[d]	917	918	888	1,603	1,602	1,562

Note: Data are current as of 07/16/09.

[a] Business counts are based on the business number listed on the signout sheet of a logbook (this can be a business only or a combined business/guide license).

[b] Guide counts are based on the guide number written on each log page (this can be a guide only or a combined business/guide license).

[c] Region is based on the port of offloading, salmon stat area and bottomfish stat area.

[d] Total is not additive because a business or guide could operate in both areas. Includes businesses and guides that offered both saltwater and freshwater services.

Table 4.–Number of active freshwater businesses and guides by region, 2006–2008.

	Active Businesses[a]			Active Guides[b]		
Region[c]	2006	2007	2008	2006	2007	2008
SE	69	73	70	173	177	178
SC	528	528	512	1,224	1,272	1,305
AYK	71	68	69	194	224	222
Site code missing	0	4	7	0	4	7
Total[d]	643	645	630	1,518	1,581	1,636

Note: Data are current as of 07/16/09.

[a] Business counts are based on the business number listed on the signout sheet of a logbook (this can be a business only or a combined business/guide license).

[b] Guide counts are based on the guide number written on each log page (this can be a guide only or a combined business/guide license).

[c] Region is based on the site code provided for the site fished on each log page.

[d] Total is not additive because a business or guide could operate in both areas. Includes businesses and guides that offered both saltwater and freshwater services.

VESSELS

Saltwater

The number of vessels registered to provide saltwater sport fishing charter services was 1,671 in 2006, 1,666 in 2007, and 1,604 in 2008. A vessel, though registered, is not considered "active" unless that vessel was used on a guided trip as indicated by the submission of a logbook data page. Of the 1,671 saltwater vessels registered in 2006, 1,368 were active, of the 1,666 vessels registered in 2007, 1,409 were active, and in 2008 of the 1,604 registered vessels, 1,355 were active in saltwater. Based on the primary port of operation indicated at registration and port of offloading, 746 saltwater vessels operated in Southeast, 621 operated in Southcentral, and 1 vessel operated in both Southeast and Southcentral in 2006. In 2007, 768 saltwater vessels operated in Southeast, 641 operated in Southcentral, and 0 vessels operated in both Southeast and Southcentral. In 2008, 759 saltwater vessels operated in Southeast, 596 operated in Southcentral, and 0 vessels operated in both Southeast and Southcentral (Table 5).

Logbook data indicate that vessels will target all possible species; bottomfish, salmon and both during the course of a fishing season (Table 6).

Table 5.–Number of registered and active saltwater vessels by region, 2006–2008.

	Registered Vessels			Active Vessels		
Region[a]	2006	2007	2008	2006	2007	2008
SE	926	918	907	747	768	759
SC	745	748	697	622	641	596
Total[b]	1,671	1,666	1,604	1,368	1,409	1,355

Note: Data are current as of 07/09/09.

[a] Region is based on primary port of operation listed on sign-out sheet and port of off loading, active is determined by the salmon or bottomfish statistical area.

[b] Total is not additive because vessels can operate in both areas.

Table 6.–Number of active saltwater vessels that made at least one trip in each target category, by region, 2006–2008.

		Target[a]			
Year	Region[b]	Salmon	Bottomfish	Both	No Statistical Area
2006	SE	631	495	637	5
	SC	383	551	486	6
	Total	1,014	1,046	1,123	11
2007	SE	637	494	676	49
	SC	377	576	495	32
	Total	1,014	1,070	1,171	81
2008	SE	623	534	649	56
	SC	325	546	441	22
	Total	948	1,080	1,090	78

Note: Data are current as of 07/09/09.

[a] Target is based on salmon and bottomfish statistical areas.

[b] Region is based on primary port of off loading, salmon statistical area and bottomfish statistical area.

Freshwater

Based on the primary drainage and sites fished, many more freshwater vessels operate in Southcentral than in other regions (Table 7).

Table 7.–Number of registered freshwater vessels by year and region, 2006–2008.

Year	SE	SC	AYK	Unknown	Total[a]
2006	131	1,640	219	98	2,086
2007	131	1,657	239	15	2,041
2008	122	1,738	261	8	2,128

Note: Data are current as of 07/14/09.

[a] Total not additive because a vessel could be registered and operate in more than one region.

TRIPS

Saltwater

Logbook data indicate that 65,671 saltwater charter trips were conducted statewide in 2006, 67,152 trips were conducted in 2007, and 62,006 trips were conducted in 2008. During all three years, a majority of the trips that targeted salmon only occurred in Southeast, whereas, the majority of trips that targeted bottomfish only occurred in Southcentral. During the same three years, operators in Southeast conducted significantly more trips in which both salmon and bottomfish were targeted on the same trip. If a statistical area fished was not provided, no targeted species was assigned (Table 8).

Table 8.–Number of saltwater trips by targeted species by region, 2006–2008.

		Species Targeted[a]				
Year	Region[b]	Salmon[c]	Bottomfish[c]	Both[c]	No Statistical Area	Total
2006	SE	14,309	6,146	18,628	5	39,088
	SC	3,481	15,555	7,537	10	26,583
	Total	17,791	21,702	26,165	15	65,671
2007	SE	12,759	6,144	20,633	62	39,598
	SC	2,876	16,489	8,145	44	27,554
	Total	15,635	22,633	28,778	106	67,152
2008	SE	11,338	7,368	18,634	109	37,449
	SC	2,135	15,733	6,617	72	24,557
	Total	13,473	23,101	25,251	181	62,006

Note: Data are current as of 07/09/09.

[a] Species targeted is based on the provision of salmon and bottomfish statistical areas.

[b] Region is based on the port of offloading, and salmon or bottomfish statistical areas.

[c] The same vessel can make multiple trips targeting either salmon, bottomfish or both.

Freshwater

In 2006, 46,781 freshwater guided fishing trips were taken, 48,697 were taken in 2007, and 48,501 taken in 2008. On average, 84% of the freshwater trips took place in Southcentral, 10% in the Arctic-Yukon-Kuskokwim (AYK) area, and 6% in Southeast (Table 9).

Table 9.–Number of freshwater trips by region, 2006–2008.

	Region[a]			
Year	SE	SC	AYK	Total
2006	3,038	39,512	4,231	46,781
2007	3,256	40,543	4,898	48,697
2008	3,113	40,587	4,801	48,501

Note: Data are current as of 07/16/09.

[a] Region is based on the area code on the site code listed on each log page.

[b] Unknown means the record didn't have a site code listed, thus a region could not be determined.

LOGBOOK TRIP EFFORT AND HARVEST

Statewide saltwater charter trips appear to have decreased in 2008 after a steady increase between 2006 and 2007, the number of angler days fished declined steadily since 2006. For freshwater guided fishing statewide, the number of trips and angler days fished appeared to remain steady with very slight adjustments (Table 10).

SALTWATER

An average of 82% of the saltwater logbooks that were issued were activated (effort or catch reported) each year. From 2006 through 2008, the saltwater logbook collected client residency. Records show that for those three years, 90% of the angler days of effort in the saltwater charter salmon fishery were conducted by nonresident anglers, compared with 8% by residents and 2% by crew, comped anglers or those of unknown residency. Records also indicate that for those three years, 82% of the angler days of effort in the saltwater charter bottomfish fishery were conducted by nonresident anglers, 14% by residents and 4% by crew fishing, comped anglers or those of unknown residency (Tables 11-16).

Based on the number of angler days fished from 2006 through 2008, 69% of the salmon participation took place in Southeast, and 31% in Southcentral. Within that same time period, 42% of the bottomfish participation took place in Southeast, and 58% occurred in Southcentral (Tables 11-16).

From 2006 through 2008 coho and king salmon were the predominant salmon species harvested, making up 67% and 15% respectively of the harvest statewide, with the remaining 18% consisting of a combination of other salmon (Tables 11, 13, 15).

Halibut were the most harvested bottomfish from 2006–2008, with 68% of the total harvest statewide Halibut harvests were 377,366 fish in 2006, 379,473 fish in 2007, and a low of 339,718 fish in 2008. Statewide, 32% of the halibut harvest occurred in Southeast and 68% occurred in Southcentral (Tables 12, 14, 16).

FRESHWATER

On average, 71% of the freshwater logbooks that were issued were actually activated. From 2006 through 2008, 8% of the freshwater participation occurred in Southeast, 84% occurred in Southcentral, and 8% took place in the Alaska-Yukon-Kuskokwim (AYK) or interior Alaska.

For those three years, 90% of the angler days of effort in the freshwater guided fishery were conducted by nonresident anglers, 8% were residents and 2% were crew fishing, comped anglers or those of unknown residency. The highest percent of nonresident fishing occurred in Southcentral.

From 2006 through 2008 coho, sockeye and king salmon were the predominent salmon species, making up 45%, 29% and 20% respectively on average of the harvest statewide, with the remaining 7% consisting of a combination of other salmon (Tables 17-19).

Table 10.–Saltwater and freshwater trips and angler days by region, 2006–2008.

Year	Region[a]	Saltwater		Freshwater	
		Trips	Angler Days	Trips	Angler Days
2006	SE	39,088	154,549	3,038	11,464
	SC	26,583	175,695	39,512	125,055
	AYK	0	0	4,231	10,888
	Total	65,671	330,244	46,781	147,407
2007	SE	39,599	158,551	3,256	11,671
	SC	27,553	163,964	40,543	126,387
	AYK	0	0	4,898	12,262
	Total	67,152	322,515	48,697	150,320
2008	SE	37,449	150,793	3,113	10,730
	SC	24,557	146,717	40,587	126,596
	AYK	0	0	4,801	11,833
	Total	62,006	297,510	48,501	149,159

Note: Data are current as of 08/28/09.

Table 11.–Saltwater salmon effort and harvest by region, 2006.

Region[a]	Type of Angler	Angler Days[b]	King salmon		Coho	Sockeye	Pink	Chum
			Large ≥ 28"	Small < 28"				
SE	Resident	2,028	1,676	29	2,021	7	254	50
	Nonresident	126,010	54,034	1,018	131,943	831	26,738	2556
	Crew	503	30	0	41	56	11	7
	Unknown	1,697	808	15	1,825	4	453	30
	Total	130,238	56,548	1,062	135,830	898	27,456	2,643
SC	Resident	13,250	1,613	102	15,670	106	662	33
	Nonresident	44,086	8,292	476	57,340	619	4,574	287
	Crew	7,560	532	57	3,643	100	227	10
	Unknown	468	26	1	718	14	89	0
	Total	65,364	10,463	636	77,371	839	5,552	330
Total	Resident	15,278	3,289	131	17,691	113	916	83
	Nonresident	170,096	62,326	1,494	189,283	1,450	31,312	2,843
	Crew	8,063	562	57	3,684	156	238	17
	Unknown	2,165	834	16	2,543	18	542	30
	Total	195,602	67,011	1,698	213,201	1,737	33,008	2,973

Note: Data are current as of 07/09/09.

[a] Region is based on the port of offloading, salmon statistical area and bottomfish statistical area.

[b] Angler days totals all anglers who fished on a day when a salmon statistical area was entered, plus angler days where an angler harvested a salmon when a bottomfish statistical area was provided.

Table 12.–Saltwater bottomfish effort and harvest by region, 2006.

Region[a]	Type of Angler	Angler Days[b]	Halibut	Lingcod	Rockfish			Salmon Shark
					Pelagic	Yelloweye	Other Non-Pelagic	
SE	Resident	1,973	2,425	239	433	284	260	0
	Nonresident	100,311	110,050	12,313	37,004	20,255	16,006	60
	Crew	592	176	37	70	6	19	0
	Unknown	1,421	1,771	172	704	222	230	0
	Total	104,297	114,422	12,761	38,211	20,767	16,515	60
SC	Resident	34,662	58,727	2,814	8,123	2,362	917	117
	Nonresident	104,143	175,281	6,835	24,846	4,893	2,072	104
	Crew	19,655	27,708	715	2,182	552	149	3
	Unknown	854	1,228	45	244	64	31	0
	Total	159,314	262,944	10,409	35,395	7,871	3,169	224
Total	Resident	36,635	61,152	3,053	8,556	2,646	1,177	117
	Nonresident	204,454	285,331	19,148	61,850	25,148	18,078	164
	Crew	20,247	27,884	752	2,252	558	168	3
	Unknown	2,275	2,999	217	948	286	261	0
	Total	263,611	377,366	23,170	73,606	28,638	19,684	284

Note: Data are current as of 07/09/09.

[a] Region is based on the port of offloading, bottomfish statistical area and salmon statistical area.

[b] Angler days totals all anglers who fished on a day when a bottomfish statistical area was entered, plus angler days where an angler harvested a bottomfish when a salmon statistical area was provided.

Table 13.–Saltwater salmon effort and harvest by region, 2007.

Region[a]	Type of Angler	Angler Days[b]	King salmon		Coho	Sockeye	Pink	Chum
			Large ≥ 28"	Small < 28"				
SE	Resident	1,892	1,332	13	2,454	4	545	97
	Nonresident	131,423	48,331	1,559	192,163	1,226	68,117	7772
	Comped	206	75	0	181	0	48	2
	Crew	193	27	0	122	8	10	3
	Unknown	476	70	4	576	3	233	32
	Total	134,190	49,835	1,576	195,496	1,241	68,953	7,906
SC	Resident	12,924	1,175	97	20,722	262	720	20
	Nonresident	45,803	6,947	468	70,041	1,196	3,846	204
	Comped	426	60	1	403	4	12	0
	Crew	579	4	0	131	0	8	0
	Unknown	267	15	0	473	1	33	0
	Total	59,999	8,201	566	91,770	1,463	4,619	224
Total	Resident	14,816	2,507	110	23,176	266	1,265	117
	Nonresident	177,226	55,278	2,027	262,204	2,422	71,963	7,976
	Comped	632	135	1	584	4	60	2
	Crew	772	31	0	253	8	18	3
	Unknown	743	85	4	1,049	4	266	32
	Total	194,189	58,036	2,142	287,266	2,704	73,572	8,130

Note: Data are current as of 07/09/09.

[a] Region is based on the port of offloading, salmon statistical area and bottomfish statistical area.

[b] Angler days totals all anglers who fished on a day when a salmon statistical area was entered, plus angler days where an angler harvested a salmon when a bottomfish statistical area was provided.

Table 14.–Saltwater bottomfish effort and harvest by region, 2007.

Region[a]	Type of Angler	Angler Days[b]	Halibut	Lingcod	Rockfish			Salmon Shark
					Pelagic	Yelloweye	Other Non-Pelagic	
SE	Resident	1,747	2,204	159	535	229	286	0
	Nonresident	109,487	120,798	8,429	46,267	19,155	18,078	54
	Comped	176	138	11	48	11	13	0
	Crew	227	79	9	28	18	11	0
	Unknown	314	352	8	92	41	73	0
	Total	111,951	123,571	8,616	46,970	19,454	18,461	54
SC	Resident	34,979	60,016	3,343	11,210	2,475	963	94
	Nonresident	113,337	193,271	11,044	40,488	6,601	2,529	95
	Comped	1,064	1,553	98	393	63	22	0
	Crew	1,166	259	21	60	12	4	0
	Unknown	518	803	66	179	39	8	1
	Total	151,064	255,902	14,572	52,330	9,190	3,526	190
Total	Resident	36,726	62,220	3,502	11,745	2,704	1,249	94
	Nonresident	222,824	314,069	19,473	86,755	25,756	20,607	149
	Comped	1,240	1,691	109	441	74	35	0
	Crew	1,393	338	30	88	30	15	0
	Unknown	832	1,155	74	271	80	81	1
	Total	263,015	379,473	23,188	99,300	28,644	21,987	244

Note: Data are current as of 07/09/09.

[a] Region is based on the port of offloading, bottomfish statistical area and salmon statistical area.

[b] Angler days totals all anglers who fished on a day when a bottomfish statistical area was entered, plus angler days where an angler harvested a bottomfish when a salmon statistical area was provided.

Table 15.–Saltwater salmon effort and harvest by region, 2008.

Region[a]	Type of Angler	Angler Days[b]	King salmon		Coho	Sockeye	Pink	Chum
			Large ≥ 28"	Small < 28"				
SE	Resident	1,762	427	6	1,762	1	371	22
	Nonresident	119,183	20,076	664	122,787	725	46,620	3323
	Comped	129	19	0	81	0	34	3
	Crew	136	6	0	99	0	7	0
	Unknown	476	24	2	343	4	260	9
	Total	121,686	20,552	672	125,072	730	47,292	3,357
SC	Resident	10,336	834	96	12,933	74	904	79
	Nonresident	36,752	4,437	505	47,005	678	4,907	118
	Comped	464	37	9	335	19	44	1
	Crew	763	19	0	164	2	8	1
	Unknown	194	4	2	260	8	10	0
	Total	48,509	5,331	612	60,697	781	5,873	199
Total	Resident	12,098	1,261	102	14,695	75	1,275	101
	Nonresident	155,935	24,513	1,169	169,792	1,403	51,527	3,441
	Comped	593	56	9	416	19	78	4
	Crew	899	25	0	263	2	15	1
	Unknown	670	28	4	603	12	270	9
	Total	170,195	25,883	1,284	185,769	1,511	53,165	3,556

Note: Data are current as of 07/09/09.

[a] Region is based on the port of offloading, salmon statistical area and bottomfish statistical area.

[b] Angler days totals all anglers who fished on a day when a bottomfish statistical area was entered, plus angler days were an angler harvested a salmon when a bottomfish statistical area was provided.

Table 16.–Saltwater bottomfish effort and harvest by region, 2008.

Region[a]	Type of Angler	Angler Days[b]	Halibut	Lingcod	Rockfish			Salmon Shark
					Pelagic	Yelloweye	Other Non-Pelagic	
SE	Resident	1,710	1,819	161	746	265	288	0
	Nonresident	107,631	108,155	7,307	67,901	17,991	20,420	26
	Comped	142	127	7	37	16	30	0
	Crew	164	67	4	92	8	23	0
	Unknown	409	386	20	187	48	149	0
	Total	110,056	110,554	7,499	68,963	18,328	20,910	26
SC	Resident	30,751	52,345	3,538	10,931	2,456	966	37
	Nonresident	102,876	172,889	12,718	39,881	6,458	2,580	31
	Comped	1,374	2,044	232	501	102	53	0
	Crew	1,781	1,281	46	230	34	7	0
	Unknown	391	605	32	138	19	16	0
	Total	137,173	229,164	16,566	51,681	9,069	3,622	68
Total	Resident	32,461	54,164	3,699	11,677	2,721	1,254	37
	Nonresident	210,507	281,044	20,025	107,782	24,449	23,000	57
	Comped	1,516	2,171	239	538	118	83	0
	Crew	1,945	1,348	50	322	42	30	0
	Unknown	800	991	52	325	67	165	0
	Total	247,229	339,718	24,065	120,644	27,397	24,532	94

Note: Data are current as of 07/09/09.

[a] Region is based on the port of offloading, bottomfish statistical area and salmon statistical area.

[b] Angler days counts all anglers who fished on a day when a bottomfish statistical area was entered plus any angler who harvested a bottomfish regardless of whether a bottomfish statistical area was provided.

Table 17.–Freshwater effort and harvest by region, 2006.

Region[a]	Type of Angler	Angler Days	Number Kept							
			King	Coho	Sockeye	Cutthroat	Rainbow	Steelhead	Grayling	Dolly Varden
SE	Resident	106	4	41	30	3	0	0	0	2
	Nonresident	10,970	174	6,849	2,132	109	19	4	25	621
	Crew	179	15	103	91	1	0	0	0	1
	Unknown	209	0	178	21	0	0	0	0	7
	Total	11,464	193	7,171	2,274	113	19	4	25	631
SC	Resident	9,742	2,529	2,467	1,145	0	73	1	0	153
	Nonresident	111,956	20,988	40,480	26,207	6	1426	19	321	1961
	Crew	2,123	55	548	276	1	6	2	0	56
	Unknown	1,234	231	641	448	0	7	0	3	38
	Total	125,055	23,803	44,136	28,076	7	1,512	22	324	2,208
AYK	Resident	883	389	77	255	0	4	0	23	45
	Nonresident	9,573	1,786	3,277	1,013	0	23	0	184	535
	Crew	291	7	5	55	0	0	0	0	14
	Unknown	141	16	79	30	0	0	0	3	0
	Total	10,888	2,198	3,438	1,353	0	27	0	210	594
Total	Resident	10,731	2,922	2,585	1,430	3	77	1	23	200
	Nonresident	132,499	22,948	50,606	29,352	115	1,468	23	530	3,117
	Crew	2,593	77	656	422	2	6	2	0	71
	Unknown	1,584	247	898	499	0	7	0	6	45
	Total	147,407	26,194	54,745	31,703	120	1,558	26	559	3,433

Note: Data are current as of 07/10/09.

[a] Region is based on the SWHS area listed as the first character in the site code.

Table 18.–Freshwater effort and harvest by region, 2007.

Region[a]	Type of Angler	Angler Days	Number Kept										
			King	Coho	Sockeye	Cutthroat	Rainbow	Steelhead	Lake Trout	Grayling	Dolly Varden	Pike	Sheefish
SE	Resident	300	15	205	41	4	0	0	0	0	1	0	0
	Nonresident	11,156	102	6,817	1,979	86	21	27	0	0	1598	0	0
	Comped	44	0	26	28	0	0	0	0	0	0	0	0
	Crew	117	3	105	27	1	0	0	0	0	0	0	0
	Unknown	54	2	25	5	0	0	0	0	0	1	0	0
	Total	11,671	122	7,178	2,080	91	21	27	0	0	1,600	0	0
SC	Resident	11,278	2,429	2,902	1,715	0	198	0	6	4	157	25	0
	Nonresident	112,358	18,675	36,019	35,189	22	2526	62	128	631	3621	147	2
	Comped	572	86	46	107	0	24	0	0	2	69	18	0
	Crew	1,296	52	237	460	1	51	0	0	7	38	4	0
	Unknown	883	131	220	274	0	26	0	0	0	63	2	0
	Total	126,387	21,373	39,424	37,745	23	2,825	62	134	644	3,948	196	2
AYK	Resident	928	426	38	216	0	5	0	2	52	38	40	1
	Nonresident	11,006	1,812	2,660	1,133	0	200	0	10	333	433	101	16
	Comped	125	47	39	20	0	1	0	0	20	17	117	0
	Crew	169	21	35	35	0	24	0	0	3	16	7	0
	Unknown	34	12	0	1	0	1	0	0	6	0	0	0
	Total	12,262	2,318	2,772	1,405	0	231	0	12	414	504	265	17
Total	Resident	12,506	2,870	3,145	1,972	4	203	0	8	56	196	65	1
	Nonresident	134,520	20,589	45,496	38,301	108	2,747	89	138	964	5,652	248	18
	Comped	741	133	111	155	0	25	0	0	22	86	135	0
	Crew	1,582	76	377	522	2	75	0	0	10	54	11	0
	Unknown	971	145	245	280	0	27	0	0	6	64	2	0
	Total	150,320	23,813	49,374	41,230	114	3,077	89	146	1,058	6,052	461	19

Note: Data are current as of 07/10/09.

[a] Region is based on the SWHS area listed as the first character in the site code.

Table 19.–Freshwater effort and harvest by region, 2008.

Region[a]	Type of Angler	Angler Days	Number Kept										
			King	Coho	Sockeye	Cutthroat	Rainbow	Steelhead	Lake Trout	Grayling	Dolly Varden	Pike	Sheefish
SE	Resident	320	16	136	11	5	0	1	0	1	4	0	0
	Nonresident	10,143	69	5,686	1,069	20	7	1	0	0	586	0	0
	Comped	19	0	10	1	0	0	0	0	0	3	0	0
	Crew	197	7	94	4	0	0	0	0	0	4	0	0
	Unknown	51	0	5	2	0	0	0	0	0	5	0	0
	Total	10,730	92	5,931	1,087	25	7	2	0	1	602	0	0
SC	Resident	11,059	2,096	3,388	1,459	0	55	0	3	4	143	179	0
	Nonresident	113,089	16,967	47,724	30,937	0	614	9	159	254	1925	290	1
	Comped	299	38	97	59	0	0	0	0	0	12	3	0
	Crew	1,306	36	344	143	0	3	0	1	1	44	24	0
	Unknown	843	175	243	208	0	2	0	1	0	9	0	0
	Total	126,596	19,312	51,796	32,806	0	674	9	164	259	2,133	496	1
AYK	Resident	860	285	45	46	0	11	0	2	17	14	17	6
	Nonresident	10,828	1,569	2,676	573	0	57	2	3	61	404	52	54
	Comped	7	3	12	2	0	0	0	0	0	3	0	0
	Crew	112	8	30	26	0	10	0	0	5	10	0	0
	Unknown	26	5	0	1	0	0	0	0	0	0	0	0
	Total	11,833	1,870	2,763	648	0	78	2	5	83	431	69	60
Total	Resident	12,239	2,397	3,569	1,516	5	66	1	5	22	161	196	6
	Nonresident	134,060	18,605	56,086	32,579	20	678	12	162	315	2,915	342	55
	Comped	325	41	119	62	0	0	0	0	0	18	3	0
	Crew	1,615	51	468	173	0	13	0	1	6	58	24	0
	Unknown	920	180	248	211	0	2	0	1	0	14	0	0
	Total	149,159	21,274	60,490	34,541	25	759	13	169	343	3,166	565	61

Note: Data are current as of 07/10/09.

[a] Region is based on the SWHS area listed as the first character in the site code.

DISCUSSION

GUIDE AND BUSINESS LICENSING

The 2006 through 2008 ADF&G guide and business licensing process differed from the registration process prior to 2005 in terms of the approach used, fees, and the information collected on license applications. The current licensing approach reflects changes made in 2005 to reflect the new minimum requirements established by HB 452. Guides and businesses offering guided fishing services are now held to a higher standard of compliance than previous to 2005. Violations of the guide licensing statutes or regulations adopted under HB 452 are either violations or misdemeanors, and courts are authorized to revoke the license of the guide or business under certain conditions, such as repeated convictions within a three-year period.

ADF&G no longer collects the information collected in earlier years on the type (saltwater vs. freshwater) and location (regions/subareas) of services. The 2006-2008 licensing processes have been similar and provide a basis for establishing a long-term database of licensed businesses and guides. Charter/guide business and guide licensing still reflects the intent to operate, while actual activity is confirmed by the submission of logbook trip data.

LOGBOOKS

ADF&G initiated a mandatory saltwater charter logbook program in 1998. The BOF adopted regulations requiring annual registration of sport fishing guides and businesses, and logbook reporting. The logbook and registration/licensing program was intended to provide information on actual participation and harvest by individual vessels and businesses.

Recent emphasis from ADF&G management staff and NPFMC on more timely saltwater data spurred discussions on how to hasten logbook data availability. Currently, logbook data entry involves collecting logbook sheets from the guide, entering the logbook data into a logbook database, and editing the data. This process can take RTS from six to eight weeks. Discussions included the possibility of an electronic submission option that would provide data to ADF&G and NPFMC staff in a more timely manner. Any option for a logbook change would have to include a design that is appealing and easy for the guide industry to use, such that they would perceive it as beneficial to a process that they already consider "burdensome." Electronic reporting options were, at first, appealing to fulfill both management needs and halibut management needs for more timely information. Further discussions concluded that electronic reporting would still necessitate the use of a paper version of the logbook due to enforcement and trip recording requirements. Data would still need to be verified for errors, be entered accurately into a database, and be available for onsite inspection. There are currently no options for going "paperless", and no perceived benefit to managers or the industry that would result from the process. The "paperless" approach would require a change in regulation for reporting requirements along with extensive research into the cost of electronic reporting. The discussion for going "paperless" will continue however.

Upon further discussion and research, an alternative approach was considered. ADF&G programmers researched the option of developing a system that would electronically scan the image of a redesigned logbook data page. Scanned images would minimize data entry time but allow for data entry personnel to fix images flagged as unrecognizable, thus maintaining data accuracy and quality. This option is not any more "burdensome" to the industry and would

likely make the weekly reporting requirement more palatable knowing that the data would be more immediately available.

In 2010, a field test of the redesigned saltwater logbooks will be conducted to test the new scannable saltwater logbook data page and scanning software. Upon review of the test data pages and likely adjustments to the design, it is hoped that this new design will be fully adopted and implemented by 2011.

Preliminary results from verification studies comparing the accuracy of logbook harvest data with the statewide harvest survey estimates, and onsite creel programs are favorable. Logbook data will continue to be compared to counts from those two programs. Comparisons are ongoing and are part of a more comprehensive evaluation of logbook data quality. Logbook halibut data has been used extensively. Saltwater and freshwater logbook data have also been used for a variety of regulatory analyses for state managed species.

ACKNOWLEDGEMENTS

Southeast and Southcentral regional and area staff, especially numerous front counter personnel, have been critical to the success of the ADF&G sport fishing guide and business licensing and logbook program. The above staff along with Rob Bentz, Bob Chadwick and Mike Jaenicke from Southeast, Scott Meyer, Matt Miller and Tom Vania from Southcentral, and Tom Taube from Fairbanks have also provided valuable comments during the process of registration and logbook form design.

Doug Vincent-Lang has provided valuable insight on the history of the program and facilitated numerous discussions with NOAA and IPHC. Bob Clark's thoughtful insight and direction has been very much appreciated. We also acknowledge the expertise and infinite patience exhibited by Joanne MacClellan in preparing this report. Her knowledge and willingness to assist is invaluable.

Kirk Brogdon of the division's Research and Technical Services section deserves considerable credit for designing and implementing efficient information management systems for data capture, cleaning, storage, and reporting. These systems, accessible via the division's Intranet, allowed area staff statewide to query the most up-to-date registration and logbook databases via their Internet browser.

Kathy Kush should be acknowledged for her incredible skills in streamlining the licensing process and making sure that all license applications are processed in a timely manner that has allowed the guides and businesses to start operation without delay.

Margaret Nussbaum, Diane Novinska, Jennifer Bond, Mary Yanagawa and several seasonal technicians deserve credit for receiving, entering, and filing the licensing and logbooks forms. With their perseverance, we met reporting deadlines that seemed nearly impossible with available staffing and workloads.

We also acknowledge the cooperation of the thousands of sport fishing guides and sport fishing businesses that licensed and completed their logbooks in a timely and compliant manner.

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APPENDIX A
SPORT FISH BUSINESS OWNER/GUIDE LICENSE APPLICATION

2006 SPORT FISH BUSINESS OWNER/GUIDE LICENSE

License #

Alaska Department of Fish and Game / Division of Sport Fish - RTS
333 Raspberry Road, Anchorage, Alaska 99518-1599
Telephone: (907) 267-2369 or (907) 267-2390
http://www.sf.adfg.state.ak.us/statewide/Guides/guide.cfm

FEES (CHECK ONE):

- ☐ $ 50.00 Guide License only
- ☐ $100.00 Business Owner License only
- ☐ $100.00 Combined Business Owner/Guide License

METHOD OF PAYMENT:

- ☐ Check #: _____
- ☐ Money Order #: _____
- ☐ Cash *(Anchorage, Juneau and Fairbanks offices ONLY)*
- ☐ Credit Card *(Anchorage, Juneau and Fairbanks offices ONLY or Internet)*

Make checks payable to: State of Alaska All fees are nonrefundable. Allow 10-14 days for processing

SEE REVERSE FOR INSTRUCTIONS

SECTION A. TO BE FILLED OUT BY ALL APPLICANTS.

Name of Business Owner or Guide: _____ (Last) _____ (First) _____ (M.I.)
Permanent Mailing Address: _____ (City) (State) (Zip)
Telephone Number: ( ) _____ In-season Telephone Number: ( ) _____
e-mail address if available: _____

SECTION B. TO BE FILLED OUT BY THE BUSINESS OWNER OR THEIR AGENT.

BUSINESS INFORMATION:
Name of Business: _____
Name of Business Owner: _____
State of Alaska Occupational Business License Number: _____ Expiration Date: _____
INSURANCE: *See detailed insurance requirements on back.*
Name of Insurance Company: _____
Policy/Binder #: _____ Effective Dates: From: _____ To: _____
Remember to get a logbook for your business at the nearest ADF&G office prior to commencement of guiding activities.

SECTION C. TO BE FILLED OUT BY THE GUIDE OR THEIR AGENT.

Are you a citizen of the United States, Canada, Mexico or a resident alien? Yes ☐ No ☐
Current First Aid card: Certifying agency: _____ Exp. Date: Mo:____ Yr: _____
2006 Alaska Sport Fishing License # (not your Guide License #): _____
U.S. COAST GUARD OPERATOR'S LICENSE: *(See explanation on back)*
Do you plan to operate a motorized vessel in Navigable Waters? Yes ☐ No ☐ **If yes**, complete the next line.
U. S. Coast Guard Operator's License #: _____ Expiration Date: _____

SIGNATURE OF BUSINESS OWNER/AGENT or GUIDE:
I hereby certify that all information is true and correct and that I understand this information is subject to public disclosure.
X _____ **Circle one:** Applicant or Agent **Date:** _____

This temporary license application, must be signed and stamped by an ADF&G employee and in your possession before guiding activities begin. Keep this temporary license while operating until your permanet wallet-sized card arrives. Allow 10-14 days.

Name of ADF&G Representative *(print)*: _____ **Place of Issue:** _____
Signature: _____ **Date:** _____

Appendix A1.–Sport fish business owner/guide license application, 2006.

2007 SPORT FISH BUSINESS OWNER/GUIDE LICENSE

License #

Alaska Department of Fish and Game / Division of Sport Fish - RTS
333 Raspberry Road, Anchorage, Alaska 99518-1599
Telephone: (907) 267-2369 or (907) 267-2390
http://www.sf.adfg.state.ak.us/statewide/Guides/guide.cfm

CHECK ONE: **All fees are nonrefundable**

- ☐ $50.00 Guide Only License
- ☐ $100.00 Business Only License
- ☐ $100.00 Combined Business/Guide License
- ☐ $50.00 Guide Only Upgrade to Combination Business/Guide License

METHOD OF PAYMENT:

- ☐ Check # :_____ Make checks payable to State of Alaska
- ☐ Money Order #:_____
- ☐ Cash *(Anchorage, Juneau, Fairbanks offices ONLY)*
- ☐ Credit Card *(Anchorage, Juneau, Fairbanks offices ONLY or Internet)*

This is a temporary license good for 14 business days after date signed by Dept Representative

SEE REVERSE FOR INSTRUCTIONS

SECTION A. TO BE FILLED OUT BY ALL APPLICANTS.

Name of Business Owner or Guide: _____ _____ _____
Last *First* *M.I.*

Permanent Mailing Address : _____
City *State* *Zip*

Telephone Number: (___) _____ In-season Telephone Number: (___) _____

e-mail address if available: _____

SECTION B. TO BE FILLED OUT BY THE BUSINESS OWNER OR THEIR AGENT.

BUSINESS INFORMATION:

Name of Business: _____

Name of Business Owner: _____

Alaska Div. of Occupational Business License Number: _____ Expiration Date: _____

INSURANCE: *See detailed insurance requirements on back.*

Name of Insurance Company: _____

Policy/Binder #: _____ Effective Dates: From: _____ To: _____

Remember to get a logbook for your business at the nearest ADF&G office prior to commencement of guiding activities.

SECTION C. TO BE FILLED OUT BY THE GUIDE OR THEIR AGENT.

Are you a citizen of the United States, Canada, Mexico or a resident alien? Yes ☐ No ☐

Current First Aid card: Certifying agency: _____ Exp. Date: Mo: ____ Yr: ____

2007 Alaska Sport Fishing License # (not your Guide License #): _____

U.S. COAST GUARD OPERATOR'S LICENSE: *(See explanation on back)*

Do you plan to operate a motorized vessel in Navigable Waters? Yes ☐ No ☐ **If yes**, complete the next line.

U. S. Coast Guard Operator's License #: _____ Expiration Date: _____

SIGNATURE OF BUSINESS OWNER/AGENT or GUIDE:

I hereby certify that all information is true and correct and that I understand this information is subject to public disclosure.

X _____ **Circle one:** Applicant or Agent **Date:** _____

This temporary license must be signed and stamped by an ADF&G employee and in your possession before guiding activities begin. Keep this temporary license while operating until your permanet wallet-sized card arrives. Allow up to 14 business days.

Name of ADF&G Representative *(print)*: _____ **Place of Issue:** _____

Signature: _____ **Date:** _____

Appendix A2.–Sport fish business owner/guide license application, 2007.

2008 SPORT FISH BUSINESS OWNER/ GUIDE LICENSE APPLICATION

Alaska Department of Fish and Game / Division of Sport Fish - RTS
333 Raspberry Road, Anchorage, Alaska 99518-1599
Telephone: (907) 267-2369 or (907) 267-2390
http://www.sf.adfg.state.ak.us/statewide/Guides/guide.cfm

License #

This TEMPORARY LICENSE is good for 21 business days after date signed by Dept. Representative

CHECK ONE: — Complete Sections

- ☐ $50.00 Guide Only License (A&C)
- ☐ $100.00 Business Only License (A&B)
- ☐ $100.00 Combined Business/Guide License (AB&C)

An agent for this business cannot apply as a guide on a combination license

All fees are nonrefundable

☐ $50.00 Guide Only Upgrade to Combination Business/Guide License

METHOD OF PAYMENT:

- ☐ Check # : _____ *Make checks payable to State of Alaska*
- ☐ Money Order #: _____
- ☐ Cash *(Anchorage, Juneau, Fairbanks offices ONLY)*
- ☐ Credit Card *(Anchorage, Juneau, Fairbanks offices ONLY or Internet)*

SEE REVERSE FOR INSTRUCTIONS

SECTION A. ALL APPLICANTS COMPLETE THIS SECTION.

Name of Business Owner or Guide: _____ (Last / First / MI)

Permanent Mailing Address : _____ (City / State / Zip)

Telephone Number: (___) _____ In-season Telephone Number: (___) _____

Mail the 2008 License Here *(if different)*: _____ (City / State / Zip)

SECTION B. TO BE FILLED OUT BY THE BUSINESS OWNER OR THEIR AGENT.

BUSINESS INFORMATION:

Name of Business: _____

Name of Business Owner: _____

Alaska Div. of Occupational Business License Number: _____ Expiration Date: Mo/Date/Yr

INSURANCE: *See detailed insurance requirements on back.*

Name of Insurance Company: _____

Policy/Binder #: _____ Effective Dates: From: _____ To: _____

Remember to get a logbook for your business at the nearest ADF&G office prior to commencement of guiding activities.

SECTION C. TO BE FILLED OUT BY THE GUIDE OR THEIR AGENT.

Are you a citizen of the United States, Canada, Mexico or a resident alien? Yes ☐ No ☐

Current First Aid card: Certifying agency: _____ Exp. Date: _____

2008 Alaska Sport Fishing License # (not your Guide License #): _____

U.S. COAST GUARD OPERATOR'S LICENSE: *(See explanation on back)*

Do you plan to operate a motorized vessel in Navigable Waters? Yes ☐ No ☐ **If yes**, complete the next line.

U. S. Coast Guard Operator's License #: _____ Exp.Date: Mo/Date/Yr DOB: Mo/Date/Yr

SIGNATURE OF BUSINESS OWNER/AGENT or GUIDE:

I hereby certify that all information is true and correct and that I understand this information is subject to public disclosure. (NOTE: Making a false statement or omitting a material fact, is subject to a maximum penalty of $10,000 or 1 year imprisonment, or both, per AS 11.56.210.)

X _____ **Circle one:** Applicant or Agent **Date:** _____

This temporary license must be signed and stamped by an ADF&G employee and in your possession before guiding activities begin.

Name of ADF&G Representative *(print)*: _____ **Place of Issue:** _____

Signature: _____ **Date:** _____

Appendix A3.–Sport fish business owner/guide license application, 2008.

-continued-

INSTRUCTIONS FOR THE 2008 SPORT FISH BUSINESS OWNER/ GUIDE LICENSE APPLICATION

Attention: *The following will apply without exception:*

1. All applicable sections of the license application must be complete and legible prior to ADF&G validation. No "pending", "unknowns," or blanks will be accepted.
2. Incomplete license applications will be returned, resulting in a processing delay.
3. A signature is required.
4. This is a license application only. A *permanent* license will be mailed within 21 business days.
5. There may be requirements by other state and federal agencies to operate as a guide in Alaska.

INSTRUCTIONS:

SECTION A: ALL applicants must complete this section.

SECTION B: BUSINESS OWNER OR THEIR AGENT - Complete this section if you are the owner/agent of the sport fishing business. This section should be filled out even if the owner does not intend to personally guide clients. An agent for this business **CANNOT** apply as a guide on the same application. A seperate license application must be submitted.

LIABILITY INSURANCE REQUIREMENT: General liability or marine protection that covers at least $100,000 for each incident and $300,000 for all incidents in a year. Insurance must cover **ALL** periods of time when the owner or owner's employees are providing sport fishing services to clients. Insurance must be current, **NOT** pending.

IMPORTANT NOTICE TO BUSINESS OWNERS

State regulation (5 AAC 75.075) requires that all operators providing sport fishing guide services in Alaska must apply annually for a license with the Department of Fish and Game **before** guiding services begin. Business owners are required to register all charter vessels with ADF&G and acquire a logbook prior to commencement of guiding activities. ***Guides hired by an operator must keep a copy of the business license in their possession while guiding.***

SECTION C: GUIDES - Complete this section if you intend to guide for a sport fish operation owned by someone other than you or if you are the business owner who also intends to guide (owner/operator).

U.S. COAST GUARD OPERATOR'S LICENSE: A licensed sport fish guide must have, at minimum, an OUPV or 6-pak U.S.C.G. operator's license in their possession while operating a motorized vessel with clients or transporting clients on a motorized vessel in navigable waters. Navigable waters are determined by the U.S. Coast Guard. Applicant must provide the U.S.C.G. license number, expiration date and date of birth (DOB).

IMPORTANT NOTICE TO GUIDES

State regulation (5 AAC 75.075) requires that all licensed guides providing sport fishing guide services in Alaska must apply annually for a license with the Department of Fish and Game ***before*** guiding activities begin.

WHAT A GUIDE MUST HAVE IN POSSESSION WHILE GUIDING

A sport fish business owner or guide should be able to present all documents required for licensing upon request by a representative of the department of fish and game, or any peace officer of the state. While engaged in providing sport fishing guide services, a sport fishing guide shall have the following readily available for inspection:

- A current sport fishing guide license;
- A copy of the current ADF&G sport fishing business license of the guide's employer;
- A current Alaska sport fishing license, tags, stamps or permits that are required to engage in the sport fishery for which the guide services are providing;
- An identification card issued to the sport fishing guide by a state or federal agency that bears a photo of the sport fishing guide.

Appendix A3.–Page 2 of 2.

APPENDIX B
VESSEL REGISTRATION FORMS, DECALS AND TAGS

ADF&G REPRESENTATIVE:

DO NOT ISSUE A LOGBOOK UNLESS THE APPLICANT HAS THE FOLLOWING:

- 2008 ADF&G Sport Fish Business and Guide License
- Current AK Vessel Number issued by DMV or Current U.S.C.G. Vessel Documentation No.

NONE OF THE ABOVE CAN BE "PENDING"

A logbook issued without the above items will result in a processing delay and a return of the sign-out sheet to the issuing office for your completion and follow-up. Subsequent data sheets will NOT be processed until the information is complete.

2008 ADF&G Sport Fish Business Owner and Guide License applications are available at all ADF&G offices or online at:

http://www.admin.adfg.state.ak.us/license/

AK Vessel Registration # is available from Alaska Div. of Motor Vehicles at (907)269-5551 or online at:

http://www.state.ak.us/local/akpages/ADMIN/dmv/reg/boat.htm

State of Alaska, Department of Fish & Game
Division of Sport Fish - RTS
333 Raspberry Rd.
Anchorage, AK 99518

2008 Saltwater Sport Fish Charter Logbook Sign-Out AND Vessel Registration

Must be completed

INSTRUCTIONS TO ADF&G REPRESENTATIVE: Please forward the white copy of this form to **Sport Fish Research & Technical Services, 333 Raspberry Rd., Anchorage, AK 99518**. ADF&G area offices should keep the pink copy.

SPORT FISH BUSINESS INFORMATION:

Name of Sport Fishing Business: _____

Sport Fish Business Owner License Number (avail. from ADF&G): 08- _____

(A logbook WILL NOT be issued without a current ADF&G Business License Number)

SPORT FISHING CHARTER VESSEL REGISTRATION:

- **DMV issued AK No. or Vessel U.S.C.G. Documentation No.** *(REQUIRED)*: _____
  (A logbook WILL NOT be issued without a current AK or U.S.C.G number)
- **Vessel Name:** _____ *(Put vessel name and AK No. or U.S.C.G # on cover also)*
- **Primary Alaska port from which this vessel will operate during 2008:** _____

DEPARTMENT USE ONLY

- **Did you issue a Stat. Area Map?** YES ☐ NO ☐ **If No, Explain:**
- **ADF&G Representative:** *(print)* _____
- **Area Office:** _____ **Date of Issue:** _____

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Appendix B1.–Saltwater sport fish charter logbook sign-out and vessel registration form, 2008.

LOGBOOK NO.

2008 FRESHWATER SPORT FISH GUIDE

Vessel Registration

NOTE TO ADF&G REPRESENTATIVE

Confirm that the vessel information requested on the bottom of this page is complete. Every vessel that this business is intending to operate while providing sport fishing guided services, must be recorded.

Attach the white (top) copy of this page to the sign-out sheet, whether or not there are registered vessels. Mail the sign-out sheet and the vessel registration page to the Anchorage ADF&G RTS office.

REGISTERING YOUR VESSEL(S)

For each vessel you plan to use to conduct sport fishing guided activities, please fill out the information below.

If a vessel is newly purchased, leased or borrowed at anytime during the guiding season, it must have a current AK Number or a U.S.C.G. documentation number. If a vessel is added midseason, add it to the (pink) portion of this page and turn it in with your final logbook data sheet.

For purposes of vessel registration, vessels are defined as: **rafts, canoes, motorized and nonmotorized water vehicles.**

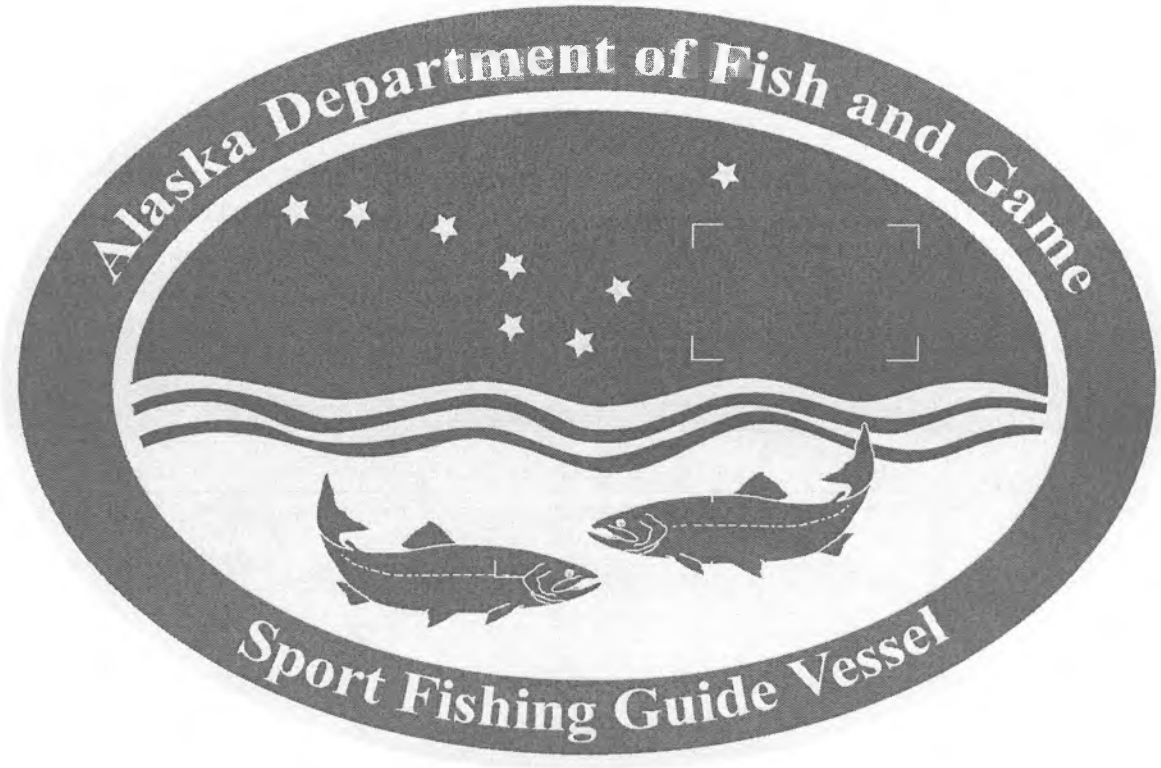
Single person float tubes are exempt from registration.

See page iv for detailed information on vessel registration.

VESSEL AK # (DMV) OR U.S.C.G. VESSEL DOCUMENTATION NO.	PRIMARY AK DRAINAGE/COMMUNITY THE VESSEL WILL OPERATE OUT OF IN 2008

Continue on another sheet if you have more vessels. Transfer the business name and logbook number onto that extra sheet.

Appendix B2.–Freshwater sport fish guide vessel registration form, 2008.



Appendix B3.–Vessel decal, 2006-2008.

Appendix B4.–Vessel tab, 2008.

APPENDIX C
SALTWATER LOGBOOK FORMS

State of Alaska
Department of Fish & Game
Division of Sport Fish

2006 Saltwater Charter Logbook and Vessel Registration

Vessel Name:

Vessel AK. or U.S.C.G. #

Please read the INSTRUCTIONS carefully as reporting requirements have changed.

LOGBOOK INSPECTION

Upon request from any representative of the department or any peace officer of the state, a person is required to present the Alaska Department of Fish and Game Saltwater Sportfishing Charter Vessel Logbook for inspection.

Appendix C1.–Saltwater charter logbook form, 2006.

-continued-

ALASKA DEPARTMENT OF FISH & GAME SALTWATER SPORT FISHING CHARTER TRIP LOGBOOK. LOGBOOK NO:
333 RASPBERRY RD., ANCHORAGE, ALASKA 99518. QUESTIONS: CALL (907) 267-2369.

COMPLETE THIS SECTION FOR EVERY TRIP

INSTRUCTIONS: Complete one row below for each client and crew who fished on this trip.

BUSINESS AND VESSEL INFORMATION

- 2006 ADF&G BUSINESS OWNER LICENSE #: _____ *(License assigned to you by ADF&G)*
- 2006 ADF&G GUIDE LICENSE #: _____ *(If same as Business Owner license #, write down same #).*
- VESSEL AK. OR U.S.C.G #: _____

TRIP INFORMATION

- DATE OF OFF-LOADING: MO: _____ DAY: _____, 2006. *(Date that fish or clients were offloaded from vessel).*
- PORT OR SITE OF OFF-LOADING: _____ *(Port or Site where fish or clients were off-loaded from vessel).*
- TOTAL NO. CLIENTS ON THE VESSEL: _____ *(Include those that did not fish).*
- PRIMARY STAT AREA, NO. OF RODS FISHED & BOAT HOURS:

Targeted Species	Primary Stat. Area where most fish were caught. (6-digit Code)	Max. no. of Rods Fished	No. of Boat Hours Fished this Trip
Salmon			
Bottomfish			

- DAY NO. _____ OF _____. (NO. OF CALENDAR DAYS FOR A MULTI-DAY TRIP).
- PAGE NO. _____ OF _____. (TOTAL NO. OF PAGES FOR THIS TRIP).

RETURN LOGBOOK REPORTS WEEKLY

- LOGBOOK TRIP REPORTS MUST BE COMPLETED AFTER EACH TRIP BEFORE OFF-LOADING ANY CLIENTS OR FISH. (SEE PG. ## FOR NO DOCKING FACILITIES)
- RETURN COMPLETED TRIP SHEETS PER THE WEEKLY SCHEDULE PRINTED ON THE INSIDE OF THE FRONT COVER.
- LOGBOOK TRIP SHEETS MUST BE RECIEVED BY ADF&G OFFICES OR POSTMARKED BY THE DATE SPECIFIED ON THE SCHEDULE WITHIN THIS LOGBOOK.

Form 11-540 (01-2006)

INDIVIDUAL ANGLER AND CATCH INFORMATION

Sport Fishing License Number of each Client and Crew Fishing OR Record those anglers under 16 as "Youth Angler"(#1, #2 etc.)	Circle next to each license if Resident, Nonresident or Crew	Number of King Salmon: 28" and Larger (Kept)	Number of King Salmon: 28" and Larger (Rele)	Number of King Salmon: "Shakers" Less Than 28" (Kept)	Number of King Salmon: "Shakers" Less Than 28" (Rele)	Number of Other Salmon: Coho (Kept)	Number of Other Salmon: Coho (Rele)	Number of Other Salmon: Sockeye (Kept)	Number of Other Salmon: Pink (Kept)	Number of Other Salmon: Chum (Kept)	Number of Halibut (Kept)	Number of Halibut (Rele)	Number of Lingcod (Kept)	Number of Lingcod (Rele)	Number of Pelagic Rockfish (black bass, etc.) (Kept)	Number of Pelagic Rockfish (black bass, etc.) (Rele)	Number of Yelloweye Rockfish (Kept)	Number of Yelloweye Rockfish (Rele)	Number of Nonpelagic Rockfish (excluding Yelloweye) (Kept)	Number of Nonpelagic Rockfish (excluding Yelloweye) (Rele)	Number of Salmon Shark (Kept)	Number of Salmon Shark (Rele)	All Other Fish (optional) (Kept)
		Salmon									Bottomfish											

CERTIFICATION: I certify that the information contained in this document is true and correct to the best of my knowledge. X

CONTINUE ON NEXT PAGE IF MORE ANGLERS OR TRIPS.

1

Appendix C1.–Page 2 of 2.

State of Alaska
Department of Fish & Game
Division of Sport Fish

2007 Saltwater Charter Logbook and Vessel Registration

Vessel Name: (THIS LOGBOOK MUST REMAIN WITH THIS VESSEL)	*AND*	*Vessel AK. or U.S.C.G. #:*

Please follow the INSTRUCTIONS carefully as they have changed.

LOGBOOK INSPECTION

Upon request from any representative of the department or any peace officer of the state, a person is required to present this Alaska Department of Fish and Game Saltwater Sportfishing Charter Vessel Logbook for inspection.

Appendix C2.–Saltwater charter logbook form, 2007.

-continued-

ALASKA DEPARTMENT OF FISH & GAME SALTWATER SPORT FISHING CHARTER TRIP LOGBOOK. **LOGBOOK NO:**
333 RASPBERRY RD., ANCHORAGE, ALASKA 99518. QUESTIONS: CALL (907) 267-2369.

COMPLETE THIS SECTION FOR EVERY TRIP

BUSINESS AND VESSEL INFORMATION

⇨ 2007 FISH & GAME BUSINESS OWNER LICENSE #: _____
(License # assigned to you by ADF&G)

⇨ 2007 FISH & GAME GUIDE LICENSE #: _____
(If same as Business Owner license #, write down same #).

TRIP INFORMATION

⇨ DATE FISHED: MO: _____ DAY: _____ , 2007.

⇨ PORT OR COMMUNITY OF OFF-LOADING: _____
(Port or Community where fish or clients were off-loaded from vessel)

⇨ TOTAL NO. PAYING CLIENTS ON THE VESSEL: _____
(Include all paying clients, even those that did not fish and those who did not catch anything)
(DO NOT include "comped" anglers and crew members that fished)

⇨ PRIMARY STAT AREA & BOAT HOURS:

Targeted Species	Primary Stat. Area where most fish were caught. (6-digit Code)	No. of Boat Hours Fished this Trip
Salmon		
Bottomfish		

⇨ PAGE NO. _____ OF _____ (TOTAL NO OF PAGES FOR THIS TRIP)

RETURN LOGBOOK REPORTS WEEKLY

⇨ RETURN COMPLETED TRIP SHEETS PER THE WEEKLY SCHEDULE PRINTED ON THE INSIDE OF THE FRONT COVER.

⇨ LOGBOOK TRIP SHEETS MUST BE RECEIVED BY ADF&G OFFICES OR POSTMARKED BY THE DATE SPECIFIED ON THE SCHEDULE WITHIN THE INSIDE FRONT COVER THIS LOGBOOK.

INSTRUCTIONS: Complete one row below for each client, non paying angler, and crew, who fished on this trip.

INDIVIDUAL ANGLER AND CATCH INFORMATION

Sport Fishing License Number of each Client, Non Paying angler, and Crew THAT FISHED AND Record those anglers under 16 as "Youth Angler"(#1, #2 etc.).	Circle next to each License # Resident, Nonresident, Z for "Comped" or Crew	Number of King Salmon: 28" and Larger (Kept / Rels)	Number of King Salmon: "Shakers" Less Than 28" (Kept / Rels)	Number of Other Salmon: Coho (Kept / Rels)	Number of Other Salmon: Sockeye (Kept)	Number of Other Salmon: Pink (Kept)	Number of Other Salmon: Chum (Kept)	Number of Halibut (Kept / Rels)	Number of Lingcod (Kept / Rels)	Number of Pelagic Rockfish (Kept / Rels)	Number of Yelloweye Rockfish (Kept / Rels)	Number of Nonpelagic Rockfish (Kept / Rels)	Number of Salmon Shark (Kept)	All Other Fish (Kept)
	R N X C													
	R N X C													
	R N X C													
	R N X C													
	R N X C													
	R N X C													
	R N X C													
	R N X C													
	R N X C													
	R N X C													
	R N X C													
	R N X C													

CERTIFICATION: I certify that the information contained in this document is true and correct to the best of my knowledge. X

CONTINUE ON NEXT PAGE IF MORE THAN 12 ANGLERS

Appendix C2.–Page 2 of 2.

State of Alaska
Department of Fish & Game
Division of Sport Fish

2008 Saltwater Charter Logbook and Vessel Registration

Vessel Name: (THIS LOGBOOK MUST REMAIN WITH THIS VESSEL)	***AND***	*Vessel AK. #:* *or* *U.S.C.G. #:*

Please follow the INSTRUCTIONS carefully as they have changed.

LOGBOOK INSPECTION

Upon request from any representative of the Department or any peace officer of the state, a person is required to present this *Alaska Department of Fish and Game Saltwater Sportfishing Charter Vessel Logbook* for inspection.

Appendix C3.–Saltwater charter logbook form, 2008.

-continued-

ALASKA DEPARTMENT OF FISH & GAME 2008 SALTWATER SPORT FISHING CHARTER TRIP LOGBOOK. **LOGBOOK NO.**
333 RASPBERRY RD., ANCHORAGE, ALASKA 99518. QUESTIONS: CALL (907) 267-2369.

COMPLETE THIS SECTION FOR EVERY TRIP

⇨ 2008 FISH & GAME BUSINESS OWNER LICENSE #:

(License # assigned to you by ADF&G).

⇨ 2008 FISH & GAME GUIDE LICENSE #:

TRIP INFORMATION

⇨ DATE FISHED: MO: _____ DAY: _____, 2008.

⇨ PORT OR COMMUNITY WHERE FISHING TRIP BEGAN:

(Port or Community where clients were loaded and trip began)

⇨ PORT OR COMMUNITY OF OFF-LOADING:

(Port or Community where fish or clients were off-loaded from vessel)

⇨ TOTAL NO. PAYING CLIENTS ON THE VESSEL: _____

Include ALL paying clients, even those that did not fish and those who did not catch anything)
DO NOT include "comped" anglers and crew members that fished)

⇨ PRIMARY STAT AREA & BOAT HOURS:

Targeted Species	Primary Stat. Area where most fish were caught. (6-digit Code)	No. of Boat Hours Fished this Trip
Salmon		
Bottomfish		

COMPLETE THE FOLLOWING FOR ALL TRIPS

Circle the IPHC Area Fished If HALIBUT were Kept during this trip: 2C 3A 3B or 4 (Circle Only One)

If HALIBUT were kept in more than one IPHC area during this trip, a separate logbook data sheet must be used for each IPHC area fished.

⇨ PAGE NO._____ OF _____ (TOTAL NO. OF PAGES FOR THIS TRIP)

Form 11-140 (01-2008)

INSTRUCTIONS: Complete one row below for each angler who fished on this trip.

INDIVIDUAL ANGLER AND CATCH INFORMATION

Sport Fishing License Number AND printed name of each angler that fished. OR Record those anglers under 16 by Birthdate (e.g., 8/28/1998) and First & Last Name.	Circle next to each License if Resident, Nonresident, X for "Comped" or Crew	Number of King Salmon: 28" and Larger (Kept / Rele)	Number of King Salmon: "Shakers" Less Than 28" (Kept / Rele)	Number of Other Salmon: Coho (Kept / Rele)	Number of Other Salmon: Sockeye (Kept)	Number of Other Salmon: Pink (Kept)	Number of Other Salmon: Chum (Kept)	Number of Halibut: YTD Kept (x 20)	Number of Halibut (Kept / Rele)	Number of Lingcod (Kept / Rele)	Number of Pelagic Rockfish (Black bass, etc.) (Kept / Rele)	Number of Yelloweye Rockfish (Kept / Rele)	Number of Nonpelagic Rockfish (not including Yelloweye) (Kept / Rele)	Number of Salmon Shark (Kept)	All Other Fish (optional)
		SALMON						BOTTOMFISH							
1.	R N X C														
2.	R N X C														
3.	R N X C														
4.	R N X C														
5.	R N X C														
6.	R N X C														
7.	R N X C														
8.	R N X C														

CERTIFICATION: I certify that the information contained in this document is true and correct to the best of my knowledge. X

CONTINUE ON NEXT PAGE IF MORE THAN 8 ANGLERS.
CHECK IF TRIP INFORMATION IS CONTINUED ON NEXT PAGE: ☐

1

Appendix C3.–Page 2 of 2.

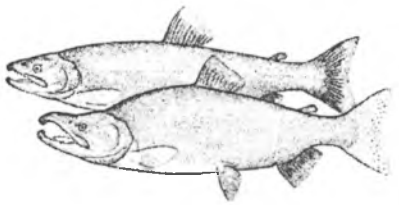
APPENDIX D
FRESHWATER LOGBOOK FORMS

2006 Freshwater Sport Fish Guide Logbook and Vessel Registration

LOGBOOK NO.

BUSINESS NAME

ADF&G BUSINESS LICENSE NO.



Please read the instructions carefully as reporting requirements have changed.

State of Alaska Department of Fish & Game
Division of Sport Fish

LOGBOOK INSPECTION

Upon request from any representative of the department or any peace officer of the state, a person is required to present the Alaska Department of Fish and Game Freshwater Sport Fish Guide Logbook for inspection.

Appendix D1.–Freshwater guide logbook form, 2006.

-continued-

Alaska Department of Fish & Game

Freshwater Sport Fish Trip Logbook

LOG BOOK #

333 RASPBERRY ROAD, ANCHORAGE, AK 99518 • QUESTIONS (907) 267-2369

Logbook pages must be received at ADF&G offices (or postmarked) by the date specified on the inside cover

RIVER / STREAM / LAKE (SPECIFY) _____ OF _____ TOTAL PAGES FOR THIS TRIP

SITE CODE _____ DATE _____

GUIDE LICENSE # _____ * WRITE-IN OTHER SPECIES HERE

SPORTFISH LICENSE #		SALMON			TROUT			OTHER		
List for each person fishing. Anglers under 16, enter as "Youth #1," etc.	KEPT / RELEASED	KING	COHO	SOCKEYE	CUTTHROAT	RAINBOW	STEELHEAD	A. GRAYLING	D. VARDEN	*
CIRCLE APPROPRIATE STATUS NON-RESIDENT RESIDENT CREW										
N R C	K									
	R									
N R C	K									
	R									
N R C	K									
	R									
N R C	K									
	R									
N R C	K									
	R									
N R C	K									
	R									
N R C	K									
	R									
N R C	K									
	R									
N R C	K									
	R									

GUIDE SIGNATURE: I CERTIFY THIS DOCUMENT IS CORRECT TO THE BEST OF MY KNOWLEDGE

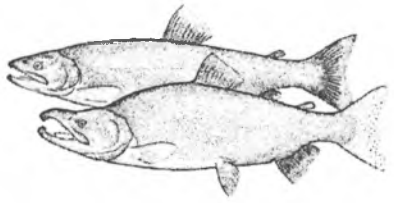
Appendix D1.–Page 2 of 2.

2007 Freshwater Sport Fish Guide Logbook and Vessel Registration

LOGBOOK NO.

BUSINESS NAME

ADF&G BUSINESS OWNER'S LICENSE NO.



Please follow the instructions carefully as they have changed.

State of Alaska Department of Fish & Game
Division of Sport Fish

LOGBOOK INSPECTION

Upon request from any representative of the department or any peace officer of the state, a person is required to present this Alaska Department of Fish and Game Freshwater Sport Fish Guide Logbook for inspection.

Appendix D2.–Freshwater guide logbook form, 2007.

-continued-

Alaska Department of Fish & Game

2007 Freshwater Sport Fish Trip Logbook

RETURN TO: 333 RASPBERRY ROAD, ANCHORAGE, AK 99518 • QUESTIONS: (907) 267-2369

LOGBOOK NO. _____

TRIP INFORMATION

ADF&G GUIDE LICENSE #: _____

DATE FISHED: _____ (Month) _____ (Day), 2007

_____
RIVER/STREAM/LAKE (SPECIFY)

_____
SITE CODE *(REFER TO SITE CODE LIST)*

PAGE NO. _____ OF _____
TOTAL NO OF PAGES FOR THIS TRIP

_____
* WRITE IN OTHER SPECIES HERE

Sport Fish License Number of each Client, Nonpaying angler, and Crew THAT FISHED AND Record all those anglers under 16 as "Youth Angler" (#1, #2 etc.)	Circle next to each License if Resident, Nonresident, X for "Comped" or Crew				KEPT / RELEASED	SALMON			TROUT				OTHER				
						KING	COHO	SOCKEYE	CUTTHROAT	RAINBOW	STEELHEAD	LAKE TROUT	DOLLY VARDEN	ARCTIC GRAYLING	NORTHERN PIKE	SHEEFISH	*
	R	N	X	C	K												
					R												
	R	N	X	C	K												
					R												
	R	N	X	C	K												
					R												
	R	N	X	C	K												
					R												
	R	N	X	C	K												
					R												
	R	N	X	C	K												
					R												
	R	N	X	C	K												
					R												

CERTIFICATION: I certify that the information contained in this document is true and correct to the best of my knowledge. X _____ (LEAVE SIGNATURE)

CONTINUE ON NEXT PAGE IF MORE THAN 6 ANGLERS.

RETURN WHITE COPY TO ADF&G

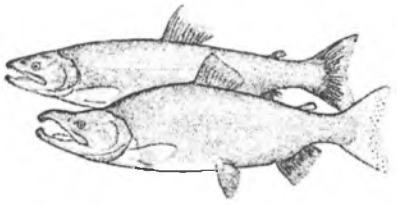
Appendix D2.–Page 2 of 2.

2008 Freshwater Sport Fish Guide Logbook and Vessel Registration

LOGBOOK NO.

BUSINESS NAME

ADF&G BUSINESS OWNER'S LICENSE NO.



Please follow the instructions carefully as they have changed.

State of Alaska Department of Fish & Game
Division of Sport Fish

LOGBOOK INSPECTION

Upon request from any representative of the Department or any peace officer of the state, a person is required to present this Alaska Department of Fish and Game Freshwater Sportfishing Guide Logbook for inspection.

Appendix D3.–Freshwater guide logbook form, 2008.

-continued-

Alaska Department of Fish & Game

2008 Freshwater Sport Fish Trip Logbook

RETURN TO: 333 RASPBERRY ROAD, ANCHORAGE, AK 99518 • QUESTIONS: (907) 267-2369

LOGBOOK NO. _____

TRIP INFORMATION

ADF&G GUIDE LICENSE #: _____

DATE FISHED: _____ (Month) _____ (Day), 2008

_____
RIVER / STREAM / LAKE (SPECIFY)

_____
SITE CODE *(REFER TO SITE CODE LIST)*

PAGE NO. _____ OF _____

TOTAL NO OF PAGES FOR THIS TRIP ↑

_____
* WRITE IN OTHER SPECIES HERE

Sport Fish License Number of each Client, Nonpaying angler, and Crew THAT FISHED AND Record all those anglers under 16 as "Youth Angler" (#1, #2 etc.)	Circle next to each License if Resident, Nonresident, X for "Comped" or C for Crew	KEPT / RELEASED	SALMON: KING	SALMON: COHO	SALMON: SOCKEYE	TROUT: CUTTHROAT	TROUT: RAINBOW	TROUT: STEELHEAD	TROUT: LAKE TROUT	OTHER: DOLLY VARDEN	OTHER: ARCTIC GRAYLING	OTHER: NORTHERN PIKE	OTHER: SHEEFISH	OTHER: *
	R N X C	K					KEPT							
		R					RELEASED							
	R N X C	K					KEPT							
		R					RELEASED							
	R N X C	K					KEPT							
		R					RELEASED							
	R N X C	K					KEPT							
		R					RELEASED							
	R N X C	K					KEPT							
		R					RELEASED							
	R N X C	K					KEPT							
		R					RELEASED							

CERTIFICATION: I certify that the information contained in this document is true and correct to the best of my knowledge. X _____

CONTINUE ON NEXT PAGE IF MORE THAN 6 ANGLERS.

RETURN WHITE COPY TO ADF&G

Appendix D3.–Page 2 of 2.

APPENDIX E
ADF&G COMMISSIONER STATEMENT

Conceptual Strategies for Assuring the Accuracy of Reporting of Pacific Halibut Harvest for the 2006 ADF&G Saltwater Charter Logbook

The Alaska Department of Fish and Game is going to reinstate the reporting of Pacific halibut harvest in the Saltwater Charter Logbook program for 2006. The following conceptual ideas are currently being considered as implementation strategies to address the need for accurate reporting of the harvest of Pacific halibut by saltwater charters:

- Reporting of kept and released for Pacific halibut will be at the level of the individual chartered client (angler).
- Unique identification information for each client will be required and will be reported with the associated kept and released information for each fish species. One of the following identifiers will be used to identify each client and their trip characteristics: (1) ADF&G Sport Fishing License number; (2) Permanent Identification Card number; (3) Disabled Veterans License number; or (4) name for underage anglers (or possibly identified by accompanying adult's license number). Collecting this information will enable cross-verification (charter operator versus client) of logbook information (see next bullet).
- Off-site (cross-) verification will involve follow-up mail surveys of chartered anglers, using the identifying information provided in the logbook reports, combined with the ADF&G license databases.
- Mandatory recording of all information for each chartered trip before clients and harvest are offloaded at the end of the trip.
- Reporting (i.e., turning in charter logbook sheets) will occur on a weekly basis. Weekly reporting will enable timely feedback to charter operators regarding possible reporting errors and omissions, so for example incomplete and missing data in logbooks (e.g., statistical areas missing digits, port of landing missing, no effort information recorded, etc.) can then be addressed in a timely and accurate manner.
- Dock-side creel surveys will provide verification of the number of clients and numbers of Pacific halibut kept will occur for a random subsample of locations and charter trips for a yet-to-be determined portion of saltwater charter trips in Southeast and Southcentral Alaska. Verification will involve direct counting of clients upon offloading, and direct observation and counting of harvested halibut.
- Stricter penalties for logbook violations were implemented in 2004 when the legislature passed guide licensing and reporting provisions.

As noted above these ideas are conceptual in nature, and specific implementation details are under development and subject to change.

Appendix E1.–December 2005 ADF&G commissioner statement detailing strategies for reporting of Pacific halibut harvest for the saltwater charter logbook.

APPENDIX F
SALTWATER LOGBOOK SUMMARIES BY AREA AND PORT OF OFFLOADING

Appendix F1.–Saltwater logbook salmon participation, effort, kept and released by area and port of offloading, Southeast Alaska, 2006.

Area	Port of Offloading	Businesses[a]	Vessels[a]	Trips	Angler Days	King Salmon ≥ 28" Kept	King Salmon ≥ 28" Released	King Salmon < 28" Kept	King Salmon < 28" Released	Coho Kept	Coho Released	Sockeye Kept	Pink Kept	Chum Kept
A	Cedars Lodge	8	8	44	183	82	18	2	17	131	1	0	46	16
A	Clover Pass	13	16	343	1,322	543	69	3	152	3,359	107	6	432	186
A	Ketchikan	67	84	3,466	15,069	3,125	339	243	2,163	7,067	452	65	6,981	447
A	Knudson Cove	21	27	1,542	6,508	1,024	124	40	1,244	2,094	51	44	1,837	145
A	Salmon Falls	4	12	320	1,077	223	68	5	409	1,484	34	12	729	55
A	Salmon Landing	4	18	554	2,037	33	6	5	26	44	5	2	407	11
A	Other	16	37	1,134	3,357	461	75	14	523	872	17	6	410	299
B	Coffman Cove	5	6	216	932	305	41	11	132	198	8	0	65	22
B	Craig	32	68	2,469	8,400	4,640	940	22	137	10,845	197	10	1,430	30
B	Klawock	9	17	559	1,835	878	151	1	7	3,604	29	6	837	22
B	Thorne Bay	6	9	256	974	244	74	5	113	489	22	2	305	5
B	Whale Pass	6	11	231	772	192	40	7	331	92	13	0	51	1
B	Other	28	76	4,604	17,987	8,822	1,344	35	1,128	22,827	393	15	4,062	118
C	Kake	4	4	10	40	0	1	0	3	29	5	0	0	0
C	Petersburg	29	32	826	3,289	513	73	63	42	1,353	176	0	184	26
C	Wrangell	15	14	285	1,101	220	59	7	130	74	8	1	18	0
C	Other	5	9	258	940	155	18	2	37	185	18	0	26	0
D	Crescent Harbor	6	6	103	391	304	67	1	19	316	2	1	8	3
D	Port Alexander	6	6	169	605	330	144	0	10	497	83	204	15	0
D	Sitka	127	204	10,973	44,194	27,945	7,889	102	1,542	49,759	763	294	3,291	317
D	Tenakee	4	4	66	236	79	19	0	35	527	0	0	18	21
D	Other	11	27	829	2,989	1,255	235	13	103	3,391	192	28	512	129
E	Angoon	7	8	151	541	70	11	0	106	1,340	6	0	126	12
E	Auke Bay	42	50	2,311	10,286	792	60	66	1,081	6,657	277	87	1,867	445
E	Fishermans Bend	4	4	104	475	27	18	2	183	415	23	12	53	16
E	Juneau	26	40	532	2,123	193	55	5	142	1,432	90	9	444	38
E	Shelter Island	4	9	353	1,351	138	23	20	215	1,481	18	29	544	83
E	Other	15	27	1,025	3,924	554	41	13	708	5,660	142	4	540	80
F	Skagway	6	9	379	1,389	267	94	263	830	8	1	0	0	2
F	Haines	4	4	131	453	33	7	76	191	2	0	0	2	0
G	Bartlett Cove	10	17	191	715	109	14	7	6	172	13	1	32	0
G	Elfin Cove	14	25	1,360	5,471	1,913	524	4	190	4,442	94	15	386	33
G	Gustavus	16	23	1,109	4,420	258	87	8	60	2,311	53	15	1,019	26
G	Hoonah	19	21	925	3,942	122	33	9	76	1,103	247	17	372	35
G	Pelican	11	12	188	569	367	50	1	54	433	8	7	104	4
G	Other	6	8	250	995	65	9	1	20	474	62	2	290	13
H	Yakutat	9	14	796	3,533	258	32	6	19	655	14	2	8	3
	Other SE	2	2	26	124	9	3	0	0	8	0	2	5	0
SE Total		439	747	39,088	154,549	56,548	12,855	1,062	12,184	135,830	3,624	898	27,456	2,643

Note: Participation (number of businesses, vessels, trips, and angler days) was determined by number of trips, not by targeted species. Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 07/15/09.

[a] Business and vessel regional and total counts are not additive as they can offload at various ports.

Appendix F2.–Saltwater logbook salmon participation, effort, kept and released by area and port of offloading, Southcentral Alaska, 2006.

Area	Port of Offloading	Businesses[a]	Vessels[a]	Trips	Angler Days	King Salmon ≥ 28"		King Salmon < 28"		Coho		Sockeye Kept	Pink Kept	Chum Kept
						Kept	Released	Kept	Released	Kept	Released			
J	Cordova	9	12	203	857	0	0	0	0	492	296	5	122	111
J	Seward	102	142	5,439	42,681	1,057	57	176	90	44,892	422	126	1,163	39
J	Valdez	44	50	1,832	9,992	52	5	35	24	12,647	257	31	552	14
J	Whittier	28	30	637	3,247	8	8	8	3	900	36	156	113	20
J	Other	5	7	96	500	0	0	0	0	463	59	1	24	4
P	Anchor Point	48	53	1,682	10,137	623	23	20	6	737	5	24	422	7
P	Deep Creek	89	114	4,233	27,109	1,146	71	47	9	143	0	6	63	1
P	Homer	167	196	7,476	58,222	2,162	103	135	67	6,079	88	89	1,666	55
P	Ninilchik	20	24	511	2,924	176	12	2	0	5	0	2	7	3
P	Seldovia	7	7	140	803	5	0	1	0	79	3	1	38	4
P	Other	10	22	626	2,286	372	17	21	0	633	83	1	27	0
Q	Anton Larsen Bay	8	8	62	313	153	1	1	1	18	0	0	10	0
Q	Kodiak	35	35	1,155	6,258	2,693	49	118	30	3,120	101	26	821	14
Q	Larsen Bay	9	20	520	2,104	109	33	3	18	1,787	278	20	63	19
Q	Old Harbor	4	9	368	1,317	723	57	6	3	678	21	7	68	18
Q	Port Lions	9	9	350	1,512	897	34	28	10	892	300	5	65	5
Q	Ugak Bay	4	5	68	354	79	2	0	0	130	28	0	18	1
Q	Other	26	40	783	2,893	204	56	35	9	2,729	517	338	239	11
R	Other	11	14	175	636	2	0	0	0	65	28	1	4	3
	Other SC	4	8	227	1,550	2	0	0	0	882	10	0	67	1
SC Total		479	622	26,583	175,695	10,463	528	636	270	77,371	2,532	839	5,552	330

Note: Participation (number of businesses, vessels, trips, and angler days) was determined by number of trips, not by targeted species. Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 07/15/09.

[a] Business and vessel regional and total counts are not additive as they can offload at various ports.

Appendix F3.–Saltwater logbook salmon participation, effort, kept and released by region, statewide, 2006.

Region	Businesses	Vessels	Trips	Angler Days	King Salmon ≥ 28"		King Salmon < 28"		Coho		Sockeye Kept	Pink Kept	Chum Kept
					Kept	Released	Kept	Released	Kept	Released			
SE Total	439	747	39,088	154,549	56,548	12,855	1,062	12,184	135,830	3,624	898	27,456	2,643
SC Total	479	622	26,583	175,695	10,463	528	636	270	77,371	2,532	839	5,552	330
Total	917	1,368	65,671	330,244	67,011	13,383	1,698	12,454	213,201	6,156	1,737	33,008	2,973

Note: Participation (number of businesses, vessels, trips, and angler days) was determined by number of trips, not by targeted species. Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 07/15/09.

Appendix F4.–Saltwater logbook bottomfish participation, effort, kept and released by area and port of offloading, Southeast Alaska, 2006.

Area	Port of	Businesses[a]	Vessels[a]	Trips	Angler Days	Halibut		Lingcod		Rockfish						Salmon Shark	
										Pelagic		Yelloweye		Other Non-Pelagic			
						Kept	Released	Kept	Released	Kept	Released	Kept	Released	Kept	Released	Kept	Released
A	Cedars Lodge	8	8	44	183	231	77	11	1	0	0	21	0	1	2	0	0
A	Clover Pass	13	16	343	1,322	1,972	667	107	48	220	1	118	2	69	0	0	0
A	Ketchikan	67	84	3,466	15,069	5,581	2,264	330	253	798	494	711	118	1,319	646	2	41
A	Knudson Cove	21	27	1,542	6,508	913	128	13	3	69	26	90	3	167	17	11	5
A	Salmon Falls	4	12	320	1,077	890	124	26	5	49	2	34	0	91	3	0	0
A	Salmon Landing	4	18	554	2,037	385	185	3	2	220	84	456	44	783	127	0	0
A	Other	16	37	1,134	3,357	968	509	15	8	539	200	564	13	863	115	0	15
B	Coffman Cove	5	6	216	932	1,590	353	4	0	138	10	41	2	149	13	0	0
B	Craig	32	68	2,469	8,400	11,935	4,601	1,766	891	2,214	604	2,393	138	2,174	218	0	2
B	Klawock	9	17	559	1,835	3,303	1,330	403	212	1,460	302	153	33	932	390	0	1
B	Thorne Bay	6	9	256	974	650	203	79	80	160	137	288	16	232	29	0	0
B	Whale Pass	6	11	231	772	630	97	33	7	73	7	17	0	131	8	0	0
B	Other	28	76	4,604	17,987	19,971	6,036	3,124	1,579	5,187	3,475	3,651	181	3,119	1,713	7	6
C	Kake	4	4	10	40	15	6	0	3	14	25	2	0	1	2	0	0
C	Petersburg	29	32	826	3,289	3,270	4,303	29	54	234	188	136	22	116	56	0	0
C	Wrangell	15	14	285	1,101	588	455	16	6	63	105	34	29	90	159	0	0
C	Other	5	9	258	940	1,473	904	8	33	98	75	32	2	22	5	0	0
D	Crescent Harbor	6	6	103	391	78	32	31	30	53	10	46	0	14	0	0	0
D	Port Alexander	6	6	169	605	469	358	26	303	16	244	147	11	4	28	0	0
D	Sitka	127	204	10,973	44,194	30,527	6,649	4,473	6,902	19,768	4,033	9,735	676	3,883	565	15	26
D	Tenakee	4	4	66	236	365	99	0	0	17	41	8	6	11	79	0	0
D	Other	11	27	829	2,989	3,015	387	171	206	1,083	1,349	292	28	361	256	0	1
E	Angoon	7	8	151	541	485	121	2	0	45	1	20	2	40	8	0	0
E	Auke Bay	42	50	2,311	10,286	2,327	1,376	4	7	307	19	63	5	290	10	0	0
E	Fishermans Bend	4	4	104	475	214	738	0	0	0	28	2	0	0	33	0	0
E	Juneau	26	40	532	2,123	1,005	1,100	30	48	386	81	55	9	65	37	0	0
E	Shelter Island	4	9	353	1,351	1,239	614	1	1	226	0	14	0	184	0	0	0
E	Other	15	27	1,025	3,924	4,122	1,720	37	81	514	42	213	9	170	21	0	0
F	Skagway	6	9	379	1,389	11	11	0	0	6	0	0	0	15	72	0	0
F	Haines	4	4	131	453	86	35	0	0	2	0	0	0	6	0	0	0
G	Bartlett Cove	10	17	191	715	677	720	50	82	25	31	22	1	9	12	0	0
G	Elfin Cove	14	25	1,360	5,471	3,890	3,568	614	3,097	1,706	2,173	996	131	800	103	21	11
G	Gustavus	16	23	1,109	4,420	4,186	6,222	113	294	52	105	78	2	63	10	4	2
G	Hoonah	19	21	925	3,942	2,819	5,515	2	5	45	21	23	2	36	47	0	0
G	Pelican	11	12	188	569	616	225	33	356	192	268	139	20	55	39	0	0
G	Other	6	8	250	995	390	114	0	2	4	39	0	3	0	0	0	0
H	Yakutat	9	14	796	3,533	3,356	859	1,185	986	2,059	397	139	2	250	17	0	2
	Other SE	2	2	26	124	180	21	22	7	169	0	34	0	0	0	0	0
SE Total		439	747	39,088	154,549	114,422	52,726	12,761	15,592	38,211	14,617	20,767	1,510	16,515	4,840	60	112

Note: Participation (number of businesses, vessels, trips, and angler days) was determined by number of trips, not by targeted species. Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 07/15/09.

[a] Business and vessel regional and total counts are not additive as they can offload at various ports.

Appendix F5.–Saltwater logbook bottomfish participation, effort, kept and released by area and port of offloading, Southcentral Alaska, 2006.

										Rockfish							
					Angler	Halibut		Lingcod		Pelagic		Yelloweye		Other Non-Pelagic		Salmon Shark	
Area	Port of Offloading	Businesses[a]	Vessels[a]	Trips	Days	Kept	Released	Kept	Released	Kept	Released	Kept	Released	Kept	Released	Kept	Released
J	Cordova	9	12	203	857	581	325	123	109	302	76	127	23	83	2	2	9
J	Seward	102	142	5,439	42,681	47,866	26,680	4,327	3,683	19,924	4,446	3,898	182	1,691	373	15	34
J	Valdez	44	50	1,832	9,992	9,335	8,575	1,830	1,223	1,480	122	1,349	124	310	39	171	58
J	Whittier	28	30	637	3,247	3,724	2,805	324	228	505	77	753	20	340	27	8	4
J	Other	5	7	96	500	501	248	18	15	94	40	99	4	70	7	5	1
P	Anchor Point	48	53	1,682	10,137	18,525	21,212	225	212	66	19	47	4	7	0	2	15
P	Deep Creek	89	114	4,233	27,109	49,889	64,178	32	6	11	0	9	0	2	0	2	7
P	Homer	167	196	7,476	58,222	102,442	171,735	2,362	1,391	4,288	1,474	814	54	311	126	4	161
P	Ninilchik	20	24	511	2,924	5,361	5,522	0	0	0	0	0	0	0	0	9	0
P	Seldovia	7	7	140	803	1,297	1,189	34	25	15	12	36	1	0	2	1	13
P	Other	10	22	626	2,286	3,315	4,411	1	50	33	210	1	0	0	0	0	0
Q	Anton Larsen Bay	8	8	62	313	505	379	0	1	10	64	0	0	0	0	0	0
Q	Kodiak	35	35	1,155	6,258	9,141	5,356	619	133	4,182	1,719	148	4	100	37	1	13
Q	Larsen Bay	9	20	520	2,104	2,710	6,830	68	93	545	119	54	0	30	0	2	3
Q	Old Harbor	4	9	368	1,317	1,323	772	60	19	558	227	177	5	52	2	0	0
Q	Port Lions	9	9	350	1,512	1,496	1,495	8	5	401	429	9	0	27	0	0	0
Q	Ugak Bay	4	5	68	354	203	133	15	18	152	265	0	0	2	5	0	0
Q	Other	26	40	783	2,893	2,940	2,789	238	121	374	742	100	27	11	78	1	8
R	Other	11	14	175	636	779	1,021	1	2	85	393	5	0	2	0	1	4
	Other SC	4	8	227	1,550	1,011	152	124	82	2,370	29	245	8	131	7	0	1
SC Total		479	622	26,583	175,695	262,944	325,807	10,409	7,416	35,395	10,463	7,871	456	3,169	705	224	331

Note: Participation (number of businesses, vessels, trips, and angler days) was determined by number of trips, not by targeted species. Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 07/15/09.

[a] Business and vessel regional and total counts are not additive as they can offload at various ports.

Appendix F6.–Saltwater logbook bottomfish participation, effort, kept and released by region, statewide, 2006.

										Rockfish							
					Angler	Halibut		Lingcod		Pelagic		Yelloweye		Other Non-Pelagic		Salmon Shark	
Region	Businesses	Vessels	Trips	Days	Kept	Released	Kept	Released	Kept	Released	Kept	Released	Kept	Released	Kept	Released	
SE Total	439	747	39,088	154,549	114,422	52,726	12,761	15,592	38,211	14,617	20,767	1,510	16,515	4,840	60	112	
SC Total	479	622	26,583	175,695	262,944	325,807	10,409	7,416	35,395	10,463	7,871	456	3,169	705	224	331	
Total	917	1,368	65,671	330,244	377,366	378,533	23,170	23,008	73,606	25,080	28,638	1,966	19,684	5,545	284	443	

Note: Participation (number of businesses, vessels, trips, and angler days) was determined by number of trips, not by targeted species. Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 07/15/09.

Appendix F7.–Saltwater logbook salmon participation, effort, kept and released by area and port of offloading, Southeast Alaska, 2007.

Area	Port of Offloading	Businesses[a]	Vessels[a]	Trips	Angler Days	King Salmon ≥ 28"		King Salmon < 28"		Coho		Sockeye	Pink	Chum
						Kept	Released	Kept	Released	Kept	Released	Kept	Kept	Kept
A	Bar Harbor	4	4	49	162	36	8	1	24	73	3	0	153	7
A	Clover Pass	10	12	217	866	297	32	0	127	2,973	12	39	1,336	73
A	Ketchikan	72	101	4,531	19,351	2,931	365	390	2,839	14,191	331	154	23,383	1,280
A	Knudson Cove	21	29	1,301	5,585	765	93	20	1,115	3,330	88	46	7,563	706
A	Salmon Falls	4	17	434	1,405	274	35	9	280	3,673	36	47	3,453	364
A	Salmon Landing	4	10	302	1,130	20	1	6	20	34	0	0	202	21
A	Thomas Basin	5	8	185	620	16	1	0	5	45	9	0	174	6
A	Other	11	35	906	2,262	420	116	25	336	1,571	12	23	878	270
B	Coffman Cove	6	7	222	941	164	26	19	269	1,099	3	2	146	9
B	Craig	35	76	2,572	8,874	4,169	464	56	122	24,338	521	34	1,761	222
B	El Capitan Lodge	6	13	505	2,043	552	15	51	14	5,253	40	1	269	97
B	Klawock	11	21	696	2,256	627	37	0	10	6,347	83	0	850	94
B	Point Baker	4	5	100	443	0	0	0	0	57	1	1	429	1
B	Thorne Bay	7	9	273	1,014	139	16	2	220	1,256	0	2	538	51
B	Whale Pass	7	10	187	625	121	39	27	254	1,104	61	7	112	11
B	Other	18	59	3,669	14,363	5,938	701	122	789	22,664	199	97	9,342	472
C	Kake	5	7	59	205	1	0	0	1	150	3	0	128	17
C	Petersburg	28	35	819	3,317	405	12	19	22	1,087	224	7	880	22
C	Wrangell	11	10	244	955	235	33	20	74	452	41	5	61	7
C	Other	7	9	278	1,070	151	7	8	27	666	15	0	492	9
D	Crescent Harbor	4	5	222	833	552	15	2	31	1,152	6	2	101	15
D	Port Alexander	7	7	219	780	297	59	0	7	1,484	124	234	20	9
D	Sitka	117	195	10,746	43,907	24,886	3,589	347	1,378	73,644	1,426	288	5,871	1,126
D	Other	12	29	830	2,816	1,093	115	6	170	4,721	73	2	888	169
E	Angoon	9	11	369	1,299	221	52	3	402	1,549	31	1	273	54
E	Auke Bay	37	47	2,452	10,998	1,096	138	61	954	4,220	121	95	1,863	1,542
E	Juneau	27	40	415	1,582	120	66	3	65	579	33	4	106	29
E	Other	14	28	1,076	4,034	549	57	51	643	3,478	89	38	1,537	491
F	Skagway	5	7	406	1,421	179	91	100	669	0	0	0	4	2
F	Haines	4	4	108	375	70	0	127	125	0	0	0	3	0
G	Bartlett Cove	6	15	269	1,081	106	5	16	11	157	4	0	88	0
G	Elfin Cove	12	25	1,276	5,249	2,011	402	61	277	4,514	59	26	1,192	74
G	Gustavus	19	30	1,306	5,285	574	131	1	109	2,415	39	45	1,662	110
G	Hoonah	19	25	1,002	4,419	141	67	0	328	967	197	4	413	152
G	Pelican	6	8	220	742	337	46	12	39	758	17	2	68	6
G	Other	6	8	309	2,709	57	25	7	105	3,089	45	4	2,650	386
H	Yakutat	7	13	816	3,482	285	15	4	20	2,363	8	31	64	2
	Other SE	3	4	9	52	0	0	0	0	48	86	0	0	0
SE Total		430	768	39,599	158,551	49,835	6,874	1,576	11,881	195,501	4,040	1,241	68,953	7,906

Note: Participation (number of businesses, vessels, trips, and angler days) was determined by number of trips, not by targeted species. Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 07/15/09.

[a] Business and vessel regional and total counts are not additive as they can offload at various ports.

Appendix F8.–Saltwater logbook salmon participation, effort, kept and released by area and port of offloading, Southcentral Alaska, 2007.

Area	Port of Offloading	Businesses[a]	Vessels[a]	Trips	Angler Days	King Salmon ≥ 28"		King Salmon < 28"		Coho		Sockeye	Pink	Chum
						Kept	Released	Kept	Released	Kept	Released	Kept	Kept	Kept
J	Chenega	4	4	58	227	12	10	0	0	190	9	0	0	31
J	Cordova	7	9	173	679	1	0	0	0	242	22	1	66	1
J	Seward	104	143	5,700	42,142	661	44	113	47	58,473	803	438	1,760	25
J	Valdez	46	55	1,694	8,549	24	3	26	116	11,224	215	154	571	13
J	Whittier	31	34	753	3,537	19	0	0	3	1,527	588	56	118	64
P	Anchor Point	46	51	1,762	8,905	500	13	7	4	832	3	42	112	2
P	Deep Creek	87	116	4,428	24,327	670	23	21	4	208	1	2	18	0
P	Happy Valley	4	16	637	2,247	414	10	13	3	427	0	4	11	0
P	Homer	165	190	7,506	52,791	1,063	108	101	27	7,183	99	112	806	40
P	Ninilchik	15	15	446	2,139	105	7	0	0	19	0	0	0	0
P	Seldovia	10	11	195	869	4	1	0	0	127	1	5	56	0
P	Other	10	11	62	225	5	0	5	0	83	7	0	0	0
Q	Kodiak	38	38	1,326	6,029	3,661	77	98	21	2,314	102	23	608	20
Q	Larsen Bay	8	18	559	2,157	27	0	2	0	2,242	234	8	38	7
Q	Old Harbor	4	9	370	1,297	474	5	0	0	396	3	25	18	2
Q	Port Lions	10	12	424	1,819	353	20	26	9	1,831	71	8	100	3
Q	Raspberry Island	4	5	54	291	28	3	0	28	282	21	0	46	0
Q	Other	28	41	909	3,239	170	100	154	20	3,168	459	575	158	11
R	Chignik	4	4	16	49	0	0	0	0	10	0	0	0	0
R	Other	13	17	216	797	9	0	0	0	32	0	0	1	0
	Other SC	9	12	265	1,649	1	0	0	0	955	55	10	132	5
SC Total		488	641	27,553	163,964	8,201	424	566	282	91,765	2,693	1,463	4,619	224

Note: Participation (number of businesses, vessels, trips, and angler days) was determined by number of trips, not by targeted species. Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 07/15/09.

[a] Business and vessel regional and total counts are not additive as they can offload at various ports.

Appendix F9.–Saltwater logbook salmon participation, effort, kept and released by region, Statewide, 2007.

Region	Businesses	Vessels	Trips	Angler Days	King Salmon ≥ 28"		King Salmon < 28"		Coho		Sockeye	Pink	Chum
					Kept	Released	Kept	Released	Kept	Released	Kept	Kept	Kept
SE Total	430	768	39,599	158,551	49,835	6,874	1,576	11,881	195,501	4,040	1,241	68,953	7,906
SC Total	488	641	27,553	163,964	8,201	424	566	282	91,765	2,693	1,463	4,619	224
Total	918	1,409	67,152	322,515	58,036	7,298	2,142	12,163	287,266	6,733	2,704	73,572	8,130

Note: Participation (number of businesses, vessels, trips, and angler days) was determined by number of trips, not by targeted species. Data are current as of 07/15/09.

Appendix F10.–Saltwater logbook bottomfish participation, effort, kept and released by area and port of offloading, Southeast Alaska, 2007.

Area	Port of Offloading	Businesses[a]	Vessels[a]	Trips	Angler Days	Halibut		Lingcod		Rockfish						Salmon Shark	
										Pelagic		Yelloweye		Other Non-Pelagic			
						Kept	Released	Kept	Released	Kept	Released	Kept	Released	Kept	Released	Kept	Released
A	Bar Harbor	4	4	49	162	100	32	0	0	6	2	25	5	15	11	0	0
A	Clover Pass	10	12	217	866	1,319	164	83	7	251	0	118	1	41	0	0	0
A	Ketchikan	72	101	4,531	19,351	6,916	3,161	255	166	1,521	565	1,052	133	2,697	572	11	0
A	Knudson Cove	21	29	1,301	5,585	864	59	16	15	139	25	96	1	188	6	0	0
A	Salmon Falls	4	17	434	1,405	1,295	156	27	9	98	3	69	0	329	6	0	0
A	Salmon Landing	4	10	302	1,130	123	5	0	1	453	101	239	1	605	67	0	0
A	Thomas Basin	5	8	185	620	187	34	0	4	35	4	76	0	290	0	2	0
A	Other	11	35	906	2,262	915	75	31	1	376	29	268	10	874	182	0	0
B	Coffman Cove	6	7	222	941	1,633	813	1	2	50	2	45	1	110	1	0	0
B	Craig	35	76	2,572	8,874	13,378	4,786	1,372	1,698	2,236	808	2,048	84	1,418	219	1	0
B	El Capitan Lodge	6	13	505	2,043	2,307	719	174	409	352	582	298	26	225	78	0	0
B	Klawock	11	21	696	2,256	3,890	1,691	331	482	2,191	419	247	65	942	839	0	0
B	Point Baker	4	5	100	443	519	124	56	49	902	165	85	8	496	250	0	0
B	Thorne Bay	7	9	273	1,014	792	213	60	137	213	85	257	16	126	3	0	0
B	Whale Pass	7	10	187	625	392	82	6	0	20	0	12	0	53	4	0	0
B	Other	18	59	3,669	14,363	19,168	2,203	1,410	805	5,637	716	2,287	163	2,551	326	1	0
C	Kake	5	7	59	205	240	150	9	45	350	41	26	0	8	3	0	0
C	Petersburg	28	35	819	3,317	3,483	3,138	22	101	418	63	163	13	174	38	0	0
C	Wrangell	11	10	244	955	536	395	7	6	36	13	21	0	15	2	0	0
C	Other	7	9	278	1,070	1,663	787	17	28	170	11	36	0	59	0	0	0
D	Crescent Harbor	4	5	222	833	574	55	48	115	142	4	230	1	11	0	0	0
D	Port Alexander	7	7	219	780	612	335	26	279	129	957	141	10	26	38	0	0
D	Sitka	117	195	10,746	43,907	30,324	5,243	2,836	10,169	24,131	3,535	9,770	665	4,642	426	16	0
D	Other	12	29	830	2,816	2,564	335	124	93	693	476	268	18	247	35	0	0
E	Angoon	9	11	369	1,299	1,494	1,114	6	0	214	85	14	10	157	6	0	0
E	Auke Bay	37	47	2,452	10,998	3,109	1,457	6	36	300	27	60	5	454	30	3	0
E	Juneau	27	40	415	1,582	656	565	12	45	337	55	83	7	113	33	0	0
E	Other	14	28	1,076	4,034	3,908	1,379	24	16	638	26	174	1	373	17	0	0
F	Skagway	5	7	406	1,421	11	13	0	0	0	1	0	0	0	0	0	0
F	Haines	4	4	108	375	148	56	0	0	0	0	0	0	0	0	0	0
G	Bartlett Cove	6	15	269	1,081	1,222	1,158	52	201	48	16	41	7	7	2	0	0
G	Elfin Cove	12	25	1,276	5,249	4,387	2,435	439	2,469	2,388	1,132	824	62	788	113	13	0
G	Gustavus	19	30	1,306	5,285	6,112	7,714	126	389	425	127	200	16	166	37	7	0
G	Hoonah	19	25	1,002	4,419	3,157	9,153	2	0	49	15	12	1	53	8	0	0
G	Pelican	6	8	220	742	722	70	27	173	193	108	109	16	23	6	0	0
G	Other	6	8	309	2,709	1,812	1,083	4	4	15	13	3	7	4	35	0	0
H	Yakutat	7	13	816	3,482	3,036	755	1,007	908	1,814	178	57	0	181	4	0	0
	Other SE	3	4	9	52	3	0	0	0	0	0	0	0	0	1	0	0
SE Total		430	768	39,599	158,551	123,571	51,707	8,616	18,862	46,970	10,389	19,454	1,353	18,461	3,398	54	0

Note: Participation (number of businesses, vessels, trips, and angler days) was determined by number of trips, not by targeted species. Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent.Data are current as of 07/15/09.

[a] Business and vessel regional and total counts are not additive as they can offload at various ports.

Appendix F11.–Saltwater logbook bottomfish participation, effort, kept and released by area and port of offloading, Southcentral Alaska, 2007.

										Rockfish							
					Angler	Halibut		Lingcod		Pelagic		Yelloweye		Other Non-Pelagic		Salmon Shark	
Area	Port of Offloading	Businesses[a]	Vessels[a]	Trips	Days	Kept	Released	Kept	Released	Kept	Released	Kept	Released	Kept	Released	Kept	Released
J	Chenega	4	4	58	227	339	145	66	190	404	41	35	1	3	0	0	0
J	Cordova	7	9	173	679	594	312	76	49	422	33	99	11	103	21	1	0
J	Seward	104	143	5,700	42,142	53,694	29,272	5,693	4,633	26,299	3,491	4,415	84	1,758	263	24	1
J	Valdez	46	55	1,694	8,549	8,625	9,089	1,963	1,332	2,785	203	1,783	213	401	126	148	0
J	Whittier	31	34	753	3,537	3,328	2,676	284	563	779	912	614	13	211	28	4	1
P	Anchor Point	46	51	1,762	8,905	16,573	22,981	124	257	75	12	26	0	1	0	0	0
P	Deep Creek	87	116	4,428	24,327	45,541	63,804	109	28	98	4	14	6	6	2	2	0
P	Happy Valley	4	16	637	2,247	3,405	3,543	3	0	0	0	0	0	0	0	0	0
P	Homer	165	190	7,506	52,791	97,213	151,973	4,428	2,740	6,624	1,505	951	22	339	36	5	0
P	Ninilchik	15	15	446	2,139	4,012	7,394	0	17	6	2	16	0	0	0	1	0
P	Seldovia	10	11	195	869	1,449	1,611	42	70	12	63	39	5	4	0	0	0
P	Other	10	11	62	225	217	306	4	13	0	0	1	0	0	0	0	0
Q	Kodiak	38	38	1,326	6,029	9,457	6,774	845	119	7,303	2,063	226	24	188	81	3	0
Q	Larsen Bay	8	18	559	2,157	2,794	6,317	61	33	1,183	188	160	7	145	14	0	0
Q	Old Harbor	4	9	370	1,297	1,277	503	113	43	1,513	1,060	208	2	49	33	1	0
Q	Port Lions	10	12	424	1,819	1,827	1,357	70	30	733	441	28	1	71	115	0	0
Q	Raspberry Island	4	5	54	291	212	305	36	15	49	157	0	0	2	9	1	0
Q	Other	28	41	909	3,239	3,430	3,294	542	310	1,254	3,712	186	23	50	62	0	0
R	Chignik	4	4	16	49	73	54	2	0	36	0	0	0	0	0	0	0
R	Other	13	17	216	797	1,072	1,542	5	5	149	553	23	0	4	0	0	0
	Other SC	9	12	265	1,649	770	411	106	131	2,606	249	366	36	191	105	0	0
SC Total		488	641	27,553	163,964	255,902	313,663	14,572	10,578	52,330	14,689	9,190	448	3,526	895	190	2

Note: Participation (number of businesses, vessels, trips, and angler days) was determined by number of trips, not by targeted species. Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 07/15/09.

[a] Business and vessel regional and total counts are not additive as they can offload at various ports.

Appendix F12.–Saltwater logbook bottomfish participation, effort, kept and released by region, statewide, 2007.

					Rockfish											
				Angler	Halibut		Lingcod		Pelagic		Yelloweye		Other Non-Pelagic		Salmon Shark	
Region	Businesses	Vessels	Trips	Days	Kept	Released	Kept	Released	Kept	Released	Kept	Released	Kept	Released	Kept	Released
SE Total	430	768	39,599	158,551	123,571	51,707	8,616	18,862	46,970	10,389	19,454	1,353	18,461	3,398	54	0
SC Total	488	641	27,553	163,964	255,902	313,663	14,572	10,578	52,330	14,689	9,190	448	3,526	895	190	2
Total	918	1,409	67,152	322,515	379,473	365,370	23,188	29,440	99,300	25,078	28,644	1,801	21,987	4,293	244	2

Note: Participation (number of businesses, vessels, trips, and angler days) was determined by number of trips, not by targeted species. Data are current as of 07/15/09.

Appendix F13.–Saltwater logbook salmon participation, effort, kept and released by area and port of offloading, Southeast Alaska, 2008.

Area	Port of Offloading	Businesses[a]	Vessels[a]	Trips	Angler Days	King Salmon ≥ 28"		King Salmon < 28"		Coho		Sockeye	Pink	Chum
						Kept	Released	Kept	Released	Kept	Released	Kept	Kept	Kept
A	Clover Pass	9	10	151	601	109	12	2	58	1,663	7	15	1,095	11
A	Ketchikan	68	98	4,705	19,245	1,406	171	453	2,857	11,167	164	102	18,714	440
A	Knudson Cove	22	24	1,166	5,094	197	59	17	1,143	2,718	37	18	6,553	201
A	Other	17	41	1,198	3,160	314	97	12	631	5,000	32	47	3,979	407
B	Coffman Cove	6	7	150	617	15	12	21	98	314	1	2	85	0
B	Craig	32	70	2,430	8,058	1,076	365	14	171	18,214	381	62	1,083	17
B	El Capitan Lodge	4	11	472	1,840	151	28	4	29	2,874	4	0	11	4
B	Klawock	13	24	690	2,221	199	66	3	22	4,473	55	1	408	13
B	Point Baker	4	5	112	514	2	1	0	1	47	18	0	72	0
B	Port St Nicholas	4	6	79	279	55	1	0	1	581	4	0	5	2
B	Thorne Bay	7	12	293	1,057	19	30	8	327	1,010	25	38	727	12
B	Whale Pass	5	8	159	511	7	11	0	274	234	31	1	23	0
B	Other	21	62	3,701	14,574	1,455	484	19	818	21,243	128	60	4,587	67
C	Petersburg	26	33	790	3,042	221	28	4	70	743	9	1	42	9
C	Wrangell	13	12	223	936	102	20	0	262	202	7	0	18	2
C	Other	9	11	316	1,231	17	15	0	4	252	1	8	46	3
D	Crescent Harbor	5	7	131	504	141	25	0	0	453	1	1	55	2
D	Port Alexander	7	9	154	524	46	19	0	1	400	2	122	30	2
D	Sitka	124	198	10,397	42,517	12,238	5,969	46	1,329	37,502	320	132	4,222	336
D	Other	15	32	715	2,546	661	139	2	42	3,707	234	18	233	88
E	Angoon	11	14	270	983	20	31	1	38	1,086	0	1	146	13
E	Auke Bay	31	41	2,135	9,211	628	173	50	295	1,618	42	44	777	1,041
E	Juneau	30	43	477	1,949	51	47	2	44	329	26	0	103	83
E	Other	12	28	1,059	4,069	85	135	5	86	1,455	33	21	513	93
F1	Skagway	6	6	322	1,082	119	206	0	618	2	0	0	2	5
F2	Haines	4	4	94	301	34	10	0	129	0	0	0	1	1
G	Bartlett Cove	8	17	210	824	4	0	0	0	36	0	0	5	0
G	Elfin Cove	13	27	1,477	5,729	430	90	5	72	2,783	18	18	507	29
G	Excursion Inlet	4	6	155	4,258	55	1	0	1	1,637	3	4	2,624	396
G	Gustavus	18	37	1,338	5,365	201	35	0	61	1,481	12	6	358	15
G	Hoonah	15	20	689	3,112	31	75	0	51	209	77	5	177	53
G	Pelican	10	11	216	729	135	35	0	5	539	2	2	55	3
G	Other	4	6	149	573	16	4	0	5	65	25	0	27	6
H	Yakutat	8	13	815	3,487	307	27	4	139	1,030	2	1	9	3
	Other SE	5	5	11	50	5	0	0	0	5	0	0	0	0
SE Total		429	759	37,449	150,793	20,552	8,421	672	9,682	125,072	1,701	730	47,292	3,357

Note: Participation (number of businesses, vessels, trips, and angler days) was determined by number of trips, not by targeted species. Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 07/15/09.

[a] Business and vessel regional and total counts are not additive as they can offload at various ports.

Appendix F14.–Saltwater logbook salmon participation, effort, kept and released by area and port of offloading, Southcentral Alaska, 2008.

Area	Port of Offloading	Businesses[a]	Vessels[a]	Trips	Angler Days	King Salmon ≥ 28"		King Salmon < 28"		Coho		Sockeye	Pink	Chum
						Kept	Released	Kept	Released	Kept	Released	Kept	Kept	Kept
J	Cordova	5	7	102	349	0	0	0	0	54	18	2	32	4
J	Seward	98	136	5,182	39,091	354	27	57	57	38,711	485	261	2,838	32
J	Valdez	40	47	1,412	7,159	23	4	13	7	6,636	117	35	626	3
J	Whittier	28	31	755	3,726	5	0	1	1	617	114	107	195	93
J	Other	8	10	106	531	4	0	5	2	696	39	6	43	7
P	Anchor Point	44	49	1,419	7,297	222	6	21	10	249	0	7	158	1
P	Deep Creek	75	100	4,196	23,318	387	4	27	3	134	0	1	35	14
P	Homer	144	166	6,461	45,650	657	13	70	10	4,341	21	63	651	9
P	Ninilchik	27	29	487	2,197	89	0	4	0	0	0	0	1	0
P	Seldovia	8	8	176	784	5	0	0	0	104	0	0	35	0
P	Other	10	21	593	2,074	255	11	2	0	540	3	5	52	0
Q	Anton Larsen Bay	6	6	17	66	7	0	0	0	5	0	0	12	0
Q	Kodiak	47	49	1,350	5,839	2,583	120	242	131	3,265	76	16	704	15
Q	Larsen Bay	9	16	461	1,782	116	53	69	71	1,438	37	21	61	0
Q	Port Lions	11	14	329	1,325	190	10	14	16	887	38	7	152	4
Q	Raspberry Island	5	5	73	336	17	40	1	1	63	4	4	46	6
Q	Other	25	40	1,127	3,963	416	60	81	17	2,674	129	246	188	10
R	Other	9	14	176	596	0	0	0	0	55	49	0	1	1
	Other SC	6	9	135	634	1	0	5	0	228	0	0	43	0
SC Total		459	596	24,557	146,717	5,331	348	612	326	60,697	1,130	781	5,873	199

Note: Participation (number of businesses, vessels, trips, and angler days) was determined by number of trips, not by targeted species. Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 07/15/09.

[a] Business and vessel regional and total counts are not additive as they can offload at various ports.

Appendix F15.–Saltwater logbook salmon participation, effort, kept and released by region, Statewide, 2008.

Region	Businesses	Vessels	Trips	Angler Days	King Salmon ≥ 28"		King Salmon < 28"		Coho		Sockeye	Pink	Chum
					Kept	Released	Kept	Released	Kept	Released	Kept	Kept	Kept
SE Total	429	759	37,449	150,793	20,552	8,421	672	9,682	125,072	1,701	730	47,292	3,357
SC Total	459	596	24,557	146,717	5,331	348	612	326	60,697	1,130	781	5,873	199
Total	888	1,355	62,006	297,510	25,883	8,769	1,284	10,008	185,769	2,831	1,511	53,165	3,556

Note: Participation (number of businesses, vessels, trips, and angler days) was determined by number of trips, not by targeted species. Data are current as of 07/15/09.

Appendix F16.–Saltwater logbook bottomfish participation, effort, kept and released by area and port of offloading, Southeast Alaska, 2008.

										Rockfish							
					Angler	Halibut		Lingcod		Pelagic		Yelloweye		Other Non-Pelagic		Salmon Shark	
Area	Port of Offloading	Businesses[a]	Vessels[a]	Trips	Days	Kept	Released	Kept	Released	Kept	Released	Kept	Released	Kept	Released	Kept	Released
A	Clover Pass	9	10	151	601	883	24	17	2	122	0	55	0	11	0	0	0
A	Ketchikan	68	98	4,705	19,245	5,527	2,059	148	165	1,064	276	1,190	103	3,542	366	0	1
A	Knudson Cove	22	24	1,166	5,094	604	89	8	14	50	9	53	4	119	3	0	0
A	Other	17	41	1,198	3,160	1,583	126	45	15	443	18	252	3	534	8	2	0
B	Coffman Cove	6	7	150	617	914	351	3	0	24	1	27	0	107	0	0	0
B	Craig	32	70	2,430	8,058	11,725	5,221	1,114	1,832	5,567	1,122	1,821	179	2,017	661	9	0
B	El Capitan Lodge	4	11	472	1,840	1,887	453	159	336	358	144	577	10	97	22	0	0
B	Klawock	13	24	690	2,221	3,971	1,262	281	448	2,559	415	213	110	851	496	0	0
B	Point Baker	4	5	112	514	439	154	66	101	1,205	319	146	43	385	197	0	0
B	Port St Nicholas	4	6	79	279	412	311	23	17	111	2	37	0	36	9	0	0
B	Thorne Bay	7	12	293	1,057	692	99	44	31	178	11	193	7	269	5	0	0
B	Whale Pass	5	8	159	511	366	127	2	2	24	14	5	0	28	23	0	0
B	Other	21	62	3,701	14,574	17,669	2,584	1,199	1,175	7,332	1,453	2,440	81	2,515	440	0	0
C	Petersburg	26	33	790	3,042	3,346	2,806	10	27	182	77	57	6	54	8	0	0
C	Wrangell	13	12	223	936	429	279	13	11	29	8	24	0	42	7	0	0
C	Other	9	11	316	1,231	1,661	532	33	145	1,982	568	120	20	110	52	0	0
D	Crescent Harbor	5	7	131	504	287	5	7	41	248	4	160	11	33	0	0	0
D	Port Alexander	7	9	154	524	365	120	22	108	183	20	112	6	19	12	0	0
D	Sitka	124	198	10,397	42,517	26,892	3,823	2,360	11,328	37,805	3,663	8,864	565	6,584	605	5	0
D	Other	15	32	715	2,546	1,930	420	66	96	634	666	191	24	313	297	0	0
E	Angoon	11	14	270	983	897	526	2	3	281	17	27	0	262	40	0	0
E	Auke Bay	31	41	2,135	9,211	2,376	1,325	3	4	412	25	54	2	537	19	0	0
E	Juneau	30	43	477	1,949	697	801	2	13	301	73	8	1	153	38	0	0
E	Other	12	28	1,059	4,069	3,964	2,106	25	35	946	11	262	12	500	27	2	0
F1	Skagway	6	6	322	1,082	5	4	0	0	0	0	0	0	0	0	0	0
F2	Haines	4	4	94	301	70	2	0	1	0	0	0	0	0	0	0	0
G	Bartlett Cove	8	17	210	824	730	557	31	105	36	24	13	0	27	8	0	0
G	Elfin Cove	13	27	1,477	5,729	5,198	2,794	458	3,540	4,087	573	1,081	81	1,401	94	6	0
G	Excursion Inlet	4	6	155	4,258	3,908	139	0	1	16	0	2	0	31	2	0	0
G	Gustavus	18	37	1,338	5,365	4,802	4,727	100	438	224	78	122	1	94	4	2	0
G	Hoonah	15	20	689	3,112	2,046	5,292	1	0	26	13	2	5	35	21	0	0
G	Pelican	10	11	216	729	627	107	45	195	164	46	95	8	22	5	0	0
G	Other	4	6	149	573	209	355	0	21	19	1	6	0	10	2	0	0
H	Yakutat	8	13	815	3,487	3,409	529	1,207	486	2,312	25	105	1	165	0	0	0
	Other SE	5	5	11	50	34	2	5	0	39	7	14	4	7	0	0	0
SE Total		429	759	37,449	150,793	110,554	40,111	7,499	20,736	68,963	9,683	18,328	1,287	20,910	3,471	26	1

Note: Participation (number of businesses, vessels, trips, and angler days) was determined by number of trips, not by targeted species. Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 07/15/09.

[a] Business and vessel regional and total counts are not additive as they can offload at various ports.

Appendix F17.–Saltwater logbook bottomfish participation, effort, kept and released by area and port of offloading, Southcentral Alaska, 2008.

										Rockfish							
					Angler	Halibut		Lingcod		Pelagic		Yelloweye		Other Non-Pelagic		Salmon Shark	
Area	Port of Offloading	Businesses[a]	Vessels[a]	Trips	Days	Kept	Released	Kept	Released	Kept	Released	Kept	Released	Kept	Released	Kept	Released
J	Cordova	5	7	102	349	183	53	58	58	309	67	81	6	57	5	1	0
J	Valdez	40	47	1,412	7,159	6,818	4,990	1,886	985	2,153	59	1,470	169	345	27	45	0
J	Seward	98	136	5,182	39,091	50,194	26,642	6,536	4,314	28,723	3,156	4,375	142	2,101	241	10	0
J	Whittier	28	31	755	3,726	4,266	2,854	616	460	1,473	345	702	13	362	126	9	0
J	Other	8	10	106	531	342	197	69	164	289	86	63	19	70	55	0	0
P	Anchor Point	44	49	1,419	7,297	13,813	19,992	409	438	286	18	72	0	2	0	1	0
P	Deep Creek	75	100	4,196	23,318	43,555	60,633	117	47	197	1	16	0	1	0	0	0
P	Homer	144	166	6,461	45,650	82,104	114,970	4,594	2,566	5,861	967	1,016	54	242	35	0	0
P	Ninilchik	27	29	487	2,197	4,088	5,695	5	13	2	1	20	0	0	1	0	0
P	Seldovia	8	8	176	784	1,370	1,814	82	43	22	50	45	10	1	1	0	0
P	Other	10	21	593	2,074	3,163	3,783	2	1	0	0	0	0	0	0	0	0
Q	Anton Larsen Bay	6	6	17	66	88	84	1	0	34	0	0	0	0	0	0	0
Q	Kodiak	47	49	1,350	5,839	8,647	7,169	1,178	350	7,746	1,530	441	4	124	27	1	0
Q	Larsen Bay	9	16	461	1,782	2,692	6,808	48	71	596	178	135	3	74	71	0	0
Q	Port Lions	11	14	329	1,325	1,583	1,096	117	25	593	328	20	1	63	24	0	0
Q	Raspberry Island	5	5	73	336	333	381	39	22	73	131	4	0	19	0	0	0
Q	Other	25	40	1,127	3,963	4,218	4,315	700	500	2,489	2,590	478	15	135	200	0	0
R	Other	9	14	176	596	883	1,361	24	49	131	552	15	1	2	0	0	0
	Other SCI	6	9	135	634	824	267	85	48	704	26	116	16	24	51	1	0
SC Total		459	596	24,557	146,717	229,164	263,104	16,566	10,154	51,681	10,085	9,069	453	3,622	864	68	0

Note: Participation (number of businesses, vessels, trips, and angler days) was determined by number of trips, not by targeted species. Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 07/15/09.

[a] Business and vessel regional and total counts are not additive as they can offload at various ports.

Appendix F18.–Saltwater logbook bottomfish participation, effort, kept and released by region, statewide, 2008.

										Rockfish							
					Angler	Halibut		Lingcod		Pelagic		Yelloweye		Other Non-Pelagic		Salmon Shark	
Region	Businesses	Vessels	Trips	Days	Kept	Released	Kept	Released	Kept	Released	Kept	Released	Kept	Released	Kept	Released	
SE Total	429	759	37,449	150,793	110,554	40,111	7,499	20,736	68,963	9,683	18,328	1,287	20,910	3,471	26	1	
SC Total	459	596	24,557	146,717	229,164	263,104	16,566	10,154	51,681	10,085	9,069	453	3,622	864	68	0	
Total	888	1,355	62,006	297,510	339,718	303,215	24,065	30,890	120,644	19,768	27,397	1,740	24,532	4,335	94	1	

Note: Participation (number of businesses, vessels, trips, and angler days) was determined by number of trips, not by targeted species. Data are current as of 07/15/09.

APPENDIX G
FRESHWATER LOGBOOK SUMMARIES BY AREA

Appendix G1.–Freshwater logbook participation by site code and area, Southeast Alaska, 2006.

Area	Description	Trips	Businesses[a]	Guides[a]	Angler Days				
					Resident	Nonres	Unknown	Crew	Total
A	Other Lakes	75	7	18	0	349	3	0	352
A	Other Streams	99	5	14	0	417	7	0	424
B	Harris River	31	6	9	1	83	4	0	88
B	Staney Creek	52	5	8	0	120	8	0	128
B	Thorne System Stream and Lake	59	8	11	4	131	12	0	147
B	Sweetwater System Stream and Lake	14	4	6	0	44	3	0	47
B	Other Lakes	32	6	9	2	93	0	1	96
B	Other Streams	67	11	19	1	182	9	0	192
C	All Lakes and Streams	55	11	14	0	145	0	2	147
D	Eva Lake and Stream	13	4	9	0	48	0	2	50
D	Unspecified Streams	20	8	13	1	79	0	1	81
D	Baranof Lake (Warm Springs Lake)	34	4	8	0	91	0	1	92
D	Deer Lake (Baranof Island)	10	4	5	0	30	0	0	30
D	Nakwasina Sound Streams	19	5	5	0	78	0	0	78
D	Other Lakes	10	6	8	0	40	0	1	41
D	Other Streams	193	16	42	4	731	0	19	754
E	Admiralty Island Streams	283	10	28	4	1,051	4	0	1,059
E	Other Lakes	27	5	14	0	96	0	0	96
E	Other Streams	412	8	32	9	1,630	3	8	1,650
G	Mud Bay Creek (Chichagof Island)	34	7	10	0	102	0	6	108
G	Trail River (Chichagof Island)	22	5	7	2	114	0	7	123
G	Chicken Creek (Chichagof Island)	6	4	5	0	25	0	2	27
G	North Chichagof Island Streams	10	5	6	0	45	0	7	52
H	Situk River (reach unspecified)	441	5	14	31	955	5	51	1,042
H	Akwe River	94	4	7	17	418	1	42	478
H	Tsiu River	344	4	14	17	1,389	85	3	1,494
H	Other Lakes and Streams	396	8	20	11	1,637	29	26	1,703
	Other Lakes and Streams in SE	186	4	10	2	847	36	0	885
SE Total		3,038	69	173	106	10,970	209	179	11,464

Note: Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 08/07/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G2.–Freshwater logbook participation by site code and area, Southcentral Alaska, 2006.

Area	Description	Trips	Businesses[a]	Guides[a]	Angler Days				
					Resident	Nonres	Unknown	Crew	Total
J	East Prince William Sound Streams	93	4	9	25	433	0	4	462
J	Other Lakes and Streams	12	7	9	6	52	0	1	59
K	Knik Arm Streams	375	13	19	486	853	11	44	1,394
M	Willow Creek	88	13	14	40	146	0	1	187
M	Montana Creek	21	4	5	14	31	0	2	47
M	Clear Creek (Chunilna Creek)	80	9	16	31	276	15	1	323
M	Little Willow Creek	39	9	10	25	101	8	3	137
M	Kashwitna River	54	5	5	79	133	1	9	222
M	Talkeetna River	417	10	31	182	1,489	101	48	1,820
M	Other Lakes and Streams - East Susitna Drainage	72	13	16	24	155	2	4	185
M	Lake Creek	1,072	25	61	240	2,950	39	95	3,324
M	Talachulitna River	392	11	22	159	1,024	7	33	1,223
M	Fish Lake Creek and Fish Lakes	69	6	16	5	156	0	2	163
M	Yentna River Drainage (Remainder)	135	16	25	25	458	0	3	486
M	Yentna River	197	9	23	29	507	2	10	548
M	Deshka River (Kroto Creek) above weir	94	11	14	120	196	5	23	344
M	Deshka River (Kroto Creek) below weir	312	18	26	362	825	31	28	1,246
M	Indian Creek (into Yentna near Fish Lakes)	126	8	21	31	324	1	40	396
M	Other Lakes - West Susitna Drainage	6	4	5	2	22	0	0	24
M	Other Streams - West Susitna Drainage	44	7	10	20	124	0	3	147
M	Other Lakes and Streams	21	5	5	0	82	0	0	82
N	Chuitna River	115	15	27	31	374	1	1	407
N	Big River Lakes	912	16	43	128	3,265	97	7	3,497
N	Crescent Lake	16	8	11	0	74	3	0	77
N	Crescent River (Grecian River)	136	4	6	6	460	3	0	469
N	Kamishak River	162	10	34	2	488	0	5	495
N	Kustatan River	253	17	43	44	1,051	15	12	1,122
N	Bachatna Creek	12	5	7	0	52	0	0	52
N	Other Lakes and Streams	151	10	17	32	438	2	0	472
N	Wolverine Creek (by Big River Lakes)	809	15	42	96	2,887	101	6	3,090
P	Anchor River	52	9	10	0	166	2	4	172
P	Deep Creek	25	5	6	0	103	4	0	107
P	Russian River	88	13	19	10	169	1	2	182
P	Crescent Lake	18	4	7	0	66	4	0	70
P	Quartz Creek	18	6	6	3	46	0	0	49
P	Kasilof River below Highway	1,936	113	151	766	5,670	14	113	6,563
P	Kasilof River above Highway	47	14	15	11	139	2	6	158
P	Kasilof River reach not specified	57	18	21	25	155	2	0	182
P	Other Lakes	73	14	20	9	189	3	26	227
P	Other Streams	145	15	21	34	549	7	12	602

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Area	Description	Trips	Businesses[a]	Guides[a]	Angler Days				
					Resident	Nonres	Unknown	Crew	Total
P	Kenai River - Cook Inlet to Soldotna Bridge	9,026	237	328	3,980	29,029	220	102	33,331
P	Kenai River - Soldotna Bridge to Moose R	836	64	93	266	2,439	28	110	2,843
P	Kenai River - Moose River to Skilak Outlet	1,070	73	100	366	2,949	15	9	3,339
P	Kenai River - Skilak Inlet to Kenai Lake	1,983	43	83	561	5,500	75	97	6,233
P	Kenai River - reach not specified	86	18	19	35	244	4	2	285
Q	Buskin River	17	5	5	0	50	0	4	54
Q	Pasagshak River	15	4	4	0	38	0	11	49
Q	Roadside Streams	84	9	14	8	245	14	5	272
Q	Other Remote Lakes and Streams	351	24	40	34	1,260	5	126	1,425
Q	Roadside Lakes	54	8	12	6	161	0	5	172
Q	Olds River	15	6	6	1	58	0	2	61
Q	Ayakulik River (sometimes called Red River)	263	4	9	107	826	3	18	954
Q	Saltery River	229	7	11	69	752	7	39	867
Q	Browns Lagoon River	15	5	6	3	42	2	2	49
Q	Afognak Island Lakes and Streams	12	6	8	2	48	0	6	56
Q	Chiniak River	6	4	4	0	20	0	4	24
Q	Zachar Bay Streams	41	5	13	9	106	1	8	124
Q	Karluk Lake and River above Weir	205	9	19	7	941	14	24	986
Q	Karluk Lagoon and River below Weir	139	12	19	13	723	42	17	795
Q	Other Streams	26	4	7	0	77	1	8	86
R	Naknek River and Tributaries	560	27	62	103	1,310	4	126	1,543
R	Naknek Lake	61	6	11	19	214	0	1	234
R	Brooks River	346	20	75	29	793	5	21	848
R	Ugashik System	62	11	26	0	180	2	4	186
R	Becharof System	369	20	58	13	1,087	12	17	1,129
R	Brooks Lake	28	10	15	2	73	2	0	77
R	Chignik River	58	6	11	31	121	28	1	181
R	American Creek	460	20	62	59	1,180	4	15	1,258
R	Naknek River (Rapids Camp upstream to Naknek Lk)	478	14	38	38	1,072	12	83	1,205
R	Naknek River (dwnstream from Rapids Camp)	299	12	31	33	653	3	67	756
R	Other Alaska Peninsula / Aleutian Lakes and Streams	480	20	46	5	1,645	6	25	1,681
R	Other Streams	91	15	28	3	413	0	1	417
S	Kvichak River	973	26	100	101	2,026	24	9	2,160
S	Lower Talarik Creek	51	10	19	0	165	0	0	165
S	Copper River (Lake Iliamna Area)	569	14	36	19	1,251	11	1	1,282
S	Newhalen River	97	8	23	8	265	1	1	275
S	Alagnak (Branch) River	2,202	26	120	49	4,939	9	96	5,093
S	Lake Clark	81	7	21	2	245	0	0	247
S	Iliamna River	158	5	16	5	418	4	4	431
S	Kukaklek Lake	7	4	5	0	24	0	0	24
S	Kulik River	419	12	59	37	1,094	2	1	1,134
S	Iliamna Lake	74	8	24	3	216	4	0	223

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Area	Description	Trips	Businesses[a]	Guides[a]	Angler Days				
					Resident	Nonres	Unknown	Crew	Total
S	Nonvianuk Lake	30	10	15	7	58	0	0	65
S	Nonvianuk River (into Alagnak)	208	14	50	7	554	0	69	630
S	Tazimina River	68	7	22	3	164	1	0	168
S	Moraine Creek	645	22	107	30	1,522	23	56	1,631
S	Battle River	108	10	27	2	274	1	4	281
S	Funnel Creek	52	10	18	3	109	0	0	112
S	Nanuktuk Creek	103	13	33	8	231	0	0	239
S	Long Lake	26	5	8	1	86	0	0	87
S	Kijik River	21	4	10	0	72	0	0	72
S	Kijik Lake	9	4	7	0	28	0	0	28
S	Gibraltar River	145	10	27	8	321	0	1	330
S	Kukaklek River (Big Ku) (into Alagnak)	427	14	55	36	863	5	1	905
S	Little Kulik (into Nanuktuk Creek)	26	6	12	0	59	0	0	59
S	Other Lakes and Streams	17	6	9	0	41	0	0	41
T	Nushagak River System	226	22	34	17	552	4	66	639
T	Wood River Lakes System	265	10	50	3	627	6	5	641
T	Tikchik-Nuyakuk Lake System	138	8	24	7	271	3	1	282
T	Togiak River System	1,173	10	61	19	2,419	34	13	2,485
T	Mulchatna River	97	14	22	19	359	11	27	416
T	Agulowak River	499	9	45	5	1,019	8	3	1,035
T	Aleknagik Lake	150	5	22	1	367	4	2	374
T	Kulukak River	155	4	12	2	324	3	0	329
T	Agulukpak River	304	10	43	3	593	2	1	599
T	Nushagak River - upstream of Mulchatna River	368	15	46	5	734	0	2	741
T	Wood River	51	4	16	5	131	1	0	137
T	Nushagak River - Black Point to Sonar Site	1,225	32	110	210	3,443	34	56	3,743
T	Nushagak River - Sonar Site to Mulchatna	1,506	38	134	196	4,386	38	196	4,816
T	Other Lakes and Streams	232	8	22	0	461	5	0	466
	Other Lakes and Streams in SC	98	3	4	17	318	3	0	338
SC total		39,512	528	1,224	9,742	111,956	1,234	2,123	125,055

Note: Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 08/07/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G3.–Freshwater logbook participation by site code and area, AYK Alaska, 2006.

Area	Description	Trips	Businesses[a]	Guides[a]	Angler Days				
					Resident	Nonres	Unknown	Crew	Total
I	Tonsina River (Lower Tonsina River)	13	5	7	7	36	0	8	51
I	Klutina River	476	10	22	434	1,104	26	50	1,614
I	Gulkana River (reach unspecified)	29	4	5	47	56	3	3	109
I	Gulkana River (West Fork to Highway)	211	16	25	123	591	6	45	765
U	Tanana River	40	4	6	47	75	0	0	122
U	Other Lakes and Streams	132	6	12	48	482	5	19	554
V	Kanektok River (Quinhagak, Chosen)	1,428	8	51	42	2,846	8	5	2,901
V	Goodnews River	422	6	15	2	789	0	1	792
V	Holitna River	208	7	21	4	588	0	0	592
V	Other Streams - Kuskokwim Drainage below Aniak	336	6	19	31	742	2	121	896
V	Other Streams - Kuskowim Bay	132	5	16	0	289	4	10	303
V	Other Lakes and Streams	8	4	7	0	20	0	0	20
W	Streams of Seward Peninsula/Norton Sound	407	7	15	62	945	13	10	1,030
X	Streams of Northwest Alaska	53	5	5	4	172	0	11	187
Y	Streams of the Yukon River Drainage	333	6	14	32	832	74	8	946
	Other Lakes and Streams in AYK	3	2	2	0	6	0	0	6
AYK Total		4,231	71	194	883	9,573	141	291	10,888

Note: Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 08/07/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G4.–Freshwater logbook participation by region, 2006.

Region	Trips	Businesses[a]	Guides[a]	Angler Days				
				Resident	Nonres	Unknown	Crew	Total
SE	3,038	69	173	106	10,970	209	179	11,464
SC	39,512	528	1,224	9,742	111,956	1,234	2,123	125,055
AYK	4,231	71	194	883	9,573	141	291	10,888
Total	46,781	643	1,518	10,731	132,499	1,584	2,593	147,407

Note: Data are current as of 08/07/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G5.–Freshwater logbook effort and species kept by area and site, Southeast Alaska 2006.

Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Dolly Varden	Grayling
			King	Coho	Sockeye					
A	Other Lakes	352	0	2	0	23	0	0	3	0
A	Other Streams	424	0	45	0	0	0	0	24	0
B	Harris River	88	0	4	0	0	0	0	0	0
B	Staney Creek	128	0	3	0	0	0	0	0	0
B	Thorne System Stream and Lake	147	0	49	0	0	0	0	13	0
B	Sweetwater System Stream and Lake	47	0	20	39	1	0	0	0	0
B	Other Lakes	96	0	24	2	0	0	0	7	0
B	Other Streams	192	0	37	9	0	1	0	3	0
C	All Lakes and Streams	147	0	22	0	11	4	0	3	0
D	Eva Lake and Stream	50	0	2	0	2	0	0	9	0
D	Unspecified Streams	81	0	19	0	2	0	0	53	0
D	Baranof Lake (Warm Springs Lake)	92	0	0	0	0	2	0	0	0
D	Deer Lake (Baranof Island)	30	0	39	0	0	2	0	1	0
D	Nakwasina Sound Streams	78	0	66	0	0	0	0	3	0
D	Other Lakes	41	0	0	24	7	0	0	0	0
D	Other Streams	754	0	20	14	17	7	0	52	1
E	Admiralty Island Streams	1,059	0	105	0	0	0	0	174	12
E	Other Lakes	96	0	28	0	7	0	0	16	0
E	Other Streams	1,650	0	77	24	3	0	0	5	0
G	Mud Bay Creek (Chichagof Island)	108	0	1	0	0	3	0	4	0
G	Trail River (Chichagof Island)	123	0	0	0	0	0	0	0	0
G	Chicken Creek (Chichagof Island)	27	0	0	0	0	0	2	12	0
G	North Chichagof Island Streams	52	0	81	5	0	0	0	13	0
H	Situk River (reach unspecified)	1,042	79	680	1,432	1	0	0	28	0
H	Akwe River	478	74	793	2	16	0	0	37	0
H	Tsiu River	1,494	0	3,179	0	0	0	2	5	0
H	Other Lakes and Streams	1,703	34	1,857	373	0	0	0	1	0
	Other Lakes and Streams in SE	885	6	18	350	23	0	0	165	12
SE Total		11,464	193	7,171	2,274	113	19	4	631	25

Note: Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 08/07/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G6.–Freshwater logbook effort and species released by area and site, Southeast Alaska 2006.

Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Dolly Varden	Grayling
			King	Coho	Sockeye					
A	Other Lakes	352	0	2	4	1,326	34	0	352	23
A	Other Streams	424	4	26	0	74	119	1	192	0
B	Harris River	88	0	23	0	6	0	1	223	0
B	Staney Creek	128	0	25	1	7	3	20	237	0
B	Thorne System Stream and Lake	147	0	28	4	62	17	20	535	0
B	Sweetwater System Stream and Lake	47	0	0	98	11	2	0	3	0
B	Other Lakes	96	0	8	7	68	5	0	114	0
B	Other Streams	192	0	12	95	240	106	23	334	0
C	All Lakes and Streams	147	26	16	23	272	55	51	102	0
D	Eva Lake and Stream	50	0	0	0	157	2	0	39	0
D	Unspecified Streams	81	0	19	10	20	247	0	439	0
D	Baranof Lake (Warm Springs Lake)	92	0	0	0	530	4	0	3	0
D	Deer Lake (Baranof Island)	30	2	25	0	0	10	0	0	0
D	Nakwasina Sound Streams	78	0	0	0	0	0	0	262	0
D	Other Lakes	41	0	15	0	5	14	0	59	0
D	Other Streams	754	0	86	0	361	230	4	3,883	91
E	Admiralty Island Streams	1,059	0	374	8	35	4	0	3,443	50
E	Other Lakes	96	0	129	2	121	2	0	245	0
E	Other Streams	1,650	0	134	15	26	5	7	4,354	0
G	Mud Bay Creek (Chichagof Island)	108	0	2	0	1	1	0	608	14
G	Trail River (Chichagof Island)	123	0	7	0	0	0	0	255	0
G	Chicken Creek (Chichagof Island)	27	0	0	0	10	0	1	200	0
G	North Chichagof Island Streams	52	0	28	0	5	0	0	158	0
H	Situk River (reach unspecified)	1,042	127	965	926	1	16	1,210	59	67
H	Akwe River	478	105	2,293	1	186	4	73	154	4
H	Tsiu River	1,494	0	9,939	1	0	0	25	12	0
H	Other Lakes and Streams	1,703	69	4,289	836	6	0	0	10	0
	Other Lakes and Streams in SE	885	0	29	473	3	0	0	891	7
SE Total		11,464	333	18,474	2,504	3,533	880	1,436	17,166	256

Note: Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 08/07/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G7.–Freshwater logbook effort and species kept by area and site, Southcentral Alaska, 2006.

Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Dolly Varden	Grayling
			King	Coho	Sockeye					
J	East Prince William Sound Streams	462	6	337	29	0	0	0	11	0
J	Other Lakes and Streams	59	0	60	49	0	0	0	6	0
K	Knik Arm Streams	1,394	379	1,045	3	0	3	0	1	0
M	Willow Creek	187	4	39	0	0	0	0	0	0
M	Montana Creek	47	4	0	0	0	0	0	0	0
M	Clear Creek (Chunilna Creek)	323	81	167	0	0	2	0	0	0
M	Little Willow Creek	137	12	161	0	0	0	0	0	0
M	Kashwitna River	222	110	181	3	0	0	0	0	0
M	Talkeetna River	1,820	390	405	4	0	1	0	15	0
M	Other Lakes and Streams - East Susitna Drainage	185	19	29	0	0	0	0	0	4
M	Lake Creek	3,324	682	1,831	23	1	41	0	0	5
M	Talachulitna River	1,223	236	666	2	0	4	0	1	0
M	Fish Lake Creek and Fish Lakes	163	14	0	0	0	0	0	0	0
M	Yentna River Drainage (Remainder)	486	110	176	0	0	26	0	0	0
M	Yentna River	548	143	110	6	0	8	0	2	3
M	Deshka River (Kroto Creek) above weir	344	259	13	0	0	1	0	0	0
M	Deshka River (Kroto Creek) below weir	1,246	713	593	0	0	2	0	0	0
M	Indian Creek (into Yentna near Fish Lakes)	396	97	566	0	0	0	0	0	0
M	Other Lakes - West Susitna Drainage	24	0	0	12	0	0	0	0	0
M	Other Streams - West Susitna Drainage	147	12	122	3	0	0	0	0	0
M	Other Lakes and Streams	82	2	37	6	0	0	0	3	4
N	Chuitna River	407	117	351	19	1	1	0	0	0
N	Big River Lakes	3,497	12	6,329	2,444	0	0	0	3	0
N	Crescent Lake	77	0	33	31	0	0	0	11	0
N	Crescent River (Grecian River)	469	0	756	468	0	0	0	23	0
N	Kamishak River	495	3	1,046	26	0	6	0	45	0
N	Kustatan River	1,122	2	2,841	37	0	0	0	18	0
N	Bachatna Creek	52	0	147	0	0	0	0	0	0
N	Other Lakes and Streams	472	8	436	9	0	1	0	32	0
N	Wolverine Creek (by Big River Lakes)	3,090	7	1,819	5,241	0	0	0	1	0
P	Anchor River	172	15	50	14	0	0	0	23	0
P	Deep Creek	107	4	44	0	0	0	0	24	0
P	Russian River	182	0	8	127	0	4	0	0	0
P	Crescent Lake	70	0	0	0	0	4	0	0	19
P	Quartz Creek	49	0	0	0	0	0	0	1	0
P	Kasilof River below Highway	6,563	1,883	1,581	180	0	1	6	125	3
P	Kasilof River above Highway	158	7	96	61	0	1	3	2	0
P	Kasilof River reach not specified	182	50	35	10	0	1	0	6	0
P	Other Lakes	227	4	0	7	0	87	0	1	0
P	Other Streams	602	105	325	9	0	0	0	50	0

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Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Dolly Varden	Grayling
			King	Coho	Sockeye					
P	Kenai River - Cook Inlet to Soldotna Bridge	33,331	8,099	5,422	1,210	0	227	0	174	17
P	Kenai River - Soldotna Bridge to Moose R	2,843	475	800	1,121	0	209	0	13	1
P	Kenai River - Moose River to Skilak Outlet	3,339	100	1,418	1,541	0	91	0	98	0
P	Kenai River - Skilak Inlet to Kenai Lake	6,233	16	176	2,709	0	95	0	70	0
P	Kenai River - reach not specified	285	48	20	130	0	0	0	1	0
Q	Buskin River	54	0	91	0	0	0	0	8	0
Q	Pasagshak River	49	0	10	24	0	0	0	4	0
Q	Roadside Streams	272	1	97	49	0	0	0	29	0
Q	Other Remote Lakes and Streams	1,425	124	366	668	0	2	1	202	0
Q	Roadside Lakes	172	9	28	6	0	1	0	97	0
Q	Olds River	61	0	8	0	0	0	0	1	0
Q	Ayakulik River (sometimes called Red River)	954	54	502	528	0	0	2	111	0
Q	Saltery River	867	0	507	108	0	0	0	359	1
Q	Browns Lagoon River	49	0	2	0	0	0	0	5	0
Q	Afognak Island Lakes and Streams	56	0	70	10	0	1	0	0	0
Q	Chiniak River	24	0	1	0	0	0	0	0	0
Q	Zachar Bay Streams	124	0	227	0	0	0	0	7	0
Q	Karluk Lake and River above Weir	986	587	81	65	0	3	7	61	0
Q	Karluk Lagoon and River below Weir	795	134	1,141	654	5	0	3	29	0
Q	Other Streams	86	0	0	1	0	0	0	125	0
R	Naknek River and Tributaries	1,543	496	828	288	0	29	0	9	0
R	Naknek Lake	234	0	0	5	0	0	0	0	0
R	Brooks River	848	0	0	0	0	36	0	0	0
R	Ugashik System	186	0	38	2	0	0	0	33	1
R	Becharof System	1,129	20	1,485	163	0	2	0	41	3
R	Brooks Lake	77	2	0	4	0	5	0	0	0
R	Chignik River	181	245	0	0	0	0	0	0	0
R	American Creek	1,258	0	0	0	0	16	0	25	0
R	Naknek River (Rapids Camp upstream to Naknek Lk)	1,205	110	745	965	0	13	0	0	0
R	Naknek River (dwnstream from Rapids Camp)	756	435	208	160	0	1	0	0	0
R	Other Alaska Peninsula / Aleutian Lakes and Streams	1,681	327	1,552	321	0	1	0	56	1
R	Other Streams	417	0	220	19	0	26	0	7	0
S	Kvichak River	2,160	34	361	1,145	0	91	0	0	62
S	Lower Talarik Creek	165	0	5	0	0	0	0	0	0
S	Copper River (Lake Iliamna Area)	1,282	0	0	394	0	56	0	0	0
S	Newhalen River	275	0	15	593	0	0	0	0	16
S	Alagnak (Branch) River	5,093	684	815	3,347	0	160	0	6	75
S	Lake Clark	247	0	0	10	0	0	0	4	2
S	Iliamna River	431	8	0	634	0	3	0	0	0

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Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Dolly Varden	Grayling
			King	Coho	Sockeye					
S	Kukaklek Lake	24	0	0	41	0	0	0	0	0
S	Kulik River	1,134	0	1	0	0	0	0	0	0
S	Iliamna Lake	223	0	10	103	0	10	0	0	0
S	Nonvianuk Lake	65	0	0	0	0	6	0	0	0
S	Nonvianuk River (into Alagnak)	630	0	1	13	0	20	0	0	0
S	Tazimina River	168	0	0	0	0	0	0	0	10
S	Moraine Creek	1,631	0	0	10	0	61	0	1	4
S	Battle River	281	0	0	0	0	0	0	0	0
S	Funnel Creek	112	0	0	0	0	1	0	0	0
S	Nanuktuk Creek	239	0	0	0	0	0	0	0	0
S	Long Lake	87	0	0	0	0	0	0	0	0
S	Kijik River	72	0	0	84	0	0	0	0	0
S	Kijik Lake	28	0	0	38	0	0	0	0	0
S	Gibraltar River	330	0	5	96	0	31	0	0	0
S	Kukaklek River (Big Ku) (into Alagnak)	905	0	6	129	0	17	0	0	0
S	Little Kulik (into Nanuktuk Creek)	59	0	0	0	0	0	0	0	0
S	Other Lakes and Streams	41	0	42	0	0	13	0	1	0
T	Nushagak River System	639	179	46	1	0	0	0	14	0
T	Wood River Lakes System	641	2	262	38	0	1	0	17	0
T	Tikchik-Nuyakuk Lake System	282	8	0	33	0	2	0	1	44
T	Togiak River System	2,485	1,036	1,996	136	0	13	0	97	2
T	Mulchatna River	416	46	152	49	0	20	0	11	31
T	Agulowak River	1,035	0	43	1,247	0	17	0	26	1
T	Aleknagik Lake	374	0	128	122	0	0	0	6	0
T	Kulukak River	329	4	97	0	0	0	0	0	0
T	Agulukpak River	599	0	0	71	0	12	0	4	12
T	Nushagak River - upstream of Mulchatna River	741	35	271	24	0	4	0	1	2
T	Wood River	137	0	241	92	0	6	0	2	0
T	Nushagak River - Black Point to Sonar Site	3,743	2,074	162	15	0	0	0	3	0
T	Nushagak River - Sonar Site to Mulchatna	4,816	2,905	394	15	0	13	0	7	1
T	Other Lakes and Streams	466	16	392	19	0	0	0	0	0
	Other Lakes and Streams in SC	338	0	213	3	0	3	0	38	0
	SC Total	125,055	23,803	44,136	28,076	7	1,512	22	2,208	324

Note: Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 08/07/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G8.–Freshwater logbook effort and species released by area and site, Southcentral Alaska, 2006.

Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Dolly Varden	Grayling
			King	Coho	Sockeye					
J	East Prince William Sound Streams	462	36	3,574	54	18	34	1	91	0
J	Other Lakes and Streams	59	0	37	120	4	0	0	131	0
K	Streams	1,394	72	625	24	6	3	0	10	0
M	Willow Creek	187	26	71	0	0	1,273	0	4	205
M	Montana Creek	47	3	0	0	0	398	0	0	8
M	Clear Creek (Chunilna Creek)	323	45	166	5	0	48	0	25	0
M	Little Willow Creek	137	28	212	0	0	16	0	0	0
M	Kashwitna River	222	63	52	20	0	33	0	0	0
M	Talkeetna River	1,820	517	575	15	1	281	3	696	140
M	Other Lakes and Streams - East Susitna Drainage	185	12	11	0	0	204	0	0	40
M	Lake Creek	3,324	1,131	1,541	51	2	2,512	3	4	857
M	Talachulitna River	1,223	903	3,019	46	0	1,387	0	72	297
M	Fish Lake Creek and Fish Lakes	163	9	0	0	0	1	0	0	0
M	Yentna River Drainage (Remainder)	486	154	690	20	0	357	0	27	120
M	Yentna River	548	188	14	3	14	222	0	17	26
M	Deshka River (Kroto Creek) above weir	344	159	22	2	0	519	0	0	5
M	Deshka River (Kroto Creek) below weir	1,246	179	1,391	0	2	69	0	0	1
M	Indian Creek (into Yentna near Fish Lakes)	396	71	215	3	0	1	0	0	0
M	Other Lakes - West Susitna Drainage	24	0	0	0	0	0	0	0	0
M	Other Streams - West Susitna Drainage	147	15	1,082	0	0	29	0	0	65
M	Other Lakes and Streams	82	6	25	9	0	6	0	0	187
N	Chuitna River	407	258	971	0	0	20	0	2	0
N	Big River Lakes	3,497	51	2,924	6,447	0	0	0	43	0
N	Crescent Lake	77	1	29	26	0	0	0	563	0
N	Crescent River (Grecian River)	469	4	296	148	0	0	0	943	0
N	Kamishak River	495	36	2,811	42	0	0	0	2,498	0
N	Kustatan River	1,122	0	1,609	12	0	0	0	238	3
N	Bachatna Creek	52	0	397	0	0	0	0	14	0
N	Other Lakes and Streams	472	60	1,481	15	0	48	0	943	0
N	Wolverine Creek (by Big River Lakes)	3,090	2	823	7,719	0	1	0	17	0
P	Anchor River	172	11	20	1	0	32	10	170	12
P	Deep Creek	107	3	46	0	0	0	4	39	0
P	Russian River	182	0	11	203	0	864	0	110	0
P	Crescent Lake	70	0	0	0	0	198	0	32	380
P	Quartz Creek	49	0	0	20	0	29	0	1,080	0
P	Kasilof River below Highway	6,563	1,501	71	37	2	200	217	1,039	23
P	Kasilof River above Highway	158	25	0	0	0	7	6	17	4
P	Kasilof River reach not specified	182	39	5	3	0	37	0	37	0
P	Other Lakes	227	20	0	29	0	1,217	33	10	128
P	Other Streams	602	322	1,096	5	0	213	6	468	0

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Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Dolly Varden	Grayling
			King	Coho	Sockeye					
P	Kenai River - Cook Inlet to Soldotna Bridge	33,331	5,746	448	390	0	3,997	0	2,536	23
P	Kenai River - Soldotna Bridge to Moose R	2,843	424	200	959	0	5,579	0	1,563	3
P	Kenai River - Moose River to Skilak Outlet	3,339	127	503	1,329	0	14,144	0	8,978	278
P	Kenai River - Skilak Inlet to Kenai Lake	6,233	21	128	3,478	0	21,475	0	19,750	818
P	Kenai River - reach not specified	285	23	4	6	0	771	0	799	0
Q	Buskin River	54	0	12	0	0	0	0	125	0
Q	Pasagshak River	49	0	2	7	0	0	0	44	0
Q	Roadside Streams	272	4	122	25	0	0	0	1,364	0
Q	Other Remote Lakes and Streams	1,425	18	2,374	488	0	370	295	2,975	12
Q	Roadside Lakes	172	70	129	40	0	0	6	271	0
Q	Olds River	61	5	18	0	0	0	0	3	0
Q	Ayakulik River (sometimes called Red River)	954	898	1,440	1,928	0	8	550	930	0
Q	Saltery River	867	0	625	108	0	29	14	2,363	0
Q	Browns Lagoon River	49	0	6	0	0	0	0	25	0
Q	Afognak Island Lakes and Streams	56	0	13	14	0	16	0	266	0
Q	Chiniak River	24	0	2	0	0	0	0	4	0
Q	Zachar Bay Streams	124	20	69	0	0	0	0	7	0
Q	Karluk Lake and River above Weir	986	1,315	301	795	0	19	517	2,361	1
Q	Karluk Lagoon and River below Weir	795	25	1,375	244	0	0	19	61	0
Q	Other Streams	86	0	6	0	0	1	0	452	0
R	Naknek River and Tributaries	1,543	716	827	402	0	3,750	0	1,601	371
R	Naknek Lake	234	0	4	52	0	1,937	0	579	3
R	Brooks River	848	0	11	520	0	7,608	5	39	9
R	Ugashik System	186	70	39	30	0	0	0	1,639	629
R	Becharof System	1,129	160	3,258	415	0	1,044	0	5,892	1,265
R	Brooks Lake	77	1	2	7	0	490	0	1	0
R	Chignik River	181	562	42	0	0	0	0	10	0
R	American Creek	1,258	0	0	93	0	6,506	0	13,852	163
R	Naknek River (Rapids Camp upstream to Naknek Lk)	1,205	248	250	1,110	0	1,891	0	196	70
R	Naknek River (dwnstream from Rapids Camp)	756	389	70	268	0	189	0	5	3
R	Other Alaska Peninsula / Aleutian Lakes and Streams	1,681	1,705	6,516	873	0	111	338	4,964	45
R	Other Streams	417	38	2,139	265	0	542	0	1,512	10
S	Kvichak River	2,160	227	1,409	3,734	0	18,008	0	154	2,715
S	Lower Talarik Creek	165	0	78	46	0	1,458	0	1	22
S	Copper River (Lake Iliamna Area)	1,282	0	3	1,695	0	10,783	0	133	1
S	Newhalen River	275	1	32	585	0	191	0	19	524
S	Alagnak (Branch) River	5,093	3,972	3,771	5,496	0	14,629	0	297	3,844
S	Lake Clark	247	0	0	10	0	0	0	62	1,103
S	Iliamna River	431	19	0	1,614	0	536	0	2,712	156

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Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Dolly Varden	Grayling
			King	Coho	Sockeye					
S	Kukaklek Lake	24	0	0	205	0	115	0	0	0
S	Kulik River	1,134	0	0	214	0	19,517	0	11	0
S	Iliamna Lake	223	0	21	80	0	1,573	0	1	32
S	Nonvianuk Lake	65	0	3	2	0	826	0	0	0
S	Nonvianuk River (into Alagnak)	630	8	12	56	0	6,407	0	1	61
S	Tazimina River	168	0	0	35	0	789	0	8	2,359
S	Moraine Creek	1,631	21	0	287	0	17,694	0	104	285
S	Battle River	281	0	0	174	0	1,689	0	0	163
S	Funnel Creek	112	0	0	3	0	1,448	0	17	0
S	Nanuktuk Creek	239	0	0	28	0	3,433	0	423	45
S	Long Lake	87	0	0	0	0	0	0	0	7
S	Kijik River	72	0	0	57	0	0	0	0	904
S	Kijik Lake	28	0	0	53	0	0	0	1	52
S	Gibraltar River	330	0	20	249	0	6,014	1	0	26
S	Kukaklek River (Big Ku) (into Alagnak)	905	1	55	526	0	13,531	0	24	167
S	Little Kulik (into Nanuktuk Creek)	59	0	1	2	0	1,133	0	64	2
S	Other Lakes and Streams	41	0	103	4	0	284	0	178	0
T	Nushagak River System	639	142	132	28	0	3,163	0	1,384	3,707
T	Wood River Lakes System	641	504	1,320	250	0	470	0	515	735
T	Tikchik-Nuyakuk Lake System	282	29	157	180	0	228	0	48	1,585
T	Togiak River System	2,485	6,022	11,715	117	0	1,004	5	2,420	109
T	Mulchatna River	416	206	475	53	0	1,584	0	276	1,110
T	Agulowak River	1,035	18	50	3,088	0	7,843	0	2,236	2,318
T	Aleknagik Lake	374	0	560	1,271	0	31	0	1,143	72
T	Kulukak River	329	471	1,947	57	0	40	0	18	0
T	Agulukpak River	599	0	0	524	0	3,986	0	1,200	1,134
T	Nushagak River - upstream of Mulchatna River	741	136	440	20	0	4,427	0	2,044	2,774
T	Wood River	137	2	312	123	0	6	0	1	1
T	Nushagak River - Black Point to Sonar Site	3,743	12,885	379	15	0	2	0	10	1
T	Nushagak River - Sonar Site to Mulchatna	4,816	14,514	1,598	34	0	246	0	44	204
T	Other Lakes and Streams	466	163	2,011	228	0	348	0	33	402
	Other Lakes and Streams in SC	338	35	61	0	0	257	0	433	37
	SC Total	125,055	57,911	73,512	50,068	49	224,429	2,033	100,522	32,861

Note: Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 08/07/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G9.–Freshwater logbook effort and species kept by area and site, AYK Alaska, 2006.

Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Dolly Varden	Grayling
			King	Coho	Sockeye					
I	Tonsina River (Lower Tonsina River)	51	51	18	0	0	0	0	0	0
I	Klutina River	1,614	1,614	842	0	913	0	1	0	154
I	Gulkana River (reach unspecified)	109	109	93	0	5	0	0	0	0
I	Gulkana River (West Fork to Highway)	765	765	385	0	63	0	3	0	0
U	Tanana River	122	122	6	0	0	0	0	0	0
U	Other Lakes and Streams	554	554	4	58	0	0	1	0	0
V	Kanektok River (Quinhagak, Chosen)	2,901	2,901	424	1,373	247	0	5	0	34
V	Goodnews River	792	792	76	238	109	0	0	0	21
V	Holitna River	592	592	135	112	10	0	0	0	12
V	Other Streams - Kuskokwim Drainage below Aniak	896	896	5	43	0	0	7	0	23
V	Other Streams - Kuskowim Bay	303	303	1	4	6	0	3	0	5
V	Other Lakes and Streams	20	20	0	0	0	0	0	0	0
W	Streams of Seward Peninsula/Norton Sound	1,030	1,030	130	1,280	0	0	0	0	319
X	Streams of Northwest Alaska	187	187	0	0	0	0	0	0	21
Y	Streams of the Yukon River Drainage	946	946	79	330	0	0	0	0	5
	Other Lakes and Streams in AYK	6	6	0	0	0	0	7	0	0
	AYK Total	10,888	2,198	3,438	1,353	0	27	0	594	210

Note: Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 08/07/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G10.–Freshwater logbook effort and species released by area and site, AYK Alaska, 2006.

Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Dolly Varden	Grayling
			King	Coho	Sockeye					
I	Tonsina River (Lower Tonsina River)	51	72	0	0	0	0	0	3	0
I	Klutina River	1,614	641	0	528	0	0	0	55	47
I	Gulkana River (reach unspecified)	109	157	0	0	0	7	0	0	200
I	Gulkana River (West Fork to Highway)	765	521	0	52	0	54	6	0	535
U	Tanana River	122	13	106	0	0	0	0	0	1,569
U	Other Lakes and Streams	554	0	38	0	0	629	0	38	769
V	Kanektok River (Quinhagak, Chosen)	2,901	2,333	6,576	1,709	0	7,532	0	17,685	1,356
V	Goodnews River	792	491	2,303	200	0	778	0	2,814	105
V	Holitna River	592	449	174	59	0	1	0	893	421
V	Other Streams - Kuskokwim Drainage below Aniak	896	824	1,485	172	0	3,704	0	5,920	2,948
V	Other Streams - Kuskowim Bay	303	66	1,568	37	1	1,477	0	1,359	205
V	Other Lakes and Streams	20	0	3	0	0	16	0	0	0
W	Streams of Seward Peninsula/Norton Sound	1,030	533	10,486	6	0	0	0	1,697	1,674
X	Streams of Northwest Alaska	187	0	0	0	0	0	0	487	310
Y	Streams of the Yukon River Drainage	946	318	2,305	47	5	1	0	238	3,782
	Other Lakes and Streams in AYK	6	0	0	0	0	12	0	0	0
	AYK Total	10,888	6,418	25,044	2,810	6	14,211	6	31,189	13,921

Note: Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 08/07/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G11.–Freshwater logbook effort and species kept by region, Statewide, 2006.

Region	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Dolly Varden	Grayling
		King	Coho	Sockeye					
SE	11,464	193	7,171	2,274	113	19	4	631	25
SC	125,055	23,803	44,136	28,076	7	1,512	22	2,208	324
AYK	10,888	2,198	6,418	3,438	0	27	0	594	210
Total	147,407	26,194	54,745	31,703	120	1,558	26	3,433	559

Note: Data are current as of 08/07/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G12.–Freshwater logbook effort and species released by region, Statewide, 2006.

Region	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Dolly Varden	Grayling
		King	Coho	Sockeye					
SE	11,464	333	18,474	2,504	3,533	880	1,436	17,166	256
SC	125,055	57,911	73,512	50,068	49	224,429	2,033	100,522	32,861
AYK	10,888	6,418	25,044	2,810	6	14,211	6	31,189	13,921
Total	147,407	64,662	117,030	55,382	3,588	239,520	3,475	148,877	47,038

Note: Data are current as of 08/07/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G13.–Freshwater logbook participation by site code and area, Southeast Alaska, 2007.

Area	Description	Trips	Businesses[a]	Angler Days						
				Guides[a]	Resident	Nonres	Comped	Unknown	Crew	Total
A	Other Lakes	69	4	12	3	341	1	0	0	345
A	Other Streams	182	6	17	5	590	3	4	0	602
B	Harris River	27	9	11	0	64	0	0	0	64
B	Luck Lake	17	4	6	0	47	0	0	0	47
B	Staney Creek	63	6	8	2	151	0	0	0	153
B	Thorne System Stream and Lake	43	8	11	2	117	1	0	0	120
B	Other Lakes	13	4	4	1	26	0	0	0	27
B	Other Streams	82	13	16	6	206	0	0	0	212
C	Lakes and Streams	53	11	12	0	163	6	1	5	175
D	Plotnikof and Rezanof System Streams and Lakes	8	4	6	1	39	0	0	0	40
D	Eva Lake and Stream	27	5	11	1	101	0	0	5	107
D	Sitkoh Creek and Lake (Chichagof Island)	10	5	6	1	23	0	0	0	24
D	Unspecified Streams	14	6	7	2	43	0	0	0	45
D	Katlian River	100	4	8	1	289	0	7	0	297
D	Nakwasina Sound Streams	54	4	8	0	157	0	1	0	158
D	Baranof System	61	7	19	10	193	2	1	1	207
D	Other Lakes	30	6	13	0	91	0	3	1	95
D	Other Streams	127	13	33	6	467	2	3	12	490
E	Dupont to Echo Cove (Juneau Road System)	21	5	9	0	62	0	0	1	63
E	Admiralty Island Streams	131	4	15	0	529	0	0	0	529
E	Chaik Bay Streams	51	4	12	0	188	0	0	0	188
E	Other Lakes and Streams	376	7	31	7	1,413	2	0	7	1,429
G	Mud Bay Creek (Chichagof Island)	26	7	9	0	117	2	0	0	119
G	Trail River (Chichagof Island)	18	5	6	3	92	0	1	8	104
G	North Chichagof Island Streams	26	4	11	0	116	0	0	0	116
G	Other Lakes and Streams	20	5	7	4	68	0	0	0	72
H	Situk River (reach unspecified)	512	7	15	77	1,131	11	9	8	1,236
H	Akwe River	187	4	8	79	671	1	11	59	821
H	Tsiu River	365	5	17	63	1,433	2	3	6	1,507
H	Other Lakes and Streams	422	13	23	25	1,675	11	4	4	1,719
	Other Lakes and Streams in SE	121	2	6	1	553	0	6	0	560
Southeast Total		3,256	73	177	300	11,156	44	54	117	11,671

Note: Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 08/07/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G14.–Freshwater logbook participation by site code and area, Southcentral Alaska, 2007.

Area	Description	Trips	Businesses[a]	Guides[a]	Angler Days					
					Resident	Nonres	Comped	Unknown	Crew	Total
J	Delight Lake	6	6	6	2	23	0	0	0	25
J	Other Lakes and Streams	90	9	12	38	368	1	0	9	416
K	Knik Arm Lakes and Streams	456	13	19	508	1,130	9	21	16	1,684
L	Anchorage Area Lakes and Streams	97	4	4	32	278	12	6	0	328
M	Willow Creek	93	8	11	42	153	1	1	3	200
M	Clear Creek (Chunilna Creek)	195	9	20	77	751	0	7	2	837
M	Sheep Creek	12	5	5	3	27	8	0	0	38
M	Little Willow Creek	28	5	4	39	58	0	4	0	101
M	Indian River (into Susitna)	30	4	6	12	93	0	1	0	106
M	Talkeetna River	363	9	24	145	1,417	2	32	10	1,606
M	Other Lakes - East Susitna Drainage	20	5	5	11	50	1	0	0	62
M	Other Streams - East Susitna Drainage	139	10	14	84	325	5	4	3	421
M	Lake Creek	1,344	21	58	367	3,444	14	10	67	3,902
M	Talachulitna River	425	10	30	64	1,342	8	8	8	1,430
M	Alexander Lake	6	4	6	0	22	0	0	1	23
M	Donkey Creek, Donkey Creek Slough	40	5	9	9	119	6	0	0	134
M	Fish Lake Creek and Fish Lakes	15	4	11	0	37	2	1	0	40
M	Yentna River Drainage (Remainder)	298	14	34	15	947	0	0	4	966
M	Yentna River	52	4	11	20	110	0	0	0	130
M	Deshka River (Kroto Creek) above weir	34	5	5	44	97	6	1	2	150
M	Deshka River (Kroto Creek) below weir	390	15	21	621	861	4	25	5	1,516
M	Indian Creek (into Yentna near Fish Lakes)	59	4	12	43	181	0	0	29	253
M	Other Lakes and Streams - West Susitna Drainage	70	10	15	42	190	0	0	5	237
M	Other Lakes and Streams	66	8	16	12	194	0	0	2	208
N	Chuitna River	136	15	24	35	508	1	3	1	548
N	Theodore River	32	4	5	13	77	2	0	4	96
N	Big River Lakes	959	30	44	196	3,395	0	33	3	3,627
N	Crescent Lake	33	14	18	11	138	0	0	0	149
N	Crescent River (Grecian River)	139	6	8	4	458	0	0	2	464
N	Kamishak River	143	7	28	8	336	1	1	8	354
N	Kustatan River	330	23	45	105	1,305	1	10	3	1,424
N	Bachatna Creek	19	7	9	8	65	0	1	0	74
N	Other Sites North Forelands to Susitna Drainage	23	5	5	0	93	0	0	0	93
N	Other Sites (South of North Forelands)	83	13	20	6	251	0	0	1	258
N	Wolverine Creek (by Big River Lakes)	915	24	46	150	3,374	5	62	3	3,594
P	Anchor River	46	5	9	9	149	2	6	7	173
P	Ninilchik River	100	5	8	5	443	13	2	12	475
P	Russian River	91	12	17	16	221	0	1	0	238
P	Swanson River Canoe Route Lakes	23	4	5	3	52	0	0	20	75
P	Crescent Creek	14	6	6	0	50	0	0	0	50

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Area	Description	Trips	Businesses[a]	Guides[a]	Angler Days					
					Resident	Nonres	Comped	Unknown	Crew	Total
P	Crescent Lake	8	5	7	0	26	0	0	0	26
P	Packers Lake (Creek) (Kalgin Island)	18	4	7	3	52	0	1	0	56
P	Quartz Creek	21	9	12	5	48	0	3	1	57
P	Russian Lake (Upper and Lower)	6	4	5	14	22	0	0	0	36
P	Kasilof River below Highway	2,022	106	152	844	5,762	47	38	70	6,761
P	Kasilof River above Highway	30	13	14	16	70	1	2	0	89
P	Kasilof River reach not specified	69	20	25	28	188	0	2	2	220
P	Other Lakes	38	8	8	7	90	0	0	12	109
P	Other Streams	197	12	24	30	600	10	1	14	655
P	Kenai River - Cook Inlet to Soldotna Bridge	8,439	221	308	4,179	25,525	92	276	67	30,139
P	Kenai River - Soldotna Bridge to Moose R	888	67	97	302	2,558	5	9	73	2,947
P	Kenai River - Moose River to Skilak Outlet	1,260	81	117	541	3,310	15	33	24	3,923
P	Kenai River - Skilak Inlet to Kenai Lake	1,981	41	78	670	5,434	24	105	70	6,303
P	Kenai River - reach not specified	553	47	58	184	1,626	8	18	4	1,840
Q	Buskin River	21	4	4	5	60	0	0	2	67
Q	Pasagshak River	36	6	6	8	104	0	0	3	115
Q	Roadside Streams	69	7	11	3	201	0	0	0	204
Q	Other Remote Lakes and Streams	272	17	29	37	913	0	1	57	1,008
Q	Roadside Lakes	40	5	9	0	148	0	0	0	148
Q	American River	10	4	4	2	26	0	0	1	29
Q	Dog Salmon Creek (Frazer River)	45	5	8	5	161	0	1	4	171
Q	Monashka Creek	4	4	4	1	10	0	1	0	12
Q	Olds River	16	6	6	5	49	0	0	1	55
Q	Ayakulik River (sometimes called Red River)	290	5	11	105	903	1	3	29	1,041
Q	Saltery River	228	9	18	31	790	1	5	17	844
Q	Afognak Island Lakes and Streams	9	5	5	5	33	0	0	2	40
Q	Zachar Bay Streams	61	6	13	8	188	0	0	1	197
Q	Karluk Lake and River above Weir	170	10	19	8	964	1	18	3	994
Q	Karluk Lagoon and River below Weir	153	10	18	2	864	1	0	3	870
Q	Unspecified Streams	12	4	6	4	41	0	1	1	47
R	Naknek River and Tributaries	699	21	54	217	1,594	3	8	74	1,896
R	Naknek Lake	95	4	10	36	339	8	0	10	393
R	Brooks River	328	24	78	43	784	1	3	25	856
R	Ugashik System	167	20	41	18	409	0	4	3	434
R	Becharof System	259	18	45	16	712	2	4	22	756
R	Brooks Lake	33	6	9	3	94	0	0	0	97
R	Chignik River	89	8	11	36	196	9	1	0	242
R	American Creek	460	19	65	51	1,091	2	27	13	1,184
R	Naknek River (Rapids Camp upstream to Naknek Lk)	548	14	35	83	1,213	0	8	121	1,425
R	Naknek River (dwnstream frm Rapids Camp)	270	12	27	34	573	0	6	47	660

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Area	Description	Trips	Businesses[a]	Guides[a]	Angler Days					
					Resident	Nonres	Comped	Unknown	Crew	Total
R	Other Alaska Peninsula / Aleutian Lakes and Streams	745	19	52	63	2,197	12	2	17	2,291
R	Other Lakes and Streams	64	13	28	3	181	0	0	7	191
S	Kvichak River	922	23	100	76	1,798	16	4	34	1,928
S	Lower Talarik Creek	40	8	13	1	117	4	0	1	123
S	Copper River (Lake Iliamna Area)	492	9	35	5	1,193	22	0	1	1,221
S	Newhalen River	137	8	25	29	329	26	1	1	386
S	Alagnak (Branch) River	2,157	24	102	55	4,641	1	26	35	4,758
S	Lake Clark	106	9	23	10	312	23	0	0	345
S	Kukaklek Lake	11	6	9	0	29	0	0	0	29
S	Kulik River	387	19	56	36	1,011	7	1	0	1,055
S	Lake Iliamna	282	11	37	11	711	22	2	5	751
S	Nonvianuk Lake	26	6	6	4	99	1	1	6	111
S	Nonvianuk River (into Alagnak)	135	15	40	14	342	0	4	13	373
S	Tazimina River	59	8	18	2	161	0	0	0	163
S	Moraine Creek	653	24	104	36	1,504	22	1	52	1,615
S	Upper Talarik Creek	28	4	14	1	99	3	0	0	103
S	Battle River	129	10	33	8	342	0	0	31	381
S	Funnel Creek	21	5	14	1	50	0	0	0	51
S	Nanuktuk Creek	100	10	28	3	198	0	2	0	203
S	Long Lake	52	6	12	0	122	5	0	0	127
S	Kijik Lake	5	4	4	0	15	0	0	2	17
S	Gibraltar River	127	10	31	3	316	17	1	1	338
S	Kukaklek River (Big Ku) (into Alagnak)	378	14	58	44	750	6	7	8	815
S	Little Kulik (into Nanuktuk Creek)	41	7	16	0	83	0	0	0	83
S	Other Lakes	7	6	6	0	24	0	0	0	24
S	Other Streams	42	8	15	0	104	1	0	0	105
T	Nushagak River System	180	18	31	36	449	2	1	1	489
T	Wood River Lakes System	326	13	54	12	715	2	0	4	733
T	Tikchik-Nuyakuk Lake System	146	6	23	0	293	0	0	0	293
T	Togiak River System	1,032	7	69	19	2,184	7	0	1	2,211
T	Mulchatna River	102	15	19	14	366	0	2	4	386
T	Agulowak River	482	10	54	10	943	3	1	0	957
T	Aleknagik Lake	123	6	17	2	291	0	0	0	293
T	Agulukpak River	351	11	50	4	677	2	0	2	685
T	Nushagak River - upstream of Mulchatna River	362	6	34	3	710	2	0	0	715
T	Wood River	43	4	14	1	99	0	0	0	100
T	Nushagak River - Black Point to Sonar Site	1,321	31	132	193	3,638	19	6	26	3,882
T	Nushagak River - Sonar Site to Mulchatna	1,177	34	120	188	3,511	12	2	37	3,750
T	Other Lakes and Streams	419	8	32	3	836	0	0	1	840
	Other Lakes and Streams in SC	5	4	4	0	15	0	0	0	15
SC Total		40,543	528	1,272	11,278	112,358	572	883	1,296	126,387

Note: Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 08/07/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G15.–Freshwater logbook participation by site code and area, AYK Alaska, 2007.

Area	Description	Trips	Businesses[a]	Guides[a]	Angler Days					
					Resident	Nonres	Comped	Unknown	Crew	Total
I	Gulkana River (Highway to Copper River)	17	4	4	14	54	0	0	0	68
I	Klutina River	500	11	28	428	1,181	18	0	30	1,657
I	Gulkana River (West Fork to Highway)	305	11	21	179	780	42	3	41	1,045
I	Other Lakes and Streams	43	5	9	42	92	0	4	3	141
U	Other Lakes	215	6	10	18	1,165	18	3	35	1,239
U	Other Streams	96	7	16	46	232	6	4	28	316
V	Kanektok River (Quinhagak, Chosen)	1,361	8	55	43	2,663	16	0	0	2,722
V	Goodnews River	616	6	19	8	1,130	1	0	0	1,139
V	Aniak River	275	4	17	6	645	6	8	0	665
V	Holitna River	184	6	18	4	421	0	10	5	440
V	Streams - Kuskokwim Drainages above Aniak	15	5	12	0	31	0	1	4	36
V	Lakes - Kuskokwim Drainages above Aniak	4	4	4	0	9	0	0	0	9
V	Kuskokwim Drainage below Aniak	142	6	20	5	328	6	1	11	351
V	Lakes and Streams - Kuskokwim Bay	86	6	14	1	212	0	0	0	213
W	Streams of Seward Peninsula/Norton Sound	409	5	14	89	793	3	0	0	885
Y	Streams of the Yukon River Drainage	609	7	22	28	1,225	8	0	12	1,273
	Other Lakes and Streams in AYK	21	3	3	17	45	1	0	0	63
AYK Total		4,898	68	224	928	11,006	125	34	169	12,262

Note: Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 08/07/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G16.–Freshwater logbook participation by region, 2007.

Region	Trips	Businesses[a]	Guides[a]	Angler Days					
				Resident	Nonres	Comped	Unknown	Crew	Total
SE	3,256	73	177	300	11,156	44	54	117	11,671
SC	40,543	528	1,272	11,278	112,358	573	883	1,296	126,388
AYK	4,898	68	224	928	11,006	125	34	169	12,262
Total	48,697	645	1,581	12,506	134,520	741	971	1,582	150,320

Note: Data are current as of 08/07/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G17.–Freshwater logbook effort and species kept by area and site, Southeast Alaska 2007.

Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Lake trout	Dolly Varden	Grayling	Pike	Sheefish
			King	Coho	Sockeye								
A	Other Lakes	345	0	0	0	3	0	0	0	0	0	0	0
A	Other Streams	602	0	98	0	7	0	0	0	35	0	0	0
B	Harris River	64	0	10	0	0	0	0	0	4	0	0	0
B	Luck Lake	47	0	3	0	0	0	0	0	0	0	0	0
B	Staney Creek	153	0	2	0	0	0	0	0	0	0	0	0
B	Thorne System Stream and Lake	120	0	3	0	1	1	0	0	10	0	0	0
B	Other Lakes	27	0	4	0	0	0	0	0	0	0	0	0
B	Other Streams	212	0	67	27	0	0	0	0	0	0	0	0
C	Lakes and Streams	175	0	31	15	0	0	0	0	1	0	0	0
D	Plotnikof and Rezanof System Streams and Lakes	40	0	10	0	0	0	0	0	0	0	0	0
D	Eva Lake and Stream	107	0	5	0	0	0	0	0	8	0	0	0
D	Sitkoh Creek and Lake (Chichagof Island)	24	0	0	0	2	17	0	0	1	0	0	0
D	Unspecified Streams	45	0	0	0	24	0	0	0	74	0	0	0
D	Katlian River	297	0	11	0	0	0	0	0	2	0	0	0
D	Nakwasina Sound Streams	158	0	0	0	0	0	0	0	0	0	0	0
D	Baranof System	207	0	22	0	0	2	0	0	0	0	0	0
D	Other Lakes	95	0	0	0	0	0	0	0	11	0	0	0
D	Other Streams	490	1	4	4	11	0	0	0	48	0	0	0
E	Dupont to Echo Cove (Juneau Road System)	63	0	65	0	0	0	0	0	9	0	0	0
E	Admiralty Island Streams	529	0	59	1	2	0	0	0	349	0	0	0
E	Chaik Bay Streams	188	0	0	0	0	0	0	0	60	0	0	0
E	Other Lakes and Streams	1,429	0	68	0	31	0	0	0	874	0	0	0
G	Mud Bay Creek (Chichagof Island)	119	0	3	0	0	0	0	0	31	0	0	0
G	Trail River (Chichagof Island)	104	0	0	0	0	0	0	0	0	0	0	0
G	North Chichagof Island Streams	116	0	0	0	0	0	0	0	37	0	0	0
G	Other Lakes and Streams	72	0	2	1	0	0	0	0	14	0	0	0
H	Situk River (reach unspecified)	1,236	25	408	1,283	0	0	26	0	3	0	0	0
H	Akwe River	821	84	1,041	20	8	0	1	0	9	0	0	0
H	Tsiu River	1,507	9	3,340	3	0	0	0	0	2	0	0	0
H	Other Lakes and Streams	1,719	3	1,904	589	1	0	0	0	8	0	0	0
	Other Lakes and Streams in SE	560	0	18	137	1	1	0	0	10	0	0	0
	SC Total	11,671	122	7,178	2,080	91	21	27	0	1,600	0	0	0

Note: Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 08/07/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G18.–Freshwater logbook effort and species released by area and site, Southeast Alaska 2007.

Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Lake trout	Dolly Varden	Grayling	Pike	Sheefish
			King	Coho	Sockeye								
A	Other Lakes	345	0	0	0	1,150	16	0	0	0	0	0	0
A	Other Streams	602	6	14	1	104	414	0	0	151	0	0	0
B	Harris River	64	0	4	0	5	0	3	0	12	0	0	0
B	Luck Lake	47	0	9	158	21	17	0	0	85	0	0	0
B	Staney Creek	153	0	23	12	21	9	18	0	112	0	0	0
B	Thorne System Stream and Lake	120	0	11	11	89	14	16	0	161	0	0	0
B	Other Lakes	27	0	4	0	34	1	2	0	56	0	0	0
B	Other Streams	212	0	29	69	285	71	3	0	345	0	0	0
C	Lakes and Streams	175	2	73	2	35	51	111	0	35	0	0	0
D	Plotnikof and Rezanof System Streams and Lakes	40	0	7	0	0	0	5	0	1	0	0	0
D	Eva Lake and Stream	107	0	4	1	77	3	1	0	283	0	0	0
D	Sitkoh Creek and Lake (Chichagof Island)	24	0	31	1	7	56	9	0	72	0	0	0
D	Unspecified Streams	45	0	9	1	0	33	11	0	251	0	0	0
D	Katlian River	297	0	1	0	0	1	0	0	2,161	0	0	0
D	Nakwasina Sound Streams	158	0	0	0	0	0	0	0	776	0	0	0
D	Baranof System	207	0	12	0	107	172	28	0	412	0	0	0
D	Other Lakes	95	0	0	4	295	6	0	0	135	0	0	0
D	Other Streams	490	8	19	46	42	75	21	0	3,792	0	0	0
E	Dupont to Echo Cove (Juneau Road System)	63	0	129	3	26	0	0	0	149	0	0	0
E	Admiralty Island Streams	529	0	217	6	30	4	0	0	1,190	0	0	0
E	Chaik Bay Streams	188	0	0	1	6	0	0	0	2,018	0	0	0
E	Other Lakes and Streams	1,429	0	21	0	25	0	3	0	5,429	0	0	0
G	Mud Bay Creek (Chichagof Island)	119	0	0	0	0	0	1	0	566	0	0	0
G	Trail River (Chichagof Island)	104	0	2	0	0	0	0	0	192	0	0	0
G	North Chichagof Island Streams	116	0	0	0	5	0	2	0	639	0	0	0
G	Other Lakes and Streams	72	0	11	0	1	0	0	0	275	0	0	0
H	Situk River (reach unspecified)	1,236	87	687	854	0	32	2,196	0	12	0	0	0
H	Akwe River	821	67	2,531	18	165	6	74	0	232	0	0	0
H	Tsiu River	1,507	0	6,470	6	0	3	3	0	5	0	0	0
H	Other Lakes and Streams	1,719	19	3,076	1,130	8	1	1	0	23	0	0	0
	Other Lakes and Streams in SE	560	0	1	211	0	0	0	0	317	0	0	0
	SE Total	11,671	189	13,395	2,535	2,538	985	2,508	0	19,887	0	0	0

Note: Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 08/07/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G19.–Freshwater logbook effort species kept by area and site, Southcentral Alaska, 2007.

Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Lake trout	Dolly Varden	Grayling	Pike	Sheefish
			King	Coho	Sockeye								
J	Delight Lake	25	0	31	33	0	0	0	0	0	0	0	0
J	Other Lakes and Streams	416	2	493	94	2	0	0	0	0	0	0	0
K	Knik Arm Lakes and Streams	1,684	363	937	35	0	1	0	0	0	0	0	0
L	Anchorage Area Lakes and Streams	328	32	155	14	0	0	0	0	9	0	0	0
M	Willow Creek	200	1	14	0	0	0	0	0	0	0	0	0
M	Clear Creek (Chunilna Creek)	837	105	434	76	0	1	0	0	6	0	0	0
M	Sheep Creek	38	6	10	0	0	0	0	0	0	0	0	0
M	Little Willow Creek	101	5	108	0	0	0	0	0	0	0	0	0
M	Indian River (into Susitna)	106	39	27	2	0	0	0	0	0	0	0	0
M	Talkeetna River	1,606	306	454	241	0	0	0	0	9	0	0	0
M	Other Lakes - East Susitna Drainage	62	0	0	0	0	11	0	10	0	20	10	0
M	Other Streams - East Susitna Drainage	421	125	93	21	0	8	0	0	1	0	0	0
M	Lake Creek	3,902	744	1,210	765	0	47	0	0	4	0	2	0
M	Talachulitna River	1,430	494	479	137	0	14	0	0	16	7	1	0
M	Alexander Lake	23	0	0	0	0	0	0	0	0	0	3	0
M	Donkey Creek, Donkey Creek Slough	134	60	5	8	0	16	0	0	0	0	25	0
M	Fish Lake Creek and Fish Lakes	40	2	22	0	0	0	0	0	0	0	44	0
M	Yentna River Drainage (Remainder)	966	167	213	39	0	6	0	6	1	6	0	0
M	Yentna River	130	15	106	0	0	0	0	0	0	0	0	0
M	Deshka River (Kroto Creek) above weir	150	149	0	0	0	1	0	0	0	0	1	0
M	Deshka River (Kroto Creek) below weir	1,516	622	271	0	0	0	0	0	0	0	0	0
M	Indian Creek (into Yentna near Fish Lakes)	253	2	371	3	0	1	0	0	0	0	4	0
M	Other Lakes and Streams - West Susitna Drainage	237	19	73	0	0	2	0	0	0	0	17	0
M	Other Lakes and Streams	208	29	46	5	0	0	0	2	0	0	2	0
N	Chuitna River	548	179	256	0	0	0	0	0	0	0	0	0
N	Theodore River	96	5	50	0	0	1	0	0	5	0	0	0
N	Big River Lakes	3,627	6	4,613	4,673	18	1	0	0	29	0	0	2
N	Crescent Lake	149	0	92	81	0	0	0	13	124	0	0	0
N	Crescent River (Grecian River)	464	3	730	516	0	0	0	4	77	0	0	0
N	Kamishak River	354	9	536	0	0	0	0	0	122	0	0	0
N	Kustatan River	1,424	0	3,576	53	0	0	0	0	52	0	0	0
N	Bachatna Creek	74	3	196	0	0	0	0	0	0	0	0	0
N	Other Sites North Forelands to Susitna Drainage	93	8	54	6	0	14	0	0	27	6	3	0
N	Other Sites (South of North Forelands)	258	3	306	22	0	0	0	0	63	0	0	0
N	Wolverine Creek (by Big River Lakes)	3,594	12	1,360	7,346	0	0	30	0	0	0	0	0
P	Anchor River	173	1	16	0	0	0	0	0	42	0	0	0
P	Ninilchik River	475	93	100	2	0	0	0	0	3	0	0	0
P	Russian River	238	0	1	143	0	2	0	0	1	0	0	0
P	Swanson River Canoe Route Lakes	75	0	2	0	0	1	0	0	0	0	0	0
P	Crescent Creek	50	0	15	78	0	0	0	0	19	1	0	0

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Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Lake trout	Dolly Varden	Grayling	Pike	Sheefish
			King	Coho	Sockeye								
P	Crescent Lake	26	0	0	0	0	6	0	0	0	3	0	0
P	Packers Lake (Creek) (Kalgin Island)	56	0	0	1	0	29	0	0	0	0	0	0
P	Quartz Creek	57	4	0	0	0	2	0	0	20	0	0	0
P	Russian Lake (Upper and Lower)	36	0	0	0	0	0	0	0	2	0	0	0
P	Kasilof River below Highway	6,761	2,553	793	279	0	2	10	0	136	0	0	0
P	Kasilof River above Highway	89	0	101	21	0	4	2	0	5	0	0	0
P	Kasilof River reach not specified	220	68	38	4	0	0	3	0	5	0	0	0
P	Other Lakes	109	0	0	0	0	11	0	4	0	1	0	0
P	Other Streams	655	1	195	1	0	51	1	0	13	0	0	0
P	Kenai River - Cook Inlet to Soldotna Bridge	30,139	6,613	5,610	1,281	3	146	0	1	125	1	0	0
P	Kenai River - Soldotna Bridge to Moose R	2,947	488	1,002	1,546	0	73	0	0	18	0	0	0
P	Kenai River - Moose River to Skilak Outlet	3,923	124	1,580	2,037	0	183	0	1	66	0	0	0
P	Kenai River - Skilak Inlet to Kenai Lake	6,303	10	88	2,145	0	193	0	0	61	0	0	0
P	Kenai River - reach not specified	1,840	163	293	433	0	48	0	0	23	4	0	0
Q	Buskin River	67	0	18	0	0	0	0	0	0	0	0	0
Q	Pasagshak River	115	0	18	31	0	0	0	0	13	0	0	0
Q	Roadside Streams	204	0	7	0	0	0	0	0	10	0	0	0
Q	Other Remote Lakes and Streams	1,008	1	480	123	0	5	2	0	172	0	0	0
Q	Roadside Lakes	148	0	32	1	0	0	0	0	18	0	0	0
Q	American River	29	0	4	0	0	0	0	0	4	0	0	0
Q	Dog Salmon Creek (Frazer River)	171	0	0	516	0	0	0	0	11	0	0	0
Q	Monashka Creek	12	0	0	0	0	0	0	0	1	0	0	0
Q	Olds River	55	0	17	0	0	0	0	0	3	0	0	0
Q	Ayakulik River (sometimes called Red River)	1,041	116	492	661	0	0	3	0	91	0	0	0
Q	Saltery River	844	0	247	78	0	0	0	0	650	1	0	0
Q	Afognak Island Lakes and Streams	40	0	104	0	0	1	1	0	0	0	0	0
Q	Zachar Bay Streams	197	0	236	0	0	0	0	0	40	0	0	0
Q	Karluk Lake and River above Weir	994	146	50	493	0	2	6	0	433	0	0	0
Q	Karluk Lagoon and River below Weir	870	48	454	1,639	0	1	4	0	60	0	0	0
Q	Unspecified Streams	47	0	0	0	0	0	0	0	4	0	0	0
R	Naknek River and Tributaries	1,896	575	892	836	0	44	0	0	30	6	4	0
R	Naknek Lake	393	0	0	79	0	1	0	6	0	0	3	0
R	Brooks River	856	5	0	15	0	22	0	0	0	0	0	0
R	Ugashik System	434	7	205	25	0	0	0	3	106	14	0	0
R	Becharof System	756	3	1,303	45	0	21	0	0	208	48	0	0
R	Brooks Lake	97	0	0	6	0	27	0	0	0	0	0	0
R	Chignik River	242	190	25	15	0	0	0	0	0	0	0	0
R	American Creek	1,184	0	0	22	0	123	0	0	119	0	0	0
R	Naknek R (Rapids Camp upstream to Naknek Lk)	1,425	80	806	1,491	0	8	0	0	4	1	0	0
R	Naknek River (dwnstream frm Rapids Camp)	660	241	193	270	0	0	0	0	0	0	0	0
R	Other Ak Peninsula / Aleutian Lakes and Streams	2,291	414	1,991	311	0	11	0	0	55	0	0	0

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Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Lake trout	Dolly Varden	Grayling	Pike	Sheefish
			King	Coho	Sockeye								
R	Other Lakes and Streams	191	0	259	10	0	0	0	0	0	0	11	0
S	Kvichak River	1,928	4	260	1,446	0	141	0	0	3	24	3	0
S	Lower Talarik Creek	123	0	0	0	0	0	0	0	0	0	0	0
S	Copper River (Lake Iliamna Area)	1,221	0	2	344	0	81	0	0	0	1	0	0
S	Newhalen River	386	0	5	459	0	0	0	0	0	0	0	0
S	Alagnak (Branch) River	4,758	540	601	3,903	0	322	0	5	9	68	0	0
S	Lake Clark	345	0	43	0	0	0	0	21	1	1	0	0
S	Kukaklek Lake	29	0	0	0	0	0	0	0	0	0	0	0
S	Kulik River	1,055	0	0	0	0	0	0	0	0	0	0	0
S	Lake Iliamna	751	0	0	778	0	3	0	0	15	0	0	0
S	Nonvianuk Lake	111	0	0	3	0	161	0	22	0	0	0	0
S	Nonvianuk River (into Alagnak)	373	0	2	25	0	197	0	4	0	9	0	0
S	Tazimina River	163	0	1	0	0	1	0	0	0	1	0	0
S	Moraine Creek	1,615	0	0	6	0	120	0	0	0	9	0	0
S	Upper Talarik Creek	103	0	88	0	0	4	0	0	0	0	0	0
S	Battle River	381	0	0	0	0	0	0	0	0	0	0	0
S	Funnel Creek	51	0	0	0	0	0	0	0	0	0	0	0
S	Nanuktuk Creek	203	0	0	0	0	30	0	0	3	0	0	0
S	Long Lake	127	0	0	0	0	0	0	0	0	0	2	0
S	Kijik Lake	17	0	0	0	0	0	0	0	1	1	0	0
S	Gibraltar River	338	0	4	177	0	15	0	0	1	0	0	0
S	Kukaklek River (Big Ku) (into Alagnak)	815	0	0	65	0	57	0	0	6	0	0	0
S	Little Kulik (into Nanuktuk Creek)	83	0	0	0	0	5	0	0	0	0	0	0
S	Other Lakes	24	0	0	28	0	0	0	0	0	0	0	0
S	Other Streams	105	0	8	52	0	0	0	0	0	0	0	0
T	Nushagak River System	489	73	2	4	0	1	0	2	24	0	0	0
T	Wood River Lakes System	733	1	114	112	0	38	0	0	301	45	31	0
T	Tikchik-Nuyakuk Lake System	293	3	0	0	0	0	0	30	10	24	1	0
T	Togiak River System	2,211	1,076	1,381	173	0	36	0	0	236	0	0	0
T	Mulchatna River	386	12	21	143	0	13	0	0	5	178	13	0
T	Agulowak River	957	0	1	973	0	161	0	0	30	20	0	0
T	Aleknagik Lake	293	0	150	82	0	0	0	0	12	0	0	0
T	Agulukpak River	685	0	0	16	0	44	0	0	28	3	0	0
T	Nushagak R - upstream of Mulchatna River	715	6	143	2	0	207	0	0	121	88	0	0
T	Wood River	100	0	191	99	0	5	0	0	0	2	0	0
T	Nushagak River - Black Point to Sonar Site	3,882	2,074	708	9	0	6	0	0	23	16	12	0
T	Nushagak River - Sonar Site to Mulchatna	3,750	2,093	288	8	0	0	0	0	3	6	4	0
T	Other Lakes and Streams	840	29	423	20	0	36	0	0	0	29	0	0
	Other Lakes and Streams in SC	15	3	0	10	0	0	0	0	0	0	0	0
	SC Total	126,387	21,373	39,424	37,745	23	2,825	62	134	3,948	644	196	2

Note: Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 08/07/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G20.–Freshwater logbook effort and species released by area and site, Southcentral Alaska, 2007.

Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Lake trout	Dolly Varden	Grayling	Pike	Sheefish
			King	Coho	Sockeye								
J	Delight Lake	25	0	7	43	0	0	0	0	0	0	0	0
J	Other Lakes and Streams	416	2	1,527	132	4	0	1	0	159	0	0	0
K	Lakes and Streams	1,684	51	70	64	0	9	0	0	17	0	0	0
L	Lakes and Streams	328	51	8	3	0	82	0	0	402	29	0	0
M	Willow Creek	200	3	8	0	0	1,537	0	0	2	75	6	0
M	Clear Creek (Chunilna Creek)	837	216	295	61	5	230	0	0	178	30	0	0
M	Sheep Creek	38	0	1	0	0	99	0	0	0	17	0	0
M	Little Willow Creek	101	6	34	29	0	4	0	0	0	0	0	0
M	Indian River (into Susitna)	106	112	1	0	0	19	0	0	0	3	5	0
M	Talkeetna River	1,606	381	417	190	2	143	0	6	511	28	0	0
M	Other Lakes - East Susitna Drainage	62	1	0	0	0	97	0	14	5	201	45	0
M	Other Streams - East Susitna Drainage	421	48	27	35	0	331	13	0	4	98	1	0
M	Lake Creek	3,902	775	344	934	4	4,025	44	14	4	122	109	10
M	Talachulitna River	1,430	1,198	1,498	238	0	1,778	0	0	56	406	93	0
M	Alexander Lake	23	0	0	0	0	0	0	0	0	0	363	0
M	Donkey Creek, Donkey Creek Slough	134	34	12	0	0	121	0	6	10	7	0	0
M	Fish Lake Creek and Fish Lakes	40	0	24	2	0	0	0	0	0	4	190	0
M	Yentna River Drainage (Remainder)	966	518	323	86	0	2,233	0	20	461	124	0	0
M	Yentna River	130	12	108	0	0	0	0	0	0	0	0	0
M	Deshka River (Kroto Creek) above weir	150	97	0	0	0	432	0	0	0	1	59	0
M	Deshka River (Kroto Creek) below weir	1,516	69	125	0	0	58	0	0	17	14	0	0
M	Indian Creek (into Yentna near Fish Lakes)	253	1	93	1	0	40	0	0	0	0	4	0
M	Other Lakes and Streams - West Susitna Drainage	237	104	137	0	0	63	0	0	1	61	0	0
M	Other Lakes and Streams	208	166	133	49	0	805	0	5	402	142	1	0
N	Chuitna River	548	449	552	0	0	77	0	0	8	0	0	0
N	Theodore River	96	44	183	0	0	21	0	0	28	0	0	0
N	Big River Lakes	3,627	0	1,330	8,320	34	10	0	1	116	0	0	8
N	Crescent Lake	149	3	3	325	0	0	0	84	1,288	37	0	0
N	Crescent River (Grecian River)	464	5	101	303	0	0	0	67	1,485	2	0	0
N	Kamishak River	354	22	724	5	17	0	0	0	2,625	0	0	0
N	Kustatan River	1,424	0	1,049	35	1	1	0	0	322	0	0	0
N	Bachatna Creek	74	0	195	0	0	0	0	0	3	0	0	0
N	Other Sites North Forelands to Susitna Drainage	93	3	60	3	0	67	0	0	313	5	87	0
N	Other Sites (South of North Forelands)	258	1	219	11	0	5	0	18	271	40	0	0
N	Wolverine Creek (by Big River Lakes)	3,594	31	311	8,754	0	1	30	61	7	0	0	0
P	Anchor River	173	12	20	0	0	2	10	0	544	0	0	0
P	Ninilchik River	475	685	29	0	0	3	33	0	10	0	0	0
P	Russian River	238	1	1	77	0	742	8	0	30	0	0	0
P	Swanson River Canoe Route Lakes	75	0	1	0	0	104	0	0	3	0	0	0
P	Crescent Creek	50	0	0	4	0	5	0	0	133	4	0	0

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Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Lake trout	Dolly Varden	Grayling	Pike	Sheefish
			King	Coho	Sockeye								
P	Crescent Lake	26	0	0	0	0	24	0	0	0	118	0	0
P	Packers Lake (Creek) (Kalgin Island)	56	0	0	0	0	496	0	0	1	0	0	0
P	Quartz Creek	57	0	0	33	0	35	0	0	741	0	0	0
P	Russian Lake (Upper and Lower)	36	0	0	10	0	37	0	0	43	0	0	0
P	Kasilof River below Highway	6,761	1,481	25	27	2	609	243	1	1,174	0	0	1
P	Kasilof River above Highway	89	59	6	7	0	16	6	0	151	0	0	0
P	Kasilof River reach not specified	220	26	0	0	0	2	5	0	18	0	0	0
P	Other Lakes	109	0	0	0	0	608	0	3	0	56	0	0
P	Other Streams	655	26	522	45	0	799	89	0	1,483	14	0	0
P	Kenai River - Cook Inlet to Soldotna Bridge	30,139	4,493	228	190	2	2,930	1	3	1,539	0	0	1
P	Kenai River - Soldotna Bridge to Moose R	2,947	481	198	857	4	5,359	5	1	1,097	0	0	1
P	Kenai River - Moose River to Skilak Outlet	3,923	119	489	1,049	0	21,530	7	13	10,134	5	0	2
P	Kenai River - Skilak Inlet to Kenai Lake	6,303	8	38	2,060	5	26,352	26	15	28,942	0	0	1
P	Kenai River - reach not specified	1,840	123	19	220	3	3,910	13	0	2,341	41	0	0
Q	Buskin River	67	0	50	0	0	0	2	0	54	0	0	0
Q	Pasagshak River	115	0	70	24	0	0	0	0	39	0	0	0
Q	Roadside Streams	204	0	27	1	0	0	0	0	494	0	0	0
Q	Other Remote Lakes and Streams	1,008	0	868	161	0	508	120	0	7,167	0	0	0
Q	Roadside Lakes	148	0	222	5	0	2	1	0	148	0	0	0
Q	American River	29	0	0	0	0	0	0	0	46	0	0	0
Q	Dog Salmon Creek (Frazer River)	171	0	16	178	0	36	46	0	38	0	0	0
Q	Monashka Creek	12	0	1	0	0	0	0	0	1	0	0	0
Q	Olds River	55	0	6	0	0	0	0	0	67	0	0	0
Q	Ayakulik River (sometimes called Red River)	1,041	1,737	1,793	1,811	0	26	828	0	1,838	0	0	0
Q	Saltery River	844	0	332	36	0	118	48	0	5,281	0	0	0
Q	Afognak Island Lakes and Streams	40	0	30	0	0	4	0	0	40	0	0	0
Q	Zachar Bay Streams	197	0	294	0	0	0	1	0	142	0	0	0
Q	Karluk Lake and River above Weir	994	380	145	1,555	0	49	318	0	3,277	0	0	0
Q	Karluk Lagoon and River below Weir	870	30	176	726	0	2	3	0	232	0	0	0
Q	Unspecified Streams	47	0	12	1	0	3	1	0	410	0	0	0
R	Naknek River and Tributaries	1,896	549	344	884	0	3,322	0	330	2,216	608	30	0
R	Naknek Lake	393	0	0	74	0	1,907	0	1,155	1,627	35	147	0
R	Brooks River	856	5	1	1,543	0	4,671	0	47	4	33	0	0
R	Ugashik System	434	175	662	53	0	0	0	13	2,130	312	0	0
R	Becharof System	756	16	1,539	221	0	493	0	21	4,610	770	16	0
R	Brooks Lake	97	0	1	77	0	844	0	76	46	2	0	0
R	Chignik River	242	346	12	22	0	7	0	0	370	0	0	0
R	American Creek	1,184	0	0	625	0	5,811	0	4	11,691	0	0	0
R	Naknek R (Rapids Camp upstream to Naknek Lk)	1,425	145	193	1,662	0	2,870	0	0	906	83	37	2
R	Naknek River (dwnstream frm Rapids Camp)	660	148	37	208	0	155	0	0	8	1	0	0
R	Other Ak Peninsula / Aleutian Lakes and Streams	2,291	1,769	3,144	643	0	904	429	0	5,245	0	0	12

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Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Lake trout	Dolly Varden	Grayling	Pike	Sheefish
			King	Coho	Sockeye								
R	Other Lakes and Streams	191	22	773	45	0	93	3	0	501	0	7	0
S	Kvichak River	1,928	14	979	2,510	0	17,698	0	1	159	3,821	10	0
S	Lower Talarik Creek	123	0	29	2	0	1,699	0	0	0	43	0	0
S	Copper River (Lake Iliamna Area)	1,221	0	3	1,453	0	13,548	0	0	96	55	26	0
S	Newhalen River	386	0	5	329	0	1,004	0	255	226	630	176	0
S	Alagnak (Branch) River	4,758	2,867	1,872	6,963	0	18,107	0	33	693	4,671	73	15
S	Lake Clark	345	0	12	2	0	83	0	306	141	2,147	32	0
S	Kukaklek Lake	29	0	0	30	0	534	0	0	5	3	0	0
S	Kulik River	1,055	0	0	15	0	19,455	0	193	9	9	0	0
S	Lake Iliamna	751	0	0	1,156	0	2,422	0	0	1,996	4	25	0
S	Nonvianuk Lake	111	0	0	0	0	1,108	0	34	0	0	0	0
S	Nonvianuk River (into Alagnak)	373	31	18	124	0	3,681	0	64	2	20	0	0
S	Tazimina River	163	0	0	12	0	449	0	23	27	1,036	30	0
S	Moraine Creek	1,615	0	0	768	0	19,781	0	23	98	484	2	0
S	Upper Talarik Creek	103	0	73	32	0	548	0	0	0	0	0	0
S	Battle River	381	0	0	653	0	2,651	0	10	24	117	0	0
S	Funnel Creek	51	0	0	3	0	508	0	0	18	1	0	0
S	Nanuktuk Creek	203	0	0	13	0	2,781	0	0	234	20	0	0
S	Long Lake	127	0	0	0	0	0	0	0	0	0	1,970	0
S	Kijik Lake	17	0	0	0	0	0	0	25	36	102	0	0
S	Gibraltar River	338	0	2	637	0	4,705	0	0	80	50	0	0
S	Kukaklek River (Big Ku) (into Alagnak)	815	1	0	224	0	11,192	0	15	126	137	2	0
S	Little Kulik (into Nanuktuk Creek)	83	0	0	22	0	1,073	0	1	86	12	1	0
S	Other Lakes	24	0	0	22	0	52	0	20	44	0	32	0
S	Other Streams	105	0	54	111	0	809	0	0	198	25	12	0
T	Nushagak River System	489	335	58	106	0	1,735	0	53	1,168	3,541	42	0
T	Wood River Lakes System	733	340	156	775	0	1,116	0	0	1,051	1,440	962	0
T	Tikchik-Nuyakuk Lake System	293	39	5	12	0	172	0	672	144	926	286	0
T	Togiak River System	2,211	7,248	2,990	336	0	880	0	0	5,484	117	111	0
T	Mulchatna River	386	337	516	444	0	1,684	0	25	754	1,719	165	0
T	Agulowak River	957	0	7	1,250	0	8,811	0	0	1,221	1,488	79	0
T	Aleknagik Lake	293	0	45	174	0	0	0	0	926	13	280	0
T	Agulukpak River	685	0	0	336	0	3,386	0	0	697	974	185	0
T	Nushagak R - upstream of Mulchatna River	715	85	316	27	0	3,546	0	0	2,363	2,246	23	0
T	Wood River	100	3	176	108	0	64	0	0	44	6	7	0
T	Nushagak River - Black Point to Sonar Site	3,882	12,209	2,270	10	0	395	0	0	236	395	86	0
T	Nushagak River - Sonar Site to Mulchatna	3,750	8,717	697	1	0	50	0	0	36	22	95	0
T	Other Lakes and Streams	840	999	2,206	242	0	1,153	0	25	144	631	6	0
	Other Lakes and Streams in SC	15	1	0	7	0	39	0	0	16	24	0	0
	SC Total	126,387	50,465	34,732	53,666	83	244,595	2,334	3,756	124,289	30,457	5,918	53

Note: Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 08/07/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G21.–Freshwater logbook effort species kept by area and site, AYK Alaska, 2007.

Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Lake trout	Dolly Varden	Grayling	Pike	Sheefish
			King	Coho	Sockeye								
I	Gulkana River (Highway to Copper River)	68	35	0	0	0	0	0	0	0	0	0	0
I	Klutina River	1,657	904	0	967	0	2	0	2	161	39	0	0
I	Gulkana River (West Fork to Highway)	1,045	671	0	64	0	0	0	0	0	7	0	0
I	Other Lakes and Streams	141	48	0	0	0	0	0	10	0	0	0	0
U	Other Lakes	1,239	3	233	7	0	101	0	0	2	0	16	0
U	Other Streams	316	14	41	0	0	0	0	0	0	78	7	0
V	Kanektok River (Quinhagak, Chosen)	2,722	301	796	210	0	94	0	0	130	8	0	0
V	Goodnews River	1,139	81	371	122	0	6	0	0	58	0	0	0
V	Aniak River	665	14	132	3	0	28	0	0	37	14	2	0
V	Holitna River	440	61	39	13	0	0	0	0	5	3	8	10
V	Streams - Kuskokwim Drainages above Aniak	36	0	18	0	0	0	0	0	0	0	0	0
V	Lakes - Kuskokwim Drainages above Aniak	9	0	0	0	0	0	0	0	0	0	0	0
V	Kuskokwim Drainage below Aniak	351	0	51	14	0	0	0	0	6	1	0	0
V	Lakes and Streams - Kuskokwim Bay	213	0	9	3	0	0	0	0	0	1	0	0
W	Streams of Seward Peninsula/Norton Sound	885	43	918	0	0	0	0	0	77	18	9	0
Y	Streams of the Yukon River Drainage	1,273	143	164	2	0	0	0	0	28	215	223	6
	Other Lakes and Streams in AYK	63	0	0	0	0	0	0	0	0	30	0	1
	AYK Total	12,262	2,318	2,772	1,405	0	231	0	12	504	414	265	17

Note: Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 08/07/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G22.–Freshwater logbook effort species released by area and site, AYK Alaska, 2007.

Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Lake trout	Dolly Varden	Grayling	Pike	Sheefish
			King	Coho	Sockeye								
I	Gulkana River (Highway to Copper River)	68	39	0	0	0	0	0	0	0	135	0	0
I	Klutina River	1,657	549	0	453	0	7	0	0	26	13	0	0
I	Gulkana River (West Fork to Highway)	1,045	528	0	101	0	15	0	23	0	58	0	0
I	Other Lakes and Streams	141	89	0	0	0	15	2	91	0	246	0	0
U	Other Lakes	1,239	0	20	1	0	961	1	0	0	341	88	0
U	Other Streams	316	29	149	0	0	0	0	0	0	2,826	72	0
V	Kanektok River (Quinhagak, Chosen)	2,722	1,627	4,375	1,300	0	9,579	0	5	14,551	1,818	13	0
V	Goodnews River	1,139	537	2,138	88	0	1,323	0	4	3,747	236	0	0
V	Aniak River	665	1,600	1,908	81	0	3,132	0	0	3,821	1,160	523	68
V	Holitna River	440	550	317	45	0	5	0	0	931	666	1,806	165
V	Streams - Kuskokwim Drainages above Aniak	36	27	61	12	0	53	0	0	43	66	35	0
V	Lakes - Kuskokwim Drainages above Aniak	9	0	0	0	0	0	0	52	0	67	12	0
V	Kuskokwim Drainage below Aniak	351	316	719	69	0	2,939	0	0	2,918	1,328	28	1
V	Lakes and Streams - Kuskokwim Bay	213	32	494	18	0	949	0	79	642	102	1	0
W	Streams of Seward Peninsula/Norton Sount	885	700	7,258	0	0	0	0	0	1,625	2,609	18	0
Y	Streams of the Yukon River Drainage	1,273	566	2,218	18	0	0	0	0	660	8,826	9,267	84
	Other Lakes and Streams in AYK	63	0	0	0	0	0	0	0	129	345	0	484
	AYK Total	12,262	7,189	19,657	2,186	0	18,978	3	254	29,093	20,842	11,863	802

Note: Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 08/07/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G23.–Freshwater logbook effort and species kept by region, Statewide, 2007.

Region	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Lake trout	Dolly Varden	Grayling	Pike	Sheefish
		King	Coho	Sockeye								
SE	11,671	122	7,178	2,080	91	21	27	0	1,600	0	0	0
SC	126,387	21,373	39,424	37,745	23	2,825	62	134	3,948	644	196	2
AYK	12,262	2,318	2,772	1,405	0	231	0	12	504	414	265	17
Total	150,320	23,813	49,374	41,230	114	3,077	89	146	6,052	1,058	461	19

Note: Data are current as of 08/07/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G24.–Freshwater logbook effort and species released by region, Statewide, 2007.

Region	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Lake trout	Dolly Varden	Grayling	Pike	Sheefish
		King	Coho	Sockeye								
SE	11,671	189	13,395	2,535	2,538	985	2,508	0	19,887	0	0	0
SC	126,387	50,465	34,732	53,666	83	244,595	2,334	3,756	124,289	30,457	5,918	53
AYK	12,262	7,189	19,657	2,186	0	18,978	3	254	29,093	20,842	11,863	802
Total	150,320	57,843	67,784	58,387	2,621	264,558	4,845	4,010	173,269	51,299	17,781	855

Note: Data are current as of 08/07/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G25.–Freshwater logbook participation by site code and area, Southeast Alaska, 2008.

Area	Description	Trips	Businesses[a]	Angler Days						
				Guides[a]	Resident	Nonres	Comped	Unknown	Crew	Total
A	Lakes and Streams	173	6	19	4	548	0	15	1	568
B	Eagle Creek (Bear Creek)	20	7	8	3	49	0	0	0	52
B	Harris River	20	6	8	0	52	0	0	1	53
B	Luck Lake	9	4	4	2	25	1	0	0	28
B	Staney Creek	42	9	11	2	105	0	0	2	109
B	Thorne System Stream and Lake	59	11	15	3	172	0	1	0	176
B	Sweetwater System Stream and Lake	13	4	4	0	40	0	0	0	40
B	Other Lakes and Streams	97	9	12	2	259	0	0	2	263
C	Lakes and Streams	57	10	11	11	160	0	0	1	172
D	Plotnikof and Rezanof System Streams and Lakes	25	6	9	2	77	0	0	0	79
D	Eva Lake and Stream	16	4	7	1	62	0	0	4	67
D	Sitkoh Creek and Lake (Chichagof Island)	17	5	8	0	55	0	0	0	55
D	Katlian River	78	5	8	0	237	2	1	0	240
D	Nakwasina Sound Streams	49	6	10	2	150	0	0	0	152
D	Saook Bay Streams	48	4	16	2	214	0	0	20	236
D	Fish Bay Streams	5	4	5	0	24	0	0	0	24
D	Other Lakes	36	6	7	4	93	0	0	3	100
D	Other Streams	187	14	37	16	616	0	0	6	638
E	Dupont to Echo Cove (Juneau Road System)	7	4	4	10	19	0	0	0	29
E	Admiralty Island Streams	196	6	23	5	801	1	0	7	814
E	Chaik Bay Streams	52	4	12	1	206	0	0	4	211
E	Other Lakes and Streams	379	7	27	6	1,470	0	10	4	1,490
G	Mud Bay Creek (Chichagof Island)	26	5	8	1	98	0	0	4	103
G	Trail River (Chichagof Island)	21	6	8	2	89	0	0	13	104
G	Chicken Creek (Chichagof Island)	43	4	14	1	174	0	0	1	176
G	North Chichagof Island Streams	9	4	6	2	31	0	0	1	34
G	Other Lakes and Streams	16	4	5	5	57	0	0	4	66
H	Akwe River	121	4	5	71	380	0	0	70	521
H	Situk River (above weir)	501	7	16	100	1,047	1	1	17	1,166
H	Situk River (below weir)	56	4	11	1	113	0	1	1	116
H	Other Lakes and Streams	613	14	34	61	2,194	14	3	30	2,302
	Other Lakes and Streams in SE	122	2	7	0	526	0	19	1	546
SE Total		3,113	70	178	320	10,143	19	51	197	10,730

Note: Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 08/12/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G26.–Freshwater logbook participation by site code and area, Southcentral Alaska, 2008.

Area	Description	Trips	Businesses[a]	Guides[a]	Angler Days					
					Resident	Nonres	Comped	Unknown	Crew	Total
J	Other Lakes	5	4	4	2	18	0	0	0	20
J	Other Streams	89	7	11	34	363	0	4	4	405
K	Knik Arm Lakes and Streams	492	14	22	583	1,234	15	11	46	1,889
M	Willow Creek	44	7	13	55	42	0	2	0	99
M	Clear Creek (Chunilna Creek)	64	9	11	18	237	3	6	1	265
M	Little Willow Creek	50	5	10	83	71	0	1	4	159
M	Indian River (into Susitna)	13	4	5	1	41	0	0	0	42
M	Talkeetna River	512	10	33	255	1,785	1	131	20	2,192
M	Other Lakes - East Susitna Drainage	11	4	4	6	27	0	0	0	33
M	Other Streams - East Susitna Drainage	118	10	13	76	306	3	1	3	389
M	Deshka River (Kroto Creek)	33	4	6	14	98	0	0	0	112
M	Lake Creek	1,195	26	64	290	3,073	10	1	41	3,415
M	Talachulitna River	913	13	44	145	2,418	5	1	23	2,592
M	Alexander Lake	16	5	7	1	44	0	0	0	45
M	Chelatna Lake	46	4	6	0	112	0	1	1	114
M	Eightmile Creek	42	4	7	16	95	0	0	4	115
M	Fish Lake Creek and Fish Lakes	152	11	24	62	337	0	0	9	408
M	Moose Creek (into Yentna)	26	4	8	7	51	0	0	1	59
M	Skwentna River	82	6	12	21	160	1	0	0	182
M	Susitna River	19	4	6	31	38	0	0	0	69
M	Yentna River Drainage (Remainder)	383	16	49	45	1,188	1	1	14	1,249
M	Yentna River	242	8	27	68	559	0	0	7	634
M	Deshka River (Kroto Creek) below weir	211	12	18	251	505	1	8	11	776
M	Indian Creek (into Yentna near Fish Lakes)	106	5	13	38	323	0	0	18	379
M	Other Lakes and Streams - West Susitna Drainage	87	13	21	60	208	1	0	13	282
M	Streams and Lakes	10	5	5	7	26	0	1	0	34
N	Chuitna River	54	11	15	6	215	0	0	0	221
N	Big River Lakes	1,351	32	51	189	5,127	1	10	2	5,329
N	Big River	5	4	4	0	14	0	0	2	16
N	Crescent Lake	56	16	21	7	234	0	3	1	245
N	Crescent River (Grecian River)	103	8	13	8	298	0	5	0	311
N	Kamishak River	73	7	21	0	248	1	0	6	255
N	Kustatan River	309	28	42	90	1,280	2	3	3	1,378
N	Silver Salmon Creek	42	4	5	0	141	0	1	0	142
N	Bachatna Creek	15	5	5	0	54	0	0	0	54
N	Other Sites North Forelands to Susitna Drainage	44	9	18	0	156	1	1	4	162
N	Other Sites (South of North Forelands)	63	13	21	1	240	0	0	0	241
N	Wolverine Creek (by Big River Lakes)	585	21	36	89	2,217	2	9	1	2,318
P	Anchor River	51	7	9	1	192	0	1	5	199
P	Ninilchik River	55	4	7	6	247	2	0	2	257
P	Deep Creek	43	5	7	2	160	1	0	15	178

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Area	Description	Trips	Businesses[a]	Guides[a]	Angler Days					
					Resident	Nonres	Comped	Unknown	Crew	Total
P	Russian River	137	15	22	20	276	0	3	0	299
P	Swanson River Canoe Route Lakes	16	4	4	19	27	0	0	12	58
P	Crescent Lake	44	4	9	0	125	0	0	0	125
P	Quartz Creek	31	6	8	0	51	0	2	0	53
P	Kasilof River below Highway	1,980	88	139	858	5,627	19	58	98	6,660
P	Kasilof River above Highway	28	10	11	8	75	1	1	4	89
P	Kasilof River reach not specified	97	19	21	47	268	0	1	0	316
P	Stocked Lakes	13	5	5	1	37	0	0	1	39
P	Other Lakes	47	15	18	18	148	0	0	11	177
P	Other Streams	105	11	17	36	367	1	4	0	408
P	Kenai River - Cook Inlet to Soldotna Bridge	8,560	211	321	4,243	25,574	120	236	61	30,234
P	Kenai River - Soldotna Bridge to Moose R	803	65	94	222	2,368	2	9	86	2,687
P	Kenai River - Moose River to Skilak Outlet	1,104	80	108	469	2,933	16	20	12	3,450
P	Kenai River - Skilak Inlet to Kenai Lake	2,381	40	94	874	6,548	13	54	83	7,572
P	Kenai River - reach not specified	175	31	37	62	479	4	11	1	557
Q	Buskin River	19	4	4	6	49	0	0	2	57
Q	Pasagshak River	38	7	7	24	88	0	0	3	115
Q	Roadside Streams	35	11	11	1	97	0	0	6	104
Q	Other Remote Lakes and Streams	296	20	32	49	940	4	0	5	998
Q	Roadside Lakes	45	6	8	9	155	3	0	2	169
Q	American River	16	6	6	1	37	0	0	1	39
Q	Buskin Lake	7	4	4	0	20	0	0	2	22
Q	Dog Salmon Creek (Frazer River)	98	6	16	11	327	0	0	5	343
Q	Olds River	21	7	7	6	63	0	0	0	69
Q	Ayakulik River (sometimes called Red River)	207	4	10	23	680	3	2	3	711
Q	Saltery River	349	11	17	97	1,056	4	4	10	1,171
Q	Uganik River	96	4	6	8	341	2	2	39	392
Q	Browns Lagoon River	15	5	6	0	54	0	0	1	55
Q	Zachar Bay Streams	33	4	8	1	96	0	0	5	102
Q	Karluk Lake and River above Weir	109	6	12	13	552	0	10	0	575
Q	Karluk Lagoon and River below Weir	100	5	14	3	588	1	8	0	600
R	Naknek River and Tributaries	684	22	66	165	1,590	11	6	109	1,881
R	Naknek Lake	66	5	10	10	215	3	0	5	233
R	Brooks River	317	20	73	34	783	7	4	5	833
R	Ugashik System	113	14	34	7	324	0	0	8	339
R	Becharof System	234	19	47	12	671	2	1	12	698
R	American Creek	595	19	71	60	1,512	1	0	1	1,574
R	Naknek River (Rapids Camp upstream to Naknek Lk)	639	18	49	43	1,562	3	6	92	1,706
R	Naknek River (dwnstream frm Rapids Camp)	276	14	33	39	604	0	1	42	686
R	Other Alaska Peninsula / Aleutian Streams	1,014	18	57	75	2,620	0	3	44	2,742
R	Other Alaska Peninsula / Aleutian Lakes	34	7	10	5	95	0	0	1	101
R	Other Streams	76	17	31	0	263	0	0	4	267

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Area	Description	Trips	Businesses[a]	Guides[a]	Angler Days					
					Resident	Nonres	Comped	Unknown	Crew	Total
S	Kvichak River	979	22	94	63	2,146	1	4	4	2,218
S	Lower Talarik Creek	51	6	20	2	140	0	1	0	143
S	Copper River (Lake Iliamna Area)	525	8	32	21	1,366	2	0	1	1,390
S	Gibraltar Lake	21	4	11	1	67	0	0	1	69
S	Newhalen River	111	9	28	21	418	0	0	2	441
S	Alagnak (Branch) River	1,813	22	106	26	4,083	4	6	54	4,173
S	Lake Clark	109	9	27	17	313	0	0	0	330
S	Kulik River	532	19	57	57	1,390	1	0	0	1,448
S	Lake Iliamna	229	13	34	5	668	1	0	1	675
S	Nonvianuk Lake	18	7	9	0	64	0	0	15	79
S	Nonvianuk River (into Alagnak)	142	17	45	18	363	0	0	18	399
S	Pike Lakes	8	4	6	0	17	0	0	0	17
S	Tazimina River	54	5	20	5	136	0	0	0	141
S	Moraine Creek	468	23	93	6	1,206	0	0	25	1,237
S	Upper Talarik Creek	29	4	14	0	111	0	0	0	111
S	Battle River	114	11	26	2	309	2	4	47	364
S	Funnel Creek	43	6	11	0	103	0	0	0	103
S	Nanuktuk Creek	126	9	36	3	299	0	0	0	302
S	Kijik River	19	5	10	0	64	0	0	0	64
S	Kijik Lake	10	4	6	1	39	0	0	0	40
S	Gibraltar River	96	8	24	2	262	0	0	1	265
S	Kukaklek River (Big Ku) (into Alagnak)	254	11	51	47	502	0	0	0	549
S	Battle Lake	6	4	4	3	9	0	0	0	12
S	Little Kulik (into Nanuktuk Creek)	61	8	18	2	139	0	0	0	141
S	Other Lakes and Streams	27	5	11	1	61	0	0	0	62
T	Nushagak River System	407	26	52	21	888	1	0	3	913
T	Wood River Lakes System	335	12	51	18	733	0	13	4	768
T	Tikchik-Nuyakuk Lake System	159	5	25	12	334	3	2	4	355
T	Togiak River System	841	8	62	36	1,758	3	19	2	1,818
T	Mulchatna River	118	17	24	11	397	0	13	0	421
T	Agulowak River	553	9	44	92	952	0	29	0	1,073
T	Aleknagik Lake	69	5	16	1	142	0	5	0	148
T	Agulukpak River	256	8	36	2	475	0	3	0	480
T	Nushagak River - upstream of Mulchatna River	172	9	20	3	324	0	0	3	330
T	Nushagak River - Black Point to Sonar Site	1,023	31	115	135	2,924	2	67	50	3,178
T	Nushagak River - Sonar Site to Mulchatna	1,420	31	123	236	4,256	5	29	34	4,560
T	Other Lakes	21	5	10	1	56	0	0	0	57
T	Other Streams	372	7	34	5	782	1	0	0	788
	Other Lakes and Streams in SC	133	8	8	36	326	2	0	0	364
SC Total		40,587	512	1,305	11,059	113,089	299	843	1,306	126,596

Note: Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 08/12/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G27.–Freshwater logbook participation by site code and area, AYK Alaska, 2008.

Area	Description	Trips	Businesses[a]	Guides[a]	Angler Days					
					Resident	Nonres	Comped	Unknown	Crew	Total
I	Klutina River	470	11	22	331	1,200	4	10	26	1,571
I	Gulkana River (reach unspecified)	75	5	8	58	165	0	0	16	239
I	Gulkana River (West Fork to Highway)	205	14	25	156	588	0	2	8	754
I	Other Lakes and Streams	11	4	5	9	19	0	0	0	28
U	Other Lakes	227	5	15	18	911	1	3	13	946
U	Other Streams	72	6	15	68	128	0	5	9	210
V	Kanektok River (Quinhagak, Chosen)	1,390	5	56	37	2,775	0	0	0	2,812
V	Goodnews River	583	6	20	18	1,041	0	0	0	1,059
V	Aniak River	380	7	19	17	814	0	0	0	831
V	Holitna River	223	7	21	7	525	1	0	3	536
V	Lakes and Streams - Kuskokwim Bay	97	5	14	0	198	0	0	5	203
V	Other Lakes and Streams - Kuskokwim Drainage	155	12	22	53	589	1	0	19	662
W	Streams of Seward Peninsula/Norton Sound	418	6	18	33	875	0	1	11	920
Y	Streams of the Yukon River Drainage	484	7	22	45	941	0	5	1	992
	Other Lakes and Streams in AYK	11	3	3	10	59	0	0	1	70
AYK Total		4,801	69	222	860	10,828	7	26	112	11,833

Note: Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 08/12/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G28.–Freshwater logbook participation by region, 2008.

Region	Trips	Businesses[a]	Guides[a]	Angler Days					
				Resident	Nonres	Comped	Unknown	Crew	Total
SE	3,113	70	178	320	10,143	19	51	197	10,730
SC	40,587	512	1,305	11,059	113,089	299	843	1,306	126,596
AYK	4,801	69	222	860	10,828	7	26	112	11,833
Total	48,501	630	1,636	12,239	134,060	325	920	1,615	149,159

Note: Data are current as of 08/12/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G29.–Freshwater logbook effort species kept by area and site, Southeast Alaska 2008.

Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Lake trout	Dolly Varden	Grayling	Pike	Sheefish
			King	Coho	Sockeye								
A	Lakes and Streams	568	0	83	0	0	0	0	0	4	0	0	0
B	Eagle Creek (Bear Creek)	52	0	0	0	0	0	0	0	0	0	0	0
B	Harris River	53	0	3	0	0	0	0	0	0	0	0	0
B	Luck Lake	28	0	0	0	0	0	0	0	7	0	0	0
B	Staney Creek	109	0	11	0	0	0	0	0	0	0	0	0
B	Thorne System Stream and Lake	176	0	56	0	1	0	0	0	42	0	0	0
B	Sweetwater System Stream and Lake	40	0	45	26	1	0	0	0	2	0	0	0
B	Other Lakes and Streams	263	0	51	7	0	0	0	0	1	0	0	0
C	Lakes and Streams	172	0	30	0	0	0	0	0	3	0	0	0
D	Plotnikof and Rezanof System Streams and Lakes	79	0	34	0	0	0	0	0	0	0	0	0
D	Eva Lake and Stream	67	0	0	0	1	1	0	0	14	0	0	0
D	Sitkoh Creek and Lake (Chichagof Island)	55	0	0	0	0	1	0	0	4	0	0	0
D	Katlian River	240	0	12	0	0	0	0	0	1	0	0	0
D	Nakwasina Sound Streams	152	0	0	0	0	0	0	0	0	0	0	0
D	Saook Bay Streams	236	0	0	0	0	0	0	0	19	0	0	0
D	Fish Bay Streams	24	0	0	0	0	0	0	0	0	0	0	0
D	Other Lakes	100	0	1	1	0	2	0	0	2	0	0	0
D	Other Streams	638	0	82	0	0	3	0	0	33	0	0	0
E	Dupont to Echo Cove (Juneau Road System)	29	0	13	0	0	0	0	0	7	0	0	0
E	Admiralty Island Streams	814	0	36	0	0	0	0	0	230	0	0	0
E	Chaik Bay Streams	211	0	2	0	0	0	0	0	53	0	0	0
E	Other Lakes and Streams	1,490	0	3	0	0	0	0	0	12	0	0	0
G	Mud Bay Creek (Chichagof Island)	103	0	0	0	0	0	0	0	41	0	0	0
G	Trail River (Chichagof Island)	104	0	0	0	0	0	0	0	2	0	0	0
G	Chicken Creek (Chichagof Island)	176	0	0	0	0	0	0	0	12	0	0	0
G	North Chichagof Island Streams	34	0	16	0	0	0	0	0	13	0	0	0
G	Other Lakes and Streams	66	0	30	0	0	0	0	0	0	0	0	0
H	Akwe River	521	42	657	1	2	0	0	0	24	0	0	0
H	Situk River (above weir)	1,166	0	578	498	16	0	1	0	7	0	0	0
H	Situk River (below weir)	116	0	33	311	0	0	0	0	15	0	0	0
H	Other Lakes and Streams	2,302	50	4,155	158	4	0	1	0	49	1	0	0
	Other Lakes and Streams in SE	546	0	0	85	0	0	0	0	5	0	0	0
	SE Total	10,730	92	5,931	1,087	25	7	2	0	602	1	0	0

Note: Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 08/12/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G30.–Freshwater logbook effort species released by area and site, Southeast Alaska 2008.

Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Lake trout	Dolly Varden	Grayling	Pike	Sheefish
			King	Coho	Sockeye								
A	Lakes and Streams	568	0	22	1	81	550	1	0	33	0	0	0
B	Eagle Creek (Bear Creek)	52	0	1	0	98	30	32	0	140	0	0	0
B	Harris River	53	0	10	0	0	0	6	0	10	0	0	0
B	Luck Lake	28	0	3	0	36	13	0	0	28	0	0	0
B	Staney Creek	109	0	17	1	5	0	19	0	176	0	0	0
B	Thorne System Stream and Lake	176	0	35	0	80	5	35	0	323	0	0	0
B	Sweetwater System Stream and Lake	40	2	42	27	35	4	1	0	10	0	0	0
B	Other Lakes and Streams	263	0	50	55	114	43	6	0	580	0	0	0
C	Lakes and Streams	172	0	3	0	188	147	78	0	101	0	0	0
D	Plotnikof and Rezanof System Streams and Lakes	79	0	25	0	0	2	37	0	41	0	0	0
D	Eva Lake and Stream	67	0	4	0	36	30	1	0	159	0	0	0
D	Sitkoh Creek and Lake (Chichagof Island)	55	0	1	0	218	188	6	0	157	0	0	0
D	Katlian River	240	0	9	0	0	0	0	0	704	0	0	0
D	Nakwasina Sound Streams	152	0	3	0	0	0	1	0	561	0	0	0
D	Saook Bay Streams	236	0	0	0	2	2	8	0	726	0	0	0
D	Fish Bay Streams	24	0	0	0	0	0	0	0	54	0	0	0
D	Other Lakes	100	4	0	0	103	105	3	0	231	0	0	0
D	Other Streams	638	6	92	0	129	44	91	0	4,144	0	0	0
E	Dupont to Echo Cove (Juneau Road System)	29	0	50	5	0	0	0	0	20	0	0	0
E	Admiralty Island Streams	814	0	89	13	47	10	4	0	2,439	0	0	0
E	Chaik Bay Streams	211	0	10	0	10	15	1	0	3,018	0	0	0
E	Other Lakes and Streams	1,490	0	39	3	19	0	5	0	7,052	21	0	0
G	Mud Bay Creek (Chichagof Island)	103	0	0	0	0	0	0	0	1,175	0	0	0
G	Trail River (Chichagof Island)	104	0	15	0	0	0	0	0	159	0	0	0
G	Chicken Creek (Chichagof Island)	176	0	0	0	4	0	1	0	800	0	0	0
G	North Chichagof Island Streams	34	0	0	0	0	0	0	0	60	0	0	0
G	Other Lakes and Streams	66	0	5	0	1	0	0	0	163	0	0	0
H	Akwe River	521	47	2,232	3	150	2	39	0	268	0	0	0
H	Situk River (above weir)	1,166	0	773	378	0	18	2,407	61	12	1	0	0
H	Situk River (below weir)	116	0	3	203	0	0	2	0	9	0	0	0
H	Other Lakes and Streams	2,302	40	9,849	90	8	0	36	3	187	0	0	0
	Other Lakes and Streams in SE	546	0	0	164	1	0	0	0	421	12	0	0
	SE Total	10,730	99	13,382	943	1,365	1,208	2,820	64	23,961	34	0	0

Note: Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 08/12/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G31.–Freshwater logbook effort and species kept by area and site, Southcentral harvest, 2008.

Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Lake trout	Dolly Varden	Grayling	Pike	Sheefish
			King	Coho	Sockeye								
J	Other Lakes	20	0	15	0	0	0	0	0	13	0	0	0
J	Other Streams	405	1	403	16	0	0	0	0	14	0	0	0
K	Knik Arm Lakes and Streams	1,889	419	1,361	3	0	1	0	0	0	0	0	0
M	Willow Creek	99	12	5	0	0	6	0	0	0	3	0	0
M	Clear Creek (Chunilna Creek)	265	8	120	12	0	0	0	0	0	0	0	0
M	Little Willow Creek	159	11	143	1	0	1	0	0	0	0	0	0
M	Indian River (into Susitna)	42	5	4	0	0	0	0	0	0	0	0	0
M	Talkeetna River	2,192	396	897	666	0	2	0	0	3	0	0	0
M	Other Lakes - East Susitna Drainage	33	0	0	0	0	3	0	2	0	9	0	0
M	Other Streams - East Susitna Drainage	389	91	117	1	0	20	0	0	2	0	9	0
M	Deshka River (Kroto Creek)	112	29	0	0	0	5	0	0	0	0	0	0
M	Lake Creek	3,415	546	1,562	281	0	80	0	0	0	0	19	0
M	Talachulitna River	2,592	382	1,455	192	0	0	0	0	5	5	6	0
M	Alexander Lake	45	0	0	0	0	0	0	0	0	0	8	0
M	Chelatna Lake	114	0	0	0	0	0	0	41	0	1	1	0
M	Eightmile Creek	115	43	157	0	0	0	0	0	0	0	8	0
M	Fish Lake Creek and Fish Lakes	408	78	82	91	0	0	0	0	0	0	248	0
M	Moose Creek (into Yentna)	59	21	28	1	0	0	0	0	0	0	0	0
M	Skwentna River	182	23	148	19	0	0	0	0	0	0	0	0
M	Susitna River	69	1	18	0	0	0	0	0	0	0	0	0
M	Yentna River Drainage (Remainder)	1,249	251	560	41	0	14	0	0	5	0	31	0
M	Yentna River	634	141	592	12	0	0	0	0	0	0	0	0
M	Deshka River (Kroto Creek) below weir	776	164	467	3	0	5	0	0	0	0	1	0
M	Indian Creek (into Yentna near Fish Lakes)	379	45	361	1	0	0	0	0	0	0	5	0
M	Other Lakes and Streams - West Susitna Drainage	282	36	83	4	0	1	0	0	0	0	117	0
M	Streams and Lakes	34	2	10	0	0	15	0	0	0	0	5	0
N	Chuitna River	221	24	265	0	0	0	0	0	0	0	0	0
N	Big River Lakes	5,329	15	9,401	4,006	0	0	0	0	8	0	0	0
N	Big River	16	0	31	11	0	0	0	0	0	0	0	0
N	Crescent Lake	245	0	133	79	0	0	0	11	82	0	3	0
N	Crescent River (Grecian River)	311	0	518	121	0	0	0	3	58	0	0	0
N	Kamishak River	255	0	352	0	0	0	0	0	29	0	0	0
N	Kustatan River	1,378	4	3,648	13	0	1	0	0	37	0	0	0
N	Silver Salmon Creek	142	0	108	2	0	0	0	0	14	0	0	0
N	Bachatna Creek	54	0	151	0	0	0	0	0	0	0	0	0
N	Other Sites North Forelands to Susitna Drainage	162	1	105	26	0	0	0	1	13	1	0	0
N	Other Sites (South of North Forelands)	241	5	218	21	0	0	0	0	6	0	0	0
N	Wolverine Creek (by Big River Lakes)	2,318	0	988	4,475	0	0	0	0	3	0	0	0
P	Anchor River	199	42	16	0	0	0	0	0	66	0	0	0
P	Ninilchik River	257	52	38	0	0	0	0	0	13	0	0	0
P	Deep Creek	178	0	106	0	0	0	0	0	28	0	0	0

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Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Lake trout	Dolly Varden	Grayling	Pike	Sheefish
			King	Coho	Sockeye								
P	Russian River	299	0	1	203	0	0	0	0	0	0	0	0
P	Swanson River Canoe Route Lakes	58	0	0	0	0	3	0	0	0	1	0	0
P	Crescent Lake	125	0	0	173	0	0	0	1	11	123	0	0
P	Quartz Creek	53	0	0	0	0	0	0	0	6	0	0	0
P	Kasilof River below Highway	6,660	2,125	1,329	147	0	0	0	0	89	0	0	0
P	Kasilof River above Highway	89	9	78	4	0	1	0	0	3	0	0	0
P	Kasilof River reach not specified	316	132	6	17	0	0	0	0	2	0	0	0
P	Stocked Lakes	39	0	0	0	0	5	0	0	0	0	0	0
P	Other Lakes	177	0	0	5	0	17	0	0	0	2	0	0
P	Other Streams	408	0	185	3	0	0	0	0	1	0	0	0
P	Kenai River - Cook Inlet to Soldotna Bridge	30,234	6,522	8,823	621	0	73	0	0	76	0	0	0
P	Kenai River - Soldotna Bridge to Moose R	2,687	506	721	590	0	43	1	0	6	0	0	0
P	Kenai River - Moose River to Skilak Outlet	3,450	62	1,403	1,060	0	52	0	1	20	0	0	0
P	Kenai River - Skilak Inlet to Kenai Lake	7,572	3	196	2,947	0	68	0	5	76	0	0	0
P	Kenai River - reach not specified	557	74	102	154	0	1	0	0	0	0	0	0
Q	Buskin River	57	0	31	1	0	0	0	0	0	0	0	0
Q	Pasagshak River	115	0	42	43	0	0	0	0	8	0	0	0
Q	Roadside Streams	104	0	14	0	0	0	0	0	8	0	0	0
Q	Other Remote Lakes and Streams	998	2	363	631	0	1	0	0	103	0	0	0
Q	Roadside Lakes	169	0	69	3	0	0	0	0	15	0	0	0
Q	American River	39	0	4	0	0	0	0	0	6	0	0	0
Q	Buskin Lake	22	0	8	0	0	0	0	0	7	0	0	0
Q	Dog Salmon Creek (Frazer River)	343	10	0	894	0	0	0	0	20	0	0	0
Q	Olds River	69	0	18	0	0	0	0	0	0	0	0	0
Q	Ayakulik River (sometimes called Red River)	711	0	147	176	0	0	0	0	50	0	0	0
Q	Saltery River	1,171	11	444	1,147	0	0	0	13	379	1	0	0
Q	Uganik River	392	0	55	12	0	1	0	0	21	0	0	0
Q	Browns Lagoon River	55	0	22	5	0	0	0	0	8	0	0	0
Q	Zachar Bay Streams	102	0	74	0	0	0	0	0	40	0	0	0
Q	Karluk Lake and River above Weir	575	1	5	2	0	2	6	0	295	0	0	0
Q	Karluk Lagoon and River below Weir	600	0	604	609	0	4	0	0	58	0	0	0
R	Naknek River and Tributaries	1,881	361	1,136	586	0	1	0	0	0	0	0	0
R	Naknek Lake	233	0	0	0	0	0	0	5	3	0	3	0
R	Brooks River	833	0	1	10	0	0	0	0	0	0	0	0
R	Ugashik System	339	0	73	1	0	0	0	0	14	8	0	0
R	Becharof System	698	6	934	41	0	0	0	0	69	10	0	0
R	American Creek	1,574	0	9	0	0	31	0	3	66	0	0	0
R	Naknek R (Rapids Camp upstream to Naknek Lk)	1,706	82	1,523	1,720	0	11	0	0	15	0	0	0
R	Naknek River (dwnstream frm Rapids Camp)	686	298	422	209	0	0	0	0	3	1	0	0
R	Other Alaska Peninsula / Aleutian Streams	2,742	499	1,518	402	0	0	0	31	71	0	0	0
R	Other Alaska Peninsula / Aleutian Lakes	101	0	74	17	0	0	0	0	6	0	0	0

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Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Lake trout	Dolly Varden	Grayling	Pike	Sheefish
			King	Coho	Sockeye								
R	Other Streams	267	0	286	6	0	0	0	0	12	6	0	0
S	Kvichak River	2,218	66	357	2,267	0	29	0	0	4	27	0	0
S	Lower Talarik Creek	143	0	5	0	0	0	0	0	0	0	0	0
S	Copper River (Lake Iliamna Area)	1,390	0	0	236	0	0	0	0	0	0	0	0
S	Gibraltar Lake	69	0	0	3	0	0	0	0	0	0	0	0
S	Newhalen River	441	0	3	1,099	0	0	0	0	0	1	0	0
S	Alagnak (Branch) River	4,173	308	663	3,787	0	13	0	5	25	22	0	0
S	Lake Clark	330	0	0	2	0	0	0	3	0	0	0	0
S	Kulik River	1,448	0	0	0	0	50	0	0	0	0	0	0
S	Lake Iliamna	675	0	15	642	0	15	0	0	0	0	0	0
S	Nonvianuk Lake	79	0	0	19	0	1	0	4	0	0	0	0
S	Nonvianuk River (into Alagnak)	399	0	0	32	0	4	0	17	0	0	0	0
S	Pike Lakes	17	0	0	0	0	0	0	0	0	0	1	0
S	Tazimina River	141	0	0	2	0	0	0	0	0	2	0	0
S	Moraine Creek	1,237	0	0	4	0	27	0	0	0	4	0	0
S	Upper Talarik Creek	111	0	96	0	0	0	0	0	0	0	0	0
S	Battle River	364	0	0	0	0	17	0	0	0	0	0	0
S	Funnel Creek	103	0	0	0	0	3	0	0	0	0	0	0
S	Nanuktuk Creek	302	0	0	0	0	0	0	0	0	0	0	0
S	Kijik River	64	0	0	0	0	0	0	0	0	1	0	0
S	Kijik Lake	40	0	0	0	0	0	0	7	6	2	0	0
S	Gibraltar River	265	0	0	40	0	0	0	0	0	0	0	0
S	Kukaklek River (Big Ku) (into Alagnak)	549	0	0	276	0	4	0	1	0	0	0	0
S	Battle Lake	12	0	0	0	0	0	0	0	0	0	0	0
S	Little Kulik (into Nanuktuk Creek)	141	0	0	0	0	0	0	0	0	0	0	0
S	Other Lakes and Streams	62	0	10	0	0	0	0	0	0	0	0	0
T	Nushagak River System	913	245	52	3	0	5	0	0	3	0	1	0
T	Wood River Lakes System	768	14	317	154	0	2	0	0	14	2	1	0
T	Tikchik-Nuyakuk Lake System	355	0	0	120	0	1	0	9	1	5	21	0
T	Togiak River System	1,818	685	1,945	269	0	10	2	0	44	0	0	0
T	Mulchatna River	421	52	2	81	0	11	0	1	16	17	0	0
T	Agulowak River	1,073	0	26	995	0	0	0	0	14	2	2	0
T	Aleknagik Lake	148	0	67	41	0	0	0	0	0	0	3	0
T	Agulukpak River	480	0	0	6	0	6	0	0	11	0	0	0
T	Nushagak R - upstream of Mulchatna River	330	19	196	2	0	0	0	0	1	0	0	0
T	Nushagak River - Black Point to Sonar Site	3,178	1,825	296	16	0	2	0	0	3	0	0	0
T	Nushagak River - Sonar Site to Mulchatna	4,560	2,500	1,592	41	0	6	0	0	1	3	2	1
T	Other Lakes	57	0	0	0	0	0	0	0	0	0	1	0
T	Other Streams	788	46	472	81	0	0	0	0	0	0	0	0
	Other Lakes and Streams in SC	364	1	296	51	0	0	0	0	24	0	0	0
	SC Total	126,596	19,312	51,796	32,806	0	674	9	164	2,133	259	496	1

Note: Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 08/12/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G32.–Freshwater logbook effort and species released by area and site, Southcentral Alaska, 2008.

Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Lake trout	Dolly Varden	Grayling	Pike	Sheefish
			King	Coho	Sockeye								
J	Other Lakes	20	0	7	0	0	0	0	0	31	0	0	0
J	Other Streams	405	3	1,662	4	4	5	0	0	86	0	0	0
K	Knik Arm Lakes and Streams	1,889	40	146	0	0	246	0	0	0	0	0	0
M	Willow Creek	99	4	13	0	0	228	0	0	4	10	0	0
M	Clear Creek (Chunilna Creek)	265	22	32	18	0	55	0	0	23	13	0	0
M	Little Willow Creek	159	9	53	0	0	26	0	0	1	10	0	0
M	Indian River (into Susitna)	42	11	7	0	0	16	0	0	0	29	0	0
M	Talkeetna River	2,192	418	760	643	0	302	0	2	249	56	0	0
M	Other Lakes - East Susitna Drainage	33	0	0	4	0	7	0	4	128	101	48	0
M	Other Streams - East Susitna Drainage	389	24	38	18	0	202	0	0	8	10	12	0
M	Deshka River (Kroto Creek)	112	31	0	0	0	47	0	0	0	0	0	0
M	Lake Creek	3,415	355	728	370	0	2,594	0	0	1	1,024	35	0
M	Talachulitna River	2,592	991	2,918	599	0	1,266	0	0	137	589	56	0
M	Alexander Lake	45	0	0	0	0	0	0	0	0	0	723	0
M	Chelatna Lake	114	0	0	24	0	143	0	199	0	37	28	0
M	Eightmile Creek	115	9	147	0	0	6	0	0	0	0	0	0
M	Fish Lake Creek and Fish Lakes	408	16	23	49	0	0	0	0	0	0	87	0
M	Moose Creek (into Yentna)	59	18	4	0	0	0	0	0	0	0	0	0
M	Skwentna River	182	38	231	14	0	21	0	0	0	8	0	0
M	Susitna River	69	18	15	0	0	9	0	0	2	24	0	0
M	Yentna River Drainage (Remainder)	1,249	396	1,023	129	0	1,005	0	0	345	204	43	0
M	Yentna River	634	30	155	22	0	21	0	0	0	0	0	0
M	Deshka River (Kroto Creek) below weir	776	27	133	3	0	142	0	0	0	3	1	0
M	Indian Creek (into Yentna near Fish Lakes)	379	28	17	0	0	10	0	0	0	0	2	0
M	Other Lakes and Streams - West Susitna Drainage	282	13	140	5	0	4	0	0	2	11	310	0
M	Streams and Lakes	34	0	0	0	0	0	0	0	0	0	13	0
N	Chuitna River	221	14	428	0	0	22	0	0	31	0	0	0
N	Big River Lakes	5,329	0	1,574	6,553	0	2	0	0	72	0	0	0
N	Big River	16	0	12	2	0	0	0	0	29	0	0	0
N	Crescent Lake	245	4	6	89	0	89	0	57	1,105	42	14	0
N	Crescent River (Grecian River)	311	3	114	78	0	0	0	26	1,080	0	0	0
N	Kamishak River	255	0	477	0	0	0	0	0	1,606	5	0	0
N	Kustatan River	1,378	6	889	0	0	4	0	0	357	0	0	0
N	Silver Salmon Creek	142	0	222	2	0	0	0	0	197	0	0	0
N	Bachatna Creek	54	0	225	0	0	0	0	0	2	0	0	0
N	Other Sites North Forelands to Susitna Drainage	162	11	9	30	0	54	0	0	527	2	0	0
N	Other Sites (South of North Forelands)	241	1	332	15	0	3	0	0	670	0	0	0
N	Wolverine Creek (by Big River Lakes)	2,318	0	303	5,475	0	0	0	0	4	0	0	0
P	Anchor River	199	15	6	0	0	6	30	0	748	0	0	0
P	Ninilchik River	257	183	7	0	0	0	13	0	34	0	0	0
P	Deep Creek	178	94	41	0	0	2	45	0	78	0	0	0

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Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Laake trout	Dolly Varden	Grayling	Pike	Sheefish
			King	Coho	Sockeye								
P	Russian River	299	0	1	164	0	525	0	0	111	1	0	0
P	Swanson River Canoe Route Lakes	58	0	0	0	0	161	0	0	0	0	0	0
P	Crescent Lake	125	1	0	39	0	30	0	8	74	107	0	0
P	Quartz Creek	53	0	0	26	0	15	0	0	625	1	0	0
P	Kasilof River below Highway	6,660	990	29	29	0	128	337	7	917	0	0	0
P	Kasilof River above Highway	89	7	0	0	0	12	7	0	12	0	0	0
P	Kasilof River reach not specified	316	55	5	0	0	12	1	0	13	0	0	0
P	Stocked Lakes	39	0	12	0	0	142	0	0	0	57	0	0
P	Other Lakes	177	0	15	12	0	553	0	0	83	302	0	0
P	Other Streams	408	1	307	42	0	241	14	0	798	121	0	0
P	Kenai River - Cook Inlet to Soldotna Bridge	30,234	2,304	310	130	0	2,111	0	0	1,202	0	0	0
P	Kenai River - Soldotna Bridge to Moose R	2,687	192	86	284	0	3,599	23	1	979	0	0	0
P	Kenai River - Moose River to Skilak Outlet	3,450	44	259	631	0	17,164	1	9	9,983	10	0	0
P	Kenai River - Skilak Inlet to Kenai Lake	7,572	14	132	2,179	1	26,761	2	41	28,552	29	1	0
P	Kenai River - reach not specified	557	33	29	24	0	900	0	0	1,409	0	0	0
Q	Buskin River	57	0	5	0	0	1	0	0	156	0	0	0
Q	Pasagshak River	115	0	121	10	0	0	0	0	17	0	0	0
Q	Roadside Streams	104	0	32	0	0	0	0	0	100	0	0	0
Q	Other Remote Lakes and Streams	998	158	470	2,059	0	76	85	0	1,297	8	0	0
Q	Roadside Lakes	169	0	161	15	0	0	0	0	34	0	0	0
Q	American River	39	0	1	0	0	0	0	0	200	0	0	0
Q	Buskin Lake	22	0	1	0	0	0	0	0	100	0	0	0
Q	Dog Salmon Creek (Frazer River)	343	12	60	1,181	0	10	51	0	146	0	0	0
Q	Olds River	69	0	2	2	0	0	0	0	114	0	0	0
Q	Ayakulik River (sometimes called Red River)	711	174	1,557	782	0	17	308	1	2,458	0	0	0
Q	Saltery River	1,171	0	231	885	0	59	3	10	3,232	2	0	0
Q	Uganik River	392	0	178	3	0	411	0	0	3,542	0	0	0
Q	Browns Lagoon River	55	0	0	0	0	0	0	0	19	0	0	0
Q	Zachar Bay Streams	102	0	72	0	0	0	0	0	44	0	0	0
Q	Karluk Lake and River above Weir	575	107	214	523	0	36	321	0	3,639	0	0	0
Q	Karluk Lagoon and River below Weir	600	7	204	369	0	0	21	0	576	0	0	0
R	Naknek River and Tributaries	1,881	425	959	616	1	4,281	0	742	1,666	776	55	0
R	Naknek Lake	233	0	5	52	0	956	7	418	163	93	164	0
R	Brooks River	833	0	1	819	3	4,108	0	41	99	6	0	0
R	Ugashik System	339	397	344	61	0	89	0	4	1,276	329	2	0
R	Becharof System	698	15	1,696	100	0	606	0	0	3,650	587	0	0
R	American Creek	1,574	0	6	261	0	7,532	0	18	13,329	81	8	0
R	Naknek R (Rapids Camp upstream to Naknek Lk)	1,706	310	344	1,082	0	3,319	0	12	456	46	11	0
R	Naknek River (dwnstream frm Rapids Camp)	686	147	118	249	0	246	0	0	10	0	45	0
R	Other Alaska Peninsula / AleutianStreams	2,742	1,679	6,231	500	0	560	490	27	3,673	1	0	0
R	Other Alaska Peninsula / Aleutian Lakes	101	0	206	7	0	251	0	50	32	8	0	0

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Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Lake trout	Dolly Varden	Grayling	Pike	Sheefish
			King	Coho	Sockeye								
R	Other Streams	267	2	993	8	0	995	0	2	304	53	35	0
S	Kvichak River	2,218	122	1,428	4,167	0	13,833	0	1	69	4,443	4	0
S	Lower Talarik Creek	143	0	66	11	0	1,837	0	0	6	60	0	0
S	Copper River (Lake Iliamna Area)	1,390	0	3	556	0	16,486	22	8	77	12	44	0
S	Gibraltar Lake	69	0	1	17	0	497	0	0	1	30	0	0
S	Newhalen River	441	0	2	629	0	502	0	30	35	471	126	0
S	Alagnak (Branch) River	4,173	1,064	1,347	5,162	1	9,659	2	49	388	3,253	3	1
S	Lake Clark	330	0	0	17	0	8	0	78	105	934	1,121	0
S	Kulik River	1,448	32	0	94	0	17,507	0	544	43	50	0	0
S	Lake Iliamna	675	0	0	1,698	0	1,525	4	2	2,238	0	10	0
S	Nonvianuk Lake	79	0	57	0	0	603	0	76	0	6	0	0
S	Nonvianuk River (into Alagnak)	399	1	47	111	14	3,057	0	70	28	6	0	0
S	Pike Lakes	17	0	0	0	0	0	0	0	0	0	101	0
S	Tazimina River	141	0	0	27	0	445	0	2	50	1,285	0	0
S	Moraine Creek	1,237	0	1	477	0	12,974	0	9	76	268	0	0
S	Upper Talarik Creek	111	0	129	25	0	540	0	1	0	1	0	0
S	Battle River	364	0	3	242	0	2,193	0	2	0	93	0	0
S	Funnel Creek	103	0	0	0	0	882	0	0	3	2	0	0
S	Nanuktuk Creek	302	0	0	20	0	3,714	0	1	668	100	0	0
S	Kijik River	64	0	0	0	0	0	0	0	0	617	0	0
S	Kijik Lake	40	0	0	0	0	0	0	35	30	185	0	0
S	Gibraltar River	265	0	3	192	0	3,992	0	0	0	6	0	0
S	Kukaklek River (Big Ku) (into Alagnak)	549	1	0	97	0	4,241	0	7	23	151	10	0
S	Battle Lake	12	0	0	0	0	104	0	3	0	0	0	0
S	Little Kulik (into Nanuktuk Creek)	141	0	0	2	0	1,469	0	1	125	9	0	0
S	Other Lakes and Streams	62	0	19	12	0	423	0	0	1	0	40	0
T	Nushagak River System	913	656	192	44	1	2,413	5	0	2,208	2,552	29	0
T	Wood River Lakes System	768	150	766	540	0	811	0	3	783	894	1,162	0
T	Tikchik-Nuyakuk Lake System	355	5	90	202	0	222	1	516	63	1,189	228	0
T	Togiak River System	1,818	1,211	8,489	247	1	874	0	65	3,974	54	32	0
T	Mulchatna River	421	218	563	47	0	780	5	28	954	1,722	15	0
T	Agulowak River	1,073	0	12	1,135	0	6,124	0	0	1,517	1,495	265	0
T	Aleknagik Lake	148	0	77	77	0	158	0	0	147	17	325	0
T	Agulukpak River	480	0	0	418	0	2,381	0	7	825	495	664	0
T	Nushagak R- upstream of Mulchatna River	330	40	282	22	0	1,518	0	0	1,105	1,183	0	0
T	Nushagak River - Black Point to Sonar Site	3,178	7,973	887	0	0	6	0	0	4	0	1	0
T	Nushagak River - Sonar Site to Mulchatna	4,560	8,434	7,420	68	0	136	1	14	134	155	40	1
T	Other Lakes	57	2	39	20	0	51	0	20	19	488	23	0
T	Other Streams	788	250	3,382	183	0	650	0	0	99	1,087	76	0
	Other Lakes and Streams in SC	364	29	28	7	0	90	0	0	381	21	0	0
	SC Total	126,596	30,094	53,627	43,856	26	195,149	1,799	3,251	108,826	28,130	6,012	2

Note: Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 08/12/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G33.–Freshwater logbook effort and species kept by area and site, AYK Alaska, 2008.

Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Lake trout	Dolly Varden	Grayling	Pike	Sheefish
			King	Coho	Sockeye								
I	Klutina River	1,571	688	4	266	0	4	0	0	84	21	0	0
I	Gulkana River (reach unspecified)	239	120	0	0	0	0	0	0	0	8	0	0
I	Gulkana River (West Fork to Highway)	754	384	0	11	0	0	2	0	1	0	0	0
I	Other Lakes and Streams	28	6	0	0	0	0	0	2	0	0	0	0
U	Other Lakes	946	0	117	9	0	68	0	0	1	2	20	0
U	Other Streams	210	10	36	0	0	0	0	0	3	10	0	0
V	Kanektok River (Quinhagak, Chosen)	2,812	243	813	194	0	0	0	0	39	1	0	0
V	Goodnews River	1,059	82	294	120	0	5	0	0	31	0	0	0
V	Aniak River	831	31	126	3	0	1	0	0	22	7	12	6
V	Holitna River	536	184	65	37	0	0	0	0	12	5	24	20
V	Lakes and Streams - Kuskokwim Bay	203	1	2	0	0	0	0	0	1	0	0	0
V	Other Lakes and Streams - Kuskokwim Drainage	662	0	90	3	0	0	0	3	7	6	0	0
W	Streams of Seward Peninsula/Norton Sound	920	49	972	4	0	0	0	0	225	8	0	0
Y	Streams of the Yukon River Drainage	992	72	244	1	0	0	0	0	5	15	12	8
	Other Lakes and Streams in AYK	70	0	0	0	0	0	0	0	0	0	1	26
	AYK Total	11,833	1,870	2,763	648	0	78	2	5	431	83	69	60

Note: Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 08/12/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G34.–Freshwater logbook effort and species released by area and site, AYK Alaska, 2008.

Area	Description	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Lake trout	Dolly Varden	Grayling	Pike	Sheefish
			King	Coho	Sockeye								
I	Klutina River	1,571	193	1	58	0	5	0	0	12	18	0	1
I	Gulkana River (reach unspecified)	239	111	0	0	0	10	0	0	0	192	0	0
I	Gulkana River (West Fork to Highway)	754	226	0	4	0	17	0	21	1	10	0	0
I	Other Lakes and Streams	28	6	0	0	0	0	0	46	25	148	0	0
U	Other Lakes	946	0	31	9	0	772	0	0	1	189	54	0
U	Other Streams	210	3	28	0	0	1	0	0	15	1,288	100	4
V	Kanektok River (Quinhagak, Chosen)	2,812	842	6,041	588	1	7,195	0	2	9,737	1,501	26	0
V	Goodnews River	1,059	497	3,389	156	0	1,709	0	1	4,176	300	0	0
V	Aniak River	831	957	2,635	65	0	3,694	0	6	3,968	1,902	184	145
V	Holitna River	536	429	170	49	0	9	0	0	746	494	1,032	231
V	Lakes and Streams - Kuskokwim Bay	203	14	284	20	0	810	0	66	356	166	1	0
V	Other Lakes and Streams - Kuskokwim Drainage	662	149	1,149	17	0	5,730	0	16	6,025	2,753	3	0
W	Streams	920	373	5,036	5	0	0	0	0	2,770	1,636	25	6
Y	Streams	992	366	1,559	25	0	0	0	0	548	5,292	6,257	64
	Other Lakes and Streams in AYK	70	0	0	0	0	0	0	0	33	22	15	201
	AYK Total	11,833	4,166	20,323	996	1	19,952	0	158	28,413	15,911	7,697	652

Note: Responses of 3 or less businesses are not reported separately, to protect confidentiality of respondent. Data are current as of 08/12/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G35.–Freshwater logbook effort and species kept by region, Statewide, 2008.

Region	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Lake trout	Dolly Varden	Grayling	Pike	Sheefish
		King	Coho	Sockeye								
SE	10,730	92	5,931	1,087	25	7	2	0	602	1	0	0
SC	126,596	19,312	51,796	32,806	0	674	9	164	2,133	259	496	1
AYK	11,833	1,870	2,763	648	0	78	2	5	431	83	69	60
Total	149,159	21,274	60,490	34,541	25	759	13	169	3,166	343	565	61

Note: Data are current as of 08/12/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G36.–Freshwater logbook effort and species released by region, Statewide, 2008.

Region	Angler Days	Salmon			Cutthroat	Rainbow	Steelhead	Lake trout	Dolly Varden	Grayling	Pike	Sheefish
		King	Coho	Sockeye								
SE	10,730	99	13,382	943	1,365	1,208	2,820	64	23,961	34	0	0
SC	364	29	28	7	0	90	0	0	381	21	0	0
AYK	11,833	4,166	20,323	996	1	19,952	0	158	28,413	15,911	7,697	652
Total	149,159	34,359	87,332	45,795	1,392	216,309	4,619	3,473	161,200	44,075	13,709	654

Note: Data are current as of 08/12/2009.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

SB

42

<TARGET><BILL>SB 42</BILL><SUBJECT>SB
42</SUBJECT><COMM>SRES27</COMM></TARGET>

AIDEA Alaska Industrial Development and Export Authority

ALASKA ENERGY AUTHORITY

January 26, 2011

The Honorable Tom Wagoner
The Honorable Joe Paskvan
Co-Chairs, Senate Resources Committee
Alaska State Legislature
State Capitol Rm 427
Juneau, Alaska 99801-1182

RE: SB 42, "An Act relating to procurement for the Alaska Energy Authority; establishing the Alaska Railbelt energy fund and relating to the fund; relating to and repealing the Railbelt energy fund; relating to the quorum of the board of the Alaska Energy Authority; relating to the powers of the Alaska Energy Authority regarding employees and the transfer of certain employees of the Alaska Industrial Development Export Authority to the Alaska Energy Authority; relating to acquiring or constructing certain projects by the Alaska Energy Authority; relating to the definition of 'feasibility study' in the Alaska Energy Authority Act; and providing for an effective date."

Dear Senators Wagoner and Paskvan:

On January 18, 2011, Senate Bill 42 (Companion Bill HB 103) was introduced by request of the Governor and referred to the Senate Resources Committee. Alaska's Energy Policy target is to reach 50 percent of its electricity generation through renewable energy by 2025. A new large hydroelectric project is needed to achieve this goal. This legislation would authorize the Alaska Energy Authority (AEA) to move forward on pursuing such a project to supply electricity to the railbelt region of the state. In November 2010, AEA released its "Preliminary Decision Document" identifying the Susitna Hydroelectric project as the recommended project to pursue.

SB 42 authorizes AEA to 1) acquire, construct and own new power projects 2) hire staff in exempt service 3) adopt regulations establishing its own procurement process 4) create subsidiary corporations for the purpose of acquiring, constructing, owning, maintaining and operating power projects and 5) defines the Board of Director's quorum as four of seven members.

We respectfully request you to schedule SB 42 for a hearing in your committee and we urge favorable action on this bill. A copy of SB 42, the sectional analysis and a summary of the seven related fiscal notes are attached. We will be happy to meet with you and other members of the committee to provide any other information you may require. Thank you for considering our request.

Sincerely,

ALASKA ENERGY AUTHORITY

FOR Michael C. Harper
Acting Executive Director

Attachments (3)

SB 42

An Act relating to the procurement of supplies, services, professional services, and construction for the Alaska Energy Authority; establishing the Alaska Railbelt energy fund and relating to the fund, relating to and repealing the Railbelt energy fund; relating to the quorum of the board of the Alaska Energy Authority; relating to the powers of the Alaska Energy Authority regarding employees and the transfer of certain employees of the Alaska Industrial Development Export Authority to the Alaska Energy Authority; relating to acquiring or constructing certain projects by the Alaska Energy Authority; and relating to the definition of "feasibility study" in the Alaska Energy Authority Act; providing an effective date.

Sectional Analysis

Section	Analysis
1	Amends AS 36.30.015(f) (the procurement code) to allow AEA to adopt regulations to govern AEA's procurement of supplies, services and construction. AEA regulations will be required to reflect competitive bidding principles; AEA would be given authority similar to other state corporations such as AHFC and KABATA
2	Amends AS 37.05.520 to explicitly allow the legislature to appropriate money from the Railbelt energy fund to a newly created Alaska Railbelt energy fund (AS 42.45.035)
3	Amends AS 39.25.110 to allow AEA to hire an executive director and other staff.
4	Adds new section 42.45.035 creating the Alaska Railbelt energy fund as a separate fund in AEA; Department of Revenue will be the fiduciary; allows AEA to use money in the fund for power projects, transmission lines and interties serving the Railbelt region.
5	Amends AS 44.83.040 (a) by defining that four, not three, AEA directors constitutes a quorum. The Board of Directors was expanded from five to seven members in 2010.
6	Adds new subsection AS 44.83.040 (e) allowing the authority to appoint persons as staff in the exempt service under AS 39.25
7	Amends AS 44.83.080 by allowing AEA to acquire and construct new power projects and to perform feasibility studies, and engineering and design, with respect to power projects
8	Adds new section AS 44.83.085 allowing AEA to create subsidiary corporations for the purpose of acquiring, constructing, owning, maintaining, operating, or financing power projects.
9	Adds new subsection AS 44.83.090 (c) allowing created subsidiaries to exercise powers granted to AEA.

10	Amends AS 44.83.396(a) to include how AEA administers newly acquired power projects in the operation of a power project
11	Adds new subsection AS 44.83.396 (f) to include subsidiary owned projects in the operation of a power project
12	Amends AS 44.83.990(3) by defining feasibility study to include new power projects
13	Repeals the Railbelt energy fund – AS 37.05.520
14	Revisor's instructions
15	Adds new section to uncodified law relating to the transfer of certain employees from AIDEA to AEA by providing a deadline of 12/31/2011
16	Provides a conditional effective date to the repeal of the Railbelt energy fund which will occur when the balance of the fund is appropriated and transferred to the new Alaska Railbelt Energy Fund or appropriated and expended for other purposes.
17	Immediate effective date for all sections except as provided in section 16

Prepared by AEA

January 26, 2011

Fiscal Note Numbers:
Support for Fiscal Note Computations (Thousands of Dollars).
Prepared by Alaska Energy Authority
Updated January 25, 2011

Component: / Component Number:	AIDEA (1234)	AIDEA Facilities (2361)	AIDEA RDU Total	FN 1 of 2 AEA Statewide Project Devel., AEE (2888)	FN 2 of 2 AEA Statewide Project Devel., AEE (2888)	AEA Rural Energy Ops (2600)	AEA PCE (2602)	AEA Owned Facilities (2899)	AEA RDU Total
Operating Expenditures:									
71000 Personal Services	(5,578.7)		(5,578.7)	5,638.7	1,125.0				6,763.7
72000 Travel			0.0						0.0
73000 Contractual	341.6		341.6	(2,311.1)	238.0	(2,329.3)	(160.0)	(25.0)	(4,587.4)
74000 Supplies			0.0						0.0
75000 Land & Structures/Equipment			0.0		413.0				413.0
77000 Grants & Claims			0.0						0.0
78000 Miscellaneous			0.0						0.0
Total Operating	(5,237.1)	0.0	(5,237.1)	3,327.6	1,776.0	(2,329.3)	(160.0)	(25.0)	2,589.3
Funding Source									
1002 Federal Receipts			0.0						0.0
1004 General Fund			0.0	1,388.4		(816.7)	(160.0)		411.7
1007 I/A Receipts	(5,379.9)	142.8	(5,237.1)	341.8					341.6
1061 CIP Receipts			0.0	1,512.6	1,776.0	(1,512.6)			1,776.0
1062 Power Project Fund			0.0						0.0
1074 Bulk Fuel Revolving Loan Fun			0.0	60.0					60.0
1102 AIDEA Receipts	142.8	(142.8)	0.0						0.0
1107 AEA Corporate Receipts			0.0	25.0				(25.0)	0.0
1108 Statutory Desig. Program Rcpts			0.0						0.0
1173 Miscellaneous Earnings			0.0						0.0
1210 Renewable Energy Fund			0.0						0.0
Total	(5,237.1)	0.0	(5,237.1)	3,327.8	1,776.0	(2,329.3)	(160.0)	(25.0)	2,589.3
Positions									
Transfer	(42.0)		(42.0)	42.0					42.0
New positions	1.0		1.0	1.0	8.0				9.0
Net position change	(41.0)		(41.0)	43.0	8.0				51.0
Total positions			**35.0**						**51.0**

Analysis:

ALASKA INDUSTRIAL DEVELOPMENT & EXPORT AUTHORITY - AIDEA

Personal Services: TOTAL $(5,578.7)

$ (5,578.7) Decrease in personal services costs with transfer of 42 employees to Alaska Energy Authority.

$ - Request one new position for AIDEA - Accountant IV, Range 20, to accommodate anticipated increased work load. Estimated cost is $110.0
No net increase in AIDEA Receipts requested - Cost offset by receipts from AEA for facilities costs. See net change in receipts for AIDEA Facilities Component.
Net reduction in position count to AIDEA is 41.

Contractual Services: TOTAL $341.6

$ 341.6 Contractual cost of AEA Employees providing shared services (Operations Department) to AIDEA.

$ (5,237.1) Net Change to Expenditures

ALASKA INDUSTRIAL DEVELOPMENT & EXPORT AUTHORITY - Facilities Maintenance

Currently AIDEA absorbs the building operating costs . This fiscal note estimates the impact to AEA and AIDEA if AEA reimbursed AIDEA for their pro rata share.

Facility Operating Cost = $3.4 per PCN per year x 42 employees = $142.8

Contractual Services: No net impact to expenditure line. Reimbursement of actual costs impacts only the revenue source.

Impact to Fund Source: Reduces AIDEA receipts and increases I/A receipts. Tranfer AIDEA receipt authority to operations component

ALASKA ENERGY AUTHORITY - Statewide Project Development, Alternative Energy and Efficiency
FN 1 of 2

Personal Services: TOTAL $ 5,638.7

Increase in personal services costs with transfer of approximately 42 employee from AIDEA. All employee costs will be accounted for in one component - Statewide Project Development, AEE. This transfer reduces contractual services in several AEA components and increases personal services in this component.

$	160.0	Approximately 2 FTE's providing support to the AEA PCE Component - GF funds.
$	2,207.5	Approximately 16 FTE's providing support to the AEA Rural Energy Operations Component - GF and CIP receipts.
$	2,320.0	Approximately 17 FTE's providing support to the AEA Statewide Project Development & AEE Component - GF and CIP receipts.
$	891.2	Approximately 7 FTE's who are defined as shared service. This includes 6 positions that report to the Deputy Director of Operations and one engineer that works on both AIDEA and AEA projects.
$	5,578.7	
$	60.0	Request one new position for AEA - Loan Officer R20. Request additional SF receipts of $60.0 with remaining funds through current funding levels.
$	5,638.7	

Contractual Services: TOTAL $ (2,311.1)

$	(2,320.0)	Decrease Contractual Services and transfer cost to Personal Services. Approximately 17 FTE's.
$	(285.1)	Operations - Shared Services. Decrease Contractual Services and transfer cost to Personal Services.
$	142.8	Facility Operating Cost = $3.4 per PCN per year x 42 employees = $142.8
$	151.2	G&A Cost Currently paid by AIDEA = $3.6 per PCN per year x 42 employees = $151.2
$	(2,311.1)	

$	3,327.6	Net change to expenditures

ALASKA ENERGY AUTHORITY - Statewide Project Development, Alternative Energy and Efficiency
FN 2 of 2

Personal Services: TOTAL $ 1,125.0

Increased to include 8 staff for the first year as follows:

$	210.0	Project Manager Rg 27
$	175.0	Environmental Manager Rg 26
$	70.0	Administrative Assistant Rg 12
$	100.0	Project Accountant Rg 18
$	155.0	Financial/Budget Analyst Rg 24
$	140.0	Public Outreach/Legislative Liaison Rg 23
$	155.0	Procurement Manager Rg 24
$	120.0	Data Systems Specialist Rg 20
$	1,125.0	

Contractual Services: TOTAL $ 238.0

$	189.0	Annual Lease - 4,500 sq. ft. x $3.50 per sq. ft./mo. X 12 mo.'s
$	13.0	Utilities - $1.3 per person x 10 (8 staff + 2 contractors)
$	36.0	G&A Expense: $3.6 per person - $3.6 x 10 (8 staff + 2 contractors)
$	238.0	

Equipment/Furniture: TOTAL $ 413.0

$	28.00	IT Equipment $2.0 per person per year x 14 (8 staff + 6 contractors). Assumes all equipment purchases in 1st yr for project office (including contract labor needs).
$	385.00	Tenant Improvement $315.0 ($70 x 4,500 sq ft); Moving Expenses $21.0 and Furniture 49.0
$	413.00	

ALASKA ENERGY AUTHORITY - Rural Energy Operations

Personal Services: No Impact.

Contractual Services: TOTAL $ (2,328.3)

$	(2,207.5)	Reduce cost contractual costs of employee services and transfer out to Statewide component. Approximately 16 FTE's.
$	(121.8)	Reduce contractual costs of Operations employees who provide shared services. Transfer cost to Statewide component personal services.
$	(2,328.3)	

ALASKA ENERGY AUTHORITY - Power Cost Equalization

Personal Services: No Impact.

Contractual Services: TOTAL $ (160.0)

$	(160.0)	Reduce cost contractual costs of employee services and transfer out to Statewide component. Approximately 2 FTE's.
$	(160.0)	

ALASKA ENERGY AUTHORITY - Owned Facilities

Personal Services: No Impact.

Contractual Services: TOTAL $ (25.0)

$	(25.0)	Reduce cost contractual costs of employee services and transfer out to Statewide component. Approximately 15% of 1 FTE.
$	(25.0)	

Summary of Net Increase in GF Request for AEA:

$	76.9	Shared Services - IT Support not previously paid for by AEA
$	40.8	Shared Services -HR Support not previously paid for by AEA.
$	294.0	O/H Facility Operating Cost/G&A not previously paid for by AEA.
$	411.7	

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number 1
Bill Version SB 42
(S) Publish Date 1/19/11

Identifier (file name) 1822-CED-AEA-12-10-10
Title Powers of Alaska Energy Authority
Sponsor Rules Committee
Requester Request of the Governor

Dept. Affected DCCED
Appropriation AIDEA
Allocation Alaska Industrial Development & Export Authority
OMB Component Number 1234

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services	(5,578.7)						
Travel							
Contractual	341.6						
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**(5,237.1)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1004 GF							
1007 I/A Receipts	(5,379.9)						
1061 CIP Receipts							
1102 AIDEA Receipts	142.8						
1074 Bulk Fuel							
1107 AEA Corporate Receipts							
TOTAL	**(5,237.1)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time	(41.0)						
Part-time							
Temporary							

Why this fiscal note differs from previous version

Prepared by Sara Fisher-Goad, Deputy Director - Operations
Division Alaska Industrial Development & Export Authority
Phone 907-771-3012
Date/Time 1/12/11 5:00 PM

Approved by Susan K. Bell, Commissioner
Commerce, Community, & Economic Development
Date 1/13/2011

FISCAL NOTE #1

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 42

Analysis

This bill empowers the Alaska Energy Authority (AEA) to hire employees. The impact of this legislation to AIDEA's Operating component is that approximately 42 employees will transfer to AEA and decrease AIDEA's cost of personal services. This cost analysis assumes that AIDEA and AEA will maintain certain shared services (Finance, Operations, and Credit Departments).

Personal Services:	$(5,578.7)	Transfer of 42 employees to AEA Statewide Component.
Contractual Services:	$ 341.6	Contractual cost of AEA Employees providing shared services. Net
Change	$(5,237.1)	

Under this analysis, AIDEA contractual costs increase by the cost of AEA employees providing shared services (Operations Department) to AIDEA. The Finance and Credit departments provide shared services to AEA.

One new Finance position is requested to meet anticipated increased work. The anticipated cost of this position is estimated to be $110.0 No additional funding is requested to support this position. AIDEA anticipates that this position can be funded with the additional AIDEA receipts gained as a result of billing AEA for their share of the building operating costs, estimated in this analysis to be $142.8.

(42) Employee transfers to AEA Statewide Component
1 New position - Accountant, Rg 20
(41) Net Positions

Please see cost analysis in AEA's Statewide Project Development & AEE component for more detail as well as a list of the PCN's transferred to AEA.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: SB 42
(S) Publish Date: 1/19/11

Identifier (file name): 1822-CED-AEA-12-10-10
Title: Powers of Alaska Energy Authority
Sponsor: Rules Committee
Requester: Request of the Governor

Dept. Affected: DCCED
Appropriation: AIDEA
Allocation: Alaska Industrial Development Corporation Facilities Maintenance
OMB Component Number: 2361

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1004 GF							
1007 I/A Receipts	142.8						
1061 CIP Receipts							
1102 AIDEA Receipts	(142.8)						
1074 Bulk Fuel							
1107 AEA Corporate Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

Prepared by: Sara Fisher-Goad, Deputy Director - Operations
Phone: 907-771-3012
Division: Alaska Industrial Development & Export Authority
Date/Time: 1/12/11 5:00 PM
Approved by: Susan K. Bell, Commissioner
Commerce, Community, & Economic Development
Date: 1/13/2011

(Revised 12/29/2010 OMB)

FISCAL NOTE #2

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 42

Analysis

This bill empowers the Alaska Energy Authority (AEA) to hire employees. Currently AIDEA absorbs 100% of the facility operating costs. This fiscal note estimates the impact to AIDEA if AEA reimbursed AIDEA for their pro-rata share of the facility operating costs based on PCN count.

Facility Operating Cost = $3.4 per PCN per year x 42 employees = $142.8.

There is no net impact to the expenditure line as actual building costs remain the same. Increase in I/A receipts reduces AIDEA receipts in this component. AIDEA receipt authority is transferred to the AIDEA operations component.

See related fiscal notes for both AIDEA and AEA Statewide Project Development components for the full impact of this legislation.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number 3
Bill Version SB 42
(S) Publish Date 1/19/11

Identifier (file name) 1822-CED-AEA-12-10-10
Title Powers of Alaska Energy Authority
Sponsor Rules Committee
Requester Request of the Governor

Dept. Affected DCCED
Appropriation Alaska Energy Authority
Allocation Statewide Project Development
Alternative Energy and Efficiency
OMB Component Number 2888

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services	5,638.7						
Travel							
Contractual	(2,311.1)						
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**3,327.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1004 GF	1,388.4						
1007 I/A Receipts	341.6						
1061 CIP Receipts	1,512.6						
1102 AIDEA Receipts							
1074 Bulk Fuel	60.0						
1107 AEA Corporate Receipts	25.0						
TOTAL	**3,327.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time	**43.0**						
Part-time							
Temporary							

Why this fiscal note differs from previous version

Prepared by Sara Fisher Goad, Deputy Director - Operations
Phone 907-771-3012
Division Alaska Energy Authority
Date/Time 1/12/11 5:00 PM
Approved by Susan K. Bell, Commissioner
Date 1/13/2011
Commerce, Community, & Economic Development

(Revised 12/29/2010 OMB)

FISCAL NOTE #3

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 42

Analysis

Note: This is fiscal note 1 of 2 for the AEA Statewide Project Development component. The cost information relevant to the power of AEA to have employees is presented separately from the cost information relevant to the power of AEA to construct and own projects (See fiscal note 2 of 2 Statewide Project Development for cost of AEA to establish a project office for the Susitna Hydro Projects.)

This bill empowers the Alaska Energy Authority (AEA) to hire employees. All AEA employee costs will be accounted for in this component. This increases personal services with the transfer of approximately 42 employees from AIDEA. This transfer reduces contractual services in several AEA components and increases personal services in this component. One new position (Loan Officer Rg 20) is requested to meet anticipated increased work in lending activities. This position will be primarily responsible for AEA loan programs.

Personal Services: TOTAL $5,638.7

$ 160.0	Approximately 2 FTE's providing support to the AEA PCE Component - GF Funds.
$ 2,207.5	Approximately 16 FTE's providing support to the AEA Rural Energy Operations Component - GF & CIP.
$ 2,320.0	Approximately 17 FTE's providing support to the AEA Statewide Pj Devel & AEE Component - GF & CIP.
$ 891.2	Approximately 7 FTE's who are defined as shared services. This includes 6 positions that report to the Deputy Director of Operations and one engineer that works on both AIDEA and AEA projects.
$ 5,578.7	Subtotal Personal Services - 42 employees transferred from AIDEA to AEA.
$ 60.0	Request 50% funding for one new position for AEA - Loan Officer Rg 20.
$ 5,638.7	

Contractual Services: TOTAL $(2,311.1)

$(2,320.0)	Decrease Contractual Services and transfer cost to Personal Services. Approximately 17 FTE's.
$ (285.1)	Operations - Shared Services. Decrease Contractual Services and transfer cost to Personal Svcs.
$ 142.8	Facility Operating Costs = $3.4 per PCN per year x 42 employees = $142.8 (See also AIDEA Facilities Comp).
$ 151.2	G&A Cost currently paid by AIDEA = $3.6 per PCN per year x 42 employees = $151.2.
$(2,311.1)	

$ 3,327.6	Net Change in Expenditures

PCN List (Title, Range, PCN, Dept./Area):

Transfers from AIDEA:

1) PCE Program Administrator Rg 17 - 080411 (PCE)
2) Accounting Technician Rg 12 - 080217 (PCE)
3) Deputy Director - Operations Rg 27 - 080405 (Operations Shared Services)
4) Data Systems Specialist Rg 22 - 080227 (Operations Shared Services)
5) HR Specialist Rg 18 - 080455 (Operations Shared Services)
6) Administrative Assistant Rg 13 - 080473 (Operations Shared Services)
7) Data Processing Tech II Rg 15 - 08X037 (Operations Shared Services)
8) Project Manager Rg 22 - 080223 (Operations Shared Services)
9) Technical Engineer Rg 25-080229 (Rural Energy Shared Services)
10) Deputy Director-Rural Energy Rg 27 - 080206 (Rural Energy)
11) Project Manager II Rg 24 - 080231 (Rural Energy)
12) Coordinator Rural Community Outreach Rg 24 -080401 (Rural Energy)
13) Project Development Specialist Rg 20 -080403 (Rural Energy)
14) Warehouse Manager Rg 15 - 080440 (Rural Energy)
15) Technical Engineer II Rg 25 - 080443 (Rural Energy)

See Page 3 of 3 for Continued Analysis.

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 42

Analysis Continued

PCN List (Title, Range, PCN, Dept./Area):

Transfers from AIDEA - continued:

16) Assistant Project Manager Rg 22 - 080466 (Rural Energy)
17) Rural Electric Utility Worker Rg 20 - 080479 (Rural Energy)
18) Project Manager Rg 25 - 080491 (Rural Energy)
19) Project Manager Rg 25 - 080498 (Rural Energy)
20) Rural Electric Utility Worker Rg 20 - 217010 (Rural Energy)
21) Project Assistant Rg 16 - 217011 (Rural Energy)
22) Rural Electric Utility Worker Rg 20 - 217012 (Rural Energy)
23) Program Manager Bulk Fuel & RPSU Rg 25 - 217014 (Rural Energy)
24) Project Manager Rg 22 - 08T019 (Rural Energy)
25) Circuit Rider Technician Rg 20 - 08X003 (Rural Energy)
26) Executive Director Rg 28 - 080208 (AEA Statewide)
27) Executive Assistant Rg 16 - 080219 (AEA Statewide)
28) Project Manager Rg 25 - 080222 (AEA Statewide)
29) Administrative Assistant Rg 12 - 080410 (AEA Statewide)
30) Administrative Assistant Rg 12 - 080434 (AEA Statewide)
31) Grants Assistant Rg 15 - 080233 (AEA Statewide)
32) Grants Administrator Rg 22 - 080457 (AEA Statewide)
33) Project Manager Rg 22 - 080230 (AEA Statewide)
34) Project Manager Rg 24 - 080232 (AEA Statewide)
35) Deputy Director - AEEE Rg 27 - 080407 (AEA Statewide)
36) Project Manager - Energy Data Inventory Rg 22 - 080425 (AEA Statewide)
37) Project Manager Rg 24 - 080458 (AEA Statewide)
38) Project Manager Rg 24 - 08X007 (AEA Statewide)
39) Assistant Project Manager - Wind Rg 22 - 08X028 (AEA Statewide)
40) Assistant Project Manager - Hydro Rg 22 - 08X029 (AEA Statewide)
41) Assistant Project Manager - GEO/Ocean Rg 22 - 08X033 (AEA Statewide)
42) Assistant Project Manager - Energy Efficient Rg 20 - 08X034 (AEA Statewide)

New Position:

43) Loan Officer Rg 20

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 4
Bill Version: SB 42
(S) Publish Date: 1/19/11

Identifier (file name): 1822-CED-AEA-12-10-10
Title: Powers of Alaska Energy Authority
Sponsor: Rules Committee
Requester: Request of the Governor

Dept. Affected: DCCED
Appropriation: Alaska Energy Authority
Allocation: Alaska Energy Authority Rural Operations
OMB Component Number: 2600

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Contractual	(2,329.3)						
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**(2,329.3)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1004 GF	(816.7)						
1007 I/A Receipts							
1061 CIP Receipts	(1,512.6)						
1102 AIDEA Receipts							
1074 Bulk Fuel							
1107 AEA Corporate Receipts							
TOTAL	**(2,329.3)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

Prepared by: Sara Fisher Goad, Deputy Director - Operations
Phone: 907-771-3012
Division: Alaska Energy Authority
Date/Time: 1/12/11 5:00 PM
Approved by: Susan K. Bell, Commissioner
Commerce, Community, & Economic Development
Date: 1/13/2011

(Revised 12/29/2010 OMB)

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 42

Analysis

This legislation allows the Alaska Energy Authority (AEA) to have employees. The impact to the Rural Energy Operating component is a reduction in contractual costs of employee services for an estimated 16 FTE's that were previously AIDEA employees estimated to be $2,207.5 and a reduction in contractual costs of Operations employees who provide shared services estimated to be $121.8. These positions are funded by both GF and CIP receipts. Costs are transferred to the Statewide component personal services. Please see the fiscal note analysis for the AEA Statewide Project Development, Alternative Energy and Efficiency component (FN 1 of 2) for more detail.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number 5
Bill Version SB 42
(S) Publish Date 1/19/11

Identifier (file name) 1822-CED-AEA-12-10-10
Title Powers of Alaska Energy Authority
Sponsor Rules Committee
Requester Request of the Governor

Dept. Affected DCCED
Appropriation Alaska Energy Authority
Allocation Alaska Energy Authority Power Cost Equalization
OMB Component Number 2602

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Contractual	(160.0)						
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**(160.0)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1004 GF	(160.0)						
1007 I/A Receipts							
1061 CIP Receipts							
1102 AIDEA Receipts							
1074 Bulk Fuel							
1107 AEA Corporate Receipts							
TOTAL	**(160.0)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

Prepared by Sara Fisher Goad, Deputy Director - Operations
Phone 907-771-3012
Division Alaska Energy Authority
Date/Time 1/12/11 5:00 PM
Approved by Susan K. Bell, Commissioner
Commerce, Community & Economic Development
Date

(Revised 12/29/2010 OMB)

FISCAL NOTE #5

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 42

Analysis

This legislation allows the Alaska Energy Authority (AEA) to have employees. The impact to the Power Cost Equalization component is a reduction in contractual costs of employee services for an estimated 2 FTE's that were previously AIDEA employees estimated to be $160.0. These positions are funded by GF receipts. Costs are transferred to the Statewide component personal services. Please see the fiscal note analysis for the AEA Statewide Project Development, Alternative Energy and Efficiency component (FN 1 of 2) for more detail.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 6
Bill Version: SB 42
(S) Publish Date: 1/19/11

Identifier (file name): 1822-CED-AEA-12-10-10
Title: Powers of Alaska Energy Authority
Sponsor: Rules Committee
Requester: Request of the Governor

Dept. Affected: DCCED
Appropriation: Alaska Energy Authority
Allocation: Alaska Energy Authority Owned Facilities
OMB Component Number: 2599

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Contractual	(25.0)						
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**(25.0)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							
FUND SOURCE		(Thousands of Dollars)					
1004 GF							
1007 I/A Receipts							
1061 CIP Receipts							
1102 AIDEA Receipts							
1074 Bulk Fuel							
1107 AEA Corporate Receipts	(25.0)						
TOTAL	**(25.0)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

Prepared by: Sara Fisher Goad, Deputy Director - Operations
Phone: 907-771-3012
Division: Alaska Energy Authority
Date/Time: 1/12/11 5:00 PM
Approved by: Susan K. Bell, Commissioner
Commerce, Community, & Economic Development
Date: 1/13/2011

(Revised 12/29/2010 OMB)

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 42

Analysis

This legislation allows the Alaska Energy Authority (AEA) to have employees. The impact to AEA Owned Facilities component is a reduction in contractual costs of employee services for an estimated 15% of one engineer position funded by AEA Corporate receipts. Costs are transferred to the Statewide component personal services. Please see the fiscal note analysis for the AEA Statewide Project Development, Alternative Energy and Efficiency component (FN 1 of 2) for more detail.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 7
Bill Version: SB 42
(S) Publish Date: 1/19/11

Identifier (file name) 1822-CED-AEA-12-10-10
Title: Powers of Alaska Energy Authority
Sponsor: Rules Committee
Requester: Request of the Governor

Dept. Affected: DCCED
Appropriation: Alaska Energy Authority
Allocation: Statewide Project Development Alternative Energy and Efficiency
OMB Component Number: 2888

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services	1,125.0		1,181.3	1,240.3	1,302.3	1,367.4	
Travel							
Contractual	238.0		247.8	252.7	252.7	257.1	
Supplies							
Equipment	413.0		5.0	5.0	5.0	5.0	
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**1,776.0**	**0.0**	**1,434.1**	**1,498.0**	**1,560.0**	**1,629.5**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1004 GF							
1007 I/A Receipts							
1061 CIP Receipts	1,776.0		1,434.1	1,498.0	1,560.0	1,629.5	
1102 AIDEA Receipts							
1074 Bulk Fuel							
1107 AEA Corporate Receipts							
TOTAL	**1,776.0**	**0.0**	**1,434.1**	**1,498.0**	**1,560.0**	**1,629.5**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time	**8.0**						
Part-time							
Temporary							

Why this fiscal note differs from previous version

Prepared by: Sara Fisher Goad, Deputy Director - Operations
Phone: 907-771-3012
Division: Alaska Energy Authority
Date/Time: 1/12/11 5:00 PM
Approved by: Susan K. Bell, Commissioner
Date: 1/13/2011
Commerce, Community, & Economic Development

(Revised 12/29/2010 OMB)

FISCAL NOTE #7

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 42

Analysis

Note: This is fiscal note 2 of 2 for the AEA Statewide Project Development component. The cost information relevant to the AEA project construction portion of this legislation is presented separately from the cost information relevant to the power of AEA to have employees (See fiscal note 1 of 2 for the costs of AEA Statewide Project Development to have employees).
Section 6, 9, and 11 of this bill expands AEA's powers to allow AEA to acquire, construct, and conduct feasibility studies of new power projects. Section 6 of the bill would amend the powers of AEA to add provisions related to new power projects. Sections 9 and 11 of the bill would empower AEA to exercise for new power projects, the existing statutory authority managing power projects which are currently limited to power projects from the pre-1993, "former energy program for Alaska."

This fiscal note reflects the costs to AEA to establish a project office in pursuit of constructing and owning the Susitna Hydro project.

PERSONAL SERVICES: $1,125.0 - Increased to include 8 staff for the first year as follows:

Project Manager Rg 27
Environmental Manager Rg 26
Administrative Assistant Rg 12
Project Accountant Rg 18
Financial/Budget Analyst Rg 24
Public Outreach/Legislation Liaison Rg 23
Procurement Manager Rg 24
Data System Specialist Rg 20

CONTRACTUAL: $238.0 - Increase for Contractual services including Lease, Utilities, and G&A costs for Project Office. Utilities and G&A estimates include a cost associated with contract labor personnel.

$ 189.0	Annual Lease - 4,500 sq. ft. x $3.50 per sq. ft./mo. x 12 mo.'s.
$ 13.0	Utilities $1.3 per person x 10 (8 staff + 2 contractors) first year.
$ 36.0	G&A Expense: $3.6 per person - $3.6 x 10 (8 staff + 2 contractors).
$ 238.0	

EQUIPMENT/FURNITURE: $413.0 -Increase for 1st year Project Office set up costs. This cost estimate assumes all equipment and furniture purchases in the first year as well as one time only moving expenses and tenant improvements.

$ 28.0	IT Equipment $2.0 per person per year x 14 (8 staff + 6 contractors). Assumes all equipment purchases in 1st year for project office (including contract labor needs).
$ 385.0	Tenant Improvement $315.0 ($70 x 4,500 sq. ft.); Moving Expenses $21.0; and Furniture 49.0
$ 413.0	

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM February 15, 2011

SUBJECT: Description of changes made to SB 42
(CSSB 42(RES); Work Order No. 27-GS1822\M)

TO: Senator Joe Paskvan
Chair of the Senate Resources Committee
Attn: Jeff Stepp

FROM: Brian J. Kane BJK
Legislative Counsel

You asked me to provide a summary of the changes made from the "A" version of the bill to the "M" version of the bill. In your CS request based on the "A" version, you asked that I remove all parts of the bill except what was necessary to move forward on a Susitna River hydroelectric project, and I attempted to do just that.

I deleted all sections except for sections 7, 10, and 17. It did not appear to me that any of the other sections were absolutely necessary -- statutorily -- to allow for a Susitna River power project. The main section that needed to be retained for a Susitna River power project to move forward was section 7, and only adding paragraphs (18) and (19) seemed necessary to achieve your goal. Amending any other paragraph of AS 44.83.080 would mean that the change covered all possible power projects of the Alaska Energy Authority (authority), not just a Susitna River project. The addition of paragraphs (18) and (19) allows the authority to acquire and perform studies related to a Susitna River project. I kept section 10 in the bill because it related directly to a Susitna River paragraph in section 7. Section 17 was retained because it was the effective date.

If you would like any other of the bill sections from the "A" version re-inserted into the bill or other changes made to the current version, please let me know.

BJK:ljw
11-107.ljw

(1) allow AEA's acquisition and construction of the Susitna Project, as described in AEA's *Railbelt Large Hydro Evaluation: Preliminary Decision Document* (i.e., not "certain projects" but this one very specific project); and

(2) delete all sections that seek to restore the powers and duties of AEA's pre-1993 levels, unless those powers and duties are necessary to accomplish #1 above.

27-GS1822\M
Kane
2/14/11

CS FOR SENATE BILL NO. 42(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

"An Act relating to a Susitna River hydroelectric project; and providing for an effective date."

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

* **Section 1.** AS 44.83.080 is amended to read:

Sec. 44.83.080. Powers of the authority. In furtherance of its corporate purposes, the authority has the following powers in addition to its other powers:

(1) to sue and be sued;

(2) to have a seal and alter it at pleasure;

(3) to make and alter bylaws for its organization and internal management;

(4) to adopt regulations governing the exercise of its corporate powers;

(5) to improve, equip, operate, and maintain power projects and bulk fuel, waste energy, energy conservation, energy efficiency, and alternative energy facilities and equipment;

(6) to issue bonds to carry out any of its corporate purposes and powers, including the establishment or increase of reserves to secure or to pay the bonds or interest on them, and the payment of all other costs or expenses of the authority incident to and necessary or convenient to carry out its corporate purposes and powers;

(7) to sell, lease as lessor or lessee, exchange, donate, convey, or encumber in any manner by mortgage or by creation of any other security interest, real or personal property owned by it, or in which it has an interest, when, in the judgment of the authority, the action is in furtherance of its corporate purposes;

(8) to accept gifts, grants, or loans from, and enter into contracts or other transactions regarding them, with any person;

(9) to deposit or invest its funds, subject to agreements with bondholders;

(10) to enter into contracts with the United States or any person and, subject to the laws of the United States and subject to concurrence of the legislature, with a foreign country or its agencies, for the construction, financing, operation, and maintenance of all or any part of a power project or bulk fuel, waste energy, energy conservation, energy efficiency, or alternative energy facilities or equipment, either inside or outside the state, and for the sale or transmission of power from a project or any right to the capacity of it or for the security of any bonds of the authority issued or to be issued for the project;

(11) to enter into contracts with any person and with the United States [,] and, subject to the laws of the United States and subject to the concurrence of the legislature, with a foreign country or its agencies for the purchase, sale, exchange, transmission, or use of power from a project, or any right to the capacity of it;

(12) to apply to the appropriate agencies of the state, the United States, and a foreign country and any other proper agency for the permits, licenses, or approvals as may be necessary, to maintain and operate power projects in accordance with the licenses or permits, and to obtain, hold, and use the licenses and permits in the same manner as any other person or operating unit;

(13) to enter into contracts or agreements with respect to the exercise

of any of its powers, and do all things necessary or convenient to carry out its corporate purposes and exercise the powers granted in this chapter;

(14) to recommend to the legislature

(A) the pledge of the credit of the state to guarantee repayment of all or any portion of revenue bonds issued to assist in construction of power projects;

(B) an appropriation from the general fund

(i) for debt service on bonds or other project purposes; or

(ii) to reduce the amount of debt financing for the project;

(15) to carry out the powers and duties assigned to it under AS 42.45;

(16) to make grants or loans to any person and enter into contracts or other transactions regarding the grants or loans;

(17) to promote energy conservation, energy efficiency, and alternative energy through training and public education**;**

(18) to acquire a Susitna River power project, whether by construction, purchase, gift, or lease;

(19) to perform feasibility studies and engineering and design with respect to a Susitna River power project.

* **Sec. 2.** AS 44.83.396(a) is amended to read:

(a) A power project that was acquired or constructed **under AS 44.83.080(18) or** as part of the former energy program for Alaska is owned, and shall be administered, by the authority.

* **Sec. 3.** This Act takes effect immediately under AS 01.10.070(c).

27-GS1822\D.8
Kane
3/4/11

AMENDMENT

OFFERED IN THE SENATE BY SENATOR WIELECHOWSKI

TO: CSSB 42(RES), Draft Version "D"

Page 2, line 10:

Delete "and other staff"

Page 3, line 9:

Delete "and employees of the authority are"

Insert "of the authority is"

Page 6, line 28, following "EMPLOYEES.":

Insert "(a)"

Page 7, following line 1:

Insert a new subsection to read:

"(b) Notwithstanding any other provision of law, staff members of the Alaska Industrial Development and Export Authority who will be transferred as staff to the Alaska Energy Authority and who are employed as of the effective date of this section

(1) shall immediately be appointed to the classified service upon their transfer;

(2) may not have a reduction in pay

(A) solely because of the assignment described in this subsection; or

(B) if the employee is assigned to a position in the classified service that is classified at a lower rate of pay than that received when the position was assigned to the exempt service;

(3) shall retain the step status previously held immediately before the transfer and shall be entitled to receive any merit or cost-of-living salary increases they would receive

had they not been transferred."

Senate Resources Committee

Explanation of Changes to SB 42

February 23, 2011

The Committee Substitute for SB 42, Version D, Conforms to the "Response to Committee Questions and Concerns regarding SB 42" that the Committee discussed on Monday, February 21.

Summary of Changes to the Original Bill:

1. Title of the bill is changed to conform with changes in the body of the legislation.
2. Senate Bill 42 seeks to modify the State Procurement Code; however, the CS deletes that language so that there are no statutory changes relating to AEA and procurement.
3. The CS makes changes relating to the Alaska Railbelt Energy Fund, preserving the legislature's authority to appropriate.
4. Most significantly, the CS makes changes relating to the Creation of Subsidiaries and adds a section titled, Approval of Subsidiaries, so that the subsidiaries created are specific to the Watana Hydroelectric Power Project on the Susitna River.
5. NOTE: The Fiscal Notes of SB 42 are not impacted by any of these changes and will remain the same for the CS for SB 42, Version D.

Explanation of Changes to SB 42:

SB 42: (Change in the title to conform with the bill.)

Page 1, Line 1 following "**An Act**" through Page 1, Line 2, "**Authority**;" Delete all material.

[Deletes "An Act relating to the procurement of supplies, services, professional services, and construction for the Alaska Energy Authority" so that the title conforms to the deletion of Section 1 of SB 42.]

SB 42: (Change in the title to conform with the bill.)

Page 1, Line 8 following "**Authority;**"

Insert "**relating to the Alaska Energy Authority creating subsidiary corporations for power projects; providing approval by law for the Alaska Energy Authority to create a subsidiary corporation relating to the Watana Hydroelectric Power Project;**"

[This new language appears in the title of CS for SB 42 on Page 1, Lines 6 – 9. This additional language in the title is necessary to conform with changes in the original bill.]

SB 42: (Original bill sought to change AS 36.30.015, which falls under Chapter 30: State Procurement Code of the Alaska Statutes.)

Page 1, Line 11 through page 2, Line 13:

Delete all material.

SB 42: (Relating to the Alaska Railbelt Energy Fund)

Page 3, Line 4, following "The":

Delete "authority may use"

Insert "legislature may appropriate"

[The new language appears in the CS on Page 2, Line 22]

SB 42: (Simple edit because "construction" was listed twice in the same sentence.)

Page 4, Line 22, before "operation":

Delete "**construction,**"

SB 42: (Relating to the Creation of Subsidiaries)

Page 5, Line 27, following "authority may":

Insert "if approved by law,"

[The new language appears in the CS on Page 5, Line 14 and 15]

SB 42: (Relating to the Creation of Subsidiaries)

Page 5, Line 27, following "create" through page 5. Line 28:

Delete "one or more subsidiary corporations"

Insert "a subsidiary corporation"

[The new language appears in the CS on Page 5, Line 15]

SB 42: (Relating to the Creation of Subsidiaries)

Page 5, Line 29, following "power":

Delete "power projects"

Insert "a power project"

[The new language appears in the CS on Page 5, Line 16]

SB 42: Page 6, after Line 28:

Insert: "APPROVAL FOR SUBSIDIARY: (a) The Alaska Energy Authority is authorized to create a subsidiary corporation as provided under AS 44.83.085 for the purpose of acquiring, constructing, owning, maintaining, operating, or financing the Watana Hydroelectric Power Project. This authorization constitutes the approval by law required under AS 44.83.085, enacted by Section 7 of this Act. In this Section, "Watana Hydroelectric Power Project" means the hydroelectric power project to be located at or near river mile 184 on the Susitna River, including dams, buildings, improvements, land, equipment, engineering and design plans, transmission lines, permits, licenses, governmental approvals, and other assets or property of any kind associated with the hydroelectric power project.

[The new language appears in the CS as Sec. 7 on Page 5, Lines 13 – 24, and is necessary language so that AEA can begin the FERC process for the Watana Hydroelectric Power Project.]

Renumber the bill sections accordingly.

27-GS1822\D
Kane
2/22/11

CS FOR SENATE BILL NO. 42(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

"An Act establishing the Alaska Railbelt energy fund and relating to the fund; relating to and repealing the Railbelt energy fund; relating to the quorum of the Alaska Energy Authority; relating to the powers of the Alaska Energy Authority regarding employees and the transfer of certain employees of the Alaska Industrial Development Export Authority to the Alaska Energy Authority; relating to the acquisition or construction of certain projects by the Alaska Energy Authority; relating to the Alaska Energy Authority's creating subsidiary corporations for power projects; providing approval by law for the Alaska Energy Authority to create a subsidiary corporation relating to the Watana Hydroelectric Power Project; relating to the definition of 'feasibility study' in the Alaska Energy Authority Act; and providing for an effective date."

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

* **Section 1.** AS 37.05.520 is amended to read:

Sec. 37.05.520. Railbelt energy fund. There is established in the general fund the Railbelt energy fund. The fund consists of money appropriated to it by the legislature and interest received on money in the fund. The **Department of Revenue** [DEPARTMENT OF REVENUE] shall manage the fund. The legislature may appropriate money from the fund **to capitalize the Alaska Railbelt energy fund (AS 42.45.035) or** for programs, projects, and other expenditures to assist in meeting Railbelt energy needs, including projects for retrofitting state-owned buildings and facilities for energy conservation.

*** Sec. 2.** AS 39.25.110 is amended by adding a new paragraph to read:

(44) the executive director and other staff of the Alaska Energy Authority appointed under AS 44.83.040.

*** Sec. 3.** AS 42.45 is amended by adding a new section to read:

Sec. 42.45.035. Alaska Railbelt energy fund. (a) The Alaska Railbelt energy fund is established as a separate fund. The fund consists of

(1) money appropriated to the fund by the legislature;

(2) gifts, bequests, contributions from other sources, and federal money;

(3) interest earned on the fund balance; and

(4) investments, to be managed by the Department of Revenue, which shall be the fiduciary of the fund under AS 37.10.071.

(b) The fund is not a dedicated fund.

(c) The legislature may appropriate from the fund to conduct feasibility studies on, license, permit, acquire, construct, or make grants for power projects and electrical transmission lines and interties that serve the Railbelt region.

(d) In this section, "Railbelt region" means the service territories of the electrically interconnected electric utilities that serve Fairbanks, Wasilla, Palmer, Anchorage, the Kenai Peninsula, and other electrically interconnected communities.

*** Sec. 4.** AS 44.83.040(a) is amended to read:

(a) The chair and vice-chair of the Alaska Industrial Development and Export Authority shall serve as officers of the Alaska Energy Authority. The powers of the Alaska Energy Authority are vested in the directors, and **four** [THREE] directors of

the authority constitute a quorum. Action may be taken and motions and resolutions adopted by the Alaska Energy Authority at a meeting by the affirmative vote of a majority of the directors. The directors of the Alaska Energy Authority serve without compensation, but they shall receive the same travel pay and per diem as provided by law for board members under AS 39.20.180.

* **Sec. 5.** AS 44.83.040 is amended by adding a new subsection to read:

(e) The authority may appoint persons as staff, including an executive director, and may employ professional advisors, counsel, technical experts, agents, and other employees. The executive director and employees of the authority are in the exempt service under AS 39.25.110.

* **Sec. 6.** AS 44.83.080 is amended to read:

Sec. 44.83.080. Powers of the authority. In furtherance of its corporate purposes, the authority has the following powers in addition to its other powers:

(1) to sue and be sued;

(2) to have a seal and alter it at pleasure;

(3) to make and alter bylaws for its organization and internal management;

(4) to adopt regulations governing the exercise of its corporate powers;

(5) to improve, equip, operate, and maintain power projects and bulk fuel, waste energy, energy conservation, energy efficiency, and alternative energy facilities and equipment;

(6) to issue bonds to carry out any of its corporate purposes and powers, including **the acquisition or construction of a project to be owned or leased, as lessor or lessee, by the authority or by another person or the acquisition of an interest in a project or a right to capacity of a project,** the establishment or increase of reserves to secure or to pay the bonds or interest on them, and the payment of all other costs or expenses of the authority incident to and necessary or convenient to carry out its corporate purposes and powers;

(7) to sell, lease as lessor or lessee, exchange, donate, convey, or encumber in any manner by mortgage or by creation of any other security interest, real or personal property owned by it, or in which it has an interest, when, in the judgment

of the authority, the action is in furtherance of its corporate purposes;

(8) to accept gifts, grants, or loans from, and enter into contracts or other transactions regarding them, with any person;

(9) to deposit or invest its funds, subject to agreements with bondholders;

(10) to enter into contracts with the United States or any person and, subject to the laws of the United States and subject to concurrence of the legislature, with a foreign country or its agencies, for the construction, financing, **acquisition,** operation, and maintenance of all or any part of a power project or bulk fuel, waste energy, energy conservation, energy efficiency, or alternative energy facilities or equipment, either inside or outside the state, and for the sale or transmission of power from a project or any right to the capacity of it or for the security of any bonds of the authority issued or to be issued for the project;

(11) to enter into contracts with any person and with the United States [,] and, subject to the laws of the United States and subject to the concurrence of the legislature, with a foreign country or its agencies for the purchase, sale, exchange, transmission, or use of power from a project, or any right to the capacity of it;

(12) to apply to the appropriate agencies of the state, the United States, and a foreign country and any other proper agency for the permits, licenses, or approvals as may be necessary, to **acquire, construct,** maintain, and operate power projects in accordance with the licenses or permits, and to obtain, hold, and use the licenses and permits in the same manner as any other person or operating unit;

(13) to enter into contracts or agreements with respect to the exercise of any of its powers, and do all things necessary or convenient to carry out its corporate purposes and exercise the powers granted in this chapter;

(14) to recommend to the legislature

(A) the pledge of the credit of the state to guarantee repayment of all or any portion of revenue bonds issued to assist in construction of power projects;

(B) an appropriation from the general fund

(i) for debt service on bonds or other project purposes;

or

(ii) to reduce the amount of debt financing for the project;

(15) to carry out the powers and duties assigned to it under AS 42.45;

(16) to make grants or loans to any person and enter into contracts or other transactions regarding the grants or loans;

(17) to promote energy conservation, energy efficiency, and alternative energy through training and public education**;**

(18) to acquire power projects, whether by construction, purchase, gift, or lease;

(19) to perform feasibility studies and engineering and design with respect to power projects.

* **Sec. 7.** AS 44.83 is amended by adding a new section to read:

Sec. 44.83.085. Creation of subsidiaries. The authority may, if approved by law, create a subsidiary corporation for the purpose of constructing, financing, acquiring, owning, operating, or maintaining a power project. A subsidiary corporation created under this section may be incorporated under AS 10.20.146 - 10.20.166. The authority may transfer assets of the authority to a subsidiary corporation created under this section. A subsidiary corporation created under this section may borrow money and issue bonds as evidence of that borrowing and has all the powers of the authority that the authority grants to the subsidiary corporation. Unless otherwise provided by the authority, the debts, liabilities, and obligations of a subsidiary corporation created under this section are not the debts, liabilities, or obligations of the authority.

* **Sec. 8.** AS 44.83.090 is amended by adding a new subsection to read:

(c) In this section, "authority" includes a subsidiary corporation created under AS 44.83.085.

* **Sec. 9.** AS 44.83.396(a) is amended to read:

(a) A power project that was acquired or constructed **under AS 44.83.080(18) or** as part of the former energy program for Alaska is owned, and shall be administered, by the authority.

*** Sec. 10.** AS 44.83.396 is amended by adding a new subsection to read:

(f) In this section, in reference to a specific power project, "authority" means the subsidiary corporation created under AS 44.83.085, if the authority has created a subsidiary corporation under AS 44.83.085 to construct, finance, acquire, own, operate, or maintain the specific power project.

*** Sec. 11.** AS 44.83.990(3) is amended to read:

(3) "feasibility study"

(A) means a study conducted for the purpose of establishing the economic and environmental practicality of completing a proposed power project [UNDER FORMER AS 44.83.181];

(B) includes engineering and design work to meet the requirements for submission of a license application for a proposed new project to the Federal Energy Regulatory Commission;

*** Sec. 12.** AS 37.05.520 is repealed.

*** Sec. 13.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPROVAL FOR SUBSIDIARY. The Alaska Energy Authority is authorized to create a subsidiary corporation as provided under AS 44.83.085 for the purpose of acquiring, constructing, owning, maintaining, operating, or financing the Watana Hydroelectric Power Project. This authorization constitutes the approval by law required under AS 44.83.085, enacted by sec. 7 of this Act. In this section, "Watana Hydroelectric Power Project" means the hydroelectric power project to be located at or near river mile 184 on the Susitna River, including dams, buildings, improvements, land, equipment, engineering and design plans, transmission lines, permits, licenses, governmental approvals, and other assets or property of any kind associated with the hydroelectric power project.

*** Sec. 14.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: CERTAIN STATE EMPLOYEES. The Alaska Energy Authority and the Alaska Industrial Development and Export Authority shall jointly identify the employees of the Alaska Industrial Development and Export Authority who will be transferred as staff to the Alaska Energy Authority. The transfer of employees to the Alaska Energy Authority shall

be completed not later than December 31, 2011.

*** Sec. 15.** The uncodified law of the State of Alaska is amended by adding a new section to read:

REVISOR'S INSTRUCTION. The revisor of statutes is instructed to change the heading of AS 44.83.040 from "Officers; meetings; quorum" to "Officers; meetings; quorum; employees."

*** Sec. 16.** The uncodified law of the State of Alaska is amended by adding a new section to read:

CONDITIONAL EFFECT; NOTIFICATION. Section 12 of this Act takes effect only if the Twenty-Seventh Alaska State Legislature makes an appropriation that becomes law that appropriates the unexpended and unobligated balance in the Railbelt energy fund (AS 37.05.520) (1) to the Alaska Railbelt energy fund (AS 42.45.035), created by sec. 3 of this Act, or (2) for other authorized purposes. The commissioner of administration shall notify the lieutenant governor and the revisor of statutes when the conditions described in this section are met.

*** Sec. 17.** If, under sec. 16 of this Act, sec. 12 of this Act takes effect, it takes effect on the day after the effective date of the appropriation described in sec. 16 of this Act.

*** Sec. 18.** Except as provided in sec. 17 of this Act, this Act takes effect immediately under AS 01.10.070(c).

SENATE COMMITTEE REPORT
First Committee of Referral

DATE: 1/19/11

FURTHER: Finance

Date of 5-Day Notice: 2/3/11
(in accordance with Uniform Rule 23)

DATE TURNED IN TO OFFICE: 3/21/11

Resources Committee considered SENATE BILL NO. 42

SB 42 POWER PROJECT; ALASKA ENERGY AUTHORITY

"An Act relating to the procurement of supplies, services, professional services, and construction for the Alaska Energy Authority; establishing the Alaska Railbelt energy fund and relating to the fund; relating to and repealing the Railbelt energy fund; relating to the quorum of the board of the Alaska Energy Authority; relating to the powers of the Alaska Energy Authority regarding employees and the transfer of certain employees of the Alaska Industrial Development Export Authority to the Alaska Energy Authority; relating to acquiring or constructing certain projects by the Alaska Energy Authority; relating to the definition of 'feasibility study' in the Alaska Energy Authority Act; and providing for an effective date."

and recommends:

[X] be **replaced** with **CS** SB42 (RES) [ ] *Same Title* [X] *New Title*

[ ] adopt **previous CS** _____ (SCS/CS- Forthcoming) [ ] *Same Title* [ ] *New Title*

[ ] attached amendment(s)

[ ] adopt _____ Letter of Intent

[ ] further referral to _____ Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

Previous FISCAL NOTE(S)

Dept.	Fiscal	Indet.	Zero	FN #
CED	✓			1
CED	✓			2
CED	✓			3
CED	✓			4
CED	✓			5
CED	✓			6
CED	✓			7

PREVIOUS FISCAL NOTE(S)

Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	McGuire	✓			
	French			✓	
	Wielechowski				✓
	Stedman				✓
	STEVENS				X
CO-CHAIR:	WAGONER	✓			
CO-CHAIR:	PASKVAN				X

AMENDMENT

OFFERED IN THE SENATE BY SENATOR FRENCH

TO: CSSB 42(RES), Draft Version "D"

Page 6, lines 15 - 25:

Delete all material and insert:

"* **Sec. 13.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPROVAL FOR SUBSIDIARY; LABOR AGREEMENT. (a) The Alaska Energy Authority is authorized to create a subsidiary corporation as provided under AS 44.83.085 for the purpose of acquiring, constructing, owning, maintaining, operating, or financing the Watana Hydroelectric Power Project. This authorization constitutes the approval by law required under AS 44.83.085, enacted by sec. 7 of this Act.

(b) Before the subsidiary approved under (a) of this section may acquire or construct the Watana Hydroelectric Power Project, the subsidiary shall commit to negotiate a project labor agreement to the maximum extent permitted by law.

(c) In this section,

(1) "project labor agreement" means a comprehensive collective bargaining agreement between the subsidiary and the appropriate labor representatives to ensure expedited construction with labor stability for the project by qualified residents of the state;

(2) "Watana Hydroelectric Power Project" means the hydroelectric power project to be located at or near river mile 184 on the Susitna River, including dams, buildings, improvements, land, equipment, engineering and design plans, transmission lines, permits, licenses, governmental approvals, and other assets or property of any kind associated with the hydroelectric power project."

27-GS1822\D.2
Kane
2/25/11

AMENDMENT

OFFERED IN THE SENATE BY SENATOR WIELECHOWSKI

TO: CSSB 42(RES), Draft Version "D"

Page 5, lines 25 - 27:

Delete all material and insert:

"* **Sec. 8.** AS 44.83.090(b) is amended to read:

(b) **Except as provided in (c) of this section, the** [THE] authority is not subject to the jurisdiction of the Regulatory Commission of Alaska. Nothing in this chapter grants the authority jurisdiction over the services or rates of a public utility or diminishes or otherwise alters the jurisdiction of the Regulatory Commission of Alaska with respect to a public utility, including any right the commission may have to review and approve or disapprove contracts for the purchase of electricity by a public utility other than wholesale agreements and contracts described in AS 42.05.431(c)(1).

* **Sec. 9.** AS 44.83.090 is amended by adding a new subsection to read:

(c) Any hydroelectric power project at or near river mile 184 on the Susitna River acquired or constructed by the authority or a subsidiary created by the authority is subject to the jurisdiction of the Regulatory Commission of Alaska."

Renumber the following bill sections accordingly.

Page 7, line 9:

Delete "Section 12"

Insert "Section 13"

Page 7, line 16:

Delete "sec. 16"

Insert "sec. 17"

Delete "sec. 12"

Insert "sec. 13"

Page 7, line 17:

Delete "sec. 16"

Insert "sec. 17"

Page 7, line 18:

Delete "sec. 17"

Insert "sec. 18"

27-GS1822\D.6
Kane
2/25/11

AMENDMENT

OFFERED IN THE SENATE BY SENATOR WIELECHOWSKI

TO: CSSB 42(RES), Draft Version "D"

Page 2, line 10:

Delete "and other staff"

Page 3, line 9:

Delete "and employees of the authority are"

Insert "of the authority is"

SENATE COMMITTEE REPORT
First Committee of Referral

DATE: 1/19/11

FURTHER: Finance

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED IN TO OFFICE: 2-21-11

Resources Committee considered SENATE BILL NO. 44

SB 44 SOUTHEAST STATE FOREST

"An Act relating to the Southeast State Forest; and providing for an effective date."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)

Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)

Dept.	Fiscal	Indet.	Zero	FN #
DNR			✓	1

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	French			✓	
	Wielechowski			✓	
	STEDMAN	✓			
	STEVENS	X			
CO-CHAIR:	T.H. WAGONER	✓			
CO-CHAIR:	ASKUAN			X	

AMENDMENT

OFFERED IN SENATE RESOURCES BY SENATOR _____

TO: SB 42

Page 1, line 1 following "An Act" through page 1, line 2, "Authority;"

Delete all material.

Page 1, line 8 following "**Authority;**"

Insert "**relating to the Alaska Energy Authority creating subsidiary corporations for power projects; providing approval by law for the Alaska Energy Authority to create a subsidiary corporation relating to the Watana Hydroelectric Power Project;**"

Page 1, line 11 through page 2, line 13:

Delete all material.

Renumber the following bill sections accordingly.

Page 3, line 4, following "The":

Insert "legislature may appropriate"

Delete "authority may use"

Page 4, line 22, before "operation":

Delete "**construction,**"

Page 5, line 27, following "authority may":

Insert ", if approved by law,"

Page 5, line 27, following "create" through page 5. line 28:

Insert "a subsidiary corporation"

Delete "one or more subsidiary corporations"

Page 5, line 29, following "power":

Insert "project"

Delete "projects"

Page 6, after line 28:

Insert: "APPROVAL FOR SUBSIDIARY: (a) The Alaska Energy Authority is authorized to create a subsidiary corporation as provided under AS 44.83.085 for the purpose of acquiring, constructing, owning, maintaining, operating, or financing the Watana Hydroelectric Power Project. This authorization constitutes the approval by law required under AS 44.83.085, enacted by Section 7 of this Act.

(b) In this Section, "Watana Hydroelectric Power Project" means the hydroelectric power project to be located at or near river mile 184 on the Susitna River, including dams, buildings, improvements, land, equipment, engineering and design plans, transmission lines, permits, licenses, governmental approvals, and other assets or property of any kind associated with the hydroelectric power project. [***description may need to be amended to ensure it accurately describes the project***]

* **Sec. 14.** The uncodified law of the State of Alaska is amended by adding a new section to read:"

Renumber the following bill sections accordingly.

27-GS1822\I
Kane
2/18/11

CS FOR SENATE BILL NO. 42(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

"An Act relating to a Susitna River hydroelectric project and the power of the Alaska Energy Authority to apply for permits, licenses, or approvals necessary to acquire or construct power projects; and providing for an effective date."

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

*** Section 1.** AS 44.83.080 is amended to read:

Sec. 44.83.080. Powers of the authority. In furtherance of its corporate purposes, the authority has the following powers in addition to its other powers:

(1) to sue and be sued;

(2) to have a seal and alter it at pleasure;

(3) to make and alter bylaws for its organization and internal management;

(4) to adopt regulations governing the exercise of its corporate powers;

(5) to improve, equip, operate, and maintain power projects and bulk fuel, waste energy, energy conservation, energy efficiency, and alternative energy

facilities and equipment;

(6) to issue bonds to carry out any of its corporate purposes and powers, including the establishment or increase of reserves to secure or to pay the bonds or interest on them, and the payment of all other costs or expenses of the authority incident to and necessary or convenient to carry out its corporate purposes and powers;

(7) to sell, lease as lessor or lessee, exchange, donate, convey, or encumber in any manner by mortgage or by creation of any other security interest, real or personal property owned by it, or in which it has an interest, when, in the judgment of the authority, the action is in furtherance of its corporate purposes;

(8) to accept gifts, grants, or loans from, and enter into contracts or other transactions regarding them, with any person;

(9) to deposit or invest its funds, subject to agreements with bondholders;

(10) to enter into contracts with the United States or any person and, subject to the laws of the United States and subject to concurrence of the legislature, with a foreign country or its agencies, for the construction, financing, operation, and maintenance of all or any part of a power project or bulk fuel, waste energy, energy conservation, energy efficiency, or alternative energy facilities or equipment, either inside or outside the state, and for the sale or transmission of power from a project or any right to the capacity of it or for the security of any bonds of the authority issued or to be issued for the project;

(11) to enter into contracts with any person and with the United States [,] and, subject to the laws of the United States and subject to the concurrence of the legislature, with a foreign country or its agencies for the purchase, sale, exchange, transmission, or use of power from a project, or any right to the capacity of it;

(12) to apply to the appropriate agencies of the state, the United States, and a foreign country and any other proper agency for the permits, licenses, or approvals as may be necessary, to maintain, [AND] operate**, acquire, or construct** power projects in accordance with the licenses or permits, and to obtain, hold, and use the licenses and permits in the same manner as any other person or operating unit;

(13) to enter into contracts or agreements with respect to the exercise of any of its powers, and do all things necessary or convenient to carry out its corporate purposes and exercise the powers granted in this chapter;

(14) to recommend to the legislature

(A) the pledge of the credit of the state to guarantee repayment of all or any portion of revenue bonds issued to assist in construction of power projects;

(B) an appropriation from the general fund

(i) for debt service on bonds or other project purposes; or

(ii) to reduce the amount of debt financing for the project;

(15) to carry out the powers and duties assigned to it under AS 42.45;

(16) to make grants or loans to any person and enter into contracts or other transactions regarding the grants or loans;

(17) to promote energy conservation, energy efficiency, and alternative energy through training and public education**;**

(18) to acquire a Susitna River power project, whether by construction, purchase, gift, or lease;

(19) to perform feasibility studies and engineering and design with respect to a Susitna River power project.

* **Sec. 2.** AS 44.83.396(a) is amended to read:

(a) A power project that was acquired or constructed **under AS 44.83.080(18) or** as part of the former energy program for Alaska is owned, and shall be administered, by the authority.

* **Sec. 3.** This Act takes effect immediately under AS 01.10.070(c).

Governor Parnell Backs Susitna Dam Project

November 24, 2010, Juneau, Alaska – Governor Sean Parnell today announced his support for the Low Watana site on the Susitna River as the primary hydroelectric opportunity for Alaska's Railbelt. The governor's support follows the Alaska Energy Authority (AEA) recommendation for the large hydroelectric project.

"In order to provide low-cost electricity for the Interior and the Railbelt and to meet the state's goal of having half of Alaska's electricity generated by renewable resources by 2025, we must invest in a large-scale hydro project," Governor Parnell said.

Earlier this year, the Alaska Legislature appropriated funds to study the feasibility of major Alaska hydroelectric projects including Susitna, Chakachamna and Glacier Fork.

The AEA report concluded that the Susitna Project would produce two to three times more energy and at a lower per unit cost than the others; that Susitna is less likely to result in adverse environmental effects; that the project has fewer licensing and permitting complexities; that it can start sooner and involves simpler construction; and that it has a lower long-term operational risk factor.

Governor Parnell also announced he will propose legislation that will allow AEA to pursue funding for and ownership of the project.

AEA will hold a series of public workshops on the hydro project in February. A copy of AEA's large hydro study is available at: www.akenergyauthority.org

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Governor pushes Susitna dam project

by Diana Haecker ~ January 19th, 2011

KTNA

Governor Sean Parnell is actively pushing to make the Susitna Hydro project a reality and submitted a bill to the legislature that would authorize the Alaska Energy Authority to move forward with the project.Parnell said the project must go ahead to create new opportunities for economic development and jobs for Alaskans. According to the bill, the Susitna hydro project would supply 50 percent of the needed energy in the railbelt.

The proposed bill would put AEA in charge to acquire, construct, own and operate new power projects. It also proposes to end the existing Railbelt Energy Fund and to create a new Railbelt Energy Fund that would be controlled by AEA.

The governor's bill would give AEA sweeping authority to go ahead with environmental and feasibility studies and to seek preliminary approvals for the Su Dam project from the Federal Energy Regulatory Commission.

The Su Hydro project, as currently proposed, would dam the Susitna River at Watana and create a nine-mile long water reservoir.

Share

SHARE

Governor's Bill Paves Way for Susitna Dam Project

Government News

January 14, 2011, Juneau, Alaska – Governor Sean Parnell today transmitted legislation that would authorize the Alaska Energy Authority (AEA) to move forward on pursuing a large hydroelectric project to supply much-needed energy to Interior and Southcentral Alaska.

"Alaska must invest now to create new opportunities for economic development and jobs for Alaskans," Governor Parnell said. "A Susitna Dam hydroelectric project will not only provide an important supply of energy for Alaskan homes and businesses, it will create jobs for Alaskans."

The bill would authorize AEA to acquire, construct, own, and operate new power projects; create a new Alaska Railbelt Energy fund, as a fund of AEA; repeal the existing Railbelt Energy fund (AS 37.05.520) after the balance of the existing fund is appropriated and transferred into the new fund, or appropriated and expended for other purposes; address quorum requirements of the AEA board, and allow for the adoption of regulations to govern the procurement of supplies, professional services, and construction.

Alaska's energy policy target is to reach 50 percent of its electricity generation through renewable resources by 2025. The legislation has been designed to give AEA the ability to continue with environmental and feasibility studies, positioning the state to seek preliminary approval from the Federal Energy Regulatory Commission for a project that would provide half of Southcentral Alaska's electricity demand. The bill will also define the board of director's quorum to be four of seven members.

A copy of the bill is available at:

http://gov.alaska.gov/parnell_media/resources_files/11411_susitna.pdf

Jeff Stepp

From: Sara Fisher-Goad [SFisherGoad@aidea.org]
Sent: Saturday, February 05, 2011 1:43 PM
To: Shauna Howell
Cc: Jeff Stepp
Subject: Re: SB 42 Hearing Request

Jeff, I will not have a PowerPoint and my presentation will be on the particulars of the bill. I plan on covering some history of the organization and why we are requesting the restoration of the powers and duties. I'll have some people online for questions: Brian Bjorkquist Dept of Law, Chris Rutz, AEA procurement manager. Amy Adler, AEA controller will be with me in Juneau for fiscal note questions if they arise. I was not planning on Bryan Carey online unless you think there will be specific Susitna questions.

We are working on the followup questions from the Susitna presentation (Wagoner/Stedman) are there other issues or concerns that I should be aware of?

Could you give me the callin number for teleconference?

Let's touch base via phone on Monday.

Thanks for getting the bill scheduled, I appreciate it.

Sent from Sara's iPhone

On Feb 4, 2011, at 3:32 PM, "Shauna Howell" <showell@aidea.org> wrote:

> Good afternoon,
>
> I spoke with Sara about this and she said we would be in touch with you on Monday to discuss. Thank you and have a good weekend.
>
> Shauna

From: Jeff Stepp [mailto:Jeff_Stepp@legis.state.ak.us]
Sent: Friday, February 04, 2011 9:10 AM
To: Shauna Howell
Subject: RE: SB 42 Hearing Request

Hi Shauna,

Senate Resources Committee
SB 42 Invited Testimony
Wednesday, February 9, 2011

Sara Fisher-Goad, Director, Alaska Energy Authority
Specifics of the Legislation; History of the Organization; Rationale for the Request to Restore AEA's Powers and Duties

Brian Bjorkquist, Department of Law
Available for Questions (online)

Chris Rutz, AEA Procurement Manager
Available for Questions (online)

Amy Adler, AEA Controller
Available for Fiscal Note Questions, if they arise

Alaska Energy Authority - Susitna Railbelt Energy Plan **FY2012 Request: $65,731,063**
Reference No: 45811

AP/AL: Appropriation
Project Type: Energy
Category: Development
Location: Statewide
Contact: Sarah Fisher-Goad
House District: Statewide (HD 1-40)
Contact Phone: (907)771-3000
Estimated Project Dates: 07/01/2011 - 06/30/2016

Brief Summary and Statement of Need:
This request is for environmental permitting and necessary field work for large scale hydroelectric projects. This project contributes to the Department mission of reducing the cost of energy in Alaska.

Funding:	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	Total
Rail Enrgy	$65,731,063	$32,600,000	$33,800,000	$20,100,000	$10,400,000		$162,631,063
Total:	$65,731,063	$32,600,000	$33,800,000	$20,100,000	$10,400,000	$0	$162,631,063

☐ State Match Required ☐ One-Time Project ☐ Phased - new ☐ Phased - underway ☑ On-Going
0% = Minimum State Match % Required ☐ Amendment ☐ Mental Health Bill

Operating & Maintenance Costs:

	Amount	Staff
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	
Totals:	0	0

Additional information / Prior Funding History:
Refer to the funding matrix in the detailed description.

Project Description/Justification:
This request is for environmental permitting and necessary fieldwork for large-scale hydroelectric projects. Large hydroelectric projects are the only way for the state to become electrical energy secure, provide long term predictable costs of energy and obtain the goal of 50% renewable energy by 2025. These funds will enable Alaska Energy Authority to carry out preparation and filing of Federal Energy Regulatory Commission (FERC) Preliminary Permit, begin work on a FERC license application, required engineering design, environmental studies, financing, and regulatory and resource agency coordination for Susitna and other hydroelectric projects.

Funding History:

YEAR	AMOUNT	LEGISLATION
FY11	$ 10,000,000	SLA 10 Ch 43 Sec 7 Pg 19 Ln 16
FY09	$ 2,500,000	SLA 08 Ch 29 Sec 13 Pg 87 Ln 14

Transfers from AIDEA:

1) PCE Program Administrator Rg 17 - 080411 (PCE)
2) Accounting Technician Rg 12 - 080217 (PCE)
3) Deputy Director - Operations Rg 27 - 080405 (Operations Shared Services)
4) Data Systems Specialist Rg 22 - 080227 (Operations Shared Services)
5) HR Specialist Rg 18 - 080455 (Operations Shared Services)
6) Administrative Assistant Rg 13 - 080473 (Operations Shared Services)
7) Data Processing Tech II Rg 15 - 08X037 (Operations Shared Services)
8) Project Manager Rg 22 - 080223 (Operations Shared Services)
9) Technical Engineer Rg 25-080229 (Rural Energy Shared Services)
10) Deputy Director-Rural Energy Rg 27 - 080206 (Rural Energy)
11) Project Manager II Rg 24 - 080231 (Rural Energy)
12) Coordinator Rural Community Outreach Rg 24 -080401 (Rural Energy)
13) Project Development Specialist Rg 20 -080403 (Rural Energy)
14) Warehouse Manager Rg 15 - 080440 (Rural Energy)
15) Technical Engineer II Rg 25 - 080443 (Rural Energy)
16) Assistant Project Manager Rg 22 - 080466 (Rural Energy)
17) Rural Electric Utility Worker Rg 20 - 080479 (Rural Energy)
18) Project Manager Rg 25 - 080491 (Rural Energy)
19) Project Manager Rg 25 - 080498 (Rural Energy)
20) Rural Electric Utility Worker Rg 20 - 217010 (Rural Energy)
21) Project Assistant Rg 16 - 217011 (Rural Energy)
22) Rural Electric Utility Worker Rg 20 - 217012 (Rural Energy)
23) Program Manager Bulk Fuel & RPSU Rg 25 - 217014 (Rural Energy)
24) Project Manager Rg 22 - 08T019 (Rural Energy)
25) Circuit Rider Technician Rg 20 - 08X003 (Rural Energy)
26) Executive Director Rg 28 - 080208 (AEA Statewide)
27) Executive Assistant Rg 16 - 080219 (AEA Statewide)
28) Project Manager Rg 25 - 080222 (AEA Statewide)
29) Administrative Assistant Rg 12 - 080410 (AEA Statewide)

30) Administrative Assistant Rg 12 - 080434 (AEA Statewide)
31) Grants Assistant Rg 15 - 080233 (AEA Statewide)
32) Grants Administrator Rg 22 - 080457 (AEA Statewide)
33) Project Manager Rg 22 - 080230 (AEA Statewide)
34) Project Manager Rg 24 - 080232 (AEA Statewide)
35) Deputy Director - AEEE Rg 27 - 080407 (AEA Statewide)
36) Project Manager - Energy Data Inventory Rg 22 - 080425 (AEA Statewide)
37) Project Manager Rg 24 - 080458 (AEA Statewide)
38) Project Manager Rg 24 - 08X007 (AEA Statewide)
39) Assistant Project Manager - Wind Rg 22 - 08X028 (AEA Statewide)
40) Assistant Project Manager - Hydro Rg 22 - 08X029 (AEA Statewide)
41) Assistant Project Manager - GEO/Ocean Rg 22 - 08X033 (AEA Statewide)
42) Assistant Project Manager - Energy Efficient Rg 20 - 08X034 (AEA Statewide)

New Position:

43) Loan Officer Rg 20

JUNEAU CENTRAL LABOR COUNCIL

American Federation of Labor-Congress of Industrial Organizations

Alaska Public Employees Association/AFT
Alaska Regional Council of Carpenters, Local 2247
Alaska State Employees Association/AFSCME Local No. 52
General Teamsters Local 959, State of Alaska
Inlandboatmen's Union of the Pacific, Alaska Region
International Brotherhood of Electrical Workers, Local 1547
International Long Shore Workers Union, Local 200
International Union of Operating Engineers, Local 302
Laborers International Union of North America, Local 942
Juneau Career Fire Fighters Ass'n Local 4303, IAFF
Marine Engineers Beneficial Association, District 1
Masters, Mates & Pilots, Pacific Maritime Region
Plumbers & Pipefitters, Local 262
Public Employees Local 71
Public Safety Employees Ass'n/AFSCME Local No. 803
University of Alaska Federation of Teachers/AFT Local 2404

"Doing Alaska's Work, Living Alaska's Lives, Making Alaska a Great Place to Live"

March 8, 2011

The Honorable Joe Paskvan
State Senate
Alaska State Capitol
Juneau, AK 99801

RE: Support for Classified Employees' Amendment to SB 42

Dear Senator Paskvan:

We are enlisting your support for a committee amendment to transfer exempt employees into classified service. SB 42 relates to energy projects, but also transfers more than 40 employees from the Alaska Industrial Development Export Authority to the Alaska Energy Authority. This is a good opportunity to bring into classified service a group whose job titles and duties are logically and traditionally assigned within the classified service.

The job titles being proposed for the transfer positions typically found in classified service, including Administrative Assistants, Accounting Technicians, Data Processing Technicians, Warehouse Managers, and Project Managers. Some of these positions are as low as Range 12 and 13; hardly typical of positions found in politically exempt status.

The State of Alaska's personnel system was founded on the merit principle of employment which includes recruiting and selecting employees on the basis of their abilities and skills, retention of employees based on the adequacy of their performance and separation for cause. The selection process also integrates equal treatment of applicants and employees and maintains selection and retention of an employee's position secure from political influences. A more detailed look at the provisions can be found in AS 39.25.101. When the personnel act was first adopted, only a handful of positions were exempt and we suspect that our founders did not envision the too-numerous exemptions now found in the statutes.

We believe the employees in question were hired on the basis of their qualifications and are performing well. By transferring them into classified service, there will be statutory provisions to protect their employment and ensure top quality work free from outside interferences.

Thank you for considering our request. We are grateful for your important work on SB 42 which will help create jobs and lower energy bills.

Sincerely,

Pete Ford
President
Juneau Central Labor Council

cc: CLC affiliates

c/o APEA/AFT, 211 Fourth Street, #306, Juneau AK 99801 (tele:907/586-2334-fax:907/463-4980)

Watana Project

Briefing Document on FERC process

1. General

For the Watana dam on the Susitna River, the FERC licensing process will govern the schedule for the project implementation. Unfortunately, over the years, the FERC process has demonstrated a lack of predictability for owners and developers - mainly because of the iterations of consultation, and study scope creep associated with consultation with multiple Federal and State agencies and the substantial and aggressive interest in hydro projects by Non-Governmental Organizations such as American Rivers *et. al.* - whether based locally to a project, or remote and nationally funded. Additionally, FERC has lost much control to agencies with mandatory conditioning authority and often these agencies do not have any mandate to balance power and non-power values so the conditions can create delays and great expense in the implementation of a new license.

The process allows for many opportunities for interventions and disputes over the adequacy of environmental studies and or the conclusions emanating from studies.

With few exceptions, FERC regulates all operating *non-federal* hydropower – extending its jurisdiction to projects that meet at least one of the following tests:

(1) Occupancy of federal land.

(2) Residing on a navigable watercourse,

(3) Use of surplus water or water power from a federal dam, or

(4) If there is any effect on interstate commerce, including linkage of the project to the grid.

The license:

- Authorizes construction and operation of a hydropower project
- Is issued for a term of up to 50 years
- Includes measures to protect the environment (mitigation)
- Requires the licensee obtains ownership or easement on project lands and waters.

2. FERC License Process

FERC has three processes to obtain a license to construct and operate a hydro power project (Traditional, Alternative, and Integrated), though many of the recent process based strategies and discussions on the matter have been focused on relicensing existing projects rather than licensing a new project. Since 2005, the default process has been the "Integrated Licensing Process (ILP) described herein.

The ILP has five key stages: Notice of Intent; Study Plan Development and NEPA Scoping; Implementation of Study Plan; Preliminary Licensing Proposal and Application; and Review of Application and Final Decision. These stages include 24 discrete steps, which progress on a strict timeline. All of the steps are subject to deadlines determined once the Notice of Intent (NOI) is issued, unless modified with FERC's permission.

The Integrated Licensing Process (ILP) integrates the development of license application and environmental review, and it coordinates FERC and other regulatory agencies that undertake concurrent environmental review.

Under the ILP, the Notice of Intent includes a Pre-Application Document (PAD) that compiles existing information about project impacts on hydrology and other natural resources. By this means, stakeholders can be notified of the available studies and will hopefully not demand extra, redundant studies. In the case of Watana, of course there is a very substantial database of studies from the 1980s that will be referenced in any PAD although it is probable that some studies or analysis will be needed to update the information.

Within 60 days of the NOI, the Office of Energy Projects will start NEPA scoping to assure the consistency of the study plan and the environmental review. This lessens the risk that issues that may prove to be material to the licensing decision have not been adequately studied.

Under the ILP, FERC and other agencies should deliberately explore and implement arrangements for cooperation in the preparation of the environmental document. Such cooperation will begin before the study plan is drafted and lessens any dispute between FERC and the agencies so that FERC's environmental document provides the record necessary for all agency decisions.

An important aspect of the ILP is that it establishes specific criteria for each study request and the licensee's response, including nexus to project impacts and cost-effectiveness compared to an alternative study method. It establishes a mandatory

procedure to resolve any study dispute between the licensee and any agency with mandatory conditioning authority. A panel of three members undertakes a peer review whether a particular study complies with the stated criteria. This avoids unresolved disputes about the study plans being carried forward in the form of challenges to the adequacy of the license application or environmental document.

Under ILP, FERC will publish draft license articles in any draft environmental document (in this case an EIS), in order to permit early analysis of whether its articles and other draft conditions are consistent. This avoids conflicts between FERC and other agencies appearing very late in the process.

As noted above, since 2005, the ILP has been the default process and AEA – if it wishes to do otherwise - will have to request authorization to use the "Traditional License Process" (TLP) or "Alternative License Process" (ALP) at the same time it files its Notice of Intent. These processes are all quite similar, and none of them affords much opportunity to shorten or streamline the licensing process. Authorization to use a process other than ILP typically requires the written support of a one or more resource agencies, Native Americans, or even NGO groups.

The previous work on Susitna in the 1980s was implemented under the Traditional Licensing Process.

3. Preliminary Permit

AEA may apply for a Preliminary Permit from FERC for the site, although this is not a required part of the license process. The awarding of a Preliminary Permit - for 3 years - by FERC essentially provides the following benefits:

- Establishes that AEA has first preference on the site - over other potential applicants - for filing a license application;
- Establishes – for interested agencies – that AEA has initiated the FERC process, and thus allows agencies to establish budgets for their participation;
- Initiates a 3-year study process;
- "Locks up" any Federal land – and interest – in the project.

The Preliminary Permit does not convey any authority to enter project lands or construct the project.

4. Factors driving unpredictability

Together with this note is a simplified, aggressive schedule for the obtaining of a FERC license. Only one "bar" on the schedule is engineering studies because the engineering studies required for the license applications are somewhat more predictable and easily manageable.

The challenges in licensing include:

- The diversity and timing of stakeholders participation that will seek project concessions and benefits
- Myriad stakeholder groups including, but not limited to:

Federal Agencies

- NMFS
- US Fish and Wildlife Service
- Army Corps of Engineers
- Bureau of Land Management
- National Park Service
- USGS

State Agencies

- Alaska Fish and Game
- Department of Environmental Quality (401 cert)
- Alaska Department of Natural Resources

Alaskan Native Groups

- Native Americans
- Native Corporations

NGOs

- Alaska Rate Payers
- American Rivers
- Alaska Conservation Alliance
- Trout Unlimited
- Sierra Club
- Natural Heritage Institute (based in San Francisco)
- American Whitewaters
- Other local groups

The aggressive schedule shown projects that a FERC license could be obtained by mid 2016. However, this target could easily be "derailed", particularly with respect to matters pertaining to the participation of multiple agencies, and the extensive environmental studies often required by them (and NGOs).

Typical delays result from:

- Delays and/or inability to agree on Study Plans;
- Requirements by Agencies for studies 9or revised studies) over a longer period than shown (two seasons);
- Delay in State issuance of the Section 401 Water Quality Cert and potential challenges to the permit by stakeholders;
- Inability of FERC to complete the draft and final EIS in the allotted time;
- Other regulatory review cycles within the FERC process;
- Endless comment and response cycles
- Lack of agreement on basic "Protection, Mitigation and Enhancement" measures (PM&Es); and
- Unknown interventions or lawsuits at any time, even after FERC issues the license.

The main tasks particularly subject to delay have been highlighted. If all agencies embraced the project in a responsive and collegial manner, the projected five and a half years could be achieved, but it must be recognized that the schedule could easily extend to eight years or more.

5. Elements of the Proposed Work Plan

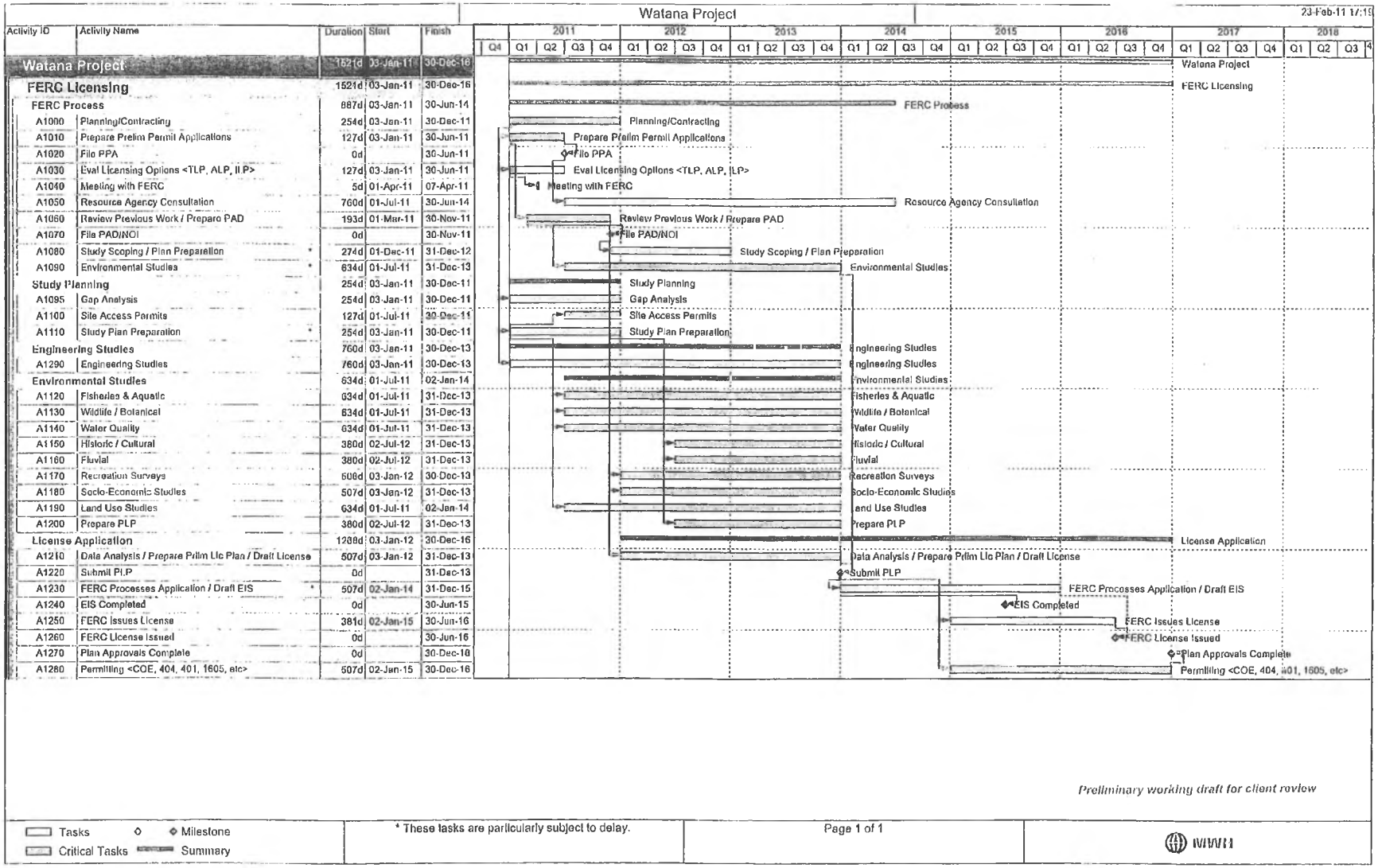
To minimize the time required to license the project, there are three key strategies that AEA can embrace:

- Minimizing the need for new studies – by utilizing as many of the previous studies undertaken for the 1980s license application. A foundation of this effort will be to persuade agencies and interested stakeholders that the prior studies retain validity with only basic updates. Instrumental to this is the preparation of a Gap Analysis – which AEA has already initiated - to highlight any missing data or studies (particularly environmental, social and cultural), using the current proposed project layout as the baseline;
- Early and complete engagement with interested agencies and stakeholders so that particular aspects of studies and data gathering required by interested

parties can be 'fleshed out' as soon as possible. Close engagement with stakeholders and demonstrable commitment by AEA to required environmental mitigation and protection measures must continue throughout the FERC process;

- Clear commitment to environmental protection measures; and,
- Settlements between interested parties and AEA must be achieved and recorded as early as possible so that as many matters can be finalized as possible prior to the preparation of the License Application.

To fully define the methodology, tasks and strategy for the FERC process, AEA has scheduled a workshop with its FERC Advisor / Engineering Consultant in March.



Activity ID	Activity Name	Duration	Start	Finish
Watana Project		1521d	03-Jan-11	30-Dec-16
FERC Licensing		1521d	03-Jan-11	30-Dec-16
FERC Process		887d	03-Jan-11	30-Jun-14
A1000	Planning/Contracting	254d	03-Jan-11	30-Dec-11
A1010	Prepare Prelim Permit Applications	127d	03-Jan-11	30-Jun-11
A1020	File PPA	0d		30-Jun-11
A1030	Eval Licensing Options <TLP, ALP, ILP>	127d	03-Jan-11	30-Jun-11
A1040	Meeting with FERC	5d	01-Apr-11	07-Apr-11
A1050	Resource Agency Consultation	760d	01-Jul-11	30-Jun-14
A1060	Review Previous Work / Prepare PAD	193d	01-Mar-11	30-Nov-11
A1070	File PAD/NOI	0d		30-Nov-11
A1080	Study Scoping / Plan Preparation *	274d	01-Dec-11	31-Dec-12
A1090	Environmental Studies *	634d	01-Jul-11	31-Dec-13
Study Planning		254d	03-Jan-11	30-Dec-11
A1095	Gap Analysis	254d	03-Jan-11	30-Dec-11
A1100	Site Access Permits	127d	01-Jul-11	30-Dec-11
A1110	Study Plan Preparation *	254d	03-Jan-11	30-Dec-11
Engineering Studies		760d	03-Jan-11	30-Dec-13
A1290	Engineering Studies	760d	03-Jan-11	30-Dec-13
Environmental Studies		634d	01-Jul-11	02-Jan-14
A1120	Fisheries & Aquatic	634d	01-Jul-11	31-Dec-13
A1130	Wildlife / Botanical	634d	01-Jul-11	31-Dec-13
A1140	Water Quality	634d	01-Jul-11	31-Dec-13
A1150	Historic / Cultural	380d	02-Jul-12	31-Dec-13
A1160	Fluvial	380d	02-Jul-12	31-Dec-13
A1170	Recreation Surveys	606d	03-Jan-12	30-Dec-13
A1180	Socio-Economic Studies	507d	03-Jan-12	31-Dec-13
A1190	Land Use Studies	634d	01-Jul-11	02-Jan-14
A1200	Prepare PLP	380d	02-Jul-12	31-Dec-13
License Application		1268d	03-Jan-12	30-Dec-16
A1210	Data Analysis / Prepare Prlim Lic Plan / Draft License	507d	03-Jan-12	31-Dec-13
A1220	Submit PLP	0d		31-Dec-13
A1230	FERC Processes Application / Draft EIS *	507d	02-Jan-14	31-Dec-15
A1240	EIS Completed	0d		30-Jun-15
A1250	FERC Issues License	381d	02-Jan-15	30-Jun-16
A1260	FERC License Issued	0d		30-Jun-16
A1270	Plan Approvals Complete	0d		30-Dec-16
A1280	Permitting <COE, 404, 401, 1605, etc>	507d	02-Jan-15	30-Dec-16

Preliminary working draft for client review

Tasks ◇ Milestone
Critical Tasks Summary

* These tasks are particularly subject to delay.

MWH

ALASKA STATE LEGISLATURE

SENATOR JOE THOMAS

March 14, 2011

Dear Senator Paskvan and Senator Wagoner,

This afternoon, I had a phone conversation with Rich Wilson, Bill Noll and Frank Mielke of the Alaska Rate Payers Association to discuss their ideas and recommendations on possible changes to Senate Bill 42. I understand that both of you have been acquaintances of these gentlemen for quite a long time and I believe you are familiar with who they are and what the Alaska Rate Payers Association represents.

I have not had the opportunity to study the 15 page proposed amendments or CS to SB 42, but have been briefed on the highlights during a 45 minute discussion. I believe there are some very good ideas coming from decades of experience. I will continue to review these recommendations and would be more than happy to discuss them with you at your convenience. I also have advised the Rate Payers to reach out to both of you as co-chairs to see what options there are to adopt some of these changes to Senate Bill 42 or at least have them discussed with the committee.

Attached, please find two copies of the recommendations and highlights from the Alaska Rate Payers Association. Thank you, and please feel free to contact me to discuss this at any time.

Sincerely,

Senator Joe Thomas

January – May: State Capitol – Juneau, Alaska 99801 – (907) 465-2327 – 1 (800) 336-7383 – Fax (907) 465-5241
June – December: 1292 Sadler Way Ste 203 – Fairbanks, Alaska 99701 – (907) 456-8161 – Fax (907) 456-8163
Senator.Joe.Thomas@legis.state.ak.us

Highlighting Important Features of The Alaska Ratepayers Proposed Bill Entitled "The Susitna Power Authority"

1. **Board and Purpose.** The Susitna Power Authority ("Authority") is governed by a five-person Board of Directors to build and operate hydroelectric generation in the Susitna River, and transmission facilities anywhere in the state conveying Susitna power. [Section .030]

2. **Appointment and Terms of Board.** The Authority is established as a new authority in the Dept. of Commerce, Community & Economic Development. Members of the Board are appointed by the Governor and confirmed by the Legislature serving 5 year fixed terms on good behavior, removable only for cause. [Section .040]

3. **Executive Director.** An Executive Director serves at the pleasure of the Board which establishes the Director's duties and compensation. Employment by the Authority is exempt from the provisions of the State Personnel Act. [Section .050]

4. **Annual Report; Exemption from Certain General Statutes.** The Authority will provide an annual management and performance report, including financial variance reporting, to the Legislature and to the Governor. This will offer the Legislature more detailed oversight than what is contained in the provisions of the current revised HB 103. The Authority is exempt from the Executive Budget Act, as well as from the State Procurement Act, Title 42 (regulating public utilities) and Title 35 (governing public facilities). Any project of this size and cost needs authority to avoid unnecessary delays and costs to complete work on time and on budget. [Section .080(b)]

   This Authority is governed by five directors with relevant engineering, large project management and financial experience. Their objective is to produce hydroelectric power on the Susitna River in the quickest possible time at the lowest possible cost. Therefore, the Authority is relieved of the generally applicable exactions of the Budget Act, the Procurement Act, the Public Utilities and Public Facilities Acts as well as the State Personnel Act. Like other State entities, the Authority will adopt its own rules covering all these subjects with provisions of particular relevancy to the construction and operation of a large hydroelectric project. It is organized for success and achievement. [Section .080]

5. **Borrowing, Bonds, Debt.** The Authority is able to issue and refund bonds, with certain limits on the total amount of issue and the interest rates which may be paid. The extensive statutory language is calculated to make the Authority's bonds fully salable and acceptable in the bond markets. None of the debt or liability of the Authority is a debt or liability of the State of Alaska. [Section .150]

6. **Exemption from Taxes.** The real and personal property of the Authority are exempt from taxes and special assessments. [Section .150]

7. **Legislative Auditor's Annual Review.** The Legislative Auditor conducts an annual audit of the Authority whose records are available to the auditor at all times. [Section .080]

8. **Exemption from Local Planning, Zoning and Building Codes.** The Authority is exempt from planning, zoning, permitting or other such governmental powers of the State's political subdivisions. [Section .280]

9. **Permits and Powers under Federal Power Act.** The Authority may seek licenses and permits under the Federal Power Act and may proceed to condemn property under the provisions of said Act. [Section .080]

10. **Power of Condemnation.** The Authority shall have the power of eminent domain set forth in AS 09 including the declaration of taking. The State consents to the occupation and use of any State property for any hydroelectric facility of this Authority. [Section .080]

11. **Setting of Rates and Charges.** The Authority establishes its rates and charges, and is not subject Title 42 authorities of the Regulatory Commission of Alaska. [Section .080]

HB _____ Draft of 14 March 2011

An Act creating the Susitna Power Authority

Sec. 44.89.010. Purpose

The purpose of the Authority created in this chapter is to develop own and operate electric power and transmission and related facilities in the Susitna Basin. Transmission facilities may also be built and operated in areas other than the Susitna Basin.

Sec. 44.89.020. Establishment of Authority

(a) There is established a Susitna Power Authority. The Authority is a public corporation and an instrumentality of the State within the Department of Commerce, Community and Economic Development, but the Authority has a separate and independent legal existence from the State. The exercise by the Authority of the powers in this chapter is considered an essential governmental function of the State.

(b) The Authority may not be terminated as long as it has bonds, notes, or other obligations outstanding. Upon termination of the Authority, its rights and property pass to the State.

Sec. 44.89.030. Board of Directors of Authority

(a) The Authority shall be governed by a board of directors consisting of the following:

(1) Five members, appointed by the governor and confirmed by the Legislature who shall have experience in electric utility, management, finance, construction or operations;

(2) Members shall serve for staggered terms of 5 years, and may be reappointed to additional terms. The Initial board members' terms for four of the seats shall be for one, two, three and four years each. All appointments for members thereafter shall be for a five year term. Such members may only be removed for cause.

(b) If a vacancy occurs in a member's seat, the governor shall make an appointment, effective immediately, for the unexpired portion of that member's term, subject to subsequent confirmation of the Legislature.

Sec. 44.89.040. Operation of Authority

(a) The powers of the Authority are vested in the board.

(b) Three members constitute a quorum.

(c) The board shall elect a chairman, and other officers, to serve at the pleasure of the board.

(d) Action may be taken on the affirmative vote of 3 board members.

(e) The members of the board shall receive a stipend of $300 a day while performing business of the Authority.

Sec. 44.89.050. Executive Director

The Authority shall employ an executive director who may not be a member of the board. The executive director shall serve at the pleasure of the board. The board shall establish the duties and compensation of the executive director.

Sec. 44.89.060. Employment of Personnel; Exception from State Personnel Act

The executive directory may hire employees of the Authority, which is independent of the State Personnel Act. The board shall prescribe the duties and compensation of Authority employees.

Sec. 44.89.070. Legal Advisor

The Authority may retain legal counsel to advise the Authority on legal matters, or may contract with the department of law for legal counsel.

Sec. 44.89.080. Powers and Duties

(a) Except as otherwise explicitly made applicable to the Authority, the performance of the Authority's duties and the exercise of its powers, including its powers to issue bonds and otherwise incur debt, shall be governed exclusively by this chapter. In furtherance of its purposes, the Authority may

(1) own, acquire, construct, develop, create, construct, equip, operate, maintain, extend and improve any and all assets of any kind related to the generation and transmission of electricity within the Susitna River Basin, and in the case of transmission and related facilities in areas other than the Susitna River Basin;

(2) sue and be sued;

(3) adopt a seal;

(4) adopt, amend, and repeal regulations under AS44.62 and establish bylaws.

(5) make and execute agreements, contracts, and all other instruments with any public or private person, government unit, corporation, cooperative, municipality or other business entity lawfully conducting business in the United States for the exercise of its

powers and functions under this chapter and for the analysis, licensing, financing, design, construction, maintenance, improvement or operation of facilities, properties, or projects of the Authority:

(A) incurring indebtedness, obtaining investments in the Authority's projects, acquiring or granting lump sum payments for services in advance or in arrears, grants and other financing; and

(B) entering into public-private partnerships or service contracts in any form;

(6) in its own name acquire, lease, sell, rent or convey real and personal property;

(7) issue and refund bonds in accordance with this chapter, in order to pay the cost of any electrical generation, transmission and related facilities; the Authority may also secure payment of the bonds as provided in this chapter;

(8) incur other indebtedness, including lines of credit and indebtedness to the Rural Utilities Services, or any other governmental agency, and secure that indebtedness as provided in this chapter;

(9) apply for and accept gifts, grants, or loans from a federal agency or an agency or instrumentality of the State, or from a municipality, private organization, or other source, including obtaining title to state, local government, or privately owned land, directly or through a department of the State having jurisdiction of the land;

(10) fix and collect charges for the generation and transmission of electricity, and related services, including any necessary costs preliminary to construction.

(11) bring civil actions, refer criminal actions to the appropriate Authority, and take other actions or enter into agreements with law enforcement or property owners or managers to enforce property rights or other rights of the Authority.

(12) pledge, encumber, transfer, or otherwise obligate revenue derived by the Authority from any source, including charges for the generation and transmission of electricity, and related facilities or services;

(13) deposit or invest its funds, subject to agreements with bondholders;

(14) procure insurance against any loss in connection with its operation;

(15) contract for and engage the services of consultants, experts, financial, engineering and technical advisors that the Authority considers necessary for the exercise of its powers and functions under this chapter;

(16) apply for, obtain, hold, and use permits, licenses, or approvals from

appropriate agencies of the State, the United States, a foreign country and any other proper agency in the same manner as any other person;

(17) perform reconnaissance studies and engineering, survey ,and design studies with respect to the facilities for the generation and transmission of electricity and appurtenant facilities;

(18) exercise powers of eminent domain or file a declaration of taking as necessary for any facilities for or related to the generation and transmission of electricity;

If for any of the purposes hereunder, including temporary construction purposes, and the making of additions or improvements, the Authority shall find it necessary or convenient for it to acquire any real property whether for immediate or future use, then the Authority may find and determine that such property is required for a public use, and upon such due determination, such property shall be and shall be deemed to be required for such public use until otherwise determined by the Authority, such determination of fact shall not be affected by the fact that such property has theretofore been taken for, or is then devoted to, a public use; but the public use in the hands or under the control of the Authority shall be deemed superior to the public use in the hands of any other person, association or corporation. If the Authority is unable to agree for the acquirement of any such property, or if the owner thereof shall be incapable of disposing of the same, or if, after diligent search and inquiry, the name and residence of any such owner cannot be ascertained, or if any such property has been acquired or attempted to be acquired and title or other rights therein have been found to be invalid or defective, the Authority may acquire such property by condemnation under and pursuant to the provisions of this chapter:

When any real property within this State is sought to be acquired by condemnation, the Authority shall cause a survey and map to be made thereof, and shall cause such survey and map to be filed in its office. There shall be annexed to such survey and map a certificate executed by the chief engineer of the Authority, or by such other officer or employee as may be designated by the Board of Directors stating that the property or interest therein described in such survey and map are necessary for its purposes.

Upon filing such survey and map, the Authority may proceed to acquire the real property by eminent domain as set forth in AS 09.55.240-460, including the power of declaration of taking set forth in AS 09.55.420 et seq., all as may be modified by provisions of this chapter.

The Authority may, at its option, acquire such real property within the State of Alaska, under the aforesaid eminent domain law or, in the event it is a licensee under the Federal Power Act, it may acquire such real property as is necessary for its purposes through the exercise of the right of eminent domain as provided in the Federal Power Act, as it may be from time to time amended.

The term "real property" as used in this chapter is defined to include lands, structures, franchises and interests in land, including lands under water and riparian rights, and any and all other things and rights usually included within the said term, and includes also any and all interests in such property less than full title, such as easements, rights of way, uses, leases, licenses and all other incorporeal hereditaments and every estate, interest or right, legal or equitable, including terms for years and liens thereon by ways of judgments, mortgages or otherwise, and also all claims for damages for such real estate.

(19) confer and contract with municipalities, other governments, and electrical cooperatives, concerning electrical generation and transmission facilities;

(20) do all acts and things necessary or useful to carry out the powers expressly granted or necessarily implied in this chapter; nothing in this chapter limits the powers of the Authority that are expressly granted or necessarily implied.

(b) the Authority shall

(1) prepare an annual report of its operations to include a financial and income statement, a statement of changes in financial position, a reconciliation of changes in equity accounts, a summary of significant accounting principles, an auditor's report, comments regarding the year's business, and prospects for the next year; the report shall be completed by the twentieth day of the regular session of the Legislature and submitted to the Legislative Budget and Audit Committee and the presiding offices of each house of the Legislature, and the governor of Alaska. Quarterly budget variance reports shall be filed with the same parties during construction of facilities.

(2) be exempt from AS 37.07 (Executive Budget Act);

(3) establish a personnel management system for hiring employees and setting employee-benefit packages;

(4) establish procedures, rules, and rates governing per diem and travel expenses of the employees of the Authority in substantial conformity to statutes, procedures, rules, and rates applicable to State employees of similar State entities;

(5) coordinate the exercise of its powers to plan, design, construct, operate and maintain electrical generation and transmission and related facilities;

(6) have the exclusive Authority to determine and fix charges for the generation and transmission of electricity and related services that it owns, constructs or operates;

(7) be exempt from the AS 36.30 (State Procurement Act);

(8) be exempt from regulation under AS 42 (Public Utilities);

(9) be exempt from AS 35.

Sec. 44.89.090. Assets Funds and Revenue of the Authority

(a) The Department of Revenue shall separately account for all assets and revenue of the Authority.

(b) The deposit or investment of money in the Authority's funds may be made by the board. The interest earned on or profits derived from the deposit, investment, or sale of an investment by the Authority are funds of the Authority.

Sec. 44.89.100. Bonds of the Authority

(a) Notwithstanding any other provision of law, the Authority may borrow money and issue and refund bonds on which the principal and interest are paid out of and secured by the gross revenue derived by the Authority for the ownership, use, and operation of its facilities and services, and other revenue of the Authority under this chapter and any other revenue or money that the legislature may appropriate. Before issuing bonds, the Authority shall submit to the state bond committee a description of the bond issue and a preliminary prospectus, offering circular, or official statement relating to the bond issue, and shall contain a finding on the effect on the State or its political subdivisions to market bonds.

(b) The bonds of the Authority may be sold in the amount or series at the time determined by its board of directors. Bonds or a series of bonds may not be sold if the effective interest rate over the life of the bonds exceeds 11 percent a year or a rate of interest that is 125 percent of the rate of the Bond Buyer Index of 20 Municipal Bond Average Yields for the week previous to the date of the sale of the bonds, whichever is higher.

(c) The Authority may issue bonds in an aggregate amount not to exceed $12,000,000,000, plus the cost of issuance.

(d) The amount of refunding bonds that can be issued by the Authority and bond premiums may not be included in the aggregate amount, but may be in addition to the amount authorized by (c) of this section.

Sec. 44.89.110. Trust Indentures and Trust Agreements; Funds and Reserves

(a) in the discretion of the Authority, an issue of bonds may be secured by a trust indenture or trust agreement between the Authority and a corporate trustee, by a secured loan agreement or other instrument, or by a resolution giving powers to a corporate trustee, by means of which the Authority may

(1) make agreement with the trustee or the holders of the bonds that the Authority

determines to be necessary or desirable, including agreements as to the

(A) application, investment, deposit, use and disposition of

(i) the proceeds of bonds of the Authority;

(ii) money or other property of the Authority;

(iii) money or other property in which the Authority has an interest;

(B) fixing charges for the generation and transmission of electricity and related facilities and services;

(C) assignment by the Authority of its rights in in any contract with respect to its facilities or services or in a mortgagee or other security interest created with respect to its facilities;

(D) terms and condition under which the Authority may issue additional bonds;

(E) vesting in a trustee of rights, powers, duties, money, or property in trust for the benefit of the bondholders, including the right to enforce payment, performance and all other rights of the Authority or of the bondholders, under a lease, contract, power sales agreement, contract of sale, mortgage, security agreement, or other trust by injunction or other proceeding or by taking possession by agent or otherwise, and operating electrical generation and transmission and facilities and services and applying the same in accordance with the trust agreement;

(2) pledge, mortgage, or assign money, leases, agreements, property, or other rights or assets of the Authority either currently in hand or to be received in the future, or both; and

(3) provide for any other matters that affect the security or protection of the bonds.

(b) Notwithstanding any other provision of this chapter, the trust agreement must contain an agreement by the Authority that the Authority will at all time maintain charges sufficient to

(1) pay the costs of operation and maintenance of its facilities and the principal of and interest on bonds issued under the trust agreement as the bonds severally become due and payable;

(2) provide for debt service coverage as considered necessary by the Authority for the marketing its bonds; and

(3) provide for renewals, replacements, and improvements of its facilities , and to maintain reserves required by the terms of the trust agreement.

(c) For the purpose of securing one or more issues of its bonds, the Authority may establish one or more special funds, called "capital reserve funds", and shall pay into those funds the proceeds of the sale of its bonds and any other money that is available to the Authority of the purposes of those funds. The funds shall be established only if the Authority determines that the establishment would enhance the marketability of the bonds. All money held in a capital reserve fund, except as provided in this section, shall be used as required solely for the (1) payment of the principal of and interest on bonds or of the sinking fund payments with respect to those bonds, (2) the purchase or redemption of bonds, or (3) the payment of a redemption premium required to be paid when those bonds are redeemed before maturity, However, money in a fund may not be withdrawn from the fund at any time in an amount that would reduce the amount of the fund to less than the capital reserve requirement set out in (d) of this section, except for the purpose of making, with respect to those bonds, payment, when due, of principal, interest, redemption premiums, and the sinking fund payments for the payment of which other money of the Authority is not available. Income or interest earned by or increment to a capital reserve fund due to the investment of the funs of any other amounts in the fund may be transferred by the Authority to other funds or accounts of the Authority to the extent that the transfer does not reduce the amount of the capital reserve fund below the capital reserve fund requirement.

(d) If the Authority decides to issue bonds secured by a capital reserve fund, the bonds may not be issued if the amount in the capital reserved fund is less than the amount of the capital reserve fund requirement, if any, established by resolution of the Authority, unless the Authority at the time of issuance of the obligation, deposits in the capital reserve fund from the proceeds of the obligations to be issued or from other sources an amount that, together with the amount then in the fund, will not be less than the capital reserve fund requirements.

(e) In computing the amount of a capital reserve fund for the purposes of this section, securities in which all or a portion of the fund is invested shall be valued by some reasonable method established by the Authority by resolution. Valuation on a particular date shall include the amount of any interest earned or accrued to that date.

(f) If the Authority decides to issue bonds secured by a capital reserve fund, the bonds may not be issued until 30 days after the Authority has mailed notification to the State bond committee and the Legislative Budget and Audit Committee by certified mail of its intention to establish a capital reserve fund to secure the bond issue. The notification must include the amount of the capital reserve fund to be established, the amount of bonds proposed to be issued, and the total cost for which the bonds are to be issued. The notification shall be accompanied by an estimate by the Authority of the need to withdraw money from the capital reserve fund during the term of the bond issue, the amount that may be necessary to withdraw, and the time at which withdrawals are

estimated to be needed. By January 30 of each year, the Authority shall prepare, and provide to the State Bond Committee and the Legislative Budget and Audit Committee, a revised estimate, considering the same factors, and a statement of all withdrawals that have occurred from the date of issuance of the bonds to the end of the preceding calendar year.

(g) Nothing in this section creates a debt or liability of the State.

(h) Notwithstanding any other provision of law, the Authority may establish other funds and reserves as the board of directors may determine reasonable and prudent for the issuance of bonds or for the conduct of the business and affairs of the Authority. The interest earned on or profit derived from these funds and reserves shall be the property of the Authority.

Sec. 44.89.120. Validity of Pledge

It is the intention of the legislature that a pledge made in respect of bonds shall be perfected and shall be valid and binding from the time the pledge is made, that the money or property so pledged and after that received by the Authority shall immediately be subject to the lien of the pledge without physical delivery or further act, and that the lien of the pledge shall be valid and binding against all parties having claims of any kind in tort, contract, or otherwise against the Authority irrespective of whether the parties have noticed. Neither the resolution, trust agreement, or any other instrument by which a pledge is created need be recorded or filed under the provisions of the Uniform Commercial Code in order to be perfected or to be valid, binder, effective against the parties. This section does not affect title to or conveyances of real property and does not limit the applicability of AS 40.17.080(b).

Sec. 44.89.130. Non-Liability on Bonds

(a) Neither the members of the board nor a person executing the bonds of the Authority is liable personally on the bonds or is subject to personal liability or accountability by reason of the issuance of the bonds.

(b) The bonds issued by the Authority do not constitute an indebtedness or other liability of the State or of a political subdivision of the State other than the Authority, but shall be payable solely from the income, receipts, or other money or property of the Authority. All documents published by the Authority or to which the Authority is a signatory and used in or for the issuance of bonds by the Authority must state that they are prepared by or for the Authority.

(c) The Authority may not pledge the faith or credit of the State or of a political subdivision of the State other than the Authority, and the issuance of a bond by the Authority does not directly, indirectly, or contingently obligate the State or a political subdivision of the State to apply money from, levy, or pledge any form of taxation to the

payment of the bond or to make payments due on the bonds from any source of funds not pledged for repayment of the bonds.

Sec. 44.89.140. Pledge of State

The State pledges to and agrees with the holders of bonds issued under this chapter and with a federal agency that loans or contributes money in respect to electrical generation and transmission and related facilities that the State will not limit or alter the rights and powers vested in the Authority under this chapter to fulfill the terms of a contract made by the Authority with the holders or federal agency or in any way impair the rights and remedies of the holders under the bonds, together with the interest on them, with interest on unpaid installments of interest, and all costs and expenses in connection with an action or proceeding by or on behalf of the holders, until such obligations are fully met and discharged. The Authority may include this pledge and agreement of the State, insofar as it refers to holders of bonds of the Authority, in a contract with the holders and, insofar as it relates to a federal agency, in a contract with the federal agency.

Sec. 44.89.150. Exemption from Taxation

The real and personal property of the Authority and its assets, income and receipts are declared to be the property of a political subdivision of the State and are exempt from all taxes and special assessments of the State or a political subdivision of the State. All Bonds of the Authority are declared to be issued by a political subdivision of the state and for an essential public and governmental purpose. The bonds, the interest on the bonds, the income from the bonds and the transfer of the bonds, and all assets, income, and receipts pledged to pay or secure the payment of the bonds or interest on the bonds are, at all times, except from taxation by or under the Authority of the State, except for inheritance and estate taxes and taxes on transfers by or in contemplation of death. Nothing in this section affects or limits an exemption from license fees, property taxes, or excise, income, or other taxes provided under any other law, nor does it create a tax exemption with respect to the interest of any business enterprise or other person, other than the Authority in any property, assets, income, receipts, project, or lease, regardless of whether financed under this chapter.

Sec. 44.89.160. Bonds, Legal Investments for Fiduciaries

The bonds of the Authority are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on any insurance business, all banks, bankers, trust companies, savings banks, savings association, including savings and loan associations and building and loan associations, investment companies and other persons carry on banking business, all administrators, guardians, executors, trustee, and other fiduciaries , and other persons who are now or may afterward be authorized to invest in

bonds or other obligations of the State may property and legally invest money, including capital in their control or belonging to them. Notwithstanding any other provision of law, the bonds of the Authority are also securities that may be deposited with any and be received by all public officers and bodies of the State and all municipalities and municipal subdivisions for any purposes for whittle deposit of bonds or other obligations the State is now or may afterward be authorized to issue.

Sec. 44.89.170. Audit

The legislative auditor annually shall audit, or cause to have audited, the financial records of the Authority. The form and content of the financial records shall be in accordance with generally accepted accounting procedures. The financial records shall be available to the legislative auditor any reasonable time.

Sec. 44.89.180. State Appropriations Not Affected.

The chapter does not prevent the State from making appropriations for or in aid of the acquisition, design, construction, or operation of electrical generation and transmission and related facilities.

Sec. 44.89.190. Insurance

The Authority shall keep in force public liability insurance in an amount reasonably calculated to cover potential claims for bodily injury, death or disability, and property damage that may arise from or be related to its operation and activities, naming the State as an additional insured.

Sec. 44.89.200. Safeguarding of Money

The Authority shall maximize revenue from and deposit all money in depositories under guidelines issued by the commissioner of revenue and otherwise safeguard the money under guidelines as the commissioner of revenue may from time to time issue..

Sec. 44.89.210. Fidelity Bond

The Authority shall obtain a fidelity bond in an amount determined by the board, for the members of the board and any official responsible for Authority accounts and finances. A bond must be in effect for the tenure of the bonded person.
[use terms of *19.75.321*]

Sec. 44.89.220. Bond Terms

(a) the bonds of the Authority mature at the time fixed by the board. The bonds may be subject to redemption before their fixed maturities as determined by the board, or the Authority's executive director when delegated that responsibility on AS 44.89.230, and with the premium fixed by the board, but a bond many not be subject to redemption before its fixed maturity date unless the right to redeem that bond is expressly mentioned on the face of the bond. The bonds

(1) may be denominations determined by the board;

(2) may be issued in coupon form or in fully registered form, and may be register able as to principal or both principal and interest, and under regulations and conditions the board provides;

(3) are payable as to principal and interest at the place determined by the board;

(4) shall be signed on behalf of the Authority as the board may direct; the signatures may be facsimile signatures; each of the interest coupons, if any, attached to the bonds shall be signed by the facsimile signatures of the officials as the board may direct;

(5) shall have the seal of the Authority impressed, printed, or lithographed on them; and

(6) shall be issued under and subject to the terms, condition, and covenants, providing for the payment of the principal and interest on the bonds and the other terms, conditions, covenants, and protective features safeguarding this payment and relating to the operations, maintenance or capital improvements as found necessary by the board, which covenants may include a provision requiring the setting aside and maintenance of certain reserves to secure the payment of the principal and interest or for operations, maintenance or capital improvements.

(b) The board may select a trustee or trustees for the holders of the bonds or any series of the bonds, for the safeguarding and disbursement of any of the money in any of the funds created under this chapter or for the duties of authentication, delivery, and registration of the bonds as the board may determine. The board shall fix the rights, duties, powers, and obligations of the trustee or trustees.

(c) In determining the matters and questions relating to the issuance and sale of the bonds and the fixing of the maturities, terms, condition, covenants, and other subjects of the bonds as provided in (a) and (b) of this section, the decisions of the board shall be those found to be reasonably necessary for the best interests of the Authority and the construction, operation and maintenance of its facilities, and those that will accomplish the most advantageous sale of the bonds, giving due regard to (1) necessary or normal

costs of maintenance and operation; (2) renewals and replacements of and repairs to the facilities; (3) all improvements to electrical generation and transmission and related facilities; (4) the future growth and expansion of all of the facilities; and (5) the possibility of additional revenue bond financing for electrical generation and transmission and related facilities. A decision of the board as expressed in any bond resolution is final when any bonds have been issued under the bond resolution.

(d) A bond resolution may provide that the bonds issued must contain a recital that the bonds are issued under this chapter, and any bonds containing this recital are conclusively considered to be valid and to have been issued in conformity with this chapter.

(e) The validity of the authorization and issuance of bonds is not affected by any proceeding for the acquisition or construction of the additions, improvements, or facilities for which the bonds have been issued or by any contract in connection with the acquisition or construction.

Sec. 44.89.230. Bond Resolution

(a) When issuing bonds of the Authority, the board shall adopt the bond resolution and approve all other documents and proceedings necessary for the issuance, sale, and delivery of the bonds or any part or series of them. The bond resolution shall fix the aggregate principal amount and denomination, date, maturities, place or places of payment, rights of redemption, if any, terms, form, conditions, and covenants of the bonds or each of them. The board shall also determine and provide for the date and manner of sale of the bonds, and shall provide where the notice of sale, if any, is to be published.

(b) The board may delegate to the Authority's executive director the Authority to approve final principal maturities and dates, interest rates, redemption rights, and interest payment dates under the terms and conditions the board determines by resolution.

Sec. 44.89.240. Enforcement by Holder

The holder of any bonds or the trustee for the holders of bonds or any series of them, may by appropriate proceedings in state court, compel the transfer, setting aside, and payment of money and the enforcement of all of the terms, conditions, and covenants as required and provided in AS 44.89.220 and AS 44.89.230 and in the bond resolution.

Sec. 44.89.250. Bond Negotiability

The bonds and the coupons attached to them are fully negotiable instruments under the laws of the State.

Sec. 44.89.260. Refunding

(a) The bonds or any part of them may be refunded at or before their maturity by the issuance of refunding revenue bonds of the Authority if, in the opinion of the board, refund is advantageous to and in the best interest of the Authority.

(b) The board shall adopt the resolution authorizing refunding and all other documents and proceedings necessary for the issuance, exchange or sale, and delivery of the bonds. All provisions of AS 44.89.100-.160 except AS 44.89.100(c) and AS 44.89.220-.270 applicable to revenue bonds are applicable to the refunding bonds and to the issuance, sale, or exchange of the bonds, except as otherwise provided in this section.

(c) Refunding bonds may be issued in a principal amount sufficient to provide money for the payment of all bonds to be refunded by them, and in addition, for the payment of all expenses incident to the calling, retiring, or paying of the outstanding bonds, and the issuance of the refunding bonds. These expenses include, without limitation,

(1) the difference in amount between the par value of the refunding bonds and any amount less than par for which the refunding bonds are sold;

(2) any amount necessary to be made available for the payment of interest on the refunding bonds from the date of sale of the bonds to the date of payment of the bonds to be refunded or to the date on which the bonds to be refunded will be paid under the call of the bonds or agreement with holders of the bonds;

(3) the premium, if any, necessary to be paid in order to call or retire the outstanding bonds; and

(4) the interest accruing on the outstanding bonds to the date of the call or retirement and other costs of issuance and refunding.

Sec. 44.89.270. Bonds as Legal Investments

Bonds of the Authority, including electrical generation and transmission and related facilities bonds, are legal investments for all banks, trust companies, savings banks, savings and loan associations, and other persons carrying on a banking business, all insurance companies and other persons carrying on an insurance business, and all executors, administrators, trustee, and other fiduciaries. The bonds may be accepted as security for deposits of all money of the State and its political subdivisions.

Sec. 44.89.280. Exemption from Local Regulation

Notwithstanding any contrary provision of law, the activities of the Authority are exempt

from land use planning, zoning, permitting, or other similar governmental powers of political subdivision of the State.

Sec. 44.89.290. Statutory Construction

This chapter shall be liberally construed in order to carry out the purposes for which it was enacted. All existing laws in conflict with this chapter are superseded as necessary to accomplish the purposes of this chapter.

Sec. 44.89.300. Compelling Attendance of Witnesses

For the purpose of exercising its powers and performing its duties hereunder, and of securing such information as it may deem necessary hereunder, the Authority shall have the power to compel the attendance of witnesses and the production of documents. The power hereby conferred upon the Authority may be exercised by any one or more of the Board of Directors if he or they are authorized so to act on behalf of the Authority by resolution or by law. A subpoena issued under this section shall be regulated by the civil practice law and rules.

Sec. 44.89.310. Consent of State

The State of Alaska hereby consents to the occupation and use by the Authority of any and all property of the State of whatever kind or character for any hydroelectric or transmission facility authorized herein, and hereby vests the Authority with and delegates to it the rights to exercise any and every right and power of the State in connection therewith, whether proprietary or sovereign in character, which the State itself might exercise.

Sec. 44.89.320. Definitions

(a) "Electrical generation and transmission and related facilities", for purposes of this chapter means facilities for the generation of electricity from renewable sources, including hydroelectric of any capacity and volume, wind power and geothermal, and facilities for the transmission of electricity from any source whatsoever, and any other facilities reasonably necessary or useful to accomplish the generation and transmission of such electricity.

Highlighting Important Features of The Alaska Ratepayers Proposed Bill Entitled "The Susitna Power Authority"

1. **Board and Purpose.** The Susitna Power Authority ("Authority") is governed by a five-person Board of Directors to build and operate hydroelectric generation in the Susitna River, and transmission facilities anywhere in the state conveying Susitna power. [Section .030]

2. **Appointment and Terms of Board.** The Authority is established as a new authority in the Dept. of Commerce, Community & Economic Development. Members of the Board are appointed by the Governor and confirmed by the Legislature serving 5 year fixed terms on good behavior, removable only for cause. [Section .040]

3. **Executive Director.** An Executive Director serves at the pleasure of the Board which establishes the Director's duties and compensation. Employment by the Authority is exempt from the provisions of the State Personnel Act. [Section .050]

4. **Annual Report; Exemption from Certain General Statutes.** The Authority will provide an annual management and performance report, including financial variance reporting, to the Legislature and to the Governor. This will offer the Legislature more detailed oversight than what is contained in the provisions of the current revised HB 103. The Authority is exempt from the Executive Budget Act, as well as from the State Procurement Act, Title 42 (regulating public utilities) and Title 35 (governing public facilities). Any project of this size and cost needs authority to avoid unnecessary delays and costs to complete work on time and on budget. [Section .080(b)]

   This Authority is governed by five directors with relevant engineering, large project management and financial experience. Their objective is to produce hydroelectric power on the Susitna River in the quickest possible time at the lowest possible cost. Therefore, the Authority is relieved of the generally applicable exactions of the Budget Act, the Procurement Act, the Public Utilities and Public Facilities Acts as well as the State Personnel Act. Like other State entities, the Authority will adopt its own rules covering all these subjects with provisions of particular relevancy to the construction and operation of a large hydroelectric project. It is organized for success and achievement. [Section .080]

5. **Borrowing, Bonds, Debt.** The Authority is able to issue and refund bonds, with certain limits on the total amount of issue and the interest rates which may be paid. The extensive statutory language is calculated to make the Authority's bonds fully salable and acceptable in the bond markets. None of the debt or liability of the Authority is a debt or liability of the State of Alaska. [Section .150]

6. **Exemption from Taxes.** The real and personal property of the Authority are exempt from taxes and special assessments. [Section .150]

7. **Legislative Auditor's Annual Review.** The Legislative Auditor conducts an annual audit of the Authority whose records are available to the auditor at all times. [Section .080]

8. **Exemption from Local Planning, Zoning and Building Codes.** The Authority is exempt from planning, zoning, permitting or other such governmental powers of the State's political subdivisions. [Section .280]

9. **Permits and Powers under Federal Power Act.** The Authority may seek licenses and permits under the Federal Power Act and may proceed to condemn property under the provisions of said Act. [Section .080]

10. **Power of Condemnation.** The Authority shall have the power of eminent domain set forth in AS 09 including the declaration of taking. The State consents to the occupation and use of any State property for any hydroelectric facility of this Authority. [Section .080]

11. **Setting of Rates and Charges.** The Authority establishes its rates and charges, and is not subject Title 42 authorities of the Regulatory Commission of Alaska. [Section .080]

Alaska State Legislature

Representative Les Gara
Senator Bill Wielechowski

February 11, 2011

Sara Fischer-Goad
Executive Director, Alaska Energy Authority
813 W. Northern Lights Blvd.
Anchorage, AK 99503-2495

Cora Campbell
Commissioner, Alaska Department of Fish and Game
PO Box 115526
Juneau, AK 99811-5526

Re: Questions on Potential Fish Impact of Proposed Susitna Hydroelectric Project

Dear Sara Fischer-Goad and Commissioner Cora Campbell:

The Susitna River and its clear water tributaries are home to some of Alaska's most important populations of wild rainbow trout and salmon. We are writing to learn more about the potential fisheries impacts of the proposed Susitna Hydroelectric project. To date, we have found the information to be scarce.

At the outset we'd note that we believe a large scale Hydroelectric power project would benefit Southcentral Alaska residents, if done right, and if it does not damage important fish populations our residents rely upon for recreational and commercial fishing activities.

The Susitna drainage is home to trophy wild rainbow trout and grayling. Many of those fish overwinter in the Susitna River, and spend the warmer months in the Susitna's clearwater tributaries. The Susitna River is, in areas where these fish overwinter, braided. We would like to know what information is available to assure Alaskans that during periods of low water caused by dam operations, these braids will not be dewatered. We do not want to see winter-kill of one of Alaska's most important wild trout populations.

Conversely, in the summer months, trophy-sized silvers, kings, chum, and pink salmon come up the Susitna in large numbers. We would not want dam-induced low water levels to impact the braids used by these fish as they come upriver to their spawning streams. Small numbers of these fish continue to travel the Susitna through November in some years.

We would like a comprehensive answer to these questions, as well as information on the risk to these fish populations through dam-induced low water periods.

Thank you very much. We look forward to a timely response.

Representative Les Gara

Senator Bill Wielechowski

Susitna Hydro Transmission Study

EPS Job #09-0254

Prepared for:

Alaska Energy Authority

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October 22, 2009

SUMMARY OF CHANGES

Revision Number	Revision Date	Revision Description
0	Oct 22, 2009	Initial Release

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1 Executive Summary

Electric Power Systems, Inc. (EPS) studied the feasibility of adding a new hydro generation plant at Susitna. Both 420 MW and 600 MW plant sizes were evaluated. The study evaluated the feasibility of the project and performed a phase one study of the required system improvements necessary to support the new generation and transmission.

The study indicates that the project is feasible. Numerous transmission system improvements are required to support the proposed generation. Transmission improvements from Fairbanks to the Mat-Su valley will be required, as listed below.

- New Gold Creek 230 kV substation along the existing Railbelt 138 kV Northern Intertie at Gold Creek.
- Three new 230 kV lines between Gold Creek and the Susitna Hydro Plant.
- The existing 138 kV line from Healy to Douglas will need to be converted to 230 kV.
- Two new 230 kV lines connecting Douglas to the new substation at Gold Creek.
- A new 230 kV line between Gold Creek and Healy.
- A new 230 kV bus is required at Healy substation.
- The existing 138 kV bus sections at Cantwell, Stevens, and Douglas must be converted to 230 kV along with the substation step down transformers.
- The Healy - Wilson 138 kV will be converted to 230 kV operation.
- Two new 100 MVA, 230 / 138 kV transformers will be required at Wilson.
- The existing Healy – Gold Hill 138 kV line will need to be upgraded to 230 kV operation.
- The conversion of the Ester and Nenana substations to 230 kV will be required.
- Two new 100 MVA 230 / 138 kV transformers will be required at Gold Hill.
- Two new static VAR compensation (SVC) devices will be required to support the project. The SVCs will most likely be required at Healy and Douglas, interconnecting at 230 kV.
- A new 230 kV substation at Lorraine was added. This substation intersects the Pt. MacKenzie - West Terminal – East Terminal – Plant 2 230 kV line and the Pt. MacKenzie - Teeland 230 kV line.
- A new 230 kV line from Pt. MacKenzie to Douglas was added.
- A new 230 kV line from Lorraine to Douglas was added.

Some modifications to the spinning reserve policies and to the underfrequency load shedding schemes will also be necessary.

The estimated costs of the transmission and substation projects are as follows (in millions):

- Triple Circuit From Devils Canyon to Gold Creek - $47.4
- Single Circuit 230 kV Gold Creek – Healy - $153.3
- Double circuit 230 kV Gold Creek – Douglas - $192.1
- Single Circuit 230 kV Douglas – Teeland - $37.9
- Double Circuit 230 kV Douglas – Lorraine - $117.0
- Single Circuit 230 kV Lorraine – Pt MacKenzie - $7.3
- Convert 138 kV Healy – Gold Hill 230 kV line - $149.2
- Pt MacKenzie Modifications - $2.4
- Lorraine Substation - $13.4

• Douglas Station	-	$14.3
• Teeland Station	-	$1.0
• Gold Creek Station	-	$17.0
• Healy Station	-	$5.6
• Wilson Station	-	$6.5
• Nenana/Ester stations	-	$6.0
• Intertie Transformers	-	$7.0
• SVC systems	-	$52.0
• Devils Canyon Substation (exc transformers)	-	$9.5
• Unidentified projects	-	$50.0
Total Susitna Integration Costs	-	$888.9

The identified projects are those that are required as a result of a high-level screening study of the Susitna Hydroelectric project. These projects include the major infrastructure necessary to integrate the Susitna project into the Railbelt. However, there will be many projects, such as communications improvements required for relaying and control, control and monitoring (Supervisory Control And Data Acquisition) and minor transmission and substation improvements that will be required to strengthen the interconnected grid of the Railbelt. These projects cannot be identified by a high level screening study, but are estimated at $50.0 in the above summary.

It should also be pointed out that certain improvements not included in the above list would be required if slightly different generation dispatches were utilized in the study. The study assumed 200 MW of the Susitna project was utilized in the Fairbanks area and 400 MW was used in the Anchorage/Kenai area. Differences in the actual power flow out of Susitna could result in significant changes to the list of recommended projects. Power flow above 400 MW to the Anchorage and Kenai areas may require transmission improvements from the Pt. MacKenzie, Lorraine, Teeland area into the Anchorage area and from Anchorage to the Kenai Peninsula.

In all the power flows used in the study, Bradley Lake was required to be dispatched. Absent the energy from Bradley Lake, acceptable power flows and system stability achieved in the study would not be possible unless a Kenai gas-fired resource was used in Bradley's place. Without the addition of the Southern Intertie, the Kenai will be subject to essentially the same generation restrictions that exist today. In order to alleviate Kenai "must run" generation, the Southern Intertie would be required to optimally utilize the energy of Susitna on the Kenai Peninsula.

2 Introduction

The Alaska Energy Authority (AEA) has asked Electric Power Systems, Inc (EPS) to determine the required system improvements to the Railbelt electrical system to support the proposed Susitna Hydroelectric Project (Project). Specifically, this study evaluated the feasibility of the Susitna project and identified the basic electrical infrastructure improvements necessary to support the project.

EPS evaluated the operation of the Railbelt electrical system with the addition of the project in the 2020 time frame. EPS studied two generation levels for the project, 420 MW and 600 MW. The project interconnects with the existing Railbelt system along the existing Anchorage – Fairbanks Intertie, between Cantwell and Stevens substations.

The report is separated into two sections, the first is the electrical studies required to identify the Railbelt improvements necessary to support the Susitna Project and the second part includes feasibility level costs estimates for the projects identified in the studies.

3 Power Flow Base Cases and Modeling Issues

EPS created three power flow base cases, representing the 2020 winter peak, 2020 summer peak, and 2020 summer valley load condition. Additionally, two levels of generation at Susitna were evaluated; a 420 MW and a 600 MW level. This resulted in a total of six power flow base cases.

The Railbelt power flow base cases used for this study are the 2015 planning cases developed for previous studies for the Railbelt Intertie Operating Committee (IOC). The planning cases have load levels representative of the 2020 time frame within reasonable estimates of the load growth. The power flow model also includes various generation and transmission upgrades to the Railbelt, expected to be in place by 2020. These improvements are outlined below.

Load Updates

The system loads were updated to a 2020 level based on load forecasts.

Generation Updates

Three combustion turbines (CTs) and one heat recovery steam generator (HRSG) generator were added at the new International substation (ITSS) within Chugach (CEA). The generators are configured as one stand-alone CT plus a 2x1 configuration(two CTs feeding waste heat to one steam turbine (ST)).

Three combustion turbines and one HRSG generator were added at Eklutna substation within MEA. The generators were configured as one stand-alone CT plus a 2x1 CT / HRSG configuration.

Beluga unit #8 is decommissioned in the CEA area.

The Nikiski Solars units are decommissioned in the HEA area.

Transmission Updates

The AMLP Substation #14 (115 kV) substation was built out to remove a tapped line within the AMLP system. The AMLP A.P.A. Switchyard (115 kV) substation was built out to remove a tapped line within the AMLP system. Substation #15 was also reconfigured to accommodate this change. A Fort Richardson (115 kV) substation was added with connections to Substation #20 and Plant 2. The Fort Richardson 34.5 kV substation was modified to connect to the North Sub substation.

CEA International Substation (138 kV) was built out to remove bus ties, reconfigure the bus structure, add breaker positions, and remove tapped line configurations. A 138 kV transmission line from Retherford substation to University substation was added.

A second (express) 115 kV line was added between Briggs substation and Eklutna substation, within the MEA system.

Within HEA, the Tesoro 115 kV substation was expanded to remove a tapped line configuration to Bernice substation. A new Tesoro load bus was added. The Bernice 115 kV substation was built out to remove the Bernice tapped line segment. New load transformers were added at Bernice Lake substation. The Bernice Lake – Tesoro – Marathon - Beaver Creek - Soldotna 69 kV lines and subsystem was reconfigured to incorporate a new normal operating configuration. Sterling 115 kV and Pioneer 115 kV substations were added. A Diamond Ridge 69 kV substation load bus was added.

Susitna Generation Upgrades

Both proposed Susitna generation options were modeled. The Susitna units were modeled as three 140 MW units for the 420 MW cases or three 200 MW units for the 600 MW cases. This results in the loss of one of the Susitna units becoming the single largest contingency for the Railbelt. The capacity of the Susitna units required that the Railbelt carry at least 140 MW or 200 MW (depending on the generation scenario) of spinning reserve online. EPS created the six power flow dispatches with this new spinning reserve requirement. Table 1 below lists the dispatches that were used for this study.

The dispatch cases attempted to use Susitna at or near maximum as much as possible. Other hydro resources were typically dispatched, along with the most efficient new or proposed combustion turbines within the system.

Table 1 – Generation Dispatch

Bus Name	Susitna at 420 MW			Susitna at 600 MW		
	summer peak	summer valley	winter peak	summer peak	summer valley	winter peak
BES						
BRADLEY LAKE 1	30.6	21.0	35.4	30.9	19.0	43.5
BRADLEY LAKE 2	27.0	20.0	35.0	27.0	15.0	43.0
TESORO 1	3.0	3.0	3.0	3.0	3.0	3.0
TESORO 2	3.0	3.0	3.0	3.0	3.0	3.0
SUSITNA 1	140.0	130.0	140.0	200.0	140.0	200.0
SUSITNA 2	140.0	130.0	140.0	200.0	140.0	200.0
SUSITNA 3	140.0	130.0	140.0	200.0	140.0	200.0
AMLP #3						
AMLP #6	31.5		29.2			26.1
AMLP #7	65.0		73.4			65.7
Beluga 6			67.2			
Beluga 7			63.3			
ITSS #1						
ITSS #2	44.0	25.0	40.8	26.5		36.5
ITSS #3			40.8			36.5
ITSS #4	10.1	5.8	18.7	12.2		16.8
COOPER 1	4.0		8.0	2.0		3.0
COOPER 2	4.0		8.0	2.0		3.0
EKLUTNA 1	7.0		16.0	4.0		8.0
EKLUTNA 1	7.0		16.0	4.0		8.0
Healy	24.6	14.0	22.8	14.8	14.0	20.4
HCCP#2-G	54.5	30.0	50.4	32.8	30.0	45.2
B MILL#1	-4.0	-4.0	-4.0	-4.0	-4.0	-4.0
B MILL#2	-4.0	-4.0	-4.0	-4.0	-4.0	-4.0
NORTH POLE 1						
NORTH POLE 2						
NPCC 1	36.3		42.0	21.9		38.7
NPCC 2	8.9		10.6	5.4		9.5
Total Generation	772.6	503.8	995.6	781.5	496.0	1001.9

Susitna Transmission Upgrades

To accommodate the addition of the Susitna project, several transmission improvements to the Railbelt are required. These are described below.

- A new substation was added along the existing Railbelt 138 kV Northern Intertie at Gold Creek. This is the point of interconnection for the Susitna Hydro Project.
- From Gold Creek, three 230 kV lines run seven miles to the Susitna Hydro Plant.
- The substation at Gold Creek intercepts the existing northern Intertie that runs between Teeland and Healy. The existing 138 kV line from Healy to Douglas is built to a 345 kV design, but operated at 138 kV. This section of the line will need to be converted to 230 kV operation, and was converted in the model.

- Two additional 230 kV lines were added to the power flow model, directly connecting the Douglas substation to the new substation at Gold Creek.
- An additional 230 kV line was added from the new substation at Gold Creek to Healy.
- A new 230 kV bus is required at Healy substation.
- The existing 138 kV bus sections at Cantwell, Stevens, and Douglas were converted to 230 kV and the substation step down transformers were changed to 230 kV on the high side.
- The Healy to Wilson 138 kV was converted to 230 kV operation and moved to the new 230 kV Healy bus.
- Two 100 MVA, 230 / 138 kV transformers were added at Wilson.
- Two new static VAR compensation (SVC) devices were added to support the new Susitna generation and transmission. A new 200 MVAR SVC was added at the new Healy 230 kV bus and a new 200 MVAR SVC was added at the upgraded Douglas 230 kV bus.
- A new 230 kV substation at Lorraine was added. This substation intersects the Pt. MacKenzie - West Terminal – East Terminal – Plant 2 230 kV line and the Pt. MacKenzie - Teeland 230 kV line.
- A new 230 kV line from Pt. MacKenzie to Douglas was added.
- A new 230 kV line from Lorraine to Douglas was added.
- The study results eventually indicated that the existing Healy – Gold Hill 138 kV line will also need to be upgraded to 230 kV operation (will require re-conductoring). This will also necessitate the conversion of the Ester and Nenana substations from 138 kV to 230 kV, and will require adding two 100 MVA 230 / 138 kV transformers at Gold Hill.

One line diagrams showing the 2020 Railbelt system with the changes mentioned above are included in appendix A.

4 Transient Stability Cases

Standard IEEE dynamic stability models for the generator, turbine, and excitation models of the Susitna units were used. IEEE standard models were also used for the new SVC's added at Douglas and Healy.

EPS ran several line faults and unit trips to determine the impact that the new Susitna generation would have on the Railbelt. Below is a description of the line fault and trip contingencies run for this study.

L1. Fault on Susitna - Gold Creek 230 kV line at 1 second, near the Susitna end. Fault cleared at 5 cycles.
L2. Fault on Gold Creek - Healy 230 kV line at 1 second, near the Gold Creek end. Fault cleared at 5 cycles.
L3. Fault on Healy - Wilson 230 kV line at 1 second, near the Healy end. Fault cleared at 5 cycles.
L4. Fault on Healy - Nenana 138 kV line at 1 second, near the Healy end. Fault cleared at 5 cycles.
L5. Fault on Gold Creek - Douglas 230 kV line at 1 second, near the Gold Creek end. Fault cleared at 5 cycles.
L6. Fault on Teeland - Douglas 230 kV line at 1 second, near the Teeland end. Fault cleared at 5 cycles.

L7. Fault on Lorraine - West Terminal 230 kV line at 1 second, near the Lorraine end. Fault cleared at 5 cycles.
L8. Fault on Pt MacKenzie - International 138 kV line at 1 second, near the Pt MacKenzie end. Fault cleared at 5 cycles.
L9. Fault on Teeland - Cottle 115 kV line at 1 second, near the Teeland end. Fault cleared at 6 cycles.
L10. Fault on Briggs - Plant 2 115 kV line at 1 second, near the Briggs end. Fault cleared at 5 cycles.
L11. Fault on Plant 2 - University 230 kV line at 1 second, near the Plant 2 end. Fault cleared at 5 cycles.
L12. Fault on University - Dave's Creek 115 kV line at 1 second, near the University end. Fault cleared at 6 cycles.
L13. Fault on Soldotna - Quartz Creek 115 kV line at 1 second, near the Soldotna end. Fault cleared at 6 cycles.

The following unit trip contingencies were also studied. Each scenario represents a unit trip (unit breaker opens) event.

G1. Susitna Unit #1 during the 420 MW loading cases (140 MW trip).
G2. Susitna Unit #1 during the 600 MW loading cases (200 MW trip).
G3. AML&P Plant 2 Unit #7
G4. Bradley Lake Unit #1
G5. International Substation Unit #2
G6. Healy Clean Coal
G7. North Pole Combined Cycle Unit #1

Table 2 lists the transient stability results for each of the contingencies described above.

Table 2 – Transient Stability Results

		420 MW Susitna			600 MW Susitna		
		summer peak	summer valley	winter peak	summer peak	summer valley	winter peak
Line Outages							
L1	Susitna-Gold Creek	stable	stable	stable	stable	stable	stable
L2	Gold Creek-Healy	stable	stable	stable	stable	stable	stable
L3	Healy-Wilson	unstable	unstable	unstable	unstable	unstable	unstable
L3 with 230 kV Healy-Goldhill build out	Healy-Wilson	stable	stable	stable	stable	stable	stable
L4	Healy-Nenana	stable	stable	stable	stable	stable	stable
L5	Gold Creek-Douglas	stable	stable	stable	stable	stable	stable
L6	Teeland-Douglas	stable	stable	stable	stable	stable	stable
L7	Lorraine-West Terminal	stable	stable	stable	stable	stable	stable
L8	Pt. MacKenzie-International	stable	stable	stable	stable	stable	stable
L9	Teeland-Cottle	stable	stable	stable	stable	stable	stable
L10	Briggs-Plant 2	stable	stable	stable	stable	stable	stable
L11	Plant 2-University	stable	stable	stable	stable	stable	stable
L12	University-Daves Creek	stable with load shedding	stable with load shedding	stable with load shedding	stable with load shedding	stable with load shedding	stable with load shedding
L13	Soldotna-Quartz Creek	stable with load shedding	stable with load shedding	stable with load shedding	stable with load shedding	stable with load shedding	stable with load shedding
Unit Trips							
G1	Susitna #1	stable, freq at 59.1 Hz after 20 secs.	stable, freq at 60.0 Hz after 20 secs.	stable, freq at 60.0 Hz after 20 secs.			
G2	Susitna #4				stable, freq at 60.0 Hz after 20 secs.	stable, freq at 59.9 Hz after 20 secs.	stable, freq at 60.2 after 20 secs.
G3	ML&P 7	stable, freq at 60.3 Hz after 20 secs.		stable, freq at 59.6 Hz after 20 secs.			stable, freq at 59.6 Hz after 20 secs.
G4	Bradley Lake	stable, freq at 59.9 Hz after 20 secs.	stable, freq at 60.0 Hz after 20 secs.	stable, freq at 59.9 Hz after 20 secs.	stable, freq at 59.9 Hz after 20 secs.	stable, freq at 60.0 Hz after 20 secs.	stable, freq at 59.8 Hz after 20 secs.
G5	ITSS #2	stable, freq at 59.8 Hz after 20 secs.	stable, freq at 60.1 Hz after 20 secs.	stable, freq at 59.9 Hz after 20 secs.	stable, freq at 60.0 Hz after 20 secs.		stable, freq at 59.9 Hz after 20 secs.
G6	HCCP#2-G	stable, freq at 59.6 Hz after 20 secs.		stable, freq at 59.9 Hz after 20 secs.	stable, freq at 60.0 Hz after 20 secs.		stable, freq at 59.9 Hz after 20 secs.
G7	NPCC	stable, freq at 59.9 Hz after 20 secs.		stable, freq at 59.9 Hz after 20 secs.	stable, freq at 60.0 Hz after 20 secs.		stable, freq at 59.9 Hz after 20 secs.

Most of the line fault contingencies analyzed showed stable results. The University - Daves Creek and Soldotna - Quartz Creek line contingencies resulted in considerable load shedding, which is the expected result when the Kenai Tie is opened with heavy transfers.

The results for the original L3 line contingency (fault and trip the Healy – Wilson 230 kV line) were unstable for all of the power flow base cases. The system would go out of step and collapse between Fairbanks and Healy along the remaining Healy – Gold Hill 138 kV line.

There are currently two lines connecting Healy to Fairbanks. One is the Healy - Wilson line that was converted to 230 kV for the purposes of this study, and the other is the Healy – Gold Hill line which remained at 138 kV in the original cases of this study. For this study, generation at both the northern and southern ends of the Railbelt was decreased or turned off to accommodate the new Susitna generation. This increased flow heading both north and south along the Railbelt. When the Healy - Wilson line is faulted and tripped, the flow on the remaining Healy – Gold Hill 138 kV line increases considerably, causing the system to go unstable along this line.

The Healy – Gold Hill 138 kV line was upgraded to 230 kV operation and changes were made to Nenana, Ester, and Gold Hill stations to accommodate the 230 kV operation. Two new 100 MVA, 230 / 138 kV transformers were added at Gold Hill. New transient stability cases were run for the Healy – Wilson and Healy Gold Hill 230 kV line fault and trip contingencies. These contingencies are stable following the upgrade of the Healy – Gold Hill line.

The addition of the Susitna Hydro plant significantly increases the size of the single largest generation contingency within the Railbelt. All of the generation trip scenarios were stable.

For the unit trip scenarios where a Susitna unit was tripped, the Railbelt experiences significant load shedding. This sudden large loss of generation highlights the need for the Railbelt to re-examine the underfrequency load shedding (UFLS) scheme. In the summer peak case with 420 MW of Susitna online, when 140 MW of Susitna generation is tripped, the system frequency hangs near 59.2 Hz after 20 seconds. This indicates that a larger kicker block of load should be shed in order to bring the system towards 60 Hz more quickly. In the summer valley case with 600 MW of Susitna online, the trip of 200 MW of Susitna causes the system to over-shed load and the system frequency settles at 60.2 Hz after 20 seconds. Should a large hydro project such as Susitna be considered, especially in conjunction with other renewable energy projects such as wind energy, strong consideration should be given to a stored energy system to provide regulation and spinning reserve requirements.

5 Transmission Cost Estimates

The transmission improvements identified in the electrical study were estimated using a unit cost estimate for each transmission line section. In each of the identified transmission lines, a preliminary route was identified and an estimate of mountainous vs flat terrain was developed. A per mile cost of mountainous transmission line construction and flat terrain construction was developed and used for all lines included in the study.

Line routes that include more than one circuit assume a double circuit transmission line construction. The new transmission lines between Douglas and Healy stations are assumed constructed along the corridor of the Anchorage – Fairbanks Intertie. The construction of the Douglas – Lorraine circuit line is assumed to be a double-circuit transmission line, with one line continuing from Lorrain to Pt. MacKenzie station.

The conversion of the Healy – Gold Hill transmission line is assumed to be the same cost as new construction.

All line costs are based on using twin bundled 954 kcmil conductor supported on steel H-frame structures. A single overhead fiber optic ground wire (OPGW) and a single overhead ground wire (OHGW) are included in the estimates. Routes are assumed to follow existing transmission corridors, and double circuit structures are used where applicable. Costs include administration, engineering, permitting and construction management allowances (assumed to be 15% of

construction cost), but do not include land acquisition costs. Following is a summary of our estimates:

	Length	Avg. cost/mile	Total cost
Triple circuit (one S/C and one D/C line) Devils Canyon to Gold Creek	12 miles	$3,948k	$47.4
Single circuit 230kV from Gold Creek to Healy	96 miles	$1,597k	$153.3
Double circuit 230kV from Gold Creek to Douglas	74 miles	$2,596k	$192.1
Single circuit 230kV from Douglas to Teeland	26 miles	$1,459k	$37.9
Double circuit 230kV from Douglas to Lorraine	47 miles	$2,489k	$117.0
Single circuit 230kV from Lorraine to Pt. Mackenzie	5 miles	$1,459k	$7.3
Single circuit 230kV from Healy to Gold Hill	103 miles	$1,448k	$149.1

6 Conclusions

EPS has completed a high level study to evaluate the improvements required to the Railbelt transmission system to support the proposed Susitna project. The study indicates that the project is feasible and identified a minimum number of projects that would be required to integrate the project into the Raibelt. Although these projects are listed as projects required to support the Susitna project, the majority of the identified projects are not specific to the Susitna project, but are required to strengthen the Railbelt transmission system to allow power to be reliably transferred between load areas, irrespective of the generation source.

The transmission improvements are dependent upon the assumed power flows from Susitna and the generation of existing Railbelt units, primarily the new ITSS plant in Anchorage and the Bradley Lake and Cooper Lake hydro units on the Kenai. Susitna power flows different than those assumed in the study will result in considerably different projects. In particular, increased flows to the south and decreased energy from Bradley/Cooper Lake projects will increase the need for transmission to the Anchorage and Kenai areas above that which is identified in this study.

SVCs will be required at Healy and Douglas stations to control voltage and provide support for transient stability. EPS did not determine the exact ratings for the SVCs but rather determined that the transmission system is feasible.

There are many projects that would be required to integrate the Susitna project, or any other large generation project with the Railbelt electrical system that cannot be identified in this study. The control and operation of the transmission system would require improvements to the communication system of the electric utilities as well as control and monitoring improvements, improvements to the spinning reserve and under frequency load shedding policies.

SB

44

<TARGET><BILL>SB 44</BILL><SUBJECT>SB
44</SUBJECT><COMM>SRES27</COMM></TARGET>

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

SEAN PARNELL, GOVERNOR

550 WEST 7TH AVENUE, SUITE 1450
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To: Senator Tom Wagoner, Co-Chair
Senate Resources Committee

From: Trevor Fulton, Legislative Liaison
DNR Commissioner's Office

Date: 1/25/2011

Re: Bill Hearing Request: SB 44: SOUTHEAST STATE FOREST

I respectfully request a Senate Resources Committee hearing on SB 44: SOUTHEAST STATE FOREST at your soonest possible convenience.

HB 105 adds an additional 23,181 acres of commercial forest lands to the Southeast State Forest, allowing the Division of Forestry in the Department of Natural Resources to manage this land to increase long-term supply for local processors and wood energy needs, provide near-term jobs in pre-commercial thinking, timber harvest and milling, and retain the land in State ownership for multiple uses.

Attached you will find a copy of SB 44, the transmittal letter, a briefing paper, an area map, and letters of support.

If you need any additional information, please contact Trevor Fulton, Legislative Liaison for the Department of Natural Resources, at 907-465-4730 or Chris Maisch, Director of the Division of Forestry, at 907-451-2666.

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January 14, 2011

The Honorable Gary Stevens
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Stevens,

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill relating to the Southeast State Forest. The Southeast State Forest was established in June 2010, under Chapter 112, SLA 2010, in an effort to ensure that State lands in Southeast Alaska that had already been designated for commercial forestry management would be managed as an integrated unit and according to a broader long-term and comprehensive forest management plan. This bill would designate an additional 23,181 acres of commercial forest lands that are conducive to meeting these goals, almost doubling the size of the Southeast State Forest, and further ensuring an appropriate land base for long-term forest management. The lands would continue to be open for multiple uses, including wildlife harvest and recreational activities.

Adding lands to the Southeast State Forest enables the Division of Forestry in the Department of Natural Resources to manage this land to increase long-term timber supply for local processors and wood energy needs, provide near-term jobs in pre-commercial thinning, timber harvest and milling, and retain the land in State ownership for multiple uses.

The bill contains provisions to avoid conflicts with the newly formed City and Borough of Wrangell's land selection and entitlement. Additionally, if new municipalities are incorporated before June 30, 2019, lands that were vacant, unappropriated, and unreserved before establishment of the State Forest will be included in the calculation of the municipal entitlement acreage, but may not be selected.

Alaska's timber industry and energy needs remain top priorities of my administration. This legislation is one important piece of our overall strategy to stabilize and revitalize the timber industry and expand wood energy opportunities in Southeast Alaska.

I urge your prompt and favorable action on this measure.

Sincerely,

Sean Parnell
Governor

Enclosure

Public Briefing: HB 105/SB 44

Additional Lands to Southeast State Forest

Alaska Department of NATURAL RESOURCES

January 24, 2011

DEPARTMENT OF NATURAL RESOURCES -- DIVISION OF FORESTRY

Background. Pursuant to SCSHB 162(RES), the 25,291 acre Southeast State Forest was established in June 2010. These forest lands will be managed as an integrated unit and according to a state forest management plan. While the lands were previously available for timber harvest before the State Forest was established, the State Forest designation ensures these productive forest lands will remain in state ownership and contribute to the long term viability of the timber based economy in southeast.

An additional 23,181 acres of State lands in the southern southeast have been identified as appropriate for inclusion into the Southeast State Forest. The Department of Natural Resources manages over 159,000 acres of uplands in southern southeast Alaska. Timber management is allowed on approximately one third of this land; the State actively manages this timber base to supply wood to local processors. The remaining land is designated primarily for other uses including land sales, recreation, water resources, and fish and wildlife habitat, including over 25,000 acres of legislatively designated state parks, refuges, and public use areas.

Adding lands to the State Forest will ensure that the State's most suitable lands in Southeast remain available to contribute to timber supply through the State's ongoing timber sale program. Much of the State owned timber land in southeast Alaska was inherited from the U.S. Forest Service and is comprised of young, second-growth stands. Actively-managed second-growth stands provide more timber volume per acre on shorter rotations and can result in improved deer browse than unmanaged stands. We can increase timber yield and associated timber supply from state land by thinning these stands. Thinning is a long-term investment and is only justified if the land will continue to be available for forest management.

Purpose. This bill would add an additional 23,181 acres of State lands to the Southeast State Forest from lands currently available for timber harvest. The Division of Forestry would then be able to manage the 48,472 acres of Southeast State Forest lands for a long-term supply of timber and retain these lands in state ownership for multiple uses.

Proposed Additions to Southeast State Forest The proposed additions to the Southeast State Forest include 23 parcels totaling approximately 23,181 acres (see chart). Approximately 21 percent of these lands are from six parcels that had previously been reserved pending legislative transfer to the University of Alaska. That legislation did not pass freeing these lands for long-term forest management in the State Forest. The legislation includes general use lands on Prince of Wales, Tuxekan, Gravina, Kosciusko, Revillagigedo, Wrangell, Suemez, Mitkof, Kuiu, Dall, and Zarembo Islands. Six of these parcels are adjacent or near existing State Forest parcels. The Division of Forestry worked with the Division of Mining, Land, and Water to identify and exclude lands that are priorities for the state land disposal program.

State Forest Management. The Southeast State Forest will be managed as part of the State Forest System under AS 41.17.200-.230. Lands in the State Forest will continue to be open for multiple uses, including wildlife habitat and harvest and recreational activities. State Forest lands will be managed consistent with the management intent under the current Prince of Wales Island Area Plan, Prince of Wales Island Area Plan Amendment, and Central/Southern Southeast Area Plan. Changes to management intent would require public and interagency review through adoption of a State Forest Management Plan under AS 41.17.230.

Municipal Entitlements. The City and Borough of Wrangell boundary encompasses five parcels in the proposed state forest additions (St. Johns Harbor, Eastern Passage, Pat Creek, Pat Creek Uplands and Earl

West Cove). A State Forest designation will not affect the amount or location of land the Wrangell Borough can select. That determination is based on the maximum total acreage of vacant, unappropriated, unreserved land in the borough boundaries within two years after the date of incorporation (AS 29.65.030). However, a borough would not normally be able to select land within a State Forest. To avoid conflicts with the Wrangell entitlement, the Southeast State Forest bill specifies that the Wrangell Borough may select State Forest land within the borough boundary.

If new municipalities are incorporated before June 30, 2019, lands that were vacant, unappropriated, unreserved land before establishment of the State Forest will be included in the calculation of the municipal entitlement acreage, but may not be selected.

SOUTHEAST STATE FOREST ADDITIONS			
Plan Unit	**Acreage**	**General Location**	**Island**
Prince of Wales Island Area Plan and Amendment			
8b	617	Kosciusko Island/ Edna Bay	Kosciusko
7c	786	Naukati	Prince of Wales
7b	345	Tuxekan	Tuxekan
6a	597	Coffman Cove	Prince of Wales
5a	972	Whale Pass	Prince of Wales
13b	523	Kitkun Bay	Prince of Wales
12b	1,002	Indian Creek	Prince of Wales
11c	280	Thorne Bay South	Prince of Wales
D-01	1,063	Port Delores	Suemez
D-02	985	Hook Arm	Dall Island
Central/Southern Southeast Area Plan			
K01, K02	1,885	Neets Bay	Revillagegedo
K11	332	Leask Cove	Revillagegedo
K25	1,487	North Gravina Island	Gravina
P23	1,264	Favor Peak (E Mitkof)	Mitkof
P25	467	South Mitkof	Mitkof
P27	1,040	Woodpecker	Mitkof
P28	867	Frederick Point	Mitkof
U02	652	Rowan Bay	Kuiu
W02	1,266	St. Johns Harbor	Zarembo
W08	1,411	Eastern Passage	Wrangell Is.
W10	2,601	Pat Creek	Wrangell Is.
W12	2,320	Earl West Cove	Wrangell Is.
W27	419	Pat Creek Uplands	Wrangell Is.
TOTAL	**23,181**	**23 parcels**	

Shaded parcels are from prior University Land bill

SB44

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number 1
Bill Version SB 44
(S) Publish Date 1/19/11

Identifier (file name) 1694-DNR-FMD-1-13-11
Title Land Additions to Southeast State Forest
Sponsor Rules Committee
Requester Governor

Dept. Affected Natural Resources
Appropriation Resource Development
Allocation Forest Management and Development
OMB Component Number 435

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

not applicable, initial version

Prepared by Rick Rogers
Division Forestry
Approved by Daniel S. Sullivan
Natural Resources

Phone 269-8473
Date/Time 1-10-11 3:30pm
Date 1/13/2011

(Revised 12/29/2010 OMB)

FISCAL NOTE #1

STATE OF ALASKA **BILL NO. SB 44**
2011 LEGISLATIVE SESSION

Analysis

This bill adds 23,181 acres to the southeast State Forest in Southern Southeast Alaska by redsignating certain state-owned parcels. A timber management plan would be developed to actively manage the parcels for higher timber volumes per acre, shorter rotations, and less impact on wildlife. Designation of these parcels as State Forest lands and the development of a timber management plan will allow for long-term management activities, including the thinning of young second-growth timber stands, generally not considered appropriate for undesignated state lands.

Implementation of this bill will not require new positions or funding.

The bill will have no short-term impact to the revenue stream, but will provide for long-term increases in forest productivity and subsequent increased timber revenues.

Senate Bill 44
Southeast State Forest

Sponsor Statement

How many "near term jobs in pre-commercial thinning, timber harvest and milling" will be created by the passage of this legislation? Of the 23,000 total acres, how much of that will be utilized by the timber industry? What is the anticipated economic impact (i.e., "increased timber revenues") in the region (please be specific)?

What is the current status of these 23,000 acres of state-owned parcels (re: land use, etc.)?

See SEACC's "options for resolution." Are these reasonable options? Is there room for compromise? Why or why not?

Letters of Support

Alaska Forest Association, Inc. (Ketchikan)
Resource Development Council
City of Coffman Cove
Society of American Foresters
S.E. Conference

Letter of "Need to Balance"

Southeast Alaska Conservation Council (Juneau)

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

SEAN PARNELL, GOVERNOR

550 WEST 7TH AVENUE, SUITE 1450
ANCHORAGE, ALASKA 99501-3566
PHONE: (907) 269-8463
FAX: (907) 269-8931

To: Senator Joe Paskvan, Co-Chair
Senate Resources Committee

From: Trevor Fulton, Legislative Liaison
DNR Commissioner's Office

Date: 2/4/2011

Re: Bill Hearing Request: SB 44: SOUTHEAST STATE FOREST

I respectfully request a House Resources Committee hearing on SB 44: SOUTHEAST STATE FOREST at your soonest possible convenience.

SB 44 adds an additional 23,181 acres of commercial forest lands to the Southeast State Forest, allowing the Division of Forestry in the Department of Natural Resources to manage this land to increase long-term supply for local processors and wood energy needs, provide near-term jobs in pre-commercial thinking, timber harvest and milling, and retain the land in State ownership for multiple uses.

Attached you will find a copy of SB 44, the transmittal letter, a briefing paper, an area map, and letters of support.

If you need any additional information, please contact Trevor Fulton, Legislative Liaison for the Department of Natural Resources, at 907-465-4730 or Chris Maisch, Director of the Division of Forestry, at 907-451-2666.

[redacted] [redacted]

SENATE COMMITTEE REPORT
First Committee of Referral

DATE: 1/19/11

FURTHER: Finance

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED IN TO OFFICE: 2-21-11

Resources Committee considered SENATE BILL NO. 44

SB 44 SOUTHEAST STATE FOREST

"An Act relating to the Southeast State Forest; and providing for an effective date."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
DNR			✓	1

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	French			✓	
	Wielechowski			✓	
	Stedman	✓			
	Stevens	X			
CO-CHAIR:	T.H. Wagoner	✓			
CO-CHAIR:	Askuan			X	

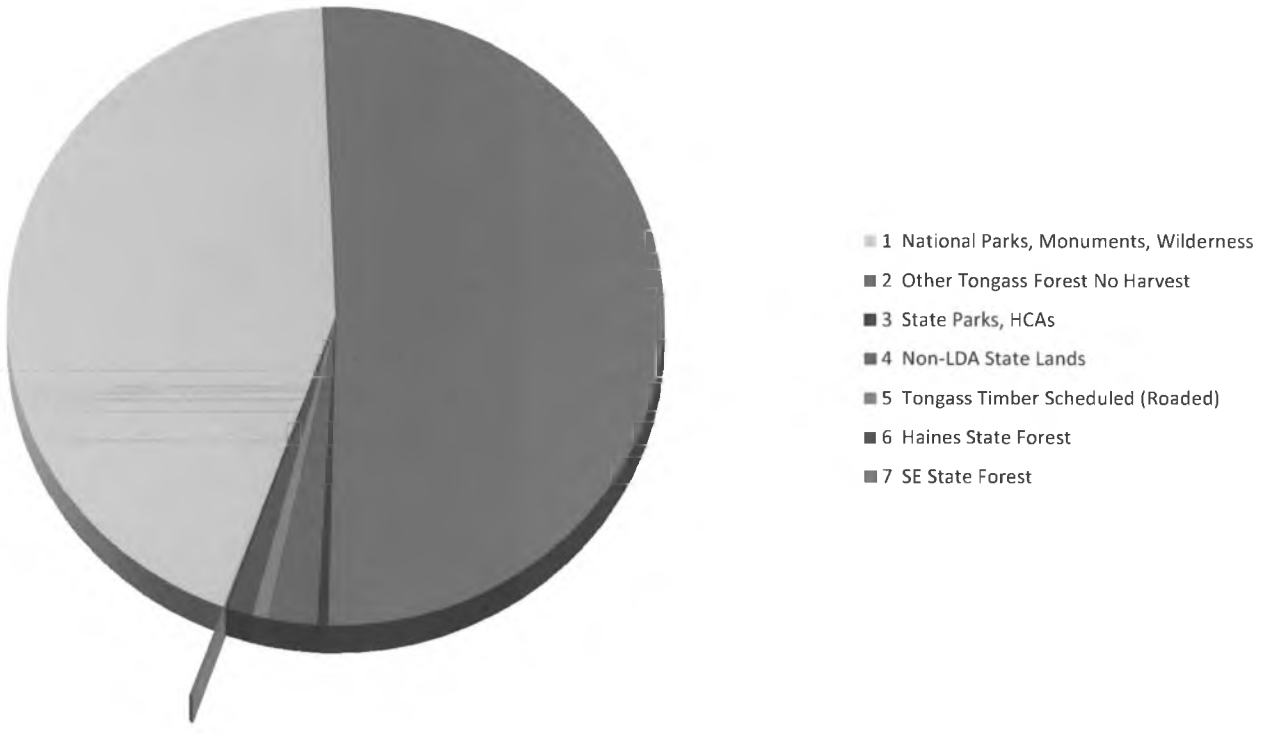
Southeast AK Public Land Summary (As prepared by Rick Rogers, DOF for SB44/HB105 deliberations)

1	National Parks, Monuments, Wilderness	9,199,026
2	Other Tongass Forest No Harvest	10,713,778
3	State Parks, HCAs	110,032
4	Non-LDA State Lands	526,103
5	Tongass Timber Scheduled (Roaded)	144,000
6	Haines State Forest	286,000
7	SE State Forest	25,291
		21,004,230

1 2008 TLMP page 3-2 and Glacier National Park Web Page Acres
2 2008 TLMP page 3-2, Natural Setting and Development LUD less roaded suitable
3 Per DNR DMLW records including Chilkat Preserve, State Marine Parks and Critical Habitat Areas
4 DNR DMLW, excludes Juneau Area Plan which lumps uplands and tidelands together. Excludes selections.
5 2008 TLMP, Roaded Suitable, includes old growth and young growth
6 Per DOF Web page
7 SE State Forest not including additional SB44/HB105 acres

Southeast Alaska Public Land Summary

(21,004,230 acres)



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2 2008 TLMP page 3-2, Natural Setting and Development LUD less roaded suitable
3 Per DNR DMLW records including Chilkat Preserve, State Marine Parks and Critical Habitat Areas
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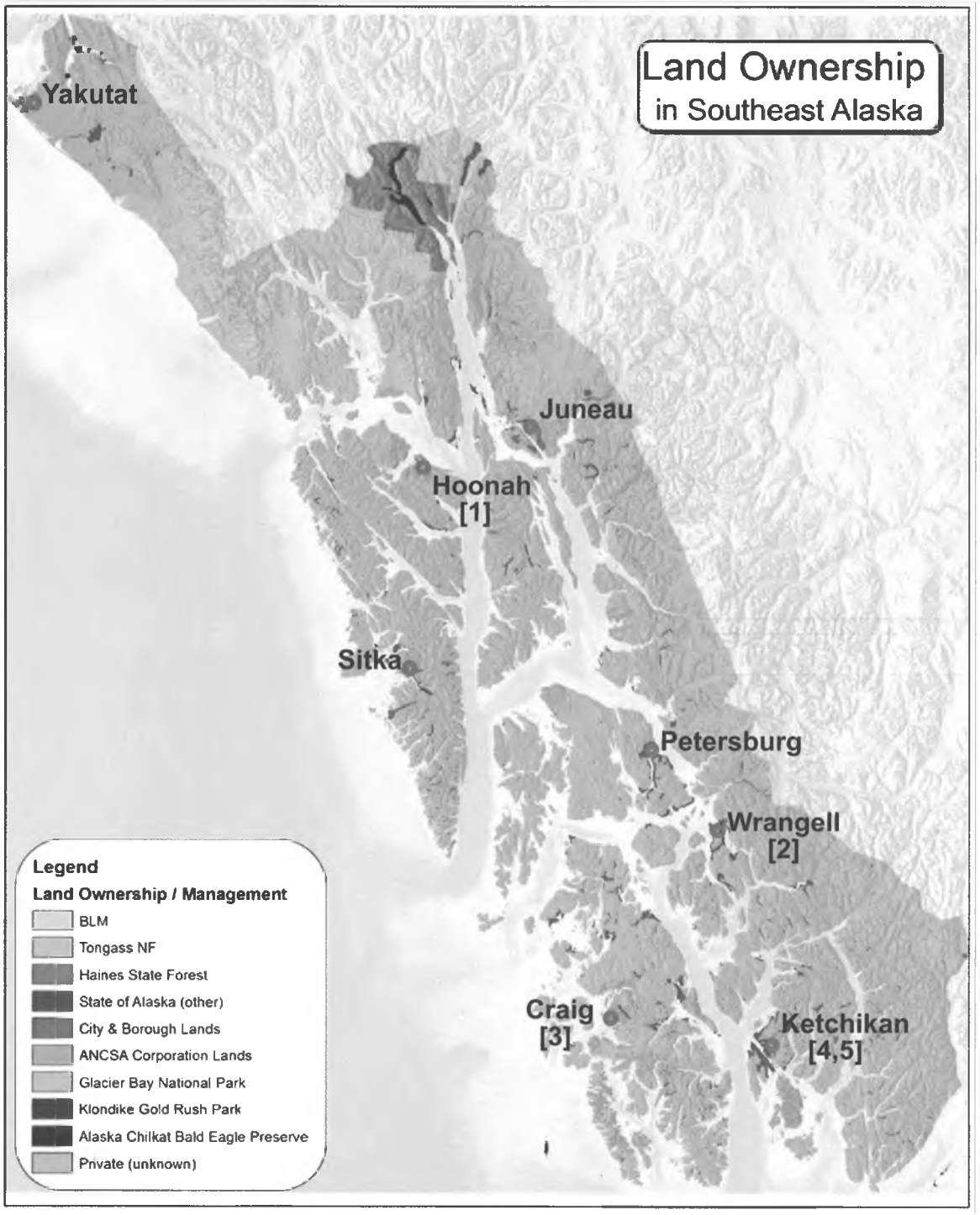
5 2008 TLMP, Roaded Suitable, includes old growth and young growth. Table 2-4, TLMP FEIS
6 Per DOF Web page
7 SE State Forest not including additional SB44/HB105 acres



SE Mills

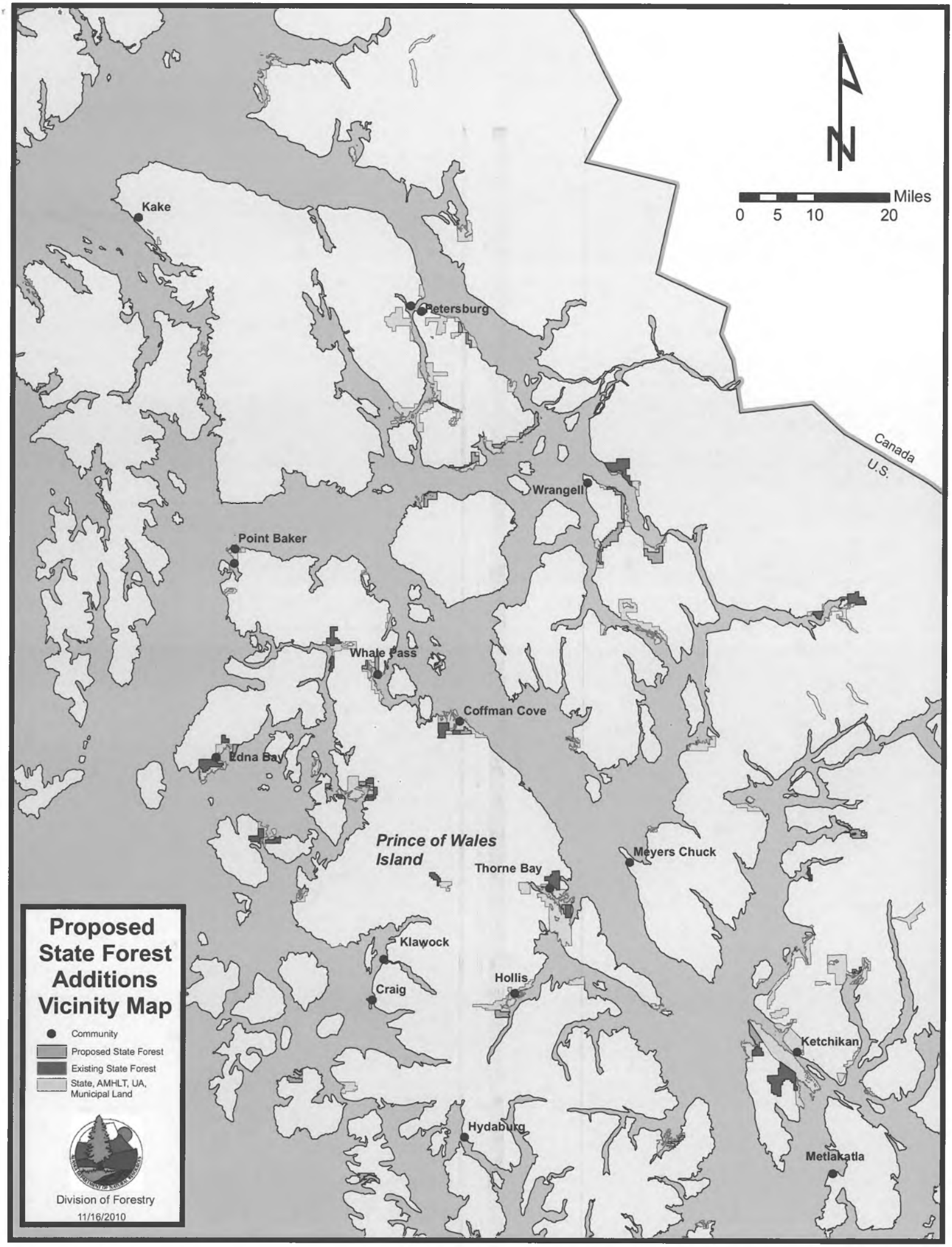
1 Icy Strait Lumber – Operating (recovering from fire)

2 Silver Bay Logging - Closed

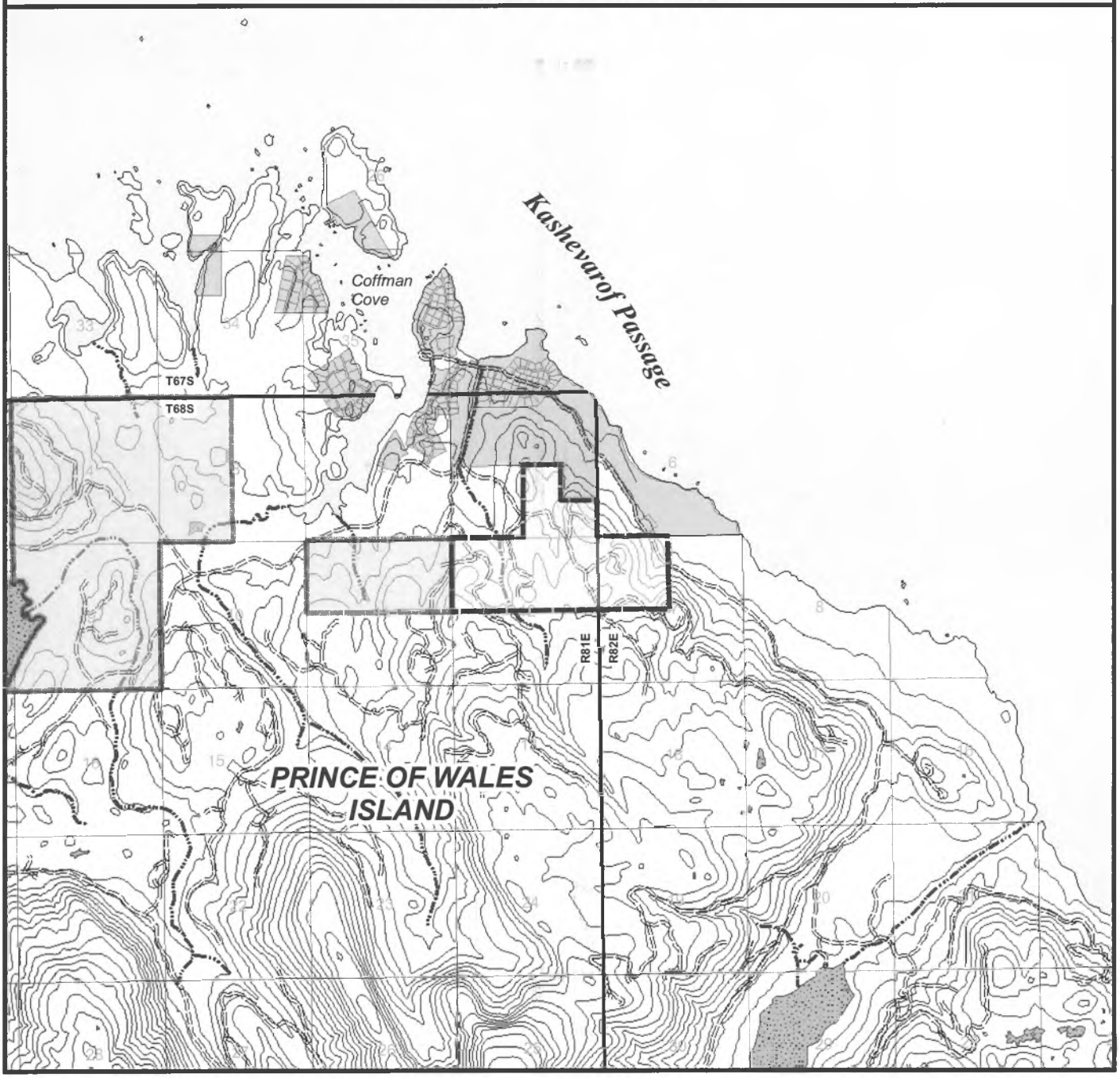
3 Viking Lumber Co. - Operating

4 Pacific Log & Lumber -Closed

5 Ketchikan Veneer Mill -Closed


Kake
Petersburg
Wrangell
Point Baker
Whale Pass
Coffman Cove
Edna Bay
Prince of Wales Island
Thorne Bay
Meyers Chuck
Klawock
Craig
Hollis
Ketchikan
Hydaburg
Metlakatla
Canada
U.S.
N
Miles
0 5 10 20
Proposed State Forest Additions Vicinity Map
Community
Proposed State Forest
Existing State Forest
State, AMHLT, UA, Municipal Land
Division of Forestry
11/16/2010

Coffman Cove Parcel



NAD 83, Contour Interval 100'

Area Planning Unit 6a

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

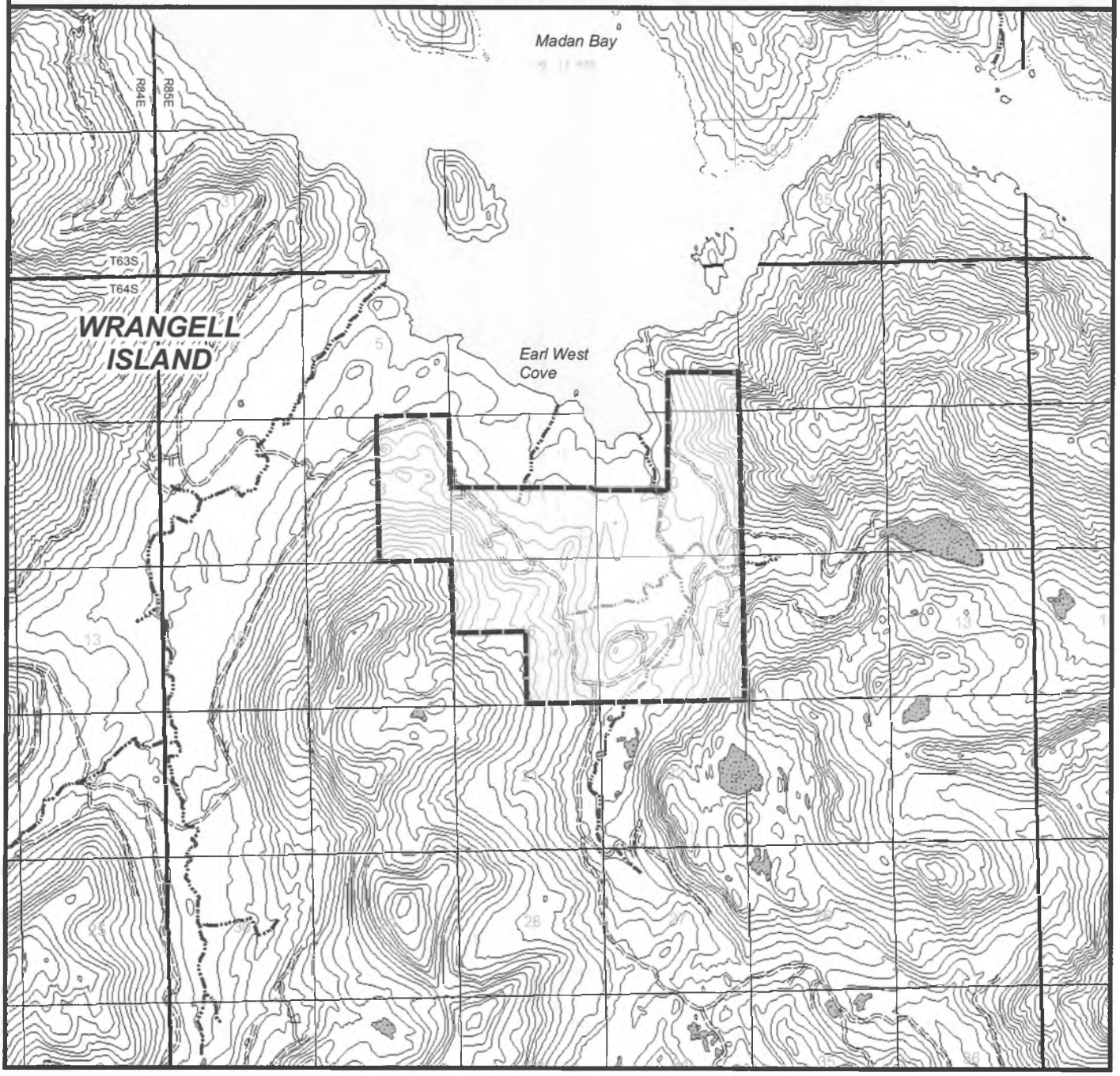
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Earl West Cove Parcel



NAD 83, Contour Interval 100'

Area Planning Unit W12

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

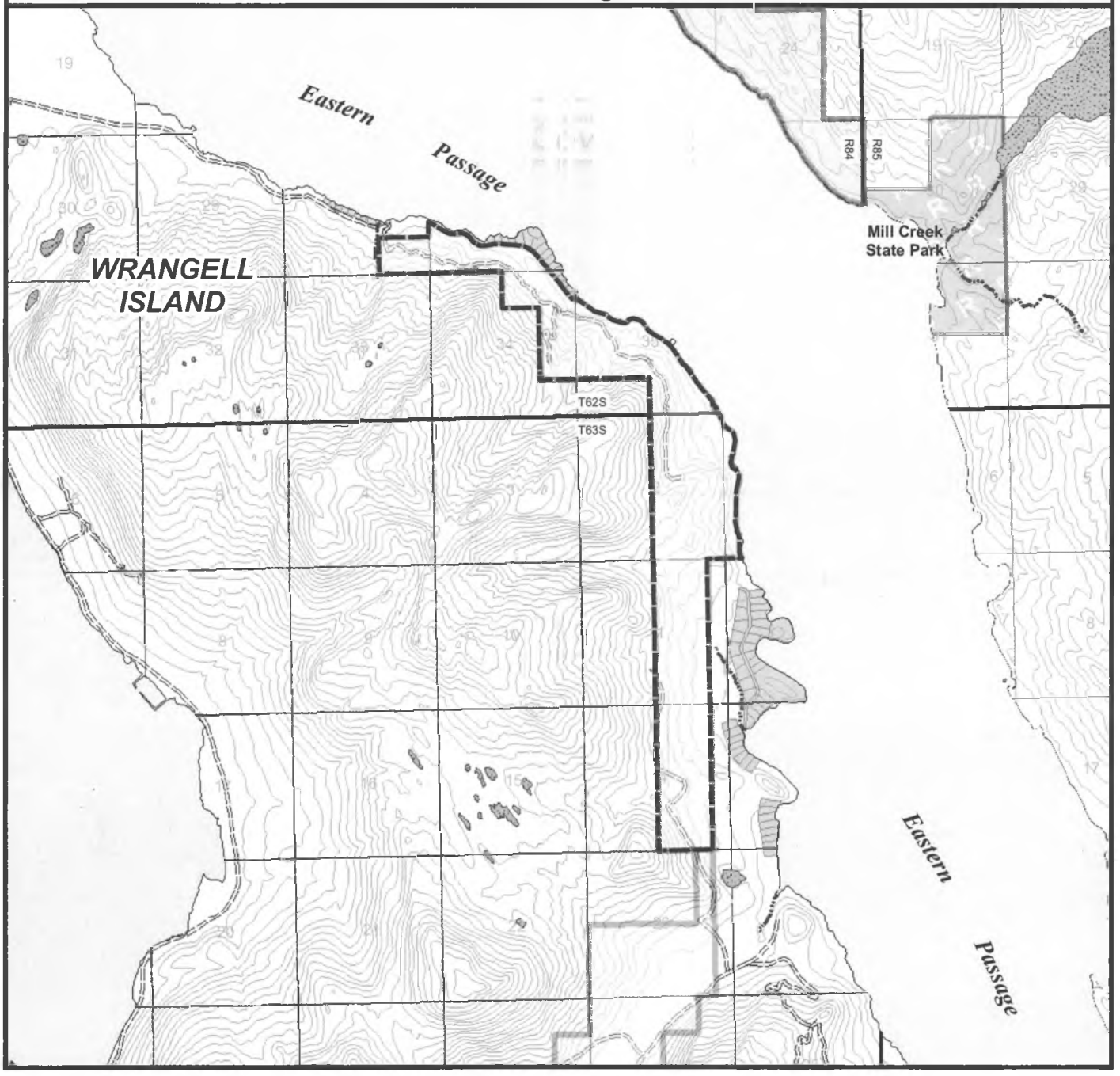
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Eastern Passage Parcel



NAD 83, Contour Interval 100'

Area Planning Unit W08

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

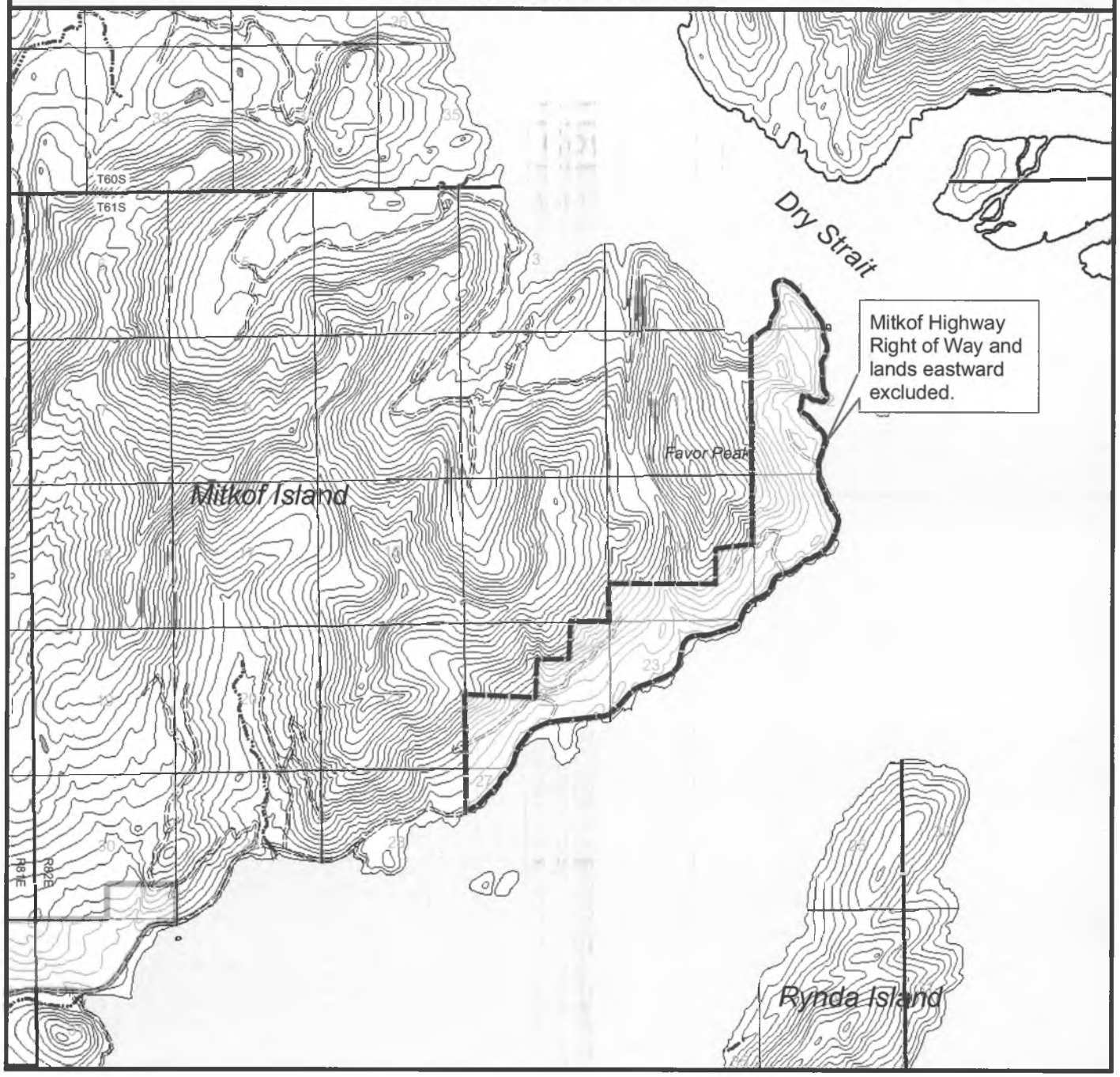
1 inch = 1 miles

SOUTHEAST STATE FOREST PROPOSED ADDITIONS

DIVISION OF FORESTRY

Dec 15, 2010

Favor Peak Parcel



NAD 83, Contour Interval 100'

Area Planning Unit P23

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

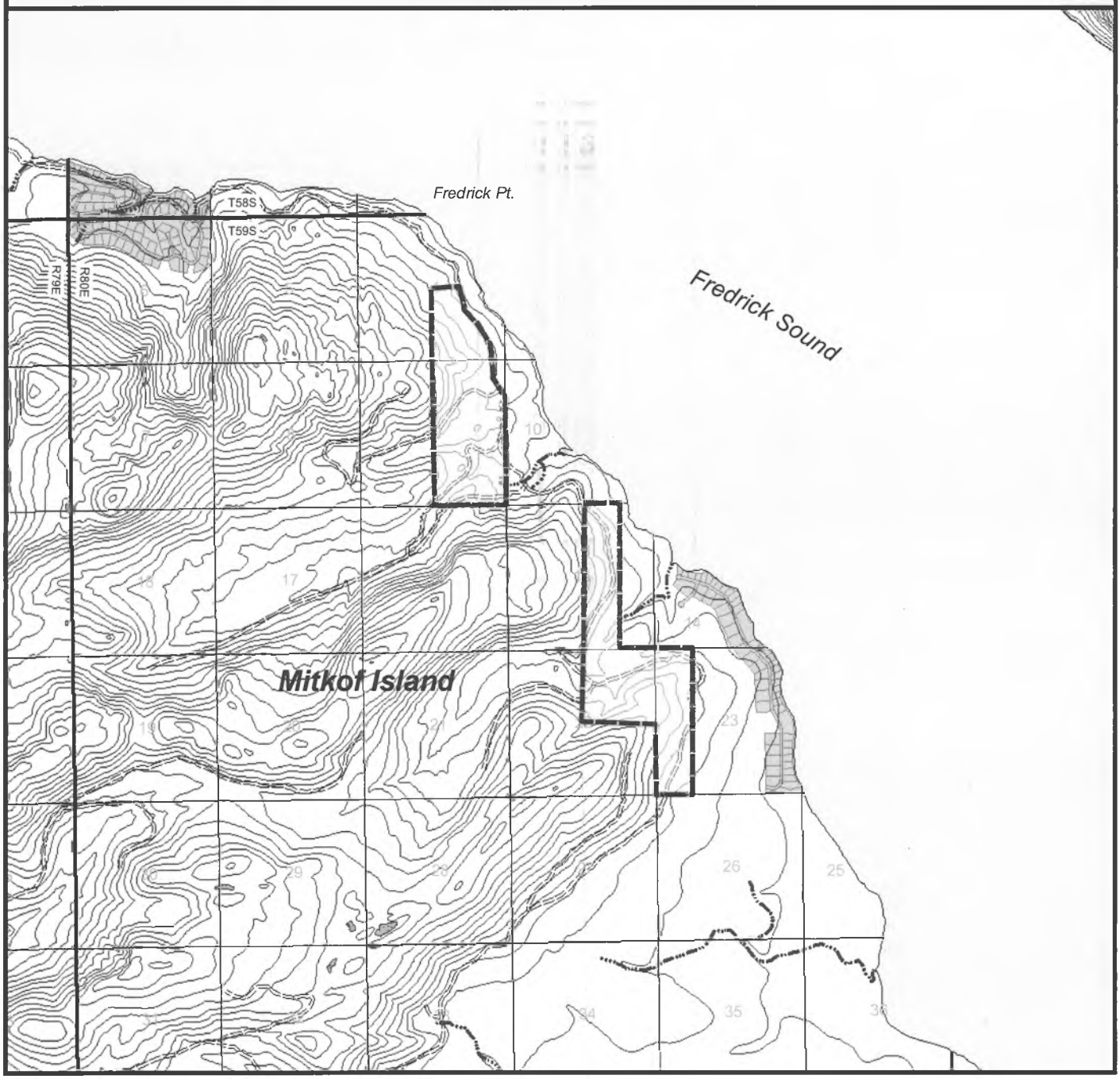
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Frederick Point Parcel



NAD 83, Contour Interval 100'

Area Planning Unit P28

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

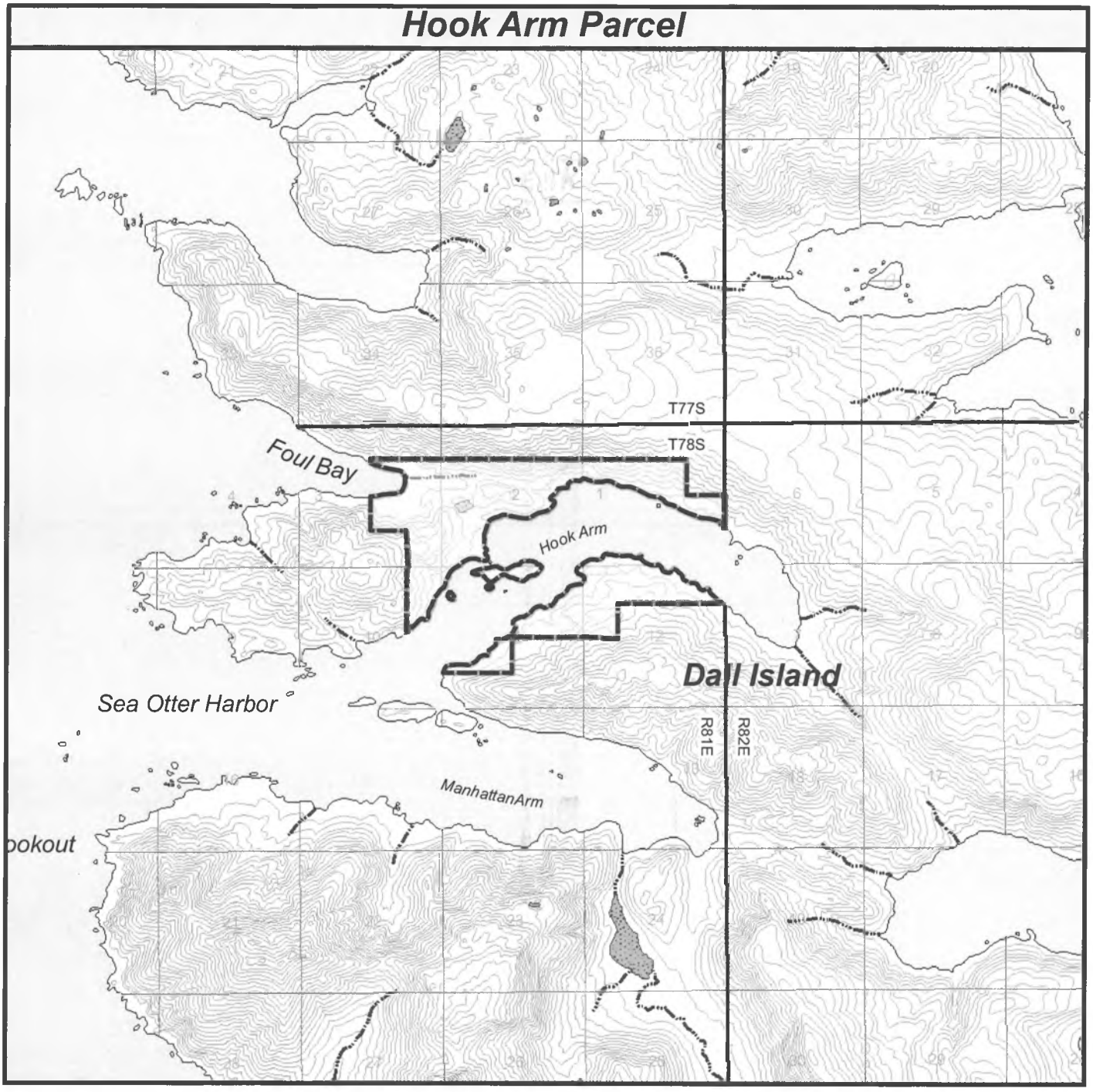
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Hook Arm Parcel



NAD 83, Contour Interval 100'

Area Planning Unit D02

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

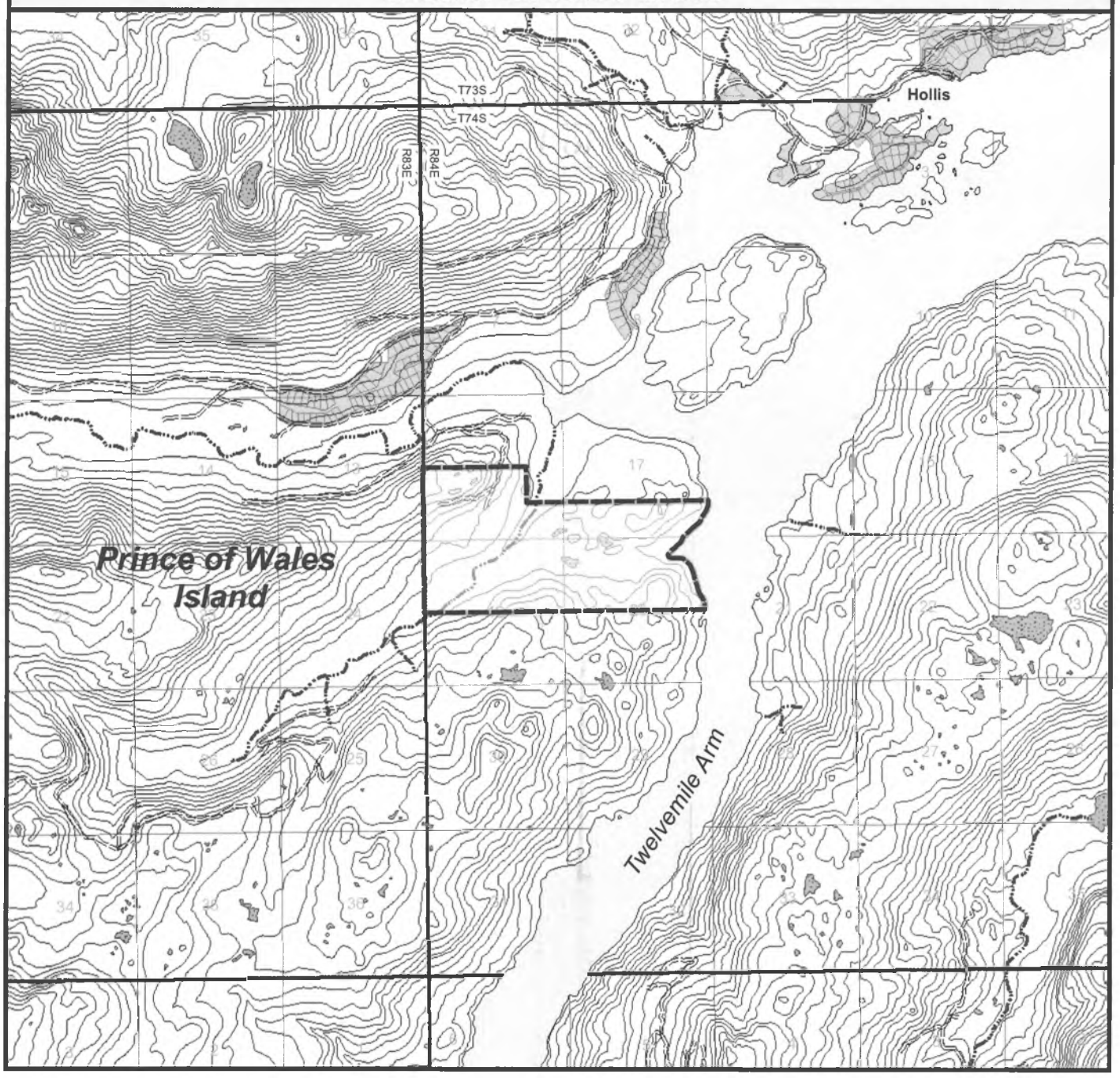
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Dec 13, 2010

Indian Creek Parcel



NAD 83, Contour Interval 100'

Area Planning Unit 12b

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

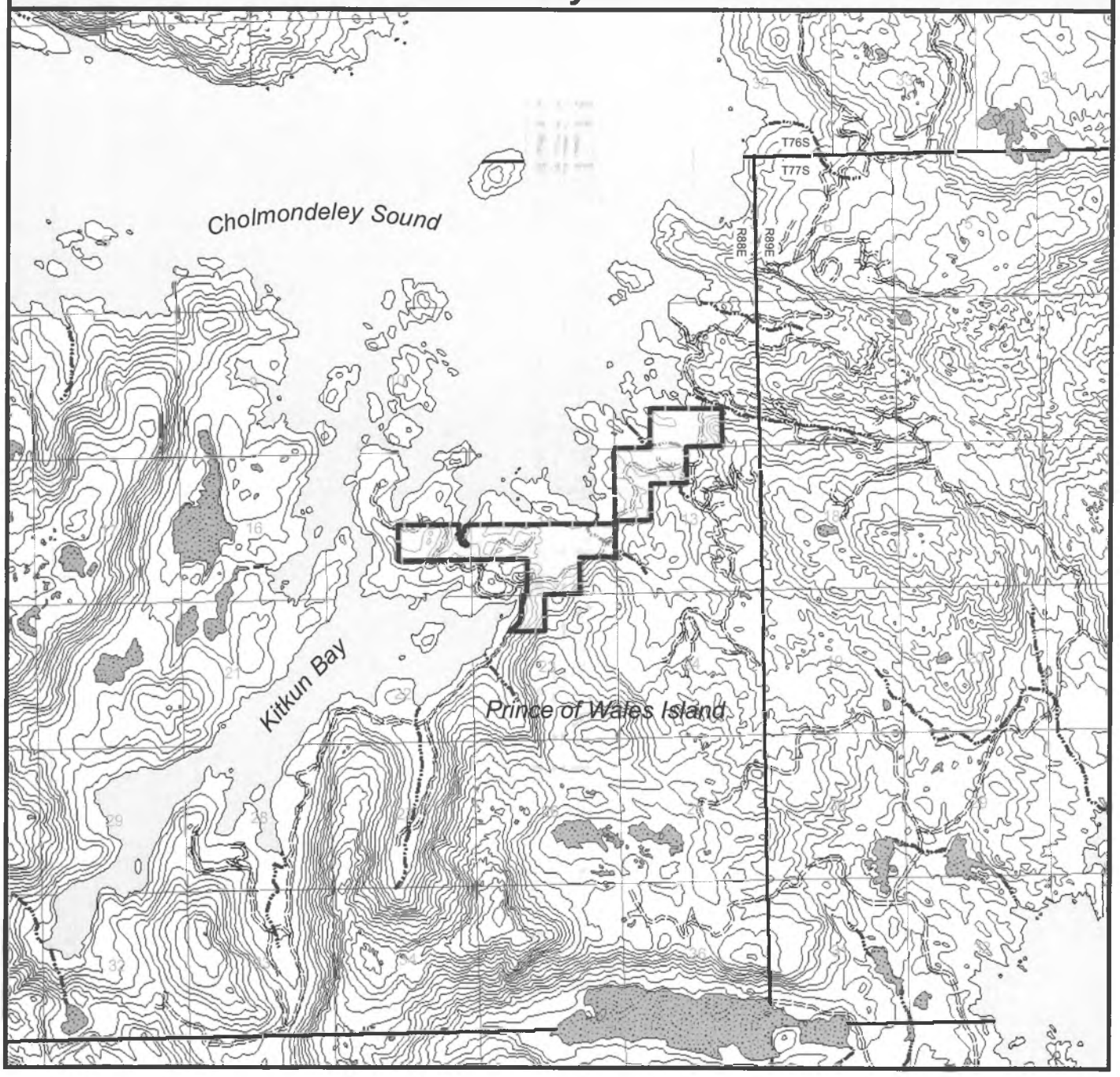
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Kitkun Bay Parcel



NAD 83, Contour Interval 100'

Area Planning Unit 13b

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

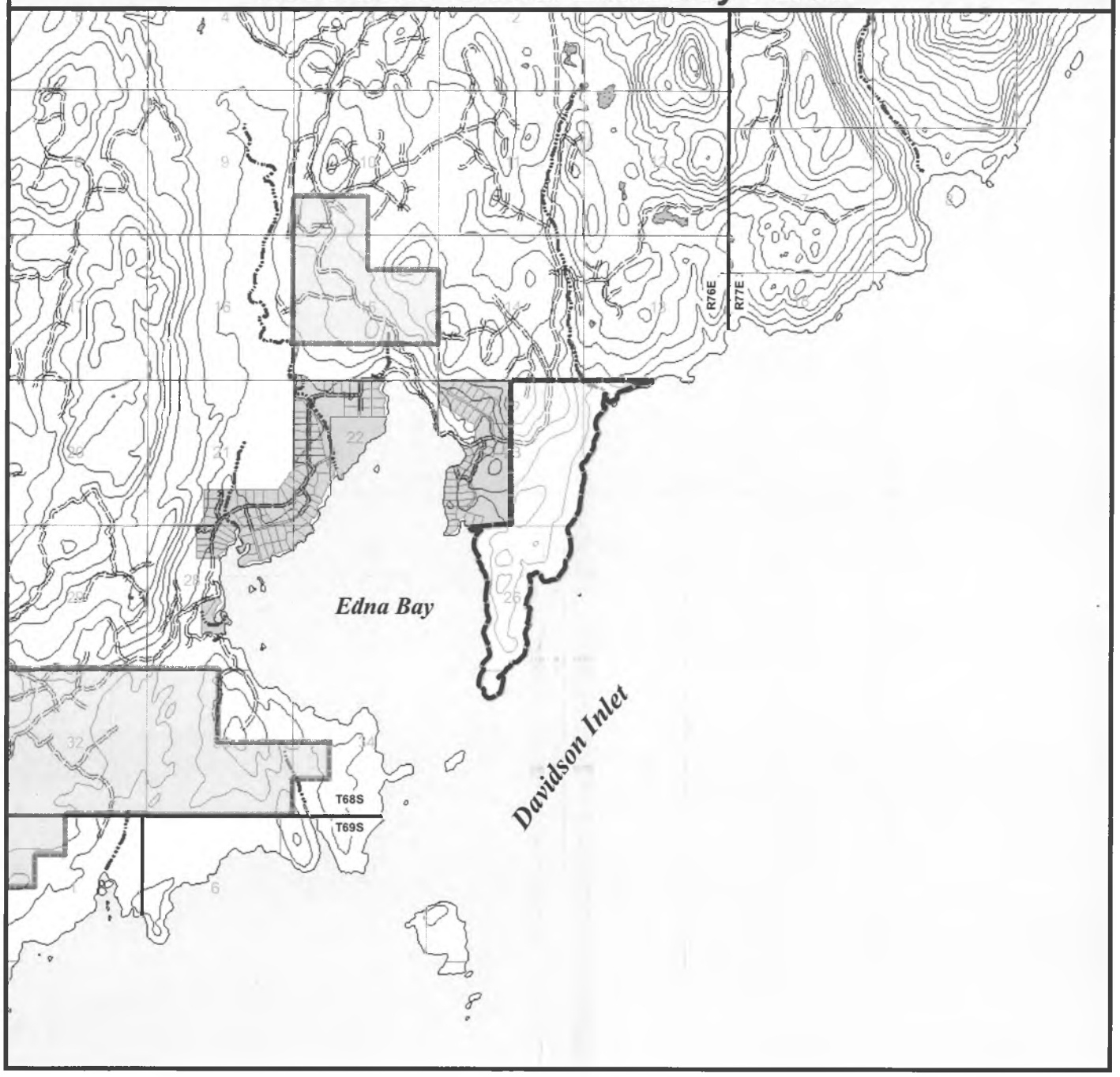
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Kosciusko Island/ Edna Bay Parcel



NAD 83, Contour Interval 100'

Area Planning Unit 8b

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

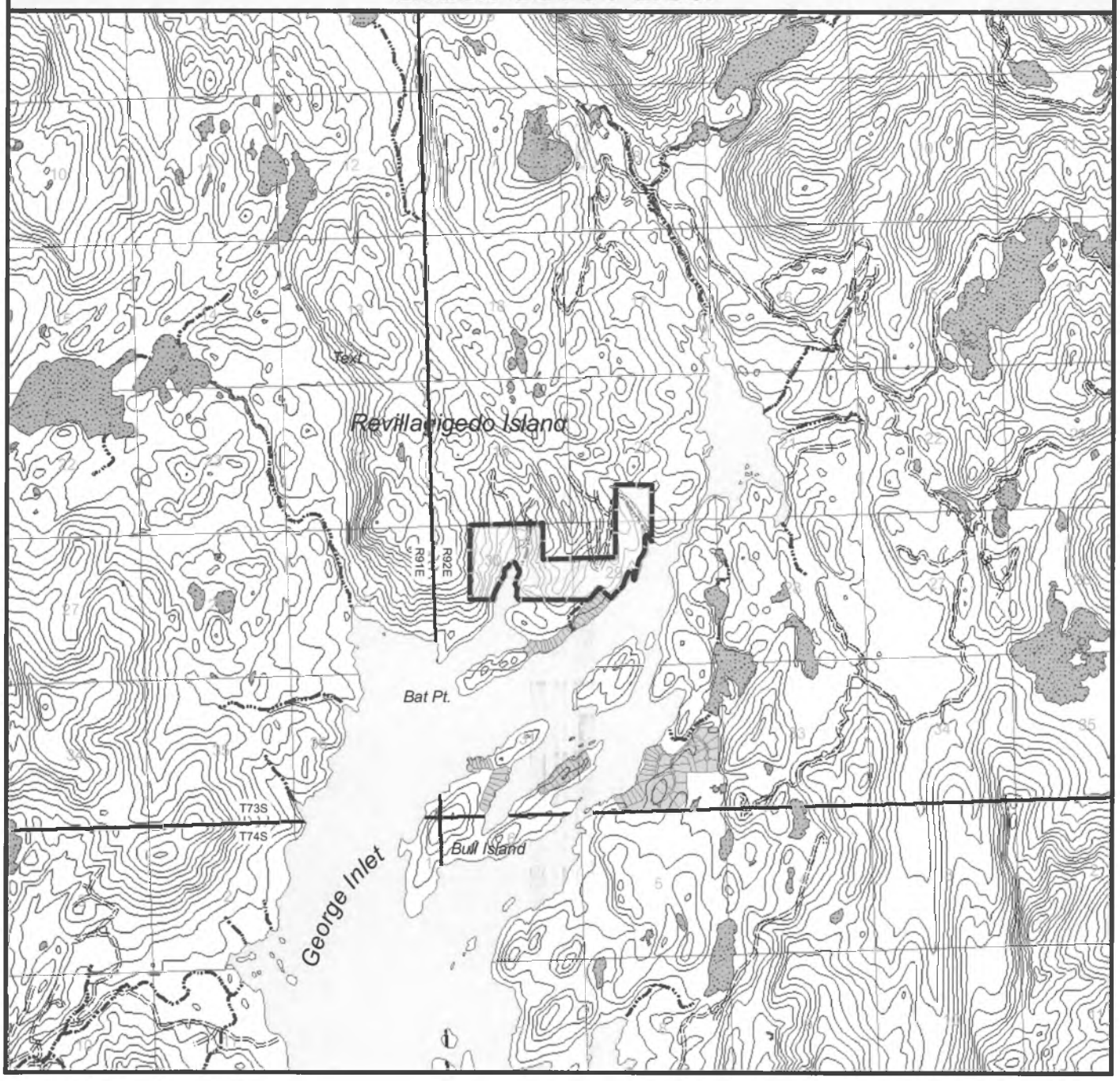
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Leask Cove Parcel



NAD 83, Contour Interval 100'

Area Planning Unit K11

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

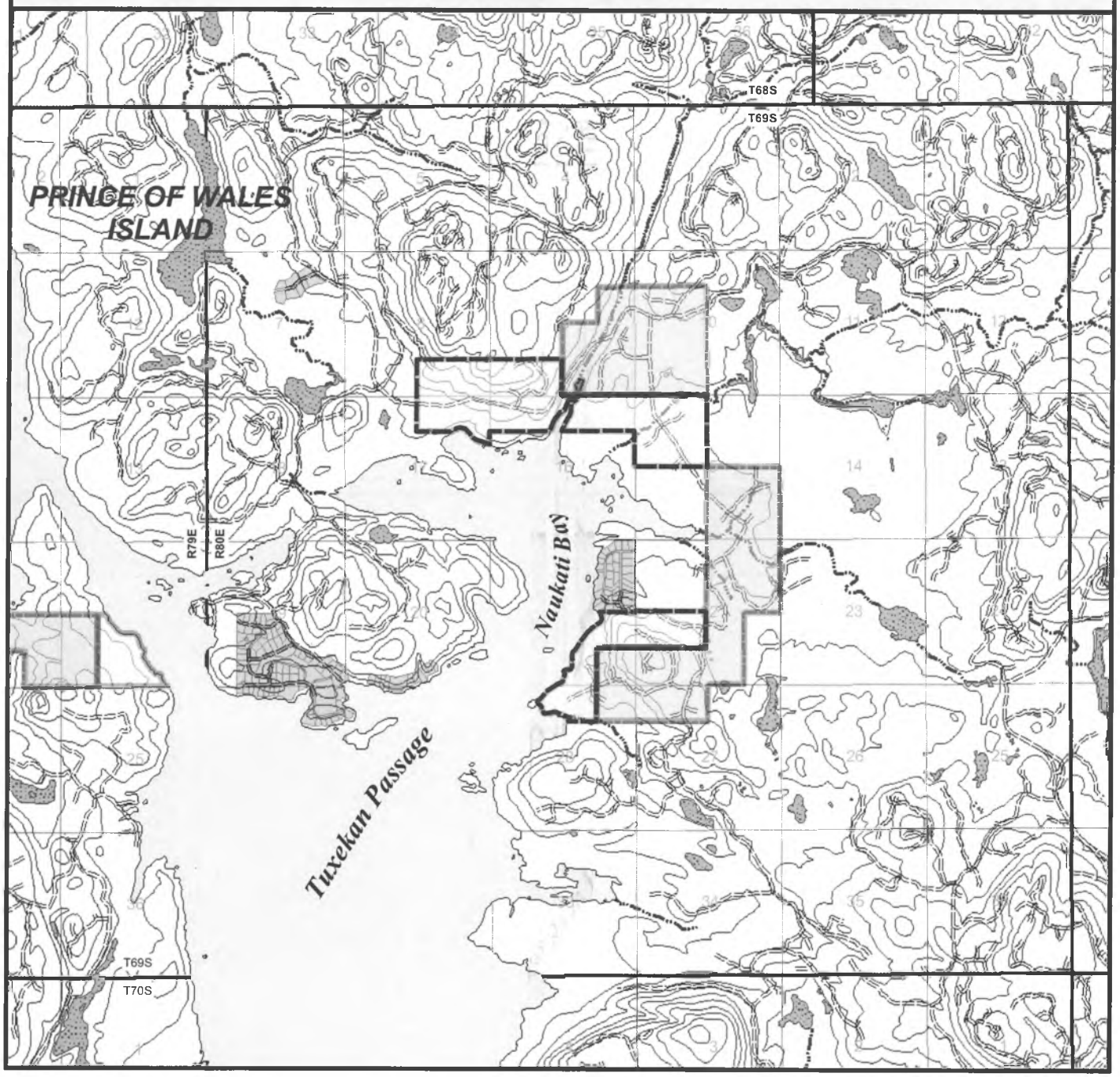
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Naukati Parcel



NAD 83, Contour Interval 100'

Area Planning Unit 7c

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

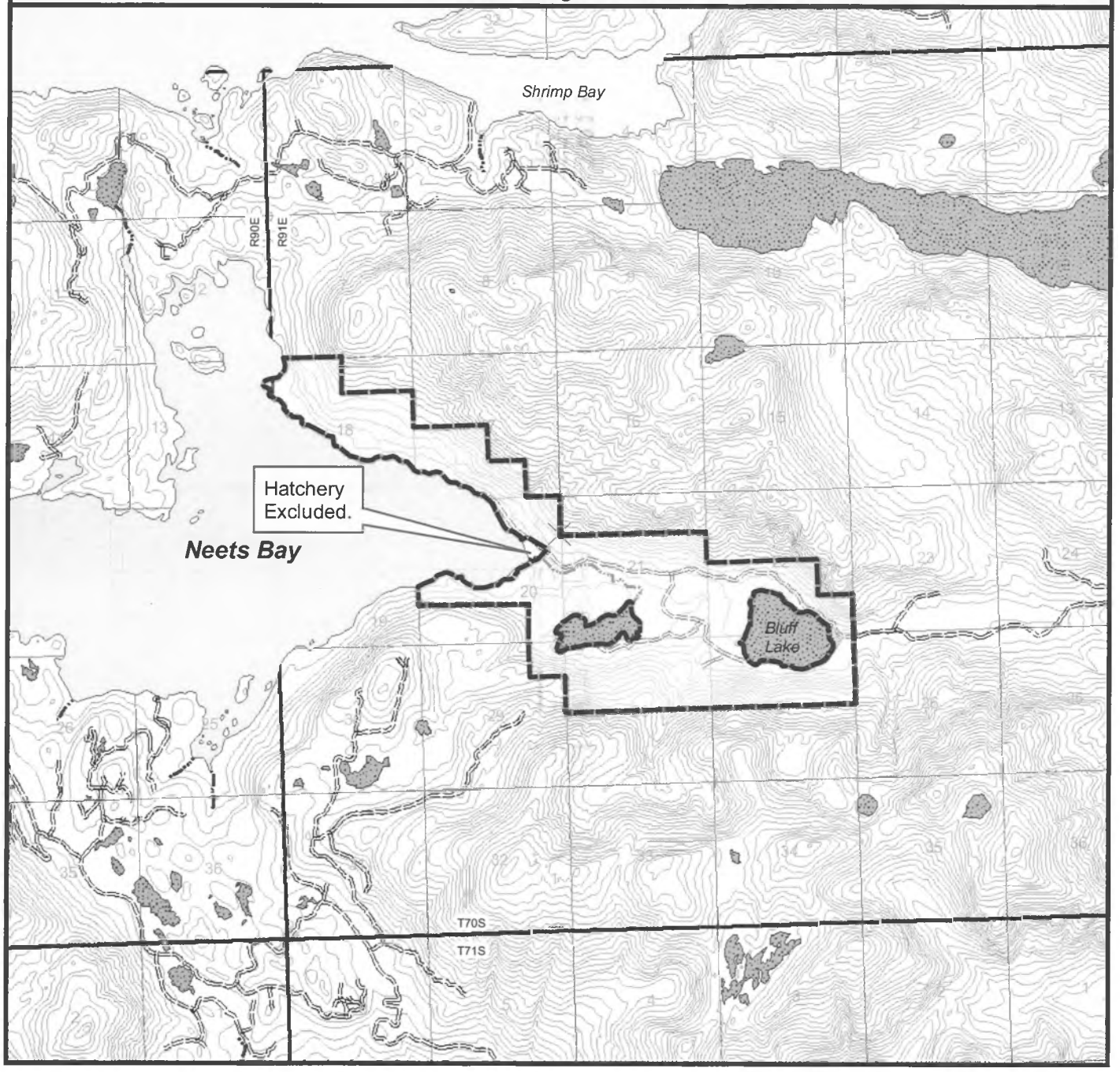
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Neets Bay Parcel



NAD 83, Contour Interval 100'

Area Planning Unit K01/02

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

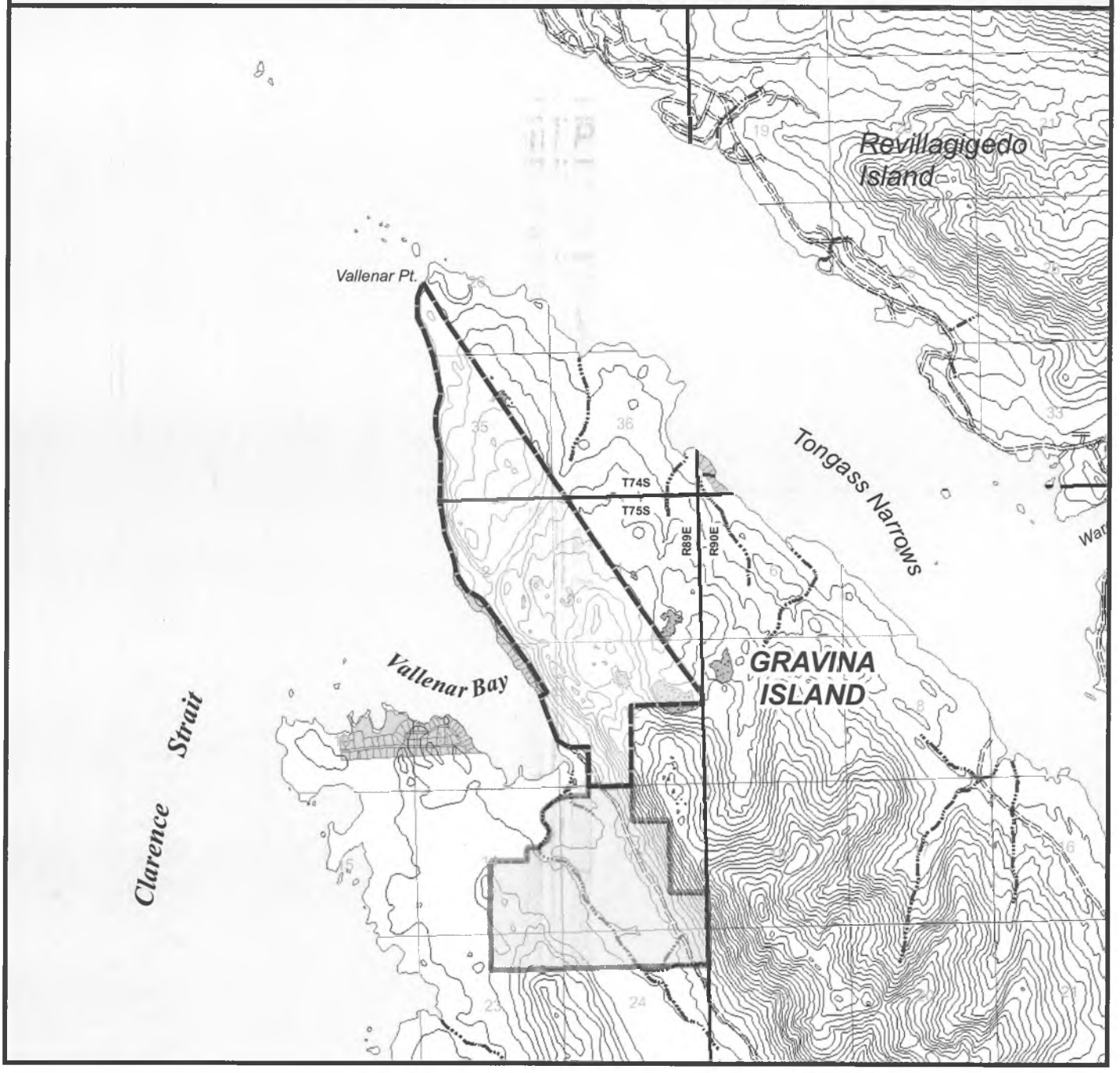
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Dec 15, 2010

North Gravina Island Parcel



NAD 83, Contour Interval 100'

Area Planning Unit K25

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

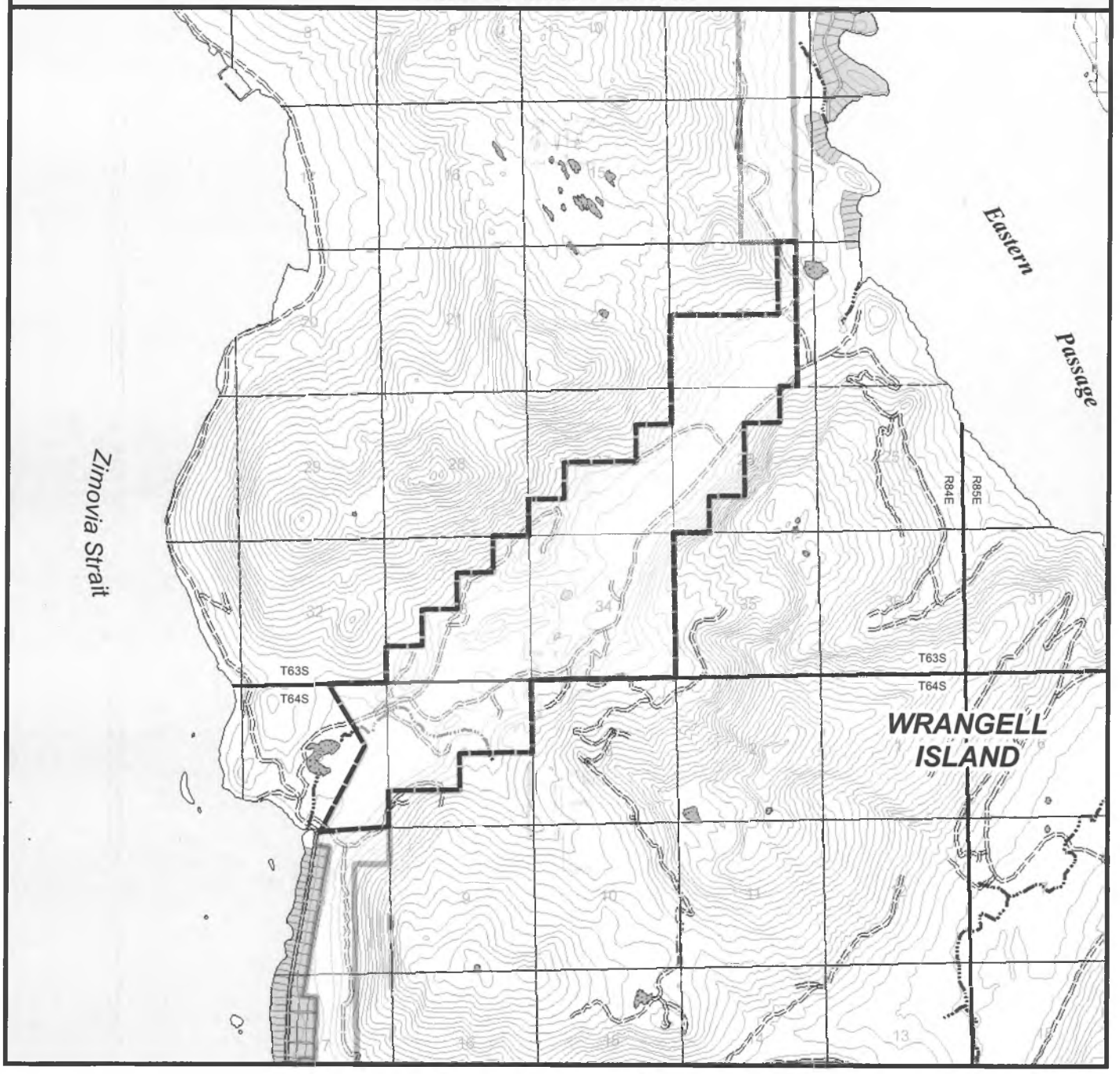
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Pat Creek Parcel



NAD 83, Contour Interval 100'

Area Planning Unit W10

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

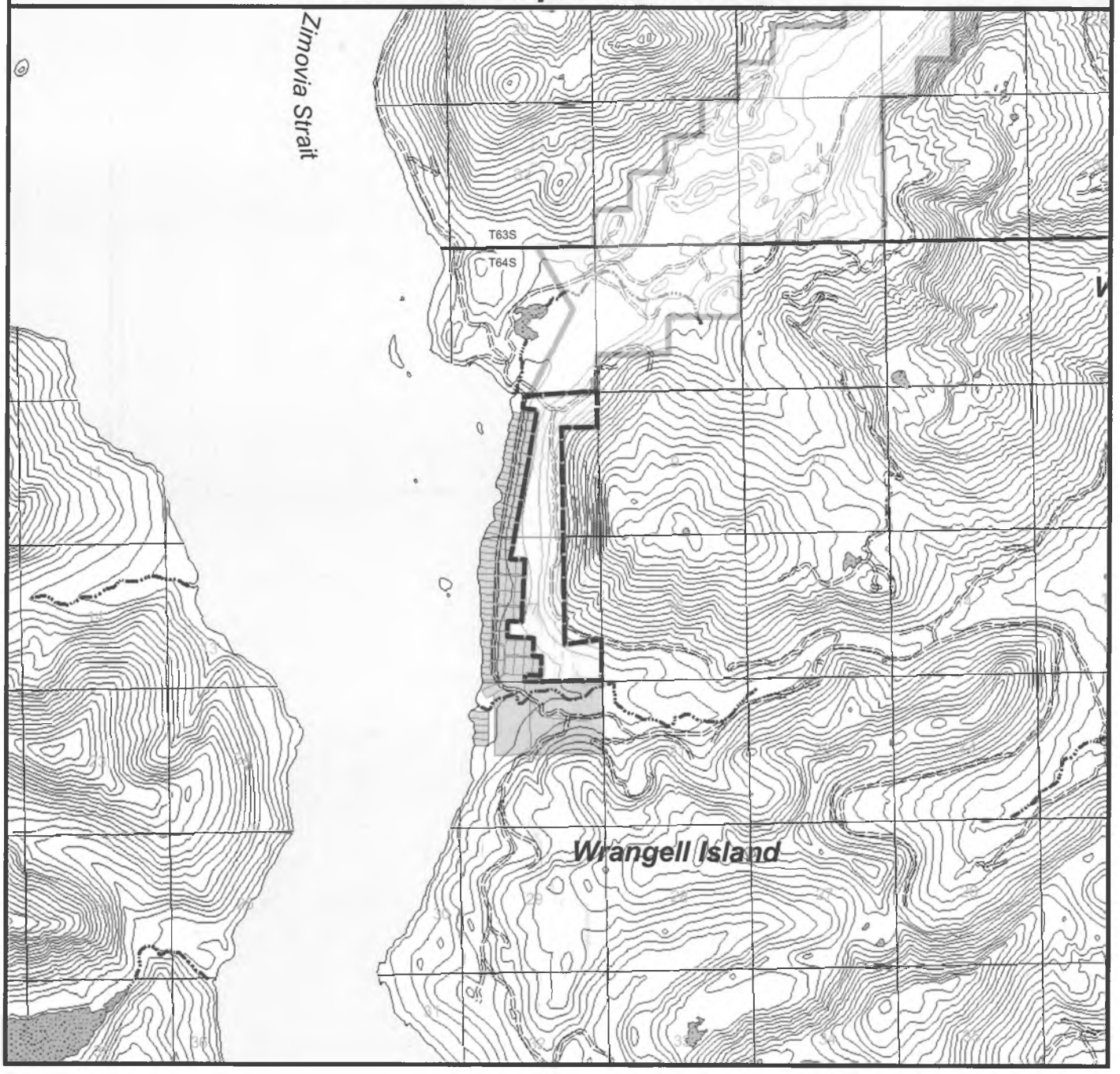
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Dec 15, 2010

Pat Creek Uplands Parcel



NAD 83, Contour Interval 100'

Area Planning Unit W27

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

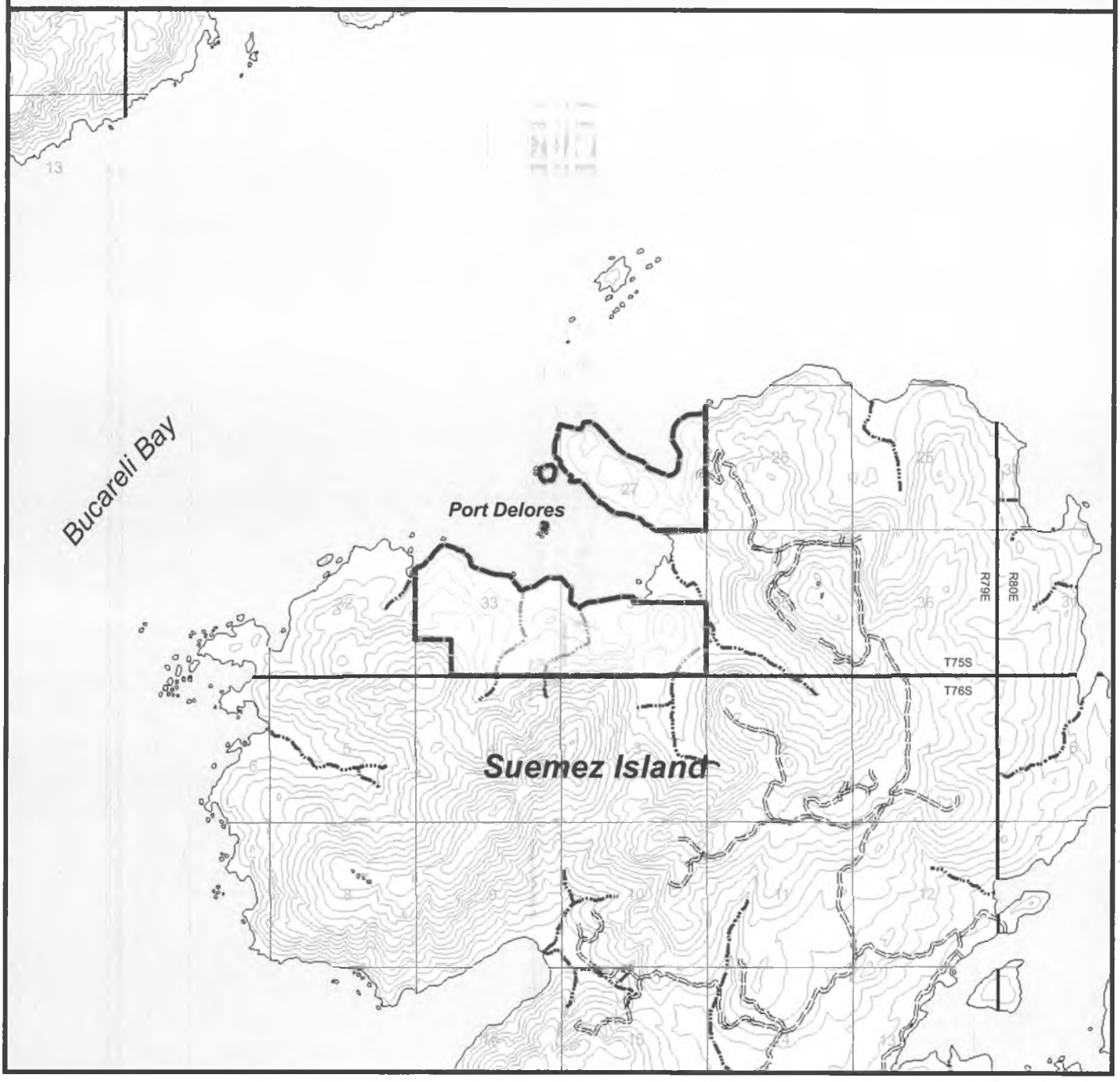
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Port Delores Parcel



NAD 83, Contour Interval 100'

Area Planning Unit D01

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

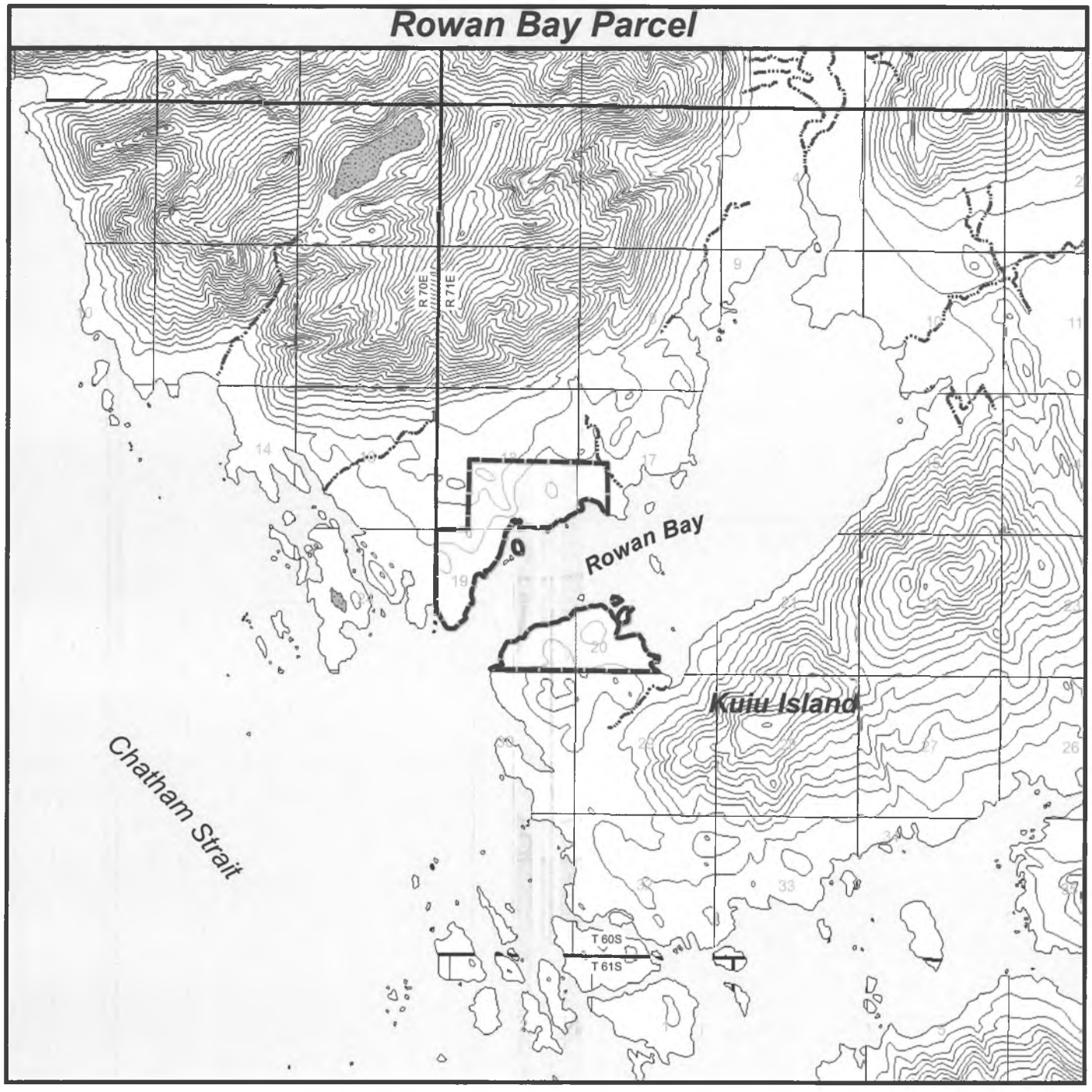
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Dec 13, 2010

Rowan Bay Parcel



NAD 83, Contour Interval 100'

Area Planning Unit U02

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

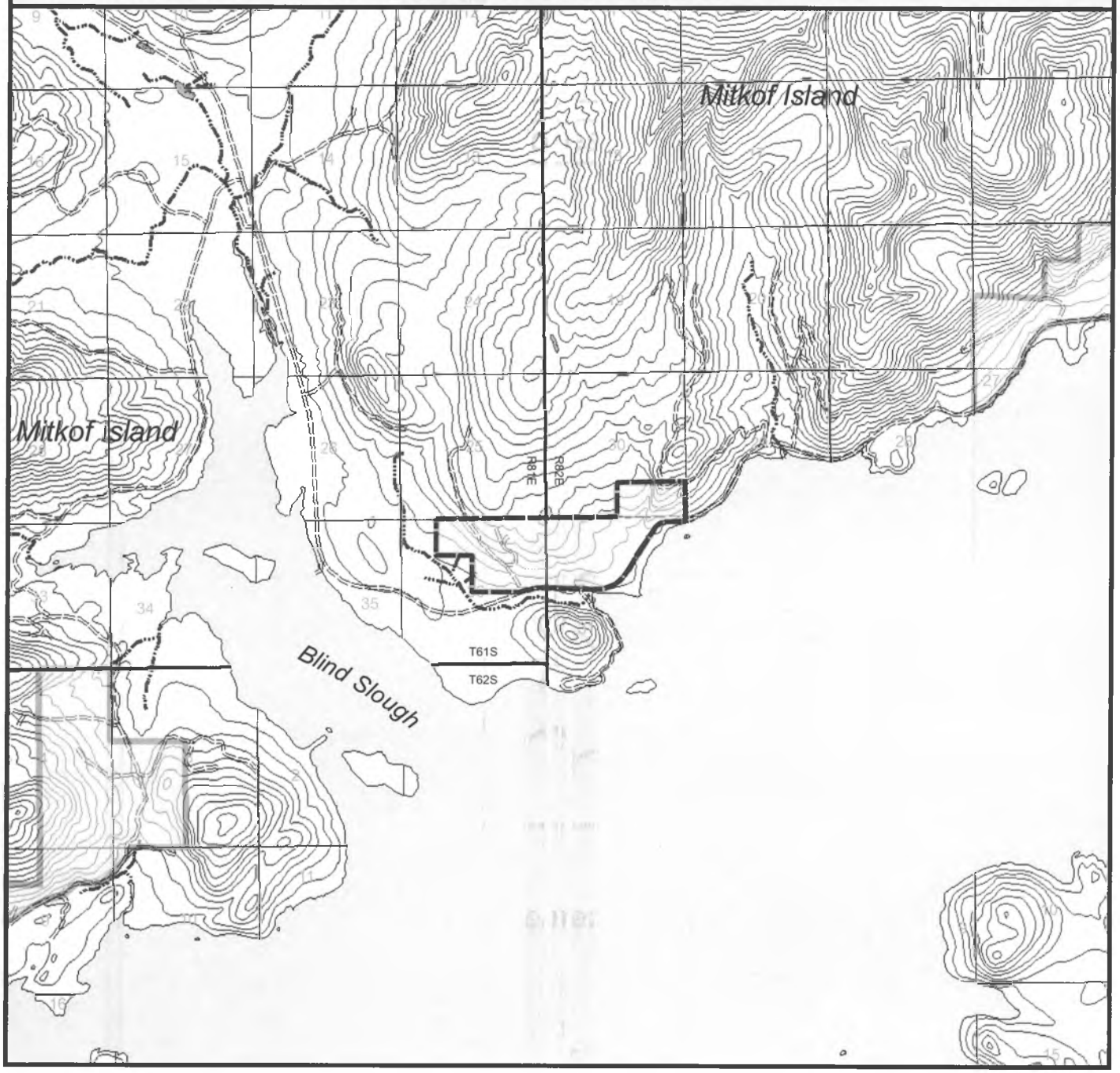
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

South Mitkof Parcel



NAD 83, Contour Interval 100'

Area Planning Unit P25

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

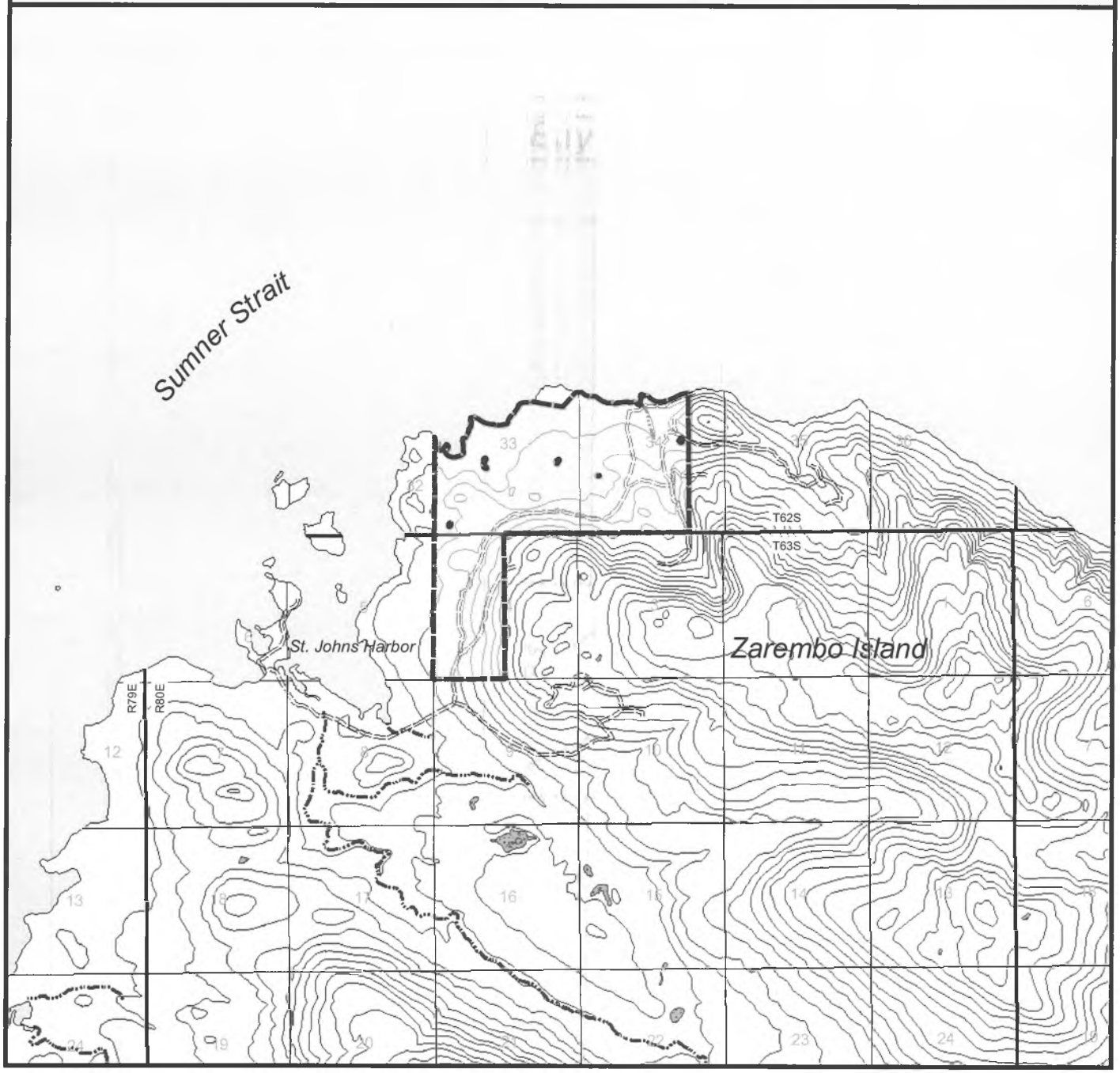
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

St. Johns Harbor Parcel



NAD 83, Contour Interval 100'

Area Planning Unit W02

SOUTHEAST STATE FOREST PROPOSED ADDITIONS

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

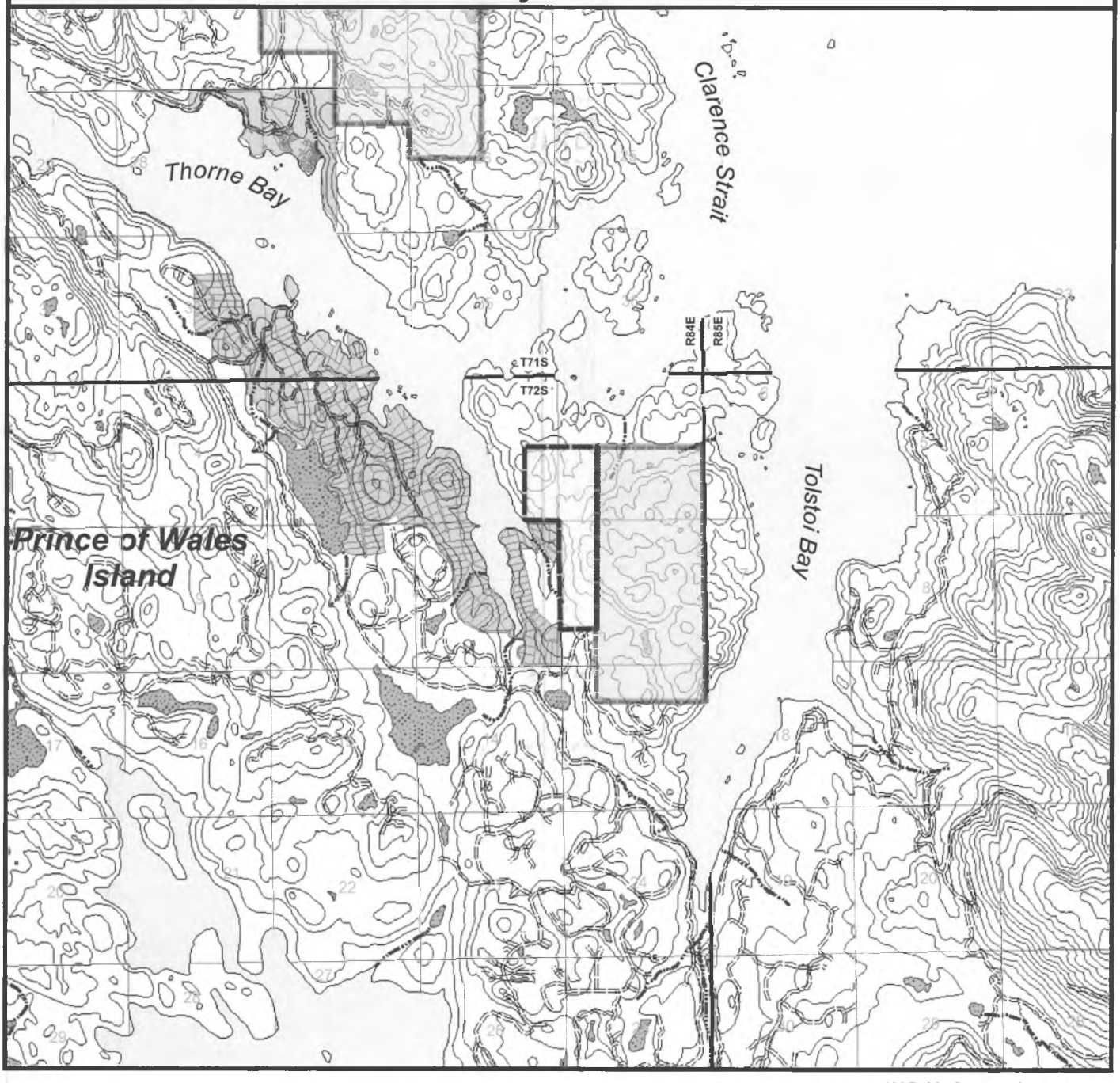
0 1 2 Miles

1 inch = 1 miles

DIVISION OF FORESTRY

Oct 27, 2010

Thorne Bay South Parcel



NAD 83, Contour Interval 100'

Area Planning Unit 11c

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

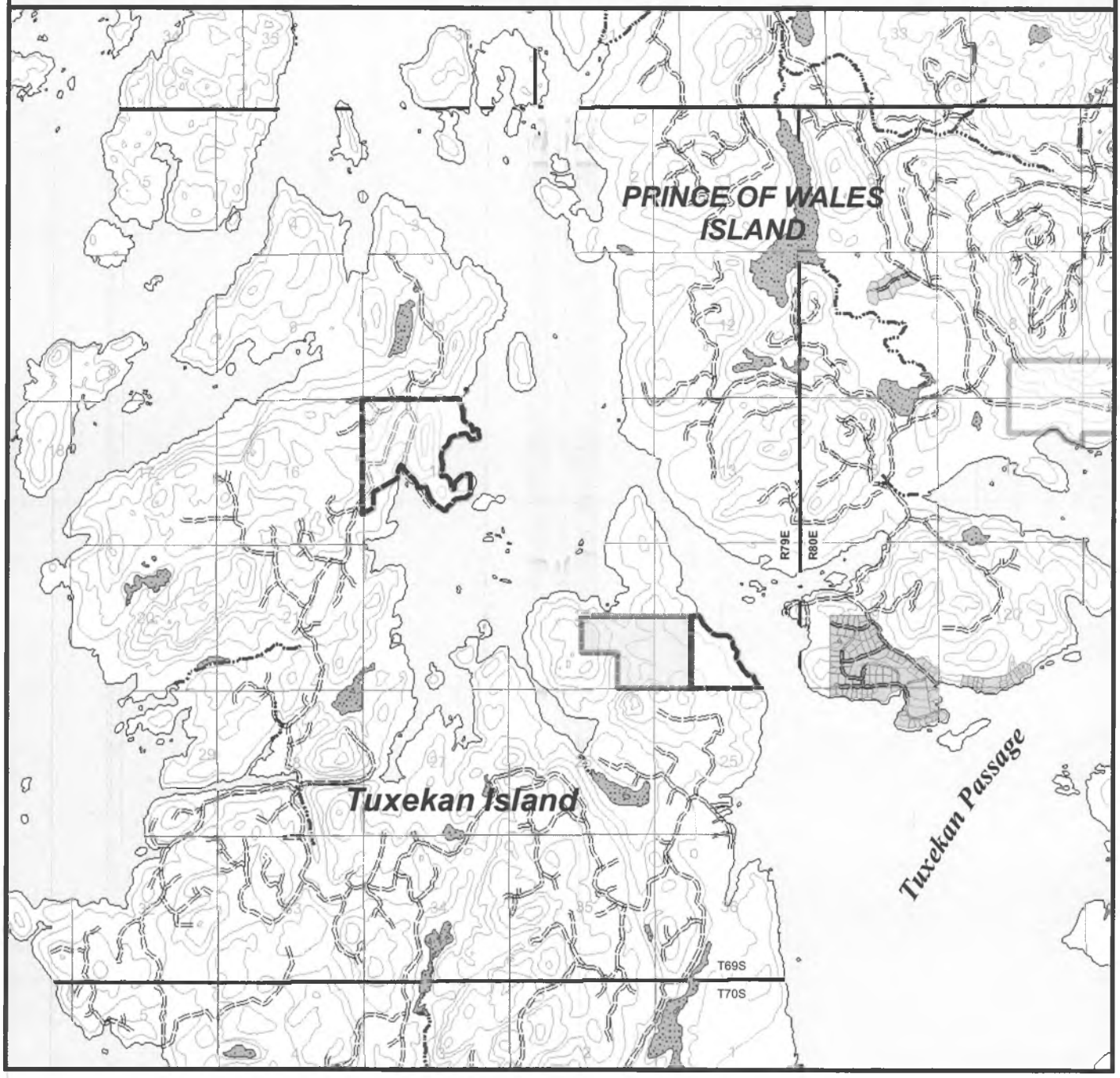
1 inch = 1 miles

SOUTHEAST STATE FOREST PROPOSED ADDITIONS

DIVISION OF FORESTRY

Oct 27, 2010

Tuxekan Parcel



NAD 83, Contour Interval 100'

Area Planning Unit 7b

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

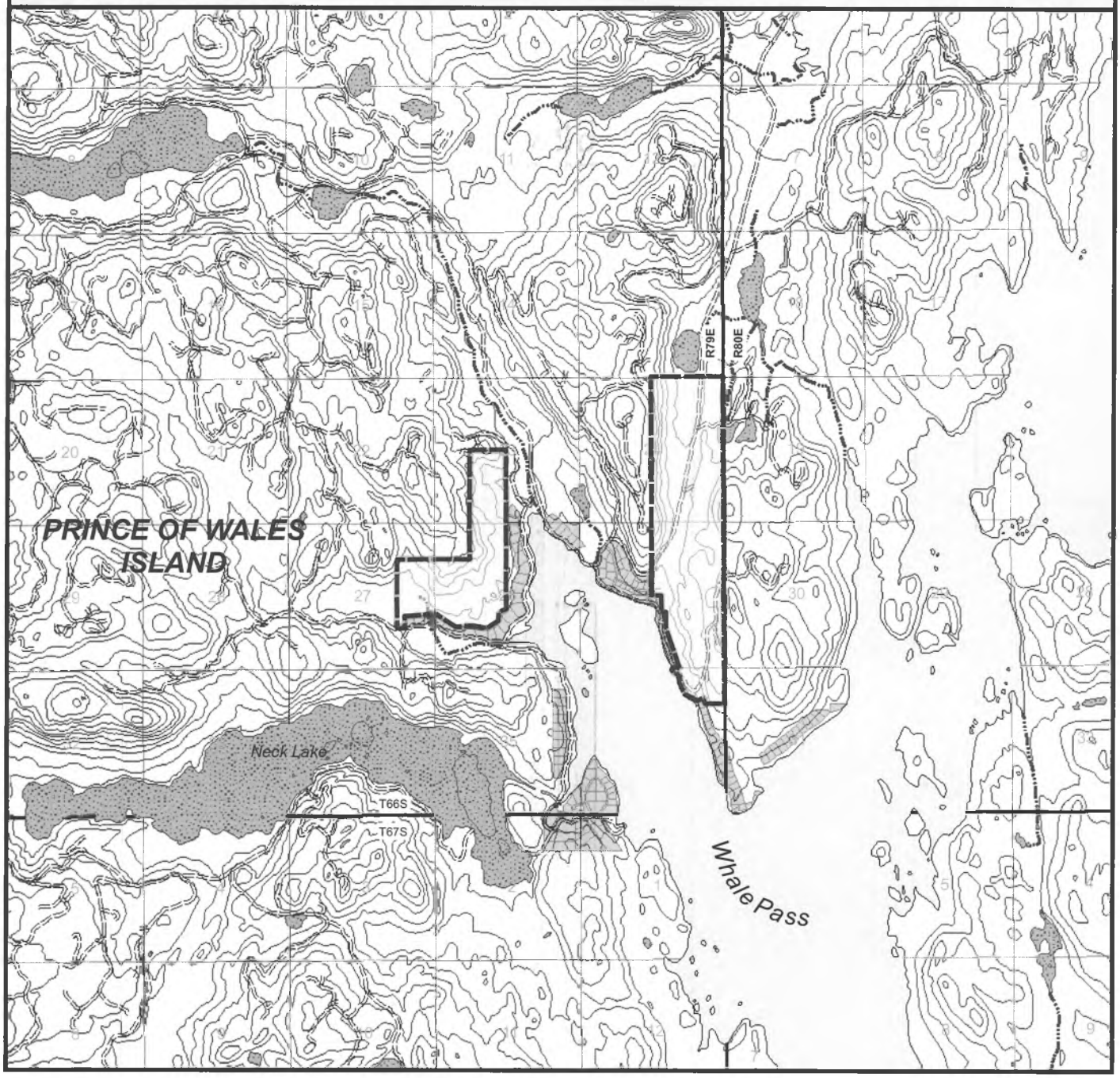
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Dec 15, 2010

Whale Pass Parcel



NAD 83, Contour Interval 100'

Area Planning Unit 5a

SOUTHEAST STATE FOREST PROPOSED ADDITIONS

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

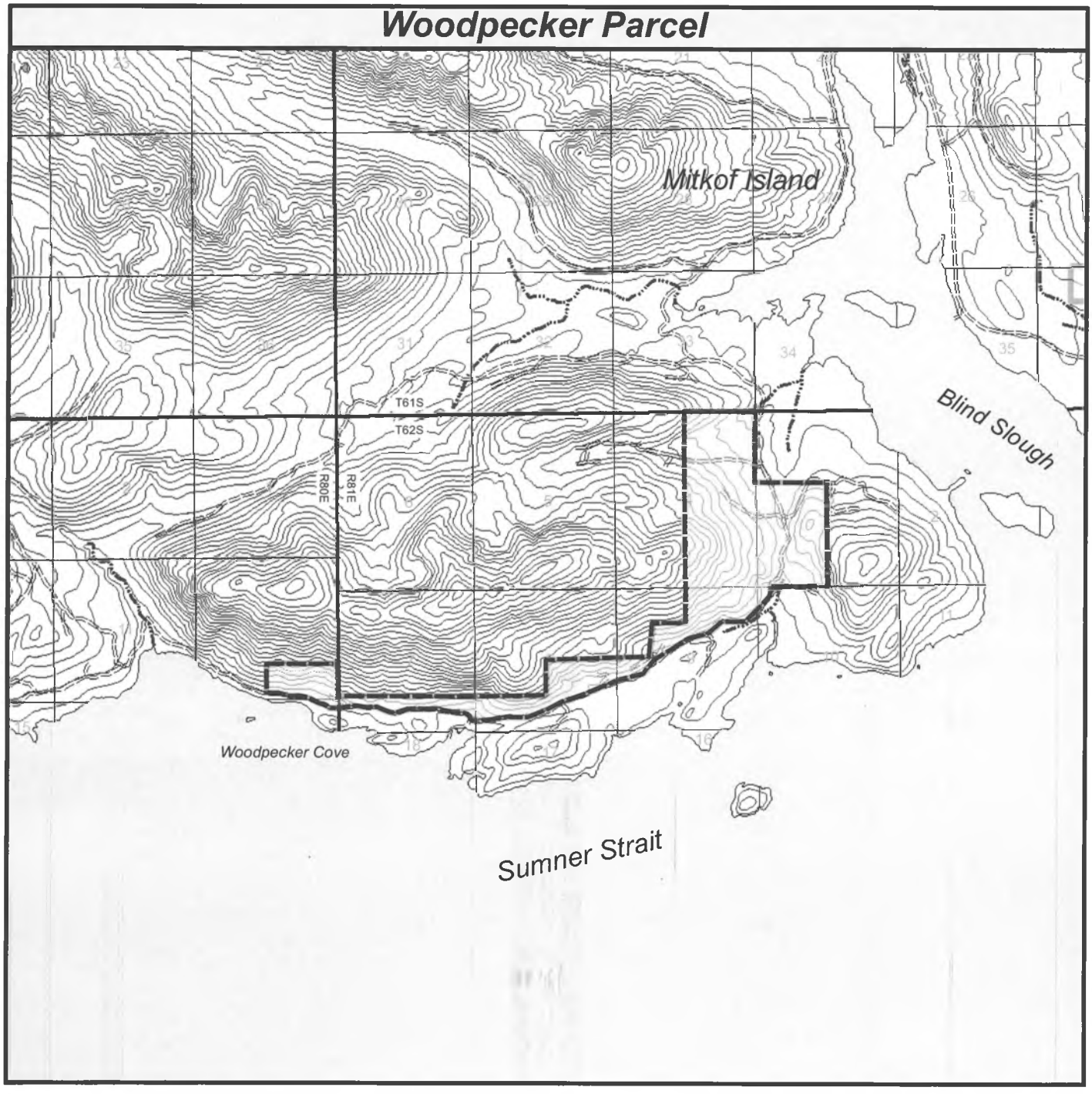
0 1 2 Miles

1 inch = 1 miles

DIVISION OF FORESTRY

Oct 27, 2010

Woodpecker Parcel



NAD 83, Contour Interval 100'

Area Planning Unit P27

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

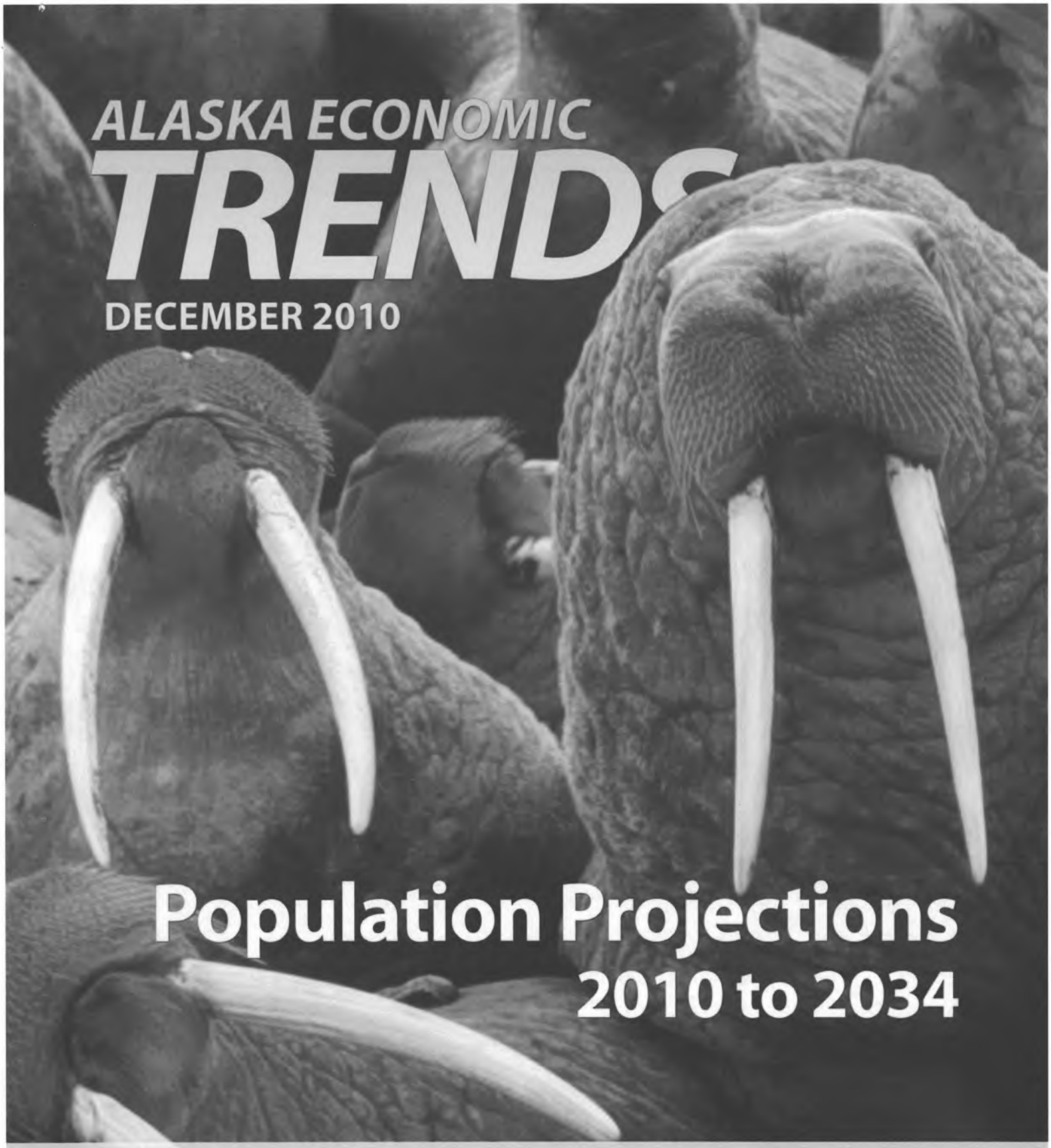
1 inch = 1 miles

SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010



ALASKA ECONOMIC TRENDS

DECEMBER 2010

Population Projections 2010 to 2034

WHAT'S INSIDE

The Matanuska-Susitna Borough
Growth continues to eclipse rest of Alaska

Employment Scene
Unemployment rate at 7.9 percent in October

jobs

ALASKA DEPARTMENT OF LABOR
& WORKFORCE DEVELOPMENT

Governor Sean Parnell
Commissioner Click Bishop

ALASKA ECONOMIC TRENDS

ALASKA DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT

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Research and Analysis

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Cover: Pacific walruses at Cape Peirce in Togiak National Wildlife Refuge. Photo courtesy of U.S. Fish and Wildlife Service.

Corrections
The average rent for a two-bedroom apartment in Kodiak is $1,267. The number was incorrect in Exhibit 12 on page 9 of August's *Trends*.

We have updated Exhibit 5 on page 13 of September's online issue of *Trends* to reflect revised U.S. Bureau of Labor Statistics educational and training-level information.

To contact *Trends* authors or request a free subscription, e-mail trends@alaska.gov or call (907) 465-4500. *Trends* is on the Web at laborstats.alaska.gov.

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New scholarship one way to invest in our growing population

By Commissioner Click Bishop

This month's Trends focuses on Alaska's population, which is projected to increase 25 percent by 2034, from roughly 692,000 to more than 862,000 people. We expect Alaska's senior population, age 65-plus, to more than double and Alaska Native numbers to grow by more than 45,000, to almost 20 percent of our population.

The Alaska Department of Labor and Workforce Development, Research and Analysis section's projections are more than just head counts. Our state, local, and tribal governments use the data for planning for new schools, roads, police, and fire departments. The numbers are used to allocate funds for everything from job training and housing to community development and health care services.

Community organizations use the numbers to develop social service and community action projects. Businesses use the numbers to decide where to locate retail centers, movie theaters, banks, and offices — most often leading to new jobs.

Population information helps health care providers predict the spread of diseases through communities with elderly people and children. And during floods, tornadoes, or earthquakes, the numbers help rescuers plan for how many people will need help.

R&A's projections show the number of working Alaskans will also increase by 11 percent, to almost 490,000. As the "boomer" generation retires, jobs will open for succeeding generations.

As we move into the second decade of this century, we must continue to explore and develop ways to ensure the long-term vitality of Alaska's workforce. Often, that means investing now in workforce development to obtain significant returns in the future.

A new program would provide some of that investment for university or vocational training in Alaska. The Alaska Performance Scholarship, which aims to improve Alaska's student performance and future opportunities, was created this year after being proposed by the Parnell administration and passed into law by the Legislature.

This scholarship will provide annual awards of up to $4,755 to qualifying high school graduates who pursue university or vocational training in Alaska. Beginning with Alaska's high school class of 2011, graduates may qualify for the Alaska Performance Scholarship, with 2011-12 funding to be determined no later than May 1.

The State Board of Education and Early Development recently approved and began phasing in 2011 curriculum regulations, which should be fully implemented by 2013. Students who graduate in 2011 will need five or more credits of math and science, a GPA of 2.5 or higher, and scores of at least 21 on the ACT or 1450 on the SAT. Students pursuing a career and technical education certificate program may substitute WorkKeys scores of 5 or higher for an ACT or SAT.

Current high school freshmen and sophomores should prepare to take the full curriculum, including four years of English, four years of social studies, and either four years each of math and science or three years each of math and science plus two years of a foreign or Alaska Native language.

For more information, including funding status, detailed eligibility requirements, and how to apply, go to: aps.alaska.gov.

By ELISABETH MERCER, Demographer

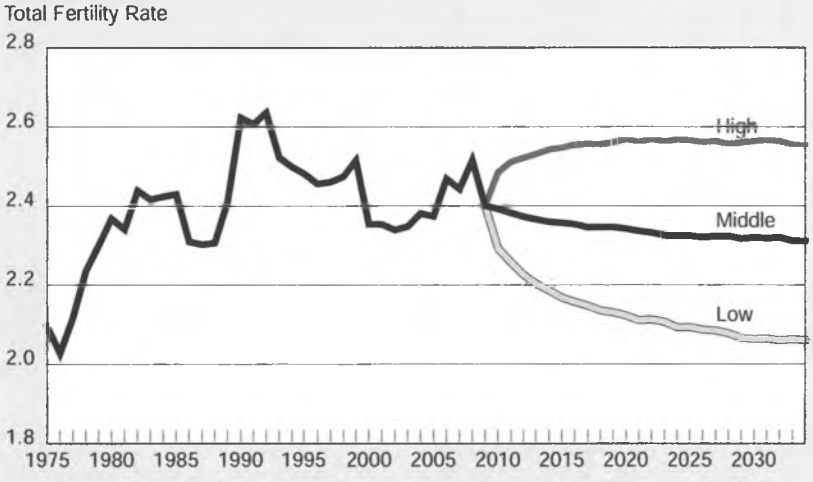
Population Projections, 2010 to 2034

Alaska by age, sex, and race

Population projections tell us more than how many people we should expect — they tell us what kinds of services we'll need to support the future population. Alaskans use these projections to plan for social services like nursing homes, schools, and hospitals. This article is an overview of projected numbers for the state, regions, and borough/census areas as well as the Alaska Native population. It also summarizes how the Department of Labor makes these projections and explains components of change (mortality, fertility, and migration).

The state's total population is projected to increase by nearly 25 percent from 2009 to 2034, growing from 692,314 to 862,750 people. The number of seniors (age 65-plus) is expected to grow the most of any age group, more than doubling in size as Alaska's baby boomers age. Alaska's Native population is projected to increase by more than 45,000 by 2034.

1 Total Fertility Rate
Alaska, 1975 to 2034



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Projected population growth varies significantly across the state and in each of the economic regions, with the largest gain of about 38 percent in the Anchorage/Matanuska-Susitna region by 2034. By contrast, the projection for Southeast is a drop of 14.2 percent over the same period.

Methodology

Rather than building forecasts on economic factors, demographers base projections on the current population and historical trends in each of the components of population change. Specifically, they "age" the population[1] of each sex while accounting for natural increase (births minus deaths) and migration (in-migration and out-migration)[2]. However, past and current economic conditions also affect demographic variables[3].

Statewide, the demographers repeated the projections 2,000 times with random combinations of potential fertility and migration numbers, while keeping the age-specific mortality, or death rate, fixed. The projections took into account variations in recent trends of natural increase and migration, which gave a statistically valid[4] high and low projection range at the state level. There is a 90 percent chance that the actual values will fall

[1] For example, if a person is 10 years old in 2009, he or she will be 35 in the 2034 projection.
[2] This method is the "cohort component method."
[3] For example, fertility rates may drop during a recession.
[4] The probabilistic projection method provided a probability distribution for Alaska's future population, by sex and single years of age. After calculating 2,000 sets of component paths for each age and sex, the demography unit applied them to a cohort component projection model. More specifically, Leslie Matrices were used to project natural increase, with projected vectors of migrants added at each step. This process generated a distribution of 2,000 potential population paths from 2010 to 2034. The sums of the boundaries of the 90 percent confidence intervals for each age-by-sex are reported as the 90 percent confidence high and low variants.

within the range. These ranges do not account for all future uncertainty, such as state economic and social changes.

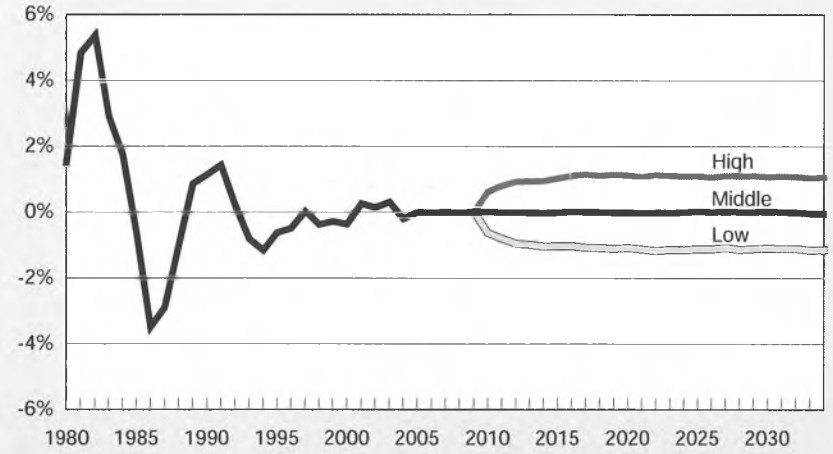
High and low ranges are not statistically significant at the regional and borough/census area levels, as they are adjusted to add up to the state's ranges to attempt to capture the uncertainty of these projections.

Mortality

Mortality rates across all age groups refer to a person's life expectancy at birth if that person lived according to age-specific mortality rates that year. Just as the makeup of Alaska's population varies greatly among groups, so does life expectancy. Overall, Alaska's life expectancy has been similar to that of the nation. From 2000 to 2034, life expectancy for Alaskan males is expected to rise from 74.9 to 79.9 years, and from 79.7 to 83.6 years for females.

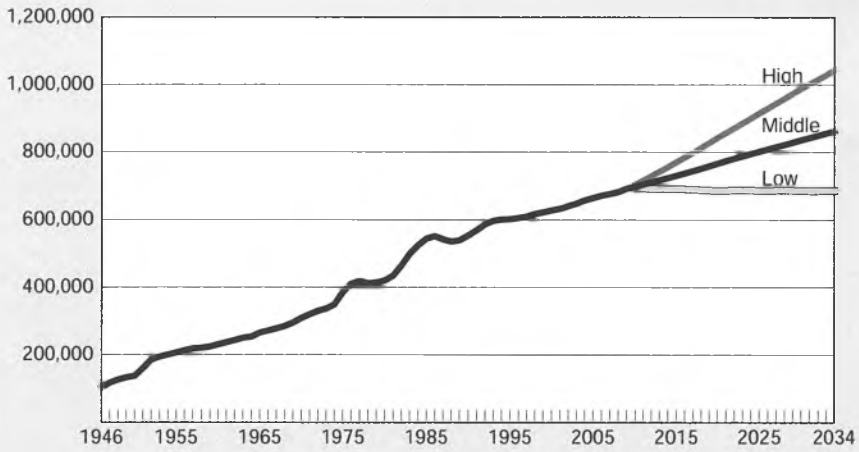
Mortality is the most predictable component of change for Alaska's population. It has been relatively stable over recent history, and is expected to continue improving, following the U.S. Social Security Administration's projected future changes in U.S. mortality.

Net Migration Ratio 2
Proportion of Alaska's Total Population, 1980 to 2034



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Alaska's Population 3
1946 to 2034



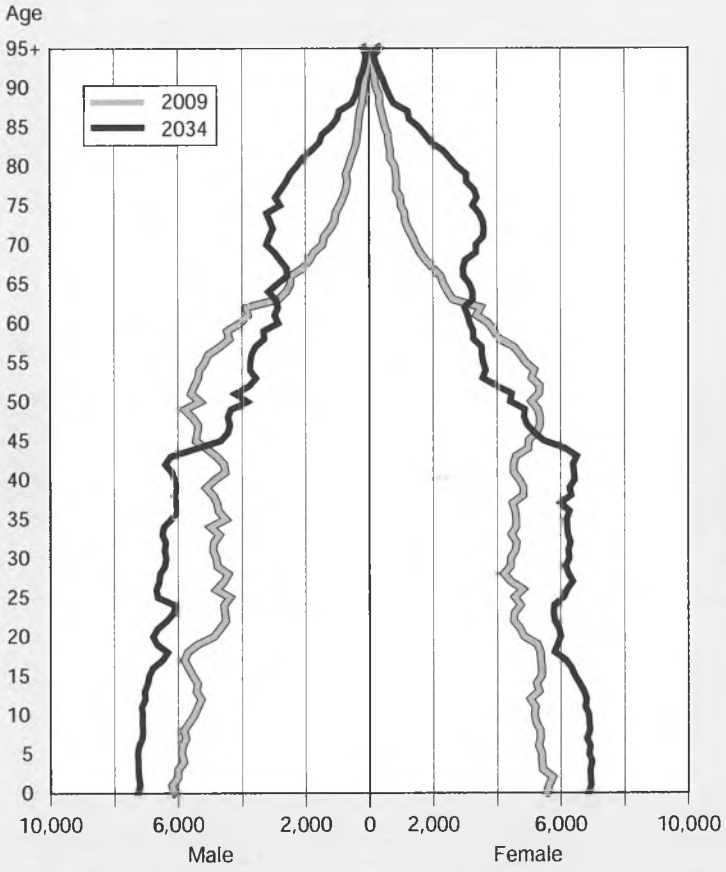
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Fertility

The level of fertility, or births, is expressed in the Total Fertility Rate (TFR). The TFR for a specified year is the average number of children that a woman would bear if she followed that year's age-specific fertility rates throughout her childbearing years. A TFR of 2.1 children per woman would be necessary for natural increase (births minus deaths) to break even. Alaska's TFR ranks among the highest in the U.S, allowing for robust and steady growth. Even if net-migration (in-migration minus out-migration) were zero, Alaska would continue to grow from natural increase alone.

Fertility varies greatly across the state, with estimated TFR ranging from 5.1 children per woman in the Wade Hampton Census Area to just 1.3 in the Aleutians West Census Area. However, the current global trend of rural-to-urban migration results in lower overall fertility rates. Assuming that continues in Alaska, the state's projected fertility rate is likely to be 2.3 in 2034, down from the 2009 estimate of 2.4. The statistical model estimated the level of uncertainty around this value by using variance from recent decades.

4 Population By Age and Sex
Alaska, 2009 and 2034[1]



[1] Middle projection series
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Exhibit 1 shows the projected levels of TFR through 2034. There is a 10 percent chance TFR will fall outside these bounds in any given year, so it is likely to be outside this range at some point over the next 25 years.

Migration

The most volatile component is migration, which is affected by the economy in Alaska and the Lower 48. Wars, pipeline construction, and the oil boom led to significant influxes of new residents throughout Alaska's modern history, while base closures, pipeline completion, and the oil bust prompted people to leave. However, large-scale economic events like the construction of the oil pipeline are unlikely over the next 25 years. Even construction of a natural gas pipeline probably would not reach that level of impact. Therefore, migration rates are likely to remain stable.

The projection model considered two ratios of migration (migrants divided by total population): in-migration and out-migration. The model estimated with 90 percent certainty that Alaska's net-migration will fall within about 1 percent of Alaska's population in a given year through 2034. (See Exhibit 2.) For example, if population is projected to be 700,000 in a given year, there is a 90 percent chance that net-migration will be within +/- 7,000 people. However, as with TFR, net-migration is likely to fall outside the predicted range at some point over the next 25 years, as it's 10 percent likely to do so in any given year.

Special populations

The military makes up a large portion of the population in Anchorage, Fairbanks, Denali, and Kodiak, and these military populations were held constant over the projection period to avoid "aging" these populations, which would underestimate residents in their 20s and 30s. Fish processing (group quarters) populations in Aleutians East and Aleutians West were also kept constant to prevent errantly "aging" these transient populations.

Statewide projections

Though the department projects a total statewide population increase through 2034 (see Exhibits 3 through 6), the annual rate of growth will likely slow over the projection period because of the expected increase in deaths relative to births. However, as stated earlier, the state is expected to continue growing even if net-migration were zero. By 2014, the most likely scenario is a population of 723,619, with 794,975 people in 2024 and 862,750 by 2034. The level of uncertainty greatly increases with time.

Projections for age groups

Alaska's population 4 years of age and younger is projected to increase by 22.3 percent, from 57,899 to 70,805 children between 2009 and 2034. (See Exhibit 6.) Numerous potential levels of fertility and migration cause greater uncertainty for younger age groups.

The most likely scenario for school-age children (ages 5 to 17) is 25.7 percent growth, from 141,873 to 178,392 people between 2009 and 2034. With the "echo boom" cohort (the children of baby boomers) now entering working ages, the short-term projection for the school-age group supports slow growth; but further into the future, the projected total school age population will grow at a steady pace.

Alaska's working-age population (ages 18 to 64) is currently 440,279 people, and is likely to increase by 11 percent over the projection period to 488,696 in 2034. As baby boomers become retirees, the echo boomers will move into the working ages, yielding almost no change in the overall working-age population for the majority of the period.

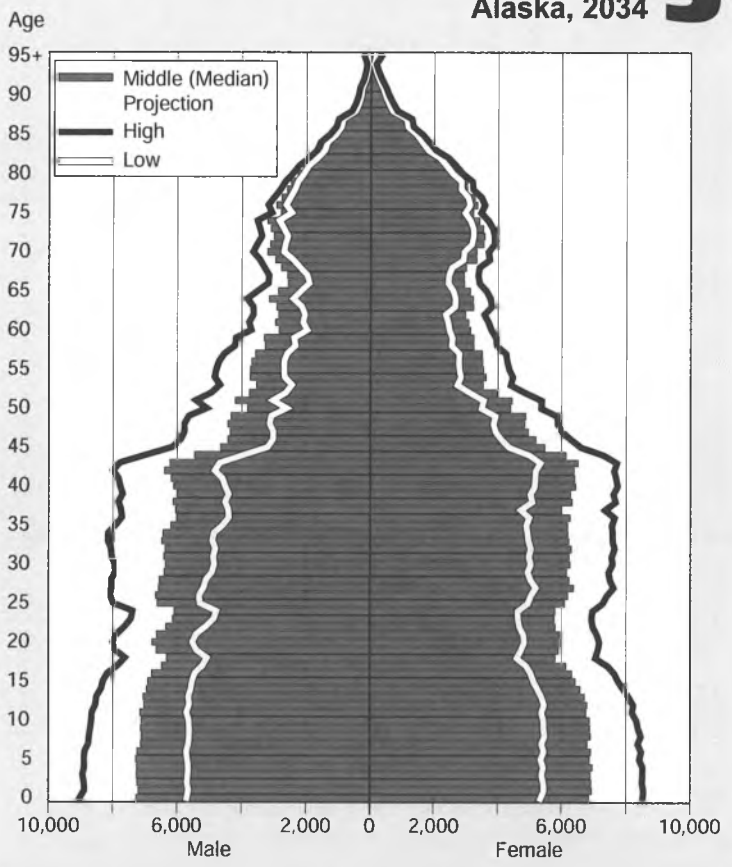
As mentioned earlier, retirees (ages 65 and older) are likely to more than double by 2034. This is attributable to Alaska's large number of baby boomers reaching age 65 and older in 2009, representing 7.5 percent of the state's population. That number is projected to climb 138.9 percent (to 124,857) by 2034, when it would represent 14.5 percent of the population. (See Exhibit 7.) The U.S. Census Bureau projects a similar trend for the nation as a whole, with the proportion age 65 and older in the U.S. increasing from 12.9 percent in 2009 to 19.8 percent in 2034.

Increasing dependency ratios

Dependency ratios show the burden of support on the working-age population to care for the young and old, traditionally nonworking populations. In 2009, every 100 Alaskans of working age supported 45.4 people under age 18, and 11.9 people over age 65, which adds up to a total dependency ratio of 57.3. Each of these figures is expected to rise over the next 25 years. (See Exhibits 7 and 8.)

With the aging of Alaska's echo boom, the youth dependency ratio will probably first decrease to 45.2 in 2014, then rise to 50.0 in 2024 and 51.0 in 2034. The aged dependency ratio is projected to increase to 14.6 by 2014, then 23.5 by 2024, and 25.5 by 2034. Though there is uncertainty in the specific figures for the aged dependency ratio, it is certain it will climb dramatically over the next 25 years.

Population By Age and Sex
Alaska, 2034 **5**



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Projections for regions and boroughs/census areas

Population change is likely to vary greatly across the state, following paths similar to the last decade. (See Exhibits 9 and 10.) Regions and boroughs/census areas are more susceptible to the impact of migration than any other component of change because it includes intrastate and interstate migration. Although applying recent trends of migration to regions and boroughs/census areas can predict growth or decline, it is possible these trends will significantly change across the state in the future. Migration depends on economic and social factors, making it less predictable.

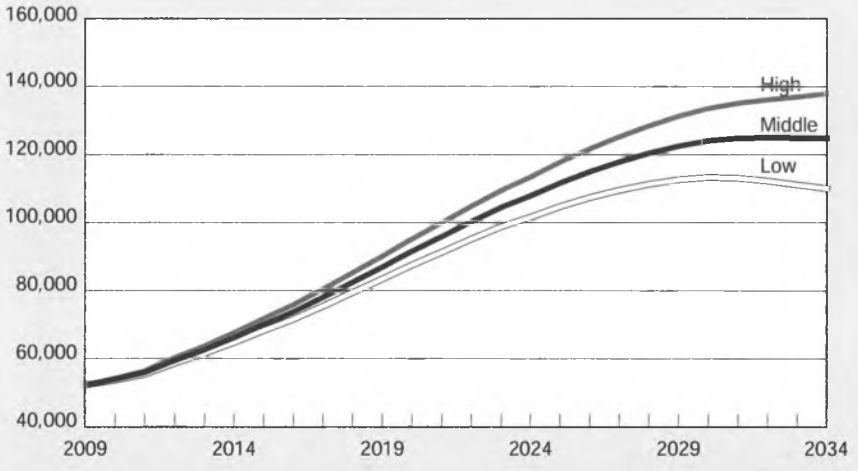
6 Population by Age
Statewide and Alaska Natives, 2009 to 2034[1]

Total Alaska Population							Alaska's Native Population						
Age	2009	2014	2019	2024	2029	2034	Age	2009	2014	2019	2024	2029	2034
Birth to 4	57,899	59,656	64,160	66,695	68,614	70,805	Birth to 4	14,344	13,666	14,480	14,862	15,470	16,317
5 to 9	55,674	58,943	60,923	65,703	68,348	70,268	5 to 9	12,060	14,138	13,464	14,271	14,647	15,249
10 to 14	52,991	55,828	59,256	61,409	66,320	69,022	10 to 14	11,058	11,994	14,067	13,392	14,196	14,570
15 to 19	54,941	50,698	53,474	56,864	58,895	63,771	15 to 19	12,235	10,845	11,770	13,828	13,150	13,944
20 to 24	46,487	57,967	53,619	56,261	59,231	61,308	20 to 24	11,427	11,964	10,586	11,499	13,536	12,861
25 to 29	45,324	49,970	61,743	57,770	60,486	63,930	25 to 29	9,219	11,257	11,797	10,437	11,347	13,371
30 to 34	46,859	47,101	52,037	64,102	60,260	63,325	30 to 34	7,007	9,082	11,102	11,647	10,314	11,224
35 to 39	47,260	47,510	47,921	53,089	65,037	61,466	35 to 39	7,170	7,075	9,136	11,149	11,711	10,424
40 to 44	47,053	44,351	44,680	45,249	50,270	62,232	40 to 44	7,832	7,004	6,922	8,952	10,939	11,503
45 to 49	53,789	44,485	41,845	42,204	42,584	47,572	45 to 49	8,104	7,653	6,865	6,800	8,797	10,756
50 to 54	53,133	50,353	41,220	38,594	38,749	39,110	50 to 54	7,105	7,739	7,320	6,573	6,521	8,465
55 to 59	45,804	48,978	46,221	37,276	34,499	34,687	55 to 59	5,694	6,773	7,402	7,023	6,327	6,293
60 to 64	32,837	41,579	44,612	41,917	33,070	30,397	60 to 64	4,057	5,354	6,394	7,010	6,670	6,023
65 to 69	20,556	28,948	37,199	40,090	37,480	29,127	65 to 69	2,821	3,719	4,934	5,917	6,516	6,221
70 to 74	12,525	17,355	25,059	32,661	35,380	33,105	70 to 74	1,982	2,436	3,239	4,319	5,216	5,780
75 to 79	8,423	9,517	13,673	20,350	27,010	29,505	75 to 79	1,508	1,574	1,954	2,625	3,525	4,292
80 to 84	5,746	5,538	6,415	9,691	15,059	20,460	80 to 84	881	1,081	1,138	1,426	1,942	2,628
85 to 89	3,280	3,091	2,966	3,560	5,789	9,527	85 to 89	428	524	650	690	874	1,204
90+	1,733	1,751	1,590	1,490	1,786	3,133	90+	268	277	316	387	434	535
Total	692,314	723,619	758,613	794,975	828,867	862,750	Total	125,200	134,155	143,536	152,807	162,132	171,660

[1] Middle projection series

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

7 Age 65 and Older
Alaska's population, 2009 to 2034



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Those with the most dramatic expected losses in average annual population include the Haines Borough (-1.5 percent) and the Wrangell-Petersburg and Prince of Wales census areas (-1.3 percent).

The Anchorage/Mat-Su region's population is projected to grow by more than 142,535 — 38.0 percent, with a 1.5 percent average annual growth rate — from 374,902 people in 2009 to 517,429 in 2034. Anchorage is expected to continue growing, following the state's rural-to-urban migration trend. The Mat-Su Borough has grown dramatically throughout Alaska's history as a state, and is expected to continue.

The boroughs and census areas with the highest projected average annual growth rates over the period are the Matanuska-Susitna Borough (3.1 percent), the Wade Hampton Census Area (2.3 percent), and the Bethel Census Area (1.4 percent).

The Gulf Coast region's population boomed during the 1980s, but growth has moderated in recent years. The projections yield an increase of roughly 5,239 people between 2009 and 2034 — 6.8 percent — but recent trends

could change significantly with future resource development.

Alaska's Interior region has grown steadily over recent years. However, the future of the populations in the Fairbanks North Star Borough and the Southeast Fairbanks Census Area may greatly depend on the military. Assuming current trends continue, the predicted increase for the Interior is 16,195 people between 2009 and 2034, or 14.9 percent.

High birth rates in the Northern and Southwest regions are anticipated to outpace the projected out-migration, resulting in net growth in those regions. Projections show the Northern region gaining about 5,908 residents (a 25.0 percent increase), and the Southwest region adding 10,433 (a 26.6 percent increase).

The only regional population expected to decline over the projection period is Southeast. Due to particularly low birth rates and the highest median age in the state (39.3), growth would require a sharp rise in net-migration. Southeast's projected loss is about 9,866 people (a 14.2 percent drop) between 2009 and 2034. The future of Southeast is uncertain because of its dependence on future social and economic developments.

Projections show no change in the population rank-ordering of the regions over the projection period. In other words, the Anchorage/Mat-Su region is likely to remain the most populous, followed by the Interior, Gulf Coast, Southeast, and Southwest regions. The Northern region is expected to remain the least populated because of rural-to-urban migration.

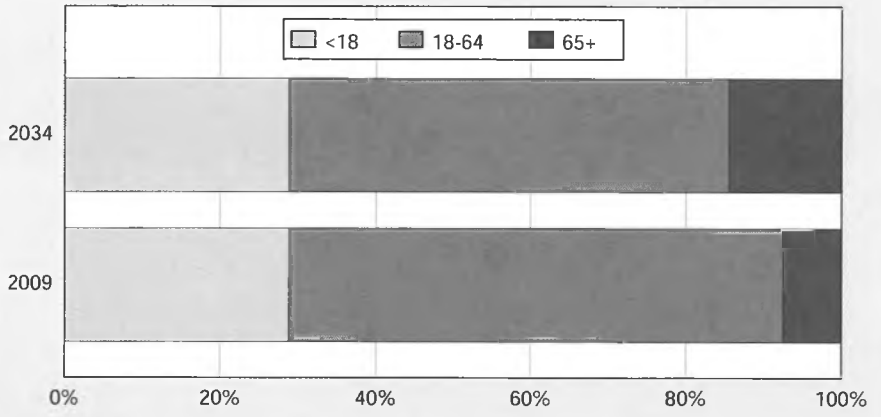
Alaska Native projections

The department used the 2009 "bridged race[5]" estimate as a base for the Alaska Native[6] population, applying the same method as regions and boroughs/census areas.

Mortality, fertility, and migration rates among Alaska Natives have historically differed greatly from those of the overall state population. Native mortality and fertility rates are among the highest in the nation. Alaska Native life expectancy will likely follow the U.S. Social Security Administration's projections for change in U.S life expectancy over the projected period. From 2009 to 2034, life expectancy for Alaska Native males is expected to rise from 67.2 to 74.7 years, and from 73.7 to 78.6 years for Native females. Projected fertility will decline from 3.2 children per woman in 2009 to 3.0 in 2034, due to the rural-to-urban migration discussed earlier. Because of the social and economic characteristics of urban centers, urban women are more likely to have fewer children than their rural counterparts.

Compared to statewide rates, Alaska Native migration is relatively low. Natives migrate to the state at just above 2 percent of the total Native population and leave the state at just over 2 percent of the population. This very slight annual loss

Population by Selected Age Groups
Alaska, 2009 and 2034[1] 8



[1] Middle projection series
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

[5] "Bridge" series race estimates use the definition of race from the 1990s, when people could only choose one race to define themselves. With the 2000 census, people could check all of the races that applied. As a result, race as reported after 2000 is no longer compatible with earlier data, and statistics on race are far more complex.

[6] Alaska Native: A person with origins in any of the original peoples of North or South America (including Central America), who maintains tribal affiliation or community attachment. (Federal Office of Management and Budget) This includes Native Americans in Alaska; however, the majority of Natives in Alaska are Alaska Natives.

9 Population By Region and Borough/Census Area
Alaska, 2009-2034[1]

	2009	2014	2019	2024	2029	2034	Percentage Change 2009-2034	Average Annual Growth Rate 2009-2034
State of Alaska	692,314	723,619	758,613	794,975	828,867	862,750	24.6%	0.9%
Anchorage / Mat-Su Region	374,902	399,950	427,814	457,519	487,028	517,429	38.0%	1.5%
Anchorage, Municipality of	290,588	304,555	319,812	335,672	350,569	364,973	25.6%	1.0%
Matanuska-Susitna Borough	84,314	95,395	108,002	121,847	136,459	152,456	80.8%	3.1%
Gulf Coast Region	76,686	78,196	79,885	81,313	81,908	81,925	6.8%	0.3%
Kenai Peninsula Borough	53,578	56,007	58,562	60,921	62,673	64,019	19.5%	0.7%
Kodiak Island Borough	13,860	13,461	13,095	12,705	12,188	11,567	-16.5%	-0.6%
Valdez-Cordova Census Area	9,248	8,728	8,228	7,687	7,047	6,339	-31.5%	-1.2%
Interior Region	108,463	111,723	115,217	118,773	121,822	124,658	14.9%	0.6%
Denali Borough	1,838	1,783	1,715	1,642	1,550	1,451	-21.1%	-0.8%
Fairbanks North Star Borough	93,779	96,997	100,358	103,768	106,774	109,580	16.8%	0.6%
Southeast Fairbanks Census Area	7,243	7,694	8,216	8,751	9,246	9,742	34.5%	1.3%
Yukon Koyukuk Census Area	5,603	5,249	4,928	4,612	4,252	3,885	-30.7%	-1.2%
Northern Region	23,664	24,760	26,037	27,257	28,354	29,572	25.0%	1.0%
Nome Census Area	9,500	9,911	10,391	10,859	11,282	11,744	23.6%	0.9%
North Slope Borough	6,798	7,140	7,517	7,855	8,157	8,517	25.3%	1.0%
Northwest Arctic Borough	7,366	7,709	8,129	8,543	8,915	9,311	26.4%	1.0%
Southeast Region	69,338	67,948	66,480	64,692	62,244	59,472	-14.2%	-0.5%
Haines Borough	2,286	2,133	1,974	1,802	1,619	1,422	-37.8%	-1.5%
Juneau, City and Borough of	30,661	30,884	31,051	31,040	30,710	30,191	-1.5%	-0.1%
Ketchikan Gateway Borough	12,984	12,464	11,934	11,339	10,633	9,878	-23.9%	-0.9%
Prince of Wales-Outer Ketchikan Census Area	5,392	5,052	4,721	4,368	3,966	3,566	-33.9%	-1.3%
Sitka, City and Borough of	8,627	8,578	8,505	8,400	8,215	8,000	-7.3%	-0.3%
Skagway-Hoonah-Angoon Census Area	2,908	2,785	2,642	2,483	2,297	2,100	-27.8%	-1.1%
Wrangell-Petersburg Census Area	5,852	5,445	5,070	4,701	4,276	3,828	-34.6%	-1.3%
Yakutat, City and Borough of	628	607	583	559	528	487	-22.5%	-0.9%
Southwest Region	39,261	41,042	43,180	45,421	47,511	49,694	26.6%	1.0%
Aleutians East Borough	2,778	2,830	2,887	2,945	2,967	2,981	7.3%	0.3%
Aleutians West Census Area	4,549	4,592	4,627	4,638	4,610	4,564	0.3%	0.0%
Bethel Census Area	16,997	18,036	19,224	20,471	21,720	23,019	35.4%	1.4%
Bristol Bay Borough	967	972	977	986	986	974	0.7%	0.0%
Dillingham Census Area	4,729	4,739	4,781	4,798	4,755	4,698	-0.7%	0.0%
Lake and Peninsula Borough	1,547	1,487	1,441	1,393	1,328	1,258	-18.7%	-0.7%
Wade Hampton Census Area	7,694	8,386	9,243	10,190	11,145	12,200	58.6%	2.3%

[1] Middle projection series

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

through migration is projected to continue through 2034.

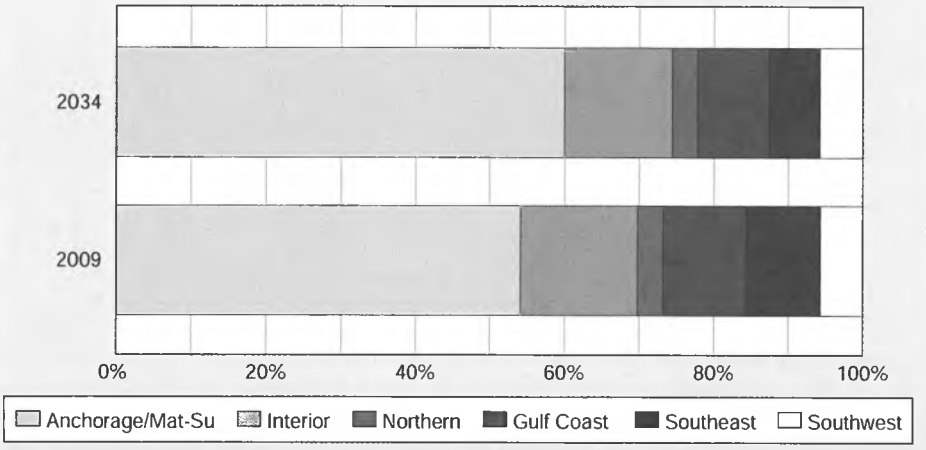
The Department of Labor projects stable growth for the Native population through the projection period, from 125,200 people in 2009 to 171,660 in 2034. (See Exhibits 6 and 11.) Additionally, Natives are expected to increase as a share of the state's population, from 18.1 percent in 2009 to 19.9 percent in 2034.

Historical trends for natural increase and interstate net-migration have been relatively stable, so uncertainty estimates were unnecessary for this group. Therefore, the Alaska Native projections are only comparable to the middle series of the statewide projections and can be subtracted from this series to estimate the non-Native population.

Decreasing fertility rates are reflected in the Native share of the total population under age 20. That proportion is projected to decline over the period from 22.4 percent in 2009 to 21.9 percent in 2034. The median age for the population is expected to rise from 25.8 to 29.8 between 2009 and 2034.

Natives ages 65 and older are projected to follow the same broad trends as the overall population in Alaska and the U.S. Specifically, the number of elderly Natives is expected to rise by 161.9 percent — from 7,888 in 2009 to 20,660 in 2034. The proportion of Natives age 65 and older within the total Native population will likely grow from 6.3 percent in 2009 to 11.7 percent in 2034. Increases in Native life expectancy will also affect future population change.

Population by Economic Region 10
Alaska, 2009 and 2034[1]



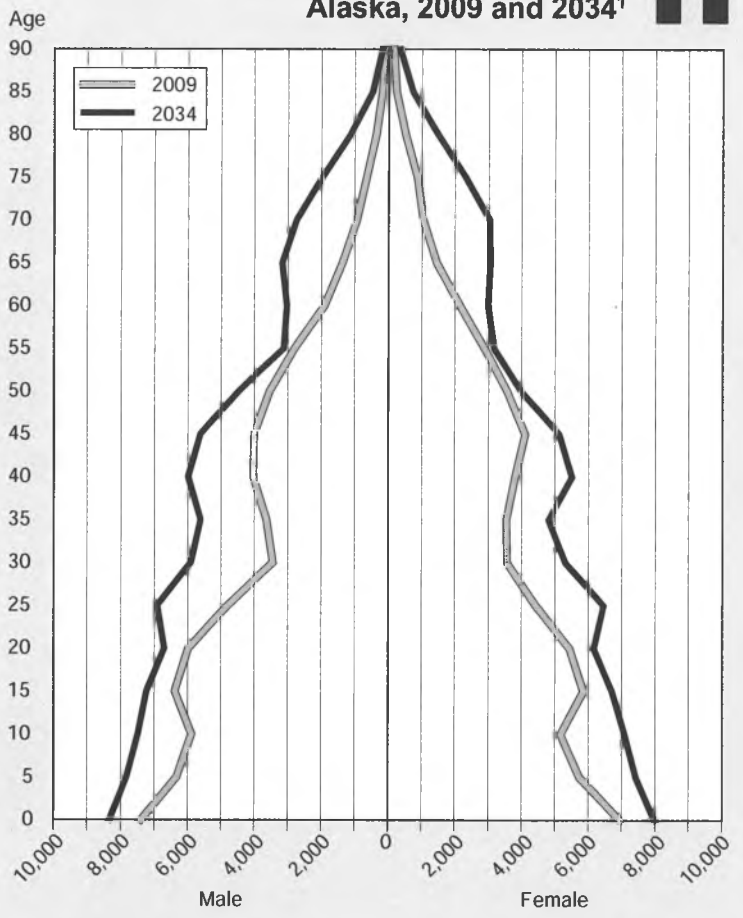
[1] Middle projection series
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Historically, migration has not played as large a role in population change as natural increase; therefore only small losses in the population due to net out-migration are projected. However, rural-to-urban migration is expected to continue, so Alaska Natives are likely to help shape the future of urban centers.

The Department of Labor's Native projections are only at the state level in this series. While Alaska uses the same classification for Native Americans as the U.S. Census Bureau does for the nation, the demographic makeup of the two populations is vastly different, therefore not comparable.

A complete description of the methods and results for these population projections (including high and low projection series) are available on the Research and Analysis Web site at laborstats.alaska.gov. Click on "Population & Census" on the left, then "Estimates & Projections."

Alaska Native Population By Sex 11
Alaska, 2009 and 2034[1]



[1] Middle projection series
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

By NEAL FRIED, Economist

The Matanuska-Susitna Borough

Growth continues to eclipse rest of Alaska

1 Mat-Su Borough's Population Estimates, 2000 to 2009

	Estimated Population 2009	2000 Census 2000	Change 2000 to 2009	Percentage Change 2000 to 2009
Alaska	692,314	626,931	65,383	10%
Anchorage	290,588	260,283	30,305	12%
Fairbanks North Star Borough	93,779	82,840	10,939	13.2%
Matanuska-Susitna Borough	84,314	59,322	24,992	42%
All places in the Mat-Su Borough are Census Designated Places (CDPs) unless footnoted.				
Big Lake	3,331	2,635	696	26%
Buffalo Soapstone	738	699	39	6%
Butte	3,255	2,561	694	27%
Chase	35	41	-6	-15%
Chickaloon	277	213	64	30%
Farm Loop	1,313	1,067	246	23%
Fishhook	3,337	2,030	1,307	64%
Gateway	4,068	2,952	1,116	38%
Glacier View	246	249	-3	-1%
Houston city	1,664	1,202	462	38%
Knik-Fairview	13,824	7,049	6,775	96%
Knik River	631	582	49	8%
Lake Louise	100	88	12	14%
Lakes	8,388	6,706	1,682	25%
Lazy Mountain	1,446	1,158	288	25%
Meadow Lakes	7,319	4,819	2,500	52%
Palmer city[1]	5,532	4,533	999	22%
Petersville	6	27	-21	-78%
Point MacKenzie	273	111	162	146%
Skwentna	73	111	-38	-34%
Susitna	16	37	-21	-57%
Sutton-Alpine	1,407	1,080	327	30%
Talkeetna	894	772	122	16%
Tanaina	7,407	4,993	2,414	48%
Trapper Creek	444	423	21	5%
Wasilla city[2]	7,245	5,469	1,776	32%
Willow	2,218	1,658	560	34%
Y	1,057	956	101	11%
Remainder of Mat-Su Borough	7,770	5,101	2,669	52%

[1] Palmer had an annexation on September 5, 2003.
[2] Wasilla had a small annexation on May 3, 2002.
Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and the U.S. Census Bureau

The story of the Matanuska-Susitna Borough's growth in population and employment, which has long outstripped the rest of the state, is an old one. That saga continued in 2009, as employment kept growing in the borough even when it fell in the rest of Alaska for the first time in 21 years. Early indicators for 2010 are also positive.

One large place

Only Fairbanks and Anchorage have more residents than the Mat-Su Borough, which had a 2009 population of 84,314. (See Exhibit 1.) In addition, the Mat-Su is nearly as large as West Virginia at 24,682 square miles. Although it is a big place, 90 percent of its residents live in "the Valley," a tight corridor between the communities of Sutton on the Glenn Highway and Willow on the Parks Highway.

Wasilla, Palmer, and Houston are the only three communities that are incorporated or have political boundaries, and the residents of these three towns represent just 17 percent of the borough's population. The rest live in various unorganized or census-designated places (CDPs). According to state demographer Greg Williams, ten of the top 14 places in the state that experienced the most rapid growth between 2000 and 2009 are in the Mat-Su Borough. If these places were to incorporate, four of them would be larger than the City of Wasilla. One of them, Knik-Fairview, would become the fourth-largest city in the state.

Different economy than most

Historically, the lifeblood of the area came from farming, gold, and coal mining. Although the Mat-Su Borough remains the largest agricultural producer in the state and coal mining might make

a comeback, these industries were eclipsed decades ago by forces that have put the borough on the state's economic pedestal.

Today, an array of sectors vitalize the area's economy. Its most important stimulus is its status as a bedroom community — a place where people live while working elsewhere. An expanding visitor industry also plays a role, as does a growing list of borough enterprises that provide services to the rest of the state. One example is the new Goose Creek prison, which is scheduled to open in 2012.

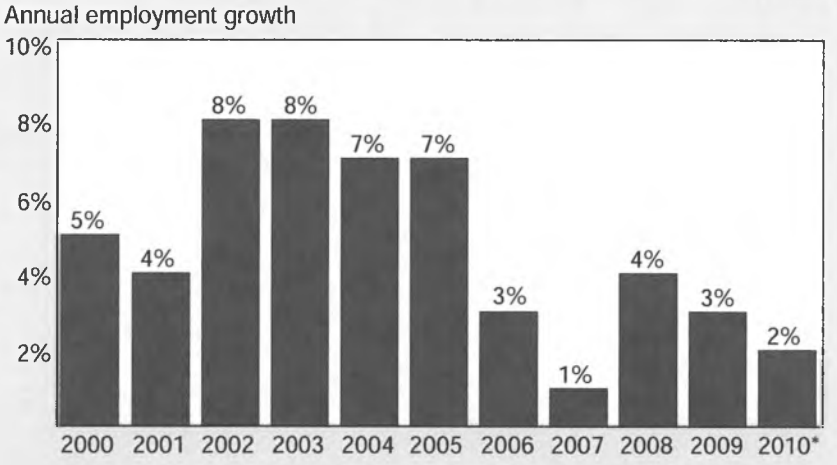
However, the most important explanation for the borough's rapid employment growth is that its businesses and institutions are providing a larger range of goods and services to its burgeoning population.

Residents spend more locally

Exhibits 2 and 3 show employment growth in the borough over the past decade and since 1959. The number of jobs in the borough grew more than three times as fast as the rest of the state in the past decade, and this trend continues because residents spend a growing share of their income locally. Economists call this phenomenon import substitution, and it increases payroll as well as salaries. For example, between 2000 and 2009, health care employment doubled and retail added more than 1,000 jobs.

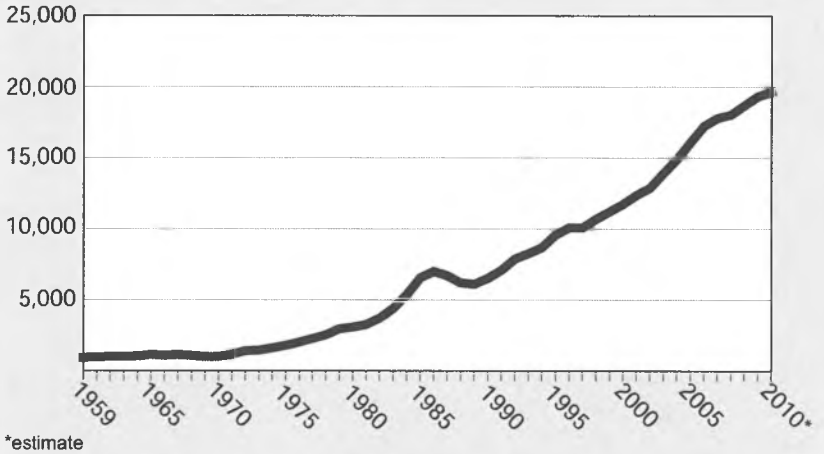
The fact that employment grew considerably faster than population may be another indicator of this trend. Growth in sales tax revenue in Palmer and Wasilla is further evidence of the borough capturing more of its residents' consumption dollars. Between 2000 and 2009, collected sales tax more than doubled (even after adjustment for inflation), even though the borough's population grew only 42 percent.

Employment Continues to Grow **2**
Matanuska-Susitna Borough, 2000 to 2010



*estimate
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

A History of Strong Growth **3**
Matanuska-Susitna Borough, 1959 to 2010

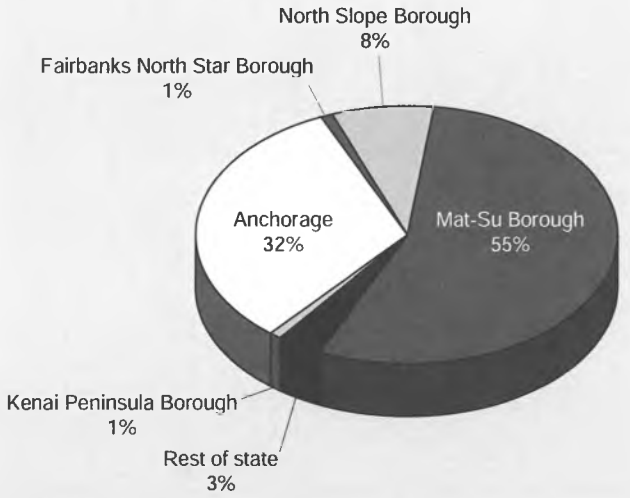


*estimate
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Many earn their living elsewhere

In some ways, the Matanuska-Susitna Borough's commuter patterns are not that different from elsewhere in the country. That is, many people who live there commute outside the borough each day, and data produced by the Alaska Department of Labor and Workforce Development shed some

4 Where Mat-Su Residents Work[1] 2008



[1]Excludes uniformed military, federal, and self-employed workers, 2008
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

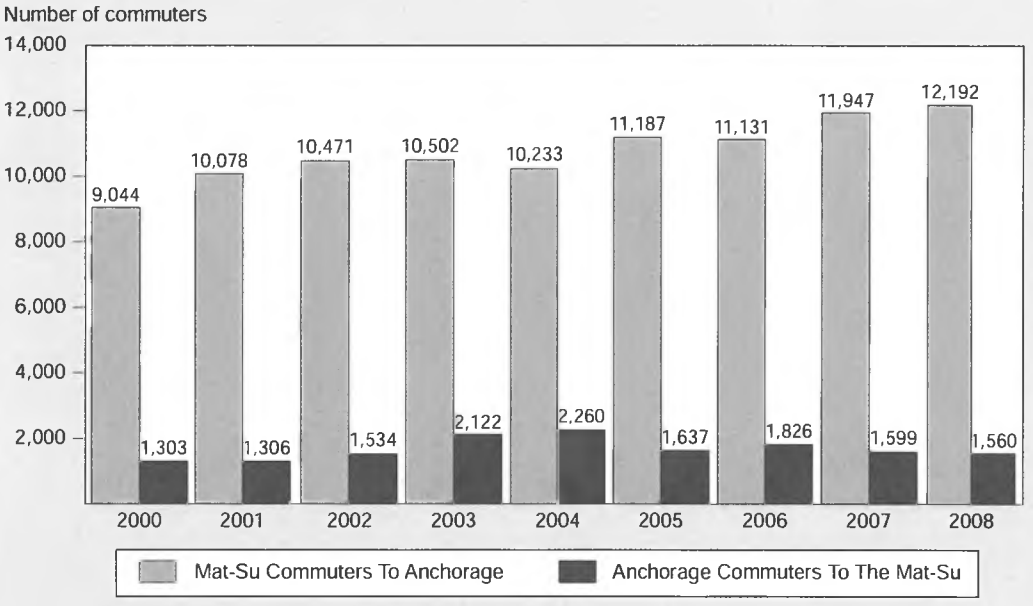
light on where these residents work. (See Exhibits 4, 5, 6, and 7.) According to these data (which exclude federal, uniformed military, and self-employed workers), nearly a third of the Mat-Su Borough's residents work in Anchorage, and this hasn't changed much over the years. (See Exhibit 4.)

Unlike many areas that are home to a large population of commuters, the borough also has many residents that travel to remote job sites. For example, in 2008, 8 percent of the area's residents worked on the North Slope and another 5 percent held jobs in other distant places around the state.

Over the past decade, the proportion of commuters and those who work locally has not changed much. In both 2000 and 2008, 45 percent commuted beyond the borough's boundaries. However, an interesting trend emerged: workers were taking more jobs farther away. The number of commuters working on the North Slope doubled between 2005 and 2008 — a reflection of the employment rebound in the state's oil patch and the Mat-Su area's role as home to a large share of the state's oil industry workforce. The borough supplies the second-largest group of oil industry workers to the North Slope, after Anchorage.

There are many reasons so many Mat-Su residents commute, but two are paramount. The borough offers a competitive housing market, and the state's largest labor market (Anchorage) is within easy reach of most residents.

5 Commuter Traffic Continues to Grow[1] Matanuska-Susitna Borough, 2000 to 2008



[1]Excludes uniformed military, federal, and self-employed workers
Source: Alaska Department of Labor and Workforce Development, Research and Analysis

Primary Place of Work and Wages[1] 6
Matanuska-Susitna residents, 2008

	Number of Workers	Percent	Wages		Number of Workers	Percent	Wages
Matanuska-Susitna Borough	20,665	55%	$543,926,149	Bristol Bay Borough	48	0%	$1,557,543
Anchorage Municipality	12,192	32%	$553,470,946	Ketchikan Gateway Borough	43	0%	$1,064,649
North Slope Borough	2,858	8%	$222,468,891	Kodiak Island Borough	42	0%	$1,151,191
Kenai Peninsula Borough	359	1%	$14,978,354	Dillingham Census Area	41	0%	$1,515,610
Fairbanks North Star Borough	350	1%	$12,726,821	Lake and Peninsula Borough	41	0%	$1,347,090
Northwest Arctic Borough	142	0%	$9,893,588	Aleutians East Borough	40	0%	$1,207,105
City and Borough of Juneau	141	0%	$5,501,178	Wade Hampton Census Area	34	0%	$1,230,727
Valdez-Cordova Census Area	135	0%	$6,803,009	City and Borough of Sitka	21	0%	$487,742
Bethel Census Area	125	0%	$6,056,487	Skagway-Angoon Census Area	18	0%	$492,495
Nome Census Area	114	0%	$5,856,028	Wrangell-Petersburg Census Area	15	0%	$355,965
Denali Borough	96	0%	$2,334,864	Prince of Wales-Outer Ketchikan CA	12	0%	$411,236
Yukon-Koyukuk Census Area	79	0%	$3,268,004	Haines Borough	0	0%	$0
Southeast Fairbanks Census Area	71	0%	$3,650,749	Hoonah-Angoon Census Area	0	0%	$0
Aleutians West Census Area	60	0%	$3,468,193	City and Borough of Yakutat	0	0%	$0
Total	37,744	100%	$1,405,224,612				

[1]Excludes uniformed military, federal, and self-employed workers, 2008
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Housing is key to the economy

The numbers clearly show that a large part of the Mat-Su Borough's appeal is its affordable housing market. Other factors such as lifestyle and scenery probably play an important role, but they are more difficult (if not impossible) to quantify.

In 2010, the average sale price of a single-family home in the area was $239,572: just three-quarters of the price of a single-family home in Anchorage (see Exhibit 8) and significantly below the statewide average of $277,941. This difference is a strong enticement to those who want to live close to a larger city.

Measuring how many wage earners it takes to pay the average mortgage also shows why an Anchorage worker might choose to live in the Mat-Su area. It takes 1.2 Anchorage wage earners to pay the average Mat-Su mortgage versus 1.6 to buy a home in Anchorage.[1] (See Exhibit 9.) Because average wages in the borough are significantly lower than those in Anchorage, it also takes 1.6 wage earners for those who work in the Mat-Su to afford a home there, so those who live and work

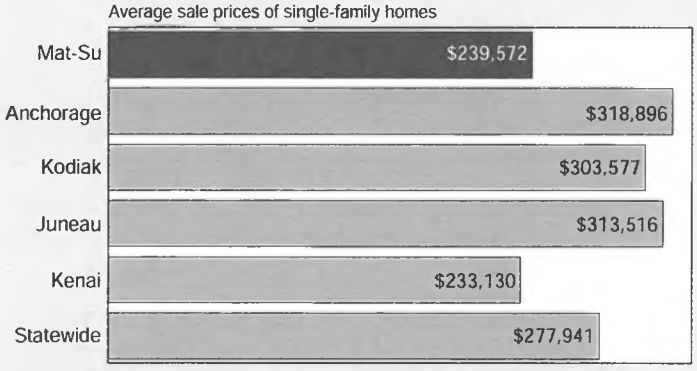
[1] The Alaska Affordability Index is a measurement of the number of wage earners necessary to afford an average home, based on workers who earn average wages for their geographic location, and the average price for a single family home.

Top 25 Employers[1] 7
Matanuska-Susitna Borough, 2009

Rank	Employer	Employment Range[2]
1	Matanuska-Susitna Borough School District	2,013
2	State of Alaska (excludes University of Alaska)	947
3	Mat-Su Regional Medical Center	500-749
4	Wal-Mart/Sam's Club	250-499
5	Fred Meyer	250-499
6	Matanuska-Susitna Borough	368
7	Matanuska Telephone Association	250-499
8	First Student	250-499
9	Carrs/Safeway	100-249
10	Federal government	235
11	Mat-Su Services for Children and Adults, Inc.	100-249
12	University of Alaska	165
13	First Student	100-249
14	Spenard Builders Supply	100-249
15	Chugach Government Services (Job Corps)	100-249
16	Target	100-249
17	City of Wasilla	143
18	Alaska Hotel Properties	100-249
19	Three Bears	100-249
20	Lowes	100-249
21	McDonald's Restaurants	100-249
22	Home Depot	100-249
23	Matanuska Electric Association	100-249
24	Alaska Home Care	100-249
25	Matanuska Valley Federal Credit Union	100-249

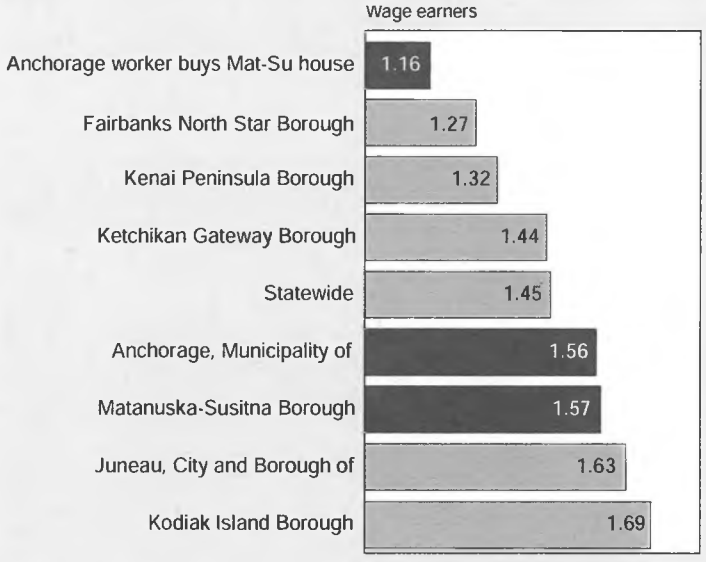
[1] Excludes federal employees and uniformed military
[2] Due to confidentiality restrictions, employment data for private-sector firms are provided in ranges.
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

8 Housing a Big Attraction in Mat-Su
First quarter, 2010



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

9 Buying a Single-Family Home
Wage earners needed to pay mortgage



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

in the Mat-Su don't see the benefit of the lower housing prices.

Most earnings come from elsewhere

One reason many residents choose to work outside the borough is that they can earn better wages elsewhere. (See Exhibit 10.) The average annual salary in the Mat-Su area in 2009 was $36,492, nearly $13,000 less than in Anchorage. Even higher wages are available on the North Slope and elsewhere in Alaska. The borough's wages tend to be lower because of the prevalence of retail and service jobs. (See Exhibit 11.)

More of the higher paying jobs — such as those in oil, transportation, government, and the military — are also based elsewhere in the state. In 2008, Mat-Su residents earned more of their wages in Anchorage than they did at home, and 61 percent of all earnings came from outside the borough. (See Exhibit 6.)

Mat-Su provides services statewide

Besides the visitor industry and the housing market, other types of businesses provide services to the rest of the state, bringing new jobs into the Mat-Su area. These include Job Corps, Alaska Department of Corrections, GCI, and the surveying company TerraSond. Other examples are car dealers, greenhouses, farmer's markets, and others that cater to the local population as well as to Anchorage clientele.

A dynamic visitor sector

Bed tax receipts in the Mat-Su area more than tripled over the past five years — mainly due to the opening of large destination lodges — while visitor growth in most of the state was muted. The borough also has a well-developed visitor industry that caters to more independent travelers. A significant slice of its visitors come from Anchorage, and many own recreational property in the area.

Agriculture is still a player

The Mat-Su area remains the largest agricultural producer in the state. Most of its value is in crops like vegetables, potatoes, hay, and livestock. The recent explosion of farmer's markets in Southcental Alaska is boosting farming in the Mat-Su.

Population, population, population

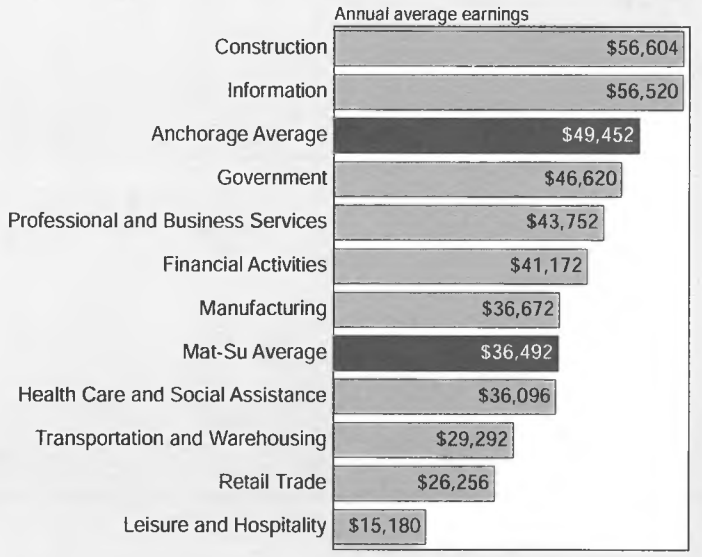
Since 2000, the borough's population has grown by 42 percent versus a 9 percent increase for An-

chorage and 10 percent statewide. (See Exhibit 12.) The Mat-Su's 2009 population of 84,314 is an increase of 24,992 people since 2000. Only Anchorage's absolute population grew more than that, but not by much. Unlike the rest of the state, most of this growth came from migration. (See Exhibit 13.) Overall, the borough went from comprising 7 percent of the state's population in 1990 to 12 percent in 2009. (See Exhibit 14.)

The demographics are different

The median age of the Mat-Su area's population is 34.5, one year older than the statewide median age and nearly four years older than the area's median age in 1990. (See Exhibit 15.) Its population is considerably less diverse than the state's — 84.1 percent white versus 70.4 percent statewide. The age breakdown of its population is similar to the state average, as is the ratio of men to women.

Average Annual Earnings 10
Matanuska-Susitna Borough, 2009



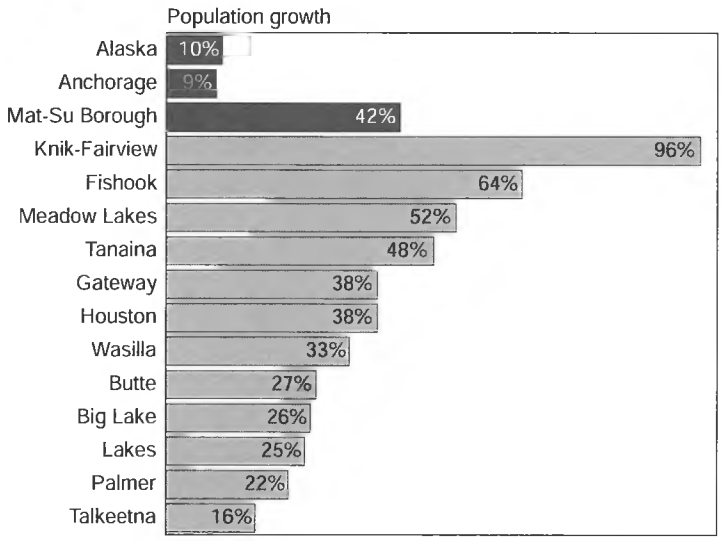
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Average Annual Wage and Salary Employment by Industry 11
Matanuska-Susitna Borough, 2000 to 2009

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Employment Change 2000-2009	Percent Change 2000-2009
Statewide	12,361	12,873	13,904	15,002	16,087	17,216	17,896	18,038	18,684	19,320	6,959	56%
Natural Resources	69	83	105	120	117	132	118	96	116	128	59	86%
Construction	1,163	1,298	1,439	1,546	1,736	1,850	1,788	1,602	1,648	1,577	414	36%
Manufacturing	118	140	167	221	214	218	221	246	281	249	131	111%
Trade	2,467	2,510	2,609	2,755	3,036	3,386	3,432	3,429	ND	ND	*	*
Retail	2,394	2,435	2,547	2,670	2,928	3,268	3,313	3,296	3,429	3,491	1,097	46%
Transportation, Warehousing	259	280	397	453	543	559	539	781	814	809	550	212%
Utilities	152	147	137	147	148	145	143	141	ND	ND	*	*
Information	405	407	401	498	520	534	557	663	646	659	254	63%
Financial Activities	368	362	404	494	551	589	702	744	728	751	383	104%
Professional Services	703	731	805	836	894	912	943	856	929	989	286	41%
Educational and Health Care Services	1,771	1,807	1,970	2,293	2,424	2,608	2,827	2,900	3,020	3,353	1,582	89%
Health Care/Social Assistance	1,561	1,603	1,736	1,979	2,161	2,339	2,503	2,582	2,692	3,094	1,533	98%
Leisure and Hospitality	1,323	1,446	1,579	1,760	1,917	2,053	2,234	2,301	2,333	2,274	951	72%
Accommodations/Eating and Drinking	1,149	1,218	1,364	1,524	1,645	1,775	1,970	2,025	1,983	1,909	760	66%
Accommodations	255	200	228	396	447	538	647	675	635	542	287	113%
Eating and Drinking	894	1,018	1,136	1,127	1,198	1,238	1,323	1,350	1,347	1,368	474	53%
Other Services	477	423	548	518	550	572	588	601	626	691	214	45%
Government	3,042	3,140	3,344	3,357	3,426	3,649	3,741	3,658	3,819	4,040	998	33%
Federal Government	206	163	171	182	192	203	223	199	207	235	29	14%
State Government	876	896	904	952	963	990	1,011	1,002	1,058	1,111	235	27%
Local Government	1,960	2,081	2,269	2,223	2,272	2,457	2,507	2,456	2,554	2,694	734	37%

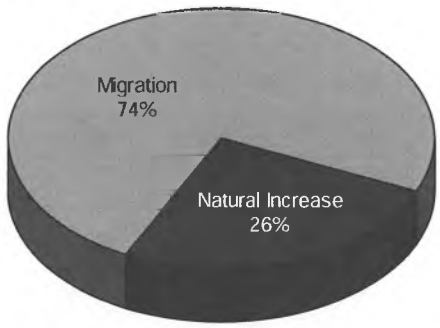
ND: Not disclosable
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

12 Dramatic Population Growth
Matanuska-Susitna Borough, 2000 to 2009



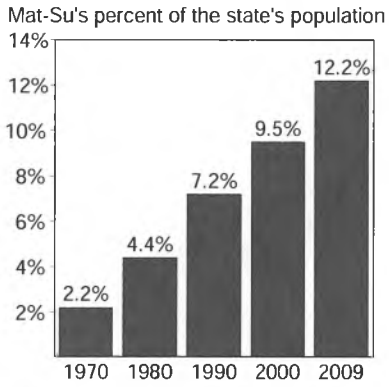
Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section, and U.S. Census Bureau

13 Growth Mostly Migration
Mat-Su Borough, 1970 to 2009



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

14 Growing Share of Alaska
Mat-Su Borough, 1970 to 2009



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

There are more married couples and family households in the borough (two or more people related by blood or marriage) than there are statewide, and those households are considerably bigger. The average family size in the Mat-Su was 4.3, versus 3.4 statewide. Median household income was $67,132 — close to the statewide average, but 7 percent below Anchorage.

Hints of a continued bright future

If Southcentral Alaska's economy continues to grow, the Mat-Su area will undoubtedly continue to capture a lopsided share of that action. The combination of its cost advantages and land availability is hard to beat. If projects such as a new coal mine, a rail extension, or Knik Arm crossing come to fruition or if Port MacKenzie attracts significant business, they too could become factors. But the economic fundamentals are likely to remain the most important factors in the borough's future: providing a competitive housing market, making more goods and services available locally, and finding new ways to sell goods and services to the rest of the state.

A Demographic Snapshot
Matanuska-Susitna Borough, 2006 to 2009

15

2009 Population Estimates

	Mat-Su Borough	Anchorage	Alaska
Total Population	84,314	290,588	692,314
Median Age	34.5	33.1	33.5
Race			
White	84.1%	72.8%	70.4%
Native American	7.5%	9.5%	16.2%
Black	1.9%	5.9%	3.8%
Asian/Pacific Islanders	2.1%	6.7%	4.8%
Two or More Races	4.4%	5.1%	4.8%
Age			
Under 5	7.9%	8.3%	8.4%
18+	70.4%	71.8%	71.1%
65+	7.6%	7.1%	7.5%
Female	48.8%	49.9%	49.0%

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

[1]A family household is two or more people living together who are related by blood or marriage.
[2]Poverty is measured using thresholds in a matrix that cross-classifies a variety of factors, such as family size, composition, and the number of people under age 18.

American Community Survey 2006-2008

	Mat-Su Borough	Anchorage	Alaska
Total population	82,485	278,716	681,235
Type of households			
Average family size	4.3	3.2	3.4
Average household size	3.8	2.7	2.8
Family household[1]	73.1%	67.4%	67.7%
Born in Alaska	36.2%	33.5%	38.9%
Labor force	66.2%	74.7%	72.3%
Income			
Median household income	$67,132	$72,137	$66,293
Median family income	$74,232	$84,443	$77,020
Living in poverty[2]	9.6%	7.6%	9.5%
Educational attainment (age 25+)			
Less than ninth grade	2.6%	3.3%	3.6%
Ninth to 12th grade, no diploma	7.8%	4.9%	5.8%
High school graduate or equivalent	32.7%	23.7%	28.5%
Some college, no degree	27.6%	27.4%	27.5%
Associate's degree	9.6%	8.3%	8.1%
Bachelor's degree	12.9%	20.7%	16.8%
Graduate or professional degree	6.8%	11.6%	9.7%
Veterans	15.6%	15.6%	14.7%
Housing			
Owner-occupied housing units	80.6%	61.6%	64.1%
Renter-occupied housing units	19.4%	38.4%	35.9%
Mean travel time to work in minutes	33.7	18.1	18.1

Source: U.S. Department of Commerce, Bureau of the Census, American Community Survey, 2006-2008, Three-Year Estimates

A Safety Minute

Tread safely this winter

Winter is here, and so are icy, slippery conditions. Slips and falls are the number two cause of accidental death and disability behind vehicle accidents, so please be prepared this season. Preparation may mean anything from studded tires or chains on our vehicles to personal traction devices on our shoes. There are many types of traction devices available depending on your needs. Here are a few more winter travel tips:

- Wear footwear with maximum traction.
- Remove snow immediately from walkways or driveways before it becomes packed or turns to ice.
- Prevent ice from forming by spreading an ice melt product, and always read the directions before use.
- Walk defensively in parking lots, because cars and trucks cannot stop as fast on ice and snow.
- Watch your footing while exiting a vehicle; hold on to the vehicle for more stability.

By NEAL FRIED, Economist

Employment Scene

Unemployment rate at 7.9 percent

Alaska's seasonally adjusted unemployment rate for October inched up to 7.9 percent. September's rate was revised down slightly, from 7.8 percent to 7.7 percent.

The comparable national jobless rate for October was 9.6 percent, unchanged from September. Exactly a year ago, the national unemployment rate was 10.1 percent, compared to 8.4 percent for Alaska. The improvement in Alaska's jobless rate has been similar to the nation's, but October marks the second straight year that Alaska's unemployment rate has been lower than the national rate.

Winter unemployment begins to climb

Not seasonally adjusted unemployment rates increased in most of the state's regions in October. This is typical when Alaska's labor market enters its winter slump. Fishing declines, the visitor industry is nearly shuttered, and the construction industry buttons down for mostly indoor work. Another sign of the seasonal downturn is October's increase in the number of regular weeks claimed for unemployment — from 8,583 in September to 10,106 in October.

In nearly all regions, unemployment rates rose in October but remain below year-ago levels. For example, the Gulf Coast region's rate rose to 9.0 percent, from 7.9 percent in September — but that's still lower than last year's 9.8 percent.

Seasonal industries contract

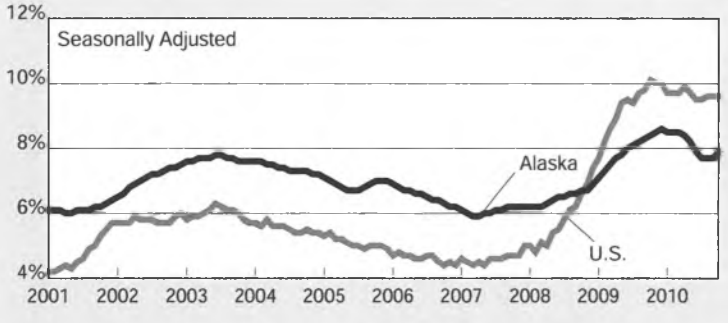
The North Slope Borough and Juneau had the lowest October unemployment rates, and the Wade Hampton Census Area and Skagway had the highest. Although Wade Hampton frequently has one of the highest rates in the state, Skagway had the second-lowest jobless rate in the state just last month. The end of the tourism season explains Skagway's dramatic unemployment shift.

Employment on the rebound in 2010?

Preliminary second-quarter data from the 2010 Census of Employment and Wages (QCEW) became available recently, and the results are intriguing. (Nearly all the QCEW employment is based on quarterly payroll reports provided by employers around the state.) Over-the-year changes in total employment turned negative during the second, third, and fourth quarters of 2009; were mixed during the first quarter of 2010; but turned positive during the second quarter of 2010 (see Exhibit 2).

Why is this important? In 2009, after employment grew for 21 straight years in Alaska, it stopped and lost some ground. That year, employment fell by approximately 0.5 percent, a modest decline but still a loss. Many economic observers, including this author, expected this trend to continue through most of 2010. Instead, only February's over-the-year changes are negative so far. In addition, each

1 Unemployment Rates, Alaska and U.S.
January 2001 to October 2010

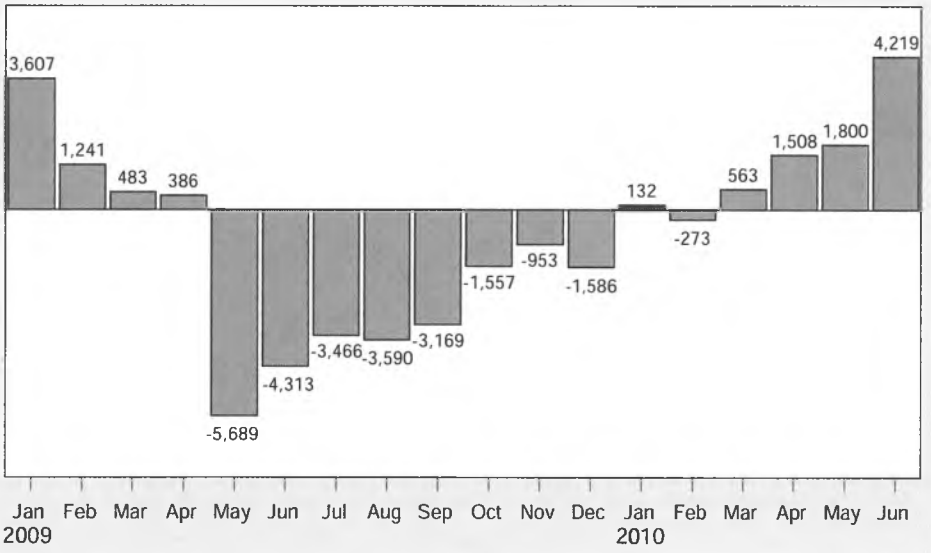


Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

following month has turned increasingly positive. As a result, average employment during the first half of 2010 was up 0.4 percent, or 1,325 jobs, over the same period in 2009 — a small gain, but positive nonetheless.

The jury is still out for 2010, at least until the third-quarter QCEW numbers become available (especially because the third quarter represents peak economic activity of the year). If the trend remains positive in 2010, Alaska will have come through the national recession largely unscathed.

Possible Overall Employment Growth in 2010 2
Alaska, 2009 to 2010



Source: Quarterly Census of Employment and Wages (QCEW).

3 Statewide Employment
Nonfarm wage and salary

Alaska	Preliminary 10/10	Revised 9/10	Revised 10/09	Year-Over-Year Change 10/09	90% Confidence Interval	
Total Nonfarm Wage and Salary[1]	319,000	333,100	320,000	-1,000	-8,383	6,383
Goods-Producing[2]	43,000	49,300	42,800	200	-2,684	3,084
Service-Providing[3]	276,000	283,800	277,200	-1,200	–	–
Mining and Logging	14,600	14,600	15,000	-400	-1,193	393
Mining	14,200	14,200	14,700	-500	–	–
Oil and Gas	11,800	11,600	12,500	-700	–	–
Construction	16,700	18,400	17,400	-700	-3,283	1,883
Manufacturing	11,700	16,300	10,400	1,300	306	2,294
Seafood Processing	7,400	11,800	6,400	1,000	–	–
Trade, Transportation, Utilities	60,900	64,000	62,600	-1,700	-4,072	672
Wholesale Trade	6,000	6,300	6,100	-100	-656	456
Retail Trade	34,800	35,600	35,700	-900	-2,928	1,128
Food and Beverage Stores	6,000	6,100	6,300	-300	–	–
General Merchandise Stores	10,000	10,100	10,300	-300	–	–
Transportation, Warehousing, Utilities	20,100	22,100	20,800	-700	-1,738	338
Air Transportation	5,400	5,600	6,100	-700	–	–
Truck Transportation	2,900	3,100	3,200	-300	–	–
Information	6,400	6,300	6,500	-100	-681	481
Telecommunications	4,300	4,200	4,300	0	–	–
Financial Activities	14,600	14,900	15,000	-400	-2,343	1,543
Professional and Business Services	25,200	26,200	25,600	-400	-2,193	1,393
Educational[4] **and Health Services**	41,900	41,600	39,900	2,000	732	3,268
Health Care	30,400	30,400	28,900	1,500	–	–
Leisure and Hospitality	28,900	32,500	29,700	-800	-2,837	1,237
Accommodations	6,400	8,900	6,000	400	–	–
Food Services and Drinking Places	18,700	19,000	17,900	800	–	–
Other Services	11,800	11,700	11,600	200	-2,976	3,376
Government	86,300	86,600	86,300	0	–	–
Federal Government[5]	16,400	17,500	16,700	-300	–	–
State Government	26,400	26,600	26,300	100	–	–
State Government Education[6]	8,200	8,100	8,100	100	–	–
Local Government	43,500	42,500	43,300	200	–	–
Local Government Education[7]	25,800	24,300	24,700	1,100	–	–
Tribal Government	3,900	3,900	3,700	200	–	–

5 Regional Employment
Nonfarm wage and salary

	Preliminary 10/10	Revised 9/10	Revised 10/09	Changes from 9/10	Changes from 10/09	Percent Change 9/10	Percent Change 10/09
Anch/Mat-Su	173,100	176,300	172,000	-3,200	1,100	-1.8%	0.6%
Anchorage	152,450	154,650	151,700	-2,200	750	-1.4%	0.5%
Gulf Coast	28,800	32,600	28,100	-3,800	700	-11.7%	2.5%
Interior	44,850	48,350	44,500	-3,500	350	-7.2%	0.8%
Fairbanks[8]	38,700	40,200	38,300	-1,500	400	-3.7%	1.0%
Northern	20,200	19,950	20,450	250	-250	1.3%	-1.2%
Southeast	34,800	39,100	34,900	-4,300	-100	-11.0%	-0.3%
Southwest	18,000	20,000	18,000	-2,000	0	-10.0%	0.0%

A dash indicates that confidence intervals aren't available at this level.

[1] Excludes the self-employed, fishermen and other agricultural workers, and private household workers. For estimates of fish harvesting employment, and other fisheries data, go to labor.alaska.gov/research/seafood/seafood.htm.

[2] Goods-producing sectors include natural resources and mining, construction, and manufacturing.

[3] Service-providing sectors include all others not listed as goods-producing sectors.

[4] Private education only

[5] Excludes uniformed military

[6] Includes the University of Alaska

[7] Includes public school systems

[8] Fairbanks North Star Borough

Sources for Exhibits 1, 2, and 3: Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Department of Labor, Bureau of Labor Statistics

Sources for Exhibit 4: Alaska Department of Labor and Workforce Development, Research and Analysis Section; also the U.S. Department of Labor, Bureau of Labor Statistics, for Anchorage/Mat-Su and Fairbanks

4 Unemployment Rates
Borough and census area

	Prelim. 10/10	Revised 09/10	Revised 10/09
SEASONALLY ADJUSTED			
United States	**9.6**	**9.6**	**10.1**
Alaska Statewide	**7.9**	**7.7**	**8.4**
NOT SEASONALLY ADJUSTED			
United States	**9.0**	9.2	9.5
Alaska Statewide	**7.6**	**7.3**	**8.0**
Anchorage/Mat-Su Region	**6.9**	**6.9**	**7.3**
Municipality of Anchorage	6.5	6.7	6.8
Matanuska-Susitna Borough	8.3	7.9	8.9
Gulf Coast Region	**9.0**	**7.9**	**9.8**
Kenai Peninsula Borough	9.6	8.8	10.4
Kodiak Island Borough	6.5	5.4	7.3
Valdez-Cordova Census Area	9.4	6.4	9.8
Interior Region	**7.3**	**6.8**	**7.9**
Denali Borough	14.6	4.1	17.2
Fairbanks North Star Borough	6.6	6.3	7.1
Southeast Fairbanks Census Area	9.6	9.1	9.8
Yukon-Koyukuk Census Area	13.3	13.3	14.5
Northern Region	**9.4**	**9.8**	**9.2**
Nome Census Area	11.9	12.6	12.1
North Slope Borough	5.5	5.4	5.3
Northwest Arctic Borough	12.4	13.6	12.2
Southeast Region	**7.4**	**6.2**	**7.8**
Haines Borough	8.1	4.8	9.7
Hoonah-Angoon Census Area[1]	13.8	10.0	18.3
Juneau, City and Borough of	5.8	5.3	6.2
Ketchikan Gateway Borough[1]	7.5	6.0	7.3
Prince of Wales-Outer Ketchikan CA[1]	13.1	13.2	14.0
Sitka, City and Borough of	6.2	5.5	6.9
Skagway, Municipality of[1]	20.4	3.9	13.2
Wrangell-Petersburg Census Area[1]	9.1	7.7	10.0
Yakutat, City and Borough of	8.4	6.7	8.4
Southwest Region	**12.1**	**11.8**	**12.5**
Aleutians East Borough	8.1	7.8	9.9
Aleutians West Census Area	8.1	7.8	9.9
Bethel Census Area	13.4	14.8	13.3
Bristol Bay Borough	6.3	3.0	6.4
Dillingham Census Area	10.2	8.6	10.4
Lake and Peninsula Borough	6.9	5.7	6.8
Wade Hampton Census Area	18.1	18.7	19.1

[1] Because of the creation of new boroughs, this borough or census area has been changed or no longer exists. Data for the Skagway Municipality and Hoonah-Angoon Census Area (previously Skagway-Hoonah-Angoon Census Area) became available in 2010. Data for the Wrangell Borough, and Petersburg and Prince of Wales-Hyder census areas will be available in 2011. Until then, data will continue to be published for the old areas.

Changes in Producing the Estimates

The U.S. Department of Labor's Bureau of Labor Statistics has implemented a change to the method used to produce statewide wage and salary employment estimates. That change has resulted in increased monthly volatility in the wage and salary estimates for many states, including Alaska. Therefore, one should be very cautious in interpreting any over-the-year or month-to-month change for these monthly estimates. The Quarterly Census of Employment and Wages series may be a better source of information for trends analysis (http://labor.alaska.gov/qcew.htm).

For more current state and regional employment and unemployment data, visit our Web site: **laborstats.alaska.gov**

Employer Resources

On-the-job training benefits employers as well as workers

As an employer looking to hire new staff, consider establishing an on-the-job training (OJT), which allows you to tap a larger pool of candidates who may need additional training to become qualified.

On-the-job training provides a range of benefits. In addition to helping find, train, and pay candidates while they work, OJTs also reimburse part of the employee's wages during the training period — often a motivating factor for employers. Employers may train workers to meet their specific needs, and OJT hires tend to be more loyal to employers who have provided better career opportunities through training.

The Alaska Department of Labor and Workforce Development's Employment Security Division provides OJTs and wage reimbursement through the Alaska Job Center Network.

The on-the-job training process

The Alaska Job Center looks for candidates who may be a good match for vacant positions, and evaluates the interested employer and the job for OJT eligibility. If eligible, the employer may interview candidates prior to an assessment of the employer's needs and the prospective worker's skills.

The Alaska Job Center uses the WorkKeys®* assessment to compare the individual's abilities to the skills required for the position — this is called a Skills Gap Analysis — and uses this analysis to create a training plan. To finalize the OJT, both parties sign an agreement that delineates the training plan, reimbursement amount, and length of the training.

Throughout the OJT, the job center monitors the work to ensure participants and employers adhere to the training plan, then reimburses employers as outlined in the agreement.

How to seek an on-the-job training

For more information about on-the-job training, contact the Alaska Job Center Network at (877) 724-2539 or go to www.jobs.alaska.gov/offices to find a job center near you.

OJTs are available to public, private nonprofit, and private sector employers based on availability. However, OJTs are not available for gambling establishments, swimming pools, aquariums, zoos, or golf courses. Also, because OJTs are meant to train people for full-time, long-term jobs, they may not be used for high-turnover, part-time, low-skill, or seasonal positions.

**To learn more about WorkKeys® and the Alaska Career Ready Program, visit jobs.alaska.gov/acrw.html.*

SB 44 = SUPPORT
(PROVIDED BY SPONSOR)

City of Coffman Cove

PO Box 18135
102 Denali
Coffman Cove, AK. 99918
Phone: (907) 329-2233 Fax: (907) 329-2212
Email: coffmancove@msn.com

1-18-2011

Chris Maisch
State of Alaska
Department of Natural Resources
Division of Forestry
550 W. 7th Avenue, Suite 1450
Anchorage, AK 99501

RECEIVED
JAN 26 2011
State of Alaska
DNR-Division of Forestry

RE: State Forest

Dear Chris:

The City of Coffman Cove fully supports the inclusion of additional lands to the State Forest. The addition of 23,181 acres will ensure the future of a small timber industry in Southeast Alaska. The concept of a State Forest is a good management tool to help Southeast Alaska diversify its economy to include timber harvest along with tourism and fishing.

Coffman Cove has a long history as a logging community. While we are trying to incorporate other industries, timber is still an important part of our lifestyle and economy. Other communities in Southeast Alaska find themselves in similar situations. With the shift in US Forest Service management of the Tongass National Forest we find ourselves in a situation where planning for the future is impossible. The establishment of the State Forest will allow some sensible management practices. The additional acreage will ensure there is enough land base to provide some stability.

Please feel free to copy this letter to use in any capacity to support the State Forest. I will write a similar letter to Senator Stedman and Representative Johansen.

Sincerely,

Elaine Price

Elaine Price
City Administrator

RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

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January 5, 2011

Mr. Chris Maisch, State Forester
Division of Forestry
550 W. 7th Avenue, Suite 1450
Anchorage, AK 99501

RE: Additional Lands to Southeast State Forest

Dear Mr. Maisch:

The Resource Development Council (RDC) is writing to support the inclusion of an additional 23,181 acres to the Southeast State Forest. This state land in southern Southeast Alaska is appropriately suited for inclusion into the new state forest as it has been consistently managed for timber harvest. A state forest designation over these lands would expand the Southeast State Forest to 48,472 acres and ensure they will remain in state ownership and contribute to the long-term viability of the forest products industry in Southeast Alaska.

RDC is a statewide, non-profit, membership-funded organization founded in 1975. The RDC membership is comprised of individuals and companies from Alaska's oil and gas, mining, timber, tourism, and fisheries industries, as well as Alaska Native corporations, local communities, organized labor, and industry support firms. RDC's purpose is to link these diverse interests together to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

RDC supported the creation of the 25,291-acre Southeast State Forest, which was established in June 2010. In Southeast Alaska, demand for state timber exceeds supply and local mills are dependent on a consistent supply to stay in business. The majority of the timber in Southeast Alaska is on federal land, but federal timber sales have declined sharply. Subsequently, the demand for state timber from local mills has increased significantly.

Much of the new state forest was inherited from the U.S. Forest Service with young second-growth stands. There is broad support for shifting timber harvesting in Southeast Alaska from old growth to second growth stands. The new state forest and the proposed additional parcels to it will help provide a sustainable timber supply to local mills and accelerate the harvest of second-growth timber. Actively managed second-growth stands will provide more timber volume per acre on shorter rotations.

The shift to second-growth harvesting can be accelerated and timber volume increased on state land by thinning these stands. However, thinning is a long-term investment and is only justified if the land will be available for timber harvesting.

The Division of Forestry will manage the state forest for a long-term supply of timber to local processors, and retain the land in state ownership for multiple use, including wildlife habitat and harvest, as well as recreational activities. The forest will be managed as part of the State Forest System in accordance with a new management plan that will be developed within the next three years. In the interim, existing guidance under the current Prince of Wales Island Area Plan and Central/Southern Southeast area plans will apply.

RDC supports the proposed additions to the Southeast State Forest from lands currently available for timber harvest and believes a larger state forest in the region will benefit the economy.

Sincerely,

Carl Portman
Deputy Director

121 West Fireweed Lane, Suite 250, Anchorage, Alaska 99503-2035
Phone: 907-276-0700 Fax: 907-276-3887 Email: resources@akrdc.org Website: www.akrdc.org

Alaska Forest Association, Inc.

111 STEDMAN STREET, SUITE 200
KETCHIKAN, ALASKA 99901
Phone: 907-225-6114
Fax: 907-225-5920
E-mail: afa@akforest.org

January 12, 2011

Chris Maisch
State Forester
Alaska Division of Forestry
550 W. 7th Ave., Suite 1450
Anchorage, AK 99501

RE: Support of Additional Lands to Southeast State Forest

Dear Chris:

The Alaska Forest Association supports inclusion of an additional 23,181 acres to the Southeast State Forest. The state's timber sale program in Southeast is very small, but very effective. The federal government controls about 94% of the land in Southeast Alaska but they have been supplying only about 20% of the timber that our industry has harvested in the last few years. While State and private timberlands have supplied the other 80%, this has not been sufficient to keep our mills operating. Currently we have only a single medium-size mill still operating in the region along with a handful of very small mills.

Unlike the federal forest management program, the State effort has provided economically viable timber sales on a regular and consistent basis within the constraints of sustained yield principles. In addition to supporting our timber industry the State's timber sale program brings in revenue in the form of stumpage payments that are invested back into the statewide forest management program.

Dedicating more State lands in Southeast Alaska to long-term forest management helps ensure these lands will continue to support the State timber sale program. This helps sustain our remaining timber industry until we can either overcome the impediments that make the federal timber unavailable or until we can persuade Congress to allow the State to own or manage a significant portion of the Tongass. By dedicating lands for long-term forest management the State is better positioned to invest in practices that enhance forest productivity, such as pre-commercial thinning. By increasing the growth and yield from the State Forest, more timber can be supplied to our industry from these lands in perpetuity.

We urge you to support the current efforts to increase the size of the Southern Southeast State Forest.

Sincerely,

Owen Graham
Executive Director
Alaska Forest Association

Society of American Foresters
Growing better all the time

January 31, 2011

Alaska, SAF
C/o Maynard Nuss
Executive Secretary
521 High View Drive
Anchorage, Alaska 99515-3716

Governor Parnell
P.O. Box 110001
Juneau, AK 99811-0001

Dear Governor Parnell,

The Alaska Society of American Foresters (SAF) is Alaska's organization of professional foresters and other natural resource scientists dedicated to the sustainable management and protection of Alaska's forests and related resources.

The Alaska Society of American Foresters and Southeast state chapters have reviewed the HB 105 and corresponding Senate Bill 44 – which will add an additional 23,181 acres of State lands to the 25,291 acre existing Southeast State Forest established last year. This expanded Southeast State Forest of 48,474 acres will be managed by the Department of Natural Resource' Division of Forestry, which has an exemplary record of managing Alaska's forests and related resources.

The Alaska SAF commends the Governor Parnell and the Alaska Legislature for the establishment of a SE Alaska State Forest.

The Alaska Society of American Foresters is please to support HB 105. Enactment of HB 105 will enable the Department of Natural Resources Division of Forestry to sustainably manage the timber, fisheries, wildlife, waters, recreation, and other multiple benefits that will strengthen the local economy, provide jobs, and improve quality of life of all Southeast Alaska communities.

Sincerely,

Kathryn S. Pyne,
Alaska SAF, Chair

Cc: Southeast Legislature Delegation; Alaska Congressional Delegation, State Forester Chris Maisch, Southeast Conference, USFS Regional Forester Beth Pendleton, and National SAF.

RESOURCE DEVELOPMENT COUNCIL

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January 5, 2011

Mr. Chris Maisch, State Forester
Division of Forestry
550 W. 7th Avenue, Suite 1450
Anchorage, AK 99501

RE: Additional Lands to Southeast State Forest

Dear Mr. Maisch:

The Resource Development Council (RDC) is writing to support the inclusion of an additional 23,181 acres to the Southeast State Forest. This state land in southern Southeast Alaska is appropriately suited for inclusion into the new state forest as it has been consistently managed for timber harvest. A state forest designation over these lands would expand the Southeast State Forest to 48,472 acres and ensure they will remain in state ownership and contribute to the long-term viability of the forest products industry in Southeast Alaska.

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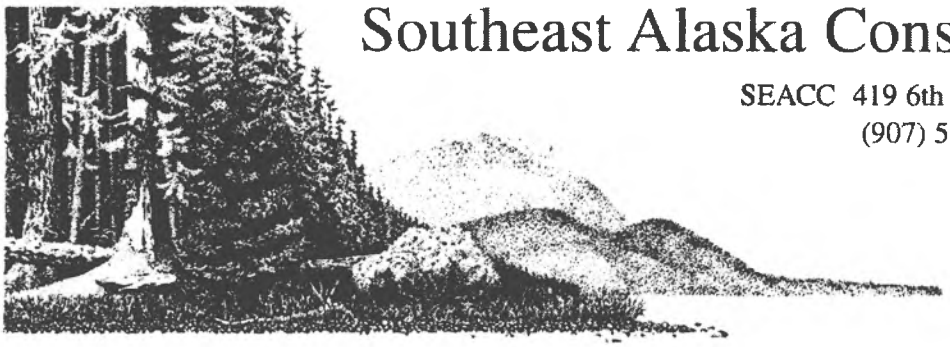
Sincerely,

Carl Portman
Deputy Director

121 West Fireweed Lane, Suite 250, Anchorage, Alaska 99503-2035
Phone: 907-276-0700 Fax: 907-276-3887 Email: resources@akrdc.org Website: www.akrdc.org

SB 44 = OPPOSITION



Southeast Alaska Conservation Council

SEACC 419 6th Street, Suite 200, Juneau, AK 99801
(907) 586-6942 phone • (907) 463-3312 fax
www.seacc.org • info@seacc.org

Senator Joe Paskvan
State Capitol Room 115
Juneau AK, 99801

February 04th, 2011

Senator Tom Wagoner
State Capitol Room 427
Juneau AK, 99801

Re: Bills Relating to Southeast State Forest Need to Balance Timber with Other Uses

Dear Senators Paskvan and Wagoner;

The Southeast Alaska Conservation Council appreciates the opportunity to comment on SB 44 and HB 105.

Issue: On January 18, 2011, Governor Parnell transmitted SB 44 and HB 105 to the legislature for consideration, which would add 23,181 acres of land to the Southeast State Forest (SESF).[1] These identical bills would nearly double the size of the 25,291 acre SESF established by the Legislature in 2010.[2] Last year, SB 225 proposed transferring five of the 23 parcels to be added – about 21 percent of the lands – to the University of Alaska. That bill did not pass.

Concerns: Logging is the main priority for the SESF. Fish and wildlife habitat and community use are secondary. Adding more land to the SESF creates and imbalance between timber development and other uses. Solutions are:

1. **Balance new timber lands with new State Parks;**
2. **Remove land parcels with important to fish and wildlife habitat from legislation.**

Points of concern with SB 44 and HB 105 --

1. Designating this much state land for timber-first management in Southeast Alaska is imbalanced. If SB 44 is enacted, nearly 49,000 acres of state lands in Southeast Alaska will be managed primarily for timber production, when only 25,000 acres is designated for state parks, refuges, and other public use areas.
2. Less than 16 percent of all the State-owned land in Southeast Alaska is safeguarded for the long-term use and enjoyment of current and future generations of Alaskans.
3. DNR wants to add lands to the Southeast State Forest in order to make the long-term investments in actively managing 2nd growth timber stands a realistic management

[1] http://forestry.alaska.gov/pdfs/2011PublicBriefingHB105.pdf
[2] http://forestry.alaska.gov/pdfs/Fact_Sheet_on_SESF.pdf

option. If so, then including the Hook Arm parcel on Dall Island and the Kuiu Island parcel at the mouth of Rowan Bay does not make sense.

a. Hook Arm parcel (nearly 1,000 acres)
    i. all old-growth timber
    ii. the Alaska Heritage Resources Survey reports prehistoric heritage sites in or around this unit
    iii. pink salmon anadromous stream in unit
    iv. contains significant karst and cave resources
b. Rowan Bay parcel (652 acres)
    i. Over 80 percent of the parcel is old-growth timber
    ii. There are two anadromous streams (pink, chum, & coho)
    iii. Currently, DNR manages the parcel to maintain and retain old-growth habitat for wildlife and salmon.[3]
    iv. The Plan also states: "There are numerous heritage sites within the parcel, including the site of the prehistoric Rowan Village."

4. Given the distance of the Hook Arm and Rowan Bay parcels from the nearest community, the timber will likely be exported.
    a. Exporting Alaska wood means exporting Alaska jobs and the fish and wildlife resources this old-growth habitat supports.
    b. Nearly 27 percent of the timber sold from State lands in Southeast Alaska the last four years was isolated timber on Zarembo Island like that in Hook Arm and Rowan Bay and sold without a local manufacture requirement. This timber could be exported.
5. AS 41.17.210(a) requires that "[t]he proposal of the governor include a report and recommendations of the commissioner including (1) a preliminary forest inventory . . . ." The only inventory information provided by DNR to support SB 44 and HB 105 is the gross acres for each parcel. This is woefully insufficient to evaluate fully the merits of this proposal.

Options for Resolution –

1. **Balance new timber lands with new State Parks.** Designate the following 7991 acres of state land as State Parks:
    - *Sumdum (near Juneau)* – 5 acres -- this small undeveloped parcel occupies the head of Sanford Cove and lies adjacent to a popular cruise ship, charter and recreational boat travel corridor to Tracy and Endicott Arms Wilderness; it is a historic and culturally significant site.
    - Cleveland Peninsula (near Ketchikan) – 4,055 acres -- this parcel consists of three distinct parts, all of which occupy the northern part of Cleveland Peninsula, located northwest of Ketchikan. These lands are highly used by a guided hunting businesses and an important stop over for a youth education program that is the single largest private employer in Wrangell.
    - Mite Cove (near Pelican) – 320 acres – important to the nearby community of Pelican for recreation and subsistence activities; key safe anchorage for commercial boaters, particularly important for a fish packing business key integral to the troll fishery.
    - Lynn Canal and William Henry Bay (near Haines) – 1679 acres—these two parcels are located on the east shore of Lynn Canal. The Lynn Canal uplands and tidelands

[3] http://dnr.alaska.gov/mlw/planning/areaplans/cs_southeast/pdf/adoptchap3.pdf at p. 3-71

are recommended for designation as a State Marine Park in the Northern Southeast Area Plan (p.3-84).[4]

- *Rowan Bay (652 acres)* (see description of values above)
- *Hook Arm (Dall Island)* – 1,280 acres – (see description of values above)

The proposed conveyance of the above lands to the University of Alaska last year in SB 225 created substantial public controversy. Public testimony shows these lands contain important cultural, historical, recreation, fish, wildlife and other important community values. We urge the Committee to safeguard these special recreational, scenic, cultural, historical, and wilderness values for the long-term benefit of Southeast Alaskans by designating them state parks.

Designating these lands as state parks will help balance the consumptive and non-consumptive uses of state lands in Southeast Alaska, which is key for maintaining both a strong economy and high quality of life in the region.

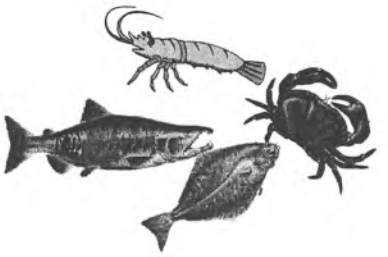
2. **Drop the Hook Arm and Rowan Bay parcels from SB 44 & HB 105 and request better inventory information from the Division of Forestry before proceeding further with the bill.**

Sincerely,

Buck Lindekugel

[4] http://dnr.alaska.gov/mlw/planning/areaplans/nseap/plan/chap3.pdf.

Southeast Alaska Fishermen's Alliance
9369 North Douglas Highway
Juneau, AK 99801
Phone: 907-586-6652 Email: seafa@gci.net
Fax: 907-523-1168 Website: http://www.seafa.org



February 18, 2011

Alaska State Legislature
Senate Resources Committee
Senator Tom Wagoner, Co-Chair
Joe Paskvan, Co-Chair
120th 4th Street, State Capitol, Room 3
Juneau, AK 99801-1182

RE: SB 44 – An Act relating to the Southeast State Forest

Southeast Alaska Fishermen's Alliance is a non-profit membership based organization that represents commercial fishermen participating in the salmon, crab, shrimp and longline fisheries of Southeast Alaska.

The timber industry in Southeast Alaska has long been an important industry to our region and mostly the timber and fishing industry have managed to co-exist successfully in this region. But, we are concerned as you expand the Southeast State Forest and re-emphasize logging on these lands that you consider the need to extend the logging buffer zones to a width of 100 feet rather than the current 66 feet buffer contained within the Forest Practices Act.

We understand the complexity of the Forest Practice Act and the lengthy battle that occurred to reach a compromise but we believe that it is equally important to be conservative and protect the habitat and watersheds that are so important to the health of our fishery resources.

The commercial fishing industry, subsistence, personal use, and recreational fishermen are all dependent upon maintaining healthy fisheries as are the

coastal communities and safeguarding the watershed systems with 100 foot buffers will go a long way in assuring us that we maintain healthy fishery resource that so many people depend upon.

Sincerely,

Kathy Hansen
Executive Director

Mary Jackson

From: Sen. Tom Wagoner
Sent: Monday, February 21, 2011 8:23 AM
To: Mary Jackson
Subject: FW: SE AK Timber Harvest Plan SB 44

-----Original Message-----
From: Marlene Clarke [mailto:mcwrg@aptalaska.net]
Sent: Sunday, February 20, 2011 8:30 AM
To: Sen. Tom Wagoner
Subject: SE AK Timber Harvest Plan SB 44

Dear Senator Wagoner,

Sorry I was not able to wait to testify yesterday.

I am concerned about setting state land aside for timber development. Without responsible timber harvest practices in place, there will be harm to fish and wildlife habitat. I am also against the export of round logs. Wrangell has a depressed economy and round log exports will take jobs away from this community. Any timber development in this area should create local jobs with the protection of fish and wildlife in the areas designated.

I also ask that Pats Creek drainage and Earl West be protected from timber harvest. Both areas are well used locally for sport fishing, recreation, with some commercial fishing in both areas. I have seen cohos and chums in Pats Lake. The lake and surrounding areas are well used by locals all year long. Both Earl West and Pats Creek drainage have great sites for launching canoes and kayaks. Also sport fishing for salmon off the beach in Pats Creek drainage is easily accessible to locals.

Sincerely yours,

Marlene Clarke
732 Case Ave.
P.O. Box 1020
Wrangell, AK 99929
907 305 0440

Petersburg Legislative Information Office
State of Alaska
Legislative Affairs Agency

PO Box 1470
Petersburg, AK 99833
Petersburg_lio@legis.state.ak.us
907.772.3741 Fax 772.3779

FAX TRANSMISSION

TO: **Senate Resources**
FAX: **907.465. 4779**
PHONE: **907.465. 4747/Mary Jackson**

DATE: **3.2. 2011**

1 page to follow this cover. Requested testimony notes follow up on SB44: Southeast State Forest given on February 19, 2011. Please provide a copy to all SRES Members.

Thank you,

Ellen Rojcewicz

Ellen Rojcewicz
Petersburg LIO

Testimony Notes on SB44:SE State Forest before Senate Resource Committee 2/19/2011

My name is Eric Lee and I am representing myself. I thank you for this opportunity to comment on SB44.

I was born in Petersburg on Mitkof Island in 1951 and subsistence hunted deer on Mitkof Island every year from the time I was a boy until the season on Mitkof was closed in 1975 due to the drastic decline of deer following extensive logging and two hard winters.

When I was young, before logging deforested much of the best deer winter habitat on Mitkof, game was plentiful. The deer and wolf populations rose and fell in the same natural cycle they had followed for millenia. The deer season was open from August through the end of the year and the limit was four deer.

Following the deer population crash and season closure in 1975, the deer made only a slow and partial recovery. Because of this, the season remained closed entirely for 16 years. In 1991 it was reopened for just two weeks and one buck. In spite of this very restricted management, the deer population has never recovered and, except for a small archery season, the deer season on Mitkof Island remains just two weeks and one buck.

This dramatic reduction in deer-carrying capacity of our island is directly attributable to the deforestation of deer winter range and the extensive system of logging roads on the island which allows poachers access to most of the island for road hunting, and easy traveling for the wolves that use the roads for their migratory hunting.

Much of the low elevation lands on the south side of Mitkof Island that once provided ideal habitat for deer and other animals was roaded and clear-cut during the 1960's, 70's, and 80's. The effect on our subsistence hunting in that area has been dramatic. These lands once were the breadbasket of our community, and now deer are hard to find. A hunter can hunt for days and not see a buck.

The four parcels of land on Mitkof Island, Favor Peak, South Mitkof, Frederick Point, and Woodpecker Cove that are included in this bill are in areas that have already sustained considerable damage from past logging. Of these four parcels, Woodpecker Cove is the most important to our community for subsistence and recreational uses. It has been heavily logged, but is in the process of making slow recovery. There is hope here that some day that area will again be the breadbasket it once was for our community. More logging in the area will set that recovery back many decades and likely some areas will never recover.

The geographic location of the Woodpecker Cove Parcel being higher elevation and facing the mouth of the Stikine River, would mean a very ugly clear-cut would be clearly visible from the mouth of the Stikine River, were that parcel ever logged.

For these reasons I urge the removal of the Woodpecker Cove parcel from this bill. The logging of the other three parcels on our island which has already been heavily logged, will result in further damage to the intact habitat that remains on this island. Therefore it is vitally important that the Woodpecker Cove parcel be withdrawn. It is far too important to our community for subsistence and recreation, and should be spared.

I thank you for your consideration of my comments.

Sincerely,

Eric Lee

Eric Lee P.O. Box 858, Petersburg, AK 99833 (907) 518-0901

P.O. Box 971
Wrangell, Alaska 99929
February 25, 2011

As a resident of Wrangell, Alaska, I am writing to urge you to consider the consequences of clear-cutting our forests. I do think we should consciously save something for our children's children and otherwise act responsibly concerning our planet and its forests.

Remember wildlife needs habitat
Remember salmon need habitat with buffer zones protecting streams

Our planet is our Garden of Eden to be used responsibly.

Thank you for using our forests wisely.

Cordially,

Jean Petticrew

Jean Petticrew

SB 44
HB 105

TESTIMONY OF RONALD R. WOLFE
SB 44 AN ACT RELATING TO THE SOUTHEAST STATE FOREST"
February 19, 2011

Mr. Chairman, members of the Senate Resources Committee, my name is Ronald Wolfe, I live in Juneau Alaska where I have been a professional forester since 1982. Currently, I am Sealaska Corporation Natural Resource Manager and I wish to offer my testimony in support of SB 44. Mr. Chris Maisch, Alaska State Forester has provided testimony of what this bill does and the specifics of the legislation and rather than repeat the all of the specifics of the bill I offer my concurrence with the information he provided to the committee.

In addition to that information it is important for the Senate Resources Committee to understand the precipitous situation of our Southeast region. Virtually every village and community has lost population over the past decade and The Alaska Economic Trends[1] in December forecast ever further declines in the future to the year 2034:

- (-14.2) % decline for Southeast as a region overall
- (- 33.9) % decline for Prince of Wales and outer Ketchikan
- (- 34.6) % decline for Wrangell-Petersburg
- and the discouraging news continues for every Borough and area in our region

Such population declines adversely impact everything, property values, the ability of communities to operate such basic things as schools, some villages may loose their school altogether, utilities, fuel and grocery delivery, transportation and the list goes on.

We need all of our industries in the face of such dire population forecasts, and it's no secret that the timber industry here is a mere shadow of itself and is on the verge of total collapse which if occurs moves Southeast Alaska closer to a catastrophic economic implosion. The industry today is supported metaphorically by a three legged stool; our timber comes from:

1. Sealaska Corporation and other private landowners
2. the Tongass National Forest, and
3. from the State of Alaska

We depend on each other to create enough critical mass to hang on, we use the same logging contractors, fuel suppliers, tug operators and the entire infrastructure that we need and that also helps to support Southeast Alaska overall.

Timber from these sales will be available for domestic manufacture and round log export. Both markets are important, wood that will go to the few remaining sawmills is important for their survival, but it is important to note that wood that is round log exported may provide higher revenues that make the timber sale economical to operate. In some instances our local mills actually export the logs themselves; so our local sawmills depend on round log export. Sealaska on the other hand is primarily in the round log

[1] Alaska Economic Trends December 2010: Table 9, page 10

export market, but we provide wood to local sawmills as well. So you see our industry is very inter-dependent on markets and infrastructure.

Some have expressed concern over round log export with a claim that we are exporting jobs. This is simply not the case. In addition to the economic contribution discussed earlier Sealaska commissioned an independent third party expert to investigate this in 2005. The McDowell Group[2] found that domestic manufacture creates 4.5 jobs per million board feet of harvest where as round log export creates 4.3 jobs per million board feet of harvest. Those who claim otherwise do not understand the jobs we create our sort yards and perhaps more importantly the stevedoring jobs for our ship loading.

The study further found that stevedoring and other round log export jobs allow the work force to remain in village where their families live, whereas domestic manufacture jobs require people to relocate to the community where the mill is located. Part time jobs such as stevedoring provide crucial income and allow rural village residents to pursue subsistence activities; both of which are necessary for survival. So you see round log export is important to such communities as Hydaburg, Hoonah and Kake for instance, whereas Viking Lumber is important for Craig and Klawock, and all of this is important for what remains of our industry. I offer the most recent report McDowell Group prepared[3] for Sealaska for the year 2008 for further information on the importance of round log export to our region.

It is important for the Committee to understand the land ownership of Southeast Alaska for the contextual setting of the bill. Southeast Alaska is about 23 million acres if one extends the 141st Meridian south and considers all of Alaska to the east to be our Southeast Region. Development is precluded over the vast majority of this region, some 89 %, most of this is owned by the federal government and is in parks, wilderness, national monuments and other classifications which preclude development altogether. Some is in State Parks. Development that occurs on the remaining lands must achieve resource protection first in order to comply with the Tongass Timber Reform Act, de facto roadless rule implementation, the Clean Water Act, the Bald Eagle Protection Act, the Endangered Species Act, the Alaska Forest Resources and Practices Act, Oil Spill laws and the list goes on and on; development can occur only on what's left.

Passage SB 44 will help to stabilize timber supply from state lands and will allow these lands to be managed with a commitment towards forestry that is necessary for the long term planning horizons required for such things as sustainable resource management. These lands will be managed in accordance with our Alaska Forest Resources and Practices Act which has been demonstrated to be working well to protect water quality, anadromous fish habitat, wildlife and other important public resources.
Thank you, I urge expeditious passage of this bill.

---

[2] Southeast Timber Harvest Employment Impact Analysis, October 2005, McDowell Group

[3] The Impact of Sealaska Corporation on the Southeast Economy 2009 Update, McDowell Group

Southeast Timber Harvest Employment Impact Analysis

PREPARED FOR:
Sealaska Corporation

Research-Based Consulting
Juneau
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October 2005

Southeast Timber Harvest Employment Impact Analysis

PREPARED FOR:
Sealaska Corporation

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EXECUTIVE SUMMARY

The purpose of this study was to compare the employment impact of Sealaska timber harvests with the impact of Tongass timber harvests. The primary difference between the two harvests, in terms of job creation, is that Sealaska harvests, in addition to logging jobs, create jobs in shiploading. Tongass harvests, because of the primary manufacturing requirement, create jobs in sawmills. This report examines these and other employment characteristics. Key findings of this study are summarized below:

- Sealaska harvested an average of 92 million board feet (mmbf) of timber from its lands in 2002 and 2003. During those same years the Tongass harvest averaged 42 mmbf.

- Sealaska and Tongass logging typically account for approximately 2.1 jobs per mmbf of timber harvested. This does not include stevedoring or sawmill jobs.

- Sealaska-related stevedoring activity generated jobs for 209 Southeast village residents in 2002 and 2003, with earnings totaling approximately $1 million annually. This equates to 2.2 jobs per mmbf. These mostly part-time jobs were in Hydaburg, Klawock, Kake and Hoonah.

- Tongass timber harvests created an average of 100 sawmill jobs in Southeast in 2002 and 2003 with payroll of $2 million annually. This equates to 2.4 jobs per mmbf. These mostly full-time jobs were primarily in Ketchikan, Wrangell and Klawock.

- Including logging and sawmill employment, Tongass harvests created an average of 4.5 jobs per mmbf. This is a measure of direct employment impacts attributable to the Tongass harvest.

- Including logging and stevedoring jobs, Sealaska harvests created an average 4.3 jobs per mmbf. This is a measure of direct employment impacts only.

- Other Sealaska-related impacts are readily measurable. Including employment with Sealaska Timber Corporation (STC) contractors (logging and stevedoring), STC offices and Sealaska Corporation headquarters, Sealaska timber harvests accounted for an average of 416 jobs in 2002 and 2003, from an average annual harvest of 95 million board feet. That equates to 4.9 jobs per mmbf.

- Income from STC logging activity is widely dispersed among village residents and is an important source of cash, particularly for many who have a high degree of dependence on subsistence activities. Placing a domestic

manufacturing requirement on Sealaska timber harvests would transfer jobs from cash-poor areas to communities with existing sawmills.

- Not included in this study is the spending on goods and services by Sealaska Timber Corporation (other than logging and stevedoring), spending by Sealaska Corporation and Sealaska Heritage Institute, and spending by all of the employees of these organizations. This spending creates additional economic activity and employment in Southeast. Previous research has found that direct, indirect and induced employment related to Sealaska peaked at approximately 1,000 jobs in Southeast Alaska in 2002 and 2003.

- Also not factored into this analysis are other Sealaska contributions to Southeast including dividends paid to shareholders, SHI scholarships, and support for various regional programs. The shareholder intern program and shareholder hire policy, which have provided educational and career opportunities (that may not otherwise have been available) to many Southeast residents, are likewise not factored into this analysis.

In summary, the overall economic impact of Sealaska timber harvests is greater than that of the Tongass harvests (as would be expected, with about double the total harvest volume). Further, this analysis suggests that on a per mmbf basis, Sealaska's economic impact at least matches that of the Tongass (even with its primary manufacturing requirements).

Introduction

The purpose of this analysis is to compare the number of jobs created from timber harvests on Sealaska lands to harvests from the Tongass National Forest in Southeast Alaska on a per-million-board-foot basis.

There are two key components of the Southeast Alaska logging industry: logging activity in the Tongass National Forest and logging on private landholdings. In Southeast, the most significant volume of private timber is harvested by Sealaska Timber Corporation (STC). There are also timber harvests on land owned by the State of Alaska, University of Alaska, Alaska Mental Health Trust, as well as other much smaller scale harvests.

Timber harvested in the Tongass National Forest has primary manufacturing requirements, which mandate that most harvested logs be at least minimally processed in Alaska prior to export. Cedar can be exported as round logs and these exports are an important part of the financial viability of Tongass operators.[1] The primary manufacturing requirement creates employment in local sawmills. Timber harvested from private land in Southeast has no similar manufacturing requirements and is mostly exported as round logs.

While most Sealaska timber is not processed in Southeast Alaska, STC timber contracts create certain jobs that Tongass harvests do not. Log "manufacturing" and scaling are somewhat more labor intensive on Sealaska harvests, as logs are sorted and prepared to the exact specifications of the export market. Ship loading activity, in particular, provides significant employment and wages to village residents in Southeast. Logs are felled, transported to tidewater and loaded on ships in the remote locations along the coast of Prince of Wales (POW) Island, Hoonah and Kake to be transported to market. In addition, Sealaska timber harvests support the operations of Sealaska Corporation and Sealaska Heritage Institute, which provide employment and other economic opportunities in Southeast Alaska.

Methodology

The analysis was based on a combination of primary and secondary research. Primary research sources included a review of internal STC data supplemented by interviews with STC contractors regarding employment on STC contracts in 2002 and 2003. Secondary data sources included published and unpublished employment data from the Alaska Department of Labor and Tongass National Forest timber harvest volume from the USDA Forest Service.

In 2004, yellow cedar accounted for 7.2 percent of the Tongass National Forest harvest and Western red cedar accounted for 7.3 percent of the Tongass harvest.

Published employment data for the forestry and logging industry includes establishments primarily engaged in cutting and trucking timber. However, logging-related employment also includes road building, towing, log scaling, sorting and other jobs. Companies engaged in these logging support activities report their employment to the Alaska Department of Labor in different ways, because of the vertical integration of some companies, or other factors. As a result, establishments engaged in similar activities may be assigned different industry codes under the North American Industry Classification System (NAICS). Certain businesses may be categorized in non-logging NAICS categories. For example, establishments primarily engaged in trucking timber are classified in Industry 484220, Specialized Freight; however, employment numbers specific to timber trucking are not available. As a result, employment estimates for the logging industry as reported by the ADOL include some, but not all, employment in other logging support jobs such as road building, trucking and towing.

Due to these data limitations, this analysis focuses on the economic impacts of logging and sawmill components of the timber harvest process. Employment from logging activity in the Tongass is published annually by the USFS, but was considered preliminary at the time of this report. Following discussions with the USFS regional economist regarding the methodology of the agency's annual report on timber supply and demand, the study team calculated Tongass and Sealaska-related employment based on the most recent logging and sawmill industry employment data. The respective percentages of Tongass and Sealaska timber in 2002 and 2003 were applied to the total regional employment data for the logging industry to estimate employment in these occupations.

The assumption was made that road building, logging and log trucking activity are essentially the same on Tongass and Sealaska harvests. It was further assumed that the difference in employment between Tongass and Sealaska harvests occurs after the logs reach tidewater. For Tongass harvests, logs are either loaded on trucks or barged to sawmills for processing. For Sealaska, logs are staged and rafted by bundles into log booms and loaded on ships for transport (this 'in water' work includes log booming, towing, and rafting ground construction and maintenance) and also transported by truck and barge.

Because of the uncertainty regarding employment from Tongass harvests, the assumption that logging activities are similar for Tongass and Sealaska harvests may not be completely accurate in certain instances. For example, to fully optimize the value of logs for the export market, Sealaska harvests may require more time in bucking and quality control work. Further, it has been reported that Sealaska helicopter-supported harvests create more jobs (up to 50 percent more) than Tongass helicopter-supported harvests, due to the more selective nature of Sealaska's harvests.[2] Further, due to the importance of quality in log exports, STC contracts create more employment in sort yards. Nevertheless, the basic assumption that harvesting employment is essentially the same of Sealaska and Tongass harvests is required to insure an "apples to apples" comparison is made in the absence of detailed data related to Tongass contractor employment.

[2] This estimate is based on interviews with representatives of Columbia Helicopters, a firm that conducts helicopter logging on Sealaska land and on the Tongass.

Employment data provided by Sealaska contractors is considered to be accurate, but should be considered best estimates in the absence of Alaska Department of Labor data specific to STC contractors. Similar data on Tongass-related employment at the contractor level was not available; for this reason, the comparison of Sealaska and Tongass employment is based on uniform secondary data sources only. Additional employment data provided by STC contractors is presented at the conclusion of the Sealaska section to illustrate total direct, indirect and induced employment from Sealaska timber harvests. Similar data is not available for Tongass-related employment.

Southeast Alaska Timber Harvests

Sealaska Timber Corporation (STC) harvests represented 50 percent of the timber cut in Southeast Alaska in 2002 and 2003, while Tongass harvests in that period accounted for between 18 and 27 percent of the total harvest. Other timber harvests occurred on land owned by the State of Alaska, Alaska Mental Health Trust, University of Alaska, Bureau of Indian Affairs (BIA), or other Alaska Native corporations.

Southeast Alaska Timber Harvests, 2002-2003
(in million board feet)

	2002	2003	Average
Tongass National Forest	33.8	50.8	42.3
Sealaska	95.9	93.8	94.9
Other	63.1	41.7	52.4
Total Harvest	192.8	186.3	189.6

Source: USDA Forest Service, *Timber Supply and Demand 2003*

Tongass Harvest Volume

Current Tongass timber harvests are significantly lower than in prior decades and are expected to remain well below the allowable sale quantity (ASQ) of 187 million board feet (mmbf) annually, based on a 2004 McDowell Group report[3]. In 2003, the Tongass harvest volume was approximately 51 mmbf, a 50 percent increase over the previous year's harvest of 34 mmbf. The most recent two-year average harvest was just over 42 mmbf. Future Tongass harvests are uncertain due to a recent 9th Circuit Court of Appeals decision that found the Forest Service's timber demand analysis flawed.

Sealaska Harvest Volume

STC harvested 95 mmbf of timber annually between 2002 and 2003. Sealaska Corporation is the only ANCSA Corporation in Southeast Alaska with sufficient landholdings to maintain a sustained annual yield of timber[4].

Southeast Alaska Logging Employment

In 2002 and 2003, logging in Southeast Alaska accounted for an average of 362 and 406 jobs, respectively.[5] Employment peaked at 519 jobs in August of 2003 and 482

[3] McDowell Group, 2004. *Timber Markets Update and Analysis of an Integrated Industry in Alaska.*
[4] McDowell Group, 2004.
[5] Alaska Department of Labor and Workforce Development. Does not include stevedoring jobs and all transportation and construction jobs related to logging.

jobs in August of 2003. Based on annual averages, logging in Southeast created 1.9 jobs per mmbf in 2002 and 2.2 jobs per mmbf in 2003.

Tongass-Related Employment

Tongass National Forest logging and sawmilling directly created an average of 187 jobs for the years 2002 and 2003. Timber harvests on the Tongass National Forest create employment in several industries including road building, logging (tractor, shovel, standard cable and helicopter), towing, log scaling and sorting. Because of the prevalence of muskeg and other loose soils in Southeast Alaska, road construction is a significant part of logging support activity. Logging activity (excluding sawmilling) created an average of 63 and 111 jobs in Southeast in 2002 and 2003, respectively, with an average of 87 for the two-year period.

Tongass logging activity also creates employment in Southeast sawmills due to the primary manufacturing requirements for National Forest timber. Tongass timber accounted for 73 percent and 59 percent of the logs milled in Southeast mills in 2002 and 2003, respectively[6]. Based on this volume of Tongass timber supplied annually to Southeast Alaska mills, the Tongass accounted for 110 and 89 sawmill jobs in 2002 and 2003, respectively, for a two-year average of 100 jobs.

Tongass-Related Logging and Sawmill Employment in Southeast Alaska, 2002-2003

Year	Tongass Logging Employment	Sawmill Employment	Total Tongass-Related Employment
2002	63	110	173
2003	111	89	200
2002-2003 average	87	100	187

Source: McDowell Group estimate based on employment data from Alaska Department of Labor and Workforce Development and USDA Forest Service, *Timber Supply and Demand 2003.*

Based on the average timber harvest volume of 42 mmbf from the Tongass National Forest, Tongass logging activity created 5.1 jobs per mmbf in 2002, decreasing to 3.9 jobs per mmbf in 2003. The two-year average was approximately 4.4 jobs per mmbf of Tongass timber.

Jobs per Million Board-Feet of Tongass National Forest Timber Harvested, 2002-2003

Year	Total Tongass-Related Employment	Tongass Harvest (in mmbf)	Employment per mmbf
2002	173	33.8	5.1
2003	200	50.8	3.9
2002-2003 average	187	42.3	4.4

Source: McDowell Group estimates based on employment data from the Alaska Department of Labor and Workforce Development and timber harvest volumes from USDA Forest Service, *Timber Supply and Demand 2003.*

[6] Kilborn (2004) in USDA Forest Service, *Timber Supply and Demand 2003*

This estimate of employment per mmbf of timber harvested includes sawmill employment. Because the labor requirements for Tongass logging activity are assumed to be generally similar to Sealaska harvests, any difference in employment rates occurs after the timber is harvested and transported to tidewater. In the case of Tongass timber harvests, this is primarily sawmill employment (while shiploading activity is unique to Sealaska harvests).

The following table illustrates sawmill employment per mmbf for the sawmill component of Tongass employment, indicating an average range of 1.8 to 3.3 sawmill jobs per mmbf of Tongass timber harvested. Sawmill jobs are typically higher paying than jobs created in stevedoring. Statewide, the average annual earnings in the sawmill industry was $31,716 in 2003 (Southeast regional data is not available due to confidentiality of the data). At the statewide average, Southeast sawmills generated $2.8 million in earnings in 2003.

Sawmill Jobs per Million Board-Feet of Tongass National Forest Timber Harvested, 2002-2003

Year	Tongass-Related Sawmill Employment	Tongass Harvest (in mmbf)	Employment per mmbf
2002	110	33.8	3.3
2003	89	50.8	1.8
2002-2003 average	100	42.3	2.4

Source: McDowell Group estimates based on employment data from the Alaska Department of Labor and Workforce Development and timber harvest volumes from USDA Forest Service, *Timber Supply and Demand 2003.*

In addition to logging and sawmill employment, other economic impacts created from Tongass logging include indirect and induced employment. This includes employment created from spending by companies in support of their operations and the induced employment created from spending by employees in the local economies of Southeast Alaska. Fully quantifying these "multiplier" effects is beyond the scope of this study.

Sealaska-Related Employment

Sealaska Timber Corporation logging activity is conducted on Sealaska Corporation's landholdings in remote areas of Southeast Alaska. STC's logging activity is an important source of employment for rural Southeast residents, many of whom who find limited employment opportunities in their communities. Income from STC activity is widely dispersed among village residents and is an important source of cash, particularly for many who have a high degree of dependence on subsistence activities. These economic impacts have been documented in previous research[7].

STC harvested an annual average of 95 mmbf of timber in 2002 and 2003. Most of this harvest occurred in the Prince of Wales Island area (POW), including Dall Island, Natzuhini and Soda Bay. Approximately 65 mmbf was harvested from POW, 17 mmbf from the Hoonah area, and approximately 12 mmbf near Kake in 2003.

Based on the assumption that STC represented 50 percent of the timber harvested in Southeast Alaska in 2002 and 2003, it was assumed that 50 percent of logging employment, as reported by the Alaska Department of Labor, was due to STC logging contracts in that period. Based on that assumption, STC contracts created an annual average of approximately 192 logging jobs in 2002 and 2003. This estimate excludes subcontract activities, and is not a full accounting of STC-related employment due to the data limitations cited above.

Sealaska-Related Logging Employment in Southeast Alaska, 2002-2003

Year	Sealaska % of Total Harvest	Total Logging Employment	Sealaska Logging Employment
2002	50%	362	180
2003	50%	406	204
2002-2003 Average	50%	384	192

Source: McDowell Group estimates based on employment data from the Alaska Department of Labor and Workforce Development and timber harvest volumes from USDA Forest Service, *Timber Supply and Demand 2003*

An important source of employment not reflected in this data is stevedoring-related activity. This includes preparing the logs for shipping (bundling) and loading the logs on ships. Sealaska logging activity generated employment and income opportunities for an average of 209 individuals in Southeast Alaska in 2002 and 2003. This translates to an average of 2.2 stevedoring jobs per mmbf.

[7] McDowell Group, 2004, *The Impact of Sealaska Corporation on the Southeast Alaska Economy.*

Stevedoring Jobs per Million Board-Feet of Sealaska Timber Harvest, 2002-2003

Year	Sealaska harvest in mmbf	Number of Workers	Jobs per mmbf
2002	95.9	211	2.2
2003	93.8	206	2.2
Average	94.9	209	2.2

Care must be taken in comparing these stevedoring jobs with the sawmill jobs created form Tongass timber harvests (which averaged 100 jobs in 2002 and 2003). Tongass sawmill activity provides generally regular, day-to-day jobs for a smaller number of workers. STC stevedoring-related activity provides intermittent jobs for a larger number of workers. The approximately 100 sawmill workers dependent on the Tongass earned a total of $2 million in payroll, while the 209 STC-related stevedoring workers earned approximately $1 million.

Other Sealaska Timber Harvest Related Employment

The total number of jobs that are in some way dependent on the income generated by Sealaska logging activity is greater than the logging and stevedoring jobs. STC activity supports the operations of STC headquarters in Ketchikan, plus three regional offices elsewhere in Southeast Alaska. Logging income also supports employment at Sealaska corporate headquarters and Sealaska Heritage Institute in Juneau. Without logging income, employment levels of both organizations would likely be significantly reduced (if not non-existent).

Based on a 2004 report by McDowell Group, STC contracts created an average of at least 461 jobs in Southeast Alaska in 2002 and 2003. The seasonal nature of logging activity and related changes in demand for labor provide significant peak employment for a larger number of residents than is reflected in the average employment numbers. Peak employment was approximately 713 full-time and part-time employees in 2002 and 2003.

Sealaska Corporation Direct Employment and STC Contractor Employment Southeast Alaska, 2002-2003
(Annual Average Employment)

Year	STC Headquarters	STC Contractors	Sealaska Corporation and SHI	Total Employment
2002	29	425	53	507
2003	29	331	55	415
2002 - 2003 Average	29	378	54	461

Based on direct Sealaska and STC contractor employment, Sealaska logging activity created an average of approximately 4.9 jobs per mmbf of timber harvested in 2002 and 2003.

Jobs per Million Board-Feet
from Sealaska Timber Harvests, 2002-2003
(Annual Average Employment)

Year	Harvest Volume	Employment	Average Jobs per mmbf
2002	95.9	507	5.3
2003	93.8	415	4.4
2002-2003 Average	94.9	461	4.9

This method captured some indirect employment impacts, but not all. It did not capture induced impacts. Spending on payroll and purchases of goods and services by Sealaska Timber Corporation, Sealaska Corporation and Sealaska Heritage Institute creates additional economic activity and employment, referred to as a multiplier effect. Including direct, indirect and induced employment, STC activity created approximately 1,000 jobs in Southeast Alaska in 2002 and 2003.

Some of Sealaska's contributions to Southeast are beyond the scope of this report, including dividends paid to shareholders, SHI scholarships, the shareholder intern program and shareholder hire policy, which provide educational and career opportunities to many Southeast residents.

THE IMPACT OF SEALASKA CORPORATION ON THE SOUTHEAST ALASKA ECONOMY
2009 UPDATE

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Executive Summary

The purpose of this study is to measure the economic impact of Sealaska Corporation and its subsidiary operations on Southeast Alaska in 2008. This report presents region-wide data and impacts, as well as data for Kake, Hydaburg, and Prince of Wales Island overall.

Sealaska-Related Spending and Employment in Southeast

- Sealaska Corporation, Sealaska Timber Corporation, and Sealaska Heritage Institute spent $45 million in 2008 in support of corporate and timber-related operations in Southeast Alaska. This spending included payroll and the purchase of goods and services, including timber harvest-related contracts. Spending was spread throughout the Southeast region. Approximately 350 businesses and organizations in 16 Southeast communities received spending from Sealaska-related activities.
- Region-wide, Sealaska and its contractors directly employed approximately 363 full and part-time workers in 2008. These workers earned an estimated $15 million in payroll.
- Sealaska and its contractor employment combined make the corporation one of the largest for-profit private sector employers in Southeast Alaska.
- Including direct and indirect employment and payroll, Sealaska-related employment totaled nearly 490 workers and approximately $21 million in payroll in Southeast Alaska in 2008.

Other Sealaska-Related Benefits in Southeast

Sealaska Corporation has a mission broader than paying dividends to shareholders. In addition to generating dividends, Sealaska's mission includes cultural preservation, shareholder education, and shareholder hire. Sealaska Corporation provides the seed money for the Sealaska Heritage Institute, which sponsors and supports numerous Native culture programs across Southeast Alaska. Using money set aside by Sealaska Corporation, Sealaska Heritage Institute awarded $410,000 in scholarships in 2008.

Role of Sealaska in Southeast Communities

Sealaska logging activity and, in particular, ship-loading activity, represent important sources of cash to many village residents. A total of 135 Hydaburg and Kake residents earned some income from ship-loading in 2008. Though these jobs are part-time, they are an important source of cash income. This income and other Sealaska-related economic activity are increasingly important in light of the long-term decline in these community's economies and population.

Hydaburg

- In Hydaburg, approximately 68 local residents earned income from Sealaska-related ship-loading and logging activity. Sealaska-related personal income in Hydaburg was approximately $700,000 in 2008, about 12 percent of the community's total personal income of $6 million. Hydaburg continues to struggle economically and is Southeast Alaska's poorest community, in terms of per capita income.

Craig, Klawock, and Prince of Wales (POW) Island Economy

- Sealaska is the single largest source of employment on POW Island. Sealaska-related activity contributed approximately 210 jobs to the POW Island economy in 2008. This includes both full-time and part-time employment in Sealaska logging-related activity. (This count includes employment for residents of Hydaburg as well as other POW communities.)
- Sealaska accounted for approximately $6 million in personal income to residents of Prince of Wales Island in 2008.
- Sealaska contracts related to logging in the POW area totaled $25 million in 2008.
- In addition to logging contracts, Sealaska spent $600,000 in 2007 with 31 POW businesses and organizations in Craig, Hydaburg, and Klawock.

Though the Prince of Wales Island population grew slightly in 2008, the island's economy has been in decline in recent years. All of the larger communities on the island have seen population declines, including Craig (down 18 percent since 2000), Klawock (down 8 percent), and Thorne Bay (down 21 percent). In the absence of Sealaska timber harvests, the decline would have been much more severe. Future Sealaska timber harvests will be key in curbing further economic decline on Prince of Wales Island.

Kake

- In Kake, approximately 87 workers earned income from Sealaska-related forest industry activity in 2008. Most of this income is related to ship-loading, but also includes silviculture-related jobs.
- Kake's economy continues to struggle with economic decline. The community's population in 2008 totaled 519 residents, 24 percent below the 2003 population of 679 and 33 percent below Kake's peak population of 775 residents in 1998. The decline in Sealaska timber harvest-related activity is only one of several factors that have affected the local economy.

Summary of Economic Impacts of Sealaska Corporation on Southeast Alaska, 2008

Total Southeast Regional Impacts	
Direct employment (peak)	363
Direct + indirect employment (peak)	490
Direct payroll	$15 million
Direct + indirect payroll	$21 million
Total direct Sealaska payroll and spending in Southeast	$45 million
Number of Southeast businesses and organizations receiving Sealaska dollars	350
Number of Southeast communities receiving Sealaska dollars	16
Dividends to Southeast shareholders	$7.9 million
Local Area Impacts*	
Craig/Klawock and Other POW Island Impacts	
Sealaska-related employment	210
Sealaska-related payroll	$8 million
Sealaska-related income to POW residents	$6 million
Hydaburg Impacts	
Sealaska-related employment	68
Sealaska-related income to Hydaburg residents	$0.7 million
Percentage of total personal income	12%
Kake Impacts	
Sealaska-related employment in Kake	87

*Note: Individual area totals do not include all indirect impacts of Sealaska activity. The numbers in this table are based on the best available data and should be considered estimates.

Introduction

Sealaska Corporation is a Native-owned corporation founded in 1971 as one of the 13 regional Native corporations under the Alaska Native Claims Settlement Act (ANCSA). The corporation's mission is to manage corporate assets to provide economic, social, and cultural benefits to its shareholders. Sealaska is the largest private landholder in the Southeast Alaska, and represents more than 20,000 Tlingit, Haida, and Tsimshian shareholders, roughly 40 percent of whom live in Southeast Alaska.

Sealaska's economic activity in Southeast Alaska is generated by its headquarters, and its operations subsidiary Sealaska Timber Corporation (STC) and Sealaska Heritage Institute (SHI). Sealaska Corporation's cultural and educational mission is administered by Sealaska Heritage Institute, which sponsors and supports numerous Native language and culture programs across Southeast Alaska, including the biennial cultural event Celebration. Additionally, Sealaska Heritage Institute awards scholarships each year from funds set aside by Sealaska Corporation to Alaska Natives who are Sealaska shareholders or shareholder descendants.

The purpose of this study is to measure the economic impact of Sealaska Corporation and its subsidiary operations on the Southeast Alaska economy in 2008. Sealaska Timber Corporation, through a number of contracting companies, harvests and exports logs primarily from Prince of Wales Island areas. Communities specifically affected by logging and ship-loading activity include Hydaburg, Klawock, Craig, and the Prince of Wales economy in general. In the past, Kake also has benefitted from STC timber harvests, but currently, activity in these communities is limited to silviculture-related work. Kake residents also are employed loading logs on to ships for export. Juneau, as headquarters to Sealaska Corporation and Sealaska Heritage Institute, benefits from administrative and managerial jobs located in the city.

This analysis includes the employment and personal income effects of Sealaska operations in Southeast overall. Sealaska Corporation, Sealaska Timber Corporation, and Sealaska Heritage Institute provided detailed data on spending and employment in Southeast communities. Additionally, STC provided data on recent timber harvest activity in the region. Key Sealaska contractors were contacted to collect information about the residency of their employees working on Sealaska contracts. This, along with data from the Alaska Department of Labor and Workforce Development (ADOL), the US Bureau of Economic Analysis (BEA), and the US Census Bureau, provided the data used in this analysis.

Personal income is a strong indicator of economic impact in a community or region. Little data, however, exists on personal income in small communities in Alaska. The most current measure of per capita income for communities such as Craig, Klawock, Kake, and Hydaburg is the 2000 Census. More recent data is available from the BEA for larger geographic areas, such as boroughs or census areas; this data, however, does not accurately reflect many of the small communities within these areas.

Given the lack of particularly relevant and timely data, the study team relied on a mix of data to estimate personal income for these communities, including current employment data and wage rate data (ADOL, 2008); census area level income source data (US Census Bureau, 2000 Census and BEA, 2005); as well as other income data from the Commercial Fisheries Entry Commission (CFEC), based on the value of residents' commercial seafood harvest over the last several years.

Sealaska's Economic Impact in Southeast Alaska

This economic impact analysis focuses on the quantifiable impact of Sealaska Corporation business activity, primarily timber harvesting, on Southeast communities in 2008. Impact measures include spending on payroll and on goods and services in Southeast Alaska, as well as local jobs directly related to Sealaska's activities.

In this section, spending and employment data are provided for Sealaska Corporation headquarters and the Sealaska Heritage Institute, both in Juneau, and Sealaska Timber Corporation (STC), headquartered in Ketchikan and with employees in Hoonah and Craig.

Spending and employment data reveal important economic impacts, but do not provide a complete picture of the corporation's impact on the Southeast region or its communities. Each year Sealaska Heritage Institute awards a number of scholarships to shareholders and shareholder descendents. While the dollar value of scholarships awarded in 2008 is included in this analysis, the long-term economic benefits of these investments (such as recipients of educational funding returning to Southeast Alaska with degrees and vocational certificates) are beyond the scope of this report. Sealaska Corporation's shareholder intern program and shareholder hire policy likewise have provided educational and career opportunities that otherwise may not have been available to many Southeast residents. Shareholders also have benefited from corporate dividends. In 2008, Sealaska Corporation paid $7.9 million to shareholders in Southeast communities, an average of $432 per shareholder.

Sealaska-Related Spending in Southeast Alaska

Sealaska Corporation headquarters, the Sealaska Heritage Institute, and Sealaska Timber Corporation spent a combined $45 million in payroll and the purchase of goods and services in Southeast Alaska in 2008. Approximately 350 businesses and nonprofit organizations in 16 Southeast communities received Sealaska-related spending in 2008. These businesses include logging and towing contractors, marine service centers, air carriers, and nonprofit organizations, among others.

Sealaska Corporation Headquarters Spending

In 2008, Sealaska Corporation headquarters spent approximately $9.1 million on the purchase of goods and services in Southeast communities, compared to $8.6 million spent in 2007. Sealaska Corporation spending was slightly decreased in Kake, from roughly $1.6 million in 2007 to $1.5 million in 2008, and slightly increased in Klawock, from $860,000 in 2007 to $1 million in 2008.

Sealaska Corporation Headquarters Spending in Southeast Alaska, by Community, 2000, 2002, 2003, 2007 and 2008 (in thousands of dollars)

Community	2000	2002	2003	2007	2008
Juneau	$3,950	$5,988	$3,314	$4,055	$4,529
Craig	428	381	713	388	411
Hoonah	196	124	158	66	52
Hydaburg	111	167	137	562	654
Ketchikan	305	234	103	469	489
Angoon	38	147	91	24	8
Klawock	91	146	86	860	1,007
Kake	1,026	207	66	1,571	1,490
Sitka	152	27	58	49	47
Yakutat	58	97	50	317	401
Haines	25	9	23	231	43
All Other Southeast	3	3	4	13	9
Total Southeast Spending	**$6,383**	**$7,530**	**$4,803**	**$8,605**	**$9,140**

Source: Spending data provided by Sealaska Corporation.

Sealaska Heritage Institute Spending

In 2008, the Sealaska Heritage Institute spent a total of approximately $900,000 on the purchase of goods and services. This includes spending on scholarships awarded to Sealaska shareholders and shareholder descendents. Data on spending by location was unavailable for 2007, but if the proportion spent in Southeast is assumed to be similar to that found in previous studies, approximately two-thirds ($980,000) was spent in Southeast communities in 2007. In 2008, nearly $410,000 of the spending went to scholarships awarded to Sealaska shareholders or shareholder descendents living around the country, including Southeast communities.

Sealaska Heritage Institute Spending, 2003, 2007 and 2008

Region	2003	2007*	2008
Total Spending	$790,000	$1,592,000	$900,000
Spending in Southeast	$485,000	$980,000*	$490,000

Source: Spending data provided by Sealaska Heritage Institute.

*Note: The 2007 figure for Heritage Institute spending in Southeast Alaska is a McDowell Group estimate; actual regional spending data were not available from Heritage Institute or Sealaska Corporation at the time of this report.

Sealaska Timber Corporation Spending

Sealaska Timber Corporation spent approximately $28 million on the purchase of goods and services in support of Southeast logging activity in 2008, a 13 percent increase in spending since 2007. Most of STC's spending goes to logging, stevedoring, and towing contractors operating in the Prince of Wales Island area. The following table shows STC's direct spending by community in 2007 and 2008.

Sealaska Timber Corporation Spending
in Southeast Alaska, by Community*, 2000, 2002, 2003, 2007 and 2008
(in thousands of dollars)

Community	2000	2002	2003	2007	2008
POW Island	$16,753	$15,615	$17,304	$9,510	$12,561
Ketchikan**	14,093	10,928	10,751	14,701	15,350
Kake	331	5,312	4,568	4	4
Hoonah	16,034	5,031	4,353	783	282
Juneau	177	53	210	19	100
All Other Southeast	537	374	398	9	7
Total Spending in Southeast	**$47,925**	**$37,313**	**$37,584**	**$25,026**	**$28,304**

Source: Vendor data provided by STC.
*Note: Spending attributed to location of contractor or vendor headquarters.
**Note: Ketchikan spending includes STC contracts for logging and related activity located on POW Island.

Sealaska-Related Employment and Payroll

Sealaska Corporation employment and its contractor employment combined continue to make the corporation one of the largest for-profit private sector employers in Southeast Alaska. In terms of peak employment, Sealaska accounts for more jobs than Alaska Airlines or Greens Creek Mining Company, two of the region's other large for-profit private employers.

Sealaska Corporation headquarters employment in Juneau averaged 52 workers in 2008, with a total payroll of $4.6 million. Sealaska Heritage Institute employment in Juneau averaged 25 workers, with a total payroll of $950,000 for the year. STC directly employed an average of 16 workers in Southeast in 2008, including 11 in Ketchikan, four in Craig, and one in Hoonah. These jobs accounted for $1.3 million in total annual payroll.

Sealaska Corporation, Sealaska Timber Corporation, and Sealaska Heritage Institute, Payroll in Southeast Alaska, 2000, 2002, 2003, 2007 and 2008 (in thousands of dollars)

	2000	2002	2003	2007	2008
Sealaska Corporation Headquarters	$4,200	$2,300	$2,220	$3,889	$4,607
Sealaska Heritage Institute	---*	490	742	1,350	950
Sealaska Timber Corporation Headquarters	2,160	1,578	1,962	1,088	1,252
Total Sealaska Payroll in Southeast Alaska	**$6,360****	**$4,368**	**$4,924**	**$6,327**	**$6,809**

Source: Payroll data provided by Sealaska Corporation, Sealaska Heritage Institute, and STC.
*Sealaska Heritage Institute payroll data was unavailable for 2000.
**Does not include Sealaska Heritage Institute Payroll

Sealaska Timber Corporation timber harvest-related contracts and Sealaska silviculture contracts created an estimated peak of 261 jobs in Southeast Alaska in 2008, down from approximately 330 jobs in 2007. While payroll data is not available for these contractors, it is estimated that STC contractor jobs accounted for roughly $10 million in total payroll in 2008, two-thirds of total Sealaska-related payroll in Southeast Alaska that year.

Sealaska-Related Annual Average Employment in Southeast Alaska, 2002, 2003, 2007 and 2008

	2002	2003	2007	2008
Sealaska Corporation Headquarters	34	38	45	52
Sealaska Heritage Institute	19	17	22	25
Sealaska Timber Corporation Headquarters	29	29	16	16
STC and Sealaska Contractors	425	330	220	165
Total Sealaska-Related Direct Employment in Southeast Alaska	**507**	**415**	**303**	**258**

Source: Sealaska Corporation, Sealaska Heritage Institute, STC and STC vendor employment data supplied by STC.

Sealaska-Related Peak Employment in Southeast Alaska, 2002, 2003, 2007 and 2008

	2002	2003	2007	2008
Sealaska Corporation Headquarters	40	44	50	60
Sealaska Heritage Institute	24	22	24	25
Sealaska Timber Corporation Headquarters	34	30	17	17
STC and Sealaska Contractors	597	635	330	261
Total Sealaska-Related Direct Employment in Southeast Alaska	**695**	**730**	**421**	**363**

Source: Sealaska Corporation, Sealaska Heritage Institute, STC and STC vendor employment data supplied by STC.

Region-wide, Sealaska Corporation, Sealaska Heritage Institute, Sealaska Timber Corporation, and STC contractors employed approximately 363 full-time and part-time workers in 2008 in Southeast Alaska. Annual average employment was 258 workers. This represents a 14 percent decline in the total number of employees (peak employment) from 2007 to 2008 and a 15 percent decline in annual average employment during the same time period. Sealaska-related employment created an estimated $15 million in payroll to Southeast Alaska workers.

The following table provides Sealaska contractor-related employment for key communities and areas of Southeast. Hydaburg, Kake, and the Craig/Klawock areas are the most affected by Sealaska-related employment in the region. The total of 303 workers differs from the peak employment figure of 261 noted in the previous table due to how ship-loading employment is measured. At any one time in 2008, the most people employed loading logs onto ships was 79. A total of 135 Kake and Hydaburg residents, however, earned some income from ship loading in 2008. The following table reflects this larger number. Other Kake and Hydaburg residents were employed in other jobs related to Sealaska timber activity, pushing total Sealaska-related employment in those communities to 87 and 68 jobs, respectively.

Sealaska Timber Corporation Contractor Employment in Southeast Alaska, 2000, 2002, 2003, 2007 and 2008

Community	2000	2002	2003	2007	2008
Kake	143	118	130	30	87
Hydaburg	74	82	85	70	68
Craig/Klawock/Other POW	249	228	250	200	117
All Other Southeast	309	169	170	30	31
Total Southeast Employees	**775**	**597**	**635**	**330**	**303**

Source: McDowell Group estimates based on data supplied by Sealaska and STC.

Sealaska's direct spending on payroll and the purchase of goods and services creates additional economic activity in the local economy, referred to as the multiplier effect. Including direct and indirect employment and payroll, Sealaska-related employment totals approximately 490 workers and $21 million in payroll in Southeast Alaska, based on McDowell Group estimates.

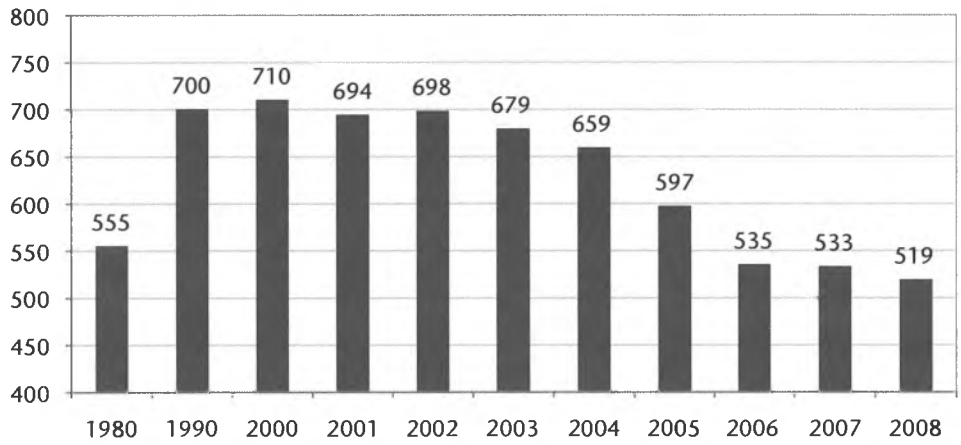
Kake

In the past, Sealaska Timber Corporation timber harvests have played an important role in the Kake economy. Though STC has not harvested any timber in the Kake area since 2006, when 15 mmbf were cut, Sealaska has continued to have a positive economic impact on the community through ship-loading employment and employment associated with silviculture activities. Despite Sealaska's contribution, the community continues to struggle economically.

Population

Kake is a community of 519 residents (2008) located on the northwest coast of Kupreanof Island. The community's population has declined steadily since 2000, when it had 710 residents. Kake's economy is based on commercial fishing and seafood processing, local government, tourism, and remaining timber and silviculture activities.

Kake Population, 1980, 1990, and 2000-2008

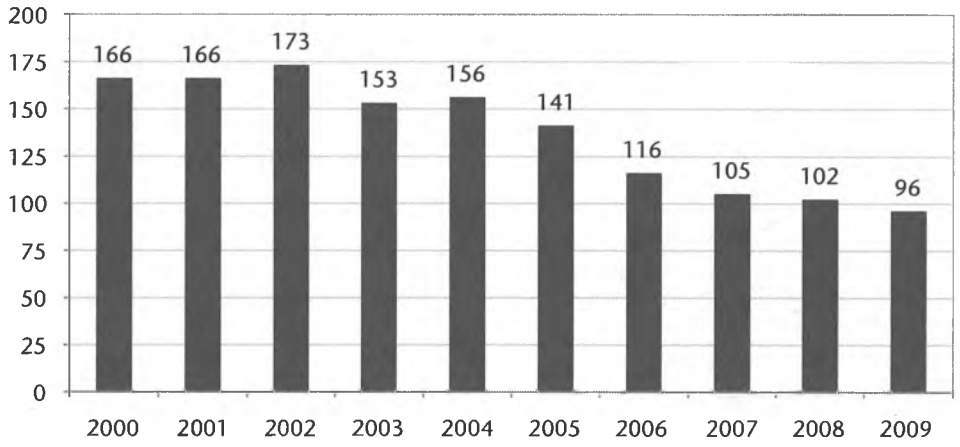


Source: ADOL 2008 population estimates.

School Enrollment

School enrollment trends reflect the community's population decline. The most recent school enrollment numbers are 45 percent below the peak of seven years ago.

Kake School Enrollment, 2000-2009



Source: ADEED district enrollment totals, 2000-2009.

Employment

ADOL data illustrates the importance of local government and tribal services in terms of employment in Kake. The top three employers are the City of Kake, the Kake City School District, and the Organized Village of Kake. This indicates a shift from the recent past (2003), when all three top employers were private-sector companies. Currently, Kake Tribal Corporation is the community's largest private-sector employer, and the fourth largest employer overall. Detailed employment data for individual employers is no longer available from ADOL, so 2007 data remains the best available information. The only notable change in the top ten list is the shutdown of LAB Flying Service. It also should be noted that Southeast Stevedoring, which employed 73 Kake residents on a temporary part-time basis in 2008, is not included in ADOL employment data for Kake because it does not have any operations in the Kake area.

Top Ten Employers in Kake, 2007
Non-Agricultural Employment

Employers	Annual Average Employment	Peak Monthly Employment
City of Kake	27	37
Kake City School District	25	33
Organized Village of Kake	25	28
Kake Tribal Corporation	23	36
Southeast Alaska Regional Health Consortium	14	15
SOS Value-Mart Inc.	13	15
Gunnuk Creek Hatchery	13	19
CSC Tree Service Inc.	10	36
Catholic Community Services Inc.	5	6
LAB Flying Service Inc.	5	6
All Other Employers (17)	33	59
Total Employment	**193**	**290**

Source: ADOL, unpublished statewide employer data.

Consistent with population trends, employment in Kake has declined significantly in recent years. From an annual average employment of 311 jobs in 2003, the community's employment fell to 193 in 2007 and recovered very slightly to 196 jobs in 2008. Much of the decrease in employment since 2003 can be attributed to the cessation of Kake Tribal Logging and Timber operations in 2004 and Kake Foods in 2006. Together, these two companies averaged 108 jobs in 2003, according to ADOL.

Employment in Kake, 2003-2008
Non-Agricultural Employment

Year	Annual Average Employment
2003	311
2004	200
2005	197
2006	218
2007	193
2008	196

Source: ADOL, unpublished data.

Wage and salary employment in Kake generated $4.6 million in payroll in 2008, down from the 2007 payroll total of $4.8 million, according to ADOL data.

Commercial Fishing

Commercial fishing activity is an important source of income for Kake residents. While participation in commercial fisheries has declined significantly in recent decades, ex-vessel values have been reasonably stable since 2000, with estimated annual gross earnings ranging from $800,000 to $1.1 million. In 2008, 23 Kake resident permit holders fished 33 different permits, and earned $916,000 in gross (ex-vessel) revenue.

Commercial Fishing Activity in Kake, 2000-2008

Year	Fishermen Who Fished	Permits Fished	Pounds Landed	Est. Gross Earnings
2000	28	45	1,081,000	890,000
2001	26	42	2,726,000	1,018,000
2002	26	43	2,880,000	817,000
2003	24	39	2,730,000	867,000
2004	30	43	1,290,000	883,000
2005	27	37	970,000	810,000
2006	25	38	1,216,000	1,067,000
2007	23	32	1,524,000	1,068,000
2008	23	33	823,000	916,000

Source: Commercial Fishing Entry Commission, permit and fishing activity by community, 2000-2008.

Personal Income

Based on data from the Bureau of Economic Analysis and the US Census Bureau, McDowell Group estimates that personal income in Kake totaled approximately $11 million in 2008.

In 2000, Sealaska directly or indirectly accounted for 30 percent of all personal income dollars flowing into Kake. In 2003, Sealaska accounted for about one-fifth of all personal income dollars, or approximately $2.5 million (including dividends). In 2008, Sealaska-related employment in the Kake area was limited to 87 mostly part-time jobs, including ship-loading and silviculture jobs. These workers earned approximately half a million dollars. Sealaska also contributed $207,000 in dividends to Kake residents in 2008. In total, Sealaska accounted for approximately $700,000 in personal income, or about 6 percent of the community total.

Commercial fishing accounted for an estimated $600,000 in annual personal income. This amount is less than the total ex-vessel value. Ex-vessel value is a measure of gross income to fishermen. Take-home pay (personal income) is ex-vessel value less expenses such as fuel, gear, insurance, etc.

Local government, including city offices and the Kake City School District, contributed $2 million in personal income to community residents in 2008, approximately 18 percent of all local personal income.

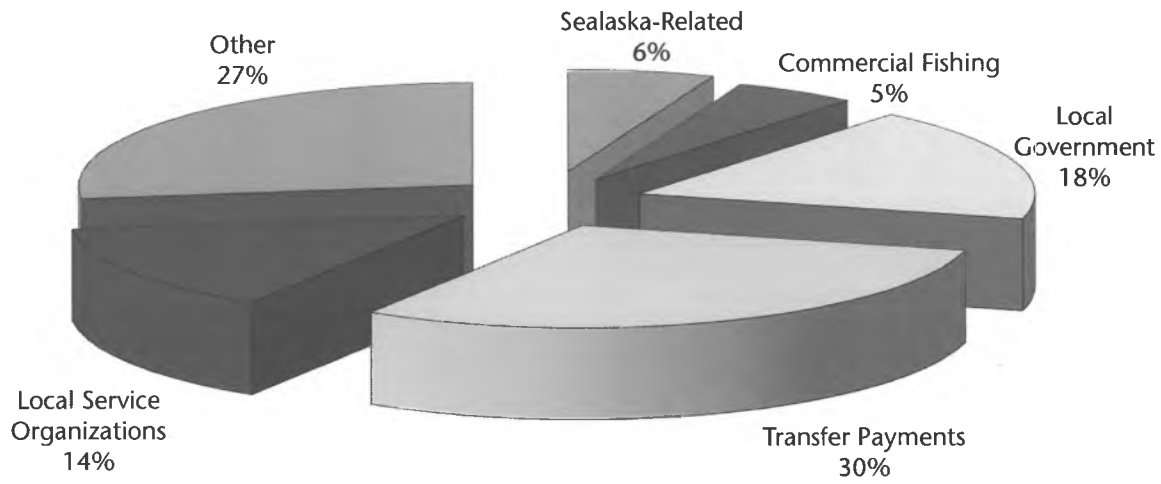
Local service organizations include Organized Village of Kake, Southeast Alaska Regional Health Consortium (SEARHC), the Rural Alaska Community Action Program, and other organizations providing services to local

residents. Together these organizations accounted for approximately $1.5 million in personal income, or 14 percent of total personal income in 2008.

In 2008, transfer payments accounted for approximately 30 percent of all personal income for Kake residents, or about $3.3 million. Again, transfer payments include all payments from governments to individuals, such as Alaska Permanent Fund dividends, Social Security payments, welfare payments, and other government transfers.

The "other" category of personal income includes all other sources, in particular income generated from other private sector commercial activity, such as construction, retail sales, and transportation services. It also includes state and federal government, which employ a small number of Kake residents. The total estimated personal income from this category was approximately $3 million in 2008.

Sources of Personal Income in Kake, 2008
Total Personal Income: $11 million



Source: McDowell Group estimates.

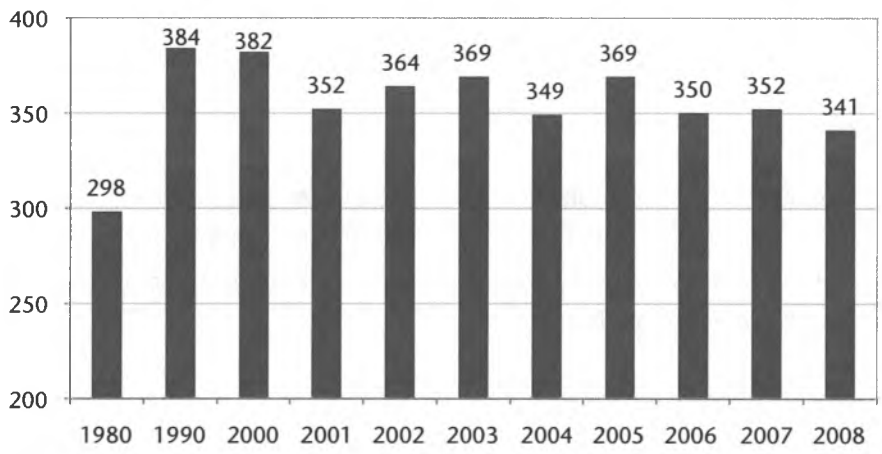
Hydaburg

In 2008, STC harvested 30mmbf in the Hydaburg area, down slightly from 31 mmbf in 2007 and significantly from the 81 mmbf harvested in 2004. With regard to Sealaska timber harvests, the community of Hydaburg benefits primarily from the employment opportunities associated with loading logs onto ships for transport to overseas export markets.

Population

Since 1990, Hydaburg has maintained a fairly stable population, ranging between 340 and 385 residents, though the general trend is down. In 2008, the community had a population of 341, its lowest point since prior to 1990. Hydaburg's economy is based on commercial fishing activity, timber harvesting, and local government.

Hydaburg Population, 1980, 1990, and 2000-2008

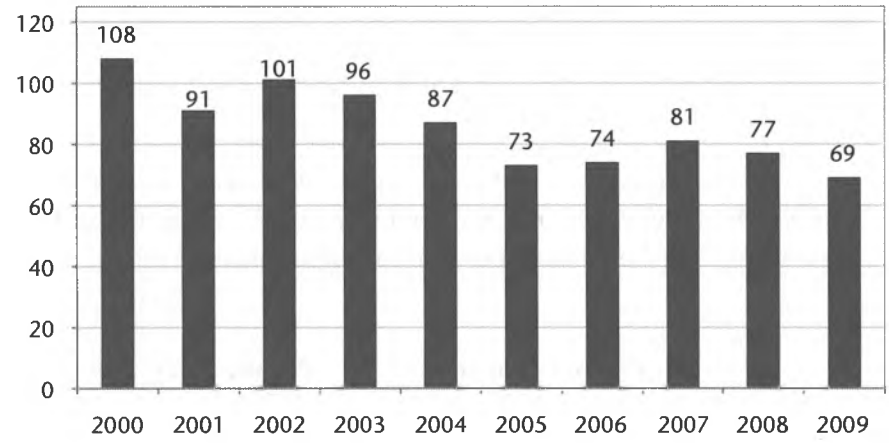


Source: ADOL 2008 population estimates.

School Enrollment

Hydaburg's school enrollment has fallen more significantly than has the local population. School enrollment is currently at about 69 students, 36 percent below the 2000 level.

Hydaburg School Enrollment, 2000-2009



Source: ADEED district enrollment totals 2000-2009.

Employment

As in other remote villages in Southeast, Hydaburg's local school district and tribal council provide a significant number of jobs within the community. Employment data for 2007 indicates the school district was the largest employer in Kake that year; preliminary 2008 data suggests, however, the Hydaburg Cooperative Association moved to the top spot last year.

Top Ten Employers in Hydaburg, 2007
Non-Agricultural Employment

Employers	Annual Average Employment	Peak Monthly Employment
Hydaburg City School District	19	24
Hydaburg Cooperative Assoc. (IRA)	17	20
Southeast Stevedoring	15	33
Southeast Alaska Regional Health Consortium	11	13
Haida Corporation	7	10
City of Hydaburg	4	5
Catholic Community Services Inc.	2	3
Grants Towing Inc.	2	3
US Postal Service	2	2
Rural Alaska Community Action Program	1	1
All Other Employers (2)	1	3
Total Employment	**80**	**117**

Source: ADOL, unpublished statewide employer data.

In 2007, Southeast Stevedoring was the top private sector employer in the community, providing one-fifth of the annual average employment. Southeast Stevedoring reported having 60 Hydaburg residents on its payroll in 2007 and 62 in 2008.

Between 2005 and 2007, employment in Hydaburg remained fairly stable at between 70 and 80 annual-average jobs. Employment increased to an average of 87 jobs in 2008, mostly the result of increased local government employment.

Employment in Hydaburg, 2003-2008
Non-Agricultural Employment

Year	Annual Average Employment
2003	73
2004	71
2005	77
2006	80
2007	80
2008	87

Source: ADOL, unpublished data.

Wage and salary employment in Hydaburg generated $2.9 million in payroll in 2008, up from the 2007 payroll total of $2.4 million, according to ADOL data.

Commercial Fishing

Earnings for Hydaburg residents from commercial fishing have been increasing in recent years and reached a high of $1.7 million in 2007. The 2008 total was slightly less, with 23 local fishermen earning just less than $1.5 million.

Commercial Fishing Activity in Hydaburg, 2000-2008

Year	Fishermen Who Fished	Permits Fished	Pounds Landed	Est. Gross Earnings
2000	21	31	935,000	510,000
2001	21	36	1,317,000	543,000
2002	18	31	936,000	369,000
2003	23	35	894,000	512,000
2004	21	34	1,189,000	643,000
2005	23	37	1,347,000	621,000
2006	22	40	965,000	832,000
2007	20	37	2,988,000	1,681,000
2008	23	40	1,492,000	1,465,000

Source: Commercial Fishing Entry Commission, Permit and Fishing Activity by Community, 2000-2008.

Personal Income

Based on McDowell Group estimates, Hydaburg's personal income totaled approximately $6 million in 2008. The community has had among the lowest per capita income rates in the state. At the time of the census, per capita income in Hydaburg was $11,401, about half the Alaska average.

In 2000, Sealaska timber harvests accounted for one-quarter (27 percent) of all personal income in Hydaburg. Southeast Stevedoring was the largest Sealaska-related source of employment, contributing about $600,000 in personal income to the community that year. In 2008, Sealaska-related employment income to Hydaburg residents from Southeast Stevedoring totaled just less than $400,000. Including other sources of employment income (several Hydaburg residents work for STC logging contractors) and dividend payments (about $134,000 in 2008), Sealaska accounted for a total of approximately $700,000 in personal income for Hydaburg residents in 2008, or about 12 percent of the community total.

Commercial fishing accounted for an estimated $900,000 in annual personal income for the 23 Hydaburg resident permit holders who fished 40 different permits in 2008.

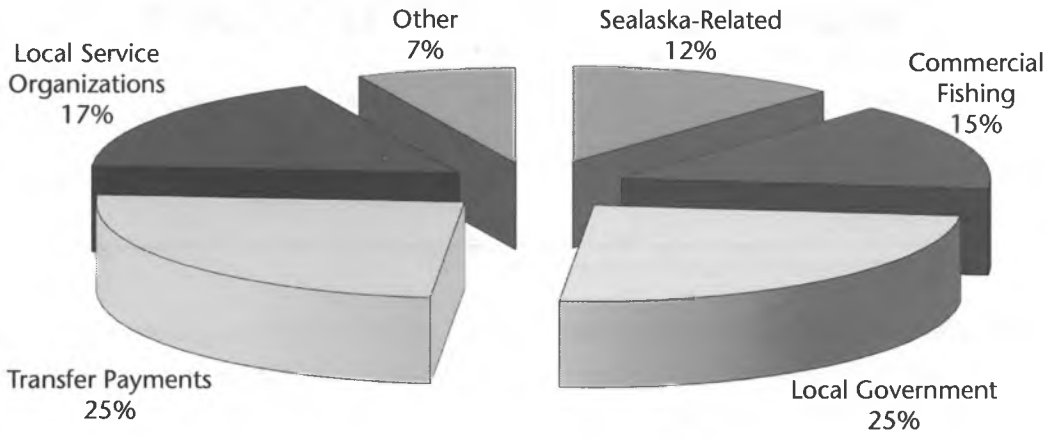
Local government, including the school district, accounted for an estimated $1.5 million in personal income in Hydaburg in 2008, 25 percent of the community total.

Local service organizations, including Southeast Alaska Regional Health Consortium (SEARHC), the Rural Alaska Community Action Program, and the Hydaburg Cooperative Association IRA, accounted for an additional $1 million in personal income.

Transfer payments also accounted for about one-quarter of all personal income for Hydaburg residents in 2008, or about $1.5 million. Again, transfer payments include all payments from governments to individuals, such as Permanent Fund dividends, Social Security payments, welfare payments, and other government transfers.

The "other" category of personal income includes all other sources, including Haida Corporation, other local businesses, and US Postal Service positions. The total estimated personal income from this category was roughly $400,000.

Sources of Personal Income in Hydaburg, 2008
Total Personal Income: $6 million



Source: McDowell Group estimates.

Craig, Klawock, and Prince of Wales Island Economy

Though the population of Prince of Wales Island remains well below its peak, the island's population increased slightly in 2008, adding 112 residents, an increase of about 3 percent. Since 2000, the population of POW has declined 13 percent, primarily due to reduced timber harvests. The island's population was 4,581 in 2000, 593 residents more than in 2008. All of the recent growth has been in the Craig/Klawock area. Other communities on the island continue to experience population decline.

POW Island Population, by Community, 2000, 2006-2008

Community	2000	2006	2007	2008	% Change 2000-2008
POW Island	4,581	3,984	3,876	3,988	-13%
Craig	1,725	1,404	1,352	1,414	-18%
Klawock	854	779	741	785	-8%
Thorne Bay	557	480	465	440	-21%
Hydaburg	382	350	352	341	-11%

Source: ADOL 2008 population estimates.

The POW Island economy is a mix of timber industry, commercial fishing, government, and tourism related employment. Local government continues to be a mainstay of the POW economy; the City of Craig and the Craig City School District were among the top three employers in 2007 and 2008. Other key employers include Alaska Commercial Company, the US Forest Service, Viking Lumber, and Southeast Alaska Regional Health Consortium (SEARHC).

Top Ten Employers on Prince of Wales Island, 2007
Non-Agricultural Employment

Employers	Annual Average Employment	Peak Monthly Employment
Craig City School District	83	96
Alaska Commercial Company	82	103
City of Craig	63	70
Southeast Island School District	56	76
US Forest Service (Department of Agriculture)	49	58
Klawock City School District	37	46
Viking Lumber Company, Inc.	36	38
Southeast Alaska Regional Health Consortium	33	36
Alaska Power & Telephone Co.	31	34
City of Klawock	28	31
All Other Employers (142)	691	1,174
Total Employment	**1,187**	**1,762**

Source: ADOL, unpublished statewide employer data.

Total employment on POW Island in 2008 averaged 1,280 jobs, 36 jobs fewer than in 2007. Total payroll for 2008 was $40.5 million, just above the 2007 total of $40.1 million. Sealaska-related employment on POW Island totaled approximately 210 full and part-time jobs and $8 million in payroll.

Sealaska accounted for approximately $6 million in personal income to residents of Prince of Wales Island in 2008. (Some Sealaska-related payroll on POW is earned by workers who are not residents of the island).

SB

49

<TARGET><BILL>SB 49</BILL><SUBJECT>SB
49</SUBJECT><COMM>SRES27</COMM></TARGET>

Senate Resources Committee

Wednesday, March 9

SB 49: Production Tax on Oil and Gas

Contents:

(1) Hearing request

(2) Bill

(3) Fiscal notes from DOR and DNR

(4) Sectional analysis prepared by DOR

(5) DOR's Oil and Gas Production Tax Status Report to the Legislature (1/18/11)

(6) Letters written by DOR in response to specific H RES questions

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State of Alaska

Department of Revenue

Administrative Services Division

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January 20, 2011

The Honorable Joe Paskvan
The Honorable Tom Wagoner
Senate Resources Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801

Dear Senators Paskvan and Wagoner:

Senate Bill 49 was read across the floor on January 19, 2011 and transmitted to the Senate Resources Committee for consideration. I respectfully request a hearing to be scheduled at your earliest convenience for the changes to the production tax on oil and gas to be discussed.

Governor Parnell is committed to getting more oil into the pipeline and increasing job opportunities for Alaskans. As oil production declines and as the federal government moves on several fronts to block responsible projects, we must offer more incentives for development of state lands.

Senate Bill 49:

- Establishes a lower base tax rate for areas outside of current fields and units to encourage development of undeveloped leases or properties;
- Caps overall production tax rates to encourage investment at most commodity prices;
- Establishes a bracket system based on existing ACES tax rates;
- Extends tax incentives available in Cook Inlet to the North Slope to encourage in-field drilling in existing units;
- Limits the time for assessment of additional production taxes; and
- Reduces the interest rate on delinquent taxes and refunds.

These changes are aimed at ensuring that the state continues to receive fair compensation for the sale of its resource while establishing a more competitive investment climate for job creation.

If the Committee requires any additional information, please contact me.

Sincerely,

VBlaisdell

Ginger Blaisdell
Director

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 49
(S) Publish Date: 1/19/11

Identifier (file name): LL0007-DOR-TAX-1-13-11
Title: Oil and Gas Production Tax
Dept. Affected: Revenue
Appropriation: Treasury and Taxation
Allocation: Tax Division
Sponsor: Rules Committee
Requester: By Request of the Governor
OMB Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services				267.0	267.0	267.0	267.0
Travel				10.0	10.0	10.0	10.0
Contractual	115.0			9.4	9.4	9.4	9.4
Supplies				1.0	1.0	1.0	1.0
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**115.0**	**0.0**	**0.0**	**287.4**	**287.4**	**287.4**	**287.4**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES	***	***	***	***	***	***	***

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	115.0	0.0	0.0	287.4	287.4	287.4	287.4
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**115.0**	**0.0**	**0.0**	**287.4**	**287.4**	**287.4**	**287.4**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time	**0.0**	0.00	0	2	2	2	2
Part-time							
Temporary							

Why this fiscal note differs from previous version

This is the first version of the bill.

Prepared by: Cherie Nienhuis, Economist and Bruce Tangeman, Dep. Commissioner
Phone: 269-1019
Division: Tax Division
Date/Time: 1/13/2011; 12:07pm
Approved by: Ginger Blaisdell, Director Administrative Services Division
Department of Revenue
Date: 1/13/11; 12:16pm

(Revised 12/29/2010 OMB)

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 49

Analysis

***The revenue impact of this bill is indeterminate.
This bill makes several changes to the oil and gas production tax system. Each of the major changes, along with their potential revenue impact, are discussed below.

1. **The interest rate on delinquent taxes is changed** from the greater of 5 percentage points above the annual rate of interest charged by the 12th Federal Reserve District or 11 percent, to the lesser of 3 percent points above the annual rate of interest charged by the 12th Federal Reservice District or 11 percent. The effective date of this provision is 7/1/11. The Department of Revenue (DOR) does not forecast interest on taxes; therefore this provision has no quantifiable revenue impact. There will be $100,000 in one-time contractor costs to implement this change in our accounting system.

2. **The ANS WC oil price thresholds for the minimum tax are lowered** from the range of $15 to $25 to the range of $12.50 to $20 per barrel. The effective date of this provision is 1/1/2013. The DOR expects no revenue impact from this change since oil prices are forecasted to be above these amounts.

3. **The tax rate is changed and it is calculated annually rather than monthly for production in unitized areas or areas where there has been commercial production.** The tax rates under the bill are bracketed and only the increment of production tax value (PTV) within each bracket is taxed at that bracket's rate. The brackets range from 25% for PTV up to $30 per barrel to 50% for PTV over $92.50 per barrel. The maximum total production tax rate is 50%. The effective date of this provision is 1/1/2013. Using the Fall 2010 forecast assumptions, this provision is expected to result in revenue impacts as follows:
FY 2013: -$382 million
FY 2014: -$961 million
FY 2015: -$1,126 million
FY 2016: -$1,341 million
FY 2017: -$1,423 million

4. **For areas that are not unitized as of 1/1/2011 and where there has been no commercial production, the tax rate has changed and the lease expenditures in those areas may not be applied outside those areas.** The tax rates under the bill are bracketed and only the increment of PTV within each bracket is taxed at that bracket's rate. The brackets range from 15% for PTV up to $30 per barrel to 40% for PTV over $92.50 per barrel. The maximum total production tax rate is 40%. The effective date of this provision is 1/1/2013. Using the Fall 2010 forecast assumptions, this provision is expected to increase revenue slightly in amounts less than $20 million in FY 2013 through FY 2017.

5. **The provision requiring that credits be taken over two years is eliminated**. This provision would result in companies using credits earlier than they would without this change, and except for time value of money impact, it is revenue neutral. The effective date of this provision is 1/1/2012. Using the Fall 2010 forecast assumptions, this provision is expected to decrease revenue in the amount of $250 million in CY 2012 (taken over FY 2012 and FY 2013). Another $100 million in refunds would also be likely sought for credit certificates in FY 2012.

6. **The 40% credit for well lease expenditures is expanded to include qualified expenditures incurred north of 68 degrees North Latitude**. The effective date of this provision is 1/1/2012. The DOR has very limited data upon which to estimate the revenue impact of this provision. We estimate this provision will decrease revenue in the amount of $200 million to $400 million annually. No additional positions will be required, however, there will be a one-time contractual cost of $15,000 for auditor training on well lease expenditures.

7. **The statute of limitations on the assessment of taxes is changed from six to four years after the annual return is filed**. The effective date of this provision is 1/1/2014. The DOR does not forecast assessments of tax upon audit; therefore this provision has no quantifiable revenue impact. Two additional oil and gas auditor IV positions will be required beginning in FY 2014 to implement this provision. These positions are expected to cost $287,400 annually.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: SB 49
(S) Publish Date: 1/19/11

LL0007-DNR-DOG-1-13-2011
Title: Oil and Gas Production Tax
Sponsor: Rules Committee
Requester: Governor

Dept. Affected: Natural Resources
Appropriation: Resource Development
Allocation: Oil & Gas
OMB Component Number: 439

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

Not applicable, initial version

Prepared by: Kevin Banks — Phone: 269-8800
Division: Oil and Gas — Date/Time: 1-13-2011; 2:15 PM
Approved by: Daniel S. Sullivan — Date: 1/13/2011
Natural Resources

(Revised 12/29/2010 OMB)

FISCAL NOTE #2

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 49

Analysis

This bill may encourage producers to invest more by allowing them to receive the benefits of credits for that investment more quickly. First, currently under AS 43.55.023(b), only half the 20% qualified capital expenditure (QCE) credit can be taken in any one year. Section 11 of this bill would amend AS 43.55.23(b) to allow the full QCE credit to be taken in one year. Second, under AS 43.55.23(d), a producer that applies to obtain a transferable certificate for expenditures on the North Slope giving rise to a QCE credit or the loss carry-forward credit (AS 43.55.023(a)) will be issued two certificates, each for half the credit amounts, with one of the certificates only good for the next calendar year.

This limitation dilutes the incentive the credit provides to the extent that a producer/investor must wait before receiving the full benefit of the credit. Section 12 of this bill would amend AS 43.55.023(d) to allow the certificates received be for immediate use for North Slope expenditures, just as they are currently for expenditures in Alaska outside the North Slope. Third, Section 17 of the bill makes it easier for a small producer receiving a credit for North Slope expenditures to sell that credit to the State by eliminating the requirement that the producer spend additional money before receiving the credit monies.

In addition to allowing a quicker monetization of a given amount of credits, the bill extends the current 40% credit provided under 43.55.023(l) for well expenditures in Alaska off the North Slope to well expenditures on the North Slope. Currently, the North Slope producers receive a 20% qualified capital expenditure credit for well expenditure capital. Under the amendments provided in Sections 15 and 16 of the bill, producers would receive a 40% credit for those expenditures. This increased credit amount may encourage investment in wells on the North Slope.

This bill has a higher minimum tax rate apply to lower ANS West Coast prices. To the extent investors perceive the possibility that ANS West Coast prices will fall this low, these changes to the minimum tax may discourage investment. Also, by having separate production tax value calculations for "new production" units , the investors in these new units will have less ability to lower tax liability on "old production" units.

This bill lowers the marginal tax rates for existing and new fields by having progressively higher tax rates only apply to incremental production tax value. To the extent that investments are made as a consequence of these changes to the tax regime, royalty revenue may rise. The fiscal impact on royalty revenue is an indeterminate positive.

State of Alaska

Department of Revenue

Administrative Services Division

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Phone: (907) 465-2300
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January 20, 2011

The Honorable Joe Paskvan
The Honorable Tom Wagoner
Senate Resources Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801

SB49 Production Tax on Oil and Gas
By Request of the Governor

SECTION ANALYSIS

Sections 1-3: Sections 1-2 are conforming amendments to reflect changes to AS 43.05.225. Section 3 amends AS 43.05.225(1) to provide that the tax rate on delinquent taxes under Title 43 is charged at the lower of three percentage points above the applicable annual federal rate or at the annual rate of 11 percent. This provision is to be effective July 1, 2011.

Section 4-5: Conforming amendment required by amendment to AS 43.05.225, interest rates due on delinquent taxes.

Section 6: Amends AS 43.55.011(e) to levy the annual production tax at the rate of 25 percent plus progressivity for oil and gas from a lease or property containing land that as of December 31, 2010, was or had previously been within a unit or in commercial production. A new tax rate of 15 percent, plus an annual progressivity tax, is levied on oil and gas produced from a lease of property containing land that had not previously been in a unit or in commercial production prior to December 31, 2010. For each category of production, the progressivity tax is levied on an annual basis. This amendment would be effective January 1, 2013, and apply to production after December 31, 2012.

Section 7: AS 43.55.020(f) is amended to lower the threshold prices at which the minimum tax applies, and would apply to production after December 31, 2012.

Section 8: AS 43.55.011(g) is repealed and reenacted to provide an annual incremental progressivity tax for all production. The applicable incremental progressivity tax rate applies only to the fraction of average annual production tax value per BTU equivalent barrel that falls within that incremental rate. For production subject to the 25 percent base rate, progressivity is capped at 25 percent above the base rate, for a maximum rate of 50 percent. For production subject to the 15 percent base rate, progressivity is capped at 25 percent above the base rate, for a maximum rate of 40 percent. This change would be effective January 1, 2013, and apply to production after December 31, 2012.

Section 9: AS 43.55.020, monthly payments of estimated taxes, is repealed and reenacted to account for the annual progressivity calculation and the new tax rate for certain fields.

Section 10: Conforming amendment related to interest rate changes.

Section 11: AS 43.55.023(a) is amended to remove the requirement that tax credits for qualified capital expenditures be applied against taxes or certificated
over two years. This change would be effective January 1, 2012, and would apply to production after December 31, 2011.

Section 12: AS 43.55.023(d) is amended to provide that transferable tax credit certificates will be issued as one certificate. This is to be effective January 1, 2012, for expenditures after December 31, 2011.

Sections 13-14: AS 43.55.023(g) is amended to reflect the interest rate change, and to reflect the repeal of AS 43.55.023(m), related to the issuance of well lease expenditure credit certificates.

Sections 15-16: AS 43.55.023 (*l*) and (n) are amended to expand the 40 percent well lease expenditure credit to qualified expenditures made on leases or properties north of 68 degrees North Latitude. This change is to be effective January 1, 2012, for expenditures after December 31, 2011.

Sections 17 -18: Conforming amendments are made to AS 43.55.028 (e) and (g) to reflect the repeal of AS 43.55.023(m).

Section 19: AS 43.55.075(a) is amended to change the statute of limitations for assessment of additional production taxes from six years to four years after the return is filed. This change is applicable to production after December 31, 2013, for tax liability beginning tax year 2014.

Sections 20: AS 43.55.160(a) is repealed and reenacted to account for changes in the calculation of the progressivity tax, and to account for new tax rates for certain production under AS 43.55.011(e) (2).

Sections 21-23. These sections make conforming amendments to account for interest rate change.

Section 24: AS 43.55.023(m) is repealed, all capital credit certificates, regardless of the location of the exploration, development or production expenditures, will be issued as one certificate.

Section 25: The applicability provision clarifies that sections 11, 12, 15 and 16 apply to expenditures made after December 31, 2011; sections 6-9 and 20 apply to oil and gas produced after December 31, 2012, and section 19 applies to any tax liability for the production of oil and gas after December 31, 2013 and

Section 26: This section provides that the Department of Revenue will have authority to adopt regulations to implement this Act, not to be effective before the effective date of the provisions implemented by this Act.

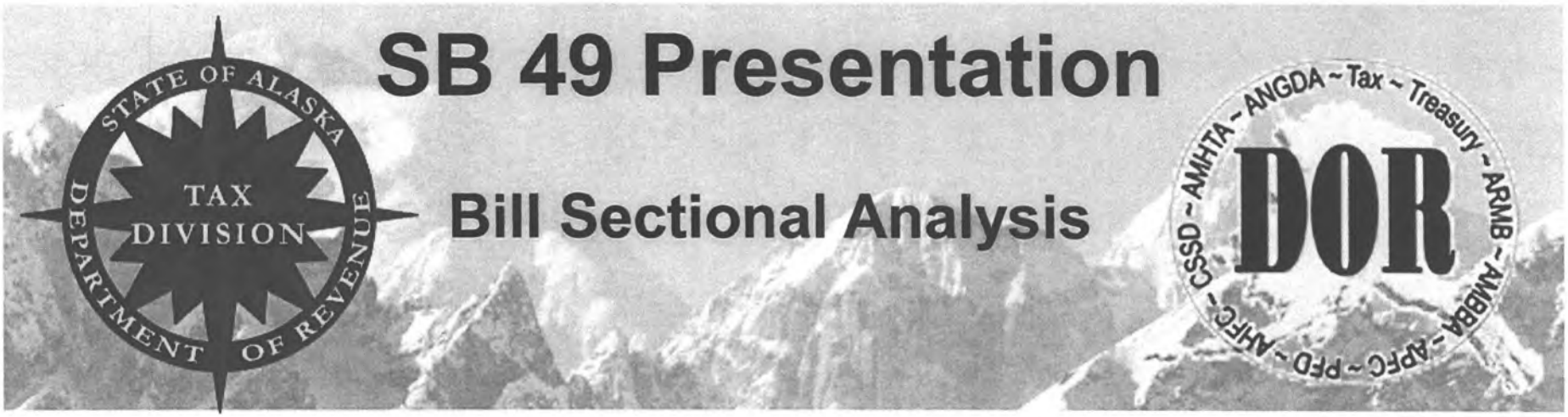
Section 27: The provisions related to the issuance of credit certificates and the expansion of the well lease expenditure credit to the North Slope, sections 11, 12, 14-18, 24 and 25(a), take effect January 12, 2012.

Section 28: The provisions related to new production and the progressivity tax, sections 6-9, 20, and 25(b), take effect January 1, 2013.

Section 29: The provisions related to the statute of limitations for the assessment of production taxes takes effect January 1, 2014.

Section 30: The provisions related to the change in the interest due on delinquent taxes and refunds take effect July 1, 2011.

LIB



Presentation to the
Senate Resources Committee
March 9, 2011
Alaska Department of Revenue

Main proposed changes

Progressivity Rates & Cap	Progressivity defined as discrete brackets, rather than as a continuous function, and applied only to incremental revenue. Maximum progressivity of 25%.	2013
Base Tax Rate	Base tax rate reduction from 25% to 15% for leases or properties neither unitized nor producing as of 12/31/2010.	2013
Tax Credits	Extension of 40% well lease expenditure tax credits to North Slope. Tax credits can be claimed in a single year instead of two years.	2012
Tax Calculation	Yearly tax calculation based on average prices and costs, instead of monthly tax calculation impacted by short term price and cost peaks.	2013

2012 Effective 1/1/2012 for expenditures made before 12/31/2011.

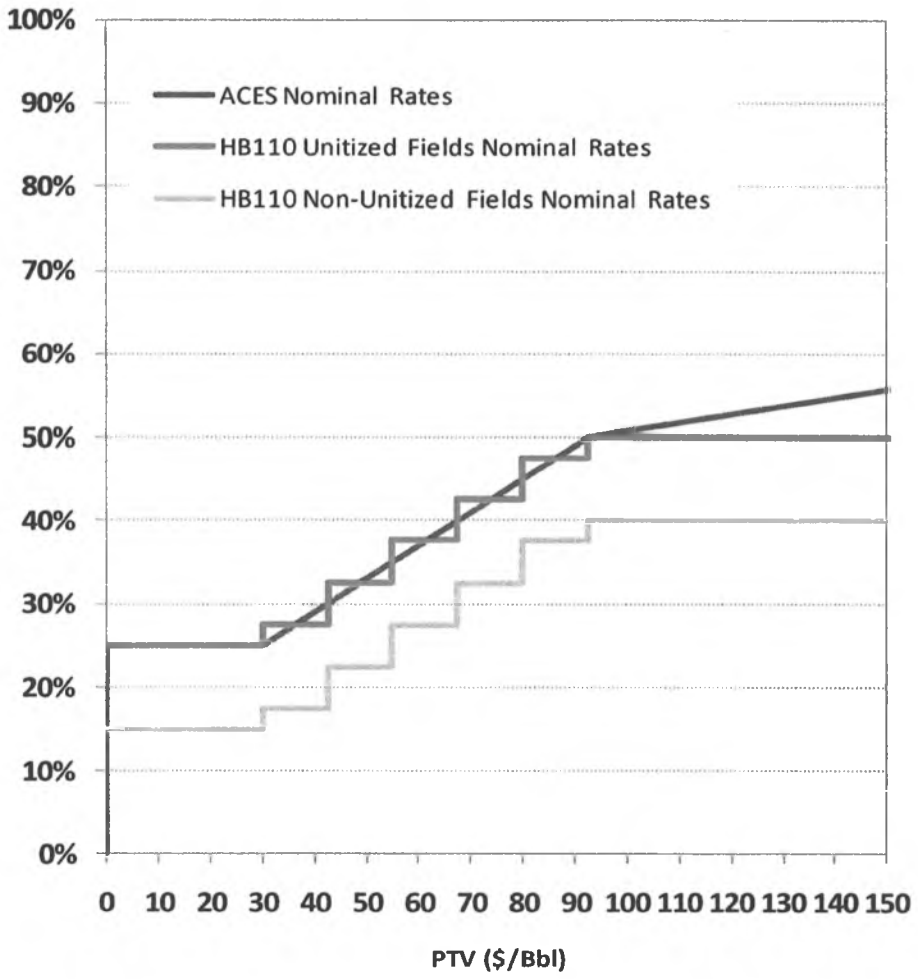
2013 Effective 1/1/2013, applies to production after 12/31/2012.

SB 49
Bill Sectional

Changes to progressivity and maximum tax rate

- **Section 8:** Provides incremental, bracketed progressivity. The applicable progressivity rate applies only to the fraction of the production tax value that falls within the incremental rate. Maximum total tax rate is 50% for production subject to the 25% base rate. Maximum total tax rate is 40% for production subject to the 15% base rate.

Nominal Production Tax Rates



PTV/boe ($/boe)		Tax Bracket (%)	
From	To	Non-Unitized Fields	Unitized Fields
0.0	30.0	15.0%	25.0%
30.0	42.5	17.5%	27.5%
42.5	55.0	22.5%	32.5%
55.0	67.5	27.5%	37.5%
67.5	80.0	32.5%	42.5%
80.0	92.5	37.5%	47.5%
92.5	*and above*	40.0%	50.0%

Conforming amendments for tax rate changes

- **Section 9:** Statute requiring monthly payments is revised to account for annual progressivity calculation and new tax rate for certain fields.
- **Section 20:** AS 43.55.160 repealed and reenacted amended to account for changes in progressivity, and new 15% tax rate. Segments maintained per current statute.

15% base rate for new units

- **Section 6*:** Levy of tax.
  - Rate is 25% + bracketed progressivity for oil and gas from current leases or properties.
  - Rate is 15% + bracketed progressivity for production from lease or property that had not been in a unit or in commercial production prior to Dec 31, 2010.

* Portions of this section discussed elsewhere in presentation

40% well lease expenditure credit extended to North Slope

- **Sections 15-16:** Expands the 40% well lease expenditure credit to qualified expenditures made on the North Slope.
- **Sections 17-18:** Conforming amendments to reflect repeal of AS 43.55.023 (m).

Capital credits can be taken in the year earned

- **Section 11:** Removes requirement that tax credits for qualified capital expenditures be taken over two years.
- **Section 12:** Provides that tax credit certificates will be issued as one certificate.
- **Section 14:** Conforming amendment to reflect repeal of AS 43.55.023 (m), relating to the issuance of well lease expenditure credit certificates.
- **Section 24:** Repeals AS 43.55.023(m), since all capital credit certificates will be issued as one certificate.

Switch from monthly to annual progressivity

- **Section 6*:** Levy of tax.
  - Progressivity would be levied on an annual, rather than a monthly, basis.

* Portions of this section discussed elsewhere in presentation

Strengthens the minimum tax

- **Section 7:** Lowers threshold prices for application of minimum tax.
  - 4% of gross minimum tax would apply when ANS WC price is over $20 (currently $25)
  - Thresholds for 0%, 1%, 2%, 3% tax lowered

Interest rate reduced for delinquent taxes and refunds

- **Sections 1-5:** AS 43.05.225 is amended to reduce interest rates on delinquent taxes and refunds.
  - New rate - federal rate plus 3% or 11 %, whichever is lower.
  - Current rate is federal rate plus 5% or 11%, whichever is higher.
- **Section 10:** Conforming amendment for interest rate change.

Conforming amendments for interest rate change

- **Section 13:** Conforming amendment to reflect interest rate change.
- **Sections 21-23:** Conforming amendments for interest rate change.

Statute of Limitations for production tax assessment reduced

- **Section 19:** Statute of limitations for production tax reduced from 6 years to 4 years, beginning with 2014 tax liability.

Effective dates, applicability, authority for regulations

- **Section 25:** Applicability provision for clarification.
- **Section 26:** Provides DOR authority to adopt regulations to implement the bill.
- **Sections 27-30:** Effective date provisions.

SB 49 Effective Dates

7/1/2011:

Reduced interest rate for overpayment and underpayment of taxes.

1/1/2012:

Credits for expenditures made after this date can be used in one year .

40% Well Lease Expenditure credit extended to North Slope.

1/1/2013:

Annual progressivity, bracketed progressivity, 50% max rate.

Lower tax rate for new leases or properties.

Changes to minimum tax thresholds.

1/1/2014:

Statute of limitations for production tax changed from 6 years to 4 years.

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

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Oil and Gas Production Tax
Status Report to the Legislature
Alaska Department of Revenue
January 18, 2011

Report Purpose

In August 2006, the 24th Alaska state legislature approved House Bill 3001, which represented a major restructuring of the state's oil and gas production tax. As part of the legislation, lawmakers asked that the Department of Revenue study the impact of the production tax changes on several criteria and produce a report on or before the first day of the 2011 legislative session on the findings of that study.[1] This report summarizes those findings.

Executive Summary

This report evaluates six elements of Alaska's production tax system since implementation of the Petroleum Profits Tax (PPT) in 2006 and Alaska's Clear and Equitable Share (ACES) in 2007. The six elements and our key findings with respect to each of them are described briefly below.

1. **Revenue Generation/Tax Rate** – State revenues under PPT and ACES exceeded the amount that would have been received under ELF for each of the four fiscal years since implementation of a net profits tax. Although the production tax rate under ACES may be as high as 75%, tax rates in each of the

[1] ***AS 43.55.180 Required Report.*** ***(a)*** *The department shall study*
(1) *the effects of the provisions of this chapter on oil and gas exploration, development, and production in the state, on investment expenditures for oil and gas exploration, development, and production in the state, on the entry of new producers into the oil and gas industry in the state, on state revenue, and on tax administration and compliance, giving particular attention to the tax rates provided under AS 43.55.011 , the tax credits provided under AS 43.55.023 - 43.55.025, and the deductions for and adjustments to lease expenditures provided under AS 43.55.160 - 43.55.170; and*
(2) *the effects of the tax rates under AS 43.55.011 (i) on state revenue and on oil and gas exploration, development, and production on private land, and the fairness of those tax rates for private landowners.*
(b) *The department shall prepare a report on or before the first day of the 2011 regular session of the legislature on the results of the study made under (a) of this section, including recommendations as to whether any changes should be made to this chapter. The department shall notify the legislature that the report prepared under this subsection is available.*

four years were much lower than the maximum rate.

The oil tax rate of 5% of the gross value at the point of production at AS 43.55.011(i) for private landowners has not raised any significant concerns that have been communicated to the Department of Revenue.

2. **Industry Investment** – Investment in the form of capital expenditures has increased in each of the four fiscal years since implementation of the net profits tax, however, it is unclear how much of the capital expenditures were drilling or well-related and how much were maintenance or facilities-related.

3. **Impact on Exploration, Development, and Production –** Exploration has generally increased from 2003, when the EIC credit was implemented, but has dropped off in 2010. Development continues in three relatively new North Slope projects, yet production continues to decline.

4. **Industry Employment and New Entrants –** Industry employment rose steadily from 2006 through 2009, but dipped slightly in 2010. The number of companies filing annual tax returns doubled between 2006 and 2009, indicating interest by companies that are either new or returning to the Alaska oil and gas industry.

5. **Use and Expansion of Tax Credits** – The amount of credits used has increased annually since 2006 and we expect the trend to continue as new credit programs were added in the 2010 legislative session.

6. **Tax Administration and Compliance –** The department continues to write regulations for the new tax system, and the first audits under the net profits tax have been completed. The department has, however, been hampered in its tax reporting and compliance efforts by the lack of a centralized database to house and manage the large volumes of oil and gas data it receives.

7. **Conclusions and Recommendations –** Based on the multiple changes to the tax laws over the past few years, drawing any conclusion about their effect on Alaska's investment climate is difficult. However, what is clear is that production continues to decline. The state should continue to monitor its competitiveness with other oil and gas jurisdictions worldwide and be prepared to change its tax structure as needed.

Overview

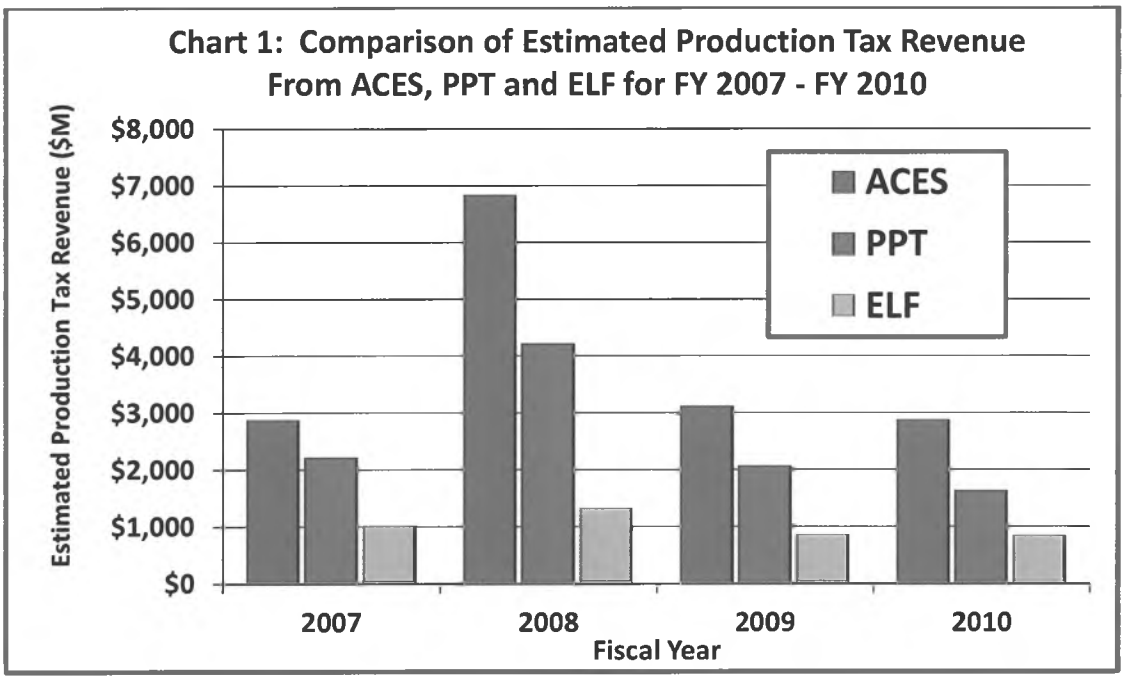
This report reviews and summarizes information gathered over the approximate five-year period since the implementation of the Petroleum Profits Tax (PPT) in 2006, and in 2007, Alaska's Clear and Equitable Share (ACES). The report covers six critical elements for evaluation and a section with conclusions and recommendations, as follows:

1. Revenue Generation/Tax Rate
2. Industry Investment
3. Impact on Exploration, Development and Production
4. Industry Employment and New Entrants
5. Use and Expansion of Tax Credits
6. Tax Administration and Compliance
7. Conclusions and Recommendations

Revenue Generation/Tax Rate

Both PPT and ACES have generated more production tax revenue for the State than would have been received under the previous production tax system, which used the Economic Limit Factor (ELF). In the one year that PPT was in place, FY 2007, the production tax totaled $2.2 billion. That year, the ANS West Coast oil price averaged $61.60 and production on the North Slope averaged 734,000 barrels per day. In contrast, the average oil price one year earlier, in FY 2006, was $62.12, production averaged 840,000 barrels per day, and the production tax under ELF totaled $1.2 billion--$1 billion, or 45% less than collected under PPT. It should be noted that PPT became effective on April 1, 2006, adding two months of tax collections to the FY 2007 total, making FY 2007 effectively a 14-month fiscal year. Regardless, the level of PPT collections above those that would have been collected under ELF, at least at moderately high prices, is significant.

In the three years that ACES has been in place, production tax revenues have increased to higher levels than under PPT. This is largely because ACES has higher base and progressivity tax rates than did PPT, and because one of the credits under PPT – the transition investment expenditure credit – was reduced substantially. The chart below shows production tax revenue collections under PPT and ACES as compared to how production tax revenue collections would have looked under two tax systems that were not in place during those years.



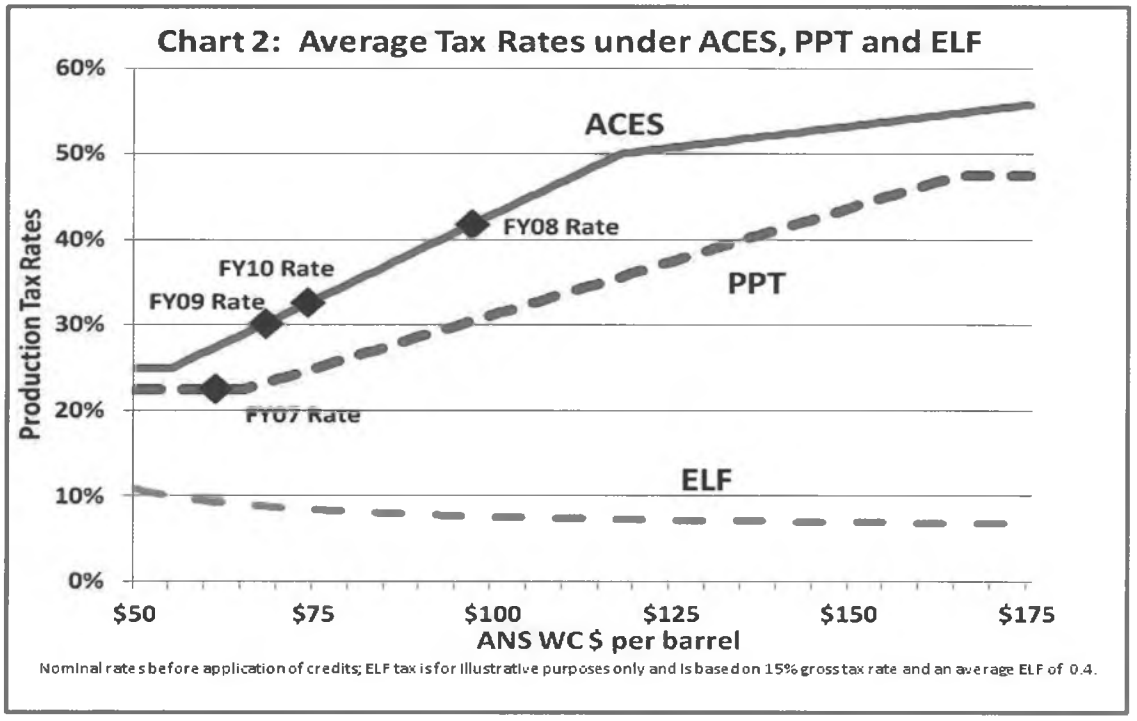
Production tax under both PPT and ACES is calculated on the net profits of oil and gas production, whereas ELF production tax was calculated on the gross profits of oil and gas production. Relative to taxes based on the gross value of production, net profit tax systems generally provide more tax revenue when oil prices are high and less tax revenue when prices are low. The progressive tax mechanism, designed to increase the total tax rate when per-barrel profit exceeds a pre-determined threshold, can increase the tax rate substantially. In addition to the progressive tax rate, the per-barrel profit level where the progressive tax is triggered is important. In the case of ACES, the progressive tax trigger is $30 net profit per barrel, whereas with PPT, the progressive tax trigger was $40 net profit per barrel.

Alaska North Slope (ANS) oil prices over the past four fiscal years were high relative to previous fiscal years. ANS crude prices over the four fiscal years of 2007 through 2010 averaged about $75 per barrel compared to $42 per barrel for the fiscal years of 2003 through 2006. Under ACES, an average price of $75 per barrel would yield an average profit of $50 per barrel, producing a combined base and progressivity tax rate of 33% (25% + [($50-$30)*.004]). The tax under this scenario before credits would be $16.50 per barrel. In contrast, the tax rate under ELF of 15% of the gross value at the point of production, even if the ELF calculated to 1, would yield a production tax of $10.50 per barrel, assuming transport costs of $5 per barrel.

When oil prices are low, however, a net profits-based tax structure would likely provide less production tax revenue than a gross profits-based tax. For example, a tax of 15% on the gross value, regardless of profit, could create a loss for companies producing oil

if profits were equal to or less than the tax. Because PPT and ACES recognize the costs of production in their calculation, a company with no profit would not pay any production tax and would likely get tax credits to offset future tax liabilities. Low oil prices experienced late in the year 2008 and early 2009 generated tax liabilities for many companies operating on the North Slope that were lower than they would have been under the ELF system.

Chart 2 below shows the average tax rates of PPT, ACES and ELF under a range of oil prices. Also shown is the average tax rate in each of the years that a net profits tax has been in place.



The department was also asked to review the tax rate for oil produced from private land of 5% of the gross value at the point of production.[2] The department is not aware of any concerns expressed on behalf of industry or private landowners as to the fairness of this tax.

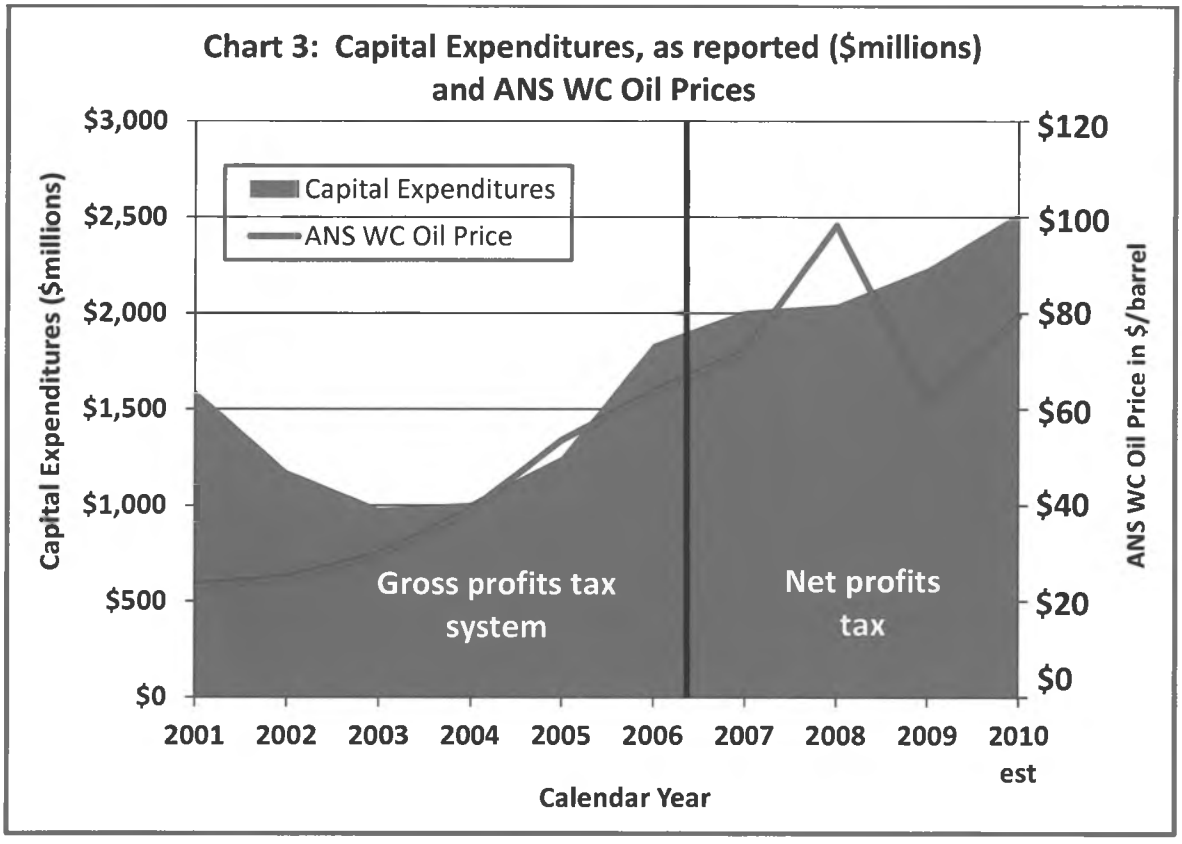
Industry Investment

Investment is an important component in Alaska's oil and gas industry. Producing oil, especially in an arctic environment, requires substantial financial outlays before, during

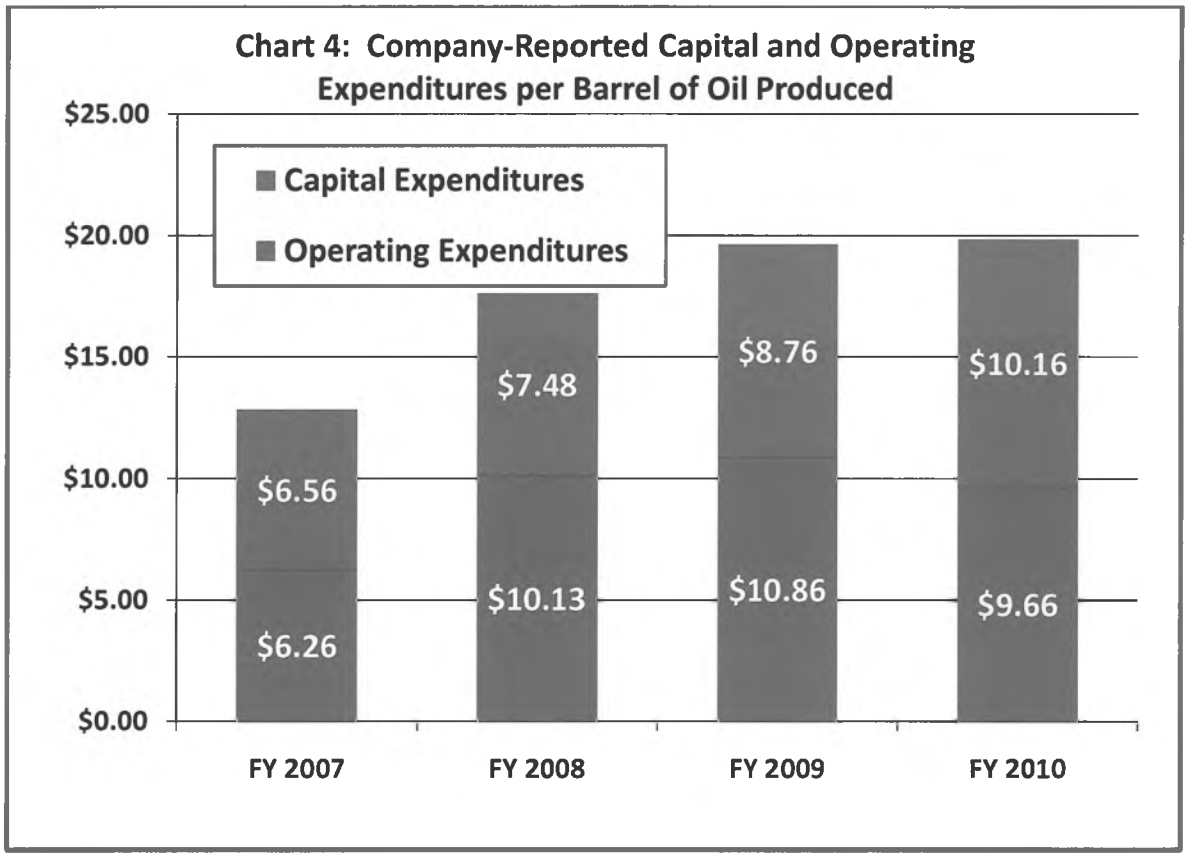
[2] AS 43.55.011(i)

and after producing the oil. In massive oil fields such as Prudhoe Bay, which has been operating for more than 30 years, maintaining and upgrading equipment and facilities is key to continued undisrupted oil production. Companies must also invest in research and new technologies in order to achieve the maximum recoverability of petroleum from the reservoirs they have developed. Because the companies that invest in petroleum projects can and do operate in areas outside of Alaska and the country, Alaska oil projects must compete with other petroleum opportunities throughout the world for those investment dollars.

Industry investment is generally reflected in capital expenditures, as opposed to operating expenditures, which are normally considered day-to-day expenditures for producing oil and gas. Alaska's fiscal system, which gives credits for capital expenditures, theoretically encourages these types of investments. Our review of the past 10 years of data appears to bear this out. Chart 3 below shows company-reported data from tax filings from calendar year 2001 through calendar 2010 (estimated). While capital expenditures over the five-year period (2006 through 2010) since the implementation of a net profits tax with credits for capital expenditures have increased each year, we have limited data as to the nature of the expenditures.

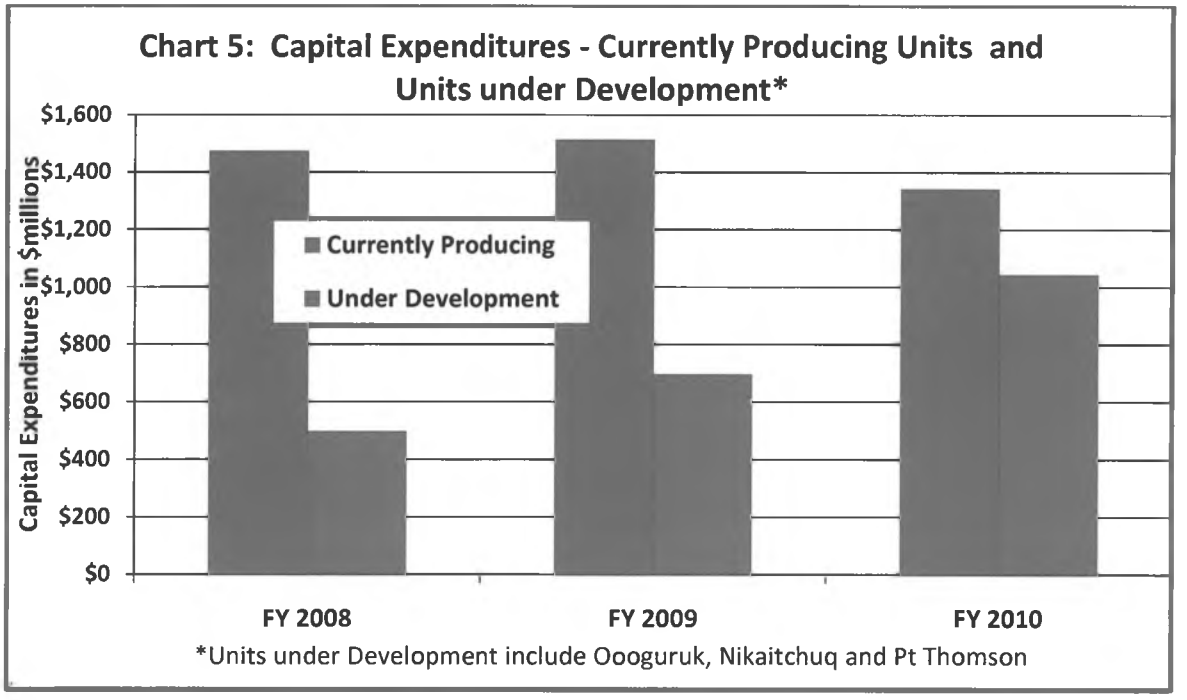


In the context of petroleum basin operations, capital expenditures are generally an indicator of expanding production or enhancing or extending the life of facilities or equipment. Expenditures for drilling wells normally fall into the category of capital expenditures as do expenditures for building housing or processing facilities. The Department of Revenue has extremely limited data from which to determine the nature of the capital expenditure increases. Given the age of North Slope facilities and infrastructure, it is quite possible that much of the capital investment in currently producing properties such as Prudhoe Bay is to extend the life of the facilities or infrastructure. Production on the North Slope continues to decrease, with a 7% decline rate between FY 2009 and FY 2010. The end result is that capital expenditures per barrel of oil produced are rising, while operating expenditures per barrel have leveled off and even decreased somewhat, as shown in Chart 4 below.[3]



[3] The slight decline in capital expenditures per barrel between FY 2007 and FY 2008 can be explained by the fact that FY 2007 included 14 months of expenditures, due to the effective date of the tax change of April 1, 2006.

One trend that has been observed in annual capital expenditures figures is that the proportion of capital spending in units under development has been increasing relative to the total capital expenditures spent on the North Slope. Chart 5 below shows expenditures by currently producing units and units under development over the past three fiscal years.

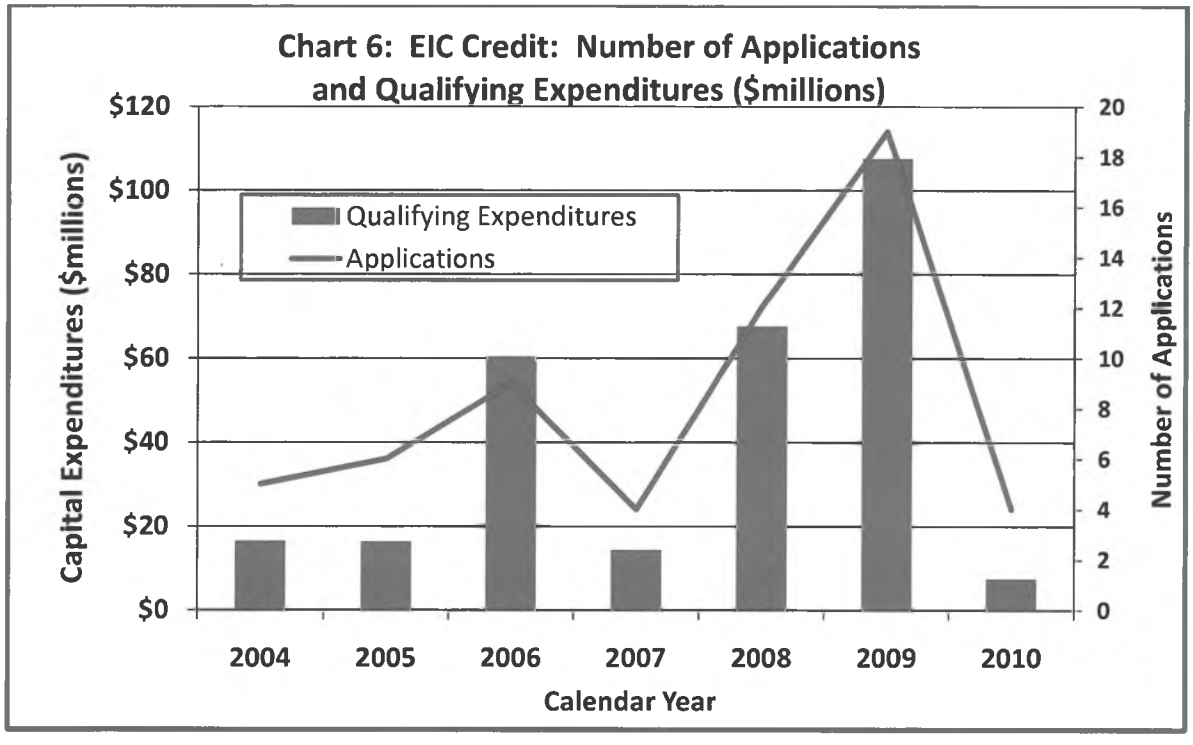


Capital expenditures also earn credits under the new production tax system. The credit system for capital expenditures on the North Slope does not distinguish between types of capital expenditures in existing units. The legislature in 2010 expanded the credit program in Cook Inlet to include an additional 20% credit (total of 40% credit) for lease expenditures related to wellwork. A credit increase of this nature may also prove beneficial to incentivize capital expenditures on drilling and increased wellwork on the North Slope.

Impact on Exploration, Development and Production

As discussed in the previous section, the net profits tax system includes credits for capital expenditures, without distinction as to the nature of the expenditure. The tax system also includes credits for exploration expenditures through its exploration incentive credit (EIC) at AS 43.55.025. This credit was implemented in 2003 and was expanded with the ACES tax changes. If a project meets certain exploration criteria, it may be eligible for 40% credit under the EIC program.

The department began receiving applications under the EIC program in 2004, and the number of applications and amount of qualifying expenditures has generally increased each year peaking in the winter of 2008/2009[4]. The number of applications for EIC credit decreased significantly in 2010, reflecting a decrease in activity for the winter of 2009/2010. Chart 6 shows the number of applications and the expenditures that qualify under the EIC program from 2004 through 2010.

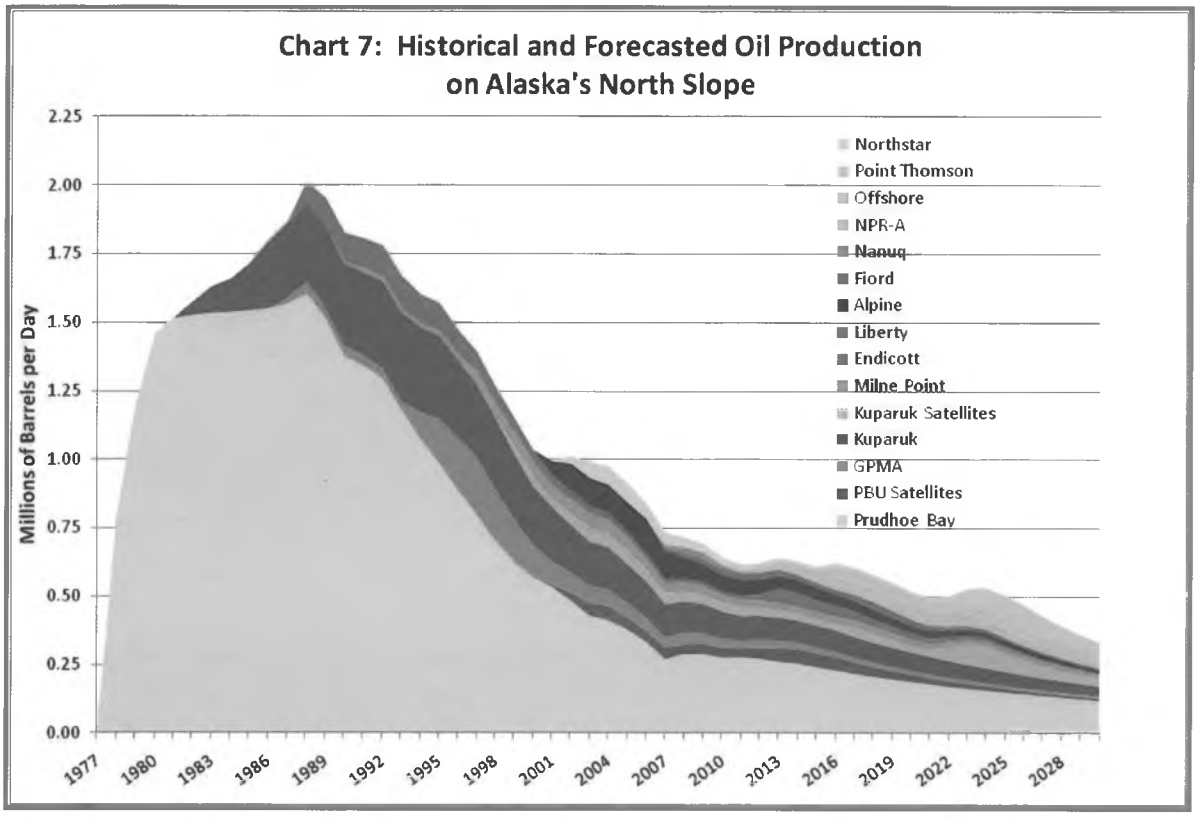


It is much more difficult to measure a tax system's impact on oil development and production from existing fields. The department's production forecasters twice annually create production profiles from limited information about an area's geology, drilling results, and other information exchanged in confidential discussions with operators. The compilation of production profiles for each North Slope field is a challenging task, employing the use of an engineering consultant, generally accepted engineering principles, and special software. The results of this compilation are subject to further revision as projects face delays that are typical in the petroleum industry such as reservoir challenges, permitting difficulties or lack of project funding.

New commercial developments on the North Slope include the Oooguruk Unit, which began production in 2009, and the Nikaitchuq Unit, which is expected to begin production in 2011. The Point Thomson Unit is also under development, expected to

[4] The sharp decrease in 2007 may be due to the tax change to the PPT, which at the time provided credit equal to the lower credit rate of the EIC program, without the reporting requirements.

begin production in 2015. Despite the addition of these developments, North Slope production continues to decline. From FY 2009 to FY 2010, oil production declined 7%; another 4% decline is projected between FY 2010 and FY 2011. Chart 7 below shows historical and projected oil production from the North Slope.

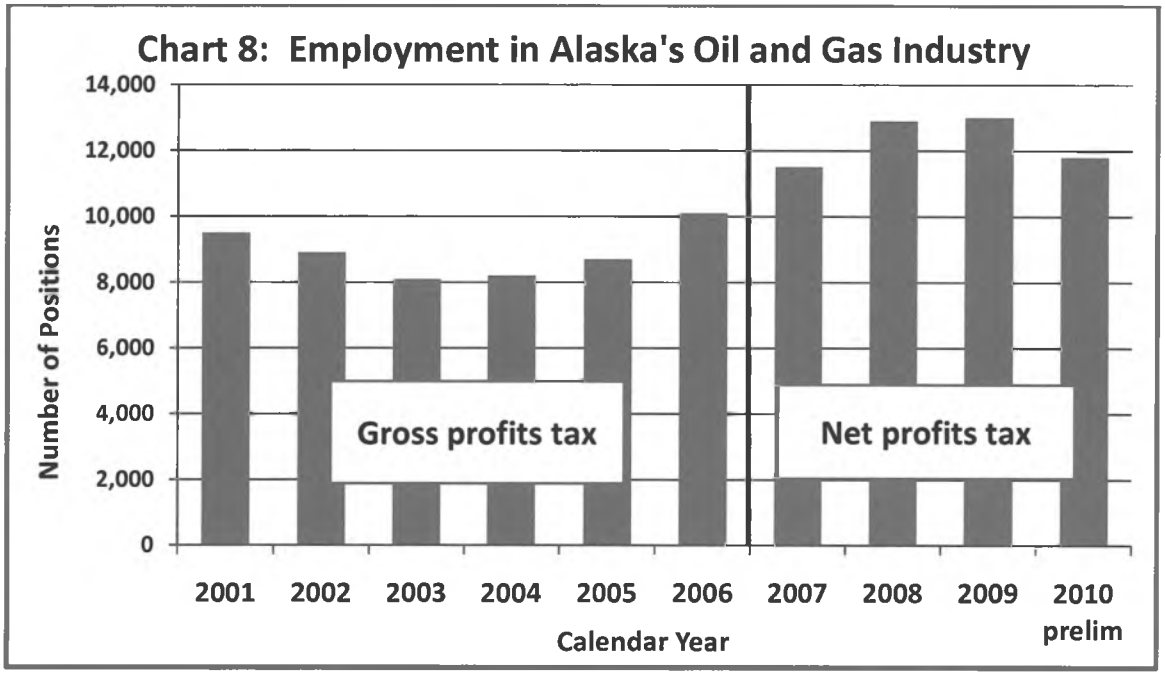


Industry Employment and New Entrants

Employment in the oil and gas sector is another important measure of the health of the oil and gas industry in Alaska. Although oil and gas employment is not the largest category in the state, it is among the most sought-after employment, due to high wages. The Alaska Department of Labor and Workforce Development (DOLWD) reports that in 2009, the average earnings for a person employed in the oil and gas extraction industry was close to $14,000 per month. These earnings are more than 3 times higher than the average earnings for all industries and government in the state of about $4,000 per month.

The department also reports number of employees by industry. Oil industry employment in the state includes jobs with duties that would fall into one of three categories: (1) oil and gas extraction; (2) drilling oil and gas wells; and (3) support activities for oil and gas operations. Officials at DOLWD acknowledge that the definition

is fairly narrow, leaving out important oil-related employment, such as jobs at Alyeska Pipeline Service Company and at refineries in the state. Employment in the oil and gas industry has increased in the years since PPT was implemented, although the department projects a slight decrease in 2010. These data are shown in Chart 8 below.



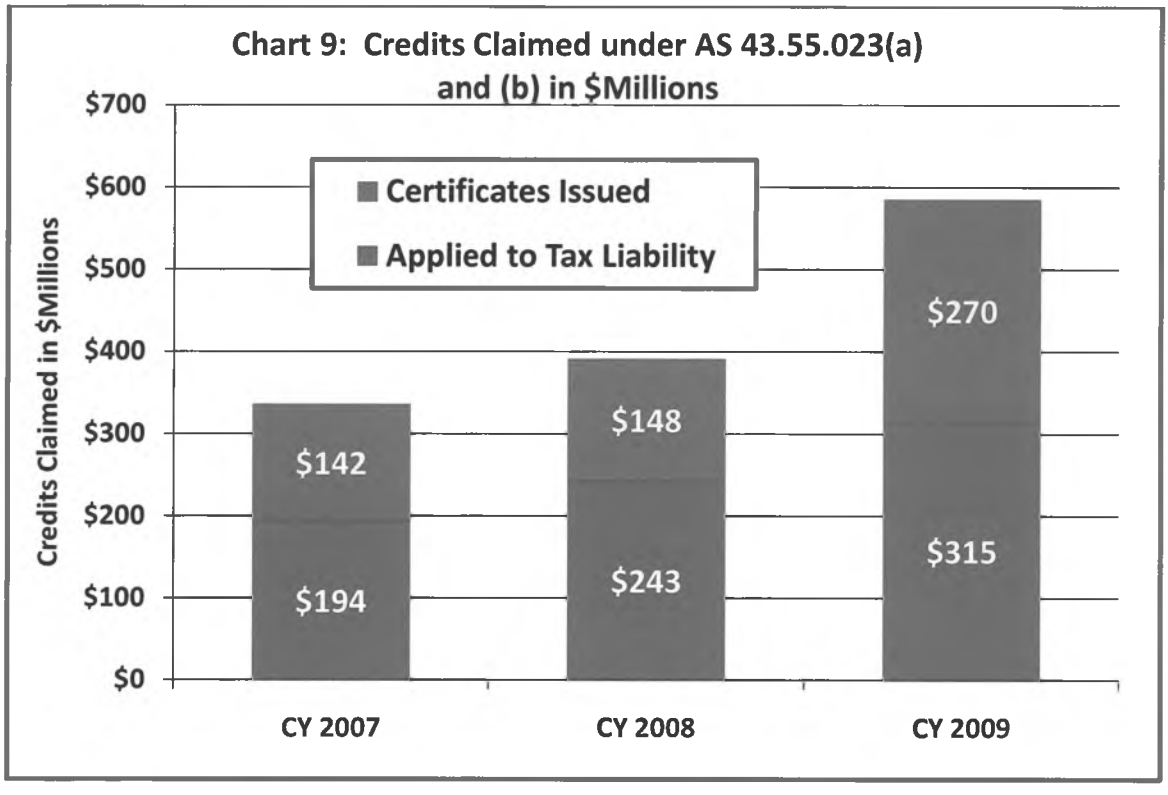
The state has seen new entrants into the Alaska oil and gas industry since the implementation of a net profits production tax. At the most recent lease sale held in October of 2010, a company new to Alaska successfully bid on over 100 tracts of oil and gas property. The steadily increasing number of production tax returns filed annually also indicates companies' new or renewed interest in Alaska's oil and gas opportunities. In 2006, the first year that filings were made under a net profits tax, there were 19 companies filing annual returns. In 2007, the number of companies filing production tax returns totaled 26, and in 2008, 36 companies filed annual production tax returns. The filing for 2009 increased only slightly from 2008, with 39 companies filing returns.

Use and Expansion of Tax Credits

Tax credits have played and continue to play an important role in the net profits production tax system. There are currently five credit programs specific to the oil and gas production tax, and each of the programs have had substantial interest, and in most cases, use from taxpayers. Alaska's tax credit programs are intended to steer spending to certain in-state activities.

The most widely used credits under the production tax system are the qualified capital expenditure credits at AS 43.55.023(a). Tax credits under this program may be applied to production tax to reduce a taxpayer's tax liability. If an oil and gas company has no tax liability, the credit may be carried forward, transferred to another company, or sold to the state. AS 43.55.023(b), credits for carried-forward net operating losses, are also widely used and may also be carried forward, transferred to another company, or sold to the state. Combined, these credits made up over 80% of the credits issued by the DOR Tax Division over the past three years.

Chart 9 below shows the total number of tax credits claimed under AS 43.55.023(a) and (b), categorized by the number of tax credits applied against a tax liability and the number of credits that were issued credit certificates for future use. We note that credits increased in each of the three years shown. The forecast for increased capital expenditures will translate to more credits applied against tax liabilities as well as more credits certificated.



Other credits include Small Producer/New Area Development credits (AS 43.55.024(a) and (c)) and Alternative Credit for Exploration (AS 43.55.025). These credits have seen less use than the credits under .023.

Credits have been expanded – both in credit rate and number of credits available – over the past year. The credit rate under the Qualified Capital Expenditure credit (AS 43.55.023) was increased for well lease expenditures relative to projects in Cook Inlet from 20% to 40%. Credit under the corporate income tax was also increased and extended (AS 43.20.043) for exploration and development of natural gas in Cook Inlet. The credit rate increased from 10% of qualified capital expenditures and qualified services to 25% of these costs and the credit program was extended from 2013 to 2016. For a complete listing of tax credits available against the production tax and other taxes, see the Fall 2010 *Revenue Sources Book*, at:
http://www.tax.alaska.gov/programs/documentviewer/viewer.aspx?2126f

Tax Administration and Compliance

The numerous changes associated with the shift from a tax on gross value to a tax on profits have been a challenge for the Department of Revenue in a few specific areas. The first order of business under a tax system with a new, different way of calculating the tax is to define the inputs. This has taken place over the past several years in the process of creating, vetting, and implementing regulations. The regulations writing process for the production tax change has been extraordinarily interactive with the taxpayers, incorporating their input in all phases of development. Although this process may have slowed the pace of development, it resulted in more clarity in a complex set of regulations. The regulations writing process continues to date.

The change to a production tax on net profits also posed challenges for the audit staff in the areas of hiring qualified auditors and training auditors for the new demands of the position. The department has had difficulties attracting qualified auditors under the state pay schedule. New and expanded credit programs have also added to their workload. Despite these challenges, the audit staff has completed most of the audits under the PPT system.

The greatest difficulties faced by the department since the implementation of a net profits production tax system are the collection, use, and storage of the huge amounts of data received monthly and annually. As an example, the department receives monthly information from each active oil and gas company regarding the amount of oil and gas produced, the amount spent in operating and capital expenditures, the amount of credits earned and used, and the payment submitted. The department also receives documents pertaining to petroleum sales and netback calculations, most of which are submitted in Adobe Acrobat pdf format, which is not a suitable format for data storage or use. Assembling this data in a useable format is time-intensive and subject to error, as the data are cut and pasted into spreadsheets manually. Further compilations and changes subject the data to additional error and distortion.

The department's access to and use of this important data would be substantially improved if the information were housed in a central database, with access provided to all users of the data. The department believes securing a database will assist in operating more efficiently and effectively as an interface with both taxpayers and the public.

Conclusions and Recommendations

A government's fiscal regime is just one element for oil and gas companies to consider when weighing options for where to invest. Many other elements, such as resource risk, political risk, environmental factors, and availability of labor and equipment, also play a part in companies' decisions about where to invest. It is very difficult to separate these factors in order to determine the extent to which a government's fiscal system influences investment choices.

While it is untenable to blame a tax system for the lack of industry investment, it is equally untenable to claim that the tax system is the reason increased activity or investment occurs. The past three years have seen dramatic swings in oil prices from a high of $134 per barrel to a low of $38 per barrel just 6 months later. An economic recession stifled investment and business activity in the United States and much of the developed world for over a year. The economic activity of the past three years may not have been the best benchmark by which to judge the impact of a tax system.

Nevertheless, it is prudent for state officials to monitor praise for and criticisms of its fiscal systems from both industry and the general population that they serve. High oil prices of recent years have swelled state bank accounts and some have suggested that the state is in the best financial position since statehood. Business periodicals and industry journals report that state is benefitting at the expense of a single industry – petroleum – and that the tax rate under ACES is too high and "takes away the upside" for the oil and gas producers. Criticism is often centered around the marginal tax rate under ACES, under which the government share of each additional dollar of profit may be as high as 93%.

State officials also make efforts to stay informed on the global oil and gas markets and opportunities in other jurisdictions, including how Alaska ranks competitively against them. Among the recent events in government taxation was the royalty modification undertaken by the Canadian province of Alberta. Studies conducted for the Alberta government showed that the royalty changes made in 2007, combined with the recession, the changes in natural gas markets, and other jurisdictions' efforts to attract investment, were making Alberta less competitive for limited petroleum investment

capital. The government responded to this information by changing its royalty structure in a way that the government's share of oil and gas profits would be lower.

The State of Alaska depends heavily on the oil industry, with more than 80% of its unrestricted revenue coming from oil taxes and royalties. State officials should continue to monitor the state's competitiveness in oil and gas opportunities, and be prepared to modify it as the need arises.

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

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The Honorable Paul Seaton
State Capitol Room 102
Juneau AK, 99801

February 18, 2011

SUBJECT: Response to Questions regarding House Bill 110 on February 8, 2011

Dear Representative Seaton:

The purpose of this document is to respond to four questions about House Bill 110 submitted by your office via email on February 8, 2011. The questions and answers to those questions follow.

(1) HB 110 proposes a separate tax regime on new fields than on existing fields. Under a scenario where a company is producing oil from an existing field, and simultaneously moves into a new field and begins producing oil from that field please describe the anticipated change in how state Auditors will approach company operations, given the cost and tax differentials between these existing and new fields. Will DOR be requesting additional auditors? How many of these auditors will be Field Auditors as opposed to office Auditors.

The Department does not anticipate a need for additional auditors due to the lower tax rate for new fields. The Department does not make a distinction between "field auditors" and "office auditors". Each auditor visits taxpayer offices as necessary for access to files and information that has to be viewed in the taxpayer's office.

(2) Will the Ugnu heavy oil formation be considered a new field? How will a separate formation within an existing unit be treated by the Department?

The Department uses the concepts of "units" and "participating areas" to distinguish between different oil and gas accumulations for tax purposes. The majority of the Ugnu formation is located within existing units, primarily the Prudhoe Bay, Kuparuk, and Milne Point units. Any production and lease expenditures would be included in information reported for the relevant unit, likely as a new participating area within the unit. Similarly, current viscous oil production is included in information reported for the relevant units. For example, the West Sak participating

area is part of the Kuparuk River Unit, and the Orion participating area is part of the Prudhoe Bay Unit.

To the extent that portions of the Ugnu formation are located outside of existing units, those areas could qualify for the lower tax rates provided for new units in HB 110.

(3) If state net profit taxes on petroleum are reduced by roughly $1 billion, what is the anticipated amount of federal tax that will be paid by companies on this increase in revenue?

The Department's modeling of federal government revenue typically assumes a 35% marginal tax rate for federal corporate income tax. If a $1 billion reduction in state taxes results in a $1 billion increase in taxable income, our modeling would suggest a $350 million increase in federal corporate income tax revenue. If the tax reduction is instead reinvested into additional development in Alaska, as intended, the benefit to the federal government would be reduced or eliminated. The Department plans to present more detailed information related to federal government revenue and total government take at a future bill hearing.

(4) Please create two separate models of the revenue picture for the state. One model should use the current tax structure established under ACES, and the other model use the Governor's proposed tax structure under HB 110. Apply the following assumptions to both models:

- **50% TAPS throughput is oil from New Fields (over a seven-year period TAPS Legacy Field oil is switched over to New Field Oil at a rate of 7% per year so that at the end of the seven years roughly 50% of TAPS throughput is New Field Oil.)**
- **ANS WC price of $90 per barrel (and $50 per barrel) with a cost of $36 per barrel**
- **$15 Billion in capital investment for new infrastructure available for credit**

The Department has developed models that allow us to compare revenues under the current and proposed tax structures. There are a number of assumptions that must be made in addition to the assumptions outlined above. We would like to meet with you to further clarify the scenario before proceeding.

Sincerely,

Bruce Tangeman
Deputy Commissioner

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

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The Honorable Paul Seaton
The Honorable Eric Feige
Co-Chairs, House Resources Committee
Alaska State Legislature
Juneau AK, 99801

February 21, 2011

SUBJECT: Response to Questions from House Resources Meeting on February 7, 2011

Dear Representatives Seaton and Feige:

The purpose of this document is to respond to the follow-up questions from the House Resources Committee meeting on February 7, 2011. The requests/questions and responses follow.

(1) Provide information about the department's record in forecasting.

The majority of revenue comes from oil production. The department's revenue forecast is driven primarily by two inputs: oil production and oil price. The following discussion briefly discusses the department's history in forecasting these two variables.

Production Forecasting
Recently, inquiries have been made regarding the accuracy and reliability of historical oil production forecasts published by the Department. History has shown that our production forecasts have been overstated for many years. With changes to methodologies and processes in the last two years, the amount by which production forecasts have been overstated has been reduced to 2%. Because of the production forecasting changes made in 2009, it is unfair to compare the last two years to the past. The Department will continue to exercise due diligence and care in the preparation, and review of the production forecasts. The response that follows will examine factors that may have contributed to differences in forecast vs. actual production for Alaska's North Slope (ANS).

The Department of Revenue relies on historical production data as well as both public and private information as the basis for its biannual production forecast. Because forecasts are directly affected by the quality of the input data, the Department of Revenue production forecasts are sensitive to data provided both publicly and privately by the field operators.

It is important to define both what is involved in a production forecast and what is not. In general terms, a forecast is simply an opinion of future oil production. In addition to the quality

of the input data, the uncertainty of the forecast will also depend on the methods employed by the forecaster. Historically, the Department engaged a single contractor to conduct its forecasts until 2009. This contractor relied on a certain method to produce his forecasts. Beginning in 2009 a new contractor was engaged to perform the forecasts and relies on a different methodology to forecast production.

It is also necessary to understand from the outset that, under both current and former methodologies, the production forecasts conducted for and under the directive of the Department have been based only on technically recoverable oil. The forecasts do not include any analysis of whether or not barrels that are technically recoverable are also economically recoverable. This is reasonable given that near term oil production should be relatively certain. Involving an analysis that included economically recoverable barrels would add another layer of complexity and uncertainty to the forecast and require that the department, in essence, predict the future value of a barrel of oil. At the same time this added uncertainty would not provide any cure for near term production overestimates.

As previously mentioned, the accuracy of the forecast will be highly dependent on the methods used by the person making the forecast. In this regard, the current methods employed by the department's staff and contractor have changed significantly from the previous contractor. The result has been that the near term forecasts have been within about 2% of actual production during that same time period.

Perhaps one of the most significant changes in methodology relates to the use of a well-by-well analysis to forecast production and decline curves as used in the current practice, whereas in the past, forecasting had been done on an area-wide or field basis. While the well-by-well basis is more time and labor intensive, the methodology reveals trends that are not observable on an area-wide basis.

Current practice also includes internal staff in addition to the contractor. The department performs in-depth analysis of production trends, forecast to forecast by field, and comparisons of forecasted production to actual, among other analyses.

Another factor that has likely had a material impact and is currently employed in the new methodology is the magnitude of the "b factor" used to calculate the production decline curve. The factor previously used had been as high as 1.4 and has now been reduced to be less than 1.0 in current practice. There is a large body of empirical evidence indicating that “b” factor should never be greater than or equal to 1.0 in any field.

By employing a method of forecasting that adheres to strict and standard petroleum engineering principles the department now excludes barrels that may fall into a high risk area of eventually being brought into future production. For example, both back out barrels and certain recovery projects that have not been tested and proven could be subject to many variables that may or may

not lead to their ultimate production. Accordingly, these volumes are now only included in the department's forecast if they are shown to be in place and have demonstrated a response.

Some factors are beyond the state's control. A standard practice is to go to the producer's and ask when new fields may come on line. A good example is Liberty, which had originally been predicted to begin production in 2011. However, recent events and decisions by the company have delayed start-up until somewhere around 2013. Even though the Liberty pool is in federal waters, facilities are located onshore and production will flow through TAPS and had been included by the state in forecasting total ANS production. When setbacks in timing such as Liberty are unforeseeable, they will by definition, show up as errors in any forecast at a later date.

Below are three additional examples:

1. Aurora Field
   "BP Exploration (Alaska) Inc. said Feb. 23 that production is expected to increase to a peak rate of 15,000 to 20,000 barrels per day as field development continues." *"Aurora field begins production." 2/28/01 Petroleum News*
   - Production at Aurora peaked at an average of 10,447 barrels per day in 2006 according to DNR – just over half of the highest estimate by BP in 2001.

2. Polaris Field
   "BP will develop Polaris with water flood, which is expected to improve total recovery to 15-30 percent of original oil in place, with production rates expected to peak at 12,000-15,000 barrels of oil per day from water injection…" *"BP applies for pool rules for viscous Schrader Bluff Polaris accumulation: Company tells AOGCC western Prudhoe satellite will be developed with water flood, EOR test deferred; initial wells proving up productivity, but hydrate formation causing problems in keeping wells operating; Ugnu sand included." 12/29/02 Petroleum News*
   - Through 2009 production at the Polaris field had not reached the levels predicted by BP in 2002. Specifically, production at the Polaris field peaked at an average of 4,764 barrels per day in 2008 – approximately 60% less than BP predicted in 2002.

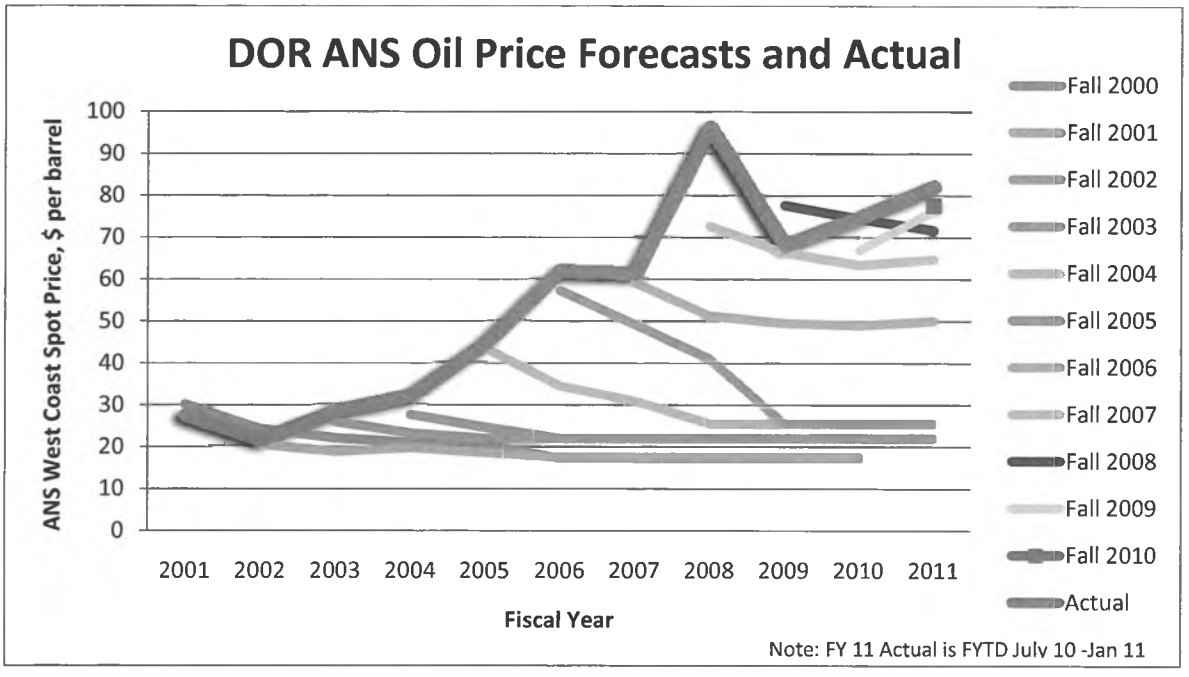
3. West Sak Field
   "The companies said production of West Sak oil is now at about 10,000 barrels per day, and with the Drill Site 1E and 1J project, production is expected to reach approximately 45,000 bpd by 2007." *"$500 million West Sak heavy oil project approved." 8/15/2004 Petroleum News*
   - According to DNR, production at West Sak was just over 11,000 barrels per day in 2004. In 2007 West Sak produced an average of 17,575 barrels per day or less than 40% of the rate forecast by BP in 2004. As of 2009, production at West Sak still has not reached 20,000 barrels a day.

Because the Department of Revenue relies, at least in part, on information provided by the operators of each field in order to forecast production, bias or error inherent in the operator's view of future production often translates into the forecast variances by the Department of Revenue. In short, the forecast is limited by the quality of the data inputs, the methodologies used, and unforeseen events. Incorporating internal staff, the additional in-depth analysis and controls, and sound petroleum engineering methods are steps taken by the department to improve the quality of the production forecast.

Price Forecasting

The chart below shows the DOR fall oil price forecasts from fall 2000 through fall 2010 compared to actual oil prices. The past decade was defined by a swift rise in oil prices from FY 2002 to FY 2007, followed by a sudden spike in FY 2008 and a subsequent crash. The chart shows the rapid rise in price was not anticipated by the department's forecasts. This is on par with other forecasts made during this period. For example, in 2002 the U.S. Energy Information Administration (EIA) forecasted the world oil price would be $23.36 (2000 dollars) in CY 2010. The actual CY 2010 price was $60.56 per barrel (2000 dollars). Moreover, during the previous decade the EIA's forecasts were typically more bullish than other oil price forecasts made by several reputable groups, such as the International Energy Agency, Petroleum Economics Ltd., Natural Resources Canada, and others.

After the price crash, prices remained around $70 to $80 per barrel until last fall when prices began to climb above this range. The price of ANS West Coast (ANS WC) peaked close to $100 per barrel in early February of this year. The department's current ANS WC price projection for FY 2011 is $77.96. As of the end of January, the fiscal-year-to-date price for ANS WC is $82.32.



(2) Provide information about transit pipelines for new developments. Specifically, who would construct them, how much would they cost, and who would pay for them and how?

Oil is transported through gathering lines, transit lines and feeder pipelines before it gets into the Trans-Alaska Pipeline System (TAPS). The owners (producers) of the oil incur the costs of gathering crude oil from the wellhead and getting it to a point where it can be processed and treated to become pipeline quality. Additional lines may need to be constructed from the central processing facility if no infrastructure exists.

An upstream pipeline is the first pipeline to transport oil en route to an interconnection point for delivery to another pipeline. Producers usually provide the gathering lines, central processing facilities and transit lines to the downstream pipelines.

A downstream pipeline receives oil from another pipeline. Producers often have ownership in feeder pipelines and larger lines like TAPS where they provide transportation for others as a common carrier and are subject to RCA and FERC regulations. Rates on such pipelines are designed to recover the cost of providing the transportation service (including a return of and a return on investment) through a tariff paid by the shippers on the line. Shippers nominate volumes and the pipeline company manages the flow.

The cost of a pipeline depends on the location, length of the line and size and quality of the pipe. Costs for a particular system will depend on the specification of those variables. The scope of a

project quantifies those variables from estimates of throughput, reserves, production and life of the field, which are some of the factors that also determine if a find is economic to develop. The range of costs per barrel mile of oil transported is not meaningful without defining the scope of the project.

The Oil and Gas Journal publishes an annual Pipeline Economics Report which includes data on pipeline and compressor station construction costs. Data also includes estimated pipeline costs as presented in applications to FERC. The study is available for purchase through the following link:

http://www.pennenergy.com/index/research-and_data/oil-and_gas/product-display/2130774133/products/pennenergy/research/Petroleum/PipeLines-Transportation-Storage/surveys/us-pipeline-study.html

(3) Provide a discussion on the fiscal impact of switching from a monthly to an annual tax rate calculation.

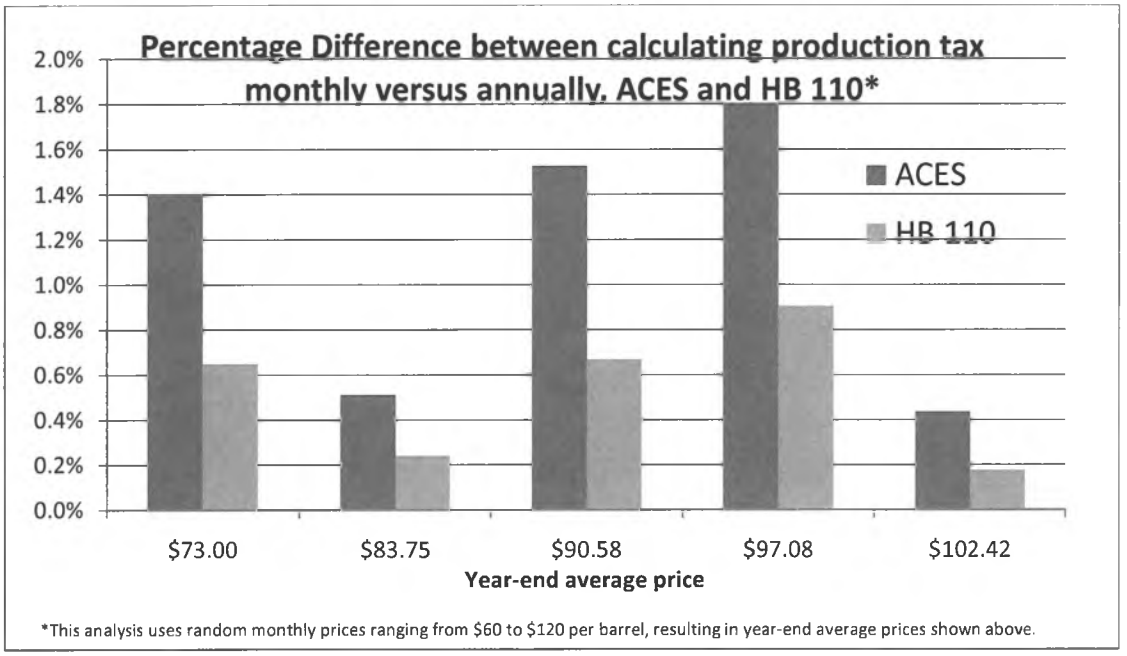
Under current law, ACES is an annual tax with monthly estimated payments based on production levels and oil price in the months the estimate is calculated and on one-twelfth of annualized lease expenditures. The proposal under HB 110 is to change the calculation such that the tax liability is calculated using average annual production levels and an average annual price along with annualized lease expenditures. Estimated monthly production tax payments would still be made under this proposal, but would be "trued up" in the annual tax return when the average annualized figures are known.

The fiscal impact to state revenues of this change alone may be significant in years where there is substantial monthly oil price volatility. A recent example of the extremes in oil price volatility may be found in FY 2009, when oil prices reached $133 per barrel in July and decreased 71% in five months to $37 per barrel in December 2008.

The impact of changing from a monthly to an annual tax calculation is greater under the current ACES tax than it is under the proposed tax structure with bracketed tax rates. This is because the progressive tax under current law is formulaic, and each dollar increase in profit increases the tax rate. Under the proposed HB 110, the tax rate would be bracketed, with the same tax rate applied to a range of profits per barrel. For example, profits of $56 per barrel would be taxed at the same rate as profits of $67 per barrel under the HB 110 proposal. This means of calculating the tax rate provides for less production tax volatility even if it were calculated using monthly values.

We tested this theory by applying a range of monthly prices to forecasted assumptions about production levels and lease expenditure levels, holding these levels flat from month to month, despite potential seasonal variation. With these assumptions, we found that although more

production tax was generated by calculating the production tax monthly than by calculating the tax annually, there was less of a difference in the monthly/annual calculation under the bracketed rates in HB 110 than with the rates currently under ACES, as shown below.



(4) What was the rationale for the $12 million figure for the Small Producer Credit and the $6 million figure for the New Area Development Credit in ACES?

The original PPT proposal in 2006 from then-Governor Frank Murkowski proposed a "standard deduction" of $73 million per year for each taxpayer.

As a deduction under the proposed tax at 20%, the tax savings per taxpayer would have been $14.6 million per year (20% x $73 million). The deduction would have applied to all companies, regardless of how much oil they produced, although there was legislative testimony that indicated that the amount was calculated based on production of 5,000 barrels of oil per day at $40 per barrel (5,000 x $40 x 365).

The tax proposal was heard in several legislative committees and underwent numerous changes in each committee. Among the changes was a shift in the standard deduction provision from a deduction to a credit. The committee substitute from the House Resources Committee changed the provision into a $12 million credit, which closely approximates the $14.6 million in the original proposal.

Although it is unclear how and when the provision was pared down to include only producers with 100,000 barrels of oil equivalent, the credit was generally regarded as an incentive to small producers. Later in the process, likely in one of the special sessions held to consider the tax changes, the New Area Development Credit was added. It is also likely that the amounts were fixed at $12 million and $6 million for ease in applying to the 12 months of a year.

(5) Provide a list of small producers that qualify for the Small Producer credit.

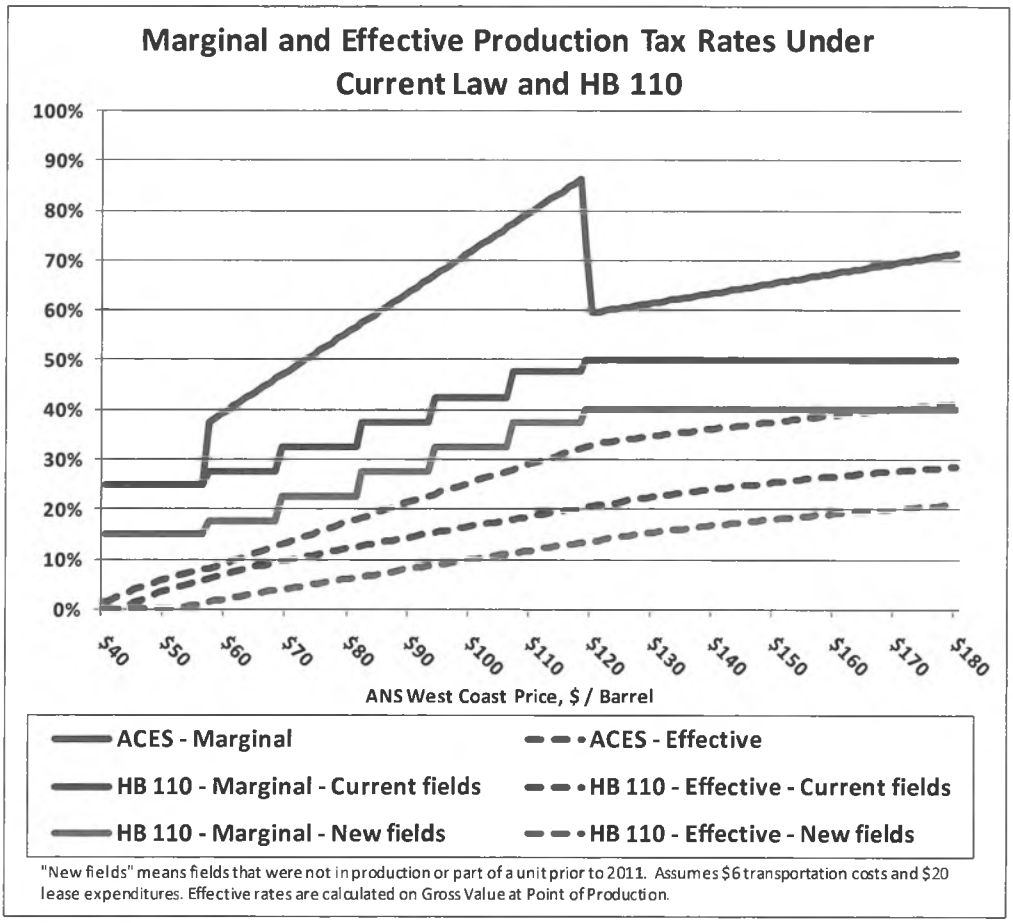
The small producer credit at AS 43.55.024(c) is available to producers who produce less than 100,000 BTU equivalent barrels of oil or gas per day and the credit may only be applied against a tax liability, and not carried forward or certificated. Although the amount of tax liability a producer has and the amount of credit they have earned is considered taxpayer-confidential, the production level of each of the producers is not confidential. Provided below is a list of producers who are currently producing oil and/or gas at levels below 100,000 BTU equivalent barrels per day. Assuming they have a production tax liability, they would be eligible for some or all of the $12 million tax credit.

Companies Currently Eligible for Credit under AS 43.55.024(c)

1. Anadarko Petroleum Corporation
2. Aurora Gas
3. Chevron Corporation
4. Cook Inlet Energy
5. Doyon Limited
6. ENI S.p.A.
7. Marathon Oil Corporation
8. Municipal Light and Power
9. Nana Regional Corporation
10. Pioneer Natural Resources
11. XTO Energy

(6) Provide a figure showing ACES marginal and effective tax rates on same chart.

The chart below shows the marginal and effective tax rates under ACES and HB 110. The marginal tax rate reflects the tax rate on a $1 increase in production tax value. The effective tax rate is the average tax rate assessed on the gross value at the point of production after credits have been applied.



(7) Provide a list of the top ten petroleum producing states that we are competing against for investment.

According to the Energy Information Administration, the following table shows the top ten oil producing states in 2009.

Top Ten Oil Producing States in the U.S.

State	Average Daily Production (thousands of barrels per day)
Texas	1,106
Alaska	645
California	567
North Dakota	218
Louisiana	189
Oklahoma	184
New Mexico	168
Wyoming	141
Kansas	108
Colorado	78

(8) Compare credits offered by other states with Alaska's credits.

This response is composed of two parts. The first part discusses tax incentives in various states and the second part discussed corporate income tax credits in other states.

Many other states offer tax incentives, exemptions, credits, or temporary suspensions, to reduce the tax on certain production. Generally, these tax incentives apply to production from a specified geographic area or a type of well or drilling technique. The incentive may be a reduced tax rate or an exemption from tax for a specified time period. States may exempt production from some wells, such as stripper wells entirely. Incentives may be limited to a certain volume or gross value at the well, or allowed only up to a certain percentage of project recovery costs.

Here are some common types of tax incentives:

Horizontal drilling definition: Some states offer incentives to encourage use of horizontal drilling. Although horizontal wells may have higher drilling costs, they may also have higher recovery rates. North Dakota defines horizontal well as meaning "a well with a horizontal displacement of the well bore drilled at an angle of at least eighty degrees within the productive formation of at least three hundred feet." Other states require an angle of at least 70 degrees, or less of a drilling depth.

Tax rate variation: Adjustable tax rates may apply to all production based on the price of oil or gas, or only to production from new, stripper, or horizontal wells. The reduced tax rate may

apply only up to a certain volume or market price, when that "trigger" volume or market price is reached, some of the tax incentives no longer apply.

Exemptions or reduced rate: A common tax incentive in a gross tax system is to exempt production for certain time, or to allow a reduced rate up to a certain production volume. To qualify, the well may need to be certified as a new, horizontal, or other type of well that qualifies for favored tax treatment.

Demonstration of increased production: This type of incentive can be related to a marginal well, an enhanced-recovery project or any well with declining production. In short, a baseline production amount is established and the operator applies to the tax or other commission for approval of a project designed to increase production. If the well production does increase, the operator may be eligible for a tax refund, exemption or other tax incentive, such as recovery of all or part of the project costs.

The following are some tax incentives in other states[1]:

Louisiana Severance Tax Exemptions, Rates and Suspensions
Oil Full Rate: 12-1/2% of its value at the time and place of severance
Incapable Oil Rate: 6-1/4% of its value. Oil produced from a well is incapable of producing an average of more than twenty-five barrels of oil per day during the entire taxable month and which also produces at least fifty percent salt water per day.

Stripper Oil Rate: 3-1/8% of its value. Oil produced from a well that is incapable of producing an average of more than ten barrels of oil per day during the entire taxable month.

Oil tax deduction allows producers to deduct a $0.25 per barrel for transporting oil or condensate from producing fields to processing facilities.

Tertiary recovery severance tax suspension: Allows crude oil production from a qualified tertiary project not to pay severance tax until the project has reached payout.

Horizontal mining and drilling projects severance tax suspension: Taxed at the special reduced rate of 3.125% of value until the cumulative value of hydrocarbon production from the project equals 2.33 times the private investment invested by the working interest owners.

Horizontal wells severance tax suspension: On any horizontally drilled well or any horizontal recompletions from which production commences after July 31,1994, all severance tax shall be suspended for a period of 24 months or until payout of well cost is achieved, whichever comes

[1] These states have gross tax systems, so upstream costs are not accounted for in determining the wellhead value, although some tax credits may incorporate a determination of exploration and development costs to calculate a project payback.

first. Pay out of well cost shall be the cost of completing the well to commencement of production.

Deep wells severance tax suspension: Wells drilled to a true vertical depth of 15,000 feet or more, where production commences after July 31, 1994 shall be exempt from severance tax for 24 months from the date production begins, or until payout of well cost, whichever comes first.

Texas Severance Tax Incentives

Enhanced Oil Recovery(EOR) Incentive: Oil produced from an approved new enhanced oil recovery project or expansion of an existing project is eligible for a special EOR tax rate of 2.3 percent of the production's market value(one-half of the standard rate) for 10 years after Commission certification of production response. For the expansion of an existing project the reduced rate is applied to the incremental increase in production after response certification.

The two year inactive well incentive: If an oil or gas well has been inactive(i.e., has no more than one month of production) during the preceding two years, any new oil, gas well gas, or casing head gas production may be eligible for up to a 10-year severance tax exemption.

Severance tax relief for marginal oil wells: The bill provides three levels of tax credits on oil production from qualified low-producing oil leases for any given month, depending on Comptroller's average taxable oil prices, adjusted to 2005 dollars, based on applicable price indices of the previous three months. An operator of a qualifying low-producing oil lease would be entitled to: (1) a 25% tax credit if the average taxable oil price were above $25 per barrel but not more than $30; (2) a 50% tax credit if the price were above $22 per barrel but not more than $25, and (3) a 100% tax credit if the price were $22 or less. The bill defines a qualifying low-producing oil lease as a lease that averages, over a 90-day period, less than 15 barrels per day per well or 5% recoverable oil per barrel of produced water per well.

Enhanced Efficiency Equipment Severance Tax Credit: Severance tax credits are available for marginal wells (an oil well that produces 10 barrels of oil or less per day on average during a month) for using equipment that reduces the energy required to produce a barrel of fluid by 10% as compared to alternative equipment.

Oklahoma Severance Tax Incentives

Tertiary Oil Recovery Projects: Any incremental production of crude oil or other liquid hydrocarbons which results from an enhanced recovery project is exempt starting from the project beginning date until project payback is achieved but not to exceed a payback period of 36 months.

Horizontally Drilled Well: The production of oil and gas from a horizontally drilled well producing prior to July 1, 1994, is exempt starting from the project beginning date until project payback is achieved, but not to exceed a payback period of 24 months commencing with the month of initial production.

North Dakota Oil Extraction Tax Incentive
Oil Extraction Tax Incentive for Bakken Horizontal Wells: The first seventy-five thousand barrels of oil produced during the first eighteen months after completion, from a horizontal well drilled and completed in the Bakken formation after June 30, 2007, and before July 1, 2008, is subject to a reduced tax rate of 2% of the gross value at the well of the oil extracted under this chapter.

*The gross production tax rate on gas is subject to a price index change on July 1 each year, the rate through June 30, 2011 is $.0914 per mcf. The gross production tax rate on oil is 5% of the gross value and the oil extraction tax rate is 6.5% of the gross value; 4% if the well qualifies for a reduced rate; 2% from qualifying wells in the Bakken formation; and 0% if the well qualifies for an exemption.

The following list discusses credits that are offered against corporate income tax in several other oil and gas producing states.

- California: **Enhanced Oil Recovery Credit:** Taxpayers are allowed a credit of one third of the federal tax against state tax.[2] This results in a credit of 5% of allowable costs for projects in California. No deductions for costs allowed as a credit; reduce basis in property by amount of the credit. Because federal credit is currently phased out, there is no current California credit. (See federal credits page).
- Oklahoma: **Coal Credit:** For tax years beginning on or after January 1, 2007, the credit shall be Five Dollars ($5.00) for each ton of coal mined, produced, or extracted in, on, under, or through a permit in Oklahoma.[3]
- Wyoming: **The state does not levy a corporate income tax**
- Texas, North Dakota, South Dakota: **No credits for oil & gas**

(9) Provide information about oil tax structure, environmental regulation, and land ownership for other oil producing states in the U.S.

The following discusses oil and gas tax structures in other states. We are in the process of compiling information about environmental regulation and land ownership in other states, and will provide that information to the committee when it is available.

Most state oil and gas severance[4] taxes are imposed on the gross taxable value of oil and natural gas. Under a gross tax, wellhead value is calculated net of transportation, processing and

[2] Cal. Rev. & Tax. Cd. § 23604 Oil recovery credit.
[3] Okla. Stat. § 2357.11 Tax Credit.

manufacturing costs. Generally, costs incurred upstream of the point of production are not deducted or considered when calculating gross taxable value. Gross production taxes can be levied on gross income, with a higher percentage applying as the income level increases. As an example, if gross income attributable from the sale of oil and gas is under $25,000, the tax rate is 2%; if $25, 000 but under $100,000, 3%, and so on. The following table shows the severance tax rates for several of the top oil producing states.

Severance Tax Rates by State	
Wyoming	6%
Texas	4.6%
Oklahoma	7%
North Dakota*	11.5%
Louisiana	12.5%
California	0%
New Mexico	3.75%
Kansas	4.33%

Alaska's severance tax is a net tax on the annual production tax value of oil and gas. Downstream transportation costs are deducted or "netted out" to arrive at a gross value at the point of production. Upstream costs, typically referred to as lease expenditures, are deducted from the gross value at the point of production to arrive at the annual production tax value upon which the tax is levied. If upstream costs are also qualified capital expenditures, they can qualify for a 20 percent credit that can be applied to the production tax liabilities, or redeemed as a certificate. Other credits, such as exploration credits, may also apply.

(10) Discuss the federal tax credits available in Alaska.

The following list presents the primary oil and gas related tax credits that are available against federal corporate income tax. There are also many federal tax credits that are available to all corporations which are not detailed here.

Enhanced Oil Recovery Credit (EOR)

- Credit of 15% of qualified costs against federal tax.
- Credit phases out when price of oil exceeds $28 /bbl (adjusted for inflation).
- No EOR allowed since 2005, because the list price exceeded the inflation adjusted price of oil. The list price for 2009 was $56.39 /bbl

[4] Severance taxes can also be called a mining license tax, net proceeds tax, royalty tax or production. Of course, there may also be property taxes, state income taxes and federal taxes levied on mineral production.

Marginal Well Credit

- Credit up to $3/bbl available only to owner of operating interest.
- Marginal well = oil production not more than 25 bbls/day, and not less than 95% water.
- Credit available only when price of oil less than $18/bbl.

Nonconventional Fuel Source Credit

- Credit up to $3 (adjusted for inflation) per BOE (barrel of oil equivalent, with 5.8 million Btu content)
- Credit completely phased out when inflation adjusted price of oil exceeds $33.46/bbl. List price of oil in 2009 was $56.39 /bbl.
- Credit on oil only from shale or tar sands.
- Credit on synthetic fuels from coal.
- Credit on gas produced only from:
  1. Devonian shale
  2. coal seams
  3. tight formations
  4. biomass
  5. geo pressured brine

(11) Provide a list of credits available from the federal government, and indicate what credits companies operating in Alaska have applied for. Provide examples of federal credits for the examples cited in our presentation (new explorer and existing producer with $200 million exploration program).

As a note on tax administration, corporations claim credits on tax returns when filed. Corporations do not apply for credits prior to filing a return.

No oil companies operating in Alaska have claimed federal corporate income tax credits in recent years because the federal credits have been phased out at current oil prices.

(12) Provide copies and a discussion on the Frazier Institute 2010 Global Petroleum Survey.

The complete Fraser Institute 2010 Global Petroleum Survey is available for free to the public at the following address: http://www.fraseramerica.org/commerce.web/product_files/global-petroleum-survey-2010_US.pdf

The Fraser Institute is an independent, non-profit research organization. The Global Petroleum Survey is based on the responses from managers and executives of petroleum exploration and production companies, and service providers, around the world. 645 professionals, representing 364 companies with a combined budget of $161 billion, contributed to the 2010 survey. Survey respondents rate various jurisdictions on 17 metrics related to investment attractiveness.

(13) If 44% of respondents to the Frasier survey indicated that Alaska's tax regime deters investment, what did the other 56% say?

Following is the detailed breakdown of responses regarding Alaska's tax regime:

- 25% said Alaska's tax regime "encourages investment"
- 31% said Alaska's tax regime "is not a deterrent to investment"
- 25% said Alaska's tax regime "is a mild deterrent to investment"
- 16% said Alaska's tax regime "is a strong deterrent to investment"
- 3% said they "would not invest due to this criterion"

(14) If Alaska modified petroleum taxes so that they were "the most favorable" where would that put AK on the Frazier graph?

The Fraser composite index takes an unweighted average of responses to 17 different factors affecting investment. Therefore, moving to a more favorable tax regime would likely result in a modest improvement in Alaska's composite index score. Also, improving our tax system would demonstrate to companies that Alaska is open for business and is taking steps to partner with industry and actively encourage investment in the state.

One example of a jurisdiction that recently made changes in its fiscal regime is Alberta. Alberta announced changes to its royalty system (Alberta's primary mechanism for receiving revenue from oil and gas) in early 2010. Alberta's composite index score went from 47.46 in 2009 to 36.70 in 2010, and its ranking in the Fraser composite improved from 92 in 2009 to 60 in 2010.

(15) If the state invested in infrastructure development, such as a road to the Umiat area, where would this put Alaska on the Frazier graph?

Quality of infrastructure is one of the 17 factors studied in the Fraser survey. Generally speaking, investing in improved infrastructure, such as roads to resources, would likely improve our score in this area. The impact on the overall perceptions of Alaska would likely depend on whether a road was an isolated investment in a specific project, or part of a broader initiative to improve the attractiveness of Alaska for industry investment.

(16) Please provide statistics on the major producers in Alaska and whether they are currently investing in the five Most Attractive and five Least Attractive jurisdictions on the Frazier graph.

The three largest oil producers in Alaska are currently Conoco Phillips, Exxon Mobil, and BP. As measured by the composite index in the Fraser survey, the five most attractive jurisdictions for investment are South Dakota, Texas, Illinois, Wyoming, and Austria. The five least attractive jurisdictions for investment are Bolivia, Venezuela, Russia, Ukraine, and Iran. To determine areas where the companies are invested, we reviewed Exxon's 2009 Financial &

Operating Review, Conoco's 2009 Fact Book, and BP's 2009 Annual Report. Note that there may be minor investments, or plans for future investments, that are not readily identified.

Among the most favorable jurisdictions, Conoco has investments in the Williston Basin of South Dakota; all three major producers are heavily invested in Texas; Conoco has a 50 percent interest in a refinery in Illinois; Conoco and Exxon both have operations in Wyoming; investments in Austria were not identified.

Among the least favorable jurisdictions, BP had operations in Bolivia that were nationalized in 2008; all the major producers were invested in Venezuela prior to nationalizations in 2007, with Conoco and Exxon pulling out and BP agreeing to joint venture contract terms; all three major producers have significant investments in Russia; investments by the major producers in Ukraine and Iran were not identified.

We hope our responses fully answer your questions. As mentioned above, we are currently compiling additional information to fully respond to request number 9 above, and we will provide that information when it is completed.

Sincerely,

Bruce Tangeman
Deputy Commissioner

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

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The Honorable Eric Feige
State Capitol Room 126
Juneau AK, 99801

February 23, 2011

The Honorable Paul Seaton
State Capitol Room 102
Juneau AK, 99801

SUBJECT: Response to Modeling Request from Co-Chair Seaton

Dear Representative Feige and Seaton:

Enclosed please find the results of the hypothetical modeling project requested by Co-chair Seaton during the House Resources Committee meeting on February 21, 2011, and earlier by email.

Please pay particular attention to the assumptions and caveats provided in the cover sheet for the analysis. The assumptions used were as requested, and this analysis in no way represents a Department of Revenue forecast or expectation.

Sincerely,

Bruce Tangeman
Deputy Commissioner

Title:	**Comparison of Revenue under ACES and HB 110 with Requested Volume, Price, and Cost Assumptions***
Preparer:	Cherie Nienhuis, Petroleum Economic Policy Analyst and Dan Stickel, Petroleum Economist
Date:	23-Feb-11
Purpose:	As requested by Representative Seaton
Data Source:	Major ACES tax variables and major proposed variables in HB 110
Key Assumptions:	*Assumptions as requested by requestor, which are neither supported nor condoned by the Department of Revenue. The following assumptions were dictated: 50% TAPS throughput is oil from New Fields (over a seven-year period TAPS Legacy Field oil is switched over to New Field Oil at a rate of 7% per year so that at the end of the seven years roughly 50% of TAPS throughput is New Field Oil.) ANS WC price of $90 per barrel, and $50 per barrel Costs of $36 per barrel $15 Billion in capital investment for new infrastructure available for credit With the models, please provide tables below the model, or on a separate page, so we can review the input data. The following assumptions were made by the Department, to implement the models: Incremental oil only ocurrs in the HB 110 case Stated decline rate, and incremental oil additions, continue beyond the first 7 years. Stated cost of $36 is for incremental oil and includes $7 transportation costs, $19 operating costs, $10 capital costs. Costs for exising oil are $10 / barrel operating costs, $10 / barrel capital costs, plus $7 / barrel transporation costs ($27 / barrel total) Simplistic transportation cost model - half of transit costs vary relative to production (costs will increase as throughput declines) The $15 billion of new infrastructure is exclusive to incremental oil and spread evenly across the first 7 years (appx $2.1 billion per year) Production decline rate is levied on a compound basis, resulting in smaller absolute declines each year This analysis does not include assumptions relating to lease expenditure exemptions, or proposed credits. We do not include credits other than the 20% capital credit, and for simplification we assume all credits can be taken in one year. See assumptions listed on each sheet.
History:	None
Disclaimer:	This analysis does not represent a Department of Revenue forecast or expectation. The modeling shown here represents a hypothetical scenario only using assumptions provided by the requestor. Under HB 110, the 15% base tax rate would apply only to oil and gas produced from leases or properties that have not been in a unit as of 1/1/2011 and have never had commercial production. We forecast that the vast majority of additional North Slope production will come from existing units and will not receive the 15% base tax rate. The Department of Revenue is in the process of reviewing and updating the data on which this analysis is based. As a result, future analysis could have different results. The information contained in this workbook may be privileged, confidential or otherwise protected from disclosure. If you are not the intended recipient, any use, dissemination, disclosure, distribution or copying is strictly prohibited.

Comparison of Revenue under ACES and HB 110 with Requested Volume, Price, and Cost Assumptions - $90 ANS Scenario

Prepared 02/23/11 by Department of Revenue for Rep Seaton

This analysis does not represent a Department of Revenue forecast or expectation.

These hypothetical assumptions were specifically requested by the requestor and the Department of Revenue does not in any way support the assumptions.
This analysis does not include assumptions relating to lease expenditure exemptions, or proposed credits

KEY INPUTS					
Initial Production (bpd)	600,000		Incremental facilities capital ($ mm)	$	15,000
Decline rate - existing	7%		Years to spread facilities spend	$	7
Oil Price	$90		Incremental Opex / bbl	$	19
Existing Opex / bbl	$ 10		Incremental Capex / bbl	$	10
Existing Capex / bbl	$ 10		Transit costs	$	7

All amounts in $ millions except for all production and amounts labeled as per barrel amounts

ACES Scenario - Existing oil with decline rate

Year	Production (bpd)	Annual Taxable GVPP	Capital Expenditures	Operating Expenditures	Total Costs	PTV	PTV / barrel	Base Tax	Progressive Tax	Total Tax before Credits	Capital Credits	NOL Tax Credits	Total Tax after Credits	Credits for carry forward or refund
1	600,000	$ 15,905	$ 2,190	$ 2,190	$ 4,380	$11,525	60.14	$2,881	$1,390	$4,271	$ 438	$ -	$3,833	$ -
2	558,000	$ 14,745	$ 2,037	$ 2,037	$ 4,073	$10,671	59.88	$2,668	$1,275	$3,943	$ 407	$ -	$3,536	$ -
3	518,940	$ 13,666	$ 1,894	$ 1,894	$ 3,788	$9,877	59.60	$2,469	$1,169	$3,639	$ 379	$ -	$3,260	$ -
4	482,614	$ 12,662	$ 1,762	$ 1,762	$ 3,523	$9,139	59.29	$2,285	$1,071	$3,355	$ 352	$ -	$3,003	$ -
5	448,831	$ 11,729	$ 1,638	$ 1,638	$ 3,276	$8,452	58.96	$2,113	$979	$3,092	$ 328	$ -	$2,765	$ -
6	417,413	$ 10,861	$ 1,524	$ 1,524	$ 3,047	$7,814	58.61	$1,953	$894	$2,848	$ 305	$ -	$2,543	$ -
7	388,194	$ 10,054	$ 1,417	$ 1,417	$ 2,834	$7,220	58.23	$1,805	$815	$2,620	$ 283	$ -	$2,337	$ -
8	361,021	$ 9,303	$ 1,318	$ 1,318	$ 2,635	$6,667	57.83	$1,667	$742	$2,409	$ 264	$ -	$2,145	$ -
9	335,749	$ 8,605	$ 1,225	$ 1,225	$ 2,451	$6,154	57.39	$1,538	$674	$2,213	$ 245	$ -	$1,967	$ -
10	312,247	$ 7,955	$ 1,140	$ 1,140	$ 2,279	$5,676	56.92	$1,419	$611	$2,030	$ 228	$ -	$1,802	$ -
11	290,389	$ 7,352	$ 1,060	$ 1,060	$ 2,120	$5,232	56.41	$1,308	$553	$1,861	$ 212	$ -	$1,649	$ -
12	270,062	$ 6,790	$ 986	$ 986	$ 1,971	$4,819	55.87	$1,205	$499	$1,703	$ 197	$ -	$1,506	$ -
13	251,158	$ 6,268	$ 917	$ 917	$ 1,833	$4,434	55.28	$1,109	$448	$1,557	$ 183	$ -	$1,374	$ -
14	233,577	$ 5,782	$ 853	$ 853	$ 1,705	$4,077	54.65	$1,019	$402	$1,421	$ 171	$ -	$1,251	$ -
15	217,226	$ 5,330	$ 793	$ 793	$ 1,586	$3,745	53.98	$936	$359	$1,295	$ 159	$ -	$1,137	$ -
16	202,021	$ 4,910	$ 737	$ 737	$ 1,475	$3,436	53.25	$859	$319	$1,178	$ 147	$ -	$1,031	$ -
17	187,879	$ 4,520	$ 686	$ 686	$ 1,372	$3,148	52.47	$787	$283	$1,070	$ 137	$ -	$933	$ -
18	174,728	$ 4,156	$ 638	$ 638	$ 1,276	$2,881	51.62	$720	$249	$969	$ 128	$ -	$842	$ -
19	162,497	$ 3,818	$ 593	$ 593	$ 1,186	$2,632	50.72	$658	$218	$876	$ 119	$ -	$758	$ -
20	151,122	$ 3,504	$ 552	$ 552	$ 1,103	$2,401	49.75	$600	$190	$790	$ 110	$ -	$680	$ -

HB 110 Scenario - Summary Existing + Incremental Production

Year	Production (bpd)	Annual Taxable GVPP	Capital Expenditures	Operating Expenditures	Total Costs	PTV	PTV / barrel	Total Tax before Credits	Capital Credits	NOL Tax Credits	Total Tax after Credits	Credits for carry forward or refund
1	600,000	$ 15,905	$ 4,333	$ 2,190	$ 6,523	$9,382	$ 48.96	$ 3,244	$ 867	$ 536	$ 1,842	$ -
2	600,000	$ 15,905	$ 4,333	$ 2,328	$ 6,661	$9,244	$ 48.24	$ 3,017	$ 867	$ 369	$ 1,782	$ -
3	600,000	$ 15,905	$ 4,333	$ 2,456	$ 6,789	$9,116	$ 47.57	$ 2,806	$ 867	$ 213	$ 1,726	$ -
4	600,000	$ 15,905	$ 4,333	$ 2,576	$ 6,908	$8,996	$ 46.95	$ 2,609	$ 867	$ 68	$ 1,674	$ -
5	600,000	$ 15,905	$ 4,333	$ 2,687	$ 7,019	$8,885	$ 46.37	$ 2,466	$ 867	$ -	$ 1,600	$ -
6	600,000	$ 15,905	$ 4,333	$ 2,790	$ 7,123	$8,782	$ 45.83	$ 2,371	$ 867	$ -	$ 1,505	$ -
7	600,000	$ 15,905	$ 4,333	$ 2,886	$ 7,219	$8,686	$ 45.33	$ 2,283	$ 867	$ -	$ 1,417	$ -
8	600,000	$ 15,905	$ 2,190	$ 2,975	$ 5,165	$10,740	$ 56.05	$ 2,589	$ 438	$ -	$ 2,151	$ -
9	600,000	$ 15,905	$ 2,190	$ 3,058	$ 5,248	$10,657	$ 55.61	$ 2,519	$ 438	$ -	$ 2,081	$ -
10	600,000	$ 15,905	$ 2,190	$ 3,135	$ 5,325	$10,580	$ 55.21	$ 2,455	$ 438	$ -	$ 2,017	$ -
11	600,000	$ 15,905	$ 2,190	$ 3,207	$ 5,397	$10,508	$ 54.84	$ 2,395	$ 438	$ -	$ 1,957	$ -
12	600,000	$ 15,905	$ 2,190	$ 3,274	$ 5,464	$10,441	$ 54.49	$ 2,339	$ 438	$ -	$ 1,901	$ -
13	600,000	$ 15,905	$ 2,190	$ 3,336	$ 5,526	$10,379	$ 54.16	$ 2,287	$ 438	$ -	$ 1,849	$ -
14	600,000	$ 15,905	$ 2,190	$ 3,394	$ 5,584	$10,321	$ 53.86	$ 2,239	$ 438	$ -	$ 1,801	$ -
15	600,000	$ 15,905	$ 2,190	$ 3,447	$ 5,637	$10,267	$ 53.58	$ 2,194	$ 438	$ -	$ 1,756	$ -
16	600,000	$ 15,905	$ 2,190	$ 3,497	$ 5,687	$10,218	$ 53.32	$ 2,153	$ 438	$ -	$ 1,715	$ -
17	600,000	$ 15,905	$ 2,190	$ 3,544	$ 5,734	$10,171	$ 53.08	$ 2,114	$ 438	$ -	$ 1,676	$ -
18	600,000	$ 15,905	$ 2,190	$ 3,587	$ 5,777	$10,128	$ 52.85	$ 2,078	$ 438	$ -	$ 1,640	$ -
19	600,000	$ 15,905	$ 2,190	$ 3,627	$ 5,817	$10,088	$ 52.64	$ 2,044	$ 438	$ -	$ 1,606	$ -
20	600,000	$ 15,905	$ 2,190	$ 3,665	$ 5,855	$10,050	$ 52.45	$ 2,013	$ 438	$ -	$ 1,575	$ -

Comparison of Revenue under ACES and HB 110 with Requested Volume, Price, and Cost Assumptions - $90 ANS Scenario

Prepared 02/23/11 by Department of Revenue for Rep Seaton

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HB 110 Scenario - Existing oil with decline rate

Year	Production (bpd)	Annual Taxable GVPP	Capital Expenditures	Operating Expenditures	Total Costs	PTV	PTV / barrel	Base Tax	Progressive Tax	Total Tax before Credits	Capital Credits	NOL Tax Credits	Total Tax after Credits	Credits for carry forward or refund
1	600,000	$ 15,905	$ 2,190	$ 2,190	$ 4,380	$11,525	60.14	$2,881	$ 363	$ 3,244	$ 438	$ -	$2,806	$ -
2	558,000	$ 14,792	$ 2,037	$ 2,037	$ 4,073	$10,718	60.14	$2,680	$ 337	$ 3,017	$ 407	$ -	$2,610	$ -
3	518,940	$ 13,756	$ 1,894	$ 1,894	$ 3,788	$9,968	60.14	$2,492	$ 314	$ 2,806	$ 379	$ -	$2,427	$ -
4	482,614	$ 12,793	$ 1,762	$ 1,762	$ 3,523	$9,270	60.14	$2,318	$ 292	$ 2,609	$ 352	$ -	$2,257	$ -
5	448,831	$ 11,898	$ 1,638	$ 1,638	$ 3,276	$8,621	60.14	$2,155	$ 271	$ 2,427	$ 328	$ -	$2,099	$ -
6	417,413	$ 11,065	$ 1,524	$ 1,524	$ 3,047	$8,018	60.14	$2,004	$ 252	$ 2,257	$ 305	$ -	$1,952	$ -
7	388,194	$ 10,290	$ 1,417	$ 1,417	$ 2,834	$7,456	60.14	$1,864	$ 235	$ 2,099	$ 283	$ -	$1,815	$ -
8	361,021	$ 9,570	$ 1,318	$ 1,318	$ 2,635	$6,935	60.14	$1,734	$ 218	$ 1,952	$ 264	$ -	$1,688	$ -
9	335,749	$ 8,900	$ 1,225	$ 1,225	$ 2,451	$6,449	60.14	$1,612	$ 203	$ 1,815	$ 245	$ -	$1,570	$ -
10	312,247	$ 8,277	$ 1,140	$ 1,140	$ 2,279	$5,998	60.14	$1,499	$ 189	$ 1,688	$ 228	$ -	$1,460	$ -
11	290,389	$ 7,698	$ 1,060	$ 1,060	$ 2,120	$5,578	60.14	$1,394	$ 176	$ 1,570	$ 212	$ -	$1,358	$ -
12	270,062	$ 7,159	$ 986	$ 986	$ 1,971	$5,187	60.14	$1,297	$ 163	$ 1,460	$ 197	$ -	$1,263	$ -
13	251,158	$ 6,658	$ 917	$ 917	$ 1,833	$4,824	60.14	$1,206	$ 152	$ 1,358	$ 183	$ -	$1,175	$ -
14	233,577	$ 6,192	$ 853	$ 853	$ 1,705	$4,487	60.14	$1,122	$ 141	$ 1,263	$ 171	$ -	$1,092	$ -
15	217,226	$ 5,758	$ 793	$ 793	$ 1,586	$4,173	60.14	$1,043	$ 131	$ 1,174	$ 159	$ -	$1,016	$ -
16	202,021	$ 5,355	$ 737	$ 737	$ 1,475	$3,880	60.14	$970	$ 122	$ 1,092	$ 147	$ -	$945	$ -
17	187,879	$ 4,980	$ 686	$ 686	$ 1,372	$3,609	60.14	$902	$ 114	$ 1,016	$ 137	$ -	$879	$ -
18	174,728	$ 4,632	$ 638	$ 638	$ 1,276	$3,356	60.14	$839	$ 106	$ 945	$ 128	$ -	$817	$ -
19	162,497	$ 4,307	$ 593	$ 593	$ 1,186	$3,121	60.14	$780	$ 98	$ 879	$ 119	$ -	$760	$ -
20	151,122	$ 4,006	$ 552	$ 552	$ 1,103	$2,903	60.14	$726	$ 91	$ 817	$ 110	$ -	$707	$ -

HB 110 Scenario - Incremental oil to maintain production

Year	Production (bpd)	Annual Taxable GVPP	Capital Expenditures	Operating Expenditures	Total Costs	PTV	PTV / barrel	Base Tax	Progressive Tax	Total Tax before Credits	Capital Credits	NOL Tax Credits	Total Tax after Credits	Credits for carry forward or refund
1	-	$ -	$ 2,143	$ -	$ 2,143	($2,143)	$ -	($321)	$ -	$ -	$ 429	$ 536	$0	$ 964
2	42,000	$ 1,113	$ 2,296	$ 291	$ 2,587	($1,474)	$ (109.89)	($221)	$ -	$ -	$ 459	$ 369	$0	$ 828
3	81,060	$ 2,149	$ 2,439	$ 562	$ 3,001	($852)	$ (32.92)	($128)	$ -	$ -	$ 488	$ 213	$0	$ 701
4	117,386	$ 3,112	$ 2,571	$ 814	$ 3,385	($274)	$ (7.30)	($41)	$ -	$ -	$ 514	$ 68	$0	$ 583
5	151,169	$ 4,007	$ 2,695	$ 1,048	$ 3,743	$264	$ 5.47	$40	$ -	$ 40	$ 539	$ -	$0	$ 499
6	182,587	$ 4,840	$ 2,809	$ 1,266	$ 4,076	$764	$ 13.11	$115	$ -	$ 115	$ 562	$ -	$0	$ 447
7	211,806	$ 5,615	$ 2,916	$ 1,469	$ 4,385	$1,230	$ 18.18	$184	$ -	$ 184	$ 583	$ -	$0	$ 399
8	238,979	$ 6,335	$ 872	$ 1,657	$ 2,530	$3,805	$ 49.86	$571	$ 66	$ 637	$ 174	$ -	$462	$ -
9	264,251	$ 7,005	$ 965	$ 1,833	$ 2,797	$4,208	$ 49.86	$631	$ 73	$ 704	$ 193	$ -	$511	$ -
10	287,753	$ 7,628	$ 1,050	$ 1,996	$ 3,046	$4,582	$ 49.86	$687	$ 79	$ 767	$ 210	$ -	$557	$ -
11	309,611	$ 8,207	$ 1,130	$ 2,147	$ 3,277	$4,930	$ 49.86	$739	$ 85	$ 825	$ 226	$ -	$599	$ -
12	329,938	$ 8,746	$ 1,204	$ 2,288	$ 3,492	$5,254	$ 49.86	$788	$ 91	$ 879	$ 241	$ -	$638	$ -
13	348,842	$ 9,247	$ 1,273	$ 2,419	$ 3,692	$5,555	$ 49.86	$833	$ 96	$ 929	$ 255	$ -	$675	$ -
14	366,423	$ 9,713	$ 1,337	$ 2,541	$ 3,879	$5,835	$ 49.86	$875	$ 101	$ 976	$ 267	$ -	$709	$ -
15	382,774	$ 10,147	$ 1,397	$ 2,655	$ 4,052	$6,095	$ 49.86	$914	$ 106	$ 1,020	$ 279	$ -	$740	$ -
16	397,979	$ 10,550	$ 1,453	$ 2,760	$ 4,213	$6,337	$ 49.86	$951	$ 110	$ 1,060	$ 291	$ -	$770	$ -
17	412,121	$ 10,925	$ 1,504	$ 2,858	$ 4,362	$6,562	$ 49.86	$984	$ 114	$ 1,098	$ 301	$ -	$797	$ -
18	425,272	$ 11,273	$ 1,552	$ 2,949	$ 4,502	$6,772	$ 49.86	$1,016	$ 117	$ 1,133	$ 310	$ -	$823	$ -
19	437,503	$ 11,597	$ 1,597	$ 3,034	$ 4,631	$6,966	$ 49.86	$1,045	$ 121	$ 1,166	$ 319	$ -	$846	$ -
20	448,878	$ 11,899	$ 1,638	$ 3,113	$ 4,751	$7,148	$ 49.86	$1,072	$ 124	$ 1,196	$ 328	$ -	$868	$ -

Comparison of Revenue under ACES and HB 110 with Requested Volume, Price, and Cost Assumptions - $90 ANS Scenario

Prepared 02/23/11 by Department of Revenue for Rep Seaton

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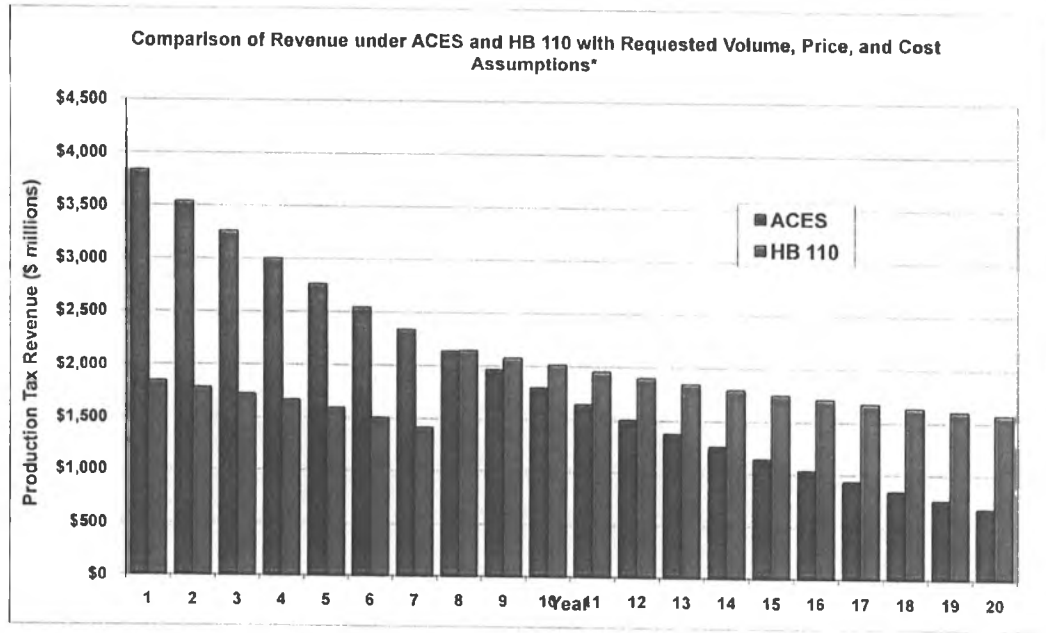
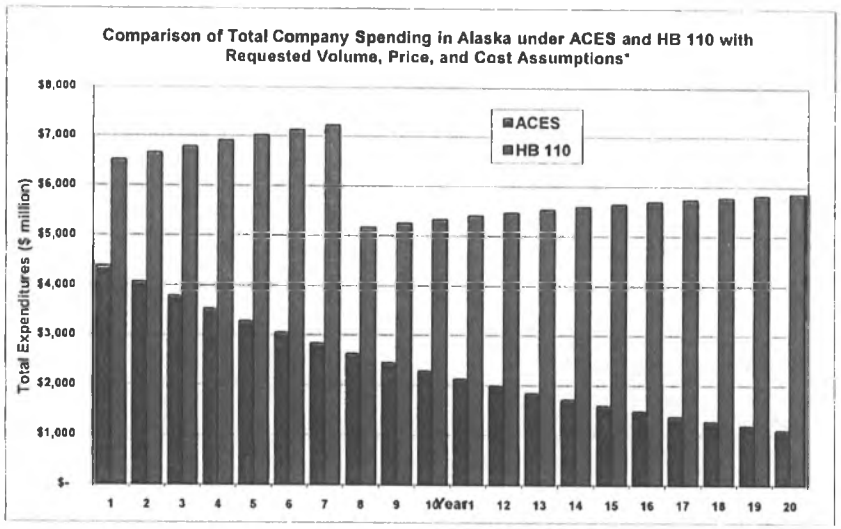
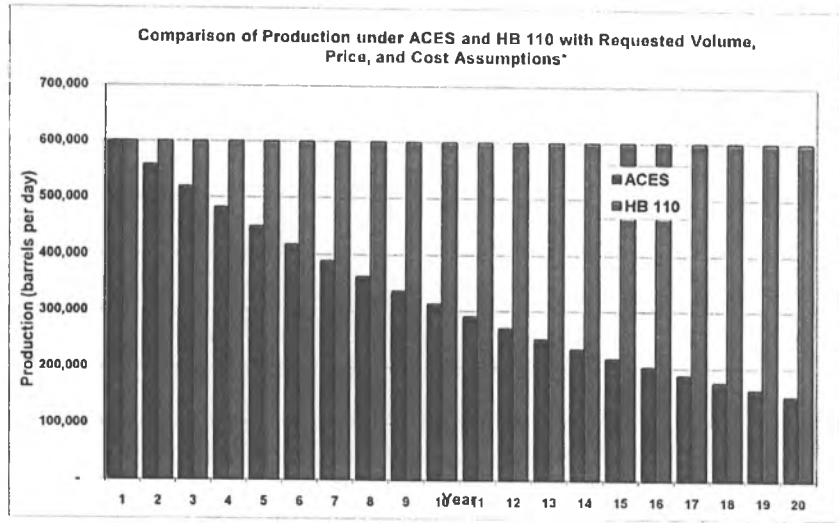
COMPARISON OF SCENARIOS				
	ACES		HB 110	
Year	Tax Liability	Credits for carry forward or refund	Tax Liability	Credits for carry forward or refund
1	$3,833	$0	$1,842	$0
2	$3,536	$0	$1,782	$0
3	$3,260	$0	$1,726	$0
4	$3,003	$0	$1,674	$0
5	$2,765	$0	$1,600	$0
6	$2,543	$0	$1,505	$0
7	$2,337	$0	$1,417	$0
8	$2,145	$0	$2,151	$0
9	$1,967	$0	$2,081	$0
10	$1,802	$0	$2,017	$0
11	$1,649	$0	$1,957	$0
12	$1,506	$0	$1,901	$0
13	$1,374	$0	$1,849	$0
14	$1,251	$0	$1,801	$0
15	$1,137	$0	$1,756	$0
16	$1,031	$0	$1,715	$0
17	$933	$0	$1,676	$0
18	$842	$0	$1,640	$0
19	$758	$0	$1,606	$0
20	$680	$0	$1,575	$0
Sum	$38,350	$0	$35,271	$0







Comparison of Revenue under ACES and HB 110 with Requested Volume, Price, and Cost Assumptions - $50 ANS Scenario

Prepared 02/23/11 by Department of Revenue for Rep Seaton

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KEY INPUTS					
Initial Production (bpd)		600,000	Incremental facilities capital ($ mm)	$	15,000
Decline rate - existing		7%	Years to spread facilities spend	$	7
Oil Price		$50	Incremental Opex / bbl	$	19
Existing Opex / bbl	$	10	Incremental Capex / bbl	$	10
Existing Capex / bbl	$	10	Transit costs	$	7

All amounts in $ millions except for oil production and amounts labeled as per barrel amounts

ACES Scenario - Existing oil with decline rate

Year	Production (bpd)	Annual Taxable GVPP	Capital Expenditures	Operating Expenditures	Total Costs	PTV	PTV / barrel	Base Tax	Progressive Tax	Total Tax before Credits	Capital Credits	NOL Tax Credits	Total Tax after Credits	Credits for carry forward or refund
1	600,000	$ 8,240	$ 2,190	$ 2,190	$ 4,380	$3,860	20.14	$965	$0	$965	$ 438	$ -	$527	$ -
2	558,000	$ 7,616	$ 2,037	$ 2,037	$ 4,073	$3,543	19.88	$886	$0	$886	$ 407	$ -	$478	$ -
3	518,940	$ 7,036	$ 1,894	$ 1,894	$ 3,788	$3,248	19.60	$812	$0	$812	$ 379	$ -	$433	$ -
4	482,614	$ 6,497	$ 1,762	$ 1,762	$ 3,523	$2,974	19.29	$743	$0	$743	$ 352	$ -	$391	$ -
5	448,831	$ 5,995	$ 1,638	$ 1,638	$ 3,276	$2,718	18.96	$680	$0	$680	$ 328	$ -	$352	$ -
6	417,413	$ 5,528	$ 1,524	$ 1,524	$ 3,047	$2,481	18.61	$620	$0	$620	$ 305	$ -	$316	$ -
7	388,194	$ 5,094	$ 1,417	$ 1,417	$ 2,834	$2,261	18.23	$565	$0	$565	$ 283	$ -	$282	$ -
8	361,021	$ 4,691	$ 1,318	$ 1,318	$ 2,635	$2,055	17.83	$514	$0	$514	$ 264	$ -	$250	$ -
9	335,749	$ 4,316	$ 1,225	$ 1,225	$ 2,451	$1,865	17.39	$466	$0	$466	$ 245	$ -	$221	$ -
10	312,247	$ 3,966	$ 1,140	$ 1,140	$ 2,279	$1,687	16.92	$422	$0	$422	$ 228	$ -	$194	$ -
11	290,389	$ 3,642	$ 1,060	$ 1,060	$ 2,120	$1,522	16.41	$381	$0	$381	$ 212	$ -	$169	$ -
12	270,062	$ 3,340	$ 986	$ 986	$ 1,971	$1,369	15.87	$342	$0	$342	$ 197	$ -	$145	$ -
13	251,158	$ 3,059	$ 917	$ 917	$ 1,833	$1,226	15.28	$306	$0	$306	$ 183	$ -	$123	$ -
14	233,577	$ 2,798	$ 853	$ 853	$ 1,705	$1,093	14.65	$273	$0	$273	$ 171	$ -	$103	$ -
15	217,226	$ 2,555	$ 793	$ 793	$ 1,586	$970	13.98	$242	$0	$242	$ 159	$ -	$84	$ -
16	202,021	$ 2,330	$ 737	$ 737	$ 1,475	$855	13.25	$214	$0	$214	$ 147	$ -	$66	$ -
17	187,879	$ 2,119	$ 686	$ 686	$ 1,372	$748	12.47	$187	$0	$187	$ 137	$ -	$50	$ -
18	174,728	$ 1,924	$ 638	$ 638	$ 1,276	$649	11.62	$162	$0	$162	$ 128	$ -	$35	$ -
19	162,497	$ 1,743	$ 593	$ 593	$ 1,186	$556	10.72	$139	$0	$139	$ 119	$ -	$20	$ -
20	151,122	$ 1,574	$ 552	$ 552	$ 1,103	$470	9.75	$118	$0	$118	$ 110	$ -	$7	$ -

HB 110 Scenario - Summary Existing + Incremental Production

Year	Production (bpd)	Annual Taxable GVPP	Capital Expenditures	Operating Expenditures	Total Costs	PTV	PTV / barrel	Total Tax before Credits	Capital Credits	NOL Tax Credits	Total Tax after Credits	Credits for carry forward or refund
1	600,000	$ 8,240	$ 4,333	$ 2,190	$ 6,523	$1,717	$ 8.96	$ 965	$ 867	$ 536	$ -	$ 437
2	600,000	$ 8,240	$ 4,333	$ 2,328	$ 6,661	$1,579	$ 8.24	$ 897	$ 867	$ 503	$ -	$ 1,369
3	600,000	$ 8,240	$ 4,333	$ 2,456	$ 6,789	$1,451	$ 7.57	$ 835	$ 867	$ 472	$ -	$ 1,338
4	600,000	$ 8,240	$ 4,333	$ 2,576	$ 6,908	$1,331	$ 6.95	$ 776	$ 867	$ 443	$ -	$ 1,310
5	600,000	$ 8,240	$ 4,333	$ 2,687	$ 7,019	$1,220	$ 6.37	$ 722	$ 867	$ 417	$ -	$ 1,283
6	600,000	$ 8,240	$ 4,333	$ 2,790	$ 7,123	$1,117	$ 5.83	$ 671	$ 867	$ 392	$ -	$ 1,259
7	600,000	$ 8,240	$ 4,333	$ 2,886	$ 7,219	$1,021	$ 5.33	$ 624	$ 867	$ 369	$ -	$ 1,236
8	600,000	$ 8,240	$ 2,190	$ 2,975	$ 5,165	$3,075	$ 16.05	$ 693	$ 438	$ -	$ 255	$ -
9	600,000	$ 8,240	$ 2,190	$ 3,058	$ 5,248	$2,992	$ 15.61	$ 665	$ 438	$ -	$ 227	$ -
10	600,000	$ 8,240	$ 2,190	$ 3,135	$ 5,325	$2,915	$ 15.21	$ 638	$ 438	$ -	$ 200	$ -
11	600,000	$ 8,240	$ 2,190	$ 3,207	$ 5,397	$2,843	$ 14.84	$ 613	$ 438	$ -	$ 175	$ -
12	600,000	$ 8,240	$ 2,190	$ 3,274	$ 5,464	$2,776	$ 14.49	$ 590	$ 438	$ -	$ 152	$ -
13	600,000	$ 8,240	$ 2,190	$ 3,336	$ 5,526	$2,714	$ 14.16	$ 569	$ 438	$ -	$ 131	$ -
14	600,000	$ 8,240	$ 2,190	$ 3,394	$ 5,584	$2,656	$ 13.86	$ 549	$ 438	$ -	$ 111	$ -
15	600,000	$ 8,240	$ 2,190	$ 3,447	$ 5,637	$2,602	$ 13.58	$ 530	$ 438	$ -	$ 92	$ -
16	600,000	$ 8,240	$ 2,190	$ 3,497	$ 5,687	$2,553	$ 13.32	$ 513	$ 438	$ -	$ 75	$ -
17	600,000	$ 8,240	$ 2,190	$ 3,544	$ 5,734	$2,506	$ 13.08	$ 497	$ 438	$ -	$ 59	$ -
18	600,000	$ 8,240	$ 2,190	$ 3,587	$ 5,777	$2,463	$ 12.85	$ 482	$ 438	$ -	$ 44	$ -
19	600,000	$ 8,240	$ 2,190	$ 3,627	$ 5,817	$2,423	$ 12.64	$ 468	$ 438	$ -	$ 30	$ -
20	600,000	$ 8,240	$ 2,190	$ 3,665	$ 5,855	$2,385	$ 12.45	$ 455	$ 438	$ -	$ 17	$ -

Comparison of Revenue under ACES and HB 110 with Requested Volume, Price, and Cost Assumptions - $50 ANS Scenario

Prepared 02/23/11 by Department of Revenue for Rep Seaton

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HB 110 Scenario - Existing oil with decline rate

Year	Production (bpd)	Annual Taxable GVPP	Capital Expenditures	Operating Expenditures	Total Costs	PTV	PTV / barrel	Base Tax	Progressive Tax	Total Tax before Credits	Capital Credits	NOL Tax Credits	Total Tax after Credits	Credits for carry forward or refund
1	600,000	$ 8,240	$ 2,190	$ 2,190	$ 4,380	$3,860	20.14	$965	$ -	$ 965	$ 438	$ -	$527	$ -
2	558,000	$ 7,663	$ 2,037	$ 2,037	$ 4,073	$3,590	20.14	$897	$ -	$ 897	$ 407	$ -	$490	$ -
3	518,940	$ 7,127	$ 1,894	$ 1,894	$ 3,788	$3,338	20.14	$835	$ -	$ 835	$ 379	$ -	$456	$ -
4	482,614	$ 6,628	$ 1,762	$ 1,762	$ 3,523	$3,105	20.14	$776	$ -	$ 776	$ 352	$ -	$424	$ -
5	448,831	$ 6,164	$ 1,638	$ 1,638	$ 3,276	$2,887	20.14	$722	$ -	$ 722	$ 328	$ -	$394	$ -
6	417,413	$ 5,732	$ 1,524	$ 1,524	$ 3,047	$2,685	20.14	$671	$ -	$ 671	$ 305	$ -	$367	$ -
7	388,194	$ 5,331	$ 1,417	$ 1,417	$ 2,834	$2,497	20.14	$624	$ -	$ 624	$ 283	$ -	$341	$ -
8	361,021	$ 4,958	$ 1,318	$ 1,318	$ 2,635	$2,322	20.14	$581	$ -	$ 581	$ 264	$ -	$317	$ -
9	335,749	$ 4,611	$ 1,225	$ 1,225	$ 2,451	$2,160	20.14	$540	$ -	$ 540	$ 245	$ -	$295	$ -
10	312,247	$ 4,288	$ 1,140	$ 1,140	$ 2,279	$2,009	20.14	$502	$ -	$ 502	$ 228	$ -	$274	$ -
11	290,389	$ 3,988	$ 1,060	$ 1,060	$ 2,120	$1,868	20.14	$467	$ -	$ 467	$ 212	$ -	$255	$ -
12	270,062	$ 3,709	$ 986	$ 986	$ 1,971	$1,737	20.14	$434	$ -	$ 434	$ 197	$ -	$237	$ -
13	251,158	$ 3,449	$ 917	$ 917	$ 1,833	$1,616	20.14	$404	$ -	$ 404	$ 183	$ -	$221	$ -
14	233,577	$ 3,208	$ 853	$ 853	$ 1,705	$1,503	20.14	$376	$ -	$ 376	$ 171	$ -	$205	$ -
15	217,226	$ 2,983	$ 793	$ 793	$ 1,586	$1,397	20.14	$349	$ -	$ 349	$ 159	$ -	$191	$ -
16	202,021	$ 2,774	$ 737	$ 737	$ 1,475	$1,300	20.14	$325	$ -	$ 325	$ 147	$ -	$177	$ -
17	187,879	$ 2,580	$ 686	$ 686	$ 1,372	$1,209	20.14	$302	$ -	$ 302	$ 137	$ -	$165	$ -
18	174,728	$ 2,400	$ 638	$ 638	$ 1,276	$1,124	20.14	$281	$ -	$ 281	$ 128	$ -	$153	$ -
19	162,497	$ 2,232	$ 593	$ 593	$ 1,186	$1,045	20.14	$261	$ -	$ 261	$ 119	$ -	$143	$ -
20	151,122	$ 2,075	$ 552	$ 552	$ 1,103	$972	20.14	$243	$ -	$ 243	$ 110	$ -	$133	$ -

HB 110 Scenario - Incremental oil to maintain production

Year	Production (bpd)	Annual Taxable GVPP	Capital Expenditures	Operating Expenditures	Total Costs	PTV	PTV / barrel	Base Tax	Progressive Tax	Total Tax before Credits	Capital Credits	NOL Tax Credits	Total Tax after Credits	Credits for carry forward or refund
1	-	$ -	$ 2,143	$ -	$ 2,143	($2,143)	$ -	($321)	$ -	$ -	$ 429	$ 536	$0	$ 964
2	42,000	$ 577	$ 2,296	$ 291	$ 2,587	($2,011)	$ (149.89)	($302)	$ -	$ -	$ 459	$ 503	$0	$ 962
3	81,060	$ 1,113	$ 2,439	$ 562	$ 3,001	($1,888)	$ (72.92)	($283)	$ -	$ -	$ 488	$ 472	$0	$ 960
4	117,386	$ 1,612	$ 2,571	$ 814	$ 3,385	($1,773)	$ (47.30)	($266)	$ -	$ -	$ 514	$ 443	$0	$ 958
5	151,169	$ 2,076	$ 2,695	$ 1,048	$ 3,743	($1,667)	$ (34.53)	($250)	$ -	$ -	$ 539	$ 417	$0	$ 956
6	182,587	$ 2,507	$ 2,809	$ 1,266	$ 4,076	($1,568)	$ (26.89)	($235)	$ -	$ -	$ 562	$ 392	$0	$ 954
7	211,806	$ 2,909	$ 2,916	$ 1,469	$ 4,385	($1,476)	$ (21.82)	($221)	$ -	$ -	$ 583	$ 369	$0	$ 952
8	238,979	$ 3,282	$ 872	$ 1,657	$ 2,530	$752	$ 9.86	$113	$ -	$ 113	$ 174	$ -	$0	$ 62
9	264,251	$ 3,629	$ 965	$ 1,833	$ 2,797	$832	$ 9.86	$125	$ -	$ 125	$ 193	$ -	$0	$ 68
10	287,753	$ 3,952	$ 1,050	$ 1,996	$ 3,046	$906	$ 9.86	$136	$ -	$ 136	$ 210	$ -	$0	$ 74
11	309,611	$ 4,252	$ 1,130	$ 2,147	$ 3,277	$975	$ 9.86	$146	$ -	$ 146	$ 226	$ -	$0	$ 80
12	329,938	$ 4,531	$ 1,204	$ 2,288	$ 3,492	$1,039	$ 9.86	$156	$ -	$ 156	$ 241	$ -	$0	$ 85
13	348,842	$ 4,791	$ 1,273	$ 2,419	$ 3,692	$1,098	$ 9.86	$165	$ -	$ 165	$ 255	$ -	$0	$ 90
14	366,423	$ 5,032	$ 1,337	$ 2,541	$ 3,879	$1,154	$ 9.86	$173	$ -	$ 173	$ 267	$ -	$0	$ 94
15	382,774	$ 5,257	$ 1,397	$ 2,655	$ 4,052	$1,205	$ 9.86	$181	$ -	$ 181	$ 279	$ -	$0	$ 99
16	397,979	$ 5,466	$ 1,453	$ 2,760	$ 4,213	$1,253	$ 9.86	$188	$ -	$ 188	$ 291	$ -	$0	$ 103
17	412,121	$ 5,660	$ 1,504	$ 2,858	$ 4,362	$1,297	$ 9.86	$195	$ -	$ 195	$ 301	$ -	$0	$ 106
18	425,272	$ 5,840	$ 1,552	$ 2,949	$ 4,502	$1,339	$ 9.86	$201	$ -	$ 201	$ 310	$ -	$0	$ 110
19	437,503	$ 6,008	$ 1,597	$ 3,034	$ 4,631	$1,377	$ 9.86	$207	$ -	$ 207	$ 319	$ -	$0	$ 113
20	448,878	$ 6,164	$ 1,638	$ 3,113	$ 4,751	$1,413	$ 9.86	$212	$ -	$ 212	$ 328	$ -	$0	$ 116

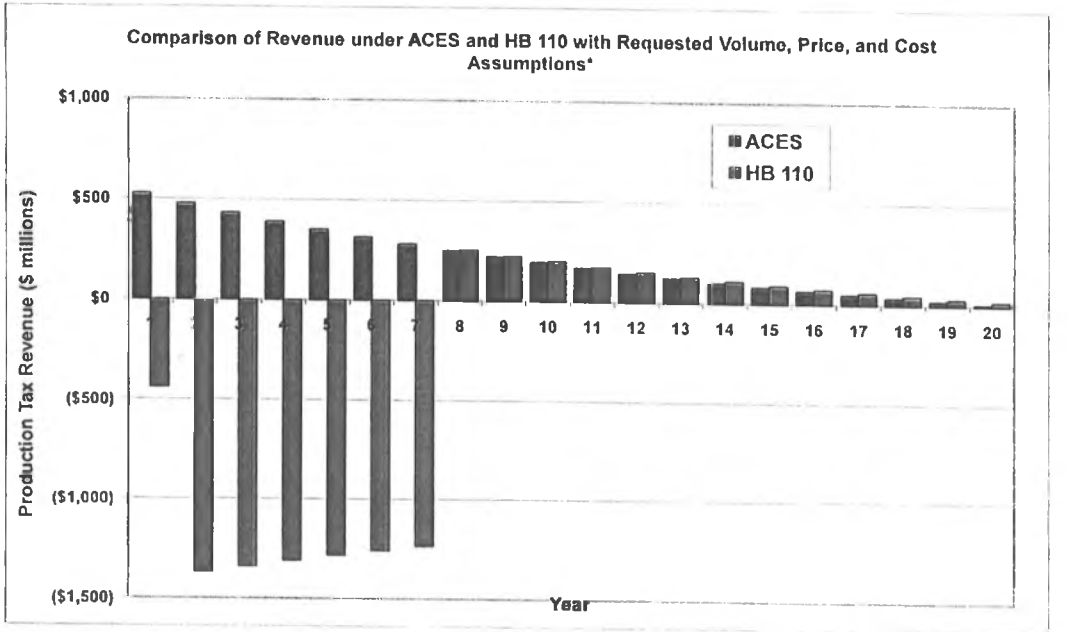
Comparison of Revenue under ACES and HB 110 with Requested Volume, Price, and Cost Assumptions - $50 ANS Scenario

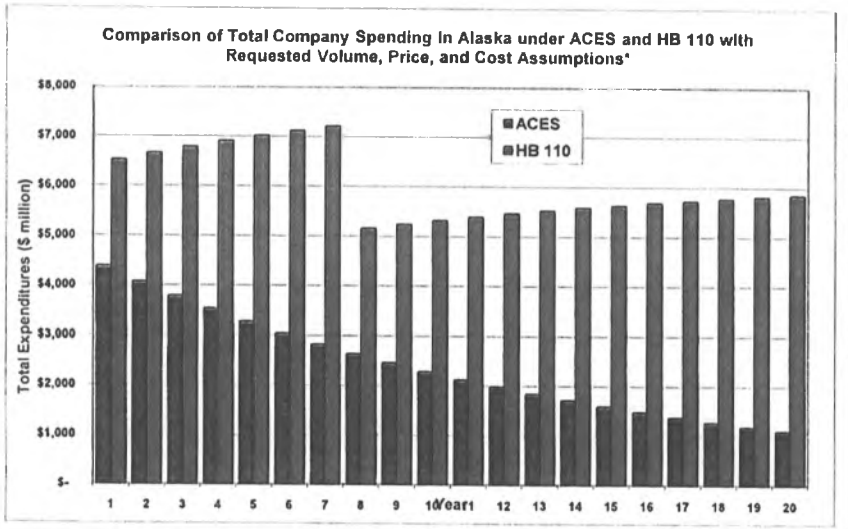
Prepared 02/23/11 by Department of Revenue for Rep Seaton

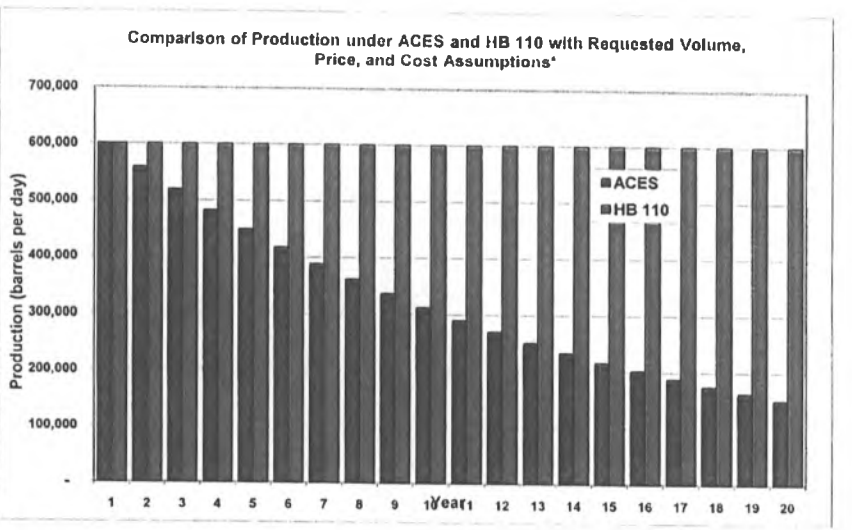
This analysis does not represent a Department of Revenue forecast or expectation.

These hypothetical assumptions were specifically requested by the requestor and the Department of Revenue does not in any way support the assumptions.
This analysis does not include assumptions relating to lease expenditure exemptions, or proposed credits

	COMPARISON OF SCENARIOS			
	ACES		HB 110	
Year	Tax Liability	Credits for carry forward or refund	Tax Liability	Credits for carry forward or refund
1	$527	$0	$0	$437
2	$478	$0	$0	$1,369
3	$433	$0	$0	$1,338
4	$391	$0	$0	$1,310
5	$352	$0	$0	$1,283
6	$316	$0	$0	$1,259
7	$282	$0	$0	$1,236
8	$250	$0	$255	$0
9	$221	$0	$227	$0
10	$194	$0	$200	$0
11	$169	$0	$175	$0
12	$145	$0	$152	$0
13	$123	$0	$131	$0
14	$103	$0	$111	$0
15	$84	$0	$92	$0
16	$66	$0	$75	$0
17	$50	$0	$59	$0
18	$35	$0	$44	$0
19	$20	$0	$30	$0
20	$7	$0	$17	$0
Sum	$4,246	$0	$1,568	$8,232







State of Alaska
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The Honorable Eric Feige
State Capitol Room 126
Juneau AK, 99801

February 23, 2011

The Honorable Paul Seaton
State Capitol Room 102
Juneau AK, 99801

SUBJECT: Response to Questions from House Resources Meeting on February 21, 2011

Dear Representatives Feige and Seaton:

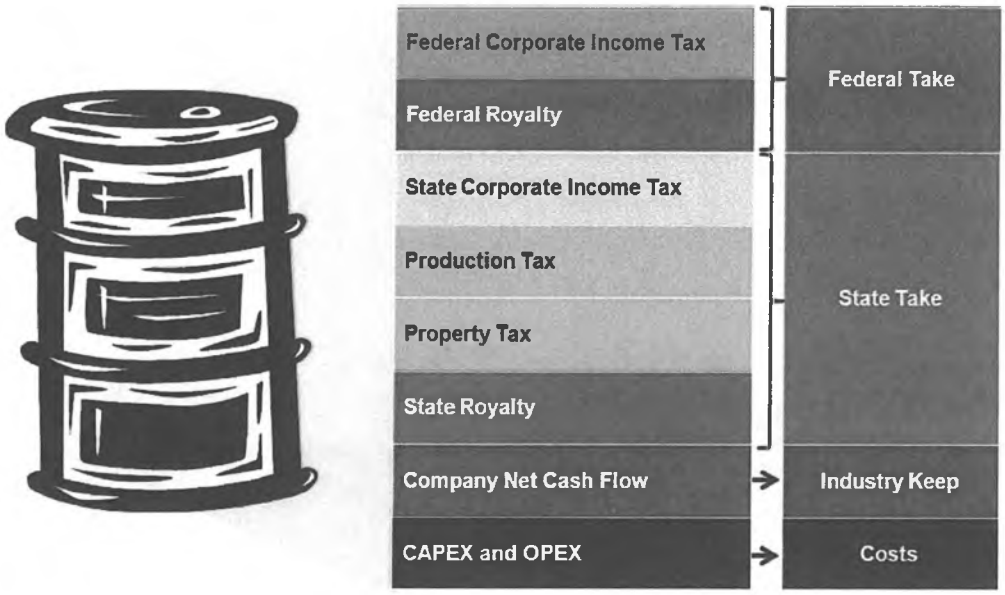
The purpose of this document is to respond to the follow-up questions from the House Resources Committee meeting on February 21, 2011. The requests/questions and responses follow.

1) **Compare effective tax rates to other jurisdictions where major producers are investing.**

   In comparing Alaska to other jurisdictions it is informative to look at total government take, as opposed to just taxes. Total government take includes all aspects of a particular fiscal regime including royalties, corporate income taxes, and production shares. The total government take is calculated as:

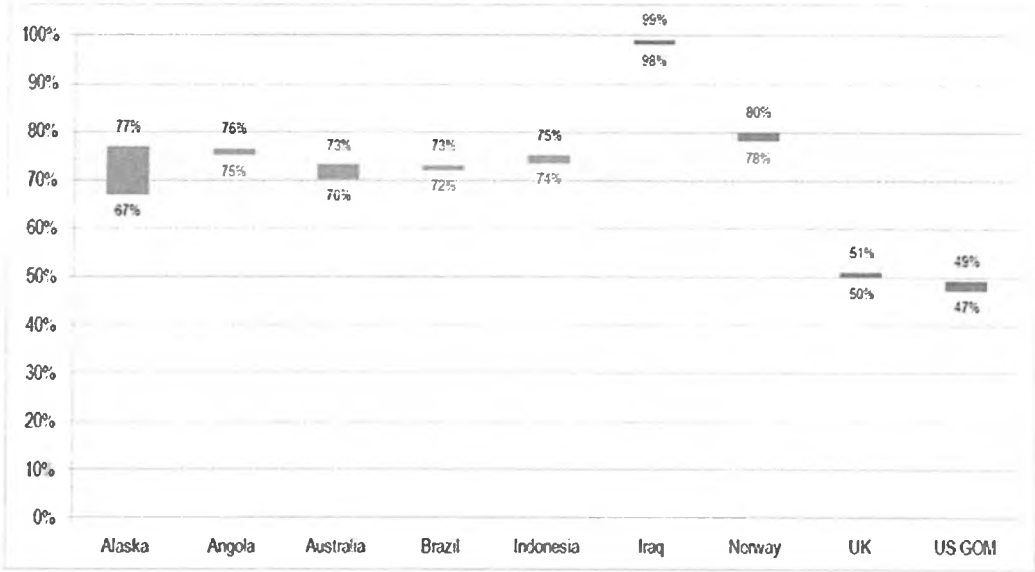
$$\frac{\textit{Federal Take + State Take}}{\textit{Field Revenue – Capex – Opex}}$$

The following graphic illustrates the components that comprise government take.



The following chart, extracted from a presentation given to Senate Finance on 2/22/10, presents total government take at oil prices of $70 and $150, in jurisdictions selected for their ability to attract hydrocarbon investments. The government take calculations are based on a production profile and costs similar to those in Alaska, with the various fiscal systems applied. The chart shows that Alaska's current total government take (about 67% at $70 oil and about 77% at $150 oil) is similar to the government take in a number of these jurisdictions; though significantly higher than the government take in the UK and the US Gulf of Mexico. Although Alaska's government take is similar to some other jurisdictions, Alaska is not currently attracting the desired level of exploration and development.

Remaining NS Oil Profile
Total Government Take



Note: Oil price $70-$150/bbl *Total Government Take - Alaska*

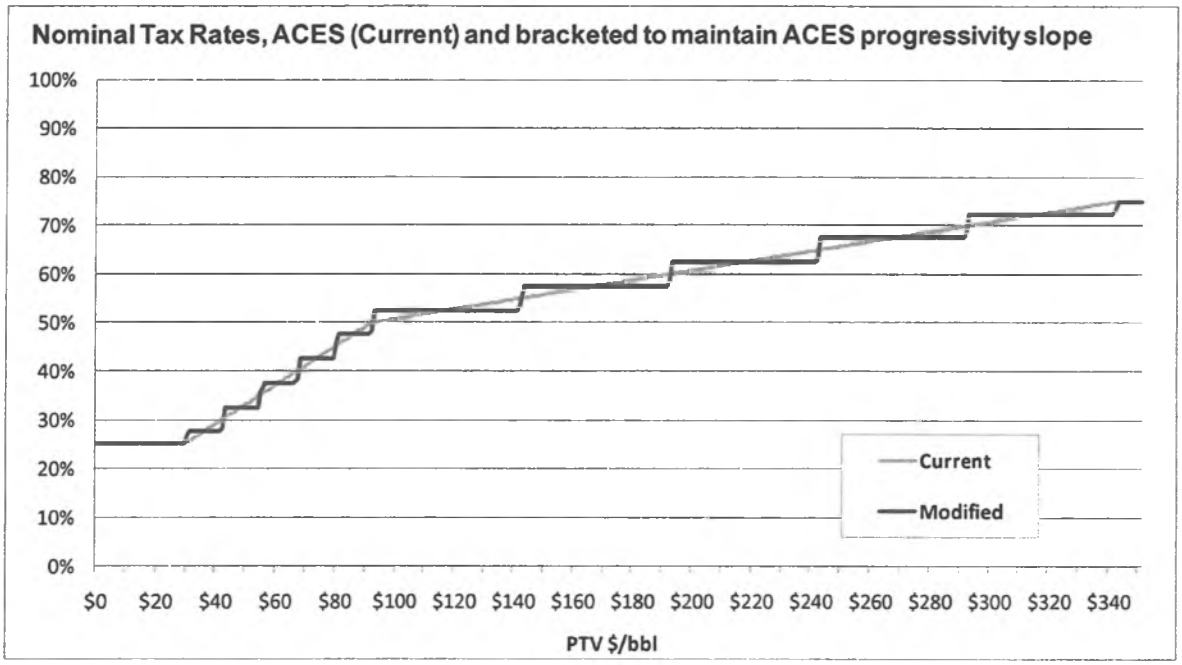
2) How much reinvestment of tax savings would occur if HB 110 passes as written?

The Department cannot say for certain the amount of reinvestment that will occur if HB 110 is enacted. A primary goal of the bill is to improve the investment climate in Alaska. Many companies that are currently producing, or hope to pursue new exploration and development, have testified to the beneficial impact this bill will have in terms of encouraging new investment and production.

3) Provide a slide showing tax rates if we were to maintain the same tax rates as ACES, but bracket progressivity.

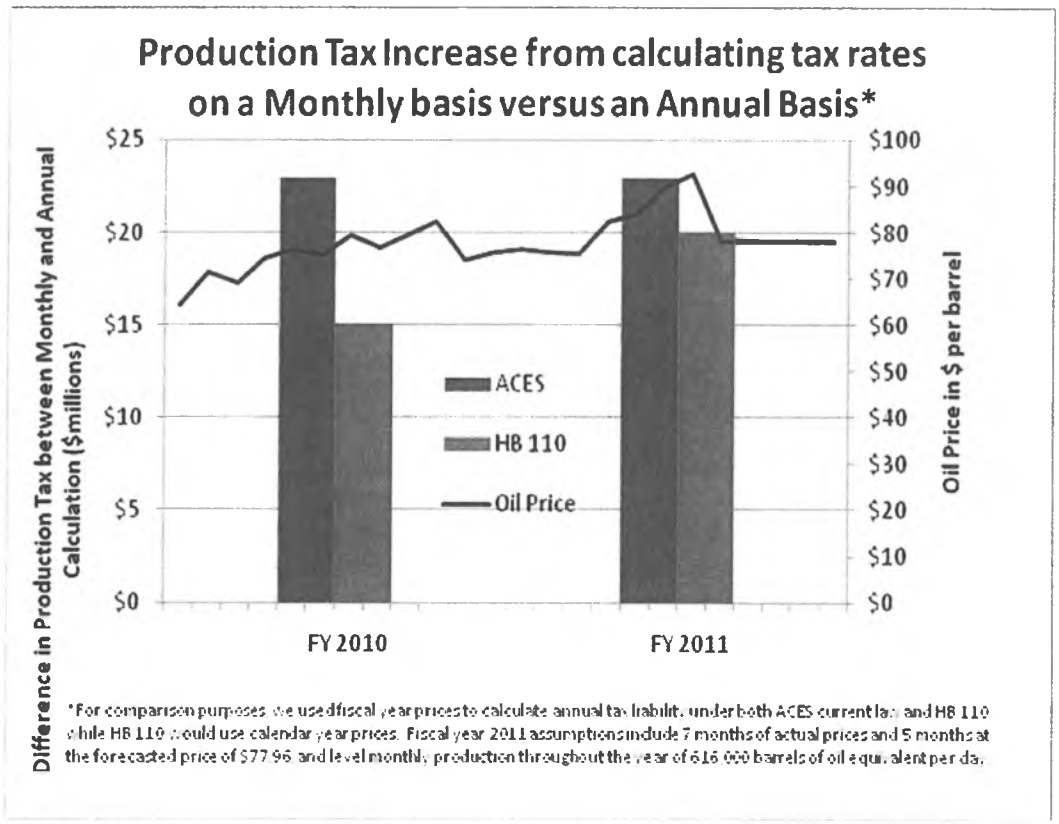
The following table and graph show how a marginal bracket approach could be applied to the production tax, while maintaining the same progressivity slope that exists currently under ACES. HB 110 implements this approach, with the exception that HB 110 caps the total tax rate at 50% compared to 75% under ACES.

Production Tax Value Bracket ($/boe)	Production Tax Rate (%)
0 to 30	25.0%
30 to 42.5	27.5%
42.5 to 55	32.5%
55 to 67.5	37.5%
67.5 to 80	42.5%
80 to 92.5	47.5%
92.5 to 142.5	52.5%
142.5 to 192.5	57.5%
192.5 to 242.5	62.5%
242.5 to 292.5	67.5%
292.5 to 342.5	72.5%
More than 342.5	75.0%



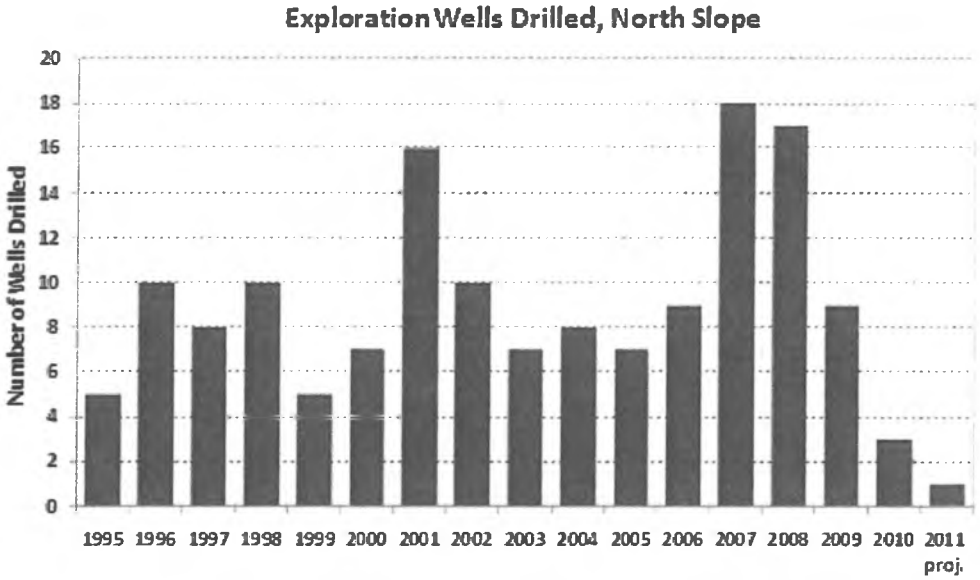
4) **Provide estimates of the revenue impact of switching from monthly to annual progressivity calculation.**

House Bill 110 proposes a change to the production tax rates and with it, a change to the calculation of those rates from a monthly calculation to an annual calculation. Depending on the monthly volatility in oil prices, the tax rate calculated annually may be different than the tax rate calculated monthly, thereby affecting total production tax revenues. Under most scenarios, the annual calculation will yield a lower tax rate and therefore lower production tax revenues than the monthly calculation. The difference in production tax revenue calculated monthly versus annually is much less under HB 110 than it is under ACES, however. We provide the following graph which shows the production tax increase for FY10 and projected for FY11 from calculating the tax rate monthly versus annually for both ACES and for HB 110.



5) **Provide a slide showing exploration wells drilled each year, including prior to 2005.**

The following chart shows exploration wells drilled on the North Slope since 1995, according to the Alaska Oil and Gas Conservation Commission. The Department of Natural Resources currently projects one exploration well for 2011.



Source: Alaska Oil and Gas Conservation Commission and Department of Natural Resources

6) Provide information on the components of federal government take, and explain why the federal government does not reduce their take to encourage exploration.

For production on state land, the primary component of federal government take is the corporate income tax, with a top marginal tax rate of 35%. State taxes are deductible in calculating federal taxable income. If a company is paying at the top marginal tax rate, then of the profit that remains after state taxes and royalties, the federal government receives 35% through the corporate income tax.

The federal government does have certain tax credits that help to encourage development at lower oil prices. These were discussed in the Department's response to questions raised at the February 7, 2011 hearing for HB 110, and that response is included again in its entirety below.

The following list presents the primary oil and gas related tax credits that are available against federal corporate income tax. There are also many federal tax credits that are available to all corporations which are not detailed here.

Enhanced Oil Recovery Credit (EOR)

- Credit of 15% of qualified costs against federal tax.
- Credit phases out when price of oil exceeds $28 /bbl (adjusted for inflation).
- No EOR allowed since 2005, because the list price exceeded the inflation adjusted price of oil. The list price for 2009 was $56.39 /bbl

Marginal Well Credit

- Credit up to $3/bbl available only to owner of operating interest.

- Marginal well = oil production not more than 25 bbls/day, and not less than 95% water.
- Credit available only when price of oil less than $18/bbl.

Nonconventional Fuel Source Credit

- Credit up to $3 (adjusted for inflation) per BOE (barrel of oil equivalent, with 5.8 million Btu content)
- Credit completely phased out when inflation adjusted price of oil exceeds $33.46/bbl. List price of oil in 2009 was $56.39 /bbl.
- Credit on oil only from shale or tar sands.
- Credit on synthetic fuels from coal.
- Credit on gas produced only from:
  1. Devonian shale
  2. coal seams
  3. tight formations
  4. biomass
  5. geo pressured brine

7) Provide our legal opinion regarding whether new information about company spending could be collected by statute, versus by regulation.

Under current statutes, the Department may request taxpayer information needed to provide forecasts and to administer the production tax, including information needed to audit claimed capital credit expenditures. Current statutes authorize the Department to adopt regulations requiring taxpayers to submit more detailed information about capital expenditures.

Under AS 43.05.230 (e), the Department would be able to release information about classification of capital spending only to the extent that it could be compiled as a general statistic that would prevent the identification of a particular return or report.

Under AS 43.55.890, the Department can publish information on qualified capital expenditures, as defined in AS 43.55.023, if aggregated among three or more producers or explorers, by month or calendar year and lease or property, unit, or area of the state.

8) Does Section 20 of the bill allow small producers to "double up" on credits?

Section 20 of HB 110 does not allow small producers to "double up" on credits. Section 20 of HB 110 makes no change to the AS 43.55.024(a) new area development credit or to the .024(c) credits for small producers. House Bill 110 simply cleans up the reporting to address the .024 credits since current AS 43.55.160 does not take into account the fact that for some producers, those credits will sunset in 2016, while for other producers the credit will be available for 9 years after they commence production. The amendments to

AS 43.55.160 in HB 110 simply take this into account, no change is made to how the AS 43.55.024 credits apply.

9) **Provide information about the state revenues and other benefits that would accrue from OCS development.**

The Outer Continental Shelf (OCS) encompasses submerged lands and waters between state jurisdiction and the extent of federal jurisdiction. State jurisdiction in Alaska extends three miles from the coastline. Federal jurisdiction extends 197 miles beyond the state jurisdiction for a total of 200 miles total from the coastline.

Revenue from oil and gas activity in Federal waters within three nautical miles of state waters is subject to Section 1337 (8)(g) of the Outer Continental Shelf Lands Act (OCSLA), which requires 27% of the total revenue to be shared with the state.

According to reports released by the MMS in 2006, the Alaska OCS is estimated to contain at least 50 billion barrels of oil equivalent (BOE) at the 50% confidence level. It is unclear what percentage of the estimated 50 billion BOE of technically recoverable resource would fall within the three to six mile region requiring revenue sharing with the state of Alaska. However, the State of Alaska would likely benefit indirectly from any development in the OCS.

In addition to direct revenue sharing the state would be entitled to from any development within three miles of state waters, the State of Alaska would benefit from OCS development through increased employment, increased throughput on the Trans-Alaska Pipeline System (TAPS), increased property tax payments and multiple other sources of revenue enhancement through the multiplier effect. Specifically, increased TAPS throughput would reduce the tariff on a per barrel basis increasing wellhead value for all production including, taxable production on state lands. Further, increased throughput on TAPS would likely assist in extending the operating life of TAPS allowing for increased recovery of oil in North Slope fields that might not otherwise have been recovered.

10) **Produce an estimate of what the price of oil would have to be to cover the cost of the Governor's proposed FY 12 budget were all the provisions of HB 110 in effect currently.**

The Governor's proposed FY 12 budget, with proposed amendments as of February 16, 2011, includes a total authorization to spend of $5,466.2 million of Unrestricted General Funds, after accounting for transfers and savings.

House Bill 110 is written to gradually phase in the provisions of the production tax changes. As such, our analysis shows that there is little to no direct fiscal impact in FY 12 from the provisions of HB 110 other than agency costs of approximately $100,000 to adjust the Tax Division's accounting system. Under the provisions in HB 110, therefore,

the price of oil would have to average approximately $81 per barrel to provide sufficient unrestricted revenue to cover the Governor's budget for FY 12.

If we assume that all of the provisions of HB 110 are in place prior to the start of FY 12, a price of approximately $90 to $92 per barrel would be needed to provide sufficient unrestricted revenue to cover the Governor's budget for FY 12. This figure is calculated using the bracketed annual tax rates included in HB 110, as well as the annual $200 to $400 million estimate for the well lease expenditure credit (which accounts for the range of oil prices in the result). We did not include estimates for provisions that were revenue neutral or for those that did not have a quantifiable impact on our revenue forecast. Our analysis included adjustments to only production tax and royalty; all other revenues were assumed to be the same as estimated in our Fall 2010 forecast.

11) Provide clarification on how the minimum tax is applied.

In response to discussion in the committee hearing, we would like to provide clarification regarding how the minimum tax under ACES is applied. HB 110 would strengthen the minimum tax by adjusting the price thresholds used in calculating the minimum tax.

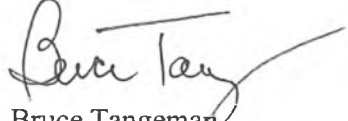
Under current law, the production tax is the higher of the minimum tax under AS 43.55.011(f) and the tax under AS 43.55.011(e). At an oil price of $21 per barrel, the tax calculated under AS 43.55.011(e) would likely be zero, as the costs of the oil production would overtake any profit from that production. In that case, the minimum tax under AS 43.55.011(f) would apply. The minimum tax under current law would be 3% of gross value at the point of production, or about $0.42 [3% x ($21-$7 transit costs]. Because HB 110 lowers the threshold so that 4% of gross value applies to oil prices at $20 and above, the minimum tax would be 4% of the gross value at the point of production, or about $0.56 [3% x $21-$7].

12) Modeling request from Co-Chair Seaton

Co-chair Seaton has requested that the Department prepare models of ACES and HB 110, using a specific set up assumptions. The result of this analysis will be provided to the committee separate from this letter.

We hope our responses fully answer your questions.

Sincerely,



Bruce Tangeman
Deputy Commissioner

State of Alaska
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Commissioner Bryan Butcher

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The Honorable Eric Feige
The Honorable Paul Seaton
Co-Chairs, House Resources Committee
Alaska State House
Juneau AK, 99801

February 23, 2011

SUBJECT: Response to Questions regarding House Bill 110 on February 11, 2011

Dear Representatives Feige and Seaton:

The purpose of this document is to respond to questions that were asked of the Department of Revenue during the department's testimony on House Bill 110 on February 11, 2011. The questions and answers to those questions follow.

(1) Could DOR use the regulations process to require information from producers that would help identify the portion of capital spending that represents investment in new exploration and production, compared to maintaining existing facilities and production?

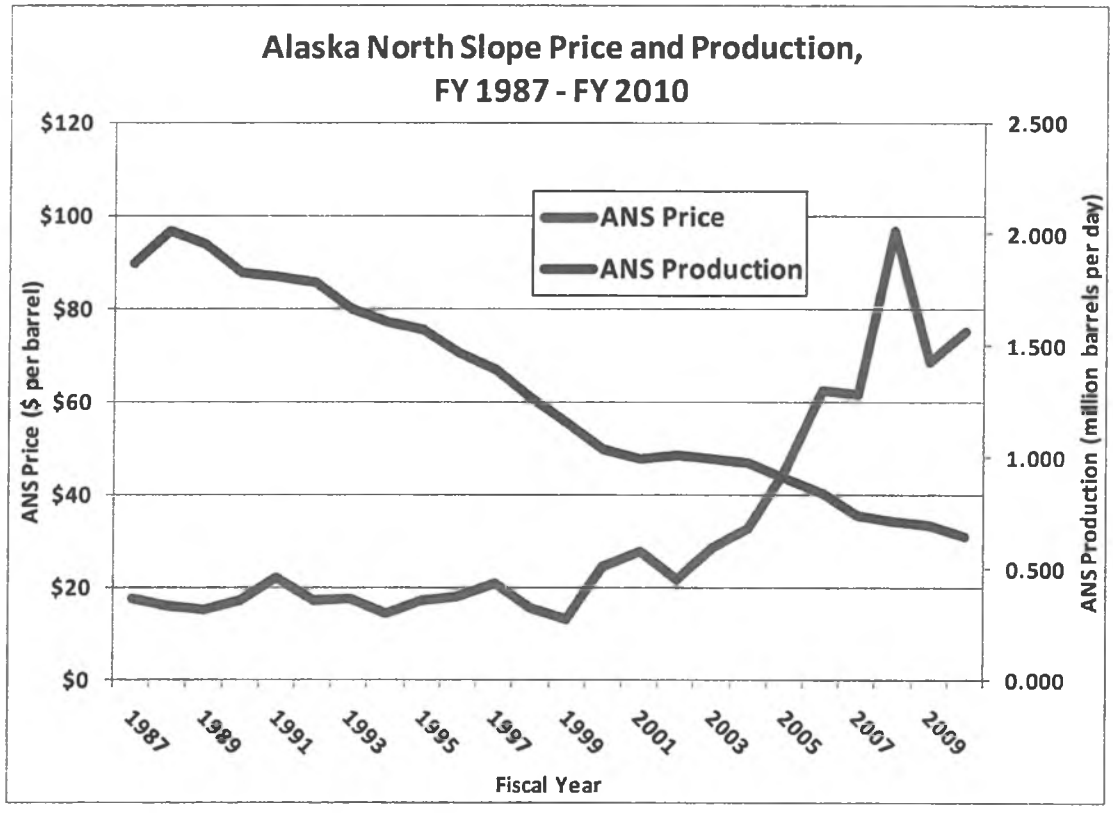
Under current statutes, the Department may request taxpayer information needed to provide forecasts and to administer the production tax, including information needed to audit claimed capital credit expenditures. Current statutes authorize the Department to adopt regulations requiring taxpayers to submit more detailed information about capital expenditures.

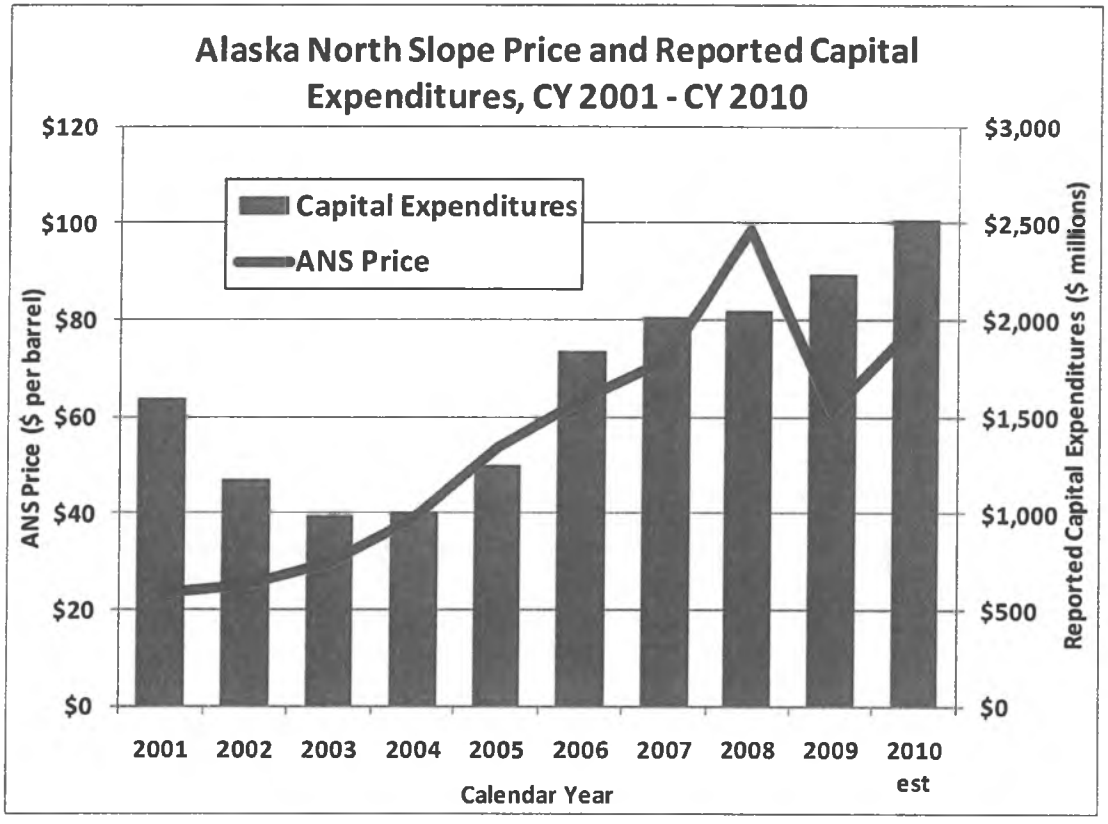
Under AS 43.05.230 (e), the Department would be able to release information about classification of capital spending only to the extent that it could be compiled as a general statistic that would prevent the identification of a particular return or report.

Under AS 43.55.890, the Department can publish information on qualified capital expenditures, as defined in AS 43.55.023, if aggregated among three or more producers or explorers, by month or calendar year and lease or property, unit, or area of the state.

(2) The committee requested statistics comparing the price of oil to historical production and investment in fields

The following two charts present ANS oil prices compared to historical production, and total reported capital expenditures. The Department does not have capital expenditure information for years prior to 2001.





(3) The committee requested information about what companies (other than the "Big 3") have projects that are included in the "under development" and "under evaluation" categories of our production forecast, as well as projects that are not included in our forecast.

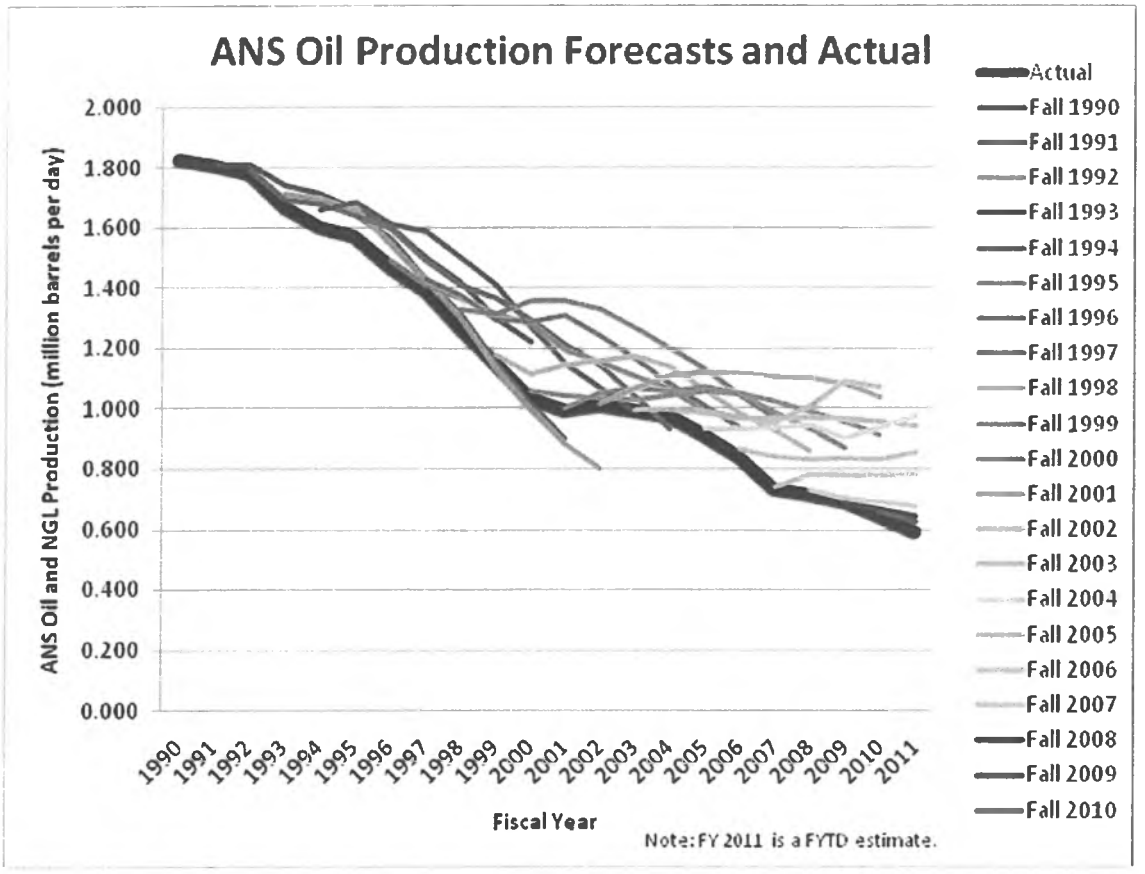
The following projects were identified by our production forecasting consultant as significant projects being pursued by operators other than ConocoPhillips, BP, and ExxonMobil. This list is compiled using public information from the Department of Natural Resources, and reporting in Petroleum News and other media sources.

We include production in our forecast from Badami (operated by Savant), Nikaitchuq (operated by ENI), Oooguruk (operated by Pioneer), and Umiat (operated by Renaissance).

We are not yet including production in our forecast from the Beechy Point Unit (operated by Brooks Range Petroleum), Dewline Unit (operated by Ultrastar), and South Miluveach Unit (operated by Brooks Range Petroleum). We also are not yet including production from Ugnu (various operators), or the Outer Continental Shelf (various operators).

(4) The committee requested a chart showing all DOR's production forecasts since 1990, and actual production.

The chart below shows the Department of Revenue's Alaska North Slope (ANS) production forecasts from fall 1990 to fall 2010. The forecasts are for both oil and natural gas liquids (NGLs).



(5) The committee asked about types of information that other countries require and make available, that we could possibly make available in Alaska.

In 2007, Gaffney, Cline & Associates reviewed reporting and disclosure requirements in other oil and gas producing countries. Their findings were summarized in a memorandum dated October 19, 2007, and a PowerPoint presentation dated October 20, 2007. Both documents will be made available to the committee.

(6) The committee asked if any producers have actually paid the 87% marginal production tax rate.

There was a period of four months in mid-2008 during which oil prices reached levels, when combined with the average level of lease expenditures, produced production tax values for some taxpayers that reached or exceeded the $92.50 per barrel inflection point that is associated with

the 87% marginal production tax rate that has been presented in this committee. The months and associated prices are as follows:

Month. Year	ANS Oil Price ($/bbl)
May 2008	$125.41
June 2008	$133.78
July 2008	$132.87
Aug 2008	$115.98

Although taxpayer confidentiality provisions prohibit DOR from disclosing specific information about any taxpayer, it is fair to say that several taxpayers experienced marginal tax rates at or very near the published 87% rate during these four months.

(7) To Department of Law as well as Revenue: Why is more data available in other countries and based upon existing US laws, why is this information not available to the US. Are there any laws in the U.S. that prevent companies from providing more data?

The data currently made available is based on the statutes and regulations currently in place in Alaska. AS 43.55.890 specifically authorizes the Department to release certain information related to the production tax. Otherwise, the Department may publish aggregated statistics that do not identify a particular project or taxpayer under 43.05.230 (e).

We are not aware of any provisions at the federal level that would prevent Alaska from requiring more information specific to the state.

(8) Provide a break-out of the ANS forecasted production (slide 12 of the DOR 2/11 presentation) that separates production, evaluation, and development by producer.

AS 43.55.890 states, "the department may publish the following information under this chapter, if aggregated among three or more producers or explorers…." Providing production forecast information at the requested level of detail is not allowed under statute.

Sincerely,

Bruce Tangeman
Deputy Commissioner

STATE OF ALASKA

SEAN PARNELL, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

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JUNEAU, ALASKA 99811-1000
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550 WEST 7TH AVENUE, SUITE 1400
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February 22, 2011

Senator Thomas H. Wagoner
Senate District Q
Co-Chair: Senate Resources Committee
Alaska State Legislature
State Capitol, #427
Juneau, AK 99801

Dear Senator Wagoner:

Thank you for your letter of February 4, 2011. I appreciate your interest in leasing practices designed to incentivize meaningful exploration and development of state lands and resources.

The Division of Oil and Gas is currently exploring several potential methods for creating just such incentives. Potential changes to our leasing structure must be carefully evaluated for the proper balance of "carrots" and "sticks" to ensure that, while we eliminate non-productive lessees to the greatest degree possible, we do not inadvertently discourage good operators who simply require time to acquire additional resources or information to make exploration and production activities economic.

Options currently available to us under our leasing statute and regulations include the following:

- Various combinations of cash bonus bid, royalty share and net profit share as the bid variables;
- Imposition of a minimum work commitment, made public before the lease sale and which may include penalty provisions if not fulfilled;
- Exploration incentive credits for exploratory wells;
- Exploration incentive credits for geophysical work performed within two years of a lease sale which may be assigned against royalty, rentals or taxes during a limited time period;
- Royalty modification upon application and a definitive finding;
- Lease terms of five to ten years in length;
- Producing leases excepted from statewide acreage limitations;
- Offering tracts in excess of 5,760 acres;
- Immediate, competitive offering of lands returned to the state;
- Rental reductions on returned lands to encourage re-leasing.

Several of these options have been exercised in the past, with varying but less than optimal results. For example, in 1980 the State issued 10-year leases with a work commitment requirement to begin drilling by the end of year five. The leases were terminated, and the State found itself in litigation over requests for extension of the leases. In a current example, 5-year leases were issued, resulting in a premature application for unitization to avoid relinquishment of the leases, on which production may be possible but has not been proven.

Nevertheless, the Division of Oil and Gas is evaluating all available options, as well as possible solutions for which we do not currently have adequate authority, such as changes to our lease qualification requirements. It is our goal to implement the changes we feel will be most effective overall at the earliest opportunity.

The next oil and gas lease sale, on May 24th, will offer the Cook Inlet and Alaska Peninsula lands. While the available timeframe will not allow for radical changes to our leasing structure at this sale, know that all leases that have been relinquished or otherwise returned to the State, including the recently relinquished Cosmopolitan Unit leases, will be offered.

The North Slope, North Slope Foothills and Beaufort Sea lands will be offered in late October, 2011. We believe that the changing industry view of this acreage provides a great opportunity for implementation of changes in our leasing approach based on existing authorities.

I'm happy to discuss this further with you, as is Kevin Banks, Director of the Division of Oil and Gas.

Sincerely,

Daniel S. Sullivan
Commissioner

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit

P.O. Box 113300
Juneau, AK 99811-3300
(907) 465-3830
FAX (907) 465-2347
legaudit@legis.state.ak.us

February 28, 2011

Honorable Members of the
Alaska State Legislature

The Honorable Sean Parnell
Governor
State of Alaska

The Honorable Daniel R. Levinson
Inspector General
Office of the Inspector General
U.S. Department of Health and Human Services

We are pleased to transmit the Single Audit of the State of Alaska for the fiscal year ended June 30, 2010. The audit was conducted in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards* issued by the Comptroller General of the United States, and complies with the federal Single Audit Act Amendments of 1996 and the related *OMB Circular A-133* issued by the U.S. Office of Management and Budget.

The report includes an opinion on the basic financial statements of the State of Alaska for FY 10, recommendations on financial and compliance matters, and required auditor's reports on internal controls and compliance, and the Schedule of Expenditures of Federal Awards.

The findings and recommendations included in this report are organized by department and include prior financial/compliance findings not fully corrected by the departments. Our FY 09 Single Audit contained 25 recommendations; this report presents a total of 30 recommendations, eight of which were presented at least in part last year. Included in this year's recommendations are four recommendations made to Alaska Housing Finance Corporation whose audit was performed by other auditors. With your active support and encouragement, we hope to continue seeing improvement in the implementation of these recommendations by the state agencies.

We would again like to acknowledge the professional assistance and cooperation of the Department of Administration's Division of Finance. The division has a strong professional commitment to excellence in the financial accounting and reporting for the State of Alaska. Its continued efforts towards resolving statewide accounting and reporting concerns are commendable.

We would also like to acknowledge the cooperation of all other state agencies involved during the conduct of this audit.

The dedicated staff of the Division of Legislative Audit remains committed to improving the financial accountability of the State of Alaska. Your active involvement is critical to improving that accountability. We are available to assist you in that effort.

Pat Davidson, CPA
Legislative Auditor

DEPARTMENT OF REVENUE

One recommendation was made to the Department of Revenue (DOR) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2009*. Prior year Recommendation No. 2 is not resolved and is reiterated in this report as Recommendation No. 4.

No new recommendations have been made during the FY 10 statewide single audit.

Recommendation No. 4

DOR's commissioner should ensure staff within its Tax Division implement controls to improve the auditing of oil and gas severance tax revenues.

Prior Finding

In FY 08 and FY 09 significant deficiencies in controls were reported over the auditing of severance tax revenues by DOR's Tax Division. Control deficiencies included insufficient audit oversight, a lack of standard procedures to guide the audit process, inadequate reviews of audits, and untimely reviews and reconciliations of tax returns.

Title 43 of the Alaska Statutes gives DOR the authority to collect tax revenues for the State and to ascertain the correctness of such revenues. The department's main tool for ascertaining the correctness of severance tax revenues is its Tax Division audit section. There are no statutory requirements that DOR's tax auditors conduct their audits in accordance with industry audit standards such as those issued by the American Institute of Certified Public Accountants or the Government Accountability Office. Historically, DOR's audit section has relied upon standard audit programs and supervisor review and oversight to ensure that their audits are timely, accurate and that audit results can withstand the scrutiny of the administrative appeal process and, in some cases, litigation.

With the passage of PPT[2] and ACES[3] legislation, management's controls over the auditing of severance taxes deteriorated. The new laws are more complex to audit. The hiring and retention of experienced, competent audit staff has proven challenging. Delays in drafting PPT and ACES regulations have further disrupted the audit process.

Legislative Audit's Current Position

Significant control deficiencies continued over the auditing of oil and gas severance tax revenues in FY 10. A loss of experienced audit staff during FY 10 compounded the struggles that the audit section was already experiencing.

Our review of DOR's oil and gas severance tax audits and inquiries with DOR staff noted the following deficiencies:

- The division continues to conduct audits without developing standard processes including audit plans and procedures.
- A significant portion of an audit's methodology and results were insufficiently documented.
- The deficiencies in audit documentation forced the tax section to issue a less detailed report than what is issued as part of their standard report format.

[2] *Petroleum Profits Tax* (enacted in August 2006).
[3] *Alaska's Clear and Equitable Share* (enacted in November 2007).

- Audit supervisors did not review and approve audit methodology prior to audits being conducted.
- Audit supervisory reviews were limited, sporadically documented, and only conducted at the end of the audit.

Oil and gas severance taxes, totaling approximately $2.6 billion in FY 10, are a significant source of revenue for the State of Alaska. Insufficient internal controls over the auditing of severance tax revenue may result in the loss of revenue and increase the risk that tax revenue assessments will not hold upon appeal.

We recommend that DOR's commissioner take action to ensure that Tax Division management improves controls over the auditing of severance tax revenues. Specifically, standardized audit processes should be developed and implemented. Auditors also need more oversight and timely feedback during the audit process.

Agency Response – Department of Revenue

Item 1: *The division continues to conduct audits without developing standard processes including audit plans and procedures.*

Response: *We disagree. The division is, and has been, in the process of developing standard processes including audit plans and procedures. Development of standard processes is an ongoing project. As you are aware, the legislature significantly changed the way oil and gas production tax is calculated with the passage of the Petroleum Profits Tax (PPT) in 2006. In 2007, the legislature made further changes to the production tax through the passage of Alaska's Clear and Equitable Share (ACES) legislation. These two major pieces of legislation completely overhauled the production tax scheme and instituted a new tax credit program. The Division has worked diligently over the last four years to implement the changes while continuing to work on audits of tax returns filed under the previous tax structure. Implementation includes not only developing standard processes, but also drafting regulations, hiring and training new auditors, developing tax return forms, establishing tax credit audit and examination procedures, educating taxpayers, and various other duties that accompany the implementation of what is basically a new tax program. You are aware that the oil and gas production tax is administered without automated systems. This means that all processes are performed manually which further strains the Tax Division's limited resources. Although development of standard processes is not yet complete, this does not mean that the Division is not and has not been working on developing those processes.*

Item 2: *A significant portion of an audit's methodology and results were insufficiently documented.*

Response: We agree. The audit in question was started by a highly experienced individual who retired a few months after the audit was opened. The audit was then

transferred to another senior auditor who resigned his position before the audit was completed. The audit was transferred yet again to another senior auditor who had to quickly familiarize himself with all issues within the audit and complete the audit within a short period of time. As stated above, oil and gas production tax audits are conducted without the assistance of automated systems. All audit work, including transaction sampling and testing, is performed manually. Data for this particular audit included over 2 million documents with thousands of transactions per document. During the course of the audit, the auditors manually tested over 1 million transactions. The time it took to perform the manual testing caused the auditor to run out of time to complete proper documentation of audit findings prior to expiration of the statute of limitations. The Tax Division took the position that it was in the best interest of the state to issue the audit with insufficient documentation and with a less detailed audit report than to miss the statute of limitations and, in effect, issue no audit at all. The auditor was instructed to issue the audit, but continue to document audit findings and complete the audit report after the fact. The taxpayer was informed that it would receive a more comprehensive explanation of our adjustments at a later date.

Item 3: *The deficiencies in audit documentation forced the tax section to issue a less detailed report than what is issued as part of their standard report format.*

Response: *We agree. See explanation under Item 2, above.*

Item 4: *Audit supervisors did not review and approve audit methodology prior to audits being conducted.*

Response: *We agree, but disagree that this in an issue. It is not common practice for the Tax Division to approve audit methodology prior to audits being conducted. Audits are assigned to auditors based on their level of experience and their job class. Audits of the largest oil and gas production taxpayers are assigned to Oil and Gas Revenue Auditor IV's (OGRA IV). Under the class specifications, OGRA IV's "serve as lead auditor having complete responsibility for the largest oil and gas production tax . . . audits." The particular audit in question was assigned to an OGRA IV who was required to perform the audit with no day-to-day oversight. Audit methodology is at the auditor's discretion provided, however, that the end result is that the auditor has accurately evaluated tax liabilities. As stated previously in this letter, the Tax Division is still implementing what is essentially a new tax program and specific audit methodology has not yet been defined for these audits.*

Item 5: *Audit supervisory reviews were limited, sporadically documented, and only conducted at the end of the audit.*

Response: *We agree. Audit reviews in all programs are conducted at the end of audits. That is common practice in all audits in the audit profession. We also agree that supervisory reviews were limited and sporadically documented in some of the audits closed during the fiscal year. Again, this was due to the continual implementation of PPT, ACES and the new credit program. Implementation has put a strain on audit resources. Money requested to continue contract audits has been reduced which put further strain on our resources.*

However, management continually communicates with staff on tax issues via meetings and emails, and has discussions about the proper application of statutes and regulations. As a result of the poor documentation of the audit identified in issues 2 and 3, management has instituted the practice of meeting with the audit leads and team members on the largest audits at least once a month to discuss the progress of the audit and any issues that may have arisen that require management input.

The bulk of the findings in the audit report are attributable to:

- *staff turnover, particularly at the supervisory level;*
- *the inability to recruit senior level auditors at current pay levels, despite intensive recruitment efforts over the last two years; this means (1) less experienced auditors are working major audits, and (2) supervisors are having to spend time conducting complex audits, instead of using that time to supervise and developing audit manuals, processes and procedures; and*
- *lack of automated tax processing systems to manage and share information; this dramatically increases the amount of time needed to complete audits and review returns, and thus, siphons resources away from program development.*

As junior auditors in the Production Tax Audit Group gain experience, they will be able to take on more complex and higher volume audit work. This should relieve some of the resource strain, provided these auditors continue working for the Department once they reach senior levels. Over the last three years, great efforts have been made by the Department to obtain an automated tax processing system to manage and share information, but funding for this project has not yet been forthcoming.

Contact Person: *Ginger Blaisdell, Director*
Administrative Services Division
Telephone: (907) 465-2312

Legislative Auditor's Additional Comments

We reviewed DOR's response and nothing in the response persuades us to revise the recommendation.

SB 49
Introduction

Proposed Changes to the Oil & Gas Production Tax

Presentation to the
Senate Resources Committee
Friday, March 11
Alaska Department of Revenue

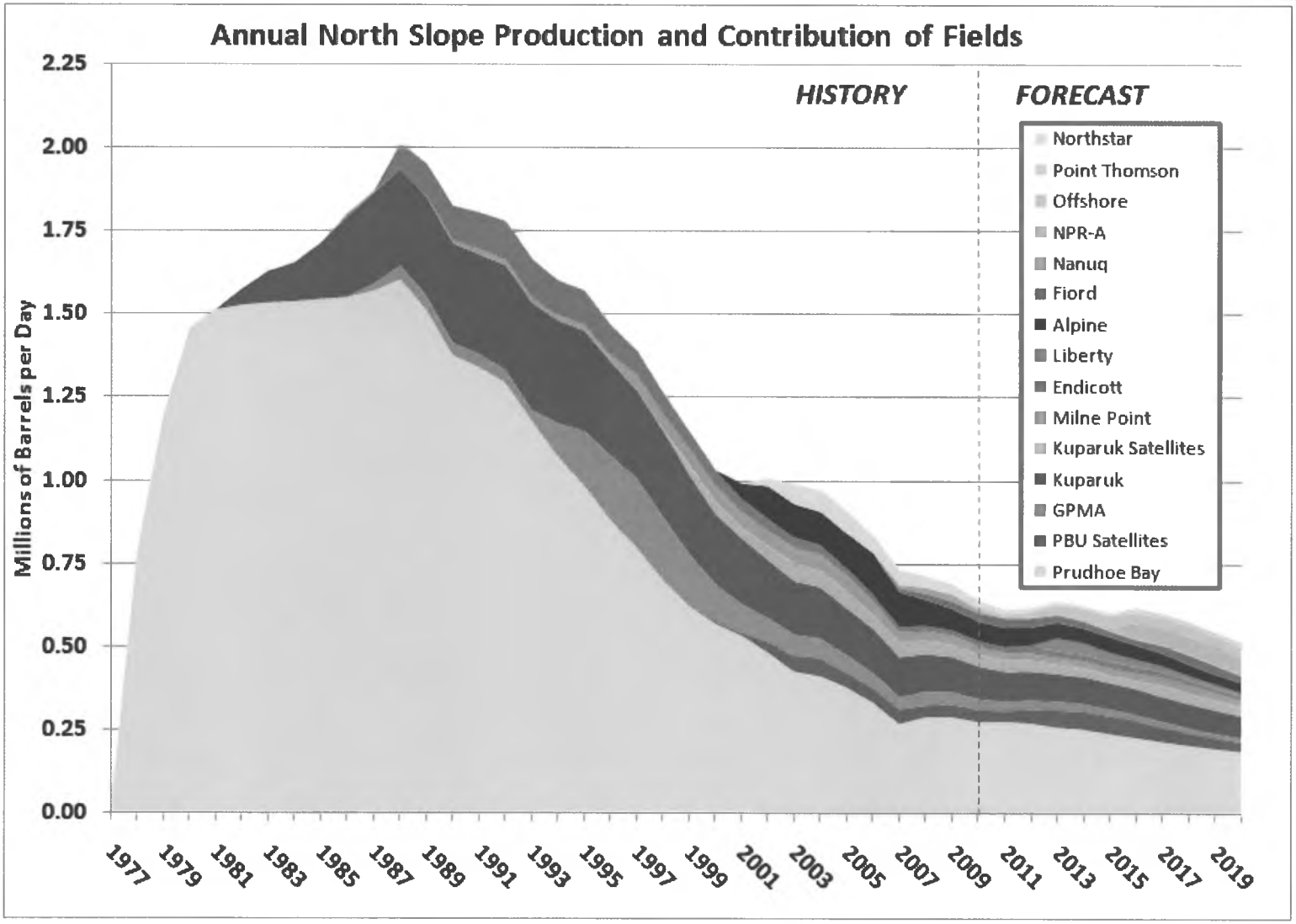
Outline for Presentation

- Goals and Rationale for SB 49
- Production Tax Mechanism
- Components of SB 49

SB 49 Goals

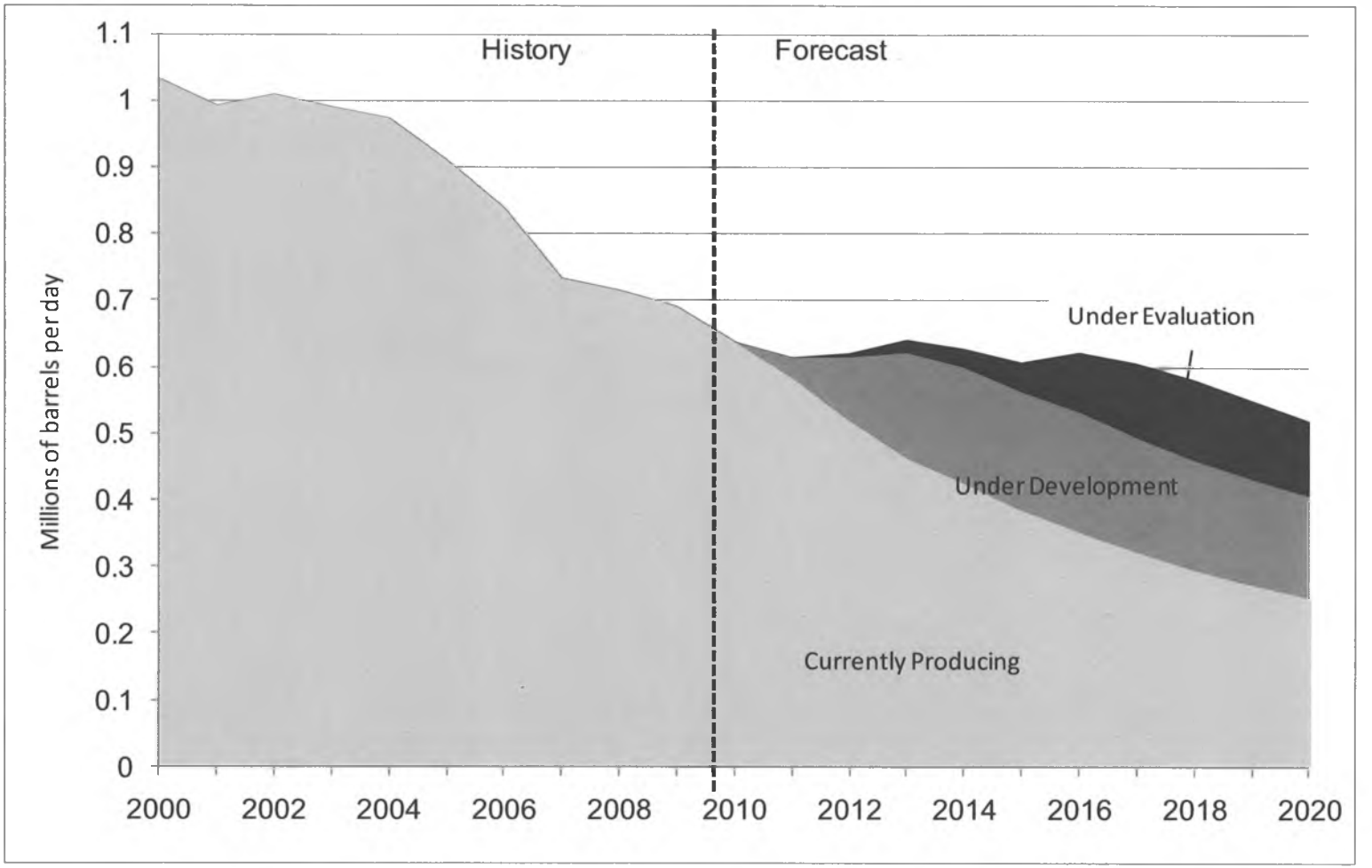
1. Improve investment climate
2. Create jobs for Alaskans
3. Increase production

North Slope Production



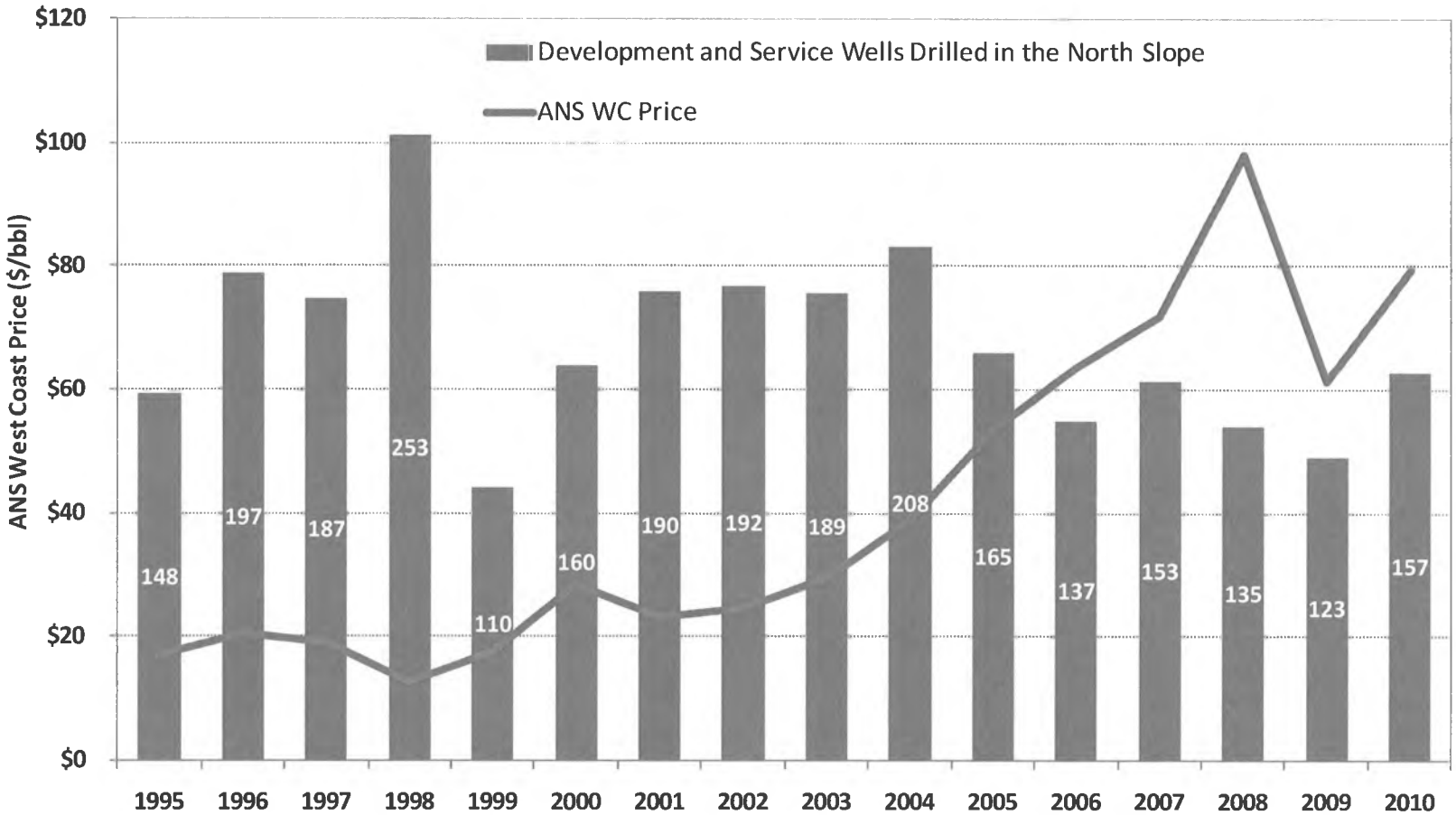
Source: Fall 2010 Revenue Sources Book

Forecasted ANS Production
FY 2010 - 2020



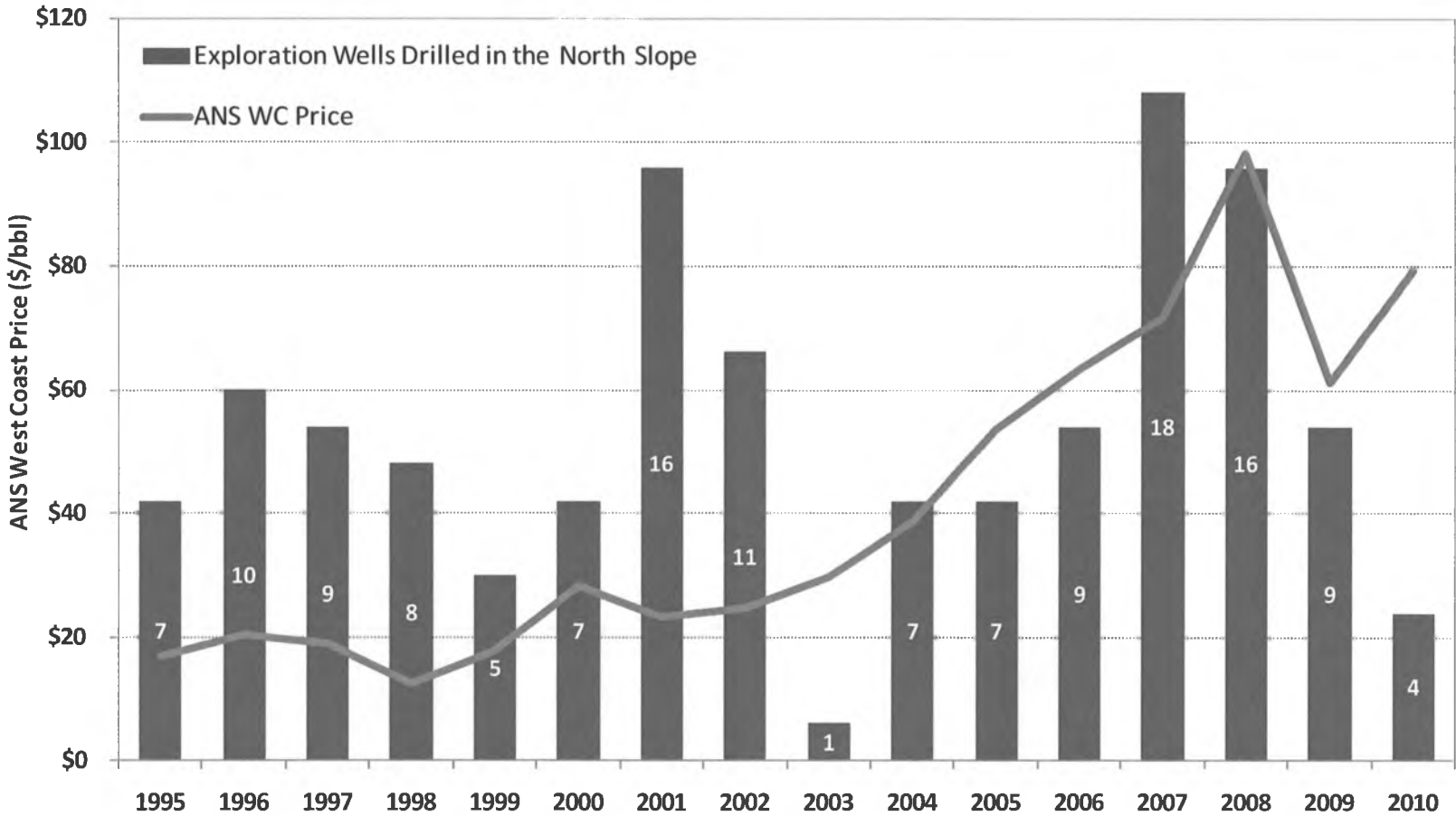
Source: Fall 2010 Revenue Sources Book

North Slope Development Drilling



Source: Alaska Oil and Gas Conservation Commission

North Slope Exploration Drilling

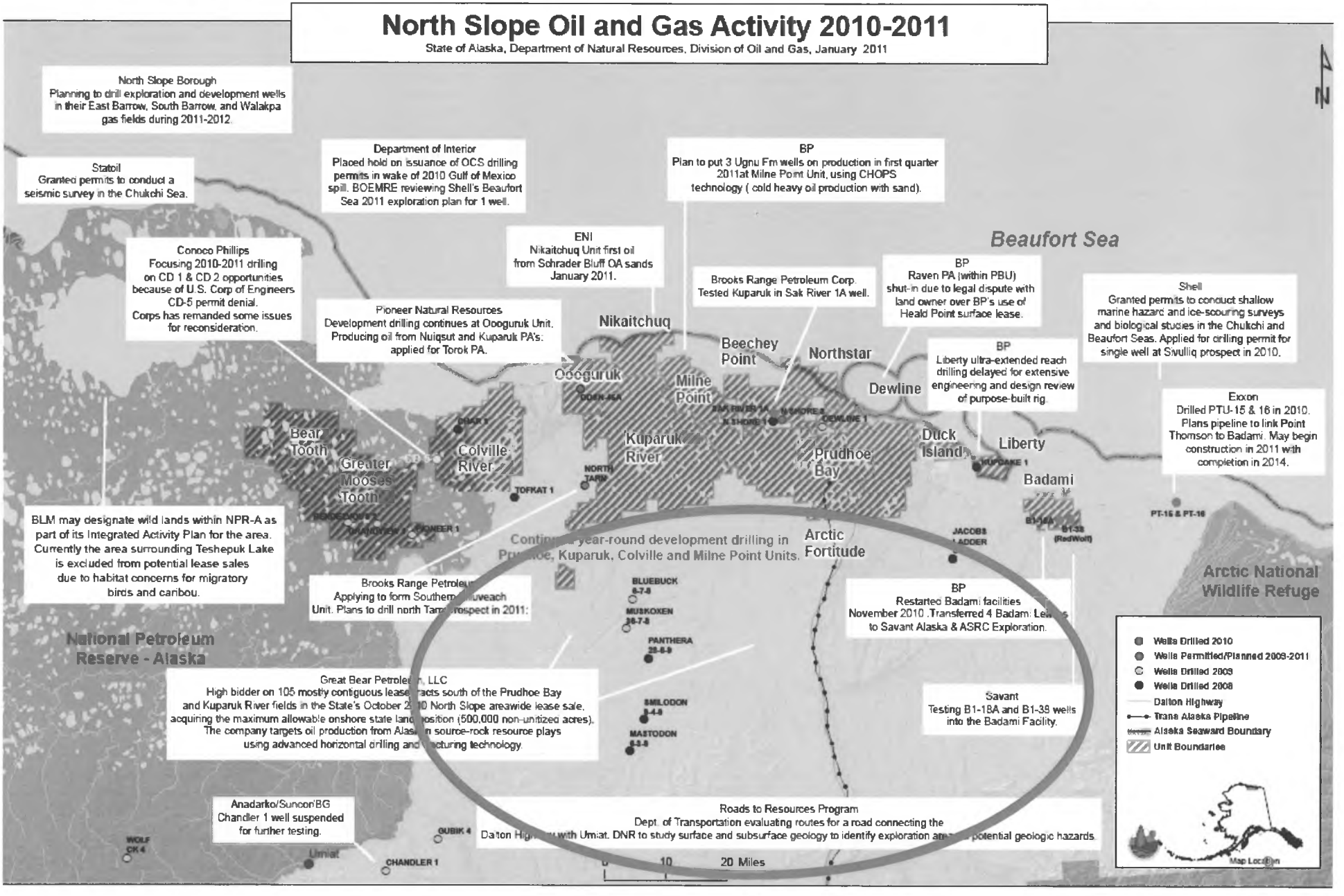


Source: Alaska Oil and Gas Conservation Commission

There's lots of oil left in Alaska…

- Cumulative production through 2010 has been over 16 billion barrels
- Remaining North Slope reserves exceed 5 billion barrels
- Geology-based estimates of total oil volumes are much higher. For instance, we do not include any of the approximately 20 billion barrels in the giant Ugnu deposit, or offshore volumes from the Chukchi or Beaufort Seas, in our forecast

Areas of North Slope are Underdeveloped



How Can We Reverse the Trend?

- Sample Investor Decision Criteria:
  - Prospectivity
  - Geopolitical stability
  - Regulations (access to resources, development permitting, environmental constraints)
  - Operations (existing infrastructure, experienced workforce availability, costs, market proximity)
  - **Tax Regime => SB 49 Focus**

Outline for Presentation

- Goals and Rationale for SB 49
- Production Tax Mechanism
- Components of SB 49

Production Tax Overview

- **Production Tax Value (PTV)** is the market price less transportation costs and allowable lease expenditures
  - Allowable lease expenditures include operating and capital expenditures
- **Base tax rate** of 25% on PTV
- **Progressive Surcharge Rate**
  - Triggered when a company's PTV reaches $30 per barrel
  - $30.00/bbl < PTV < $92.50/bbl = Surcharge adds 0.4% to tax rate for each additional $1 increase in PTV, until combined tax rate reaches 50%
  - $92.50/bbl < PTV < $342.50/bbl = Surcharge adds 0.1% for each additional $1 increase in PTV until combined tax rate reaches the maximum of 75%

Production Tax Overview

How the Tax is Calculated

Production Tax Value (PTV) X Base Tax Rate =	Base Tax
	+
PTV X Progressive Surcharge Rate =	Progressive Surcharge
Pre-Credit Tax Bill	Total Taxes Before Credits
	-
Credits	Credits Applied Against Taxes
Final Tax Bill	**Total Production Taxes Owed**

FY 12 Production Tax Projected

	Per Barrel	Barrels	Value ($ million)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$82.67	622,182	$51.4 / day
Annual Production (bbl)			
Total Annual Production/Value		**227,096,430**	**$18,774.1**
Royalty and Federal barrels		(34,669,890)	($2,866.2)
Taxable barrels		**192,426,540**	**$15,907.9**
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	($2.05)		
TAPS Tariff	($4.67)		
Other	$0.33		
Total Transportation Costs	**($6.39)**	**192,426,540**	**($1,229.6)**
Lease Expenditures			
Deductible Operating Expenditures	($12.86)		($2,474.1)
Deductible Capital Expenditures	($13.14)		($2,528.3)
Total Lease Expenditures	**($26.00)**	**192,426,540**	**($5,002.4)**
Production Tax Value (PTV)	**$50.28**	**192,426,540**	**$9,675.9**
Production Tax			
Base Tax (25%*PTV)			$2,419.0
Progressive Tax Rate = ($50.28-$30) * 0.4% = **8.1%**			
Progressive Tax = (8.1% * PTV)			$785.0
Total Tax Due before credits			**$3,204.0**
Credits Applied Against Taxes			($450.0)
Total Tax after credits			**$2,754.0**

Source: Department of Revenue Fall 2010 Revenue Sources Book, Appendix D
This simple model assumes constant production, price, and expenditures for the entire year; results will differ from our larger model and forecast.
The per-barrel expenditures shown are per taxable barrel and do not reflect expenditures per all barrels produced.

Production Tax Credits Overview

- **Qualified Capital Expenditure Credit** – 20% credit for qualified capital expenditures (40% for well lease expenditures outside North Slope).
- **Carried-Forward Annual Loss Credit** –25% credit for carried-forward annual loss.
- **Small Producer / New Area Development Credit** – Up to $12 million / year for small producers and up to $6 million / year for production outside North Slope and Cook Inlet.
- **Alternative Credit for Exploration** – 30% or 40% of eligible exploration expenditures if certain criteria are met.
- **Cook Inlet Jack-Up Rig Credit** – 80% to 100% credit for first three exploration wells drilled using jack-up rig in Cook Inlet.

Source: Alaska Department of Revenue. Chapter 3 of the Fall 2010 Revenue Sources Book provides detailed information on credits

Outline for Presentation

- Goals and Rationale for SB 49
- Production Tax Mechanism
- Components of SB 49

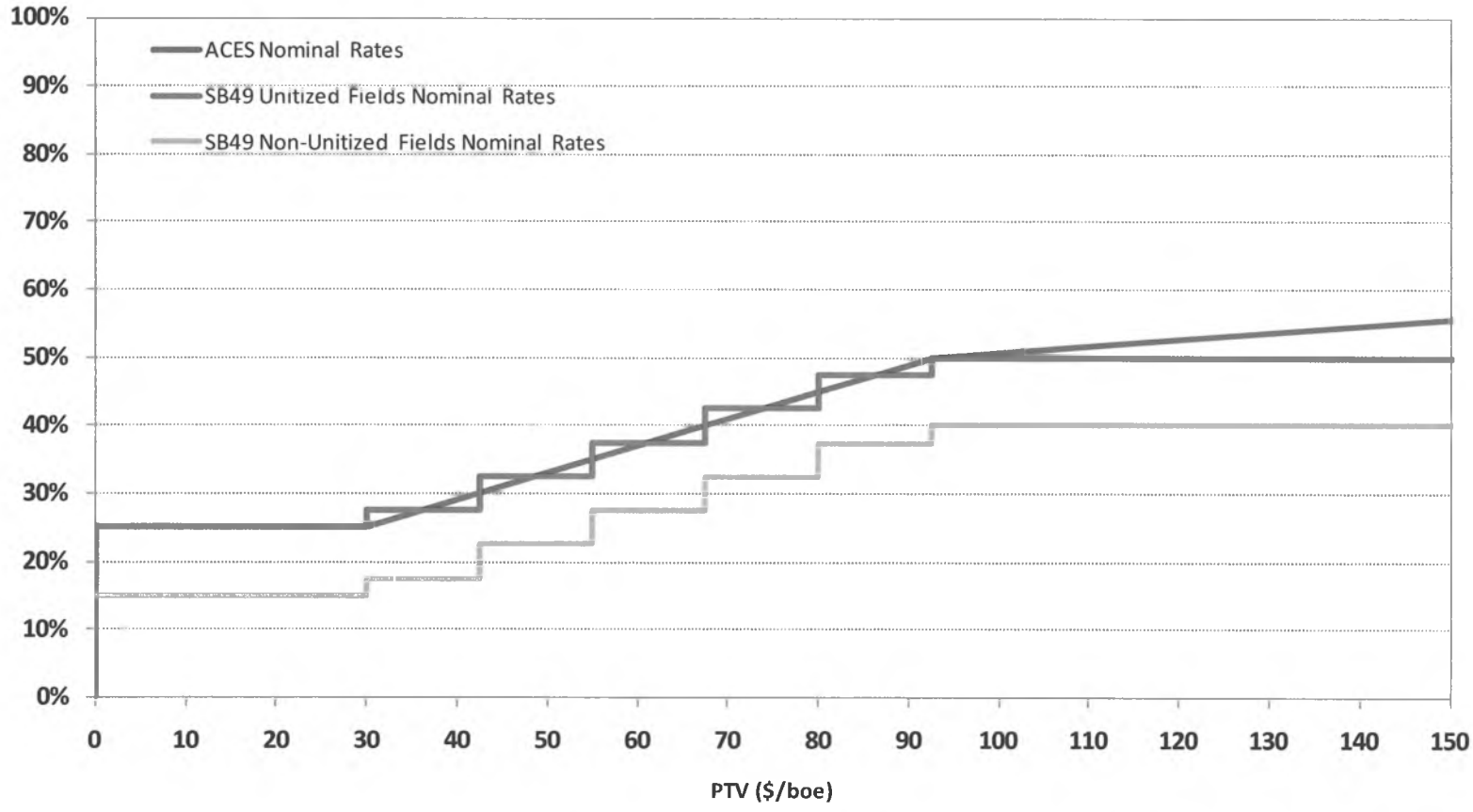
Main proposed changes

Progressivity Rates & Cap	Progressivity defined as discrete brackets, rather than as a continuous function, and applied only to incremental revenue. Maximum progressivity of 25%.	2013
Base Tax Rate	Base tax rate reduction from 25% to 15% for leases or properties properties neither unitized nor producing on or before 12/31/2010.	2013
Tax Credits	Extension of 40% well lease expenditure tax credits to North Slope. Tax credits can be claimed in a single year instead of two years.	2012
Tax Calculation	Yearly tax calculation based on average prices and costs, instead of monthly tax calculation impacted by short term price and cost peaks.	2013

2012 Effective 1/1/2012 for expenditures made before 12/31/2011.

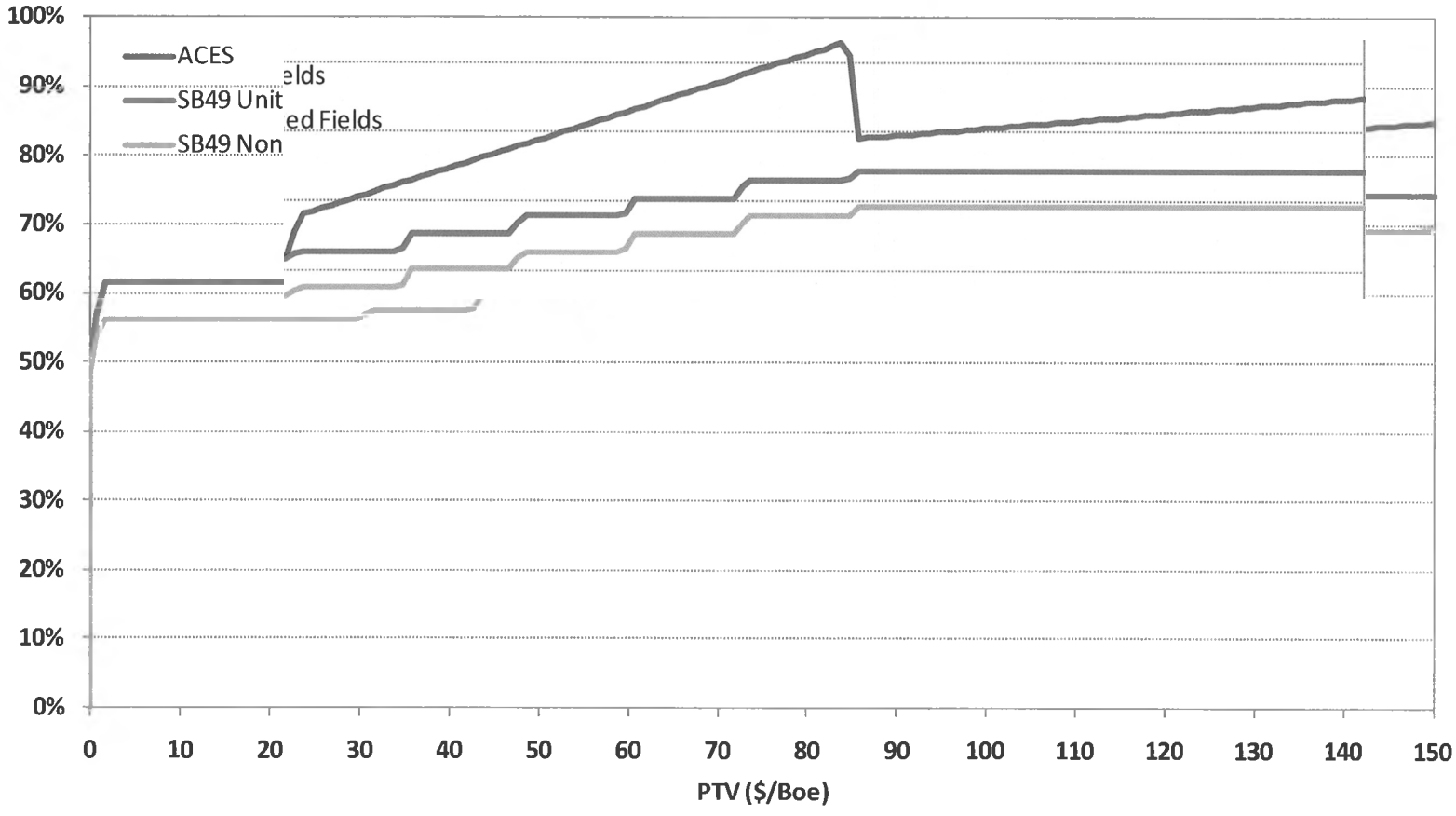
2013 Effective 1/1/2013, applies to production after 12/31/2012.

Nominal Production Tax Rates

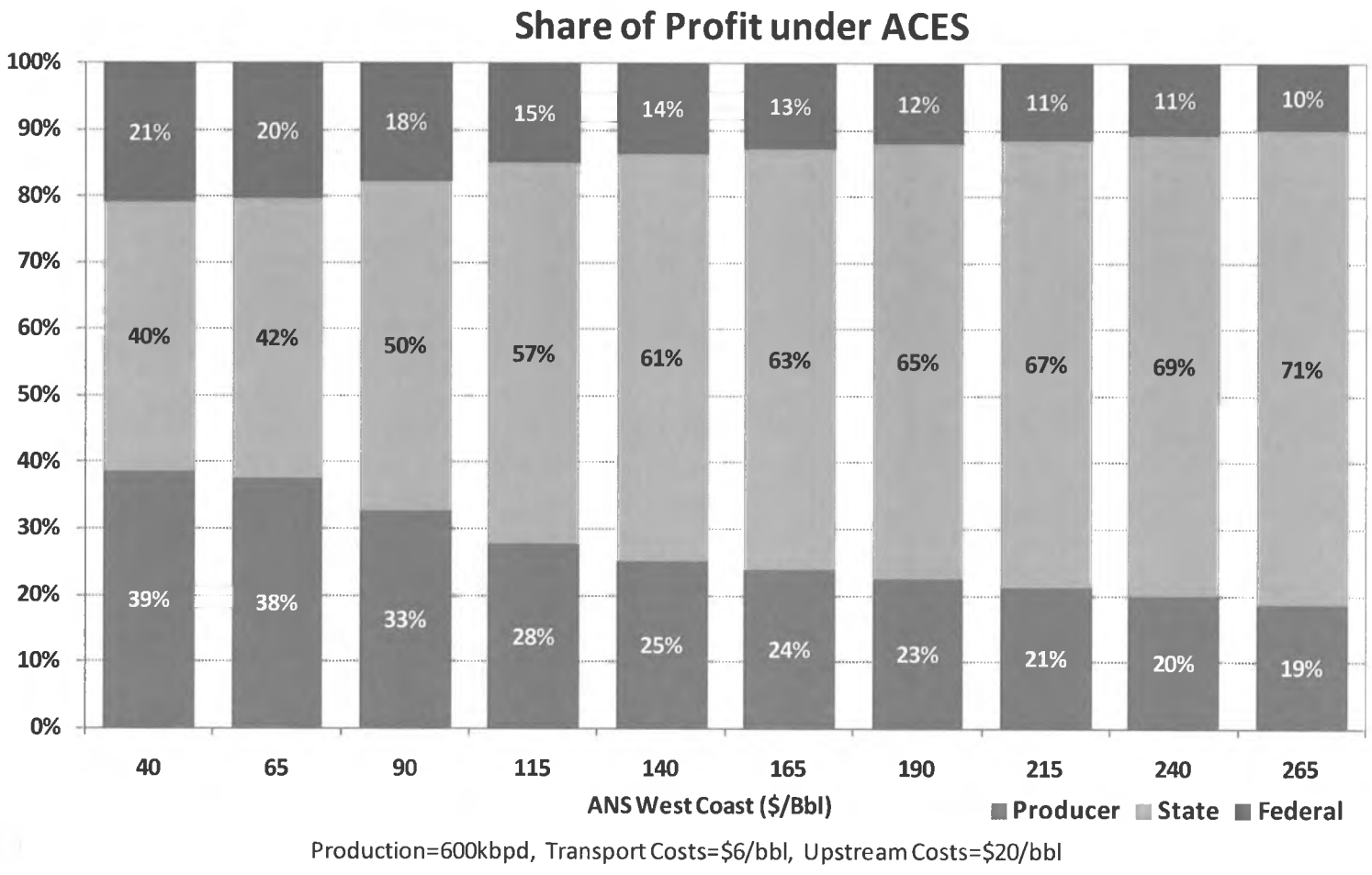


Marginal Government Take

(Incremental Government Take generated by a US$ 1/boe increase in Production Tax Value, with all other conditions remaining unchanged)

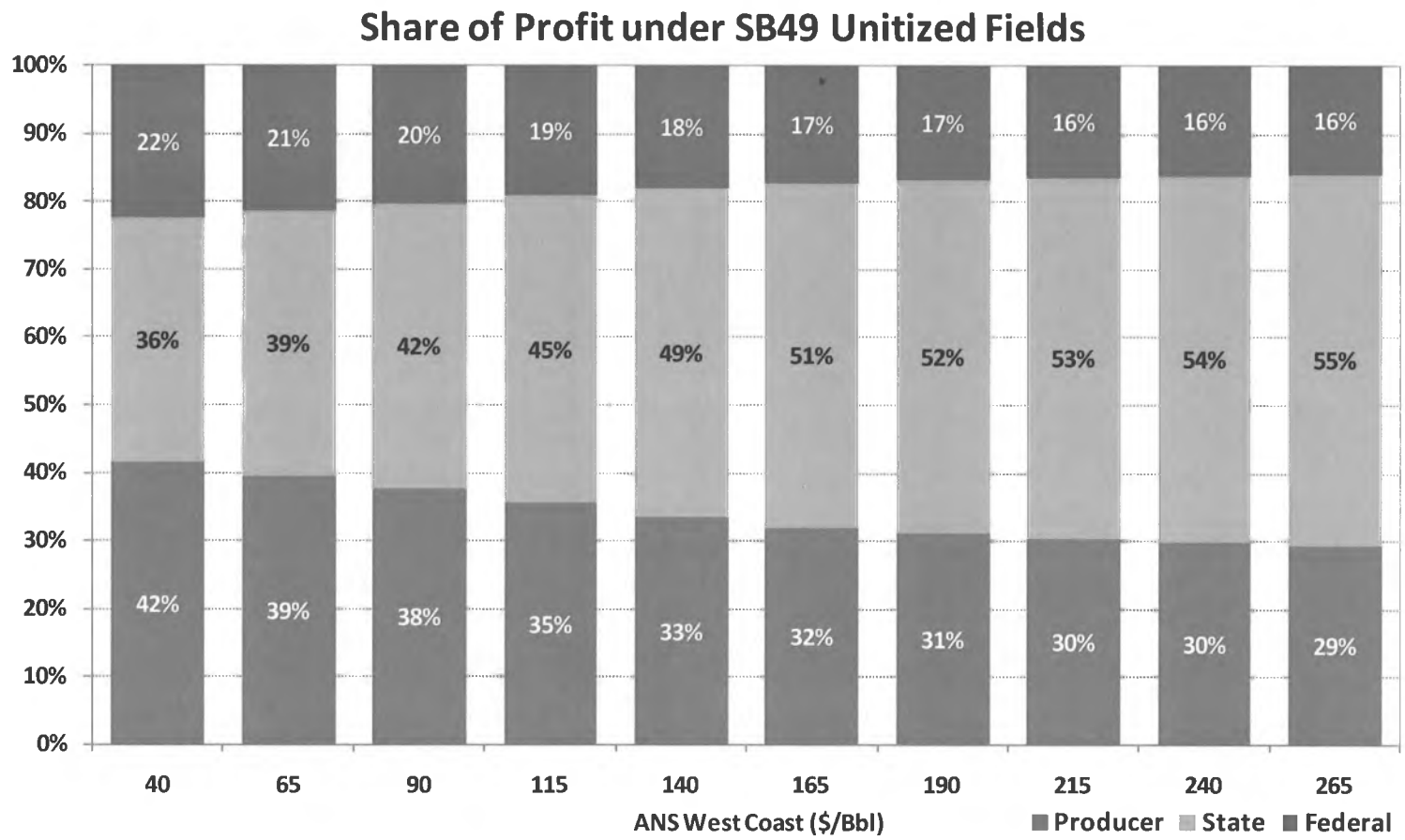


Share of total profit - ACES



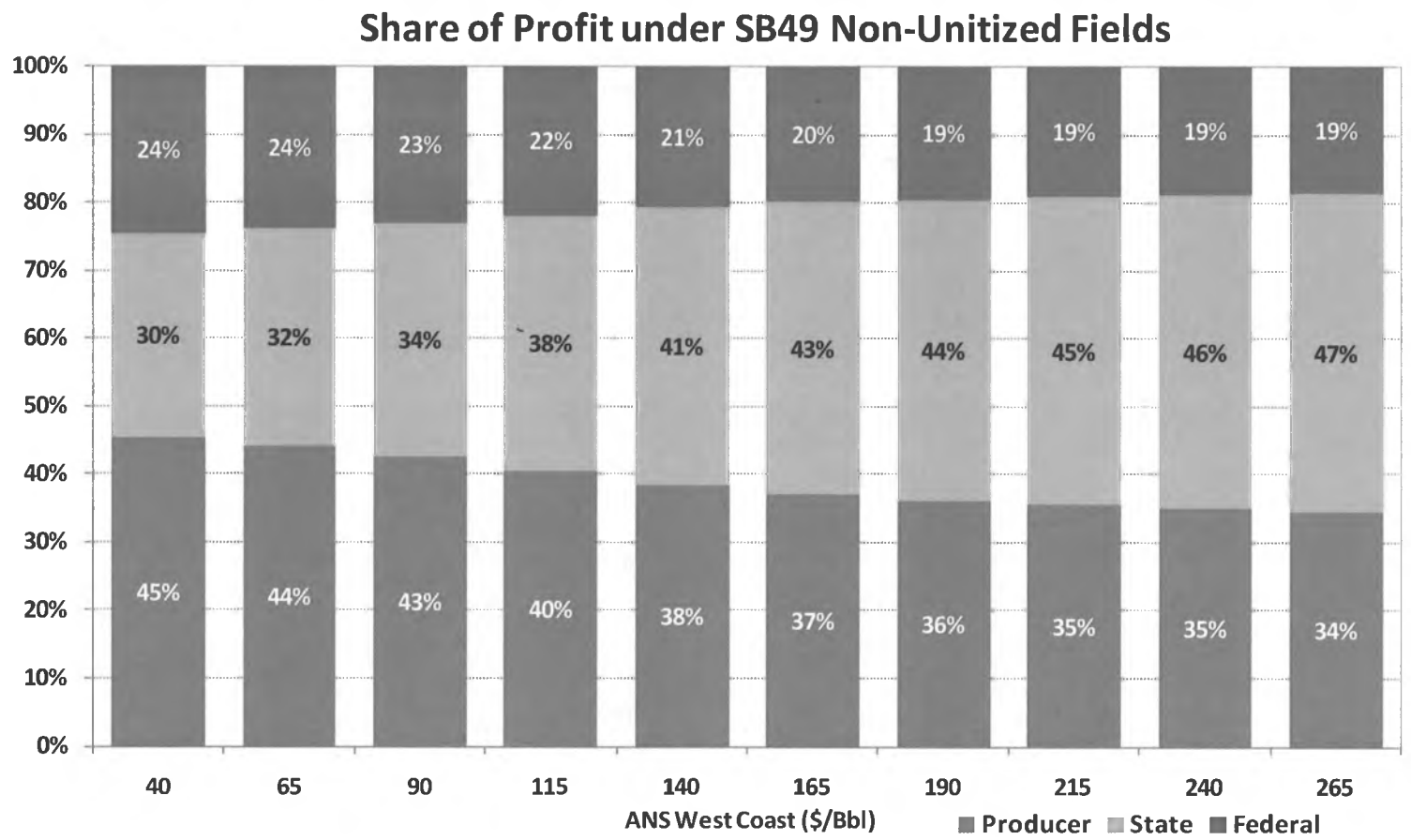
Production=600kbpd, Transport Costs=$6/bbl, Upstream Costs=$20/bbl

Share of total profit
SB49: Unitized Fields



Production=600kbpd, Transport Costs=$6/bbl, Upstream Costs=$20/bbl

Share of total profit
SB49: Non-Unitized Fields



Production=600kbpd, Transport Costs=$6/bbl, Upstream Costs=$20/bbl

SB49 Goals

1. Improve investment climate
2. Create jobs for Alaskans
3. Increase production

Mary Jackson

From: Jeff Stepp
Sent: Monday, March 14, 2011 12:46 PM
To: Andy Moderow; Doug Letch; Genevieve Wojtusik; Jeff Stepp; Katrina Matheny; Mary Jackson; Michael Pawlowski; Michelle Sydeman; Weston Eiler
Subject: Questions asked by Committee Members re: Senate Bill 49 on 3/11/2011

Senate Resources Committee
Questions asked by Committee Members re: Senate Bill 49 on 3/11/2011

1. Please compare royalty rates in Alaska with royalty rates in other states; that is, please compare royalties paid to Alaska as an owner state vs. royalties paid to private land owners in Texas, North Dakota, etc. (Stevens)

2. Slide #3: According to modeling or predictions by the bill sponsor, how many jobs for Alaskans will be created by the passage of SB 49? (Wielechowski)

3. Slide #3: According to modeling or predictions by the bill sponsor, how much will production increase? (Wielechowski)

4. Slide #4: At this point in the life cycle of a mature field, is there an industry norm for the number of new development wells that we might expect to see? (Paskvan)

5. Slide #4: Please explain the standard life cycle of a basin. Please compare the production of Alaska's mature basins with the production of other mature basins. Is the North Slope Production on Slide #4 a normal curve? Would a company build this production decline into a normal investment model? How are investments modeled based on the standard life cycle of a basin? (Stedman)

6. Slide #5: How much of the ANS production that is "under evaluation" is unitized vs. non-unitized? (French)

7. Slide #7: What happened in 2003? (French)

8. Slides #4 – #7: Please compare trends in Alaska with trends in North America and worldwide? (Stedman)

9. Does the Administration believe that there should be, as part of the SB 49 negotiations, a guaranteed increase in exploration and development wells in exchange for the passage of SB 49? (Paskvan)

10. Please explain "duty to produce." (Wielechowski)

11. According to recent ConocoPhillips statements/reports, they have added reserves to their Alaska portfolio. Have those reserves been added to DOR's forecasted ANS production? (Wielechowski)

Jeff Stepp, Legislative Staff
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Senate District E representing Fairbanks and Fort Wainwright

Mary Jackson

From: Jeff Stepp
Sent: Monday, March 14, 2011 11:29 AM
To: Senate Resources
Cc: Andy Moderow; Doug Letch; Genevieve Wojtusik; Jeff Stepp; Katrina Matheny; Mary Jackson; Michael Pawlowski; Michelle Sydeman; Weston Eiler
Subject: S RES Monday, March 14

Hello Team Resources,

The Committee heard approx 12 of the 23 slides prepared by DOR on Friday. Sen Paskvan asked me to convey that during today's hearing, the DOR will proceed with the presentation that they began on Friday. Therefore, there are no new committee docs for today's Senate Resources hearing.

On Wednesday, the Committee will receive the scheduled presentation by Lenny Dees (Master Auditor, DOR) regarding the oil and gas tax credits.

It appears, then, that the Committee will skip the presentation on the "Oil and Gas Production Tax Status Report to the Legislature" this week; however, it may be re-scheduled for a later date.

Please let me know if you have any questions or comments.

Best,
JS

Mary Jackson

From: Jeff Stepp
Sent: Wednesday, March 16, 2011 1:48 PM
To: Andy Moderow; Doug Letch; Genevieve Wojtusik; Jeff Stepp; Katrina Matheny; Mary Jackson; Michael Pawlowski; Michelle Sydeman; Weston Eiler
Cc: Tangeman, Bruce E (DOR); Bryan Butcher
Subject: SB 49 Back-Up: DOR Slide re Effective Tax Rate on Gross
Attachments: SB 49_Back-Up_DOR Slide re Effective Tax Rate.pdf

Hello All,

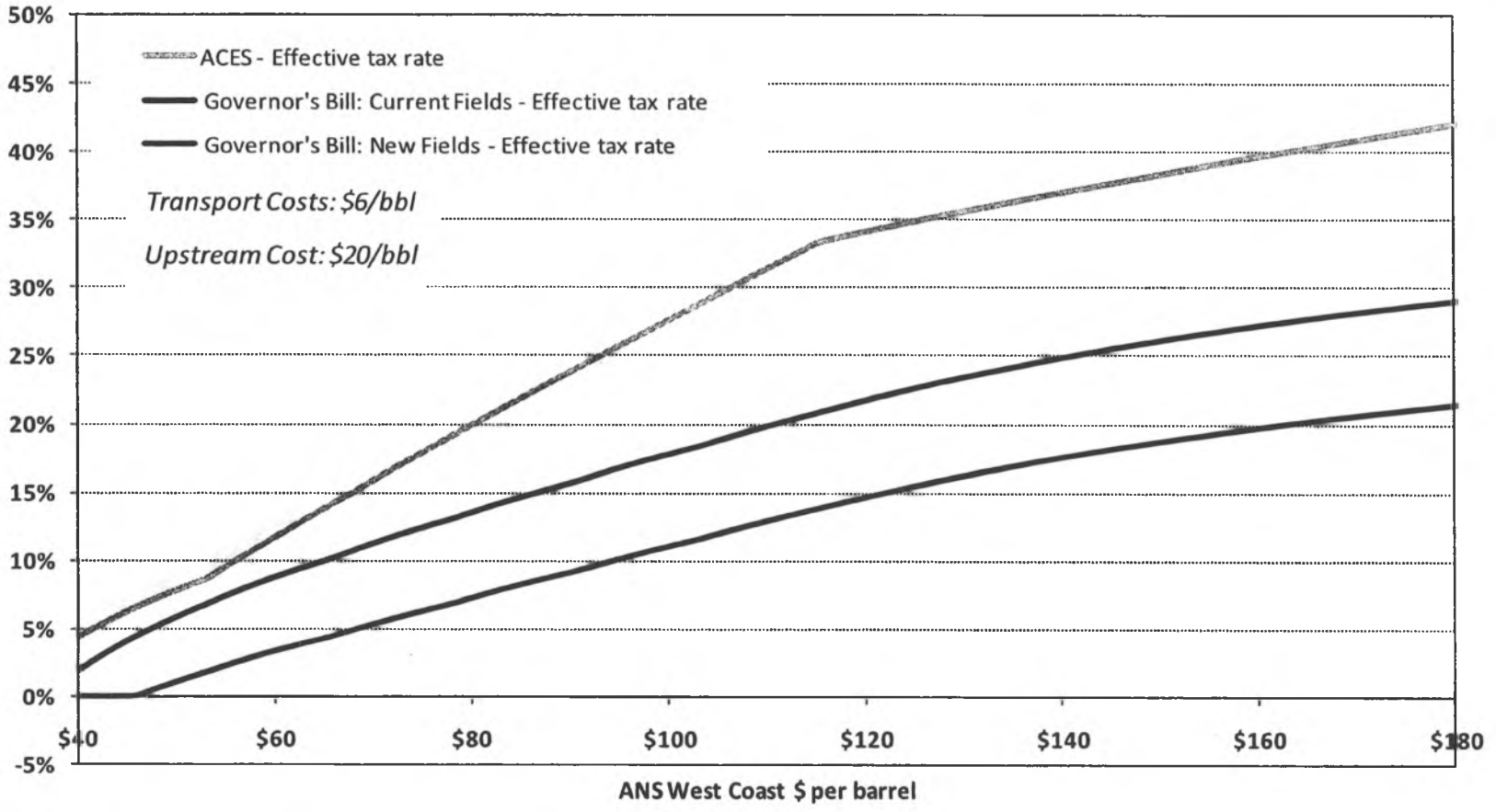
Sen Paskvan was reviewing the attached slide in preparation for this afternoon's Resources Committee hearing. The slide, titled Effective Tax Rate on Gross, was used in a presentation of HB 110 in the House Resources Committee on February 21, 2011.

Sen Paskvan asked me to share the slide with members, as he intends to ask Mr. Dees about this slide today.

Best,
Jeff

Effective Tax Rates on Gross Current law and HB 110

Effective Tax Rate based on Gross Value (After Credits)



PRODUCTION TAX CREDITS

PRESENTED TO THE SENATE RESOURCES COMMITTEE

MARCH 16, 2011

Overview

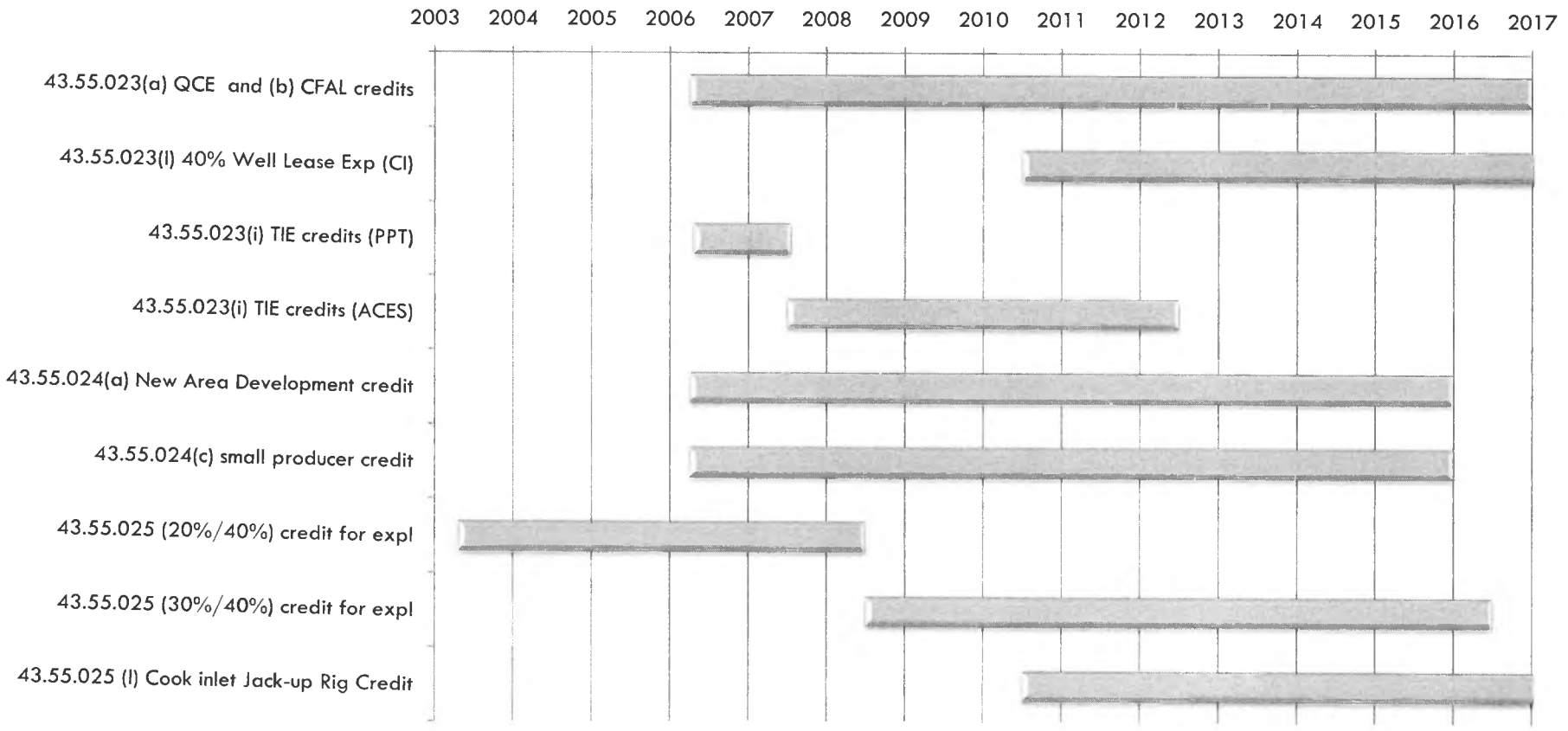
- **Types of Production Tax Credits**
- Credits Applied Against Production Tax Liability
- Transferable Tax Credit Certificates
- Cash Refunds History

Types of Production Tax Credits

Credits which may be taken against oil and gas production taxes include:

- Capital Expenditure Credits
- Alternative Tax Credits for Oil and Gas Exploration
- Net Operating Loss ("NOL") Carry Forward Credits
- Transitional Investment Expenditure ("TIE") Credit
- Additional Nontransferable Tax Credits
- Well Lease Expenditures Credit
- Cook Inlet Jack-up Rig Credit

Timelines for Production Tax Credits



Types of Production Tax Credits

Capital Expenditure Credits - (AS 43.55.023(a)(1))

- **20%** of qualified capital expenditures (QCE)
- QCE include drilling, construction of facilities, new equipment, etc.
- Same expenditures may also qualify for NOL Carry Forward Credit
- Same expenditures do ***not*** qualify for exploration credit
- Must be spread over 2 years (except for expenditures incurred south of 68 degrees North latitude – effective July 1, 2010)
- Credits may be cashed or transferred

Types of Production Tax Credits

Exploration Credits

- Two Main Types
  - Capital Credit for Exploration Activity 43.55.023(a)(2) **(20%)**
  - Alternative Tax Credits for Oil and Gas Exploration 43.55.025 **(30%-40%)**

Types of Production Tax Credits

Capital Credit for Exploration Activity 43.55.023(a)(2)

- **20%** of qualifying expenditures related to geologic and geophysical exploration, or in connection with an exploration well
- Requires that data be submitted to DNR
- Must be spread across 2 years (except for expenditures incurred south of 68 degrees North latitude – effective July 1, 2010)
- Same expenditures may also qualify for NOL Carry Forward Credits
- Credits may be cashed or transferred

Types of Production Tax Credits

Exploration Credits

- Two Main Types
  - Capital Credit for Exploration Activity under 43.55.023(a)(2) **(20%)**
  - Alternative Tax Credits for Oil and Gas Exploration under 43.55.025 **(30%-40%)**

Types of Production Tax Credits

Alternative Tax Credits for Oil and Gas Exploration - 43.55.025

- **30% - 40%** of qualified expenditures depending on well location and proximity to existing wells and unit boundaries
- Qualified expenditures include certain expenses associated with seismic and geophysical exploration work, and exploration well drilling
- Same expenditures may also qualify for NOL Carry Forward Credit
- Same expenditures do ***not*** qualify for Capital Expenditure Credit
- To receive credit, taxpayer must provide certain well data to DNR
- Expires 2016
- Credits may be cashed or transferred

Types of Production Tax Credits

NOL Carry Forward Credit - 43.55.023(b)

- **25%** of net operating loss
- Applied against tax liability in following year
- Credit based on adjusted lease expenditures which include both operating and capital expenses
- Includes capital expenditures which also qualify for qualified capital expenditure credit under 43.55.023(a)(1) and exploration credit under 43.55.023(a)(2)
- Credits may be cashed or transferred

Types of Production Tax Credits

Transitional Investment Expenditure (TIE) Credits

43.55.023(i)

- Credit equals 20% of qualifying capital expenditures:
  - incurred between March 31, 2001 and April 1, 2006, and
  - not exceeding 10% of the capital expenditures incurred between March 31, 2006 and January 1, 2008.
- Revised under Aces to cover only producer or explorer not having production prior to January 1, 2008
- Credits are ***not*** transferable and may ***not*** be carried forward beyond 2013
- Same capital expenditures may ***not*** qualify for exploration credit under 43.55.025

Types of Production Tax Credits

Additional Nontransferable Tax Credit- 43.55.024**(a)**

- Referred to as "New Area Development" credit
- Up to $6 million
- Available for companies producing from leases or properties outside of Cook Inlet and North Slope
- Credit can only be applied against tax liability
- Expires 2016 or 9 years after first commercial oil or gas production if before May 1, 2016
- Credits may ***not*** be cashed or transferred or carried forward

Types of Production Tax Credits

Small Producer Credit - 43.55.024**(c)**

- Up to $12 million, depending upon level of production
- Available for companies producing less than 100,000 bbl/day of oil BTU-equivalent
- Production not restricted by region
- Credit can only be applied against tax liability
- Expires 2016 or 9 years after first commercial oil or gas production if before May 1, 2016
- Credits may ***not*** be cashed or transferred or carried forward

Types of Production Tax Credits

Well Lease Expenditure Credit - 43.55.023(l)

- 40% of well lease expenditures incurred in the state south of 68 degrees north latitude
- Must be intangible drilling costs or seismic work conducted within the boundaries of a exploration or production unit
- Credit may be applied against tax liability, or certificated and cashed or transferred to another taxpayer

Types of Production Tax Credits

Cook Inlet Jack-Up Rig Credit - 43.55.025(l)

- Credit of 100%/90%/80% of up to $25 million each of exploration expenditures for first 3 unaffiliated persons drilling wells using the same jack up rig penetrating and evaluating prospects in the pre-Tertiary zone.
- Taxpayer obtaining credit may not claim .023 credit for same expenditure
- 50% of credit to be repaid over 10 year period if well yields sustained production

Overview

- Types of Production Tax Credits
- **Credits Applied Against Production Tax Liability**
- Transferable Tax Credit Certificates
- Cash Refunds History

Credits Applied Against Production Tax Liability

Credits may be redeemed in two ways:

(1) All Credits may be applied against production tax liability

- Capital Expenditure and Capital Exploration Credits split over two years (except south of 68 degree North latitude – eff. July 1, 2010)
- NOL , TIE, Small Producer and Alternative Tax Credits for Oil and Gas Exploration may all be applied against tax liability in total in a single year

(2) Some Credits may be converted into a transferable Tax Credit Certificate

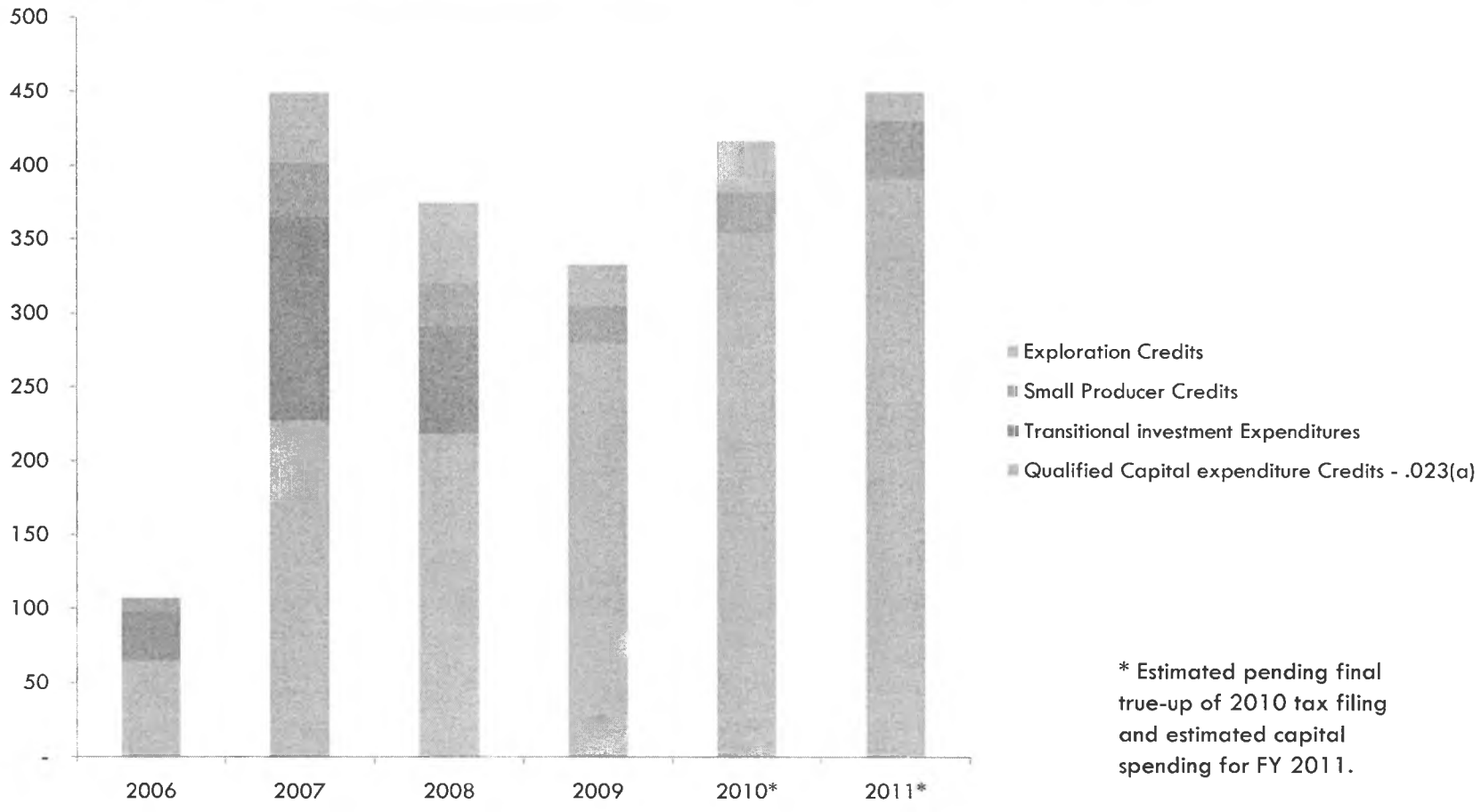
- Capital Expenditure, Capital Exploration, NOL, and Alternative Tax Credits for Oil and Gas Exploration are convertible to tax certificates
- Capital Expenditure, Capital Exploration and NOL Tax Credit Certificates must be applied over two years (except south of 68 degrees North latitude – passed 2010)
- Alternative Tax Credits for Oil and Gas Exploration Certificates can be used in single year

Production Tax Credits Applied Against Tax Liability (Fiscal Year)

	2006	2007	2008	2009	2010*	2011*	Total
Capital Expenditure Credit	65	227	219	280	349	391	1,535
TIE Credits	33	138	73	0	0	0	243
Small Producer Credits	9	37	30	26	28	40	169
Exploration Credits	1	47	55	28	34	20	185
Totals	107	449	375	333	417	450	2,131

* Estimated

Production Tax Credits Applied Against Tax Liability (Fiscal Year)



* Estimated pending final true-up of 2010 tax filing and estimated capital spending for FY 2011.

Overview

- Types of Production Tax Credits
- Credits Applied Against Production Tax Liability
- **Transferable Tax Credit Certificates**
- Cash Refunds History

Transferable Tax Credit Certificates

Companies may also claim tax credits by applying for a Transferable Tax Credit Certificate (TTCC)

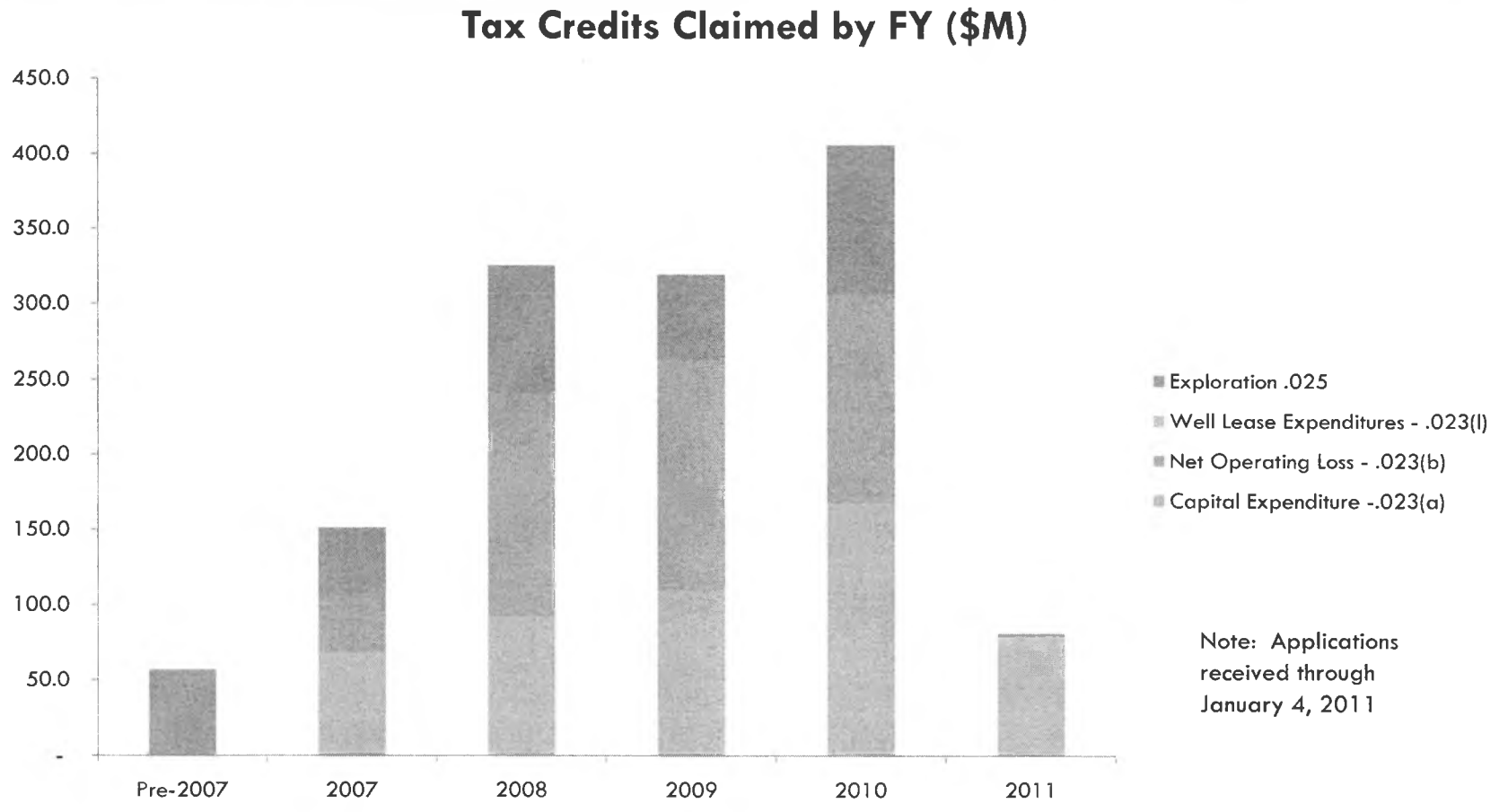
- Available to companies (explorers) with no tax liability to which credits can be applied
- Tax Credit Certificates under 43.55.023(a) and (b) must be split or applied over two years (except credits issued for expenditures incurred south of 68 degrees North latitude effective July 1, 2010)
- May be transferred to another taxpayer or cashed with the state

Production Tax Credits Under AS 43.55 Claimed by FY ($M)

Credit Type	Pre-2007	2007	2008	2009	2010	2011*	Total
Capital Expenditure - .023(a)		68.2	91.7	109.6	168.0	72.8	510.3
Net Operating Loss .023(b)		38.1	148.5	153.5	138.7	.2	479.0
Well Lease Expenditure - .023(l)						5.8	5.8
Exploration -.025	48.3	44.9	85.5	56.6	99.5	2.4	337.2
Total	48.3	151.3	325.6	319.7	406.2	81.3	1332.4

* Applications received through January 4, 2011.

Transferable Tax Credit Certificates



Transferable Tax Credit Certificate Activity by Fiscal Year ($M)

	Pre-2007	2007	2008	2009	2010	2011*	Total
Issued	16.2	99.9	130.8	308.2	361.3	191.5	1,107.9
Refunded		(54.6)	(54.1)	(193.1)	(250.5)	(299.3)	(851.6)
Transferred/ Applied to Taxes	(12.3)	(40.0)	(46.6)	(20.0)	(1.2)	(62.7)	(182.8)
Activity by year	3.9	5.2	30.1	95.1	109.6	(170.4)	
Transferable Tax Credit Certificates Outstanding	3.9	9.1	39.2	134.2	243.9	73.4	73.4

*Payment activity through February 4, 2011.

Overview

- Types of Production Tax Credits
- Credits Applied Against Production Tax Liability
- Transferable Tax Credit Certificates (TTCC)
- Cash Refunds History

Cash Refunds History

Cash Refunds Governed by AS 43.55.028:

- To cash must be usable against tax liability
- Must show subsequent (24 months) QCEs or lease bids equal to cash sought (repealed in 2010)
- Have a zero tax owed in current and past years
- Have no more than 50,000 BOE/d

Cash Refunds History

Tax Credits Purchased

By fiscal year ($M)

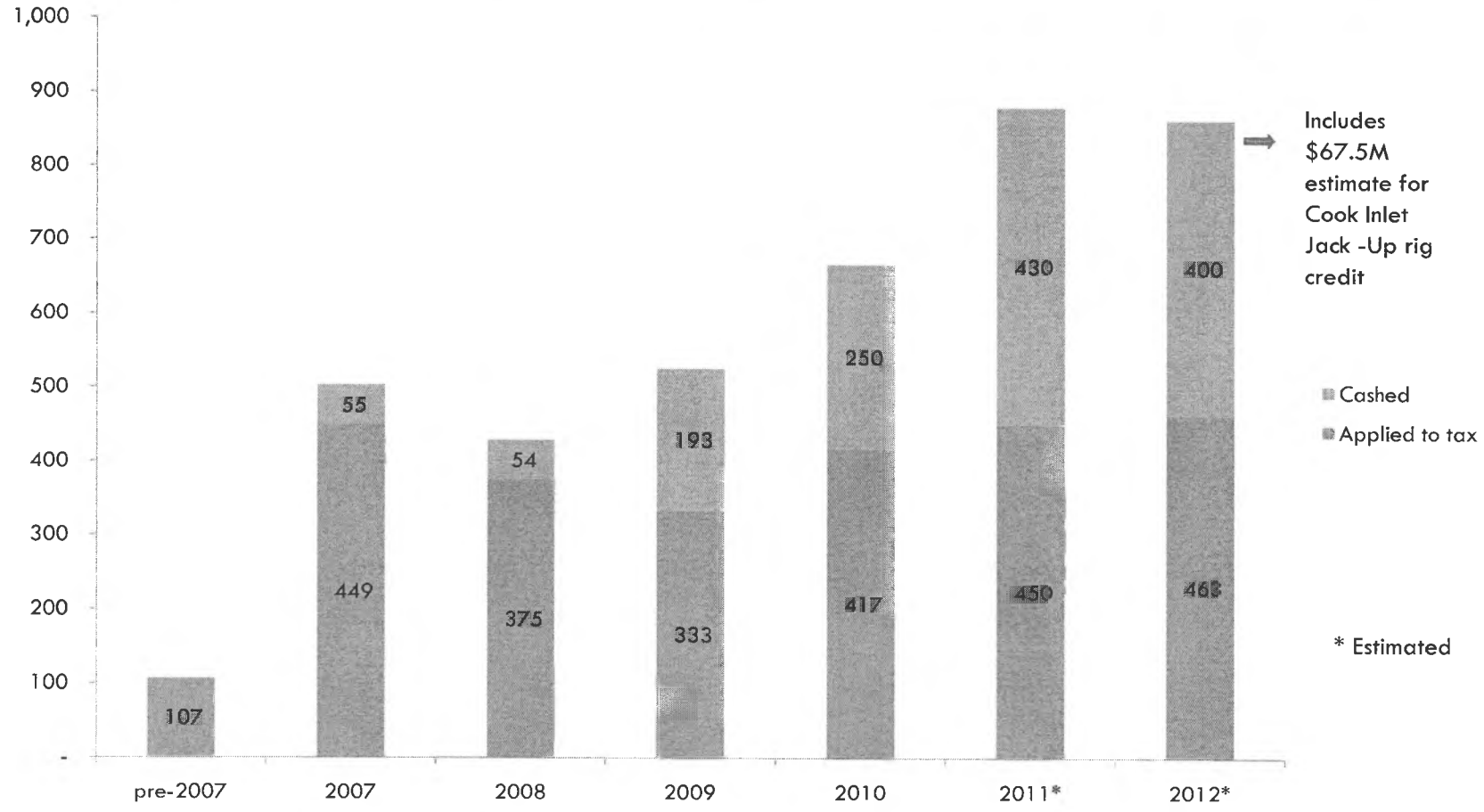
2007	$ 54.6
2008	54.1
2009	193.1
2010	250.5
2011 (thru 02/04/11)	299.3
TOTAL	$851.6

Cash Refunds History

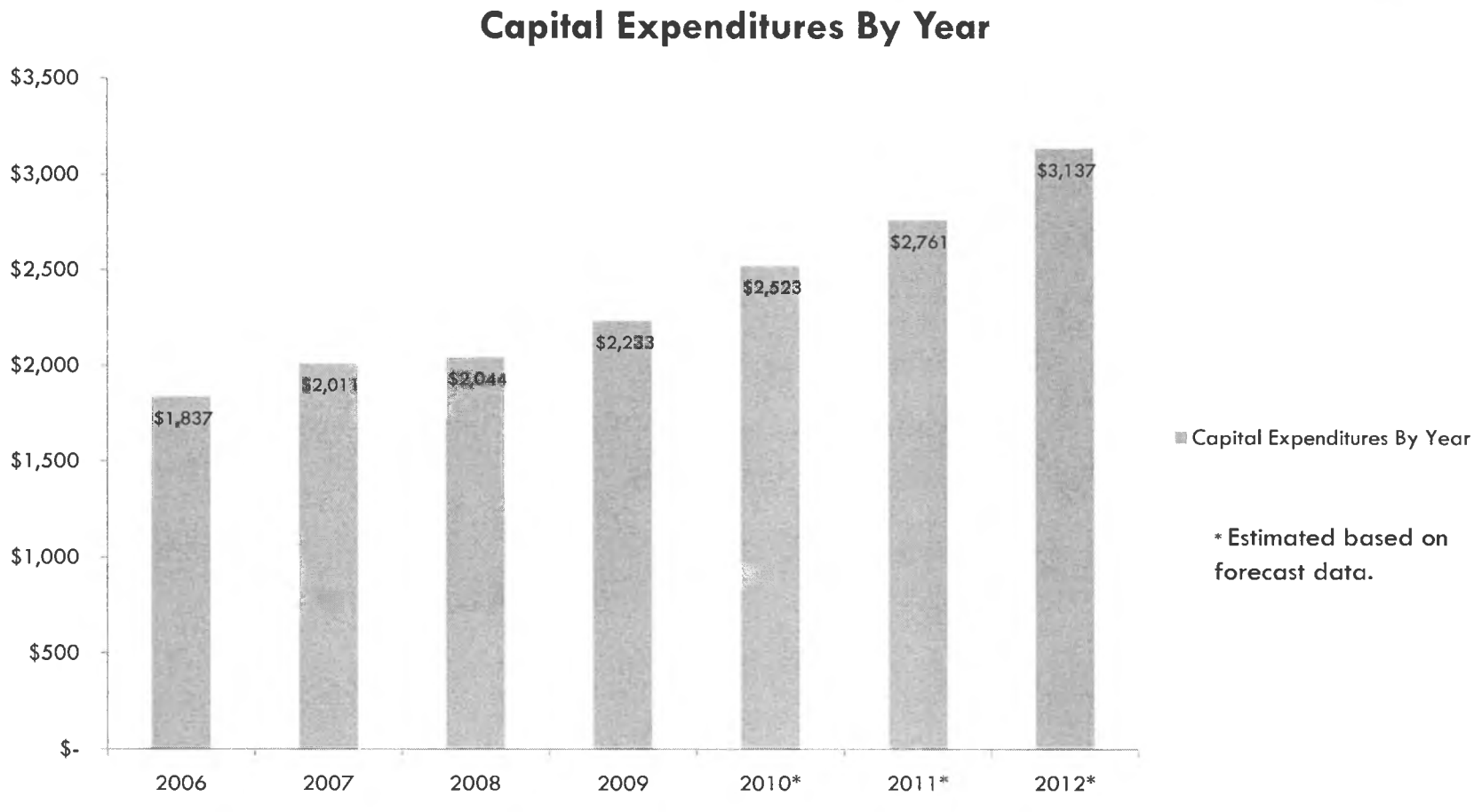
Oil & Gas Tax Credit Fund

Appropriations -	$ 904	M
Tax Credit Purchases (TC Fund)	(772)	M
Tax Credit Purchases (GF)	(79)	M
Interest Earned	22	M
Balance	$ 75	M

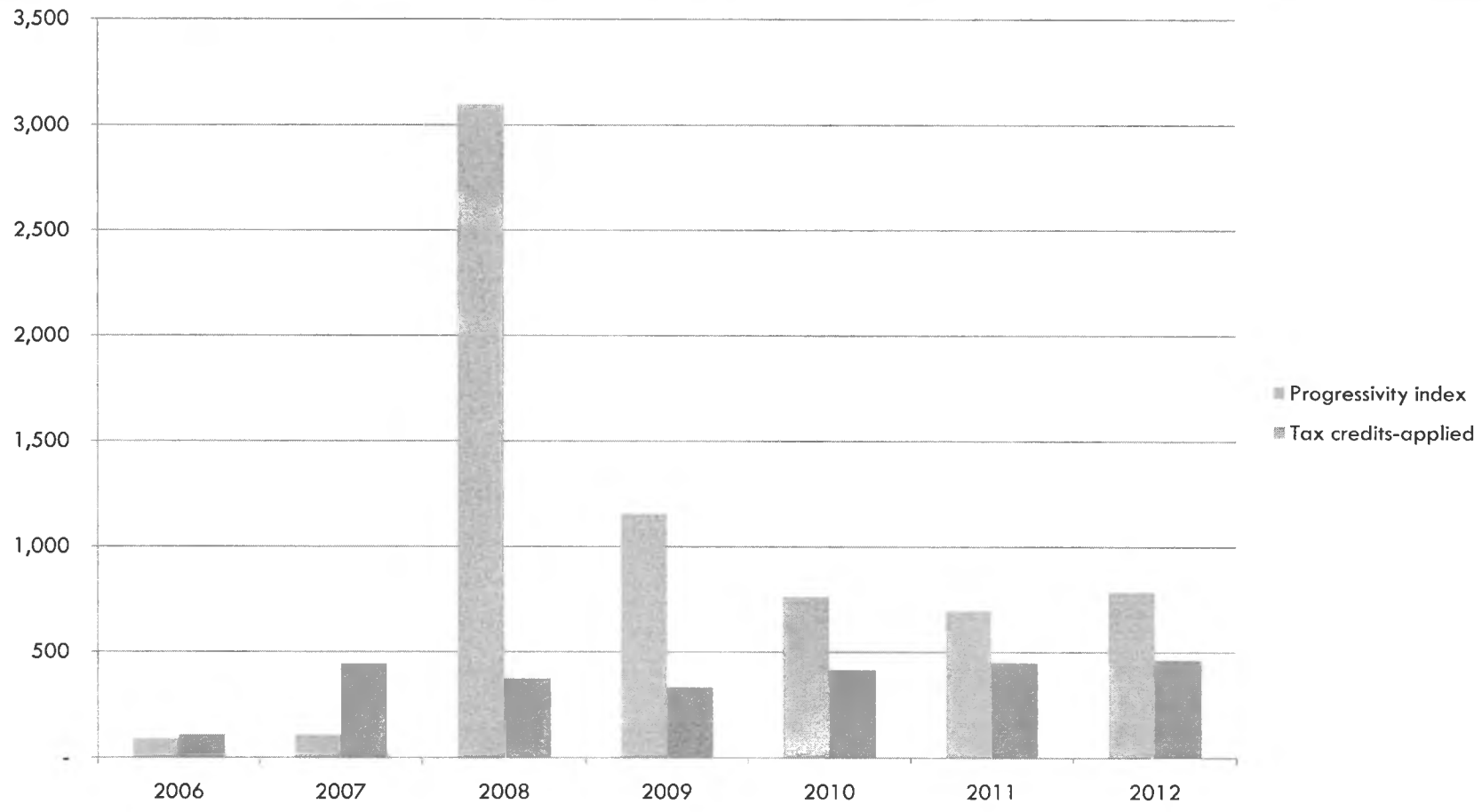
Impact of Production Tax Credits
Total State Stimulus



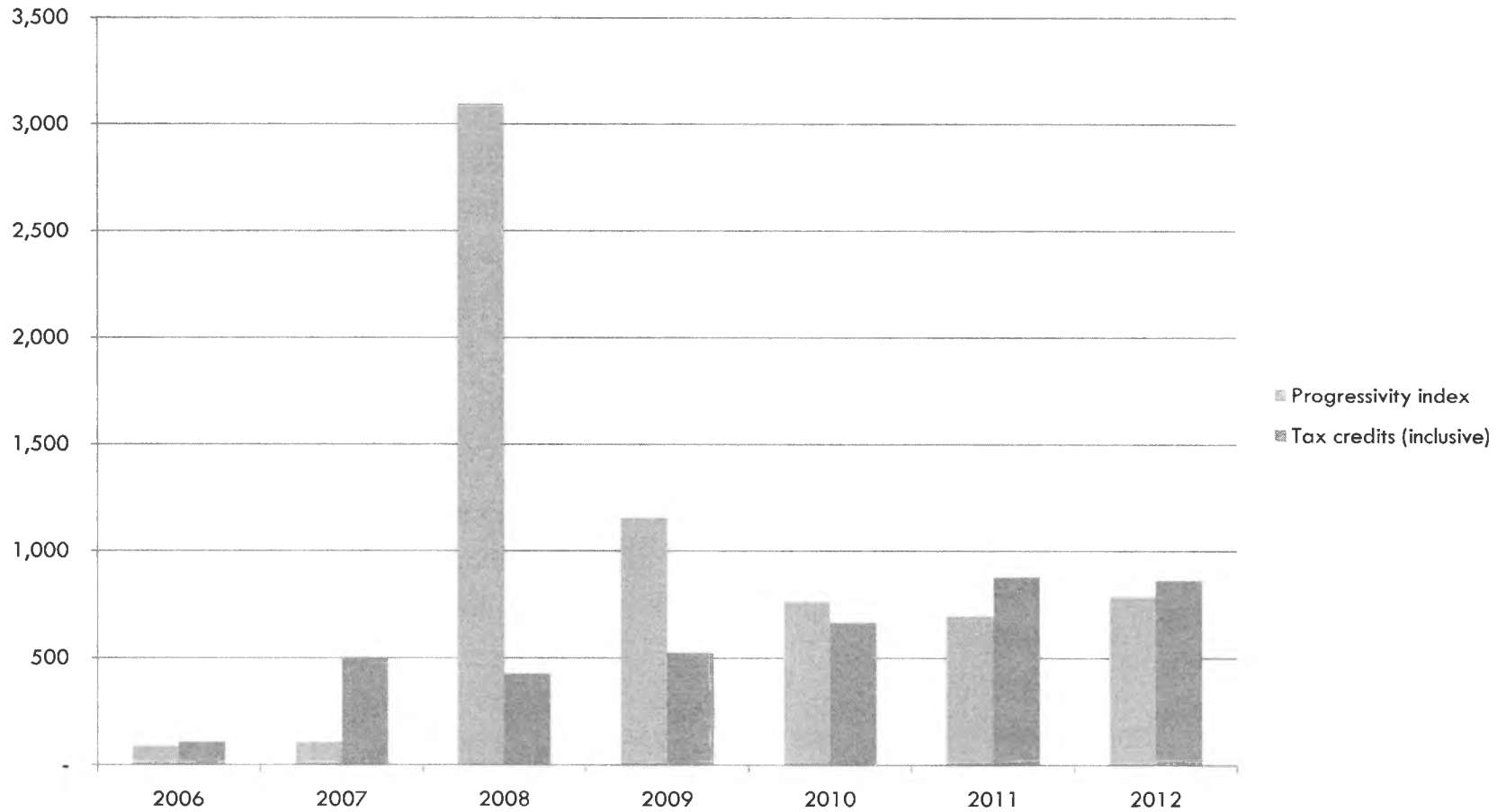
Capital Expenditures by Year ($M)



Progressivity Index versus Production Tax Credits Applied



Progressivity Index versus Total Production Tax Credits



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Issues In Considering SB49

Senate Resources Committee
March 18, 2011

A Question Of Nature or Nurture ?

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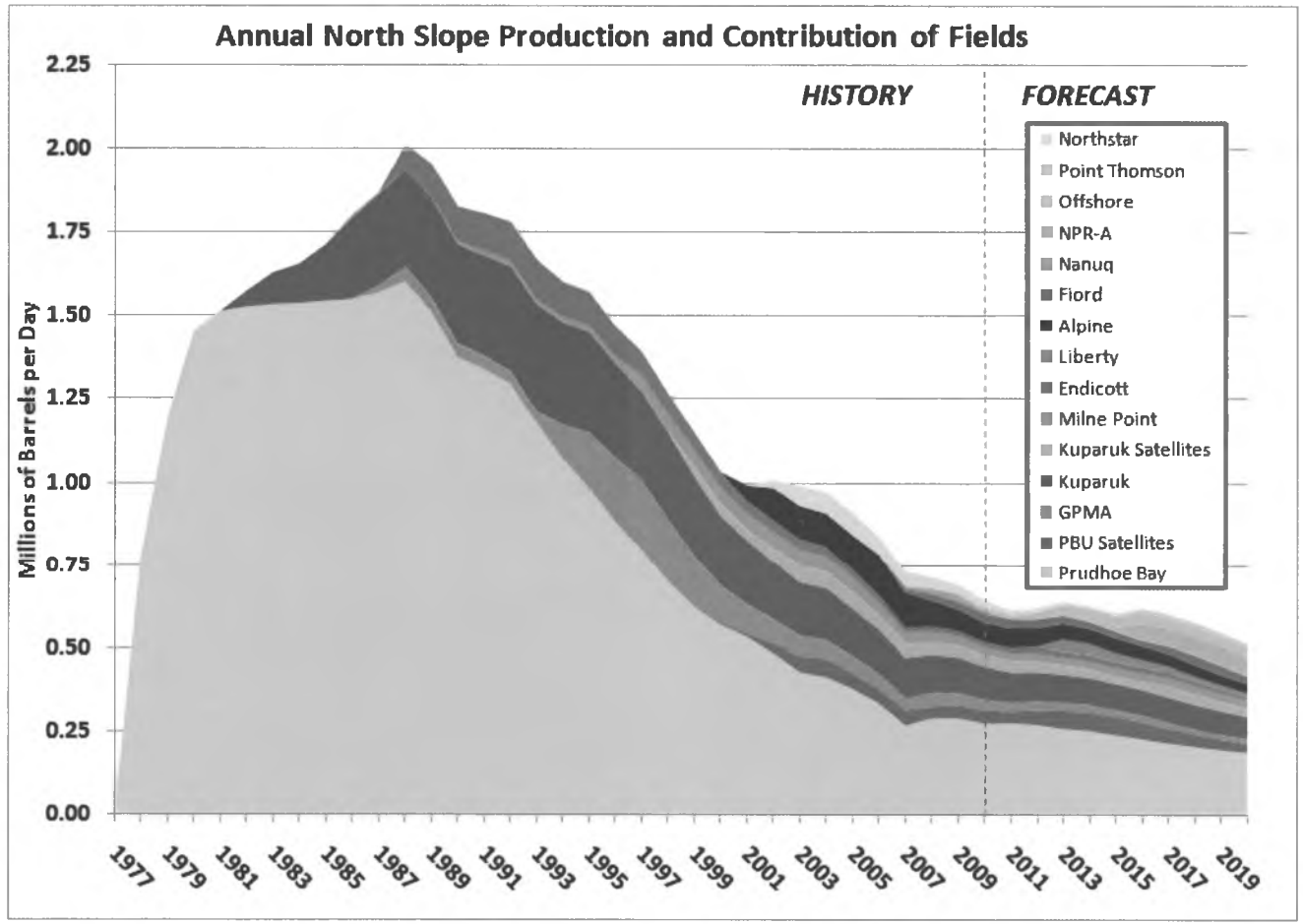

Source: Fall 2010 Revenue Sources Book

Fiscal System Design

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- **2 Parts *Art* to every 1 Part *Science***
- **What works well for one state/country does not necessarily work for another**
  - Over time it may actually no longer work optimally where it once did
- **Influencing factors include (but not limited to):**
  - GDP & GDP/Capita
  - Energy as % of GDP
  - Infrastructure Availability
  - Infrastructure Capacity
  - Competition from elsewhere
  - Hydrocarbon Basin Maturity
  - Skilled Local Labor Force
  - H S & E
  - Institutional Capacity

The "Pressure" to Change

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- Fiscal system change occurs generally because:
  a) Governments want their perceived fair share; or
  b) Attract Investment/Industry

★ *The two are not always the same or even nearly the same*

- Request for change justified by:
  - 'Objective' Calculations – model results based on a large number of assumptions
  - 'Subjective' Calculations – experts assessing major changes in direction or behavior

Creating "Best" Fiscal Systems

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- **Countries and States continually assess their internal needs and their world-wide competitive position to set hydrocarbon fiscal terms**
  - Attract Investment
  - Generate revenue for the treasury
  - Create jobs, increase local skill base

- **There are far more systems in place than there are countries with petroleum legislation**
  - Many areas of similarity
  - Many areas of difference
  - Different 'vintages' can be active at the same time

Where is Alaska today?

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1. Production continues to decline despite unprecedented prices
2. TAPS (either operational limit or economic limit)
3. Heavy oil potential under assessment
4. New plays on the verge of being unlocked?
5. New resources viewed by some as "stranded"
   - Access to infrastructure
6. Logistical challenges and high costs remain
7. Long lead times to bring on new fields
8. Players
   - Incumbents and new entrants

Future Scenarios for Alaska

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Hard to predict the future in a nice tidy narrow range

- Requires many assumptions that leads to '*noise*' and time and focus taken away from discussing and understanding root causes and the real issues
- Lack of planning data

What are the possible upside/downside scenarios to consider in looking to change ACES?

- Upside – Reduced taxes leads to investment in new resources and technologies that keep TAPS flowing through 2050
- Downside – Reduced taxes, still no new fields brought on line, TAPS reaches limit in the 2020's

The Importance Of Oil To Alaska

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- **Alaska (2010)**
  - Oil taxes and royalties accounted for almost 90% of unrestricted General Fund revenue

- **Big 3 (2010)**
  - Alaska profits and production accounted for 5% - 30% of their "economy"

Alaska remains very important to the big oil companies .... but the relative importance to them is much, much less than it is to the State

Some Big Questions ...

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- Is it necessary to change ACES ?

  Will I get +/- the same investment and production anyway if I do not ?

  If I get more investment and production, how much more ?

  Will TAPS obtain oil from "somewhere" to keep flowing, regardless ?

  How long can I "delay" before being comfortable that I know the likely outcome ?

  What can I influence ? How ?

Some (Very High Level) Metrics ...

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- **Difference between 3% and 6% decline**
  - 1.5 to 2 billion barrels (TAPS threshold dependent)
- **150,000 Bopd for 20 years**
  - 1 billion barrels
- **Delays cost money; value halves ...**
  - In 7 years at 10% discount rate
  - In 15 years at 5% discount rate
- **$100 a barrel (market price) worth to State approximately (undiscounted)**
  - $40 under ACES
  - $30 under SB49 (area dependent)
- **$150 a barrel (market price)**
  - $75 under ACES
  - $55 under SB49 (area dependent)

Some (Very High Level) Metrics ...

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- **Put another way, at $100/Bbl**
  - Getting 150,000 Bopd for 20 years that you might not have got is worth ~$30 billion to the State
  - Changing to SB49 if you would have got it anyway costs $10-15Bn
- **At $150/Bbl**
  - Getting 150,000 Bopd for 20 years that you might not have got is worth ~$50-60 billion to the State
  - Changing to SB49 if you would have got it anyway costs $15-25Bn

- **Delaying 150,000 Bopd by 10 years (halve value; i.e. discounted)**
  - ~$20 – 40 Bn ?

Based On Cash Flow Model

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- **Examine the "what if" economic impacts (for example) to try and assess some possible "goalposts"**
  - Change fiscal take and limit long term decline to 3% - 4% (DoR 2010 Fall Profile)
  - Do Nothing and decline is actually around 6%
  - Do Nothing and still limit long term decline to 3% - 4%

Continued 6% Decline and DOR Fall 2010 Forecast

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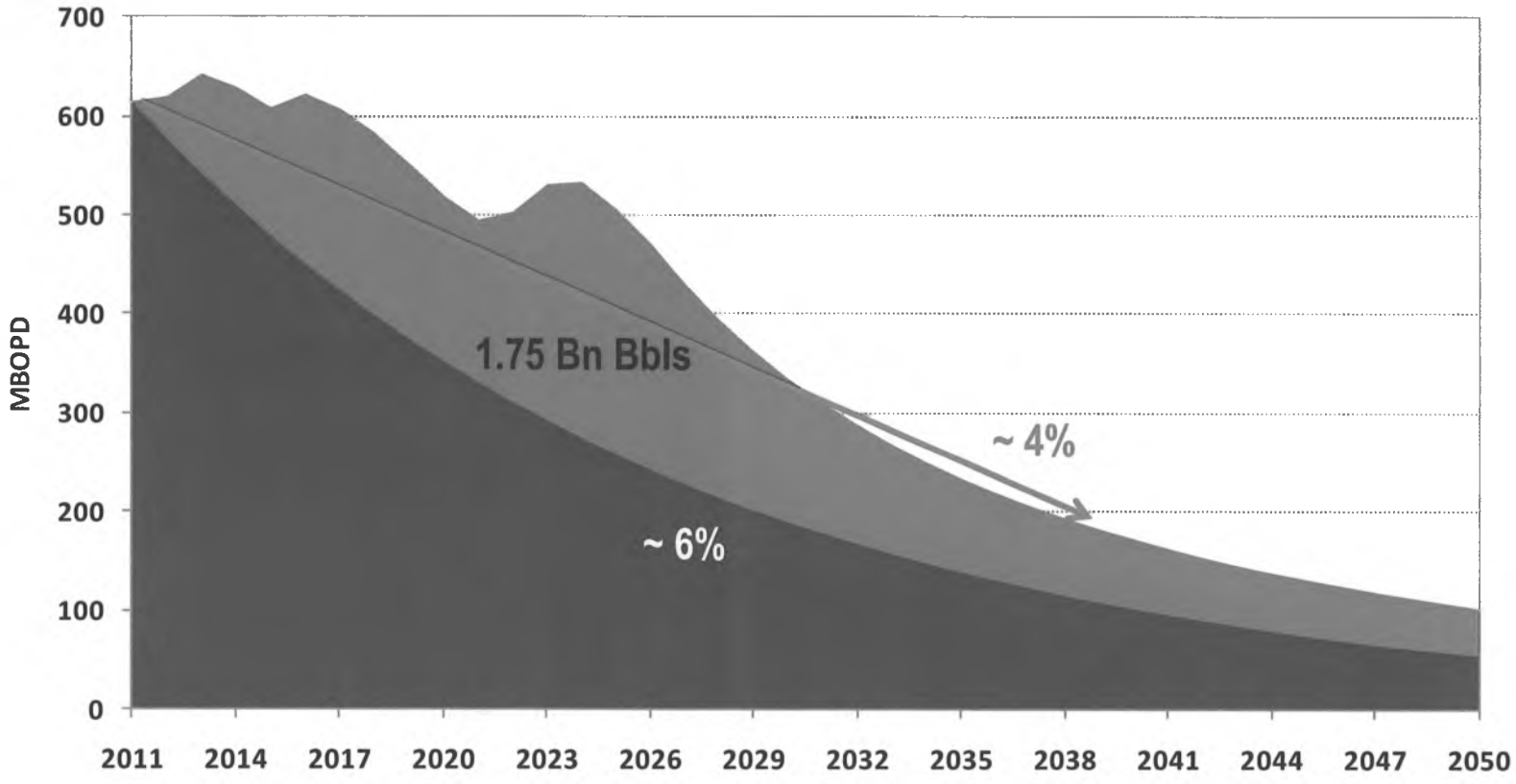

State Undiscounted Cash Flow

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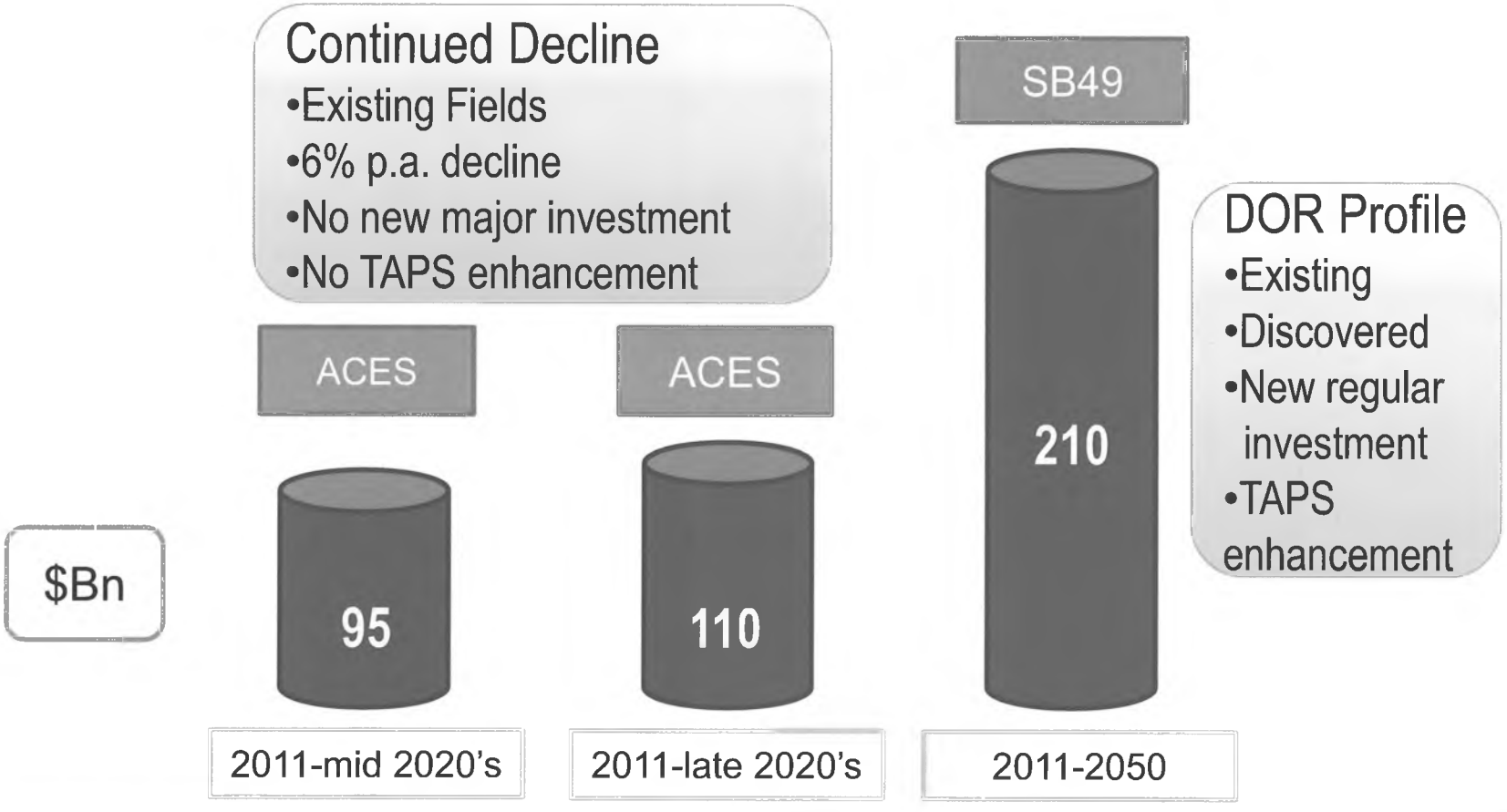
~$100 + Bn Potential Gain….



* DOR price & cost forecasts

State Undiscounted Cash Flow

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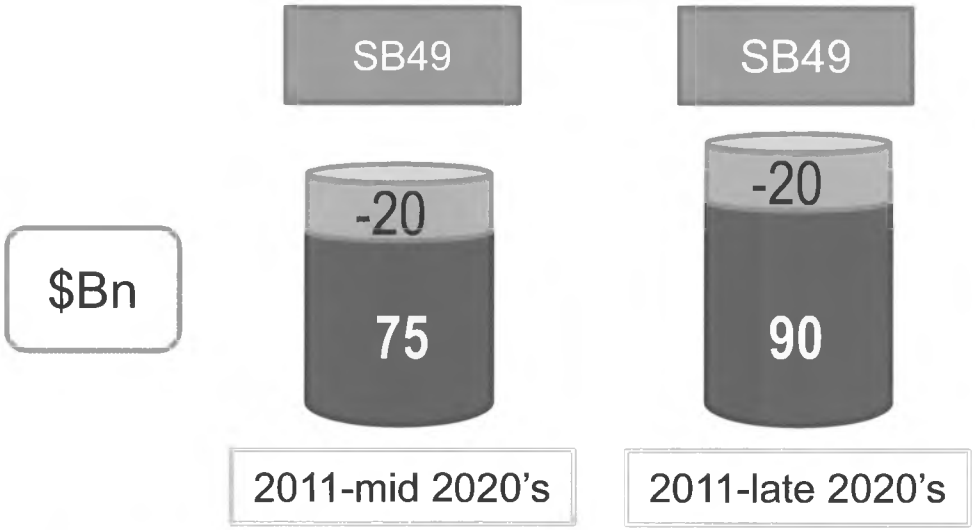
~$20-50 Bn Potential Downside….

Assumes:
- Make change to SB49
- Still no new investment
- No TAPS enhancement



* DOR price & cost forecasts

State Undiscounted Cash Flow

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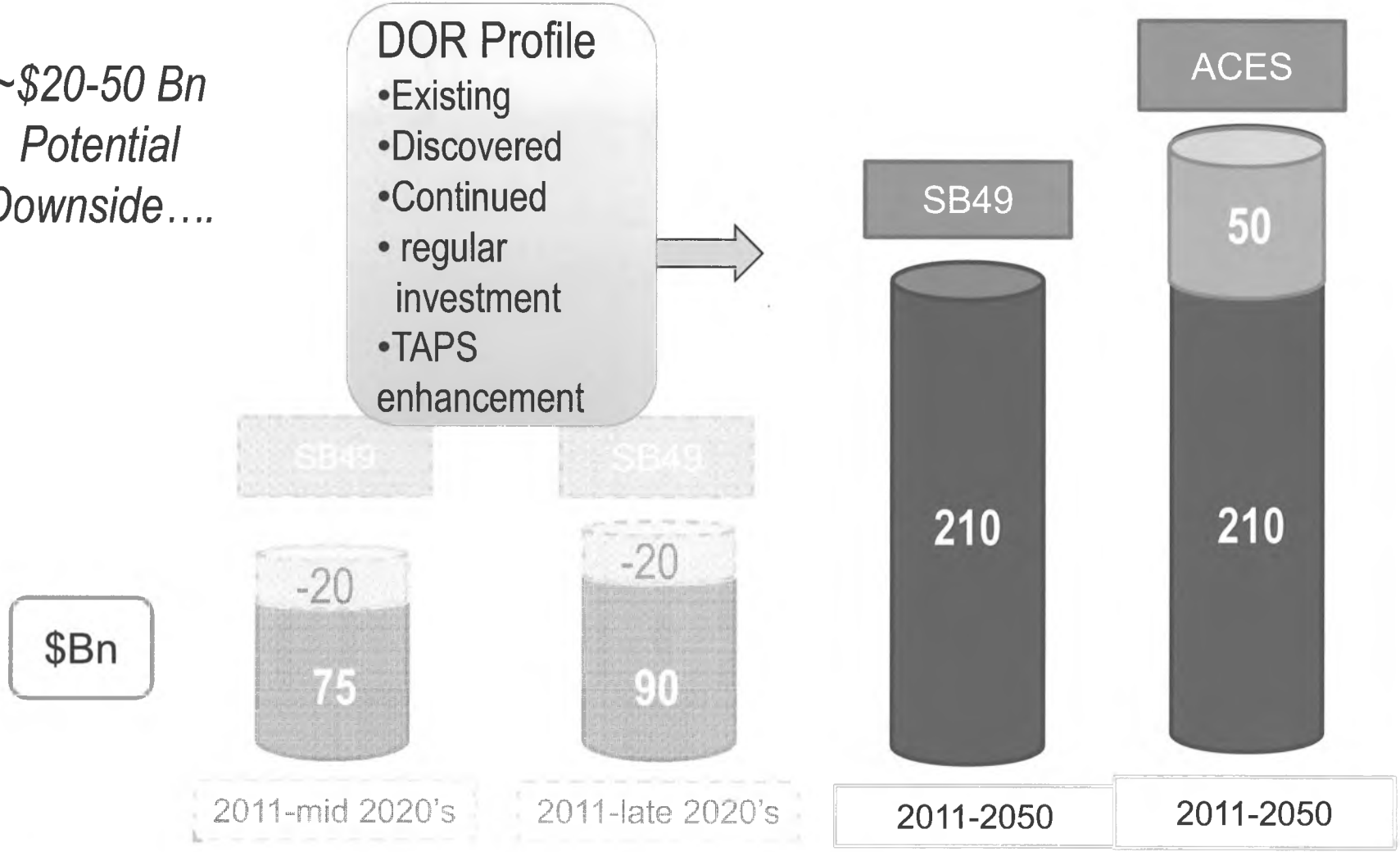
~$20-50 Bn Potential Downside….

DOR Profile
- Existing
- Discovered
- Continued
- regular investment
- TAPS enhancement



* DOR price & cost forecasts

How To Consider The Options

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- Examine the "what if" economic impacts of (for example) to try and assess some possible "goalposts"
  - Do Nothing and still limit long term decline to 3% - 4%
  - Do Nothing and decline is actually around 6%
  - Change fiscal take and limit long term decline to 3% - 4%
- **The prize of achieving 3% decline ..**
  - …. or better

Potentially Better Still

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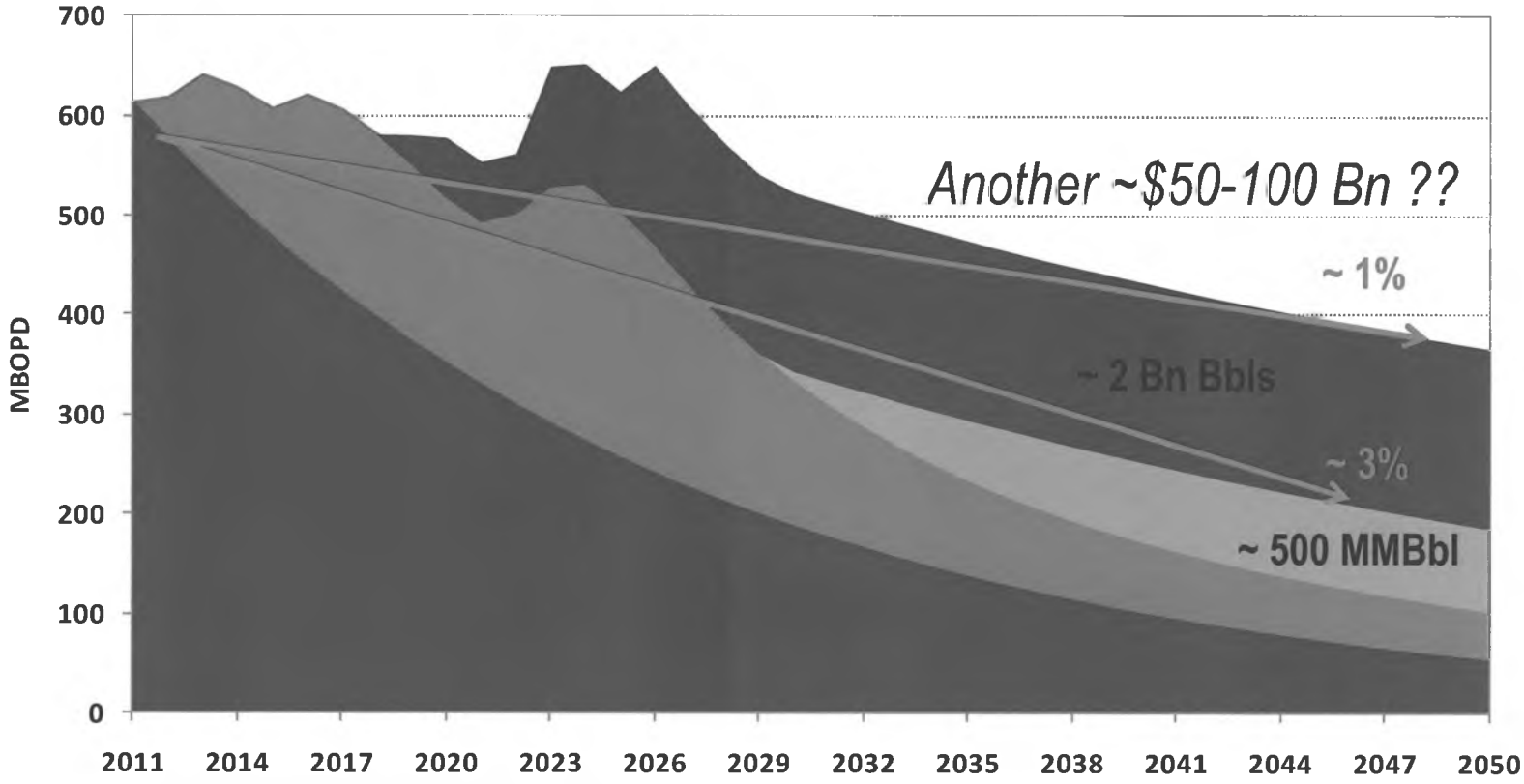

Ongoing Infield and Exploratory Drilling ….

… Heavy Oil and Non-Conventional Resources ?

Illustrative Potential Capital Requirements

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	Bn Bbls	Cost Range ($/Bbl)		Capex ($Bn)	
DOR Fall 2010	5	14		68	
Conventional Oil, Existing Field Areas	1	10	15	10	15
Conventional Oil, New Areas	2	15	25	30	50
Heavy Oil	4	20	40	80	160
If All of the Above (Beyond DOR Forecast)				**120**	**225**

…. and then there are unconventional resources ….

Available Investment Capital

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- **Producer spending can be put in three categories:**
  - Mandatory – loss of license if they don't
  - Should – monetary penalties / loss of production if they don't
  - Discretionary – used to "balance the books"
- **How much of the lack of new discretionary spending in Alaska is because the 'tax is too high' versus significant spending being directed to the top two categories above?**
  - Projects not viable
  - Better alternatives elsewhere at present

Conclusion

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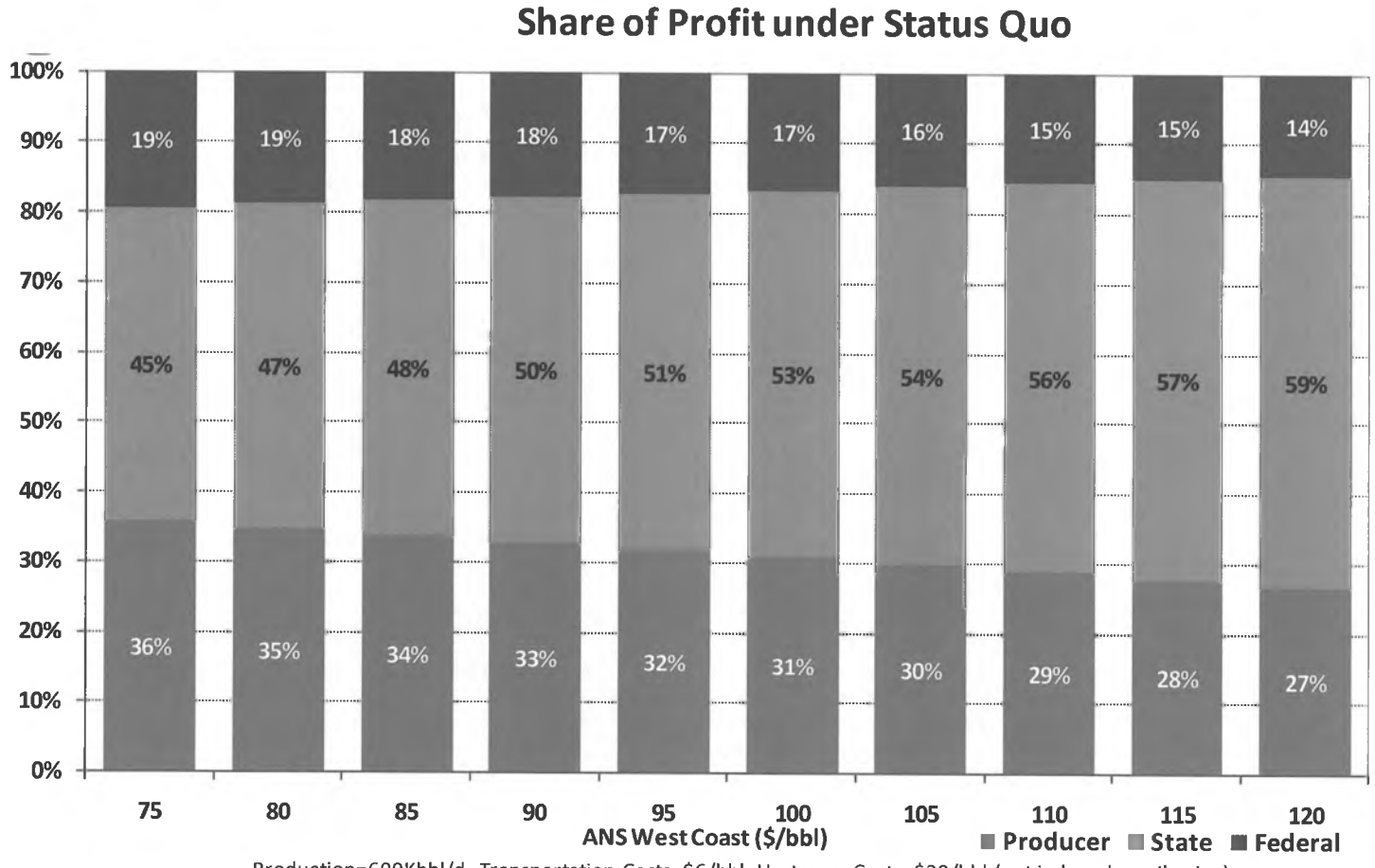
- Hard to predict the future in a nice tidy narrow range
- Potential impact of early pipeline shutdown significant to all parties, but most significant by far to the State
- Production Tax one of the possible levers the State can use to incentivize further investments and help extend the life of TAPS

Profit share graph Assumptions

Assumptions	Value	Unit
Transportation Costs	6.00	$/bbl
Royalty Rate	12.5%	
Upstream CAPEX	10.00	$/bbl
Upstream OPEX	10.00	$/bbl
Total Upstream Costs	**20.00**	**$/bbl**
Daily Production	600,000	bbl/d
Property Tax (% of CAPEX)	2.00%	
Total Allowable Costs	**20.20**	**$/bbl**

- ANS West Coast Price range
  - from $75/bbl to $120/bbl in increments of $5/bbl
- Costs are constant through price range

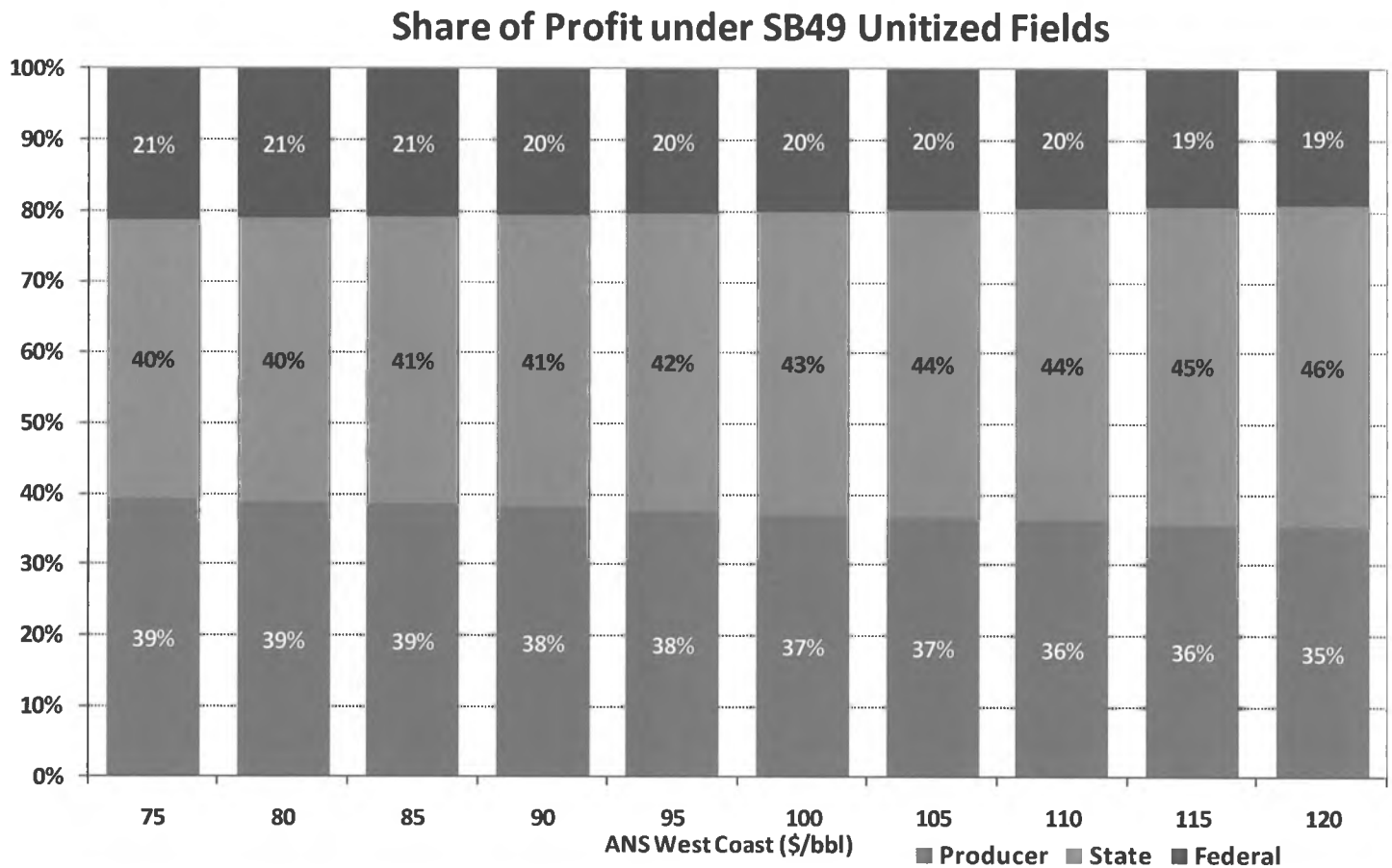
Profit Share under Status Quo



Production=600Kbbl/d, Transportation Costs=$6/bbl, Upstream Costs=$20/bbl (not indexed on oil price)

Profit: Gross Value at Market (minus) Transportation Costs (minus) Lease Expenditures

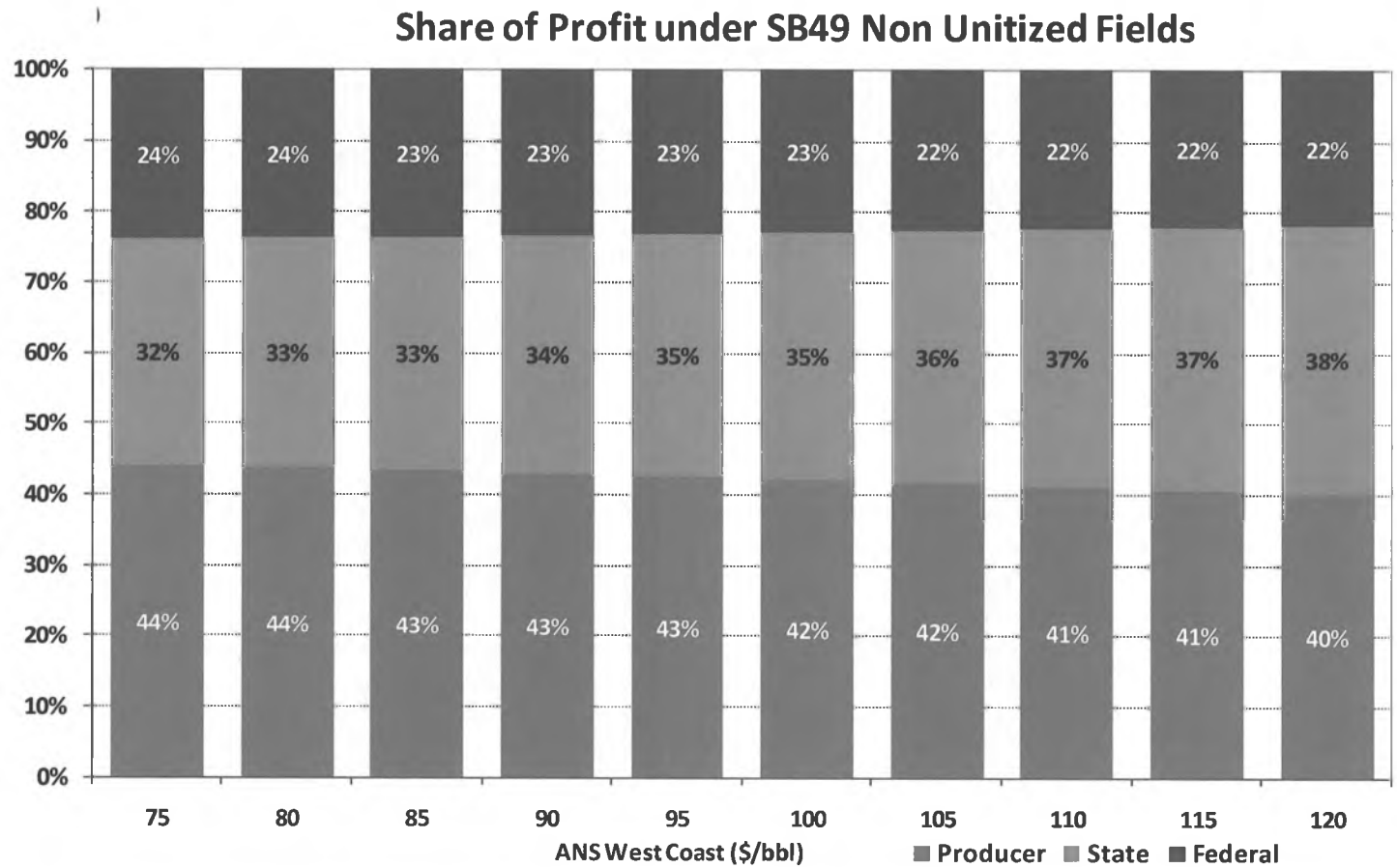
Profit Share under SB49 Unitized Fields



Production=600Kbbl/d, Transportation Costs=$6/bbl, Upstream Costs=$20/bbl (not indexed on oil price)

Profit: Gross Value at Market (minus) Transportation Costs (minus) Lease Expenditures

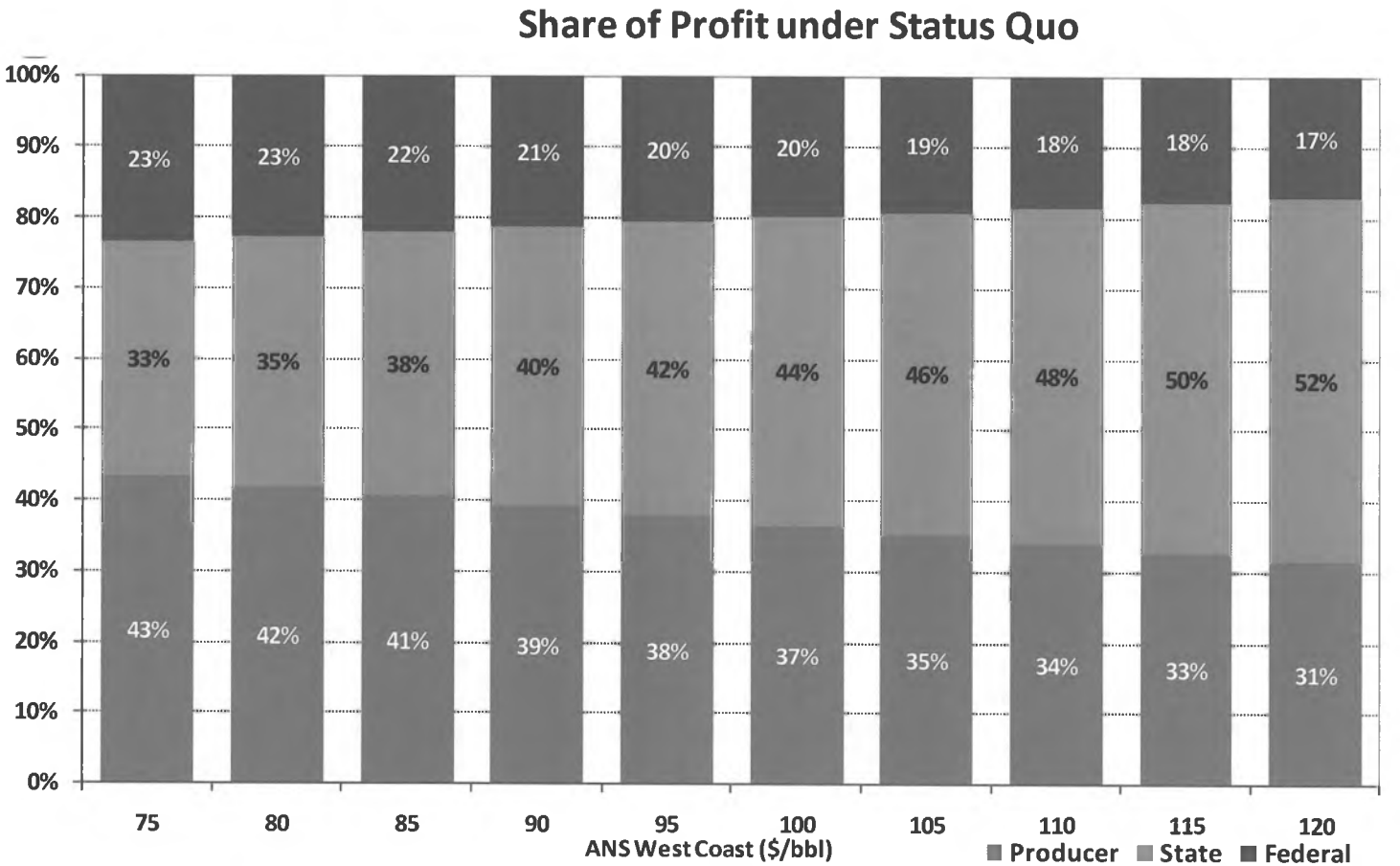
Profit Share under SB49
Non-Unitized Fields



Production=600Kbbl/d, Transportation Costs=$6/bbl, Upstream Costs=$20/bbl (not indexed on oil price)

Profit: Gross Value at Market (minus) Transportation Costs (minus) Lease Expenditures

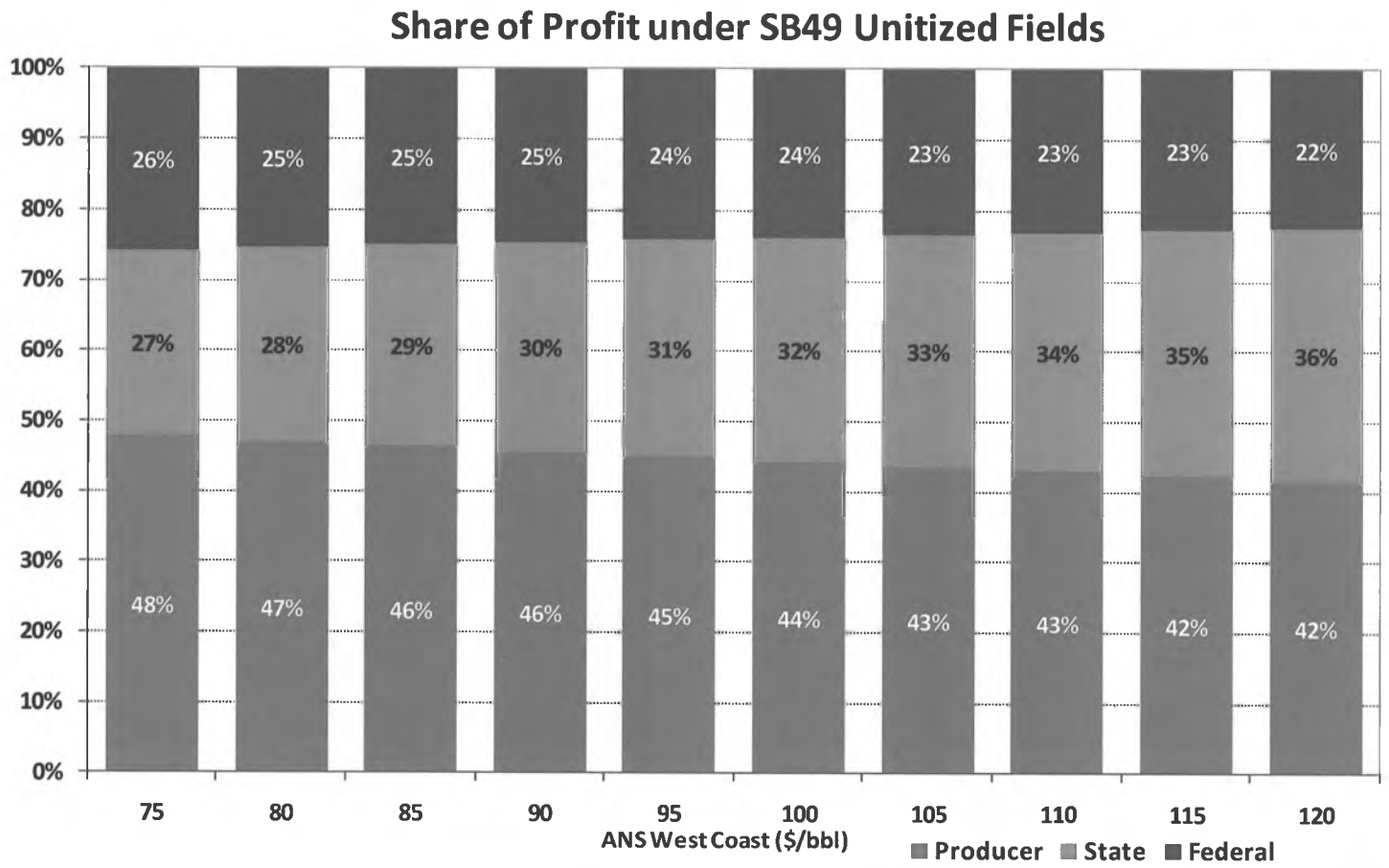
Profit minus Royalty Share under Status Quo



Production=600Kbbl/d, Transportation Costs=$6/bbl, Upstream Costs=$20/bbl (not indexed on oil price)

Profit minus Royalty: Gross Value at Market (minus) Transportation Costs (minus) Lease Expenditures (minus) Royalty

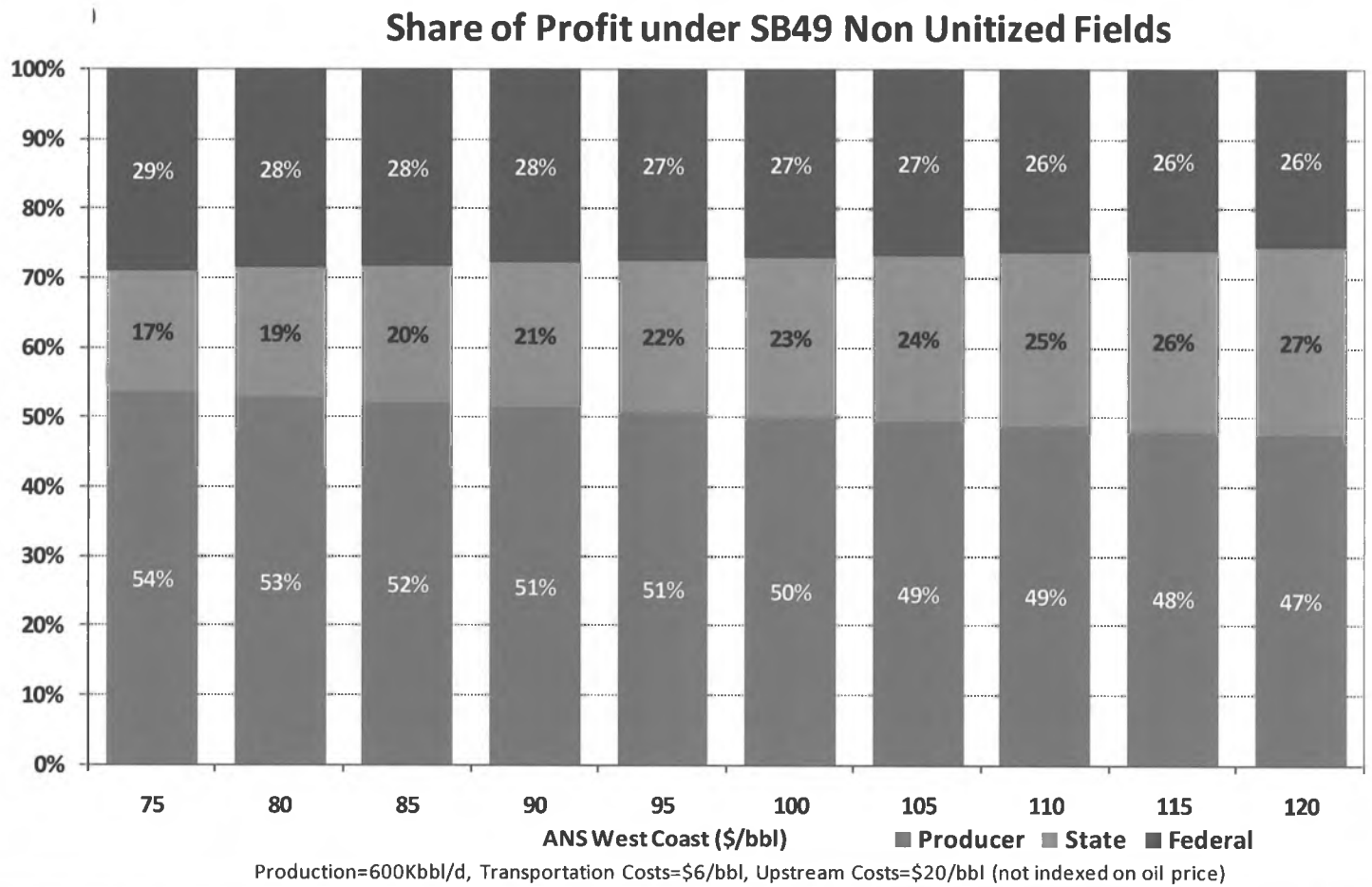
Profit minus Royalty Share under SB49 Unitized Fields



Production=600Kbbl/d, Transportation Costs=$6/bbl, Upstream Costs=$20/bbl (not indexed on oil price)

Profit minus Royalty: Gross Value at Market (minus) Transportation Costs (minus) Lease Expenditures (minus) Royalty

Profit minus Royalty Share under SB49 Non-Unitized Fields



Production=600Kbbl/d, Transportation Costs=$6/bbl, Upstream Costs=$20/bbl (not indexed on oil price)

Profit minus Royalty: Gross Value at Market (minus) Transportation Costs (minus) Lease Expenditures (minus) Royalty

Presentation to the Senate Resources Committee April 1, 2011 Alaska Department of Revenue

ACES Status Report

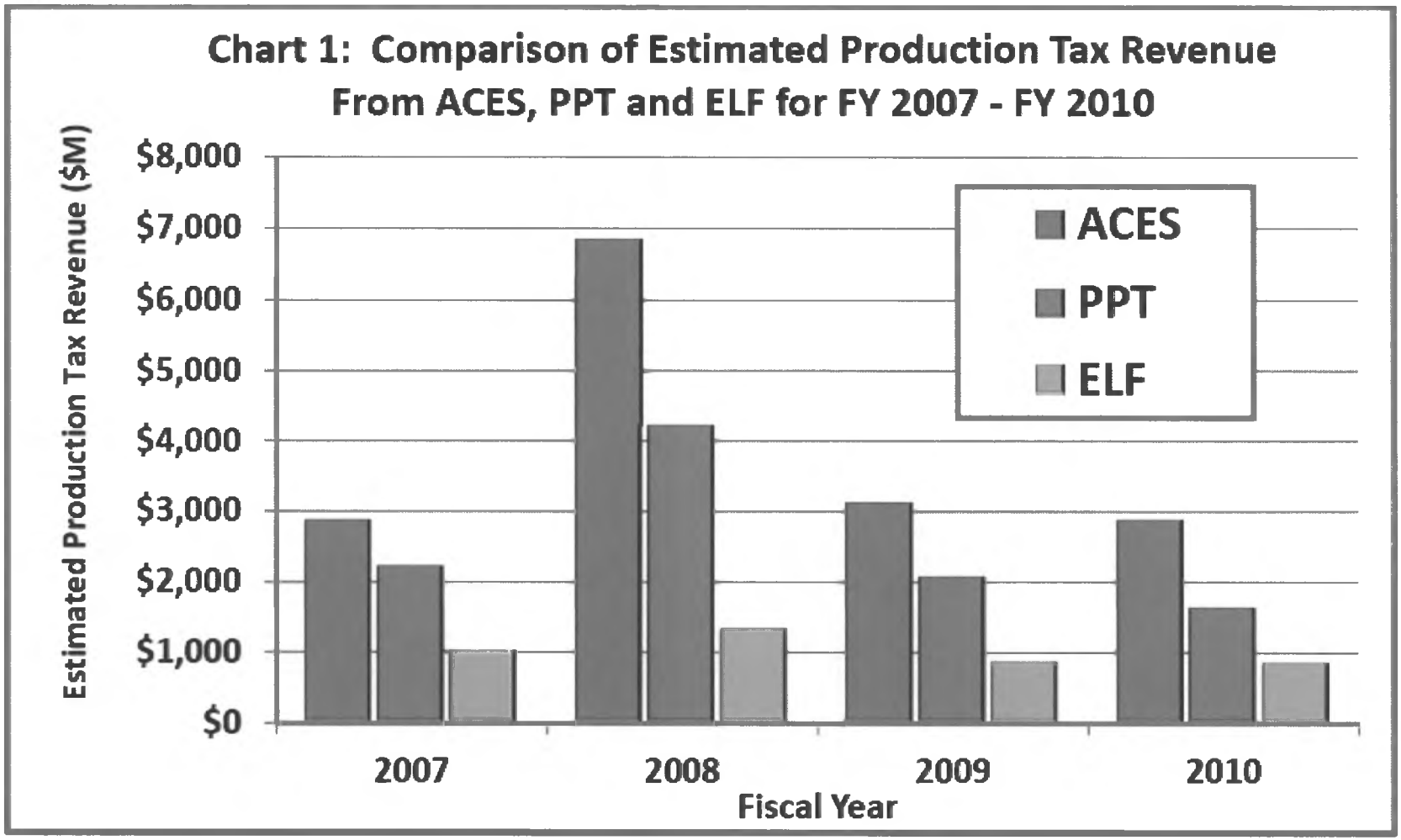
- **Overview of the Publication**
- **What We Know**

- ***Required report to the legislature under AS 43.55.180***
- ***Released January 18, 2011***

Overview of ACES Status Report

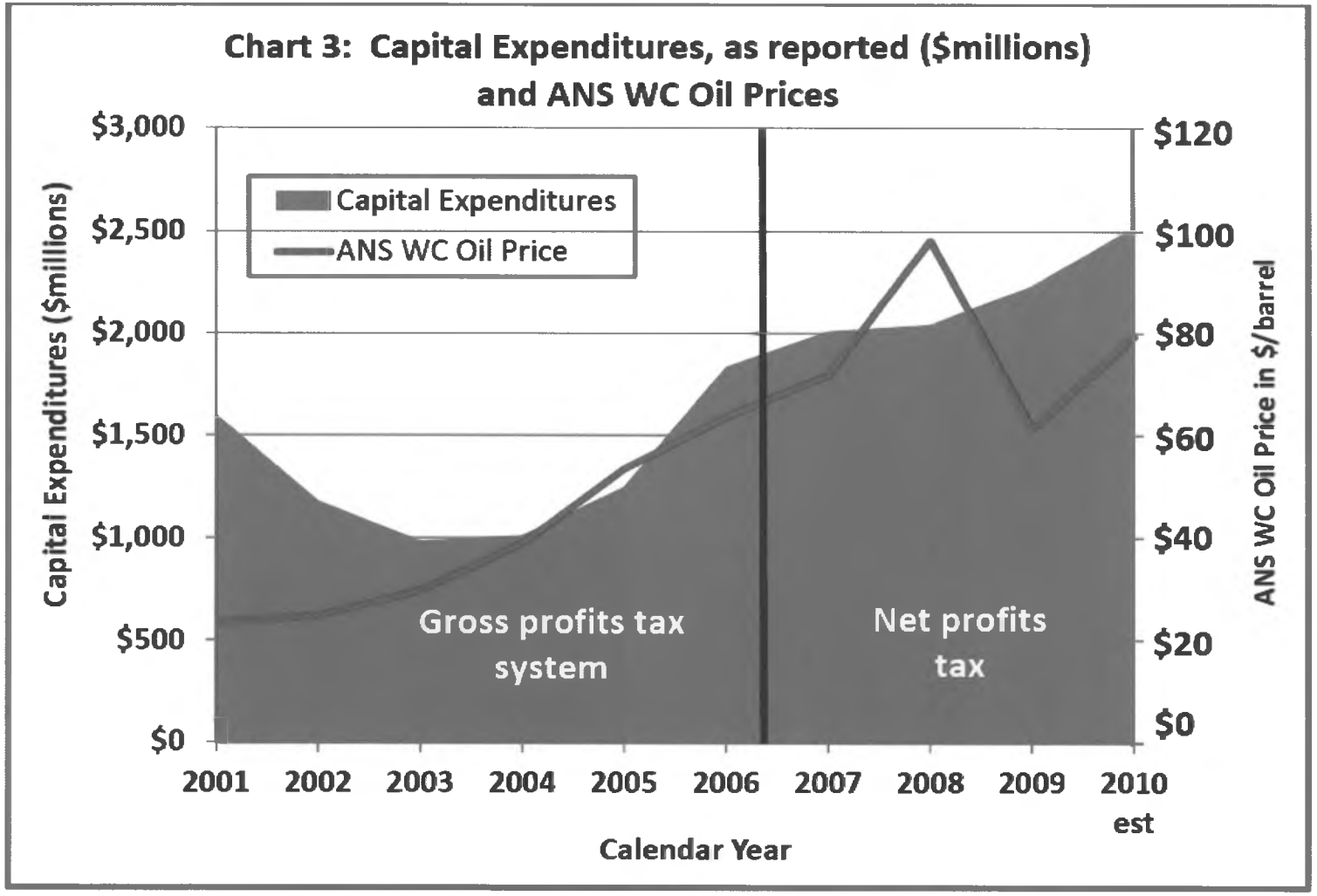
1. **Revenue Generation / Tax Rate**
2. **Industry Investment**
3. **Impact on Exploration, Development, Production**
4. **Industry Employment and New Entrants**
5. **Use and Expansion of Tax Credits**
6. **Tax Administration and Compliance**
7. **Conclusions and Recommendations**

What We Know:
State Revenue Has Increased



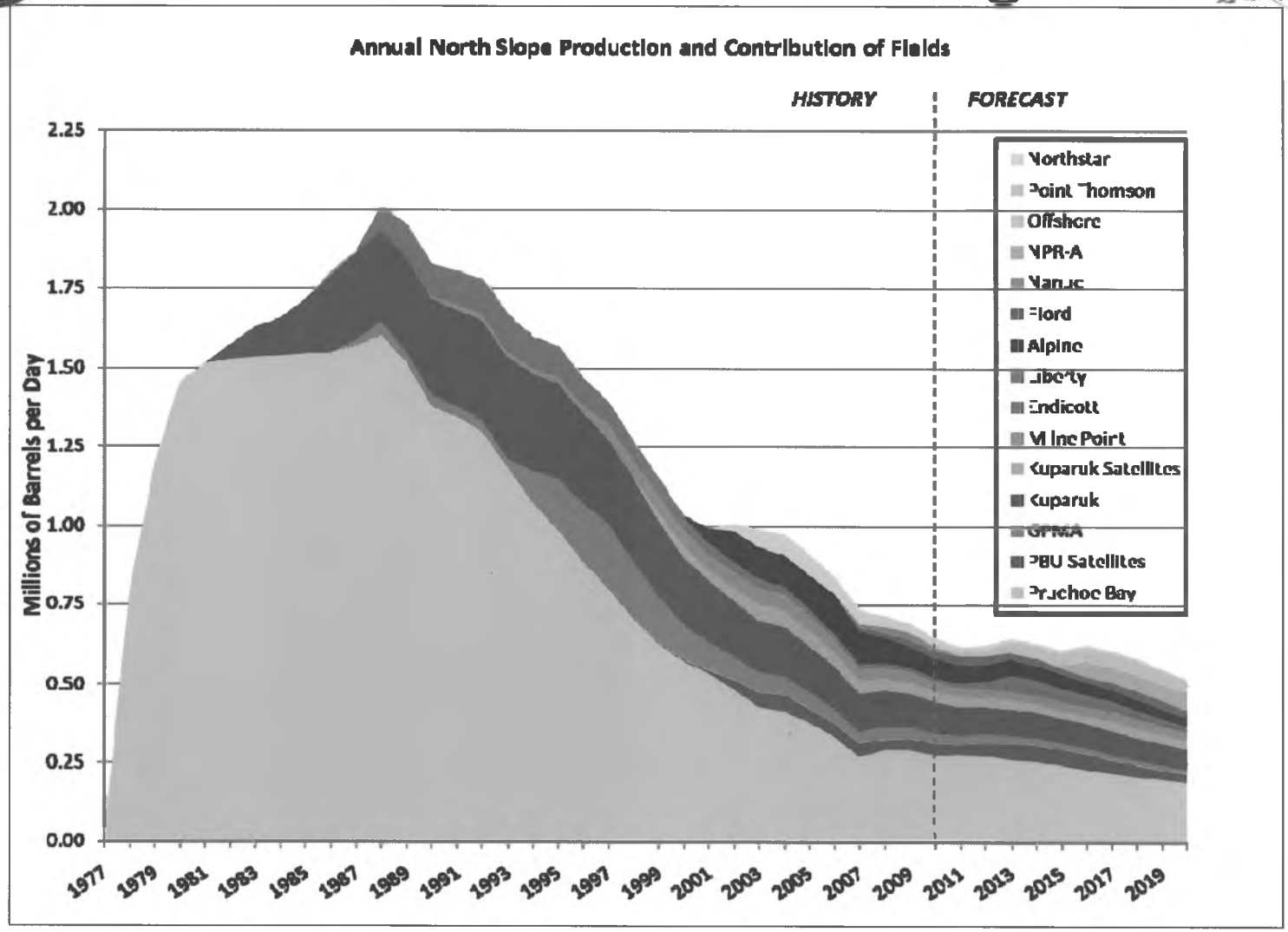
Source: Oil & Gas Tax Status Report 2011

What We Know: Companies are spending more



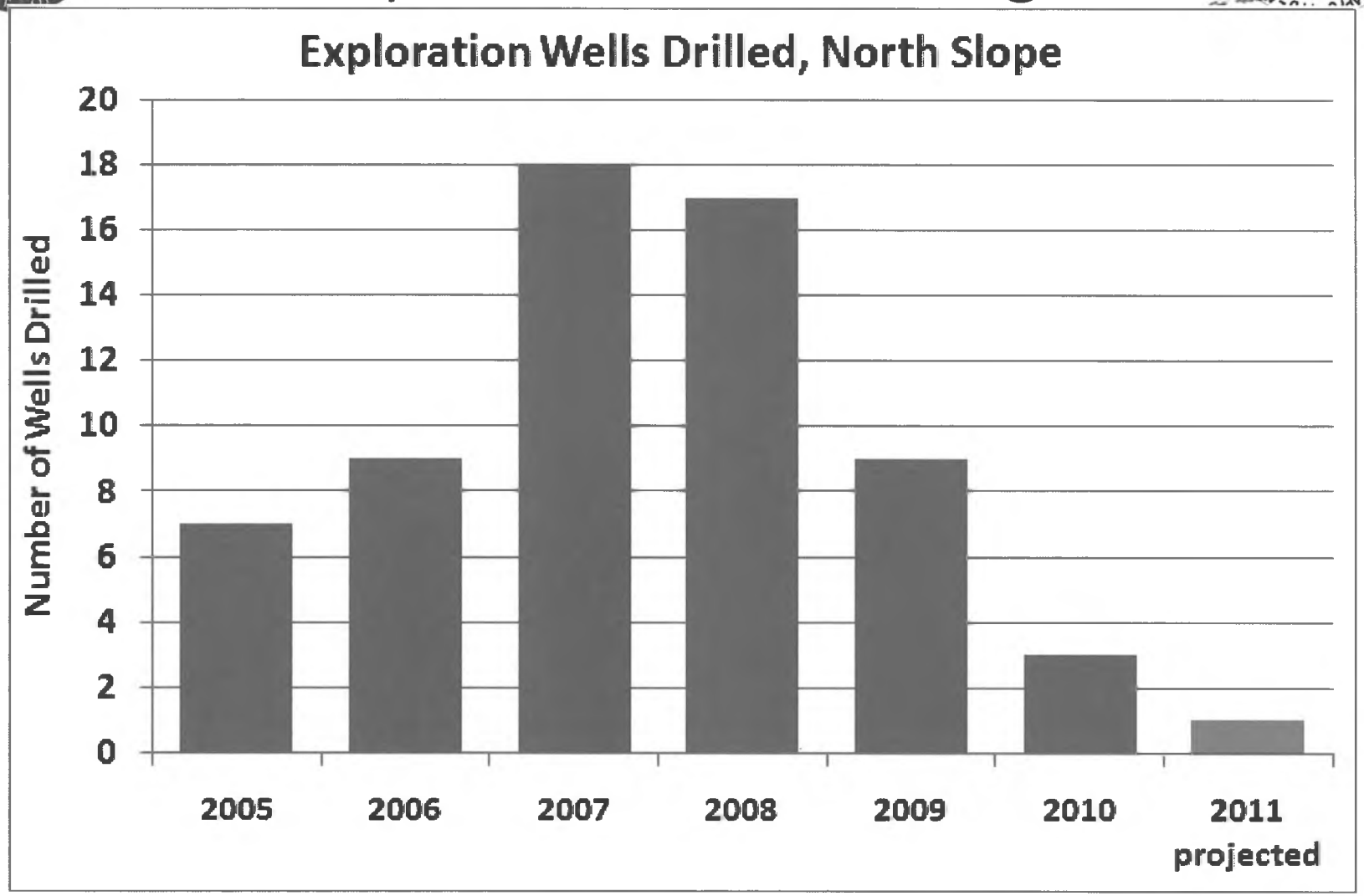
Source: Oil & Gas Tax Status Report 2011

What We Know: Production Is Declining



Source: Oil & Gas Tax Status Report 2011, and Fall 2010 Revenue Sources Book

What We Know: Exploration is Declining



Source: Alaska Oil & Gas Conservation Commission and Alaska Department of Natural Resources

Conclusion

- **Cannot conclusively identify the ACES impact compared to all the other factors in recent years**
- **We know we have more revenue in the short term**
- **We know oil production keeps declining**
- **We know there is little exploration taking place**

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

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The Honorable Joe Paskvan
Alaska State Senator
State Capitol, Room 115
Juneau, AK 99801

March 15, 2011

The Honorable Thomas Wagoner
Alaska State Senator
State Capitol Room 427
Juneau AK, 99801

SUBJECT: Response to Questions from SB 49 Bill Sectional Presentation in Senate Resources on March 9, 2011 and March 11, 2011

Dear Senators Paskvan and Wagoner:

The purpose of this document is to respond to the follow-up questions raised by the Senate Resources Committee meeting during our presentation of the SB 49 bill sectional on March 9, 2011 and March 11, 2011. The requests/questions and responses follow. In addition, several policy issues were raised for future discussion, and we look forward to discussing these issues with the committee as the hearing process continues.

1) What is the definition of a unit?

The term "unit" is defined for production tax purposes under AS 43.55.900 (23):

(23) "unit" means a group of tracts of land that is
(A) subject to a cooperative or a unit plan of development or operation that has been certified by the commissioner of natural resources under AS 38.05.180(p);
(B) subject to a cooperative or a unit plan of development or operation that has been certified by the United States Secretary of the Interior under 30 U.S.C. 226(m);
(C) subject to an agreement of the owners of interests in the tracts of land to validly integrate their interests to provide for the unitized management, development, and operation of the tracts of land as a unit, within the meaning of AS 31.05.110(a); or
(D) within the unit area of a unit created by order of the Alaska Oil and Gas Conservation Commission under AS 31.05.110(b)

In addition, if requested, the Department of Natural Resources is prepared to provide the committee with a brief presentation explaining the concepts of leases, units, and participating areas in more detail.

2) **Provide slides from a prior presentation by Gaffney, Cline & Associates that show Internal Rate of Return and Return on Investment statistics for infield drilling.**

The model developed for BP's infill drilling program, and the Gaffney, Cline & Associates presentation to the House Oil & Gas committee, were released by the previous administration on October 30, 2007. The model and presentation are both available in the "Gasoline & Tax Issues: 2004-2010 – ACES" section of the Legislative Budget & Audit Committee web site at the following address: http://lba.legis.state.ak.us/.

3) **What are the "gaps" in data collected by the Department?**

15 AAC 55.345 sets out procedures for applying certain tax credits. The regulation is already in place, and requires a producer or explorer filing a claim to set out "the information required by the department on a form prescribed by the department". The department has not yet revised the form to include the types of information that has been requested during the current legislative session. Initial proposals are to include requests for the following types of information:

- Exploration costs
  - G&G (geophysics and geology) costs
  - Exploration wells
- Development Wells
  - In-field drilling
  - Workover
  - Operations CapEx
- Facilities
  - Repairs
  - Upgrades
  - New Equipment
  - Operations CapEx

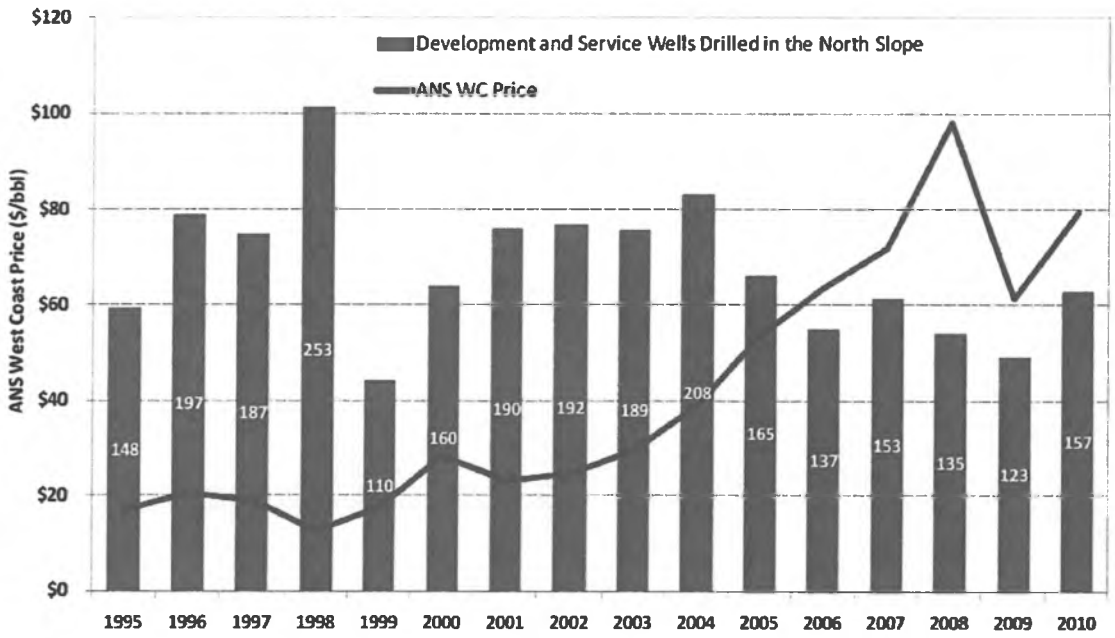
4) **How effective has the 40% well lease expenditure credit been in Cook Inlet?**

The 40% credit for well lease expenditures in Cook Inlet was created with legislation passed in the 2010 session. Given the short time in which the credit has been in place, it is not yet possible to gauge the effectiveness of the credit other than anecdotally.

5) **Provide information about the number of in-field wells drilled last year compared to prior years.**

The following chart shows the number of development and service wells drilled on the North Slope annually from 1995 to 2010. This information is part of the Department's

presentation to the committee dated March 11, 2011.



Source: Alaska Oil and Gas Conservation Commission

6) Have the minimum tax thresholds ever been triggered?

Under current law, a company's tax liability under ACES is the higher of the tax calculated under AS 43.55.011(e) and the minimum tax, as calculated under AS 43.55.011(f). The minimum tax thresholds are based on the average ANS West Coast crude oil price over the entire calendar year, with the highest tax rate—4%--being applied when the average price of ANS WC crude is greater than $25 per barrel. Therefore, the minimum tax in effect since ACES was implemented in 2007 is 4% of the gross value at the point of production.

Although some companies would calculate a higher value under the minimum tax than under the ACES tax at .011(e), they have been allowed to offset their tax liabilities with credits. To date, we are not aware of any companies that had an annual tax liability under the minimum tax.

7) Provide information about the historical amounts of interest payments for delinquent taxes and refunds under AS 43.05.225 (1).

The following table presents total interest collected under AS 43.05.225 (1) for FY 2008, FY 2009, and FY 2010. These amounts include both interest paid to the state for delinquent taxes, and interest paid by the state for delinquent refunds. All the amounts shown below are positive revenues to the state: typically, the state has collected more in interest than it has paid out.

The Department does not have an estimate of the change in interest due to the lower interest rate provisions in SB 49. Compiling such an estimate would require manually examining and recalculating the interest for hundreds of tax returns or more.

Total Interest by Year (Positive revenue to the state - $ millions)

Fiscal Year	General Fund	CBRF	Total
FY 2008	$7.1	$219.1	$226.2
FY 2009	$5.2	$27.9	$33.1
FY 2010	$78.6	$85.6	$164.3
Total FY 08- FY 10	$90.9	$332.6	$423.5

8) **Provide information about the number of companies available each year for audit (either submitting returns or credit applications).**

The requested information was included in the "Oil and Gas Production Tax Status Report to the Legislature" released on January 18, 2011. On page 11 of that publication, we reported the following:

"In 2006, the first year that filings were made under a net profits tax, there were 19 companies filing annual returns. In 2007, the number of companies filing production tax returns totaled 26, and in 2008, 36 companies filed annual production tax returns. The filing for 2009 increased only slightly from 2008, with 39 companies filing returns."

9) **Provide information about what the oil industry is investing in, in Alaska.**

Department of Revenue Audit Master Lennie Dees will share available information in his presentation to the committee on tax credits, currently planned for Wednesday, March 16.

10) **Provide an analysis where the $3 billion in cumulative production tax credits have been used.**

Department of Revenue Audit Master Lennie Dees will share available information in his presentation to the committee on tax credits, currently planned for Wednesday, March 16.

We hope our responses fully answer your questions.

Sincerely,

Bruce Tangeman
Deputy Commissioner

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

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The Honorable Joe Paskvan
State Capitol Room 115
Juneau AK, 99801

March 19, 2011

The Honorable Thomas Wagoner
State Capitol Room 427
Juneau AK, 99801

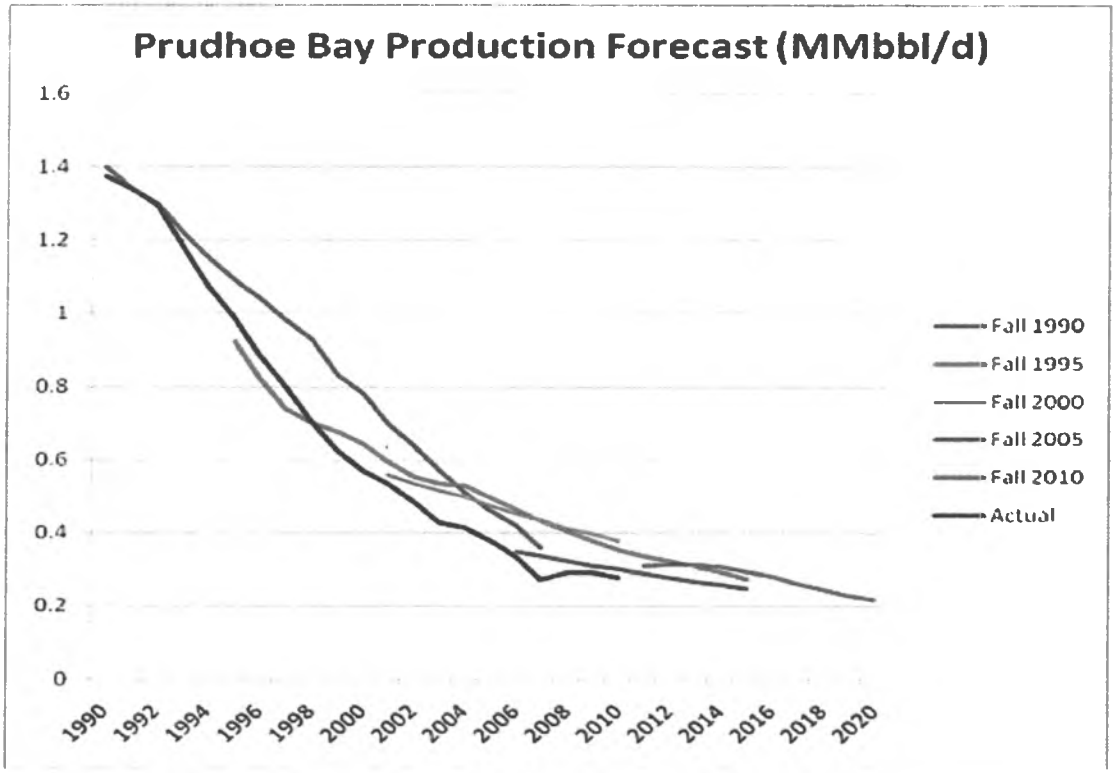
SUBJECT: Response #2 to Questions from SB 49 Bill Sectional Presentation in Senate Resources on March 11 and 14, 2011, and Tax Credits Presentation on March 16, 2011.

Dear Senators Paskvan and Wagoner:

The purpose of this document is to respond to the remaining follow-up questions raised by the Senate Resources Committee meeting during our presentation of the SB 49 bill introduction on March 11 and 14, 2011, and during our tax credits presentation on March 16, 2011. The requests/questions and responses follow. We have provided responses for many other questions from these meetings at a prior date.

1) **Provide the Department's previous forecasts for Prudhoe Bay production in 5-year increments (2010, 2005, 2000, etc).**

   Historical production forecasts can be found online in the Fall Revenue Sources Book: http://www.tax.alaska.gov/programs/sourcebook/index.aspx



- These forecasts include Prudhoe Bay production only.
- These forecasts exclude Greater Point McIntyre Area (GPMA) production.
- Forecast volumes include NGLs.

2) Explain the concept of "duty to produce."

"Duty to Produce" refers to a more common expression, "duty to develop" that is the implied covenant of an oil and gas lease in the primary term of a lease. The lessor (usually the State) grants the lion share of the value of the hydrocarbons produced from the lease and the oil company lessee is committed to develop the land, reasonably produce any hydrocarbons found, and use their expertise to market the production for the mutual benefit of both the royalty owner (the State) and producer (lessee).

The duty to develop is implied unless the lease explicitly requires it. Depending on the factual circumstances and the language of the lease, the commitment to develop the lease is met if the lessee is working under an approved plan of exploration, development, or operations. Depending on the specific wording in the lease, the lessee also may be complying with its obligation to develop and produce if it is producing either oil or gas but not both.

3) **Can we look at a possible correlation between declines in exploration in 2003 and 2010, and the economic downturns in 2001 and 2008. Is Alaska's decline in exploration in those years similar to other states after removing gas exploration wells?**

Rig counts, which constitute a proxy for drilling activity, have been impacted by the recent economic downturns, affecting the United States mostly in 2002 / 2003 and in 2008 / 2009.

The following two charts represent the evolution of the number of active rigs drilling for oil targets both onshore and offshore (gas rigs are excluded from this count) in:

- Selected states and the total US since 2002
- Global regions and international total since 2002

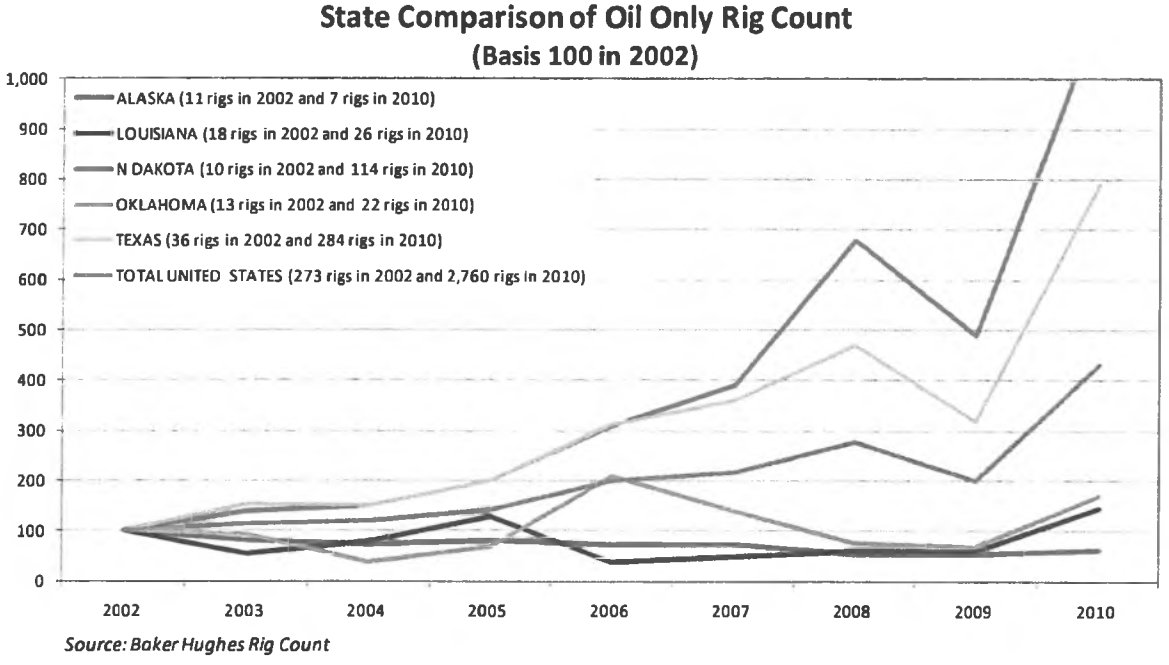
Baker Hughes, which publishes rig counts, did not differentiate oil from gas rigs prior to 2002. Please note that such rig count includes rigs drilling exploration wells and rigs drilling development wells (no differentiation between these types of wells is made in the data set).

These charts display the relative change in rig counts (consistently with previous information provided to the Committee) over the past decade, using 2002 as a base year (the rig count for each series for any given year is represented relative to the rig count for that series in year 2002. For example, if the rig count was to go from 8 in 2002 to 16 in 2010, this would be reflected in the chart by a line going from 100 in 2002 to 200 in 2010).

United States

No trend common to all states trend can be observed during the 2002 to 2004 time period. Alaska and Oklahoma rigs counts both decreased during this period, while North Dakota increased both years. Louisiana rig count decreased slightly in the first year, and then increased in the second year, but did not return to year 2002 levels. Texas experienced the opposite, increasing in year one, then dropping marginally in year two. Overall, the total United States oil only rig count increased slightly over the two year period.

During the 2008 to 2009 period, activity in all states either remained the same or declined, and from 2009 to 2010, activity in all states increased. Overall, the US rig count dropped by close to 27% between 2008 and 2009 (from 276 oil rigs in 2008 to 201 in 2009) and more than doubled between 2009 and 2010. It is noteworthy that from 2009 to 2010, the Alaska rig count increased by 17%, while all other states presented here typically increased by more than doubled.

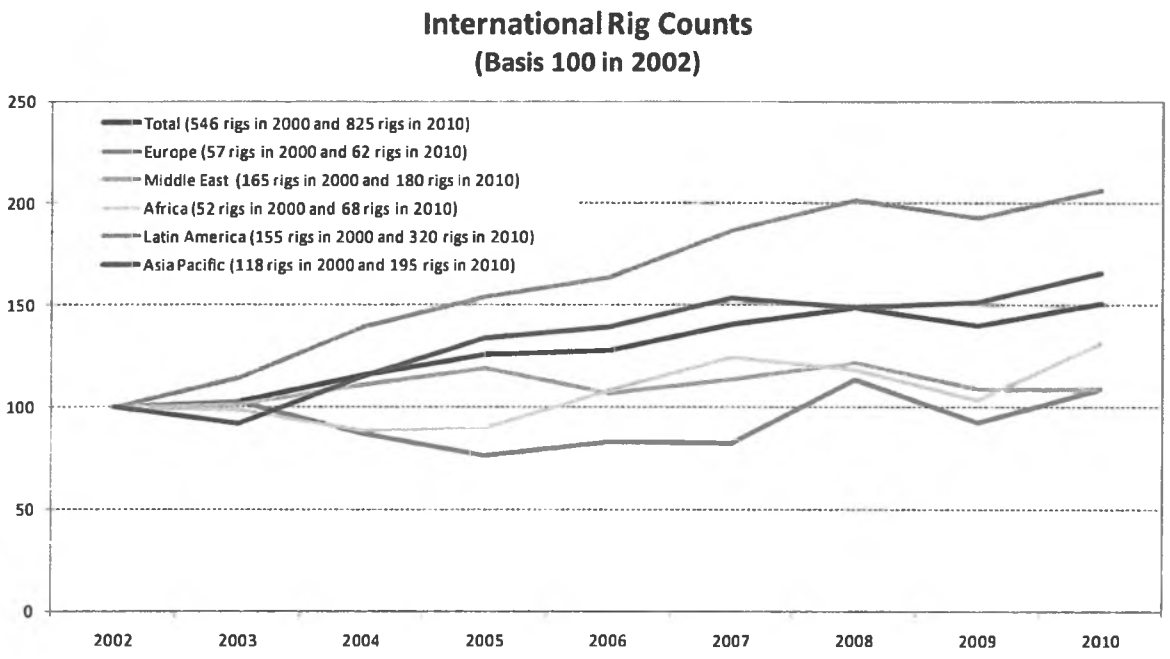


Source: Baker Hughes Rig Count

International

As was the case for the United States, there is no common directly observable trend across geographic areas during the 2002 to 2004 time period. The Middle East and Latin America both increased rig count over the two year period. Africa is the only region which decreased rig count both years; although the overall decrease, 2002 relative to 2004, was only 12%. Europe increased by one rig between 2002 and 2003, then decreased marginally between 2003 and 2004. Asia Pacific decreased initially, and then increased between 2003 and 2004 for an overall increase of 14%. The total rig count internationally increased both years, for an overall increase of 15%.

During the 2008 to 2010 time period, Europe, Africa and Latin America all decreased rig count in 2009 and increased again in 2010. The Middle East decreased in year one and remained the same in year two. The only region to increase both years was Asia Pacific, with an overall increase of 11%. The total rig count internationally followed the majority of the regions, decreasing in year one, and increasing again in year two, and in addition, 2010 rig count surpassed the 2008 count.



4) **Provide information about companies that are working together on exploration wells shown in the exploration wells slide.**

The source of the data on the exploration wells graph presented in committee was AOGCC. They make public certain details about drilling activities in the state. Along with the well data, AOGCC provides the name of the operator of the well. We provide a copy of the well data, along with the name of the operator of each well, as an attachment to this letter. Neither the Department of Revenue nor the Department of Natural Resources maintains information about the other companies that may have worked with the operators on these wells.

5) **How do drilling agreements work when companies are working together? If one company pulls out of a project, is the project typically cancelled?**

Companies working together in established units, commonly referred to as working interest owners (WIOs), operate those units under guidelines contained in unit operating agreements. These unit operating agreements contain provisions regarding the operation of the unit, as well as voting rights of each WIO. Many unit operating agreements have options for WIOs to "opt out" of a project that the operator proposes. If this is the case, then WIOs that do not want to participate in a project may opt not to do so. Provisions of each of the unit operating agreements are distinct for each unit, however, may treat this particular issue differently.

6) **Compare royalty rates in Alaska with royalty rates in other states; that is, compare royalties paid in Alaska as an owner state to royalties paid to private land owners in Texas, North Dakota, etc.**

Oil and gas leasing in Alaska differs from that in many states due to the fact that the state of Alaska owns the mineral rights under most of the oil and gas-prone land. In other petroleum-rich states, such as Texas and Oklahoma, a large percentage of the land leased for petroleum development is private land, wherein the private landowners also hold the mineral rights. A company that wants to lease rights to the minerals often pays a bonus, rent, and/or royalties to the owner of those minerals. In Alaska, the owner is often the state; in other states, the owner is often a private individual.

Private ownership of petroleum minerals in states like Texas, Oklahoma, and Louisiana, can be as much as 97%, according to a source within the Alberta Department of Energy.[1] In these states, petroleum developers often must negotiate with private landowners to lease rights to the minerals under their property. The terms of the negotiation can vary, but often contain a royalty provision. Our research shows that private landowners have been successfully negotiating royalties of 1/16 share (6.25%) up to 4/16 share (25%) in more recent leasing activities. The terms of the lease will likely be subject to the potential of the resource base, and the economic viability of the petroleum development project.

7) **Please show SB 49 compared to our revenue forecast in the "income statement" format for FY 2010, FY 2011, and FY 2012.**

The production tax estimates for FY 2012, FY 2011, and FY 2012 under SB 49 are shown in the "income statement" format on the following pages.

[1] "A Comparison of United States and Alberta Royalty Systems," Barry Rodgers, Alberta Department of Energy, July 17, 2006, available online at http://pnwer.dataweb.com/tables/jointables/meetingparticipantjoin/files/presentation/PNWERPresentation.pdf

FY 2010 Production Tax Estimates - SB49

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$74.90	643,517	$48.2
Annual Production (bbl)			
Total		234,883,705	$17,592.8
Royalty, Federal and other barrels[1]		-31,067,340	($2,326.9)
Taxable barrels		203,816,365	$15,265.8
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.21		
TAPS Tariff	-$3.81		
Other	$0.00		
Total Transportation Costs	-$6.02	203,816,365	($1,227.0)
Deductible Lease Expenditures[2]			
Deductible Operating Expenditures	-$10.64		($2,168.7)
Deductible Capital Expenditures	-$8.55		($1,742.0)
Total Lease Expenditures	-$19.19	203,816,365	($3,910.7)
Production Tax			
Production Tax Value (PTV)			$10,128.1
Base Tax (25%*PTV)			$1,528.6
Production Tax Value per barrel	$49.69		
Progressive Tax			$1,176.9
Total Tax before credits			$2,705.5
Credits (includes $300M in well lease exp credit)			($650.0)
Estimated Total Tax after credits[3]			**$2,055.5**

Notes: DOR revenue historical and current models are based on fiscal year data, which is also used for this analysis. SB49 would use calendar year averages for production, price, and costs, and the results may differ slightly from that shown in this analysis. (1) Royalty, Federal and other barrels represents our best estimate of barrels that are not taxed. This estimate includes both state and federal royalty barrels, barrels produced from federal offshore property and barrels used in production. (2) Deductible Lease Expenditures represents our best estimate of lease expenditures that are applicable to currently producing fields that are likely to produce a tax liability for the company or companies producing them. The per-barrel expenditures reflect expenditures **per taxable barrel** and do not reflect expenditures per all barrels produced. (3) Estimated Total Tax after credits is a calculated total based on constant daily production, constant oil prices, and constant expenditures for the entire year. Variations in these assumptions captured in larger revenue models will produce different results that differ from the estimates in the simple model above.

FY 2011 Production Tax Estimates - SB49

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$77.96	615,902	$48.0
Annual Production (bbl)			
Total		224,804,230	$17,525.7
Royalty, Federal and other barrels[1]		-34,100,490	($2,658.5)
Taxable barrels		190,703,740	$14,867.3
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.07		
TAPS Tariff	-$4.17		
Other	$0.24		
Total Transportation Costs	-$6.00	190,703,740	($1,144.2)
Deductible Lease Expenditures[2]			
Deductible Operating Expenditures	-$12.99		($2,477.0)
Deductible Capital Expenditures	-$10.43		($1,988.4)
Total Lease Expenditures	-$23.42	190,703,740	($4,465.4)
Production Tax			
Production Tax Value (PTV)			$9,257.6
Base Tax (25%*PTV)			$1,430.3
Production Tax Value per barrel	$48.54		
Progressive Tax			$1,029.9
Total Tax before credits			$2,460.2
Credits (includes $300M in well lease exp credit)			($700.0)
Estimated Total Tax after credits[3]			**$1,760.2**

Notes: DOR revenue historical and current models are based on fiscal year data, which is also used for this analysis. SB49 would use calendar year averages for production, price, and costs, and the results may differ slightly from that shown in this analysis. (1) Royalty, Federal and other barrels represents our best estimate of barrels that are not taxed. This estimate includes both state and federal royalty barrels, barrels produced from federal offshore property and barrels used in production. (2) Deductible Lease Expenditures represents our best estimate of lease expenditures that are applicable to currently producing fields that are likely to produce a tax liability for the company or companies producing them. The per-barrel expenditures reflect expenditures **per taxable barrel** and do not reflect expenditures per all barrels produced. (3) Estimated Total Tax after credits is a calculated total based on constant daily production, constant oil prices, and constant expenditures for the entire year. Variations in these assumptions captured in larger revenue models will produce different results that differ from the estimates in the simple model above.

FY 2012 Production Tax Estimates - SB49

	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$82.67	622,182	$51.4
Annual Production (bbl)			
Total		227,096,430	$18,774.1
Royalty, Federal and other barrels[1]		-34,669,890	($2,866.2)
Taxable barrels		192,426,540	$15,907.9
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.05		
TAPS Tariff	-$4.67		
Other	$0.33		
Total Transportation Costs	-$6.39	192,426,540	($1,229.6)
Deductible Lease Expenditures[2]			
Deductible Operating Expenditures	-$12.86		($2,474.1)
Deductible Capital Expenditures	-$13.14		($2,528.3)
Total Lease Expenditures	-$26.00	192,426,540	($5,002.4)
Production Tax			
Production Tax Value (PTV)			$9,675.9
Base Tax (25%*PTV)			$1,443.2
Production Tax Value per barrel	$50.28		
Progressive Tax			$1,148.2
Total Tax before credits			$2,591.4
Credits (includes $300M in well lease exp credit)			($750.0)
Estimated Total Tax after credits[3]			**$1,841.4**

Notes: DOR revenue historical and current models are based on fiscal year data, which is also used for this analysis. SB49 would use calendar year averages for production, price, and costs, and the results may differ slightly from that shown in this analysis. (1) Royalty, Federal and other barrels represents our best estimate of barrels that are not taxed. This estimate includes both state and federal royalty barrels, barrels produced from federal offshore property and barrels used in production. (2) Deductible Lease Expenditures represents our best estimate of lease expenditures that are applicable to currently producing fields that are likely to produce a tax liability for the company or companies producing them. The per-barrel expenditures reflect expenditures per **taxable barrel** and do not reflect expenditures per all barrels produced. (3) Estimated Total Tax after credits is a calculated total based on constant daily production, constant oil prices, and constant expenditures for the entire year. Variations in these assumptions captured in larger revenue models will produce different results that differ from the estimates in the simple model above.

8) **Please recast the fiscal note analysis using flat oil prices of $100, $110, and $120 instead of the Department's forecast oil prices.**

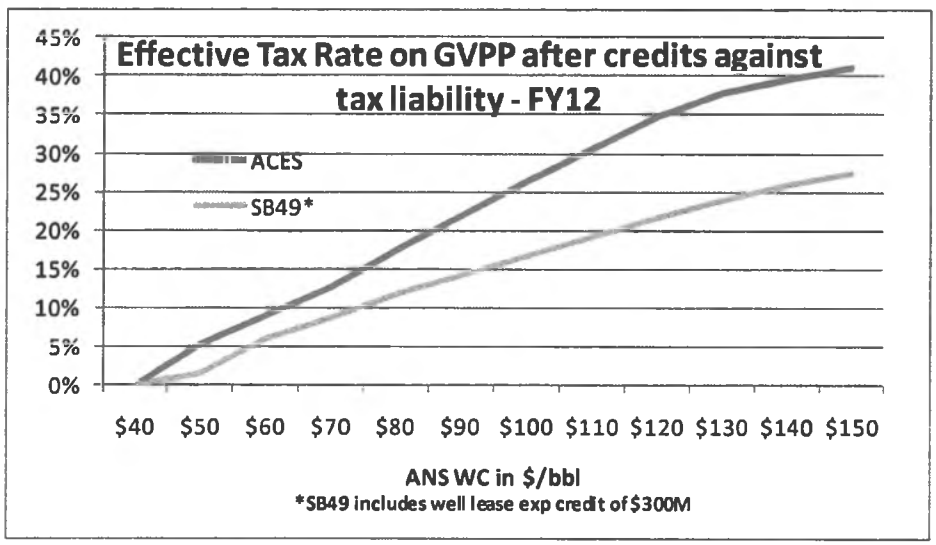
Revenue Impact of Progressivity Portion of SB49, at Requested Oil Prices (in $millions)					
ANS WC Price in $/bbl	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
$100	$669	$1,335	$1,260	$1,336	$1,272
$110	$948	$1,884	$1,787	$1,880	$1,799
$120	$1,269	$2,518	$2,394	$2,505	$2,405

9) **Provide a 5-year forecast for capital expenditures and the credits derived from those expenditures.**

Estimated Capital Expenditures and Credits, FY 2011 - FY 2015 in $millions					
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Forecasted Capital Expenditures	$2,572	$2,936	$3,175	$3,019	$2,899
Total Forecasted Credits*	$665	$675	$675	$650	$625

*Total Forecasted Credits includes both credits likely to be used against tax liabilities and credits for which transferable tax credit certificates will be issued, without regard to the requirement that use of the credits must be split between two years.

10) **Provide a chart of effective tax rates under current law and SB 49 using forecasted transportation costs, lease expenditures, and credits for FY 2012.**



11) Provide information to show whether the $1.1 billion in credits paid to explorers has led to any production.

The $1.1 billion in tax credits referenced above is the estimated amount of credits for which credit certificates have been issued. A large portion of those certificates have been issued to companies developing the Oooguruk and Nikaitchuq units. Both of those units are now in production, with the Oooguruk unit producing about 10,000 barrels per day, and the Nikaitchuq unit began production in February of this year. That production could be attributed to a portion of the $1.1 billion in credit certificates issued.

12) Provide a breakout of the types of capital expenditures in as much detail as possible.

Types of capital expenditures provided on documents provided by oil and gas producing companies include the following categories:

- Exploration Drilling
- Appraisal Drilling
- Well Tie Ins
- Wellwork
- Facility Capacity Upgrades
- Facility – Integrity
- Seismic Acquisition & Test
- Major Accident Review
- Waterflood Optimization
- Roads, Pads and Runway
- Facility Siting Mitigation
- Fire and Gas / Automation
- Chemical Storage
- Infrastructure

We do not have any more detail about types of capital expenditures for current expenditures.

We hope our responses fully answer your questions.

Sincerely,

Bruce Tangeman
Deputy Commissioner

Attachment A: Exploratory Wells, Well Name, and Well Operator

Year	Operator	Well Name	API Well Number
1995			
	ARCO ALASKA INC	ALPINE 1	50-103-20211-00-00
		ALPINE 1A	50-103-20211-01-00
		FIORD 3	50-103-20210-00-00
		FIORD 3A	50-103-20210-01-00
	BP EXPLORATION (ALASKA) INC	BADAMI 4	50-629-22532-00-00
		BADAMI 5	50-629-22533-00-00
		MILNE PT UNIT KR E-13	50-029-22536-00-00
		PRUDHOE BAY UN NIA NK-27	50-029-22547-00-00
1996			
	ARCO ALASKA INC	ALPINE 3	50-103-20234-00-00
		BERGSCHRUND 2	50-103-20232-00-00
		NANUK 1	50-103-20238-00-00
		NEVE 1	50-103-20231-00-00
		TEMPTATION 1	50-103-20233-00-00
		TEMPTATION 1A	50-103-20233-01-00
	BP EXPLORATION (ALASKA) INC	NORTH MILNE POINT 2	50-029-22653-00-00
		SOURDOUGH 3	50-089-20026-00-00
	CONOCOPHILLIPS ALASKA INC	ALPINE 1B	50-103-20211-02-00
		BERGSCHRUND 2A	50-103-20232-01-00
1997	ARCO ALASKA INC	TARN 2	50-103-20247-00-00
		TARN 3	50-103-20248-00-00
		TARN 3A	50-103-20248-01-00
		TARN 4	50-103-20249-00-00
	BP EXPLORATION (ALASKA) INC	PETE'S WICKED 1	50-029-22737-00-00
		PRUDHOE BAY UN MDS E-100	50-029-22819-00-00
		PRUDHOE BAY UN NIA NK-41	50-029-22778-00-00
		PRUDHOE BAY UN PTM P1-09	50-029-22704-00-00
	CONOCOPHILLIPS ALASKA INC	KUPARUK RIV UNIT 2F-18	50-029-22720-00-00
		WEST GOLDHILL 2F-20	50-029-22739-00-00
1998	ARCO ALASKA INC	KALUBIK 2	50-103-20252-00-00
		KALUBIK 3	50-103-20251-00-00
		NUIQSUT 1	50-103-20253-00-00
	BP EXPLORATION (ALASKA) INC	DUCK IS UNIT MPI 2-56/EID	50-029-22863-00-00
		DUCK IS UNIT MPI 2-56A/EID	50-029-22863-01-00
		PRUDHOE BAY UN BORE 02-01	50-029-22866-00-00
		PRUDHOE BAY UN BORE L-100	50-029-22858-01-00
		PRUDHOE BAY UN BORE L-101	50-029-22865-00-00
		PRUDHOE BAY UN MDS E-101	50-029-22909-00-00
		PRUDHOE BAY UN NWE 01-01	50-029-22858-00-00
1999	ARCO ALASKA INC	FIORD 4	50-103-20289-00-00
		FIORD 5	50-103-20292-00-00
		MELTWATER SOUTH 1	50-287-20014-00-00
	BP EXPLORATION (ALASKA) INC	PRUDHOE BAY UN POL V-200	50-029-22937-00-00

Source: AOGCC

Attachment A: Exploratory Wells, Well Name, and Well Operator

		RED DOG 1	50-089-20027-00-00
2000	ARCO ALASKA INC	CLOVER A	50-103-20310-00-00
		MELTWATER NORTH 2	50-103-20321-00-00
		MELTWATER NORTH 2A	50-103-20321-01-00
	BP EXPLORATION (ALASKA) INC	WEST GWYDYR 1	50-029-22954-00-00
	CONOCOPHILLIPS ALASKA INC	MELTWATER NORTH 1	50-103-20326-00-00
		NANUK 2	50-103-20332-00-00
		SPARK 1	50-103-20313-00-00
2001	CONOCOPHILLIPS ALASKA INC	ATLAS 1	50-103-20360-00-00
		ATLAS 1A	50-103-20360-01-00
		COLVILLE RIV UNIT CD2-33	50-103-20381-00-00
		COLVILLE RIV UNIT CD2-33A	50-103-20381-01-00
		KUPARUK RIV UNIT 3S-26	50-103-20361-01-00
		MOOSE TOOTH C	50-103-20315-00-00
		NANUQ 3	50-103-20365-00-00
		NIGLIQ 1	50-103-20370-00-00
		NIGLIQ 1A	50-103-20370-01-00
		PALM 1	50-103-20361-00-00
		RENDEZVOUS 2	50-103-20363-00-00
		RENDEZVOUS A	50-103-20316-00-00
		SILVERTIP 1J-14	50-029-22990-00-00
		SPARK 1A	50-103-20313-01-00
	CONOCOPHILLIPS COMPANY	TRAILBLAZER A-01	50-103-20364-00-00
		TRAILBLAZER H-01	50-103-20369-00-00
2002	ANADARKO PETROLEUM CORPO	ALTAMURA 1	50-103-20403-00-00
	BP EXPLORATION (ALASKA) INC	PRUDHOE BAY UN NWE 04-01	50-029-23072-00-00
	CONOCOPHILLIPS ALASKA INC	CIRQUE 3	50-103-20399-00-00
		CIRQUE 4	50-103-20404-00-00
		GRIZZLY 1	50-287-20015-00-00
		HEAVENLY 1	50-287-20016-00-00
		HUNTER A	50-103-20405-00-00
		LOOKOUT 1	50-103-20359-00-00
		LOOKOUT 2	50-103-20410-00-00
		MITRE 1	50-103-20409-00-00
		NANUQ 5	50-103-20414-00-00
2003	CONOCOPHILLIPS ALASKA INC	OBERON 1	50-103-20443-00-00
	PIONEER NATURAL RESOURCES A	IVIK 1	50-703-20436-00-00
		NATCHIQ 1	50-703-20438-00-00
		OOOGURUK 1	50-703-20437-00-00
2004	ANADARKO PETROLEUM CORPO	HOT ICE 1	50-103-20451-00-00
	CONOCOPHILLIPS ALASKA INC	CARBON 1	50-103-20477-00-00
		PLACER 1	50-103-20481-00-00
		PLACER 2	50-103-20488-00-00
		SCOUT 1	50-103-20479-00-00
		SPARK 4	50-103-20480-00-00
	KERR-MCGEE OIL & GAS CORP	NIKAITCHUQ 1	50-629-23193-00-00

Source: AOGCC

Attachment A: Exploratory Wells, Well Name, and Well Operator

		NIKAITCHUQ 2	50-629-23199-00-00
	TOTAL E&P USA INC	CARIBOU 26-11 1	50-279-20009-00-00
2005	CONOCOPHILLIPS ALASKA INC	IAPETUS 2	50-103-20506-00-00
		KOKODA 1	50-279-20011-00-00
		KOKODA 5	50-279-20012-00-00
		KUPARUK RIV U WSAK 1Q-101	50-029-23282-00-00
		KUPARUK RIV U WSAK 3J-101	50-029-23283-00-00
	KERR-MCGEE OIL & GAS CORP	ATARUQ 2	50-103-20508-00-00
		ATARUQ 2A	50-103-20508-01-00
		KIGUN 1	50-629-23239-01-00
		NIKAITCHUQ 3	50-629-23242-00-00
		NIKAITCHUQ 4	50-629-23241-00-00
		TUVAAQ ST 1	50-629-23239-00-00
2006	CONOCOPHILLIPS ALASKA INC	ANTIGUA 1	50-029-23299-00-00
		COLVILLE RIV QANN CD2-404	50-103-20530-00-00
		KUPARUK RIV UNIT 1H-NORTH	50-029-23294-00-00
		KUPARUK RIV UNIT 1H-SOUTH	50-029-23296-00-00
		KUPARUK RIV UNIT 1R-EAST	50-029-23295-00-00
	ENI US OPERATING CO INC	OLIKTOK POINT I-1	50-029-23324-00-00
	FEX LIMITED PARTNERSHIP	AKLAQ 2	50-279-20014-00-00
	PIONEER NATURAL RESOURCES A	CRONUS 1	50-103-20523-00-00
		HAILSTORM 1	50-029-23287-00-00
2007	ANADARKO PETROLEUM CORPO	JACOB'S LADDER C	50-029-23330-00-00
	BP EXPLORATION (ALASKA) INC	MILNE PT UNIT LIVIANO 1	50-029-23343-00-00
		MILNE PT UNIT LIVIANO 1A	50-029-23343-01-00
		MILNE PT UNIT PESADO 1	50-029-23345-00-00
		MILNE PT UNIT PESADO 1A	50-029-23345-01-00
		MT ELBERT 1	50-029-23302-00-00
	BROOKS RANGE PETROLEUM	SAK RIVER 1	50-029-23336-00-00
	CONOCOPHILLIPS ALASKA INC	INTREPID 2	50-023-20036-00-00
		NOATAK 1	50-279-20013-00-00
	ENI US OPERATING CO INC	MAGGIORE 1	50-029-23342-00-00
		OLIKTOK POINT I-2	50-029-23326-00-00
		ROCK FLOUR 2	50-029-23335-00-00
		ROCK FLOUR 3	50-029-23341-00-00
	FEX LIMITED PARTNERSHIP	AKLAQ 6	50-279-20019-00-00
		AKLAQYAAQ 1	50-279-20018-00-00
		AMAGUQ 2	50-279-20017-00-00
2008	ANADARKO PETROLEUM CORPO	GUBIK 3	50-287-20017-00-00
		JACOB'S LADDER C-A	50-029-23330-01-00
	BROOKS RANGE PETROLEUM	NORTH SHORE 1	50-029-23340-00-00
		TOFKAT 1	50-103-20567-00-00
		TOFKAT 1A	50-103-20567-01-00
		TOFKAT 1B	50-103-20567-02-00
	CONOCOPHILLIPS ALASKA INC	CHAR 1	50-103-20564-00-00
		SPARK DD-9	50-103-20569-00-00
	SAVANT ALASKA LLC	KUPCAKE 1	50-029-23382-00-00
	UNION OIL CO OF CALIFORNIA	MASTODON 6-3-9	50-287-20023-00-00

Source: AOGCC

Attachment A: Exploratory Wells, Well Name, and Well Operator

		PANTHERA 28-6-9	50-223-20023-00-00
		SMILODON 9-4-9	50-223-20022-00-00
2009	ANADARKO PETROLEUM CORPO	CHANDLER 1	50-287-20022-00-00
		GUBIK 4	50-287-20025-00-00
		WOLF CK 4	50-119-20002-00-00
	CONOCOPHILLIPS ALASKA INC	GRANDVIEW 1	50-103-20594-00-00
		PIONEER 1	50-103-20595-00-00
	PIONEER NATURAL RESOURCES /	OOOGURUK ODST-45A	50-703-20577-01-00
	ULTRASTAR EXPLORATION LLC	DEWLINE 1	50-029-23408-00-00
	UNION OIL CO OF CALIFORNIA	BLUEBUCK 6-7-9	50-223-20024-00-00
		MUSKOXEN 36-7-8	50-287-20024-00-00
2010	BROOKS RANGE PETROLEUM	SAK RIVER 1A	50-029-23336-02-00
	EXXONMOBIL CORPORATION	PTU 15	50-089-20030-00-00
		PTU 16	50-089-20031-00-00
	SAVANT ALASKA LLC	BADAMI UNIT B1-38	50-029-23407-00-00

Source: AOGCC

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

SEAN PARNELL, GOVERNOR
333 Willoughby Avenue, 11th Floor
P.O. Box 110400
Juneau, Alaska 99811-0400
Phone: (907) 465-2300
Fax: (907) 465-2389

March 21, 2011

The Honorable Joe Paskvan
The Honorable Tom Wagoner
Co-Chairs, Senate Resources Committee
Alaska State Senate
Juneau, AK 99801

The Honorable Eric Feige
The Honorable Paul Seaton
Co-Chairs, House Resources Committee
Alaska State House
Juneau, AK 99801

The Honorable Bill Stoltze
The Honorable Bill Thomas
Co-Chairs, House Finance Committee
Alaska State House
Juneau, AK 99801

SUBJECT: Corrected Well Data from Alaska Oil & Gas Conservation Commissioner (AOGCC)

Dear State Legislators:

It has been brought to our attention that the drilling activity charts presented by the Department of Revenue on the basis of AOGCC data contained some inaccuracies. Simply put, we received different sets of data from different people within AOGCC and we realized there was a problem because the data sets didn't match. It has to do with what is and is not included as you work through the well data. Once we realized there was a problem, we worked with AOGCC to determine the correct data and it is enclosed herein. These updated slides have been based on AOGCC data and their staff have cross-checked the numbers with their internal, confidential database. What has not changed is the fact that exploration is down in 2010 and that only one exploration well is expected in 2011 by the Alaska Department of Natural Resources.

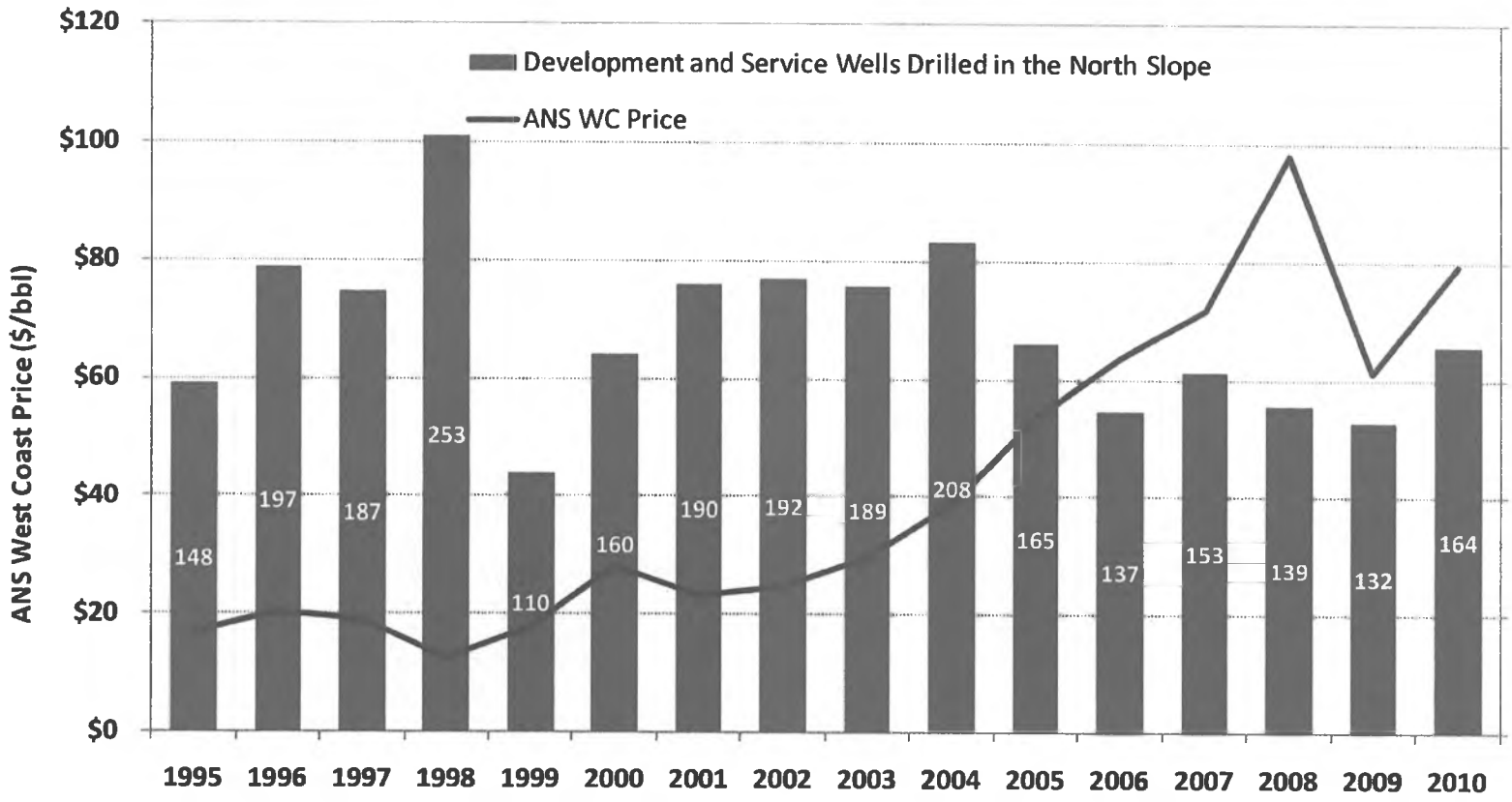
We would like to apologize for this error and provide assurance to the committees that we will be more diligent in cross checking information before providing it to any legislative body.

Sincerely,

Bruce Tangeman
Deputy Commissioner

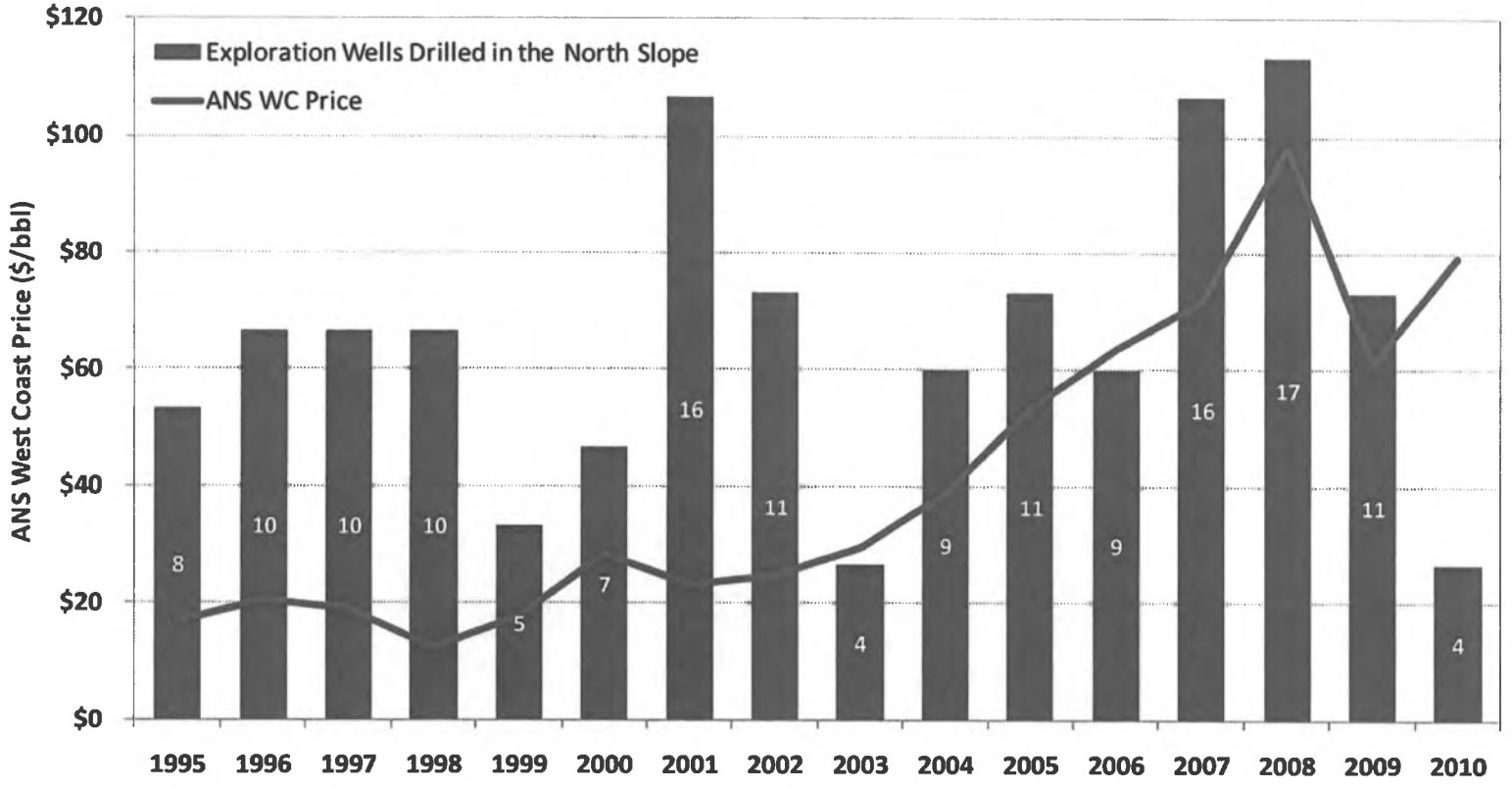
Enclosure

North Slope Development Drilling



Source: Alaska Oil and Gas Conservation Commission

North Slope Exploration Drilling



Source: Alaska Oil and Gas Conservation Commission

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

SEAN PARNELL, GOVERNOR
333 Willoughby Avenue, 11th Floor
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Juneau, Alaska 99811-0400
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March 22, 2011

The Honorable Joe Paskvan
Co-Chair, Senate Resources Committee
State Capitol Room 115
Juneau AK, 99801

The Honorable Thomas Wagoner
Co-Chair, Senate Resources Committee
State Capitol Room 427
Juneau AK, 99801

SUBJECT: AK Industry Information Disclosure

Dear Co-Chairs Paskvan and Wagoner:

The purpose of this document is to respond to a follow-up question raised by members of the Senate Resources Committee. Please see the enclosed spreadsheet titled 'Alaska Oil and Gas Industry Submittal and Disclosure Summary'.

Please feel free to contact me for any further details.

Sincerely,

Bruce Tangeman
Deputy Commissioner

Enclosure

cc: Senate Resources Committee

Alaska Oil and Gas Industry Information Submittal and Disclosure Summary

Compiled with Input from DOR, DNR, DOLWD & AOGCC, March 22,2011

Type of Data	Agency Receiving Data	Agencies With Which Data May be Shared	Reason for Data Submission (Citation)	Submittal Timeframe	Publication and Public Access	Form of Reported Info.
EXPLORATION AND APPRAISAL						
Joint Operating Agreements	DNR-DOG	Public portions of unit operating agreements; confidential portions may be shared with DOR under AS38.05.035(a)(12)	Required for unitization under AS 38.05.180(p), or for approval of drillling or development contracts under AS 38.05.180(t); 11 AAC 83.301 - 11 AAC 83.395; 11 AAC 83.400	With the application to unitize	generally public, but portions may be entitled to confidentiality	Varies
Work Programs and Budgets	AOGCC: Proposed work programs only, no budget information	DNR-DOG authorized personnel upon request (confidential wells on state lands only)	20 AAC 25.005, 20 AAC 25.010, 20 AAC 25.015, 20 AAC 25.105, 20 AAC 25.280	Prior to work (as much notice as possible)	Records for exploratory and stratigraphic test wells / wellbores are held confidential for 25-months, then released to the public record (excluding those few that have been granted extended confidential status by DNR's Commissioner). Public records are available through the AOGCC library and	Printed (AOGCC library); scanned records (Internet)
	DNR-DOG (Unit Section): Plans of Exploration; no budget	Some is public; confidential may be shared with DOR under AS38.05.035(a)(12)	11 AAC 83.301 - 11 AAC 83.395;	With application to unitize and periodically after that	generally public, but portions may be entitled to confidentiality	
	DNR-DOG (Permitting Section): Plan of Operations, no budget DNR-DOG (Leasing Section): Exploration License, work commitment	Plan of Operations - Public document, all agencies	Permit Application (11 AAC 83.158 and 346)		Public Document, as Public Noticed	electronic filing not required (may be submitted as adobe .pdf)
Seismic	DNR-DOG (Permitting Section)	Public document, all agencies	Permit Application (11 AAC 96.210)		Public Document, as Public Noticed	electronic filing not required (may be submitted as adobe .pdf)
	DNR-DOG	Confidential seismic remains in DOG possession at all times; other authorized DNR personnel may view data as needed.	Entitled to seismic on state lands through MLUP permit requirements (AAC 96.210) , tax credit requirements (AS 43.55.025 and .023(a)(2)) and exploration license requirements (11 AAC 82.981); Entitled to seismic on fed or private lands if issuing these tax credits; also obtains advanced processing datasets in units upon request to evaluate unit & PA formation, expansion or support for operator-requested unit actions (AAC 83.306, etc.)	Statute: notify DNR w/in 30 days of completion of processing. Reality: MLUP data may take months.	Data receiving tax credits will be publicly released after 10 yrs, subject to private landowner approval (public access system to be determined). MLUP and unit request data remain confidential indefinitely.	Formerly included paper, now electronic, in industry-standard formats
Daily Drilling Reports	AOGCC	DNR-DOG authorized personnel upon request (confidential wells on state lands only)	Maintnence of accurate well history records (20 AAC 25.070)	30 days after completion, suspension or abandonment of well/wellbore	See "Work Programs and Budgets", above	Printed (AOGCC library); scanned records (Internet)
Logs & Wellbore Surveys	AOGCC	DNR-DOG has its own specific well log data submittal requirements; other logs disclosed to DNR-DOG authorized personnel upon request (confidential wells on state lands only)	AS 31.05.030, 20 AAC 25.071 (Reason: accurate well records)	90 days after completion, suspension or abandonment of well/wellbore	See "Work Programs and Budgets", above	Printed (AOGCC library); scanned records (Internet)
Well Tests	AOGCC	DNR-DOG authorized personnel upon request (confidential wells on state lands only)	Maintnence of accurate well history records (20 AAC 25.071)	30 days after completion, suspension or abandonment of well/wellbore	See "Work Programs and Budgets", above	Printed (AOGCC library); scanned records (Internet)
Cuttings and Conventional Core Chips	AOGCC	DNR-DOG authorized personnel upon request (confidential wells on state lands only)	Maintnence of accurate well history records (20 AAC 25.071)	Cuttings: 30 days after completion, suspension or abandonment of well/wellbore; Core chips: 30 days after the conventional core is	See "Work Programs and Budgets", above. Cuttings and core chips are available at the Geologic Materials Center.	Rock samples
Geological Models and Maps	AOGCC and DNR: Supplied by Unit Operator	DNR-DOG upon request (non-confidential information only)	Field and pool regulation and classification (20 AAC 25.520) and regulation of underground injection of fluids (20 AAC 25.460)	Non-confidential information available upon publication of AOGCC order; confidential information not available for release	AOGCC library (public records only)	Printed (AOGCC library)
	DNR-DOG (Permitting Section): Project area map	Public document, all agencies	Permit Application (11 AAC 83.158 and 346)		Public Document, as Public Noticed	electronic filing not required (may be submitted as adobe .pdf)
	DNR-DOG: possibly with unit application; Participating Area applications	May be shared with DOR under AS38.05.035(a)(12)	11 AAC 83.301 - 11 AAC 83.395	with application to unitize or application to form PA	entitled to confidentiality	
All data collected in drilling and evaluating wells, including interpretive, value-added, and wellbore seismic data not reported to AOGCC	DNR-DOG	Confidential well data remains in DOG possession at all times; other authorized DNR personnel may view data as needed.	Receives comprehensive datasets for wells on state leases through Lease Plan of Operations (AAC 83.158); also on fed and private lands if issuing tax credit (AS 43.55.025 and 023(a)(2)).	varies, but prompt	Data submitted under Plan of Ops remains confidential indefinitely; tax credit well data to be released after AOGCC well confidentiality expires, subject to federal primacy and private landowner approval (public access to be determined).	Varies

Alaska Oil and Gas Industry Information Submittal and Disclosure Summary

Compiled with Input from DOR, DNR, DOLWD & AOGCC, March 22,2011

Type of Data	Agency Receiving Data	Agencies With Which Data May be Shared	Reason for Data Submission (Citation)	Submittal Timeframe	Publication and Public Access	Form of Reported Info.
DEVELOPMENT						
Development Plans with Opex and Capex Projections	AOGCC: proposed work programs only, no budget or opex/capex information	Development and service well information submitted to AOGCC is not confidential	20 AAC 25.005, 20 AAC 25.010, 20 AAC 25.015, 20 AAC 25.105, 20 AAC 25.280	Prior to work (as much notice as possible)	AOGCC library and Internet (public records only)	Printed (AOGCC library); scanned records (Internet)
	DNR-DOG (Unit Section): Plans of Development	Some is public; confidential may be shared with DOR under AS38.05.035(a)(12)	11 AAC 83.301 - 11 AAC 83.395;	With application to unitize and periodically after that	generally public, but portions may be entitled to confidentiality	
	DNR-DOG (Permitting Section): Plan of Operations	Public document, all agencies	Permit Application (11 AAC 83.158 and 346)			
Construction Progress Reports	DNR-DOG (Permitting Section): (limited)	Public document, all agencies	Status-Completion Reports	semi-annual (May and Nov, and at project completion)	Public Document, as Public Noticed	electronic filing not required (may be submitted as adobe .pdf)
Seismic	DNR-DOG	Confidential seismic remains in DOG possession at all times; other authorized DNR personnel may view data as needed.	Entitled to seismic on state land thru MLUP permit (11 AAC 96.210), tax credits (AS 43.55.025 and .023(a)(2)), exploration license (11 AAC 82.981) & on fed or private lands if issuing these tax credits; also obtains advanced processing datasets in units upon request to evaluate unit & PA formation and expansion requests (AAC 83.306, etc.)	Quarterly	Data receiving tax credits will be publicly released after 10 yrs, subject to private landowner approval (public access system to be determined). MLUP and unit request data remain confidential indefinitely.	Formerly included paper, now electronic, in industry-standard formats
Daily Drilling Reports	AOGCC	Development and service well information is not confidential	20 AAC 25.070 (Reason: accurate well history records)	30 days after completion, suspension or abandonment of well/wellbore	AOGCC library and Internet (public records only)	Printed (AOGCC library); scanned records (Internet)
Logs & Wellbore Surveys	AOGCC and DNR-DOG (most units)	Development and service well information submitted to AOGCC is not confidential; Logs, tops, etc. submitted to DNR are not shared with other agencies	AOGCC: AS 31.05.030, 20 AAC 25.071; DNR: unit agreements.	90 days after completion, suspension or abandonment of well/wellbore	AOGCC: library and Internet (public records only); DNR submissions are not released to public	Printed (AOGCC library); scanned records (Internet)
Well Tests	AOGCC	Development and service well information submitted to AOGCC is not confidential	20 AAC 25.071 (Reason: accurate well records)	30 days after completion, suspension or abandonment of well/wellbore	AOGCC library and Internet (public records only)	Printed (AOGCC library); scanned records (Internet)
Cuttings and Conventional Core Chips	AOGCC	Development and service well information submitted to AOGCC is not confidential	20 AAC 25.071 (Reason: accurate well records)	Cuttings: 30 days after completion, suspension or abandonment of well/wellbore; Core chips: 30 days after the conventional core is	Samples for development or service well/wellbores are not confidential; available at the Geologic Materials Center.	Rock samples
Reservoir Characterization	AOGCC	DNR-DOG upon request (non-confidential information only)	20 AAC 25.520 (Reason: field and pool regulation and classification) and 20 AAC 25.460 (Reason: regulation of underground injection of fluids)	Non-confidential information available upon publication of AOGCC order; confidential information not available for release.	AOGCC library and Internet (public records only)	Printed (AOGCC library); scanned records (Internet)
	DNR-DOG	Some is public; confidential may be shared with DOR under AS38.05.035(a)(12)	11 AAC 83.301 - 11 AAC 83.395	with application to unitize or application to form PA	May be entitled to confidentialtiy	
Interpretive Reservoir Studies, Models, Maps, Etc.	DNR-DOG	Confidential studies, maps, etc. remain in DOG possession at all times; other authorized DNR personnel may view data as needed.	Support for operator-requested unit actions (AAC 83.306, etc.); Include a wide variety of interpretive info not specific to individual wells	varies, but prompt	This information submitted to DNR remains indefinitely confidential	n/a
PRODUCTION / OPERATIONS						
Production	AOGCC	Regular production information is not confidential; database transfer to DNR completed monthly	20 AAC 25.230 (Reason: regular production records are public-domain)	One-month reporting lag	Internet (regular production data; AOGCC statistical report)	Downloadable database in MS Access format; downloadable ASCII text file; production charts
	DNR-DOG	Production data is generally public	AS 38.05.180(x)		Production data is generally public	
	DNR-DOG (Permitting Section): Plan of Operations	Public document, all agencies	Permit Application (11 AAC 83.158 and 346)		Public Document, as Public Noticed	electronic filing not required (may be submitted as adobe .pdf)
	DOR	DNR/Upon Request/Under Confidentiality Agreement.	AS 43.55.040	Daily & Monthly	Only released in aggregated form.	Received via email, fax, PDF, excel spreadhseet and plain text.
Injection	AOGCC	Regular injection information is not confidential; database transfer to DNR completed monthly	20 AAC 25.432 (Reason: regular injection records are public-domain)	One-month reporting lag	Internet (regular injection data; AOGCC statistical report)	Downloadable database in MS Access format; downloadable ASCII text file; production charts
	DNR-DOG: Plan of Operations, storage	Public Data - All Agencies	AS 38.05.180(x); Permit Application (11 AAC 83.158)		Public Document, as Public Noticed	electronic filing not required (may be submitted as adobe .pdf)
Facility Maps and Studies	DNR-DOG (Permitting Section)	Public document, all agencies	Permit Application (11 AAC 83.158 and 346)		Public Document, as Public Noticed	electronic filing not required (may be submitted as adobe .pdf)
Safety and Environmental Reports	DNR-DOG (Permitting Section)	Public document, all agencies	Corrective action plans		Public Document, as Public Noticed	electronic filing not required (may be submitted as adobe .pdf)
	DNR-PSIO	Generally PSIO can openly share the non-confidential information with liaison agencies. Caveat: most of what operators share with PSIO is confidential and typically PSIO is given a presentation by operators and not allowed to take any information, other than hand-written notes.	Receives some information regarding root causes of incidents and corrective actions - typically plays into discussions of operator quality management/business practices and operations (AO 234 ; DOG leases)	Varies on operator and their willingness to cooperate and share information with PSIO.	Little, but varies.	Varies, but typically in presentation/discussion format and PSIO is not allowed to take any information, other than hand-written notes.
Work Programs and Budgets	DNR-DOG: (Permitting Section): No budget	Public document, all agencies	Permit Application (11 AAC 83.158 and 346)		Public Document, as Public Noticed	electronic filing not required (may be submitted as PDF
	DNR-PSIO	Generally PSIO can openly share the non-confidential information with liaison agencies. Caveat: most of what operators share with PSIO is confidential and typically PSIO is given a presentation by operators and not allowed to take any information, other than hand-written notes.	Some information received regarding quality management/business practices and operations - typically in response to an incident involving infrastructure failure (AO 234; DOG leases)	Varies on operator and their willingness to cooperate and share information with PSIO.	Little, but varies.	Varies, but typically in presentation/discussion format and PSIO is not allowed to take any information, other than hand-written notes.

Alaska Oil and Gas Industry Information Submittal and Disclosure Summary

Compiled with Input from DOR, DNR, DOLWD & AOGCC, March 22,2011

Type of Data	Agency Receiving Data	Agencies With Which Data May be Shared	Reason for Data Submission (Citation)	Submittal Timeframe	Publication and Public Access	Form of Reported Info.
BUDGET / EXPENDITURE / COST DATA						
Sales Price and Netback Costs	DOR, Tax Division	AS 38.05.036(c) and AS 43.55.230 specify the information DOR can share with DNR.	Administering the production tax (e.g. this is used in determining the gross value at point of production).	Supplied to DOR monthly (one-month lag) and in annual filings.	Some data in this category may be disclosed to the public provided it is properly aggregated and allowed to be released under 43.05.230 and 43.55.890.	Summarized data sent to DOR in Excel monthly information report. Detailed information provided in various formats.
Sales Contracts	DOR, Tax Division	AS 38.05.036(c) and AS 43.55.230 specify the information DOR can share with DNR.	Administering the production tax (e.g. this is used in determining the gross value at point of production).	Supplied to DOR monthly (one-month lag) and in annual filings.	Some data in this category may be aggregated and used in calculations that are subsequently disclosed to the public.	Contracts provided in PDF or Word documents.
Tax Credit Information (applications for tax credit certificates, credits claimed against tax liability)	DOR, Tax Division	AS 38.05.036(c) and AS 43.55.230 specify the information DOR can share with DNR.	Administering the production tax (e.g. calculating the tax liability or issuing tax credit certificates.)	Credit applications are received throughout the year. Credit information is received by DOR on monthly information report (one-month lag) and in annual filings.	Some data in this category may be disclosed to the public provided it is properly aggregated and allowed to be released under 43.05.230 and 43.55.890.	Credit information submitted through credit application forms (PDF files) and monthly information report (Excel file).
Opex- Projections	DOR, Tax Division	AS 38.05.036(c) and AS 43.55.230 specify the information DOR can share with DNR.	Used in forecasting production tax revenue.	Supplied to DOR twice a year (fall and spring)	Some data in this category is aggregated and used in the DOR forecast of total ANS expenditures, which is published in RSB.	Copies of communications with WIOs is provided (PDF copies of letters).
Capex- Projections	DOR, Tax Division	AS 38.05.036(c) and AS 43.55.230 specify the information DOR can share with DNR.	Used in forecasting production tax revenue.	Supplied to DOR twice a year (fall and spring)	Some data in this category is aggregated and used in the DOR forecast of total ANS expenditures, which is published in RSB.	Copies of communications with WIOs is provided (PDF copies of letters).
Opex- Actual	DOR, Tax Division	AS 38.05.036(c) and AS 43.55.230 specify the information DOR can share with DNR.	Administering the production tax (e.g. this is used in determining the production value).	Summarized opex data is supplied to DOR monthly (one-month lag) with limited breakdown of expense types. Details sometimes included in back-up files.	43.55.890 allows for lease expenditures to be disclosed to the public when aggregated among 3 or more companies.	Summarized data sent to DOR through Excel monthly reporting form. Supplemental detailed information provided in various formats.
Capex- Actual	DOR, Tax Division	AS 38.05.036(c) and AS 43.55.230 specify the information DOR can share with DNR.	Administering the production tax (e.g. this is used in determining the production tax value).	Summarized capex data is supplied to DOR monthly (one-month lag) with limited breakdown of expense type. Details sometimes included in back-up files.	43.55.890 allows for qualified capital expenditures to be disclosed to the public when aggregated among 3 or more companies.	Summarized data sent to DOR through Excel monthly reporting form. Detailed information provided in various formats.
ABANDONMENT						
Abandonment Plan and Budget	AOGCC: Well abandonment plan only, no budget information	DNR-DOG authorized personnel upon request (non-confidential wells and confidential wells on state lands only)	20 AAC 25.105 (Reason: accurate well records)	30 days after completion, suspension or abandonment of well/wellbore	Records for development or service well/wellbores are not confidential. Records for exploratory and stratigraphic test wells are held confidential for 25-months, then released to the public record (excluding those few that have been granted extended confidential status by DNR's Commissioner). Public records are available through the AOGCC library and Internet.	Printed (AOGCC library); scanned records (Internet)
	DNR-DOG (Permitting Section): Plan only DNR-DOG (Leasing Section): List of wells/infrastructure on lease	Public document, all agencies	Permit Application (11 AAC 83.158 and 346)		Public Document, as Public Noticed	electronic filing not required (may be submitted as adobe .pdf)
Progress Reports	AOGCC (well abandonment operations only, no budget information)	DNR-DOG authorized personnel upon request (non-confidential wells and confidential wells on state lands only)	20 AAC 25.070 (Reason: accurate well records)	30 days after completion, suspension or abandonment of well/wellbore	See "Abandonment Plan and Budget", above	Printed (AOGCC library); scanned records (Internet)
	DNR-DOG (Permitting Section)	Public document, all agencies	Status-Completion Reports		Public Document, as Public Noticed	electronic filing not required (may be submitted as adobe .pdf)
Environmental Clean-up Assessment	AOGCC	DNR-DOG authorized personnel upon request (non-confidential wells and confidential wells on state lands only)	Wellsite clearance inspection: physical condition of site only, does not include chemical sampling, analysis or reporting (Onshore: 20 AAC 25.170; Offshore: 20 AAC 25.172)	Upon completion of Inspection	See "Abandonment Plan and Budget", above	Printed (AOGCC library); scanned records (Internet)
	DNR-DOG (Permitting Section)	Public document, all agencies	Status-Completion Reports		Public Document, as Public Noticed	electronic filing not required (may be submitted as adobe .pdf)
WORKFORCE / LABOR						
Unemployment Insurance Contributions	DOLWD-Employment Security Division	Disclore to certain agencies under AS 23.20.110.	AS 23.20.110	Quarterly	No	Electronic
Reports of Occupational Injury	DOLWD-Division of Workers' Compensation	Any government agency under 23.30.107(b)(1)	AS 23.30.070	Within 10 days of knowledge of occupational in	Not public - 23.30.107(b)	07-6101
Proof of Coverage (workers' comp insurance)	DOLWD-Division of Workers' Compensation	Information is public.	23.30.085	Within 10 days of policy issuance	Yes	Electronic
Reports of Occupational Fatality or Hospitalization	DOLWD-AKOSH Enforcement	Except for confidential data, information may be shared with PSIO and federal OSHA	AS 18.60.058	Immediately after each incident, but no less than 8 hours after employer awareness	Upon completion of investigation	Not consistent in every case - Potentially Public Records Act Disclosure and/or Press Release
Company Performance Reports and Self-Evaluation	DOLWD-AKOSH Consultation and Training	Only with employer consent - otherwise confidential	Voluntary Protection Program	Annual	No	N/A
Training and Development	DNR-DOG (Permitting Section)	Public document, all agencies	Data sumbitted voluntarily (not required)	Varies	Public Document, as Public Noticed	electronic filing not required (may be submitted as adobe .pdf)
Northstar Alaska Hire Quarterly Report	DOLWD-Commissioner's Office	Information is public.	Measure Alaska Residency as required by lease agreement.	Quarterly	Yes	Printed

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

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March 22, 2011

The Honorable Joe Paskvan
Co-Chair, Senate Resources Committee
State Capitol Room 115
Juneau AK, 99801

The Honorable Thomas Wagoner
Co-Chair, Senate Resources Committee
State Capitol Room 427
Juneau AK, 99801

SUBJECT: Response #1 to Questions from SB 49 Bill Sectional Presentation in Senate Resources on March 11 and 14, 2011, and tax credits presentation on March 16, 2011.

Dear Co-Chairs Paskvan and Wagoner:

The purpose of this document is to respond to the follow-up questions raised by the Senate Resources Committee meeting during our presentation of the SB 49 bill introduction on March 11 and 14, 2011, and during our tax credits presentation on March 16, 2011. The requests/questions and responses follow. As noted in this document, there are a handful of remaining questions which we will provide answers to at a later date.

QUESTIONS FROM BILL INTRODUCTION PRESENTATION

1) **Discuss whether / how North Slope reserve additions recently reported by Conoco Phillips are included in our production forecast.**

   The Department of Revenue considers technically recoverable oil in the production forecast. Updated estimates of original oil in place (OOIP) and technically recoverable reserves are discussed with the individual operators on at least an annual basis and will be considered in future forecasts.

2) **What is the forecasted production decline over the next decade?**

The Department of Revenue's Fall 2010 production forecast, which includes producing, under development and under evaluation, projects an average decline rate of 2.1% per year from FY 2010 through FY 2020. The under evaluation portion is the most speculative and could greatly affect the production curve if it were not realized.

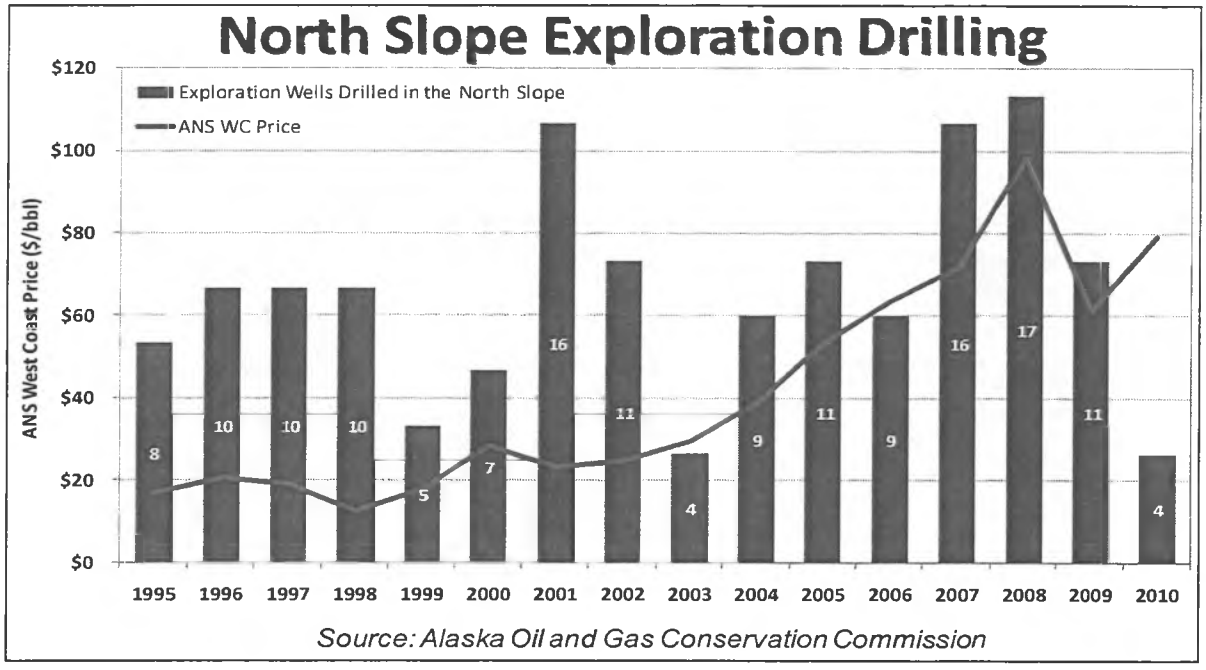
3) **What part of the Department's production forecast comes from areas that are not currently unitized?**

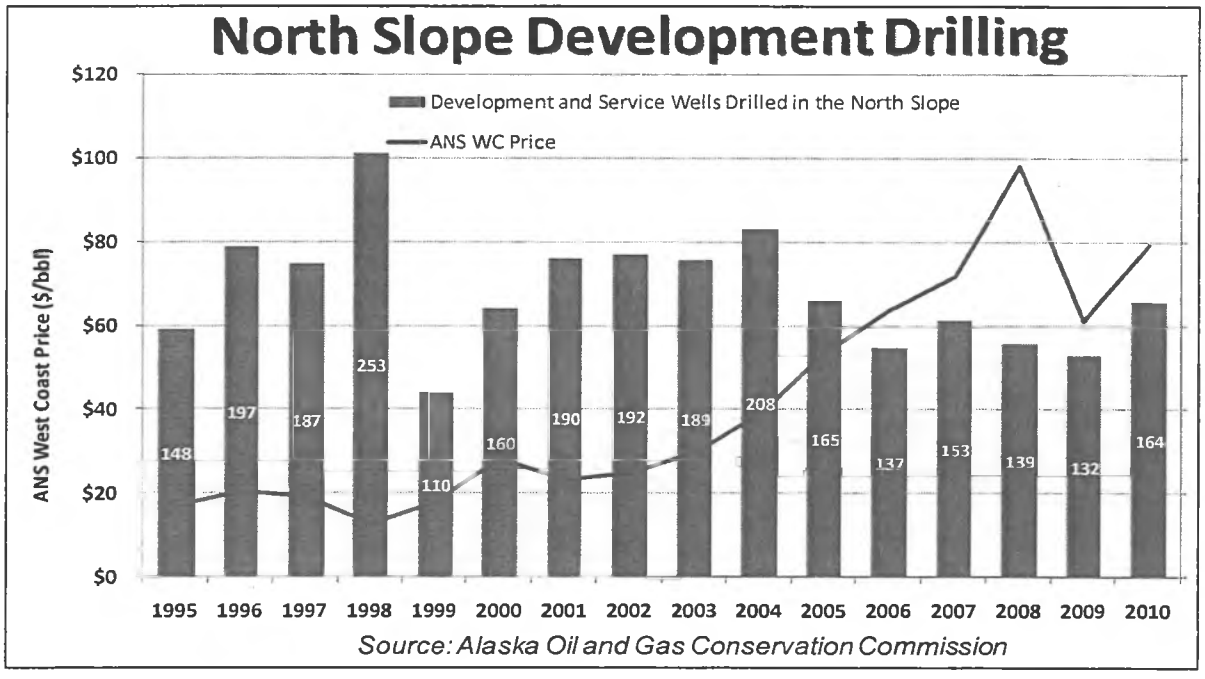
The vast majority of production in our forecast comes from areas that are currently unitized. Through FY 2020, the only production in our forecast that comes from an area that is not currently in a unit is a portion of the forecast production from the NPR-A. In general, production from areas that are not yet unitized does not have the level of certainty required to be included in our production forecast. In order to be included, a field must at least be "under evaluation," meaning it is a technically viable project where engineering, cost, risk and reward are all being actively evaluated. Most of the oil outside existing units does not yet meet these criteria.

4) Why was only one exploration well drilled in 2003?

It has been brought to our attention that the drilling activity charts presented by the Department of Revenue on the basis of AOGCC data contained some inaccuracies. Corrected exploration and development drilling activity charts are included below.

Several factors may have contributed to the decline in exploration drilling in 2003, including the economic downturn at the beginning of that decade, merger and acquisition activity impacting companies active in Alaska, and changes in corporate strategy.





5) **Compare trends in the number of exploration and development wells drilled in Alaska, to trends in the U.S. or worldwide.**

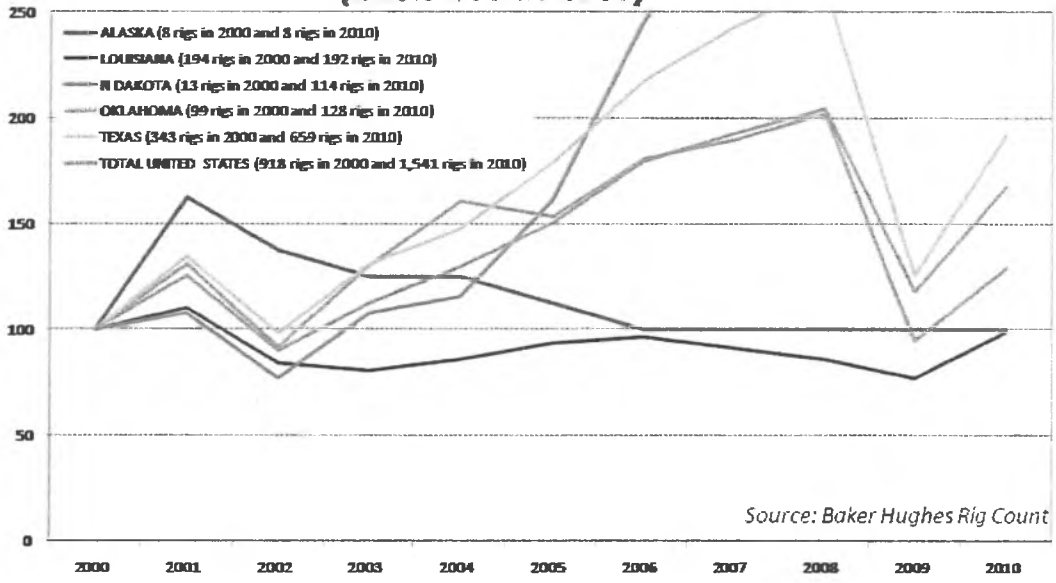
The number of active rigs can be used to compare oil and gas activity levels in various jurisdictions. The following charts show trends in rig counts in the United States, and internationally. These charts display the relative change in rig counts over the past decade using 2000 as a base year (the rig count for each series for any given year is represented relative to the rig count for that series in year 2000 – for example, if the rig count was to go from 8 in 2000 to 16 in 2010, this would be reflected in the chart by a line going from 100 in 2000 to 200 in 2010). These statistics include oil and gas rigs, active both onshore and offshore. No differentiation is made between exploration and development rigs in this context.

In summary, one can observe over the 2000 to 2010 period:

- A relatively flat rig count in Alaska
- The impacts of the recent recessions and of the "shale boom" in other US States
- Rig count in Europe remaining relatively stable
- Rig count in other areas, including the US, typically increasing by over 50%

Alaska and States with over 100 rigs in 2010

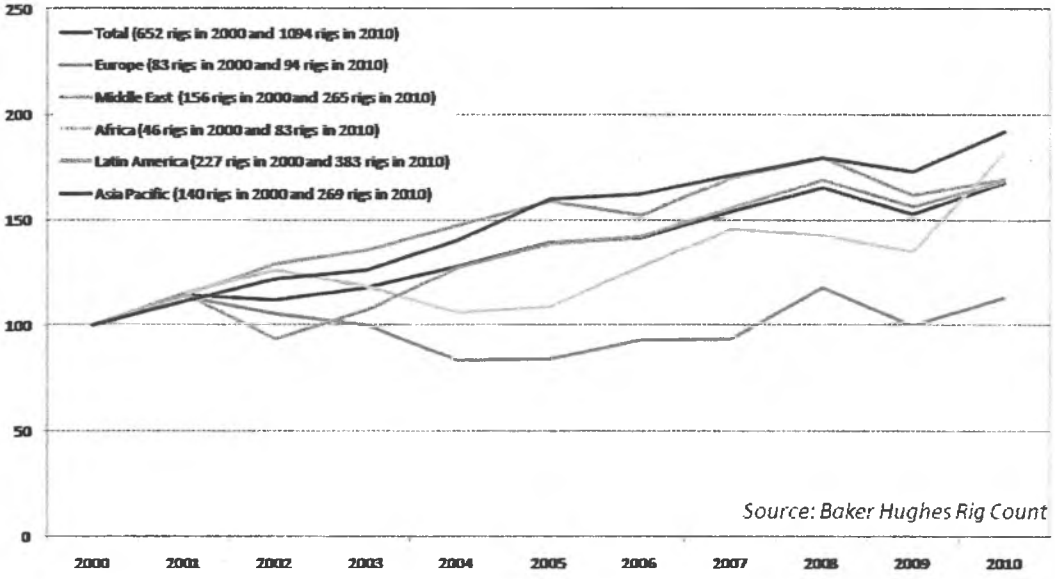
(basis 100 in 2000)



Notes: Includes oil and gas rigs (reflects impact of shale gas boom), as well as onshore and offshore (State + Federal). Selected States have over 100 active rigs in 2010 (except Alaska)

International Rig Counts

(basis 100 in 2000)



Notes: Includes oil and gas rigs, as well as onshore and offshore.

6) **Provide information about the "normal" number of development wells drilled in a mature oil field.**

The definition of an "elephant" oil field varies substantially in practical use, but typically refers to very large oil fields with total oil resources estimated in the hundreds of millions to billions of barrels. Prudhoe Bay is an "elephant" oil field with estimates from BP of more than 25 billion barrels of OOIP. More than 1,100 producing wells have been drilled in the Prudhoe Bay field as well as more than a hundred injection wells.

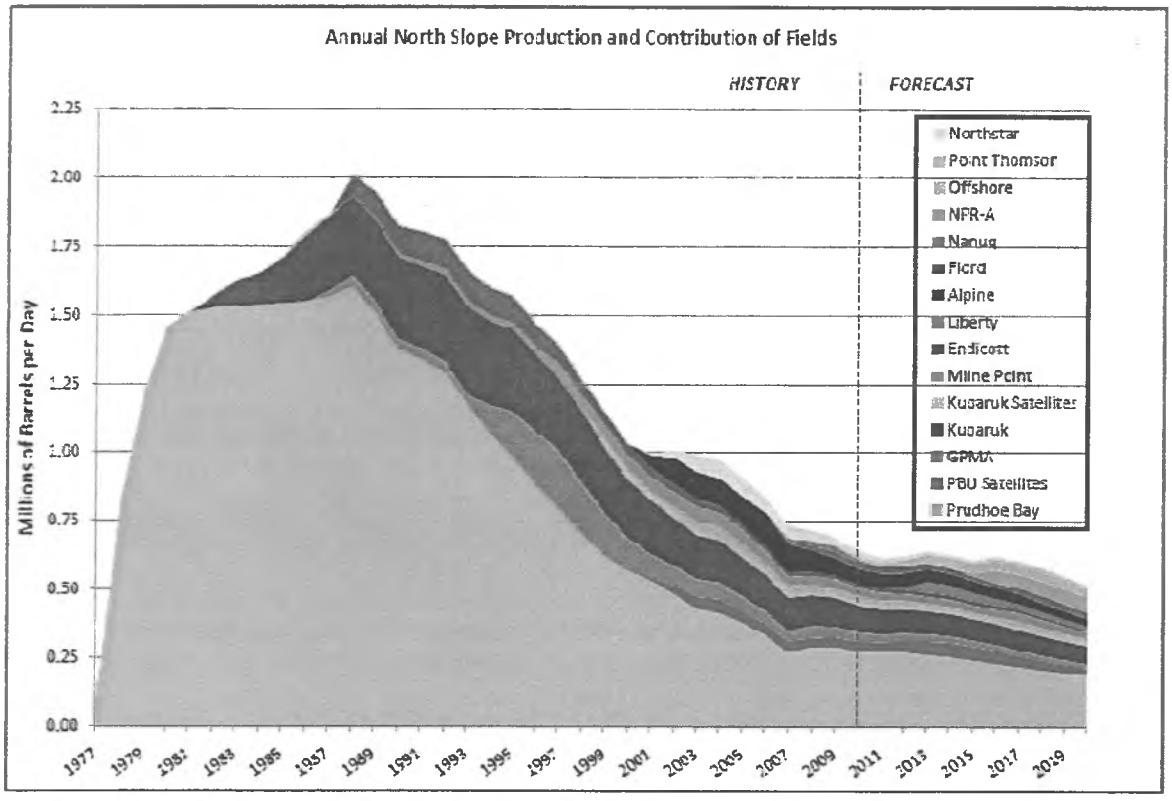
Unfortunately, it would be difficult to estimate a "normal" number of producing wells in a normal or hypothetical field as the development program will depend on the geology and the physical characteristics of the oil, among other factors. For example, looking at AOGCC data, Prudhoe Bay has seen an average of between 40 and 60 new producing "wells/penetrations" completed each year since 2000. While Kuparuk has seen an average of between 8 and 10 new producing "wells/penetrations" completed each year in that same time. In both cases, the productivity of the wells seem to be decreasing with time.

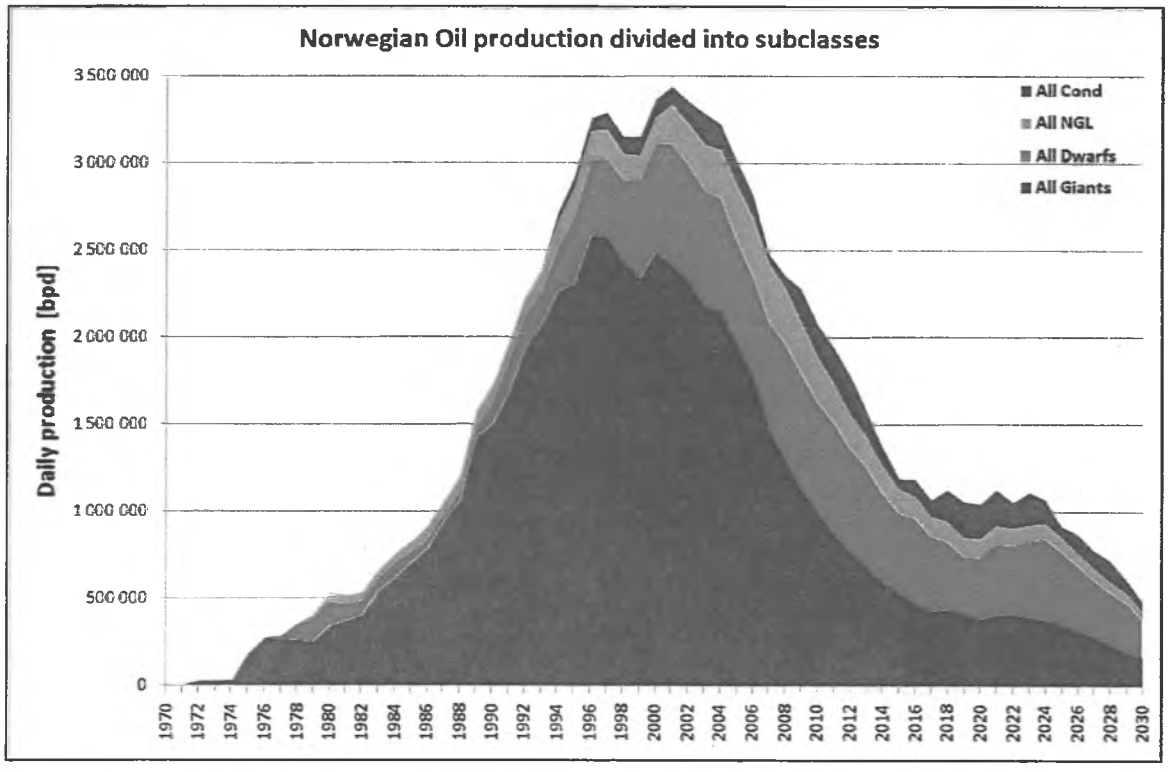
More public Prudhoe Bay statistics can be found at the following web address:
http://www.bp.com/liveassets/bp_internet/globalbp/STAGING/global_assets/downloads/A/abp_wwd_alaska_prudhoe_bay_fact_sheet.pdf

7) **Provide information about the pattern of natural decline in exploration of a mature oil basin, and how Alaska's mature basins compare. Also explain how a company would typically model investments in a mature oil basin.**

Following are graphs of the Alaska North Slope (ANS) and Norway's historical and forecasted production. Norway is not as mature as ANS. Norway's production peaked in 2000 at approximately 3.5MMBPD and is currently declining at an average rate of 13% ten years after peaking. ANS peaked in 1988 at 2.011MMBPD and is currently declining at a rate of 4.3%. For comparison, ten years after ANS peaked the decline rate was 9.1%.

Bob George of Gaffney, Cline and Associates testified before the committee on March 18, 2011. In his testimony, Mr. George addressed this question and explained that a company would typically assume a production path not unlike that of Alaska's in modeling investments in a mature oil basin, with a fast ramp up, a plateau period, and a period of decline. However Mr. George also noted that there are multiple opportunities in Alaska that could allow the state to return to growing production, including heavy oil, new discoveries, and increased development of known resources.


Annual North Slope Production and Contribution of Fields
HISTORY
FORECAST
Millions of Barrels per Day
2.25
2.00
1.75
1.50
1.25
1.00
0.75
0.50
0.25
0.00
1977
1979
1981
1983
1985
1987
1989
1991
1993
1995
1997
1999
2001
2003
2005
2007
2009
2011
2013
2015
2017
2019
Northstar
Point Thomson
Offshore
NPR-A
Nanuq
Fiord
Alpine
Liberty
Endicott
Milne Point
Kuparuk Satellites
Kuparuk
GPMA
PBU Satellites
Prudhoe Bay


Norwegian Oil production divided into subclasses
Daily production [bpd]
3 500 000
3 000 000
2 500 000
2 000 000
1 500 000
1 000 000
500 000
0
1970
1972
1974
1976
1978
1980
1982
1984
1986
1988
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
2010
2012
2014
2016
2018
2020
2022
2024
2026
2028
2030
All Cond
All NGL
All Dwarfs
All Giants

8) **Does the Department of Revenue have access to drilling plans and / or plans of development when preparing their production forecast, and how far out do those planning documents go?**

Yes, the Department of Revenue has access to drilling plans and plans of development (PODs) when preparing the production forecast. In the near term, about one or two years out, the operators are usually very specific, sharing drilling schedules, budgets, production forecasts, etc. with us. In the time up to five years, some of the operators usually have a "plan" for future development that is somewhat less specific that may include anticipated wells, some budget information and perhaps anticipated production. Beyond five years, some of the operators will have a general plan that may just include the prospective field and a very general time estimate of the start of the field. The Department of Revenue does consider the Plans of Development submitted by the operators to the Department of Natural Resources.

9) **What would the revenue reductions have been each year since the passage of ACES, if the provisions of SB 49 had been in place instead?**

The following table provides the estimated impact of SB 49 using historical Department of Revenue models, which are set up to provide revenue forecasts by fiscal year. SB 49 as proposed would use calendar year prices to determine the average price for calculating progressivity and then allocate the revenue to fiscal years. This structural difference might cause the impacts to be slightly more in one year and less in the next, but the revenue impact should be the same over time.

Note also that this table does not reflect production level increases that would likely have been experienced had SB 49 been implemented during these years.

Production Tax Revenue under ACES and the Estimated Impact of HB 110/SB 49 on Production Tax Revenue in Prior Years*

(in $billions)

Year	Production Tax Revenue under ACES	Impact of Tax Rate Change	Impact of Well Lease Exp Credit	**Total Estimated Impact**	Estimated Production Tax Revenue under HB 110/SB 49
FY 2008	$6.81	-$2.06	-$0.30	**-$2.36**	$4.45
FY 2009	$3.10	-$0.99	-$0.30	**-$1.29**	$1.81
FY 2010	$2.86	-$0.60	-$0.30	**-$0.90**	$1.96

***Notes regarding this analysis**

This analysis considers revenue impacts of only those provisions of HB 110 and SB 49 that can be reasonably quantified and that are not considered revenue neutral over time (such as the elimination of the credit split). Additionally, because historical models are maintained on a fiscal year basis, fiscal year inputs such as prices, production and costs were used for this analysis, even though annual tax calculations in HB 110 and SB 49 are based on calendar year inputs. For the well lease expenditure credit, we chose a median of the range of $200 to $400 million per year as stated in the fiscal note.

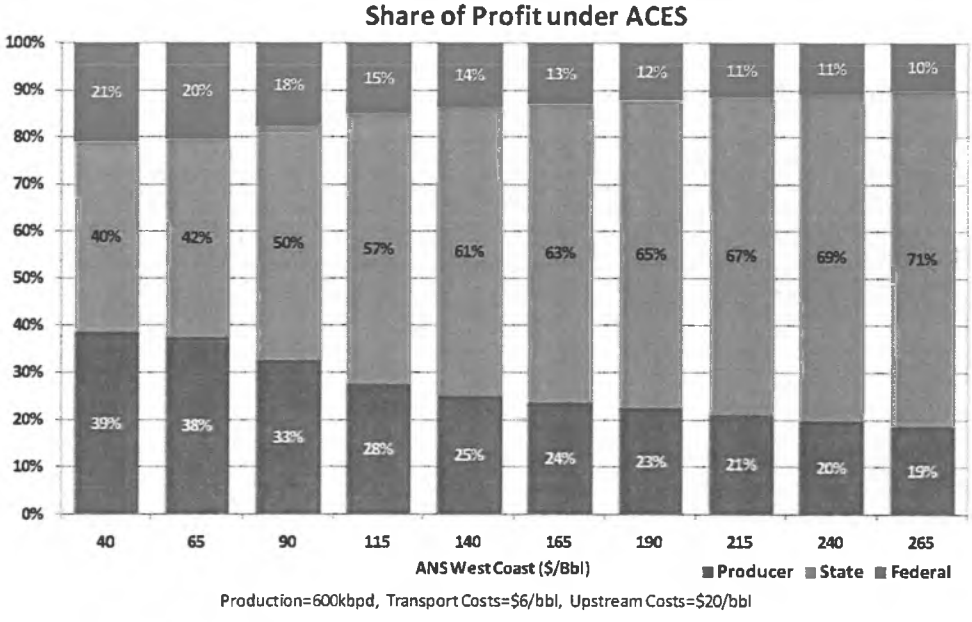
This analysis does not consider the likely production increases had HB 110/SB 49 been in effect.

10) Please provide the numbers, and assumptions, behind the profit share graph on slide 20 as presented.

The chart uses a range of possible ANS West Coast prices, with no change in costs across the range. The chart assumes production on state land. Following are the assumptions used in producing the chart. The chart as presented in committee is also included below.

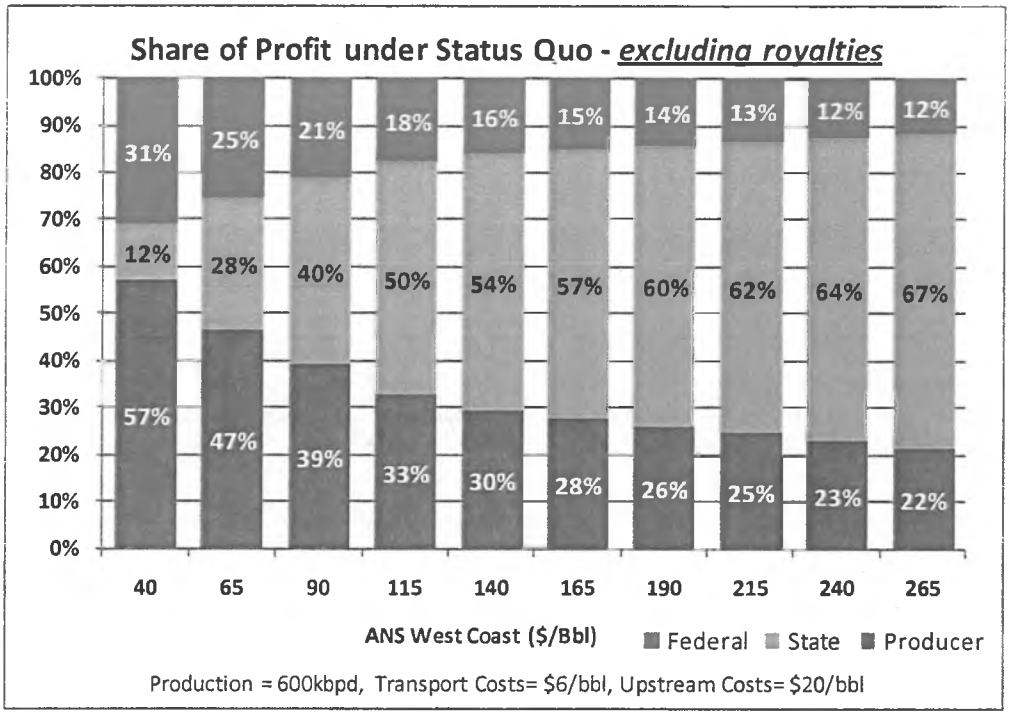
Assumptions	Value	Unit
Transportation Costs	6.00	$/bbl
Royalty Rate	12.5%	
Upstream CAPEX	10.00	$/bbl
Upstream OPEX	10.00	$/bbl
Total Upstream Costs	20.00	$/bbl
Daily Production	600,000	Kbbl/d
Property Tax (% of CAPEX)	2.00%	

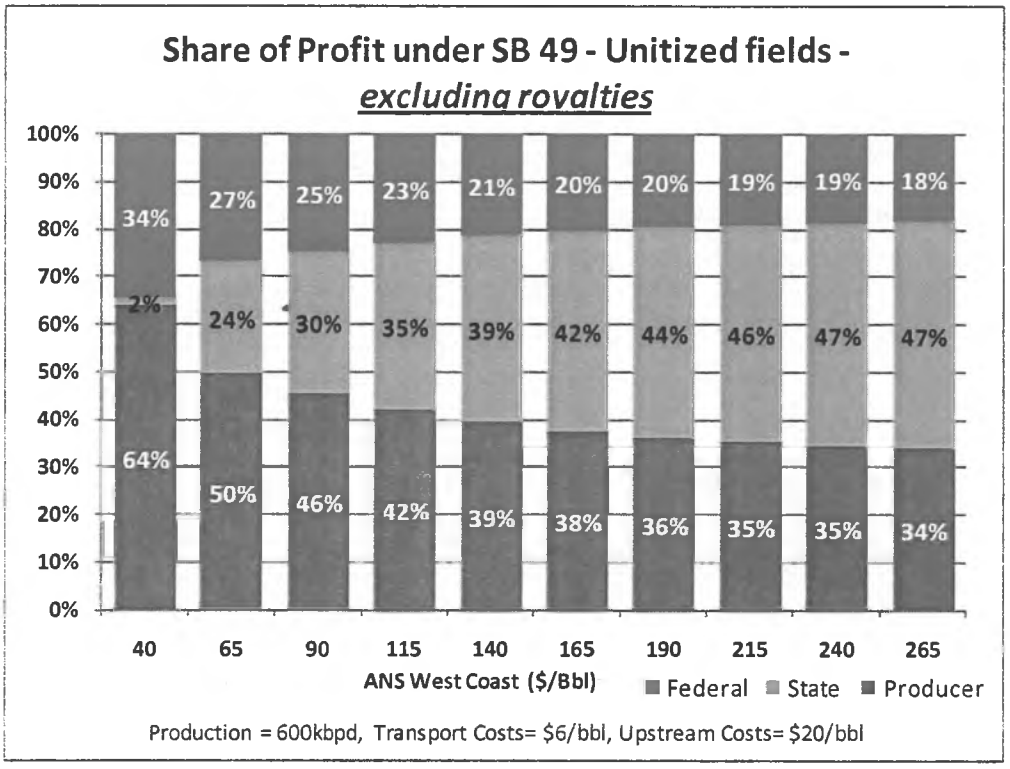
Share of total profit - ACES



11) Please reproduce the profit share graph on slide 20 without including state royalty.

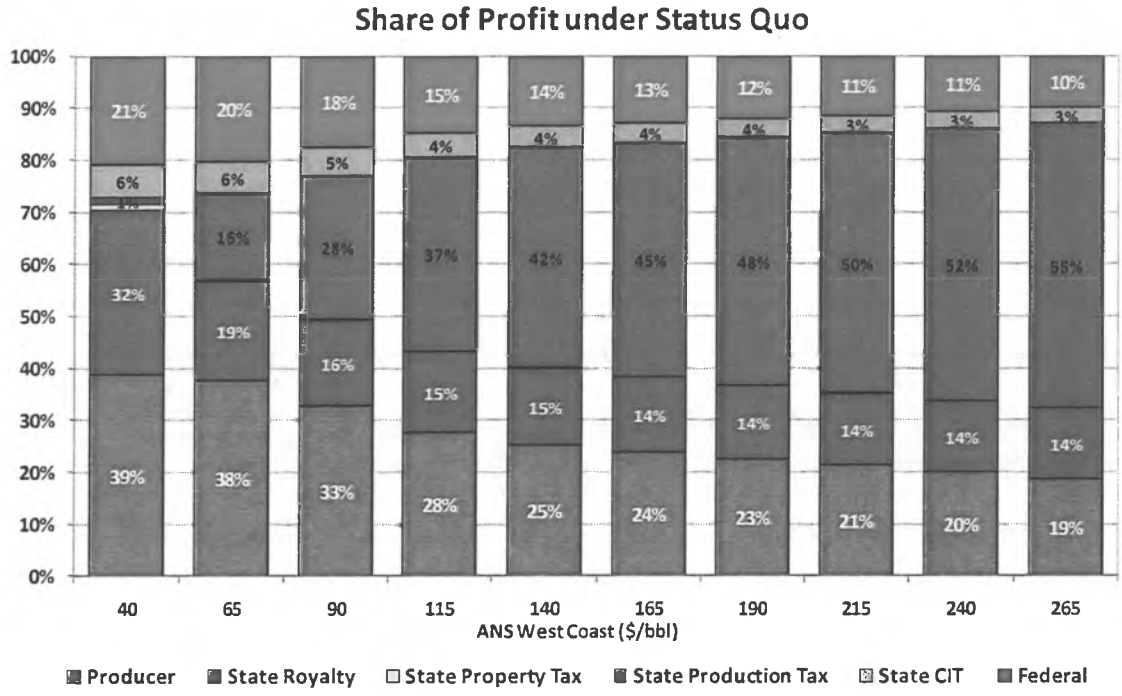
The following charts show the distribution of profit (excluding royalty) at various oil prices, under both status quo and SB 49. Royalty is an integral part of the state's fiscal system and we maintain that it should be included in the analysis of distribution of profit.

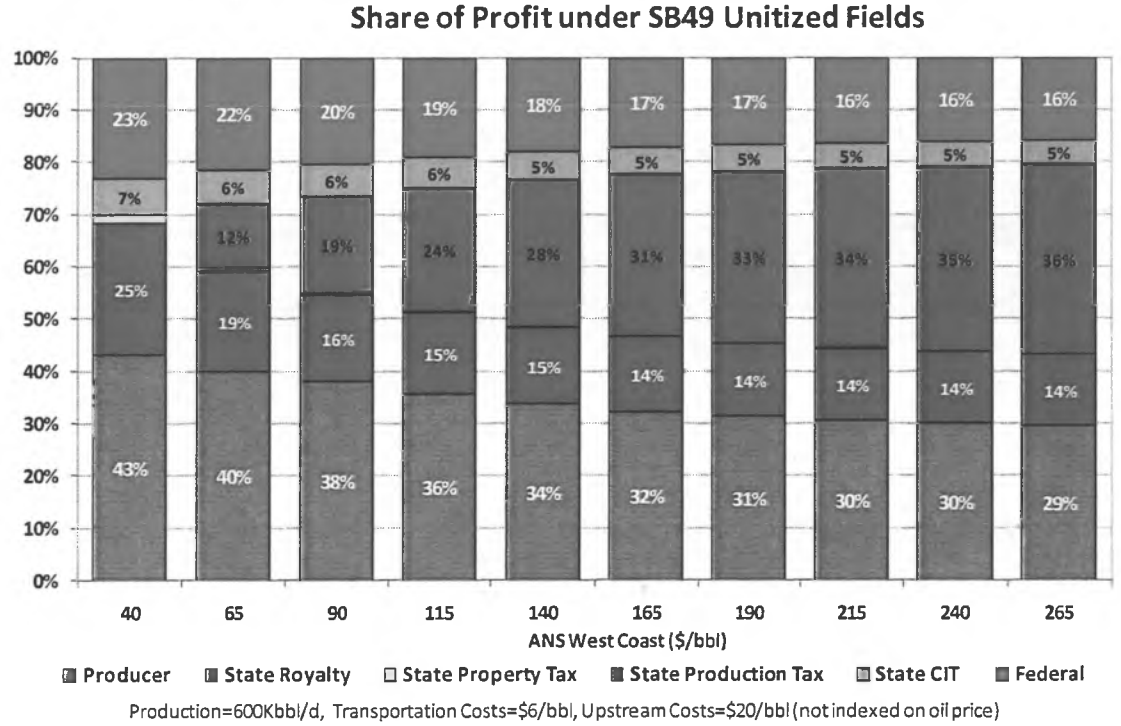




12) Please reproduce the profit share graph on slide 20, including royalty, with the state share broken down into the various components.

The following charts show the distribution of profit at various oil prices, including detailed breakdown of the components of state take, under both status quo and SB 49.





13) Explain why the profit shares on the share graph on slide 20 and 21 are different than shares of gross value.

Profit and gross value are two different numbers – one includes costs to produce oil and one does not. The concept of "profit" used in the "share of profit" slides represents the wellhead value of oil (which excludes transportation costs), less lease expenditures (operating and capital costs). The concept of "gross value at point of production" represents the value at the entry point into a common carrier pipeline (such as TAPS) and excludes only transportation costs.

14) Provide the model used to produce the profit share graph on slide 20.

The Department has prepared a one-year snapshot model designed to illustrate the impacts of SB49 on the state, federal and producer takes for a certain production rate, under fixed oil price and cost assumptions. Department staff are available to meet with interested legislators who wish to manipulate this model.

QUESTIONS FROM TAX CREDITS PRESENTATION

15) What is the difference between an exploration well and a development well?

Following are definitions of different types of wells, from the AOGCC:

- "Exploratory Well" means a well drilled to discover or to delineate a pool
- "Development Well" means a well drilled to a known productive pool
- "Service Well" means a well used for injecting water, gas, or other fluids into a reservoir or producing formation in pressure maintenance, enhanced recovery, or storage operations, for disposing of oil field wastes, or for conducting other operations in support of oil or gas production
- "Stratigraphic Test Well" means a hole drilled for the sole purpose of gaining structural or stratigraphic information to aid in exploring for oil and gas

16) Explain the difference between the $85.5 million in exploration credits for FY 2008 shown in today's presentation, and a lower number ($38.5 million) provided in an earlier presentation.

The table used in the earlier presentation incorrectly excluded 3 applications for exploration credit claims totaling $47 million submitted and received during FY 2008. The data was omitted from a report obtained out of the database used to track credit applications. The error was discovered as we reconciled the eventual credits paid or refunded by the state to the applications received.

17) Will the Department be revising its estimate for credits taken in 2011 based on the recent announcement that Repsol will be investing in an exploration program on the North Slope?

The Department will not be revising the estimate for credits taken in FY 2011 based on Repsol's recent announcement about its North Slope investment plans. The Department may, however, revise estimates for FY 2012 and later years' expenditures and credits, pending further information gathered during our extensive fall forecasting process. As part of our fall forecast, we review plans of development, and we meet individually with oil and gas explorers and developers in order to gain a better understanding of their projects. This will also give us the opportunity to inquire about spending plans, and whether or not the projects will likely meet the criteria for credit under one of our exploration tax credits or other credits. Assuming company plans proceed as intended, we will likely incorporate these new estimates into our Fall 2011 forecast.

We hope our responses fully answer your questions.

Sincerely,

Bruce Tangeman
Deputy Commissioner

OUTSTANDING QUESTIONS

The following questions remain from the Senate Resources hearings on March 11, 14, and 16, 2011. We are working on these questions and will respond at a future date.

1) **Provide the Department's previous forecasts for Prudhoe Bay production in 5-year increments (2010, 2005, 2000, etc)**

2) **Explain the concept of "duty to produce".**

3) **Can we look at a possible correlation between declines in exploration in 2003 and 2010, and the economic downturns in 2001 and 2008. Is Alaska's decline in exploration in those years similar to other states after removing gas exploration wells?**

4) **Provide information about companies that are working together on exploration wells shown in the exploration wells slide.**

5) **How do drilling agreements work when companies are working together? If one company pulls out of a project, is the project typically cancelled?**

6) **Compare royalty rates in Alaska with royalty rates in other states; that is, compare royalties paid in Alaska as an owner state to royalties paid to private land owners in Texas, North Dakota, etc.**

7) **Please show SB 49 compared to our revenue forecast in the "income statement" format for FY 2010, FY 2011, and FY 2012.**

8) **Please recast the fiscal note analysis using flat oil prices of $100, $110, and $120 instead of the Department's forecast oil prices.**

9) **Explain the difference between the $85.5 million in exploration credits for FY 2008 shown in today's presentation, and a lower number ($38.5 million) provided in an earlier presentation.**

10) **Provide a 5-year forecast for capital expenditures and the credits derived from those expenditures.**

11) **Provide a chart of effective tax rates under current law and SB 49 using forecasted transportation costs, lease expenditures, and credits for FY 2012.**

12) **Provide modeling to show whether the $1.1 billion in credits paid to explorers has led to any production.**

13) **Provide a breakout of the types of capital expenditures in as much detail as possible.**

State of Alaska

Department of Revenue

Commissioner's Office

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March 25, 2011

Senator Joe Paskvan
State Capitol Room 115
Juneau AK, 99801

Re: Answers to questions posed March 17, 2011

Dear Senator Paskvan:

The purpose of this document is to respond to the questions you raised in our meeting with you on March 17, 2011. The requests/questions and responses follow.

1. **Prepare a version of the FY 2011 income statement that replaces the "credits applied against tax liability" with "total credits earned" regardless of when or how those credits are used.**

   Please see income statement for FY 2011 on the following page.

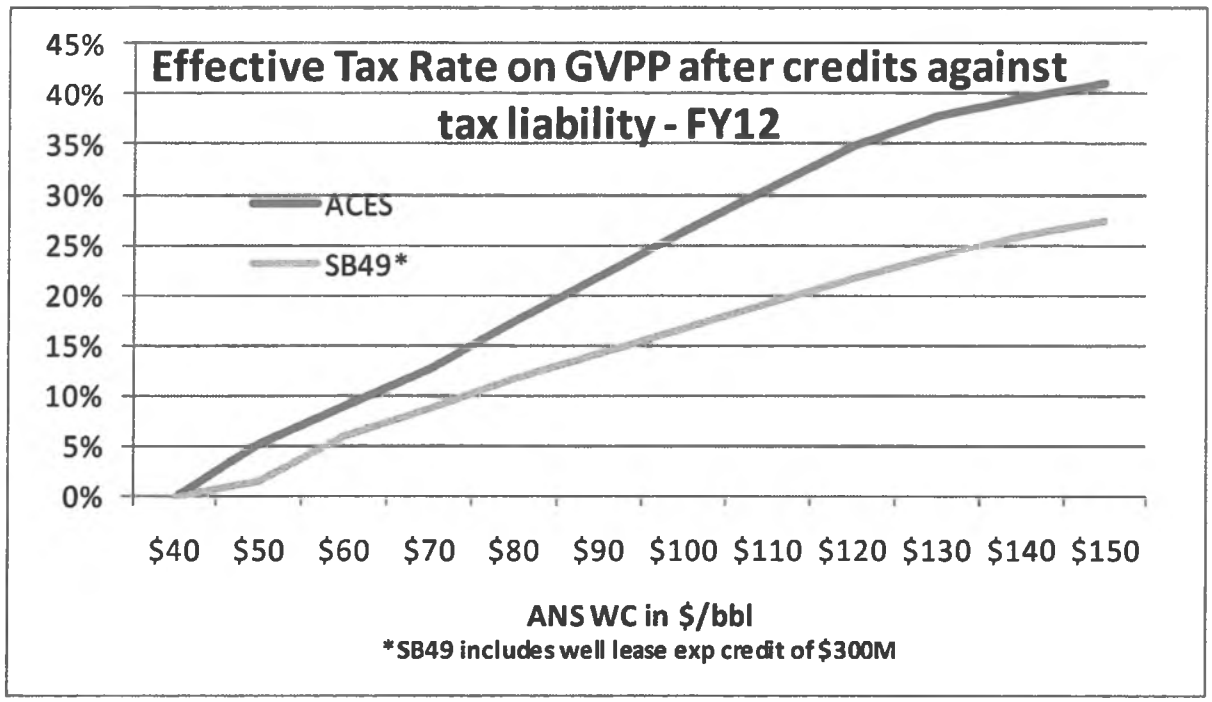
FY 2011 Production Tax Estimates with Total Credits earned[4]

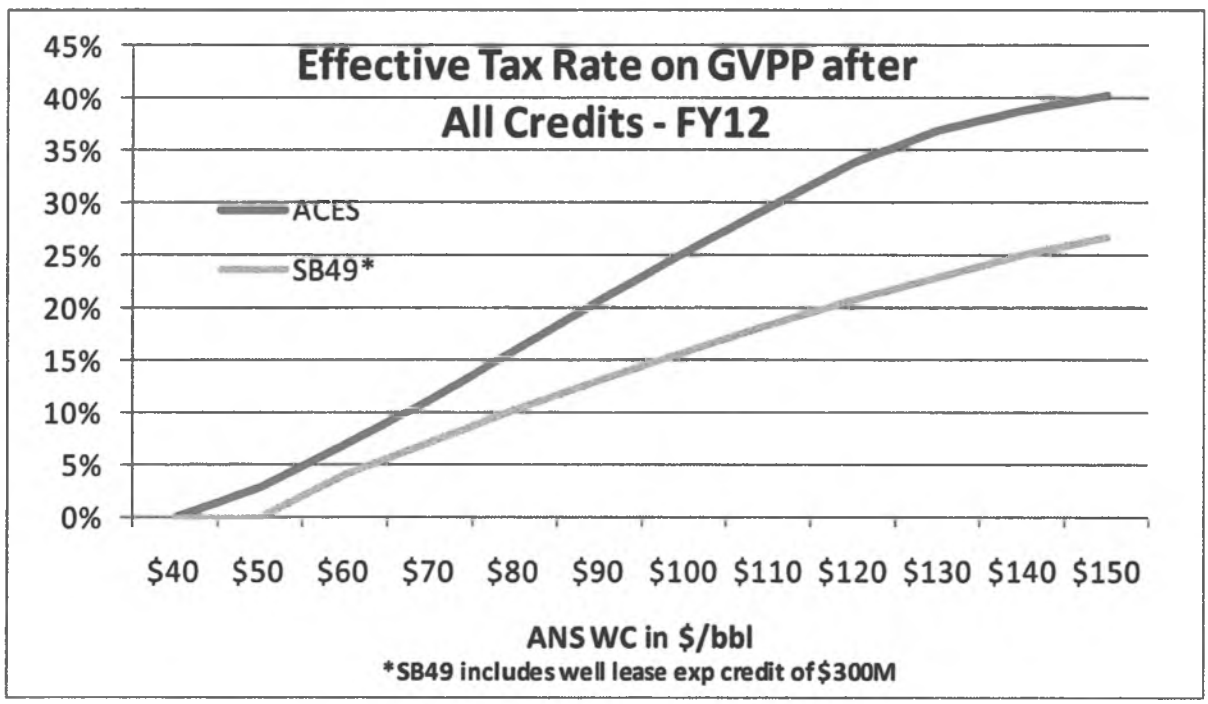
	Price	Barrels	Value ($M)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$77.96	615,902	$48.0
Annual Production (bbl)			
Total		224,804,230	$17,525.7
Royalty, Federal and other barrels[1]		-34,100,490	($2,658.5)
Taxable barrels		190,703,740	$14,867.3
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	-$2.07		
TAPS Tariff	-$4.17		
Other	$0.24		
Total Transportation Costs	-$6.00	190,703,740	($1,144.2)
Lease Expenditures			
Total Operating Expenditures	-$13.39		($2,553.0)
Total Capital Expenditures	-$13.49		($2,572.0)
Deductible Operating Expenditures[2]	-$12.99		($2,477.0)
Deductible Capital Expenditures[2]	-$10.43		($1,988.4)
Total Deductible Lease Expenditures	-$23.42	190,703,740	($4,465.4)
Production Tax			
Production Tax Value (PTV)			$9,257.6
Base Tax (25%*PTV)			$2,314.4
Production Tax Value per barrel	$48.54		
Progressive Tax = (7.4% * PTV)			$686.7
Total Tax before credits			$3,001.1
Credits			
Credits applied against tax liability			($400.0)
Estimated Total Tax after credits[3]			**$2,601.1**
Total credits earned (including not applied against tax)[4]			($665.0)
Total Tax before credits less total credits earned[4]			$2,336.1

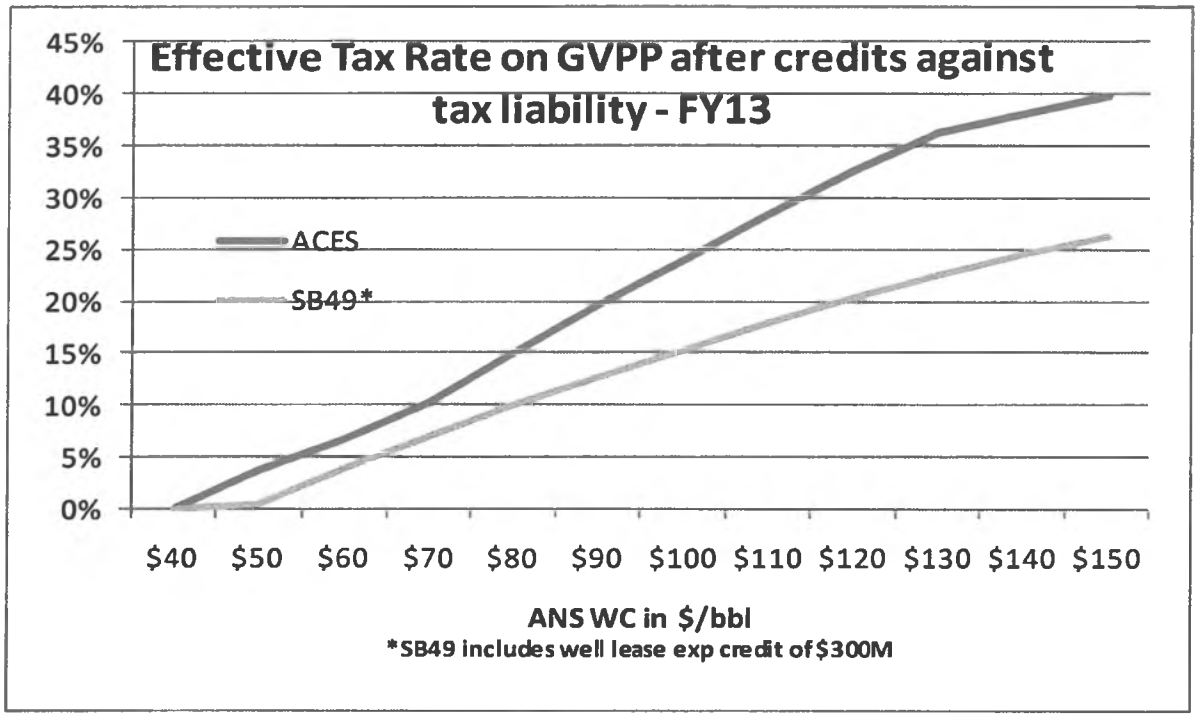
Notes: (1) Royalty, Federal and other barrels represents our best estimate of barrels that are not taxed. This estimate includes both state and federal royalty barrels, barrels produced from federal offshore property and barrels used in production.
(2) Deductible Lease Expenditures represents our best estimate of lease expenditures that are applicable to currently producing fields that are likely to produce a tax liability for the company or companies producing them. The per-barrel expenditures reflect expenditures **per taxable barrel** and do not reflect expenditures per all barrels produced.
(3) Estimated Total Tax after credits is a calculated total based on constant daily production, constant oil prices, and constant expenditures for the entire year. Variations in these assumptions captured in larger revenue models will produce different results that differ from the estimates in the simple model above.
(4) Total credits earned is shown by request and is intended to reflect the net exposure to the state from all production tax credit activity in a year without regard to when and how the credits are applied or redeemed.

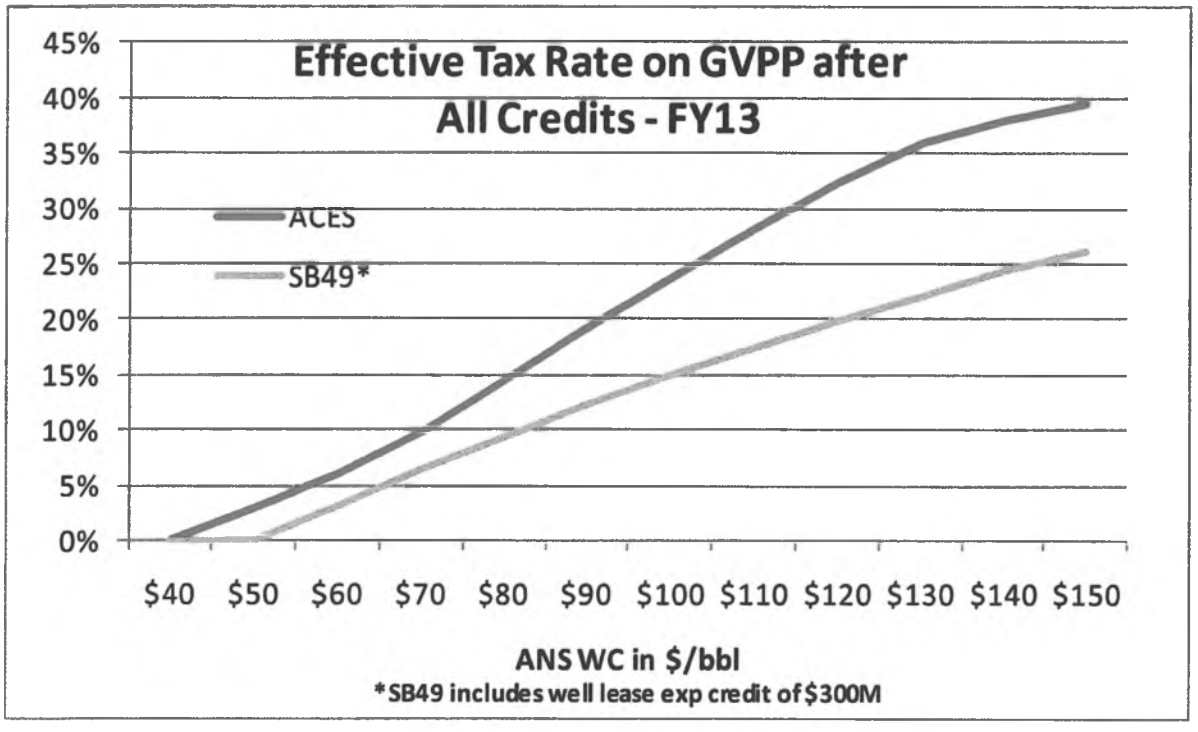
2. **Prepare slides showing effective tax rates on gross (after credits) for ACES and SB 49, for FY 2012-2016. Prepare similar slides showing effective tax rate on gross after all credits – including those used against tax liability and those which will likely be certificated – for ACES and SB 49 for the same years.**

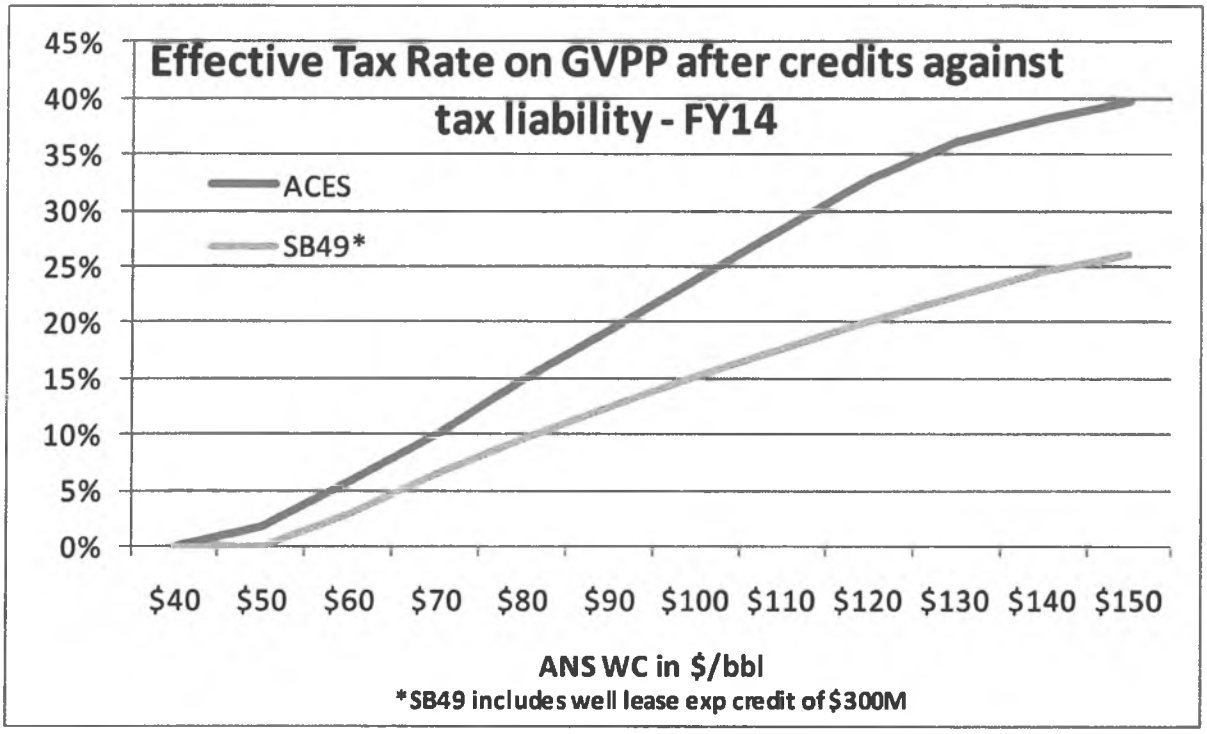
   See the following pages for the slides requested in question number 2.

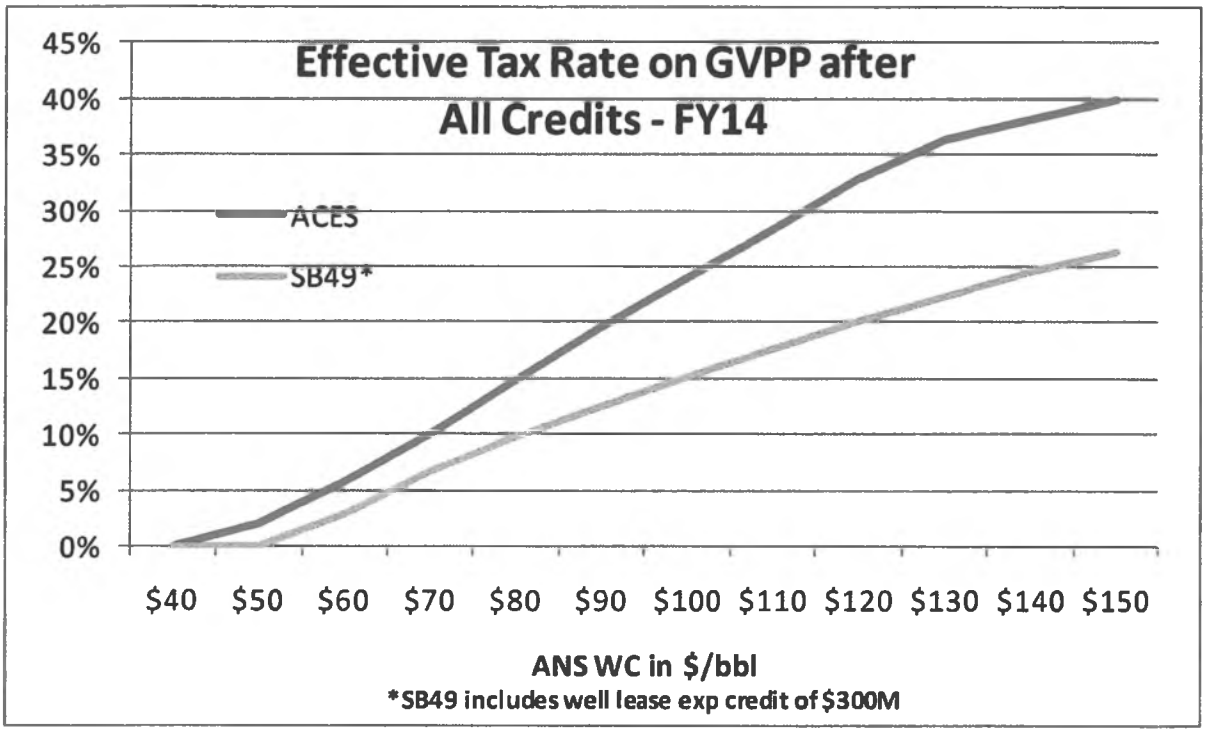

Effective Tax Rate on GVPP after credits against tax liability - FY12
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
ACES
SB49*
$40 $50 $60 $70 $80 $90 $100 $110 $120 $130 $140 $150
ANS WC in $/bbl
*SB49 includes well lease exp credit of $300M

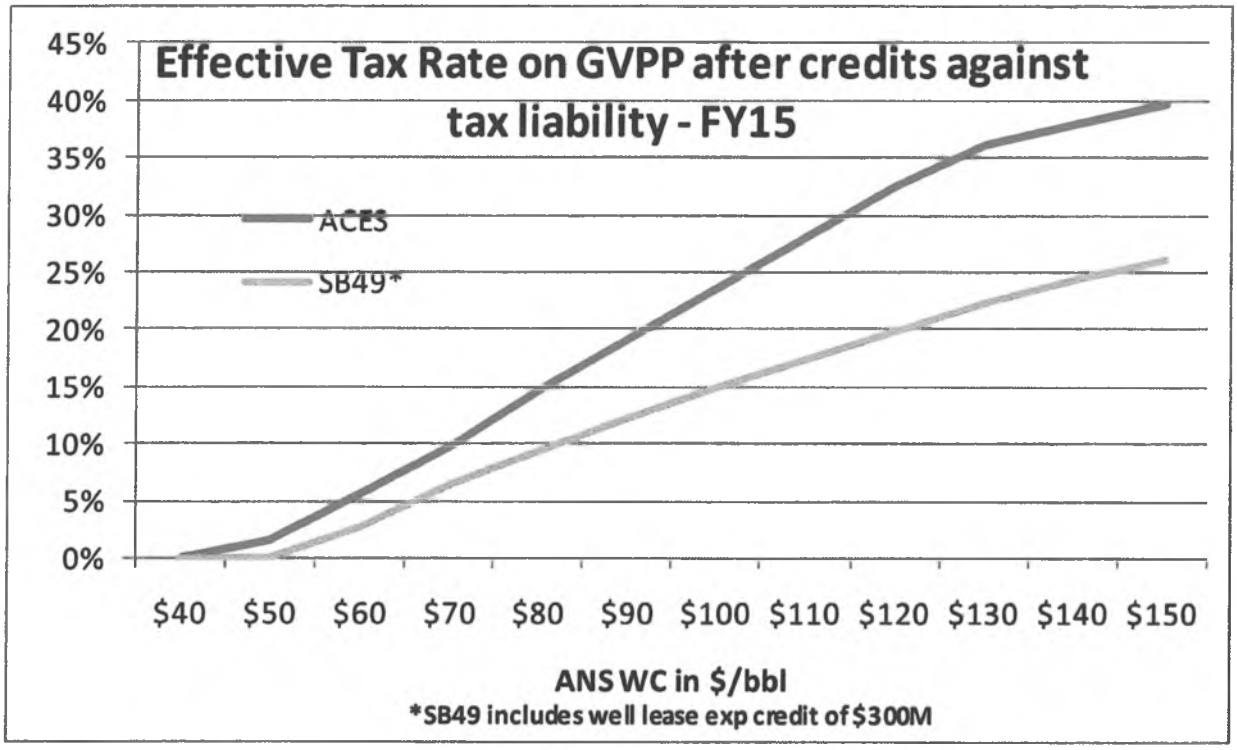

Effective Tax Rate on GVPP after All Credits - FY12
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
ACES
SB49*
$40 $50 $60 $70 $80 $90 $100 $110 $120 $130 $140 $150
ANS WC in $/bbl
*SB49 includes well lease exp credit of $300M

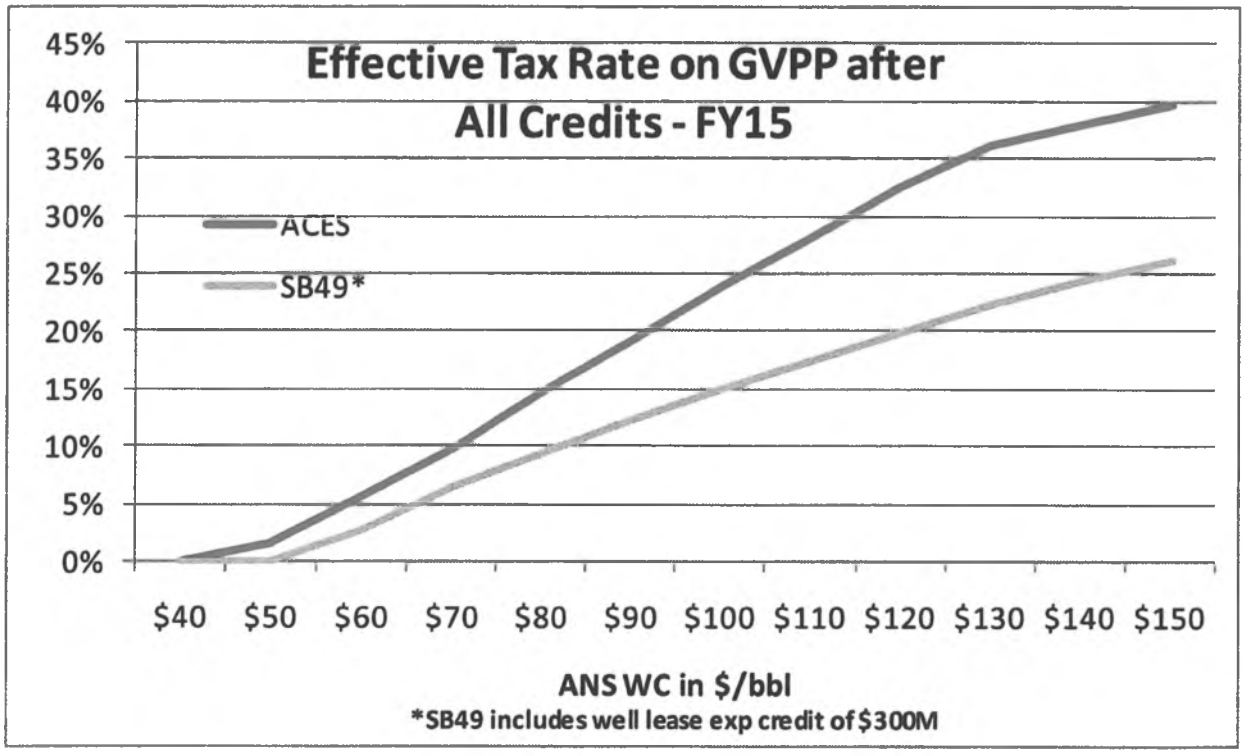

Effective Tax Rate on GVPP after credits against tax liability - FY13
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
ACES
SB49*
$40 $50 $60 $70 $80 $90 $100 $110 $120 $130 $140 $150
ANS WC in $/bbl
*SB49 includes well lease exp credit of $300M

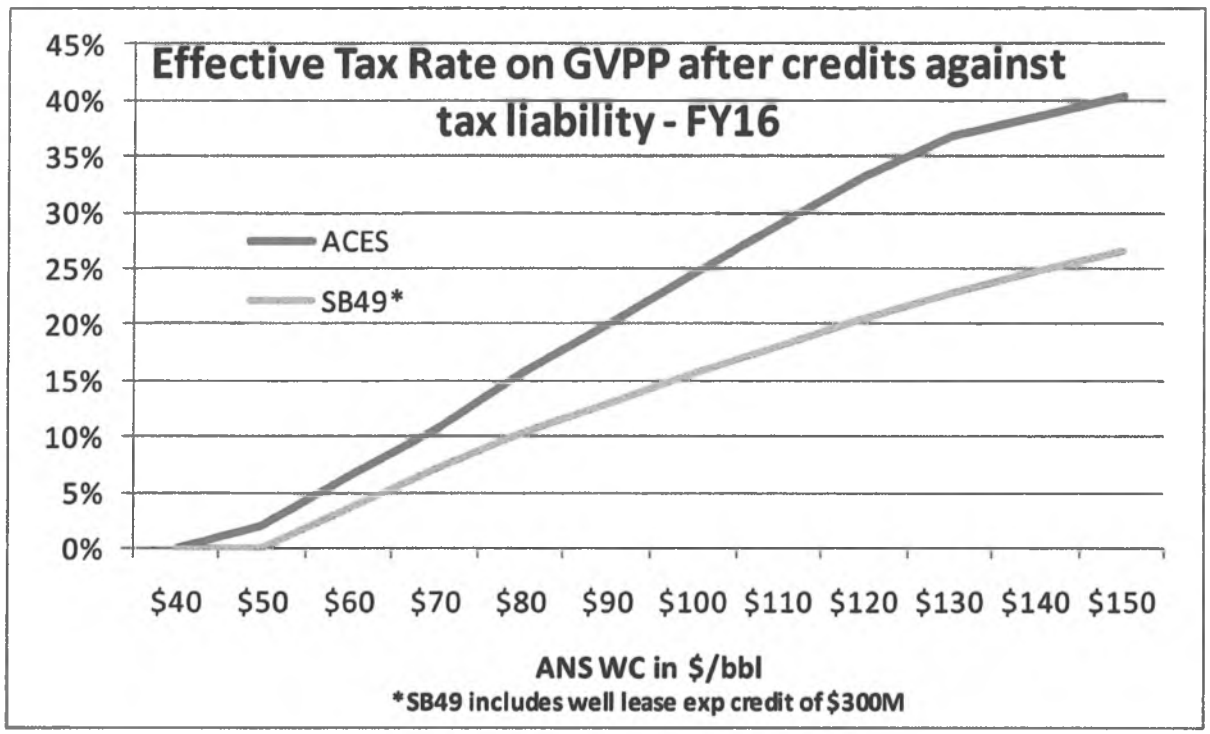

Effective Tax Rate on GVPP after All Credits - FY13
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
ACES
SB49*
$40 $50 $60 $70 $80 $90 $100 $110 $120 $130 $140 $150
ANS WC in $/bbl
*SB49 includes well lease exp credit of $300M

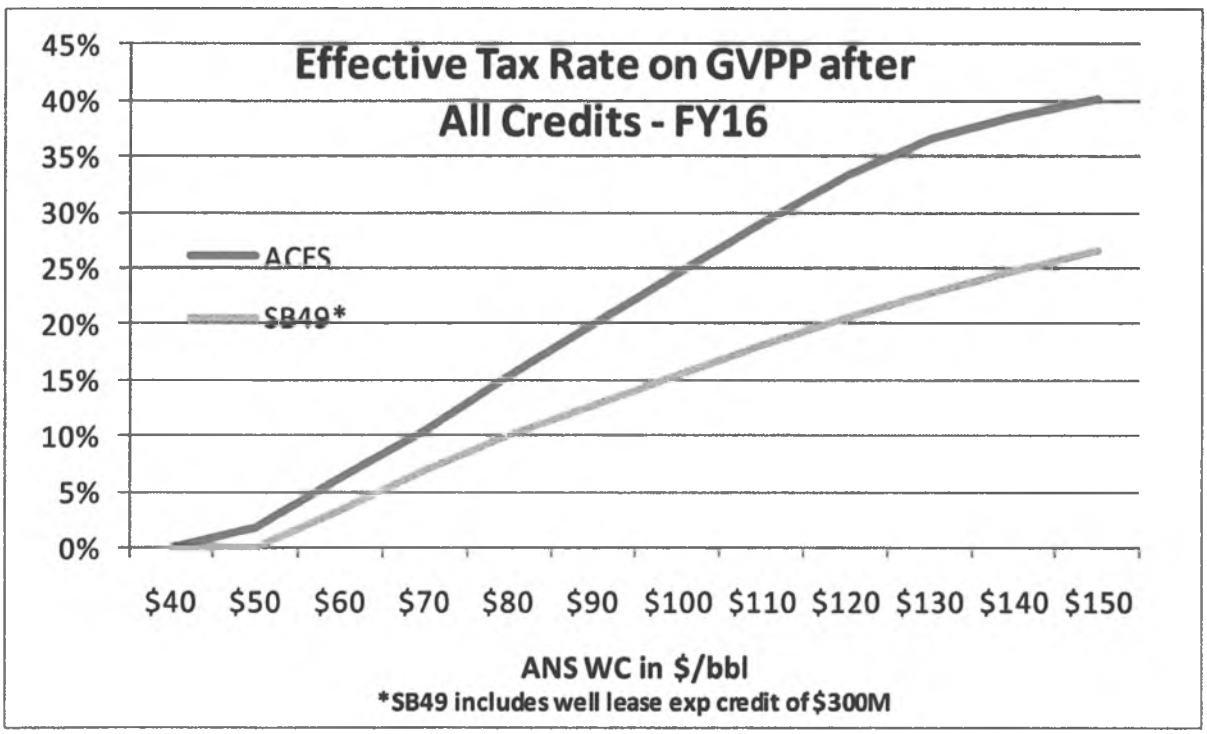

Effective Tax Rate on GVPP after credits against tax liability - FY14
ACES
SB49*
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
$40 $50 $60 $70 $80 $90 $100 $110 $120 $130 $140 $150
ANS WC in $/bbl
*SB49 includes well lease exp credit of $300M


Effective Tax Rate on GVPP after All Credits - FY14
ACES
SB49*
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
$40 $50 $60 $70 $80 $90 $100 $110 $120 $130 $140 $150
ANS WC in $/bbl
*SB49 includes well lease exp credit of $300M


Effective Tax Rate on GVPP after credits against tax liability - FY15
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
ACES
SB49*
$40 $50 $60 $70 $80 $90 $100 $110 $120 $130 $140 $150
ANS WC in $/bbl
*SB49 includes well lease exp credit of $300M

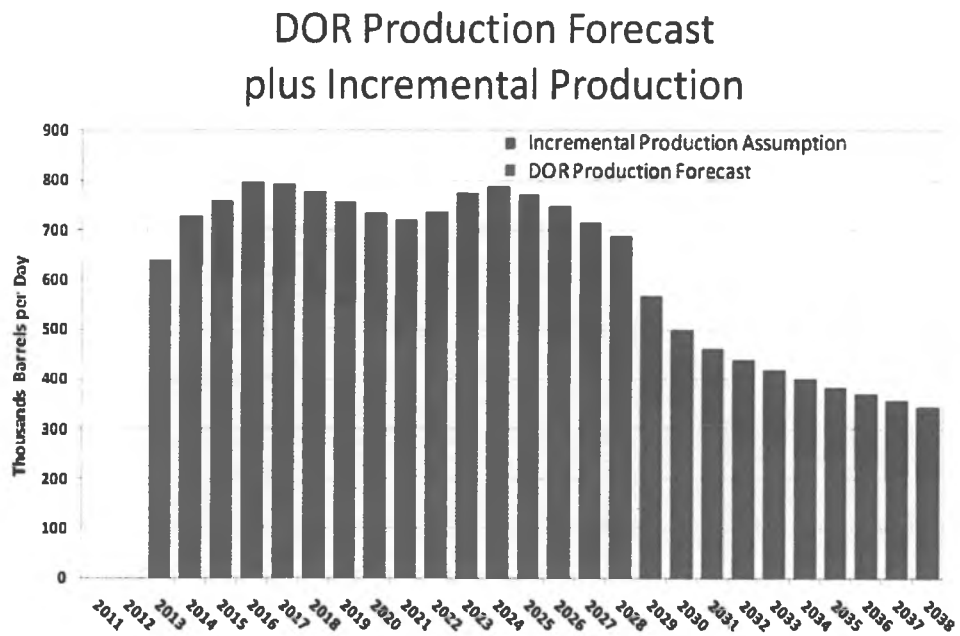

Effective Tax Rate on GVPP after All Credits - FY15
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
ACES
SB49*
$40 $50 $60 $70 $80 $90 $100 $110 $120 $130 $140 $150
ANS WC in $/bbl
*SB49 includes well lease exp credit of $300M


Effective Tax Rate on GVPP after credits against tax liability - FY16
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
ACES
SB49*
$40 $50 $60 $70 $80 $90 $100 $110 $120 $130 $140 $150
ANS WC in $/bbl
*SB49 includes well lease exp credit of $300M


Effective Tax Rate on GVPP after All Credits - FY16
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
ACES
SB49*
$40 $50 $60 $70 $80 $90 $100 $110 $120 $130 $140 $150
ANS WC in $/bbl
*SB49 includes well lease exp credit of $300M

3. Provide the analysis of the Great Bear scenario that was prepared for the House Resources Committee.

The following charts have been prepared to illustrate the potential impact of incremental production on state revenue. This illustration does not constitute a "best case scenario" but rather one single potential outcome out of a very wide range of possible production and price scenarios. The assumptions used are based on the Fall 2010 production and price forecasts and on recent industry testimony and as such, can be considered as neither excessively optimistic nor conservative. This scenario does not represent a Department of Revenue forecast or expectation. The analysis assumes that following the enactment of HB 110, incremental production beyond what is included in the Department's current production forecast would come from state lands. For this analysis, production included in the Department's forecast is assumed to be taxed at a 25% base rate and a maximum progressivity of 25% under HB 110. For illustration purposes, incremental production has been assumed to follow a profile similar to that presented by Great Bear Petroleum, as described in their 18th February, 2011 testimony[1]. This incremental production is assumed to come from currently non-unitized fields, which under HB 110, would be taxed at a 15% base rate and a maximum progressivity of 25%.

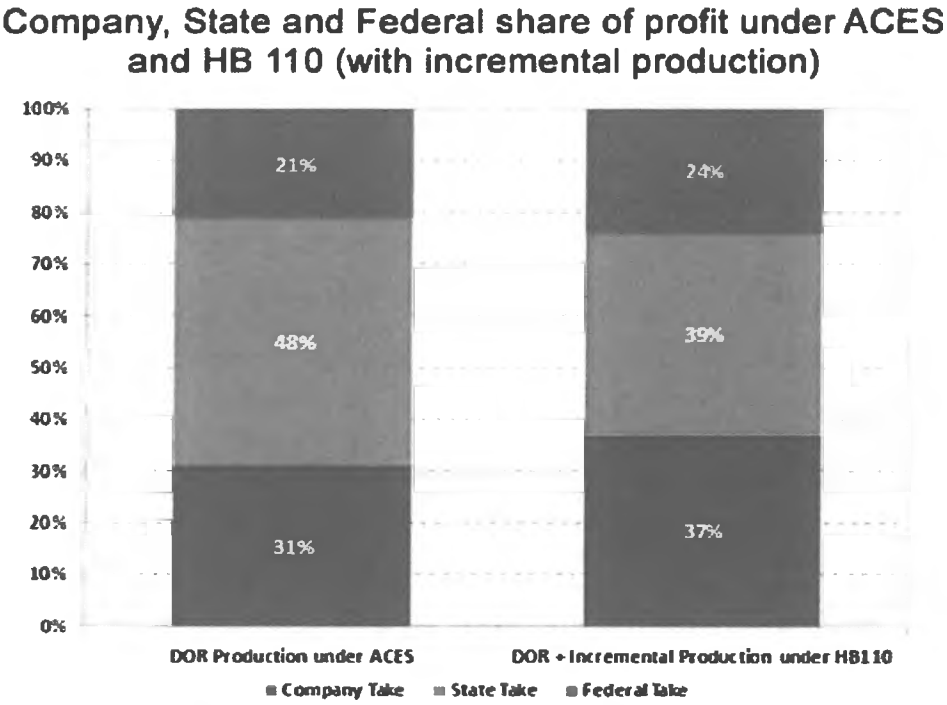


Source: DOR Production Profile; Fall 2010 Revenue Sources Book.
Incremental Production: Great Bear Petroleum; 18 February, 2011.

Overall, the enactment of HB 110 under this set of assumptions would reduce the "State Take" (all state revenues including production tax, royalty, corporate income tax and property tax) from

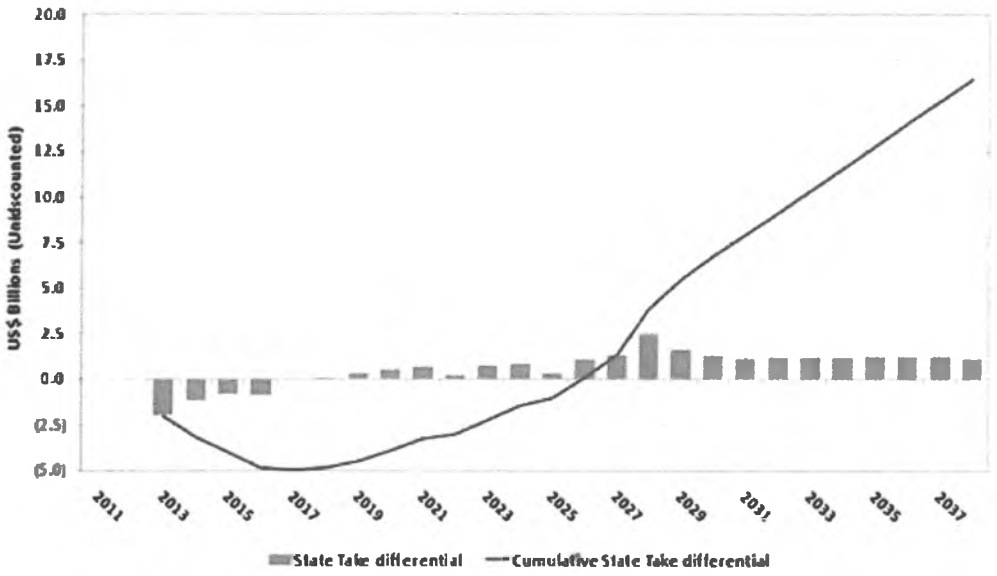
[1] Production starts in 2014 with 295 thousand barrels per day peak in 2028. Note: Great Bear Petroleum labels this as a 'Potential Oil Production Profile' and lists certain assumptions used in the preparation of this profile in their testimony.

48% to 39% of profits. Overall "Government Take", which also includes federal corporate income taxes, would be reduced from 69% to 63%.



However, while the relative State Take decreases under HB 110, it is applied to a "larger pie", which includes the assumed incremental production. Over the 2013 to 2038 period, total state revenue under HB 110, with the incremental production, would be $17 billion higher than it would be under ACES with no incremental production.

Additional state revenue under HB 110



Note: State Take for DOR + Incremental Production under HB110 minus State Take for DOR Production under ACES

Under the assumptions used, state revenue under HB 110, with the incremental production, would be higher than under the status quo beginning in 2018. Cumulative state revenue under the HB110 scenario starts exceeding what would have been received under ACES in 2026. As stated earlier, this is but one many potential scenarios as incremental production could conceivably be greater, or lower, than assumed for the purpose of this illustration.

We hope our responses fully answer your questions.

Sincerely,

Bruce Tangeman
Deputy Commissioner

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

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April 5, 2011

The Honorable Joe Paskvan
Alaska State Senator
State Capitol, Room 115
Juneau, AK 99801

The Honorable Thomas Wagoner
Alaska State Senator
State Capitol, Room 427
Juneau, AK 99801

Re: Response to Questions from Senate Resources Hearing on April 1, 2011

Dear Senators Paskvan and Wagoner:

The purpose of this document is to respond to the follow-up questions raised by the Senate Resources Committee meeting during our presentation of the Oil & Gas Production Tax Status Report on April 1, 2011. The requests/questions and responses follow.

1) **Provide information about the Department's use of contract auditors and the possibility of using contract auditors when positions cannot be filled.**

   We have used and are currently using contract auditors to perform some of the audits on the AS 43.55.025 alternative credit for oil and gas exploration applications.

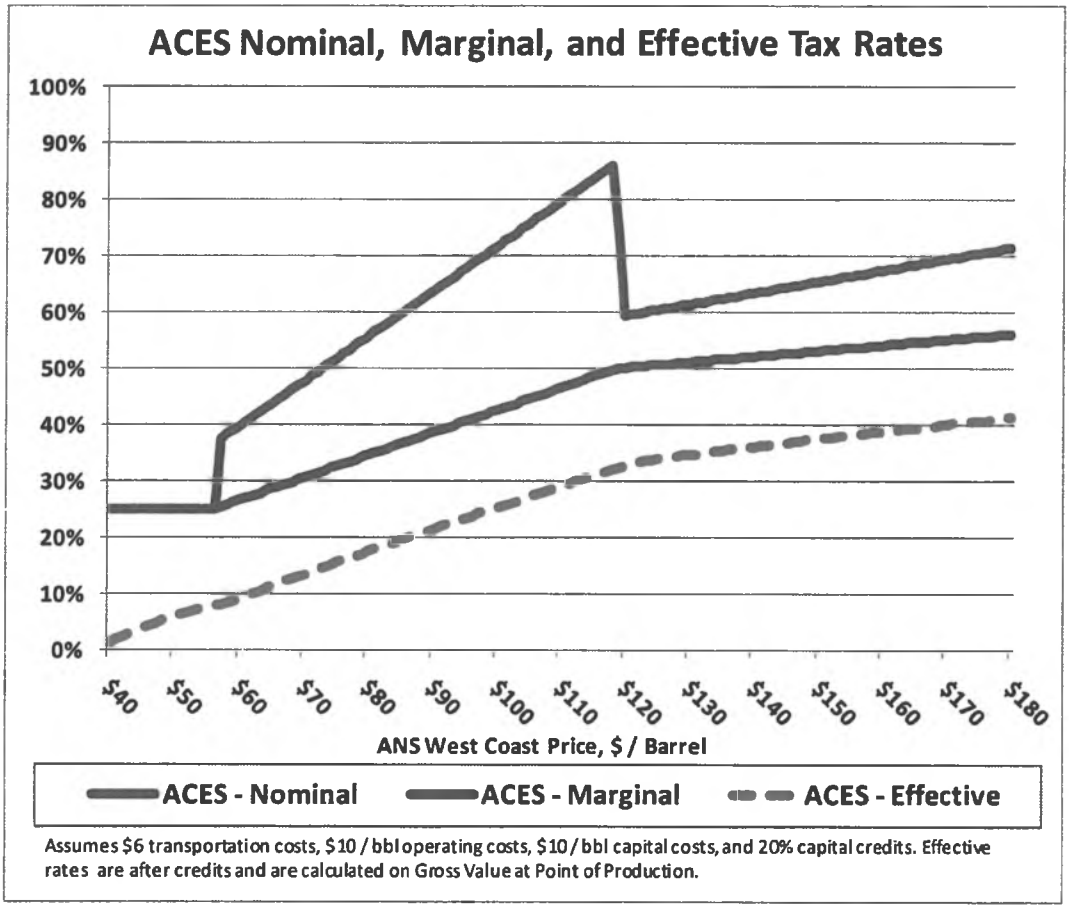
   We have also used and will use contract auditors to perform the annual AGIA reimbursement audit of the licensee as required by AS 43.90.220. These audits are calendar year end audits performed and completed within the next tax year.

   We have not used contract auditors for other uses, due to lack of available funding.

2) What are the nominal and effective tax rates under ACES when the price for ANS oil is $100 per barrel?

The following chart compares nominal, marginal, and effective tax rates under ACES at a range of oil prices. For this analysis we assumed $6 per barrel transportation costs, $10 per barrel operating costs, $10 per barrel capital costs, and credits in the amount of 20% of capital costs.

Based on this analysis, at an ANS price of $100 per barrel, the nominal tax rate is 42.6%, the marginal tax rate is 71.8%, and the effective tax rate on gross value is 25.3%.



We hope our responses fully answer your questions.

Sincerely,

Bruce Tangeman
Deputy Commissioner

State of Alaska

Department of Revenue

Commissioner's Office

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Anchorage, Alaska 99501

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Fax: (907) 276-3338

The Honorable Joe Paskvan
Alaska State Senator
State Capitol, Room 115
Juneau, AK 99801

April 6, 2011

Re: Answers to questions posed April 4, 2011

Dear Senator Paskvan:

The purpose of this document is to respond to the questions posed in an email from Jeff Stepp of your office dated April 4, 2011. The requests/questions and responses follow.

1. **For the years 2005 – 2011*, how much (gross dollars) are the capital expenditures by operators with production tax liability?**
2. **For the years 2005 – 2011*, how much are the capital expenditures by operators with some production tax liability but whose liability for that tax was reduced to zero with credits?**
3. **For the years 2005 – 2011*, how much are the capital expenditures by operators with no production and, therefore, no tax liability?**
4. **What is the specific number of companies that fit into each of the above categories in each of the years?**
5. **What is the total number of operators reporting taxes in each of those years (2005 – 2011*)?**
6. **Please identify the names of the operators in each of the categories in each of the years.**
7. **For the years 2005 – 2011*, name the operators filing reports.**

The Department of Revenue began receiving capital and operating expenditure data with the passage of PPT, which became effective in FY 2007. The department has since that time received monthly information forms and annual tax returns from oil and gas companies in the state. The department has a relatively solid data set for FY 2007 through FY 2010, and can provide information about those years. The data are limited to expenditures on the North Slope. Due to confidentiality constraints, we can provide information only about companies with production and companies with no production. We cannot disclose taxpayer-specific information, therefore we cannot provide answers to questions 5 – 8.

The table below provides the information we could compile for questions 1 – 4 above.

North Slope Capital Expenditures and Number of Companies with and without production, FY07 - FY10

Fiscal Year	North Slope Capital Expenditures by Companies with Production	Number of Companies with Production - North Slope	North Slope Capital Expenditures by Companies with No Production	Number of Companies with No Production - North Slope	North Slope Capital Expenditures - All Companies	Total Number Companies - North Slope
2007	$1,713,888,686	5	$388,085,401	13	$2,101,974,087	18
2008	$1,494,140,538	6	$477,661,229	18	$1,971,801,768	24
2009	$2,108,129,331	8	$103,848,115	12	$2,211,977,446	20
2010	$2,336,081,390	9	$52,611,147	11	$2,388,692,537	20

8. What is the amount of credits refunded for FY05 – FY 11, and what are the forecasted credits refunded for FY12 and forward?

Credits became refundable with the passage of PPT beginning in FY 2007. The amounts of credits refunded in each of the years since then, and forecasted for FY 2012 is shown below. We do not attempt to estimate refundable credits on a forecast basis further out than one year from the current date.

FY 2007 = $54.6 million
FY 2008 = $54.1 million
FY 2009 = $193.1 million
FY 2010 = $250.5 million
FY 2011 = $430.0 million
FY 2012 = $400.0 million
TOTAL = $1,382 million

We hope our responses fully answer your questions.

Sincerely,

Bruce Tangeman
Deputy Commissioner

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

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The Honorable Joe Paskvan
Alaska State Senator
State Capitol, Room 115
Juneau, AK 99801

April 6, 2011

Re: Answers to questions posed on April 5, 2011

Dear Senator Paskvan:

The purpose of this document is to respond to the questions posed on April 5, 2011. The requests/questions and responses follow.

Is it accurate to say that "the production tax rate under ACES may be as high as 75% (Oil & Gas Tax Status Report, p. 1)" when the price of a barrel of crude is approximately $400? Also, to confirm, are you talking about the nominal, marginal, or effective tax rate in that line?

This statement would be accurate. 75% is the maximum nominal tax rate for production tax only, and applies when the production tax value is greater than $342.50 per barrel.

On page 1 – page 2 of the January 17, 2011 Oil and Gas Production Tax Status Report, the report says that, "tax rates in each of the four years were much lower than the maximum rate." What was the corresponding tax rate in each of those four years?

Chart 2, on page 5 of the report, shows the average nominal tax rate paid in FY 07, 08, 09, and 10. The average nominal tax rates paid in each year were as follows: FY 2007, 22.5% (under PPT); FY 2008, 41.8%; FY 2009, 30.2%; and FY 2010, 32.6%.

The Oil & Gas Tax Status Report 2011 says that "the government share of each additional dollar of profit may be as high as 93% (page 14)." Please provide the back-up numbers to support that statement.

The maximum marginal rate under the current fiscal system has been quoted as either 87% or 93%. Both these numbers are correct, but refer to different things.

The maximum marginal rate of 87% refers to the percentage of the incremental taxable revenue (defined as the taxable revenue generated by a US$ 1/bbl increase in ANS

West Coast price with all other conditions remaining unchanged) that is captured by the State through the production tax only.

The calculation of this ACES maximum marginal rate is illustrated in Appendix A using the data presented by the Department of Revenue (DoR) to Senate Finance Committee on 25 January 2011 for FY2010.

Assuming an ANS West Coast price of US$ 116.71/bbl (leading to a Production tax Value per barrel (PTV/bbl) of US$ 91.50 in this example), the taxable barrels revenue would be US$ 23,787 million (MM) and the production tax before credit would be US$ 9,250MM.

Assuming an ANS West Coast price US$ 1 higher of US$ 117.71/bbl (with PTV/bbl rising commensurately to US$ 92.50), the taxable barrels revenue would be US$ 23,991MM and the production tax before credit would be US$ 9,427MM.

The ACES marginal rate is calculated by dividing the incremental production tax (US$ 177MM) by the incremental taxable revenue (US$ 204MM) generated by the US$ 1 oil price increase. In this case, the marginal rate is 87%, which is the maximum marginal rate for ACES.

Figure 1: ACES Marginal Rate Calculation

ACES Marginal Rate	116.71$/bbl case	117.71$/bbl case	Incremental
Taxable barrels Revenue ($MM)	23,787	23,991	204
Production Tax ($MM)	9,250	9,427	177
Marginal Tax Rate	*(Production Tax / Taxable Barrels)*		87%

Others have referred to 93% as the correct marginal rate. This is correct if one considers all the taxes a producer needs to pay i.e. the Production Taxes plus Royalty and State and Federal Income Taxes. This is illustrated in Appendix B using simplified assumptions.

Using the same assumptions, with ANS West Coast Price increasing from US$ 116.71/bbl to US$ 117.71/bbl, Royalty increases from US$ 3,626MM to US$ 3,657MM, Production Tax increases from US$ 9,250MM to US$ 9,427MM and Income Tax increases from US$ 3,997MM to US$ 4,008MM.

The marginal government rate of 93% is calculated by dividing the total incremental state and federal government take (US$ 219MM) by the incremental total revenue (US$ 235MM) generated by the US$ 1 oil price increase. Because each taxable element is calculated on different base amounts the total revenue has been used for consistency in the percent marginal rate calculation.

Figure 2: Government Marginal Rate Calculation

Government Marginal Rate	116.71$/bbl case	117.71$/bbl case	Incremental
Total Revenue ($MM)	27,413	27,648	235
Government Take ($MM)	16,873	17,092	219
Marginal Tax Rate	*(Gov't Take / Total Revenue)*		93%

In other words, the maximum marginal rate of 93% refers to the percentage of the incremental revenue that is captured by both State and Federal Governments. Note that at extreme prices over $300 / barrel, it is possible for the marginal rate to go even higher.

Appendix A

Note: data and assumptions below as per DoR presentation to Senate Finance Committee on 25 January 2011 for FY2010 save for the oil price which has been modified to illustrate where the ACES marginal rate is at its highest.

Figure A1: Production Tax assuming average ANS West Coast Price of US$ 116.71/bbl

Income Statement Type Summary	Per barrel	Barrels	Value ($million)
ANS West Coast & Daily Production	116.71	643,517	75
Annual Production	116.71	234,883,705	27,413
Royalty and federal barrels	116.71	(31,066,756)	(3,626)
Taxable barrels		**203,816,949**	**23,787**
Transportation Costs	-6.02	203,816,949	(1,227)
Deductible Opex	-10.64	203,816,949	(2,169)
Deductible Capex	-8.55	203,816,949	(1,743)
Total Lease Expenditures	-19.19	203,816,949	(3,911)
Production Tax Value (PTV)	91.50	203,816,949	18,649
Base Tax = 25%*PTV			4,662
Progressive Tax = ([91.5-30]*0.4%=24.6%)*PTV			4,588
Total Production Tax Due Before Credits			**9,250**
Credits Applied Against Production Taxes			(350)
Total Production Tax After Credits			8,900

Figure A2: Production Tax assuming average ANS West Coast Price of US$ 117.71/bbl (US$ 1/bbl increment)

Income Statement Type Summary	Per barrel	Barrels	Value ($million)
ANS West Coast & Daily Production	117.71	643,517	76
Annual Production	117.71	234,883,705	27,648
Royalty and federal barrels	117.71	(31,066,756)	(3,657)
Taxable barrels		**203,816,949**	**23,991**
Transportation Costs	(6.02)	203,816,949	(1,227)
Deductible Opex	(10.64)	203,816,949	(2,169)
Deductible Capex	(8.55)	203,816,949	(1,743)
Total Lease Expenditures	(19.19)	203,816,949	(3,911)
Production Tax Value (PTV)	92.50	203,816,949	18,853
Base Tax = 25%*PTV			4,713
Progressive Tax = ([92.5-30]*0.4%=25%)*PTV			4,713
Total Production Tax Due Before Credits			**9,427**
Credits Applied Against Production Taxes			(350)
Total Production Tax After Credits			9,077

Appendix B

Note: These calculations are based on commonly used assumptions, such as 41% corporate income tax rate, for illustration purposes. Property taxes are not specified as these have no impact on marginal rates.

Figure B1: Government take assuming average ANS West Coast Price of US$ 116.70/bbl

Simplified Tax Summary	Value ($million)
Royalty and federal barrels ($MM)	3,626
Production Tax ($MM)	9,250
Income Tax (41%) ($MM)	3,997
Total Government Take	16,873

Figure B2: Government take assuming average ANS West Coast Price of US$ 117.70/bbl (US$ 1/bbl increment)

Simplified Tax Summary	Value ($million)
Royalty and federal barrels ($MM)	3,657
Production Tax ($MM)	9,427
Income Tax (41%) ($MM)	4,008
Total Government Take	17,092

We hope our responses fully answer your questions.

Sincerely,

Bruce Tangeman
Deputy Commissioner

Title:	**Tax and Credit Report as Requested**
Preparer:	Cherie Nienhuis, Petroleum Economic Policy Analyst
Date:	4-Apr-11
Purpose:	To answer specific questions from Senator Paskvan about the production tax
Data Source:	DOR forecast models
Key Assumptions:	All assumptions included in forecast models
History:	None
Disclaimer:	The Department of Revenue is in the process of reviewing and updating the data on which this analysis is based. As a result, future analysis could have different results.

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Tax and Credit Report as Requested

	FY 2010	FY 2011	FY 2012
GVPP	$14,039	$13,723	$14,678
Total Lease Expenditures	$4,659	$5,125	$5,494
PTV (all expenditures)*	$9,380	$8,598	$9,184
Tax after credits applied against tax liability	$2,871	$2,615	$2,738
Credits Earned by type			
Capex credits (.023a)	$465	$500	$575
NOL credits (.023b)	$210	$120	$55
Small producer credit (.024c)	$35	$40	$40
Exploration credit (.025)	$5	$5	$5
Total credits earned*	$715	$665	$675

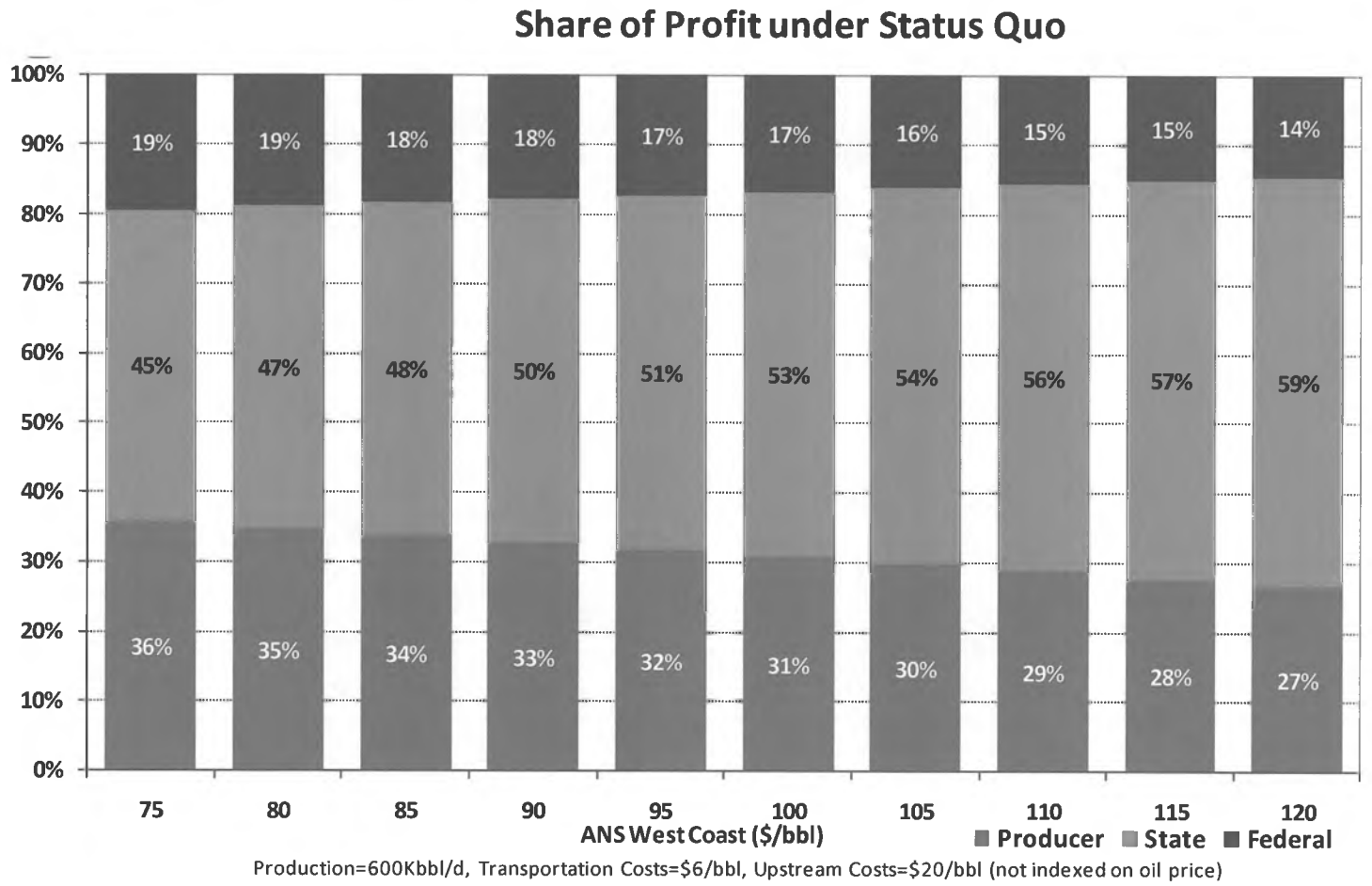
*PTV will not match published numbers because this report shows all expenditures, regardless of whether they were made by a company with a production tax liability.
**Total credits earned is an estimate of credits earned based on expenditures in the year; this estimate is not a forecast of credits to be used against tax liability in these years.
This analysis uses Fall 2010 assumptions

Profit share graph Assumptions

Assumptions	Value	Unit
Transportation Costs	6.00	$/bbl
Royalty Rate	12.5%	
Upstream CAPEX	10.00	$/bbl
Upstream OPEX	10.00	$/bbl
Total Upstream Costs	**20.00**	**$/bbl**
Daily Production	600,000	bbl/d
Property Tax (% of CAPEX)	2.00%	
Total Allowable Costs	**20.20**	**$/bbl**

- ANS West Coast Price range
  - from $75/bbl to $120/bbl in increments of $5/bbl
- Costs are constant through price range

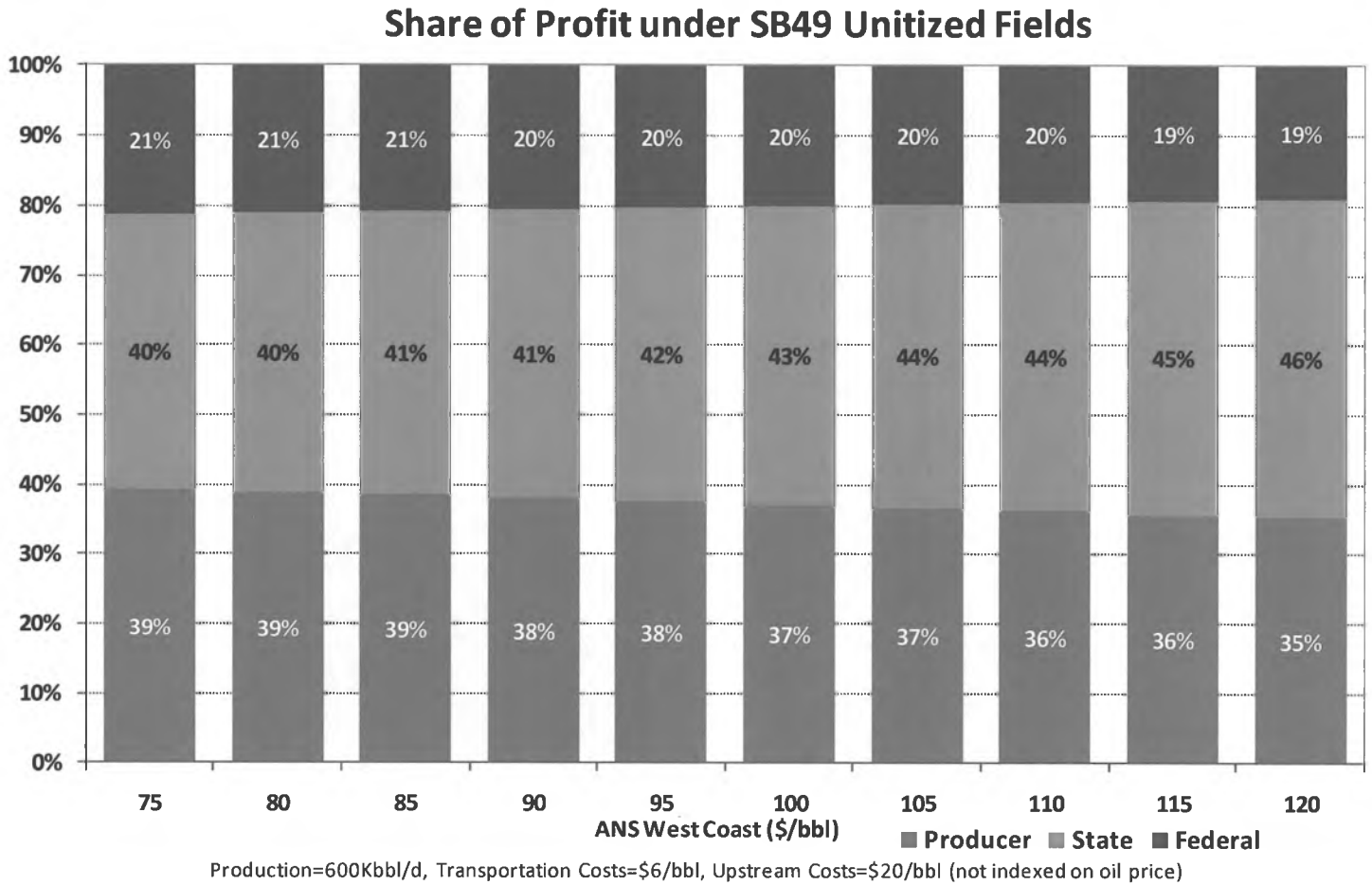
Profit Share under Status Quo



Production=600Kbbl/d, Transportation Costs=$6/bbl, Upstream Costs=$20/bbl (not indexed on oil price)

Profit: Gross Value at Market (minus) Transportation Costs (minus) Lease Expenditures

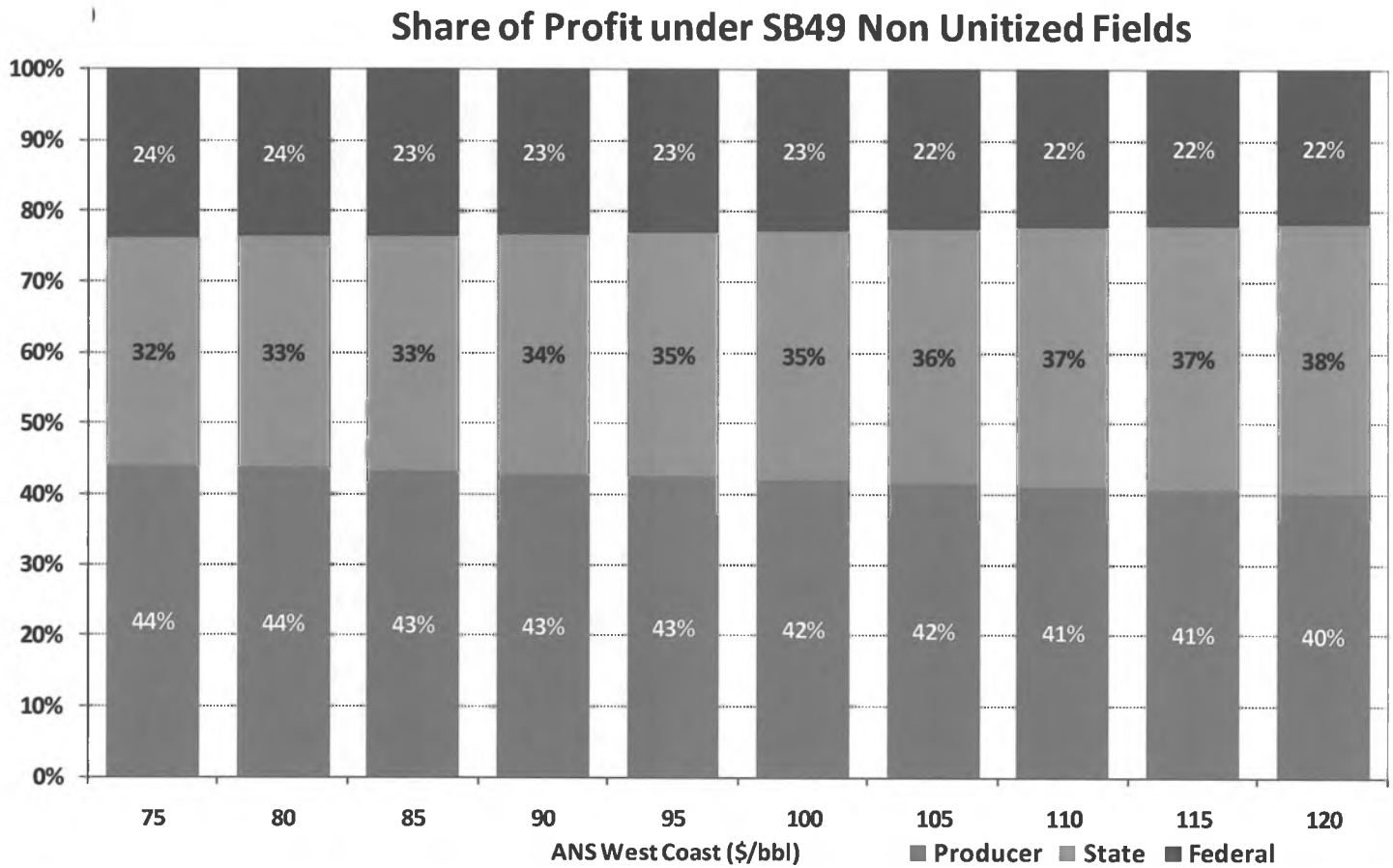
Profit Share under SB49 Unitized Fields



Production=600Kbbl/d, Transportation Costs=$6/bbl, Upstream Costs=$20/bbl (not indexed on oil price)

Profit: Gross Value at Market (minus) Transportation Costs (minus) Lease Expenditures

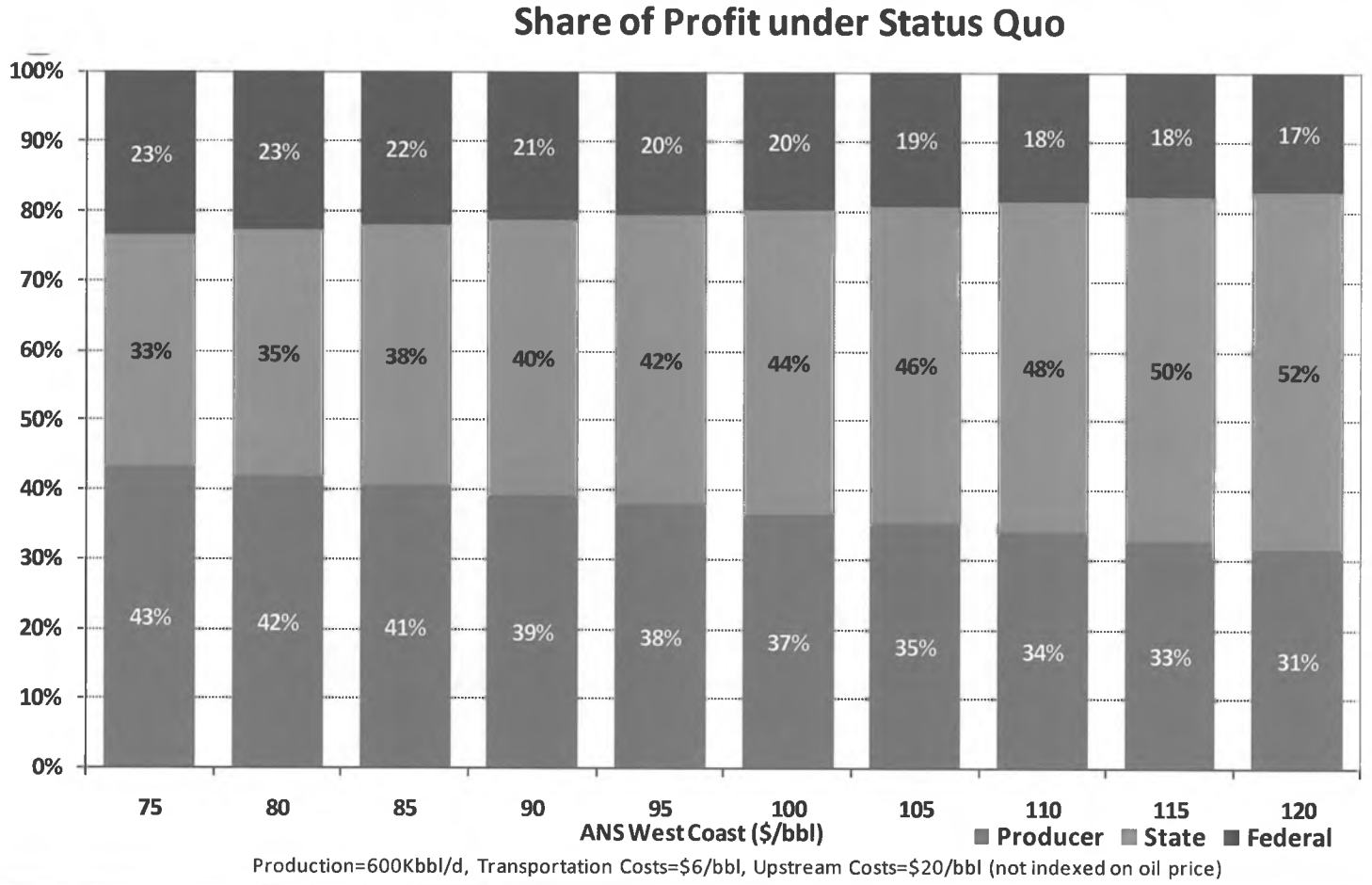
Profit Share under SB49
Non-Unitized Fields



Production=600Kbbl/d, Transportation Costs=$6/bbl, Upstream Costs=$20/bbl (not indexed on oil price)

Profit: Gross Value at Market (minus) Transportation Costs (minus) Lease Expenditures

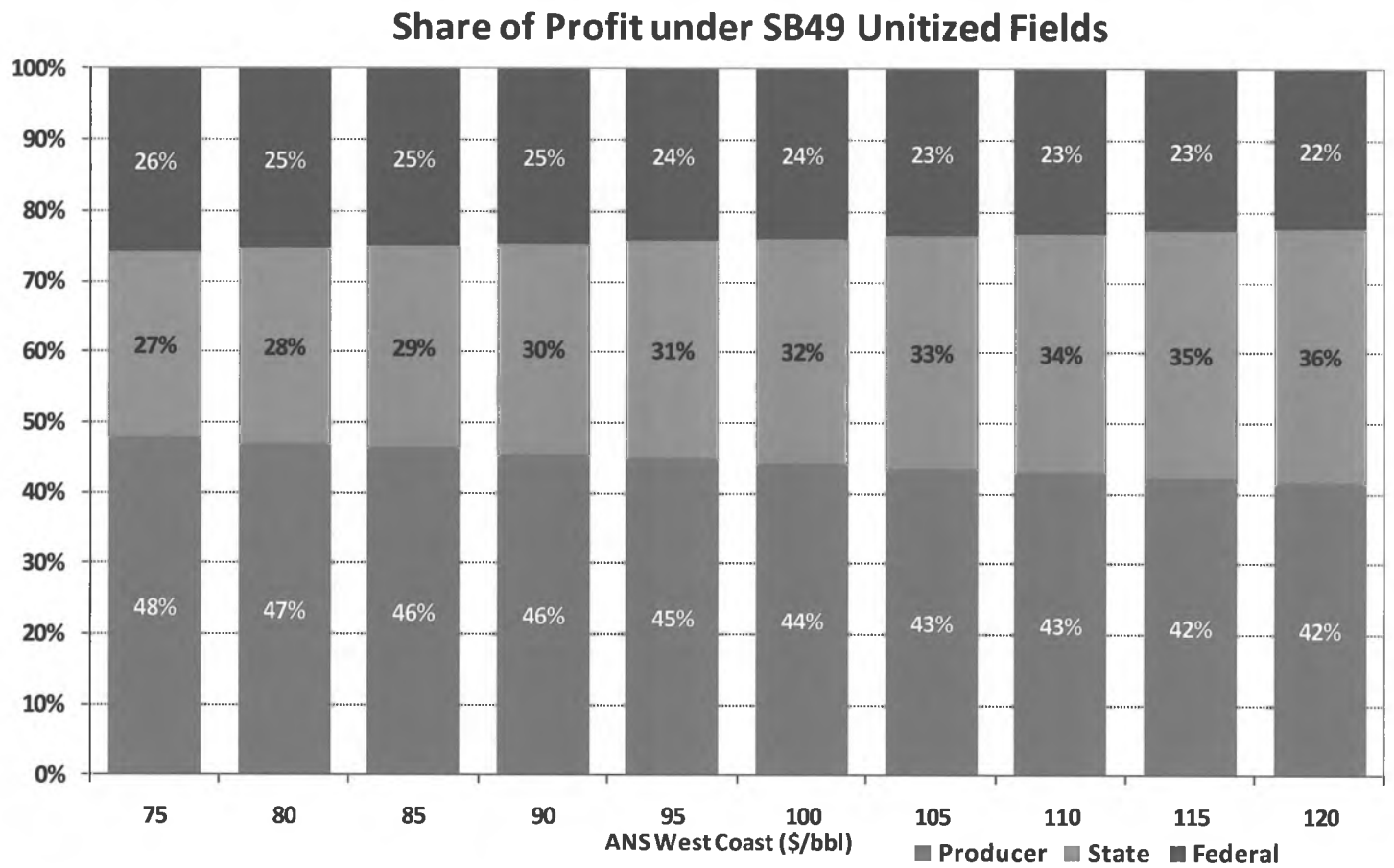
Profit minus Royalty Share under Status Quo



Production=600Kbbl/d, Transportation Costs=$6/bbl, Upstream Costs=$20/bbl (not indexed on oil price)

Profit minus Royalty: Gross Value at Market (minus) Transportation Costs (minus) Lease Expenditures (minus) Royalty

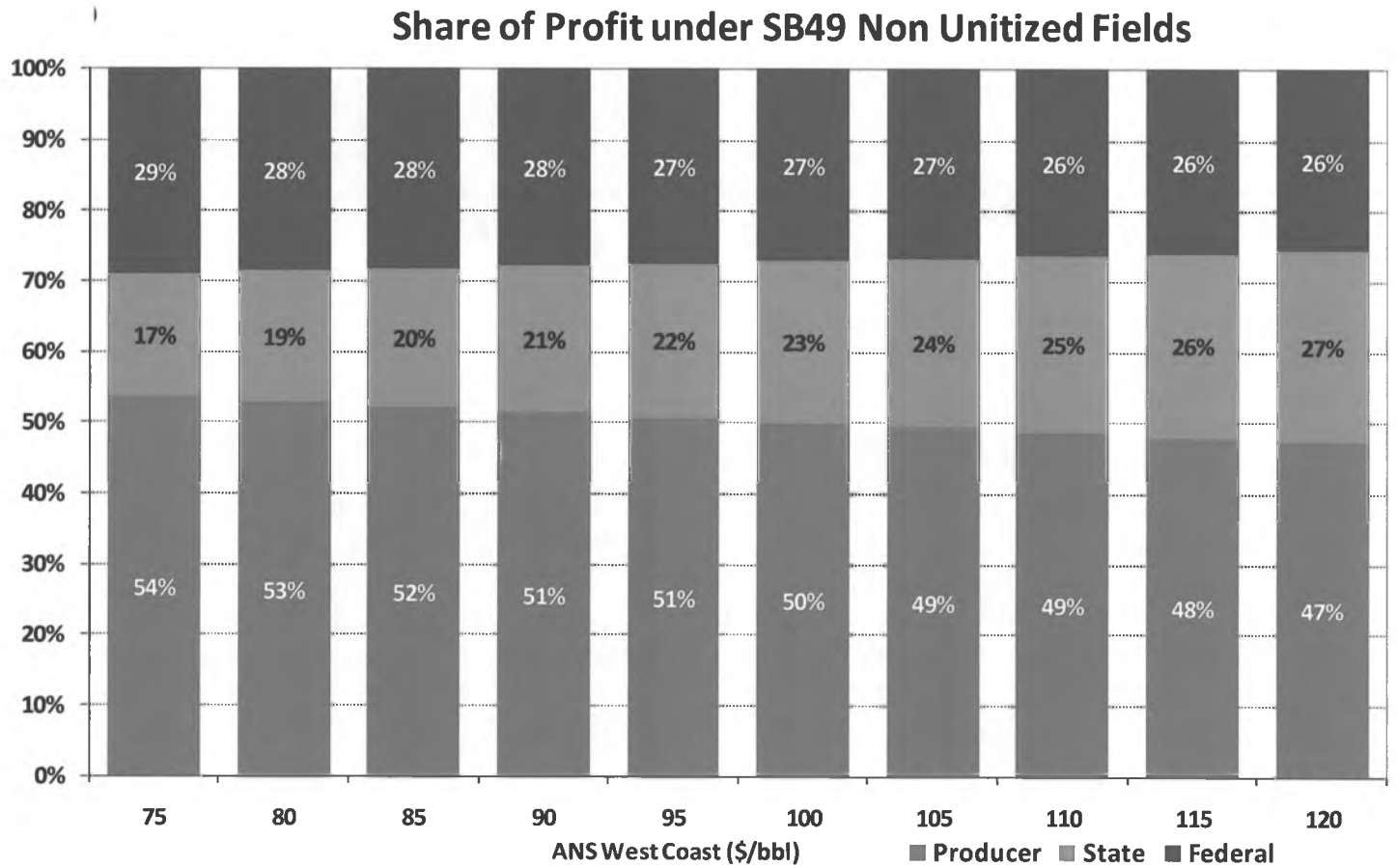
Profit minus Royalty Share under SB49 Unitized Fields



Production=600Kbbl/d, Transportation Costs=$6/bbl, Upstream Costs=$20/bbl (not indexed on oil price)

Profit minus Royalty: Gross Value at Market (minus) Transportation Costs (minus) Lease Expenditures (minus) Royalty

Profit minus Royalty Share under SB49 Non-Unitized Fields



Production=600Kbbl/d, Transportation Costs=$6/bbl, Upstream Costs=$20/bbl (not indexed on oil price)

Profit minus Royalty: Gross Value at Market (minus) Transportation Costs (minus) Lease Expenditures (minus) Royalty

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Memorandum

TO: Senator Resources Committee
FROM: Chuck Burnham, Legislative Analyst
DATE: March 29, 2011
RE: *Review of Selected Claims Made by the Supporters of SB 49*
LRS Report 11.245

You asked that we review certain claims made in a publication by the "Make Alaska Competitive Coalition" regarding the state's oil taxes and the impact of those taxes on investments and jobs. Specifically, you wanted us to examine the veracity of that organization's claims that Alaska's current oil tax structure is "driving away business" and motivating petroleum industry employers to move jobs out of Alaska. You were particularly interested in learning about variables other than taxation that impact the decisions of petroleum producing companies as to where and when to invest their resources.

Summary

We address your request, in part, through an analysis of the Fraser Institute's 2010 *Global Petroleum Survey*, which garnered responses from 645 respondents representing 345 companies regarding 133 oil producing jurisdictions.[1] To our knowledge, it is the largest publicly-available survey of its kind. In hearings for HB 110 (the companion bill to SB 49) before the House Resources Committee, representatives of the Governor's administration referred to elements of the survey as evidence of Alaska's competitive disadvantage in attracting investment from the oil and gas industry, and to support the claim that state taxes on the industry need to be reduced. It appears that in using the results of the survey to support those views, the Administration, industry groups, and other advocates of cutting oil taxes, such as the "Make Alaska Competitive Coalition," may have oversimplified and/or misinterpreted the survey results and the degree of negativity it reflects on Alaska.

Our analyses of the data collected by the survey, and of reports published by the Alaska Department of Revenue, suggest that a minority of industry officials hold negative views of Alaska's overall attractiveness for investment. With specific regard to taxation, a majority of survey respondents found Alaska's system attracts or has no impact on investment. These respondents combined with those who find the state's tax regime to be nothing more than a "mild deterrent," leave fewer than twenty percent of survey respondents who view taxes to be a significant barrier to investment in the state.

We located no research that definitively concludes that Alaska's petroleum taxation system, or that of other jurisdictions, is the primary driver of industry investment. Clearly, taxation is an important variable that impacts business decisions; however, it is equally clear that it is but one among many such significant variables. The massive expansion in petroleum exploration and production in North Dakota, where the oil tax system is viewed relatively favorably by industry (and has been for years), clearly demonstrates how variables other than taxation can drive increased investment.

[1] It is important to note that while 645 individuals responded to the survey, none of those individuals has sufficient knowledge of every variable in each of the 133 jurisdictions to provide responses to questions on those areas. Therefore, the number of responses for any given area on any specific variable is likely well below the number of overall respondents to the survey. In order to be included in the survey report, a jurisdiction was required to have garnered at least five responses for all seventeen variables. At least eleven jurisdictions were excluded due to lack of response. We contacted the authors of the survey to determine how many respondents are represented in the information on Alaska presented in their report to get a clearer picture of the extent of industry opinion represented therein; however, the Fraser Institute considers that information to be confidential. Dr. Gerry Angevine, lead researcher on the survey, suggested that the number of responses was "more than five but fewer than 200." Without knowing the precise number of individuals who provided responses on Alaska, we cannot discuss the accuracy of the survey's findings on the state with any authority. It is an established fact of statistical sampling practice, however, that as a sample grows smaller relative to the entire population being examined, the margin of error increases and, therefore, confidence in the survey's results decreases. Dr. Angevine can be reached via email at *gerry.angevine@fraserinstitute.org*.

As you know, in advocating for lower taxes on the petroleum industry in the state, the MACC has made a number of claims regarding oil and gas jobs in Alaska. Primary among those claims, in this case published on its website, is the following:

> Exploration jobs are down: Department of Labor statistics show jobs in the oil industry has shed 1,700 jobs over the last two years.

In a television commercial funded by the MACC, which is currently in broadcast circulation on a number of stations, the narrator makes the following statement:

> Alaska has lost almost 2,000 oil industry jobs, while North Dakota added 25,000.[2]

The advertisement provides a timeframe for neither the Alaska job losses, nor for the North Dakota gains; however, we assume that it approximates the same two-year time-period cited in the MACC's other media on the topic. The commercial does not directly claim that oil explorers and producers have transferred jobs directly from Alaska to North Dakota, but that appears to be the intended implication. Our final assumption on these claims is that the MACC is referring to the two-year period from November 2008 to November 2010—the most recent two-year period for which the Alaska Department of Labor and Workforce Development (DOLWD) has compiled data.

Our review of data on "oil and gas" employment compiled by the DOLWD suggests that, in the course of the past two years, roughly 2,000 jobs in that sector were "lost." However, that calculus is only true if one selects the month with the highest level of employment and compares it to the month with the lowest level of employment. Looking at the entire period in question, Alaska experienced a reduction of about 1,300 oil and gas jobs (11/2008-11/2010). However, selecting a given month in one year and comparing it to a month in another year produces highly volatile results. For example, by simply choosing the two-year period from February 2008-February 2010, instead of the period the MACC chose, job losses are reduced to only 400. We believe a more appropriate means of comparison is to use *average annual employment*, which eliminates a degree of the volatility that accompanies selectively comparing monthly employment. Using annual measures, Alaska lost approximately 700 oil and gas jobs over the three years 2008-2010. Nevertheless, the number of such jobs in the state remains above the ten-year average, and an argument can be made that the decline is part of a normal cycle of increases and decreases in what has historically been a volatile industry sector with regard to numbers of employees.[3]

Determining whether jobs are leaving Alaska for North Dakota, or any other petroleum producing jurisdiction, is not possible with the data available to us. As we detail below, among the points that are clear is that, relative to overall petroleum production levels, Alaska's oil and gas workforce has always been smaller than those of other oil producing areas.

To be clear, we take no position on the Governor's tax proposals, nor is it our intention to disparage the *Global Petroleum Survey* or to impugn the motives of the Administration and others who have used it to support their position. Rather, this report is meant to examine claims that have been made by those supporting tax cuts from a perspective that has not yet been presented to the Legislature, and to review some of the numerous variables besides taxation that impact the decisions of oil and gas industry executives in the course of their determining where to invest and expand or decrease workforces.

Fraser Institute *Global Petroleum Survey*

The Fraser Institute—a Canada-based research organization—conducts an annual *Global Petroleum Survey* to measure the views of executives, managers, and other influential members of petroleum exploration and production companies regarding the barrier to investment of petroleum-producing areas. It does so by asking those executives to rate jurisdictions on seventeen variables divided among three broader topics as follows:

[2] The commercial "Change Our Economic Tune" is available on the MACC website at *http://www.makealaskacompetitive.com/ads-photographs/*.

[3] Employment figures for 2010 are preliminary. Data are from the Alaska Department of Labor and Workforce Development, Research and Analysis, *http://laborstats.alaska.gov/*. The Department defines oil and gas jobs as those related to oil and gas extraction, drilling oil and gas wells, and support activities of oil and gas operations, as delineated by the North American Industry Classification System.

Commercial Environment	Regulatory Climate	Geopolitical Risk / Stability
Fiscal terms	Cost of regulatory compliance	Political stability
Taxation regime	Uncertainty regarding regulatory issues (interpretation, enforcement)	Security of personnel and assets
Trade barriers	Uncertainty regarding environmental regulation	Disputed land claims
Quality of infrastructure	Labor regulations, employment agreements, and local hiring requirements	Uncertainty over what lands can be protected as wilderness, parks, etc.
Labor availability	Regulatory duplications and inconsistencies	Socio-economic agreement / community development conditions
	Legal system	Quality of geological database

For each of these seventeen variables, respondents were asked to choose one of the following responses for each jurisdiction with which they were familiar:

1—Encourages investment

2—Is not a deterrent to investment

3—Is a mild deterrent to investment

4—Is a strong deterrent to investment

5—Would not invest due to this criterion

Survey Reporting Methodology

In the "Survey Methodology" section of their report, the authors of the *Global Petroleum Survey* begin with the following explanation:

> The survey is designed to identify the provinces, states, and countries with the highest barriers to investment in oil and gas exploration and production.[4]

As this quote indicates, the survey is intended to identify the *worst* jurisdictions for petroleum investment as perceived by the industry. This is reflected in the scoring mechanism, which effectively considers only the three levels of *negative* response. That is, for each of the seventeen variables and jurisdictions for which a sufficient level of response was received, the authors measured the proportion of responses that indicated a "mild deterrent to investment," "strong deterrent to investment," and those that indicated that the respondent "would not invest" due to a given criterion. For each variable, the jurisdiction with the highest proportion of negative responses was given a score of "100," with other jurisdictions listed in descending order of negative responses received. The authors included numerous bar graphs based on this method, with the least attractive area reflected by the highest bar on the far right of the graph and the least negative area represented on the far left of the graph by the shortest bar.

There is nothing inherently wrong, in our view, with this methodology, and the survey report provides interesting data. Problems can arise, however, in readers' interpretation of survey data as they are presented graphically in the Fraser Institute report. Further, it can be argued whether response number 3—indicating that a variable is "a mild deterrent to investment"—should be included and generally given the same weight in graphic representations as the other clearer and more definitive negative responses 4 and 5, which indicate that a variable is a "strong deterrent," and one that wholly precludes investment in an area, respectively. Finally, the debate over HB 110 is primarily about oil taxes. As we've outlined,

[4] Gerry Angevine, Ph.D. and Miguel Cervantes, "Global Petroleum Survey 2010," Fraser Institute, p. 7. The entire report can be accessed online at *http://www.fraserinstitute.org/publicationdisplay.aspx?id=16223&terms=global+petroleum+survey*. The Fraser Institute describes itself as an "independent non-partisan research and educational organization."

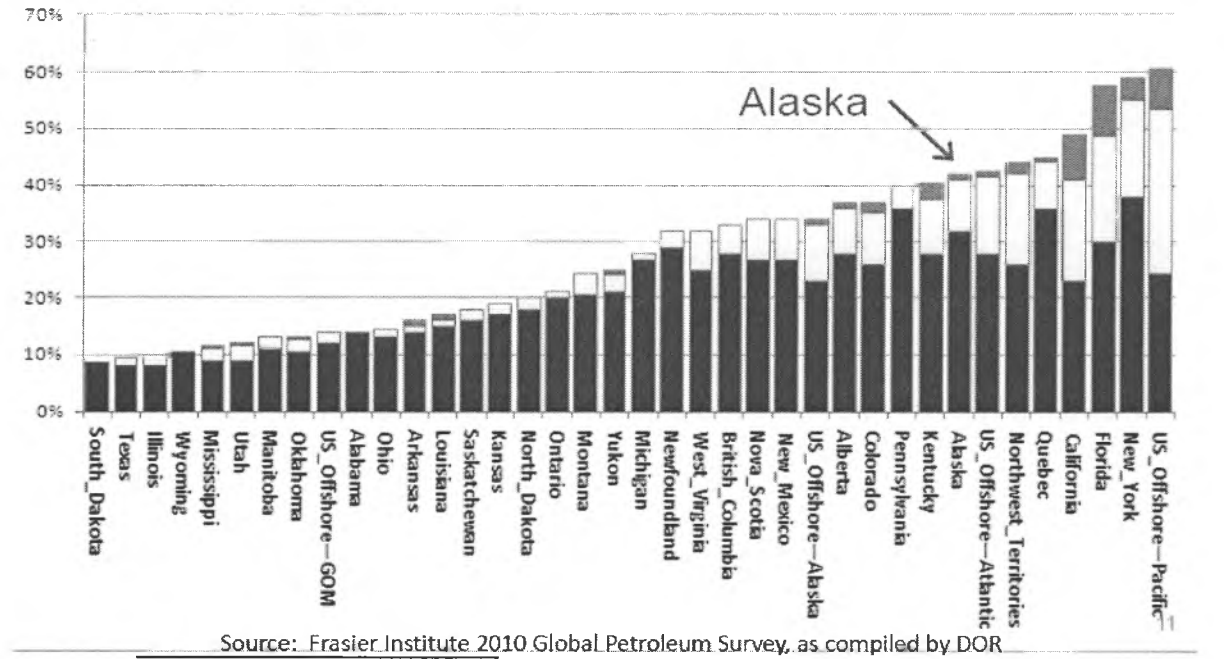
the *Global Petroleum Survey* measured sentiment on 17 variables. Taxation was but one of these variables, none of which were given more "weight" than another in determining the overall attractiveness of a given area. It is very difficult, therefore, to determine the degree to which Alaska would improve its standing as a region for investment were its tax structure to be changed in the manner sought in HB 110. We discuss each of these potentially problematic issues below.

Problems of Interpretation

Figure 1 (following page) is a graph produced by the Alaska Department of Revenue, using data from the *Global Petroleum Survey*, which was included in a February 7, 2011, presentation introducing HB 110 to the House Resources Committee.[5] The graph is generally in the same style as those included in the Fraser Institute's report on the survey except, of course, the particular emphasis on Alaska. The bars of the graph in Figure 1 have up to three color-coded sections. The bottom section, in dark blue, represents the "mildly deterrent" responses. The middle tan section reflects responses indicating a tax regime strongly deters investment; while the top section, in green, shows the proportion of respondents who indicate that they would not invest in a jurisdiction.

As you can see, of the 38 jurisdictions in North America for which survey responses were received, the "US Offshore Pacific" is viewed most negatively, while South Dakota is seen as the area with the fewest negatives for investment. Alaska is shown in position 31, near the "least attractive" far right of the graph. The reader sees that the "Alaska" bar reaches over half-way to the top of the graph, while Florida, New York, and U.S. Offshore are one line of delineation from the top. This gives the impression that these jurisdictions are viewed nearly universally as unattractive places for petroleum investment. One must keep in mind, however, that only the negative responses to survey questions are reflected in the bars of the graph. Looking at the far-left, vertical, or "Y," axis of the graph, it becomes clear that the uppermost line of delineation equates to 70 percent of responses being negative. Therefore, the *worst* jurisdictions for investment were identified as such in about 60 percent of responses, while Alaska was viewed negatively by slightly over 40 percent. Said another way, the overall attractiveness of Alaska to petroleum investment was not viewed as even a minor deterrent in almost 60 percent of responses. To put this in context, about three in ten respondents viewed South Dakota—the state with the lowest proportion of negative responses on taxation—as being more attractive than Alaska, while two in ten found that North Dakota—the state with the fastest growing levels of oil exploration and production—presents fewer negatives than Alaska.

Figure 1: Excerpt from Alaska Department of Revenue Presentation to House Resources, Feb. 7, 2011



Source: Frasier Institute 2010 Global Petroleum Survey, as compiled by DOR

[5] Slides for the presentation are available online at *http://www.legis.state.ak.us/basis/get_documents.asp?session=27&bill=HB110.*

There is no denying that to the extent that Alaska is viewed negatively impacts investment in the state, the survey data are troubling. Our point here is that the differences among the states in overall negative ratings—and particularly between Alaska and states legitimately competing for petroleum investment dollars—may not be as dramatic as some interpretations of the graphic portions of both the survey and presentations by the Administration on HB 110 have suggested.[6]

"Mild Deterrent"

As we mentioned, the meanings of four of the possible responses to questions in the *Global Petroleum Survey* are obvious: Responses 1 and 2 indicate that a given variable encourages investment and does not deter investment, respectively; while responses 4 and 5 state that a variable strongly discourages investment and causes a company to forego investment completely. Between these responses is the, to our ears, less definitive language of response 3, which indicates that a variable is a "mild deterrent" to investment. The survey report does not provide a precise definition for this term, so we presume it to follow the common definition of something that may be rather easily overcome or outweighed by other considerations.

Again, we understand that the survey was designed to measure the level of negativity that members of the oil and gas industry associate with petroleum-producing jurisdictions and do not take issue with that approach. We do, however, believe that the data collected through the survey could have been reported in a fashion that more clearly identifies issues that are fundamental problems as opposed to those that either may be easily addressed or are not serious obstacles. In other words, the survey report provides no "weight" to the relative importance of the variables reviewed.[7] Similarly, negative responses could have been weighted to provide a more nuanced understanding of the severity of that sentiment on a given variable by assigning higher values to the two most negative responses. The larger point is that we believe it legitimate to question whether industry players would be discouraged from an otherwise promising investment by a variable that is "mildly deterrent." We believe it reasonable to conclude that the answer to that question is no, at least with respect to a single mildly deterrent variable having the impact of driving away investment.

In light of that conclusion, we compiled Table 1 (following page), which shows the proportions of each of the 5 possible responses on the issue of taxation regime for all of the states an provinces covered by the survey. We include an additional column that combines the results for responses 1-3. Therefore, this column can be viewed as including all responses that characterized the taxation regimes as mildly deterrent, not a deterrent, or encouraging investment.

[6] For this report we leave aside the question of whether it is legitimate to compare and rank Alaska's attractiveness to investors with states that have a minute fraction of its proven oil and gas reserves.

[7] To be fair, the bar graphs of the Fraser Institute's survey color code the proportion of the bars represented by the three levels of negativity (the presentation by DOR to House Resources does so as well, but does not provide a key to the coding).

Table 1: Petroleum Industry Views on Tax Systems from the 2010 *Global Petroleum Survey*

	1	2	3	1 - 3	4	5
States						
Alabama	25%	58%	17%	100%	0%	0%
Alaska	25%	31%	25%	81%	16%	3%
Arkansas	36%	43%	21%	100%	0%	0%
California	8%	41%	26%	75%	21%	5%
Colorado	15%	50%	23%	88%	13%	0%
Florida	10%	40%	10%	60%	30%	10%
Illinois	14%	86%	0%	100%	0%	0%
Kansas	20%	67%	13%	100%	0%	0%
Kentucky	0%	71%	29%	100%	0%	0%
Louisiana	24%	58%	13%	95%	2%	2%
Michigan	20%	50%	30%	100%	0%	0%
Mississippi	41%	47%	12%	100%	0%	0%
Montana	19%	63%	16%	98%	3%	0%
New Mexico	35%	39%	22%	96%	4%	0%
New York	13%	38%	33%	84%	17%	0%
North Dakota	32%	52%	16%	100%	0%	0%
Ohio	0%	83%	17%	100%	0%	0%
Oklahoma	24%	62%	12%	98%	0%	3%
Pennsylvania	11%	56%	26%	93%	7%	0%
South Dakota	29%	57%	14%	100%	0%	0%
Texas	36%	55%	8%	99%	1%	1%
Utah	38%	56%	6%	100%	0%	0%
West Virginia	30%	30%	40%	100%	0%	0%
Wyoming	24%	64%	12%	100%	0%	0%
Provinces						
Alberta	25%	42%	27%	94%	5%	2%
British Columbia	19%	65%	16%	100%	0%	0%
Manitoba	17%	72%	10%	99%	0%	0%
Newfoundland	10%	65%	23%	98%	3%	0%
N.W. Territories	20%	60%	20%	100%	0%	0%
Nova Scotia	17%	59%	17%	93%	7%	0%
Ontario	18%	53%	29%	100%	0%	0%
Quebec	16%	47%	37%	100%	0%	0%
Saskatchewan	19%	66%	15%	100%	0%	0%
Yukon	18%	73%	9%	100%	0%	0%

Notes and Source: This table show's responses to a question regarding the impression of petroleum industry executives in the Fraser Institute's 2010 Global Petroleum Survey. The column "1 - 3" is an aggregate of responses in columns 1, 2, and 3, and represents the proportion of responses indicating that the tax system of a given jurisdiction encourages investment, does not deter investment, or is a mild deterrent to investment, respectively.

As you can see, 16 percent of those responding to questions on Alaska's tax system found that variable to be a strong deterrent (response 4), while three percent indicated that taxes preclude investment (response 5). Among these 35 jurisdictions, these negatives are relatively high; however, collectively those negative responses represent fewer than two out of ten respondents. By contrast, the aggregate of responses for those that see the tax system as, at worst, a mild deterrent, was 81 percent, and a majority—56 percent—view the tax system as encouraging or having no impact on investment.

Assuming that the *Global Petroleum Survey* is a reasonably accurate reflection of sentiments in the petroleum industry, those who claim that Alaska's taxes are "driving away business" must be referring to the business of the roughly 19 percent of industry leaders who view those taxes as a serious deterrent. If that is the case, an important question for the Legislature is the extent to which it will benefit the state to cut taxes or offer incentives to win over that proportion of the industry. Of course, it is possible that cuts and credits may increase the efforts of industry players who do not hold a negative view of Alaska's taxes as well; however, members of the industry have generally declined to definitively confirm or deny the extent to which this is the case or, for that matter, whether any level of tax cuts or credits will increase their activities in the state. In the current debate over petroleum taxes in Alaska, it appears that one of the few firm conclusions that can be reached is that, with the data available and information presented thus far to the Legislature, the calculus for determining the mix of taxes and credits that are optimum to attract investment to the state is extremely challenging.

Variables Other than Taxation—The North Dakota Boom

As we mentioned, the researchers who compiled the *Global Petroleum Survey* asked industry leaders questions on seventeen variables, all of which, the researchers identify as important in the making of investment decisions. Although this point is fairly obvious, it is important to keep it in mind when considering HB 110/SB 49 because the focus of those bills is almost exclusively on taxation and credits.

The importance of any of the variables considered in the survey (and indeed those not considered) relative to other variables in the investment decision-making process depends largely on the very precise circumstances of the company, region, project, geology, and value of the commodity being sought, among other factors. For example, an oil producer may be offered very attractive fiscal and taxation terms, low costs of regulatory compliance, few barriers to trade, and favorable labor agreements by the country of Sudan but decline to pursue investment strictly out of concern about security and the political stability of the government. Conversely, Canada's Northwest Territories may offer generous exploration credits and other attractive terms but industry may be discouraged by aboriginal land claims and stringent environmental regulation. More likely than either of these examples, however, is that industry executives carefully weigh *all* variables when making long-term plans for development, and that it is rare for any one or two variables to be *the* determining factor in deciding where to invest. A review of the recent experience of North Dakota may be an instructive insight into how a confluence of variables brings investment to an area.

North Dakota

As you know, North Dakota has experienced an oil boom in recent years, and is frequently identified by the Make Alaska Competitive Coalition and others as a major competitor for industry investment.[8] That state's production tax on oil is 5 percent of the wellhead value plus an extraction tax of 6.5 percent, which may be reduced or eliminated if oil prices fall below a statutory minimum "trigger," which stands at $46.79 per barrel for FY 2011. If the average price of a barrel of oil remains above the trigger price for any consecutive five-month period, the 6.5 percent rate applies; however, if the price falls below the trigger for five-consecutive months, the rate is reduced or the tax suspended for certain wells based on their type or age. Generally, at recent oil prices, these taxes are lower than in Alaska; however, North Dakota's tax system is not viewed by industry as the most attractive. Respondents to the *Global Petroleum Survey* collectively ranked the state 13th among the 38 jurisdictions in North American that were reviewed.

Given that relatively low levels of taxation have existed in North Dakota for years, one would expect that the recent oil boom was driven by the discovery of a major new oil field. However, the existence of very large petroleum deposits in North Dakota has been common knowledge since the early 1950s. Much of this petroleum lies in the shale strata of the geological areas known as the "Bakken" formation and, to a lesser extent, the "Three Forks" formation. These areas encompass most of the western third of North Dakota and smaller portions of eastern Montana and southeastern Saskatchewan Province. Estimates

[8] According to the U.S. Energy Information Administration, the current oil boom moved North Dakota from the seventh-highest petroleum producing state in the U.S. in 2009, to the fourth highest in 2010. In 2009, an average of 53 rigs and roughly 4,500 wells were in operation; by the fall of 2010, over 140 rigs were operating on nearly 5,200 wells (*https://www.dmr.nd.gov/oilgas/stats/statisticsvw.asp*). Over the next 20 years the North Dakota Oil and Gas Division foresees 2,140 new wells per year replacing depleted wells, requiring the operation of up to 165 rigs at any given time. Recent rig counts bear out that estimate, as the NDOGD lists 170 rigs in the state as of February 14, 2011. Rig counts are available online at *https://www.dmr.nd.gov/oilgas/riglist.asp*.

of the volume of the area's oil deposit range widely, from around 38 billion barrels (BBbl) to 500 BBbl; likewise, approximations of the portion of this petroleum that is recoverable range widely from 3 percent to 50 percent. Relatively conservative estimates put the amount of recoverable oil between 3 BBbl and 5 BBbl.[9]

So, why, in light of low taxes and a large oil field near extensive pipeline infrastructure in a stable, secure area, is it only in recent years that oil production has exploded in North Dakota? In fact, the Bakken spawned previous "oil booms" in the 1960s and early 1980s, but the easily recoverable oil in the area was exhausted in just a few years in each of those cases. The recent growth in exploration and production was spawned by technological advancements in horizontal well drilling and hydraulic fracturing ("fracking") techniques, which have facilitated access to reserves in the formation's mostly high-density rock structures.[10] As a result, even at the low-end estimates of reserves and recoverable oil, the amount of economically recoverable product in the formation will engender substantial oil and gas production for many years, but only if petroleum prices remain high enough to support these more expensive extraction methods.[11] According to a presentation by the Director of the North Dakota Oil and Gas Division (NDOGD), current levels of drilling and production are sustainable at oil prices above $50 per barrel.

In light of the above information, claims that petroleum industry investment in North Dakota, at the expense of such investment in Alaska, is occurring primarily due to differences in tax structure appear to be problematic. To the contrary, it is clear that the rapid expansion of oil and gas production in North Dakota was initiated by advances in oil recovery technologies. To be sure, many other variables in the state must be viewed as favorable to the industry members doing business there; however, even had the oil tax rate in North Dakota been zero, in the absence of technological improvements, its petroleum resources would still be locked deep underground. It is also worth noting that despite North Dakota's relatively low oil tax rates, the petroleum industry is aggressively lobbying the state Legislature for tax cuts.[12]

Alaska Department of Revenue Oil and Gas Production Tax Status Report

Pursuant to AS § 43.55.180, the Department of Revenue (DOR) is required to annually provide a report to the Legislature describing the effects of the state's petroleum production tax system on oil and gas development, exploration, production, revenue, and a number of other variables. In the summary for the most recent such report, published January 18, 2011, the DOR makes the following comments:

> **Industry Investment** – Investment in the form of capital expenditures has increased in each of the four fiscal years since implementation of the net profits tax, however, it is unclear how much of the capital expenditures were drilling or well-related and how much were maintenance or facilities-related.
>
> **Impact on Exploration, Development, and Production** – Exploration has generally increased from 2003, when the EIC credit was implemented, but has dropped off in 2010. Development continues in three relatively new North Slope projects, yet production continues to decline.
>
> **Industry Employment and New Entrants** – Industry employment rose steadily from 2006 through 2009, but dipped slightly in 2010. The number of companies filing annual tax returns doubled

[9] More information on attempts to estimate the Bakken's reserves is published by the State of North Dakota at *http://www.nd.gov/ndic/ic-press/bakken-form-06.pdf*.

[10] Ben Casselman,"Oil Industry Booms—In North Dakota," *The Wall Street Journal* online edition, February 26, 2010, *http://online.wsj.com/article/SB10001424052748703795004575087623756596514.html*.

[11] Hydraulic fracturing is a resource intensive process that significantly increases the cost of petroleum recovery. It is also a controversial technique that has raised concerns among certain members of the public, environmental groups, and regulators. The U.S. Environmental Protection Agency is currently studying the process and its consequences. More information is available on the EPA website at *http://water.epa.gov/type/groundwater/uic/class2/hydraulicfracturing/wells_hydrowhat.cfm*. The Canadian province of Quebec recently placed a moratorium on the procedure in order to further study its environmental impacts (*http://ca.finance.yahoo.com/news/Does-shale-gas-industry-capress-5532805.html?x=0*)

[12] Dale Wetzel, "North Dakota Oil Pressing for Tax Cuts," *Bloomberg News*, February 1, 2010, *http://www.bloomberg.com/news/2011-02-01/north-dakota-oil-industry-pressing-for-tax-cuts.html*.

between 2006 and 2009, indicating interest by companies that are either new or returning to the Alaska oil and gas industry.

Use and Expansion of Tax Credits – The amount of credits used has increased annually since 2006 and we expect the trend to continue as new credit programs were added in the 2010 legislative session.

The DOR cautions that multiple changes to the tax laws in recent years makes drawing conclusions about impacts on investment in Alaska difficult, and warns that production continues to decline. Nonetheless, these recent statements, made by the agency that is the primary advocate for the Governor's tax proposals before the Legislature, do not support the claim that the state's oil taxes are "driving away business." As we have said, this report is not intended to in any way deny that Alaska faces significant challenges to increasing oil production and maintaining current revenue levels. However, the publicly available evidence on Alaska's taxation system, some of which we have reviewed in this report, does not appear to support the level of certainty that some supporters of cutting taxes have displayed in claiming that the tax system is the exclusive culprit in driving away industry investment.[13]

The Context of Recent Job Losses

As we mentioned, based on annual averages, Alaska saw a reduction of 700 oil and gas jobs between 2008 and the preliminary total for 2010; however, if one selects the month of highest employment over that two-year period—December 2008, with 13,700 jobs—and subtracts the month in which the fewest number of oil and gas employees were working—September 2010, with 11,600 jobs—a claim of job losses totaling roughly 2,100 jobs can be made. Comparing annual averages with monthly totals begins to illustrate the problems with such a claim. That is, the number of oil and gas jobs in Alaska is a highly volatile measure, which, since 2001, has regularly increased or decreased by 200-600 jobs per month. As a result, selecting data on the extremes in a given pairing of months can be misleading in the larger context of industry employment. Further, as Table 2 (following page) shows, the most recent two-year period is one of historically volatile levels of both oil prices and related employment in Alaska, which followed a steep, years-long expansion in that workforce—an increase of 34 percent from 2001-2007.[14] While it is true that the oil and gas workforce has decreased overall in the past two years, the 12,100 preliminary average for of such jobs in 2010 is 19.3 percent above the cumulative average annual employment of 10,145 since the year 2000.

[13] The entire report is available online at *http://www.revenue.state.ak.us/2011%20OG%20Tax%20Report%201-18-2011%20on%20Letterhead.pdf*.

[14] The reasons for this expansion, and their relative impacts, are subjects of significant debate. Although we make comparisons in this report with employment, production, and oil prices, we draw no firm conclusions on their relationships. In recent years, a number of maintenance issues, accidents, production activities requiring additional manpower, and other factors have been present that likely contributed to greater demand for oil field workers. The extent to which each of these variables led to increases in the workforce, however, remains unclear.

Table 2: Average Annual Alaska Oil and Gas Jobs and North Slope Oil Price and Production, 2001-2010

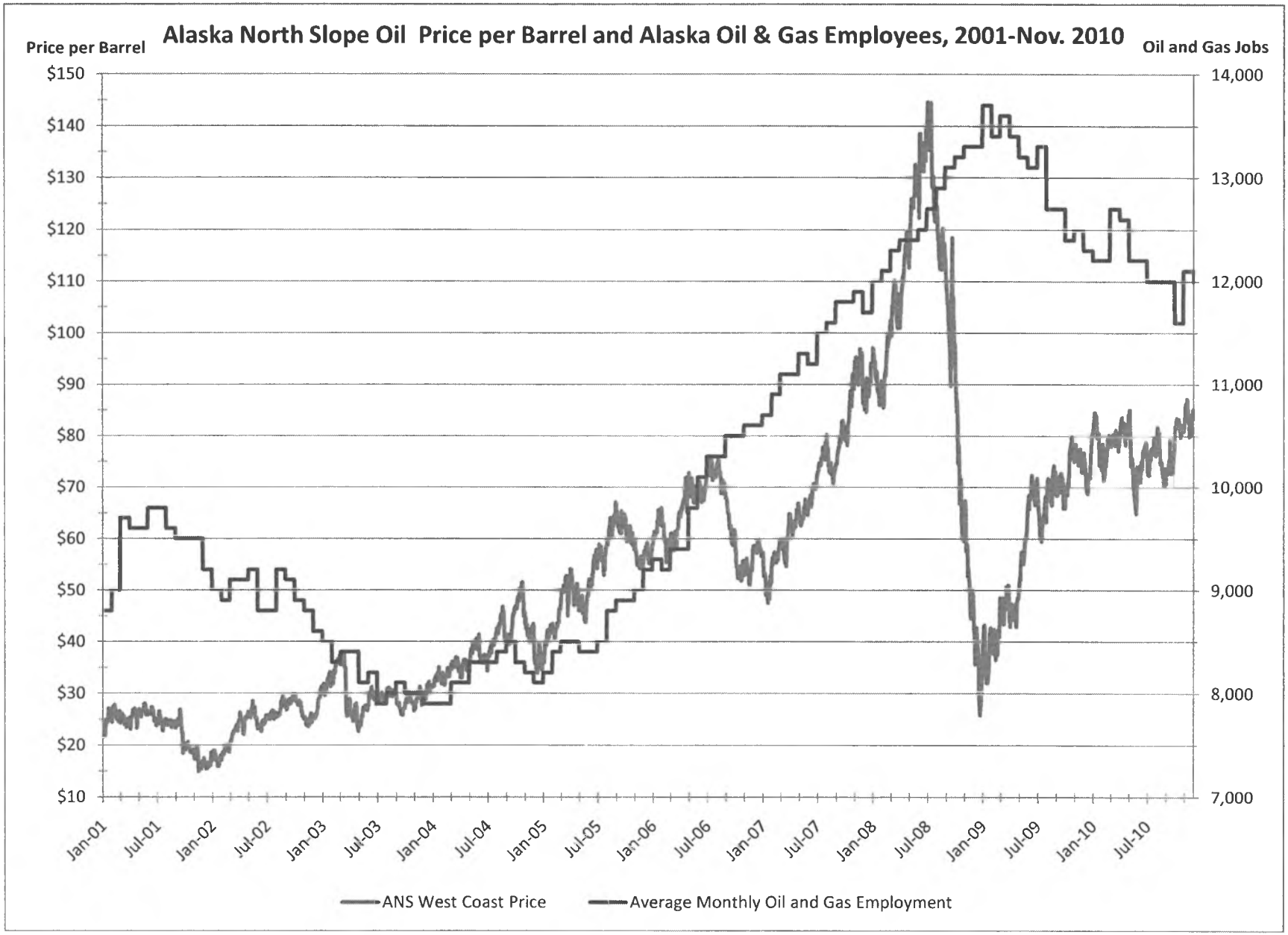
Year	Annual Oil & Gas Employment[1]	ANS for West Coast Delivery[2] (nominal $ per barrel)	ANS Production[2] (barrels per day)
2000	8,800	$28.40	997,821
2001	9,500	$23.23	993,844
2002	8,900	$24.81	996,856
2003	8,100	$29.57	988,950
2004	8,200	$38.86	939,170
2005	8,700	$53.59	889,498
2006	10,100	$63.65	758,957
2007	11,500	$71.54	737,206
2008	12,800	$98.40	705,681
2009	12,900	$61.00	671,845
2010	12,100	$77.93	619,044
Overall Average	**10,145**	**$51.91**	**845,352**

Notes and Sources: 1) 2010 employment figures are preliminary. Alaska Department of Labor and Workforce Development, Research and Analysis, *http://laborstats.alaska.gov/*. The Department defines oil and gas jobs as those related to oil and gas extraction, drilling oil and gas wells, and support activities of oil and gas operations, as delineated by the North American Industry Classification System.
2) Alaska North Slope oil prices and production levels are annual averages we calculated based on information from an online database on the website of the Alaska Department of Revenue at *http://www.tax.alaska.gov/programs/oil/dailyoil/dailyoil.aspx*. Please note that because these figures are based on daily prices and production, they may differ somewhat from figures published elsewhere derived from a different methodology.

The data in Table 1 are annual averages that, while useful, do not fully capture the volatility of the daily and monthly changes that occur. The data lines in Figure 1 (following page) are based on daily oil prices and monthly employment levels, and provide better insight into the volatility of these variables and the dramatic changes they have undergone in recent years.

As you can see in Figure 2 (following page), both Alaska North Slope (ANS) oil prices (blue line, left vertical axis) and oil and gas employment (red line, right vertical axis) began an extended period of increases in early 2005. Oil prices suffered a relatively brief swoon in mid-2006 but initiated another steep climb in early 2007 that ultimately saw per barrel prices climb from the mid-$40 range to over $144 in July of 2008. Over that two-year period, oil and gas employment expanded by approximately 2,000 jobs—roughly equal to the decrease between December 2008 and September 2010.

Figure 3 (page 12) represents the same variables as Figure 1, but for only the two most recent years of data, and includes an overlay of the price of ANS oil. As you can see, oil production and employment trended down over this period while prices generally moved higher. Beyond showing the relationship between these variables, the graph illustrates again their significant degree of volatility.


Alaska North Slope Oil Price per Barrel and Alaska Oil & Gas Employees, 2001-Nov. 2010
Price per Barrel
Oil and Gas Jobs
$150
$140
$130
$120
$110
$100
$90
$80
$70
$60
$50
$40
$30
$20
$10
14,000
13,000
12,000
11,000
10,000
9,000
8,000
7,000
Jan-01
Jul-01
Jan-02
Jul-02
Jan-03
Jul-03
Jan-04
Jul-04
Jan-05
Jul-05
Jan-06
Jul-06
Jan-07
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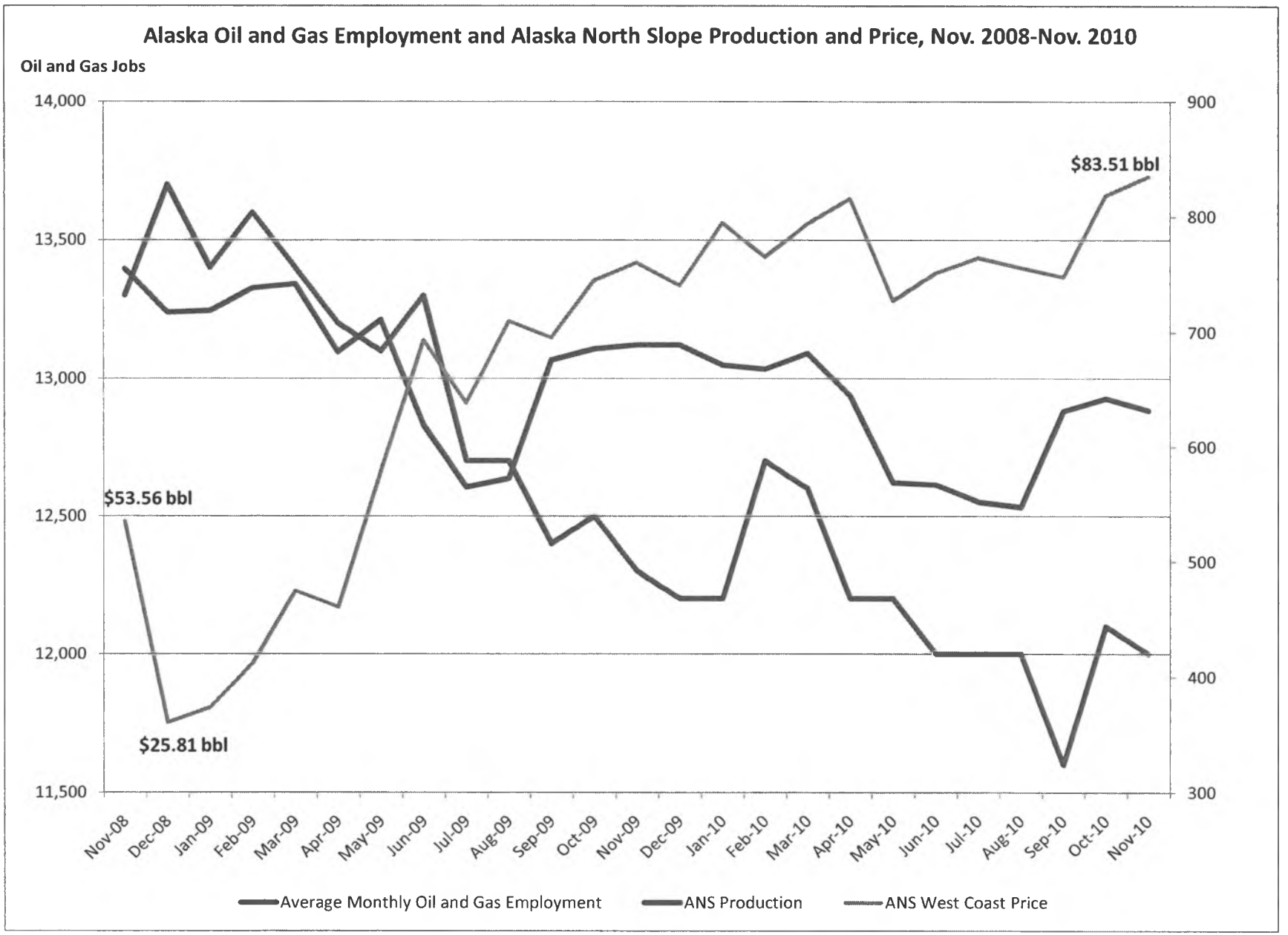
Jan-08
Jul-08
Jan-09
Jul-09
Jan-10
Jul-10
ANS West Coast Price
Average Monthly Oil and Gas Employment


Alaska Oil and Gas Employment and Alaska North Slope Production and Price, Nov. 2008-Nov. 2010
Oil and Gas Jobs
14,000
13,500
13,000
12,500
12,000
11,500
900
800
700
600
500
400
300
$83.51 bbl
$53.56 bbl
$25.81 bbl
Nov-08
Dec-08
Jan-09
Feb-09
Mar-09
Apr-09
May-09
Jun-09
Jul-09
Aug-09
Sep-09
Oct-09
Nov-09
Dec-09
Jan-10
Feb-10
Mar-10
Apr-10
May-10
Jun-10
Jul-10
Aug-10
Sep-10
Oct-10
Nov-10
Average Monthly Oil and Gas Employment
ANS Production
ANS West Coast Price

We do not intend to imply through these figures and discussion that the causal relationships between prices, production, and/or oil and gas employment are clear or reducible to a simple graph, nor are we suggesting that price and production are the only variables that impact employment—they are not. That there is some relationship is obvious; however, equally apparent is that many other variables influence employment levels. In 2008, the DOLWD dedicated an issue of its *Alaska Economic Trends* magazine to the oil industry in the state, and included substantial discussion of the industry workforce and the various issues that have had significant impacts on employment levels over the years.[15] We review a number of the significant points in that article below.

According to Neal Fried, Economist III with DOLWD and the primary author of the *Trends* issue on the state's oil industry, despite comprising 29 percent of Alaska's gross state product in 2007, the petroleum industry provided just four percent of the state's jobs. Nonetheless, these jobs are important both because of their high average wages and due to their obvious importance to the state's most vital industry. Mr. Fried describes the levels of oil and gas employment in Alaska since 1991, when the industry had 10,700 workers, as having "fluctuated from year to year, with an overarching declining trend accompanied by periods of recovery."[16] The following excerpts from Mr. Fried's article outline a number of these fluctuations, and provide some of the reasons that they occurred:

> Other factors aside from production levels and prices explain the changing size of the oil industry's work force, both nationally and in Alaska. Dramatic improvements in technology in the last decade have had a powerful effect on employment levels . . . According to the Federal Reserve Bank of Dallas, the national oil and gas industry was the leader in productivity gains throughout the 1990s and continues to be an above-average performer. In other words, the oil industry has been able to perform more work using fewer workers.
>
> One of the largest contractions in Alaska's oil industry work force took place from 1991 to 1992. BP, along with other oil industry employers and contractors, went through a period of major restructuring and consolidation in response to declining oil prices. The downsizing cost the industry 1,300 jobs – a record one-year loss. Weak oil prices and other factors buffeted the industry again in 1995, when Atlantic Richfield Co. made major cuts to the size of its work force. By 1998, employment in Alaska's oil patch began to recover with the development of the Alpine, Tarn and Badami fields, the drilling at West Sak, and preliminary work at North Star, Liberty and other fields. Oil prices plunged from nearly $19 per barrel in 1997 to $13 in 1998 and record job losses followed. For the first time since 1983, Alaska's oil industry employment fell below 8,000 and the losses reverberated throughout the state's economy.
>
> Finally, in 2000, recovery kicked in and by 2001, oil industry employment reached a 10-year high, nearly 2,000 jobs higher than the industry's nadir in 1999. The near concurrent development of both the Alpine and North Star oil fields were the two major reasons for the upswing in activity. What gave the oil industry's employment numbers some extra loft was the construction of large oil modules in Kenai and Anchorage. Before that, they were built in the Lower 48 or overseas. The year 2000 marked a historic event: Alaska's largest oil industry employer and discoverer of Prudhoe Bay, Atlantic Richfield, disappeared from the scene when it sold its assets to BP and ConocoPhillips. The sale was a signal to many observers that Alaska's oil industry was moving into its very "mature" stage of development, and – barring any major field discoveries, the opening of ANWR for exploration or construction of a gas line – the industry's employment trajectory was most likely on a permanent downward sloping curve.
>
> The following four years appeared to reinforce that view. With most of the work completed on the North Star and Alpine fields, oil industry employment began to fall steeply in 2001 and then hover

[15] *Trends* is a monthly publication that studies a wide variety of issues that impact Alaska's economy. Previous issues of the publication, including the September 2008 issue on the oil industry, can be accessed online at *http://labor.alaska.gov/trends/*.

[16] *Trends*, September 2008, p. 6.

> at the 8,000 level through 2004. What made that peculiar was the fact that the price of oil was recovering nicely from its 2001 low of $23 a barrel to $39 in 2004. Even so, it appeared as if Alaska's oil work force was entering an era of stagnation and enduring decline. Finally, and possibly due to four years of above average oil prices that by 2005 had more than doubled from the 2001 low, the oil industry began to stir again in 2005. Unlike many earlier recoveries, this one wasn't tied to one or two projects. Instead, there were a lot of smaller ones: continued work on heavy oil in West Sak, an increase in the production of viscous oil, the repair of Prudhoe Bay production wells, work around Alpine, the building of new connecting pipelines, and the continued development of a number of satellite fields.
>
> Then in early 2006, a section of BP's pipeline sprung a leak. It eventually turned out to be the largest oil spill in the North Slope's history. Soon afterward, BP discovered additional corrosion problems, forcing the company to shut down the pipeline for a short period. The spill and corrosion led BP to spend more than $260 million in 2007 and 2008 to replace 16 miles of pipeline in Prudhoe Bay and up-grade the company's facilities. Undoubtedly, that helped turbo-charge Prudhoe Bay employment numbers in late 2006 and early 2007.

Again, we are not suggesting that recent decreases in oil industry employment are not a cause for some concern. We do note, however, that according to the DOLWD, oil and gas workers represented 4.1 percent of claimants for unemployment insurance, which is roughly equal to the portion of the overall Alaska workforce comprised by the oil and gas sector.[17] Further, as the above excerpt makes clear, regular fluctuations and occasional dramatic changes are the norm, rather than the exception, in oil and gas employment levels in Alaska. To be clear, such volatility is not seen in Alaska alone. According to the North Dakota Department of Commerce, that state's oil and gas worker turnover, or "replacement," rate for 2010 was 34 percent, and similar turnover levels are expected through in coming years.[18]

Oil and Gas Jobs Moving to Other States

As we mentioned, we are aware of no publicly available data that show oil and gas jobs have been transferred directly from Alaska to North Dakota or any other state. It is true that, on the whole, such employment has decreased over the past two years in Alaska, while North Dakota has seen a large increase due to rapidly expanding production in the Bakken formation in the western third of the state. However, the growth in the North Dakota industry's employment, while quite dramatic, does not appear to reach the levels suggested by the MACC.

According to data published by the North Dakota Petroleum Council, direct employment in its oil and gas industry increased 264 percent, from 5,051 to 18,328, between 2005 and 2009.[19] A study prepared for the North Dakota Department of Commerce reports that industry employment is expected to continue to rise through 2011, to approximately 20,500 workers, and remain at that level through 2015. To be sure, a quadrupling of the oil and gas workforce since 2005 is nothing short of a boom for the industry; however, the roughly 15,000 jobs added in that time period fall well short of the 25,000 jobs that the MACC cites. Since 2009, growth in North Dakota oil and gas employment slowed compared to the 2005-2009 period, adding fewer than 2,000 jobs over the past two years—roughly comparable to the number that the MAAC claims Alaska has lost.[20]

When measured by the amount of oil produced per employee, Alaska's oil industry is the most efficient in the U.S.—typically by a wide margin. For example, preliminary data from the U.S. Energy Information Administration show that, in 2010, North

[17] "Unemployment Insurance Claimant Characteristics 2010," Alaska Department of Labor and Workforce Development

[18] North Dakota employment figures are from "North Dakota Oil and Gas Workforce Needs and Skills Study," prepared by Electronic Media for the North Dakota Department of Commerce, December 2010, *http://www.commerce.nd.gov/uploads%5Cresources%5C315%5Coil-and-gas-executive-summary.pdf*.

[19] The North Dakota Petroleum Council represents and advocates for over 250 companies in states the oil and gas industry. More information on the group and its activities is available online at *http://www.ndoil.org/?id=25&ncid=4&nid=162*.

[20] "North Dakota Oil and Gas Workforce Needs and Skills Study," p. 1.

Dakota produced an estimated 122,471,000 barrels of oil and employed an average of 19,070 oil and gas employees.[21] This equates to per employee production of about 6,422 barrels for that year. By contrast, an average of 12,100 oil field workers in Alaska produced 224,840,000 barrels of oil, or about 18,580 per worker—nearly three times the per employee rate of production in North Dakota. In other words, because North Dakota's oil production is derived from a much higher and more geographically dispersed number of wells, the state needs far more workers than Alaska to produce its oil. Therefore, in that state, it appears that the number of workers employed is more directly tied to production than is the case in Alaska.

According to labor economist Neal Fried, this disparity is typical between Alaska and other states. In his 2008 *Trends* article, Mr. Fried compared production levels and numbers of employees in Alaska to those of seven other oil production states. In every case, Alaska workers were more efficient, sometimes to a stunning degree. For instance, Colorado produced 23,903,000 barrels of oil in 2007 and had 18,913 oil and gas employees. That same year Alaska produced ten-times the amount of oil with about 6,700 fewer employees.[22]

Compared to the per employee oil production rate in Alaska for 2007, the 2010 rate decreased by over 5,000 barrels, or nearly 20 percent. By contrast, over the same time period, overall oil production has decreased by about 17 percent, but average annual oil and gas employment in the state has increased over 5 percent. Again, we believe the complex interplay of these variables with the many other factors that help determine oil and gas employment levels in the state belie simplistic attempts to explain changes in those levels or claims that jobs have been "moved" to another jurisdiction.

We hope this is helpful. If you have questions or need additional information, please let us know.

[21] The U.S. Department of Energy, Energy Information Administration, provides a wide variety of data on its website at *http://www.eia.gov/*. Oil production data are available at *http://www.eia.gov/dnav/pet/pet_crd_crpdn_adc_mbbl_m.htm*.

[22] Neal Fried, *Trends*, September 2008, p. 11. Please note that the oil and gas employees in other states have produced much more natural gas than Alaska, which mitigates the differences in per worker production levels somewhat. Even controlling for gas production, however, Alaska appears to have higher levels of efficiency that other areas.

State of Alaska

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January 14, 2010

Honorable Governor Parnell,

Recently you requested a review of Alaska's oil and gas production tax, and recommendations for how the production tax could be improved. Enclosed for your review is analysis of Alaska's oil and gas production tax (otherwise referred to as "ACES"), which was compiled at my request by the Department of Revenue's technical staff. The ACES Status Report evaluates whether ACES is meeting its intended goals of providing a fair share of revenue to the state while encouraging investment in new oil and gas exploration and development activities.

Based on the report, I am recommending a collection of potential amendments to ACES and its associated Exploration Incentive Credit (EIC) program. The amendments are primarily intended to accomplish two things: 1. Further incentivize drilling and other production enhancing activities; and 2. Address a number of provisions of ACES that may keep explorers from enjoying the full intended value of the capital credit program.

The status report shows that ACES successfully allowed the state to share in the benefits of high oil prices while accommodating fluctuations in production costs and oil prices. ACES adjusted when oil prices tumbled and kept oil operations in Alaska highly profitable relative to other oil provinces. With respect to the impact that the new production tax has had on investment activity, the report is positive, but ultimately inconclusive. While the overall level of taxation increased with ACES, it distributed the impact of that tax burden in a way designed to incentivize investment in new exploration and development. Since ACES passed the legislature, overall spending on oil and gas activities on the North Slope has increased. However, given only two and a half years of experience, during which time oil prices climbed to $140 per barrel then plunged to under $30 per barrel, it would be premature to attribute the increased level of oil company investment to the success of ACES.

Oil taxes are clearly an important factor in industry investment decisions. However, it is misleading to isolate their influence from other key factors, such as world oil prices, geologic potential, access to land, resources and markets, costs of infrastructure and support services, and the legal and regulatory framework. As noted in the report, the true merit of Alaska's current fiscal system can only be determined when it is evaluated in conjunction with these other variables. The scope of the status report, and the limited timeframe since ACES passed, do not allow for such a comprehensive analysis and definitive conclusions.

In addition to documenting several promising trends in industry spending activity, the report notes a number of discrete policy issues associated with the production tax where improvement can be made. These warrant your consideration as potential amendments to the ACES framework.

1. **Increase Credits for All Well-Related Activity to 30%:** The Capital Credit and Exploration Incentive Credit (EIC) programs have been identified as influential in spurring exploration activities. However, the EIC program's 30% credits are only available to wells located more than 3 miles from all existing wells. The state has a significant interest in also incentivizing infill drilling and other well work that will increase oil production, particularly for heavy oil. I therefore recommend expanding the EIC program so that all expenditures related to drilling and well work that add new production or increase the efficiency of existing production will qualify for the 30% EIC credit under AS 43.55.025 regardless of a well's location relative to existing wells.

2. **Increase Access to Capital Credits for New Explorers:** Small producers are currently required to invest in new activities during subsequent years in order to obtain direct payment from the state for previously earned tax credits. This is not an issue for existing producers because they simply deduct credits from their current tax bill and do not need to seek direct payment from the state. Deleting this provision would make the tax credits more accessible to smaller explorers, level the playing field between new and existing operators, and eliminate an unfair double standard.

3. **Accelerate Capital Credit Usage**: Companies currently can only use half of their capital credits in the year they are earned, and the other half the following year. This is true whether the credits are applied against a tax liability or purchased by the state. Taxpayers would see increased value in the credits if they could apply the entire credit in the first year. In addition, this would ease the cost of administering these credits.

4. **Waive Interest on Late Tax Payments Due to Drafting of Regulations**: The ACES regulations, including those defining 'allowable lease expenditures' are being finalized this month. Under the statutes, these regulations are to be applied retroactively to various dates in 2007. To the extent additional taxes are due as a result of the application of the new regulations, such payments would be subject to interest and possibly penalties. While the department can waive penalties, it cannot waive interest charges. A statutory change is required in order to permit the waiver of interest.

I am confident you will find the ACES Status Report informative and interesting. Please consider my recommendations to improve the effectiveness and fair administration of ACES and the EIC program. I look forward to continuing to work with you to encourage additional oil and gas development while preserving Alaska's equitable share of oil and gas profits.

Sincerely,

Patrick S. Galvin
Commissioner

Alaska's Clear and Equitable Share (ACES)
Status Report
Alaska Department of Revenue
January 14, 2010

Introduction

In November 2007, the Alaska Legislature passed House Bill 2001, known as Alaska's Clear and Equitable Share (ACES). ACES made modifications to the prior production tax called the Petroleum Profits Tax (PPT), enacted in 2006. The changes made first with PPT and later with ACES represented substantial production tax reform in that the basis of the tax shifted from the *gross value* to the *net value* of oil and gas production. The gross tax which had been in place prior to the PPT is generally referred to as the Economic Limit Factor (ELF).

This report was prepared at the request of the Commissioner of Revenue in order to evaluate whether ACES is meeting its intended goals of providing a fair share of oil and gas revenue to the state, and encouraging investment in the exploration and development of new oil and gas resources in Alaska.

Following are the key findings of this report:

1) State revenues under ACES in FY 2009 exceeded amounts which would have been generated under either the PPT or ELF systems. The crossover point at which ACES is projected to provide more revenue than ELF is $51 per barrel west coast price in FY 2010.

2) Activation of the progressive surcharge is estimated to occur when west coast sales prices reach $56 per barrel.

3) Capital spending on the North Slope totaled over $2.2 billion in FY 2009 an increase over FY 2008. This is nearly the highest level of capital spending in nominal dollars since oil production began in the state.

4) The impact of the production tax modifications on industry investment cannot be clearly determined due to the influence of other factors and given the limited timeframe during which ACES has been in place.

5) Operating costs have risen since the enactment of PPT and ACES, but the impact of these cost increases to state tax revenues was moderated by the "standard deduction" provision of ACES, which expired December 31, 2009.

6) Increased reporting requirements, particularly of forward looking expenditure information, has greatly enhanced the accuracy of the Department's revenue forecasting efforts.

7) The Department has made significant progress in implementing ACES regulations, but there will be challenges to both the department and taxpayers as the regulations are implemented. Preliminary audits of taxpayers under the new profits-based system (formerly PPT) have begun, consistent with the normal audit timeframe.

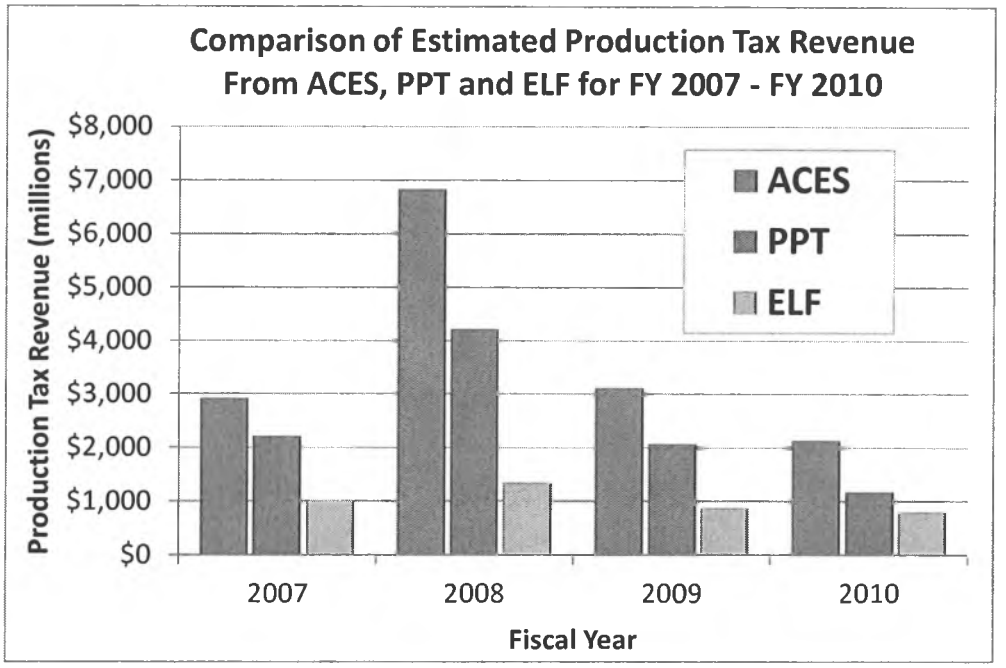
Comparison of Revenues under ACES, PPT and ELF

The net tax structure – first enacted under PPT (2006) and later with ACES (2007) – represents a significant change from the oil and gas tax structure used for much of Alaska's history. Under the earlier tax, known as the Economic Limit Factor (ELF), production tax was levied on oil and gas producing properties, regardless of whether operations were profitable. The current production tax structure requires companies to pay tax only when they are making profits from oil and gas production in the state. In addition, tax credits are provided for capital expenditures, with higher credits available for certain oil and gas exploration investments.

Since its enactment in 2007, ACES has generated more state revenue than would have been generated under either PPT or ELF. In FY 2008, a period of very high oil prices and profits, ACES generated $6.8 billion in production tax revenue, compared with $4.2 billion which would have been received under PPT and $1.3 billion which would have been received under ELF. In fiscal year 2009, during which west coast oil prices average $68.34, ACES generated just over $3.1 billion. This compares with roughly $2 billion that would have been generated under PPT and $858 million under the earlier ELF system.

Figure A compares revenue from ACES, PPT and ELF for FY 2007-2010. The FY 2009 revenues are preliminary. Estimates for FY 2010 are based on the Department's fall 2009 forecast of an average west coast oil price of $66.93 per barrel.

Figure A[1]



The progressive feature in ACES means that the state receives more production tax revenue when oil prices are high relative to underlying costs. Similarly, it significantly lessens the state's share of revenues when per-barrel margins decline. This effect was illustrated in 2008, when oil prices reached a high of $140 per barrel in July, bringing in $900 million in production tax for the month, and later plunged to below $30 per barrel in December, producing a total of $50 million in production tax for the month. Over the course of the full year, ANS crude oil averaged over $92 per barrel, resulting in five times more revenue than would have been realized under the ELF system.

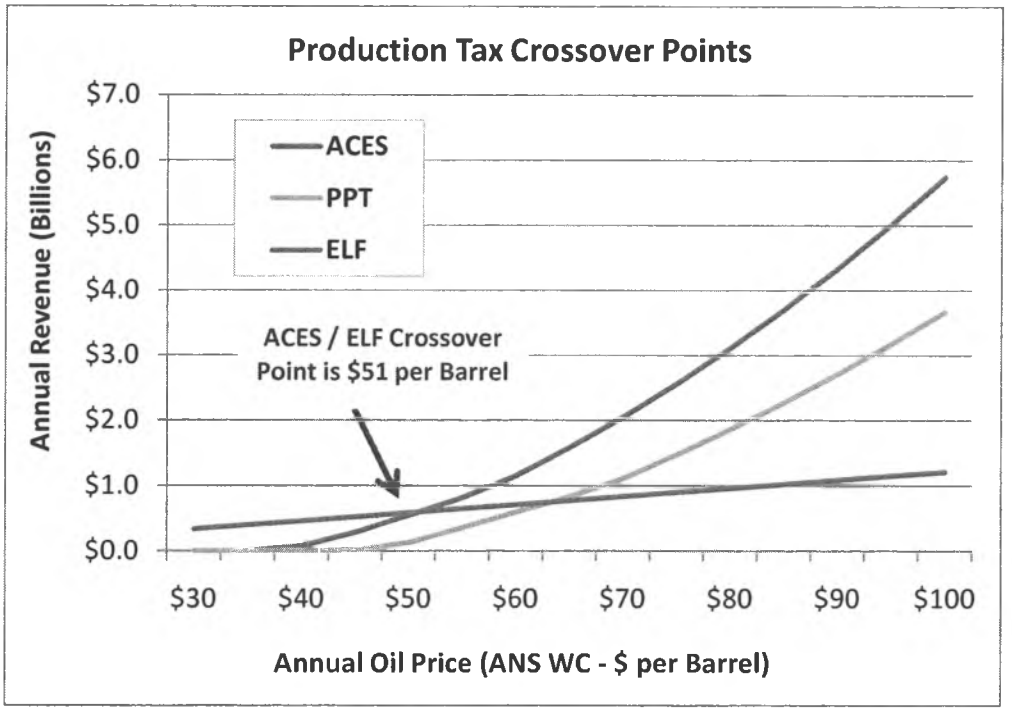
Figure B shows estimated revenues that would be received under ACES, ELF and PPT at various oil prices.[2] The oil price crossover point at which the state receives more revenue under ACES than the ELF system is roughly $51 per barrel. The crossover point has increased over prior

[1] Production tax revenue includes surcharges but does not include any settlements which go to the Constitutional Budget Reserve Fund. FY 2007 PPT revenue includes true-up payments for the period of April 2006 through December 2006. FY 2007 ACES revenue assumes similar true-up payments for comparison purposes. For FY 2007 - FY 2009, assumes actual data for oil price, production, costs and other variables. For FY 2010, assumes oil price, production, costs and other variables as of the fall 2009 forecast. Costs under PPT for FY 2010 for Prudhoe Bay and Kuparuk are based on aggregated company forecasts. For ACES only, assumes that standard deduction would apply for all of FY 2007-FY 2009 and first half of FY 2010. Actual tax revenue, as opposed to modeled revenue, is used for PPT in FY 2007 and ACES in FY 2008-FY 2009.

[2] This analysis assumes a constant oil price for the entire year, production of 655,000 barrels per day, deductible lease expenditures of $20 per barrel and transit costs of $6 per barrel.

years because lease expenditures, which are deductible under ACES, have increased since ACES was passed. It is expected that lease expenditures will decrease as costs decline in delayed response to the decline in oil prices from their 2008 levels.

Figure B[3]



Lease Expenditures

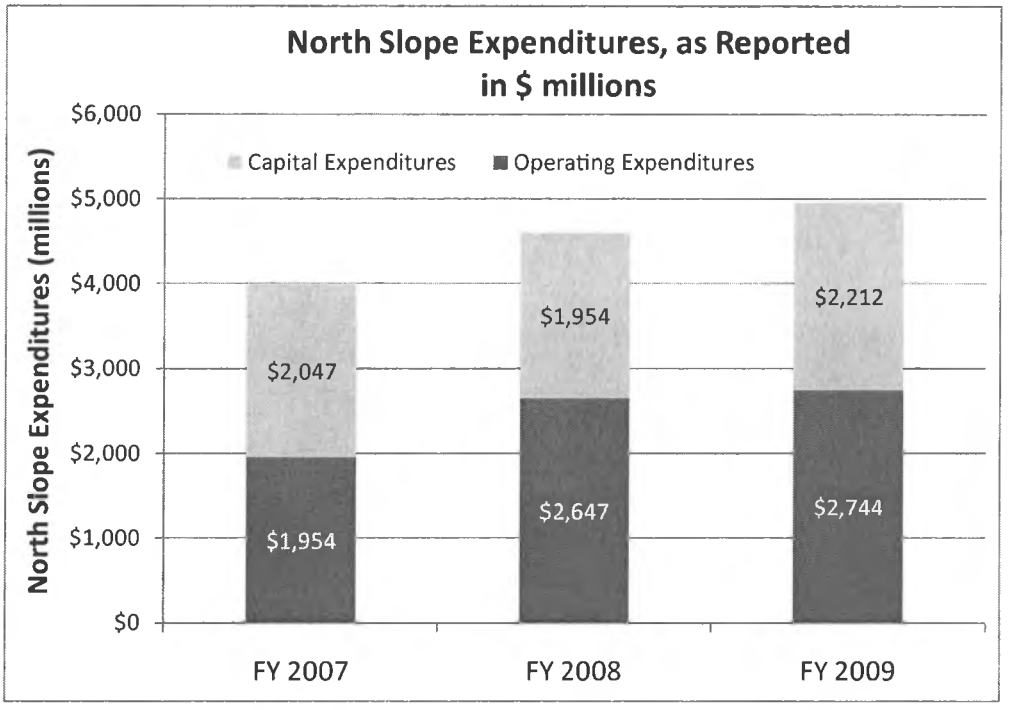
With the introduction of the net tax, it became necessary for the state to identify and forecast allowable lease expenditures for purposes of the tax calculation. Prior to the passage of PPT, the department had not been required to track or audit oil and gas production costs in Alaska. Some early cost data had been acquired directly from producing companies and through preliminary examination of federal tax returns. However, even during the debate over PPT, the state did not have access to comprehensive, Alaska-specific data that would enable policymakers to analyze the effects of the proposed tax over the life of a project. With much more information now being provided under the new tax structure, the department is developing a better understanding of oil and gas costs in Alaska, which will significantly benefit future policy deliberations.

[3] Assumes fixed operating and capital cost of $20 per barrel.

Lease expenditures fall into two general categories that constitute the major deductions under the ACES tax system. Operating expenditures are the costs to operate an oil or gas production facility on a day-to-day basis. These include labor, heat and light for the facilities, and some well work and minor equipment repairs. Capital expenditures are costs incurred to enhance or improve the reserve base, level of production, or facilities. Drilling is one of the most common forms of capital costs, as is facility construction or expansion.

Figure C shows the operating and capital expenditures, as reported on company tax returns and monthly reports, for their North Slope operations, from FY 2007 through FY 2009. Note that the graph represents all reported expenditures for all North Slope properties, regardless of whether or not they are subject to the "standard deduction" provisions of AS 43.55.165(j).

Figure C[4]



Operating Expenditures

Operating costs have risen significantly in recent years for the oil and gas industry worldwide. This has often been linked to the corresponding rise in oil prices beginning around 2002. Projects around the world that were once marginally economic have become viable, increasing the demand for limited supplies of engineering, procurement and construction services, as well

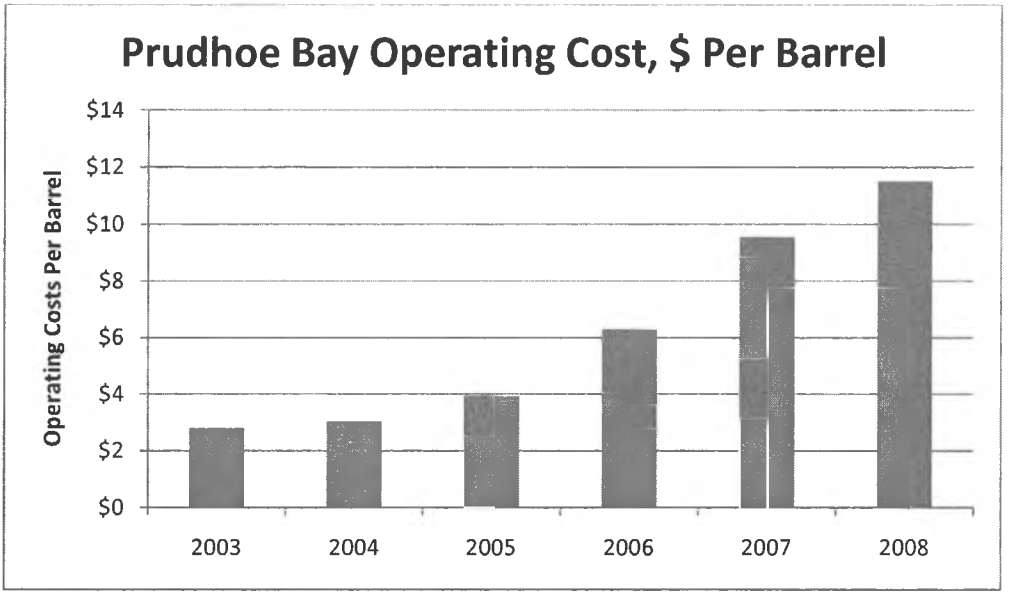
[4] Operating expenditures includes total reported costs, not standard deduction; FY 2007 estimated based on incomplete reporting

as raw materials. Cambridge Energy Research Associates (CERA) reports the upstream operating cost index rose for oil and gas field operations roughly 67% between 2002 and the end of 2008.[5] Meanwhile, the global capital cost index rose over 100% during the same period.[6]

Alaska-specific information obtained through public sources and shared in confidence during the Stranded Gas Development Act negotiations and through ACES reporting shows similar trends on the North Slope. Estimates of operating costs prior to PPT ranged from $3 to $5 per barrel. More recent information indicates that operating costs on the North Slope have doubled, and in some cases nearly tripled. Following the Prudhoe Bay corrosion incidents in 2006, operating expenditures on major repairs increased. However, since that time, the proportion of total operating expenditures directed to major repairs does not appear to have been a key driver in the growth of total operating expenditures.

Figure D shows the upward trend in per-barrel operating costs at Prudhoe Bay from 2003 to 2008. The chart shows a dramatic increase over the six-year period, consistent with cost increases seen in the oil and gas sector worldwide.

Figure D



The recent downturn of the global economy has started to push operating costs back down again. In June of 2009, CERA reported that worldwide, operating costs had declined 8 percent

[5] IHS CERA Upstream Operating Cost Index (UOCI), http://www.ihsindexes.com (Accessed December 11, 2009)
[6] IHS CERA Upstream Capital Cost Index (UOCI), http://www.ihsindexes.com (Accessed December 11, 2009)

over the previous 6 months.[7] The most recent information reported to the department under the new ACES requirements shows this trend to also be developing on the North Slope.

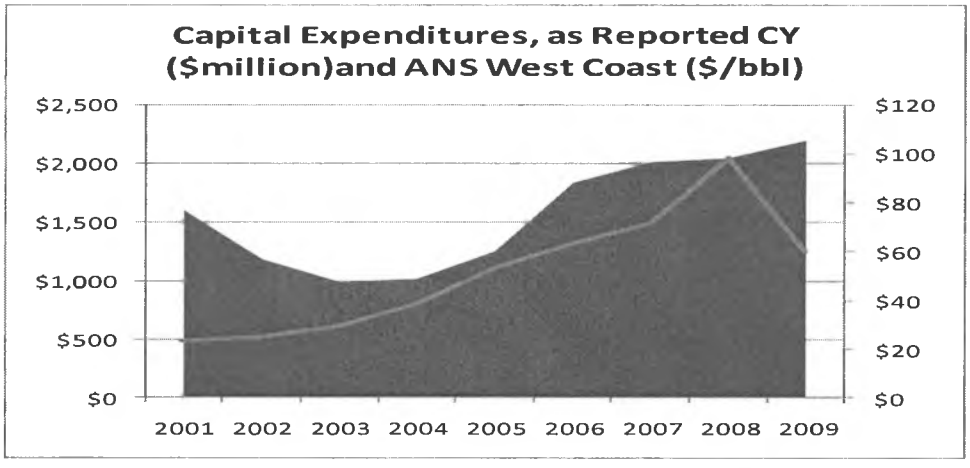
Much of this change can once again be linked to recent trends in oil prices. Lower oil prices led to a slackening of worldwide project activity, driving down the costs of transportation and various consumables. Despite this correlation, however, operating costs have not fallen at the same rate as oil prices. While the department anticipates that per-barrel operating costs will continue to decline under the lower oil price forecast for FY 2009 and FY 2010, they are expected to remain relatively high compared with those from five or more years ago.

Capital Expenditures

Capital expenditures have also increased since PPT and ACES were enacted. While capital expenditures on pipeline repairs at Prudhoe Bay increased after the Prudhoe Bay corrosion incidents in 2006, the majority of growth in capital expenditures is attributable to drilling, seismic and other projects. As shown below, capital spending on the North Slope in CY 2009 was roughly twice the level in either 2003 or 2004. At least some of this increase is due to new development activities. Two major developments – Oooguruk and Nikaitchuq – have gone forward despite recent oil price setbacks. Development of the Point Thomson field is also underway.

Figure E shows historical capital expenditures from CY 2001 to 2009 as reported by oil and gas producing companies operating on the North Slope.

Figure E



[7] IHS CERA: "*Period of Sustained Cost Escalation for Upstream Oil and Gas Facilities Comes to an End,*" June 5, 2009. http://www.cera.com/aspx/cda/public1/news/pressReleases/pressReleaseDetails.aspx?CID=10388 (Accessed December 11, 2009)

In order to forecast North Slope lease expenditures, the department receives forward looking spending projections from taxpayers, and also consults a variety of information sources, including unit forecasts, plans of development, and federal partnership returns. These data give the department significantly better insight into future development plans, as well as trends in operating and capital expenditures.

This information shows a variety of changes on the North Slope in the years ahead. There is continuing development of newer fields like Oooguruk, Nikaitchuq, and Point Thomson. Growth in capital expenditures at many major North Slope units (i.e. Prudhoe Bay, Kuparuk, Colville River and others) appear to slow slightly or decline in the next year or two and re-surge thereafter to the level of the recent past or higher. This trend is consistent with indicators of worldwide industry activity which show a dramatic drop in capital expenditures from the high levels experienced in 2008. This suggests that recent economic contraction may have caused some North Slope development projects to be delayed as producers hope to form a better idea of where the economy and oil prices may be headed.

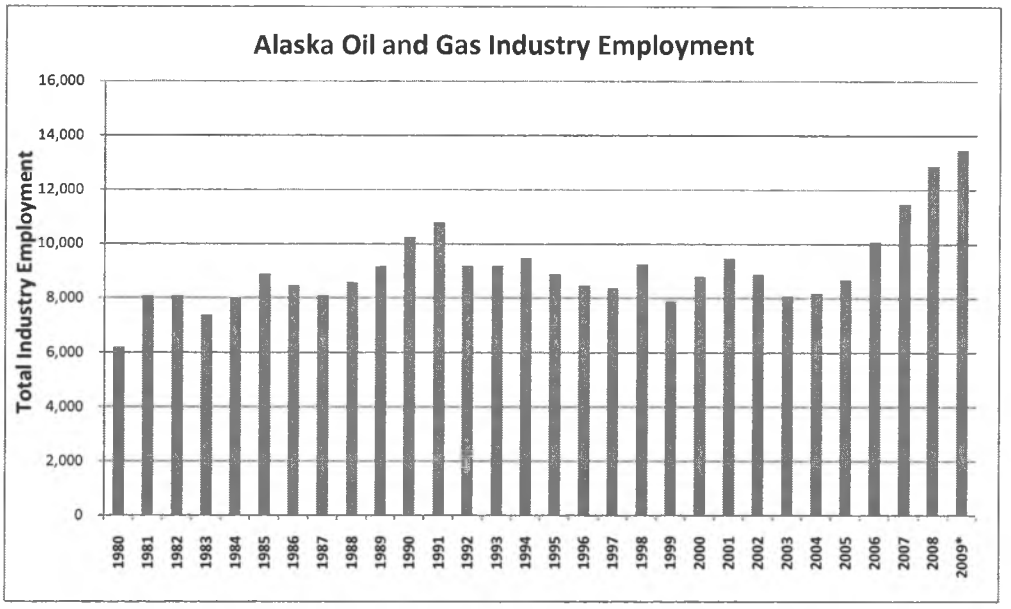
It would be presumptuous to solely attribute the rise in expenditures to the success of the investment incentives found in ACES. Many factors beyond tax policy drive oil and gas investment decisions. However, one of Alaska's new explorers, Savant Alaska, stated in a recent Petroleum News article that ACES had assisted in their development efforts at Badami. "ACES was an important component for Savant in considering investment in Alaska. It definitely had its intended consequence with us." [8]

Industry Employment

Employment in the industry has also increased steadily since the implementation of PPT and ACES, with 2009 forecast to be the highest in state history. It is important to note that this occurred concurrent with a steady rise in the oil prices, which has generally shown a strong correlation with industry activity.

[8] Kay Cashman quoting Savant's Chief Operating Officer Greg Vigil, "Savant Accelerates Badami Drilling Plan," *Petroleum News*, Volume 14, No. 3, January 18, 2009.

Figure F[9]



Flexibility of Tax Burden Evidenced

The increased revenues generated under ACES represent an increased tax burden on Alaska's oil and gas industry. However, there is evidence that ACES effectively adjusts that burden when oil prices drop and profit margins are squeezed. In 2009, a period of relatively low oil prices in comparison to recent years, 35 percent of ConocoPhillips total reported exploration and production profit in the first quarter of the year (Q1), 55 percent in Q2, and 36 percent in Q3, came from its Alaska operations, which only account for 12 percent of the company's worldwide production.[10]

ACES Structure and Tax Rate

The ACES tax consists of a base rate of 25% plus a progressive surcharge, which is triggered when a company's net profits — also known as "production tax value"— exceed $30 per barrel. Beyond this point, the base tax rate is increased by 0.4% for each additional $1 increase in per-barrel production tax value. Using current estimated transportation and production costs of roughly $26 per barrel, the surcharge would begin to be applied when west coast oil prices reach $56 per barrel. When the combined base rate and progressive surcharge reach 50%

[9] Data from Alaska Department of Labor and Workforce Development, Research and Analysis Section (January 11, 2010). Includes nonagricultural wage and salary data and excludes the self-employed. *Estimates for 2009 are preliminary.

[10] ConocoPhillips, Form 10-Q Quarterly Reports Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, March 31, 2009, June 30, 2009 and September 30, 2009.

(approximately $92.50 per-barrel profit or $118.50 West Coast price) the progressive surcharge is lessened to 0.1% for each additional $1 increase in per-barrel production tax value. The maximum nominal tax rate is 75%, which would apply at a profit rate of $342.50 per barrel or $368.50 West Coast price.

As with any tax, ACES may be evaluated using a variety of different metrics, including "effective," "nominal" and "marginal" tax rate comparisons. While each of these can be helpful under the appropriate circumstances, each is also subject to certain limitations. It is important when using these metrics to understand their relative value and how they reflect upon the objectives of the tax system.

The "effective tax rate" is the share of the total gross taxable value at the point of production that is paid in production taxes after credits are applied. It is a good universal measure of the sharing of total petroleum value that can be compared to gross value-based tax systems.

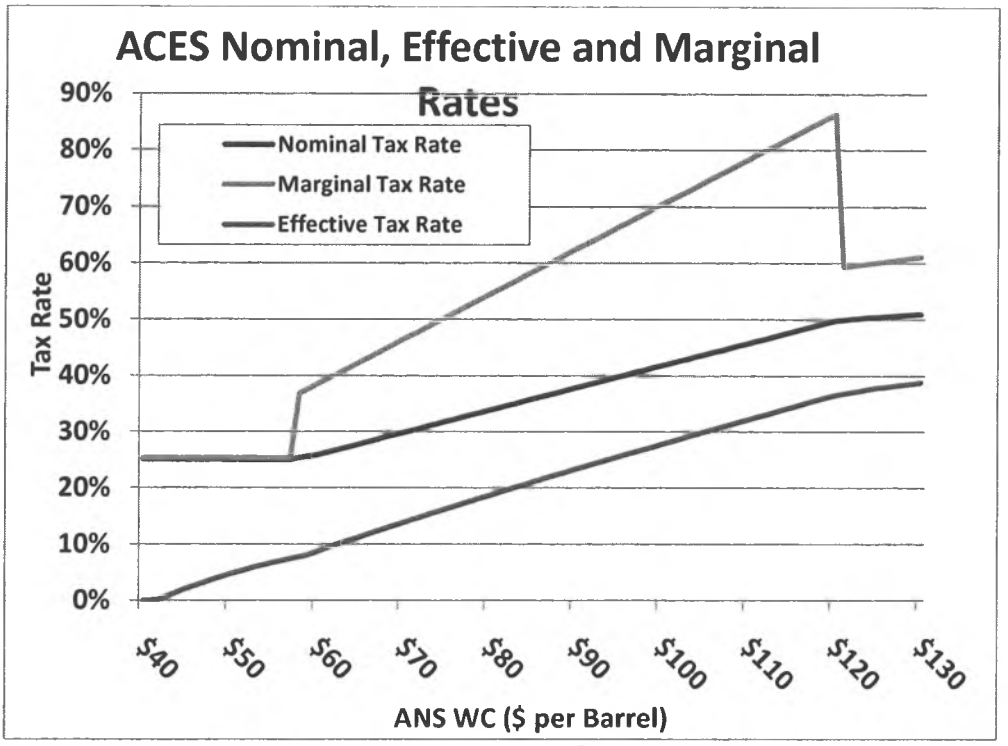
The "nominal tax rate" is the statutory tax rate as applied to the net value of oil and gas production. It does not account for credits or other tax benefits which ultimately impact a company's bottom line. Under ACES, the nominal tax rate varies with the per-barrel profitability. In addition to a base tax rate of 25%, ACES levies a progressive surcharge that can raise the combined nominal tax rate to 75% at extreme price levels.

The "marginal tax rate" is the rate theoretically applied to each dollar increase in oil price. In the case of ACES, the marginal tax rate is 25% until per barrel profit reaches $30 per barrel (about $56 per barrel in west coast spot price under the current cost structure), at which point it increases for every additional dollar up to a marginal tax rate of 87% when the profit reaches $92.50 per barrel (about $118.50 per barrel on the west coast). Following this peak, the marginal tax rate drops off significantly as the profit level continue to rise. With a net based tax system, this metric shows a company the impact of making additional investment, because each dollar they invest is "subsidized" by the government based on the amount of marginal tax they have avoided paying on that dollar.

Each of these metrics has their limitations when considered in isolation from other metrics, or when only one data point on the curve is presented. For example, a marginal tax rate of up to 87% initially sounds excessive. However, at that same price level, the effective tax rate (the tax burden) is less than 40%. The marginal rate of 87% actually represents the state's "portion" of any new investment made at such high prices.

Figure G shows the nominal, effective and marginal tax rates under ACES using a wide range of west coast spot prices.

Figure G



Production Tax Administration and Implementation

The passage of ACES presented significant challenges for tax administration and implementation because it involved comprehensive structural changes to the tax on the heels of the prior year's legislative changes through PPT. These challenges are experienced both on the taxpayer and on the state side.

Tax Credit Successes and Difficulties

The increased spending levels reported earlier in this document, may be due in part to the expansion of capital and exploration credits provided under ACES for reinvestment in the state. Credits can be applied against tax liabilities, sold to other companies or, for companies producing less than 50,000 boe/day, can be purchased by the state. Nearly $550 million in credits were claimed in FY 2009. Approximately $193 million was paid to oil and gas companies

to purchase oil and gas tax credits, while an additional $350 million in tax credits were used to offset tax liabilities.

Some administrative difficulties have arisen due to the requirement that the 20% capital credit be spread out over two years. It has taken a substantial amount of time and resources to develop a database with which the division can track the issuance and staged application of these credits for each taxpayer. This detailed tracking was made necessary by the transferability and use of the credits, and some confusion by taxpayers and their transferees regarding how the credits could be applied. In addition, the two-year spread in the application of the capital credits diminishes their value to taxpayers who look for quick return of their investment dollars. Finally, one of the reasons for the two-year spread in credits was to assist the department in forecasting future revenues. However, the department has found that the information provisions in ACES have been extremely valuable and successful in improving the volume and quality of spending projection data provided to the department by operators. This forward looking spending information has been much more valuable to the revenue forecasting process than the two-year spread in credits.

The Department has also received feedback regarding the reinvestment requirements for new explorers. Under current law, companies generally receive a financial benefit of over 45 percent of exploration expenditures incurred in the state. However, a new entrant to Alaska (with no production to immediately apply the credit against) can only get full value for their expenditures by applying to the state for cash payment for their credits earned. In order to receive such a payment, the company must continue to make expenditures in future years. Although this provision was originally created to support new explorers, it appears to be a limiting factor for companies that have fewer financial resources and are only considering a single exploration investment. In application, this requirement creates a "double standard" where new entrants to Alaska are provided less value for their credits compared to incumbent companies.

"Standard Deduction" provision at AS 43.55.165(j)

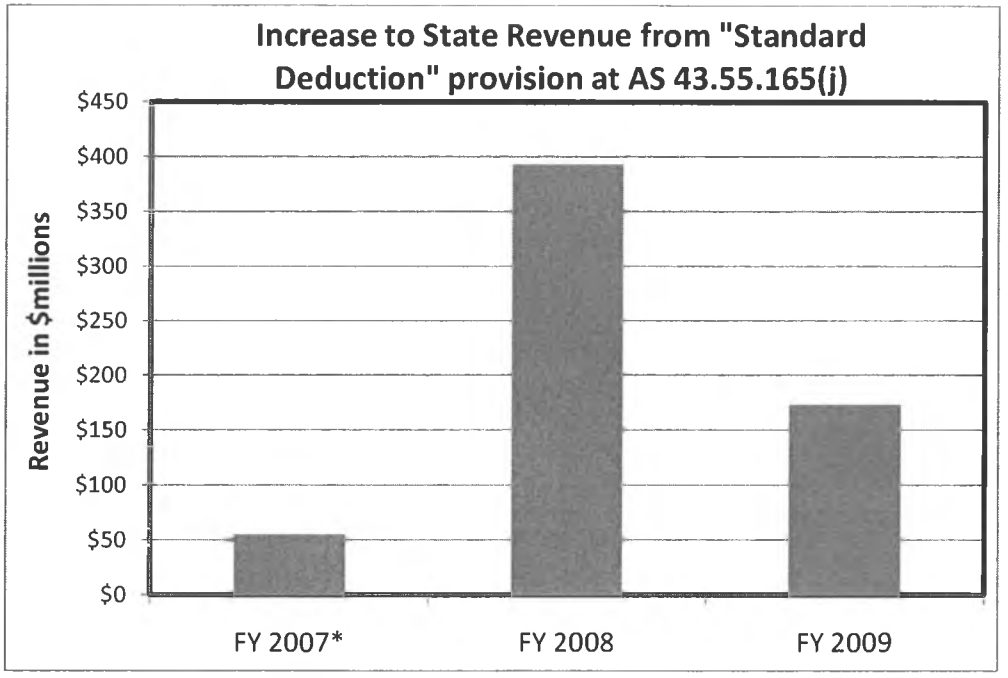
The ACES tax reform made modifications to the deductibility of operating expenditures for certain fields on the North Slope. Alaska Statute 43.55.165(j) limited the deduction of operating expenditures at leases or properties that have produced a cumulative 1 billion barrels of oil and NGLs since the lease or property began oil production. The Prudhoe Bay Unit and the Kuparuk River Unit are subject to these provisions based on their cumulative production. The provision, coined the "standard deduction," limits the deduction of operating expenditures to the amount deducted on the first PPT returns, filed April 1, 2007, for calendar year 2006 expenditures, adjusted annually. This provision, which was effective through December 31,

2009, was intended to moderate the risk associated with adopting a profits based tax without substantial historical data on which to rely for future cost estimates.

Based on company-reported expenditure data, the provision has resulted in a substantially greater tax liability to the state during the time it has been in place. The total liability in FY 2008 was substantially larger than the liability for FY 2009 due to the higher tax rate in FY2008 because of higher net profits realized due to high oil prices.

Figure H shows the increased revenue to the state from the standard deduction from FY 2007 through FY 2009.

Figure H[11]



Regulations

The ACES tax included new restrictions and guidance on allowable lease expenditures, requiring complex regulations. The department has actively sought industry input on the structure of the regulations to ensure they continue to achieve their intended purposes, while avoiding undue burdens for either side. The process has included numerous public workshops pertaining to credit regulation, conforming regulatory changes required by ACES, lease expenditures, facility sharing costs and transportation costs. As a result, the regulation drafting process has been

[11] *Standard Deduction was only in place for half of FY 2007.

lengthy and complex. However, the regulations to define allowable lease expenditures are expected to be finalized this month.

Under the statute the regulations are retroactive to various 2007 dates. To the extent additional taxes are due, taxpayers would be required to pay interest on what would now be late tax payments. The department has discretion to waive any penalties for late payments. However, a statutory change would be needed in order for the department to provide a waiver from interest payments.

Reporting and Revenue Forecasting

ACES requires that companies exploring for or producing oil and gas in the state submit a monthly information report to the department. This report includes estimated data on production volumes, the value of the production, and the operating and capital expenditures related to production. The monthly report is used primarily by state economists to monitor company production and spending. Included with the monthly report is an estimate of taxes owed and credits earned. Twice annually, companies are asked to provide the department with forward-looking expenditure information, along with future production plans to aid the department in providing the legislature with state revenue forecasts.

These reports, in combination with the monthly information reports and the annual tax returns, have significantly enhanced the quality of the department's revenue forecasts.

Audit Compliance

The ACES legislation extended from three to six years, the period in which the department is required to assess production taxes owed. The extension was seen as necessary to assure proper tax assessments, particularly given the complexity of overlapping ELF, PPT and ACES tax laws. The new tax law also included funding for four new "Audit Masters" within the department. The department is still experiencing significant difficulties recruiting and filling audit positions. The department has successfully recruited three Audit Masters, and these individuals have been placed within sections of the Tax Division to assist with implementation and administration of the tax. The recruitment of the fourth Audit Master, and Oil and Gas Revenue Auditors is ongoing.

During 2008, the department's auditors began auditing tax returns that were submitted for calendar year 2006 under the PPT program.

Conclusion

The ACES production tax has been effective in allowing the state to share in the benefits of high oil profitability. It has also responded well to lower oil prices by reducing state tax burden on Alaska's oil and gas producers. Over $2 billion in new capital investment was reported in fiscal year 2009 reaching near-record levels. While these and other indicators suggest that the profits-based tax system has supported North Slope exploration and development, it would be misleading to suggest that ACES alone influences the level of investment. While tax is recognized as being an important factor in investment decisions, it is not the primary determinant. Long-term price forecasts, as well as the resources themselves, have proven to be much more significant drivers of industry activity.

The department is continuing to analyze ACES to identify opportunities to improve the tax framework in order to support additional exploration and development in the state, while not harming the state's revenue base.

The new reporting requirements under ACES are helping the department develop a better understanding of industry expenditures and activity, and have assisted in the state's revenue forecasting efforts. Development of new tax regulations is progressing, though several challenges remain for both the state and taxpayers. Numerous workshops have been held to solicit industry input and these will continue as the department continues to work through outstanding issues. In 2008, the production tax audit group began auditing taxpayers who submitted annual returns for CY 2006 under PPT.

Overall, the information reviewed by the department indicates that ACES is performing as expected when it was passed by the Legislature in 2007. The economic provisions are resulting in the revenue levels anticipated, and the investment incentives appear to distribute the increased tax burden in a fashion that continues to encourage reinvestment, though the experience with the credit program could be improved for new explorers. Challenges remain in the implementation by the department, but they are manageable and the department is positioned to meet those challenges.

Final Findings and Determination

For

Nikaitchuq Development
Royalty Modification
Application

Commissioner of the Department of Natural Resources

APPROVAL
OF MODIFICATION OF ROYALTY
FOR LEASES:
ADLs 388571, 388572, 388574, 388575, 388577, 388581, 388582, 388583, 390615, 390616 and 391283

January 11, 2008

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3. Copy of Public Notice Issuance
4. Public Notice Affidavits
5. Map of Nikaitchuq Development Area
6. First Expansion of the Nikaitchuq Unit Area, Termination of the Tuvaaq Unit, and the Contraction of the Kuparuk River Unit Area

7. Economic Analysis and Internal Decision Process: Final Findings and Determination For Nikaitchuq Royalty Modification Application (CONFIDENTIAL under AS 38.05.180(j) and "Deliberative Process Privilege")
8. Public Comments

I. INTRODUCTION AND BACKGROUND

A. Introduction

On October 16, 2007, Eni US Operating Co. Inc. (Eni), as operator of the Nikaitchuq Unit (NU), on behalf of its affiliate Eni Petroleum US LLC, 100 percent working interest owner of the subject leases, submitted an application to the commissioner of the State of Alaska Department of Natural Resources (ADNR) for modification of royalty under AS 38.05.180(j)(1)(A) (Attachment 1). On November 30, 2007, ADNR issued a Preliminary Findings and Determination to respond to Eni's royalty modification application. The public was invited to comment on the preliminary decision for 30 days ending January 7, 2008. ADNR hereby issues its Final Findings and Determination as required under AS 38.05.

Eni has applied for royalty modification on 12 leases which overlie the Schrader Bluff and the Sag River reservoirs. However, the Sag River reservoir was withdrawn from the application at the request of Eni. Eni requests that the fixed royalty rates of

- 12.5 percent on the Net Profit Share (NPS) lease, ADL 391283, and
- 16.66667 percent on the 11 leases (ADLs 388571, 388572, 388574, 388575, 388577, 388580, 388581, 388582, 388583, 390615, and 390616)

be reduced to the minimum rate allowed, 5.0 percent, with an annual sliding-scale royalty percentage adjustment based on the level of Alaska North Slope West Coast (ANSWC) crude oil price. The 30 percent net profit share rate on ADL 391283 is to remain unchanged. Attachment 2 depicts the Nikaitchuq Unit boundaries and leases subject to this royalty modification application.

This Final Findings and Determination responds to the royalty modification application as required under AS 38.05.180(j)(8). Part I summarizes the royalty modification application and process. Part II reviews the history of the Nikaitchuq Unit formation and development, and Eni's royalty modification application. Part III reviews the state's authority to carry out royalty modification. Part IV reviews the requirements and terms of royalty modification pursuant to this application. Part V contains ADNR's analysis of the application under the royalty modification criteria. Part VI is the Final Findings and Determination.

B. Royalty Modification Procedure

This Final Findings and Determination is the first step in a process contemplated in AS 38.05.180(j) that could result in an authorization to modify the royalty terms for certain leases. The commissioner published the Preliminary Findings and Determination, gave public notice of a 30-day public comment period (Attachments 3 and 4), and offered to appear before the Legislative Budget and Audit Committee to provide a review of the

Findings and Determination and the administrative process. The commissioner will keep the submitted data confidential under AS 38.05.035(a)(9) at the request of the lessee or lessees making application for the royalty reduction. This Final Findings and Determination by ADNR regarding royalty modification is final and not appealable. With the Applicant's concurrence, ADNR will amend the subject leases to conform to the terms of this royalty modification Final Findings and Determination.

II. SUMMARY OF ENI'S APPLICATION FOR ROYALTY MODIFICATION

A. Unit and Lease Summary

ADNR approved the formation of the Nikaitchuq Unit effective April 29, 2004. At that time, Kerr-McGee Oil & Gas Corp. (KMG) held 70 percent of the working interest and Armstrong Oil & Gas Inc. (Armstrong) held 30 percent. The unit originally consisted of eight leases covering 12,968 offshore acres in the shallow waters of Harrison Bay in the Beaufort Sea, approximately three miles north of Oliktok Point. The Kuparuk River Unit (KRU) lies to the south, and the Milne Point Unit (MPU) lies to the east of the Nikaitchuq Unit. The Tuvaaq Unit, formed in August 2004, was adjacent to the western boundary of the original Nikaitchuq Unit. Effective October 5, 2007, ADNR approved the first expansion of the Nikaitchuq Unit, termination of the Tuvaaq Unit and the contraction of the Kuparuk River Unit. The Nikaitchuq Unit expanded to include all of the Tuvaaq Unit leases, the Kigun lease, formerly committed to the KRU, and two additional leases acquired by ENI at the 2004 Beaufort Sea Sale.

All 12 leases in the Eni royalty modification application are committed to the expanded Nikaitchuq Unit. (See lease map in Attachment 2.)

The ownership of the Nikaitchuq Unit has changed significantly since formation. Eni acquired Armstrong's 30 percent WIO of Nikaitchuq Unit in August 2005. In August 2006, Anadarko Petroleum Co. (Anadarko) acquired KMG, including KMG's 70 percent WIO in Nikaitchuq Unit, and became Nikaitchuq Unit operator. Eni subsequently acquired the remaining 70 percent Nikaitchuq Unit ownership from the operator, Anadarko, in March 2007, and became the 100 percent WIO and operator of Nikaitchuq Unit.

On January 11, 2006, KMG submitted an application for royalty modification under AS 38.05.180(j)(1)(A) for 14 leases of which 12 are the subject of this application.[1] KMG's application requested that the royalty rate for the 14 leases be modified from their respective existing fixed royalty rates of 16.67 percent and 12.5 percent to a fixed royalty rate of 5 percent. Effective October 31, 2006, the ADNR issued the Final Findings and Determination of the Commissioner of the Department of Natural Resources for the Nikaitchuq Development Royalty Modification Application denying KMG's application for royalty modification.

[1] The KMG application included ADLs 355021, 355024, 388571, 388572, 388574, 388575, 388577, 388578, 388580, 388581, 388582, 388583, 390615, and 390616.

B. Project Development History

In the 2003-2004 and 2004-2005 exploration/appraisal drilling programs KMG/Armstrong encountered accumulations of hydrocarbons in the area of the then-proposed Nikaitchuq Unit. A total of six wells were drilled in the Nikaitchuq area in the 2004 and 2005 winter drilling seasons; two additional wells were drilled in 2006.

The planned development includes:

- Construction of a gravel pad with drilling, gathering and production facilities on Oliktok Point near the existing ConocoPhillips Alaska Inc. seawater treatment facility.
- Construction of a gravel drilling island near Spy Island tied back via a 3.8-mile subsea flow line and utility bundle to Oliktok Point for fluid processing.
- Construction of a +/-14-mile pipeline from Oliktok Point to a tie-in near KRU DS-1Y pad for connection to the Kuparuk Transportation common carrier pipeline.
- Consideration of future modifications required to adjust facility configuration to accommodate actual results of well performance.
- A total of 73 wells drilled between 2008 and 2011, of which 31 are expected to be producers.
- First oil expected in 2010.

Development studies indicate that extended reach horizontal producing and injection wells required for pressure maintenance are needed to economically recover the hydrocarbons in place. The planned development would permit a relatively small "footprint" for centralized facilities and minimal well pads, thereby reducing environmental impacts to the region. Initial drilling will be from a 313,000-square-foot pad to be constructed at Oliktok Point. Existing roads will be utilized for access. The production facilities will be located on the same pad. Later, a small gravel island is to be constructed within the barrier islands for future drilling. A subsea bundle containing a three-phase production line and multiple utility lines will be constructed to connect the gravel island to Oliktok Point to transport production and provide fuel, secondary recovery fluid, and power to the gravel island.

C. Eni Royalty Modification Request

On October 16, 2007, Eni submitted an application (Attachment 3) to the ADNR commissioner for modification of royalty on 12 leases, ADLs: 388571, 388572, 388574, 388575, 388577, 388580, 388581, 388582, 388583, 390615, and 390616 and ADL 391283 under AS 38.05.180(j)(1)(A). In accordance with 11 AAC 88.105, 11 AAC 83.185, and 11 AAC 05.010(a)(10)(H) Eni submitted a complete application with the required $250.00 filing fee.

The Eni application for royalty modification submitted on October 16, 2007, requests a 5.0 percent fixed royalty if the Alaska North Slope West Coast (ANSWC) crude oil price falls below an ANSWC price equivalent to the U.S. Department of Interior, Minerals Management Service (MMS) NYMEX West Texas Intermediate (WTI) oil price threshold for royalty modification for OCS August 2004-2006 deepwater oil leases in the Gulf of Mexico (GOM).[2] Eni proposes a sliding-scale royalty rate in any month after production start-up (expected in 2010) that would range between 5.0 and 16.6667 percent, depending on the average monthly price of ANSWC crude oil. An ANSWC monthly (nominal) price below the Alaska Department of Revenue (ADOR) *Spring 2007 Revenue Sources* forecast between 2010 (the year of first production) and 2017 shown in Figure II.1 (below) would trigger a reduced royalty rate from original fixed lease rates of 12.5 percent and 16.6667 percent, respectively. The amount of the reduction in royalty percentage would depend on (a) the original lease rate (either 12.5 percent or 16.6667 percent) and (b) the extent to which the actual future oil price falls below the ADOR forecast threshold.[3]

The original fixed royalty rate of 16.6667 percent for ADLs 388571, 388572, 388574, 388575, 388577, 388581, 388582, 388583, 390615, and 390616 and 12.5 percent with 30 percent net profit for ADL 391283 would be subject to the sliding scale modification in a low commodity price environment to a level at or above a floor of 5 percent. The 30 percent net profit share to the State attached to ADL 391283 would be unchanged under the Eni royalty modification proposal.

The Eni application also would provide full royalty relief at a reduced rate of 5 percent for all leases regardless of oil price if monthly production is below 4,000 barrels of oil per day for the first 10 years following the effective date of the royalty modification decision.

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[2] ADNR estimates threshold to be $42.53 per barrel in 2010 based on a 2007 NYMEX WTI price of $42.64 assuming a 94 percent basis adjustment to ANSWC and 2 percent price escalation pursuant to the ENI proposal. See: MMS, *Price Thresholds and Annual Market Prices for MMS Deepwater and Deep Depth Oil and Gas Royalty Relief Programs*, Deep Water Oil, Economics Division at www.mms.gov/econ/DWRRAPrice1.htm.

[3] Under the Eni proposal, the royalty percentage rate adjustment would be approximately ¾ percentage point per $1 change in ANSWC price for leases with a 16.6667 percent base royalty rate and ½ percentage point per $1 change in ANSWC price for leases with a 12.5 percent base royalty rate. After 2017, the ADOR ANSWC price forecast is inflated by the monthly change in the Producer Price Index (PPI).

III. SUMMARY OF ROYALTY MODIFICATION AUTHORITY AS 38.05.180(j)(1)(A), (2), (3), (4)(A), (5)

A. General Royalty Modification Requirements

AS 38.05.180(j)(1)(A) authorizes the DNR commissioner to provide for royalty modification on individual leases, leases unitized as described in (p) of this section (AS 38.05.180), leases subject to an agreement described in (s) or (t) of this section (AS 38.05.180), or interests unitized under AS 31.05 to allow for production from an oil or gas field or pool if:

1. the oil or gas field or pool has been sufficiently delineated to the satisfaction of the commissioner;
2. the field or pool has not previously produced oil or gas for sale; and
3. oil or gas production from the field or pool would not otherwise be economically feasible.
4. Under AS 38.05.180(j)(2), the commissioner may not grant a royalty modification unless the lessee or lessees requesting the royalty modification make a clear and convincing showing that a royalty modification meets the three requirements set out above and is in the best interests of the state.

B. General Royalty Modification Terms

1. Under AS 38.05.180(j)(3) the royalty modification terms must provide for an increase or decrease or other modification of the state's royalty share by a sliding-scale royalty or other mechanism that shall be based on a change in the price of oil or gas and may also be based on other relevant factors such as a change in production rate, projected ultimate recovery, development costs, and operating costs.
2. Under AS 38.05.180(j)(4)(A) a modification to royalty may not be granted for the field or pool if the royalty modification would result in a royalty rate of less than 5 percent in amount or value of the production removed or sold from a lease or leases covering the field or pool.
3. Under AS 38.05.180(j)(5) a royalty reduction must include an explicit condition that the royalty reduction is not assignable without the prior written approval, which may not be unreasonably withheld, by the commissioner. The commissioner shall, in the preliminary and final findings and determinations, set out the conditions under which the royalty reduction may be assigned and may not grant a royalty reduction without an explicit condition that the royalty reduction is not transferable.

IV. DISCUSSION OF ROYALTY MODIFICATION CRITERIA

A. Leases Are Eligible For Consideration

The leases meet the requirements for consideration and all eleven subject leases proposed for royalty modification are committed in entirety to the Nikaitchuq Unit. AS 38.05.180(j)(1) allows modification of royalty for individual leases and unitized leases.

B. Reservoir Delineation: Discussion of Reservoir Geology and Engineering

1. Introduction to reservoir delineation.

The commissioner may grant royalty modification to allow for production from an oil or gas field or pool if the oil or gas field or pool has been sufficiently delineated to the satisfaction of the commissioner.

The area within the Nikaitchuq Unit for which royalty relief is sought lies offshore in the Beaufort Sea in the vicinity of Spy Island, approximately three miles north of Oliktok Point. The Nikaitchuq Unit is north of and contiguous with the northern edge of the KRU and the Milne Point Unit (MPU). The KRU is operated by ConocoPhillips and produces from the Cretaceous Kuparuk River Formation and shallower Schrader Bluff Formation. The BP-operated MPU field lies to the south-southeast of the Nikaitchuq Unit and produces oil from the Schrader Bluff, Kuparuk, and Triassic Sag River formations. The western edge of the proposed Nikaitchuq Unit is adjacent to the recently expanded Oooguruk Unit (OU) operated by Pioneer. Production from the OU is expected from the Kuparuk and Jurassic Nuiqsut sandstones.

Within the Nikaitchuq Unit, potential commercially recoverable reserves have been tested in both the Cretaceous Schrader Bluff and the Triassic Sag River formations.

Based upon the submitted application and the planned initial development, the request for royalty modification at Nikaitchuq is limited to the OA sand of the Schrader Bluff Formation. For the purpose of this application, the OA sand is defined in Kerr McGee Nikaitchuq #1 (API No. 50629231930000), completed in 2004, as the interval between 5034 feet measured depth (4127 feet subsea true vertical depth) and 5090 feet measured depth (4170 feet subsea true vertical depth).

ENI has adequately delineated the OA sand of the Schrader Bluff Formation in the Nikaitchuq area. Their drilling, testing, and evaluation programs appear to have highlighted the obvious risks inherent to developing viscous oil and identified the possible upside potential available through use of extended reach drilling and advanced completion technologies.

Although upside potential may also exist within the shallower Schrader Bluff N sand interval, the current lack of core, well test, or fluid data from this interval increases the risk and precludes it from being deemed delineated and included as part of this application. ENI plans to gather more data to thoroughly evaluate the N sand during the course of developing the deeper OA sand.

The Sag River Formation contains lighter oil than the Schrader; however, it is plagued with poor quality reservoir rock. The development potential is marginal at best unless there are significant advances in stimulation or enhanced oil recovery technology. Delineation of the Sag River Formation at Nikaitchuq to date has revealed limited reserves and similar test results to the analog at MPU where wells within the Sag River Formation consistently show initial flush production followed by steep decline within the first year. ENI is still evaluating the development potential of this interval and, as such, it has been excluded from this application.

2. Exploration History of the Area

Two key early exploration wells lie within several miles of the Nikaitchuq development area. The Unocal East Harrison Bay State #1 well lies near the northwest corner of the KRU, to the southwest of the Nikaitchuq Unit. The well was drilled in February 1977 to a measured depth of 9,809 feet, bottoming in argillite basement. The East Harrison Bay State #1 well logs appear to contain about 15 feet of oil-bearing Kuparuk Formation that appears cemented in the upper half. The Jurassic section looks silty on logs. The ARCO Kalubik #3 well, drilled in February 1998, lies to the south-southwest of the Nikaitchuq area. The well bottomed in the Jurassic at a measured depth of 7,000 feet. The well encountered a 40-foot-thick measured depth (MD) interval of Kuparuk C sandstone that appears on electric logs as oil-bearing, but siderite cemented in the upper 10 feet of the interval. On well logs the Jurassic interval contains silt with a 12-foot silty sand developed around 6,565 feet MD. The well was plugged and abandoned on March 6, 1998.

3. Drilling History

The first major exploration activity in the area in the early 1970s targeted the Ivishak Formation following the discovery of the prolific Ivishak Formation in Prudhoe Bay State #1 in 1967. The Hamilton Brothers Milne Point #18-1 was one of the early wells drilled on the Milne Point structure in 1970 in search of Ivishak and Lisburne objectives. This well encountered about 50 feet of tight oil-saturated sandstone that was not tested and a section of Kuparuk sandstone that tested at a rate of 875 BOPD. This discovery led to increased industry interest in the Milne Point area and led to exploration and delineation drilling for Kuparuk reserves. In the early 1980s the Sag River was cored in the Conoco Milne Point Unit #C-1 well and contained bleeding oil and gas. The Sag River Sandstone was also cored in the MPU #L-1 well and contained no visible porosity or staining and appeared tight on wire line logs.

In the early 1990s about a dozen wells were drilled to the west-southwest of the Nikaitchuq area with Jurassic sandstones and Kuparuk C sandstones as targets. The ARCO Kalubik #1 well encountered approximately 160 feet of productive Nuiqsut and Nechelik sandstone that tested approximately 336 BOPD (un-stimulated). In addition, the well penetrated an 85-foot section of Sag River Sandstone with calculated log porosities in the range of 15 to 22 percent. The Thetis Island #1 well also encountered an 80-foot section of porous Sag River sandstone with log-calculated porosities in the range of 16-24 percent. A pay section of Nuiqsut sandstone was also encountered that tested at an average rate of 120 BOPD with a high rate of 650 BOPD. Both the Kalubik #1 well and Thetis Island #1 well drilled through Brookian sandstones that contained mud log hydrocarbon shows.

In the late 1990s BP drilled several dedicated Sag River Sandstone test wells, including MPU #C-23, #K-33, #E-13A, 3F-33, #F-33A, and #F-73A. Alaska Oil and Gas Conservation Commission (AOGCC) production data indicate that several Milne Point wells have produced oil out of the Sag River Sandstone and two oil producing wells MPU F-33A and K-33, are currently shut-in. MPU #C-23 produced 378,012 barrels of oil between 1996 and 2001. MPU #F-33 produced 314,276 barrels of oil between September 1996 and May 1999 and was subsequently plugged and abandoned. MPU #K-33 has produced approximately 93,241 barrels of oil since 1997. MPU #E-13A produced 366,665 barrels of oil between 1995 and April 2001. MPU #F-33A produced approximately 661,099 barrels of oil since April of 2001. MPU #F-73A produced 13,430 and is now a water-alternating-gas injection (WAGIN) well. BP estimated the original oil-in-place (OOIP) at 62 MM STB oil and the reservoir area about 8500 acres based upon seismic and log data during an AOGCC Conservation Order hearing in May 1998. AOGCC reservoir data indicate that the oil commonly recovered from the Sag River sandstone has an API oil gravity of about 37 degrees. Total production from the MPU Sag River Sandstone has been 1,834,131 barrels of oil and 1,875,668 MSCF gas through October 2007. MPU Sag River recovery is less than 3 percent to date based on OOIP. The original GOR ranged from 784 – 974 SCF/STB. Production from the Sag River pool at MPU has been intermittent with extended shut-in periods since June 1999.

Between 2004 and 2005, Kerr McGee (KMG) drilled six wells in the Nikaitchuq and Tuvaaq Units. Initially, the primary exploration target was the Sag River Formation; the Kuparuk Formation was a secondary target. Although the wells did not encounter reservoir quality sand in the Kuparuk, the well logs indicated that sands in the shallower Schrader Bluff Formation were prospective. KMG then adjusted the exploration program to thoroughly evaluate the Schrader Bluff Formation. Three of the six wells tested oil from the viscous Schrader Bluff or Sag River formations. In 2006/2007 KMG drilled two additional pre-development wells from Oliktok Point to further delineate and test the Schrader Bluff sandstone. The two wells are currently suspended.

4. Schrader Bluff Formation Tests

KMG Nikaitchuq #4

Approximately 3,000 feet of gross horizontal Schrader Bluff OA sand was drilled in this well, with approximately 2,270 feet of horizontal or lateral net pay, from a 30-foot true-vertical-depth net pay thickness. A two-week production test was performed on the well using an electric submersible pump (ESP) to aid in producing the 16–17 API crude. The well tested at rates up to 1,200 barrels of oil per day during periods of the initial test. Permeability estimated from the test was greater than 350 millidarcies and was confirmed from the analysis of the flow tests conducted on a whole core obtained from the well.

KMG Tuvaaq #1

The well was not tested. It penetrated 30 feet net pay Schrader Bluff OA Sand and 12 feet net Schrader Bluff N sand. There were no cores taken at Tuvaaq. Schrader Bluff N sand was interpreted to be oil-filled here and at Kigun #1 appeared unconsolidated with permeability estimated from 100-1000 millidarcies and porosity 25-35 percent.

KMG Kigun #1

The well was not tested. It penetrated 29 feet net pay Schrader Bluff OA sand and 30 feet net N sand. An MDT tool run sampled the Schrader Bluff OA fluids which were 18 degree API, GOR 59 SCF/STB and viscosity of 82 cp at 87 degree reservoir temperature. (Contamination of the samples with oil-based mud caused concern about the reliability of the sample estimates and properties.) Schrader Bluff OA sand core data indicated 25 percent to 38 percent porosity and up to 1,000 millidarcies permeability in the sandstone intervals.

KMG Oliktok Point I-1 KMG Oliktok Point I-2

These two wells were drilled by KMG during the 2006/2007 drilling season as pre-development wells to further test and delineate the Schrader Bluff reservoir. These wells have been suspended. Results from these wells are currently held confidential under AS 38.05.035(a)(9).

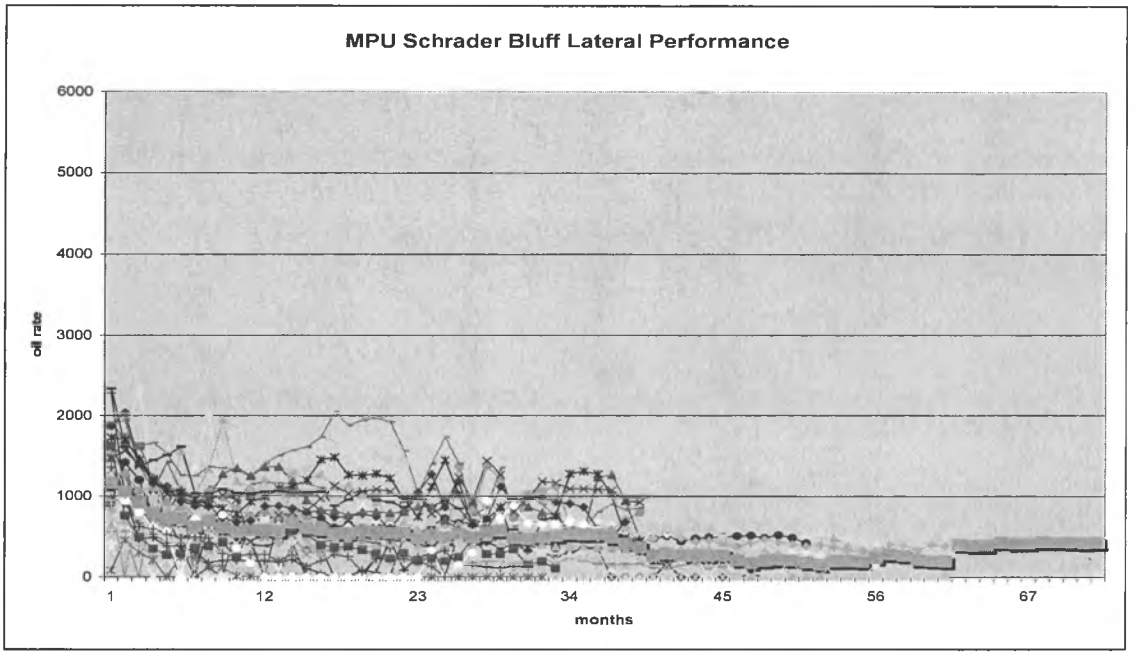
5. Analog Schrader Bluff Formation Performance

Milne Point Unit (MPU) Schrader Bluff Pool (Figure 1), Kuparuk River Unit (KRU) West Sak Pool (Figure 2) and Prudhoe Bay Unit (PBU) Polaris and Orion pools – Figure 3, represent analog Schrader Bluff Formation horizontal well performance. Each of the pools was developed initially with vertical or slanted completions. More recently a number of horizontal lateral and multi-lateral wells have been completed in each of these pools. MPU and KRU Schrader Bluff wells show a distinct, lower rate performance than the newer developed Polaris and Orion Pool wells. A significant portion of the performance difference is likely due to differences in fluid quality. Within the Schrader Bluff Formation / West Sak, developments oil gravities can vary between 15-24 degrees API and viscosity can vary between 5-130 centipoise. To date, development has been limited to those areas with higher API Gravity and lower viscosity. Later Schrader Bluff Formation developments are building on earlier techniques by going from vertical to

horizontal and multilaterals wells. The horizontal and multilaterals should consistently outperform the older wells because more formation is exposed and the completions are more efficient.

The wells in each Schrader Bluff Formation pool exhibit early flush production for six to 12 months. The PBU Schrader Bluff completions show slightly higher initial rate profiles followed by relatively steep decline. The average MPU Schrader Bluff completion (heavy bright green points and line) declined from 1200 bopd to 500 bopd at 12 to 40 months. KRU West Sak lateral completions have performed similar to MPU Schrader Bluff.

Figure 1. MPU Schrader Bluff Formation lateral performance and average performance (heavy green).



6. Reservoir delineation determination.

ENI has adequately delineated the OA sand of the Schrader Bluff Formation in the Nikaitchuq area. Their drilling, testing, and evaluation programs appear to have highlighted the obvious risks inherent to developing viscous oil and identified the possible upside potential available through use of extended reach drilling and advanced completion technologies.

Figure 2. KRU West Sak sands lateral performance and average performance (heavy orange).

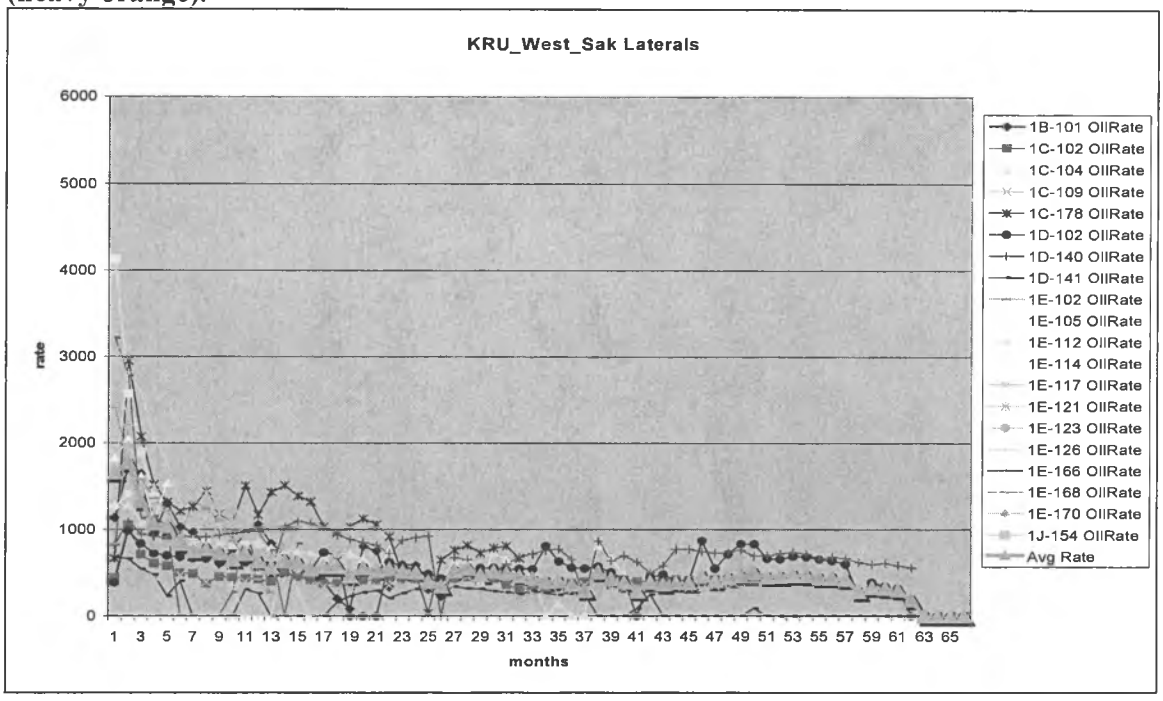
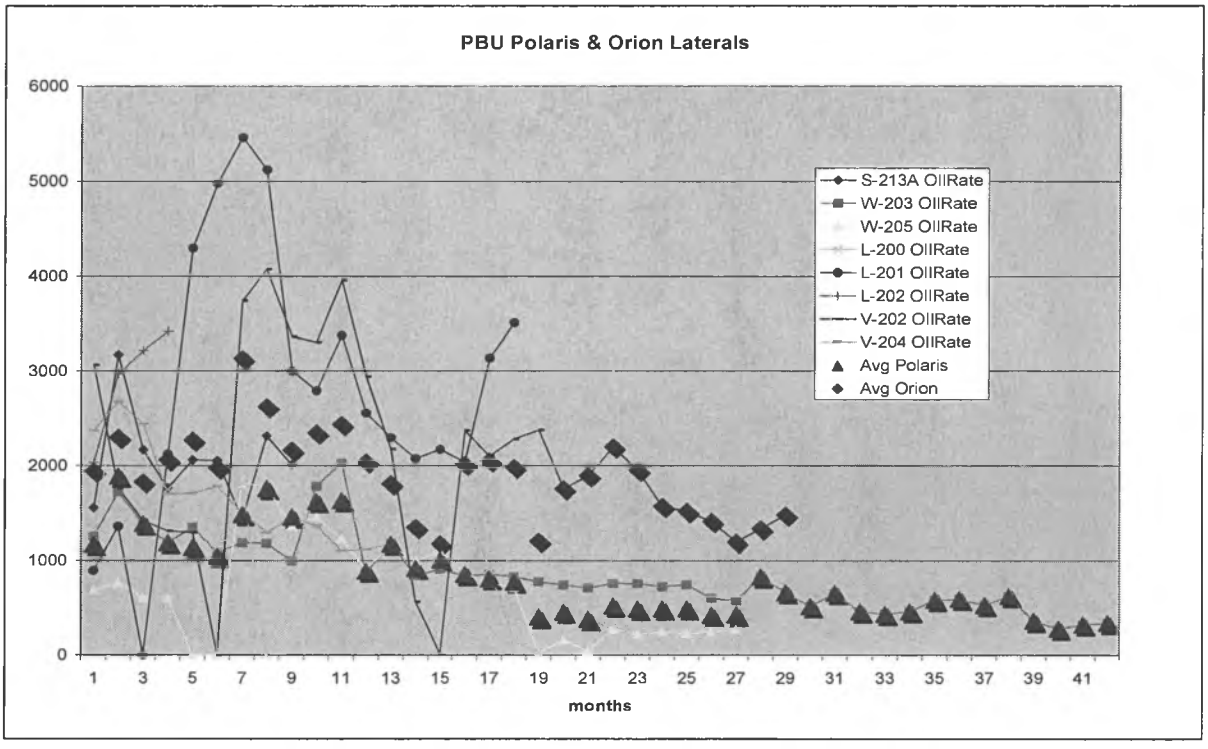


Figure 3. PBU Polaris and Orion Schrader Bluff Formation initial performance.



ENI stated that their plan is to develop Nikaitchuq Schrader Bluff Formation with horizontal wells. Their prognosis of performance can be compared to the analogs by evaluating average Schrader Bluff well performance from initial completion to date. There are up to seven years of production history for the various Schrader Bluff Formation horizontal and lateral wells. Orion appears to be more productive so far but the long term performance has yet to be defined. ENI appears to estimate their development will improve on the previous KRU and MPU Schrader Bluff completions by using the latest technology, namely very long horizontal and or multi-lateral completions. ENI's cases align reasonably with the MPU Schrader Bluff and KRU West Sak and PBU Polaris average performance. PBU Orion performance is notably better than ENI's high case average rates. Analyses of oil samples taken within the OA sand in the Nikaitchuq area demonstrate measured oil viscosities of 95–188 centipoise. This is heavier than the average viscosity of production from existing KRU, MPU and PBU Schrader Bluff developments. In addition, the Nikaitchuq development will include construction of a new standalone facility. The KRU, MPU, and PBU Schrader Bluff pools had existing infrastructure and production from other formations to support the additional development. Both of these factors increase the risk and make this project more economically challenged compared to existing heavy oil developments.

C. No Previous Sale of Produced Oil or Gas

The pools underlying the leases have not previously produced oil or gas for sale.

D. Economic Analysis

ADNR used its own in-house probabilistic economic model (ADNR Model) for the Nikaitchuq development to independently assess the financial performance and ultimate economic effects of a royalty modification for both Eni and for the State of Alaska. Eni shared with the state portions of its proprietary economic model, but the state chose to use its own model that incorporated many input assumptions provided by Eni.[4]

ADNR closely examined the assumptions and methods currently in use by the U.S. Minerals Management Service (MMS) for the Deep Water Royalty Relief Program. The MMS has developed an in-house proprietary probabilistic economic model for Royalty Suspension Viability Program. ADNR adopted an approach similar to that of the MMS by applying the quantitative results from the ADNR model to a prudent-investor decision framework. The ADNR decision framework is confidential. It is designed to replicate the kind of analytical framework used by industry for making prudent oil and gas investment decisions under uncertain conditions involving significant capital outlays and lengthy project life cycles.

[4] Eni has submitted financial and technical data and analyses and requested that they be held confidential in accordance with AS 38.05.035(a)(9). Thus this section does not discuss any confidential information concerning Eni's geologic, engineering and cost data. These documents are included and discussed in detail in the confidential *Economic Analysis and Internal Decision Process*, (Attachment 6).

The prudent investor standard is maintained throughout the project evaluation process. Under this standard, ADNR incorporates a collection of project performance benchmarks that are consistent with industry norms.

To obtain royalty relief the applicant must show by clear and convincing evidence that without royalty modification the project is not economically feasible. Nikaitchuq is an offshore, heavy oil prospect with relatively high expected exploration and development costs and low expected production possibilities. The final analysis of Nikaitchuq project development conducted by ADNR pursuant to the Eni royalty modification application suggests that, under reasonable assumptions about future oil prices and without some form of royalty relief, this project would not be sanctioned for funding and development.

In its simplest form, the ADNR Model describes project cash-flows for the Nikaitchuq development over a 50-year time horizon. The ADNR Model incorporates expected investment, production, price, revenue, and cost. It incorporates fiscal system attributes, including state and federal tax, state production tax (including the recent ACES legislation)[5], and royalty obligations, as well as other important commercial relationships, such as facility sharing and pipeline transportation charges.

The ADNR in-house model is flexible enough to allow ADNR to evaluate the effects of changes to the fiscal system. The model provides a platform for systematic evaluation of the effect of a change to the royalty rate. The model calculates the changes to the various financial metrics that result from a change in the royalty rate. These metrics include annual and cumulative discounted and undiscounted cash flow, years to payout, net present value (NPV), expected monetary value (EMV), and internal rate of return (IRR) on investment, as well as state revenues. Also, ADNR used its model to carry out sensitivity analysis of key driver assumptions and to characterize certain price, production, and cost variables in terms of probability distributions to evaluate how uncertainty among these drivers affects key project metrics and state revenues.

Eni furnished ADNR with 200 realizations of project production that depict the range of values and probabilities for the many reservoir factors that that determine ultimate reservoir recovery (e.g., aerial and vertical extent, rock characteristics, fluid composition and properties). These 200 Eni realizations represent the universe of possible resource recovery outcomes for ADNR's Monte Carlo analysis that fit the well-test data. The ADNR model samples repeatedly from this universe of production realizations, as well as from volatility inherent in price formation, as characterized in the mean reversion price model (see below), to generate a distribution of net present value (NPV) outcomes for the Nikaitchuq project. The central tendency (mean and median) and dispersion (variance) of the NPV outcomes depict project performance uncertainty and speak to the dimensions of ADNR's prudent-investor decision framework mentioned above.

ADNR incorporated the applicant's input data into its model along with its own assumptions about the path of uncertain future prices to derive independent results for the

[5] See HB2001 (11/15/2007).

economic feasibility of the Nikaitchuq project. The ADNR Model examines a range of possible inputs to derive a P50, or median, outcome from a Monte Carlo simulation. The P50 result is the value where 50 percent of the outcomes lay below this point and 50 percent of the outcomes lay above the P50 outcome. The ADNR Model uses Palisades Software's "@Risk" Monte Carlo software application to run the simulations and determine risk-weighted outcomes reported in the confidential supplement to this *Final Findings and Determination* (Attachment 7).

Calculating risk weighted outcomes is critical to a full analysis of a project. The probabilistic rate profile, determined based on the applicant's reservoir simulation results, is combined with pricing to determine the project revenue stream. Annual Alaska North Slope West Coast (ANSWC) crude oil prices were generated from an Ornstein-Uhlenbech type Mean-Reversion price model[6] with parameters estimated as described by Schwartz, (1997)[7] using annual price data for ANSWC crude as reported by Platt's. The starting ANSWC delivered price used in the model is $67 per barrel, the average price for 2007. The risk weighted cost profiles are then matched to the revenue stream generated by the probabilistic price and production models. This yields an NPV distribution. The mean of the NPV distribution is the EMV for the entire project that incorporates uncertainty and can be compared "apples-to-apples" with other versions of the project.

ADNR analyzed various senarios to explore Nikaitchuq project performance with and without royalty modification. DNR approves royalty modification only when it believes a project will not go forward without it. This means that the impact to royalty revenues to the state is the difference between the royalty revenues with royalty modification as was prescribed in the DNR decision and zero. Even under low price scenarios, ADNR determined that the state can expect to receive an additional $100 million over the life of the project.

If it is assumed that the project could have gone forward without royalty modification (again, not what ADNR assumes) the impact would be as indicated in Table 1. This table presents several possible price scenarios and the indicated change to the state royalty cash flow stream.

In Table 1 the scenarios labeled "$43 and Above (Sustained)" and "$40 Sustained" simply use a flat price deck for "Alaska North Slope West Coast" (ANSWC) crude oil (before inflation) for the life of the project, the price does not vary from year-to-year. An oil price of $40 is always just below the $42.64 royalty modification threshold and thus results in 5 percent royalty rates for every barrel of oil produced from the reservoir for the life of the project and the greatest negative impact to overall state royalty revenues.

---

[6] Dixit & Pindyck, 1994, http://www.puc-rio.br/marco.ind/sim_stoc_proc.html#mc-mrd.

[7] The Stochastic Behavior of Commodity Prices: Implications for Valuation and Hedging", Schwartz, E., Journal of Finance, 1997, Volume 52, issue 3, 923-973

Table 1. Change in Alaska royalty revenues if royalty modification were not necessary and project produced oil without royalty modification.

Price Scenario	Impact on State of Alaska Royalty Revenue ("With Royalty Modification Per Decision" Minus "Without Royalty Modification", 5% discount rate)
$43 and Above (Sustained)	$0 million
DNR Price Model	($39 million)
$40 Sustained	($160 million)

The "DNR Price Model" scenario does not use a constant or "sustained" price for the life of the project (i.e. flat price deck) as is the case with the other two scenarios in Table 1. We use a forward-looking, Monte Carlo-based "mean-reversion" model, as discussed above. This price model creates a price forecast where oil price fluctuates over time, simulating real-life price variability similar to what history has shown. The price for 2007, $67 per barrel ANSWC, was taken from U.S. Energy Information Agency's most recent price projection for West Texas Intermediate (WTI) crude, and adjusted for ANS-WTI basis by taking the previous 12-month average difference between these two prices. The model reverts to DNR's expected mean value of $53 per barrel, over time.

The ADNR has determined that under ADNR's price and discounting assumptions, the project attributes furnished by Eni, and the existing lease royalty rates in effect prior to this *Final Finding and Determination* (16.6667 percent fixed royalty rate and the 12.5 percent fixed royalty with 30 percent NPS for ADL 391283), the Nikaitchuq project does not meet prudent-investor standards for economic feasibility. ADNR concludes further that the royalty modification terms and conditions stipulated in Section IV.B would improve project economics. Eni represents that royalty modification would make project sanction more likely.

V. PUBLIC COMMENTS

On November 30, 2007, ADNR issued a Preliminary Findings and Determination to respond to Eni's royalty modification application. The public was invited to comment on the preliminary decision for thirty days, ending January 7, 2008 (Attachments 3 and 4).

No comments were received from the public.

VI. STATE'S PROPOSED ROYALTY MODIFICATION

A. Royalty Modification Requirements for the Nikaitchuq Project

1. Eni's application for royalty modification on ADLs 388571, 388572, 388574, 388575, 388577, 388580, 388581, 388582, 388583, 390615, and 390616, and ADL 391283 meets the requirements for consideration under AS 38.05.180(j)(1). Eni has paid the filing fee and submitted a complete application for the royalty modification including financial and technical data that meet the requirements of 11 AAC 88.105, 11 AAC 83.185, 11 AAC 05.010(a)(10)(H), and AS 38.05.180(j)(6).

2. The Schrader Bluff pool has been sufficiently delineated to the satisfaction of the commissioner for the purpose of considering royalty modification; this pool has not previously produced oil or gas for sale.

3. Eni has shown that oil or gas production from the Schrader Bluff pool would not otherwise be economically feasible.

4. Eni has made a clear and convincing showing that a modification of royalty meets the requirements of 38.05.180(j)(1)(A), and is in the best interests of the state.

B. Royalty Modification Terms for the Nikaitchuq Project

1. Royalty modification pursuant to the terms herein is granted to Eni US Operating Co. Inc. (Eni), as operator and 100 percent working interest owner of the Nikaitchuq project (Project), on ADLs 388571, 388572, 388575, 388574, 388577, 388581, 388582, 388583, 390615, 390616, and 391283. Royalty modification is denied for ADL 388580 because there was no apparent resource allocated to this lease.

2. Only production from Nikaitchuq Unit's Schrader Bluff OA reservoir, as delineated under this Findings and Determination, shall be eligible for royalty modification. To receive royalty modification on production, the lease must be committed to an approved participating area within six years of the date of Project sanction. After six years, any subject lease or portion of a subject lease not committed to an approved participating area for the Nikaitchuq Schrader Bluff OA reservoir shall revert to the respective individual lease royalty rates that were in effect immediately prior to this Findings and Determination.

3. If the Project, not materially changed from that set out in the October 16, 2007, royalty modification application, is not sanctioned by all working interest owners by February 28, 2008, this royalty modification decision is rescinded.

4. Within 30 days following the date of Project sanction, the working interest owners shall provide ADNR with the Project sanction documents, approvals for expenditure, and other documents supporting the technical and financial data submitted with Project sanction documents excluding any proprietary data. ADNR agrees to keep all such data confidential.

5. If six years following the date of Project sanction total actual Project spending starting December 1, 2007, does not meet $822 million in nominal dollars, then this royalty modification is rescinded. If 11 years following the date of Project sanction total actual Project spending does not meet $1.398 billion in nominal dollars, then this royalty modification is rescinded. The ADNR may audit the working interest owners' spending on this Project to determine compliance any time between the sixth and the 13th year following Project sanction. If at either cost threshold juncture this royalty modification is rescinded, then Eni will refund to the State of Alaska the difference between the royalty which would have been due at the royalty rates that were in effect immediately prior to the effective date of this Findings and Determination and the royalty due at the modified royalty rate, with interest as set forth in AS 38.05.135(d).

6. The NPS lease regulations set out in 11 AAC 83.201 – 11 AAC 83.295 remain in full force and effect for ADL 391283, except that the cost to the applicant for the application for royalty modification will not be included in any NPS lease Development Account balance.

7. (a) Nikaitchuq royalty modification mechanism implemented as follows:

   i. Original lease rates are 12.5 percent for ADL 391283 and 16.67 percent for ADLs 388571, 388572, 388575, 388574, 388577, 388581, 388582, 388583, 390615, and 390616.

   ii. For the first 25 years following the date of first sustained production, when Alaska North Slope West Coast ("ANS WC") delivered crude prices are below the threshold price per barrel as adjusted by inflation, then production from the Nikaitchuq Schrader Bluff OA reservoir on the subject lease will pay a 5 percent royalty. The ANS WC crude price for the month of production is the average assessment by Platt's Oilgram Price Report and Reuters online data providing service, of the spot price for ANS delivered on the West Coast. The average assessment of the spot price for ANS by each reporting service is the average of the midpoints of the high and low closing assessments for the spot price for ANS for all days during the month of production for which closing assessments are

reported. The threshold price shall start at $42.64 per barrel. This threshold price will be adjusted annually for inflation starting on May 1, 2008, and shall be adjusted on each May 1 thereafter. The inflation adjustment shall be (1 + inflation rate) multiplied by the previous year's inflation-adjusted threshold price. The inflation rate shall be determined by taking the previous year's annual implicit price deflator for GDP (initially, for the year 2007) as reported by the end of April of each year, dividing that deflator by the two-years-previous annual implicit price deflator (initially, for the year 2006), and then subtracting 1. The source of the inflation data shall be the Department of Commerce Bureau of Analysis (BEA) U.S. Economic Accounts-GDP. National Income and Productions Account (NIPA) Table 1.1.9. When the monthly ANS WC oil price is above the threshold, royalty rates for production attributable to such month(s) shall return to the original lease royalty rates.

iii. This royalty modification shall be terminated 25 years following the date of first sustained production and at that time royalty rates shall revert to the respective individual lease royalty rates that were in effect immediately prior to this Findings and Determination.

(b) For the 18th through the 120th months after first commercial production from the Nikaitchuq Schrader Bluff OA reservoir, if production from all of the subject leases averages below 4,000 barrels of oil per day for any previous twelve month period, full royalty modification rates of 5 percent shall be in effect for all production from the Nikaitchuq Schrader Bluff OA reservoir, regardless of oil price. Provided, however, nothing in this provision shall prevent Eni from applying for royalty modification under AS 38.05.180 (j)(1)(B)or (C).

8. In the determination of royalty value of oil or gas from any of its properties, Eni shall waive any rights to a transportation deduction for the pipeline constructed pursuant to the Easement granted on ADL 417493. This waiver shall remain in effect even if such pipeline is converted to a common carrier.

9. If any working interest owner should contract to use any processing facilities at any time for production from the reservoirs delineated and leases covered in this Findings and Determination, that working interest owner shall furnish ADNR the facilities contract, including information regarding the fee structure and volumes processed unless such contract prevents disclosure of such information. This information will be kept confidential by ADNR. The working interest owner shall also furnish produced oil, water, and gas volumes on a monthly basis broken down by individual working interest owner.

10. Should any third party petition the Nikaitchuq Unit facility owners to contract for use of any unit facilities, the cost of use shall be based on market rates. Any

resulting contract covering facilities access or use shall be shared with the ADNR. ADNR agrees to keep all such information confidential.

11. This royalty modification is not assignable without prior written approval of the ADNR commissioner, which shall not be unreasonably withheld. The assignee must be fit, willing, and able to satisfy all of the duties and obligations attached to this royalty modification and all other lease terms.

12. If at any time royalty modification is rescinded, the terms and conditions of this Findings and Determination shall terminate, with two exceptions. First, the provisions of Term 8 shall survive the termination of royalty modification. Second, all obligations to keep information confidential that was submitted pursuant to this Findings and Determination shall survive the termination of royalty modification.

VI. PROPOSED FINDINGS AND DETERMINATION

After detailed consideration where all the materials presented by the applicant were reviewed and incorporated into our analysis, the ADNR has determined that Eni meets the necessary requirements and that royalty modification for the Nikaitchuq development project is warranted under the terms established in Section IV of this finding and determination.

1/11/08

Thomas E. Irwin
Commissioner

Date

cc: Kevin Banks, Director, Division of Oil and Gas
Antony Scott, Senior Commercial Analyst, Division of Oil and Gas
Jeff Landry, Department of Law

SB

85

<TARGET><BILL>SB 85</BILL><SUBJECT>SB
85</SUBJECT><COMM>SRES27</COMM></TARGET>

LIB

ALASKA STATE LEGISLATURE

SENATOR THOMAS H. WAGONER,
Co-Chair: Senate Resources Committee
Member: C&RA Committee
Member: LB&A Committee
Member: Regulatory Review
Member: World Trade

Official Business

Session: January - May
State Capitol, #427
Juneau, AK 99801
Phone: 907-465-2828 Fax: 907-465-4779

Interim: May - December
145 Main Street Loop; Suite 226
Kenai, AK 99611
Phone: 907-283-7996 Fax 907--283-8127

Senate Bill 85
Sponsor Statement
TAX CREDIT FOR NEW OIL & GAS DEVELOPMENT

This bill authorizes credits for 100% of the costs of the qualified development expenditures that were incurred after a "pool" is discovered and before production of oil or gas in paying quantities.

The Alaska Oil and Gas Conservation Commission (AOGCC) determines the date the "pool" was discovered and the Department of Natural Resources (DNR) determines the date of commencement of production from that pool. Eligible costs for the credit are those that are qualified capital expenditures (AS 43.55.023) or lease expenditures (AS 43.55.165).

The credit is required to be taken within five years, is not transferable and may not be used to reduce a tax liability to below zero.

Alaska's declining oil production has extremely serious ramifications on the Trans Alaska Pipeline System (TAPS), the revenues of the State of Alaska, and on the domestic production for the United States of America.

Alaska's production is about one-third of the peak 2.1 million barrels per day in 1988 and projected to continue declining 5-6% per year. [1] Without reversals in the current decline, the continuation of the entire system is at risk.

This new credit is expected to produce increased activity in oil production and thus, an increase in the through-put in the TAPS system.

The legislation is patterned after revisions recently made to Alberta's royalty taxing regime (May 2010). As a result of the revisions, Alberta expects industry reinvestments of $700 million per year and creation of 8,000 jobs in 2011-2012.

---

[1] Alyeska pipeline May 2010

ALASKA STATE LEGISLATURE

SENATOR THOMAS H. WAGONER,
Co-Chair: Senate Resources Committee
Member: C&RA Committee
Member: Regulatory Review
Member: LB&A Committee
Member: World Trade

Official Business

Session: January - May
State Capitol, #427
Juneau, AK 99801
Phone: 907-465-2828 Fax: 907-465-4779

Interim: May - December
145 Main Street Loop; Suite 226
Kenai, AK 99611
Phone: 907-283-7996 Fax 907--283-8127

Senate Bill 85
Sectional Analysis
TAX CREDIT FOR NEW OIL & GAS DEVELOPMENT

Section 1: Existing law prohibits multiple tax credits, this adds the new credits established in this bill, **43.55.026**.

Section 2: Adds new credits established in this bill, **43.55.026,** to existing law that restricts multiple tax credits..

Section 3: sets out new **43.55.026** for the new tax credit.

(a) Directs that the new credit applies to qualified expenditures that were incurred prior to production of oil or gas in paying quantities for a lease or a property taxable under AS 43.55.011(e)[1] and that is not and has not been within a unit, or produced oil or gas, as of December 31, 2010.

(b) Establishes that the credit amount is 100% of the qualified development expenditures incurred after completing the drilling of the first well that discovers a pool (capable of commercial production) and before production (in paying quantities) commences. Those dates are determined by the Department of Revenue (DOR), in consult with

1. Alaska Oil and Gas Conservation Commission (AOGCC) for establishing the date on which the first well drilled discovered a pool (capable of commercial production); and
2. Department of Natural Resources (DNR), for establishing the date that production (in paying quantities) commences.

---

[1] *(AS 43.55.011(e) establishes the oil and gas production tax that replaced the ELF production tax in 2006.).*

SA SB85 S(RES) 2-23-11 /mj

(a) Establishes that the credit may be applied against the production tax during the five years immediately following the date of production commencement, or, if the credit is fully applied before the end of the five year period, until the credits for the expenditures are fully applied, whichever occurs first. Credits expire if not taken within that five year period and may not be applied against the production tax from a lease or property not eligible for the credit.

Essentially, there is a five year "holiday" from the production tax under this new credit or the time required to recoup 100% of the development costs, whichever occurs first.

(b) Restricts the use of the new credit so there are not multiple credits.

(c) Establishes that the credit or any portion of the credit is not transferable and may not reduce the tax liability below zero for AS 43.55.011(e) (the production tax) for any calendar year.

Essentially, the tax credit stays with the drilling site and the new credit may not allow the tax payer to obtain a refund from the state in any calendar year.

(d) Allows the DOR to adopt regulations needed to administer the new credit.

(e) Establishes procedures so that when a lease or property that utilizes this new credit becomes part of a unit under AS 38.05.180(p)[2], the credit is applied only to the production tax due for the lease or property that qualified for the credit.

(f) Defines:
1. "production in paying quantities".
2. "qualified development expenditure".

Section 4: Amends existing law to include new section for this tax credit in **43.55.026**.

Section 5: Establishes an immediate effective date for the legislation.

---

[2] AS 38.05.180(p) (oil and gas and gas only leasing statutes regarding unitization)

TRANS ALASKA PIPELINE SYSTEM

The 800-mile-long Trans Alaska Pipeline System (TAPS) is one of the world's largest pipeline systems. Starting in Prudhoe Bay on Alaska's North Slope, TAPS stretches through rugged and beautiful terrain to Valdez, the northernmost ice-free port in North America. Since pipeline startup in 1977, Alyeska - TAPS' operator - has transported more than 15 billion barrels of oil.

In 1968, oil was discovered at Prudhoe Bay in the North Slope, located in northern Alaska between the Brooks Range Mountains and the Beaufort Sea (part of the Arctic Ocean). A consortium of oil companies planning to produce the oil determined that a pipeline offered the best means to transport crude oil from the North Slope to a navigable port in southern Alaska where it could be shipped by tanker to refineries in the continental United States.

ABOUT ALYESKA PIPELINE SERVICE COMPANY

Alyeska Pipeline Service Company, named after the Aleut word Alyeska meaning mainland, was established in 1970 and charged with designing, constructing, operating, and maintaining TAPS. At the time, construction of the pipeline was the largest privately financed construction project ever attempted, and cost over $8 billion when completed. Pipeline construction began in March 1975 and was finished in June 1977. Crude oil began flowing in the pipeline on June 20, 1977 and the first tanker filled with North Slope crude oil left Valdez on August 1, 1977.

The consortium of companies that own TAPS today includes: BP Pipelines Alaska (46.93%), ConocoPhillips Transportation Alaska, (28.29%), ExxonMobil Pipeline Company (20.34%), Unocal Pipeline Company (1.36%), and Koch Alaska Pipeline Company, L.L.C., (3.08%).

PIPELINE FACTS

The 48-inch diameter steel pipeline runs 800 miles and crosses three mountain ranges and 800 rivers or streams. Moving "hot" oil across the permafrost rich soil of Alaska presented a special challenge to pipeline designers. Typical pipeline construction at the time involved burying most pipelines, but because of the permafrost through most of Alaska, large segments of the trans-Alaska pipeline were elevated above ground to keep the permafrost from melting. About half of the 800 mile pipeline is buried in a conventional manner.

More than 16 billion barrels have moved through the Trans Alaska Pipeline System since start up in 1977. The volume of oil flowing through the pipeline has decreased from a peak of 2.1 million barrels per day in 1988 to about 671,000 bpd in 2010. Alaska today supplies nearly 17% of the United States' domestic crude oil production.

Over 19,000 oil tankers have been loaded with Alaska crude oil in Valdez since the pipeline began operation. The Marine Terminal cost $1.4 billion to build, covers 1,000 acres, and includes 18 oil storage tanks with a total capacity of over 9 million barrels.

SPILL PREVENTION AND RESPONSE

Alyeska Pipeline spends over $60 million annually to oil spill prevention and response in Prince William Sound, and has dedicated over 300 personnel to this effort, mostly through its Ship Escort/Response Vessel System (SERVS). Created in July 1989, SERVS is considered one of the best oil spill prevention and response forces in the world. The SERVS mission is three fold: prevention, preparation, and response. Each laden tanker is escorted through Prince William Sound to the Gulf of Alaska by response vessels capable of assisting a distressed tanker. In addition, oil spill response equipment has been pre-stationed throughout the Sound for rapid response.

Between 60-70 drills are held annually so personnel and equipment along all 800 miles of TAPS are ready 24/7 to respond to any contingency.

THROUGHPUT, FLOW RATE AND CRUDE OIL

- Approximately 650,000 barrels of oil per day currently move through the pipeline at about 3 mph (one barrel = 42 gallons).
- Transport time is about 14 days from Prudhoe Bay to Valdez.
- Maximum daily throughput was 2,145,297 barrels on January 14, 1988.
- Five separate oil streams enter TAPS at Pump Station 1. The commingled oil is approximately 112 degrees F and cools to approximately 54 degrees F during its trip to Valdez.
- Oil volume is measured as it enters and leaves the pipeline and at metering stations along the pipeline route. Metering is essential for accounting and leak detection.
- 178 mainline valves control oil flow and protect the environment by limiting the potential size of spills, especially near stream crossings and other environmentally sensitive areas.
- 83 check valves automatically prevent reverse flow of oil.
- 71 gate valves can block oil flow in either direction.

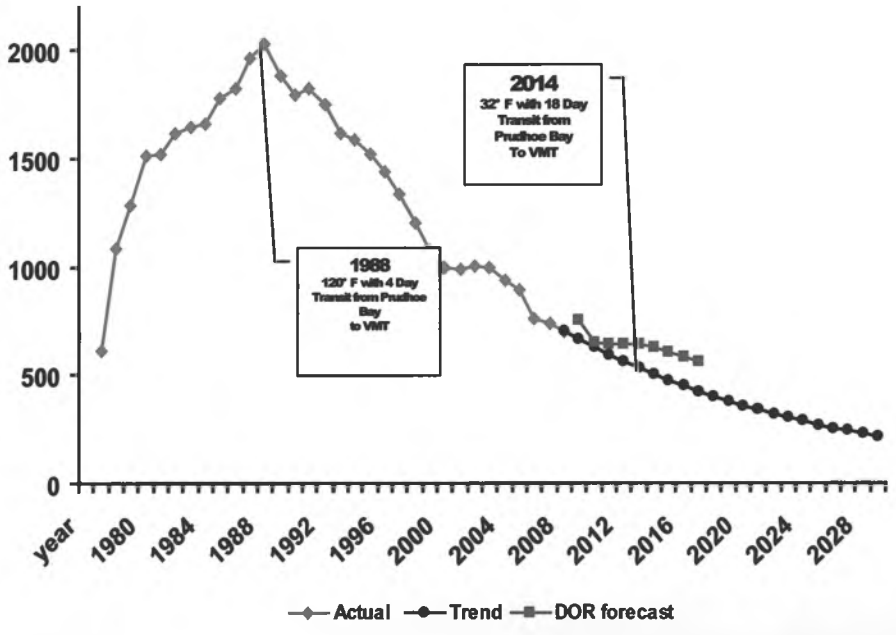
ALASKA OIL PRODUCTION IN DECLINE

- Production is now only about one third of what it was at its peak in 1989.
- Production is projected to continue declining 5-6% per year. Even new fields being developed won't be enough to offset the declining output of the Prudhoe Bay field.
- At this rate, TAPS will be transporting less than 500,000 barrels of oil per day in five to six years.

The technical challenges of low throughput (wax and water buildup, frost heaves, ice crystals and plugs, etc.) can and will be solved.

Economics are the biggest challenge. What will happen when current oil fields are depleted (as depicted on the chart above) or when it is no longer profitable for oil companies to transport oil in TAPS?

TAPS currently supplies approximately 15% of the U.S. oil production. What will happen if this source of domestic oil stops?



Mary Jackson

From: Longan, Sara W (DNR) [sara.longan@alaska.gov]
Sent: Thursday, March 03, 2011 3:29 PM
To: Jeff Stepp; Mary Jackson
Cc: Banks, Kevin R (DNR); Fulton, Trevor M (DNR)
Subject: SB 85 SRES follow-up
Attachments: Discov to Prod.ppt

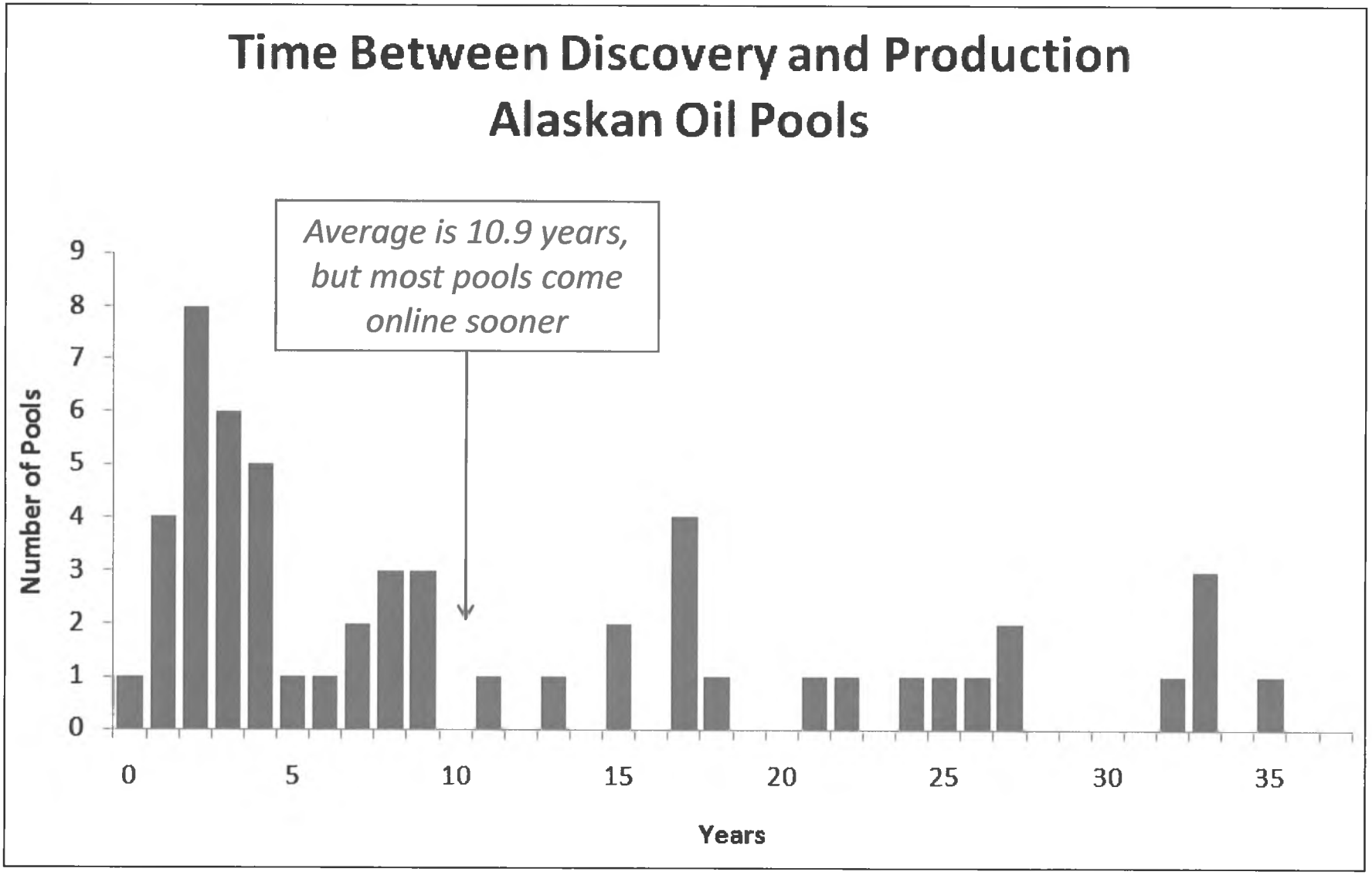
Here are two answers from questions that were raised during SRES hearing on SB 85. Please forward to the committee and let us know if there are any further questions.

1) What's the development cost of a typical new project?
Recent examples of new project costs include: Nikaitchuq is expected to cost $1.45 billion to fully develop (published in 2009)
Costs to develop Oooguruk are $550 million (from Pioneer's 2007 capital budget report)

2)What's the duration between exploration and first production?
Based on 54 Alaskan oil pools statewide, the average time between exploration and first production is 10.9 years, but most fields come on considerably sooner, and some others can take decades for a variety of holdups to be resolved. Many of the longest waits are for pools with heavy oil, or other "puddles" near the major fields that had to wait for facilities capacity, etc. before they could be produced.

Best,

Sara W. Longan
State of Alaska
Legislative and Policy Advisor
Department of Natural Resources
Divison of Oil and Gas
550 W. 7th Ave., Suite 1100
Anchorage, Ak 99501-3560
Ph: 907-269-8802
sara.longan@alaska.gov



compiled 3-2-11 by DOG from AOGCC data

CS for Senate Bill 85

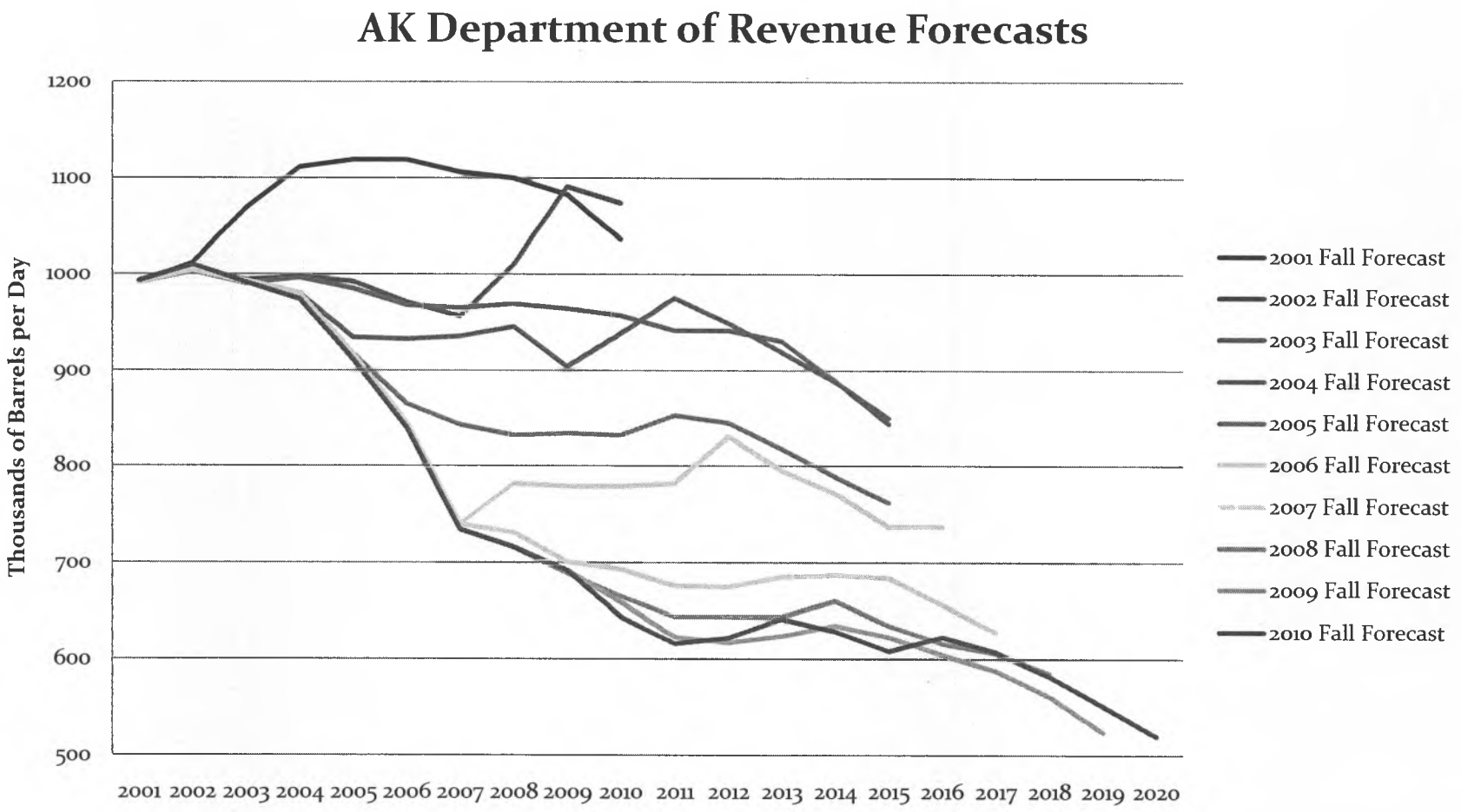
Version:

An act providing a tax credit applicable to the oil and gas production tax based on the capital cost of developing new oil and gas production; establishing the Oil and Gas Competitiveness Review Board; and providing for an effective date.

Presentation prepared by: Michael Pawlowski, aide to Senator McGuire and Mary Jackson, aide to Senator Wagoner

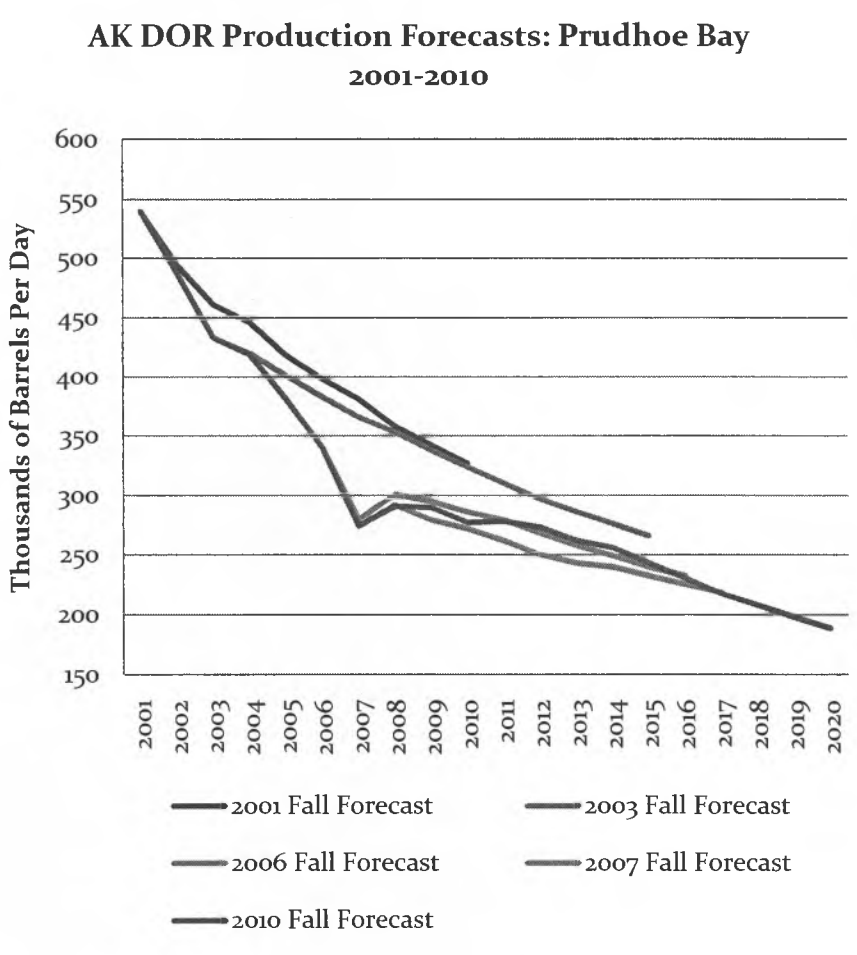
3/24/2010

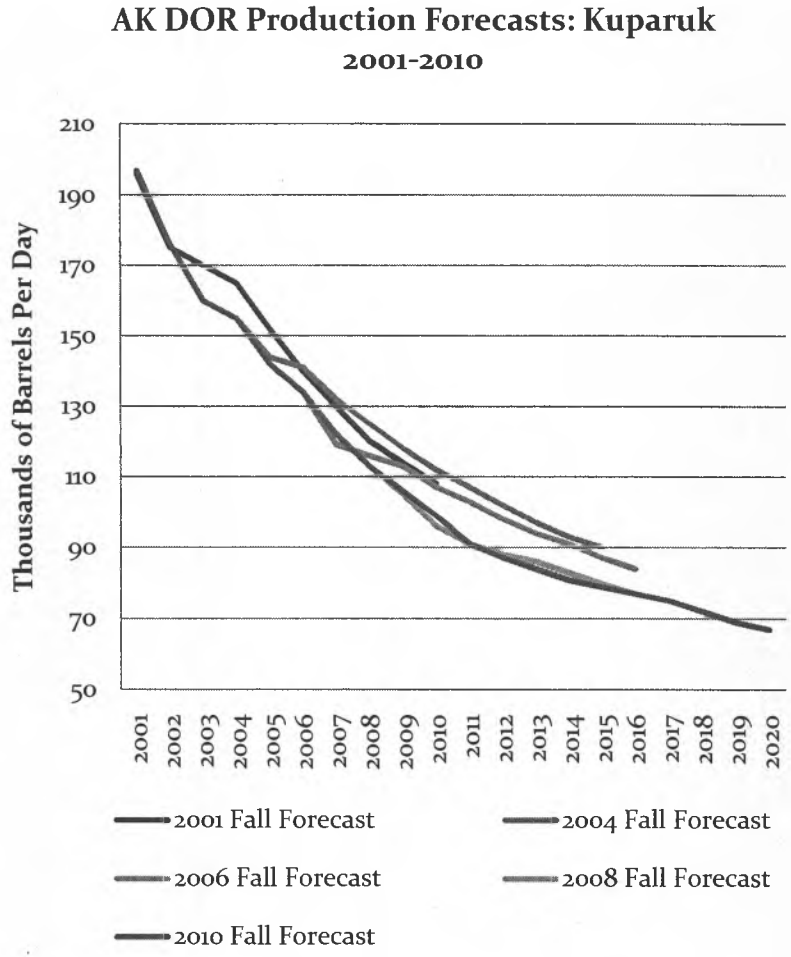
The Challenge: *Oil Production is Declining*



Source: Alaska Department of Revenue Fall Revenue Forecasts ; http://www.tax.alaska.gov/programs/sourcebook/index.aspx

Prudhoe Bay (PBU) and Kuparuk (KRU) Projections

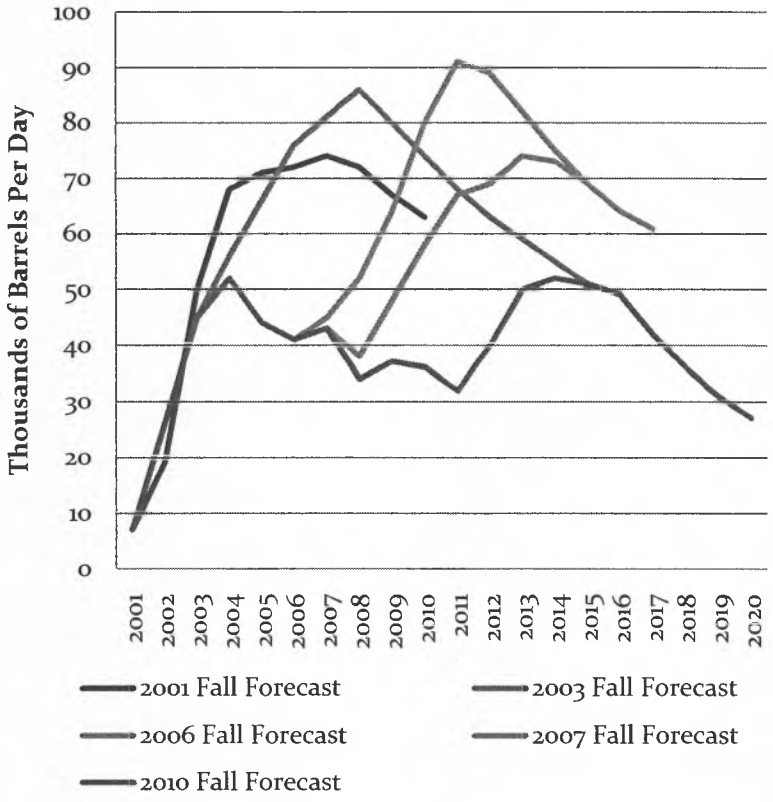




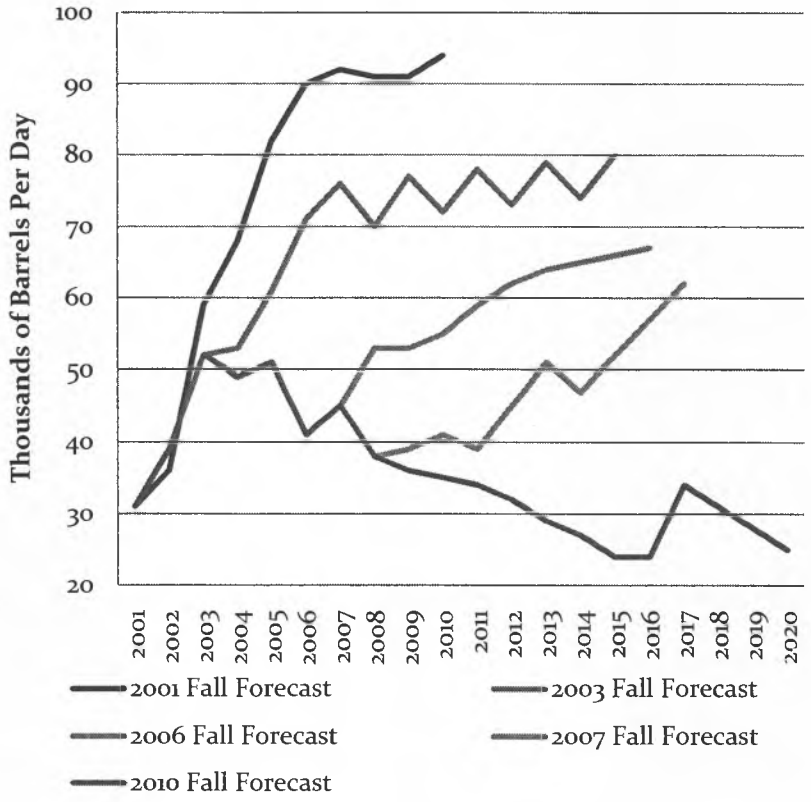
Source: Alaska Department of Revenue Fall Revenue Forecasts ; http://www.tax.alaska.gov/programs/sourcebook/index.aspx

PBU Satellite and KRU Satellite Projections

AK DOR Production Forecasts: Prudhoe Bay Satellites 2001-2010

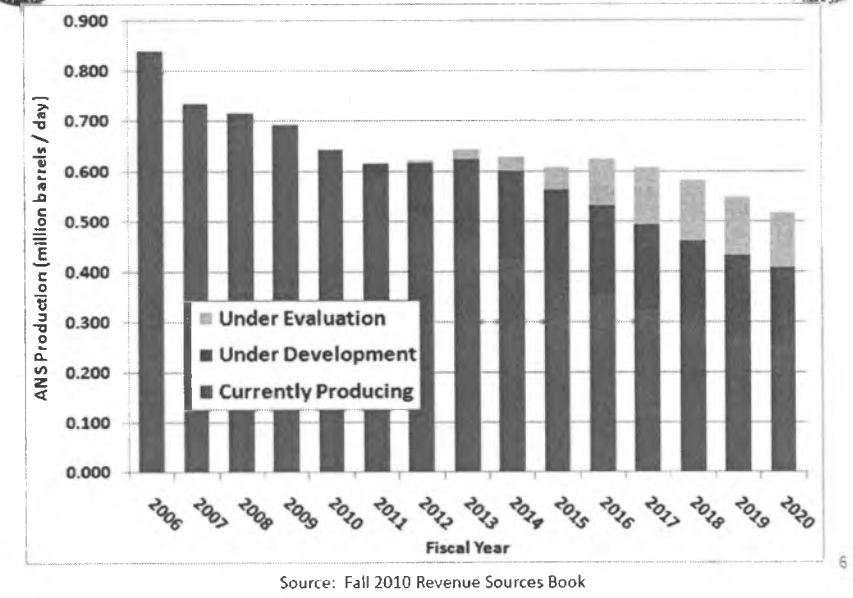


AK DOR Production Forecasts: Kuparuk Satellites 2001-2010



Source: Alaska Department of Revenue Fall Revenue Forecasts ; http://www.tax.alaska.gov/programs/sourcebook/index.aspx

The "Under Development" & "Under Evaluation" Components in the Fall 2010 Forecast



Source: Fall 2010 Revenue Sources Book

Source: Alaska Department of Revenue Presentation to House Resources; Feb 7, 2011

Figure 4-11. New Oil as a Percentage of Total Oil (million barrels per day)

Fiscal Year	Total New Oil	ANS Total	Percent New Oil
2011	0.032	0.616	5.2%
2012	0.102	0.622	16.4%
2013	0.178	0.642	27.7%
2014	0.203	0.629	32.3%
2015	0.222	0.608	36.5%
2016	0.270	0.623	43.3%
2017	0.284	0.607	46.8%
2018	0.286	0.582	49.1%
2019	0.277	0.551	50.3%
2020	0.265	0.520	51.0%

Source: Alaska Department of Revenue Fall 2010 Revenue Sources Book p. 42

The target of SB 85 is **NEW** oil

- Senate Bill 85 proposes a new credit:

- AS 43.55.026: **Development Cost Credit** (p. 2, lines 12-16)
  - 100% of qualified development expenditures (CAPEX)
    - Minus credits issued under 43.55.023 (a) [20% of qualified capital expenditures]
    - and 43.55.023 (b) [25% of net operating loss]

- For undeveloped properties and pools (p. 2, lines 7-11)
  - A lease or property that as of December 31, 2010 has not been directly involved in *sustained production*; or
  - A pool that as of December 31, 2010 has not been involved directly in sustained production.

Page references are given for the E Version of CS SB 85 (27-LS0484\E)

Example: $10 million capital expenditure

Producer with a tax liability		Producer with no tax liability	
CAPEX:	$10,000,000	CAPEX:	$10,000,000
.023(a):	($2,000,000)	.023(a):	($2,000,000)
		.023(b):	($2,500,000)[1]
.026 Credit:	$8,000,000	.026 Credit:	$5,500,000

[1]Assuming that the producer had a carry forward loss for the purposes of .023 (b) of $10,000,000.

Limitations on the .026 credit

- The .026 credit may not be transferred and may not be used to reduce a person's tax liability under AS 43.55.011(e) below zero. (p. 2, line 30 – p. 3, line 1)

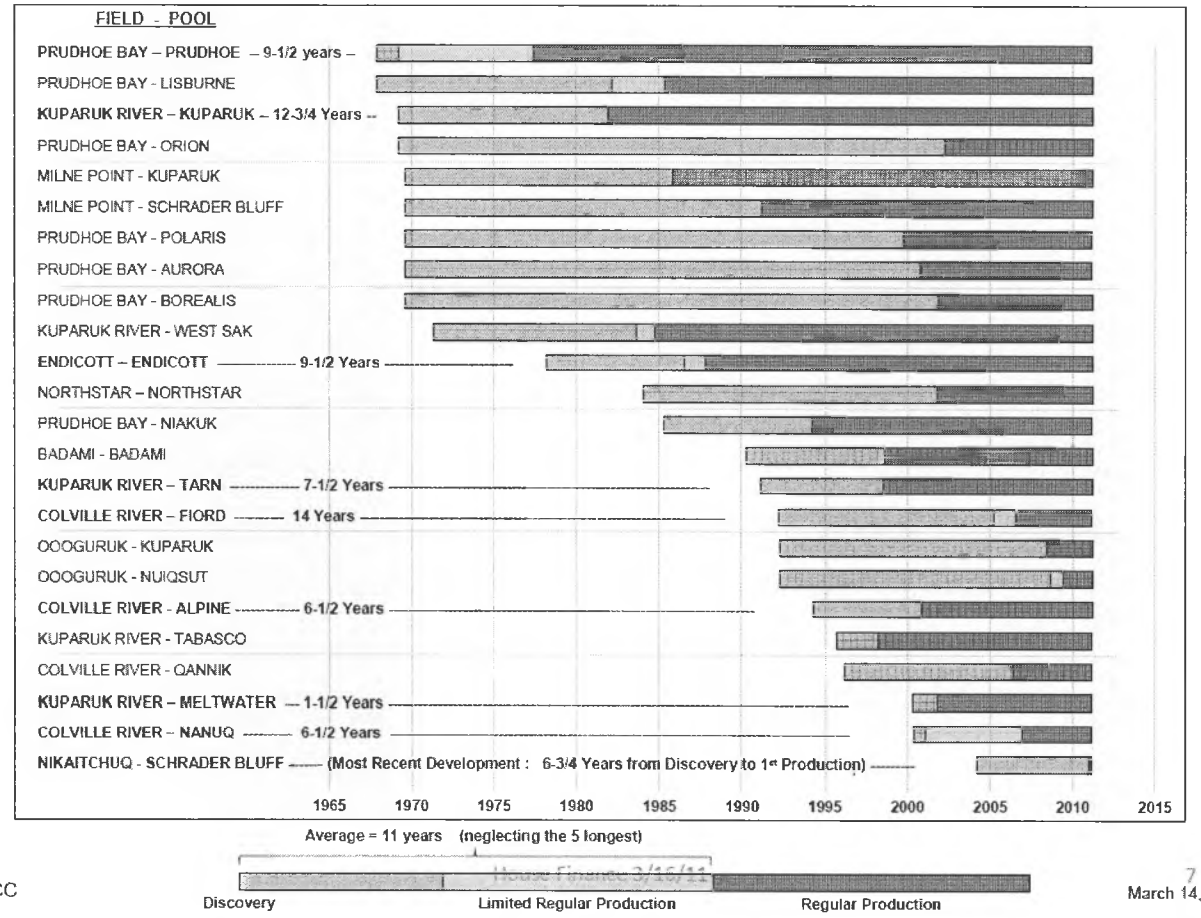
- The .026 credit may not be taken against the tax levied by AS 43.55.011(e) until there is production.
  - For the purposes of applying the .026 credit the tax shall be allocated in proportion to the volume of production from that lease or property. (p. 3, lines 6-13)
  - Example: If production from the new pool within an existing unit is only 10% of production from the unit the credit may only be applied against a maximum of 10% of the tax due from the unit.

Page references are given for the E Version of CS SB 85 (27-LS0484\E)

Creating a stampede.

- In order to qualify for the proposed credit, qualified development expenditures must be made before 2018 (p. 2, line 1)

Development Timeline for North Slope Oil Fields



The proposed .026 credit is for expenditures made after discovery and before sustained production (p. 2, lines 12-21).

In the AOGCC chart to the left, that is for primarily the blue, and possibly the tan sections of the timeline.

Source: AOGCC Presentation to House Finance (3/16/2011)

Monitoring the future; making Alaska Competitive for the long term.

- Section 4 of CS for Senate Bill 85 establishes the Alaska Oil and Gas Competitiveness Review Board.

- The Board is comprised of: (Page 4, lines 6-30)
  - Two members of the Legislature (one from the Senate appointed by the President, one from the House appointed by the Speaker).
    - The members of the Legislature serve as the co-chairs of the Board.
  - The Commissioners of DNR and DOR (or their designees).
  - Five public members appointed by the Governor
    - A geologist
    - A petroleum engineer
    - An economist
    - A member of an environmental or conservation group
    - A member of the public

Page references are given for the E Version of CS SB 85 (27-LS0484\E)

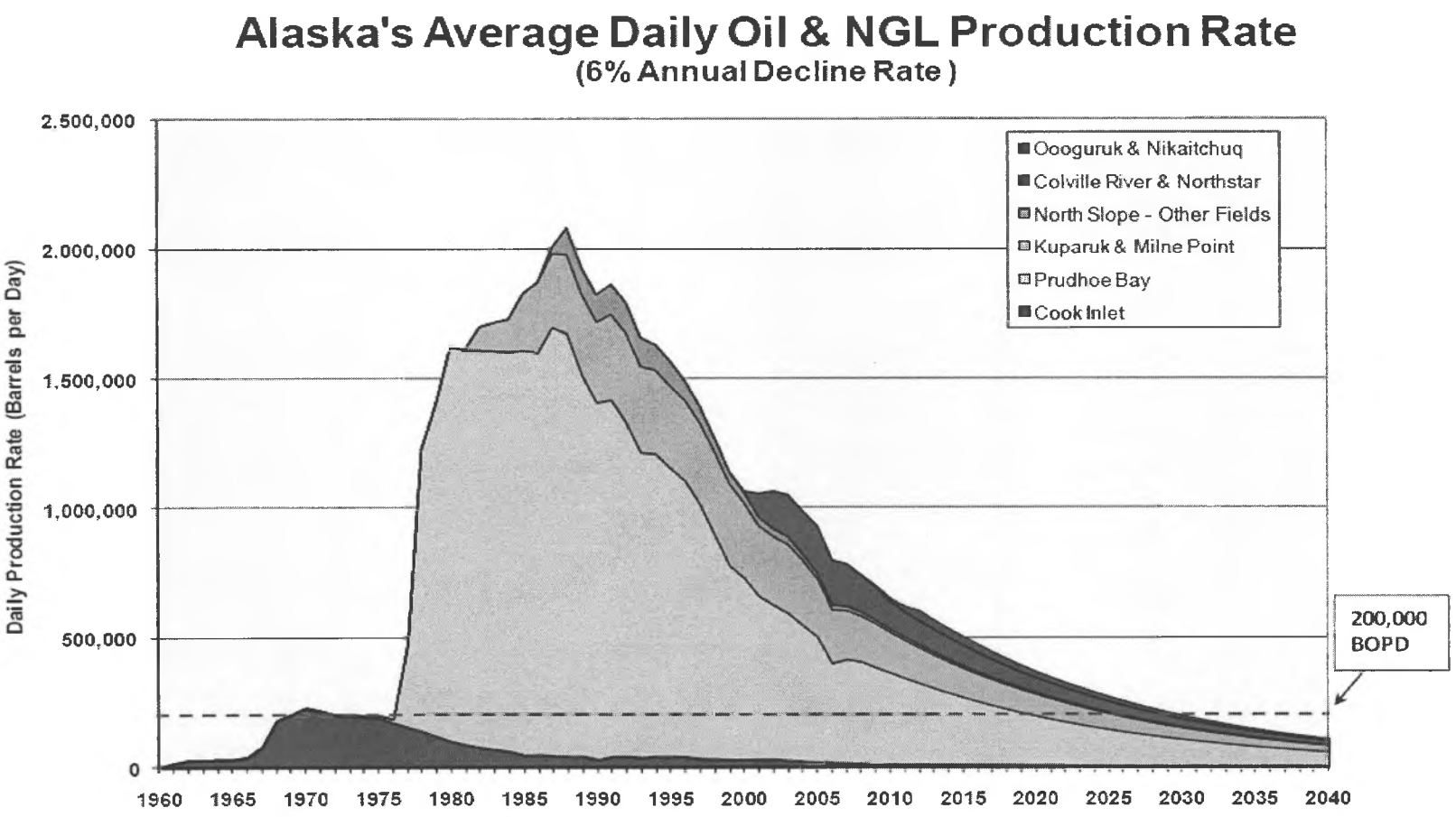
Duties and Reports

- The duties of the Board are to:
  - Review Historical, current and potential levels of investment;
  - Identify factors that affect investment;
  - Review the competitive position of the state
  - Make written findings before December 1 of each year (p. 5, lines 14-25) regarding:
    - Changes to the State's regulatory environment
    - Changes to the State's fiscal regime
    - Alternative means for increasing the state's ability to attract and maintain investment in and development of the state's oil and gas resources.

Page references are given for the E Version of CS SB 85 (27-LS0484\E)

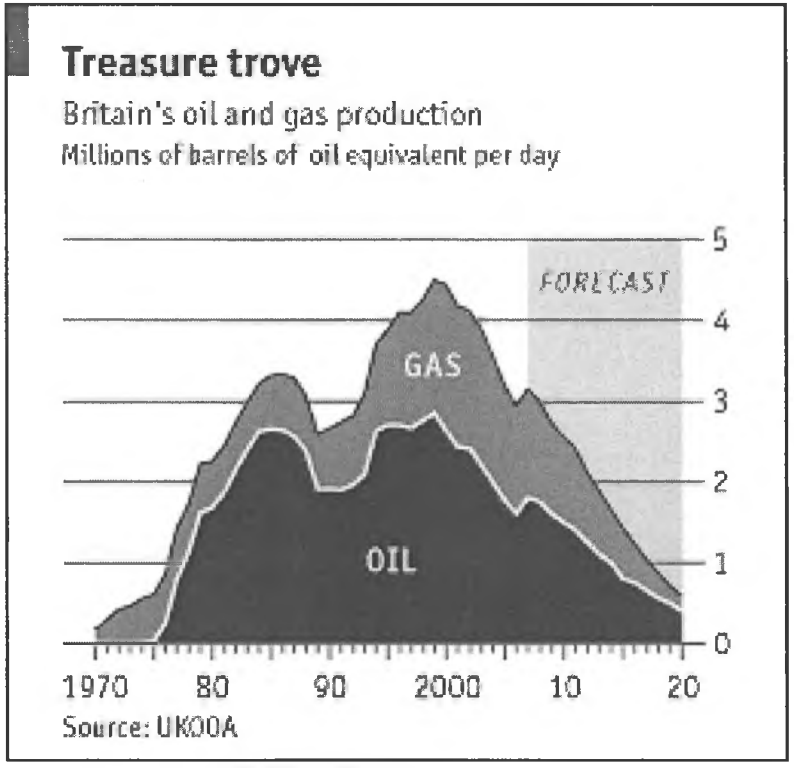
Looking Forward

Slide Prepared by Alaska Oil and Gas Conservation Commission (AOGCC)

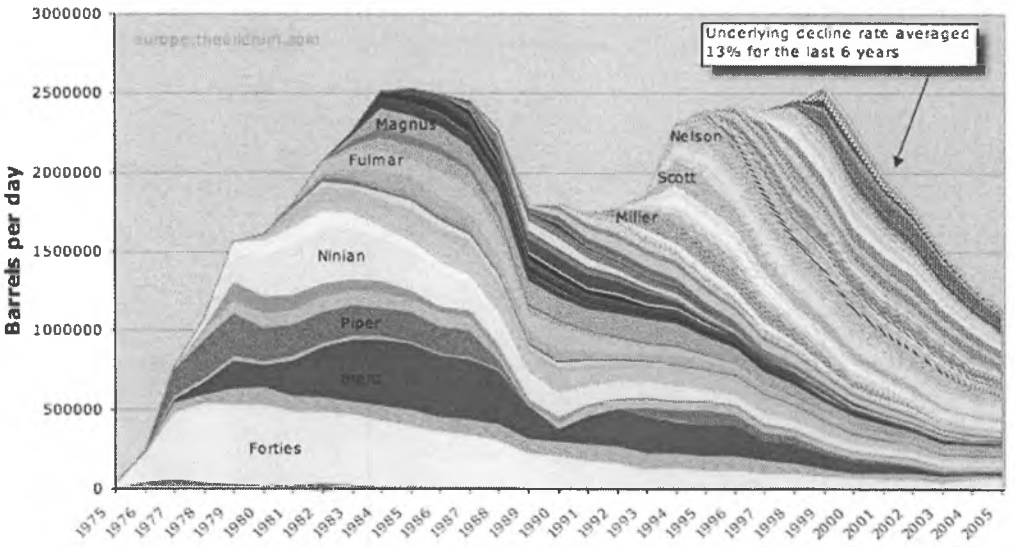


Source: AOGCC Presentation to House Finance (3/16/2011)

The U.K. North Sea



http://offalnews.blogspot.com/2007_07_01_archive.html



Source: http://europe.theoildrum.com/node/5836

Alaska?

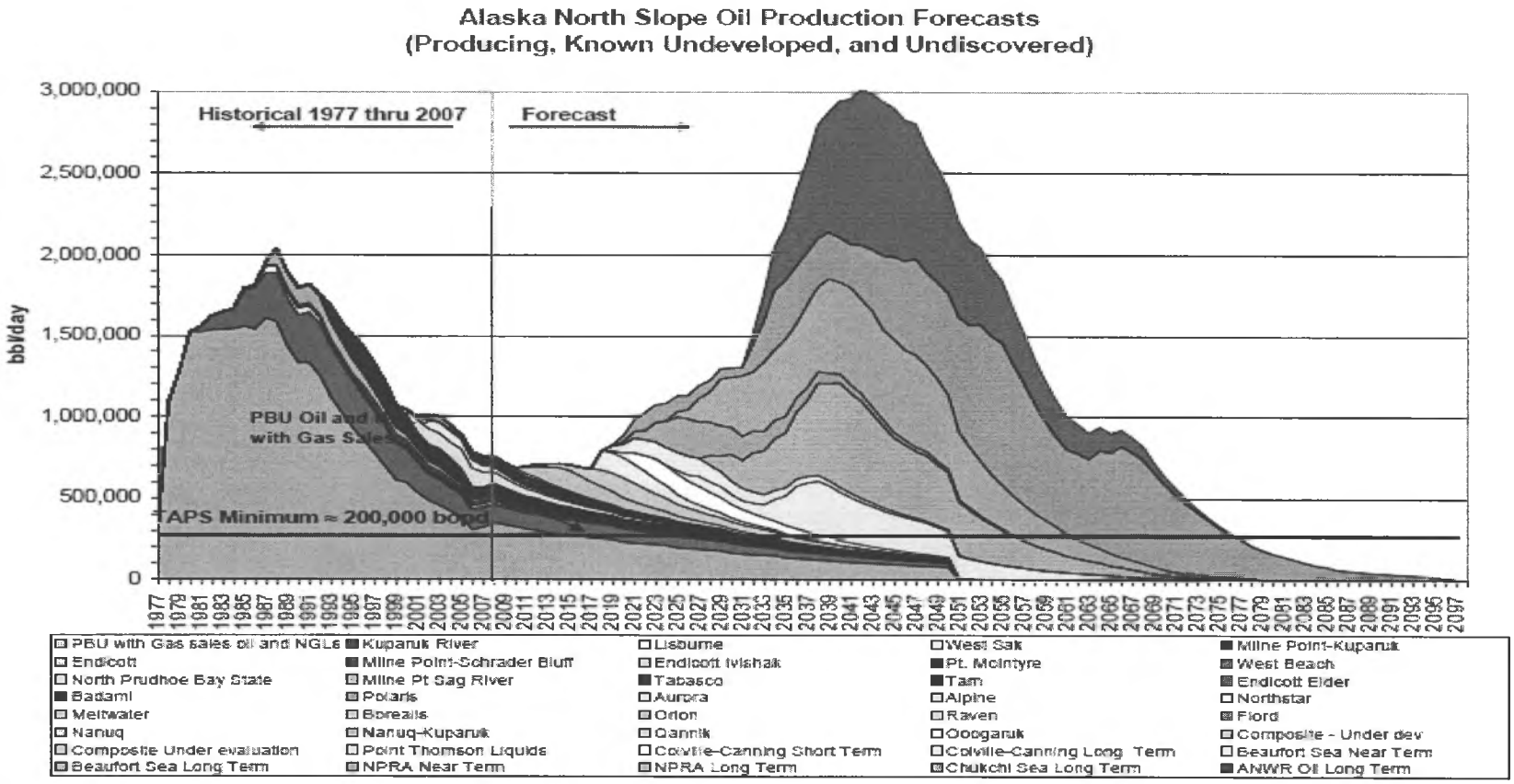


Figure 3-55. Alaska North Slope historical and forecast oil production from producing fields, known undeveloped fields, and undiscovered fields.

Source: U.S. DOE/NETL: Alaska North Slope Oil and Gas, A Promising Future or an Area in Decline

http://www.netl.doe.gov/technologies/oil-gas/publications/AEO/ANS_Potential.pdf

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27-LS0484\E
Bullock
3/24/11

CS FOR SENATE BILL NO. 85( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): SENATORS WAGONER, Stevens, McGuire, Huggins, Dyson, Giessel, Menard

A BILL

FOR AN ACT ENTITLED

"An Act providing for a tax credit applicable to the oil and gas production tax based on the capital cost of developing new oil and gas production; establishing the Oil and Gas Competitiveness Review Board; and providing for an effective date."

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

*** Section 1.** AS 43.20.043(g) is amended to read:

(g) A taxpayer that obtains a credit for a qualified capital investment or cost incurred for qualified services under this section may not also claim a tax credit or royalty modification for the same qualified capital investment or cost incurred for qualified services under AS 38.05.180(i), AS 41.09.010, AS 43.55.023, [OR] 43.55.025**, or 43.55.026**. However, a taxpayer may elect not to obtain a credit under this section in order to qualify for a credit provided under AS 38.05.180(i), AS 41.09.010, AS 43.55.023, [OR] 43.55.025**, or 43.55.026**.

*** Sec. 2.** AS 43.55 is amended by adding a new section to read:

Sec. 43.55.026. Development cost credit. (a) This section applies to a credit

for a qualified development expenditure incurred before 2018 and before the start of sustained production that is taxable under AS 43.55.011(e). The qualified development expenditure must be incurred for development outside of the Cook Inlet sedimentary basin and outside of the Point Thomson unit established under AS 38.05.180(p) as the area of the Point Thomson unit existed on December 31, 2010. The qualified development expenditure must be for the development of a

(1) lease or property that, as of December 31, 2010, contains land that is not or previously had not been within a unit or is not or had not previously been involved directly in sustained production; or

(2) pool that, as of December 31, 2010, is not directly involved in or had not previously been involved directly in sustained production.

(b) The total amount of the credits under this section is equal to 100 percent of the qualified development expenditures that are incurred after the completion of the first well drilled that discovers a pool capable of commercial production from the lease or property and before the start of sustained production, less the amount of credits taken under AS 43.55.023(a) and (b). In consultation with the Alaska Oil and Gas Conservation Commission, the department shall determine the date

(1) on which the first well drilled discovered a pool capable of production; and

(2) of the start of sustained production from the pool, lease, or property.

(c) A credit under this section may be applied against the tax levied by AS 43.55.011(e) for the pool, lease, or property that is the basis for the credit until the credit for qualified development expenditures has been fully applied.

(d) A qualified development expenditure that is taken as a credit under this section may not be used as an expenditure for which a credit may be taken under AS 43.20.043. A credit under AS 43.55.023 may not be taken against the tax levied by AS 43.55.011(e) for the pool, lease, or property that is the basis for a credit during the same month in which a credit is taken under this section.

(e) A credit or portion of a credit under this section is not transferable and may not be used to reduce a person's tax liability under AS 43.55.011(e) to below zero for

any calendar year.

(f) The department shall adopt regulations describing the procedures for determining the amount of the credit, record keeping, verification of the accuracy of the credit claimed, allocating expenditures to a pool eligible for a credit under (a)(2) of this section, and other regulations necessary to administer this section.

(g) If a pool, lease, or property for which a credit may be taken under this section subsequently becomes a part of a unit, or a pool that is in a unit first begins sustained production after December 31, 2010, the credit may be applied only against the tax levied by AS 43.55.011(e) for the production of oil and gas attributable to the pool, lease, or property that qualified for the credit. For the purpose of applying the credit, the tax shall be allocated to the pool, lease, or property that qualified for the credit in proportion to the volume of production from that pool lease or property within the unit.

(h) In this section,

(1) "pool" has the meaning given in AS 31.05.170;

(2) "qualified development expenditure" means an expenditure, other than an expenditure for exploring for new oil or gas reserves, that may be recognized as a qualified capital expenditure as defined in AS 43.55.023;

(3) "sustained production" has the meaning given in AS 43.55.025(*l*).

* **Sec. 3.** AS 43.55.180(a) is amended to read:

(a) The department shall study

(1) the effects of the provisions of this chapter on oil and gas exploration, development, and production in the state, on investment expenditures for oil and gas exploration, development, and production in the state, on the entry of new producers into the oil and gas industry in the state, on state revenue, and on tax administration and compliance, giving particular attention to the tax rates provided under AS 43.55.011, the tax credits provided under **AS 43.55.023 - 43.55.026** [AS 43.55.023 - 43.55.025], and the deductions for and adjustments to lease expenditures provided under AS 43.55.160 - 43.55.170; and

(2) the effects of the tax rates under AS 43.55.011(i) on state revenue and on oil and gas exploration, development, and production on private land, and the

fairness of those tax rates for private landowners.

* **Sec. 4.** AS 44.99 is amended by adding new sections to read:

Article 06. Oil and Gas Competitiveness Review Board.

Sec. 44.99.600. Oil and Gas Competitiveness Review Board established. (a) The Oil and Gas Competitiveness Review Board is established.

(b) The board shall consist of nine members as follows:

(1) one senator appointed by the president of the senate;

(2) one representative appointed by the speaker of the house of representatives;

(3) five members of the public appointed by the governor, including one member who is a petroleum engineer, one member who is a geologist, one member who is an economist, and one member who is a member of an environmental or conservation group;

(4) the commissioner of natural resources or the commissioner's designee; and

(5) the commissioner of revenue or the commissioner's designee.

(c) The senator and representative appointed to the board under (b)(1) and (2) of this section shall be cochairs.

(d) Each legislative member serves for the duration of the legislature during which the member is appointed. Each public member serves for three years. An individual who has served on the board may be reappointed.

(e) A vacancy on the board shall be filled in the manner of the original appointment.

(f) A member of the board may be removed and replaced at the discretion of the person appointing that member.

(g) The public members of the board serve without compensation but shall receive per diem and travel expenses authorized for boards and commissions under AS 39.20.180.

(h) The board may enter into contracts for professional services and may employ staff for administrative support for the board.

Sec. 44.99.610. Duties. The duties of the board include the following:

(1) review historical, current, and potential levels of investment in the state's oil and gas sector;

(2) identify factors that affect investment in oil and gas exploration, development, and production in the state, including tax structure, rates, and credits; royalty requirements; infrastructure; workforce availability; and regulatory requirements;

(3) review the competitive position of the state to attract and maintain investment in the oil and gas sector in the state as compared to the competitive position of other regions with oil and gas resources;

(4) in order to facilitate the work of the board, establish procedures to accept and keep confidential information that is beneficial to the work of the board, including the creation of a secure data room and confidentiality agreements to be signed by individuals having access to the confidential information;

(5) make written findings and recommendations, together with suggested legislation, to the Alaska State Legislature before December 1 of each year, or as soon thereafter as practicable, regarding

(A) changes to the state's regulatory environment that would be conducive to encouraging increased investment while protecting the interests of the people of the state and the environment;

(B) changes to the state's fiscal regime that would be conducive to increased and ongoing long-term investment in and development of the state's oil and gas resources; and

(C) alternative means for increasing the state's ability to attract and maintain investment in and development of the state's oil and gas resources.

Sec. 44.99.620. Information to be provided to board. (a) The commissioner of natural resources, the commissioner of revenue, the commissioner of environmental conservation, and other commissioners and state agencies that have responsibility for and maintain information related to oil and gas investment and activity in the state shall, at the request of the board, provide information required by the board to carry out the duties described in AS 44.99.610.

(b) At the request of the board, and except for information that is confidential under AS 43.05.230, a commissioner may disclose to the board information that is otherwise confidential after each member of the board and each staff member for the board with access to the information signs a confidentiality agreement prepared by the commissioner making the disclosure. Information that is confidential under AS 43.05.230 may not be disclosed to the board.

Sec. 44.99.630. Definition. In AS 44.99.600 - 44.99.630, "board" means the Oil and Gas Competitiveness Review Board.

* **Sec. 5.** AS 44.99.600, 44.99.610, 44.99.620, and 44.99.630, added by sec. 5 of this Act, are repealed June 30, 2021.

* **Sec. 6.** This Act takes effect immediately under AS 01.10.070(c).

Prepared 3-24-11: mj & mp

NOTE: Comparison of SB 85 to Draft CS SB 85 version 27-LS0484\E
Shaded is new language
~~Double strike through is deleted language~~

SENATE BILL NO. 85

"An Act providing for a tax credit applicable to the oil and gas production tax based on the capital cost of developing new oil and gas production; establishing the Oil and Gas Competitiveness Review Board, and providing for an effective date."

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

* **Section 1.** AS 43.20.043(g) is amended to read:
(g) A taxpayer that obtains a credit for a qualified capital investment or cost incurred for qualified services under this section may not also claim a tax credit or royalty modification for the same qualified capital investment or cost incurred for qualified services under AS 38.05.180(i), AS 41.09.010, AS 43.55.023, [OR]43.55.025**, or 43.55.026**. However, a taxpayer may elect not to obtain a credit under this section in order to qualify for a credit provided under AS 38.05.180(i), AS 41.09.010, AS 43.55.023, [OR] 43.55.025**, or 43.55.026**.

~~* **Sec. 2.** AS 43.55.023(a) is amended to read:~~
~~(a) A producer or explorer may take a tax credit for a qualified capital expenditure as follows:~~
~~(1) notwithstanding that a qualified capital expenditure may be a deductible lease expenditure for purposes of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under AS 38.05.180(i), AS 41.09.010, AS 43.20.043, [OR] AS 43.55.025**, or 43.55.026**, a producer or explorer that incurs a qualified capital expenditure may also elect to apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that expenditure; however, not more than half of the tax credit may be applied for a single calendar year;~~
~~(2) a producer or explorer may take a credit for a qualified capital expenditure incurred in connection with geological or geophysical exploration or in connection with an exploration well only if the producer or explorer~~
~~(A) agrees, in writing, to the applicable provisions of AS 43.55.025(f)(2);~~
~~(B) submits to the Department of Natural Resources all data that would be required to be submitted under AS 43.55.025(f)(2).~~

* **Sec. 2 ~~3~~.** AS 43.55 is amended by adding a new section to read:
Sec. 43.55.026. Development cost credit. (a) This section applies to a credit for a qualified development expenditure incurred before 2018 and before the start ~~the date~~ of sustained production ~~of oil or gas in paying quantities for a lease or property~~ that is taxable under AS 43.55.011(e). The qualified development expenditure must be incurred for development outside of the Cook Inlet

sedimentary basin and outside of the Point Thomson unit established under AS 38.05.180(p) as the area of Point Thomson existed on December 31, 2010. The qualified development expenditure must be for the development of a

(1)lease or property that, as of December 31, 2010 ~~and that~~ contains land that, ~~as of December 31, 2010,~~ is not or previously had not been within a unit or is not or had not previously been involved directly in sustain production or; ~~or produced oil or gas in paying quantities.~~

(2) Pool that, as of December 31, 2010, is not directly involved in or had not previously been involved in sustained production.

(b) The total amount of the credit under this section is equal to 100 percent of the qualified development expenditures that are incurred after the completion of the first well drilled that discovers a pool capable of commercial production from the lease or property and before the start ~~commencement~~ of sustained production ~~in paying quantities~~ , less the amount of credits taken under AS 43.55.023(a) and (b). ~~The department,~~ In consultation with the

~~(1)~~ Alaska Oil and Gas Conservation Commission, the department shall determine the date

(1) on which the first well drilled discovered a pool capable of production ~~from a lease or property for which the credit is taken~~; and

(2) ~~Department of Natural Resources, shall determine the date~~ of the ~~commencement~~ start of sustained production from the pool, lease or property. ~~in paying quantities from the lease or property for which the credit is taken~~.

(c) A ~~The~~ credit under this section may be applied against the tax levied by ~~due under~~ AS 43.55.011(e) for the pool, lease, or property that is the basis for the credit until the credit for qualified development expenditures has been fully applied. ~~during the five-year period immediately following the date of the commencement of production in paying quantities, or, if the credit is fully applied before the end of the five-year period, until the date the credits for qualified development expenditures have been fully applied against the tax due under AS 43.55.011(e), whichever occurs first. A credit for a qualified expenditure expires if not taken within five years after the date of the commencement of production in paying quantities and may not be applied to the tax due under AS 43.55.011(e) for the production of oil or gas from a lease or property not eligible for the credit under this section~~.

(d) A qualified development expenditure that is taken as a credit under this section may not be used as an expenditure for which a credit may be taken under AS 43.20.043 ~~or AS 43.55.023~~. A credit under AS 43.55.023 may not be taken against the tax levied by ~~due under~~ AS 43.55.011(e) for the pool, lease, or property that is the basis for a credit during the same month in which a credit is taken under this section.

(e) A credit or portion of a credit under this section is not transferable and may not be used to reduce a person's tax liability under AS 43.55.011(e) to below zero for any calendar year.

(f) The department shall adopt regulations describing the procedures for determining the amount of the credit, record keeping, verification of the accuracy of the credit claimed, allocating expenditures to a pool elibible for a credit under (a)(2) of this section and other regulations necessary to administer this section.

(g) If a pool, lease or property for which a credit may be taken under this section subsequently becomes a part of a unit, or a pool that is in a unit first begins sustained production after December 31, 2010, ~~under AS 38.05.180(p)~~, the credit may be applied only against the tax levied by ~~due under~~ AS 43.55.011(e) for the production of oil and gas attributable to the pool, lease or property that qualified for the credit in proportion to the volume of production from that pool, lease or property within the unit .

(h) In this section,

(1) "pool" has the meaning given in AS 31.05.170; ~~"production in paying quantities" means production of oil and gas in quantities sufficient to recover the cost of operating and marketing, although the quantity may be insufficient to recover the cost of drilling;~~

(2) "qualified development expenditure" means an expenditure, other than an expenditure for exploring for new oil or gas reserves, that may be recognized as a

~~(A)~~ qualified capital expenditure as defined in AS 43.55.023; or

~~(B) lease expenditure under AS 43.55.165 if oil or gas had been produced from the lease or property at the time the qualified development expenditure was incurred.~~

(3)"sustained production" has the meaning given in AS 43.55.025(*l*).

* **Sec. ~~3~~ 4.** AS 43.55.180(a) is amended to read:

(a) The department shall study

(1) the effects of the provisions of this chapter on oil and gas exploration, development, and production in the state, on investment expenditures for oil and gas exploration, development, and production in the state, on the entry of new producers into the oil and gas industry in the state, on state revenue, and on tax administration and compliance, giving particular attention to the tax rates provided under AS 43.55.011, the tax credits provided under **AS 43.55.023 - 43.55.026** [AS 43.55.023 - 43.55.025], and the deductions for and adjustments to lease expenditures provided under AS 43.55.160 - 43.55.170; and

(2) the effects of the tax rates under AS 43.55.011(i) on state revenue and on oil and gas exploration, development, and production on private land, and the fairness of those tax rates for private landowners.

*Sec. 4 AS 44.99 is amended by adding new sections to read:

Entire Section 4 in version \E is new (page 4, line 2 to page 6 line 8) Oil and Gas Competitiveness Review Board.

* Sec. 5 AS 44.99.600, 44.99.610, 44.99.620 and 44.99.630, added by sec. 5 of this Act are repealed June 30, 2021.

* **Sec. ~~6~~ 5.** This Act takes effect immediately under AS 01.10.070(c).

ALASKA STATE LEGISLATURE

SENATOR THOMAS H. WAGONER,
Co-Chair: Senate Resources Committee
Member: C&RA Committee
Member: Regulatory Review
Member: LB&A Committee
Member: World Trade

Official Business

Session: January - May
State Capitol, #427
Juneau, AK 99801
Phone: 907-465-2828 Fax: 907-465-4779

Interim: May - December
145 Main Street Loop; Suite 226
Kenai, AK 99611
Phone: 907-283-7996 Fax 907--283-8127

Draft CS Senate Bill 85 version \E 3-24-11
Sectional Analysis
TAX CREDIT FOR NEW OIL & GAS DEVELOPMENT

TITLE: Adds new Oil and Gas Competitiveness Review Board.

Section 1: Existing law prohibits multiple tax credits claimed against corporate income, this adds the new credits established in this bill, **43.55.026**.

Section 3: sets out new **43.55.026** for the new tax credit.

(a) Directs that the new credit applies to qualified development expenditures that were incurred before 2018 and before sustained production occurs. Excludes the credit from the Cook Inlet Basin and the Point Thomson unit. Restricts the credit to:
(1) A lease or property not within a unit or previously been within a unit, or
(2) A pool that is not or previously had not been involved with sustained production.

NOTE: effect is that a pool within a unit is eligible if it is not now or previously had been under sustained production. Exclusion specifically of Point Thomson unit compared to subsection (1) is duplicative and should be deleted.

(b) Establishes that the credit amount is 100% of the qualified development expenditures incurred after completing the drilling of the first well that discovers a pool (capable of commercial production) and before production (in paying quantities) commences. The Department of Revenue (DOR), in consultation with the Alaska Oil and Gas Commission (AOGCC) establishes the date of the credit from the first well drilled to the start of sustained production from that pool, lease or property.

(c) Establishes that the credit may be applied against the production tax levied until the credits for the expenditures are fully applied, whichever occurs first.

Essentially, the production tax liability is used to offset the development costs and the production tax liability is the determining factor for the amount of credit.

(d) Restricts the use of the new credit so there are not multiple credits.

(e) Establishes that the credit or any portion of the credit is not transferable and may not reduce the tax liability below zero for AS 43.55.011(e) (the production tax) for any calendar year.

Essentially, the tax credit stays with the drilling site and the new credit may not allow the tax payer to obtain a refund from the state in any calendar year.

(f) Allows the DOR to adopt regulations needed to administer the new credit.

(g) Establishes procedures so that when a lease or property that utilizes this new credit becomes part of a unit under AS 38.05.180(p)[1], the credit is applied only to the production tax due for the lease or property that qualified for the credit.

(h) Defines:
1. "pool" by referencing existing statute AS 31.05.170.
2. "qualified development expenditure".
3. "sustained production" by referencing existing statute AS 43.55.025(*l*).

Section 4: Establishes a new Oil and Gas Competitiveness Review Board.

Section 5: This is the repeal section for the new Oil and Gas Competitiveness Review Board.

Note that it references "sec. 5" which is incorrect – should read "sec. 4".

Amends existing law to include new section for this tax credit in **43.55.026**.

Section 6: Establishes an immediate effective date for the legislation.

---

[1] AS 38.05.180(p) (oil and gas and gas only leasing statutes regarding unitization)

70 & 148, LLC

• 1421 Blake Street • Denver, CO 80202 •
Phone 303-623-1821 • Fax 303-623-3019

March 29, 2011

Honorable Tom. Wagoner
Co-chair, Senate Resources Committee
State Capitol
Juneau, AK 99801

Re: Senate Bill 85

Dear Chairman Wagoner -

We are appreciative of your efforts behind the introduction of Senate Bill 85. As you know, our experiences under ACES has proven to be difficult in attracting new investment to Alaska's North Slope.

The proposed 100% capital credit program, as proposed in your legislation, would clearly provide a meaningful incentive for new investment on the North Slope.

Again, we appreciate your efforts to modify Alaska's burdensome tax regime. It is important that Alaska make changes this legislative session. We will continue to monitor the progress of your legislation.

Sincerely,

William D. Armstrong
President

Mary Jackson

From: Sen. Tom Wagoner
Sent: Wednesday, March 30, 2011 2:33 PM
To: Mary Jackson
Subject: FW: Amended Written Public Testimony on SB49
Attachments: Senate Natural Resources Committee Co.docx

From: Jwmelliott [mailto:jwmelliott@aol.com]
Sent: Wednesday, March 30, 2011 12:40 PM
To: Sen. Tom Wagoner
Cc: Sen. Joe Paskvan; Sen. Gary Stevens; Sen. Johnny Ellis; Judy Stewart
Subject: Amended Written Public Testimony on SB49

Senator Wagoner, I inadvertently confused your bill, SB85, with that of Governor Parnell's, SB49. Therefore, I have amended my public testimony to correct my error. I would be most appreciative if you would substitute my amended written public testimony, which is the Attachment to this email message, for my earlier submission containing my aforementioned inadvertent error, i.e., mixing up SB85 with SB49.

Respectfully,

/s/ James W. Elliott

Fax Cover Sheet

Anchorage Legislative Information Office
Office - (907) 269-0111 Fax - (907) 269-0229

To: Senators Paskvan & Wagoner Fax: _____ Phone: _____

From: Mr. James O Elliot

Instructions:

AMENDED Testimony

Date: 3-30-2011 Time: _____

Number of Pages: 2 (including cover sheet)

Alaska State Legislature

Please enter into the record my testimony to the Senate Resources Committee

Bill/Subject: SB49 Date: March 30, 2011

SB49 Emailed Written Public Testimony (Amended) to Senate Natural Resources Committee through Senator Wagoner' Office - March 30, 2011

Senate Natural Resources Committee Co-Chairs Sen. Paskvan and Sen. Wagoner, I am unable to attend today's public hearing on the subject bill. Therefore, I respectfully request that my written testimony, which follows, be entered in the public record of today's hearing on SB49.

First, I wish to thank you and the other members of the Senate Natural Resources Committee for your service on-behalf of the people of Alaska. The Alaska Legislature is an esteemed institution, and your job of charting a fiscally sound course for our great State regarding its natural resources is a daunting responsibility.

Second, I am pleased to have this opportunity to submit my testimony, albeit in writing, on SB49. Specifically, with respect to Governor Parnell's proposed tax reductions and incentives to the big oil producers, ConocoPhillips, BP, Exxon, Shell, et al., I have the following concerns and comments:

1. What exactly is the Governor's justification for Alaska giving some the largest, most profitable corporations on the planet tax breaks and incentives to find and produce a product that, by all accounts, is in high demand and for which there is a limited supply globally? To date, the Governor has failed to present any convincing evidence in support of his proposal to reduce taxes and provide incentives to the major oil companies.

2. Where are the data, analyses, and oil industry commitments that would lend credibility to the Governor's proposed fiscal strategy for creating more jobs and increasing future oil revenues for the State if his planned is approved by the Legislature?

3. By the Governor's own estimation, his tax breaks and incentives to the oil companies will cost Alaska $5 billion in revenue over the next five fiscal years. Some in the Legislature have estimated that his proposal could cost the State, depending on the price of oil, as much as $2 billion in revenue annually. Can Alaska afford the Governor's plan? I suggest it cannot.

4. I am just a four-acre farmer, but the last time I checked the advice of reputable economic and fiscal experts, the Governor's wishful thinking-cross your fingers approach to fiscal planning is not sound policy. Don't Alaskans deserve a more fiscally prudent plan than our Governor's roll of the dice?

5. To offset his projected loss in State revenue, Governor Parnell proposes that Alaska dip into its savings to cover any deficits necessary to balance its annual operating budgets. Would it not be more prudent to forego his tax breaks and incentives to the oil companies in favor of the more conservative fiscal policy of paying for current year expenditures from current year revenues? Using one-time, non-recurring savings to cover budget deficits, as the Governor proposes, is a slippery slope fiscally.

6. According to the National Petroleum Council's Global Oil & Gas Study, which was made available July 18, 2007, "The major oil and gas companies are increasingly turning their attention to overseas development opportunities, leaving U.S. production largely in the hands of independent oil and gas companies." That being the case, one ought to ask just how practical is Governor Parnell's proposal to place Alaska in the unenviable position of having to deficit spend annually and drain down its savings to offset said annual operating budget deficits on the decidedly uncertain bet that his plan will attract more exploration and production activities from the major oil companies, like ConocoPhillips, BP, Exxon, and Shell?

Per the concerns and comments expressed above, I am opposed to SB49, urge you to vote against it, and support Senator Wagoner's proposed legislation, SB85, instead.

/s/ James W. Elliott 2440 East Tudor Road #1135 Anchorage, Alaska 99507

AVCG LLC

Senate Bill 85
Senate Resources Committee
Testimony by AVCG, LLC

Ken Thompson

Managing Director of AVCG, LLC

March 30, 2011

Discussion

Purpose: Present *ideas to re-incentivize investment and increase the competitiveness of Alaska relative to other oil basins with* ***one common State & Industry Goal*** *in mind:*

LEVEL ALASKA'S OIL PRODUCTION

- Thanks…and Introduction to Alaska Venture Capital Group (AVCG)
- Fundamental improvements to ACES to attract new investors for E&P
- The **"next frontiers"** for major developments on the NS
  - ✓ **Exploration with smaller fields sharing regional processing facilities**
  - ✓ **Low-permeability sands**
  - ✓ **Source rock shales**
  - ✓ **Major projects existing fields, ie "Big Fields Get Bigger"**
  - ✓ **NS viscous oil**
  - NS offshore oil
  - NS natural gas

AVCG & BRPC: Entity Comparison

AVCG LLC

Holding company

Own all leases
- Assignments
- ORRI
- Production Revenues

Manage overall direction, strategy
- BRPC budget, plan
- Staffing

Negotiation of all business deals

My Main Job!!! → **Attract new investors & capital to Alaska**

Brooks Range Petroleum Corporation

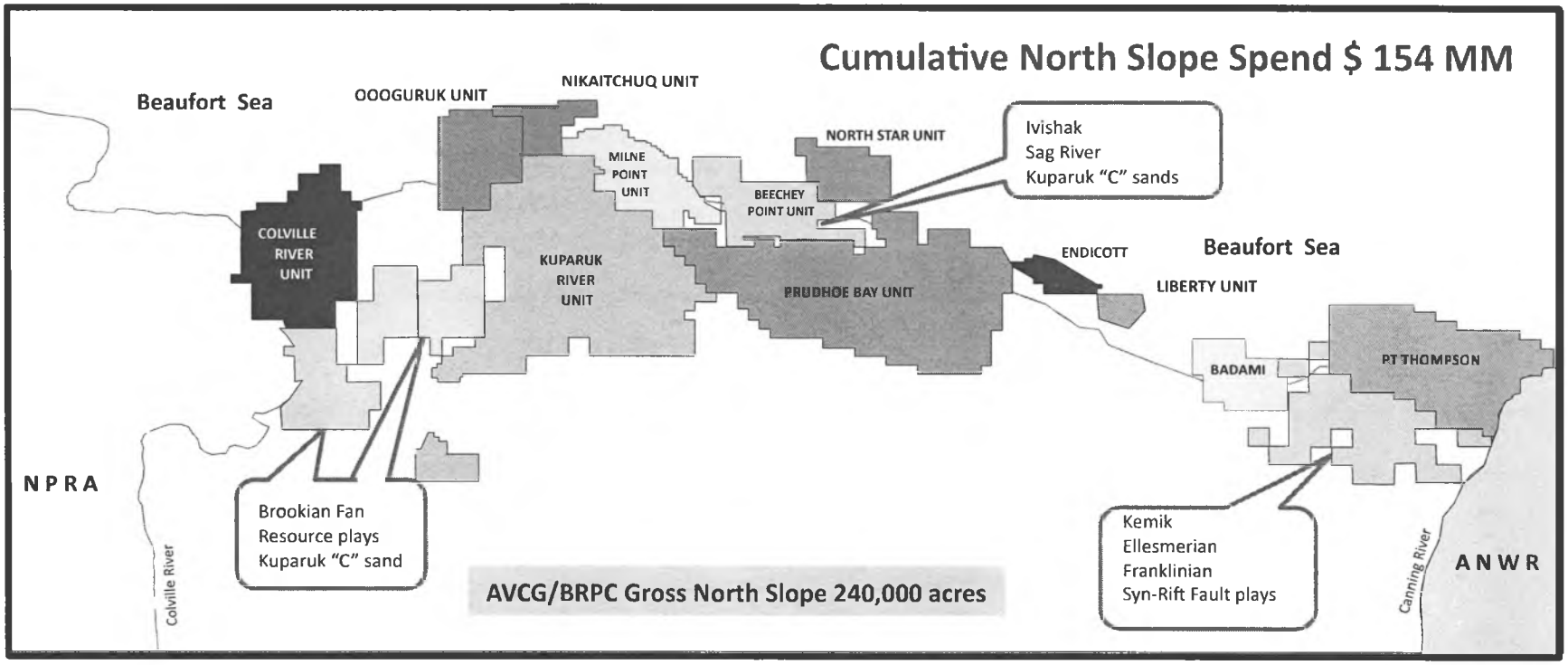
Subsidiary of AVCG, LLC

Technical services for AVCG JV companies as needed

Manage operations
- office
- staffing
- misc. services

Administrative services
- AVCG billings
- accounting
- lease administration

AVCG JV Leasehold Portfolio



Western – 94,142 acres

Activity
220 sq. mi. new 3 – D seismic
Drilled Kuparuk test & discovery

Plan
Drill North Tarn Brookian/Kuparuk test
Progress 3D seismic and prospects
Exploit resource plays in area

Central – 52,878 acres

Activity
130 sq. mi. new 3 – D seismic
Drilled Ivishak, Sag River & Kuparuk tests
Ivishak & Sag River discoveries
Formed Beechey Point Unit
Acquired Pete's Wicked discovery

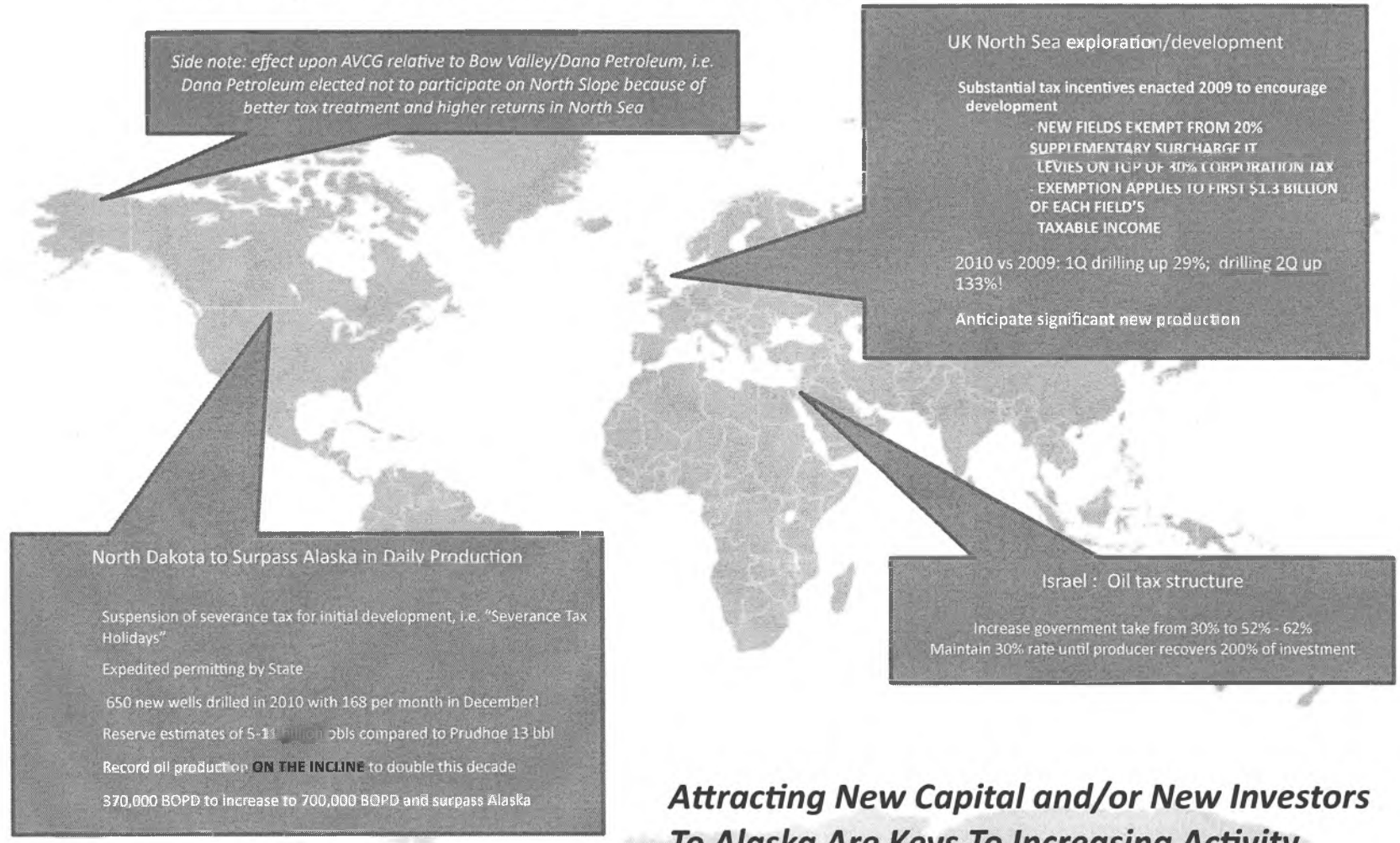
Plan
Drill East Shore Kuparuk formation test
Progress Plan of Development of known reserves
Obtain approval of development sanctioning

Eastern – 89,800 acres

Activity
Purchased area 2 – D lines

Plan
Acquire 150 sq. miles of 3D seismic
Looking for partner on Shoot-to-Earn
Continue to progress 2D data
Monitor Point Thomson activities

Attracting New Investors In The Face Of Global Competition For Capital



Side note: effect upon AVCG relative to Bow Valley/Dana Petroleum, i.e. Dana Petroleum elected not to participate on North Slope because of better tax treatment and higher returns in North Sea

UK North Sea exploration/development

Substantial tax incentives enacted 2009 to encourage development

- **NEW FIELDS EXEMPT FROM 20% SUPPLEMENTARY SURCHARGE IT LEVIES ON TOP OF 30% CORPORATION TAX**
- **EXEMPTION APPLIES TO FIRST $1.3 BILLION OF EACH FIELD'S TAXABLE INCOME**

2010 vs 2009: 1Q drilling up 29%; drilling 2Q up 133%!

Anticipate significant new production

North Dakota to Surpass Alaska in Daily Production

Suspension of severance tax for initial development, i.e. "Severance Tax Holidays"

Expedited permitting by State

650 new wells drilled in 2010 with 168 per month in December!

Reserve estimates of 5-11 billion bbls compared to Prudhoe 13 bbl

Record oil production **ON THE INCLINE** to double this decade

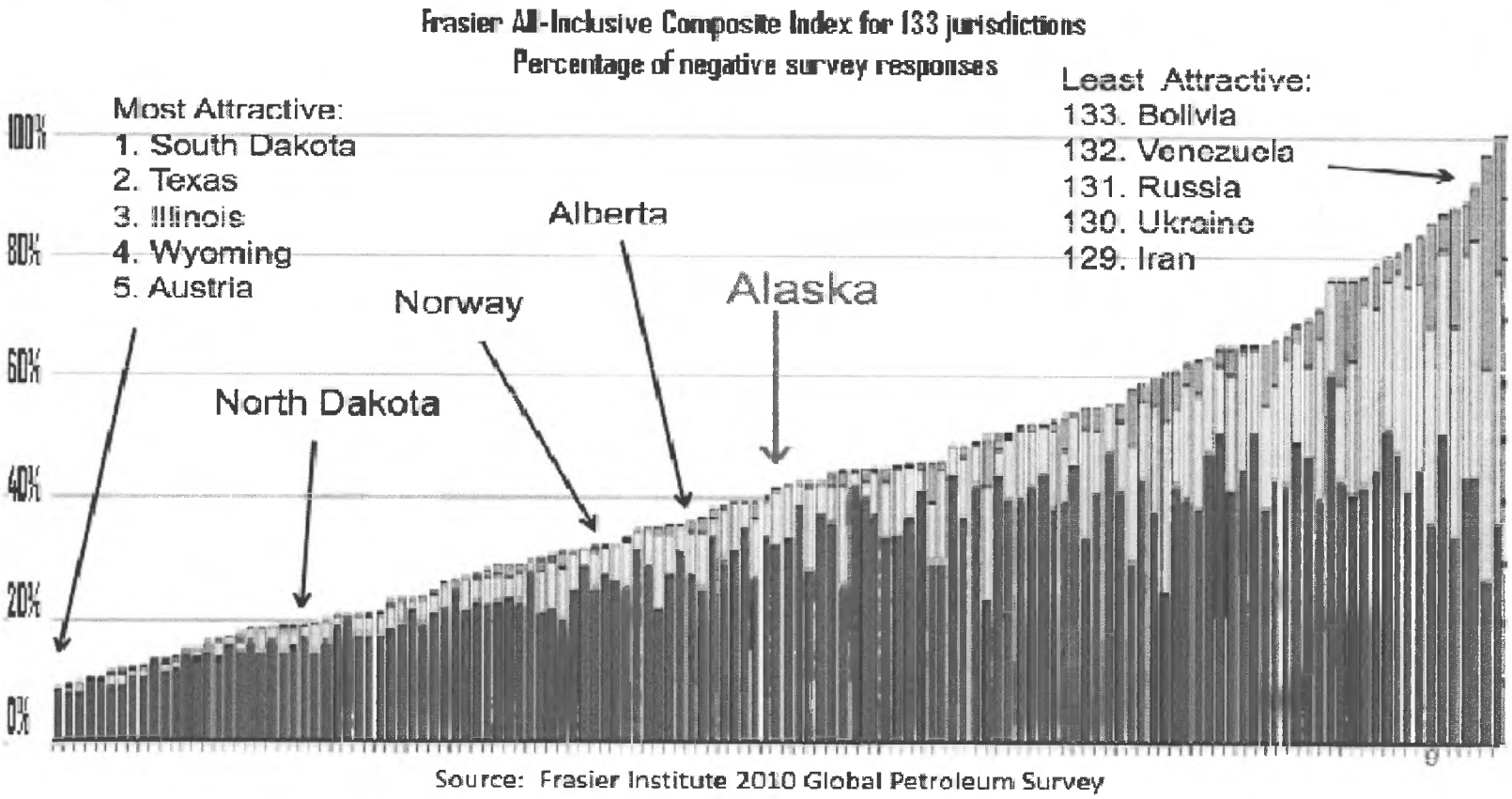
370,000 BOPD to increase to 700,000 BOPD and surpass Alaska

Israel : Oil tax structure

Increase government take from 30% to 52% - 62%
Maintain 30% rate until producer recovers 200% of investment

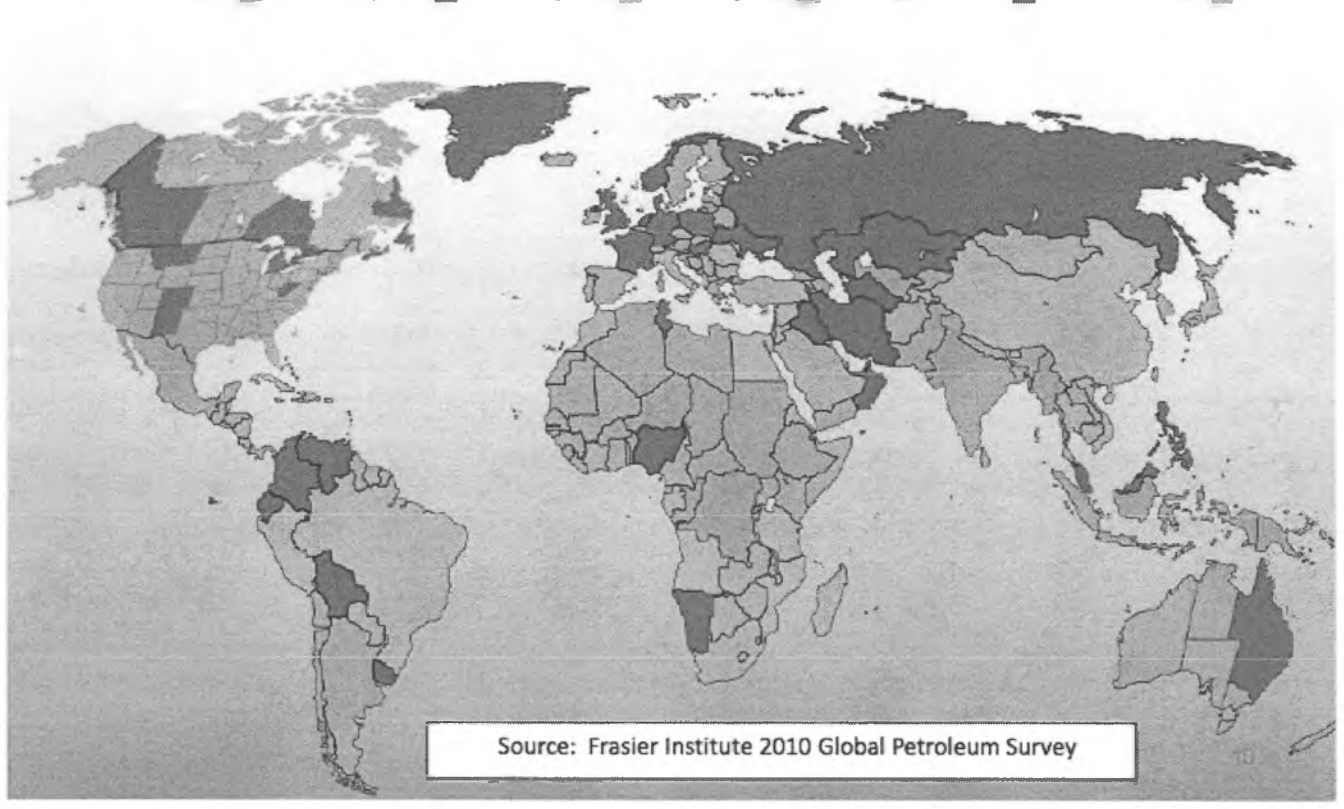
Attracting New Capital and/or New Investors To Alaska Are Keys To Increasing Activity That Will Level Production

Frasier: Alaska is #68 of 133 in terms of overall attractiveness



Source: SB 49 Dept of Revenue Presentation, 2/5/2011

Frasier: Alaska's investment climate is "in the middle" globally



Source: SB 49 Dept of Revenue Presentation, 2/5/2011

AVCG's Thoughts, Suggested Changes To SB 85

1) **AVCG supports the SB 85 Development Cost Credit for a credit of up to 100% of qualified CAPEX...would help us attract new investors & capital**
   - ✓ For AVCG's approach to development of "early on production" with stages of modular facilities rather than wait on one massive facility, there is significant – perhaps 50% - CAPEX for development wells and add-on modules 2 years or so after production startup
   - ✓ Modify credit to apply to all CAPEX in the approved Field Development Plan and not just CAPEX spent to start of production, eg Credits to the date the Department of Natural Resources attests that the formal Field Development Plan for CAPEX has been achieved ... or for CAPEX spent 2 years after initial production startup

2) **However, AVCG believes that to level production, comprehensive change must address ALL the "next frontiers" for major developments on the NS**
   - ✓ **Exploration with smaller fields sharing regional processing facilities**
   - ✓ **Low-permeability sands**
   - ✓ **Source rock shales**
   - ✓ **NS viscous oil**
   - ✓ **Major projects in existing fields/zones, ie "Big Fields Get Bigger"**
   - o NS offshore oil
   - o NS natural gas

3) **SB 85 addresses NEW oil, e.g. the first 3 items listed above...these may be insufficient to level the production...SB 49, however, addresses ALL oil sources which is needed**

AVCG's Recommends Merger of 49 & 85 To Achieve The Common Goal of "No Decline"

Merge ideas of SB 85 into the broader bill and support proposals in SB 49 :

1) **Revise the progressivity surcharge to the "bracketed tax structure" with calculations made annually instead of monthly**
2) **Cap the total tax at 50% when oil prices top $92.50/bbl**
3) **For development of new fields outside existing production units, the base tax rate will be 15% insteadof 25% and cap the total tax at 40%..and introduce credit structure of HB 85**

A bracketed structure with reduced base rate and cap and a reduced base tax rate for new fields with a lower cap would attract more investor partners for AVCG et al to increase small field development and establishment of the North Slope's first "open access" facility sharing processing facilities.

4) **Accelerate the payment for exploration and other qualified capital investments to one year vs. two years**

The acceleration of credit recovery payments to a one year cycle would allow for AVCG and its partners to consider drilling 3 exploration wells per year instead of an average of 2 per year...a chance for more discoveries sooner

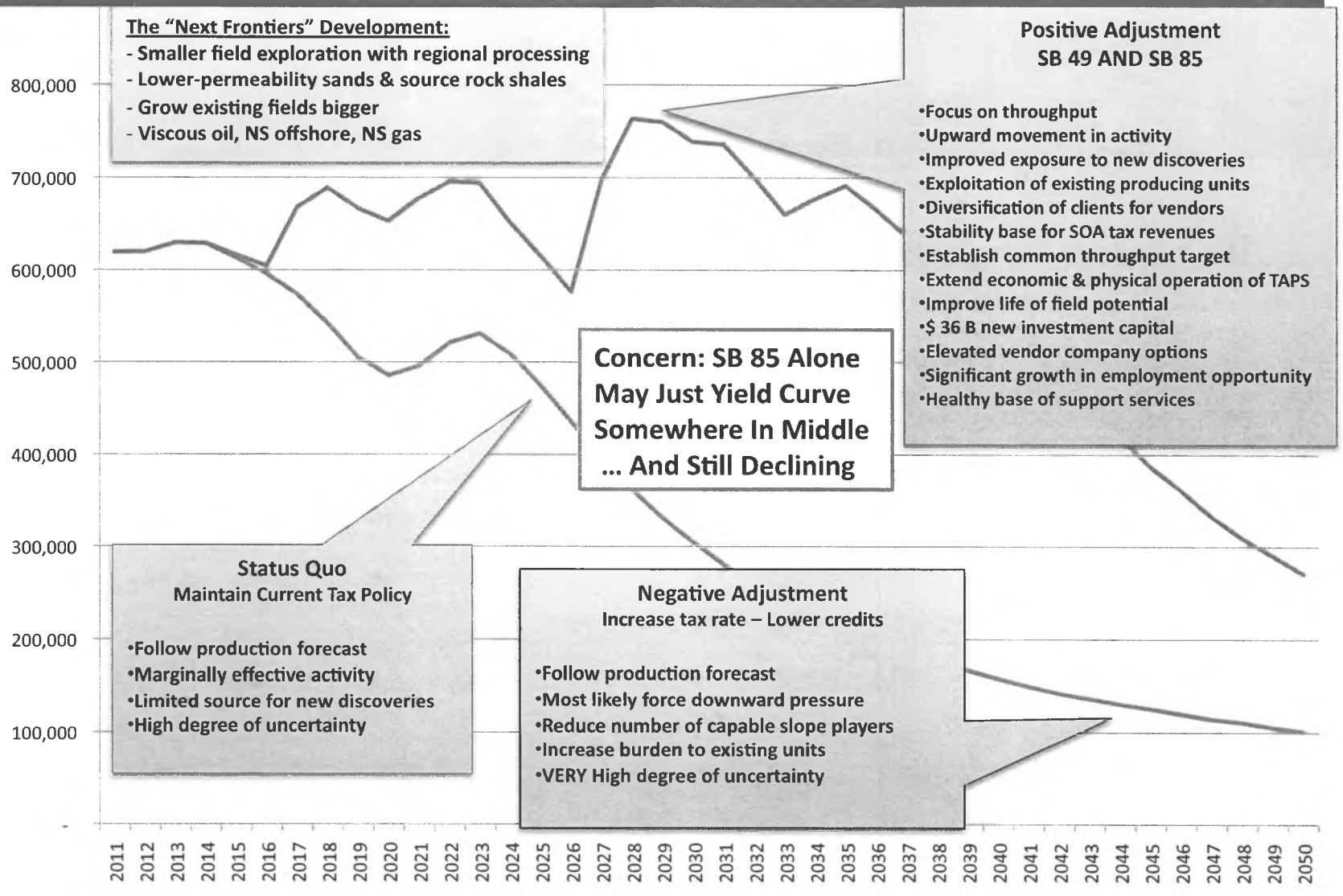
5) **Increase the tax credits for "qualified capital" investments from the current 20% to 40%...OR SB 85**

An increase in qualified capital credits to 40% would provide immediate impact to BRPC's project investment base and would extend our ability to encourage additional and continued capital investment from our current WIO's therefore providing more opportunities for successful discoveries and future development projects

6) **Extend indefinitely the "Small Producer Tax Credit" of $12MM a year from expiring on May 1, 2016 (or certainly extend another 5 years to May 1, 2021 then re-assess at that time). This is an item not currently in current bills but would be helpful in attracting new long-range development capital for BRPC and others like our company.**

Currently, we have a sanctioning proposal in front of our WIO's that projects first oil and revenues in 2013. With the Small Producers Credit expiring in May 2016, the development would be limited to a 3 year use of this credit. We would propose an extension through 2021 to allow our first project the full credit to attract new investors.

AVCG LLC


The "Next Frontiers" Development:
- Smaller field exploration with regional processing
- Lower-permeability sands & source rock shales
- Grow existing fields bigger
- Viscous oil, NS offshore, NS gas
Positive Adjustment
SB 49 AND SB 85
•Focus on throughput
•Upward movement in activity
•Improved exposure to new discoveries
•Exploitation of existing producing units
•Diversification of clients for vendors
•Stability base for SOA tax revenues
•Establish common throughput target
•Extend economic & physical operation of TAPS
•Improve life of field potential
•$ 36 B new investment capital
•Elevated vendor company options
•Significant growth in employment opportunity
•Healthy base of support services
Concern: SB 85 Alone May Just Yield Curve Somewhere In Middle ... And Still Declining
Status Quo
Maintain Current Tax Policy
•Follow production forecast
•Marginally effective activity
•Limited source for new discoveries
•High degree of uncertainty
Negative Adjustment
Increase tax rate – Lower credits
•Follow production forecast
•Most likely force downward pressure
•Reduce number of capable slope players
•Increase burden to existing units
•VERY High degree of uncertainty
800,000
700,000
600,000
500,000
400,000
300,000
200,000
100,000
-
2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039 2040 2041 2042 2043 2044 2045 2046 2047 2048 2049 2050

ALASKA STATE LEGISLATURE

SENATOR THOMAS H. WAGONER,

Co-Chair: Senate Resources Committee

Member: C&RA Committee
Member: Regulatory Review
Member: LB&A Committee
Member: World Trade

Official Business

Session: January – May
State Capitol, #427
Juneau, AK 99801
Phone: 907-465-2828 Fax: 907-465-4779

Interim: May – December
145 Main Street Loop; Suite 226
Kenai, AK 99611
Phone: 907-283-7996 Fax 907--283-8127

Changes to CS SB 85 version E (27-LS0484\E) in CS SB 85 version X (27-LS0484\X)

Title: No changes.

Section 1: No changes.

Section 2: The following changes were made to section 2.

1. 43.55.026 (a): The period during which a credit can be accrued has been changed to within 24 months after the completion of the first development well for a qualifying pool, lease or property. The reference to the Pt. Thomson unit in the E version has been removed.
2. 43.55.026 (b): Credits earned for exploration expenditures under AS 43.55.025 have been added to the list of credits that are subtracted from the 100 percent of qualifying development expenditures. The timing of qualifying development expenditures and the consultation with AOGCC has been changed to conform to the change in subsection (a).
3. 43.55.026 (c): No changes.
4. 43.55.026 (d): Language relating to taking a credit under AS 43.55.023 during the same month in which a credit is taken has been deleted.
5. 43.55.026 (e): No changes.
6. 43.55.026 (f): Authority to promulgate regulations for allocating the tax levied by AS 43.55.011(e) for the purposes of (g) has been added to the powers granted to the department of Revenue.
7. 43.55.026 (g): The allocation language has been simplified to clarify that a credit earned under AS 43.55.026 can offset a person's tax liability in proportion to the volume of production from the pool, lease or property for which the qualified development expenditure was incurred.
8. 43.55.026 (h): The definition of qualified development expenditure has been limited to a qualified capital expenditure as defined in AS 43.55.023.

Section 3: Added a new section 3 that includes reference language to AS 43.55.160 (a) that conforms the change made in new section 4 to the calculation of production tax value.

Section 4: Added a new section 4 that adds a new subsection to AS 43.55.160 that increases the production tax value by the value of a credit received under AS 43.55.026.

Section 5: No changes to the section (previously section 3).

Changes to CS SB 85 version E (27-LS0484\E) in CS SB 85 version X (27-LS0484\X)

Section 6: No changes to the section (previously section 4).
Section 7: No changes to the section (previously section 5).
Section 8: No changes to the section (previously section 6).

27-LS0484\X
Bullock
4/1/11

CS FOR SENATE BILL NO. 85( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): SENATORS WAGONER, Stevens, McGuire, Huggins, Dyson, Giessel, Menard

A BILL

FOR AN ACT ENTITLED

"An Act providing for a tax credit applicable to the oil and gas production tax based on the capital cost of developing new oil and gas production; relating to the determination of the production tax value of oil and gas; establishing the Oil and Gas Competitiveness Review Board; and providing for an effective date."

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

* **Section 1.** AS 43.20.043(g) is amended to read:

(g) A taxpayer that obtains a credit for a qualified capital investment or cost incurred for qualified services under this section may not also claim a tax credit or royalty modification for the same qualified capital investment or cost incurred for qualified services under AS 38.05.180(i), AS 41.09.010, AS 43.55.023, [OR] 43.55.025**, or 43.55.026**. However, a taxpayer may elect not to obtain a credit under this section in order to qualify for a credit provided under AS 38.05.180(i), AS 41.09.010, AS 43.55.023, [OR] 43.55.025**, or 43.55.026**.

* **Sec. 2.** AS 43.55 is amended by adding a new section to read:

Sec. 43.55.026. Development cost credit. (a) This section applies to a credit for a qualified development expenditure incurred before 2018 and within 24 months after the completion of the first development well for a qualifying pool, lease, or property that is subject to the tax levied by AS 43.55.011(e). The qualified development expenditure for which a credit may be authorized under this section must be outside of the Cook Inlet sedimentary basin and for development of a

(1) lease or property that, as of December 31, 2010, contains land that is not or previously had not been within a unit or is not or had not previously been involved directly in sustained production; or

(2) pool that, as of December 31, 2010, is not directly involved in or had not previously been involved directly in sustained production.

(b) The total amount of the credits under this section is equal to 100 percent of the qualified development expenditures that are incurred within 24 months after the completion of the drilling of the first development well for production from the lease or property, less the amount of credits taken under AS 43.55.023(a) and (b) and 43.55.025 for the same expenditures. In consultation with the Alaska Oil and Gas Conservation Commission, the department shall determine the date the drilling of the first development well is completed for a pool capable of sustained production.

(c) A credit under this section may be applied against the tax levied by AS 43.55.011(e) for the pool, lease, or property that is the basis for the credit until the credit for qualified development expenditures has been fully applied.

(d) A qualified development expenditure that is taken as a credit under this section may not be used as an expenditure for which a credit may be taken under AS 43.20.043.

(e) A credit or portion of a credit under this section is not transferable and may not be used to reduce a person's liability for the tax levied by AS 43.55.011(e) below zero for any calendar year.

(f) The department shall adopt regulations describing the procedures for determining the amount of the credit, record keeping, verification of the accuracy of the credit claimed, allocating the tax levied by AS 43.55.011(e) to a pool, lease, or property for the purposes of (g) of this section, and other regulations necessary to

administer this section.

(g) The credit under this section may be applied only against the tax levied by AS 43.55.011(e) for the production of oil and gas attributable to the pool, lease, or property for which a qualified development expenditure is incurred that qualifies for the credit. For the purpose of applying the credit, the tax shall be allocated to the pool, lease, or property that is subject to the credit in proportion to the volume of production from that pool, lease, or property within the unit.

(h) In this section,

(1) "pool" has the meaning given in AS 31.05.170;

(2) "development well" means a well drilled to a pool capable of sustained production;

(3) "qualified development expenditure" means a qualified capital expenditure, as defined in AS 43.55.023, that is incurred after the drilling for the first development well is complete;

(4) "sustained production" has the meaning given in AS 43.55.025(*l*).

*** Sec. 3.** AS 43.55.160(a) is amended to read:

(a) Except as provided in (b) of this section **and subject to the adjustment in (f) of this section**, for the purposes of

(1) AS 43.55.011(e), the annual production tax value of the taxable

(A) oil and gas produced during a calendar year from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil and gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas subject to AS 43.55.011(o);

(B) oil and gas produced during a calendar year from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) and produced by

the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil and gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas subject to AS 43.55.011(o);

(C) oil produced during a calendar year from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the oil taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(D) gas produced during a calendar year from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(E) gas produced during a calendar year from a lease or property outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to that gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(2) AS 43.55.011(g), the monthly production tax value of the taxable

(A) oil and gas produced during a month from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil and gas produced by the producer from

those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas subject to AS 43.55.011(o);

(B) oil and gas produced during a month from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil and gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas subject to AS 43.55.011(o);

(C) oil produced during a month from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the oil taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(D) gas produced during a month from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(E) gas produced during a month from a lease or property outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to that gas produced by the producer from that lease or property, as adjusted under AS 43.55.170.

* **Sec. 4.** AS 43.55.160 is amended by adding a new subsection to read:

(f) The production tax value determined under (a)(1)(A), (a)(1)(B), (a)(1)(E), (a)(2)(A), (a)(2)(B), and (a)(2)(E) of this section shall be increased by the amount of credit taken by a producer under AS 43.55.026 for a pool, lease, or property in an area described in (a)(1)(A), (a)(1)(B), (a)(1)(E), (a)(2)(A), (a)(2)(B), and (a)(2)(E) of this section.

*** Sec. 5.** AS 43.55.180(a) is amended to read:

(a) The department shall study

(1) the effects of the provisions of this chapter on oil and gas exploration, development, and production in the state, on investment expenditures for oil and gas exploration, development, and production in the state, on the entry of new producers into the oil and gas industry in the state, on state revenue, and on tax administration and compliance, giving particular attention to the tax rates provided under AS 43.55.011, the tax credits provided under **AS 43.55.023 - 43.55.026** [AS 43.55.023 - 43.55.025], and the deductions for and adjustments to lease expenditures provided under AS 43.55.160 - 43.55.170; and

(2) the effects of the tax rates under AS 43.55.011(i) on state revenue and on oil and gas exploration, development, and production on private land, and the fairness of those tax rates for private landowners.

*** Sec. 6.** AS 44.99 is amended by adding new sections to read:

Article 06. Oil and Gas Competitiveness Review Board.

Sec. 44.99.600. Oil and Gas Competitiveness Review Board established. (a) The Oil and Gas Competitiveness Review Board is established.

(b) The board shall consist of nine members as follows:

(1) one senator appointed by the president of the senate;

(2) one representative appointed by the speaker of the house of representatives;

(3) five members of the public appointed by the governor, including one member who is a petroleum engineer, one member who is a geologist, one member who is an economist, and one member who is a member of an environmental or conservation group;

(4) the commissioner of natural resources or the commissioner's

designee; and

(5) the commissioner of revenue or the commissioner's designee.

(c) The senator and representative appointed to the board under (b)(1) and (2) of this section shall be cochairs.

(d) Each legislative member serves for the duration of the legislature during which the member is appointed. Each public member serves for three years. An individual who has served on the board may be reappointed.

(e) A vacancy on the board shall be filled in the manner of the original appointment.

(f) A member of the board may be removed and replaced at the discretion of the person appointing that member.

(g) The public members of the board serve without compensation but shall receive per diem and travel expenses authorized for boards and commissions under AS 39.20.180.

(h) The board may enter into contracts for professional services and may employ staff for administrative support for the board.

Sec. 44.99.610. Duties. The duties of the board include the following:

(1) review historical, current, and potential levels of investment in the state's oil and gas sector;

(2) identify factors that affect investment in oil and gas exploration, development, and production in the state, including tax structure, rates, and credits; royalty requirements; infrastructure; workforce availability; and regulatory requirements;

(3) review the competitive position of the state to attract and maintain investment in the oil and gas sector in the state as compared to the competitive position of other regions with oil and gas resources;

(4) in order to facilitate the work of the board, establish procedures to accept and keep confidential information that is beneficial to the work of the board, including the creation of a secure data room and confidentiality agreements to be signed by individuals having access to the confidential information;

(5) make written findings and recommendations, together with

suggested legislation, to the Alaska State Legislature before December 1 of each year, or as soon thereafter as practicable, regarding

(A) changes to the state's regulatory environment that would be conducive to encouraging increased investment while protecting the interests of the people of the state and the environment;

(B) changes to the state's fiscal regime that would be conducive to increased and ongoing long-term investment in and development of the state's oil and gas resources; and

(C) alternative means for increasing the state's ability to attract and maintain investment in and development of the state's oil and gas resources.

Sec. 44.99.620. Information to be provided to board. (a) The commissioner of natural resources, the commissioner of revenue, the commissioner of environmental conservation, and other commissioners and state agencies that have responsibility for and maintain information related to oil and gas investment and activity in the state shall, at the request of the board, provide information required by the board to carry out the duties described in AS 44.99.610.

(b) At the request of the board, and except for information that is confidential under AS 43.05.230, a commissioner may disclose to the board information that is otherwise confidential after each member of the board and each staff member for the board with access to the information signs a confidentiality agreement prepared by the commissioner making the disclosure. Information that is confidential under AS 43.05.230 may not be disclosed to the board.

Sec. 44.99.630. Definition. In AS 44.99.600 - 44.99.630, "board" means the Oil and Gas Competitiveness Review Board.

*** Sec. 7.** AS 44.99.600, 44.99.610, 44.99.620, and 44.99.630, added by sec. 6 of this Act, are repealed June 30, 2021.

*** Sec. 8.** This Act takes effect immediately under AS 01.10.070(c).

Alberta Natural Gas and Conventional Oil Investment Competitiveness Study 2009

Alberta

Our Approach

Vision

- Alberta is a vibrant and attractive place to live, work, and invest, with outstanding opportunities for current and future generations.
- Alberta's fiscal and regulatory structure helps enable the natural gas and conventional oil sector to be competitive, successful, and sustainable, delivering maximum value for Albertans.
- Alberta's resource management framework reflects trusting and lasting relationships among all stakeholders.

Alberta

Building Blocks

Our building blocks for a successful project include:

- Forming and maintaining strong lasting relationships with our stakeholders.
- Sharing industry and financial information with each other to inform investment competitiveness questions.
- Sharing questions and advising on the key question we all have for this study.

Alberta

Key Question

Is Alberta competitive for investment within the natural gas and conventional oil sector?

Project Overview

Project Goals

- Improved working relationship between Alberta Department of Energy, industry and the financial sector.
- A common understanding of Alberta's investment competitiveness within the natural gas and conventional oil sectors.
- Recommendations for consideration by the Minister of Energy and Executive Council.

Integrated Processes

- Stakeholder engagement.
- Effective dialogue – Two-way communication.
- Solid, well planned approach and timely execution.
- Strong and effective project management office.

Alberta

Project Scope

- For the purposes of this investment competitiveness study, dialogue will be limited to the economic and financial aspects of investment competitiveness, including investors' perceptions.

- While tenure and regulatory issues are being addressed in separate processes, the *related* economic and financial aspects will be assessed in this study.

- We recognize that there are other stakeholders, however, the purpose of this study is to gather essential information around investment levels and competitiveness.

Our Expectations

The Investment Competitiveness Study Is:

- Looking at whether natural gas and conventional oil investment in Alberta is competitive for investment.
- Future-focused
- About validating and making recommendations on the current and expected future state of natural gas and conventional oil investment competitiveness.
- A cooperative joint approach from industry, government and the financial sector.

The Investment Competitiveness Study Is Not:

- Predetermining outcomes before discussion and debate.

Alberta

Key Project Stakeholders

Project Management Committee

- Government of Alberta
- Oil and Gas Industry
- Financial Sector
- Pipelines Sector

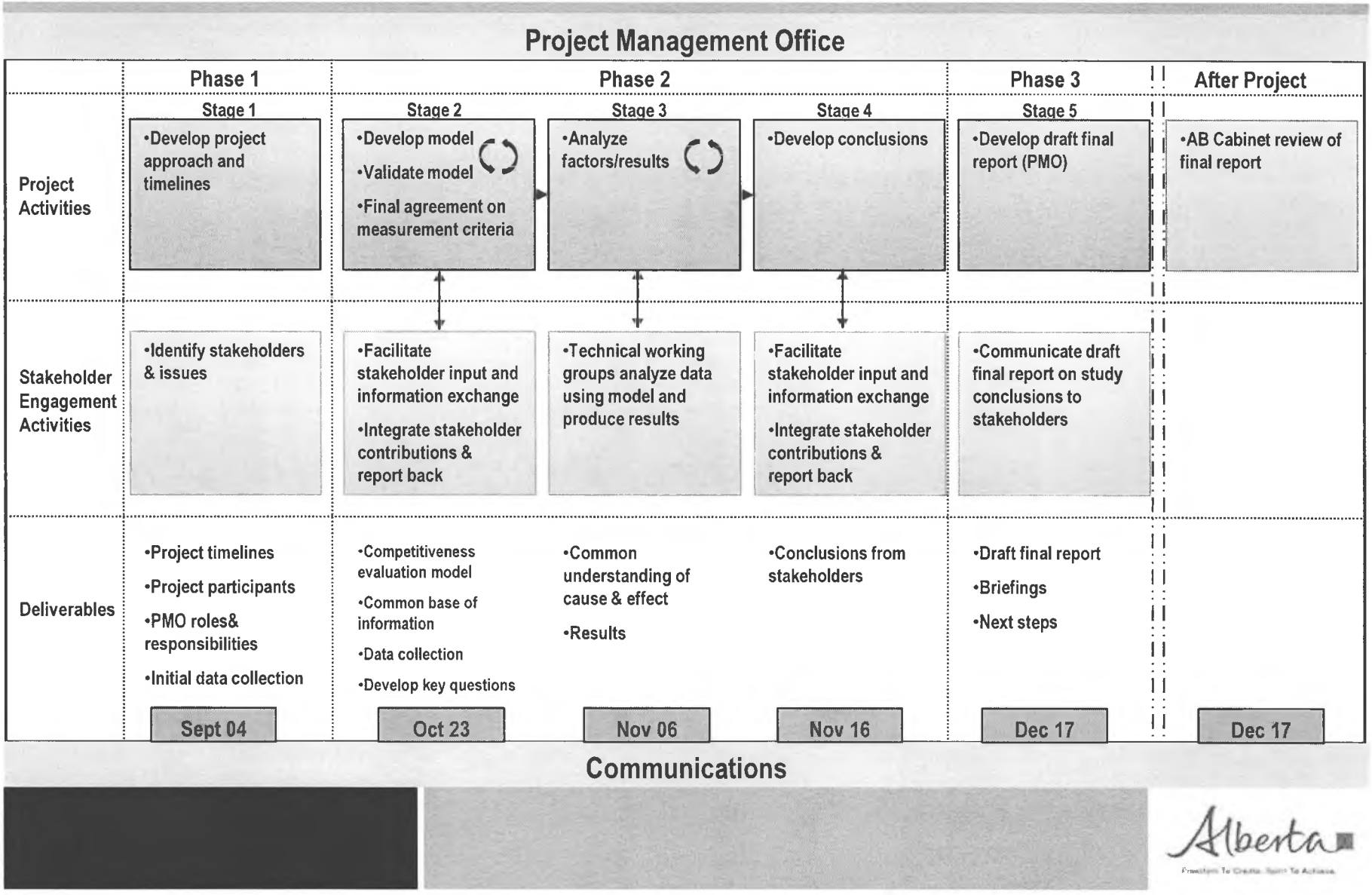
To inform, debate, validate and participate in, the investment competitiveness study, through a combination of interviews, interdisciplinary workshops and focus groups.

All stakeholder groups will be comprised of executives (CEO's) who will be interviewed, and technical/data experts who will form a large part of the working groups and inter-disciplinary team.

Alberta

Decision-Making Process

Project Approach



Our Progress To-Date

Alberta

Technical/Data Stream Update

Focus:

- To ensure an accurate understanding of Alberta's competitive position for natural gas and conventional oil.
- Investment competitiveness will be determined on the basis of discounted cash-flow analysis and established and accepted investment criteria.
- Participants include oil and gas companies, and related industry associations as well as the Alberta Department of Energy.
- Data acquisition kicked off July 20th.
- 27 natural gas submissions – data validation nearing completion.
- 11 Conventional oil submissions – data validation initiated; additional information required.

Alberta

Technical/Data – Measures of Competitiveness

Factors of Competitiveness that are being reviewed:

- Type Well Economics:
  - Rate of Return (IROR)
  - Cost per Unit (Barrel of Oil or Mcf of Natural Gas)
  - Net Present Value (NPV)
  - Degree of Fiscal Front End Loading
  - Expected Monetary Value (EMV)
  - Resource Owner Share
  - Profitability Ratio (PFR)
  - Price / Cost Ratio
  - Risked PFR
  - Payout Time (months)
  - Fiscal System Performance: Equity, Efficiency, Neutrality, and Robustness
  - Incremental Investment Impacts e.g., Company Taxable Position – full credit vs. stand alone, (new entrants)

Alberta

Technical/Data – Measures of Competitiveness

- Resource Characteristics:
  - Resource in place
  - Recoverable resources

- Current Conditions:
  - Recent & Existing production levels.
  - Recent & Existing activity levels: investment, producing wells, wells drilled by year.
  - Existing fiscal structures: statutory tax rates, royalty rates, other production levies.
  - Differences in cost structures (how much does the same well cost in different jurisdictions).
  - Relative returns (ROCE, ROE, ROI).

Alberta

Project Management Office Team Progress

- Project Management Office established.
- Roles, responsibilities, project timelines validated.
- Key Deputy Ministers briefed on current progress.
- Stakeholder engagement lists and processes completed.
- List of key questions to guide the study developed.
- Initial meetings and focus groups with industry and government groups facilitated.
- Detailed timeline developed for stakeholder engagement process and a calendar of events for workshops, meetings etc. with key stakeholders.

Alberta

List of Key Stakeholders

Stakeholder Category	Stakeholder Group (executive and technical experts who have the data)	Method(s) of Engagement
Government of Alberta	Executive Level (Premier, Cabinet, Ministers, Deputy Ministers, Special Committees)	Interviews/ Report/ Briefing (strategic)
	Alberta Energy	Interviews/ Focus Group/ Workshops (strategic and technical)
	Department of Finance and Enterprise	Focus Group/ Workshops (strategic)
	Treasury Board	Focus Group/ Workshops (strategic)
	Environment	Focus Group/ Workshops (strategic)
	ERCB	Focus Group/ Workshops (strategic)
Federal Government	National Energy Board	Workshops
Oil and Gas	Industry Associations (CAPP/ SEPAC)	Focus Group/ Workshops (strategic)
	Large CAPS (CEO's)	Interviews/ Workshop Rep (strategic)
	Small Producers/ Juniors and Mid-Caps	Focus Group/ Workshops (strategic)
	Working Groups (oil and gas)	Focus Group/ Workshops (strategic and technical)

List of Key Stakeholders

Stakeholder Category	Stakeholder Group (executive and technical experts who have the data)	Method(s) of Engagement
Financial Sector	Bankers: Corporate and Investment Banking	Interviews/ Workshops (strategic and technical)
	Investors: Public, Private and Institutional	Interviews/Workshops (strategic and technical)
Pipeline Sector	Trans Canada	Interviews/ Workshops
	Enbridge	

Alberta

Next Steps

Alberta

Next Steps

- One-on-one executive interviews to discuss competitiveness factors, key issues, and industry success in the future.
- Analysis of data by the technical data team.
- Interdisciplinary team workshops and focus groups to develop and confirm competitiveness evaluation model, review results of the modeling and analysis, and develop conclusions and recommendations .

Alberta

Alberta Natural Gas and Conventional Oil Investment Competitiveness Study 2009

Stakeholder Briefing Document

I. Overview

Our Vision:

1) *Alberta is a vibrant and attractive place to live, work, and invest, with outstanding opportunities for current and future generations.*

2) *Alberta's fiscal and regulatory structure helps enable the natural gas and conventional oil sector to be competitive, successful, and sustainable, delivering maximum value for Albertans.*

3) *Alberta's resource management framework reflects trusting and lasting relationships among all stakeholders.*

A vibrant and successful natural gas and conventional oil industry is critical to Alberta and Canada's economic prosperity. The natural gas and conventional oil sector is the economic engine of Alberta, contributing to a standard of living for the province's citizens and for all Canadians that is among the highest in the world. A study by the University of Calgary shows that the oil and gas sector alone represents one-half of Alberta's economy.[1] Without the natural gas and conventional oil sector, our economic standard of living would most certainly be lower and the necessary tax burden would be higher.

North America's natural gas and conventional oil sector is at a crossroads. This means that Alberta's industry is also at a crossroads. Environmental responsibilities, rising costs due to a variety of factors including shortages of key labor skills and investment inputs ranging from steel to engineering and management, and the transformation of Alberta's largest market for natural gas from a net importer where supply is constrained to a situation where some at least speculate that the U.S. could become a net exporter, are just some of the recent developments that make it necessary to ensure that Alberta has the appropriate regulatory and fiscal environment to remain competitive for natural gas and conventional oil investment.

[1] "Energy and the Alberta Economy: Past and Future Impacts and Implications", Institute for Sustainable Energy, Environment, and Economy, December 2006

While there are most certainly competitive challenges, Alberta is fortunate to possess vast resources of natural gas (both conventional and unconventional) and huge conventional oil potential.[2] There is every reason to believe that Alberta will continue to be an attractive and competitive place to invest. What is critical at this juncture, however, is that a more strategic, inclusive and planned approach be taken to facilitate ongoing investment and success for Alberta. In an increasingly dynamic and competitive market economy, we cannot afford to assume that what clearly worked well in the past will remain appropriate for the future. It is critical to celebrate our past successes, and there are many, but it is prudent to plan for our future. Our past successes have not come from being passive observers. We must review our practices and investment strategies and take responsibility for our economic and financial future. This is why a competitiveness review is so important at this time.

It is Alberta Department of Energy's goal to have the fiscal and regulatory structure that helps enable Alberta's natural gas and conventional oil sector to remain vibrant and sustainable, and to deliver maximum value for Albertans. As key stakeholders, we need to work together to answer the fundamental question:

What does success look like for Alberta's natural gas and conventional oil future?

The challenges facing us demand that we work cooperatively. To do this we need a common understanding of the value of our resources, and recognition that both investors and resource owners need to benefit from the development of Alberta's natural resources. Success, therefore, has the following three components:

1. A common understanding of the value of our resources and the challenges in developing them;

2. Positive working relationships and constructive dialogue; and

3. A regulatory and fiscal framework that:

    - Facilitates the maximum production from the widest possible range of exploration and development opportunities, at the lowest possible costs, consistent with good conservation and environmental practices;

    - Recognizes that investors need to realize a reward for their investment and ingenuity, consistent with the level of risks undertaken; and

[2] The Alberta Research Council found that use of CO2 enhanced recovery technology yielded additional recovery of oil in place of about 9 per cent "CO2 Enhanced Hydrocarbon Recovery – Final Report Incremental Recovery and CO2 Storage Potential in Alberta", March 31, 2009. Extending that finding across all light and medium oil resources in Alberta could yield addition oil recovery of up to 4.8 billion barrels.

- Recognizes that resource owners deserve to receive a competitive level of compensation for granting the right to develop and profit from their natural resources – the economic rent.

Alberta's history is characterized by a dynamic entrepreneurial spirit including the courage to adapt our key economic sectors to global realities in order to remain competitive and attractive for investors. Now is the time to once again revisit our strategy and ensure that we have the regulatory and fiscal environment to enable our natural gas and conventional oil sector to be vibrant and sustainable, and profitable for all stakeholders.

II. Rationale

To determine the investment competitiveness of Alberta's natural gas and conventional oil resources, in order to arrive at a common understanding of resource economics and re-establish positive working relationships between the Alberta Department of Energy and industry.

III. Compelling Questions

The compelling questions requiring your input are as follows:

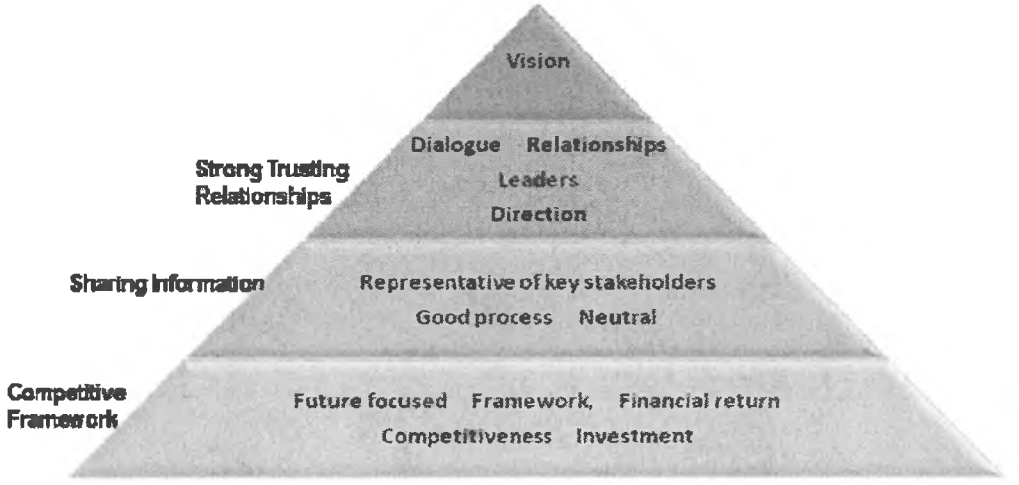
How should we (DOE and industry) position Alberta's natural gas and conventional oil sector for ongoing success, in order to remain profitable, sustainable and competitive for the future?

What is industry's role? What is the Department of Energy's role?

IV. Guiding Principles

- Constructive dialogue among stakeholders is essential;
- Positive relationships need to be maintained and developed between industry and DOE;
- Industry deserves to be rewarded for their investment consistent with the level of risks undertaken; and
- Resource owners deserve to be compensated for granting the right to develop and profit from their natural resources.

To ensure that the positive relationships between the Department of Energy and industry are facilitated, it is necessary to keep the following touchstones in mind:



Only through strong trusting relationships, the sharing of leading-edge data and a future-focused competitive framework can the ADOE and the natural gas and conventional oil industry help to shape the foundation and future of Alberta and position Alberta for success.

V. Approach

Our approach is based on the belief that the success of this study can only be achieved through constructive interaction and dialogue. This will be done by talking directly to the key stakeholders utilizing methods such as interviews, focus groups and workshops. In addition, we will develop a reporting back process to the key stakeholders to ensure that we build positive relationships. We will communicate to the key stakeholders who participated in the process and the ideas generated in the discussions. Issue resolution and risk management strategies will also be employed to ensure that the project remains on task and that stakeholders' contributions are noted as required.

Two-levels of stakeholder engagement will be required to ensure that both an executive and technical analyst perspective will be represented in the investment competitiveness study. These two-levels of stakeholder engagement will take the form of interviews, focus groups and a cross-sector workshop made up of the government, industry, and banks. The executive group will include high- level administrators from government, natural gas and conventional oil industries and the financial sector in Alberta. This group will provide high-level strategic, economic and financial advice on Alberta's investment competitiveness and will also be a forum for continued improvement of relationships between industry and the Alberta Department of Energy. The second level of stakeholder engagement will be the technical (data) analysts who will use their technical

expertise and data knowledge to assist in informing the executive group and in examining the suggestions relating to Alberta's future investment competitiveness within the natural gas and conventional oil sector.

VI. Scope

The Alberta Department of Energy will lead a focused investment competitiveness study that will compare the investment competitiveness of Alberta's natural gas and conventional oil sector with that of appropriate competing jurisdictions, both domestic and international.

The study will take into account conventional oil, conventional gas, and unconventional gas (coal bed methane, shale gas and tight sands). Oil Sands will not be included in the scope of this work.

Recognizing that Alberta companies have opportunities nationally and internationally to invest, the study will provide details about competing jurisdiction's resources and production profiles; resource conditions, market conditions; finding, development, and operations costs; fiscal terms; and regulatory environment. Such details will include:

- Oil and Gas Reserves, Pool Sizes, Production Profiles, Drilling Success Rates and Future Potential
- Resource Conditions – Depth, Location, Reservoir Characteristics, Access Restrictions
- Market Conditions – Transportation Costs and Netback Prices
- Costs - Finding, Development, and Operations:
  - Well Drilling – Drilling, Completion, Equipment, and Tie-In
  - Regulatory
  - Land Access and Seismic
  - Lifting, Gathering, and Compression
  - Processing Costs
  - Overhead, and General and Administrative Costs
- Fiscal Terms – Royalties, Corporate Income Taxes, other Taxes (including Severance Taxes and Property Taxes) Rentals and Fees, and Bonuses
- Regulatory Environment
- Tenure process (fragmentation)
- Well licence approval process (time lines)

- Well density regulations (Pad Drilling)
- Commingling regulations
- Resource management data requirements
- Surface Access
- Municipality Restrictions and Approvals (e.g. Sour Gas, Letters of Credit)
- First Nations Process
- Other Environmental Compliance (e.g., groundwater testing, minimum distances from dwellings, GHG, Air, Land, Water, etc...)
- Impacts / overlap of Federal Regulations

The Investment Competitiveness study will involve key stakeholders including other Government Departments, the Energy Resource Conservation Board, Canadian Association of Petroleum Producers (CAPP) and the Small Explorers and Producers Association of Canada (SEPAC).

For the purposes of this investment competitiveness study:

- Dialogue will be limited to the economic and financial aspects of investment competitiveness, including investors' perceptions.

- While tenure and regulatory issues are being addressed in separate processes, the related economic and financial aspects will be assessed in this study.

- We recognize that there are other stakeholders, however, the purpose of this study is to gather essential information around investment levels and competitiveness

VII. Methodology

Under the guidance of a Project Management Office and the Executive Director of Economics and Markets for the Department of Energy, interviews, focus groups and workshops will be held with stakeholders to identify issues, confirm inputs/methodology, identify work/ information requirements, review, analyze and make recommendations for the preparation of the final deliverable.

Investment competitiveness will be determined on the basis of discounted cash-flow analysis and established and accepted investment criteria for measuring profitability, risk, and fiscal system performance. Measures of Investment Competitiveness include:

- Rate of Return (IROR)
- Net Present Value (NPV)
- Expected Monetary Value (EMV) – Risked NPV
- Profitability Ratio (PFR)
- Risked PFR
- Price / Cost Ratio
- Cost per Unit (Barrel of Oil or Mcf of Natural Gas)
- Payout time (months)
- Resource Owner Share
- Degree of Fiscal Front End Loading
- Incremental Investment Impacts; e.g., Company Taxable Position – full credit vs. stand alone, new entrants)
- Fiscal System Performance: Equity, Efficiency, Neutrality, and Robustness

Cost information to be used in the analysis will be limited to those directly related to the associated reserves. Other measurement criteria and competitiveness indicators will be incorporated as identified through the stakeholder engagement process.

VIII. Critical Success Factors:

The following factors are tantamount to a successful process whereby the project objectives and questions will be debated, deliberated and achieved.

- Industry and other project stakeholders fully understand the process, deliverables and implications of the Investment Competitiveness Study.
- Advisors are brought onto the project early in the process and provide effective support to the industry and DOE teams.
- Project risks and issues are managed proactively.
- Project is managed effectively and key milestones are met.
- Active participation and support from Ministry, Industry Associations and industry senior management in communicating value of study to peers and subordinates.
- Appropriate time is provided to government to fully respond to the report once it is completed.

IX. Key Project Stakeholders

To facilitate the process of stakeholder engagement and ensure that Government, industry and the financial sectors are equitably represented; the following key stakeholder groups have been identified.

Stakeholder Category	Stakeholder Group
Government of Alberta	Executive Level (Premier, Cabinet, Ministers, Deputy Ministers and Special Committees) Department of Energy Department of Finance & Enterprise Treasury Board Alberta Environment Energy Resources Conservation Board
Federal Government	National Energy Board
Pipelines Sector	TransCanada Enbridge
Conventional Oil and Natural Gas Producers	Industry Associations (CAPP, SEPAC) Large CAPS (CEO level) Small Producers/ Juniors and Mid-Caps Working Groups oil and natural gas
Financial Sector	Bankers: Corporate and Investment Banking Investors: Public, Private and Institutional

X. Our Promise

Our promise, based on the aforementioned identified objectives, is to collaborate with our stakeholders. This means that we will look to you for data, information, advice and innovation in formulating solutions and incorporate your advice into our recommendations to the maximum extent possible.

XI. Key Deliverables

Deliverables from the review will include:

- A comprehensive comparison of the economic value of Alberta's natural gas and conventional oil resources by area and resource type, including a comparison of Alberta's competitiveness relative to that of competing jurisdictions.
- A thorough comparison of the characteristics of Alberta's natural gas and conventional oil resources relative to competing jurisdictions, with particular focus on British Columbia, Saskatchewan and on-shore United States; e.g., Texas.
- An identification of the key attributes of oil and gas producers in Alberta going forward.
- An assessment of the regulatory framework to identify potential impacts on investment competitiveness (e.g. impacts on costs and resource recovery) and to identify key enablers and barriers for future natural gas and conventional oil development in Alberta.
- Recommendations for consideration by the Minister of Energy and Executive Council.
- Where appropriate, other recommendations for future studies and / or policy considerations.

XII. Resources Required

The resources required to inform this study, and participate in it include:

1. Financial and economic data provided by the industry including the producers, the financial sectors and other key stakeholders to support their perspectives;
2. Financial and economic data provided by the Department of Energy; and
3. Non-economic factors that influence the study such as human, technology-based and cultural factors.

SB 91

<TARGET><BILL>SB 91</BILL><SUBJECT>SB 91</SUBJECT><COMM>SRES27</COMM></TARGET>

SENATE COMMITTEE REPORT
First Committee of Referral

DATE: 2/16/11

FURTHER: Finance

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED IN TO OFFICE: 2/28/11

Resources Committee considered SENATE BILL NO. 91

SB 91-SPORT FISHING GUIDING SERVICES

"An Act amending the termination date of the licensing of sport fishing operators and sport fishing guides; and providing for an effective date."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
DFG	✓			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	McGuire	✓			
	French	✓			
CO-CHAIR:	WAGONER	✓			
CO-CHAIR:	PASSMAN	X			

LIB

ALASKA STATE LEGISLATURE

Session
State Capitol Building, Room 125
Juneau, Alaska 99801-1182
Phone (907) 465-2995
Fax (907) 465-6592

Interim
716 West Fourth Avenue, Suite 430
Anchorage, Alaska 99501
Phone (907) 269-0250
Fax (907) 269-0249

SENATOR LESIL MCGUIRE

TO: Senator Wagoner
Senator Paskvan

FR: Senator McGuire

RE: Request to Schedule SB 91: Sport Fishing Guide Services

Dear Senator Wagoner,

Please schedule SB 91: Sport Fishing Guide Services for a hearing in the Senate Resources Committee at your earliest convenience.

Attached you will find:

1. Sponsor Statement
2. The current version of the bill: SB 25 (27-0550\A)
3. Backup Materials (table of contents)
    a. Updated backup materials from the Department of Fish and Game are currently being prepared by the Department.

If you have any questions, please contact Michael Pawlowski on my staff at 465-5159.

ALASKA STATE LEGISLATURE

Session
State Capitol Building, Room 125
Juneau, Alaska 99801-1182
Phone (907) 465-2995
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SENATOR LESIL MCGUIRE

SPONSOR STATEMENT FOR SENATE BILL 91

"An Act amending the termination date of the licensing of sport fishing operators and sport fishing guides; and providing for an effective date."

Senate Bill 91 will ensure the continuation of Alaska's sport fish guide licensing and reporting program. Legislation authorizing the program was passed in 2004 and the program has proven beneficial to both the sport fishing industry and resource managers. With more than 1.8 million clients, 88% of whom are nonresidents, taking more than 460,000 guided fishing trips in Alaska annually; guided sport fishing has become an integral part of Alaska's tourism economy. In fact, a study commissioned by the Alaska Department of Fish and Game estimated that nonresident spending on sport fishing was more than $650 million in 2007.

Since the program's inception, an average of 1,670 sport fishing business licenses and 1,981 sport fishing guide licenses have been sold annually. 90% of license holders are Alaska residents and the professionalization of the sport fishing guide industry has benefitted both the industry and the resource. The data collected through the program provides the information state and federal managers need to sustainably manage sport fish populations. The program also allows Alaska to receive an exemption from the National Saltwater Angler Registry; a federal program that would begin levying fees for registration in 2011.

Recognizing the importance of the program, the Alaska legislature extended the program's termination date for one year in 20010; SB 91 proposes to amend the program's associated termination language in existing statutes in order to allow this valuable program to continue serving Alaskans and their valuable fishery resources.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version **SB 91**
() Publish Date

Identifier: SB91-DFG-SFD-02-18-11
Title Sport Fishing Guiding Services
Sponsor Representative McGuire
Requester Senate Resources Committee

Dept. Affected ADF&G
Appropriation Sport Fisheries
Allocation Sport Fisheries
OMB Component Number 464

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services		290.0	290.0				
Travel		10.0	10.0				
Services		90.0	90.0				
Commodities		10.0	10.0				
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**400.0**	**400.0**				
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
1024 Fish & Game Fund		400.0	400.0				
TOTAL	**0.0**	**400.0**	**400.0**				

Estimate of any current year (FY2011) cost

POSITIONS

Full-time	**0.0**	**0.0**	**0.0**				
Part-time	0.0	0.0	0.0				
Temporary	0.0	0.0	0.0				

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version.

Prepared by Charles O. Swanton, Director
Division Sport Fisheries
Approved by Kevin Brooks, Administrative Services Director
Department of Fish and Game

Phone 907-465-6184
Date/Time 2/18/2011, 4:20 PM
Date 2/18/2011

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 91

Analysis

This bill extends the termination date of the licensing program for sport fishing guides and sport fishing operators from January 1, 2012 to January 1, 2013. The division has budgeted $400.0 in the FY12 Governor's budget to administer the Sport Fish operator/guide/vessel program. The program generates average Fish & Game Fund revenues of $240.2, with the balance of program expenditures funded with Sport Fishing license sale revenue.

UNITED FISHERMEN OF ALASKA

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(907) 586-2820
(907) 463-2545 Fax
E-Mail: ufa@ufa-fish.org
www.ufa-fish.org

February 24, 2011

Senator Tom Wagoner, Co-Chairman
Senator Joe Paskvan, Co-Chairman
Senate Resources Committee
Alaska State House of Representatives
State Capitol, Mail Stop 3100
Juneau AK 99801

RE: Support for SB 91 - An Act amending the termination date of the licensing of sport fishing operators and sport fishing guides; and providing for an effective date.

Dear Co-Chairmen Wagoner and Paskvan, and Committee Members,

UFA supports SB 91, which would extend the sunset date on the sport guide and vessel licensing program from January 1, 2012 to January 1, 2013. It is essential for the Department of Fish and Game to have a system of registration and communication with operators of fishing guide businesses to be able to measure activity and harvest for effective fisheries management. Without passage of SB 91, the registration and logbook program that is in place will not continue beyond the current year. Without such a system to accomplish the objectives regarding recreational fisheries in the Magnuson-Stevens Fishery Conservation and Management Act of 2005, it is our belief that the State of Alaska would be in jeopardy of losing management jurisdiction over marine fisheries to the federal government.

United Fishermen of Alaska is the largest statewide commercial fishing trade association, representing 38 commercial fishing organizations participating in fisheries throughout the state and its offshore waters.

Sincerely,

Mark Vinsel
Executive Director

CC: Senator Lesil McGuire

LAWS OF ALASKA

2004

Source
SCS CSHB 452(RES)

Chapter No.
_____

AN ACT

Relating to licensing and regulation of sport fishing operators and sport fishing guides; relating to licensing and registration of sport fishing vessels; authorizing the Department of Fish and Game and the Alaska Commercial Fisheries Entry Commission to release records and reports to the Department of Natural Resources and the Department of Public Safety; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1

AN ACT

Relating to licensing and regulation of sport fishing operators and sport fishing guides; relating to licensing and registration of sport fishing vessels; authorizing the Department of Fish and Game and the Alaska Commercial Fisheries Entry Commission to release records and reports to the Department of Natural Resources and the Department of Public Safety; and providing for an effective date.

---

* **Section 1.** AS 16.05.340(a) is amended by adding a new paragraph to read:

(26) Fishing services licenses

(A) Sport fishing operator license $100

(B) Sport fishing guide license 50

(C) Sport fishing operator and sport fishing guide combined license 100

* **Sec. 2.** AS 16.05 is amended by adding a new section to read:

Sec. 16.05.395. Sport fishing vessel registration. For calendar year 2005 and subsequent calendar years, a person may not use a vessel to provide sport fishing services under AS 16.40.260 - 16.40.299 unless the vessel is registered with the department and proof of registration is attached to and clearly visible on the vessel while the vessel is used to provide sport fishing services. The department shall register vessels used to provide sport fishing services, and provide proof of registration, without charge. The department may adopt regulations as the department finds necessary to implement this section.

* **Sec. 3.** AS 16.05.420 is amended to read:

Sec. 16.05.420. License, tag, [AND] permit, and registration violations. (a) A false statement of a material fact in an application for a license, tag, [OR] permit, **and sport fishing vessel registration** issued under AS 16.05.330 - 16.05.430 voids the license, tag, [OR] permit, **or registration** for which the application is made.

(b) A person may not make a false statement, or omit a material fact, in an application for a license, tag, [OR] permit, **or sport fishing vessel registration** issued under AS 16.05.330 - 16.05.430. A person who without any culpable mental state makes a false statement as to the person's identity or residency in an application for a license, tag, [OR] permit, **or sport fishing vessel registration** issued under AS 16.05.330 - 16.05.430 is guilty of a violation and upon conviction is punishable by a fine of not more than $300. A person who knowingly violates this subsection is guilty of a class A misdemeanor.

(c) A person to whom a license, [OR] tag, **or sport fishing vessel registration** has been issued under this chapter may not alter, change, loan, or transfer the license, [OR] tag, **or sport fishing vessel registration**. A person may not use a license, [OR] tag, **or sport fishing vessel registration** that has been issued under this chapter to another person.

* **Sec. 4.** AS 16.05.490(a) is amended to read:

(a) As a condition to delivery or landing of fish or engaging in commercial fishing in the state, a license is required for a commercial vessel [, INCLUDING A VESSEL USED IN CHARTER SERVICE FOR THE RECREATIONAL TAKING OF FISH AND SHELLFISH].

* **Sec. 5.** AS 16.05.815(a) is amended to read:

(a) Except as provided in (b) and (c) of this section, records required by regulations of the department concerning the landings of fish, shellfish, or fishery products, and annual statistical reports of fishermen, buyers, and processors required by regulation of the department are confidential and may not be released by the department or by the Alaska Commercial Fisheries Entry Commission except as set out in this subsection. The department may release the records and reports set out in this subsection to the Alaska Commercial Fisheries Entry Commission. The department and the Alaska Commercial Fisheries Entry Commission may release the records and reports set out in this subsection to the recipients identified in this subsection if the recipient, other than a recipient under (5) - (9) of this subsection, agrees to maintain the confidentiality of the records and reports. The department and the Alaska Commercial Fisheries Entry Commission may release

(1) any of the records and reports to the National Marine Fisheries Service and the professional staff of the North Pacific Fishery Management Council as required for preparation and implementation of the fishery management plans of the North Pacific Fishery Management Council within the exclusive economic zone;

(2) any of the records and reports to the professional staff of the Pacific States Marine Fisheries Commission who are employed in the Alaska Fisheries Information Network project for the purpose of exchanging information with users authorized by the department;

(3) any of the records and reports to the Department of Revenue to assist the **department** [DEPARTMENT OF REVENUE] in carrying out its statutory responsibilities;

(4) records or reports of the total value purchased by each buyer to a municipality that levies and collects a tax on fish, shellfish, or fishery products if the municipality requires records of the landings of fish, shellfish, or fishery products to be submitted to it for purposes of verification of taxes payable;

(5) such records and reports as necessary to be in conformity with a court order;

(6) on request, the report of a person to the person whose fishing

activity is the subject of the report, or to a designee of the person whose fishing activity is the subject of the report;

(7) on request, annual statistical reports of a fisherman, buyer, or processor to the fisherman, buyer, or processor whose activity is the subject of the report, or to a designee of the fisherman, buyer, or processor whose activity is the subject of the report;

(8) **any of the records and reports** [FISH TICKETS, FISH TICKET INFORMATION, SALTWATER CHARTER LOGBOOKS, SALTWATER CHARTER LOGBOOK INFORMATION, AND ANNUAL STATISTICAL REPORTS OF FISHERMEN, BUYERS, AND PROCESSORS AND INFORMATION IN THOSE REPORTS] to the Department of Public Safety **for law enforcement purposes**;

(9) fish tickets, fish ticket information, and annual statistical reports of fishermen, buyers, and processors and information in those reports to the law enforcement personnel of the National Marine Fisheries Service and the National Oceanic and Atmospheric Administration for the purpose of enforcing fishery laws in waters of this state and in waters of the exclusive economic zone adjacent to this state;

(10) fish tickets and fish ticket information regarding halibut to the International Pacific Halibut Commission; [AND]

(11) any of the records and reports to the child support enforcement agency created in AS 25.27.010, or the child support enforcement agency of another state, for child support purposes authorized under law**; and**

(12) any of the records and reports to the Department of Natural Resources to assist the department in carrying out its statutory responsibilities in regard to sport fishing operations and sport fishing guides within the Kenai River Special Management Area under AS 41.21.500 - 41.21.514.

*** Sec. 6.** AS 16.40 is amended by adding new sections to read:

Article 6. Sport Fishing Services.

Sec. 16.40.260. Sport fishing operator license. (a) The department shall issue an annual sport fishing operator license to a person who

(1) holds a current business license under AS 43.70 to provide services

to sport fishermen;

(2) presents proof satisfactory to the department of a general liability insurance policy or marine protection and indemnity insurance policy, covering the services provided by the person and the person's employees to sport fishermen, that provides coverage of at least $100,000 for each incident, and $300,000 for all incidents in a year;

(3) pays the license fee prescribed by AS 16.05.340(a); and

(4) satisfies all additional requirements adopted in regulation by the Board of Fisheries.

(b) A person may not provide sport fishing services unless the person holds a current sport fishing operator license and has current insurance coverage as required in (a)(2) of this section.

(c) A person who holds a current sport fishing operator license may contract to provide sport fishing guide services to a sport fisherman through an employee who holds a current sport fishing guide license under AS 16.40.270.

(d) A person who holds a current sport fishing operator license may not directly provide sport fishing guide services to a sport fisherman unless the person also holds a current sport fishing guide license under AS 16.40.270(b).

(e) A person who holds a sport fishing operator license may not aid in the commission of a violation of AS 16.05 - AS 16.40 or a regulation adopted under AS 16.05 - AS 16.40, including regulations relating to the proper method to release fish, by a sport fishing guide who is employed by the person or by a sport fisherman who is a client of the person.

Sec. 16.40.270. Sport fishing guide license. (a) A natural person may obtain an annual sport fishing guide license if the person

(1) is a citizen of the United States, Canada, or Mexico, or is a resident alien;

(2) is certified in first aid by the American Red Cross or a similar organization;

(3) holds a license to carry passengers for hire issued by the United States Coast Guard if the person operates a vessel in the provision of sport fishing

guide services and the license is required by the United States Coast Guard for the area in which the fishing guide provides fishing guide services;

(4) holds a current sport fishing license from this state;

(5) pays the license fee prescribed by AS 16.05.340(a); and

(6) satisfies all additional requirements adopted in regulation by the Board of Fisheries.

(b) A natural person may obtain an annual sport fishing operator and sport fishing guide combined license if the person satisfies the requirements for a sport fishing operator license under AS 16.40.260 and for a sport fishing guide license under this section and pays the license fee prescribed by AS 16.05.340(a).

(c) A person may not provide sport fishing guide services unless the person

(1) holds a current sport fishing guide license; and

(2) holds a current sport fishing operator license or is an employee of a person who holds a current sport fishing operator license.

(d) A sport fishing guide may provide sport fishing guide services only to persons who have engaged the services of the sport fishing operator by whom the sport fishing guide is employed. A sport fishing guide may not contract directly with a person to provide sport fishing guide services to a person unless the sport fishing guide also holds a current sport fishing operator license.

(e) While engaged in providing sport fishing guide services, a sport fishing guide shall have readily available for inspection

(1) a current sport fishing guide license;

(2) the current licenses, tags, and permits that are required to engage in the sport fishery for which the sport fishing guide services are being provided;

(3) a driver's license or similar identification card that is issued by a state or federal agency and that bears a photograph of the fishing guide; and

(4) proof of

(A) employment as a sport fishing guide by a person who holds a current sport fishing operator license; or

(B) current licensure as a sport fishing operator.

(f) A sport fishing guide may not

(1) aid in the commission of a violation of AS 16.05 - AS 16.40 or a regulation adopted under AS 16.05 - AS 16.40 by a client of the sport fishing guide; or

(2) permit the commission by a client of the sport fishing guide of a violation of AS 16.05 - AS 16.40 or a regulation adopted under AS 16.05 - AS 16.40 that the sport fishing guide knows or reasonably believes is being or will be committed without

(A) attempting to prevent it, short of using force; and

(B) reporting the violation.

Sec. 16.40.280. Reports. (a) The department may collect information from sport fishing guides, including

(1) the name and license number of each vessel licensed under AS 16.05.490 that is used in providing sport fishing guide services;

(2) the amount of fishing effort, catch, and harvest by clients of a sport fishing guide;

(3) the locations fished during the provision of sport fishing guide services; and

(4) other information that the department or board requires by regulation.

(b) A person who holds a license issued under AS 16.40.260 or 16.40.270 shall comply with the reporting requirements in this section and reporting requirements adopted in regulation by the department or board. The department and the board may adopt by regulation requirements for timely submission of reports required under this section or under regulations adopted by the department or board.

(c) A person who is required to complete reports under this section may not provide false information or omit material facts in a report.

(d) A person who is required to complete reports under this section may not be issued a new license under AS 16.40.260 or 16.40.270 unless the department has received all reports required under this section for the preceding year.

(e) Information collected under this section is confidential to the extent provided under AS 16.05.815.

(f) The department or board may adopt regulations under AS 44.62

(Administrative Procedure Act) that it considers necessary to implement this section.

Sec. 16.40.290. Penalty. (a) Except as provided in (b) and (c) of this section, a person who knowingly violates AS 16.40.260 - 16.40.299 or a regulation adopted under AS 16.40.260 - 16.40.299 is guilty of a class A misdemeanor.

(b) A person who, without any culpable mental state, violates AS 16.40.270(e) is guilty of a violation.

(c) A person who knowingly violates AS 16.40.270(e) or who knowingly fails to comply with a requirement for timely submission of reports required by a regulation adopted under AS 16.40.280(b) is, for a

(1) first offense in a three-year period, guilty of a violation; and

(2) second or subsequent offense in a three-year period, guilty of a class B misdemeanor.

(d) In addition to any other penalty provided by law, a court may revoke the sport fishing guide license of a person who is convicted under (a) or (c)(2) of this section.

(e) In this section, "knowingly" has the meaning given in AS 11.81.900.

Sec. 16.40.299. Definitions. In AS 16.40.260 - 16.40.299,

(1) "sport fishing guide" means a person who is licensed to provide sport fishing guide services to persons who are engaged in sport fishing;

(2) "sport fishing guide services" means assistance, for compensation or with the intent to receive compensation, to a sport fisherman to take or to attempt to take fish by accompanying or physically directing the sport fisherman in sport fishing activities during any part of a sport fishing trip; "sport fishing guide services" does not include

(A) sport fishing services; or

(B) services provided by an assistant, deckhand, or similar person who works directly under the supervision of and on the same vessel as a sport fishing guide;

(3) "sport fishing services" means the indirect provision of assistance, for compensation or with the intent to receive compensation, to a person engaged in sport fishing in taking or attempting to take fish or shellfish by a business that

employs a sport fishing guide to provide sport fishing guide services to the person during any portion of a sport fishing trip; "sport fishing services" does not include

(A) an activity for which a sport fishing guide license is required; or

(B) booking and other ancillary services provided by a tour broker or agent to a sport fishing services operator.

*** Sec. 7.** AS 25.27.244(s)(2)(A) is amended by adding new sub-subparagraphs to read:

(xviii) sport fishing operator license under AS 16.40.260;

(xix) sport fishing guide license under AS 16.40.270;

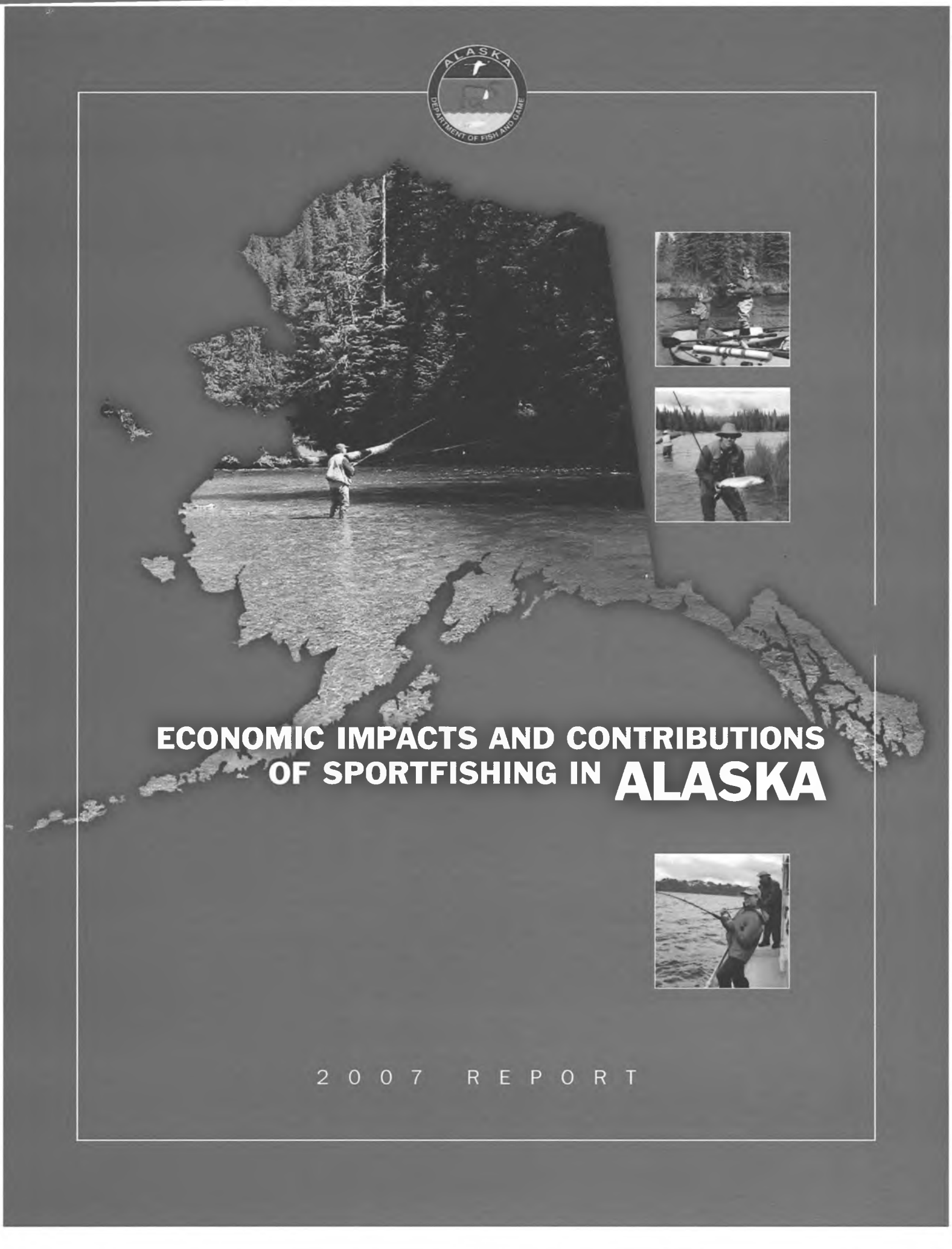
*** Sec. 8.** AS 16.05.340(a)(26); AS 16.40.260, 16.40.270, 16.40.280, 16.40.290, 16.40.299; AS 25.27.244(s)(2)(A)(xviii), and 25.27.244(s)(2)(A)(xix) are repealed January 1, 2010.

*** Sec. 9.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION; REGULATIONS. The Board of Fisheries and the Department of Fish and Game each may proceed to adopt regulations necessary to implement the changes made by secs. 1, 3, 4, 5, and 6 of this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of the statutory changes.

*** Sec. 10.** Sections 2 and 9 of this Act take effect immediately under AS 01.10.070(c).

*** Sec. 11.** Except as provided in sec. 10 of this Act, this Act takes effect January 1, 2005.



ECONOMIC IMPACTS AND CONTRIBUTIONS OF SPORTFISHING IN ALASKA

2007 REPORT

A Message from the Director

CHARLIE SWANTON, DIRECTOR
ADF&G, DIVISION OF SPORT FISH

Alaska supports arguably some of the finest and most diverse sportfishing in the world. These opportunities provide Alaskans with a significant and sustainable source of food, relaxation, and social benefits. Additionally, the money spent by residents and visitors who participate in sportfishing activities produces significant economic benefits to Alaska.

The Division of Sport Fish is committed to providing an array of biological, social and economic information to fishery managers and fishery regulators who plan and evaluate fishery projects and make informed decisions about the management of fishery resources.

This report summarizes a recent effort by the Division to provide estimates of angler spending in Alaska and the contribution it makes to Alaska's economy. The results are based on an extensive statewide study of resident and nonresident anglers who went sportfishing in Alaska during 2007. The report contains estimates of the total expenditures on sportfishing by anglers and estimates of the subsequent economic effects this spending had in terms of employment, wages, salaries and tax receipts.

A key objective of this project was to establish a consistent and repeatable methodology for collecting and reporting estimates of economic contribution in Alaska such that reasonably precise estimates would be routinely available to agency personnel, fisheries decision-makers, and the public.

We hope that you find the following information useful and that it contributes to well-informed decision making.

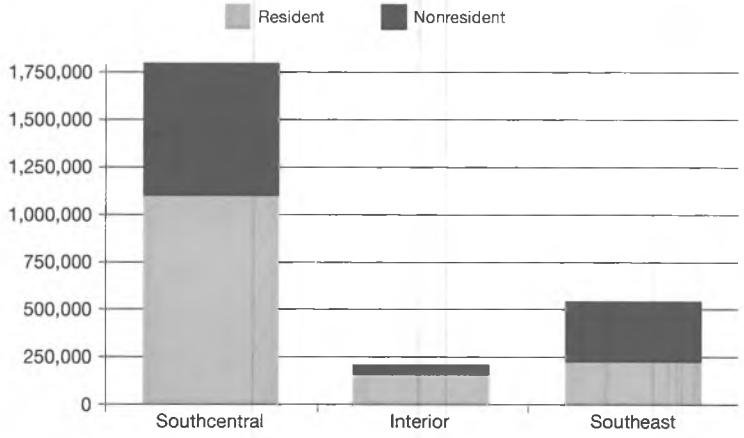
Sportfishing in ALASKA

Sportfishing is an important component of the Alaskan economy. It contributes to the well-being of Alaskans as recreation, as a source of food, and as part of the state's collective economic fabric. In 2007, 190,644 Alaska residents bought a fishing license, along with 284,890 nonresidents.

Spending a day fishing with rod and reel usually involves spending at least some money for travel, equipment, and supplies. Because a large number of anglers—both resident and nonresident—spend many days each year enjoying Alaska's diverse fishing opportunities, the annual total of that spending is substantial.

The money spent by anglers in turn helps to support thousands of Alaskan jobs in industries ranging from fishing tackle sales to hospitality and lodging to air taxi and guide services which are an important part of the economy in many of Alaska's local communities. At the same time, angler spending is also creating federal, state and local tax revenues which support local and borough governments and help pay for fisheries management in Alaska.

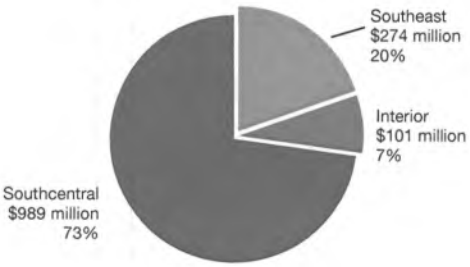
DAYS OF SPORTFISHING IN ALASKA BY REGIONS AND RESIDENCY, 2007



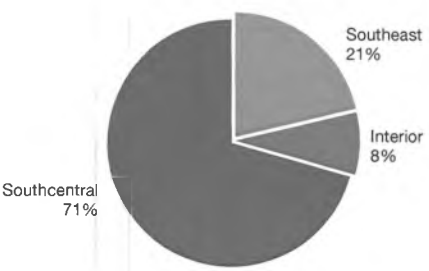
TOTAL SPORTFISHING EXPENDITURES, All ANGLERS

$1.4 billion

SPORTFISHING EXPENDITURES BY REGION, ALL ANGLERS



DAYS OF SPORTFISHING BY REGION, ALL ANGLERS



Economic IMPACTS & Contributions

The purpose of the study was to obtain current estimates of the economic contribution of sportfishing activities to the Alaska economy and to develop a consistent method for producing such estimates on a regular basis. This project provides a survey-based process that can now be updated periodically at reasonable cost.

For 2007, the year covered by this report, 1,163 resident and 1,807 nonresident surveys were completed by anglers who fished in Alaska. From the survey responses collected, estimates of how much each angler spends per day of fishing and per year on fishing-related equipment were produced. These survey results were combined with the total number of licensed anglers in 2007 and the total days of fishing in Alaska as estimated by the Division's Statewide Harvest Survey. This survey, conducted every year by the Division, tracks annual sportfishing participation and harvest. By combining the economic survey results with the Statewide Harvest Survey results, it was possible to estimate the total amount of resident and nonresident spending in Alaska as a whole and within specific regions of the state.

An economic model was then used to estimate the additional economic effects that angler spending produced within each region of the state. Using the collective dollars spent by anglers, an economic model known as IMPLAN estimated the total jobs, tax revenues and other economic contributions. Regional as well as statewide totals can be determined and are summarized in the following pages. Information on the dollars associated with guided fishing trips and with nonresident fishing is also included. First, here are some statewide highlights.

Economic Impact vs. Economic Contribution

This project measured and reported the economic impacts and contributions of licensed anglers to Alaska's state and regional economies. The words "impact" and "contribution" are not necessarily synonymous.

Economic impact typically refers to the effects of money being brought in from outside the state or region. It was possible to estimate the total amount of resident and nonresident spending in Alaska as a whole and within specific regions by combining the economic survey results with the ADF&G Statewide Harvest Survey results.

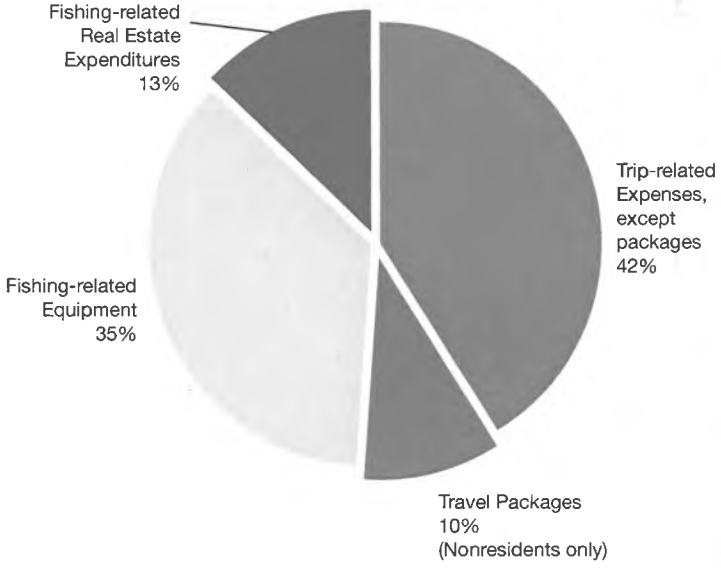
Economic contribution refers to in-state spending by all anglers. In theory, if the dollars spent by resident anglers were not spent on sportfishing, the same money would be spent on other things and would still stimulate economic activity. It isn't possible to accurately predict whether these local dollars would be spent in or outside of Alaska.

This study generated both economic impact estimates (non-resident spending) as well as estimates of the economic contributions of spending by Alaska anglers in 2007.

Total Resident and Nonresident Sportfishing Expenditures, by Category

	Resident Anglers	Nonresident Anglers	All Anglers
Licenses and Fees	$6,627,558	$16,536,955	$23,164,513
Trip Expenditures (non-package)	$219,829,151	$347,358,999	$567,188,150
Package Expenditures	n/a	$137,519,700	$137,519,700
Equipment Expenditures	$433,693,104	$41,385,450	$475,078,554
Real Estate Expenditures	$73,139,537	$109,697,619	$182,837,156
Total Expenditures	**$733,289,349**	**$652,498,723**	**$1,385,788,072**

TOTAL ANGLER SPENDING BY CATEGORY



Average Per Day Expenditure for Trip-Related Items Only, Including Package Trips

(Lodging, fuel, food, travel packages, etc.)

	Per Day
All Alaska Fishing Combined	**$277.46**
Residents Only	$150.63
Non-Residents Only	$448.78
Saltwater	
Residents, Unguided	$162.81
Residents, Guided	$466.53
Non-Residents, Unguided	$209.40
Non-Residents, Guided	$744.03
Freshwater	
Residents, Unguided	$91.73
Residents, Guided	$509.56
Non-Residents, Unguided	$213.24
Non-Residents, Guided	$790.41

ECONOMIC ACTIVITY, OR MULTIPLIER EFFECT: SUPPORTED BY GUIDED AND UNGUIDED FISHING TRIPS

Trip-related and Package Expenditures*

JOBS: SUPPORTED BY GUIDED AND UNGUIDED FISHING TRIPS

Trip-related and Package Expenditures*

*Only trip related expenditures (food, fuel, lodging, etc.) could be divided into guided and unguided portions. It was not possible to divide equipment expenditures in such a manner.

How Economic Effects Occur

While the economic effects of sportfishing occur on a large scale statewide, it's important to note that they happen one angler at a time.

Suppose, for example, that a construction worker in downtown Anchorage decides to go fishing on his day off. He stops after work at the local tackle shop and spends $250 for a rod and reel along with some line, lures, a knife and cooler. Sandwiches, soda, and ice for the trip come from the local grocery store, and he spends still more money to fill his vehicle with gas on the way home. Very early the next morning, he starts the 150-mile drive out the Seward and Sterling highways to the Kenai River where he'll fish for king or coho salmon.

Meanwhile, the money he left behind goes to work. Some of the money he spent for fishing gear helps to pay the wages of a sales clerk, for example, who in turn spends some that evening at a local restaurant, to buy groceries, or pays his utility bill at the local light and power company. These payments, known collectively as the "multiplier effect", help to support still other jobs as the money our angler spent ripples outward in many directions through the local economy, even to those sectors not directly related to fishing. See page 11 for more definitions.

Regional Economic EFFECTS

Economic effects can be measured regionally and locally as well as statewide. Alaska has several distinct regions, each with its own characteristic sport fisheries that show different patterns in angling participation, spending, and economic effects.

STATEWIDE RESULTS

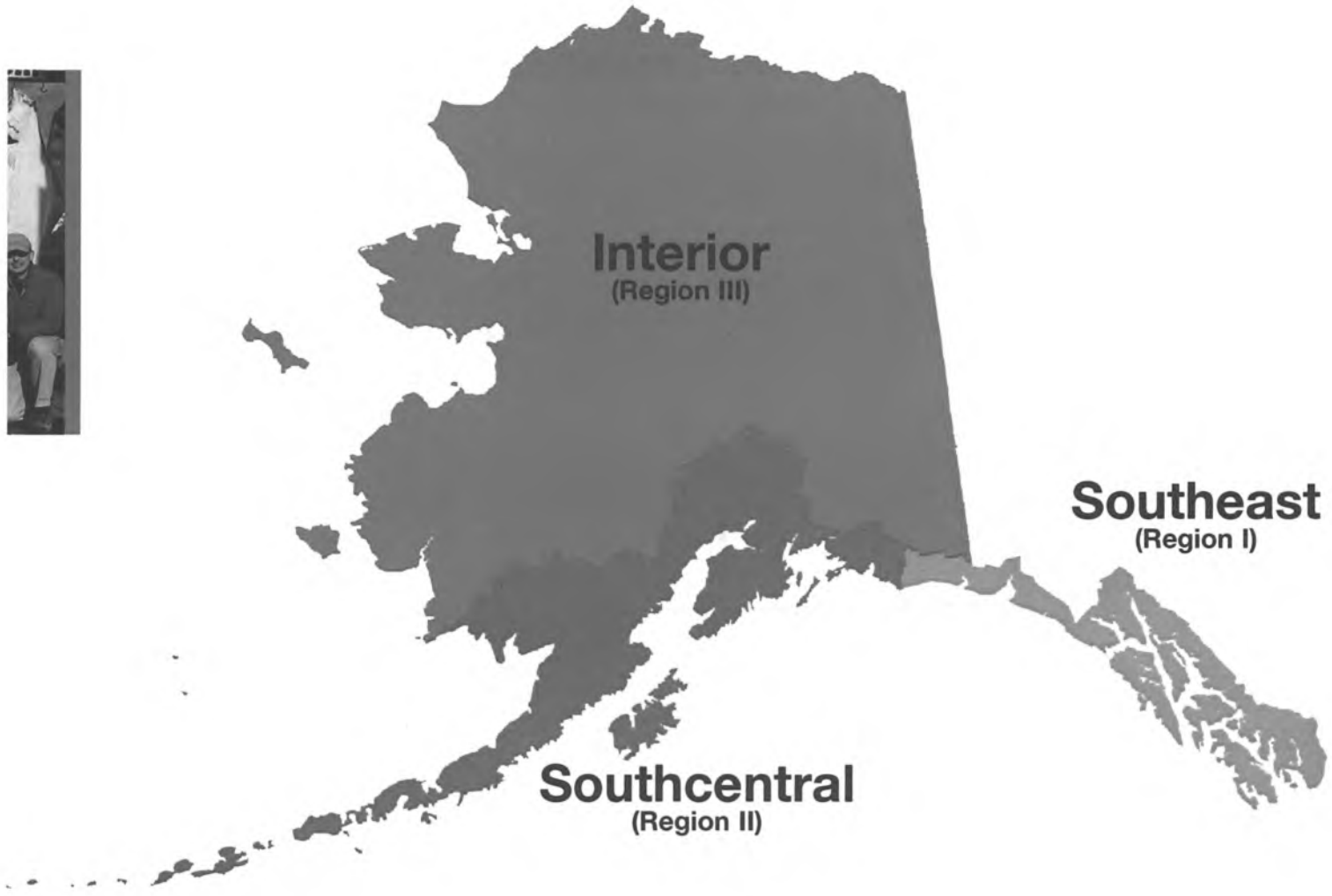
Alaska is blessed with many world-class freshwater and marine fisheries. In 2007, resident and nonresident anglers spent nearly $1.4 billion on equipment, boats, and trip-related and other items. Alaska anglers on average spent $2,914 on sportfishing trip expenses, fishing-related equipment, licenses, and other items in 2007. The actual amount spent per angler varies based on his or her preferred fishing locations, region, and more. Details are available in the technical report (see sidebar on page 8).

As anglers' expenditures exchange hands, economic contributions are generated statewide. In 2007, these contributions amounted to 15,879 jobs, $246 million in tax revenues and $545 million in income. Economic output, which is the value of all goods and services produced by businesses as a result of anglers' expenditures, was just over $1.6 billion.

SOUTHEAST (REGION 1)

The so-called Panhandle area extending roughly from Yakutat south-southwest through Juneau and Ketchikan to the British Columbia border is a complex maze of islands, straits, and mountains. The saltwater salmon fishing here is outstanding, although some anglers find steelhead, along with river-resident trout, to be just as appealing.

Total spending by all anglers, resident and nonresident combined, for Southeast Alaska in 2007 was estimated to be $274 million. The total economic output came to $295 million, which supported 3,063 jobs and generated $22 million in state and local taxes.



SOUTHEAST MARINE (SUBREGION)

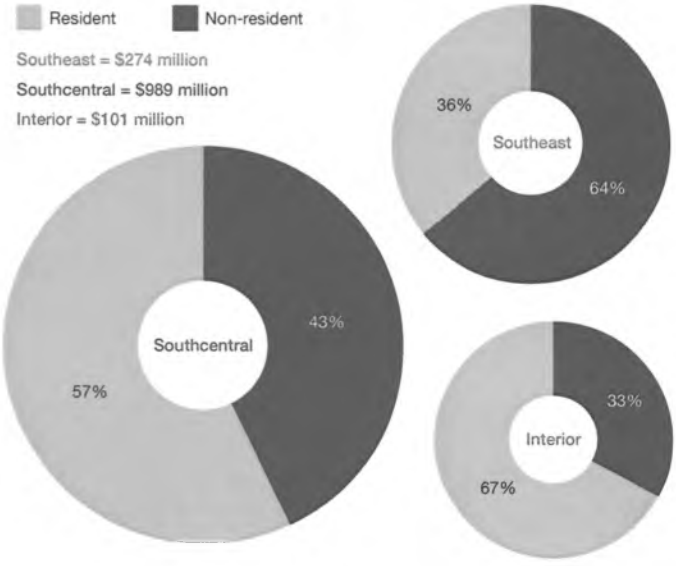
Within southeast Alaska, the popularity of salt-water fishing accounted for almost half of all angler spending. Saltwater anglers in southeast Alaska spent $132 million of the $274 million spent on sportfishing in southeast Alaska in 2007, which supported 1,897 jobs and created $14 million in state and local tax revenues.

SOUTHCENTRAL (REGION II)

This is by far the most popular angling region in Alaska as measured in total angler days. It includes Prince William Sound, Cook Inlet and the Anchorage area, as well as Kodiak Island and the Bristol Bay area to the west of Cook Inlet. All five salmon species are fished widely here in both salt- and fresh-water, along with halibut and other saltwater species. Trophy rainbow trout in the various Bristol Bay drainages are world-famous.

Anglers spent $989 million in the Southcentral region in 2007, supporting 11,535 area jobs and creating $91 million in state and local taxes.

RESIDENT AND NONRESIDENT EXPENDITURES BY REGION



Economic measures reported in this chart are based on regional IMPLAN model outputs using 2007 angler expenditures.

For More Details...

This report is a summary of a 300 page technical report available free from the Alaska Department of Fish and Game, Division of Sport Fish. The complete report presents detailed descriptions of the methods and data sources used in the study, as well as the complete results. Visit ***www.sf.adfg.state.ak.us/statewide/economics*** *to download a copy in PDF form. You may also contact the Department at (907) 267-2366, or william.romberg@alaska.gov, to request a printed copy of the report.*

Regional Economic EFFECTS (cont.)

COOK INLET (SUBREGION)

Notably, much of Southcentral's economic activity centers around the Cook Inlet area, partly because Anchorage and the Matanuska-Susitna valley are such large population centers with good fishing nearby. The Kenai River, for example, is an easy drive from Anchorage and is widely known among anglers as one of the world's foremost salmon rivers. In addition, there are large sport fisheries for halibut and other groundfish that are accessed from several communities that border Cook Inlet. In the Cook Inlet subregion alone (a subset of Southcentral region), anglers spent about $733 million in 2007, which supported 8,056 jobs and generated $55 million in state and local taxes.

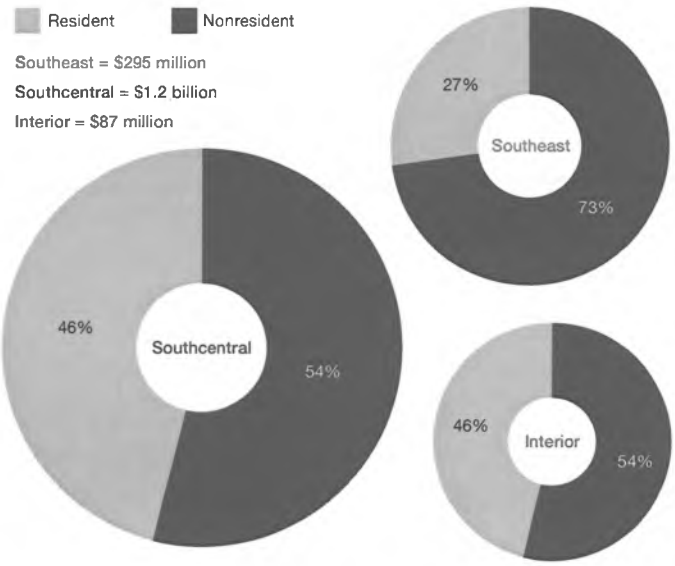
INTERIOR (REGION III)

Among anglers, the northern two-thirds of the state could be called the road less traveled. This vast area contains many small communities and sport fisheries located off the road system with fisheries less accessible than places farther south in the state. However, the fishing is none the less exceptional, and in addition to salmon and trout there are fisheries for unique species such as sheefish, arctic char, and burbot, as well as huge northern pike found in the "flats" region of the lower Yukon River.

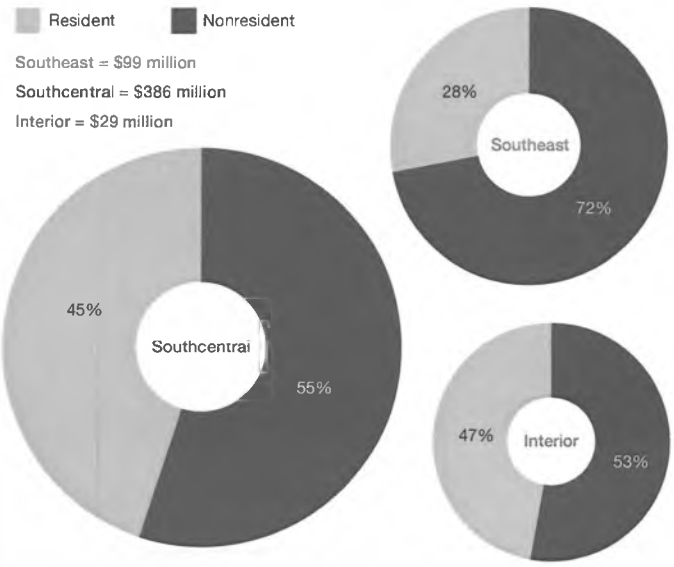
Angling traffic here is lighter than in other regions of the state but still significant. Total regional spending by all anglers in this region topped $101 million in 2007 and directly or indirectly supported 923 area jobs and $7 million in state and local taxes.

Total Angler Expenditures
$1.4 Billion

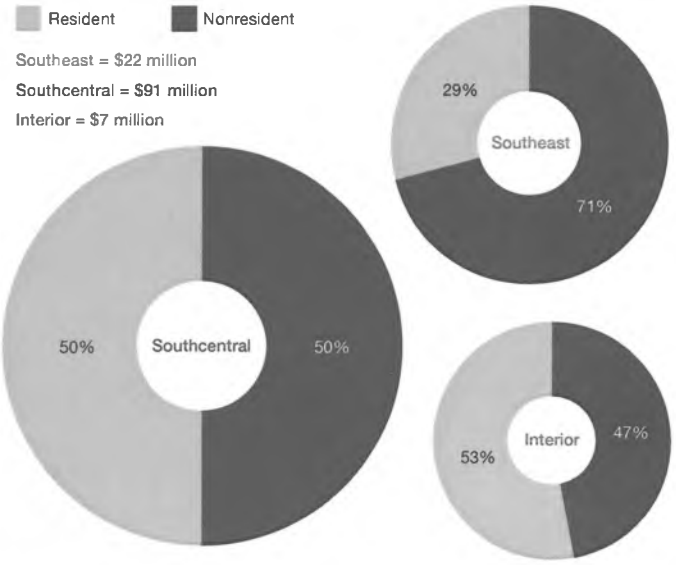
RESIDENT AND NONRESIDENT OUTPUT BY REGION



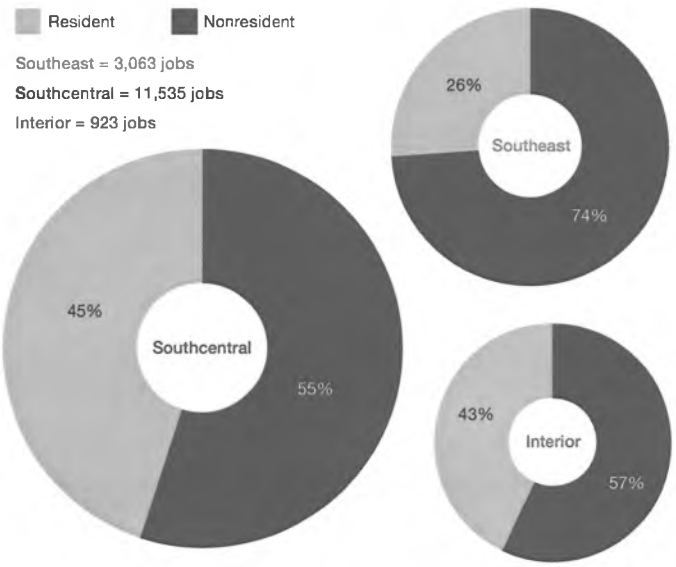
RESIDENT AND NONRESIDENT INCOME BY REGION



RESIDENT AND NONRESIDENT STATE & LOCAL TAX REVENUES BY REGION



RESIDENT AND NONRESIDENT EMPLOYMENT BY REGION



Sportfishing-related Jobs
15,879

Economic measures reported in these charts are based on regional IMPLAN model outputs using 2007 angler expenditures.
See page 11 for definitions of terms used on this page.

Economic Contributions of Sportfishing in Alaska, by Residency & Region, 2007

	Resident Anglers	Nonresident Anglers	All Anglers
ALASKA - STATEWIDE RESULTS			
Anglers' expenditures	$733,289,349	$652,498,723	$1,385,788,072
Output	$668,729,829	$938,863,856	$1,607,593,685
Income	$223,373,937	$321,882,151	$545,256,088
Jobs	6,442	9,437	15,879
Tax Revenues	$107,433,533	$138,881,701	$246,315,114
Local & State	*$56,509,573*	*$66,632,831*	*$123,142,404*
Federal	*$50,923,959*	*$72,248,870*	*$123,172,709*
SOUTHEAST REGION			
Anglers' expenditures	$98,613,993	$174,890,811	$273,504,804
Output	$79,385,025	$215,874,985	$295,260,010
Income	$27,316,008	$71,825,686	$99,141,694
Jobs	791	2,273	3,063
Tax Revenues	$12,227,368	$31,368,564	$43,595,932
Local & State	*$6,376,236*	*$15,686,783*	*$22,063,019*
Federal	*$5,851,132*	*$15,681,782*	*$21,532,913*
SOUTHCENTRAL REGION			
Anglers' expenditures	$560,955,071	$427,603,048	$988,558,119
Output	$534,838,006	$630,707,507	$1,165,545,513
Income	$174,829,996	$211,633,737	$386,463,733
Jobs	5,170	6,365	11,535
Tax Revenues	$86,563,199	$93,692,068	$180,255,267
Local & State	*$45,612,530*	*$45,187,101*	*$90,799,631*
Federal	*$40,950,668*	*$48,504,967*	*$89,455,636*
INTERIOR REGION			
Anglers' expenditures	$67,092,727	$33,467,910	$100,560,637
Output	$40,133,830	$46,578,879	$86,712,709
Income	$13,263,706	$15,300,176	$28,563,882
Jobs	399	524	923
Tax Revenues	$6,710,270	$6,708,875	$13,419,146
Local & State	*$3,825,310*	*$3,396,831*	*$7,222,141*
Federal	*$2,884,961*	*$3,312,044*	*$6,197,005*

Output = total economic activity generated by angler spending
Income = salaries, wages, employee benefits and proprietors' profits stimulated by anglers
Jobs = same as employment, these are the total number of both full-time and part-time jobs supported by angler spending
Tax Revenues = the total personal and business tax revenues earned by local, state, and federal government that are generated by angler spending

Economic Contributions of Sportfishing for Specific Subregions, 2007

	Resident Anglers	Nonresident Anglers	All Anglers
COOK INLET (A SUBREGION OF THE SOUTHCENTRAL REGION)			
Anglers' expenditures	$457,938,464	$275,030,511	$732,968,975
Output	$413,287,612	$414,602,226	$827,889,838
Income	$136,650,136	$142,124,416	$278,774,552
Employment	4,010	4,046	8,056
Tax Revenues	$67,097,024	$44,445,496	$111,542,520
Local & State	*$35,189,444*	*$20,091,926*	*$55,281,369*
Federal	*$31,907,580*	*$24,353,570*	*$56,261,150*
SOUTHEAST REGION - MARINE FISHING ONLY†			
Anglers' expenditures	$21,268,271	$110,345,177	$131,613,448
Output	$28,244,412	$138,794,141	$167,038,552
Income	$9,132,220	$44,692,671	$53,824,891
Employment	301	1,595	1,897
Tax Revenues	$4,791,024	$21,577,534	$26,368,559
Local & State	*$2,713,584*	*$11,473,357*	*$14,186,941*
Federal	*$2,077,440*	*$10,104,178*	*$12,181,618*

Output = total economic activity generated by angler spending
Income = salaries, wages, employee benefits and proprietors' profits stimulated by anglers
Jobs = same as employment, these are the total number of both full-time and part-time jobs supported by angler spending
Tax Revenues = the total personal and business tax revenues earned by local, state, and federal government that are generated by angler spending
†The contributions are for trip spending only, including travel packages. It was not possible to allocate equipment and real estate expenditures by type of water fished.

Definitions of Terms Used in this Report

Angler Expenditures: the dollars spent for the primary reason of sportfishing. Such expenditures include trip-related expenses for fishing (fuel, guide services, lodging, etc.), fishing tackle and other fishing equipment, the portion of ancillary equipment used for fishing that may have multiple uses (e.g., coolers, binoculars), and real estate maintenance and construction expenditures if used primarily for the pursuit of sportfishing.

Total Multiplier Effect (also known as Total Economic Activity): the results (measured in output, income, jobs and taxes) of the total rounds of business and consumer spending stimulated by anglers' original expenditures.

Income: generated as a result of anglers' expenditures, this includes total payroll, including salaries and wages, as well as benefits such as insurance, and retirement benefits paid to employees and business proprietors.

Employment: the total number of both full-time and part-time jobs supported as a result of anglers' expenditures.

Tax Revenues: the total tax revenues earned by local, state and federal governments as a result of anglers' expenditures. All forms of local, state and federal taxes are included.

ACKNOWLEDGEMENTS

Funding for this study was provided by the Alaska Legislature which approved a $229,800 Fish and Game Fund increment and a $200,000 General Fund increment to the Division of Sport Fish FY-2008 budget. The Division of Sport Fish would like to thank Southwick Associates for their dedicated work on this project as well as the many anglers and guide businesses who participated in this study by providing detailed information on their sportfishing-related expenditures in 2007.

Southwick Associates, based in Fernandina Beach, FL, was founded in 1989 to serve state fish and wildlife agencies and the sportfishing and hunting industries. From our north Florida offices, we continue to serve this core group, and now provide economic and business intelligence to many more.

SOUTHWICK ASSOCIATES
FISH AND WILDLIFE ECONOMICS AND STATISTICS

Citation: Economic Impacts and Contributions of Sportfishing in Alaska, Summary Report 2007. Alaska Department of Fish and Game, Division of Sport Fish. January, 2009. Anchorage, Alaska.

For more information, contact Bill Romberg, Alaska Department of Fish and Game, (907) 267-2366 or william.romberg@alaska.gov.

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ADF&G ADA Coordinator, *P.O. Box 115526, Juneau, AK 99811-5526*

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For information on alternative formats and questions on this publication, please contact:
ADF&G Division of Sport Fish, Research and Technical Services, 333 Raspberry Road, Anchorage AK 99518 (907) 267-2375.

Brief for SB 294: SPORT FISH GUIDE LICENSES
(Reauthorization of Program/Repeal of Sunset)
March 10, 2010

Alaska Department of Fish and Game Contacts:
Charlie Swanton- Charles.Swanton@alaska.gov; phone: 465-6184 or 321-0955
Jennifer Yuhas - Jennifer.Yuhas@alaska.gov; phone: 465-6137 or 388-7951.

Background:

- Original legislation passed in May, 2004; effective January 1, 2005.

- Proposed by the Department for three main reasons:
  1. Information on guide numbers and their fishing activities was either not available or limited in many parts of the state;
  2. Establish minimum standards to operate a business or contract as a guide (safety, liability insurance, US Coast Guard license, etc.) as a means to increase professionalism and reduce speculative entry; and
  3. Provide comprehensive and credible data on guided sport fishing activities to regulatory agencies: Alaska Board of Fisheries (BOF), International Pacific Halibut Commission (IPHC), and North Pacific Fisheries Management Council (NPFMC).

Legislation:

Sec.16.40.260 Sport fishing operator license;
Sec.16.40.270 Sport fishing guide license;
Sec.16.40.280 Reports;
Sec.16.40.290 Penalties for violations.

These legislative sections include licensing provisions and fees (AS. 16.05.340(a)) for sport fishing business owners ($100), sport fishing guides working for the business ($50), and business owners who are also a guide (owner/operator combo $100). The mandatory reporting requirements, logbooks, are for both fresh and saltwater guide activities (freshwater logbooks were instituted in 2005). The penalties for sport fish guiding violations by business owners and guides include possible revocation of their license.

Companion Regulations:

5 AAC 75.075 Sport fishing services and sport fishing guide services; license requirements; regulation of activities.

5 AAC 75.076. Sport fishing services and sport fishing guides reporting requirements.

5 AAC 75.077. Sport fishing guide vessel registration requirements.

Present Benefits and Utility:

- A comprehensive list of all sport fishing guides working in salt water is part of the data requirements that will allow Alaska to receive an exemption from participating in the National Saltwater Angler Registry (up to $25/saltwater angler in 2011).

- The logbook data for saltwater anglers has been used extensively within the IPHC and NPFMC for rule making on Pacific Halibut.

- Both freshwater and saltwater logbook harvest data has been presented and utilized by the Alaska Board of Fisheries. Harvest estimate verification studies are being conducted comparing logbook, statewide sport fish harvest survey, and dock side creel programs.

Participation Statistics:

- An average of **1,647 sport fishing business licenses** (including owner/operator combo) have been sold (2005-2009); 90% of owners are Alaskan residents.

- An average of **1,882 sport fishing guide licenses** have been sold (2005-2009); 73% of guides are Alaskan residents.

- Based on logbook data, over **2.1 million clients took 536,960 guided fishing trips** (from 2005 through 2009); 67% of clients fished in saltwater, 33% fished in freshwater and 88% of all clients were nonresidents.

- An average of **1,334 vessels in saltwater** were used for guided fishing trips (2005-2009).

Electronic Reporting (Modernization initiative):

- One of Commissioner Lloyd's initiatives is modernization and timely reporting of recreational harvest data. We have been actively working on this task:

    - In July, 2009 we developed a scannable saltwater logbook form which will reduce the time lag when logbook data is available from 2 to 3 months to 1 to 2 weeks. This new form will be employed for saltwater forms statewide in 2010. Ten public meetings were held across the state to explain this new format and received nearly unanimous support from user groups and public.

    - In April, 2010 the point of sale hunting and fishing licensing program will be launched at all ADF&G regional offices. This program will be made available to all license vendors shortly thereafter.

    - We will convert the freshwater logbook to a scannable format starting in 2011.

SB 123

<TARGET><BILL>SB 123</BILL><SUBJECT>SB 123</SUBJECT><COMM>SRES27</COMM></TARGET>

SENATE COMMITTEE REPORT
First Committee of Referral

DATE: 4/8/11

FURTHER:

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED IN TO OFFICE: 3/14/12

Resources Committee considered SENATE BILL NO. 123

SB 123-ALASKA MINING DAY

"An Act establishing May 10 of each year as Alaska Mining Day."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
ADM			✓	

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	McGuire	✓			
	French	✓			
	Wielechowski	✓			
	Stevens	✗			
CO-CHAIR:	Wagoner	✓			
CO-CHAIR:	Paskvan	✗			

ALASKA STATE LEGISLATURE

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State Capitol
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Fax: 907-465-3871
800-892-4843

Senator Cathy Giessel

Senate District P

Memorandum

Date: January 23, 2012

To: Senators Tom Wagoner & Joe Paskvan
Co-Chairs Senate Resources Committee

From: Senator Cathy Giessel

Re: Request for Hearing – SB 123

I respectfully request Senate Bill 123 be scheduled for hearing before the Senate Resources Committee at your earliest convenience.

Senate Bill 123 establishes May 10 of each year as Alaska Mining Day.

Please contact myself or Sharon Long in my office for any questions you may have.

Direct line for Sharon: 465-3623

Senator_Cathy_Giessel@legis.state.ak.us
http://www.aksenateminority.com/

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB123**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB123-DOA-FAC-3-11-12
Title: Alaska Mining Day
Sponsor: Senator Giessel
Requester: Senate Resources

Dept. Affected: Administration
Appropriation: General Services
Allocation: Facilities
OMB Component Number: 2429

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version

Prepared by: Vern Jones — Phone: 465-5684
Division: Division of General Service — Date/Time: 3/11/12 8:40 PM
Approved by: John Cramer, Deputy Commissioner — Date: 3/11/2012
Department of Administration

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB123

Analysis

SB123 will designate May 10th of each year as Alaska Mining Day. The division of General Services does not anticipate a fiscal impact to the division and therefore submits a zero fiscal note.

LEGISLATIVE RESEARCH REPORT

APRIL 11, 2011

REPORT NUMBER 11.247

MINING IN ALASKA

PREPARED FOR SENATOR CATHY GIESSEL

BY TIM SPENGLER, LEGISLATIVE ANALYST

BRIEF HISTORY OF MINING IN ALASKA 2

Early Discovery and Exploration—Thousands Lured to Alaska by Gold 2

World War II until the 1980s—Dry Period for Mining 4

1980s to Present—Mining Resurgence in State 4

Alaska Mining Timeline 5

SOCIOECONOMIC IMPACT OF MINING 8

BRIEF DESCRIPTION OF SELECTED CURRENT AND HISTORICAL MINES 10

Independence Mine 11

Kennicott Mine 11

Treadwell Mine 11

Red Dog Mine 11

Fort Knox Mine 11

Greens Creek Mine 12

Usibelli Coal Mine 12

Pogo Mine 12

Kensington Mine 12

907-465-3991
907-465-3908 (fax)

Alaska Legislature
Legislative Research Services
w3.legis.state.ak.us/laa/research/research.php

State Capitol
Juneau, AK 99801

You asked about mining in Alaska. Specifically, you were interested in the history of mining in the state, including a timeline, the socioeconomic impact of mining in Alaska, and a description of selected large-scale mines.

BRIEF HISTORY OF MINING IN ALASKA

Mining was an extremely important component in Alaska's early development and economy. The lure of gold brought prospectors by the thousands to Alaska. Cities such as Fairbank, Juneau, and Nome, as well as many other communities, were founded on mining. While the discovery and production of gold in the late 1800s is what many associate with mining in Alaska, the later discoveries and production of zinc, lead, silver, coal, and construction materials such as sand, gravel, and rock have all played a role in the state's mining industry. Numerous roads and other infrastructure in the state were originally constructed to serve the mining industry. While mining diminished in the state in the mid-20th century, the industry has experienced a renaissance over the last few decades.

According to our review of the subject, the history of mining in Alaska can be disaggregated into three general time-periods:

- Discovery (mid-late 1800s) to World War II;
- World War II to the late 1980s; and
- Late 1980s to present day.

We discuss prominent aspects of each of these epochs below, followed by a chronological timeline of important events in Alaska's mining history.[1]

Early Discovery and Exploration—Thousands Lured to Alaska by Gold

Gold exploration and mining initially began in the area with the Russian explorers in the mid-1800s. After the acquisition of Alaska by the United States in 1867, exploration and production gradually increased for both placer mining and eventually lode (or hard rock) mining.[2] In 1880, Joe Juneau and Richard Harris (founders of the city of Juneau) found large pieces of quartz mixed with gold in Southeast Alaska at what became the Gold Creek Mine. Subsequently, numerous prospectors were lured to the new town site of Juneau. Two years later, gold deposits were also found on Douglas Island, across the channel from

[1] We compiled information on mining in Alaska from numerous sources including State of Alaska Departments of Commerce, Community and Economic Development, Natural Resources, and Labor and Workforce Development. Additionally, we obtained information from the Resource Development Council for Alaska and the Alaska Miners Association. We use some of the information we obtained from these entities verbatim in this report. Also, we spoke at length with Steve Borell, P.E., executive director of the Alaska Miners Association, who provided us with much valuable information on the topic. Mr. Borell can be reached at (907) 563-9229.

[2] Gold mining operations may be carried out by either *placer* mining or *lode* (also called hard rock) mining. Placer mining is a method of using water to excavate, transport, concentrate, and recover heavy minerals from alluvial or placer deposits. This can be done individually by one prospector and was the technique used in the early days of mining and on many small-scale mines today. Lode mining refers to ground level and underground mining of lode deposits—minerals that are bound to other rock requiring that the rock be crushed and pulverized before extraction of the minerals begins. Most of the large gold mines both historically and today are lode mines.

Juneau, resulting in the creation of the Treadwell Mine. According to Steve Borell, executive director of the Alaska Miners Association, the Treadwell Mine soon became the largest gold mine in the world.[3]

Gold discoveries in the Yukon in 1896 launched the famous Klondike gold rush. Thousands of prospectors passed through Juneau on their way to the Yukon and the rush created the city of Skagway. The Klondike gold rush also spread "gold fever" across the United State and elsewhere, which subsequently contributed to many prospectors coming to Alaska for exploration.

Gold was discovered in Nome in 1898 bringing many treasure hunters seeking their fortunes. Another large gold strike was made in the Tanana Hills in interior Alaska early in the 20th century, which contributed to the founding of Fairbanks. This find would eventually become one of the most productive in Alaska. The Kennecott copper deposit was discovered in the Valdez-Cordova area around the same time. The Kennecott eventually proved to contain the richest copper ore deposits ever found and the mine remained in operation until 1938. Also, the Independence Gold Mine in Hatcher Pass was founded in the same time period and operated until World War II.

We provide more detail on three important early mines in Alaska's history—the Independence, Kennecott and Treadwell—in the last section of this report.

While the most prominent Alaska gold strikes in the early years were in the Fairbanks, Juneau, and Nome areas, there were numerous other discoveries throughout the state of both gold and other minerals. We touch on a few of these below.[4]

- In 1892 gold was discovered at Pitka's Bar on Birch Creek, leading to the development of the Circle Mining District;
- Turnagain arm experienced a gold rush in 1895, which led to the development of the towns of Sunrise and Hope;
- Gold was discovered at Valdez Creek in 1903;
- In 1908 gold was discovered in the Iditarod area. This discovery led to other finds in the area including the Innoko-Tolstoi-Ophir and Aniak-Tulusak districts; and
- The Goodnews Bay platinum placer deposit was discovered in 1926.

New mining practices started to emerge during the early part of the 20th century and large companies began buying individual mining claims and hiring workers. Proceeds from sales were used to purchase equipment such as hydraulic hoses, draglines, and dredges. New mills that could crush rock were built at the lode mines. The industrialization of gold mining practices continued until 1942 when President Roosevelt ordered the closure of all nonessential mines to free up men for the war. Gold mining throughout Alaska and the United States came to an abrupt halt.

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[3] Steve Borell, P.E., executive director of the Alaska Miners Association (AMA), can be reached at (907) 563-9229. The AMA is a non-profit corporation headquartered in Anchorage that works to promote the mining industry in Alaska *http://www.alaskaminers.org/*.

[4] For more details on the early history of mining in Alaska, you may wish to review a report produced by the State of Alaska's Department of Commerce, Community, and Economic Development entitled "Alaska Mineral History" available at *http://alaskamining.com/alaskamininghistory1.html*.

World War II until the 1980s—Dry Period for Mining

The wartime ban was lifted in 1946, but gold mining was slow to recover. After the war, gold could be sold only to the U.S. government at a fixed rate of $35 per ounce. Additionally, postwar inflation skyrocketed, and gold mining became an unprofitable venture. According to Steve Borell of the Alaska Miners Association, and other sources, lode mining *production* in Alaska was virtually nil for more than 40 years. Other factors that contributed to the drying up of mining in the state over these decades, including the following:

- Numerous base metal mines in operation during World War II led to a overcapacity of these materials;
- In the late-1960s oil was identified in Prudhoe Bay and Alaska became focused on the oil industry (to the detriment of other industries, some believe); and
- According to Mr. Borell, the Alaska Native Claims Settlement Act of 1971, and the Alaska National Interest Lands Conservation Act of 1980, effectively took many millions of potentially minable lands "off the table" for development.

1980s to Present—Mining Resurgence in State

Since the 1980s mining has rebounded in the state and is now a robust industry again. This resurgence occurred for a number of reasons. For one, the excess capacity of minerals around the world created around WWII began to ease and prices for gold, which was deregulated in 1971, and other minerals began to rise. Gradually, mining became economically feasible again. Also, while large scale production had not been occurring in the decades preceding this time, exploration had continued in a modest way.

In 1989, the Greens Creek Mine (silver, zinc, gold, and lead) and the Red Dog Mine (zinc, lead, and silver) began production and proved that large mines could operate successfully in the state. Today Greens Creek employs around 340 and the Red Dog around 550. With the advent of these endeavors, the mining industry in Alaska began a period of steady and continuous growth. Today there are six large mines operating in the state and many more in development. Along with Greens Creek and the Red Dog, the following large mines are in production in Alaska (2010 employees in parentheses):

- Usibelli Coal Mine, (130);
- Fort Knox Gold Mine, (500);
- Pogo Gold Mine, (300); and
- Kensington Gold Mine, (200).

We provide more detailed information on these mines in the final section of this report.

In addition to these six large mines, the following is a list of potential large mines in various stages of development across the state.

- Rock Creek/Big Hurrah (gold);
- Nixon Fork (gold and copper);

- Chuita (coal);
- Wishbone Hill (coal);
- Donlin Creek (gold);
- Livengood (gold);
- Pebble Project (copper, gold, and molybdenum); and
- Niblack (gold, silver, copper, and zinc).

Additionally, there are an estimated 200 smaller placer mines in operation throughout the state. Most of these are one to three person operations but a few have up to 20 employees, according to Mr. Borell. Also, there are a number of commercial ventures throughout the state that equip recreational miners (often tourists) and set them up panning in historically rich placer mining grounds.

Alaska Mining Timeline

Below we provide a chronological listing of some of the notable occurrences in Alaska mining history.[5] (A number of these items we touched on earlier in this report.) We also suggest you review a document produced by the Alaska Division of Geological and Geophysical Surveys entitled "Historical Sketch on Mining on Alaska," which we include as Attachment A. The sketch provides an excellent 5-page history of mining in Alaska.[6]

- 1880 Joe Juneau and Richard Harris (founders of the city of Juneau) discovered gold in Southeast Alaska. Eventually, large mining complexes—including the Treadwell, Perseverance, and Alaska Juneau Consortia—that collectively employed up to 3,500, were started and remained active in Juneau until World War II.
- 1885 Turnagain arm experienced a gold rush leading to the development of the towns of Hope and Sunrise. Turnagain arm experienced around 100 years of varying mining activity.
- 1886 The Interior's first gold rush occurred when gold was discovered on Franklin Bar of the Fortymile River. The Fortymile district produced over 568 thousand ounces of placer gold.
- 1888 Gold discovered on the Kenai Peninsula by Alexander King.
- 1892 Gold discovered on Birch Creek setting off a rush to what became known as the Circle Mining district, which has produced over 1 million ounces of gold.

[5] Please note that while we reviewed many sources for this timeline and made efforts to include the major events in Alaska mining history, important happenings may have eluded us.

[6] A number of the items we include in our timeline come from this document. While it was originally published in 1982, Dr. David Szumigala, senior mineral analyst, ADGGS, appended the report to add information since 1982. He can be reached at (907) 451-5025.

- 1896 The Klondike gold strike in the Yukon Territory captured the imagination of thousands of treasure seekers worldwide and triggered numerous placer-mining endeavors in Alaska.

- 1898 Many flock to the beaches of Nome after gold is discovered. The Cape Nome district produced over 5 million ounces of gold.

- 1902 Gold discovered at Valdez Creek.

- 1905 The Kennecott copper deposit, discovered in the early 1900s, was commissioned as a mine in 1905 and operated for 33 years producing 590 thousand tons of copper and 9 million ounces of silver.

- 1908 Iditarod joined the gold rush districts and produced over 1.5 million ounces of gold. The discovery led to others in the area including the Innoko-Tostoi-Ophir and Aniak-Tuluksak districts.

- 1914 Gold was discovered on Livengood Creek by N.R. Hudson and Jay Livengood. The village of Livengood, 50 miles from Fairbanks, was founded near their placer mining operation. In 2007, a lode gold deposit was discovered and over $58 million has been invested in developing the site through 2010.

- 1917 The Treadwell Mine experiences a cave-in that eliminated three of the five large mining ventures in the Juneau gold belt, seriously affecting the Juneau economy.

- 1920 By 1920 copper production was only half that of the peak World War I years, primarily because of declining market conditions.

- 1926 Platinum was discovered at Goodnews Bay. Eventually, a bucket-line dredge that operated continuously for 40 years was installed.

- 1930s The worldwide depression had a mixed impact on Alaska mining. Many metal prices (including copper) declined dramatically; tin, antimony, mercury, and industrial materials production also suffered. However, President Roosevelt nearly doubled the price of gold in 1934 (to $35 an ounce), which resulted in an increase in gold-mining activities.

- 1938 What is now referred to as the Independence Mine was once two mines: the Alaska Free Gold Mine and Independence Mine. In 1938 the two were bought together under one company, the Alaska-Pacific Consolidated Mining Company (APC). In its peak year, 1941, APC employed 204 men, blasted nearly a dozen miles of tunnels, and produced 34,416 ounces of gold worth $1,204,560 ($17,208,000 in today's dollars).

- 1940s World War II greatly affected the Alaska mining industry. Increased costs, high defense priorities, and military needs for manpower cause gold production to slip dramatically.

- 1942 President Roosevelt signs Executive Order L-208 closing all gold mines in the United States because gold extraction was considered

nonessential for the war effort. Gold mining in Alaska starts a long dry period.

- 1943 The Usibelli Coal Mine, nearly Healy, starts operation. The family-owned mine has been in production continuously since then.

- 1955 The need for uranium in nuclear weapons and for energy applications led to the discovery and development of the Bokan Mountain uranium-thorium mine near Ketchikan. The mine operated intermittently from 1955-1971.

- 1950s The fixed price of gold leads to the continued demise of the gold-mining industry. By the 1960s, most gold mining operations—with the exception of a number of resilient small operators—had ceased business altogether.

- 1968 Oil discovered in Prudhoe Bay. This was good for sand and gravel production but mining as an industry was largely ignored or put on the back burner.

- 1970s-80s Throughout the 1970s and early 1980s, the sand and gravel industry dominated mineral production in Alaska.

- 1970s The Red Dog (1968), Greens Creek (1979), Ambler mineral belt (1970s), and Quartz Hill (1974) were all discovered around this time. The use of helicopters in exploration helped to overcome the long-standing access problem.

- 1971 Gold prices were deregulated and interest in the industry began to slowly build up.

- 1984 The Valdez Creek Mine, a placer mine using standard open-pit mining methods, produced around 460,000 ounces of gold during operations from 1984-1985.

- 1989 Alaska's mineral industry enters a new phase with the development of large lode mines in the 1980s. The Red Dog Mine in northwestern Alaska begins producing zinc, lead, and silver in 1989 and continues to be one of the world's largest zinc producers.

- 1989 The Greens Creek Mine, on Admiralty Island near Juneau, began production of zinc, lead, silver, and gold. The mine is among the top 10 silver producers in the world.

- 1996 The Fort Knox Mine near Fairbanks began gold production. The open-pit mine was the largest in Alaska from 1997-2007 and has produced around a million ounces of gold.

- 2006 The Pogo Mine near Delta Junction began mining gold after being discovered in 1995. The underground mine produced almost 1.5 million ounces from 2006 to 2010.

- 2010 The Kensington Mine near Juneau began modern gold production in July of 2010 utilizing underground mining methods. The mine employs around 200 men and women.

- 2011 Mining exploration continues at a robust pace in Alaska. Many discoveries throughout Alaska have been made over the last several decades and may one day become mines. Among the projects in advanced exploration phases are the Pebble project (copper-gold-molybdenum) near Lake Iliamna, the Donlin Creek gold project near Aniak, the Niblack (copper-zinc-gold-silver) project near Ketchikan, and the Bokan Mountain (rare earth mineral) project also near Ketchikan.

SOCIOECONOMIC IMPACT OF MINING

Mining and the Alaskan economy have been interrelated since the United States purchased the territory in 1867. The total value of minerals produced from 1880 to 1980, excluding oil and gas, amounts to almost $20 billion in 1980 dollars. The total value of metals, industrial minerals, coal, peat and other mineral commodities produced in Alaska from 1880 to 2009 is slightly less than $27.2 billion.[7]

The success of the Alaskan mining industry, like agriculture, commercial fishing, logging, or other resource operations, hinges on complex economic factors that include commodity prices, inflation, availability of manpower, energy, materials, technology, government policy, accessibility, economics, and development of infrastructure.

Mining was Alaska's largest industry from before the turn of the century until World War II. The discovery of gold brought thousand to the state and played a significant role in the formation of population centers including Fairbank, Juneau, Nome and many smaller communities. Additionally, large mines such as the Alaska Juneau, Treadwell, Independence, and Kennecott employed many as the territory was growing. While mining was essentially dormant from the 1940s to the 1980s, it is again an important—albeit small compared to the oil industry—economic factor in the state.

Metal mining has reestablished itself as a major industry in Alaska and has experienced continuous steady growth over the last few decades. During the last decade, Alaska's mining employment has outpaced the nations' by nearly 40 percent and most of Alaska's other private industries, according to Alaska Department of Labor and Workforce Development (DOLWD) data.

Mining jobs have higher earnings than any other industry except oil and gas with an average salary of more than $90,000 a year—nearly twice the statewide average-annual earnings.[8] One reason for the high salaries is that the industry employs skilled occupations such as heavy equipment operators, miners, drillers, and others. These types of occupations tend to pay well without requiring a college degree. Also, nearly three-quarters of all wage and salary earnings from mining stay within the state due to Alaska residents making up about three-quarters of all workers in the mining industry, according to the DOLWD.

[7] This information was provided by David Szumigala, senior mineral analyst, Division of Geological and Geophysical Surveys (907-451-5025). The value is not adjusted for inflation.

[8] This is the average salary for miners working in the large scale mines. It does not figure in the hundreds of smaller scale placer miners.

The most recent economic data available on mining in Alaska come from a January 2011 McDowell Group report produced for the Alaska Miners Association entitled "The Economic Benefits of Alaska's Mining Industry."[9] Below we highlight some of the findings from this report, a copy of which we include as Attachment B. (The estimated benefits listed are for 2010.)

- 3,500 direct and 2,000 indirect jobs attributed to the mining industry;
- $350 million in total direct and indirect payroll;
- Average annual wages of around $95,000;
- $13 million in local government revenue through property taxes and payments in lieu of taxes;
- Nearly $60 million in state government revenues (through rents, royalties, fees, and taxes);
- $3 billion in gross mineral production value (including production from all the large mine, placer mines, and rock, sand, and gravel operations); and
- Almost $150 million in payments to Alaska Native corporations.[10]

In addition, we contacted David Szumigala, senior mineral analyst with the Division of Geological and Geophysical Surveys (907-451-5025), about the McDowell Group report. Dr. Szumigala relates that most of the figures from the report come from his division or the Department of Commerce, Community, and Economic Development and that he considers the report reliable and accurate. We include, as Attachment C, the introduction to a report co-authored by Dr. Szumigala entitled "Alaska's Mineral Industry 2009." On the third and fourth pages of this document are tables that track the value of the Alaska mineral industry and mine employment from 1981-2009 and mine employment throughout the last decade.[11]

Finally, for another perspective on the economic impacts of mining in Alaska, we include, as Attachment D, the section on the mining industry from a 2010 report on the Alaska economy from Professor Scott Goldsmith of the University of Alaska Anchorage, Institute of Social and Economic Research (ISER). Professor Goldsmith's report contains much data on the mining industry and includes the following paragraphs on the mining sector.[12]

> The mining sector consists of three different activities: (1) hard rock mining for export, (2) coal mining that serves both local and export markets, and (3) production of construction materials—sand, gravel, and rocks—for the local market. Hard rock mining

[9] The McDowell Group is a Juneau-based research agency that provides a variety of consulting services regarding resource development industries (among others) (*http://www.mcdowellgroup.net/index.htm*).

[10] All Alaska Native corporations benefit from mining industry activity – through the Alaska Native Claims Settlement Act's royalty sharing provisions (sections 7(i) and (j)). Benefits also include jobs for shareholders and business partnerships.

[11] The entire 94-page Alaska's Mineral Industry 2009 report can be accessed at *http://dggs.alaska.gov/webpubs/dggs/sr/text/sr064.PDF*.

[12] The 144-page report entitled "Structural Analysis of the Alaska Economy" can be accessed at *http://iser.uaa.alaska.edu/Publications/REVISEDstructure_ak_economy_v2.pdf*.

and about half of the coal mining activity comprise the economic base portion of this sector.

The economic base, in turn can be divided into three components: exploration and development of new mineral prospects; production of zinc, lead, gold, and silver from large-scale mines (Red Dog, Fort Knox, Pogo, and Greens Creek); and production of a variety of minerals from smaller operations that include both business and recreational operations. Most direct employment is associated with operations of the large-scale mines although exploration and development employment, which varies considerably from year-to-year, can be significant when a large prospect, such as a Donlin Creek or Pebble is under investigation or development. Only primary processing of minerals occurs within the state.

A potential growth area in Alaska mining in the years and decades to come may be in "rare earth minerals" also called rare earth elements (REE).[13] These REEs are necessary to produce many types of electronics, including computers, clean energy products, and sensitive military hardware. Until the mid-1980s, the United States dominated REE production; however, China now has a near monopoly—over 95 percent—of the world's production of REEs. In recent years, China has implemented restrictions regarding the export of these minerals to other countries, including the United States.

Exploration for REEs is currently underway on Prince of Wales Island in Southeast Alaska. The site, Bokan Mountain, is thought to hold about 3.8 million tons of rare minerals or, as United States Senator Lisa Murkowski said in December 2010, "more than enough to break China's stranglehold on the market and protect America's access to the rare earths that are vital to the production of cutting-edge technologies in this country." Studies indicate that rare earth minerals may be present in around eight different regions of the state, primarily in southeast Alaska, the Seward Peninsula near Nome, and the Ambler district on the south slopes of the Brooks Range.

While mining has been and is an important economic factor in Alaska, the industry is not without its critics. Metals mining is a controversial topic in Alaska manifested in environmental concerns surrounding the proposed Pebble Mine and law suits over impacts from existing mines such as the Red Dog. Many of these concerns focus on potential negative environmental impacts from mining and the corresponding adverse effects on other important state industries such as fisheries or tourism. Mining proponents with whom we spoke believe that Alaska's robust regulatory system provides sufficient checks and balances to ensure the environmentally responsible development of mineral resources.

Brief Description of Selected Current and Historical Mines

In this final section, we provide more detail on three historical mines (Independence, Kennicott and Treadwell), and all current large mines.[14]

[13] Rare earth minerals are set of seventeen chemical elements in the periodic table, specifically the fifteen lanthanoids plus scandium and yttrium.

[14] Descriptions of these mines came (in some cases verbatim) from the State of Alaska Department of Commerce, Community and Economic Development, Office of Economic Development, or the Division of Mining, DNR.

Independence Mine

Located in the Hatcher Pass area, the Independence Mine was once two mines: The Alaska Free Gold Mine and Independence Mine. In 1938 the two were bought together under one company, the Alaska-Pacific Consolidated Mining Company (APC). With a block of 83 mining claims, APC became the largest producer in the Willow Creek Mining District. The claims covered more than 1,350 acres and included 27 structures. In its peak year, 1941, APC employed 204 men, blasted nearly a dozen miles of tunnels, and produced 34,416 ounces of gold worth $1,204,560; $17,208,000 in current dollars.

Kennicott Mine

The Kennicott copper deposit was discovered by Clarence Warner and Jack Smith in the early 1900s in the Chitina Valley near McCarthy. Production of the rich deposits began after the completion of the 186-mile-long Copper River and Northwestern Railroad in 1911. The mine eventually proved to contain the largest and richest copper ore deposits ever found. The Kennicott operated 33 years producing 590K tons of copper and 9 million ounces of silver.

Treadwell Mine

The Treadwell gold mine was the largest mine of the Alaskan Panhandle and, in its time, the largest gold mine in the world. During its operation from 1881 to 1922 over 3 million troy ounces of gold were extracted from the Treadwell. The mine was owned and operated by John Treadwell who was a carpenter and builder who came to Alaska prior to the Klondike Gold Rush. Treadwell had twelve years of experience in both placer and lode mines before embarking on this endeavor. The Treadwell was composed of four sub-sites and at its peak employed over 2000 people.

Red Dog Mine

The Red Dog Mine is located in northwestern Alaska, approximately 82 miles north of Kotzebue, and 46 miles inland from the coast of the Chukchi Sea. The mine is the largest zinc producer in the world and is owned by NANA Regional Native Corporation and operated by Teck Cominco Alaska. Full production started in 1990 and, in 2008, shipped 567,911 tons of zinc and 135,143 tons of lead in the form of concentrates. The mine was further credited with 7,498,024 ounces of silver production. It employs over 500 individuals (including contractors), over 50 percent of whom are NANA shareholders.

The Red Dog produces more than one million tons of zinc and lead concentrates annually using conventional open-pit mining, milling, and flotation technologies. All concentrates are exported to world markets via the DeLong Mountain Transportation System, which connects the mine and mill site to port facilities on the Chukchi Sea.

Fort Knox Mine

The Fort Knox mine is the largest surface gold mine in Alaska. The mine is part of a complex that currently consists of two open-pit gold mines (Fort Knox and True North), and the Fort Knox mill, where gold is recovered through the cyanide vat leach process and cyanide heap leaching. Fort Knox began operations in 1996 as a stand-alone mine. It was converted to a regional gold processing facility with the permitting and development of the True North satellite open-pit mine in 2001. The True North mine is a small satellite operation (now being reclaimed) located about six miles northwest of Ft. Knox. The mine is operated by Fairbanks Gold Mining, Inc., a wholly owned subsidiary of Kinross Gold Corporation. A Canadian gold company, Kinross is currently the world's seventh largest primary gold producer. Total Ft. Knox production in 2008 amounted to 329,105 ounces from 12.78 million tons of ore.

Greens Creek Mine

The Greens Creek Mine, owned by Hecla Mining Company, was commissioned in 1989 and is located near Juneau. It is among the top ten silver producers in the world and the largest Southeast Alaska for-profit employer. It employs around 550 and is the largest payer of property taxes in Juneau. Production at Greens Creek in 2008 was 7,145,711 ounces silver, 67,269 ounces gold, 62,603 tons of zinc, and 50,887 tons of lead from 734,910 tons of ore.

Usibelli Coal Mine

This is Alaska's only coal mine and has been in continuous operation since 1943. It produced over two million tons in 2010 and exported around 50 percent of that amount. The Usibelli Mine is family-owned and located in the Alaska Range near the town of Healy. The mine fuels 40 percent of Interior Alaska's electricity and employed 130 individuals in 2010.

Pogo Mine

Discovered in 1994, the Pogo Mine site is located in the upper Goodpaster River valley, 85 miles southeast of Fairbanks. Production of gold in 2010 was 347,219 ounces, pushing total mine production over a million ounces of gold. The project is primarily owned by Sumitomo Metal Mining Company. The mine employs approximately 300 direct employees and 100 contractors and paid more than $36 million in wages in 2010. Capital spending at the mine exceeded $10 million in 2010.

Kensington Mine

The Kensington Gold Mine is located approximately 45 miles north of Juneau and 35 miles south of Haines, Alaska. The mine site is within the City and Borough of Juneau and the Tongass National Forest. Production started in July 2010 and an average of approximately 125,000 ounces of gold annually over an initial mine life of 10 plus years is expected. The underground mining operation includes placing tailings as paste backfill to fill mined areas and provide support for ongoing mining. The project employs around 200 full-time employees.

We hope you find this information to be useful. Please let us know if you have questions or need additional information.

Attachment A

"Historical Sketch of Mining in Alaska," appended April 7, 2011 by Dr. David Szumigala, senior minerals geologist, Alaska Division of Geological & Geophysical Surveys

From Bundtzen, T.K., Eakins, G.R., and Conwell, C.N., 1983, Alaska mineral resources 1981-82: Alaska Division of Geological & Geophysical Surveys Annual Report 1981-82, 153 p., 4 sheets, scale 1:2,500,000. (Available at DGGS website - http://dggs/webpubs/dggs/ar/text/ar1981-82.PDF)

HISTORICAL SKETCH OF MINING IN ALASKA

Mining and the Alaskan economy have been interrelated since the United States purchase of the territory in 1867. Total value of minerals produced from 1880 to 1980, excluding oil and gas, amounts to almost $20 billion in 1980 dollars. Total value of metals, industrial minerals, coal, peat and other mineral commodities produced in Alaska from 1880 to 2009 is slightly less than $27.2 billion. The value is unadjusted for inflation.

The success of the Alaskan mining industry, like agriculture, commercial fishing, logging, or other resource operations, hinges on complex economic factors that include commodity prices, inflation, availability of manpower, energy, materials, technology, government policy, accessibility, and a changing economic infrastructure.

Centuries before Russian settlement, Tlingit and Athabascan Indians, Aleuts, and Eskimos utilized Alaskan marble, copper, jade, and materials such as obsidian for carved utensils, art ornaments, religious objects, and weapons of war. Copper ornaments from Alaska were objects of trade throughout the Pacific Northwest and as far south as California.

The arrival of European explorers did not initially stimulate mineral-resource development in Alaska. In 1838, Russian-American traders discovered the mercury sulfide, cinnabar, 21 miles east of Aniak in southwestern Alaska. Because they were primarily exploiting fur bearers in the territory, the traders opted not to develop this discovery. The first recorded mining venture was in 1848 on the Russian River, Kenai Peninsula (Berry, 1973). Peter Doroshin, a mining engineer, spent 2 years developing the prospect, but only recovered a few ounces of gold.

From 1854 to 1857, the Russians mined coal from thin seams near Port Graham and utilized this energy resource to fuel ocean steamers. A similar interest in coal was generated on Admiralty Island, but no deposits were mined. By the 1860s, Russian Americans finally began to view Alaska as a potential source of minerals. Unfortunately for the Russian Empire, Baron Edward Stoeckl, the Russian minister to the United States, completed the Treaty of Cession of Russian America on March 30, 1867 (Naske, 1973). Hence, the rugged and distant territory became the property of the United States for $7.2 million.

Shortly after the purchase, Canadian and American prospectors from the Cassiar District in British Columbia floated down the Stikine River and prospected in Southeastern Alaska. The first recorded mineral location was a copper discovery on Prince of Wales Island west of Ketchikan in 1867. Placer deposits at Windham and Holkham bays yielded over 2,000 ounces of gold from 1869 to 1871. Alaskan hard-rock mining commenced at the Stewart Mine near Sitka in the mid-1870s. In 1880, Joe Juneau and Richard Harris discovered placer gold near the present city of Juneau. These modest deposits were pathfinders to huge, low-grade gold lodes, and by 1882 several mines were in production. Eventually, large mining complexes (including the Treadwell, Perseverance, and Alaska-Juneau Consortia, with 1,000- 3,500 employees, maintained "the heartbeat of Juneau" (Stone and Stone, 1980) until the end of World War II.

Prospectors initially explored interior Alaska regions such as Fortymile (1886) and Circle (1893), but important coastal discoveries at Unga Island (1889) and Sunrise on the Kenai Peninsula (1893-94) also resulted in small gold rushes and gold production. The 1896 Klondike strike in

the Yukon Territory captured the imagination of thousands of treasure seekers worldwide and triggered more than 34 placer-mining stampedes in Alaska, including the Nome (1898), Fairbanks (1902) Iditarod (1909), and Livengood (1914) rushes.

The gold boom was accompanied by other developments in the territory. Copper mining began in Southeastern Alaska around 1900, and by 1905, 10 mines employing almost 400 people were in operation west of Ketchikan. Copper from lodes in Prince William Sound was shipped as concentrates to west-coast smelters at about the same time. Production of the rich Kennicott deposits in Chitina Valley began after completion of the 186-mile-long Copper River and Northwestern Railroad in 1911. In 1902, tin was first mined on the Seward Peninsula; at the same time, shipments of marble, gypsum, and garnet left Southeastern Alaska mines for west coast markets.

Production of gold peaked in 1906 at 1,034,000 ounces and was maintained at high levels until World War I. Copper production peaked in 1916, when 59,927 tons of copper metal were produced from 30 mines in the Chitina Valley, Prince William Sound, and Ketchikan District. During the critical copper shortages of World War I, Alaska's copper contribution amounted to more than 10 percent of United States production. World War I demand for strategic minerals such as tungsten, antimony, tin, and chromium stimulated small-scale mining ventures. During this period, an all-time high of 8,300 workers were employed in Alaskan mines.

Production of many commodities, including gold and copper, declined after World War I. Rich, shallow placer gold deposits that built towns like Fairbanks and Nome were finally depleted of easily won deposits, and materials and manpower shortages caused by the war began to have their effect. The great 1917 Treadwell cave-in that eliminated three of five large mining ventures in the Juneau gold belt seriously affected the Juneau economy. By 1920, copper production was only half that of the peak war years, primarily because of declining market conditions. Nevertheless, positive developments conducive to mineral development were on the horizon. Completion of the Alaska Railroad resulted in the first significant Alaskan coal exploitation in the Matanuska and Healy coal fields. The latter produced coal generated electricity for the large power plant that energized Fairbanks Exploration Company (F. E.) bucket-line gold dredges in the Fairbanks district. Larger companies throughout the territory acquired large tracts of ground and installed dredges in similar fashion. Successful development of the Alaska Juneau Gold Mine stimulated gold production in the Panhandle.

Erratic high prices of strategic metals in the late 1920s stimulated mercury and antimony production. Platinum was discovered at Goodnews Bay in 1926. Eventually, a bucket-line dredge that operated continuously for 40 years was installed. Much of Alaska's silver production has been derived as a byproduct of copper and gold refining; however, high silver prices following World War I stimulated development of primary lodes in the Hyder, Kantishna, Kaiyuh Hills, and various interior Alaska mineral belts.

The effect of the worldwide depression of the 1930s on the Alaskan mineral industry was mixed. Many metals prices (including copper) declined so dramatically that even the rich Kennicott lodes in the Chitina Valley were out of production for much of 1932 and 1933. Most copper mines in Prince William Sound closed permanently. Tin, antimony, mercury, and industrial-minerals extraction also suffered. However, Franklin Roosevelt nearly doubled the price of gold in 1934 (to $35/ounce), which resulted 'in an enormous increase in gold-mining activities. By 1940, Alaska led the nation in gold production, with numerous gold lodes and over 50 dredges recovering over $25 million in gold; 7,500 people were employed by the mining industry throughout the territory.

World War II greatly affected the Alaskan mineral industry. Increasing costs, high defense priorities, and military needs for manpower caused gold production to slip dramatically. Executive order L-208 closed all gold mines in the United States, because gold extraction was considered nonessential to the war effort. Mines like the Alaska-Juneau were reopened on a permit basis because of their importance to local economies. Wartime needs led to modest production of antimony, mercury, tungsten, chromium, and asbestos. Platinum at Goodnews Bay was produced throughout the war. The military buildup stimulated the need for coal, sand, and gravel, and these industries expanded enormously.

After World War II, high operating costs and a changing Alaskan economy negatively affected the industry as a whole. By 1950, severe increases in the cost of metallic-lode production resulted in the closure of most operations. However, low-priced, military-surplus heavy equipment was readily adaptable to the small-scale placer mine, and resumption of dredging activities by larger companies resulted in a partial recovery of the placer industry by 1950. Strategic-mineral production declined after 1945, but increased with the onset of the Korean War. Coal production continued at high levels because of a large Alaskan military presence. Sand and gravel extraction reached new highs and by 1950, outstripped all other minerals in value. In 1951, 2,500 people were involved in the mineral industry.

Federal strategic-mineral stockpiling programs ceased in the late 1950s and with them, most Alaskan strategic minerals production. However, commodities such as platinum, mercury, and tin were mined because of their high unit value on the free market in 1955. In 1957, mercury production from southwest Alaska amounted to almost 20 percent of the United States requirements, and this high level of production continued until 1963. The need for uranium in nuclear weapons and for peaceful energy applications led to the discovery and development of the Bokan Mountain uranium-thorium mine near Ketchikan. This mine was operated intermittently from 1955 to 1971. From 1959-68, Fairbanks Exploration (F E) recovered gold with a dredge near Chicken. Likewise in 1957, F E commenced large-scale dredging activities near Hog River in western Alaska.

The fixed price of gold led to the eventual demise of the gold-mining industry, and a slow but steady fall off in activity was evident in the 1950s and 1960s. By 1964, most large-scale dredging activities of the FE and other companies had ceased. More resilient small mining companies continued operations, but at reduced scales.

Discovery of oil and gas on the Kenai Peninsula spurred sand and gravel production in the late 1950s and early 1960s; similar discoveries of petroleum at Prudhoe Bay and subsequent construction of the trans-Alaska Pipeline System had an even larger effect. In 1974, Alaska was second only to populous California in sand and gravel production. As Alaska's urban areas expanded, increasing amounts of sand, gravel, and building stone were quarried.

Needs for local sources of petroleum drilling muds resulted in the development of a barite mine near Petersburg. The Vietnam War caused prices of antimony, mercury, and tungsten to climb, and significant quantities of all three commodities were produced in Alaska during this period. However, changing industrial applications and environmental issues concerning mercury caused serious declines in their development in Alaska throughout most of the 1970s.

Gold production continued to decline and dropped to 15,000 ounces in 1971 -the lowest since 1880. Employees in Alaska's mines numbered less than 300. However, the gold price was decontrolled in 1972, and there was a steady increase in production since that time. Several large floating bucket-line dredges were reactivated, and many new operations surfaced

throughout the state in the late 1970s. Gold production in 1981 was 134,200 ounces at a value of $55.2 million. The Valdez Creek Mine, a placer gold mine using standard open pit mining methods, produced 459,162 ounces of refined gold during operations from 1984 to 1995.

Throughout the 1970s and early 1980s, the sand and gravel industry dominated mineral production. The platinum dredge at Goodnews Bay ceased operations in 1976, after 41 years of continuous operation, but resumed in 1981 under new ownership and continued sporadically until 1996. Antimony and mercury were last produced in 1986 and 1988 respectively. Small amounts of silver, jade, copper, tungsten, and tin continue to be shipped from Alaskan mines.

Hard-rock (lode) mineral exploration based on systematic stream-sediment, soil and rock sampling, as well as deposit models, began in the mid-a950s as helicopters became more common and overcame the age-old problem of access. Mineral exploration flourished from 1974 to 1983, with peak expenditures adjusted to 2009 dollars of $225 million in 1979. The Red Dog (1968), Greens Creek (1979), Ambler mineral belt (1970s) and Quartz Hill (1974) deposits were all discovered during this time.

Alaska's mineral industry entered a new phase with the development of large lode mines in the 1980s. The Red Dog Mine in northwestern Alaska began producing zinc, lead, and silver in 1989 and was the largest zinc mine in the world for many years. Mining is by open-pit methods. The Red Dog Mine began a new phase of mining in 2010 with first production from the Aqqaluk deposit. The Aqqaluk deposit is expected to be the main ore supply for the mine for the next 25 years.

The Greens Creek Mine, on Admiralty Island near Juneau, also began production in 1989. Zinc, lead, silver and gold are produced from this massive sulfide deposit by underground mining methods and the mine is considered the fifth-largest primary silver producer in the world. Exploration at and near the mine has continued to add to the mine's reserves.

Usibelli Coal Mine near Healy has been in continuous operation since 1943 as a surface coal mining operation. By 1970 Usibelli Coal Mine was the only commercial coal mine operating in Alaska and supplied Alaska customers. The first overseas coal shipment from the mine was in 1985 and since that time about 50 percent of the mine production is consumed in Alaska by six power plants and about 50 percent of the production is shipped to customers in South Korea and other Pacific Rim destinations. Production in 2010 exceeded 2 million tons.

The Fort Knox Mine near Fairbanks was discovered in 1987 and initial production began in 1996. Gold mineralization is low-grade, hosted in a granitic body, and mined by open-pit methods. The Fort Knox Mine was the largest gold mine in Alaska from 1997 to 2007. Total production from 1996 to 2010 exceeded 4.9 million ounces of gold. Heap-leach operations begun in 2009 will extend the mine life by producing gold from stockpiled low-grade ore.

The Pogo Mine near Delta Junction began mining gold in 2006 after being discovered in 1995. The underground mine produced almost 1.5 million ounces of gold from 2006 to 2010. The current mine life extends to 2017, but an active exploration program has made discoveries that will likely extend the mine life.

The Kensington Mine near Juneau began modern gold production in 2010 by underground mining methods. The current mine connects the historic Kensington and Jualin gold mines. Gold production in 2010 was 43,119 ounces of gold, but planned annual gold production is 120,000 ounces and the mine currently has a 12-year mine life.

Mineral exploration continues at a robust pace in Alaska. Many discoveries have been made over the past several decades and the larger discoveries may one day become mines. These projects span Alaska. Some of the projects that are in the advanced exploration phase include the Pebble copper-gold-molybdenum project near Lake Illiamna, the 40-million-ounce Donlin Creek gold project near Aniak, the Niblack copper-zinc-gold-silver project near Ketchikan, the Livengood gold project near Livengood, and the Palmer copper-zinc-gold-silver project near Haines.

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Attachment B

"The Economic Benefits of Alaska's Mining Industry," January 2011, McDowell Group

January 2011

The Economic Benefits of Alaska's Mining Industry

Mining is a growing force in Alaska's economy . . .

providing jobs for thousands of Alaskans and millions of dollars of personal income throughout Alaska. Alaska's mining industry includes exploration, mine development, and mineral production. Alaska's mines produce zinc, lead, gold, silver, platinum, coal, as well as construction materials, such as sand, gravel, and rock.

In 2010, Alaska's mining industry provided:

- **3,500 direct** mining **jobs** in Alaska.
- **5,500 total** direct and indirect **jobs** attributed to Alaska mining industry.
- **$350 million** in total direct and indirect **payroll**.
- Some of Alaska's highest paying jobs with an estimated **average annual wage of $95,000**, double the state average for all sectors of the economy.
- **$13 million** in **local government revenue** through property taxes and payments in lieu of taxes.
- **$58.9 million** in **state government revenue** through rents, royalties, fees, and taxes, up 40% from 2009.
- **$145.9 million** in payments to **Alaska Native corporations**, more than triple 2009 levels.
- **Mostly year-round jobs for residents** of more than **120 communities** throughout Alaska, half of which are found in rural Alaska where few other jobs are available.

Largest Producing Mines and Selected Advanced Exploration Projects

State and Local Government Tax Obligations

	Land Status	Mining License Tax	State Royalty Payments	Local Govt. Tax Payments
Producing Mines				
Usibelli Coal	State	X	X	X
Greens Creek	Private	X		X
Red Dog	Private	X		X
Fort Knox	State/Mental Health Trust	X	X	X
Pogo	State	X	X	
Kensington	Private/Federal	X	X	X
Advanced Exploration Projects *(Projected Payments)*				
Nixon Fork	Federal	X		
Chuitna Coal Project	State/Mental Health Trust/ Private/Borough	X	X	X
Wishbone Hill	State/Mental Health Trust/ Private	X	X	X
Donlin Creek Project	Private	X		
Livengood	State/Mental Health Trust	X	X	X
Pebble Project	State	X	X	X
Niblack Project	State/Federal	X	X	

2010 Economic Benefits

estimated

Exploration

- **$225 million** spent on exploration, up 25% from 2009.
- **50 exploration projects** spending more than $100,000, of which **24 projects spent more than $1 million**.
- **$2.3 billion** spent on exploration since 1981.

Development

- **$250 million** spent on **mine construction,** down 24% from 2009, on 8 existing mines and development projects.

Production

- **$3 billion** in **gross mineral production value** from Red Dog, Greens Creek, Fort Knox, Pogo, Kensington, and Usibelli Coal mines, placer mines, and rock, sand, and gravel operations, up 24% from 2009.
- More than **200 placer mines** produced **60,000 ounces** of gold, as well as platinum.
- **$106 million in production value** from more than 120 active rock quarries, and sand and gravel operations.
- Export value of **$925 million**, or **28%** of Alaska's **total exports** (2009).

Mining Activity in Alaska
Arctic Ocean
Red Dog
Bering Strait
ALASKA
Rock Creek/
Big Hurrah
Norton Sound
Livengood
Yukon River
Fort Knox
Fairbanks
Pogo
Tanana River
CANADA
USA
ALASKA HIGHWAY
Yukon River
ALASKA RANGE
Mt. McKinley
Nixon Fork
Usibelli
Donlin Creek
Kuskokwim River
RICHARDSON HWY
PARKS HWY
Chuitna
Wishbone Hill
Anchorage
Copper R.
Pebble
Cook Inlet
Kenai Peninsula
Prince William Sound
Kensington
Juneau
Greens Creek
Bristol Bay
Alaska Peninsula
Kodiak Island
Niblack
Community with Mining Industry Employees
Producing Mine
Development Project (not in operation)
Advanced Exploration Project
Mining companies employ Alaska residents from more than 120 Alaska communities, and purchase supplies and services from hundreds of Alaska businesses.

Alaska Miners Association, Inc. • 3305 Arctic Blvd., #105 • Anchorage, Alaska 99503
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Strengthening Local Economies and Communities

Mining companies strengthen Alaska's local economies by employing Alaska residents from more than 120 Alaska communities. The industry also purchases supplies and services from hundreds of Alaska businesses.

These mining companies are also an important source of stable revenue for local governments, as well as significant state government revenue.

In 2010, Alaska's mining industry paid an estimated total of **$13 million to local governments,** including:

- $6.7 million in payment in lieu of taxes (PILT) by Red Dog to the Northwest Arctic Borough.
- $4.6 million in property taxes paid by Fort Knox to the Fairbanks North Star Borough.
- $1.7 million in property taxes paid by Greens Creek and Kensington to the City and Borough of Juneau. Now in production, Kensington may become the largest taxpayer in Juneau.
- Tax payments to other local governments, including Denali and Matanuska-Susitna boroughs, City of Nome and others.
- Mining industry employees also pay local property and sales taxes.

Mining companies paid an estimated **$58.9 million to state government** in royalties, rents, fees, and taxes, up 40% from 2009.

The mining industry also paid over $54.5 million in other state government-related revenues, including:

- $25.2 million to the Alaska Railroad Corporation – $17.9 million for moving coal and $7.3 million for moving sand and gravel.
- $29.3 million to Alaska Industrial Development & Export Authority for the use of state-owned facilities.
- $1.0 million to the Alaska Mental Health Trust for rents and royalty payments, and construction material sales.

Partnering with Alaska Native Corporations

All Alaska Native corporations benefit from mining industry activity – in 7(i) and (j) **royalty sharing payments**, in **jobs** for shareholders, or **through business partnerships**.

- **$145.9 million in royalties** paid by Red Dog to NANA; of which $83.4 million was redistributed to other Alaska Native regional and village corporations.
- **56%** of the **550 year-round jobs** at Red Dog are filled by **NANA shareholders**, including Teck Cominco, NANA Lynden and NANA Management Services jobs.
- Calista Corporation anticipates **$2 million in royalties for mineral agreements**, including lode exploration, placer gold production, and construction material sales.
- **83%** of the **on-site jobs** at Donlin Creek filled by **Calista shareholders**.
- Coeur Alaska works with Central Council Tlinglit & Haida Indian Tribes of Alaska and the Berners Bay Consortium (Goldbelt, Inc., Kake Tribal Corporation, and Klukwan, Inc.) to provide training, employment, and contracting opportunities for Alaska Natives at Kensington.

Special thanks to Lisa Harbo, Alaska Department of Commerce, Community and Economic Development, and Dave Szumigala, Alaska Department of Natural Resources for their assistance. Other sources used in this report include: State of Alaska departments of Commerce, Community and Economic Development, Labor and Workforce Development, Natural Resources, and Revenue, Alaska Railroad Corporation, Alaska Industrial Development & Export Authority, various local and borough governments, and mining companies. Prepared by McDowell Group, Inc.

Attachment C

"Alaska's Mineral Report 2009," D.J. David Szumigala, L.A. Harbo, and R.A. Hughes

Alaska's Mineral Industry 2009

D.J. Szumigala[1], L.A. Harbo[2] and R.A. Hughes[3]

INTRODUCTION

Alaska has long been considered a frontier compared to most of North America and it still maintains that status with regard to mineral resources. The state's abundance of natural resources has drawn explorers for the past two centuries and remains the driving force in its economy. Juneau, Nome, Fairbanks, and other towns across the state were built around early mining camps, and mining remains a significant local source of employment, infrastructure, and government revenue. The unmatched geologic diversity of Alaska hosts a wide range of metallogenic settings and mineral commodities. The great mineral potential of the state is evident in past production from world-class deposits—placer gold from the Fairbanks and Nome mining districts; copper from the Jumbo, Bonanza, Erie, Mother Lode, and Green Butte mines in the Kennecott district; gold from the Alaska–Juneau and Treadwell mines near Juneau; and placer platinum from the Goodnews Bay mining district. Alaska's world-class deposits currently in production are Red Dog, Greens Creek, and Fort Knox mines. The Pebble, Donlin Creek, and Money Knob deposits indicate that there are still extremely large mineral deposits to be developed in Alaska; undoubtedly other world-class Alaska mineral deposits remain to be discovered.

Alaska is strategically located along the Pacific Rim and offers prospective land, sanctity of title, a state-sponsored geological and geophysical mapping effort, a reasonable permitting process, capable workforce, exploration incentives, and inventive infrastructure equity-sharing programs. More than 190 million acres of federal, state, and Native lands are open for mineral-related activities and mining. It is the policy of the State of Alaska to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest.

The total value of Alaska's mineral industry in 2009 was $2.964 billion, $204.2 million and 6.5 percent lower than the 2008 value of $3.1706 billion. The decline in total value primarily is explained by lower metal prices, increased operating costs, and a worldwide economic slowdown. Table 1 shows the estimated annual value of the mineral industry in Alaska from 1981 through 2009, as divided between exploration and development investments, and the gross value of the mineral products. This total value, although it is a combination of expenses and receipts, is an effective way of tracking the annual strength of the mineral industry and reflects the amount of capital invested in Alaska. The year 2009 was the 14th consecutive year with a total value exceeding $1 billion and the fourth consecutive year with production value above $2 billion.

Exploration activities continued for a wide variety of commodities across all regions of Alaska, with new discoveries and expansion of recently announced mineral resources. Exploration expenditures were $180.0 million in 2009, a 48 percent decrease from the $347.3 million expended in 2008. The year 2009 was the fifth consecutive year with expenditures of more than $100 million. Development expenditures in Alaska declined in 2009 to approximately $330.8 million from $396.2 million in 2008, a nearly 17 percent decrease, and 2009 was the sixth year with development expenditures above $200 million. Mineral production volumes increased for most metals; however, declining prices for most metals subdued production values. The value of mineral production in 2009 increased more than 1 percent, to $2,455.6 million, from $2,427.1 million in 2008.

Figure 1 shows the regions of the state as defined for this report. Table 1 and figure 2 show the estimated value of the mineral industry in Alaska per year from 1981 through 2009, as divided between exploration and development investments, and the gross value of mineral products. Company information is generally used to define the exploration and development parameters. Average metal prices are calculated from the daily London PM closing price for gold, and from the average weekly spot price on the London Metal Exchange for the other metals. It is important to note that these prices are used to calculate the value of metals produced in the state, but do not take into account the costs of min-

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[3]Formerly Alaska Division of Economic Development; present address R.A. Hughes & Associates, 318 Juneau Ave., Fairbanks, AK 99701-3768.

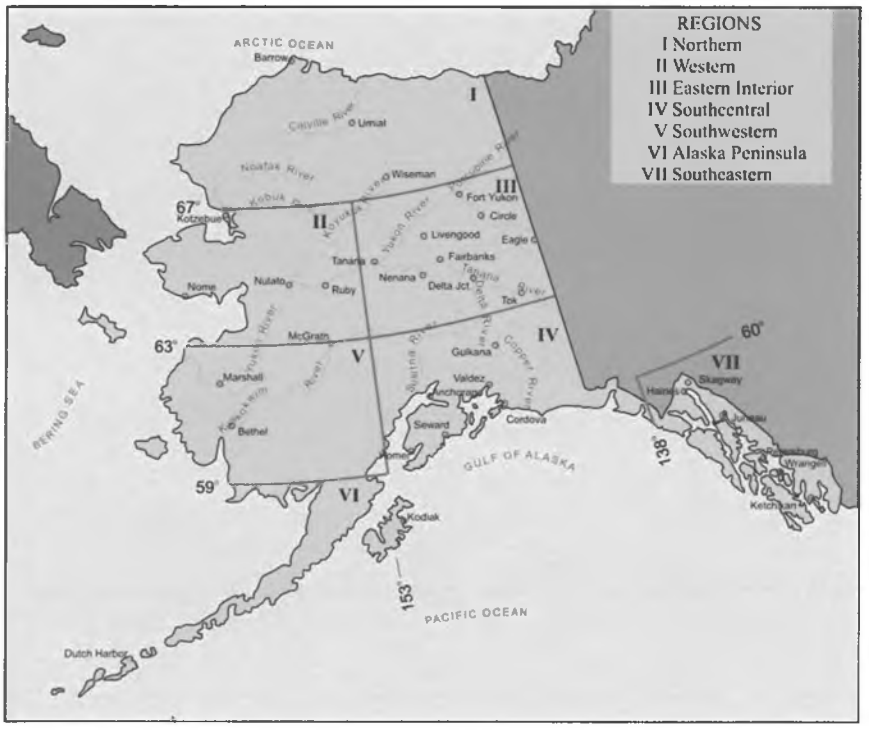


Figure 1. Regions of mineral activity as described in this report.

ing or transportation, or smelter charges and penalties. Coal prices are estimated from average coal prices for similar grade material around the Pacific Rim. Industrial material prices are based on regional rates provided by some operators.

Please note that the formatting and presentation of data in some tables has changed compared to previous editions of this report, reflecting changes in data collected and accounting practices by the mining industry. Whenever possible, the authors have worked to maintain consistency of data for seamless year-to-year comparisons. Most changes are noted in footnotes in the affected tables.

This summary of Alaska's mineral industry activity for 2009 is the 29th in the series of annual reports, and is made possible by information provided through press releases, company annual and financial reports, phone interviews, other research, and replies to questionnaires mailed by the Alaska Division of Geological & Geophysical Surveys (DGGS). This report is part of a cooperative venture between DGGS and the Division of Economic Development in the Department of Commerce, Community and Economic Development (Commerce). Commerce provides the funding to print the report. Information in this report supersedes data previously published in DGGS Information Circular 60.

EMPLOYMENT

Figure 3 displays employment within various segments of Alaska's mineral industry. Table 2 lists estimated employment in the Alaska minerals industry for the past nine years and figure 4 shows the trends in that employment from 2000 through 2009. Total minerals industry employment in 2009 is estimated to be 3,280 full-time-equivalent jobs, a decrease of 112 jobs (3.3 percent) from the estimated 2008 total of 3,392 full-time-equivalent jobs. The largest change in employment compared to 2008 was the drop in mineral development jobs from 516 to 371, a 28 percent decrease. Exploration jobs also decreased from 546 jobs in 2008 to 422 in 2009, a 23 percent decrease.

Mineral production employment increased significantly in 2009, with 2,487 jobs across all production sectors in 2009 compared to 2,330 jobs in 2008. Lode gold mining jobs increased 13 percent in 2009, adding 93 jobs. Placer gold mining employment also increased significantly in 2009, with 123 full-time-equivalent jobs added to the 312 jobs estimated for 2008, a 39 percent increase. The high price of gold was the most significant factor in the increase in gold miners and likely influenced the increase in recreational miners reported from 2008 to 2009. Full-time-equivalent jobs decreased in the base-metals sector by 62 jobs, or 13 percent, from 2008 to 2009. Modest employment increases were seen in the polymetallic, and sand and gravel mining sectors.

The average monthly wage for mining in Alaska during 2009 was $7,588, according to the Alaska Department of Labor & Workforce Development (DLWD), compared to an average monthly wage for all industries in Alaska of $3,886. Mining jobs in Alaska have higher

Table 1. Total value of the mineral industry in Alaska by year (in millions of U.S. dollars).

Year	Exploration (expenditure)	Development (expenditure)	Production (value)	Total (calculated)
1981	$ 76.3	$ 24.7	$ 188.6	$ 289.6
1982	45.6	41.6	196.4	283.6
1983	34.1	27.9	212.4	274.4
1984	22.3	53.4	199.4	275.1
1985	9.2	34.1	226.6	269.9
1986	8.9	24.3	198.5	231.7
1987	15.7	100.3	202.4	318.4
1988	45.5	275.0	232.2	552.7
1989	47.8	134.3	277.0	459.1
1990	63.3	14.3	533.0	610.6
1991	39.9	25.6	546.5	612.0
1992	30.2	29.6	560.8	620.6
1993	30.3	27.7	448.7	506.7
1994	31.1	45.0	507.5	583.6
1995	34.3	148.6	537.2	720.1
1996	44.7	394.0	590.4	1,029.1
1997	57.8	168.4	936.2	1,162.4
1998	57.3	55.4	921.2	1,033.9
1999	52.3	33.8	1,032.9	1,119.0
2000	34.9	141.7	1,106.4	1,283.0
2001	23.8	81.2	917.3	1,022.3
2002	26.5	34.0	1,012.8	1,073.3
2003	27.6	39.1	1,000.7	1,067.4
2004	70.8	209.1	1,338.7	1,618.6
2005	103.9	347.9	1,401.6	1,853.4
2006	178.9	495.7	2,858.2	3,532.8
2007	329.1	318.8	3,367.0	4,014.9
2008	347.3	396.2	2,427.1	3,170.6
2009	180.0	330.8	2,455.6	2,966.4
TOTAL	**$ 2,069.4**	**$ 4,052.5**	**$ 26,433.3**	**$ 32,555.2**

Source: Alaska's Mineral Industry reports published annually by DGGS/ Commerce.

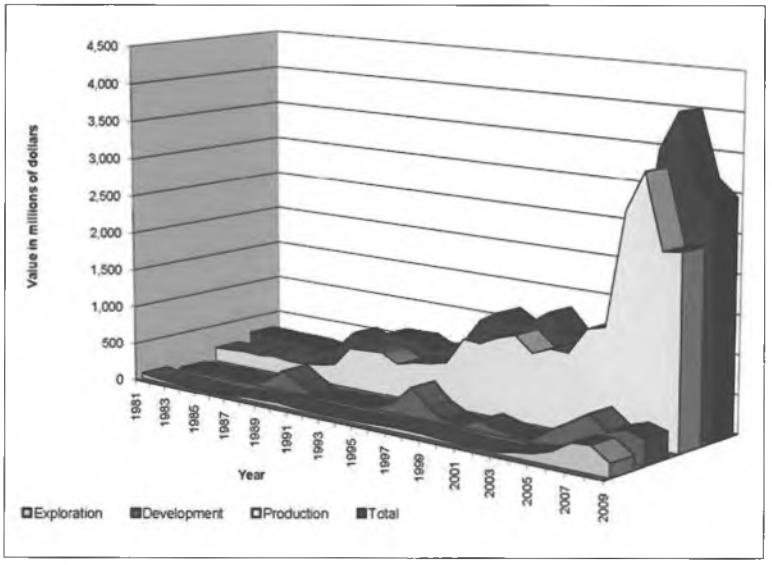
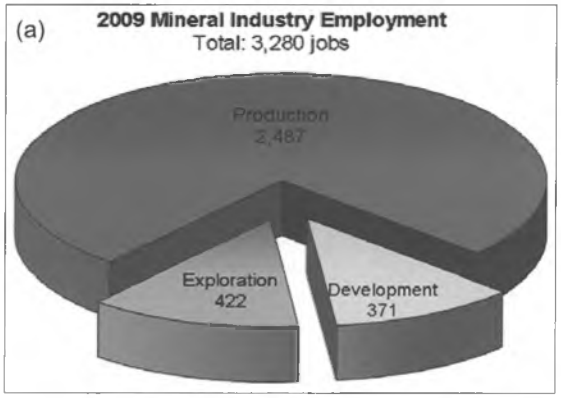


Figure 2. Alaska's mineral industry total value, 1981–2009.

wages than any other industry except oil and gas. The average annual earnings for a mining job were $91,100 in 2009, according to DLWD. Mining jobs pay nearly twice the Alaskan average annual earnings of $46,600. Mining wages in Alaska totaled $183,375,314 in 2009. The agency reported that there were 2,126 mining jobs in Alaska in 2009, with total employment in all industries in Alaska during 2009 at 320,265 jobs. Mining employment was reported in most regions of Alaska, with 685 jobs in the Fairbanks North Star Borough, 380 jobs in the Anchorage municipality, and 281 jobs in the City and Borough of Juneau. During the last 10 years, according to the DLWD, employment growth by Alaska's mining industry has outpaced growth of the United States' aggregate mining industry employment by nearly 40 percent; expansions in Alaska's mining industry employment have also eclipsed employment growth in most of Alaska's other private industries. The DLWD statistics do not include the self employed, such as the majority of placer operators; their employment data also does not often include jobs in the exploration and development phases of mining. Jobs in these mining phases are often grouped by the DLWD in the engineering, environmental, or construction industries. Consequently, mining's contributions to employment and earnings in Alaska could be underestimated.

The average monthly wage for metal mining in Alaska during 2009 was $7,795, according to the DLWD. They also report that the average employment during 2009 was 1,767 full-time-equivalent jobs in metal mining, more than 300 in coal mining and nonmetallic mineral mining and quarrying, and 9,321 in support activities for mining, oil, and gas.



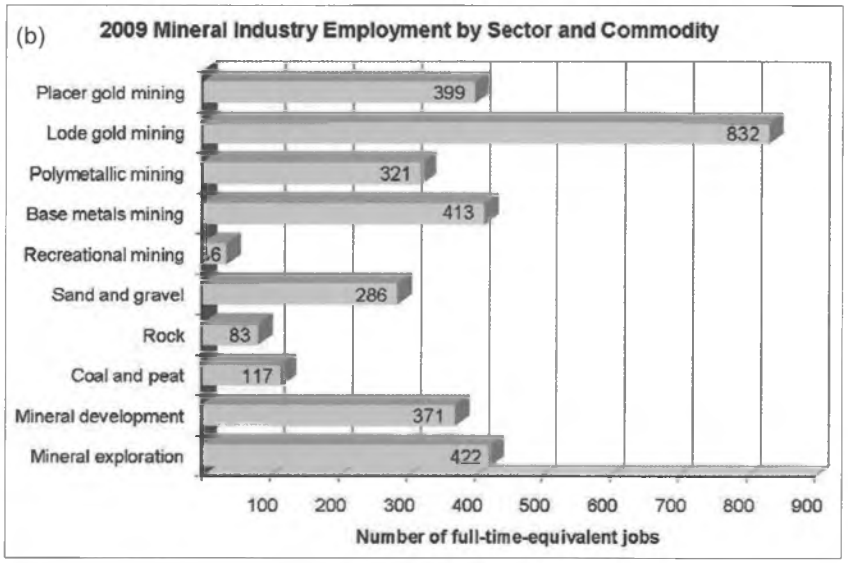


Figure 3. 2009 mineral industry employment in Alaska by (a) category and (b) sector and commodity.

Table 2. Estimated Alaska mine employment, 2001–2009[a].

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Gold/silver mining									
Placer	176	148	82	64	86	242	208	282	399
Lode	337	413	325	433	411	704	808	739	832
Polymetallic mining	275	262	295	265	250	245	276	317	321
Base metals mining	559	580	388	508	449	457	457	475	413
Recreational mining	210	180	175	175	175	45	54	30	36
Sand and gravel	556	702	349	567	400	337	284	277	286
Rock	137	177	35	475	148	104	124	93	83
Coal and peat[b,c]	153	121	85	94	101	106	113	117	117
Tin, jade, soapstone, ceramics, platinum	20	20	20	- -	- -	- -	- -	- -	- -
Mineral development	333	135	64	283	498	848	735	516	371
Mineral exploration	79	86	88	184	303	435	499	546	422
TOTAL	**2,835**	**2,824**	**1,906**	**3,048**	**2,821**	**3,523**	**3,558**	**3,392**	**3,280**

[a]Reported man-days are calculated on a 260-day work year to obtain average annual employment unless actual average annual employment numbers are provided.
[b]This figure does not include all of the man-days associated with peat operations; most of those man-days are included in sand and gravel numbers.
[c]Coal and peat figures were combined in 2009 to maintain confidentiality.
- - = Not reported.

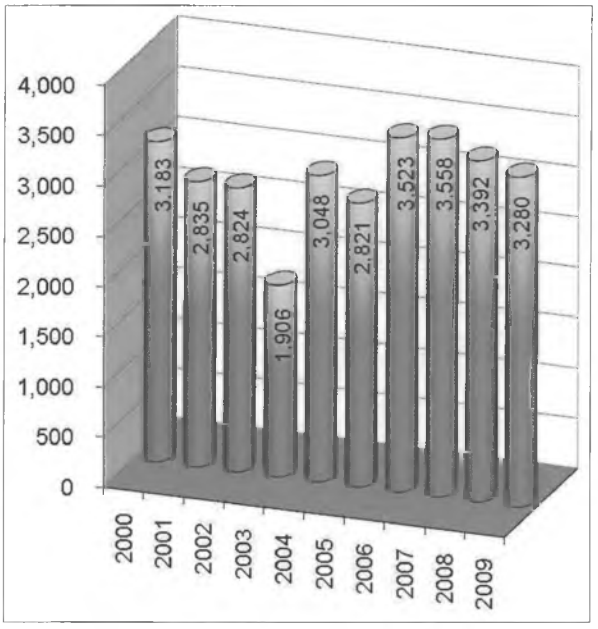


Figure 4. Total mineral industry employment in Alaska from 2000 through 2009.

Nonmetallic mineral product manufacturing provided 328 jobs, including an average of 315 jobs in cement and concrete manufacturing for 2009. Primary metal manufacturing provided 23 full-time-equivalent jobs, while metal and mineral merchant wholesalers provided an average of 114 jobs during 2009.

Nearly three-quarters of all wage and salary earnings from mining stay within the state, according to the DLWD, because Alaska residents comprise three-quarters of all workers in the mining industry. Mining wages for Alaska residents totaled more than $145.3 million in 2009. Workers in the mining industry live in 26 of Alaska's 29 boroughs and census areas, and they often reside in a different borough or census area than where they work. Mines are often the largest, or among the largest, employers in their borough or census area. Mines are also located in remote areas of the state where other employment opportunities are scarce, with half of all mining jobs, as tabulated by the DLWD, located in rural Alaska (fig. 5).

Labor & Workforce Development statistics are collected using different methods than the employment figures collected for this report; thus there is no direct correlation between the two sets of employment figures. For example, the DLWD mining employment and wage statistics are based on 77 reporting units (companies) consisting of one coal, 42 metal ore, and 34 nonmetallic mineral, quarrying units.

In 2009, Greens Creek, Red Dog, and Pogo mines were the largest employers in Juneau, the Northwest Arctic Borough, and Southeast Fairbanks Census Area, respectively. Fort Knox Mine and Usibelli Coal Mine are both the third-largest employers in their respective boroughs. Kensington Mine will likely become one of the top ten private employers in Juneau by 2011.

The Alaska mining industry also created an estimated 1,900 indirect jobs, according to a 2009 study prepared for the Alaska Miners Association Inc. by the McDowell Group Inc. Mining companies strengthen Alaska's local economies by employing Alaska residents from more than 120 Alaska communities and by purchasing supplies and services from hundreds of Alaska businesses.

GOVERNMENT REVENUES FROM ALASKA'S MINERAL INDUSTRY

Revenues are paid to the State of Alaska by the minerals industry through a number of instruments. Those instruments include State claim rentals, production royalties, annual labor, coal land rentals, coal royalties, material (rock, sand, and gravel) sales from state and mental health trust and State Pipeline Coordinator's Office managed lands, miscellaneous fees, state fuel taxes, corporate income taxes, and mining license taxes. Municipalities also receive revenues from the minerals industry for property taxes, payments in lieu of taxes (PILT), severance taxes, and sales taxes. The total revenues paid to the state and municipalities for 2009 amounted to more than $70.2 million (this number will be revised by the figure for State corporate income tax; that figure was not available at time of printing), an increase from the $67.9 million paid in 2008. See table 3 for an itemized listing of revenues paid. The 2009 revenues are incomplete because 2009 corporate income tax data was not available for this publication.

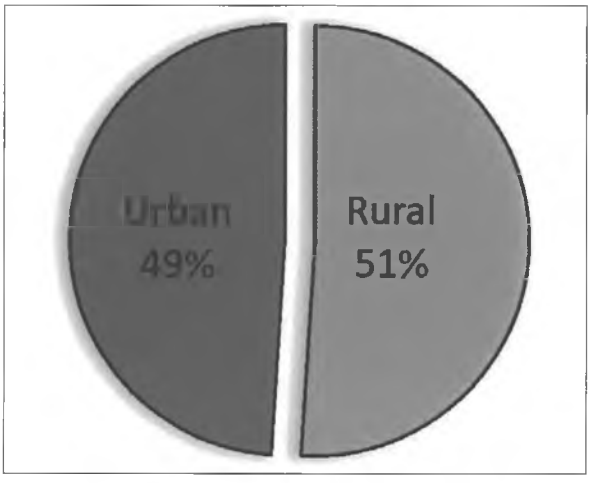


Figure 5. Alaska mining employment, 2009. Note Urban Alaska includes Anchorage, Fairbanks North Star Borough, and Juneau. Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section.

Revenues to the State of Alaska and municipalities from mineral-industry-specific fees, rent, sales, royalties, and taxes are shown in figure 6.

State mineral and coal rents and royalties amounted to $6,441,734 during 2009 compared to $6,629,451 for 2008. Details of the payments by item are shown in table 3. The State of Alaska mining laws grant the holder of a mining claim exclusive right to the locatable minerals in the ground covered by that mining claim. State mining claims have recording, rental, and other fees associated with them. Mining claim location certificates and recording fees must be recorded in the recording district office in which the claim is located within 45 days of the posting date. Recording fees change from time to time and

Table 3. Revenues paid to the State of Alaska and municipalities by Alaska's mineral industry, 2004–2009.

	2004	2005	2006	2007	2008	2009
State mineral rents and royalties[a]						
State claim rentals	$ 2,657,939	$ 3,308,752	$ 3,460,803	$ 4,649,795	$ 3,082,071	$ 3,295,631
Production royalties[b]	162,637	124,338	171,220	800,548	1,518,622	1,368,526
Annual labor	226,191	332,439	155,007	163,279	380,169	482,858
Subtotal	**$ 3,046,767**	**$ 3,765,529**	**$ 3,787,030**	**$ 5,613,622**	**$ 4,980,862**	**$ 5,147,015**
State coal rents and royalties						
Rents	236,532	257,112	337,764	253,376	248,841	374,433
Royalties[b]	1,239,257	1,476,250	1,473,948	1,443,050	1,399,748	920,286
Bonus	-	129,880	10	-	-	-
Subtotal	**$ 1,475,789**	**$ 1,863,242**	**$ 1,811,722**	$ 1,696,426	$ 1,648,589	$ 1,294,719
State material Sales						
Mental Health	76,267	129,409	89,634	24,835	37,734	170,996
Division of Land	467,360	944,905	1,582,769	2,615,810	2,818,107	4,323,601
SPCO	112,047	46,877	118,904	57,056	182,237	179,875
Subtotal	**$ 655,674**	**$ 1,121,191**	**$ 1,791,307**	**$ 2,697,701**	**$ 3,038,078**	**$ 4,674,472**
State mining miscellaneous fees						
Filing fees	1,300	8,465	965	1,750	2,750	1,787
Penalty fees	26,110	20,280	46,249	24,005	18,876	115,819
Explore incentive app filing fee	-	-	-	-	-	-
Bond pool payment	35,426	32,331	36,721	43,909	39,429	70,548
Surface coal mining app fee	3,116	3,150	10,897	10,458	3,023	1,800
APMA mining fees	14,550	17,131	17,475	20,877	23,811	19,519
Subtotal	**$ 80,502**	**$ 81,357**	**$ 112,307**	**$ 100,999**	**$ 87,889**	**$ 209,473**
AIDEA - Facilities use fees	15,730,000	15,607,000	15,476,000	16,218,000	16,190,000	15,918,000
State Fuel Taxes				726,563	428,214	877,952
State corporate income tax	2,104,144	23,641,883	71,299,684	61,331,540	12,919,787	N/A[c]
Mining License Tax[d-f]	10,317,238	18,637,996	79,141,526	54,408,227	16,044,139	29,725,100
State Total	**$ 33,410,114**	**$64,718,198**	**$173,419,576**	**$142,793,078**	**$55,337,558**	**$57,846,731**
Payments to Municipalities	$ 10,999,663	$11,975,892	$ 14,388,329	$15,827,501	$12,599,399	$12,387,540
TOTAL[g]	**$ 44,409,777**	**$76,694,090**	**$187,807,905**	**$158,620,579**	**$67,936,957**	**$70,234,271**

[a]Includes upland lease and offshore lease rentals.
[b]Reported on a cash basis - payments actually received during the given year.
[c]Preliminary data not available for 2009.
► Only subchapter C corporations pay income tax.
► This report may not reflect 100% of the returns received in a year.
► Data from 2004 through 2008 has been updated to reflect revenue to the state for the succeeding fiscal year; ex.: FY 07 receipts are shown in calendar year 2006.
[d]Includes metals, coal, and material.
[e]Mining license tax has been adjusted to reflect actual receipts for the succeeding fiscal year for the period 2003 to 2008; see note for income tax above.
[f]2009 numbers are preliminary and are subject to revision.
[g]2009 total is incomplete and will be revised.

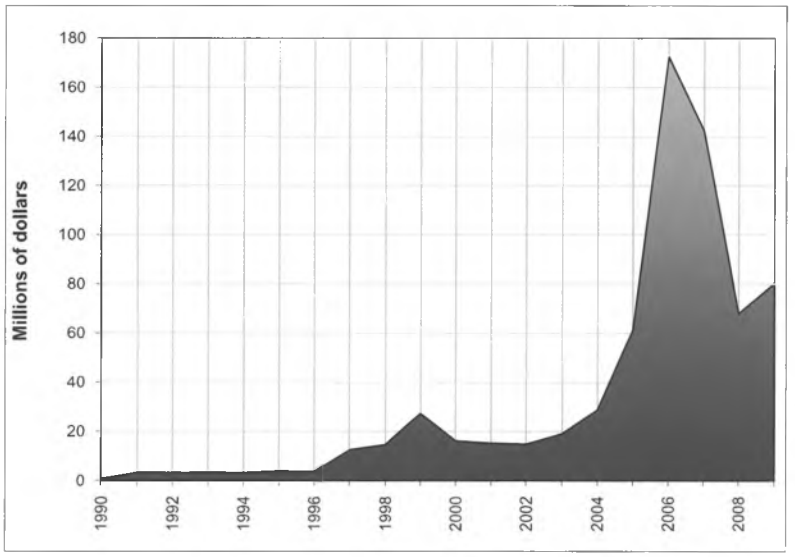


Figure 6. Mining industry revenue to State of Alaska and municipalities from 1990 to 2009.

the Recorder's Office should be contacted for the correct fee; recording fees are also posted at the following web site address: http://dnr.alaska.gov/ssd/recoff/fees.cfm. Rental fees under regulation 11 AAC 86.215 are shown in table 4, and must be paid according to the instructions on the back of the certificate form.

Annual rental fees for State mining claims, leasehold locations, upland mining leases, offshore mining leases, and prospecting sites increased in 2009. Alaska Statute directs DNR to revise the annual rental rates to match the changes in the Consumer Price Index (CPI) for Anchorage as compiled by the U.S. Department of Labor. The statute requires DNR to make the revisions every ten years, so the more than 60 percent increase in 2009 represents ten years increase to the CPI. The new rates began for mining claim payments due November 30, 2009, which cover mining claims for the "mining fiscal year" that runs September 1, 2009, through August 31, 2010. The first rental payment covers the period from the date of posting the claim to the following September 1st. Annual labor must be performed on a mining claim each year. The annual lease rate for coal properties is $3.00 per acre. The rental payments may be credited against royalties to the extent that they do not exceed the royalties.

In 1989, the Alaska State Legislature enacted a new production royalty law, Alaska Statute 38.05.212, which requires holders of state mining locations to pay a production royalty on all revenues received from minerals produced on state land. The production royalty requirement applies to all revenues received from minerals produced from a state mining claim or mining lease during each calendar year. Payment of royalty is in exchange for and to preserve the right to extract and possess the minerals produced. The production royalty is 3 percent of the net income as determined under the Mining License Tax Law AS 43.65 and regulation 15 AAC 65. Department of Natural Resources regulations 11 AAC 86.760–796 provide details regarding the production royalty requirements.

The state sells rock, sand, and gravel from its lands at a prescribed rate for use in construction. Lands involved in those sales include Mental Health Land Trust, Division of Lands, and State Pipeline Coordinator's Office (SPCO). Sales of these materials generated $4,674,472 during 2009, compared to $3,038,078 during 2008. Other common variety minerals that could be involved in this category include riprap, limestone, slate, peat, and any other substances from the ground that are not designated through the location system for mining claims

Table 4. Alaska state annual claim rental rates by size and maturity. Rental rates were adjusted in 2009 in accordance with the Consumer Price Index for Anchorage as prescribed by statute AS 38.05.211.

Years Since Location	Rental Per Quarter Section Size Claim	Rental Per Traditional Quarter–Quarter Section Size Claim	Rental for All Leases (per acre fee)
0–5	$140	$ 35	$0.88
6–10	$280	$ 70	$1.75
11 or more	$680	$170	$4.25

(for example, gold, silver, and other metals) or leasing (for example, energy minerals such as coal, oil, and gas). Materials are measured and sold by the cubic yard. The price charged for materials depends on the type, or size, of sale, but prices are based on a competitive or fair market price of material in the area. Contact the DNR information office for further information (see Appendix F for contact information).

Claim and leaseholders on state land are assessed miscellaneous fees; these amounted to $209,473 in 2009 compared to $87,889 in 2008. Miscellaneous fees are segregated in table 3 and comprise filing fees, penalties, exploration incentive application fees, bond pool payments, surface coal mining application fees, and Annual Placer Mining Application (APMA) fees.

Fuel tax collected by the State for 2009 amounted to $877,952, compared to $428,214 during 2008. These numbers were collected from mining companies and are likely not entirely complete. The motor fuel tax was suspended for one year on September 1, 2008. The motor fuel tax is $0.08/gallon and is collected for all fuel for mining operations. Fuel used for heating and stationary power plant is not taxable and application for refund of the full amount may be made to the State of Alaska. Off-highway fuel use for equipment and vehicles, mobile power plants, pumps, and unlicensed vehicle operation is partially refundable at the rate of $0.06/gallon of gasoline or diesel fuel.

The Mining License Tax was established by statute (AS 43.65) to collect taxes on net income from mining operations after a 3.5 year initial production grace period provided to taxpayers to help return their initial investment. The rates on mining net income are as follows: No tax if net income is $40,000 or less; $1,200 plus 3 percent if over $40,000; $1,500 plus 5 percent if over $50,000; and $4,000 plus 7 percent if over $100,000. The total Mining License Tax collected for 2009 was $29,725,100, compared to $16,044,139 in 2008. Mining License Tax returns are confidential and cannot be reported by individual/entity.

Corporate income taxes are assessed on all corporations having net income from mining operations in the state. The preliminary total for corporate income tax collected by the state during 2009 from mining operations was not available at press time. The corporate income taxes collected from mining in 2008 amounted to $12,919,787. Corporate income taxes are confidential and can't be reported by individual corporation. The corporate income tax rate is set by statute and is shown in table 5.

Mining companies were the largest taxpayers in the City and Borough of Juneau and the Fairbanks North Star Borough. Red Dog Mine paid $6.7 million to the Northwest Arctic Borough in 2009 as Payment in Lieu of Taxes. Mining companies contributed to the Denali Borough through PILT and severance tax payments. The Alaska Industrial Development & Export Authority (AIDEA) was paid annual user fees of $15.9 million for use of the State-owned road and port, the DeLong Mountain Regional Transportation System, by Teck Alaska Inc., operator of the Red Dog Mine, and for use of the Skagway Ore Terminal by Minto Explorations Ltd., subsidiary of Capstone Mining Corp. (formerly Sherwood Copper Corp.).

Table 5. State corporate income tax rate.

Net Income	Base Tax	Plus %	Of Amount Over
<$10,000	$ --	1%	$ --
10,000–20,000	100	2%	10,000
20,000–30,000	300	3%	20,000
30,000–40,000	600	4%	30,000
40,000–50,000	1,000	5%	40,000
50,000–60,000	1,500	6%	50,000
60,000–70,000	2,100	7%	60,000
70,000–80,000	2,800	8%	70,000
80,000–90,000	3,600	9%	80,000
>$90,000	$ 4,500	9.40%	$ 90,000

ACKNOWLEDGMENTS

This report on Alaska's mineral industry is intended to provide current, accurate, and technically reliable information. The authors wish to thank all companies, agencies, and individuals that responded to the questionnaires or phone calls and provided information about their activities and operations. Without their voluntary and timely information this report would not be possible. DGGS mailed and emailed more than 700 questionnaires in December 2009 and continued sending additional questionnaires through 2010. We received 115 responses and followed questionnaire requests with phone calls and other means of contact. Dave Szumigala (DGGS), Rich Hughes (Commerce), and Lisa Harbo (Commerce) prepared the body of the text, tables, graphic illustrations, and appendices with information supplied by many individuals. Some photos and images used in this report were provided by members of the public; these contributions are greatly appreciated. Where appropriate, these people have been acknowledged in the text. Information and text previously compiled for DGGS Information Circular 60 were used extensively.

The booklet's design, layout, and cover are by Joni Robinson (DGGS); Paula Davis (DGGS) edited the final version. Commerce's Division of Economic Development paid printing costs.

Attachment D

"Structural Analysis of the Alaska Economy," (Mining section), March 2012, Dr. Scott Goldsmith, UAA and ISER

D. MINING

The mining sector consists of three different activities: (1) hard rock mining for export, (2) coal mining that serves both local and export markets, and (3) production of construction materials—sand, gravel, and rocks—for the local market. Hard rock mining and about half of the coal mining activity comprise the economic base portion of this sector.

The economic base, in turn can be divided into three components: exploration and development of new mineral prospects (Donlin Creek and Pebble); production of zinc, lead, gold, and silver from large-scale mines (Red Dog, Fort Knox, Pogo, and Greens Creek and Kensington); and production of a variety of minerals from smaller operations that include both business and recreational operations. Most direct employment is associated with operations of the large-scale mines although exploration and development employment, which varies considerably from year-to-year, can be significant when a large prospect, such as a Donlin Creek or Pebble, is under investigation or development. Only primary processing of minerals occurs within the state.

VALUE OF OUTPUT

In 2010 the estimated market value of the four most important products of the mining industry—zinc, lead, gold, and silver—was $3.00 billion, based on world prices.[18] Zinc, produced at the Red Dog Mine, was the most valuable product, closely followed by gold.

The value of coal production in 2010 was $73 million, and the value of production of construction materials was $52 million. Aside from the export of a portion of coal production, these products are for the Alaska market and, consequently, not considered part of the economic base of the mining industry.

[18] The values reported by the State of Alaska, Department of Natural Resources are based on the prices of refined metals. The values at the mine mouth are considerably lower, particularly for metals requiring significant refining.

Table III.D1. Value of Mining Production

Part A:

Calendar Year	1990	1995	2000	2001	2002	2003	2004	2005	2006
Annual Production									
Zinc (000 tons)	181	360	669	635	718	715	680	684	675
Lead (000 tons)							151	131	157
Gold (000 oz.)	232	142	546	551	562	528	457	427	576
Silver (000,000 oz.)	10	1	18	17	18	19	17	12	99
Coal (000,000 tons)	1.6	1.7	1.5	1.5	1.2	1.1	1.5	1.4	1.4
Price $/metric ton									
Zinc	$1,640	$1,230	$1,230	$969	$852	$896	$1,160	$1,480	$3,500
Lead	$1,010	$1,080	$961	$962	$961	$965	$1,200	$1,350	$1,710
Gold (Million $)	$12.4	$12.4	$9.0	$8.8	$10	$11.7	$13.2	$14.3	$19.5
Silver (Thousand $)	$155	$166	$161	$140	$148	$157	$207	$236	$373
Value of Production (Million $)									
Zinc	$254	$345	$682	$508	$503	$536	$651	$862	$2,003
Lead	$31	$34	$52	$56	$62	$64	$121	$115	$184
Gold	$89	$56	$152	$149	$174	$192	$192	$190	$336
Silver	$51	$7	$90	$73	$82	$95	$113	$86	$130
Other	$0.20	$0.00	$2.30	$1.99	$2.27	$0.00	$0.00		

Part B:

Calendar Year	2007	2008	2009	2010
Annual Production				
Zinc (000 tons)	696	626	712	667
Lead (000 tons)	167	153	167	146
Gold (000 oz.)	727	801	780	914
Silver (000,000 oz.)	20	15	16	14
Coal (000,000 tons)	1.3	1.5	1.9	2
Price $/metric ton				
Zinc	$3,400	$1,955	$1,714	$2,244
Lead	$2,728	$2,640	$1,912	$2,398
Gold (Million $)	$24.7	$30.83	$34.39	$43.3
Silver (Thousand $)	$431	$482	$472	$649
Value of Production (Million $)				
Zinc	$2,048	$1,055	$1,068	$1,312
Lead	$389	$287	$260	$284
Gold	$511	$698	$759	$1,119
Silver	$270	$219	$229	$282
Other	$2.83			

Source: Production and Value--State of Alaska, Department of Natural Resources, Alaska's Mineral Industry. Price—U.S. Geological Survey.
Value of production is based on market price.
Other includes mercury, tin, antimony, platinum, copper, chromium.

PERSPECTIVE

Alaska ranked 5th among states in 2011 in the value of production.

Table III.D2. Non-Fuel Mineral Production in the U.S., 2011

Rank	State	Value (Billion $)	Percent of U.S.
1	Nevada	$10.4	14.0%
2	Arizona	$8.2	11.2%
3	Minnesota	$5.1	6.9%
4	Utah	$4.6	6.2%
5	**Alaska**	**$3.8**	**5.1%**
6	Florida	$3.2	4.4%
Total US		$74.00	

Source: U.S. Geological Survey, Mineral Commodity Summaries 2012.

DIRECT JOBS

There were 2.254 thousand direct annual average wage and salary jobs in mining in 2005. In addition, there were about 700 self-employed engaged in mining for a total of 4.1 thousand. Although there are a small number of employees in the mining support sector associated with metal mining, we have included them all in the petroleum production sector.

Table III.D3. Mining—Wage and Salary and Total Jobs (Thousand)

Part A:

	1990	1995	2000	2001	2002	2003	2004	2005
Wage and Salary (212) (Annual Average)				NA	1.47	1.45	1.38	1.57
Proprietors (Self-Employed)								
Total	1.73	2.07	2.68		2.31	2.53	2.13	2.3

Part B:

	2006	2007	2008	2009	2010
Wage and Salary (212) (Annual Average)	1.76	2.0	2.1	2.0	2.3
Proprietors (Self-Employed)					
Total	2.64	3.7	3.7	3.5	4.1

Source: USDC BEA Regional Economic Accounts Web site, wage and salary employment—Table SA27, total employment—Table SA25.
NAICS codes in parentheses.

A separate employment estimate for the mining industry prepared by the Alaska Department of Natural Resources is slightly higher. This higher estimate is largely due to the inclusion of mining exploration support activities (part of NAICS code 213) as well as some construction employment associated with the development of new mines. This data source shows considerable variation from year-to-year in exploration and development, as one would expect. However, it also shows more variation in the categories of sand and gravel and rock than one might expect.

Table III.D4. Mining—Wage and Salary Employment, Alaska DNR

Part A:

	1990	1995	2000	2001	2002	2003	2004	2005	2006
Total	3,510	3,406	3,183	2,835	2,824	1,906	3,048	2,821	3523
Exploration	374	157	83	79	86	88	184	303	435
Development	95	637	345	333	135	64	283	498	848
Coal	115	120	121	121	100	65	90	95	95
Sand And Gravel	645	577	603	556	702	349	567	400	337
Recreational	315	255	250	210	180	175	175	175	45
Rock	160	200	150	137	177	35	475	148	104
Other (Gold, Silver, Base, Etc.)	1,806	1,460	1,631	1,399	1,444	1,130	1,274	1,202	1,659

Part B:

	2007	2008	2009	2010
Total	3,558	3,392	3,280	3,872
Exploration	499	246	422	520
Development	735	516	371	537
Coal	102	110	117	140
Sand And Gravel	284	277	286	313
Recreational	54	30	36	35
Rock	124	93	83	11
Other (Gold, Silver, Base, Etc.)	1,760	2,120	1,965	2,316

Source: State of Alaska, Department of Natural Resources, Alaska's Mineral Industry.

DIRECT EARNINGS

Wage and salary payroll for the mining industry in 2010 was $221 million and including benefits total compensation was $277 million. Proprietor income was modest and total earnings totaled $279 million. This amount excludes any payroll associated with mining support (NAICS 213) or construction employment engaged in development of new mines.

Table III.D5. Mining—Payroll, Compensation, and Earnings (Million $)

Part A:

	1990	1995	2000	2001	2002	2003	2004	2005
Payroll				NA	$93.9	$96.0	$95.1	$112.4
Compensation				NA	$110.4	$118.2	$119.5	$138.5
Proprietor Income				NA	$10.4	$9.5	$13.3	$15.5
Total Earnings	$83.6	$94.7	$114.0	NA	$127.0	$132.1	$133.8	$158.1

Part B:

	2006	2007	2008	2009	2010
Payroll	$142.1	$163.0	$194.5	$185.7	$220.6
Compensation	$178.0	$200.7	$242.3	$235.5	$277.0
Proprietor Income	$11.2	$10.3	$2.3	$2.3	$2.4
Total Earnings	$189.2	$211	$244.6	$237.8	$279.4

Source: USDC BEA Regional Economic Accounts Web site. payroll—Table SA07, compensation—Table SA06, total earnings—Table SA05
Payroll (wages and salaries for salaried workers) includes cash allowances and payments in kind.
Compensation includes payroll plus benefits.
Total Earnings is compensation of wage and salary employees and income of the self-employed.

AVERAGE EARNINGS

The average wage was $98 thousand in 2010 and average total compensation was $123 thousand.

Table III.D6. Mining—Average Annual Wage and Compensation (Thousand $)

	1990	1995	2000	2001	2002	2003	2004	2005
Wage				NA	$ 63.9	$ 66.1	$ 68.8	$ 73.2
Compensation				NA	$ 79.4	$ 84.4	$ 87.1	$ 90.1

	2006	2007	2008	2009	2010
Wage	$80.7	$83.3	$90.7	$92.0	$97.9
Compensation	$101.0	$112.9	$113.0	$116.6	$122.9

Source: ISER estimate based on USCE BEA Regional Economic Accounts.

SOURCE OF ECONOMIC CONTRIBUTION

The economic contribution of the mining industry comes from a combination of payroll and procurement associated with production of minerals, expenditures associated with exploration and development, and royalties paid to resource

owners. Exploration and development expenditures fluctuate considerably from year-to-year.

Table III.D7. Mineral Exploration and Development Expenditures

(Million $)

Part A:

	1990	1995	1996	2000	2001	2002	2003	2004	2005	2006
Total	$78	$183	$439	$177	$105	$61	$67	$280	$452	$508
Exploration	$63	$34	$45	$35	$24	$27	$28	$71	$104	$179
Development	$14	$149	$394	$142	$81	$34	$39	$209	$348	$693

Part B:

	2007	2008	2009	2010
Total	$648	$743	$511	$557
Exploration	$329	$347	$180	$264
Development	$319	$396	$331	$293

Source: State of Alaska, Department of Natural Resources, Alaska's Mineral Industry.

Several large producing and proposed mines located on private and Native land pay royalties to the landowners. In particular, the Red Dog mine (the largest zinc mine in the world) pays royalties to the NANA Regional Native Corporation, and under the terms of ANCSA (Alaska Native Claims Settlement Act), shares 62% of those royalties with the other Regional Native Corporations. Red Dog mine royalty payments have increased from $17 million in 2005 to $170 million in 2011, due to both the increase in the price of zinc and the terms of the royalty agreement. Of this total $82 million was shared with the other Native Corporations pursuant to the 7(i) sharing provision of ANCSA. The royalty is calculated as a share of profits, and the rate jumped to 25% after the development costs of the mine were paid off. It will eventually rise to 50%.

STATE AND LOCAL GOVERNMENT REVENUES

The mining license tax and the corporate income tax have been the largest components of state revenues from mining in recent years, followed by rents and royalties, sales, and fees. State revenues increased rapidly after 2000 to peak at $173.4 million in 2006 but have since moderated. Total state revenue in 2010, based on information from the Alaska Department of Natural Resources (ADNR), was $72.2 million (excluding income tax revenues). (Mining revenue reported by the Alaska Department of Revenue is smaller, partly because they do not separately identify all categories of revenues paid by the mining industry.)

Local government revenues from mining activity (including payments in lieu of taxes) were $14.22 million in 2010 (ADNR).

Table III.D8. Mining State and Local Revenues (Million $)

Part A:

	1990	1995	2000	2001	2002	2003	2004	2005
State Total			**$6.89**	**$5.44**	**$5.61**	**$8.54**	**$17.69**	**$49.11**
Corp Tax		NA	$0.30	$0.02	$0.22	$0.41	$2.10	23.64
Mining License Tax		$0.48	$1.86	$0.49	$0.38	$3.25	$10.32	$18.64
Mineral Rents		$0.75	$2.06	$1.84	$2.06	$2.62	$3.05	$3.77
Coal Rents		$2.04	$2.09	$1.37	$1.12	$1.30	$1.48	$1.86
Material Sales		$0.48	$0.52	$1.65	$1.77	$0.89	$0.66	$1.12
Misc Fees		$0.09	$0.08	$0.07	$0.06	$0.07	$0.08	$0.08
Local Total*			**$9.20**	**$9.76**	**$9.70**	**$10.51**	**$11.00**	**$11.98**

Part B:

	2006	2007	2008	2009	2010
State Total	**$173.42**	**$142.79**	**$55.40**	**$60.41**	**$72.27**
Corp Tax	$71.30	$61.33	$13.00	$2.56	NA
Mining License Tax	$79.14	$54.41	$16.04	$29.73	$43.33
Mineral Rents	$3.79	$5.61	$4.50	$5.15	$8.66
Coal Rents	$1.81	$1.70	$1.65	$1.30	$2.38
Material Sales	$1.80	$2.70	$3.04	$4.67	$0.32
Misc Fees	$0.11	$0.10	$0.09	$0.21	$0.56
Local Total*	**$14.39**	**$15.83**	**$12.60**	**$12.39**	**$14.24**

Source: State of Alaska, Department of Natural Resources, Alaska's Mineral Industry.
* Includes payments in lieu of taxes.

GROSS DOMESTIC PRODUCT

Gross Domestic Product in 2009 was $933 million. It is small relative to the value of output because mining is very capital-intensive with a relatively small labor component.

Table III.D9. Mining--Gross Domestic Product (Million $)

1990	1995	2000	2001	2002	2003	2004	2005
		$380	$265	$236	$248	$404	$590

2006	2007	2008	2009	2010
$866	$994	$909	$933	NA

Source: USDC BEA Regional Economic Accounts Web site.

MEASUREMENT ISSUES

This sector has good data contained in the annual Alaska's Mineral Industry report. However, information on proprietor activity—participants, income, value of output, residence—is very limited. Construction employment associated with the development of mineral prospects and transportation employment associated

with shipping of inputs and products should be included when calculating the importance of the sector.

PRIMARY DATA SOURCES

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USDA United States Department of Agriculture | Forest Service | Glacier Ranger District | P.O. Box 129 Forest Station Road Girdwood, AK 99587

File Code: 1500/2800
Date: February 2, 2012

Jennifer Murrell
Natural Resource Specialist II
SOA-DNR-SCRO-Leasing Unit
550 W 7th Avenue Ste 900c
Anchorage, AK 99501-3577

Dear Ms. Murrell,

The Glacier Ranger District supports the Glacier Winner Creek Mineral Closing Order. Withdrawal of this area is important to the continued investment in recreational development by businesses in the Girdwood Community; including Alyeska Resort and Chugach Powder Guides. In addition, withdrawal provides certainty to other small businesses which provide recreational services on both these state lands and the adjacent federal lands of the Chugach National Forest. Lastly, withdrawal offers the best form of protection for the existing Winner Creek and Upper Winner Creek trails, both are trail segments of the significant and historic National Iditarod Trail.

Sincerely,

/s/ Tim Charnon
TIM CHARNON
Glacier District Ranger

cc: dhiibner
geoff.gross

ALASKA MINERS ASSOCIATION, INC.
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February 6, 2012

The Hon. Cathy Giessel
The. Hon. Bill Hawker
State Capital
Juneau, Alaska

Re: SB181 and HB285

Dear Senator Giessel and Representative Hawker;

As you both are aware, the Alaska Miners Association is a long established group dedicated to promoting the responsible development of Alaska's mineral resources. The Alaska Miners Association is a non-profit membership organization established in 1939 to represent the mining industry in Alaska. The AMA is composed of more than 1400 individual prospectors, geologists and engineers, vendors, suction dredge miners, small family mines, junior mining companies, and major mining companies. Our members look for and produce gold, silver, platinum, diamonds, lead, zinc, copper, coal, limestone, sand and gravel, crushed stone, armor rock, and other materials. Our members live and work throughout the state.

We recently took up the questions that are addressed in your respective bills as identified above, regarding a mineral closure order in the Glacier and Winter Creek drainages in the Girdwood area. We are specifically appreciative of the process followed by DNR, in evaluating the proposed areas as to their mineral potential and other values. We support the closure orders and agree with the assessment that these lands are properly suitable for expansion of the recreation uses. We would note that should such use cease, we would like to see the closure orders reversed and the areas reopened to mineral development.

Again, we appreciate the chance to comment and support the effort to accomplish these particular withdrawals. Thanks to you both for all of the hard work and dedication you provide to the citizens of Alaska in your roles as legislators.

Please feel free to contact me if you have further questions or need additional information.

Cordially,

Fred Parady
Executive Director

SB 145

<TARGET><BILL>SB 145</BILL><SUBJECT>SB 145</SUBJECT><COMM>SRES27</COMM></TARGET>

ALASKA STATE LEGISLATURE

SENATOR THOMAS H. WAGONER

Co-Chair: Senate Resources Committee

Member: C&RA Committee
Member: Regulatory Review
Member: LB&A Committee
Member: World Trade

Official Business

Session: January - May
State Capitol, #427
Juneau, AK 99801
Phone: 907-465-2828 Fax: 907-465-4779

Interim: May - December
145 Main Street Loop, Suite 226
Kenai, AK 99611
Phone: 907-283-7996 Fax: 907-283-8127

MEMORANDUM

To: Senators Wagoner and Paskvan
Co-Chairs, Senate Resources Committee

From: Senator Wagoner

Date: February 4, 2012

Re: SB 145 Oil/Gas Production Tax Credits: Nenana

I respectfully request a hearing on SB 145 before the Senate Resources Committee to be scheduled at your earliest convenience.

SB 145 is designed to incentivize exploration drilling in the underexplored Nenana Basin by offering tax credits for the first three wells drilled in the basin that meet certain requirements.

Attached please find supporting documentation including:

- SB 145 Oil/Gas Production Tax Credits: Nenana (LS1078\M)
- Sponsor Statement
- Sectional, explaining the changes SB 145 would make to current law
- CS for SB 145 (LS1078\B)
- Explanation of Changes Made by CS for SB 145

Any questions may be directed to the following staff person in my office:

Margaret Dowling
465-4899

SB 145 Testifiers

To Answer Committee Member Questions both Wednesday and Friday:
Off Net; Both days:

DNR

Paul Decker, Petroleum Geologist I, Oil & Gas
269-8791 / 267-2344

Kyle Smith, Natural Resource Spec V, Oil & Gas
269-8802

DOR

Matt Fonder, Director, Tax Division
269-6620

Lennie Dees, Audit Master, Tax-Production Audit Group
269-6624

John Larsen, Audit Master, Tax-Production Audit Group
269-8436

DOL

Susan Pollard, Attorney, Civil – oil gas/mining
465-3600

Industry / Native Regional Corporation – Invited Testimony for Wednesday
LIVE: (no power-point)

James Mery – Doyon Limited, Senior Vice President, Lands and Natural Resources
459-2039 / 360-1234
10 Mins Max

Lance Miller, Ph.D.,(Geologist), Vice pres. of resources, NANA regional corp.
265-4360 / 321-4470
10 Mins Max

Elizabeth Hensley, Corporate & Public Policy Liaison
265-3774
5 Mins Max

Possible Public Testimony on Friday:
OFF NET:

Marie Greene, CEO Pres., North West Leadership Team (WALT)

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Sponsor Statement

SB 145 ***"An Act providing for a credit against the oil and gas production tax for costs incurred in drilling certain oil or natural gas exploration wells in the Nenana Basin"***

SB 145 is designed to attract exploration drilling in the underexplored Nenana Basin through tax credit incentives. The Nenana Basin has shown great potential, but has remained underdeveloped due to complications associated with its remote location. At a time when economic growth and development in the Interior is crippled by high energy prices and the lack of reliable energy supplies, this legislation will strongly encourage companies to invest in this high potential, frontier basin, located just 50 miles from Fairbanks. SB 145 has the potential to not only benefit the Interior but, at a time when the state is struggling to supply natural gas to Alaskans along the railbelt and oil to the pipeline, SB 145 has the potential to benefit all Alaskans.

SB 145 is intended to quicken the pace of exploration by rewarding the credits to the first three persons to drill an exploration well to a depth greater than 8,000 feet. The credits are structured as follows:

- The first person that drills an exploration well is credited 100 percent of costs, or $25 million, whichever is less;
- The second exploration well drilled is entitled to a credit of 90 percent, or up to $22.5 million, whichever is less;
- The third exploration well is credited at 80 percent, or up to $20 million, whichever is less.

If the exploration results in sustained oil and/or gas production from a reservoir discovered by the drilling, then 50 percent of the credits awarded will be repaid to the state.

The Nenana basin has a high potential for production of gas and possibly oil. SB 145 provides the incentives needed for exploration in this basin. Should a discovery be made, the new resource will benefit the regional economy and support businesses and families who are suffering from high energy costs and unreliable supplies.

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Sectional

SB 145 "An Act providing for a credit against the oil and gas production tax for costs incurred in drilling certain oil or natural gas exploration wells in the Nenana Basin."

Section 1. Amends AS 43.55.025(a) to add reference to a new subsection "n"

Section 2. Adds a new subsection to AS 43.55.025, which provides that the first three drillers, who may be affiliated, that drill an exploration well for the purpose of discovering oil or gas in the Nenana Basin are eligible for tax credits. The well depth must be greater than 8,000 feet, but a shallower well of no less than 5,000 feet may be authorized by the commissioner of natural resources before drilling commences. The new subsection includes a payback provision, which is triggered upon sustained production from a reservoir discovered by the exploration well, and structures the tax credits as follows:

- The first person that drills an exploration well is credited 100 percent of costs, or $25 million, whichever is less;
- The second exploration well drilled is entitled to a credit of 90 percent, or up to $22.5 million, whichever is less;
- The third exploration well is credited at 80 percent, or up to $20 million, whichever is less.

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Amended Sectional

SB 145 ***"An Act providing for a credit against the oil and gas production tax for costs incurred for conducting seismic exploration and drilling certain oil or natural gas exploration wells in certain basins; and providing a special tax rate for new oil or gas production south of 68 degrees North latitude."***

The Work Draft CSSB 145, (Version 27-LS1078\D) makes one change from Work Draft CSSB 145 (Version 27-LS1078\I) as follows:

Section 5. Changes the period during which the Department of Natural Resources will keep seismic data confidential under S 43.55.025(f)(2) from ten years to two for those persons who apply for a production tax credit under the new provision of subsection (o).

27-LS1078\D
Nauman/Bullock
3/27/12

CS FOR SENATE BILL NO. 145( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): SENATORS WAGONER AND COGHILL, Thomas

A BILL

FOR AN ACT ENTITLED

"An Act providing for a credit against the oil and gas production tax for costs incurred for conducting seismic exploration and drilling certain oil or natural gas exploration wells in certain basins; and providing a special tax rate for new oil or gas production south of 68 degrees North latitude."

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

*** Section 1.** AS 43.55.011(e) is amended to read:

(e) There is levied on the producer of oil or gas a tax for all oil and gas produced each calendar year from each lease or property in the state, less any oil and gas the ownership or right to which is exempt from taxation or constitutes a landowner's royalty interest. Except as otherwise provided under (f), (j), (k), [AND] (o)**, and (p)** of this section, the tax is equal to the sum of

(1) the annual production tax value of the taxable oil and gas as calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

(2) the sum, over all months of the calendar year, of the tax amounts

determined under (g) of this section.

* **Sec. 2.** AS 43.55.011 is amended by adding a new subsection to read:

(p) After December 31, 2012, for the seven years immediately following the commencement of commercial production from a lease or property or unit that did not have oil or gas production before January 1, 2013, the levy of tax under this section for oil and gas produced south of 68 degrees North latitude, other than gas subject to (i) or (j) of this section, gas subject to (o) of this section, or oil subject to (k) of this section, is four percent of the gross value at the point of production.

* **Sec. 3.** AS 43.55.025(a) is amended to read:

(a) Subject to the terms and conditions of this section, a credit against the production tax levied by AS 43.55.011(e) is allowed for exploration expenditures that qualify under (b) of this section in an amount equal to one of the following:

(1) 30 percent of the total exploration expenditures that qualify only under (b) and (c) of this section;

(2) 30 percent of the total exploration expenditures that qualify only under (b) and (d) of this section;

(3) 40 percent of the total exploration expenditures that qualify under (b), (c), and (d) of this section;

(4) 40 percent of the total exploration expenditures that qualify only under (b) and (e) of this section; [OR]

(5) 80, 90, or 100 percent, or a lesser amount described in (*l*) of this section, of the total exploration expenditures described in (b)(1) and (2) of this section and not excluded by (b)(3) and (4) of this section that qualify only under (*l*) of this section;

(6) the lesser of $22,500,000 or 80 percent of the total exploration drilling expenditures described in (n) of this section and that qualify under (b) and (c) of this section; or

(7) the lesser of $7,500,000 or 75 percent of the total seismic exploration expenditures described in (o) of this section and that qualify under (b) of this section.

* **Sec. 4.** AS 43.55.025(c) is amended to read:

(c) To be eligible for **a** [THE 30 PERCENT] production tax credit authorized by (a)(1)**, (3), or (6)** of this section [OR THE 40 PERCENT PRODUCTION TAX CREDIT AUTHORIZED BY (a)(3) OF THIS SECTION], exploration expenditures must

(1) qualify under (b) of this section; and

(2) be for an exploration well, subject to the following:

(A) before the well is spudded,

(i) the explorer shall submit to the commissioner of natural resources the information necessary to determine whether the geological objective of the well is a potential oil or gas trap that is distinctly separate from any trap that has been tested by a preexisting well;

(ii) at the time of the submittal of information under (i) of this subparagraph, the commissioner of natural resources may request from the explorer that specific data sets, ancillary data, and reports including all results, and copies of well data collected and data analyses for the well be provided to the Department of Natural Resources upon completion of the drilling; in this sub-subparagraph, well data include all analyses conducted on physical material, and well logs collected from the well and sample analyses; testing geophysical and velocity data including vertical seismic profiles and check shot surveys; testing data and analyses; age data; geochemical analyses; and access to tangible material; and

(iii) the commissioner of natural resources must make an affirmative determination as to whether the geological objective of the well is a potential oil or gas trap that is distinctly separate from any trap that has been tested by a preexisting well and what information under (ii) of this subparagraph must be submitted by the explorer after completion, abandonment, or suspension under AS 31.05.030; the commissioner of natural resources shall make that determination within 60 days after receiving all the necessary information from the explorer

based on the information received and on other information the commissioner of natural resources considers relevant;

(B) for an exploration well other than a well to explore a Cook Inlet prospect, the well must be located and drilled in such a manner that the bottom hole is located not less than three miles away from the bottom hole of a preexisting well drilled for oil or gas, irrespective of whether the preexisting well has been completed, suspended, or abandoned;

(C) after completion, suspension, or abandonment under AS 31.05.030 of the exploration well, the commissioner of natural resources must determine that the well was consistent with achieving the explorer's stated geological objective.

* **Sec. 5.** AS 43.55.025 is amended by adding new subsections to read:

(n) The persons that drill the first four exploration wells in the state and within the areas described in (p) of this section on state or private lands for the purpose of discovering oil or gas that penetrate and evaluate a prospect in a basin described in (p) of this section are eligible for a credit under (a)(6) of this section. A credit under this subsection may not be taken for more than two exploration wells in a single area described in (p)(1) - (6) of this section. Exploration expenditures eligible for the credit in this subsection must be incurred for work performed after June 1, 2012. A person planning to drill an exploration well on private land and to apply for a credit under this subsection shall obtain written consent from the owner of the oil and gas interest for the full public release of all well data after the expiration of the confidentiality period applicable to information collected under (f) of this section and in conjunction with and compliance with the data submission requirements in (f)(2) of this section. The written consent of the owner of the oil and gas interest must be submitted to the commissioner of natural resources before approval of the proposed exploration well. In addition to the requirements in (c) of this section and submission of the written consent of the owner of the oil and gas interest, a person planning to drill an exploration well shall obtain approval from the commissioner of natural resources before the well is spudded. The commissioner of natural resources shall make a written determination approving or rejecting an exploration well within 60 days after

receiving the request for approval or as soon as is practicable thereafter. Before approving the exploration well, the commissioner of natural resources shall consider the following: the location of the well; the proximity to a community in need of a local energy source; the proximity of existing infrastructure; the experience and safety record of the explorer in conducting operations in remote or roadless areas; the projected cost schedule; whether seismic mapping and seismic data sufficiently identify a particular trap for exploration; whether the targeted and planned depth and range are designed to penetrate and fully evaluate the hydrocarbon potential of the proposed prospect and reach the level below which economic hydrocarbon reservoirs are likely to be found, or reach 12,000 feet or more true vertical depth; and whether the exploration plan provides for a full evaluation of the wellbore below surface casing to the depth of the well. Whether the exploration well for which a credit is requested under this subsection is located within an area and a basin described under (p) of this section shall be determined by the commissioner of natural resources and reported to the commissioner. A taxpayer that obtains a credit under this subsection may not claim a tax credit under AS 43.55.023 or another provision in this section for the same exploration expenditure.

(o) The persons that conduct the first four seismic exploration projects in the state and within the areas described in (p) of this section for the purpose of discovering oil or gas in a basin are eligible for the credit under (a)(7) of this section. A credit under this subsection may not be taken for more than one seismic exploration project in a single area described in (p)(1) - (6) of this section. Exploration expenditures eligible for the credit in this subsection must be incurred for work performed after June 1, 2012. A person planning to conduct a seismic exploration project on private land and to apply for a credit under this subsection shall obtain written consent from the owner of the oil and gas interest for the full public release of all geophysical data and compliance with the data submission requirements in (f)(2) of this section. Notwithstanding (f)(2)(C)(ii) of this section, to qualify for a credit under this subsection, a person shall submit the written consent of the owner of the oil and gas interest for the release of data if applicable, and all data required under (f)(2) of this section to the Department of Natural Resources and shall agree in writing that all

seismic data requirements submitted under the requirements of (f)(2) of this section may be made public two years after receiving a credit under this subsection. A person intending to qualify for the tax credit under this subsection shall obtain approval from the commissioner of natural resources before the commencement of the seismic exploration activities. The commissioner of natural resources shall make a written determination approving or rejecting a seismic project within 60 days after receiving the request for approval or as soon as is practicable thereafter. Before approving a seismic exploration project, the commissioner shall consider the following: the location of the project; the projected cost schedule; the data acquisition and data processing plan; the reasons for choosing the particular area for seismic exploration; and the experience and safety record of the person in conducting seismic exploration operations in remote or roadless areas. Whether the seismic exploration project for which a credit is requested under this subsection is located in a basin described in (p) of this section shall be determined by the commissioner of natural resources and reported to the commissioner. A taxpayer that obtains a credit under this subsection may not claim a tax credit under AS 43.55.023 or another provision in this section for the same exploration expenditure.

(p) The activity that is the basis for a credit claimed under (a)(6) and (n) of this section or (a)(7) and (o) of this section must be for the exploration of a basin and within the following areas whose central points are determined using the World Geographic System of 1984 datum,

(1) 100 miles from 66.896128 degrees North, -162.598187 degrees West;

(2) 150 miles from 64.839474 degrees North, -147.72094 degrees West;

(3) 50 miles from 62.776428 degrees North, -164.495201 degrees West;

(4) 50 miles from 62.110357 degrees North, -145.530551 degrees West;

(5) 100 miles from 58.189868 degrees North, -157.371104 degrees West;

(6) 100 miles from 56.005988 degrees North, -160.56083 degrees West.

SB 145

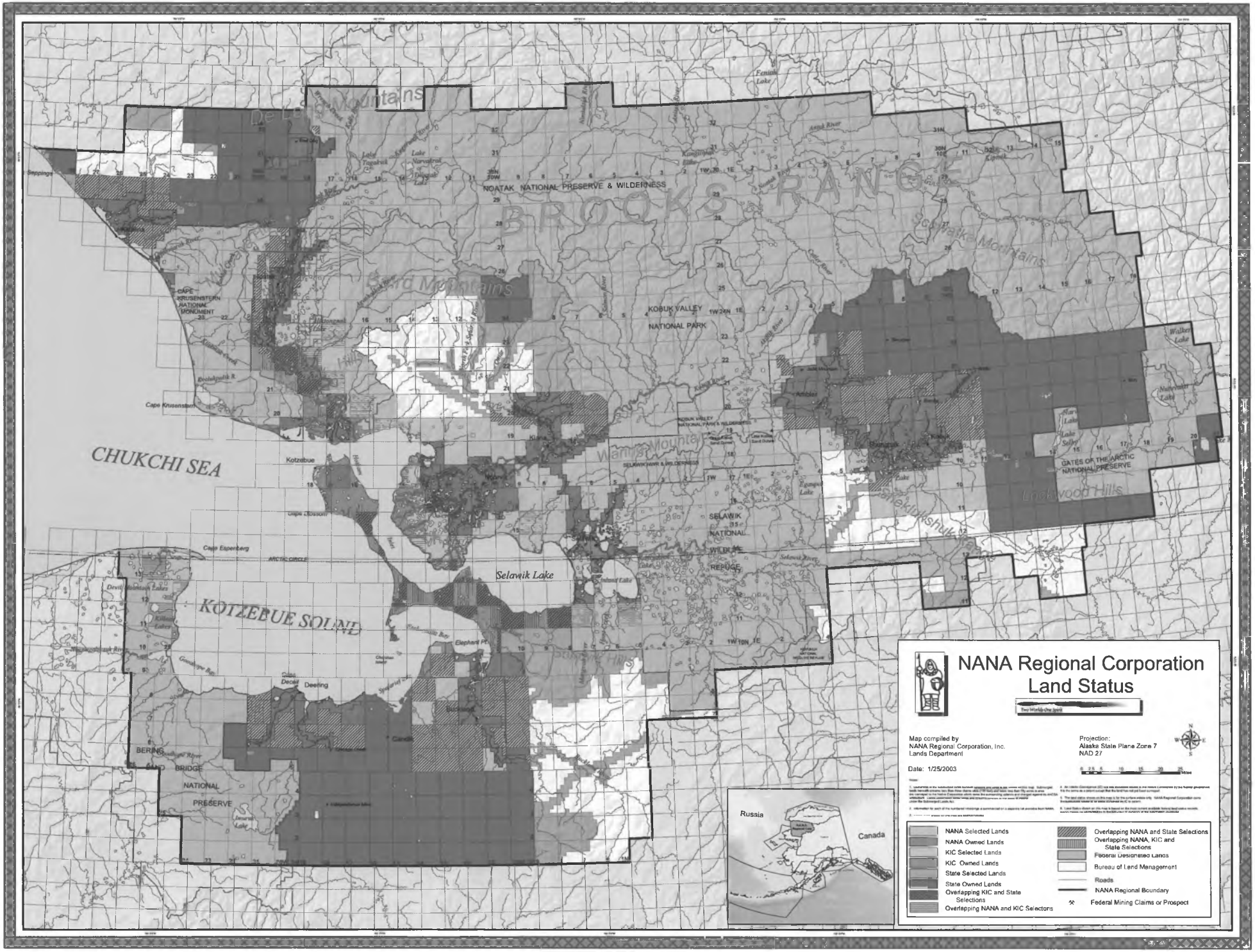
Cost of Energy in Northwest Alaska

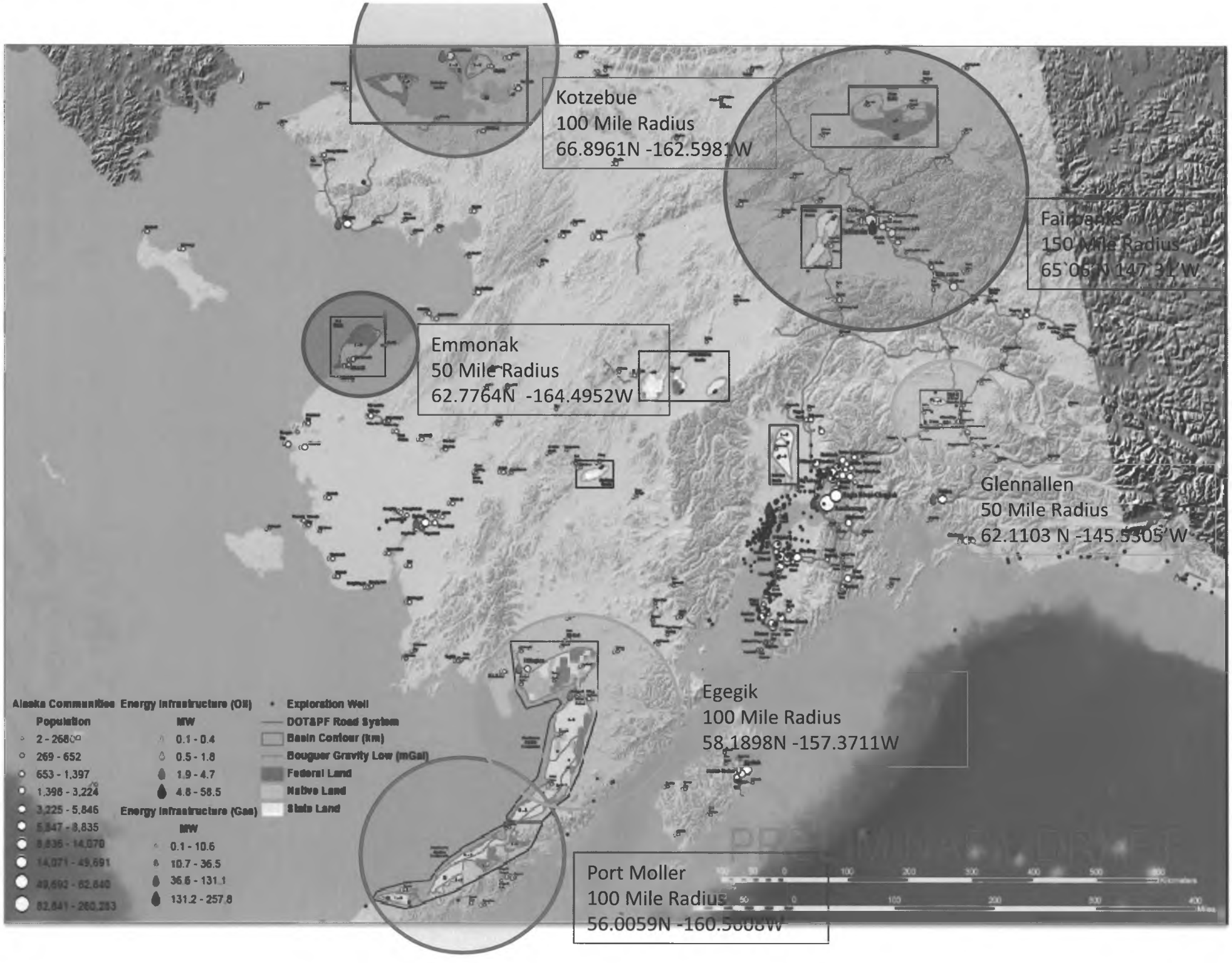
The following table shows prices residents are paying for energy, including gasoline, stove oil and propane to heat their homes, and for diesel-generated electricity, as of February, 2012:

Village	Gasoline/gallon	Stove Oil/gallon	Propane/23 gallon	Electric/Kwh
Kotzebue	$7.35	$7.50	$186.79	$.4144
Ambler	$8.95	$9.50	$285	$.6805
Kobuk	$10.46	$9.30	$270	$.87
Shungnak	$9.59	$9.59	$330	$.9235
Kiana	$7.50	$7.00	$270	$.6835
Noorvik	$8.07	$7.31	$278	$.6489
Selawik	$7.00	$6.80	$264.55	$.6567
Buckland	$6.25	$7.00	$271	$.4741
Deering	$6.30	$6.25	$285	$.7047
Kivalina	$6.72	$6.55	$285	$.6785
Noatak	$8.99	$8.99	$311	$.7826

The average cost of one gallon of gas in our region is **$7.92**. The village of Kobuk has the highest price at **$10.46 per gallon**. Buckland enjoys the least costly rate at **$6.25 per gallon**.

PROVIDED FOR SB145; 3-28-12 /MAA


NOATAK NATIONAL PRESERVE & WILDERNESS
BROOKS RANGE
KOBUK VALLEY NATIONAL PARK
CAPE KRUSENSTERN NATIONAL MONUMENT
SELAWIK NWR & WILDERNESS
GATES OF THE ARCTIC NATIONAL PRESERVE
CHUKCHI SEA
KOTZEBUE SOUND
Selawik Lake
Kotzebue
Deering
BERING LAND BRIDGE NATIONAL PRESERVE
SELAWIK NATIONAL WILDLIFE REFUGE
Russia
Canada
NANA Regional Corporation Land Status
Map compiled by
NANA Regional Corporation, Inc.
Lands Department
Date: 1/25/2003
Projection:
Alaska State Plane Zone 7
NAD 27
NANA Selected Lands
NANA Owned Lands
KIC Selected Lands
KIC Owned Lands
State Selected Lands
State Owned Lands
Overlapping KIC and State Selections
Overlapping NANA and KIC Selections
Overlapping NANA and State Selections
Overlapping NANA, KIC and State Selections
Federal Designated Lands
Bureau of Land Management
Roads
NANA Regional Boundary
Federal Mining Claims or Prospect


Kotzebue
100 Mile Radius
66.8961N -162.5981W
Fairbanks
150 Mile Radius
65`06`N 147`31`W
Emmonak
50 Mile Radius
62.7764N -164.4952W
Glennallen
50 Mile Radius
62.1103 N -145.5305 W
Egegik
100 Mile Radius
58.1898N -157.3711W
Port Moller
100 Mile Radius
56.0059N -160.5608W
Alaska Communities
Population
2 - 268
269 - 652
653 - 1,397
1,398 - 3,224
3,225 - 5,846
5,847 - 8,835
8,836 - 14,070
14,071 - 49,691
49,692 - 62,840
62,841 - 260,283
Energy Infrastructure (Oil)
MW
0.1 - 0.4
0.5 - 1.8
1.9 - 4.7
4.8 - 58.5
Energy Infrastructure (Gas)
MW
0.1 - 10.6
10.7 - 36.5
36.6 - 131.1
131.2 - 257.8
Exploration Well
DOT&PF Road System
Basin Contour (km)
Bouguer Gravity Low (mGal)
Federal Land
Native Land
State Land

ALASKA STATE LEGISLATURE

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Sponsor Statement

CSSB 145 (Res) ***"An Act providing for a credit against the oil and gas production tax for costs incurred for conducting seismic exploration and drilling certain oil or natural gas exploration wells in certain basins."***

CSSB 145 is designed to attract exploration drilling and seismic exploration in remote areas of Alaska with some proximity to communities in need of a local energy source. These remote areas show promise of holding hydrocarbons, but are underexplored due to complications and costs associated with accessing and developing these remote locations. Because they are underexplored, or even unexplored, they have provided scant geological information to either the state or possible investors. At a time when economic growth and development in many regions of Alaska are crippled by high energy prices and the lack of reliable energy supplies, this legislation will provide needed encouragement to independent companies and landowners otherwise hesitant to invest in exploration projects near energy challenged communities. For example, the Fairbanks community spends over $660 million per year on space heating, yet is located just 50 miles away from the Nenana Basin, a geologic basin that has shown strong potential to be a source for oil and gas. All that is needed to develop this potential resource is investors. Like tax credits used in other regions in the state, CSSB 145 tax credits for frontier basins will attract those needed investors.

CSSB 145 provides to the first four persons that perform seismic exploration in four different areas identified in the bill a credit in the amount of $7,500,000 or 75% of the total seismic exploration expenditures, whichever is less. The first four exploration well drillers to drill within the areas described in the bill will receive $22,500,000 or 80% of the total exploration drilling expenses, whichever is less. No more than two wells in a single designated area may qualify for the credit. In exchange for the tax credit, explorers must agree to meet certain criteria before commencing exploration that will assure the state that the project is sound, and they must agree to provide to the state specific data acquired through the project.

By providing meaningful tax credits to the first four exploration drillers to drill in these remote areas, and the first four seismic projects to be completed, CSSB 145 will hasten exploration in specific remote basins that the Department of Natural Resources has identified may hold oil and gas reserves. The exploration incentives in CSSB 145 will benefit the Interior and other regions of the state faced with crippling high-energy costs and benefit the state by providing information needed to better define potential resources and further attract investment and exploration in these remote areas.

27-LS1078\I
Nauman/Bullock
3/23/12

CS FOR SENATE BILL NO. 145( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): SENATORS WAGONER AND COGHILL, Thomas

A BILL

FOR AN ACT ENTITLED

"An Act providing for a credit against the oil and gas production tax for costs incurred for conducting seismic exploration and drilling certain oil or natural gas exploration wells in certain basins; and providing a special tax rate for new oil or gas production south of 68 degrees North latitude."

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

*** Section 1.** AS 43.55.011(e) is amended to read:

(e) There is levied on the producer of oil or gas a tax for all oil and gas produced each calendar year from each lease or property in the state, less any oil and gas the ownership or right to which is exempt from taxation or constitutes a landowner's royalty interest. Except as otherwise provided under (f), (j), (k), [AND] (o)**, and (p)** of this section, the tax is equal to the sum of

(1) the annual production tax value of the taxable oil and gas as calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

(2) the sum, over all months of the calendar year, of the tax amounts

determined under (g) of this section.

*** Sec. 2.** AS 43.55.011 is amended by adding a new subsection to read:

(p) After December 31, 2012, for the seven years immediately following the commencement of commercial production from a lease or property or unit that did not have oil or gas production before January 1, 2013, the levy of tax under this section for oil and gas produced south of 68 degrees North latitude, other than gas subject to (i) or (j) of this section, gas subject to (o) of this section, or oil subject to (k) of this section, is four percent of the gross value at the point of production.

*** Sec. 3.** AS 43.55.025(a) is amended to read:

(a) Subject to the terms and conditions of this section, a credit against the production tax levied by AS 43.55.011(e) is allowed for exploration expenditures that qualify under (b) of this section in an amount equal to one of the following:

(1) 30 percent of the total exploration expenditures that qualify only under (b) and (c) of this section;

(2) 30 percent of the total exploration expenditures that qualify only under (b) and (d) of this section;

(3) 40 percent of the total exploration expenditures that qualify under (b), (c), and (d) of this section;

(4) 40 percent of the total exploration expenditures that qualify only under (b) and (e) of this section; [OR]

(5) 80, 90, or 100 percent, or a lesser amount described in (*l*) of this section, of the total exploration expenditures described in (b)(1) and (2) of this section and not excluded by (b)(3) and (4) of this section that qualify only under (*l*) of this section**;**

(6) the lesser of $22,500,000 or 80 percent of the total exploration drilling expenditures described in (n) of this section and that qualify under (b) and (c) of this section; or

(7) the lesser of $7,500,000 or 75 percent of the total seismic exploration expenditures described in (o) of this section and that qualify under (b) of this section.

*** Sec. 4.** AS 43.55.025(c) is amended to read:

(c) To be eligible for **a** [THE 30 PERCENT] production tax credit authorized by (a)(1)**, (3), or (6)** of this section [OR THE 40 PERCENT PRODUCTION TAX CREDIT AUTHORIZED BY (a)(3) OF THIS SECTION], exploration expenditures must

(1) qualify under (b) of this section; and

(2) be for an exploration well, subject to the following:

(A) before the well is spudded,

(i) the explorer shall submit to the commissioner of natural resources the information necessary to determine whether the geological objective of the well is a potential oil or gas trap that is distinctly separate from any trap that has been tested by a preexisting well;

(ii) at the time of the submittal of information under (i) of this subparagraph, the commissioner of natural resources may request from the explorer that specific data sets, ancillary data, and reports including all results, and copies of well data collected and data analyses for the well be provided to the Department of Natural Resources upon completion of the drilling; in this sub-subparagraph, well data include all analyses conducted on physical material, and well logs collected from the well and sample analyses; testing geophysical and velocity data including vertical seismic profiles and check shot surveys; testing data and analyses; age data; geochemical analyses; and access to tangible material; and

(iii) the commissioner of natural resources must make an affirmative determination as to whether the geological objective of the well is a potential oil or gas trap that is distinctly separate from any trap that has been tested by a preexisting well and what information under (ii) of this subparagraph must be submitted by the explorer after completion, abandonment, or suspension under AS 31.05.030; the commissioner of natural resources shall make that determination within 60 days after receiving all the necessary information from the explorer

based on the information received and on other information the commissioner of natural resources considers relevant;

(B) for an exploration well other than a well to explore a Cook Inlet prospect, the well must be located and drilled in such a manner that the bottom hole is located not less than three miles away from the bottom hole of a preexisting well drilled for oil or gas, irrespective of whether the preexisting well has been completed, suspended, or abandoned;

(C) after completion, suspension, or abandonment under AS 31.05.030 of the exploration well, the commissioner of natural resources must determine that the well was consistent with achieving the explorer's stated geological objective.

*** Sec. 5.** AS 43.55.025 is amended by adding new subsections to read:

(n) The persons that drill the first four exploration wells in the state and within the areas described in (p) of this section on state or private lands for the purpose of discovering oil or gas that penetrate and evaluate a prospect in a basin described in (p) of this section are eligible for a credit under (a)(6) of this section. A credit under this subsection may not be taken for more than two exploration wells in a single area described in (p)(1) - (6) of this section. Exploration expenditures eligible for the credit in this subsection must be incurred for work performed after June 1, 2012. A person planning to drill an exploration well on private land and to obtain a credit under this subsection shall obtain written consent from the owner of the oil and gas interest for the full public release of all well data after the expiration of the confidentiality period applicable to information collected under (f) of this section and in conjunction with and compliance with the data submission requirements in (f)(2) of this section. The written consent of the owner of the oil and gas interest must be submitted to the commissioner of natural resources before approval of the proposed exploration well. In addition to the requirements in (c) of this section and submission of the written consent of the owner of the oil and gas interest, a person planning to drill an exploration well shall obtain approval from the commissioner of natural resources before the well is spudded. The commissioner of natural resources shall approve or reject an exploration well within 60 days after receiving the request for approval or as

soon as is practicable thereafter. Before approving the exploration well, the commissioner of natural resources shall consider the following: the location of the well; the proximity to a community in need of a local energy source; the proximity of existing infrastructure; the experience and safety record of the explorer in conducting operations in remote or roadless areas; the projected cost schedule; whether seismic mapping and seismic data sufficiently identify a particular trap for exploration; whether the targeted and planned depth and range are designed to penetrate and fully evaluate the hydrocarbon potential of the proposed prospect and reach the level below which economic hydrocarbon reservoirs are likely to be found, or reach 12,000 feet or more true vertical depth; and whether the exploration plan provides for a full evaluation of the wellbore below surface casing to the depth of the well. Whether the exploration well for which a credit is requested under this subsection is located within an area and a basin described under (p) of this section shall be determined by the commissioner of natural resources and reported to the commissioner. A taxpayer that obtains a credit under this subsection may not claim a tax credit under AS 43.55.023 or another provision in this section for the same exploration expenditure.

(o) The persons that conduct the first four seismic exploration projects in the state and within the areas described in (p) of this section for the purpose of discovering oil or gas in a basin are eligible for the credit under (a)(7) of this section. A credit under this subsection may not be taken for more than one seismic exploration project in a single area described in (p)(1) - (6) of this section. Exploration expenditures eligible for the credit in this subsection must be incurred for work performed after June 1, 2012. A person planning to conduct a seismic exploration project on private land and to obtain a credit under this subsection shall obtain written consent from the owner of the oil and gas interest for the full public release of all geophysical data and compliance with the data submission requirements in (f)(2) of this section. To qualify for a credit under this subsection, a person shall submit the written consent of the owner of the oil and gas interest for the release of data if applicable, and all data required under (f)(2) of this section to the Department of Natural Resources and shall agree in writing that all seismic data requirements submitted under the requirements of (f)(2) of this section may be made public after the expiration of the confidentiality

period applicable to information collected under (f)(2) of this section. A person intending to qualify for the tax credit under this subsection shall obtain approval from the commissioner of natural resources before the commencement of the seismic exploration activities. The commissioner of natural resources shall approve or reject a seismic project within 60 days after receiving the request for approval or as soon as is practicable thereafter. Before approving a seismic exploration project, the commissioner shall consider the following: the location of the project; the projected cost schedule; the data acquisition and data processing plan; the reasons for choosing the particular area for seismic exploration; and the experience and safety record of the person in conducting seismic exploration operations in remote or roadless areas. Whether the seismic exploration project for which a credit is requested under this subsection is located in a basin described in (p) of this section shall be determined by the commissioner of natural resources and reported to the commissioner. A taxpayer that obtains a credit under this subsection may not claim a tax credit under AS 43.55.023 or another provision in this section for the same exploration expenditure.

(p) The activity that is the basis for a credit claimed under (a)(6) and (n) of this section or (a)(7) and (o) of this section must be for the exploration of a basin and within the following areas whose central points are determined using the World Geographic System of 1984 datum,

(1) 100 miles from 66.896128 degrees North, -162.598187 degrees West;

(2) 150 miles from 64.839474 degrees North, -147.72094 degrees West;

(3) 50 miles from 62.776428 degrees North, -164.495201 degrees West;

(4) 50 miles from 62.110357 degrees North, -145.530551 degrees West;

(5) 100 miles from 58.189868 degrees North, -157.371104 degrees West;

(6) 100 miles from 56.005988 degrees North, -160.56083 degrees

West.

ALASKA STATE LEGISLATURE

SENATOR THOMAS H. WAGONER

Co-Chair: Senate Resources Committee

Member: C&RA Committee
Member: Regulatory Review
Member: LB&A Committee
Member: World Trade

Official Business

Session: January - May
State Capitol, #427
Juneau, AK 99801
Phone: 907-465-2828 Fax: 907-465-4779

Interim: May - December
145 Main Street Loop, Suite 226
Kenai, AK 99611
Phone: 907-283-7996 Fax: 907-283-8127

Sectional

SB 145 ***"An Act providing for a credit against the oil and gas production tax for costs incurred for conducting seismic exploration and drilling certain oil or natural gas exploration wells in certain basins; and providing a special tax rate for new oil or gas production south of 68 degrees North latitude."***

Section 1. Amends AS 43.55.011(e) to add reference to a new subsection (p).

Section 2. Adds a new subsection(p) to AS 43.55.011 that provides a four percent of the gross value at the point of production tax rate after December 31, 2012 for the seven years immediately following the commencement of commercial production from a lease of property or a unit that did not have oil or gas production before January 1, 2013, and that is not gas subject to AS 43.55.011 (i), (j) or (o) or oil subject to (k).

Section 3. Amends AS 43.55.025(a) to add a new subsection (6) that allows a production tax credit for exploration drilling expenditures, described in a new subsection (n), that qualify under (b) and (c) of AS 43.55.025 in the amount of 80% of the total expenditures or $22.5 million, whichever is less; and adds a new subsection (7) that allows a production tax credit for seismic exploration expenditures, described in a new subsection (o), that qualify under (b) of AS 43.55.025 in the amount of 75% of the total seismic exploration expenditures or $7.5 million, whichever is less.

Section 4. Makes a conforming change to AS 43.55.025(c) to include the new subsection (6)

Section 5. Adds a new subsection (n) to AS 43.55.025 providing that the first four exploration drillers that drill an exploration well on state or private land, within the areas identified in subsection (p), are eligible for tax credits described under (a)(6). Specifies that a credit may not be taken for more than two wells in a single area described in (p) and work must be performed after June 1, 2012. Provides that if the well is on private land, the driller shall obtain written consent from the owner of the oil and gas interest for the full public release of all well data after the expiration of the confidentiality period provided under subsection (f) and submit that consent to DNR before approval of the proposed well.

In addition to the requirements of (c), adds that the explorer shall obtain approval from DNR before the well is spudded, and gives the commissioner 60 days to

approve the request, based on consideration of certain factors that will help validate the soundness of the proposed exploration plan and its likelihood of success.

Clarifies that a taxpayer taking a credit under this section may not stack the credit with other credits allowed under AS 43.55.023.

Adds a new subsection (o) to AS 43.55.025 providing that the first four seismic exploration projects in the state that are within the areas identified in (p) are eligible for the credits under (a)(7). Specifies that a credit may not be taken for more than one seismic project in a single area described in (p) and work must be performed after June 1, 2012. Provides that if the seismic is on private land, the driller shall obtain written consent from the owner of the oil and gas interest for the full public release of all seismic data after the expiration of the confidentiality period provided under subsection (f)(2) and submit that consent to DNR before approval of the proposed seismic project.

Further provides that the explorer shall obtain approval from DNR before the seismic exploration project commences, and gives the commissioner 60 days to approve the request, based on consideration of certain factors that will help validate the soundness of the proposed exploration plan and its likelihood of success.

Clarifies that a taxpayer taking a credit under this section may not stack the credit with other credits allowed under AS 43.55.023.

Adds a new subsection (p) that lists six areas within the state where exploration projects may be conducted and qualify for the tax credits under (a)(6) and (a)(7).

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB145(RES)**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB145CS(RES)-DNR-DOG-03-28-12
Title: Oil/Gas Production Tax Credits: Nenana
Sponsor: Sen. Wagoner
Requester: (S)RES

Dept. Affected: Natural Resources
Appropriation: Oil and Gas
Allocation: Oil and Gas
OMB Component Number: 439

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	193.4		193.4	193.4	193.4	96.7	
Travel							
Services	11.0		11.0	11.0	11.0	5.5	
Commodities	7.0						
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**211.4**	**0.0**	**204.4**	**204.4**	**204.4**	**102.2**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	211.4		204.4	204.4	204.4	102.2	
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
	TOTAL	**211.4**	**0.0**	**204.4**	**204.4**	**204.4**	**102.2**	**0.0**

POSITIONS							
Full-time	2		2	2	2	1	0
Part-time							
Temporary							

CHANGE IN REVENUES	***		***	***	***	***	***

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

The Senate Resources committee substitute for SB 145 includes 5 more areas eligible for tax incentives program for exploration activities. Seismic exploration activities were also added to the exploration wells as eligible activities for tax credits. CSSB145 also adds a new section on production tax for commercial finds of oil or gas production south of 68 degrees, other than Cook Inlet.

Prepared by: William C. Barron, Director — Phone (907) 269-8800
Division: Division of Oil and Gas — Date/Time 3/28/12 4:00 PM
Approved by: Daniel Sullivan, Commissioner — Date 3/28/2012
Department of Natural Resources

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB145(RES)

Analysis

The impact of CSSB 145(RES) on state royalties is indeterminate. The impact is dependent on a commercial discovery being made on state lands, and the frontier areas contain lands for which the State owns the mineral rights.

Section 2 of CSSB 145(RES) would put a four percent gross tax ceiling on the current net tax for the first seven years of production from a field that is not on the North Slope, nor in the Cook Inlet, nor selling gas for use in-state. The impact of this section on state royalty revenue is indeterminate. Depending on the field's profitability, the four percent gross tax might be less than the current net tax. Despite the tax liability under current tax law for such a field already being reduced by the non-transferable tax credits available under AS 43.55.024(a) and (c) (if applicable), the four percent ceiling might improve the economics of field development.

Section 3 establishes for exploration activity within six frontier areas in Alaska two new credits: a credit for seismic work and a credit for drilling exploration wells. The credit for seismic activity provides for a credit equal to 75% of the cost of the seismic work or $7.5 million, whichever is less, for the first four seismic exploration projects in those frontier areas. Not more than one seismic program can be undertaken for a given frontier area. The credit for exploration well drilling provides a credit equal to 80% of the cost of the well or $22.5 million, whichever is less, for the four wells drilled in the six frontier areas. Not more than two wells can be drilled in a given frontier area. These two credits cannot be taken in conjunction with the qualified capital expenditure credit or carried-forward annual loss credit. The credit applies to exploration on state, private lands and onshore federal lands.

The 75% seismic and 80% well exploration credits provides a more generous tax benefit than is currently available for new entrant explorers in Alaska. Now, the new entrant explorer could receive at most a 65% tax benefit comprised of a 40% credit for a remote well drilled (or for seismic of a remote area) and a carried-forward annual loss credit of 25% under AS 43.55.023(b). This higher up-front tax benefit, all else equal, should encourage exploration by new entrants in some of the six frontier areas identified in the bill.

In the frontier areas denoted by the new AS 43.55.025(p)(5) and (p)(6), the Egegik and Port Moller basins, DNR holds annual Alaska Peninsula area lease sales. The area has moderate to high potential for gas and low to moderate potential for oil. The State has not received any bids for leases in this area over the last three lease sales. To the extent the more generous tax benefits there encourage lease bidding, drilling, and seismic work in the Alaska Peninsula, the State might eventually receive more revenue from bonus bids and royalties from that area.

The frontier area denoted by (p)(2), or the Fairbanks area, includes the Nenana basin, where Doyon currently has an exploration license with the State. To the extent the more generous tax benefits there encourage drilling and seismic work in the Nenana basin, the State may eventually receive more royalty revenue as the exploration licenses there are converted to leases.

Some of the frontier areas contain land whose mineral rights are owned by private landowners or the federal government. The prospective acreage in the Yukon Flats basin contained in the Fairbanks frontier area is on land owned by Native corporations. Similarly, while the State has a mineral interest in offshore lands up to the three mile limit for frontier areas denoted by (p)(1), Kotzebue, and (p)(3), Emmonak, the State lacks a substantial mineral interest on-shore in these frontier areas.

The Copper River basin is also identified and although there is a significant state land base, the area is mostly federal US Park Service lands. There are no state exploration licenses in the area; however, approximately ten to twelve exploration wells have been drilled in the area.

Analysis Continued

Section 5 of the bill provides for some administrative responsibilities for DNR. A person wanting to receive a credit must obtain the approval of DNR for undertaking the seismic or drilling program, and DNR has 60 days or as soon as practical to evaluate the proposed expenditure. DNR's written evaluation must take into account a number of factors concerning the operator and proposed exploration. DNR must also find that the proposed work is located in a specified frontier basin. DNR must also ensure that data is collected on the exploration work, and, if applicable, obtain the agreement of a private landowner for public release of the data under AS 43.55.025(i).

DNR must make a best interests finding regarding the proposed work program after examining a variety of factors. DNR must also find that the proposed work is located in a specified frontier basin. The division is requesting two new NRS III positions (range 18, step C) to address the anticipated increase in well drilling and seismic activities in frontier areas and a potential influx in processing of exploration licenses. Other budgeted items include mandatory position costs, office equipment, and office space expenses.

Resource evaluation work such as serving as contacts for several stages of necessary correspondence between the operator, Division of Oil and Gas, and Department of Revenue; inventorying and checking completeness of data submitted; assisting in loading and conducting quality control on seismic and well data; monitoring release schedule; and helping coordinate the transfer of DNR data to Alaska Oil and Gas Conservation Commission for public distribution would also be required. Assuming this program is not amended or extended, the staffing increases could be reduced in FY17 and 18.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB 145 (RES)**
Fiscal Note Number: 2
() Publish Date:

Identifier (file name): SB145CS(RES)-DOR-TAX-03-29-12
Title: Oil/Gas Production Tax Credits: Nenana
Sponsor: Senators Wagoner, Coghill, and Thomas
Requester: SEN RES

Dept. Affected: Revenue
Appropriation: Taxation and Treasury
Allocation: Tax
OMB Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	***		***	***	***	***	***

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated for CS version D.

Prepared by: Lennie Dees / Audit Master — Phone: 907-269-1019
Division: Tax — Date/Time: 3/29/12 8:15 AM
Approved by: Alicia Egan, Legislative Liaison — Date: 3/29/2012
Department of Revenue

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB 145 (RES)

Analysis

The revenue impact of this bill is indeterminate.

This bill adds new subsections (a)(6), (a)(7), (n), (o), and (p) to AS 43.55.025. Subsections (n) and (o) authorize production tax credits for drilling 4 exploration wells and conducting 4 seismic exploration projects in the 6 areas, or basins, indentified in new subsection (p) of the bill. The new credit amounts are defined in subsections (a)(6) and (a)(7). Subsection (a)(6) authorizes a credit which is the lesser of $22.5 million or 80% of the exploration drilling expenditures for each well described in subsection (n) that qualify under subsections (b), (c) and (p) of AS 43.55.025. Subsection (a)(7) authorizes a credit which is the lesser of $7.5 million or 75% of each seismic exploration project described in (o) that qualify under subsections (b) and (p) of AS 43.55.025. Only expenditures occurring after June 1, 2012 and before July 1, 2016 qualify under the bill.

The bill also adds a new subsection (p) to AS 43.55.011. This new subsection states that, for a period of seven years following the commencement of commercial production from a lease or property or unit south of 68 degrees North latitude (but not including Cook Inlet) that did not have oil or gas production prior to January 1, 2013, the tax rate for any new production in these areas would be 4% of the gross value at the point of production.

The fiscal impact of this bill is indeterminate. If four qualifying wells are drilled for the maximum allowed credit for each well of $22.5 million, the financial impact to the state would be $90 million. If four qualifying seismic exploration projects are conducted at the maximum allowed credit of $7.5 million, the financial impact to the state would be $30 million for a total of impact of $120 million if all credits proposed in the bill are earned.

The Department of Revenue could administer the provisions of this bill with existing resources.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB 145**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB145-DOR-TAX-03-28-12
Title: Oil/Gas Production Tax Credits: Nenana
Sponsor: Senators Wagoner, Coghill, and Thomas
Requester: (S) RES

Dept. Affected: Revenue
Appropriation: Taxation and Treasury
Allocation: Tax
OMB Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE (Thousands of Dollars)								
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	***		***	***	***	***	***

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This is the initial version of the bill.

Prepared by: Lennie Dees / Audit Master
Division: Tax
Approved by: Alicia Egan, Legislative Liaison
Department of Revenue

Phone: 907-269-6624
Date/Time: 3/28/12 10:15 AM
Date: 3/28/2012

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB 145
2012 LEGISLATIVE SESSION

Analysis

The revenue impact of this bill is indeterminate.

The bill amends subsection (a)(5) of AS 43.55.025 by adding reference to new section (n).

Section (n) establishes tax credits for drilling 3 oil or natural gas exploration wells in the Nenana Basin. This bill rewards to the first three persons that qualify, tax credits equaling 100%, 90% and 80% of the first $25 million in exploration well expenditures.

The language states that the first person to drill the well qualifies for the credit. One person or affiliate can obtain all three credits.

The Commissioner of Natural Resources has to authorize a well less than 8,000 feet but not less than 5,000 feet.

The bill does contain some provisions for payback of 50% of the credit for any well resulting in sustained production.

A taxpayer claiming a tax credit under this subsection may not claim a tax credit under AS 43.55.023 or another provision in this section for the same exploration expenditure.

This bill authorizes credits up to $67.5 million maximum, for all three wells.

The Department of Revenue can administer the provisions of this bill with existing resources.

ALASKA STATE LEGISLATURE

SENATOR THOMAS H. WAGONER

Co-Chair: Senate Resources Committee

Member: C&RA Committee
Member: Regulatory Review
Member: LB&A Committee
Member: World Trade

Official Business

Session: January - May
State Capitol, #427
Juneau, AK 99801
Phone: 907-465-2828 Fax: 907-465-4779

Interim: May - December
145 Main Street Loop, Suite 226
Kenai, AK 99611
Phone: 907-283-7996 Fax: 907-283-8127

DATE: April 3, 2012
TO: Leg. Legal
FROM: Mary Jackson
RE: Final Committee Bills – SB 145 & SB 219

The Senate Resources Committee met on April 2 and acted on SB 145 and SB 219.

Please provide a CS for those bills, per the Committee's actions, as follows:

SB 145 – adopted the following amendments to Draft CS SB 145 version \D:
27-LS1078\D.3 offered by Wielechowski & French (Amend #1)
27-LS1078\D.5 offered by French
French amended from "four" years to "five" years, no objection by committee. Amended amendment was no objection.

SB 219 – adopted the following amendments to version \A
27-GS2717\A.1 offered by Wagoner
27-GS2717\A.2 offered by French
27-GS2717\A.4 offered by French
27-GS2717\A.6 offered by Wielechowski

27-LS1078\D.3
Nauman
3/30/12

AMENDMENT #1

OFFERED IN THE SENATE BY SENATORS WIELECHOWSKI AND
TO: CSSB 145( ), Draft Version "D" FRENCH

Page 1, line 3, following "**basins;**":

Insert "**relating to certain nontransferable oil and gas production tax credits;**"

Page 2, following line 8:

Insert a new bill section to read:

"* **Sec. 3.** AS 43.55.024(b) is amended to read:

(b) A producer may not take a tax credit under (a) of this section for any calendar year after the later of

(1) **2021** [2016]; or

(2) the ninth calendar year after the calendar year during which the producer first has commercial oil or gas production before May 1, **2021** [2016], from at least one lease or property in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, if the producer did not have commercial oil or gas production from a lease or property in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, before April 1, 2006."

Renumber the following bill sections accordingly.

27-LS1078\D.4
Nauman
3/30/12

AMENDMENT #2

OFFERED IN THE SENATE BY SENATORS WIELECHOWSKI AND

TO: CSSB 145( ), Draft Version "D" FRENCH

Page 1, line 3:

Delete "**and**"

Insert "**relating to information concerning oil and gas taxes, including information that must be provided in order to claim an oil and gas production tax credit for those expenditures, and to the disclosure of that information;**"

Page 1, line 4, following "**latitude**":

Insert "**; and providing for an effective date**"

Page 7, following line 2:

Insert new bill sections to read:

"*** Sec. 6.** AS 43.55.030(a) is amended to read:

(a) A producer that produces oil or gas from a lease or property in the state during a calendar year, whether or not any tax payment is due under AS 43.55.020(a) for that oil or gas, shall file with the department on March 31 of the following year a statement, under oath, in a form prescribed by the department, giving, with other information required **by the department under a regulation adopted by the department**, the following:

(1) a description of each lease or property from which oil or gas was produced, by name, legal description, lease number, or accounting codes assigned by the department;

(2) the names of the producer and, if different, the person paying the tax, if any;

(3) the gross amount of oil and the gross amount of gas produced from each lease or property, and the percentage of the gross amount of oil and gas owned by the producer;

(4) the gross value at the point of production of the oil and of the gas produced from each lease or property owned by the producer and the costs of transportation of the oil and gas;

(5) the name of the first purchaser and the price received for the oil and for the gas, unless relieved from this requirement in whole or in part by the department;

(6) the producer's qualified capital expenditures, as defined in AS 43.55.023, other lease expenditures under AS 43.55.165, and adjustments or other payments or credits under AS 43.55.170;

(7) the production tax values of the oil and gas under AS 43.55.160;

(8) any claims for tax credits to be applied; [AND]

(9) calculations showing the amounts, if any, that were or are due under AS 43.55.020(a) and interest on any underpayment or overpayment**; and**

(10) for each expenditure that is the basis for a credit claimed under AS 43.55.023 or 43.55.025, a description of the expenditure, a detailed description of the purpose of the expenditure, and a description of the lease or property for which the expenditure was incurred; notwithstanding AS 40.25.100(a) and AS 43.05.230(a), information submitted under this paragraph may be disclosed to the public and shall be disclosed to the legislature in a report submitted within 10 days after the convening of the next regular legislative session following the date a statement is filed under this subsection.

*** Sec. 7.** AS 43.55.030(e) is amended to read:

(e) An explorer or producer that incurs a lease expenditure under AS 43.55.165 or receives a payment or credit under AS 43.55.170 during a calendar year but does not produce oil or gas from a lease or property in the state during the calendar year shall file with the department on March 31 of the following year a statement, under oath, in a form prescribed by the department, giving, with other information required **by the department under a regulation adopted by the**

department, the following:

(1) the producer's qualified capital expenditures, as defined in AS 43.55.023, other lease expenditures under AS 43.55.165, and adjustments or other payments or credits under AS 43.55.170; [AND]

(2) if the explorer or producer receives a payment or credit under AS 43.55.170, calculations showing whether the explorer or producer is liable for a tax under AS 43.55.160(d) or 43.55.170(b) and, if so, the amount**; and**

(3) for each expenditure that is the basis for a credit claimed under AS 43.55.023 or 43.55.025, a description of the expenditure, a detailed description of the purpose of the expenditure, and a description of the lease or property for which the expenditure was incurred; notwithstanding AS 40.25.100(a) and AS 43.05.230(a), information submitted under this paragraph may be disclosed to the public and shall be disclosed to the legislature in a report submitted within 10 days after the convening of the next regular legislative session following the date a statement is filed under this subsection.

*** Sec. 8.** Sections 6 and 7 of this Act take effect July 1, 2012."

27-LS1078\D.5
Nauman
3/30/12

AMENDMENT 3

By Senator French

OFFERED IN THE SENATE

TO: CSSB 145( ), Draft Version "D"

Page 2, line 3:

Delete "seven"

Insert "~~four~~ five"

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

SEAN PARNELL, GOVERNOR
333 Willoughby Avenue, 11th Floor
P.O. Box 110400
Juneau, Alaska 99811-0400
Phone: (907) 465-2300
Fax: (907) 465-2389

The Honorable Joe Paskvan
The Honorable Tom Wagoner
Co-Chairs, Senate Resources Committee
Alaska State Legislature
Juneau AK, 99801

March 30, 2012

SUBJECT: Response to March 26, 2012 email from Senator Wielechowski's office

Dear Senators Paskvan and Wagoner:

Thank you for the opportunity to provide the Senate Resources Committee our response to the question received by Senator Wielechowski's office. The question and response follows.

> **Can a combination of tax deduction plus credit plus reduction of tax rate on other profits (due to reduced per-barrel profits reducing statewide progressivity) be more than 100%? Is that allowable under statute or is there some limit on how much benefit a producer can accrue from increased investment?**

In order to properly respond to the question, I believe it is necessary to consider two different scenarios regarding additional investment dollars. The first scenario will involve a producer that currently has production from an existing "segment" within the state and the second will address the question from the perspective of a producer/explorer with activities from a "segment" within the state that currently has no production.

Scenario 1- Costs Incurred from a Segment Currently in Production:
First, recall if you will, that Alaska's oil and gas production tax liability is calculated on a "lease or property" basis which is sometimes referred to as "segments". For a segment that is currently in production, and, if under a "net tax" system (as compared to a "gross tax" system), one considers allowable and deductible lease expenditures to be a "tax benefit", then I believe that it is possible that the combined effect of lease expenditure deductions, a lower progressivity rate, and tax credits could result in a tax benefit that is greater than the amount invested. However, it should be noted that this effect would be somewhat offset by the additional revenues created from the investment and the state's increasing take as the price of oil or gas rises.

Scenario 2- Costs Incurred from a Segment that is not Currently Producing:
Under Alaska oil & gas production tax laws, expenditures for a segment are "ring-fenced" to each particular segment, i.e., those expenditures associated with a particular segment cannot be

used outside the segment. Therefore, in regards to expenditures made under the language as proposed in both HB 276 and SB 145 the costs potentially incurred would apply only to those basins described in the proposed legislation. Additionally, the costs incurred would be confined to the segments in which those expenditures were made, specifically to the "Middle Earth" area that is south of 68 degrees North Latitude and no part of which includes the Cook Inlet Sedimentary basin.

For a segment that is not yet in production there would be no revenues against which to offset the lease expenditures. The lease expenditures in this scenario would essentially be "lost" as (i) not applicable against any revenues from the segment, (ii) not "re-locatable" or able to be applied against a different segment, and (iii) not eligible for any additional credits, including the carried-forward annual loss credit under AS 43.55.023(b). Note that the language as proposed in both bills specifically excludes the realization of any additional credits under either "AS 43.55.023 or another provision in this section" [AS 43.55.025]. Therefore, a company's "tax benefit" from a segment that currently has no production would be limited to the amount of the credit as proposed in either HB 276 or SB 145.

We hope our response fully addresses the question.

Sincerely,

Bruce Tangeman
Deputy Commissioner

cc: The Honorable Bill Wielechowski, Vice Chair, Senate Resources Committee
The Honorable Bert Stedman, Senate Resources Committee Member
The Honorable Lesil McGuire, Senate Resources Committee Member
The Honorable Hollis French, Senate Resources Committee Member
The Honorable Gary Stevens, Senate Resources Committee Member

Tanana Chiefs Conference

Chief Peter John Tribal Building
122 First Avenue, Suite 600
Fairbanks, Alaska 99701-4897
(907) 452-8251 Fax: (907) 459-3850

February 9, 2012

SUBREGIONS

UPPER KUSKOKWIM
McGrath
Medfra
Nikolai
Takotna
Telida

LOWER YUKON
Arvik
Grayling
Holy Cross
Shageluk

UPPER TANANA
Dot Lake
Eagle
Healy Lake
Northway
Tanacross
Tetlin
Tok

YUKON FLATS
Arctic Village
Beaver
Birch Creek
Canyon Village
Chalkyitsik
Circle
Fort Yukon
Venetie

YUKON KOYUKUK
Galena
Huslia
Kaltag
Koyukuk
Nulato
Ruby

YUKON TANANA
Alatna
Allakaket
Evansville
Fairbanks
Hughes
Lake Minchumina
Manley Hot Springs
Minto
Nenana
Rampart
Stevens Village
Tanana

Fax 465-4779

Senator Thomas Wagoner
Alaska State Capital, Room 427
Juneau, AK 99801

RE: Support for SB 145 – Tax Credit for Nenana Basin Exploration

Dear Senator Wagoner:

I am writing to support SB 145 which would extend a tax credit to the Nenana Basin to make exploration more affordable. The Nenana Traditional Council is supportive of the bill because it will potentially create local jobs and economic development for the community.

Our mission for the Tanana Chiefs Conference region is to provide a unified voice advancing tribal governments, *economic and social development*, promote physical and mental wellness, education opportunities and protect language, traditional and cultural values.

In order for our communities to thrive in the future, we must take advantage of opportunities today that will increase employment and economic stability. Our villages are in a financial crisis as the cost of living goes up exponentially and the per capita income remains the same. We must aggressively seek economic development opportunities in our region, especially if they are in rural areas. Of course, we support development only when our subsistence resources will not be harmed.

Senator Wagoner, you explained the potential impact very well in your sponsor statement: "SB 145 provides the incentives needed for exploration in this basin. Should a discovery be made, the new resource will benefit the regional economy and support businesses and families who are suffering from high energy costs and unreliable supplies."

On behalf of the Tanana Chiefs Conference region, I offer my support for SB 145. I hope your colleagues in the Alaska State Legislature will realize the importance of this bill and pass it without delay.

Thank you for your work to extend opportunities to rural Alaska.

Sincerely,

TANANA CHIEFS CONFERENCE

Jerry Isaac
President

Opt-Out: Not Defined

GREATER FAIRBANKS CHAMBER OF COMMERCE

Interior Alaska – The "Place" To Do Business

100 Cushman St., Suite 102 | Fairbanks, Alaska 99701-4665
ph (907) 452-1105 | fax (907) 456-6968 | www.FairbanksChamber.org

March 19, 2012

Members of the Alaska Interior Delegation
Alaska State Capitol
Juneau, Alaska 99801

RE: High Cost of Energy

Dear Members of the Interior Delegation,

The Board of Directors of the Greater Fairbanks Chamber of Commerce appreciates the work that you are doing to address the high cost of energy in the Interior, the Chamber's number one priority this legislative session. Our bi-weekly teleconferences have ensured that the Chamber is informed and engaged regarding the multiple and occasionally conflicting legislative activities taking place in Juneau that impact our community.

The purpose of this letter is to **emphasize and clarify the collective priorities** of the Chamber in reducing the high cost of energy that is severely impacting our residential and business communities. After thorough review of the bills and appropriations currently being addressed this session, the Chamber provides the following recommendations for your consideration.

For the near term (less than 5 years) gas trucking project(s) from the North Slope and gas storage tax credits are the quickest approaches to bring affordable natural gas to the Interior. Immediate actions for longer term solutions include House Bill 9 and exploration tax credits. The top recommendations are summarized below:

1. Capital funding for liquefaction and vaporization facilities that are necessary to supply natural gas to the Interior of Alaska.

2. Legislation providing gas storage tax credits are critical components of supplying gas to the Interior. This methodology has been used in the South-central region to meet storage needs. The same approach and parity should be used for Interior storage needs.

3. The new version of House Bill 9 aligns with the Chamber's ongoing priority for getting reasonably priced gas to the Interior. We strongly support the work being done on a gas pipeline and will work diligently to ensure the issues, such as fair tariffs, will be addressed without preventing passage of the bill.

4. Legislation that provides tax credits for oil and gas exploration in frontier basins is an important piece of the long term energy picture for the Interior.

5. The expansion of a distribution system, as well as low cost energy conversion loans, will prove to be valuable once movement has occurred addressing the supply of natural gas.

INVESTORS

DIAMOND
BP Exploration
ConocoPhillips
ExxonMobil
Fairbanks Daily News-Miner
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Wells Fargo Bank Alaska

GOLD
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Denali State Bank
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Doyon Utilities LLC
First National Bank Alaska
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Kinross-Fort Knox Mine
Lynden
MAC Federal Credit Union
Northrim Bank
Sumitomo Metal Mining Pogo LL
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SILVER
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Alaska Railroad
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AT&T
Dr. Christopher Henry – Henry Orthodontics
Everts Air Cargo, Everts Air AK
Exclusive Paving/Univ. Redi-Mi
Fairbanks Natural Gas
Flowline Alaska
Fountainhead Hotels
General Teamsters Local 959
GVEA
Hale & Associates, Inc.
JL Properties, Inc.
Key Bank
Personnel Plus
Shell Exploration & Production C
Spirit of Alaska FCU
Tanana Valley Clinic
TDL Staffing
TOTE
Tower Hill Mines-Livengood Gol Project
WAL-MART Stores, Inc.
Yukon Title Company

In addition to the above recommendations, the Chamber continues to support forward movement on the Susitna/Watana Dam project and the re-start of the Healy Clean Coal Plant (HCCP). Specifically, the hydroelectric energy project is a valuable investment for the state to ensure stable electric rates for the next 100 years. The scope of the project however, should be designed for maximum benefit for the ratepayers of the Interior. Both the Susitna/Watana Dam project and HCCP would provide significant energy relief for the Interior.

We respectfully urge the Interior Delegation to act collectively in support of our recommendations.

Thank you again for your hard work,

Lorna Shaw
Board of Directors, Chair

Lisa Herbert
Executive Director

Brian Newton
Government Relations Committee, Chair

Bob Shefchik
Energy Committee, Chair

The Honorable Governor Parnell
Senator Gary Stevens, Senate President
Senator Kevin Meyer, Majority Leader
Senator Lyman Hoffman, Co-Chair Finance
Senator Bert Stedman, Co-Chair Finance
Representative Mike Chenault, Speaker
Representative Alan Austerman, Majority Leader
Representative Beth Kerttula, Minority Leader
Representative Bill Stoltze, Co-Chair Finance
Representative Bill Thomas, Co-Chair Finance
Fairbanks North Star Borough Assembly
Fairbanks City Council
North Pole City Council
Membership of the Greater Fairbanks Chamber of Commerce
Alaska State Chamber of Commerce
Anchorage Chamber of Commerce
Consumer Energy Alliance – Alaska
Alaska Support Industry Alliance
Alaska Oil & Gas Association

RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

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Ex-Officio Members
Senator Mark Begich
Senator Lisa Murkowski
Congressman Don Young
Governor Sean Parnell

March 12, 2012

Co-Chairs Feige and Seaton
House Resources Committee
Alaska State Legislature
State Capitol Building
Juneau, AK 99801

Re: House Resources Hearing on CS HB 276 – Oil and Gas Tax Credits

Dear Co-Chairs Feige and Seaton and Members of House Resources:

The Resource Development Council (RDC) writes to express support for CS HB 276, oil and gas tax credits in areas south of the Brooks Range to outside the Cook Inlet basin, including the Nenana and Selawik basins.

RDC is a statewide business association comprised of individuals and companies from Alaska's oil and gas, mining, forest products, tourism and fisheries industries. RDC's membership includes Alaska Native Corporations, local communities, organized labor, and industry support firms. RDC's purpose is to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

RDC supports the much needed development of oil and gas resources in Interior and western Alaska, regions that relies heavily on high priced heating fuel. Much of the area under consideration is near existing infrastructure, and Fairbanks, which could be a practical market for the oil and gas.

Not only is it a top priority for RDC to advocate for tax policy and incentives that enhance the State of Alaska's competitiveness for all industries, but also to support measures to reverse the Alaska oil and gas production decline. This includes legislation that results in new exploration and development.

Additionally, oil and gas exploration and production in Interior and rural Alaska would provide other benefits, such as new, well-paying jobs, and increased tax and royalty income to the state.

Thank you for the opportunity to comment.

Sincerely,

Marleanna Hall

Marleanna Hall
Projects Coordinator
Resource Development Council

121 West Fireweed Lane, Suite 250, Anchorage, Alaska 99503-2035
Phone: 907-276-0700 Fax: 907-276-3887 Email: resources@akrdc.org Website: akrdc.org

Jeff Stepp

From: Ken Alper
Sent: Friday, March 30, 2012 6:19 PM
To: Sen. Bill Wielechowski; Sen. Hollis French; Sen. Joe Paskvan
Cc: Michelle Sydeman; Lisa Weissler; Jeff Stepp; Rep. Beth Kerttula
Subject: followup to concerns with SB145\D (frontier areas)

Senators
Following-up the email I sent you all yesterday, I want to offer a couple of small corrections based on what came from the hearing. There's always something new to learn about the tax statutes.

I was listening to the testimony of the person from Revenue (was that John Larson?) and a couple of things weren't quite clear.

The way the "production tax value" statute is written (43.55.160), taxable PTV is already broken into "areas" of the state:

A) Oil and gas from the North Slope, excluding gas used in-state
B) Oil and gas from outside both the North Slope and Cook Inlet, excluding gas used in state
C) Oil from Cook Inlet
D) Gas from Cook Inlet
E) Gas from outside Cook Inlet but used in state

Mr. Larson is correct, the PTV is calculated separately for each of these areas, and lease expenditures can't migrate from one to another.
In each of the "areas", PTV can't be less than zero.
But for purposes of calculating progressivity, the five PTV's are combined to create a single, average per-barrel PTV. (AS 43.55.011(g)).

If in any individual "area," PTV would be less than zero, zero is used in the "averaging" calculation and the lease expenditures that would have made the calculation negative can instead be turned into the loss-carry-forward 25% credit.

So- revisiting my explanation from yesterday:

1) The $80 million Cook Inlet Gas subsidy is not precisely due to Cook Inlet costs being deducted from North Slope PTV.

It's actually due to Cook Inlet Gas PTV diluting the per-barrel North Slope PTV. Even though the Cook Inlet oil and gas are paying the alternative "ELF" tax, PTV is still calculated for purposes of averaging it into the statewide progressivity calculation. And because of the low value to the gas, there is a significant dilution effect.

2) The Doyon / Nenana 10,000 bbl/day example doesn't change much. The ACES scenario is the same:

$110 oil price, $10 transport, $20 opex, $20 capex for $60 /bbl PTV.
Under ACES, they would pay production taxes of about $70 million on production tax value of about $190 million.
($60 x 10,000 x 365 x 0.875 to exempt the royalty oil x 37% tax rate.
From this we subtract capital credits of $14 million, so $56 million total in production tax.
They would be eligible for the small producer and middle earth credit ($18 million between them), so in the end would pay about $38 million.

The 4% gross tax scenario starts out the same, with $13 million.
($100 gross value at the point of production x 10,000 x 365 x 0.875 to remove the royalty oil x 4%).

The small producer, etc. credits would bring this to zero.
What changes is: $128 million in lease expenditures (not $146 million as I said yesterday because I forgot to exclude the royalty barrels) could not be deducted against profits elsewhere, but could be used for a 25% loss-carry-forward credit of $32 million, and
capital credits of $14 million could be converted to tax credit certificates.
It would still be a severe negative to the treasury, $46 million in this example.

I think it's a matter of wording the question to Revenue:
"Despite the alternative gross tax, could lease expenditures on that field be turned into a loss-carry-forward credit?"
If he says, no, ask where in statute it says that.
"Despite the alternative gross tax, would the producers be eligible for qualified capital expenditure credits, and would they be able to use them to apply for transferrable tax credit certificates?"

One additional point- the $45 million royalty I calculated would not necessarily be the state's revenue. If the development was on private or native corporation land, royalty would go to the landowners. The state does, however, collect a 5% tax on private oil royalties, or about $2.25 million (AS 43.55.011(i)) in this scenario.

Another question had to do with provisions being limited to "south of 68 degrees."
The 4% "new field" tax would only apply south of 68, so new North Slope developments such as Repsol or Great Bear are pursuing would not be impacted by the provision. They would, however, apply to new Cook Inlet fields including, for example, Furie's Kitchen Lights discoveries (the "jack up rig gas.")
Again, the ELF-based alternative tax for Cook Inlet is scheduled to sunset in 2022.

Regards
-Ken

Ken Alper
Office of Representative Beth Kerttula
District 3- Juneau
Capitol Room 404
Juneau, AK 99811
(907) 465-4766
direct line 465-4875

From: Michelle Sydeman
Sent: Thursday, March 29, 2012 7:08 PM
To: Ken Alper
Subject: RE: concerns with SB145\D (frontier areas)

Excellent!!!!!!!!

From: Ken Alper
Sent: Thursday, March 29, 2012 7:07 PM
To: Sen. Bill Wielechowski; Sen. Hollis French; Sen. Joe Paskvan
Cc: Michelle Sydeman; Lisa Weissler; Jeff Stepp; Rep. Beth Kerttula
Subject: concerns with SB145\D (frontier areas)

Senators
I've just had the opportunity to read the work draft CS for the "frontier areas tax credits" bill.

I'm not going to address my concerns with the frontier credits themselves, although I believe there is the possibility that they could be "stacked" with a tax deduction, leading to state participation of greater than 100% of a producer's costs (this is also true of the existing "stampede" credit in Cook Inlet.)

Jeff Stepp

From: Ken Alper
Sent: Thursday, March 29, 2012 7:07 PM
To: Sen. Bill Wielechowski; Sen. Hollis French; Sen. Joe Paskvan
Cc: Michelle Sydeman; Lisa Weissler; Jeff Stepp; Rep. Beth Kerttula
Subject: concerns with SB145\D (frontier areas)

Senators
I've just had the opportunity to read the work draft CS for the "frontier areas tax credits" bill.

I'm not going to address my concerns with the frontier credits themselves, although I believe there is the possibility that they could be "stacked" with a tax deduction, leading to state participation of greater than 100% of a producer's costs (this is also true of the existing "stampede" credit in Cook Inlet.)

What I want to bring your attention to is the 4% "alternative gross tax" described in Section 2 of the bill.
The problem here is, oil that would fall into that category would still be subject to other portions of the ACES statute.
Specifically, lease expenditures would still be deductible from a company's taxable income elsewhere in the state, and
qualified capital expenditures would still be eligible for the standard 20% capital credit.
In real terms, this means that we would almost without question be paying these companies to produce oil.

The current alternative lower tax for Cook Inlet, described in AS 43.55.011(j) and (k), suffers from this same problem.
I have in-hand a memo from Commissioner Butcher to Senator Stedman that quantifies the value of Cook Inlet gas production costs being deducted from North Slope oil taxes; the current cost to the state is $80 million / year.
This is the reason why the "decoupling" bills combined both Cook Inlet gas and oil into the "oil" side of the decouple, so as not to inadvertently raise taxes on ConocoPhillips.
It should also be noted that the alternative Cook Inlet tax rates are scheduled to sunset in 2022; this new 4% gross rate does not have a sunset.

You should also note that the bill is written to include any new field, not just fields in a so-called "frontier" area. I recall Mr. Armstrong from Armstrong Oil was lobbying a couple of years ago for a 7% gross tax on his new fields, currently being explored by Repsol. This provision would give him 4%.

Also, any "new" producer would likely be eligible for the "small producer credit" (AS 43.55.024(c) and (d)) and, if in a frontier area, the "middle earth" credit (AS 43.55.024(a) and (b)).
These are non-transferrable and must be used in one year, but would likely more than zero-out a 4% gross tax on a small field in the interior such as Doyon is hoping to develop.

To use a rough example: Assume Doyon finds 10,000 / day field in Nenana.
It will cost them a bit more to develop and ship than oil on the North Slope, so assume in the projected price environment they profit $60 / barrel.
($110 value, $10 transport, $20 opex, $20 capex)
Under ACES, they would pay production taxes of about $70 million on production tax value of about $190 million.
($60 x 10,000 x 365 x 0.875 to exempt the royalty oil x 37% tax rate.
From this we subtract capital credits of $14 million, so $56 million total in production tax.
They would be eligible for the small producer and middle earth credit ($18 million between them), so in the end would pay about $38 million.

Under the 4% gross tax scenario, that same field would pay taxes of $13 million.

($100 gross value at the point of production x 10,000 x 365 x 0.875 to remove the royalty oil).
The small producer, etc. credits would bring this to zero.
$146 million in lease expenditures could be deducted against profits elsewhere or used for a 25% loss-carry-forward credit of $36 million, and
capital credits of $14 million could be sold to the state.
It would be severe negative to the treasury, $50 million in this example.

(In either example, royalty income would be about $45 million).

If the Senate truly wants to go with an alternative tax rate for new fields, I would strongly recommend that the bill be clearly written to disqualify any associated lease expenditures and capital expenditures from their statewide tax calculations.
However, this approach opens the problem that arose with the Governor's HB110 (which has a 15% base net tax rate for new field for the first seven years). Namely- the difficulty of cost allocation among fields for the purpose of calculating production tax value.
Recall that our lack of any "ringfence" is widely cited as one of the strongest and most welcoming provisions of our production tax code.

Thank you for your time.
I am at your service if you want any additional information or analysis.
-Ken

Ken Alper
Office of Representative Beth Kerttula
District 3- Juneau
Capitol Room 404
Juneau, AK 99811
(907) 465-4766
direct line 465-4875

Jeff Stepp

From: Michelle Sydeman
Sent: Thursday, March 29, 2012 6:33 PM
To: Sen. Bill Wielechowski; Sen. Hollis French
Cc: Lisa Weissler; Ken Alper; Jeff Stepp
Subject: SB 145: No need to provide an in-state rate for local use of gas

If gas from Nenana or other "frontier areas" were to be used in-state, it would already enjoy an extremely low tax rate. The rate would be about $.18/mcf. (This is the rate gas was taxed at in Cook Inlet under ELF in 2006, before PPT passed.) So there is no need to provide a special in-state tax rate for frontier areas as it exists already.

There are other problems with the proposed 4% gross tax in SB 145, which Ken Alper will send you an email about. It could result in a negative tax (as exists in Cook Inlet) because companies could write off frontier area costs against taxes elsewhere in the state and claim the 20% capital credit. Ken will be more articulate on this topic.

Given that Bert is working on incentives for new oil development, this idea is looking increasingly bad.

Michelle

Jeff Stepp

From: Michelle Sydeman
Sent: Thursday, March 29, 2012 5:46 PM
To: Jeff Stepp
Subject: FW: Quick question re ACES

I have been trying since Monday to get this question answered. Figured it was a simple one. Thought you would be interested in this email chain.

From: Larsen, John M (DOR) [mailto:john.larsen@alaska.gov]
Sent: Thursday, March 29, 2012 5:43 PM
To: Michelle Sydeman
Cc: Sen. Bill Wielechowski
Subject: RE: Quick question re ACES

Michelle/Senator Wielechowski

As I'm sure we're all aware, there are not many easy answers to what may even appear to be rather "simple" questions regarding Alaska's oil and gas tax structure. I just want you to know that I have discussed your question(s) internally with Deputy Commissioner Tangeman and we are working on a providing a response that we hope will address your concerns. I cannot currently commit to a time but hope to have this to you by sometime tomorrow morning.

Respectfully,

n

From: Michelle Sydeman [mailto:Michelle_Sydeman@legis.state.ak.us]
Sent: Thursday, March 29, 2012 4:31 PM
To: Larsen, John M (DOR)
Cc: Wielechowski, Bill (LAA)
Subject: FW: Quick question re ACES

Hi John,

This is to follow-up on our brief conversation.

The question essentially is if a company invests an additional $100 in an exploration project with today's oil prices, could that company see a reduction in its taxes of more than $100 through the combined effects of tax deductions, a lower progressivity rate, and tax credits? Is that possible under our current tax system?

Senator Wielechowski is hoping for a clear answer to this question and is more grateful for your upcoming response.

Michelle
465-6881

From: Michelle Sydeman
S : Monday, March 26, 2012 3:36 PM
To: john.larsen@alaska.gov
Subject: FW: Quick question re ACES

John,

should probably clarify my question:

Can a combination of tax deduction plus credit plus reduction of tax rate on other profits (due to reduced per-barrel profits reducing statewide progressivity) be more than 100%? Is that allowable under statute or is there some limit on how much benefit a producer can accrue from increased investment?

Thanks,

Michelle

From: Michelle Sydeman
Sent: Monday, March 26, 2012 2:39 PM
To: john.larsen@alaska.gov
Cc: Sen. Bill Wielechowski
Subject: Quick question re ACES

Hi john,

Can a producer's tax liability be reduced by more than 100% of the cost of a particular investment by combining a large tax credit with deductions for expenditures when oil prices are high? In other words, if there's an 80% exploration credit taken by a producer during a time when the production tax rate is 45%, ...uld that producer get tax relief equal to more than their investment?

Thanks,

Michelle Sydeman

Office of Senator Bill Wielechowski
State Capital Bldg. Rm 101
907.465.6881

A HUNT FOR GIANT OIL AND GAS RESERVES

Northwest Alaska, LLC & NANA Regional Corp.

NORTHWEST ALASKA OIL AND GAS PLAY

Southern Chukchi Sea – *Onshore* Kotzebue Basin

~2.2 million mineral acres (NANA fee)
~30 prospects: 3,000-9,000' depth
Most-likely risked reserves of 9 premier prospects:
3.1 billion barrels oil-equivalent
READY TO DRILL 2012

NW ALASKA LLC: Office 661-324-3916: ESCHNER@TRIOPETROLEUM.COM, ROWLEE@TRIOPETROLEUM.COM, TBESCHNER@AOL.COM

Northwest Alaska, LLC & NANA Regional Corp.

Project Summary

The Kotzebue Basin may contain giant oil and gas reserves. Located offshore under the southern Chukchi Sea and onshore in northwest Alaska, it is one of the major sedimentary basins of North America, with 20,000 feet or more of Tertiary and Cretaceous basin-fill. The basin is about the same size as the prolific Alaska Cooke Inlet Basin (cumulative 10 TCFG) and is interpreted to have a petroleum system similar to that of the Cooke, including:

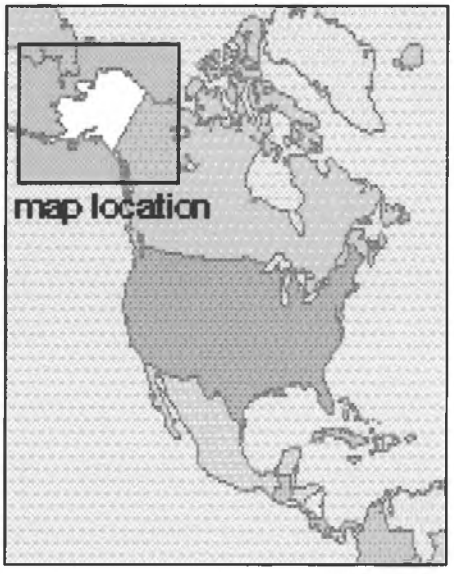
•a self-sourcing biogenic (microbial) gas system associated with thick Tertiary nonmarine coals and carbonaceous mudstones that are in the present-day biogenic gas window at 0-6,000 feet, and
•a thermogenic oil-gas system in deeper basinal source areas between 6,000-20,000+ feet

In the 1970s, SOCAL collected a vast amount of data in the area and drilled two stratigraphic test wells that encountered thick, highly-prospective sequences of interbedded sandstone, conglomerate, mudstone and coal, with oil and gas shows. These stratigraphic test wells did not evaluate prospects, but did demonstrate that hydrocarbons are present and that the components critical for major hydrocarbon accumulations are also present – thick and highly porous and permeable reservoirs (sandstone and conglomerate), source (mudstone and coal), seal (mudstone), and large potential traps (structural and stratigraphic). There is also potential in fractured and weathered basement reservoirs, and in shallow traps sealed by permafrost.

Approximately thirty prospects are identified, some of which are immense, potential giants. The Cape Espenberg Prospect, located near the cape, is a shallow anticlinal dome with approximately 70 square miles of structural closure. The Amaouk Creek Prospect, located north of the Kobuk Delta, is an anticline with approximately 30 square miles of structural closure. These two prospects are assigned most-likely risked recoverable reserves of 1.65 billion barrels oil equivalent.

NANA Regional Corporation controls the onshore portion of the basin (mineral interests covering 2.2 million acres) and is working jointly with NW Alaska, LLC to advance the exploration and development project. These companies are seeking one or more additional significant partners to join the project.

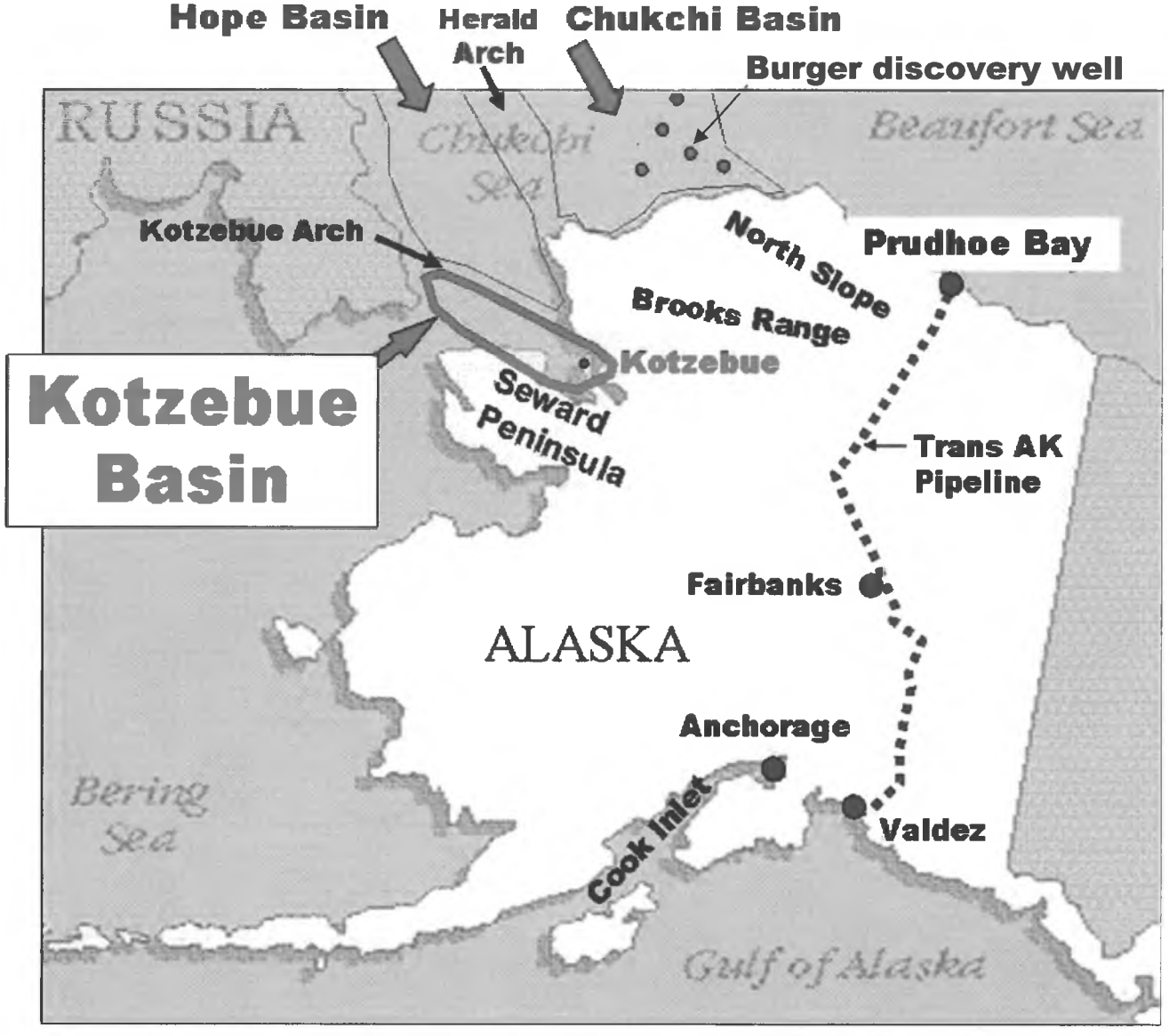
Important Notice: The data provided here are believed to be valid, and the interpretations are considered to represent reasonable judgment. However, NW Alaska LLC, NANA Regional Corporation and their associates, advisors and consultants, do not warrant the validity of the data and interpretations and shall not be liable for any losses or damages that stem from their use. Oil and gas exploration projects have intrinsic risks, including but not limited to loss of an entire investment. Actual project results may be substantially different from those postulated here. This oil and gas play is appropriate for sophisticated companies and individuals with significant experience in the petroleum industry, who should conduct their own evaluation of the data and risks. This is a nonexclusive offering, subject to prior sale, and may be withdrawn by the presenting parties at any time.



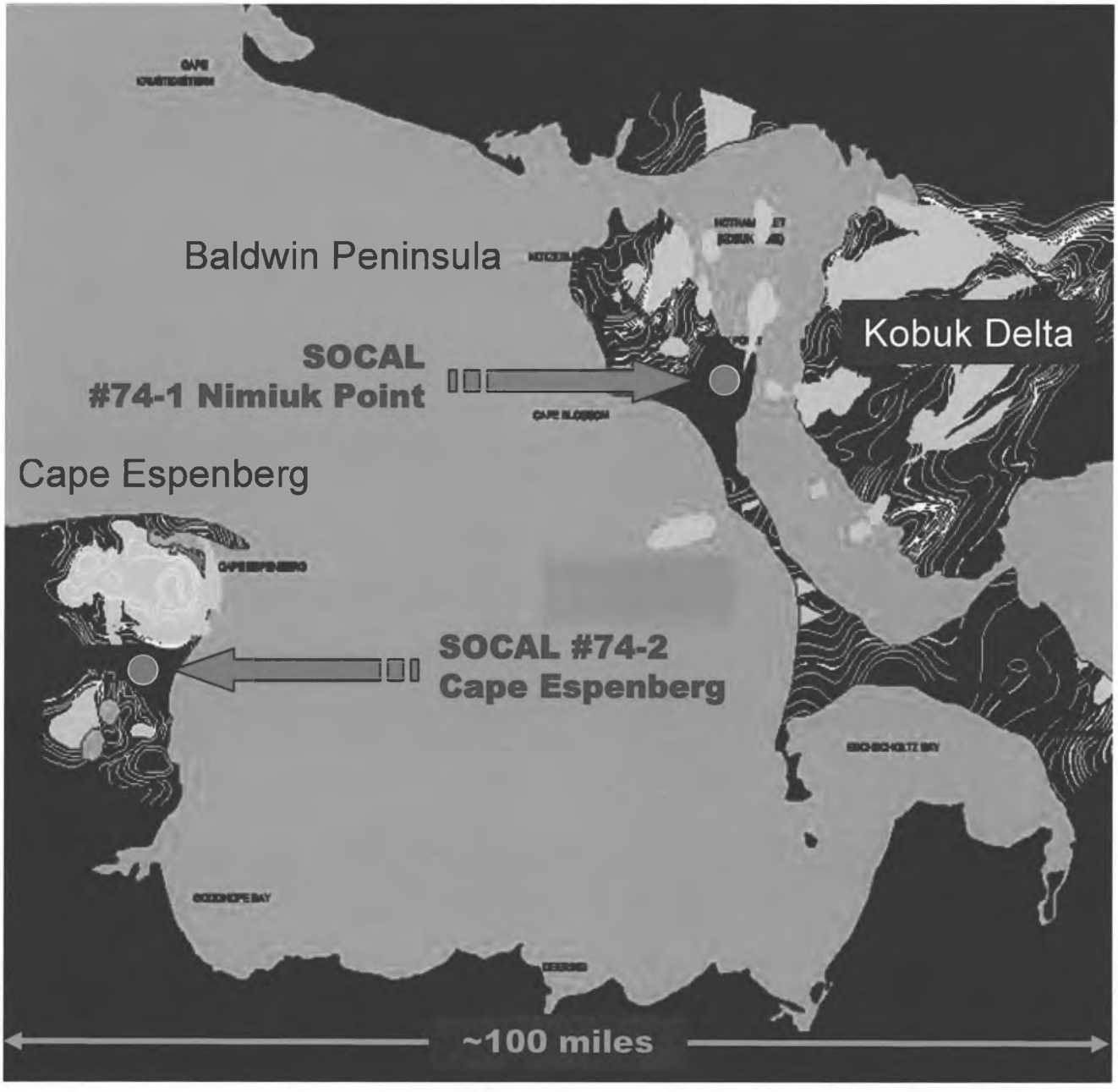
Northwest Alaska, LLC & NANA Regional Corp.

The Kotzebue Basin is located primarily offshore under the southern Chukchi Sea, and also onshore under the lands of the NANA Regional Corporation. The oil and gas play is onshore, under NANA's 2.2 million mineral acres.

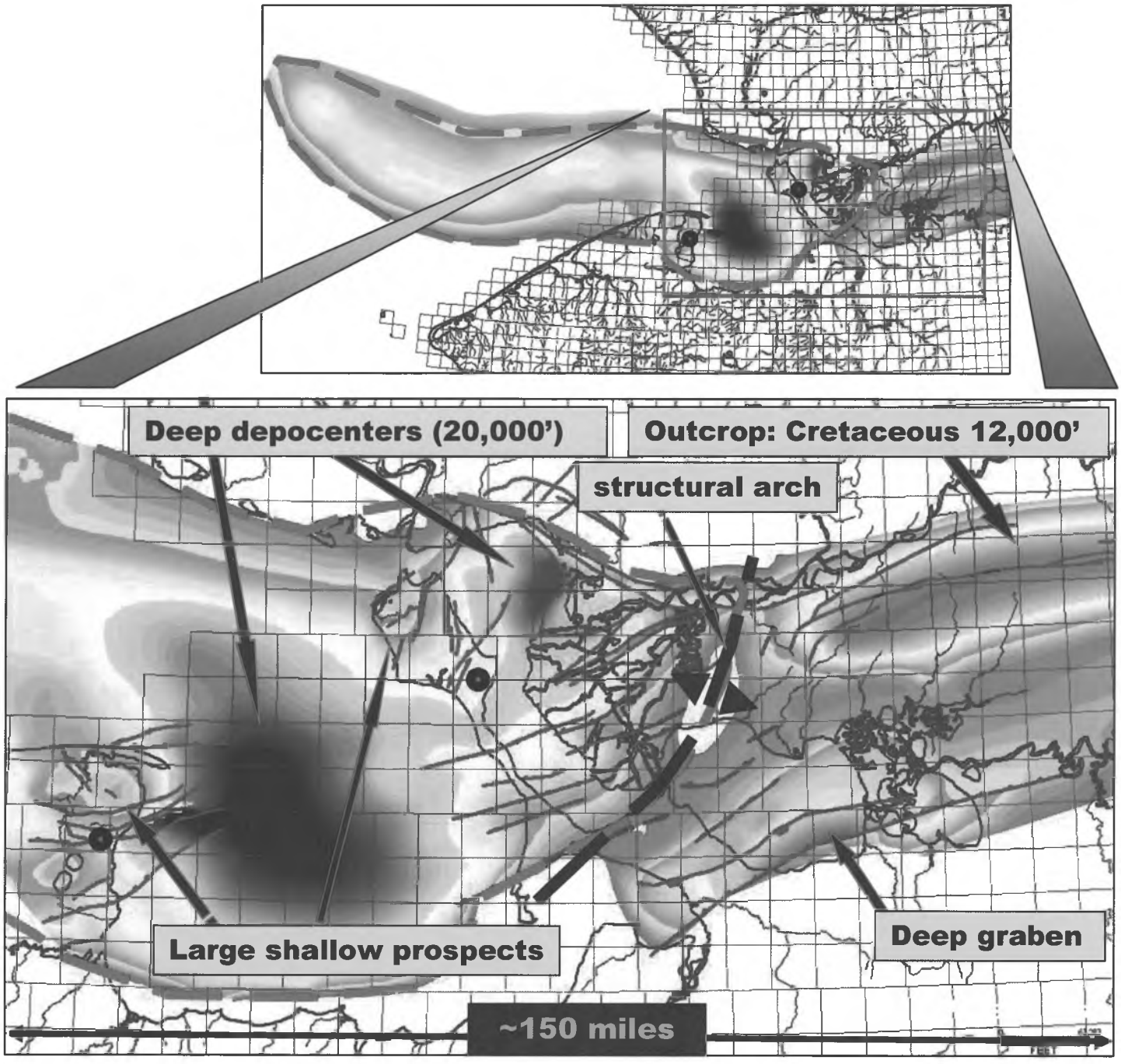
The basin is 350 miles long by 80 miles wide, and it contains 20,000 feet or more of Tertiary and Cretaceous basin-fill. Structural arches and sub-basins separate the Kotzebue Basin from the greater Chukchi Basin to the north, where significant oil-gas reserves have been discovered and billions of dollars spent on federal leases.



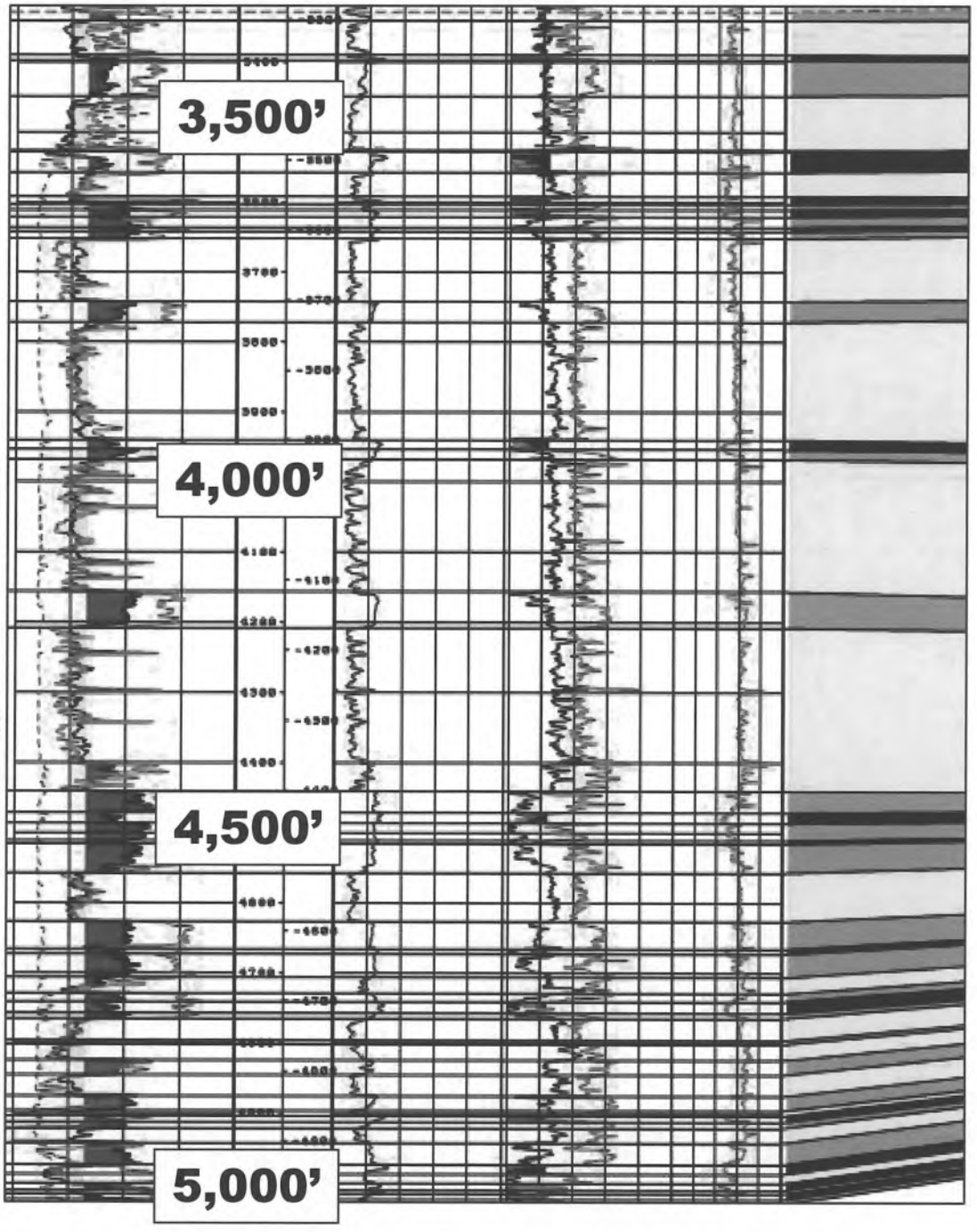
NW ALASKA LLC: Office 661-324-3916: ESCHNER@TRIOPETROLEUM.COM, ROWLEE@TRIOPETROLEUM.COM, TBESCHNER@AOL.COM



Shown here are areas of land (black), water (blue), petroleum prospects (orange) and the locations of the two stratigraphic test wells (red dots). Note that prospects occur primarily in three land areas: Cape Espenberg, the Kobuk Delta and the Baldwin Peninsula.



Shown here is a Time Structure Map of Top Acoustic Basement (Paleozoic). Dark blue areas have approximately 20,000 feet of Tertiary and probably Cretaceous basin-fill above basement, grading to shallow areas in dark red. Note locations of large shallow prospects at Cape Espenberg and the Baldwin Peninsula, two major deep depocenters, a shallow structural arch on the east flank of the basin, and location of outcrops of 12,000' of Cretaceous. Locations of the two stratigraphic test wells also shown.

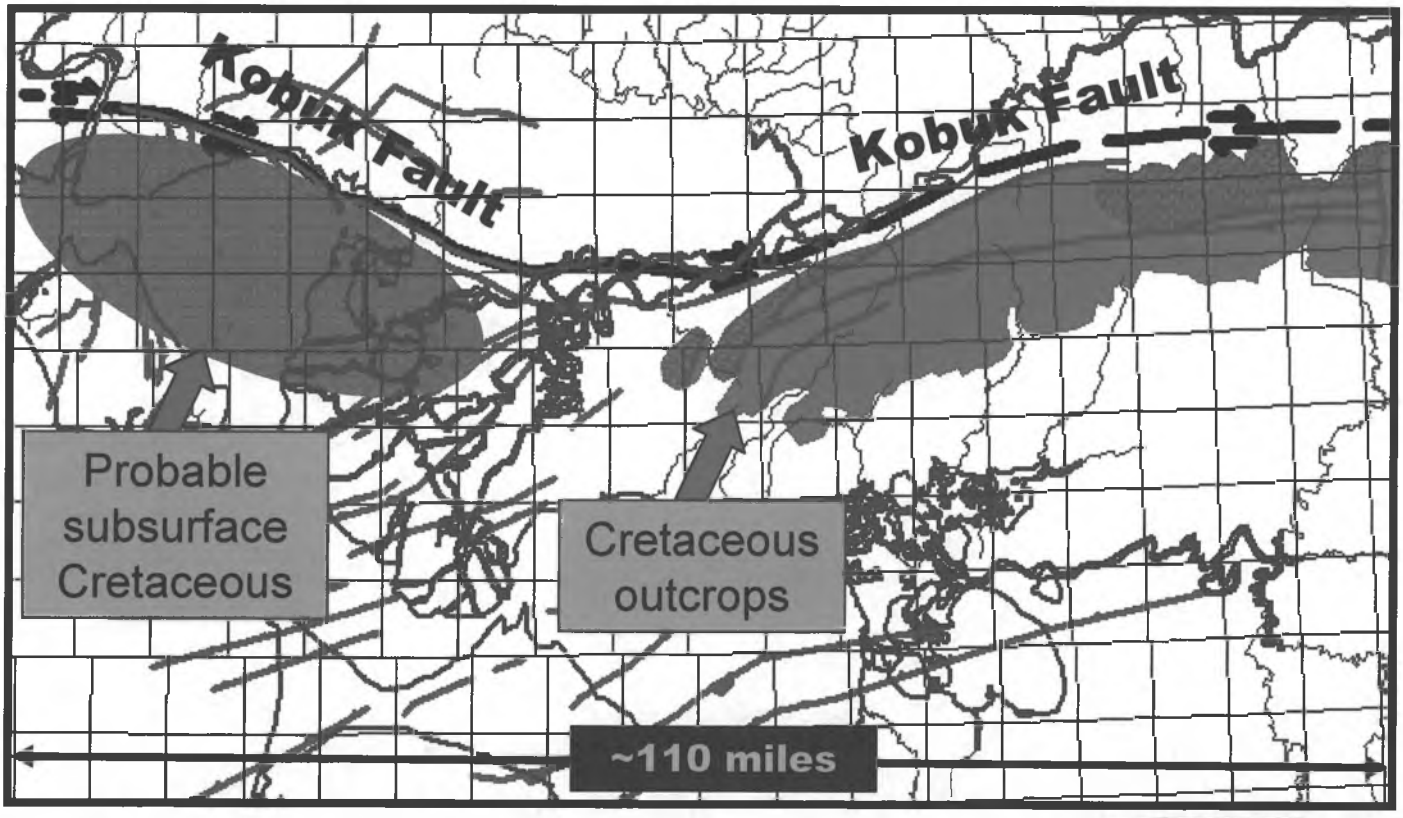


100 ft

Shown here is an example of a highly-prospective interval that was drilled in one of the stratigraphic test wells. It is a 1,700 foot thick interval of Eocene-Oligocene strata, comprised of thick, stacked sandstone reservoir targets (yellow), stacked layers of mudstone source and seal beds (brown), and layers of coal source rocks (black). There are about 15 distinct sand bodies (reservoir targets), 10-200 feet thick each. This is a primarily nonmarine fluvial sequence, probably a mixture of low sinuosity braided and high sinuosity meandering systems.

Northwest Alaska, LLC
& NANA Regional Corp.

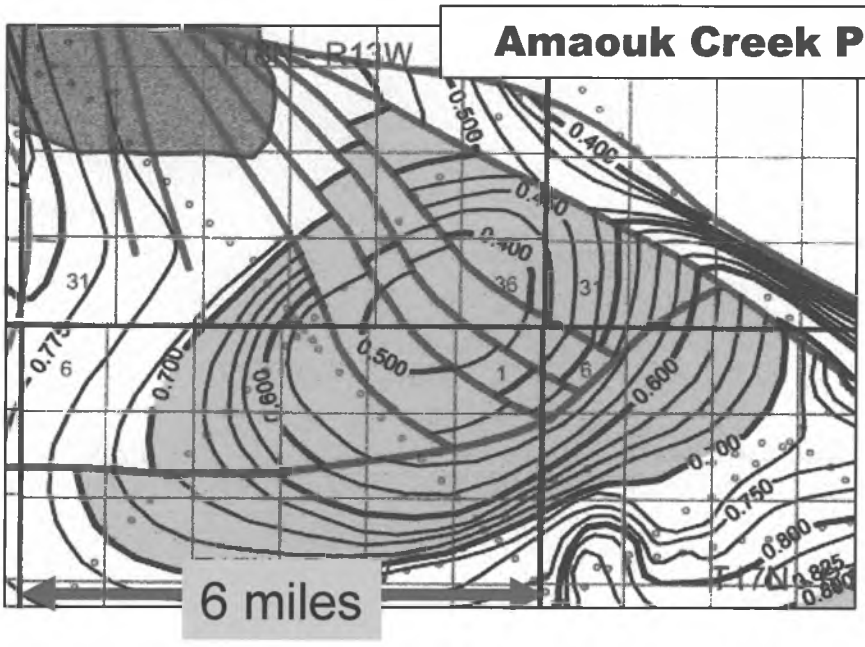
Approximately 12,000 feet of Cretaceous sedimentary rocks are present in outcrops located about 12 miles east of the Kotzebue Basin (e.g., in the Hockley Hill area). The Cretaceous outcrops occur primarily on the down-dropped, southern side of the major right-lateral Kobuk fault and, based on seismic interpretation, also occur in the Kotzebue Basin. Cretaceous strata provide reservoir targets (sandstone and conglomerate), oil and gas source rocks (mudstone, shale, limestone, coal) and seals (shale and mudstone). Photos are of local outcrops of Cretaceous rocks.



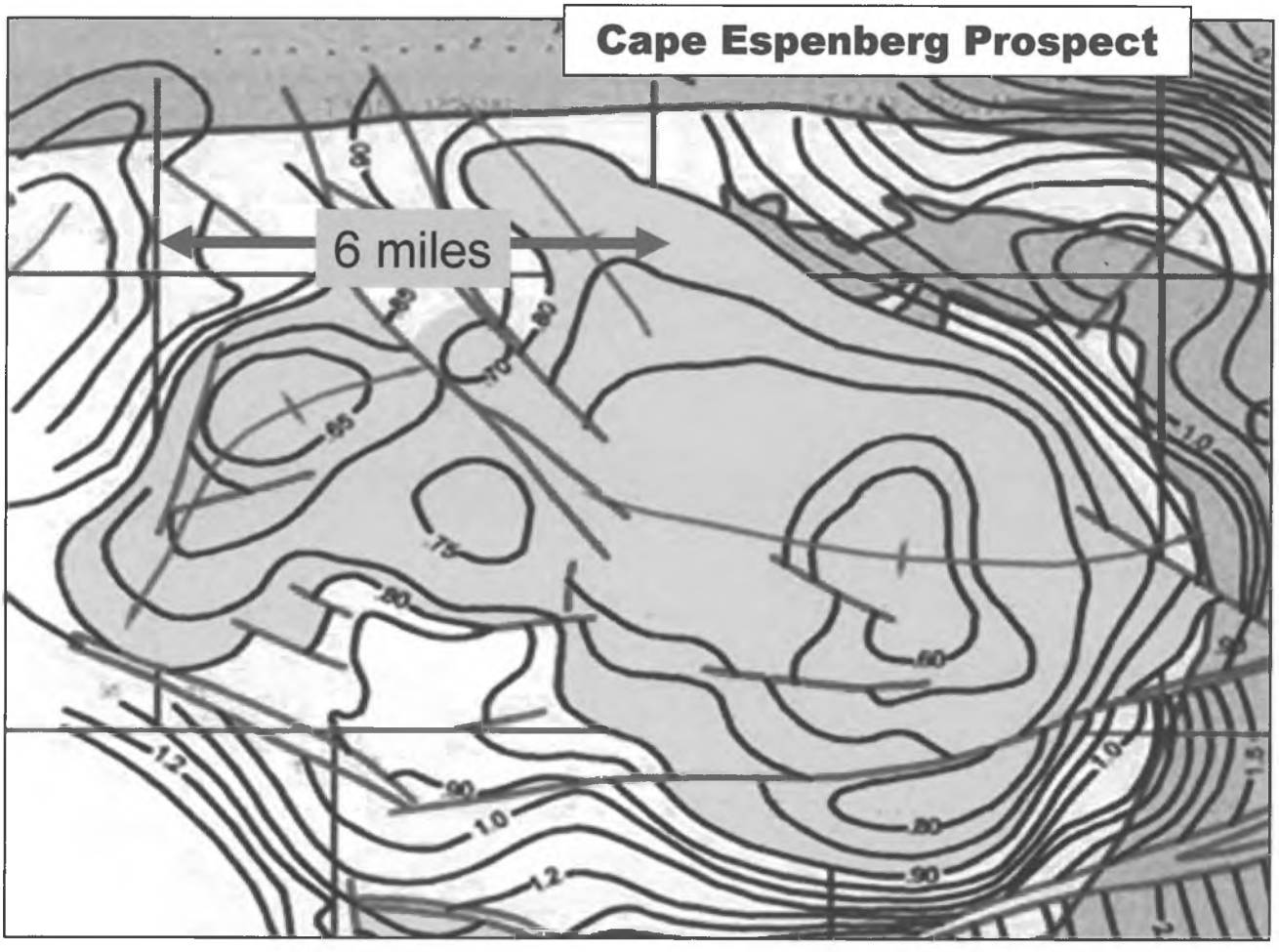
A HUNT FOR GIANT OIL AND GAS RESERVES

- **Structure maps of two of the premier prospects**
- **Both maps at same horizontal scale**

Amaouk Creek Prospect



Cape Espenberg Prospect



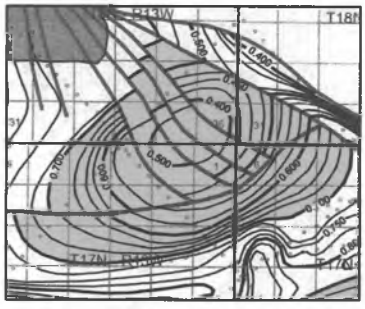
NW ALASKA LLC: Office 661-324-3916: ESCHNER@TRIOPETROLEUM.COM, ROWLEE@TRIOPETROLEUM.COM, TBESCHNER@AOL.COM

A HUNT FOR GIANT OIL AND GAS RESERVES

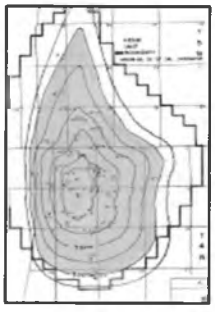
- **Comparison of the Cape Espenberg and Amaouk Creek prospects with two partial-analogue giant gas fields – the Kenai and Beluga River gas fields, Cooke Inlet Basin, Alaska**
- **All maps at same horizontal scale**

Cape Espenberg Prospect

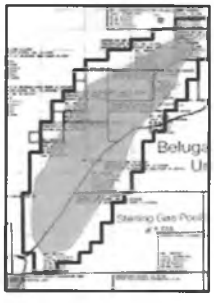
Amaouk Creek Prospect



Kenai Gas Field
Top Beluga Fm.
Cum.: 2.4 TCF



Beluga River Gas Field
Top Sterling Fm.
Cum.: 1.2 TCF



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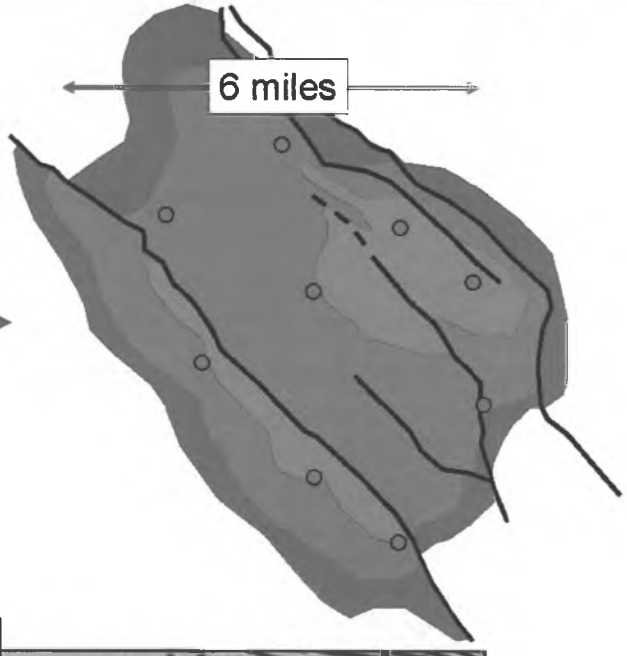
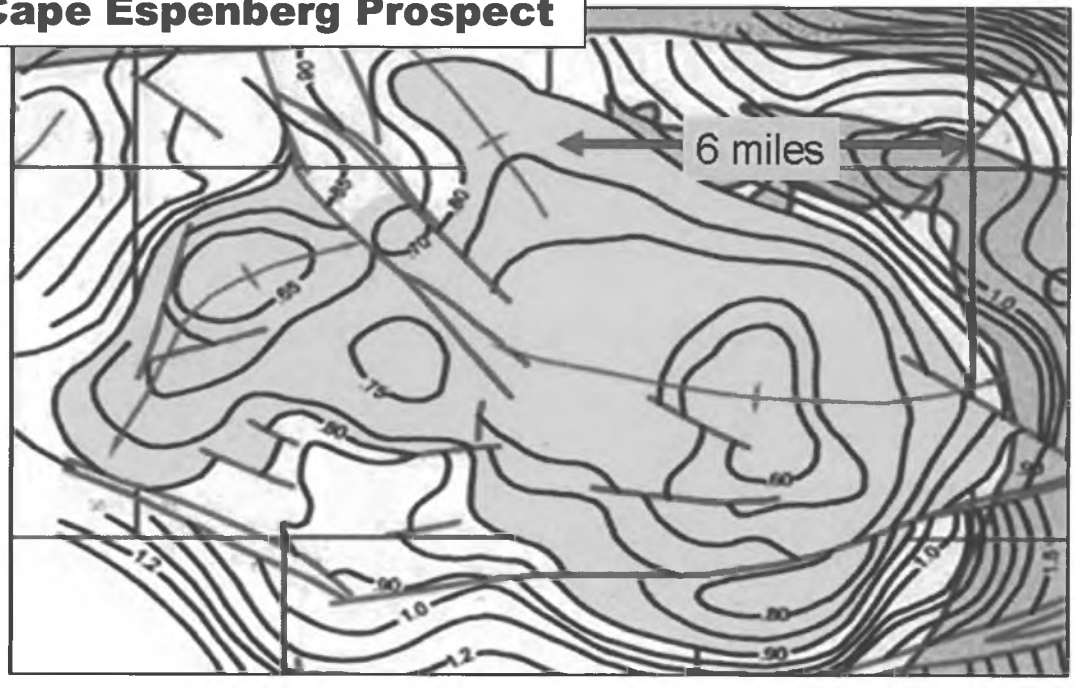
A HUNT FOR GIANT OIL AND GAS RESERVES

•Comparison of the Cape Espenberg Prospect with the partial-analogue giant Suban Gas Field, South Sumatra Basin, Indonesia
•Both maps at same horizontal scale

Suban Gas Field
Fractured-Weathered
Basement Reservoir
> 7 TCF gas-in-place



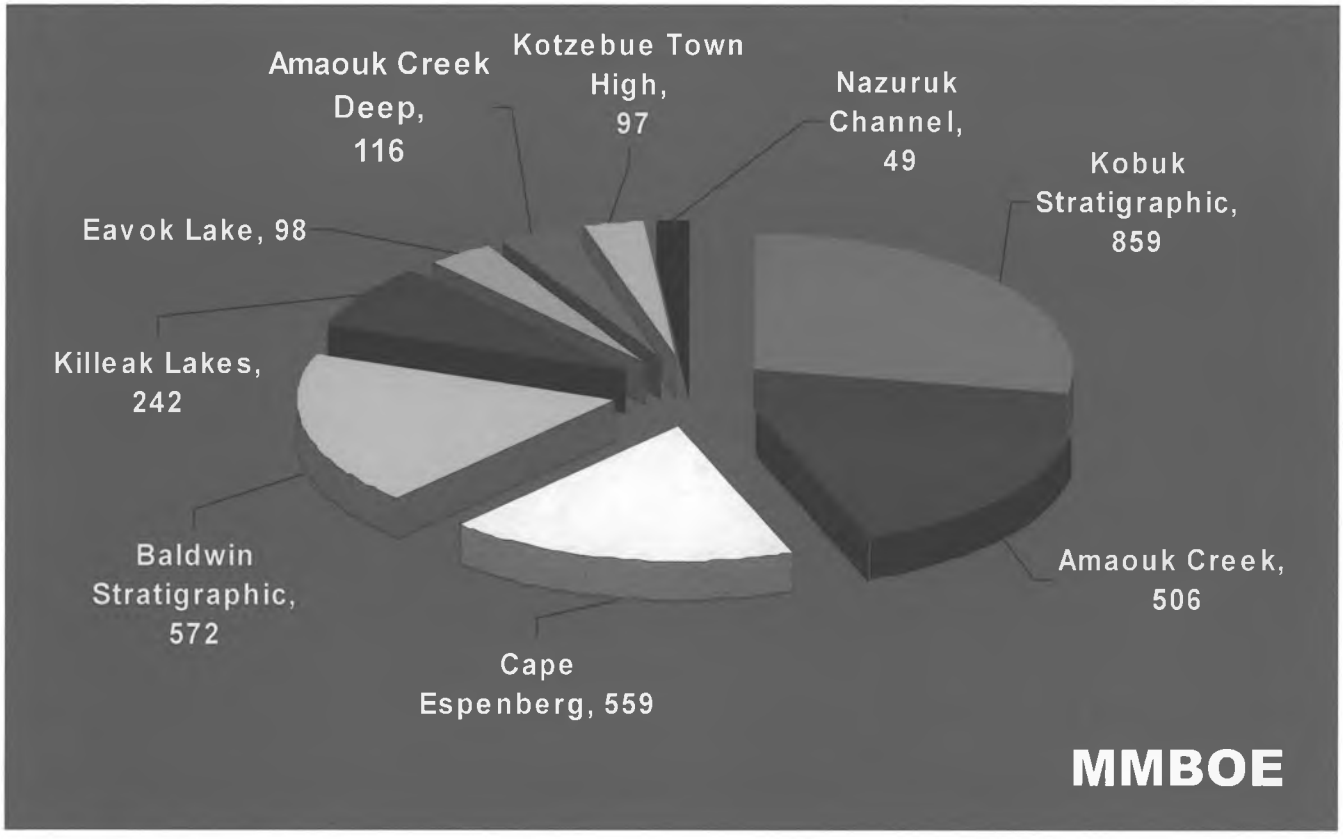
Cape Espenberg Prospect



In addition to primary reservoir targets in stacked Tertiary sandstones, this prospect has deeper, secondary reservoir targets in Paleozoic (pre-Late Devonian) rocks, including limestone, dolomite, marble, schist and quartzite, which were subaerially exposed and weathered for millions of years. The Paleozoic has immense potential as weathered and/or fractured reservoir, similar to the that at the partial-analogue giant Suban Field (> 7 TCF original gas-in-place), although the Suban structure appears to be smaller.

A HUNT FOR GIANT OIL AND GAS RESERVES

For nine premier prospects:
Risked, most-likely, recoverable reserves:
2.8 billion barrels oil + 1.9 trillion cubic feet gas
or
3.1 billion barrels oil-equivalent



Northwest Alaska, LLC & NANA Regional Corp.

NORTHWEST ALASKA OIL AND GAS PLAY

Southern Chukchi Sea – *Onshore* Kotzebue Basin

Contact Information

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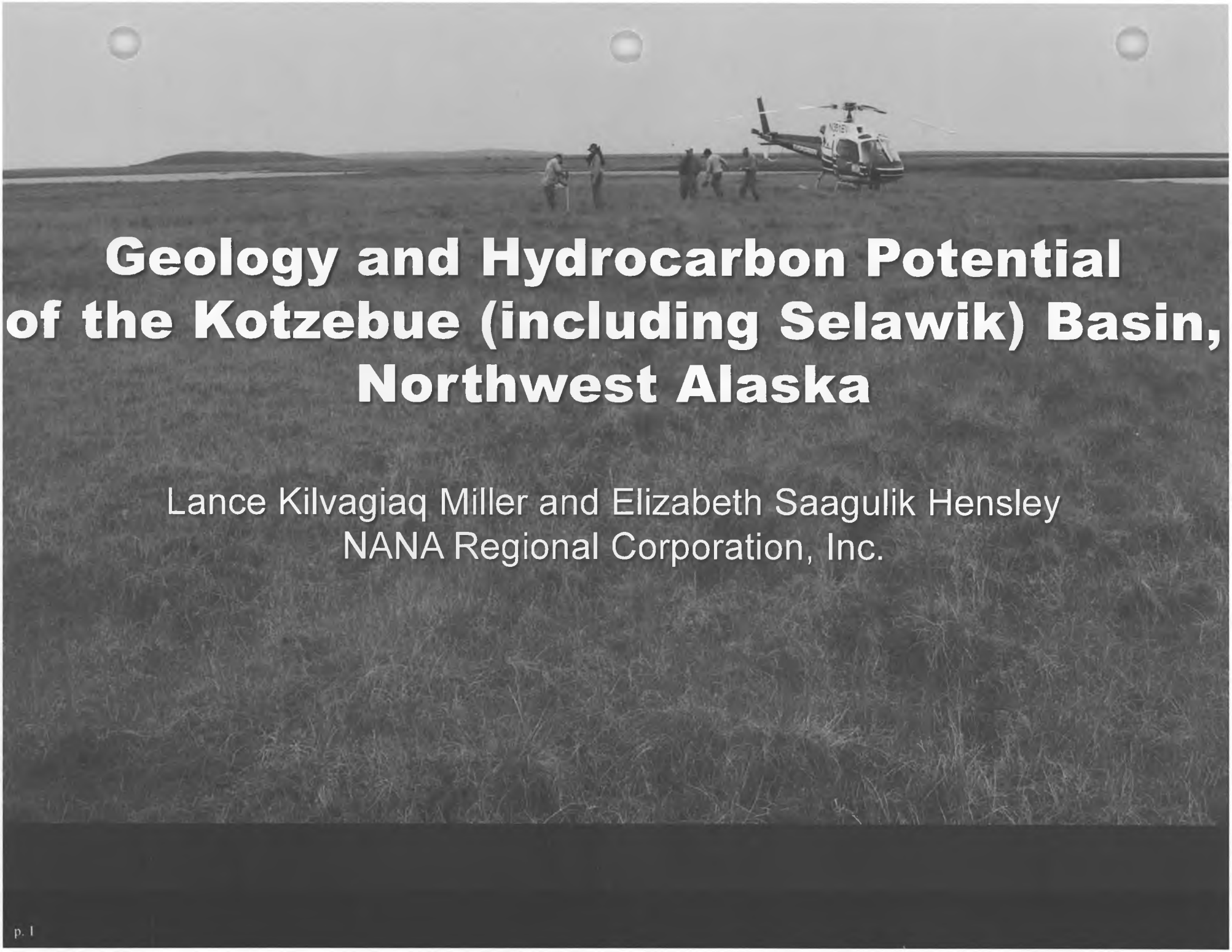
5401 Business Park South, Suite 115
Bakersfield, California, USA, 93309

office: 661.324.3911
fax: 661.324.1122

Stan Eschner (chairman): eschner@triopetroleum.com
Steve Rowlee (vice president): rowlee@triopetroleum.com

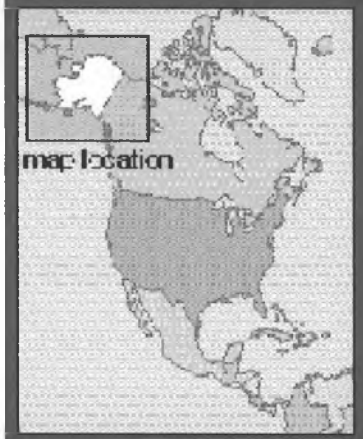
Terry Eschner (consulting geologist)
Sarlan Resources Inc. (president)
P.O. Box 4587, Englewood, Colorado, USA 80155
office: 303-220-8463
fax: 303-770-6925
tbeschner@aol.com



Geology and Hydrocarbon Potential of the Kotzebue (including Selawik) Basin, Northwest Alaska

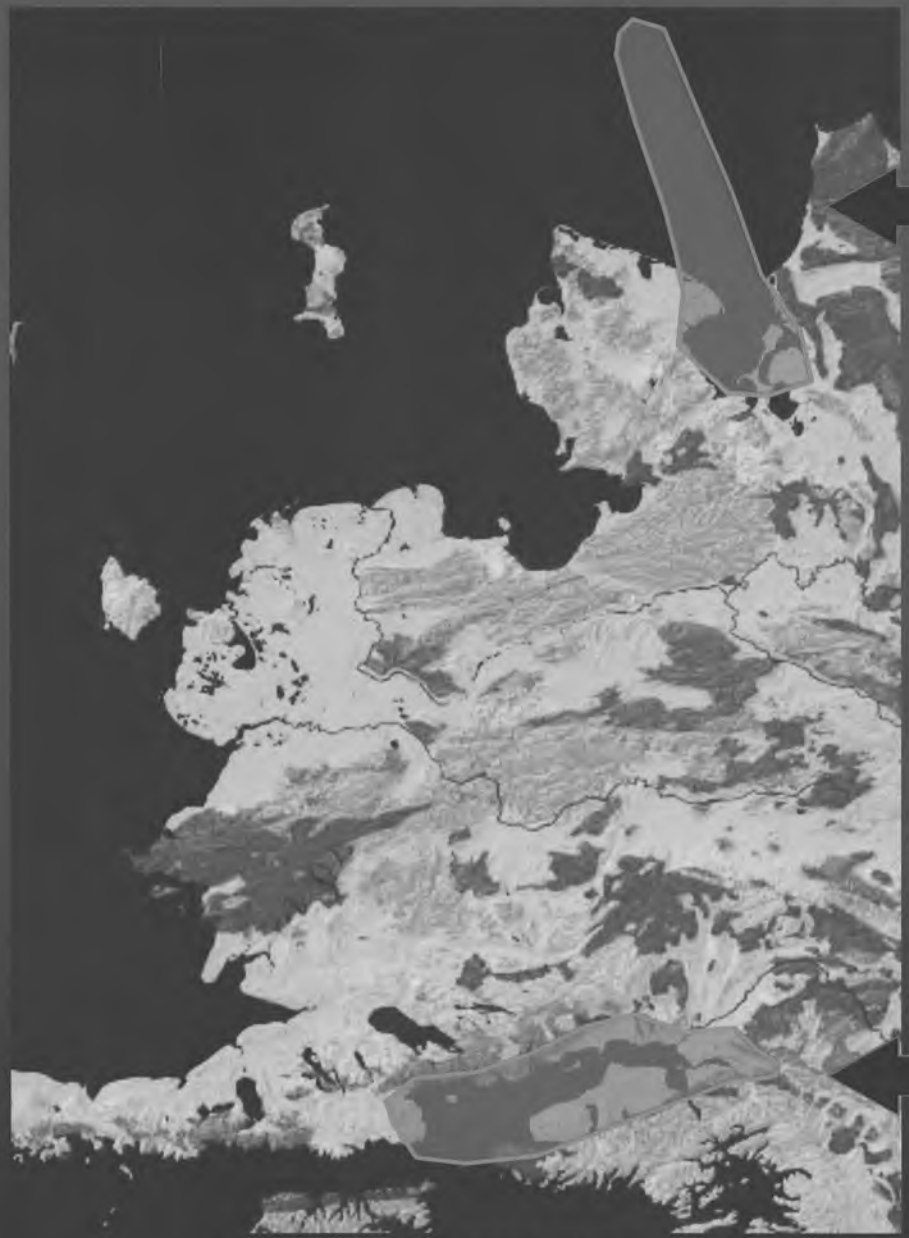
Lance Kilvagiaq Miller and Elizabeth Saagulik Hensley
NANA Regional Corporation, Inc.

Kotzebue Basin Location



- Basin 350 x 80 miles
- Onshore NW AK and offshore Chukchi Sea
- Separated from Hope Basin by Kotzebue Arch
- Depocenters ~ 20,000 ft Tertiary & probably Cretaceous

Basin Comparison

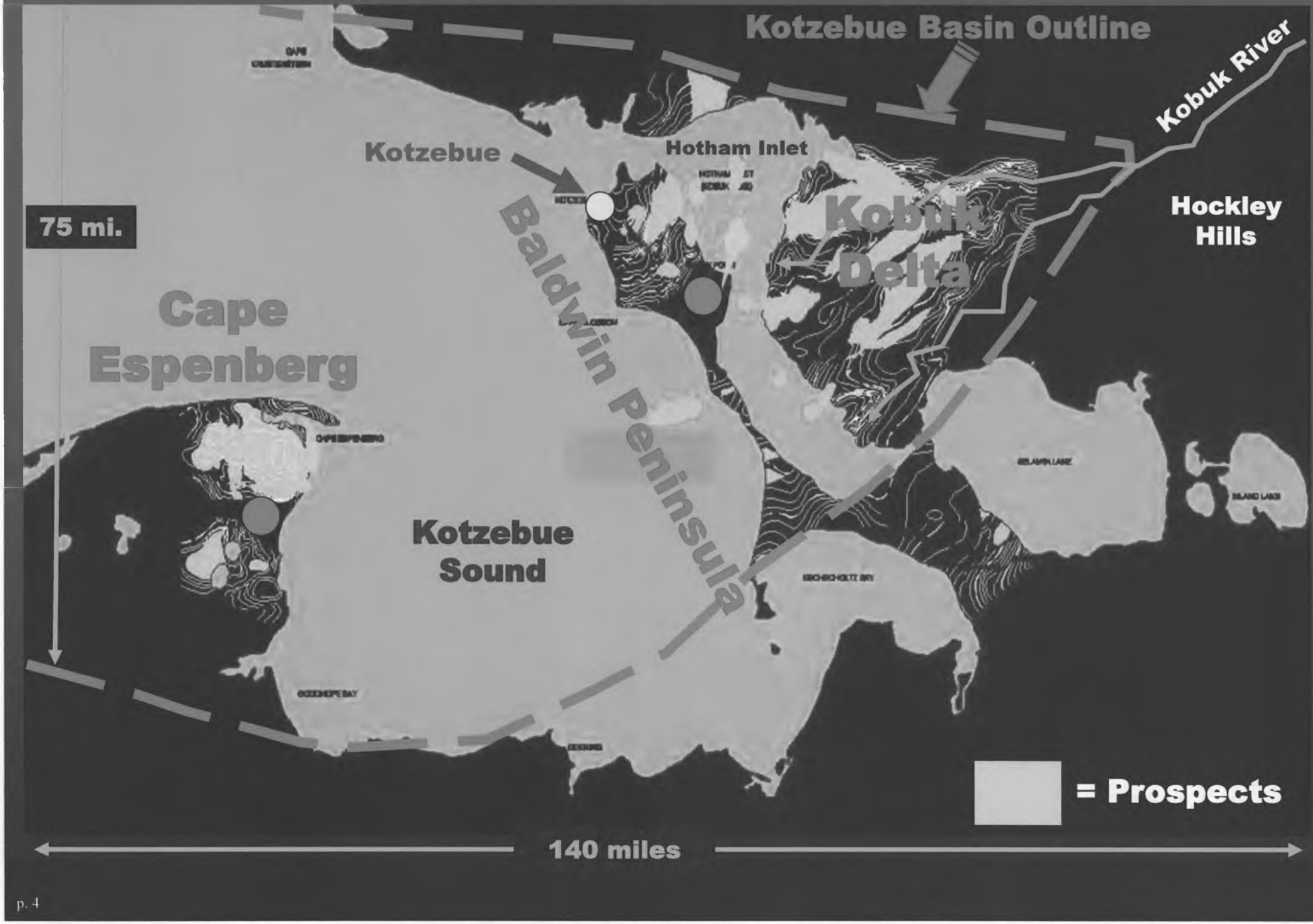


Kotzebue Basin

Cook Inlet Basin

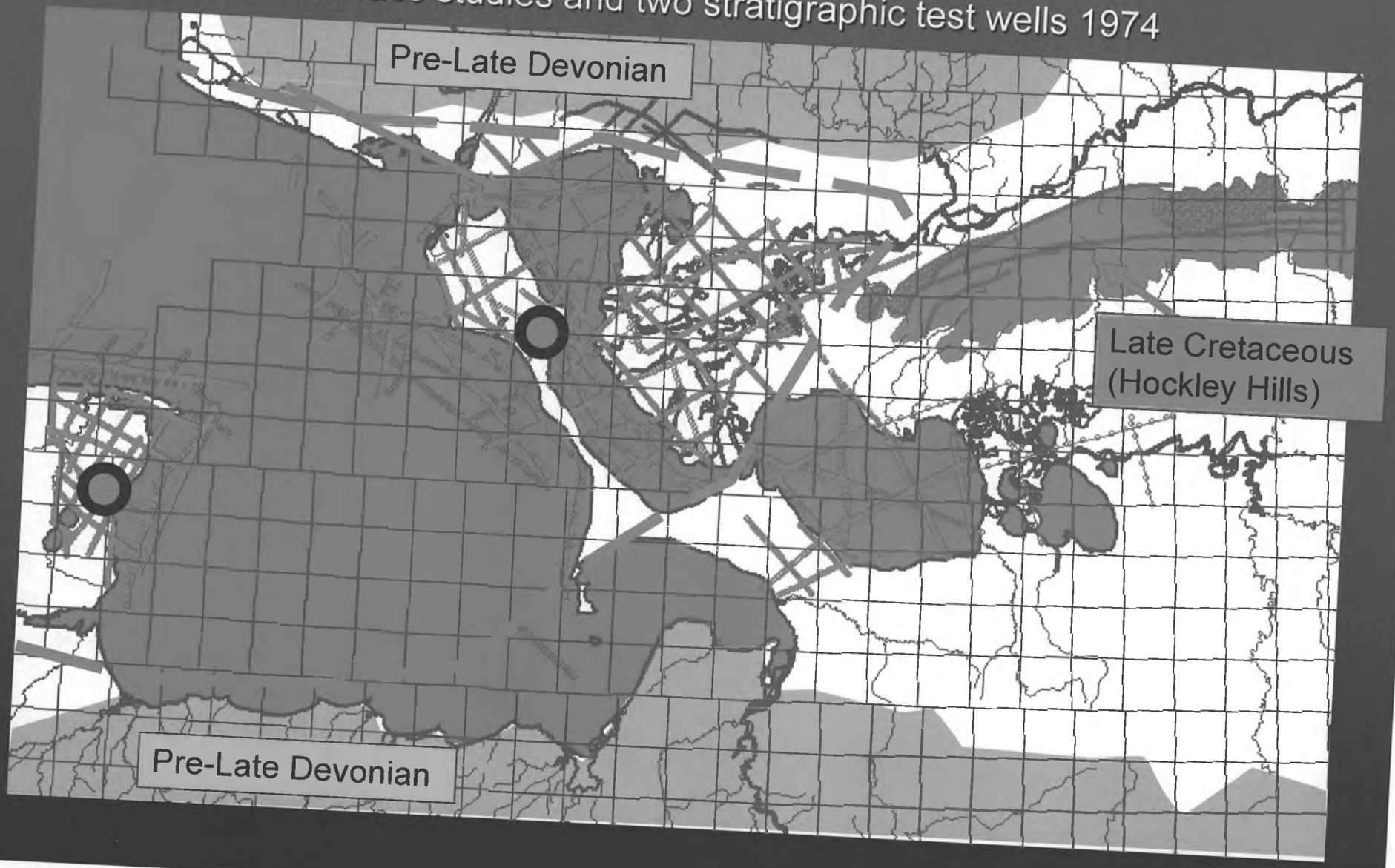
Base map from USGS: Geologic Map of North America

Local Geography

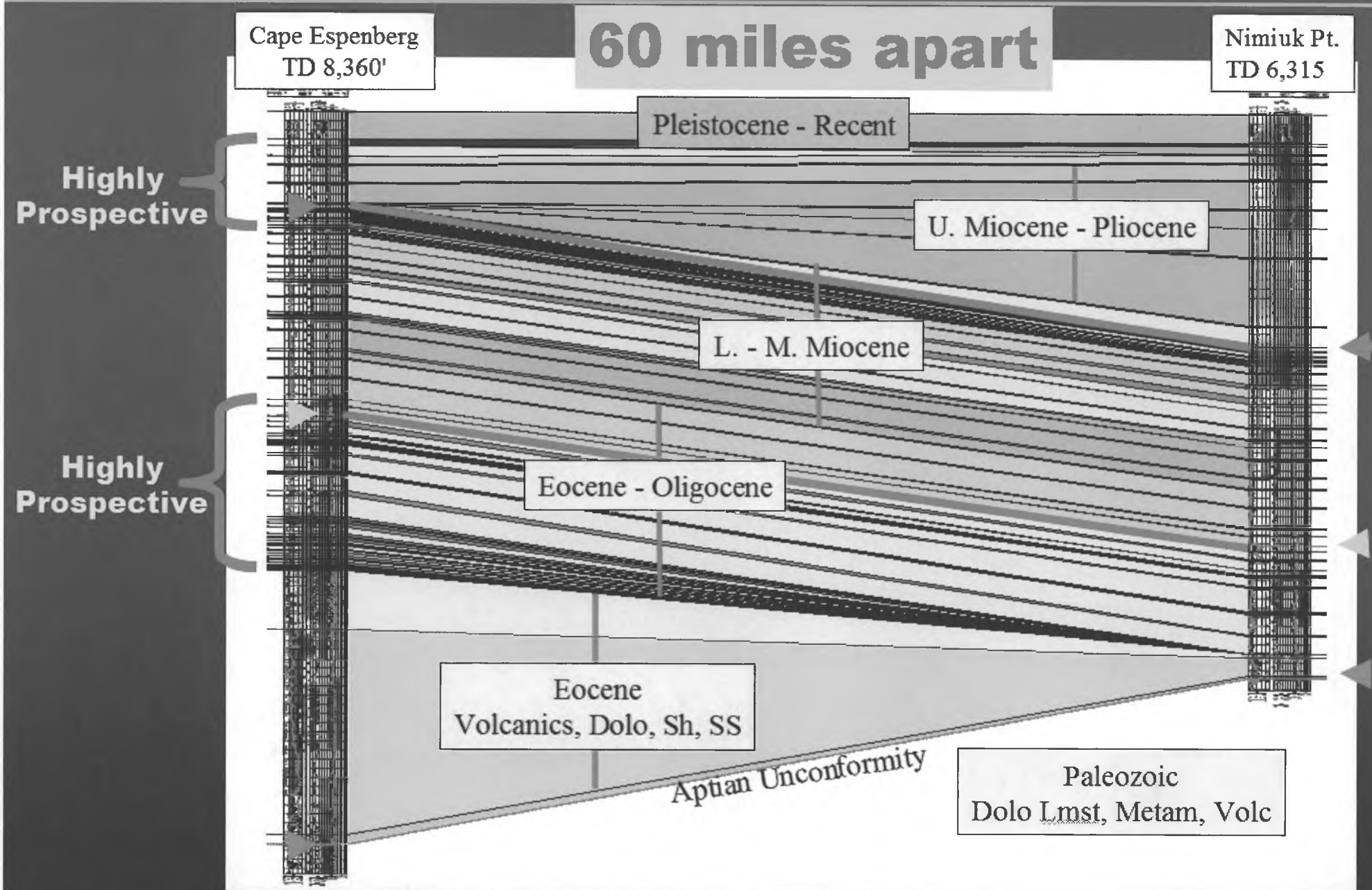


Exploration History and Data

- SOCAL (now Chevron): frontier exploration - early to mid 1970s
- 1500 miles 2D seismic, gravity and aeromagnetic data
- Outcrop and subsurface studies and two stratigraphic test wells 1974

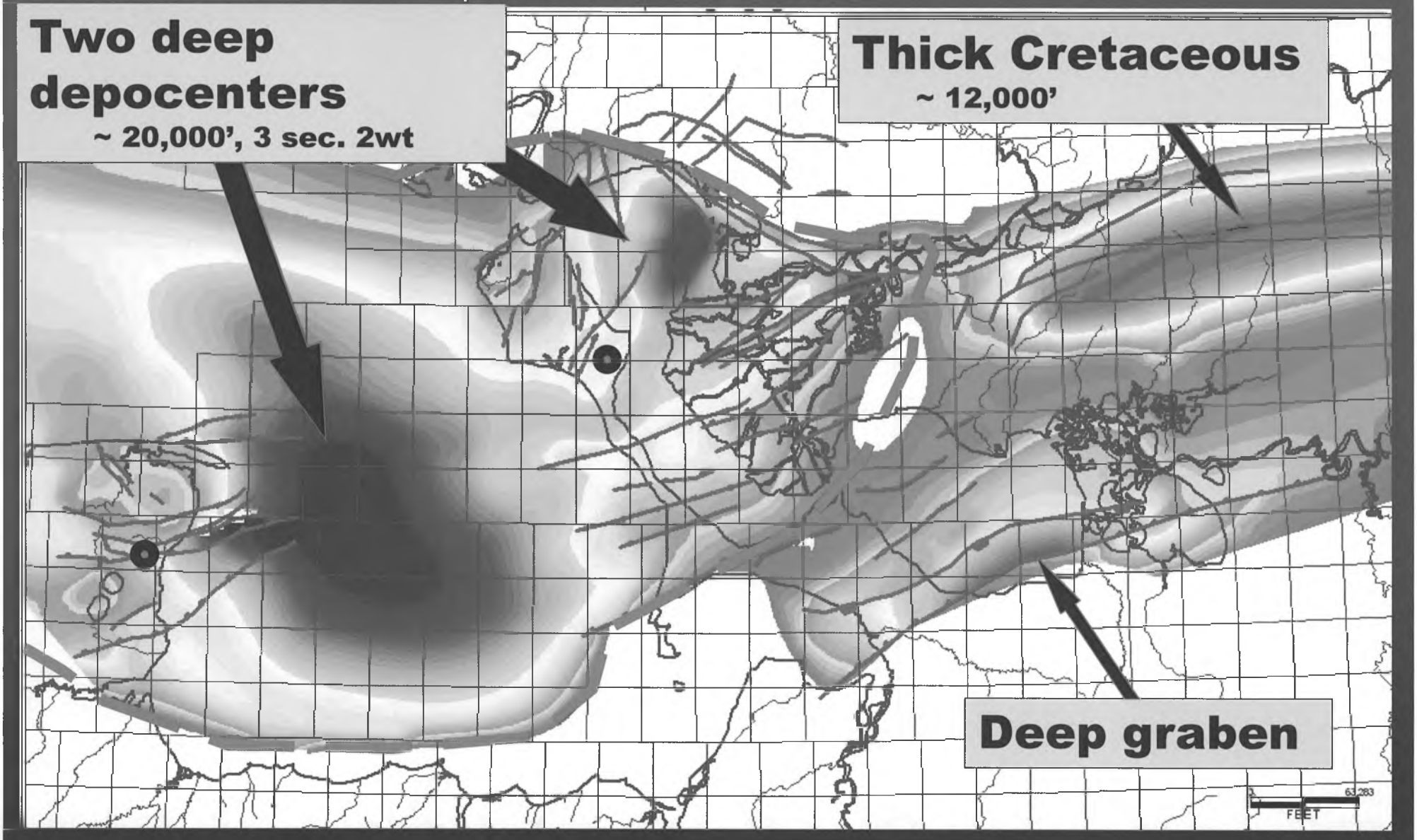


Primary Reservoir Targets



Basin Overview

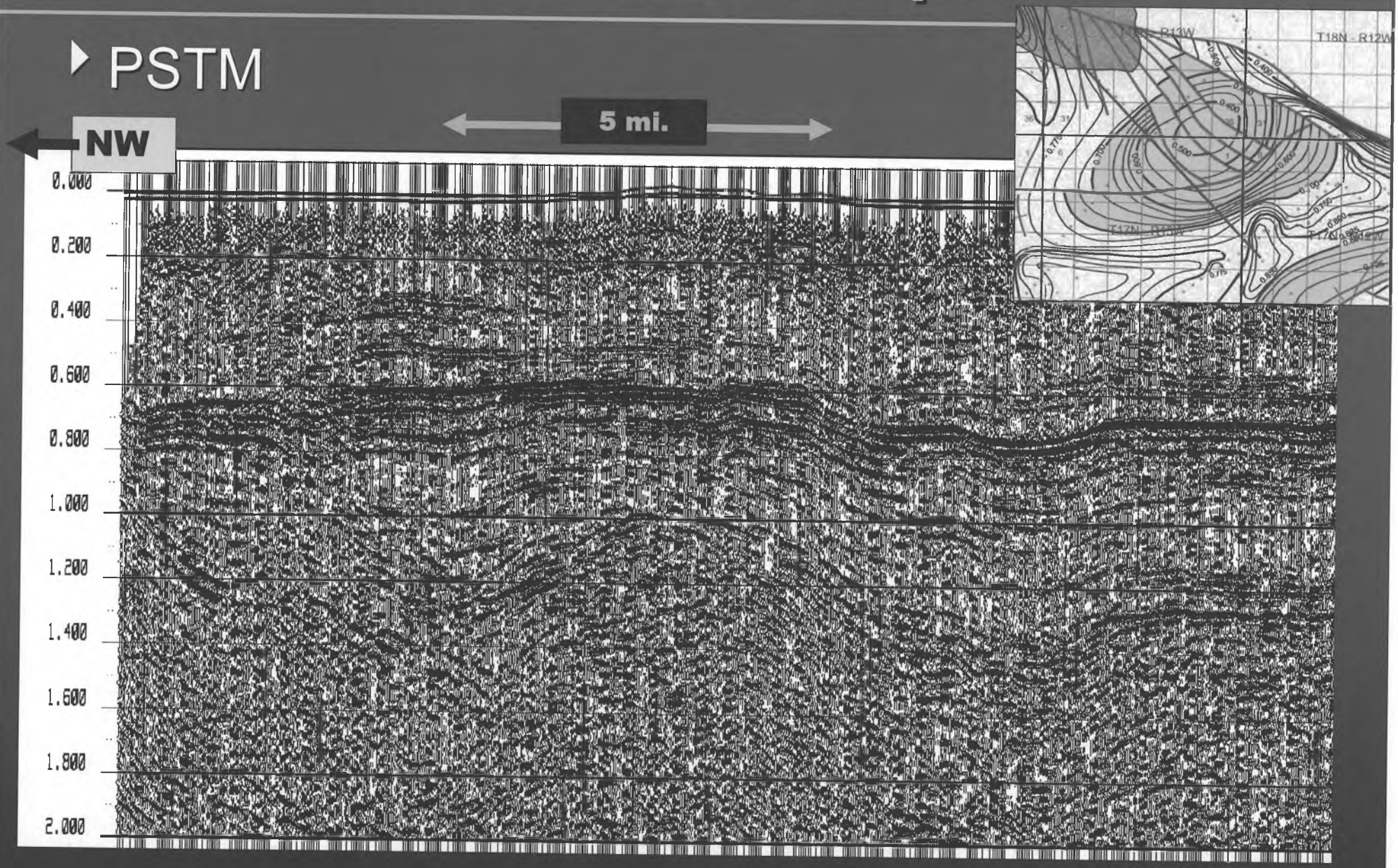
- Time Structure: Top Acoustic Basement



2 of the 30 Prospects

Amaouk Creek Prospect

- PSTM

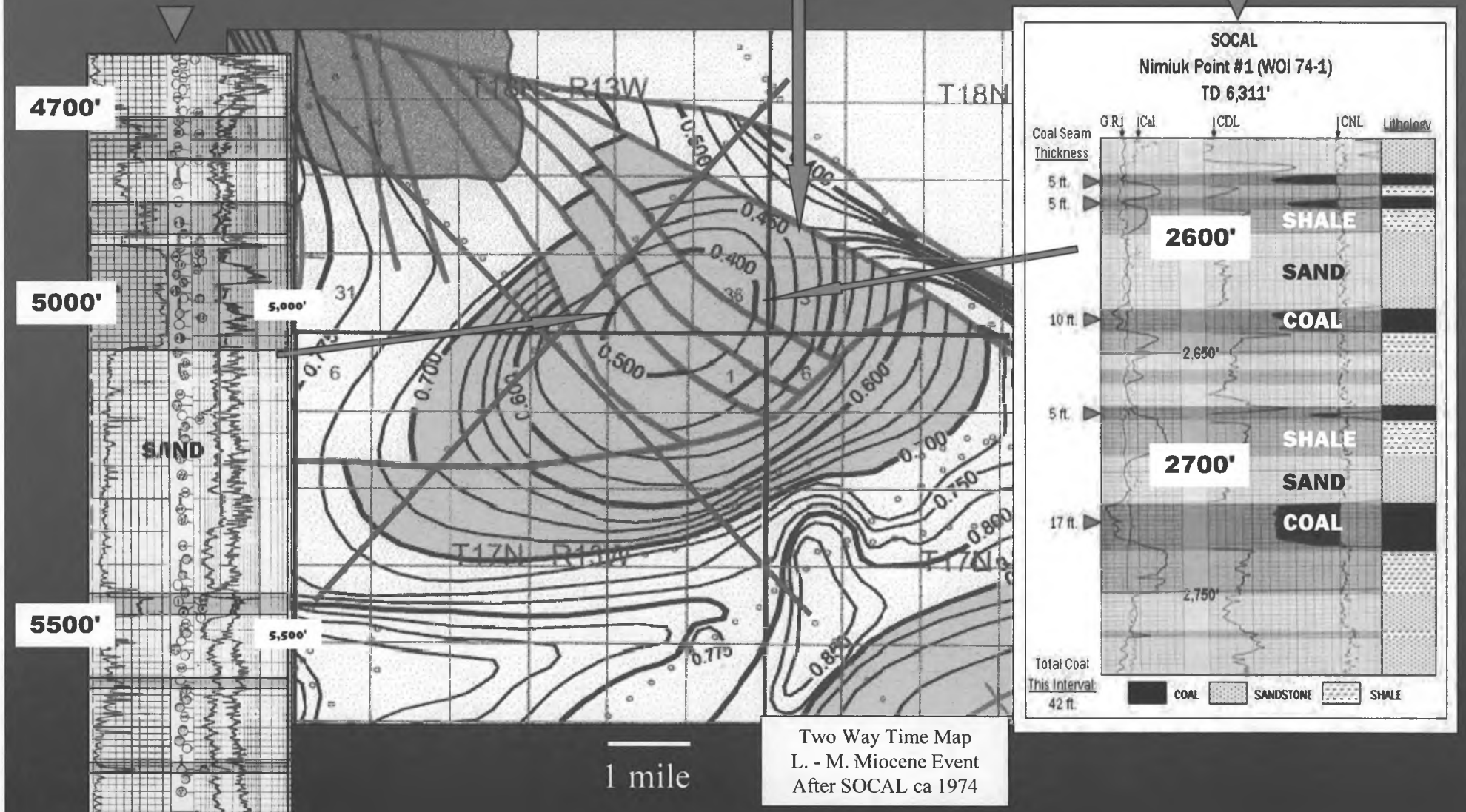


Amaouk Creek Prospect

Eocene – Oligocene Objectives

27 square miles closure

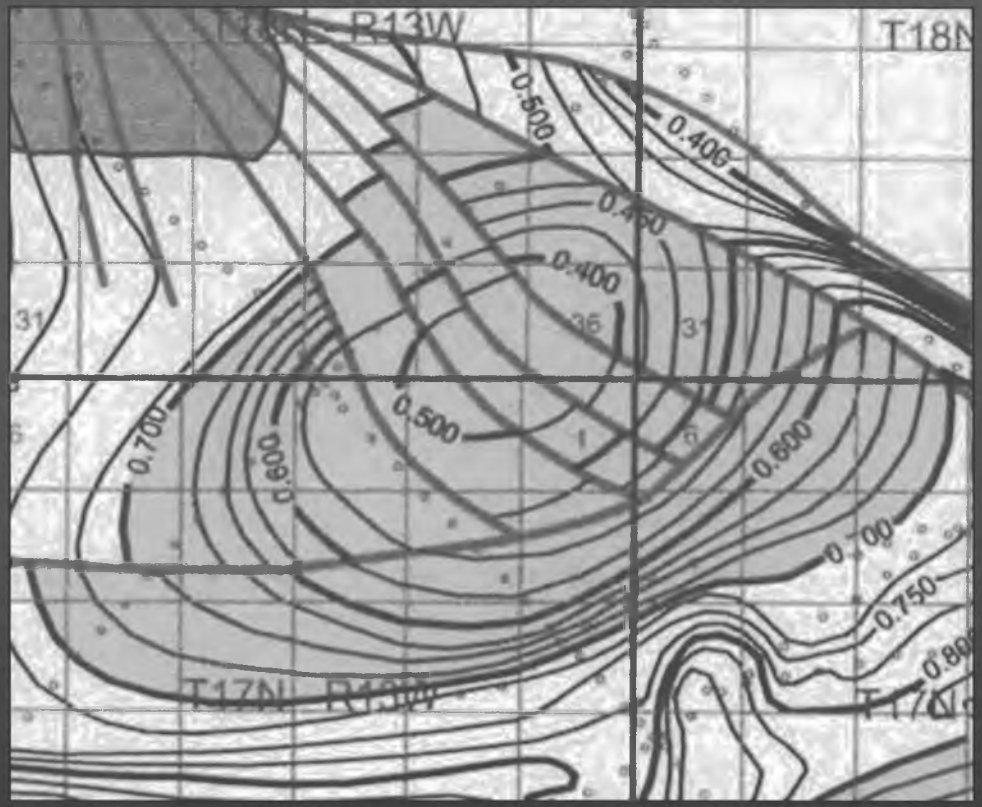
Miocene Objectives



Two Way Time Map
L. - M. Miocene Event
After SOCAL ca 1974

Amaouk Creek Prospect: Comparison to Partial Analogues

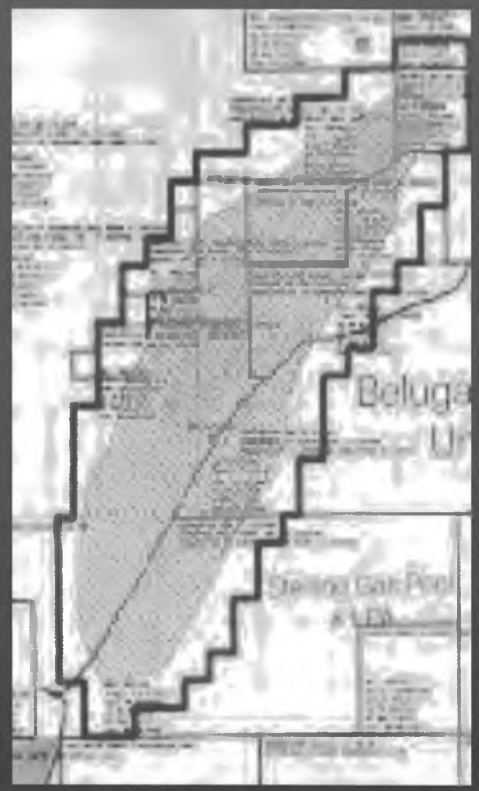
Amaouk Creek Prospect



Cook Inlet Gas Fields

Kenai Gas Field
Structure Map
Top Beluga Fm.
Cum.: 2.4 TCF

Beluga River Gas Field
Structure Map
Top Sterling Fm.
Cum.: 1.2 TCF



Maps at same horizontal scale

Key Points

- Major unexplored deep (20,000') sedimentary basin
  - similar in size to Cook Inlet & San Joaquin-Sacramento Basins
- Potential significant petroleum producing province
- Favorable hydrocarbon system
- Many large targets – structural and stratigraphic
- Has proved difficult to attract exploration financing
- This is a wildcat play
- Incentives will help with local, regional and perhaps statewide energy solutions

Contacts

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Elizabeth Saagulik Hensley, J.D.
Corporate & Public Policy Liaison
Direct: 907-265-3774
elizabeth.hensley@nana.com

RED DOG exports

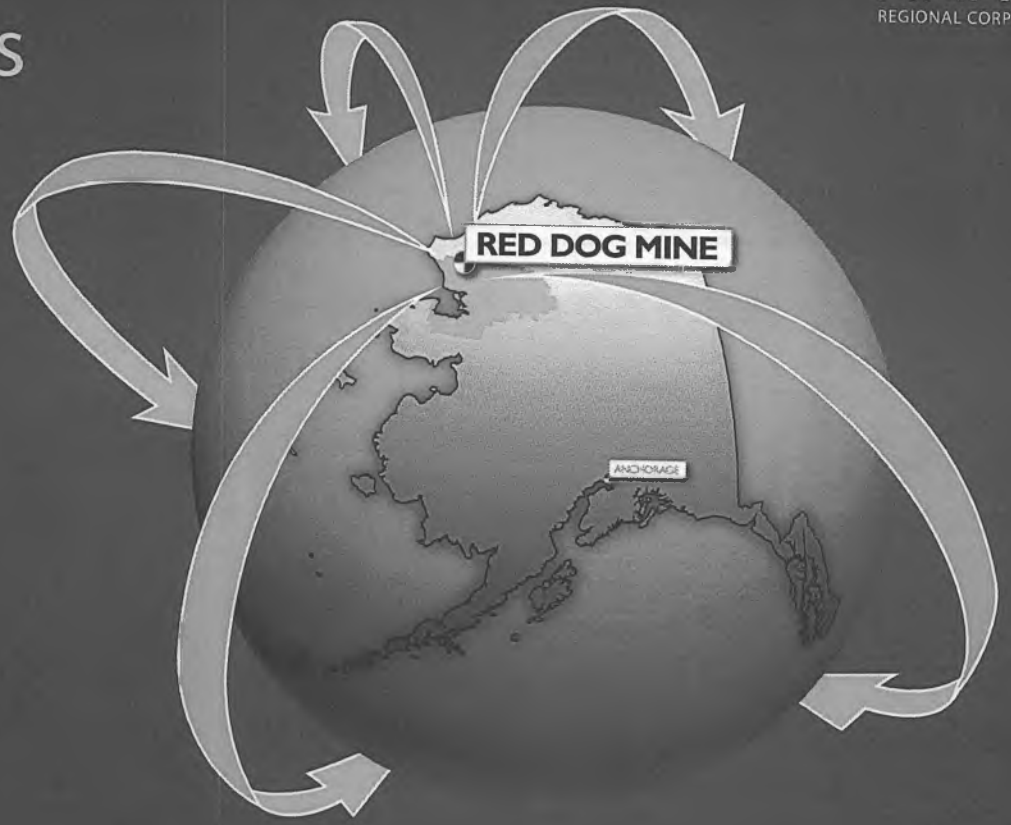
73% (2010) of US Zinc mine production

82% of Alaska's mineral export

4.4% of global zinc production

~25% of Alaska's export in 2010 was due to Red Dog

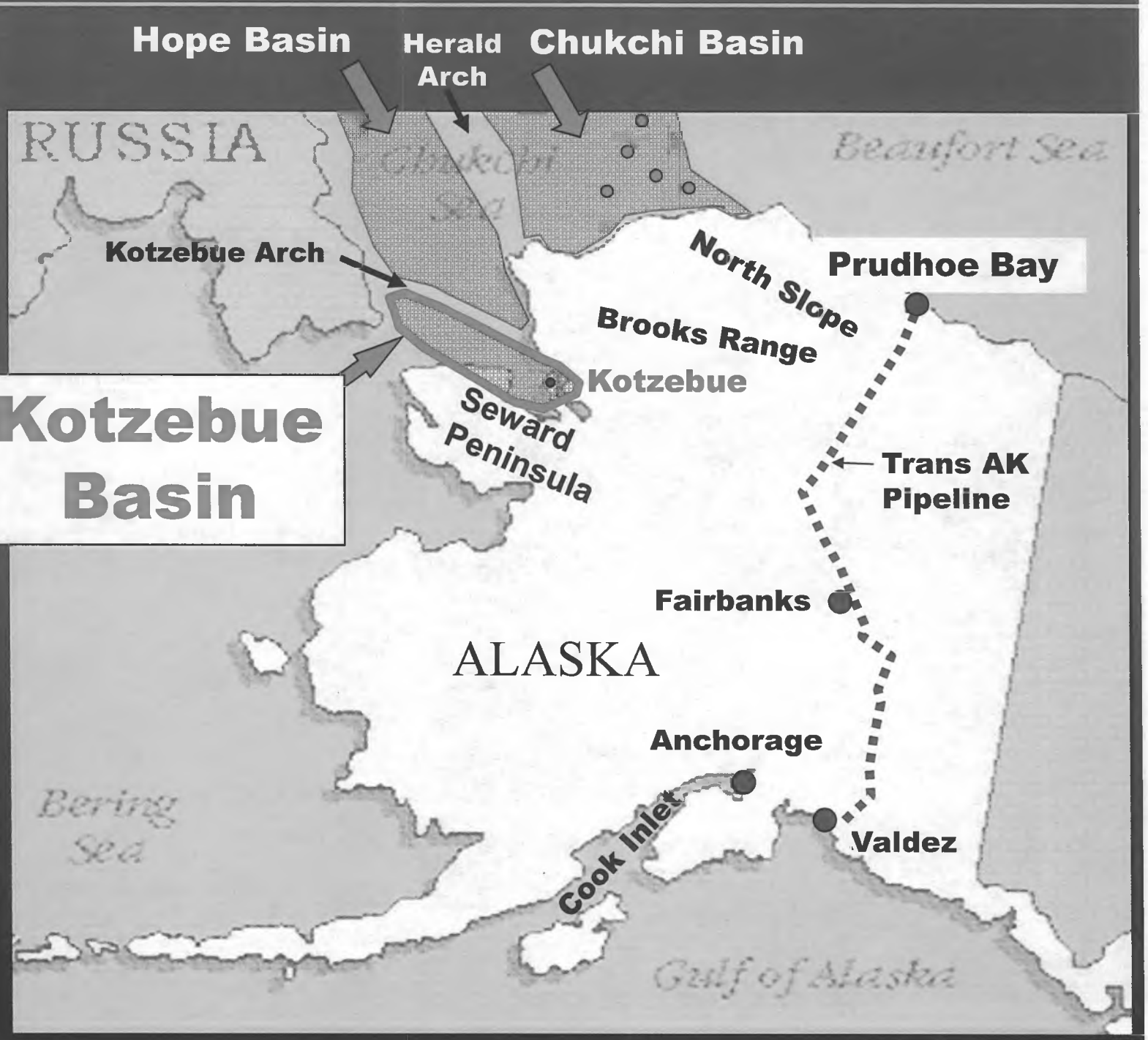
NANA
REGIONAL CORPORATION, INC.



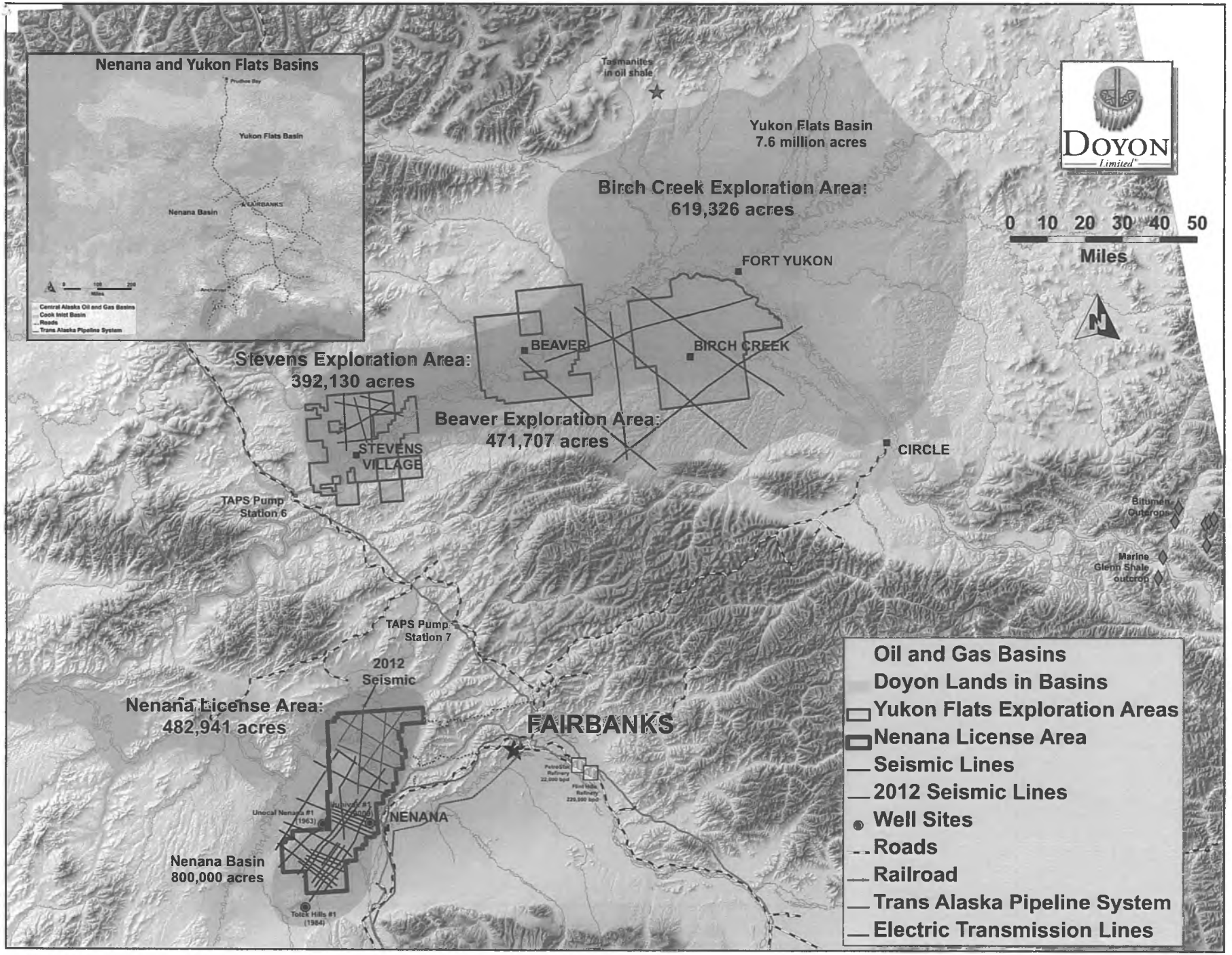
25% in #

Kotzebue Basin Location

- Basin 350 x 80 miles
- Onshore NW AK and offshore Chukchi Sea
- Separated from Hope Basin by Kotzebue Arch
- Depocenters ~ 20,000 ft Tertiary & probably Cretaceous



Nenana and Yukon Flats Basins



SB 153

<TARGET><BILL>SB 153</BILL><SUBJECT>SB 153</SUBJECT><COMM>SRES27</COMM></TARGET>

ALASKA STATE LEGISLATURE

SENATOR JOE THOMAS

Senate Bill 153:

"An Act relating to a gas storage facility; relating to the tax credit for a gas storage facility; relating to the powers and duties of the Alaska Oil and Gas Conservation Commission; relating to the regulation of natural gas storage as a utility; relating to the powers and duties of the director of the division of lands and to lease fees for a gas storage facility on state land; and providing for an effective date."

The cost of energy is crippling Interior Alaska's economy. The ever increasing expense of heating homes and operating businesses during the long, cold, dark winter hurts the ability of Interior Alaskans to put food on the table today and plan for the future. The Fairbanks community spends over $600 million per year on space heating, pays the highest natural gas prices in the country and does not receive the state energy incentives or subsidies available to residents and communities in other regions of our state.

Senate Bill 153 incents the private sector's delivery of lower cost natural gas to Interior Alaska by extending tax credits available for natural gas storage in Cook Inlet to a liquid natural gas trucking project for the Interior. A new credit for construction of gas storage tanks makes this program more flexible to fit the varying needs of gas delivery throughout the state. This legislation applies to tanked storage with a minimum volume of one million gallons. The amount of the credit is limited to 50% of construction costs up to $15 million. This allows areas of Alaska that do not have depleted gas reservoirs available, as Cook Inlet does, to still receive the same monetary incentive as Southcentral despite the higher capital costs per volume associated with constructing above ground tanks for storing LNG.

SB 153 would allow Golden Valley Electric Association, Flint Hills Refinery or another gas supplier to take concrete steps toward delivering sizeable volumes of trucked natural gas to the Interior. All money from these credits for tanked storage would be under the oversight of the Regulatory Commission of Alaska, ensuring that any savings are passed along to the rate payer thereby lowering costs and keeping more dollars in the local community.

I urge you to join me in lowering Interior Alaska's energy costs by supporting Senate Bill 153.

January – May: State Capitol – Juneau, Alaska 99801 – (907) 465-2327 – 1 (800) 336-7383 – Fax (907) 465-5241
June – December: 1292 Sadler Way Ste 203 – Fairbanks, Alaska 99701 – (907) 456-8161 – Fax (907) 456-8163
Senator.Joe.Thomas@legis.state.ak.us

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Bullock
2/1/12

CS FOR SENATE BILL NO. 153( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): SENATORS THOMAS, Coghill

A BILL

FOR AN ACT ENTITLED

"An Act relating to a gas storage facility; relating to the tax credit for a gas storage facility and the expansion of a gas storage facility; relating to the powers and duties of the Alaska Oil and Gas Conservation Commission; relating to the regulation of natural gas storage as a utility; relating to the powers and duties of the director of the division of lands and to lease fees for a gas storage facility on state land; and providing for an effective date."

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

* **Section 1.** AS 31.05.032(b) is amended to read:

(b) Within six months after receiving an application under (a) of this section, the commission shall determine and certify

(1) the working gas storage capacity of the facility on the date the facility commences commercial operation **or the increase in working gas storage capacity established after December 31, 2010, for a gas storage facility that was in**

operation before January 1, 2011, on the date the increased capacity commences commercial operation, rounded to the nearest

(A) 500,000,000 cubic feet **for nontank storage; or**

(B) 1,000,000 gallons for tank storage;

(2) whether the gas storage facility is capable of withdrawing a minimum of 10,000,000 cubic feet of gas a day; and

(3) that the facility qualifies as a gas storage facility for the purposes of this section.

*** Sec. 2.** AS 38.05 is amended by adding a new section to read:

Sec. 38.05.096. Exemption from rental payments on land leased for certain gas storage facilities. (a) A person leasing state land for a gas storage facility other than a gas storage facility subject to AS 38.05.180(u) may request an exemption from lease payments as provided in this section. The exemption is applicable for the periods described in (b) of this section.

(b) The exemption is available for the calendar year in which the gas storage facility commences commercial operation and for each of the nine calendar years immediately following the first year of commercial operation. However, an exemption is not applicable for the calendar year after the facility ceases commercial operation or for any subsequent calendar year.

(c) The lessee shall provide the director with any information the director requests to determine whether the lessee qualifies for the exemption.

(d) Information related to state land leased for a gas storage facility qualifying for the exemption in this section is public information and may be furnished to the Regulatory Commission of Alaska. On request, the director shall provide the name of each person using state land leased for a gas storage facility, the years for which an exemption was granted, and the amount of the exemption.

(e) A person receiving an exemption for a payment under this section that contracts to store gas for a utility regulated under AS 42.05 shall reduce the storage price to reflect the value of the exemption.

(f) In this section, "ceases commercial operation," "commences commercial operation," and "gas storage facility" have the meanings given in AS 31.05.032.

* **Sec. 3.** AS 42.05.990(3) is amended to read:

(3) "natural gas storage facility" means a facility that receives natural gas volumes from customers, holds the gas volumes in a reservoir, **tank, or depleted or nearly depleted pool,** and delivers the gas volumes to the customer; in this paragraph, "facility" includes

(A) all parts of the facility from the point at which the natural gas volumes are received by the facility from the customer to the point at which the natural gas volumes are delivered by the facility to the customer; **and**

(B) [A FACILITY CONSISTING OF A RESERVOIR, EITHER UNDERGROUND OR ABOVEGROUND, AND] one or more of the following components of the facility:

(i) pipe;

(ii) compressor stations;

(iii) station equipment;

(iv) injection and extraction wells;

(v) on-site or remote monitoring, supervision, and control facilities;

(vi) gas processing plants and gas treatment plants, but not including a liquefied natural gas or manufacturing plant or facility;

(vii) other equipment necessary to receive, place into **storage** [THE RESERVOIR], monitor, remove from **storage** [THE RESERVOIR, PROCESS], and deliver natural gas;

* **Sec. 4.** AS 43.20.046(a) is amended to read:

(a) **Except as provided in (m) of this section, a** [A] person that is an owner of a gas storage facility described in (b) of this section that commences commercial operation after December 31, 2010, and before January 1, 2016, may apply a refundable credit against a tax liability that may be imposed on the person under this chapter for the taxable year in which the gas storage facility commences commercial operation. **A tax credit under this section is in addition to any other credit under this chapter for which the person is eligible.** The tax credit under this section **for a**

(1) nontank storage facility shall be an amount equal to $1.50 for each 1,000 cubic feet of working gas storage capacity that is certified under AS 31.05.032 less any amount of credit received under this section taken in earlier tax years for that capacity**; the** [. THE] total amount of the credit that may be received for a single **nontank** [GAS] storage facility under this section may not exceed the lesser of $15,000,000 or 25 percent of the costs incurred to establish the gas storage facility**;**

(2) tank storage facility shall be the lesser of $15,000,000 or 50 percent of the cost incurred to establish the tank storage facility [. THE TAX CREDIT IN THIS SECTION IS IN ADDITION TO ANY OTHER CREDIT UNDER THIS CHAPTER FOR WHICH THE PERSON IS ELIGIBLE].

*** Sec. 5.** AS 43.20.046(b) is amended to read:

(b) A gas storage facility qualifying for the credit in this section

(1) must have a working gas storage capacity of at least

(A) 500,000,000 cubic feet of gas other than cushion gas **for nontank storage; or**

(B) 1,000,000 gallons for tank storage;

(2) must have a minimum withdrawal capability of 10,000,000 cubic feet a day as certified by the Alaska Oil and Gas Conservation Commission under AS 31.05.032;

(3) may not have been in operation as a gas storage facility before January 1, 2011**, unless the credit is based on the expansion of a gas storage facility under (m) of this section**;

(4) must be regulated under AS 42.05 as a utility and be available to furnish the service of natural gas storage to the public for compensation; in this paragraph, "service of natural gas storage" has the meaning given in AS 42.05.990; and

(5) if located on state land and leased or subject to a lease under **AS 38** [AS 38.05.180], must be in compliance with the terms of the lease.

*** Sec. 6.** AS 43.20.046(d) is amended to read:

(d) A person entitled to a tax credit under this section that is greater than the person's tax liability under this chapter may request a refund **or payment** in the

amount of the unused portion of the tax credit.

*** Sec. 7.** AS 43.20.046(e) is amended to read:

(e) The department may use available money in the oil and gas tax credit fund established in AS 43.55.028 to make the refund **or payment** applied for under (d) of this section in whole or in part if the department finds that (1) the claimant does not have an outstanding liability to the state for unpaid delinquent taxes under this title; and (2) after application of all available tax credits, the claimant's total tax liability under this chapter for the calendar year in which the claim is made is zero. In this subsection, "unpaid delinquent tax" means an amount of tax for which the department has issued an assessment that has not been paid and, if contested, has not been finally resolved in the taxpayer's favor.

*** Sec. 8.** AS 43.20.046(h) is amended to read:

(h) If the gas storage facility **or the expanded portion of the gas storage facility** for which a credit was received under this section ceases commercial operation during the nine calendar years immediately following the calendar year in which the gas storage facility **or the expanded portion of the gas storage facility** commences commercial operation, the tax liability under this chapter of the person who claimed the credit shall be increased**, and a person not subject to the tax under this chapter that received a payment under (d) of this section shall be liable to the state in the amount determined in this subsection**. The amount of the increase in tax liability **or liability to the state**

(1) **for a person subject to the tax under this chapter,** shall be determined and assessed for the taxable year in which the gas storage facility ceases commercial operation, regardless of whether the gas storage facility subsequently resumes commercial operation; [AND]

(2) **for a person not subject to the tax due under this chapter, shall be determined and assessed as of December 31 of the calendar year in which the gas storage facility or the expanded portion of the gas storage facility ceases commercial operation, regardless of whether the gas storage facility or the expanded portion of the gas storage facility subsequently resumes commercial operation; and**

(3) is equal to the total amount of the credit taken **or received as a payment under (d) of this section, as applicable,** multiplied by a fraction, the numerator of which is the difference between 10 and the number of calendar years for which the gas storage facility **or the expanded portion of the gas storage facility** was eligible for a tax credit under this section and the denominator of which is 10.

*** Sec. 9.** AS 43.20.046(i) is amended to read:

(i) The issuance of a refund **or payment** under this section does not limit the department's ability to later audit or adjust the claim if the department determines, as a result of the audit, that the person that claimed the credit was not entitled to the amount of the credit. The tax liability of the person receiving the credit under this chapter **and that is subject to the tax imposed under this chapter** is increased by the amount of the credit that exceeds that to which the person was entitled**; a person that receives the credit and that is not subject to the tax imposed under this chapter is liable to the state for the amount of the credit that exceeds that to which the person was entitled**. If the tax liability is increased **or a person not subject to the tax imposed under this chapter is liable to the state** under this subsection, the increase **in tax liability or the liability to the state** bears interest under AS 43.05.225 from the date the refund **or payment** was issued.

*** Sec. 10.** AS 43.20.046(j) is amended to read:

(j) A person **taking a tax credit under this section or receiving a payment under (d) of** [CLAIMING A TAX CREDIT UNDER] this section for a gas storage facility **or expanded portion of a gas storage facility** that ceases commercial operation within nine calendar years immediately following the calendar year in which the gas storage facility **or expanded portion of the gas storage facility** commences commercial operation shall notify the department in writing of the date the gas storage facility **or expanded portion of the gas storage facility** ceased commercial operation. The notice must be filed with the return for the taxable year in which the gas storage facility ceases commercial operation.

*** Sec. 11.** AS 43.20.046(k) is amended to read:

(k) A refund **or payment** under this section does not bear interest.

*** Sec. 12.** AS 43.20.046 is amended by adding new subsections to read:

(m) Notwithstanding (a) of this section, a person that is an owner of a gas storage facility that commenced commercial operation before January 1, 2011, that expanded the gas storage facility after December 31, 2010, and that commences commercial operations after December 31, 2010, and before January 1, 2016, in the expanded portion of the gas storage facility may apply a refundable credit against a tax liability that may be imposed on the person under this chapter for the taxable year in which the expanded portion of the gas storage facility commences commercial operation. The amount of the credit shall be determined under (a)(1) and (2) of this section, but shall be based only on the capacity in the expanded portion of the gas storage facility and cost incurred to expand the gas storage facility after December 31, 2010.

(n) In this section, "expanded portion of the gas storage facility" means the increase in capacity after December 31, 2010, of a gas storage facility that commenced commercial operations before January 1, 2011.

*** Sec. 13.** AS 43.55.028(a) is amended to read:

(a) The oil and gas tax credit fund is established as a separate fund of the state. The purpose of the fund is to purchase transferable tax credit certificates issued under AS 43.55.023 and production tax credit certificates issued under AS 43.55.025 and to pay refunds **and payments** claimed under AS 43.20.046.

*** Sec. 14.** AS 43.55.028(g) is amended to read:

(g) The department may adopt regulations to carry out the purposes of this section, including standards and procedures to allocate available money among applications for purchases under this chapter and claims for refunds **and payments** under AS 43.20.046 when the total amount of the applications for purchase and claims for refund exceed the amount of available money in the fund. The regulations adopted by the department may not, when allocating available money in the fund under this section, distinguish an application for the purchase of a credit certificate issued under AS 43.55.023(m) or a claim for refund under AS 43.20.046.

*** Sec. 15.** This Act takes effect immediately under AS 01.10.070(c).

Rcvd 2/7/12

Sectional Analysis for Committee Substitute for SB 153\I

Section 1. Amends AS 31.05.032(b) to create as new 1,000,000 gallon threshold for new or expanded above ground natural gas tank storage that can be certified by the AOGCC as eligible to apply for the credit under 43.20.046.

Section 2. Creates a new section under AS 38.05.096 that allows eligible above ground natural gas tank storage facilities, sited on state lands, to request an exemption from rental payments. To qualify, the tank must be have a storage capacity of at least 1,000,000 gallons. The exemption could extend for up to ten years following the commencement of commercial operations as long as the facility continues to operate. Information regarding the rental exemption is deemed to be "public" and is available to the RCA upon request. A person receiving a rental exemption must adjust the storage charge downward to reflect this state benefit and pass it through to the storage customers. The intent of this new section of law is to mirror the existing benefit offered to natural gas storage operations that eligible to apply for a rental payment exemption under AS 38.05.180(u).

Section 3. Amends the definition of "natural gas storage facility" and "facility" in AS 42.05.990(3) to assure that tank storage, or storage in a depleted or nearly depleted pool are afforded the same benefit that geologic natural gas storage already enjoys.

Section 4. Amends the existing gas storage facility tax credit in AS 43.20.046 by bifurcating it into two separate credits. The first will apply to non-tank facilities (geologic storage). This benefit is capped at fifteen million dollars or 25 percent of the facility development cost whichever is less. The second is a new credit for a tank storage facility which will be capped at fifteen million dollars or 50 percent of the development cost whichever is less. This restructuring retains existing language that assures that a tax credit under AS 43.20.046 is in addition to any other credits for which the storage facility is eligible for under this chapter.

Section 5. Amends the terms of what storage qualifies for a tax credit or payment under AS 43.20.046(b) by adding a 1,000,000 gallon threshold for above ground storage similar to the language in in section 1 of the legislation and including the potential for expansion of a new facility allowing for flexibility of who and how this project moves forward.

Sections 6 and 7. Amends AS 43.20.046(d)-(e) to add "or payment" for non-profit companies that are not subject to tax under this chapter. Legislative Legal expressed concern that there could be some question whether a "tax credit" would work for tax exempt storage operators. Addition of the words "or payment" extinguishes this ambiguity.

Section 8. Amends 43.20.046(h) to set forth how a company not subject to tax under this chapter, but received payments under this chapter shall be assessed for liability if its gas storage facility ceases commercial operations during the nine calendar years immediately following the calendar year in which the gas storage facility commenced commercial operations.

Section 9. Amends 43.20.046(i) to clarify that a person that receives a payment under AS 42.20.046 that the person was not entitled to must repay the state with interest determined under AS 43.05.225. This interest shall be calculated from the date the erroneous payment was made. The restructured language assures that storage operators that are subject to state corporate income tax and non-profit storage operators that are exempt from state income tax are treated equally.

Sections 10-14 make a number of conforming language changes to accommodate addition of the word "payment" in section 6 of the legislation for a new or expanded LNG storage facility..

Section 15. Established an immediate effective date for the legislation.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB 153**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB153-DCCED-RCA-02-03-12
Title: Natural Gas Storage Tax Credit/Regulation
Sponsor: Senator Thomas
Requester: Senate Resources

Dept. Affected: DCCED
Appropriation: Regulatory Commission of Alaska
Allocation: Regulatory Commission of Alaska
OMB Component Number: 2417

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	0.0		0.0	0.0	0.0	0.0	0.0
Travel	0.0		0.0	0.0	0.0	0.0	0.0
Services	0.0		0.0	0.0	0.0	0.0	0.0
Commodities	0.0		0.0	0.0	0.0	0.0	0.0
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1141	RCA Rcpts (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version

Prepared by: T. W. Patch, Chairman
Division: Regulatory Commission of Alaska
Phone: 276-6222
Date/Time: 2/3/2012 3:30 p.m.
Approved by: JoEllen Hanrahan, Director Administrative Services
Commerce, Community, and Economic Development
Date: 2/3/2012

(Revised 11/28/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB 153

Analysis

This legislation is relating to a gas storage facility; relating to the tax credit for a gas storage facility; relating to the powers and duties of the Alaska Oil and Gas Conservation Commission; relating to the regulation of natural gas storage as a utility; relating to the powers and duties of the director of the division of lands and to lease fees for a gas storage facility on state land; and providing for an effective date.

The RCA expects to implement the provisions of this legislation with existing resources.

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version **SB153**
Fiscal Note Number
Publish Date

Identifier (file name) SB153-DOA-AOGCC-1-14-12
Title Natural Gas Storage Tax Credit/Regulation
Sponsor Senator Thomas
Requester Senate Resources

Dept. Affected Administration
Appropriation Alaska Oil and Gas Cons. Comm.
Allocation Alaska Oil and Gas Conservation Commission
OMB Component Number 21

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by Dan Seamount, Commissioner — Phone 907-793-1227
Division Alaska Oil and Gas Conservation Commission — Date/Time 1/14/12 4:00 PM
Approved by John Cramer, Deputy Commissioner — Date 1/14/2012
Department of Administration

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB153

Analysis

This bill will provide an exemption/tax credit/refund/payment of liabilities on land leased for certain gas storage facilities, under certain criteria.

There would be a minimial amount of additional work for the Alaska Oil and Gas Conservation Commission (AOGCC) resulting from this bill and it could be managed with existing funds and staff members. Therefore, the AOGCC submits a zero fiscal note.

Trucking Liquid Natural Gas to Interior Alaska
Project Overview

Golden Valley Electric Association is teaming with Flint Hills Resources to investigate the potential of transporting liquid natural gas from the North Slope to Interior Alaska. The natural gas feedstock for this project is to come from a long-term supply contract on the North Slope. This raw gas would be processed and liquefied at a new facility on the North Slope. It would briefly be stored in a 1,000,000 gallon tank before being trucked to Interior Alaska via specialty trailers. The LNG product will be delivered to a 2,000,000 gallon storage tank located adjacent to the Flint Hills Refinery and the Golden Valley generation plant in North Pole. Here the product will be stored until it is warmed in a new re-gas facility and then made available as natural gas to end users.

The primary initial demand will come from GVEA's new gas turbine and the Flint Hills Refinery to heat North Slope crude oil obtained from the Trans Alaska Pipeline. **This primary demand equals roughly 7 billion cubic feet of gas per year.**

The partners on this project are looking into the possibility of running the delivery trucks off of LNG instead of diesel to bring additional cost savings to the project.

GVEA is reaching out to potential customers to determine if availability of this new resource can be used to help to reduce energy costs further in Interior Alaska**. Through additional capacity available under the gas supply contract from the North Slope producer, space heating and industrial uses could be addressed.**

To help refine the initial project cost numbers, GVEA and Flint Hills have secured the services of CB&I. **The initial work of this firm indicates that the total project cost will be roughly $220,000,000 to $245,000,000.** The project estimate currently contains historical cost data that has a margin of error of plus or minus 50 percent.

The current price range is between $12 and $17 dollars per mcf of gas. Additional work to reduce this uncertainty and thus narrow the range of the expected delivered price.

GVEA is very supportive of a pipeline eventually delivering natural gas to the Interior, the LNG trucking project can be developed immediately and with more certainty.

The current schedule calls for first gas from the project to be delivered in early 2015. As GVEA and Flint Hills continue to advance engineering on the concept, there is a possibility that delivery date can be moved forward.

Availability of additional LNG in Interior Alaska will also allow for an expansion of the current piped distribution system as well as initiation of other customer growth. This dynamic will improve the net present value calculations on a future pipeline operation since a larger customer base will be present to take gas off a pipeline immediately.

The main provisions of SB 153 are:

1. The quantitative description for working gas storage eligible for state assistance is modified in AS 31.05.032 and AS 43.20.046 to include a 1,000,000 gallon threshold for above ground LNG tankage.

   Rationale – As HB 280 was debated and passed in 2010, strong statements were made that the bill was designed to assist the creation of natural gas storage statewide, although Cook Inlet and Interior Alaska were mentioned specifically.

   As the legislation progressed, similar statements were made supporting the future need for storage in Fairbanks including comments from agency personnel.

   > Marsha Davis – *"Well Senator Wielechowski, I am sensitive to the comment that Representative Hawker made that we obviously don't want to harm the interests in Fairbanks. But obviously if you've got gas, I guess the question would be would you ever store gas on the North Slope and then move it to* ***Fairbanks*** *or would the storage facilities physically be located someplace around* ***Fairbanks*** *for use by the utilities around* ***Fairbanks****, so you know we would be open to discussion as to how to work that issue with Representative Hawker." (transcribed from the audio record at 04:24:00 pm of the Senate Resources Audio links for 4/5/2010)*

   Although the legislation described a Gas Storage Facility as a "tank or a depleted or nearly depleted reservoir or pool in the state that is available for storage of gas" the quantitative description was written with only geologic storage in mind. As a result, the existing 500,000,000 cubic feet capacity requirement is far bigger than what a reasonable tank needs to be to support a LNG trucking operation to serve the Interior. In order to qualify for the credit under the existing law, GVEA would have to overbuild the LNG storage tank at considerable expense. Under Alaska regulatory law this added expense would be passed on to utility customers who already suffer from extremely high energy costs. Such an outcome would be counter to the intent of HB 280 which was to mitigate the cost of adding storage to the energy supply chain and assure that benefit flows through to Alaska consumers.

2. The ten year lease payment waiver provision of AS 38.05.180(u) is duplicated with the intent that it will also apply to state land leased for a natural gas storage operation under AS 38.35.120.

   Rationale – At the time HB 280 was debated, the yearly lease cost for natural gas storage, built on state land, was a cost legislators felt they could reduce to relieve the financial burden of storage on consumers. At the time, legislators were not aware that a LNG trucking operation on the North Slope could secure land under AS 38.35. GVEA has since been advised by the State Pipeline Coordinator's Office that AS 38.35 is available for this purpose and may assist with the timely construction of Interior related gas infrastructure by offering a preferable permitting process. Making the lease payment waiver provision applicable to AS 38.35 honors the intent of HB 280 by lowering the cost of storage resulting in savings that will be passed on to Interior residents.

3. The existing refundable tax credit applicable to eligible gas storage is modified to allow a "payment" to offset the cost of developing storage by an owner that is tax exempt.

   Rationale – HB 280 established a tax credit to offset the cost of gas storage development that would be applied against the state income tax owed by the gas storage owner. Unfortunately the existing language is cumbersome for not-for-profit utilities that develop the gas storage themselves since they are exempt from state income tax. However, the legislative record indicates that utility ownership of storage was expected. Testimony was given to clarify that the following three storage scenarios were anticipated with the first two qualifying for the credit program and the third receiving no state benefit.

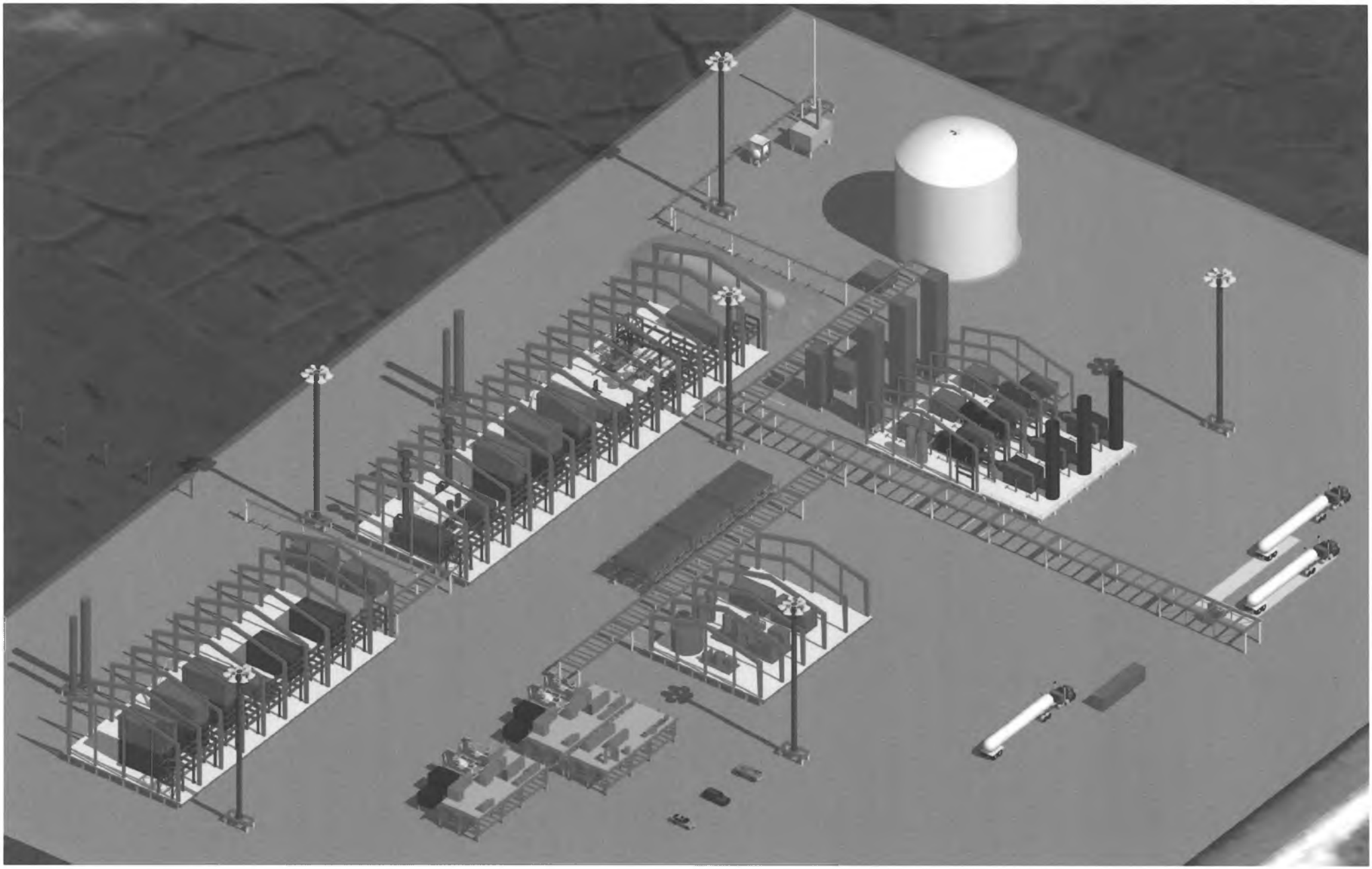
   a. A regulated public utility owns and operates storage.
   b. Open-access third-party storage is offered for a price.
   c. An investor builds storage for their own benefit which is not available on a third-party basis.

   To fulfill this legislative intent it may be possible for a utility owned storage facility to qualify under existing Alaska law which states:

   > AS 43.20.046(d) A person entitled to a tax credit under this section that is greater than the person's tax liability under this chapter may request a refund in the amount of the unused portion of the tax credit.

   However, the Legislative Division of Legal and Research Services suggested modifications to the tax credit provision that clarify any ambiguity on this issue.

4. Senator Thomas and Representative Thompson intend to propose a change to the bill that would limit the potential state storage credit or payment to $15,000,000 or 50% of the infrastructure cost; whichever is less.



Facility Description: Sour gas pipeline to facility, gas pretreatment, heavies separation and storage, LNG liquefaction and storage, LNG truck loading, LNG truck fueling, LPG truck loading, gas blending, power generation and associated systems -- building, structural supports, piping, electrical, instrumentation & controls, all adequate for arctic climate conditions.

Facility Description: LNG truck receiving and offloading, LNG storage, LNG truck fueling, HP & LP vaporization and sendout for separate users (usage) and associated systems -- building, structural supports, piping, electrical, instrumentation & controls adequate for the environmental conditions expected.

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version **SB153**
Fiscal Note Number
Publish Date

Identifier (file name) SB153-DOA-AOGCC-1-14-12
Title Natural Gas Storage Tax Credit/Regulation
Sponsor Senator Thomas
Requester Senate Resources

Dept. Affected Administration
Appropriation Alaska Oil and Gas Cons. Comm.
Allocation Alaska Oil and Gas Conservation Commission
OMB Component Number 2010

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by Dan Seamount, Commissioner — Phone 907-793-1227
Division Alaska Oil and Gas Conservation Commission — Date/Time 1/14/12 4;00 PM
Approved by John Cramer, Deputy Commissioner — Date 1/14/2012
Department of Administration

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB153
2012 LEGISLATIVE SESSION

Analysis

This bill will provide an exemption/tax credit/refund/payment of liabilities on land leased for certain gas storage facilities, under certain criteria.

There would be a minimial amount of additional work for the Alaska Oil and Gas Conservation Commission (AOGCC) resulting from this bill and it could be managed with existing funds and staff members. Therefore, the AOGCC submits a zero fiscal note.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB 153**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB153-DOR-TAX-02-07-12
Title: Natural Gas Storage Tax Credit/Regulation
Sponsor: Senators Thomas and Coghill
Requester: Senate Resources Committee

Dept. Affected: Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	***	***	***	***	***	***	***

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This is the initial version of the bill.

Prepared by: Cherie Nienhuis, Commercial Analyst — Phone: 907-269-1019
Division: Tax — Date/Time: 2/7/12; 10am
Approved by: Jerry Burnett, Director Administrative Services — Date: 2/7/2012
Department of Revenue

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB 153
2012 LEGISLATIVE SESSION

Analysis

***The revenue impact of this bill is indeterminate.

This bill makes several amendments to the corporate income tax credit authorized at AS 43.20.046 and exempts certain gas storage facilities from lease rental payments. Significant amendments include the following:

1. A new section is added that exempts from lease rental payments the gas storage facilities identified in this bill. Therefore, the revenue impact should include only the additional natural gas storage facilities that may be added under this bill. The revenue impact of this provision is indeterminate at this time.

2. The definition of "natural gas storage facility" has been changed to differentiate tanks and depleted or nearly depleted pools, and distinctions have been made in the volumes that qualify for each type of storage facility. Nontank storage must have a working capacity of at least 500 million cubic feet of gas and tank storage must have a capacity of at least 1 million gallons. One cubic foot of gas equals about 7.4805 gallons; therefore 1 million gallons equals 133,681 cubic feet (or 133.681 thousand cubic feet) of gas.

3. The basis for the maximum tax credit has been changed from the lesser of $15 million or 25% of the costs to incurred to establish a gas facility, to a maximum of $15 million, earned at a rate of $1.50 per 1,000 cubic feet of working gas storage capacity. With this change, a 10 million gallon storage facility would earn a tax credit of approximately $2,000, regardless of how much it cost to establish the facility (10 million gallons divided by 7.4805 gallons per cubic foot, divided by 1,000, times $1.50.

4. In the case of a gas storage facility ceasing commercial operation during the nine calendar years following the year that the facility commences commercial operation, the liability to the state must be assessed as of December 31 of the year that the facility ceases operation. For practical purposes, this means that audits must be completed on the facility operations in the year that the operation is ceased. As written, a change of this nature would place a greater burden on the auditors to initiate and conclude an audit in a much shorter timeframe for these operations.

The bill has an immediate effective date.

The Department of Revenue anticipates that it would be able to administer the provisions of this bill with existing resources.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB 153**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB153-DNR-O&G-02-03-12
Title: Natural Gas Storage Tax Credit/Regulation
Sponsor: Senator Thomas
Requester: Senate Resources Committee

Dept. Affected: Department of Natural Resources
Appropriation: Oil & Gas
Allocation: Oil & Gas
OMB Component Number: 439

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	***	***	***	***	***	***	***

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, Initial Version

Prepared by: William C. Barron, Director — Phone: 907-269-8800
Division: Division of Oil and Gas — Date/Time: 2/3/12 5:00 PM
Approved by: Daniel S. Sullivan, Commissioner — Date:
Department of Natural Resources

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB 153

Analysis

SB 153 extends provisions encouraging gas storage in subsurface gas storage to also cover tank storage. Section 2 provides that the lessee of a surface lease for gas storage can receive a 10 year exemption from making lease payments. Sections 4 and 5 extend the Alaska corporate income tax credit for subsurface gas storage facilities to tank storage, requiring that a tank be able to store 1,000,000 gallons of gas to qualify.

There is no anticipated fiscal impact to the Division of Oil and Gas. The application of tax credits will have an indeterminate impact on the revenues acquired by the Division.

SB 153 also allows a business entity not subject to the Alaska Corporate Income tax to receive the credit in the form of a cash payment. In addition, for both surface and subsurface storage, the credit under AS 43.20.046(a) can also now exceed 25% of the storage facility cost as long as the total credit for a single facility does not exceed $15 million.

To the extent new markets are not accessed, the impact of the credit is indeterminate. The credit might not increase the netback value of the gas for royalty purposes because a gas storage facility is regulated under this section, with the value of the credit likely passed on to the consumer. The State's royalty value also might be more or less for gas removed from a lease and put into storage versus gas removed from the lease and sold.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB 153**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB153-DNR-MLW-02-07-12
Title: Natural Gas Storage Tax Credit/Regulation
Sponsor: Sen. Thomas
Requester: Senate Resources

Dept. Affected: Department of Natural Resources
Appropriation: Land & Water Resources
Allocation: Mining Land & Water
OMB Component Number: 3002

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous	(12.5)						
TOTAL OPERATING	**(12.5)**	**0.0**	***	***	***	***	***

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	(12.5)						
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**(12.5)**	**0.0**	***	***	***	***	***

POSITIONS							
Full-time	**0**						
Part-time	**0**						
Temporary	**0**						

CHANGE IN REVENUES	**(12.5)**		***	***	***	***	***

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial Version

Prepared by: Brent Goodrum, Director — Phone: (907) 269-8625
Division: Mining Land & Water — Date/Time: 02-07-2012/12:00
Approved by: Daniel S. Sullivan, Commissioner — Date: 2/7/2012
Department of Natural Resources

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB 153

Analysis

SB 153 creates an exemption from land lease payments(for leases issued under AS 38.05.070-105), for up to ten calendar years from date of issuance, for lands leased for gas storage facilities (other than under AS 38.05.180(u)).

This lease payment exemption will reduce revenues equal to the lease payments due to the state related to these types of leases for the years the exemption is allowed. Currently there is one qualifying lease with an annual rent of $12,500 based on the fair market value of the land leased. The total fiscal impact of this proposed legislation after FY 13 is indeterminate because the number of gas storage leases that may be issued in the future is unknown. Future leases may be issued under oil and gas leases issued under AS 38.05.180.

The legislation will no effect the lease issuance or maintenance operations of the department .

ALASKA STATE LEGISLATURE

SENATOR JOE THOMAS

Senate Bill 153:

"An Act relating to a gas storage facility; relating to the tax credit for a gas storage facility; relating to the powers and duties of the Alaska Oil and Gas Conservation Commission; relating to the regulation of natural gas storage as a utility; relating to the powers and duties of the director of the division of lands and to lease fees for a gas storage facility on state land; and providing for an effective date."

The cost of energy is crippling Interior Alaska's economy. The ever increasing expense of heating homes and operating businesses during the long, cold, dark winter hurts the ability of Interior Alaskans to put food on the table today and plan for the future. The Fairbanks community spends over $600 million per year on space heating, pays the highest natural gas prices in the country and does not receive the state energy incentives or subsidies available to residents and communities in other regions of our state.

Senate Bill 153 incents the private sector's delivery of lower cost natural gas to Interior Alaska by extending tax credits available for natural gas storage in Cook Inlet to a liquid natural gas trucking project for the Interior. A new credit for construction of gas storage tanks makes this program more flexible to fit the varying needs of gas delivery throughout the state. This legislation applies to tanked storage with a minimum volume of one million gallons. The amount of the credit is limited to 50% of construction costs up to $15 million. This allows areas of Alaska that do not have depleted gas reservoirs available, as Cook Inlet does, to still receive the same monetary incentive as Southcentral despite the higher capital costs per volume associated with constructing above ground tanks for storing LNG.

SB 153 would allow Golden Valley Electric Association, Flint Hills Refinery or another gas supplier to take concrete steps toward delivering sizeable volumes of trucked natural gas to the Interior. All money from these credits for tanked storage would be under the oversight of the Regulatory Commission of Alaska, ensuring that any savings are passed along to the rate payer thereby lowering costs and keeping more dollars in the local community.

I urge you to join me in lowering Interior Alaska's energy costs by supporting Senate Bill 153.

January – May: State Capitol – Juneau, Alaska 99801 – (907) 465-2327 – 1 (800) 336-7383 – Fax (907) 465-5241
June – December: 1292 Sadler Way Ste 203 – Fairbanks, Alaska 99701 – (907) 456-8161 – Fax (907) 456-8163
Senator.Joe.Thomas@legis.state.ak.us

The main provisions of HB 289 and SB 153 are:

1. The quantitative description for working gas storage eligible for state assistance is modified in AS 31.05.032 and AS 43.20.046 to include a 1,000,000 gallon threshold for above ground LNG tankage.

   Rationale – As HB 280 was debated and passed in 2010, strong statements were made that the bill was designed to assist the creation of natural gas storage statewide, although Cook Inlet and Interior Alaska were mentioned specifically.

   As the legislation progressed, similar statements were made supporting the future need for storage in Fairbanks including comments from agency personnel.

   > Marsha Davis – *"Well Senator Wielechowski, I am sensitive to the comment that Representative Hawker made that we obviously don't want to harm the interests in Fairbanks. But obviously if you've got gas, I guess the question would be would you ever store gas on the North Slope and then move it to* ***Fairbanks*** *or would the storage facilities physically be located someplace around* ***Fairbanks*** *for use by the utilities around* ***Fairbanks****, so you know we would be open to discussion as to how to work that issue with Representative Hawker." (transcribed from the audio record at 04:24:00 pm of the Senate Resources Audio links for 4/5/2010)*

   Although the legislation described a Gas Storage Facility as a "tank or a depleted or nearly depleted reservoir or pool in the state that is available for storage of gas" the quantitative description was written with only geologic storage in mind. As a result, the existing 500,000,000 cubic feet capacity requirement is far bigger than what a reasonable tank needs to be to support a LNG trucking operation to serve the Interior. In order to qualify for the credit under the existing law, GVEA would have to overbuild the LNG storage tank at considerable expense. Under Alaska regulatory law this added expense would be passed on to utility customers who already suffer from extremely high energy costs. Such an outcome would be counter to the intent of HB 280 which was to mitigate the cost of adding storage to the energy supply chain and assure that benefit flows through to Alaska consumers.

2. The ten year lease payment waiver provision of AS 38.05.180(u) is duplicated with the intent that it will also apply to state land leased for a natural gas storage operation under AS 38.35.120.

   Rationale – At the time HB 280 was debated, the yearly lease cost for natural gas storage, built on state land, was a cost legislators felt they could reduce to relieve the financial burden of storage on consumers. At the time, legislators were not aware that a LNG trucking operation on the North Slope could secure land under AS 38.35. GVEA has since been advised by the State Pipeline Coordinator's Office that AS 38.35 is available for this purpose and may assist with the timely construction of Interior related gas infrastructure by offering a preferable permitting process. Making the lease payment waiver provision applicable to AS 38.35 honors the intent of HB 280 by lowering the cost of storage resulting in savings that will be passed on to Interior residents.

3. The existing refundable tax credit applicable to eligible gas storage is modified to allow a "payment" to offset the cost of developing storage by an owner that is tax exempt.

   Rationale – HB 280 established a tax credit to offset the cost of gas storage development that would be applied against the state income tax owed by the gas storage owner. Unfortunately the existing language is cumbersome for not-for-profit utilities that develop the gas storage themselves since they are exempt from state income tax. However, the legislative record indicates that utility ownership of storage was expected. Testimony was given to clarify that the following three storage scenarios were anticipated with the first two qualifying for the credit program and the third receiving no state benefit.

   a. A regulated public utility owns and operates storage.
   b. Open-access third-party storage is offered for a price.
   c. An investor builds storage for their own benefit which is not available on a third-party basis.

   To fulfill this legislative intent it may be possible for a utility owned storage facility to qualify under existing Alaska law which states:

   > AS 43.20.046(d) A person entitled to a tax credit under this section that is greater than the person's tax liability under this chapter may request a refund in the amount of the unused portion of the tax credit.

   However, the Legislative Division of Legal and Research Services suggested modifications to the tax credit provision that clarify any ambiguity on this issue.

4. Senator Thomas and Representative Thompson intend to propose a change to the bill that would limit the potential state storage credit or payment to $15,000,000 or 50% of the infrastructure cost; whichever is less.

Sectional Analysis for Sponsor Substitute for SB 153
\B version dated 1.16.12

Section 1. Amends AS 31.05.032(b) to create as new 1,000,000 gallon threshold for above ground natural gas tank storage that can be certified by the AOGCC as eligible to apply for exemptions from land lease payments under AS 38.05.096 or AS 38.05.180(u) and tax credits or payments under AS 43.20.046.

Section 2. Creates a new section under AS 38.05.096 that allows eligible above ground natural gas tank storage facilities, sited on state lands, to request an exemption from rental payments. To qualify, the tank must be have a storage capacity of at least 1,000,000 gallons. The exemption could extend for up to ten years following the commencement of commercial operations as long as the facility continues to operate. Information regarding the rental exemption is deemed to be "public" and is available to the RCA upon request. A person receiving a rental exemption must adjust the storage charge downward to reflect this state benefit and pass it through to the storage customers. The intent of this new section of law is to mirror the existing benefit offered to natural gas storage operations that eligible to apply for a rental payment exemption under AS 38.05.180(u).

Section 3. Amends the definition of "natural gas storage facility" and "facility" in AS 42.05.990(3) to assure that tank storage, or storage in a depleted or nearly depleted pool are afforded the same benefit that geologic natural gas storage already enjoys.

Section 4. Amends the existing gas storage facility tax credit in AS 43.20.046 by bifurcating it into two separate credits. The first will apply to non-tank facilities (geologic storage). This benefit is capped at fifteen million dollars or 25 percent of the facility development cost whichever is less. The second is a new credit for a tank storage facility which will be capped at fifteen million dollars or 50 percent of the development cost whichever is less. This restructuring retains existing language that assures that a tax credit under AS 43.20.046 is in addition to any other credits for which the storage facility is eligible for under this chapter.

Section 5. Amends the terms of what storage qualifies for a tax credit or payment under AS 43.20.046(b) by adding a 1,000,000 gallon threshold for above ground storage similar to the language in in section 1 of the legislation.

Sections 6 and 7. Amends AS 43.20.046(d)-(e) to add "or payment" for non-profit companies that are not subject to tax under this chapter. Legislative Legal expressed concern that there could be some question whether a "tax credit" would work for tax exempt storage operators. Addition of the words "or payment" extinguishes this ambiguity.

Section 8. Amends 43.20.046(h) to set forth how a company not subject to tax under this chapter, but received payments under this chapter shall be assessed for liability if its gas storage facility ceases commercial operations during the nine calendar years immediately following the calendar year in which the gas storage facility commenced commercial operations.

Section 9. Amends 43.20.046(i) to clarify that a person that receives a payment under AS 42.20.046 that the person was not entitled to must repay the state with interest determined under AS 43.05.225. This interest shall be calculated from the date the erroneous payment was made. The restructured language assures that storage operators that are subject to state corporate income tax and non-profit storage operators that are exempt from state income tax are treated equally.

Sections 10-13 make a number of conforming language changes to accommodate addition of the word "payment" in section 6 of the legislation.

Section 14. Established an immediate effective date for the legislation.

27-LS1187\B
Bullock
1/16/12

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 153

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY SENATOR THOMAS

Introduced:
Referred:

A BILL

FOR AN ACT ENTITLED

"An Act relating to a gas storage facility; relating to the tax credit for a gas storage facility; relating to the powers and duties of the Alaska Oil and Gas Conservation Commission; relating to the regulation of natural gas storage as a utility; relating to the powers and duties of the director of the division of lands and to lease fees for a gas storage facility on state land; and providing for an effective date."

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

*** Section 1.** AS 31.05.032(b) is amended to read:

(b) Within six months after receiving an application under (a) of this section, the commission shall determine and certify

(1) the working gas storage capacity of the facility on the date the facility commences commercial operation rounded to the nearest

(A) 500,000,000 cubic feet **for nontank storage; or**

(B) 1,000,000 gallons for tank storage;

New Text Underlined [DELETED TEXT BRACKETED]

(2) whether the gas storage facility is capable of withdrawing a minimum of 10,000,000 cubic feet of gas a day; and

(3) that the facility qualifies as a gas storage facility for the purposes of this section.

*** Sec. 2.** AS 38.05 is amended by adding a new section to read:

Sec. 38.05.096. Exemption from rental payments on land leased for certain gas storage facilities. (a) A person leasing state land for a gas storage facility other than a gas storage facility subject to AS 38.05.180(u) may request an exemption from lease payments as provided in this section. The exemption is applicable for the periods described in (b) of this section.

(b) The exemption is available for the calendar year in which the gas storage facility commences commercial operation and for each of the nine calendar years immediately following the first year of commercial operation. However, an exemption is not applicable for the calendar year after the facility ceases commercial operation or for any subsequent calendar year.

(c) The lessee shall provide the director with any information the director requests to determine whether the lessee qualifies for the exemption.

(d) Information related to state land leased for a gas storage facility qualifying for the exemption in this section is public information and may be furnished to the Regulatory Commission of Alaska. On request, the director shall provide the name of each person using state land leased for a gas storage facility, the years for which an exemption was granted, and the amount of the exemption.

(e) A person receiving an exemption for a payment under this section that contracts to store gas for a utility regulated under AS 42.05 shall reduce the storage price to reflect the value of the exemption.

(f) In this section, "ceases commercial operation," "commences commercial operation," and "gas storage facility" have the meanings given in AS 31.05.032.

*** Sec. 3.** AS 42.05.990(3) is amended to read:

(3) "natural gas storage facility" means a facility that receives natural gas volumes from customers, holds the gas volumes in a reservoir, **tank, or depleted or nearly depleted pool,** and delivers the gas volumes to the customer; in this

paragraph, "facility" includes

(A) all parts of the facility from the point at which the natural gas volumes are received by the facility from the customer to the point at which the natural gas volumes are delivered by the facility to the customer; **and**

(B) [A FACILITY CONSISTING OF A RESERVOIR, EITHER UNDERGROUND OR ABOVEGROUND, AND] one or more of the following components of the facility:

(i) pipe;

(ii) compressor stations;

(iii) station equipment;

(iv) injection and extraction wells;

(v) on-site or remote monitoring, supervision, and control facilities;

(vi) gas processing plants and gas treatment plants, but not including a liquefied natural gas or manufacturing plant or facility;

(vii) other equipment necessary to receive, place into **storage** [THE RESERVOIR], monitor, remove from **storage** [THE RESERVOIR, PROCESS], and deliver natural gas;

*** Sec. 4.** AS 43.20.046(a) is amended to read:

(a) A person that is an owner of a gas storage facility described in (b) of this section that commences commercial operation after December 31, 2010, and before January 1, 2016, may apply a refundable credit against a tax liability that may be imposed on the person under this chapter for the taxable year in which the gas storage facility commences commercial operation. **A tax credit under this section is in addition to any other credit under this chapter for which the person is eligible.** The tax credit under this section **for a**

(1) nontank storage facility shall be an amount equal to $1.50 for each 1,000 cubic feet of working gas storage capacity that is certified under AS 31.05.032 less any amount of credit received under this section taken in earlier tax years for that capacity**; the** [. THE] total amount of the credit that may be received for

a single **nontank** [GAS] storage facility under this section may not exceed the lesser of $15,000,000 or 25 percent of the costs incurred to establish the gas storage facility**;**

(2) tank storage facility shall be the lesser of $15,000,000 or 50 percent of the cost incurred to establish the tank storage facility [. THE TAX CREDIT IN THIS SECTION IS IN ADDITION TO ANY OTHER CREDIT UNDER THIS CHAPTER FOR WHICH THE PERSON IS ELIGIBLE].

*** Sec. 5.** AS 43.20.046(b) is amended to read:

(b) A gas storage facility qualifying for the credit in this section

(1) must have a working gas storage capacity of at least

(A) 500,000,000 cubic feet of gas other than cushion gas **for nontank storage; or**

(B) 1,000,000 gallons for tank storage;

(2) must have a minimum withdrawal capability of 10,000,000 cubic feet a day as certified by the Alaska Oil and Gas Conservation Commission under AS 31.05.032;

(3) may not have been in operation as a gas storage facility before January 1, 2011;

(4) must be regulated under AS 42.05 as a utility and be available to furnish the service of natural gas storage to the public for compensation; in this paragraph, "service of natural gas storage" has the meaning given in AS 42.05.990; and

(5) if located on state land and leased or subject to a lease under **AS 38** [AS 38.05.180], must be in compliance with the terms of the lease.

*** Sec. 6.** AS 43.20.046(d) is amended to read:

(d) A person entitled to a tax credit under this section that is greater than the person's tax liability under this chapter may request a refund **or payment** in the amount of the unused portion of the tax credit.

*** Sec. 7.** AS 43.20.046(e) is amended to read:

(e) The department may use available money in the oil and gas tax credit fund established in AS 43.55.028 to make the refund **or payment** applied for under (d) of this section in whole or in part if the department finds that (1) the claimant does not

have an outstanding liability to the state for unpaid delinquent taxes under this title; and (2) after application of all available tax credits, the claimant's total tax liability under this chapter for the calendar year in which the claim is made is zero. In this subsection, "unpaid delinquent tax" means an amount of tax for which the department has issued an assessment that has not been paid and, if contested, has not been finally resolved in the taxpayer's favor.

*** Sec. 8.** AS 43.20.046(h) is amended to read:

(h) If the gas storage facility for which a credit was received under this section ceases commercial operation during the nine calendar years immediately following the calendar year in which the gas storage facility commences commercial operation, the tax liability under this chapter of the person who claimed the credit shall be increased**, and a person not subject to the tax under this chapter that received a payment under (d) of this section shall be liable to the state in the amount determined in this subsection**. The amount of the increase in tax liability **or liability to the state**

(1) **for a person subject to the tax under this chapter,** shall be determined and assessed for the taxable year in which the gas storage facility ceases commercial operation, regardless of whether the gas storage facility subsequently resumes commercial operation; [AND]

(2) **for a person not subject to the tax due under this chapter, shall be determined and assessed as of December 31 of the calendar year in which the gas storage facility ceases commercial operation, regardless of whether the gas storage facility subsequently resumes commercial operation; and**

(3) is equal to the total amount of the credit taken **or received as a payment under (d) of this section, as applicable,** multiplied by a fraction, the numerator of which is the difference between 10 and the number of calendar years for which the gas storage facility was eligible for a tax credit under this section and the denominator of which is 10.

*** Sec. 9.** AS 43.20.046(i) is amended to read:

(i) The issuance of a refund **or payment** under this section does not limit the department's ability to later audit or adjust the claim if the department determines, as a result of the audit, that the person that claimed the credit was not entitled to the

amount of the credit. The tax liability of the person receiving the credit under this chapter **and that is subject to the tax imposed under this chapter** is increased by the amount of the credit that exceeds that to which the person was entitled**; a person that receives the credit and that is not subject to the tax imposed under this chapter is liable to the state for the amount of the credit that exceeds that to which the person was entitled**. If the tax liability is increased **or a person not subject to the tax imposed under this chapter is liable to the state** under this subsection, the increase **in tax liability or the liability to the state** bears interest under AS 43.05.225 from the date the refund **or payment** was issued.

*** Sec. 10.** AS 43.20.046(j) is amended to read:

(j) A person **taking a tax credit under this section or receiving a payment under (d) of** [CLAIMING A TAX CREDIT UNDER] this section for a gas storage facility that ceases commercial operation within nine calendar years immediately following the calendar year in which the gas storage facility commences commercial operation shall notify the department in writing of the date the gas storage facility ceased commercial operation. The notice must be filed with the return for the taxable year in which the gas storage facility ceases commercial operation.

*** Sec. 11.** AS 43.20.046(k) is amended to read:

(k) A refund **or payment** under this section does not bear interest.

*** Sec. 12.** AS 43.55.028(a) is amended to read:

(a) The oil and gas tax credit fund is established as a separate fund of the state. The purpose of the fund is to purchase transferable tax credit certificates issued under AS 43.55.023 and production tax credit certificates issued under AS 43.55.025 and to pay refunds **and payments** claimed under AS 43.20.046.

*** Sec. 13.** AS 43.55.028(g) is amended to read:

(g) The department may adopt regulations to carry out the purposes of this section, including standards and procedures to allocate available money among applications for purchases under this chapter and claims for refunds **and payments** under AS 43.20.046 when the total amount of the applications for purchase and claims for refund exceed the amount of available money in the fund. The regulations adopted by the department may not, when allocating available money in the fund under this

section, distinguish an application for the purchase of a credit certificate issued under AS 43.55.023(m) or a claim for refund under AS 43.20.046.

*** Sec. 14.** This Act takes effect immediately under AS 01.10.070(c).

27-LS1187\D
Bullock
3/5/12

CS FOR SENATE BILL NO. 153( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): SENATORS THOMAS, Coghill

A BILL

FOR AN ACT ENTITLED

"An Act relating to an above-ground liquefied natural gas storage facility; relating to the tax credit for an investment in an above-ground liquefied natural gas storage facility; relating to the regulation of gas storage as a utility; relating to the powers and duties of the director of the division of lands and to lease fees for a liquefied natural gas storage facility on state land; and providing for an effective date."

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

* **Section 1.** AS 38.05 is amended by adding a new section to read:

Sec. 38.05.096. Exemption from rental payments on land leased for certain liquefied natural gas storage facilities. (a) A person leasing state land for a liquefied natural gas storage facility other than a gas storage facility subject to AS 38.05.180(u) may request an exemption from lease payments as provided in this section. The exemption is applicable for the periods described in (b) of this section.

(b) The exemption is available for the calendar year in which the liquefied

natural gas storage facility commences commercial operation and for each of the nine calendar years immediately following the first year of commercial operation. However, an exemption is not applicable for the calendar year after the facility ceases commercial operation or for any subsequent calendar year.

(c) The lessee shall provide the director with any information the director requests to determine whether the lessee qualifies for the exemption.

(d) Information related to state land leased for a liquefied natural gas storage facility qualifying for the exemption in this section is public information and may be furnished to the Regulatory Commission of Alaska. On request, the director shall provide the name of each person using state land leased for a liquefied natural gas storage facility, the years for which an exemption was granted, and the amount of the exemption.

(e) A person receiving an exemption for a payment under this section that contracts to store liquefied natural gas for a utility regulated under AS 42.05 shall reduce the storage price to reflect the value of the exemption.

(f) In this section,

(1) "ceases commercial operation" and "commences commercial operation" have the meanings given in AS 31.05.032;

(2) "liquefied natural gas storage facility" means a tank that is available for the storage of liquefied natural gas.

*** Sec. 2.** AS 42.05.990(3) is amended to read:

(3) "natural gas storage facility" means a facility that receives natural gas volumes **either as gas or liquefied natural gas** from customers, holds the gas volumes in a reservoir, **tank, depleted or nearly depleted pool, or other above-ground containment structure,** and delivers the gas volumes to the customer; in this paragraph, "facility" includes

(A) all parts of the facility from the point at which the natural gas volumes are received by the facility from the customer to the point at which the natural gas volumes are delivered by the facility to the customer; **and**

(B) [A FACILITY CONSISTING OF A RESERVOIR,

EITHER UNDERGROUND OR ABOVEGROUND, AND] one or more of the following components of the facility:

(i) pipe;

(ii) compressor stations;

(iii) station equipment;

(iv) injection and extraction wells;

(v) on-site or remote monitoring, supervision, and control facilities;

(vi) gas processing plants and gas treatment plants, but not including a liquefied natural gas or manufacturing plant or facility;

(vii) other equipment necessary to receive, place into **storage** [THE RESERVOIR], monitor, remove from **storage** [THE RESERVOIR], process, and deliver natural gas;

* **Sec. 3.** AS 43.20 is amended by adding a new section to article 1 to read:

Sec. 43.20.047. Above-ground liquefied natural gas storage facility tax credit. (a) A person that is an owner of an above-ground liquefied natural gas storage facility described in (b) of this section that commences commercial operation before January 1, 2020, may apply a refundable credit against a tax liability that may be imposed on the person under this chapter or receive the amount of the credit in the form of a payment for the taxable year in which the liquefied natural gas storage facility commences commercial operation. The tax credit or payment under this section may not exceed the lesser of $15,000,000 or 50 percent of the costs incurred to establish or expand the above-ground liquefied natural gas storage facility. The tax credit in this section is in addition to any other credit under this chapter for which the person is eligible.

(b) To qualify for the credit in this section, an above-ground liquefied natural gas storage facility

(1) must have a liquefied natural gas storage volume of not less than 25,000 gallons of liquefied natural gas, or, if the credit is claimed for an expansion, the expansion must have increased the capacity of an existing above-ground liquefied natural gas storage facility by more than 25,000 gallons;

(2) may not have been in operation as an above-ground liquefied natural gas storage facility before January 1, 2011, unless the tax credit in this section is based on the expansion of the above-ground liquefied natural gas storage facility after December 31, 2011;

(3) must be regulated under AS 42.05 as a utility and be available to furnish the service of natural gas storage to customers, utilities, or industrial facilities; in this paragraph, "service of natural gas storage" has the meaning given in AS 42.05.990, except that, in this paragraph, the natural gas storage is limited to the service of liquefied natural gas storage;

(4) if located on state land and leased or subject to a lease under AS 38.05, must be in compliance with the terms of the lease; and

(5) must have commenced commercial operation on or before the date the person takes a credit under (a) of this section or applies for a payment under (a) of this section.

(c) To claim the credit or request a payment, a person shall submit to the department a certification of the capacity of the above-ground liquefied natural gas storage facility measured in gallons or the capacity of an expansion to an existing above-ground liquefied natural gas storage facility measured in gallons, the date that the liquefied natural gas storage facility commenced commercial operation, the date that any expansion to the facility commenced commercial operation, and other information required by the department.

(d) A person applying the credit under this section against a liability under this chapter shall claim the credit on the person's return. A person entitled to a tax credit under this section that is greater than the person's tax liability under this chapter may request a refund or payment in the amount of the unused portion of the tax credit.

(e) The department may use money available in the oil and gas tax credit fund established in AS 43.55.028 to make a refund or payment under (d) of this section in whole or in part if the department finds that (1) the claimant does not have an outstanding liability to the state for unpaid delinquent taxes under this title; and (2) after application of all available tax credits, the claimant's total tax liability under this chapter for the calendar year in which the claim is made is zero. In this subsection,

"unpaid delinquent tax" means an amount of tax for which the department has issued an assessment that has not been paid and, if contested, has not been finally resolved in the taxpayer's favor.

(f) For the purpose of determining the amount of the credit under this section, the costs incurred to establish an above-ground liquefied natural gas storage facility or to expand an above-ground liquefied natural gas storage facility shall be submitted to the department with verification by an independent certified public accountant, licensed in the state. The volume of working liquefied natural gas storage or volume of the expansion to an existing above-ground liquefied natural gas storage facility shall be verified by a professional engineer licensed in the state with relevant experience.

(g) A person may not receive a credit under this section for the acquisition of an above-ground liquefied natural gas storage facility for which a credit has been taken under this section.

(h) If the above-ground liquefied natural gas storage facility for which a credit was received under this section ceases commercial operation during the nine calendar years immediately following the calendar year in which the liquefied natural gas storage facility commences commercial operation, the tax liability under this chapter of the person who claimed the credit shall be increased, and a person not subject to the tax under this chapter that received a payment under (d) and (e) of this section shall be liable to the state in the amount determined in this subsection. The amount of the increase in tax liability or liability to the state

(1) for a person subject to the tax under this chapter, shall be determined and assessed for the taxable year in which the liquefied natural gas storage facility ceases commercial operation, regardless of whether the liquefied natural gas storage facility subsequently resumes commercial operation;

(2) for a person not subject to the tax due under this chapter, shall be determined and assessed as of December 31 of the calendar year in which the liquefied natural gas storage facility ceases commercial operation, regardless of whether the liquefied natural gas storage facility subsequently resumes commercial operation; and

(3) is equal to the total amount of the credit taken or received as a payment under (d) of this section, as applicable, multiplied by a fraction, the

numerator of which is the difference between 10 and the number of calendar years for which the liquefied natural gas storage facility was eligible for a tax credit under this section and the denominator of which is 10.

(i) The issuance of a refund under this section does not limit the department's ability to later audit or adjust the claim if the department determines, as a result of the audit, that the person that claimed the credit was not entitled to the amount of the credit. The tax liability of the person receiving the credit under this chapter is increased by the amount of the credit that exceeds that to which the person was entitled. If the tax liability is increased under this subsection, the increase bears interest at the rate set by AS 43.05.225 from the date the refund was issued.

(j) A person claiming a tax credit under this section for a liquefied natural gas storage facility that ceases commercial operation within nine calendar years immediately following the calendar year in which the liquefied natural gas storage facility commences commercial operation shall notify the department in writing of the date the liquefied natural gas storage facility ceased commercial operation. The notice must be filed with the return for the taxable year in which the liquefied natural gas storage facility ceases commercial operation.

(k) A refund under this section does not bear interest.

(*l*) In this section,

(1) "ceases commercial operation" means that the above-ground liquefied natural gas storage facility fails to add or withdraw 20 percent or more of its working capacity of liquefied natural gas during a calendar year after the calendar year in which the above-ground liquefied natural gas storage facility commences commercial operation;

(2) "commences commercial operation" means the first input of liquefied natural gas into a liquefied natural gas storage facility for purposes other than testing;

(3) "liquefied natural gas storage facility" means a gas storage facility in which liquefied natural gas is stored in a tank or other above-ground containment structure.

*** Sec. 4.** AS 43.55.028(a) is amended to read:

(a) The oil and gas tax credit fund is established as a separate fund of the state. The purpose of the fund is to purchase transferable tax credit certificates issued under AS 43.55.023 and production tax credit certificates issued under AS 43.55.025 and to pay refunds **and payments** claimed under AS 43.20.046 **or 43.20.047**.

*** Sec. 5.** AS 43.55.028(g) is amended to read:

(g) The department may adopt regulations to carry out the purposes of this section, including standards and procedures to allocate available money among applications for purchases under this chapter and claims for refunds **and payments** under AS 43.20.046 **or 43.20.047** when the total amount of the applications for purchase and claims for refund exceed the amount of available money in the fund. The regulations adopted by the department may not, when allocating available money in the fund under this section, distinguish an application for the purchase of a credit certificate issued under AS 43.55.023(m) or a claim for refund under AS 43.20.046 **or AS 43.20.047**.

*** Sec. 6.** This Act takes effect immediately under AS 01.10.070(c).

ALASKA STATE LEGISLATURE

SENATOR JOE THOMAS

January 18, 2012

Senate Bill 153:

"An Act relating to a gas storage facility; relating to the tax credit for a gas storage facility; relating to the powers and duties of the Alaska Oil and Gas Conservation Commission; relating to the regulation of natural gas storage as a utility; relating to the powers and duties of the director of the division of lands and to lease fees for a gas storage facility on state land; and providing for an effective date."

Dear Senator Paskvan,

I respectfully request that you schedule "Senate Bill 153: An Act relating to a gas storage facility; relating to the tax credit for a gas storage facility; relating to the powers and duties of the Alaska Oil and Gas Conservation Commission; relating to the regulation of natural gas storage as a utility; relating to the powers and duties of the director of the division of lands and to lease fees for a gas storage facility on state land; and providing for an effective date." for a hearing before the Senate Resources Committee.

Senate Bill 153 incents the private sector's delivery of lower cost natural gas to Interior Alaska by extending tax credits available for natural gas storage in Cook Inlet to a liquid natural gas trucking project for the Interior. A new credit for construction of gas storage tanks makes this program more flexible to fit the varying needs of gas delivery around Alaska. This legislation applies to tanked storage with a minimum volume of one million gallons. The amount of the credit is limited to 50% of construction costs up to $15 million. This allows areas of Alaska that do not have depleted gas reservoirs available, as Southcentral does, to still receive the same monetary incentive as Cook Inlet despite the higher capital costs per volume involved with constructing above ground tanks for storing LNG.

Thank you for your attention to this matter and quick scheduling. If you have any questions, please do not hesitate to contact my staff member, Grier Hopkins, at 465-3802.

Sincerely,

Senator Joe Thomas

January – May: State Capitol – Juneau, Alaska 99801 – (907) 465-2327 – 1 (800) 336-7383 – Fax (907) 465-5241
June – December: 1292 Sadler Way Ste 203 – Fairbanks, Alaska 99701 – (907) 456-8161 – Fax (907) 456-8163
Senator.Joe.Thomas@legis.state.ak.us

SB 153 Testimony

February 9, 2012

- Brian Newton, CEO, Golden Valley Electric Association (GVEA)
- Luke Hopkins, Mayor, Fairbanks North Star Borough
- Doug Isaacson, Mayor, City of North Pole
- Jim Dodson, Fairbanks Economic Development Corporation
- Dan Britton, Fairbanks Natural Gas

Senate Resources Committee
Joe Paskvan, Co-Chair / March 12, 2012

Let's call the meeting to order.

Let the record reflect that it is _____ p.m. on Monday, March 12.

Let the record reflect that there is a quorum. Present are

- Co-Chair Wagoner -- excused
- Senator Stedman
- Senator Stevens
- Senator Wielechowski
- Senator French
- Senator McGuire
- And myself, Senator Paskvan

During this hearing, the Committee has a full agenda.

First, we will hear a brief update from Senator Thomas and accept public testimony on Committee Substitute for Senate Bill 153, relating to NATURAL GAS STORAGE TAX CREDIT/REGULATION. The committee considered this legislation during two previous hearings – on February 9 and March 5. If it is the will of the Committee, it is my intent to move CSSB 153 from this committee today.

We will also hear, for the first time, four other pieces of legislation:

- SB 123 Alaska Mining Day (by Senator Giessel)
- SB 159 Susitna State Forest (by Senator Menard)
- SB 181 Closing Certain Land to Mineral Entry (by Senator Giessel)
- SB 205 Chinook Research and Restoration Endowment (by Senator Olson)

It is my intent to hear from the bill sponsors and invited testimony, allow for Committee questions, and then set these bills aside. We will begin public testimony on these bills Wednesday and Friday.

Welcome, Senator Thomas (and/or Grier Hopkins).

Senate Resources Committee
Joe Paskvan, Co-Chair
Monday, March 5, 2012

[After HB 185, Senator Wagoner will take an "at ease" to pass the gavel.]

The Senate Resources Committee first heard Senate Bill 153, relating to NATURAL GAS STORAGE TAX CREDIT and REGULATION, on February 9, 2012.

During that hearing, Senator Thomas presented the merits of the bill and supportive testimony was provided by:

- Brian Newton, CEO, Golden Valley Electric Association (GVEA)
- Luke Hopkins, Mayor, Fairbanks North Star Borough
- Doug Isaacson, Mayor, City of North Pole
- Jim Dodson, CEO, Fairbanks Economic Development Corporation
- Dan Britton, CEO, Fairbanks Natural Gas (FNG)

On February 9, the bill was heard, held, and set aside for additional work.

Today, we will have a new CS before the Committee.

May I please have a motion to bring the Committee Substitute for Senate Bill 153, Version D, before the Committee?

[MOVED]

Seeing no objection, Version D is now before the Senate Resources Committee.

It is my intent to hear the bill sponsor explain the changes to the bill and then set it aside. During the next hearing of this bill, the Committee will open public testimony and then, if it's the will of the committee, move it to the next committee of referral.

Welcome Senator Thomas and Mr. Hopkins. Please identify yourselves for the record and provide your testimony, beginning with an explanation of the changes in this Committee Substitute.

Current Statutes

43.20.046. Gas storage facility tax credit.

(a) A person that is an owner of a gas storage facility described in (b) of this section that commences commercial operation after December 31, 2010, and before January 1, 2016, may apply a refundable credit against a tax liability that may be imposed on the person under this chapter for the taxable year in which the gas storage facility commences commercial operation. The tax credit under this section shall be an amount equal to $1.50 for each 1,000 cubic feet of working gas storage capacity that is certified under AS 31.05.032 less any amount of credit received under this section taken in earlier tax years for that capacity. The total amount of the credit that may be received for a single gas storage facility under this section may not exceed the lesser of $15,000,000 or 25 percent of the costs incurred to establish the gas storage facility. The tax credit in this section is in addition to any other credit under this chapter for which the person is eligible.

(b) A gas storage facility qualifying for the credit in this section

(1) must have a working gas storage capacity of at least 500,000,000 cubic feet of gas other than cushion gas;

(2) must have a minimum withdrawal capability of 10,000,000 cubic feet a day as certified by the Alaska Oil and Gas Conservation Commission under AS 31.05.032;

(3) may not have been in operation as a gas storage facility before January 1, 2011;

(4) must be regulated under AS 42.05 as a utility and be available to furnish the service of natural gas storage to the public for compensation; in this paragraph, "service of natural gas storage" has the meaning given in AS 42.05.990; and

(5) if located on state land and leased or subject to a lease under AS 38.05.180, must be in compliance with the terms of the lease.

(c) To claim the credit, the person shall submit to the department a copy of the certification of working gas storage capacity and withdrawal capability issued under AS 31.05.032, the date that the gas storage facility commenced commercial operation, and other information required by the department. A person applying the credit against a liability under this chapter shall claim the credit on the person's return.

(d) A person entitled to a tax credit under this section that is greater than the person's tax liability under this chapter may request a refund in the amount of the unused portion of the tax credit.

(e) The department may use available money in the oil and gas tax credit fund established in AS 43.55.028 to make the refund applied for under (d) of this section in whole or in part if the department finds that (1) the claimant does not have an outstanding liability to the state for unpaid delinquent taxes under this title; and (2) after application of all available tax credits, the claimant's total tax liability under this chapter for the calendar year in which the claim is made is zero. In this subsection, "unpaid delinquent tax" means an amount of tax for which the department has issued an assessment that has not been paid and, if contested, has not been finally resolved in the taxpayer's favor.

(f) For the purpose of determining the amount of the credit under this section, the working gas storage capacity on which the credit is based shall be the capacity certified by the Alaska Oil and Gas Conservation Commission under AS 31.05.032.

(g) A person may not receive a credit under this section for the acquisition of a gas storage facility for which a credit has been granted under this section.

(h) If the gas storage facility for which a credit was received under this section ceases commercial operation during the nine calendar years immediately following the calendar year in which the gas storage facility commences commercial operation, the tax liability under this chapter of the person who claimed the credit shall be increased. The amount of the increase in tax liability

(1) shall be determined and assessed for the taxable year in which the gas storage facility ceases commercial operation, regardless of whether the gas storage facility subsequently resumes commercial operation; and

(2) is equal to the total amount of the credit taken multiplied by a fraction, the numerator of which is the difference between 10 and the number of calendar years for which the gas storage facility was eligible for a tax credit under this section and the denominator of which is 10.

(i) The issuance of a refund under this section does not limit the department's ability to later audit or adjust the claim if the department determines, as a result of the audit, that the person that claimed the credit was not entitled to the amount of the credit. The tax liability of the person receiving the credit under this chapter is increased by the amount of the credit that exceeds that to which the person was entitled. If the tax liability is increased under this subsection, the increase bears interest under AS 43.05.225 from the date the refund was issued.

(j) A person claiming a tax credit under this section for a gas storage facility that ceases commercial operation within nine calendar years immediately following the calendar year in which the gas storage facility commences commercial operation shall notify the department in writing of the date the gas storage facility ceased commercial operation. The notice must be filed with the return for the taxable year in which the gas storage facility ceases commercial operation.

(k) A refund under this section does not bear interest.

(l) In this section, "ceases commercial operation," "commences commercial operation," "gas storage facility," and "working gas storage capacity" have the meanings given in AS 31.05.032.

History -

(Sec. 12 ch 16 SLA 2010)

Effective Date Notes -

Section 22, ch. 16, SLA 2010 makes this section effective May 13, 2010, in accordance with AS 01.10.070(c).

SB 159

<TARGET><BILL>SB 159</BILL><SUBJECT>SB 159</SUBJECT><COMM>SRES27</COMM></TARGET>

Senator Linda Menard

Session
State Capitol, Room 9
Juneau, Alaska 99801
Phone: (907) 465-6600
Fax: (907) 465-3805

Interim
600 E. Railroad Ave.
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Alaska State Legislature

Sponsor Statement
Senate Bill 159

Senate Bill 159 will establish a new Susitna State Forest from state lands presently used for timber harvest. The Division of Forestry will be able to manage the state forest for a long-term supply of timber to local processors, and retain the land in state ownership for multiple uses. The Susitna State Forest would be the fourth state forest established in Alaska, joining the Haines State Forest, the Tanana Valley State Forest and the Southeast State Forest.

The proposed Susitna State Forest includes **33 parcels totaling approximately 763,200 acres**. The parcels are Forestry classified lands located in 14 large management blocks listed below. The Division of Forestry worked with the Division of Mining, Land, and Water Management to identify and exclude lands that are priorities for the state land disposal program.

In the region where the State Forest is proposed, timber sales and personal use sales for fuelwood are growing steadily. Local mills depend on state timber for their raw material supply, and there is a growing interest in the use of wood in the form of roundwood, chips or wood pellets for both commercial and residential space heating.

The state is committed to long-term management solutions by:

- maximizing the sustainable supply of timber from the state timber base;
- developing access and encouraging a broad range of multiple uses on state forest lands including motorized uses;
- providing economic opportunities to the communities, businesses and residents of the region.

Legislatively designating a State Forest would ensure that some land will remain available for long-term forest management and the region will retain large open spaces of public lands for the range of benefits residents of the region currently enjoy. It will also allow for mining on state forest land.

The Susitna State Forest would be managed as part of the State Forest System under AS 41.17.200-.230. Lands in the State Forest would continue to be open for multiple uses, including wildlife habitat and harvest and recreational activities.

Senator_Linda_Menard@legis.state.ak.us

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM January 17, 2012

SUBJECT: Sectional summary for SB 159 (Work Order No. 27-LS1179\M)

TO: Senator Linda Menard
Attn: Michael Rovito

FROM: Donald M. Bullock Jr.
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Designates state-owned or acquired land and water lying within the listed parcels as the Susitna State Forest. Requires the commissioner of natural resources to prepare a management plan for the forest, and authorizes the commissioner to establish transportation corridors within the forest.

Section 2. Provides a July 1, 2012 effective date for the Act.

DMB:ljw
12-019.ljw

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB159**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB159-DNR-FMD-3-9-12
Title: An Act establishing the Susitna State Forest; and providing for an effective date.
Sponsor: Senator Menard
Requester: Senate Resources

Dept. Affected: Natural Resources
Appropriation: Resource Development
Allocation: Forest Management & Development
OMB Component Number: 435

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	**0.0**	**0.0**	**0.0**	**0.0**	***	***	***

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by: John "Chris" Maisch, Division Director — Phone: 451-2666
Division: Forest Management & Development — Date/Time: 3/9/12 3:00 PM
Approved by: Daniel S. Sullivan, Commissioner — Date: 3/9/2012
Department of Natural Resources

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB159
2012 LEGISLATIVE SESSION

Analysis

This bill would establish a new Susitna State Forest in the Matanuska and Susitna Valleys from state lands presently classified for forestry management by the two Area Plans for the region. These lands are currently managed by the Division of Forestry for timber harvest and other multiple uses. Designation of these lands as a state forest will ensure the long-term availability of a timber supply to local commercial and personal use customers, support economic opportunities for the region's communities, improve access to the parcels and retain the land in state ownership for multiple uses. The state forest will also directly support a growing interest in wood energy space heating projects by local communities. These projects require a long-term, sustainable supply of wood.

The proposed State Forest includes 33 parcels totaling approximately 763,200 acres and are located in 14 large management blocks. The Susitna State Forest would become part of the State Forest System under AS 41.17.010 - .230 and will continue to be managed under the provisions of the State Forest Resources and Practices Act (FRPA) which is designed to protect fish habitat and water quality. The forest management plan for the region would be updated via a public process per AS 41.17.230.

Implementation of this bill will not require new positions or funding.

The bill will have no short-term impact to the revenue stream, but will provide for long-term increases in forest productivity and subsequent increased timber revenues.

SB 159
Susitna State Forest

The proposed Susitna State Forest includes 14 management blocks totaling approximately 760,000 acres. The blocks have previously been classified Forestry in the Susitna Matanuska and the Southeast Susitna Area Plans. The Division of Forestry worked with the Division of Mining, Land, and Water Management to identify and exclude lands that are priorities for the state land disposal program.

The effect of legislatively designating these lands as State Forest is as follows:

Current Condition	Proposed State Forest
Lands may be designated for disposal through agency action.	This would provide for long term forest management planning. Lands would need to be withdrawn from the State Forest system through legislative action.
Revised area plans may further subdivide the existing forest.	Existing private inholdings would remain. All state land designated for settlement in the current Area Plans would remain available for purchase by the public. Any changes in land classification or use would be addressed in the Susitna State Forest Management Plan.
Reluctance by forest managers to invest public funds if the lands are subject to disposal.	Forest Managers would have the opportunity to invest in long term land management projects without having the lands converted to other uses. For example, the DOF would have the opportunity to collaborate with the Department of Fish and Game on long term wildlife enhancement projects, silvicultural treatments for stand improvement, and other activities that show benefits over time.
Lands are managed for multiple use.	No Change.
Existing mineral entry rights.	The lands would be managed for multiple use and would be open for mineral development as it currently exists.
The Susitna Forestry Guidelines, adopted over 20	The Alaska Forest Resources and Practices Act and

years ago and prior to the final revision of the Alaska Forest Resources and Practices Act (AS 41.17), are used for planning timber harvests in the Susitna Valley.	other guidelines will be incorporated into the Susitna State Forest Management Plan and after adoption will be the basis for timber harvests in the State Forest.
Forests are managed on a sustained yield.	AS 41.17.220 requires the management of State Forests occur on the sustained yield principle.
Access for recreation is limited.	A forest management plan would include a transportation plan that addresses recreational opportunities as roads are developed.
Multiple Area Plans are used for the current management of State land.	A Forest Management Plan as required under AS. 41.17.230 must be adopted within 3 years of the establishment of a state forest. The plan requires a forest inventory and must consider other uses such as mineral extraction, recreation, fish and wildlife, and other traditional uses.

Public Briefing: SB-159

Susitna State Forest

DEPARTMENT OF NATURAL RESOURCES -- DIVISION OF FORESTRY

Alaska Department of NATURAL RESOURCES

January, 2012

Background. The state Department of Natural Resources manages over 9.5 million acres of forest land in the Matanuska and Susitna Valleys. Of this land, timber management is allowed on approximately 2.1 million acres. The state actively manages this timber base to supply wood to local processors. Remaining land is designated primarily for other uses including land sales, recreation, water resources, and fish and wildlife habitat, including over 3.1 million acres of legislatively designated state parks, refuges, and public use areas.

In the region, demand for state timber sales is steady and growing and personal use sales for fuelwood have also increased. Local mills depend heavily on state timber for their raw material supply and there is a growing interest in the use of wood in the form of roundwood, chips or wood pellets for both commercial and residential space heating.

There is also a need to more actively manage lands and vegetation to promote a variety of forest ages to provide for diverse and healthy habitats for wildlife. At the same time, active management will also help reduce wildland fire risk by breaking up large fuel types and encouraging initial regeneration by hardwood species.

The state is committed to long-term management solutions by:

- maximizing the sustainable supply of timber from the state timber base;
- developing access and encouraging a broad range of multiple uses on state forest lands including motorized uses;
- providing economic opportunities to the communities, businesses and residents of the region.

Legislatively designating a State Forest would ensure that some land will remain available for long-term forest management and the region will retain large open spaces of public lands for the range of benefits residents of the region currently enjoy.

Purpose. This bill would establish a new Susitna State Forest from state lands presently used for timber harvest. The Division of Forestry will be able to manage the State Forest for a long-term supply of timber to local processors, and retain the land in state ownership for multiple uses.

Proposed State Forest Land. The proposed Susitna State Forest includes 33 parcels totaling approximately 763,200 acres (see chart). The parcels are Forestry classified lands located in 14 large management blocks listed below. The Division of Forestry worked with the Division of Mining, Land, and Water (DML&W) management to identify and exclude lands that are priorities for the state land disposal program.

State Forest Management. The Susitna State Forest would be managed as part of the State Forest System under AS 41.17.200-.230. Lands in the State Forest would continue to be open for multiple uses, including wildlife habitat and harvest and recreational activities. State Forest lands would be managed consistent with the management intent under the current Susitna Matanuska and the Southeast Susitna Area Plans. Changes to management intent would require public and interagency review through adoption of a State Forest Management Plan under AS 41.17.230. The States Forest Resources Practices Act (FRPA) would apply to management activities on the forest and is designed to protect both fish habitat and water quality. (AS 41. 17.010 - .955.) A forestry inventory was completed in 2010 for approximately 75% of the acreage and work is ongoing to complete the project. An interim forest inventory report is available.

January 18, 2012

PROPOSED SUSITNA STATE FOREST			
Parcel	**Acreage**	**General Location**	**Block**
Susitna-Matanuska Area Plan			
P-13a	18,100	Kroto Creek East	East Petersville
P-13b	49,600	Kroto Creek West	West Petersville
P-13c	3,300	Amber Lake	West Petersville
U-26a	35,400	Yentna River West	Yentna
R-03a	6,500	Nakoshna River	Yentna
R-03b	33,600	Skwentna River North	West Skwentna
U-26b	15,500	Skwentna River North	West Skwentna
R-03c	5,100	Hayes River	West Skwentna
M-07a	24,200	Canyon Creek	South Skwentna
M-07b	187,000	Mount Susitna	Mount Susitna
M-07c	2,500	Theodore River	Mount Susitna
M-07d	5,800	Alexander Creek West	Alexander Creek
U-24a	10,300	Alexander Creek East	Alexander Creek
U-04a	500	Kroto Slough	Susitna
U-04b	155,800	Kahiltna River	Susitna
U-07e	104,100	Skwentna Village	East Skwentna
B-10	15,200	Yenlo Creek	East Skwentna
S-35	12,800	South Fork Montana Creek	Talkeetna
Southeast Susitna Area Plan			
U-01a	1,200	Sheep Creek North	Talkeetna
U-01b	6,500	Sheep Creek South	Kashwitna
U-01c	5,800	Kashwitna River	Kashwitna
U-01d	13,900	Little Willow Creek North	Willer-Kash
U-01e	18,600	Willow Creek North	Willer-Kash
U-01f	10,500	Deception Creek	Houston
W-01g	600	Houston	Houston
H-06a	800	Houston	Houston
H-32	500	Houston	Houston
H-06b	3,000	Houston	Houston
P-03	600	Little Susitna North	Houston
P-02	1,600	Little Susitna North	Houston
S-03a	300	Deshka Landing	Red Shirt Lake
S-03b	13,300	Deshka Landing South	Red Shirt Lake
S-03c	700	Susitna Village	Red Shirt Lake
TOTAL	**763,200**		

Expanded Bullets on area plan public processes related to the new Susitna State Forest [1/30/12]

- 1985 Susitna Area Plan identified Forestry designated lands for consideration as legislatively designated areas (LDAs).

- State lands under consideration for a Susitna State Forest are addressed by two area plans: the Susitna Matanuska Area Plan (2011), and the Southeast Susitna Area Plan (2008). These two plans supersede the 1985 Susitna Area Plan.

- The Commissioner of DNR adopted the Southeast Susitna Area Plan (SSAP) on April 28, 2008, following a year-long planning process that included two rounds of public meetings. This plan applies to about 255,000 acres of state land formerly managed by the 1982 Willow Sub-Basin Area Plan and the original 1985 Susitna Area Plan. The SSAP designates 74,855 acres of state land for Forestry. The Division of Forestry actively manages these lands in the Houston and Kashwitna areas for timber production.

A recurring theme during the following processes was the idea of a Susitna State Forest.

- In 2009, DOF engaged in a revision process for the 1991 Susitna Forestry Guidelines (SFG). A citizens' advisory committee and an inter-agency planning team were established and several meetings held. In addition, the SFG process held joint public scoping meetings with the DMLW-led SMAP planning process.

- 1n 2009, DOF's planner mentioned the Susitna State Forest during his presentation to the Mat-Su Salmon Science and Conservation Symposium in Wasilla.

- During annual (2008-2011) Winter Trails User's meetings between timber operators and Willow area dog mushers, the concept of a state forest in the Susitna was discussed, with broad support for the idea expressed by those attending. Dog mushers enjoy the use of state lands and the associated improved access from logging activities.

- Following a two year planning process, the Commissioner of the Department of Natural Resources (DNR) adopted the Susitna Matanuska Area Plan (SMAP) on August 11, 2011, with a date of issuance of August 17th. The SMAP applies to nine million acres of state land formerly managed under the Susitna Area Plan. About 700,000 acres of these state lands are classified Forestry. This area plan recommends establishment of a legislatively designated State Forest for those lands designated or co-designated Forestry in the SMAP and the 2008 Southeast Susitna Area Plan. Public input received at a series of community meetings held throughout the planning area and during a three and a half month public review (February – May 2011) of the draft SMAP supported the concept of a Susitna State Forest.

- DOF coordinated the public scoping efforts for the SFG with DMLW's area plan scoping and the Matanuska-Susitna Borough's land use planning. During April of 2009, six joint open houses were held in communities in the Mat-Su area, and one in Anchorage. An

open house planned for Skwentna in late March was cancelled due to an ash fall in the area from the volcanic eruption of Mt. Redoubt. Approximately 80 people attended the public meetings, and DOF received 22 written scoping comments through the end of July. Many of the written comments supported maintaining or strengthening the Susitna Forestry Guidelines as they are presently written, and keeping its original purpose statement intact. The public comments were generally supportive of forestry. The issues most frequently mentioned were regeneration, timber road access after harvesting, harvest design, riparian standards, and herbicides. Other public outreach efforts that occurred during this period included briefings with the Alaska Outdoor Council, Friends of the Mat-Su, and WACO Trail's Committee.

- The Mat-Su Area Forester reported on the interest in the Susitna State Forest to the Board of Forestry during their August 30-31, 2011 meeting.

*Provided by Division of Forestry.

Alaska Trappers Association
PO Box 82177
Fairbanks, AK 99708

Linda Menard
Alaska State Senator
State Capitol, Room 9
Juneau, AK 99801

February 2, 2012

Re: SB 159 – Susitna State Forest

Dear Senator Menard:

The Alaska Trappers Association is a statewide organization with nearly one thousand members. We are active in Alaska wildlife issues and other resource conservation efforts. We support a very active trapper education program.

ATA supports the CONCEPT of a fourth state forest, but we have serious concerns about how this might affect other consumptive resource use, particularly trapping. Our concern stems primarily from experience with the way that the planning process for the Tanana Valley State Forest (TVSF) in Interior Alaska was politically manipulated by Governor Knowles.

Title 41 (specifically AS 41.17.200) makes it quite clear that the primary purpose of any state forest is to provide a timber base and the opportunity for active forest management and timber harvest. We support and applaud this goal. However, the TVSF Citizens Advisory Committee (a quasi-public agency) was stacked with non-consumptive users and allowed to corrupt and control the planning process to minimize logging, hunting, trapping and motorized access. That serious and systemic problem was exactly what happened when the TVSF Management Plan was rewritten. Environmental groups (enabled, supported and encouraged by the Governor's Office) tied up the planning process for years and manipulated the process. The Governor's Office, rather than the State Forester's

Office, controlled which specific individuals were appointed to the Citizens' Advisory Committee.

Thus, before we can wholeheartedly support your bill, we would prefer to see included some language to prevent or at least minimize this type of political manipulation of the planning process and attempts to preclude the very consumptive uses the State Forest was established to protect. This might entail a slight change to AS 41.17.200. Or perhaps it could be handled with a very clear statement of legislative intent. At a minimum, public discussion during the legislative process regarding this bill should thoroughly air and review the process that took place during the rewriting of the TVSF Management Plan.

Once this concern is addressed, we will be glad to comment on specific acreages and areas proposed for inclusion. However, until we can be sure that trapping (and timber harvest, for that matter) are really protected, we support only the CONCEPT of establishing the Susitna State Forest.

Thank you for the opportunity to comment on your proposal to establish a Susitna State Forest in South-Central Alaska.

Sincerely,

Joe Letarte

Joe Letarte, President
Alaska Trappers Association

MATANUSKA-SUSITNA BOROUGH
Office of the Borough Manager
350 East Dahlia Avenue • Palmer, AK 99645
Phone (907) 745-9689 • Fax (907) 745-9669
John.Moosey@matsugov.us

January 18, 2012

The Honorable Senator Linda Menard
Alaska State Capitol
Room 9
Juneau, Alaska 99801

Dear Senator Menard,

I am very pleased to send a letter of support for Senate Bill 159 which will establish the Susitna State Forest. This bill will establish a new State Forest from state lands presently used for timber harvest. The Division of Forestry will be able to manage the State Forest for a long-term supply of timber to local processors, and retain the land in state ownership for multiple uses.

The Mat-Su Borough and its residents will benefit from a state forest in the form of an economic boost from a sustainable supply of timber from the state timber base. The Susitna State Forest would be managed as part of the State Forest System and would be open for multiple uses, including wildlife habitat, harvest, and recreational activities.

Demand for state timber sales is steady and growing, and personal use sales for fuel wood have also increased. Local mills depend heavily on state timber for their raw material supply and there is a growing interest in the use of wood in the form of round wood, chips or wood pellets for both commercial and residential space heating. At the same time, active management will also help reduce wild land fire risk by breaking up large fuel types and encouraging initial regeneration by hardwood species.

Thank you for the opportunity to endorse this project. Should you have any questions, please do not hesitate to contact my office.

Sincerely,

John M. Moosey
Borough Manager

JM/al

RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

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Rick Rogers
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Congressman Don Young
Governor Sean Parnell

January 19, 2012

Senators Joe Paskvan and Tom Wagoner
Co-Chairs, Senate Resources Committee
Alaska State Legislature
Juneau, AK 99801

RE: Senate Bill 159, Susitna State Forest

Dear Senators Paskvan and Wagoner:

The Resource Development Council (RDC) is writing to support Senate Bill 159, which would create the Susitna State Forest over 763,200 acres of state land west of the Parks Highway.

RDC is a statewide, non-profit, membership-funded organization founded in 1975. The RDC membership is comprised of individuals and companies from Alaska's oil and gas, mining, timber, tourism, and fisheries industries, as well as Alaska Native corporations, local communities, organized labor, and industry support firms. RDC's purpose is to link these diverse interests together to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

The Alaska Department of Natural Resources currently manages 9.5 million acres of forest land in the Matanuska and Susitna Valleys. Of this land, timber management is allowed on approximately 2.1 million acres. Remaining land is designated for other uses, including land sales, recreation, water resources, and fish and wildlife habitat. Over 3.1 million acres is protected in legislatively-designated state parks, refuges, and public use areas.

The establishment of the Susitna State Forest would ensure that some land would remain available for long-term forest management. It would allow the Division of Forestry to more actively manage lands and vegetation to promote a variety of forest ages, which in turn would maximize the sustainable supply of timber from the state timber base and provide for more diverse and healthy habitats for wildlife. In addition, active management would also help reduce wildfire risk.

The Division of Forestry would manage the state forest for a long-term supply of timber to local processors and retain land in state ownership for other multiple uses. An enhanced long-term timber supply would help support the forest products industry, provide fuel for sustainable biomass energy projects, and create new jobs. It would also benefit the recreational sector as the state intends to develop access to the new state forest and encourage a broad range of multiple uses. These multiple uses, including annual timber harvests, would provide important economic opportunities to local communities, businesses, and residents.

It is important to keep in mind that SB 159 would establish a new state forest from state lands presently designated for forest management. The Susitna State Forest would be managed consistent with the management intent under the current Susitna Matanuska and the Southeast Susitna Area Plans. Alaska's Forest Resources Practices Act would apply to management activities on the forest and is designed to protect both fish habitat and water quality.

121 West Fireweed Lane, Suite 250, Anchorage, Alaska 99503-2035
Phone: 907-276-0700 Fax: 907-276-3887 Email: resources@akrdc.org Website: akrdc.org

established, the Susitna State Forest would be the fourth state forest in Alaska. RDC supports SB 159 and believes the proposed state forest will be of much benefit to the local economy – creating and sustaining much needed jobs in the forest products industry while providing many other opportunities. We urge the committee to pass SB 159.

Sincerely,

Carl Portman
Deputy Director

Cc: Senator Linda Menard
Chris Maisch, State Forester

RUFFED GROUSE SOCIETY

DEDICATED TO IMPROVING THE ENVIRONMENT
FOR RUFFED GROUSE, WOODCOCK,
AND OTHER FOREST WILDLIFE
South Central Alaska Chapter
7650 Delridge Circle, Anchorage, Alaska 99507

February 9, 2012

The Honorable Linda Menard
State Capitol Room 9
Juneau, Alaska 99801

Dear Senator Menard,

The South Central Alaska Chapter of The Ruffed Grouse Society would like to thank you for submitting Senate Bill 159, creating a State Forest west of the Susitna River. We support creation of this Forest for a multitude of reasons not the least of which is the ability to manage our forest resources for wildlife.

The area west of the Susitna is one of the last remaining large blocks of state land in Southcentral Alaska. Establishing a state forest will ensure that the ever increasing population of this area has access to the outdoor recreation for which our state is famous and that our timber, land and wildlife resources can be managed for the benefit of all Alaskans. A state forest will also help establish and solidify a timber industry for this area. Managed timber harvests benefit wildlife that needs an age diversified forest to thrive and would help reduce the potential for devastating fires such as the Miller Reach catastrophe.

Designation as a State Forest is, we believe, one of the least restrictive land categories possible. It allows for most uses, but would require planning and thought before implementing changes such as roads, mining, campgrounds, etc. The one restriction we know of is transfer of land into private ownership. In the past, the State has been able to meet the recreational needs of the Southcentral population through land transfers to individuals. However, the population is growing and most land with easy access, such as that bordering lakes and rivers, has already been transferred. The net effect is to block access to the remaining area. We realize there are access corridors reserved, but these are not particularly effective when it means parking your plane in front of someone's cabin to walk the right of way to a stream. Land owners tend to view such as an intrusion and clashes ensue. Additionally, owners of private land tend to want to manage all lands within view of their property. This leads to conflict when trying to manage resources on state land. In the Matanuska Valley it has hobbled the ability of Forestry to conduct timber sales and ADF&G to implement habitat improvement projects.

As currently described in SB 159, the State Forest is a convoluted collection of detached parcels taking 16 pages to describe the boundaries. A person out for recreation will have a difficult time trying to determine if they are in or out of the forest. Future disposal of land surrounding these parcels could complicate road development and access to proposed timber sales. Private ownership bounding the forest could result in the NIMBY problems we are already dealing with in other parts of Southcentral.

451 MCCORMICK ROAD • CORAOPOLIS, PENNSYLVANIA 15108-9377
(412) 262-4044 FAX (412) 262-9207 (888) 564-6747 TOLL FREE
Email: rgs@ruffedgrousesociety.org www. ruffedgrousesociety.org

We would encourage you to expand the proposed boundaries to incorporate all unencumbered state land west of the Susitna River, south of the Denali Park Boundaries, North of Beluga Lake/Beluga River draining into Cook Inlet. As a minimum, the forest boundaries need to be simplified and expanded to create a buffer against treats to proper forest management by private ownership and to ensure reasonable access to the forest is available. This would preserve public access, ensure multiple use of our land, and enhance our wildlife resources for all Alaskans, now and in the future, while encouraging development of a comprehensive timber industry.

This forest will complement the three other state forests that have been successfully established. We urge the legislature to expand and pass SB 159 this session.

Sincerely,

Michael W. Griffin
President, SAC RGS

Alaska Chapter SCI
PO Box 770511
Eagle River, AK 99577
(907) 980-9018

February 9, 2012

The Honorable Linda Menard
Alaska State Senate
120 4th St. Rm 9
Juneau, AK 99801

Dear Senator Menard:

The Alaska Chapter of SCI is in support of SB 159 and commends you for your foresight in introducing this necessary piece of legislation.

As you may or may not know, SCI Alaska Chapter is not only the leading hunter-conservationist organization in Alaska, but is also SCI's leading chapter throughout the SCI network which includes over 105 countries and 260 chapters. Our mission is to protect the freedom to hunt through political advocacy and action, support for sound, science based conservation and wildlife management, and through humanitarian services.

In reviewing SB 159 and the applicable statutory guidelines in Title 41, we may wish to suggest amendments as this bill works its way through the process. We have some concerns as to whether the simple set aside of lands into a state forest will bring about desired results.

Our first concern is that suitable habitat is maintained for wildlife upon which rests one of the primary impetuses for recreation in Alaska. This concern leads us to believe that the bill does not go far enough in sequestering the necessary habitat to sustain wildlife populations through the establishment of contiguous parcels of land.

Our other major concern involves management practices. Although some lands may not be suitable for the growth of marketable timber, we maintain that those lands are nonetheless important for this state forest designation. Most of Alaska's wildlife depends heavily upon successional plant life. 'Climax forests do not provide the same level of benefit as does new forest lands. Since we do not encourage the proliferation of fire any longer in this area due to a variety of concerns, it is important that harvest of climax forests be allowed to produce suitable habitat for wildlife.

We look forward to working with you on this legislation and thank you again for introducing it.

Sincerely,

Eddie Grasser
Director of Government Affairs

SCI's Top Gun Chapter

POPPERT MILLING INC

PO Box 870051
Wasilla, Alaska 99687
(907) 376-8774
(907) 373-2907 FAX
pmilling@mtaonline.net

RECEIVED
MAR 13 2012

March 7, 2012

Senate Resources Committee
RE: SB-159, Susitna State Forest

Dear Senator Paskvan and Senator Wagoner,

My name is Dave Poppert and I own and operate Poppert Milling Inc. along with my wife Cathy and son Michael. Poppert Milling has been doing business in the Mat-Su Valley for almost 50 years.

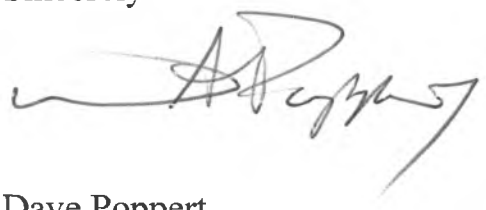
I am writing in support of Senate Bill 159, which would create a state forest in the Susitna Valley, and also to express concerns of access to the area.

As a timber user it is in our best interest to do what we can to ensure a viable long-term timber supply. My Grandfather started our company in downtown Wasilla and my son is already trying to give me the "boot", but I am hesitant to let him take the reins with an unknown future for a timber supply. A state forest in the Susitna Valley could ensure a supply. But, it does no good to have a sustainable timber supply if it is not economically feasible to access it. Most of the 763,000 acres that would be included is west of the Big Susitna River, which currently can only be accessed via Petersville Road. It would be approximately 200 miles round trip for 1 load of logs to get to our facility at mp. 48.5 on the Parks Hwy. The value of the timber would be less than the cost to get it to market. Year round, closer to the user access would certainly do a lot for the timber industry in our area.

We currently do a very high value added to our timer from 3-sided "D"-logs to kiln dried architectural mouldings to tongue and groove flooring and wall paneling. With a sustainable timber supply our company would be able to expand it's operation which in turn means more jobs.

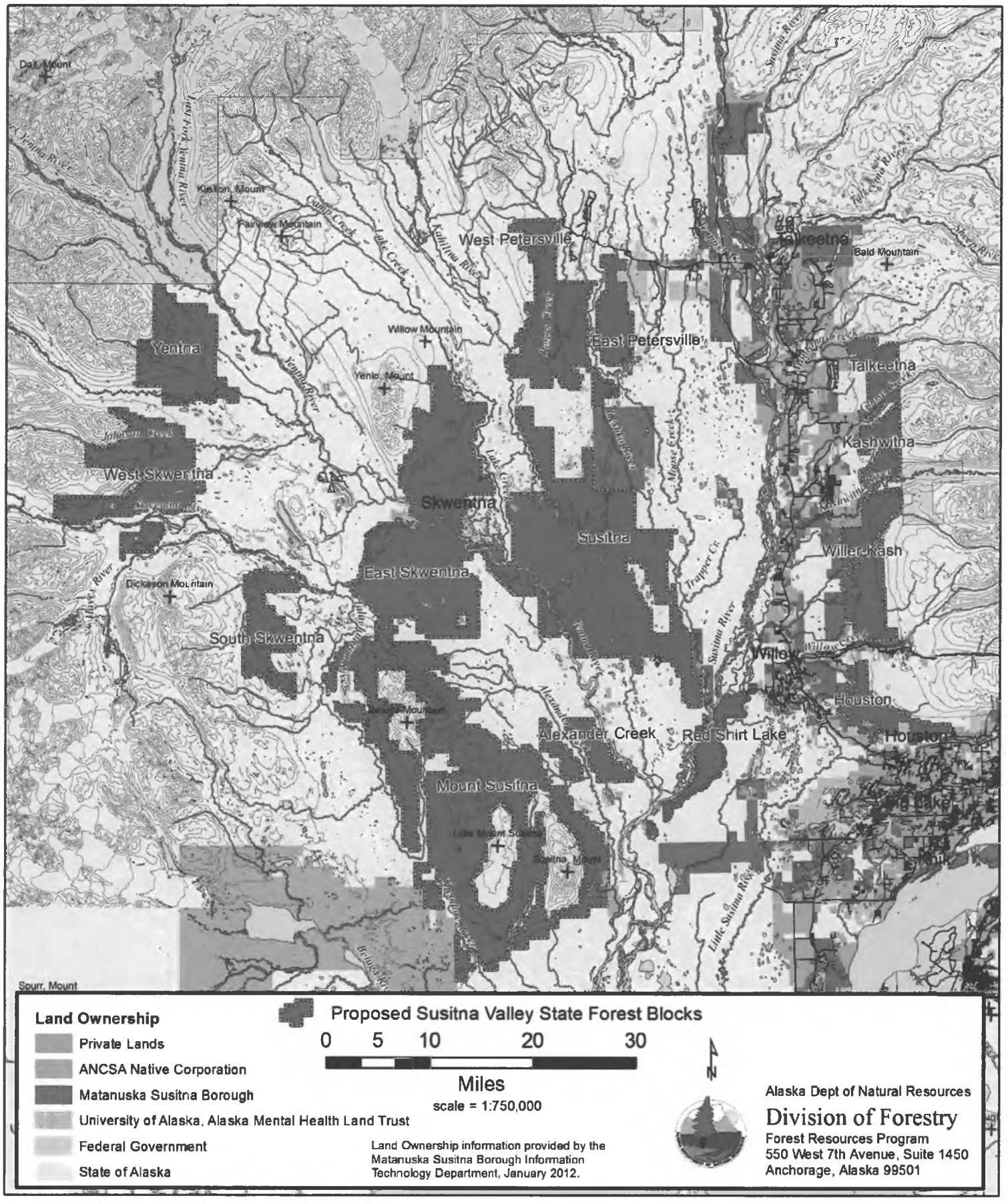
We urge the Legislature to pass Senate Bill 159 and hope that some provision can be made with regards to reasonable access so that possibly someday my grandchildren may know they can continue our business without worry of the resource

Sincerely

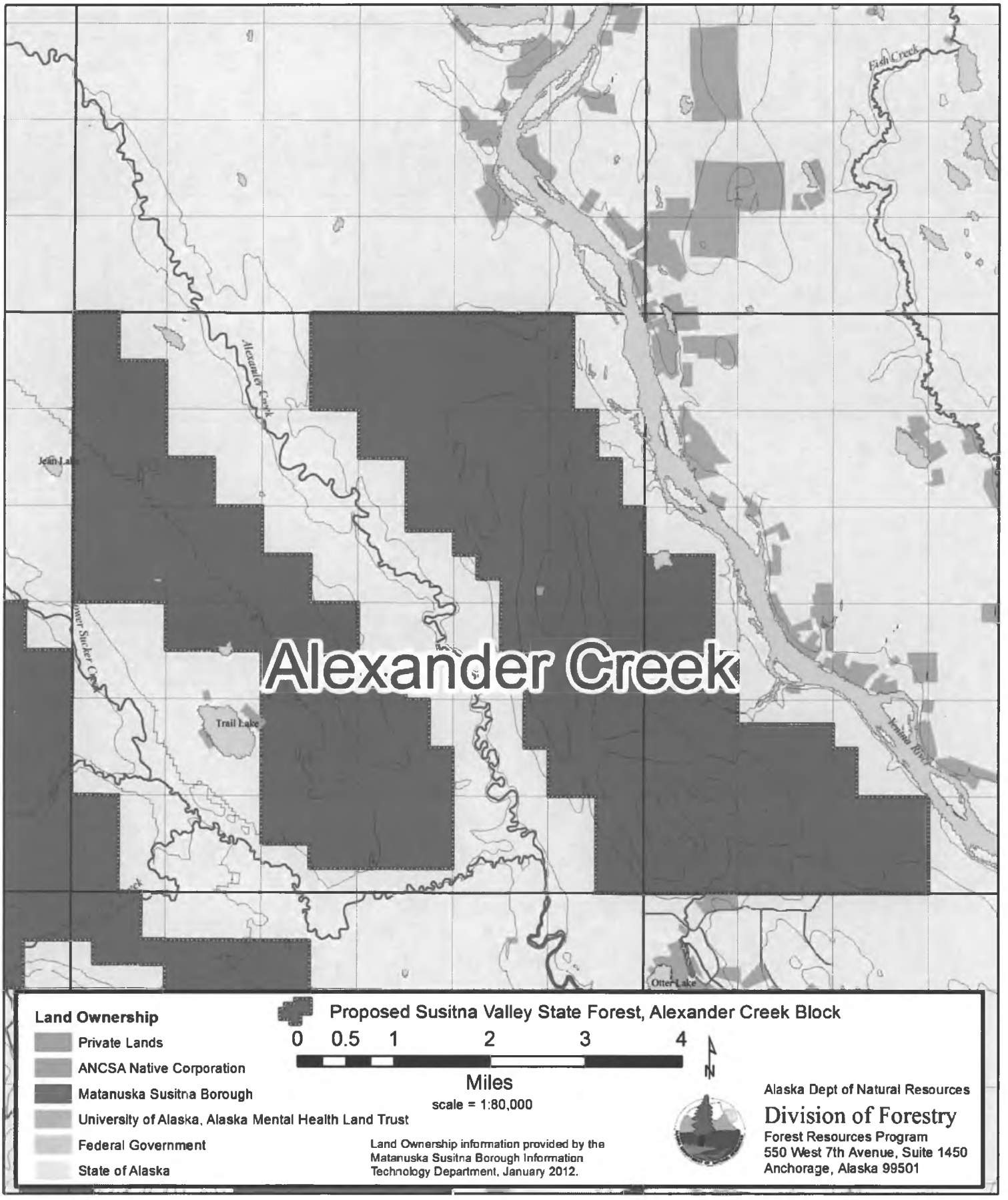


Dave Poppert
Poppert Milling Inc.

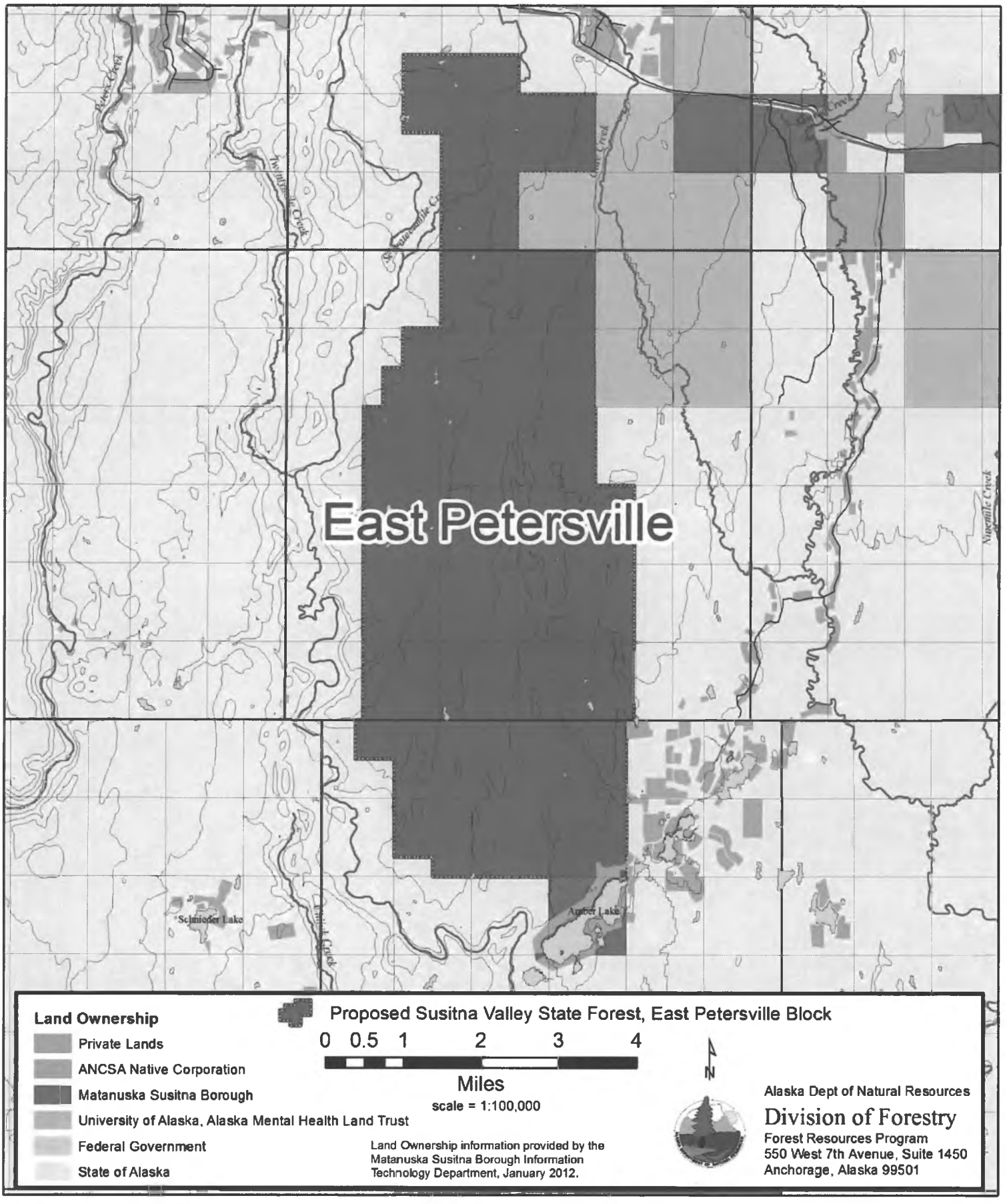
Susitna Valley State Forest Blocks



Susitna Valley State Forest, Alexander Creek Block



Susitna Valley State Forest, East Petersville Block



Land Ownership

- Private Lands
- ANCSA Native Corporation
- Matanuska Susitna Borough
- University of Alaska, Alaska Mental Health Land Trust
- Federal Government
- State of Alaska

Proposed Susitna Valley State Forest, East Petersville Block

0 0.5 1 2 3 4

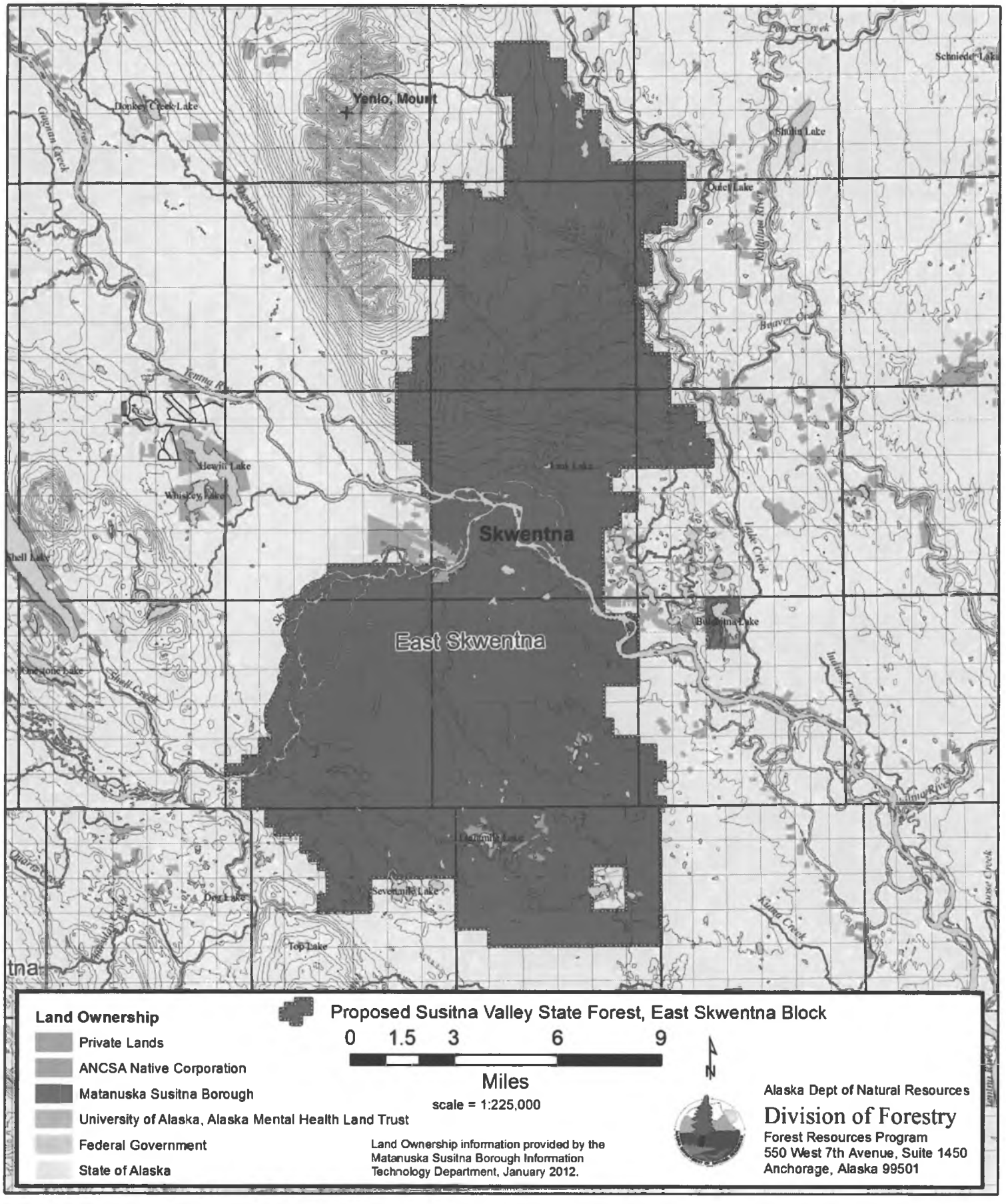
Miles

scale = 1:100,000

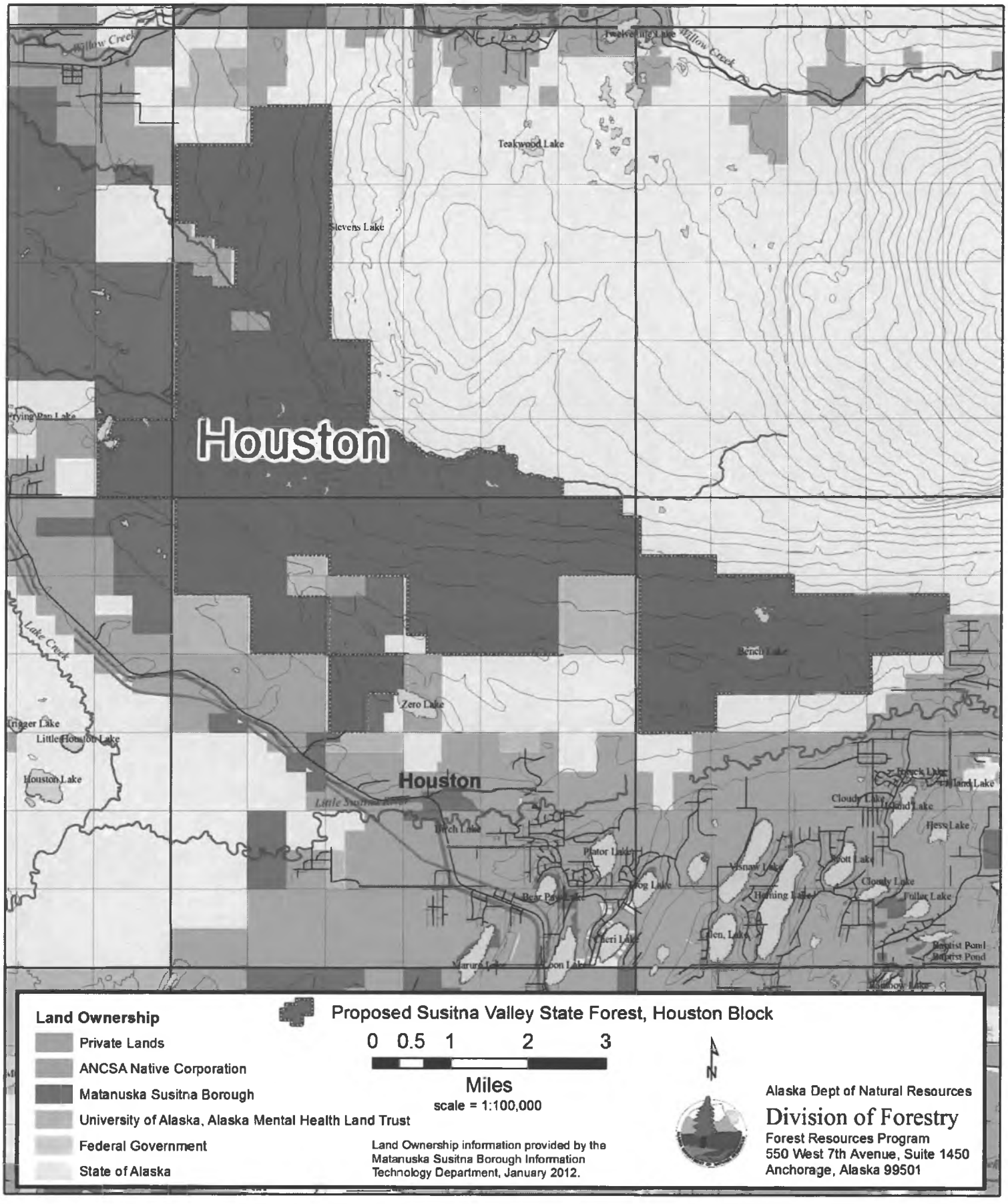
Land Ownership information provided by the Matanuska Susitna Borough Information Technology Department, January 2012.

Alaska Dept of Natural Resources
Division of Forestry
Forest Resources Program
550 West 7th Avenue, Suite 1450
Anchorage, Alaska 99501

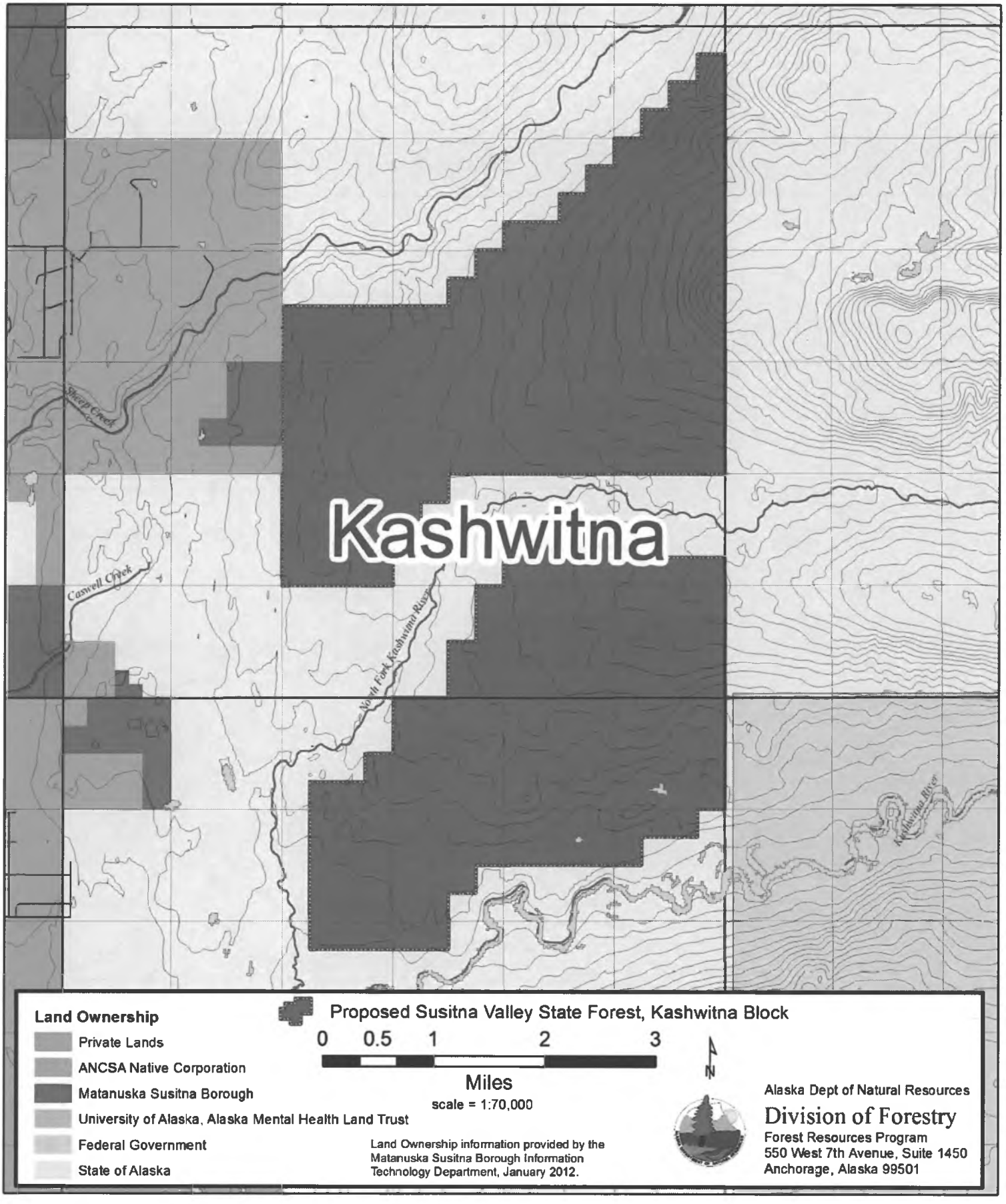
Susitna Valley State Forest, East Skwentna Block



Susitna Valley State Forest, Houston Block



Susitna Valley State Forest, Kashwitna Block



Land Ownership

- Private Lands
- ANCSA Native Corporation
- Matanuska Susitna Borough
- University of Alaska, Alaska Mental Health Land Trust
- Federal Government
- State of Alaska

Proposed Susitna Valley State Forest, Kashwitna Block

0 0.5 1 2 3

Miles

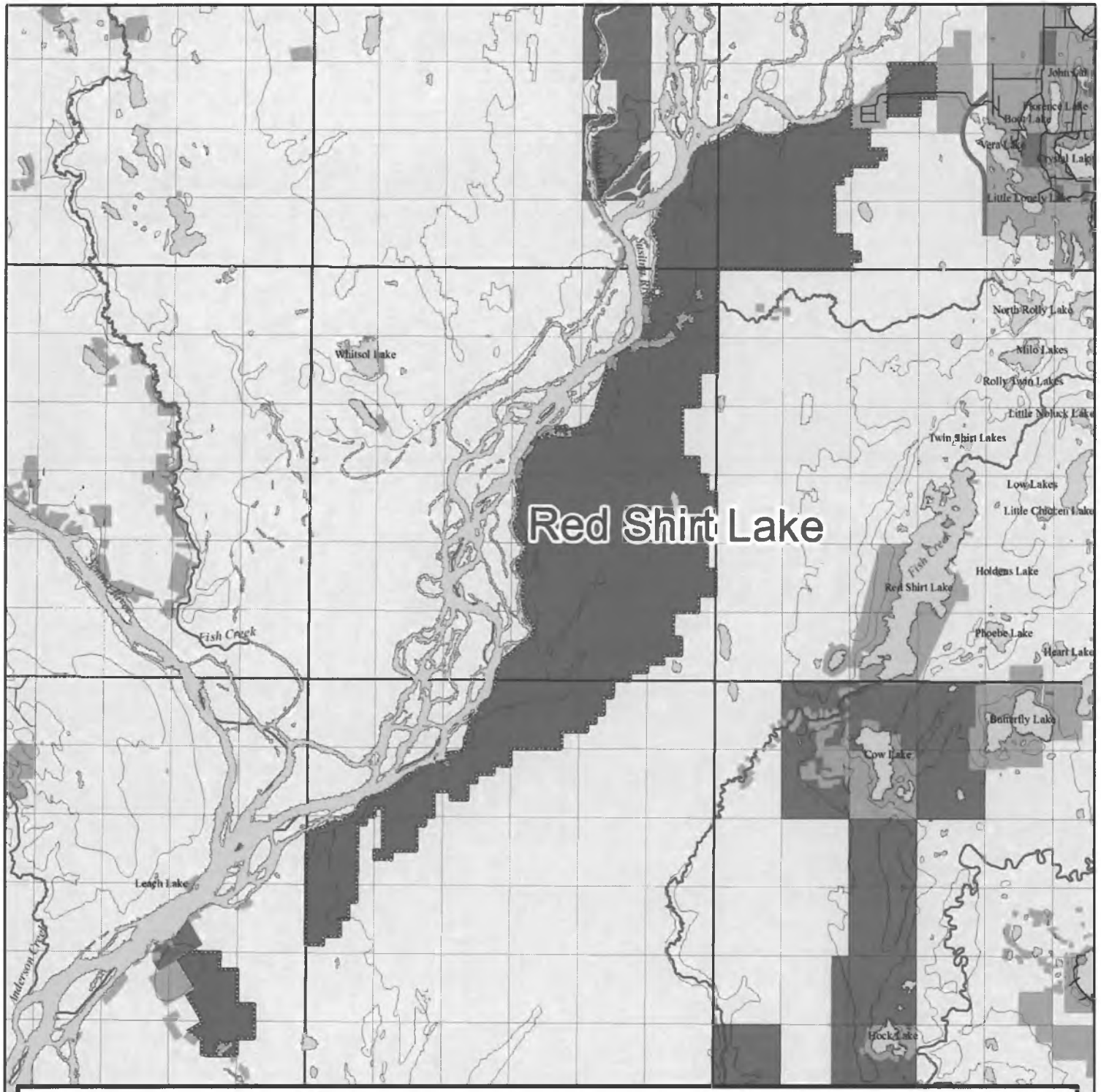
scale = 1:70,000

N

Land Ownership information provided by the Matanuska Susitna Borough Information Technology Department, January 2012.

Alaska Dept of Natural Resources
Division of Forestry
Forest Resources Program
550 West 7th Avenue, Suite 1450
Anchorage, Alaska 99501

Susitna Valley State Forest, Red Shirt Lake Block



Land Ownership

- Private Lands
- ANCSA Native Corporation
- Matanuska Susitna Borough
- University of Alaska, Alaska Mental Health Land Trust
- Federal Government
- State of Alaska

Proposed Susitna Valley State Forest, Red Shirt Lake Block

0 0.5 1 2 3 4

Miles

scale = 1:125,000

Land Ownership information provided by the Matanuska Susitna Borough Information Technology Department, January 2012.

Alaska Dept of Natural Resources

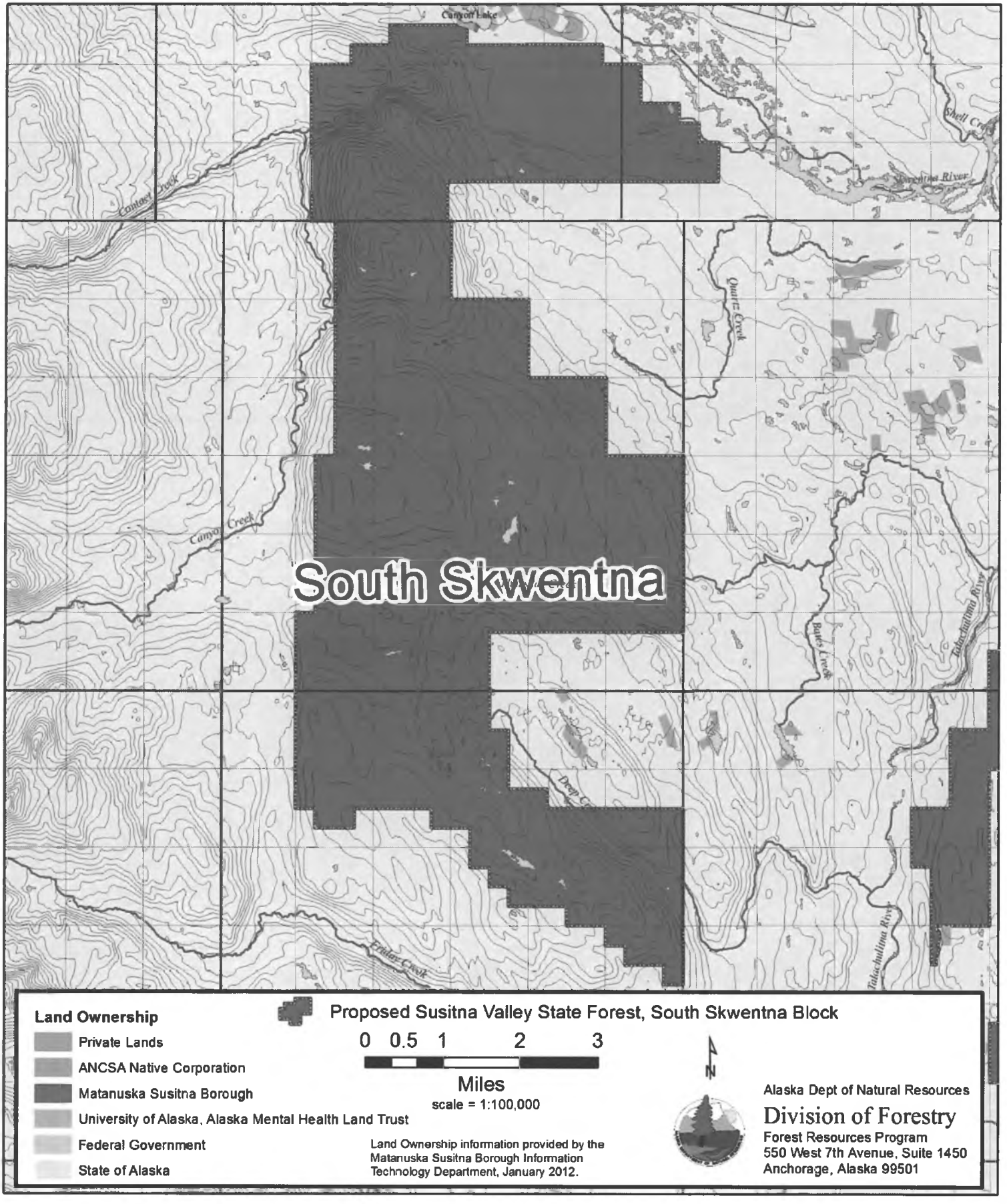
Division of Forestry

Forest Resources Program

550 West 7th Avenue, Suite 1450

Anchorage, Alaska 99501

Susitna Valley State Forest, South Skwentna Block



Land Ownership

- Private Lands
- ANCSA Native Corporation
- Matanuska Susitna Borough
- University of Alaska, Alaska Mental Health Land Trust
- Federal Government
- State of Alaska

Proposed Susitna Valley State Forest, South Skwentna Block

0 0.5 1 2 3

Miles

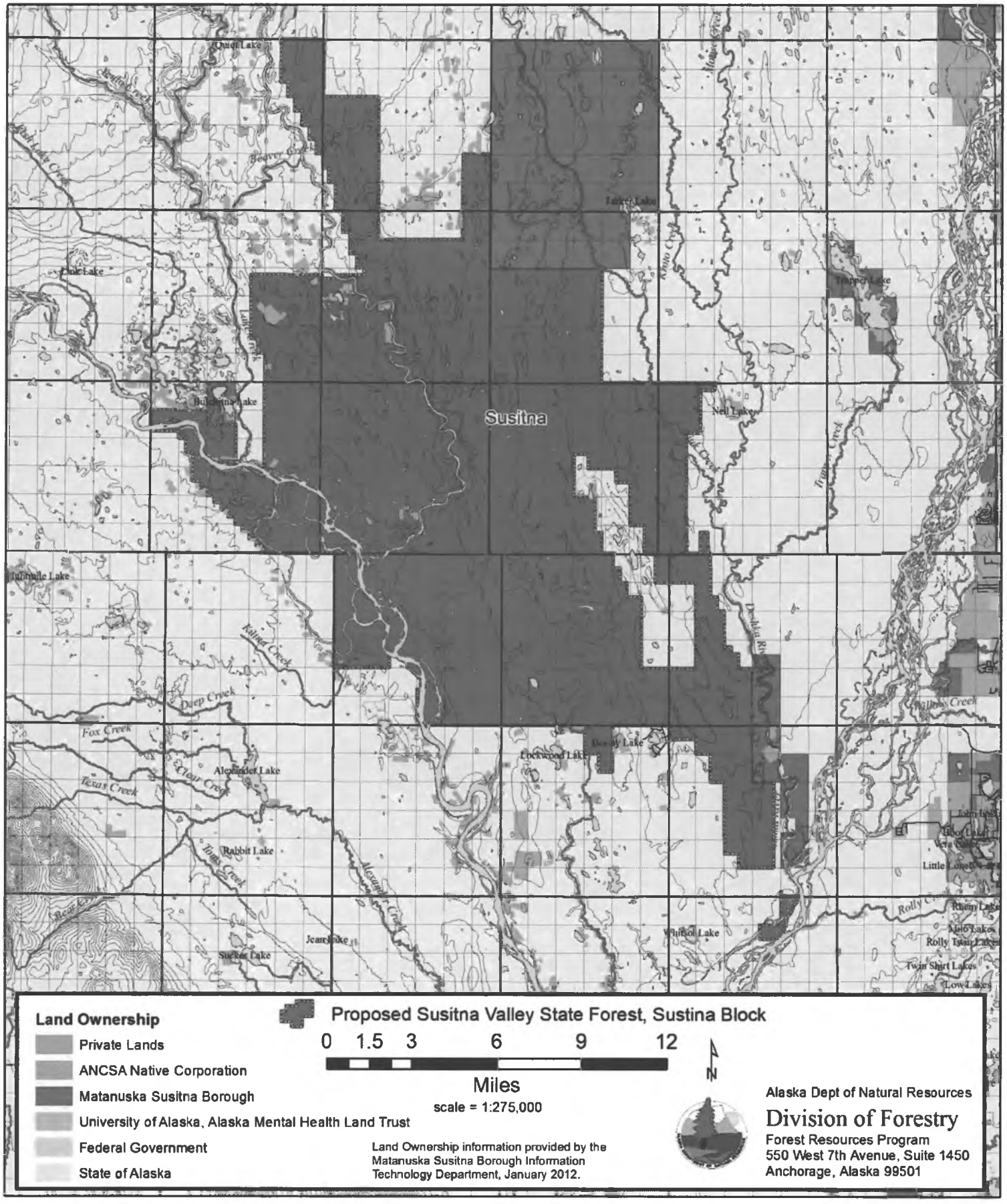
scale = 1:100,000

Land Ownership information provided by the Matanuska Susitna Borough Information Technology Department, January 2012.

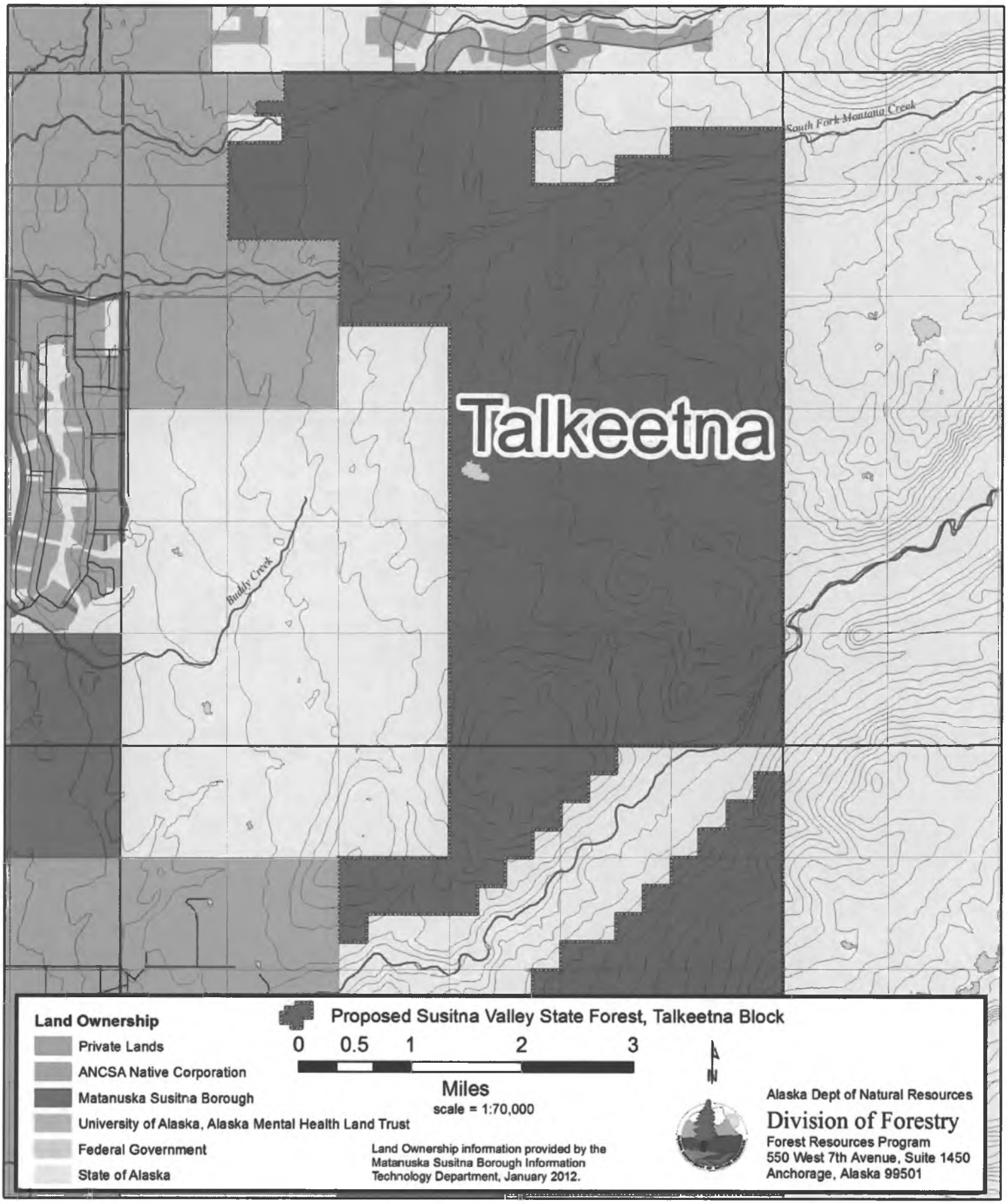
N

Alaska Dept of Natural Resources
Division of Forestry
Forest Resources Program
550 West 7th Avenue, Suite 1450
Anchorage, Alaska 99501

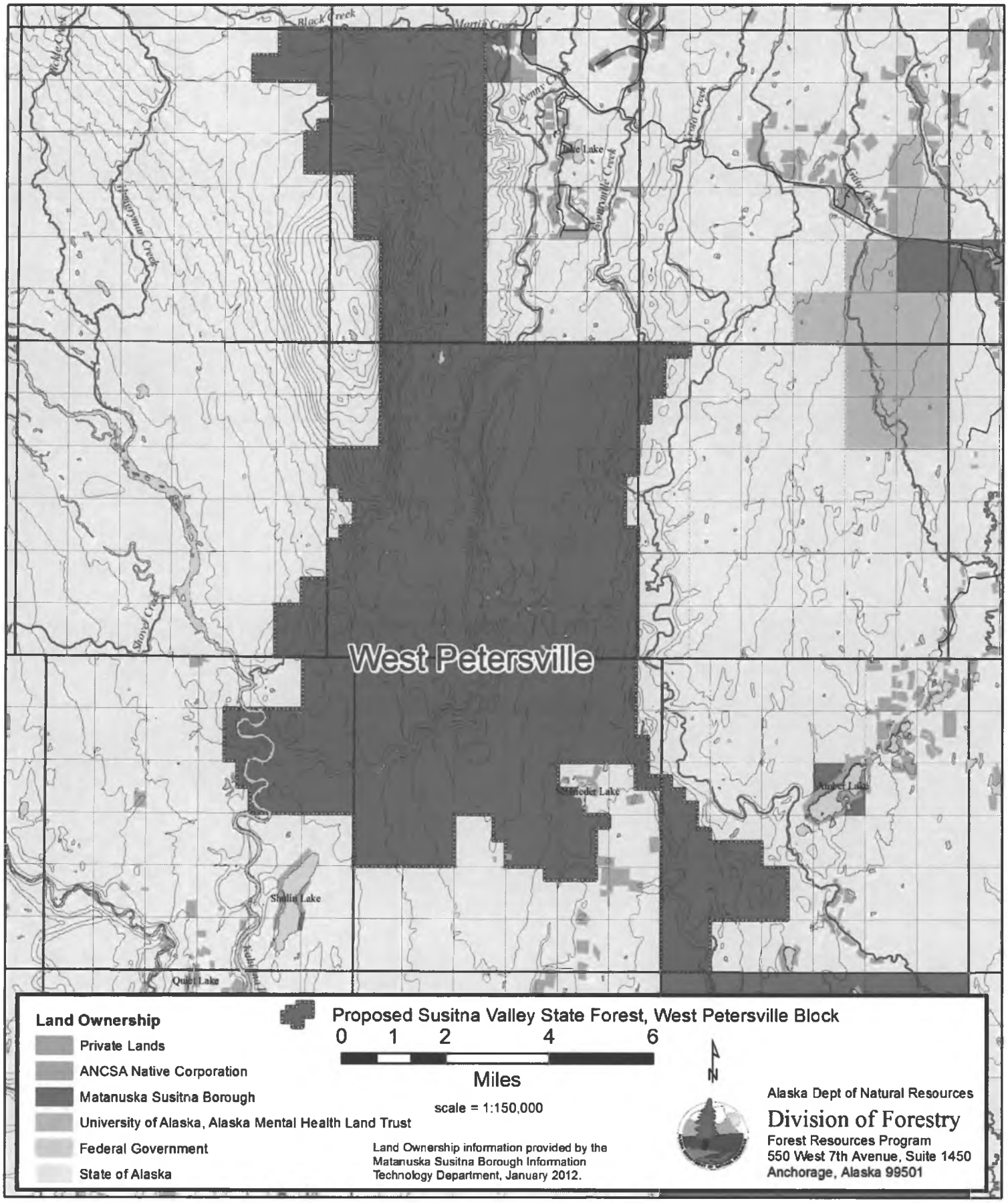
Susitna Valley State Forest, Susitna Block



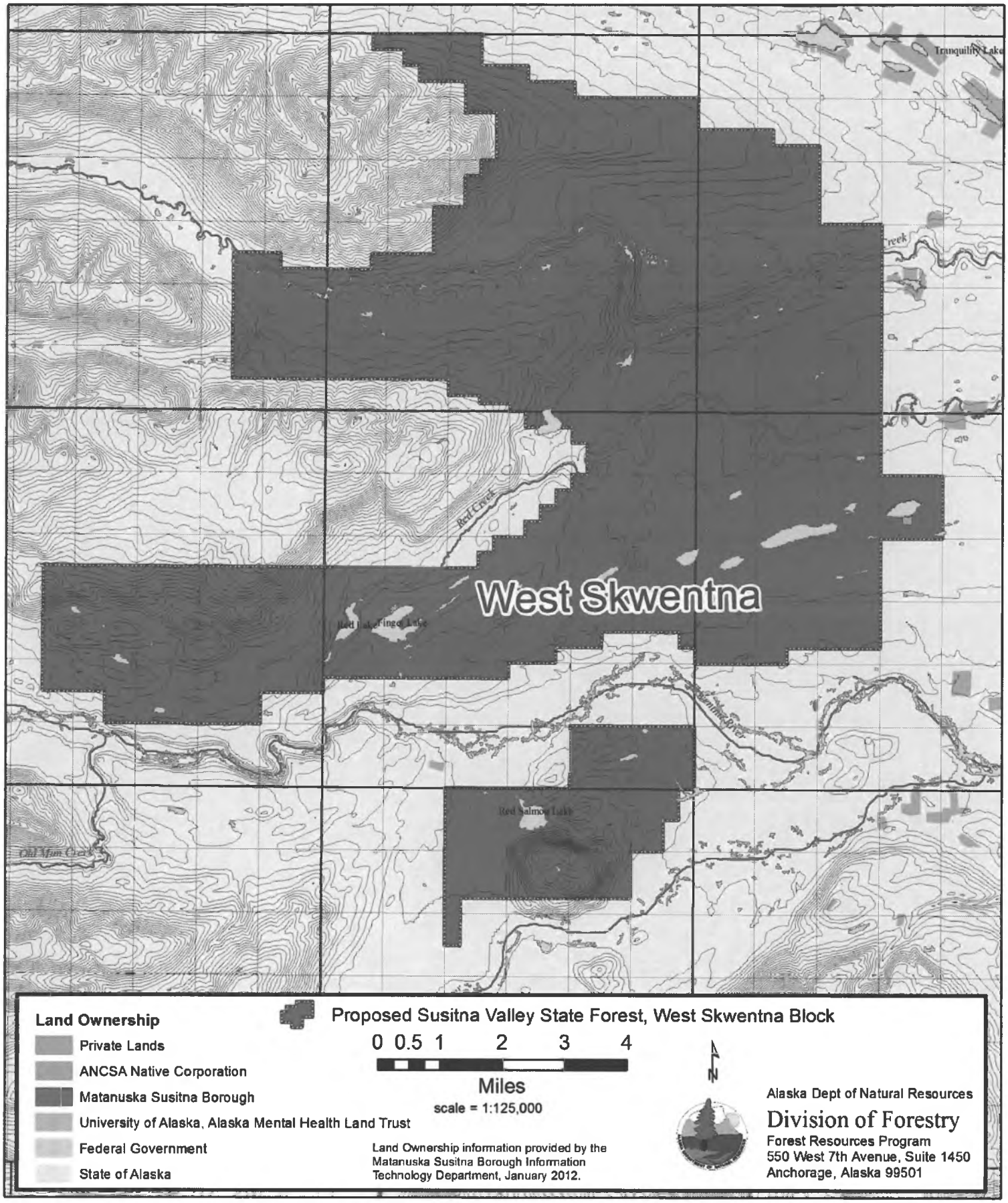
Susitna Valley State Forest, Talkeetna Block



Susitna Valley State Forest, West Petersville Block



Susitna Valley State Forest, West Skwentna Block



Land Ownership

- Private Lands
- ANCSA Native Corporation
- Matanuska Susitna Borough
- University of Alaska, Alaska Mental Health Land Trust
- Federal Government
- State of Alaska

Proposed Susitna Valley State Forest, West Skwentna Block

0 0.5 1 2 3 4

Miles

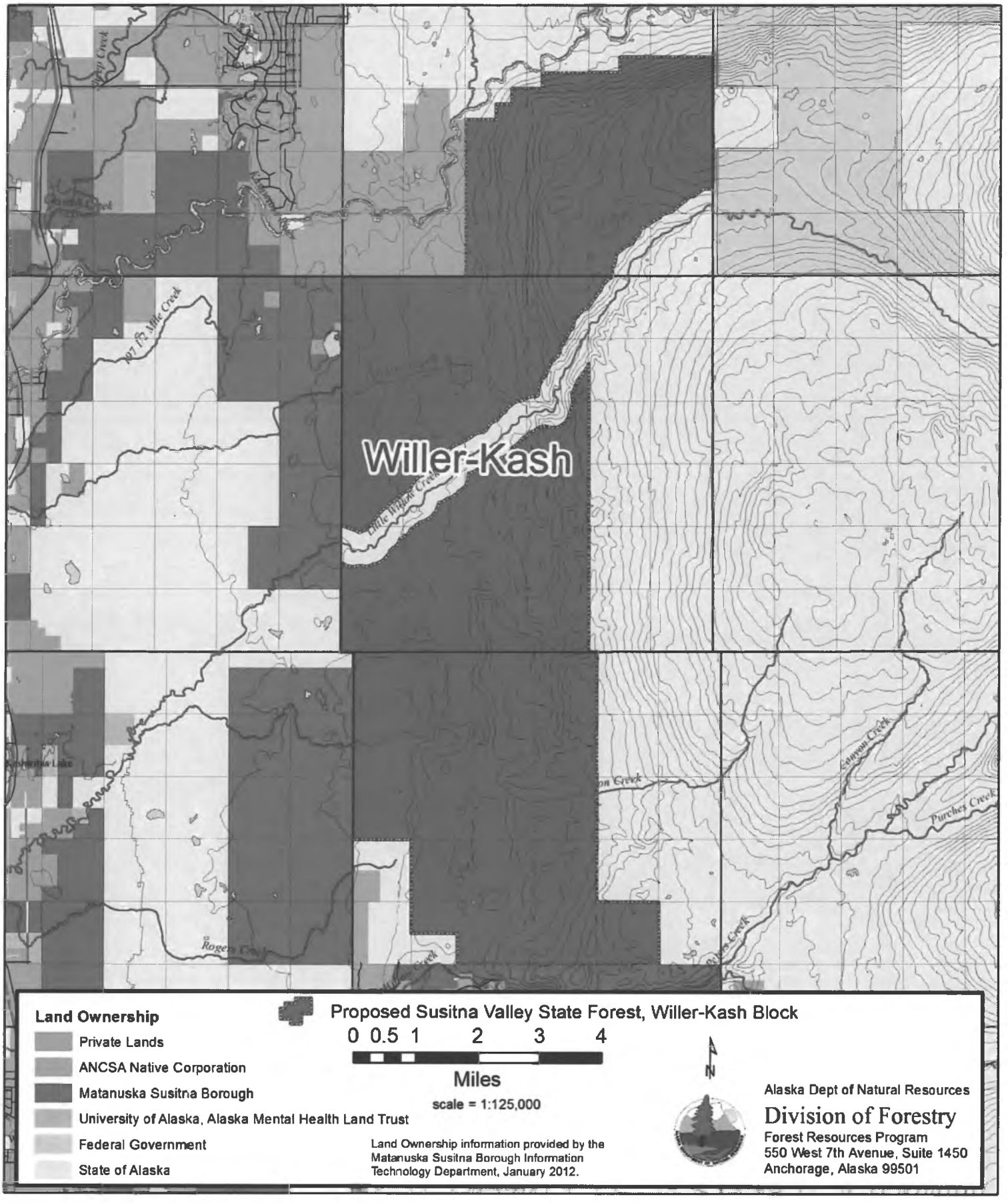
scale = 1:125,000

Land Ownership information provided by the Matanuska Susitna Borough Information Technology Department, January 2012.

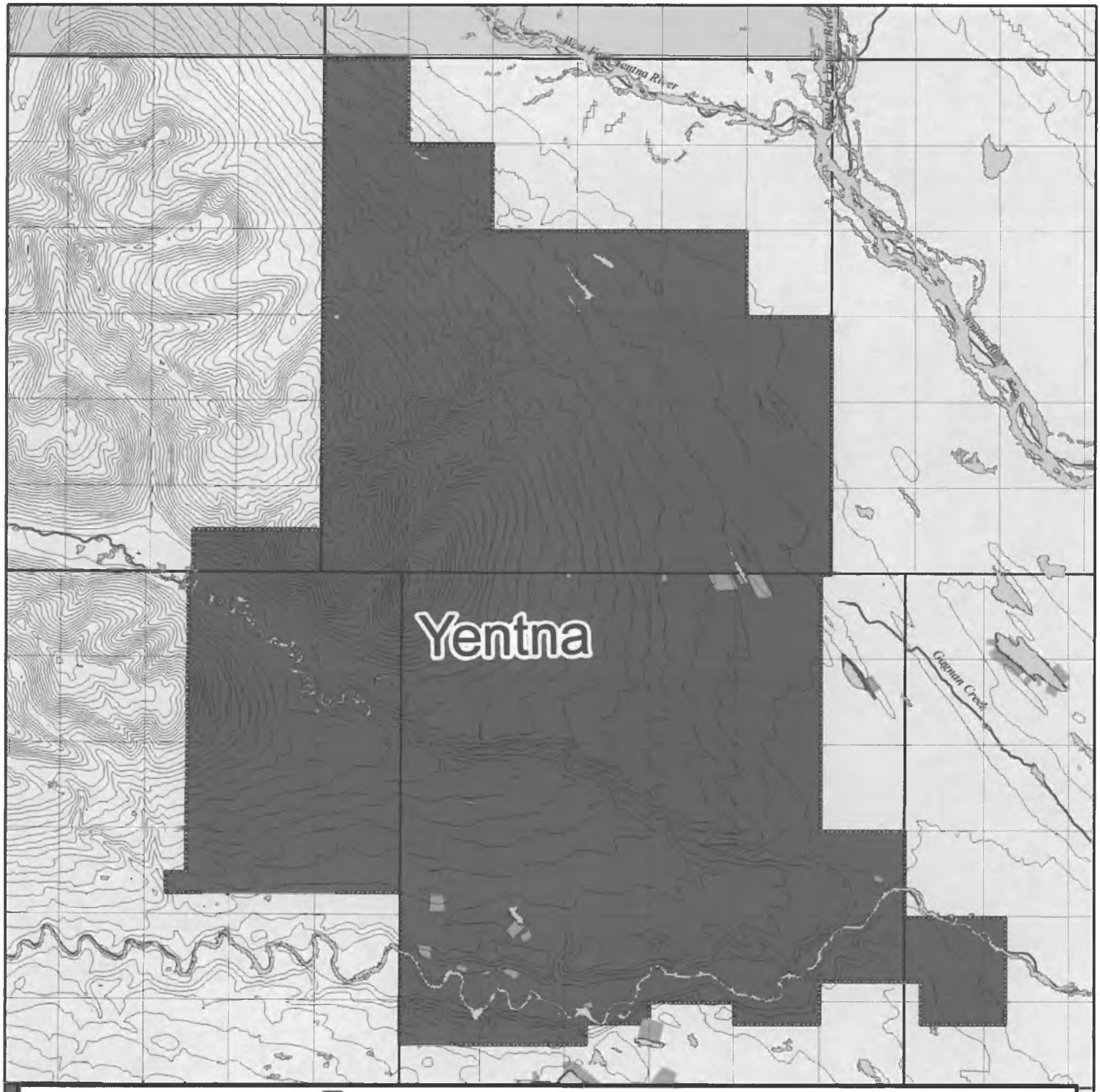
N

Alaska Dept of Natural Resources
Division of Forestry
Forest Resources Program
550 West 7th Avenue, Suite 1450
Anchorage, Alaska 99501

Susitna Valley State Forest, Willer-Kash Block



Susitna Valley State Forest, Yentna Block



Land Ownership

- Private Lands
- ANCSA Native Corporation
- Matanuska Susitna Borough
- University of Alaska, Alaska Mental Health Land Trust
- Federal Government
- State of Alaska

Proposed Susitna Valley State Forest, Yentna Block

0 0.5 1 2 3 4

Miles

scale = 1:100,000

Land Ownership information provided by the Matanuska Susitna Borough Information Technology Department, January 2012.

Alaska Dept of Natural Resources
Division of Forestry
Forest Resources Program
550 West 7th Avenue, Suite 1450
Anchorage, Alaska 99501

27-LS1179\D
Bullock
3/19/12

CS FOR SENATE BILL NO. 159( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): SENATORS MENARD, Thomas

A BILL

FOR AN ACT ENTITLED

"An Act establishing the Susitna State Forest; urging the Governor to acquire forest land that is currently in the Tongass National Forest; and providing for an effective date."

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

*** Section 1.** AS 41.17 is amended by adding a new section to read:

Sec. 41.17.600. Susitna State Forest. (a) Subject to valid existing rights, the state-owned or acquired land and water lying within the parcels described in (d) of this section is designated as the Susitna State Forest.

(b) The commissioner shall prepare a management plan for the Susitna State Forest under AS 41.17.230.

(c) The commissioner may establish transportation corridors within the Susitna State Forest.

(d) The Susitna State Forest includes the state-owned or acquired land within the following described parcels:

(1) Township 14 North, Range 10 West, Seward Meridian
Section 3;
(2) Township 15 North, Range 8 West, Seward Meridian
Section 3
Section 4: E1/2, E1/2NW1/4, SW1/4SW1/4, SW1/4
Section 5: S1/2NE1/4, S1/2
Section 6: SE1/4
Section 7: E1/2, S1/2NW1/4, SW1/4;
(3) Township 16 North, Range 8 West, Seward Meridian
Section 1: excluding ASLS 75-36 (Tracts A - I), ASLS 75-38, ASLS 78-83 (Tracts A and B)
Section 2
Section 3: E1/2, E1/2NW1/4
Section 10: E1/2NE1/4, E1/2SE1/4
Section 11
Section 12: excluding ASLS 75-39, ASLS 81-2, ASLS 82-110 (Tracts A - C)
Section 13: excluding ASLS 74-190 (Tracts A - V), ASLS 78-16 (Tracts A and B), ASLS 80-92 (Tracts A and B), ASLS 82-11, ASLS 83-113
Section 14
Section 15: E1/2NE1/4, E1/2SE1/4
Section 22: E1/2NE1/4, SE1/4
Section 23
Section 24: excluding ASLS 74-196 (Tracts A - L), ASLS 74-198 (Tracts A - W), ASLS 75-67 (Tracts A - F), ASLS 76-196 (Tracts A - D), ASLS 78-17 (Tracts A - D), ASLS 79-240, ASLS 82-98, ASLS 83-101, ASLS 83-118
Section 27: E1/2, SE1/4NW1/4, E1/2SW1/4
Section 34: E1/2, E1/2NW1/4, E1/2SW1/4
Section 35

Section 36: excluding ASLS 74-191 (Tracts A - D);

(4) Township 16 North, Range 9 West, Seward Meridian

Section 1: W1/2NW1/4, W1/2SW1/4, SE1/4SW1/4

Section 2: excluding ASLS 78-130

Section 3: E1/2, E1/2NW1/4, E1/2SW1/4

Section 9: SE1/4SE1/4

Section 10: E1/2, E1/2NW1/4, E1/2SW1/4, SW1/4SW1/4

Section 11

Section 12: W1/2, W1/2SE1/4

Sections 13 - 15

Section 16: E1/2NE1/4, SE1/4

Section 21: E1/2

Section 22

Section 23: N1/2, SW1/4

Section 24: W1/2NE1/4, W1/2, NW1/4SE1/4

Section 25: W1/2

Section 26: NW1/4, W1/2SW1/4

Section 27

Section 28: E1/2, SE1/4NW1/4, NE1/4SW1/4

Section 32: S1/2SE1/4

Section 33: E1/2, SE1/4NW1/4, SW1/4

Section 34

Section 35: W1/2NW1/4

Section 36: W1/2;

(5) Township 16 North, Range 10 West, Seward Meridian

Sections 1 - 5

Section 6: E1/2

Section 7: E1/2, S1/2SW1/4

Sections 8 - 11

Section 12: N1/2, SW1/4

Section 13: NW1/4, NW1/4SW1/4

Sections 14 - 16
Section 17: E1/2, E1/2NW1/4, E1/2SW1/4
Section 18: NW1/4
Section 19: S1/2
Section 20: NE1/4, NE1/4NW1/4, NE1/4SE1/4
Section 21: N1/2, N1/2SW1/4, SE1/4SW1/4, SE1/4
Section 22
Section 23: NW1/4NE1/4, W1/2, SW1/4SE1/4
Section 26: W1/2NE1/4, SE1/4NE1/4, W1/2, SE1/4
Section 27
Section 28: E1/2, E1/2NW1/4, NE1/4SW1/4
Section 29: W1/2
Sections 30 - 31
Section 32: W1/2, W1/2SE1/4
Section 33: N1/2NE1/4, SE1/4NE1/4, E1/2SE1/4
Sections 34 - 35
Section 36: SW1/4SW1/4;

(6) Township 16 North, Range 11 West, Seward Meridian
Section 1: NW1/4
Section 2: NE1/4
Section 12: S1/2SW1/4, S1/2SE1/4
Section 13: N1/2, SW1/4
Section 24: W1/2, SE1/4;

(7) Township 17 North, Range 6 West, Seward Meridian
Section 2: N1/2NW1/4, SW1/4NW1/4, W1/2SE1/4NW1/4, N1/2NW1/4SW1/4, SW1/4NW1/4SW1/4
Section 3: N1/2, SW1/4, N1/2SE1/4, SW1/4SE1/4
Section 4: that portion Easterly of the Susitna River
Section 7: that portion Southeasterly of the Susitna River
Section 8: N1/2, N1/2SW1/4, N1/2SW1/4SW1/4, SE1/4SW1/4SW1/4, SE1/4SW1/4, N1/2NE1/4SE1/4,

SW1/4NE1/4SE1/4, W1/2SE1/4, W1/2SE1/4SE1/4, and Southeasterly of the Susitna River

Section 9: N1/2NE1/4, N1/2SW1/4NE1/4, NW1/4, W1/2NE1/4SW1/4, N1/2NW1/4SW1/4, SE1/4NW1/4SW1/4, and Southeasterly of the Susitna River

Section 17: N1/2NW1/4NE1/4, SW1/4NW1/4NE1/4, W1/2SW1/4NE1/4, E1/2NW1/4, E1/2NW1/4NW1/4, E1/2SW1/4NW1/4, N1/2NW1/4SW1/4

Section 18: NW1/4NE1/4NE1/4, W1/2NE1/4, W1/2, W1/2SE1/4, and Southerly of the Susitna River

Section 19: NW1/4NE1/4, W1/2SW1/4NE1/4, NW1/4, N1/2SW1/4, N1/2SW1/4SW1/4, excluding ASLS 76-37;

(8) Township 17 North, Range 7 West, Seward Meridian

Section 25: SW1/4SW1/4

Section 26: W1/2NE1/4, SE1/4NE1/4, W1/2, SE1/4

Section 35: NE1/4, NE1/4NW1/4

Section 36: NW1/4NW1/4

Excluding portions of ASLS 74-79 (Tract D); ASLS 77-181 (portions of Tracts A, B, C, D, E, F) portions of ASLS 83-1; portions of ASLS 85-336;

(9) Township 17 North, Range 9 West, Seward Meridian

Section 1: N1/2, SW1/4

Sections 2 - 7

Section 8: N1/2, SW1/4, N1/2SE1/4, SW1/4SE1/4

Section 9: N1/2, N1/2SW1/4, SE1/4SW1/4, SE1/4

Section 10

Section 11: N1/2, SW1/4, W1/2SE1/4

Section 14: W1/2

Section 15

Section 16: NE1/4, NE1/4NW1/4, NE1/4SE1/4

Section 17: NW1/4NE1/4, NW1/4, NW1/4SW1/4

Sections 18 - 19
Section 22: E1/2, E1/2NW1/4, E1/2SW1/4
Section 23: W1/2
Section 24: E1/2
Section 25: E1/2, SW1/4
Section 26: W1/2, SE1/4
Section 27: NE1/4, NE1/4NW1/4, NE1/4SE1/4
Section 29: SW1/4NW1/4, W1/2SW1/4
Section 30
Section 31: N1/2NE1/4, SW1/4NE1/4, W1/2
Section 32: NW1/4NW1/4
Section 34: SE1/4SE1/4
Sections 35 - 36;

(10) Township 17 North, Range 10 West, Seward Meridian
Sections 1 - 5
Section 6: NE1/4, E1/2SE1/4
Sections 8 - 17
Sections 20 - 29
Sections 32 - 36;

(11) Township 17 North, Range 11 West, Seward Meridian
Section 1: W1/2NE1/4, W1/2, W1/2SE1/4
Section 2
Section 3: E1/2
Sections 11 - 13
Section 14: E1/2
Section 23: E1/2
Section 24
Section 25: W1/2NE1/4, W1/2, W1/2SE1/4
Section 26: E1/2
Section 35: E1/2
Section 36;

(12) Township 18 North, Range 2 West, Seward Meridian
Section 6: S1/2SW1/4, S1/2SE1/4
Sections 7 - 8
Section 9: S1/2NE1/4, S1/2NW1/4, S1/2
Section 10: S1/2NE1/4, S1/2NW1/4, S1/2
Section 16: N1/2
Section 17: N1/2
Section 18;
(13) Township 18 North, Range 3 West, Seward Meridian
Section 1: Government Lots 2, 3, and 4, S1/2NE1/4, S1/2NW1/4, S1/2
Sections 2 - 4
Section 5: Government Lots 1, 2, 3, and 4, S1/2NE1/4, S1/2NW1/4, SW1/4, N1/2SE1/4
Section 6
Section 7: Government Lot 1, N1/2NE1/4, NE1/4NW1/4
Section 8: S1/2NE1/4, W1/2, SE1/4
Section 10: N1/2, N1/2SW1/4, SE1/4SW1/4, SE1/4
Section 11
Section 16: N1/2, SW1/4;
(14) Township 18 North, Range 6 West, Seward Meridian
Section 1: Easterly of Susitna River
Section 2: Easterly of Susitna River
Section 11: Easterly of Susitna River
Section 12: N1/2, SW1/4, W1/2SE1/4
Section 13: W1/2 and SW1/4SE1/4
Section 14: Southeasterly of Susitna River
Section 15: Southeasterly of Susitna River
Section 22: Easterly of Susitna River
Section 23
Section 24: W1/2NE1/4NE1/4, W1/2NE1/4, SE1/4NE1/4,

W1/2, SE1/4

Section 25: N1/2, SW1/4, N1/2SE1/4, SW1/4SE1/4

Section 26

Section 27: Easterly of Susitna River

Section 33: Easterly of Susitna River

Section 34: Easterly of Susitna River

Section 35: N1/2, SW1/4, N1/2SE1/4, SW1/4SE1/4, N1/2SE1/4SE1/4

Section 36: W1/2NE1/4NW1/4, W1/2NW1/4, W1/2SE1/4NW1/4, SE1/4SE1/4NW1/4, N1/2NE1/4SW1/4, NW1/4SW1/4, excluding ASLS 72-2 (Tracts A, B, and C); ASLS 74-187; ASLS 76-30 (Tracts A, B, C, and D); ASLS 76-31 (Tracts A, B, C, and D); ASLS 76-163 (Tracts A, A-1 and B - J); ASLS 78-149 (Tracts A - G); ASLS 78-150; ASLS 80-16; ASLS 82-188 (Tracts A and B); ASLS 82-211; and ASLS 83-26 (Tracts A and B);

(15) Township 18 North, Range 7 West, Seward Meridian

Section 18: SW1/4, W1/2SE1/4

Section 19: W1/2NE1/4, W1/2, SE1/4

Section 28: W1/2SW1/4

Section 29: S1/2NE1/4, S1/2NW1/4, S1/2

Sections 30 - 33;

(16) Township 18 North, Range 8 West, Seward Meridian

Section 1: W1/2NW1/4, W1/2SW1/4

Sections 2 - 3

Section 4: E1/2

Section 6: W1/2, SE1/4

Section 7

Section 8: SW1/4

Section 10: N1/2, SE1/4

Section 11

Section 12: W1/2, W1/2SE1/4
Section 13
Section 14: N1/2, NE1/4SW1/4, SE1/4, excluding ASLS 82-146
Section 15: N1/2NE1/4
Section 16: SW1/4
Sections 17 - 18
Section 20: N1/2
Section 21
Section 22: S1/2SW1/4
Section 23: NE1/4, E1/2SE1/4
Sections 24 - 25
Section 26: E1/2NE1/4
Section 27: W1/2NE1/4, W1/2, SE1/4
Section 28: excluding portions of Tracts D and E, ASLS 77-149
Section 31: W1/2
Section 33: N1/2, N1/2SE1/4
Section 34: N1/2, N1/2SW1/4, N1/2SE1/4
Section 36: E1/2;

(17) Township 18 North, Range 9 West, Seward Meridian
Section 7: W1/2NE1/4, SE1/4NE1/4, W1/2, SE1/4
Section 8: SW1/4, SW1/4SE1/4
Section 14: E1/2SW1/4, W1/2SE1/4, SE1/4SE1/4
Sections 17 - 23
Section 24: W1/2, SE1/4
Sections 25 - 36
Sucker Lake: portion within Sections 10 and 15;

(18) Township 18 North, Range 10 West, Seward Meridian
Section 1: S1/2
Section 2: W1/2, SE1/4
Sections 3 - 6

Section 7: E1/2
Sections 8 - 17
Section 18: E1/2
Section 19: N1/2NE1/4, W1/2SW1/4
Section 20: NW1/4
Section 22: E1/2, E1/2NW1/4, E1/2SW1/4
Sections 23 - 25
Section 26: E1/2, N1/2NW1/4, SE1/4NW1/4, E1/2SW1/4
Section 27: N1/2NE1/4, N1/2NW1/4
Section 30: W1/2NW1/4, W1/2SW1/4
Section 31: NW1/4NW1/4, E1/2SE1/4
Section 32
Section 33: W1/2NE1/4, SE1/4NE1/4, W1/2, SE1/4
Section 34: E1/2, S1/2NW1/4, SW1/4
Sections 35 - 36;

(19) Township 18 North, Range 11 West, Seward Meridian

Sections 4 - 5
Section 6: E1/2NE1/4
Sections 8 - 9
Section 15
Section 16: N1/2, SE1/4
Section 21: E1/2
Sections 22 - 23
Section 24: W1/2NE1/4, W1/2, SE1/4
Sections 25 - 27
Sections 34 - 35
Section 36: N1/2, SW1/4, N1/2SE1/4, SW1/4SE1/4, N1/2SE1/4SE1/4, SW1/4SE1/4SE1/4, W1/2SE1/4SE1/4SE1/4;

(20) Township 19 North, Range 3 West, Seward Meridian

Section 7: S1/2

Section 8
Sections 17 - 20
Section 28: W1/2
Sections 29 - 32
Section 33: Southerly of Deception Creek
Section 34: Southerly of Deception Creek
Section 35: Southerly of Deception Creek
U.S. Survey No. 4716: Lot 4 in Sections 19 and 20;

(21) Township 19 North, Range 4 West, Seward Meridian
Section 36: Government Lots 1, 2, 3, and 4, E1/2, SW1/4;

(22) Township 19 North, Range 5 West, Seward Meridian
Section 19: Southerly of Susitna River
Section 20: Southerly of Susitna River
Section 22: W1/2NW1/4
Section 21: NE1/4, W1/2SW1/4, N1/2SE1/4, and Southeasterly of Susitna River
Section 28: W1/2NW1/4, SE1/4NW1/4
Section 29: N1/2, SW1/4, N1/2SE1/4, SW1/4SE1/4, and Southeasterly of Susitna River
Section 30: Southerly of Susitna River
Section 31
Section 32: W1/2NE1/4, W1/2, SE1/4
Section 33: SW1/4;

(23) Township 19 North, Range 6 West, Seward Meridian
Sections 4 - 5
Section 6: N1/2
Section 8: E1/2
Section 9
Section 15: W1/2NE1/4, W1/2, and W1/2SE1/4
Section 16
Section 21

Section 22: W1/2NE1/4, W1/2, W1/2SE1/4
Section 24: Easterly of Susitna River
Section 25: Easterly of Susitna River, excluding U.S. Survey No. 3932
Section 27: W1/2NE1/4, W1/2, W1/2SE1/4
Section 28: N1/2, SE1/4
Section 36: Easterly of Susitna River;

(24) Township 19 North, Range 7 West, Seward Meridian
Section 3
Section 4: NW1/4NW1/4
Section 10: NE1/4;

(25) Township 19 North, Range 10 West, Seward Meridian
Section 4
Section 5: excluding ASLS 80-70
Sections 6 - 7
Section 8: SW1/4, W1/2SE1/4
Section 9: NE1/4
Section 16: W1/2, SE1/4
Sections 17 - 21
Section 22: excluding a portion of Tract B, ASLS 90-313
Sections 25 - 29
Sections 32 - 34
Section 35: W1/2;

(26) Township 19 North, Range 11 West, Seward Meridian
Sections 1 - 8
Sections 12 - 13
Sections 17 - 18
Section 19: NE1/4NE1/4
Section 20: N1/2, E1/2SW1/4, SE1/4
Section 26: SW1/4
Section 27: S1/2

Section 28
Section 29: E1/2, E1/2NW1/4
Section 30: SW1/4NW1/4, SW1/4, W1/2SE1/4
Section 31: W1/2NE1/4, SE1/4NE1/4, W1/2, SE1/4
Section 32: E1/2, S1/2NW1/4, SW1/4
Section 33
Section 34: NW1/4, W1/2SW1/4;

(27) Township 19 North, Range 12 West, Seward Meridian
Sections 1 - 2
Section 3: SE1/4
Section 10: E1/2, SW1/4
Section 15: E1/2, N1/2NW1/4, SE1/4NW1/4, E1/2SW1/4
Section 22: that portion in E1/2NW1/4 West of an unnamed stream and unnamed lake
Section 25: S1/2
Section 26: SW1/4NW1/4, S1/2
Section 35: NE1/4
Section 36;

(28) Township 19 North, Range 13 West, Seward Meridian
Section 3: W1/2, W1/2SE1/4
Sections 4 - 5
Section 8: N1/2, NE1/4SW1/4, NW1/4SE1/4
Section 9: N1/2, NE1/4SE1/4
Section 10: W1/2NE1/4, SE1/4NE1/4, NW1/4, N1/2SW1/4, SE1/4SW1/4, SE1/4
Section 11: SW1/4NW1/4, S1/2
Section 12: S1/2
Section 13
Section 14: N1/2, N1/2SW1/4, SE1/4
Section 15: NE1/4, NE1/4NW1/4, NE1/4SE1/4
Section 24: NE1/4, N1/2NW1/4, SE1/4NW1/4, NE1/4SE1/4;

(29) Township 20 North, Range 3 West, Seward Meridian
Sections 3 - 10
Sections 15 - 18
Sections 20 - 22
Sections 26 - 28
Section 29: N1/2, E1/2SE1/4;
(30) Township 20 North, Range 6 West, Seward Meridian
Section 5: W1/2
Section 6
Section 8: W1/2, W1/2SE1/4
Section 17
Section 20
Section 21: SW1/4NW1/4, SW1/4
Sections 28 - 33;
(31) Township 20 North, Range 7 West, Seward Meridian
Section 1: E1/2
Section 2: W1/2SW1/4
Sections 3 - 10
Section 11: W1/2, SE1/4
Sections 14 - 23
Sections 25 - 36;
(32) Township 20 North, Range 8 West, Seward Meridian
Sections 1 - 18
Section 19: excluding Tract B of ASLS 94-53
Section 20
Section 21: excluding portion Southwesterly of Yentna River
Section 22: excluding ASLS 81-52
Sections 23 - 26
Section 27: excluding portion Westerly of Yentna River in SW1/4NW1/4 and NW1/4SW1/4
Section 34: excluding portions of Tracts A, B, C, and D of

ASLS 85-307 and portion Southwesterly of ASLS 85-307
Sections 35 - 36;

(33) Township 20 North, Range 10 West, Seward Meridian
Sections 1 - 10
Section 11: N1/2, N1/2SW1/4, N1/2SE1/4
Sections 12 - 13
Sections 15 - 18
Section 19: N1/2
Sections 20 - 24
Section 29: W1/2SW1/4
Section 30: S1/2
Section 31
Section 32: W1/2NE1/4, W1/2, W1/2SE1/4
Excluding ASLS 76-164, ASLS 77-93 (Tracts A - J), ASLS 84-81, ASLS 85-163, ASLS 85-179, ASLS 87-387 (Tracts A - C), ASLS 88-32 (Tracts A and B), ASLS 88-77, ASLS 88-98, ASLS 88-156, ASLS 89-128 (Tracts A and B), ASLS 89-187, ASLS 90-158, ASLS 90-248, ASLS 91-117 (Tracts A and B), ASLS 91-238 (Tracts A and B), ASLS 92-58, ASLS 92-130 (Tract A), ASLS 92-130a (Tract B-1), ASLS 92-180, ASLS 92-187 (Tracts A - D), ASLS 92-193, ASLS 93-84, ASLS 93-85, ASLS 93-122, ASLS 93-154, ASLS 94-83, and ASLS 95-70;

(34) Township 20 North, Range 11 West, Seward Meridian
Sections 1 - 4
Section 5: N1/2, N1/2SW1/4, SE1/4
Section 6: NE1/4, NE1/4SE1/4
Section 8: N1/2NE1/4, SE1/4NE1/4
Section 9: N1/2, N1/2SW1/4, SE1/4SW1/4, SE1/4
Sections 10 - 12
Section 15: W1/2

Section 16: E1/2, E1/2NW1/4, SW1/4
Section 21
Section 22: N1/2, SW1/4
Section 25: S1/2
Section 26: S1/2
Section 27: W1/2, SE1/4
Section 28
Section 29: W1/2NW1/4, S1/2
Excluding ASLS 74-66 (Tracts A - E)
Sections 30 - 36;

(35) Township 20 North, Range 12 West, Seward Meridian
Section 25: S1/2
Section 35: E1/2, SW1/4
Section 36;

(36) Township 20 North, Range 13 West, Seward Meridian
Section 4
Section 5: E1/2
Section 8: E1/2
Sections 9 - 10
Sections 14 - 16
Section 17: E1/2
Section 20: E1/2, E1/2NW1/4, E1/2SW1/4
Sections 21 - 28
Section 29: E1/2, E1/2NW1/4, E1/2SW1/4
Sections 32 - 33
Section 34: N1/2NE1/4, W1/2
Section 35: N1/2NE1/4, N1/2NW1/4
Section 36: N1/2NE1/4, N1/2NW1/4;

(37) Township 21 North, Range 3 West, Seward Meridian
Section 3: N1/2, SW1/4, NW1/4SE1/4
Sections 4 - 8

Section 9: N1/2, SW1/4, N1/2SE1/4, SW1/4SE1/4
Section 10: N1/2NW1/4, SW1/4NW1/4, SE1/4SE1/4
Section 15: E1/2NE1/4, E1/2SW1/4; SW1/4SW1/4, SE1/4
Section 16: N1/2NW1/4, SW1/4NW1/4
Section 17: N1/2, SW1/4, NW1/4SE1/4
Section 18
Section 19: N1/2, N1/2SW1/4, NW1/4SE1/4
Section 20: NW1/4NW1/4, SE1/4SE1/4
Section 21: E1/2, SE1/4NW1/4, SW1/4
Section 22
Sections 27 - 28
Section 29: E1/2, E1/2NW1/4, SW1/4NW1/4, SW1/4
Section 30: S1/2SW1/4, E1/2SE1/4, SW1/4SE1/4
Sections 31 - 34;

(38) Township 21 North, Range 6 West, Seward Meridian
Section 5: N1/2NE1/4, W1/2
Sections 6 - 7
Section 8: NW1/4, N1/2SW1/4
Sections 18 - 19
Sections 30 - 31
Section 32: SW1/4NE1/4, W1/2SE1/4;

(39) Township 21 North, Range 7 West, Seward Meridian
Sections 1 - 14
Section 15: N1/2, SE1/4
Sections 16 - 21
Section 23: NE1/4
Section 24
Section 25: excluding a portion of Lot 34, Block 8, ASLS 80-175
Section 27: W1/2NE1/4, W1/2, W1/2SE1/4
Sections 28 - 33

Section 34: W1/2NE1/4, SE1/4NE1/4, W1/2, SE1/4

Section 36: E1/2;

(40) Township 21 North, Range 8 West, Seward Meridian

Section 1

Sections 3 - 36

Excluding ASLS 81-182, ASLS 82-47, ASLS 82-175 (Tracts A and B), ASLS 85-278, ASLS 86-24 (Tracts A and B), ASLS 86-79 (Tracts A, B, and C), ASLS 87-52, ASLS 89-129 (Tracts A and B), ASLS 89-176, ASLS 89-199 (Tracts A and B), ASLS 90-2, ASLS 91-203, ASLS 92-83, ASLS 92-124, ASLS 94-80, ASLS 94-111, and ASLS 95-55;

(41) Township 21 North, Range 9 West, Seward Meridian

Sections 1 - 2

Section 7: N1/2, N1/2SW1/4, N1/2SE1/4

Section 8

Section 9: S1/2

Sections 11 - 14

Section 16

Section 17: E1/2, E1/2NW1/4

Section 20: NE1/4 NE1/4SE1/4

Sections 21 - 27

Section 28: NE1/4, NE1/4NW1/4, NE1/4SE1/4

Section 30: S1/2NW1/4, SW1/4, SW1/4SE1/4

Section 31: NW1/4NE1/4, W1/2, SW1/4SE1/4

Section 34: NE1/4, NE1/4NW1/4, NE1/4SE1/4

Sections 35 - 36

Excluding ASLS 70-5 (Tracts A, B, C, D, and E); ASLS 71-13 (Tracts A, A-1, B, B-1, C, and D); ASLS 73-73; ASLS 73-147 (Tracts A, B, F, G, H, and I, and portions of Tracts C, D, and E); ASLS 74-193 (Tracts A and B); ASLS 74-200; ASLS 75-85 (Tracts A, B, and C); ASLS 76-65; ASLS 76-148 (Tracts

A, B, C, D, E, F, G, H, I, and J); ASLS 76-214 (Tracts A and B); ASLS 78-20 (Tracts A and B); ASLS 80-43; ASLS 80-162 (Tracts A, B, and C); ASLS 80-167; ASLS 84-171 (Tracts A, B, C, and D); ASLS 86-103 (Tracts A, B, and C); ASLS 86-106 (a portion of Tract A); ASLS 88-107; ASLS 89-60 (Tracts A, B, C, and D); ASLS 90-160; ASLS 90-201; ASLS 92-157; and ASLS 92-182;

(42) Township 21 North, Range 10 West, Seward Meridian

Section 1: S1/2

Sections 2 - 12

Section 13: N1/2

Sections 14 - 23

Section 24: W1/2SW1/4

Sections 25 - 36

Excluding ASLS 73-75 and ASLS 85-162 (Tracts A - M);

(43) Township 21 North, Range 11 West, Seward Meridian

Sections 1 - 4

Section 5: excluding portion Westerly of Skwentna River

Section 8: excluding portion Westerly of Skwentna River

Sections 9 - 16

Section 17: excluding portion Westerly of Skwentna River

Section 20: excluding portion Westerly of Skwentna River

Sections 21 - 29

Section 30: S1/2SW1/4, SE1/4

Section 31: E1/2

Sections 32 - 36;

(44) Township 21 North, Range 12 West, Seward Meridian

Section 30: W1/2NW1/4, SW1/4, W1/2SE1/4, SE1/4SE1/4, excluding a portion of ASLS 77-2

Section 31: N1/2

Section 32: W1/2NW1/4;

(45) Township 21 North, Range 13 West, Seward Meridian
Section 21: S1/2SE1/4
Section 22: S1/2
Section 24: SW1/4SE1/4
Sections 25 - 28
Section 33
Section 34: N1/2, SW1/4, W1/2SE1/4
Section 35: N1/2
Section 36: N1/2
Excluding a portion of ASLS 77-142 (Tract A)
Alaska State Land Survey No. 80-139:
Tract F: portion in S1/2SW1/4 of Section 24
Tract J: portion in S1/2SW1/4 and S1/2SE1/4 of Section 23;
(46) Township 21 North, Range 15 West, Seward Meridian
Section 1: W1/2NE1/4, W1/2
Sections 2 - 4
Section 9: N1/2, N1/2SW1/4, SW1/4SW1/4, N1/2SE1/4
Section 10: N1/2, N1/2SW1/4, N1/2SE1/4
Section 11: N1/2, N1/2SW1/4, N1/2SE1/4
Section 16: W1/2NW1/4;
(47) Township 22 North, Range 3 West, Seward Meridian
Sections 1 - 3
Section 4: SE1/4SW1/4, E1/2SE1/4, SW1/4SE1/4
Section 9: E1/2, E1/2NW1/4, E1/2SW1/4
Section 10: N1/2, SW1/4, NW1/4SE1/4
Section 11: N1/2
Section 12: NW1/4NE1/4, N1/2NW1/4, SW1/4NW1/4
Section 13: S1/2
Section 14: S1/2SW1/4, SE1/4
Section 15: N1/2NW1/4, SE1/4SW1/4, S1/2SE1/4
Section 16: N1/2NE1/4, NE1/4NW1/4

Section 21: NE1/2NE1/4, SW1/4NE1/4, S1/2
Sections 22 - 24
Section 25: N1/2, N1/2SW1/4
Sections 26 - 28
Sections 33 - 34
Section 35: NW1/4NE1/4, NW1/4, W1/2SW1/4;

(48) Township 22 North, Range 7 West, Seward Meridian
Sections 15 - 22
Sections 27 - 34;

(49) Township 22 North, Range 8 West, Seward Meridian
Section 1
Section 5
Section 6: E1/2NE1/4, NE1/4SE1/4
Section 8: N1/2, E1/2SW1/4, SE1/4
Sections 9 - 16
Section 17: E1/2, S1/2NW1/4, SW1/4
Section 18: E1/2SW1/4NE1/4, SW1/4SW1/4NE1/4, SE1/4NE1/4, S1/2S1/2NW1/4, S1/2
Sections 19 - 36
Excluding ASLS 81-136 (Tracts A and B); ASLS 82-17 (Tracts A and B); ASLS 84-40; ASLS 84-165 (Tracts A and B); ASLS 85-57 (Tracts A - F); ASLS 85-331 (Tracts A - F); ASLS 90-81 (Tracts A - F); ASLS 95-7; and a portion of ASLS 2002-10 (Tract B);

(50) Township 22 North, Range 9 West, Seward Meridian
Section 5: SW1/4, W1/2SE1/4
Sections 6 - 8
Section 9: W1/2SW1/4
Section 13: S1/2NE1/4, S1/2NW1/4, S1/2
Section 14: S1/2NE1/4, S1/2NW1/4, S1/2
Section 15: S1/2NE1/4, SE1/4

Section 16: NW1/4NW1/4
Section 17: N1/2NE1/4, N1/2NW1/2
Section 18: N1/2NE1/4, N1/2NW1/2
Section 22: E1/2
Sections 23 - 26
Section 27: NE1/4, E1/2SE1/4
Sections 35 - 36
Excluding cadastral survey control plat for T22N, R9W S.M. (Tract A); ASLS 84-167; ASLS 87-114; ASLS 87-227 (Tracts A and B); ASLS 87-304 (Tracts A - G); and a portion of ASLS 88-22;

(51) Township 22 North, Range 10 West, Seward Meridian
Sections 1 - 12
Section 13: N1/2NE1/4, NW1/4, W1/2SW1/4
Sections 14 - 23
Section 24: N1/2, SW1/4
Sections 26 - 35
Excluding ASLS 72-49 (Tracts A and B); ASLS 74-64 (Tracts A, A-1, B - H, and portions of Tract I); portions of ASLS 74-70 (Tract E); ASLS 75-73 (Tracts A - J); ASLS 76-40 (Tracts A and B); ASLS 76-142 (Tracts A and B, portions of Tracts C and D); ASLS 76-211; ASLS 77-120 (Tracts A and B); portions of ASLS 77-160 (Tract B); ASLS 78-12 (Tracts A, B, and C); ASLS 78-25 (Tracts A, B, and C); ASLS 78-122; ASLS 79-67; ASLS 79-236; ASLS 82-20; and ASLS 85-293;

(52) Township 22 North, Range 11 West, Seward Meridian
Section 1
Section 12: N1/2, SE1/4
Section 13: E1/2NE1/4, E1/2SE1/4
Section 33: excluding Northerly of the Skwentna River
Sections 34 - 35

Section 36: excluding ASLS 76-142 (Tracts C and D)
Yentna River: Section 13, E1/2NE1/4, E1/2SE1/4
Skwentna River: within Sections 32, 33, 34, 35, 36;
Eightmile Creek: within Section 36;
(53) Township 22 North, Range 14 West, Seward Meridian
Sections 4 - 9
Section 10: excluding ASLS 93-133
Sections 16 - 19
Section 20: N1/2, SW1/4, N1/2SE1/4
Section 21: N1/2, N1/2SW1/4, N1/2SE1/4;
(54) Township 22 North, Range 15 West, Seward Meridian
Section 1
Section 2: N1/2, E1/2SW1/4, SE1/4
Section 3: N1/2NE1/4, NE1/4NW1/4
Section 10: SE1/4NE1/4, SE1/4SW1/4, SE1/4
Sections 11 - 15
Section 16: E1/2NE1/4, SW1/4NE1/4, S1/2
Section 17: S1/2
Section 18: S1/2
Sections 19 - 21
Section 22: N1/2, SW1/4, N1/2SE1/4, SW1/4SE1/4
Section 23: N1/2, N1/2SW1/4
Section 24: N1/2, NE1/4SE1/4
Section 28: N1/2NE1/4, N1/2NW1/4
Section 29: N1/2NE1/4, N1/2NW1/4
Section 30: N1/2NE1/4, N1/2NW1/4
Sections 35 - 36;
(55) Township 22 North, Range 16 West, Seward Meridian
Section 13: S1/2
Section 14: S1/2
Section 15: S1/2

Section 16: S1/2
Section 17: SE1/4
Section 20: E1/2
Sections 21 - 24
Section 25: N1/2
Sections 26 - 27
Section 28: N1/2, SE1/4
Section 29: NE1/4;

(56) Township 23 North, Range 3 West, Seward Meridian
Section 1: SE1/4NE1/4, SE1/4SW1/4, SE1/4
Section 2: N1/2NW1/4, SW1/4NW1/4
Section 3: N1/2, SW1/4, N1/2SE1/4, SW1/4SE1/4
Section 9: N1/2, NW1/4SW1/4
Section 10: N1/2NW1/4, SW1/4NW1/4
Section 11: SE1/4NE1/4, S1/2SW1/4, SE1/4
Sections 12 - 14
Section 15: E1/2NE1/4, SW1/4NE1/4, S1/2
Section 16: S1/2
Sections 21 - 24
Section 25: S1/2SW1/4, S1/2SE1/4
Section 26: S1/2
Section 27: N1/2NW1/4, SW1/4NW1/4
Section 28
Section 34: E1/2NE1/4, SE1/4
Sections 35 - 36;

(57) Township 23 North, Range 8 West, Seward Meridian
Sections 17 - 20
Section 25
Section 29
Section 30: N1/2, E1/2SW1/4, SE1/4
Section 31: E1/2

Section 32
Section 36;
(58) Township 23 North, Range 9 West, Seward Meridian
Section 1
Section 2: E1/2
Section 5: NW1/4, W1/2SW1/4
Section 6
Section 7: N1/2NE1/4, SW1/4NE1/4, NW1/4, W1/2SW1/4
Section 8: NW1/4NW1/4
Section 11: NE1/4, E1/2SE1/4
Section 12
Section 13: N1/2, E1/2SW1/4, SE1/4
Section 18: W1/2
Section 19: W1/2SW1/4
Section 24: NE1/4, E1/2SE1/4
Section 30: W1/2NW1/4, W1/2SW1/4, SE1/4SW1/4
Section 31;
(59) Township 23 North, Range 10 West, Seward Meridian
Sections 1 - 3
Section 4: E1/2, E1/2NW1/4, SW1/4
Section 5: S1/2NW1/4, S1/2
Section 6: E1/2
Section 7: NE1/4, N1/2SE1/4, SE1/4SE1/4
Sections 8 - 17
Section 18: E1/2, S1/2NW1/4, N1/2SW1/4
Section 19: E1/2
Sections 20 - 36;
(60) Township 23 North, Range 11 West, Seward Meridian
Section 13: S1/2NE1/4, N1/2SE1/4
Section 25: SE1/4
Section 36: E1/2, SW1/4;

(61) Township 23 North, Range 14 West, Seward Meridian
Section 7: S1/2
Section 8: W1/2SW1/4, SE1/4SW1/4, S1/2SE1/4
Sections 17 - 21
Sections 28 - 33;
(62) Township 23 North, Range 15 West, Seward Meridian
Section 3: W1/2SW1/4, SE1/4SW1/4, S1/2SE1/4
Section 4: NW1/4, N1/2SW1/4, SE1/4SW1/4, SE1/4
Section 5: NE1/4, N1/2NW1/4, SE1/4NW1/4, N1/2SE1/4
Section 6: NE1/4NE1/4
Section 9: N1/2NE1/4, SE1/4NE1/4, NE1/4NW1/4, E1/2SE1/4
Sections 10 - 15
Section 16: E1/2, SE1/4NW1/4, E1/2SW1/4, SW1/4SW1/4
Section 17: SE1/4SE1/4
Section 19: S1/2SW1/4, E1/2SE1/4, SW1/4SE1/4
Section 20: E1/2NE1/4, S1/2
Sections 21 - 30
Section 31: N1/2
Section 32: N1/2
Section 33: N1/2, N1/2SW1/4, N1/2SE1/4, N1/2S1/2SE1/4
Sections 34 - 36;
(63) Township 23 North, Range 16 West, Seward Meridian
Section 23: SE1/4
Section 24: W1/2SW1/4, SE1/4SW1/4, S1/2SE1/4
Section 25
Section 26: E1/2
Section 35: NE1/4
Section 36: N1/2;
(64) Township 24 North, Range 3 West, Seward Meridian
Section 1: S1/2
Section 2: S1/2SE1/4

Section 3: N1/2, SW1/4, W1/2SE1/4
Section 4
Section 5: E1/2, N1/2SE1/4NW1/4, S1/2N1/2SW1/4, S1/2SW1/4
Section 8: N1/2
Sections 9 - 15
Section 16: N1/2NE1/4, N1/2NW1/4
Sections 22 - 27
Sections 34 - 36;

(65) Township 24 North, Range 7 West, Seward Meridian
Sections 3 - 5
Section 6: NE1/4
Section 8: N1/2, N1/2SW1/4, SE1/4
Sections 9 - 10
Section 18: SW1/4NW1/4, SW1/4, SW1/4SE1/4
Section 19: W1/2NE1/4, SE1/4NE1/4, W1/2, SE1/4
Section 20: S1/2
Section 28: W1/2
Sections 29 - 31
Excluding from Section 10: ASLS 73-144 (Tracts C-1, C-2, and D; portions of Tracts A and B; and the portion of the Oil Well Road ROW); ASLS 74-51 (Tracts B and C); and the remnant parcel bounded by Oil Well Road ROW, Tract 52 of ASLS 71-18, Tract B of ASLS 73-144, and Tract B of ASLS 74-51;

(66) Township 24 North, Range 8 West, Seward Meridian
Section 1: W1/2
Sections 2 - 11
Section 12: W1/2, W1/2SE1/4
Section 13: W1/2NE1/4, SE1/4NE1/4
Section 14: SW1/4
Sections 15 - 20

Section 21: E1/2NE1/4
Section 22
Section 23: N1/2NE1/4, SW1/4NE1/4, W1/2, W1/2SE1/4
Section 26: NW1/4NE1/4, N1/2NW1/4
Section 27: NE1/4NE1/4
Excluding ASLS 85-44 (portions of Tract A); portions of ASLS 85-60; ASLS 88-125 (portions of Tract E); ASLS 91-184; and ASLS 95-3;

(67) Township 24 North, Range 9 West, Seward Meridian
Section 1
Section 10: E1/2
Sections 11 - 14
Section 15: E1/2NE1/4
Section 31: S1/2
Section 32: SW1/4;

(68) Township 24 North, Range 10 West, Seward Meridian
Section 15: W1/2, SE1/4
Section 16
Section 21: N1/2, SE1/4
Section 22
Section 23: SW1/4
Sections 26 - 27
Section 28: E1/2
Section 33: E1/2, E1/2NW1/4, E1/2SW1/4
Sections 34 - 35
Section 36: W1/2NW1/4, S1/2;
Excluding ASLS 76-41 (Tract E and portions of Tract D); portions of ASLS 76-207; ASLS 76-210 (portions of Tracts A - F); and ASLS 87-27;

(69) Township 24 North, Range 13 West, Seward Meridian
Section 29: W1/2NW1/4, W1/2SW1/4

Section 30: N1/2, N1/2SW1/4, SE1/4SW1/4, SE1/4
Section 31: N1/2NE1/4, NE1/4NW1/4
Section 32: NW1/4NW1/4;
(70) Township 24 North, Range 14 West, Seward Meridian
Sections 2 - 11
Sections 14 - 24
Section 25: N1/2, N1/2SW1/4, N1/2SE1/4
Sections 26 - 30
Section 31: N1/2
Section 32: N1/2
Section 33: N1/2NE1/4, N1/2NW1/4, SW1/4NW1/4
Section 35: N1/2NE1/4, N1/2NW1/4
Excluding ASLS 74-144 (Tracts A and B); ASLS 76-120; ASLS 76-121; ASLS 83-138 (Tracts A, B, C, and D); ASLS 85-138 (Tracts A and B); portions of ASLS 85-297 (Tract A); ASLS 88-1; ASLS 90-141 (Tracts A, B, and C); ASLS 90-156 (Tracts A, B, C, and D); and a portion of ASLS 91-96;
(71) Township 24 North, Range 15 West, Seward Meridian
Sections 1 - 2
Section 3: E1/2
Section 10: E1/2
Sections 11 - 14
Section 15: E1/2
Section 22: NE1/4, NE1/4SW1/4, N1/2SE1/4
Section 23: N1/2, N1/2SW1/4, N1/2SE1/4
Section 24: N1/2, N1/2SW1/4, N1/2SE1/4;
(72) Township 25 North, Range 7 West, Seward Meridian
Sections 3 - 4
Section 6: N1/2NE1/4, W1/2
Section 7: W1/2NW1/4
Section 8: E1/2, E1/2SW1/4

Sections 9 - 10
Sections 15 - 17
Sections 20 - 22
Section 23: W1/2
Section 26: W1/2
Sections 27 - 29
Sections 32 - 34
Section 35: W1/2;

(73) Township 25 North, Range 8 West, Seward Meridian
Sections 1 - 5
Sections 8 - 12
Section 13: N1/2, SW1/4, W1/2SE1/4
Sections 14 - 17
Section 18: N1/2, N1/2SW1/4, SE1/4SW1/4, SE1/4
Section 19: E1/2, E1/2SW1/4, SW1/4SW1/4
Sections 20 - 23
Section 24: W1/2NE1/4, W1/2, SE1/4
Sections 25 - 26
Section 27: excluding Tracts A and B, ASLS 77-41
Sections 28 - 33
Section 34: excluding ASLS 77-40
Sections 35 - 36;

(74) Township 25 North, Range 9 West, Seward Meridian
Section 25: SE1/4
Section 36;

(75) Township 25 North, Range 14 West, Seward Meridian
Sections 6 - 8
Sections 14 - 36;

(76) Township 25 North, Range 15 West, Seward Meridian
Section 35: SE1/4
Section 36: S1/2;

(77) Township 26 North, Range 7 West, Seward Meridian
Section 20: SE1/4
Section 21: S1/2
Sections 27 - 28
Section 29: NE1/4
Section 33;
(78) Township 26 North, Range 8 West, Seward Meridian
Sections 4 - 9
Sections 16 - 17
Section 18: N1/2, N1/2SW1/4, SE1/4
Section 19: E1/2
Sections 20 - 21
Sections 28 - 29
Sections 32 - 33;
(79) Township 26 North, Range 9 West, Seward Meridian
Section 1
Section 2: SE1/4
Section 12: NE1/4NE1/4, SE1/4SE1/4
Section 13: NE1/4, N1/2SE1/4.

*** Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to read:

ACQUISITION OF FOREST LAND IN THE TONGASS NATIONAL FOREST. (a) The legislature urges the governor to negotiate or renegotiate state land entitlements under sec. 6 of the Alaska Statehood Act (P.L. 85-508, 72 Stat. 339) or work to amend the Alaska Statehood Act for the purpose of acquiring on behalf of the state forest land currently in the Tongass National Forest.

(b) If the state fails to acquire forest land under (a) of this section, the legislature urges the governor to negotiate the purchase from the federal government of forest land currently in the Tongass National Forest.

(c) In this section, "forest land" has the meaning given in AS 41.17.950.

*** Sec. 3.** This Act takes effect July 1, 2012.

Senator Linda Menard

Session
State Capitol, Room 9
Juneau, Alaska 99801
Phone: (907) 465-6600
Fax: (907) 465-3805

Interim
600 E. Railroad Ave.
Wasilla, Alaska 99654
Phone: (907) 376-3370
Fax: (907) 376-3157

Alaska State Legislature

To: Senator Tom Wagoner
Senator Joe Paskvan
Co-Chairs, Senate Finance Committee

From: Senator Linda Menard
Alaska State Senate

Date: February 10, 2012

Re: Request for hearing for Senate Bill 159

Honorable Senators Joe Paskvan and Tom Wagoner

I respectfully request a hearing of the Senate Resources Committee for Senate Bill 159.

Senate Bill 159 is an establishing the Susitna State Forest.

Thank you for your consideration.

Linda Menard

Sen. Linda Menard

Senator_Linda_Menard@legis.state.ak.us

Expanded Bullets on area plan public processes related to the new Susitna State Forest [1/30/12]

- 1985 Susitna Area Plan identified Forestry designated lands for consideration as legislatively designated areas (LDAs).

- State lands under consideration for a Susitna State Forest are addressed by two area plans: the Susitna Matanuska Area Plan (2011), and the Southeast Susitna Area Plan (2008). These two plans supersede the 1985 Susitna Area Plan.

- The Commissioner of DNR adopted the Southeast Susitna Area Plan (SSAP) on April 28, 2008, following a year-long planning process that included two rounds of public meetings. This plan applies to about 255,000 acres of state land formerly managed by the 1982 Willow Sub-Basin Area Plan and the original 1985 Susitna Area Plan. The SSAP designates 74,855 acres of state land for Forestry. The Division of Forestry actively manages these lands in the Houston and Kashwitna areas for timber production.

A recurring theme during the following processes was the idea of a Susitna State Forest.

- In 2009, DOF engaged in a revision process for the 1991 Susitna Forestry Guidelines (SFG). A citizens' advisory committee and an inter-agency planning team were established and several meetings held. In addition, the SFG process held joint public scoping meetings with the DMLW-led SMAP planning process.

- 1n 2009, DOF's planner mentioned the Susitna State Forest during his presentation to the Mat-Su Salmon Science and Conservation Symposium in Wasilla.

- During annual (2008-2011) Winter Trails User's meetings between timber operators and Willow area dog mushers, the concept of a state forest in the Susitna was discussed, with broad support for the idea expressed by those attending. Dog mushers enjoy the use of state lands and the associated improved access from logging activities.

- Following a two year planning process, the Commissioner of the Department of Natural Resources (DNR) adopted the Susitna Matanuska Area Plan (SMAP) on August 11, 2011, with a date of issuance of August 17th. The SMAP applies to nine million acres of state land formerly managed under the Susitna Area Plan. About 700,000 acres of these state lands are classified Forestry. This area plan recommends establishment of a legislatively designated State Forest for those lands designated or co-designated Forestry in the SMAP and the 2008 Southeast Susitna Area Plan. Public input received at a series of community meetings held throughout the planning area and during a three and a half month public review (February – May 2011) of the draft SMAP supported the concept of a Susitna State Forest.

- DOF coordinated the public scoping efforts for the SFG with DMLW's area plan scoping and the Matanuska-Susitna Borough's land use planning. During April of 2009, six joint open houses were held in communities in the Mat-Su area, and one in Anchorage. An

open house planned for Skwentna in late March was cancelled due to an ash fall in the area from the volcanic eruption of Mt. Redoubt. Approximately 80 people attended the public meetings, and DOF received 22 written scoping comments through the end of July. Many of the written comments supported maintaining or strengthening the Susitna Forestry Guidelines as they are presently written, and keeping its original purpose statement intact. The public comments were generally supportive of forestry. The issues most frequently mentioned were regeneration, timber road access after harvesting, harvest design, riparian standards, and herbicides. Other public outreach efforts that occurred during this period included briefings with the Alaska Outdoor Council, Friends of the Mat-Su, and WACO Trail's Committee.

- The Mat-Su Area Forester reported on the interest in the Susitna State Forest to the Board of Forestry during their August 30-31, 2011 meeting.

*Provided by Division of Forestry.

SB 176

<TARGET><BILL>SB 176</BILL><SUBJECT>SB 176</SUBJECT><COMM>SRES27</COMM></TARGET>

ALASKA STATE LEGISLATURE

SENATOR THOMAS H. WAGONER

Co-Chair: Senate Resources Committee

Member: C&RA Committee
Member: Regulatory Review
Member: LB&A Committee
Member: World Trade

Official Business

Session: January - May
State Capitol, #427
Juneau, AK 99801
Phone: 907-465-2828 Fax: 907-465-4779

Interim: May - December
145 Main Street Loop, Suite 226
Kenai, AK 99611
Phone: 907-283-7996 Fax: 907-283-8127

MEMORANDUM

To: Senators Wagoner and Paskvan
Co-Chairs, Senate Resources Committee

From: Senator Wagoner

Date: February 2, 2012

Re: SB 176 An Act exempting sand and gravel operations and marketable earth mining operations from the mining license tax; and providing for an effective date.

I respectfully request a hearing on SB 176 before the Senate Resources Committee to be scheduled at your earliest convenience.

SB 176 eliminates sand and gravel operators and related marketable earth from the definition of mining and thereby eliminates the state tax on those operations.

Attached please find supporting documentation including:

- SB 176 Exemptions From Mining Tax
- Sponsor Statement
- Sectional, explaining the changes SB 176 would make to current law

Any questions may be directed to the following staff person in my office:

Margaret Dowling
465-4899

ALASKA STATE LEGISLATURE

SENATOR THOMAS H. WAGONER

Co-Chair: Senate Resources Committee

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Sponsor Statement

SB 176 ***An Act exempting sand and gravel and marketable earth mining operations from the mining license tax; and providing for an effective date***

SB 176 eliminates the mining license tax on sand and gravel operations. Collecting the tax is costly to the state and industry, yet generates very little tax revenue for the state. In fiscal year 2011 the Department of Revenue collected $221,364 in taxes from sand and gravel operations, and it put another $100,000 into the Constitutional Budget Reserve Fund, which was generated from audits and other assessments that covered filings for previous years. The state's cost to collect this revenue was roughly $170,000.

The cost to business is also significant. Sand and gravel operators manufacture a wide variety of products: Aggregate pavers for gardens and concrete blocks for construction, bulk and retail sacks of concrete, asphalt, pit-run, and many grades of aggregate. Preparing annual tax returns is costly because sand and gravel operators must track all expenses associated with each product, from extraction through product delivery. They must also track the type and volume of material used in each product, further compounding the complexity of record keeping. In addition, if an operator owns more than one pit, the operator's tax return must include a separate schedule for each pit with calculations tracking costs, materials, and product income. Even if an operation is so small that it qualifies for an exemption to the tax, it still must file a tax return with the state each year. According to industry representatives, preparing tax returns and complying with audit requests costs the sand and gravel operators about $1 million a year in record keeping, tax return preparation and related administrative and accountant services time.

SB 176 also removes "marketable earth" from the mining license tax to address Department of Revenue and industry concern that after sand and gravel is removed from the mining tax, future regulators and the public could become confused about whether "marketable earth" includes sand and gravel.

ALASKA STATE LEGISLATURE

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Sectional Analysis

SB 176 ***An Act exempting sand and gravel and marketable earth mining operations from the mining license tax; and providing for an effective date***

Section 1. Amends AS 43.65.010(a) to conform to the removal of sand and gravel mining from the mining tax by eliminated the exclusion of sand and gravel operations from the three and one-half year exemption of taxes for new mining operations.

Section 2. Amends the definition of mining in AS 43.65.060(2) by removing "marketable earth" from the list of materials to which mining refers and by adding "marketable earth" and "sand and gravel" to the exclusions to mining.

Section 3. Adds a new section clarifying that sections 1 and 2 of the Act apply to taxes levied on or after the effective date of the Act.

Section 4. Provides an effective date of July 1, 2012.

27-LS1201\B
Bullock
2/4/12

CS FOR SENATE BILL NO. 176( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): SENATOR WAGONER

A BILL

FOR AN ACT ENTITLED

"An Act exempting quarry rock, sand and gravel, and marketable earth mining operations from the mining license tax; and providing for an effective date."

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

*** Section 1.** AS 43.65.010(a) is amended to read:

(a) A person prosecuting or attempting to prosecute, or engaging in the business of mining in the state shall obtain a license from the department. All new mining operations are exempt from the tax levied by this chapter for three and one-half years after production begins. [THE TAX EXEMPTION GRANTED TO NEW MINING OPERATIONS DOES NOT EXTEND OR APPLY TO THE MINING OF SAND AND GRAVEL.]

*** Sec. 2.** AS 43.65.060(2) is amended to read:

(2) "mining" means an operation by which valuable metals, ores, minerals, asbestos, gypsum, coal, [MARKETABLE EARTH,] or stone, or any of them are extracted, mined, or taken from the earth; "mining" includes the ordinary treatment

processes normally applied by mine owners or operators to obtain the commercially marketable product, but does not include the extraction or production of oil and gas**, marketable earth, quarry rock, or sand and gravel**;

*** Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to read:

RETROACTIVITY. Sections 1 and 2 of this Act are retroactive to January 1, 2012.

*** Sec. 4.** This Act takes effect immediately under AS 01.10.070(c).

ALASKA STATE LEGISLATURE

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Changes between SB 176 and CS SB 176 (RES)

Page 2, Line 3: Adds "quarry rock" as an exclusion to the definitions of mining

Page 2, Line 6: Changes effective date from July 1, 2012, making it retroactive to January 1, 2012

ALASKA STATE LEGISLATURE

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145 Main Street Loop, Suite 226
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Sectional Analysis

CS for SB 176 ( ) *Exemption from Mining License Tax*

Section 1. Amends AS 43.65.010(a) to conform to the removal of sand and gravel mining from the mining tax by eliminated the exclusion of sand and gravel operations from the three and one-half year exemption of taxes for new mining operations.

Section 2. Amends the definition of mining in AS 43.65.060(2) by removing "marketable earth" from the list of materials to which mining refers and by adding "marketable earth, quarry rock, or sand and gravel" to the exclusions to mining.

Section 3. Adds a new section making application of sections 1 and 2 retroactive to January 1, 2012.

Section 4. Provides an immediate effective date under AS 01.10.070(c).

ALASKA STATE LEGISLATURE

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Sponsor Statement
CS for SB 176 ( ) *Exemptions from Mining License Tax*

CSSB 176 eliminates the mining license tax on sand and gravel operations. Collecting the tax is costly to the state and industry, yet generates very little tax revenue for the state. In fiscal year 2011 the Department of Revenue collected $221,364 in taxes from sand and gravel operations, and it put another $100,000 into the Constitutional Budget Reserve Fund, which was generated from audits and other assessments that covered filings for previous years. The state's cost to collect this revenue was roughly $170,000.

The cost to business is also significant. Sand and gravel operators manufacture a wide variety of products: Aggregate pavers for gardens and concrete blocks for construction, bulk and retail sacks of concrete, asphalt, pit-run, and many grades of aggregate. Preparing annual tax returns is costly because sand and gravel operators must track all expenses associated with each product, from extraction through product delivery. They must also track the type and volume of material used in each product, further compounding the complexity of record keeping. In addition, if an operator owns more than one pit, the operator's tax return must include a separate schedule for each pit with calculations tracking costs, materials, and product income. Even if an operation is so small that it qualifies for an exemption to the tax, it still must file a tax return with the state each year. According to industry representatives, preparing tax returns and complying with audit requests costs the sand and gravel operators about $1 million a year in record keeping, tax return preparation and related administrative and accountant services time.

CSSB 176 also removes "marketable earth" from the mining license tax to address Department of Revenue and industry concern that after sand and gravel is removed from the mining tax, future regulators and the public could become confused about whether "marketable earth" includes sand and gravel. In addition, the committee substitute added "quarry rock" because they are included in Department of Revenue's totals and represent an extremely small portion of the sand and gravel taxes collected. On Department of Revenue's request, the committee substitute changes the bill's effective date from July 2012 and makes it retroactive to January 2012. With this change the department and industry need not administer a 6 month return.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB176**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB176-DNR-DMLW-2-10-12
Title: Exemptions from Mining Tax
Sponsor: Senator Wagoner
Requester: (S) RES

Dept. Affected: Department of Natural Resources
Appropriation: Land & Water Resources
Allocation: Mining Land & Water
OMB Component Number: 3002

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version

Prepared by: Brent Goodrum
Division: Mining Land & Water
Approved by: Daniel S. Sullivan
Commissioner

Phone: (907) 269-8625
Date/Time: 02-10-2012 / 9:00 AM
Date: 2/10/2012

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB176

Analysis

Section 1 of SB176 removes a sentence from AS 43.65 which effectively exempts mining of sand and gravel from the mining license tax.

Section 2 of SB176 also amends the definition of mining under AS 43.65 to exclude "marketable earth" as a product that is extracted, mined, or taken from the earth. It also excludes marketable earth, sand and gravel from the definition of mining as the ordinary treatment processes applied by mine owners or operators to obtain the commercially marketable product. In Section 3, it states that by removing the mining of sand, gravel and marketable earth from the previous sections, the mining of these products are exempt from the mining license tax.

If enacted, this bill takes into effect July 1, 2012. This bill is expected to have zero fiscal impact on the Department of Natural Resources.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB 176**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB176-DOR-TAX-02-01-12
Title: Exemptions From Mining Tax
Sponsor: Senator Wagoner
Requester: (S) RES

Dept. Affected: Revenue
Appropriation: Taxation and Treasury
Allocation: Tax
OMB Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES		**(150.0)**	**(300.0)**	**(300.0)**	**(300.0)**	**(300.0)**	**(300.0)**

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version

Prepared by: Johanna Bales, Deputy Director — Phone: 269-6628
Division: Tax — Date/Time: 2/1/2012 3:30 p.m.
Approved by: Alicia Egan, Legislative Liaison — Date: 2/4/2012
Department of Revenue

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB 176
2012 LEGISLATIVE SESSION

Analysis

Bill Language:
This bill would exempt sand and gravel and marketable earth from the mining license tax. During FY 2011, the Department received 182 mining license tax returns from sand and gravel operators. Included in those tax returns was activity from the extraction of other marketable earth such as peat, top soil, and the like. Only 17 of those 182 taxpayers paid tax. Under the current mining license tax structure, taxpayers do not pay tax if their current year net mining license taxable income is less than $40,000. Most sand and gravel taxpayers do not have more than $40,000 in net income annually and, therefore, do not pay tax. They are, however, required to obtain a mining license and file a mining license tax return each year.

Revenues:
During the past five years, the state has received the following amount of mining license tax revenue from sand and gravel operations:

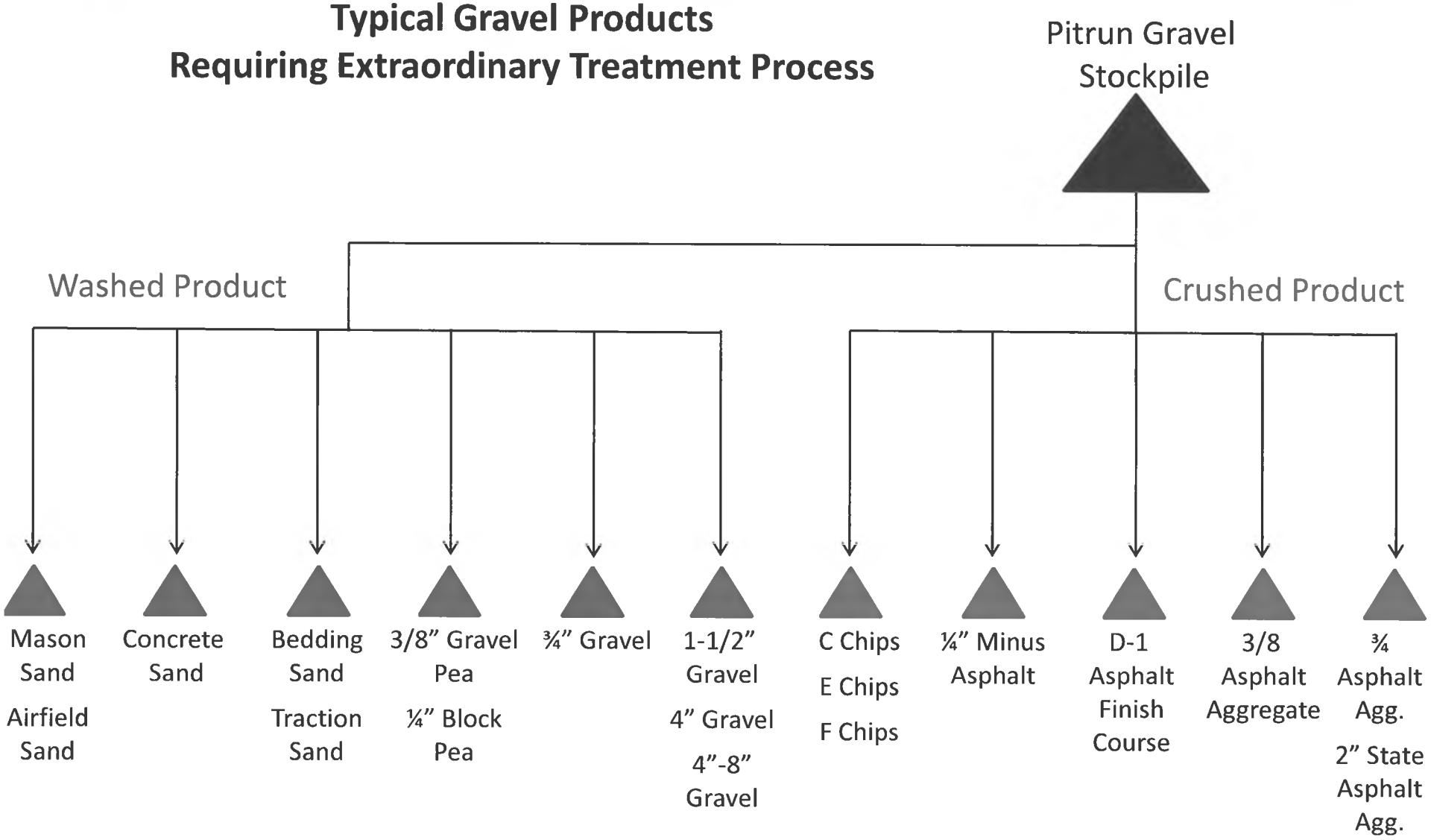
Fiscal Year	# of Licensees	Sand & Gravel Tax	Total Mining Tax Revenue	Sand & Gravel Tax (Percent of Total)
2007	11	$267,592	$79,141,526	.3%
2008	38	$285,314	$54,408,228	.5%
2009	140	$260,355	$16,044,139	1.6%
2010	131	$206,830	$29,725,100	.7%
2011	189	$320,360	$43,338,119	.7%

Based on previous filings, the Department expects that total mining license tax revenues will decrease each year by approximately $300,000. This bill has an effective date of July 1, 2012, which would result in decreased revenue in FY 2013 of approximately $150,000 as taxpayers, which file on a calendar year basis, would report and pay tax on 6 months of activity (January 1, 2012 through June 30, 2012).

Sand and gravel operators that currently use their mining license in lieu of a business license will be required to obtain a business license each year. The state could see a small increase in business license revenue as a result of this bill.

Expenditures:
During the past five years , the Department has expended approximately $150,000 each fiscal year on the examination and audit of sand and gravel tax returns. Staff used to conduct those examinations were diverted from other excise tax programs to focus on sand and gravel taxpayers as the Department was aware that there was a significant number of non-filers in this tax type. As you can see from the above data, compliance efforts by the Department which started in FY 2007 resulted in the number of licensees increasing dramatically from only 11 in FY 2007 to 189 in FY 2011. However, there was not a dramatic increase in revenues as most taxpayers brought into compliance had less than $40,000 in mining license net income and, therefore, paid no tax. The Department does not expect to reduce staff as a result of this legislation as most resources that currently focus on sand and gravel mining have been re-assigned to compliance activities and audits of other excise taxes.

Typical Gravel Products
Requiring Extraordinary Treatment Process



MEETING DATE: February 15, 2012

JEFF

1. Switch gavel from Paskvan

2. SB 176

   a. This is the initial presentation of the bill – it has a referral next to finance.
   b. There is a Draft CS for the legislation
   c. Ask for motion on the Draft CS – object for discussion
   d. Ask sponsor to present
      i. Margaret Dowling

   e. Go to public hearing
      i. See attached offnet
      ii. Go to LIO's
      iii. Go to Juneau
   f. CLOSE PUBLIC HEARING

   g. Remove objection – ask for motion out of committee with individual recommendations – fiscal notes.

3. Gavel out – announce time.

Jeff Stepp

From: Margaret Dowling
Sent: Tuesday, February 14, 2012 3:55 PM
To: Mary Jackson; Jeff Stepp
Subject: SB 176 Final Testifier List

Testifiers: Final List

They are listed in the order they should be called upon by the Chair to best "tell the story"

Off net:

Tony Johansen, Great Northwest, FB. Also AGC President
Marc Cottini, Engineer and co-owner of Mat Su pit
Ben Simmons, VP - Controller, Anchorage Sand and Gravel
Cheryl Shafer, Owner, Dibble Creek Rock, Anchor Point

Available for Questions:

Off Net: Johanna Bales, Deputy Director, DOR, Div of Tax
In Person: Don Bullock, Leg. Legal

Margaret Dowling
Staff to Senator Tom Wagoner
Senate District Q
(907) 465-4899

[My commentary, not a question.

I think it's another casualty of an inefficient DOR tax management system, as identified by FAST audit/ report.

The Legislature allocated $35M to create an efficient Integrated $ Tax Mngmnt System. ~~That should~~

SB 176

Wielechowski concerned about the exclusion of rare earth elements

Audits = expensive, time consuming, etc.

From: Brian Vreeling [mailto:BVreeling@COLASKA.com]
Sent: Monday, February 13, 2012 9:56 AM
To: Sen. Joe Paskvan; Sen. Tom Wagoner; Sen. Bill Wielechowski; Sen. Bert Stedman; Sen. Lesil McGuire; Sen. Hollis French; Sen. Gary Stevens
Cc: John@agcak.org
Subject: RE: Exemptions from Mining Tax - Bill Number SB176

Colaska, Inc. operates as an integrated construction business that owns and leases multiple sand and gravel pits throughout Alaska. Our activities include extracting sand & gravel and processing these extracts into different marketable products. These products are either sold externally to third-party customers or utilized internally in making redi-mix concrete, asphalt hot mix, or on road construction projects.

The Mining License Tax law as it currently exists places an undue hardship and burden on sand and gravel operations to comply with for several reasons.

Firstly, as an integrated business that has some operations considered 'mining activities' and others that are not, it has proven to be difficult to carve out our mining activities from our integrated activities to file a meaningful mining income tax return on an annual basis. This carving requires us to spend much more time to prepare and create the mining income tax return than it does to prepare our corporate income tax return for the IRS and the State of Alaska.

Secondly, we are currently being audited by the Department of Revenue (DOR) for two years of our mining tax returns. The audit process started more than a year ago and is now just coming towards an end. Because of our integrated operations, it has been difficult for the DOR to apply the mining tax law as it currently exists to our situation. Again having integrated activities, it has proven to be very onerous for the DOR to audit a carved out piece of our entire business. To date we have spent well in excess of a combined 800 hours in our organization complying with the audit and responding to audit requests. This is in addition to the hours and costs expended by the DOR on this audit.

Thirdly, the ultimate consumer of our products is the government. In 2011, 78% of our revenues came from public sources. The cost of the mining tax itself, as well as our internal costs to comply with this tax are being passed on to our customers, which the majority is coming from government funds.

In summary, as the Vice President of Finance of a company that must comply with the Mining License Tax, I whole heartedly support Senate Bill No. 176 to exempt sand and gravel and marketable earth mining operations. My support comes from direct experience in the cost and efforts to comply with the current law which by far exceed the tax revenue generated from it.

Yours truly,
Brian Vreeling, CPA
Vice President, Finance
Colaska, Inc.
4000 Old Seward Highway, Suite 101
Anchorage, Alaska 99503

From: Matt Early [mailto:Matt@twinpeaksconstruction.net]
Sent: Friday, February 10, 2012 11:12 AM
To: Sen. Joe Paskvan; Sen. Tom Wagoner
Cc: Sen. Bill Wielechowski; Sen. Bert Stedman; Sen. Lesil McGuire; Sen. Hollis French; Sen. Gary Stevens
Subject: Senate Bill 176

Senators Paskvan and Senator Wagoner -
As the Construction Project Manager for Twin Peaks Construction, I would like to speak on behalf of Senate Bill 176, for which I understand that a hearing is taking place next Wednesday, Feb. 15, 2012. Twin Peaks is a relatively small civil construction company providing work on public projects throughout the State for a variety of entities.
We strongly support this bill exempting sand and gravel sales from the State mining tax. As it stands now, as mentioned most of our projects are for public entities, including the state of Alaska. This tax effectively adds to the cost of construction for our company, and thus needs to be accounted for in our bid. Thus this tax currently causes the costs of public construction projects to increase. Furthermore, current law essentially takes the money out of one pocket in the State and puts it in another, as it costs additional monies to contracting entities such as the Department of Transportation, but provides revenue for the Department of Revenue. However, with all bids and projects we do, we add on markup and overhead costs to any actual costs we anticipate, which can run up to 20%. So, in essence, the State is taking money out of one pocket and only getting 80% of that money back, not to mention the administrative costs incurred by the Department of Revenue to review and process these tax returns.
Thanks much for your consideration of this information in your decision.
Take care,
Matt

Matthew Early
Project Manager
Twin Peaks Construction, Inc.
(907) 235-3802 Ext.24 Phone
(907) 235-1042 Fax
(907) 299-9900 Cell
matt@twinpeaksconstruction.net

From: Tim Hroza [mailto:THroza@COLASKA.com]
Sent: Monday, February 13, 2012 2:57 PM
To: Sen. Joe Paskvan; Sen. Tom Wagoner; Sen. Bill Wielechowski; Sen. Bert Stedman; Sen. Lesil McGuire; Sen. Hollis French; Sen. Gary Stevens
Cc: John@agcak.org; Ben Northey; Julie Olson; Brian Vreeling
Subject: SB 176: Exemptions From Mining Tax

The Mining License Tax law puts a lot of burden on businesses that extract sand and gravel to build roads and infrastructure in Alaska. The Mining License Tax Return (MLTR) requires us to segregate the mining activities of our business and that has proven to be very difficult for Colaska because of the way we track our sand and gravel activities. We spend an inordinate amount of time preparing this data every year to comply with the MLTR as well as preparing mining license renewals every year for gravel pits that we infrequently use.

Additionally, we have been going through a Dept of Revenue MLTR Audit for the past year and it also has proven to be an very arduous experience. As Corporate Controller and gatherer of the data from our Regional Controllers and staff, we collectively have spent hundreds of hours preparing schedules, pulling invoices and answering a plethora of questions regarding the MLTR and we still haven't come to the end of the audit.

Finally, the ironic part of this whole ordeal is that almost 80% of our sand and gravel production eventually gets sold to the State of Alaska DOT and local governments in the form of new and/or improved roads via the contracts that were awarded to Colaska. The bottom line is that any additional costs acquired to generate the sales of these sand gravel products translate to additional costs to our customers, mainly the State of Alaska and local governments.

In summary, as the Corporate Controller of a company that must comply with the Mining License Tax, I whole heartedly support Senate Bill No. 176 to exempt sand and gravel and marketable earth mining operations. My support comes from direct experience in the cost and efforts to comply with the current law which by far exceed the tax revenue generated from it.

Tim Hroza
Colaska Inc.
Corporate Controller
907-273-1013

Sheep Creek Development, LLC
P.O. Box 71577
Fairbanks, AK 99707

January 31, 2012

Alaska House of Representative and Senate Members
Capitol Building

Re: HB 298 and SB 176

Dear House and Senate Members:

I am writing this letter to request your support for HB 298 and SB 176.

Sheep Creek Development and one of our individual members own substantial parcels of patented mining claims which were purchased with millions of cubic yards of stacked and processed tailings and fines produced as a byproduct of gold dredge and placer mining operations performed by the former owners.

During 2008, the State of Alaska, Department of Revenue attempted to incorrectly impose the MLT and its requirements on our company. We spent significant sums retaining legal and mining tax professionals, and hundreds of uncompensated hours of personal time, to document and assert our position that we were and are not miners. While it appears DOR informally agreed with our position, it is certainly possible that they could revisit the matter at a future date. Passage of this bill would provide certainty for us and the many other companies who purchased old mining claims with tailings on them which DOR has incorrectly asserted or asserts are subject to the MLT.

Unlike other minerals taxed under the MLT which are combusted or shipped out of state, sand and gravel and the tailings and fines we sell are used and still remain in Alaska. Our largest sales are to publicly funded projects for roads, sidings, etc. but we also sell to homeowners trying to build their driveway or a pad for their new home. Passage will lower the cost of infrastructure for all Alaskans, level the playing field between sand and gravel companies and eliminate the type of burdensome defense costs we have experienced.

Please vote to pass this legislation and do not hesitate to email or call me should you have any further questions regarding this matter.

Sincerely,

Jon Cook
Managing Member
Sheep Creek Development, LLC
(907)322-0362 – Cell
joncook@gci.net

SECON
SOUTHEAST ALASKA

P.O. Box 32159 Juneau, Alaska 99801 (907) 780-5145 Fax (907) 780-5896

February 13, 2012

Senator Tom Wagoner
State Capitol Room 427
Juneau, Alaska, 99801

RE: Senate Bill 176 Exemptions from Mining Tax

Dear Senator Wagoner,

Thank you for your support of this important piece of legislation. Though this bill is short, it will remove a burdensome tax and benefit the citizens of Alaska.

Secon is an integrated business, and the mining activities we undertake are a very small part of our operations. However, segregating the mining activities to prepare the State of Alaska mining tax return takes almost as much time as it does to prepare our Federal and State income tax returns.

The audit of two years of our mining tax returns by the Department of Revenue (DOR) has been overwhelming to say the least. Secon has spent approximately 200 hours gathering information and preparing schedules, two DOR auditors were on site in our offices in 2011 for five days each – and the audit is still not complete. Our corporate offices in Anchorage have spent considerable more time than this compiling and consolidating the information for the audit.

All of the sand, rock, and gravel that we mine stays here in Alaska. The majority of it is used in government public works projects (roads, bridges, sidewalks, airports, etc.) along with private projects (driveways, home foundations, gravel for icy roads, etc.) The costs of preparing the mining license tax return and complying with DOR audit requests is passed on the end user of products, which is the State Alaska and the citizens of Alaska.

Thank you again for your time and support of this bill and for your service to our wonderful state.

Sincerely,

Julie A Olson

Julie Olson, CPA
Controller

Cc: Senator Joe Paskvan
Senator Bert Stedman
Senator Bill Wielechowski
John McKinnon, Director AGC
Senator Lesil McGuire
Senator Hollis French
Senator Gary Stevens

RECEIVED
FEB 15 2012

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Phone: 907-696-2828
Fax: 907-696-2845
www.eklutnainc.com

February 13, 2012

Senator Joe Paskvan
State Capitol
Juneau, AK 99801-1182

Re: SB 176. "Exemptions from Mining Tax"

Dear Senator Paskvan,

Eklutna, Inc. wishes to express its support for Senate Bill 176 as it addresses an onerous administrative burden on gravel extraction operations for both private business and the Alaska Department of Revenue. This bill will exempt sand and gravel operations from the mining license tax.

The present mining tax costs more to collect than the revenues realized. When you consider that about half of all sand and gravel products are used for public projects, it is really the public that is paying an extra tax without a good reason. Mining taxes are more appropriate for minerals, not sand and gravel products.

The audits that need to be performed to calculate the taxes are time-consuming for both the state and operators. The amount of mining license tax paid by the sand and gravel industry is miniscule compared with other taxed minerals. The end result is that the system is inefficient and not cost effective for any party.

Repealing the mining tax for sand and gravel will remove an unnecessary burden for private businesses and allow the Department of Revenue to redirect their activities to revenue producing activities on high value mineral mining operations.

If you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,

Curtis J. McQueen
CEO

Jim A. Arnesen
Corporate Lands and Regulatory Manager

Jeff Stepp

From: Erin Ealum <Erin@eklutnainc.com>
Sent: Monday, February 13, 2012 11:15 AM
To: Sen. Joe Paskvan; Sen. Tom Wagoner; Sen. Bill Wielechowski; Sen. Bert Stedman; Sen. Lesil McGuire; Sen. Hollis French; Sen. Gary Stevens
Cc: Curtis McQueen; Jim Arnesen
Subject: SB 176 Exemptions from Mining Tax

eklutna INC.

February 13, 2012

Senator
State Capitol
Juneau, AK 99801-1182

Re: SB 176. "Exemptions From Mining Tax"

Dear Senator,

Eklutna, Inc. wishes to express its support for Senate Bill No. 176 as it addresses an onerous administrative burden on gravel extraction operations for both private business and the Alaska Department of Revenue. This bill will exempt sand and gravel operations from the mining license tax.

The present mining tax costs more to collect than the revenues realized. When you consider that about half of all sand and gravel products are used for public projects, it is really the public that is paying an extra tax without a good reason. Mining taxes are more appropriate for minerals, not sand and gravel products.

The audits that need to be performed to calculate the taxes are time-consuming for both the state and operators. The amount of mining license tax paid by the sand and gravel industry is miniscule compared with other taxed minerals. The end result is that the system is inefficient and not cost effective for any party.

Repealing the mining tax for sand and gravel will remove an unnecessary burden for private businesses and allow the Department of Revenue to redirect their activities to revenue producing activities on high value mineral mining operations.

If you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,

Curtis J. McQueen
CEO

Jim A. Arnesen
Corporate Lands and Regulatory Manager

EXCLUSIVE PAVING
GENERAL CONTRACTOR FAIRBANKS, ALASKA

University REDI-MIX

P.O. Box 60750
Fairbanks, AK 99706

1570 Richardson Highway
North Pole, AK 99705-5943

Phone: (907) 488-8833
Fax #: (907) 488-8999

February 10, 2012

Senator Joe Paskvan
Senator Thomas Wagoner
Senate Resources Committee Co-Chairs
State Capitol
Juneau, AK

Email transmission to: Senator_Joe_Paskvan@legis.state.ak.us
Senator_Thomas_Wagoner@legis.state.ak.us

Re: Senate Bill 176 "An Act exempting sand and gravel and marketable earth mining operations from the mining license tax; and providing for an effective date."

Dear Senator Paskvan and Senator Wagoner,

Next week, on Wednesday, Feb 15th, you will be receiving testimony on SB 176 regarding the taxation of sand and gravel operations in the State of Alaska. Please consider the following comments as you discuss the numerous merits of this bill.

Sand & Gravel tax return

There is no clear guidance on how to comply with the mining return. While this is manifested in many ways, from a sand & gravel standpoint – and especially for a company engaged in additional processing or use of the aggregate - there are some calculations / allocations that don't make economic sense. These sometimes work in the state's favor and other times in the company's.

Sand & Gravel tax return audits

The state's resources that were spent in auditing our returns (labor, airfare, hotels etc) could have had a much bigger impact auditing different areas. For the years in question there was much less use or sale of aggregates than the current years which in turn would reduce the chance of collecting enough additional revenue to justify the cost of the audit.
The company also suffers financially in complying with the filing of the return and any subsequent audits. We have spent over 150 hours searching for and copying documents, preparing schedules and answering

questions. The cost to the company has included labor, postage, office supplies (paper) and the opportunity cost of the employee's time that would have been better spent elsewhere.

The current taxation system requires a company to report based upon their tax year. Our financial statements are prepared by calendar year and our state and federal taxes are reported with a year end of March 31st. While our current accounting system is configured to accommodate the "routine" filings for state and local corporate taxes, it is not customized to provide the data required by the mining tax return, which must be extracted from our financial statements. This therefore requires that significant additional time be spent reconciling the two financial reporting periods in order to comply with the return requirements. Internally, the best solution would be to keep separate ledgers but this is cost prohibitive with our current set-up.

If the tax for sand & gravel is not abolished it should at the very least be simplified so that compliance is no longer burdensome.

Sand & Gravel tax paid by DOT

While we could focus merely on the fact that administering this tax costs more than it raises, that doesn't address the core issue of who is paying most of the tax – the State of Alaska Department of Transportation. The majority of the aggregates removed from our Interior pits finds its way into a state road or airport project, which means the state is actually taxing itself, and costing itself additional administrative expense in the process.

Our state economy is in a precarious state. It is of utmost importance that we get the most bang for our buck in all areas of state government. The sand and gravel tax system works against that end. Please support SB 176.

Respectfully,

John Godzina

John Godzina, CPA
Controller

CC:	Senator Bill Wielechowski	Senator_Bill_Wielechowski@legis.state.ak.us
	Senator Bert Stedman	Senator_Bert_Stedman@legis.state.ak.us
	Senator Lesil McGuire	Senator_Lesil_McGuire@legis.state.ak.us
	Senator Hollis French	Senator_Hollis_French@legis.state.ak.us
	Senator Gary Stevens	Senator_Gary_Stevens@legis.state.ak.us
	John MacKinnon, AGC	

SB 176

I am Ben Simmons, Vice President – Controller, of Anchorage Sand and Gravel Co., Inc. I have been employed in this capacity for the past 37 years. I have extensive experience with Chapter 43.65 Mining License Tax, filing required tax returns and responding to audits. Based upon my experience and knowledge of the Mining License Tax statute, the following testimony is respectfully submitted.

- **Ambiguous.** The Mining License Tax Statute as it pertains to sand and gravel is very ambiguous and difficult to apply to sand and gravel operations. All mining operations covered by the statute is basically one item (ie. Gold, silver, coal, etc.), with the exception of sand and gravel which can be between 20-30 products. Therefore, applying the statute to sand and gravel requires analysis of 20-30 different items instead of one. In the past 30 years I have been involved in three audits which included 1-3 years of tax returns each. Each audit was handled differently than the previous and final dispositions were settlement agreements with no real guidance for future return filings. The major points of contention are always "fair market value" and "ordinary treatment process" and value of sand and gravel used internally. The statute contains definitions of each, but each is difficult to apply to sand and gravel operators. For instance, operators in vertically integrated companies (typically suppliers) have very different processes from operators who are general contractors. AS&G is a vertically integrated company (supplier) which sells approximately 70% of its mined product to third parties and uses 30% internally. Mining operators who are general contractors sell approximately 30% of their mined product to third parties and use 70% internally (for asphalt, road beds, building pads, etc.). Suppliers' internal sales would include aggregates for asphalt, ready mix concrete, concrete block, sacked goods, etc.
- **Inconsistent application of tax and No "market price" for sand and gravel.** The statute requires internal sales to be valued at "fair market value after they have been subjected to ordinary treatment processes". Unlike gold, silver, lead, zinc, etc., there is no exchange or commodities board one can go to and get the "market or field price" for sand and gravel. So when determining the value to be used for internal use of sand and gravel auditors generally rely on the average sales price by product to third parties. This approach does not take into account bid prices for large quantities, high prices for hard to make specs or simple value added for additional handling. These prices are determined on a product by product basis from one producer to another, so the amount of tax paid by one producer can vary greatly from another

on exactly the same product. Therefore, fair application of the tax is not consistent from one taxpayer to the next.

- **Burdensome.** A great deal of time is required to gather and generate the necessary information for filing a tax return. The current thinking at the Department of Revenue Auditing Division is that "fair market price" should be determined on a product by product basis. AS&G currently makes and inventories between 20-30 aggregate products, so gathering information is very time consuming. In addition, if audited the time requirement and expense grows significantly. Our last audit for tax years 2005-2006 took almost 18 months and costs to AS&G in time and attorney expenses were well over $50,000.00 just complying with requests for information and meetings.
- **Non-productive tax.** It is my belief that the amount of taxes collected from sand and gravel producers is insignificant compared to the cost to the state. During previous audits through discovery it was determined that the state had collected slightly more than $200,000 in mining taxes and AS&G accounted for approximately 50% of this. I can only assume that audit costs are greater than revenue.

In summary, ambiguity as it pertains to sand and gravel, inconsistent application of tax, no markets or indexes for sand and gravel, burdensome and time consuming to comply and non-productive tax are reasons why sand and gravel should be exempted from the Mining License Tax statute. Government (local, state and federal) is the end customer for the majority of our products and ultimately pays this tax and our expense. I estimate that between 60 to 75% of aggregates produced by AS&G are used public or governmental projects. An exemption from this tax for sand and gravel producers should reflect lower costs of materials to construction projects. It will not be readily identifiable due to the competitive nature of the construction industry, but costs of construction materials should be lower.

Respectfully,

Ben D. Simmons
V.P. Controller

AS&G a subsidiary of Alaska Basic Industries
ANCHORAGE SAND and GRAVEL CO., INC.
1040 O'Malley Road • Anchorage, Alaska 99515 • (907) 349-3333 • FAX (907) 344-2844 • www.anchsand.com

2/13/2012

Senate Resources Committee

Re: SB 176: Exemptions from Mining Tax / Companion House Bill 298

Dear Senator,

Thank you for giving me the opportunity to address you regarding Senate Bill 176. My name is Wes Vander Martin; I am the Vice President/General Manager of Anchorage Sand & Gravel where I have worked for the past 20 years. Anchorage Sand & Gravel is a vertically integrated company that mines and sales sand and gravel related products, such as concrete, asphalt aggregates, block, precast concrete, cement, and a host of other construction related products and activities. AS&G has been in doing business in Alaska since 1938. Our products are used on a wide variety projects in the greater Anchorage area and over the whole state from residential to Military and State DOT projects.

AS&G is in favor of the passage of Senate Bill 176 that would exempt the tax on income, related to the mining of sand, gravel, quarry rock, and other marketable earth products, for the following reasons.

1st – The amount of revenue that the State is receiving from collecting this tax is less than, or at best equal to, what it is costing the state to collect it. Therefore it is a neutral tax at best. According to information reported, the State only received about $200,000 in tax revenue in 2010, from all the numerous sand & gravel producers. The state over the years has performed many audits, some individual audits lasting more than 2 years to complete. This has cause a great strain on the states auditing department with little results to show for it.

2nd - The tax is burdensome. A great deal of time is required to gather and generate the necessary information for filing a tax return. The current thinking of the department of revenue auditing division is that "fair market price" should be determined on each product to help calculate revenue. In AS&G case we make over 20-30 different sand and gravel products, so gathering information is very time consuming. If we are audited the time

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requirement and expense grows significantly. Our last audit took almost 18 month and cost AS&G in time and attorney fees will over $50,000 just complying with request for information and meetings.

3rd – The mining tax, as it relates to sand and gravel, is very ambiguous and inconsistent. As I have already mentioned AS&G for example is required to try and figure out what the "fair market value" is for 20 to 30 different products. Other mining operations such as gold, silver, zinc, or coal for example are indexed, and the values are well known and easily traceable. This is not the case for sand and gravel. The various gravel producers in the state have very different processes and markets, thus making it difficult to determine a "fair market price". For example AS&G is strictly a supplier of materials, were other producers lean more towards construction and use their products on their own projects? Defining a "fair market value" that is fair and easy to determined is at the root of the problem. This is what the auditors and producers struggle with, thus making the application of the tax inconsistent across the board. The amount of tax paid by one producer can vary greatly from another even on exactly the same product.

4th – Governments (local, state, and federal) are the end customer for a majority of our products, and are ultimately the ones paying for this tax, because the producers are just passing on the costs. AS&G sells about 65% of their products to government projects. It seems to me that the government is really just adding unnecessary cost to their own projects.

In summary, this is a nonproductive tax, it is burdensome and time consuming for both the producers and the state auditing department, and it is inconsistent because there are no markets or indexes for sand and gravel. For these reasons sand and gravel should be exempted from the Mining License Tax statute.

Thank You,

Wes Vander Martin
Vice President/General Manager

COLASKA
Alaska, USA

February 10, 2012

Dear Senator Paskvan:

As President of one of Alaska's large, road construction companies that must comply with the Mining License Tax, I am informing you that **Senate Bill 176: Exemptions from Mining Tax**, has my full support, and I encourage you to vote for its passage.

Colaska, Inc. operates as an integrated construction business that owns and leases multiple sand and gravel pits throughout Alaska. Our activities include extracting sand & gravel and processing these extracts into different marketable products. These products are either sold externally to third-party customers or utilized internally in making redi-mix concrete, asphalt hot mix, or on road construction projects, the majority of which are public works projects.

We are currently being audited by the State of Alaska, Department of Revenue (DOR) for two years of our mining tax returns. The audit process started more than a year ago and is now just coming towards an end. It has been difficult for the DOR to apply the mining tax law as it currently exists to a company like ours that performs integrated activities. To date we have spent well in excess of a combined 800 hours in our organization complying with the audit and responding to audit requests. This is in addition to the hours and costs expended by the DOR on this audit with a minimal revenue result.

At a time when we are trying to encourage business and growth in our great State of Alaska, I believe there are much better places to spend our time and energy than trying to resurrect a "make work" program that probably does not cover its own costs.

Please vote for Senate Bill 176.

Sincerely,

COLASKA, INC.

Ben A. Northey, CPC
President

AGGPRO · EMULSION PRODUCTS · University REDI-MIX FAIRBANKS, AK · PACIFIC ASPHALT GENERAL CONTRACTORS · QAP · SECON · EXCLUSIVE PAVING

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Alaska, USA

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Anchorage, Alaska 99503
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Fax: (907) 273-1099
www.colaska.com

February 10, 2012

Reference: Exemptions from Mining License Tax – SB176

I believe the Mining License Tax law places an undue hardship and burden on all sand and gravel operations.

Colaska, Inc. owns and leases many sand and gravel pits throughout Alaska. We extract sand & gravel and process these extracts into different marketable products. These products are either sold externally to third-party customers or utilized internally in making redi-mix concrete, asphalt hot mix, or on our road construction projects, the majority of which are public works projects.

We have some operations that are considered 'mining activities' and others that are not. The time we have spent to prepare and create the mining income tax return is more time than we have spent to prepare our corporate income tax return for the IRS and the State of Alaska. The end result is that it will add to the cost of all construction.

As the Vice President of Operations of a company that must comply with the Mining License Tax, **I whole heartedly support Senate Bill 176 to exempt sand and gravel and marketable earth mining operations.** My support comes from direct experience in the cost and efforts to comply with the current law which by far exceed the tax revenue generated from it.

Yours truly,

COLASKA, INC.

Jon Fuglestad
Vice President, Operations
4000 Old Seward Highway, Suite 101
Anchorage, Alaska 99503

ASSOCIATED GENERAL CONTRACTORS of ALASKA

8005 Schoon Street • Anchorage, Alaska 99518
Telephone (907) 561-5354 • Fax (907) 562-6118

3750 Bonita Street • Fairbanks, Alaska 99706
Telephone (907) 452-1809 • Fax (907) 456-8599

February 10, 2012

Senator Joe Paskvan
Co Chair Senate Resource Committee
State Capitol, Room 115
Juneau, AK 99801-1182

Re: SB 176

Dear ~~Senator Paskvan~~ Joe:

On behalf of the Associated General Contractors of Alaska, a construction trade association of over 650 business members, representing the majority of the construction industry in Alaska, thank you for hearing SB 176.

Working with our affected companies last spring, we realized that the present mining license tax structure was poorly applied to aggregate production in the construction industry. Last summer we approached the Department of Revenue about the problems with the present tax as it applies to quarry rock and sand and gravel operations in Alaska and how the present requirements could be simplified. After researching the issue it was recommended that the simple solution was to exempt quarry rock and sand and gravel operations requirements.

This has been a cooperative effort between industry and the administration. We quickly recognized that this was a true nuisance tax. For the State, it is a lot of effort to administer. For the construction industry, it is very complicated to calculate and even more complicated to audit, for relatively little revenue to the state and many times more expense to industry. When you consider that the majority of the mined and processed product goes into public works projects, government is paying most of the associated costs and the tax, at the expense of our projects.

Thank you again for your consideration and support for SB 176 and this exemption for the aggregate business from the mining license tax.

Sincerely,

John MacKinnon
Executive Director
Associated General Contractors of Alaska

HC Contractors
FAIRBANKS · ALASKA

PO Box 80688
Fairbanks, AK. 99708

Telephone (907) 488-5983
Fax (907) 488-9830

February 10, 2012

To: Senator Joe Paskvan

Re. HB298 Mining Tax

Senator Paskvan:

Our companies are engaged in construction of roads, and building sites locally around Fairbanks utilizing our owned gravel sources.
We have been reporting and paying the mining tax.
November 24, 2009 the State of Alaska Department of Revenue requested and audit of our records. A request for extension by the Department of Revenue was received July, 2011. Over 2 years have passed without resolution.

This process is costly and burdensome:

1. The rules are not clearly defined leaving determination of the rules open to interpretation.
2. The audit process is time consuming, burdensome, frustration and costly for companies to comply. Records are voluminous and have to be transferred by mail. It is as if we are in a legal suit rather than regulation compliance.

Most of H C Contractors work is public work. This will only increase the cost of doing work on those contracts. The extra cost will be added to the contracts so the government dollars will pay the tax back to the government through the increase. This is a futile process.

The mining tax on local gravel sources needs to be repealed. These are not mineral resources. This will save money for all of us.
Thank you.

Sincerely,

William Hoople
President, H C Contractors, Inc.

SAMUEL P. TROTZKE, CPA
664 Feliz St.
North Pole, AK 99705
(907) 488-4967

January 30, 2012

State of Alaska
Honorable Legislators
Juneau, Alaska

Sent via email

RE: House Bill 298

Dear Honorable Legislators:

I would like to express my support for House Bill 298, in the Legislature of the State of Alaska, Twenty-Seventh Legislature – Second Session.

The above referenced House Bill, as introduced on January 25, 2012, would exempt sand and gravel mines from the requirement to calculate and pay the annual mining license tax. I am supportive of removing the requirement that sand and gravel mines be subject to the mining license tax as the law currently reads.

Current statutes and regulations are vague and difficult to understand. I have had many conversations with State of Alaska employees at the Department of Revenue regarding this tax. It is my belief that each person reading the regulations could reasonably draw different conclusions with respect to similar fact patterns making the calculations of the tax difficult and expensive for the mining operations.

Please vote in favor of removing this burdensome tax requirement from sand and gravel operators as the costs of preparing, reviewing and filing the mining tax returns are greater than the benefits derived from the tax for both the operators and the State of Alaska.

Thank you for your kind attention to this matter. Please feel free to contact me should you have further questions.

Respectfully,

S. Trotzke

Sam Trotzke

Brice

301 Cushman St., Ste 200
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Fairbanks, Alaska 99707
907/452-2512
907/452-5018 (fax)
samrobert@briceinc.com

February 14th, 2012

Ref: Senate Bill No. 176: Exemptions From Mining Tax

Dear Senate Resource Committee Members:

Thank you for your support of SB 176. This bill will remove a burdensome tax to the benefit of the citizens of Alaska.

Brice Companies are based in Fairbanks, AK and include Browns Hill Quarry located on Badger Road between North Pole and Fairbanks. Browns Hill Quarry provides quarry rock and sand and gravel products for sale to the public as well as a majority of the public works projects in the area for roads, driveways, erosion control and landscaping. In the recent past, we have had to comply with an onerous audit of the Mining License Tax by the Department of Revenue (DOR). This audit required us to spend a significant amount of additional time with our staff and the hiring of an outside CPA firm over a two year period to finalize our response. The cost of this audit by the DOR to our company was significant and does not correlate with the amount of tax revenue generated. Our Mining License payments during the 2 year audit would not have covered the costs of the DOR auditors to the State for the hours of effort expended.

All of the quarry rock, sand and gravel products we mine at Browns Hill Quarry stay in Alaska. Costs to prepare and pay the Mining License Tax and audit expenses are passed on to our customers, Alaskans.

Thank you for your time and support of this bill.

Sincerely,

Sam Robert Brice

Sam Robert Brice, President
Brice Incorporated

SB 181

<TARGET><BILL>SB 181</BILL><SUBJECT>SB 181</SUBJECT><COMM>SRES27</COMM></TARGET>

SENATE COMMITTEE REPORT
First Committee of Referral

DATE: 1/27/12

FURTHER:

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED IN TO OFFICE: 3/14/12

Resources Committee considered SENATE BILL NO. 181

SB 181-CLOSING CERTAIN LAND TO MINERAL ENTRY

"An Act approving an interim classification by the commissioner of natural resources closing certain land within the Glacier Creek and Winner Creek drainages to new mineral entry; amending the mineral entry closure in sec. 2, ch. 8, SLA 2003, for certain land within the Glacier Creek and Winner Creek drainages; and providing for an effective date."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
DNR			✓	

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	McGuire	✓			
	French			✓	
	Wielechowski	✓			
	STEVENS			✓	
CO-CHAIR:	WAGONER	✓			
CO-CHAIR:	PASKVAN	X			

ALASKA STATE LEGISLATURE

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800-892-4843

Senator Cathy Giessel

Senate District P

Memorandum

Date: January 31, 2012

To: Senators Tom Wagoner & Joe Paskvan
Co-Chairs Senate Resources Committee

From: Senator Cathy Giessel

Re: Request for Hearing – SB 181Closing Certain Land To Mineral Entry

I respectfully request Senate Bill 181 be scheduled for hearing before the Senate Resources Committee at your earliest convenience.

Senate Bill 181 closes certain land within the Glacier Creek and Winner Creek drainage to new mineral entry. It also amends sec. 2, ch. 8, SLA 2003, to reference and exclude two federal mining claims that were inadvertently missed in the legal description in Section 34 of the original legislation.

Please contact myself or Sharon Long in my office for any questions you may have.

Direct line for Sharon: 465-3623

Senator_Cathy_Giessel@legis.state.ak.us

ALASKA STATE LEGISLATURE

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Senator Cathy Giessel

Senate District P

Senate Bill 181
Sponsor Statement

"An Act approving an interim classification by the commissioner of natural resources closing certain land within the Glacier Creek and Winner Creek drainages to new mineral entry; amending the mineral entry closure in sec. 2, ch. 8 SLA 2003, for certain land within the Glacier and Winner Creek drainages; and providing for an effective date."

SB 181 closes presently state-owned and state-selected lands in the Glacier and Winner Creek drainages of the Girdwood area to new mineral entry. For both residents and tourists, the development and expansion of Girdwood's potential as a year-round destination for myriad recreational activities will lead to more private sector jobs, opportunities for new business, and an enriched community and state.

In January 2011, Department of Natural Resources Commissioner Dan Sullivan, issued an interim classification (Mineral Order 1121) which closed state subsurface lands and state-selected lands to mineral entry within Glacier Creek and Winner Creek drainages in the Girdwood area. SB 181 approves this mineral order and amends sec. 2, ch. 8, SLA 2003, to exclude two federal mining claims that were inadvertently missed within Section 34 in the original legislation.

A Mineral Closing Order was issued in 1992 for this area and became necessary when numerous mining claims were staked at the same time that the federal government was in the process of conveying this land to the State of Alaska. The Municipality of Anchorage purchased the claims so that these lands could be developed for recreational use and to prevent conflict between surface and subsurface users. The Commissioner of the Department of Natural Resources closed this area to mineral entry on state-owned, state-selected, and municipal lands in the Upper Girdwood Valley under Mineral Closing Order 593. The closure had a limit of ten years unless the commissioner certified to the governor and the legislature that recreational land use and development plans had begun in this area. In 2003, the commissioner extended the mineral closing order for another ten-year term through Mineral Closing Order 593 Amendment 3. This extension was set to expire in April of 2012.

Senator_Cathy_Giessel@legis.state.ak.us

ALASKA STATE LEGISLATURE

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Fax: 907-465-3871
800-892-4843

Senator Cathy Giessel

Senate District P

Closing these lands to mineral entry supports the Department of Natural Resources findings that:

- Mining in this area is inconsistent with recreation and tourism development.
- It is important to protect current and future development including: Alyeska Resort, expanding Nordic ski trails, the upgraded Winner Creek Trail system, and commercial snowcat and helicopter skiing activities.
- A mineral closure in this area would be consistent with the Turnagain Arm Management Plan, Alaska Statehood Act, Alaska State law, and various natural resource court decisions.

Alyeska Resort commissioned and paid for a detailed analysis and technical feasibility study. The study concluded that expansion of skier based facilities into the area is feasible. Additionally, community interests in expanding recreational opportunities within the Girdwood Valley have increased significantly in the last decade. SB 181 mitigates future conflict between competing, potentially incompatible, interests.

Senator_Cathy_Giessel@legis.state.ak.us

Senate Bill 181
Closing Certain Land To Mineral Entry
Sectional Analysis

Section 1: States the purpose of Senate Bill 181. This Act approves the interim classification contained in Commissioner of Natural Resources' Mineral Order 1121 and in Amendment 3 to Mineral Closing Order 593, closing state land in the Glacier and Winner Creek drainages in the Girdwood area to new mineral entry. Closing these state-owned lands to mineral claims will enable continued recreational developments in accordance with area land use plans.

Section 2: Identifies the land in the Glacier Creek and Winner Creek drainages that is closed to new mineral entry.

Section 3: Amends the description of land in the Glacier Creek and Winner Creek drainages that were closed to mineral entry and approved by the legislature in sec. 2, ch. 8, SLA 2003 by excluding two additional federal mining claims lying east of Crow Creek Road that should have been listed in the original mineral closure order.

Section 4: Provides for an immediate effective date.

Prepared by Senator Cathy Giessel's Office 1/30/12

SENATE BILL NO. 181

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY SENATOR GIESSEL

Introduced: 1/27/12
Referred:

A BILL

FOR AN ACT ENTITLED

"An Act approving an interim classification by the commissioner of natural resources closing certain land within the Glacier Creek and Winner Creek drainages to new mineral entry; amending the mineral entry closure in sec. 2, ch. 8, SLA 2003, for certain land within the Glacier Creek and Winner Creek drainages; and providing for an effective date."

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

* **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

PURPOSE. The purpose of this Act is to approve the interim classifications contained in Mineral Order No. 1121 and in Amendment 3 to Mineral Closing Order 593, issued by the commissioner of natural resources, to close state land within the upper Glacier Creek and Winner Creek drainages near Girdwood to new mineral entry. The legislature recognizes that mineral entry would be incompatible with the existing and proposed development of

significant surface-based recreational facilities and infrastructure in the Glacier Creek and Winner Creek drainages. The legislature finds that closure of the state-owned mineral estate to new mineral entry will reserve those lands for recreational development opportunities as provided in the land use plans of the state and the Municipality of Anchorage.

* **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to read:

MINERAL ENTRY CLOSURE. Under AS 38.05.300(c), and subject to existing valid rights, the following state-owned land, and all land acquired in the future by the state, laying within the Glacier Creek and Winner Creek drainages, is closed to new mineral entry:

(1) Township 10 North, Range 2 East, Seward Meridian

Section 9: E1/2SE1/4NE1/4 within the Chugach National Forest, E1/2SE1/4 within the Chugach National Forest

Section 10: SW1/4, SW1/4SW1/4NE1/4, S1/2NW1/4 except for the N1/2NE1/4SE1/4NW1/4, W1/2SE1/4, W1/2SW1/4NE1/4SE1/4, SE1/4SE1/4 except for the NE1/4SE1/4SE1/4

Section 12

Section 13: N1/2

Section 14: W1/2

Section 15

Section 16: E1/2E1/2 within the Chugach National Forest

Section 21: E1/2NE1/4NE1/4 within the Chugach National Forest

Section 22: N1/2N1/2

(2) Township 10 North, Range 3 East, Seward Meridian

Section 5: NW1/4, S1/2

Section 6: SE1/4, S1/2SW1/4

Section 7: SW1/4, N1/2

Section 8: NW1/4

Section 18: N1/2NW1/4

(3) Township 11 North, Range 2 East, Seward Meridian

Section 25: S1/2SE1/4

(4) Township 11 North, Range 3 East, Seward Meridian

Section 20: SE1/4
Section 21: W1/2SW1/4
Section 28: W1/2W1/2
Section 29
Section 30: S1/2
Section 32: NE1/4
Section 33: NW1/4NW1/4

* **Sec. 3.** The uncodified law of the State of Alaska enacted in sec. 2, ch. 8, SLA 2003, is amended to read:

Sec. 2. MINERAL ENTRY CLOSURE. Under AS 38.05.300(c), and subject to existing valid rights, the following described state-owned land in the Glacier Creek and Winner Creek drainages, totaling approximately 5,740 acres, is closed to new mineral entry:

Township 10 North, Range 2 East, Seward Meridian
Sections 1-3 [: ALL]
Section 4: N1/2NE1/4 east of Crow Creek Road, and those portions of SE1/4NE1/4 and E1/2SE1/4 within the Chugach National Forest
Section 9: E1/2NE1/4NE1/4 within the Chugach National Forest
Section 10: N1/2N1/2, N1/2NE1/4SE1/4NW1/4, N1/2SW1/4NE1/4, SE1/4SW1/4NE1/4, SE1/4NE1/4, N1/2NE1/4SE1/4, E1/2SW1/4NE1/4SE1/4, SE1/4NE1/4SE1/4, NE1/4SE1/4SE1/4
Section 11 [: ALL]
Township 10 North, Range 3 East, Seward Meridian
Section 6: N1/2, N1/2SW1/4
Township 11 North, Range 2 East, Seward Meridian
Section 33: SE1/4SE1/4 All land lying southeast of Crow Creek Road
Section 34: SW1/4 All land lying east of Crow Creek Road, SE1/4; excluding mining claim recordations **AA 56277, AA 56278,** AA 56282 and AA 56283 and U.S. Survey 11872
Section 35: All, excluding the N1/2NE1/4, NE1/4NW1/4
Section 36: All, excluding the NW1/4NW1/4

Township 11 North, Range 3 East, Seward Meridian

Section 31 [: ALL]

Section 32: W1/2

* **Sec. 4.** This Act takes effect immediately under AS 01.10.070(c).

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB 181**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB181-DNR-MLW-03-07-12
Title: CLOSING CERTAIN LAND TO MINERAL ENTRY
Sponsor: Sen. Giessel
Requester: (S) RES

Dept. Affected: Department of Natural Resources
Appropriation: Land & Water Resources
Allocation: Mining Land & Water
OMB Component Number: 3002

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
FUND SOURCE			(Thousands of Dollars)				
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Prgm (DGF)							
1037 GF/MH (UGF)							
1178 temp code (UGF)							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
POSITIONS							
Full-time							
Part-time							
Temporary							
CHANGE IN REVENUES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial Version, not applicable

Prepared by: Brent Goodrum, Director — Phone: 269-8600
Division: Mining, Land & Water — Date/Time: 3/7/12 9:00 AM
Approved by: Daniel S. Sullivan, Commissioner — Date: 3/7/2012
Department of Natural Resources

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB 181

Analysis

SB 181 amends uncodified law to approve the interim classifications contained in Mineral Order #1121 and in Amendment 3 to mineral Closing order #593, issued by the commissioner of DNR to close state land within the upper Glacier Creek and Winner Creek drainages near Girdwood to new mineral entry.

This proposed legislation will not result in any additional fiscal impact to the department or measurable loss of revenue to the state.

STATE OF ALASKA

SEAN PARNELL, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

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PHONE: (907) 269-8431
FAX: (907) 269-8918

October 12, 2011

The Honorable Sean Parnell
Governor
State Capitol
Juneau, Alaska 99811

Pam Finley
Revisor of Statutes
Legislative Affairs Agency
Legislative Legal and Research Services
State Capitol
Juneau, Alaska 99811

Re: Certification Letter –Mineral Closing Order 593, Amendment 3

Dear Governor Parnell and Ms. Finley:

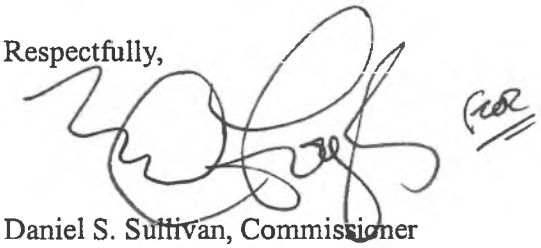
The purpose of this letter is to certify, pursuant to sec. 4, ch. 8, SLA 2003, that development of a resort within the Glacier and Winner Creek drainages near Girdwood has begun, with the effect of terminating Mineral Opening Order No. 603. Under sec. 2, ch. 8, SLA 2003, the Legislature closed state-owned land within the Glacier and Winner Creek drainages to mineral entry. Sec. 3 of the Act repeals the mineral closure effective April 3, 2012, unless the Commissioner of Natural Resources certifies to the Governor and the Revisor of Statutes on or before April 2, 2012 that development of a resort as described in sec. 1, ch. 8, SLA 2003 and as provided in state and Municipality of Anchorage land use plans has begun in the area closed to mineral entry.

Community interest in expanding recreational opportunities within the Girdwood Valley has increased significantly within the last decade. The original development vision of a new four season resort has expanded to include a variety of recreational development opportunities. Local interest groups, private businesses, and governmental agencies have developed Nordic ski trails, expanded backcountry helicopter and snowcat skiing opportunities, and upgraded local trails including the Winner Creek Trail system, and the owner of Alyeska Resort has commissioned the development of a Master Development Plan to promote skier based recreational facilities within the Glacier and Winner Creek drainages. This continued development was further supported by the administration's approval of 3.5 million dollars to the Municipality of Anchorage to extend Arlberg Road to secure access into the Winner Creek area. This road extension project will encourage additional recreational infrastructure and support a variety of recreational opportunities.

As the Commissioner of the Department of Natural Resources, I hereby certify that development of a resort as provided in State and Municipality of Anchorage land use plans has begun in the Glacier and Winner Creek drainages. Therefore, by operation of sec. 4, ch. 8, SLA 2003, Mineral Opening

Order No. 603 is terminated and the mineral entry closure of all land described within Mineral Closing Order 593, Amendment 3, remains in effect.

Respectfully,



Daniel S. Sullivan, Commissioner
Alaska Department of Natural Resources

Cc: Hon. Gary Stevens, Senate President
Hon. Mike Chenault, Speaker of the House of Representatives
John Burns, Attorney General
John Byrne, Alyeska Resort President

State of Alaska
Department of Natural Resources
Division of Mining, Land, and Water

FINDING OF THE COMMISSIONER
AS 38.05.185(a) and 38.05.300(c)

MINERAL ORDER (Closing) 1121
Glacier-Winner Creek Drainages

The Southcentral Regional Manager of the State of Alaska, Department of Natural Resources, Division of Mining, Land, and Water recommends thru the Director's Office that the Commissioner close to new mineral entry approximately 5,580 acres of state and state selected lands within the Upper Girdwood Valley (see Attachment A) in accordance with AS 38.05.185(a) and 38.05.300(c). The purpose of this closure is to support and promote additional recreational development in the Glacier and Winner Creek drainages near Girdwood, Alaska.

Mineral Order (MO) 1121 compliments Mineral Closing Order 593, Amendments 1, 2, and 3.

Background:
The need for a Mineral Closing Order in this area became apparent some time ago when numerous federal mining claims were staked while the federal government was in the processes of conveying these lands to the State of Alaska. As the Municipality of Anchorage was interested in these lands for recreational development, they purchased the claims so that there would be no conflict between surface and sub-surface users. During the formulation of the Turnagain Arm Management Plan, the Anchorage Assembly requested that the State close the area to new mineral staking. In the early 1990's the Commissioner of the Department of Natural Resources closed this area to mineral entry on approximately 10,000 acres of state, state selected, and municipal lands in the Girdwood Valley under Mineral Closing Orders 593 (including amendments 1 and 2). This closure had a term limit of ten years. In 2002, the Commissioner extended the mineral closing order for another ten year term through MCO 593 Amendment 3 (MCO 593 A3). This extension will expire on April 2, 2012.

In accordance with AS 38.05.300(c), MCO 593 A3 was presented to the 2003 Alaska State Legislature for approval. That approval was granted through House Bill (HB) 139 which enacted as ch. 8, SLA 2003. Sec. 4 of that act provides that should the DNR Commissioner certify to the governor and the revisor of statutes on or before April 2, 2012, that development of a resort as described in sec. 1 of the act and as provided in

and Municipality of Anchorage land use plans has begun, the expiration of the closing order would not take effect.

Originally, DNR public noticed that all mineral closing actions for this area would be conducted under MO 1121. It was the intent of DNR to bundle all of the MCOs together and eliminate the confusion the various amendments have caused. However, after consulting with the Department of Law, it was determined that the best course of action was to certify that recreational development has occurred per legislative requirements outlined within ch. 8, SLA 2003. Therefore, a separate process of certifying development has already occurred will parallel this finding, thus eliminating the expiration date for those lands affected by the third amendment of MCO 593 and negating the need to include them within MO 1121.

Recommended Actions under this Finding:

1. Issue Mineral Order 1121 (closure) per AS 38.05.185(a) as mineral entry (mining) is incompatible with the significant surface use development activities occurring within the Glacier and Winner Creek drainages near Girdwood.

2. Transmit and introduce Mineral Order 1121 within the first 10 days of the 2012 legislative session for legislative approval per AS 38.05.300(c).

Rationale for Mineral Closures within the Glacier and Winner Creek Drainages:
Community interest in expanding recreational opportunities within the Girdwood Valley has increased significantly within the last decade. Local interest groups, private businesses, and governmental agencies have developed Nordic ski trails, expanded backcountry helicopter and snowcat skiing opportunities, upgraded local trails including the Winner Creek Trail system, and Alyeska Resort has commissioned the development of a Master Development Plan to promote skier based recreational facilities within the Glacier and Winner Creek drainages. Furthermore, in July 2011 a legislative appropriation of 3.5 million dollars to extend Arlberg Road was approved to fund the necessary road development project to secure access into the Winner Creek area. This extension project is designed to encourage additional recreational infrastructure including, a Nordic trail facility; expanding the existing Nordic trail systems; additional parking areas; and land necessary for additional lodging and real estate opportunities.

If the lands in the Girdwood area were to open to mineral entry and claims staked, it would interfere with the planned, orderly development of the area and could interfere with attempts of developers to obtain financing. Additionally mining activity in this area would be incompatible with the management intent for Management Units 3a and 3b described in the Turnagain Arm Management Plan, which recognizes that this area should be closed to mineral entry. By not taking action to close this area to mineral entry, the possibility exists that mineral staking could occur, in the same way that it did previously with the Municipality of Anchorage. This approach is inconsistent with the intent of AS 38.05.185 which provides for the closure of areas where an apparent incompatibility exists. Substantial recreational development has already occurred and a

development plan has been drafted that provides for recreational use and infrastructure development of this area. The reopening of this area to mineral entry would be incompatible with these existing and planned recreational activities.

Term Length:
The previous mineral orders in this area have been subject to a term limit, in large part based on the stipulation in the area plan that the closures be of ten year duration. However, in its entirety the area plan states "This closure is in effect until ten years from the date of conveyance of this land to the state, at which time the land may be re-opened to mineral entry *if resort development is not likely to occur."* Until recently, it was not apparent when and how this type of development would occur, but this aspect has changed and development on a long-term basis is now much more probable.

One large factor in favor of vacating the "termed" MCO approach is a recent change in ownership of Alyeska Resort. When the first mineral closure was instituted over 20 years ago, the then owner of Alyeska Resort strongly indicated no desire to expand ski area facilities beyond its current boundary, stating that any such expansion of ski area facilities would have to be addressed by a third party. That situation alone made it very difficult for a third party to find it financially feasible to create new skier services in the area which would meet the requirement for a long-term mineral closure.

The current owner of Alyeska Resort is committed to extensive upgrades of equipment and facilities at the resort and to the development of increasingly diverse recreation opportunities within the area of closure. In fact, this change in ownership has resulted in millions of dollars being spent for recreational and infrastructure development to date. Additionally, continued upgrades are planned for the resort, including new lift systems. Forecasted lift upgrades at the Alyeska Resort within the next several years will cost millions of dollars for which public and private financing is available. However, if the Glacier and Winner Creek drainages are subjected to another Mineral Order with a term limit imposed, investment in new lift systems – as well as other important infrastructure improvements—are not likely to occur due to the absence of long term certainty. Alyeska Resort has stated that it is committed to investing capital dollars into infrastructure but not if the area is open to mineral entry.

There is significance to the condition of new ownership at the resort that goes beyond the financial realities. This owner is a highly skilled owner/operator in the ski resort business and is acutely aware of the importance and significance of the resource values in this area. Not just for the opportunity to expand recreational services beyond the current resort's boundary, but for the values development in the surrounding area offer his existing operation at the resort. Increasing the diversity of recreational choices in the surrounding backcountry increases the value of Alyeska Resort as a destination. A diversity of attractions in the area as a whole will lead to increased demand for services, development of jobs, and opportunity for new entrepreneurs. Expansion of recreational based facilities into the Glacier Winner Creek Valley is shown to be feasible by a detailed analysis and technical feasibility study commissioned and paid for by Alyeska Resort. When such an expansion might occur is more closely related to economic conditions.

Agency Review:
An Interagency Review was initiated on January 6, 2011 and concluded on January 18, 2011. Included in the review were Alaska Department of Transportation and Public Facilities, Alaska Department of Environmental Conservation, Alaska Department of Fish and Game, Bureau of Land Management, U. S. Forest Service, Municipality of Anchorage, and Cook Inlet Region Incorporated. Within the Department of Natural Resources, the Divisions of Mining, Land, and Water; Parks and Outdoor Recreation; and the Geological & Geophysical Surveys were included in the review. In total, one "no objection" comment and three agency comments were received.

Agency Comments:

U.S. Forest Service/Glacier Ranger District

Supports the mineral closure in favor of the recreational development in the Girdwood area. Closure is in accordance with current U.S. Forest Service management intents.

MOA Heritage Land Bank

Fully supportive of the mineral closure. MOA lands in the upper Girdwood Valley have a mix of commercial, residential, and recreational values which are inconsistent with mineral entry. They would prefer if the closure was permanent.

ADGGS

The Alaska Division of Geological & Geophysical Surveys reviewed the lands within MO 1121 for mineral resources. They have reported that the USGS and BLM reports are good and thorough summaries for the potential of locatable minerals in this area and that there are no known mineral prospects within the closure area.

Public Notice:
Pursuant to AS 38.05.945, a draft Commissioner's Finding was advertised for a 30 day public comment period, starting on January 20, 2011. This notice was run in both the Anchorage Daily News and the Turnagain Times. Courtesy notices were mailed to interested parties located in and around the mineral closure area on January 19, 2011. The deadline to submit comments was set for February 21, 2011. However, as that date turned out to be a state holiday, the deadline was extended to February 22 so as to accommodate those who tried to submit comments on the last day.

Public Comment Summary:
During the public notice period, DNR received ten public comments in favor of the mineral closure. Below is a summary of those submitted reasons:

- Important for the continued sustainability and viability of the Alyeska resort.
- Important for any possible expansion of the Alyeska Resort.
- Important to maintain the natural view shed for locals and tourist alike.

- Mining is inconsistent with recreation and tourism development and only benefits a few while recreation is available for everyone's enjoyment.
- Several residents did not want to live next to "full blown mining" but also felt that recreational gold panning was acceptable.
- Important to protect current and future recreational development including;
    - Alyeska Resort
    - Expanding Nordic ski trails
    - The upgraded Winner Creek trail system
    - Commercial snowcat and helicopter skiing activities
- A mineral closure in this area would be consistent with the Turnagain Arm Management Plan, Alaska Statehood Act, Alaska state law, and various natural resource court decisions.

Furthermore, nine of the commenters stated that they wanted the mineral closure to either be indefinite or permanent. One comment was submitted by Crow Creek Mine which stated that they supported the intent of the mineral closure, but they recommended instituting a term limit of 10 to 15 years on lands not under a recreational lease so as to prevent a "permanent" closure.

- **DNR Response**: The State of Alaska has the ability to open or close land to new mineral entry through mineral orders. Typically these mineral orders do not have an expiration date. The State of Alaska does not have the ability to make a mineral order permanent. This was purposely set up this way so that future generations can address changes in land use. The Girdwood mineral orders which were established in 1991 were unusual in that the orders had a termination date. This was purposely done so as to trigger a review of land use patterns in the upper Girdwood Valley every ten years. At this time, DNR has determined that sufficient recreational development has begun in the Girdwood area and in order to protect current recreational activities and promote further development, DNR will not place an expiration date on this mineral closure order.

Crow Creek Mine recommended including land within Township 11 North Range 2 East, Seward Meridian: Section 33: SE1/4 SW1/4 All lands lying SE of Crow Creek Road, and Section 34: SE1/4SW1/4 all lands lying East of Crow Creek Road within MO 1121. According to Crow Creek Mine, this would exclude and not impact the U.S. Survey 11872 and federal mining claim recordations AA 56277, AA 56278, AA 56282 and AA 56283.

- **DNR Response**: Mineral Order 1121 (MO 1121) does not include the area described above. Instead, this area is already covered under Mineral Closing Order 593, Amendment 3 (MCO 593A3). It is important to recognize, neither mineral closing order has any effect on U.S. Survey 11872 and federal mining claim recordations AA 56277, AA 56278, AA 56282 and AA 56283 as they are not state owned lands. So long as Crow Creek Mine's federal mining claims are active, these lands are not eligible to be conveyed to the state. If at some point in

time this area is conveyed to the state, MCO 593A3 will then affect the area described.

During the adjudication of MO 1121, an error in the Tentative Approval (TA) for this area was discovered in which two federal mining claims (AA 56277 and AA 56278) were inadvertently excluded from the TA. For this reason, DNR will pursue an amendment to the legal description for MCO 593A3 to read as follows: Township 11 North, Range 2 East, Section 34: SW1/4 all land lying east of Crow Creek Road, SE1/4; excluding mining claim recordations AA 56277, AA 56278, AA 56282 and AA 56283 and U.S. Survey 11872.

Signature page follows:

Commissioner's Decision:
In accordance with of AS 38.05.185(a) and AS 38.05.300(c), I find that the best interest of the State of Alaska and its residents are served by issuing Mineral Order 1121 for closure to mineral entry the described lands within Attachment A. The closure is necessary and proper in order to protect current recreational activities and to promote further development in the Girdwood area. This Administrative Finding determines that mining would be incompatible with the significant surface uses on state land, including potential land disposals such as a recreational development lease (AS 38.05.073), and does not place any term limit on the closure.

The effective date of this closure is to be 30 days after the approval of Mineral Order 1121 by the Commissioner of the Department of Natural Resources. Mineral Order 1121 closes all state land described in Attachment A until such time that the Department determines that they are no longer required for this function. The described state selected lands within Mineral Order 1121 will automatically take effect upon conveyance to the state.

Recommended By: Richard B. Thompson 9/16/2011
Richard B. Thompson
Southcentral Regional Land Manager Date

Concurrence: 9/16/2011
Brent Goodrum, Director Date
Division of Mining, Land & Water

Approved: FOR 10/11/2011
Daniel S. Sullivan, Commissioner Date
Alaska Department of Natural Resources

Request for Reconsideration:
A person affected by this decision may request reconsideration, in accordance with 11 AAC 02. Any reconsideration request must be received by 5:00 pm on November 1, 2011 and may be mailed or delivered to Daniel S. Sullivan, Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-269-8918, or sent by electronic mail to dnr.appeals@alaska.gov. If reconsideration is not requested by that date or if the commissioner does not order reconsideration on his own motion, this decision goes into effect as a final order and decision on November 14, 2011. Failure of the commissioner to act on a request for reconsideration within 30 days after issuance of this decision is a denial of reconsideration and is a final administrative order and decision for purposes of an appeal to Superior Court. The decision may then be appealed to Superior Court within a further 30 days in accordance with the rules of the court, and to the extent permitted by applicable law. An eligible person must first request reconsideration of this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

ATTACHMENT A
MINERAL ORDER NO. 1121

Containing approximately 5,580 acres
within the Glacier and Winner Creek Drainages near Girdwood, AK

LEGAL DESCRIPTION

State owned lands affected by this MO are further described as follows:

Township 10 North 2 East, Seward Meridian

Section 9: E½SE¼NE¼ within the Chugach National Forest
E½SE¼ within the Chugach National Forest
Section 10: SW¼SW¼NE ¼,
S½NW¼ except for the N½NE¼SE¼NW¼,
SW¼, W½SE¼, W½SW¼NE¼SE¼,
SE¼SE¼ except for the NE¼SE¼SE¼
Section 14: W½
Section 15: All
Section 16: E½E½ within the Chugach National Forest
Section 21: E½NE¼NE¼ within the Chugach National Forest
Section 22: N½N½

Totaling approximately 1,540 acres

State selected lands included within this MO:

Township 11 North Range 3 East, Seward Meridian

Section 20: SE¼
Section 21: W½SW¼
Section 28: W½W½
Section 29: All
Section 30: S½
Section 32: NE¼
Section 33: NW¼NW¼

Township 11 North Range 2 East, Seward Meridian

Section 25: S½SE¼

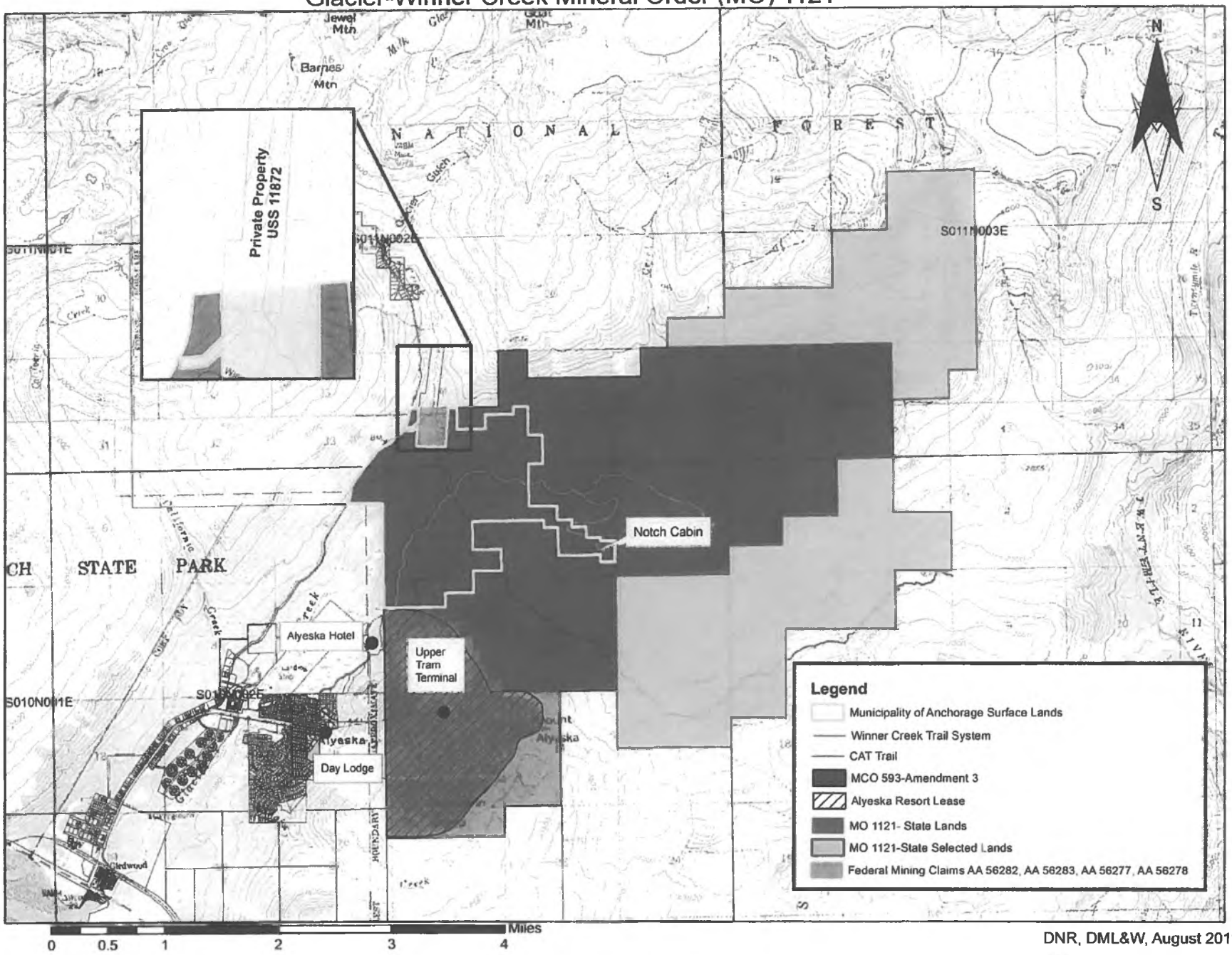
Township 10 North Range 3 East, Seward Meridian

Section 5: NW¼, S½
Section 6: SE¼, S½SW¼
Section 7: SW¼, N½
Section 8: NW¼
Section 18: N½NW¼

Township 10 North 2 East, Seward Meridian

Section 12: All
Section 13: N½

Glacier-Winner Creek Mineral Order (MO) 1121



DNR, DML&W, August 2011

STATE OF ALASKA DEPARTMENT OF NATURAL RESOURCES
DIVISION OF MINING, LAND AND WATER

[ ] Northern Region
3700 Airport Way
Fairbanks, AK 99709
(907) 451-2705

[x] Southcentral Region
550 W. 7th Ave, Suite 900C
Anchorage, AK 99501-3577
(907) 269-8503

[ ] Southeast Region
400 Willoughby, #400
Juneau, AK 99801
(907) 465-3400

MINERAL ORDER 1121
Closing Lands to Mineral Entry

I. Legal Description/Geographic Location: Glacier and Winner Creek Drainages, Girdwood, AK

II. This mineral order is based upon the attached Commissioner's Finding and the written documentation contained in: MO 1121

III.

File Number	Legal Description	Acreage

Please see Attachment A

IV. This order is subject to valid existing rights and issued under the authority granted by AS 38.05.185 - 38.05.275 to the Department of Natural Resources. The above described lands are hereby **CLOSED** to entry under the locatable mineral and mining laws of the State of Alaska.

Concur: _____ 9/16/2011
Brent Goodrum, Director — Date
Division of Mining, Land and Water

Approved: _____ 10/11/2011
Daniel S. Sullivan, Commissioner — Date
Department of Natural Resources

ATTACHMENT A

MINERAL ORDER NO. 1121

Containing approximately 5,580 acres
within the Glacier and Winner Creek Drainages near Girdwood, AK

LEGAL DESCRIPTION

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E½SE¼ within the Chugach National Forest
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S½NW¼ except for the N½NE¼SE¼NW¼,
SW¼, W½SE¼, W½SW¼NE¼SE¼,
SE¼SE¼ except for the NE¼SE¼SE¼
Section 14: W½
Section 15: All
Section 16: E½E½ within the Chugach National Forest
Section 21: E½NE¼NE¼ within the Chugach National Forest
Section 22: N½N½

Totaling approximately 1,540 acres

State selected lands included within this MO:

Township 11 North Range 3 East, Seward Meridian

Section 20: SE¼
Section 21: W½SW¼
Section 28: W½W½
Section 29: All
Section 30: S½
Section 32: NE¼
Section 33: NW¼NW¼

Township 11 North Range 2 East, Seward Meridian

Section 25: S½SE¼

Township 10 North Range 3 East, Seward Meridian

Section 5: NW¼, S½
Section 6: SE¼, S½SW¼
Section 7: SW¼, N½
Section 8: NW¼
Section 18: N½NW¼

Township 10 North 2 East, Seward Meridian

Section 12: All
Section 13: N½

Totaling approximately 4,040 acres

Senate Bill 181
Closing Certain Land to Mineral Entry
Support Letter Index

Attached is a sample of letters received in support of closing Glacier Creek and Winner Creek drainage areas in Girdwood to mineral entry.

Chris Owens
Cynthia Pickering Christianson
Girdwood 2020
John Byrne
Larry Daniels
Mark Yezbick
Matt Kissinger
Municipality of Anchorage
Simon Evans

CHUGACH
POWDER GUIDES

To whom it may concern:

On behalf of Chugach Powder Guides I am sending a letter requesting an indefinite closure of mining in the Upper Winner Creek/Glacier Creek drainages. I believe opening this area to mining would be a detriment to my business. This area represents a critical element of both our heli ski and snowcat skiing activities. This area is our most commonly used terrain and is also necessary for the safe access of our other terrain areas. We believe that mining in this area would substantially disrupt our ability to effectively use this area in a safe and enjoyable manner for our clients. The attached maps show our permitted area of operation around the Upper Winner Creek / Glacier Creek drainages. We have been an established business in operation in this area for 15 years. We have made substantial investments in the development of our product and necessary infrastructure to deliver it in this area.

I am making this request for purposes of the public record. Feel free to contact me at owens@chugachpowderguides.com or 907-783-4354.

Respectfully,

Christopher J. Owens

Chris Owens
General Manager
Chugach Powder Guides

Office 907-783-4354 Fax 907-783-4355 www.chugachpowderguides.com PO Box 641 Girdwood, AK 99587

Comments of Cynthia Pickering Christianson
In support of Proposed Mineral Order Number 1121
Closing Lands In the Upper Girdwood Valley to Mineral Entry

I. Personal Comments:

My husband, our three sons, and I have had a home in Girdwood for over 20 years. Our Girdwood cabin was the center of our family's life while our children were growing up. It still is the place our kids want to go as soon as they come home to Alaska-- from college, ski racing events or working Outside. (They are now age 30, 26 and 18).

From our front door step in Girdwood, depending on the season, we are only minutes away from skiing or hiking the slopes at Alyeska Resort, skiing around Moose Meadow while dog teams whiz by, exploring the upper meadows of Glacier Valley on foot or on skis, skiing with skins up the cat track to the backcountry, mountain biking on the newly created bike trails at the Resort or on other trails through the forest, hiking or mountain biking the Winner Creek trail, berry-picking, fishing at Glacier Creek, backpacking up Winner Creek trail with a pack raft and tent into the neighboring Twenty Mile valley, taking a helicopter to a nearby ridge and hiking back home, going out to a gourmet restaurant (or maybe a down-home one), getting a massage at the spa at the Resort, enjoying a festival, attending a ski club event.....the list goes on. What is unique about Girdwood is the accessibility of these activities, and the mix.

Our family has spent countless hours, in summer and in winter, exploring the trails, experiencing the pristine wilderness and enjoying the amazingly beautiful backcountry of the Glacier-Winner Creek Valley. All of us are alpine skiers, and some of us enjoy the Nordic trails as well. Our sons grew up spending every free minute on the mountain skiing during ski season --beginning with lessons at the Alyeska Resort's ski school, progressing through the Alyeska Ski Club's race programs, and chasing each other and their friends down the mountain free skiing when their lessons, training or racing were done for the day. One of our sons went on to become a 4 time NCAA All American alpine ski racer who represented the United States twice at World University Games, and another is currently on the U.S. Ski Team and won the U-15 (Children's) World Alpine Ski Championship in Italy in 2007.

Alyeska Resort has a lot of great alpine skiing terrain for its relatively small size. Its chutes on the North Face are world class. It has hosted U.S. National Alpine Ski Championships three times in the last 10 years, and many other types of ski competitions as well. It's a great mountain, but frankly it needs to expand its skiable terrain and update its lifts to attract more winter visitors from Outside and position itself as a top destination ski resort. One of the benefits of having kids who

ski race is that we travel to ski resorts all over the world, and we are always peppered with questions by people who want to know what Alyeska Resort is like and whether they should come to visit in winter.

We feel incredibly lucky to have had the opportunity to spend our free time and raise our sons in Girdwood. I know of no other place that offers what Girdwood offers in the way of outdoor recreation and community, less than an hour from a major metropolitan area. Girdwood's location has allowed us to have the best of both worlds---challenging work in the major urban center of the State, and a great place to be together the rest of the time, away from town, in the outdoors, in our cabin and on the mountain. Visitors to the State can likewise have easy access to Girdwood's unique mix ---the beauty of the Alaska wilderness, the developed trail system in the Glacier-Winner Creek Valleys, great restaurants, and choices in accommodations ranging from a luxury hotel with spa to good camping--- less than an hour from the Anchorage International Airport.

On any summer day, one is likely to run into tourists from all over the world walking from the Hotel toward Winner Creek, on the recently upgraded Winner Creek Trail. My husband and I hike it often, usually to get to the more remote Upper Winner Creek valley, which we love for its wilderness and amazing vistas. Nearly every time I hike the trail in the Upper Winner Creek Valley, I say something like --- "I cannot believe this spectacular valley is just an hour from a city. There cannot be a more beautiful trail anywhere. We are so lucky." That trail, and the joy of hiking it, would be destroyed if the Glacier-Winner Creek Drainages are opened to mining. In fact, opening the Glacier-Winner Creek area to mining would most likely wreck a lot of the Girdwood we know and enjoy.

Mining, today, is not done by a prospector with a pick and shovel and a gold pan. That romantic icon of the Gold Rush is long gone, and mining today is anything but romantic.

Mining is a full-blown industrial activity. For the State of Alaska to open Girdwood's ski and hiking trails, and the area designated for proposed expansion of the Resort ski area, to industrial development would be completely misguided. It is not as though there are proven mineral reserves in the Glacier-Winner Creek Drainages and/or that development of world class resort and recreational facilities is just a pipe dream. Just the opposite. There are no proven reserves and there is a world class resort developer in place.

Mining in Glacier-Winner Creek Drainages would directly conflict with existing and proposed recreational and tourism uses of state lands in Girdwood. Making it an industrial area would destroy the Girdwood we love---- both as it is, and what we hope it will become.

The mine run by Girdwood Mining Company mine at about Mile 5 on Crow Creek Road hints, in a minor way, at what mining in the Glacier-Winner Creek area

would be like---the natural site at the GMC mine has been irrevocably scarred, the riverbed has been reduced to enormous piles of gravel and rubble, and heavy equipment is scattered about. The GMC mine is an eyesore, and it blocks the public's access to public lands. And, notwithstanding the extent of surface disturbance which that mine has already caused, from what I understand it is not even really operating at this point.

At least the GMC mine is on an established road system. Most new mining operations in the Glacier-Winner Creek valleys would likely require the construction of access roads and, or the use of 6x6 vehicles, through pristine forest, riverbeds and wetlands. The ecological ramifications of gaining access for a mining location, or even for prospecting and sampling necessary to establish a mineral discovery, could be horrendous in these drainages. Thus, just to ascertain the scope of minerals available would require roads and extensive disturbance of the area with heavy machinery. Thus, the effects of mining in the Glacier-Winner Creek drainages would extend beyond the specific lands covered by the proposed DNR Order.

Heavy and extensive industrial activity in the Glacier Valley would negatively affect Girdwood's character and desirability as a place to recreate and visit.

II. Professional Comments:

I practiced public lands and natural resources law in Alaska for thirty years.

I am very familiar with the difficult legal and practical problems presented by mining in recreational areas. I was the lead trial attorney stationed in Alaska within the Land and Natural Resources Division of the U.S. Department of Justice for nearly 7 years, during which time I had the opportunity to handle a number of cases involving conflicts among miners or would-be miners and recreationists/environmentalists. In private practice, representing a bankruptcy trustee of a gold mine, I spearheaded the federal buyout of mining claims in Kantishna in Denali National Park, and to that end worked to get three Congressional appropriations passed, and participated in contentious negotiations and vitriolic litigation for more than a decade. In the case of Kantishna, the point was to get pre-existing mining claims bought out of lands that had been added into Denali National Park in 1980 with passage of ANILCA. It was kind of like trying to put the genie back in a bottle. DNR is well-advised to close the Glacier-Winner Creek Drainages to mineral entry and avoid the obvious user and legal conflicts that would surely develop. Indeed, opening those lands to mining would virtually guarantee the conflicts which are endemic when split estates in public lands are conveyed to or used by different parties for different uses---especially mineral development and recreation. To open public lands to mining in a well-used recreation area, and perhaps the middle of a successful resort, would be unimaginably shortsighted.

Furthermore, it is appropriate that DNR uphold the state and municipal public land planning process. This result is accomplished by issuance of Mineral Order 1121. The Turnagain Arm Management Plan ("Plan"), which recommends that the area in question be closed to mineral entry in light of recreational use and development in the area, was the result of public input and professional expertise that should be respected and incorporated in state land use decisions. It also appears that although previous state mineral orders affecting the lands in question have had a ten year term "in large part based on the stipulation in the area plan that closures be of ten year duration", (see Proposed Finding of the Commissioner, p.2, second full paragraph), said plan stipulation actually says that the mineral closure "may" be reopened "if resort development is not likely to occur", i.e. that reopening the land to mineral entry is not mandatory under the plan.

Finally, closure of the Glacier-Winner Creek Drainages to mineral entry by Proposed Mineral Order 1121 is consistent with Section 6(a) of the Alaska Statehood Act, which is the legislative authority pursuant to which the State has, or will, obtain title to the lands in question from the federal government as part of its statehood entitlement. These lands were at one point (or still are), part of the national forest. Section 6(a) governs selection and conveyance of lands out of the National forests to the State of Alaska. Section 6(a) states in relevant part:

> For the purpose of furthering the development of and expansion of communities, the State of Alaska is hereby granted and shall be entitled to select, within thirty-five years after the date of the admission of the State of Alaska into the Union, from lands within national forests in Alaska which are vacant and unappropriated at the time of their selection not to exceed four hundred thousand acres of land . . . all of which shall be adjacent to established communities or suitable for prospective community centers and recreation areas. Such lands shall be selected by the State of Alaska with the approval of the Secretary of Agriculture as to national forest lands . . .

The Ninth Circuit Court of Appeals upheld the Forest Service's more restrictive interpretation of the statute requiring a community nexus, and an expectancy that that the lands would be used for development of communities and recreation areas, in litigation between the State of Alaska and the United States entitled Alaska v. Lyng, 797 F.2d 1479 (9th Cir. 1986). (I represented the Forest Service in this case at the trial level). While it is easy to see how resort and recreational development would be consistent with development of community centers and recreation areas consistent with the intent of Section 6(a), in my opinion opening the lands to mineral entry and development would be inconsistent with such intent.

AS 38.05.275 provides that mining locations on state land acquire for the locator mining rights, "subject to . . . any . . restriction in the tentative approval of state selection or patent of the land to the state ." Thus, Section 275 recognizes that any

conditions in title obtained from the federal government flow through to the mineral locator, and may limit mining rights obtained by a mineral locator. Section 6(a) imposes conditions on the conveyances authorized by it by limiting state land selections from the national forest to lands chosen for community and recreational development purposes. The U.S. Secretary of Agriculture had to have approved conveyance of the lands within Glacier-Winner Creek Drainages to the State based on their suitability for community and recreational development. Proposed Mineral Order 1121 is consistent with those conditions.

III. For the foregoing reasons, I support the Proposed Finding of the Commissioner and Mineral Order 1121.

Cynthia Pickering Christianson
February 21, 2011

GIRDWOOD 2020

P.O. Box 1102
Girdwood, Alaska 99587
www.girdwood2020.org

Executive Committee

Diana Stone Livingston, Chair
Hank Hosford, Secretary
Carl Propes, Treasurer

Gary Bucy
Randall Call
Larry Cash
Larry Daniels
Dick Day
Jeff Demain
Bryan Epley
Alexandra Fletcher
Bob Gross
Di Hiibner
Lana Johnson
Lynn Johnson
Philip Livingston
David McVeigh
Dave Parish
Sherron Perry
John Rense
Dave Stratton
Ethan Tyler
Dave Wilson

Jim Barnett, Honorary Member
Per Bjorn-Roli, Honorary Member
Chris von Imhof, Honorary Member

February 17, 2011

Mr. Rick Thompson, Regional Land Manager
Alaska Department of Natural Resources
Division of Mining, Land and Water
Southcentral Region Land Office
550 West Seventh Avenue, Suite 900C
Anchorage, AK 99501-3577

Subject: Girdwood 2020 Supports Proposed Finding of the Commissioner Mineral Order 1121

Mr. Thompson:

Thank you for this opportunity to comment in support of the referenced Proposed Finding of the Commissioner, Mineral Order 1121. Girdwood 2020 is a citizen's group that advocates for thoughtful resort, recreation and community development in the Girdwood Valley. We also advocate for the region's natural setting and the mountain gateway community lifestyle this area offers. Our organization realizes that a healthy community has a good economy, and to that end we support wise valley infrastructure as well as education and employment consistent with a mountain resort community. Our membership includes both Girdwood residents and non-resident property owners, and other interested parties, all committed to the area.

Girdwood 2020 recognizes the importance of mineral resources to the State of Alaska and the role mining played in the origins of our community, so we did not arrive at our position lightly. Natural resource revenues are the backbone of our State and we all enjoy the job and infrastructure benefits provided by mineral revenues. However, most of the Girdwood area has been under mineral closure for the past decade based on its potential for a recreation-based economy. During that time significant progress has been made towards the recreational development proposed in the Girdwood Area Plan completed in 1994.

The Girdwood Area Plan is the best guide for land use in this area. The plan recognizes the potential for a variety of recreational uses, and acknowledges that the area could eventually become a high quality four season development of international scope.

In its present configuration, the Girdwood area is an economic generator that provides activities to Alaska residents and visitors. Improvements of the past ten years include trail enhancement, a major overhaul of Alyeska Resort's ski and support facilities, and new biking and hiking venues. A public visitor center focusing on the Girdwood Valley's history has been opened at the top of the Alyeska Resort Tram.

Under construction today is a major multi-use Nordic all season loop in the Girdwood upper valley. The first 5K is nearly completed and when opened will accommodate Nordic activities, hikers, bikers and other trail users, at all times of the year. When the full trail design is realized we expect it to attract more major winter events and visitors to Alaska.

The present owner of Alyeska Resort embraces the vision contemplated in the Girdwood Area Plan. In addition to many resort improvements, the owner is providing real estate opportunities that will enhance commercial and visitor related business in the area.

Over the past ten years, Girdwood 2020 has confirmed widespread support for the concept of four season recreation development in the area. Numerous statewide organizations, leaders and government agencies came together to sign a memorandum of understanding in support of the concept. We have conducted two independent surveys that found overwhelming support for recreational development among the residents of Girdwood and Anchorage. Furthermore, the State and Federal governments have funded significant infrastructure and road improvements that support the growth of the community and recreational development.

I say with certainty that this letter of support expresses the convictions of Girdwood 2020's membership that the portions of the Girdwood Valley now closed to mining activity should continue to be closed.

You may contact me for clarification and further information. Thank you.

Sincerely,

Diana Stone Livingston, Chair
Girdwood 2020
Email: dstoneliv@livingstonalaska.com
Phone: 907-351-5722

ALYESKA RESORT
ALASKA

February 11, 2011

Alaska Division of Natural Resources
Division of Mining, Land and Water
Southcentral Region Land Office
Mr. Rick Thompson, Regional Land Manager
550 W 7th Avenue, Suite 900c
Anchorage, AK 99501-3577

Dear Rick:

I recently received and have reviewed the Proposed Finding of the Commissioner (Mineral Order 1121) ("Proposed Finding"). I find the Proposed Finding necessary and appropriate. The closure of the lands described in the Proposed Finding to mining is important for the continued sustainability and viability of Alyeska Resort. I expect Alyeska Resort and the community of Girdwood to continue to grow and expand as an important recreational resource of both the Municipality of Anchorage and the State of Alaska. I fully support the Proposed Finding as currently drafted.

Sincerely

John Byrne
President, Alyeska Ski Resort

PO BOX 249 1000 ARLBERG AVENUE GIRDWOOD, AK 99587
907-754-1111 RESERVATIONS: 800-880-3880 ALYESKARESORT.COM

Mr. Adam Smith
STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF MINING, LAND AND WATER
SOUTHCENTRAL REGION
550 W7th Ave., SUITE 900c
Anchorage, Alaska 99501-3577

Public Notice Under AS 38.05.945
Mineral Order 1121

Feb. 12, 2011

Dear Mr. Smith,

I would like to go on record as supporting the planned closure of Winner Creek and surrounding State lands to mineral entry. The State of Alaska and before that, the US Forrest Service, has had this important recreational area closed to mineral entry for many years. This restriction should continue for the foreseeable future.

Sincerely,

Larry Daniels
154 Kitzbuhel
PO Box 867
Girdwood, AK 99587
907-229-2550

Mark Yezbick
PO BOX 918
171 Crow Creek Road Apt 2
Girdwood, AK 99587-0071

February 17, 2011

State of Alaska
Department of Natural Resources
Division of Mining, Land and Water
Southcentral Region
550 W 7th Ave., Suite 900c
Anchorage, AK 99501-3577

Re: Mineral Order 1121

I am a full-time resident of Girdwood Alaska. I support a continued closure to new mineral entry in the Glacier and Winner Creek drainages as described in your public notice dated 20 January, 2011.

While I support the mining industry in the State of Alaska, mineral entry in this area is inconsistent with the recreational and tourism development of the Girdwood valley. The area under consideration in the Glacier and Winner Creek drainages offers more potential for increased recreational and tourism development, which helps diversify the Alaskan economy.

I would also support a permanent closure of this area to mineral entry on the basis that future recreational and tourism development may be hampered by the risk that the area may be opened to mineral entry.

Regards,
Mark Yezbick

Matt Kissinger
PO BOX 71
928 Timberline Dr.
Girdwood, AK 99587-0071
February 17, 2011

State of Alaska
Department of Natural Resources
Division of Mining, Land and Water
Southcentral Region
550 W 7th Ave., Suite 900c
Anchorage, AK 99501-3577

Re: Mineral Order 1121

I am a full-time resident of Girdwood Alaska. I support a continued closure to new mineral entry in the Glacier and Winner Creek drainages as described in your public notice dated 20 January, 2011.

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I would also support a permanent closure of this area to mineral entry on the basis that future recreational and tourism development may be hampered by the risk that the area may be opened to mineral entry.

Regards,

Matt Kissinger

MUNICIPALITY OF ANCHORAGE

Real Estate Department, Heritage Land Bank 907-343-7533

Mayor Dan Sullivan

January 14, 2011

Mr. Adam Smith
Natural Resources Manager
DNR, Southcentral Region
550 W 7th Avenue, # 900c
Anchorage, AK 99501

RE: Mineral Order 1121

Dear Mr. Smith:

The Municipality of Anchorage (MOA) Real Estate Department appreciates the opportunity to comment on the Mineral Order 1121 regarding the State's subsurface estate lands in the Girdwood Valley. We are interested in providing comments in regard to the Department of Natural Resources' notice of Agency Review on closure of several Mineral Orders and have the following comments.

The MOA Heritage Land Bank is fully supportive of DNR's proposal to continue the existing closure to mineral entry. This includes support of the new Mineral Order 1121 which would supersede and rescind MCO 593, MCO 603 and MOO 942 and related amendments. The MOA lands in the upper Girdwood Valley have a mix of residential, commercial and recreational values which are inconsistent with a policy of open subsurface mineral entry. We agree that mineral entry in this area is incompatible with these values and with current and planned use of the lands. Only the term causes us concern; we would prefer DNR permanently close the subject lands to entry.

To reiterate, the MOA fully supports DNR's proposed closure of the above lands to mineral entry and supports approval of Mineral Order 1121, and hope that you consider permanent closure.

Please contact Alison L. Smith at 343-7531 or smithal@muni.org if you have any questions.

Sincerely,

Tammy R. Oswald
Acting Director

cc: Alison L. Smith, Land Manager

Smith, Adam M (DNR)

From:
Sent: Monday, February 21, 2011 3:23 PM
To: Smith, Adam M (DNR)
Subject: Re:Closure of Mining in Girdwood

Hi Adam,

As a 10 yr. resident of Girdwood, I am in favor of closing commercial mining. I believe that Girdwood is successfully transitioning into a recreational area and that should be our focus in the future. If activities don't bring in tourists, than they should be done elsewhere. Small scale personal mining is acceptable and can be a tourism draw. However, large scale commercial operations cause more destruction of our natural resources and only benefit a few people.

Best Regards,

Simon Evans, P.E.
907-230-0310

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mail2web.com - What can On Demand Business Solutions do for you?
http://link.mail2web.com/Business/SharePoint

USDA United States Department of Agriculture | Forest Service | Glacier Ranger District | P.O. Box 129 Forest Station Road Girdwood, AK 99587

File Code: 1500/2800
Date: February 2, 2012

Jennifer Murrell
Natural Resource Specialist II
SOA-DNR-SCRO-Leasing Unit
550 W 7th Avenue Ste 900c
Anchorage, AK 99501-3577

Dear Ms. Murrell,

The Glacier Ranger District supports the Glacier Winner Creek Mineral Closing Order. Withdrawal of this area is important to the continued investment in recreational development by businesses in the Girdwood Community; including Alyeska Resort and Chugach Powder Guides. In addition, withdrawal provides certainty to other small businesses which provide recreational services on both these state lands and the adjacent federal lands of the Chugach National Forest. Lastly, withdrawal offers the best form of protection for the existing Winner Creek and Upper Winner Creek trails, both are trail segments of the significant and historic National Iditarod Trail.

Sincerely,

/s/ Tim Charnon
TIM CHARNON
Glacier District Ranger

cc: dhiibner
geoff.gross

ALASKA MINERS ASSOCIATION, INC.
3305 Arctic Blvd., #102, Anchorage, Alaska 99503 • (907) 561-9225 • FAX: (907) 563-9225 • www.alaskaminers.org

February 6, 2012

The Hon. Cathy Giessel
The. Hon. Bill Hawker
State Capital
Juneau, Alaska

Re: SB181 and HB285

Dear Senator Giessel and Representative Hawker;

As you both are aware, the Alaska Miners Association is a long established group dedicated to promoting the responsible development of Alaska's mineral resources. The Alaska Miners Association is a non-profit membership organization established in 1939 to represent the mining industry in Alaska. The AMA is composed of more than 1400 individual prospectors, geologists and engineers, vendors, suction dredge miners, small family mines, junior mining companies, and major mining companies. Our members look for and produce gold, silver, platinum, diamonds, lead, zinc, copper, coal, limestone, sand and gravel, crushed stone, arrnor rock, and other materials. Our members live and work throughout the state.

We recently took up the questions that are addressed in your respective bills as identified above, regarding a mineral closure order in the Glacier and Winter Creek drainages in the Girdwood area. We are specifically appreciative of the process followed by DNR, in evaluating the proposed areas as to their mineral potential and other values. We support the closure orders and agree with the assessment that these lands are properly suitable for expansion of the recreation uses. We would note that should such use cease, we would like to see the closure orders reversed and the areas reopened to mineral development.

Again, we appreciate the chance to comment and support the effort to accomplish these particular withdrawals. Thanks to you both for all of the hard work and dedication you provide to the citizens of Alaska in your roles as legislators.

Please feel free to contact me if you have further questions or need additional information.

Cordially,

Fred Parady
Executive Director

SB 192

(FILE 1)

<TARGET><BILL>SB 192</BILL><SUBJECT>SB 192 (FILE 1)</SUBJECT><COMM>SRES27</COMM></TARGET>

SENATE BILL NO. 192

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Introduced: 2/8/12
Referred:

A BILL

FOR AN ACT ENTITLED

"An Act relating to the oil and gas production tax; and providing for an effective date."

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

*** Section 1.** AS 43.55.011(g) is amended to read:

(g) For each month of the calendar year for which the producer's average monthly production tax value under AS 43.55.160(a)(2) **for a** [PER] BTU equivalent barrel of the taxable oil and gas is more than $30, the amount of tax for purposes of (e)(2) of this section is [DETERMINED BY MULTIPLYING THE MONTHLY PRODUCTION TAX VALUE OF THE TAXABLE OIL AND GAS PRODUCED DURING THE MONTH BY THE TAX RATE CALCULATED AS FOLLOWS:

(1) IF THE PRODUCER'S AVERAGE MONTHLY PRODUCTION TAX VALUE PER BTU EQUIVALENT BARREL OF THE TAXABLE OIL AND GAS FOR THE MONTH IS NOT MORE THAN $92.50, THE TAX RATE IS] 0.4 percent multiplied by the number that represents the difference between that average monthly production tax value **for a** [PER] BTU equivalent barrel and $30 [; OR

(2) IF THE PRODUCER'S AVERAGE MONTHLY PRODUCTION

TAX VALUE PER BTU EQUIVALENT BARREL OF THE TAXABLE OIL AND GAS FOR THE MONTH IS MORE THAN $92.50, THE TAX RATE IS THE SUM OF 25 PERCENT AND THE PRODUCT OF 0.1 PERCENT MULTIPLIED BY THE NUMBER THAT REPRESENTS THE DIFFERENCE BETWEEN THE AVERAGE MONTHLY PRODUCTION TAX VALUE PER BTU EQUIVALENT BARREL AND $92.50, EXCEPT THAT THE SUM DETERMINED UNDER THIS PARAGRAPH MAY NOT EXCEED 50 PERCENT].

* **Sec. 2.** This Act takes effect January 1, 2013.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version **SB 192**
Fiscal Note Number
() Publish Date

Identifier (file name) SB192-DOR-TAX-02-09-12
Title Oil and Gas Production Tax Rates
Sponsor Senate Resources Committee
Requester (S) RES

Dept. Affected Revenue
Appropriation Taxation and Treasury
Allocation Tax Division
OMB Component Number 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	***		***	***	***	***	***

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version.

Prepared by Cherie Nienhuis, Commercial Analyst — Phone 907-269-1019
Division Tax Division — Date/Time 2/9/2012; 1pm
Approved by Bryan Butcher, Commissioner — Date 2/9/2012
Department of Revenue

(Revised 11/18/2011 OMB)

Analysis

This bill makes a change to the progressive tax rate portion of the production tax at AS 43.55.011(g) by removing the second trigger of the progressive tax rate calculation that lowers the progressive tax rate to 0.1% on production tax values of $92.50 and greater. The bill also removes the statutory maximum tax rate of 75% under the production tax statutes. The bill retains the initial trigger of $30 in production tax value at which point the progressive tax rate is calculated as 0.4% per dollar increase in production tax value.

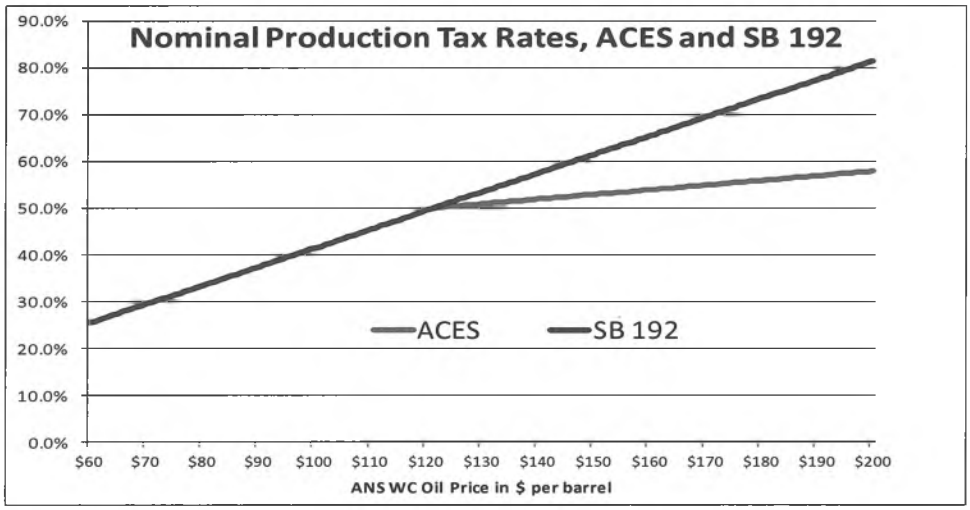
Given the Fall 2011 oil price, production, and lease expenditure forecast through FY 2017, the tax rate changes from this bill are not projected to have a direct revenue impact. The Fall 2011 forecast through the time period covered by this fiscal note (FY 2017) range from $106 per barrel to close to $110 per barrel for Alaska North Slope crude oil. Combined with anticipated production levels and lease expenditure projections, our forecast does not anticipate production tax values meeting or exceeding $92.50 per barrel. Therefore, based on our most recent forecast, the progressivity rate changes in this bill will not impact revenue expectations.

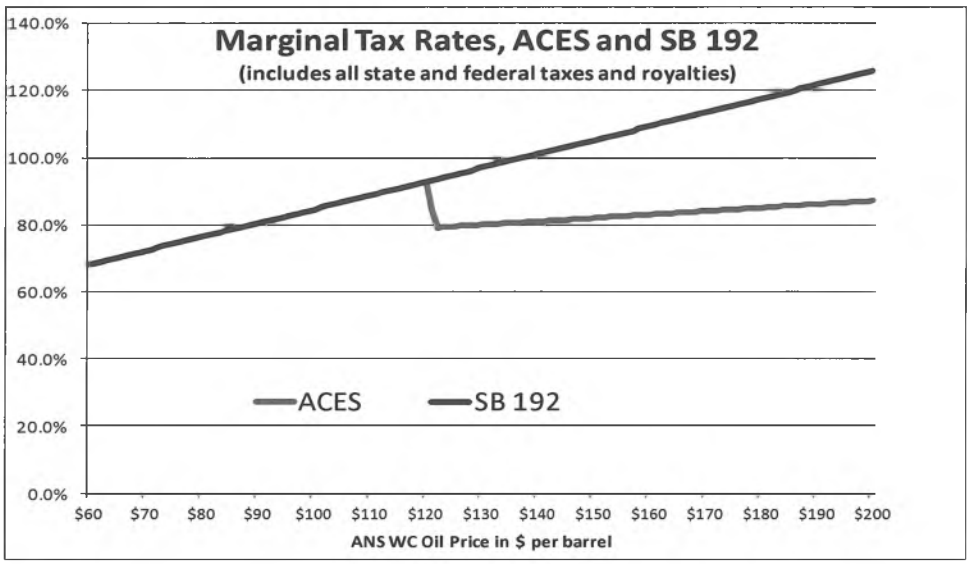
If oil prices were to increase, or if production were to increase with no corresponding increase in lease expenditures, production tax rates, and therefore revenue, could be increased from this bill. With current production levels, and current transport costs and lease expenditure levels, much of North Slope crude oil would be subject to a production tax increase at $120 - $130 per barrel (ANS WC) and above. Without a maximum production tax rate, tax rates could continue to escalate until they exceed 100%. Marginal government take exceeds 100% at approximately $140 per barrel, when holding all other assumptions constant. This means that at $140 per barrel, the government would take more than 100% of every dollar that the oil price increases.

The bill has an effective date of January 1, 2013.

The following two graphs show nominal production tax rates and marginal tax rates at a range of oil prices given current transport and lease expenditure assumptions for ACES (current law) and SB 192. Nominal production tax rates are the ACES statutory production tax rates as calculated by taxpayers; marginal tax rates are the rates that the government collects of each additional dollar that the oil price increases. The marginal tax rate graph includes all major federal and state taxes and royalties.

Analysis Continued





FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **CS SB 192 (RES)**
Fiscal Note Number:
Publish Date:

Identifier (file name): SB192CS(RES)-DOR-TAX-03-09-12
Title: Oil and Gas Production Tax Rates
Sponsor: (S) Resources
Requester: (S) Finance

Dept. Affected: Revenue
Appropriation: Treasury and Taxation
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	214.8		214.8	214.8	214.8	214.8	214.8
Travel	10.0		10.0	10.0	10.0	10.0	10.0
Services	504.4		9.4	9.4	9.4	9.4	9.4
Commodities	1.0		1.0	1.0	1.0	1.0	1.0
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**730.2**		**235.2**	**235.2**	**235.2**	**235.2**	**235.2**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	730.2		235.2	235.2	235.2	235.2	235.2
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**730.2**	**0.0**	**235.2**	**235.2**	**235.2**	**235.2**	**235.2**

POSITIONS							
Full-time	**2.0**		2	2	2	2	2
Part-time							
Temporary							

CHANGE IN REVENUES	***		***	***	***	***	***

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated to reflect changes provided for in the CS, version E.

Prepared by: Dan Stickel and Cherie Nienhuis, Economists — Phone: 907-465-3279
Division: Tax — Date/Time: 3/9/12 4:11 PM
Approved by: Bryan D. Butcher, Commissioner, Department of Revenue — Date: 3/9/2012

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CS SB 192 (RES)

Analysis

The revenue impact of this bill is indeterminate.

This bill makes several changes to the oil and gas production tax system. Each of the major changes, along with its potential revenue impact, is discussed below.

1. **Makes changes to the progressive surcharge.** The "progressive surcharge" applies when the Production Tax Value (PTV) of all oil and gas produced in the state exceeds $30 per barrel of oil equivalent (BOE). Under current law, the surcharge is 0.4% per $1 of PTV between $30 and $92.50 per BOE, and it is 0.1% per $1 of PTV between $92.50 and $342.50 per BOE, for a maximum surcharge rate of 50%. The surcharge rate is not bracketed: it applies to the entire PTV, not just the incremental value. Under this bill, the surcharge rate is changed to 0.35% per $1 of PTV between $30 and $101.43, plus 0.1% per $1 of PTV between $101.43 and $201.43, for a maximum surcharge rate of 35%. The surcharge rate continues to apply to the entire PTV, not just the incremental value. The effective date of this provision is January 1, 2013. Under Fall 2011 forecast assumptions, this change would reduce revenue by $125 million in FY 2013, $230 million in FY 2014, and approximately $200 million per year in FY 2015- FY 2018.

2. **Creates a $10 per barrel allowance for production increases**. This provision of the bill creates an allowance, by effectively reducing the production tax value by $10 per barrel, for each barrel sent down the Trans Alaska Pipeline System (TAPS) by a company above their prior year level. The allowance is applicable only against the base tax rate of 25% and therefore the monetary value to the company is $2.50 per barrel. The allowance is calculated and refunded by the Department independent of the tax and progressivity calculation and therefore does not impact the tax and progressivity rates applied. Under the Fall 2011 production forecast, several companies would receive this allowance in certain years during the time horizon of this fiscal note, but the total tax revenue impact (and therefore benefit to producers) is less than $25 million total for all companies for all years.

3. **Implements a 10% gross minimum tax for units with over 1 billion barrels cumulative production and over 100,000 barrels per day production in the most recent year**. This provision of the bill creates a minimum tax of 10% of gross value for certain units, and deductions and credits cannot reduce the net tax for those units below 10% of gross value. Currently, the only units for which this provision would apply would be Prudhoe and Kuparuk. Under Fall 2011 revenue forecast assumptions, this provision would result in a tax increase for certain companies in certain years during the time horizon of this fiscal note, increasing state revenue by less than $25 million per year. At lower oil prices, this provision would result in a significant increase in revenue to the state, amounting to over $400 million per year increased revenue at a $40 oil price.

As part of the minimum tax language, this bill makes changes to the calculation of the community revenue sharing fund provision at AS 29.60.850. This bill changes the calculation of the community revenue sharing fund appropriation to be the lesser of 20% of the progressivity for oil and gas for the previous year or the difference between the amount of revenue received under the minimum tax and 25% of the production tax value for oil and gas subject to the minimum tax in the previous year. The bill retains the maximum appropriation provisions. This provision, as currently written, increases the complexity of the calculation, but will likely not materially impact the amount of revenue appropriated.

4. **Provides for a new petroleum information management system, to be implemented by the Alaska Oil and Gas Conservation Commission (AOGCC)**. This provision of the bill provides for a new information management system for publicly available oil and gas information, to be operational before January 1, 2014. The only responsibility of the Department of Revenue would be to provide certain information to AOGCC on a regular basis. These responsibilities could be implemented using existing resources.

5. "Decouples" Some Oil and Gas for Progressivity. This bill separates some oil and natural gas for purposes of calculating the progressivity portion of the production tax under AS 43.55 (also known as "decoupling"). Currently, all oil and gas are combined for purposes of calculating a single progressivity rate. Under this bill, two progressivity rates would be calculated. The first progressivity surcharge would be based on oil, Cook Inlet gas, and gas used in state. The second progressivity surcharge would be calculated based on gas other than Cook Inlet gas and gas used in state. The bill instructs the Department of Revenue , to the extent possible, to provide for the allocation of lease expenditures in proportion to the gross value at the point of production for the oil and gas produced.

Analysis Continued

For purposes of the tax calculation, exploration expenditures and development expenditures for non-producing leases or units would be allocated within geographic areas based on the gross value at the point of production of existing oil and gas production.

There would be minimal revenue impact during the time period included in this fiscal note as gas that is produced in Cook Inlet or used in state is not impacted by this bill. Small amounts of gas sales that would be decoupled prior to a major gas sale are expected to impact revenue to the state by less than $10 million per year.

Under the current ACES system without the separate progressivity calculations, the state may receive less tax revenue with oil production and major gas sales, compared to oil production alone. This effect is due primarily to lower value gas diluting the progressivity surcharge on higher value oil under a combined tax. Under this bill, once major North Slope gas sales begin, exported gas will be subject to the separate progressivity calculation. Our modeling suggests that under this bill, and with addition of major gas sales to oil production, state revenue would be equal to or higher than revenue with oil only.

Additionally, this provision would generally increase tax revenue to the state, compared to the current tax system with a combined progressivity calculation, from major gas sales along with oil production. The amount of tax revenue increase is primarily dependent on oil and gas price and volume assumptions, along with some minor assumptions regarding expenditures and tariffs, but could be in excess of $1 billion per year.

Costs to Implement

With the change in tax structure with decoupling, the department will need to develop comprehensive regulations. Significant regulations work would also be required to implement the other provisions of this bill, with some interrelations between the various provisions of the bill. The Department would require an additional $495,000 for regulatory work and public participation in regulations for the package of regulations. With passage of this bill in the 2012 legislative session, the workshop and public forum process would likely begin in the summer or fall of 2012, and the majority of the regulation costs would be incurred in FY 13.

Specific costs for each major regulation project include the following:
$75,000 for contracted professional services for regulation consulting.
$270,000 for regulations costs including Department of Law, public notice and registry.
$150,000 for public forums for education of taxpayers and public participation, including preparation materials and legal support, and possibly travel.

In addition to the one-time costs, the provisions of this bill will require two additional positions to handle the increased complexity of the tax law created by this legislation, in particular the increased workload associated with the gross floor, additional production allowance, and reporting requirements of this bill. The positions would be an Oil and Gas Revenue Auditor IV (Range 24) and a Tax Technician III (Range 14), at an annual cost of $235,200.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB192(RES)**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB192CS(RES)-DNR-DOG-03-13-12
Title: Oil and Gas Production Tax Rate
Sponsor: Senate Resources Committee
Requester: Senate Finance

Dept. Affected: Natural Resources
Appropriation: Oil and Gas
Allocation: Oil and Gas
OMB Component Number: 439

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	743.4		743.4	743.4	441.2	441.2	441.2
Travel							
Services	139.0		139.0	99.0	47.5	47.5	47.5
Commodities	75.0						
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**957.4**	**0.0**	**882.4**	**842.4**	**488.7**	**488.7**	**488.7**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	957.4		882.4	842.4	488.7	488.7	488.7
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**957.4**	**0.0**	**882.4**	**842.4**	**488.7**	**488.7**	**488.7**

POSITIONS							
Full-time	**8**	0	8	8	5	5	5
Part-time							
Temporary							

CHANGE IN REVENUES	***	***	***	***	***	***	***

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

The committee substitute has added a provision to create a petroleum information management system. The Division of Oil and Gas develops, stores, and maintains much of the information identified for inclusion in the system.

Prepared by: William C. Barron, Director — Phone: 907-269-8800
Division: Division of Oil and Gas — Date/Time: 3/13/12 4:00 PM
Approved by: Daniel Sullivan, Commissioner — Date: 3/13/2012
Department of Natural Resources

(Revised 11/18/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** CSSB192(RES)
2012 LEGISLATIVE SESSION

Analysis

Sections 2 and 3 amend AS 31.05 by adding a new section (AS 31.05.031) which requires the Alaska Oil and Gas Conservation Commission (AOGCC) to develop and maintain an electronic petroleum information management system (PIMS) to archive state oil and gas information. The system will only include non-confidential information identified in this bill and other information AOGCC determines "necessary and relevant" to oil and gas exploration, development, and production. The Division of Oil and Gas (DOG) collects and maintains much of the information and materials listed in the proposed bill.

DOG will be a major contributor to the petroleum management system - likely designing, developing, and maintaining the system and associated materials. DOG currently houses the following information on: 1) unit and joint operating agreements, 2) state oil and gas exploration licenses and oil and gas leases, 3) exploration activities including seismic data, drilling reports, logs, geological models and maps, 4) development activities including development plans minus expenditure projections and reservoir characteristics, 5) facility maps and studies, and 6) abandonment plans and progress reports. DOG will conceivably have a role in contributing other information AOGCC deems "necessary and relevant" to oil and gas exploration, development, and production. DOG stores and maintains more than 40 years of information from Alaska's oil and gas activities. We find the directives in the proposed bill to initiate a significant undertaking by our department and others involved in supplying the requested information.

The committee substitute calls for providing information "in a form that is suitable for the commission to include in the petroleum information management system." Without sufficient knowledge of what will be construed to be "suitable" for the commission, it is assumed our information will need to re-integrated into new formats compatible with a sophisticated system easily navigated by the public. The AOGCC and DOG data collection and management systems are different in scale and scope, and synchronizing the systems will take considerable resources. In some cases, information could be linked or transferred to the PIMS site quickly; however, the information requested in the bill will demand extensive time and resources to adapt, redact, and restructure records and materials before inclusion in the PIMS.

Developing and maintaining a petroleum information management system will not likely provide any more information to the public than is currently available from our division. Non-confidential oil and gas information is currently available on DOG's website or upon request in electronic and hard copy formats. We estimate the proposed bill will initially require eight new FTEs with supporting costs and lease space expense in the division and funds necessary to hire contractors for information technology work.

The division would need five new natural resources specialists (2 NRS II and 3 NRS III) with one administrative assistant (range 12) and two analysts (range 20) for IT functions during build-out starting in FY13. In addition to staff increases, supporting costs and leased space, approximately $75,000 in funding for software, licenses, and back-up systems is needed in FY 13. After the system build-out and population, we should be able to maintain the system with 4-5 FTEs. We project roughly $75,000 for IT contract services in FY13 and FY 14, $35,000 in FY15, and potentially no funds thereafter. Since we are not forecasting additional state revenue for these sections of the proposed bill, the significant costs incurred in developing and maintaining a new location for DOG information results in a negative fiscal impact to the state for years to come.

Storage for DOG seismic data (2-3 terrabytes) is too large to be stored in existing storage and therefore the division anticipates needing to contract with an electronic storage provider which could cost hundreds of thousands of dollars annually. This could happen as soon as the start of the system in FY 2013 and would be triggered by the need to segregate and store existing data within DNR. The Division has not yet formally priced this cost of data storage but DNR internal IT managers estimate a significant cost.

Analysis Continued

CSSB192(RES) will also have impacts on oil production which impacts royalty revenue tracked by DO&G. Section 6 imposes a hard minimum tax (a minimum tax that cannot be reduced by credits) of 10% on production from large legacy fields (cumulative production over a billion barrels and current production over 100,000 barrels a day). Currently, the only fields that would qualify are the Prudhoe Bay and Kuparuk Units. Section 6 would substitute this tax for a minimum tax of 4% (when the West Coast ANS price exceeds $25 per barrel) on the gross value at the point of production for the North Slope. This minimum can be reduced by credits.

The proposed hard minimum tax on production tax value at the Prudhoe Bay and Kuparuk Units will tend to discourage investment by Unit owners if those owners perceive the possibility of the minimum tax applying. If the minimum tax applies then the owners lose the tax benefits associated with the ability to deduct additional spending in both fields. All else equal, this will have an indeterminate negative impact on royalty revenue at Prudhoe Bay and Kuparuk.

Section 7 lowers the rate of increase in the production tax rate from 0.4% to 0.35% per dollar of production tax value per barrel above $30 until the total tax rate (the base 25% plus the index based or progressive rate) equals 50%.

This bill also requires a separate production tax value per barrel calculation for gas sold outside the State. Section 14 would have the Department of Revenue issue regulations allocating costs to exported gas based on the gross value at the point of production for that gas versus that of other oil and gas production. Requiring a separate production tax value per barrel calculation for gas sold outside the State will have an indeterminate impact on royalty revenue. This impact will depend upon the anticipated relative profitability on a per unit basis of oil and gas production from the North Slope a decade or more from now.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB192**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB192CS(FIN)-DOA-AOGCC-03-8-12
Title: Oil and Gas Production Tax Rates
Sponsor: Senate Resources Committee
Requester: Senate Finance

Dept. Affected: Administration
Appropriation: AK Oil & Gas Conservation Commission
Allocation: Alaska Oil and Gas Conservation Commission
OMB Component Number: 2010

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	1,579.0		1,579.0	1,579.0	1,579.0	1,579.0	1,579.0
Travel							
Services	32,520.0		5,015.0	5,015.0	5,015.0	5,015.0	5,015.0
Commodities	320.0		25.0	25.0	25.0	25.0	25.0
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**34,419.0**	**0.0**	**6,619.0**	**6,619.0**	**6,619.0**	**6,619.0**	**6,619.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	34,419.0		6,619.0	6,619.0	6,619.0	6,619.0	6,619.0
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**34,419.0**	**0.0**	**6,619.0**	**6,619.0**	**6,619.0**	**6,619.0**	**6,619.0**

POSITIONS							
Full-time	**15**		**15**	**15**	**15**	**15**	**15**
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

The committee substitute has added a provision to create a petroleum information management system.

Prepared by: Cathy P. Foerster, Chair, Commissioner — Phone: 907-793-1228
Division: Alaska Oil and Gas Conservation Commission — Date/Time: 3/13/12 4:50 PM
Approved by: John Cramer, Deputy Commissioner — Date: 3/8/2012
Department of Administration

(Revised 11/18/2011 OMB)

Analysis

The AOGCC, an independent quasi-judicial State agency, is the State's permitting and regulatory authority over hydrocarbon and geothermal wells. The Commission's duties include ensuring the maximum recovery of hydrocarbon and geothermal resources, preventing hydrocarbon and geothermal waste, ensuring well safety, and protecting underground sources of drinking water and correlative rights. Given the nature of the Commission's duties and responsibilities, apart from support personnel, it is staffed by expert petroleum engineers and petroleum geologists. Because its expertise is so carefully tailored to its statutory duties and responsibilities, the Commission functions well and Alaska has an unrivaled record with regard to well safety and production.

Section 3 of the committee substitute for SB 192 seeks to effectuate a substantial change in the AOGCC by requiring the Commission to establish, operate and maintain an electronic petroleum information management system comprised of available and non-confidential information. The vast majority of the information the Commission must include in the petroleum information management system has nothing to do with the Commission's mission or function – "unit and joint operating agreements," exploration licenses and leases, "work programs and budgets," "development plans," operating and capital expenditures and projections, "oil and gas sales, revenue and pricing," transportation agreements, abandonment plans and budgets, resident and non-resident hiring information, training opportunities, and other information "the commission determines necessary and relevant to the oil and gas production tax and to the exploration, development, and production of oil and gas resources." Much of this information is currently already gathered and maintained by other state agencies or is not available to any state agency.

After careful review and consideration of Section 3, the AOGCC is of the view that Section 3 radically changes the AOGCC's longstanding role as the State's petroleum technology and geology experts and jeopardizes the Commission's ability to discharge its primary duties and responsibilities in those realms. The Commission has neither the expertise nor the infrastructure to construct, maintain and operate information management systems, computer systems, and the gathering of information on other subjects not related to the safe, efficient production of hydrocarbon resources from wells. Implementation of Section 3 will create – at a substantial fiscal outlay – an additional distinct state bureaucracy within the AOGCC which duplicates functions currently performed by other state agencies.

The AOGCC's non-confidential information is already publically available on its website. Other agencies are currently working to provide similar web availability of their data. Once those agencies do so, the information will be far more readily accessible to the public on those websites and at a substantially reduced cost.

Analysis Continued

Breakdown of costs:

Position	Annual Salary and Benefits
Deputy Director	$145.0
Petroleum Facilities Engineer	$236.0
Petroleum Geologist II	$145.0
Petroleum Geologist I	$132.0
Petroleum Economist II	$118.0
Analyst Programmer V	$118.0
Analyst Programmer V	$118.0
Analyst Programmer III	$ 89.0
Statistical Technician II	$ 73.0
Statistical Technician II	$ 73.0
Microfilm Operator I	$ 61.0
Microfilm Operator I	$ 61.0
Microfilm Operator I	$ 61.0
Executive Secretary II	$ 75.0
Administrative Assistant I	$ 74.0

Services

Lease Space	$ 105.0
(Space for 15 staff plus contractors, approximately 2,500 s.f. @ $3.50 per s.f. annually)	
Construct space for new positions	$ 100.0
Core Services	$ 75.0
Specialized Software	$ 20.0
Data/Phones	$ 20.0
Training (for current and new staff)	$ 200.0
Building a new stand alone computer system	$ 28,000.0
Upgrading current RBDMS system	$ 4,000.0
(production & consulting costs begin in year 2 and out)	
Annual Maintenance and server hosting	$ 4,700.0

Commodities

Computers, Monitors - one time costs	$ 45.0
Office Furniture, Chairs - one time costs	$250.0
Supplies	$ 25.0

bp

Claire Fitzpatrick
Chief Financial Officer
Alaska Strategic Performance Unit

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Fax 907 564 5598
Mobile 907 223 5654
fitzc3@bp.com

February 15, 2012

The Honorable Joe Paskvan
Co-Chairman, Senate Resources Committee
State Capitol Building, Room 115
Juneau, AK 99801-1182

Dear Senator Paskvan:

Thank you for the invitation to testify before the Senate Resources Committee and please accept my apologies as work commitments require me to be out of the country this week.

BP Exploration (Alaska), Inc. (BPXA), as operator of the Prudhoe Bay Unit, Northstar Unit, Milne Point Unit and Duck Island Unit (Endicott), conducts unit operations under Plans of Development (POD) approved by the State of Alaska, Department of Natural Resources (DNR). The requirements for a POD are set forth in the Alaska Administrative Code and the applicable Unit agreements. The POD is approved at or shortly after formation of each Unit, and each Participating Area (PA) within a Unit.

PODs are generally updated on an annual basis. BPXA, as Operator of the above mentioned Units, files approximately 15 POD updates annually following POD reviews with the DNR and other interested agencies (e.g. AOGCC and BOEMRE). These reviews are generally scheduled just prior to submittal of the POD and give the agencies and the unit operator a chance to review and discuss the POD. Following the submission of each PA POD, the DNR will respond stating whether the POD is deemed complete. Once the POD is deemed complete, the commissioner has 60 days to consider the POD update for approval.

The development plans submitted by BPXA on behalf of the working interest owners of the fields we operate have laid the foundation for a track record of success. As a case in point, total cumulative production from the Prudhoe Bay Unit initial participating area has already substantially exceeded the ultimate recovery that was projected when the field began operation. But that success is becoming more difficult to sustain. North Slope production is declining at an annual rate of approximately six percent. As we have indicated in the past, a revised fiscal environment will facilitate progression of more projects that will have an impact on the expected decline rate.

BPXA appreciates the opportunity to illustrate the POD process we follow for our operated North Slope units. We look forward to continued dialogue on the critical question of how to stem production decline and improve the investment climate on the North Slope.

Regards,

DAMIAN BILBAO
ON BEHALF OF
Claire Fitzpatrick

ExxonMobil Production Company
P. O. Box 196601
Anchorage, Alaska 99519-6601
907 561 5331 Telephone
907 564 3677 Facsimile

Dale Pittman
Alaska Production Manager
Joint Interest U.S.

ExxonMobil Production

February 15, 2012

The Honorable Joe Paskvan
Co-Chairman, Senate Resources Committee
State Capital Building, Room 115
Juneau, AK 99801-1182

Dear Senator Paskvan:

ExxonMobil appreciates the Resource Committee's attention to production tax reform. We understand that your committee is seeking comments on the need to reform Alaska's Clear and Equitable Share (ACES) production tax rather than on Senate Bill 192. Let me respectfully offer you ExxonMobil's views on this topic for the record and direct you to recent testimony and perspectives that we've provided.

We believe that meaningful tax reform is critical for Alaska's economic future. While I am unable to join you in person on such short notice, I do feel that the work you are undertaking is important.

ExxonMobil continues to support Governor Parnell's efforts toward substantive reform of the current production tax. It is apparent that Alaska's production tax since 2005 has had a deleterious impact on business activity and investment in the state. Simply put, the current production tax is too high to stimulate the additional investment necessary to fully develop Alaska's oil and gas resources in the decades ahead. It is essential to have a tax structure in place that encourages long-term, material development of Alaska's potential to significantly grow state revenues, secure jobs and stem the production decline.

During the 2011 legislative session, I appeared before the House Resources Committee and testified on this topic. I am attaching a copy of that testimony as well as an op-ed letter signed by Rich Kruger, ExxonMobil Production Company President, which underscores the need for production tax reform. We continue to stand by the positions stated in these two documents.

Thank you again for the opportunity to provide input and be part of the ongoing debate during the 2012 sitting of the legislature. ExxonMobil is committed to Alaska and we look forward to working with you and your colleagues during this legislative session to develop a tax regime that will allow the resources of this great state to be developed for the benefit of all stakeholders.

Sincerely,

Dale Pittman

DDP:jpc
Enclosures (2)

cc: Governor Sean Parnell
Senator Thomas Wagoner, Co-Chairman, Senate Resources Committee

TESTIMONY OF DALE PITTMAN
ON PROPOSED HB 110
TO THE ALASKA HOUSE RESOURCES COMMITTEE
February 16, 2011

INTRODUCTION

Mister Chairman, members of the committee:

Good afternoon. For the record, my name is Dale Pittman. I am the Alaska Production Manager for ExxonMobil, based in Anchorage. I want to thank the committee for the opportunity to express ExxonMobil's views regarding HB 110, the Governor's proposed amendments to Alaska's oil and gas production tax or ACES.

Let me start by saying that Alaska has been and continues to be an important component of ExxonMobil's world-wide investment portfolio. We have had a presence in Alaska for over 50 years and have been a key player in Alaska's oil industry development, investing over $12 billion dollars to date. We are the operator of Point Thomson, hold the largest working interest at Prudhoe Bay (36.4%) and the largest lease holder of discovered Alaska gas resources. We expect to be involved in Alaska for many years to come and will continue to evaluate potential development opportunities.

At the outset, so our position is clear, let me say that ExxonMobil supports the presentation you heard today from the Alaska Oil and Gas Association. I do not intend to repeat the thorough technical comments from that testimony.

As for our specific comments, I would like to state, consistent with our prior testimony during the hearings on both the PPT and ACES, and on the proposed tax reform legislation last session, that ExxonMobil believes the changes made to Alaska's oil and gas production tax since 2005 have had a negative impact on business activity in Alaska and Alaska's overall investment climate. Alaska's current production taxes are simply too high to stimulate the additional investment required to fully develop Alaska's oil and gas resources.

It is for this reason ExxonMobil is pleased to see that the Administration recognizes the need for material change to Alaska's current oil and gas production tax system. We are encouraged by Governor Parnell's desire to see increased investments and further oil and gas development. We support his efforts to reform ACES and believe HB 110 is a good first step towards what we hope is a thorough review and revision of Alaska's production tax regime to allow the state to fully develop its vast resources.

ExxonMobil supports HB 110, and if enacted in its current form, we would expect investment activity in Alaska to increase, resulting in a corresponding benefit of more work for Alaskans. With passage of the Governor's proposed changes to ACES in its current form, we anticipate that industry will reexamine the inventory of Alaska North Slope opportunities and move forward with those projects that are made competitive by the reduced production tax burden. For example, the

proposed enhanced in-field drilling tax credits and reduction to the progressivity tax would allow us to consider additional drilling and well work activity at the Prudhoe Bay Unit. This kind of developmental drilling in the core field on the North Slope is critical to Alaska's future, particularly over the next five to ten years. Production decline must be stemmed until new developments can be discovered, progressed and brought on production.

While the enhanced in-field drilling tax credits and reduction to the progressivity tax are much needed revisions to ACES, we would urge earlier effective dates to accelerate the resulting ramp up in investment activity, Alaskan jobs and future state revenues.

However, merely providing additional tax credits while keeping the overall effective rate of the ACES tax too high is not the long term solution to improving Alaska's investment climate. While the system of tax credits under ACES does provide significant incentives for investing in capital assets to explore for, develop, and produce more oil and gas, the deduction of lease expenditures or the allowance of a tax credit is simply part of the calculation about how much tax a producer owes. The bottom line is that, between PPT and ACES, the industry's production tax obligations have more than tripled over the past five years.

ExxonMobil supports the Governor's proposal as an important first step, but additional reform of ACES is needed.

Additional reforms are needed to improve Alaska's overall investment climate over the long term. Evaluation of a further reduction in the production tax rates should also be considered. Even with the Governor's proposal, Alaska's production taxes are high in comparison to other investment alternatives, making Alaska one of the most expensive states in which the oil and gas industry does business.

As you have heard in prior testimony or may have read in recent newspaper articles, spending on the North Slope has remained relatively flat since the enactment of ACES. But what needs to be clarified is that the majority of that investment has been for maintenance or production enhancement efforts for existing operations, not for new exploration and development opportunities that would bring on new production. It is also worth noting that costs for this investment activity have gone up, so while some may argue there has been additional investment, it doesn't necessarily translate into more activity. For example costs to drill a well have increased over the years, so higher spend on drilling does not necessarily mean more wells are being drilled.

Alaska is currently producing approximately 600,000 barrels of oil per day from the North Slope. Industry currently invests more than $1 billion per year just to

maintain current North Slope oil production decline at six to seven percent. Without that continued investment, the annual production decline would be in the range of 12 to 15 percent annually.

The Alaska Department of Revenue is forecasting the production from Alaska's currently producing fields to decline by 60,000 barrels of oil per day this year. It goes on to predict that current field production will decline to half of its current 600,000 barrels of oil per day rate in just seven years, a decline of over 300,000 barrels of oil per day. Allow me to put the challenge of stemming that decline in perspective.

Alaska's newest development, the Nikaitchuq field, is scheduled to produce first oil early this year. The field has been more than six years in planning, development and construction and carries a total cost of over $2 billion dollars. The field is forecasted to reach peak production of about 25,000 barrels per day four years from now. So using this as an example, it would take the startup of two to three Nikaitchuq equivalent fields every year in perpetuity just to hold North Slope production at 600,000 barrels of oil per day. Pioneer's Oooguruk field is another example. It would take three to four fields the size of Oooguruk every year to match the forecasted North Slope production decline.
Clearly, the current outlook for development falls far short, and new fields are urgently needed to stem this decline.

Such development will only occur if there is an improvement in the Alaska investment climate. Alaska production tax policy is key to fostering a favorable investment climate.

Alaska's overall high production tax rates discourage investment. Companies like ExxonMobil are willing to accept the risks of long-term, capital intensive investments when there is a stable and competitive tax structure that encourages investment and ensures a corresponding opportunity for upside potential. When you take away the upside potential through a high progressivity tax you reduce the overall attractiveness of those capital intensive investments, which in turn could lead to reduced investment and resource recovery and, in the long-term, diminished state revenues. Let me reemphasize this point, while higher taxes may bring additional revenues in the short-term, it's reasonable to anticipate that any reduction in investment will decrease production and significantly reduce those revenues in the longer term.

As many of you heard me testify last year, time in the oil and gas industry is not measured in business cycles. It is measured in decades and in generations. Today's production rates are the product of government policies, technical work, and investment decisions made years ago. Increasing production rates in the decades to come will be a direct result from sound policies, decisions, and commitments that are made today. The Governor's proposed ACES changes

are clearly a significant step in the right direction towards much needed reform of Alaska's high oil and gas production tax system.

Alaska needs a long-term resource development policy that will encourage increasing investment to maximize its resource potential while receiving a fair share of the resource revenues; addressing its high level of government take is a start. The reform of ACES needs to result in a competitive, stable and predictable fiscal environment that will encourage investment, recognize that the remaining resources are economically challenged, including both new fields and resource development opportunities in existing fields. The primary driver of Alaska's long-term resource development policy should be to maximize the development of its resource base, not just maximize short-term state revenues.

Let me conclude my testimony by reiterating that while we hope to continue to pursue investment opportunities in Alaska in the future, the resource and cost structure in Alaska is becoming increasingly challenging. Governor Parnell's proposed changes to ACES are a good start to needed fiscal reform - but more is still needed.

ExxonMobil looks forward to working with the Administration, the legislators, industry and the people of Alaska in the future pursuit and development of Alaska's oil and gas resources.

Thank you again Mister Chairman for the opportunity to testify today.

APS Endorsed 041411

UNITE FOR A BRIGHT ALASKAN FUTURE

Alaska remains full of opportunity and promise. From the very first Native Alaskans to all the citizens who live and work in the state today, Alaska's challenges have been met by those willing to look beyond the horizon.

Despite challenging environmental conditions, Alaska has achieved a remarkable and enviable position in the world by responsibly developing its natural resources – hard work that has fueled an engine of progress for the state and its people. Today, Alaska's oil and gas production accounts for more than 34,000 jobs across the state and nearly 90 percent of its general revenue.

Unfortunately, the engine is not firing on all cylinders.

Since 2007, Alaska's Clear and Equitable Share (ACES) tax regime has failed to be either clear or equitable. Under ACES, nearly every measure of progress has declined, including investments and production. And as oil volumes flowing through the TransAlaska Pipeline (TAPS) continue to decline, the engine of progress is in very real danger of stalling.

Governor Parnell has recognized the detrimental effect of ACES on Alaska's future and is leading real changes to improve the state's competitiveness. His proposals offer an important step in the right direction toward a brighter economic future for Alaska. It is our firm belief that passage of the Governor's proposed changes to ACES, in its current form, will support additional investments in Alaska that will lead to greater development and production.

Over the past several weeks there has been much discussion regarding Governor Parnell's ideas for ACES reform. Most of the talk has focused on winners and losers in the near-term. In fact, the Governor is looking beyond the horizon to long-term solutions in which everyone wins.

ExxonMobil is committed to Alaska's future. We have worked here for more than 90 years, investing more than $12 billion to date and providing jobs for Alaskans. Currently, we are working with the state to bring the Point Thomson Project on line to produce additional oil and gas volumes in the near term. Going forward, we have joined with TransCanada to help bring a new gas pipeline to Alaska. Progressing these multi-billion dollar projects underscores ExxonMobil's continued commitment to Alaska.

Governor Parnell's proposal provides a foundation to build on the opportunity and promise of the state's vast natural resources and the indomitable spirit of its people.

Whether you are a proponent or critic of ACES reform, we all seek the same goal – a strong and prosperous Alaska. We encourage all state legislators to work together to provide industry with an investment environment that will help secure a promising future for the people of Alaska.

Rich Kruger, President
ExxonMobil Production Company

Alaska's Production Tax: Defining the Problem

Presentation to the
Senate Resources Committee
February 10, 2012
Alaska Department of Revenue

Facts to Begin the Conversation

1. Oil Prices began climb to all-time highs starting mid-2000's
2. TAPS throughput continues steady decline
3. Other oil producing regions enjoy production and employment booms
4. Competition is high - many other areas to invest around the world

According to the USGS, It's Not a Resource Issue

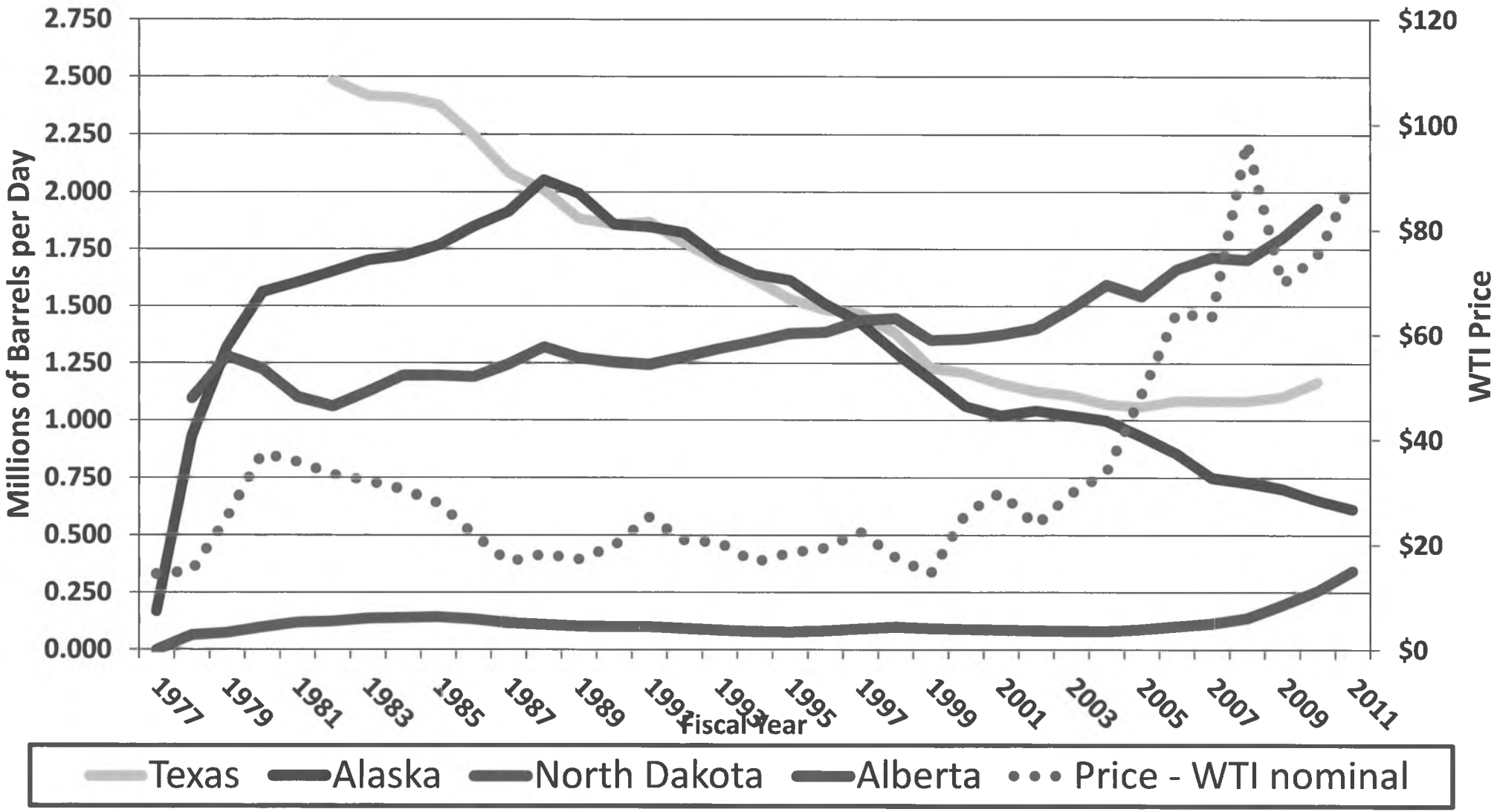
- There's no debating…..Alaska is a world-class energy basin
- Cumulative production through 2010 over 16B barrels
- Oil: Estimated to have 40B barrels of conventional oil
- Gas: Estimated to have 236 TCF of conventional natural gas
- Plus tens of billions of barrels of heavy & viscous oil as well as shale oil & gas

More Important Points

1. As a State, we are in a position we've never been in before
2. PPT/ACES Debate: "Actual" information utilized? Unfortunately No……was not available
3. Decision makers, through no fault of their own, had to rely on modeling, forecasts, projections, theoretical assumptions
4. We now have the luxury to look back and see what actually happened over the past 5 years
5. What do we see? Record high oil prices lead to oil & employment booms in competing oil producing regions
6. And Alaska continues to decline……..

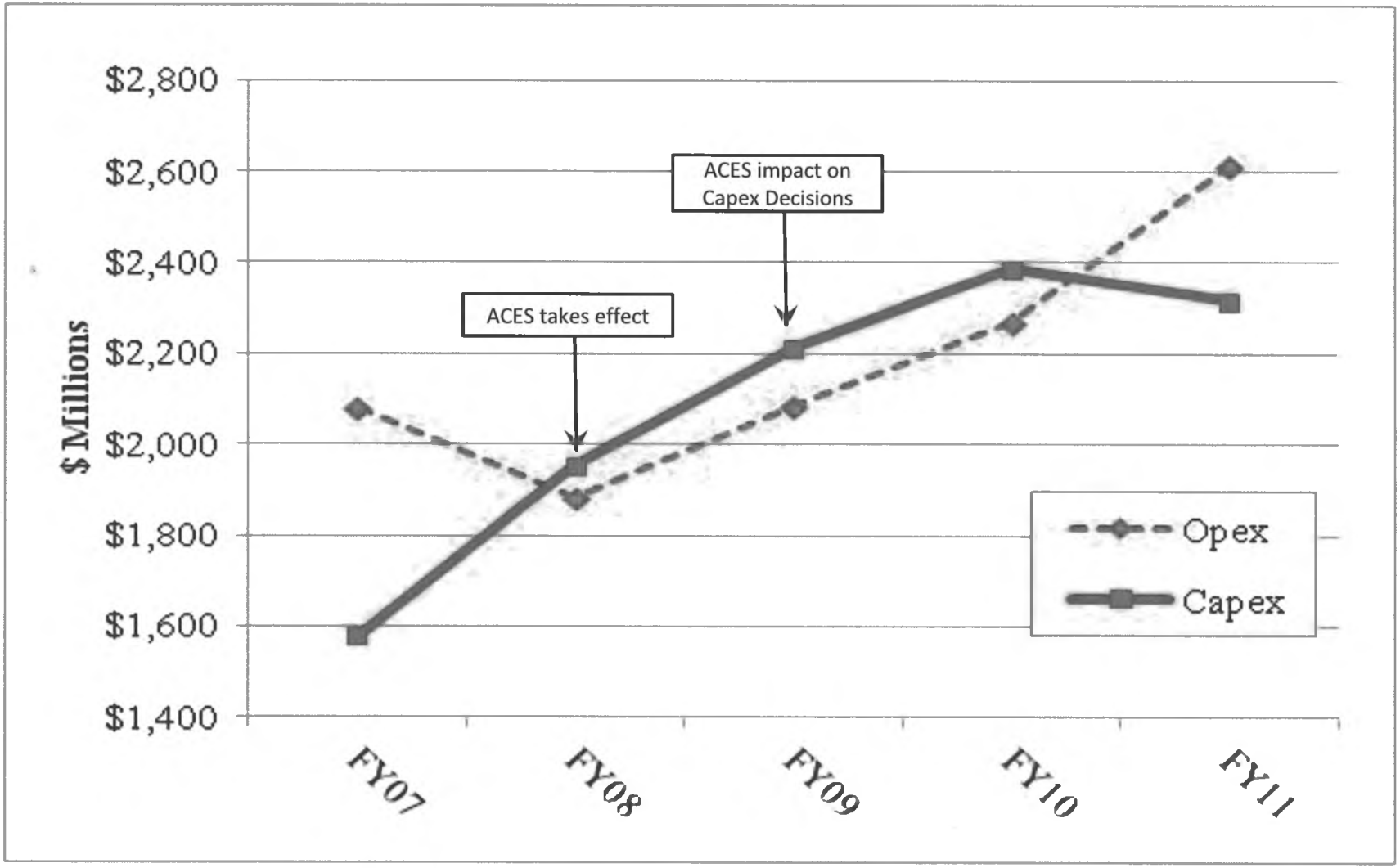
Historical Oil Production:

How Did Our Competition Fare When Prices Spiked?



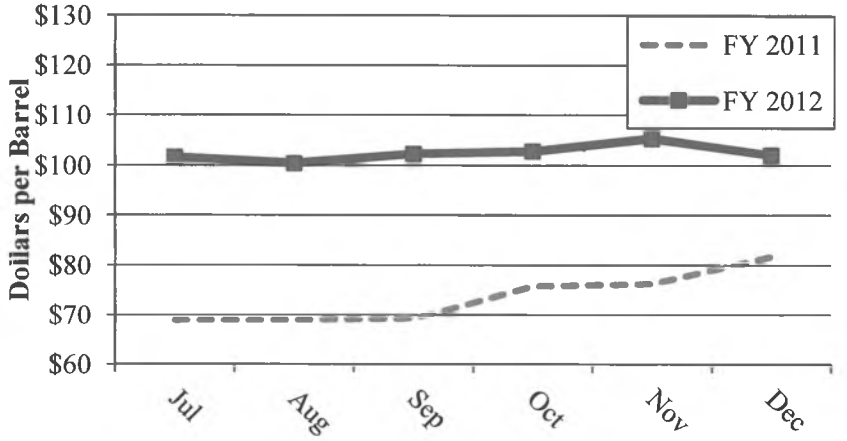
Alaska Department of Revenue

Historical Actual Expenditures, FY 2007 – FY 2011



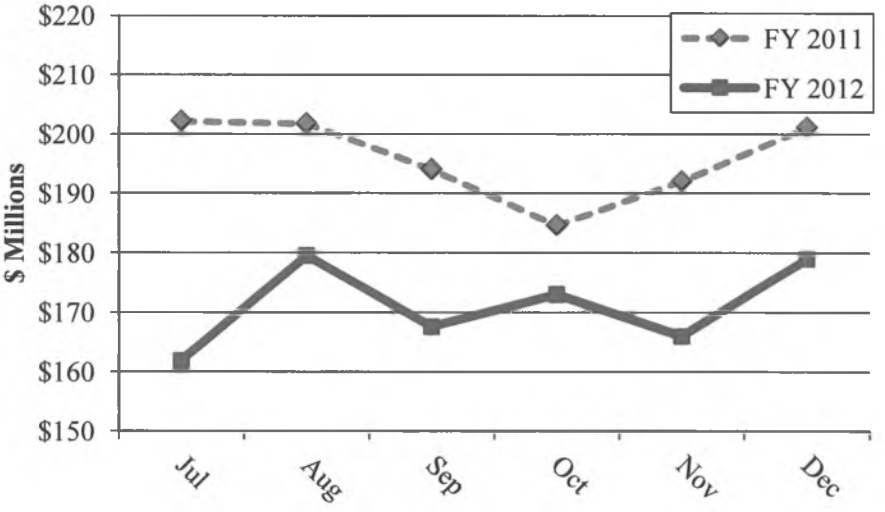
FY 2011 & FY 2012 Wellhead Values, North Slope Capex and Opex

ANS Wellhead Value



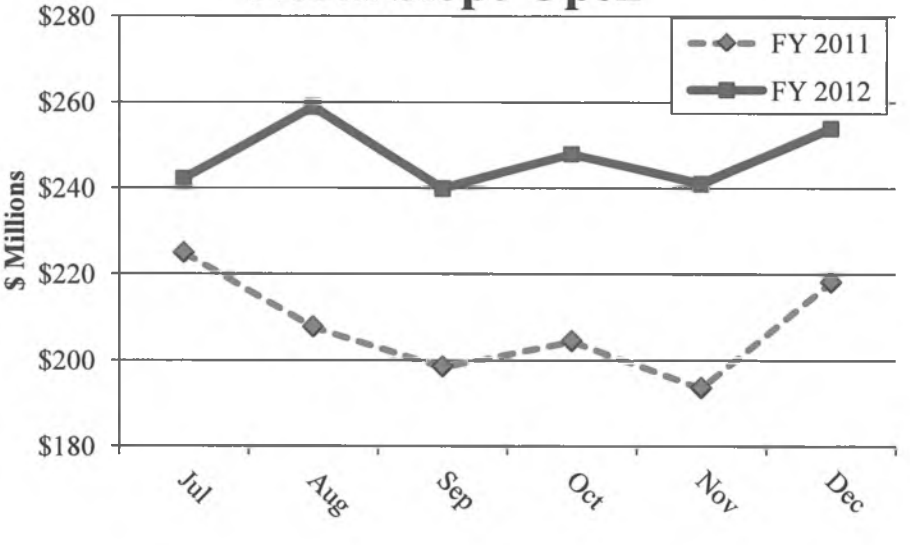
FY12 avg up 39% through 6 months

North Slope Capex



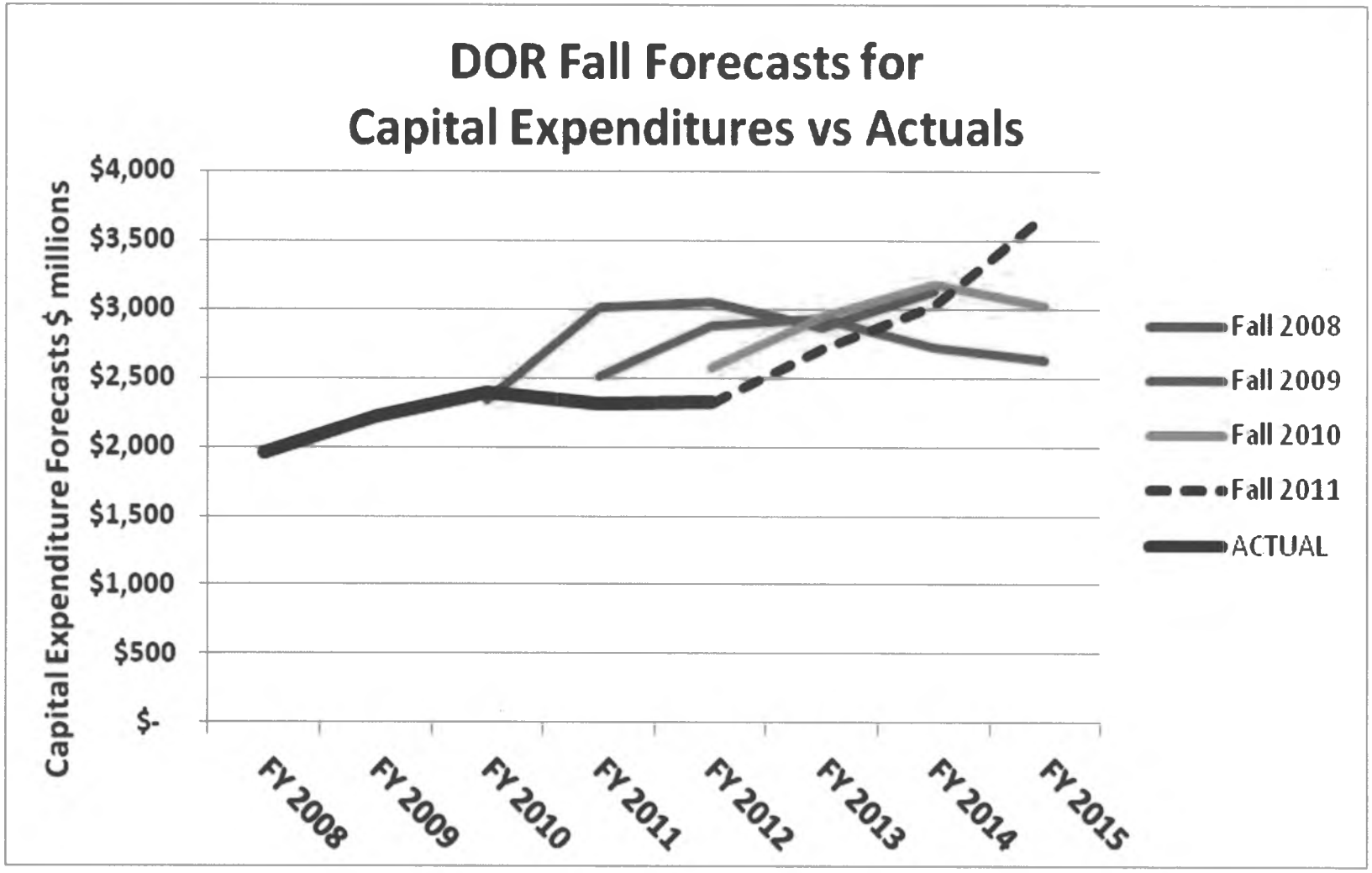
FY12 down 13% through 6 months

North Slope Opex



FY12 up 19% through 6 months

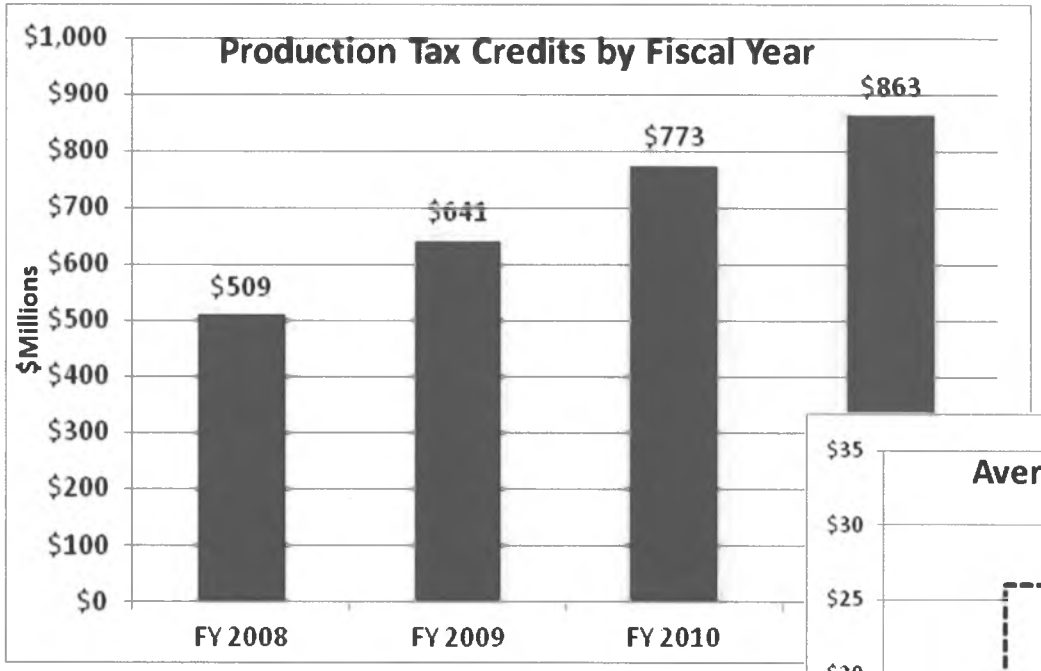
Capex Forecast vs Actual

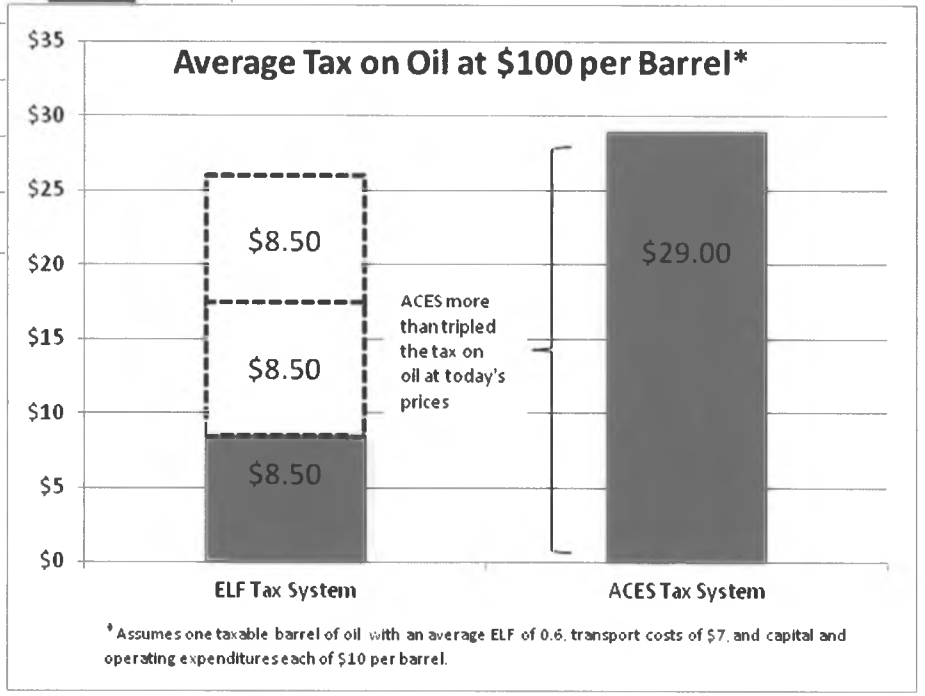


Two Distinct Elements of ACES: Can't discuss one without the other

1. Tax Credits:
   - Very generous tax credits made available over past several years help spur the anticipated exploration
   - Enthusiasm of explorers encouraging but they will eventually need to become or partner with producer
2. Progressivity:
   - Very progressive at high oil prices which makes AK not as attractive when compared to other world-wide options
   - This "windfall tax", while filling AK state coffers during the short term, is contributing to competitiveness issue long term

Alaska Tax Credits are up, but so are Alaska Taxes





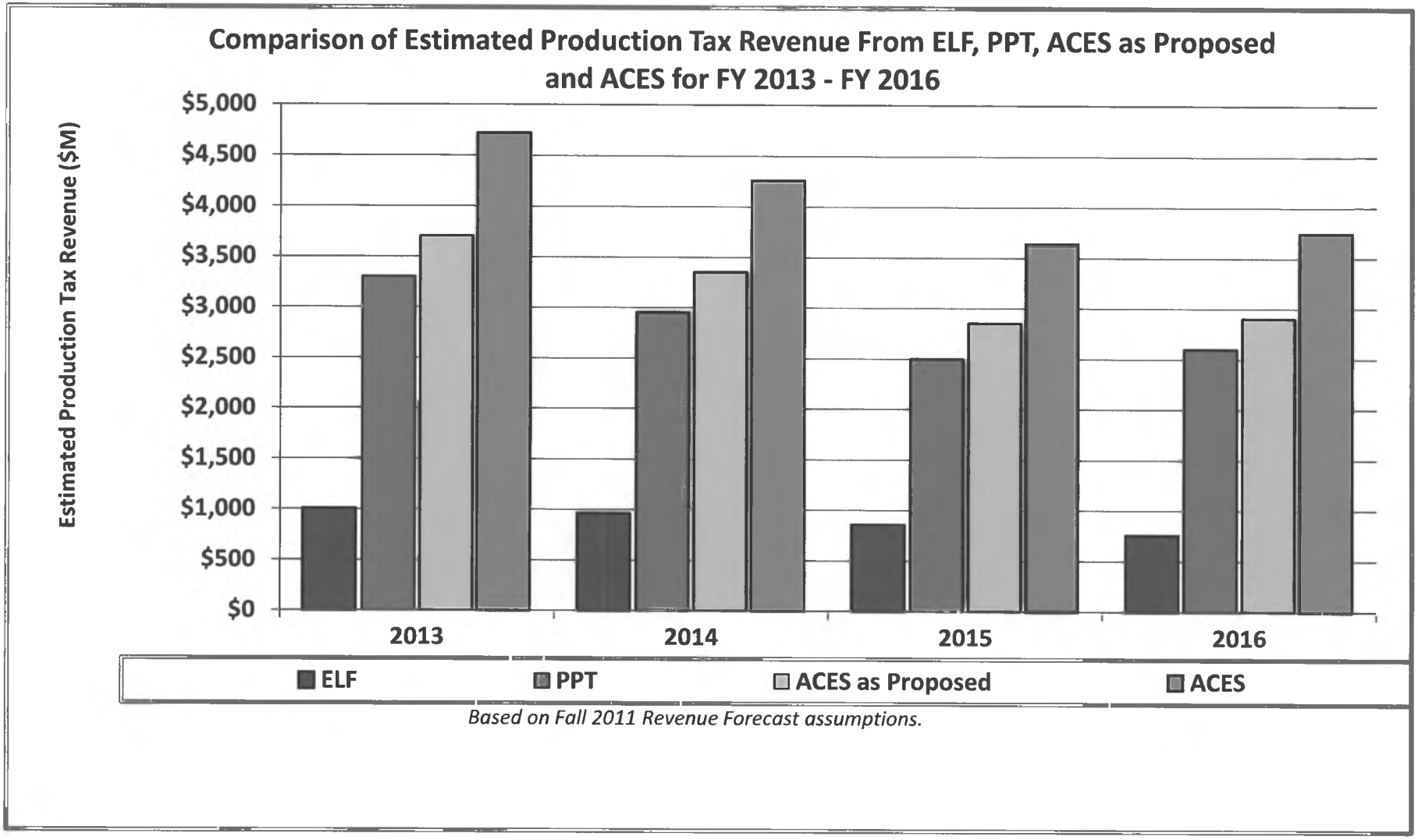
How Do Other States Rank Alaska?

Effective Tax Rates for Oil and Natural Gas in 14 Major Oil Producing States: FY2008				
	Value of Oil and Natural Gas Produced	Oil and Gas Revenue Collected	Effective Tax Rate	Maximum Statutory Rate
Alaska	$25,741,800,390	$6,900,000,000	26.80%	25%
California	$21,858,237,067	$0	0.00%	No severance tax
Colorado	$11,834,689,515	$139,550,829	1.18%	5%
Kansas	$6,248,188,250	$159,574,935	2.55%	8.00%
Louisiana	$19,289,935,515	$703,116,080	3.64%	12.5% oil, $0.331 per 1,000 cu. ft. natural gas
Michigan	$2,129,981,470	$101,232,000	4.75%	6.6% oil, 5% natural gas
Mississippi	$2,949,110,665	$29,847,271	1.01%	6.00%
Montana	**$3,682,179,800**	**$166,279,021**	**4.52%**	**15.06%**
New Mexico	$17,884,451,790	$1,374,233,960	7.68%	3.75%
North Dakota	$6,218,744,947	$391,823,087	6.30%	11.50%
Oklahoma	$20,650,142,263	$493,986,142	2.39%	7.00%
South Dakota	$161,169,059	$5,526,990	3.43%	4.50%
Texas	$64,669,070,628	$4,121,526,666	6.37%	4.6% oil, 7.5% natural gas
Utah	$4,568,953,793	$65,510,506	1.43%	5% oil, $1.51 per 1000 cu. ft. of natural gas
Wyoming	$20,136,769,013	$873,558,284	4.34%	6.00%

Source: Montana Department of Revenue, Biennial Report, http://revenue.mt.gov/content/publications/biennial_reports/2008-2010/BiennialReport-NatResTaxes.pdf

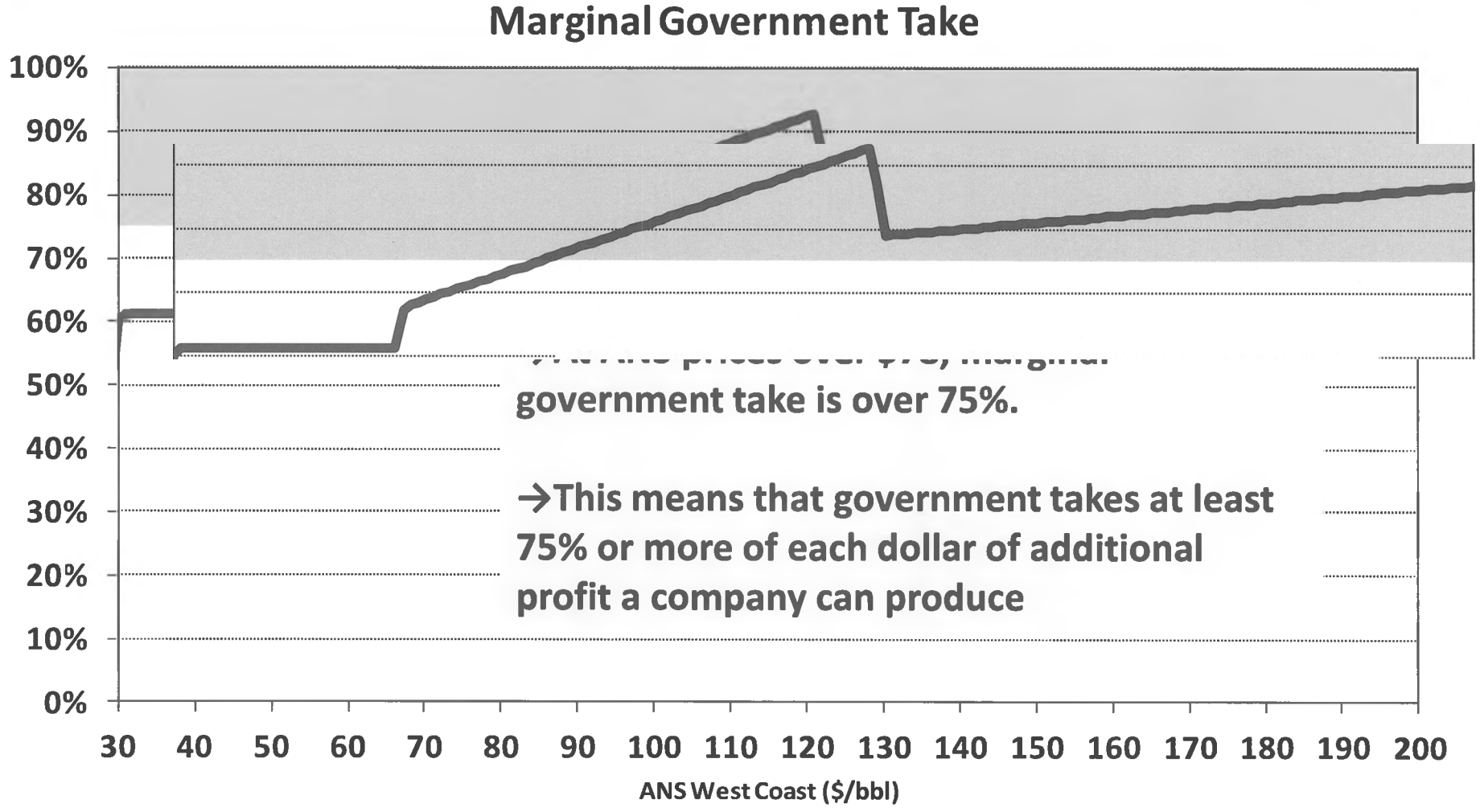
The Progressivity Problem

ELF, PPT, ACES as Proposed and ACES: Did The Pendulum Swing Too Far?



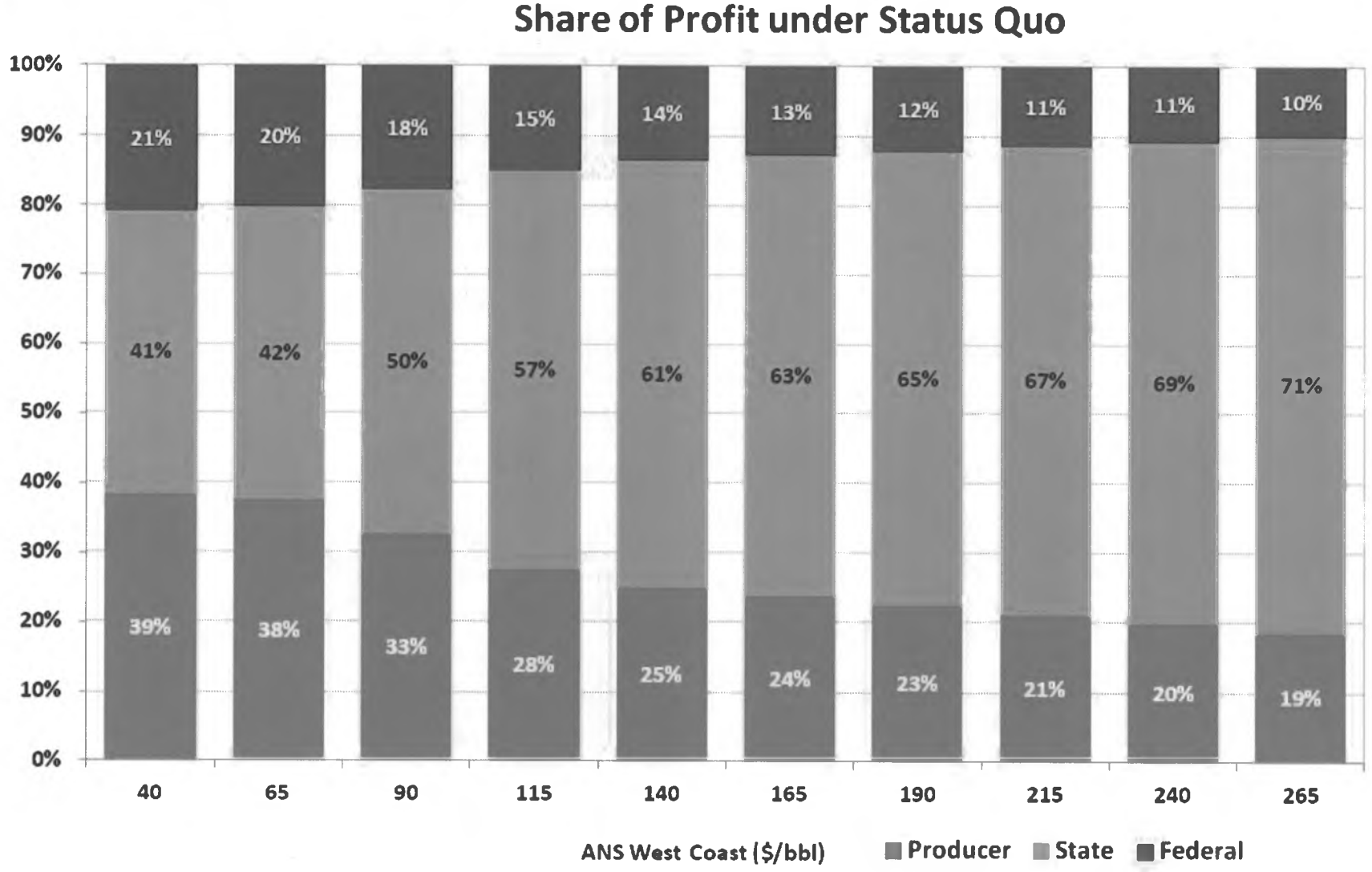
Based on Fall 2011 Revenue Forecast assumptions.

Marginal Government Take



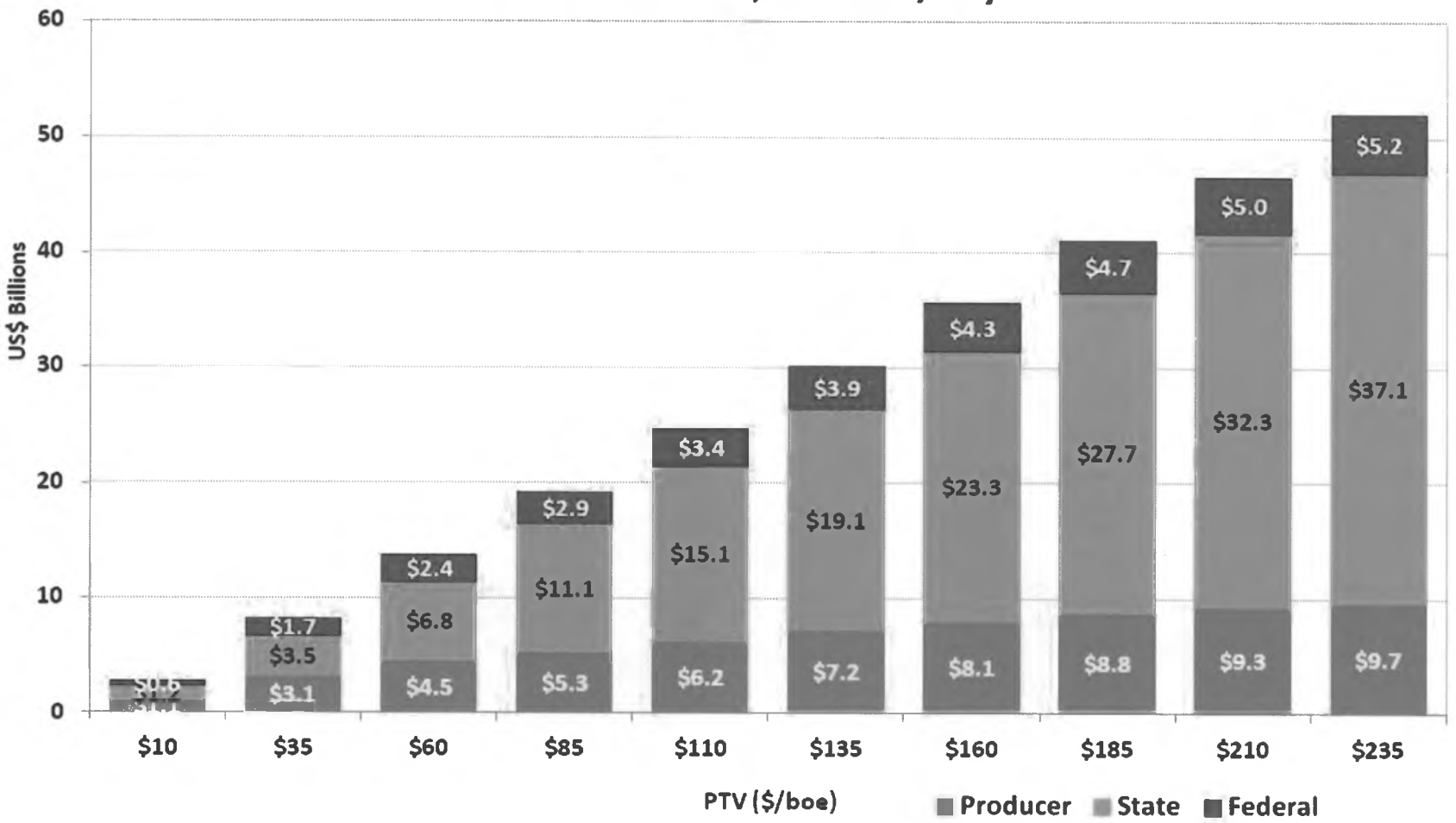
Production=600Kbbl/d, ANS Oil Price=$100/bbl, Transportation Costs=$6/bbl, Upstream Costs=$20/bbl

Producer share of "profit" declines at high oil prices



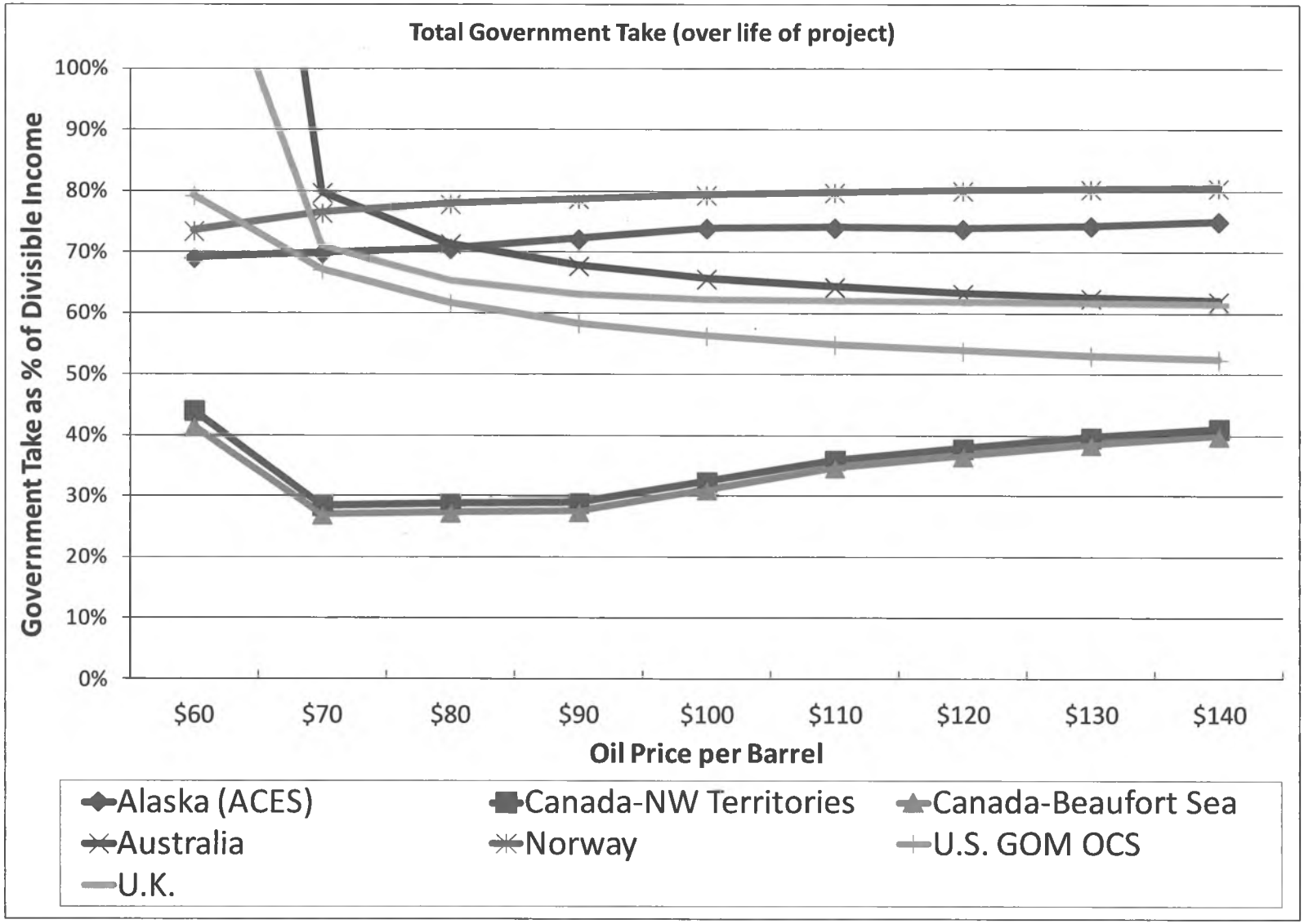
Alaska Department of Revenue

Limited upside at higher prices



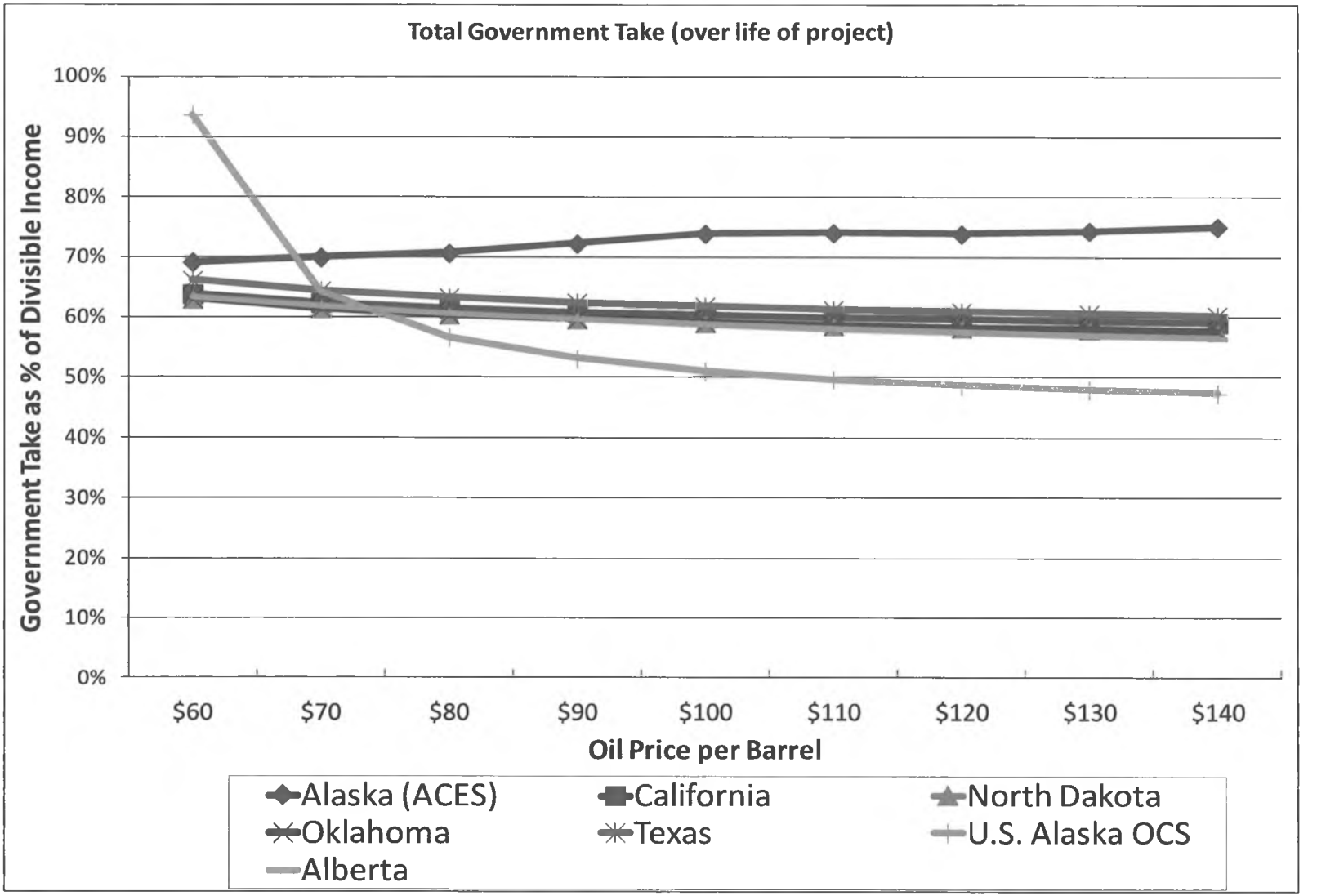
Alaska Department of Revenue

Alaska Compared to International Peers in Government Take over Project Life Cycle



Source: Department of Revenue using Petrocash model

Alaska and North American Peers - Progressivity makes Alaska less competitive at high oil prices



Source: Department of Revenue using Petrocash model

Questions ?

Presentation to the Senate Resources Committee February 13, 2012 Alaska Department of Revenue

What We'll Be Discussing.....

- Purpose of Tax Credit Provisions
- Purpose of 5 Year Look Back
- Process of 5 Year Look Back
- Capital Cost Categories
- Historical Capex Charts
- Conclusions
- Process for 2011 and Going Forward

Purpose of Tax Credit Provisions

2003 SB 185 (RES)

AS 43.55.025 became law when Alaska had a gross tax, therefore there was no need to consider upstream deductions. The original bill provided for a reduction in royalty on certain oil produced from Cook Inlet in addition to the tax credit provisions. The goals were to increase exploration and increase the State's knowledge of the natural resource base.

5/13/2003, Senate Finance Committee

- Royalty reduction provisions were to help field economics and allow producers to maximize production and continue employment
- Regarding the tax credit provision, a sponsor commented the tax credits are more applicable to exploration than discovery
- Intent was to encourage companies to drill more wells so that the possibility of both discovery and production could be "substantially" increased
- Bill was part of Governor's long range plan and ultimate goal was to increase pipeline throughput
- Drilling within an existing unit would not qualify, nor would wells under current development and exploration plans

Purpose of Tax Credit Provisions, cont'd

- The fiscal impact of the tax credits was an investment incentive that the state must offer to secure "a long-term stream of oil"
- Exploration credits *were* limited to the exploration side, and were amended to include testing but not development costs
- Clearly the focus of the legislation was to encourage exploratory work by the industry and increase the State's understanding of resource base e.g. lease sales
- The credit was set up to encourage wildcat, high risk exploration and State shares in this risk via credit program

5/14/2003, Senate Finance Committee

- Once a well is successful, the State would stop "recovering the cost" because it is assumed that a producer would continue development.
- Wildcat exploration would qualify for a 40% credit, but the explorer must submit information about state geology and resource base during the exploration activities to DNR.

Purpose of 5 Year Look Back

- To provide informative cost information to decision makers
- To answer capital expenditure questions relating to credits
- To understand benefits and impacts of current statutes and regulation
- To create a process and reporting mechanism to collect and compile expenditure information submitted to DOR in non-standard formats
- To catch up on years of data collection
- To create standardized cost categories for reporting and data gathering to State agencies
- To establish the historical basis for future analysis and comparisons

Process of Information Gathering

- As part of the Data Assessment Project, conducted in-house discussion and review
- Conducted 4 workshops with industry
- Participation averaged 15 companies per workshop
- Industry was responsive in both active participation and written comments
- Established capital cost expenditure categories
- Developed both the 5 Year Look Back and forward-looking reporting categories

Use of Cost Expenditure Categories

- Compiled 5 Year Look back of CapEx (2006 to 2010)
- Compiling more detailed look forward of CapEx only – Effective 2011 return to be reported 3/31/12
- Look forward of CapEx & OpEx in progress – Effective 2012 return to be reported 3/31/13
- Will be submitted with annual production tax returns
- As supplemental information supporting the tax return
- Based on confidential information

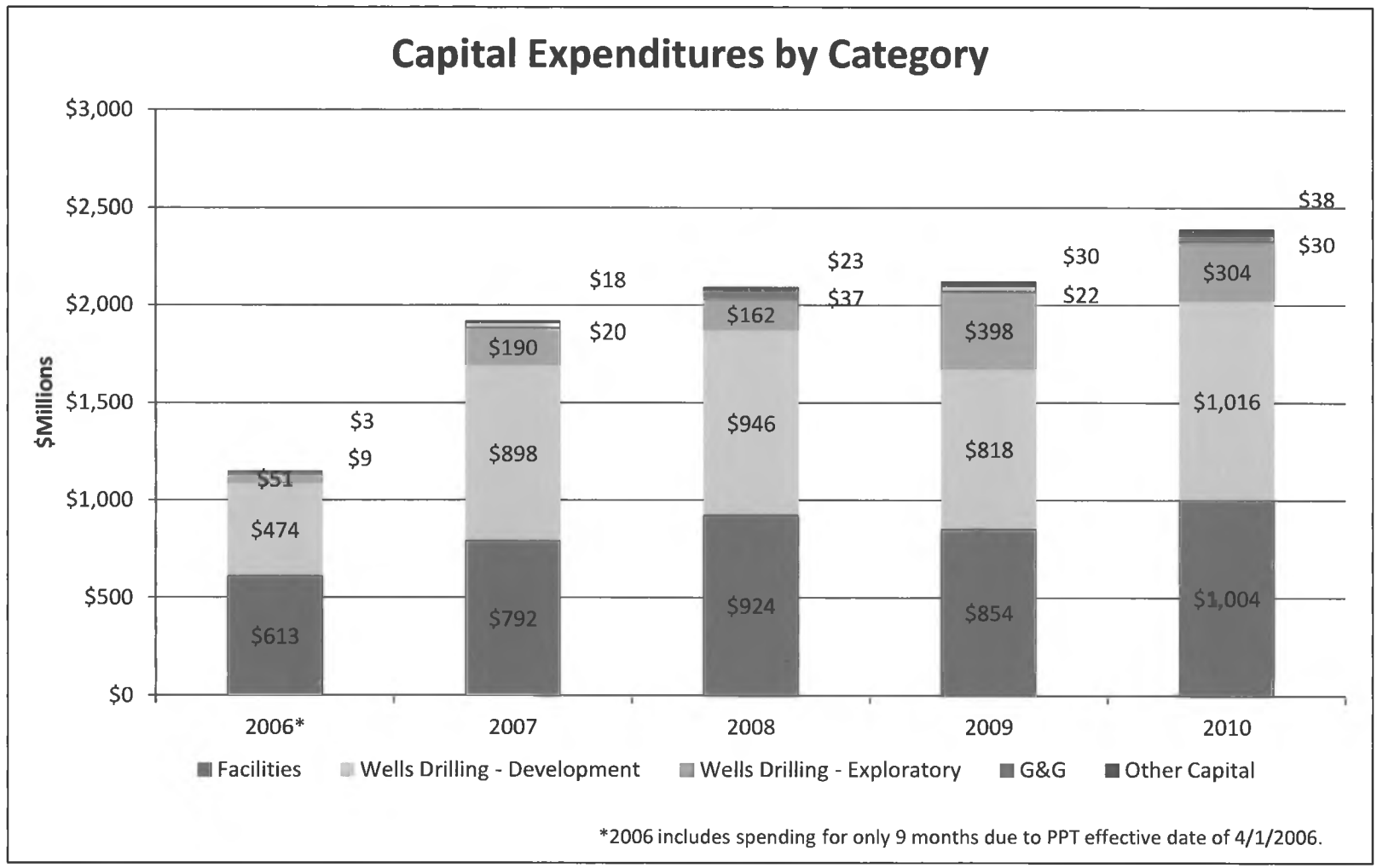
Capital Expenditure Categories

Look-back Categories For Years 2006 – 2010

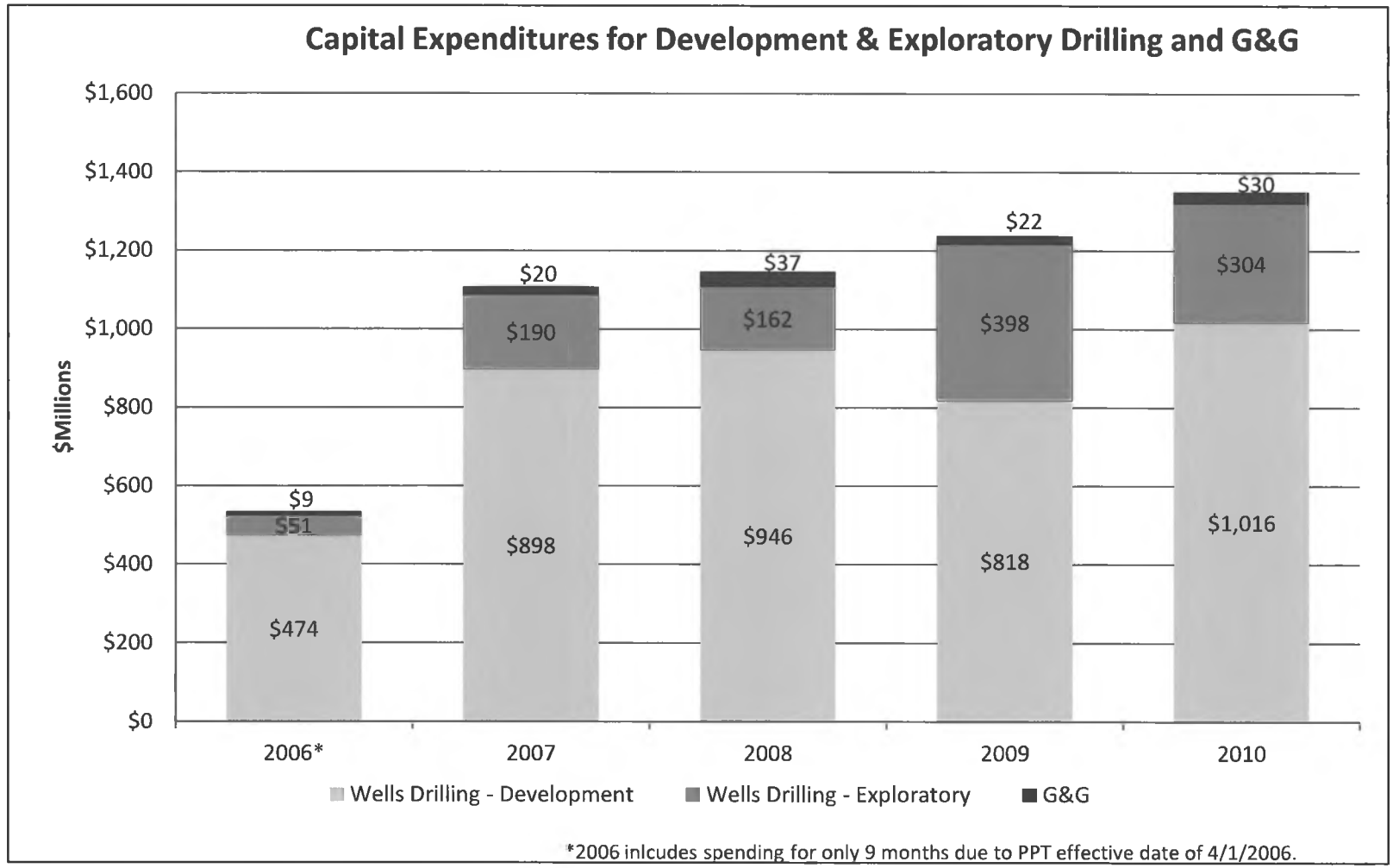
- Geological & Geophysical Work (G&G)
- Exploration Drilling
- Development Drilling
- Facilities
- Other Capital

Categorized capital expenditure data represent 90% of costs related to credit applications

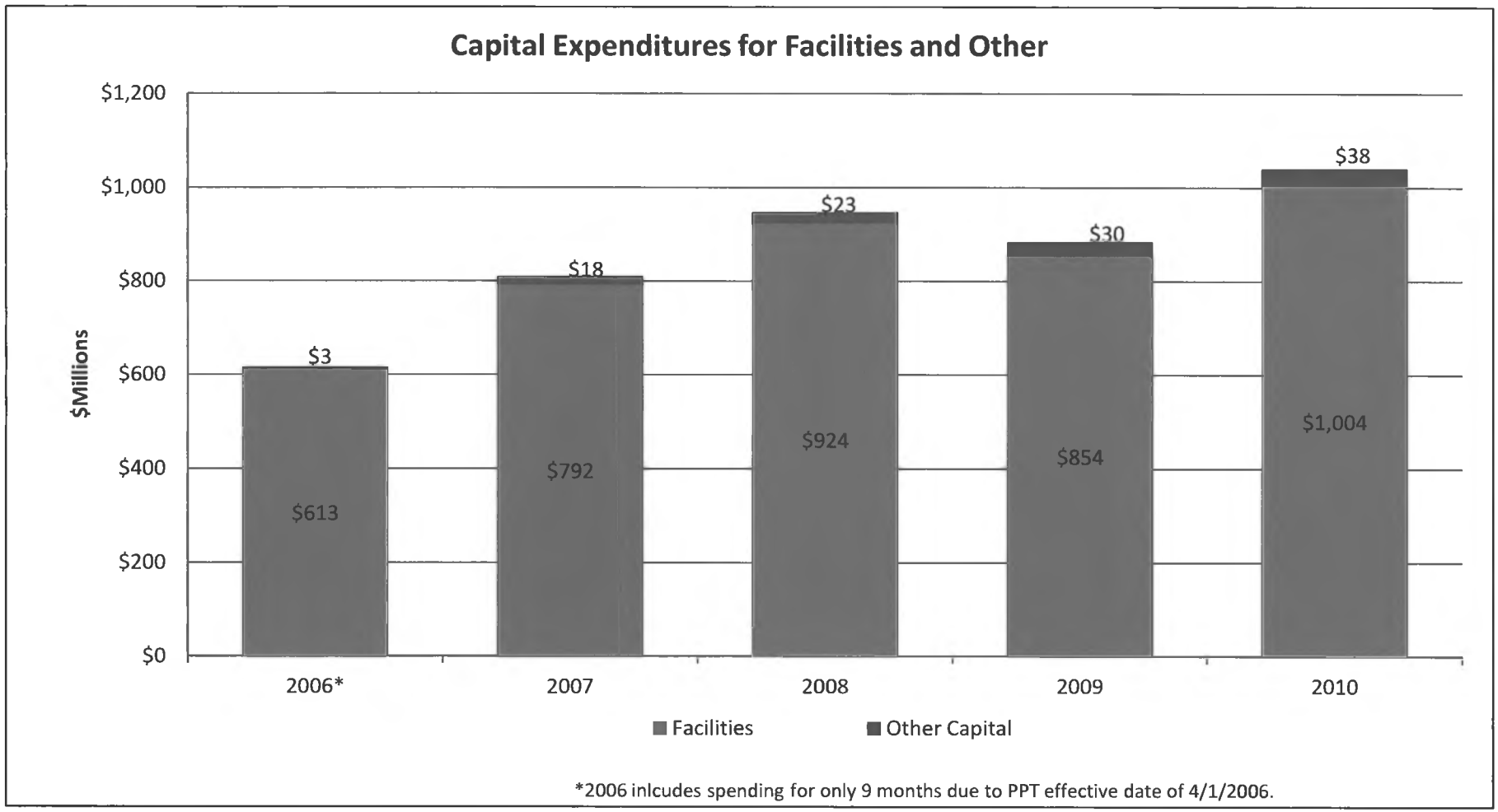
Historical CAPEX by Category (CY)



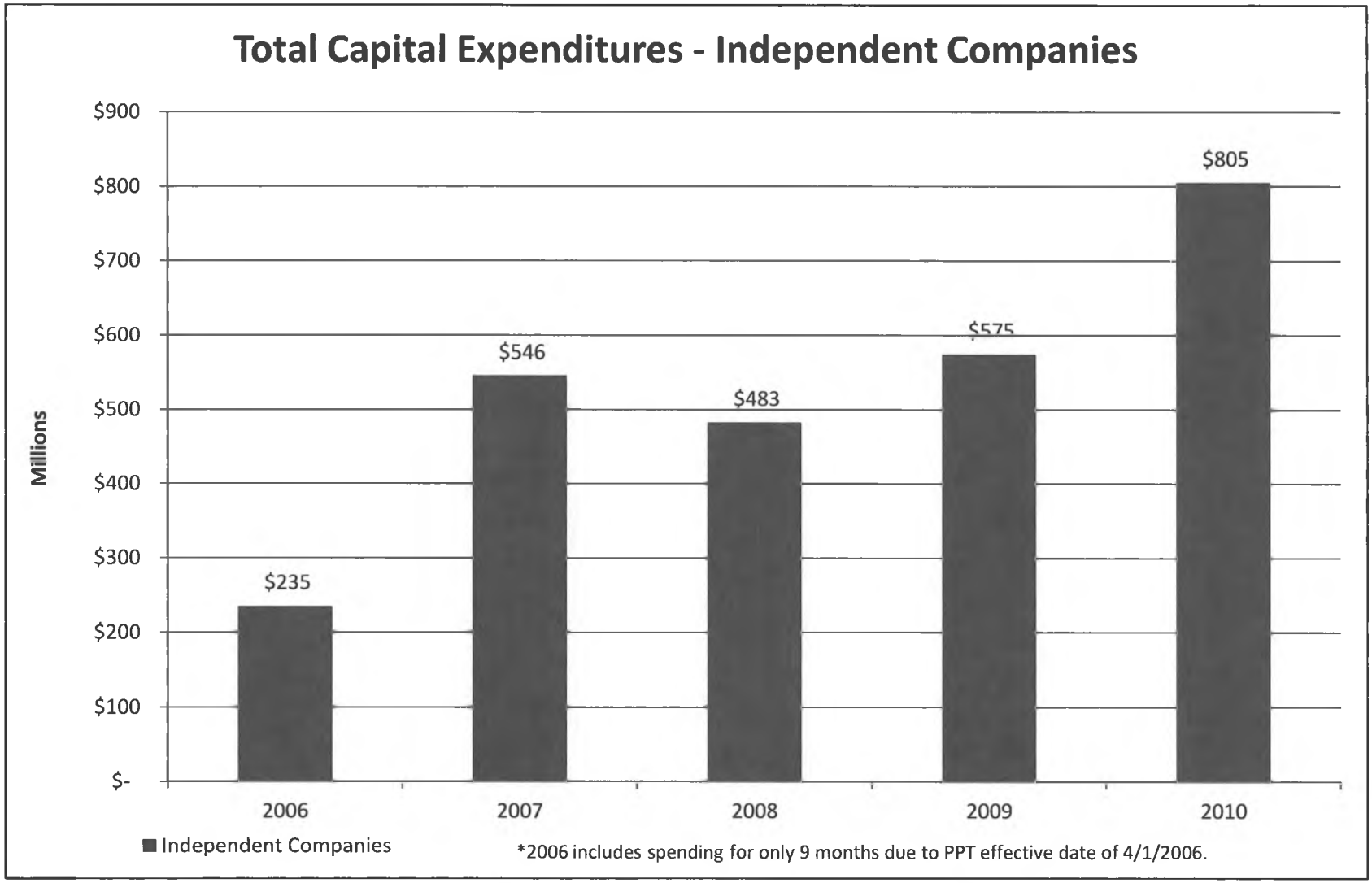
Historical CAPEX for Drilling and G&G (CY)



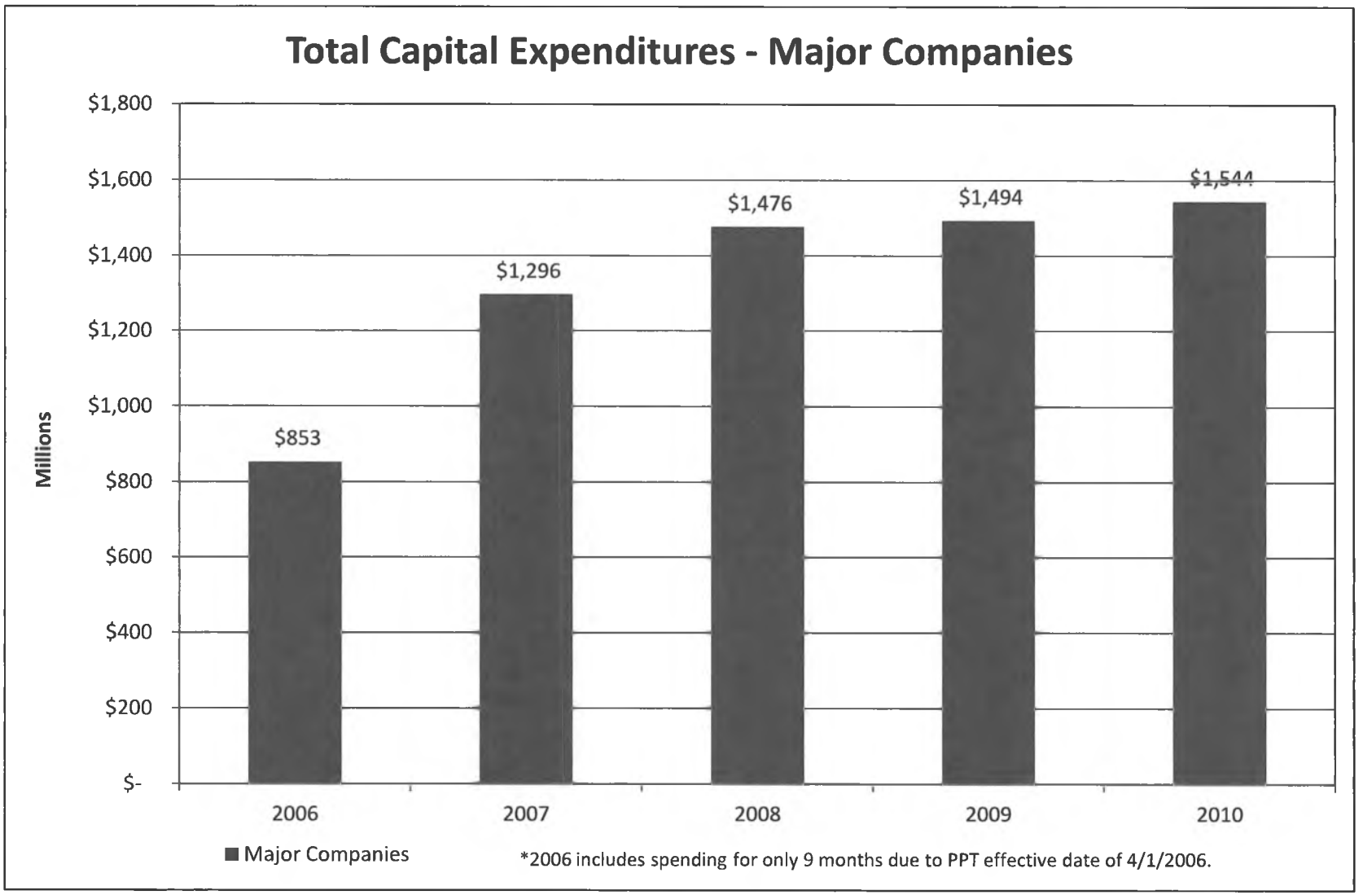
Historical CAPEX for Facilities & Other (CY)



Historical CAPEX (CY)



Historical CAPEX (CY)



2006-2010 Conclusions

- We now have more **actual** information regarding O&G spending habits than ever before available to the State of Alaska
- More **actual** information in this presentation alone than available during PPT/ACES debates combined
- Capital Expenditures in 2007 - 2010 increased from ~$2.0B to ~$2.4B
- Explorers spent money on drilling wells and G&G
- Companies in the development stage spent money on development drilling and facilities
- Companies in transition spent money in multiple areas depending on the stage they entered a project
- Companies in mature production phase spent money on maintenance and upgrade of facilities and development wells
- Now have more players active in the field
- Two fields planned and developed prior to PPT/ACES benefited from the tax credit provisions

Prospective Cost Information Look Forward

Proposed Annual Cost Supplemental Information Report

For calendar year 2011 (reporting due March 31, 2012):

- Use Look back CAPEX categories
- Filed by producers and explorers

For calendar year 2012 (reporting due March 31, 2013):

- Use more detailed categories following additional workshops with Industry
- Filed by producers and explorers

STATE OF ALASKA
TAX
DIVISION
DEPARTMENT OF REVENUE

DOR
CSSD - AMHTA - ANGDA - Tax - Treasury - ARMB - AMBR - APFC - PFD - MFIC -

Questions?

Policy Options for Alaska Oil and Gas

Pedro van Meurs

Monday – Tuesday, February 13-14, 2012

Presentation
Alaska Senate Finance Committee

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Nassau, Bahamas
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Introductory Comment

The objective of Governor Parnell is to achieve a TAPS throughput of 1 million barrels per day.

Can this objective be achieved from State of Alaska resources by 2025? Yes

How?

It will require major policy and fiscal changes as will be discussed during the seminar.

These changes need to induce an increase in investment of about $ 7.5 billion per year over current levels.

Introductory Comment

Such major policy and fiscal changes could also induce significant exports of LNG prior to 2025.

Four Sessions

The seminar will develop in four sessions:

1. **New policy framework required**
2. **International competitive environment**
3. **Proposed terms for existing and new light oil**
4. **Proposed terms for heavy oil, shale oil and natural gas**

Session 1

New policy framework required

World Rating of Oil and Gas Terms

Much of the material to be presented during the seminar is derived from a large international study being done by Van Meurs Corporation entitled:

World Rating of Oil and Gas Terms

In this study oil and gas fiscal systems of more than 140 countries and jurisdictions, such as Alaska, are being compared and analyzed in order to determine their favorability for investors.

Information about the study is available on:

www.petrocash.com

World Rating of Oil and Gas Terms

The 2011-2012 ratings of fiscal terms will cover 6 volumes.

Four volumes have been completed:

- **North American wells and shale plays**
- **Deep water**
- **Arctic**
- **Shallow water**

Two volumes still to be completed:

- **Onshore fields and shale plays**
- **Summary**

Alaska fiscal terms

During the seminar specific new fiscal terms will be proposed for Alaska oil and gas.

The purpose of these terms is to demonstrate how a new fiscal system can be created and to indicate the order of magnitude of the amounts and rates that would need to be adopted.

Concept of Government Take

During the seminar the concept of "government take" will be used frequently. Following is an example of the calculation of the government take for a 10% royalty.

Gross Revenues	**$ 100 per barrel**
Costs	**$ 20 per barrel**
Divisible Income	**$ 80 per barrel**
Royalty 10%	**$ 10 per barrel**

Government Take: ($ 10 / $ 80) x 100% = 12.5%

The Government Take in this seminar is presented on an undiscounted and real basis using an escalation and inflation rate of 2% and is based on price and cost data as contained in Volume 3 of World Rating of Oil and Gas Terms.

Policy Change required

Alaska will not be able to reverse the decline in oil production from State of Alaska leases unless Alaska encourages major investment in:

- **Heavy oil,**
- **Potentially Shale Oil, if technically and economically viable, and**
- **Maybe some GTL production**

Policy Change required

If Alaska wants to attract investment in a major way for the important new resources (heavy oil, gas and potentially shale oil), significant political change is required in Alaska.

These changes are:

1. **Alaska has to define competitive fiscal terms for the entire range of oil and gas resources, so investors know what the terms are.**
2. **Alaska has to offer fiscal stability on these terms for large new projects, so investors know that Alaska will honor these terms for a significant duration.**

Policy Change required

Alaska is only jurisdiction in the world without defined fiscal terms for major oil and gas resources within its jurisdiction.

Alaska has no fiscal terms designed for heavy oil.

Alaska has no fiscal terms designed for shale oil.

Alaska has no implementable fiscal terms for natural gas.

This is a major obstacle for new investment.

Alaska political climate

It will be very difficult to introduce such changes in the current somewhat unfavorable political climate in Alaska.

The unfavorable political climate in Alaska is "structural"; in other words it is unlikely to change.

It is created by two factors:

- **The small size of the Alaska population creates a particular way of developing fiscal policy, and**
- **An dependency relationship of Alaska on three major oil companies for most of their government budget, which creates resentment among some Alaskans. "Standing up for Alaska" is politically popular.**

Political climate:

Small size of population

Jurisdictions with small populations (<2 million) develop oil and gas fiscal systems differently than jurisdictions with large populations (> 2 million) .

Small jurisdictions are often "project driven". They tend to wait for someone to propose a project before deciding on detailed terms. Often terms are complex because many local interests need to be dealt with and terms are tailored for specific conditions.

Examples with population in millions: Alaska (0.7), Newfoundland & Labrador (0.5), Trinidad and Tobago (1.3), Equatorial Guinea (0.7) and Qatar (1.7).

Political climate:

Large populations

Jurisdictions with large populations of have generic petroleum codes and tax laws which deal with all petroleum resources. Terms are identical for all investors. Terms may be adjusted for each bid round. Often petroleum fiscal terms are relatively simple.

Examples with population in millions: United States (Federal onshore and OCS) (312.1), Norway (5.0), Alberta (3.7), the United Kingdom (62.3) and Australia (22.8).

Competitive Framework for Alaska: 1997

Petroleum economic environment:

- **Oil price low**
- **European and Asian gas prices low**
- **LNG trade limited**
- **Focus on conventional oil and gas**
- **Conventional oil production in US declining**

Competitors of Alaska:

- **Latin American, African and Asian developing countries**
- **Main LNG competitor: Qatar**

Method of determining fiscal terms by competitors:

- **Negotiations of production sharing contracts resulting typically in tough terms**

Competitive Framework for Alaska: 2012

Petroleum economic environment:

- **High oil prices**
- **High European and Asian gas prices**
- **Booming LNG trade**
- **Focus on unconventional oil and gas**
- **Oil production in US and Canada increasing**

Competitors of Alaska:

- **Lower 48 USA, Canada, Russia and Brazil**
- **Main LNG competitor: Australia**

Method of determining fiscal terms by competitors:

- **Fixed and usually attractive fiscal terms.**

Alaska Political climate:

Negative experience

The fact that fiscal terms in Alaska are being defined once a project is identified has already resulted twice in the loss of a major gas export project:

- **Under Governor Knowles in 1996 there were realistic opportunities for LNG exports to Asia. Yet, the process of having first to develop the "Stranded Gas Development Act" in order to enter in negotiations resulted in a situation where Asian buyers went elsewhere.**
- **Under Governor Murkowski in 2003 there was a significant opportunity to built a gas line to Alberta. Yet, strong opposition within government and from Alaskans delayed negotiations and resulted in a disapproval of the project.**

These experiences create a negative environment for the proposal of new projects by major companies in Alaska.

Policy change required

If Alaska wants to attract major new investment in the new competitive environment of 2012 and achieve a million bopd target and LNG exports, it has to establish competitive and fixed terms for all its resources:

- **Existing light oil**
- **New light oil**
- **Heavy oil**
- **Ultra heavy oil**
- **Shale oil**
- **New natural gas**
- **Associated natural gas**

What Alaska needs is a "we are open for business" brochure that sets out all terms for investing in oil and gas in Alaska.

Implementation of new terms.

With respect to light oil for existing and new production it seems that no particular implementation measures need to be taken. It is likely that investors will respond positively to the new terms and make the necessary investments, unless the project involves major new investments, such as the development of Point Thomson.

With respect to heavy oil, shale oil, natural gas and GTL it is unlikely that investors will commit to large multi-billion dollar programs unless there is a degree of fiscal stability in a contractual framework.

Contractual relationship.

If investors feel that fiscal stability is required for their investments, the Government of Alaska should be authorized to sign contracts, without further legislative approval. In other words the process would be similar to the approval of an oil sands plant in Alberta.

The fiscal stability period could range from 10 – 25 years from the start of the contract, depending on the nature of the investment.

In exchange for being offered fiscal stability, the investor would have to commit to a substantive work program.

It is understood that the matter of whether or not Alaska can offer fiscal stability, is an issue to be decided by the Alaska Supreme Court.

Difficulties in achieving Alaska production increases

Increasing Alaska oil production and initiation of gas exports will face other major difficulties.

The main difficulty is that the three major oil companies are in a "harvesting mode", which means their main objective is drawing cash out of Alaska to invest elsewhere. The reasons for this are:

- **No large and attractive projects available in Alaska under current fiscal terms for major oil companies**
- **Attractive opportunities outside Alaska.**

No attractive projects in Alaska
for major oil companies

Current fiscal terms are designed for *low cost light oil*.

There is possibly about one billion barrels of new *high cost light oil* production available through:

- **Discoveries as a result of new exploration**
- **Small discovered fields, which have not yet been brought on stream**
- **Infill drilling of existing fields.**

Major oil companies are already infill drilling, other projects do not compare well in attractiveness with international opportunities.

As a result, the main focus of major oil companies is to draw cash out of Alaska for investment elsewhere.

Session 2

International competitive framework

Attractive terms outside Alaska
for major oil companies

In the following slides the international competitive position for Alaska will be evaluated for the following resources:

- **Existing light oil production**
- **New light oil production**
- **Heavy oil**
- **Shale oil, and**
- **Natural Gas**

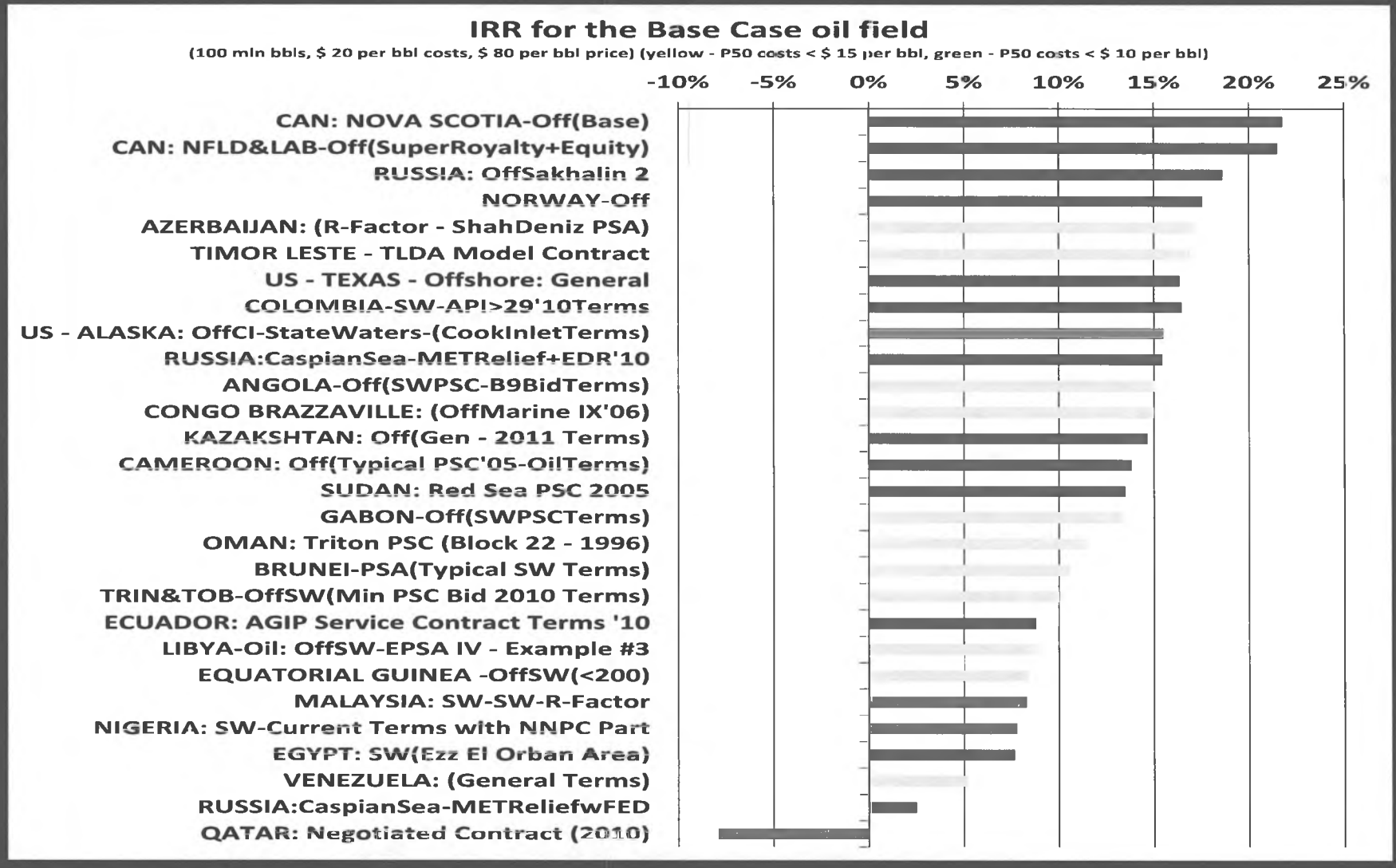
International competition:
Existing oil production

The Shallow Water results of World Rating of Oil and Gas Terms permit a comparison with the largest "peer group". The largest peer group for Alaska are the exporting jurisdictions. The following charts provide the results for a selection of 28 exporters of oil.

The Arctic Report permits a comparison with other Arctic jurisdictions.

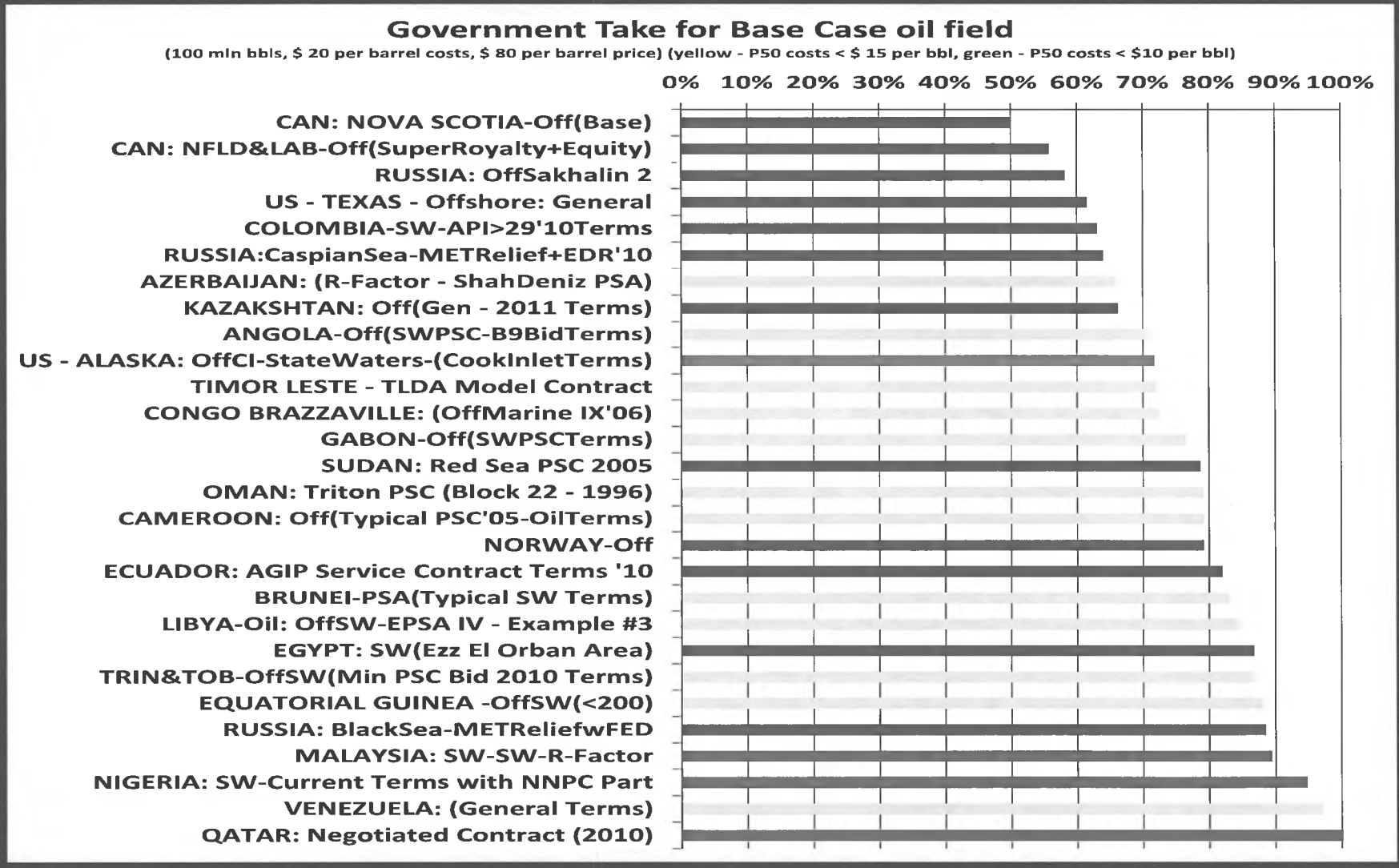
Following is an overview of the results.

Shallow water exporters (Oil)



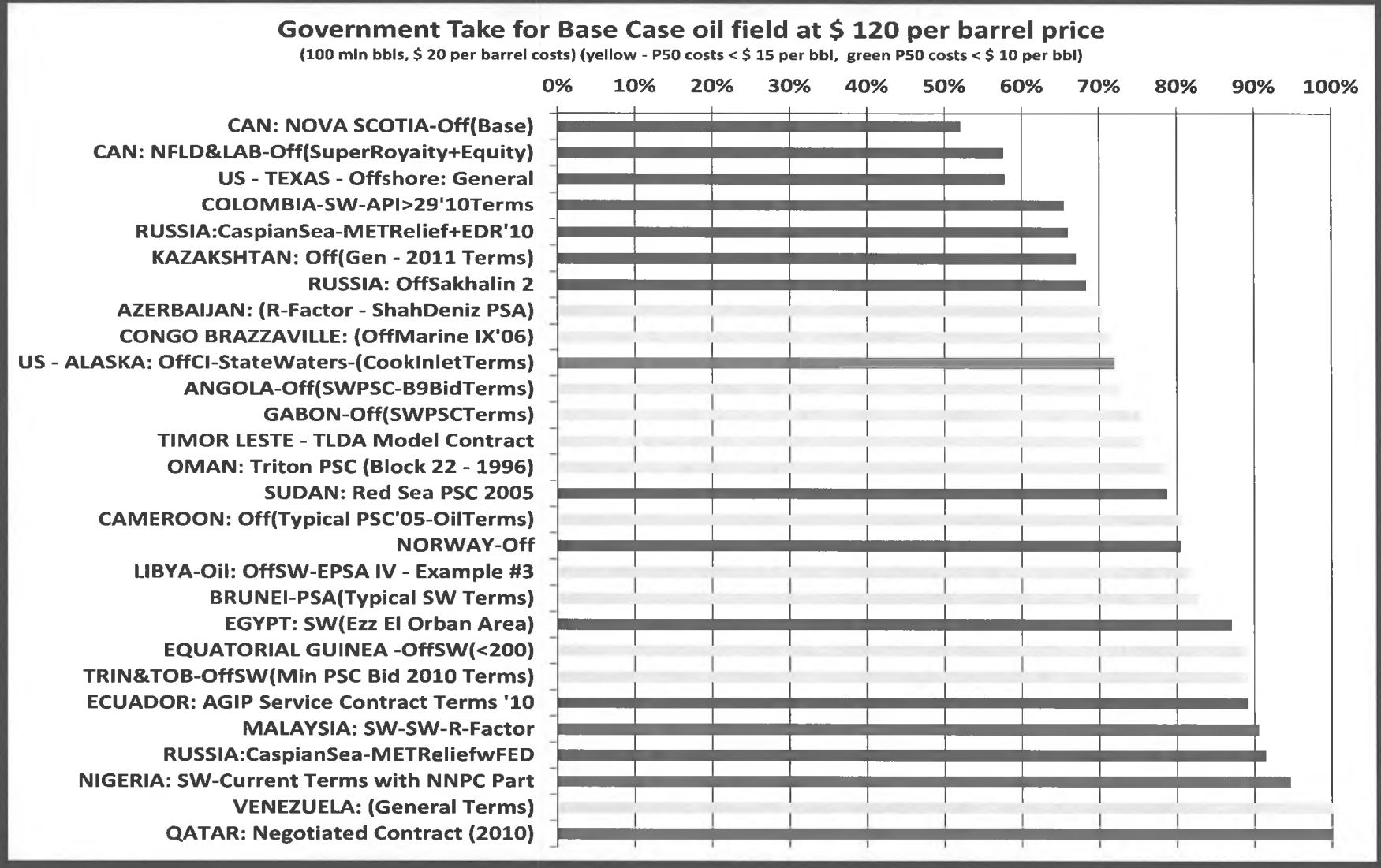
IRR: Alaska terms rate # 9 out of 28 exporters.

Shallow water exporters (Oil) - $ 80



Undiscounted Government Take: Alaska terms rate # 10 out of 28 exporters.

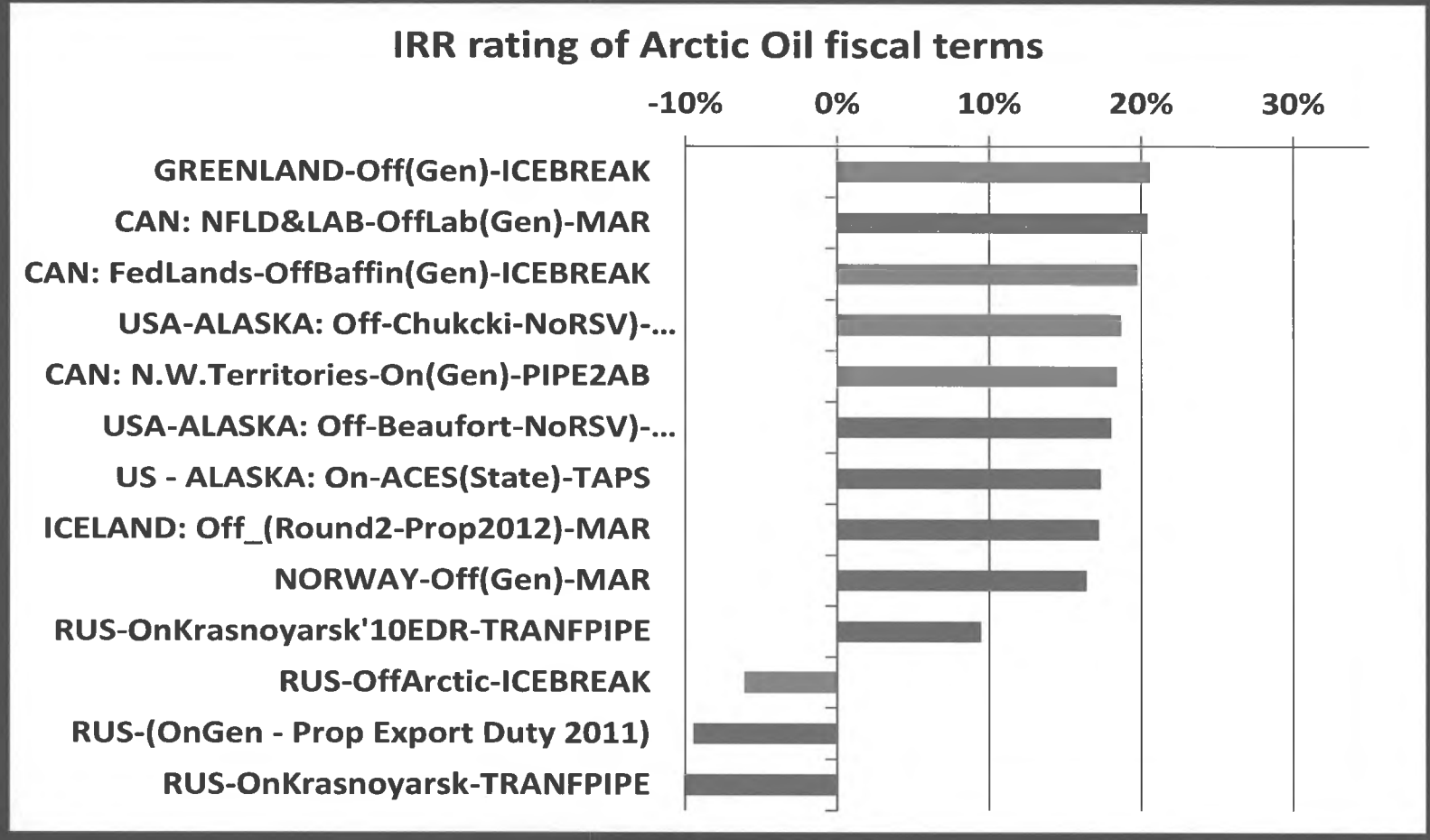
Shallow water exporters (Oil) - $ 120



Undiscounted Government Take at $ 120 per barrel: Alaska terms also rate # 10 out of 28 exporters.

Arctic (Oil)

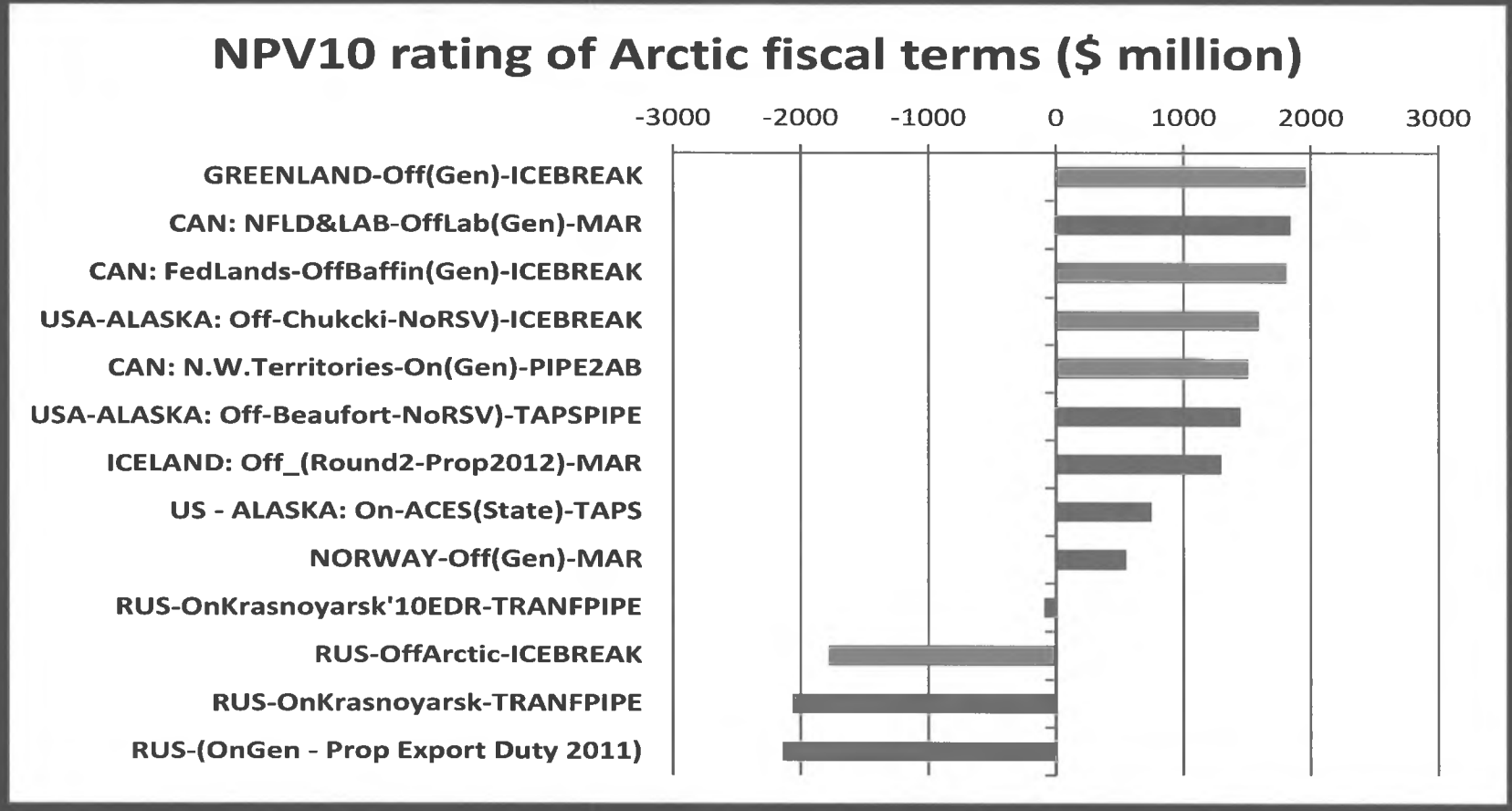
(red – no transport system available)



Alaska ACES IRR compares favorably with other Arctic jurisdictions. Russia still very tough under high cost and slow development conditions. Russian terms are rather attractive under lower cost conditions.

Arctic (Oil)

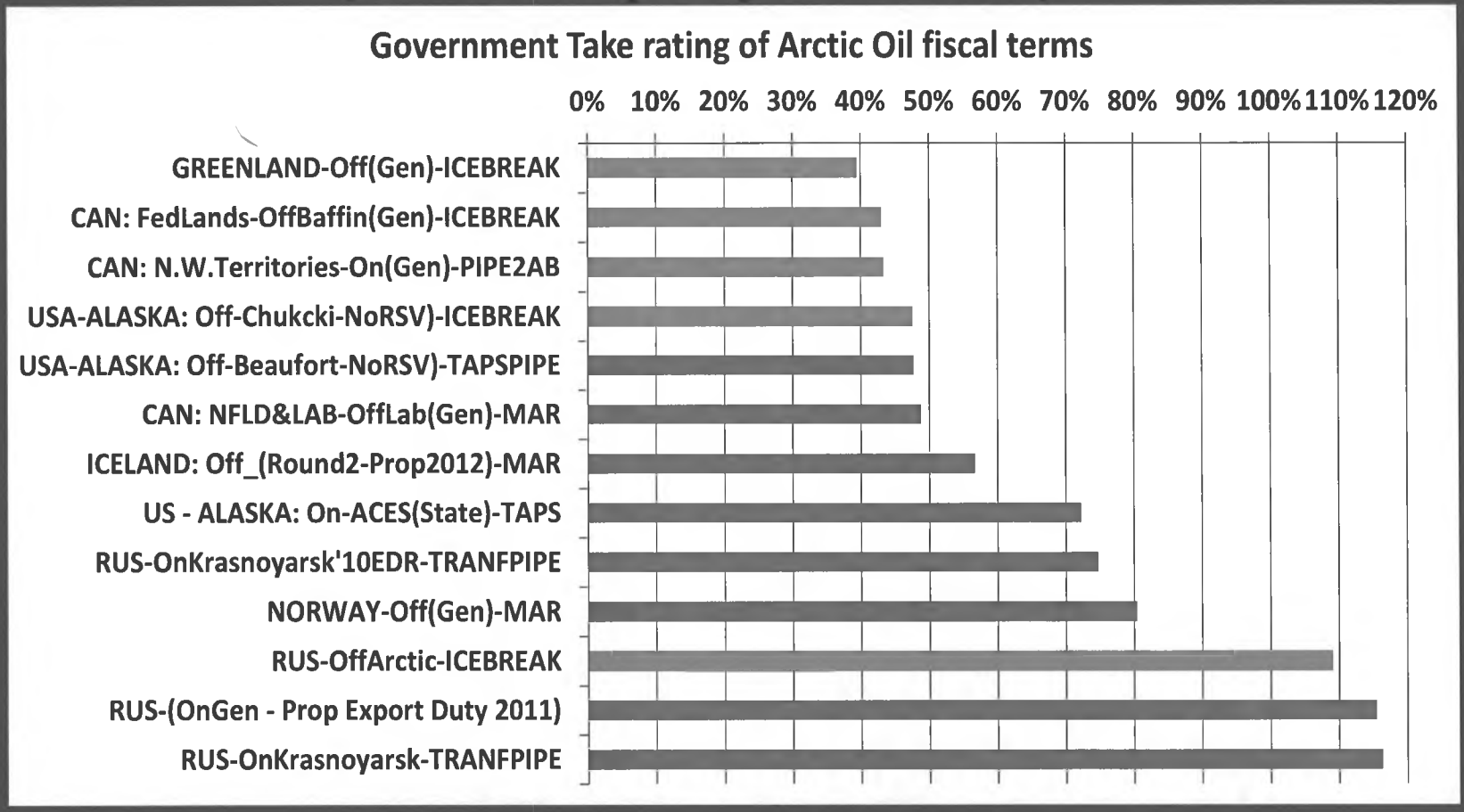
(red – no transport system available)



Alaska ACES NPV10 seems OK compared to other jurisdictions, but is somewhat meager. Note how Federal Beaufort and Chukchi acreage is attractive. Russia still very tough.

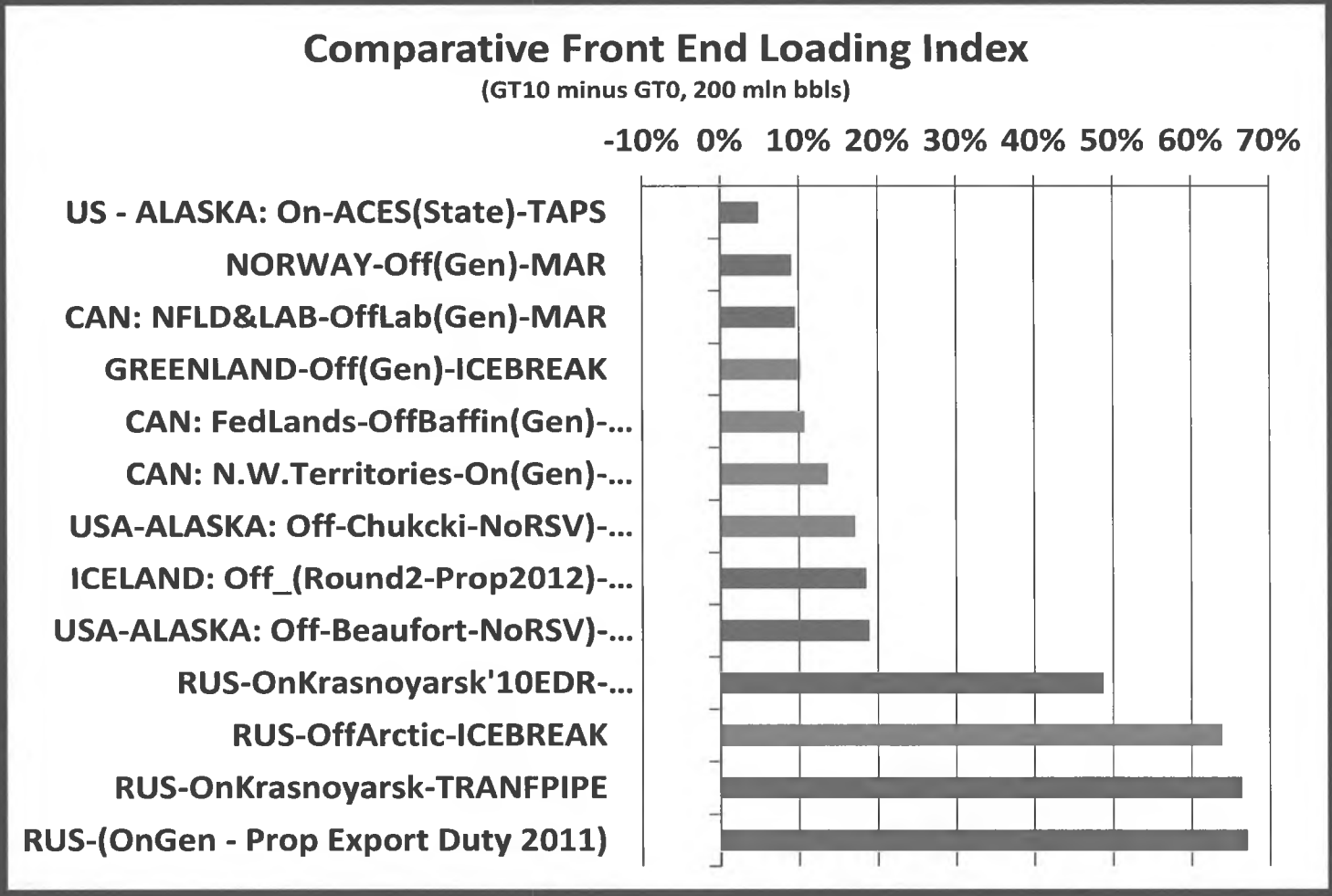
Arctic (Oil)

(red – no transport system available)



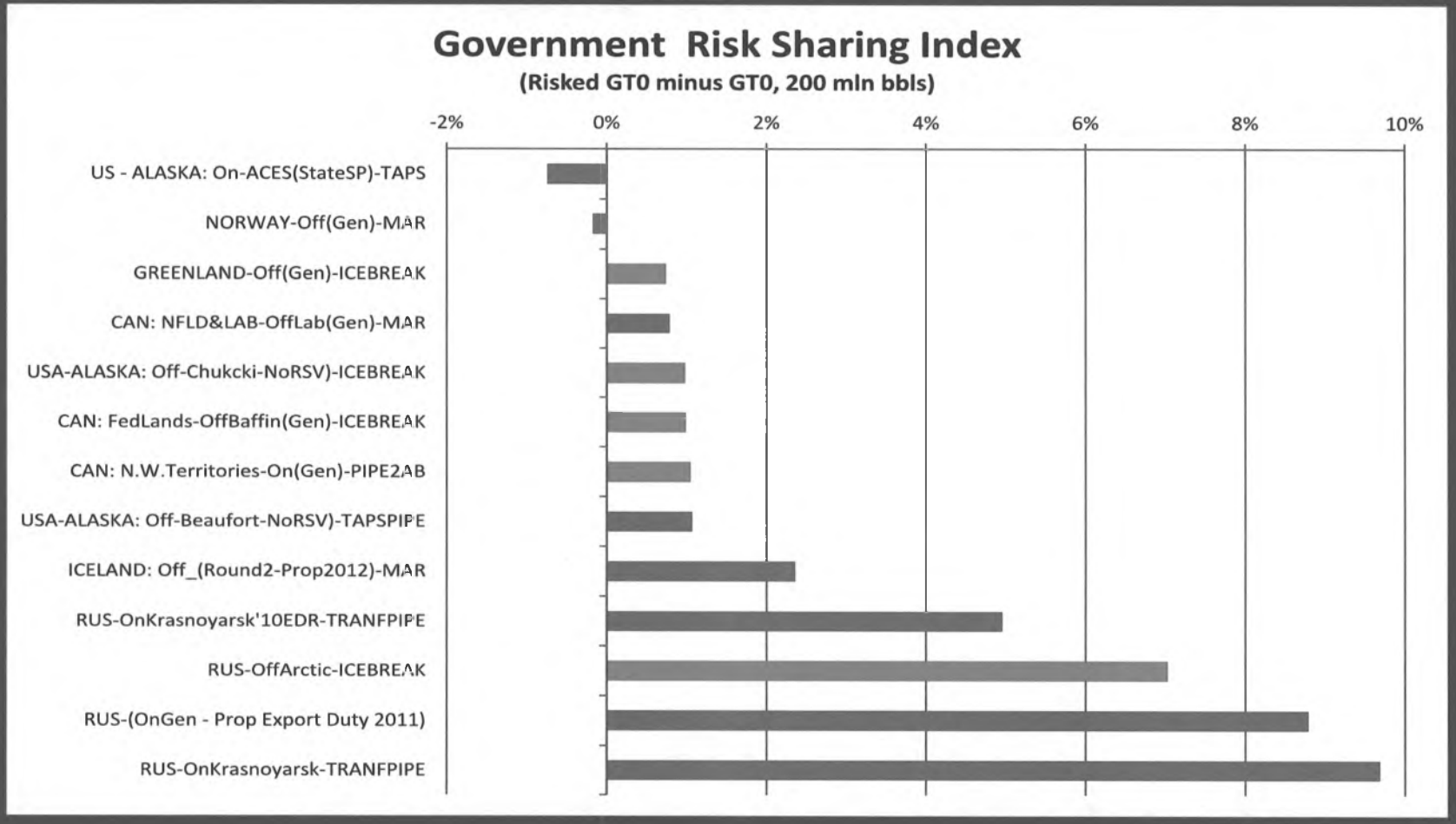
Alaska ACES government take is attractive from a government point of view and approximately at the right level for existing operations for investors. Interestingly new Russian terms compare with Alaska and Norway government take.

Arctic (Oil)



Alaska ACES government take is relatively well balanced compared to other Arctic jurisdictions in terms of the time distribution of the government take.

Arctic (Oil)



Under Alaska ACES the Alaska government is one of the few governments which shares disproportionately in the geological risk, indicating very strong support for exploration. In fact, with South Africa, Alaska rates the highest in the world in this respect.

International competition
Existing Production

The government take of about 70%-75% for Alaska is reasonable compared to the other exporters for existing operations. It is maybe slightly on the high side.

Alaska also offers a favorable time distribution of the government take and very favorable sharing of geological risk.

International competition
Existing Production

Both House Bill proposals lower the government take below 65% for existing as well as for new operations.

Although some improvements could be made in the existing terms, the results of the reports indicate that a significant lowering of government take (below the 70 – 75% range) for existing operations is not necessary.

SB 192 retains significant revenues on existing production in the 74 – 76% government take range.

International competition
New Production

The Alaska light oil production is rapidly declining at about 5% per year.

As stated earlier, there may be about one billion barrels of possible new production under more favorable fiscal terms. The production costs of this new oil is likely high on a per barrel basis.

The World Rating for Oil and Gas Terms provides information as to a reasonable government take for new production from the Deep Water report and the North American report.

Deep Water results

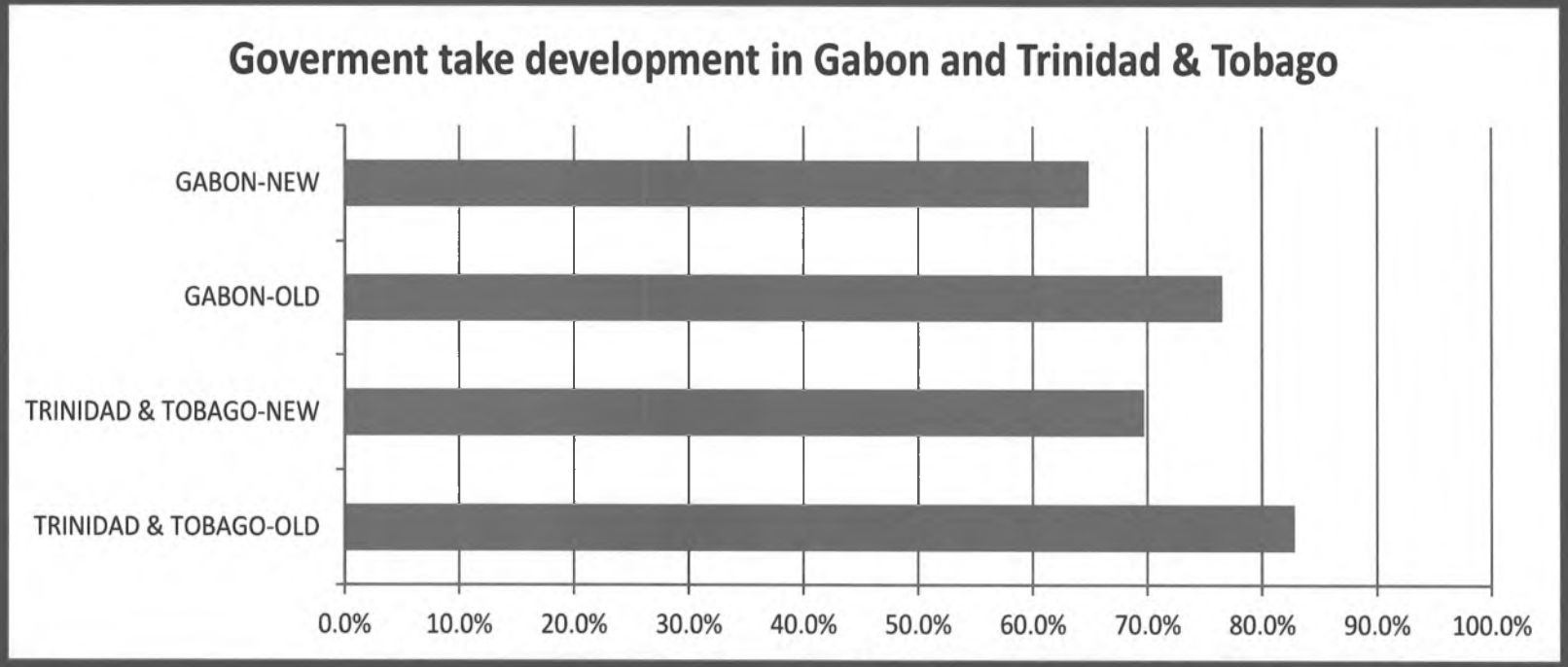
An important "peer group" for Alaska would be exporting jurisdictions with a declining conventional oil production.

There are not many jurisdictions in this group, but examples are Alberta, Gabon, Trinidad & Tobago, Malaysia.

Both Gabon and Trinidad applied about a 12 percent drop in order to attract new investment in an effort to offset declining production.

Both in Gabon and Trinidad this only applies to new blocks. Terms and conditions on old blocs remain unchanged.

Deep Water results



Gabon and Trinidad and Tobago are exporters with a declining oil production and have recently reduced their terms by about 12 percentage points.

North American Wells

Fiscal terms

Another way of competing with a fiscal system is to design the system for a wide range of economic conditions.

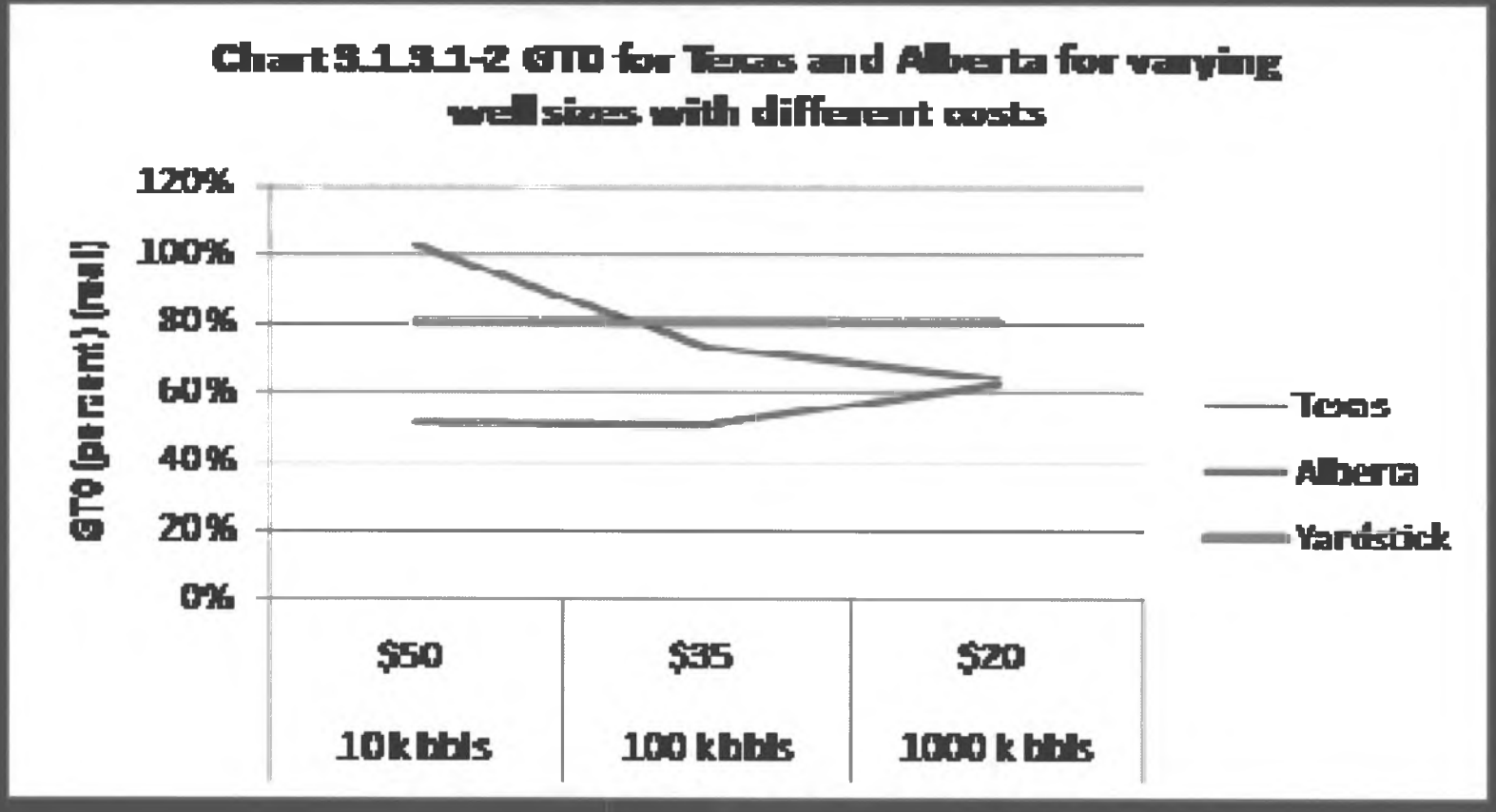
In Canada the fiscal systems consist of:

- Royalties, based usually on formulas
- Federal and provincial corporate income tax

In the United States the fiscal systems consist of:

- Royalties, usually a fixed percentage
- Federal and often state corporate income tax
- Severance (production) taxes
- Property taxes

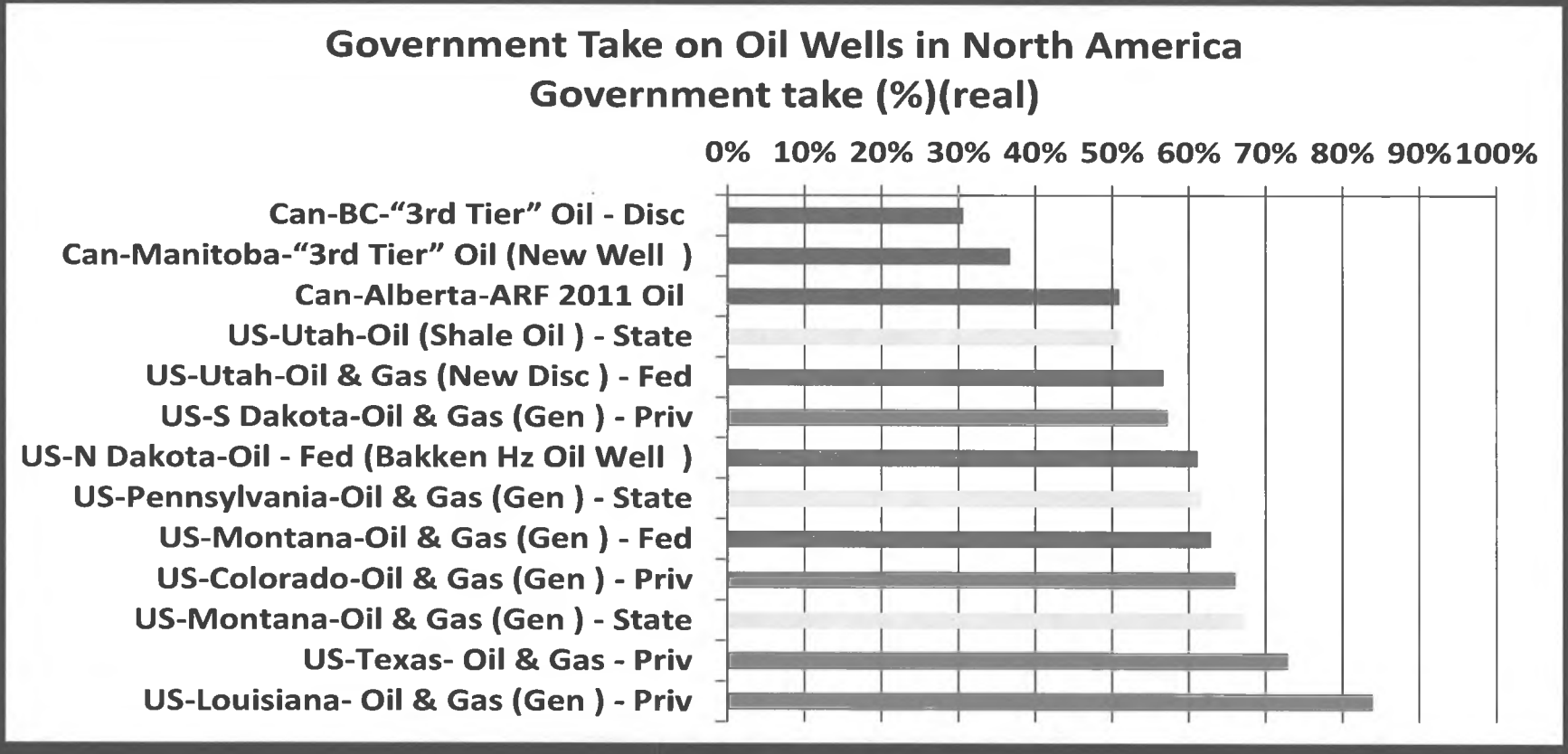
North American Wells (Oil)



In Canada the government take usually goes up and in the United States the government take goes down with higher level of production per well or with higher prices (or both).

North America Wells (Oil)

Typical Well: 100,000 barrels, $ 35 costs, $ 80 price



The government take on oil wells varies between 30% and 83% in North America and depends very much on the resource owner: Canadian provinces (blue), US Federal lands (green), US State lands (yellow) and US private lands (red)

North American Wells

Fiscal terms

Since 1997 Canada has lowered government take considerably, while the government take in the United States stayed the same.

The combined federal- provincial tax rate in Canada declined from about 45% to 25%.

Due to declining conventional oil production, the major Canadian oil producing provinces promote strongly new activity with more attractive royalties formulas which compete over a wider cost range.

International competition
New Production

International examples indicate that dropping the government take by about 10% for new production is reasonable once the jurisdiction faces a declining production.

The experience of Alberta, which faces a declining conventional oil production, indicates that designing lower fiscal terms in the 50 to 65% range of government take for higher cost resources is a viable strategy to increase investment.

International competition
New Production

The 60 – 65% government take for more costly "new" light oil resources as proposed in HB 110 and HB 17 is a reasonable level from an international perspective.

SB 192 terms are to tough to encourage costly new production.

International competition
Heavy Oil

Heavy Oil can be separated in two groups:

- **Heavy Oil: 15 – 22 degrees API. This oil can typically be produced with conventional production methods, since oil flows to the wells. The oil can also be transported by pipeline and in marine tankers**
- **Ultra Heavy Oil or Bitumen: 8 – 15 degrees API. This oil which needs to be produced with special production methods. The oil cannot be transported by pipeline or marine tanker. It needs to be mixed with condensate or it needs to be converted in an upgrader to synthetic crude oil.**

Heavy Oil

Alaska has significant heavy oil potential, probably in excess of 5 billion barrels. Alaska heavy oils range from 10 to 22 degrees API.

The most important deposits are:

- **Heavy Oil - 15 – 22 degrees API – West Sak, Schrader Bluff, Orion, Polaris, Nikaitchuq.**
- **Ultra Heavy Oil – 10 – 15 degrees API – Ugnu**

Separate fiscal terms are required for these two groups.

Alberta Oil Sands

The most important competitor for heavy oils in North America is Alberta with the oil sand deposits which may well contain in excess of 500 billion barrels of recoverable oil.

For Alberta oil sands, at 10 degrees API, government takes are in the range of 43% - 55% depending on the oil price.

In order to compete the government take for ultra heavy oil in Alaska may has to be similar to Alberta.

For heavy oil the terms could be between ultra heavy oil and new light oil production.

International competition
Heavy Oil

In order to be competitive Alaska would have to offer the following government takes for heavy oil:

- **Heavy oil: 55 – 60%**
- **Ultra heavy Oil: 45 – 55%**

International Competition
Shale Oil

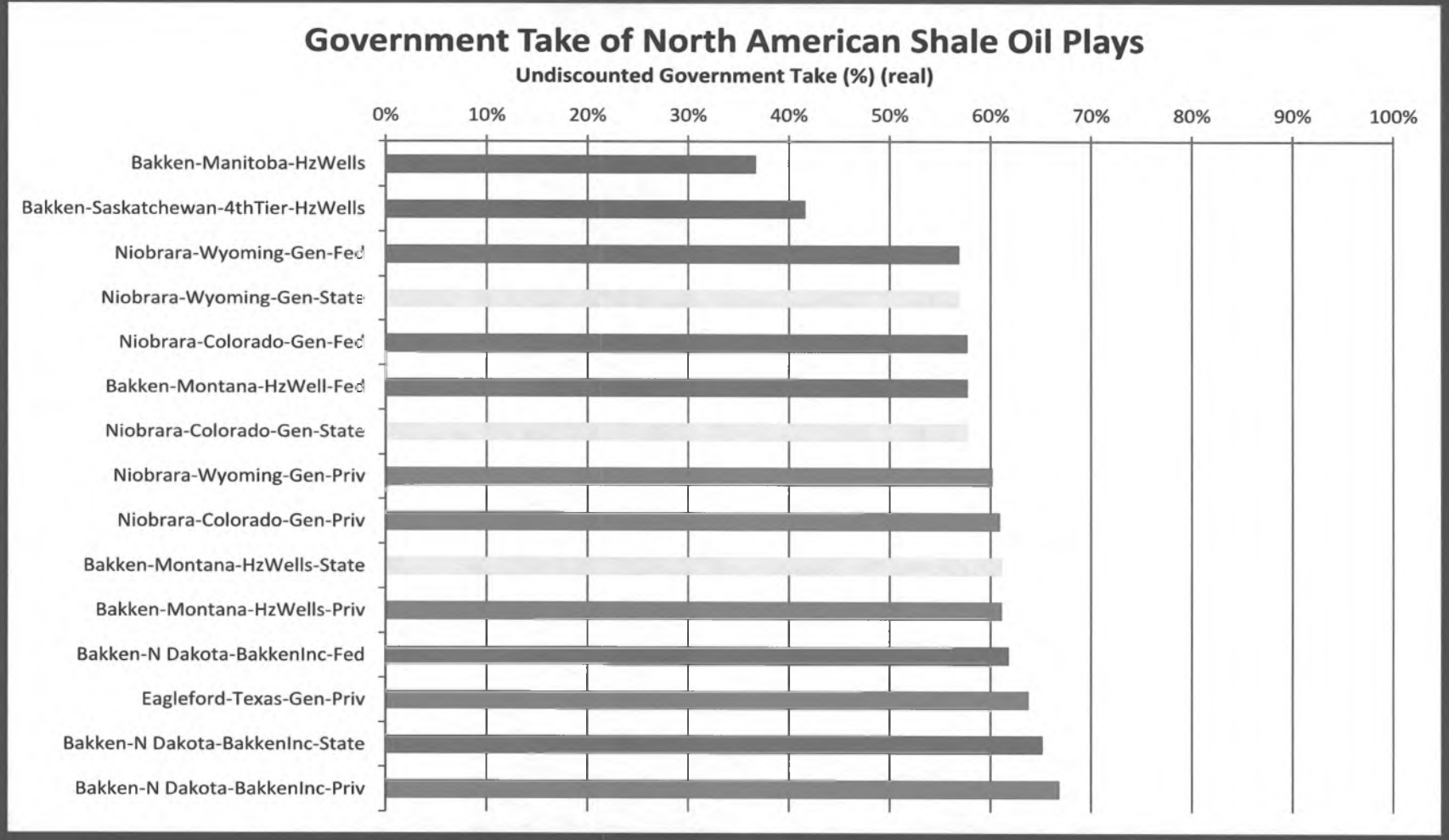
At this time it is not known whether shale oil production will be possible in Alaska. Pilot projects will be required to identify whether reservoir characteristics are of a nature that would permit fracking and would result in a sufficient flow of oil to make shale oil economic.

If shale oil would be economic, the resources may be quite considerable, for instance, in excess of several billion barrels. It is therefore very important for Alaska to identify whether shale oil is economic or not.

New shale oil developments will likely require major new infrastructure. The Federal permitting of this infrastructure and related environmental concerns could be a major stumbling block.

North American Wells (Shale Oil)

Government Take



Shale Oil plays in the United States are typically subject to a government take of about 60% and in Canada 40%.

International competition
Shale Oil

Alaska may have significant shale oil potential.

However, given the fact that the formations are relatively deep, operating conditions are severe and infrastructure is lacking, the costs per barrel would very likely be higher than in Canada and the Lower 48 States.

It is unlikely that large capital investments can be attracted unless the government take is in the 45 – 55% range.

International competition
Natural Gas

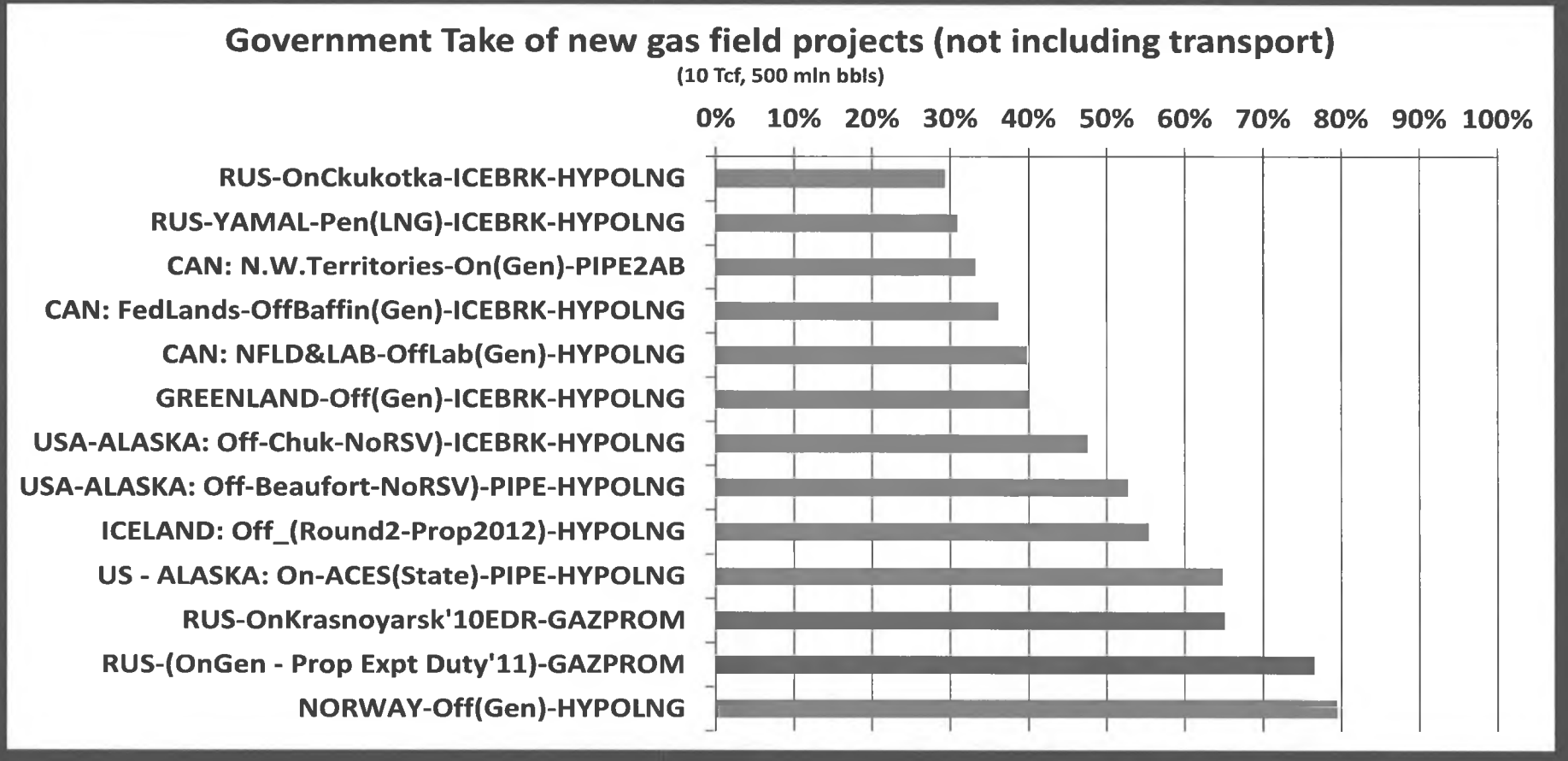
The Pacific market is very competitive

Current major *new* LNG suppliers in the Pacific LNG market are Australia and Papua New Guinea. Government take is less than 50% for dry gas.

Offshore and onshore conventional gas production in China is also significant. Chinese owned companies often benefit from a system where China does not participate on a carried basis, resulting in a government take of 42% for dry gas.

In addition to the conventional gas resources, China has in situ 1300 Tcf of coal bed methane gas and 1100 Tcf of shale gas.

Arctic (Gas)



Alaska government take for gas aimed at Pacific LNG markets is about 25% to 30% too high compared to strong Russian competition.

International competition
Natural Gas

Given the strong challenges of Russia, Australia, PNG and Chinese producers themselves, Alaska would have to offer a government take in the range of 45-55% in order to be competitive for the production of gas from new gas fields such as Point Thomson.

For gas from Prudhoe Bay, whereby most of the production costs have already been absorbed by oil production, a government take in the range of 55 – 60% may be appropriate.

International competition
Summary

In order to be competitive, Alaska needs to develop a fiscal system that offers the following government takes for the various resources:

- **Existing light oil production: 70 – 75%**
- **New light oil production: 60 – 65%**
- **Heavy Oil: 55 – 60%**
- **Ultra Heavy Oil: 45 – 55%**
- **Shale Oil: 45 – 55%**
- **Natural Gas – new gas fields: 45 – 55%**
- **Natural Gas – Prudhoe Bay: 55 – 60%**

Session 3

Proposed terms for existing and new light oil

Overall framework for a new PPT

A new PPT should preferably structured in such a manner that it deals with the following important issues:

1. **The current ACES system has serious deficiencies. A new PPT should remove these problems.**
2. **A new "architecture" for the PPT needs to be created to permit a greater variety of terms for the different oil and gas resources.**
3. **The system should be made simpler.**

Complexity

An important other issue is complexity.

The production tax is far too complex - The current complexity of the production tax is a strong disincentive for investment.

It can be strongly recommended to review the tax to see what changes can be made to reduce complexity.

Deficiencies in the current ACES system

The current ACES system has five main deficiencies:

1. **PPT tax rates up to 75% in addition to 41% corporate income tax are too high to stimulate efficiency in operations.**
2. **The price based sliding scales and result in a situation where under high prices the producer is actually better off with a lower price.**
3. **The excessive tax credits result in a situation where Alaska may pay all of the costs of a well.**
4. **The BOE concept results in a situation where new gas production could lead to massive losses of oil based revenues.**
5. **Under marginal circumstances the ACES system actually creates a negative PPT, in other words the government will loose PPT on certain fields.**

Deficiencies
Excessive Tax rates

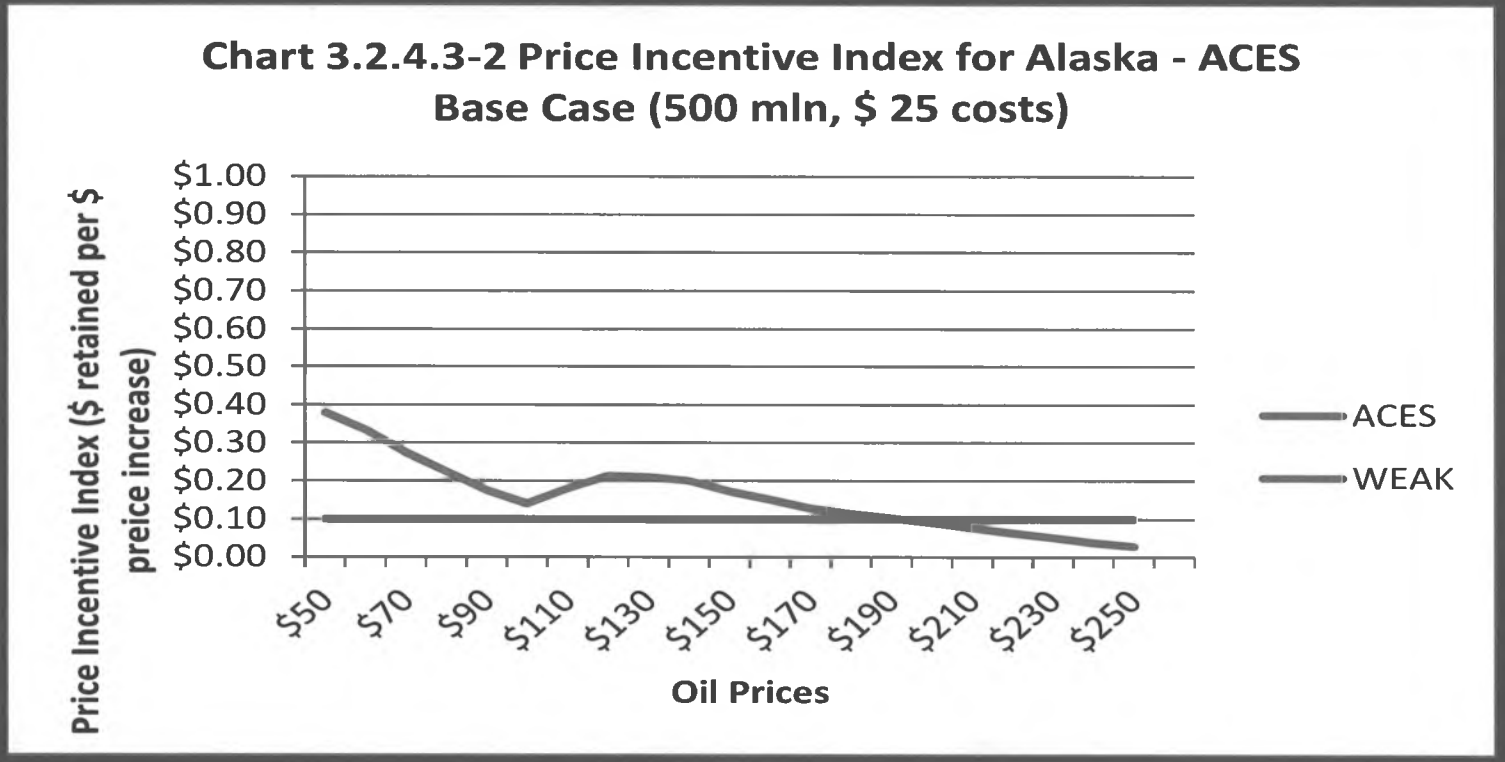
The combination of the maximum ACES rate of 75% and the normal corporate income tax rate (state and federal) of 41% creates a combined tax rate of 85.25% under high prices.

Such an excessive tax rate reduces significantly the incentive for companies to be efficient because they can only keep $ 0.1475 of every dollar saved. This means the cost savings index is only 14.75%.

This is well below the cost savings index of most countries. Usually, it is recommended to have a cost savings index well over 20%.

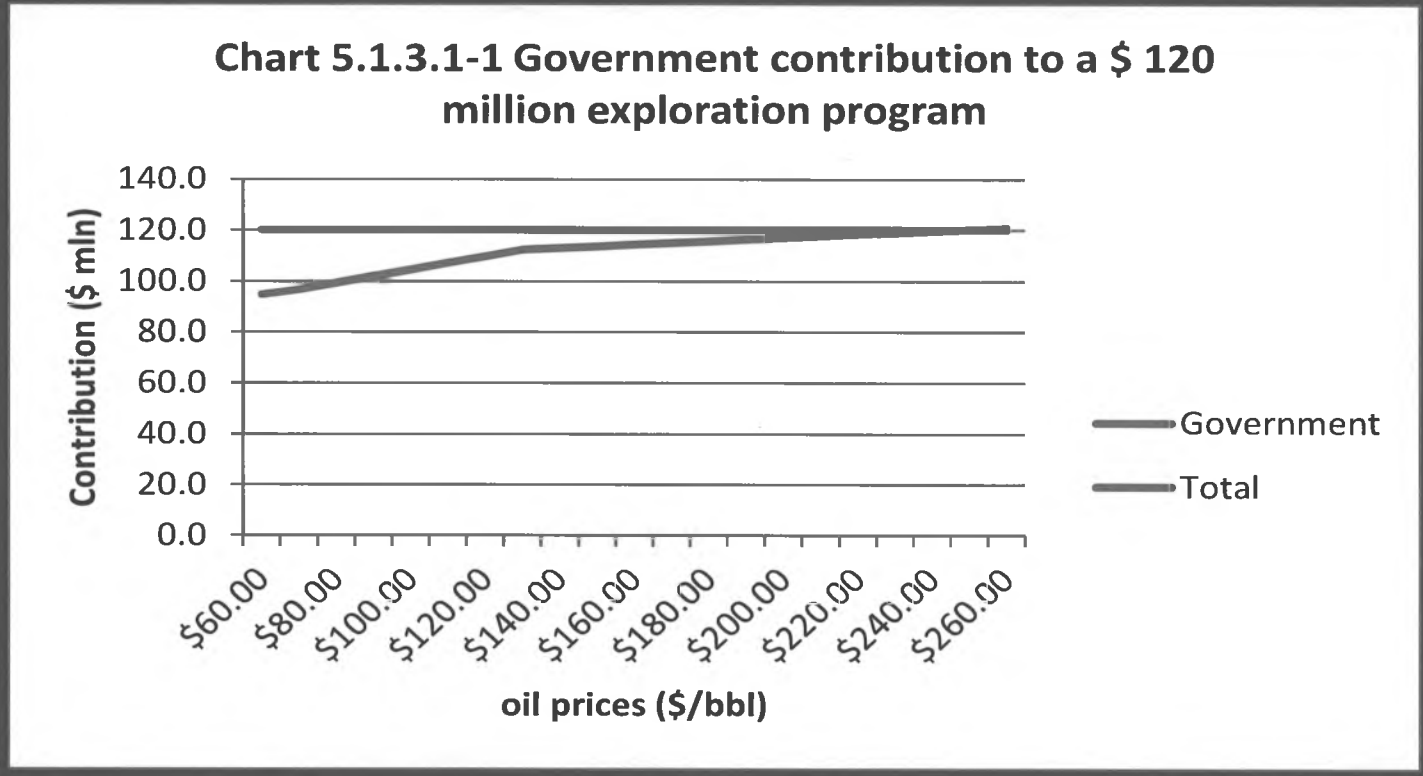
It should be noted that the combined tax rate of 85.25% is in addition to the regular royalties.

Deficiencies
Excessive price progressivity



For ACES, at high prices, the combined tax rate becomes so high that there is the price incentive performance becomes very weak by international standards. This leads to lack of interest in achieving the highest prices on an arms length basis and strong incentives to try to "transfer price".

Deficiencies
Excessive exploration support



Existing producers under ACES are entitled to the 40% tax credit as well as all normal deductions of the exploration expenditures. This means that at $ 111 per barrel, the Alaska contributes 90% of the exploration costs. At $ 245 per barrel Alaska contributes 100%.

Deficiencies

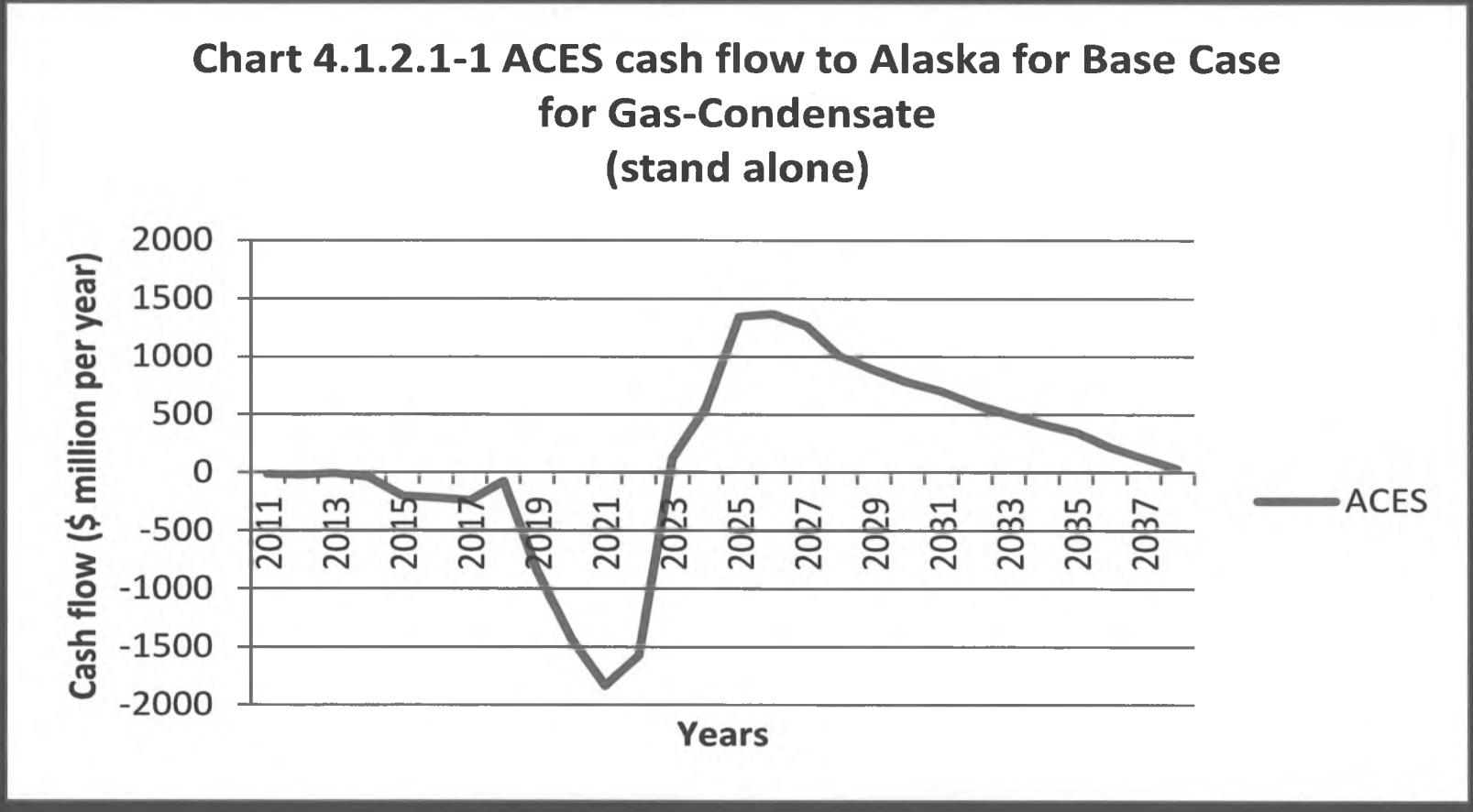
Nonsensical cross subsidization of gas

Table 5.1.3.1-1 Incremental Gas Economics for ACES in Alaska
(Country Incremental, Real)

	Oil only	Oil + Gas	Incremental
Oil production (mln bbls)	500	500	0
Gas production (Bcf)	0	10000	10000
Oil price ($/bbl) North Slope	100	100	100
Gas Price ($/MMBtu) North Slope		1.0	1.0
Gross Revenues ($ mln)	50000	60000	10000
Total Production (Mln BOE)	500	2167	1667
Capital Expenditures ($ mln)	7500	11000	3500
Operating Expenditures ($ mln)	5000	7500	2500
Divisible Income ($ mln)	37500	41500	4000
Royalties ($ mln)	6250	7500	1250
Property Tax, other	852	1504	652
Production Tax Value	30398	32496	2098
Production Tax Value per BOE	60.80	15.00	-46
PPT ($ mln)	15186	6900	-8286
Corp Income Tax (State) ($ mln)	1466	2474	1008
Total State Revenues ($ mln)	23754	18378	-5376
Corporate Income Tax (Fed) ($ mln)	4942	8340	3398
Total Government Revenues ($ mln)	28696	26719	-1977
Undiscounted Government Take	76.50%	64.40%	-49.3%
IRR	21.10%	19.30%	17.3%

The BOE concept would result in massive government revenue losses on oil production if incrementally also gas would be developed. This does not make any sense. It is clear that Alaska would not accept such unnecessary losses. This in turn impedes gas project development.

Deficiencies
Negative PPT



By definition, for a marginal project the total negative ACES cash flow to government as a result of tax credits and tax deductions becomes (almost) identical to the positive cash flow. In other words the net government receipts are low or even negative.

Deficiencies
Negative PPT

With the existence of a tax credit, there are always economic conditions under which the government may loose more in credits and deductions than it receives in income.

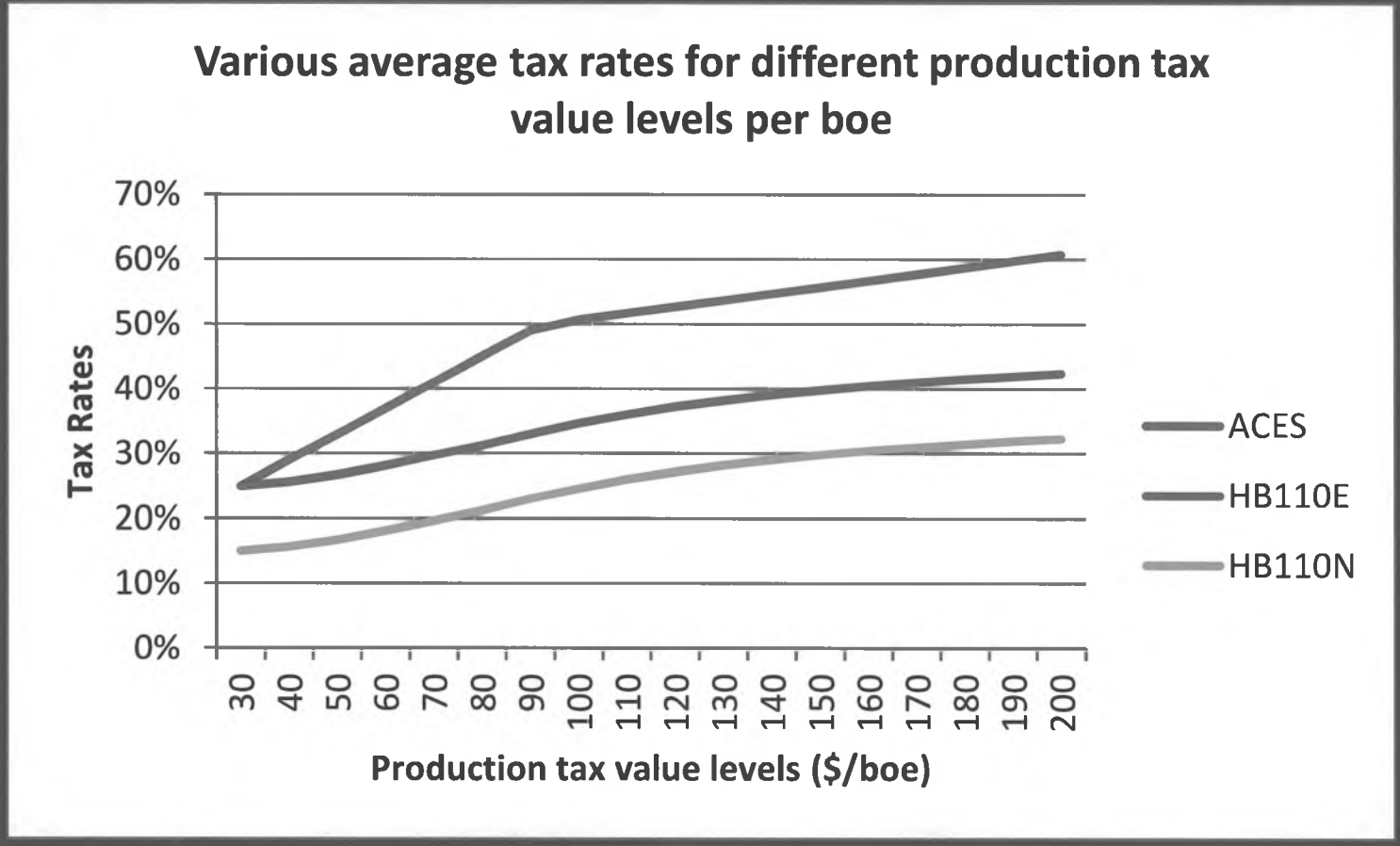
However, this effect should be minimized in the fiscal design. This is not done under ACES.

Proposals for light oil

Proposals for light oil production will be discussed first, based on this discussion the variation for other resources can be introduced

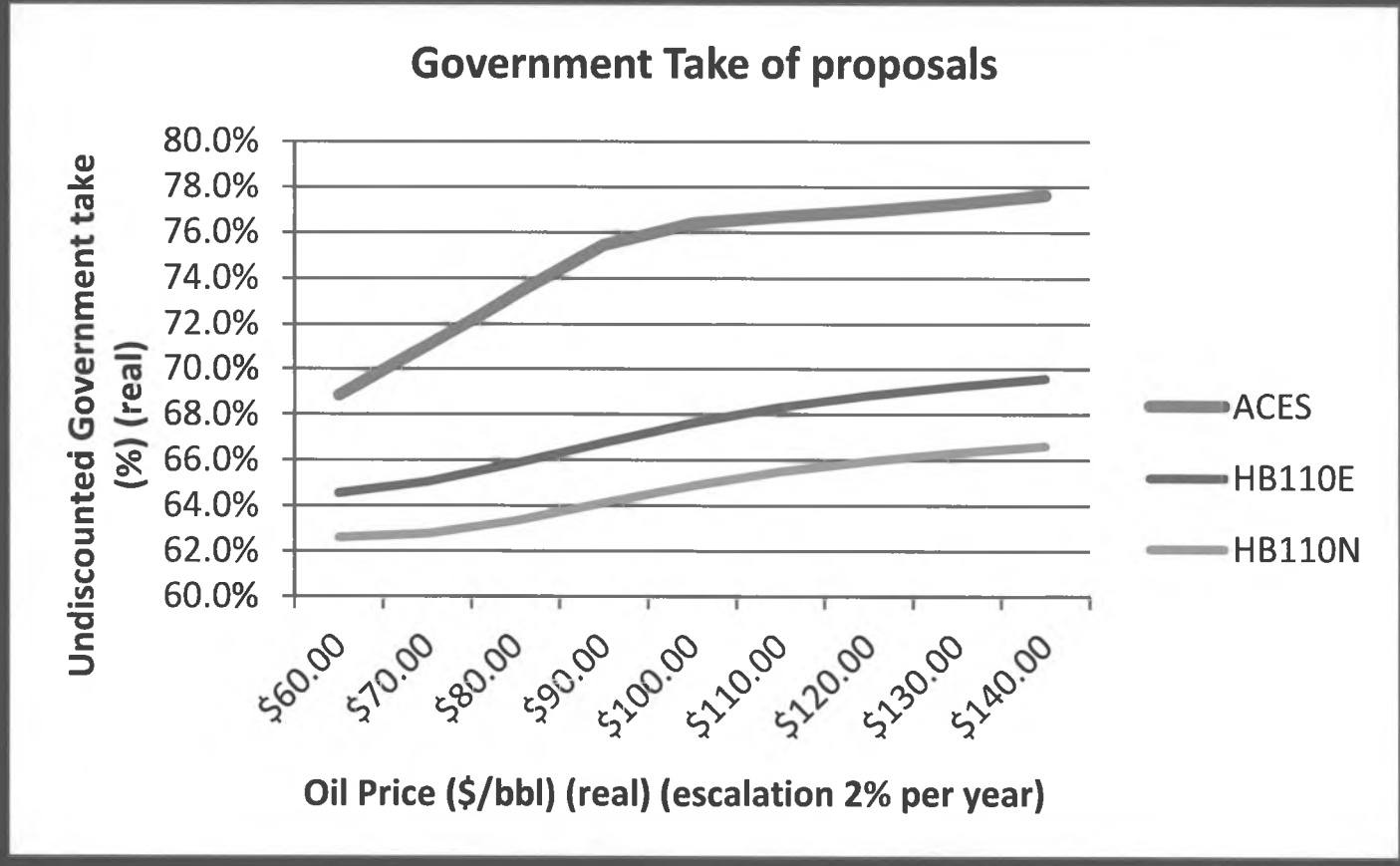
HB 110 has been introduced modify ACES.

Proposals for light oil: HB110Analysis: PPT rates



The bracketing procedure creates a significant lowering of the average PPT rates. The HB 110 N rates apply only for 7 years from the start of production for new production.

Proposals for light oil: HB110 Analysis: Government take



At $ 100 per barrel, the government take of ACES would be 76.4%, HB 110 (Existing) 67.6% and HB 110 (New) 64.9%

HB 110: Existing Production

The HB 110 proposal is relatively complex. It is based on so-called "bracketing". Following is the scale:

< $ 30.00	25.0%
< $ 42.50	27.5%
< $ 55.00	32.5%
< $ 67.50	37.5%
< $ 80.00	42.5%
< $ 92.50	47.5%
> $ 92.50	50%

Bracketing means that the final average rate is based on the weighted average of all the brackets. This means the rate will never be 50%.

HB 110: New production

For new production the rates will be lowered by 10% for the first 7 years of production.

This means that new production has to be "ring fenced". All production and all revenues and costs will have to be allocated to "existing" and to "new" production.

This is complex from an administrative point of view.

Deficiencies in HB 110

HB 110 deals with only two of the deficiencies of ACES:

1. **PPT tax rates up to 75% in addition to 41% corporate income tax are too high to stimulate efficiency in operations.**
2. **The price based sliding scales and result in a situation where under high prices the producer is actually better off with a lower price.**
3. **The excessive tax credits result in a situation where Alaska may pay all of the costs of a well.**
4. **The BOE concept results in a situation where new gas production could lead to massive losses of oil based revenues.**
5. **Under marginal circumstances the ACES system actually creates a negative PPT, in other words the government will loose PPT on certain fields.**

Deficiencies in HB 110

In addition HB 110 creates an entirely new problem.

Specifying different tax rates for Existing and New Production requires tax payers to submit different tax returns for these two classes of production. This is called ring fencing.

This in turn means that all revenues and costs need to be allocated to "existing" and "new". This is complex to administer and could lead to significant revenue losses for the State. HB 110 does not specify how this process would have to take place.

HB 110 is therefore not a viable alternative to ACES.

BOE complications

An important drawback of ACES is the BOE problem.

This means that in case major oil companies would propose a new Alaska LNG export project to the Pacific, the entire fiscal system has to be revised again. This is an unnecessary obstacle to the introduction of a new gas project.

It is therefore essential that in any revision of ACES this problem is also dealt with in advance. This would permit to add gas terms to the package later (or immediately) without having to change oil terms again.

PVM Proposal: Existing and New Production

The PVM Proposal is going further than merely creating new levels of government take for existing and new production. The proposal also:

- Creates a new "architecture" to which terms for heavy oil , shale oil and natural gas can be easily added, and
- Resolves all the deficiencies associated with ACES.

PVM Proposal for New Production

At $ 100 per barrel, the HB 110 for New Production is equal to a much simpler concept, which is:

- **25% flat PPT**
- **20% tax credit, plus a**
- **2.25% severance feature.**

The severance tax feature is no different from the way the severance tax used to be calculated in Alaska. The severance tax is a percentage of the value of the gross production less the royalty. For instance, with a royalty of 12.5% and an oil price of $ 100, a 2.25% severance feature would be equal to:

2.25% * 87.5% * $ 100 = $ 1.96875 per barrel

PVM Proposal for New Production

In order to make the severance feature match the government take of HB 110 for new production, the following price sensitive sliding scale is proposed:

- **The sliding scale starts at an oil price of $ 60 per barrel,**
- **Between an oil price of $ 60 and $ 180 per barrel, the severance feature would increase with 0.05% per dollar increase, reaching a value of 6% at $ 180 per barrel**
- **Thereafter, the sliding scale would increase 0.1% in order to reach a maximum of 15% at $ 270 per barrel.**

New "architecture"

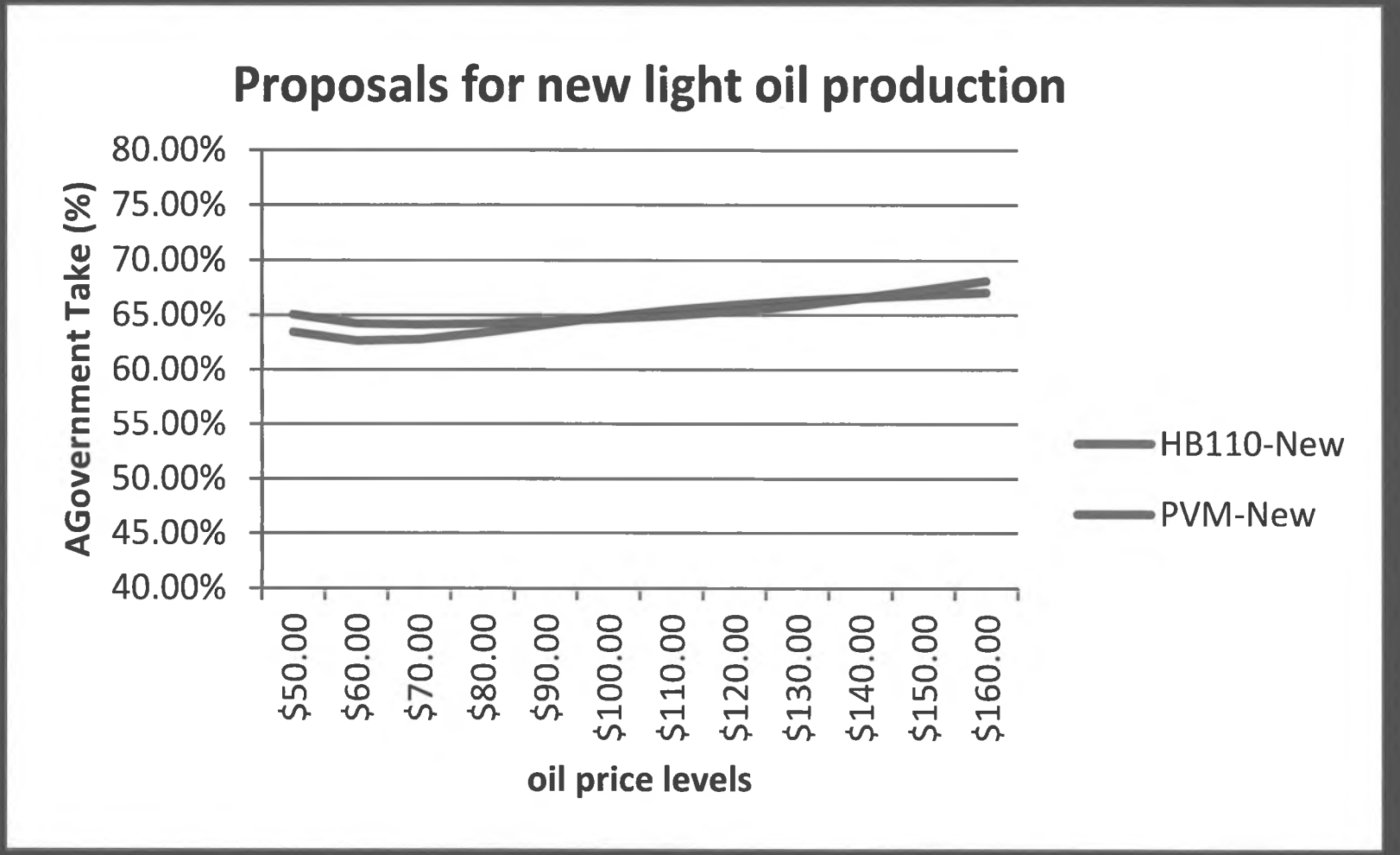
The PVM Proposal creates a new "architecture" which is not BOE based. The severance feature is simply gross revenue based for oil (after the royalty) and therefore it does not apply to gas.

As a result PPT revenues from oil remain the same if also gas is produced. This solves a major deficiency of ACES.

Also excessive exploration support is eliminated because:

- **It is proposed to limit tax credits to 20% and not increase tax credits to 40% for certain exploration expenditures, and**
- **By creating a maximum PPT tax rate of 25% and corporate income tax rate of 41.1%, for a total maximum of 55.75%.**

PVM Proposal for New Production



The PVM proposal results in almost exactly the same government take as HB 110 for new production for the entire price range from $ 60 to $ 160.

PVM Proposal for New Production

The main advantages of the PVM Proposal are:

- **Much easier to administer**
- **Can be consolidated with existing production, so no need for ring fencing**
- **An "architecture" which permits other resources to be added to the fiscal terms**
- **No excessive tax rates, in fact a combined rate of 55.75%.**
- **No excessive price progressivity**
- **No excessive exploration support**
- **No nonsensical cross subsidization of gas based on BOE values**
- **Reduced negative PPT characteristics**

Alternative Proposal for Existing Production

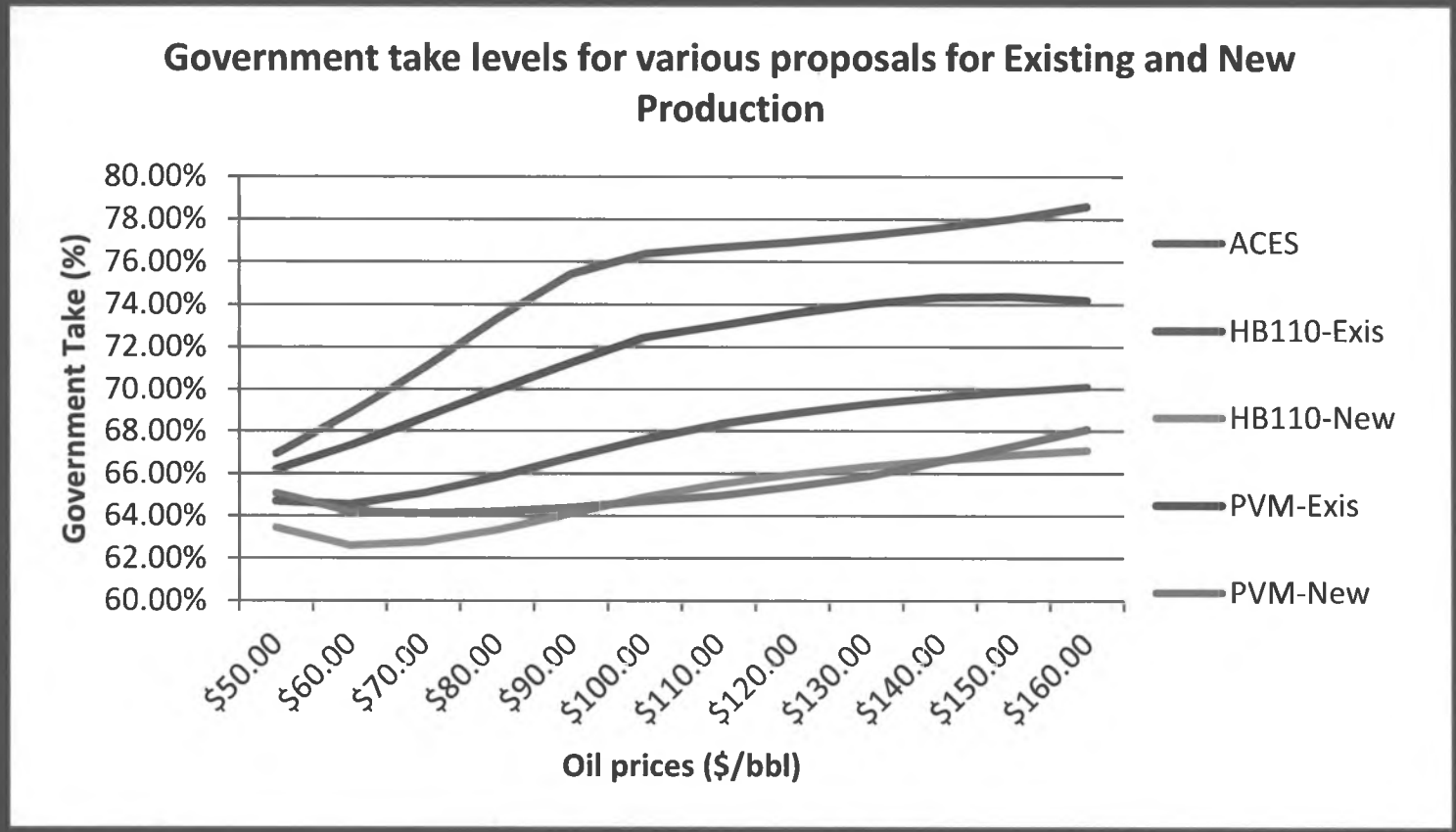
It is now easy to add a proposal for existing production.

Terms for existing production could be close to the current government take levels of ACES. It is not necessary to give up significant revenues.

Existing production terms could also be based on:

- **A flat 25% PPT**
- **20% tax credits**
- **A severance feature starting a $ 60 with 0.2% increases per dollar increase in price up to $ 130 per barrel and from there 0.1% up to a maximum of 20%.**

All Proposals for Existing and New Production



The PVM Proposal for existing production would be result in a much higher government take than HB 110 for existing production. The PVM proposal for new production is about equal to HB 110 for new production.

Old and New Production

HB 110 does not determine how to distinguish between new oil and existing oil. It is proposed to use the following methods:

Decline curve method.

With the decline curve method Alaska would establish the average production for each company in 2011. An exponential decline curve would be established per company. For instance one could use 6% per year for all companies for light production. Any production over the decline curve per company would qualify as "new".

The main advantage of the method is that is goes to the essence of the problem in Alaska. It also strongly stimulates investment by new companies. It is easy to administer. The main disadvantage is that existing companies may be rather differently affected. Therefore, this method needs to be complemented with other options.

Old and New Production

New non-producing lease method.

Another simple method is to consider "new" production, as production from leases which were not in production prior to December 31, 2011.

The main advantage of the method is that it is easy to administer and is a well established international practice. It would encourage new investment in new leases with fields which maybe more expensive.

New approved program method.

In principle it is possible for existing producers to make specific comprehensive proposals to the Alaska Government for new investments that will increase production from existing fields. This would relate to programs that would be in excess of ongoing investments.

Old and New Production

These programs could include:

- The drilling of new more expensive deeper or shallower reservoirs,
- Enhanced recovery projects
- Horizontal well drilling projects in thin reservoirs,
- Extensive new infill drilling beyond current rates, or
- Any application of new technology.

DNR would establish the base line production above which production would be considered "new" on a year by year basis, based on reservoir and other studies.

Old and New Production Summary

"New" light oil production (higher than 22 degrees API) would be:

- the higher off:
  - New production from programs specifically approved by the administration, and
  - New production above a pre-determined decline curve for light oil production of 6%.
- production from non-producing leases.

Based on these definitions it is easy to apply the differences in the severance features between existing and new production.

Session 4

Proposed terms for heavy oil, shale oil and natural gas

Terms for Heavy Oil
General

Major heavy oil development may face significant challenges, since a mixture in the TAPS line of too much heavy oil may cause operational problems.

Major heavy oil development may have to be stimulated in conjunction with expansion of light oil projects, with possible condensate and liquid stripping projects from gas fields (such as Point Thomson) and/or a construction of GTL plant(s) (with subsequent cracking of waxy components).

Alternatively, one could build upgraders fueled by cheap natural gas on the North Slope in order to upgrade heavy crudes to lighter crudes. It is not known at this time whether construction of upgraders would be a viable possibility.

Terms for Heavy Oil
Proposed Terms

With the new "architecture" in place for light oil production it is now easy to add terms for heavy oil.

At this point in time only 40,000 bopd of heavy oil is being produced.

It is not recommended to divide heavy oil in "existing" and "new".

Firstly, because it would be difficult to determine a fair decline curve at this time.

Secondly, the volume is too small to make unnecessary complications in the fiscal terms.

Terms for Heavy Oil
Proposed Terms

For heavy oil the fiscal system could be based on the same PPT as follows:

- **PPT based on a flat rate of 25%**
- **20% tax credit**
- **A 15% allowance based on the gross value of the heavy oil as special deduction for the determination of the PPT**
- **A severance feature starting at $ 160 per barrel at 0.05% per barrel increase up to $ 200 and thereafter 0.1% per barrel increase up to a maximum of 10%**
- **A floor price for the purpose of calculating PPT of $ 55 per barrel escalated with inflation.**

Terms for Ultra Heavy Oil
Proposed Terms

For heavy oil the fiscal system could be based on the same PPT as follows:

- **PPT based on a flat rate of 25%**
- **20% tax credit**
- **A 25% allowance based on the gross value of the heavy oil as special deduction for the determination of the PPT**
- **A severance feature starting at $ 160 per barrel at 0.05% per barrel increase up to $ 200 and thereafter 0.1% per barrel increase up to a maximum of 10%**
- **A floor price for the purpose of calculating PPT of $ 55 per barrel escalated with inflation.**

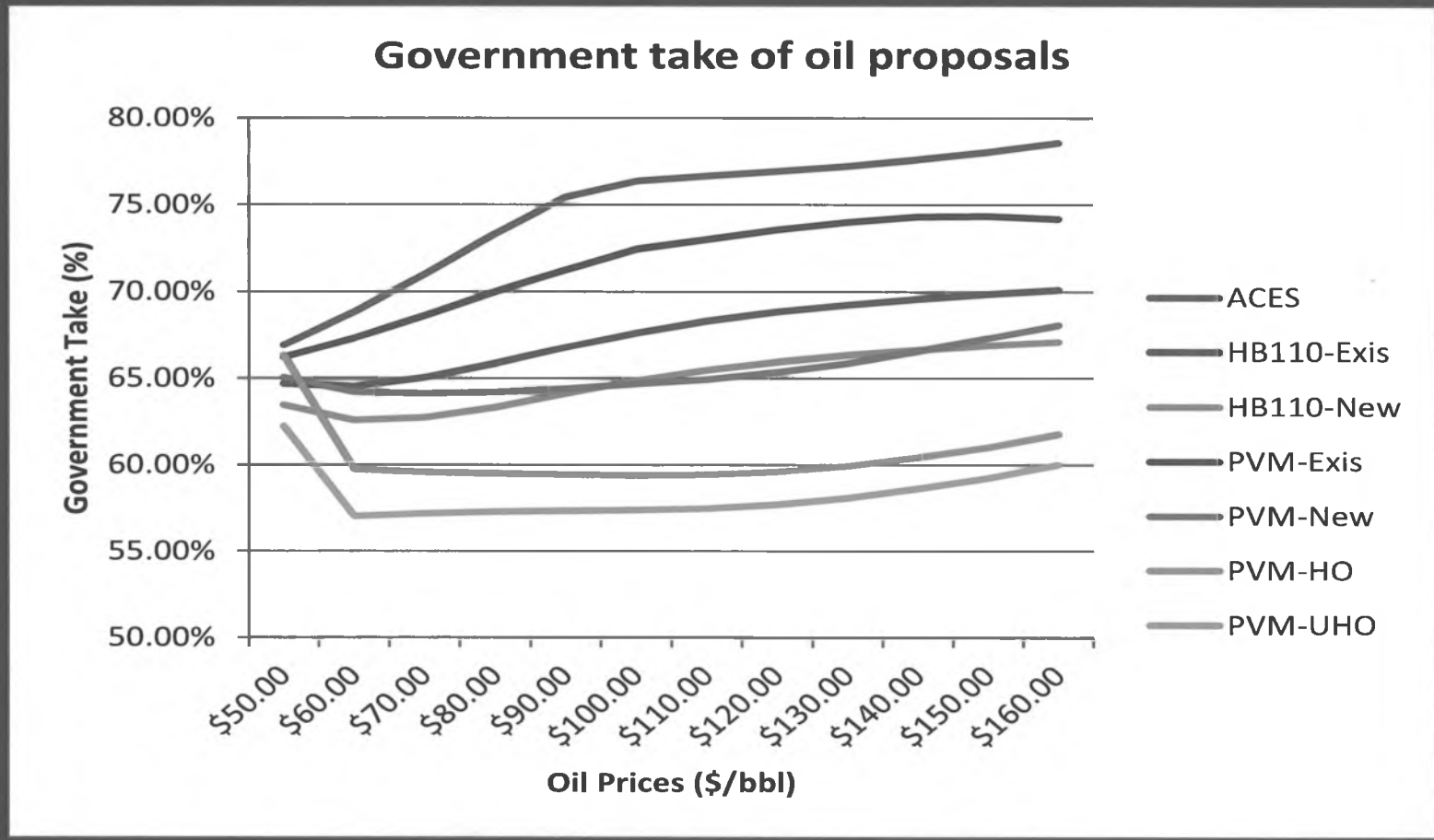
Terms for Ultra Heavy Oil
Proposed Terms

It is very important for Alaska to upgrade ultra heavy oil. This would create additional value added in the State and would make the operations of the oil line much easier.

It can therefore be suggested that producers are given the option to have a "feed price" into the upgrader for ultra-heavy oil which would be equal to 65% of the value of the synthetic oil that would be produced. The feed price would be the basis for royalties and PPT.

It would allow companies to only pay corporate income tax on the upgrader, since this is in fact a mid-stream type operation. This same concept is applied in Alberta for oil sands or refineries in Alaska.

Terms Overview



The PVM terms for existing light oil, new light oil, heavy oil and ultra heavy oil would be a simple overall scheme that would be easy to administer and implement and would not have the deficiencies of the current ACES system.

Terms for Shale Oil

The Shale Oil terms could be the same as the terms for ultra heavy oil.

However, there is a small probability that the shale oil operations may turn out to be rather profitable if fracking operations are very successful and primarily light oil is being produced.

So, it is possible to make the allowance of 20% more flexible and reduce the percentage in case shale oil production proves to be rather profitable.

This can be done with a so-called R-factor. The 20% could be reduced if the ratio between cumulative revenues and cumulative costs for a project become very profitable.

Terms for Natural Gas
New Gas Fields

Any condensates and other liquids from natural gas production could be dealt with as new light oil production.

For gas the fiscal package could be:

- **Flat 25% PPT**
- **20% tax credit**
- **25% allowance of the gross value of the gas revenues**
- **Severance feature starting at $ 8/MMBtu at 0.05% per $1 per MMBtu, and after $ 20/MMBtu at 0.1% (which means that on a Btu equivalent the severance feature is much stronger for gas than for oil)**
- **A floor net back gas price of $ 3.00 per MMBtu for PPT purposes and a floor price for liquids and condensates of $ 70 per barrel.**

Terms for Natural Gas
Gas from fields with existing oil production

Any condensates and other liquids from natural gas production could be dealt with as new light oil production.

For gas the fiscal package could be:

- **Flat 25% PPT**
- **20% tax credit**
- **15% allowance of the gross value of the gas revenues**
- **Severance feature starting at $ 8/MMBtu at 0.05% per $1 per MMBtu, and after $ 20/MMBtu at 0.1% (which means that on a Btu equivalent the severance feature is much stronger for gas than for oil)**
- **A floor net back gas price of $ 3.00 per MMBtu for PPT purposes and a floor price for liquids and condensates of $ 70 per barrel.**

Government Take issues

As a first step it can be recommended to bring the government take down to higher levels than indicated by international competition for:

- **Ultra heavy oil**
- **Shale oil**
- **Natural gas**

The reason is that international competitive levels cannot be reached unless Alaska would lower the royalties. It seems prudent to first "test the market" on the packages proposed in this seminar.

New fiscal terms

	Light-Exist	Light-New	HO	UHO	Shale Oil	Gas-Exist	Gas-New
PPT Rate	25%	25%	25%	25%	25%	25%	25%
Tax Credit Rate	20%	20%	20%	20%	20%	20%	20%
Sev Feature - Base Price	$60	$60	$160	$160	$160	$8	$8
Sev Feature - Initial Increment	0.20%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%
Sev Feature - Change Price	$130	$180	$200	$200	$200	$20	$20
Sev Feature - Increment 2	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
Sev Feature - Max Rate	20%	15%	10%	10%	10%	15%	15%
Allowance - % gross rev	0	0	15%	25%	25%	15%	25%
Floor price - oil	no	no	$55	$55	$55	$70	$70
Floor price - gas	no	no	no	no	no	$3	$3
R-factor	no	no	no	no	yes	no	no

The proposed fiscal terms would provide for a simple to administer overall system and would set terms for all possible oil and gas investments. Significant investment may occur as a result of these terms.

Failure to achieve goals

What would happen if Alaska adopts these terms and no significant new investment takes place in Alaska, while oil production continues to decline:

1. **Alaska would not have lost anything compared to the current situation.**
2. **A very valuable benchmark would be established as to how fiscal terms may have to be changed further in order to eventually attract the investment in these resources.**

Summary

With the appropriate fiscal and contractual framework Alaska can achieve:

- **1 million barrel per day throughput through the TAPS line, and**
- **Significant LNG exports to the Pacific market**

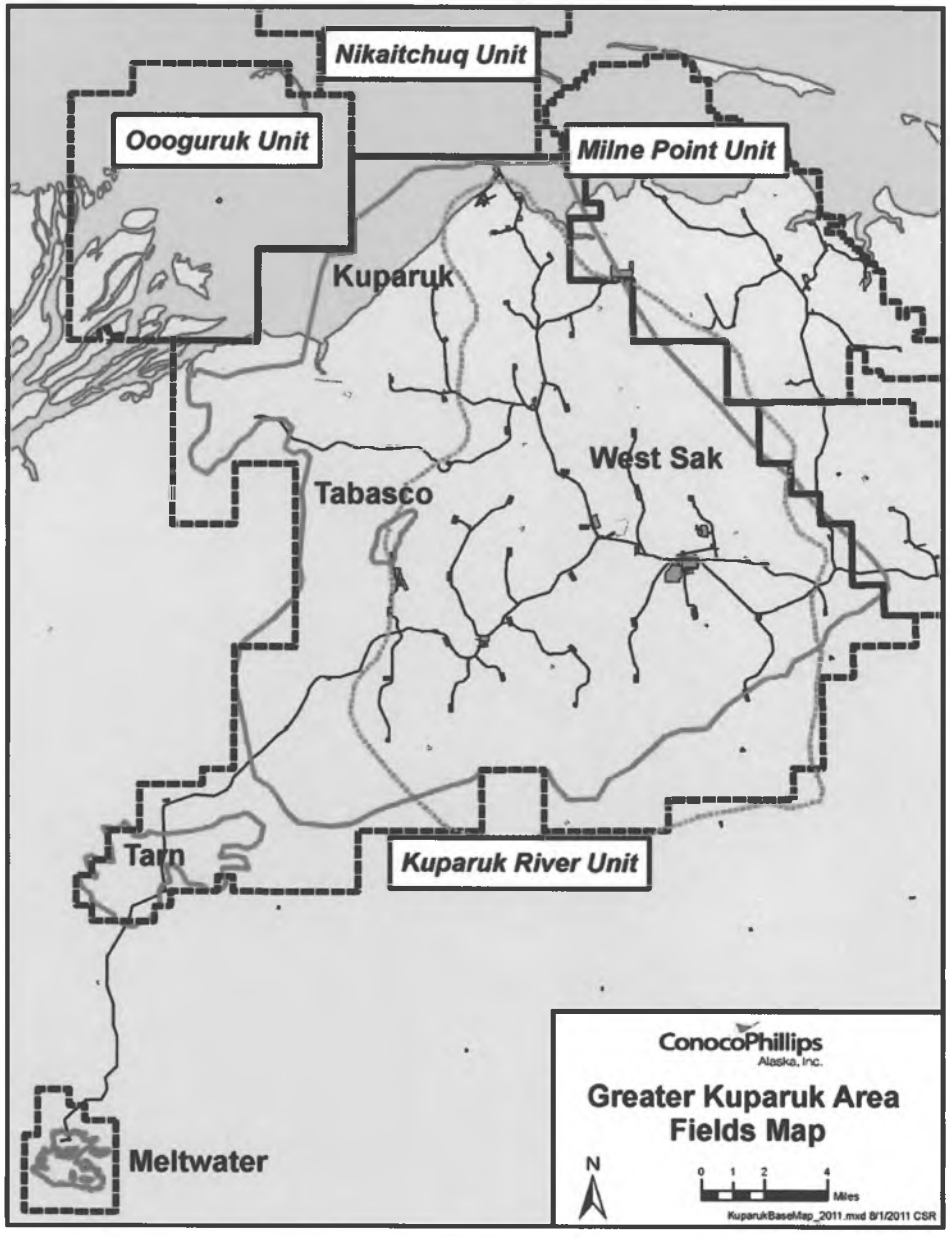
However major political and fiscal change is required.

The sooner the process starts to encourage these changes the better the future of Alaska will be secured.

Greater Kuparuk Area (GKA)

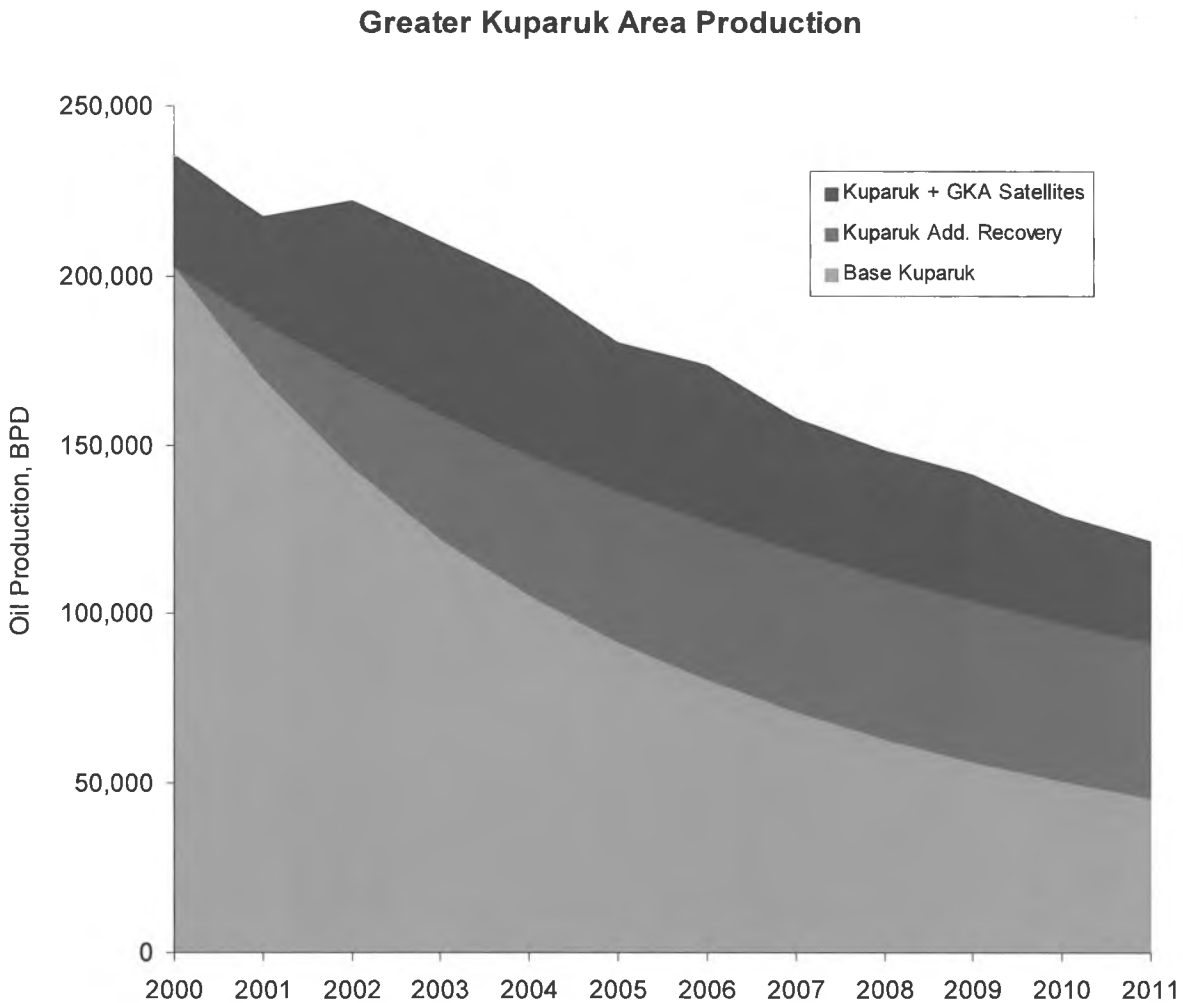
ConocoPhillips Alaska

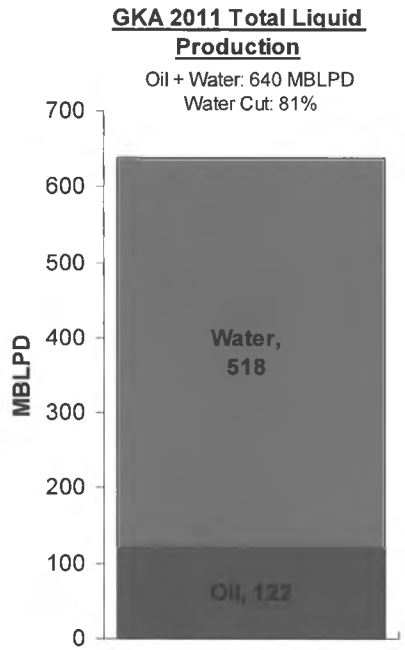
- Field start-up 1981
- 5 producing fields; COP operated
  - Kuparuk (waterflood, EOR)
  - West Sak (waterflood, VRWAG pilot)
  - Tarn (waterflood, EOR)
  - Tabasco (waterflood)
  - Meltwater (waterflood, EOR)
- 3 production facilities, 47 drill sites, ~1140 wells
- >2.4 billion barrels produced to date
- 3rd party processing of Pioneer's Oooguruk Field
- Current production: ~121 MBOPD



GKA Production

ConocoPhillips Alaska





2011 Production	Oil STB/d	Water B/d	Gas Mscf/d
KRU	91,391	480,630	203,578
Meltwater	2,671	589	9,873
Tabasco	1,608	14,238	253
Tarn	10,450	17,718	13,637
West Sak	15,718	4,673	9,689
Total	121,839	517,848	237,030

Total gas handled ~600,000 Mscfd including injection gas, gas lift, and fuel

GKA Work Plans

ConocoPhillips Alaska

Development

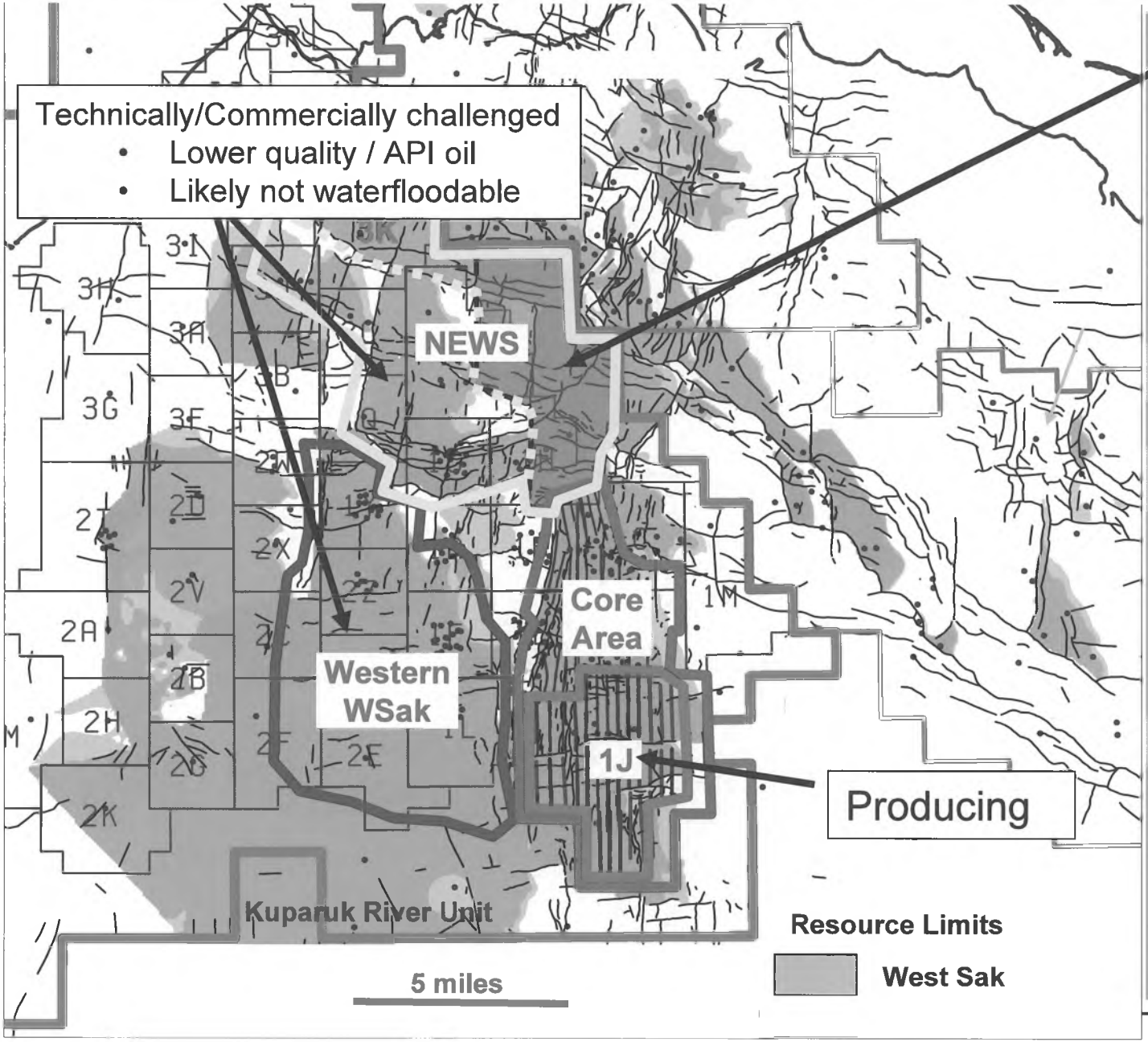
- Continued coil tubing drilling (CTD) rig
- Ongoing rotary development program
- Evaluate water injection expansion at CPF1
- Shark Tooth appraisal well
- Evaluate 220 sq. miles of recently acquired seismic
- Evaluate enhanced recovery techniques

Maintenance / Renewal

- Kuparuk runway upgrade
- Smart pig program
- Well line upgrades
- 1 workover rig
- Ongoing O&M

GKA West Sak Viscous / Heavy Oil Resources

ConocoPhillips Alaska



Eastern NEWS

- ~$1 - 2.5 billion potential project
- One or two new well pads
- Up to 115 new wells and 150 MMBO
- Technically challenged
  - Sand control
  - Matrix bypass events
  - Productivity
  - Ultimate recovery
  - 1J history
- Project sanction a function of technical evaluation and economics

Western North Slope (WNS) Development

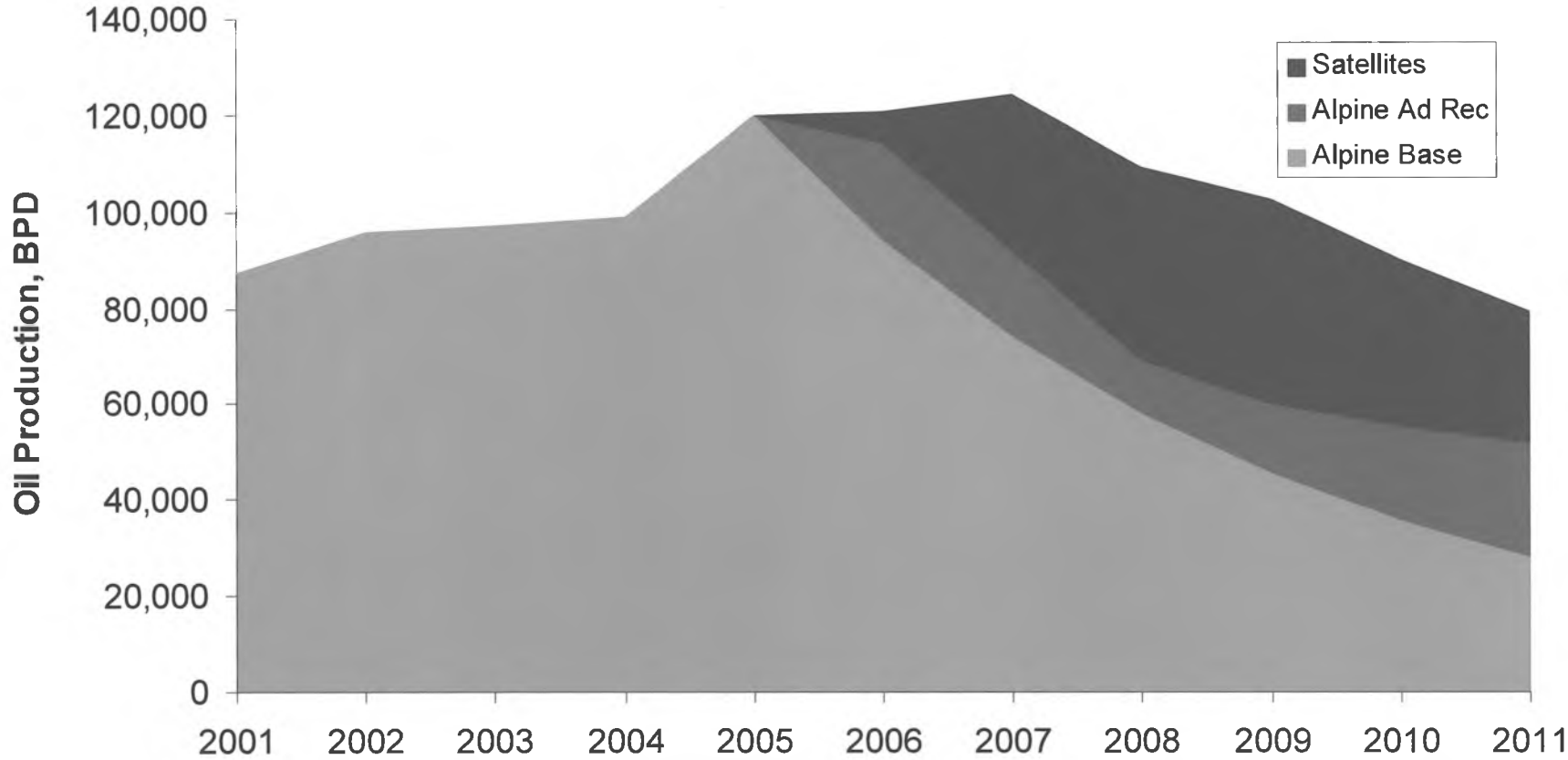
ConocoPhillips Alaska

- First production in 2000
- Largest US onshore discovery since 1970s
- 4 producing pools; COP operator
  - Alpine (waterflood, EOR)
  - Fiord (waterflood, EOR)
  - Nanuq (waterflood, EOR)
  - Qannik (waterflood)
- 4 drill sites & processing plant
- 172 wells
- Current production: 77 MBOPD
- 413 million barrels produced to date

WNS Field Rates

ConocoPhillips Alaska

Western North Slope Production



2011 Average	Oil Production STB/d	Water Production B/d	Gas Production Mscf/d
Alpine	50,812	36,848	53,259
Fiord	20,907	10,259	19,035
Nanuq	4,772	12,589	6,594
Qannik	1,955	19	1,157
CRU Tract	1,006	36	3,602
TOTAL	79,452	59,751	83,648

Total gas handled ~185,000 Mscfd including injection gas, gas lift and fuel

WNS Work Plans

ConocoPhillips Alaska

Development

- Continued rotary drilling of extended-reach horizontal wells
- Ongoing stimulation program
- CD3 facility upgrade
- CD5 (Alpine West) development

Maintenance / Renewal

- Smart pigging program
- Pipeline upgrades
- Ongoing O&M

CD5 Nigliq Bridge Rendering

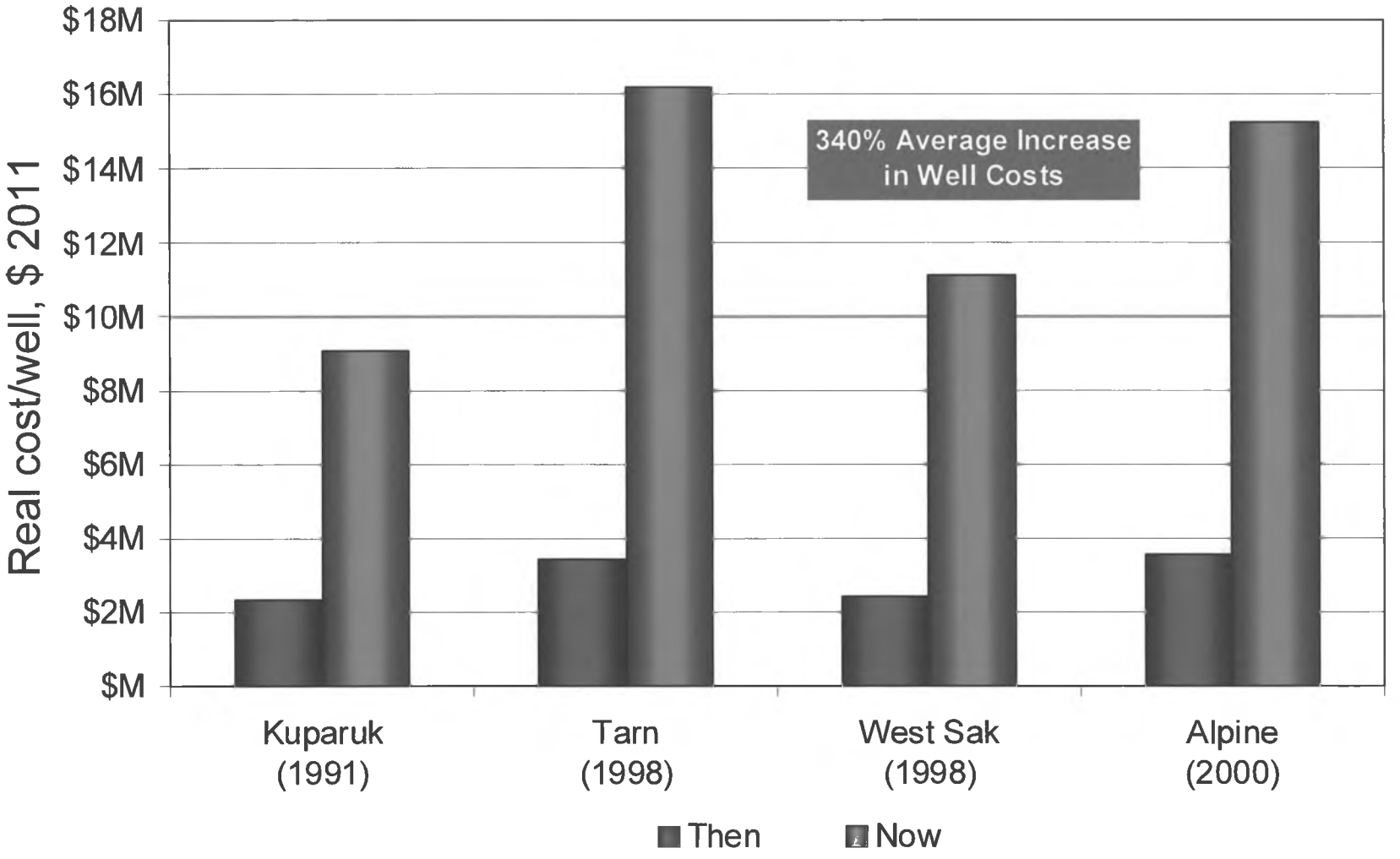
CD5 Development

ConocoPhillips Alaska

- Production estimate
  - 10 - 18,000 BOPD
- New drill site
  - Up to 33 well slots
  - Drillsite facilities, gravel road, pipelines and power
- Milestones
  - Project sanction 2012
  - Estimated production start-up 2015

Representative Drilling Costs, Then and Now

ConocoPhillips Alaska



All Values in 2011 $; Source: COP internal data

GKA and WNS Development Summary

ConocoPhillips Alaska

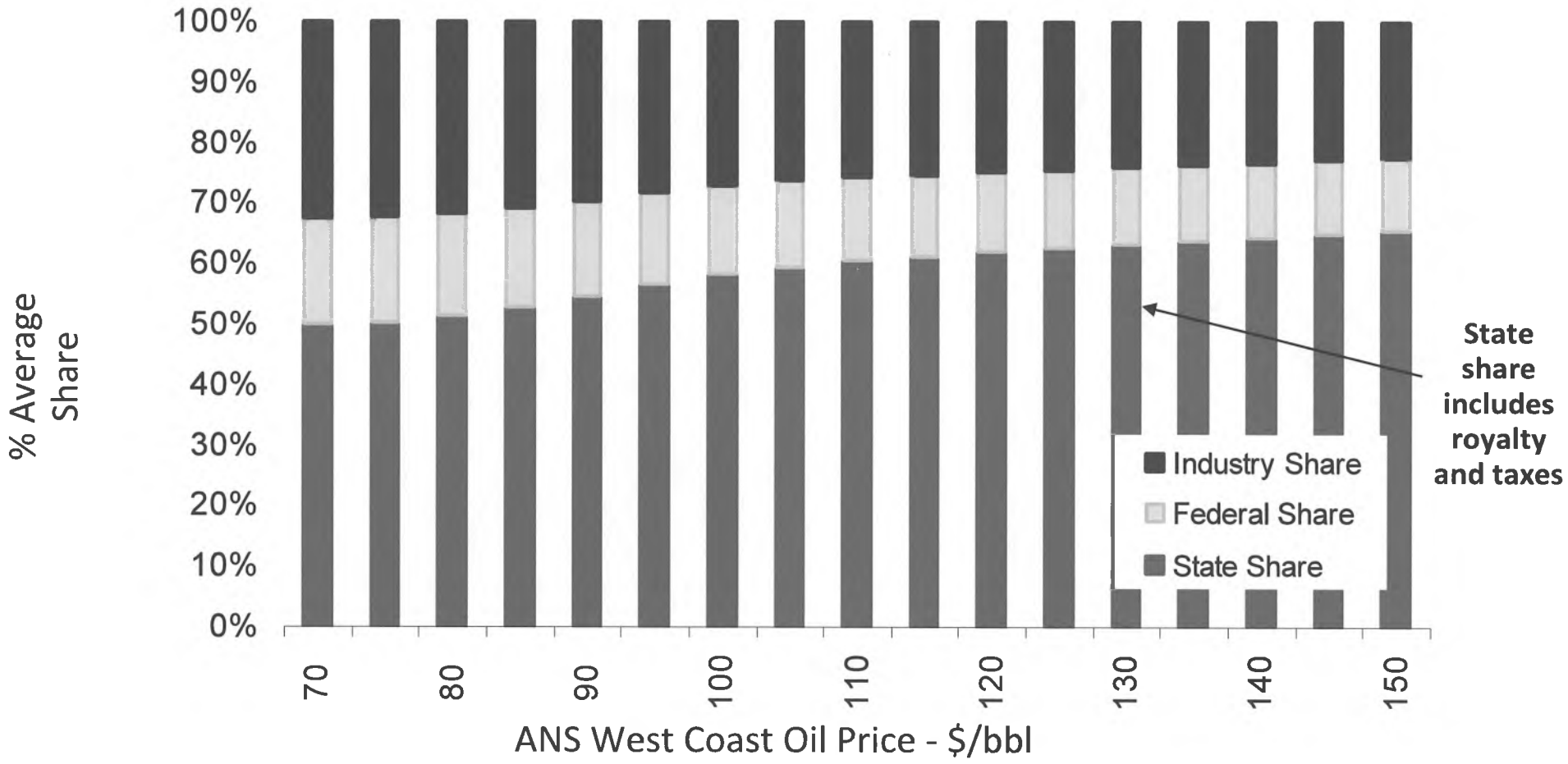
- Near term focus on light oil
  - Technology available
  - Greater potential to add near term rate
- Viscous oil maturing
  - Have made technological advancements
  - Core area West Sak on line at 14,000 BOPD
  - Evaluating next significant investment (Eastern NEWS)
    - Challenged technically and commercially
    - More engineering needed
- Evaluating heavy oil technologies
- Exploration and satellite targets

Investment decisions include evaluation of all factors affecting economic assessment – including cost, production, technical, regulatory and fiscal risks

High Average Government Take in Alaska

ConocoPhillips Alaska

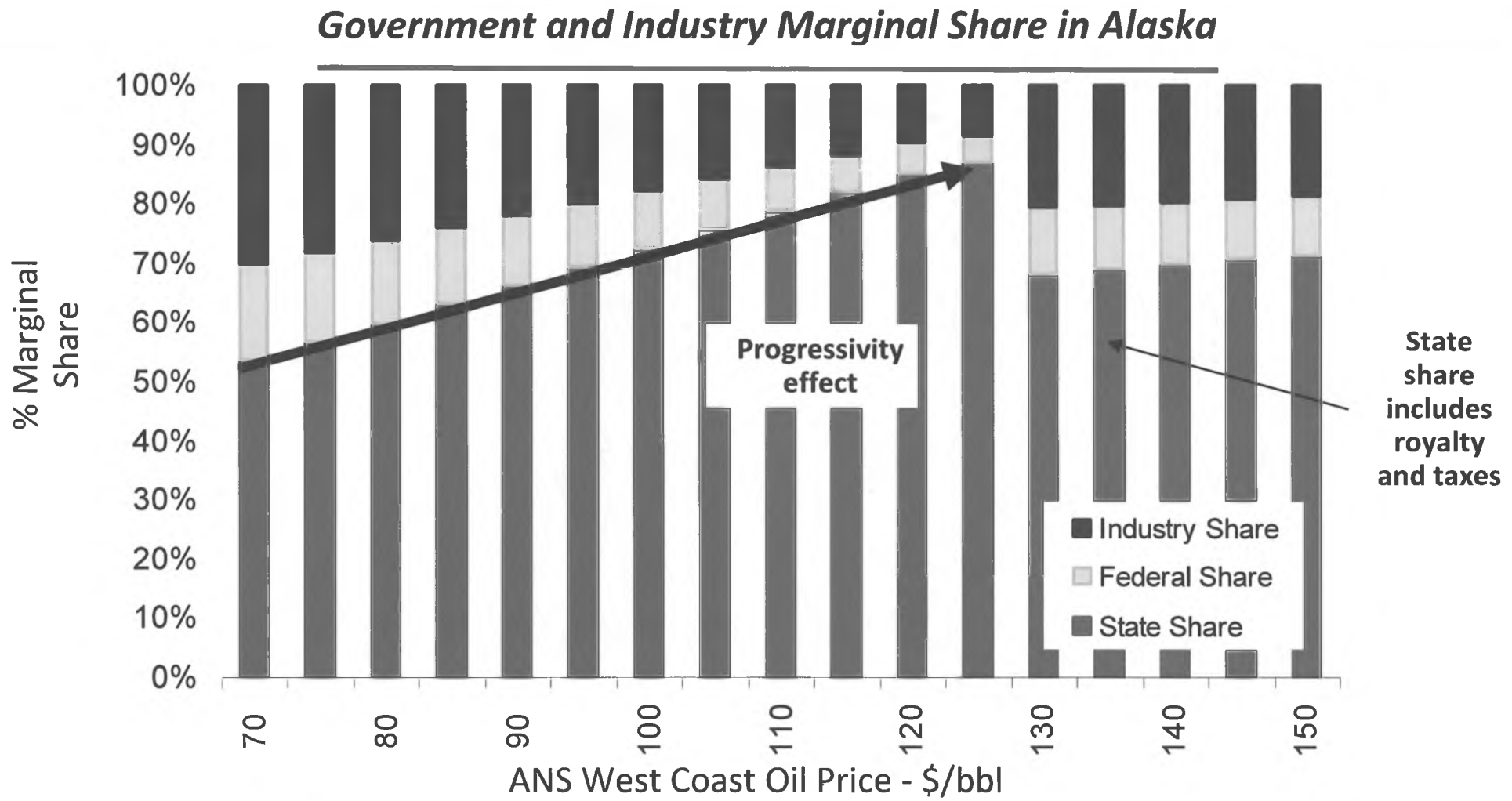
Government and Industry Average Share in Alaska



Based on 2011 Spring RSB
Assume 35% federal tax rate, 9.4% SIT rate

Progressivity is the Problem

ConocoPhillips Alaska

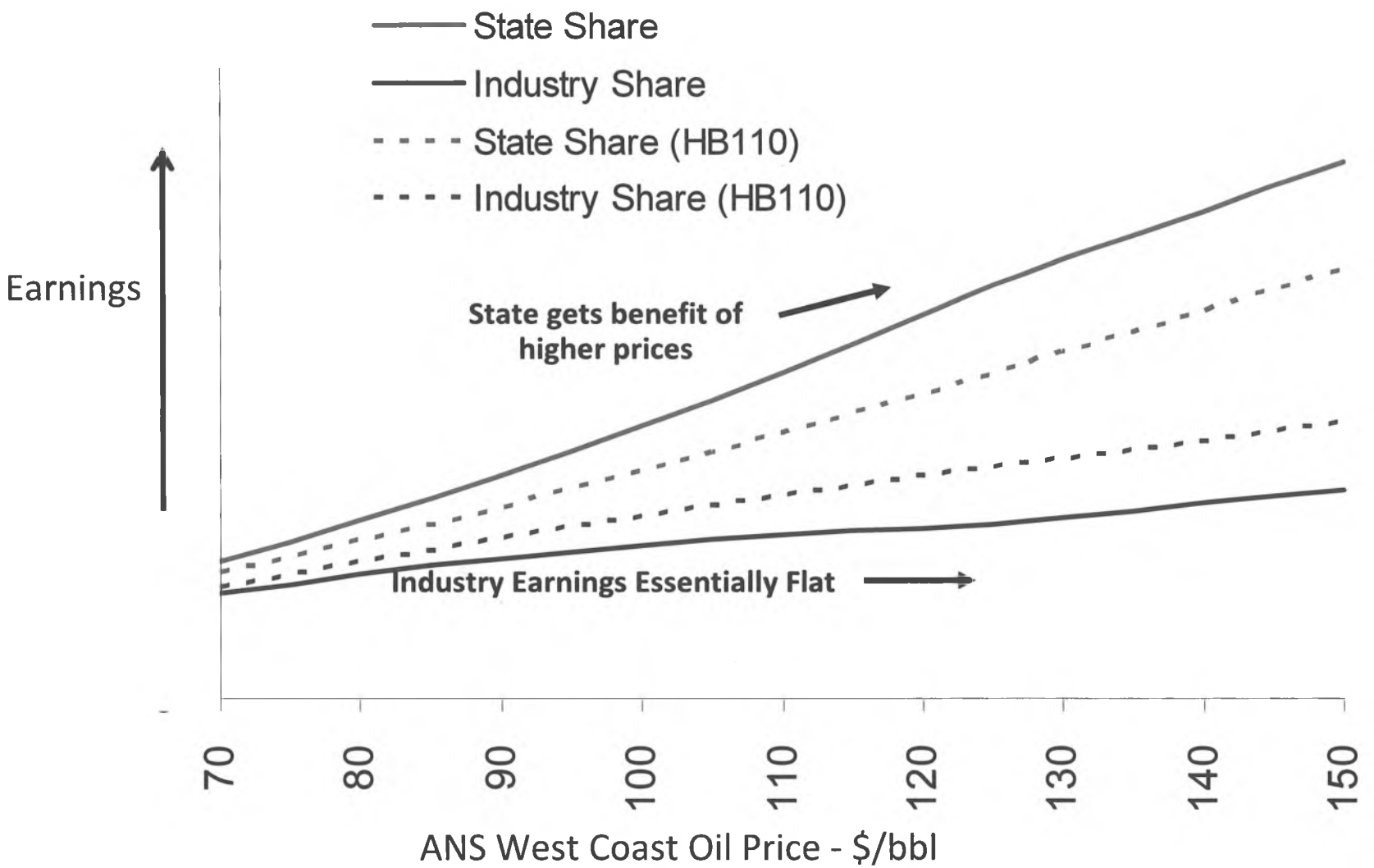


By comparison, industry marginal share in L48 40% to 50%

Based on 2011 Spring RSB
Assume 35% federal tax rate, 9.4% SIT rate

Industry Earnings Limited in Alaska

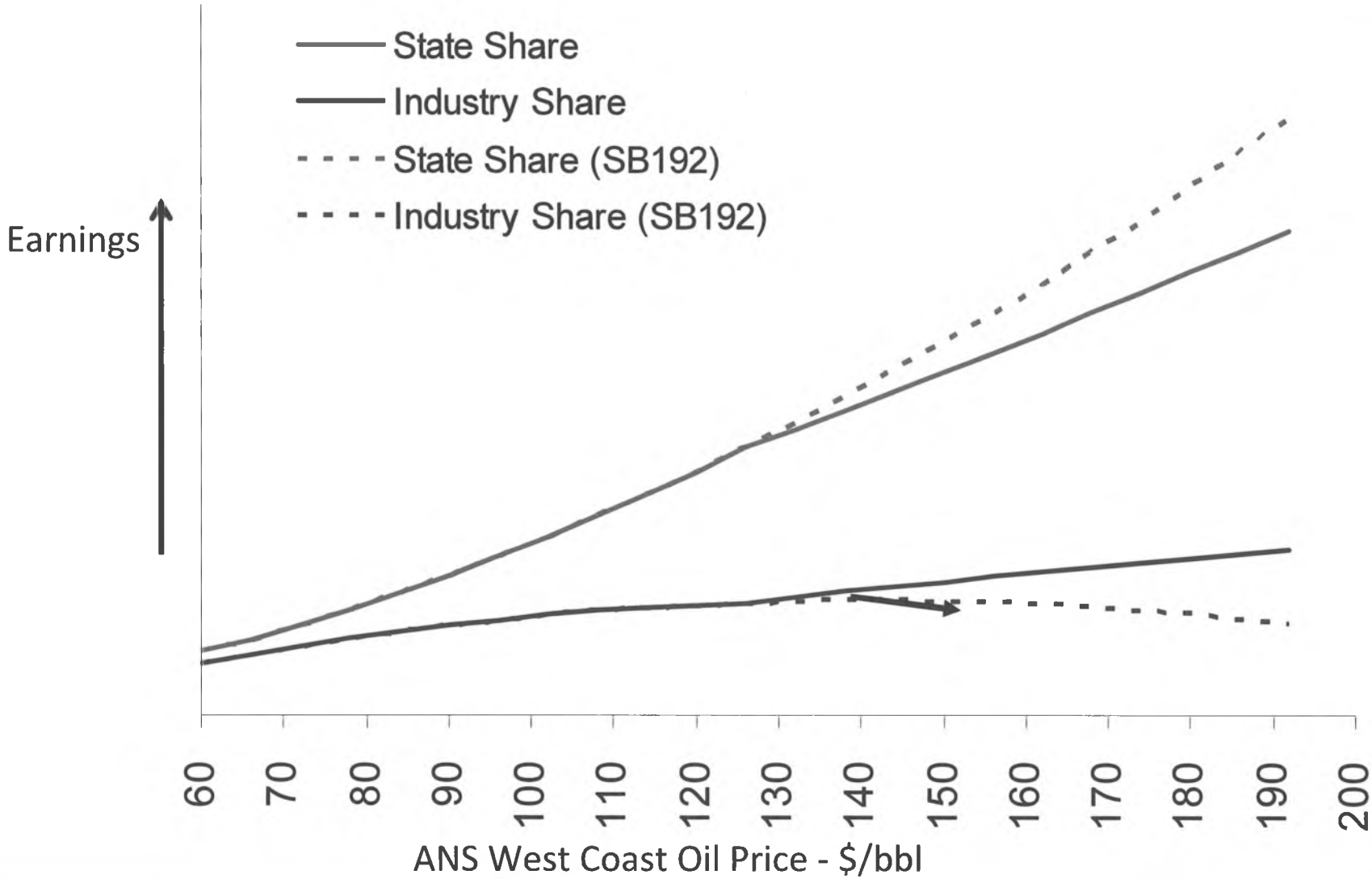
ConocoPhillips Alaska



Based on 2011 Spring RSB
Assume 35% federal tax rate, 9.4% SIT rate

Is Marginal Take Important?

ConocoPhillips Alaska

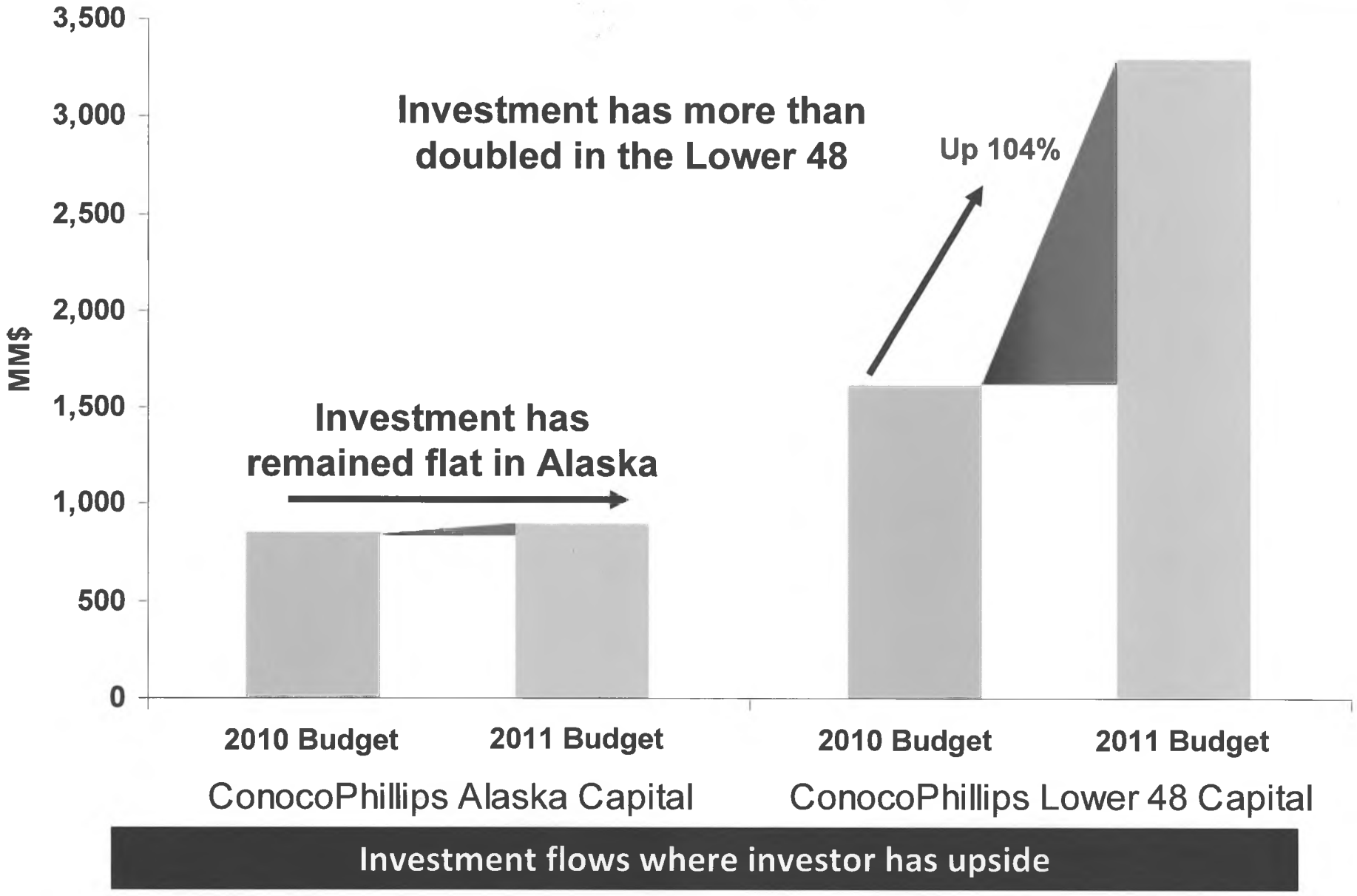


SB 192: With marginal government take > 100%, a case study in why marginal rates matter

Based on 2011 Spring RSB
Assume 35% federal tax rate, 9.4% SIT rate

Progressivity is the Problem

ConocoPhillips Alaska



Investment flows where investor has upside

Will Alaska Benefit From Reduced Oil Taxes?

ConocoPhillips Alaska

Last spring ConocoPhillips made the following commitments to Alaska if the business environment is improved:

- More effort to bring challenged oil to market
  - Increased drilling activity
- Pursue more satellite developments at Alpine and Kuparuk
- Pursue major projects in existing fields

An Open Letter to All Alaskans from ConocoPhillips

Our Commitment to Moving Alaska Forward

ConocoPhillips

Alaska's Oil & Gas Company

Petroleum news

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February 2012

Vol. 17, No. 7 **Week of February 12, 2012**

ConocoPhillips joins North Slope winter explorers

Kay Cashman

Petroleum News

As it turns out, ConocoPhillips' Shark Tooth 1 well in the Kuparuk River unit is an exploration well, per the drilling permit issued by the Alaska Oil and Gas Conservation Commission.

This brings the total number of 2012 North Slope explorers to six and the total oil exploration wells to between 23 and 27. The record was 35 in 1969, following the Prudhoe Bay discovery.

The explorers and the wells they expect to drill are: ConocoPhillips 1; Pioneer Natural Resources 2; Repsol 9; Savant 1; Brooks Range Petroleum 2; Great Bear Petroleum 4-6 verticals plus 4-6 horizontals.

All exploration involves ice roads and pads except Great Bear's proof of concept program, which is in the Dalton Highway's transportation corridor, meaning the company can drill year-round from gravel roads and pads.

Doyon rig 141 is almost finished drilling ConocoPhillips' Shark Tooth 1, which is "critical" for "future development of this part of the Kuparuk reservoir," the company said in agency filings.

As of Feb. 8, Nabors rig 9ES was at Repsol's K-1 ice pad and expected to begin drilling in the next day or two. Nabors 105AC was on Repsol's Q-2 ice pad, with drilling to begin soon. Nabors 2ES was headed out to Repsol's Q-1 ice pad. Doyon's Arctic Fox has not been moved to Q-4, Repsol's ice island, because it

can't begin drilling until 9ES is finished at K-1, as the North Slope Borough is only allowing Repsol to operate three rigs at one time.

Around March 1, 9ES will travel to Badami to drill Savant's Red Wolf 2.

Nabors rig 27E is drilling the first of two Pioneer Natural Resources' wells, Nuna 1 and Sikumi 1, which target the Torok formation in the Oooguruk unit.

Brooks Range is drilling the first of two Mustang wells.

Great Bear will start drilling 8-12 wells in May.

Also part of this winter's exploration is Anadarko Petroleum's rig-less testing of its Chandler 1 gas well. The test, under way by Expro, includes hydraulic fracture stimulation by Schlumberger. (In last week's issue PN erroneously reported Schlumberger was doing the testing.)

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January 2012

Vol. 17, No. 5 **Week of January 29, 2012**

CPAI earns $1.9B in 2011

A 34 percent jump in oil prices helped offset a 6.5 percent decline in production

Eric Lidji

For Petroleum News

A steep rise in oil prices last year helped ConocoPhillips earn nearly $2 billion in Alaska, an increase over 2010 earning despite falling oil and natural gas production in the state.

ConocoPhillips earned $1.9 billion in Alaska last year, up from $1.7 billion in 2010.

While ConocoPhillips' annual earnings in Alaska rose, its quarterly earnings fell.

The company earned $443 million in the fourth quarter, down 11 percent from the third quarter ($501 million) and 7 percent from the fourth quarter of 2010 ($476 million).

ConocoPhillips earned $1.2 billion from its Lower 48 E&P operations in 2011, up from around $1 billion in 2010, while maintain roughly level production throughout the year.

Companywide, the company earned $12.4 billion in 2011, up from $11.3 billion in 2010.

Rising Lower 48 oil

While ConocoPhillips continues to earn more from its upstream operations in Alaska than from its upstream operations in the Lower 48, that balance could start

to shift this year.

The company plans to ramp up its activities in the oil-rich Eagle Ford and Bakken Shales this year to take advantage of high oil prices and, conversely, shut-in around 100 million cubic feet of North American natural gas production due to chronically depressed prices.

In Alaska, ConocoPhillips produced 215,000 barrels of oil and natural gas liquids per day in 2011, a 6.5 percent decline from the 230,000 bpd of liquids the company produced in 2010. ConocoPhillips produced 61 million cubic feet of natural gas per day in the state last year, down roughly 25 percent from the 82 mmcf per day the company produced in 2010.

In the Lower 48, ConocoPhillips produced 168,000 bpd of liquids in 2011, up slightly from 160,000 bpd in 2010, and 1.5 billion cubic feet of gas per day, down from 1.7 bcf in 2010.

Significantly higher oil prices in Alaska continue to offset gradual production declines for ConocoPhillips. The company realized an average oil price of $105.95 per barrel for Alaska last year, up from $78.61 in 2010. By comparison, the company realized an average price of $74.09 per barrel for Lower 48 liquids in 2011, up from $57.69 in 2010.

While oil jumped, natural gas prices remained relatively flat year-over-year for ConocoPhillips, from $4.62 per thousand cubic feet in 2010 to $4.56 per mcf in 2010. By comparison, Lower 48 gas prices fell from $4.25 per mcf in 2011 to $3.99 per mcf in 2010.

Liquefied natural gas sales declined considerably in 2011, as ConocoPhillips began the process of closing its nearly 45-year-old facility on the Kenai Peninsula. The company sold 26 mmcf per day in 2011, down nearly 45 percent from 47 mmcf per day in 2010.

While mentioning recent discussions about a proposal to market North Slope natural gas as LNG, ConocoPhillips' executives made no noteworthy comments about the project.

Tax debate continues

ConocoPhillips has released its year-end earnings as Alaska lawmakers are once again considering changes in the state's production tax code.

In his recent state-of-the-state address, Gov. Sean Parnell tied tax reform to his goal of increasing throughput in the trans-Alaska oil pipeline to 1 million barrels per day over the coming decade. Because it is the only major oil producer to break out financial figures for Alaska on a quarterly basis, something BP only does annually and Exxon does not do at all, ConocoPhillips' earnings often become a wedge in those debates, something Parnell seemed to anticipate by

asking, "Do we have enough will to give up short-term gains for long-term growth?"

With tax reform, the industry is willing to invest $5 billion in legacy fields, Parnell said.

Rep. Les Gara, an Anchorage Democrat, is promoting an alternative bill designed to create incentives for companies to explore and develop new fields in the state.

ConocoPhillips doesn't release its complete annual report until late February. The filing typically includes Alaska-specific taxation, spending and budgetary information.

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Providing coverage of Alaska and northern Canada's oil and gas industry
January 2012

Vol. 17, No. 2 **Week of January 08, 2012**

Pumping Up TAPS: A change in direction for ConocoPhillips?

ConocoPhillips' participation in the State of Alaska's Dec. 7 North Slope and Beaufort Sea areawide lease sales raised eyebrows since by 2002 the newly merged ConocoPhillips, which had picked up ARCO's Alaska assets two years earlier through Phillips, had begun concentrating on finding "new" oil in its legacy units in the state, such as Prudhoe and Kuparuk. The company was still exploring, but on federal acreage, looking for big fields and dropping its state exploration acreage unless it was close to one of its producing units.

Over the next decade ConocoPhillips dropped even its Beaufort Sea federal leases and pulled back from wildcat exploration in the National Petroleum Reserve-Alaska, concentrating on its step-out development of the Colville River unit into NPR-A.

It looked to its federal leases in the Chukchi Sea for its next giant oil discovery in Alaska.

So, given its position on Alaska's current production tax, ConocoPhillips participation in the latest lease sales was a bit of a shocker.

The company bid unsuccessfully in partnership with Exxon on just one tract in the Beaufort Sea sale, but was high bidder on 35 tracts in the North Slope sale, with the bulk of the tracts in a large block south of Point Thomson and Badami on the eastern North Slope in the Slugger/Jacob's Ladder area. (In October, Alaska Venture Capital Group, or AVCG, relinquished a number of leases in the area from its proposed Greater Bullen unit, and some Anadarko leases in the area expired this year.)

Subject to economic evaluation

Although some of the bidders in the sale appear to have been consolidating

existing lease positions, ConocoPhillips was clearly establishing a new position in known, but undeveloped, areas of interest.

"That's acreage that we have looked at in the past and when it became available we chose to bid on it," ConocoPhillips Exploration Manager Michael Faust told Petroleum News senior reporter Alan Bailey after the lease sale.

The region is prospective for oil — to the north of ConocoPhillips' new leases AVCG's operating company, Brooks Range Petroleum, is hoping to develop some known oil resources between the Point Thomson and Badami oil fields.

But Faust said the acquisition of state onshore leases to the east of Prudhoe Bay does not mark some new strategic direction for ConocoPhillips — the lease purchase was simply a case of snapping up some attractive acreage that became available.

The company will now evaluate the leases, identifying drillable prospects that can be added to the company's worldwide portfolio of exploration opportunities, Faust said.

The company already owns 3-D seismic data for the area, ConocoPhillips Land Manager David Brown told Bailey.

Faust said that funding to drill would depend on how the prospects in the leases compare with exploration opportunities elsewhere, and that the state's ACES production tax would be a factor in that comparison — ConocoPhillips wants to see changes in the progressivity elements of ACES.

—Kay Cashman

Editor's note: The Dec. 7 lease sale brought three new players to the North Slope, and added acreage to existing leaseholders' portfolios. In addition to ConocoPhillips' surprising exploration acreage grab, Shell picked up a substantial block of leases in state waters on the west side of Harrison Bay — the first state leases in recent history that Shell has owned offshore the North Slope. The tracts were previously leased by Talisman subsidiary FEX and will likely not go into production in the next decade because they are too far west of existing infrastructure. See articles and a map in the Dec. 11 edition of Petroleum News.

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January 2012

Vol. 17, No. 2 **Week of January 08, 2012**

Pumping Up TAPS: Fastest source: legacy fields

BP, Conoco operated oil fields have 4.2 billion barrels of oil left in producing units

Kay Cashman

Petroleum News

There are approximately 4.2 billion barrels of recoverable oil in northern Alaska's legacy fields — specifically those fields that are currently producing oil and operated by BP and ConocoPhillips.

Fields operated by those two companies represent about 98 percent of all current oil production from the North Slope. (For simplicity's sake, in this article the "North Slope" includes all oil fields north of the Brooks Range in Alaska, including offshore pools.)

Heavy oil and oil from source rocks is not in included in the 4.2 billion barrels, but some lighter viscous oil, already in production, is included with conventional crude.

A 4.2 billion barrel field qualifies as a super-giant by world standards, and would be the second largest field in Alaska.

The number came from remaining recoverable oil reserves based on the sum of Alaska Department Revenue forecasted production from 2010 through 2050 — based on year-end 2006 reporting, which is bound to be more accurate than forecasts from later years because it reflects very few of the cutbacks BP and ConocoPhillips have made as a result of Alaska's production tax.

It also does not include Badami, which was operated by BP in 2007 but in warm shut down. Today Badami is operated by Savant. Nor does it include any Alpine West oil from the National Petroleum Reserve-Alaska, because the State of Alaska has very little control as to when that oil can be accessed. It does include Northstar because it's in production, but excludes Liberty because it is not in production — and is in federal waters.

Because the legacy operators and their partners invested in technologies such as horizontal drilling, miscible gas injection and gas cap water injection their recovery rates at Prudhoe, Kuparuk, Alpine and others fields are between 50 and 60 percent, as compared to a 35 percent average worldwide.

With continued investments in new technology, that percentage can only rise.

But continued investment — i.e. increasing amounts of oil in the trans-Alaska oil pipeline — the two companies say, will not happen from their fields without passage of Gov. Sean Parnell's legislation to reform the state's production tax. (House Bill 110 passed the House not the Senate; SB 49 will be up for discussion when the Alaska Legislature convenes in January).

More important, enough of the 4.2 billion barrels can be quickly drilled and put in the pipeline to level out North Slope production — probably before explorers Repsol, Brooks Range Petroleum, UltraStar and ASRC Energy can get most of their fields online.

Also to be considered is the fact that not all the explorers will find fields which justify standalone production facilities: Some will need to get BP or ConocoPhillips to allow them to use existing facilities in legacy fields.

Or perhaps truckable/portable production skids, which are being considered by several companies, will work, along with new production facilities that can be shared.

Observations, arguments, promises

Let's look at some of the observations, arguments and promises BP and ConocoPhillips' executives have made in the last two years:

• Alaska's current oil tax system is the biggest impediment to getting more oil into the trans-Alaska oil pipeline —Trond-Erik Johansen, president of ConocoPhillips Alaska, and Claire Fitzpatrick, chief financial officer for the Alaska region and senior vice president of BP Exploration (Alaska).

• The "easy oil" has been drilled. The sweet spots were drilled when the fields were developed — when you put them online, they produced a lot of oil. There is a lot of light oil left on the North Slope, but it's not as easily accessible. And while early water production was low, 3 million barrels a day of water are now being produced: "We're more a water production company than an oil production

company," and that water has to be managed. —Johansen

• In many parts of the Prudhoe Bay field liquids production is constrained by the volume of gas being produced. Gas partial processing would remove a production bottleneck so that more oil could be produced. I Pad and a gas partial processing project represent an investment of about $2 billion; investments BP will not make without the tax breaks in HB 110. —John Minge, president of BP Exploration (Alaska) Inc.

• Some of the investments BP has held off sanctioning in its fields have had enough work done on them that they are ready for consideration when the investment climate becomes more competitive. Among those are I Pad development at Prudhoe Bay; western region development at Prudhoe; S pad expansion with low salinity water flooding; and Sag River reservoir development at Milne Point. If those projects had moved forward over the past four years, the projected 25 percent decline between 2011 and 2020 "would be essentially flat." —Fitzpatrick

• Using inflation-adjusted figures, relative drilling costs in the early wells in Kuparuk, West Sak and Tarn cost about $2-4 million a well and took about 10 to 15 days to drill. Today it costs four times as much and it takes four times as long, because wells are no longer vertical or near vertical, but are horizontal. And those wells produce less. —Johansen

• There will be "significant investments in infrastructure and pipeline upgrades," but capital spending on activities that produce more oil, such as drilling and pad expansion, are "limited or on hold" without tax changes. —Fitzpatrick

• Production has dropped more than 140,000 barrels per day since ACES passed. —Fitzpatrick

• I Pad alone will result in drilling some 50 new wells to access about 80 million barrels of additional reserves. That is … like finding another small oilfield. BP does not lack opportunities in a new fiscal environment. —Minge

• ConocoPhillips is prepared to spend $5 billion over the next three to five years to generate 90,000 barrels per day if the governor's tax bill becomes law. —Jim Mulva, ConocoPhillips chairman and CEO

• In the Lower 48, oil production grew 3 percent from 2003 to 2010; Alaska production declined 36 percent over the same period. —Johansen

• Oil at $50 a barrel in 2008 doesn't compare to similar prices in 2005 because "the fundamental cost of our business has changed." Producing a barrel of oil in the Arctic costs between $25-50 today (early 2010). —former ConocoPhillips Alaska President Jim Bowles

• In previous exploration activities BP identified more than 5 billion barrels of

resources. These resources can be unlocked with a competitive fiscal policy. — Minge

• BP recently approved two seismic acquisition programs, one at Milne Point and one at Point McIntyre, "in anticipation that the tax law will change." The seismic will be shot in 2012 and 2013, cost $100 million, and yield "at least 20 to 40 extra wells, if governor's tax bill is passed." —Minge

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January 2012

Vol. 17, No. 2 **Week of January 08, 2012**

Pumping Up TAPS: Less about pumping up than stabilizing flow

Kay Cashman

Executive editor & publisher of Petroleum News

This magazine started out as an attempt to identify the potential sources of oil that could meet Gov. Sean Parnell's goal of getting 1 million barrels of North Slope oil per day in the Trans Alaska Pipeline System, or TAPS, within 10 years.

But it soon became more about whether it was possible to stem the decline from an expected average production in 2011 of 605,000 bpd to 530,000 bpd in 2020, as projected in the Alaska Department of Revenue's spring 2011 forecast.

What I learned in my research was that it might be possible to meet the governor's goal in a 10-year period, but only if production from Alaska's source rocks and offshore comes off without any major hitches or delays.

Not wanting to bet on something exciting, but completely untried on the North Slope, and with geologic, technical, economic and political challenges, I decided not to include shale oil in production numbers for the next decade.

Shell, the lead company in northern Alaska's offshore development, could conceivably have one or two Beaufort Sea fields in production in 2021, but even Shell predicts the start of its outer continental shelf Chukchi oil production is at least 10 years out IF it can drill in the open water season of 2012 and there are no more permitting, lawsuit or other delays.

That's more than a long shot, so I excluded the OCS.

Explorers such as Repsol and Brooks Range Petroleum will certainly play a part in putting new oil in the pipeline, so they were included — sort of, as it's not

clear they will develop and produce all their discoveries without a change in Alaska's production tax.

BP and ConocoPhillips, which operate the fields currently producing 98 percent of the oil going into TAPS, could step up production in their legacy fields and increase investment in heavy oil, but the opposite is actually happening — both companies are unwilling to increase their capital investment because they say Alaska's production tax, commonly known as ACES, is a disincentive. Until it is changed —until the governor's legislation, House Bill 110, has passed into law — the companies say they will not be stepping up investment.

Worse, BP predicts the decline in North Slope production will be greater than Revenue projected because 52 percent of the oil between 2011 and 2020 in the state's spring 2011 forecast was from projects not yet sanctioned, and many of those were BP or ConocoPhillips projects that are now on hold. Revenue's fall forecast was due out after all pages except the On Deadline section of this magazine had gone to press. I expected output of 474,000 bpd in 2020, which was the last year in the spring forecast, but you can find out for sure by checking page 8.

Increase in tariff would hurt investment

Less oil in TAPS means less revenue for the state and possible mechanical problems in the line.

But trying to keep production flat at 605,000 bpd is not just about protecting state revenues or avoiding unexpected flow problems; it's also about the trans-Alaska pipeline tariff for non-TAPS owners, such as Repsol, Pioneer Natural Resources, Savant, Brooks Range, Eni, Linc, UltraStar, Great Bear, Shell, Statoil, ASRC Exploration and others. The tariff will undoubtedly go up as system costs are shared among fewer and fewer barrels of oil, which is a disincentive for non-TAPS owners to produce oil on the North Slope.

And if TAPS operator Alyeska Pipeline Service Co.'s low flow impact study is correct (see story on page 23), there is a whole list of mitigation measures that Alyeska will have to implement to keep the pipeline operating as throughput drops below 600,000 barrels a day — costly mitigations that could also raise the tariff.

Subsidiaries of the North Slope's largest producers, BP, ConocoPhillips and ExxonMobil, own large chunks of TAPS, so a higher tariff is not going to necessarily sour them on Alaska. But it has driven off other operators in the past, including Conoco before it was ConocoPhillips and owned ARCO Alaska's share of TAPS — just as a drop in the tariff due to agency and court decisions helped attract new players to Alaska, starting in 2000.

So, this magazine became more about investigating whether the decline in North Slope oil production can be halted, especially without the cooperation of BP and

ConocoPhillips, than it did about achieving the governor's goal.

The first article, an analysis by me, is titled, "First, can the decline be halted? BP, Conoco operate 98 percent of northern Alaska oil production: can it be done without them?"

The next three articles deal with related subjects — oil prices, drilling rig shortages, and TAPS potential low-flow issues.

The next article is about the governor's five-point strategy to achieve his goal, followed by articles about the various sources of oil that could help stem the decline and/or reach the 1 million bpd target.

Finally, there is a group of opinion and analysis pieces that cover everything from impediments to filling TAPS by Jim Weeks, to Rep. Les Gara's position that HB 110 is a giveaway, to Dan Dickinson's five not-so easy pieces to put 1 million barrels in the pipeline, and more.

In the end, we have a photo layout about TAPS, from construction, to start-up, and snapshots of the last 34 years of operation.

I hope you enjoy this magazine, and find it helpful in understanding the incredible challenge in pumping up TAPS.

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Pumping Up TAPS: First, can the decline be halted?

BP, Conoco operate 98% of northern Alaska oil production: can it be done without them?

Analysis by Kay Cashman

Petroleum News

Before determining if it's possible to increase flow in the trans-Alaska oil pipeline from projected 2011 levels of about 605,000 barrels a day to 1 million barrels, the governor's goal, it's important to first determine if the decline in North Slope production can be halted — specifically, stabilized without increases in investment from the region's two major operators, BP and ConocoPhillips, which with ExxonMobil and their smaller partners account for almost 98 percent of the liquids in the pipeline.

Executives from BP and ConocoPhillips say they do not expect to increase their capital spending in Alaska until the state's production tax is reduced.

BP, ConocoPhillips and ExxonMobil, the largest producers in the fields BP and ConocoPhillips operate, say the state's production tax — Alaska's Clear and Equitable Share, or ACES — takes away the incentive to invest at high oil prices, which they are ably demonstrating is true by not increasing capital investment in their North Slope legacy fields.

All three producers support Gov. Sean Parnell's proposed legislation to, as they describe it, "reform" ACES. House Bill 110 reduces the tax by changing how progressivity is applied, capping it and establishing a lower base rate for new fields.

HB 110's companion bill in the Senate, SB 49, went nowhere during the first regular session of this two-year legislative term, but is expected to be the major focus of that body in January, when the Legislature convenes.

Detractors of HB 110 say ACES is working, BP and ConocoPhillips are making big profits in Alaska, and that the two largest operators are holding the state hostage with the tax bill.

It doesn't matter who's right

I say, it doesn't matter who is right.

The fact is, without added investment by the three largest producers on the North Slope, their production, at least, is going to fall.

But if there are "improvements in the fiscal regime" in Alaska, ConocoPhillips Alaska President Trond-Erik Johansen said Nov. 16, "you will see more action. … You will see more drilling; you will see more projects. … That's just the way capitalism works."

So, let's look at current and projected oil production for the North Slope. (For simplicity's sake, in this article the "North Slope" includes all oil fields north of the Brooks Range in Alaska, including offshore pools.)

State says 12.4%; BP says 25%

In November, North Slope production averaged 624,687 barrels per day, down 6,850 barrels from the 631,537 bpd in November 2010, which is slightly more than a 1 percent drop, month to month. Over the last year throughput in the trans-Alaska oil pipeline dropped 7-8 percent, Johansen said.

The Alaska Department of Revenue's spring 2011 forecast predicts production will drop from a daily average of 605,000 barrels a day in 2011 to 530,000 barrels a day by 2020, a decline of 12.4 percent.

But Claire Fitzpatrick, chief financial officer and senior vice president of BP Exploration (Alaska), predicts a 25 percent drop in oil production between now and 2020 for BP-operated fields on the North Slope, and a 7-8 percent decline in the next couple of years.

Fitzpatrick reminded attendees of the mid-November Resource Development Council conference that fields operated by BP account for about two-thirds of current North Slope production, meaning she's in a position to know how much oil is likely to be produced.

What's the difference?

Why the big difference between the Department of Revenue and BP's production

estimates for 2020?

According to Fitzpatrick, Revenue's estimates include some "big buts" — that 52 percent of the department's forecast for 2020 is from projects under development or evaluation, including projects in existing producing fields. (See figures 6, 7, and 9 from Revenue's spring 2011 forecast, which support what she says.)

A lot of the "under development" has not yet had final investment decisions from the owner companies, she says.

So, Fitzpatrick concludes, more than half the oil the state is banking on in 2020 comes with a big "If."

That means that more than half the production in the spring forecast — and therefore a big chunk of projected state revenues — depends on investments yet to be made.

"I don't know what the next DOR forecast is going to show in terms of decline over that timeframe. I do know what my forecast shows, and we are showing a steeper decline over that period than I was at this time last year," Fitzpatrick says.

"We've reviewed our plans and activities much more rigorously in terms of what's possible versus what's realistic in the current business climate," she says, meaning some of the projects BP talked to Revenue about prior to the spring forecast are now off the table.

On Dec. 1, Revenue officials confirmed that the latest Revenue forecast, due to be released in mid-December, will reflect a much lower production rate in 2020. (Pumping up TAPS goes to press on Dec. 9, but we're holding space in the On Deadline section near the beginning of this magazine to report on Revenue's latest forecast.)

Still, some new oil will most certainly be produced, with or without, a tax change. The ExxonMobil-operated Point Thomson field, for example, will likely be produced under a settlement agreement with the state of Alaska — that's 2,000 barrels a day in 2015 and 9,000 barrels thereafter, per Revenue's spring 2011 forecast.

And after all ConocoPhillips' work to get approval to build a bridge across the Colville River in order to start producing oil from CD5 in the National Petroleum Reserve-Alaska, where it is eligible for ACES tax credits, it's safe to assume ConocoPhillips will move forward with NPR-A exploration and development. In Revenue's spring 2011 forecast, that's 10,000 barrels a day in 2015, 65,000 barrels by 2020, including production from Linc Energy's Umiat oil field.

Even BP expects to proceed with its Liberty project in federal waters, which Revenue shows at 5,000 barrels a day in 2013, then peaking in 2014 at 39,000 barrels, and dropping to 14,000 barrels in 2020.

Still, a 25 percent drop in two-thirds of 98 percent of North Slope production by 2020 is considerable. And BP, remember, has to approve most of the investments in the ConocoPhillips-operated fields because it's a working interest owner in many of them. ("Has to approve" is not a legal mandate; but the unit owner relationship is much like a marriage. "Sure you can buy that pool table, honey, but....")

Oil BP, Revenue not including

Production from the only oil fields not operated by BP or ConocoPhillips on the North Slope — Eni's Nikaitchuq unit, Pioneer Natural Resources' Oooguruk unit and Savant's Badami unit — are included in the Department of Revenue's forecast.

Revenue's projections put Oooguruk and Nikaitchuq at a combined daily average of 19,000 barrels in 2012, up from 12,258 in November, and peaking at 38,000 barrels a day in 2014.

But Pioneer's Nuna development, which is inside the Oooguruk unit, and Savant's Red Wolf prospect, part of the Badami unit, are not in the forecast.

More important, not a drop of oil from the North Slope's active explorers — Repsol, Brooks Range Petroleum, UltraStar Exploration, ASRC Exploration and Great Bear Petroleum — is included in Revenue's forecast, per Victoria Ferguson, a petroleum economist with the department.

With the exception of ASRC, all these companies are planning to drill exploration wells this winter; although as of Dec. 1, two of the explorers will probably not be able to find drilling rigs, bumping their wells to the winter season of 2012-13.

Potential production from these seven companies' projects, some of which are unitized and have been previously drilled, do not meet Revenue's standards for inclusion in its forecasts, Ferguson says, providing a list of those standards:

A. Reservoir delineation through new penetrations, drill stem testing and seismic.

B. The reservoir should be fairly well defined and proved to have productive capabilities

C. The operator should have fairly concrete development plans in place.

Great Bear production excluded

Despite the Parnell administration's enthusiasm for Great Bear's source rock exploitation plans, the company has to prove it can produce oil from the formations on the North Slope, Ferguson says.

"Since production from source rock is considered unconventional, we will wait

for some extensive, definitive production data from a pilot project before we forecast any significant production from the Great Bear properties," she says.

Those standards make sense when you're looking for absolutes. Even ignoring Great Bear's very bold production estimates makes sense, although its project could potentially reverse the decline on its own, and more, within the 2015 to 2020 timeframe.

Still, Great Bear is proposing to produce oil from source rock; something that has never before been done on the North Slope. And given the difference in the cost of operating in northern Alaska versus in North Dakota's Bakken or Texas' Eagle Ford shale plays, Great Bear might need the tax breaks in the governor's bill to make its Alaska project economic.

Ed Duncan, Great Bear's president and chief operating officer, told legislators in February that competition for capital is on a global scale, and while Alaska presents an opportunity for oil and gas investment, "we also see a great opportunity for Alaska to improve its position globally" by making the tax changes proposed in HB 110.

Alaska is prospective for development because "it has some of the best rocks in one of the best petroleum provinces in the world." But, Duncan says, "it also has some fiscal terms that are suppressing development."

The risk in Great Bear's source rock exploitation plans is not technical but "commercial viability in competition for capital (because it) requires capital to make this play really happen," he says, describing the play as both capital intensive and labor intensive.

"This is an opportunity to deliver a play that has long-lived production; manageable risk; allows the state to forecast forward revenue; (and) has tremendous job growth associated with it — if we can make it happen."

The objective of Great Bear's exploration and evaluation program is to run short tests on at least four wells, with those tests potentially leading to the sanctioning of a pilot plant to more fully determine the production characteristics of the rocks, Duncan told Petroleum News in November.

It will be necessary to obtain at least a one-year production profile, determining parameters such as production decay characteristics, as well as assessing the economic feasibility of oil production from the rocks, before making a decision to move to full field development, which he says could occur in 2015.

A 123,000 barrel a day difference

If you're looking to leave ACES as is, you have to know whether the other explorers, all of which have access to adequate funding and two of which are already producing oil in the region, have a chance of filling the gap between

2011's projected average of 605,000 barrels of oil flowing through the Trans-Alaska Pipeline System, or TAPS, and what will be running through it daily in 2020.

Cutting another 8 percent off 605,000 barrels a day in deference to Fitzpatrick, another 48,000 barrels are deducted from Revenue's projected 530,000 barrels, for a drop to 482,000 barrels a day between now and 2020.

That's a difference of about 123,000 barrels a day. (Maybe more, maybe less: Remember to check out the On Deadline section at the front of this magazine with Revenue's latest forecast.)

In 10 years, Alaska might see some federal outer continental shelf production from Shell, but Shell says that's only if nothing goes wrong between now and then, and it can drill in 2012. It would be foolish to count on Beaufort and Chukchi OCS oil in the next decade, but if Shell picks up Beaufort Sea leases in the Dec. 7 state sale, as rumored, then it's possible (see On Deadline).

And trying to keep production flat is not just about state revenues; it's also about the trans-Alaska pipeline tariff for non-TAPS owners, such as Repsol, Brooks Range Petroleum, Linc, Great Bear and others. The tariff will undoubtedly go up as the cost of the system is shared among fewer and fewer barrels of oil, another disincentive for non-TAPS owners to produce oil on the North Slope.

And if TAPS operator Alyeska Pipeline Service Co.'s low flow impact study is correct (see story on page 23), there is a whole list of mitigation measures that Alyeska will have to implement to keep the pipeline operating as throughput drops below 600,000 barrels a day — costly mitigations that could also raise the tariff.

BP, ConocoPhillips and ExxonMobil own the largest percentages of TAPS, so a higher tariff is not going to sour them on Alaska, as a pumped up tariff has in the past with several oil companies, including Conoco before it merged with Phillips, which in turn purchased the assets of ARCO Alaska.

Repsol hoping for 119,000 bpd

So, excluding Great Bear's potential production, let's look at possible production in the next 10 years from other explorers, starting with Repsol, which has about 20 prospects on just under 500,000 acres that were identified by minority partners Armstrong Oil & Gas's North Slope subsidiary 70 & 148 and GMT Exploration.

Oil production from Repsol's first five exploration projects is scheduled to come online between 2015 and 2018, peaking at 119,000 barrels a day in 2017 or 2018.

The company appears to be drilling its low-to-moderate risk prospects first, although one of the initial five drilling sites was switched out for another where several leases are set to expire.

If the company is only able to permit and drill four of those projects this winter, it is likely to drill the prospect it dropped next winter, along with several others, delaying one project's production by a year.

Armstrong expects changes in ACES

With at least 119,000 barrels a day in the pipe by 2018 or 2019, it appears Repsol will nearly singlehandedly save the day for Alaska.

But what wasn't said in Repsol's March 7 press release announcing its deal with Armstrong and GMT was a single word about ACES, although the company did say one of the reasons it entered into the $768 million transaction is because the Parnell administration is looking at ways to make the state more for attractive for oil and gas investment versus trying to squeeze more tax dollars from industry.

Just three weeks before the long-awaited deal closed Armstrong Vice President Ed Kerr submitted a letter to the co-chairs of the Alaska Legislature's House Resources Committee, saying that the governor's bill, "HB 110 will have a significant impact on our capital expenditures and future activities in Alaska. The improved fiscal terms as proposed by HB 110, particularly the portions of the bill that apply to activities outside of existing units, will give us the needed incentive to not only drill multiple new wildcat and delineation wells, but the motivation to drive certain projects to development."

Kerr said Armstrong has "more than a dozen ideas outside of existing producing units" on its project list, ideas it hopes to drill and test.

"In many cases we know the oil is in place. The improved fiscal terms as provided in HB 110 will greatly affect whether these projects will get developed."

Presumably the bigger finds will have the best rate of return, so they would get developed under ACES as it is today.

Pioneer's Nuna Development

Also not included in Revenue's spring 2011 forecast was Pioneer's Nuna Development within the newly expanded Oooguruk unit. Its primary target is the Torok formation (see page 41).

Original oil in place is estimated to be 340 million barrels in the Oooguruk offshore drill site area and the core area of the unit — the planned initial development area where the Oooguruk-Torok reservoir is completely filled with oil. That oil would be included in Revenue's projections.

In the prospective Nuna area, the Oooguruk-Torok reservoir appears to be only partially filled with oil; the original oil in place is estimated at 690 million barrels. Pioneer estimates that it can produce up to 25 percent of that through primary and secondary recovery methods, for a net 173 million barrels.

The Alaska Oil and Gas Commission, looking at primary recovery of 20 percent, or 138 million barrels, says the production rate for the Oooguruk-Torok oil pool over an expected 20-30 year project life is expected to average 4,000 to 9,000 bpd, with peak production of about 8,000 to 15,000 bpd, plus natural gas.

Production could conceivably start in 2017, so it would have some bearing in the next 10 years.

A lot depends on appraisal and exploration drilling into the Torok this winter and next.

And on the economic competitiveness of the project with Pioneer's oil and gas assets outside Alaska.

At a Feb. 16, 2011, House Resources Committee meeting in Juneau, Ken Sheffield, at the time president of Pioneer in Alaska, said the company supports HB 110. He said Pioneer's challenge is finding the next opportunity to grow its business. The company might have the opportunity to expand its Oooguruk project to produce the Torok accumulation, but a half a billion dollars for Torok would have to compete for funding against other opportunities in the Lower 48 in fiscal regimes where the tax burden is not so high.

So, another question mark.

If BP and ConocoPhillips elect not to increase investment and all the stars align for Repsol, the Madrid-based major stands to produce the most new oil from the North Slope in the next 10 years.

Armfield's plan 2050

But there is one other explorer whose production could make a dent in arresting the decline, and that's Brooks Range Petroleum Corp. An active explorer on the North Slope (see page 40), BRPC has drilled five wells and several sidetracks since 2007. It tends to target known, but untapped, fields between 25 million and 50 million barrels close to infrastructure.

Again if all the stars align, it might have two or three fields online in the next 10 years, producing between 5,000 and 12,000 barrels each (numbers not confirmed by BRPC).

In February testimony to House Resources in favor of HB 110, Bart Armfield, vice president of operations for BRPC, talked about his "plan 2050," which takes an incremental look at what would be required to keep the trans-Alaska oil pipeline flowing at 600,000 bpd through that time.

It's a phased approach, he said, requiring the cooperation of the state, majors and independents.

If 10 new fields averaging 12,000 bpd are brought on in the next 12 years, that would increase recoverable reserves by half a billion barrels, and require in excess of $6.3 billion in investment.

"History demonstrates that we can" do this, Armfield said, based on what has occurred over the last 12 years with Alpine, Northstar, Oooguruk and Nikaitchuq coming online and Badami restarted.

That isn't 10 fields, he said, "but collectively they represent the equivalent of 10, 12,000-barrel-of-oil-per-day field projects."

To get to the next level, 20 years out, requires 22 more fields be brought online.

Armfield said unconventional resource plays and technology developments in the Lower 48 demonstrate what can happen, and said that in the very near future that may be applicable to the North Slope.

By the end of the day, in "plan 2050," 44 new developments have occurred, requiring more than $18 billion in new investment.

Armfield said the new fields are a combination of developments within existing units and grassroots developments. In the first 12-year phase, if existing units supported four new developments "then new players would support six grassroots developments."

But the $18 billion to bring on that much new development really requires $36 billion in investment, Armfield said, because "not every project is going to be successful on the North Slope." He said he used the 50-50 rule, with half failures and half successes, "which is probably very aggressive."

To get $36 billion of new investment capital coming into the state requires "the positive adjustment through HB 110," Armfield said.

Other companies agree with BP, Conoco

The questions posed at the beginning of this article were, Can the decline be halted? And since BP and ConocoPhillips operate 98 percent of northern Alaska oil production, can it be done without them?

Maybe. If most of the companies exploring, or set to explore this winter, on the North Slope are successful, there might be enough production to halt the decline in the next 10 years, especially if I'm right about Revenue's fall forecast, so compare the numbers on page 14 with those in the page 8 On Deadline article about Revenue's fall forecast, which came out after all but those pages went to press.

But, the next question is, will those explorers develop their discoveries under ACES?

Not all of them have answered that question.

But they have all said they need HB 110 to make producing oil in Alaska competitive with investments elsewhere.

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Natural Gas – The Gift
Remarks by Jim Mulva
CERA Conference
March 9, 2010

I remember 20 years ago when a bright young man wrote a book about oil. He named it "The Prize" – and the rest is history. "The Prize" captured a fundamental truth, oil is a precious commodity that powers the world economy.

There was little mention of natural gas. Historically, it never matched oil in importance. But look at gas today – the world's third-leading energy source, with room to grow.

In fact, if oil is "The Prize," then natural gas is "The Gift." Nature's gift to the people of the world. For many outside our industry, it is an unexpected gift. They believe that renewable energy will quickly and easily replace hydrocarbons, and cure all that ails us.

But it is clear from the experts that carbon-based fuels, though in cleaner forms, must keep carrying the load. Renewables just can not ramp up fast enough to replace them. But where will this energy come from? Fortunately, Mother Nature, human ingenuity and technology have provided the answer. That is, if we are allowed to unwrap the gift.

Let's consider what gas can mean for the future. The real future, not the pipe dreams of the "hydrocarbon deniers." These are the well-intentioned people who support renewables at any cost, and oppose hydrocarbons at any consequence. They seem not to realize that platitudes are not BTUs. That it will take abundant and affordable energy to enable further human progress.

Let's spin the clock forward 40 years, to 2050, and look at a possible future if government chooses the right policies.

By then, it will be a different world, with 9.2 billion people, 35% more than today. It will need more energy, not less, despite higher efficiency and conservation. And tomorrow's energy must remain affordable.

The idea that all forms of energy are needed will long be accepted. So will a sense of shared responsibility for environmental stewardship. Many people will drive electric cars. Fleet vehicles, trucks, buses and trains, will use natural gas to reduce both emissions and maintenance. Housing will use active and passive solar power, and smart meters. Living "off the grid" will be popular.

In our industry, we will drill wells with, who knows, perhaps laser beams. There will be technological advances that would seem inconceivable today.

Vast arrays of wind-powered turbines will be online. So will solar and nuclear power. But they will not be the biggest electricity sources. After all, there are only so many places

where massive development is economical, and publicly acceptable. And only so much government funding to subsidize the renewable sources.

Natural gas will remain a leading base-load power generation and heating source, due to its cleanliness, abundance and reasonable cost. Through its flexible reserve capacity, when the wind dies or the skies are cloudy, gas will backstop wind and solar power.

Here in the U.S., gas production will be more national in scope. New York, Pennsylvania, Virginia and other states will join the major producers. They will gain the job creation and industrial development for which Texas is known today.

On the oceans, an expanded fleet of liquefied natural gas tankers will tie the world together. Neither remote supplies nor consumers will remain stranded.

Coal will remain essential too, through its abundance and low cost. But it will be used in more advanced ways. Among them, through oil industry technology, it will be converted into gas or liquid fuels.

Oil will continue as a transportation fuel, wherever alternatives are impractical. And it will be essential for lubricants and petrochemicals. Supply will largely come from unconventional sources, like Canada's oil sands, and shale rock in Colorado, Utah and Wyoming. To facilitate recovery, natural gas will provide clean heat and power.

And everywhere, new technologies will reduce greenhouse gas emissions, with processes in place to capture and sequester carbon.

So by 2050, natural gas will have potentially helped meet four great energy challenges:

- First, achieving both national and world energy supply security.
- Second, providing consumers with affordable energy.
- Third, driving economic prosperity and job creation.
- And finally, reducing greenhouse gas emissions.

Now, the first question the hydrocarbon deniers would ask is, "Where will all that gas come from?"

The Natural Gas Resource Base

To answer, let's consider the rebirth of a once-dying U.S. industry. Natural gas consumption here peaked nearly 40 years ago. Over the next three decades, it fell by 25%, and reserves fell by nearly half. Conflicting, changing and short-sighted government policies played a major role. As recently as 2003, the National Petroleum Council as well as others warned that imported LNG would be increasingly necessary.

But since then, the entire market has turned:

- Production capacity is rising,
- Prices are down,
- Reserves are growing, and

- We foresee a century of domestic supply.

Some people even forecast the U.S. becoming an LNG exporter. What happened? Never underestimate the power of technology to drive human progress.

There are few remaining conventional gas prospects here. At least, not in the areas where we are allowed to drill. So the industry turned to the less-desirable unconventional reservoirs. These typically have "tight" rock, which does not flow nearly as well.

To make this rock productive, over a 60-year span we developed new and sophisticated technology. Completion techniques, hydraulic fracturing, drilling and seismic imaging all advanced. As a result, unconventional gas is now a key part of U.S. reserves.

Then in the 1980s, we realized that coal formations, which often contain so-called "mine gas", might be made productive. A new process called "cavitation" enabled the gas to flow. We also became better at finding the best sites to drill.

As a result of all these steps, unconventional gas and coalbed methane helped stop the decline in U.S. gas reserves during the 1990s. Demand began to grow. ConocoPhillips increased our North American gas exposure, and so did others.

Meanwhile, another technology came along – horizontal drilling. Today, lateral extensions up to 8 miles are possible. A single well can have several, spread like the fingers of your hand.

These techniques are expensive, and feasible only in certain situations. But again, technology opened new horizons.

Now, another truism. Never underestimate human ingenuity. It occurred to the industry to reexamine shale – a common source rock that was too tight for production. But horizontal drilling exposed more rock to the wellbore. And fracturing enabled gas to flow. This opened new drilling trends and revolutionized the industry. And rather than being expensive, shale gas is often the low-cost source, commercial at $4 to $7 per Mcf.

The same success now appears possible in Canada. And these technologies can be applied elsewhere. Exploration for tight gas, coalbed methane and shale gas is under way in more than a dozen other countries. More will follow.

Consider the ramifications. The world uses 107 trillion cubic feet of gas a year. Proven conventional reserves are 6,500 TCF, a 60-year supply. With undeveloped conventional resources, there is potentially more than a century of supply. Now, adding unconventional gas expands total resources to more than 38,000 TCF, or multiple centuries of supply.

But this may only be the beginning. Up to 700,000 TCF of methane hydrates lie beneath the ocean floor and the Arctic. They have never been produced commercially, but

research is getting us closer. It may even be possible to liberate the methane by pumping carbon dioxide into the formations. That would be a dual energy and carbon storage solution. ConocoPhillips is in the early stages of researching this.

The full magnitude of nature's gift is now apparent. Natural gas is more than a bridge fuel. It is part of the long-term energy solution. There is an old U.S. saying, "Don't look a gift horse in the mouth." It basically means, "Appreciate what you have been given." But we face two big obstacles in delivering the gift of natural gas. We must overcome the opposition of the hydrocarbon deniers. And government must find the political will to address long-term energy needs pragmatically.

Answering the Hydrocarbon Deniers

The idea that gas is abundant challenges beliefs that fossil fuels are running out. So the deniers raise the warning flags of price volatility, environmental impact and greenhouse gas emissions. These may sound compelling. But every energy source poses challenges.

Wind and solar power have their own problems: cost, reliability, visual impact, land and water use, bird strikes and massive power-line rights of way. Current-generation biofuels require a lot of land and water, impact food prices, can increase greenhouse gas emissions, are vulnerable to crop failure, and require subsidies. Coal is carbon-intensive. Nuclear faces waste disposal, proliferation and public acceptance issues.

So let's look realistically at the objections to natural gas. During the recent severe winter, U.S. prices hardly reacted. The rising abundance of gas reduces the risk of long-term price volatility. Short-term volatility has also moderated, due to several factors. The industry has added new storage facilities and supply pipelines. The nine LNG terminals now in service can quickly increase deliveries. Also, shale gas is developed through highly repeatable long-term drilling programs, in virtually a manufacturing-type approach. This raises efficiency and lowers costs, and thus enables low prices. And drilling can ramp up quickly in response to any change in the market.

Another advantage offered by gas is that development requires a small land-use footprint. It's only $1/20^{th}$ that of equivalent wind or solar power. Gas-fired combined-cycle power plants have low water consumption, particularly compared to some renewable sources.

Yes, gas is carbon-based. But it burns cleanly, and produces practically no nitrogen oxide, sulfur dioxide or particulates. So there is less threat of acid rain and smog. In terms of climate change, gas-fired power plants produce half the carbon dioxide of coal-fired units. Their waste heat can be captured to produce steam for industrial applications. This further reduces the carbon footprint.

Also, substituting gas for other fuels is the fastest and most cost-effective way to reduce greenhouse gas emissions. Cost matters. Or at least it should.

Now, let's address the final obstacle, government vision.

Government Vision

The U.S. needs coordinated policies on energy and climate. Policies that establish certainty through the years, regardless of who is in office. And that encourage development of all energy sources. Otherwise, energy initiatives ping-pong back and forth whenever the political pendulum swings.

Currently, the U.S. government strongly supports renewable energy. Unfortunately, it also proposes higher taxes on the natural gas industry, and is tightening resource access. Perhaps it has not yet learned that if you tax something, you get less of it. Less supply security, fewer jobs and lower reinvestment.

Another concern is the mandated use of renewable energy for electricity generation. This could prove very expensive. Why not instead implement clean electricity standards. Then let renewable energy, natural gas, clean coal and nuclear power compete.

Look at China. Yes, they support renewable energy. But they are also pragmatic. They recognize that all sources are needed. They do not oppose fossil fuels. They believe in technology. They will soon begin assessing their shale gas potential. With assistance, I might add, from the same U.S. government that has ignored the shale potential here.

U.S. energy policy brings to mind a famous Winston Churchill quote, "A riddle wrapped in a mystery inside an enigma."

For example, the U.S. government holds 2.4 billion acres of mineral estate. That is larger than the land area of any of the world's countries, except Russia and Canada. Of this, 3%, yes, only 3%, has been leased for energy development.

Like our parents told us, "It's not what you say, but what you do that counts."

The shale gas revolution here occurred on private and state land, not federal land. Think of the economic development and job creation potential if more land was opened. And if less red tape tied up the acreage that is leased.

In closing, I want to emphasize that ConocoPhillips supports development of all energy sources. We recognize that in order for the world to prosper, energy must be abundant and affordable. Our core businesses are carbon-based because these are the only sources that currently meet these criteria. We also support legislative enactment of a sound, mandatory federal climate policy.

For all these reasons, we are aggressively pointing out the benefits of greater use of natural gas. It truly is nature's gift to the people.

- Gas can enhance energy supply security through its abundance. There is enough to meet industrial, residential, commercial and power generation needs.
- Gas should remain very affordable to consumers.
- Gas offers the energy base upon which to build economic development and job creation.

- And gas offers a viable and cost-efficient way to reduce greenhouse gas emissions.

Thank you.

END

Oil & Money Conference
Panel Discussion – CEO Forum: Global Upstream Challenges
The IOC Response to Turbulent Times and Challenges
Remarks by James J. Mulva
October 20, 2009 – London

Well, we in the oil industry certainly know about turbulent times.

In discussing our upstream challenges, I'll start with the obvious – the world economic downturn. It has caused the largest decline in energy demand in 25 years. Oil prices that took eight years to reach $147 per barrel – after stagnating for two decades – lost more than two-thirds of that value in eight months. Today, they are $70 – but may not hold.

Compounding this are government fiscal takes. A number of countries raised their takes during the boom, assuming that prices would remain high. Now, most have not lowered them. Also, reserve replacement costs are more than double their 2003 levels. They are not falling as fast as prices did.

All these factors challenge the economics of new investments. Government seems to assume that we will invest anyway. But perhaps the screws have now been tightened too much. World upstream investments are down by $100 billion this year, or 21%, according to the IEA.

There are other challenges, like restricted access. In many resource-rich countries, the best, if not all, opportunities go to NOCs. IOCs are left out, despite their expertise and access to capital and markets.

There is also climate change legislation pending in key countries. This creates uncertainty over what the rules and costs will be. Investment flees uncertainty. We need the world to decide what it will or will not do.

And finally, we face political hostility. Fossil fuels are unpopular because of their price volatility and perceived carbon impact. So governments are promoting renewable sources. At best, they are ignoring oil and gas policy – while overlooking how natural gas could ease the transition to a low-carbon economy. Since fossil fuels must provide 80% or more of world energy even by 2030, this is like Nero fiddling while Rome burns.

These challenges and flawed policies have serious implications. They could lead to new energy price spikes once the world economy recovers.

Further, today's energy downturn is not like the 1980s. We are unlikely to have a long production surplus and weak oil prices this time. The drop in oil demand then was three times today's decline. Conventional non-OPEC crude production was rising then, thanks to the North Sea and Mexico. Now, it is falling. And unlike then, world demand now is primarily driven by the rising prosperity of the developing world's 5.6 billion people.

They outnumber the population of the OECD countries by nearly five to one, and the margin is growing.

So demand growth will inevitably resume, and renewable energy cannot meet it alone. Unless our industry is ready, and governments have the right policies, supply could fall short. This would damage the world economy and undermine living standards.

At ConocoPhillips, we are dealing with these challenges today, while also anticipating tomorrow's needs.

- We have adjusted our operating and capital programs to live within our means. The best projects continue, while others have been deferred.
- We are working with suppliers to reduce costs.
- We are maintaining balance sheet strength by managing our debt.
- We are engaging in the public debate over climate change, energy security and taxation.
- But despite these immediate steps, we are maintaining our long-term strategy. We are funding our commitments and preserving optionality. We continue spending through the cycle in our resource-play drilling programs. And we are focusing on our core businesses, while continuing renewable energy R&D, but at a measured pace.

Obviously, there is much government must do.

First is improving access. The world has ample oil and gas. We can produce it efficiently while protecting the environment. We just need access.

- Second, government must stop viewing our industry as a cash cow. Some $12 trillion in global oil and gas investment is needed by 2030 to ensure adequate supply. These investments cannot occur if our funds are taxed away. Third, government must encourage development of all energy sources, and not pick "winning" technologies. The public, through the market, can determine the best sources far more efficiently than government.
- And finally, government must coordinate its policies on energy and climate. Otherwise, policy conflicts could undermine both.

So there are solutions to our challenges, provided that we, and most importantly government, take the right steps.

Thank you.

END

The Realities of the U.S. Energy Future: A Producer Perspective
Detroit Economic Club – National Summit Energy Town Hall
Remarks by Jim Mulva
June 16, 2009

Introduction – the basic realities
I want to thank the Detroit Economic Club for putting together a challenging agenda with a diversity of views.

It was only a year and a half ago that I spoke here about the shared future of the energy and auto industries. Of course, we did not know what was ahead. The world economic upheaval. Millions of jobs lost. And severe impacts on the people of America.

The past year has proven that we all depend on each other. In that spirit, we seek common ground on some of the key issues of our times. Specifically energy and climate policy, and their role in economic prosperity.

History shows that when energy is readily available, reliable and affordable, it encourages high economic growth. But when supplies are short and prices are higher, economic growth lags. You know the saying – those who forget history are doomed to repeat it. We will need energy in the future, just as in the past – in high volumes, and at reasonable cost. But this simple statement comes with a set of hard realities.

The future energy situation
First among these is that future energy demand will grow. Why? Because world population will expand by one-third, reaching 9 billion people by 2030. Also, the developing world is catching up economically. More people are building homes, electrifying them, and buying cars and appliances. The U.S., long the world's largest energy consumer, also has a growing, energy-hungry population.

Second, modern society is inherently energy intensive. We can learn to use less energy, but there are practical limits. After all, you can't fly a 747 on Piper Cub engines.

These first two realities dictate a third – we must develop a more diverse "basket" of energy supplies. This includes alternative and renewable energy. But it also includes more fossil fuels. Fortunately for all of us, we benefit from a massive, efficient and highly successful energy infrastructure. It is based on fossil fuels. Building it required 150 years, trillions of dollars in investments, and generations of work – by untold millions of people. They drilled wells, and constructed oil and gas pipelines, fleets of tankers, coal mines and electric power plants. Their work transformed society, created affluence, and improved our quality of life. Replacing this energy foundation would take an unimaginable effort. It could not be done quickly, despite the desire to do so. There simply is not enough investment capital, skilled labor and materials available. And much of the technology needed is still being developed. So building sufficient capacity to replace fossil fuels will take – who knows, decades, perhaps even a century.

The fourth reality is that alternative energy has its own issues and detractors – just like fossil fuels. Every energy source poses unique challenges. They may be in terms of the environmental impact, the economic considerations, the regulatory requirements, or even just public acceptability. There are "not in my back yard" objections to wind turbines, just as there are to oil wells and power plants. There are hazardous chemical concerns associated with solar panels. Nuclear energy creates tremendous concern. Biofuels impact food production. And so on.

The fifth reality is that the advantages of fossil fuels are too often overlooked. They generally cost less than alternatives – which is why they are the market leaders. You will pay a lot more for "green energy" – either in utility bills, or at tax time due to the heavy subsidies it requires. Also, fossil fuels are generally more reliable. They don't tail off when the wind dies or the sun goes down.

Altogether, these realities mean that Washington's apparent belief – that we can choose between renewable energy and fossil fuels – is mistaken. We will need more of <u>all</u> energy sources. So our path forward must include five steps …

- One, encouraging conservation,
- Two, diversifying our energy supplies by developing alternative and renewable energy,
- Three, developing our domestic oil and gas resources,
- Four, encouraging imports from secure producers,
- And last but not least, addressing climate change.

With these points, I've just committed blasphemy in some people's minds. As an oil and gas producer, I've endorsed conservation and supply diversity. I've referred to the "inconvenient secret" that the U.S. still has a lot of undeveloped oil and gas. I've touched the third rail by suggesting that we will still need imports. And also by acknowledging that climate change is a serious issue.

Now, let's get down to the policies needed, beginning with what our industry must do.

What industry must do

We and our peers are already investing heavily to develop new supplies – and new technologies to make our products cleaner. This must continue. We are researching ways to reduce the cost and facilitate development of alternative and renewable energy.

ConocoPhillips has already produced renewable diesel fuel, made from vegetable oil and byproduct animal fats. We are researching new biofuels made from agricultural waste and algae. We are evaluating investments in other areas, such as wind power. In the meantime, we are improving our own energy efficiency, which will help reduce our carbon intensity.

Altogether, we are investing tens of billions of dollars in our energy businesses – despite the most challenging economic environment of my lifetime. We have seen oil and gas prices fall below replacement cost at times.

Also, we are facing severe restrictions on our access to energy resources. In the U.S., drilling is banned in many areas due to environmental objections. Overseas, some of the best areas are reserved for national oil companies. These trends force us to concentrate in the mature producing basins where we do have access. But these have been picked over for years, so they are generally more expensive and offer less potential. We must do a better job of making our case to government for expanded access.

There are other financial pressures – such as higher taxes. A number of countries jumped on the tax bandwagon to get a bigger cut when prices were high. Now, they want to keep it despite today's harder times. Here too, we are working to inform these countries of the economic realities of today's energy market.

What government must do

Next, there is much that the U.S. government must do to ensure that our country remains competitive in the global race for energy. Unfortunately, we are running this race while dragging anchors behind us.

First, it must encourage greater efficiency, by setting energy performance standards throughout the economy. Its actions must be cost effective, since they would increase the cost of cars, buildings and appliances. But conservation alone is not enough.

We've said for decades that the U.S. needs an inclusive national energy policy. One that supports investment in all forms of energy, including fossil fuels. The U.S. remains the world's third-largest oil producing country. We do that with less than 4% of our 2.4 billion acres of federal acreage under lease for development. Too many unexplored areas are off limits – like the Atlantic and most of the Pacific offshore, parts of the West, and large parts of Alaska.

These resources belong to the public. But the same government that tells us to get off foreign oil is blocking development – needlessly. The industry has a good environmental record, and it can explore these areas responsibly.

Also, there is a natural gas renaissance under way. But government appears not to have noticed. Since 2005, estimated recoverable gas resources have more than doubled. This is thanks to new technology to produce from shale rock. So Lower 48 supplies are up, and prices are down. And we still have huge resources in Alaska awaiting pipeline construction.

Consider too the benefits to the environment. In power applications, gas emits half the CO_2 of coal. So we should be relying on gas as a bridging fuel while we build a low-carbon economy. Unfortunately, proposed tax increases and regulations are threatening to marginalize gas. For example, one proposal would impose standards for electricity

produced from renewable fuels. It sounds good, but it would likely force greater cutbacks in the use of gas, than coal.

Another point. Since we can not produce all the energy we need, we should encourage imports from secure and friendly sources. Like Canada. Its oil sands are one of the world's largest hydrocarbon deposits, with 8 times current U.S. oil reserves. We already process this oil here, creating U.S. jobs, income and tax revenue. It puts the Midwest at the front of the line for oil supplies.

But there is fierce opposition to importing this oil. It is based on objections to surface mining, and the oil's carbon intensity. But most new developments are not surface mines, but wells. And although the carbon intensity is slightly higher than for conventional or heavy oil, we are working to reduce the impact.

Of course, the concern over carbon intensity relates to the climate impact. We believe that government should address climate change. But it should balance its approach with the need for energy supply security. For example, climate change should not serve as an excuse to halt imports from the oil sands. That would only cause increased imports from less reliable areas – or even oil shortages.

ConocoPhillips has closely tracked the climate issue. In 2007, we joined the U.S. Climate Action Partnership. This is a group of diverse businesses and environmental NGOs that share our desire for a balanced approach. It supports legislation to set a price for carbon avoidance, linked to international agreements. This would be more efficient and less expensive than regulating carbon under existing statutes designed for other purposes. Such as the Clean Air Act, or the Endangered Species Act.

Federal legislation would hopefully preempt the current patchwork of state regulations. But it must not create new conflicts by imposing overlapping requirements. For example, current standards already mandate the greater use of renewable fuels. So a pending proposal to require the use of low-carbon fuels is redundant.

We believe too that all sectors of the economy must be treated equitably. Under current climate proposals, electricity consumers would have 83% of their carbon costs mitigated. But transportation fuel consumers would bear the full cost on day one. Meanwhile, coal-fired electricity generators would receive free allowances for half of their emissions. But cleaner-burning gas-fired generators would receive no allowances. So use of coal would be encouraged, while gas would be penalized. This is nuts.

Also, refiners would be accountable for the greenhouse gas emissions that result from use of all oil-based products. This is one-third of the U.S. total. But refiners would receive only 2% of the available allowances. So they would have to purchase credits, and then pass the costs along to consumers. This means higher gasoline prices. But competing imported fuel products would not have this cost burden. This could put domestic refiners out of business. It would also force both jobs and emissions to leak overseas. So the Administration should grant refiners allocations for any costs they can't pass on. And it

should help consumers of transportation fuel, just as it would help those in the other energy sectors.

One final area in which government can help is by encouraging innovation. It can provide incentives for technology R&D, and greater support for education. This could ease the shortage of technical personnel we see in many American industries, including energy.

What government must not do

While there is much that government can do, it should resolve first to do no harm.

It must not create unrealistic expectations for new energy sources. Neither should it attempt to pay for them at the expense of fossil fuels. After all, more fossil fuels also will be needed. The oil industry must be able to continue developing the energy needed to keep the economy going.

Further, government should not try to pick "winning" technologies. Its job is encouraging overall progress. Then, to let the market decide the best and most cost-effective sources. Consumers and investors are very good at that.

Government must also resist a fallacy. And that is that so-called "green jobs," created by alternative energy development, will drive an economic recovery. In reality, since these sources will cost more than fossil fuels, energy prices will rise. This could actually hurt the economy and cost jobs by making the U.S. less competitive against countries with cheaper energy.

Further, government must resist the "raise taxes" mentality. Our industry already pays a U.S. income tax rate of over 40%, compared to less than 27% for all manufacturing. Last year, ConocoPhillips paid $13 billion in income taxes, $5 billion in other taxes, and several billion in royalties to government. The Administration's proposed 2010 budget contains tax provisions that will reduce our ability to invest in increasing production. This would cause greater oil and gas imports, higher fuel prices, and reduced competitiveness. It could also cost many of the 6 million direct and indirect jobs supported by our industry.

We caution too against enacting unnecessary regulations. We believe that fair, balanced and well-coordinated regulatory processes are necessary and appropriate. However, the benefits of proposed regulations should equal or exceed their cost to the public in terms of making domestic energy more expensive.

Conclusion

In conclusion, the U.S. is at a crossroads. Government action is needed on energy and climate policy. And some form of legislation seems likely to pass. We hope that it is realistically based on the hard energy facts I've mentioned and not on politically popular hot air.

The availability of energy at reasonable cost underpins the U.S. economy. So the decisions made in the months ahead will deeply affect all of us.

We urge government to adopt wise, carefully crafted, and balanced policies. Good policies will facilitate our enduring economic health and quality of life. Bad policies will do the opposite.

None of this will be easy. We would hope that the views of energy producers are heard and considered – along with those of other constituencies.

Thank you.

END

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ConocoPhillips Added About 738 Million Barrels To Reserves In 2011

Published January 23, 2012 | Dow Jones Newswires

HOUSTON – ConocoPhillips (COP) said it added about 738 million barrels of oil equivalent to its proved reserves in 2011, allowing the oil giant to more than replace oil reserves lost from production.

Acquisitions and dispositions reduced reserves by 45 million of oil equivalent, primarily from the dilution of the company's interest in an Australia Pacific liquefied natural gas project and sale of North American natural gas assets, the company said in a press release.

Reserves and reserve-replacement ratios are considered two of the oil-and-gas company's most significant assets and are used by Wall Street analysts to measure a company's performance.

Conoco said its production for 2011 is expected to be 617 million barrel oil equivalent per day, or 1.69 million barrel of oil equivalent per day, including fuel gas. The company also expected to end 2011 with 8.4 billion barrels of oil equivalent of proved reserves.

It is positive Conoco replaced its production, but until it files its annual report with details about the mix of oil and gas of the added reserves it is early too early to read much into the company's announcement, say Alan Good, an analyst with Morningstar.

Conoco, the third-largest U.S. oil company by market value, said it expects to file its 10-K with the Securities and Exchange Commission in late February.

Houston-based Conoco said 2011 reserves were added across the portfolio, including at the company's Canadian oil sands properties at Christina Lake and Surmont.

The company said it also added reserves in liquids-rich U.S. shale areas, such as Eagle Ford and Bakken; in the North Sea, through expansion projects in the Ekofisk, Eldfisk and Clair developments; and in Malaysia, with sanctioning of the Kebabangan project and ongoing development of the Gumusut Field. Reserve additions were also delivered across the company's North American conventional asset portfolio, the company said.

Conoco is in the midst of a three-year repositioning aimed at shoring up finances and making itself more attractive to investors. The plan includes the sale of $15 billion to $20 billion in assets, large-scale share buybacks and the spin off of its refining arm, expected to be completed this year.

The company is set to report fourth-quarter earnings Wednesday.

Shares were recently down 0.9% at $70.50. As of Friday's close, the stock was down 5.4% over the past six months.

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print

A tale of two ConocoPhillips presentations with Alaska comments

by Dermot Cole/ cole@newsminer.com
02.03.12 - 11:53 pm

FAIRBANKS — The Make Alaska Competitive Coalition has a PowerPoint presentation on its website from Marianne Kah of ConocoPhillips titled "Alaska's Role in World Energy Supplies."

The contents are in keeping with the message the coalition repeats in its ad campaign — Alaska should cut oil taxes by billions of dollars or else.

On pages 20 to 22 of her presentation, Kah, the chief economist of the company, has slides on the general topic of "A Tale of Two States," showing how oil production and GDP growth are climbing fast in North Dakota, but oil production is falling in Alaska and GDP growth is not as high in Alaska as North Dakota. Job growth in Alaska is not as high as North Dakota, it says.

The Jan. 6 presentation also has a slide that says, "Alaska Progessivity — Least Attractive Among OECD Countries at Current Prices," while the next says, "And its marginal take is one of the Highest Globally."

The tax rate is "limiting investment and production in Alaska," Kah concludes. The state has the "highest cost structure" in the portfolio of ConocoPhillips investments.

"Alaska has the highest tax rate of any of the developed countries that ConocoPhillips might operate in. And of course that tax rate goes up substantially as the oil price goes up. So there is no upside for investment in Alaska," the coalition quotes Kah as saying.

The one big plus mentioned in the presentation is the "Strong rule of law/political stability" and the "permitting/regulatory environment."

The overall thrust was that these aren't the best of times in Alaska.

But ConocoPhillips executives have been known to say that these aren't the worst of times in Alaska for the third largest energy company in the U.S.

In a third-quarter conference call last year, the company CFO referred to Alaska as one of the places with "higher than average margins."

And on March 23, 2011, another executive of ConocoPhillips offered remarks that were anything but gloom and doom.

One slide from the March presentation to stock analysts said the "strong cash margins" in Alaska are noteworthy and that future growth will be driven by in-field drilling, Western North Slope satellite fields, unlocking the 1.7 billion barrels of heavy oil reserves the company has and doing something about natural

gas.

Granted, the presentation covered the company's diverse worldwide operations and highlighted many profitable prospects, including North Dakota and points south, but there was no mention made of Alaska tax rates stifling investment.

Greg Garland, the senior vice president of exploration and production in the Americas, said this about Alaska as part of a discussion about future growth for the company, according to the transcript:

"Talk about Alaska, we like Alaska. We've been in Alaska a long time. We're the largest producer in Alaska. Last year 240,000 BOE (barrel of oil equivalent) a day, strong cash margins in this area and we have a significant infrastructure position, we've built an extensive operating capability. We have a strong culture of safety and environmental excellence in Alaska and we think we have a strong competitive advantage here. Reserves at 1.6 billion BOE resources, 5.7 billion BOE. We'll invest $350 million in exploitation this year, all at very good returns. We're targeting sanction of our West Alpine project which is CD-5 if we can get the permits this year. And longer term, there's other opportunities. West of Alpine, we've got the heavy oil that we've talked about. We'd like to take a look and see what's in the Chukchi Sea if we can get permits to drill. And then, longer term is North Slope gas. ..."

Garland is not an unimportant figure in the giant oil firm. He is in line to become the chairman and CEO of the new Phillips 66, the downstream company that is being spun off this year to become a stand-alone corporation.

In every walk of life, speeches and presentations are tailored to appeal to the audience that the speaker wants to reach and accomplish the goals the speaker has in mind. There is a selection process about what to leave in and what to leave out.

You have one set of goals when the idea is to build support for a local tax cut that will make Alaska operations more profitable. You have another set when you are talking to analysts who follow the company's fortunes on a global basis.

It's a normal process, one that makes it hard to unravel situations where complex tales are presented as simple truths.

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GRAND OPENING: Hot Springs Gas, the new store on Chena Hot Springs Road, caps its grand opening today with a snowmachine drawing at about

1:30 p.m.

Retired farmer Henry Gettinger is expected to be on hand to draw the winning name.

•••

print

Oil company executive says Alaska offers 'strong cash margins'

by dermotcole
04.08.11 - 08:23 am

Company presentations to stock market analysts invariably stick to the sunny side of the street.

But policy makers in Alaska operating with eyes wide open instead of half-closed need to have a working knowledge of the international self-portraits offered by the oil companies to these specialized audiences.

On March 23 in New York, eight leaders of ConocoPhillips held their annual meeting and conference call with 16 Wall Street analysts, competitive critics who are hired to make informed judgments about profit and loss potential. The account makes for informative reading.

The news coverage about the meeting dealt largely with the company plan to sell $5 billion to $10 billion worth of "noncore assets" over the next two years, using most of the money to buy back $10 billion in stock and invest in its business. Over the last two years, the stock of ConocoPhillips is up more than 80 percent, beating BP and ExxonMobil, the New York Times said.

While the most glowing language in the presentation was about such prospects as the Eagle Ford shale deposits in East Texas, the Permian Basin in West Texas, ("The gift that keeps on giving"), North Dakota, the Alberta tar sands, Australia and other locations, the ConocoPhillips Alaska situation was also given a positive spin.

The company said the Alpine West (CD5) project is expected to go ahead in 2013-2015 along with the Lookout (CD6) project. Alaska North Slope natural gas and the Ugnu heavy oil resources are among the projects set for 2016 or later. There was next to nothing said about onshore exploration in Alaska.

Future growth in Alaska will be driven by "in-field drilling opportunities, Western North Slope satellites, unlocking heavy oil potential and ANS (Alaska North Slope) gas commercialization," a slide shown to analysts said. The Alaska drilling program for 2011 is expected to increase somewhat over 2009 and 2010 with a cost approaching $340 million or so, according to the slide.

Greg Garland, the senior vice president of exploration and production in the Americas, said this about Alaska:

Talk about Alaska, we like Alaska. We've been in Alaska a long time. We're the largest producer in Alaska. Last year 240,000 BOE (barrel of oil equivalent) a day, strong cash margins in this area and we have a significant infrastructure position, we've built an extensive operating capability. We have a strong culture of safety and environmental excellence in Alaska and we think we have a strong

competitive advantage here. Reserves at 1.6 billion BOE resources, 5.7 billion BOE. We'll invest $350 million in exploitation this year, all at very good returns. We're targeting sanction of our West Alpine project which is CD-5 if we can get the permits this year. And longer term, there's other opportunities. West of Alpine, we've got the heavy oil that we've talked about. We'd like to take a look and see what's in the Chukchi Sea if we can get permits to drill. And then, longer term is North Slope gas and we have 10 Bcf gas.

Regarding the offshore potential in the Chukchi Sea, another leading ConocoPhillips executive said the company is in a better position than some of its competitors. He didn't mention Shell, but it's clear that is the company he was talking about when he said another company was "burning" cash with its Chukchi plan.

Larry Archibald, a senior vice president of exploration and business development, said the Chukchi Sea prospects face regulatory hurdles. CEO Jim Mulva said he thinks his company's premise is that nothing is going to happen there before 2013.

"Yes, 2013 at the earliest," said Archibald. "We're actually in a, I guess, enviable position. We're not burning any cash on that operation as we wait for their regulator environment to be sorted out, unlike at least one of our competitors. We're not pregnant in an Arctic drilling fleet. And we're going to wait and see what develops there. And in the meantime, we're getting tolling, extension on our leases there. So we would like to get after it, but it's not urgent. In the meantime, we're going to park things until we see regulatory certainty. "

When the subject turned to North Slope natural gas, a stock analyst asked this: "On transportation capacity and political factors, you've had this Alaskan gas for a long time and dealing with the Alaskan government has been difficult. In the past few weeks the energy picture has changed a little bit with the tragic accident in Japan. And you could make a much stronger case today that we would have thought a few years ago for LNG on the Alaskan coast and sending it to Japan. So that the case for the Alaskan pipeline might be a lot better today than it was a year ago. Can you give us any comment on how do you think the government of Alaska is going to be more helpful in developing that kind of a project?"

Mulva responded:

"Well, it's a -- I'll ask Al to comment here in a moment, his thoughts on this. But it's an indigenous resource. We know that it's been there. It's probably going to be a high cost to the market. We'd like to get it developed, we know Alaska would, but it's going to take some fiscal certainty, maybe some incentives to make this happen. We have and along with other producers up the North Slope, who have looked at certainly a pipeline down the lower 48 or connect a manifold into the Lower 48 to the Canadian system.

I think that gas long-term is a real winner but still Alaska is going to be pretty high cost. We have looked at, as the other producers, we looked ourselves at LNG export. So whether that changes and leads to the development of our Salt gas, who knows."

FINAL TRANSCRIPT

Thomson StreetEvents℠

COP - ConocoPhillips Analyst Meeting

Event Date/Time: Mar. 23. 2011 / 12:30PM GMT

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PRESENTATION

Clayton Reasor - *ConocoPhillips - VP - Corporate Affairs*

Great. Well, good morning to everybody. We're certainly glad to be here. I welcome you to ConocoPhillips 2011 Analyst Meeting. Welcome to those of you here in the room in New York as well as those listening on the Web.

Safety is the most important thing that we do at ConocoPhillips. And this meeting is no exception, so we'd like you to please locate your nearest exit. And in case of emergency, we'll have somebody from the staff direct you to a safe location.

Of course, I need to remind you that we'll be making forward-looking statements in response to questions and also part of our prepared remarks. The actual results may differ from -- from what we're saying today. And the sources of these differences can be found in our filings with the SEC.

So, again, welcome. We think we've got a great agenda. We're going to cover some specifics this morning on -- on our operating and our financial as well as our strategic objectives. We think we've got some specifics you'll find interesting. And it's really a continuation on our approach to create value through improving returns, growing our profitable production and increasing distribution. And there's no one better to start the discussion than our Chairman and CEO, Jim Mulva. Jim?

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Okay. Clayton, thank you very much and good morning. I'd like to welcome all of you here present in our analyst meeting here in New York City. It's good to see a lot of new friends, but particularly a lot of the old faces and friends that I've known for a long period of time. So I welcome you. And it's good to see you. As well as -- as Clayton said -- welcome all those who are participating in the worldwide webcast.

To get started, I think it was about 18 months ago, in the October time period or so of 2009, we assessed our company and we looked at the business environment and we looked at our portfolio and our investment opportunities, and given the environment that we saw, we said, you know, we think there's a better way for us to create value for our shareholders.

And so we announced a program that, essentially, Clayton just enumerated, which was we were going to have far more constraint with respect to how we invested our money, improve our returns in our portfolio, in which certain assets would be sold; and invest only in the best projects; and have a lot of emphasis on E&P, less on the refining side; and have a strong balance sheet, but get more aggressive on distributions to our shareholders in the form of dividends and share repurchase.

So then a year ago at this time, we had our 2010 Analyst Meeting. And in my first slide, essentially, this is what we said that as we look forward for 2010-2011, this is what we want to do. We want to improve the value of our portfolio, our returns, mostly on a financial basis and a cash basis, with the emphasis on more upstream, less downstream, invest only in the best projects. We want to have a stronger balance sheet, so some debt reduction and the emphasis on -- we have a lot of resources -- not that

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we have enough resources, but we want to take the resources that we have and let's really emphasize conversion of those resources to proven reserves and production.

And if we do this efficiently then we can replace our production at competitive finding and development costs, then we can create a lot of value for the shareholders. And the emphasis was not just on absolute volume growth, but really the metrics is on the per-share metrics -- the metrics in terms of reserves, production, income, cash per barrel of oil equivalent, whether it's upstream or downstream, again, as you see the emphasis on increasing distributions to our shareholders.

So that's what we said we were going to do last year. So what did we actually do this past year? Well, in many regards, we outlined it as a two-year program, 2010 and 2011. And, actually, a lot of the things that we said we were going to do over a two-year period of time, a great deal has been accomplished in this past year. We had a really good 2010. But, you know, that's a good year. What's most important is we got to keep going and keep this up not only in 2011, in subsequent years.

So what did we do? Well, we improved the return on capital employed. What we have found in our experiences about, whatever the improvement that comes in this metric, about two-thirds comes from commodity prices, our crack spreads. About one-third of the improvement comes from self-help in terms of how we invest, how we operate our cost structure.

Constraint on capital program, we said we were going to sell $10 billion in assets over a three-period of time. We sold $7 billion in 2010. It's not a -- it's not an issue with respect to completing this program this year. In fact, we're going to announce here this morning that we have aggressively new numbers of what we're going to do over the next two-year period of time.

When we came last year, we said we'd like to lighten up our investment in LUKOIL. And then we moved that up to say, well, given what we see in Russia and where we can re-deploy the funds and buy our shares in, we essentially said we're going to sell all of our interest in LUKOIL.

We essentially did most of that last year. And then we completed all of our sales in the early part of this year. And so we had good reserve replacement last year and in presentations this morning you're going to hear that we -- we intend and we have the plans to continue to do that. We started out pretty aggressive on share repurchase and the importance of increasing our dividends.

So as we assess our company today, and where we are and where we're going, we think we're pretty unique -- unique in terms of we're a little bit different, right? In other words, we look at our company in the environment and we do what we think is right for our company. Other companies can do -- have a different approach, but, for us, we think we have unique -- a unique position because we have a strong portfolio of legacy assets that are going to continue to deliver a lot of value for decades to come.

We have legacy opportunities and a -- and we're going to fund the best opportunities. And, again, the emphasis is on exploration and production. We continue to prune the portfolio, sell assets that are more mature, have more value to someone else, but do it in a way that we don't give value away from the shareholders. It's got to be tax efficient.

You'll see on the pie chart on the right-hand side of the slide, the Company was built, and we feel pretty strong on OECD presence -- OECD in terms of our cash flow, our portfolio. You'll see on the pie chart there on portfolio, the emphasis will be growing the upstream part of -- the percentage of the portfolio, less in the downstream.

And in our presentations this -- this morning, you'll hear about our pipeline of growth, the projects that we're going to be investing on -- in, and that's particularly in the E&P side of the business. Value creation comes from always operating excellence, cost constraint, but let's make sure when -- what we produce and what we run through our downstream refineries that we're improving the metrics per barrel equivalent, and the emphasis, ultimately, the bottom line is how we're going to bring value to -- for our shareholders.

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So the strategic objectives of the Company that we outlined in the past year or two continue to be the same. We really think we have the right plan for the next number of years that fit our company and fit the business environment we see. So how are we going to continue to improve the returns? You know, you don't just do this overnight. It's a journey that we're on. So to do this, it's -- how do we improve the portfolio, how do we invest our funds and shareholder distributions?

A lot of emphasis as I said on the metrics per share, and we want to always expand and improve those metrics per barrel equivalent of income and cash flow. We want to do even better. And you'll hear presentations this morning on how we can grow and develop our -- the exploration side of our -- of our company. And, again, so the emphasis is on making sure that we're pretty aggressive with respect to shareholder distribution.

So since we accomplished a great deal in 2010, we really felt that it was pertinent coming to our analyst meeting today that we look at the two-year period of time going forward. So, we said, okay, let's build on what we did in 2010. What -- indeed more granular to you -- to you, what do we -- can you expect of us at 2011 and 2012? Well, continue to discipline on our capital spending. I've got a slide here of what we have in mind for the next several years. And then in the presentations, you'll get more information on this.

Additional asset sales for the next two years of $5 billion to $10 billion. Now, this $5 billion to $10 billion is on top of the $7 billion that we did in 2010. And it's on top of the disposition of the LUKOIL shares. So, I just want to make that very clear when we talk about $5 billion to $10 billion, it's on top of what we did selling LUKOIL, and what the $7 billion we sold last year.

$10 billion plus in share repurchase, I've got another comment or two in the subsequent slide. Really watch carefully and closely at the presentation of how we're going to replace our reserves via organic means. And we really have the resources to do that over the next five-year period of time. We always look at five years. And gets a little more gray obviously as you go beyond five years up towards ten years, and reducing our exposure on the refining side of the Company.

We -- as you know, we indicated and felt that we don't want to just part with assets and not create value that we thought that we could improve our performance in the downstream. And the downstream has had better crack spreads. But there is a better opportunity for us to lighten our position in the downstream, not in 2010, but looking more in 2011, 2012 and 2013.

So let's talk now for a moment about asset sales. Well, you could see, we announced $10 billion. We get $7 billion. So, no -- you add the $5 billion to $10 billion. So over this three-year period of time, '10, '11, and '12, our plans are somewhere between $12 billion and $17 billion of asset sales.

You see in the upper right-hand side of the slide, it just gives you some metrics of what we've already sold which is primarily the more mature things in the upstream side of the Company because we're going to do refining side a little bit later when we thought the market would be better to do this.

And we feel that we've created value for what we sold. And we did it in a pretty tax efficient way. The selection criteria for what we're selling does not change. We got really good values. It's got to be tax efficient. And we're not interested in selling or parting with any real strong legacy asset positions in the Company.

Take a look at our capital program. Well, you can see over the last several years what we've been spending in capital. And we have announced a $13.5 billion program for 2011. And about 90% of that is going toward E&P, going forward somewhere in the $14 billion to $15 billion level.

And we're going to go see metrics that we feel that the spend at finding development cost and the mid to high teens, why, we can fund our projects and replace our -- our reserves. So, to give you an order of magnitude, $13.5 billion this year and maybe $14 billion to $15 billion, maybe $14.5 billion in 2012. So, that's our thought process and then longer period of time, $14 billion, or $15 billion. It's not, $16 billion, $17 billion, or $18 billion. It's more in the $14 to $15 billion kind of level.

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Then as I said earlier slide, a lot of emphasis on the metrics per share. For our company just absolute growth in volume is not as important as the metrics per share because we're pretty aggressive in terms of our share repurchase.

So, this just shows production per share growth. Now, if we look at our company and the presentations by Greg Garland, Ryan Lance, and Larry Archibald, what you're going to hear about our production levels is before assets dispositions.

Our production level is about 1.7 million BOE a day. So then, we sell our assets. Before selling our assets, our production will decline. Somewhere in the neighborhood of 1% or 2% for '11 and '12 and then it starts to grow 2% to 3% absolute terms from 2013 to subsequent periods of time. And that comes from bringing on the large legacy investments and projects that we're doing.

Now, frankly, whether -- we're not that good to hit it within 1% or 2% because a lot depends on weather, operating excellence, how well we really run our assets, whether all of these different things. But all I want you to know is that production that is kind of flat, down 1% or 2% for two years and then it starts to up 2% or 3%. So, then to the extent that we're pretty aggressive buying our shares over the next several years, well, we really lever up. We're improving the production per share.

And then when we really add in the organic growth of absolute increases in production, you can see how it ramps up. So we really think this is the important metric is reserves, production per share and you want your production to be really valuable. And we think our -- in today's world, critical risk and everything -- OECD presence makes a lot of sense. Sometimes the cost structure is higher but the bottom line fiscal return is quite a bit better in the OECD type countries.

We're not too interested for our company in being a service provider or a contractor. We really like to have equity interest. Shareholder distributions -- changing the subject here -- annual dividend increases, well, we think it's really important, the discipline of increases in dividends, you can just see our track record from the time of the merger going back to 2002, it's around 14% a year.

When you start increasing dividends at that rate, you essentially double your dividends in the neighborhood of five years, a little bit more than five years. When we raised our dividend this past month or so by 20%, and then you can argue 12%, 14% or something like that but we can afford pretty substantial increases in dividend each year. So our -- it really is a statement when we increase the dividends 20%. It's a statement to the shareholders that we're very serious about the cash return to our shareholders.

As you can see on the slide, we certainly feel that we can afford it. So let's just in a summary way take a look then at what does the financial cash, source and use of funds look like over this next two-year period of time? It's a waterfall and the numbers that we have in this cash source and use of funds really come from First Call and some of our own numbers that we crank in. And so I'll start on the left hand side of the slide.

We ended the year, 2010, with $10 billion of cash. Now, that comes from pretty good commodity prices, assets sales but primarily it comes from the sale, a pretty aggressive sale of LUKOIL ownership shares. Now, it does have an impact carrying that much cash. We don't want to carry that much cash because the return is not that great and we have $10 billion in cash. It does have an impact on return on capital employed.

So we start with $10 billion cash from operation, First Call says over this two-year period time about $38 billion. Then we sell as we just updated you another $5 billion or $10 billion in asset sales so you can see the green, there's the sources of funds. The $28 billion in solid blue means average about $14 billion of capital spending for the two years '11 and '12.

And then our dividends, we increase each year adds up to about $7 billion debt reduction. We think we are in a sweet spot in our balance sheet; Jeff Sheets will go through that. The reason we pay off $2 billion is to require repayment that comes along. So we figured well, we'll just reduce anything that comes along in debt repayments. And Jeff will show you that our debt is essentially all fixed rate with very long duration.

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Share reepurchase. Well, we -- before we announced the most recently the additional $10 billion of share repurchase we did $4 billion of a $5 billion program by the end of 2010 so come up with $11 billion by $1 billion left in the old program and $10 billion of the new program. And I think you can assume that a substantial portion of this $11 billion is going to get done this year.

So that leaves us -- you can see on the far right hand side of the slide we're at $5 billion to $10 billion in cash. Now we're going to have more or less depending on commodity prices. I don't think you're going to see the capital spend move dramatically. It can be up or down $1 billion or $2 billion by opportunities where we can get into discovered resources or exploration acreage, things like that.

But -- so we have the opportunity to ramp up share repurchase more or fund some additional capital spending. So it gives you a feel for how we look at our sources and uses of funds and we think the application, allocation of capital fits very consistent with the strategy that we've outlined and continue to follow.

Growth in returns. Well, we feel that our approach and strategy is the right one for our company, the right one for the business environment we see. As I said earlier, the improvement about -- from 2009 to 2011, that -- about one third comes from self-help improvement, about 2/3 from the commodity priceS. But then when you go from '11 to '13, a little bit more than maybe a third comes from self-help and how we change the portfolio.

So we've always been pretty competitive on cash return on capital employed but we're really working hard to close the gap with respect to our ROCE and as I said it's a journey that we're on through -- do this in the right way. I'm going to go to one of my last slides to just give you this -- the metrics associated with the investment, the strategy, the operating plan of the Company.

So the top line well, we always look over a multiple period of time but generally a five-year period of time is a -- is a good proxy however we're doing a reserve replacement, we've done pretty well if you look back over the last five years. But you're going to hear in our presentations that we see that over the next five years we're going to more than replace our reserves.

I gave you -- won't go through this again -- the metrics associated what's going to happen with production over the next several years. And then ultimately we're at 2% to 3% organic growth. You see what happens per share if you got 2% to 3% organic growth and then you do some share repurchase. Share repurchase after 2012 probably won't be as aggressive as what you've seen in 2010, '11, '12.

So that's why we rely more in the future on our portfolio of investments than just share repurchase. You're going to hear in our presentation, we think we can replace our reserves, investments we're making, we have the finding and development cost for projects, we're going to give you metrics on many of the projects, $16 to $18, reducing our capacity in refining and marketing, we're committed to this, particularly the smaller, less sophisticated refineries. We look at all the alternatives, I know that question will come up.

But we want to make sure that when we reduce our refining exposure that we do it in a way to create value for the shareholders. Competitive returns, we think distributions when you look at dividend and share repurchase for our company, our industry about 40% makes a lot of sense.

Debt to capital ratio improves in the later time periods because we probably aren't as aggressive on share repurchase after the next two-year period of time. And you don't pay out all of your earnings in the form of dividends. So, the last slide that I have, that pretty well covered all of this.

The strategy and approach of the Company is entirely absolutely consistent from what we said last year and 18 months ago. This is the plan over the next number of years. We think that certainly it fits the environment that we see. It fits the assets and opportunities that we have; the emphasis is on improving the returns to the shareholder. And that comes from selling the more mature things to those who want to pay more value to it than we see in our assets.

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Emphasis is going to be on the upstream, less downstream. We think we are in a sweet spot in our balance sheet. Obviously be real aggressive in operating well, safety performance, cost structure, but we are quite convinced that it's most important to keep our distributions up to our shareholders and that's in the form of share repurchase but particularly pretty significant increases in our dividends each year.

So that gives you the overview and so we're going to go through the presentations and those, the lineup making the presentations for the Company, this is -- we want to showcase. This is the leadership team of our company today but it's the leadership team of our company in the future.

So hopefully, you'll see more granularity behind this overview and this plan. And then later, at the end of the morning session, I'll come up and try to respond to the questions and observations that you may have of the Company. So I think, Al, you're next up. Thank you.

Al Hirshberg - *ConocoPhillips - SVP - Planning and Strategy*

Thanks, Jim. Good morning, everyone. Jim talked about our strategic objectives and the benefits that they bring to our corporate results. So the next question is how are we going to go about achieving those objectives.

So that's what we want to spend the rest of the morning talk about -- talking about is the execution of the strategy that Jim just articulated. So I'm going to start out with two topics, first to provide some context to the rest of this morning's discussion, I'm going to talk for a few minutes about ConocoPhillips' view of the current business environment.

And than second, I'm going to talk about some corporate level initiatives that we've had underway that we think are good enablers to help us to execute our strategy more effectively. First, I'm sure it will come as no surprise to everyone in this room when I say that hydrocarbons are the dominant source of the world's energy supply and that we believe that that will continue to be the case for decades into the future.

We also believe that as the world's demand for oil and gas continues to grow over coming decades, that the world suppliers of oil and gas are going to be challenged to keep up. In the nearer term, we've seen that the world's economic recovery, particularly in the world's growing nations is causing an increase in demand for oil, for gas and for our refined products.

The one area around the world where we have a bit of a weak spot in the supply and demand picture, of course, is in North America natural gas. As you know, the large increases that we've had in production, unconventional gas production in the US, has left us with an oversupplied market in the US and relatively weak prices.

We also expect to see a continued tough political environment going forward, continued increases in geopolitical risk, difficulties with resource access. In fact, we see more in the past year that even in areas where we already have resource access, more difficulty getting permits to drill, to construct, for resources that we thought we already had access to, but hard to actually get the work done -- get the work done.

In addition, we also see continuing threats with increased fiscal take attempts by governments around the world and also continuing uncertainty in the regulatory environment. Overall though, we think that the strategy that Jim just got finished talking about is responsive to and will stand us in good stead in this business environment going forward.

We see over the coming decades, say 25 years from now out to 2035, about a 50% increase in the world's demand for energy. And as you could see in the plot, fossil fuels today make up about 80% of that demand and we expect that will still be the case several decades from now.

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We -- you could see from the plot that we expect the highest growth rate out of the segments we show here to be in renewables with encouragement and subsidies from governments around the world, renewables, we expect will have the highest growth rate. But still starting from the small base even with the high growth rate, the world is still going to need growth in oil and gas production in order to meet demand.

We showed you this plot last year of world oil demand on a year-over-year basis. And at that point in time the blue area was just beginning to poke above the zero line. So we had experienced 2.5 million barrels per day of demand destruction at the height of the recession. And we're just beginning to see a little bit of growth in demand.

Now, one year later, we look at this plot and we see that the growth in oil, world oil demand has more than offset the demand destruction that we had at the height of the recession. And we're now setting new highs going forward for world oil demand.

ConocoPhillips has a number of significant potential LNG projects in our resource base. And so we pay close attention to the world situation, supply and demand for LNG. The red curve shows you our projection of forward world LNG demand. And you could see that we're expecting a pretty high growth rate. I should mention that this curve was put together before the recent tragic events in Japan.

And so we're reassessing this curve now and I expect that it's going to move up as Japan uses more LNG to generate power to replace the power generation loss from the nuclear plants that are off line and that are expected to stay offline for some time to come. So we expect to see an impact there in the near and medium term on that curve.

In addition, you can see the world's governments and investors starting to reconsider some of their forward plans for nuclear power, and to the extent that those plans change, that could also increase the longer term demand for LNG versus what we show here. Then at the bottom part of the plot, we're showing you the global LNG supply from approved projects and they're organized by the year in which the project started up.

So you could see that the older projects along the bottom in this time period are starting to decline. So we show you it this way to illustrate the point that the industry not only needs to increase LNG supply to supply our projected future growth, but also to offset decline from some of the industry's older LNG projects.

These older LNG projects are declining both because they're running out of gas supply as they get toward the end of their life and also because increased domestic demand in host countries for natural gas is starving some of these plants of supply that they need to make more LNG.

If you look at what the industry has been able to do over the past five or six years, we have only approved new LNG projects at a pace of about 1 billion cubic feet per day per year of new projects approved. Going forward, if you're going to meet the gap that we show here, that will have to increase by about 2.5 times to 2.5 billion cubic feet per day of new LNG projects approved each year in order to fill that gap.

ConocoPhillips has been reducing our investment in North American natural gas over the past year or two -- when we look at this plot, we'll see the reason why. In the bottom, in green, is existing gas production in the US on about a 10% decline. The new story, of course, is in the blue, the large increases in production from unconventional gas in the US.

And as a result there's been essentially no need for LNG in the US to meet demand and so with that lack of LNG import in the US, it has left the US market disconnected from the rest of the world's natural gas markets and left us with low prices.

And we expect that situation to continue for some time into the future, assuming no new legislation in the US. Of course, new legislation in the US could have a significant impact on the supply side, the demand -- the demand side or both and change the supply demand balance in the US.

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So with all of that supply-demand data, what do we think about forward prices? We show here a summary of consensus forecasts. First, for crude oil on a WTI basis, in the near term, $90 to a $105 a barrel and in the longer term, a little bit wider range. Natural gas on a Henry Hub Basis, $4 to $5 per million BTU, although in recent weeks we've seen a lot of time in the upper threes kind of territory, and then in longer term, about $1 more.

Gulf Coast cracks spreads on an LOS basis, $4.50 to $6.50 a barrel. Recently, we've also have been on the low end or below that range for LOS crack spread; longer term, about a $1 more. So that's -- that's the range of forecast that we see a consensus around in the industry. Our view of forward pricing is in that similar kind of range.

ConocoPhillips replaced 138% of our production last year with organic reserves replacement. So the -- but the question for us next is how are we going to continue to do that going forward? And, more importantly, how are we going to do that efficiently at a competitive finding and development cost?

So what I'd like to spend a little time talking about in the next segment of this discussion is some of the corporate level improvement initiatives that we've had underway to enhance our ability to do exactly that. So I'm going to talk next a little bit about capital allocation, project execution, our efforts in procurement, and integration of new technology, and how these impact our ability to convert resources into reserves. Then a little later this morning, Larry Archibald will be up and he's going to talk about our plans in the exploration arena.

We've put into place a set of capital allocation principles in ConocoPhillips. The first one is that we -- the first is it recognizes that we operate in an industry that's got inherent risks that must be managed. And we don't want to put at risk our people, the communities that we operate in, our assets or, even potentially our company or the environment with the way we operate.

And so our first priority in setting our capital budget is to ensure that our maintenance and our asset integrity needs are taken care of first. So that's the first priority in our principles. Next is that we want to fund our high return exploitation projects. So these are the new ideas that our engineering and geoscience teams come up with each year for increasing recovery, increasing production in and around our existing assets.

So this tends to be high return stuff and, in 2011, we expect to have a significant increase in the amount of this work that we'll be investing in. In fact, if you look at the numbers, we expect that in 2011, we will invest almost twice as much money in this piece of the upstream exploitation as we will in the entire downstream segment in 2011.

I'd like to say two things about the way that we're funding major projects. First is that we're enforcing a worldwide priority list in how we look at all of our investment opportunities that are in our portfolio to ensure that we're investing in the highest return opportunities.

Second is that we're being rigorous about not investing in any projects, not going to sanction any projects until they are fully mature. And by mature, I mean from a technical standpoint with respect to the regulatory situation and, even most importantly, the commercial side of these projects.

And so a good example of this is the APLNG project. At this same meeting one year ago, we told you that we expected to take FID on the APLNG project by the end of last year. And we didn't do that. And the reason is exactly what I've just have been talking about is that we -- we could have taken it to FID, but we felt that we could improve the return on that asset by taking more time to improve our commercial position. And you've seen some of the things that we've announced since that point in time that do in fact improve our commercial situation on APLNG.

Jim talked earlier about our objective to convert 10 billion oil equivalent barrels from our resource base into proved reserves over the next ten years. So, obviously, as we do that, we also need to have a significant effort underway to reload our resource base as we go. And so we also want to consistently fund our exploration work. And you'll see in the numbers that I'll show in a minute that were increasing our budget for exploration in 2011.

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In addition to that, we're also considering targeted asset acquisitions were appropriate. And you've heard us talk about the deepwater for as an example where we would like to increase the size of our deepwater portfolio. And this is one way that we can -- can do that.

Then this last principle that I show here is just to remind us that we do recognize that we have to live within our means in setting our capital budget. So where are we going to spend our money in 2011? You can see that we expect 90% upstream, 10% downstream, no big surprise there, about half the money being spent in North America. And then on the right, you see the split of the $13.5 billion for 2011 in refining, maintenance, exploration, the exploitation that I was talking about, and then the biggest wedge is major projects.

So this and this is where most of the growth is in our budget from 2010 to 2011 is upstream major projects and it is primarily in three categories. First is long life, long reserve projects like APLNG, the oil sands SAGD projects in Canada. The second category is increasing unconventional liquids production in the US And the biggest area there where we're going to spend money into 2011 is the Eagle Ford.

And then the third category where we're increasing our investment in 2011 on major projects is in new major projects that are high return projects in and around our existing infrastructure. Most of this increase in 2011 will be in Norway, the UK and Malaysia.

So with all of this increase in upstream project spending, how do we feel about our ability to spend that money efficiently? Well, in 2006, ConocoPhillips put into place a worldwide upstream-downstream project management function to guide our work there and to ensure that we use best practices in the way that we go about executing our projects.

At the same point in time, we also put in place a rigorous gated project management system to help our practitioners more effectively execute our projects. And the results are shown in the bar charts. If you look at all of the projects that we sanctioned since the merger of ConocoPhillips and through to the end of 2006 prior to putting this new system in place, on average, we were 21% over the budget that we had set for those projects and we took 16% longer to get to startup versus what we had expected at the time we budgeted the projects.

If you look at all the projects that we have sanctioned from 2007 on, from the time of this new system forward, we've got -- had a significant improvement. On average, we've been 5% under the budget that we set at the time of sanction, although, we have still been about 5% over on the schedule to startup versus what we had budgeted.

We've also looked at these data, comparing them to industry benchmarks, and we've seen similar progress over this period of time versus cost and schedule on an industry-wide basis. But we still have some challenges here. In particular, we're -- we're seeing some upward cost challenges in various places around the world and, particularly, in places where we have competition for resources.

We have a number of areas where we are trying to execute major projects where the industry also has a lot of activity. I think you'll hear about the Alberta Oil Sands, the Queensland coal seam gas and, also, on Curtis Island, the LNG plants that are going to be built. In addition, the Eagle Ford, the Bakken, these are all places where the industry has a lot of activity over the coming years and we're in competition for resources.

So we have some special programs in place to ensure that we capture the most effective execution resources that we can for these projects. And, of course, a key part of the Company where we do that sort of work is in our procurement organization. We've been working hard to strengthen over the last few years our procurement efforts and to expand the scope of what we're doing. And during the downturn, that allowed us to capture some significant savings.

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And then in 2010, we were able to improve the cost structure even further by broadening the scope of our procurement capabilities. You could see in the data down at the bottom that we estimate -- we saved about $600 million on an annualized basis through these efforts last year.

The last area I'd like to talk about is new technology. This is one of my favorite areas to discuss because I started my career in research. And I've been pleased to see, since I've come across to ConocoPhillips, the strength of our technology program and the benefits that we've been getting from it. And it's really that view that's causing us to want to increase the size of our technology work. And so you could see from the bar chart that we're working right now to increase the scope and increase the benefits that we get from integrating new technology into our work.

I'll mention some examples in two particular areas where we're working in technology. First, in a broad bucket of work that we're doing that's designed to improve the profitability of our existing production or near-term projects, I'll mention an example in the oil sands. As you know, the oil sands make up a very large part of our resource base. And so it's -- it's a very large part of our R&D effort as well.

Our work so far in research on oil sands has allowed us to reduce our steam oil ratios, which, of course, saves us operating costs, reduces our energy usage, reduces our greenhouse gas emissions. We've also have been able to reduce our water usage through our research efforts. That's an important environmental criterion for the oil sands development.

We also have an integrated upstream-downstream research effort, a fully integrated team that has allowed us to fully exploit the full value chain, as that heavy oil produced in Canada makes its way south into the US and is processed in our mid-continent refineries. We have a research effort underway that's allowed us to improve our profitability from that full value chain.

Next, I'll mention a little bit about some of our research effort that's focused on more challenged resources -- resources that really aren't economic yet, aren't ready to develop, but we're working with new technology to try to get them there. A good example there is our work in the Arctic.

We have a number of new concepts that we've been working on that are at varying stages of maturity, but which have the potential to make a step change reduction in the cost to develop our Arctic resources. A good example of this is the work that we're doing on floating drilling rigs in ice-prone waters.

Right now, the industry is only able to drill from floaters in ice-prone waters for a very short season of the year that makes it difficult to do exploration or development drilling. And so we have concepts that we've advanced that will allow us to significantly extend that drilling season. You could see how that would have a big impact on our ability to develop those resources.

One of the most important jobs of our management team is to translate strategy into an effective execution plan. And so that's what I've tried to spend a little time talking about this morning is how we go about doing that. And I've discussed our improvement initiatives on capital allocation, project execution.

I also talked about our -- our efforts to expand procurement and our integration of new technology and the impact, the ability of these -- these efforts to enhance our ability to convert resources over to proved reserves. So we -- and also allow us to maximize the value of our reinvested capital. So next up to continue that discussion and talk about it on a segment level is Ryan Lance, who's going to kick off the E&P discussion.

Ryan Lance - *ConocoPhillips - SVP - Exploration & Production International*

Thank you, Al, and good morning. I'd like to go ahead and kick off the E&P part of the presentation as Al said. And I know we get some questions about our portfolio from many of you in the room here today. They ask is it -- is it deep enough? Does it

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have the projects that we expect to grow -- organically grow our production and reserves over time? And then we get questions about the portfolio. Does it have the cash flow? Does it generate the cash flow to be able to fund those projects over time?

So what myself and Larry and Greg would like to do today is talk through the E&P portfolio and talk about the opportunities we have for investment that we think that are going to – the projects we're investing in will show organic growth in both our reserves and our production going forward.

Let me start with our strategy. As Jim described, it largely is unchanged, it's probably been a little bit different than maybe some of our competition over the last couple of years. We're pretty focused on trying to invest in those things that are going to improve the returns, improve the returns of the portfolio and, ultimately, the returns to the shareholders as we go forward.

And we're not just chasing growth for growth's sake. And we could do some of that. An example of that might be the North American gas market that Al described. We have a fairly large position in North America. We're blessed with a position, though, that doesn't force us to drill into the low North American gas prices that we see today, and we're just not going to do that. So we're not going to invest in that, but we believe over the longer term that prices will recover a little bit and we're prepared to invest when those prices do recover.

And we've been making some high grading decisions selectively within the portfolio to improve it through our divestiture plans that we've had over the last couple of years and that Jim announced going forward over the next couple. But we can't forget about what makes a great E&P portfolio. It is about replacing your reserves. It's about growing your production. It's about doing it safely and efficiently; and it's really about adding new opportunities through -- through exploration as well that Larry will talk about here in a little bit.

A few takeaways from today, I hope you'd leave with today. You know, we're running well. We're running safely and we're running efficiently. And we're progressing a number of very key projects. We've got a number of project sanctions coming this year that will add 500,000 barrels a day of production by 2015.

And we're also very focused on our North American shale gas plays. And you can see here that we'll be adding 170,000 barrels a day by 2013 from the Lower 48 alone. And as I mentioned, we're maintaining our optionality in North America. We do see the low North American gas prices, but we feel like they'll recover with time as demand picks up following the recession and we're prepared to invest in that when that happens. And then, again, you'll see us high grading the exploration portfolio and adding new material opportunities to the portfolio as we go forward.

Our success starts and stops with the safety and efficiency of our operations. 2010 was kind of a year to remember with the Macondo incident and the impact that an incident like that can have on a company. We're improving. We're improving, but we're not where we want to be. We'll never get there until zero, until we reach zero across all our operated upstream locations. But we are improving and we're getting better and it's showing up in our bottom lines through increased uptime and lower injuries to both our contractor and our employees.

We don't have a large deepwater Gulf of Mexico position, operated position today, but, certainly, have aspirations to grow in that particular area as Larry and Jim have talked about. But we did notice through the Macondo incident there was a capability gap in the industry. And we felt it was important to be a founding member of the Marine Well Containment Company to improve on that capability within the industry. And we announced that at the end of last year.

So let's talk a little bit about our portfolio. Today, we produce a little over 1.7 million barrels per day. It's a global, but a large OECD asset base as Jim talked about. We have a growing position in the Asia Pacific region. We're a global and diverse and growing exploration portfolio as shown by the dots on this diagram. But, more importantly, we have the size, we have the scale, we have the skills and we have the workforce to compete for unconventional and conventional resources around the world.

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That OECD position provides us with a leading cash margin relative to our peer group. We don't have a large exposure to the PSC contracts, so as commodity prices rise over time, we're able to bring that into the portfolio and capture those increases over time. Some of those maybe high cost as Jim described a little bit, but with a commodity price rises, we're able to capture that in the portfolio today.

You'll see on the right hand side, our portfolio generates a $23-a-barrel cash margin, a pretty modest oil price as shown there on the thing -- on the chart. And our plan as we've -- as we said is the projects will show you that we'll go through in a little bit more detail, are a higher cash margin than this average portfolio. So, over time, we're going to be improving the returns in the portfolio relative to where we stand today.

Today, we enjoy a 43-billion-barrel resource space. It's 75% liquids and LNG. And it's -- those -- those LNG reserves are also tied to liquid oil price type contracts. It's unchanged despite selling 1.2 billion barrels of resources over the last couple of years. And as Jim said, and now maintain our job is to take those 10 billion barrels of resources, move them to reserves and then, ultimately, to production over the next ten years. That's the game we're in.

Our focus on organic growth is delivering results. If you look over the last five years, these are our proved reserve additions which we've enjoyed over 100% proved reserve additions over the last five years. And that's our intention going forward in the portfolio. We'll deliver that going forward over the next five years.

You can see 50% of those adds come from -- the chart on the right -- come from APLNG from the SAGD and Qatargas, but the rest of the world is contributing as well. We're seeing additions from our Lower 48 and Canadian shale gas positions, from Asia Pacific and Russia Caspian as well.

When we talk about the 100% reserve replacement, that's fueling the production growth that you see here on this slide. These projects are real. They're over on the right hand side. They're in various states of development today. And we're going to talk about these projects and show you what kind of margins that they're delivering and that they are adding to this production, organic production growth that we're showing here on this slide today.

And, of course, the absolute level of that production may vary a little bit, as Jim described, depending on the assets that we choose to divest to high grade the portfolio going forward. But the growth is there, the growth is real and the projects are real.

I'm a petroleum engineer by a degree and training. And I spent all my life fighting decline in these natural resources. And this is what really gets us excited going forward. It's these kinds of projects that show this kind of ramp up and provide this kind of growth and development for the Company.

You see that they're geographically dispersed around the world. And then you can see what kind of margins that each one of these projects provide. And remember to compare that back to the $23 a barrel average margin in our portfolio today. So what we want to show you and talk about today is some of the projects that make up this curve. And it described where we're heading and how we're organically growing our production and, ultimately, our rate and reserves as we go forward in our portfolio.

E&P will spend $12 billion in 2011. That's about $2.5 billion more than we spent last year. And you can see the major increase that Al described as coming from that green wedge in the major projects. So, you see, it's pretty geographically dispersed on that right hand doughnut chart there.

The exploitation wedge in yellow is increasing as well. And that's largely driven by our North American shale gas investments in the Eagle Ford, the Bakken and the Barnett. Surprisingly, even the 100-year-old Permian Basin is generating very competitive investment opportunities for us going forward. And we're looking at investing in every one of those, all the opportunities we have even in the Permian.

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Al described the maintenance capital of $1.5 billion at the bottom of the stacked bars. And that's important. We have to keep investing in our legacy assets. We have to improve the efficiency. We have to keep them safe, keep them reliable and keep them running for many years to come as we exploit the surrounding opportunities.

So we're investing $12 billion. We're replacing our reserves and we're growing our production. So what are the projects that underpin that growth? Let me talk about a few of those in my part of the world and the international part of E&P.

Let me start with the Qatargas project that we got started up in November of last year. Got it to 80,000 barrels per day net to ConocoPhillips. We're now up and running at the design throughput for the facility at 7.8 million tons per annum.

Most of our effort right now is focused on maximizing the value chain. So when this project was originally envisioned and sanctioned, all the volume was destined for the North American market. At that time, gas prices were $10 million to $12 million a BTU and it looked like the most favorable place to send the LNG. Fast forward a good five or six years, and, of course, we're seeing the shale gas renaissance and the increase in supply in North America and lower prices, so most of our effort right now is focused on diverting those volumes and sending them to the higher price markets in Europe and in Asia Pacific.

And, certainly, with the recent Japanese crisis, we're trying to satisfy our customers in that part of the world, too, with additional LNG. And, of course, these are very competitive finding and development costs and great returns to the Company. We can take many more of these kinds of opportunities.

Let me talk a little bit about Asia Pacific, a growing area in our portfolio. We maybe don't spend near enough time talking about this, but, you know, we have a leading legacy position there. We intend to invest $2.4 billion in 2011. And you can see the pretty significant production growth that we're going to experience across this whole region and the margins that we think our investments in this particular region are providing. And this is underpinned by growth in China, in Indonesia, in Malaysia and in Australia.

And let me talk a little bit about that and start with our Asia Pacific LNG project. Al talked a little bit about this and I'll kind of follow on with a couple more slides. So we have a leading -- we've talked about this -- a leading resource in reserves position at APLNG.

So nearly 12 TCF today a proven P1 and P2 reserves which is twice what the rest of the competition in the Queensland basin coal bed methane assets have. So we have a very compelling and large resource position that is the Premier 1 in the Queensland state.

As Al talked about, we are focused on how to reduce the capital and optimize the project going forward. We're not going to rush it, but we're going to do what's right. We're looking for opportunities to cooperate with everybody in the region. And we know that there's going to be competing projects built on Curtis Island. And so we're doing everything we can to make sure that ours is moving along as fast as it can, but as efficiently as we can as well.

And as we see, the recent events in Japan have underpinned that there is a growing amount of LNG demand in Asia now probably more than there was even two weeks ago. And you see that we've announced Heads of Agreement with a customer, Sinopec, that will underpin and purchase the first full train of LNG off of our APLNG project. And we've done that in an oil linked contract and we've done that at competitive prices for what CSG is selling into Asia today so we haven't had to discount the price in order to place the LNG in to the market.

We're the largest domestic supplier of CSG gas in the Queensland state today. Why is that important? Well, we're going to build two 4.5-million-ton trains of LNG capacity on Curtis Island. And when those trains are built and ready to go, we're going to need an immediate supply of almost 600 million cubic feet of gas a day to feed those plants. You got to dewater the coals. You got to get them ready. You got to get the production ready to go and up and available for those plants.

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So the fact that we're the largest domestic producer today -- we produce 250 million cubic feet a day into the domestic market -- we're able to play with our wells a little bit and get them prepared for that ramp up. So the minute that plant is available to us, we can ramp up the gas and quickly get it up to full capacity. And that's an important economic enabler for these projects.

And then, finally, I would say that this project is not unlike other LNG or even SAGD projects that have long life reserves. They don't have as good a return as some of our exploitation investments in our portfolio, but these are important projects in the portfolio. They are going to be a steady source of long-term net income and cash flow into the portfolio over 20, 30 years. They -- they increase our RTP. They have low finding and development cost and they're a source of reserve adds for a very, very long period of time.

So in this business of very competing metrics, these are important projects in the portfolio to have. And then our job over time with the self-help that we can do and the capital reductions we can make and maybe some improvements in the commodity price markets, these are going to be very attractive and competitive projects going forward. And that's what we're trying to do on APLNG.

A little bit more on APLNG, we'll invest $1.4 billion in 2011. These are the metrics, the finding and development costs that we see for APLNG. We're on track for a mid-year FID at this point. You'll see we had our permits approved in February. And we did some commercial realignment with our partner, Origin, and they're on track for FID this year and then first delivery of LNG in 2015.

Let me look across some of the other areas -- places in Asia Pacific. So in Malaysia, we're in the midst of execution in four projects. We have four additional projects in the queue that we're studying as well. We're on track for 80,000 barrels a day of net peak production in the next couple of years. You can see it's a very competitive finding and development cost and a very attractive investment and organic growth story for the Company and for our E&P portfolio.

Moving to the right, in Indonesia, we're executing projects offshore, Block B, and in South Sumatra. These are typically gas projects with very competitive finding and development cost, but they're also going to the high valued gas markets that we're exporting to in both Singapore and Malaysia. And, in fact, some of the domestic Indonesian gas markets are improving pretty dramatically as well. So this is a very attractive investment in exploitation and projects for our E&P portfolio.

When you look across the North Sea, 2011 will represent one of the strongest investment years that we've had in quite some time in the North Sea. So our Jasmine discovery reached sanction last year. And we're on track for a 2012 startup, and even the large Ekofisk field is still yielding some fabulous new exploitation opportunities with the EKo-South addition and the Eldfisk 2 project.

And, in fact, we see future projects going out into the -- into the future that are going to help alleviate the decline in Norway, as we show from the production plot in the lower right hand portion. So these are the bread and butter of our business. This is really what makes the difference. It's really what drives performance. It helps offset decline. It's the high margin opportunities that help fuel our other projects around the world.

So what makes a compelling E&P portfolio? Well, it's certainly a rich and a deep set of opportunities like the ones that are shown here. It begins with legacy assets and exploitation opportunities and new projects that will continue to organically grow your production and your reserve base. And, more importantly, what do these have in common? They're good rocks. They got low finding and development costs and a low cost to supply; and they're feeding markets that are in need of this demand.

So I've talked a little bit about the international projects that make up this portfolio and that are fueling this organic production and reserves growth. Now, let me turn it over to Greg Garland. He's going to talk about what we're doing in the Americas side of the business that also is helping to fuel organic production and reserves growth.

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Greg Garland - *ConocoPhillips - SVP - Exploration & Production Americas*

Thanks, Ryan, and good morning, everyone. Has your view on the North American E&P business changed? Is this a business that you think maybe is just old and tired or perhaps it's just a continuing story of acquiring gas assets with limited upside. Or maybe your view is like ours, that this is really a story about technology and an innovation unlocking growth, opportunity and value creation.

So here today we want to talk about our North America E&P proposition. We're going to focus on value, not volume. The fact is we complete our portfolio reset through our asset dispositions and as we preferentially fund liquids devolvement over gas, near term production is going to decline in the Americas, 1% to 2%, but growth will return post 2012 and the interim, the value uplift from the margin of liquids over gas is value creation in the portfolio.

We think we're very well positioned in the unconventional plays in North America. In fact in the past two years we've watched while major IOCs have bought their way back into the oil-sand projects. They've joint ventured and bought assets into the shale plays. But you know what? We were already there, quietly going about our business, fine tuning, honing our skills and our expertise and building and capturing value.

When you consider the unconventional resources, we're number one in North America in coalbed methane and we have some of the very best parts of the play. We have the largest acreage position in the Canadian SAGD and we're the second largest SAGD producer.

We think we have enviable positions in the liquid-rich shale plays like the Eagle Ford, the Bakken, the Barnett and then we have a strong foundation from which we can grow conventional and unconventional in that hundred-year old Permian that Ryan was talking about.

We think we have a terrific opportunity here in the Americas. We have 22 million acres, 5 billion BOE of reserves, 30 billion BOE of resources. Three quarters of our company's opportunity is right here in the Americas, so our leverage to this large, secure and attractive opportunity is going to be a significant portion of the value growth of our company over the next couple of years.

The bottom line is we think we have a portfolio that will deliver improved competitive returns and long-term growth that will offset normal fuel decline. We plan to invest $6 billion in the Americas this year, which is about 50% more than what we spent last year.

If you look at Lower 48 and Western Canada and look at the drilling program, about $3 billion, 75% of that is going to be focused towards conventional oil and the liquids-rich shale plays. If you rewind back to just 2008, about 80% of our spend was on gas development. So you can see a significant shift in how we're allocating capital here in the Americas.

The balance of our portfolio spend this year will go to other competitive opportunities like Western Canada and the San Juan basin. As you can see, both of these areas will have a significant part of our portfolio volumes in 2011, but we're going to show you on some subsequent slides where we're going to let volumes decline in these two large areas which are mostly gas over the next couple of years.

Here's our Lower 48 drilling plan for this year. We plan to drill 450 gross wells in the liquid rich areas, the Eagle Ford, Bakken and the North Barnett and the Permian. We're drilling another 240 gross wells in other competitive areas, 195 wells in the San Juan might surprise you a little bit but we think this is a competitive set.

We'll talk more about the San Juan. This is significantly less than what we've done in past years and we're comfortable with this level of activity. And then if we can get the permits we'd like to drill four wells in the Gulf of Mexico this year.

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Talk about the Eagle Ford, the Eagle Ford is a game-changer. It's a game changer for the industry and for our company. We expect to have a total discovered resource approaching a billion BOE in the Eagle Ford. We think we're in the very heart of the play with 220,000 acres.

Forty-five dollar a barrel cash margins last year, the Eagle Ford margins were about twice the average of the global portfolio. The $80 oil leases are all 25% plus wells. So you can see why we really like this play.

We're planning to spend $1.4 billion in the Eagle Ford this year and drill 144 wells. As you know, the resources in these areas are stretched thin, but we entered 2011 with 13 rigs, three dedicated frac crews. We have the resources in place today to execute our 2011 plan in the Eagle Ford.

Since January of last year, drilling costs have come down 40%, so drilling days are coming down. We're increasing our frac efficiencies. We're fine tuning our completions here in the Eagle Ford. And so we're very pleased, you can see the latest five well results. We will put this up against some of the best in the industry and what's being done in the Eagle Ford.

2011 production, 30,000 barrels a day, 75% liquids content. Another important shale play for us is the Bakken. We have an advantage position of 460,000 acres here in the Bakken, 400 million BOE of resource and over 1,700 high-value drilling opportunities. Our recent well tests here continue to confirm this is a very attractive play for our company.

We're completing our latest wells, the 10,000 foot horizontals plus 20 stages of fracs. You can see our EORs have increased significantly. Our drilling times are coming down, frac efficiency is coming up, so total cycle times are coming down in this area.

The cash margins here in the Bakken, like the Eagle Ford, are very strong and accretive to the portfolio. We expect 2011 production to be at 40% versus last year at 20,000 BOE a day.

Move and talk about the Permian and the Barnett for just a minute. We call the Permian the gift that keeps on giving. Like a 122% reserve replacements over the last four years, like the 5% increase in production in this 100-year-old asset. We have a million acres in the Permian, 700 million BOE and we have greater than 5,000 new well opportunities here, so material net cash flow generator to our company in high liquids production. We expect 2011 production levels to be 50,000 barrels a day.

You know, last year in the Permian we saw for the first time since 1972 a 5,000 barrel a day increase in our operated properties. So horizontal drilling, these advanced fracturing techniques are literally breathing new life into some of these old fields. Some of these fields like the Howard Glasscock have been on production since the 1920s and we've seen year-over-year production coming up. We're also pursuing new resource plays in the Permian like the Avalon shale and there's some others that we're interested in prosecuting this year.

Just think about the Barnett for just a minute. We exited the South Barnett last year to focus and concentrate on the North Barnett. We just like it better, higher liquids content, high working interest so we can control the pace of development in the North Barnett.

We have 65,000 acres and about 200 million BOE of resource here. We expect 2011 production to be 15,000 BOE a day. So between the Permian and the Barnett we'll invest $400 million in these areas this year on exploitation. Good solid cash margins, accretive to the portfolio, a little lower than what we see in the Eagle Ford and the Bakken. Why is that?

Well, the Barnett, a little lower liquids content, the Permian across a lot of that production is older production, high EOR cost, lower margins but still significant margins, very attractive return projects in these areas.

So we're building a portfolio in these liquid rich areas that will move our margins, will improve our returns. We have an early mover advantage in the Eagle Ford. We got in for $350 an acre. We've seen offers north of $14,000 an acre and that just confirms what we already know and the rest of the industry thinks that Eagle Ford is a good place to be.

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In all these basins we have a large presence so we can leverage our expertise, our skills and we can leverage our costs. We think from a sub-surface perspective we're in some of the very best parts of these plays. We added 140,000 acres last year around these key areas and other areas that we're chasing and you'd expect us to do similar things this year.

We plan to spend $2 billion in 2011 developing these plays and by 2013 production of up to 170,000 barrels a day. So the question is, is it material? Does it make a difference? So this will move the North American E&P ROCE at normalized prices by 1.5%. So, yes, it's material, yes, it makes a difference.

I promised you we'd talk about the San Juan just a little bit. We are the largest producer in the San Juan. We are the largest acreage holder in the San Juan and lowest cost producer in the basin.

Last year we produced 180,000 BOE a day, 27% liquids yield. This represents about 40% of the Lower 48 production and about 10% of the Global E&P production. So it's a significant source of our production.

Total discovered resource, 1.7 billion BOE and even in this low price gas environment we have greater than 3,000 economic drilling opportunities. So this would be 20% return wells for us. So we can sustain a strong and ongoing development program here. You can see from a production chart we're going to let production drift down over the next four years. We've gone from 14 rigs in 2008 to four rigs last year. We're going to run four rigs in the basin this year.

We have a cash break even in the San Juan of about $2 an M, so positive income, positive cash and good solid returns here. We're progressing horizontal well developments in the basin, we think there's a lot of up room with 1.7 billion BOE. The message today, the critical part of our portfolio, you should expect the San Juan to continue to be a viable part of our portfolio for many years to come.

Talking about Western Canada, Western Canada is a strong cash flow generator for our company. We think we're advantaged in this area. We're the only major player in all the key fairways. We own and operate a lot of our own infrastructure which we think is a major competitive advantage. We're going to reduce our capital spend in 2011 in response to low gas prices. In fact reduce it significantly. You can see production is going to come down over the next four years.

We have some exciting things going on in the Deep Basin. We're drilling some horizontals with very encouraging results. One of the areas we've very enthusiastic about is the Cardium. We have 137,000 acres in the Cardium. We drilled eight horizontals there so far this year. What I can tell you is the initial results are encouraging, they look a lot like the North Barnett in terms of the production and the liquids content.

So 1.7 billion BOE in this area, a lot of upside running room. As Ryan talked depending on where gas prices go we have a lot of optionality of what we can do in this area.

So today we purposely peeled back the Americas for you. We stripped out the oil sands. We stripped out Alaska to give you a view directly in what we're trying to do in the Lower 48 and Western Canada. These areas have historically been focused on gas development.

We want to materially shift the portfolio into production. You can see in 2010 we were about 30% liquids yield in these two areas. By 2013 we expect to be about 40% liquids yield and about the same level of production. The Lower 48 by 2013 will be approaching 50-50 on liquids.

Another unconventional opportunity that we have with liquids is the Canadian SAGD. We have just world class position here, a million acres, 15 billion barrels of resource. We're exclusively in situ in our development and we like this better and we think over in the long term we can generate the best returns here.

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We're going to invest $1.2 [billion](company corrected after call) in Foster Creek, Christina Lake and Surmont this year. And we're going to invest $1 billion to $1.5 billion a year for the foreseeable future in the oil sands. We talked about steam oil ratio, it's key metric in looking to profitability and comparing projects. So we've shown you Christina Lake, Foster Creek and Surmont. You can see they're very attractive in terms of steam oil ratio.

Al talked about our technology and trying to drive that. We plan to spend $100 million a year driving technology improvement. So we want to reduce our environmental footprint, that's land, water, drive down greenhouse gas but it's also about improving efficiencies and recoveries, driving down CapEx, driving down OpEx.

These projects are very capital intensive but we really like these projects. They're long lived. They have a low F&D cost, low decline rates. We're going to be producing in the sands for the next 30 to 40 years. In addition to FCCL, and Surmont we have other heavy oil interests.

In Canada we have Thornbury, Clyden and Saleski, 100% working owned, we'll be delineating those opportunities over the next couple of years. Within Alaska we have 1.7 BOE of heavy oil resource.

We said we'd spend a billion dollars a year in the oil sands, here's how you do it. You have deep portfolio projects, some preparing for execution, some moving through the gates, some working in terms of their environmental projects, some in the delineation phases. But we've planned four major sanctions this year at FCCL.

You can see we plan to grow our production by 10% to 15% a year through 2020 and we'll continue to grow for the next decade. Thank you. So by 2020, 250,000 barrels a day of production and we're going to grow for another 20 years beyond that, so by 2040 we should be approaching 500,000 barrels a day.

Talk about Alaska, we like Alaska. We've been in Alaska a long time. We're the largest producer in Alaska. Last year 240,000 BOE a day, strong cash margins in this area and we have a significant infrastructure position, we've built an extensive operating capability. We have a strong culture of safety and environmental excellence in Alaska and we think we have a strong competitive advantage here. Reserves at 1.6 billion BOE resources, 5.7 billion BOE. We'll invest $350 million in exploitation this year, all at very good returns.

We're targeting sanction of our West Alpine project which is CD-5 if we can get the permits this year. And longer term, there's other opportunities. West of Alpine, we've got the heavy oil that we've talked about. We'd like to take a look and see what's in the Chukchi Sea if we can get permits to drill. And then, longer term is North Slope gas and we have 10 Bcf gas.

So our focus on value, our portfolio reset, our shift from liquids or shift to liquids from gas is going to drive value creation in North America. We expect the cash from operations will be up 40%, 2010 to 2015.

During that same period of time, return on capital employed up 5 percentage points, 40% from anticipated price improvement, 60% for portfolio improvements. We believe that we're well-positioned in the unconventional. We think that the opportunity set is compelling. It's real. It's material. We have the technology, the expertise, human capacity to execute.

We think our focus on liquids development is clear. And importantly, we have the resource and projects to drive liquids growth. So the bottom line is we think our portfolio is capable of delivering improved, competitive returns and value growth and this is the real heart of our opportunity.

So we have to continue to reload the resource phase. We do that through Exploration and Business Development and, Larry Archibald, the Senior Vice-President of Exploration and Business Development will cover that.

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Larry Archibald - *ConocoPhillips - SVP - Exploration & Business Development*

Thanks, Greg. Now, let's talk about the fun stuff -- exploration. As we've been telling you for some time, we're emphasizing organic growth much more than we did the previous decade. And I'm pleased to tell you that we're seeing good results from our higher impact exploration program both on the conventional and the unconventional sides of that portfolio.

2010 was another good year. You may not know that. We don't explore via press release. But I'll tell you briefly about it. We discovered more than we produced again. We have about a 90% success rate in our exploration and appraisal program. About 108 out of 120 wells we participated in. A lot of those were successful delineation wells in our Lower 48 in Canada shale programs.

But in addition to these very successful Lower 48 and Canada shale programs, we participated in discoveries in Kazakhstan, Australia, Libya, Nigeria and China. One of the 2010 highlights had to be that Lower 48 program in the shale plays. We participated in 80 wells, a lot of them delineation wells, all of them successful in Lower 48. In fact, 41 of those were drilled to expand our footprint and test the limits of our core Eagle Ford position and results there just continue to exceed our earlier expectations.

And more importantly, for exploration in 2010 and 2011, we continue to add both and depth and quality to the exploration portfolio both in the conventional and unconventional plays. That includes plays we accessed in deepwater settings and shelf settings, in arctic environments and in various onshore environments.

So what are we spending in exploration, how are we allocating that capital? Well, in 2010, in spite of lower than anticipated spending on wildcats, as I mentioned, we discovered more than we produced and more importantly, we discovered primarily high-margin values in plays such as that liquids rich Eagle Ford play.

As you know, 2010, the exploration program in the Gulf of Mexico was delayed due to the moratorium. But although we spent less on the high-impact Gulf of Mexico wildcats, we picked up the pace of leasing on some very attractive plays in shale plays. We also picked up the pace of delineating prior year successes.

And in 2011, we're going to increase the budget substantially for exploration and appraisal. We're going to continue a heavy emphasis on improving the portfolio, accessing some quality acreage positions and delineating prior successes. But on the exploration side, we also have plans to drill some large wildcats in the Gulf of Mexico, the Caspian, Norway and Indonesia. Equally important, we plan some new shale pilot wells, several new pilots in North America, both in the US and Canada, as well as overseas in Poland.

And this next slide helps to illustrate the breadth of our activity. As you can see, we're increasingly geographically diversified. We continue to high-grade and prioritize globally. We continue to drive more of our spend into higher impact plays and I include material positions in shale as every bit high-impact as material wildcats.

We're adding good acreage in both proven and frontier basins. Proven plays like in the Gulf of Mexico, sectors of the North Sea. Proven shale plays, we're consolidating expanding positions whether it's Northern Barnett, Muskwa, Canada and others. Frontier plays, we're adding new frontier shale positions. We're also adding conventional frontier acreage in places as far north as Baffin Bay in the Arctic and the Angola subsalt.

So speaking of Angola, the deepwater Kwanza basin is one of the more interesting wildcat opportunities we're in the process of adding to our portfolio. We're currently negotiating PSCs for a 30% working interest in operatorship of two blocks, 36 and 37. These are the two blocks. The only two blocks we high-graded and targeted in the recent Angola bid round.

Some of you know, seismic and geologic studies suggest this Angolan subsalt play analogous to the Brazilians - successful Brazilians Santos Basin subsalt play on the conjugate Atlantic margin and we certainly hope it is.

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After completing PSC negotiations, we plan some extensive 3D seismic in the remainder of 2011 and 2012. We could be drilling wildcats here as early as 2013. We're among the early movers in this play and we're very pleased to be given the chance to operate both of the blocks we targeted.

This is an example of how we're doing exploration these days. We intend to be among the early birds getting the juiciest worms, metaphorically speaking, whether it's shale plays like the Eagle Ford or new deepwater provinces such as this one in the Kwanza Basin. Let's move to another world-class petroleum system. There are several sectors in the Caspian that are clearly way under-explored and we believe have some very good exploration running room.

In 2010, we drilled the Rok More discovery in Block N Kazakhstan. This well encountered both oil and gas pay zones. So we're making plans for a future appraisal drilling and testing. To inform that future appraisal drilling, we're first going to acquire a 3D survey over this large Rok More structure to better understand it.

In the meantime, our joint venture on Block N is planning a second wildcat which may spud as early as fourth quarter of this year to test the very large Nursultan structure which is due west of the Rok More discovery.

We really like the geology of the Caspian and we intend to pursue other opportunities there. For example, we're in the midst of the PSC negotiations along with our partner Mubadala for block 19 offshore Turkmenistan.

Now, let's move to a great exploration arena with good potential closer to home. We continue to focus our Gulf of Mexico studies on the emerging lower tertiary play where we see a great deal of running room. As you know, activity levels in the Gulf of Mexico were impacted by post Macondo regulation. So our ultimate 2011 and 2012 activity is going to depend on large part on the pace of permitting there.

We do hope though that we'll see the Coronado wildcat spud the second half of this year as well we had hoped to drill in 2010 already. Coronado is a large lower tertiary prospect in the vicinity of our 2009 Shenandoah discovery. And based on what we learned from Shenandoah, we believe Coronado is in the right zip code, not only for very good fluids, but good reservoir quality.

In addition, operators of our 2009 Shenandoah and Tiber discoveries are anxious to get after appraising those and we are, too. So we're hoping to start appraisal of one or both of those either in late 2011 or latest 2012.

Now, Jim stated several times, we'd like to expand our footprint in the deepwater Gulf of Mexico at the right price and at the right time and we're actively evaluating opportunities to do that.

In addition, as Ryan mentioned in his talk, we're a founding member of the Marine Well Containment Company and this helps underpin our commitment of becoming an increasingly active operator in the future in the deepwater Gulf of Mexico.

Now, we're also a very experienced operator of high pressure, high temperature wells or HPHT wells is what we call them shorthand. And we see a great deal of running room for HPHT wells in certain sectors of the North Sea.

For example, we paid a number of large Triassic HPHT discoveries in the UK's central Graben J-block. We think similar perspective of Triassic geology extends right across the border in the Norway where we've got plans for at least two more HPHT Triassic wildcats in the near term. And in fact, we're in the process of serving up a sizzling Peking Duck wildcat. It's going to spud this week. And we're making tentative plans to follow that up with an even deeper and hotter Pelican wildcat in 2012.

Let's move down under. We followed up our large 2009 Poseidon discovery in the Browse Basin of Australia with the 2010 Kronos discovery. Kronos proved up material volumes of gas in a large fault block adjacent to Poseidon. And more importantly, a DST of the Kronos well demonstrated the quality of the Jurassic Plover reservoirs here and the capability of those Jurassic Plover reservoirs to flow at commercial rates.

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We're also quite pleased with the results of a 3D survey we acquired in this area in the last year or two. The survey reveals more prospects than we've seen before. So we're finalizing plans now for a five to seven well exploration and appraisal program in this part of the Browse that we'd like to kickoff at the second part of this year if we can get permits in the timely fashion.

Now, as you just heard Greg talk about, we continue to focus on the shale plays with higher liquid yields in North America in order to generate the better returns. In fact, we continue to appraise, delineate and expand the footprint of the oil and condensate rich windows in some of these profitable Barnett, Bakken and Eagle Ford plays.

In addition to these proven plays, our new exploration access of new shale plays has been biased more heavily towards the shale oil types of plays than the shale gas types of place in North America.

In our early identification in leasing of some of these best shale plays such as the Eagle Ford has enabled low-cost access relative to our peers. And more importantly, access to some of the sweet spots in these plays. As you guys know, just about everybody claims to have an Eagle Ford position these days, but location really matters. And what with delineation drilling we've done this year, we're pretty proud of our position on that play.

So now, we've continued that early access. We continue to add acreage in a variety of new shale plays across North America for what we believe will be a fraction of the cost late entrants are paying.

Now, many of you know, we've also been leveraging that considerable North American unconventional expertise to both screen and access shale plays overseas. We can talk about this one as we've been active in this plan Poland for a while. We've got the option for a 70% working interest in operatorship on about a million acres in the Baltic Depression in Northern Poland. We've been leading the way in this emerging play and, in fact, we participated in two of the first wells targeting shale in this basin in 2010.

These first two pilot wells were vertical holes designed to collect basic rock, fluid and gas content data. Initial results were encouraging. We're going to follow that up with a more extensive pilot program starting in 2011. In fact we're going to spud the Lebian horizontal well in May and follow that up with the Damnica horizontal well later in the year. Both of these are going to be completed and tested with multi-stage fracs.

With that -- I'm going too fast. Here we go. With that, I'll finish up by reinforcing a few of our upstream messages. First of all, as I've been telling you, we are seeing success from that high-impact exploration program. We're adding large volumes of high-margin barrels both from the conventional and the unconventional plays. We got a great pipeline of projects that are going to deliver both volume and value over the next year.

In North America, we're aggressively expanding our footprint, several very profitable liquid rich plays while retaining optionality on a primarily held by production vast portfolio of gas opportunities. You've heard us talk about our dispositions. I've mentioned a few of our recent exploration acreage acquisitions. This underpins our commitment to constantly upgrade and high-grade the portfolio.

However, we think it's really important to stress, we think we already have a unique and very competitive portfolio, comprised largely of long-lived, high-margin assets in stable OECD countries.

So with that, I hope you could see why we're excited about in our upstream portfolio and our direction. We look forward to updating you throughout the year.

And now, I'd like to introduce my colleague, Senior Vice-President, refining, marketing, transportation and commercial, Willie Chiang. Willie's going to update you on performance and outlook for our downstream and commercial organizations. Willie?

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Willie Chiang - *ConocoPhillips - SVP - Refining, Marketing, Transportation and Commercial*

Thank you, Larry. Good morning. Well, what a difference a year has made in the downstream. Last year, I was in front of you and we were talking about coming off a very difficult 2009. We were talking about tightening our belts, controlling CapEx, and trying to shrink our downstream in order to protect our cash position.

Well, this year, the belt is still very tight. We're still controlling CapEx. You're aware we exited our Yanbu project in Saudi Arabia and we cancelled the Wilhelmshaven project in Germany. And we're continuing to strive to reduce our footprint to 15% of ConocoPhillips asset base as Jim shared earlier. The key to do that is at the right value.

Now, the big difference is the markets have been much stronger than we anticipated. And when you combine that with the self-help that we've generated ourselves, we've really been in a better position cash flow-wise and generated positive cash flow for the Company.

So today, I'm going to talk about how we are going to continue to improve our business going forward and how we intend to be smaller, stronger, have a higher return business which will allow us to generate better margins in cash flow per barrel as we go forward.

So you've seen this slide before. It's our strategy and it's very consistent. We based our business on a strong foundation of operating excellence, safe, reliable and efficient operations allow us to capture more utilization. And in the US, we've been able to capture 5% more than the average of 90% and that allows us to capture market opportunities.

We're also very proud of our safety performance, in 2010 we finished at the best year since the merger. So our real focus is how do we improve return on capital employed and also get our cash flow stronger. And you're going to see in my slide as I talk more today about how we intend to reduce our refining footprint to ultimately under 2 million barrels a day and how do we get our return on capital employed up to the mid teens.

Now, we value integration pretty strongly. There's been a lot of news lately about spinning off entire down streams and we feel that we create much more value as an integrated company both in being able to deliver higher returns and value to the corporation.

There's the obvious benefits of having economies of scale on overhead, financial strength and having a deep talent pool of people across the company. But let me give you a few examples of where upstream and downstream can help each other as we've seen in the past. It's given us some great partner opportunities. If you think about our Cenovus joint venture with the Canadian oil sands, that's allowed Cenovus to get into a great refining asset in the US, avoiding upgrade expenditures. And it's really allowed us to get into a great position and probably, the best SAGD position in Canada.

As Ryan talked about growth plans in Malaysia, our Melaka refinery allows us to avoid a 10% crude export duty as we run equity barrels into our own refinery. There's a few good examples of partner opportunities.

Technology and best practice sharing is often understated, but there's a lot of value there whether it's finding logistic solutions for Bakken or Eagle Ford, or sharing best practice on sulfur plants, gas plants, and refineries. So the value is real. And even with the smaller downstream, we think we can gain the benefits of that and still generate positive cash flow back to the corporation to grow our upstream.

So this slide shows our performance against our peers and then highlights our RM&T business in the US And you can see, for all market cycles, we performed well. We've got a competitive model. We've got strong reliable refineries and we've got cost efficient – cost efficient in transportation and marketing channels to get our products to market. We also focus very, very heavily on value chain optimization. Since 2003, we've averaged a 14% return on capital employed for the system and we've returned $17 billion of cash to the corporation.

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So the past is great, but we always talk about what we like to do going forward, and this slide will tell you how we improved our return on capital employed. Last year, I talked about a $500 million bogey of self-improvement that we had. And we delivered on that in 2010. So we ended '10 with a return on capital employed of about 5%, and these were areas of improving ourselves in cost, yield and optimization. Larry Archibald talks about the juicy worms in the downstream business. You know, all those are our juicy worms.

And as you move from left to right, in 2011, we've ground in another 2% of self-help into our return on capital employed improvements. The yellow bar shows what our restructuring and further improvements will give us. That's worth 4%, and that involves taking 500,000 barrels a day refining capacity out of our system and continued real business improvements.

And then longer term, as the economy grows and the world recovers, we expect to get some benefits from market improvements. And you can see how that actually takes us to the mid teens on return on capital employed. So let's talk a little bit more about these areas. Specifically for 2011, you can see this slide highlights what we're going to do.

Obviously, we're going to continue the relentless pursuit of operating excellence which really allows us to capture market opportunities when they present themselves. I talked about our $400 million of improvements or the 2% that we've ground into our budget this year. And this again is in the area of costs, yields and optimization.

If you look at the top right-hand side of the chart, you'll see the yield improvement of almost 1% for this year. And just to remind you, 1% of yield is a $100 million of net income for our business a year.

We also are going to take the opportunity of better diesel and gasoline selectivity and allow us to make the higher value product when the market demands. And on the lower right, we're going to continue to work hard at maximizing our advantaged crude to our assets. Now, typically, we run about 40% of advantaged crudes, and that's comprised of heavy and sour -- which is shown in the green and the red bars.

And, today, as you know, WTI has actually become advantaged. And when you combine the WTI end, we're just over 50% of advantaged crude to our assets. Now, we joke a little bit about using planes, trains and automobiles to get -- distressed crudes to our refineries, but it's not too far from the truth. We do have barges. We've got trucks and we've got railcars moving barrels to our assets and getting it to market. And we've been able to place over 50,000 barrels a day more than our budget of being able to get some of these crudes into our assets.

So this is our operating initiatives. Let me shift to the portfolio side. We continue to try to improve our portfolio in a couple of ways. We've got asset sales and capital -- which I'll talk about on a later slide. And since the merger, we've averaged $750 million of asset sales a year and we've totaled $6 billion since the merger of sales.

In 2011, we planned to have a $1 billion worth of asset sales in our systems. And these sales are all part of that $17 billion I talked about of cash flow back to the corporation since the merger. And these have been traditionally been non-strategic or lower return assets that we've been trying to dispose of.

Now, moving forward, the big challenge is how do we reduce our refining footprint. And there are a number of ways we do that. There's obviously the sale, the outright sale, which we're going through right now with Wilhelmshaven in Germany. If the sales aren't successful, there is the conversion to the terminals. But we're pursuing a number of other options as well. And that is joint ventures with either a strategic crude partner, such as Cenovus, as we've done with Cenovus, or someone that needs product and, perhaps, having a joint venture to be able to facilitate both of those.

We also have been looking hard at multi-refinery options. And this is where you have refineries that are nearby each other and the opportunity of optimizing those two refineries, avoiding CapEx, creates a lot of potential value.

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Now, we've actually done this before. We've got a number of systems in our portfolio that are multi-site facilities. Our Los Angeles refinery is the Wilmington and Carson plants. Our San Francisco refinery is Santa Maria and the Bay Area San Francisco refinery. And you'll recall, Wood River, we bought the Hartford coker years ago and integrated that in. So it's something we're very familiar with.

So, of course, the key to do this is you got to do it the right time and you got to get the right value and it's got to be tax efficient. So let me share a bit more on the criteria on how we look at our portfolio. We do have a very disciplined methodology as we try to shed our 500,000 barrels a day. And you can see the criteria includes integration, both upstream and downstream; financial performance and competitive position in the regions that we operate in.

This chart shows our refining assets. And you can see right is good on this because it's competitive. And you can see most of our assets are pretty competitive in the regions we operate in. On the up and down axis, you can see that we do have a range of strategic value to the corporation. So the dark green dots show assets that are heavily integrated in with upstream -- perhaps, the Canadian Oil Sands -- and, as you move further down, these are assets that don't have as much specific integration to us and may have more value to others and would be more sustainable.

So we're chasing all these opportunities in gray. And it's the ways that I talked about on the previous page in many of those different ways that we're looking at trying to monetize the assets. The other way we look at this is how do we improve our return on capital employed.

And if you look at the lower right hand side of this chart, what we're really trying to do is to take the lower return tail and improve that, ultimately returning the return capital employed of the entire portfolio. And with this framework, this really allows us to get towards that 15% of the ConocoPhillips asset base and all the financial metrics that we talked about.

Al Hirshberg talked about the market outlook. And, really, the point I wanted to bring out on this slide is that we're well-positioned to capture market improvements as they occur. Long term, we feel crack spreads will follow global recovery. And as they strengthen and light heavy spreads strengthen with Canadian crude production, we benefit from that. So every dollar of light oil spread is worth $500 million a year to us and the light heavy spreads are worth $80 million a year.

We invest in our assets. The integrity is sound and we feel that we're very well-positioned to meet ongoing challenges and legislative and regulatory changes. And we also have a strong commercial group that allows us to respond to global events to be able to get fuel and products, to the right places in the world as well as to capitalize on potential market dislocations. Some examples of this, when we had the Canadian pipeline outages late last year, we have a space on the Keystone Pipeline and we were able to take in more Canadian crudes into our system in the mid-continent.

And we do expect more rationalization in refining, particularly around the Atlantic basin. If you look at the current capacity that's out, it's about 1.5 million barrels a day. And we think there'll be another 1.5 million barrels a day of capacity that will be rationalized going forward.

Now, shifting to capital, we remain very, very disciplined on capital. We've got $1.2 billion in the 2011 plan for downstream. I've already talked about Wilhelmshaven and Yanbu, but just to give you the context of that, that freed up over $5 billion of commitments that we had going forward. So you can see the significant impact of not doing those projects for us.

Most of our CapEx is focused on asset integrity, reliability, clean fuels projects, equipment replacement, infrastructure improvements. We talked about meeting our consent decree requirements as well as improving the quality of fuels -- benzene and sulfur to be specific.

Now, just because these are must-do projects, it doesn't mean that we don't get a return out of them. Every time we have an expenditure, we always look hard at how can we convert these to a payout project. And I'll give you a few examples of that.

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We have an emissions control project that we had to put in our Bayway Refinery in New York Harbor on the stack to reduce emissions. By the time that we had to make the changes on the stack and the heater, it was actually more cost-effective for us to replace the entire heater. We got energy benefits and yield improvements in the unit. And that generated over a 20% return for us.

A few other examples in some of our plants, in Alliance in Wood River, it makes more sense to meet the benzene specs. Rather than saturating the benzene, we actually extract the benzene and are able to sell it for a higher price. And we have another good, low cost, high return project at our Whitegate Refinery in Ireland. We are putting a sulfur recovery unit in there that allows us to run lower sulfur -- higher sulfur crudes at lower cost which improves that facility, and that's a 25% plus return project.

So you can see our target. We want to get our capex spend below our DD&A levels. We think by doing this it really distinguishes us against the peers. And it's a very, very good disciplined approach for us. So on the subject of capex, I would be remiss if I didn't talk about our Wood River core project. This project is our project at the Wood River refinery, which is 50-50 owned with our joint venture partner Cenovus.

This is another excellent example of upstream integration with a downstream asset. The project is a $3.7 billion project, and it's a project built around a coking complex. And, essentially, what it allows us to do is to take what used to be asphalt and upgrade it into gasoline, jet and diesel. And that improves our yield by 5%, improves the net income earnings on the refinery by $300 million a year gross, and $4 a barrel improvement.

By doing this, Wood River will be one of the top competitive refineries in the Pad 2 region. The project is 90% complete. And we expect full operation fourth quarter of this year. So I've shared our story on how we're really trying to be excellent at everything we do. I hope you can see the many ways that we've tried to attack this through operating excellence, maximizing our realized yields, working the value chain to capture market opportunities and finding innovative ways to reduce our refining footprint.

We look forward to keeping you abreast of our progress of this through the years. And while we're getting smaller, we're going to be a stronger downstream asset and we're going to always be a key contributor to our integrated company both strategically and financially.

So you've heard a lot of challenges from my colleagues and I about our business. And I'll tell you, this is tough stuff, but it is what we do. So, at this point, I think I'll introduce Jeff Sheets, our CFO, who will tie it all together for you.

Jeff Sheets - *ConocoPhillips - SVP - Finance, CFO*

Thanks, Willie. Well, the shareholders in the room would probably agree with me when I say that creating shareholder value is a matter of combining strong operational strategies like what we've been talking about this morning with the right financial strategy.

And I'm going to talk about our financial strategy. Before I do that though, I'm going to spend just a few minutes rounding up the operational side with a few words about our chemicals and our midstream business. As you're probably aware, we participate in both of these businesses through 50-50 joint ventures that we started more than a decade ago. And both of these are very strong competitors in their respective businesses.

But first, a few words about DCP Midstream, our 50-50 joint venture with Spectra Energy. DCP is a really strong competitor in the gas gathering and processing business. You can kind of -- the proof point there, the fact that it's the largest NGL producer in the United States.

It's an interesting time for DCP right now. If you think about what's going on in the Lower 48 in terms of the shale gas revolution and all the requirements for natural gas infrastructure, DCP is well-positioned to take advantage of the investment opportunities

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that are there, both by virtue of their existing footprint of assets and their financial capabilities and operational capabilities. There is a lot of interesting investment opportunities for growth for DCP going forward.

If you kind of look at what they've done for us in the past though, it's been a consistent cash contributor back to ConocoPhillips. In the last five years, distributions have averaged $500 million a year back to ConocoPhillips. If you think about that in terms of return on capital employed, if you look at we have invested in the midstream business and the income we get back from it, the ROCE of this business is more than 30% for us.

So, likewise, we've got a very strong joint venture on the chemical side in our CPChem joint venture with Chevron. Chevron Phillips has also got very strong growth opportunities, a lot of big projects coming to the startup phase now. They started up the Q-Chem II Project in Qatar in 2010, so it's ramping up in 2011.

And in 2011, they'll start up the Saudi Polymers project, which is a large integrated chemical -- world-scale chemicals complex in Saudi. They've got that growth coming on, but they also have a very strong environment for chemicals currently. If you think the combination of high crude oil prices, low natural gas prices, for a company that's pretty much a natural gas liquids feedstock company, that has created an environment where 2010 was actually the strongest year that CPChem has had since they were formed back in 2000, nearly 500 million of income back to ConocoPhillips in 2010.

Like DCP, CPChem is a consistent cash contributor back to ConocoPhillips, averaging 300 million a year of distributions over the last five years. And, likewise, the return on capital, if you look at what we have invested, the ROCEs are quite strong, greater than 20% for this business.

So that wraps up the operational discussion. Now I want to move back and talk about financial strategy. So when we were here a year ago in this room, we talked about all the things we wanted to do to try to improve shareholder value. On the operational side, we talked about improving production per share and production levels. We talked about driving higher margins for that production. We talked about the things we're going to in the downstream side to try to improve that business.

And on the financial side, we talked about how we needed to make sure that that improved earnings and cash flow stream will be better valued in the marketplace. We had kind of three particular areas where we felt like we needed to make improvements. The first one was on strengthening our balance sheet. The second one was on showing that we could improve our returns on capital, and the third one was on the area of shareholder distributions.

So, likewise, this morning, what you've heard, you heard from Greg Garland and Ryan Lance about our E&P portfolio to show you where that production growth is going to come from. They spent quite a bit of time talking in some detail about how that production growth is coming at higher margins than what we've seen in the past. So we'll have kind of an improved profitability for BOE.

And Willie just got done talking about the things he's going to be doing on the downstream side to drive improvements there. So we hope you can visualize how that's going to mean to improved earnings and improve cash flow for us. So on the finance side, we need to make sure that that's -- that we're doing the things to make sure that those earnings and cash flow are properly valued by the marketplace. So, again, it's the same kind of emphasis going forward, making sure we maintain a strong balance sheet, higher capital efficiency and continued improvement in the shareholder distributions.

Now, a big part of our being able to make that happen is the asset sales program that we've been talking about. So Jim talked earlier this morning about the fact that we're going to take from what we said last year $10 billion of asset sales over 2010 and 2011 and expand that to an additional 5 to 10 on top of the 7 we did last year to where we're going to be $12 billion to $17 billion of asset sales over a three-year time period.

Now, last year when we got up here, we were pretty specific about what was going to be in the 2010 asset sales program. You're not going to see that same level of specificity from us going forward on asset sales. It's more likely that you'll see us talk about

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transactions as they occur. But let me give you just a little bit of guidance on what would be in our 2011 and 2012 asset sales program.

You'll see us continue to do things like what we've done in the past where we look at more mature areas of our portfolio like in the North Sea and North America and take a portion of that portfolio, the more mature assets, the non-strategic parts of our portfolio and continue to make reductions there.

You heard us earlier announce that in conjunction with the sale of LNG from the APLNG project, it would be selling a 15% interest between us and our partners selling a 15% interest. So we'll go from 50% down to 42.5% in that project. As we look around the world this year and next, there are some countries that we're in which would probably determine our non-strategic; and if we can get good value for the assets we have in those countries there may be certain countries that we'll exit going forward.

Willie talked about the things we're going to be doing on the downstream side as that market is now -- it looks like it's picking up to divest the non-core assets there. And then there will be other producing and non-producing assets, that could become part of the asset sales going forward.

So what does all that mean in terms of impact? You know, we can't give you a real precise guidance, but just some general thoughts on that. It's probably 50,000 to 100,000 barrels a day in production and something like 200 million to 400 million barrels of reserves.

So with that discussion on the assets, I wanted to turn back and talk about some of the financial factors. And the first one is where do we want to be in our balance sheet? Jim talked earlier today about how we really feel like, as far as our capital structure, we're pretty much in the sweet spot currently. We took $5 billion from our asset sales program last year and used that to reduce our debt from $28 billion down to around $23 billion. That brings us right into our target debt-cap range at 20% to 25%.

If you look at kind of how we stacked up compared to a lot of the peer group, it's a pretty similar capital structure to a lot of our peers as well. If you look at kind of the cost of our debt, the maturity profile of our debt, it's all very manageable. And we don't really see any compelling reason to bring our debt balance down substantially from where it is today. So it may drift down a little bit as things mature but we're pretty happy with where we are today. So we think in terms of strengthening our balance sheet, we're pretty well -- we are done with where we think we need to be on this.

So next thing I want to talk about is the question of improving returns. So lots of things that go in to improving returns and let me just highlight three of them in the -- in the few minutes. The first one is we need to always be sure we're controlling our operating cost. We need to make sure we maintain capital discipline. And we need to continue to invest in things that are -- have higher returns and move our portfolio away from things that have low returns. So there's a portfolio shift going on.

First on the controllable cost side, we've had -- we've seen quite an uptick in commodity prices lately. We think that that is probably going to bring upward cost pressure on prices going forward. But despite that upward cost pressure, we want to continue to decrease our overall controllable cost levels.

For 2011, we'd like to see our controllable costs to be a couple of percent lower than they were in 2010. You know, part of that is going to happen because of some high cost properties that will be disposed off in 2010 and things that we might do in 2011. Al talked earlier about some of the initiatives we have in the procurement side to continue to be as effective as we can at driving cost down in that area.

And then just as you've heard others talk about this morning, it's just part of our business to continually optimize our operations and drive cost down. So the overall picture on controllable cost is continued discipline in driving those costs downward despite the upward pressure we're likely to see in the marketplace.

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The second area on improving returns is continued capital discipline. If you look at our level of capital employed last year and going forward, it's basically flat capital employed. I think everybody here knows how you calculate ROCEs, that's denominator of calculations so that's basically flat. If you can grow income, you're going to have improving ROCE.

And that's where we think we're going to be going forward. It's basically flat capital employed and improving income. So, you know, how could we make that happen? A lot of it has to do with the fact we've moved from a phase of rapid growth, accumulating a lot of resource to a phase of exploiting the resource base that we have which is what you've heard our E&P folks talk about earlier today.

So we think that this is a recipe for improving returns by holding capital relatively flat and driving higher income going forward. And the last thing I want to talk about on improving returns on capital is the portfolio shift we have going on. So when we were here last year, we talked about the fact that about half of our portfolio was earning basically, you know, 1% or no return. And that being our North American natural gas business and our refining business which made up about half of our capital employed.

Now as we roll forward in time, we think that as we invest most of our money in upstream and most of our money in liquids rich parts of upstream, well that portfolio is going to shift from being for those components make up around 50% to closer to 40%. And that's going to help drive our returns as that portfolio shift happens.

But as important as the portfolio shift going on in that part of our business, it's also what you heard Greg Garland talking about on how we're driving returns higher in North America through the shift away from gas and to liquid in the higher margin plays that we have there. And you heard Willie just get done talking about the things were going downstream.

So it's not just the shift but the fact that we're going to be improving the portions of our portfolio that have lower returns. And finally on the finance side, I want to talk about the subject of shareholder distributions. I don't know -- let me wrap up a little bit on getting ahead of -- wrapped up a little bit on returns. We're going to tie this all together with everything we've done so far with the portfolio shift, improving cash margins. We think we're going to get help from the marketplace. They're all going to do these things that help drive our returns higher.

But another thing to keep in mind is that we ended 2010 with $10 billion in cash. And as we go through 2011 and 2012, the majority of that cash is going to share repurchase. So you can think of that as something that's also going to help accelerate improvement in returns on the capital employed.

So in 2009, we had a return on capital employed at around 7%. We can see that being nearly twice that in 2013. And similarly, we think we can have very strong improvements in cash returns on capital employed. So now let me shift to talking about shareholder distribution. Jim talked earlier this morning about the fact that we've increased our dividend every year since the merger at an average compounded growth rate of 14%. And that we increased our dividend earlier this year by 20%.

If you look over time, we've also been spending a fair bit of cash on putting money back to our shareholders in terms of share repurchase. You focus on 2010 in particular, we paid out $3 billion roughly in dividends and $4 billion in share repurchase. You add that together and you compare that to our market cap and that's something like a 6% or 7% cash yield back to our shareholders.

Looking forward to 2011 with the 20% dividend increase that we had earlier this year, that's $3.5 billion to $4 billion going out to our shareholders in terms of dividends. We've talked about the increase share repurchase; let's just say that's going to be in the range of $5 billion to $10 billion in 2011. You combine the dividend and share repurchase for this year and you're looking at something it's more like an 8% to a 12% cash yield back to our shareholders. So we're going to be quite aggressive on shareholder distributions in 2011.

So how does that compare to what we've done in the past -- in the past and compared to what the peer group is doing, last year when you looked at the comparison -- that's what's on the left hand side of this chart -- we found that while we've been

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aggressive on increasing dividends and we had been a participant in share repurchases, compared to our peer group we are relatively not as aggressive as they were.

You contrast that to where we were in 2010 to where we distributed nearly 40% of our cash flow in either dividend or share repurchases and that puts us right at the top of the peer group. So this 40% cash flow a Jim mentioned earlier, it's kind of where we think we need to be going forward in terms of shareholder distributions.

So what do we want you to take away from the meeting today about ConocoPhillips? ConocoPhillips is well positioned to continue to create shareholder value and in some ways we're kind of uniquely positioned to do that. You think in terms of the cash flow that we generate from our assets coming from strong cash flow coming from OECD countries primarily.

Going forward, we're going to augment that strong cash flow with continued proceeds from asset dispositions. We've got a strong pipeline of projects that we can reinvest that cash flow in where we're going to continue to be disciplined about the rate at which we reinvest the shareholders' funds.

We recognize that there are parts of our portfolio where the returns aren't as good as they should be and we're taking steps to address that. So you take that disposition and that approach and we think that's going to get us going forward. You've heard us talking about continue 100% reserve replacement going forward.

Our production per share growth short term, absolute production growth longer term, that production growth is coming at higher margins than what we've seen in the past. That's going to drive higher returns. You put higher production growth together with higher margins, that's a recipe for increased earnings, increased cash flow.

And as we go forward, we want to make sure that we're sharing those earnings and our cash flow with our shareholders. That means continuing to be aggressive on shareholder distributions. So we were here a year ago and outlined the steps that we were taking to increase shareholder value. I think the general feedback we got right away was, it's a good plan but we need to see it executed. I grew up in Missouri, I kind of understand the show-me attitude for that.

And as the year goes -- went on and we demonstrated that we were doing what we said we're going to do, the market reacted very well. And we had a very good year in terms of shareholder return in 2010. Now we know you didn't come here to hear us talk about what we're going to do in -- what we did in 2010. It's all about what we're going to do going forward.

So this morning, we've outlined what steps we're going to take to build on the success that we had in 2010. And we believe that this plan is going to continue to drive higher shareholder value going forward. That wraps what we're going to talk about today. We've tried to talk to you quite a bit of detail about our plans; we realize that there may be questions that you're going to have so we're going to take about a 15-minute break and then we'll come back and take those questions so thank you for your time and attention this morning.

(BREAK)

QUESTIONS AND ANSWERS

Clayton Reasor - *ConocoPhillips - VP - Corporate Affairs*

If people can find their seats, we'll start the Q&A session, please. So if people could find their seats, we'll start the Q&A. Thank you. Okay, I thought the presentations went very well. And I think we gave a lot of good information out and I know that there may be some questions that have come up as a result. So I think Jim's going to come up and take your questions and then to the extent that he wants to supplement his answers, well he'll redirect to some of the presenters. So, I'll turn it over to Jim Mulva.

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Jim Mulva - *ConocoPhillips - Chairman, CEO*

Okay, Clayton, thank you and so let's just start with Doug.

Doug Terreson - - *Analyst*

Jim, You got (inaudible - microphone inaccessible) okay. Okay, [Doug Terreson], Jim you got (inaudible - microphone inaccessible) pretty considerable improvement in growth and return profile over the last couple of years. And when you think about the production per share plan that you have which is obviously dependent upon repurchase plan, that that figure is something around 5%, you know, per share annually through '15.

But at the same time, the growth rate really doesn't appear to use much free cash flow or repurchases beyond 2011 which appears pretty conservative to me. So my question is, what repurchases are included in the 5% growth rate through '15 and what are the implications for dividend policy in this longer term scenario?

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Well, Doug, one of the things we tried to do is makes sure that we -- to some extent I agree with what your basic premise or your question you're asking -- is maybe we're a little bit conservative. We try to under-promise and over-deliver, quite bullish myself on oil prices for all different reasons.

I like to think the long term -- long term natural gas is going to be a real winner. It's going to take a while to get there though and so if you look at our company, I think there's opportunities to really ramp up share repurchase more than maybe what you see in the slides.

So if we probably are a bit conservative in that regard in terms of our capital spending, now $14 billion, $15 billion, you know, can go up a little bit, down a little bit, that's pretty much ballpark. Dividends, we like to be aggressive on dividends. Double digit growth in dividends each year, we think that's really good discipline. It's quite a signal to our shareholders. So when we build in, we're not thinking 5% and 6% we're saying double digit.

So double digit what does that mean to people, well demonstrated can be 10%, 15% and 20%. But then given the strength of what we see our legacy assets and our investments and our position of adding production like production per share, we look at -- there's probably a lot more opportunity beyond what we're saying that we could allocate more money towards share repurchase.

But then the question becomes, you know, how much -- how many shares do you buy in order to find shares of $50 or $70 or $80 a share certainly has impact with respect to per share growth. So we won't buy shares just at any price but on the other hand I agree with you as we look beyond this year into 2012, '13, '14 I think it's good opportunity to see growth in terms of share repurchase and metrics in terms of growth of production per share to be even better than what we've demonstrated. So there's a bit of under promise and over deliver here.

Jason Gammel - *Macquarie Research Equities - Analyst*

I'm Jason Gammel from Macquarie. Jim, a few specific questions about the divestiture program. First of all, are there any of the refineries that are on the market outside of Wilhemshaven? Or would you expect a billion in downstream divestitures to be made up of marketing terminals, et cetera?

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Second, is the REX pipeline still a component of the divestiture program? And third, the equity divestment in APLNG, would you expect that to be -- to a strategic off-taker? Or would you expect that to be another industry player?

Jim Mulva - *ConocoPhillips - Chairman, CEO*

First, APLNG, that is our partner, Sinopec. So they bought in what -- taking a full train. They want an equity participation to full chain. In terms of the divestitures on a -- on the downstream side of the Company, we are -- we are looking at selling refineries, we're looking at terminals, everything in it. Maybe, Willie, you might want to comment just what you can see and foresee.

Look, the market is a little bit better, assets are starting to move, so our premise by waiting a year or two, we think, is the right thing. But on the other hand, it's not like we're not doing anything. We sold our precision LUKOIL, a substantial sale of our asset disposition. We want to make sure that when we sell refineries or we venture them or whatever we do with them that reduce our participation that we're really creating value for the shareholders. So, Willie, do you want to comment on REX pipeline and some of the refineries?

Willie Chiang - *ConocoPhillips - SVP - Refining, Marketing, Transportation and Commercial*

So, Jason, right now, it is only Wilhemshaven that's up for sale. That's only one that's out there. The answer on the billion dollars, it's -- it's a mixture of all three. It's refining marketing and transportation asset -- refining and mostly transportation assets. And we will be more specific as we -- and as we kind of go through the year there.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

But Willie said it's the only refinery that's technically on the market, we're talking to many people about everything that we have on a downstream. So you -- but a formal process where you get an investment banker and to help you sell an asset, that's really -- it's Wilhemshaven. But the discussions with strategic players that should want to own a given asset or a competitor in the business while we -- those discussions are on going. Arjun?

Arjun Murti - *Goldman Sachs - Analyst*

Thanks, Jim. It's Arjun Murti with Goldman Sachs. Jim, your team highlighted the large amount of unbooked resources you have in your portfolio. And I know you're focused on developing those internal options. I was wondering if you could comment at all in your latest thinking on acquisitions what role they'll play in using some of the -- the free cash load Doug had mentioned earlier. Should we expect tactical deals like the APLNG? Would you still consider larger transactions? Just run in your latest thoughts on the acquisition at what role that plays? Thank you.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Okay, come back on the REX pipeline. We didn't answer the question. But strategically, we would like to part with our interest in REX pipeline. We felt that the offers we were given, say, a year ago or whatever, we're not good enough, but we said we're going to revisit this at some point in the future and we will. So we haven't changed our mind in terms of what we want to do in the REX pipeline.

Arjun, on acquisitions, I could be wrong about this. But I just see the environment for buying at making substantial investment to buy another company or something like that. Consolidations may take place, but I don't see it in the next several years. So our concentration really is on organic growth and our ability -- I want ask Greg and Ryan to give their comments on what they see as opportunities for, I'll say, acquisitions.

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But it's going to be directed more into positions, discovered resources, how can we complement hundreds of millions of dollars or a billion or two, that sort of thing, but I don't see the acquisition in the M&A market over the next three to five years or whatever time period it is like we've seen in the past decade. That doesn't seem to be available of the cost, whatever, political reasons or a fit really for what we're doing with our -- with our company. So, I'll start with Ryan. Do you want to say something and try to respond to Arjun?

Ryan Lance - *ConocoPhillips - SVP - Exploration & Production International*

Yes, Arjun. So we're looking -- you saw Larry talk about growing the exploration portfolio, looking for new opportunities like Angola. But we still – we call them DROs, Discovered Resource Opportunity. We are still out there looking for good opportunities in the areas that will complement our existing portfolio, and we think fit going a long term.

So Asian gas, we think it's going to be pretty strong, so some of the opportunities that present some stuff out there you'll see us looking at some of that kind of stuff. So we continue to look. It's a hard business. You got to keep reloading the inventory. Bringing more resources in.

We're going to do a lot through our own portfolio. We're going to do it through exploration. But we continue to look at discovered resource opportunities around the world as well.

Arjun Murti - *Goldman Sachs - Analyst*

Is shale all part of that as well?

Ryan Lance - *ConocoPhillips - SVP - Exploration & Production International*

Sure. I think Greg can comment on and Larry both, but well look for shale opportunities and nonconvetionals as much as conventionals.

Greg Garland - *ConocoPhillips - SVP - Exploration & Production Americas*

So, Arjun, I think we have said with $1 billion, $2 billion, $3 billion in the Gulf for opportunities, and we'd like to continue to look at that. Anything around our core areas we're interested in adding positions there, but, you know, I know weren't looking at companies or we're looking at assets and land mostly. So, Larry, do you want to anything?

Larry Archibald - *ConocoPhillips - SVP - Exploration & Business Development*

No, I think it's been pretty said. But, yes, we want balance between unconventional and the conventional, obviously, and I always prefer to grow those unconventional positions organically rather than doing the multibillion dollar late entry acquisitions and spin offs from Chesapeake and others that many of our competitors have done. But if we see exceptional value out there that's a good fit, we're going to jump on it whether it's discovered resource or exploration acreage.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

As Larry said earlier in his presentation, we're putting the money, the financial resources, the technology in the people side to find the next Eagle Ford, and if not just in one or two areas, multiple areas in the Americas, as well as Ryan said internationally, we'd like to take what we know and what we've learned and go to other place and see the world.

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Stan Harbison - *Hudson River Global Energy - Analyst*

I'm [Stan Harbison] from [Hudson River Global Energy]. In terms of incremental opportunities that would seem to me sort of following from what you said would be selling not buying. When you have KNOC, Chinese companies, two of which you have strong relationships with, Reliance and whomever else, we seem to be paying a premium over the industry estimates of value. Wouldn't that be great a way to channel cash through into more share repurchase?

Jim Mulva - *ConocoPhillips - Chairman, CEO*

In other words, sell refining more aggressively?

Stan Harbison - *Hudson River Global Energy - Analyst*

No, upstream. Upstream is getting huge -- huge premiums I think.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Well, obviously, we have done some of that. We talked to all of those companies. And there is an interest, but yet we also want to make sure that when we look at selling upstream assets that they're fact sufficient. You can take some of -- I'll just give you an example. You could take some of our very large positions that we have in the North Sea and you could sell an asset and you'd get an incredible price for it.

I don't know what the numbers are, but you get 50% to 60% back to the government, the shareholders, what do they get? So what really drives us, you know, we're not in love forever with everything. But we got to make sure that we -- that we say we'll sell something, we'll look at anything and everything, and we recognize and agree with what you're saying. But we got to make sure it translates into cash that's available to give ultimately the reinvestment are back to shareholder. Ed?

Ed Westlake - *Credit Suisse - Analyst*

Yes, maybe two upstream questions. It's Ed Westlake with Credit Suisse. Firstly, Greg, you've got strong liquids growth out to 2013. Can you talk about where in the Lower 48, specifically, how confident you are that you can continue to drive the liquids growth higher beyond that? And then a question in the Arctic, obviously, that's a contentious subject, but it's shallower water. How confident are you that we can get back to drilling, say, in Chukchi Sea and what timescale?

Greg Garland - *ConocoPhillips - SVP - Exploration & Production Americas*

Is it on? It is on, okay. Okay, so first question, I think as we continue to build around our core areas that will deliver liquids growth beyond the 2013 timeframe Lower 48, there's no questions the SAGD is going to continue to drive liquids growth for very, very long period of time.

The second question is a lot harder to answer because I'm not sure we really know when we're going to get to start drilling again in the Arctic. You saw the comments in the commission's report about the Arctic and really forecasting that we should exercise caution before we go back into the Arctic.

So that's a question that I think is difficult to answer. We're starting to get back into the Gulf of Mexico. I think Shell just got a permit recently in the deepwater well to start prosecuting that. But I think that will come with time. But there are some -- but I think there's big challenges remain in the Arctic.

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Jim Mulva - *ConocoPhillips - Chairman, CEO*

Our premise says that we are scheduled on our plan, I think, Larry, is to get going in Chukchi, 2013.

Larry Archibald - *ConocoPhillips - SVP - Exploration & Business Development*

Yes, 2013 at the earliest. We're actually in a, I guess, enviable position. We're not burning any cash on that operation as we wait for their regulator environment to be sorted out, unlike at least one of our competitors. We're not pregnant in an Arctic drilling fleet. And we're going to wait and see what develops there. And in the meantime, we're getting tolling, extension on our leases there. So we would like to get after it, but it's not urgent. In the meantime, we're going to park things until we see regulatory certainty.

Kevin Kelly - *Morgan Stanley - Analyst*

Yes, Kevin Kelly from Morgan Stanley. You know, clearly, the view and the significance in North American unconventional liquids has changed for Conoco as well as the industry. How do you view your organizational limits for reinvestment? And then it's clear that -- appear to have more running room in the Bakken or some other place. How does it -- how do you balance an impact of a buyback versus an opportunity for reinvestment at high returns?

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Well, I thought you were leading first, and, Greg, you can comment here in a moment, that we had organizational bottlenecks or people or issues, you know, how can we have the people to do everything we want to. And I think one of the things we -- in the past year when we said no to some of the major projects like Yanbu, Shah, Wilhemshaven, this allowed us to redirect our available people and all to do the projects even better than we thought.

That was -- what Al Hirshberg was talking about. In terms of our projects where we invest, first and foremost, we look at what good opportunities do we have to invest capital on our basic business. And we do all the best projects, then after that, we look at giving it back to the shareholders, but I'll ask Greg and all of you, do you want to comment on this question?

Greg Garland - *ConocoPhillips - SVP - Exploration & Production Americas*

I'd be happy to do that. So in terms of organizational limits, I think that we've got human capacity, subsurface drilling to execute it. There are limits in terms of the services. And one of the things we have with our size and our scale, you know, we can lever that size and scale, for instance, like in the Eagle Ford, you know, we were able to get three dedicated frac crews. They're signed up. We'll have them in place.

And so, we're not waiting on any capacity. I think that the limits that we see in the Bakken and we would like to do more for sure, they're more related to takeaway capacity. And we don't want to over drill the existing takeaway capacity. So, you know, there are pipelines being built and so as those come up, we can accelerate there, the same thing in the Eagle Ford. We don't want to over run that takeaway capacity.

Greg Garland - *ConocoPhillips - SVP - Exploration & Production Americas*

I guess, I just might add that we -- you can see from the cash position that we showed earlier that we've got quite a bit of flexibility on our balance sheet. So to the extent that we can find attractive enough work to do, we may go spend more money

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doing it. But we -- what we don't want to do is lose our discipline, our focus on returns and chase too far down the list. And so, to the extent that those opportunities are there, then we'll invest in them.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Well, the other point is we don't want to lose the optionality of that opportunity. So we can do it today, we can do it next year, but always an optionality. It's just a question of how quickly we move on. Paul?

Paul Sankey - *Duetsche Bank - Analyst*

Jim, you've outlined a plan through 2013, which would encompass your retirement age. Could you -- in the past you said you might continue to be on that age. I just wanted what your current feelings are on that? And secondly, to what extent would a way of bowing out for you to be to sell or merge ConocoPhillips? Thanks.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Well, that's great. First of all, the inferences, I plan to be alive beyond 2013, that's the first. But in a serious way, look, in terms of secession and retirement and all of that, we -- that's a decision by our board of directors. We have a pretty robust secession plan and development of our people.

You see the -- as I said this morning that this is the leadership team of today and tomorrow. So you can -- the plans are that I will retire sometime during the year 2012. The 2013, when we have numbers up there, is convenient for driving with respect to what is an expression of what the Company, or the business line, or what the capital spending, or the balance sheet will look like just to give you a manifestation or expression what to lays ahead. It has nothing to do with respect to my time in the Company.

But the plans are to sometime in 2012, I will retire and, you know, the Company is in really good shape. We really like our strategies and our plans, and we've got the people to do it. And so, you know, it makes a lot of sense to -- at that point in time.

Now, your -- I think you're second question was, you know, some big transaction or some kind of a strategic change in the Company as a final action before I retire. And you really directed it, I think, more towards to the downstream I think. Was that right?

Paul Sankey - *Duetsche Bank - Analyst*

No, I think you got the whole ConocoPhillips lock, stock and barrel. But I also had the idea that you might spin out the downstream and the way that Marathon has --

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Jim Mulva - *ConocoPhillips - Chairman, CEO*

Well, Paul, you have two, two unique things. One, you think big. And the second is you have a way of always asking more than one question or so.

So the first is from the whole idea of, as I just said, I think as Arjun, mergers, acquisitions, consolidations, we really think we've got a great plan. I don't think this is the business environment to do things like that. I don't think we'd be creating value for our shareholder. So the Company you see in the plans that we have, that is our approach and our direction now.

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Now, but you raised an interesting thing on the second question, which is the refining side of the business. As you see in our plans and approaches, one, we're pretty good at the business. So, as Willie outlined it, we're doing things that are further going to improve, less capital employed in it, less of our portfolio but improved our pretty strong position that we have in the refining side.

I think that historically we did the right thing. We got out of the marketing side pretty much, so it's really the refining side. And we're going to be [lessening] our volumes and whatever. We looked at selling. We looked at venturing. Willie said. Maybe someone has a facility next to ours. Can we do something with cost capital investment, improve efficiencies.

Now, what you're really suggesting is do we look at or should we consider doing something like Marathon. And you know, for us, I don't think so. But on the other hand, I watch what Marathon has done and the market response has been pretty good. On the other hand, you have to ask yourselves if things are done just in the short-term. How sustainable? How much real value creation? What are you doing to the nature of the Company, because it's really not just in the short-term, it's the medium and the long-term, are you really creating value for the shareholders.

So I applaud what Marathon has done. I think for them, they've decided it seems to make sense and work for them. Whether that's something that we should do, I don't think so. But we are certainly going to take a good look at it to see whether it does or doesn't make sense for us. Okay? Sorry, I can't see the name.

Doug Leggate - *Bank of America Merrill Lynch - Analyst*

Thanks, Jim. It's Doug Leggate, Merrill Lynch. A couple of quick ones. As we look at the production that you've laid out today, the disposals take you to I think you said 1.65 million barrels per day. And then you talked about 2-3 percent production growth, but there's a 0.50 million barrels of new projects coming online.

Either the decline is getting a little faster or that you're being very conservative on the targets. Can you elaborate a little bit on how you see the visibility and perhaps what you think our production could look like under the current plan? Another follow-up, please.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Okay. Well, it's difficult for us to try to give some bands on production because it depends on what we sell. Jeff indicated that there are mature assets like maybe in the North Sea that we part with and the Americas. And then he indicated that there's potential smaller country interest that we have. So it's kind of hard for us.

Our commitment to selling an additional 5 to 10 certainly is there. On the other hand, making it happen, we don't know for sure because we're just not going to part with something just to part with it, we got to make sure we're getting value. So that's why we gave you this little bit of gray area in that respect in terms of this is what's going to happen.

In terms of our decline rates, I'll let Ryan talk about this because Ryan, what -- I think we're about 5% after we spend money to arrest our decline. But go ahead, Ryan. Why don't you –

Ryan Lance - *ConocoPhillips - SVP - Exploration & Production International*

Yes, just right. We are kind of unabated decline, we run at about 11%. When we exploit the assets, we cut that in half down to about 5% decline rate. And the projects that we're adding, you saw the profile going forward, it is 500,000 barrels a day. You add that to the decline. And the uncertainty around the 2% to 3% long-term growth rate is just trying to put all that together, trying to put that decline rate together.

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The level of exploitation investment, you saw Greg talk about our North American portfolio. We're not investing in some of those. The San Juan and some of those other properties are declining because we're not going to invest against those low gas prices. We're ready to ramp up that investment, that impacts some of our decline going forward, so we draw that together and it generates the kind of perspective that you saw today.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

But as the portfolio going forward, if we have more oil sands, more LNG projects, that natural decline would probably be less. And then the other thing is we can make that number pretty much what we want because we have available prospects. We think -- I think, longer term, natural gas is a real winner. Well, we're going to be able, we don't know. We're not premising a real significant improvement to natural gas prices. But once it starts moving about $5 an MCF on a sustained basis, we said longer term, 5 to 7. Well, we've got a lot we can do to add production and that certainly is going to have an impact on that decline rate.

Doug Leggate - *Bank of America Merrill Lynch - Analyst*

Thanks. But my follow-up is really just a philosophical question on the share buybacks. Clearly a terrific strategy for the Company, but buying back stock at $60 versus buying back stock 30% higher. How do you think about in terms of shareholder return on that investment if you like versus Arjun's earlier point about the 40% to 50% returns you can get in reinvesting in the business. Thanks.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Well, yes, so we get to keep our eye always first on what returns can we get to redeploy whatever cash we have back into the business. That comes first, we'll do that. The other is right with it, we want increases in dividends every year. A share repurchase. We have the cash. I think we, as per Doug's question, I think we might be on the conservative side in terms of the amount of a share repurchase. But on the other hand, you just don't buy shares irrespective of the price. So, hopefully, as the share price continues to move up like we've experienced, we have to ask ourselves, you know, is it the best use of our cash.

Historically, over the last -- a long period of time, anywhere from five to ten years past, our component return to our shareholders has been share price appreciation and dividend of about 13%. So we've got to always keep figuring in the short, medium and long-term how we're going to continue to do 13%.

And if our share price gets to a point where it's not supportive of that then at some point you ask yourself how do you give it back to the shareholders, maybe more dividends or obviously be looking at can we do more than spending. So there's not at any price that we just keep aggressively buying our shares. That's really the answer.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Mark?

Mark Gilman - *The Benchmark Company - Analyst*

Jim, thanks. Mark Gilman, The Benchmark Company. Two questions, I think there was mention earlier on in the presentation of 12 anticipated upstream project sanctions in 2011. I can get to six based upon things that were said, four in FCCL, APLNG, and the West Alpine satellite project, and I was hoping that the upstream team could give me some insight as to what the other six are.

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The second question relates to, in part, the divestiture activity. You still have a meaningful Canadian liquids conventional position. Does that pass the acid tests in terms of maturity, tax efficiency even though it kind of cuts against the grain a little bit from an oil versus gas perspective? Thanks.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Okay. So I'm going to let Greg. You can address the second one, the second question of Mark.

I'm not surprised at your first question, Mark. You always will count to see whether it's 12 or it's 13 or it's 11. I'm pretty sure it is 12. And maybe I'll just ask Al and there's someone after or if could come back and just go through what the 12 are and to try to go through it. Right now I'm pretty sure you've counted properly, but we've got the 12 to respond. So, Greg, do you want to try to address Mark's question?

Greg Garland - *ConocoPhillips - SVP - Exploration & Production Americas*

I was finding Ryan his 12 projects there. So he's ready to do it. So your question is about Western Canadian Gas and is that an opportunity, all the liquids in WCG? Yes, so there are some. We talked about the Cardium today. And so when we're thinking about our focus and where we're going to drill in WCG over the next couple of years, we're going to pursue the liquids piece of that. So we're not taking our spending to zero in Canada, Western Canada. We're spending about --

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Mark Gilman - *The Benchmark Company - Analyst*

(inaudible question - microphone inaccessible)

Greg Garland - *ConocoPhillips - SVP - Exploration & Production Americas*

Oh, a divestment? I missed that. I'm sorry. Will we divest it? I think that any asset we have, if someone's willing to pay us more value than what we see in the asset, we'd be happy to sell it. And I think that we'll just -- everything is for sale in the portfolio.

Mark Gilman - *The Benchmark Company - Analyst*

(inaudible question - microphone inaccessible)

Greg Garland - *ConocoPhillips - SVP - Exploration & Production Americas*

Yes. So you go back to this criteria for any asset sale, it's got to bring value to us. It has to be tax-efficient for us. And if it doesn't pass those criteria, we won't do it.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

I don't know on this specific question that Mark has. I don't know if Jeff or Al has any question. Because I know you're pretty familiar with the tax side of Canada.

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Jeff Sheets - *ConocoPhillips - SVP - Finance, CFO*

It's really a property by property thing, and you can't think of generalizations, how things are structured, can you do things as sale of a partnership interest or sale of a company interest as opposed to sale of an asset. So it's hard to say just categorically that something is tax-efficient or something is not tax-efficient. So it's really a case by case thing, and that's the kind of thing we looking at when it comes to time to do an asset sales to try to drive that tax efficiency we've been talking about.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

That really was our experience at Syncrude. We had a unique asset, highly desired, and we had a way that we could very efficiently sell it. Other questions? I think there's one over here.

Blake Fernandez - *Howard Weil*

I believe this is a question maybe for Willie. Willie, you mentioned the opportunity to barge truck and rail crude presumably away from Cushing. Can you give us an idea of the cost per barrel range on that, which you believe a kind of a more normalized spread between WTI Brent would be? And, Jim, maybe if you have any comments on reversing Seaway? Thank you.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Willie, you can answer the second question as well.

Willie Chiang - *ConocoPhillips - SVP - Refining, Marketing, Transportation and Commercial*

Your question around moving barrels out, I don't have an exact number on the barging cost. I can tell you on the trucking cost, it's about $10 a barrel. But the constraints that we've seen really haven't been dollars, it's actually been the barge or the train or the truck, to be able to move it. And I think if you look at the spread that's between WTI, and I'll just say Brent today, at $15, and you would think if there were available equipment, everything would move. But I think just that fact that we haven't been able to move all the barrel shows that there's a limit of logistics constraints and equipment. The question on Seaway, you know, I've gotten that, you really want me to answer that one, Jim?

Okay. Seaway, the issue there is we have a mid-continent refining center in Ponca City, and we also want crudes that allow us to make what we call "premium coke" at Ponca. So if there's a need for us to bring crudes into the mid-continent, the other piece on it, everyone talks about reversing Seaway as being a very quick solution. And I would tell you that it's not, you can't do it overnight. The timeframe could be six months, it could be a year. The dollars are not free either, it costs money to be able to reverse it.

And so we're looking at that with our partner. But conceptually, you've got to look at other ways -- you know, that you got TransCanada's pipeline that's going to come through Cushing and you have to ask yourself when will that come to fruition from Cushing to the Gulf Coast. I think TransCanada just came out and said that there may be some delays with regulatory approval and they're pushing this back to, at the earliest, probably 2013. So that pushes it back.

But you've also got additional capacity of tankage that's being built in Cushing to the tune of 20 million barrels plus. So you have to factor all those things in. And what we wouldn't want to do is to spend money to reverse seaway, impact the refining capacity and then not have it generate cash back for us for the joint venture seaway or hurt our refining production capabilities.

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Jim Mulva - *ConocoPhillips - Chairman, CEO*

You know, that brings up TransCanada, the pipeline, coming down where its infrastructure that's well-known, that is really required. It's a good example. You know, we talked frequently over the years, that our country does not have an energy policy. I'd go a little further, the policy is no. They just say no to everything. Because this TransCanada pipeline needs to be built and it's just a good example of its expression of no energy -- and that we don't have an energy -- that it's policy is no to everything.

Our industry feels where you have the technology and the capabilities to get going on exploring in the Gulf of Mexico, with Chuckchi Sea infrastructure, there are so many things. But to get through and getting the permits and essentially when you say we don't have energy policy, all we really have is a policy of saying no, no, and that's really not good for jobs, investment or energy security. So, you know, as a country we've got to turn this thing around. Paul?

Paul Cheng - *Barclays Capital - Analyst*

Thank you, Jim. Paul Cheng, Barclays Capital. Jim, since we're talking about logistics, you've been selling so much in the logistics side but you still quite a lot pipeline and terminal and all that. And while you said your stock has already gone up a lot over the last 12 months. But comparing to what some of the MLP can trade, that it's still very low. So, I mean, you just continue to sell some of the assets. Does it make sense that you look at whether making an MLP out of your logistics systems will perhaps create even better value for the shareholders.

And also that talking about logistics, do you -- adding production from Bakken from Eagle Point and knowing that is just going to just increase quite rapidly. So are you just relying on the industry that to build out the infrastructure, to allow those oil out or that you actively and what step you're taking to ensure that you get the best max (inaudible) in comparison to your competitors in those areas? Thank you.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Okay, I'll just talk around these two questions and then I'll ask Jeff to respond to MLP and then others who ever want to on the evacuation.

Generally, we tend -- I think it's unique by area or whatever the opportunity is, to let others build that, the evacuation capacity. If it's not, then it's really impacting just us, why we obviously would get into spending the money to doing that.

So others on the E&P side can comment on that. But, Jeff, you want to say something on MLP because we have studied MLPs for 20 years and they seem to sometimes and then sometimes not. Yet, on the other hand, we really haven't done much in this regard.

Jeff Sheets - *ConocoPhillips - SVP - Finance, CFO*

Yes. And then we've studied MLPs backwards and forwards the last, you know, like Jim said, 20 years. I mean, we do participate in the MLP market through DCP and midstream and that midstream company has an MLP. So we're very familiar with how the market works.

When we look at it, we think of it, what's the potential source of capital. It's somewhere between debt capital and equity capital. It's not just like issuing equity. We don't think of that. When we think about all of our sources and capitals being a particularly efficient source of capital for a company of our size, I think it makes a lot of sense for smaller companies who may have some constraints on their access to capital. And we don't really see that. And also, when we look at the types of logistics assets that remain in our portfolio, you know, all of our midstream businesses is done in DCP, so there's no midstream asset of any size to put in there.

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We have a few downstream assets, but a lot of our downstream assets which might be an MLP or things that are kind of 100% used by our proprietary systems and there are things that we have a real strategic interest in keeping longer term. So as we look at it, there's not -- we don't think there's really critical mass in our company to create a really strong MLP. So it's not likely to be something that we do going forward.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

In terms of Bakken evacuation, you want to say something, Greg?

Greg Garland - *ConocoPhillips - SVP - Exploration & Production Americas*

So I think we have to look at each of these areas on a case by case basis. For instance, Eagle Ford. We're going to lay some backbone infrastructure in Eagle Ford that will allow us to connect to multiple parties. One of our preferred connects will be DCC obviously, our midstream company.

In Bakken, we're taking the approach we're going to connect to multiple people but we're not going to make investment and take away capacity. We don't think it's required in this case. And so we're working with multiple parties to ensure that we can take the capacity weight.

The same thing with the oil sands. You know, take away issues from the oil sands. We're working with our partner Cenovus in developing a holistic transportation strategy. So we make sure that we can get those barrels evacuated out of that area.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Kurt

Kurt Wulff - *McDep LLC*

Thank you, Jim. On transportation capacity and political factors, you've had this Alaskan gas for a long time and dealing with the Alaskan government has been difficult. In the past few weeks the energy picture has changed a little bit with the tragic accident in Japan. And you could make a much stronger case today that we would have thought a few years ago for LNG on the Alaskan coast and sending it to Japan. So that the case for the Alaskan pipeline might be a lot better today than it was a year ago. Can you give us any comment on how do you think the government of Alaska is going to be more helpful in developing that kind of a project?

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Well, it's a -- I'll ask Al to comment here in a moment, his thoughts on this. But it's an indigenous resource. We know that it's been there. It's probably going to be a high cost to the market. We'd like to get it developed, we know Alaska would, but it's going to take some fiscal certainty, maybe some incentives to make this happen. We have and along with other producers up the North Slope, who have looked at certainly a pipeline down the lower 48 or connect a manifold into the lower 48 to the Canadian system.

I think that gas long-term is a real winner but still Alaska is going to be pretty high cost. We have looked at, as the other producers, we looked ourselves at LNG export. So whether that changes and leads to the development of our Salt gas, who knows? Al, you want to make a comment? Oh, I was trying to get you to talk while I'm trying --

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Jim Mulva - *ConocoPhillips - Chairman, CEO*

Okay, let's go to the next question. I know, Mark, you got your head raised, but I want to get around to everyone else.

Faisal Khan - *Citigroup - Analyst*

As I'm looking through slide 39, it looks like liquids production is relatively flat from 2010 to 2015 and I just suspect that's because you've got a ramp-up in unconventional liquids and the decline in some of your legacy portfolio. But can you give us an idea of how the margin per barrel trends over that timeframe? Are these going to be more profitable barrels on the liquid side in 2015 or roughly the same, all else being equal?

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Well, I don't have the slide in front of me. But I think what you heard from us is we're really driving through not only -- or to improve the returns, meaning the income and the cash per barrel. And I'd like to -- maybe, Jeff, you can comment, or Al, that we are growing in those margins if we self-help, not just through the commodity-price expectation. So, either Al or Jeff, do you want to comment?

Al Hirshberg - *ConocoPhillips - SVP - Planning and Strategy*

If you go through all the other pages that are in here and all the data on cash margins the E&P guy showed you, you can piece together pretty well the answer to your question of how we expect to see -- that it's really two parts.

First, is that the volumes and the areas that we're growing, we showed you the 2010 cash margin. So without any improvement, what we've made last year from those areas and what you'll notice is all the areas where we're growing volumes, the cash margins last year were higher than the corporate average. And the areas where volumes are shrinking like US gas, for example, over the next few years, is where we have cash margins at 2010 that were lower than the corporate average. So you can do the math from there.

But in addition, we talked about all of things that we're doing so that forward margins from self-help initiatives will be better than the 2010 margins. Greg mentioned, for example, the dramatic reductions we had in drilling cost in several of the unconventional areas, those sorts of things.

So in addition to any increase in realizations that you might assume, it will obviously also improve cash margins. We've got a lot going on in the self-help arena too. So those two factors together should significantly improve our returns going forward.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Okay, next?

Iain Reid - *Jefferies International*

I've got a couple of questions about Australia. Is it possible to say on the Sinopec divestment what you realized from that and how we should think about that relative to your entry cost into APL&G?

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And secondly, on Poseidon, you saw that's commercial now. Can you give us some idea of what the resource is now, Matt, and how the Browse getting going as a project. Do you intend to try and utilize that with Browse or do you have another development scheme in mind?

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Okay, Ryan, you want to address those questions?

Ryan Lance - *ConocoPhillips - SVP - Exploration & Production International*

Yes. So the first question on APL&G, we have signed the contract with Sinopec and sold a 15% equity and sell that first trade and gas. Unfortunately, we can't talk specifically about how much we sold the equity for nor the gas prices. The terms and conditions of that contract still remain confidential until we take FID later this year. So it will be some time before we can potentially talk a little bit more about it, we can't today.

On the barrels, when Larry mentioned commerciality, what he meant was that an important part of the Plover and in that part of the world is making sure that Plover can produce at commercial quantities. So we had to -- as our road test of the opportunity and the discovery there, what we learned was pretty important is that we can get commercial flow rates out of the wells.

We haven't declared commerciality in terms of meeting our minimum size. We have more exploration and appraisal to do in the area before we've met up by resource size that we think is sufficient to launch the project. So we still have some more appraisal to do on the field. So the commerciality was, with respect to the Plover, can floor commercial rates of gas.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Okay, next question?

Kate Lucas - *JP Morgan*

In looking at your long-term production growth rate of 2% to 3%, can you talk a little bit about how much of that is contingent on the resumption of activity in North America natural gas and then how much of it would be contingent on exploration success in new areas? And then to the latter, how soon would you need t see some success in your exploration program in order to be sure that you've kind of backfilled the projects late? Thanks.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Well, I think -- and others should get ready to comment -- but in terms of our growth rates in our production levels over the next five years, we're really not assuming anything from exploration success. That we don't already have and factored in. The others want to speak and address to the questions?

Greg Garland - *ConocoPhillips - SVP - Exploration & Production Americas*

2013, really, gas is going to be declining in our portfolio. As we start moving out to 2015, you can see Al talk about it, we see price expectations kind of in the $5, $6, $7 range. As it starts going above $5, then we'll start reengaging. And so you'll see gas start being a more important component in terms of the forward look. But clearly, you know, the oil sands and the shale plays for the first two or three years are going to be the big part of driving the liquids area.

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Jim Mulva - *ConocoPhillips - Chairman, CEO*

Okay, two more questions. Way in the back.

Elias Palacios - *Maxim Group*

Thank you. This is Elias Palacios with Maxim Group. A question about LNG, what is your -- can you come under interest to expanding your footprint there in various regions whether it's in liquefaction or regasification or even participation in the spots market?

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Okay. Our participation, we like LNG projects and I think that was one of your questions, if we've got the right resource, a good resource, we feel that we've got the technology and the transportation capability, we can get to the market. I don't know if, Ryan, you want to say anything to that?

Ryan Lance - *ConocoPhillips - SVP - Exploration & Production International*

No, I think Jim is right. We enjoyed the cascade technology that we use. It's pretty efficient. It's low-cost. It's very fit for purpose for multiple different applications. That these are large projects, they do require contracts to underpin the risk associated with developing these projects. So we still like the contract, but I think Willie can comment. I think we have aspirations too to increase our exposure to the spot sales and the marketing of LNG as well. So as we grow their equity position, our supply position, that's going to lead to new opportunities for us on the commercial side as well.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Okay, Willie. Is that -- okay, one last question anyone? Okay, Mark, you get it.

Mark Gilman - *The Benchmark Company - Analyst*

Thanks, Jim. Since the DCP and CPChem joint ventures were created, the industry environment, to say the least, has changed rather dramatically from the chemical side at least for the time being anyway, creating considerable advantage as opposed to disadvantage for gas-based feed stocks.

In terms of the DCP side, as I think your colleagues alluded to with the changes in the distribution framework, if you will, within North America, there's a significant opportunity set that is now in place that was probably not in place at the time the joint ventures were created. I'm wondering how well those structures -- and I'm not just speaking about MLP -- those structures serve would you believe to be the Company's best long-term interest as we go forward?

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Okay, let's talk about the chemical joint venture that we have with Chevron. It's -- you know, several years ago, we felt that we are very disadvantaged with a lot of our capacity in North America. There was natural gas, ethane and propane drive for the chemical business that's why we went to the Mid East. We had access to whole cross-feed stock, did not access the new low cost feedstock. Really plentiful availability in the Middle East in terms have changed at lot on the loan availability, but we got into the ground floor in chemical business in the Middle East and we've really got a great position.

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But what has turned around is, you know, the chemical business, and you might argue, to some extent the oil cross-feed stock sources in North America, so it has changed pretty dramatically. So from a chemical point of view, ourselves and Chevron, we're very supportive of our chemical company to really grow and develop it. The other aspect, if you could step back and say and look at this business and say, well, if you're a producer, you can also participate as a user of gas. So you kind of had your balance naturally to businesses, you are in, by being a producer versus you as a consumer of natural gas.

So we really like the chemical business. It doesn't represent a big part of our portfolio, but it's an incredible contributor of cash. Cash doesn't go to it, it just comes one way. And I know Chevron feels the same way. The midstream business, we're good at it. They're aggressive, they've got a great team. To try to do with anything with our midstream joint venture would be very tax inefficient. And to some extent, the chemicals, the same way, but the midstream joint venture, very tax efficient.

So what you see, our participation, we really like our joint ventures in midstream and chemicals. And we are encouraged and supporting them through our board participation to aggressively grow. So that completes our story and the messages today. And I very much appreciate everyone who has participated with us this morning here in New York as well as all those on the webcast. Our team is still here, so any questions that you may have, come up and talk with members of our team. And those who are participating by webcast can always come in by email and submit your questions or whatever. So thank you very much for being with us here this morning.

Editor

CAUTIONARY STATEMENT FOR THE PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This transcript contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. Forward-looking statements relate to future events and anticipated results of operations, business strategies, and other aspects of our operations or operating results. In many cases you can identify forward-looking statements by terminology such as "anticipate," "estimate," "believe," "continue," "could," "intend," "may," "plan," "potential," "predict," "should," "will," "expect," "objective," "projection," "forecast," "goal," "guidance," "outlook," "effort," "target" and other similar words. However, the absence of these words does not mean that the statements are not forward-looking. Where, in any forward-looking statement, the company expresses an expectation or belief as to future results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, there can be no assurance that such expectation or belief will result or be achieved. The actual results of operations can and will be affected by a variety of risks and other matters including, but not limited to, crude oil and natural gas prices; refining and marketing margins; potential failure to achieve, and potential delays in achieving, expected reserves or production levels from existing and future oil and gas development projects due to operating hazards, drilling risks, and the inherent uncertainties in interpreting engineering data relating to underground accumulations of oil and gas; unsuccessful exploratory activities; potential disruption or unexpected technical difficulties in developing new products and manufacturing processes; potential failure of new products to achieve acceptance in the market; unexpected cost increases or technical difficulties in constructing or modifying company manufacturing or refining facilities; unexpected difficulties in manufacturing, transporting or refining synthetic crude oil; international monetary conditions and exchange controls; potential liability for remedial actions under existing or future environmental regulations; potential liability resulting from pending or future litigation; limited access to capital or significantly higher cost of capital related to illiquidity or uncertainty in the domestic or international financial markets; and general domestic and international economic and political conditions; as well as changes in tax, environmental and other laws applicable to our business. Other factors that could cause actual results to differ materially from those described in the forward-looking statements include other economic, business, competitive and/or regulatory factors affecting our business generally as set forth in our filings with the Securities and Exchange Commission (SEC). Unless legally required, ConocoPhillips undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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This transcript includes certain non-GAAP financial measures. Such non-GAAP measures are intended to supplement, not substitute for, comparable GAAP measures. Investors are urged to consider closely the GAAP reconciliation tables provided in the Appendix or on our website at www.conocophillips.com.

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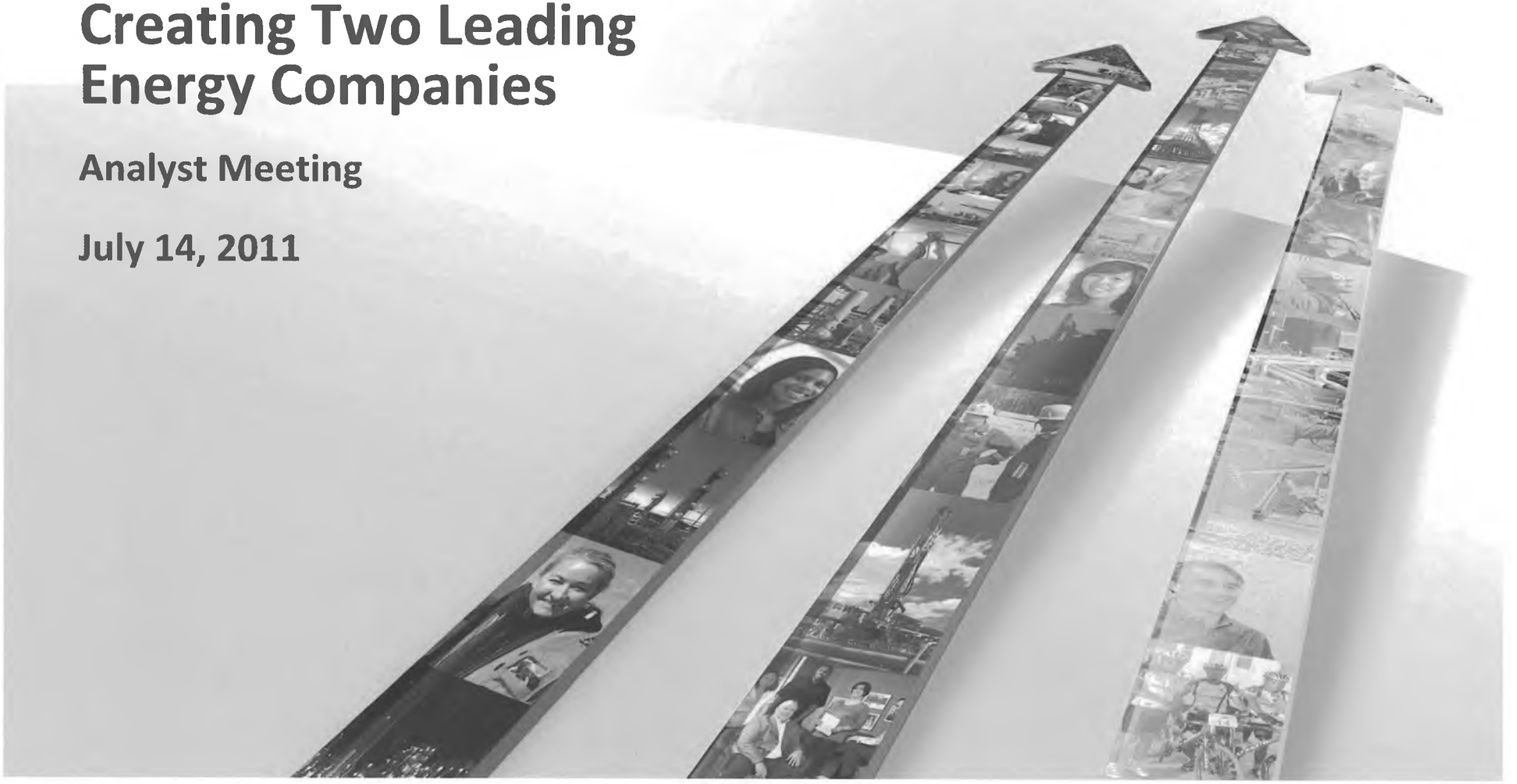
ConocoPhillips

Creating Two Leading Energy Companies

Analyst Meeting

July 14, 2011



Cautionary Statement

ConocoPhillips

FOR THE PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The following presentation includes forward-looking statements. These statements relate to future events, such as anticipated revenues, earnings, business strategies, competitive position or other aspects of our operations or operating results. Actual outcomes and results may differ materially from what is expressed or forecast in such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict such as oil and gas prices; refining and marketing margins; operational hazards and drilling risks; potential failure to achieve, and potential delays in achieving expected reserves or production levels from existing and future oil and gas development projects; unsuccessful exploratory activities; unexpected cost increases or technical difficulties in constructing, maintaining or modifying company facilities; international monetary conditions and exchange controls; potential liability for remedial actions under existing or future environmental regulations or from pending or future litigation; limited access to capital or significantly higher cost of capital related to illiquidity or uncertainty in the domestic or international financial markets; general domestic and international economic and political conditions, as well as changes in tax, environmental and other laws applicable to ConocoPhillips' business and other economic, business, competitive and/or regulatory factors affecting ConocoPhillips' business generally as set forth in ConocoPhillips' filings with the Securities and Exchange Commission (SEC).

Historical Strategy

ConocoPhillips

- **Key Premises**
  - Integration creates value
  - Scale and scope needed to compete
  - Growth in hydrocarbon demand
  - Resource capture will be more difficult and expensive

- **Execution**
  - Positioned each business line to compete effectively
    - E&P, R&M, Midstream and Chemicals
  - Quality assets – but portfolio optimization needed
  - M&A integration and cost synergies captured

Led to significant value creation

Current Focus

ConocoPhillips

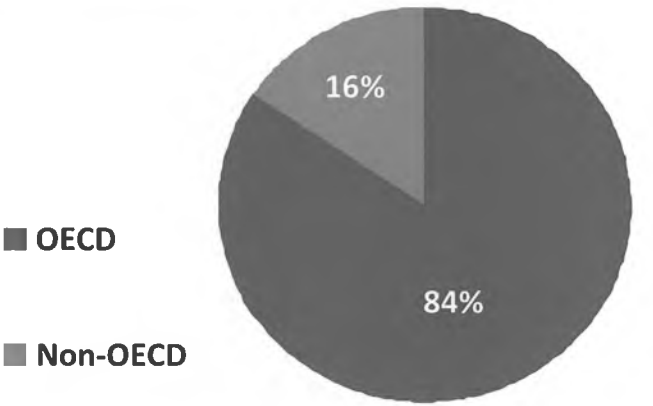
ROCE improvement

Margin enhancement

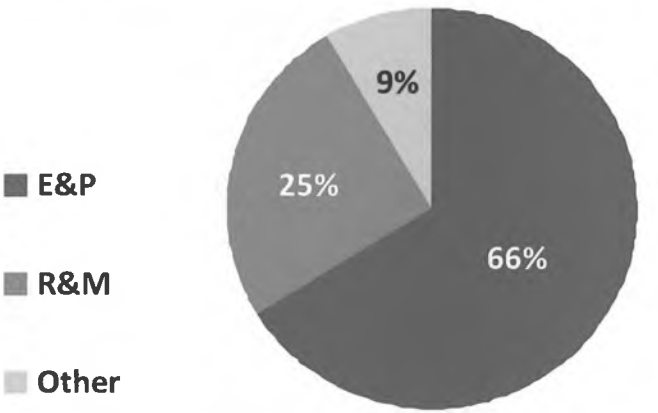
Per share growth

Shareholder distributions

Cash from Operations



$92 B Capital Employed



Increasing shareholder value

2010 cash from operations and average capital employed. Corporate capital employed distributed across segments.

Current Strategic Objectives

ConocoPhillips

- **Improve ROCE**
  - Expand margins per BOE
  - Maintain capital discipline
  - Portfolio optimization
- **Grow per share**
  - Reserves and production
  - Earnings and cash flow
- **Increase distributions**
  - Annual dividend increases
  - Share repurchases

Creating shareholder value

Key 2011 / 2012 Initiatives

ConocoPhillips

- Disciplined $28 B capital program
- Additional $5-10 B in asset sales
- $10+ B in share repurchases
- 100%+ reserve replacement
- Reduce refining capacity

Improve ROCE

Strategy Assessment

ConocoPhillips

- **Integrated Strategy has been effective**
  - Increased reserves and production
  - Generated competitive shareholder returns
- **Environment has changed**
  - Downstream capability not key to resource access
  - Resource Nationalism and NOC competition
  - Movement to "service" agreements
- **Value of IOC assets not reflected in equity value**
  - Transparency and potential of businesses not as clear as pure plays
  - Increasingly difficult to create differential value to larger Integrateds
  - Emphasis on additional volumes not always value creating

Continually testing and assessing execution of strategy

Transaction Summary

ConocoPhillips

- Pursuing tax free spin of Downstream business
- New independent pure-play publicly-held Downstream company
- ConocoPhillips becomes leading pure-play E&P company
- Expect transaction completion in first half 2012

Creates two strong independent companies

Strategic Rationale

ConocoPhillips

- **Create two profitable and independent companies**
  - E&P Strategy unchanged
  - Downstream given opportunity to add value through portfolio optimization
- **Greatest opportunity to create differential value**
  - Independent but consistent strategies
  - Both companies continue to benefit from size and scale
  - Both companies to have strong financial flexibility
  - Transparency of pure play over integrated business model
  - Management focus
  - Ability to attract and retain talent

New ConocoPhillips Description

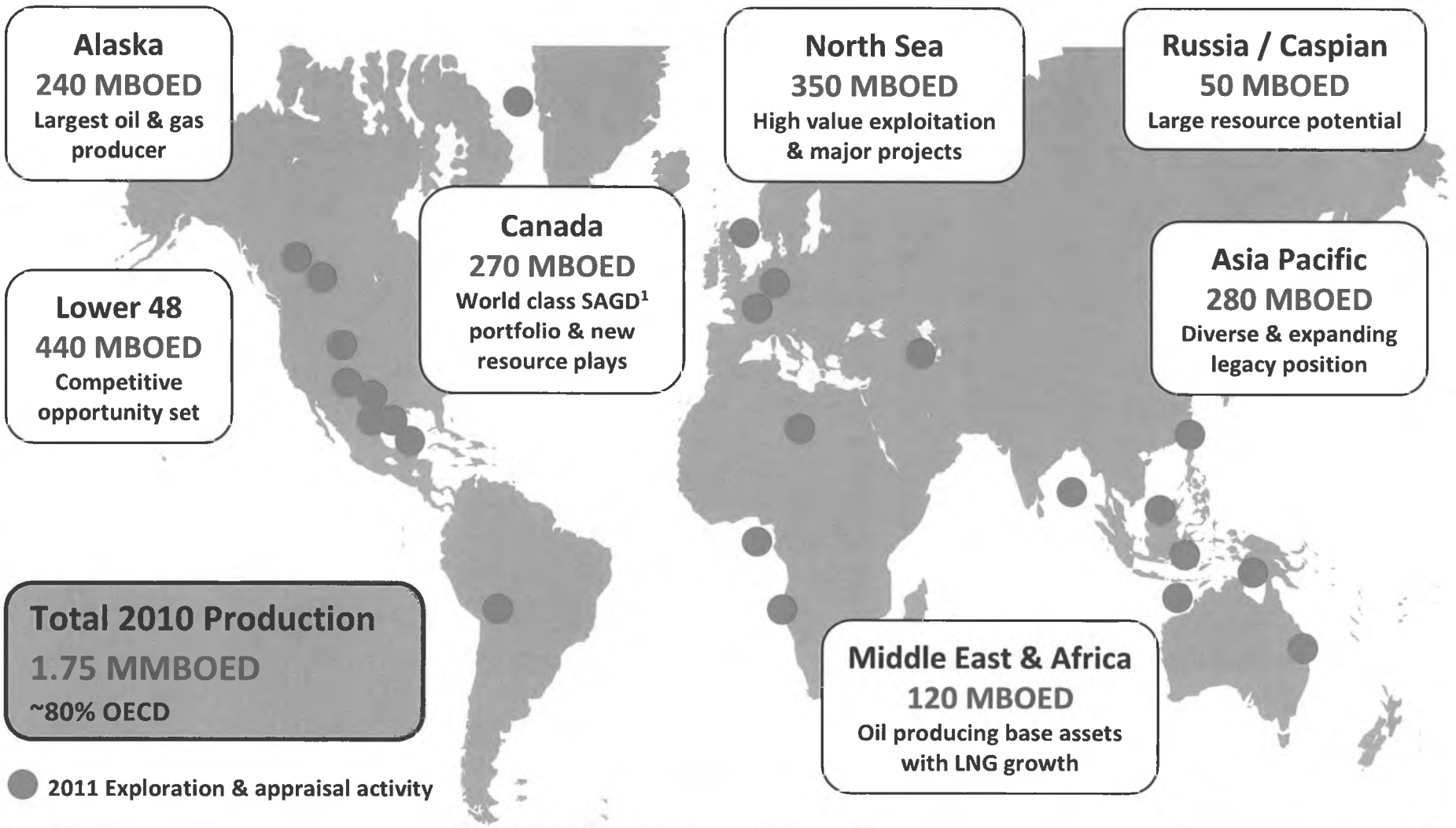
ConocoPhillips

- **Largest U.S. pure-play E&P company**
  - 1.7 MM BOED 2011 production
  - 8.5 B BOE reserves / 43 B BOE captured resource
  - Strong OECD position
- **Financial and technical capability on par with larger integrated majors**
- **No change in upstream strategy**
  - Improve ROCE
  - Per share growth in production and reserves
  - Complete portfolio strengthening
  - Capital discipline
  - Competitive F&D
  - Improve margins per BOE

Asset disposition and share repurchase plans unchanged

E&P Overview

ConocoPhillips



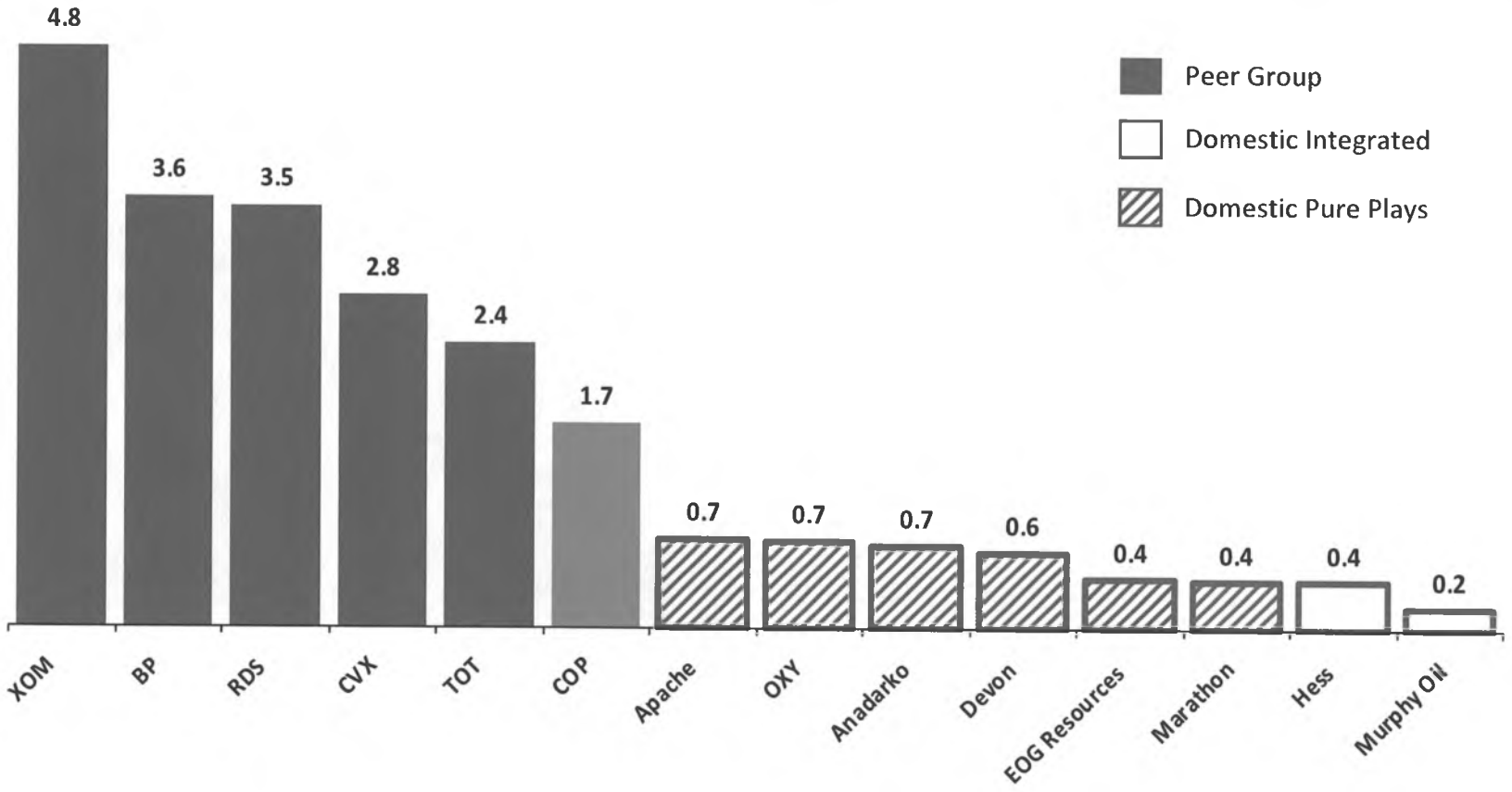
International growth opportunities underpinned by OECD position

[1] Steam Assisted Gravity Drainage

ConocoPhillips Production

ConocoPhillips

Q1 2011 Worldwide Production - MMBD

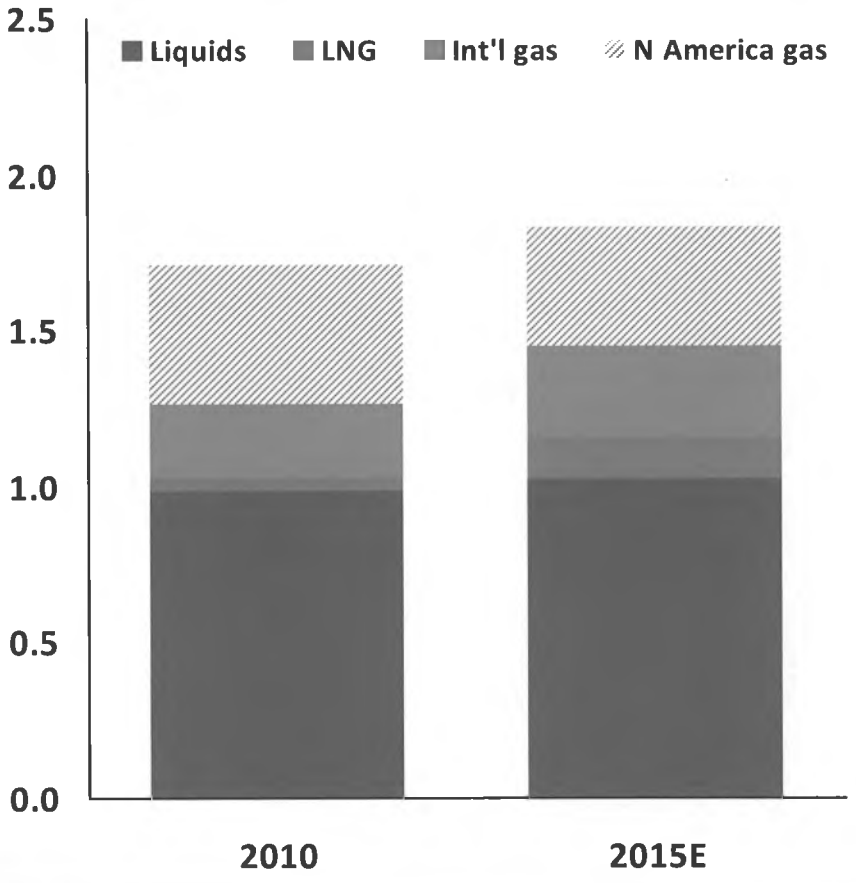


Source: Company reports

Production Outlook

ConocoPhillips

Production by Product - MMBOED



Sources of Growth

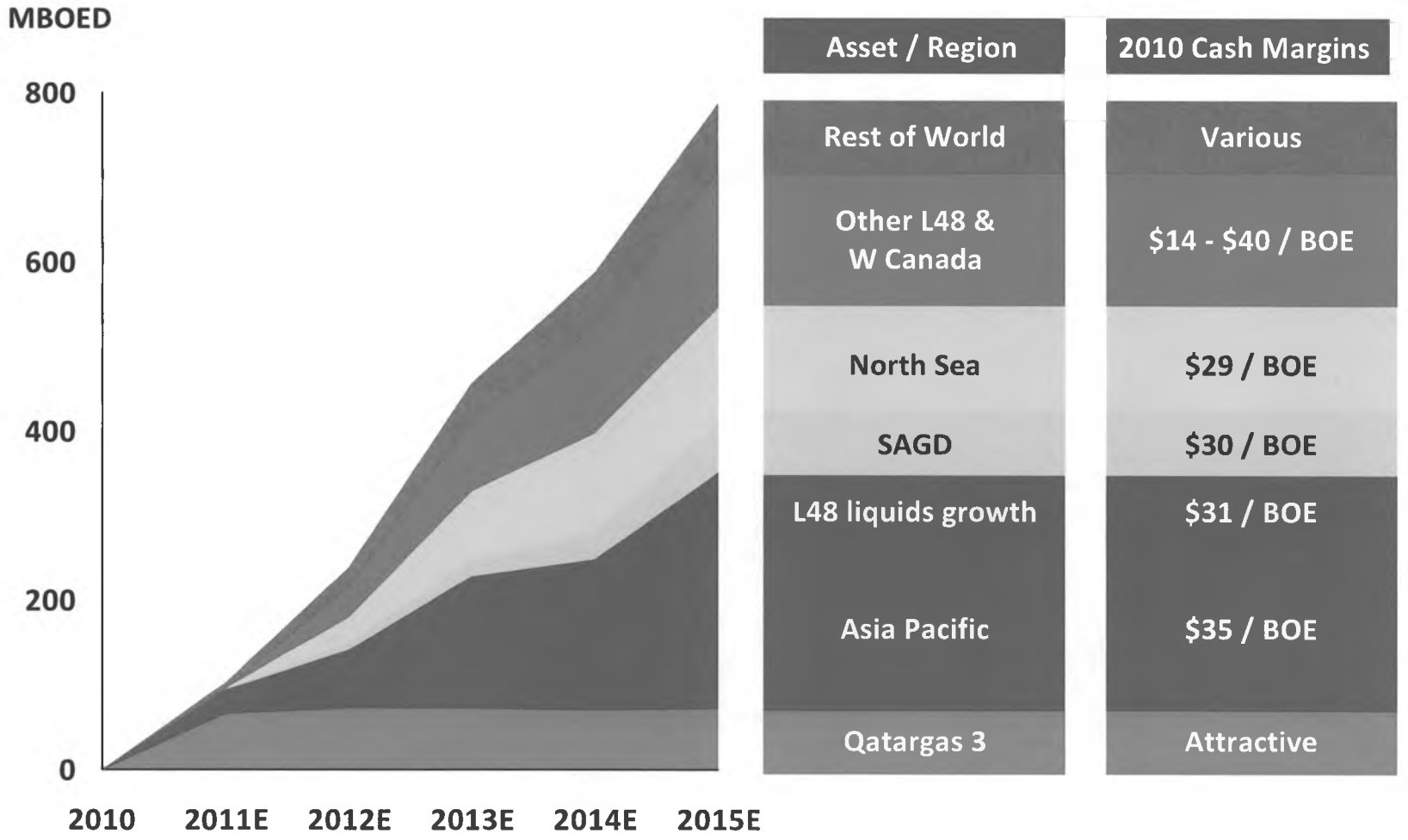
- **Asia Pacific**
  - APLNG, Malaysia, Indonesia
- **North Sea**
  - Jasmine, Clair, Ekofisk, Eldfisk
- **Caspian**
  - Kashagan
- **L48 liquids**
  - Eagle Ford, Bakken, Barnett, Permian
- **Canada SAGD**
  - FCCL, Surmont

Strong portfolio of investments leads to production growth

Excludes impact of future dispositions.

2011-2015 New Production

ConocoPhillips

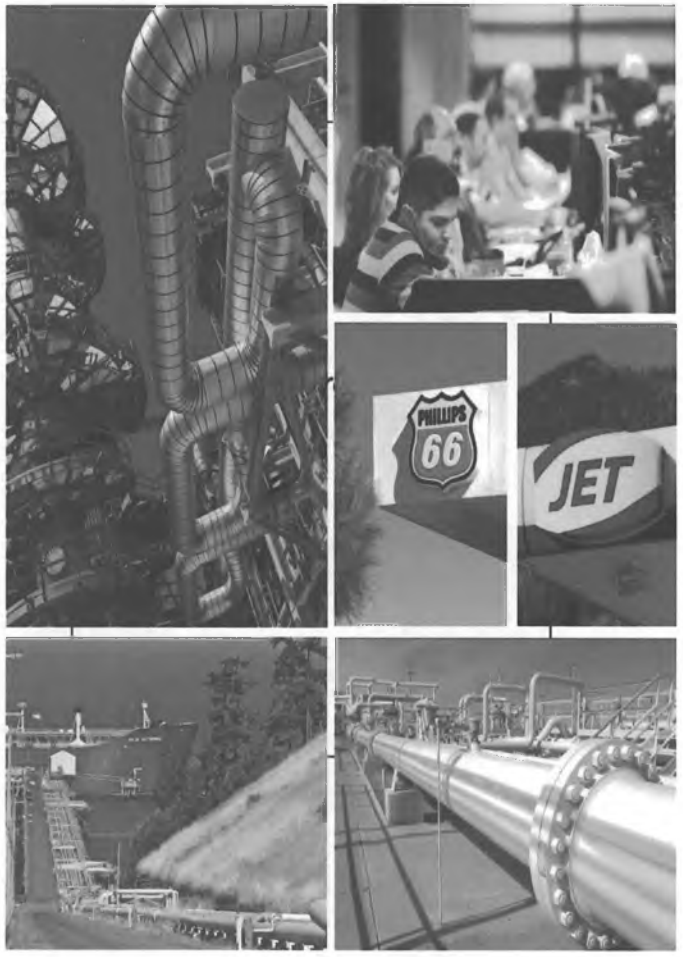


Improving margins through major projects and exploitation

New Downstream Company

ConocoPhillips

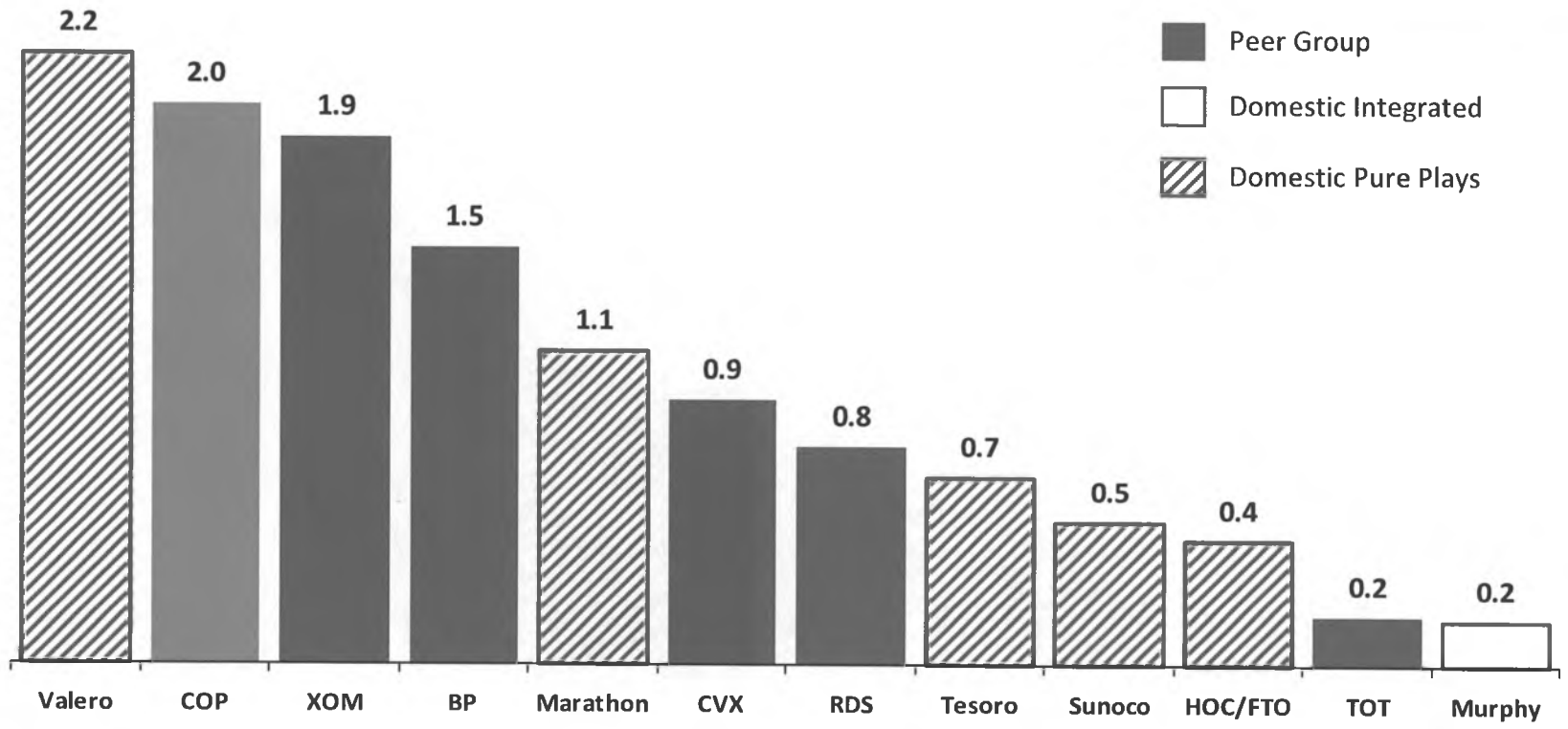
- **Global Refining & Marketing leader**
  - 2.4 MM BPD worldwide refining capacity
  - Low cost, integrated Marketing and Transportation
  - 2 MM BPD domestic capacity
    - Significant position in mid-continent
    - Exposure to all PADDs
- **Strong investment grade credit with significant financial flexibility**
- **Strategy focused on value creation**
  - Improve ROCE to mid-teens
  - Sell or joint venture less competitive assets
  - Disciplined reinvestment of free cash flow
  - Competitive shareholder distributions
  - Earnings and cash flow growth potential
  - Operating excellence



U.S. Refining

ConocoPhillips

Q1 2011 U.S. Refining Capacity - MMBD



Leading domestic refining company with portfolio of top quartile assets

Source: Company reports

Downstream ROCE Improvement

ConocoPhillips

- Selective asset sales
- Finalization of Wood River CORE project
- Capital discipline
  - Implementing selective high return projects
- Optimization initiatives
  - Increase utilization and clean product yield
  - Lower cost structure
  - Capture feedstock advantage

Generate mid-teens returns and free cash flow

Key Milestones

ConocoPhillips

- Detailed separation planning followed by IRS tax ruling request
- Announcement of new board and leadership teams
- Favorable IRS ruling
- Final COP Board approval
- Expected closing first half of 2012

Delivering Shareholder Value

ConocoPhillips

Continued asset sales

Strong OECD-based cash flow

Enhanced queue of growth projects

Disciplined capital investment

Strengthened portfolio

- 100%+ reserves replacement
- Production per share growth
- Improved returns
- EPS/CFPS growth
- Increased distributions

Restructuring consistent with commitment to shareholder returns

SB 192 (FILE 2) AMENDMENTS AND ANALYSIS

<TARGET><BILL>SB 192</BILL><SUBJECT>SB 192 (FILE 2) AMENDMENTS AND ANALYSIS</SUBJECT><COMM>SRES27</COMM></TARGET>

Senate Resources Committee

SB192 Amendments

Jeff Stepp, Office of Senator Paskvan

Simple Bracketed Progressivity Example

The following example takes the PTV for FY 2012 from the Fall 2011 Revenue Sources Book and calculates the severance taxes levied and the nominal rate under amendments B.4 and B.5. Note: The tax levied, and nominal rates under B.4 and B.5 are the same because the PTV is not high enough to trigger the additional brackets added by amendment B.4.

ANS Oil Price $109.33
Production Tax Value $75.98
*Source: Fall 2011 Revenue Sources Book p. 103

	Tax Rate	Tax Levied
Base Tax	25%	$19.00
Progressive Tax	18.40%	$13.98
Brackets		
30-42.50	2.50%	$0.31
42.50-55.00	7.50%	$0.94
55.00-67.50	12.50%	$1.56
67.50-80.00	17.50%	$1.48
80-92.50	22.50%	NA
92.50-105.00	25%	NA
105-117.50	30%	NA
Above 117.50	35%	NA
Total		$4.30

Amendment Progressive Tax Rate	5.65%
Amendment Nominal Tax Rate	30.65%
ACES Progressive Tax Rate	18.40%
ACES Nominal Tax Rate	43.40%

Prepared by Michael Pawlowski, Aide to Senator McGuire
Feb. 25, 2012

DRAFT — Prepared as Draft by Dept. of Revenue

Amendment 27-LS1305\M.14 – Bullock 2/21/12

- Tax rate is changed to use bracketed progressivity.
- The tax rates under the amendment are bracketed and only the increment of production tax value (PTV) within each bracket is taxed at that bracket's rate. The brackets range from 25% for PTV up to $30 per barrel to 60% for PTV over $117.50 per barrel. The maximum total production tax rate is 60%. The effective date of this provision is 1/1/2013.
- Same rates as HB 110 for existing production, with two additional brackets added: 55% for PTV from $105 to $117.50 / barrel, and 60% for PTV over $117.50 / barrel.
- No distinction between existing units and "new" production
- Under our Fall 2011 forecast assumptions, the addition of the 2 additional brackets would have NO CHANGE on revenue this decade compared to bracketing with a 50% maximum rate, because our forecast prices and production tax values are expected to be below $92.50 each year. We are forecasting PTV per taxable barrel in the $65-$70 range over this time period.
- The following presents the estimated fiscal impact, based on Fall 2011 forecast assumptions and no change in production.

Fiscal Year	Revenue Impact ($ millions)
FY 2013*	($700)
FY 2014	($1,300)
FY 2015	($1,100)
FY 2016	($1,150)
FY 2017	($1,050)
FY 2018	($1,150)

*provisions in place for half of FY 2013

ALASKA STATE LEGISLATURE

Senator Joe Paskvan

Chair, Labor and Commerce
Vice Chair, Health and Social Services
Member, Transportation
Member, State Affairs
Member, Joint Armed Services

Senate District E
Fairbanks and Fort Wainwright

State Capitol Building, Room 7
Juneau, Alaska 99801-1182

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Memo

To: Senate Secretary Kirsten Waid
From: Senator Joe Paskvan, Co-Chair, Senate Resources Committee Joe Paskvan
Date: February 24, 2012
Re: Change of location for Feb 28th Senate Resources Committee Meetings

Due to scheduling conflicts with the Butrovich Committee Room, I request that the schedule for the Senate Resources Committee on Tuesday, February 28th be changed to reflect the new location for the following meetings:

(S)RESOURCES		STANDING COMMITTEE *	
Feb 28 Tuesday 3:30 PM		**SENATE FINANCE 532**	
=+	SB 192	OIL AND GAS PRODUCTION TAX RATES Independents and Small Producers -- Testimony <Invitation Only> --	TELECONFERENCED

(S)RESOURCES		STANDING COMMITTEE *	
Feb 28 Tuesday 6:00 PM		**SENATE FINANCE 532**	
=+	SB 192	OIL AND GAS PRODUCTION TAX RATES Independents and Small Producers -- Testimony <Invitation Only> --	TELECONFERENCED

Senator Stedman has approved the use of the Senate Finance Committee Room for these meetings.

Thank you.

Committee Substitute for Senate Bill 192 Oil and Gas Production Tax Values

Amendments

1. B.17 (McGuire) Competitiveness Review Board
2. B.6 (McGuire) Inflation Adjusting the $30
3. B.11 (Wielechowski/French) Changes to Oil and Gas Leasing Laws
4. B.12 (Wielechowski/French) State Directed Financial Investment (SDFI)
5. B.14 (Wielechowski) Re-instituting Separate Accounting
6. B.15 (Wielechowski/French) Requiring Info About Use of Tax Credits
7. B.16 (French) Oil Information System
8. B.4 (McGuire) Progressivity Bracketed – 35% top bracket
9. B.5 (McGuire) Progressivity Bracketed – 25% top bracket
10. B.7 (McGuire) Adjusted base rate plus bracketed progressivity and in-field development credit for new fields
11. B.8 (Wielechowski/French) Simple Progressivity
12. B.9 (Wielechowski/French) Rewarding Increased Production
13. B.10 (Wielechowski/French) Capping Credits to Avoid Gold Plating
14. B.13 (Wielechowski/French) Establishing a Gross Minimum Tax
15. B.1 (Wagoner) Extends the Sunset of the Small Producer/New Area Development Credit from 2016 to 2021
16. B.2 (Wagoner) Gross Value at the Point of Production Tax Holiday
17. B.3 (Wagoner) Tax Credit Based on the Capital Cost of Developing New Oil and Gas Production

Distributed by Office of Senator Joe Paskvan

27-LS1305\B
Bullock
2/23/12

CS FOR SENATE BILL NO. 192(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RESOURCES COMMITTEE

A BILL

FOR AN ACT ENTITLED

"An Act relating to the oil and gas production tax; and providing for an effective date."

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

*** Section 1.** AS 43.55.011(g) is amended to read:

(g) For each month of the calendar year for which the producer's average monthly production tax value under AS 43.55.160(a)(2) **for a** [PER] BTU equivalent barrel of the taxable oil and gas is more than $30, the amount of tax for purposes of (e)(2) of this section is determined by multiplying the monthly production tax value of the taxable oil and gas produced during the month by the tax rate calculated as follows:

(1) if the producer's average monthly production tax value **for a** [PER] BTU equivalent barrel of the taxable oil and gas for the month is not more than **$101.43** [$92.50], the tax rate is **0.35** [0.4] percent multiplied by the number that represents the difference between that average monthly production tax value **for a** [PER] BTU equivalent barrel and $30; or

(2) if the producer's average monthly production tax value **for a** [PER]

BTU equivalent barrel of the taxable oil and gas for the month is more than **$101.43** [$92.50], the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between the average monthly production tax value **for a** [PER] BTU equivalent barrel and **$101.43** [$92.50], except that the sum determined under this paragraph may not exceed **35** [50] percent.

*** Sec. 2.** This Act takes effect January 1, 2013.

ALASKA STATE LEGISLATURE

Senate Bipartisan Working Group

Press Release

For Immediate Release: February 24, 2012

Senate Bipartisan Working Group Principles on Oil Development

Group issues statement as members begin discussions on amending Senate Bill 192

JUNEAU- To clarify our objectives, the Senate Bipartisan Working Group has developed the following statement as members begin discussions on how to amend Senate Bill 192 in the Senate Resources Committee today at 3:30pm:

- **We Want**
  - Increased Oil Production
  - More Jobs for Alaskans
  - Sustainable State Revenue Over the Long Term

- **We Believe**
  - Alaska's oil profits ***must*** be shared fairly between industry and the State across a wide range of oil prices, geologies, and viscosities
  - Any significant reduction to Alaska's current share of oil profits ***must*** directly induce commercial investment, increase oil production, and create a competitive investment environment
  - Industry and the State ***must*** work in partnership to recruit, train, and hire more Alaska residents
  - Factual evidence and analysis ***must*** guide our debate

For more information on this statement, please call Senate Bipartisan Working Group Press Secretary Carolyn Kuckertz at (907) 465-3803 or Carolyn_Kuckertz@legis.state.ak.us.

###

Senate Resources Committee
Joe Paskvan, Co-Chair / February 24, 2012

Let's call the meeting to order.

Let the record reflect that it is _____ p.m. on Friday, February 24.

Let the record reflect that there is a quorum. Present are

- Co-Chair Wagoner
- Senator Stedman
- Senator Stevens
- Senator Wielechowski
- Senator French
- Senator McGuire
- And myself, Senator Paskvan

During this hearing, the Senate Resources Committee will first adopt a Committee Substitute for Senate Bill 192 which relates to the Oil and Gas Production Tax Rates.

We will also begin to hear the amendments that are being proposed by the Committee members. Today and tomorrow at 1pm, the amendments will be discussed conceptually. This will be an open and transparent process. There will be no motion to move an amendment there will be no vote on any amendment, either today or tomorrow. After additional consideration and discussion, amendments may or may not be included in a forthcoming CS.

I have not asked the Administration to prepare an analysis of any of these amendments, at this time.

I have reviewed the amendments and very much appreciate the dedication and effort displayed by the Committee members. The ideas that we will hear are interesting and have merit. Ultimately, we are required to determine what legislation will advance from this Committee and I look forward to an informative dialogue for the next couple of days.

Let me begin by presenting the Committee Substitute for Senate Bill 192.

May I please have a motion to bring the CS for SB 192, Version B, before this Committee?

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MEMORANDUM February 24, 2012

SUBJECT: Amendments received for SB 192 now drafted for CSSB 192(RES), draft version B (Work Order Nos. 27-LS1305\B.1 - B.16)

TO: Senator Joe Paskvan
Chair of the Senate Resources Committee
Attn: Jeff Stepp

FROM: Donald M. Bullock Jr.
Legislative Counsel
and
Emily Nauman
Legislative Counsel

You have a draft version of CSSB 192(RES), Work Order No. 27-LS1305\B. The previous version of the bill, the introduced version, is SB 192, Work Order No. 27-LS1305\M. Sixteen amendments were filed with you in preparation for the Senate Resources Committee meeting today, February 24, 2012 at 3:30 p.m. We understand you may introduce CSSB 192(RES), draft version B as the committee's working draft.

Today we reviewed the list of amendments that had been submitted to you that were prepared to SB 192. To facilitate the work of the committee and in consultation with you, the amendments that you have in your possession have been redrafted to amend CSSB 192(RES), draft version B. Because you may not request that an amendment be drafted for another member of the legislature without his or her consent, the enclosed amendments are blank where the name of the sponsor would normally appear.

Therefore, to assist the committee and the Senators that have provided you with the amendments for the original version of the bill, the table below lists the work order for each amendment as drafted to SB 192 and the new work order number for the same amendment as drafted to CSSB 192(RES), draft version B. There are no substantive changes in the amendments to the CS; however, each amendment now is identified as an amendment to the CS, and page and line numbers referenced in the amendments have been changed as necessary.

The list below does not include the names of the sponsors that submitted the amendments for SB 192. You may wish to distribute the new amendments to each sponsor after CSSB 192(RES), draft version B is adopted as the working draft for the committee. It

would be helpful if the sponsors had time to look at the new versions of the amendments to ensure that they are satisfied with the new version and to add each sponsor's name.

Work Order No. for Amendment to SB 192	Work Order Number for Amendment to CSSB 192(RES), Draft Version "B"
27-LS1305\M.18	27-LS1305\B.1
27-LS1305\M.17	27-LS1305\B.2
27-LS1305\M.24	27-LS1305\B.3
27-LS1305\M.14	27-LS1305\B.4
27-LS1305\M.13	27-LS1305\B.5
27-LS1305\M.15	27-LS1305\B.6
27-LS1305\M.16	27-LS1305\B.7
27-LS1305\M.2	27-LS1305\B.8
27-LS1305\M.23	27-LS1305\B.9
27-LS1305\M.3	27-LS1305\B.10
27-LS1305\M.25	27-LS1305\B.11
27-LS1305\M.22	27-LS1305\B.12
27-LS1305\M.1	27-LS1305\B.13
27-LS1305\M.5	27-LS1305\B.14
27-LS1305\M.8	27-LS1305\B.15
27-LS1305\M.26	27-LS1305\B.16

DMB:plm
12-128.plm

Enclosures

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "B"

Page 1, line 1, following "**tax;**":

Insert "**establishing the Oil and Gas Competitiveness Review Board;**"

Page 2, following line 5:

Insert new bill sections to read:

"*** Sec. 2.** AS 44.99 is amended by adding new sections to read:

Article 6. Oil and Gas Competitiveness Review Board.

Sec. 44.99.600. Oil and Gas Competitiveness Review Board established. (a) The Oil and Gas Competitiveness Review Board is established.

(b) The board shall consist of nine members as follows:

(1) one senator appointed by the president of the senate;

(2) one representative appointed by the speaker of the house of representatives;

(3) five members of the public appointed by the governor, including one member who is a petroleum engineer, one member who is a geologist, one member who is an economist, and one member who is a member of an environmental or conservation group;

(4) the commissioner of natural resources or the commissioner's designee; and

(5) the commissioner of revenue or the commissioner's designee.

(c) The senator and representative appointed to the board under (b)(1) and (2) of this section shall be cochairs.

(d) Each legislative member serves for the duration of the legislature during

which the member is appointed. Each public member serves for three years. An individual who has served on the board may be reappointed.

(e) A vacancy on the board shall be filled in the manner of the original appointment.

(f) A member of the board may be removed and replaced at the discretion of the person appointing that member.

(g) The public members of the board serve without compensation but shall receive per diem and travel expenses authorized for boards and commissions under AS 39.20.180.

(h) The board may enter into contracts for professional services and may employ staff for administrative support for the board.

Sec. 44.99.610. Duties. The duties of the board include the following:

(1) review historical, current, and potential levels of investment in the state's oil and gas sector;

(2) identify factors that affect investment in oil and gas exploration, development, and production in the state, including tax structure, rates, and credits; royalty requirements; infrastructure; workforce availability; and regulatory requirements;

(3) review the competitive position of the state to attract and maintain investment in the oil and gas sector in the state as compared to the competitive position of other regions with oil and gas resources;

(4) in order to facilitate the work of the board, establish procedures to accept and keep confidential information that is beneficial to the work of the board, including the creation of a secure data room and confidentiality agreements to be signed by individuals having access to the confidential information;

(5) make written findings and recommendations, together with suggested legislation, to the Alaska State Legislature before December 1 of each year, or as soon thereafter as practicable, regarding

(A) changes to the state's regulatory environment that would be conducive to encouraging increased investment while protecting the interests of the people of the state and the environment;

(B) changes to the state's fiscal regime that would be conducive to increased and ongoing long-term investment in and development of the state's oil and gas resources; and

(C) alternative means for increasing the state's ability to attract and maintain investment in and development of the state's oil and gas resources.

Sec. 44.99.620. Information to be provided to board. (a) The commissioner of natural resources, the commissioner of revenue, the commissioner of environmental conservation, and other commissioners and state agencies that have responsibility for and maintain information related to oil and gas investment and activity in the state shall, at the request of the board, provide information required by the board to carry out the duties described in AS 44.99.610.

(b) At the request of the board, and except for information that is confidential under AS 43.05.230, a commissioner may disclose to the board information that is otherwise confidential after each member of the board and each staff member for the board with access to the information signs a confidentiality agreement prepared by the commissioner making the disclosure. Information that is confidential under AS 43.05.230 may not be disclosed to the board.

Sec. 44.99.630. Definition. In AS 44.99.600 - 44.99.630, "board" means the Oil and Gas Competitiveness Review Board.

*** Sec. 3.** AS 44.99.600, 44.99.610, 44.99.620, and 44.99.630 are repealed June 30, 2021."

Renumber the following bill section accordingly.

Page 2, line 6:

Delete "This"

Insert "Section 1 of this"

Page 2, following line 6:

Insert a new bill section to read:

"*** Sec. 5.** Except as provided in sec. 4 of this Act, this Act takes effect immediately under

AS 01.10.070(c)."

27-LS1305\B.6
Nauman/Bullock
2/24/12

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "B"

Page 1, line 6:

Delete "$30"

Insert "**the greater of $30 or the amount determined under (p) of this section** [$30]"

Page 1, line 14:

Delete "$30"

Insert "**the greater of $30 or the amount determined under (p) of this section** [$30]"

Page 2, following line 5:

Insert a new bill section to read:

"* **Sec. 2.** AS 43.55.011 is amended by adding a new subsection to read:

(p) For a calendar year after 2013, the $30 amount in (g) of this section shall be adjusted by the commissioner as soon as practicable before the start of the calendar year for which the tax will be determined according to changes in the Consumer Price Index for all urban consumers for the Anchorage metropolitan area compiled by the United States Department of Labor, Bureau of Labor Statistics. The $30 amount in (g) of this section shall be adjusted based on the increase, if any, between the consumer price index for January through June of 2011 and for January through June of the year immediately preceding the year for which the $30 amount in (g) of this section is being adjusted."

Renumber the following bill section accordingly.

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "B"

Page 1, line 1, following "**Act**":

Insert "**relating to oil and gas or gas only leasing; requiring that a minimum work commitment be included in each oil and gas and gas only lease and that a proposed plan of development be included in an application for an oil and gas or gas only lease;**"

Page 1, following line 2:

Insert new bill sections to read:

"* **Section 1.** AS 38.05.180(h) is amended to read:

(h) The commissioner **shall** [MAY] include terms in **a** [ANY] lease **that impose** [IMPOSING] a minimum work commitment on the lessee **to implement the plan of development submitted by the lessee with a bid for an oil and gas or gas only lease. The terms of the minimum work commitment must** [. THESE TERMS SHALL BE MADE PUBLIC BEFORE THE SALE, AND MAY] include appropriate penalty provisions to take effect in the event the lessee does not fulfill the minimum work commitment. If it is demonstrated that a lease has been proven unproductive by actions of adjacent lease holders, the commissioner may set aside a work commitment. The commissioner may waive for a period not to exceed one two-year period any term of a minimum work commitment if the commissioner makes a written finding either that conditions preventing drilling or exploration were beyond the lessee's reasonable ability to foresee or control or that the lessee has demonstrated through good faith efforts an intent and ability to drill or develop the lease during the term of the waiver.

* **Sec. 2.** AS 38.05.180(x) is amended to read:

(x) A lessee conducting or permitting any exploration for, or development or

production of, oil or gas on state land shall provide the commissioner access to all noninterpretive data obtained from that lease**; shall provide the commissioner access to all information necessary to perform an economic analysis under (ii)(2) of this section, including the capital, operating, production, and development costs and an estimate of total reserves;** and shall provide copies of that data **and information**, as the commissioner may request. The confidentiality provisions of AS 38.05.035 apply to the information obtained under this subsection.

*** Sec. 3.** AS 38.05.180 is amended by adding new subsections to read:

(hh) The commissioner shall require each bidder for an oil and gas lease or gas only lease and each lessee applying for an extension or renewal of an oil and gas lease or gas only lease to submit a plan of development for exploring, developing, and producing from the lease within the period of the lease or the extension or renewal of the lease. The commissioner shall review each plan of development and determine if the proposed plan of development is reasonably expected to develop the lease in the best interest of the state. The plan of development shall be included in a lease along with penalties for failing to comply with the plan of development and other terms of the lease. A bidder may not be a "qualified bidder" for the purposes of (f)(1) of this section if the commissioner finds that the bidder has not submitted a proposed plan of development that is in the best interest of the state or that the person that submitted the plan of development is not reasonably capable of implementing the plan.

(ii) The commissioner shall

(1) review each oil and gas lease or gas only lease each year for the purpose of determining whether a lease is being developed in the best interest of the state, whether the lessee is complying with the plan of development applicable to the lease, and whether revision of a development plan, including the planned rate of development, would provide the maximum benefit to the people of the state;

(2) every five years, perform an economic analysis on each participating area and determine whether the participating area is capable of increased production in paying quantities over the current rate of production or plan of development;

(3) enforce the terms of each oil and gas lease or gas only lease,

including imposing any applicable penalty or other remedy for noncompliance, within a reasonable time after finding that a lessee is out of compliance with the terms of the lease;

(4) submit a report to the legislature before the first day of each regular session that lists each oil and gas or gas only lessee that is found to be out of compliance and the action by the commissioner to bring the lessee back into compliance or to terminate the lease.

(jj) For the purposes of (hh) and (ii) of this section, a plan of development for a cooperative or unit under (p) of this section is the plan of development for a lease within the cooperative or unit, except where a different plan of development is established for a lease within the cooperative or unit.

(kk) For purposes of (ii) of this section,

(1) "participating area" means that part of an oil and gas lease unit area to which production is allocated in the manner described in a unit agreement;

(2) "production in paying quantities" means production in quantities sufficient to yield a return in excess of drilling, development, and operating costs."

Page 1, line 3:

Delete "**Section 1**"

Insert "**Sec. 4**"

Page 2, line 6:

Delete all material and insert:

"* **Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. Section 1 of this Act and AS 38.085.180(hh), enacted by sec. 3 of this Act, apply to a proposed lease sale and the renewal or extension of a lease on or after the effective date of secs. 1 and 3 of this Act.

* **Sec. 6.** Section 4 of this Act takes effect January 1, 2013.

* **Sec. 7.** Except as provided in sec. 6 of this Act, this Act takes effect July 1, 2013."

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "B"

Page 1, line 1, following "**tax;**":

Insert "**relating to participation by the Alaska Industrial Development and Export Authority in the development of oil and gas resources in the state;**"

Page 2, following line 5:

Insert new bill sections to read:

"* **Sec. 2.** AS 44.88.080 is amended by adding a new paragraph to read:

(32) to acquire an interest in a project as necessary or appropriate to provide working or venture capital for an oil or natural gas development project under AS 44.88.650 - 44.88.660, whether by purchase, gift, or lease;

* **Sec. 3.** AS 44.88 is amended by adding new sections to read:

Sec. 44.88.650. Acquisition of interest in businesses. (a) The authority may acquire, through purchase or other means, an interest in an in-state asset of a corporation or other business entity that has a lease interest in an oil or natural gas field in the state that has been explored, but only if the authority determines the leaseholder has made reasonable efforts to obtain financing from the private sector to develop the lease and those efforts have, in whole or part, been unsuccessful. The authority shall exercise due diligence in acquiring an interest in an in-state asset of a business entity under this section.

(b) If the authority acquires an interest in an in-state asset of a business entity under this section, the authority may use the authority's assets, as appropriate, to aid in the development of the oil or natural gas field in which the business entity has a lease interest.

Sec. 44.88.660. Alaska resource development fund. (a) The Alaska resource development fund is established in the authority for the purpose of developing oil and gas resources, and consists of appropriations to the fund. The authority shall manage the fund and may create separate accounts within it. Income of the fund or of enterprises of the authority shall be separately accounted for and may be appropriated to the fund.

(b) The authority may use money from the fund to carry out the fund's purposes set out in (a) of this section.

* **Sec. 4.** AS 44.88.900(9) is amended to read:

(9) "project" means

(A) a plant or facility used or intended for use in connection with making, processing, preparing, transporting, or producing in any manner, goods, products, or substances of any kind or nature or in connection with developing or utilizing a natural resource, or extracting, smelting, transporting, converting, assembling, or producing in any manner, minerals, raw materials, chemicals, compounds, alloys, fibers, commodities and materials, products, or substances of any kind or nature;

(B) a plant or facility used or intended for use in connection with a business enterprise;

(C) commercial activity by a business enterprise;

(D) a plant or facility demonstrating technological advances of new methods and procedures and prototype commercial applications for the exploration, development, production, transportation, conversion, and use of energy resources;

(E) infrastructure for a new tourism destination facility or for the expansion of a tourism destination facility; in this subparagraph, "tourism destination facility" does not include a hotel or other overnight lodging facility;

(F) a plant or facility, other than a plant or facility described in (D) of this paragraph, for the generation, transmission, development, transportation, conversion, or use of energy resources;

(G) a plant or facility that enhances, provides for, or promotes

economic development with respect to transportation, communications, community public purposes, technical innovations, prototype commercial applications of intellectual property, or research;

(H) a plant or facility used or intended for use as a federal facility, including a United States military, national guard, or coast guard facility;

(I) development of an oil and gas lease by providing working or venture capital in exchange for an equity interest;

*** Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to read:

ANALYSIS AND REPORT ON ALASKA RESIDENT INVESTMENT PROGRAM. The Alaska Industrial Development and Export Authority shall research the possibility of creating a program through which a resident of the state could invest the resident's permanent fund dividend or other funds in an in-state oil or gas asset acquired by the authority under AS 44.88.650 and report its findings to the legislature on December 31, 2012."

Renumber the following bill section accordingly.

Page 2, line 6:

Delete "This"

Insert "Section 1 of this"

27-LS1305\B.14
Nauman/Bullock
2/24/12

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "B"

Page 1, line 1 following "**tax;**":

Insert "**relating to the oil and gas corporate income tax; relating to the credits against the oil and gas corporate income tax; making conforming amendments;**"

Page 1, following line 2:

Insert new bill sections to read:

"* **Section 1.** AS 29.60.599(1) is amended to read:

(1) "barrel," when used with reference to oil**, means the quantity of oil contained in 42 United States gallons of 231 cubic inches each, measured at a temperature of 60 degrees Fahrenheit and an absolute pressure of 14.65 pounds a square inch** [HAS THE MEANING GIVEN IN AS 43.20.072];

* **Sec. 2.** AS 41.09.010(b) is amended to read:

(b) An exploration incentive credit extended under (a) of this section may be applied against

(1) a payment or obligation against which a credit authorized by AS 38.05.180(i) may be claimed;

(2) taxes payable under AS 43.20 **or AS 43.21, as applicable**; and

(3) oil and gas bonus payments due the state under AS 38.05.180(f).

* **Sec. 3.** AS 43.20.011 is amended by adding a new subsection to read:

(g) For purposes of calculating the tax under (e) of this section, the taxable income of a corporation engaged in the production or transportation of crude oil or natural gas shall be determined in accordance with AS 43.21.

* **Sec. 4.** AS 43.20.073(f) is amended to read:

(f) This section does not apply to taxpayers subject to **AS 43.21** [AS 43.20.072 ENGAGED IN

(1) THE PRODUCTION OF OIL OR GAS FROM A LEASE OR PROPERTY IN THE STATE; OR

(2) THE TRANSPORTATION OF OIL OR GAS BY REGULATED PIPELINE IN THE STATE].

* **Sec. 5.** AS 43.21 is amended by adding new sections to read:

Article 1. Determination of Taxable Income.

Sec. 43.21.200. Application. This chapter applies to every corporation doing business in the state that derives income from the production of oil or gas from a lease or property in the state or from the pipeline transportation of oil or gas in the state. The tax calculated under this chapter is measured by the total taxable income of the corporation during the tax period as defined by AS 43.21.210 - 43.21.240 and is calculated at the rates established under AS 43.20.011(e).

Sec. 43.21.210. Determination of taxable income from oil and gas production. (a) The taxable income of a corporation from the production of oil and gas from a lease or property in the state is the corporation's net income as calculated by the department in accordance with this section.

(b) Gross income of a corporation from oil and gas production is the gross value at the point of production of oil or gas produced from a lease or property in the state. The department shall by regulation determine a uniform method of establishing the gross value at the point of production. For the purpose of determining the gross value at the point of production under this subsection, the department shall use AS 43.55.150 for the determination of transportation costs.

(c) Net income from oil and gas production shall be determined by the department by deducting from gross income the following:

(1) royalties paid in kind or in value;

(2) taxes imposed under AS 43.55 that are actually paid or incurred by the corporation on the production from a lease or property in the state;

(3) taxes imposed under AS 29.45.080 - 29.45.090 and AS 43.56 that are actually paid or incurred by the corporation on property used directly in the

production of oil or gas from a lease or property in the state, including property used in production, gathering, treatment, or preparation of the oil or gas for pipeline transportation, but only if those property tax payments were due and payable only after the date of commercial production from the lease or property with which the property was associated;

(4) the direct costs incurred by or for the corporation in operating the lease or property, including the direct costs of producing, gathering, treating, or preparing the oil or gas for pipeline transportation, but net of any payments received for those activities and not including any indirect cost or overhead expense;

(5) depreciation, using the percentage depletion basis under 26 U.S.C. 613 (Internal Revenue Code) or another reasonable method as the department may by regulation establish, on property used directly in the production, gathering, treatment, or preparation of the oil or gas for pipeline transportation, including amortization of capitalized interest for investments in that property at a rate not to exceed the average cost to the taxpayer of borrowed capital during the year in which the interest is capitalized;

(6) the amortization of lease acquisition payments and taxes paid or incurred under AS 29.45.080, 29.45.090, or AS 43.56, including capitalized interest, for or on producing properties before the commencement of commercial production from the lease or property for which the property is being used;

(7) interest expense of the corporation, not capitalized during construction, that was paid or incurred in connection with property in the state; however, unless (f) of this section applies, the interest expense may not exceed that portion of the total interest paid by the consolidated business of which the corporation is a part, determined by multiplying the total interest by a fraction, the numerator of which is the value of the corporation's real and tangible personal property used directly in the production of oil or gas from a lease or property in the state and the denominator of which is the value of all real and tangible personal property of the consolidated business; in this paragraph, "total interest paid by the consolidated business" does not include interest expense arising from intercompany obligations within the consolidated business except to the extent that the interest expense reflects a

pass-through of interest on a third-party borrowing by the parent or other member of the consolidated business with the purpose, expressed at the time of the third-party borrowing, of financing Alaska business activity of the taxpayer corporation;

(8) expenses incurred by the corporation after December 31, 2012, of unsuccessful exploration of oil or gas in the state, including the acquisition costs of abandoned properties, dry hole costs, and the costs of geologic and geophysical exploration related to those abandoned properties;

(9) general overhead or administrative expense incurred by the corporation attributable to deriving income from the production of oil or gas from a lease or property in the state to the extent, except as provided in (f) of this section, that the general overhead or administrative expense does not exceed that portion of the total general overhead or administrative expense incurred by the consolidated business of which the corporation is a part, determined by multiplying the total general overhead or administrative expense by a fraction, the numerator of which is the value of the corporation's real and tangible personal property used directly in the production of oil or gas from a lease or property in the state and the denominator of which is the value of all real and tangible personal property of the consolidated business;

(10) the amount of income from the production of oil and gas from a lease or property that is divided among the regional Native corporations under 43 U.S.C. 1606(i) (sec. 7(i), Alaska Native Claims Settlement Act, P.L. 92-203).

(d) Deductions from gross income under this section may not include expenses previously deducted on a return filed under AS 43.20.

(e) If a corporation subject to this chapter shares the production or proceeds of the production from a lease or property through a working interest, royalty interest, overriding royalty interest, production payment, net profit interest, joint venture, or other agreement, the department shall allocate the deductions from gross income between the corporation and the persons with whom the corporation has the agreement in accordance with the terms of the agreement.

(f) If a corporation demonstrates to the satisfaction of the department that the corporation paid or incurred actual expenses for interest or for general overhead or administration attributable to deriving income from the production of oil or gas from a

lease or property in the state in an amount greater than the amount determined under (c)(7) or (9) of this section, the department may allow the corporation to deduct the greater amount.

Sec. 43.21.220. Determination of income from oil and gas pipeline transportation. (a) Except as provided in (c) of this section, taxable income attributable to the transportation of oil in a pipeline engaged in interstate commerce in this state shall be determined by the department and shall be the amount reported or that would be required to be reported to the Federal Energy Regulatory Commission or its successors as net operating income, less those portions of interest and general overhead or administrative expense attributable to the pipeline transportation of oil in the state, except that taxable income shall also include taxes on or measured by income. The department shall establish regulations governing the determination of interest and general overhead or administrative expense attributable to pipeline transportation of oil in the state.

(b) Except as provided in (c) of this section, taxable income attributable to the transportation of natural gas in a pipeline engaged in interstate commerce in this state shall be determined by the department and shall be the amount reported or that would be required to be reported to the Federal Energy Regulatory Commission as net operating income, less that portion of interest and general overhead or administrative expense attributable to pipeline transportation in the state, except that the taxable income shall also include taxes on or measured by income. The department shall establish regulations governing the determination of interest and general overhead or administrative expense attributable to pipeline transportation of natural gas in the state.

(c) Taxable income attributable to the transportation of oil or natural gas in this state of a corporation not under the jurisdiction of the Federal Energy Regulatory Commission, or of a corporation under the jurisdiction of the Federal Energy Regulatory Commission but not reporting the operation of pipelines in the state separately from the operation of pipelines elsewhere, shall be determined by the department and shall be based on an amount equal to the amount that would have been reported to the Federal Energy Regulatory Commission under (a) of this section in the

case of oil pipelines, or under (b) of this section, in the case of natural gas pipelines, had the corporation been, in fact, under the jurisdiction of the Federal Energy Regulatory Commission for the taxable year and required to report on the operation of pipelines in the state separately from the operation of pipelines elsewhere.

Sec. 43.21.230. Determination of income from activities other than oil and gas production or pipeline transportation. (a) Taxable income of a corporation subject to this chapter from activities in this state other than the production of oil or gas from a lease or property in the state or the pipeline transportation of oil or gas in the state shall be determined in accordance with the method established in art. IV of AS 43.19.010 and in AS 43.20.071, as modified by (b) - (d) of this section.

(b) The total taxable income of a consolidated business is its entire income less the portion of that entire income attributable to worldwide production and pipeline transportation of oil and gas. In this subsection, for a member of a consolidated business who is

(1) required to file under the Internal Revenue Code, "entire income" means the taxpayer's taxable income as the term is used in AS 43.20.011 - 43.20.065;

(2) not required to file under the Internal Revenue Code, "entire income" means an income determination prepared in accordance with generally accepted accounting principles, except that a taxpayer may elect to report income as the income would be determined under (1) of this subsection.

(c) The numerator and denominator of the property factor, of the payroll factor, and of the sales factor shall be calculated without reference to that portion of property, payroll, or sales directly related to the production of oil or gas from a lease of property in the state or the pipeline transportation of oil or gas in the state.

(d) The value attributed to vessels transporting Alaska oil or gas of a consolidated business that are not owned or effectively owned by the consolidated business shall be excluded from the property factor.

Sec. 43.21.240. Applicability of tax to a consolidated business. The provisions of this chapter apply to a consolidated business whether or not the taxpayer is the parent or controlling corporation.

Article 2. Calculation of Tax; Returns.

Sec. 43.21.300. Assessment of income and tax. (a) The department shall assess taxable income and the amount of tax payable on that taxable income. The amount of the tax payable shall be determined using the tax rates in AS 43.20.011(e).

(b) On or before August 15 of each year, the department shall send to every corporation taxable under this chapter a notice of assessment showing the amount of income taxable under this chapter for the previous year and the amount of tax payable on that taxable income.

(c) For purposes of this chapter, the department may combine taxable income of corporations subject to tax under this chapter who are part of the same consolidated business.

(d) If the methods of allocation and apportionment provided in this chapter do not fairly represent the extent of a corporation's business activity in the state, the corporation may petition for or the department may require, in respect to all or any part of the corporation's business activity, if reasonable, the employment of any method authorized under art. IV, sec. 18, AS 43.19.010 (Multistate Tax Compact), to carry out an equitable allocation and apportionment of the corporation's income. The commissioner shall include in the annual report required in AS 43.21.410 a report on all relief granted under this subsection, including, for each case, a statement of the changes in tax liability resulting from the granting of relief, the tax years involved, and a description of the method of determining taxable income that was substituted for the methods provided in this chapter.

Sec. 43.21.320. Credits. A credit under AS 43.20.043, 43.20.044, or 43.20.046 may also be applied against the tax levied under this chapter, unless a credit for the same expenditure has been taken against a tax levied under AS 43.20 or AS 43.55.

Sec. 43.21.330. Returns. On or before April 15 of each year, a corporation subject to tax under this chapter shall submit a return in a form prescribed by the department setting out information required by the department to determine taxable income. For purposes of this chapter, the department may require corporations subject to tax under this chapter that are part of the same consolidated business to file a single return.

Sec. 43.21.340. Payment of tax. The tax levied under this chapter is payable

to the department on or before September 30 of each year or in installments, including prepayments of estimated tax, at the times and under the conditions the department may by regulation require. The tax is payable on the due date set out in this section even though the assessment is under appeal or the validity, enforceability, or application of this chapter or any provision of this chapter is challenged before the department or in the courts.

Article 3. Administrative Matters.

Sec. 43.21.400. Regulations. The department shall adopt regulations in accordance with AS 44.62 (Administrative Procedure Act) as appropriate to administer and enforce this chapter.

Sec. 43.21.410. Public reporting. (a) The commissioner shall compile and transmit to the legislature an annual report of state revenue and the implementation of taxation policies under this chapter. The report must include total aggregate income tax paid by corporations subject to this chapter and aggregate income and deductions by category, classified so as to prevent the identification of particular returns or reports.

(b) The legislative auditor shall notify the legislature on or before the first day of each regular session that the annual report reviewing the actions of the department in administering this chapter is available.

Sec. 43.21.420. Information disclosure. Notwithstanding AS 43.05.320, the department shall disclose to a legislator, on request, information collected from a taxpayer to the extent that

(1) the taxpayer is a publicly traded company;

(2) the information has been filed in a quarterly, annual, or other periodic report to the United States Securities Exchange Commission; and

(3) the information has been made public by the United States Securities Exchange Commission.

Sec. 43.21.499. Definitions. Unless the context requires otherwise, the definitions contained in AS 43.55.900 are applicable to this chapter. In addition, in this chapter,

(1) "consolidated business" means a corporation or group of

corporations having more than 50 percent common ownership, direct or indirect, or a group of corporations in which there is common control, either direct or indirect, as evidenced by an arrangement, contract, or agreement;

(2) "Internal Revenue Code" has the meaning given in AS 43.20.340."

Page 1, line 3:

Delete "**Section 1**"

Insert "**Sec. 6**"

Page 2, line 6:

Delete all material and insert:

"* **Sec. 7.** AS 43.82.210(a) is amended to read:

(a) If the commissioner approves an application and proposed project plan under AS 43.82.140, the commissioner may develop proposed terms for inclusion in a contract under AS 43.82.020 for periodic payment in lieu of one or more of the following taxes that otherwise would be imposed by the state or a municipality on the qualified sponsor or member of a qualified sponsor group as a consequence of participating in an approved qualified project:

(1) oil and gas production taxes and oil surcharges under AS 43.55;

(2) oil and gas exploration, production, and pipeline transportation property taxes under AS 43.56;

(3) **oil and gas corporate income tax under AS 43.21;** [REPEALED]

(4) Alaska net income tax under AS 43.20;

(5) municipal sales and use tax under AS 29.45.650 - 29.45.710;

(6) municipal property tax under AS 29.45.010 - 29.45.250 or 29.45.550 - 29.45.600;

(7) municipal special assessments under AS 29.46;

(8) a comparable tax or levy imposed by the state or a municipality after June 18, 1998;

(9) other state or municipal taxes or categories of taxes identified by the commissioner.

* **Sec. 8.** AS 43.20.072 is repealed.

* **Sec. 9.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. AS 43.21, added by sec. 5 of this Act, applies to taxable income earned or received after December 31, 2012.

* **Sec. 10.** The uncodified law of the State of Alaska is amended by adding a new section to read:

REGULATIONS. (a) The Department of Revenue may adopt regulations necessary to implement AS 43.21, added by sec. 5 of this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of the law implemented by regulation.

(b) The Department of Revenue shall provide by regulation for a transition for a corporation subject to tax under AS 43.20 before December 31, 2012, to avoid double taxation of the same income or double deduction of the same expense of the corporation as a result of becoming subject to tax under AS 43.21, added by sec. 5 of this Act.

* **Sec. 11.** Section 10 of this Act takes effect immediately under AS 01.10.070(c).

* **Sec. 12.** Except as provided in sec. 11 of this Act, this Act takes effect January 1, 2013."

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "B"

Page 1, line 1, following "**tax;**":

Insert "**relating to information concerning oil and gas taxes, including information about expenditures that must be provided in order to claim an oil and gas production tax credit for those expenditures, and relating to the disclosure of that information;**"

Page 2, line 6:

Delete all material and insert:

"* **Sec. 2.** AS 43.55.030(a) is amended to read:

(a) A producer that produces oil or gas from a lease or property in the state during a calendar year, whether or not any tax payment is due under AS 43.55.020(a) for that oil or gas, shall file with the department on March 31 of the following year a statement, under oath, in a form prescribed by the department, giving, with other information required **by the department under a regulation adopted by the department**, the following:

(1) a description of each lease or property from which oil or gas was produced, by name, legal description, lease number, or accounting codes assigned by the department;

(2) the names of the producer and, if different, the person paying the tax, if any;

(3) the gross amount of oil and the gross amount of gas produced from each lease or property, and the percentage of the gross amount of oil and gas owned by the producer;

(4) the gross value at the point of production of the oil and of the gas

produced from each lease or property owned by the producer and the costs of transportation of the oil and gas;

(5) the name of the first purchaser and the price received for the oil and for the gas, unless relieved from this requirement in whole or in part by the department;

(6) the producer's qualified capital expenditures, as defined in AS 43.55.023, other lease expenditures under AS 43.55.165, and adjustments or other payments or credits under AS 43.55.170;

(7) the production tax values of the oil and gas under AS 43.55.160;

(8) any claims for tax credits to be applied; [AND]

(9) calculations showing the amounts, if any, that were or are due under AS 43.55.020(a) and interest on any underpayment or overpayment**; and**

(10) for each expenditure that is the basis for a credit claimed under AS 43.55.023 or 43.55.025, a description of the expenditure, a detailed description of the purpose of the expenditure, and a description of the lease or property for which the expenditure was incurred; notwithstanding AS 43.05.230(a), information submitted under this paragraph may be disclosed to the public and shall be disclosed to the legislature in a report submitted within 10 days after the convening of the next regular legislative session following the date a statement is filed under this section.

*** Sec. 3.** AS 43.55.030(e) is amended to read:

(e) An explorer or producer that incurs a lease expenditure under AS 43.55.165 or receives a payment or credit under AS 43.55.170 during a calendar year but does not produce oil or gas from a lease or property in the state during the calendar year shall file with the department on March 31 of the following year a statement, under oath, in a form prescribed by the department, giving, with other information required **by the department under a regulation adopted by the department**, the following:

(1) the producer's qualified capital expenditures, as defined in AS 43.55.023, other lease expenditures under AS 43.55.165, and adjustments or other payments or credits under AS 43.55.170; [AND]

(2) if the explorer or producer receives a payment or credit under AS 43.55.170, calculations showing whether the explorer or producer is liable for a tax under AS 43.55.160(d) or 43.55.170(b) and, if so, the amount**; and**

(3) for each expenditure that is the basis for a credit claimed under this chapter, a description of the expenditure, a detailed description of the purpose of the expenditure, and a description of the lease or property for which the expenditure was incurred; notwithstanding AS 43.05.230(a), information submitted under this paragraph may be disclosed to the public and shall be disclosed to the legislature in a report submitted within 10 days after the convening of the next regular legislative session following the date a statement is filed under this section.

* **Sec. 4.** Sections 2 and 3 of this Act take effect July 1, 2012.

* **Sec. 5.** Section 1 of this Act takes effect January 1, 2013."

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "B"

Page 1, line 1, following "**Act**":

Insert "**relating to the duties of the Alaska Oil and Gas Conservation Commission; relating to a petroleum information management system; relating to the duties of the Department of Natural Resources, the Department of Revenue, and the Department of Labor and Workforce Development that relate to providing the Alaska Oil and Gas Conservation Commission with certain information relating to oil and gas;**"

Page 1, following line 2:

Insert new bill sections to read:

* **Section 1.** AS 31.05.030 is amended by adding a new subsection to read:

(n) The commission shall develop and maintain the petroleum information management system required under AS 31.05.031.

* **Sec. 2.** AS 31.05 is amended by adding a new section to read:

Sec. 31.05.031. Petroleum information management system. (a) The commission shall develop and maintain an electronic petroleum information management system to collect, secure, distribute, store, retrieve, and archive information related to oil and gas exploration, development, and production in the state. The purposes of the petroleum information management system are to improve the administration of the oil and gas production tax and to facilitate exploration, development, and production of oil and gas resources. The petroleum information management system shall be accessible by the public.

(b) To the extent the information is available and is not confidential, the petroleum information management system must include the following information:

(1) unit and joint operating agreements;

(2) state oil and gas exploration licenses and oil and gas leases;

(3) for exploration activities,

(A) exploration work programs and budgets;

(B) seismic data;

(C) drilling reports;

(D) logs;

(E) well tests;

(F) geological models and maps;

(4) for development activities,

(A) development plans with operating and capital expenditure projections;

(B) construction progress reports;

(C) drilling reports;

(D) reservoir characterization;

(5) for production activities,

(A) production work programs and budgets;

(B) oil and gas sales, revenue, and pricing;

(C) transportation agreements;

(D) production data;

(E) injection data;

(F) operating and capital expenditures;

(G) facility maps and studies;

(6) for abandonment of oil and gas wells, leases, and production and transportation facilities,

(A) abandonment plans and budgets;

(B) progress reports;

(7) for oil and gas related employment information,

(A) the number of resident and nonresident hires for each year;

(B) training opportunities; and

(8) other information the commission determines necessary and

relevant to the oil and gas production tax and to the exploration, development, and production of oil and gas resources.

(c) The Department of Natural Resources, the Department of Revenue, and the Department of Labor and Workforce Development, in consultation with the commission, shall provide information described in (b) of this section that is not confidential and within each department's control to the commission for inclusion in the petroleum information management system. The information provided by a department under this subsection shall be in a form suitable for the commission to include in the petroleum information management system.

*** Sec. 3.** AS 31.05.093(c) is amended to read:

(c) The commission shall determine the regulatory cost charges levied under this section so that the total amount to be collected approximately equals the appropriations made for the operating costs of the commission under this chapter for the fiscal year. **For the purpose of determining the regulatory costs charges under this subsection, the operating costs for the petroleum information management system (AS 31.05.031) may not be included in the operating costs of the commission.**"

Page 1, line 3:

Delete "**Section 1**"

Insert "**Sec. 4**"

Page 2, following line 5:

Insert a new bill section to read:

"*** Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to read:

IMPLEMENTATION OF THE PETROLEUM INFORMATION MANAGEMENT SYSTEM; RECOMMENDATION FOR STATUTORY CHANGES. The Alaska Oil and Gas Conservation Commission shall develop and implement a work plan for the development of the petroleum information management system required by AS 31.05.031, enacted by sec. 2 of this Act, so that the system is operational before January 1, 2014."

Renumber the following bill section accordingly.

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "B"

Page 1, line 1:

Delete "**oil and gas production tax**"

Insert "**tax rates applicable to oil and gas production when the average production tax value for a BTU equivalent barrel of oil and gas is more than $30**"

Page 1, line 3, through page 2, line 6:

Delete all material and insert:

"* **Section 1.** AS 43.55.011(g) is repealed and reenacted to read:

(g) For each month of the calendar year for which the producer's average monthly production tax value under AS 43.55.160(a)(2) for each BTU equivalent barrel of the taxable oil and gas is more than $30, the amount of tax for purposes of (e)(2) of this section is determined by multiplying the monthly production tax value of the taxable oil and gas produced during the month by the following tax rates, as applicable:

(1) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is not more than $42.50, the tax rate is 2.5 percent of the difference between that average monthly production tax value of a BTU equivalent barrel and $30;

(2) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is more than $42.50 but not more than $55, the tax rates are

(A) 2.5 percent on the first $12.50 of monthly production tax value for each BTU equivalent barrel that is greater than $30; and

(B) 7.5 percent of the monthly production tax value for each BTU equivalent barrel that is greater than $42.50;

(3) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is more than $55 but not more than $67.50, the tax rates are

(A) 2.5 percent on the first $12.50 of monthly production tax value for each BTU equivalent barrel that is greater than $30;

(B) 7.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel; and

(C) 12.5 percent of the monthly production tax value for each BTU equivalent barrel that is greater than $55;

(4) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is more than $67.50 but not more than $80, the tax rates are

(A) 2.5 percent on the first $12.50 of monthly production tax value for each BTU equivalent barrel that is greater than $30;

(B) 7.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(C) 12.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(D) 17.5 percent of the monthly production tax value for each BTU equivalent barrel that is greater than $67.50;

(5) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is more than $80 but not more than $92.50, the tax rates are

(A) 2.5 percent on the first $12.50 of monthly production tax value for each BTU equivalent barrel that is greater than $30;

(B) 7.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(C) 12.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(D) 17.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel; and

(E) 22.5 percent of the monthly production tax value for each BTU equivalent barrel that is greater than $80;

(6) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is more than $92.50 but not more than $105, the tax rates are

(A) 2.5 percent on the first $12.50 of monthly production tax value for each BTU equivalent barrel that is greater than $30;

(B) 7.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(C) 12.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(D) 17.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(E) 22.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel; and

(F) 25 percent of the monthly production tax value for each BTU equivalent barrel that is greater than $92.50;

(7) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is more than $105 but not more than $117.50, the tax rates are

(A) 2.5 percent on the first $12.50 of monthly production tax value for each BTU equivalent barrel that is greater than $30;

(B) 7.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(C) 12.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(D) 17.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(E) 22.5 percent of the next higher $12.50 of monthly

production tax value for each BTU equivalent barrel;

(F) 25 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel; and

(G) 30 percent of the monthly production tax value for each BTU equivalent barrel that is greater than $105;

(8) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is more than $117.50, the tax rates are

(A) 2.5 percent on the first $12.50 of monthly production tax value for each BTU equivalent barrel that is greater than $30;

(B) 7.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(C) 12.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(D) 17.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(E) 22.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(F) 25 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(G) 30 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel; and

(H) 35 percent of the monthly production tax value for each BTU equivalent barrel that is greater than $117.50.

* **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. Section 1 of this Act applies to oil and gas produced after December 31, 2012.

* **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: REGULATIONS. The Department of Revenue may adopt regulations

to implement this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of the provision of this Act implemented by the regulation.

* **Sec. 4.** Section 1 of this Act takes effect January 1, 2013.

* **Sec. 5.** Except as provided in sec. 4 of this Act, this Act takes effect immediately under AS 01.10.070(c)."

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "B"

Page 1, line 1:

Delete "**oil and gas production tax**"

Insert "**tax rates applicable to oil and gas production when the average production tax value for a BTU equivalent barrel of oil and gas is more than $30**"

Page 1, line 3, through page 2, line 6:

Delete all material and insert:

"* **Section 1.** AS 43.55.011(g) is repealed and reenacted to read:

(g) For each month of the calendar year for which the producer's average monthly production tax value under AS 43.55.160(a)(2) for each BTU equivalent barrel of the taxable oil and gas is more than $30, the amount of tax for purposes of (e)(2) of this section is determined by multiplying the monthly production tax value of the taxable oil and gas produced during the month by the following tax rates, as applicable:

(1) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is not more than $42.50, the tax rate is 2.5 percent of the difference between that average monthly production tax value of a BTU equivalent barrel and $30;

(2) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is more than $42.50 but not more than $55, the tax rates are

(A) 2.5 percent on the first $12.50 of monthly production tax value for each BTU equivalent barrel that is greater than $30; and

(B) 7.5 percent of the monthly production tax value for each BTU equivalent barrel that is greater than $42.50;

(3) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is more than $55 but not more than $67.50, the tax rates are

(A) 2.5 percent on the first $12.50 of monthly production tax value for each BTU equivalent barrel that is greater than $30;

(B) 7.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel; and

(C) 12.5 percent of the monthly production tax value for each BTU equivalent barrel that is greater than $55;

(4) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is more than $67.50 but not more than $80, the tax rates are

(A) 2.5 percent on the first $12.50 of monthly production tax value for each BTU equivalent barrel that is greater than $30;

(B) 7.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(C) 12.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(D) 17.5 percent of the monthly production tax value for each BTU equivalent barrel that is greater than $67.50;

(5) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is more than $80 but not more than $92.50, the tax rates are

(A) 2.5 percent on the first $12.50 of monthly production tax value for each BTU equivalent barrel that is greater than $30;

(B) 7.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(C) 12.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(D) 17.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel; and

(E) 22.5 percent of the monthly production tax value for each BTU equivalent barrel that is greater than $80;

(6) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is more than $92.50, the tax rates are

(A) 2.5 percent on the first $12.50 of monthly production tax value for each BTU equivalent barrel that is greater than $30;

(B) 7.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(C) 12.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(D) 17.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(E) 22.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel; and

(F) 25 percent of the monthly production tax value for each BTU equivalent barrel that is greater than $92.50.

* **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. Section 1 of this Act applies to oil and gas produced after December 31, 2012.

* **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: REGULATIONS. The Department of Revenue may adopt regulations to implement this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of the provision of this Act implemented by the regulation.

* **Sec. 4.** Section 1 of this Act takes effect January 1, 2013.

* **Sec. 5.** Except as provided in sec. 4 of this Act, this Act takes effect immediately under

AS 01.10.070(c)."

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "B"

Page 1, line 1, following "**tax**":

Insert "**rate; relating to monthly installment payments of the oil and gas production tax; relating to oil and gas production tax credits, including qualified capital credits for exploration, development, and production**"

Page 1, line 3, through page 2, line 6:

Delete all material and insert:

"* **Section 1.** AS 43.55.011(e) is amended to read:

(e) There is levied on the producer of oil or gas a tax for all oil and gas produced each calendar year from each lease or property in the state, less any oil and gas the ownership or right to which is exempt from taxation or constitutes a landowner's royalty interest. Except as otherwise provided under (f), (j), (k), and (o) of this section, the tax is equal to the sum of

[(1)] the annual production tax value of the taxable oil and gas

(1) produced from a lease or property not described in (2) of this subsection as calculated under AS 43.55.160(a)(1) multiplied by 25 percent**, and the sum, over all months of the calendar year, of the tax amounts determined under (g)(1) of this section**; and

(2) **produced during the first seven consecutive years after the start of sustained production or produced during the first seven years after the effective date of this bill section, whichever is later, from a lease or property containing land that was not or previously had not been within a unit or in commercial production as of December 31, 2008, as calculated under**

AS 43.55.160(a)(1) multiplied by 15 percent, and the sum, over all months of the calendar year, of the tax amounts determined under **(g)(2)** [(g)] of this section**; in this paragraph, "sustained production" has the meaning given in AS 43.55.025(*l*)**.

*** Sec. 2.** AS 43.55.011(g) is repealed and reenacted to read:

(g) For each month of the calendar year for which the producer's average monthly production tax value under AS 43.55.160(a)(2) for each BTU equivalent barrel of the taxable oil and gas is more than $30, the amount of tax for purposes

(1) of (e)(1) of this section is determined by multiplying the monthly production tax value of the taxable oil and gas produced during the month by the tax rate calculated as follows:

(A) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is not more than $92.50, the tax rate is 0.4 percent multiplied by the number that represents the difference between that average monthly production tax value of a BTU equivalent barrel and $30; or

(B) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is more than $92.50, the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between the average monthly production tax value of a BTU equivalent barrel and $92.50, except that the sum determined under this subparagraph may not exceed 50 percent;

(2) of (e)(2) of this section is determined by multiplying the monthly production tax value of the taxable oil and gas produced during the month by the following tax rates, as applicable:

(A) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is not more than $42.50, the tax rate is 2.5 percent of the difference between that average monthly production tax value of a BTU equivalent barrel and $30;

(B) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is more than $42.50 but not more than $55, the tax rates are

(i) 2.5 percent on the first $12.50 of monthly production tax value for each BTU equivalent barrel that is greater than $30; and

(ii) 7.5 percent of the monthly production tax value for each BTU equivalent barrel that is greater than $42.50;

(C) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is more than $55 but not more than $67.50, the tax rates are

(i) 2.5 percent on the first $12.50 of monthly production tax value for each BTU equivalent barrel that is greater than $30;

(ii) 7.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel; and

(iii) 12.5 percent of the monthly production tax value for each BTU equivalent barrel that is greater than $55;

(D) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is more than $67.50 but not more than $80, the tax rates are

(i) 2.5 percent on the first $12.50 of monthly production tax value for each BTU equivalent barrel that is greater than $30;

(ii) 7.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(iii) 12.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(iv) 17.5 percent of the monthly production tax value for each BTU equivalent barrel that is greater than $67.50;

(E) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is more than $80 but not more than $92.50, the tax rates are

(i) 2.5 percent on the first $12.50 of monthly production tax value for each BTU equivalent barrel that is greater than $30;

(ii) 7.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(iii) 12.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(iv) 17.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel; and

(v) 22.5 percent of the monthly production tax value for each BTU equivalent barrel that is greater than $80;

(F) if the producer's average monthly production tax value of a BTU equivalent barrel of the taxable oil and gas for the month is more than $92.50, the tax rates are

(i) 2.5 percent on the first $12.50 of monthly production tax value for each BTU equivalent barrel that is greater than $30;

(ii) 7.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(iii) 12.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(iv) 17.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(v) 22.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel; and

(vi) 25 percent of the monthly production tax value for each BTU equivalent barrel that is greater than $92.50.

* **Sec. 3.** AS 43.55.020(a) is amended to read:

(a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i) shall pay the tax as follows:

(1) an installment payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each month of the calendar year on the last day of the following month; except as otherwise provided under (2) of this subsection, the amount of the installment payment is the sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment payment may not be less than zero:

(A) for oil and gas produced from leases or properties in the state outside the Cook Inlet sedimentary basin but not subject to AS 43.55.011(o), other than leases or properties subject to AS 43.55.011(f), the greater of

(i) zero; or

(ii) the **applicable tax rates in AS 43.55.011(e) and (g) applied to** [SUM OF 25 PERCENT AND THE TAX RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g) MULTIPLIED BY] the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the leases or properties under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is calculated;

(B) for oil and gas produced from leases or properties subject to AS 43.55.011(f), the greatest of

(i) zero;

(ii) zero percent, one percent, two percent, three percent, or four percent, as applicable, of the gross value at the point of production of the oil and gas produced from all leases or properties during the month for which the installment payment is calculated; or

(iii) the **applicable tax rates in AS 43.55.011(e) and (g) applied to** [SUM OF 25 PERCENT AND THE TAX RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g) MULTIPLIED BY] the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for those leases or properties under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from those leases or properties during the month for which the installment payment is

calculated;

(C) for oil and gas produced from each lease or property subject to AS 43.55.011(j), (k), or (o), the greater of

(i) zero; or

(ii) the **applicable tax rates in AS 43.55.011(e) and (g) applied to** [SUM OF 25 PERCENT AND THE TAX RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g) MULTIPLIED BY] the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible under AS 43.55.160 for oil or gas, respectively, produced from the lease or property from the gross value at the point of production of the oil or gas, respectively, produced from the lease or property during the month for which the installment payment is calculated;

(2) an amount calculated under (1)(C) of this subsection for oil or gas produced from a lease or property subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable gas produced during the month for the amount of taxable gas produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable oil produced during the month for the amount of taxable oil produced during the calendar year;

(3) an installment payment of the estimated tax levied by AS 43.55.011(i) for each lease or property is due for each month of the calendar year on the last day of the following month; the amount of the installment payment is the sum of

(A) the applicable tax rate for oil provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the oil taxable under AS 43.55.011(i) and produced from the lease or property

during the month; and

(B) the applicable tax rate for gas provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the gas taxable under AS 43.55.011(i) and produced from the lease or property during the month;

(4) any amount of tax levied by AS 43.55.011(e) or (i), net of any credits applied as allowed by law, that exceeds the total of the amounts due as installment payments of estimated tax is due on March 31 of the year following the calendar year of production.

*** Sec. 4.** AS 43.55.023(g) is amended to read:

(g) The issuance of a transferable tax credit certificate under (d) **of this section** or **former** (m) of this section or the purchase of a certificate under AS 43.55.028 does not limit the department's ability to later audit a tax credit claim to which the certificate relates or to adjust the claim if the department determines, as a result of the audit, that the applicant was not entitled to the amount of the credit for which the certificate was issued. The tax liability of the applicant under AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount of the credit that exceeds that to which the applicant was entitled, or the applicant's available valid outstanding credits applicable against the tax levied by AS 43.55.011(e) are reduced by that amount. If the applicant's tax liability is increased under this subsection, the increase bears interest under AS 43.05.225 from the date the transferable tax credit certificate was issued. For purposes of this subsection, an applicant that is an explorer is considered a producer subject to the tax levied by AS 43.55.011(e).

*** Sec. 5.** AS 43.55.023(*l*) is amended to read:

(*l*) A producer or explorer may apply for a tax credit for a well lease expenditure incurred in the state [SOUTH OF 68 DEGREES NORTH LATITUDE] after **December 31, 2012, and before January 1, 2023** [JUNE 30, 2010], as follows:

(1) notwithstanding that a well lease expenditure incurred in the state

(A) south of 68 degrees North latitude may be a deductible lease expenditure for purposes of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a credit for that expenditure is taken

under (a) of this section, AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a well lease expenditure in the state south of 68 degrees North latitude may elect to apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of 40 percent of that expenditure;

(B) north of 68 degrees North latitude and outside of a unit or in commercial production before December 31, 2008, may be a deductible lease expenditure for purposes of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under (a) of this section, AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a well lease expenditure in the state north of 68 degrees North latitude and outside of a unit or in commercial production before December 31, 2008, may elect to apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of 40 percent of that expenditure; [A TAX CREDIT UNDER THIS PARAGRAPH MAY BE APPLIED FOR A SINGLE CALENDAR YEAR;]

(2) a producer or explorer may take a credit for a well lease expenditure **under this subsection** incurred [IN THE STATE SOUTH OF 68 DEGREES NORTH LATITUDE] in connection with geological or geophysical exploration or in connection with an exploration well only if the producer or explorer

(A) agrees, in writing, to the applicable provisions of AS 43.55.025(f)(2); and

(B) submits to the Department of Natural Resources all data that would be required to be submitted under AS 43.55.025(f)(2).

*** Sec. 6.** AS 43.55.023(*l*) is repealed and reenacted to read:

(*l*) A producer or explorer may apply for a tax credit for a well lease expenditure incurred in the state south of 68 degrees North latitude after December 31, 2022, as follows:

(1) notwithstanding that a well lease expenditure incurred in the state south of 68 degrees North latitude may be a deductible lease expenditure for purposes of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a

credit for that expenditure is taken under (a) of this section, AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a well lease expenditure in the state south of 68 degrees North latitude may elect to apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of 40 percent of that expenditure; a tax credit under this paragraph may be applied for a single calendar year;

(2) a producer or explorer may take a credit for a well lease expenditure incurred in the state south of 68 degrees North latitude in connection with geological or geophysical exploration or in connection with an exploration well only if the producer or explorer

(A) agrees, in writing, to the applicable provisions of AS 43.55.025(f)(2); and

(B) submits to the Department of Natural Resources all data that would be required to be submitted under AS 43.55.025(f)(2).

* **Sec. 7.** AS 43.55.023(n) is amended to read:

(n) For the purposes of (*l*) [AND (m)] of this section, a well lease expenditure [INCURRED IN THE STATE SOUTH OF 68 DEGREES NORTH LATITUDE] is a lease expenditure that is

(1) directly related to an exploration well, a stratigraphic test well, a producing well, or an injection well other than a disposal well, [LOCATED IN THE STATE SOUTH OF 68 DEGREES NORTH LATITUDE,] if the expenditure is a qualified capital expenditure and an intangible drilling and development cost authorized under 26 U.S.C. (Internal Revenue Code), as amended, and 26 C.F.R. 1.612-4, regardless of the elections made under 26 U.S.C. 263(c); in this paragraph, an expenditure directly related to a well includes an expenditure for well sidetracking, well deepening, well completion or recompletion, or well workover, regardless of whether the well is or has been a producing well; or

(2) an expense for seismic work conducted within the boundaries of a production or exploration unit.

* **Sec. 8.** AS 43.55.028(e) is amended to read:

(e) The department, on the written application of a person to whom a

transferable tax credit certificate has been issued under AS 43.55.023(d) or **former AS 43.55.023(m)** [(m)] or to whom a production tax credit certificate has been issued under AS 43.55.025(f), may use available money in the oil and gas tax credit fund to purchase, in whole or in part, the certificate if the department finds that

(1) the calendar year of the purchase is not earlier than the first calendar year for which the credit shown on the certificate would otherwise be allowed to be applied against a tax;

(2) [REPEALED

(3) REPEALED

(4)] the applicant does not have an outstanding liability to the state for unpaid delinquent taxes under this title;

(3) [(5)] the applicant's total tax liability under AS 43.55.011(e), after application of all available tax credits, for the calendar year in which the application is made is zero;

(4) [(6)] the applicant's average daily production of oil and gas taxable under AS 43.55.011(e) during the calendar year preceding the calendar year in which the application is made was not more than 50,000 BTU equivalent barrels; and

(5) [(7)] the purchase is consistent with this section and regulations adopted under this section.

* **Sec. 9.** AS 43.55.028(g) is amended to read:

(g) The department may adopt regulations to carry out the purposes of this section, including standards and procedures to allocate available money among applications for purchases under this chapter and claims for refunds under AS 43.20.046 when the total amount of the applications for purchase and claims for refund exceed the amount of available money in the fund. The regulations adopted by the department may not, when allocating available money in the fund under this section, distinguish an application for the purchase of a credit certificate issued under **former** AS 43.55.023(m) or a claim for refund under AS 43.20.046.

* **Sec. 10.** AS 43.55.023(m) is repealed.

* **Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. (a) Sections 4, 5, 7, and 10 of this Act apply to expenditures incurred after December 31, 2012.

(b) Sections 1 - 3 of this Act apply to oil and gas produced after December 31, 2012.

(c) Section 6 of this Act applies to expenditures incurred after December 31, 2022.

* **Sec. 12.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: REGULATIONS. The Department of Revenue may adopt regulations to implement this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of the provision of this Act implemented by the regulation.

* **Sec. 13.** Sections 1 - 5, 7 - 10, and 11(a) and (b) of this Act take effect January 1, 2013.

* **Sec. 14.** Sections 6 and 11(c) of this Act take effect January 1, 2023.

* **Sec. 15.** Except as provided in secs. 13 and 14 of this Act, this Act takes effect immediately under AS 01.10.070(c)."

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "B"

Page 1, line 3, through page 2, line 5:

Delete all material and insert:

"* **Section 1.** AS 43.55.011(g) is amended to read:

(g) For each month of the calendar year for which the producer's average monthly production tax value under AS 43.55.160(a)(2) **for a** [PER] BTU equivalent barrel of the taxable oil and gas is more than $30, the amount of tax for purposes of (e)(2) of this section is determined by multiplying the monthly production tax value of the taxable oil and gas produced during the month by the tax rate calculated as follows:

(1) if the producer's average monthly production tax value **for a** [PER] BTU equivalent barrel of the taxable oil and gas for the month is not more than $92.50, the tax rate is 0.4 percent multiplied by the number that represents the difference between that average monthly production tax value **for a** [PER] BTU equivalent barrel and $30; or

(2) if the producer's average monthly production tax value **for a** [PER] BTU equivalent barrel of the taxable oil and gas for the month is more than $92.50, the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between the average monthly production tax value **for a** [PER] BTU equivalent barrel and $92.50, except that the sum determined under this paragraph may not exceed **35** [50] percent."

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "B"

Page 1, line 1, following "**tax;**":

Insert "**providing for a reduction in production tax value for certain oil;**"

Page 2, following line 5:

Insert new bill sections to read:

"* **Sec. 2.** AS 43.55.160(a) is amended to read:

(a) Except as provided in (b) of this section **and subject to an adjustment under AS 43.55.162**, for the purposes of

(1) AS 43.55.011(e), the annual production tax value of the taxable

(A) oil and gas produced during a calendar year from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil and gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas subject to AS 43.55.011(o);

(B) oil and gas produced during a calendar year from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil and

gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas subject to AS 43.55.011(o);

(C) oil produced during a calendar year from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the oil taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(D) gas produced during a calendar year from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(E) gas produced during a calendar year from a lease or property outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to that gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(2) AS 43.55.011(g), the monthly production tax value of the taxable

(A) oil and gas produced during a month from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil and gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas subject to AS 43.55.011(o);

(B) oil and gas produced during a month from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil and gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas subject to AS 43.55.011(o);

(C) oil produced during a month from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the oil taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(D) gas produced during a month from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(E) gas produced during a month from a lease or property outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to that gas produced by the producer from that lease or property, as adjusted under AS 43.55.170.

* **Sec. 3.** AS 43.55 is amended by adding a new section to read:

Sec. 43.55.162. Adjustment to production tax value for increasing oil production. (a) The production tax value of oil delivered to and transported by the

Trans Alaska Pipeline System, as calculated under AS 43.55.160(a)(1)(A) and (B) and AS 43.66.160(a)(2)(A) and (B), may be reduced by an amount determined by the department under this section.

(b) A producer shall report to the department the total adjusted amount of annual oil production and adjusted amount of the average daily statewide oil production delivered by the producer for transport to the Trans Alaska Pipeline System for both the calendar year immediately preceding the year for which the tax is being determined and the year for which the tax is being determined. The report shall be filed at the time the statement required under AS 43.55.030(a) is filed.

(c) When calculating the

(1) adjusted amount of the average daily statewide production under (b) of this section, the producer shall exclude from the calculation the days on which the rate of production is significantly reduced and the volume of production on those days for which the rate of production is significantly reduced; for the purposes of this paragraph, the rate of production is significantly reduced when the production of oil delivered by the producer to the Trans Alaska Pipeline System for the day is less than one-half of the average daily production for the year calculated by dividing the total oil production that is produced by the producer and delivered to the Trans Alaska Pipeline System for the year by the number of days in the year;

(2) adjusted amount of total annual oil production that is delivered by the producer to the Trans Alaska Pipeline System, the producer shall multiply the adjusted amount of average daily production determined under (1) of this subsection by the number of days in the applicable calendar year; and

(3) adjusted amount of total annual oil production that is delivered by the producer to the Trans Alaska Pipeline System for the year for which the tax is being determined under (2) of this subsection, the producer may not include the amount of production resulting from the purchase, merger, or other acquisition of another producer and any production attributable to the producer from a unit in which the producer did not participate in the calendar year immediately preceding the year for which the tax is being determined; however, the increased production that may not be included by a producer under this paragraph may be included in the adjusted

amount of total annual oil production for the year when determining the amount by which production increases in the next succeeding year.

(d) After receiving a report by the producer under (b) of this section, the department may reduce the production tax value determined under

(1) AS 43.55.160(a)(1)(A) and (B) by $10 for each barrel of oil delivered by the producer to the Trans Alaska Pipeline system during the year for which the tax is being determined that exceeds the adjusted total annual production for the calendar year immediately preceding the year for which the tax is being determined; and

(2) AS 43.55.160(a)(2)(A) and (B) by $10 for each barrel of oil delivered to the Trans Alaska Pipeline System for each month in the year for which the tax is being determined that exceeds 1/12 of the number of barrels by which the adjusted total annual production for the year for which the tax is being determined exceeds the adjusted total annual production for the calendar year immediately preceding the year for which the tax is being determined.

(e) The department shall notify the producer of the amount of tax reduction allowed as a result of a reduction in production tax value determined by the department under (d) of this section. At the request of the producer, the department may refund any amount due to the producer as a result of the reduction in production tax value or credit the amount of the tax reduction against the liability of the taxpayer for a tax due under this title.

(f) A tax reduction that results from a reduction in the production tax value under this section may not be considered when a producer is required to calculate and pay any amount due under AS 43.55.020(a). However, at the request of the producer, a credit allowed under (e) of this section may be applied against a payment due under AS 43.55.020(a) for a period after the department determines the amount of reduction in the production tax value.

(g) The department may adopt regulations specifying the information that must be included in the report filed by a producer under (b) of this section and other regulations necessary for the administration of this section.

* **Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to

read:

APPLICABILITY. The reduction in production tax value under AS 43.55.162, enacted by sec. 10 of this Act, applies to qualifying oil produced after December 31, 2012. In this section, "qualifying oil" means oil delivered to the Trans Alaska Pipeline System the production tax value of which is calculated under AS 43.55.160(a)(1)(A) and (B) and 43.55.160(a)(2)(A) and (B)."

Renumber the following bill section accordingly.

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "B"

Page 1, line 1, following "**tax;**":

Insert "**limiting the amount of certain tax credits applicable to the oil and gas production tax;**"

Page 2, following line 5:

Insert new bill sections to read:

"* **Sec. 2.** AS 43.55.023(a) is amended to read:

(a) A producer or explorer may take a tax credit for a qualified capital expenditure as follows:

(1) **except as limited by (p) of this section,** notwithstanding that a qualified capital expenditure may be a deductible lease expenditure for purposes of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a qualified capital expenditure may also elect to apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that expenditure; however, not more than half of the tax credit may be applied for a single calendar year;

(2) a producer or explorer may take a credit for a qualified capital expenditure incurred in connection with geological or geophysical exploration or in connection with an exploration well only if the producer or explorer

(A) agrees, in writing, to the applicable provisions of AS 43.55.025(f)(2); and

(B) submits to the Department of Natural Resources all data

that would be required to be submitted under AS 43.55.025(f)(2).

* **Sec. 3.** AS 43.55.023(d) is amended to read:

(d) Except as limited by (i) **and (p)** of this section, a person that is entitled to take a tax credit under this section that wishes to transfer the unused credit to another person or obtain a cash payment under AS 43.55.028 may apply to the department for transferable tax credit certificates. An application under this subsection must be in a form prescribed by the department and must include supporting information and documentation that the department reasonably requires. The department shall grant or deny an application, or grant an application as to a lesser amount than that claimed and deny it as to the excess, not later than 120 days after the latest of (1) March 31 of the year following the calendar year in which the qualified capital expenditure or carried-forward annual loss for which the credit is claimed was incurred; (2) the date the statement required under AS 43.55.030(a) or (e) was filed for the calendar year in which the qualified capital expenditure or carried-forward annual loss for which the credit is claimed was incurred; or (3) the date the application was received by the department. If, based on the information then available to it, the department is reasonably satisfied that the applicant is entitled to a credit, the department shall issue the applicant two transferable tax credit certificates, each for half of the amount of the credit. The credit shown on one of the two certificates is available for immediate use. The credit shown on the second of the two certificates may not be applied against a tax for a calendar year earlier than the calendar year following the calendar year in which the certificate is issued, and the certificate must contain a conspicuous statement to that effect. A certificate issued under this subsection does not expire.

* **Sec. 4.** AS 43.55.023(*l*) is amended to read:

(*l*) **Except as limited by (p) of this section, a** [A] producer or explorer may apply for a tax credit for a well lease expenditure incurred in the state south of 68 degrees North latitude after June 30, 2010, as follows:

(1) notwithstanding that a well lease expenditure incurred in the state south of 68 degrees North latitude may be a deductible lease expenditure for purposes of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under (a) of this section, AS 38.05.180(i),

AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a well lease expenditure in the state south of 68 degrees North latitude may elect to apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of 40 percent of that expenditure; a tax credit under this paragraph may be applied for a single calendar year;

(2) a producer or explorer may take a credit for a well lease expenditure incurred in the state south of 68 degrees North latitude in connection with geological or geophysical exploration or in connection with an exploration well only if the producer or explorer

(A) agrees, in writing, to the applicable provisions of AS 43.55.025(f)(2); and

(B) submits to the Department of Natural Resources all data that would be required to be submitted under AS 43.55.025(f)(2).

* **Sec. 5.** AS 43.55.023 is amended by adding a new subsection to read:

(p) The amount of credit for a capital expenditure under (a) or (*l*) of this section for an expenditure that is also a lease expenditure under AS 43.55.165 is reduced by the amount necessary so that the tax benefit percentage is not more than 65 percent of the capital expenditure. The amount of credit for a capital expenditure under (a) or (*l*) of this section that may not be taken because of the limitation in this subsection may not be applied in a later calendar year under (c) of this section and may not be included in an application for a tax credit certificate under (d) of this section. In this subsection, "tax benefit percentage" means the sum of the average monthly tax rate under AS 43.55.011(e) and (g) for the calendar year in which the credit is taken and the percentage of the capital expenditure that may be taken as a credit under (a) or (*l*) of this section.

* **Sec. 6.** AS 43.55.025(a) is amended to read:

(a) Subject to the terms and conditions of this section **and except as limited by (n) of this section**, a credit against the production tax levied by AS 43.55.011(e) is allowed for exploration expenditures that qualify under (b) of this section in an amount equal to one of the following:

(1) 30 percent of the total exploration expenditures that qualify only

under (b) and (c) of this section;

(2) 30 percent of the total exploration expenditures that qualify only under (b) and (d) of this section;

(3) 40 percent of the total exploration expenditures that qualify under (b), (c), and (d) of this section;

(4) 40 percent of the total exploration expenditures that qualify only under (b) and (e) of this section; or

(5) 80, 90, or 100 percent, or a lesser amount described in (*l*) of this section, of the total exploration expenditures described in (b)(1) and (2) of this section and not excluded by (b)(3) and (4) of this section that qualify only under (*l*) of this section.

*** Sec. 7.** AS 43.55.025 is amended by adding a new subsection to read:

(n) The amount of credit for an exploration expenditure under (a)(1) - (4) of this section for an expenditure that is also a lease expenditure under AS 43.55.165 is reduced by the amount necessary so that the tax benefit percentage is not more than 65 percent of the exploration expenditure. The amount of credit for an exploration expenditure under (a)(1) - (4) of this section that may not be taken because of the limitation in this subsection may not be transferred, conveyed, or sold under (g) of this section. In this subsection, "tax benefit percentage" means the sum of the average monthly tax rate under AS 43.55.011(e) and (g) for the calendar year in which the credit is taken and the percentage of the exploration expenditure that may be taken as a credit under (a)(1) - (4) of this section."

Renumber the following bill section accordingly.

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "B"

Page 1, line 1, following "**tax;**":

Insert "**relating to the minimum tax on oil and gas production; relating to the availability of funds from the oil and gas production tax for appropriation to the community revenue sharing fund;**"

Page 1, following line 2:

Insert new bill sections to read:

"* **Section 1.** AS 29.60.850(b) is amended to read:

(b) Each fiscal year, the legislature may appropriate to the community revenue sharing fund an amount equal to **the lesser of** 20 percent of the money received by the state during the previous calendar year under AS 43.55.011(g) **or the difference between the amount of money received by the state during the previous calendar for oil and gas production subject to AS 43.55.011(f) and 25 percent of the production tax value determined under AS 43.55.160 for oil and gas production subject to AS 43.55.011(f) produced during the previous calendar year, except the difference may not be less than zero**. The amount **appropriated** may not exceed

(1) $60,000,000; or

(2) the amount that, when added to the fund balance on June 30 of the previous fiscal year, equals $180,000,000.

* **Sec. 2.** AS 43.55.011(f) is repealed and reenacted to read:

(f) Except for oil and gas subject to (i) of this section and gas subject to (o) of this section, the provisions of this subsection apply to oil and gas produced from each lease or property within a unit or nonunitized reservoir that has cumulatively produced

1,000,000,000 BTU equivalent barrels of oil or gas by the close of the most recent calendar year and from which the average daily oil and gas production from the unit or nonunitized reservoir during the most recent calendar year exceeded 100,000 BTU equivalent barrels. Notwithstanding any contrary provision of law, a producer may not apply tax credits to reduce its total tax liability under (e) and (g) of this section for oil and gas produced from all leases or properties within the unit or nonunitized reservoir below 10 percent of the total gross value at the point of production of that oil and gas. If the amount of tax calculated by multiplying the tax rates in (e) and (g) of this section by the total production tax value of the oil and gas taxable under (e) and (g) of this section produced from all of the producer's leases or properties within the unit or nonunitized reservoir is less than 10 percent of the total gross value at the point of production of that oil and gas, the tax levied by (e) and (g) of this section for that oil and gas is equal to 10 percent of the total gross value at the point of production of that oil and gas."

Page 1, line 4:

Delete "**Section 1**"

Insert "**Sec. 3**"

Renumber the following bill sections accordingly.

Page 2, following line 5:

Insert a new bill section to read:

"* **Sec. 4.** AS 43.55.020(a) is amended to read:

(a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i) shall pay the tax as follows:

(1) an installment payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each month of the calendar year on the last day of the following month; except as otherwise provided under (2) of this subsection, the amount of the installment payment is the sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be

applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment payment may not be less than zero:

(A) for oil and gas produced from leases or properties in the state outside the Cook Inlet sedimentary basin but not subject to AS 43.55.011(o), other than leases or properties subject to AS 43.55.011(f), the greater of

(i) zero; or

(ii) the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the leases or properties under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is calculated;

(B) for oil and gas produced from leases or properties subject to AS 43.55.011(f), **10 percent of the gross value at the point of production of that oil and gas** [THE GREATEST OF

(i) ZERO;

(ii) ZERO PERCENT, ONE PERCENT, TWO PERCENT, THREE PERCENT, OR FOUR PERCENT, AS APPLICABLE, OF THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL AND GAS PRODUCED FROM ALL LEASES OR PROPERTIES DURING THE MONTH FOR WHICH THE INSTALLMENT PAYMENT IS CALCULATED; OR

(iii) THE SUM OF 25 PERCENT AND THE TAX RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g) MULTIPLIED BY THE REMAINDER OBTAINED BY SUBTRACTING 1/12 OF THE PRODUCER'S ADJUSTED LEASE EXPENDITURES FOR THE CALENDAR YEAR OF PRODUCTION UNDER AS 43.55.165 AND 43.55.170 THAT ARE DEDUCTIBLE

FOR THOSE LEASES OR PROPERTIES UNDER AS 43.55.160 FROM THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL AND GAS PRODUCED FROM THOSE LEASES OR PROPERTIES DURING THE MONTH FOR WHICH THE INSTALLMENT PAYMENT IS CALCULATED];

(C) for oil and gas produced from each lease or property subject to AS 43.55.011(j), (k), or (o), the greater of

(i) zero; or

(ii) the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible under AS 43.55.160 for oil or gas, respectively, produced from the lease or property from the gross value at the point of production of the oil or gas, respectively, produced from the lease or property during the month for which the installment payment is calculated;

(2) an amount calculated under (1)(C) of this subsection for oil or gas produced from a lease or property subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable gas produced during the month for the amount of taxable gas produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable oil produced during the month for the amount of taxable oil produced during the calendar year;

(3) an installment payment of the estimated tax levied by AS 43.55.011(i) for each lease or property is due for each month of the calendar year on the last day of the following month; the amount of the installment payment is the sum of

(A) the applicable tax rate for oil provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the oil taxable under AS 43.55.011(i) and produced from the lease or property during the month; and

(B) the applicable tax rate for gas provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the gas taxable under AS 43.55.011(i) and produced from the lease or property during the month;

(4) any amount of tax levied by AS 43.55.011(e) or (i), net of any credits applied as allowed by law, that exceeds the total of the amounts due as installment payments of estimated tax is due on March 31 of the year following the calendar year of production."

Renumber the following bill section accordingly.

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "B"

Page 1, line 1, following "**tax;**":

Insert "**relating to certain additional nontransferable oil and gas production tax credits;**"

Page 2, following line 5:

Insert a new bill section to read:

"*** Sec. 2.** AS 43.55.024(d) is amended to read:

(d) A producer may not take a tax credit under (c) of this section for any calendar year after the later of

(1) **2021** [2016]; or

(2) if the producer did not have commercial oil or gas production from a lease or property in the state before April 1, 2006, the ninth calendar year after the calendar year during which the producer first has commercial oil or gas production before May 1, **2021** [2016], from at least one lease or property in the state."

Renumber the following bill section accordingly.

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "B"

Page 1, line 1, following "**tax;**":

Insert "**relating to an adjustment to the gross value at the point of production for oil production from certain leases or properties; relating to the determination of the production tax value of oil and gas;**"

Page 2, following line 5:

Insert new bill sections to read:

"* **Sec. 2.** AS 43.55.160(a) is amended to read:

(a) Except as provided in (b) of this section **and subject to an adjustment under AS 43.55.162**, for the purposes of

(1) AS 43.55.011(e), the annual production tax value of the taxable

(A) oil and gas produced during a calendar year from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil and gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas subject to AS 43.55.011(o);

(B) oil and gas produced during a calendar year from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) and produced by

the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil and gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas subject to AS 43.55.011(o);

(C) oil produced during a calendar year from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the oil taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(D) gas produced during a calendar year from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(E) gas produced during a calendar year from a lease or property outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to that gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(2) AS 43.55.011(g), the monthly production tax value of the taxable

(A) oil and gas produced during a month from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil and gas produced by the producer from

those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas subject to AS 43.55.011(o);

(B) oil and gas produced during a month from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil and gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas subject to AS 43.55.011(o);

(C) oil produced during a month from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the oil taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(D) gas produced during a month from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from that lease or property, as adjusted under AS 43.55.170;

(E) gas produced during a month from a lease or property outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to that gas produced by the producer from that lease or property, as adjusted under AS 43.55.170.

* **Sec. 3.** AS 43.55 is amended by adding a new section to read:

Sec. 43.55.162. Adjustments to the gross value at the point of production for certain oil. (a) If the volume of taxable oil produced by a producer during a calendar year from leases or properties described in AS 43.55.160(a)(1)(A) is greater than the annual target volume of taxable oil production determined under this section for the calendar year, the gross value at the point of production for the taxable oil produced during

(1) the calendar year for the purpose of determining the annual production tax value under AS 43.55.160(a)(1), shall be reduced by a percentage equal to the percentage by which the volume of taxable oil produced during the calendar year exceeds the target volume of production for the calendar year; and

(2) a calendar month for the purpose of determining the production tax value for the calendar month under AS 43.55.160(a)(2), shall be reduced by a percentage equal to the percentage by which the volume of taxable oil produced during the calendar month exceeds the target volume of production for the calendar month.

(b) Subject to adjustment under (e) of this section, the target volume of taxable oil production by a producer for a calendar year equals the volume of taxable oil produced by the producer from leases or properties described in AS 43.55.160(a)(1)(A) during the calendar year immediately preceding the calendar year for which the tax is being determined, multiplied by the applicable factor determined under (c)(1) - (4) of this section.

(c) For the purpose of determining the target volume of taxable oil production under (b) of this section, for a producer having taxable oil production from a lease or property described in AS 43.55.160(a)(1)(A)

(1) during the calendar year immediately preceding the calendar year for which the tax is being determined and the fourth calendar year preceding the calendar year for which the tax is being determined, the factor is equal to the cube root of the ratio of the volume of taxable oil produced by the producer from the leases or properties described in AS 43.55.160(a)(1)(A) during the calendar year immediately preceding the calendar year for which the tax is being determined to the volume of taxable oil produced from the leases or properties described in AS 43.55.160(a)(1)(A)

during the fourth calendar year preceding the year for which the tax is being determined;

(2) during the calendar year immediately preceding the calendar year for which the tax is being determined and the third calendar year preceding the calendar year for which the tax is being determined, but not during the fourth year preceding the calendar year for which the tax is being determined, the factor is equal to the square root of the ratio of the volume of taxable oil produced by the producer from the leases or properties described in AS 43.55.160(a)(1)(A) during the calendar year immediately preceding the year for which the tax is being determined to the volume of taxable oil produced from the leases or properties described in AS 43.55.160(a)(1)(A) during the third calendar year preceding the calendar year for which the tax is being determined;

(3) during the calendar year immediately preceding the calendar year for which the tax is being determined and the second calendar year preceding the year for which the tax is being determined, but not during the third or fourth calendar years preceding the year for which the tax is being determined, the factor is equal to the ratio of the volume of taxable oil produced by the producer from the leases or properties described in AS 43.55.160(a)(1)(A) during the calendar year immediately preceding the calendar year for which the tax is being determined to the volume of taxable oil produced from the leases or properties described in AS 43.55.160(a)(1)(A) during the second calendar year preceding the calendar year for which the tax is being determined;

(4) during the calendar year immediately preceding the year for which the tax is being determined but not during the second, third, or fourth calendar years preceding the calendar year for which the tax is being determined, the factor is equal to one.

(d) The target volume of taxable oil production by a producer for a calendar month is equal to 1/12 of the annual target volume of taxable oil production for the calendar year, except as otherwise provided in (e)(4) of this section.

(e) For purposes of this section, for a producer that produced taxable oil during a calendar year from a lease or property described in AS 43.55.160(a)(1)(A),

(1) if the producer did not produce taxable oil from a lease or property described in AS 43.55.160(a)(1)(A) during the calendar year immediately preceding the calendar year for which the tax is being determined, there is no target volume of taxable oil production for the calendar year or calendar month during the year and no reduction in the gross value at the point of production for that oil production for the purposes of AS 43.55.160(a)(1) for the year for which the tax is being determined, unless the production of taxable oil during the entire calendar year was interrupted because of force majeure;

(2) if the producer did not produce taxable oil from a lease or property described in AS 43.55.160(a)(1)(A) during the calendar year immediately preceding the calendar year for which the tax is being determined because the production of taxable oil during the entire calendar year was interrupted because of force majeure, the target volume of taxable oil production for the current year must be determined under (c) of this section based on the fourth, third, or second preceding calendar year, as applicable, in which the producer produced taxable oil from a lease or property described in AS 43.55.160(a)(1)(A);

(3) for a producer that produced taxable oil from leases or properties described in AS 43.55.160(a)(1)(A) during a prior year that would have been used in the applicable calculation under (b) of this section, except that there was no taxable oil production for 30 days or more during that calendar year because the producer first produced taxable oil from those leases or properties during that calendar year or because production from the leases or properties was interrupted by force majeure for 30 days or more during that calendar year, the producer's volume of taxable oil production from leases or properties described in AS 43.55.160(a)(1)(A) during that prior year is multiplied by a fraction, the numerator of which is the number of days during that prior year and the denominator of which is the number of days during that prior year on which the producer had oil production from a lease or property described in AS 43.55.160(a)(1)(A);

(4) for a producer that has production of taxable oil that is interrupted by force majeure for 30 days or more during the year for which the tax is being determined, the target volume of taxable oil production for the current year that would

otherwise be applicable shall be reduced by a percentage equal to the percentage of days during the year that the production was interrupted, and the producer's monthly target volume of taxable oil production for the current year is the target volume of taxable oil production for the current year determined under this paragraph divided by a fraction, the numerator of which is the number of days during the year when the producer had production from leases or properties described in AS 43.55.160(a)(1)(A), and the denominator of which is 30.4375.

(f) The determination of the adjustment to the gross value at the point of production in this section is based on the location of a lease or property within the area described in AS 43.55.160(a)(1)(A) and is made without regard as to whether taxable oil is produced from a particular lease or property during more than one year.

(g) The negligence or recklessness of a producer or operator that prevents the production of taxable oil does not constitute force majeure. However, if there is a sufficient cause for the cessation of production because of force majeure, the negligence or recklessness of the producer, the operator, or the producer and operator does not prohibit treating the inability to produce oil or the suspension of oil production as having been caused by force majeure for the purposes of this section.

(h) In this section, "force majeure" means a cause beyond the reasonable ability of a producer, an operator, or a producer and operator of a lease or property to avoid or control that prevents the producer from producing oil or having oil produced for the producer from the lease or property for a period of 24 or more consecutive hours; "force majeure" includes an act of God, war, martial law, insurrection, terrorism, sabotage, government restriction, order of a court or an administrative or regulatory body having jurisdiction over the lease or property or production from the lease or property, a strike or other labor action, or a failure or omission on the part of a third-party supplier, contractor, subcontractor, carrier, or other third party."

Renumber the following bill section accordingly.

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "B"

Page 1, following "**tax;**":

Insert "**providing for a tax credit applicable to the oil and gas production tax based on the capital cost of developing new oil and gas production;**"

Page 1, following line 2:

Insert a new bill section to read:

"*** Section 1.** AS 43.20.043(g) is amended to read:

(g) A taxpayer that obtains a credit for a qualified capital investment or cost incurred for qualified services under this section may not also claim a tax credit or royalty modification for the same qualified capital investment or cost incurred for qualified services under AS 38.05.180(i), AS 41.09.010, AS 43.55.023, [OR] 43.55.025**, or 43.55.026**. However, a taxpayer may elect not to obtain a credit under this section in order to qualify for a credit provided under AS 38.05.180(i), AS 41.09.010, AS 43.55.023, [OR] 43.55.025**, or 43.55.026**."

Page 1, line 3:

Delete "**Section 1**"

Insert "**Sec. 2**"

Page 2, line 6:

Delete all material and insert:

"*** Sec. 3.** AS 43.55 is amended by adding a new section to read:

Sec. 43.55.026. Development cost credit. (a) This section applies to a credit

for a qualified development expenditure incurred before 2018 and before the start of sustained production that is taxable under AS 43.55.011(e). The qualified development expenditure must be incurred for development outside of the Cook Inlet sedimentary basin and outside of the Point Thomson unit established under AS 38.05.180(p) as the area of the Point Thomson unit existed on December 31, 2010. The qualified development expenditure must be for the development of a

(1) lease or property that, as of December 31, 2010, contains land that is not or previously had not been within a unit or is not or had not previously been involved directly in sustained production; or

(2) pool that, as of December 31, 2010, is not directly involved in or had not previously been involved directly in sustained production.

(b) The total amount of the credits under this section is equal to 100 percent of the qualified development expenditures that are incurred after the completion of the first well drilled that discovers a pool capable of commercial production from the lease or property and before the start of sustained production, less the amount of credits taken under AS 43.55.023(a) and (b). In consultation with the Alaska Oil and Gas Conservation Commission, the department shall determine the date

(1) on which the first well drilled discovered a pool capable of production; and

(2) of the start of sustained production from the pool, lease, or property.

(c) A credit under this section may be applied against the tax levied by AS 43.55.011(e) for the pool, lease, or property that is the basis for the credit until the credit for qualified development expenditures has been fully applied.

(d) A qualified development expenditure that is taken as a credit under this section may not be used as an expenditure for which a credit may be taken under AS 43.20.043. A credit under AS 43.55.023 may not be taken against the tax levied by AS 43.55.011(e) for the pool, lease, or property that is the basis for a credit during the same month in which a credit is taken under this section.

(e) A credit or portion of a credit under this section is not transferable and may not be used to reduce a person's tax liability under AS 43.55.011(e) to below zero for

any calendar year.

(f) The department shall adopt regulations describing the procedures for determining the amount of the credit, record keeping, verification of the accuracy of the credit claimed, allocating expenditures to a pool eligible for a credit under (a)(2) of this section, and other regulations necessary to administer this section.

(g) If a pool, lease, or property for which a credit may be taken under this section subsequently becomes a part of a unit, or a pool that is in a unit first begins sustained production after December 31, 2010, the credit may be applied only against the tax levied by AS 43.55.011(e) for the production of oil and gas attributable to the pool, lease, or property that qualified for the credit. For the purpose of applying the credit, the tax shall be allocated to the pool, lease, or property that qualified for the credit in proportion to the volume of production from that pool lease or property within the unit.

(h) In this section,

(1) "pool" has the meaning given in AS 31.05.170;

(2) "qualified development expenditure" means an expenditure, other than an expenditure for exploring for new oil or gas reserves, that may be recognized as a qualified capital expenditure as defined in AS 43.55.023;

(3) "sustained production" has the meaning given in AS 43.55.025(*l*).

* **Sec. 4.** AS 43.55.180(a) is amended to read:

(a) The department shall study

(1) the effects of the provisions of this chapter on oil and gas exploration, development, and production in the state, on investment expenditures for oil and gas exploration, development, and production in the state, on the entry of new producers into the oil and gas industry in the state, on state revenue, and on tax administration and compliance, giving particular attention to the tax rates provided under AS 43.55.011, the tax credits provided under **AS 43.55.023 - 43.55.026** [AS 43.55.023 - 43.55.025], and the deductions for and adjustments to lease expenditures provided under AS 43.55.160 - 43.55.170; and

(2) the effects of the tax rates under AS 43.55.011(i) on state revenue and on oil and gas exploration, development, and production on private land, and the

fairness of those tax rates for private landowners.

* **Sec. 5.** Section 2 of this Act takes effect January 1, 2013.

* **Sec. 6.** Except as provided in sec. 5 of this Act, this Act takes effect immediately under AS 01.10.070(c)."

PASKVAN

Committee Substitute for Senate Bill 192 Oil and Gas Production Tax Values

Version E (3/1/12)

Amendments

E.1 (formerly B.1) Extends the Sunset of the Small Producer/New Area Development Credit from 2016 to 2021 (Wagoner)

E.2 (formerly B.2) Gross Value at the Point of Production Tax Holiday (Wagoner)

E.3 (formerly B.3) Tax Credit Based on the Capital Cost of Developing New Oil and Gas Production (Wagoner)

E.6 (formerly B.6) Inflation Adjusting the $30 (McGuire)

E.9 (formerly B.10) Capping Credits to Avoid Gold Plating (Wielechowski/French)

E.10 (formerly B.11) Changes to Oil and Gas Leasing Laws (Wielechowski/French)

E.11 (formerly B.12) State Directed Financial Investment (SDFI) (Wielechowski/French)

E.12 (formerly B.14) Re-instituting Separate Accounting (Wielechowski)

E.13 (formerly B.15) Requiring Info About Use of Tax Credits (Wielechowski/French)

E.14 (formerly B.17) Competitiveness Review Board (McGuire)

E.16 (formerly B.4) Progressivity Bracketed – 35% top bracket

E. 18 (formerly B.8) Simple Progressivity (Wielechowski/French)

E.19 (formerly B.18) Simple Progressivity 2 (Wielechowski / French)

Amendment Forthcoming

E.17 (formerly B.7) Adjusted base rate plus bracketed progressivity and in-field development credit for new fields (McGuire)

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "E"

Page 1, line 1, following "**tax;**":

Insert "**relating to certain additional nontransferable oil and gas production tax credits;**"

Page 10, following line 22:

Insert a new bill section to read:

"* **Sec. 11.** AS 43.55.024(d) is amended to read:

(d) A producer may not take a tax credit under (c) of this section for any calendar year after the later of

(1) **2021** [2016]; or

(2) if the producer did not have commercial oil or gas production from a lease or property in the state before April 1, 2006, the ninth calendar year after the calendar year during which the producer first has commercial oil or gas production before May 1, **2021** [2016], from at least one lease or property in the state."

Renumber the following bill sections accordingly.

Page 21, line 9:

Delete "sec. 13"

Insert "sec. 14"

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "E"

Page 17, line 28, through page 20, line 1:

Delete all material and insert:

"* **Sec. 13.** AS 43.55 is amended by adding a new section to read:

Sec. 43.55.162. Adjustments to the gross value at the point of production for certain oil. (a) If the volume of taxable oil produced by a producer during a calendar year from leases or properties described in AS 43.55.160(a)(1)(A) is greater than the annual target volume of taxable oil production determined under this section for the calendar year, the gross value at the point of production for the taxable oil produced during

(1) the calendar year for the purpose of determining the annual production tax value under AS 43.55.160(a)(1), shall be reduced by a percentage equal to the percentage by which the volume of taxable oil produced during the calendar year exceeds the target volume of production for the calendar year; and

(2) a calendar month for the purpose of determining the production tax value for the calendar month under AS 43.55.160(a)(2), shall be reduced by a percentage equal to the percentage by which the volume of taxable oil produced during the calendar month exceeds the target volume of production for the calendar month.

(b) Subject to adjustment under (e) of this section, the target volume of taxable oil production by a producer for a calendar year equals the volume of taxable oil produced by the producer from leases or properties described in AS 43.55.160(a)(1)(A) during the calendar year immediately preceding the calendar year for which the tax is being determined, multiplied by the applicable factor

determined under (c)(1) - (4) of this section.

(c) For the purpose of determining the target volume of taxable oil production under (b) of this section, for a producer having taxable oil production from a lease or property described in AS 43.55.160(a)(1)(A)

(1) during the calendar year immediately preceding the calendar year for which the tax is being determined and the fourth calendar year preceding the calendar year for which the tax is being determined, the factor is equal to the cube root of the ratio of the volume of taxable oil produced by the producer from the leases or properties described in AS 43.55.160(a)(1)(A) during the calendar year immediately preceding the calendar year for which the tax is being determined to the volume of taxable oil produced from the leases or properties described in AS 43.55.160(a)(1)(A) during the fourth calendar year preceding the year for which the tax is being determined;

(2) during the calendar year immediately preceding the calendar year for which the tax is being determined and the third calendar year preceding the calendar year for which the tax is being determined, but not during the fourth year preceding the calendar year for which the tax is being determined, the factor is equal to the square root of the ratio of the volume of taxable oil produced by the producer from the leases or properties described in AS 43.55.160(a)(1)(A) during the calendar year immediately preceding the year for which the tax is being determined to the volume of taxable oil produced from the leases or properties described in AS 43.55.160(a)(1)(A) during the third calendar year preceding the calendar year for which the tax is being determined;

(3) during the calendar year immediately preceding the calendar year for which the tax is being determined and the second calendar year preceding the year for which the tax is being determined, but not during the third or fourth calendar years preceding the year for which the tax is being determined, the factor is equal to the ratio of the volume of taxable oil produced by the producer from the leases or properties described in AS 43.55.160(a)(1)(A) during the calendar year immediately preceding the calendar year for which the tax is being determined to the volume of taxable oil produced from the leases or properties described in AS 43.55.160(a)(1)(A) during the

second calendar year preceding the calendar year for which the tax is being determined;

(4) during the calendar year immediately preceding the year for which the tax is being determined but not during the second, third, or fourth calendar years preceding the calendar year for which the tax is being determined, the factor is equal to one.

(d) The target volume of taxable oil production by a producer for a calendar month is equal to 1/12 of the annual target volume of taxable oil production for the calendar year, except as otherwise provided in (e)(4) of this section.

(e) For purposes of this section, for a producer that produced taxable oil during a calendar year from a lease or property described in AS 43.55.160(a)(1)(A),

(1) if the producer did not produce taxable oil from a lease or property described in AS 43.55.160(a)(1)(A) during the calendar year immediately preceding the calendar year for which the tax is being determined, there is no target volume of taxable oil production for the calendar year or calendar month during the year and no reduction in the gross value at the point of production for that oil production for the purposes of AS 43.55.160(a)(1) for the year for which the tax is being determined, unless the production of taxable oil during the entire calendar year was interrupted because of force majeure;

(2) if the producer did not produce taxable oil from a lease or property described in AS 43.55.160(a)(1)(A) during the calendar year immediately preceding the calendar year for which the tax is being determined because the production of taxable oil during the entire calendar year was interrupted because of force majeure, the target volume of taxable oil production for the current year must be determined under (c) of this section based on the fourth, third, or second preceding calendar year, as applicable, in which the producer produced taxable oil from a lease or property described in AS 43.55.160(a)(1)(A);

(3) for a producer that produced taxable oil from leases or properties described in AS 43.55.160(a)(1)(A) during a prior year that would have been used in the applicable calculation under (b) of this section, except that there was no taxable oil production for 30 days or more during that calendar year because the producer first

produced taxable oil from those leases or properties during that calendar year or because production from the leases or properties was interrupted by force majeure for 30 days or more during that calendar year, the producer's volume of taxable oil production from leases or properties described in AS 43.55.160(a)(1)(A) during that prior year is multiplied by a fraction, the numerator of which is the number of days during that prior year and the denominator of which is the number of days during that prior year on which the producer had oil production from a lease or property described in AS 43.55.160(a)(1)(A);

(4) for a producer that has production of taxable oil that is interrupted by force majeure for 30 days or more during the year for which the tax is being determined, the target volume of taxable oil production for the current year that would otherwise be applicable shall be reduced by a percentage equal to the percentage of days during the year that the production was interrupted, and the producer's monthly target volume of taxable oil production for the current year is the target volume of taxable oil production for the current year determined under this paragraph divided by a fraction, the numerator of which is the number of days during the year when the producer had production from leases or properties described in AS 43.55.160(a)(1)(A), and the denominator of which is 30.4375.

(f) The determination of the adjustment to the gross value at the point of production in this section is based on the location of a lease or property within the area described in AS 43.55.160(a)(1)(A) and is made without regard as to whether taxable oil is produced from a particular lease or property during more than one year.

(g) The negligence or recklessness of a producer or operator that prevents the production of taxable oil does not constitute force majeure. However, if there is a sufficient cause for the cessation of production because of force majeure, the negligence or recklessness of the producer, the operator, or the producer and operator does not prohibit treating the inability to produce oil or the suspension of oil production as having been caused by force majeure for the purposes of this section.

(h) In this section, "force majeure" means a cause beyond the reasonable ability of a producer, an operator, or a producer and operator of a lease or property to avoid or control that prevents the producer from producing oil or having oil produced

for the producer from the lease or property for a period of 24 or more consecutive hours; "force majeure" includes an act of God, war, martial law, insurrection, terrorism, sabotage, government restriction, order of a court or an administrative or regulatory body having jurisdiction over the lease or property or production from the lease or property, a strike or other labor action, or a failure or omission on the part of a third-party supplier, contractor, subcontractor, carrier, or other third party."

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "E"

Page 1, following "**tax;**":

Insert "**providing for a tax credit applicable to the oil and gas production tax based on the capital cost of developing new oil and gas production;**"

Page 4, following line 28:

Insert a new bill section to read:

"* **Sec. 5.** AS 43.20.043(g) is amended to read:

(g) A taxpayer that obtains a credit for a qualified capital investment or cost incurred for qualified services under this section may not also claim a tax credit or royalty modification for the same qualified capital investment or cost incurred for qualified services under AS 38.05.180(i), AS 41.09.010, AS 43.55.023, [OR] 43.55.025**, or 43.55.026**. However, a taxpayer may elect not to obtain a credit under this section in order to qualify for a credit provided under AS 38.05.180(i), AS 41.09.010, AS 43.55.023, [OR] 43.55.025**, or 43.55.026**."

Renumber the following bill sections accordingly.

Page 10, following line 22:

Insert a new bill section to read:

"* **Sec. 12.** AS 43.55 is amended by adding a new section to read:

Sec. 43.55.026. Development cost credit. (a) This section applies to a credit for a qualified development expenditure incurred before 2018 and before the start of sustained production that is taxable under AS 43.55.011(e). The qualified development

expenditure must be incurred for development outside of the Cook Inlet sedimentary basin and outside of the Point Thomson unit established under AS 38.05.180(p) as the area of the Point Thomson unit existed on December 31, 2010. The qualified development expenditure must be for the development of a

(1) lease or property that, as of December 31, 2010, contains land that is not or previously had not been within a unit or is not or had not previously been involved directly in sustained production; or

(2) pool that, as of December 31, 2010, is not directly involved in or had not previously been involved directly in sustained production.

(b) The total amount of the credits under this section is equal to 100 percent of the qualified development expenditures that are incurred after the completion of the first well drilled that discovers a pool capable of commercial production from the lease or property and before the start of sustained production, less the amount of credits taken under AS 43.55.023(a) and (b). In consultation with the Alaska Oil and Gas Conservation Commission, the department shall determine the date

(1) on which the first well drilled discovered a pool capable of production; and

(2) of the start of sustained production from the pool, lease, or property.

(c) A credit under this section may be applied against the tax levied by AS 43.55.011(e) for the pool, lease, or property that is the basis for the credit until the credit for qualified development expenditures has been fully applied.

(d) A qualified development expenditure that is taken as a credit under this section may not be used as an expenditure for which a credit may be taken under AS 43.20.043. A credit under AS 43.55.023 may not be taken against the tax levied by AS 43.55.011(e) for the pool, lease, or property that is the basis for a credit during the same month in which a credit is taken under this section.

(e) A credit or portion of a credit under this section is not transferable and may not be used to reduce a person's tax liability under AS 43.55.011(e) to below zero for any calendar year.

(f) The department shall adopt regulations describing the procedures for

determining the amount of the credit, record keeping, verification of the accuracy of the credit claimed, allocating expenditures to a pool eligible for a credit under (a)(2) of this section, and other regulations necessary to administer this section.

(g) If a pool, lease, or property for which a credit may be taken under this section subsequently becomes a part of a unit, or a pool that is in a unit first begins sustained production after December 31, 2010, the credit may be applied only against the tax levied by AS 43.55.011(e) for the production of oil and gas attributable to the pool, lease, or property that qualified for the credit. For the purpose of applying the credit, the tax shall be allocated to the pool, lease, or property that qualified for the credit in proportion to the volume of production from that pool lease or property within the unit.

(h) In this section,

(1) "pool" has the meaning given in AS 31.05.170;

(2) "qualified development expenditure" means an expenditure, other than an expenditure for exploring for new oil or gas reserves, that may be recognized as a qualified capital expenditure as defined in AS 43.55.023;

(3) "sustained production" has the meaning given in AS 43.55.025(*l*)."

Renumber the following bill sections accordingly.

Page 20, following line 29:

Insert a new bill section to read:

"* **Sec. 18.** AS 43.55.180(a) is amended to read:

(a) The department shall study

(1) the effects of the provisions of this chapter on oil and gas exploration, development, and production in the state, on investment expenditures for oil and gas exploration, development, and production in the state, on the entry of new producers into the oil and gas industry in the state, on state revenue, and on tax administration and compliance, giving particular attention to the tax rates provided under AS 43.55.011, the tax credits provided under **AS 43.55.023 - 43.55.026** [AS 43.55.023 - 43.55.025], and the deductions for and adjustments to lease

expenditures provided under AS 43.55.160 - 43.55.170; and

(2) the effects of the tax rates under AS 43.55.011(i) on state revenue and on oil and gas exploration, development, and production on private land, and the fairness of those tax rates for private landowners."

Page 21, line 9:

Delete "sec. 13"

Insert "sec. 15"

Page 21, line 13:

Delete all material and insert:

"* **Sec. 21.** Sections 5, 12, and 18 of this Act take effect immediately under AS 01.10.070(c).

* **Sec. 22.** Except as provided in sec. 21 of this Act, this Act takes effect January 1, 2013."

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "E"

Page 6, line 1:

Delete "$30"

Insert "**the greater of $30 or the amount determined under (q) of this section** [$30]"

Page 6, line 13:

Delete "$30"

Insert "**the greater of $30 or the amount determined under (q) of this section** [$30]"

Page 7, line 6:

Delete "a new subsection"

Insert "new subsections"

Page 7, line 9:

Delete "$30"

Insert "the greater of $30 or the amount determined under (q) of this section"

Page 7, line 19:

Delete "$30"

Insert "the greater of $30 or the amount determined under (q) of this section"

Page 8, following line 6:

Insert a new subsection to read:

"(q) For a calendar year after 2013, the $30 amount in (g) of this section shall be adjusted by the commissioner as soon as practicable before the start of the calendar year for which the tax will be determined according to changes in the Consumer Price Index for all urban consumers for the Anchorage metropolitan area compiled by the United States Department of Labor, Bureau of Labor Statistics. The $30 amount in (g) of this section shall be adjusted based on the increase, if any, between the consumer price index for January through June of 2011 and for January through June of the year immediately preceding the year for which the $30 amount in (g) of this section is being adjusted."

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "E"

Page 1, line 1, following "**tax;**":

Insert "**limiting the amount of certain tax credits applicable to the oil and gas production tax;**"

Page 10, following line 22:

Insert new bill sections to read:

"* **Sec. 11.** AS 43.55.023(a) is amended to read:

(a) A producer or explorer may take a tax credit for a qualified capital expenditure as follows:

(1) **except as limited by (p) of this section,** notwithstanding that a qualified capital expenditure may be a deductible lease expenditure for purposes of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a qualified capital expenditure may also elect to apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that expenditure; however, not more than half of the tax credit may be applied for a single calendar year;

(2) a producer or explorer may take a credit for a qualified capital expenditure incurred in connection with geological or geophysical exploration or in connection with an exploration well only if the producer or explorer

(A) agrees, in writing, to the applicable provisions of AS 43.55.025(f)(2); and

(B) submits to the Department of Natural Resources all data

that would be required to be submitted under AS 43.55.025(f)(2).

* **Sec. 12.** AS 43.55.023(d) is amended to read:

(d) Except as limited by (i) **and (p)** of this section, a person that is entitled to take a tax credit under this section that wishes to transfer the unused credit to another person or obtain a cash payment under AS 43.55.028 may apply to the department for transferable tax credit certificates. An application under this subsection must be in a form prescribed by the department and must include supporting information and documentation that the department reasonably requires. The department shall grant or deny an application, or grant an application as to a lesser amount than that claimed and deny it as to the excess, not later than 120 days after the latest of (1) March 31 of the year following the calendar year in which the qualified capital expenditure or carried-forward annual loss for which the credit is claimed was incurred; (2) the date the statement required under AS 43.55.030(a) or (e) was filed for the calendar year in which the qualified capital expenditure or carried-forward annual loss for which the credit is claimed was incurred; or (3) the date the application was received by the department. If, based on the information then available to it, the department is reasonably satisfied that the applicant is entitled to a credit, the department shall issue the applicant two transferable tax credit certificates, each for half of the amount of the credit. The credit shown on one of the two certificates is available for immediate use. The credit shown on the second of the two certificates may not be applied against a tax for a calendar year earlier than the calendar year following the calendar year in which the certificate is issued, and the certificate must contain a conspicuous statement to that effect. A certificate issued under this subsection does not expire.

* **Sec. 13.** AS 43.55.023(*l*) is amended to read:

(*l*) **Except as limited by (p) of this section, a** [A] producer or explorer may apply for a tax credit for a well lease expenditure incurred in the state south of 68 degrees North latitude after June 30, 2010, as follows:

(1) notwithstanding that a well lease expenditure incurred in the state south of 68 degrees North latitude may be a deductible lease expenditure for purposes of calculating the production tax value of oil and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under (a) of this section, AS 38.05.180(i),

AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a well lease expenditure in the state south of 68 degrees North latitude may elect to apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of 40 percent of that expenditure; a tax credit under this paragraph may be applied for a single calendar year;

(2) a producer or explorer may take a credit for a well lease expenditure incurred in the state south of 68 degrees North latitude in connection with geological or geophysical exploration or in connection with an exploration well only if the producer or explorer

(A) agrees, in writing, to the applicable provisions of AS 43.55.025(f)(2); and

(B) submits to the Department of Natural Resources all data that would be required to be submitted under AS 43.55.025(f)(2).

*** Sec. 14.** AS 43.55.023 is amended by adding a new subsection to read:

(p) The amount of credit for a capital expenditure under (a) or (*l*) of this section for an expenditure that is also a lease expenditure under AS 43.55.165 is reduced by the amount necessary so that the tax benefit percentage is not more than 65 percent of the capital expenditure. The amount of credit for a capital expenditure under (a) or (*l*) of this section that may not be taken because of the limitation in this subsection may not be applied in a later calendar year under (c) of this section and may not be included in an application for a tax credit certificate under (d) of this section. In this subsection, "tax benefit percentage" means the sum of the average monthly tax rate under AS 43.55.011(e) and (g) for the calendar year in which the credit is taken and the percentage of the capital expenditure that may be taken as a credit under (a) or (*l*) of this section.

*** Sec. 15.** AS 43.55.025(a) is amended to read:

(a) Subject to the terms and conditions of this section **and except as limited by (n) of this section**, a credit against the production tax levied by AS 43.55.011(e) is allowed for exploration expenditures that qualify under (b) of this section in an amount equal to one of the following:

(1) 30 percent of the total exploration expenditures that qualify only

under (b) and (c) of this section;

(2) 30 percent of the total exploration expenditures that qualify only under (b) and (d) of this section;

(3) 40 percent of the total exploration expenditures that qualify under (b), (c), and (d) of this section;

(4) 40 percent of the total exploration expenditures that qualify only under (b) and (e) of this section; or

(5) 80, 90, or 100 percent, or a lesser amount described in (*l*) of this section, of the total exploration expenditures described in (b)(1) and (2) of this section and not excluded by (b)(3) and (4) of this section that qualify only under (*l*) of this section.

* **Sec. 16.** AS 43.55.025 is amended by adding a new subsection to read:

(n) The amount of credit for an exploration expenditure under (a)(1) - (4) of this section for an expenditure that is also a lease expenditure under AS 43.55.165 is reduced by the amount necessary so that the tax benefit percentage is not more than 65 percent of the exploration expenditure. The amount of credit for an exploration expenditure under (a)(1) - (4) of this section that may not be taken because of the limitation in this subsection may not be transferred, conveyed, or sold under (g) of this section. In this subsection, "tax benefit percentage" means the sum of the average monthly tax rate under AS 43.55.011(e) and (g) for the calendar year in which the credit is taken and the percentage of the exploration expenditure that may be taken as a credit under (a)(1) - (4) of this section."

Renumber the following bill sections accordingly.

Page 21, line 9:

Delete "sec. 13"

Insert "sec. 19"

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "E"

Page 1, line 1, following "**tax;**":

Insert "**relating to oil and gas or gas only leasing; requiring that a minimum work commitment be included in each oil and gas and gas only lease and that a proposed plan of development be included in an application for an oil and gas or gas only lease;**"

Page 4, following line 28:

Insert new bill sections to read:

"* **Sec. 5.** AS 38.05.180(h) is amended to read:

(h) The commissioner **shall** [MAY] include terms in **a** [ANY] lease **that impose** [IMPOSING] a minimum work commitment on the lessee **to implement the plan of development submitted by the lessee with a bid for an oil and gas or gas only lease. The terms of the minimum work commitment must** [. THESE TERMS SHALL BE MADE PUBLIC BEFORE THE SALE, AND MAY] include appropriate penalty provisions to take effect in the event the lessee does not fulfill the minimum work commitment. If it is demonstrated that a lease has been proven unproductive by actions of adjacent lease holders, the commissioner may set aside a work commitment. The commissioner may waive for a period not to exceed one two-year period any term of a minimum work commitment if the commissioner makes a written finding either that conditions preventing drilling or exploration were beyond the lessee's reasonable ability to foresee or control or that the lessee has demonstrated through good faith efforts an intent and ability to drill or develop the lease during the term of the waiver.

* **Sec. 6.** AS 38.05.180(x) is amended to read:

(x) A lessee conducting or permitting any exploration for, or development or

production of, oil or gas on state land shall provide the commissioner access to all noninterpretive data obtained from that lease**; shall provide the commissioner access to all information necessary to perform an economic analysis under (ii)(2) of this section, including the capital, operating, production, and development costs and an estimate of total reserves;** and shall provide copies of that data **and information**, as the commissioner may request. The confidentiality provisions of AS 38.05.035 apply to the information obtained under this subsection.

*** Sec. 7.** AS 38.05.180 is amended by adding new subsections to read:

(hh) The commissioner shall require each bidder for an oil and gas lease or gas only lease and each lessee applying for an extension or renewal of an oil and gas lease or gas only lease to submit a plan of development for exploring, developing, and producing from the lease within the period of the lease or the extension or renewal of the lease. The commissioner shall review each plan of development and determine if the proposed plan of development is reasonably expected to develop the lease in the best interest of the state. The plan of development shall be included in a lease along with penalties for failing to comply with the plan of development and other terms of the lease. A bidder may not be a "qualified bidder" for the purposes of (f)(1) of this section if the commissioner finds that the bidder has not submitted a proposed plan of development that is in the best interest of the state or that the person that submitted the plan of development is not reasonably capable of implementing the plan.

(ii) The commissioner shall

(1) review each oil and gas lease or gas only lease each year for the purpose of determining whether a lease is being developed in the best interest of the state, whether the lessee is complying with the plan of development applicable to the lease, and whether revision of a development plan, including the planned rate of development, would provide the maximum benefit to the people of the state;

(2) every five years, perform an economic analysis on each participating area and determine whether the participating area is capable of increased production in paying quantities over the current rate of production or plan of development;

(3) enforce the terms of each oil and gas lease or gas only lease,

including imposing any applicable penalty or other remedy for noncompliance, within a reasonable time after finding that a lessee is out of compliance with the terms of the lease;

(4) submit a report to the legislature before the first day of each regular session that lists each oil and gas or gas only lessee that is found to be out of compliance and the action by the commissioner to bring the lessee back into compliance or to terminate the lease.

(jj) For the purposes of (hh) and (ii) of this section, a plan of development for a cooperative or unit under (p) of this section is the plan of development for a lease within the cooperative or unit, except where a different plan of development is established for a lease within the cooperative or unit.

(kk) For purposes of (ii) of this section,

(1) "participating area" means that part of an oil and gas lease unit area to which production is allocated in the manner described in a unit agreement;

(2) "production in paying quantities" means production in quantities sufficient to yield a return in excess of drilling, development, and operating costs."

Renumber the following bill sections accordingly.

Page 21, line 8, following "APPLICABILITY.":

Insert "(a)"

Page 21, line 9:

Delete "sec. 13"

Insert "sec. 16"

Page 21, following line 12:

Insert a new subsection to read:

"(b) Section 5 of this Act and AS 38.085.180(hh), enacted by sec. 7 of this Act, apply to a proposed lease sale and the renewal or extension of a lease on or after the effective date of secs. 5 and 7 of this Act."

Page 21, line 13:

Delete all material and insert:

"* **Sec. 21.** Sections 5 - 7 of this Act take effect July 1, 2013.

* **Sec. 22.** Except as provided in sec. 21 of this Act, this Act takes effect January 1, 2013."

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "E"

Page 2, line 10, following "**gas;**":

Insert "**relating to participation by the Alaska Industrial Development and Export Authority in the development of oil and gas resources in the state;**"

Page 20, following line 29:

Insert new bill sections to read:

"* **Sec. 16.** AS 44.88.080 is amended by adding a new paragraph to read:

(32) to acquire an interest in a project as necessary or appropriate to provide working or venture capital for an oil or natural gas development project under AS 44.88.650 - 44.88.660, whether by purchase, gift, or lease.

* **Sec. 17.** AS 44.88 is amended by adding new sections to read:

Sec. 44.88.650. Acquisition of interest in businesses. (a) The authority may acquire, through purchase or other means, an interest in an in-state asset of a corporation or other business entity that has a lease interest in an oil or natural gas field in the state that has been explored, but only if the authority determines the leaseholder has made reasonable efforts to obtain financing from the private sector to develop the lease and those efforts have, in whole or part, been unsuccessful. The authority shall exercise due diligence in acquiring an interest in an in-state asset of a business entity under this section.

(b) If the authority acquires an interest in an in-state asset of a business entity under this section, the authority may use the authority's assets, as appropriate, to aid in the development of the oil or natural gas field in which the business entity has a lease interest.

Sec. 44.88.660. Alaska resource development fund. (a) The Alaska resource development fund is established in the authority for the purpose of developing oil and gas resources, and consists of appropriations to the fund. The authority shall manage the fund and may create separate accounts within it. Income of the fund or of enterprises of the authority shall be separately accounted for and may be appropriated to the fund.

(b) The authority may use money from the fund to carry out the fund's purposes set out in (a) of this section.

* **Sec. 18.** AS 44.88.900(9) is amended to read:

(9) "project" means

(A) a plant or facility used or intended for use in connection with making, processing, preparing, transporting, or producing in any manner, goods, products, or substances of any kind or nature or in connection with developing or utilizing a natural resource, or extracting, smelting, transporting, converting, assembling, or producing in any manner, minerals, raw materials, chemicals, compounds, alloys, fibers, commodities and materials, products, or substances of any kind or nature;

(B) a plant or facility used or intended for use in connection with a business enterprise;

(C) commercial activity by a business enterprise;

(D) a plant or facility demonstrating technological advances of new methods and procedures and prototype commercial applications for the exploration, development, production, transportation, conversion, and use of energy resources;

(E) infrastructure for a new tourism destination facility or for the expansion of a tourism destination facility; in this subparagraph, "tourism destination facility" does not include a hotel or other overnight lodging facility;

(F) a plant or facility, other than a plant or facility described in (D) of this paragraph, for the generation, transmission, development, transportation, conversion, or use of energy resources;

(G) a plant or facility that enhances, provides for, or promotes

economic development with respect to transportation, communications, community public purposes, technical innovations, prototype commercial applications of intellectual property, or research;

(H) a plant or facility used or intended for use as a federal facility, including a United States military, national guard, or coast guard facility;

(I) development of an oil and gas lease by providing working or venture capital in exchange for an equity interest;

*** Sec. 19.** The uncodified law of the State of Alaska is amended by adding a new section to read:

ANALYSIS AND REPORT ON ALASKA RESIDENT INVESTMENT PROGRAM. The Alaska Industrial Development and Export Authority shall research the possibility of creating a program through which a resident of the state could invest the resident's permanent fund dividend or other funds in an in-state oil or gas asset acquired by the authority under AS 44.88.650 and report its findings to the legislature on December 31, 2012."

Renumber the following bill sections accordingly.

Page 21, line 13:

Delete "This Act takes"

Insert "Sections 1 - 15, 20, and 21 of this Act take"

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "E"

Page 1, line 1 following "**tax;**":

Insert "**relating to the oil and gas corporate income tax; relating to the credits against the oil and gas corporate income tax; making conforming amendments;**"

Page 2, following line 11:

Insert a new bill section to read:

"* **Section 1.** AS 29.60.599(1) is amended to read:

(1) "barrel," when used with reference to oil**, means the quantity of oil contained in 42 United States gallons of 231 cubic inches each, measured at a temperature of 60 degrees Fahrenheit and an absolute pressure of 14.65 pounds a square inch** [HAS THE MEANING GIVEN IN AS 43.20.072];

Renumber the following sections accordingly.

Page 2, line 12:

Delete "**Section 1**"

Insert "**Sec. 2**"

Page 4, following line 28:

Insert new bill sections to read:

"* **Sec. 6.** AS 41.09.010(b) is amended to read:

(b) An exploration incentive credit extended under (a) of this section may be applied against

(1) a payment or obligation against which a credit authorized by AS 38.05.180(i) may be claimed;

(2) taxes payable under AS 43.20 **or AS 43.21, as applicable**; and

(3) oil and gas bonus payments due the state under AS 38.05.180(f).

* **Sec. 7.** AS 43.20.011 is amended by adding a new subsection to read:

(g) For purposes of calculating the tax under (e) of this section, the taxable income of a corporation engaged in the production or transportation of crude oil or natural gas shall be determined in accordance with AS 43.21.

* **Sec. 8.** AS 43.20.073(f) is amended to read:

(f) This section does not apply to taxpayers subject to **AS 43.21** [AS 43.20.072 ENGAGED IN

(1) THE PRODUCTION OF OIL OR GAS FROM A LEASE OR PROPERTY IN THE STATE; OR

(2) THE TRANSPORTATION OF OIL OR GAS BY REGULATED PIPELINE IN THE STATE].

* **Sec. 9.** AS 43.21 is amended by adding new sections to read:

Article 1. Determination of Taxable Income.

Sec. 43.21.200. Application. This chapter applies to every corporation doing business in the state that derives income from the production of oil or gas from a lease or property in the state or from the pipeline transportation of oil or gas in the state. The tax calculated under this chapter is measured by the total taxable income of the corporation during the tax period as defined by AS 43.21.210 - 43.21.240 and is calculated at the rates established under AS 43.20.011(e).

Sec. 43.21.210. Determination of taxable income from oil and gas production. (a) The taxable income of a corporation from the production of oil and gas from a lease or property in the state is the corporation's net income as calculated by the department in accordance with this section.

(b) Gross income of a corporation from oil and gas production is the gross value at the point of production of oil or gas produced from a lease or property in the state. The department shall by regulation determine a uniform method of establishing the gross value at the point of production. For the purpose of determining the gross

value at the point of production under this subsection, the department shall use AS 43.55.150 for the determination of transportation costs.

(c) Net income from oil and gas production shall be determined by the department by deducting from gross income the following:

(1) royalties paid in kind or in value;

(2) taxes imposed under AS 43.55 that are actually paid or incurred by the corporation on the production from a lease or property in the state;

(3) taxes imposed under AS 29.45.080 - 29.45.090 and AS 43.56 that are actually paid or incurred by the corporation on property used directly in the production of oil or gas from a lease or property in the state, including property used in production, gathering, treatment, or preparation of the oil or gas for pipeline transportation, but only if those property tax payments were due and payable only after the date of commercial production from the lease or property with which the property was associated;

(4) the direct costs incurred by or for the corporation in operating the lease or property, including the direct costs of producing, gathering, treating, or preparing the oil or gas for pipeline transportation, but net of any payments received for those activities and not including any indirect cost or overhead expense;

(5) depreciation, using the percentage depletion basis under 26 U.S.C. 613 (Internal Revenue Code) or another reasonable method as the department may by regulation establish, on property used directly in the production, gathering, treatment, or preparation of the oil or gas for pipeline transportation, including amortization of capitalized interest for investments in that property at a rate not to exceed the average cost to the taxpayer of borrowed capital during the year in which the interest is capitalized;

(6) the amortization of lease acquisition payments and taxes paid or incurred under AS 29.45.080, 29.45.090, or AS 43.56, including capitalized interest, for or on producing properties before the commencement of commercial production from the lease or property for which the property is being used;

(7) interest expense of the corporation, not capitalized during construction, that was paid or incurred in connection with property in the state;

however, unless (f) of this section applies, the interest expense may not exceed that portion of the total interest paid by the consolidated business of which the corporation is a part, determined by multiplying the total interest by a fraction, the numerator of which is the value of the corporation's real and tangible personal property used directly in the production of oil or gas from a lease or property in the state and the denominator of which is the value of all real and tangible personal property of the consolidated business; in this paragraph, "total interest paid by the consolidated business" does not include interest expense arising from intercompany obligations within the consolidated business except to the extent that the interest expense reflects a pass-through of interest on a third-party borrowing by the parent or other member of the consolidated business with the purpose, expressed at the time of the third-party borrowing, of financing Alaska business activity of the taxpayer corporation;

(8) expenses incurred by the corporation after December 31, 2012, of unsuccessful exploration of oil or gas in the state, including the acquisition costs of abandoned properties, dry hole costs, and the costs of geologic and geophysical exploration related to those abandoned properties;

(9) general overhead or administrative expense incurred by the corporation attributable to deriving income from the production of oil or gas from a lease or property in the state to the extent, except as provided in (f) of this section, that the general overhead or administrative expense does not exceed that portion of the total general overhead or administrative expense incurred by the consolidated business of which the corporation is a part, determined by multiplying the total general overhead or administrative expense by a fraction, the numerator of which is the value of the corporation's real and tangible personal property used directly in the production of oil or gas from a lease or property in the state and the denominator of which is the value of all real and tangible personal property of the consolidated business;

(10) the amount of income from the production of oil and gas from a lease or property that is divided among the regional Native corporations under 43 U.S.C. 1606(i) (sec. 7(i), Alaska Native Claims Settlement Act, P.L. 92-203).

(d) Deductions from gross income under this section may not include expenses previously deducted on a return filed under AS 43.20.

(e) If a corporation subject to this chapter shares the production or proceeds of the production from a lease or property through a working interest, royalty interest, overriding royalty interest, production payment, net profit interest, joint venture, or other agreement, the department shall allocate the deductions from gross income between the corporation and the persons with whom the corporation has the agreement in accordance with the terms of the agreement.

(f) If a corporation demonstrates to the satisfaction of the department that the corporation paid or incurred actual expenses for interest or for general overhead or administration attributable to deriving income from the production of oil or gas from a lease or property in the state in an amount greater than the amount determined under (c)(7) or (9) of this section, the department may allow the corporation to deduct the greater amount.

Sec. 43.21.220. Determination of income from oil and gas pipeline transportation. (a) Except as provided in (c) of this section, taxable income attributable to the transportation of oil in a pipeline engaged in interstate commerce in this state shall be determined by the department and shall be the amount reported or that would be required to be reported to the Federal Energy Regulatory Commission or its successors as net operating income, less those portions of interest and general overhead or administrative expense attributable to the pipeline transportation of oil in the state, except that taxable income shall also include taxes on or measured by income. The department shall establish regulations governing the determination of interest and general overhead or administrative expense attributable to pipeline transportation of oil in the state.

(b) Except as provided in (c) of this section, taxable income attributable to the transportation of natural gas in a pipeline engaged in interstate commerce in this state shall be determined by the department and shall be the amount reported or that would be required to be reported to the Federal Energy Regulatory Commission as net operating income, less that portion of interest and general overhead or administrative expense attributable to pipeline transportation in the state, except that the taxable income shall also include taxes on or measured by income. The department shall establish regulations governing the determination of interest and general overhead or

administrative expense attributable to pipeline transportation of natural gas in the state.

(c) Taxable income attributable to the transportation of oil or natural gas in this state of a corporation not under the jurisdiction of the Federal Energy Regulatory Commission, or of a corporation under the jurisdiction of the Federal Energy Regulatory Commission but not reporting the operation of pipelines in the state separately from the operation of pipelines elsewhere, shall be determined by the department and shall be based on an amount equal to the amount that would have been reported to the Federal Energy Regulatory Commission under (a) of this section in the case of oil pipelines, or under (b) of this section, in the case of natural gas pipelines, had the corporation been, in fact, under the jurisdiction of the Federal Energy Regulatory Commission for the taxable year and required to report on the operation of pipelines in the state separately from the operation of pipelines elsewhere.

Sec. 43.21.230. Determination of income from activities other than oil and gas production or pipeline transportation. (a) Taxable income of a corporation subject to this chapter from activities in this state other than the production of oil or gas from a lease or property in the state or the pipeline transportation of oil or gas in the state shall be determined in accordance with the method established in art. IV of AS 43.19.010 and in AS 43.20.071, as modified by (b) - (d) of this section.

(b) The total taxable income of a consolidated business is its entire income less the portion of that entire income attributable to worldwide production and pipeline transportation of oil and gas. In this subsection, for a member of a consolidated business who is

(1) required to file under the Internal Revenue Code, "entire income" means the taxpayer's taxable income as the term is used in AS 43.20.011 - 43.20.065;

(2) not required to file under the Internal Revenue Code, "entire income" means an income determination prepared in accordance with generally accepted accounting principles, except that a taxpayer may elect to report income as the income would be determined under (1) of this subsection.

(c) The numerator and denominator of the property factor, of the payroll factor, and of the sales factor shall be calculated without reference to that portion of

property, payroll, or sales directly related to the production of oil or gas from a lease of property in the state or the pipeline transportation of oil or gas in the state.

(d) The value attributed to vessels transporting Alaska oil or gas of a consolidated business that are not owned or effectively owned by the consolidated business shall be excluded from the property factor.

Sec. 43.21.240. Applicability of tax to a consolidated business. The provisions of this chapter apply to a consolidated business whether or not the taxpayer is the parent or controlling corporation.

Article 2. Calculation of Tax; Returns.

Sec. 43.21.300. Assessment of income and tax. (a) The department shall assess taxable income and the amount of tax payable on that taxable income. The amount of the tax payable shall be determined using the tax rates in AS 43.20.011(e).

(b) On or before August 15 of each year, the department shall send to every corporation taxable under this chapter a notice of assessment showing the amount of income taxable under this chapter for the previous year and the amount of tax payable on that taxable income.

(c) For purposes of this chapter, the department may combine taxable income of corporations subject to tax under this chapter who are part of the same consolidated business.

(d) If the methods of allocation and apportionment provided in this chapter do not fairly represent the extent of a corporation's business activity in the state, the corporation may petition for or the department may require, in respect to all or any part of the corporation's business activity, if reasonable, the employment of any method authorized under art. IV, sec. 18, AS 43.19.010 (Multistate Tax Compact), to carry out an equitable allocation and apportionment of the corporation's income. The commissioner shall include in the annual report required in AS 43.21.410 a report on all relief granted under this subsection, including, for each case, a statement of the changes in tax liability resulting from the granting of relief, the tax years involved, and a description of the method of determining taxable income that was substituted for the methods provided in this chapter.

Sec. 43.21.320. Credits. A credit under AS 43.20.043, 43.20.044, or 43.20.046

may also be applied against the tax levied under this chapter, unless a credit for the same expenditure has been taken against a tax levied under AS 43.20 or AS 43.55.

Sec. 43.21.330. Returns. On or before April 15 of each year, a corporation subject to tax under this chapter shall submit a return in a form prescribed by the department setting out information required by the department to determine taxable income. For purposes of this chapter, the department may require corporations subject to tax under this chapter that are part of the same consolidated business to file a single return.

Sec. 43.21.340. Payment of tax. The tax levied under this chapter is payable to the department on or before September 30 of each year or in installments, including prepayments of estimated tax, at the times and under the conditions the department may by regulation require. The tax is payable on the due date set out in this section even though the assessment is under appeal or the validity, enforceability, or application of this chapter or any provision of this chapter is challenged before the department or in the courts.

Article 3. Administrative Matters.

Sec. 43.21.400. Regulations. The department shall adopt regulations in accordance with AS 44.62 (Administrative Procedure Act) as appropriate to administer and enforce this chapter.

Sec. 43.21.410. Public reporting. (a) The commissioner shall compile and transmit to the legislature an annual report of state revenue and the implementation of taxation policies under this chapter. The report must include total aggregate income tax paid by corporations subject to this chapter and aggregate income and deductions by category, classified so as to prevent the identification of particular returns or reports.

(b) The legislative auditor shall notify the legislature on or before the first day of each regular session that the annual report reviewing the actions of the department in administering this chapter is available.

Sec. 43.21.420. Information disclosure. Notwithstanding AS 43.05.320, the department shall disclose to a legislator, on request, information collected from a taxpayer to the extent that

(1) the taxpayer is a publicly traded company;

(2) the information has been filed in a quarterly, annual, or other periodic report to the United States Securities Exchange Commission; and

(3) the information has been made public by the United States Securities Exchange Commission.

Sec. 43.21.499. Definitions. Unless the context requires otherwise, the definitions contained in AS 43.55.900 are applicable to this chapter. In addition, in this chapter,

(1) "consolidated business" means a corporation or group of corporations having more than 50 percent common ownership, direct or indirect, or a group of corporations in which there is common control, either direct or indirect, as evidenced by an arrangement, contract, or agreement;

(2) "Internal Revenue Code" has the meaning given in AS 43.20.340."

Renumber the following sections accordingly.

Page 20, following line 29:

Insert new bill sections to read:

"* **Sec. 21.** AS 43.82.210(a) is amended to read:

(a) If the commissioner approves an application and proposed project plan under AS 43.82.140, the commissioner may develop proposed terms for inclusion in a contract under AS 43.82.020 for periodic payment in lieu of one or more of the following taxes that otherwise would be imposed by the state or a municipality on the qualified sponsor or member of a qualified sponsor group as a consequence of participating in an approved qualified project:

(1) oil and gas production taxes and oil surcharges under AS 43.55;

(2) oil and gas exploration, production, and pipeline transportation property taxes under AS 43.56;

(3) **oil and gas corporate income tax under AS 43.21;** [REPEALED]

(4) Alaska net income tax under AS 43.20;

(5) municipal sales and use tax under AS 29.45.650 - 29.45.710;

(6) municipal property tax under AS 29.45.010 - 29.45.250 or 29.45.550 - 29.45.600;

(7) municipal special assessments under AS 29.46;

(8) a comparable tax or levy imposed by the state or a municipality after June 18, 1998;

(9) other state or municipal taxes or categories of taxes identified by the commissioner.

* **Sec. 22.** AS 43.20.072 is repealed."

Renumber the following bill sections accordingly.

Page 21, line 4:

Delete "sec. 3"

Insert "sec. 4"

Page 21, line 8, following "APPLICABILITY.":

Insert "(a)"

Page 21, line 9:

Delete "sec. 13"

Insert "sec. 18"

Page 21, following line 12:

Insert new material to read:

"(b) AS 43.21, added by sec. 9 of this Act, applies to taxable income earned or received after December 31, 2012.

* **Sec. 25.** The uncodified law of the State of Alaska is amended by adding a new section to read:

REGULATIONS. (a) The Department of Revenue may adopt regulations necessary to implement AS 43.21, added by sec. 9 of this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of the law implemented by

regulation.

(b) The Department of Revenue shall provide by regulation for a transition for a corporation subject to tax under AS 43.20 before December 31, 2012, to avoid double taxation of the same income or double deduction of the same expense of the corporation as a result of becoming subject to tax under AS 43.21, added by sec. 9 of this Act.

*** Sec. 26.** Section 25 of this Act takes effect immediately under AS 01.10.070(c)."

Renumber the following bill section accordingly.

Page 21, line 13:

Delete "This"

Insert "Except as provided in sec. 26 of this Act, this"

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "E"

Page 1, line 1, following "**tax;**":

Insert "**relating to information concerning oil and gas taxes, including information about expenditures that must be provided in order to claim an oil and gas production tax credit for those expenditures, and relating to the disclosure of that information;**"

Page 10, following line 22:

Insert new bill sections to read:

"* **Sec. 11.** AS 43.55.030(a) is amended to read:

(a) A producer that produces oil or gas from a lease or property in the state during a calendar year, whether or not any tax payment is due under AS 43.55.020(a) for that oil or gas, shall file with the department on March 31 of the following year a statement, under oath, in a form prescribed by the department, giving, with other information required **by the department under a regulation adopted by the department**, the following:

(1) a description of each lease or property from which oil or gas was produced, by name, legal description, lease number, or accounting codes assigned by the department;

(2) the names of the producer and, if different, the person paying the tax, if any;

(3) the gross amount of oil and the gross amount of gas produced from each lease or property, and the percentage of the gross amount of oil and gas owned by the producer;

(4) the gross value at the point of production of the oil and of the gas

produced from each lease or property owned by the producer and the costs of transportation of the oil and gas;

(5) the name of the first purchaser and the price received for the oil and for the gas, unless relieved from this requirement in whole or in part by the department;

(6) the producer's qualified capital expenditures, as defined in AS 43.55.023, other lease expenditures under AS 43.55.165, and adjustments or other payments or credits under AS 43.55.170;

(7) the production tax values of the oil and gas under AS 43.55.160;

(8) any claims for tax credits to be applied; [AND]

(9) calculations showing the amounts, if any, that were or are due under AS 43.55.020(a) and interest on any underpayment or overpayment**; and**

(10) for each expenditure that is the basis for a credit claimed under AS 43.55.023 or 43.55.025, a description of the expenditure, a detailed description of the purpose of the expenditure, and a description of the lease or property for which the expenditure was incurred; notwithstanding AS 43.05.230(a), information submitted under this paragraph may be disclosed to the public and shall be disclosed to the legislature in a report submitted within 10 days after the convening of the next regular legislative session following the date a statement is filed under this section.

* **Sec. 12.** AS 43.55.030(e) is amended to read:

(e) An explorer or producer that incurs a lease expenditure under AS 43.55.165 or receives a payment or credit under AS 43.55.170 during a calendar year but does not produce oil or gas from a lease or property in the state during the calendar year shall file with the department on March 31 of the following year a statement, under oath, in a form prescribed by the department, giving, with other information required **by the department under a regulation adopted by the department**, the following:

(1) the producer's qualified capital expenditures, as defined in AS 43.55.023, other lease expenditures under AS 43.55.165, and adjustments or other payments or credits under AS 43.55.170; [AND]

(2) if the explorer or producer receives a payment or credit under AS 43.55.170, calculations showing whether the explorer or producer is liable for a tax under AS 43.55.160(d) or 43.55.170(b) and, if so, the amount**; and**

(3) for each expenditure that is the basis for a credit claimed under this chapter, a description of the expenditure, a detailed description of the purpose of the expenditure, and a description of the lease or property for which the expenditure was incurred; notwithstanding AS 43.05.230(a), information submitted under this paragraph may be disclosed to the public and shall be disclosed to the legislature in a report submitted within 10 days after the convening of the next regular legislative session following the date a statement is filed under this section."

Renumber the following bill sections accordingly.

Page 21, line 9:

Delete "sec. 13"

Insert "sec. 15"

Page 21, following line 12:

Insert a new bill section to read:

"*** Sec. 20.** Sections 11 and 12 of this Act take effect July 1, 2012."

Renumber the following bill section accordingly.

Page 21, line 13:

Delete "This"

Insert "Except as provided in sec. 20 of this Act, this"

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "E"

Page 2, line 10, following "**gas;**":

Insert "**establishing the Oil and Gas Competitiveness Review Board;**"

Page 20, following line 29:

Insert new bill sections to read:

"* **Sec. 16.** AS 44.99 is amended by adding new sections to read:

Article 6. Oil and Gas Competitiveness Review Board.

Sec. 44.99.600. Oil and Gas Competitiveness Review Board established. (a) The Oil and Gas Competitiveness Review Board is established.

(b) The board shall consist of nine members as follows:

(1) one senator appointed by the president of the senate;

(2) one representative appointed by the speaker of the house of representatives;

(3) five members of the public appointed by the governor, including one member who is a petroleum engineer, one member who is a geologist, one member who is an economist, and one member who is a member of an environmental or conservation group;

(4) the commissioner of natural resources or the commissioner's designee; and

(5) the commissioner of revenue or the commissioner's designee.

(c) The senator and representative appointed to the board under (b)(1) and (2) of this section shall be cochairs.

(d) Each legislative member serves for the duration of the legislature during

which the member is appointed. Each public member serves for three years. An individual who has served on the board may be reappointed.

(e) A vacancy on the board shall be filled in the manner of the original appointment.

(f) A member of the board may be removed and replaced at the discretion of the person appointing that member.

(g) The public members of the board serve without compensation but shall receive per diem and travel expenses authorized for boards and commissions under AS 39.20.180.

(h) The board may enter into contracts for professional services and may employ staff for administrative support for the board.

Sec. 44.99.610. Duties. The duties of the board include the following:

(1) review historical, current, and potential levels of investment in the state's oil and gas sector;

(2) identify factors that affect investment in oil and gas exploration, development, and production in the state, including tax structure, rates, and credits; royalty requirements; infrastructure; workforce availability; and regulatory requirements;

(3) review the competitive position of the state to attract and maintain investment in the oil and gas sector in the state as compared to the competitive position of other regions with oil and gas resources;

(4) in order to facilitate the work of the board, establish procedures to accept and keep confidential information that is beneficial to the work of the board, including the creation of a secure data room and confidentiality agreements to be signed by individuals having access to the confidential information;

(5) make written findings and recommendations, together with suggested legislation, to the Alaska State Legislature before December 1 of each year, or as soon thereafter as practicable, regarding

(A) changes to the state's regulatory environment that would be conducive to encouraging increased investment while protecting the interests of the people of the state and the environment;

(B) changes to the state's fiscal regime that would be conducive to increased and ongoing long-term investment in and development of the state's oil and gas resources; and

(C) alternative means for increasing the state's ability to attract and maintain investment in and development of the state's oil and gas resources.

Sec. 44.99.620. Information to be provided to board. (a) The commissioner of natural resources, the commissioner of revenue, the commissioner of environmental conservation, and other commissioners and state agencies that have responsibility for and maintain information related to oil and gas investment and activity in the state shall, at the request of the board, provide information required by the board to carry out the duties described in AS 44.99.610.

(b) At the request of the board, and except for information that is confidential under AS 43.05.230, a commissioner may disclose to the board information that is otherwise confidential after each member of the board and each staff member for the board with access to the information signs a confidentiality agreement prepared by the commissioner making the disclosure. Information that is confidential under AS 43.05.230 may not be disclosed to the board.

Sec. 44.99.630. Definition. In AS 44.99.600 - 44.99.630, "board" means the Oil and Gas Competitiveness Review Board.

*** Sec. 17.** AS 44.99.600, 44.99.610, 44.99.620, and 44.99.630 are repealed June 30, 2021."

Renumber the following bill sections accordingly.

Page 21, following line 12:

Insert a new bill section to read:

"*** Sec. 20.** Sections 16 and 17 of this Act take effect immediately under AS 01.10.070(c)."

Renumber the following bill section accordingly.

Page 21, line 13:

Delete "This"

Insert "Except as provided in sec. 20 of this Act, this"

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "E"

Page 1, lines 2 - 9:

Delete "**providing that the tax rate applicable to the production of oil as the average production tax value of oil, gas produced in the Cook Inlet sedimentary basin, and gas produced outside of the Cook Inlet sedimentary basin and used in the state increases above $30 shall be 0.35 percent multiplied by the number that represents the difference between that average monthly production tax value and $30, or the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between that average monthly production tax value and $101.43, except that the total rate determined in the calculation may not exceed 35 percent;**"

Insert "**relating to the tax rate applicable to oil production as the average production tax value of oil, gas produced in the Cook Inlet sedimentary basin, and gas produced outside of the Cook Inlet sedimentary basin and used in the state increases above $30, $42.50, $55, $67.50, $80, $92.50, $105, and $117.50;**"

Page 5, line 28, through page 7, line 5:

Delete all material and insert:

"* **Sec. 7.** AS 43.55.011(g) is repealed and reenacted to read:

(g) For each month of the calendar year for which the producer's average monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of taxable oil and gas is more than $30, the amount of tax for purposes of (e)(2)(A) of this section is determined by multiplying the monthly production tax value of the taxable oil produced during the month, gas produced during the month from a lease or property in the Cook Inlet sedimentary basin, and gas produced during

the month from a lease or property outside the Cook Inlet sedimentary basin and used in the state by the following tax rates, as applicable:

(1) if the producer's average monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of taxable oil and gas for the month is not more than $42.50 under AS 43.55.160(a)(2)(A) - (E), the tax rate is 2.5 percent of the difference between that average monthly production tax value of a BTU equivalent barrel and $30;

(2) if the producer's average monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the taxable oil and gas for the month is more than $42.50 but not more than $55 under AS 43.55.160(a)(2)(A) - (E), the tax rates are

(A) 2.5 percent on the first $12.50 of monthly production tax value for each BTU equivalent barrel that is greater than $30; and

(B) 7.5 percent of the monthly production tax value for each BTU equivalent barrel that is greater than $42.50;

(3) if the producer's average monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the taxable oil and gas for the month is more than $55 but not more than $67.50 under AS 43.55.160(a)(2)(A) - (E), the tax rates are

(A) 2.5 percent on the first $12.50 of monthly production tax value for each BTU equivalent barrel that is greater than $30;

(B) 7.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel; and

(C) 12.5 percent of the monthly production tax value for each BTU equivalent barrel that is greater than $55;

(4) if the producer's average monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the taxable oil and gas for the month is more than $67.50 but not more than $80 under AS 43.55.160(a)(2)(A) - (E), the tax rates are

(A) 2.5 percent on the first $12.50 of monthly production tax value for each BTU equivalent barrel that is greater than $30;

(B) 7.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(C) 12.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel; and

(D) 17.5 percent of the monthly production tax value for each BTU equivalent barrel that is greater than $67.50;

(5) if the producer's average monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the taxable oil and gas for the month is more than $80 but not more than $92.50 under AS 43.55.160(a)(2)(A) - (E), the tax rates are

(A) 2.5 percent on the first $12.50 of monthly production tax value for each BTU equivalent barrel that is greater than $30;

(B) 7.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(C) 12.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(D) 17.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel; and

(E) 22.5 percent of the monthly production tax value for each BTU equivalent barrel that is greater than $80;

(6) if the producer's average monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the taxable oil and gas for the month is more than $92.50 but not more than $105 under AS 43.55.160(a)(2)(A) - (E), the tax rates are

(A) 2.5 percent on the first $12.50 of monthly production tax value for each BTU equivalent barrel that is greater than $30;

(B) 7.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(C) 12.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(D) 17.5 percent of the next higher $12.50 of monthly

production tax value for each BTU equivalent barrel;

(E) 22.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel; and

(F) 25 percent of the monthly production tax value for each BTU equivalent barrel that is greater than $92.50;

(7) if the producer's average monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the taxable oil and gas for the month is more than $105 but not more than $117.50 under AS 43.55.160(a)(2)(A) - (E), the tax rates are

(A) 2.5 percent on the first $12.50 of monthly production tax value for each BTU equivalent barrel that is greater than $30;

(B) 7.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(C) 12.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(D) 17.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(E) 22.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(F) 25 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel; and

(G) 30 percent of the monthly production tax value for each BTU equivalent barrel that is greater than $105;

(8) if the producer's average monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the taxable oil and gas for the month is more than $117.50 under AS 43.55.160(a)(2)(A) - (E), the tax rates are

(A) 2.5 percent on the first $12.50 of monthly production tax value for each BTU equivalent barrel that is greater than $30;

(B) 7.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(C) 12.5 percent of the next higher $12.50 of monthly

production tax value for each BTU equivalent barrel;

(D) 17.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(E) 22.5 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(F) 25 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel;

(G) 30 percent of the next higher $12.50 of monthly production tax value for each BTU equivalent barrel; and

(H) 35 percent of the monthly production tax value for each BTU equivalent barrel that is greater than $117.50;

(9) for purposes of this subsection, the average monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of taxable oil and gas is calculated by

(A) adding all of the monthly production tax values determined under AS 43.55.160(a)(2)(A) - (E); and

(B) dividing the sum calculated under (A) of this paragraph by the total amount, in BTU equivalent barrels, of

(i) taxable oil produced by the producer during the month;

(ii) taxable gas produced by the producer during the month from a lease or property in the Cook Inlet sedimentary basin; and

(iii) taxable gas produced by the producer during the month from a lease or property outside the Cook Inlet sedimentary basin and used in the state."

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "E"

Page 2, line 1, following "**tax**":

Insert "**rate; relating to oil and gas production tax credits, including qualified credits for exploration, development and production**"

Page 4, line 29, through page 5, line 9:

Delete all material and insert:

"*** Sec. 5.** AS 43.55.011(e) is repealed and reenacted to read:

(e) There is levied on the producer of oil or gas a tax for all oil and gas produced each calendar year from each lease or property in the state, less any oil and gas the ownership or right to which is exempt from taxation or constitutes a landowner's royalty interest. Except as otherwise provided under (f), (j), (k), and (o) of this section, the tax is equal to the sum of the annual production tax value of the taxable oil and gas

(1) produced from a lease or property not described in (2) of this subsection as calculated under AS 43.55.160(a)(1) multiplied by 25 percent, and the sum, over all months of the calendar year, of the tax amounts determined under (g)(1) and (p) of this section, as applicable; and

(2) produced during the first seven consecutive years after the start of sustained production or produced during the first seven years after the effective date of this subsection, whichever is later, from a lease or property containing land that was not or previously had not been within a unit or in commercial production as of December 31, 2008, as calculated under AS 43.55.160(a)(1) multiplied by 15 percent, and the sum, over all months of the calendar year, of the tax amounts determined

under (g)(2) and (p) of this section, as applicable; in this paragraph, "sustained production" has the meaning given in AS 43.55.025(*l*)."

Page 5, line 28, through page 7, line 5:

Delete all material and insert:

"* **Sec. 7.** AS 43.55.011(g) is repealed and reenacted to read:

(g) For each month of the calendar year for which the producer's average monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of taxable oil produced during the month, gas produced during the month from a lease or property in the Cook Inlet sedimentary basin, and gas produced during the month from a lease or property outside the Cook Inlet sedimentary basin and used in the state is more than $30, the tax is calculated as follows:

(1) the amount of tax for purposes of (e)(1) of this section is determined by multiplying the value calculated under AS 43.55.160(a)(2)(A) - (E) by the tax rate calculated as follows:

(A) if the producer's average monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the taxable oil and gas for the month is not more than $92.50, the tax rate is 0.4 percent multiplied by the number that represents the difference between that average monthly production tax value of a BTU equivalent barrel and $30; or

(B) if the producer's average monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the taxable oil and gas for the month is more than $92.50, the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between the average monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel and $92.50, except that the sum determined under this subparagraph may not exceed 50 percent;

(2) the amount of tax for purposes of (e)(2) of this section is determined by multiplying the monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) of the taxable oil and gas produced during the month by

the following tax rates, as applicable:

(A) if the producer's average monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the taxable oil and gas for the month is not more than $42.50, the tax rate is 2.5 percent of the difference between that average monthly production tax value of a BTU equivalent barrel and $30;

(B) if the producer's average monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the taxable oil and gas for the month is more than $42.50 but not more than $55, the tax rates are

(i) 2.5 percent on the first $12.50 of monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU equivalent barrel that is greater than $30; and

(ii) 7.5 percent of the monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU equivalent barrel that is greater than $42.50;

(C) if the producer's average monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the taxable oil and gas for the month is more than $55 but not more than $67.50, the tax rates are

(i) 2.5 percent on the first $12.50 of monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU equivalent barrel that is greater than $30;

(ii) 7.5 percent of the next higher $12.50 of monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU equivalent barrel; and

(iii) 12.5 percent of the monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU equivalent barrel that is greater than $55;

(D) if the producer's average monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the

taxable oil and gas for the month is more than $67.50 but not more than $80, the tax rates are

(i) 2.5 percent on the first $12.50 of monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU equivalent barrel that is greater than $30;

(ii) 7.5 percent of the next higher $12.50 of monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU equivalent barrel;

(iii) 12.5 percent of the next higher $12.50 of monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU equivalent barrel;

(iv) 17.5 percent of the monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU equivalent barrel that is greater than $67.50;

(E) if the producer's average monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the taxable oil and gas for the month is more than $80 but not more than $92.50, the tax rates are

(i) 2.5 percent on the first $12.50 of monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU equivalent barrel that is greater than $30;

(ii) 7.5 percent of the next higher $12.50 of monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU equivalent barrel;

(iii) 12.5 percent of the next higher $12.50 of monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU equivalent barrel;

(iv) 17.5 percent of the next higher $12.50 of monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU equivalent barrel; and

(v) 22.5 percent of the monthly production tax value

calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU equivalent barrel that is greater than $80;

(F) if the producer's average monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of the taxable oil and gas for the month is more than $92.50, the tax rates are

(i) 2.5 percent on the first $12.50 of monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU equivalent barrel that is greater than $30;

(ii) 7.5 percent of the next higher $12.50 of monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU equivalent barrel;

(iii) 12.5 percent of the next higher $12.50 of monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU equivalent barrel;

(iv) 17.5 percent of the next higher $12.50 of monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU equivalent barrel;

(v) 22.5 percent of the next higher $12.50 of monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU equivalent barrel; and

(vi) 25 percent of the monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) for each BTU equivalent barrel that is greater than $92.50;

(3) for purposes of this subsection, the average monthly production tax value calculated under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of taxable oil and gas is calculated by

(A) adding all of the monthly production tax values determined calculated under AS 43.55.160(a)(2)(A) - (E); and

(B) dividing the sum calculated under (A) of this paragraph by the total amount, in BTU equivalent barrels, of

(i) taxable oil produced by the producer during the

month;

(ii) taxable gas produced by the producer during the month from a lease or property in the Cook Inlet sedimentary basin; and

(iii) taxable gas produced by the producer during the month from a lease or property outside the Cook Inlet sedimentary basin and used in the state."

Page 8, line 19, following "percent":
Insert ", or 15 percent, as applicable under AS 43.55.011(e),"

Page 8, line 20:
Delete "AS 43.55.011(g)"
Insert "AS 43.55.011(g)(1) or (2), as applicable"

Page 8, line 22, following "percent":
Insert ", or 15 percent, as applicable under AS 43.55.011(e),"

Page 9, line 1, following "percent":
Insert ", or 15 percent, as applicable under AS 43.55.011(e),"

Page 9, line 2:
Delete "AS 43.55.011(g)"
Insert "AS 43.55.011(g)(1) or (2), as applicable"

Page 9, line 4, following "percent":
Insert ", or 15 percent, as applicable under AS 43.55.011(e)"

Page 9, line 10:
Following "percent":
Insert ", or 15 percent, as applicable under AS 43.55.011(e),"

Delete "AS 43.55.011(g)"

Insert "AS 43.55.011(g)(1) or (2), as applicable"

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "E"

Page 1, line 5:

Delete "**0.35**"

Insert "**0.4**"

Page 1, line 8:

Delete "**$101.43**"

Insert "**$92.50**"

Page 6, line 9:

Delete "**$101.43** [$92.50], the tax rate is **0.35** [0.4]"

Insert "$92.50, the tax rate is 0.4"

Page 6, line 16:

Delete "**$101.43** [$92.50]"

Insert "$92.50"

Page 6, line 20:

Delete "**$101.43** [$92.50]"

Insert "$92.50"

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 192(RES), Draft Version "E"

Page 1, line 5:

Delete "**0.35**"

Insert "**0.4**"

Page 1, line 6:

Delete "**25**"

Insert "**15**"

Page 1, line 7:

Delete "**0.1**"

Insert "**0.35**"

Page 1, line 8:

Delete "**$101.43**"

Insert "**$67.50, or the sum of 23.75 percent and the product of 0.1 percent multiplied by the number that represents the difference between the average monthly production tax and $92.50**"

Page 6, line 9:

Delete "**$101.43**"

Insert "**$67.50**"

Delete "**0.35** [0.4]"

Insert "0.4"

Page 6, line 16:

Delete "**$101.43** [$92.50]"

Insert "**$67.50 but is not more than** $92.50"

Delete "25"

Insert "**15** [25]"

Page 6, line 17:

Delete "0.1"

Insert "**0.35** [0.1]"

Page 6, line 20:

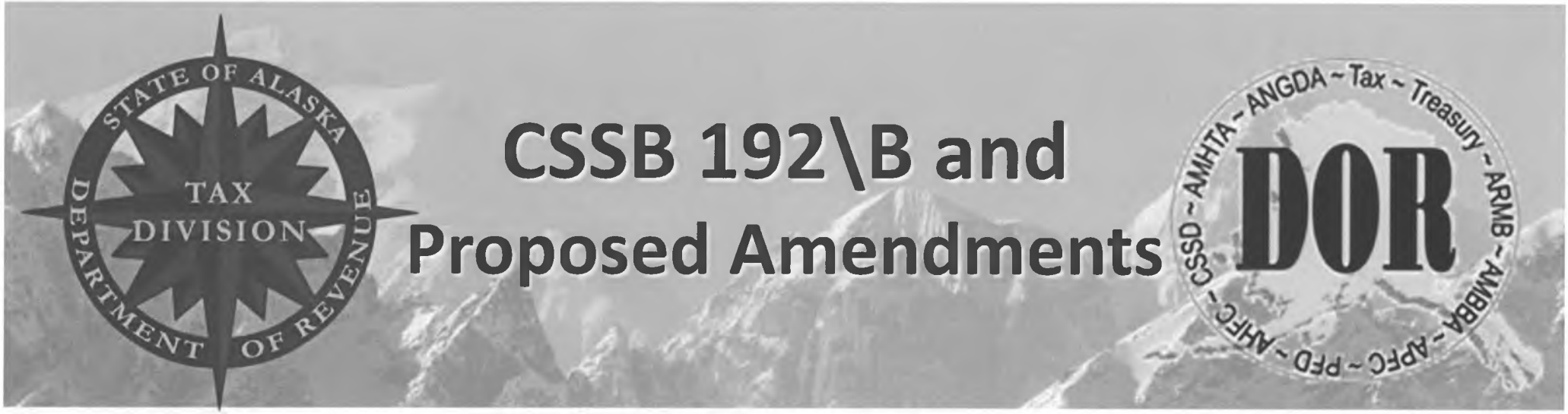
Delete "**$101.43** [$92.50]"

Insert "**$67.50; or**

(3) if the producer's average monthly production tax value of a BTU equivalent barrel of taxable oil and gas for the month is more than $92.50, the tax rate is the sum of 23.75 percent and the product of 0.1 percent multiplied by the number that represents the difference between the average monthly production tax value of a BTU equivalent barrel and $92.50"

Renumber the following paragraph accordingly.

Library



CSSB 192\B and Proposed Amendments

Presentation to the
Senate Resources Committee
Department of Revenue
February 27, 2012

Presentation Organization

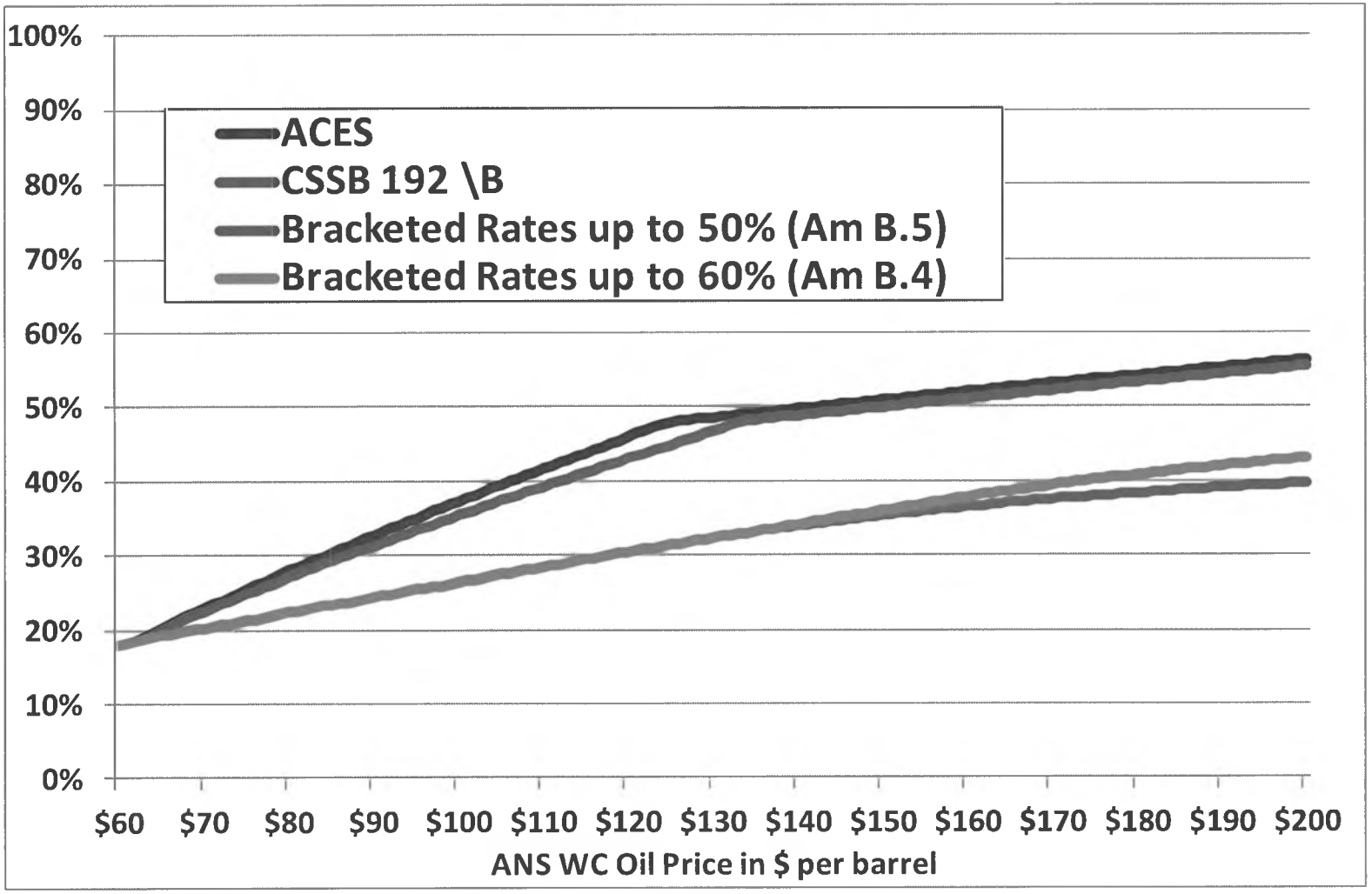
- Modeling and discussion of CSSB 192\B
- Modeling and discussion of amendments

CS SB 192\B

What the CS does as currently written

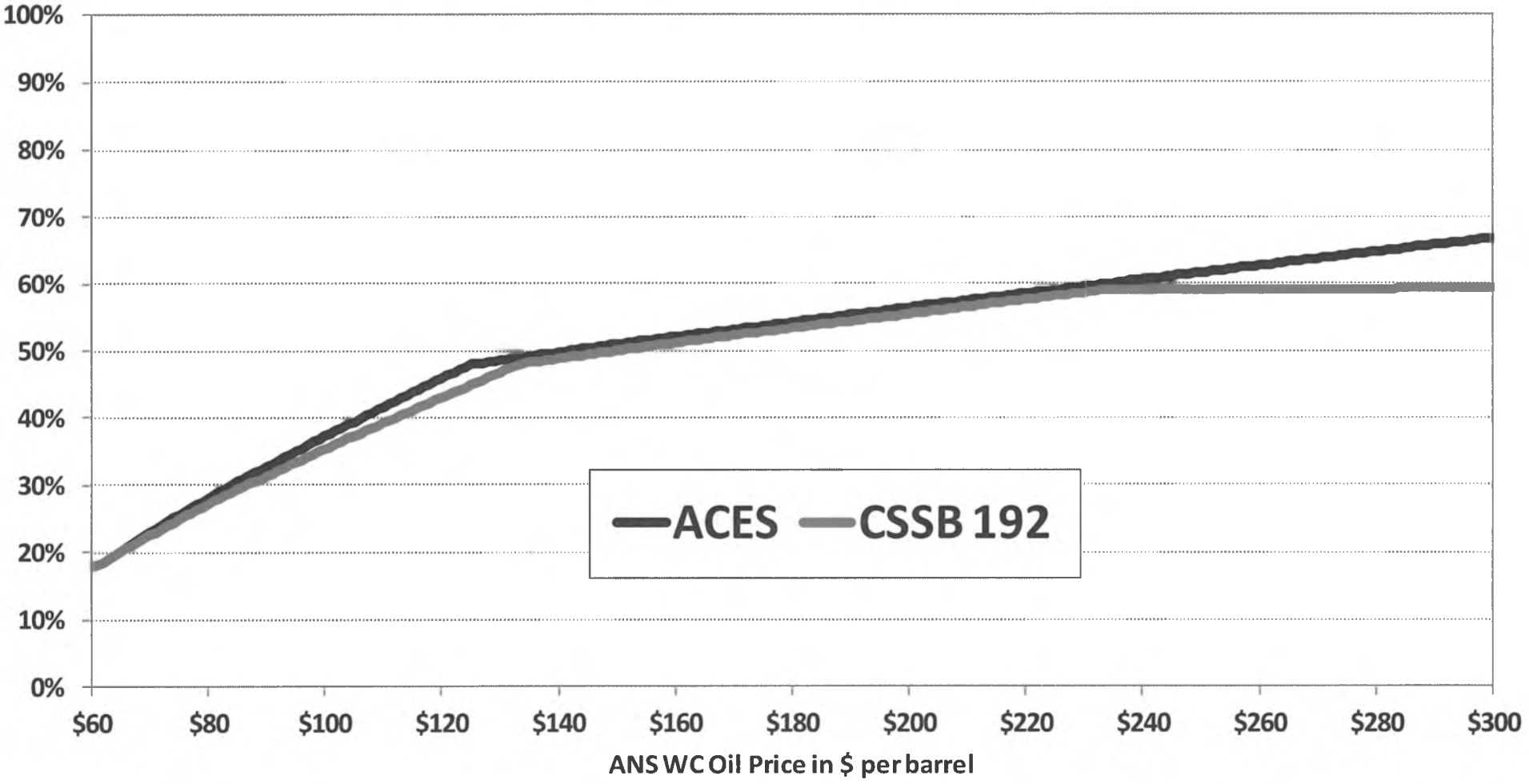
1. Changes the progressivity rate over $30 / barrel production tax value from 0.4% to 0.35%
2. Changes the trigger point that slows the rate of progressivity to 0.1%, from $92.50 to $101.43 / barrel production tax value
3. Changes the maximum production tax rate from 75% to 60% (would apply over $201.43 / barrel production tax value)
4. Provides a modest reduction in taxes compared to our Fall 2011 forecast

Effective Production Tax Rates: Comparisons



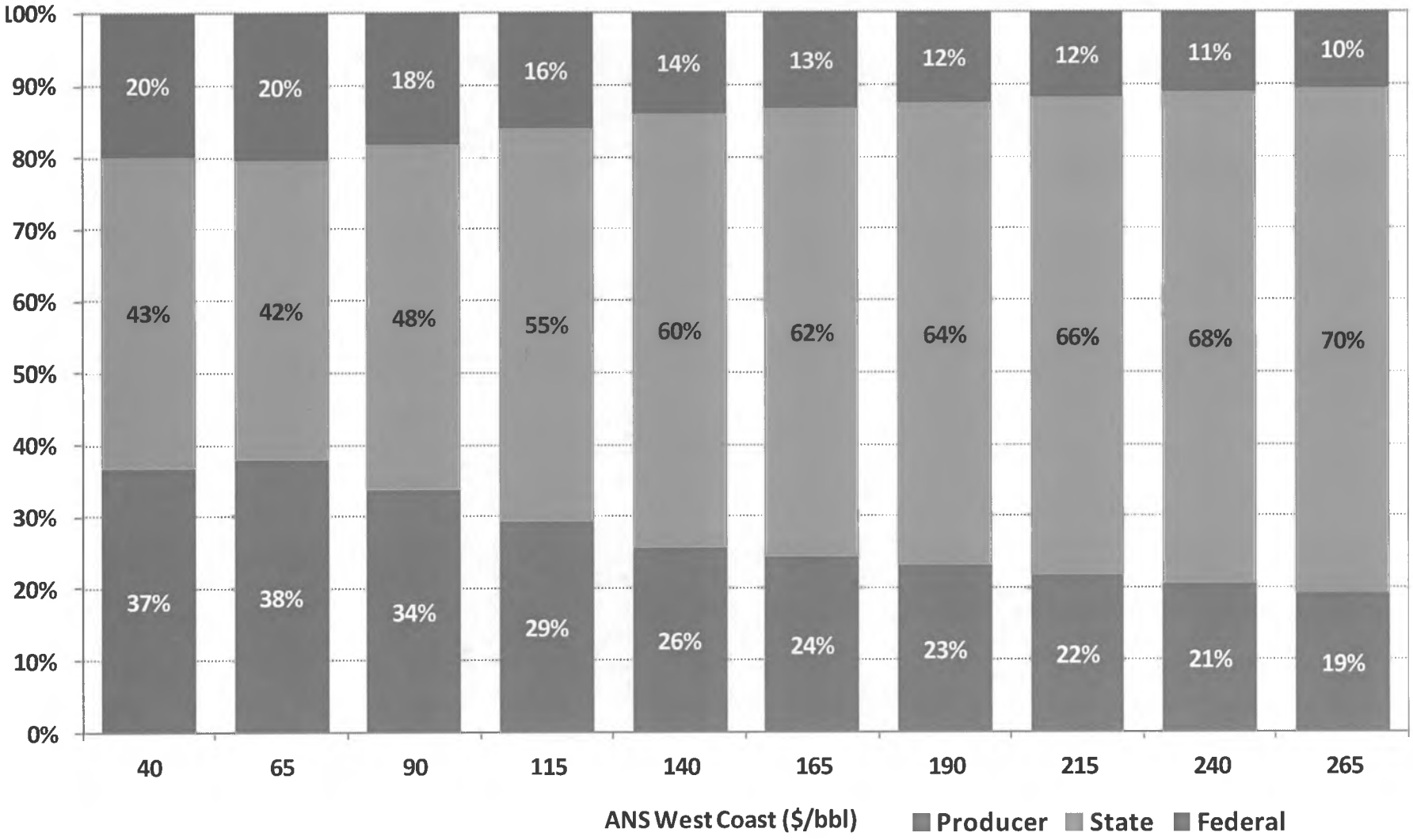
Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Effective Production Tax Rates: ACES and CSSB 192\B



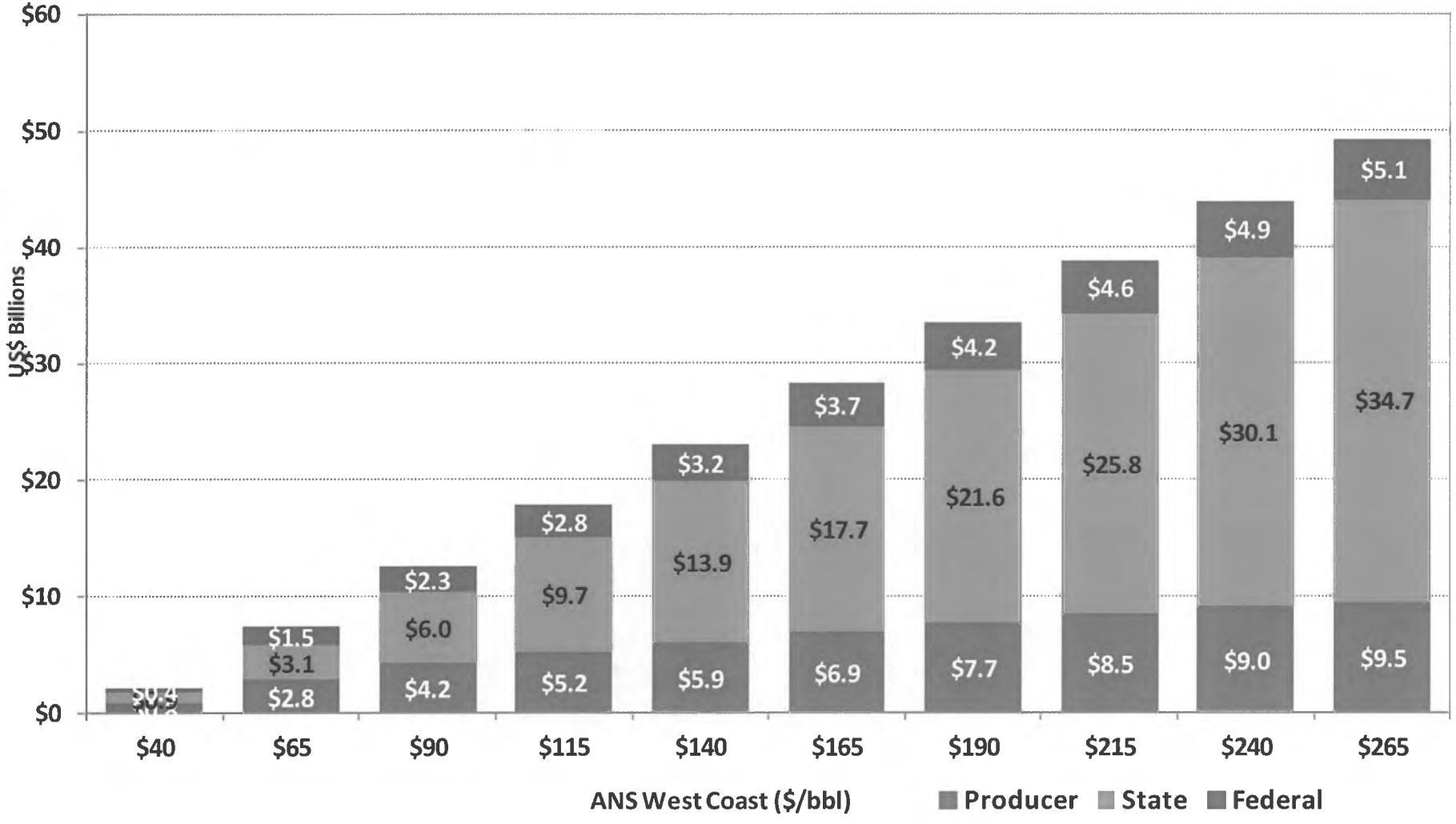
Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Share of Profit under CSSB 192\B



Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Absolute Profit under CSSB 192\B



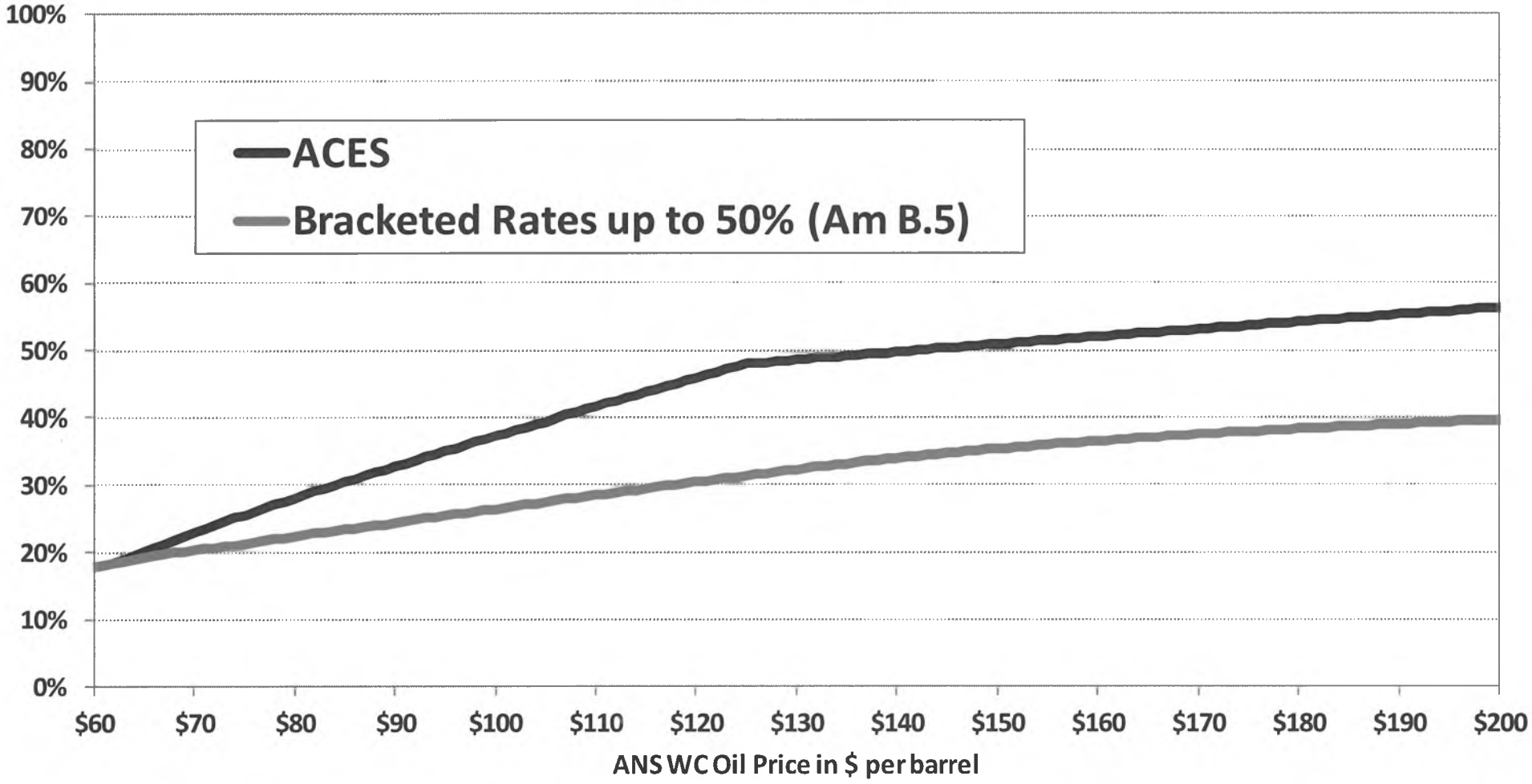
Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Amendment B.5

Progressivity bracketed – 25% top bracket

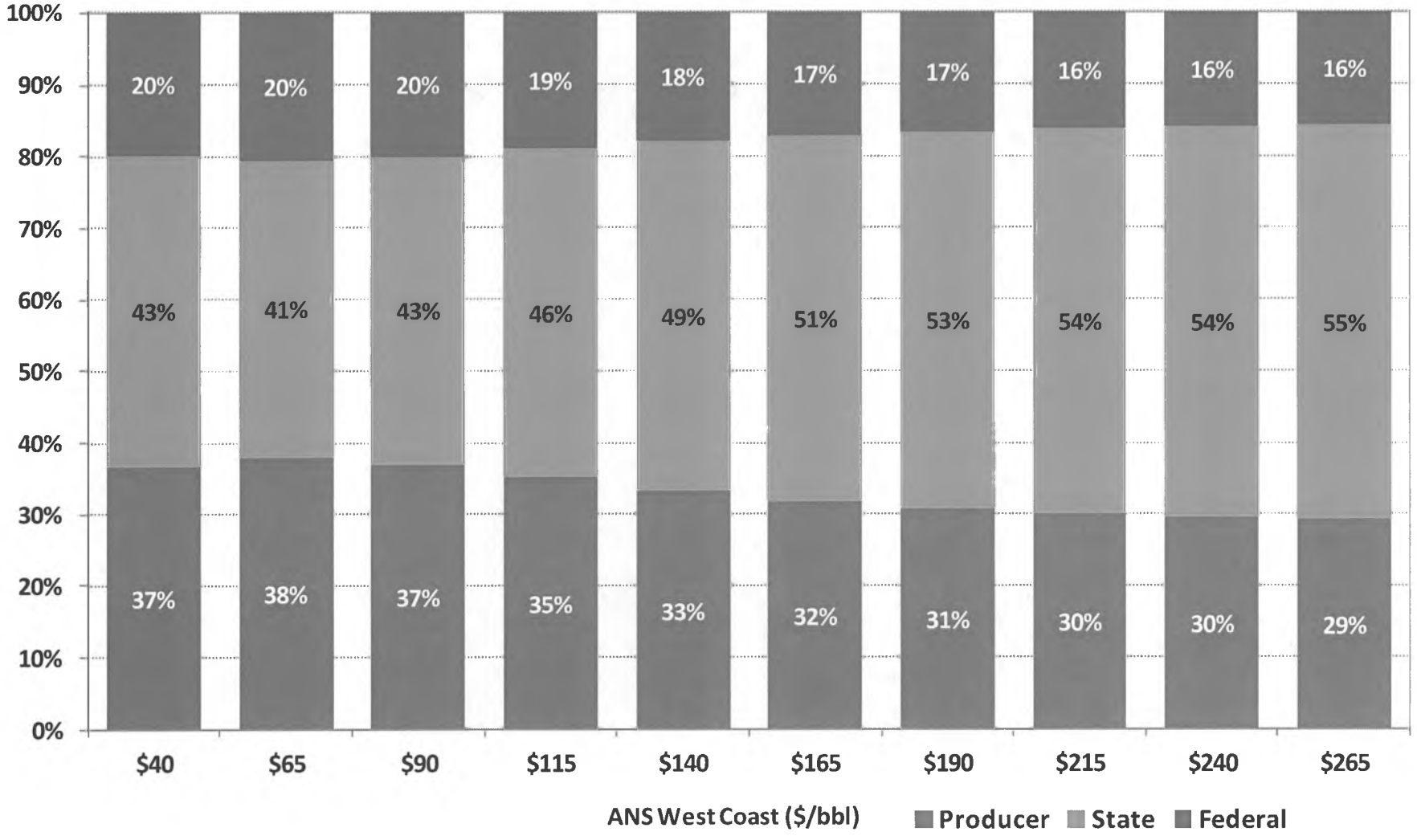
1. Provides "tax brackets" for progressivity, with the progressively higher rate only applying to the value within that tax bracket
2. Generally follows existing progressivity slope
3. Top bracket is 25% progressivity (50% tax rate)
4. Maximum production tax rate of 50% (would apply over $92.50 / barrel production tax value)

Effective Production Tax Rates: ACES and Bracketed Rates up to 50% (Am B.5)



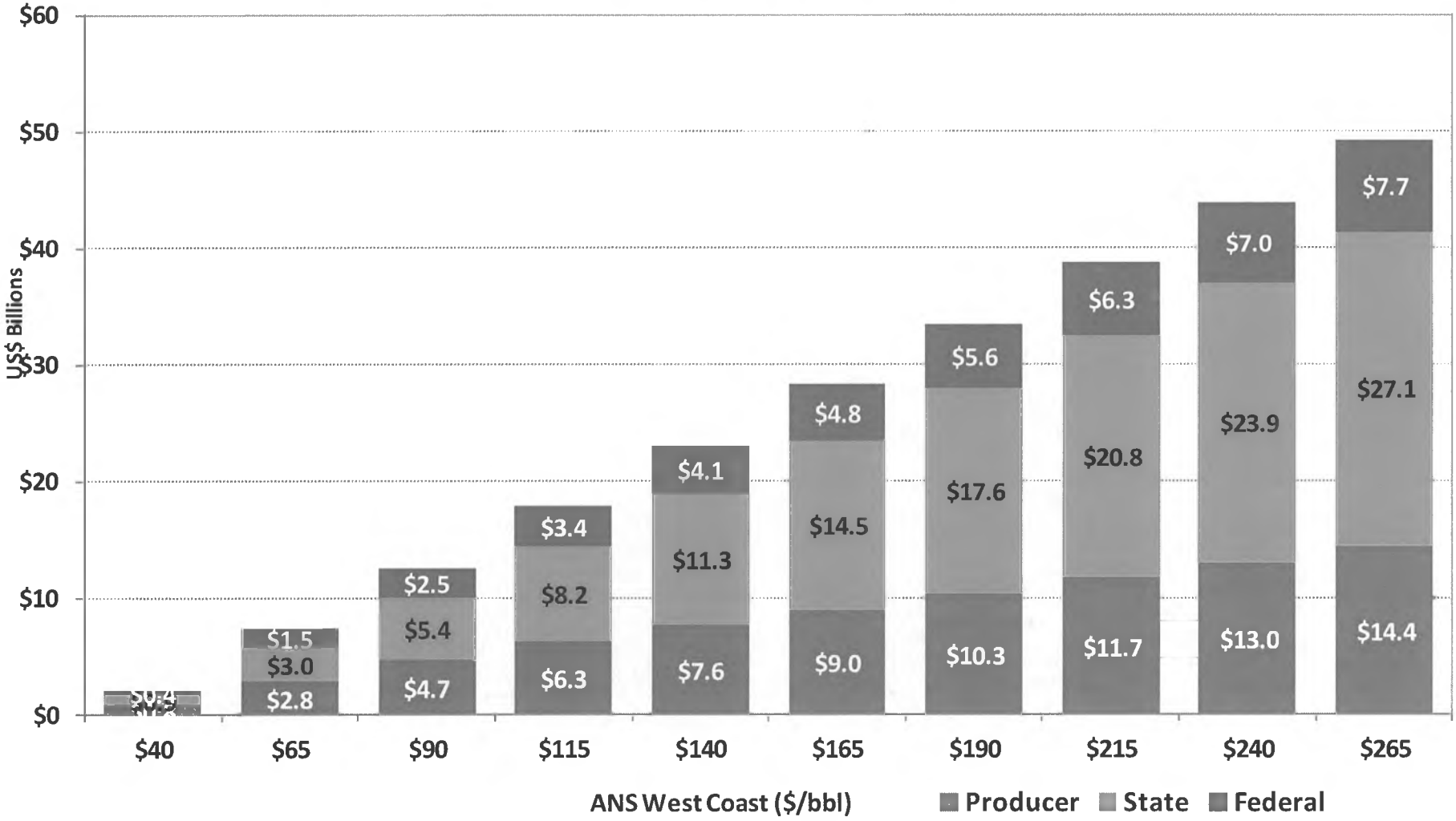
Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Share of Profit under Bracketed Rates up to 50% (Am B.5)



Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Absolute Profit under Bracketed Rates up to 50% (Am B.5)



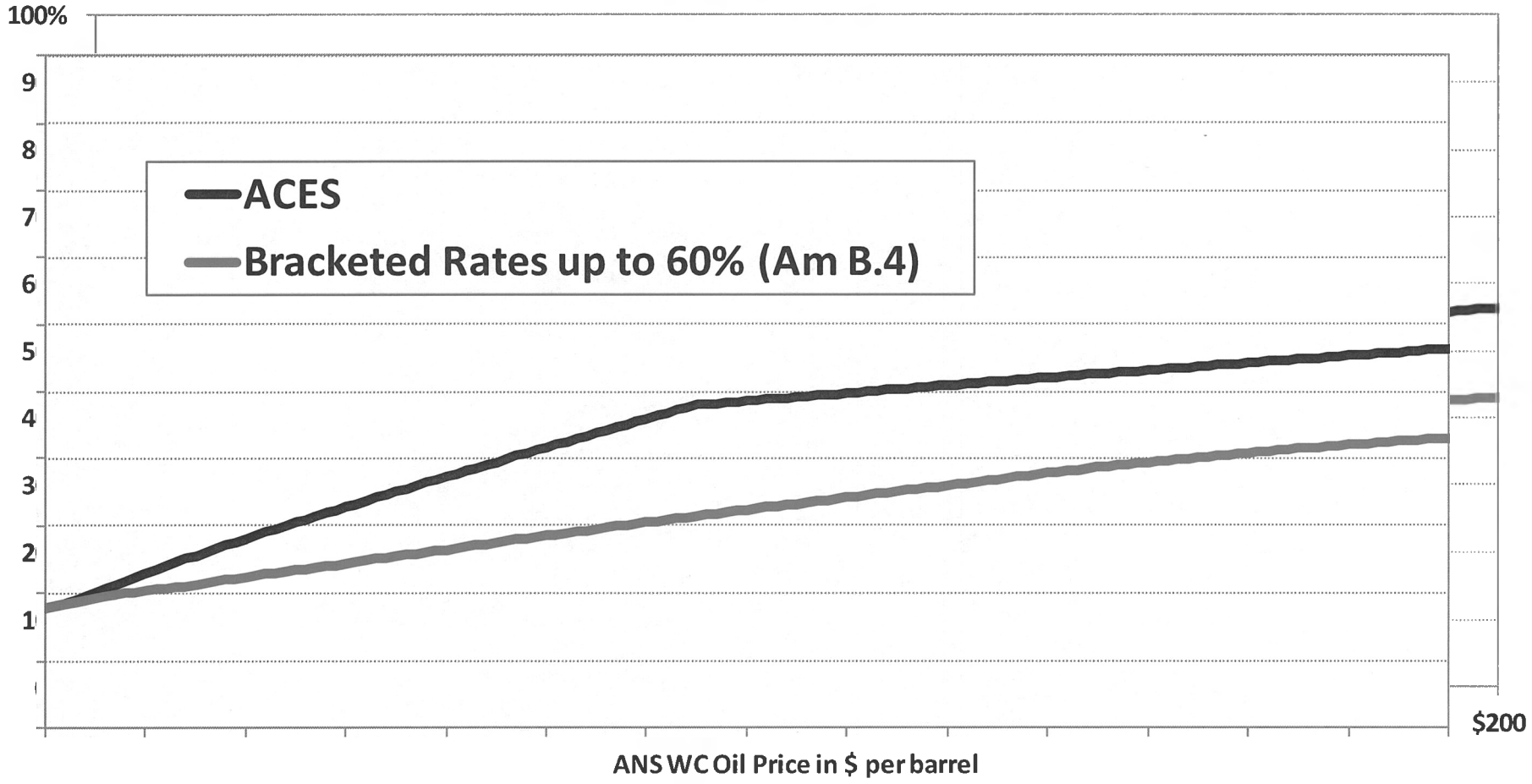
Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Amendment B.4

Progressivity bracketed – 35% top bracket

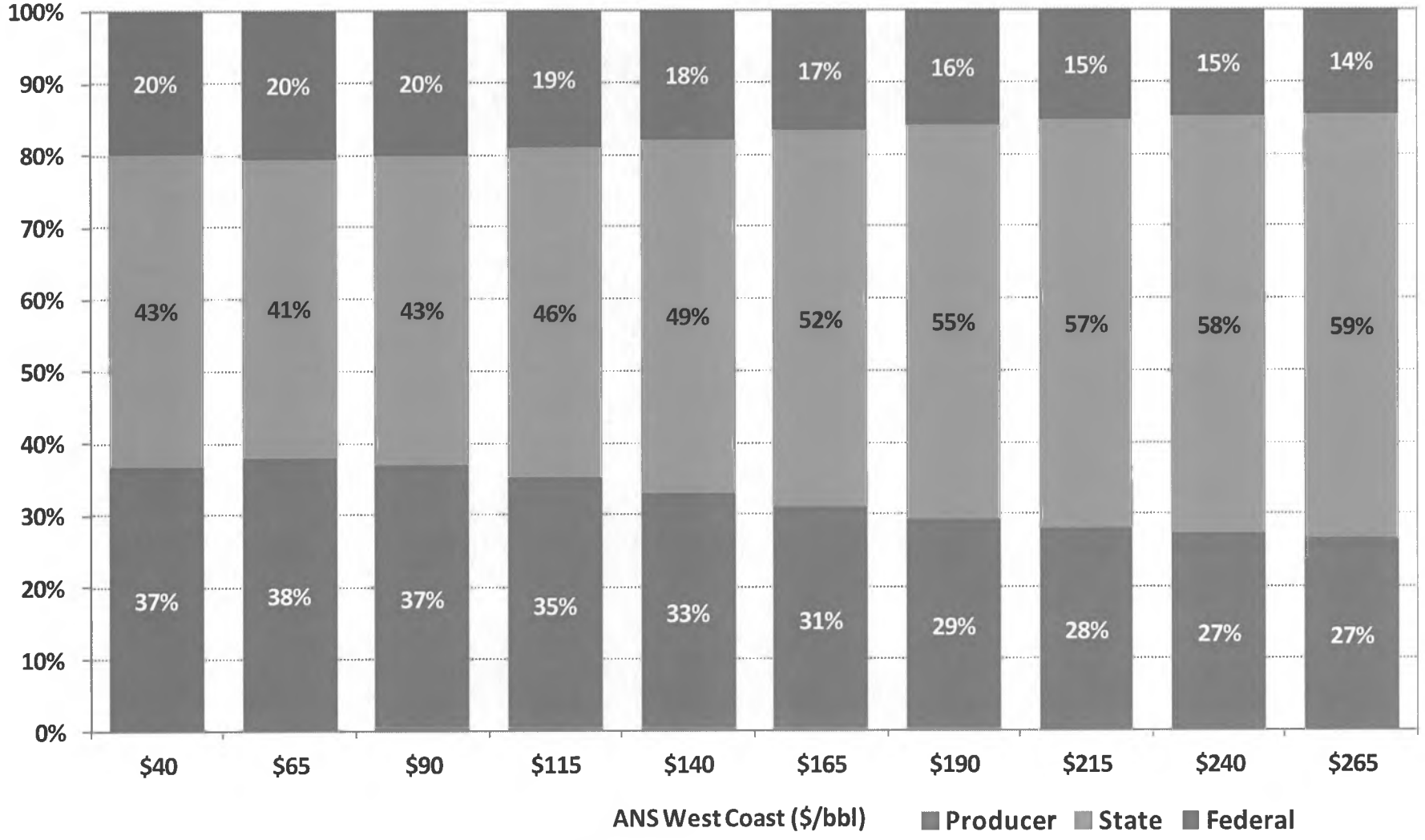
1. Provides "tax brackets" for progressivity, with the progressively higher rate only applying to the value within that tax bracket
2. Generally follows existing progressivity slope
3. Top bracket is 35% progressivity (60% tax rate)
4. Maximum production tax rate of 60% (would apply over $92.50 / barrel production tax value)

Effective Production Tax Rates: ACES and Bracketed Rates up to 60% (Am B.4)



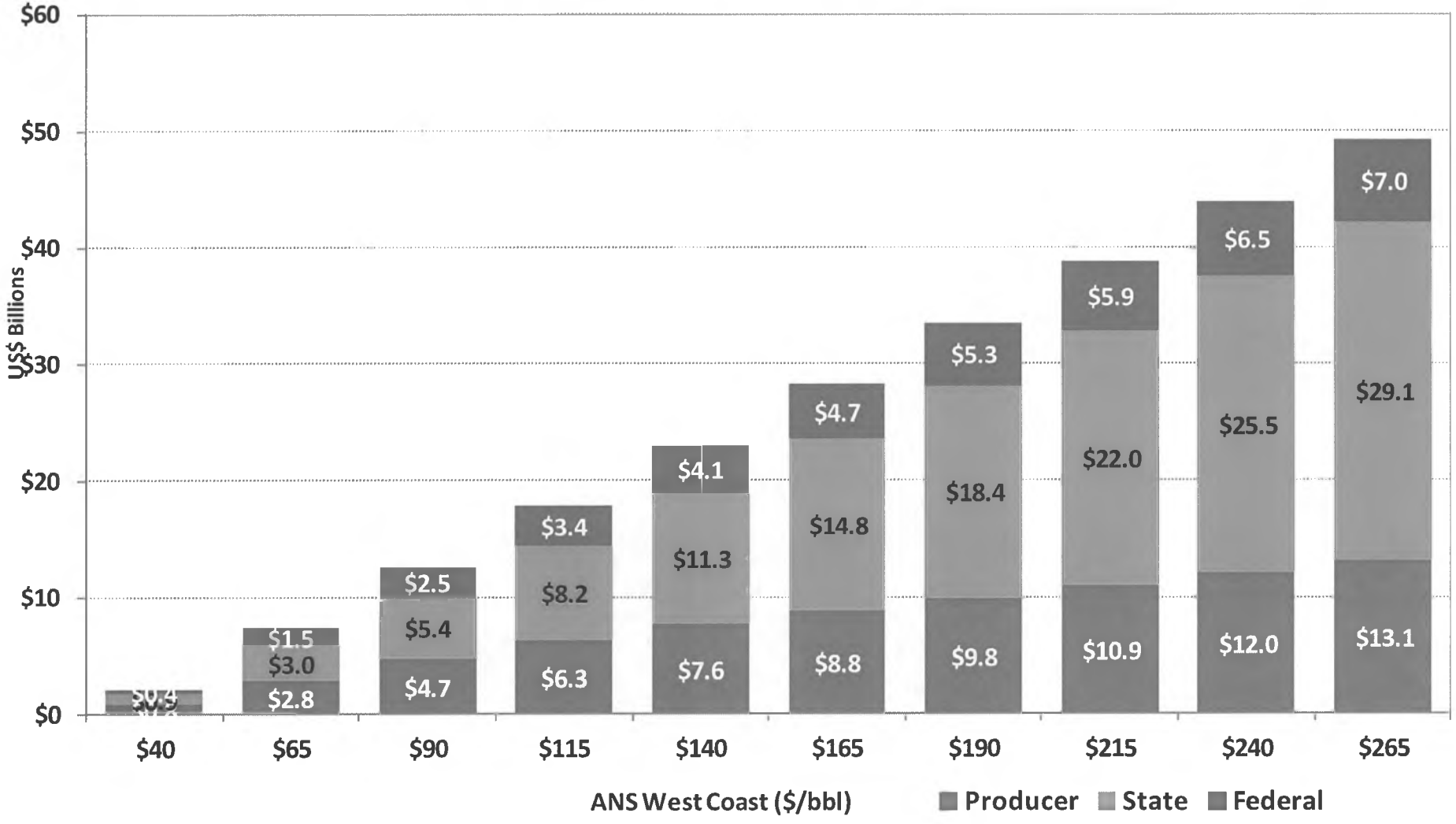
Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Share of Profit under Bracketed Rates up to 60% (Am B.4)



Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Absolute Profit under Bracketed Rates up to 60% (Am B.4)



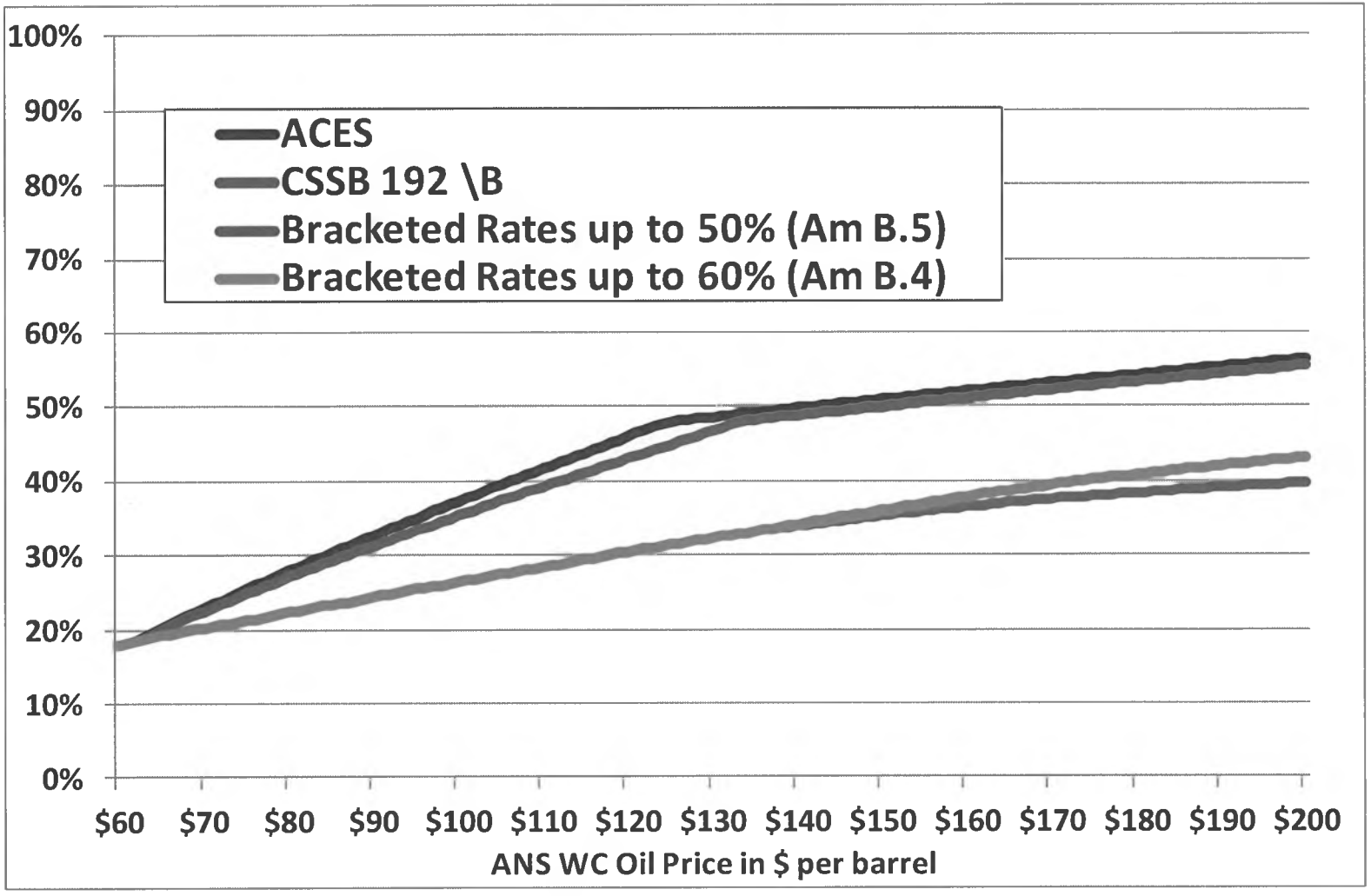
Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Bracketed progressivity

Bracket	Base Rate	Progressivity Rate	Total Rate
$0-$30	25%	0%	25%
$30-$42.50	25%	2.5%	27.5%
$42.50-$55	25%	7.5%	32.5%
$55-$67.50	25%	12.5%	37.5%
$67.50-$80	25%	17.5%	42.5%
$80-$92.50	25%	22.5%	47.5%
$92.50-$105*	25%	25%	50%
$105-$117.50	25%	30%	55%
$117.50+*	25%	35%	60%

* Under Amendment B.5, 25% is the maximum progressivity rate for a total production tax rate of 50%. Under amendment B.4, 35% is the maximum progressivity rate for a total production tax rate of 60%.

Effective Production Tax Rates: Comparisons



Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

STATE OF ALASKA
TAX
DIVISION
DEPARTMENT OF REVENUE

DOR
CSSD - AMHTA - ANGDA - Tax - Treasury - ARMB - AMBBA - APFC - PFD - AHFC -

Questions ?

Alaska Senate Resources Committee:

Analysis of CSSB192 and Amendments

February 27, 2012

Janak Mayer
Manager, Upstream & Gas
PFC Energy

PFC Energy

Senate Resources Committee
Joe Paskvan, Co-Chair / February 29, 2012

Let's call the meeting to order.

Let the record reflect that it is _____ p.m. on Wednesday, February 29.

Let the record reflect that there is a quorum. Present are

- Co-Chair Wagoner
- Senator Stedman
- Senator Stevens
- Senator Wielechowski
- Senator French
- Senator McGuire
- And myself, Senator Paskvan

During this hearing, we are joined again by PFC Energy.

According to their website, "PFC Energy is a global consulting firm specializing in the oil and gas industry. Our clients are oil and gas operators, national oil companies, service companies, investors, governments and other stakeholders."

PFC Energy presented testimony – focusing mostly on progressivity – to the Senate Resources Committee on February 16 and 17.

Subsequently, the Committee requested additional information and modeling from PFC – and we are pleased that Janak and Jerry were able to join us today.

The Committee acknowledges that a significant amount of information was requested and we appreciate that the work was completed in time for today's hearing.

Welcome back, Janak Meyer, and welcome also Jerry Kepes (keppus). Please introduce yourselves for the public record and then begin your testimony.

Committee Substitute for Senate Bill 192 Oil and Gas Production Tax Values

Amendments

1. B.17 (McGuire) Competitiveness Review Board
2. B.6 (McGuire) Inflation Adjusting the $30
3. B.11 (Wielechowski/French) Changes to Oil and Gas Leasing Laws
4. B.12 (Wielechowski/French) State Directed Financial Investment (SDFI)
5. B.14 (Wielechowski) Re-instituting Separate Accounting
6. B.15 (Wielechowski/French) Requiring Info About Use of Tax Credits
7. B.16 (French) Oil Information System
8. B.4 (McGuire) Progressivity Bracketed – 35% top bracket
9. B.5 (McGuire) Progressivity Bracketed – 25% top bracket
10. B.7 (McGuire) Adjusted base rate plus bracketed progressivity and in-field development credit for new fields
11. B.8 (Wielechowski/French) Simple Progressivity
12. B.9 (Wielechowski/French) Rewarding Increased Production
13. B.10 (Wielechowski/French) Capping Credits to Avoid Gold Plating
14. B.13 (Wielechowski/French) Establishing a Gross Minimum Tax
15. B.1 (Wagoner) Extends the Sunset of the Small Producer/New Area Development Credit from 2016 to 2021
16. B.2 (Wagoner) Gross Value at the Point of Production Tax Holiday
17. B.3 (Wagoner) Tax Credit Based on the Capital Cost of Developing New Oil and Gas Production

18. B.18 Simple Progressivity II

Distributed by Office of Senator Joe Paskvan

PFC Presentation: Requested Analysis on Progressivity Caps

Slide #9: If they use a higher production forecast (e.g, the Spring 2011 forecast), how does that impact these projections?

Production Sensitivity Analysis:

1. Are FY13 cost forecasts sensitive to production volumes?
2. Can you run the charts with Spring '11 forecast numbers?
3. How much would these tax rates change, based on your best estimate, with different cost and production forecasts?

PFC Presentation: Analysis of CS SB 192 and Amendments

Slide #5: Is this telling us that Ugnu, as a high cost development, needs $95/bbl to breakeven (blue line) under ACES?

My recollection is that a year ago, under ACES, BP was saying Ugnu needed $60/bbl to breakeven. That number increased to $70-75/bbl as a result of the pilot test. Why $95?

Alaska Senate Resources Committee:

Analysis of CSSB192 and Amendments

29

February 27, 2012

Janak Mayer
Manager, Upstream & Gas
PFC Energy

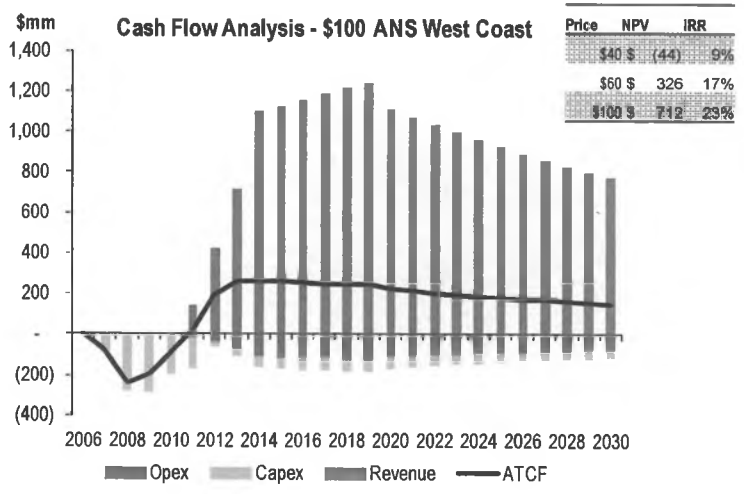
PFC Energy

Cost Assumptions Underlying Development-Forward Analysis

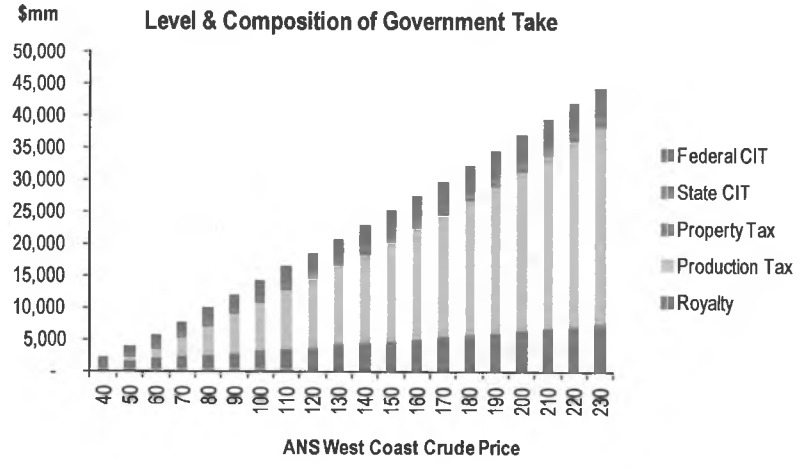
- Development-forward analysis has been undertaken by looking economics for a generic example **low-cost field development**. Cost examples underpinning the modeled scenarios are:
  - $10 per flowing bbl operating expenditures
  - $5 per bbl reserves initial development capital expenditures
  - $5 per flowing bbl ongoing capital expenditures
  - $7.40 per flowing bbl transportation costs
- These assumptions are broadly in keeping with actual reported costs for lower-cost production from the North Slope. They are in total higher than the calendar year 2010 costs reported by DOR for the Prudhoe Bay Unit, which are:
  - 1,314mm operating expenditures (~$11.89 per flowing bbl)
  - $561mm capital expenditures (includes both maintenance and additional new development ~$5.08 per flowing bbl)
- Development-forward analysis has also been undertaken by looking economics for a generic example **high-cost field development**. Cost examples underpinning the modeled scenarios are:
  - $17 per flowing bbl operating expenditures
  - $15 per bbl reserves initial development capital expenditures
  - $1 per flowing bbl ongoing capital expenditures
  - $7.40 per flowing bbl transportation costs

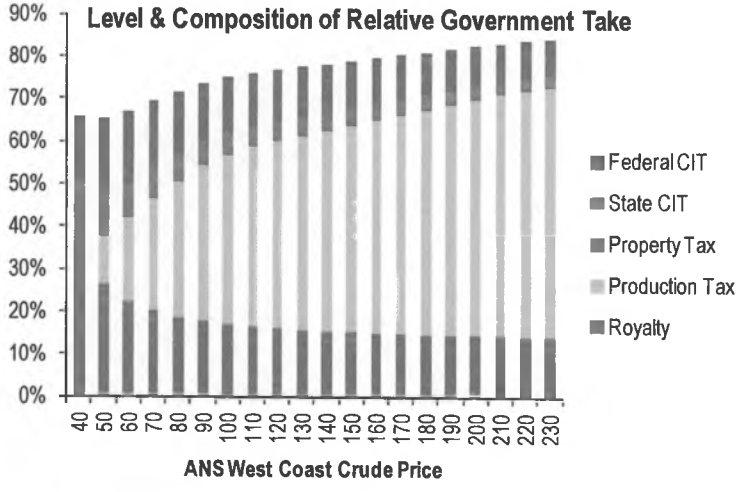
High Cost New Field

ACES (low cost development)



Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	37%	1%	10%	4%	51%	15%	66%
50	26%	11%	6%	4%	48%	17%	65%
60	22%	20%	4%	4%	50%	17%	67%
70	20%	26%	3%	4%	54%	16%	70%
80	19%	32%	3%	4%	57%	14%	72%
90	18%	37%	2%	4%	60%	14%	74%
100	17%	40%	2%	3%	62%	13%	75%
110	16%	42%	2%	3%	64%	13%	76%
120	16%	44%	2%	3%	65%	12%	77%
130	16%	46%	1%	3%	66%	12%	78%
140	15%	47%	1%	3%	67%	12%	78%
150	15%	49%	1%	3%	68%	11%	79%
160	15%	50%	1%	3%	69%	11%	80%
170	15%	51%	1%	3%	70%	11%	81%
180	15%	53%	1%	3%	71%	10%	81%
190	15%	54%	1%	3%	72%	10%	82%
200	14%	55%	1%	2%	73%	9%	83%
210	14%	57%	1%	2%	74%	9%	83%
220	14%	58%	1%	2%	75%	9%	84%
230	14%	59%	1%	2%	76%	8%	84%





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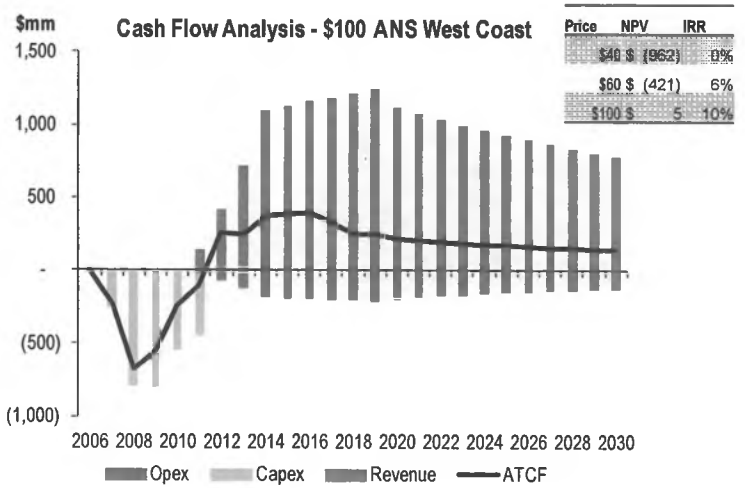
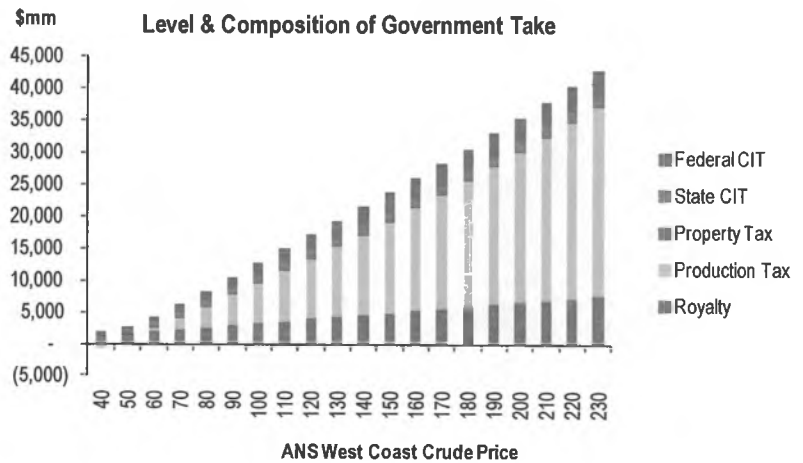
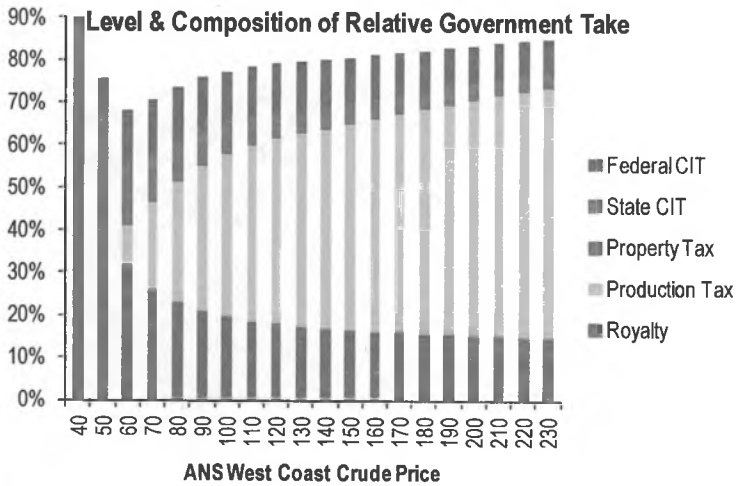
ACES (high cost development)



Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	136%	-90%	73%	0%	119%	0%	119%
50	46%	-8%	20%	2%	60%	8%	68%
60	32%	10%	11%	3%	56%	12%	68%
70	26%	20%	8%	3%	58%	13%	71%
80	23%	28%	6%	3%	61%	13%	74%
90	21%	34%	5%	3%	63%	12%	76%
100	20%	38%	4%	3%	65%	12%	77%
110	19%	41%	4%	3%	67%	12%	78%
120	18%	44%	3%	3%	68%	11%	79%
130	17%	45%	3%	3%	68%	11%	80%
140	17%	47%	3%	3%	69%	11%	80%
150	16%	48%	2%	3%	70%	11%	81%
160	16%	50%	2%	3%	71%	10%	81%
170	16%	51%	2%	3%	72%	10%	82%
180	16%	53%	2%	2%	73%	9%	82%
190	15%	54%	2%	2%	74%	9%	83%
200	15%	55%	2%	2%	75%	9%	83%
210	15%	57%	2%	2%	76%	8%	84%
220	15%	58%	1%	2%	76%	8%	85%
230	15%	59%	1%	2%	77%	8%	85%





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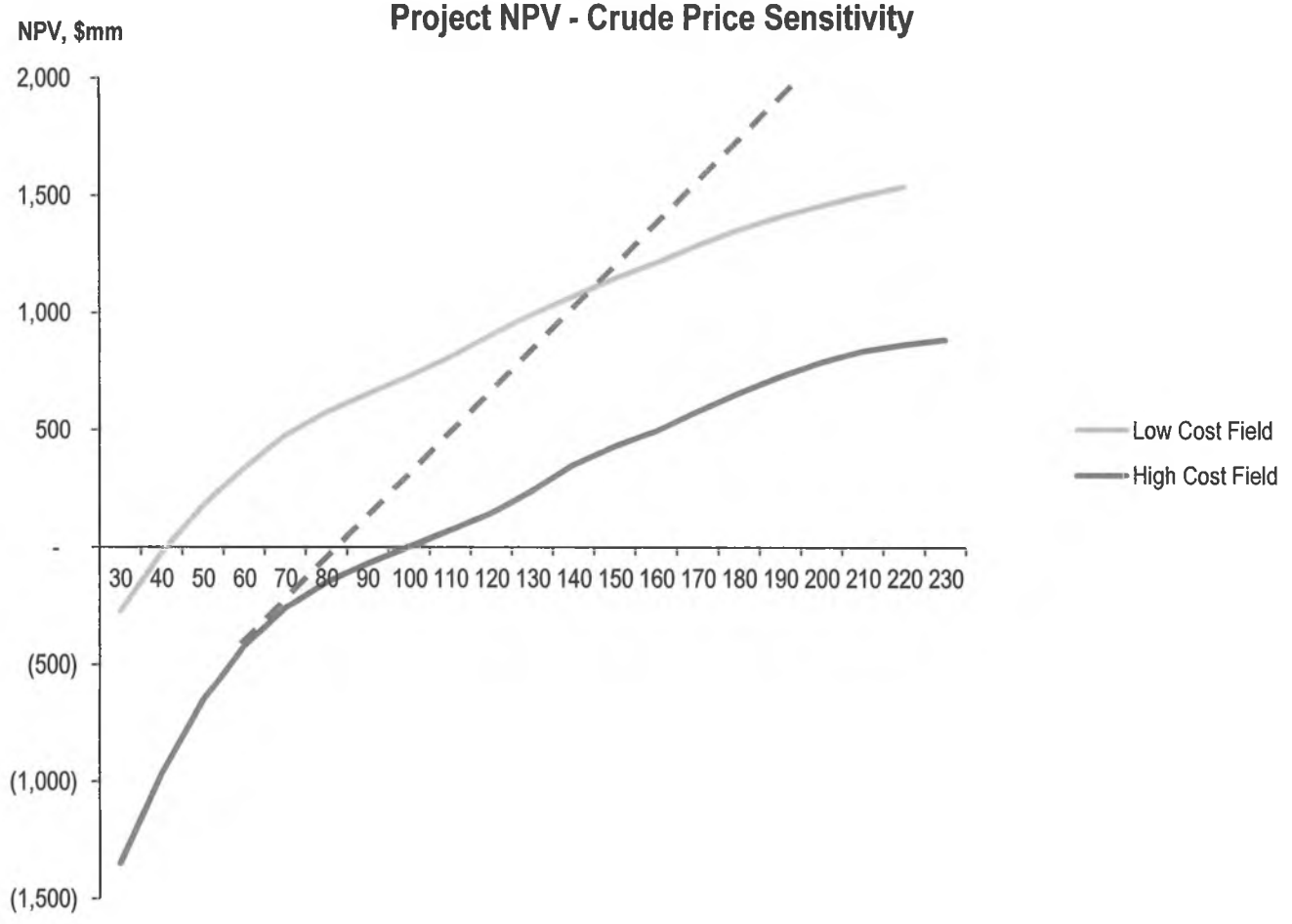
ACES Impact on high cost development economics

10% IRR



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Analysis Using DOR FY2013 Estimated Average Costs

- As requested, an alternate analysis of ACES and the various potential maximum production tax rates has also been performed using DOR FY2013 forecast North Slope cost and production figures
  - By using a 'snapshot' of costs and production for a given year, the analysis inherently no longer presents a development-forward lifecycle analysis, since it combines initial development capex for some projects with ongoing spending on others
  - As a result, such an analysis should be performed only as a snapshot of a single year
  - As such, such an analysis represents a high-level approximation of Government Take in that particular year, not over the actual lifecycle of a particular asset type
  - Such an analysis also does not account for the 'bracket-creep' or 'stealth-tax' effect of inflation over time
- DOR FY2013 cost forecasts are:
  - $13.75 per taxable barrel operating expenditures
  - $15.36 per taxable barrel capital expenditures
  - $8.56 per taxable barrel transportation costs
- On a per-flowing-barrel basis, these equate to:
  - $11.71 /bbl operating expenditures
  - $13.07 /bbl capital expenditures
  - $7.29 /bbl transportation costs
- On the following slides, the ACES system, along with ACES with maximum production tax levels set at 50%, 55%, 60%, 65% and 70% has been analyzed, using these cost figures

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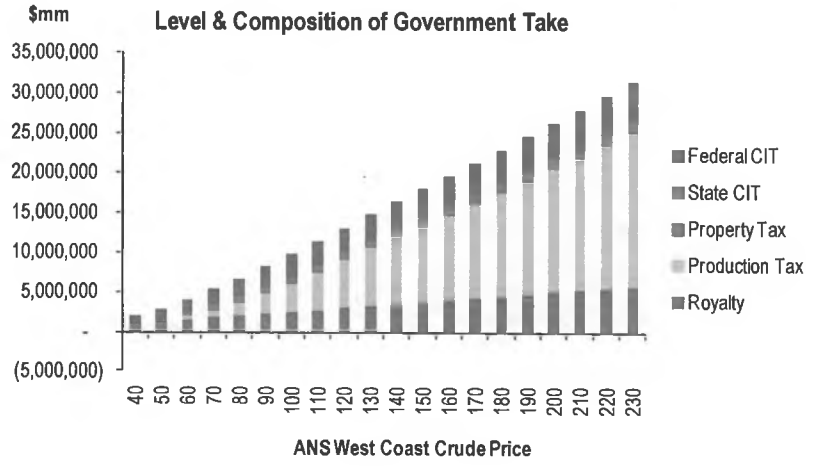
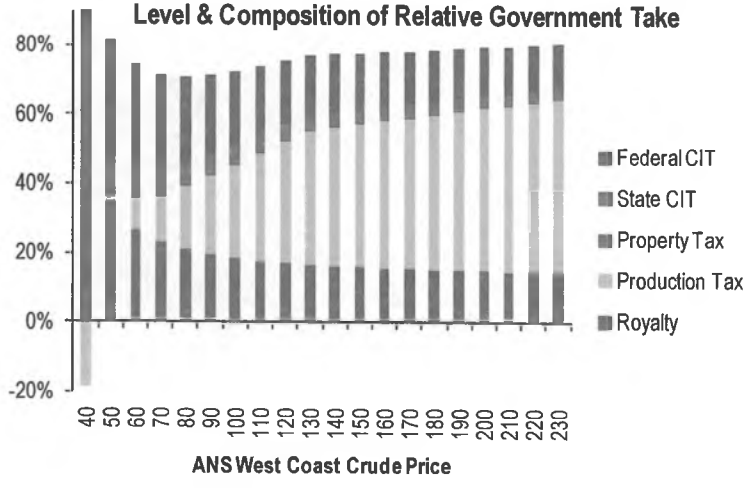
ACES (FY 2013 – DOR Estimate Inputs)

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
$ 40	$ 985,712	$ (290,533)	$ 93,820	$ 198,851	$ 987,849	758,947	1,746,797
50	$ 1,232,140	$ 43,155	$ 93,820	$ 315,721	$ 1,684,835	1,205,000	2,889,836
60	$ 1,478,568	$ 474,404	$ 93,820	$ 424,395	$ 2,471,187	1,619,776	4,090,962
70	$ 1,724,995	$ 969,137	$ 93,820	$ 527,737	$ 3,315,690	2,014,198	5,329,888
80	$ 1,971,423	$ 1,715,090	$ 93,820	$ 609,977	$ 4,390,310	2,328,079	6,718,389
90	$ 2,217,851	$ 2,599,043	$ 93,820	$ 680,625	$ 5,591,338	2,597,717	8,189,056
100	$ 2,464,279	$ 3,620,995	$ 93,820	$ 739,680	$ 6,918,774	2,823,113	9,741,887
110	$ 2,710,707	$ 4,780,946	$ 93,820	$ 787,144	$ 8,372,617	3,004,266	11,376,883
120	$ 2,957,135	$ 6,078,897	$ 93,820	$ 823,016	$ 9,952,868	3,141,176	13,094,044
130	$ 3,203,563	$ 7,500,215	$ 93,820	$ 848,525	$ 11,646,123	3,238,535	14,884,658
140	$ 3,449,991	$ 8,540,576	$ 93,820	$ 906,034	$ 12,990,421	3,458,029	16,448,450
150	$ 3,696,419	$ 9,615,437	$ 93,820	$ 960,645	$ 14,366,321	3,666,462	18,032,783
160	$ 3,942,847	$ 10,724,798	$ 93,820	$ 1,012,358	$ 15,773,823	3,863,835	19,637,658
170	$ 4,189,275	$ 11,868,659	$ 93,820	$ 1,061,174	$ 17,212,927	4,050,147	21,263,074
180	$ 4,435,703	$ 13,047,019	$ 93,820	$ 1,107,091	$ 18,683,633	4,225,398	22,909,031
190	$ 4,682,131	$ 14,259,880	$ 93,820	$ 1,150,110	$ 20,185,941	4,389,588	24,575,529
200	$ 4,928,559	$ 15,507,240	$ 93,820	$ 1,190,232	$ 21,719,850	4,542,718	26,262,568
210	$ 5,174,986	$ 16,789,100	$ 93,820	$ 1,227,455	$ 23,285,362	4,684,787	27,970,149
220	$ 5,421,414	$ 18,105,461	$ 93,820	$ 1,261,781	$ 24,882,475	4,815,796	29,698,271
230	$ 5,667,842	$ 19,456,321	$ 93,820	$ 1,293,208	$ 26,511,191	4,935,744	31,446,934

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	63%	-19%	6%	13%	63%	49%	112%
50	35%	1%	3%	9%	48%	34%	82%
60	27%	9%	2%	8%	45%	29%	74%
70	23%	13%	1%	7%	44%	27%	71%
80	21%	18%	1%	6%	46%	25%	71%
90	19%	23%	1%	6%	49%	23%	72%
100	18%	27%	1%	6%	52%	21%	73%
110	18%	31%	1%	5%	54%	20%	74%
120	17%	35%	1%	5%	57%	18%	76%
130	17%	39%	0%	4%	60%	17%	77%
140	16%	40%	0%	4%	61%	16%	77%
150	16%	41%	0%	4%	62%	16%	78%
160	16%	43%	0%	4%	63%	15%	78%
170	15%	44%	0%	4%	63%	15%	78%
180	15%	45%	0%	4%	64%	14%	79%
190	15%	46%	0%	4%	65%	14%	79%
200	15%	47%	0%	4%	66%	14%	79%
210	15%	48%	0%	3%	66%	13%	80%
220	15%	49%	0%	3%	67%	13%	80%
230	15%	50%	0%	3%	68%	13%	81%





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Summary of ACES, CSSB192 and Analyzed Amendments

ACES				
Is Production Tax Bracketed?		No		
Are oil and gas assessed separately?		No		
Rates for non-bracketed system:			75%	maximum
<= 30	$ 30.00	PTV/BOE	25%	base
> 30 but <= 92.5	$ 92.50	PTV/BOE	0.40%	progressivity
> 92.5			0.10%	progressivity

CSSB 192				
Is Production Tax Bracketed?		No		
Are oil and gas assessed separately?		No		
Rates for non-bracketed system:			60%	maximum
<= 30	$ 30.00	PTV/BOE	25%	base
> 30 but <= 101.43	$ 101.43	PTV/BOE	0.35%	progressivity
> 101.43			0.10%	progressivity

Amendment B8				
Is Production Tax Bracketed?		No		
Are oil and gas assessed separately?		No		
Rates for non-bracketed system:			60%	maximum
<= 30	$ 30.00	PTV/BOE	25%	base
> 30 but <= 92.5	$ 92.50	PTV/BOE	0.40%	progressivity
> 92.5			0.10%	progressivity

Amendment B18				
Is Production Tax Bracketed?		No		
Are oil and gas assessed separately?		No		
Rates for non-bracketed system:			60%	maximum
<= 30	$ 30.00	PTV/BOE	25%	base
> 30 but <= 67.5	$ 67.50	PTV/BOE	0.40%	progressivity
> 67.5 but <= 92.5	$ 92.50	PTV/BOE	0.35%	progressivity
> 92.5			0.10%	progressivity

Amendment B4				
Is Production Tax Bracketed?		Yes		
Are oil and gas assessed separately?		No		
Rates for bracketed system:				
	25% base			
<= 30.00	$ 30.00	PTV/BOE	0.0%	
> 30.00 but <= 42.50	$ 42.50	PTV/BOE	2.5%	
> 42.50 but <= 55.00	$ 55.00	PTV/BOE	7.5%	
> 55.00 but <= 67.50	$ 67.50	PTV/BOE	12.5%	
> 67.50 but <= 80.00	$ 80.00	PTV/BOE	17.5%	
> 80.00 but <= 92.50	$ 92.50	PTV/BOE	22.5%	
> 92.50 but <= 105.00	$ 105.00	PTV/BOE	25.0%	
> 105.00 but <= 117.50	$ 117.50	PTV/BOE	30.0%	
> 117.50			35.0%	

Amendment B5				
Is Production Tax Bracketed?		Yes		
Are oil and gas assessed separately?		No		
Rates for bracketed system:				
	25% base			
<= 30.00	$ 30.00	PTV/BOE	0.0%	
> 30.00 but <= 42.50	$ 42.50	PTV/BOE	2.5%	
> 42.50 but <= 55.00	$ 55.00	PTV/BOE	7.5%	
> 55.00 but <= 67.50	$ 67.50	PTV/BOE	12.5%	
> 67.50 but <= 80.00	$ 80.00	PTV/BOE	17.5%	
> 80.00 but <= 92.50	$ 92.50	PTV/BOE	22.5%	
> 92.50		PTV/BOE	25.0%	

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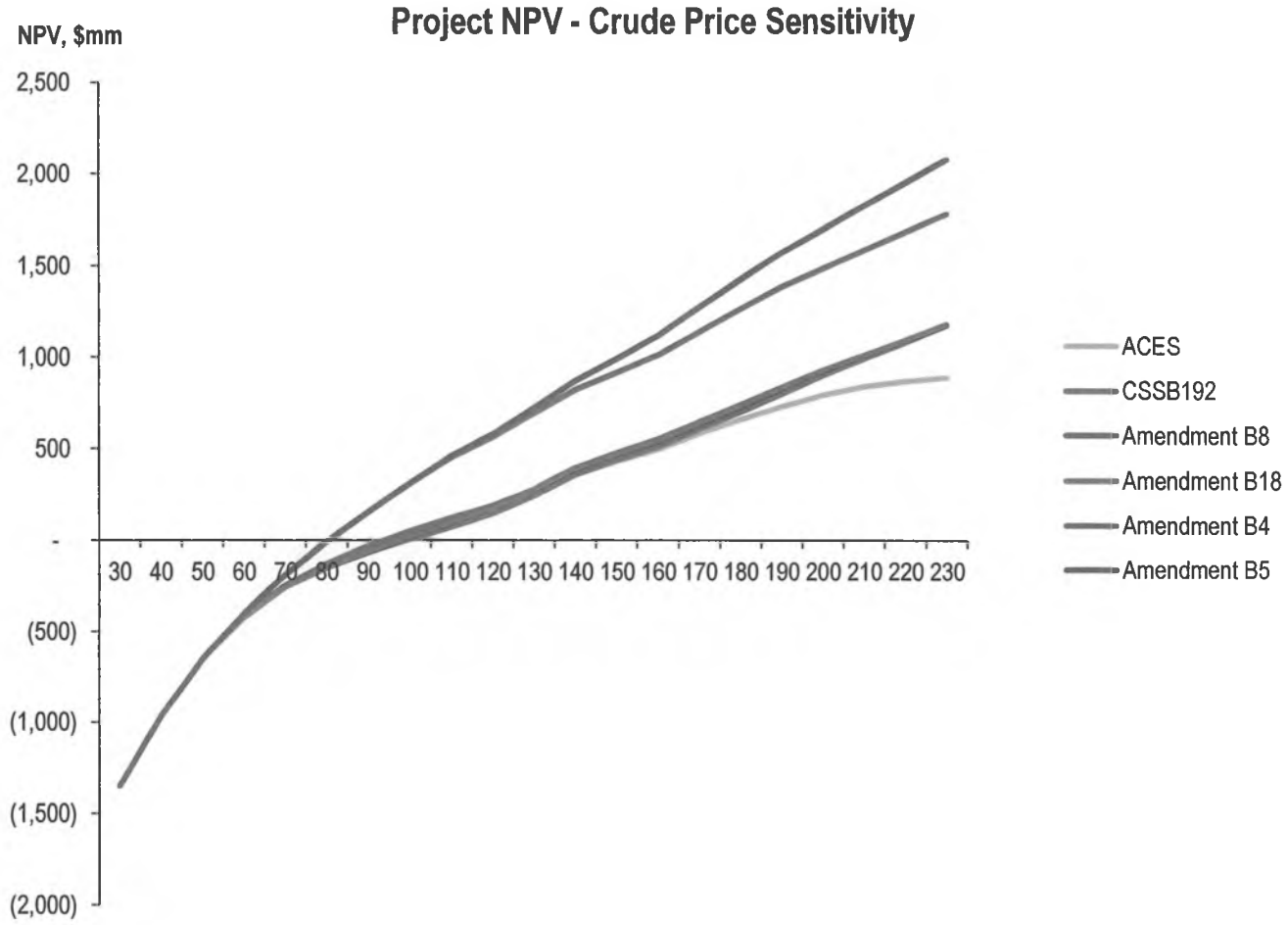
Impact of different amendment cases on high cost development economics



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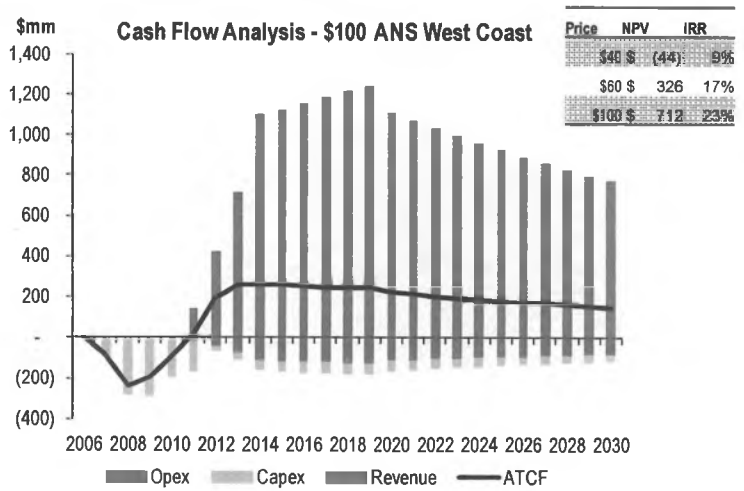
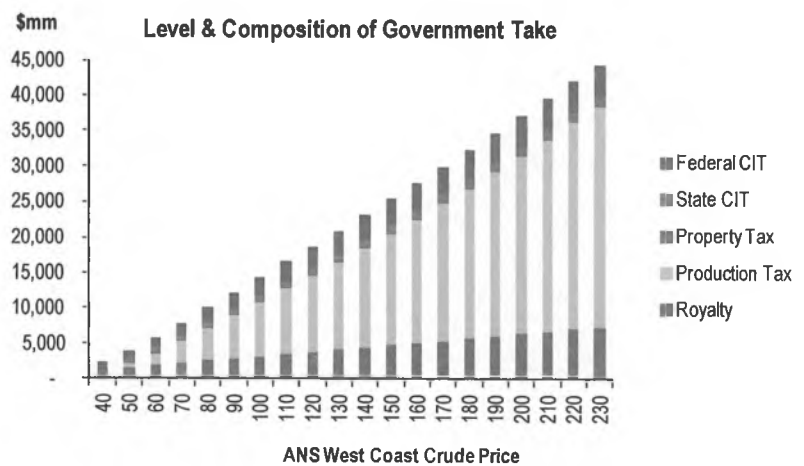
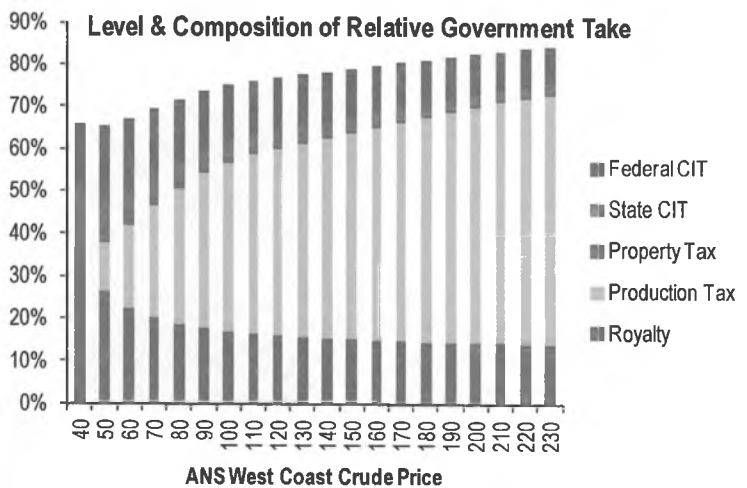
ACES (low cost development)



Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	37%	1%	10%	4%	51%	15%	66%
50	26%	11%	6%	4%	48%	17%	65%
60	22%	20%	4%	4%	50%	17%	67%
70	20%	26%	3%	4%	54%	16%	70%
80	19%	32%	3%	4%	57%	14%	72%
90	18%	37%	2%	4%	60%	14%	74%
100	17%	40%	2%	3%	62%	13%	75%
110	16%	42%	2%	3%	64%	13%	76%
120	16%	44%	2%	3%	65%	12%	77%
130	16%	46%	1%	3%	66%	12%	78%
140	15%	47%	1%	3%	67%	12%	78%
150	15%	49%	1%	3%	68%	11%	79%
160	15%	50%	1%	3%	69%	11%	80%
170	15%	51%	1%	3%	70%	11%	81%
180	15%	53%	1%	3%	71%	10%	81%
190	15%	54%	1%	3%	72%	10%	82%
200	14%	55%	1%	2%	73%	9%	83%
210	14%	57%	1%	2%	74%	9%	83%
220	14%	58%	1%	2%	75%	9%	84%
230	14%	59%	1%	2%	76%	8%	84%





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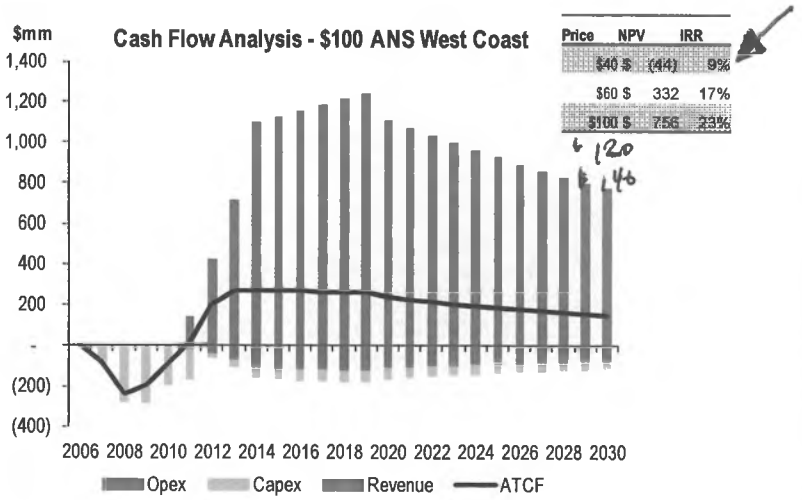
CSSB 192 (low cost development)



Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
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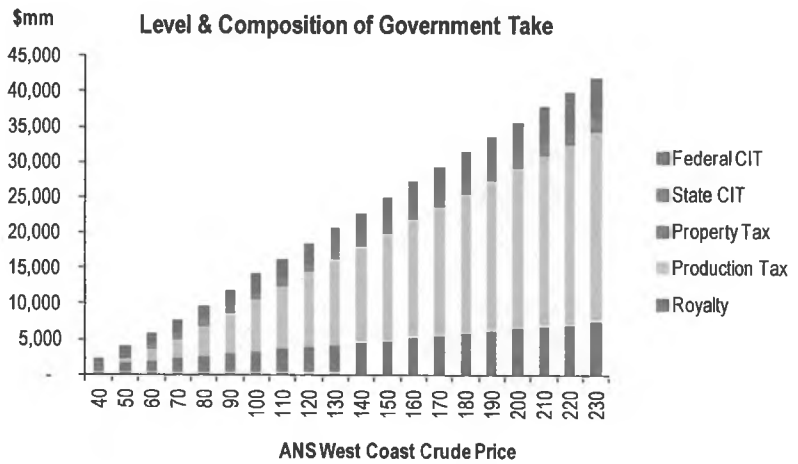
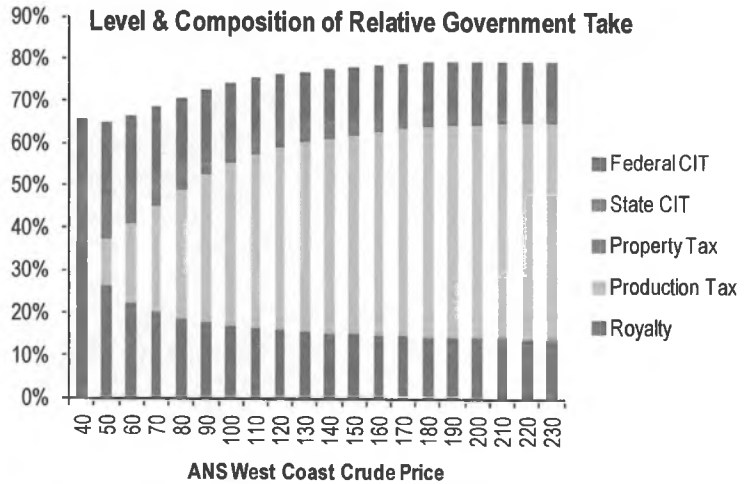
50	26%	11%	6%	4%	48%	17%	65%
60	22%	19%	4%	4%	50%	17%	66%
70	20%	25%	3%	4%	53%	16%	69%
80	19%	31%	3%	4%	56%	15%	71%
90	18%	35%	2%	4%	59%	14%	73%
100	17%	38%	2%	4%	61%	14%	74%
110	16%	41%	2%	3%	63%	13%	76%
120	16%	43%	2%	3%	64%	12%	76%
130	16%	45%	1%	3%	65%	12%	77%
140	15%	46%	1%	3%	66%	12%	78%
150	15%	47%	1%	3%	67%	12%	78%
160	15%	48%	1%	3%	67%	12%	79%
170	15%	49%	1%	3%	68%	11%	79%
180	15%	49%	1%	3%	68%	11%	79%
190	15%	50%	1%	3%	68%	11%	79%
200	14%	50%	1%	3%	68%	11%	79%
210	14%	51%	1%	3%	69%	11%	80%
220	14%	51%	1%	3%	69%	11%	80%
230	14%	51%	1%	3%	69%	11%	79%





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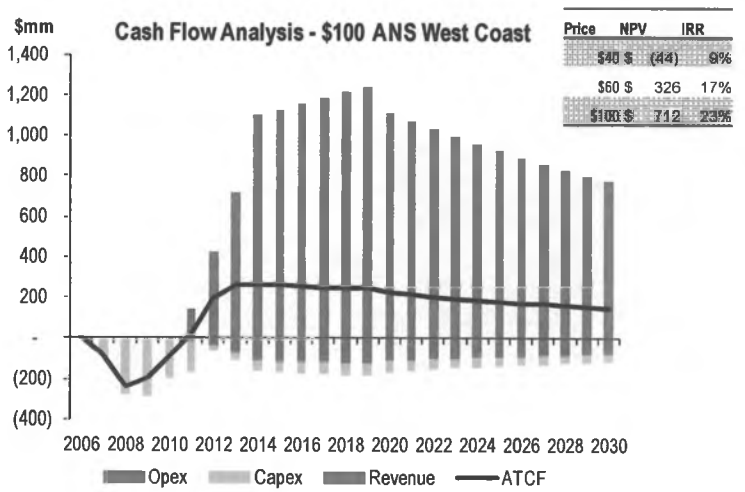
Amendment B8 (low cost development)



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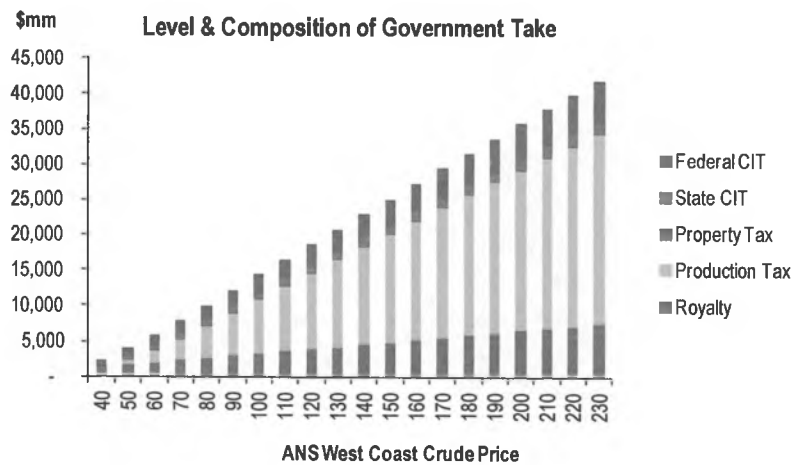
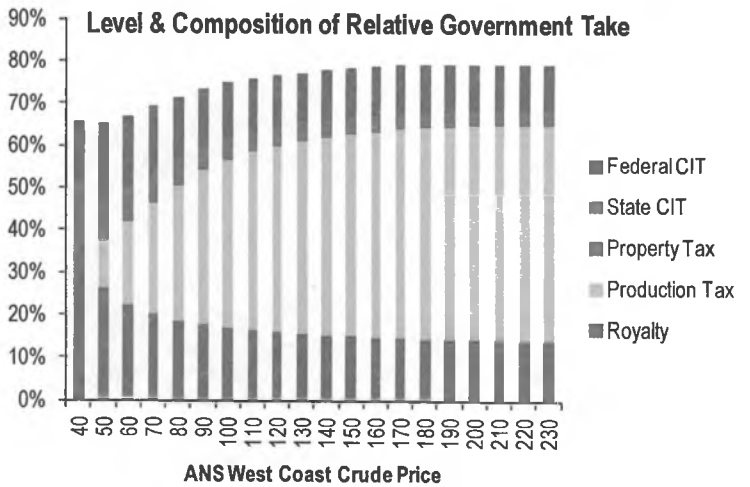
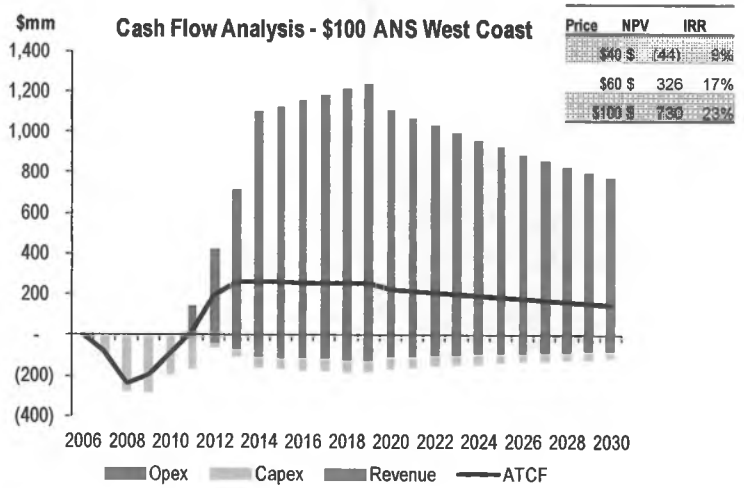
60	22%	20%	4%	4%	50%	17%	67%
70	20%	26%	3%	4%	54%	16%	70%
80	19%	32%	3%	4%	57%	14%	72%
90	18%	37%	2%	4%	60%	14%	74%
100	17%	40%	2%	3%	62%	13%	75%
110	16%	42%	2%	3%	64%	13%	76%
120	16%	44%	2%	3%	65%	12%	77%
130	16%	45%	1%	3%	66%	12%	78%
140	15%	47%	1%	3%	66%	12%	78%
150	15%	48%	1%	3%	67%	12%	79%
160	15%	49%	1%	3%	68%	11%	79%
170	15%	49%	1%	3%	68%	11%	79%
180	15%	50%	1%	3%	68%	11%	79%
190	15%	50%	1%	3%	68%	11%	79%
200	14%	50%	1%	3%	69%	11%	80%
210	14%	51%	1%	3%	69%	11%	80%
220	14%	51%	1%	3%	69%	11%	80%
230	14%	51%	1%	3%	69%	11%	79%





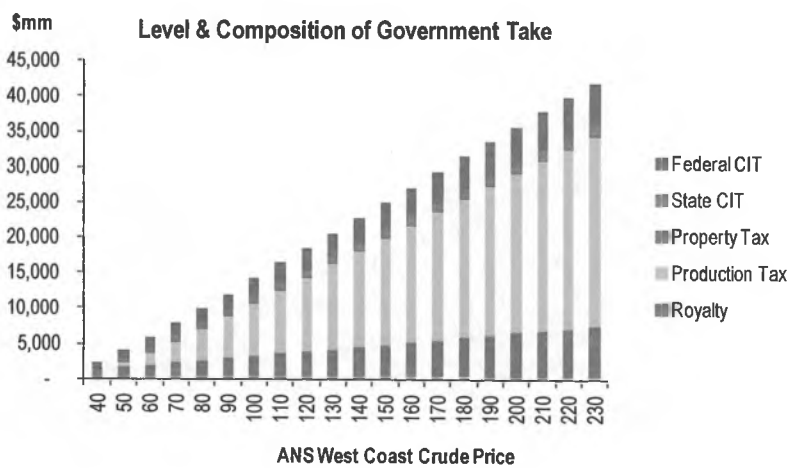
PFC Energy

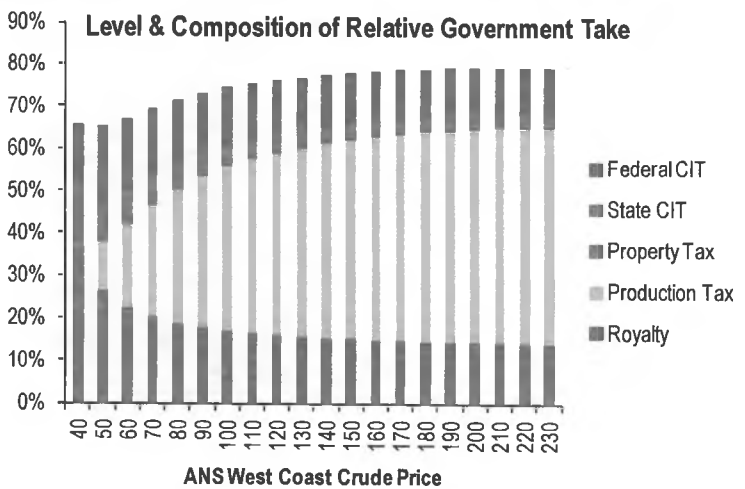
Amendment B18 (low cost development)



Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	37%	1%	10%	4%	51%	15%	66%
50	26%	11%	6%	4%	48%	17%	65%
60	22%	20%	4%	4%	50%	17%	67%
70	20%	26%	3%	4%	54%	16%	69%
80	19%	32%	3%	4%	57%	15%	71%
90	18%	36%	2%	4%	59%	14%	73%
100	17%	39%	2%	4%	61%	13%	75%
110	16%	41%	2%	3%	63%	13%	76%
120	16%	43%	2%	3%	64%	13%	76%
130	16%	44%	1%	3%	65%	12%	77%
140	15%	46%	1%	3%	66%	12%	78%
150	15%	47%	1%	3%	66%	12%	78%
160	15%	48%	1%	3%	67%	12%	78%
170	15%	49%	1%	3%	67%	11%	79%
180	15%	49%	1%	3%	68%	11%	79%
190	15%	50%	1%	3%	68%	11%	79%
200	14%	50%	1%	3%	68%	11%	79%
210	14%	51%	1%	3%	69%	11%	79%
220	14%	51%	1%	3%	69%	11%	80%
230	14%	51%	1%	3%	69%	11%	79%

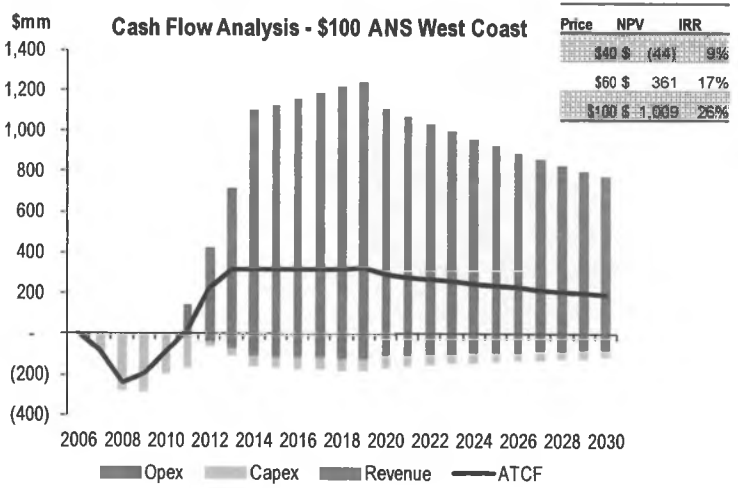
60% strength band



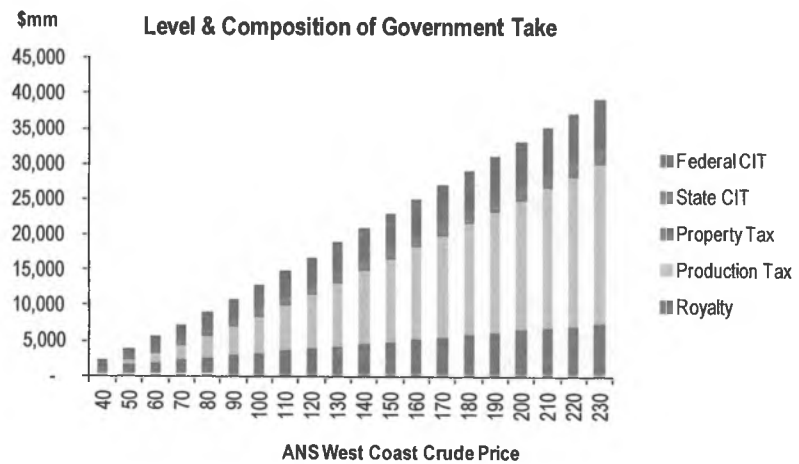


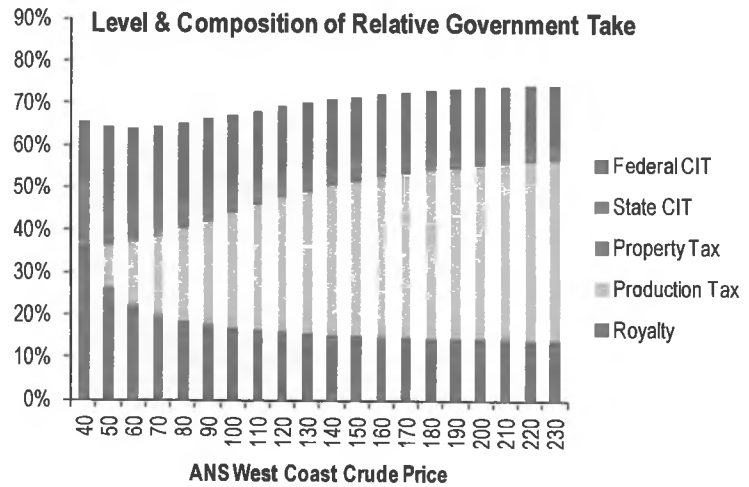
PFC Energy

Amendment B4 (low cost development)



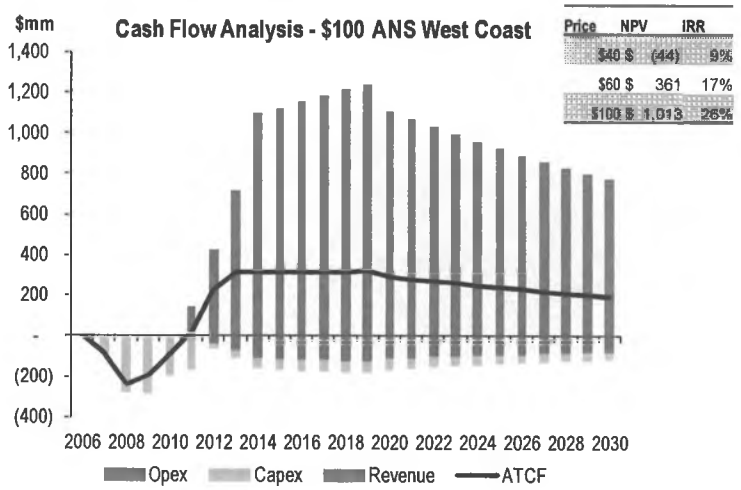
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	37%	1%	10%	4%	51%	15%	66%
50	26%	10%	6%	5%	47%	17%	64%
60	22%	15%	4%	5%	46%	18%	64%
70	20%	18%	3%	5%	47%	18%	65%
80	19%	22%	3%	5%	48%	18%	65%
90	18%	24%	2%	5%	49%	17%	66%
100	17%	27%	2%	4%	50%	17%	68%
110	16%	29%	2%	4%	52%	16%	68%
120	16%	32%	2%	4%	53%	16%	69%
130	16%	33%	1%	4%	55%	16%	70%
140	15%	35%	1%	4%	56%	15%	71%
150	15%	36%	1%	4%	57%	15%	72%
160	15%	38%	1%	4%	58%	15%	72%
170	15%	39%	1%	4%	58%	15%	73%
180	15%	40%	1%	4%	59%	14%	73%
190	15%	40%	1%	4%	59%	14%	74%
200	14%	41%	1%	4%	60%	14%	74%
210	14%	42%	1%	4%	60%	14%	74%
220	14%	42%	1%	4%	61%	14%	74%
230	14%	43%	1%	4%	61%	13%	75%



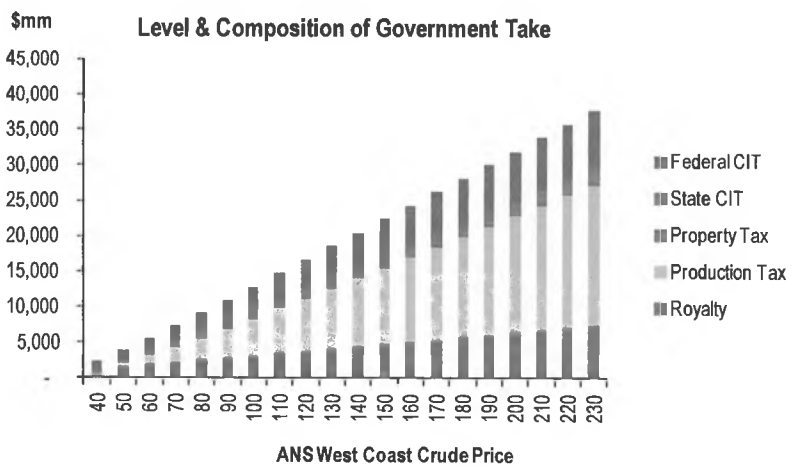


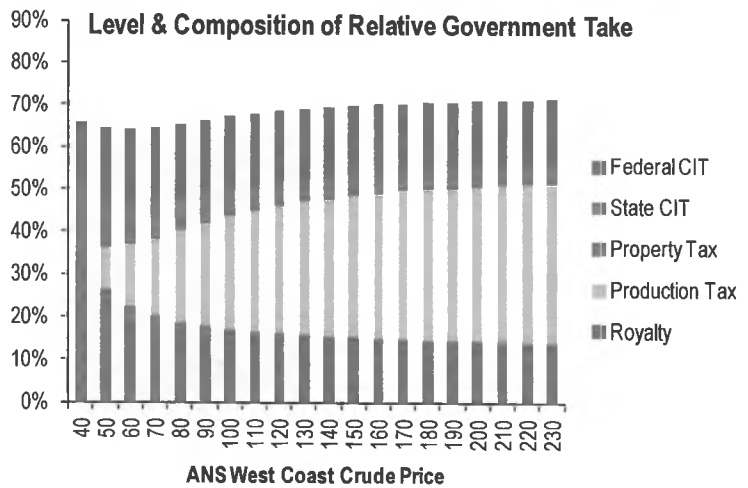
PFC Energy

Amendment B5 (low cost development)



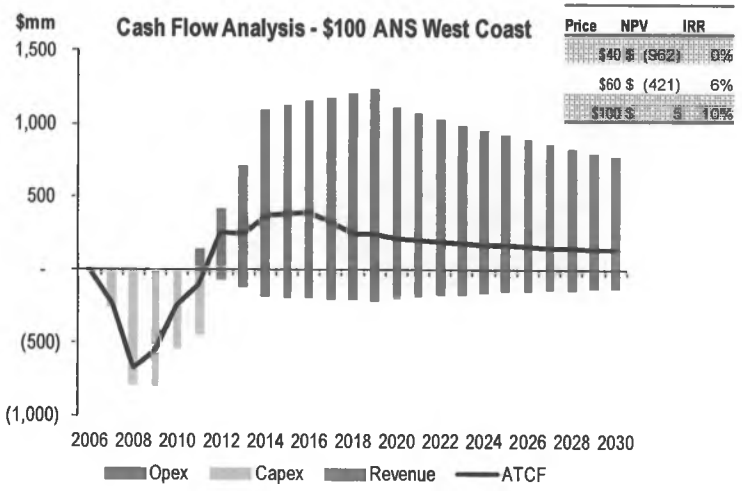
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	37%	1%	10%	4%	51%	15%	66%
50	26%	10%	6%	5%	47%	17%	64%
60	22%	15%	4%	5%	46%	18%	64%
70	20%	18%	3%	5%	47%	18%	65%
80	19%	22%	3%	5%	48%	18%	65%
90	18%	24%	2%	5%	49%	18%	66%
100	17%	27%	2%	5%	50%	17%	67%
110	16%	29%	2%	4%	51%	17%	68%
120	16%	30%	2%	4%	52%	16%	69%
130	16%	31%	1%	4%	53%	16%	69%
140	15%	33%	1%	4%	53%	16%	70%
150	15%	33%	1%	4%	54%	16%	70%
160	15%	34%	1%	4%	54%	16%	70%
170	15%	35%	1%	4%	55%	16%	71%
180	15%	35%	1%	4%	55%	16%	71%
190	15%	36%	1%	4%	55%	16%	71%
200	14%	36%	1%	4%	56%	15%	71%
210	14%	37%	1%	4%	56%	15%	71%
220	14%	37%	1%	4%	56%	15%	71%
230	14%	37%	1%	4%	56%	15%	71%



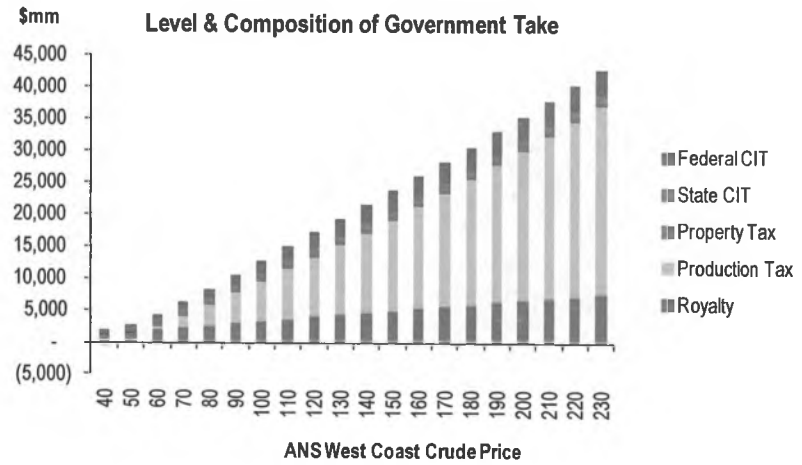


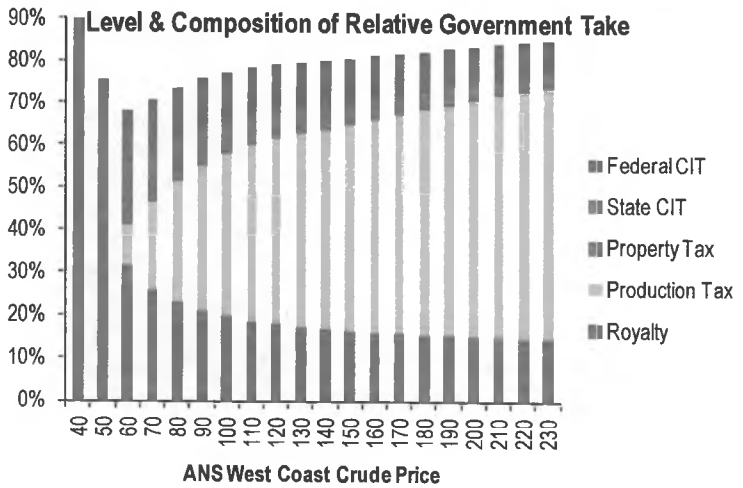
PFC Energy

ACES (high cost development)



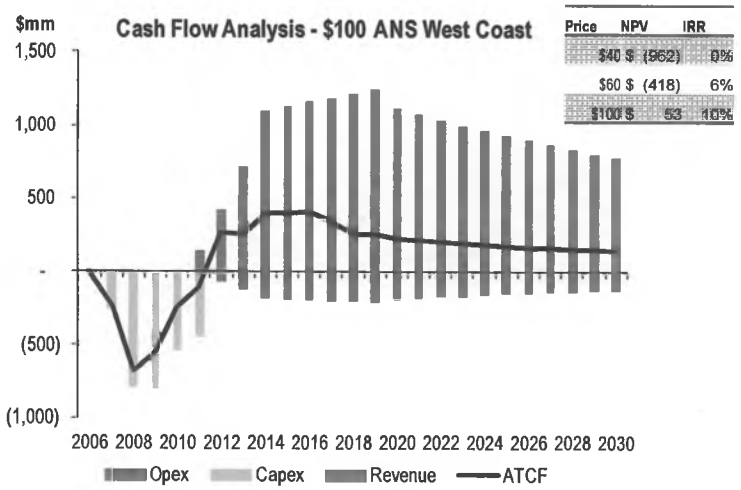
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	136%	-90%	73%	0%	119%	0%	119%
50	46%	-8%	20%	2%	60%	8%	68%
60	32%	10%	11%	3%	56%	12%	68%
70	26%	20%	8%	3%	58%	13%	71%
80	23%	28%	6%	3%	61%	13%	74%
90	21%	34%	5%	3%	63%	12%	76%
100	20%	38%	4%	3%	65%	12%	77%
110	19%	41%	4%	3%	67%	12%	78%
120	18%	44%	3%	3%	68%	11%	79%
130	17%	45%	3%	3%	68%	11%	80%
140	17%	47%	3%	3%	69%	11%	80%
150	16%	48%	2%	3%	70%	11%	81%
160	16%	50%	2%	3%	71%	10%	81%
170	16%	51%	2%	3%	72%	10%	82%
180	16%	53%	2%	2%	73%	9%	82%
190	15%	54%	2%	2%	74%	9%	83%
200	15%	55%	2%	2%	75%	9%	83%
210	15%	57%	2%	2%	76%	8%	84%
220	15%	58%	1%	2%	76%	8%	85%
230	15%	59%	1%	2%	77%	8%	85%



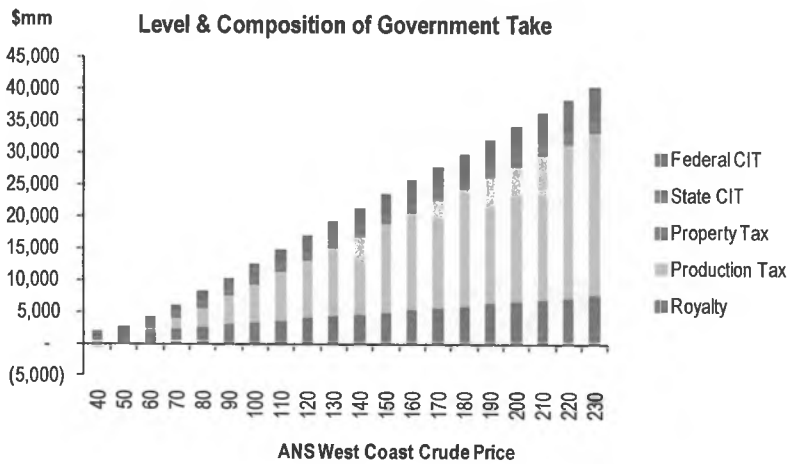


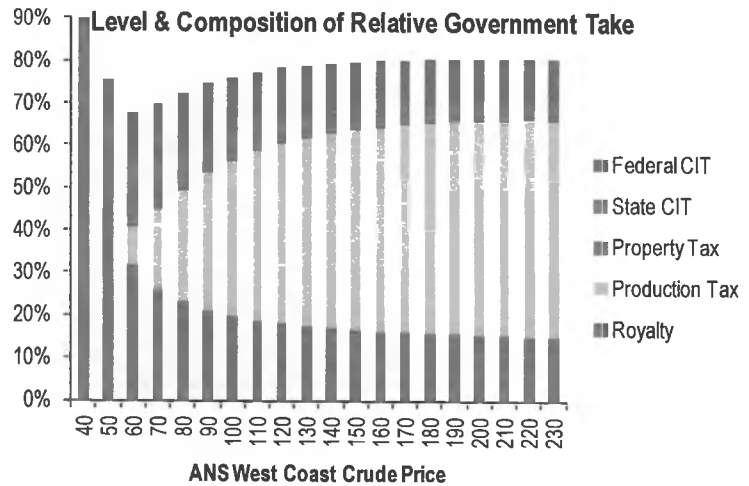
PFC Energy

CSSB 192 (high cost development)



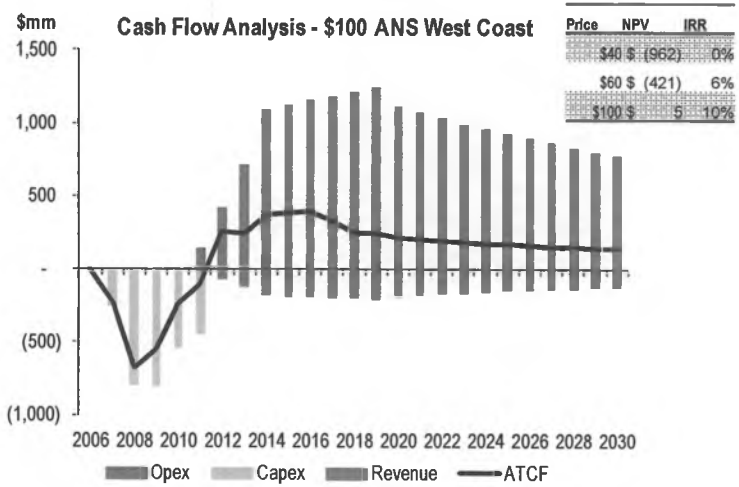
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	136%	-90%	73%	0%	119%	0%	119%
50	46%	-8%	20%	2%	60%	8%	68%
60	32%	9%	11%	3%	55%	12%	68%
70	26%	19%	8%	3%	56%	13%	70%
80	23%	26%	6%	4%	59%	13%	72%
90	21%	32%	5%	3%	62%	13%	75%
100	20%	37%	4%	3%	64%	12%	76%
110	19%	40%	4%	3%	66%	12%	77%
120	18%	43%	3%	3%	67%	12%	78%
130	17%	44%	3%	3%	68%	11%	79%
140	17%	46%	3%	3%	68%	11%	79%
150	16%	47%	2%	3%	69%	11%	80%
160	16%	48%	2%	3%	69%	11%	80%
170	16%	49%	2%	3%	70%	11%	80%
180	16%	50%	2%	3%	70%	10%	80%
190	15%	50%	2%	3%	70%	10%	80%
200	15%	51%	2%	3%	70%	10%	80%
210	15%	51%	2%	3%	70%	10%	80%
220	15%	51%	1%	3%	70%	10%	81%
230	15%	51%	1%	3%	70%	10%	81%



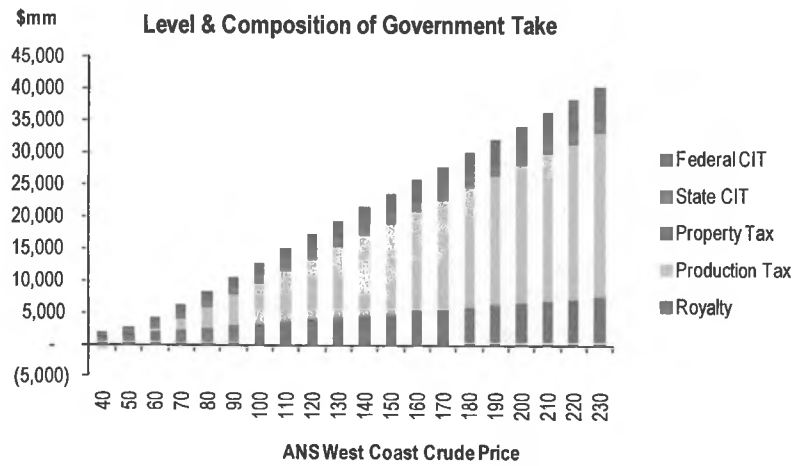


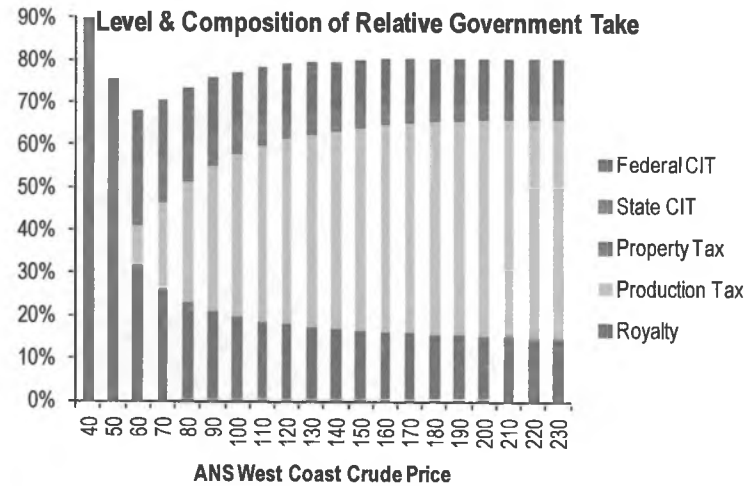
PFC Energy

Amendment B8 (high cost development)



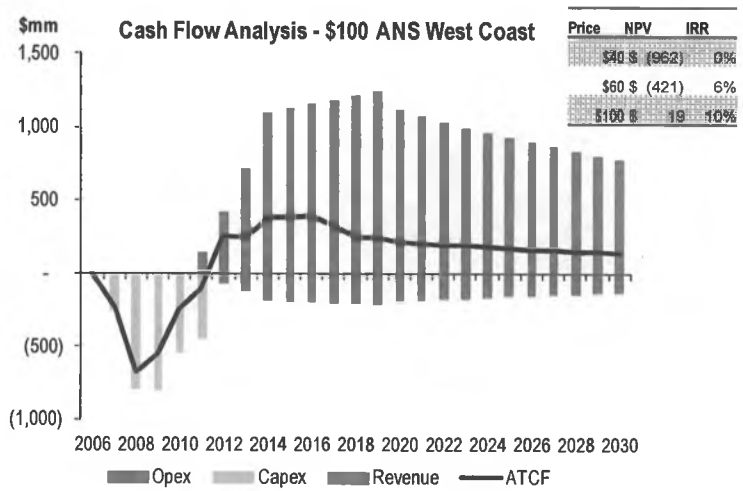
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	136%	-90%	73%	0%	119%	0%	119%
50	46%	-8%	20%	2%	60%	8%	68%
60	32%	10%	11%	3%	56%	12%	68%
70	26%	20%	8%	3%	58%	13%	71%
80	23%	28%	6%	3%	61%	13%	74%
90	21%	34%	5%	3%	63%	12%	76%
100	20%	38%	4%	3%	65%	12%	77%
110	19%	41%	4%	3%	67%	12%	78%
120	18%	44%	3%	3%	68%	11%	79%
130	17%	45%	3%	3%	68%	11%	80%
140	17%	47%	3%	3%	69%	11%	80%
150	16%	48%	2%	3%	69%	11%	80%
160	16%	49%	2%	3%	70%	11%	80%
170	16%	49%	2%	3%	70%	11%	81%
180	16%	50%	2%	3%	70%	10%	81%
190	15%	50%	2%	3%	70%	10%	81%
200	15%	51%	2%	3%	70%	10%	81%
210	15%	51%	2%	3%	70%	10%	81%
220	15%	51%	1%	3%	70%	10%	81%
230	15%	51%	1%	3%	70%	10%	81%



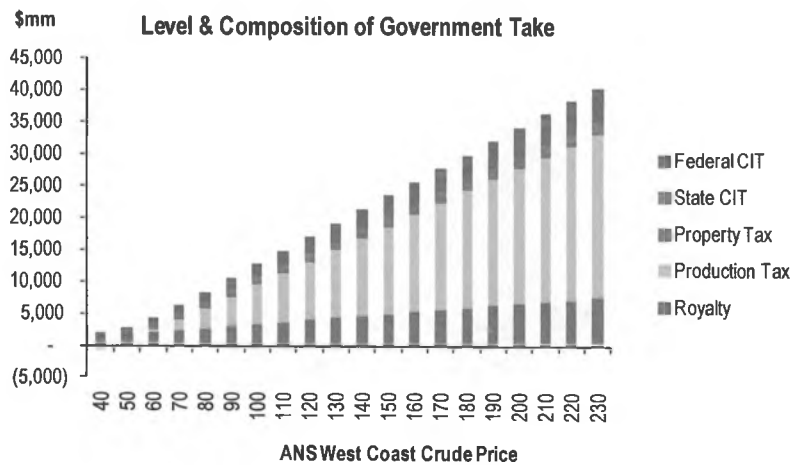


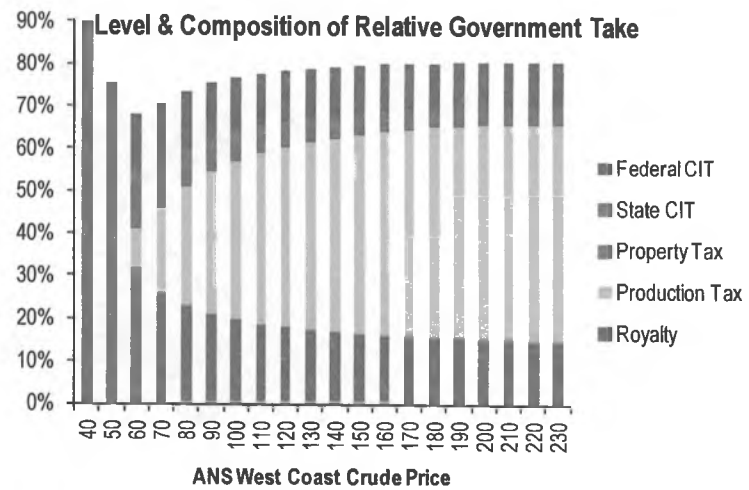
PFC Energy

Amendment B18 (high cost development)



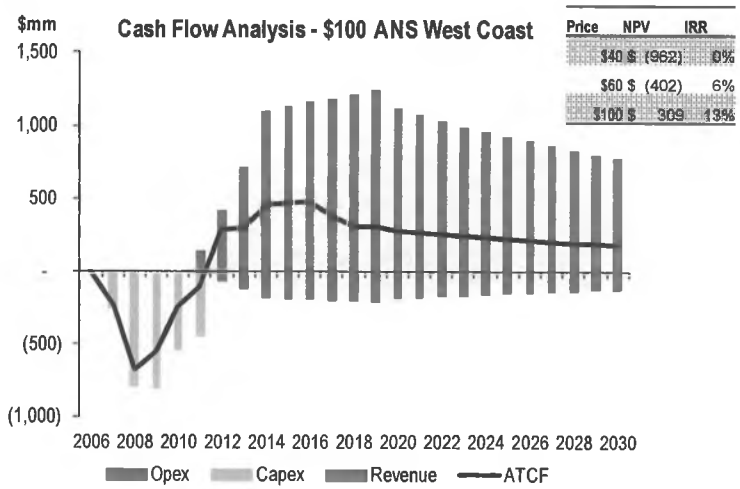
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	136%	-90%	73%	0%	119%	0%	119%
50	46%	-8%	20%	2%	60%	8%	68%
60	32%	10%	11%	3%	56%	12%	68%
70	26%	20%	8%	3%	58%	13%	71%
80	23%	28%	6%	3%	60%	13%	73%
90	21%	33%	5%	3%	63%	13%	75%
100	20%	37%	4%	3%	65%	12%	77%
110	19%	40%	4%	3%	66%	12%	78%
120	18%	42%	3%	3%	67%	12%	78%
130	17%	44%	3%	3%	67%	11%	79%
140	17%	46%	3%	3%	68%	11%	79%
150	16%	47%	2%	3%	69%	11%	80%
160	16%	48%	2%	3%	69%	11%	80%
170	16%	49%	2%	3%	69%	11%	80%
180	16%	49%	2%	3%	70%	11%	80%
190	15%	50%	2%	3%	70%	10%	80%
200	15%	50%	2%	3%	70%	10%	80%
210	15%	51%	2%	3%	70%	10%	80%
220	15%	51%	1%	3%	70%	10%	80%
230	15%	51%	1%	3%	70%	10%	81%



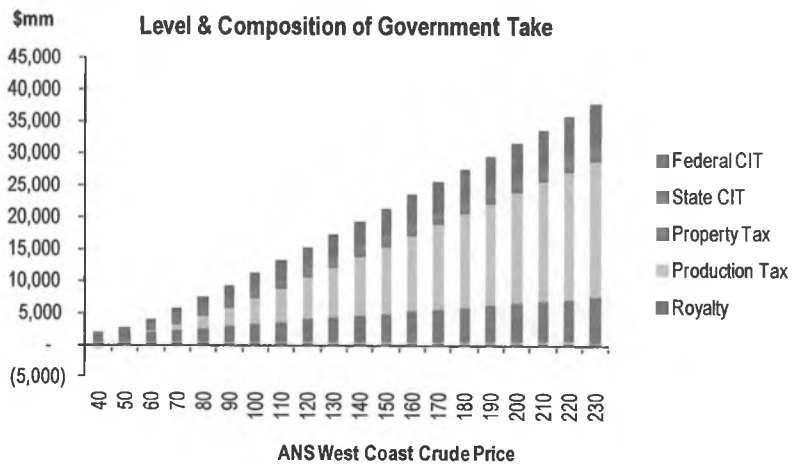


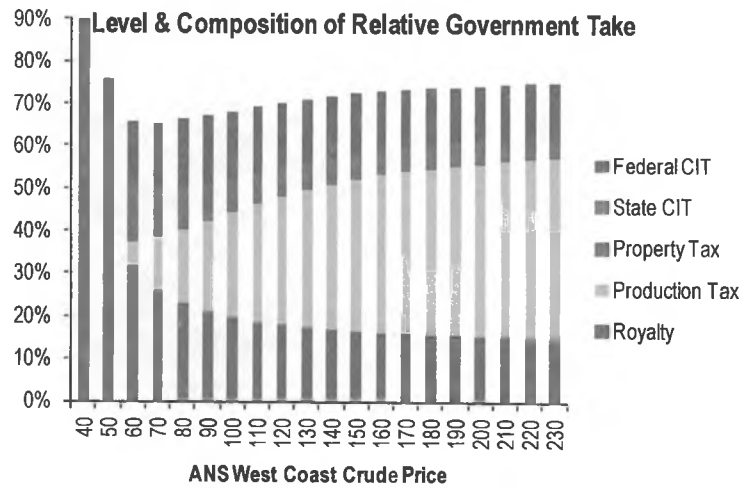
PFC Energy

Amendment B4 (high cost development)



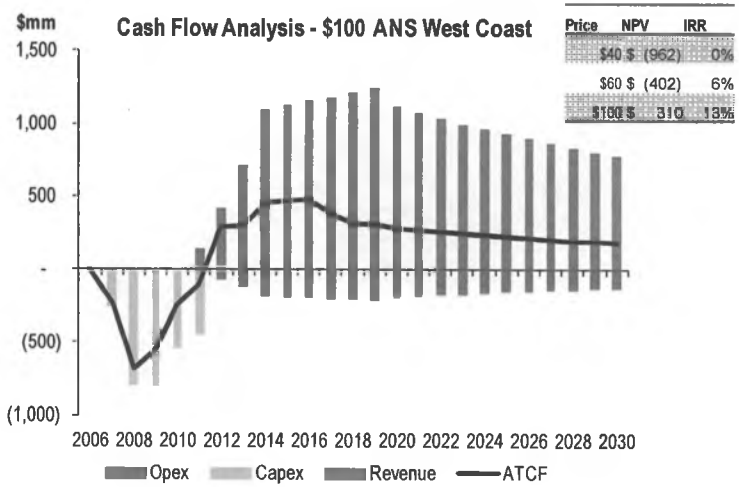
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	136%	-90%	73%	0%	119%	0%	119%
50	46%	-8%	20%	2%	59%	8%	68%
60	32%	6%	11%	4%	52%	13%	66%
70	26%	12%	8%	4%	50%	15%	65%
80	23%	17%	6%	4%	51%	16%	66%
90	21%	21%	5%	4%	51%	16%	67%
100	20%	25%	4%	4%	53%	16%	68%
110	19%	28%	4%	4%	54%	15%	69%
120	18%	30%	3%	4%	55%	15%	70%
130	17%	32%	3%	4%	56%	15%	71%
140	17%	34%	3%	4%	57%	14%	72%
150	16%	36%	2%	4%	58%	14%	73%
160	16%	37%	2%	4%	59%	14%	73%
170	16%	38%	2%	4%	60%	14%	73%
180	16%	39%	2%	4%	60%	14%	74%
190	15%	40%	2%	3%	61%	13%	74%
200	15%	41%	2%	3%	61%	13%	74%
210	15%	41%	2%	3%	62%	13%	75%
220	15%	42%	1%	3%	62%	13%	75%
230	15%	43%	1%	3%	62%	13%	75%



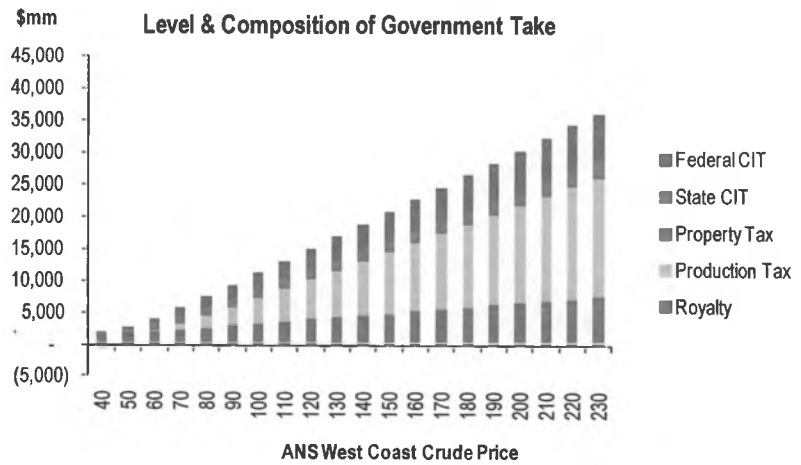


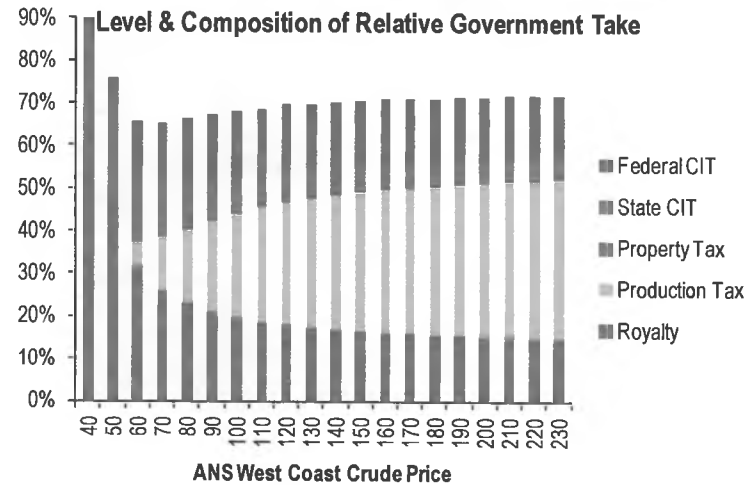
PFC Energy

Amendment B5 (high cost development)



Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	136%	-90%	73%	0%	119%	0%	119%
50	46%	-8%	20%	2%	59%	8%	68%
60	32%	6%	11%	4%	52%	13%	66%
70	26%	12%	8%	4%	50%	15%	65%
80	23%	17%	6%	4%	51%	16%	66%
90	21%	21%	5%	4%	51%	16%	67%
100	20%	24%	4%	4%	52%	16%	68%
110	19%	27%	4%	4%	53%	15%	69%
120	18%	29%	3%	4%	54%	16%	70%
130	17%	30%	3%	4%	55%	15%	70%
140	17%	32%	3%	4%	55%	15%	70%
150	16%	33%	2%	4%	56%	15%	71%
160	16%	34%	2%	4%	56%	15%	71%
170	16%	34%	2%	4%	56%	15%	71%
180	16%	35%	2%	4%	56%	15%	71%
190	15%	36%	2%	4%	57%	15%	71%
200	15%	36%	2%	4%	57%	15%	72%
210	15%	36%	2%	4%	57%	15%	72%
220	15%	37%	1%	4%	57%	15%	72%
230	15%	37%	1%	4%	57%	15%	72%



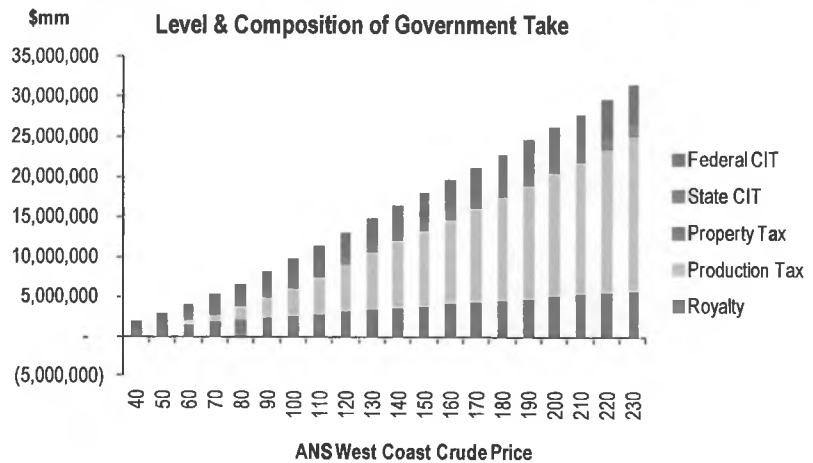


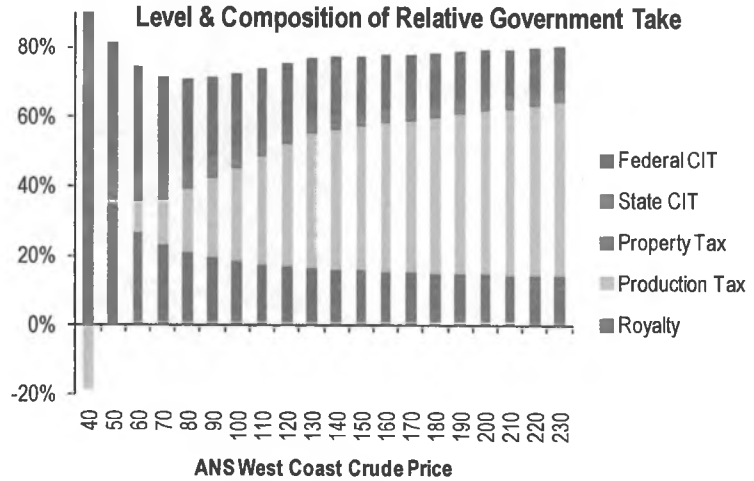
PFC Energy

ACES (FY 2013 – DOR Estimate Inputs)

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
$ 40	$ 985,712	$ (290,533)	$ 93,820	$ 198,851	$ 987,849	758,947	1,746,797
50	$ 1,232,140	$ 43,155	$ 93,820	$ 315,721	$ 1,684,835	1,205,000	2,889,836
60	$ 1,478,568	$ 474,404	$ 93,820	$ 424,395	$ 2,471,187	1,619,776	4,090,962
70	$ 1,724,995	$ 969,137	$ 93,820	$ 527,737	$ 3,315,690	2,014,198	5,329,888
80	$ 1,971,423	$ 1,715,090	$ 93,820	$ 609,977	$ 4,390,310	2,328,079	6,718,389
90	$ 2,217,851	$ 2,599,043	$ 93,820	$ 680,625	$ 5,591,338	2,597,717	8,189,056
100	$ 2,464,279	$ 3,620,995	$ 93,820	$ 739,680	$ 6,918,774	2,823,113	9,741,887
110	$ 2,710,707	$ 4,780,946	$ 93,820	$ 787,144	$ 8,372,617	3,004,266	11,376,883
120	$ 2,957,135	$ 6,078,897	$ 93,820	$ 823,016	$ 9,952,868	3,141,176	13,094,044
130	$ 3,203,563	$ 7,500,215	$ 93,820	$ 848,525	$ 11,646,123	3,238,535	14,884,658
140	$ 3,449,991	$ 8,540,576	$ 93,820	$ 906,034	$ 12,990,421	3,458,029	16,448,450
150	$ 3,696,419	$ 9,615,437	$ 93,820	$ 960,645	$ 14,366,321	3,666,462	18,032,783
160	$ 3,942,847	$ 10,724,798	$ 93,820	$ 1,012,358	$ 15,773,823	3,863,835	19,637,658
170	$ 4,189,275	$ 11,868,659	$ 93,820	$ 1,061,174	$ 17,212,927	4,050,147	21,263,074
180	$ 4,435,703	$ 13,047,019	$ 93,820	$ 1,107,091	$ 18,683,633	4,225,398	22,909,031
190	$ 4,682,131	$ 14,259,880	$ 93,820	$ 1,150,110	$ 20,185,941	4,389,588	24,575,529
200	$ 4,928,559	$ 15,507,240	$ 93,820	$ 1,190,232	$ 21,719,850	4,542,718	26,262,568
210	$ 5,174,986	$ 16,789,100	$ 93,820	$ 1,227,455	$ 23,285,362	4,684,787	27,970,149
220	$ 5,421,414	$ 18,105,461	$ 93,820	$ 1,261,781	$ 24,882,475	4,815,796	29,698,271
230	$ 5,667,842	$ 19,456,321	$ 93,820	$ 1,293,208	$ 26,511,191	4,935,744	31,446,934

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	63%	-19%	6%	13%	63%	49%	112%
50	35%	1%	3%	9%	48%	34%	82%
60	27%	9%	2%	8%	45%	29%	74%
70	23%	13%	1%	7%	44%	27%	71%
80	21%	18%	1%	6%	46%	25%	71%
90	19%	23%	1%	6%	49%	23%	72%
100	18%	27%	1%	6%	52%	21%	73%
110	18%	31%	1%	5%	54%	20%	74%
120	17%	35%	1%	5%	57%	18%	76%
130	17%	39%	0%	4%	60%	17%	77%
140	16%	40%	0%	4%	61%	16%	77%
150	16%	41%	0%	4%	62%	16%	78%
160	16%	43%	0%	4%	63%	15%	78%
170	15%	44%	0%	4%	63%	15%	78%
180	15%	45%	0%	4%	64%	14%	79%
190	15%	46%	0%	4%	65%	14%	79%
200	15%	47%	0%	4%	66%	14%	79%
210	15%	48%	0%	3%	66%	13%	80%
220	15%	49%	0%	3%	67%	13%	80%
230	15%	50%	0%	3%	68%	13%	81%



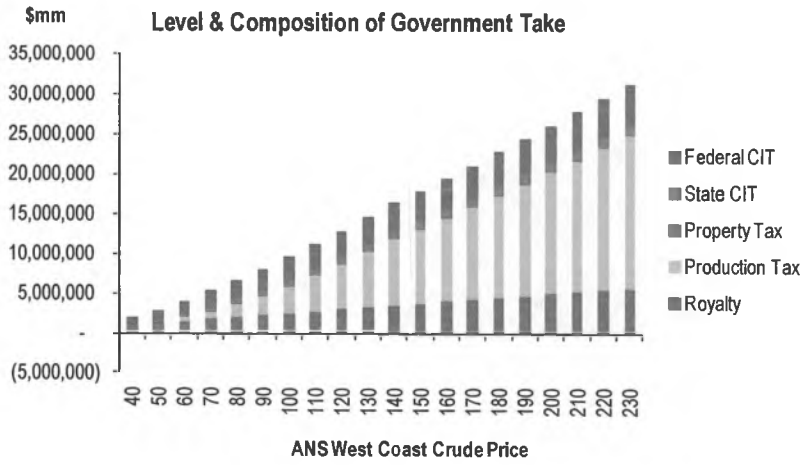


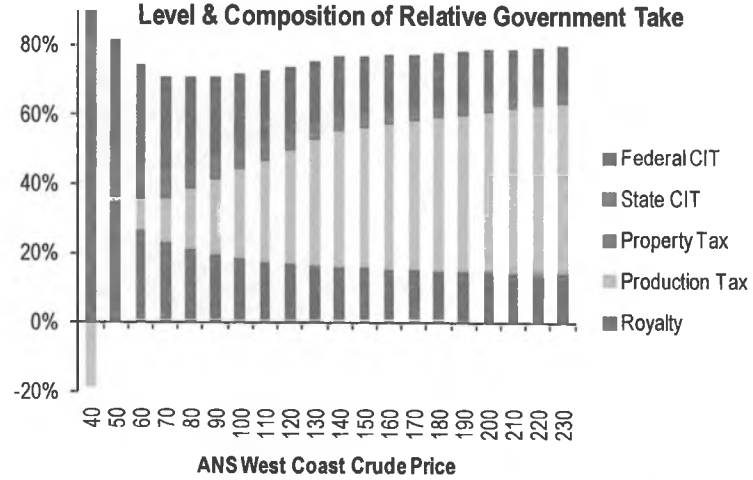
PFC Energy

CSSB 192 (FY 2013 – DOR Estimate Inputs)

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
$ 40	$ 985,712	$ (290,533)	$ 93,820	$ 198,851	$ 987,849	758,947	1,746,797
50	$ 1,232,140	$ 43,155	$ 93,820	$ 315,721	$ 1,684,835	1,205,000	2,889,836
60	$ 1,478,568	$ 474,404	$ 93,820	$ 424,395	$ 2,471,187	1,619,776	4,090,962
70	$ 1,724,995	$ 961,202	$ 93,820	$ 528,404	$ 3,308,421	2,016,742	5,325,163
80	$ 1,971,423	$ 1,667,817	$ 93,820	$ 613,948	$ 4,347,008	2,343,235	6,690,243
90	$ 2,217,851	$ 2,495,181	$ 93,820	$ 689,349	$ 5,496,201	2,631,015	8,127,216
100	$ 2,464,279	$ 3,443,295	$ 93,820	$ 754,607	$ 6,756,001	2,880,083	9,636,085
110	$ 2,710,707	$ 4,512,159	$ 93,820	$ 809,722	$ 8,126,408	3,090,439	11,216,847
120	$ 2,957,135	$ 5,701,772	$ 93,820	$ 854,694	$ 9,607,422	3,262,083	12,869,504
130	$ 3,203,563	$ 7,012,136	$ 93,820	$ 889,523	$ 11,199,042	3,395,014	14,594,055
140	$ 3,449,991	$ 8,382,302	$ 93,820	$ 919,329	$ 12,845,442	3,508,772	16,354,214
150	$ 3,696,419	$ 9,441,768	$ 93,820	$ 975,233	$ 14,207,240	3,722,141	17,929,381
160	$ 3,942,847	$ 10,535,733	$ 93,820	$ 1,028,240	$ 15,600,640	3,924,449	19,525,089
170	$ 4,189,275	$ 11,664,198	$ 93,820	$ 1,078,348	$ 17,025,641	4,115,697	21,141,338
180	$ 4,435,703	$ 12,827,163	$ 93,820	$ 1,125,559	$ 18,482,245	4,295,884	22,778,128
190	$ 4,682,131	$ 14,024,628	$ 93,820	$ 1,169,872	$ 19,970,450	4,465,010	24,435,460
200	$ 4,928,559	$ 15,256,593	$ 93,820	$ 1,211,286	$ 21,490,257	4,623,076	26,113,333
210	$ 5,174,986	$ 16,523,057	$ 93,820	$ 1,249,803	$ 23,041,667	4,770,081	27,811,747
220	$ 5,421,414	$ 17,824,022	$ 93,820	$ 1,285,421	$ 24,624,678	4,906,025	29,530,703
230	$ 5,667,842	$ 19,159,487	$ 93,820	$ 1,318,142	$ 26,239,291	5,030,909	31,270,199

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	63%	-19%	6%	13%	63%	49%	112%
50	35%	1%	3%	9%	48%	34%	82%
60	27%	9%	2%	8%	45%	29%	74%
70	23%	13%	1%	7%	44%	27%	71%
80	21%	18%	1%	6%	46%	25%	71%
90	19%	22%	1%	6%	48%	23%	71%
100	18%	26%	1%	6%	50%	22%	72%
110	18%	29%	1%	5%	53%	20%	73%
120	17%	33%	1%	5%	55%	19%	74%
130	17%	36%	0%	5%	58%	18%	76%
140	16%	39%	0%	4%	60%	16%	77%
150	16%	41%	0%	4%	61%	16%	77%
160	16%	42%	0%	4%	62%	16%	77%
170	15%	43%	0%	4%	63%	15%	78%
180	15%	44%	0%	4%	63%	15%	78%
190	15%	45%	0%	4%	64%	14%	78%
200	15%	46%	0%	4%	65%	14%	79%
210	15%	47%	0%	4%	66%	14%	79%
220	15%	48%	0%	3%	66%	13%	80%
230	15%	49%	0%	3%	67%	13%	80%



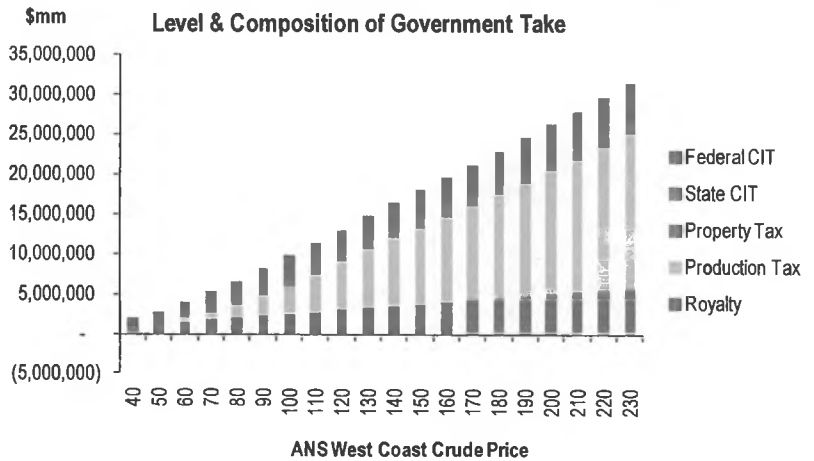


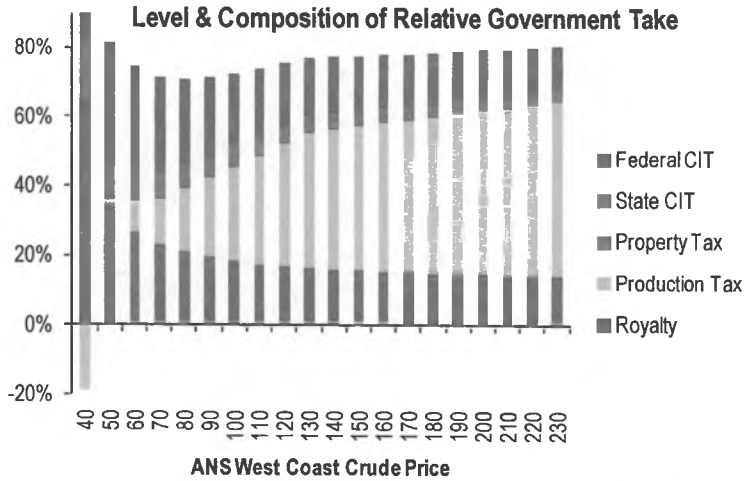
PFC Energy

Amendment B8 (FY 2013 – DOR Estimate Inputs)

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
$ 40	$ 985,712	$ (290,533)	$ 93,820	$ 198,851	$ 987,849	758,947	1,746,797
50	$ 1,232,140	$ 43,155	$ 93,820	$ 315,721	$ 1,684,835	1,205,000	2,889,836
60	$ 1,478,568	$ 474,404	$ 93,820	$ 424,395	$ 2,471,187	1,619,776	4,090,962
70	$ 1,724,995	$ 969,137	$ 93,820	$ 527,737	$ 3,315,690	2,014,198	5,329,888
80	$ 1,971,423	$ 1,715,090	$ 93,820	$ 609,977	$ 4,390,310	2,328,079	6,718,389
90	$ 2,217,851	$ 2,599,043	$ 93,820	$ 680,625	$ 5,591,338	2,597,717	8,189,056
100	$ 2,464,279	$ 3,620,995	$ 93,820	$ 739,680	$ 6,918,774	2,823,113	9,741,887
110	$ 2,710,707	$ 4,780,946	$ 93,820	$ 787,144	$ 8,372,617	3,004,266	11,376,883
120	$ 2,957,135	$ 6,078,897	$ 93,820	$ 823,016	$ 9,952,868	3,141,176	13,094,044
130	$ 3,203,563	$ 7,500,215	$ 93,820	$ 848,525	$ 11,646,123	3,238,535	14,884,658
140	$ 3,449,991	$ 8,540,576	$ 93,820	$ 906,034	$ 12,990,421	3,458,029	16,448,450
150	$ 3,696,419	$ 9,615,437	$ 93,820	$ 960,645	$ 14,366,321	3,666,462	18,032,783
160	$ 3,942,847	$ 10,724,798	$ 93,820	$ 1,012,358	$ 15,773,823	3,863,835	19,637,658
170	$ 4,189,275	$ 11,868,659	$ 93,820	$ 1,061,174	$ 17,212,927	4,050,147	21,263,074
180	$ 4,435,703	$ 13,047,019	$ 93,820	$ 1,107,091	$ 18,683,633	4,225,398	22,909,031
190	$ 4,682,131	$ 14,259,880	$ 93,820	$ 1,150,110	$ 20,185,941	4,389,588	24,575,529
200	$ 4,928,559	$ 15,507,240	$ 93,820	$ 1,190,232	$ 21,719,850	4,542,718	26,262,568
210	$ 5,174,986	$ 16,789,100	$ 93,820	$ 1,227,455	$ 23,285,362	4,684,787	27,970,149
220	$ 5,421,414	$ 18,105,461	$ 93,820	$ 1,261,781	$ 24,882,475	4,815,796	29,698,271
230	$ 5,667,842	$ 19,446,187	$ 93,820	$ 1,294,059	$ 26,501,908	4,938,992	31,440,901

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	63%	-19%	6%	13%	63%	49%	112%
50	35%	1%	3%	9%	48%	34%	82%
60	27%	9%	2%	8%	45%	29%	74%
70	23%	13%	1%	7%	44%	27%	71%
80	21%	18%	1%	6%	46%	25%	71%
90	19%	23%	1%	6%	49%	23%	72%
100	18%	27%	1%	6%	52%	21%	73%
110	18%	31%	1%	5%	54%	20%	74%
120	17%	35%	1%	5%	57%	18%	76%
130	17%	39%	0%	4%	60%	17%	77%
140	16%	40%	0%	4%	61%	16%	77%
150	16%	41%	0%	4%	62%	16%	78%
160	16%	43%	0%	4%	63%	15%	78%
170	15%	44%	0%	4%	63%	15%	78%
180	15%	45%	0%	4%	64%	14%	79%
190	15%	46%	0%	4%	65%	14%	79%
200	15%	47%	0%	4%	66%	14%	79%
210	15%	48%	0%	3%	66%	13%	80%
220	15%	49%	0%	3%	67%	13%	80%
230	15%	50%	0%	3%	68%	13%	81%



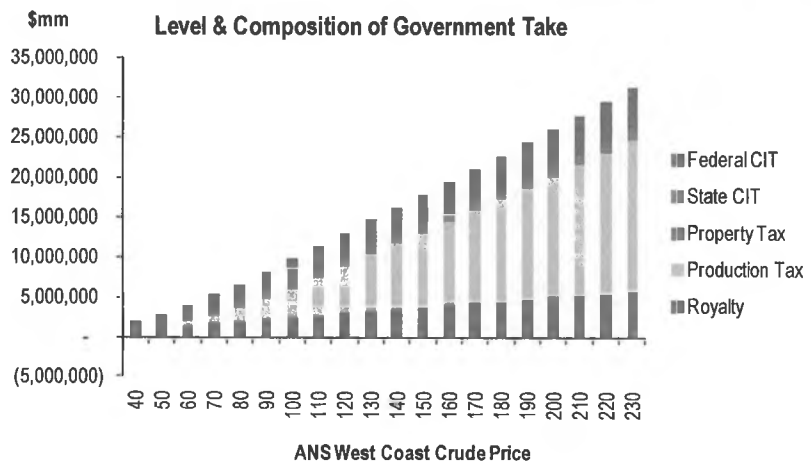


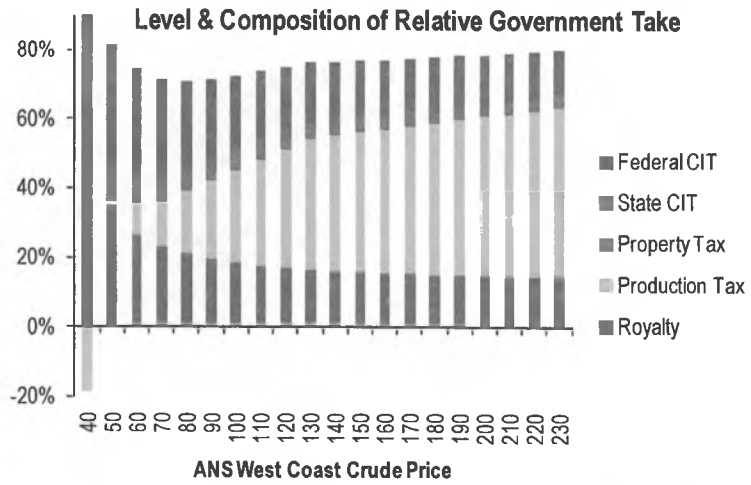
PFC Energy

Amendment B18 (FY 2013 – DOR Estimate Inputs)

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
$ 40	$ 985,712	$ (290,533)	$ 93,820	$ 198,851	$ 987,849	758,947	1,746,797
50	$ 1,232,140	$ 43,155	$ 93,820	$ 315,721	$ 1,684,835	1,205,000	2,889,836
60	$ 1,478,568	$ 474,404	$ 93,820	$ 424,395	$ 2,471,187	1,619,776	4,090,962
70	$ 1,724,995	$ 969,137	$ 93,820	$ 527,737	$ 3,315,690	2,014,198	5,329,888
80	$ 1,971,423	$ 1,715,090	$ 93,820	$ 609,977	$ 4,390,310	2,328,079	6,718,389
90	$ 2,217,851	$ 2,599,043	$ 93,820	$ 680,625	$ 5,591,338	2,597,717	8,189,056
100	$ 2,464,279	$ 3,620,995	$ 93,820	$ 739,680	$ 6,918,774	2,823,113	9,741,887
110	$ 2,710,707	$ 4,747,636	$ 93,820	$ 789,942	$ 8,342,105	3,014,945	11,357,050
120	$ 2,957,135	$ 5,969,593	$ 93,820	$ 832,197	$ 9,852,745	3,176,219	13,028,965
130	$ 3,203,563	$ 7,300,106	$ 93,820	$ 865,334	$ 11,462,822	3,302,691	14,765,513
140	$ 3,449,991	$ 8,318,904	$ 93,820	$ 924,654	$ 12,787,369	3,529,097	16,316,467
150	$ 3,696,419	$ 9,372,203	$ 93,820	$ 981,077	$ 14,143,518	3,744,443	17,887,962
160	$ 3,942,847	$ 10,460,001	$ 93,820	$ 1,034,601	$ 15,531,269	3,948,729	19,479,998
170	$ 4,189,275	$ 11,582,299	$ 93,820	$ 1,085,228	$ 16,950,622	4,141,953	21,092,575
180	$ 4,435,703	$ 12,739,097	$ 93,820	$ 1,132,957	$ 18,401,576	4,324,118	22,725,694
190	$ 4,682,131	$ 13,930,395	$ 93,820	$ 1,177,787	$ 19,884,133	4,495,221	24,379,354
200	$ 4,928,559	$ 15,156,193	$ 93,820	$ 1,219,720	$ 21,398,291	4,655,264	26,053,555
210	$ 5,174,986	$ 16,416,491	$ 93,820	$ 1,258,754	$ 22,944,052	4,804,246	27,748,298
220	$ 5,421,414	$ 17,711,289	$ 93,820	$ 1,294,891	$ 24,521,414	4,942,167	29,463,581
230	$ 5,667,842	$ 19,040,587	$ 93,820	$ 1,328,130	$ 26,130,378	5,069,028	31,199,406

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	63%	-19%	6%	13%	63%	49%	112%
50	35%	1%	3%	9%	48%	34%	82%
60	27%	9%	2%	8%	45%	29%	74%
70	23%	13%	1%	7%	44%	27%	71%
80	21%	18%	1%	6%	46%	25%	71%
90	19%	23%	1%	6%	49%	23%	72%
100	18%	27%	1%	6%	52%	21%	73%
110	18%	31%	1%	5%	54%	20%	74%
120	17%	34%	1%	5%	57%	18%	75%
130	17%	38%	0%	4%	59%	17%	76%
140	16%	39%	0%	4%	60%	17%	77%
150	16%	40%	0%	4%	61%	16%	77%
160	16%	41%	0%	4%	62%	16%	77%
170	15%	43%	0%	4%	62%	15%	78%
180	15%	44%	0%	4%	63%	15%	78%
190	15%	45%	0%	4%	64%	14%	78%
200	15%	46%	0%	4%	65%	14%	79%
210	15%	47%	0%	4%	65%	14%	79%
220	15%	48%	0%	3%	66%	13%	80%
230	15%	49%	0%	3%	67%	13%	80%



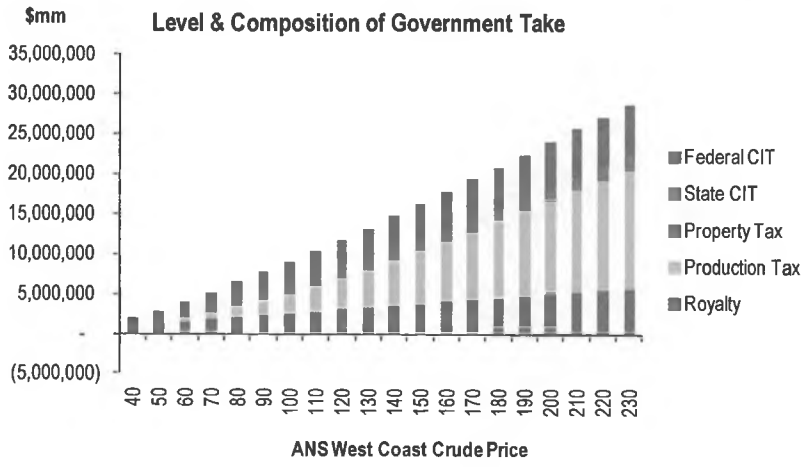


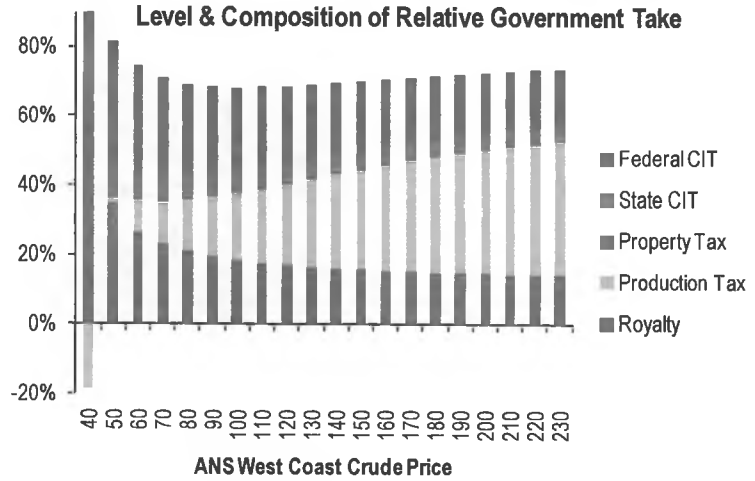
PFC Energy

Amendment B4 (FY 2013 – DOR Estimate Inputs)

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
$ 40	$ 985,712	$ (290,533)	$ 93,820	$ 198,851	$ 987,849	758,947	1,746,797
50	$ 1,232,140	$ 43,155	$ 93,820	$ 315,721	$ 1,684,835	1,205,000	2,889,836
60	$ 1,478,568	$ 474,404	$ 93,820	$ 424,395	$ 2,471,187	1,619,776	4,090,962
70	$ 1,724,995	$ 917,748	$ 93,820	$ 532,054	$ 3,268,618	2,030,673	5,299,291
80	$ 1,971,423	$ 1,394,750	$ 93,820	$ 636,886	$ 4,096,879	2,430,780	6,527,659
90	$ 2,217,851	$ 1,955,373	$ 93,820	$ 734,693	$ 5,001,737	2,804,078	7,805,815
100	$ 2,464,279	$ 2,583,312	$ 93,820	$ 826,846	$ 5,968,257	3,155,794	9,124,051
110	$ 2,710,707	$ 3,275,938	$ 93,820	$ 913,565	$ 6,994,030	3,486,772	10,480,801
120	$ 2,957,135	$ 4,033,252	$ 93,820	$ 994,850	$ 8,079,056	3,797,010	11,876,067
130	$ 3,203,563	$ 4,853,938	$ 93,820	$ 1,070,812	$ 9,222,133	4,086,932	13,309,065
140	$ 3,449,991	$ 5,716,436	$ 93,820	$ 1,143,262	$ 10,403,509	4,363,449	14,766,957
150	$ 3,696,419	$ 6,646,249	$ 93,820	$ 1,210,057	$ 11,646,545	4,618,384	16,264,929
160	$ 3,942,847	$ 7,640,749	$ 93,820	$ 1,271,419	$ 12,948,835	4,852,581	17,801,415
170	$ 4,189,275	$ 8,675,747	$ 93,820	$ 1,329,378	$ 14,288,220	5,073,794	19,362,014
180	$ 4,435,703	$ 9,710,744	$ 93,820	$ 1,387,338	$ 15,627,605	5,295,008	20,922,612
190	$ 4,682,131	$ 10,745,741	$ 93,820	$ 1,445,298	$ 16,966,990	5,516,221	22,483,211
200	$ 4,928,559	$ 11,780,739	$ 93,820	$ 1,503,258	$ 18,306,375	5,737,434	24,043,809
210	$ 5,174,986	$ 12,815,736	$ 93,820	$ 1,561,218	$ 19,645,760	5,958,648	25,604,408
220	$ 5,421,414	$ 13,850,733	$ 93,820	$ 1,619,178	$ 20,985,145	6,179,861	27,165,006
230	$ 5,667,842	$ 14,885,730	$ 93,820	$ 1,677,137	$ 22,324,530	6,401,075	28,725,605

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	63%	-19%	6%	13%	63%	49%	112%
50	35%	1%	3%	9%	48%	34%	82%
60	27%	9%	2%	8%	45%	29%	74%
70	23%	12%	1%	7%	44%	27%	71%
80	21%	15%	1%	7%	43%	26%	69%
90	19%	17%	1%	6%	44%	25%	68%
100	18%	19%	1%	6%	45%	24%	68%
110	18%	21%	1%	6%	46%	23%	68%
120	17%	23%	1%	6%	47%	22%	69%
130	17%	25%	0%	6%	48%	21%	69%
140	16%	27%	0%	5%	49%	21%	69%
150	16%	29%	0%	5%	50%	20%	70%
160	16%	30%	0%	5%	51%	19%	71%
170	15%	32%	0%	5%	53%	19%	71%
180	15%	33%	0%	5%	54%	18%	72%
190	15%	35%	0%	5%	54%	18%	72%
200	15%	36%	0%	5%	55%	17%	73%
210	15%	37%	0%	4%	56%	17%	73%
220	15%	37%	0%	4%	57%	17%	73%
230	15%	38%	0%	4%	57%	16%	74%





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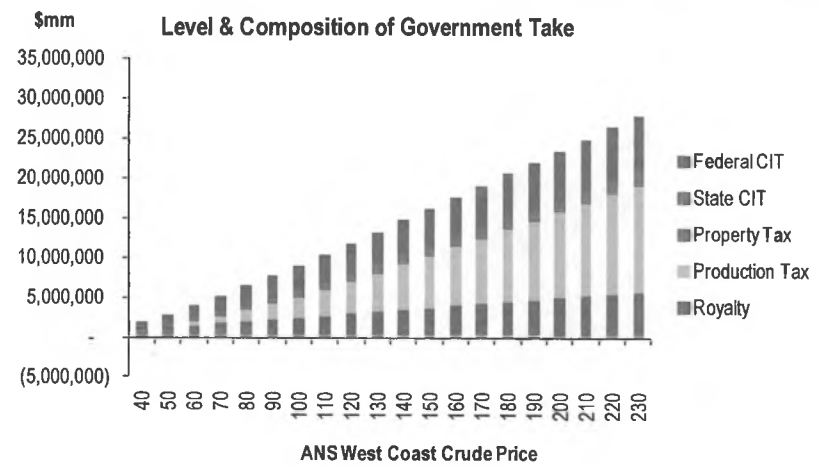
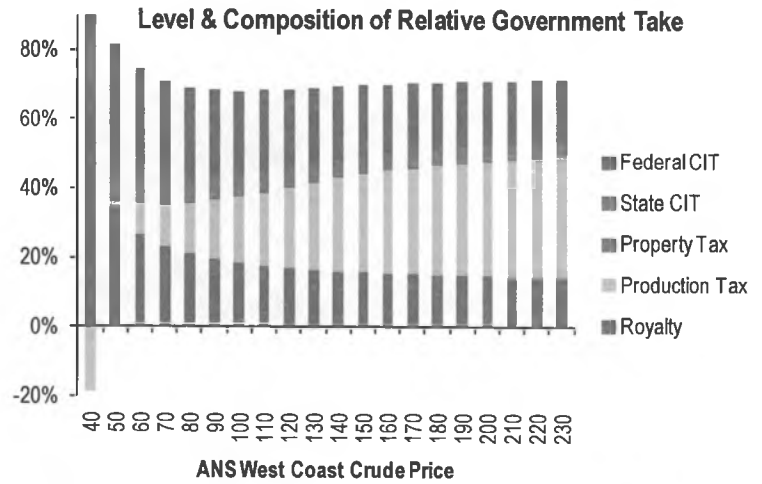
Amendment B5 (FY 2013 – DOR Estimate Inputs)

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
$ 40	$ 985,712	$ (290,533)	$ 93,820	$ 198,851	$ 987,849	758,947	1,746,797
50	$ 1,232,140	$ 43,155	$ 93,820	$ 315,721	$ 1,684,835	1,205,000	2,889,836
60	$ 1,478,568	$ 474,404	$ 93,820	$ 424,395	$ 2,471,187	1,619,776	4,090,962
70	$ 1,724,995	$ 917,748	$ 93,820	$ 532,054	$ 3,268,618	2,030,673	5,299,291
80	$ 1,971,423	$ 1,394,750	$ 93,820	$ 636,886	$ 4,096,879	2,430,780	6,527,659
90	$ 2,217,851	$ 1,955,373	$ 93,820	$ 734,693	$ 5,001,737	2,804,078	7,805,815
100	$ 2,464,279	$ 2,583,312	$ 93,820	$ 826,846	$ 5,968,257	3,155,794	9,124,051
110	$ 2,710,707	$ 3,275,938	$ 93,820	$ 913,565	$ 6,994,030	3,486,772	10,480,801
120	$ 2,957,135	$ 4,033,252	$ 93,820	$ 994,850	$ 8,079,056	3,797,010	11,876,067
130	$ 3,203,563	$ 4,853,938	$ 93,820	$ 1,070,812	$ 9,222,133	4,086,932	13,309,065
140	$ 3,449,991	$ 5,716,436	$ 93,820	$ 1,143,262	$ 10,403,509	4,363,449	14,766,957
150	$ 3,696,419	$ 6,578,934	$ 93,820	$ 1,215,711	$ 11,584,884	4,639,965	16,224,849
160	$ 3,942,847	$ 7,441,432	$ 93,820	$ 1,288,161	$ 12,766,260	4,916,482	17,682,742
170	$ 4,189,275	$ 8,303,929	$ 93,820	$ 1,360,611	$ 13,947,635	5,192,999	19,140,634
180	$ 4,435,703	$ 9,166,427	$ 93,820	$ 1,433,061	$ 15,129,010	5,469,516	20,598,526
190	$ 4,682,131	$ 10,028,925	$ 93,820	$ 1,505,511	$ 16,310,386	5,746,032	22,056,418
200	$ 4,928,559	$ 10,891,423	$ 93,820	$ 1,577,960	$ 17,491,761	6,022,549	23,514,311
210	$ 5,174,986	$ 11,753,920	$ 93,820	$ 1,650,410	$ 18,673,137	6,299,066	24,972,203
220	$ 5,421,414	$ 12,616,418	$ 93,820	$ 1,722,860	$ 19,854,512	6,575,583	26,430,095
230	$ 5,667,842	$ 13,478,916	$ 93,820	$ 1,795,310	$ 21,035,888	6,852,100	27,887,987

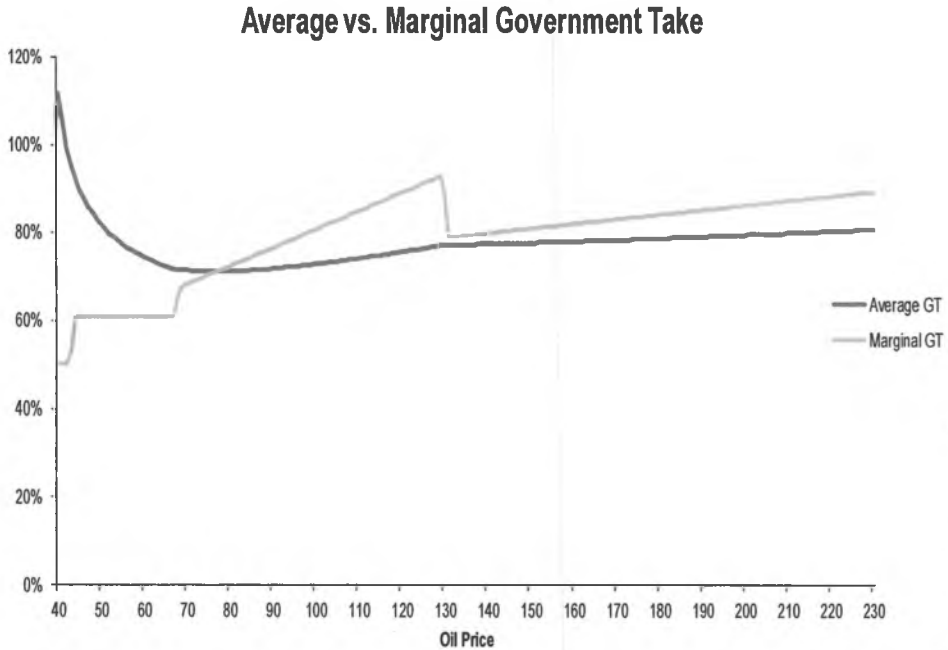
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	63%	-19%	6%	13%	63%	49%	112%
50	35%	1%	3%	9%	48%	34%	82%
60	27%	9%	2%	8%	45%	29%	74%
70	23%	12%	1%	7%	44%	27%	71%
80	21%	15%	1%	7%	43%	26%	69%
90	19%	17%	1%	6%	44%	25%	68%
100	18%	19%	1%	6%	45%	24%	68%
110	18%	21%	1%	6%	46%	23%	68%
120	17%	23%	1%	6%	47%	22%	69%
130	17%	25%	0%	6%	48%	21%	69%
140	16%	27%	0%	5%	49%	21%	69%
150	16%	28%	0%	5%	50%	20%	70%
160	16%	30%	0%	5%	51%	19%	70%
170	15%	31%	0%	5%	51%	19%	70%
180	15%	31%	0%	5%	52%	19%	71%
190	15%	32%	0%	5%	52%	18%	71%
200	15%	33%	0%	5%	53%	18%	71%
210	15%	34%	0%	5%	53%	18%	71%
220	15%	34%	0%	5%	54%	18%	71%
230	15%	35%	0%	5%	54%	18%	71%

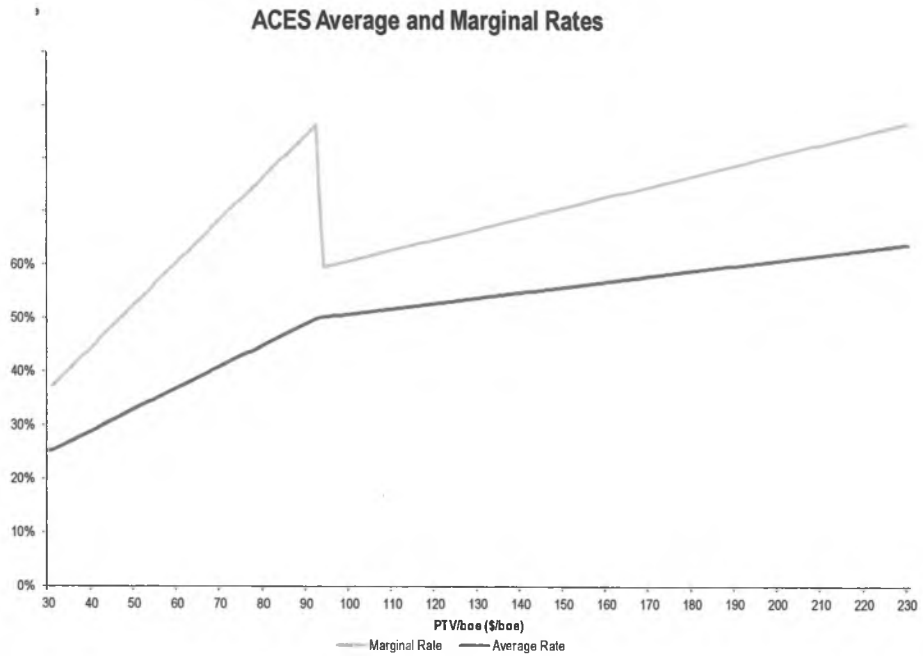




PFC Energy

ACES (FY 2013 – DOR Estimate Inputs)





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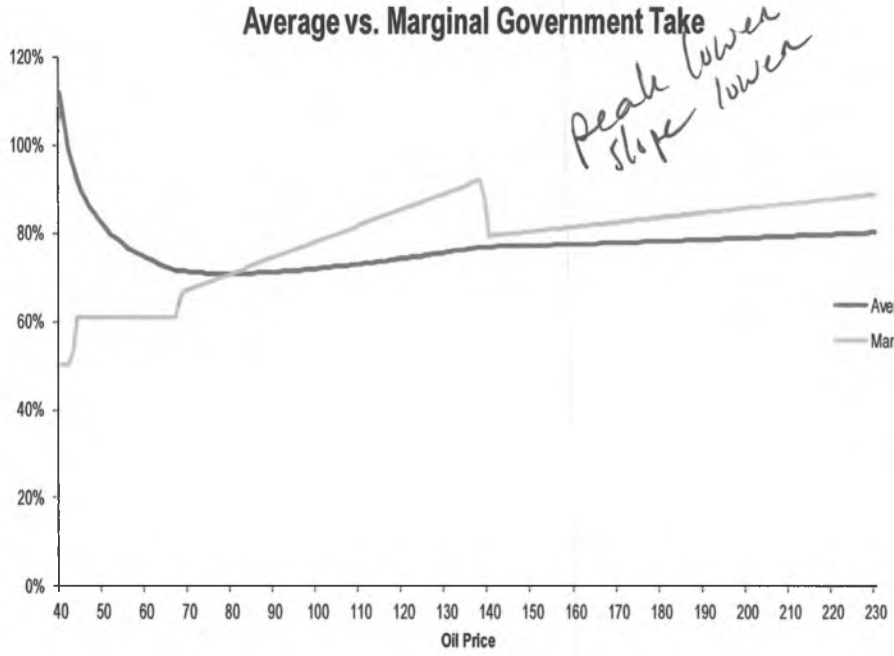
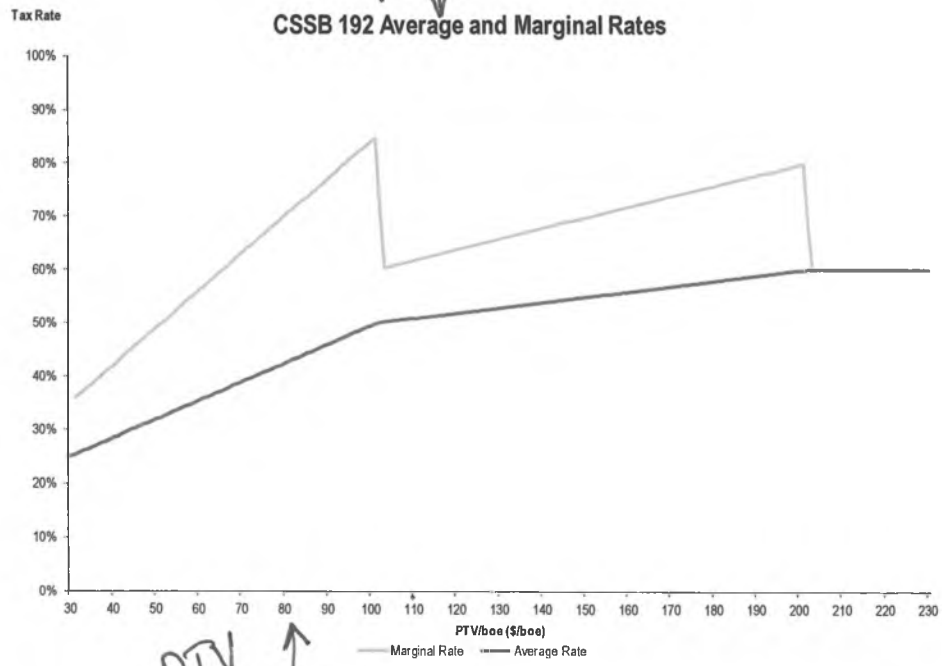
CSSB 192 (FY 2013 – DOR Estimate Inputs)





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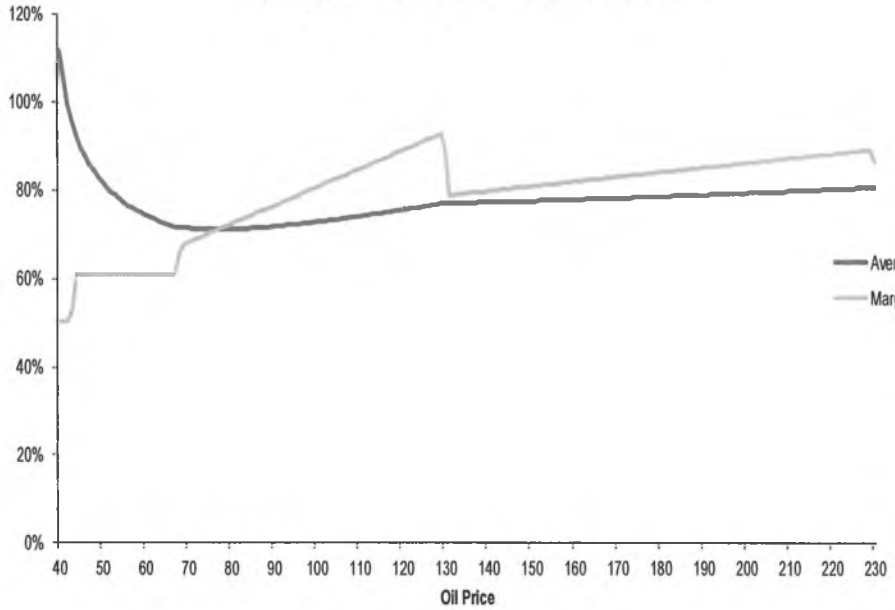
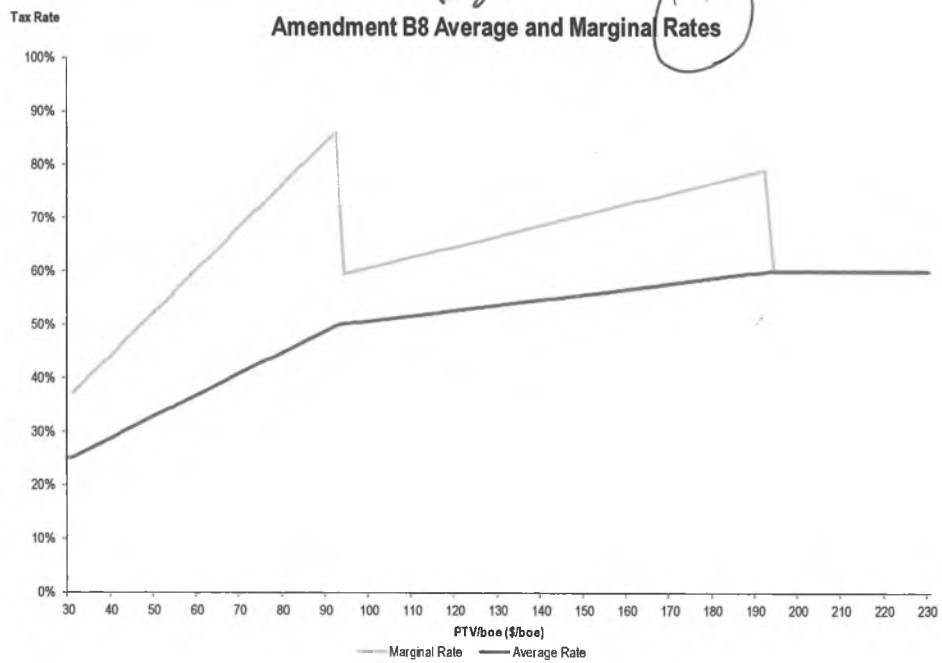
Amendment B8 (FY 2013 – DOR Estimate Inputs)





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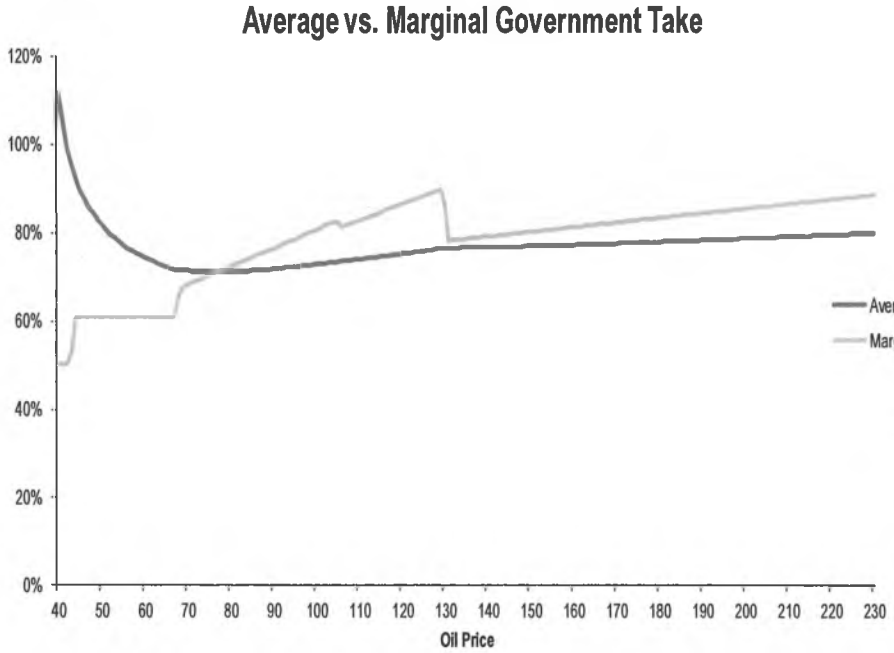
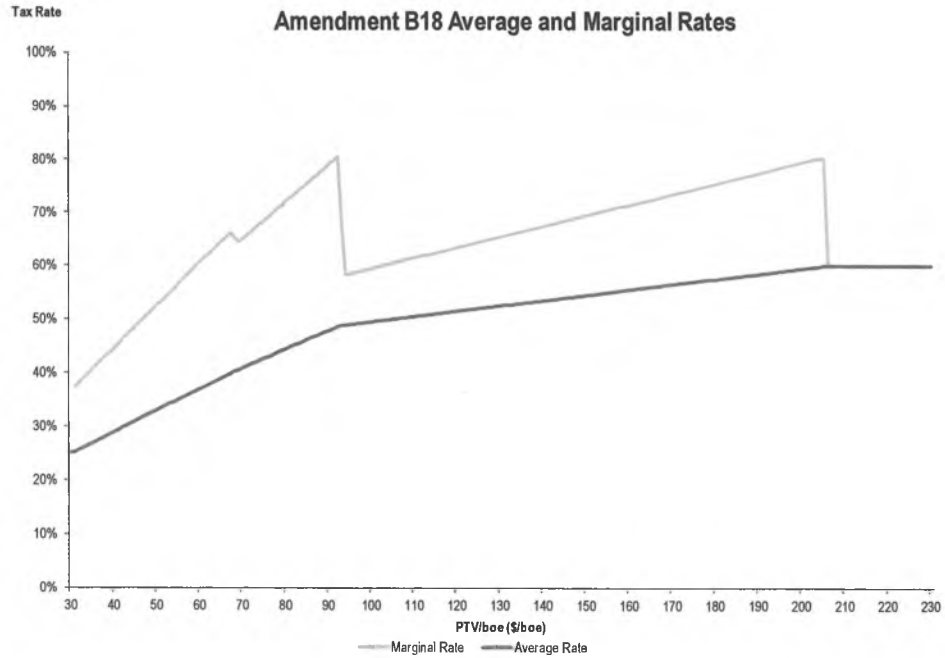
Amendment B18 (FY 2013 – DOR Estimate Inputs)





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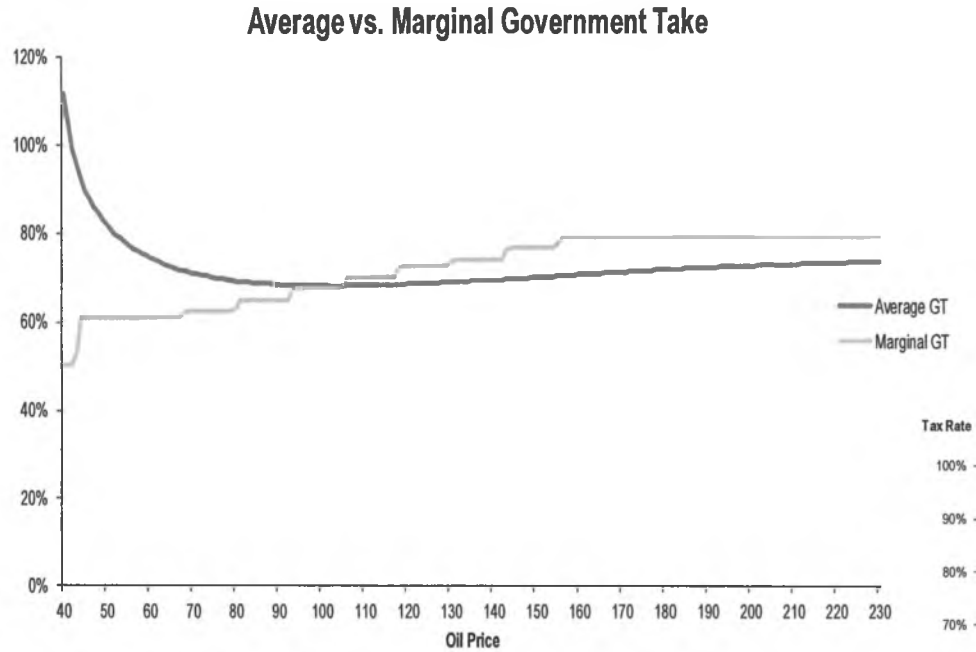
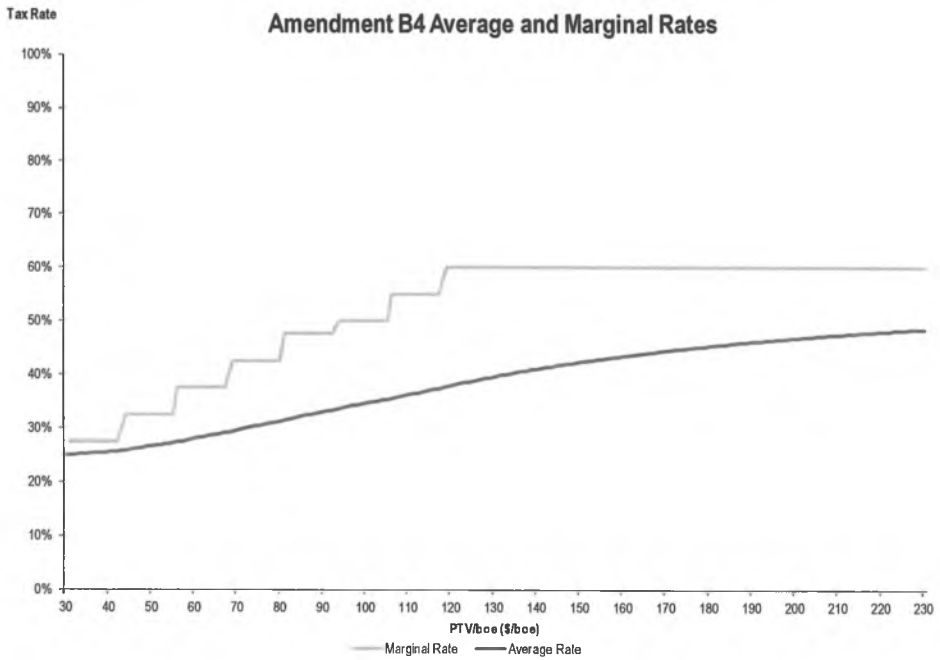
Amendment B4 (FY 2013 – DOR Estimate Inputs)





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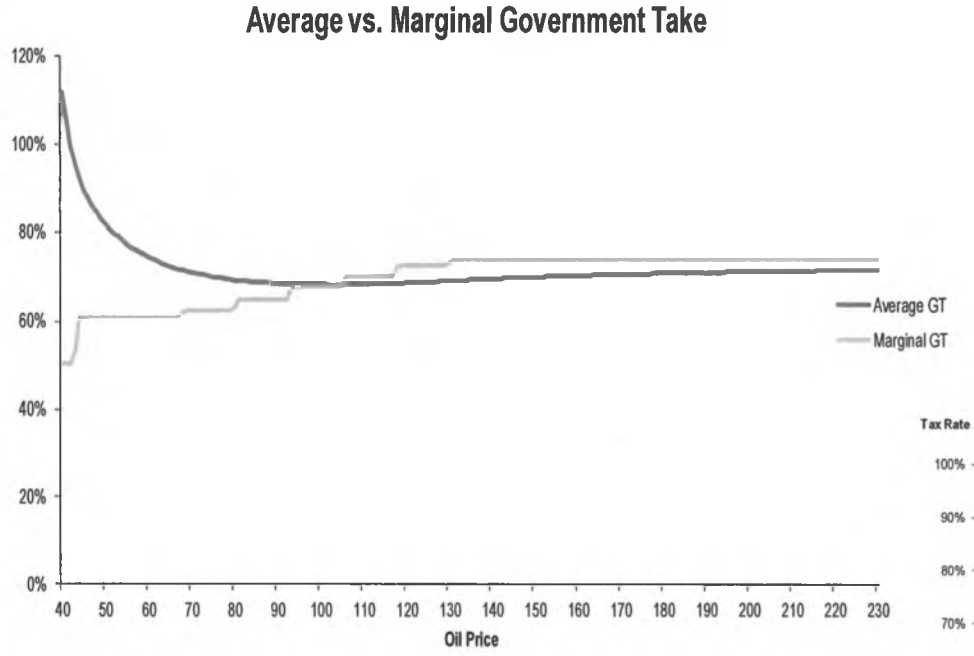
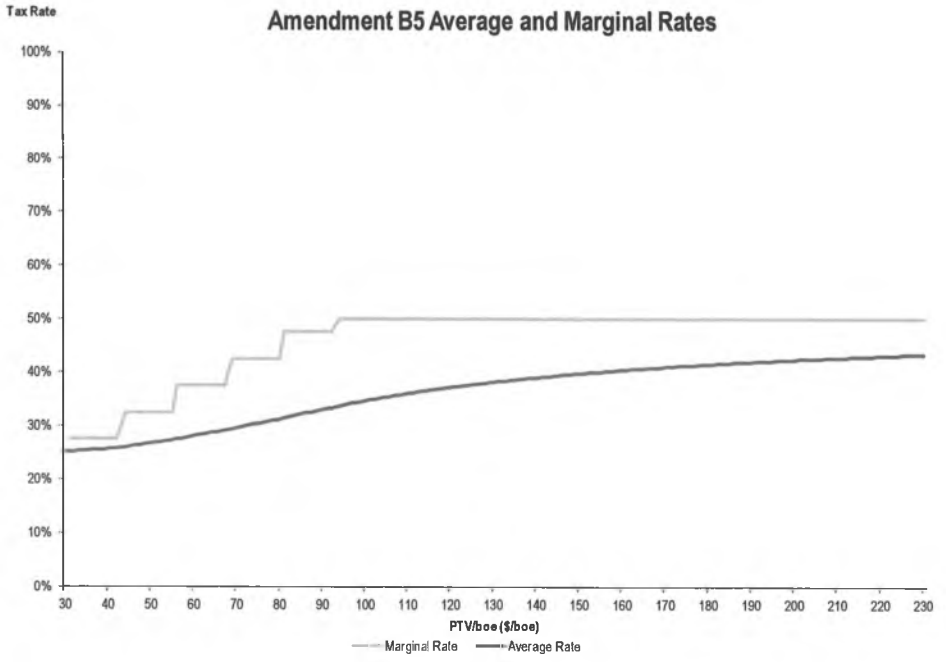
Amendment B5 (FY 2013 – DOR Estimate Inputs)





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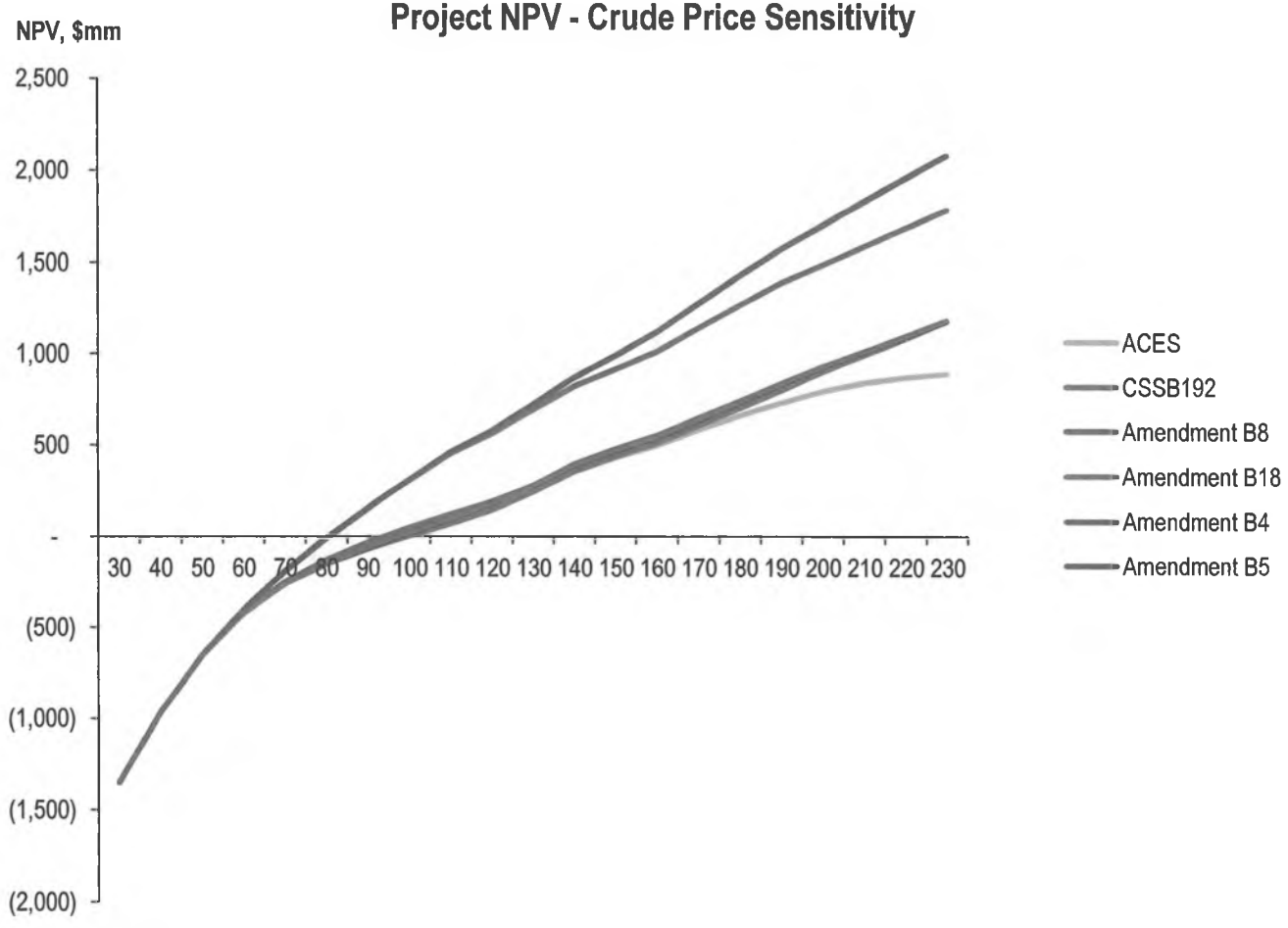
Impact of different amendment cases on high cost development economics



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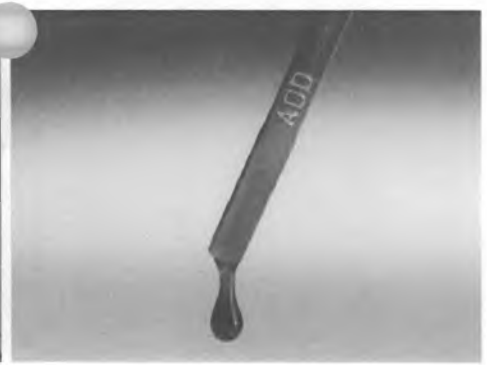

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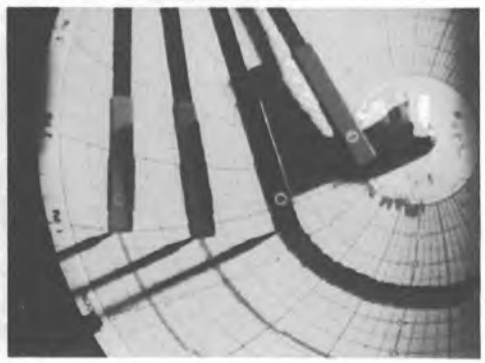
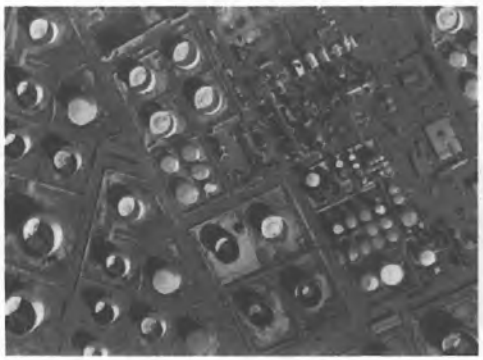
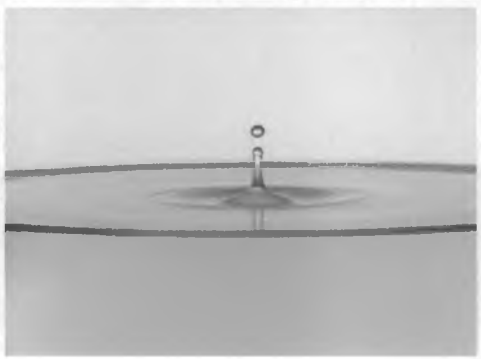






PFC Energy

Alaska Senate Resources Committee:

Requested Analysis of Possible ACES Progressivity Caps Under Different Cost Assumptions

February 27, 2012

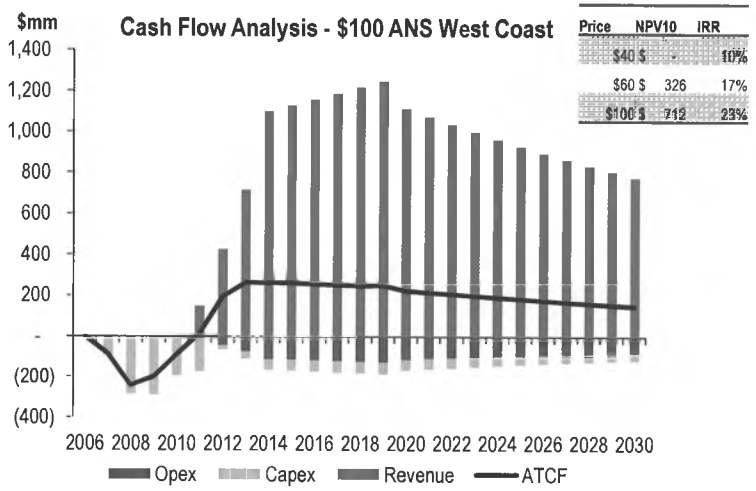
Janak Mayer
Manager, Upstream & Gas
PFC Energy

PFC Energy

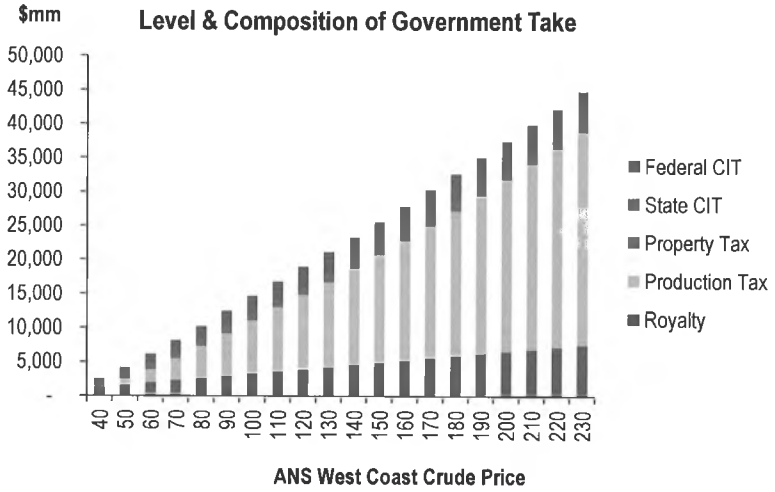
Cost Assumptions Underlying Development-Forward Analysis

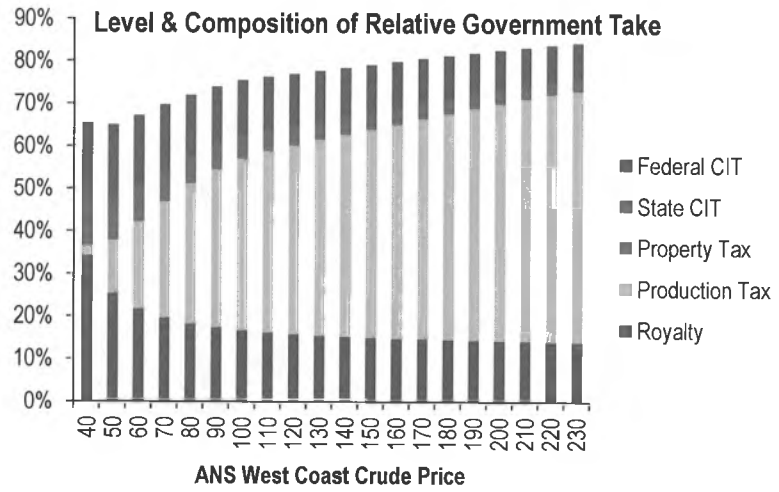
- Development-forward analysis has been undertaken by looking economics for a generic example low-cost field development. Cost examples underpinning the modeled scenarios are:
  - $10 per flowing bbl operating expenditures
  - $5 per bbl reserves initial development capital expenditures
  - $5 per flowing bbl ongoing capital expenditures
  - $7.40 per flowing bbl transportation costs
- These assumptions are broadly in keeping with actual reported costs for lower-cost production from the North Slope. They are in total higher than the calendar year 2010 costs reported by DOR for the Prudhoe Bay Unit, which are:
  - 1,314mm operating expenditures (~$11.89 per flowing bbl)
  - $561mm capital expenditures (includes both maintenance and additional new development ~$5.08 per flowing bbl)
- On the following slides, the original analyses from the February 17 presentation to Senate Resources Committee have been reproduced, with some minor revisions, and with the addition analysis of production tax caps at 55% and 65%

ACES



Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	34%	2%	10%	4%	50%	15%	65%
50	25%	12%	6%	4%	48%	17%	65%
60	22%	21%	4%	4%	51%	17%	67%
70	20%	27%	3%	4%	54%	16%	70%
80	18%	33%	3%	4%	58%	14%	72%
90	17%	37%	2%	4%	60%	14%	74%
100	17%	40%	2%	3%	62%	13%	75%
110	16%	43%	2%	3%	64%	13%	76%
120	16%	44%	2%	3%	65%	12%	77%
130	16%	46%	1%	3%	66%	12%	78%
140	15%	47%	1%	3%	67%	12%	78%
150	15%	49%	1%	3%	68%	11%	79%
160	15%	50%	1%	3%	69%	11%	80%
170	15%	52%	1%	3%	70%	10%	81%
180	15%	53%	1%	3%	71%	10%	81%
190	14%	54%	1%	3%	72%	10%	82%
200	14%	56%	1%	2%	73%	9%	83%
210	14%	57%	1%	2%	74%	9%	83%
220	14%	58%	1%	2%	75%	9%	84%
230	14%	59%	1%	2%	76%	8%	84%





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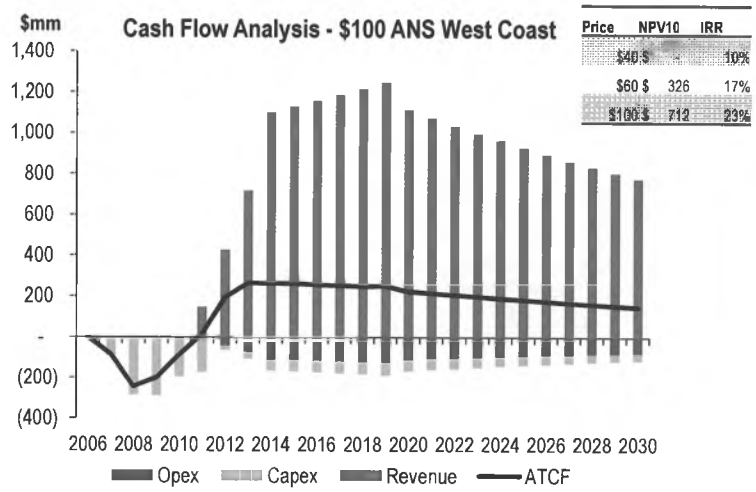
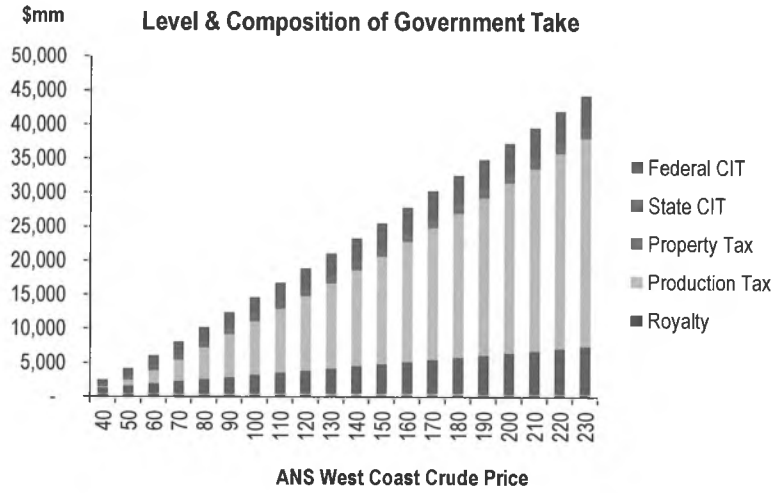
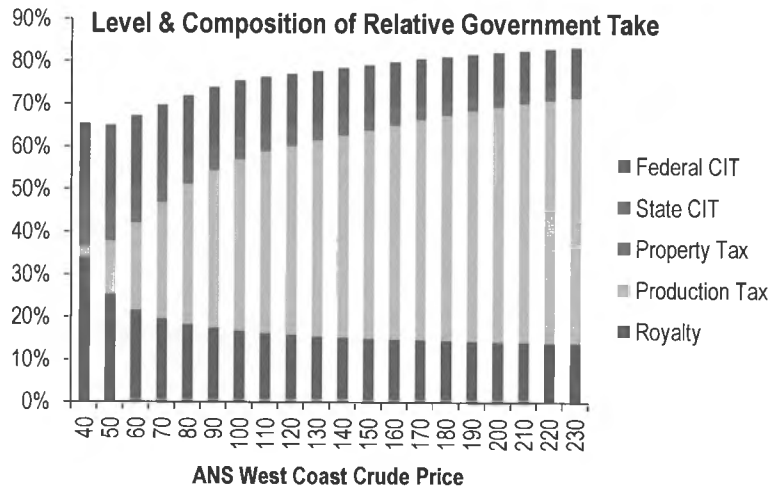
ACES – Capped at Maximum of 70%



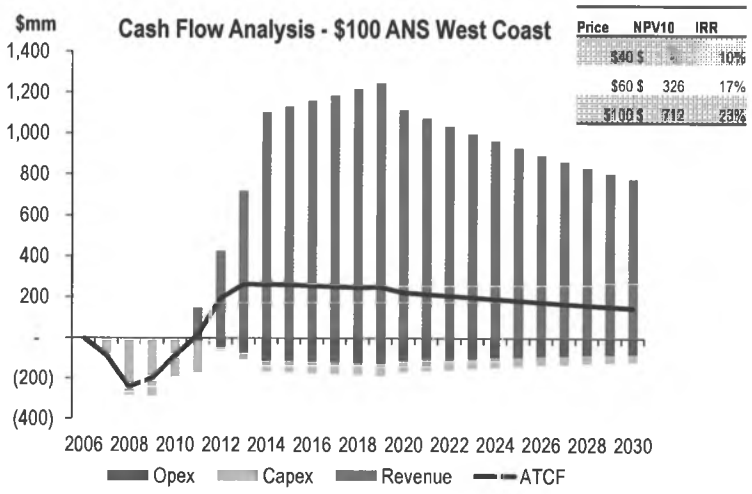
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	34%	2%	10%	4%	50%	15%	65%
50	25%	12%	6%	4%	48%	17%	65%
60	22%	21%	4%	4%	51%	17%	67%
70	20%	27%	3%	4%	54%	16%	70%
80	18%	33%	3%	4%	58%	14%	72%
90	17%	37%	2%	4%	60%	14%	74%
100	17%	40%	2%	3%	62%	13%	75%
110	16%	43%	2%	3%	64%	13%	76%
120	16%	44%	2%	3%	65%	12%	77%
130	16%	46%	1%	3%	66%	12%	78%
140	15%	47%	1%	3%	67%	12%	78%
150	15%	49%	1%	3%	68%	11%	79%
160	15%	50%	1%	3%	69%	11%	80%
170	15%	52%	1%	3%	70%	11%	81%
180	15%	53%	1%	3%	71%	10%	81%
190	14%	54%	1%	3%	72%	10%	82%
200	14%	55%	1%	3%	73%	10%	82%
210	14%	56%	1%	2%	73%	9%	83%
220	14%	57%	1%	2%	74%	9%	83%
230	14%	57%	1%	2%	75%	9%	83%



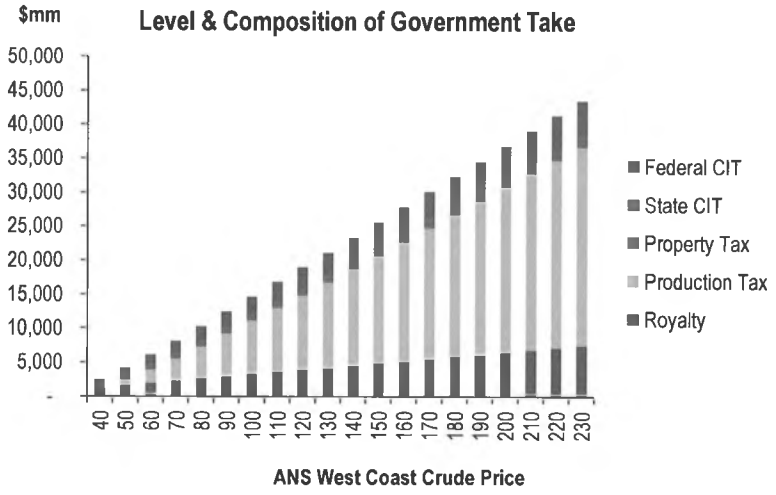


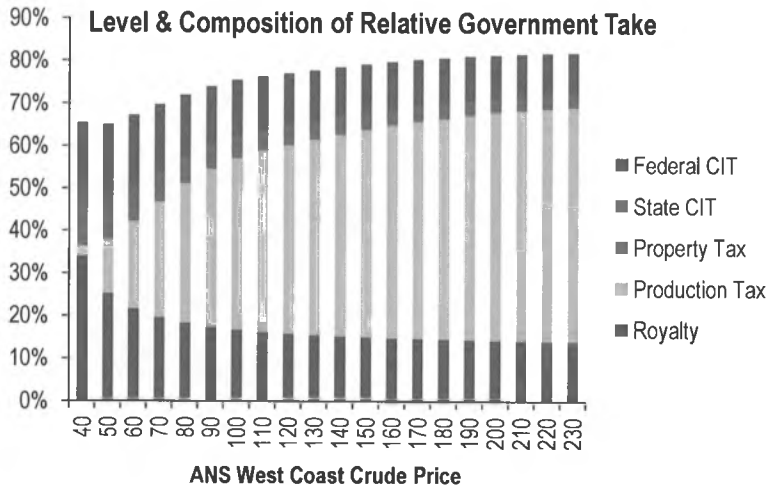
PFC Energy

ACES – Capped at Maximum of 65%



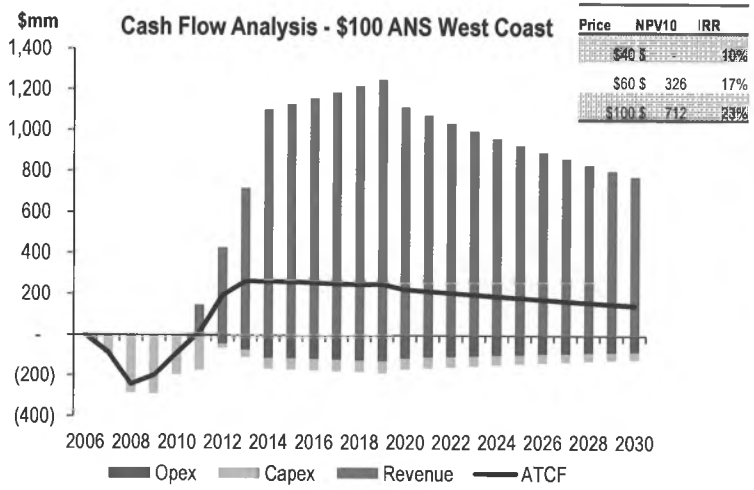
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	34%	2%	10%	4%	50%	15%	65%
50	25%	12%	6%	4%	48%	17%	65%
60	22%	21%	4%	4%	51%	17%	67%
70	20%	27%	3%	4%	54%	16%	70%
80	18%	33%	3%	4%	58%	14%	72%
90	17%	37%	2%	4%	60%	14%	74%
100	17%	40%	2%	3%	62%	13%	75%
110	16%	43%	2%	3%	64%	13%	76%
120	16%	44%	2%	3%	65%	12%	77%
130	16%	46%	1%	3%	66%	12%	78%
140	15%	47%	1%	3%	67%	12%	78%
150	15%	49%	1%	3%	68%	11%	79%
160	15%	50%	1%	3%	69%	11%	80%
170	15%	51%	1%	3%	69%	11%	80%
180	15%	52%	1%	3%	70%	10%	81%
190	14%	53%	1%	3%	71%	10%	81%
200	14%	53%	1%	3%	71%	10%	81%
210	14%	54%	1%	3%	72%	10%	82%
220	14%	55%	1%	3%	72%	10%	82%
230	14%	55%	1%	3%	72%	10%	82%



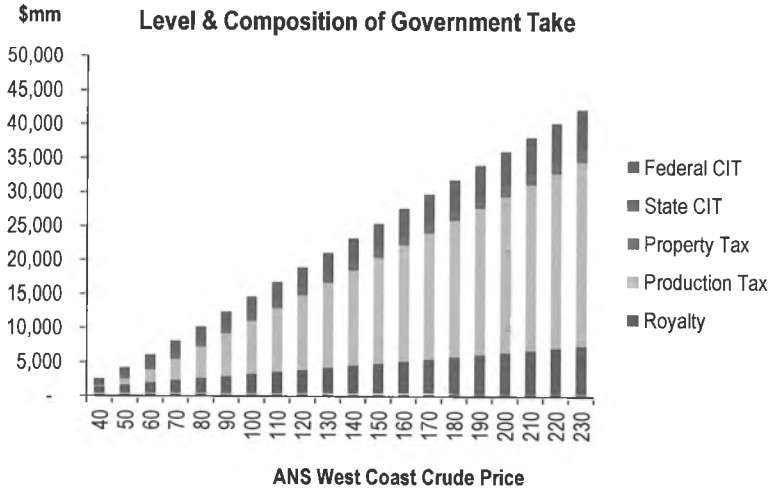


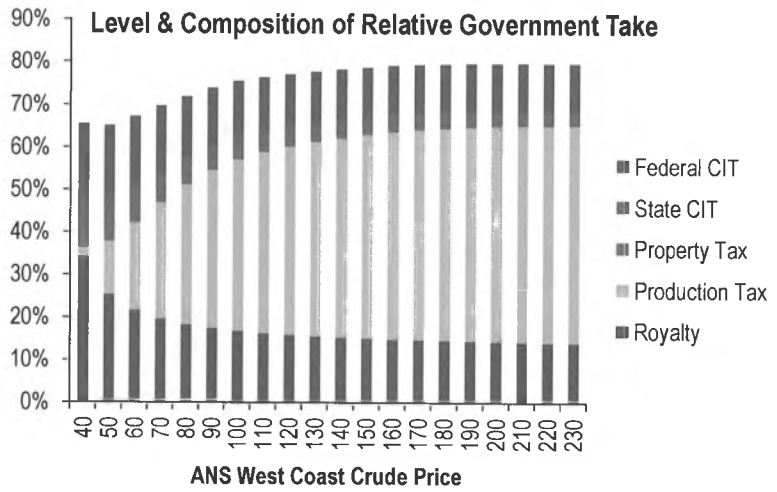
PFC Energy

ACES – Capped at Maximum of 60%



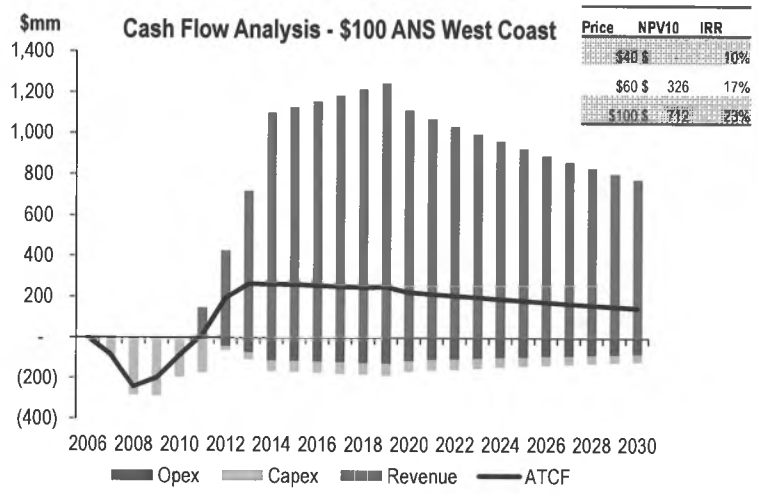
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	34%	2%	10%	4%	50%	15%	65%
50	25%	12%	6%	4%	48%	17%	65%
60	22%	21%	4%	4%	51%	17%	67%
70	20%	27%	3%	4%	54%	16%	70%
80	18%	33%	3%	4%	58%	14%	72%
90	17%	37%	2%	4%	60%	14%	74%
100	17%	40%	2%	3%	62%	13%	75%
110	16%	43%	2%	3%	64%	13%	76%
120	16%	44%	2%	3%	65%	12%	77%
130	16%	46%	1%	3%	66%	12%	78%
140	15%	47%	1%	3%	66%	12%	78%
150	15%	48%	1%	3%	67%	11%	79%
160	15%	49%	1%	3%	68%	11%	79%
170	15%	49%	1%	3%	68%	11%	79%
180	15%	50%	1%	3%	68%	11%	79%
190	14%	50%	1%	3%	68%	11%	79%
200	14%	51%	1%	3%	69%	11%	80%
210	14%	51%	1%	3%	69%	11%	80%
220	14%	51%	1%	3%	69%	11%	80%
230	14%	51%	1%	3%	69%	11%	79%



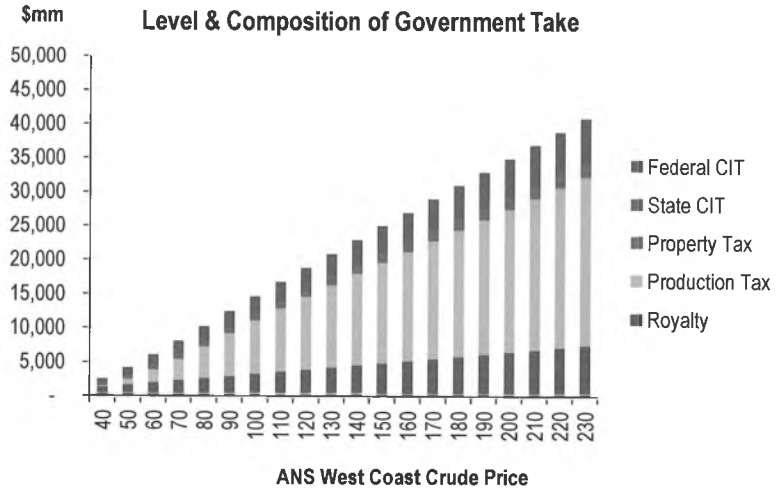


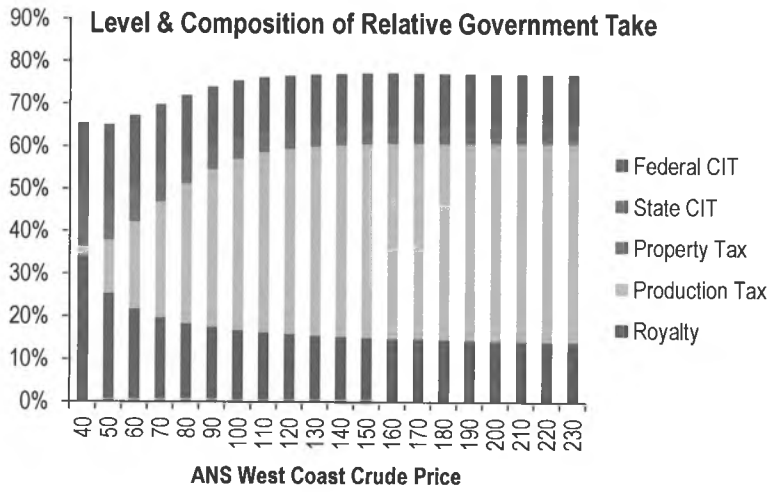
PFC Energy

ACES – Capped at Maximum of 55%



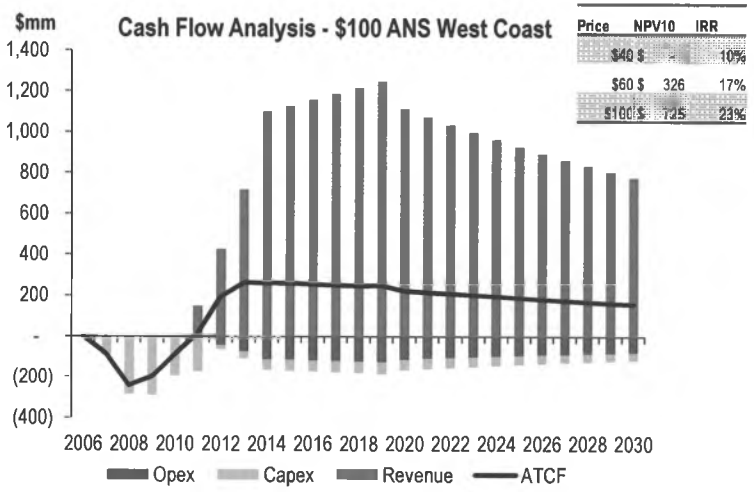
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	34%	2%	10%	4%	50%	15%	65%
50	25%	12%	6%	4%	48%	17%	65%
60	22%	21%	4%	4%	51%	17%	67%
70	20%	27%	3%	4%	54%	16%	70%
80	18%	33%	3%	4%	58%	14%	72%
90	17%	37%	2%	4%	60%	14%	74%
100	17%	40%	2%	3%	62%	13%	75%
110	16%	42%	2%	3%	63%	13%	76%
120	16%	43%	2%	3%	64%	12%	76%
130	16%	44%	1%	3%	64%	12%	77%
140	15%	45%	1%	3%	65%	12%	77%
150	15%	45%	1%	3%	65%	12%	77%
160	15%	46%	1%	3%	65%	12%	77%
170	15%	46%	1%	3%	65%	12%	77%
180	15%	46%	1%	3%	65%	12%	77%
190	14%	46%	1%	3%	65%	12%	77%
200	14%	46%	1%	3%	65%	12%	77%
210	14%	46%	1%	3%	65%	12%	77%
220	14%	46%	1%	3%	65%	12%	77%
230	14%	47%	1%	3%	65%	12%	77%



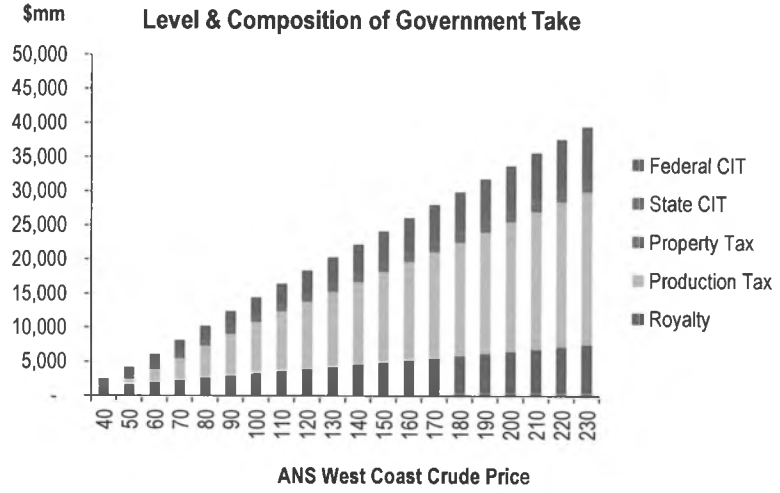


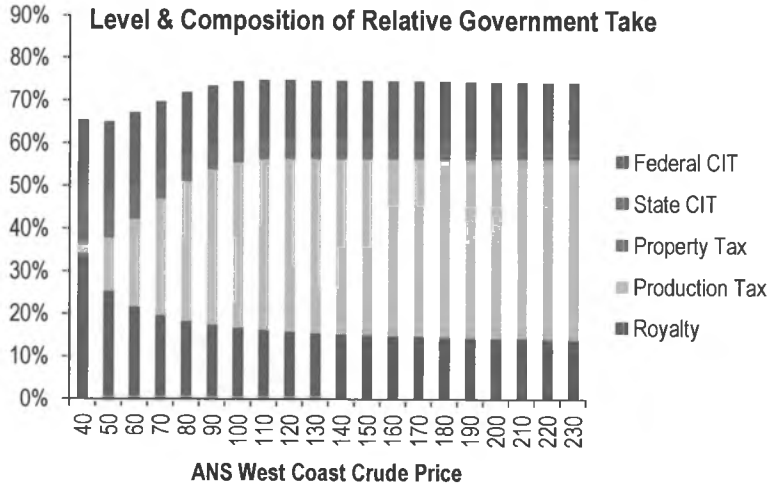
PFC Energy

ACES – Capped at Maximum of 50%



Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	34%	2%	10%	4%	50%	15%	65%
50	25%	12%	6%	4%	48%	17%	65%
60	22%	21%	4%	4%	51%	17%	67%
70	20%	27%	3%	4%	54%	16%	70%
80	18%	33%	3%	4%	57%	14%	72%
90	17%	36%	2%	4%	60%	14%	73%
100	17%	39%	2%	4%	61%	14%	74%
110	16%	40%	2%	4%	61%	13%	75%
120	16%	41%	2%	4%	61%	13%	75%
130	16%	41%	1%	4%	61%	13%	75%
140	15%	41%	1%	4%	61%	14%	75%
150	15%	41%	1%	4%	61%	14%	75%
160	15%	41%	1%	4%	61%	14%	75%
170	15%	42%	1%	4%	61%	14%	75%
180	15%	42%	1%	4%	61%	14%	74%
190	14%	42%	1%	4%	61%	14%	74%
200	14%	42%	1%	4%	61%	14%	74%
210	14%	42%	1%	4%	61%	14%	74%
220	14%	42%	1%	4%	61%	14%	74%
230	14%	42%	1%	4%	61%	14%	74%





PFC Energy

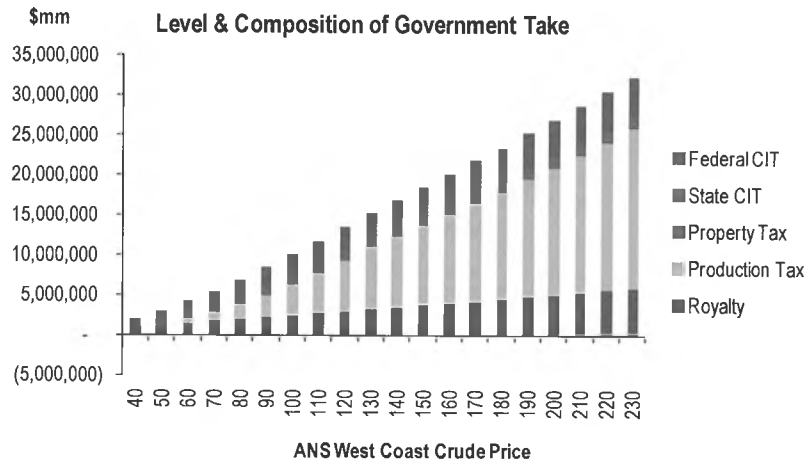
Analysis Using DOR FY2013 Estimated Average Costs

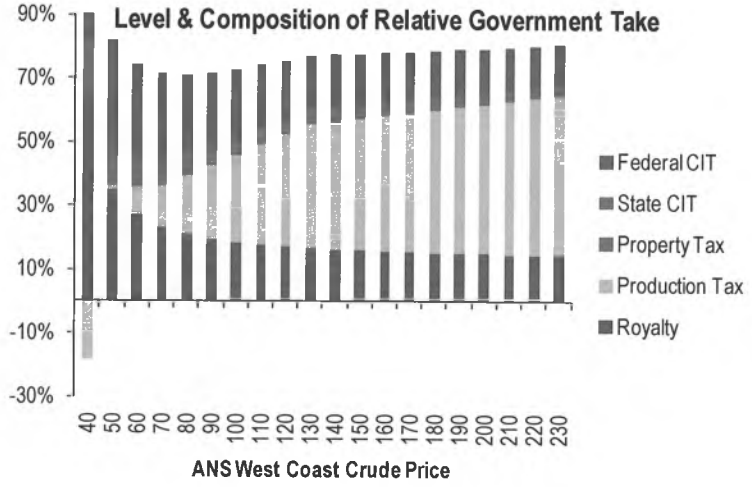
- As requested, an alternate analysis of ACES and the various potential maximum production tax rates has also been performed using DOR FY2013 forecast North Slope cost and production figures
  - By using a 'snapshot' of costs and production for a given year, the analysis inherently no longer presents a development-forward lifecycle analysis, since it combines initial development capex for some projects with ongoing spending on others
  - As a result, such an analysis should be performed only as a snapshot of a single year
  - As such, such an analysis represents a high-level approximation of Government Take in that particular year, not over the actual lifecycle of a particular asset type
  - Such an analysis also does not account for the 'bracket-creep' or 'stealth-tax' effect of inflation over time
- DOR FY2013 cost forecasts are:
  - $13.75 per taxable barrel operating expenditures
  - $15.36 per taxable barrel capital expenditures
  - $8.56 per taxable barrel transportation costs
- On a per-flowing-barrel basis, these equate to:
  - $11.71 /bbl operating expenditures
  - $13.07 /bbl capital expenditures
  - $7.29 /bbl transportation costs
- On the following slides, the ACES system, along with ACES with maximum production tax levels set at 50%, 55%, 60%, 65% and 70% has been analyzed, using these cost figures

PFC Energy

ACES

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	63%	-19%	6%	13%	63%	49%	112%
50	35%	1%	3%	9%	48%	34%	82%
60	27%	9%	2%	8%	45%	29%	74%
70	23%	13%	1%	7%	44%	27%	71%
80	21%	18%	1%	6%	46%	25%	71%
90	19%	23%	1%	6%	49%	23%	72%
100	18%	27%	1%	6%	52%	21%	73%
110	18%	31%	1%	5%	54%	20%	74%
120	17%	35%	1%	5%	57%	18%	76%
130	17%	39%	0%	4%	60%	17%	77%
140	16%	40%	0%	4%	61%	16%	77%
150	16%	41%	0%	4%	62%	16%	78%
160	16%	43%	0%	4%	63%	15%	78%
170	15%	44%	0%	4%	63%	15%	78%
180	15%	45%	0%	4%	64%	14%	79%
190	15%	46%	0%	4%	65%	14%	79%
200	15%	47%	0%	4%	66%	14%	79%
210	15%	48%	0%	3%	66%	13%	80%
220	15%	49%	0%	3%	67%	13%	80%
230	15%	50%	0%	3%	68%	13%	81%

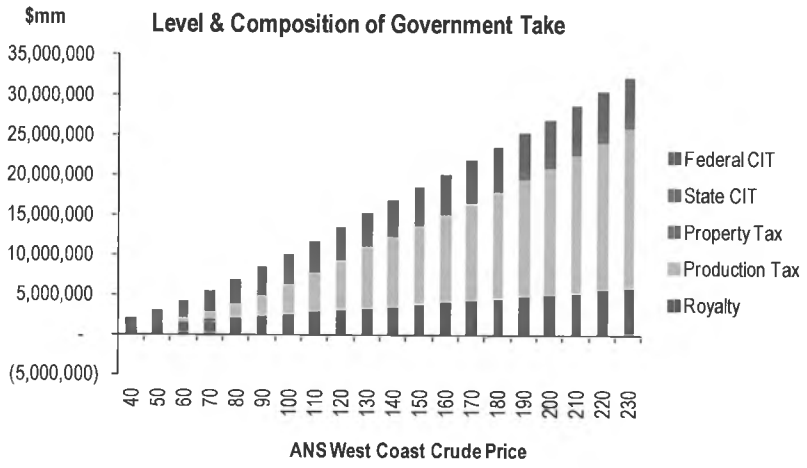


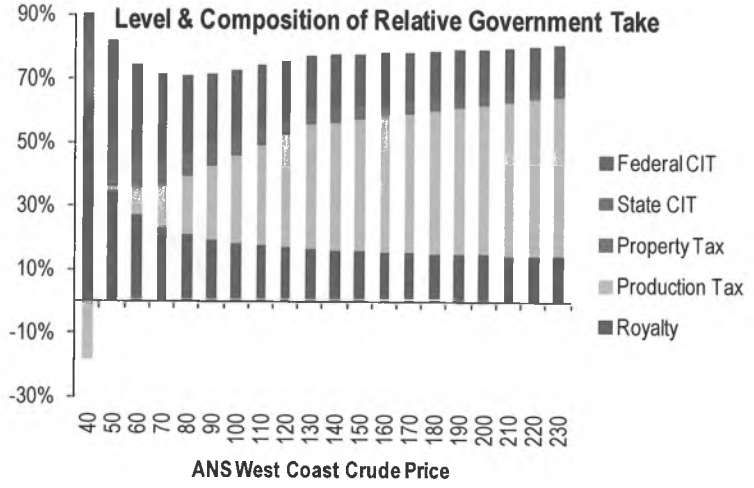


PFC Energy

ACES – Capped at Maximum of 70%

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	63%	-19%	6%	13%	63%	49%	112%
50	35%	1%	3%	9%	48%	34%	82%
60	27%	9%	2%	8%	45%	29%	74%
70	23%	13%	1%	7%	44%	27%	71%
80	21%	18%	1%	6%	46%	25%	71%
90	19%	23%	1%	6%	49%	23%	72%
100	18%	27%	1%	6%	52%	21%	73%
110	18%	31%	1%	5%	54%	20%	74%
120	17%	35%	1%	5%	57%	18%	76%
130	17%	39%	0%	4%	60%	17%	77%
140	16%	40%	0%	4%	61%	16%	77%
150	16%	41%	0%	4%	62%	16%	78%
160	16%	43%	0%	4%	63%	15%	78%
170	15%	44%	0%	4%	63%	15%	78%
180	15%	45%	0%	4%	64%	14%	79%
190	15%	46%	0%	4%	65%	14%	79%
200	15%	47%	0%	4%	66%	14%	79%
210	15%	48%	0%	3%	66%	13%	80%
220	15%	49%	0%	3%	67%	13%	80%
230	15%	50%	0%	3%	68%	13%	81%

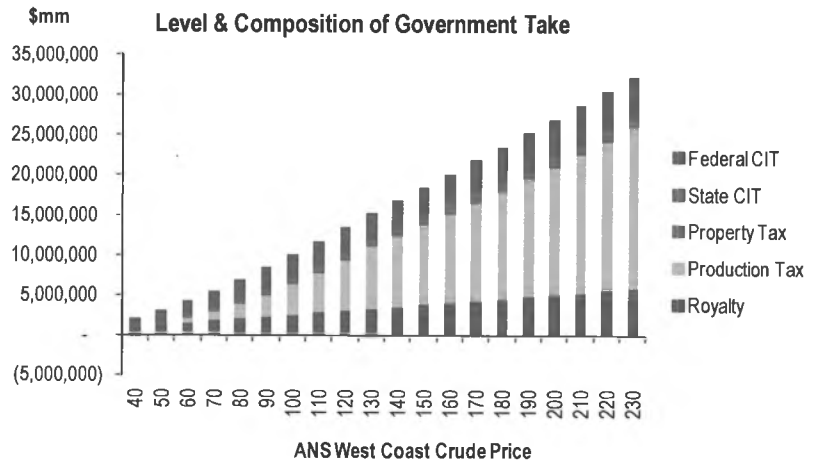


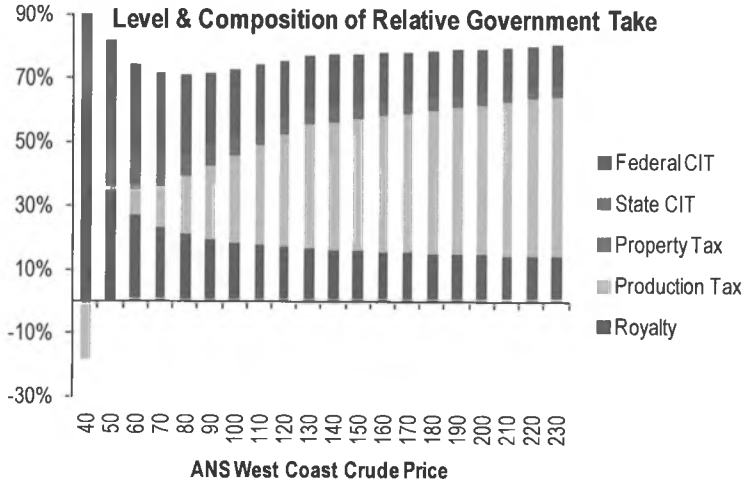


PFC Energy

ACES – Capped at Maximum of 65%

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	63%	-19%	6%	13%	63%	49%	112%
50	35%	1%	3%	9%	48%	34%	82%
60	27%	9%	2%	8%	45%	29%	74%
70	23%	13%	1%	7%	44%	27%	71%
80	21%	18%	1%	6%	46%	25%	71%
90	19%	23%	1%	6%	49%	23%	72%
100	18%	27%	1%	6%	52%	21%	73%
110	18%	31%	1%	5%	54%	20%	74%
120	17%	35%	1%	5%	57%	18%	76%
130	17%	39%	0%	4%	60%	17%	77%
140	16%	40%	0%	4%	61%	16%	77%
150	16%	41%	0%	4%	62%	16%	78%
160	16%	43%	0%	4%	63%	15%	78%
170	15%	44%	0%	4%	63%	15%	78%
180	15%	45%	0%	4%	64%	14%	79%
190	15%	46%	0%	4%	65%	14%	79%
200	15%	47%	0%	4%	66%	14%	79%
210	15%	48%	0%	3%	66%	13%	80%
220	15%	49%	0%	3%	67%	13%	80%
230	15%	50%	0%	3%	68%	13%	81%

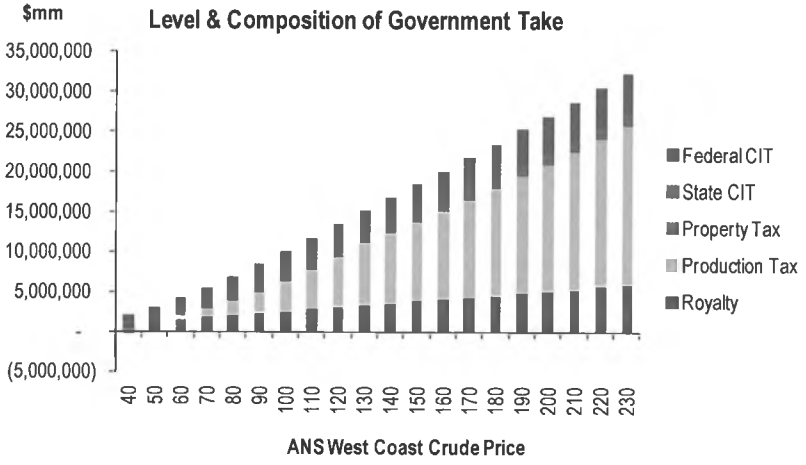


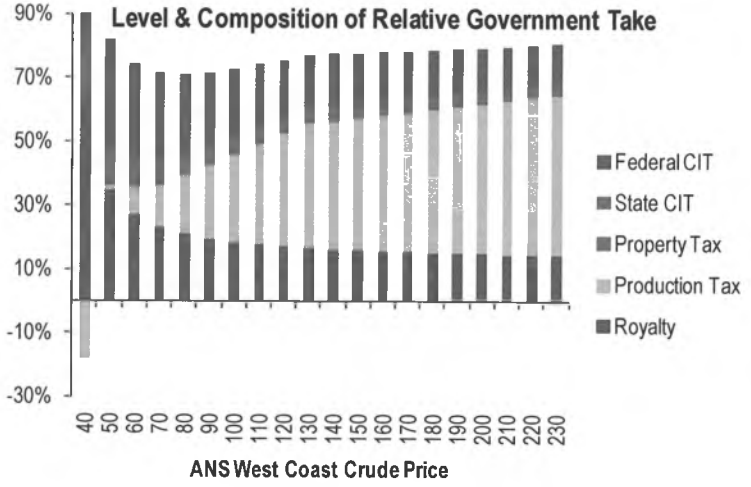


PFC Energy

ACES – Capped at Maximum of 60%

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	63%	-19%	6%	13%	63%	49%	112%
50	35%	1%	3%	9%	48%	34%	82%
60	27%	9%	2%	8%	45%	29%	74%
70	23%	13%	1%	7%	44%	27%	71%
80	21%	18%	1%	6%	46%	25%	71%
90	19%	23%	1%	6%	49%	23%	72%
100	18%	27%	1%	6%	52%	21%	73%
110	18%	31%	1%	5%	54%	20%	74%
120	17%	35%	1%	5%	57%	18%	76%
130	17%	39%	0%	4%	60%	17%	77%
140	16%	40%	0%	4%	61%	16%	77%
150	16%	41%	0%	4%	62%	16%	78%
160	16%	43%	0%	4%	63%	15%	78%
170	15%	44%	0%	4%	63%	15%	78%
180	15%	45%	0%	4%	64%	14%	79%
190	15%	46%	0%	4%	65%	14%	79%
200	15%	47%	0%	4%	66%	14%	79%
210	15%	48%	0%	3%	66%	13%	80%
220	15%	49%	0%	3%	67%	13%	80%
230	15%	50%	0%	3%	68%	13%	81%





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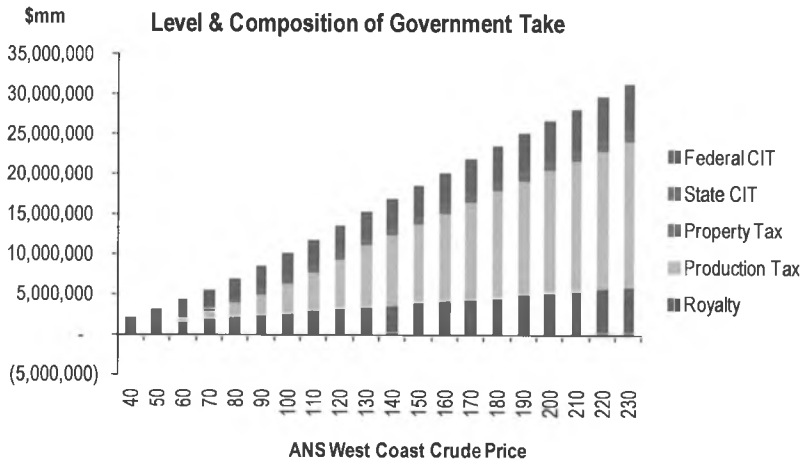
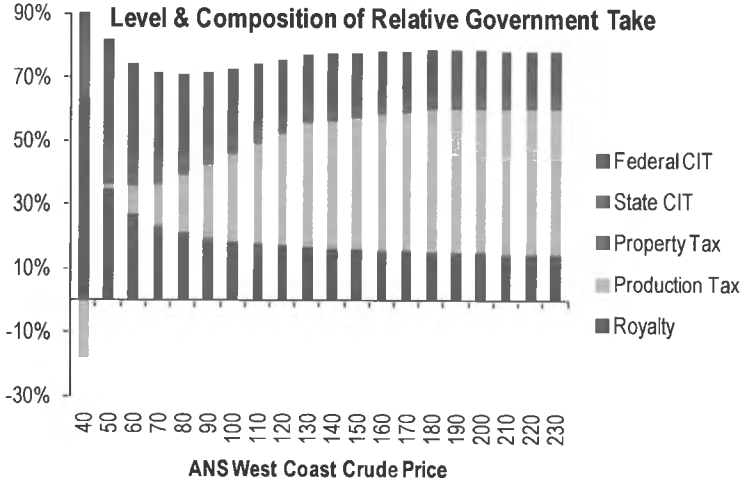
ACES – Capped at Maximum of 55%

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	63%	-19%	6%	13%	63%	49%	112%
50	35%	1%	3%	9%	48%	34%	82%
60	27%	9%	2%	8%	45%	29%	74%
70	23%	13%	1%	7%	44%	27%	71%
80	21%	18%	1%	6%	46%	25%	71%
90	19%	23%	1%	6%	49%	23%	72%
100	18%	27%	1%	6%	52%	21%	73%
110	18%	31%	1%	5%	54%	20%	74%
120	17%	35%	1%	5%	57%	18%	76%
130	17%	39%	0%	4%	60%	17%	77%
140	16%	40%	0%	4%	61%	16%	77%
150	16%	41%	0%	4%	62%	16%	78%
160	16%	43%	0%	4%	63%	15%	78%
170	15%	44%	0%	4%	63%	15%	78%
180	15%	45%	0%	4%	64%	14%	79%
190	15%	45%	0%	4%	64%	14%	78%
200	15%	45%	0%	4%	64%	14%	78%
210	15%	45%	0%	4%	64%	14%	78%
220	15%	45%	0%	4%	64%	14%	78%
230	15%	46%	0%	4%	64%	14%	78%





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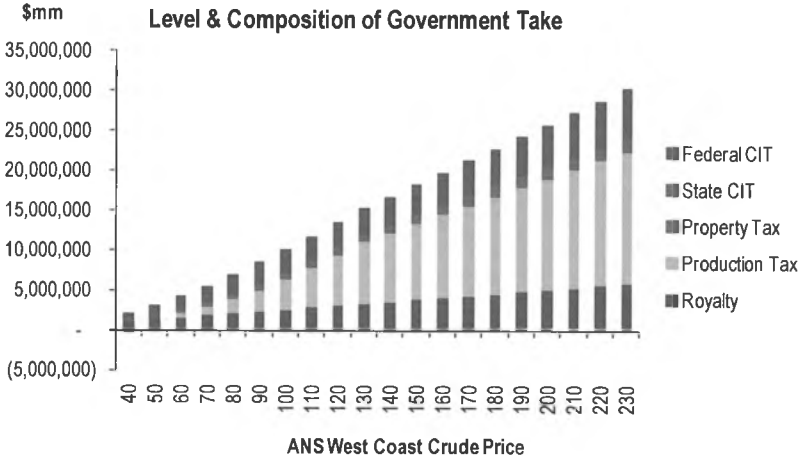
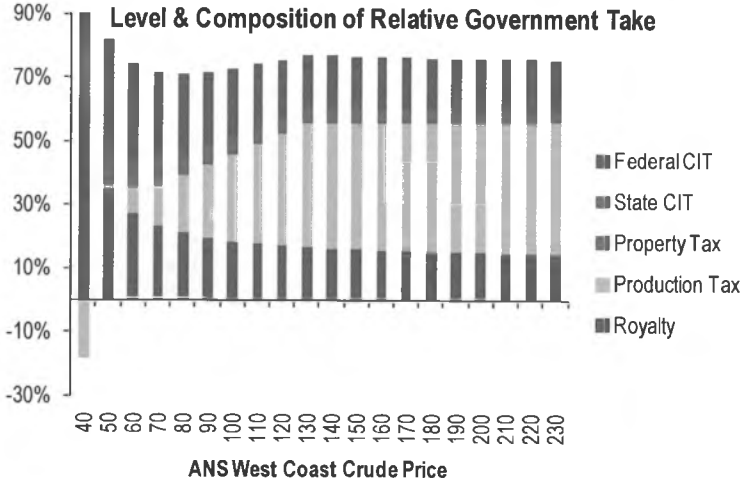
ACES – Capped at Maximum of 50%

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	63%	-19%	6%	13%	63%	49%	112%
50	35%	1%	3%	9%	48%	34%	82%
60	27%	9%	2%	8%	45%	29%	74%
70	23%	13%	1%	7%	44%	27%	71%
80	21%	18%	1%	6%	46%	25%	71%
90	19%	23%	1%	6%	49%	23%	72%
100	18%	27%	1%	6%	52%	21%	73%
110	18%	31%	1%	5%	54%	20%	74%
120	17%	35%	1%	5%	57%	18%	76%
130	17%	39%	0%	4%	60%	17%	77%
140	16%	39%	0%	4%	60%	17%	77%
150	16%	40%	0%	4%	60%	16%	77%
160	16%	40%	0%	4%	60%	16%	76%
170	15%	40%	0%	4%	60%	16%	76%
180	15%	40%	0%	4%	60%	16%	76%
190	15%	41%	0%	4%	60%	16%	76%
200	15%	41%	0%	4%	60%	16%	76%
210	15%	41%	0%	4%	60%	16%	76%
220	15%	41%	0%	4%	60%	15%	76%
230	15%	41%	0%	4%	60%	15%	76%





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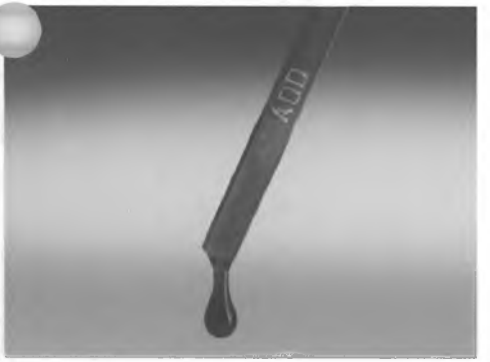

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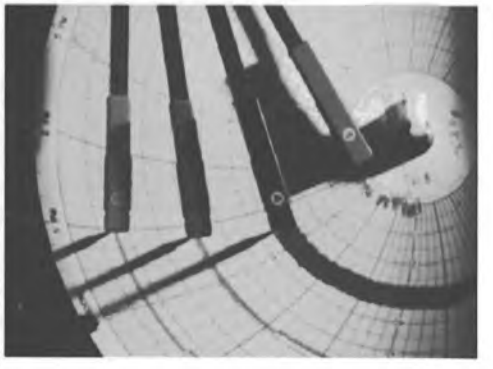

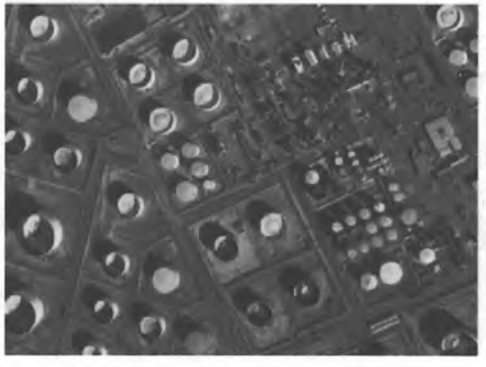

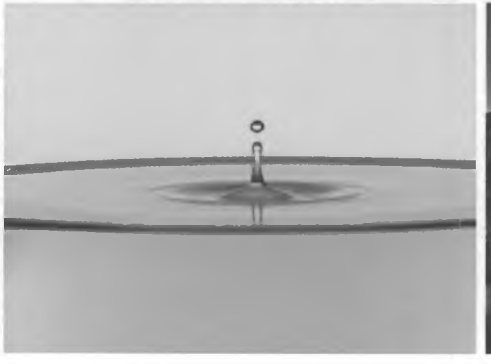

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Discussion Slides: Alaska Senate Resources Committee

REVISED

February 16-17, 2012

Tony Reinsch
Senior Director, Upstream & Gas
PFC Energy

Janak Mayer
Manager, Upstream & Gas
PFC Energy

PFC Energy

The Art of Taxation

"The art of taxation consists in so plucking the goose as to get the most feathers with the least hissing."

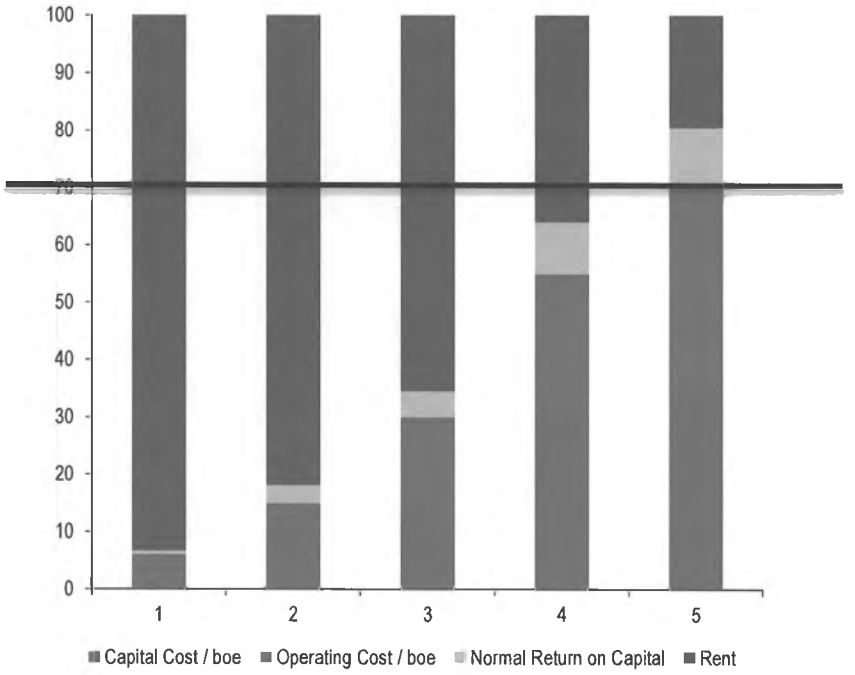
Jean Baptiste Colbert - Economist and Minister of Finance under King Louis XIV of France, 1619

…or, in more contemporary terms

- The art of taxation consists in maximizing revenues, subject to two important constraints
  - **Efficiency:** Not distorting investment choices, or preventing marginal investments that would otherwise have been made from occurring
  - **Competitiveness:** Ensuring that in the real world, which is characterized by limited capital with competing uses

Efficiency: Conclusions on a Fixed Percentage Royalty

- The fixed royalty is **inefficient** because it distorts investment, making previously marginal projects uneconomic at a given price
- It is highly **regressive** with regard to both price and cost, because Relative Government Take falls as prices rise, and as costs fall
- This also increases **sovereign risk** – since when prices rise, governments will be tempted to set a new rate, even though investments have been made on the basis of the current one
- It has only one major strength – it is very **simple to administer**, requiring knowledge of only 2 variables - production and price



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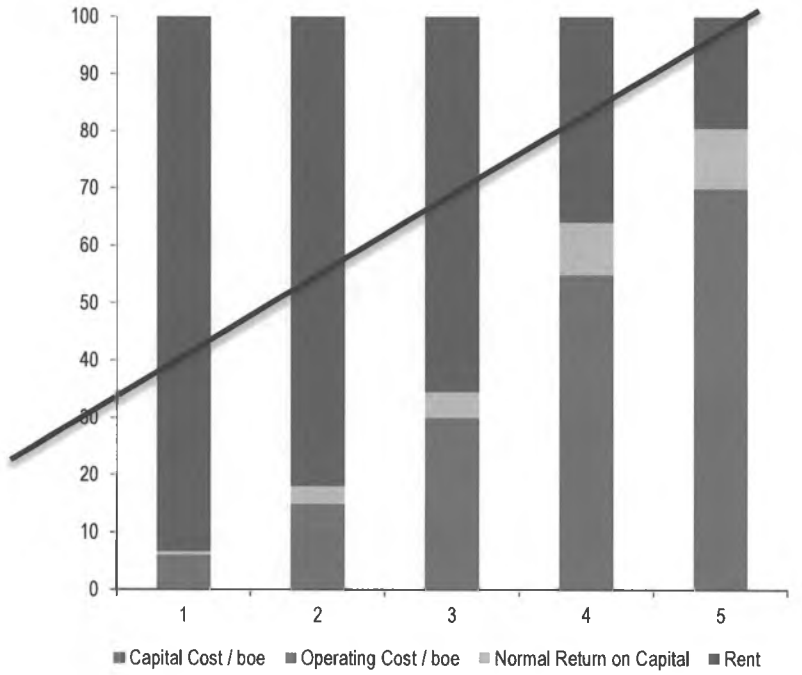
Efficiency: Targeting Economic Rent

- What we would like to do instead is to tax the red bars – the Economic Rent – directly
- That way, we could *pluck more feathers*, with less *hissing*
- What are the different ways, over time, that governments have attempted to do this?



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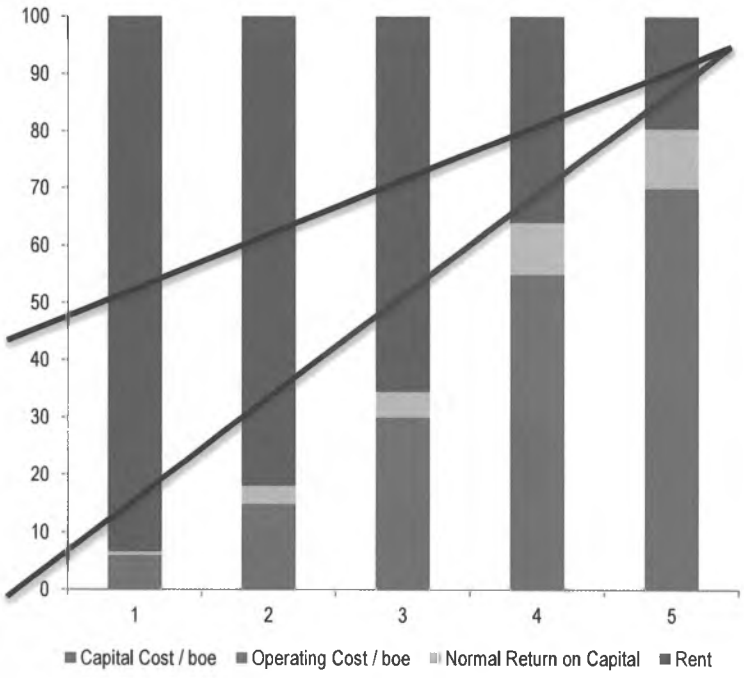
Progressivity

- Progressivity may be used for a range of different purposes in a fiscal regime
  - In some cases, used to counterbalance the inherent regressivity of other elements of the regime
  - In other cases, a deliberate policy to gain not only a steady share of the rents, but to capture ever more as economics improve
- Implemented properly (ie taxing only economic rents), both of these approaches can be efficient – ie non-distorting of relative investment opportunities at the margin
- Regimes that use both high levels of relative government take, in addition to high progressivity to capture most or all of the upside of high price environments will not necessarily be competitive



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Different Implementations of Progressivity: Production Levels

- One of the earliest and still commonest metrics used to progressively increase rates of government take for projects that produce more economic rent has been the use of sliding scales for the split of profit oil or the setting of a royalty, based on levels of production, as is the case in Vietnam's PSC fiscal system
- Brazil similarly applies a production-level-based windfall profits tax in its tax-royalty system
- Such systems are almost always bracketed, so the higher rate applies only to production above a given threshold
- Production-based progressivity uses production levels as a proxy for profitability – and it is an imperfect proxy at best
  - The Vietnam example here attempts to improve here by setting different tiers, based on project cost
  - British Columbia, Canada uses a combination of Price and Production Quantity in its progressive Royalty rate

Vietnam Fiscal Terms			Pre-2010	Post-2010 with Incentives	Post-2010 without Incentives	Deepwater/ Frontier
Oil Royalty		mb/d				
	<=	20.00	8%	7%	10%	6%
	>20 <=	50.00	10%	9%	12%	8%
	>50 <=	75.00	10%	11%	14%	8%
	>75 <=	100.00	15%	13%	19%	10%
	>100 <=	150.00	20%	18%	24%	15%
	>150		25%	23%	29%	20%
Gas Royalty		mmcf/d				
	<=	176.55	0%	1%	2%	0%
	>176.55 <=	350.00	5%	3%	5%	3%
	>350		25%	6%	10%	6%
Cost Oil Limit			35%	35%	35%	50%
Cost Gas Limit			60%	60%	60%	70%
Profit Oil Split to Gov.		mb/d				
	<=	75.00	50%	50%	50%	50%
	>75 <=	100.00	55%	55%	55%	55%
	>100 <=	150.00	60%	60%	60%	60%
	>150		70%	70%	70%	70%
Profit Gas Split			50%	50%	50%	50%
Corporate Tax Rate		32%				

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Different Implementations of Progressivity: Price

- A number of regimes are progressive explicitly on price
- This approach is particularly common in setting "windfall profits" taxes
- China and Venezuela both use a price-progressive windfall profits tax to capture progressive shares of economic rent in high price environments
- Such systems are almost always bracketed, taxing only profits resulting from the higher price bracket at the higher rate
- Alaska's ACES system is an exception to this rule

Thresholds for Venezuela's Windfall Profits Tax

Oil Price	Rate
< $40	0%
$ 40 - $70	20%
$ 70 - $90	80%
$ 90 - $100	90%
> $100	95%

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Different Implementations of Progressivity: Cost Recovery

- A more sophisticated approach to targeting economic rent more directly is for a regime to be progressive using the extent to which a project has recovered its costs as a metric by which to set the tax or profit sharing rate
- Malaysia's current PSC model, introduced in 1997, uses "R-Factor", the ratio of cumulative revenues to cumulative costs, to set its profit split and its cost limit
- Once a project has recovered its costs, profit share to the IOC is progressively reduced

Malaysia Fiscal Terms						
Oil Royalty	10%					
	R Factor					
1997 PSC Parameters	R<=1.0	R<=1.4	R<=2.0	R<=2.5	R<=3.0	R>3
Cost Oil/Gas Limit	70%	60%	50%	30%	30%	30%
Unutilized Cost Oil/Gas Split (below TH	0%	80%	70%	60%	50%	40%
Unutilized Cost Oil/Gas Split (above TH	0%	40%	40%	40%	40%	20%
Profit Oil/Gas Split (below THV)	80%	70%	60%	50%	40%	30%
Profit Oil/Gas Split (above THV)	40%	30%	30%	30%	30%	10%
Threshold Value (THV) - Oil	30	mmbbls				
Threshold Value (THV) - Gas	0.75	tcf				

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Different Implementations of Progressivity: Rates of Return

- Similarly, some regimes seek to target "super-profits" more directly by linking progressivity to the Internal Rate of Return (IRR) that a project has accomplished by any point in time
  - Angola's PSC regime uses IRR to set the profit oil split
    - Onshore and Shallow Water

IRR	Contractor's Share
< 20%	60%
20 – 25%	50%
25 – 30%	40%
> 30%	30%

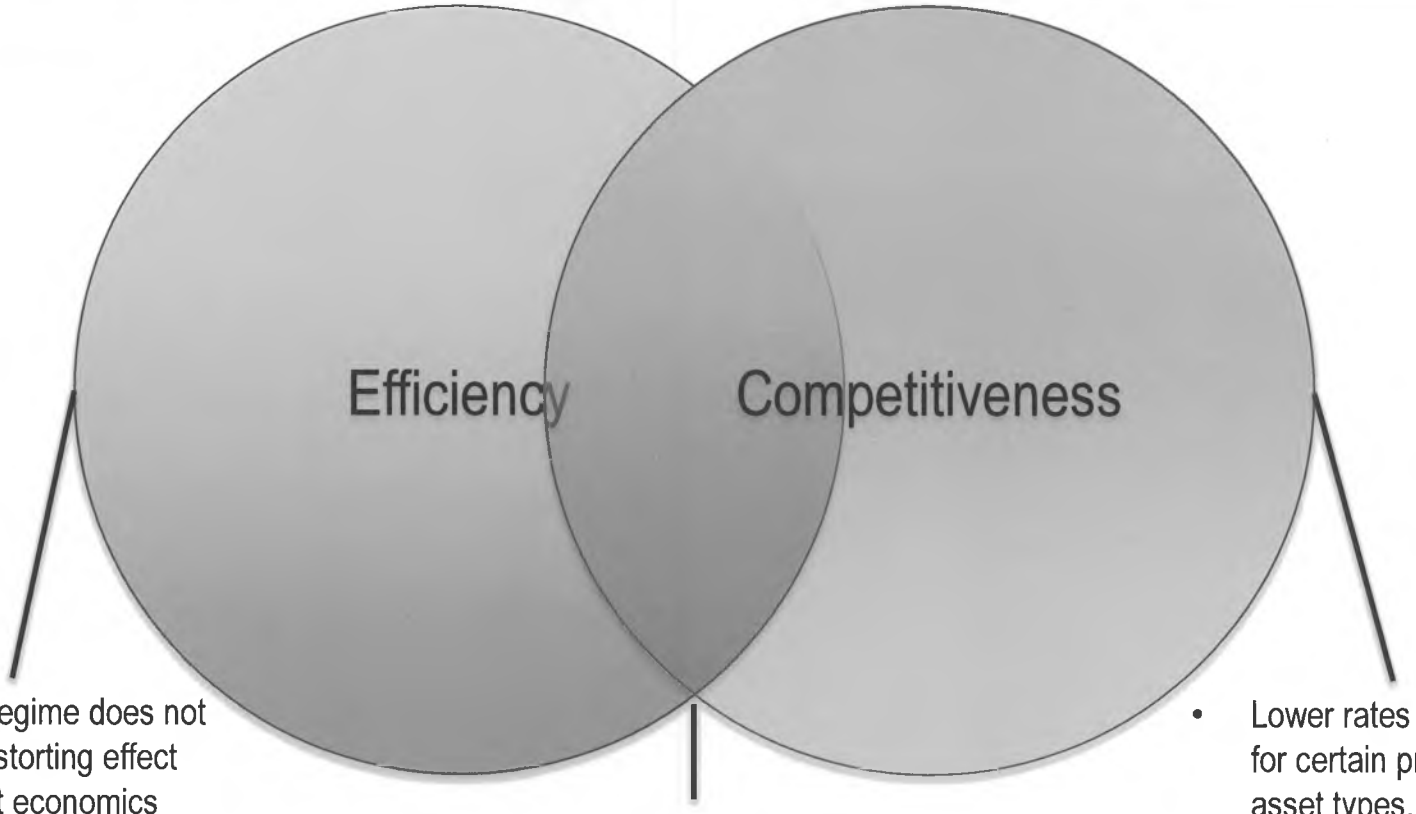
    - Deepwater

IRR	Contractor's Share
< 15%	80%
15 – 25%	60%
25 – 30%	40%
> 30%	20%

Different Implementations of Progressivity: Taxing Rent Directly

- Many of these regimes are highly complex, and use highly imperfect proxies for targeting economic rent
- Australia's Petroleum Resource Rent Tax, by contrast, is unusual in being both very simple in design, and in seeking to tax economic rent directly
- The tax seeks to replicate the economics of a 40% direct participation by the state, by taxing net cashflow at a rate of 40%
- All losses, however, are carried forward indefinitely, and maintain present value since they are inflated each year by a rate similar to the corporate cost of capital
- The ultimate economics are as if government is paying a 40% share of the cost of development, and taking a 40% share of the resulting cashflow
- With no royalty, and no other taxes in the system other than Corporate Income Tax, this is one of the simplest fiscal designs anywhere, but also one of the most efficient – because it taxes rent directly

Finding the Intersection



- Efficient regime does not have a distorting effect on project economics
- But rates are too high, and other jurisdictions are more successful in attracting capital as a result

- Regime does not distort investment
- Rates are internationally competitive, given fundamental attractiveness of the opportunity

- Lower rates may mean for certain projects or asset types, the regime is highly internationally competitive
- But distorting structure means certain otherwise marginal projects are unviable

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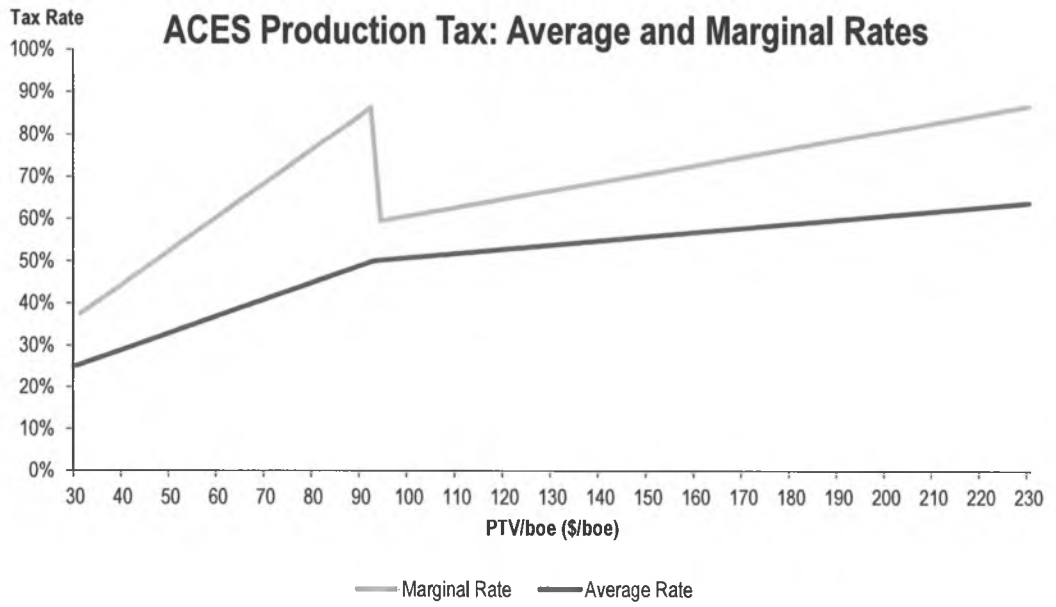
Average vs Marginal Rates



- It is average or effective rates, not marginal rates that drive project economics at a given price level
- Marginal rates remain, however, a useful metric for understanding key aspects of a regime
- The **difference between marginal and average** rates enable us to understand **how progressive a regime** is on a comparative basis
- Marginal rates represent the combination of high average rates with high progressivity
- In a profit-based system, high marginal rates may create perverse incentives with regard to cost control, encouraging "gold-plating"

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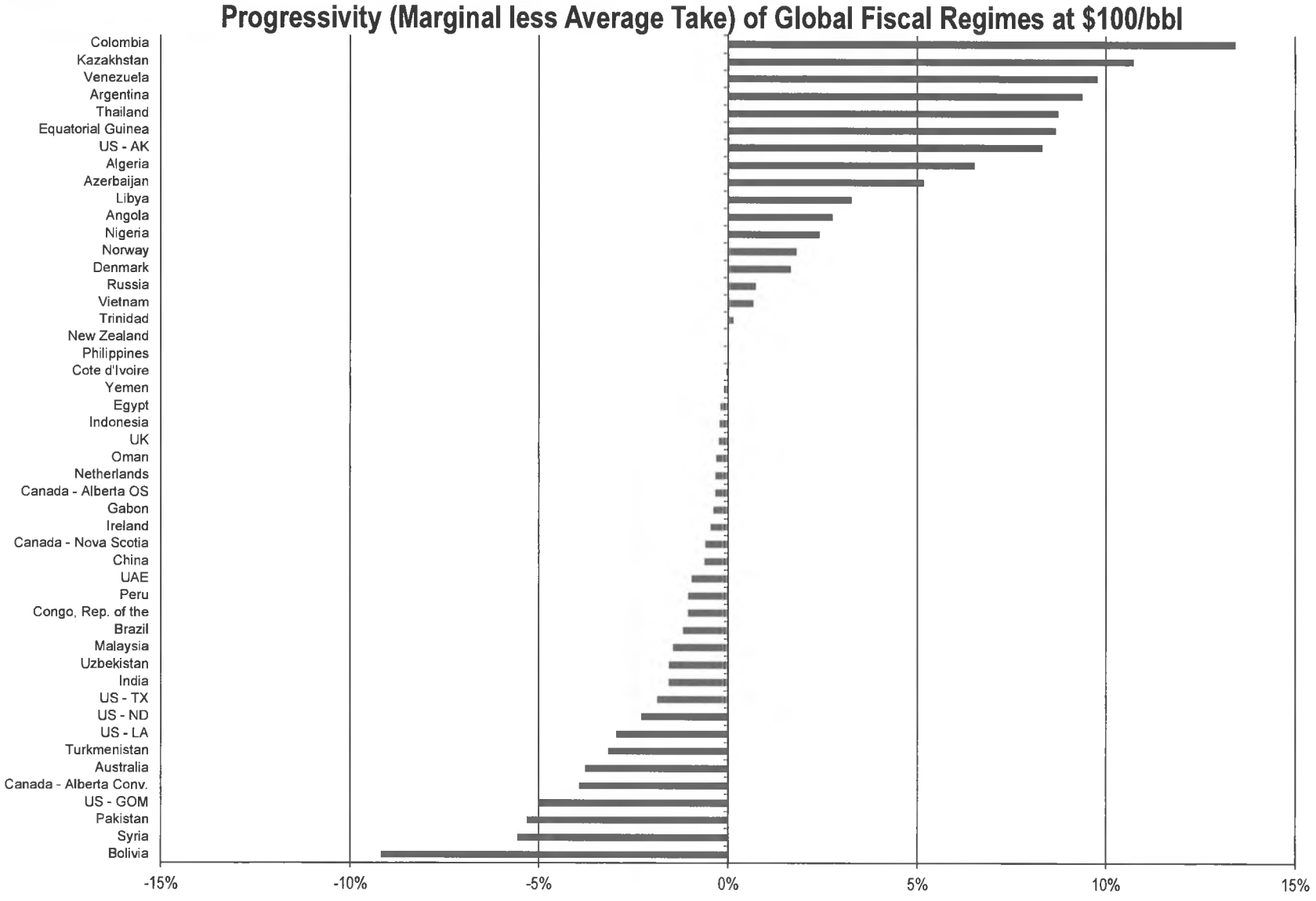
Benchmarking Progressivity for a Range of Global Regimes



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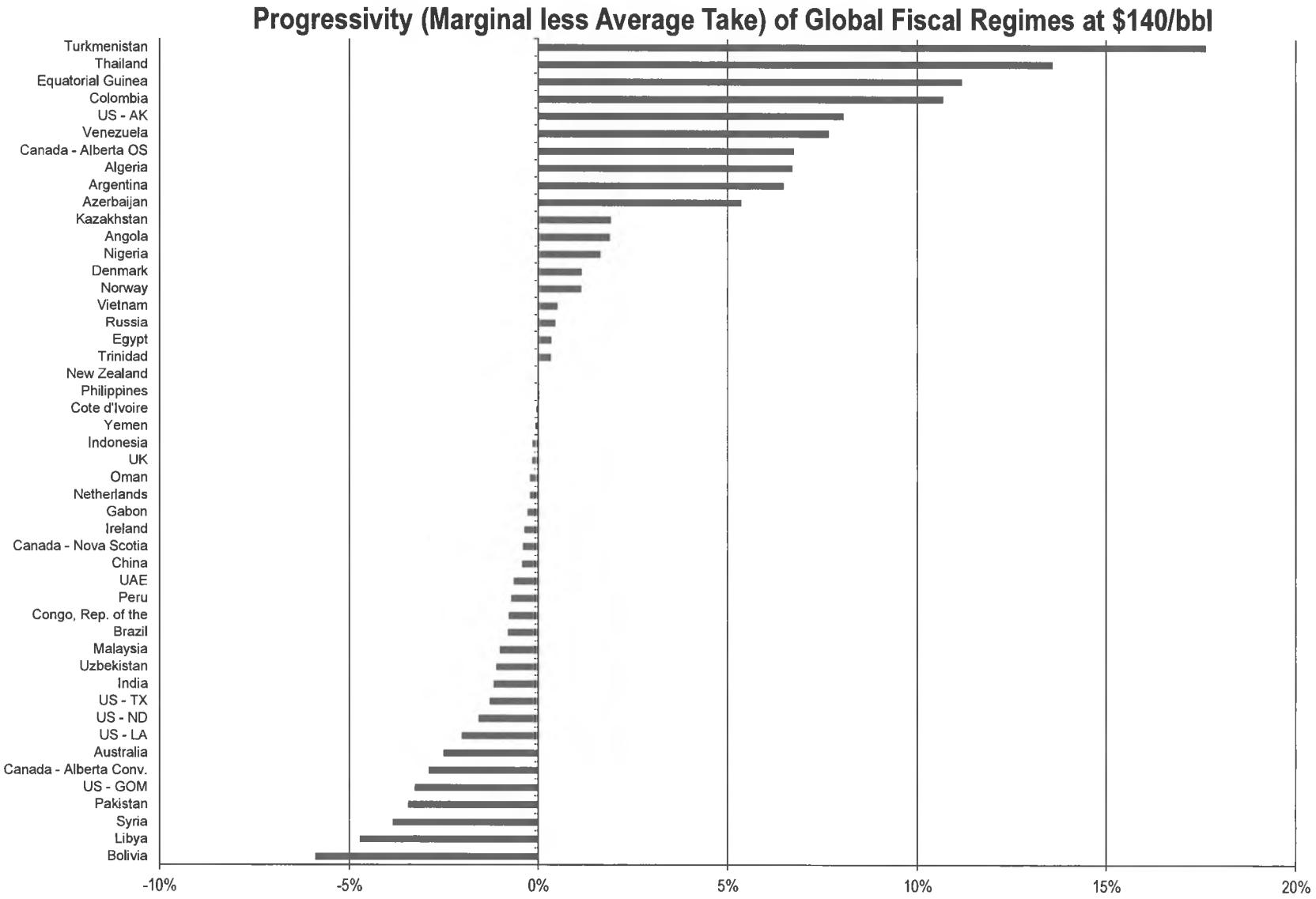
Benchmarking Progressivity for a Range of Global Regimes



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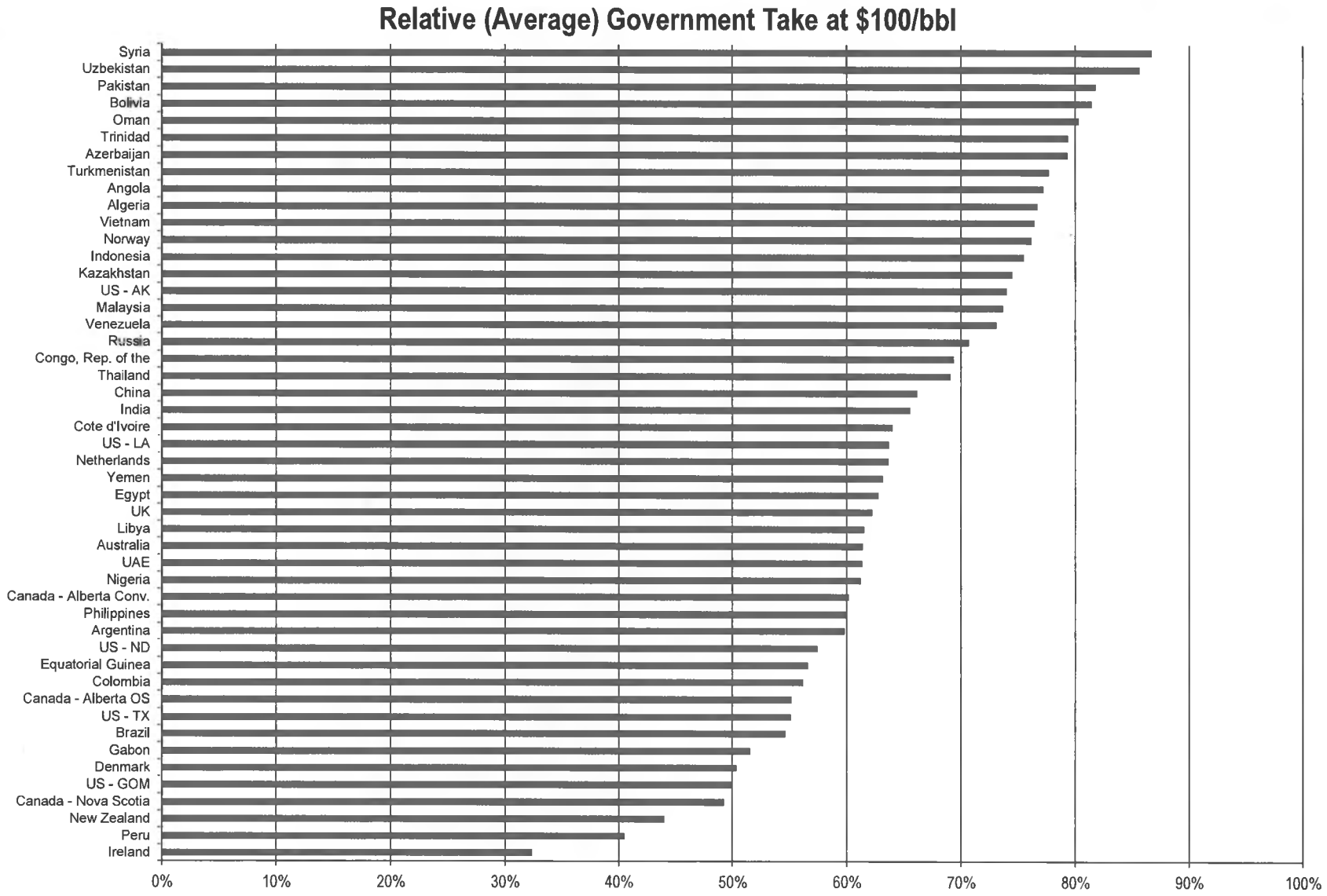
Regime Competitiveness: Relative Government Take



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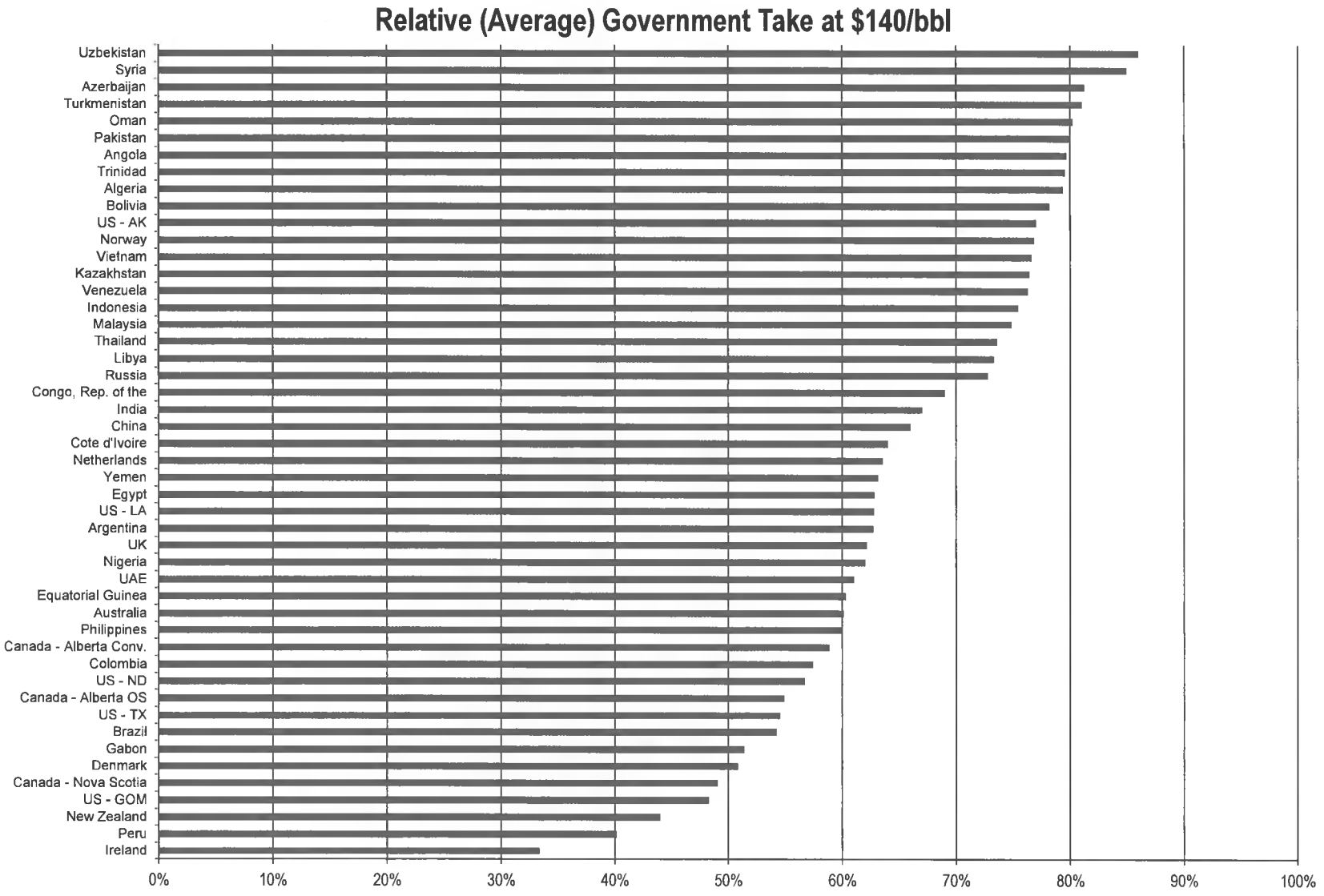
Regime Competitiveness: Relative Government Take



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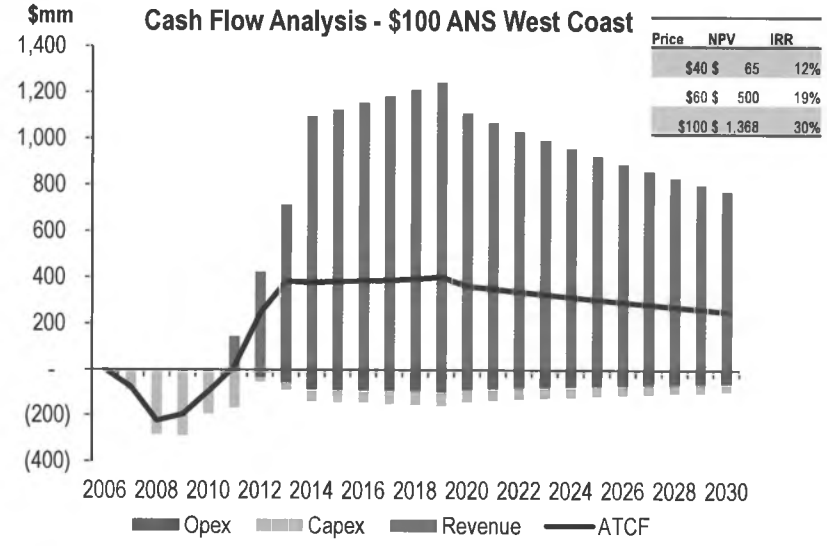
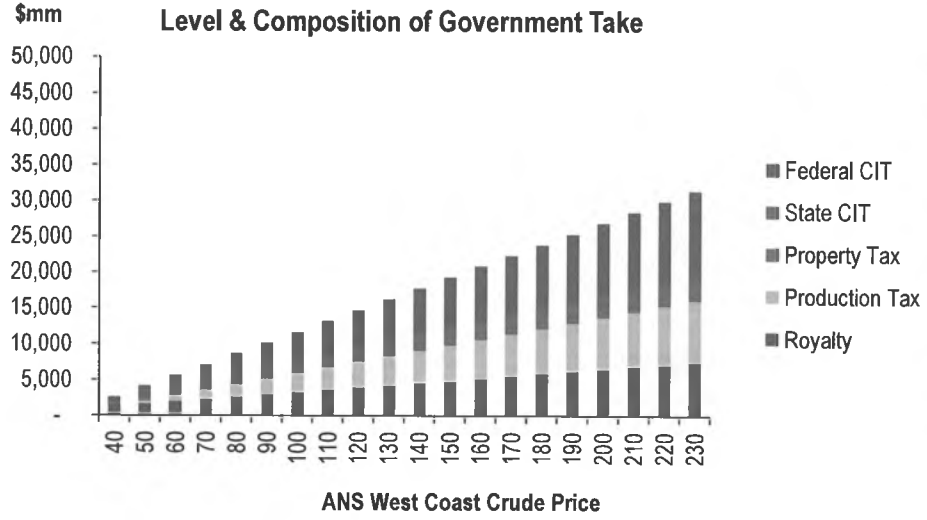
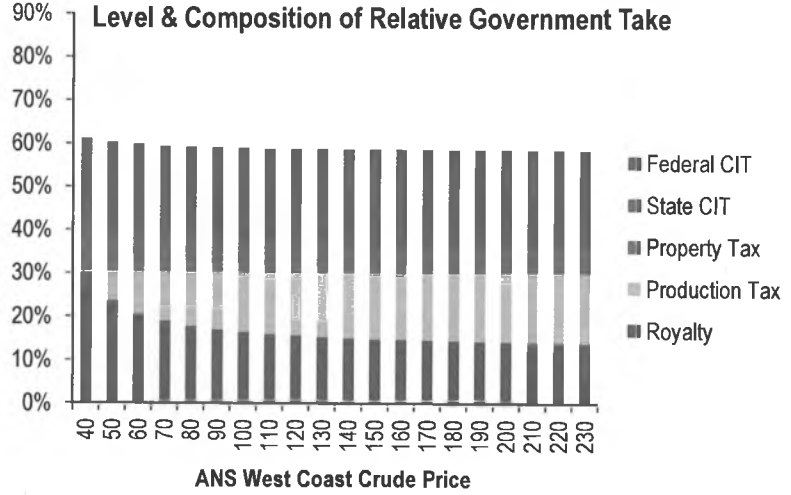
PPT As Originally Proposed



Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	30%	1%	9%	5%	44%	17%	61%
50	23%	7%	5%	5%	41%	19%	60%
60	20%	10%	4%	5%	40%	20%	60%
70	19%	12%	3%	5%	39%	21%	59%
80	18%	13%	3%	5%	38%	21%	59%
90	17%	13%	2%	6%	38%	21%	59%
100	16%	14%	2%	6%	38%	21%	59%
110	16%	14%	2%	6%	37%	21%	59%
120	16%	15%	1%	6%	37%	22%	59%
130	15%	15%	1%	6%	37%	22%	59%
140	15%	15%	1%	6%	37%	22%	59%
150	15%	15%	1%	6%	37%	22%	59%
160	15%	15%	1%	6%	37%	22%	59%
170	14%	16%	1%	6%	37%	22%	59%
180	14%	16%	1%	6%	37%	22%	59%
190	14%	16%	1%	6%	37%	22%	59%
200	14%	16%	1%	6%	37%	22%	59%
210	14%	16%	1%	6%	37%	22%	59%
220	14%	16%	1%	6%	37%	22%	59%
230	14%	16%	1%	6%	37%	22%	59%

* Percentage figures are percentages of divisible income, summing to Total Government Take





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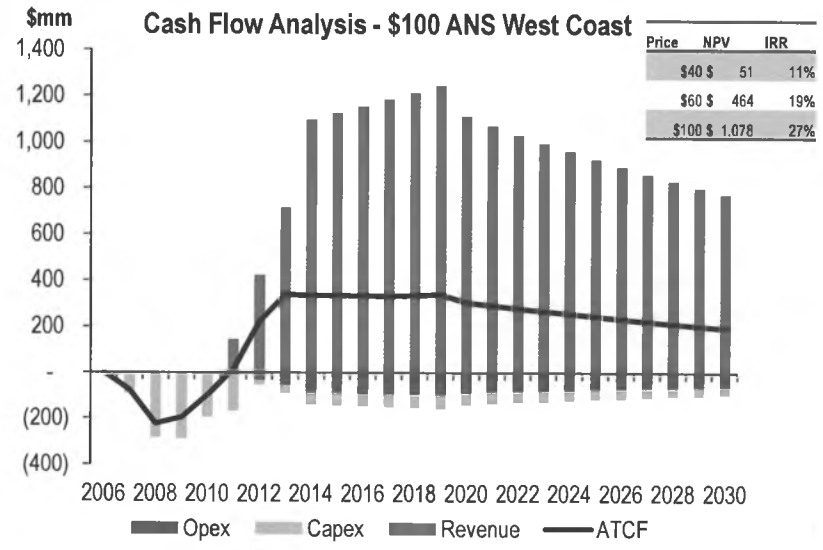
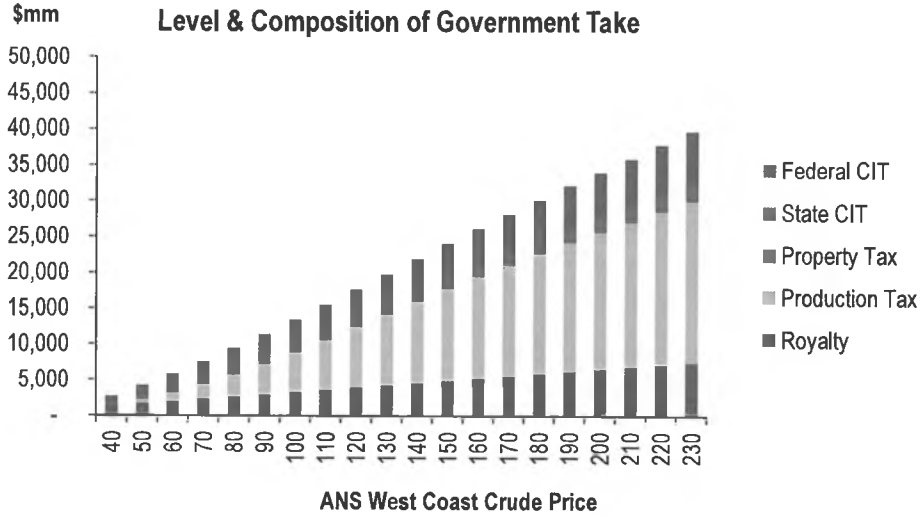
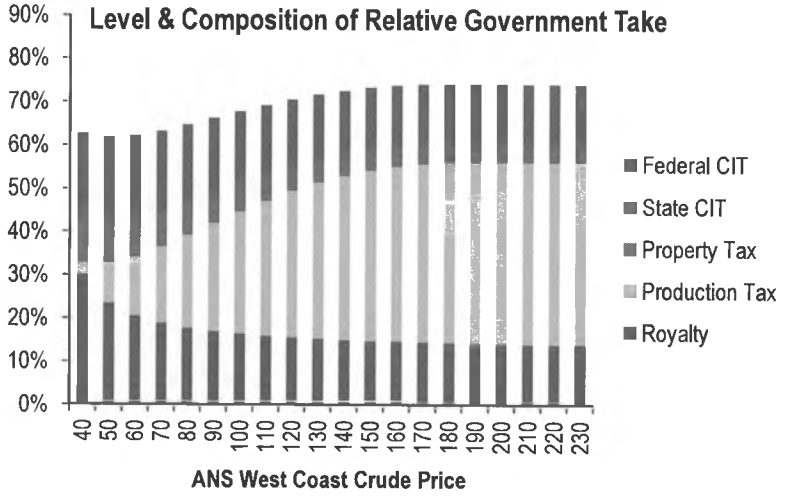
PPT As Enacted



Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	30%	3%	9%	4%	46%	17%	63%
50	23%	9%	5%	5%	43%	19%	62%
60	20%	14%	4%	5%	43%	19%	62%
70	19%	18%	3%	5%	45%	19%	63%
80	18%	22%	3%	5%	47%	18%	65%
90	17%	25%	2%	5%	49%	18%	66%
100	16%	28%	2%	4%	51%	17%	68%
110	16%	32%	2%	4%	53%	16%	69%
120	16%	34%	1%	4%	55%	15%	71%
130	15%	36%	1%	4%	57%	15%	72%
140	15%	38%	1%	4%	58%	15%	73%
150	15%	39%	1%	4%	59%	14%	73%
160	15%	40%	1%	4%	60%	14%	74%
170	14%	41%	1%	4%	60%	14%	74%
180	14%	42%	1%	4%	61%	14%	74%
190	14%	42%	1%	4%	61%	14%	74%
200	14%	42%	1%	4%	61%	14%	74%
210	14%	42%	1%	4%	61%	14%	74%
220	14%	42%	1%	4%	60%	14%	74%
230	14%	42%	1%	4%	60%	14%	74%

* Percentage figures are percentages of divisible income, summing to Total Government Take





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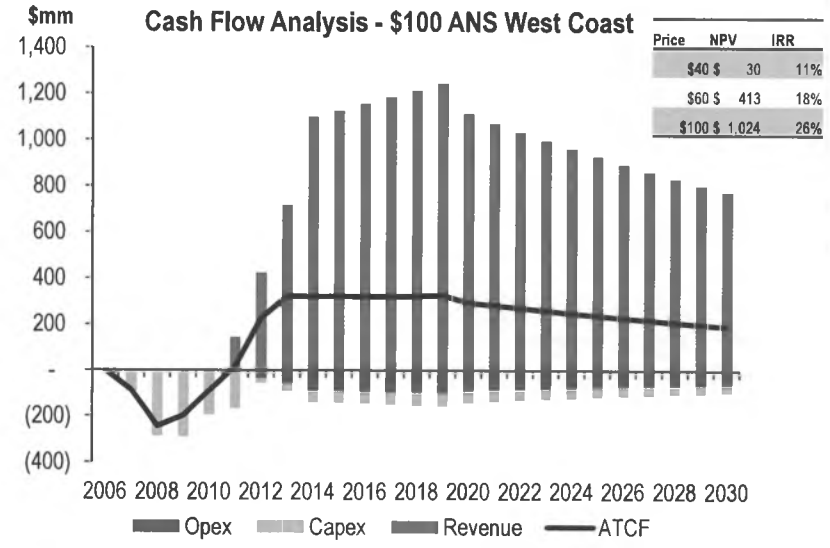
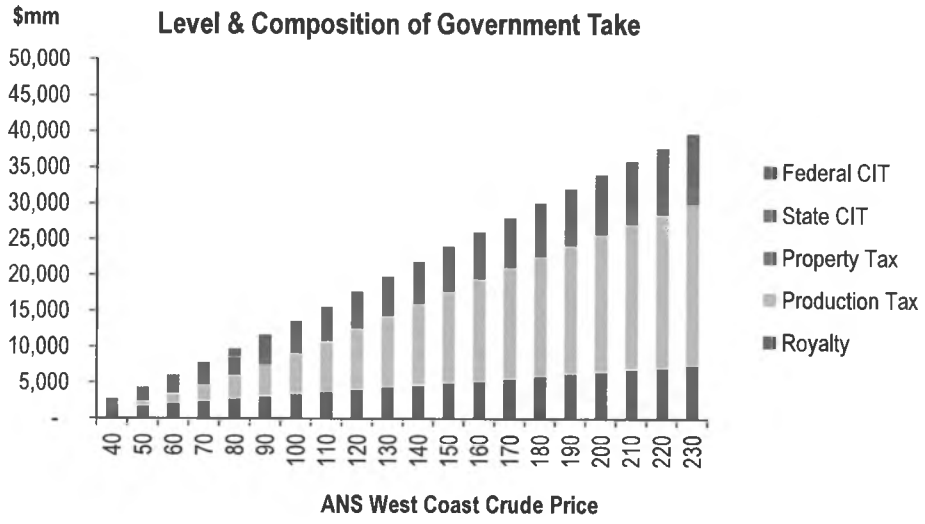
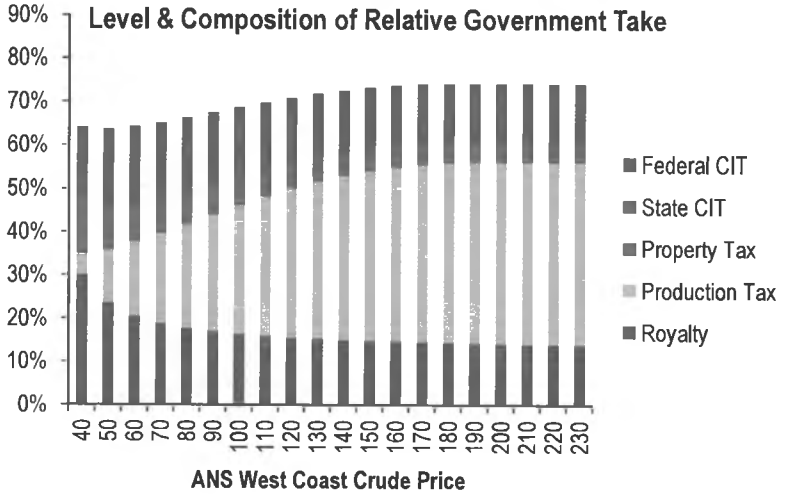
ACES As Proposed



Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	30%	5%	9%	4%	48%	16%	64%
50	23%	12%	5%	5%	46%	18%	64%
60	20%	17%	4%	5%	46%	18%	64%
70	19%	21%	3%	5%	47%	18%	65%
80	18%	24%	3%	5%	49%	17%	66%
90	17%	27%	2%	4%	51%	17%	68%
100	16%	30%	2%	4%	52%	16%	69%
110	16%	32%	2%	4%	54%	16%	70%
120	16%	35%	1%	4%	56%	15%	71%
130	15%	37%	1%	4%	57%	15%	72%
140	15%	38%	1%	4%	58%	15%	73%
150	15%	39%	1%	4%	59%	14%	73%
160	15%	40%	1%	4%	60%	14%	74%
170	14%	41%	1%	4%	60%	14%	74%
180	14%	42%	1%	4%	60%	14%	74%
190	14%	42%	1%	4%	61%	14%	74%
200	14%	42%	1%	4%	61%	14%	74%
210	14%	42%	1%	4%	61%	14%	74%
220	14%	42%	1%	4%	61%	14%	74%
230	14%	42%	1%	4%	60%	14%	74%

* Percentage figures are percentages of divisible income, summing to Total Government Take





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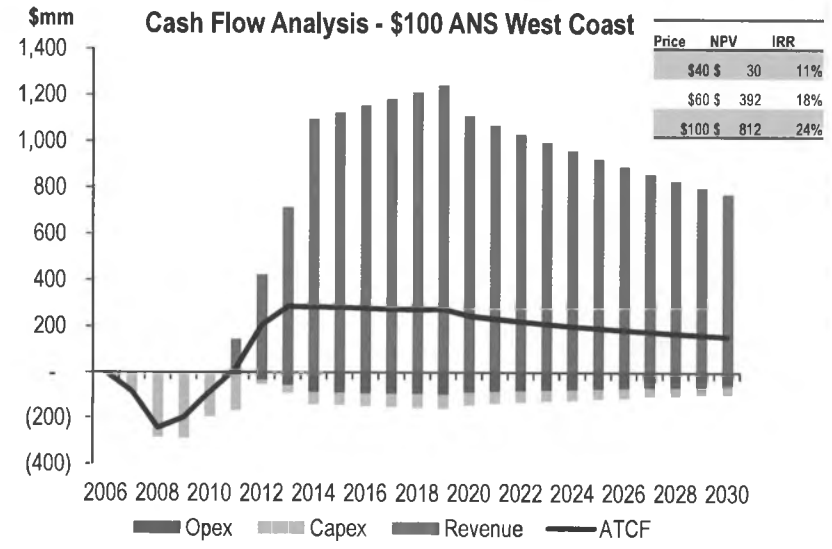
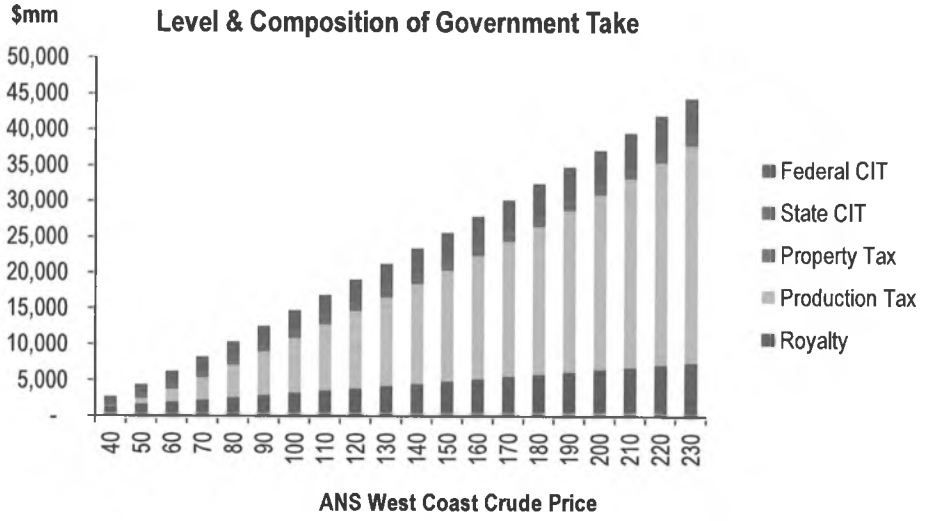
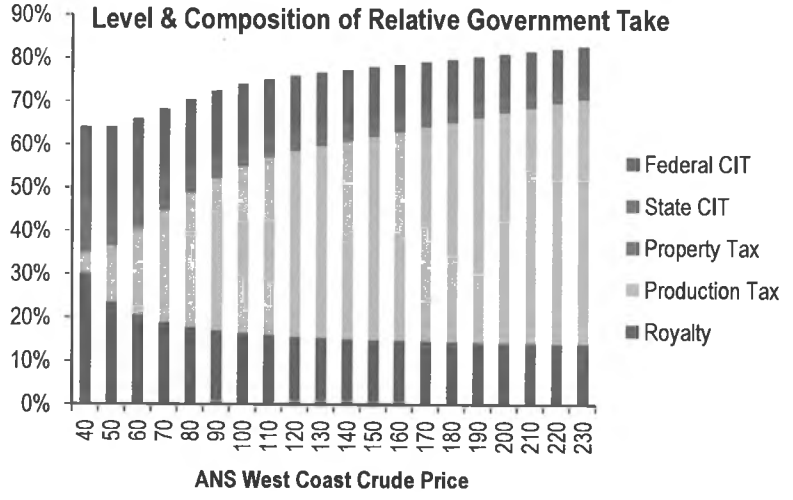
ACES As Enacted



Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	30%	5%	9%	4%	48%	16%	64%
50	23%	13%	5%	5%	47%	18%	64%
60	20%	20%	4%	5%	49%	17%	66%
70	19%	26%	3%	4%	52%	16%	68%
80	18%	31%	3%	4%	55%	15%	71%
90	17%	35%	2%	4%	58%	14%	73%
100	16%	39%	2%	4%	60%	14%	74%
110	16%	41%	2%	3%	62%	13%	75%
120	16%	43%	1%	3%	63%	13%	76%
130	15%	45%	1%	3%	64%	12%	77%
140	15%	46%	1%	3%	65%	12%	77%
150	15%	47%	1%	3%	66%	12%	78%
160	15%	49%	1%	3%	67%	11%	79%
170	14%	50%	1%	3%	68%	11%	79%
180	14%	51%	1%	3%	69%	11%	80%
190	14%	52%	1%	3%	70%	10%	80%
200	14%	53%	1%	3%	71%	10%	81%
210	14%	55%	1%	3%	72%	10%	82%
220	14%	56%	1%	2%	73%	9%	82%
230	14%	57%	1%	2%	74%	9%	83%

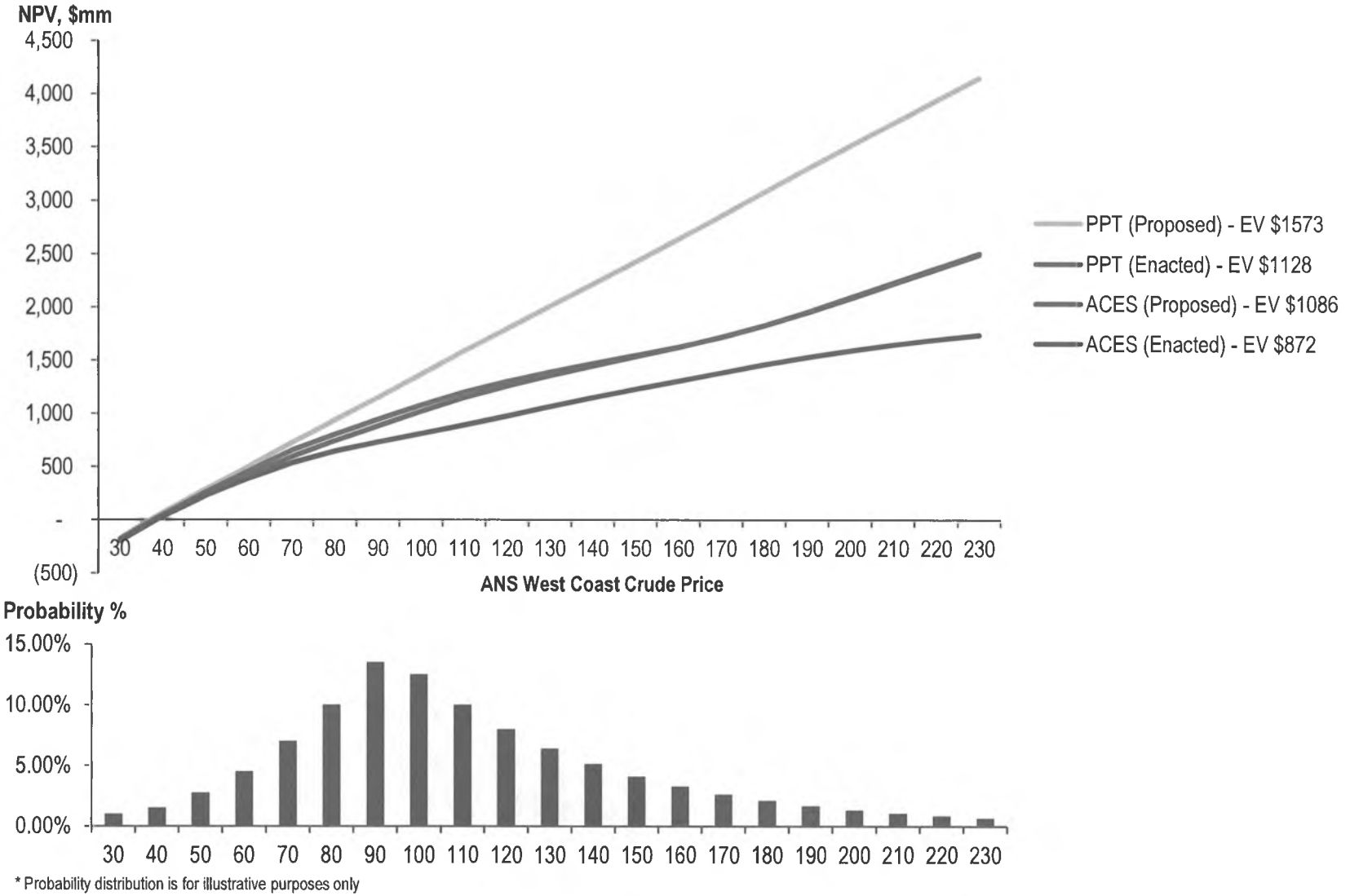
* Percentage figures are percentages of divisible income, summing to Total Government Take





PFC Energy

Limitations on Price Upside: A Probabilistic Approach



* Probability distribution is for illustrative purposes only

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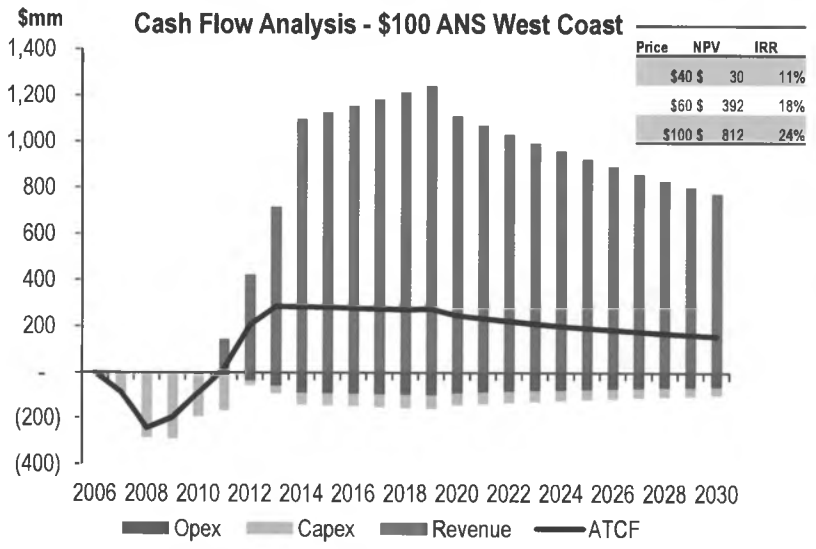
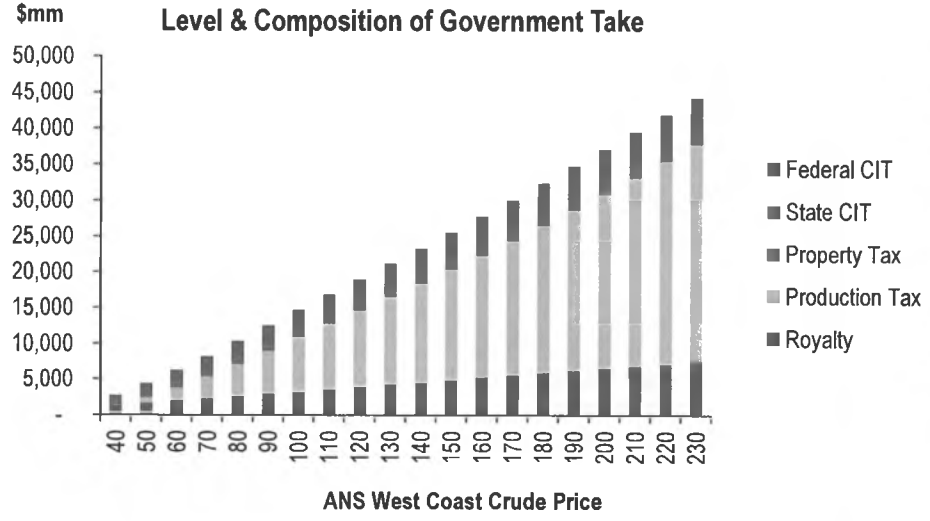
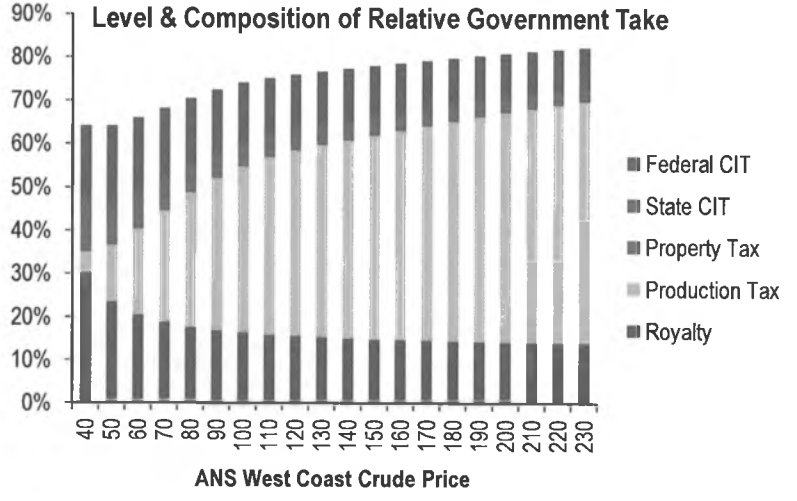
ACES – Capped at Maximum of 70%



Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	30%	5%	9%	4%	48%	16%	64%
50	23%	13%	5%	5%	47%	18%	64%
60	20%	20%	4%	5%	49%	17%	66%
70	19%	26%	3%	4%	52%	16%	68%
80	18%	31%	3%	4%	55%	15%	71%
90	17%	35%	2%	4%	58%	14%	73%
100	16%	39%	2%	4%	60%	14%	74%
110	16%	41%	2%	3%	62%	13%	75%
120	16%	43%	1%	3%	63%	13%	76%
130	15%	45%	1%	3%	64%	12%	77%
140	15%	46%	1%	3%	65%	12%	77%
150	15%	47%	1%	3%	66%	12%	78%
160	15%	49%	1%	3%	67%	11%	79%
170	14%	50%	1%	3%	68%	11%	79%
180	14%	51%	1%	3%	69%	11%	80%
190	14%	52%	1%	3%	70%	10%	80%
200	14%	53%	1%	3%	71%	10%	81%
210	14%	54%	1%	3%	72%	10%	81%
220	14%	55%	1%	3%	72%	10%	82%
230	14%	56%	1%	2%	73%	9%	82%

* Percentage figures are percentages of divisible income, summing to Total Government Take





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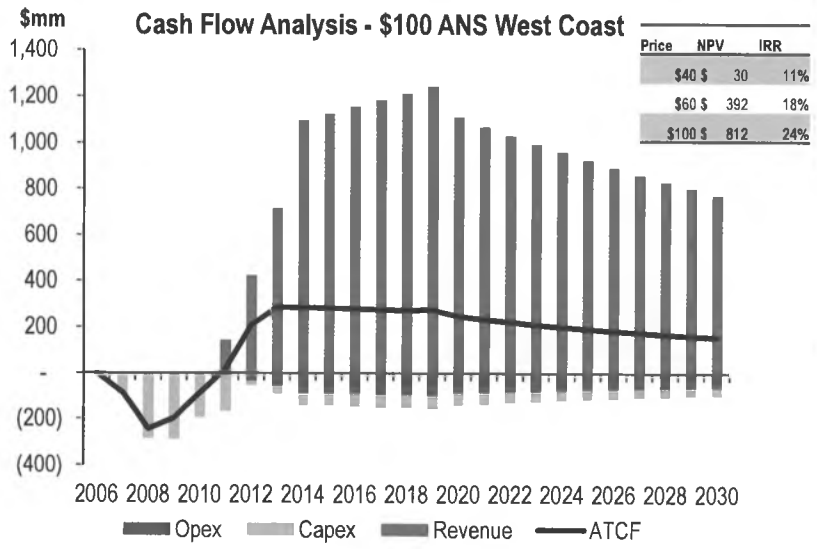
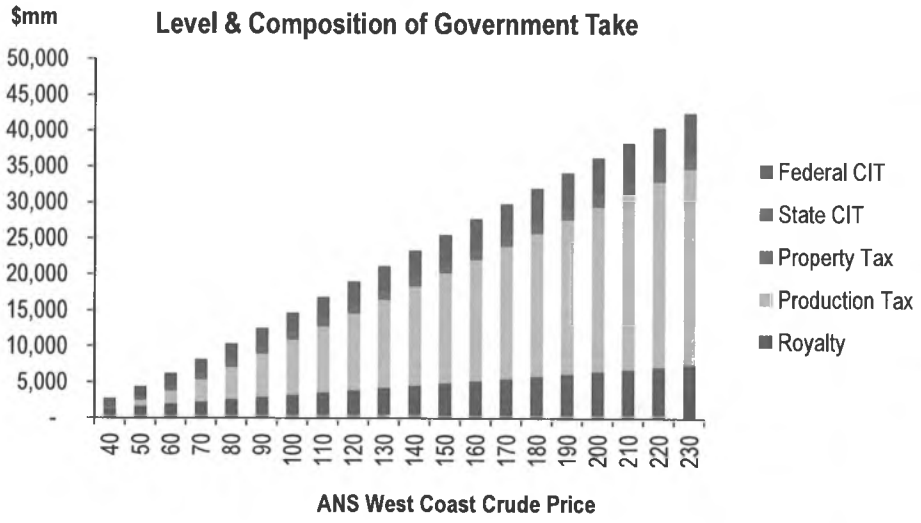
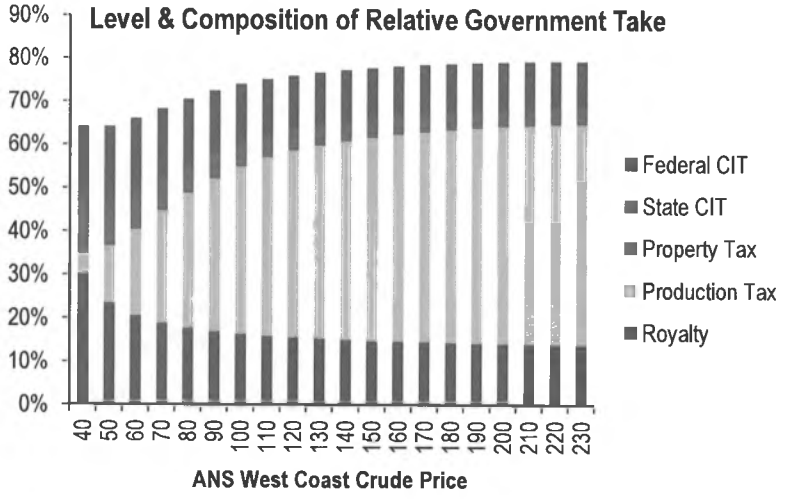
ACES – Capped at Maximum of 60%



Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	30%	5%	9%	4%	48%	16%	64%
50	23%	13%	5%	5%	47%	18%	64%
60	20%	20%	4%	5%	49%	17%	66%
70	19%	26%	3%	4%	52%	16%	68%
80	18%	31%	3%	4%	55%	15%	71%
90	17%	35%	2%	4%	58%	14%	73%
100	16%	39%	2%	4%	60%	14%	74%
110	16%	41%	2%	3%	62%	13%	75%
120	16%	43%	1%	3%	63%	13%	76%
130	15%	45%	1%	3%	64%	12%	77%
140	15%	46%	1%	3%	65%	12%	77%
150	15%	47%	1%	3%	66%	12%	78%
160	15%	48%	1%	3%	67%	12%	78%
170	14%	49%	1%	3%	67%	12%	79%
180	14%	49%	1%	3%	67%	11%	79%
190	14%	50%	1%	3%	68%	11%	79%
200	14%	50%	1%	3%	68%	11%	79%
210	14%	51%	1%	3%	68%	11%	79%
220	14%	51%	1%	3%	68%	11%	79%
230	14%	51%	1%	3%	68%	11%	79%

* Percentage figures are percentages of divisible income, summing to Total Government Take





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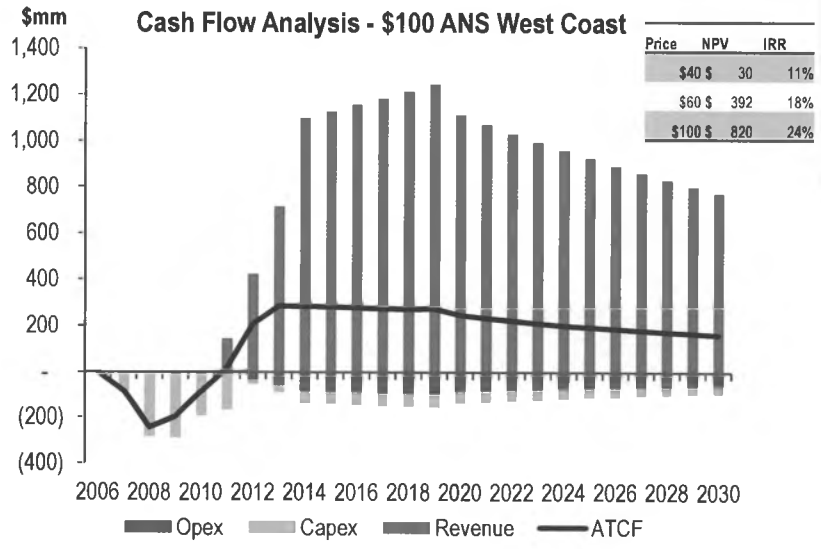
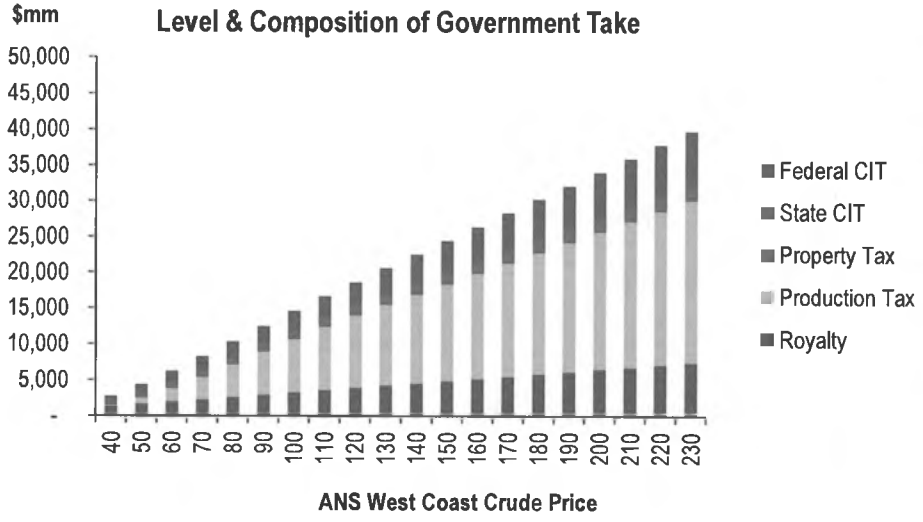
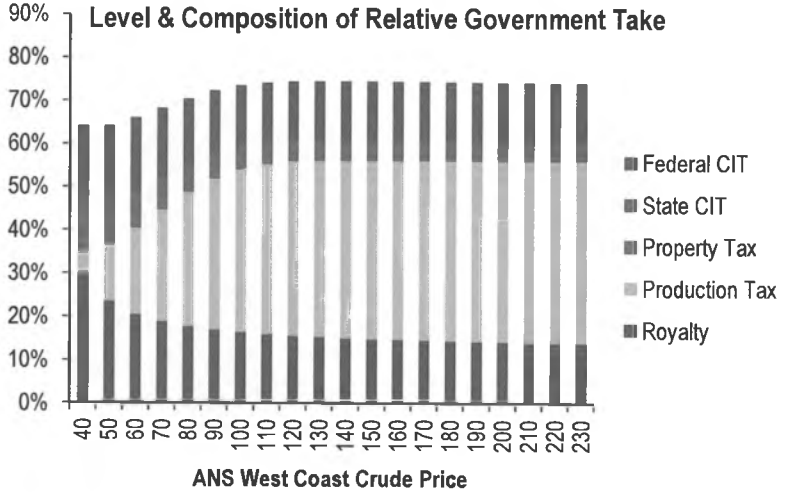
ACES – Capped at Maximum of 50%



Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	30%	5%	9%	4%	48%	16%	64%
50	23%	13%	5%	5%	47%	18%	64%
60	20%	20%	4%	5%	49%	17%	66%
70	19%	26%	3%	4%	52%	16%	68%
80	18%	31%	3%	4%	55%	15%	71%
90	17%	35%	2%	4%	58%	15%	72%
100	16%	38%	2%	4%	60%	14%	74%
110	16%	40%	2%	4%	61%	14%	74%
120	16%	41%	1%	4%	61%	13%	74%
130	15%	41%	1%	4%	61%	13%	75%
140	15%	41%	1%	4%	61%	14%	75%
150	15%	41%	1%	4%	61%	14%	75%
160	15%	42%	1%	4%	61%	14%	75%
170	14%	42%	1%	4%	61%	14%	74%
180	14%	42%	1%	4%	61%	14%	74%
190	14%	42%	1%	4%	61%	14%	74%
200	14%	42%	1%	4%	61%	14%	74%
210	14%	42%	1%	4%	61%	14%	74%
220	14%	42%	1%	4%	61%	14%	74%
230	14%	42%	1%	4%	61%	14%	74%

* Percentage figures are percentages of divisible income, summing to Total Government Take





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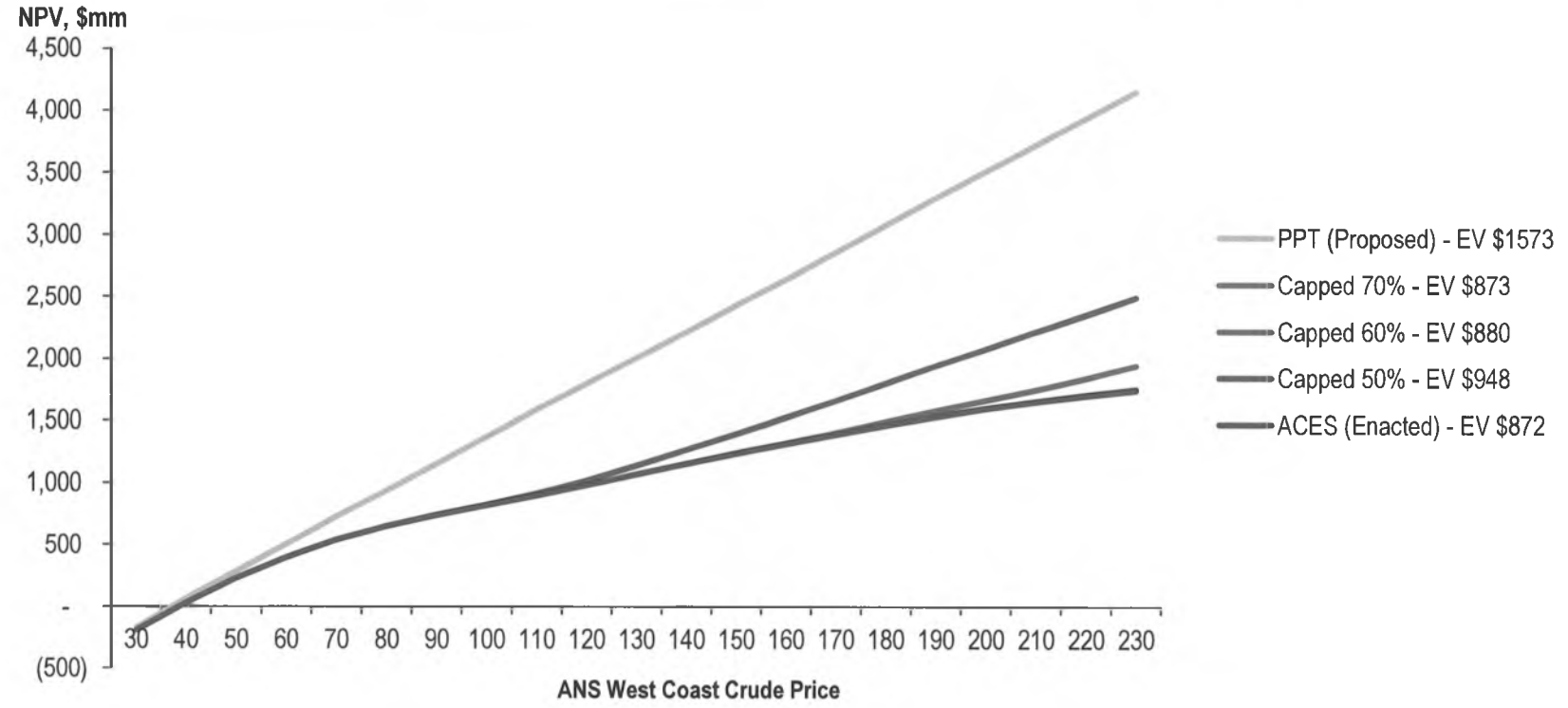
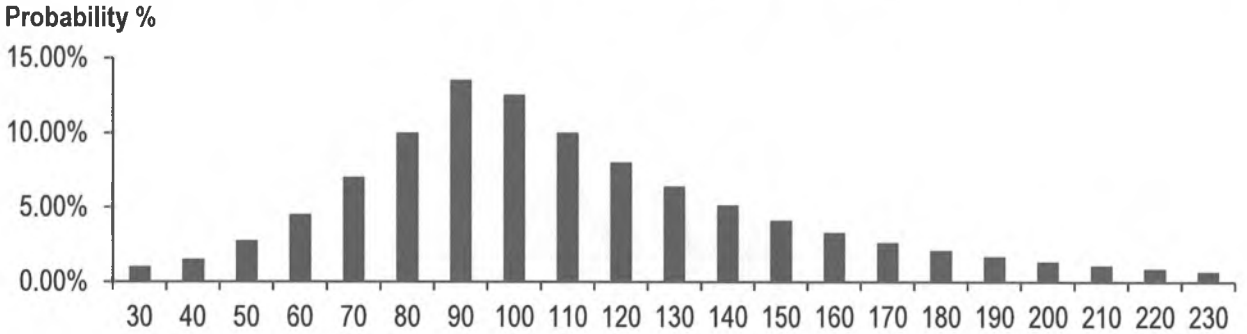
Limitations on Price Upside: A Probabilistic Approach





* Probability distribution is for illustrative purposes only

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Conclusions

- There are a wide range of forms of progressivity, and metrics on which it may be based
- Sometimes progressivity may be used to counterbalance regressive elements of a regime, and at other times, it may simply be about taking as large a share of the economic rent as possible
- A well-designed highly progressive regime may be efficient, but it will not necessarily be competitive
- Alaska is one of the more progressive regimes in the world, and has a relatively high level of Government Take (GT)
  - In the OECD, only Norway has a higher level of GT, and Alaska GT is equal to Norway's at $140 oil
  - Higher GT regimes tend to be PSC regimes in some of the highest take regimes in the world
- PPT as it was proposed was a progressive component that counterbalanced other regressive elements, to create a fairly neutral regime
- PPT as enacted was highly progressive, and ACES is even more so.

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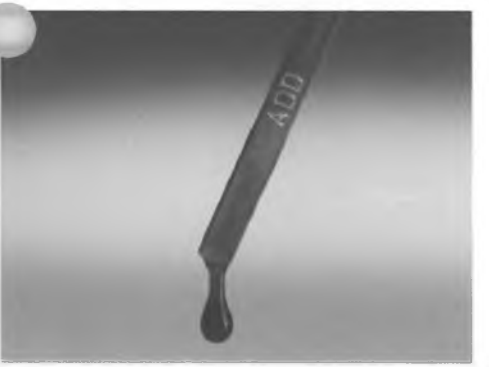

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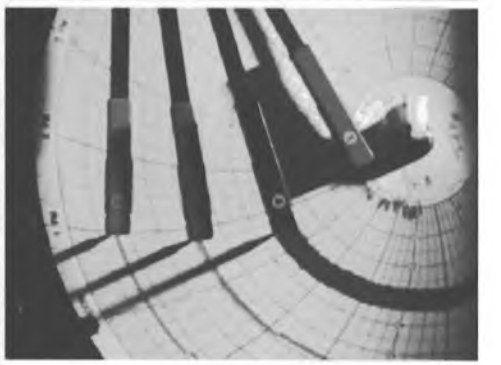

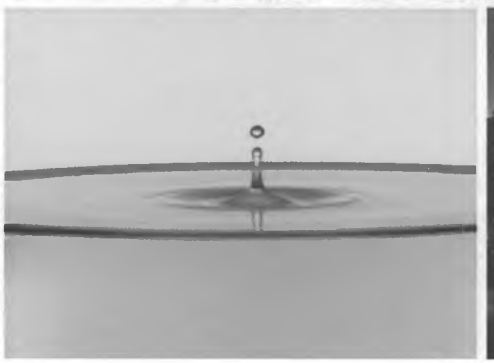

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Library

Final Findings and Determination

For

Nikaitchuq Development
Royalty Modification
Application

Commissioner of the Department of Natural Resources

APPROVAL
OF MODIFICATION OF ROYALTY
FOR LEASES:
ADLs 388571, 388572, 388574, 388575, 388577, 388581, 388582, 388583, 390615, 390616 and 391283

January 11, 2008

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VIII.	**ATTACHMENTS**	

1. Nikaitchuq Royalty Modification Application (October 16, 2007)
2. Map of Royalty Modification Leases Committed to Nikaitchuq Unit
3. Copy of Public Notice Issuance
4. Public Notice Affidavits
5. Map of Nikaitchuq Development Area
6. First Expansion of the Nikaitchuq Unit Area, Termination of the Tuvaaq Unit, and the Contraction of the Kuparuk River Unit Area

7. Economic Analysis and Internal Decision Process: Final Findings and Determination For Nikaitchuq Royalty Modification Application (CONFIDENTIAL under AS 38.05.180(j) and "Deliberative Process Privilege")
8. Public Comments

I. INTRODUCTION AND BACKGROUND

A. Introduction

On October 16, 2007, Eni US Operating Co. Inc. (Eni), as operator of the Nikaitchuq Unit (NU), on behalf of its affiliate Eni Petroleum US LLC, 100 percent working interest owner of the subject leases, submitted an application to the commissioner of the State of Alaska Department of Natural Resources (ADNR) for modification of royalty under AS 38.05.180(j)(1)(A) (Attachment 1). On November 30, 2007, ADNR issued a Preliminary Findings and Determination to respond to Eni's royalty modification application. The public was invited to comment on the preliminary decision for 30 days ending January 7, 2008. ADNR hereby issues its Final Findings and Determination as required under AS 38.05.

Eni has applied for royalty modification on 12 leases which overlie the Schrader Bluff and the Sag River reservoirs. However, the Sag River reservoir was withdrawn from the application at the request of Eni. Eni requests that the fixed royalty rates of

- 12.5 percent on the Net Profit Share (NPS) lease, ADL 391283, and
- 16.66667 percent on the 11 leases (ADLs 388571, 388572, 388574, 388575, 388577, 388580, 388581, 388582, 388583, 390615, and 390616)

be reduced to the minimum rate allowed, 5.0 percent, with an annual sliding-scale royalty percentage adjustment based on the level of Alaska North Slope West Coast (ANSWC) crude oil price. The 30 percent net profit share rate on ADL 391283 is to remain unchanged. Attachment 2 depicts the Nikaitchuq Unit boundaries and leases subject to this royalty modification application.

This Final Findings and Determination responds to the royalty modification application as required under AS 38.05.180(j)(8). Part I summarizes the royalty modification application and process. Part II reviews the history of the Nikaitchuq Unit formation and development, and Eni's royalty modification application. Part III reviews the state's authority to carry out royalty modification. Part IV reviews the requirements and terms of royalty modification pursuant to this application. Part V contains ADNR's analysis of the application under the royalty modification criteria. Part VI is the Final Findings and Determination.

B. Royalty Modification Procedure

This Final Findings and Determination is the first step in a process contemplated in AS 38.05.180(j) that could result in an authorization to modify the royalty terms for certain leases. The commissioner published the Preliminary Findings and Determination, gave public notice of a 30-day public comment period (Attachments 3 and 4), and offered to appear before the Legislative Budget and Audit Committee to provide a review of the

Findings and Determination and the administrative process. The commissioner will keep the submitted data confidential under AS 38.05.035(a)(9) at the request of the lessee or lessees making application for the royalty reduction. This Final Findings and Determination by ADNR regarding royalty modification is final and not appealable. With the Applicant's concurrence, ADNR will amend the subject leases to conform to the terms of this royalty modification Final Findings and Determination.

II. SUMMARY OF ENI'S APPLICATION FOR ROYALTY MODIFICATION

A. Unit and Lease Summary

ADNR approved the formation of the Nikaitchuq Unit effective April 29, 2004. At that time, Kerr-McGee Oil & Gas Corp. (KMG) held 70 percent of the working interest and Armstrong Oil & Gas Inc. (Armstrong) held 30 percent. The unit originally consisted of eight leases covering 12,968 offshore acres in the shallow waters of Harrison Bay in the Beaufort Sea, approximately three miles north of Oliktok Point. The Kuparuk River Unit (KRU) lies to the south, and the Milne Point Unit (MPU) lies to the east of the Nikaitchuq Unit. The Tuvaaq Unit, formed in August 2004, was adjacent to the western boundary of the original Nikaitchuq Unit. Effective October 5, 2007, ADNR approved the first expansion of the Nikaitchuq Unit, termination of the Tuvaaq Unit and the contraction of the Kuparuk River Unit. The Nikaitchuq Unit expanded to include all of the Tuvaaq Unit leases, the Kigun lease, formerly committed to the KRU, and two additional leases acquired by ENI at the 2004 Beaufort Sea Sale.

All 12 leases in the Eni royalty modification application are committed to the expanded Nikaitchuq Unit. (See lease map in Attachment 2.)

The ownership of the Nikaitchuq Unit has changed significantly since formation. Eni acquired Armstrong's 30 percent WIO of Nikaitchuq Unit in August 2005. In August 2006, Anadarko Petroleum Co. (Anadarko) acquired KMG, including KMG's 70 percent WIO in Nikaitchuq Unit, and became Nikaitchuq Unit operator. Eni subsequently acquired the remaining 70 percent Nikaitchuq Unit ownership from the operator, Anadarko, in March 2007, and became the 100 percent WIO and operator of Nikaitchuq Unit.

On January 11, 2006, KMG submitted an application for royalty modification under AS 38.05.180(j)(1)(A) for 14 leases of which 12 are the subject of this application.[1] KMG's application requested that the royalty rate for the 14 leases be modified from their respective existing fixed royalty rates of 16.67 percent and 12.5 percent to a fixed royalty rate of 5 percent. Effective October 31, 2006, the ADNR issued the Final Findings and Determination of the Commissioner of the Department of Natural Resources for the Nikaitchuq Development Royalty Modification Application denying KMG's application for royalty modification.

[1] The KMG application included ADLs 355021, 355024, 388571, 388572, 388574, 388575, 388577, 388578, 388580, 388581, 388582, 388583, 390615, and 390616.

B. Project Development History

In the 2003-2004 and 2004-2005 exploration/appraisal drilling programs KMG/Armstrong encountered accumulations of hydrocarbons in the area of the then-proposed Nikaitchuq Unit. A total of six wells were drilled in the Nikaitchuq area in the 2004 and 2005 winter drilling seasons; two additional wells were drilled in 2006.

The planned development includes:

- Construction of a gravel pad with drilling, gathering and production facilities on Oliktok Point near the existing ConocoPhillips Alaska Inc. seawater treatment facility.
- Construction of a gravel drilling island near Spy Island tied back via a 3.8-mile subsea flow line and utility bundle to Oliktok Point for fluid processing.
- Construction of a +/-14-mile pipeline from Oliktok Point to a tie-in near KRU DS-1Y pad for connection to the Kuparuk Transportation common carrier pipeline.
- Consideration of future modifications required to adjust facility configuration to accommodate actual results of well performance.
- A total of 73 wells drilled between 2008 and 2011, of which 31 are expected to be producers.
- First oil expected in 2010.

Development studies indicate that extended reach horizontal producing and injection wells required for pressure maintenance are needed to economically recover the hydrocarbons in place. The planned development would permit a relatively small "footprint" for centralized facilities and minimal well pads, thereby reducing environmental impacts to the region. Initial drilling will be from a 313,000-square-foot pad to be constructed at Oliktok Point. Existing roads will be utilized for access. The production facilities will be located on the same pad. Later, a small gravel island is to be constructed within the barrier islands for future drilling. A subsea bundle containing a three-phase production line and multiple utility lines will be constructed to connect the gravel island to Oliktok Point to transport production and provide fuel, secondary recovery fluid, and power to the gravel island.

C. Eni Royalty Modification Request

On October 16, 2007, Eni submitted an application (Attachment 3) to the ADNR commissioner for modification of royalty on 12 leases, ADLs: 388571, 388572, 388574, 388575, 388577, 388580, 388581, 388582, 388583, 390615, and 390616 and ADL 391283 under AS 38.05.180(j)(1)(A). In accordance with 11 AAC 88.105, 11 AAC 83.185, and 11 AAC 05.010(a)(10)(H) Eni submitted a complete application with the required $250.00 filing fee.

The Eni application for royalty modification submitted on October 16, 2007, requests a 5.0 percent fixed royalty if the Alaska North Slope West Coast (ANSWC) crude oil price falls below an ANSWC price equivalent to the U.S. Department of Interior, Minerals Management Service (MMS) NYMEX West Texas Intermediate (WTI) oil price threshold for royalty modification for OCS August 2004-2006 deepwater oil leases in the Gulf of Mexico (GOM).[2] Eni proposes a sliding-scale royalty rate in any month after production start-up (expected in 2010) that would range between 5.0 and 16.6667 percent, depending on the average monthly price of ANSWC crude oil. An ANSWC monthly (nominal) price below the Alaska Department of Revenue (ADOR) *Spring 2007 Revenue Sources* forecast between 2010 (the year of first production) and 2017 shown in Figure II.1 (below) would trigger a reduced royalty rate from original fixed lease rates of 12.5 percent and 16.6667 percent, respectively. The amount of the reduction in royalty percentage would depend on (a) the original lease rate (either 12.5 percent or 16.6667 percent) and (b) the extent to which the actual future oil price falls below the ADOR forecast threshold.[3]

The original fixed royalty rate of 16.6667 percent for ADLs 388571, 388572, 388574, 388575, 388577, 388581, 388582, 388583, 390615, and 390616 and 12.5 percent with 30 percent net profit for ADL 391283 would be subject to the sliding scale modification in a low commodity price environment to a level at or above a floor of 5 percent. The 30 percent net profit share to the State attached to ADL 391283 would be unchanged under the Eni royalty modification proposal.

The Eni application also would provide full royalty relief at a reduced rate of 5 percent for all leases regardless of oil price if monthly production is below 4,000 barrels of oil per day for the first 10 years following the effective date of the royalty modification decision.

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[2] ADNR estimates threshold to be $42.53 per barrel in 2010 based on a 2007 NYMEX WTI price of $42.64 assuming a 94 percent basis adjustment to ANSWC and 2 percent price escalation pursuant to the ENI proposal. See: MMS, *Price Thresholds and Annual Market Prices for MMS Deepwater and Deep Depth Oil and Gas Royalty Relief Programs*, Deep Water Oil, Economics Division at www.mms.gov/econ/DWRRAPrice1.htm.

[3] Under the Eni proposal, the royalty percentage rate adjustment would be approximately ¾ percentage point per $1 change in ANSWC price for leases with a 16.6667 percent base royalty rate and ½ percentage point per $1 change in ANSWC price for leases with a 12.5 percent base royalty rate. After 2017, the ADOR ANSWC price forecast is inflated by the monthly change in the Producer Price Index (PPI).

III. SUMMARY OF ROYALTY MODIFICATION AUTHORITY AS 38.05.180(j)(1)(A), (2), (3), (4)(A), (5)

A. General Royalty Modification Requirements

AS 38.05.180(j)(1)(A) authorizes the DNR commissioner to provide for royalty modification on individual leases, leases unitized as described in (p) of this section (AS 38.05.180), leases subject to an agreement described in (s) or (t) of this section (AS 38.05.180), or interests unitized under AS 31.05 to allow for production from an oil or gas field or pool if:

1. the oil or gas field or pool has been sufficiently delineated to the satisfaction of the commissioner;
2. the field or pool has not previously produced oil or gas for sale; and
3. oil or gas production from the field or pool would not otherwise be economically feasible.
4. Under AS 38.05.180(j)(2), the commissioner may not grant a royalty modification unless the lessee or lessees requesting the royalty modification make a clear and convincing showing that a royalty modification meets the three requirements set out above and is in the best interests of the state.

B. General Royalty Modification Terms

1. Under AS 38.05.180(j)(3) the royalty modification terms must provide for an increase or decrease or other modification of the state's royalty share by a sliding-scale royalty or other mechanism that shall be based on a change in the price of oil or gas and may also be based on other relevant factors such as a change in production rate, projected ultimate recovery, development costs, and operating costs.
2. Under AS 38.05.180(j)(4)(A) a modification to royalty may not be granted for the field or pool if the royalty modification would result in a royalty rate of less than 5 percent in amount or value of the production removed or sold from a lease or leases covering the field or pool.
3. Under AS 38.05.180(j)(5) a royalty reduction must include an explicit condition that the royalty reduction is not assignable without the prior written approval, which may not be unreasonably withheld, by the commissioner. The commissioner shall, in the preliminary and final findings and determinations, set out the conditions under which the royalty reduction may be assigned and may not grant a royalty reduction without an explicit condition that the royalty reduction is not transferable.

IV. DISCUSSION OF ROYALTY MODIFICATION CRITERIA

A. Leases Are Eligible For Consideration

The leases meet the requirements for consideration and all eleven subject leases proposed for royalty modification are committed in entirety to the Nikaitchuq Unit. AS 38.05.180(j)(1) allows modification of royalty for individual leases and unitized leases.

B. Reservoir Delineation: Discussion of Reservoir Geology and Engineering

1. Introduction to reservoir delineation.

The commissioner may grant royalty modification to allow for production from an oil or gas field or pool if the oil or gas field or pool has been sufficiently delineated to the satisfaction of the commissioner.

The area within the Nikaitchuq Unit for which royalty relief is sought lies offshore in the Beaufort Sea in the vicinity of Spy Island, approximately three miles north of Oliktok Point. The Nikaitchuq Unit is north of and contiguous with the northern edge of the KRU and the Milne Point Unit (MPU). The KRU is operated by ConocoPhillips and produces from the Cretaceous Kuparuk River Formation and shallower Schrader Bluff Formation. The BP-operated MPU field lies to the south-southeast of the Nikaitchuq Unit and produces oil from the Schrader Bluff, Kuparuk, and Triassic Sag River formations. The western edge of the proposed Nikaitchuq Unit is adjacent to the recently expanded Oooguruk Unit (OU) operated by Pioneer. Production from the OU is expected from the Kuparuk and Jurassic Nuiqsut sandstones.

Within the Nikaitchuq Unit, potential commercially recoverable reserves have been tested in both the Cretaceous Schrader Bluff and the Triassic Sag River formations.

Based upon the submitted application and the planned initial development, the request for royalty modification at Nikaitchuq is limited to the OA sand of the Schrader Bluff Formation. For the purpose of this application, the OA sand is defined in Kerr McGee Nikaitchuq #1 (API No. 50629231930000), completed in 2004, as the interval between 5034 feet measured depth (4127 feet subsea true vertical depth) and 5090 feet measured depth (4170 feet subsea true vertical depth).

ENI has adequately delineated the OA sand of the Schrader Bluff Formation in the Nikaitchuq area. Their drilling, testing, and evaluation programs appear to have highlighted the obvious risks inherent to developing viscous oil and identified the possible upside potential available through use of extended reach drilling and advanced completion technologies.

Although upside potential may also exist within the shallower Schrader Bluff N sand interval, the current lack of core, well test, or fluid data from this interval increases the risk and precludes it from being deemed delineated and included as part of this application. ENI plans to gather more data to thoroughly evaluate the N sand during the course of developing the deeper OA sand.

The Sag River Formation contains lighter oil than the Schrader; however, it is plagued with poor quality reservoir rock. The development potential is marginal at best unless there are significant advances in stimulation or enhanced oil recovery technology. Delineation of the Sag River Formation at Nikaitchuq to date has revealed limited reserves and similar test results to the analog at MPU where wells within the Sag River Formation consistently show initial flush production followed by steep decline within the first year. ENI is still evaluating the development potential of this interval and, as such, it has been excluded from this application.

2. Exploration History of the Area

Two key early exploration wells lie within several miles of the Nikaitchuq development area. The Unocal East Harrison Bay State #1 well lies near the northwest corner of the KRU, to the southwest of the Nikaitchuq Unit. The well was drilled in February 1977 to a measured depth of 9,809 feet, bottoming in argillite basement. The East Harrison Bay State #1 well logs appear to contain about 15 feet of oil-bearing Kuparuk Formation that appears cemented in the upper half. The Jurassic section looks silty on logs. The ARCO Kalubik #3 well, drilled in February 1998, lies to the south-southwest of the Nikaitchuq area. The well bottomed in the Jurassic at a measured depth of 7,000 feet. The well encountered a 40-foot-thick measured depth (MD) interval of Kuparuk C sandstone that appears on electric logs as oil-bearing, but siderite cemented in the upper 10 feet of the interval. On well logs the Jurassic interval contains silt with a 12-foot silty sand developed around 6,565 feet MD. The well was plugged and abandoned on March 6, 1998.

3. Drilling History

The first major exploration activity in the area in the early 1970s targeted the Ivishak Formation following the discovery of the prolific Ivishak Formation in Prudhoe Bay State #1 in 1967. The Hamilton Brothers Milne Point #18-1 was one of the early wells drilled on the Milne Point structure in 1970 in search of Ivishak and Lisburne objectives. This well encountered about 50 feet of tight oil-saturated sandstone that was not tested and a section of Kuparuk sandstone that tested at a rate of 875 BOPD. This discovery led to increased industry interest in the Milne Point area and led to exploration and delineation drilling for Kuparuk reserves. In the early 1980s the Sag River was cored in the Conoco Milne Point Unit #C-1 well and contained bleeding oil and gas. The Sag River Sandstone was also cored in the MPU #L-1 well and contained no visible porosity or staining and appeared tight on wire line logs.

In the early 1990s about a dozen wells were drilled to the west-southwest of the Nikaitchuq area with Jurassic sandstones and Kuparuk C sandstones as targets. The ARCO Kalubik #1 well encountered approximately 160 feet of productive Nuiqsut and Nechelik sandstone that tested approximately 336 BOPD (un-stimulated). In addition, the well penetrated an 85-foot section of Sag River Sandstone with calculated log porosities in the range of 15 to 22 percent. The Thetis Island #1 well also encountered an 80-foot section of porous Sag River sandstone with log-calculated porosities in the range of 16-24 percent. A pay section of Nuiqsut sandstone was also encountered that tested at an average rate of 120 BOPD with a high rate of 650 BOPD. Both the Kalubik #1 well and Thetis Island #1 well drilled through Brookian sandstones that contained mud log hydrocarbon shows.

In the late 1990s BP drilled several dedicated Sag River Sandstone test wells, including MPU #C-23, #K-33, #E-13A, 3F-33, #F-33A, and #F-73A. Alaska Oil and Gas Conservation Commission (AOGCC) production data indicate that several Milne Point wells have produced oil out of the Sag River Sandstone and two oil producing wells MPU F-33A and K-33, are currently shut-in. MPU #C-23 produced 378,012 barrels of oil between 1996 and 2001. MPU #F-33 produced 314,276 barrels of oil between September 1996 and May 1999 and was subsequently plugged and abandoned. MPU #K-33 has produced approximately 93,241 barrels of oil since 1997. MPU #E-13A produced 366,665 barrels of oil between 1995 and April 2001. MPU #F-33A produced approximately 661,099 barrels of oil since April of 2001. MPU #F-73A produced 13,430 and is now a water-alternating-gas injection (WAGIN) well. BP estimated the original oil-in-place (OOIP) at 62 MM STB oil and the reservoir area about 8500 acres based upon seismic and log data during an AOGCC Conservation Order hearing in May 1998. AOGCC reservoir data indicate that the oil commonly recovered from the Sag River sandstone has an API oil gravity of about 37 degrees. Total production from the MPU Sag River Sandstone has been 1,834,131 barrels of oil and 1,875,668 MSCF gas through October 2007. MPU Sag River recovery is less than 3 percent to date based on OOIP. The original GOR ranged from 784 – 974 SCF/STB. Production from the Sag River pool at MPU has been intermittent with extended shut-in periods since June 1999.

Between 2004 and 2005, Kerr McGee (KMG) drilled six wells in the Nikaitchuq and Tuvaaq Units. Initially, the primary exploration target was the Sag River Formation; the Kuparuk Formation was a secondary target. Although the wells did not encounter reservoir quality sand in the Kuparuk, the well logs indicated that sands in the shallower Schrader Bluff Formation were prospective. KMG then adjusted the exploration program to thoroughly evaluate the Schrader Bluff Formation. Three of the six wells tested oil from the viscous Schrader Bluff or Sag River formations. In 2006/2007 KMG drilled two additional pre-development wells from Oliktok Point to further delineate and test the Schrader Bluff sandstone. The two wells are currently suspended.

4. Schrader Bluff Formation Tests

KMG Nikaitchuq #4

Approximately 3,000 feet of gross horizontal Schrader Bluff OA sand was drilled in this well, with approximately 2,270 feet of horizontal or lateral net pay, from a 30-foot true-vertical-depth net pay thickness. A two-week production test was performed on the well using an electric submersible pump (ESP) to aid in producing the 16–17 API crude. The well tested at rates up to 1,200 barrels of oil per day during periods of the initial test. Permeability estimated from the test was greater than 350 millidarcies and was confirmed from the analysis of the flow tests conducted on a whole core obtained from the well.

KMG Tuvaaq #1

The well was not tested. It penetrated 30 feet net pay Schrader Bluff OA Sand and 12 feet net Schrader Bluff N sand. There were no cores taken at Tuvaaq. Schrader Bluff N sand was interpreted to be oil-filled here and at Kigun #1 appeared unconsolidated with permeability estimated from 100-1000 millidarcies and porosity 25-35 percent.

KMG Kigun #1

The well was not tested. It penetrated 29 feet net pay Schrader Bluff OA sand and 30 feet net N sand. An MDT tool run sampled the Schrader Bluff OA fluids which were 18 degree API, GOR 59 SCF/STB and viscosity of 82 cp at 87 degree reservoir temperature. (Contamination of the samples with oil-based mud caused concern about the reliability of the sample estimates and properties.) Schrader Bluff OA sand core data indicated 25 percent to 38 percent porosity and up to 1,000 millidarcies permeability in the sandstone intervals.

KMG Oliktok Point I-1 KMG Oliktok Point I-2

These two wells were drilled by KMG during the 2006/2007 drilling season as pre-development wells to further test and delineate the Schrader Bluff reservoir. These wells have been suspended. Results from these wells are currently held confidential under AS 38.05.035(a)(9).

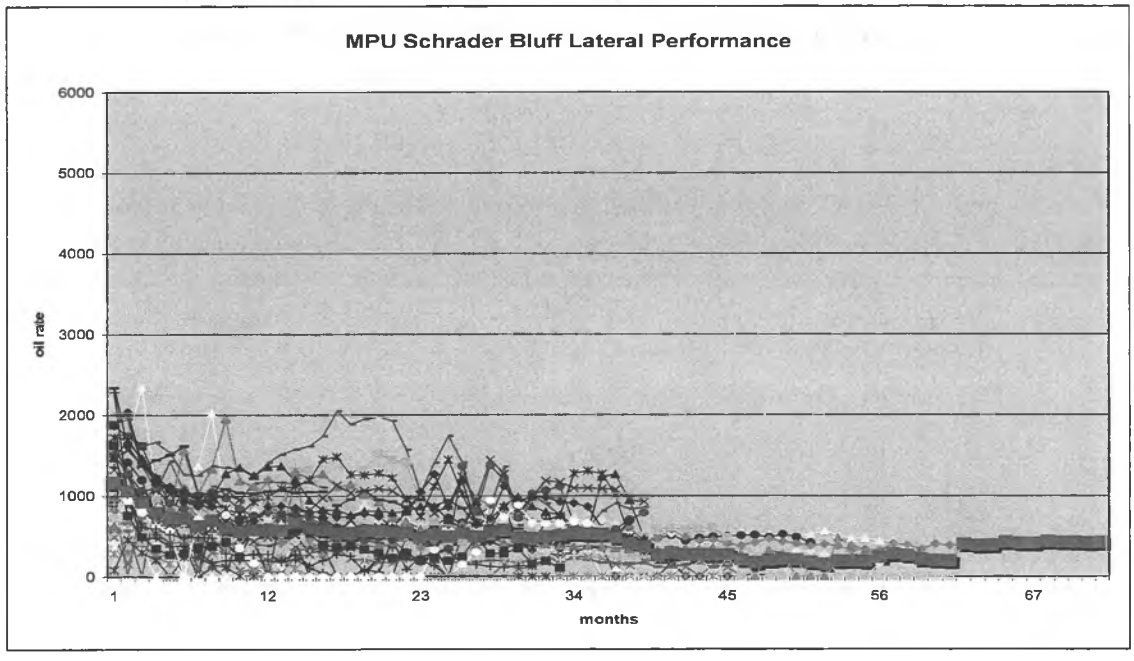
5. Analog Schrader Bluff Formation Performance

Milne Point Unit (MPU) Schrader Bluff Pool (Figure 1), Kuparuk River Unit (KRU) West Sak Pool (Figure 2) and Prudhoe Bay Unit (PBU) Polaris and Orion pools – Figure 3, represent analog Schrader Bluff Formation horizontal well performance. Each of the pools was developed initially with vertical or slanted completions. More recently a number of horizontal lateral and multi-lateral wells have been completed in each of these pools. MPU and KRU Schrader Bluff wells show a distinct, lower rate performance than the newer developed Polaris and Orion Pool wells. A significant portion of the performance difference is likely due to differences in fluid quality. Within the Schrader Bluff Formation / West Sak, developments oil gravities can vary between 15-24 degrees API and viscosity can vary between 5-130 centipoise. To date, development has been limited to those areas with higher API Gravity and lower viscosity. Later Schrader Bluff Formation developments are building on earlier techniques by going from vertical to

horizontal and multilaterals wells. The horizontal and multilaterals should consistently outperform the older wells because more formation is exposed and the completions are more efficient.

The wells in each Schrader Bluff Formation pool exhibit early flush production for six to 12 months. The PBU Schrader Bluff completions show slightly higher initial rate profiles followed by relatively steep decline. The average MPU Schrader Bluff completion (heavy bright green points and line) declined from 1200 bopd to 500 bopd at 12 to 40 months. KRU West Sak lateral completions have performed similar to MPU Schrader Bluff.

Figure 1. MPU Schrader Bluff Formation lateral performance and average performance (heavy green).



6. Reservoir delineation determination.

ENI has adequately delineated the OA sand of the Schrader Bluff Formation in the Nikaitchuq area. Their drilling, testing, and evaluation programs appear to have highlighted the obvious risks inherent to developing viscous oil and identified the possible upside potential available through use of extended reach drilling and advanced completion technologies.

Figure 2. KRU West Sak sands lateral performance and average performance (heavy orange).

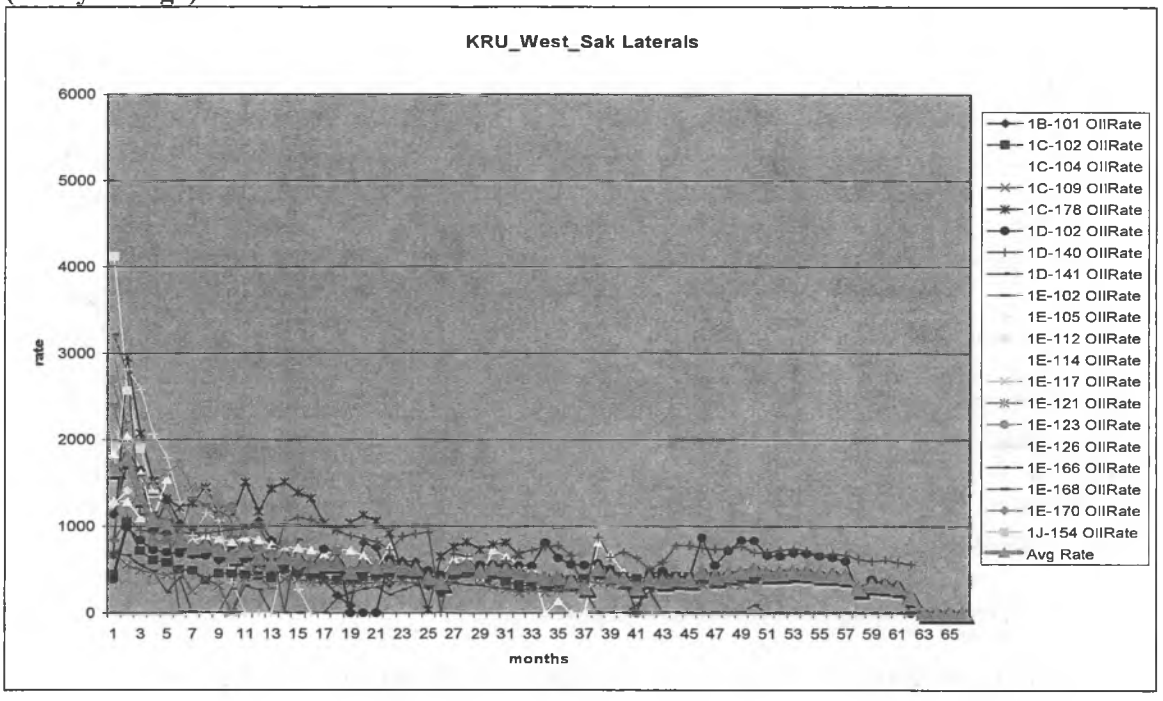
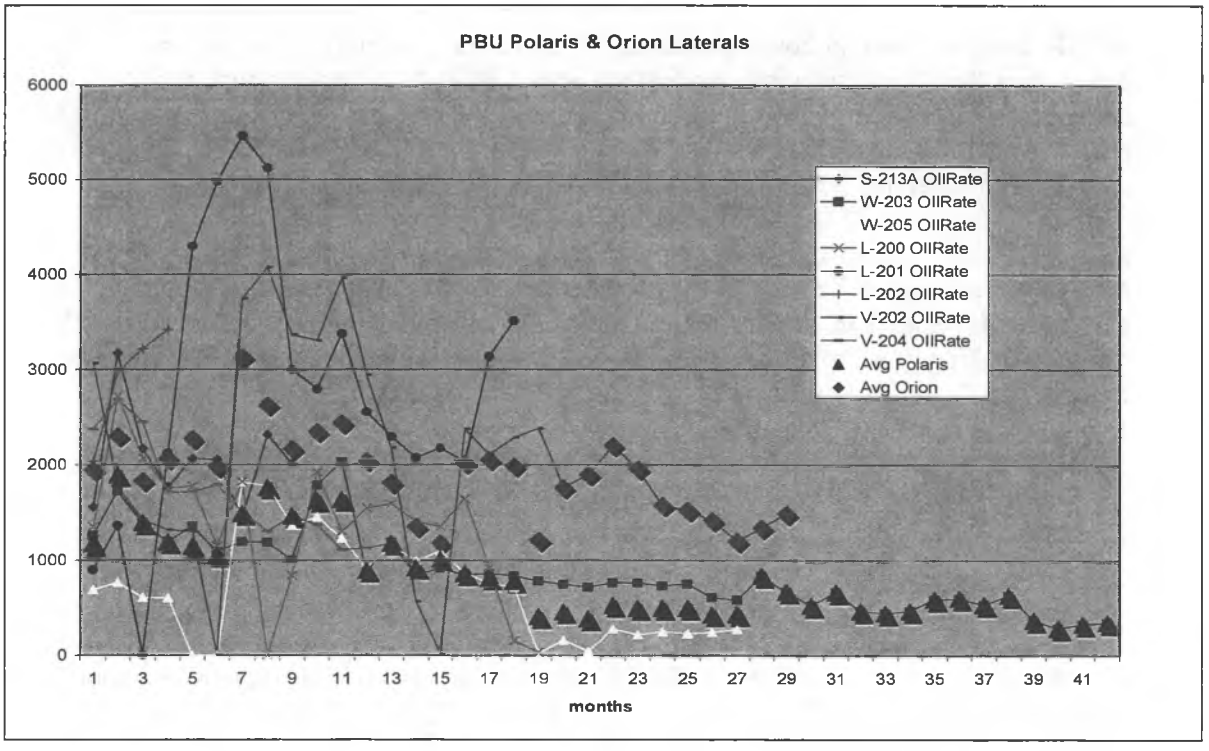


Figure 3. PBU Polaris and Orion Schrader Bluff Formation initial performance.



ENI stated that their plan is to develop Nikaitchuq Schrader Bluff Formation with horizontal wells. Their prognosis of performance can be compared to the analogs by evaluating average Schrader Bluff well performance from initial completion to date. There are up to seven years of production history for the various Schrader Bluff Formation horizontal and lateral wells. Orion appears to be more productive so far but the long term performance has yet to be defined. ENI appears to estimate their development will improve on the previous KRU and MPU Schrader Bluff completions by using the latest technology, namely very long horizontal and or multi-lateral completions. ENI's cases align reasonably with the MPU Schrader Bluff and KRU West Sak and PBU Polaris average performance. PBU Orion performance is notably better than ENI's high case average rates. Analyses of oil samples taken within the OA sand in the Nikaitchuq area demonstrate measured oil viscosities of 95–188 centipoise. This is heavier than the average viscosity of production from existing KRU, MPU and PBU Schrader Bluff developments. In addition, the Nikaitchuq development will include construction of a new standalone facility. The KRU, MPU, and PBU Schrader Bluff pools had existing infrastructure and production from other formations to support the additional development. Both of these factors increase the risk and make this project more economically challenged compared to existing heavy oil developments.

C. No Previous Sale of Produced Oil or Gas

The pools underlying the leases have not previously produced oil or gas for sale.

D. Economic Analysis

ADNR used its own in-house probabilistic economic model (ADNR Model) for the Nikaitchuq development to independently assess the financial performance and ultimate economic effects of a royalty modification for both Eni and for the State of Alaska. Eni shared with the state portions of its proprietary economic model, but the state chose to use its own model that incorporated many input assumptions provided by Eni.[4]

ADNR closely examined the assumptions and methods currently in use by the U.S. Minerals Management Service (MMS) for the Deep Water Royalty Relief Program. The MMS has developed an in-house proprietary probabilistic economic model for Royalty Suspension Viability Program. ADNR adopted an approach similar to that of the MMS by applying the quantitative results from the ADNR model to a prudent-investor decision framework. The ADNR decision framework is confidential. It is designed to replicate the kind of analytical framework used by industry for making prudent oil and gas investment decisions under uncertain conditions involving significant capital outlays and lengthy project life cycles.

[4] Eni has submitted financial and technical data and analyses and requested that they be held confidential in accordance with AS 38.05.035(a)(9). Thus this section does not discuss any confidential information concerning Eni's geologic, engineering and cost data. These documents are included and discussed in detail in the confidential *Economic Analysis and Internal Decision Process*, (Attachment 6).

The prudent investor standard is maintained throughout the project evaluation process. Under this standard, ADNR incorporates a collection of project performance benchmarks that are consistent with industry norms.

To obtain royalty relief the applicant must show by clear and convincing evidence that without royalty modification the project is not economically feasible. Nikaitchuq is an offshore, heavy oil prospect with relatively high expected exploration and development costs and low expected production possibilities. The final analysis of Nikaitchuq project development conducted by ADNR pursuant to the Eni royalty modification application suggests that, under reasonable assumptions about future oil prices and without some form of royalty relief, this project would not be sanctioned for funding and development.

In its simplest form, the ADNR Model describes project cash-flows for the Nikaitchuq development over a 50-year time horizon. The ADNR Model incorporates expected investment, production, price, revenue, and cost. It incorporates fiscal system attributes, including state and federal tax, state production tax (including the recent ACES legislation)[5], and royalty obligations, as well as other important commercial relationships, such as facility sharing and pipeline transportation charges.

The ADNR in-house model is flexible enough to allow ADNR to evaluate the effects of changes to the fiscal system. The model provides a platform for systematic evaluation of the effect of a change to the royalty rate. The model calculates the changes to the various financial metrics that result from a change in the royalty rate. These metrics include annual and cumulative discounted and undiscounted cash flow, years to payout, net present value (NPV), expected monetary value (EMV), and internal rate of return (IRR) on investment, as well as state revenues. Also, ADNR used its model to carry out sensitivity analysis of key driver assumptions and to characterize certain price, production, and cost variables in terms of probability distributions to evaluate how uncertainty among these drivers affects key project metrics and state revenues.

Eni furnished ADNR with 200 realizations of project production that depict the range of values and probabilities for the many reservoir factors that that determine ultimate reservoir recovery (e.g., aerial and vertical extent, rock characteristics, fluid composition and properties). These 200 Eni realizations represent the universe of possible resource recovery outcomes for ADNR's Monte Carlo analysis that fit the well-test data. The ADNR model samples repeatedly from this universe of production realizations, as well as from volatility inherent in price formation, as characterized in the mean reversion price model (see below), to generate a distribution of net present value (NPV) outcomes for the Nikaitchuq project. The central tendency (mean and median) and dispersion (variance) of the NPV outcomes depict project performance uncertainty and speak to the dimensions of ADNR's prudent-investor decision framework mentioned above.

ADNR incorporated the applicant's input data into its model along with its own assumptions about the path of uncertain future prices to derive independent results for the

[5] See HB2001 (11/15/2007).

economic feasibility of the Nikaitchuq project. The ADNR Model examines a range of possible inputs to derive a P50, or median, outcome from a Monte Carlo simulation. The P50 result is the value where 50 percent of the outcomes lay below this point and 50 percent of the outcomes lay above the P50 outcome. The ADNR Model uses Palisades Software's "@Risk" Monte Carlo software application to run the simulations and determine risk-weighted outcomes reported in the confidential supplement to this *Final Findings and Determination* (Attachment 7).

Calculating risk weighted outcomes is critical to a full analysis of a project. The probabilistic rate profile, determined based on the applicant's reservoir simulation results, is combined with pricing to determine the project revenue stream. Annual Alaska North Slope West Coast (ANSWC) crude oil prices were generated from an Ornstein-Uhlenbech type Mean-Reversion price model[6] with parameters estimated as described by Schwartz, (1997)[7] using annual price data for ANSWC crude as reported by Platt's. The starting ANSWC delivered price used in the model is $67 per barrel, the average price for 2007. The risk weighted cost profiles are then matched to the revenue stream generated by the probabilistic price and production models. This yields an NPV distribution. The mean of the NPV distribution is the EMV for the entire project that incorporates uncertainty and can be compared "apples-to-apples" with other versions of the project.

ADNR analyzed various senarios to explore Nikaitchuq project performance with and without royalty modification. DNR approves royalty modification only when it believes a project will not go forward without it. This means that the impact to royalty revenues to the state is the difference between the royalty revenues with royalty modification as was prescribed in the DNR decision and zero. Even under low price scenarios, ADNR determined that the state can expect to receive an additional $100 million over the life of the project.

If it is assumed that the project could have gone forward without royalty modification (again, not what ADNR assumes) the impact would be as indicated in Table 1. This table presents several possible price scenarios and the indicated change to the state royalty cash flow stream.

In Table 1 the scenarios labeled "$43 and Above (Sustained)" and "$40 Sustained" simply use a flat price deck for "Alaska North Slope West Coast" (ANSWC) crude oil (before inflation) for the life of the project, the price does not vary from year-to-year. An oil price of $40 is always just below the $42.64 royalty modification threshold and thus results in 5 percent royalty rates for every barrel of oil produced from the reservoir for the life of the project and the greatest negative impact to overall state royalty revenues.

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[6] Dixit & Pindyck, 1994, http://www.puc-rio.br/marco.ind/sim_stoc_proc.html#mc-mrd.

[7] The Stochastic Behavior of Commodity Prices: Implications for Valuation and Hedging", Schwartz, E., Journal of Finance, 1997, Volume 52, issue 3, 923-973

Table 1. Change in Alaska royalty revenues if royalty modification were not necessary and project produced oil without royalty modification.

Price Scenario	Impact on State of Alaska Royalty Revenue ("With Royalty Modification Per Decision" Minus "Without Royalty Modification", 5% discount rate)
$43 and Above (Sustained)	$0 million
DNR Price Model	($39 million)
$40 Sustained	($160 million)

The "DNR Price Model" scenario does not use a constant or "sustained" price for the life of the project (i.e. flat price deck) as is the case with the other two scenarios in Table 1. We use a forward-looking, Monte Carlo-based "mean-reversion" model, as discussed above. This price model creates a price forecast where oil price fluctuates over time, simulating real-life price variability similar to what history has shown. The price for 2007, $67 per barrel ANSWC, was taken from U.S. Energy Information Agency's most recent price projection for West Texas Intermediate (WTI) crude, and adjusted for ANS-WTI basis by taking the previous 12-month average difference between these two prices. The model reverts to DNR's expected mean value of $53 per barrel, over time.

The ADNR has determined that under ADNR's price and discounting assumptions, the project attributes furnished by Eni, and the existing lease royalty rates in effect prior to this *Final Finding and Determination* (16.6667 percent fixed royalty rate and the 12.5 percent fixed royalty with 30 percent NPS for ADL 391283), the Nikaitchuq project does not meet prudent-investor standards for economic feasibility. ADNR concludes further that the royalty modification terms and conditions stipulated in Section IV.B would improve project economics. Eni represents that royalty modification would make project sanction more likely.

V. PUBLIC COMMENTS

On November 30, 2007, ADNR issued a Preliminary Findings and Determination to respond to Eni's royalty modification application. The public was invited to comment on the preliminary decision for thirty days, ending January 7, 2008 (Attachments 3 and 4).

No comments were received from the public.

VI. STATE'S PROPOSED ROYALTY MODIFICATION

A. Royalty Modification Requirements for the Nikaitchuq Project

1. Eni's application for royalty modification on ADLs 388571, 388572, 388574, 388575, 388577, 388580, 388581, 388582, 388583, 390615, and 390616, and ADL 391283 meets the requirements for consideration under AS 38.05.180(j)(1). Eni has paid the filing fee and submitted a complete application for the royalty modification including financial and technical data that meet the requirements of 11 AAC 88.105, 11 AAC 83.185, 11 AAC 05.010(a)(10)(H), and AS 38.05.180(j)(6).

2. The Schrader Bluff pool has been sufficiently delineated to the satisfaction of the commissioner for the purpose of considering royalty modification; this pool has not previously produced oil or gas for sale.

3. Eni has shown that oil or gas production from the Schrader Bluff pool would not otherwise be economically feasible.

4. Eni has made a clear and convincing showing that a modification of royalty meets the requirements of 38.05.180(j)(1)(A), and is in the best interests of the state.

B. Royalty Modification Terms for the Nikaitchuq Project

1. Royalty modification pursuant to the terms herein is granted to Eni US Operating Co. Inc. (Eni), as operator and 100 percent working interest owner of the Nikaitchuq project (Project), on ADLs 388571, 388572, 388575, 388574, 388577, 388581, 388582, 388583, 390615, 390616, and 391283. Royalty modification is denied for ADL 388580 because there was no apparent resource allocated to this lease.

2. Only production from Nikaitchuq Unit's Schrader Bluff OA reservoir, as delineated under this Findings and Determination, shall be eligible for royalty modification. To receive royalty modification on production, the lease must be committed to an approved participating area within six years of the date of Project sanction. After six years, any subject lease or portion of a subject lease not committed to an approved participating area for the Nikaitchuq Schrader Bluff OA reservoir shall revert to the respective individual lease royalty rates that were in effect immediately prior to this Findings and Determination.

3. If the Project, not materially changed from that set out in the October 16, 2007, royalty modification application, is not sanctioned by all working interest owners by February 28, 2008, this royalty modification decision is rescinded.

4. Within 30 days following the date of Project sanction, the working interest owners shall provide ADNR with the Project sanction documents, approvals for expenditure, and other documents supporting the technical and financial data submitted with Project sanction documents excluding any proprietary data. ADNR agrees to keep all such data confidential.

5. If six years following the date of Project sanction total actual Project spending starting December 1, 2007, does not meet $822 million in nominal dollars, then this royalty modification is rescinded. If 11 years following the date of Project sanction total actual Project spending does not meet $1.398 billion in nominal dollars, then this royalty modification is rescinded. The ADNR may audit the working interest owners' spending on this Project to determine compliance any time between the sixth and the 13th year following Project sanction. If at either cost threshold juncture this royalty modification is rescinded, then Eni will refund to the State of Alaska the difference between the royalty which would have been due at the royalty rates that were in effect immediately prior to the effective date of this Findings and Determination and the royalty due at the modified royalty rate, with interest as set forth in AS 38.05.135(d).

6. The NPS lease regulations set out in 11 AAC 83.201 – 11 AAC 83.295 remain in full force and effect for ADL 391283, except that the cost to the applicant for the application for royalty modification will not be included in any NPS lease Development Account balance.

7. (a) Nikaitchuq royalty modification mechanism implemented as follows:

   i. Original lease rates are 12.5 percent for ADL 391283 and 16.67 percent for ADLs 388571, 388572, 388575, 388574, 388577, 388581, 388582, 388583, 390615, and 390616.

   ii. For the first 25 years following the date of first sustained production, when Alaska North Slope West Coast ("ANS WC") delivered crude prices are below the threshold price per barrel as adjusted by inflation, then production from the Nikaitchuq Schrader Bluff OA reservoir on the subject lease will pay a 5 percent royalty. The ANS WC crude price for the month of production is the average assessment by Platt's Oilgram Price Report and Reuters online data providing service, of the spot price for ANS delivered on the West Coast. The average assessment of the spot price for ANS by each reporting service is the average of the midpoints of the high and low closing assessments for the spot price for ANS for all days during the month of production for which closing assessments are

reported. The threshold price shall start at $42.64 per barrel. This threshold price will be adjusted annually for inflation starting on May 1, 2008, and shall be adjusted on each May 1 thereafter. The inflation adjustment shall be (1 + inflation rate) multiplied by the previous year's inflation-adjusted threshold price. The inflation rate shall be determined by taking the previous year's annual implicit price deflator for GDP (initially, for the year 2007) as reported by the end of April of each year, dividing that deflator by the two-years-previous annual implicit price deflator (initially, for the year 2006), and then subtracting 1. The source of the inflation data shall be the Department of Commerce Bureau of Analysis (BEA) U.S. Economic Accounts-GDP. National Income and Productions Account (NIPA) Table 1.1.9. When the monthly ANS WC oil price is above the threshold, royalty rates for production attributable to such month(s) shall return to the original lease royalty rates.

iii. This royalty modification shall be terminated 25 years following the date of first sustained production and at that time royalty rates shall revert to the respective individual lease royalty rates that were in effect immediately prior to this Findings and Determination.

(b) For the 18th through the 120th months after first commercial production from the Nikaitchuq Schrader Bluff OA reservoir, if production from all of the subject leases averages below 4,000 barrels of oil per day for any previous twelve month period, full royalty modification rates of 5 percent shall be in effect for all production from the Nikaitchuq Schrader Bluff OA reservoir, regardless of oil price. Provided, however, nothing in this provision shall prevent Eni from applying for royalty modification under AS 38.05.180 (j)(1)(B)or (C).

8. In the determination of royalty value of oil or gas from any of its properties, Eni shall waive any rights to a transportation deduction for the pipeline constructed pursuant to the Easement granted on ADL 417493. This waiver shall remain in effect even if such pipeline is converted to a common carrier.

9. If any working interest owner should contract to use any processing facilities at any time for production from the reservoirs delineated and leases covered in this Findings and Determination, that working interest owner shall furnish ADNR the facilities contract, including information regarding the fee structure and volumes processed unless such contract prevents disclosure of such information. This information will be kept confidential by ADNR. The working interest owner shall also furnish produced oil, water, and gas volumes on a monthly basis broken down by individual working interest owner.

10. Should any third party petition the Nikaitchuq Unit facility owners to contract for use of any unit facilities, the cost of use shall be based on market rates. Any

resulting contract covering facilities access or use shall be shared with the ADNR. ADNR agrees to keep all such information confidential.

11. This royalty modification is not assignable without prior written approval of the ADNR commissioner, which shall not be unreasonably withheld. The assignee must be fit, willing, and able to satisfy all of the duties and obligations attached to this royalty modification and all other lease terms.

12. If at any time royalty modification is rescinded, the terms and conditions of this Findings and Determination shall terminate, with two exceptions. First, the provisions of Term 8 shall survive the termination of royalty modification. Second, all obligations to keep information confidential that was submitted pursuant to this Findings and Determination shall survive the termination of royalty modification.

VI. PROPOSED FINDINGS AND DETERMINATION

After detailed consideration where all the materials presented by the applicant were reviewed and incorporated into our analysis, the ADNR has determined that Eni meets the necessary requirements and that royalty modification for the Nikaitchuq development project is warranted under the terms established in Section IV of this finding and determination.

Thomas E. Irwin
Commissioner

1/11/08
Date

cc: Kevin Banks, Director, Division of Oil and Gas
Antony Scott, Senior Commercial Analyst, Division of Oil and Gas
Jeff Landry, Department of Law

Senate Resources Committee
Joe Paskvan, Co-Chair / March 1, 2012

Let's call the meeting to order.

Let the record reflect that it is _____ p.m. on Thursday, March 1.

Let the record reflect that there is a quorum. Present are

- Co-Chair Wagoner
- Senator Stedman
- Senator Stevens
- Senator Wielechowski
- Senator French
- Senator McGuire
- And myself, Senator Paskvan

During this hearing, we are joined by BP and ConocoPhillips, who will offer comments on the Committee Substitute for Senate Bill 192, relating to Oil and Gas Production Tax Rates.

ExxonMobile, Pioneer Natural Resources, and the Arctic Slope Regional Corporation have also submitted letters in the past couple of days. Those were subsequently distributed to Committee members and posted on BASIS.

For the record, approximately 140 Alaskans offered public testimony to the Resources Committee on Tuesday and Wednesday evenings. We very much appreciate the input of each and every Alaskan in the public process.

Additionally, each of us has also been receiving dozens of emails from around the State; in fact, we have been communicating with Alaskans about the oil tax issue almost daily for the past year. Today, I gathered all of the email messages that I have received this week and distributed those to each Committee member. They will be submitted as part of the public record. Again, the Committee welcomes and appreciates the thoughts of all Alaskans.

CS SB 192: Summary

- Preserves Deductions of Capital Expenditures, Operating Expenditures, and Transportation Costs (i.e., net profits tax)
- Preserves Tax Credits
- Preserves Royalty Rate
- Preserves Royalty Modification
- Reduces Progressivity
  - Reduces the Slope of Progressivity
  - Lowers the Cap on Progressivity

CS SB 192: Preserves Tax Credits

- Credits which may be taken against oil and gas production taxes include:
  - Capital Expenditure Credits
  - Alternative Tax Credits for Oil and Gas Exploration
  - Net Operating Loss ("NOL") Carry Forward Credits
  - Transitional Investment Expenditure ("TIE") Credits
  - Well Lease Expenditure Credit
  - Cook Inlet Jack-Up Rig Credit

(Source: "Production Tax Credits," DOR Presentation to the Sen Res Committee; March 16, 2011)
(See also: "Tax Credit Update," DOR Presentation to the Senate Resources Committee; January 27, 2012)

CS SB 192: Preserves Low Royalty

- Alaska: Owner of a World Class Resource
  - 12.5% to 16.67%
- Comparison States
  - Texas: Private Lands
    - "Average assumed to be 25%"
  - North Dakota: The majority of production is from private lands
    - "Most production pays at 18.75%"

(Source: *Alaska's Oil and Gas Fiscal Regime: A Closer Look From A Global Perspective*, DOR, Jan 2012)

CS SB 192:
Preserves Royalty Modification

- Allows commissioner to modify royalty to allow for production from a field or pool under three conditions/scenarios:
  - Not in production
    - Field or pool must be sufficiently delineated
    - Field that would not otherwise be economically feasible
    - Royalty shall never be lower than 5%
  - Prolong economic life
    - As costs increase or price decreases… to make future production uneconomic
    - Royalty shall never be lower than 3%
  - Re-establish production
    - Royalty shall never be lower than 3%

(Source: Presentation to Senate Resources Committee by Bill Barron, Director, DNR Division of Oil and Gas; Feb 21, 2012)

CS SB 192: Lowers Progressivity

- The Committee Substitute retains the original trigger of $30 in Production Tax Value (PTV); at which point the progressive tax rate is calculated at .35% per dollar increase in PTV up to 50% ($101.43);

- At 50% ($101.43), the CS adds a second trigger on the progressive tax rate calculation that lowers the progressive tax rate to .1% on PTV up to 60% ($201.43);

- Adds a statutory maximum tax rate of 60% under the production tax statutes.

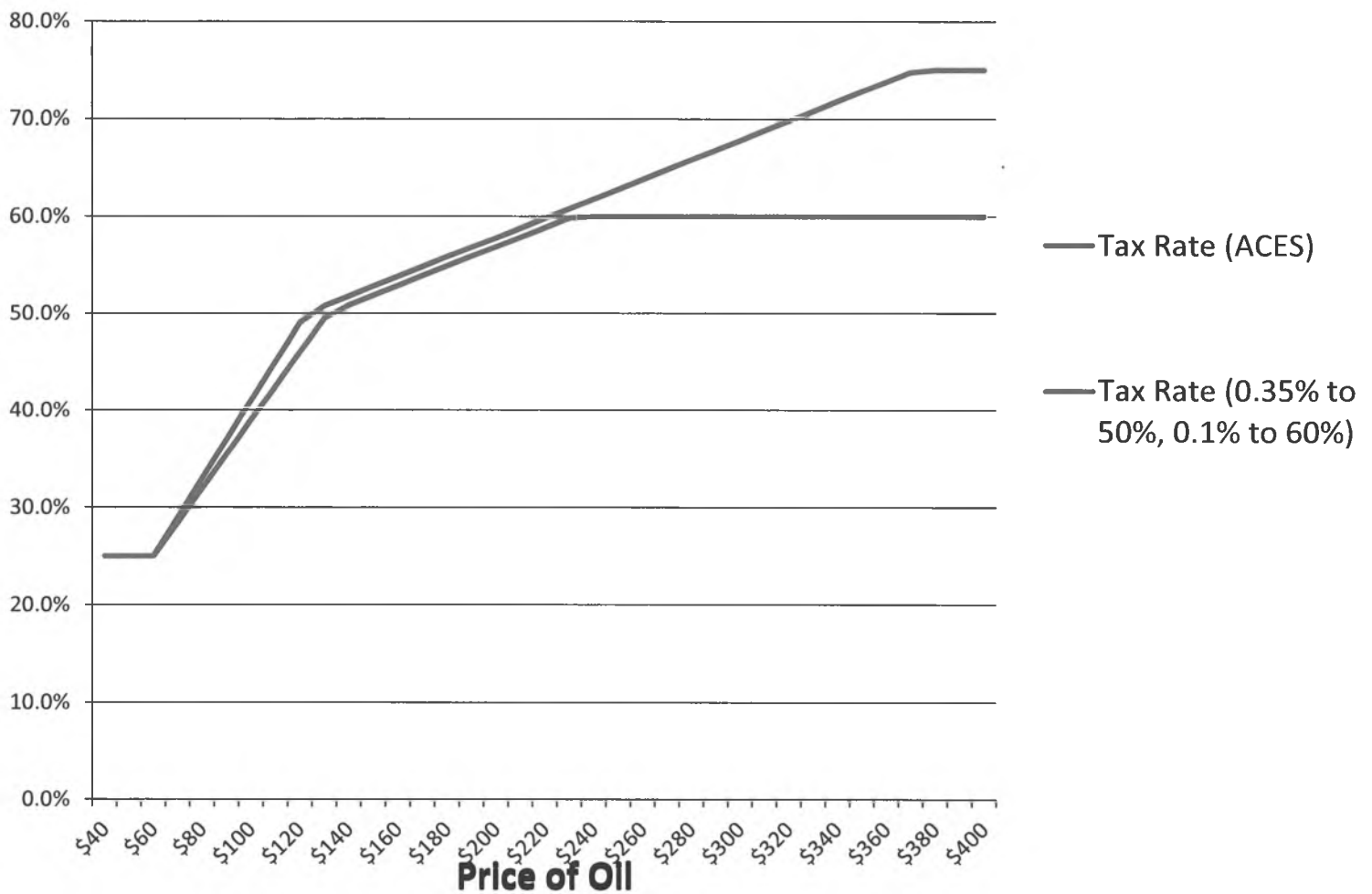
Before we get started with the testimony, I want to summarize – briefly – the CS for SB 192 for those who might be tuning in for the first time. I think that it's important for the public to understand what we are discussing today.

[SEE SUMMARY ATTACHED]

Now, we welcome Damian Bilboa from BP, to be followed by ConocoPhillips.

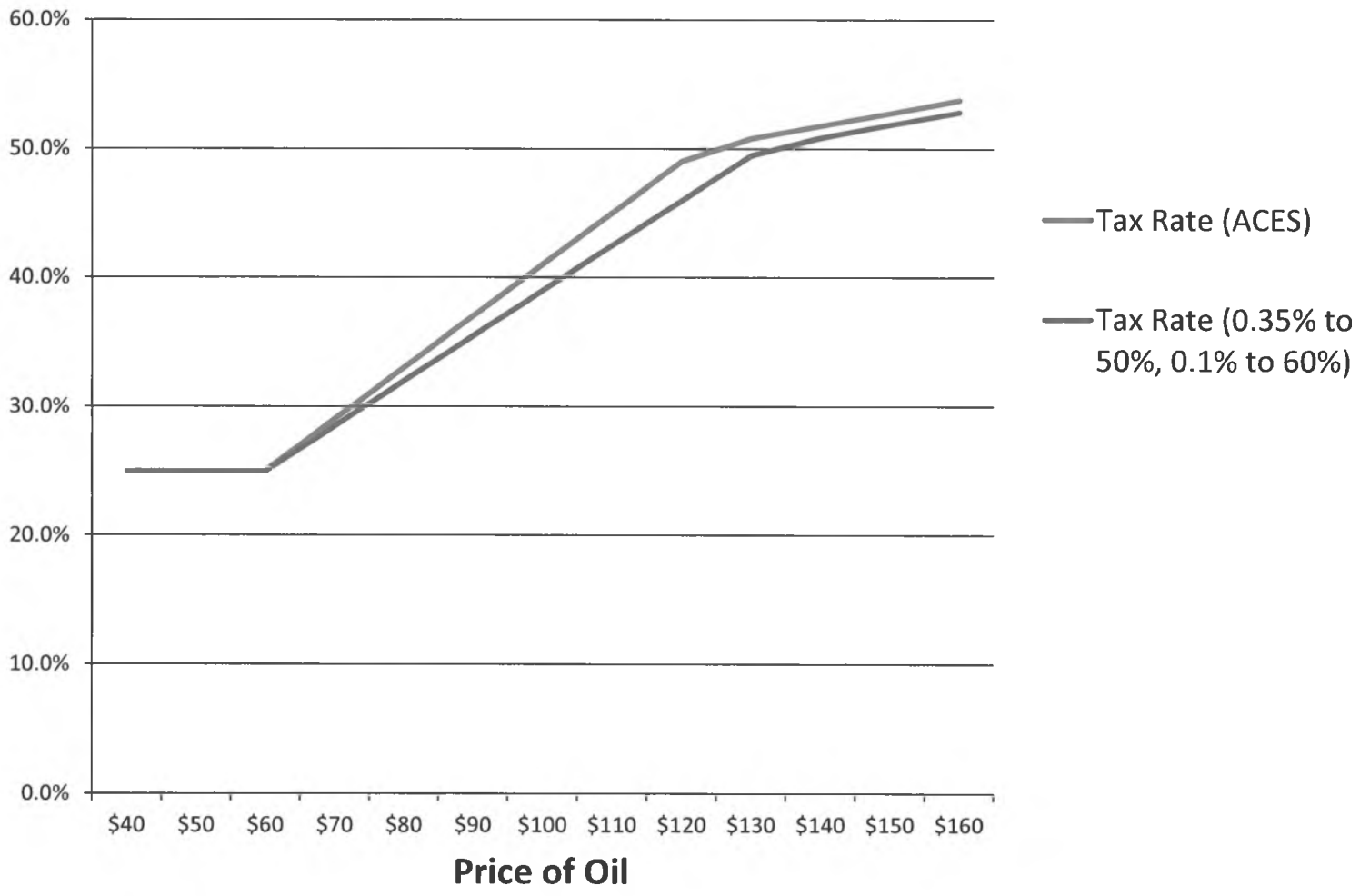
Tax Rate: ACES vs Proposed CS
$40 to $400

Assume costs $30 / barrel



Tax Rate: ACES vs Proposed CS
$40 to $160

Assume costs $30 / barrel



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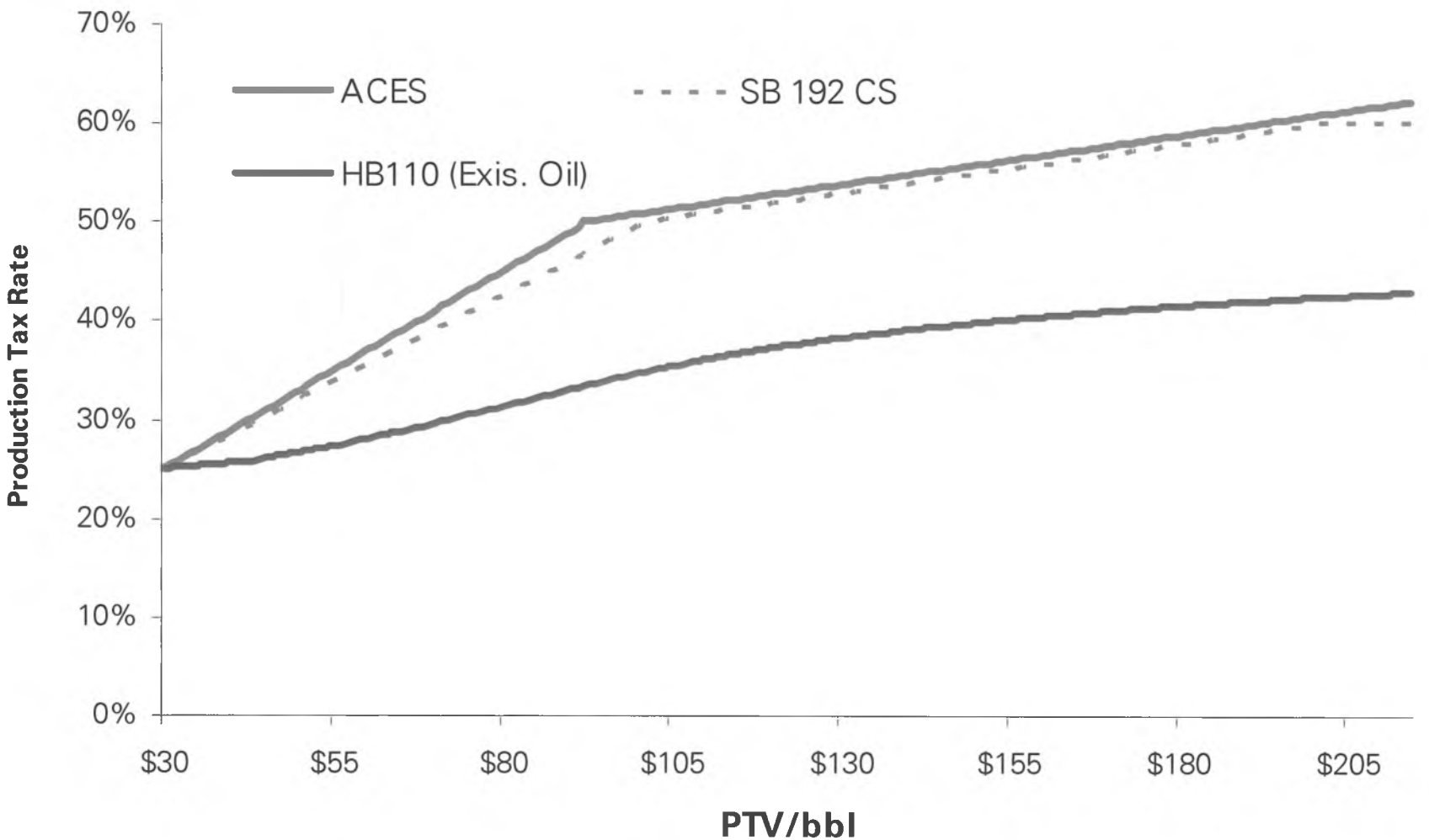
BP Testimony to Senate Resources

Damian Bilbao, Head of Finance: Developments and Resources

March 1, 2012

Meaningful Change Drives Investment

Technology+Efficiency+Tax Change=Production



Proposed Master Expenditures Categories List

CAPEX Expenditure Categories	Category Definition
G&G	Includes work and or costs associated with the performance or acquisition of seismic and/or geological and geophysical data.
Exploration Drilling	Includes drilling an exploration well, drilling an appraisal well that is post discovery and prior to development and including side tracks on a discovery well, appraisal costs including coring and testing discovery wells.
Development Drilling	Includes costs associated with well drilling, completions, planned multilaterals of development wells, including costs upstream of the christmas tree.
Well Workovers	The process of performing major maintenance or remedial treatments on an oil or gas well to increase production. In many cases, workover implies the removal and replacement of the production tubing string after the well has been killed and a workover rig has been placed on location.
Production Facilities – Rate Increasing	Includes well tie-in costs, increases to choke capacity, expansions of existing facilities such as increasing oil, gas or water handling, debottlenecking, or processing facilities.
Production Facilities – Non-rate Increasing	Includes improvements to reliability or reduced operational costs, costs that do not contribute to the choke capacity of a production facility, and production control system upgrades.
Support Facilities	Includes costs for IT, communications equipment, non-production control systems, camp sites or accommodation facilities, medical facility, laboratories, warehouses, and maintenance buildings.
Transit and gathering/flow lines	Includes transit lines, gathering lines, and flow lines, or the addition of new production lines and/or pumps to trunk or downstream lines.
Transit and gathering/flow lines – Replacement	Includes replacement of transit lines, gathering lines, and flow lines to trunk or downstream lines. Does not include repairs to such lines.

CAPEX Expenditure Categories	Category Definition
Other Capital	Includes significant capital equipment, health, safety, environment, and other non-drilling related costs not captured in other categories.
Exclusions (AS 43.55.165(e))	Include total amount of exclusions as described under AS 43.55.165(e).

OPEX Expenditure Categories	Category Definition
G&G (Geological & Geophysical Work)	Includes work and or costs associated with the performance or acquisition of seismic and/or geological and geophysical data that is not included in CAPEX "G&G" expenditures.
Wellwork	The process of performing major maintenance or remedial treatments on an oil or gas well to restore or maintain production. In many cases, workover implies the removal and replacement of the production tubing string after the well has been killed and a workover rig has been placed on location.
Platforms Operations	Includes operation, maintenance and repair expenditures for platforms and platform facilities for oil and gas production from marine platform operations. This should include lifting, gathering, treating, field processing, on site staff and support facilities, and other services.
Facility - Production – Operations & Maintenance	Includes operation, maintenance and repair expenditures for on-shore facilities for oil and gas production. This should include lifting, gathering, treating, field processing, on-site staff and support facilities, and other services.
Facility - Production – Major Repairs	Includes major repairs of facilities associated with oil and gas production operations. This should include major repair of lifting, gathering, treating, and field processing activities.

OPEX Expenditure Categories	Category Definition
Facility - Support – Operations	Includes on-site housing, medical facilities, testing facilities, warehouse and workshop facilities, emergency services, and equipment fueling facilities, and their maintenance and repairs.
Transit Lines - Operation	Includes all in-field and connecting lines receiving oil or gas from gathering lines and transporting such to trunk and or sales points beyond gathering lines and centers.
Transit Lines - Major Repairs	Includes major repairs of transit and flow lines not covered by CAPEX pipeline expenditures.
Gathering Lines - Operation	Includes all in-field connecting, gathering, and flow lines delivering oil and/or gas to transit/flow lines, trunk lines or sales points.
Gathering Lines – Major Repairs	Includes major repairs of gathering lines and systems delivering oil and/or gas to transit/flow lines, trunk lines or sales points.
Fuel	The volume of gas purchased and used on the producing leases injected for reservoir maintenance or used as gas lift.
Roads, Pads & Runway Maintenance	Includes maintenance and repairs to access roads, pads used in those operations, and heliport or aircraft runway and facility maintenance within the area of oil and gas exploration, development and production activities.
Health, Safety & Environmental	Includes staff, facilities, and activities associated with personnel health, operations safety preservation and support, and maintaining environmental integrity.
Other Operating Expenses	Total other costs incurred in operations that are not included in any of the other categories defined in this list of OPEX expenditures, not to exceed 155 of the total OPEX expenditures.
Taxes - Property	Total ad valorem taxes paid to state and local government entities for facilities and property assessments.

OPEX Expenditure Categories	Category Definition
Taxes - PILT - Payments in Lieu of Taxes	Total payments to a government that are not production or income taxes.
Net-Profit-Share Lease Payments	Total of all net-profit-share lease payments made during the calendar year.
Adjustments - Payments Under 43.55.170 (a)(1) Reimbursed Facility Charges & (a)(2) Reimbursed Lease Expenditures	List a total amount of all payments that were received during the calendar year for the calendar year being report that would be included as described in AS 43.55.170 (a)(1) & (a)(2).
Adjustments - Payments Under 43.55.170 (a)(3) Sale or Transfer of Asset or Oil or Gas	List a total amount of all payments were received during the calendar year for the calendar year being reported that would be included as described in AS 43.55.170(a)(3).
Exclusions - Under 15 AAC 55.520(f)(4)(G) which are the Exclusions under AS 43.44.165 (e)(19)	List a total amount of all expenditures made during the calendar year for the calendar year being reported that would be excluded as described under 15 AAC 55.520(f)(4)(G) that are the Exclusions under AS 43.44.165 (e)(19).

DRAFT

ConocoPhillips
Alaska

Senate Resources

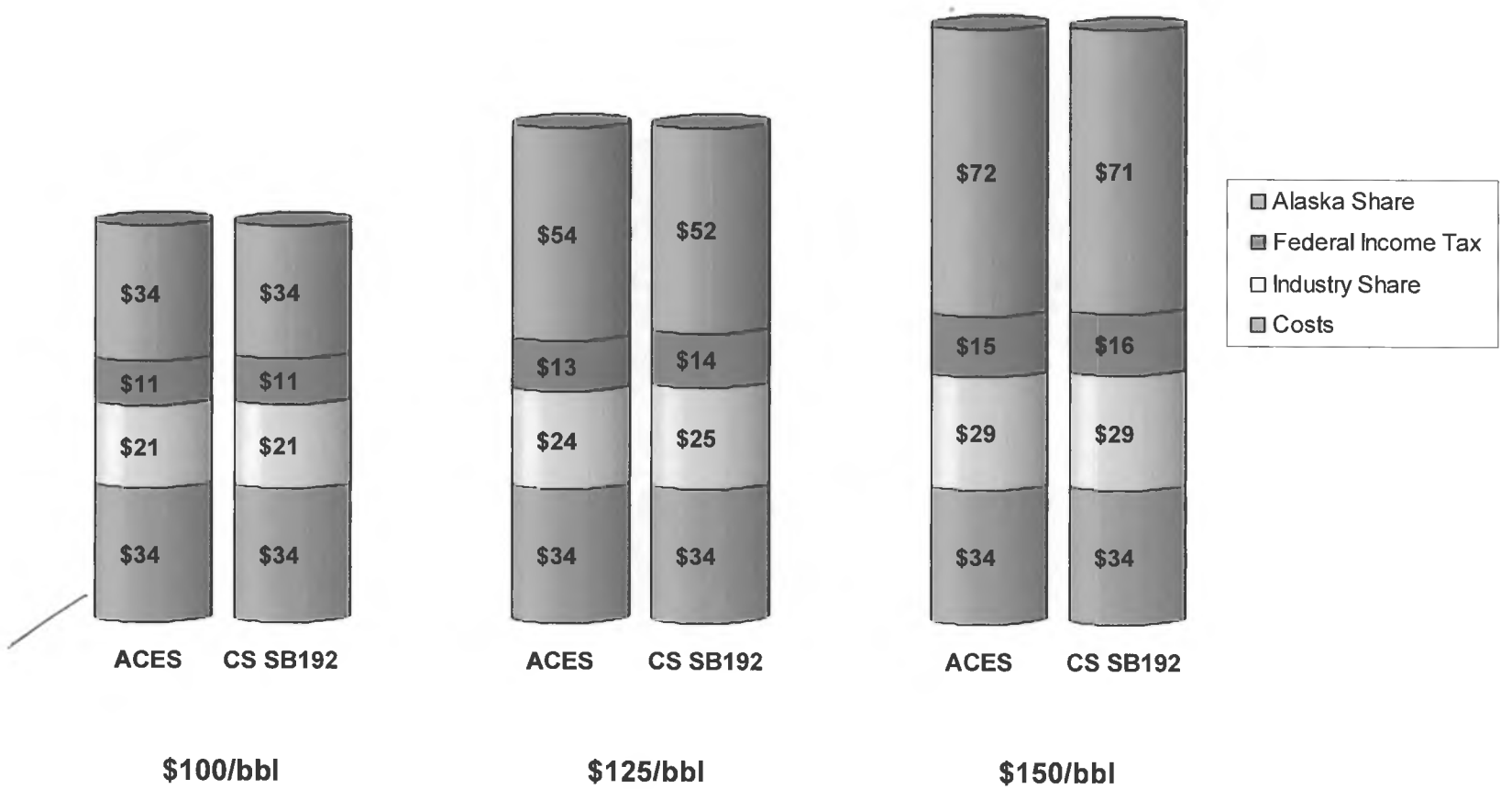
CS SB192 and Potential Amendments

Bob Heinrich, VP Finance
Scott Jepsen, VP External Affairs
ConocoPhillips Alaska

March 1, 2012

CS SB192 has Minimal Impact

ConocoPhillips Alaska



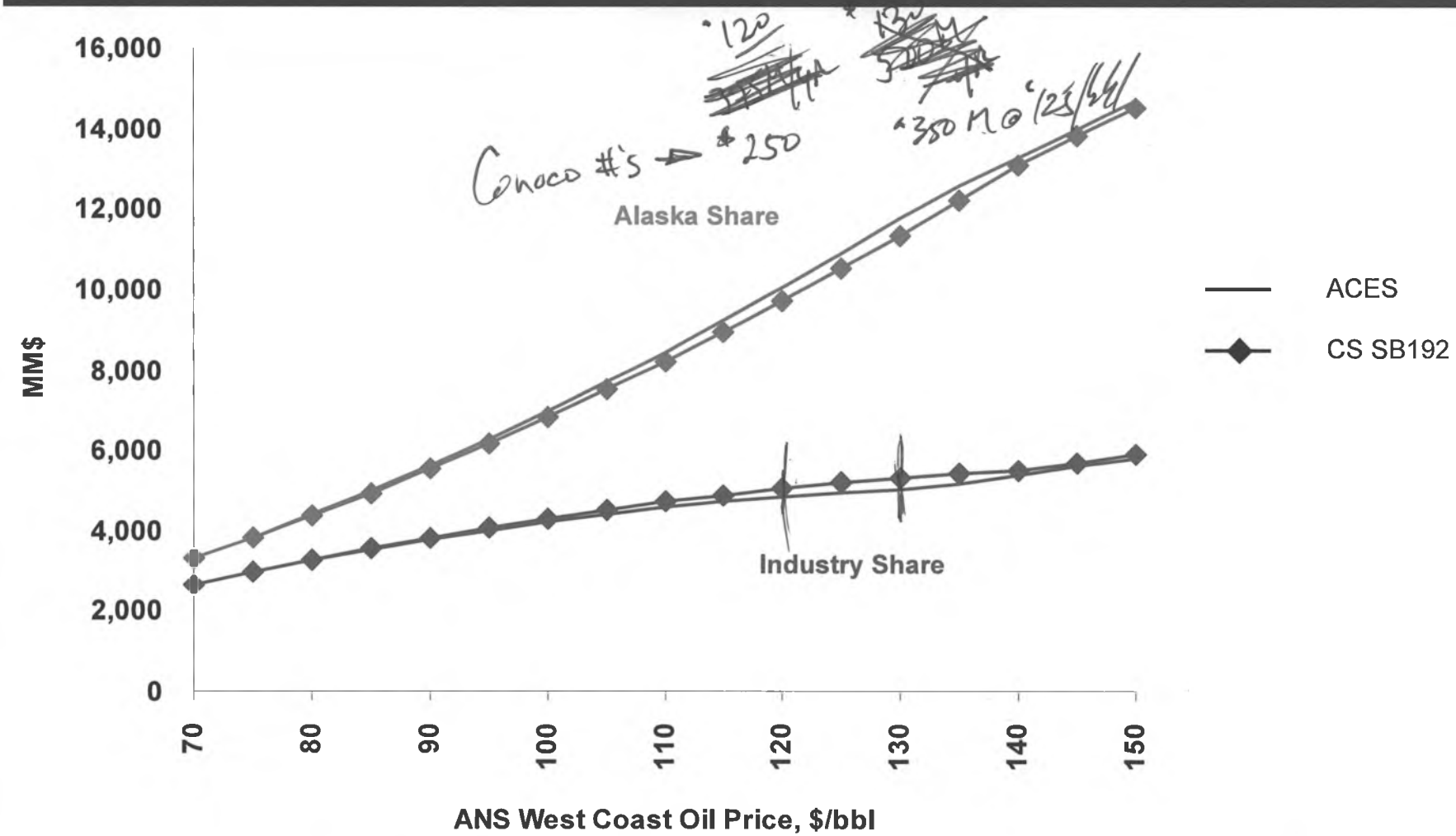
ANS West Coast Oil Price

Based on Fall 2011 RSB for FY2013
Assume 35% federal tax rate, 9.4% SIT rate

Alaska Share includes royalty, severance tax, income tax, and property tax

Alaska / Industry Share

ConocoPhillips Alaska



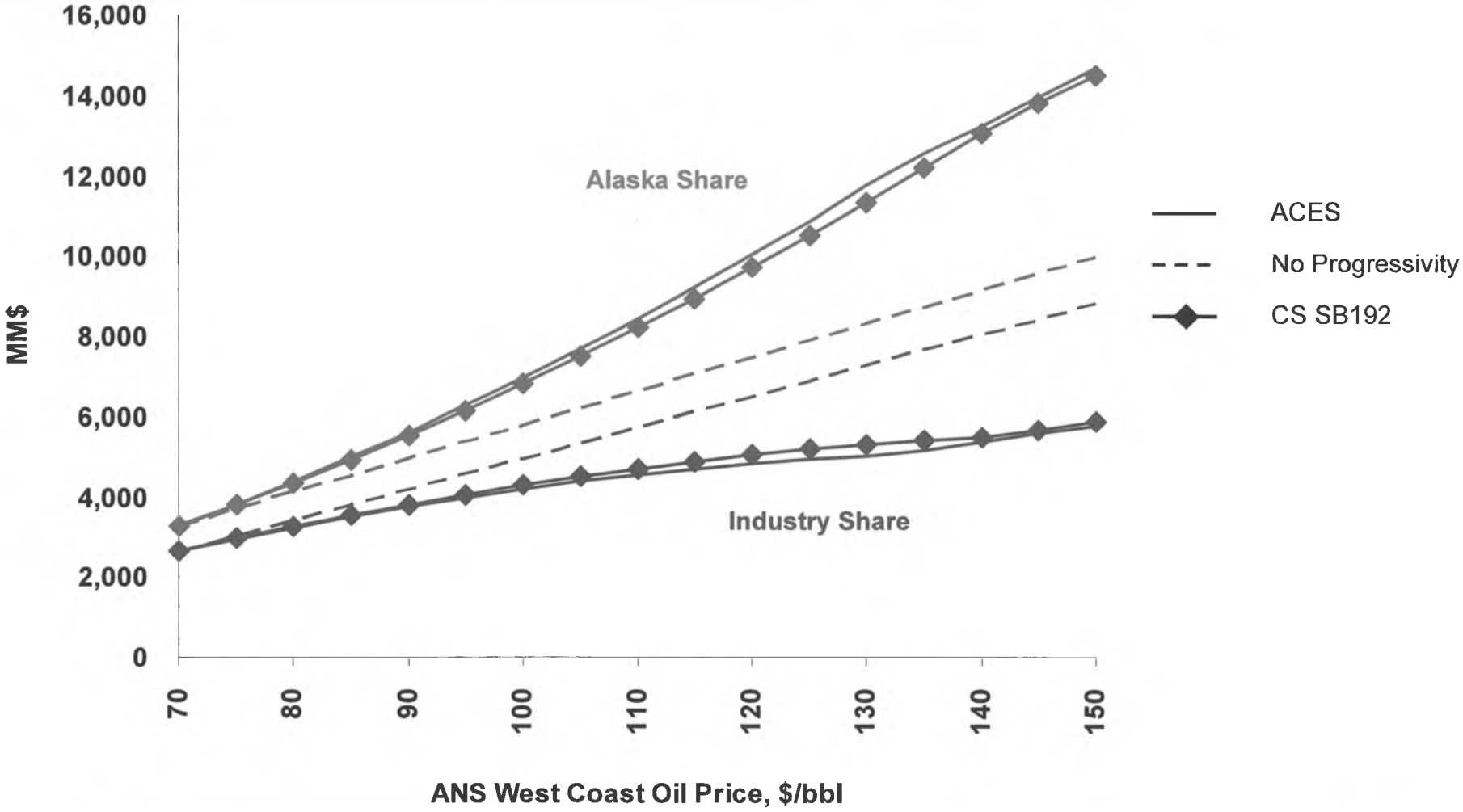
CS SB192 has minimal impact

Based on Fall 2011 RSB for FY2013
Assume 35% federal tax rate, 9.4% SIT rate

Alaska Share includes royalty, severance tax, income tax, and property tax

Alaska / Industry Share

ConocoPhillips Alaska



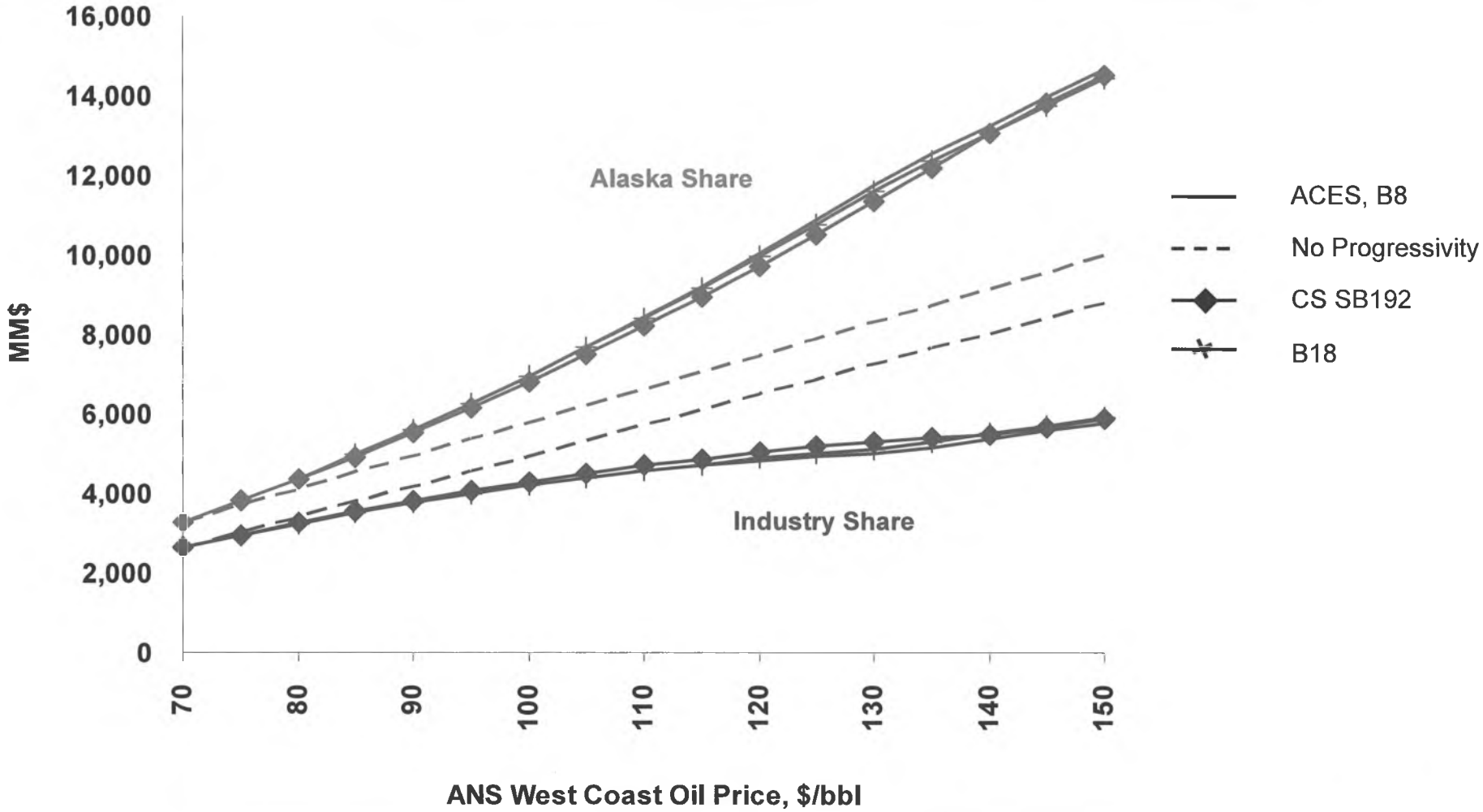
Both Alaska and industry share in the upside with no progressivity

Based on Fall 2011 RSB for FY2013
Assume 35% federal tax rate, 9.4% SIT rate

Alaska Share includes royalty, severance tax, income tax, and property tax

Alaska / Industry Share

ConocoPhillips Alaska



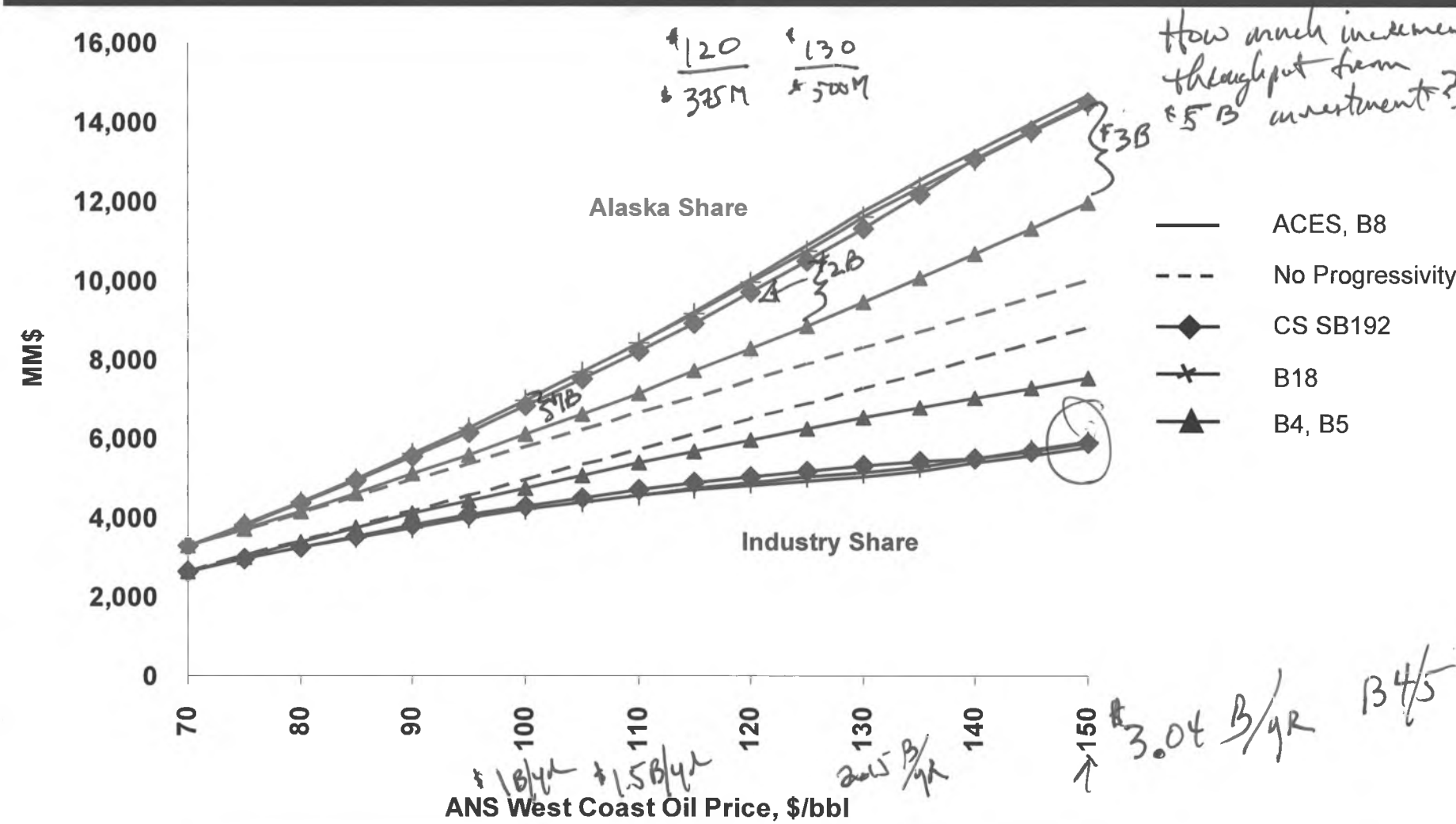
B8 and B18 amendments have negligible impact

Based on Fall 2011 RSB for FY2013
Assume 35% federal tax rate, 9.4% SIT rate

Alaska Share includes royalty, severance tax, income tax, and property tax

Alaska / Industry Share

ConocoPhillips
Alaska



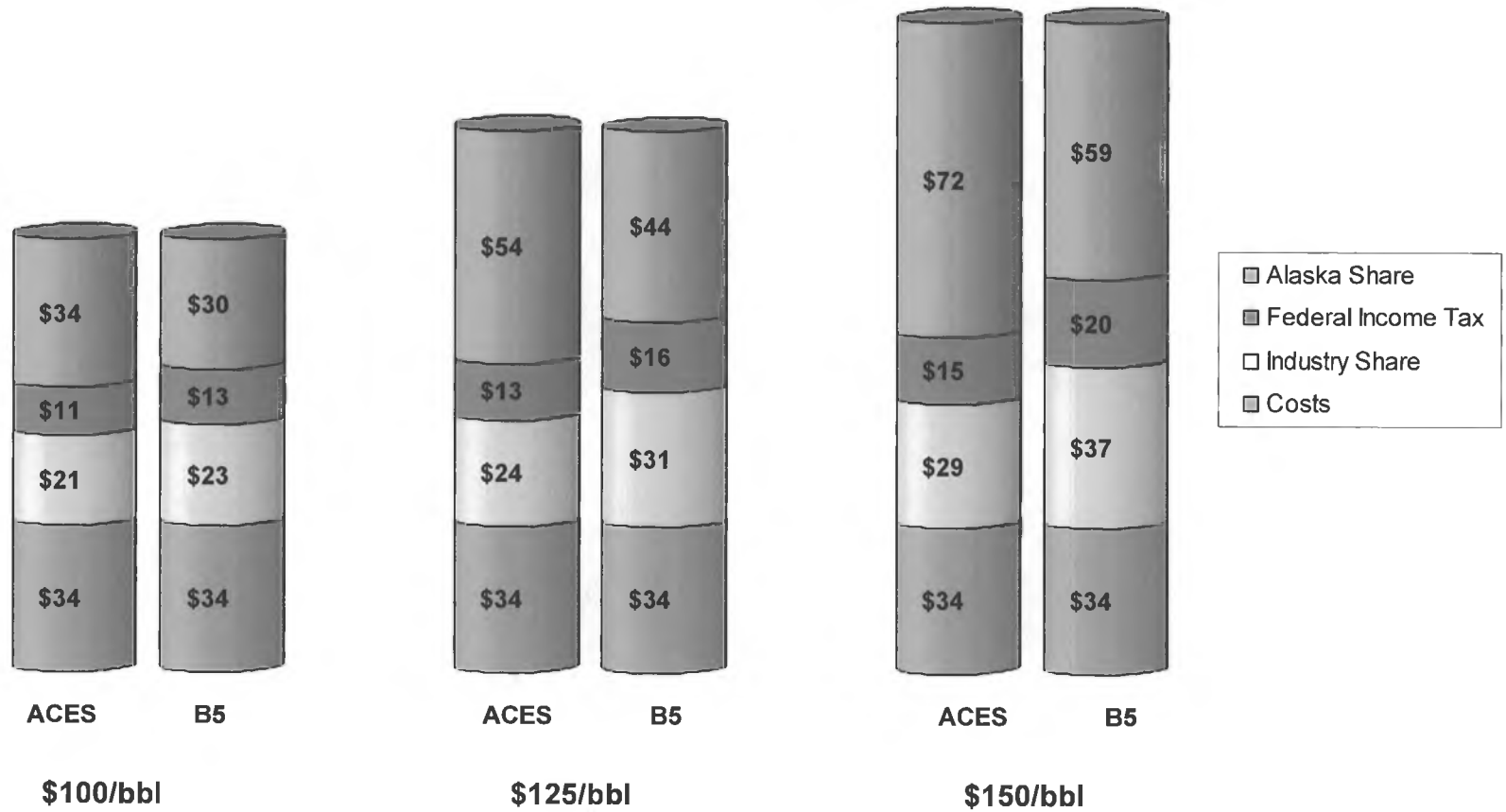
Bracketed progressivity makes a meaningful impact

Based on Fall 2011 RSB for FY2013
Assume 35% federal tax rate, 9.4% SIT rate

Alaska Share includes royalty, severance tax, income tax, and property tax

Bracketed Progressivity is Meaningful

ConocoPhillips Alaska



ANS West Coast Oil Price

Based on Fall 2011 RSB for FY2013
Assume 35% federal tax rate, 9.4% SIT rate

Alaska Share includes royalty, severance tax, income tax, and property tax

Summary

ConocoPhillips
Alaska

- Bracketed progressivity has the potential to have a positive, material impact on severance tax
- Inflation indexing progressivity trigger points makes sense
- Progressivity is the problem - the other proposed amendments do not fix the problem
- CS SB192 as currently proposed will not change investment climate

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Dale Pittman
Alaska Production Manager
Joint Interest U.S.

ExxonMobil Production

March 1, 2012

The Honorable Joe Paskvan
Co-Chairman, Senate Resources Committee
State Capitol Building, Room 115
Juneau, Alaska 99801-1182

Dear Senator Paskvan:

ExxonMobil continues to follow the progress of the tax reform debate with great interest. While some discussions in the Committee have been encouraging, we are concerned with the proposed Committee Substitute to Senate Bill 192 and the apparent lack of urgency in the Committee in making meaningful tax reform necessary to attract new investments. The proposed Committee Substitute, while a small step in the right direction, will not significantly improve Alaska's overall uncompetitive fiscal regime or attract the necessary investments to enable the state to reach its goal of increased oil production.

Oil and gas investors depend on economic upside potential in order to accept the inherent downside risks of long-term, capital-intensive investments. As experts have testified before your Committee and during other hearings throughout this deliberative process, with Alaska's Clear and Equitable Share (ACES) production tax, the State has one of the highest progressive tax structures in the world. Simply put, Alaska's total government take is too high to fully develop its vast resources.

Without meaningful tax reform Alaska should expect to continue at or likely below the Department of Revenue production forecasts.

It was also disappointing to review many of the amendments discussed in the Committee for consideration. While a few of the proposed amendments, like those offering needed brackets to the progressivity tax and incentives to new production, would have meaningful impacts on investment decisions, others were actually tax increases. We fail to understand how proposals to increase industry's tax burden would serve to improve Alaska's already uncompetitive fiscal regime.

ExxonMobil remains hopeful that the dialogue in your Committee and with the entire Legislature for needed meaningful tax reform will continue and will ultimately lead to the development of a competitive, stable fiscal regime to attract the unprecedented investments that Alaska's North Slope requires. It is ExxonMobil's firm belief that passage of meaningful changes to ACES this year, aligned with those proposed by the Governor's office, will support additional investments in Alaska that will lead to greater development and production.

Thank you again for the opportunity to provide input on the Committee Substitute to Senate Bill 192 and the need for meaningful tax reform.

Sincerely,

DDP:jpc

xc: Governor Sean Parnell
Senator Thomas Wagoner, Co-Chairman, Senate Resources Committee

J. Scott Jepsen
Vice President, External Affairs

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ConocoPhillips
Alaska, Inc.

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FEB 29 2012

February 29, 2012

The Honorable Joe Paskvan
Co-Chairman, Senate Resources Committee
Alaska State Legislature
Alaska State Capitol, Room 115
Juneau, AK 99801-1182

Dear Senator Paskvan:

Thank you for your letter dated February 22, 2012. We are happy to clarify the statements that we made regarding the net income and payments to governmental authorities for ConocoPhillips Company and its wholly owned subsidiaries (including ConocoPhillips Alaska, Inc.) operating in Alaska ("CPA"), as well as our analysis of the data in the Alaska Department of Revenue Fall 2011 Revenue Source Book (RSB).

Let me first address CPA's tax and royalty payments in comparison to our reported net income. For the years 2007 through 2011, CPA earned total net income of $9.83 billion. During that same time period, we paid a total of approximately $21 billion in royalties and taxes (taxes include payments to local governments, the State of Alaska, and the federal government). For the year 2011, CPA earned $1.98 billion and paid a total of approximately $5 billion in taxes and royalties. Of this $5 billion, approximately $4 billion (taxes and royalties) was paid to the State of Alaska alone. All of the tax numbers come directly from the 10-K forms that CPA has filed with the Securities and Exchange Commission. The value of the royalty payments has been estimated using our actual royalty rate of 13.6%. These figures form the basis for our statement that in Alaska, we pay approximately twice as much in taxes and royalties as we earn.

Your letter also attempts to understand our comments in the context of the industry as a whole as portrayed by the RSB for FY2011. I believe that the following discussion will help in understanding why industry earnings as a whole track CPA's government payments to earnings ratio.

When we consider the tax burden in Alaska, we take into account all of the taxes we pay. The additional burdens that were excluded in your analysis do make a significant difference with respect to the industry's tax burden as well as the tax revenue for state and local

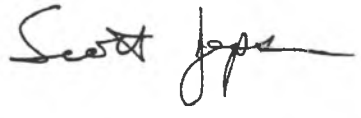
governments. Using the RSB, the industry paid $542 million in state income taxes and $476 million in property taxes (state share $110 million, local share $366 million). The total of these additional burdens is over $1 billion more in taxes to the industry than in your analysis.

There are two other areas that differ between our analysis and yours. First, we have used a federal tax rate of 35% which corresponds to our federal tax rate. Second, it appears that $850 million of tax credits were deducted from the calculated production tax to determine the production tax paid after credits. From the large producer perspective, $400MM applies to the producers' tax liability. The other $450 million is identified as "Credits for Potential Purchase" earned by those parties who do not generate sufficient production tax liability to utilize the credits. The production tax paying producers do not receive the benefit of the "Credits for Potential Purchase" unless the credits are purchased at some nominal discount, in which case the value realized by the purchaser is a small fraction of the tax credit itself. Including these adjustments, the production tax paying producers paid approximately $11 billion dollars in taxes and royalties with after tax cash flow of approximately $4.7 billion dollars. This results in a ratio of tax and royalty payments to earnings of about 2.3. Excluding federal tax payments, the ratio of state taxes and royalty to earnings is about 1.8.

As a sensitivity, we have looked at the case where ANS crude is priced at $120/bbl (versus $94.49/bbl in the RSB) with all other assumptions in the RSB remaining the same. The $120/bbl case demonstrates one of the key problems with ACES – as prices increase, industry sees very little of the uplift. At $120/bbl, our model estimates total government share and royalties is about 3 times industry's share, and state severance tax alone is about 1.5 times the industry total share. In absolute terms, with a price increase from $94.49/bbl to $120/bbl, we estimate industry's share increases about $700MM while the state's share (taxes and royalties) increases by approximately $4.5 billion.

I appreciate your desire to understand the basis for our statements as well as to understand our perspective regarding the reasons that we believe substantial changes are needed to ACES to attract more investment by the industry. I hope this response to your letter has helped in this regard as well as in understanding the basis for our comments regarding the ratio of taxes and royalties to profits. Please feel free to contact me if you have additional questions.

Respectfully,

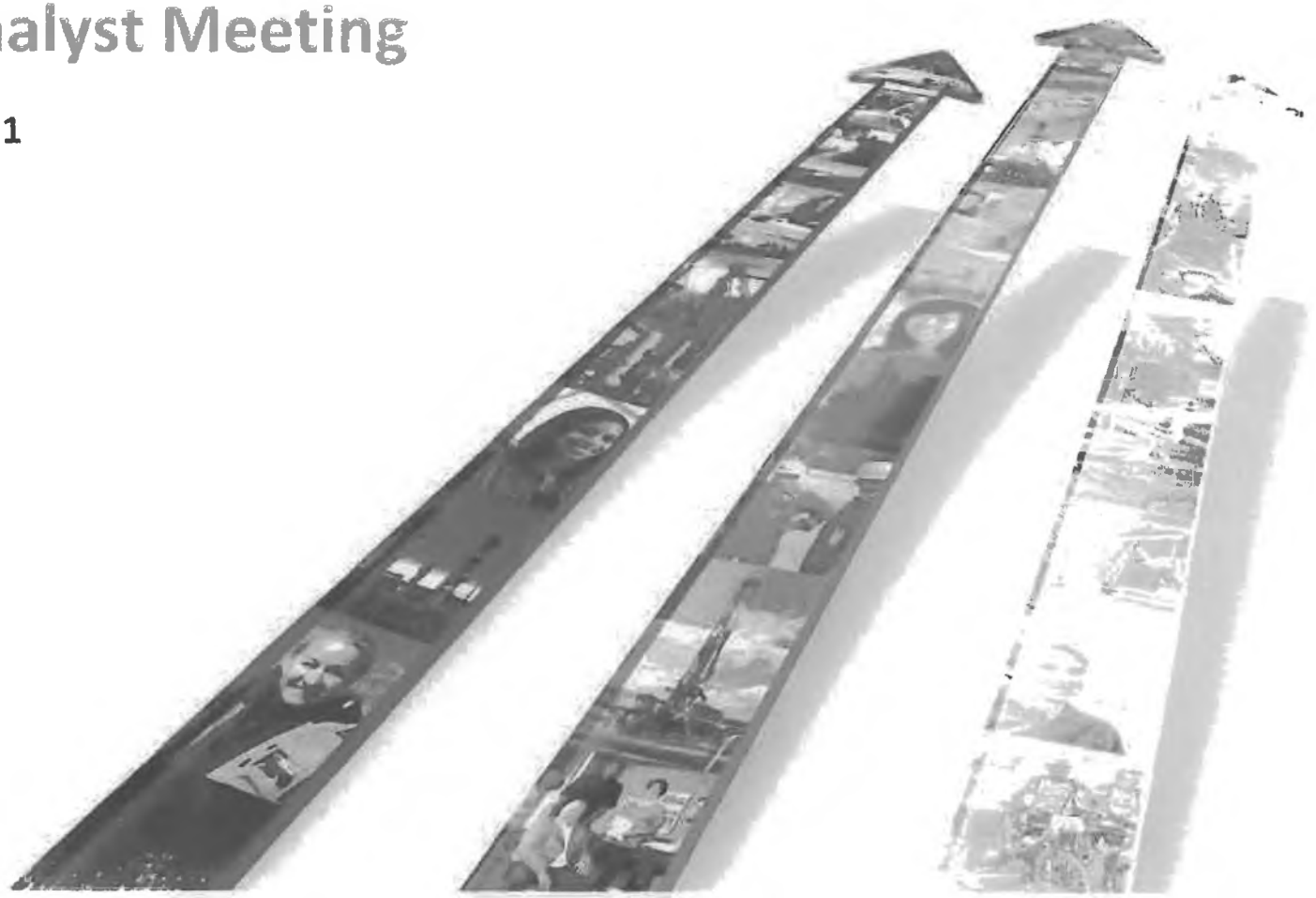


J. Scott Jepsen

ConocoPhillips

2011 Analyst Meeting

March 23, 2011
New York, NY



Major Project Startups

ConocoPhillips

Alaska
Alpine West (CD5)
Lookout (CD6)
ANS gas
Ugnu

Canada Arctic
Parsons Lake
Amaluigak
Umiak

Canada SAGD
Christina Lake C
Christina Lake D
Christina Lake E
Foster Creek F
Surmont 2
Surmont 3+
Foster Creek G/H
Christina Lake F/G
Narrows Lake A/B
Thornbury / Clyden
Saleski

Lower 48
Eagle Ford
Golden Pass
Tiber

North Sea
Jasmine
Britannia LTCP[1]
Ekofisk South
Eldfisk II
Clair Ridge
Rivers Phase II
Tor Redevelopment
Tommeliten Alpha

Algeria
El Merk

Libya
Faregh 2
North Gialo
NC-98

Nigeria
NLNG T4-5
NLNG T6
Uge

Caspian
Kashagan 1[2]
Kashagan 2+

Malaysia
Gumusut
KBB / Malikai
Petai
Pisagan
Ubah
Kamunsu East

China
Bohai Phase II
Panyu growth
Bohai Phase III

Indonesia
Bawal
S Belut
Caltex 3
Suban 3

Vietnam
Su Tu Nau
Su Tu Trang

Australia
APLNG
Sunrise
Poseidon

2011-2012 startups
2013-2015 startups
2016+ startups

30 startups over next 5 years

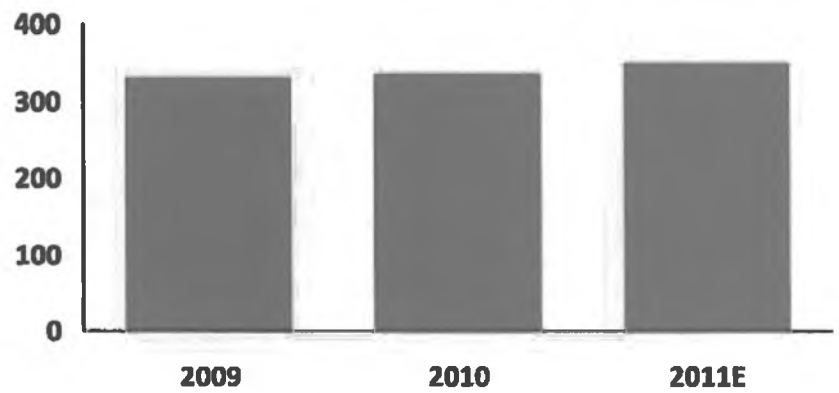
[1] Long-Term Compression Project
[2] Projected startup of 2012/13
2015 production from 2011 to 2015 major project startups.

Alaska

ConocoPhillips

- Largest producer & reserves holder
- Strong cash margins
- Future growth driven by
  - In-field drilling opportunities
  - Western North Slope satellites
  - Unlocking heavy oil potential
  - ANS gas commercialization

Drilling Program Capital - $MM



Major Projects

ConocoPhillips

Startup	Region	Significant Project	WI%	Gross Peak Production MBOED	Current Project Phase
2013+	Alaska	Alpine West (CD5)	78	10 – 15	Define
		Lookout (CD6)	78	15 - 20	Optimize
		ANS Gas	36	600 – 700	Appraise
		Ugnu	56	20 – 30	Appraise
	United Kingdom	Clair Ridge	24	80 – 100	Define
		Britannia LTCP[1]	59	15 – 20	Define
		Rivers Phase II	100	15 - 20	Appraise
	Norway	Ekofisk South	35	70 – 80	Execute
		Eldfisk II	35	70 - 80	Execute
		Tor Redevelopment	31	40 – 60	Appraise
		Tommeliten Alpha	28	30 – 40	Appraise

COP operated

[1] Long-Term Compression Project.

Just a thought piece

"

Fish

Selected data from ConocoPhillips 2010 10-K

	Alaska	Lower 48	Canada	Europe	Asia Pacific/Middle East	Africa	Other Areas	Total
Reserves (crude oil and NGL)	1285	649	80	469	300	270	108	3161
Reserves (BOE)	1762	1918	920	779	735	424	117	6655
Average Sales Price per BBL (Crude Oil and NGL 2010)	$78.61	$57.69	$55.70	$77.35	$75.50	$76.80	-	$72.63
Average Production Cost per BOE (2010)	$9.55	$7.62	$10.68	$7.93	$5.70	$7.81	-	$8.10
Taxes Other than Income per Barrel of Oil Equivalent (2010)	$17.65	$3.08	$0.91	$0.05	$3.76	$0.47	-	$4.27
Future Cash Inflows	102,743	68,949	38,083	49,270	37,673	24,487	8,466	329,671
Less:								
Future production and transportation costs	57,899	29,749	16,753	12,899	10,480	4,142	3,007	134,929
Future development costs	8,792	12,700	11,161	10,295	2,226	1,133	3,050	49,357
Future income tax provisions	13,383	9,024	2,416	16,765	9,211	16,217	384	67,400
Future net cash flows	22,669	17,476	7,753	9,311	15,756	2,995	2,025	77,985
10 percent annual discount	10,723	7,551	3,890	2,597	4,889	1,025	2,368	33,043
discounted future net cash flows	11,946	9,925	3,863	6,714	10,867	1,970	(343)	44,942

Data taken from COP 2010 form 10-K pages 140,146,155, 161. Does not include numbers from equity affiliates.
Source: http://www.sec.gov/Archives/edgar/data/1163165/000095012311016957/h76276e10vk.htm#H76276308

Analysis (not from 10-K)

Future Cash Inflow per bbl (BOE)	$58.31	$35.95	$41.39	$63.25	$51.26	$57.75	$72.36	$49.54
Future production and transportation costs per bbl (BOE)	$32.86	$15.51	$18.21	$16.56	$14.26	$9.77	$25.70	$20.27
Future development costs per bbl (BOE)	$4.99	$6.62	$12.13	$13.22	$3.03	$2.67	$26.07	$7.42
Future income tax provisions per bbl (BOE)	$7.60	$4.70	$2.63	$21.52	$12.53	$38.25	$3.28	$10.13
Discounted Future Net Cash Flow per bbl (BOE)	$6.78	$5.17	$4.20	$8.62	$14.79	$4.65	-$2.93	$6.75
Future Cash Inflows (as % of company total)	31.17%	20.91%	11.55%	14.95%	11.43%	7.43%	2.57%	100.00%
Discounted Future Net Cash Flows (as % of company total)	26.58%	22.08%	8.60%	14.94%	24.18%	4.38%	-0.76%	100.00%

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Effectiveness of Severance Tax Incentives in the U.S. Oil Industry

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Abstract

This paper develops a dynamic empirical framework that can be used to test the effectiveness of state-level severance tax incentives in the U.S. oil industry. The framework embeds U.S. state-level panel data estimates into Pindyck's (1978) widely received theoretical model of exhaustible resource supply and can be applied to any of 20 states that produce significant quantities of oil. The model allows for interactions between taxes levied by different levels of government and for the first time addresses potential interstate differences in exploration costs, extraction costs, and reserve additions. In general, results show that severance tax incentives (in the form of tax rate reductions) substantially reduce state tax revenue collected, but yield moderate to little change in oil drilling and production activity. This outcome suggests that states should be wary of arguments asserting that large swings in oil field activity can be obtained from changes in severance tax rates.

Keywords: state taxation, nonrenewable resources

JEL Code: H71, Q32

1. Introduction

For roughly twenty years, major oil and gas producing states have granted severance tax exemptions, reductions, incentives, and credits to oil and gas producers for the purpose of stimulating exploration, field development, production, and job creation.[1] For example, to date 2000, Alaska, Kansas, and Louisiana have offered 13 such incentive programs, Texas has granted 12, Oklahoma 10, New Mexico 8, and Wyoming 8 (Interstate Oil and Gas Compact Commission, 2001). Incentive programs, generally, involve across the board cuts in nominal severance tax rates levied or discounts against existing severance tax liabilities for special situations faced by producers. The inherent tradeoff state governments must consider when offering incentives involves the potential loss of tax revenue for purported gains in exploration and production activity. A key question then arises: Are severance tax incentives effective in this regard? Surprisingly, very little empirical evidence exists regarding this question despite the heavy reliance on taxation of oil, gas, and/or coal production in many states to fund public goods.

This paper develops a dynamic empirical framework that can be used to test the effectiveness of state-level severance tax incentives in the U.S. oil industry. The framework embeds U.S. state-level panel data estimates into Pindyck's (1978) widely received theoretical model of exhaustible resource supply and can be applied to any of 20 states that produce significant

quantities of oil. The model allows for interactions between taxes levied by different levels of government and for the first time addresses potential interstate differences in exploration costs, extraction costs, and reserve additions. As shown, costs, reserve additions, and tax structures vary considerably across states. Thus, this adapted model is arguably superior to and more comprehensive than previous efforts to develop general econometric and/or simulation models of taxation and natural resource exploration and production. Specifically, Deacon et al. (1990) and Moroney (1997) focus only on one state (California and Texas, respectively), and estimate econometric equations that may not be entirely consistent with a dynamic profit-maximizing framework. Pesaran (1990) estimates an econometric model of offshore oil production in the UK that can be better justified theoretically, but does not consider the role of taxes and estimates of the shadow price of oil in the ground are not always positive. Favero (1992) adds taxes to Pesaran's analysis, but again, estimates of the shadow price of oil in the ground are sometimes negative, suggesting that the model overstates the impact of taxation on profit. The Pindyck based simulation studies conducted by Yücel (1989) and Deacon (1993) examine effects of various types of tax changes on exploration and production but do not consider interactions between tax bases claimed by different levels of government, as well as possible interstate differences in exploration costs, extraction costs, and reserve additions. Also, these studies are aimed mainly at assessing the generality of theoretical results obtained in more limited settings rather than analyzing possible outcomes of changes in state tax policies.

Use of the modeling framework developed here is illustrated by simulating effects of reductions in *existing* state severance tax rates. Thus, results presented have the advantage of showing potential effects of specific state tax policy changes. Examining optimal tax regimes is beyond the scope of this analysis. In general, results show that severance tax rate cuts substantially reduce state tax revenue collected, but yield moderate to little change in oil drilling and production activity. This outcome suggests that states should be wary of arguments asserting that large swings in oil field activity can be obtained from changes in severance tax rates.

The remainder of the paper is divided into four sections. Section 2 presents the theoretical model used in the study. Section 3 presents empirical estimates of the model's parameters. Key estimates are obtained using panel data from the 20 most important oil-producing states over the period 1970–2000. Section 4 presents simulation results showing how oil exploration, reserves and production in Wyoming vary in response to severance tax reductions. Although the model developed can be applied to any of 20 states that produce significant quantities of oil, Wyoming is singled out because the estimates developed are likely to be at least broadly representative of what would be obtained for other states. Moreover, focusing on Wyoming highlights the state's heavy reliance on energy production taxes to fund public services. Implications and conclusions of this analysis are drawn out in Section 5.

2. Conceptual Framework and Model

The analysis presented in this paper extends Pindyck's (1978) model of nonrenewable resource development to incorporate key aspects of federal, state and local taxes facing the U.S. oil industry. Because the theoretical model is familiar, discussion later in this

section is kept to a minimum. Perfectly competitive producers are assumed to maximize the discounted present value of future operating profits from the sale of resources. The firm's problem is to take known future output prices and taxes as given and then choose optimal time paths for exploration and production. This assumption parallels the basic tax competition models, reviewed by Wilson (1999), where governments commit to a tax regime and then perfectly competitive firms react treating the structure as exogenous.[2] Whereas the studies reviewed by Wilson model firms that are to some extent geographically mobile, firms extracting nonrenewable resources are tied to an immobile reserve base that represents the key component of their capital stock. In consequence, extractive firms view time, rather than space, as the most important dimension over which to substitute in response to changes in tax policy. Substitutions over time, of course, alter relative rates of exploration and production occurring at different locations. Yet, timing of activities is the most important aspect of the extractive firm's problem and information about location choice can be recovered as a by-product simply by comparing rates of development for particular reserves. A single firm is used to represent the industry, so the common pool problem and well spacing regulations are ignored (McDonald, 1994). For simplicity and because of data constraints discussed in the next section, exploration is defined to include resource development, although the two activities clearly are not the same (Adelman, 1990). The aim of exploration is to add to the reserve base, which in the model represents a form of immobile capital.

Institutional features of taxation facing oil producers are complex, however, incorporating these aspects into the model is not difficult conceptually and distinctly separates it from previous efforts mentioned in the introduction. Tax structures vary considerably among states and tax bases interact, particularly between the state and federal level. For example, among the eight states responsible for about 89% of 2000 U.S. oil production (Alaska, California, Kansas, Louisiana, New Mexico, Oklahoma, Texas, and Wyoming), all states except California levy severance taxes against the value of output. Severance taxes dominate other forms of local taxation in Alaska, Wyoming, and Louisiana. Most states do not levy property taxes on the value of reserves in the ground (Texas and California do). Most states treat royalty payments (computed as a percentage of gross value of production) for production on public land as deductible items in computing severance tax liabilities (Louisiana does not). Public land royalties are prominent in Alaska, New Mexico, and Wyoming due to the large shares of publicly owned land. Most states levy a corporate income tax that applies to oil operators (Wyoming and Texas do not). Also, states have granted innumerable exemptions and credits (which differ by state) against various tax liabilities for special situations that may be encountered by operators. Hence, effective rather than nominal rates are incorporated in the model developed below. Within states, counties apply their own mill levies to compute property taxes on above-ground and down-hole equipment at different rates. However, taxation of structures and equipment are usually less important than other sources of revenue and are not treated in the model below.

Regarding federal taxes, all incorporated producers file federal corporate income tax returns that allow deductions for various types of operating costs and for state and local tax payments. Independent producers (those without downstream refining or retail interests) are permitted to take a percentage depletion allowance, while major producers are allowed only cost depletion, which is significantly less generous. Both major and independent

incorporated producers can expense intangible drilling costs incurred on their federal corporate income tax returns. The fact that some smaller producers are not incorporated and may therefore face alternative state and federal tax treatment is not treated here.

The firm's maximization problem now becomes

$$\max_{q,w} \quad \Omega = \int_{\circ}^{\infty} [qp - C(q, R) - D(w) - \gamma R]e^{-rt}\, dt \tag{1}$$

subject to

$$\dot{R} = \dot{x} - q \tag{2}$$

$$\dot{x} = f(w, x) \tag{3}$$

$$q \geq 0, \quad w \geq 0, \quad R \geq 0, \quad x \geq 0 \tag{4}$$

where a dot over a variable denotes a time rate of change, q denotes the quantity of oil extracted measured in barrels, p denotes the exogenous market price per barrel net of all taxes, $C(q, R)$ denotes the total cost net of taxes of extracting the resource, which is assumed to depend on production (q) and reserve levels(R), $D(w)$ denotes total cost of exploration for additional reserves net of taxes, w denotes exploratory effort, γ denotes the net of all tax constant effective property tax rate on reserves, r denotes the discount rate which represents the risk-free real rate of long-term borrowing, x denotes cumulative reserve additions (discoveries), $f(w, x)$ denotes the production function for gross reserve additions ($\dot{x}$) which is assumed to depend on current exploratory effort (w) and cumulative discoveries (x), and $\dot{R}$ denotes reserve additions net of production (q).[3] In this formulation, the net-of-tax price per barrel is related to the wellhead (pre-tax) price (p^*) according to $p = \alpha_p p^*$, where α_p is a constant comprised of federal, state, and local effective tax rates such that $0 < \alpha_p < 1$. Correspondingly, $C(q, R) = \alpha_c C^*(q, R)$ and $D(w) = \alpha_D D^*(w)$, where α_c and α_D also are constants generated from effective tax rates and lie on the unit interval. A more complete discussion of the tax policy parameters follows below in Section 3.3.

The Hamiltonian for this problem is

$$H = qpe^{-rt} - C(q, R)e^{-rt} - D(w)e^{-rt} - \gamma Re^{-rt} + \lambda_1[f(w, x) - q] + \lambda_2[f(w, x)]. \tag{5}$$

Differentiating H with respect to R, q, x, and w yields the maximum principle conditions

$$\dot{\lambda}_1 = (C_R + \gamma)e^{-rt} \tag{6}$$

$$pe^{-rt} - C_q e^{-rt} - \lambda_1 = 0 \tag{7}$$

$$\dot{\lambda}_2 = -f_x(\lambda_1 + \lambda_2) \tag{8}$$

$$-D_w e^{-rt} + f_w(\lambda_1 + \lambda_2) = 0. \tag{9}$$

From equation (7), operators will produce if the discounted net-of-tax price exceeds discounted extraction costs. A severance tax decrease will increase the net-of-tax price which could affect the production decision. In equations (6)–(9), λ_1 is the discounted shadow price of the reserve state, λ_2 is the discounted shadow price of cumulative reserve additions, and letter subscripts represent partial derivatives. The shadow price of cumulative reserve additions, λ_2, is expected to be negative (and small relative to λ_1) for oil because current reserve

discoveries will increase the amount of exploration needed in the future. From equations (8) and (9), the term $(\lambda_1 + \lambda_2)$ equals the discounted value of the marginal cost of adding another unit of reserves by exploration $[D_w/f_w]e^{-rt}$. Because $0 < \alpha_D < 1$, this net marginal cost is lower than in the pretax case.

The evolution of q is obtained by differentiating equation (7) with respect to time and setting the result equal to equation (6) to eliminate $\dot{\lambda}_1$. This yields

$$\dot{q} = \frac{-r(p - C_q) + \dot{p} - C_{qR}\dot{R} - (C_R + \gamma)}{C_{qq}}. \tag{10}$$

The optimal time path of w, can be determined using equation (7) and equation (9) to solve for λ_2, differentiating with respect to time to obtain an expression for $\dot{\lambda}_2$, equating the result to equation (8) and rearranging terms:[4]

$$\dot{w} = \frac{D_w[(f_{wx}/f_w)\cdot f - f_x + r] + (C_R + \gamma)f_w}{[-D_w(f_{ww}/f_w)]} \tag{11}$$

Equation (11) shows that the trajectory of exploratory effort is determined by a tradeoff between the cost of finding new reserves and the extraction cost savings this new level of reserves yields. As specified in this model, a severance tax incentive (rate decrease) could increase incentives to explore and enhance reserves due to the subsequent increase in the net-of-tax price. This effect is discussed in more detail in Section 4. The numerator of equation (10) emphasizes the role reserves play in the optimal extraction path. If reserves rise, marginal extraction costs fall, thus increasing production. While general suppositions such as these can be drawn analytically, the complexity of the dynamic process just described may be best examined with simulation as developed below.

Boundary conditions can be established by first assuming that $D_w/f_w = 0$ when $w = 0$ (see Pindyck, 1978, pp. 846–847). In this situation, when production ceases at some terminal time T, exploration ceases at the same time because it is of no further value. Also, $\lambda_2(T) = 0$ as long as there are no terminal costs associated with cumulative discoveries. In consequence, from equation (9), $\lambda_1(T) = 0$ implies that operating profit on the last unit of reserves extracted is zero, $p = C_q$. An alternative terminal state centers on the case where $D_w/f_w = \Phi > 0$, when $w = 0$. In this situation, production will continue after exploratory effort ceases. Let $T_1 < T$ denote the time when $w = 0$. If exploratory effort is zero, $f_x = 0$, hence $\lambda_2(T_1) = 0$ and $\dot{\lambda}_2(T_1) = 0$. From (7) and (9), $p - C_q = \lambda_1(T_1)e^{rt} = \Phi = D_w/f_w$ which indicates that exploration will stop just as $p - C_q$ approaches marginal discovery cost, Φ. These two alternative terminal conditions are discussed in the next section as well as in connection with the simulations presented in Section 4.

3. Estimation

As shown in equations (10) and (11), the evolutions of w and q are nonlinear functions of both the levels of these variables and the previously defined tax parameters. Estimating these equations directly poses certain econometric issues (see Pesaran, 1990) and it is unclear how information from the transversality conditions would be incorporated. In consequence, rather than attempt to obtain econometric estimates of these two equations directly, equations

for exploration costs (D^*), production of reserve additions (f), and extraction costs (C^*) are estimated and then substituted into the model along with estimates of the tax policy parameters α_p, α_c, α_D, and γ (see Yücel, 1989; Deacon, 1993 for similar treatments). Effects of severance tax changes then are obtained by simulation. State-specific estimates of equations for D^* and f are treated together in Section 3.1 because they are used to compute the marginal cost of reserve additions (D^*_w/f_w) which is a crucial function of the model described above. The equation for C^* is treated in Section 3.2 and the tax parameters are derived in Section 3.3. Key interstate differences regarding all estimates are highlighted throughout the discussion below.

3.1. Marginal Cost of Reserve Additions

The before-tax marginal cost of reserve additions (D^*_w/f_w) is computed from estimates of equations for drilling costs and for the production of reserve additions. Drilling costs are modeled in equation (12) as proportional to drilling effort.

$$D^*(w) = \phi w e^u \tag{12}$$

This approach ensures that the objective function (see equation (1)) represents a perfectly competitive firm ($D_{ww} = 0$). In equation (12), ϕ is the parameter to be estimated, and the disturbance term e^u is lognormally distributed with mean of unity and variance σ_u^2. Data by state and over time on labor, capital, and other primary inputs to drilling are unavailable, so the annual number of wells drilled in a state is used as a measure of drilling effort (w). Data on footage drilled also could be used as a measure of w (see Deacon, 1993). However, in the data set applied (see below) the number of wells drilled is positively correlated with total footage drilled (Pearson correlation = .98). Also, total drilling cost is approximately proportional to both footage and the number of wells, so to some extent the two variables measure the same thing. As discussed in Section 2, cumulative reserve discovery (x) appears as an argument in the production function for new reserves (see equation (13) below). A proxy for x can be constructed from available data (American Petroleum Institute, 1971) on the total number of wells drilled by state since 1859 (when the first oil well was drilled in Pennsylvania), whereas corresponding data on total footage drilled since that date are not available. Thus, use of number of wells as a measure of drilling effort simplifies the simulations presented in Section 4 and eliminates the need for arbitrary assumptions about historical average depth per well.

The production function for reserve additions is specified as

$$f(w, x) = A w^{\rho} e^{-\beta x} e^{v} \tag{13}$$

where A, ρ, and β are parameters to be estimated and the multiplicative disturbance e^v is assumed lognormally distributed with mean of unity and variance σ_v^2. The functional form selected for f is similar to the equation describing the discovery process proposed by Uhler (1976) and later adopted and estimated by Pindyck (1978) and Pesaran (1990). The idea behind this equation is that the marginal product of exploration declines as reserve discoveries cumulate. As previously discussed, data on cumulative reserve discoveries of oil are unavailable, so the cumulative number of wells drilled by state was used as a proxy.

As in the drilling cost function, the annual number of wells drilled is used as a measure of w.

Drilling cost and reserve production functions are estimated using annual data from 20 U.S. states for which complete information on wells drilled, drilling costs, reserve additions, and cumulative drilling could be assembled for the period 1970–2000.[5] Regarding costs, operators report the total cost (both tangible and intangible) of each well completed (including dry holes) via the Joint Association Survey on Drilling Costs.[6] Oil reserve additions are comprised of extensions, new field discoveries and new reservoir discoveries in old fields as defined by the U.S. Department of Energy, Energy Information Administration (DOE/EIA). The 20 states included in the data set accounted for 98.5% of the total U.S. oil production over 1970–2000.

Data sources, definitions, and sample means of variables used in the analysis are presented in Table 1. All nominal costs are converted to year 2000 dollars using the GDP deflator. Equations (12) and (13) were estimated in natural logarithms. An instrument for the natural logarithm of *WELLS* was used in equation (13) because w is an endogenous variable in the model presented in Section 2 and a Durbin-Wu-Hausman test (see Davidson and MacKinnon, 1993, pp. 389–393) rejected the exogeneity of w at the 5% level. An instrument for w was obtained by predicting the natural logarithm of the number of wells drilled from the one-way fixed-effects regression reported in Table 2. Time-specific effects tested insignificant at conventional levels. *PRICE* and *CWELLS* were included as explanatory variables because they are exogenous variables in the model. *PRICE2*, *CWELLS2*, and *PRICE*CWELLS* were included to account for non-linearities expected in light of relationships in the model. All estimated coefficients are significantly different from zero at conventional levels. The marginal effect of *WELLS* with respect to *PRICE* increases at a decreasing rate. The Pearson correlation between the actual values of *LN(WELLS)* and the corresponding predicted values, *LN(PREDWELLS)*, is 0.96.

Estimates of the drilling cost equation (12) are obtained by regressing the natural log of drilling costs minus the natural log of wells on dummy variables for states and years. This two-way fixed effects approach is a simple way to control for heterogeneity across states and over time. Examples of state-specific effects include geologic conditions, geographic remoteness of on-shore oil and gas resources, and whether drilling occurs in off-shore coastal waters (note that most states in the data set are landlocked). Time varying factors common to all states may include technological advancement and macroeconomic cycles. For this equation, each state-specific effect for a given year, conveniently, becomes the state-specific estimate of ϕ.

Estimates of equation (13) are obtained in a one-way fixed effects framework that yields common estimates of the slope coefficients across states and corrects for first-order serial correlation.[7] The one-way fixed effects estimation with correction for serial correlation is used for four interrelated reasons. First, this approach is a simple way to control for, yet avoid enumerating, unique aspects of states that affect reserve additions, but do not change over time. Second, time-specific effects are not jointly significant at conventional levels, making estimation in a two-way fixed effects framework unnecessary. Third, the random-effects specification, in which state-specific effects are treated as error components, is rejected by a Hausman (1978) test at the 5% level of significance. Moreover, conditional estimates of

Table 1. Variable definitions, data sources, and sample means.

Variable	Definition	Source	Sample mean
TRCOST	Total drilling costs in millions of 2000 dollars, for oil wells by state and year.	American Petroleum Institute. *Joint Association Survey on Drilling Costs*. Annual.	332
WELLS	Total oil wells drilled in a state by year.	American Petroleum Institute. *Joint Association Survey on Drilling Costs*. Annual.	741
CWELLS	Cumulative total wells drilled in a state beginning in 1859.	American Petroleum Institute. *Petroleum Facts & Figures* (1971 ed.)	95492
TRCWELL	Total drilling cost per well drilled, by state and year, in millions of 2000 dollars.	American Petroleum Institute. *Joint Association Survey on Drilling Costs*. Annual.	0.723
FTWELL	Total footage per well drilled, by state and year.	American Petroleum Institute. *Joint Association Survey on Drilling Costs*. Annual.	5666
PRICE	Average wellhead price of oil per barrel, by state and year, in 2000 dollars.	American Petroleum Institute. *Basic Petroleum Data Book*. Feb. and Aug. Annually.	24.56
ADDED RESERVES	Oil reserve extensions, new field discoveries and new reservoir discoveries in old fields, by state and year in millions of barrels.	U.S. Energy Administration. *U.S. Crude Oil, Natural Gas, and Natural Gas Liquids Reserves*. Annual.	31.4
RESERVES	Proved reserves by state and year in millions of barrels.	American Petroleum Institute. *Basic Petroleum Data Book*. Feb. and Aug. Annually.	1320.5
PROD	Production by state and year in millions of barrels.	American Petroleum Institute. *Basic Petroleum Data Book*. Feb. and Aug. Annually.	126.4
PRICE2	Average real price squared.	–	757
CWELLS2	Cumulative total wells squared.	–	3.4E+10
PRICE CWELLS*	Interaction of real price and cumulative total wells.	–	2.4E+6

the effects on reserve additions obtained from fixed-effects are thought to be of greater interest than corresponding unconditional estimates obtained using random effects. Fourth, the null hypothesis of no serial correlation is rejected at the 5% level, hence, the equation was re-estimated with correction for first-order serial correlation.

Table 3 reports estimates of the drilling cost equation for 8 major producing states. The 2000 state-specific estimates of ϕ have been corrected for the fact that the equation was estimated in logarithmic form (see Greene, 1997, p. 279). As shown, R^2 is 0.93 with state- and time-specific effects jointly significant under the appropriate F-test. State-specific estimates of ϕ test different from each other, except for Texas and Oklahoma, at the 5% level. Results suggest that total drilling costs increase with w and that constant marginal drilling

Table 2. One-way fixed effects construction of instrument for *LN(WELLS)*.

Explanatory variable	Coefficient (*t*-statistic)
PRICE	0.062 (6.58)
PRICE2	−0.32E-3 (−2.34)
CWELLS	−0.33E-4 (−6.76)
CWELLS2	0.22E-10 (5.46)
*PRICE * CWELLS*	0.72E-8 (1.82)
Summary statistics	
NT	620
R^2	0.86
F(19,596)[a]	49.55
F(30,565)[b]	1.18
Hausman[c]	45.20

[a]Test statistic for joint significance of state-specific effects.
[b]Test statistic for joint significance of time-effects after removing state-specific effects.
[c]Statistic for testing consistency of corresponding random effects estimates.

costs (D^*_{wi}) differ substantially across the 8 states shown. Estimates of the reserve addition equation are shown in Tables 4 and 5. The coefficient of *LN(PREDWELLS)* is 0.56 and this estimate is significantly different from one and zero at conventional levels. The value of R^2 is 0.63 and the state-specific effects are jointly significant under the appropriate F-test. Also, the negative coefficient of *CWELLS*, though insignificant at conventional levels, suggests that reserve additions decline with the passage of time as new reserves become more difficult to identify. Table 5 shows the corrected state-specific intercept terms (A) for 8 major producing states. Results suggest that the marginal product of drilling (f_w) decreases with wells drilled and this marginal product would vary between states even if the number of wells drilled were the same in each.

Estimates of the two equations combined suggest that marginal cost of reserve additions (D^*_{wi}/f_w) increases with drilling activity. As w increases, the marginal cost of drilling is constant, but the marginal product of drilling in finding new reserves (f_w) falls. Table 6 shows how pre-tax values of D^*_{wi}, f_w, and D^*_{wi}/f_w differ by state for 8 of the major producing states, assuming that the 2000 level of wells are drilled in each. Estimates of drilling cost per well (D^*_{wi}) range from $132,907 in Kansas, where wells tend to be shallow, to $3,881,600 in Alaska, where the drilling experience is very different as compared to the lower 48 states. Marginal reserve additions from drilling (f_w) range from 11,051 barrels per well

Table 3. Two-way fixed effects, instrumental variable estimates of the drilling cost function (Corrected 2000 estimates of ϕ for 8 major producing states[a]).

State	Corrected fixed effect (t-statistic)
Alaska	3.881
	(16.25)
California	0.277
	(15.28)
Kansas	0.133
	(24.05)
Louisiana	1.323
	(3.38)
New Mexico	0.493
	(8.41)
Oklahoma	0.357
	(12.26)
Texas	0.352
	(12.44)
Wyoming	0.601
	(6.04)
Summary statistics	
NT	620
R^2	0.93
F(49,570)[b]	149.5

[a]See Greene (1997, p. 279) for specific details on intercept bias adjustment. 2000 time-effect added.
[b]Test of joint significance of state- and time-specific effects.

in Kansas to 177,067 barrels per well in Alaska. Thus, while drilling a well in Alaska is markedly more expensive than in Kansas, Alaska experiences a greater payoff from these more costly exploration and development efforts. In fact, estimates of the marginal cost of reserve additions, D^*_w/f_w, reflect somewhat less variation across states than do estimates of either D^*_w or f_w, ranging from a low of \$11.24 per barrel in Louisiana to a high of \$21.92 in Alaska. Although relatively little variation in D^*_w/f_w would be expected when operators are familiar with costs and payoffs from drilling in alternative locations, values of the marginal cost of reserve additions are not expected to be equal across states. For example, aside from random factors introduced in estimation, variation in D^*_w/f_w between states could be due to differences in oil quality, transportation costs, as well as other factors that can cause wellhead prices of oil to differ across states

3.2. *Extraction Costs*

Direct operating (lifting) cost for oil by region at depths of 2,000, 4,000, 8,000, and 12,000 feet are available from annual cost index studies published by the DOE/EIA for the period

Table 4. One-way fixed effects, instrumental variable estimates of the reserve additions function.

Explanatory variable	Coefficient (*t*-statistic)
LN(PREDWELLS)	0.56
	(11.09)
CWELLS	−0.3E-5
	(−1.26)
Summary statistics	
NT	620
R^2	0.63
F(19,579)[a]	22.2
F(30,568)[b]	1.12
RHO	0.394
Hausman[c]	15.1

[a]Statistic for testing joint significance of state-specific effects.
[b]Statistic for testing joint significance of time-specific effects after removing state effects.
[c]Statistic for testing consistency of corresponding random effects estimates.

Table 5. One-way fixed effects, instrumental variable estimates of the reserve additions function (Corrected estimates of *A* for 8 major producing states[a]).

State	Corrected fixed effect (*t*-statistic)
Alaska	1.57
	(1.64)
California	0.78
	(2.01)
Kansas	0.31
	(1.17)
Louisiana	2.49
	(1.82)
New Mexico	0.57
	(1.68)
Oklahoma	0.62
	(1.94)
Texas	0.52
	(2.11)
Wyoming	0.78
	(2.03)

[a]See Greene (1997, p. 279) for specific details on intercept bias adjustment.

Table 6. Pre-tax marginal drilling cost, marginal product of drilling, marginal cost of reserve additions for 8 major producing states[a].

State	D^*_{it} (in $)	f_{it} (in bbls)	D^*_{it}/f_{it}
Alaska	3,881,600	177,067	21.92
California	277,119	14,717	18.83
Kansas	132,907	11,051	12.03
Louisiana	1,323,014	117,753	11.24
New Mexico	492,620	27,123	18.16
Oklahoma	356,754	23,477	15.20
Texas	351,654	24,219	14.52
Wyoming	600,911	39,238	15.31

[a]Evaluated at each state's actual 2000 wells drilled. State-specific cumulative wells total is set to actual 2000 values.

1970–2000. However, these data are of limited value for two reasons. First, cost estimates are not always disaggregated to the state level and cost estimates for other states may not be representative of all production. Second, through the mid-1980s, price controls on oil and/or gas distorted production incentives, making historical extraction costs difficult to compare with extraction costs in more recent years. As a compromise, following Deacon (1993), values of extraction cost parameters are calibrated for the following Cobb-Douglas function,

$$C(q, R) = \kappa q^{\varepsilon} R^{1-\varepsilon}, \tag{14}$$

where $\varepsilon = 1/\mu$, μ is the production share of non-reserve inputs, and κ is a constant that drives the production cost modeled to an average level of *lifting costs* representative of the 2000 DOA/EIA surveyed estimates described above. State-specific estimates for μ are established from the data on operating cost, drilling cost, production, reserve additions, and reserve levels described above (see Deacon, 1993 for specific calibration methods). Table 7

Table 7. Non-reserve production input share μ, and pre-tax marginal extraction cost for major producing states.

State	μ	C_q[a]
California	0.27	7.12
Kansas	0.17	4.99
Louisiana	0.21	9.11
New Mexico	0.31	6.87
Oklahoma	0.26	6.89
Texas	0.32	7.01
Wyoming	0.34	6.93

[a]Calculated at 2000 levels for production and reserves, in year 2000 dollars. The EIA does not provide data for Alaska.

shows the pre-tax marginal extraction costs (C_q^*) and the non-reserve input shares (μ) for 7 major producing states. The DOE/EIA does not estimate lifting costs for Alaska. As shown, real marginal extraction costs range from a low of \$4.99 per barrel in Kansas to a high of \$9.11 per barrel in Louisiana. The Cobb-Douglas form for extraction costs insures that these costs will rise without limit as reserves approach zero. This condition implies that a positive level of reserves will remain at any terminal time, denoted T_1. Likewise, the functional form invokes a strictly positive level of production given any positive level of reserves. Thus, simulations reported in Section 4 are based on the second of the two alternative boundary conditions discussed in Section 2. This condition implies that production continues after incentives for further exploration vanish and that the terminal date for maximizing discounted operating profits must be set arbitrarily. This fixed program period could be interpreted as the producer's relevant planning horizon.

3.3. Tax Policy Parameters

For most states in most years, γ and $\alpha_j (j = p, C, D)$ can be specified by noting whether reserves are subject to a property tax (see text equation (1)) and then evaluating the following equations:

$$\gamma = \{(1 - \tau_{us})(1 - \tau_s)\tau_R\} \tag{15}$$

$$\alpha_p = \{(1 - \tau_{us})(1 - \tau_s)(1 - \tau_r)(1 - \tau_p) + \tau_{us}(1 - \tau_r)\delta\} \tag{16}$$

$$\alpha_C = \{(1 - \tau_{us})(1 - \tau_s)\} \tag{17}$$

$$\alpha_D = \{(1 - \tau_{us})(1 - \tau_s)\eta\} \tag{18}$$

The derivation of equations (15)–(18) can be found in Appendix A. In (15)–(18), τ_{us} denotes the federal corporate income tax rate, τ_s denotes the state corporate income tax rate, τ_R denotes the property tax rate on reserves weighted by the per unit assessed value, τ_r denotes the royalty rate on production from public (state and federal) land, τ_p denotes the production (severance) tax rate, δ denotes the federal percentage depletion allowance weighted by the percentage of production attributable to eligible producers (nonintegrated independents), and η denotes the expensed portion of current and capitalized drilling costs attributable to current period revenues. The parameter η is made up of two components: (1) the percentage of current period drilling costs expensed and (2) the estimated present value of cost depletion deductions for the capitalized portion of current and past drilling expenditures. Producers are allowed to expense costs associated with drilling dry holes along with certain intangible costs (e.g., labor and fuel) for completed wells as they are incurred. All direct (tangible) expenditures for completed wells must be capitalized then depleted over the life of the producing well.

This formulation captures several aspects of the U.S. tax structure as it applies to the oil industry. (1) Federal royalty payments are deductible in computing state production tax liabilities. (2) Federal royalty payments, state production taxes, state property taxes on reserves, extraction costs, and certain drilling costs (described above) are deductible in computing both state and federal corporate income tax liabilities. (3) State corporate income taxes are deductible against federal corporate income tax liabilities. As noted in

Section 2, state tax treatment of the oil industry is not uniform and there are a number of situations in which these equations would have to be modified. Notice that this treatment of taxes in the model highlights the interaction between tax bases and is more detailed than the corresponding treatment given by Moroney (1997) and Deacon et al. (1990). Also, the entire tax structure is incorporated into the model, rather than simply analyzing one tax at a time as in Deacon (1993).

All tax parameters in equations (15)–(18) are effective rather than nominal rates. States grant numerous credits and exemptions against taxes levied, so nominal rates generally overstate amounts actually paid. State and local data required for these effective rate calculations are neither available from a central source nor compiled in a common format, so they were obtained directly from tax officials in each state. Royalty rates are computed as the sum of state and federal royalty payments divided by the gross value of production. Production tax rates are computed as total production tax collections divided by the gross value of production net of public land royalties. At the federal level, data from Statistics of Income (U.S. Department of Treasury, 1999–2000) for the oil and gas sector show that federal corporate taxes paid averaged about 11% of *net operating* income in 2000. The ratio of the federal effective to marginal rate was also applied to each state's top marginal corporate income tax rate to obtain an effective estimate. The current nominal percentage depletion rate is 15% and it applies to each state's percentage of non-integrated producers. Also, the expensed portion of current period drilling costs is approximately 42% for the industry and the present value of depletion deductions for capitalized drilling cost can be approximated by $(q/R)/(r + (q/R))$, assuming that the ratio of production to reserves is constant (see U.S. Department of Commerce, Bureau of the Census, 2000; Deacon, 1993). The ratio of production to reserves (q/R) varies across states but the industry expense share (42%) applies to all states.

4. Simulation Results

The model presented in Section 2 can be simulated for any of the 20 oil-producing states to obtain responses of exploration and production to reductions in severance taxes. The discussion below focuses mainly on severance tax rate reductions in just one state, Wyoming, for four reasons. First, this approach substantially reduces the amount of institutional detail that must be presented. Second, despite the large interstate differences in costs, reserve additions, and tax structures shown above, changes in severance taxes turn out to have quite similar comparative effects in each of the major oil producing states. Therefore, estimates for Wyoming are likely to be broadly representative of what would be obtained for other states. Third, simulation results reported are based on the assumption that severance tax reductions in one state do not affect the wellhead price of oil seen by operators in other states. This assumption is warranted in view of the fact that oil prices are determined in a world market. Also, as shown below, tax rate cuts considered appear to lead to comparatively small changes in output, so cross border effects are unlikely to be important in any case. Finally, taxation of oil extraction is a long-standing, contentious public policy issue in Wyoming partly because of heavy reliance on energy production taxes to fund public services.

Simulations for Wyoming were performed using the estimates of equations (12) and (13), the calibrated production cost parameters ($\varepsilon = 2.93$, $\kappa = 150$) of equation (14), and the tax parameters ($\alpha_p = 0.72$, $\alpha_c = 0.89$, $\alpha_D = 0.75$, $\gamma = 0$ as derived in Appendix A. As shown, severance tax changes will affect the price tax parameter, α_p. The discount rate, r, was set at 4% to reflect the risk-free real rate of long-term borrowing and the future price path was fixed at $25.00 per barrel each year reflecting the real sample mean for all 20 states. Other price trajectories (rising or falling) were simulated, but the alternative paths have little or no effect on the comparative results presented below. The initial value of reserves and cumulative wells drilled are fixed to year-end 2000 levels at 561 million barrels and 39,993 wells, respectively. To obtain numerical solutions for the time paths of drilling, production, and reserves, difference equation approximations are derived for the time rates of change in production and exploratory effort (equations (10) and (11) and for the state variable evolution equations (2) and (3)). For example, the evolution of reserves, equation (2), is approximated by the difference, $R_{t+1} - R_t = f_t - q_t$. The model is solved recursively by iterating over the initial values of the control variables, $q$and w, until transversality conditions are satisfied. Under these base case conditions, exploratory effort approaches zero after approximately 40 years, thus the terminal time (T_1) is set to 40 periods. The Solver algorithm in Microsoft Excel was used to generate numerical solutions.

Before the simulation results are discussed, a historical analysis of Wyoming's oil experience is warranted. Figure 1 depicts the actual time paths of real price, wells drilled, production, and reserves for Wyoming from 1970–2000. In this figure, the vertical axis shows wellhead price (dotted line) in year 2000 dollars × 10, wells drilled (dashed line) in

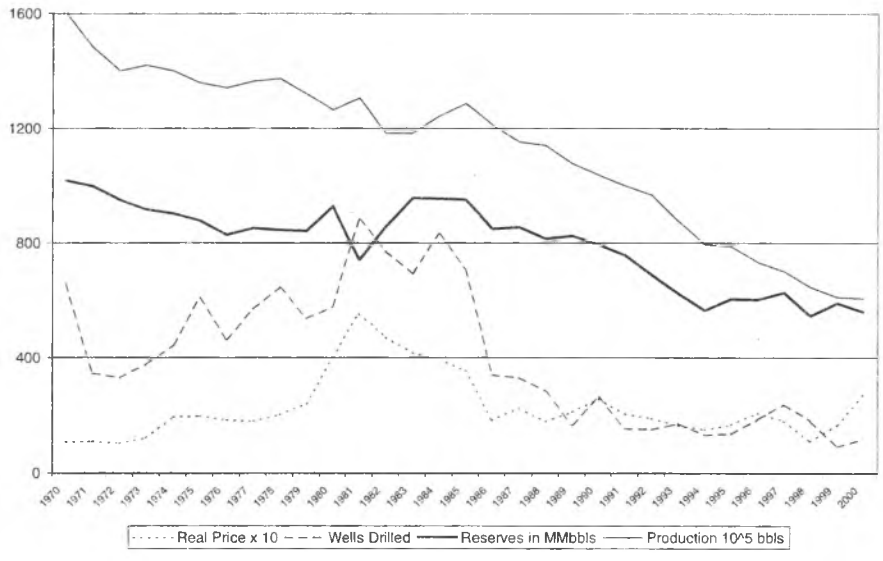

Figure 1. Wyoming oil 1970–2000.

total wells, production (solid line) in bbls $\times 10^5$, and reserves (bold line) in millions of barrels (MMbbls). In reviewing these data, several observations are noteworthy. Historical drilling appears sensitive to price. Oil wells drilled increased markedly during the high price period of the early 1980s. Extraction activity, however, appears to map the declining proved reserve level in the state. In fact, oil production continued to decline during the late 1970s and early 1980s even though real prices increased roughly 3 fold. As shown, the increased drilling effort of the early to mid 1980s failed to replenish the depleting oil reserves in the state.

As depicted in Figure 1, the low real prices for oil in the 1990's provided the oil industry incentive to lobby state legislatures for tax breaks intended to stimulate exploration and production. In 1999, both Wyoming and Oklahoma enacted oil producer recovery acts which lowered state level nominal severance taxes by approximately 25–35% on all oil production, provided that oil prices remain below a certain level.[8] Using this scenario as a back-drop, the comparative simulation below shows the results of a once-and-for-all reduction in Wyoming's effective severance tax on oil production by 2 percentage-points. Results presented have the advantage of showing how exploration and production might be expected to change over time in response to an *actual* constant policy change.

The solid lines in Figures 2–4 show the evolution of drilling, reserves, and production under the base case assumptions outlined above. Wells drilled fall steadily over time from

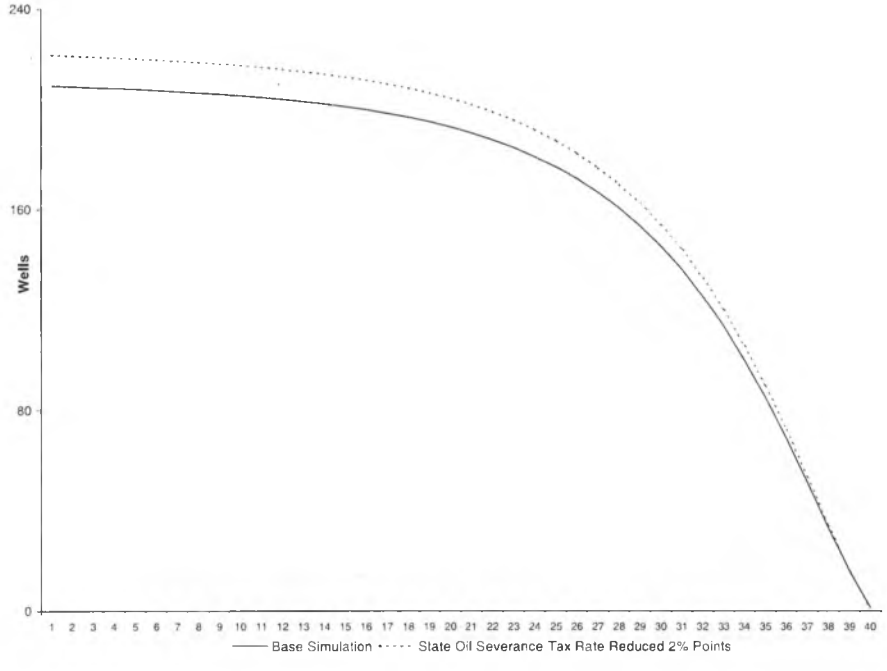

Figure 2. Wyoming oil (drilling).

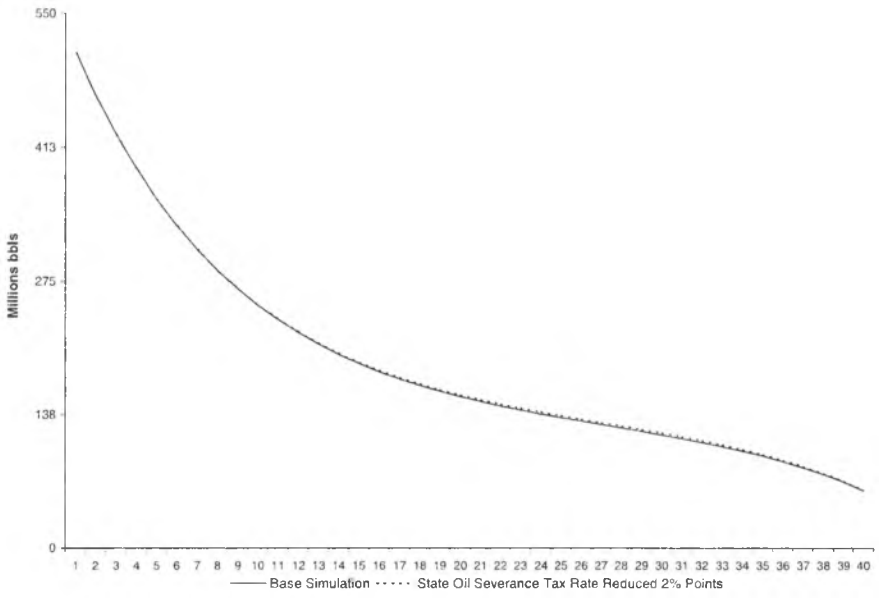

Figure 3. Wyoming oil (reserves).

209 in year 1 (2001) to 1 in year 40 (2040). Reserves also decline over this period from 510 MMbbls to 59 MMbbls with production declining from 59 MMbbls to 11 MMbbls. The dotted lines in these figures show the effects of a once-and-for-all reduction in the state oil severance tax by 2 percentage-points, which reduces the state effective rate from 5.8 to 3.8% and increases net-of-tax price by 40 cents (α_p increases by 0.016). As shown in Figure 2, the tax decrease increases drilling in the early years of the program when compared to the base simulation. Overall, drilling increases by 378 wells or 5.8% above the 40-year program base. With increased drilling in the early years, additional reserves are identified (15 million barrels more) and, as shown in Figure 3, proved reserves slightly rise in the out years.

Through the life of the program, the tax decrease results in increased production by about 14.9 million barrels, about 1.6% above the base solution. As Figure 4 depicts, this difference is roughly equal to the 15 million barrel increase in reserve additions that comes about because of the tax decrease. Also, the increase in output reflects a relatively low elasticity of production with respect to severance tax rate changes. Over the life of the program, this elasticity is approximately 0.05. Intuitively, while a decrease in the severance tax stimulates drilling activity, the additional drilling has a comparatively small effect on reserve levels. Given that over 63,000 wells (oil and gas) have been drilled in Wyoming to date 2000, prospects of a significant oil discovery are unlikely and the marginal product of drilling in finding new reserves is lower than in the past. As a consequence, reserve additions also respond inelastically to the severance tax decrease. Moreover, such small increases in

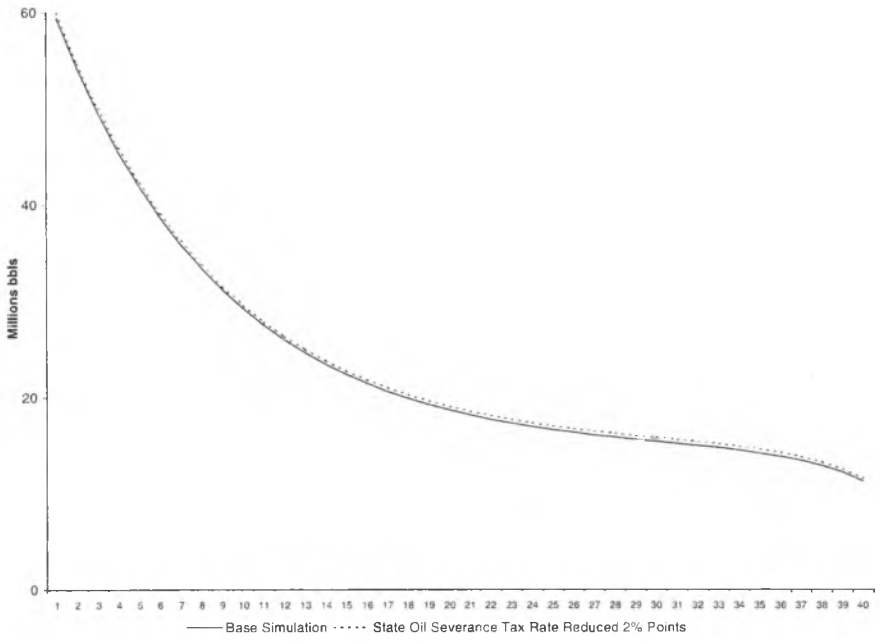

Figure 4. Wyoming oil (production).

net price (e.g., 40 cents per barrel) will unlikely affect production from existing wells and provides little incentive to reopen 'shut-in' wells.

The largest change associated with the 2 percentage-point reduction in state oil severance taxes is found in state production tax collections. Applying the discount rate of 4%, the tax change results in a decline in the present value of Wyoming *state* severance tax collections from $751 million to $498 million, a decline of over 33%. Alternatively stated, Wyoming would forego $669,312 in present value of severance tax revenue for each of the additional 378 wells drilled. Certainly, the incentive enhanced drilling effort may provide the state other forms of benefits (i.e., short-term rig employment and sales tax collections) but these additional benefits would have to be considerable in order to offset what appears to be an insurmountable loss of state tax revenue.

Because severance taxes are deductible in computing federal corporate income tax liabilities, tax payments to the federal government increase by $27 million (3.6% above the base case). Also, the 2 percentage-point severance tax decrease transfers state revenue to local governments because of the production stimulus. Discounted local production taxes increase by $12 million or 2% above the base case. The same can be said for discounted public land royalties which increase by 1.9% ($18 million) because of the increase in production. These results highlight the importance of the tax interactions described in Section 2 above.

The key result of this analysis is that oil reserve additions and production respond quite inelastically to reductions in severance tax rates. In the case at hand, a constant 2 percentage-point rate reduction increases overall simulated production by 1.6%—but decreases state severance tax revenue substantially in present value terms, by over 33%. This general outcome also applies to the other major oil producing states that levy a severance tax. In any case, oil-producing states should be wary of arguments promising large increases in oil exploration and production in response to cuts in severance tax rates.

5. Conclusions

This paper has adapted Pindyck's (1978) model of nonrenewable natural resource production to allow for an empirical test of the effectiveness of state oil severance tax incentives. Equations of the model are estimated econometrically from panel data on production, exploration and reserve additions for 20 states over the period 1970–00. The model is designed so that effects of changes in existing state severance tax rates on the evolution of exploration, reserves and production can be simulated into the mid-21st century. In general, results show that severance tax rate reductions result in a substantial loss of tax revenue, moderate increases in drilling, but little change in reserve additions and production. A key question regarding this general result is: Why does output of oil respond so grudgingly to changes in severance taxes? There appears to be four reasons why this is so. First, a reduction in severance taxes offers no *direct* stimulus for reserve exploration. A cut in the severance tax, as modeled, does nothing to directly stimulate reserve additions—operators get the future benefits of this tax incentive only if they drill *and only if they are successful*. In general, "upstream" incentives given at the beginning of the exploration-development-production process may provide a greater stimulus to production than "downstream" incentives given at the end of the process—e.g., cuts in severance taxes.

Second, operators do not see the full effect of state severance tax changes because of the many tax base and rate interactions at all levels. For example, severance taxes are deductible against federal corporate income tax liabilities. Therefore, when severance tax rates fall, federal corporate income tax liabilities rise and vice-versa. In fact, results herein suggest taxes should not be analyzed independently without reference to the entire tax structure applied by all levels of government; for example, a tax discount granted at one level may be partially offset by increased liabilities at another level. Therefore, operators do not receive the full value of tax reductions that may be granted by Wyoming and other states. Third, and in a related vein, a reduction in severance tax rates by 2 percentage-points has only a small impact on the net-of-tax price received by operators. The tax reduction simulated above increases the constant net-of-tax price by only 40 cents per barrel. This small Third, cannot be expected to generate much in the way of *new* oil production.

Fourth, and most importantly, production of (as contrasted with exploration for) oil is driven mainly by reserves, not by prices, severance tax rates, or tax discounts. This is a basic fact of geology and is easily illustrated by reexamining Wyoming's own history of oil production. Since 1970, Wyoming oil reserves steadily declined from 1 billion barrels to 561 million barrels in 2000 (see Figure 1). In other words, despite much exploration over the past 31 years (over 12,300 wells drilled), production has drawn down reserves faster

than new discoveries have added to them. This implies that for states like Texas, Oklahoma, and Wyoming the prospect of major exploratory success is not particularly promising (see Moroney, 1997 for a similar analysis of Texas). Moreover, during the past 31 years, oil production declined from 160 million barrels in 1970 to 61 million barrels in 2000. In fact, oil production continued to decline during the late 1970s and early 1980s even though real (year 2000 dollars) oil prices rose by a factor of more than 3, from about $18/bbl. to more than $55/bbl. Thus, even comparatively large price increases are not expected to call forth much additional output.

The general conclusion that severance tax changes appear to be unimportant may be problematic to public officials in oil producing states hoping to stimulate local economic activity by lowering such rates. The prospect of modest increases in exploration and production comes at a considerable cost, the loss of substantial state tax revenue that must be offset. Rather, state officials may have the incentive to raise severance tax rates risking little in the way of loss to future oil field activity.

Appendix A

This appendix derives the (generalized) constant tax parameters numbered (15)–(18) in the text. Restating the producer's problem (bracketed terms in text equation (1)) accounting for all tax effects yields

$$\begin{aligned} qp^* &- qp^*\tau_r - qp^*(1-\tau_r)\tau_p - C^* - \eta D^* - \tau_R R - \tau_s[qp^* - qp^*\tau_r \\ &- qp^*(1-\tau_r)\tau_p - C^* - \eta D^* - \tau_R R] - \tau_{us}\{qp^* - qp^*\tau_r - qp^*(1-\tau_r)\tau_p \\ &- qp^*(1-\tau_r)\delta - C^* - \eta D^* - \tau_R R - \tau_s[qp^* - qp^*\tau_r \\ &- qp^*(1-\tau_r)\tau_p - C^* - \eta D^* - \tau_R R]\}. \end{aligned} \tag{A.1}$$

Collecting terms from (A.1) gives

$$(1-\tau_{us})(1-\tau_s)[qp^* - qp^*\tau_r - qp^*(1-\tau_r)\tau_p - C^* - \eta D^* - \tau_R R] + \tau_{us}qp^*(1-\tau_r)\delta \tag{A.2}$$

which reduces to

$$\begin{aligned} &qp^*\{(1-\tau_{us})(1-\tau_s)(1-\tau_r)(1-\tau_p) + \tau_{us}(1-\tau_r)\delta\} - C^*\{(1-\tau_{us})(1-\tau_s)\} \\ &- \eta D^*\{(1-\tau_{us})(1-\tau_s)\} - \tau_R R\{(1-\tau_{us})(1-\tau_s)\}. \end{aligned} \tag{A.3}$$

For a single barrel of q and R, (A.3) becomes

$$\alpha_p p^* - \alpha_c C^* - \alpha_D D^* - \gamma. \tag{A.4}$$

where

$$\gamma = \{(1-\tau_{us})(1-\tau_s)\tau_R\} \tag{A.5}$$

$$\alpha_p = \{(1-\tau_{us})(1-\tau_s)(1-\tau_r)(1-\tau_p) + \tau_{us}(1-\tau_r)\delta\} \tag{A.6}$$

$$\alpha_c = \{(1-\tau_{us})(1-\tau_s)\} \tag{A.7}$$

$$\alpha_D = \{(1-\tau_{us})(1-\tau_s)\eta\} \tag{A.8}$$

equate to equations (15)–(18) in the text.

Wyoming Tax Parameters

In developing a base simulation solution, equations (A.5)–(A.8) can be simplified because Wyoming does not have a state corporate income tax ($\tau_s = 0$) and does not levy a property tax against reserves in the ground ($\tau_R = 0$). For Wyoming, royalty rates are computed as the sum of state and federal royalty payments divided by the gross value of production and averaged 9.1% for oil in 2000. This percentage is higher than for other oil producing states because of the comparatively large share of Wyoming's production on public lands. Production tax rates are computed as total production tax collections divided by the gross value of production net of public land royalties. In Wyoming, there are both local and state levies against this net value of production. Local ad valorum taxes are based on the prior year's production value. The sum of the two average effective rates in 2000 totaled approximately 12.3% (local 6.5% and state 5.8%). Also, the current nominal percentage depletion rate of 15% applied to about 52% of Wyoming oil producers in 2000, thus $\delta = 7.8\%$. Also, the expensed portion of current period drilling costs is approximately 42% for the industry and the present value of depletion deductions for capitalized drilling cost can be approximated by $(q/R)/(r + (q/R))$, assuming that the ratio of production to reserves is constant (see Deacon, 1993). Wyoming's mean value of q/R was approximately 11% for the sample period, therefore $\eta = 0.42 + (1 - 0.42) * (0.11/(0.04 + 0.11)) = 0.84$. The base tax policy parameters for Wyoming are $\alpha_p = 0.72$, $\alpha_c = 0.89$, $\alpha_D = 0.75$, $\gamma = 0$.

Acknowledgments

This research is supported by an appropriation from the Wyoming Legislature (1999 Wyoming Session Laws, Chapter 168, Section 3). However, this paper may or may not reflect the views of public officials in the state. Thanks to John Livernois, editor John Wilson, and two anonymous referees for a number of constructive suggestions that improved this paper.

Notes

1. Severance or production taxes are typically ad valorem taxes levied on the net production value (or volume) of a resource as it is extracted from the ground or at the final point of sale.
2. Making tax rates endogenous to the problem considered here would be a logical and important extension of this research.
3. Pindyck's (1978) original specification of the extraction cost function is retained here in spite of the logical inconsistencies discussed by Livernois and Uhler (1987), Livernois (1987, 1988) and Swierzbinski and Mendelsohn (1989). These authors argue that Pindyck's extraction cost function is defensible when reserves are of uniform quality but in the presence of exploration, reserves must be treated as heterogeneous because the most accessible deposits are added to the reserve base first. They show that aggregation of extraction costs across heterogeneous deposits is not valid except under special circumstances. Another problem with this function is that extraction costs should be a function of γ. The extraction cost function derived from profit-maximization at a point in time subject to a production constraint would have γ as an argument because the reserve base is an input to oil and gas production. These complications are not treated in the analysis below because of severe data constraints on estimating the extraction cost function (see Section 3.2).

4. Equation (11) can be simplified by choosing a functional form for reserve additions such as the one used in Section 3 (see equation (13)). In this case, $(f_{xw}/f_w) \cdot f - f_x = 0$.
5. The Energy Information Administration and the American Petroleum Institute (2000) report annual production data for 31 states over this period, but data on reserve additions, cumulative drilling, and drilling costs are not available in all years for the 11 smallest producing states. The 20 states included are AK, AL, AR, CA, CO, IL, IN, KS, KY, LA, MI, MS, MT, ND, NE, NM, OK, TX, UT, and WY.
6. Major cost items are for labor, materials, supplies, machinery and tools, water, transportation, fuels, power, and direct overhead for operations such as permitting and preparation, road building, drilling pit construction, erecting and dismantling derricks/drilling rigs, drilling hole, casing, hauling and disposal of waste materials and site restoration. For additional details, see Joint Association Survey on Drilling Costs, Appendix A (1998).
7. Equation (13) was also estimated allowing for both state-specific intercepts and state-specific coefficients for ρ and β. This strategy was unsuccessful as it yielded mostly insignificant estimates of state-specific slope interactions.
8. Wyoming rescinded this legislation in 2000.

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SB 205

<TARGET><BILL>SB 205</BILL><SUBJECT>SB 205</SUBJECT><COMM>SRES27</COMM></TARGET>

ALASKA STATE LEGISLATURE

SENATOR DONALD C. OLSON

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Ethics Committee
Legislative Council
Northern Waters Task Force
Education Funding District Cost Factor
Finance Subcommittee Chair
Fish & Game
Health & Social Services
Public Safety
Finance Subcommittee Member
Environmental Conservation

SB 205 – CHINOOK RESEARCH & RESTORATION ENDOWMENT
SPONSOR STATEMENT

SB 205 creates the Alaska Chinook salmon research and restoration endowment fund. Grants from the fund would be issued to qualifying organizations. A 7-member board, including the Commissioner of Fish & Game and 6 public members from across the state, would administer the grants.

Chinook salmon, the state fish of Alaska, is an important staple food for Native villages of Alaska. Moreover, they are an economically important species for a number of commercial fisheries and a prized sport fishery resource. Nowhere else are wild Chinook salmon stocks more valued and essential to the basic way of life than in Alaska.

Chinook salmon populations in Alaska have undergone significant shifts in abundance during the past 40 years, yet little is known about the factors influencing these shifts. Eight of the 14 currently listed "stocks of concern" are Chinook salmon stocks.

Recent declines of salmon abundance have caused severe hardship in some areas and anxiety for the fishery-dependent communities of Alaska. Limited commercial fishing on Chinook salmon has occurred in recent years and earnings have deteriorated sharply. Poor Chinook salmon returns can exacerbate allocation tension and conflict between fishery user groups competing for a fully allocated fishery resource.

Over the past twenty-five years, there has been considerable variability in Yukon Chinook salmon population dynamics. Available harvest data show a thirty-six year period of sustained abundance early on, with significant declines during the past fifteen years.

To understand the trends and causes of variation in abundance of Chinook salmon, information concerning population biology, freshwater ecology, marine ecology, and population dynamics are needed to understand the variables controlling population abundance and trends.

Knowledge gaps remain across the State of Alaska indicating that a multi-disciplinary research effort is needed to investigate the role of physical habitat, climate induced environmental variability, and biological response in Chinook salmon populations if we are to meet the needs of Alaskans that depend upon this resource.

This legislation would create a stable, long-term source of funding to support high quality interdisciplinary research. The Alaska Chinook Salmon Research and Restoration Endowment Fund stakeholder board would, along with the Alaska Department of Fish and Game, direct research monies to priority areas and topics based on an adopted Chinook Salmon Action Plan.

These funds may also be used to leverage additional funding by providing necessary matching funds.

With this legislation, Alaska can demonstrate we have the best-managed resources in the world. I urge your support.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB 205**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB205-DCCED-DCRA-03-09-12
Title: Chinook Research & Restoration Endowment
Sponsor: Senator Olson
Requester: Senate Resources

Dept. Affected: DCCED
Appropriation: Community and Regional Affairs
Allocation: Community and Regional Affairs
OMB Component Number: 2879

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel	26.5		26.5	26.5	26.5	26.5	26.5
Services	1.5		1.5	1.5	1.5	1.5	1.5
Commodities	1.5		0.5	0.5	0.5	0.5	0.5
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**29.5**	**0.0**	**28.5**	**28.5**	**28.5**	**28.5**	**28.5**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)	29.5		28.5	28.5	28.5	28.5	28.5
TOTAL		**29.5**	**0.0**	**28.5**	**28.5**	**28.5**	**28.5**	**28.5**

POSITIONS							
Full-time							
Part-time							
Temporary	**0**		0	0	0	0	0

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial Version

Prepared by: Scott Ruby — Phone: (907) 269-4569
Division: Community and Regional Affairs — Date/Time: 3/9/12 9:00am
Approved by: JoEllen Hanrahan, Director Administrative Services — Date: 3/9/2012
Commerce, Community and Economic Development

(Revised 1/17/2012 OMB)

STATE OF ALASKA **BILL NO.** SB 205
2012 LEGISLATIVE SESSION

Analysis

This bill establishes an endowment fund with the purpose of funding research and restoration projects for Chinook salmon stocks located in the state. Earnings from the fund may be used for block grants to Alaska organizations for projects, as matching funds for private and federal grants, and to reimburse the Departments of Revenue and Commerce for costs associated with program administration.

The bill also establishes a seven member board consisting of the Commissioner of Fish and Game and six public members from various regions of the state.

The Department of Commerce, Community, and Economic Development is responsible for administration of the board and disbursal of funds through grants or reimbursements. The Department will be required to adopt regulations enacting a block grant program outlined in the bill.

Travel includes costs for seven board members for two face to face meetings per year, and department staff board support and grant monitoring visits.

Services include the costs for board teleconferences.

Commodities costs include preparing and publishing the public notice for the regulations one-time, and preparing applications solicitations and reports on a yearly basis.

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **SB 205 \A**
Fiscal Note Number:
Publish Date:

Identifier (file name): SB205-DFG-CO-03-09-12
Title: CHINOOK RESEARCH & RESTORATION ENDOWMENT
Sponsor: SENATOR(S) OLSON, Wagoner, Hoffman, Stevens
Requester: Senate Resources Committee

Dept. Affected: ADF&G
Appropriation: Administration and Support
Allocation: Commissioner's Office
OMB Component Number: 2175

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This is the intial fiscal note for SB 205.

Prepared by: Ben Mulligan, Legislative Liaison
Phone: 907-465-6137
Division: Commissioner's Office
Date/Time: 3/9/12 12:44PM
Approved by: Kevin Brooks, Administrative Services Director
Department of Fish and Game
Date: 3/9/2012

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB 205 \A
2012 LEGISLATIVE SESSION

Analysis

Senate Bill 205 creates the Chinook Salmon Research and Restoration Endowment Fund and the Alaska Chinook Salmon Research and Restoration Endowment Fund Board. The endowment fund will provide the funding that the board will utilize to administer grants for Chinook salmon research and restoration.

The Department of Fish and Game anticipates no additional funding needed to carry out our duties as laid out in Senate Bill 205.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version **SB205**
Fiscal Note Number
() Publish Date

Identifier (file name) SB205-DOA-DOF-02-22-12
Title Chinook Research and Restoration Endowment
Sponsor Senator Olson
Requester Senate Resources

Dept. Affected Administration
Appropriation Centralized Administrative Services
Allocation Finance
OMB Component Number 59

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by Scot Arehart, Director — Phone 465-3435
Division Division of Finance — Date/Time 2/22/2012 5:00pm
Approved by John Cramer, Deputy Commissioner — Date 2/23/2012
Department of Administration

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB205
2012 LEGISLATIVE SESSION

Analysis

Establishing funds and accounts created by legislation such as this is performed in the normal course of business by the Division of Finance. Therfore a zero fiscal note is submitted.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB205**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB205-DOR-TRS-03-07-12
Dept. Affected: Revenue
Title: Alaska Chinook research & restoration endowment fund
Appropriation: Treasury and Taxation
Allocation: Treasury
Sponsor: Senators Olson, Wagoner, Hoffman, Stevens
Requester: Senate Resources Committee
OMB Component Number: 121

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services	13.0		13.0	13.0	13.0	13.0	13.0
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**13.0**	**0.0**	**13.0**	**13.0**	**13.0**	**13.0**	**13.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)	13.0		13.0	13.0	13.0	13.0	13.0
TOTAL		**13.0**	**0.0**	**13.0**	**13.0**	**13.0**	**13.0**	**13.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version.

Prepared by: Scott Jones — Phone: 465-2300
Division: Treasury — Date/Time: 3/7/12 12:00 AM
Approved by: Angela Rodell, Deputy Commissioner — Date: 3/7/2012

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB205
2012 LEGISLATIVE SESSION

Analysis

This bill provides for the Chinook research and restoration endowment fund to be established as a separate account and managed by the Commissioner of Revenue. This fiscal notes assumes a fund balance of $50 million in order to estimate costs and therefore that total earnings of the fund for the previous fiscal year can be appropriated to the grant account in the general fund (as per Sec 37.14.660 (a) (3)). Services expenditures represent the incremental external management fees for managing this fund, based on an asset allocation of 41% fixed income, 27% domestic equity and 32% international equity. Note that this bill establishes that the grant fund , an account fund to be established in the general fund, will pay for the costs of establishing and managing the fund which will include the services expenditures above as well as its share of other Treasury costs as identified through the Treasury cost allocation plan.

YUKON RIVER DRAINAGE FISHERIES ASSOCIATION

February 27, 2012

State Capitol, Room 411
Juneau, AK 99801-1182

Re: Support for House Bill 332

Dear Representative Herron:

The Yukon River Drainage Fisheries Association (YRDFA) appreciates the opportunity to support House Bill 332 establishing the Alaska Chinook research and restoration endowment fund. YRDFA is an association of commercial and subsistence fishermen and women on the Yukon River in Alaska with a mission of promoting healthy, wild fisheries and cultures on the Yukon River. The region we represent is home to some of the world's most magnificent salmon resources, and the world's furthest migrating salmon runs on the Yukon River. These salmon provide a primary source of food and are essential to the continued viability of the subsistence way of life in Western Alaska. For many residents the commercial salmon harvest also provides the only means of income for those who live in the remote villages of the Yukon River. Salmon represents an essential part of the culture, diet and economy in our region.

The Chinook salmon which are such a critical foundation for cultures, communities and economies along the Yukon River have declined dramatically in recent years. Yukon River Chinook salmon runs declined to disaster levels from 1998 to 2002. After a brief improvement from 2003 to 2006, runs have declined since, with escapement goals to Canada not met in 2007, 2008, or 2010, and subsistence harvests restricted. Overall, "mean run size of Canadian-origin Chinook for the period 1998-2010 declined 45% compared to the period 1982-1997."[1]

Subsistence harvest opportunities have been severely reduced in recent years, and in 2008, 2009, and 2010 (2011 data not yet available) harvests were below the BOF-determined Amounts Reasonably Necessary for Subsistence (ANS). To protect king salmon, directed commercial fishing for king salmon was eliminated, commercial chum salmon fishing was restricted, and sale of king salmon caught in the chum salmon fishery was at times prohibited. Even when escapement goals have been met, subsequent returns from these escapements have been poor. While the direct cause is unknown, poor runs have low recruits-per-spawner.

Declines in Chinook salmon runs have had dramatic effects on Yukon River communities. Subsistence fisheries have been greatly reduced, disrupting the culturally important practices of going to fish camp in

[1] Spaeder, J. and M. Catalano, Compilation of Evidence for Long-term Decline and Periodic Low Returns of AYK Region Chinook Populations, Report to Arctic-Yukon-Kuskokwim Sustainable Salmon Initiative Chinook Expert Panel, Oct. 15, 2011.

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the summer. The commercial Chinook salmon fishery—one of the only sources of cash income in many of these communities—has been virtually eliminated.

While we know that all of these reductions in harvest have been necessary to meet escapements and protect the Yukon River Chinook salmon stock, very little information is available to indicate the reason for these huge declines in run sizes. Theories on causation abound, but much additional research is needed to determine the cause and either reverse the decline or plan for future run sizes.

To investigate the causes of these declines it is critical that there is a dedicated and consistent source of funding for Chinook salmon research. This type of research needs to be well-coordinated and funded over an extended time-period. To study and understand the impacts and effects of population biology and dynamics, freshwater and marine ecology, physical habitat and the many other factors impacting Chinook salmon populations it is essential that long-term funding is dedicated to these purposes.

We are well aware that there have been recent efforts to work toward understanding the trends in variability and we are grateful for the federal funds that were made available to achieve that goal. However, there are extensive gaps in Alaska, and while these recent efforts contributed very valuable information, much more research is needed to understand and reverse these trends. In addition, recent efforts have been focused on only a portion of the state, and a statewide approach to this issue is important. A statewide effort, such as HB332, would be an important step towards providing Alaska's residents with a better understanding of our Chinook salmon stocks and the security of knowing that the State of Alaska is thoroughly engaged in investigating the current declines. It is critical that we take this kind of proactive approach to addressing our stock declines now.

There is no fish more iconic to Alaskans than the Chinook salmon. On the Yukon River this fish is not merely an icon, but a critical component of physical and cultural survival. It is vital and essential that the State of Alaska invest in understanding and recovering our Chinook salmon runs by establishing a dedicated research and restoration endowment fund via House Bill 332.

Thank you for your consideration of our comments. If you have any questions or would like additional information please feel free to contact me.

Sincerely,

Jill Klein

Jill Klein
Executive Director

BRISTOL BAY NATIVE ASSOCIATION
P.O. BOX 310
DILLINGHAM, ALASKA 99576
PHONE (907) 842-5257

Tribal Councils
Served by BBNA:

Aleknagik
Chignik Bay
Chignik Lagoon
Chignik Lake
Clarks Point
Dillingham
Egegik
Ekuk
Ekwok
Igiugig
Iliamna
Ivanof Bay
King Salmon
Kokhanok
Koliganek
Levelock
Manokotak
Naknek
New Stuyahok
Newhalen
Nondalton
Pedro Bay
Perryville
Pilot Point
Port Heiden
Portage Creek
South Naknek
Togiak
Twin Hills
Ugashik

February 29, 2012

RE: Letter of Support for the bill that creates the ALASKA CHINOOK SALMON RESEARCH AND RESTORATION ENDOWMENT FUND

To Whom It May Concern:

On behalf of the Bristol Bay Native Association (BBNA), it is with great pleasure I provide a letter of support for the ALASKA CHINOOK SALMON RESEARCH AND RESTORATION ENDOWMENT FUND. BBNA is a Tribal consortium of 31 Bristol Bay Tribes. BBNA has much in common with its neighbors to the north and partners and supports its counterparts in the Arctic, Yukon, and Kuskokwim regions.

Chinook salmon is an important staple food for the Alaska Native people and others in the Western Alaska. They are also an economically important species for a number of commercial fisheries and a prized sport fishing resource. Chinook salmon stocks are highly valued and essential to the basic way of life in Western Alaska.

Chinook salmon populations have suffered significant fluctuations in abundance during the past 40 years, yet little is known about the factors influencing their populations. Eight of the 14 currently listed "stocks of concern" are Chinook salmon stocks.

A decline in Chinook salmon causes severe hardship and anxiety for the salmon-dependent people in Western Alaska. Limited commercial fishing on Chinook salmon has occurred in recent years and earnings have declined significantly. Poor Chinook salmon returns produce tension and conflict between fishery user groups competing for the same fishery resource.

The bill creates a stable, long-term source of funding for high quality interdisciplinary research such as the Arctic-Yukon-Kuskokwim Sustainable Salmon Initiative (AYK SSI). AYK SSI Research results and information is being utilized in a wide variety of ways to support sustainable salmon management. It analyses escapement goals and helps to gain better an understanding of marine ecosystems. It helps to provide fisheries managers with better forecasts and improved responses to changing environmental conditions.

BBNA fully endorses the Alaska Chinook Salmon Research and Restoration Endowment Fund. I respectfully request your support of the bill when it comes before your legislative body.

Sincerely,

Ralph Anderson
President & Chief Executive Officer
Bristol Bay Native Association

KAWERAK , INC. • P.O. Box 948 • Nome, AK 99762
TEL: (907) 443-5231 • FAX: (907) 443-4452

SERVING THE VILLAGES OF:
BREVIG MISSION
COUNCIL
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GOLOVIN
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NOME
SAVOONGA
SHAKTOOLIK
SHISHMAREF
SOLOMON
STEBBINS
ST. MICHAEL
TELLER
UNALAKLEET
WALES
WHITE MOUNTAIN

February 6, 2012

Senator Donny Olson
Representative Neal Foster
Representative Reggie Joule

Dear Senator Olson, Representatives Foster and Joule:

On behalf of Kawerak Incorporated, I am writing to express our support for Senator Hoffman, Olson and Representative Herron's bill which would create the **ALASKA CHINOOK SALMON RESEARCH AND RESTORATION ENDOWMENT FUND (ACSRRF).**

I am enclosing a spread sheet which shows the return of Chinook and other salmon to the Seward Peninsula. Two years ago, we sought to have a Chinook and Chum disaster declared by the Department of Commerce for the stocks in the Norton Sound. We were not successful because while the Chinook return was way down, commercial fishermen in southern Norton Sound were able to offset their losses by fishing other stocks, therefore no economic loss occurred. Here in Northern Norton Sound, our commercial fisheries have been closed for so long; an economic disaster declaration is not possible, since a disaster is determined by the decline over the previous 5 years average fishing income.

This is not an "income" issue. Our stocks are so depressed that we wonder if the stocks themselves will survive. Yet there does not seem to be a sense of urgency on the part of the department to turn this situation around.

We fully support the funding and creation of the ACSRRF as a means to help ensure sustainable uses of wild salmon for future generations.

Sincerely,

KAWERAK INCORPORATED

Loretta Bullard
President

Fish numbers of surrounding rivers

Escapement Goal	Snake	2003	2004	2005	2006	2007	2008	2009	2010	As of 8/23/11	As of 10/6/11
1,600-2,500	Chums	2,201	2,146	2,967	4,106	8,147	1,244	891	6,973	4,323	4,323
	Pinks	2,856	126,917	13,813	74,028	4,634	145,761	769	51,099	6,997	7,011
	Silvers	489	474	2,948	4,776	1,781	5,206	50	2,243	83	343
	Kings	50	17	31	32	61	13	6	43*	1	1
	Sockeye	84	22	275	302	1,354	143	2	124*	7	14
Nome	Nome	2003	2004	2005	2006	2007	2008	2009	2010	2011	2011
2,900-4,300	Chums	1,957	3,903	5,584	5,677	7,034	2,607	1,565	5,906	3,442	3,582
3150?	Pinks	11,402	1,051,146	285,759	578,555	24,395	1,186,554	16,490	165,931	14,312	14,403
	Silvers	548	2,283	5,848	8,308	2,437	4,605	1,370	4,114	453	1,833
	Kings	12	51	69	43	13	28	30	9*	8	12
Eldorado	Eldorado	2003	2004	2005	2006	2007	2008	2009	2010	2011	2011
6,000-9,200	Chums	3,591	3,277	10,369	42,105	21,312	6,746	4,943	21,211	16,227	16,227
	Pinks	173	60,866	12,356	222,348	833	244,641	1,119	48,136	489	489
	Silvers	115	1,151	689	55	2	38	2	2*	1	1
	Kings	29	25	32	41	14	36	31	23*	3	3
Niukuik	Niukuik	2003	2004	2005	2006	2007	2008	2009	2010	2011	2011
>23,000	Chums	20,018	10,770	25,598	29,199	50,994	12,078	15,879	45,561	23,496	23,607
10,500	Pinks	75,855	975,895	270,424	1,371,919	43,617	669,234	24,204	434,205	15,338	15,425
2,400-7,200	Silvers	1,282	2,064	2,727	11,169	3,498	13,779	6,861	9,042	1,616	2,405
	Kings	179	141	41	39	30	33	204	15*	18	18
Pilgrim	Pilgrim	2003	2004	2005	2006	2007	2008	2009	2010	2011	2011
No Goal	Chums	15,200	10,239	9,685	45,361	35,334	24,550	5,427	25,379	38,963	41,740
	Pinks	14,100	50,760	13,218	17,701	3,616	92,471	483	29,239	3,337	3,364
	Silvers	677	1,102	304	973	605	260	18	272*	39	269
	Kings	1,016	925	216	275	501	137	52	44*	40	44
	Sockeye	42,729	85,417	55,951	52,323	43,342	20,452	953	1,654*	8,404	8,449
North River	North River	2003	2004	2005	2006	2007	2008	2009	2010	2011	2011
No Goal	Chums	9,859	10,036	11,984	5,385	8,046	9,502	9,798	16,131	18,140	19,898
25,000	Pinks	280,212	1,162,978	1,670,934	2,169,890	583,320	241,798	190,291	150,807	123,334	150,807
550-1,100	Silvers	5,837	11,187	19,189	9,835	19,944	15,648	22,276	7,608	1,662	3,624
1,200-2,600	Kings	1,452	1,125	1,015	906	1,948	903	2,355	1,256	864	864
Kwiniuk	Kwiniuk	2003	2004	2005	2006	2007	2008	2009	2010	2011	2011
11,500-23,000	Chums	12,123	10,362	12,083	39,519	27,756	9,483	8,739	71,403	31,595	31,604
8,400	Pinks	22,329	3,054,684	341,048	1,347,090	54,255	1,444,213	42,962	634,169	29,936	30,023
650-1,300	Silvers	5,490	11,240	12,950	22,341	9,429	10,462	8,677	8,058	2,178	3,288
	Kings	744	663	342	195	258	237	444	138	57	57

Raymond Watson, Chairperson
Myron P. Naneng, Sr., President

Association of Village Council Presidents
Office of Administration
PO Box 219 • Bethel AK 99559
Phone (907) 543-7300 • Fax: (907) 543-3369

Alakanuk
Andreafsky
Aniak
Atmautluak
Bethel
Bill Moore's Sl.
Chefornak
Chevak
Chuathbaluk
Chuloonawick
Crooked Creek
Eek
Emmonak
Georgetown
Goodnews Bay
Hamilton
Hooper Bay
Lower Kalskag
Upper Kalskag
Kasigluk
Kipnuk
Kongiganak
Kotlik
Kwethluk
Lime Village
Marshall
Mekoryuk
Mtn. Village
Napaimiut
Napakiak
Napaskiak
Newtok
Nightmute
Nunakauyaq
Nunam Iqua
Nunapitchuk
Ohogamiut
Oscarville
Paimiut
Pilot Station
Pitka's Point
Platinum
Quinhagak
Red Devil
Russian Mission
Scammon Bay
Sleetmute
St. Mary's
Tuntutuliak
Tununak
Umkumiut

February 29, 2012

Alaska State Legislature
Juneau, Alaska 99801

Sent via e-mail

Dear Senator Lyman Hoffman, Senator Donny Olson, Representative Bryce Edgmon, and Representative Bob Herron:

On behalf of the Association of Village Council President, a tribal consortium consisting of 56 federally-recognized Indian Tribes in the Lower Yukon and Kuskokwim Rivers, I am writing to express our support for House Bill 332: Alaska Chinook Salmon Research and Restoration Endowment Fund (ACSRRF).

In our region, we have seen a precipitous decline in the abundance of Chinook salmon in both the Yukon and Kuskokwim Rivers. In the Lower Yukon River state salmon fisheries management districts of Y-1, Y-2, and Y-3, an economically vibrant commercial fishery existed until 1998 when salmon populations dropped to near non-existence. This Chinook salmon-directed fishery supported up to seven salmon processors and employed hundreds of local residents paying out the necessary dollars to provide the much needed income to pay bills and feed their families. Today, only one processor operates on the entire Lower Yukon River. This once-economically vibrant fishery is near complete extinction.

Within the last several years, fishermen have not been allowed to sell incidentally-harvested Chinook salmon in the legitimate commercial fisheries in Y1,2 & 3. We have seen a decline in the commercial fishermen participation to near fifty-percent of historical averages. This is compounded by high gasoline and transportation costs. More importantly, subsistence fisheries are near non-existence. Recent publications by the Alaska Department of Fish & Game indicate that subsistence fishermen, in more recent times, have not achieved their statutory *Amounts Necessary for Subsistence* for Chinook salmon on the Yukon River. Moreover, the early symptoms of the Yukon River are starting to appear on the Kuskokwim River.

Since the crash of 1998, the runs on the Kuskokwim River have been sporadic. In some years, we have seen evidence of *Ichthyophonus Hoferi,* a fish disease more common to herring populations in our Chinook salmon runs. In more recent years, several Chinook salmon spawning streams are failing to meet their regulatory established escapement goals, and we are seeing a decline in sizes.

The bottom line is we do not know nor understand what is happening to our precious resource. Further, this phenomenon is not only limited to our region. Chinook salmon populations around Alaska have undergone shifts in abundance during the past 40 years, yet little is known about the factors influencing these shifts. Eight of the 14 currently listed "stocks of concern" are Chinook salmon stocks, as defined by the Alaska Board of Fisheries in 5AAC 39.222.

While we know that reductions in harvest have been necessary to meet escapements and protect the Chinook salmon stocks, very little information is available to indicate the reason for these changes in run sizes. Theories on causation abound, but additional research is needed to determine the cause and either reverse the decline or plan for future run sizes.

To investigate the causes of these declines, it is critical that there is a dedicated and consistent source of funding for Chinook salmon research. This will allow a thorough study of the impacts and effects of population biology and dynamics, freshwater and marine ecology, physical habitat and the many other factors impacting Chinook salmon populations.

There is no fish more iconic to Alaskans than the Chinook salmon. This fish is not merely an icon, but a critical component of physical and cultural survival of Alaskans. It is vital and essential that the State of Alaska invest in understanding and recovering our Chinook salmon runs.

We fully support the funding and creation of ACSRRF as a means to help ensure sustainable uses of wild salmon for future generations.

Sincerely,
Raymond Watson, Chairman
Association of Village Council Presidents

Myron P. Naneng Sr., President

CC: Mr. Rob Earl, Mr. Tim Grussendorf, Mr. David Scott, Mr. Mike Nizich

Alaska Department of Fish and Game

Advisory Committees by Region

ARCTIC *Map *(473K)*

Arctic
Kotzebue
Lower Kobuk
Noatak/Kivalina
Northern Norton Sound
Northern Seward Peninsula
St Lawrence Island
Southern Norton Sound
Upper Kobuk

INTERIOR *Map *(438K)*
Central
Delta
Eagle
Fairbanks
Grayling, Anvik, Shageluk and Holy Cross (G.A.S.H.)
Koyukuk
Lake Minchumina
McGrath
Middle Nenana River
Middle Yukon River
Minto/Nenana
Ruby
Tanana/Rampart/Manly
Upper Tanana/Forty Mile
Yukon Flats

SOUTHCENTRAL *Map *(347K)*
Anchorage
Central Peninsula
Cooper Landing
Copper Basin
Copper River/Prince Wm. Sd

Denali
Homer
Kenai/Soldotna
Kodiak
Matanuska Valley
Mt. Yenlo
Paxson
Seldovia
Seward
Susitna Valley
Tok Cutoff/Nabesna Road
Tyonek
Valdez
Whittier

SOUTHEAST *Map *(268K)*
Angoon
Craig
East Prince of Wales Island
Edna Bay
Elfin Cove
Hydaburg
Hyder
Icy Straits
Juneau-Douglas
Kake
Ketchikan
Klawock
Klukwan
Pelican
Petersburg
Port Alexander
Saxman
Sitka
Sumner Strait
Tenakee Springs
Upper Lynn Canal
Wrangell
Yakutat

SOUTHWEST *Map *(354K)*
Chignik
False Pass
King Cove
Lake Iliamna
Lower Bristol Bay
Lower Kuskokwim
Naknek/Kvichak
Nelson Lagoon
Nushagak
Sand Point
Togiak
Unalaska/Dutch Harbor

WESTERN *Map *(428K)*
Central Bering Sea
Lower Kuskokwim
Central Kuskokwim
Lower Yukon
Stony-Holitna

Article 2
Regional Fish and Game Councils

Section

200. Establishment of a regional fish and game council system.

210. Fish and game resource management regions.

220. Regional fish and game councils.

230. (Repealed).

240. (Repealed).

245. Non-voting member.

250. Functions of regional fish and game councils.

260. Uniform rules of operation.

270. (Repealed).

280. Attendance at meetings.

5 AAC 96.200. Establishment of a regional fish and game council system

A system of regional fish and game councils is established to provide a regional forum for the collection and expression of opinions and recommendations on matters relating to fish and wildlife resources, to assist the boards in deliberations concerning regulations, and to provide for public participation in the regulatory process to help adequately protect subsistence uses.

History: In effect before 1982; am 6/2/82, Register 82; am 10/9/83, Register 88

Authority: AS 16.05.260

5 AAC 96.210. Fish and game resource management regions

(a) For the purposes of conservation and management of the fish and wildlife resources of the state, the following fish and game resource management regions are created:

(1) Southeast Alaska, consisting of all lands and waters of Game Management Units 1 - 5, that part of Unit 6 east of Cape Suckling, and adjacent marine waters;

(2) Southcentral Alaska, consisting of all lands and waters of Game Management Units 6 west of Cape Suckling, 7, 9A, 11, 13 - 16, and adjacent marine waters;

(3) Southwest Alaska, consisting of all lands and waters of Game Management Units 8, 9B - E, 10, 17, and adjacent marine waters;

(4) Western Alaska, consisting of all lands and waters of Game Management Unit 18 and that portion of the Kuskokwim River drainage in Game Management Unit 19 downstream from, and including, the George River drainage and the Hoholitna River drainage, and adjacent marine waters;

(5) Arctic Alaska, consisting of all lands and waters of Game Management Units 22, 23, 26, and adjacent marine waters; and

(6) Interior Alaska, consisting of all lands and waters of Game Management Units 12, 20, 21, 24, 25, and that portion of the Kuskokwim River drainage in Unit 19 upstream from the George River drainage and the Hoholitna River drainage.

(b) The Game Management Units listed in (a) of this section are described in 5 AAC 90.010.

(c) A board will, in its discretion, temporarily change the boundaries of regions for individual resource issues.

History: In effect before 1982; am 6/2/82, Register 82; am 10/9/83, Register 88

Authority: AS 16.05.260

5 AAC 96.220. Regional fish and game councils

The joint board will establish a council within each region described in 5 AAC 96.210. Each council will consist of the chairmen, or their designees, of the active committees established within the region. Any committee member who is a member of a council must be a resident of the region.

History: In effect before 1983; am 10/9/83, Register 88; am 9/22/85, Register 95

Authority: AS 16.05.260

5 AAC 96.230. Qualifications for membership

Repealed 10/9/83.

5 AAC 96.240. Non-voting members

Repealed 10/9/83.

5 AAC 96.245. Non-voting member

Each regional council may establish two seats for non-voting members if necessary to perform the functions set out in 5 AAC 96.250.

History: Eff. 9/22/85, Register 95

Authority: AS 16.05.260

5 AAC 96.250. Functions of regional fish and game councils

(a) Each council is authorized to:

(1) hold public meetings on fish and wildlife matters;

(2) elect officers;

(3) in consultation with the local fish and game advisory committees in its region and with the department, review, evaluate, and make a recommendation to a board on any existing or proposed regulation, policy, or management plan, or any other matter relating to the use of fish and wildlife, including any matter related to fish and wildlife habitat, within its region;

(4) perform other duties specified by a board; and

(5) submit to the joint board, the department, and the Secretary of Interior of the United States, by November 15 of each year, an annual report, containing:

(A) an identification of current and anticipated subsistence uses of fish and wildlife populations within the region, and other fish and wildlife uses that the council identifies;

(B) an evaluation of current and anticipated subsistence needs for use of fish and wildlife populations within the region, and of other fish and wildlife needs that the council identifies;

(C) a recommended strategy for the management of fish and wildlife populations within the region to accommodate the identified fish and wildlife uses and needs; and

(D) recommendations concerning policies, standards, guidelines, and regulations to implement the strategy.

(b) A council shall provide a forum for, and assist its local fish and game advisory committees in, obtaining the opinions and recommendations of people interested in fish and wildlife matters so as to achieve the greatest possible local participation in the decision-making process. If differences of opinion exist among the committees, the council shall attempt to develop areas of compromise and to reach a regional consensus on matters of controversy.

(c) A council will, in its discretion, present recommendations concerning the conservation, regulation, management, and use of fish and wildlife resources within its region, along with the evidence upon which the recommendations are based, to the appropriate board.

(d) A council may make recommendations to the joint board on the creation, consolidation, distribution, or operation of the committee system.

History: In effect before 1982; am 6/2/82, Register 82; am 10/9/83, Register 88; am 9/22/85, Register 95

Authority: AS 16.05.260

5 AAC 96.260. Uniform rules of operation

(a) **Rules.** Every action taken by a council must comply with the uniform rules of operation for committees set out in 5 AAC 96.060(j) , (k), (m), and (q) - (s). The rules in (b) - (d) of this section supersede the corresponding rules in 5 AAC 96.060(c) , (e), (*o*), and (t).

(b) **Responsibilities.** A council shall perform the functions described in 5 AAC 96.250 in accordance with the provisions of 5 AAC 96 and 97.

(c) **Membership.** Membership on a council is as provided in 5 AAC 96.220.

(d) **Meetings.** Each council shall hold regular meetings at times appropriate to the process described in 5 AAC 96.610. The chairman or a majority of a council's members may call a special meeting at which any interested person may submit statements to the council on any matter related to the purposes for which the meeting is called. Council meetings are public meetings under AS 44.62.310 and 44.62.312 and must be advertised in the region. The council shall allow public testimony at every council meeting.

(e) **Recommendations.** A council must convey any recommendation to the appropriate board in writing and with a justification or explanation before the start of the board meeting.

History: In effect before 1982; am 6/2/82, Register 82; am 10/9/83, Register 88; am 9/26/90, Register 115

Authority: AS 16.05.260

Editor's note: An amendment to 5 AAC 96.260(e) was adopted jointly by the Board of Fisheries and Board of Game in 1990, took effect 9/26/90, and should have appeared in Register 115, October 1990. The amendment, however, was inadvertently omitted when Register 115 was published, and did not appear in print until Register 122, July 1992.

5 AAC 96.270. Report of activities

Repealed 10/9/83.

5 AAC 96.280. Attendance at meetings

When adequate funding exists, the chairman, or his designee, shall attend regulatory meetings of the boards. Each council shall cooperate with other councils on matters of mutual interest and concern, and will, in its discretion, hold joint meetings, authorized by the boards, to accomplish this purpose.

History: In effect before 1983; am 10/9/83, Register 88

Authority: AS 16.05.260

Article 3
Administration of Local Fish and Game Committees

Section

400. (Repealed).

410. Distribution of local fish and game advisory committees.

420. Review of requests for local fish and game advisory committees.

430. (Repealed).

440. Board assistance.

450. Committee status and change of status.

460. Attendance at meetings.

5 AAC 96.400. Operation of local fish and game advisory committee system

Repealed 10/9/83.

5 AAC 96.410. Distribution of local fish and game advisory committees

The joint board will, to the extent feasible, establish and locate committees to allow an opportunity for all citizens of the state to participate in the regulatory system.

Adopted

27-LS1312\D.1
Kirsch
3/16/12

AMENDMENT

OFFERED IN THE SENATE BY SENATOR WAGONER

TO: CSSB 205( ), Draft Version "D"

Page 4, line 2:

Delete "Palm Point near Katalla"

Insert "Cape Suckling"

Page 4, lines 7 - 8:

Delete ", Kanak Island, Wingham Island, and Kayak Island"

Page 4, lines 12 - 13:

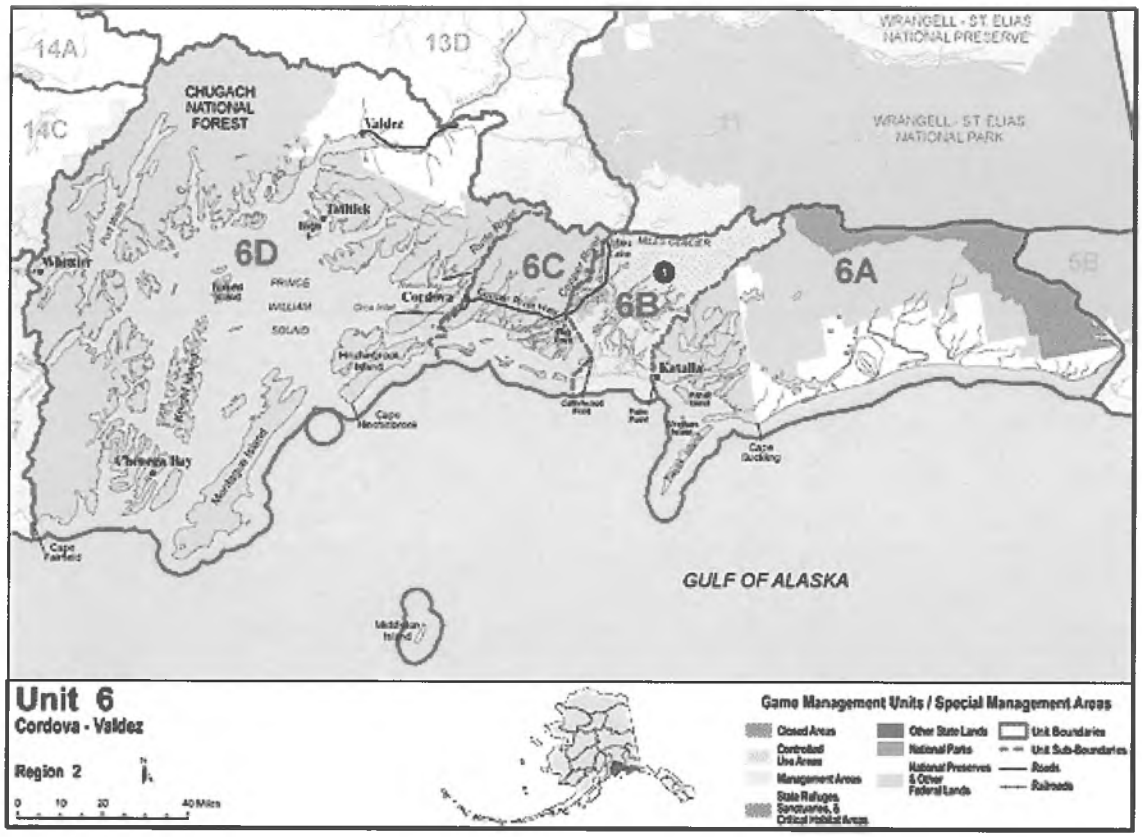
Delete "Palm Point near Katalla"

Insert "Cape Suckling"

Page 6, lines 12 - 13:

Delete "based on the dependence of Alaska residents on the stocks"

Insert "taking into consideration the use of the stocks by Alaska residents"


14A
13D
14C
CHUGACH NATIONAL FOREST
Valdez
WRANGELL - ST ELIAS NATIONAL PRESERVE
WRANGELL - ST ELIAS NATIONAL PARK
Tatitlek
6D
6C
6B
6A
5B
PRINCE WILLIAM SOUND
Cordova
Katalla
Cape Hinchinbrook
Cape Suckling
Cape Fairfield
GULF OF ALASKA
Unit 6
Cordova - Valdez
Region 2
0 10 20 40 Miles
Game Management Units / Special Management Areas
Closed Areas
Controlled Use Areas
Management Areas
State Refuges, Sanctuaries, & Critical Habitat Areas
Other State Lands
National Parks
National Preserves & Other Federal Lands
Unit Boundaries
Unit Sub-Boundaries
Roads
Railroads

Stock Status of Chinook Salmon in Alaska

Alaska State Senate Finance, Fish & Game Sub-Committee Briefing Report

prepared by the
Alaska Department of Fish and Game

Long-term Abundance Trends of Chinook Salmon Stocks in Alaska

- Prior to 2007 there was no consistent statewide trend in abundance, with some areas in Alaska experiencing above average abundance while other areas experiencing below average abundance.
- From 2007-2011 there was a consistent statewide trend in abundance, with all areas in Alaska experiencing below average abundance.

Run abundance (annual catch plus escapement) of most Chinook salmon stocks in Alaska is currently below the long term average. Although patterns of Chinook salmon abundance differ over time between areas of Alaska, between 2007 and 2011 all stocks experienced a coherent and marked decrease in run abundance. Figures 1 through 5 depict summaries of long term run abundance of 21 major Chinook salmon stocks in five geographic areas of Alaska, with recent run abundances by stock in tables 1 through 5.

Prior to 2007, there appeared to be no coherent statewide pattern in run abundance of Chinook salmon. Chinook salmon stocks in the southeast Alaska and Prince William Sound area had steadily increasing abundance through 1997, with stable abundance during 1998 through 2006 (Figure 1). This is in contrast to the pattern of abundance seen in the Cook Inlet area where abundance peaked during 1987 through 1989 and 2003 through 2006 (Figure 2). The Kodiak and Chignik area showed high and steady abundance of Chinook salmon between 1983 and 2004 (Figure 3), whereas the Bristol Bay, North Peninsula, Kuskokwim Bay area showed repeated peaks in abundance during 1981 through 1983, 1994, 1998, and 2004 through 2006 (Figure 4). The Arctic-Yukon-Kuskokwim (AYK) area showed peaks in abundance during 1994 through 1997 and again in 2004 through 2006 (Figure 5). This information lead us to believe that production trends of Chinook salmon differed by geographic area depending on the nearshore habitats of ocean basins that juvenile Chinook salmon first enter as smolt (i.e., northern and eastern Bering Sea; and, western, central, and eastern Gulf of Alaska).

Although declines in abundance of some stocks of Chinook salmon began in earlier years, from 2007 through 2011 declines in abundance to below average were seen throughout the state (Figures 1-5 and Tables 1-5). Some stocks of Chinook salmon increased abundance during 2010 and 2011, however these runs were still below the long term average. We believe that poor nearshore ocean conditions that persisted from 2000 through 2005 throughout the Bering Sea and

Gulf of Alaska, resulted in poor survival rates and below average run abundances returning to Alaska rivers during 2007-2011.

There are indications that survival rate of Chinook salmon may be improving. An abundance index is calculated for Chinook salmon stocks from southeast Alaska south to Canada and the Lower 48 as part of the Pacific Salmon Treaty process. This abundance index is indicating that survival rate of southeast Alaska stocks is improving and should result in increases in Chinook salmon abundance in the next few years. We are unsure if this pattern of improving survival rates will be experienced by stocks in regions north and west of southeast Alaska.

Escapement Goal Management of Chinook Salmon Stocks in Alaska

There are currently 70 established escapement goals for Chinook salmon in Alaska. Using a variety of assessment methods, ADF&G monitors the performance of Chinook salmon escapements against these goals to assess the health of Chinook stocks and ensure sustainability in future years. Figures 6 through 10 summarize results of escapement assessments statewide and for each commercial fisheries division region, compared to goals. Using available data from the last decade, it is apparent that success in meeting established escapement goals has declined in all regions (escapement data for many Chinook stocks in Central and Westward regions is not yet available for 2011). When comparing the time periods 2001-2006 versus 2007-2011, average success at meeting escapement goals has declined from 91% to 69% in southeast region (11 established goals); from 89% to 51% in central region (29 established goals); from 70% to 57% in AYK region (26 established goals); and from 92% to 56% in westward region (4 established goals). Statewide, performance between the two time periods has declined from 83% to 58% success in achieving goals.

Chinook Salmon Stocks of Concern

Where salmon escapements chronically fail to meet expectations for harvestable yield or spawning escapements, the department may recommend, and the Board of Fisheries may adopt a stock of concern designation for those under-performing stocks. The sustainable salmon fisheries policy (5 AAC 39.222) provides specific definitions for stocks of concern. Yield concerns arise from a chronic inability to maintain expected yields or harvestable surpluses above escapement needs. Management concerns are precipitated by a chronic failure to maintain escapements within the bounds, or above the lower bound of the established goal. When salmon stocks are identified as a specific concern, a plan is developed by the department to address those concerns, with specific management and research actions aimed at reducing exploitation, improving assessment, and initiating programs to better understand and address the decline. There are currently nine Chinook stocks of concern designated by the Alaska Board of Fisheries between 2000 and 2010, summarized in the table below. Five stocks are designated management concerns

and four are yield concerns. All but two have recently been established during the 2010/2011 board cycle. Summaries of action plans for each stock of concern are in tables 6 through 11.

Statewide summary of Chinook salmon stocks of concern in Alaska.

Region	System	Year Designated	Level of Concern	Year Last Reviewed
Central	Chuitna River	2010	Management	2010
	Theodore River	2010	Management	2010
	Lewis River	2010	Management	2010
	Alexander Creek	2010	Management	2010
	Willow Creek	2010	Yield	2010
	Goose Creek	2010	Yield	2010
Westward	Karluk River	2010	Management	2010
Arctic-Yukon-Kuskokwim	Yukon River	2000	Yield	2009
	Norton Sound Sub-district 5 & 6	2003	Yield	2009

Managing Alaska's Chinook Salmon Fisheries for Sustained Yield

Management for Sustained Yields of Chinook salmon

As mandated by the Alaska Constitution, Alaska Statute, and policies for the management of sustainable salmon fisheries and statewide escapement goals, ADF&G achieves sustained yields by managing directed salmon fisheries for scientifically based escapement goals and by protecting salmon habitats in Alaska waters. Because the migratory pathways of Chinook salmon take them offshore of state waters, ADF&G also advocates for reductions in bycatch of Chinook salmon in groundfish fisheries and protection of salmon habitats in the federal waters through the various federal Fishery Management Plans that are under North Pacific Fishery Management Council (NPFMC) direction as mandated by the Magnuson-Stevens Fishery Conservation and Management Act. Measures to specifically account for Chinook salmon mortalities in groundfish fisheries, such as census sampling and genetic stock identification, provide valuable information for more accurately assessing Chinook run strengths in the Bering Sea and Gulf of Alaska. Accounting for age-specific Chinook salmon mortalities as by-catch provides a more complete picture of stock productivity, a key to effective management for sustained yield.

Review of Bycatch Measures in the Bering Sea

In April 2009, the NPFMC approved a Chinook salmon bycatch hard cap for each Bering Sea pollock fishery season which, if reached, would require all directed pollock fishing to cease for that season. This action was implemented by the NMFS in January 2011. The hard cap is 60,000 Chinook salmon if an incentive plan is in place and 47,591 Chinook salmon if there is no incentive plan in place. The action was intended to reduce Chinook salmon bycatch under any

condition of pollock and salmon abundance, on an individual vessel level, by combining the hard cap with a system of penalties implemented through the incentive plans. The action also includes requirements for at least 100% observer coverage on all pollock vessels, and a 'census' approach to sampling, to account for all salmon bycatch. Bycatch of Chinook salmon in the 2011 pollock fishery was 25,500 fish, well below either of these hard caps and well below peak levels of bycatch taken by the pollock fishery during 2005 (67,361 fish) through 2007 (121,757 fish). Bycatch of Chinook salmon in the Bering Sea pollock fishery since 2001 is shown in Table 12.

Review of Bycatch Measures in the Gulf of Alaska (GOA)

In June 2011, the NPFMC took final action to establish a hard cap for the Central and Western GOA pollock fisheries of 25,000 Chinook salmon. A provision was made for NMFS to implement the new limits as soon as possible; thus, they will first be effective in mid-2012. Additional provisions of the NPFMC motion ensure observer coverage on all vessels fishing for pollock no later than 2013, and require full retention of salmon taken in the pollock trawl fishery, in order to allow for a robust sampling protocol and genetic stock identification of Chinook salmon bycatch. Although not yet implemented, bycatch of Chinook salmon during the 2011 pollock fishery was 13,832 fish, well below the hard cap of 25,000 fish. The NPFMC is also working on measures to cap Chinook salmon bycatch in non-pollock groundfish fisheries in the GOA. Bycatch of Chinook salmon in the GOA pollock fishery since 2001 is shown in Table 13.

Collaborative Chinook Salmon Marine Research

Biologists in the AYK region are actively involved in collaborative research studies with NOAA with two specific objectives:

1) Develop a preseason forecast model for Yukon River salmon stocks that incorporates information on juvenile status.
2) Evaluate changes in marine survival of juvenile Yukon River salmon stocks and potential contributors to recent declines of Yukon Chinook salmon related to migratory behavior, freshwater life history strategies, diet, energetic condition, and size selective mortality.

This work is being accomplished by utilizing methodologies developed by NOAA, integrating existing NOAA data with ADF&G data, and building upon previous efforts to address issues affecting AYK fishery management. NOAA provides support for this research through staff time during juvenile salmon surveys and laboratory analyses, logistics, and administrative support. ADF&G provides support for this research through staff time of an AYK research fishery biologist who actively participates in this collaborative work. Funds for operation of the northern Bering Shelf juvenile salmon surveys and laboratory analyses are currently provided by grant funding that will expire after the 2013 research season. Long-term monitoring is necessary for this research to be effective, particularly for preseason forecast model development and utilization. Stock-specific juvenile distribution and mortality mechanisms in the first year of

Chinook salmon marine life represent an important information gap in understanding declines in productivity and will likely provide critical information for improving forecast capabilities.

Salmon Fishery Enhancement Program in Alaska

In 1971, the State of Alaska initiated its modern salmon fishery enhancement program in response to severely depressed salmon fisheries. Protection of wild stocks has been foremost since the inception of the program and statutes, regulations and policies are in place to provide for this priority. Today there are 35 active salmon hatcheries and research facilities in the State of Alaska, and the success of the program is illustrated by hatchery produced fish providing approximately 27% of the annual common property harvest of salmon over the past ten years, while having little or no demonstrable detrimental effects on natural salmon production.

Alaska's modern salmon fishery enhancement program is stakeholder-driven, with provisions for planning and oversight by representatives of regional user groups. The state is divided into several Salmon Planning Regions and all salmon fishery enhancement efforts in Alaska are guided by Regional Comprehensive Salmon Plans, which are prepared by each region's Regional Planning Teams. The first step in developing a fishery enhancement program is the drafting of a Regional Comprehensive Salmon Plan. This ensures that enhancement activities are developed and supported locally, utilizing local and traditional knowledge, and based on meeting the needs of the region. These plans also document enhancement efforts, set production goals, and identify potential for new projects.

An example of this stakeholder-driven planning process can be seen happening currently in the Norton Sound area. The Norton Sound/Bering Strait Regional Planning Team (RPT), at its January 23, 2012, meeting in Nome, initiated the process of updating their Regional Comprehensive Salmon Plan (CSP) which was approved in 1996. The process will include updating the 1996 plans proposed projects with the results of those projects; soliciting public input regarding new desired production levels and proposed projects by area through correspondence and public meetings; assimilating the public input into an updated draft plan and providing that to the public for review and comment; and providing the completed draft to the Commissioner of ADF&G for review, and finally approval. Following the approval of the updated CSP, stakeholders within the region desiring to provide for additional harvest will have a suite of preferred projects to work with, and a roadmap to guide fishery enhancement activities.

Although not the only option, hatcheries are one of the most effective salmon fishery enhancement tools, and there are several models of operation. Regardless of the model, the development and operation of a non-governmental salmon hatchery requires a PNP Hatchery Permit issued by the ADF&G. The permit application process is rigorous and includes an RPT review and a public hearing. After a hatchery is permitted, fish transport permits are required and annual management plans must be approved by the department.

It is also important to note that PNP hatcheries are self supporting. Funding for the construction and operation of a hatchery may be provided by several sources (grants, loans, salmon enhancement taxes, or others), but most funding comes from the cost recovery harvest of returning fish produced by the hatchery.

Alternatively, small scale, experimental, salmon fishery enhancement projects may be permitted through fish resource permits (FRP) rather than full scale hatchery permits. However, fish produced in this way may not be harvested by the producer for cost recovery.

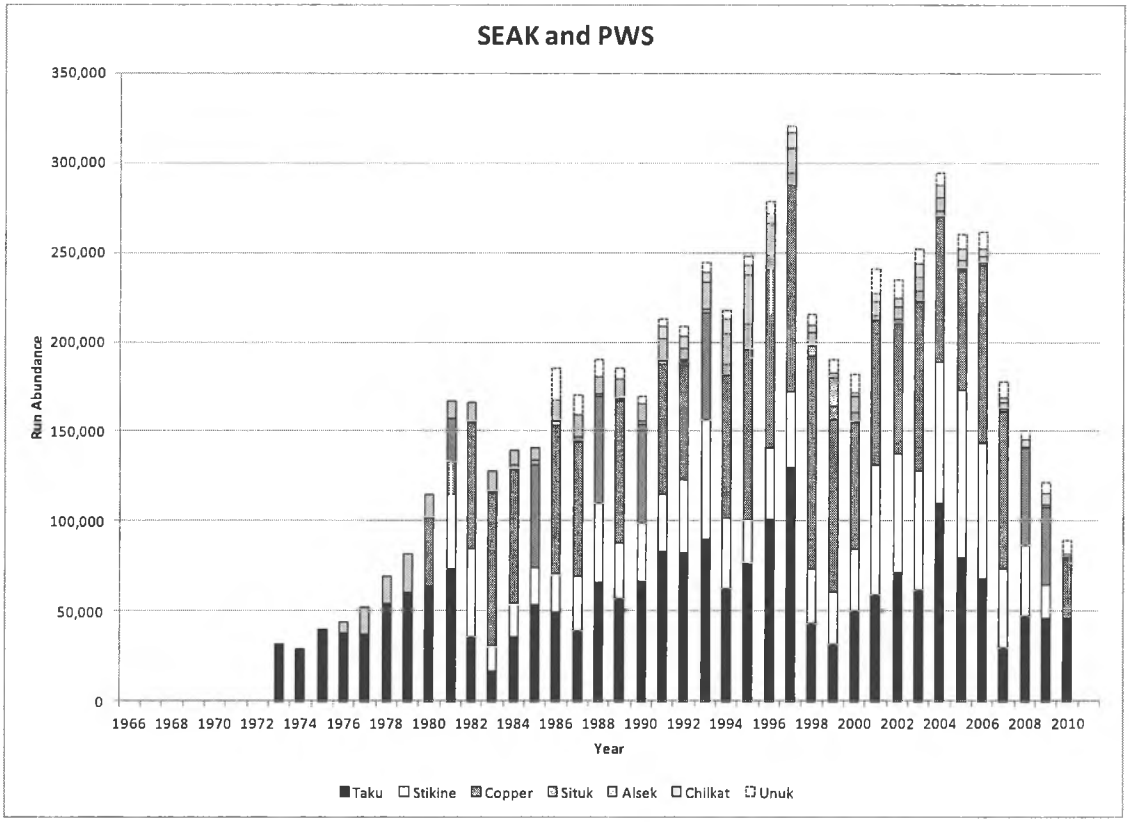


Figure 1. Run abundance of 7 Chinook salmon stocks in the southeast and Prince William Sound area of Alaska, 1973-2010.

Table 1. Run abundance of Chinook salmon in the Taku, Stikine, Copper, Situk, Alsek, Chilkat, and Unuk rivers, 2001-2010 and the long term average.

Year	Taku	Stikine	Copper	Situk	Alsek	Chilkat	Unuk
2001	59,202	71,799	81,155	2,345	7,542	5,272	13,306
2002	71,142	65,790	72,974	3,031	6,646	4,423	10,254
2003	61,945	65,708	94,505	6,343	7,093	8,117	7,732
2004	110,142	78,695	80,559	3,214	7,962	6,423	7,480
2005	79,624	93,311	66,357	1,187	5,319	5,824	8,141
2006	68,288	74,832	99,877	1,440	3,070	3,868	9,980
2007	29,450	44,035	87,770	1,222	3,716	2,879	8,635
2008	47,603	39,004	53,880	1,044		3,900	4,830
2009	46,183	18,277	43,006	1,753		6,309	5,890
2010	45,796		33,136	421		2,292	7,832
2011							
Long term average	58,351	42,476	74,089	3,511	11,049	5,260	7,640

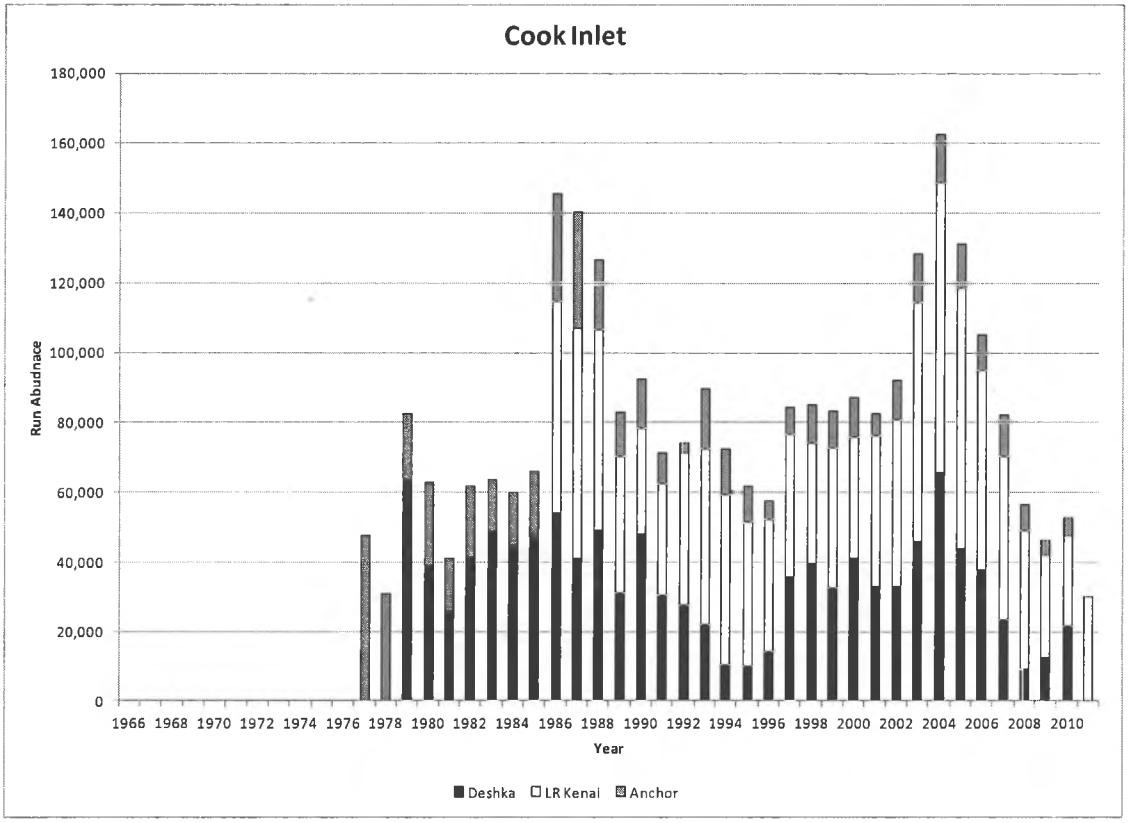


Figure 2. Run abundance of 3 Chinook salmon stocks in the Cook Inlet area of Alaska, 1977-2011.

Table 2. Run abundance of Chinook salmon in the Deshka, late run Kenai, and Anchor rivers, 2001-2011 and the long term average.

Year	Deshka	late run Kenai	Anchor
2001	32,973	43,310	6,276
2002	33,043	47,940	11,018
2003	45,862	68,390	14,183
2004	65,709	83,150	13,577
2005	43,765	74,940	12,588
2006	37,675	57,120	10,339
2007	23,290	47,140	11,703
2008	9,320	39,720	7,418
2009	12,364	29,740	4,192
2010	21,604	26,230	4,813
2011		30,160	
Long term average	35,127	46,383	15,007

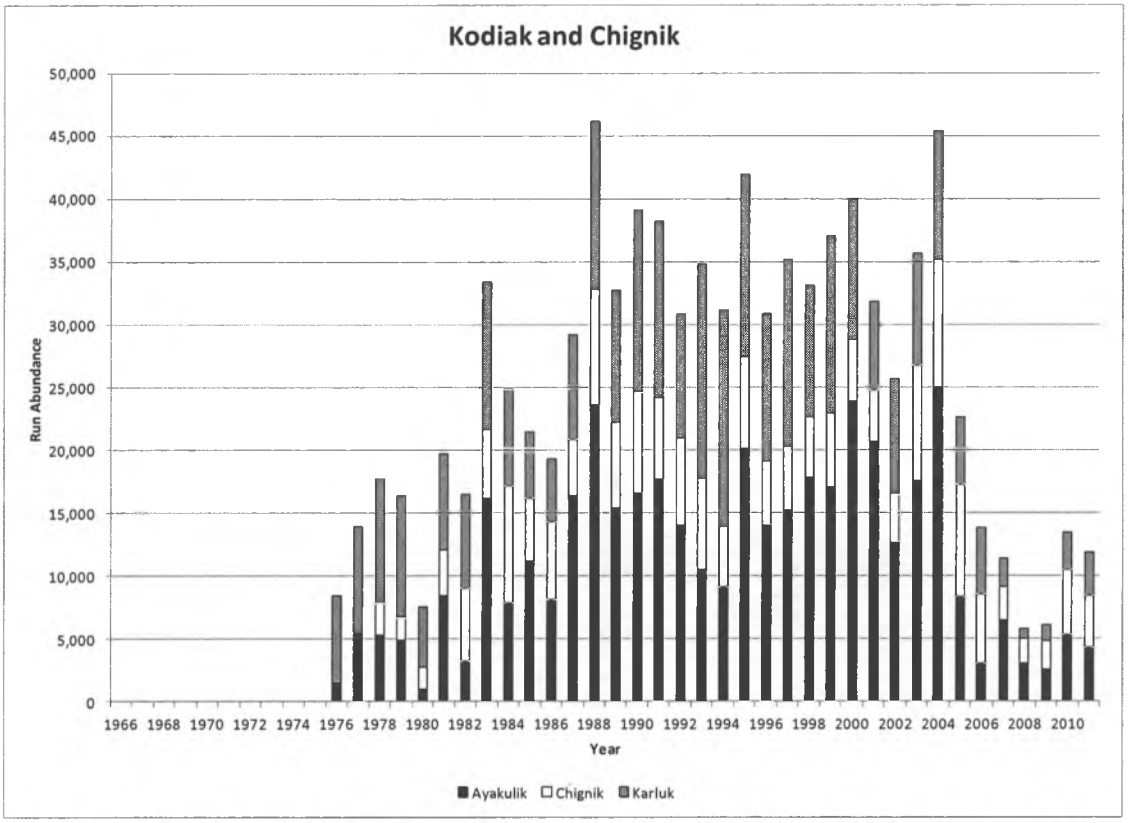


Figure 3. Run abundance of 3 Chinook salmon stocks in the Kodiak and Chignik area of Alaska, 1976-2011.

Table 3. Run abundance of Chinook salmon in the Ayakulik, Karluk, and Chignik rivers, 2001-2011 and the long term average.

Year	Ayakulik	Karluk	Chignik
2001	20,656	7,065	4,134
2002	12,637	9,087	3,948
2003	17,557	8,891	9,246
2004	24,988	10,183	10,177
2005	8,342	5,406	8,928
2006	3,110	5,270	5,476
2007	6,535	2,217	2,641
2008	3,071	849	1,938
2009	2,615	1,306	2,176
2010	5,366	2,917	5,159
2011	4,378	3,420	4,110
Long term average	11,510	8,960	5,488

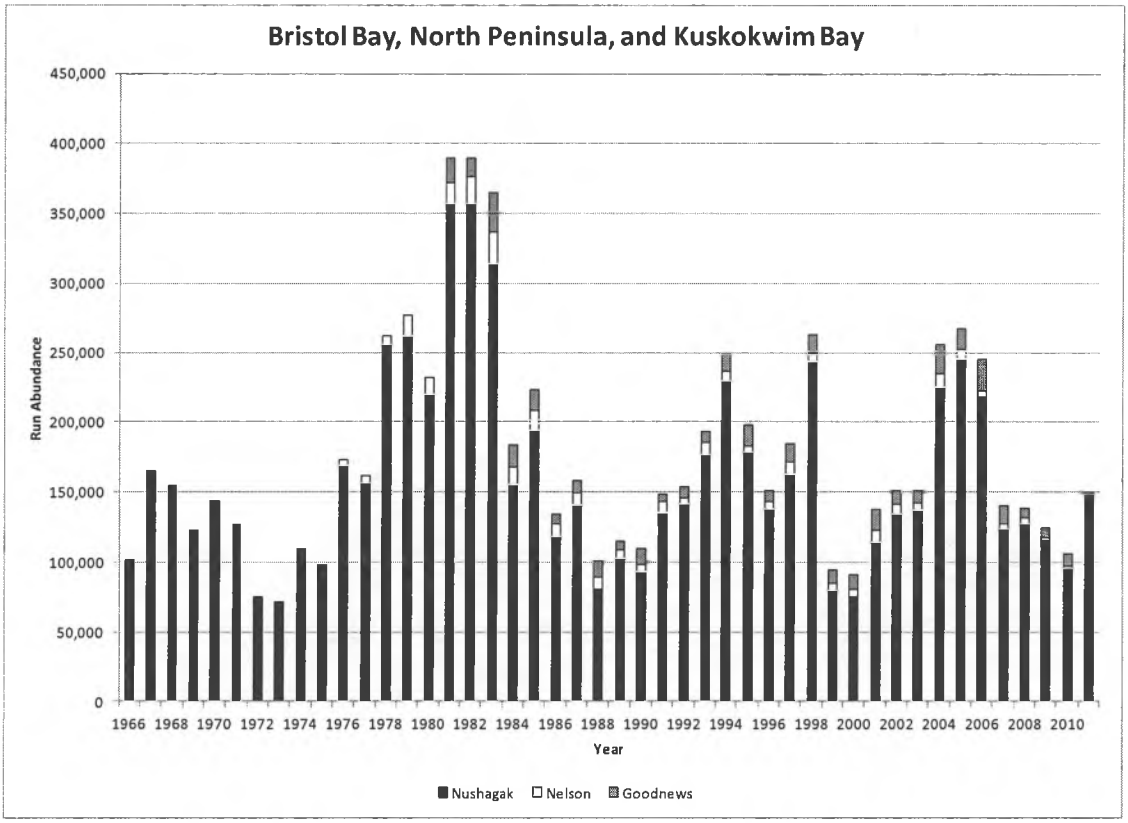


Figure 4. Run abundance of 3 Chinook salmon stocks in the Bristol Bay, North Peninsula, and Kuskokwim Bay area of Alaska, 1966-2011.

Table 4. Run abundance of Chinook salmon in the Nushagak, Nelson, and Goodnews rivers, 2001-2011.

Year	Nushagak	Nelson	Goodnews
2001	113,367	9,252	14,720
2002	133,552	8,062	8,939
2003	136,008	6,236	8,526
2004	223,925	10,680	21,058
2005	244,082	7,880	14,941
2006	218,005	4,721	22,335
2007	123,139	3,864	13,814
2008	126,402	5,493	6,371
2009	115,767	1,823	7,130
2010	94,228	2,929	9,167
2011	147,792	1,903	
Long term average	160,019	8,659	12,135

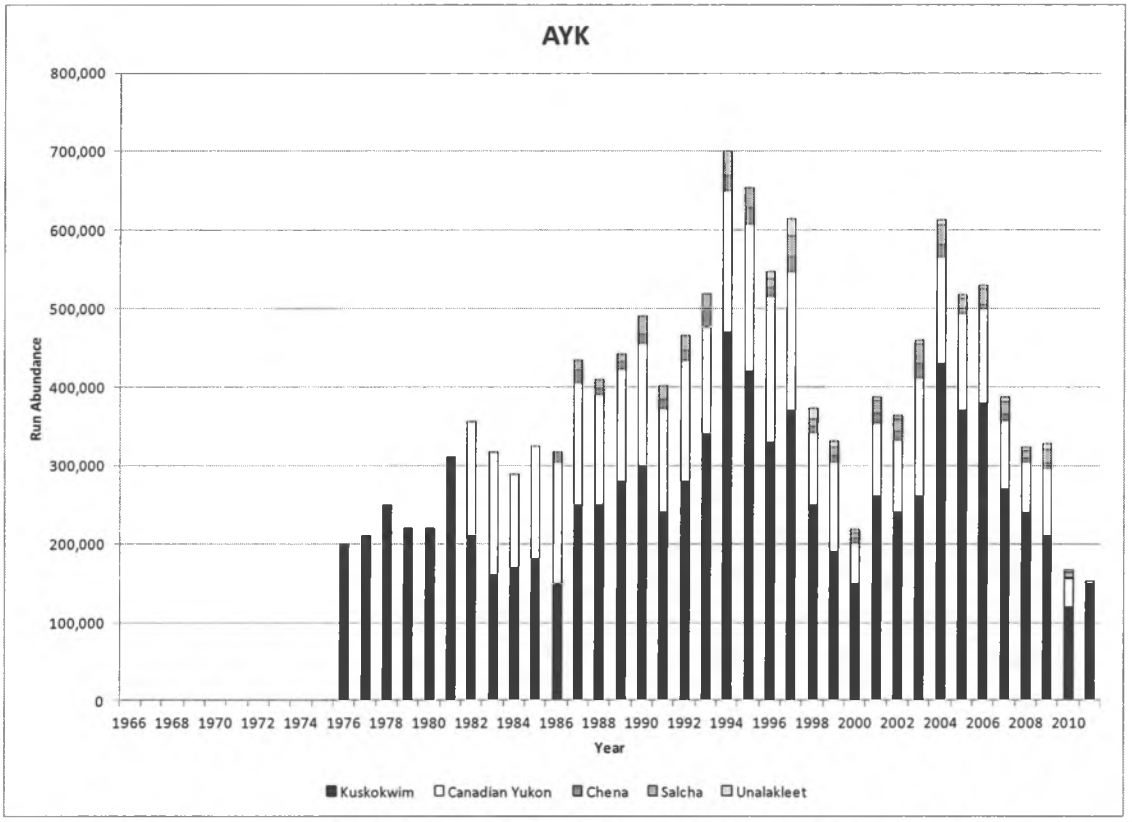


Figure 5. Run abundance of 5 Chinook salmon stocks in the Arctic-Yukon-Kuskokwim area of Alaska, 1976-2011.

Table 5. Run abundance of Chinook salmon in the Kuskokwim, Canadian Yukon, Chena, Salcha, and Unalakleet rivers, 2001-2011.

Year	Kuskokwim	Canadian Yukon	Chena	Salcha	Unalakleet
2001	260,000	94,390	11,962	15,814	5,908
2002	240,000	92,730	11,228	14,544	6,167
2003	260,000	152,800	17,304	23,928	5,805
2004	430,000	135,700	15,925	25,259	5,392
2005	370,000	124,000	7,611	11,452	4,566
2006	380,000	119,600	5,781	20,380	4,552
2007	270,000	87,670	8,433	14,576	6,453
2008	240,000	63,730	5,618	9,304	4,020
2009	210,000	86,650	6,971	16,345	7,808
2010	120,000	35,390	2,414	6,278	3,218
2011	150,000				3,048
Long term average	260,000	128,427	11,611	16,164	7,144

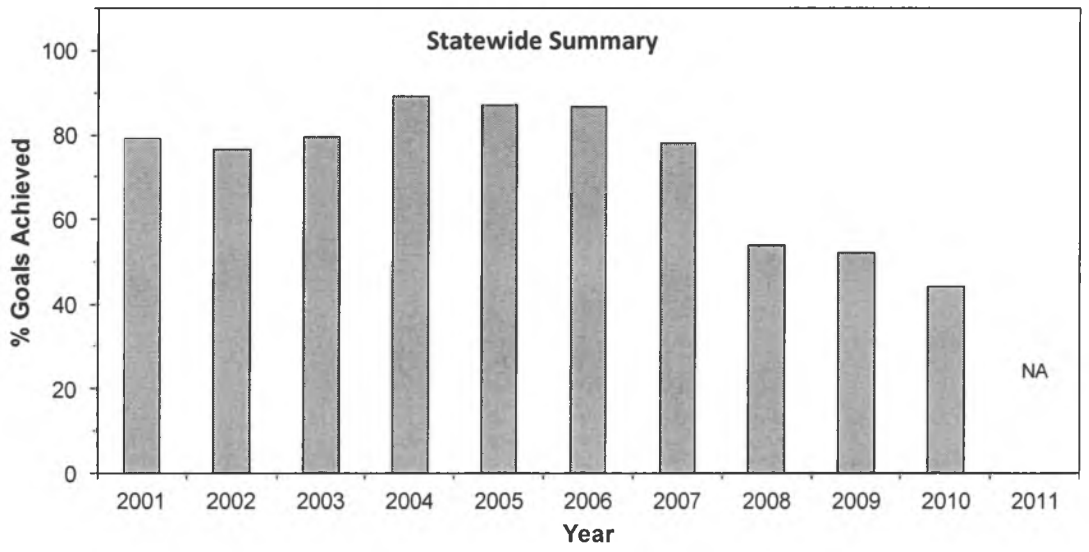


Figure 6: Percent of Chinook salmon escapement goals achieved (i.e. met or exceeded) statewide between 2001 and 2011. The number of Chinook salmon escapement goals throughout Alaska was 66 from 2001 to 2004, 68 in 2005 and 2006, 71 from 2007 to 2009 and 70 in 2010 and 2011. NA = estimates of escapement are not available for all Chinook salmon stocks with goals at this time.

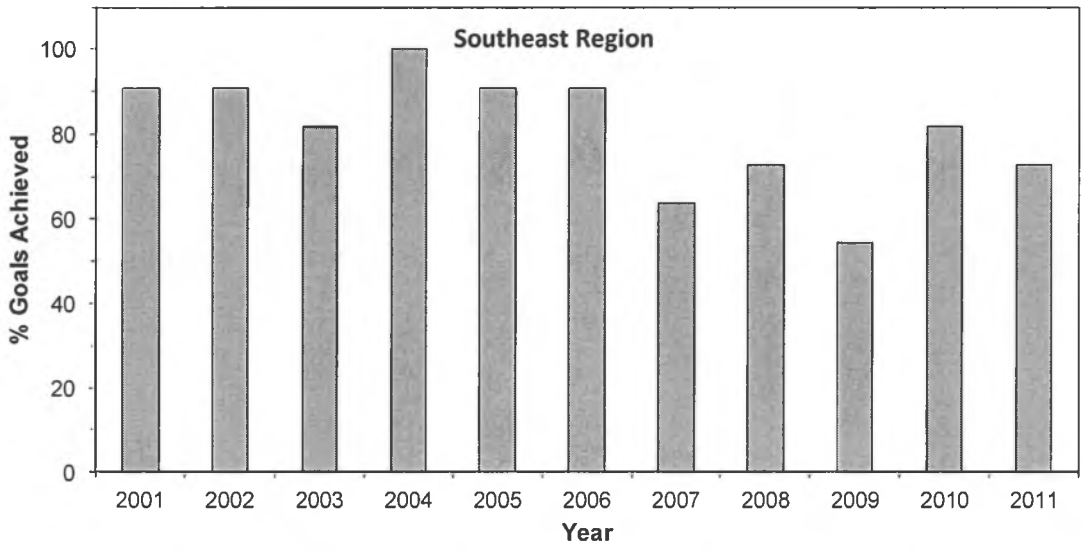


Figure 7: Percent of Chinook salmon escapement goals achieved (i.e. met or exceeded) in Southeast Region between 2001 and 2011. Southeast Region has had 11 Chinook salmon escapement goals since 2001.

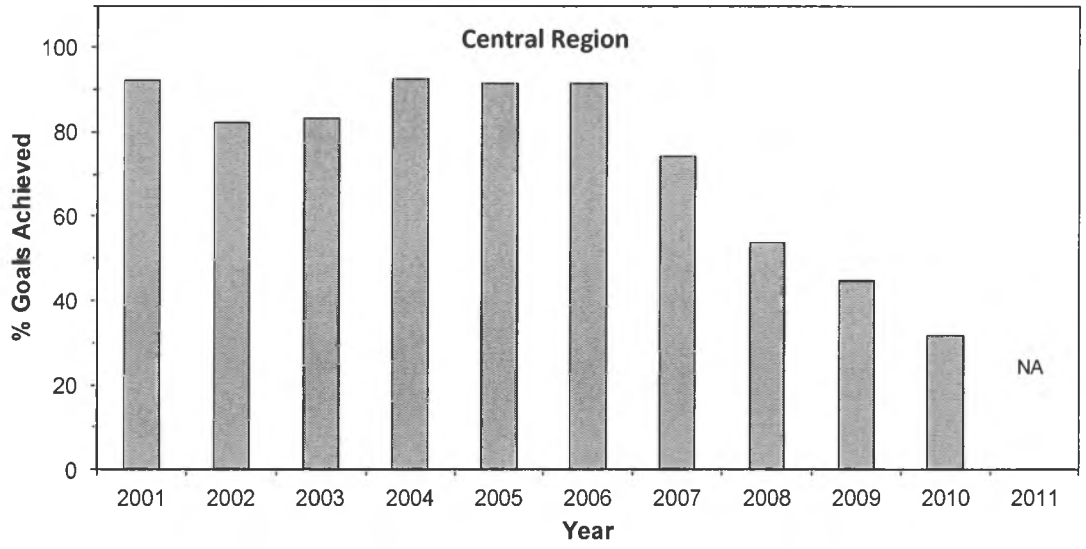


Figure 8: Percent of Chinook salmon escapement goals achieved (i.e. met or exceeded) in Central Region between 2001 and 2011. The number of Chinook salmon escapement goals in Central Region increased from 28 in 2001 to 29 in 2007. NA = estimates of escapement are not available for all Chinook salmon stocks with goals at this time.

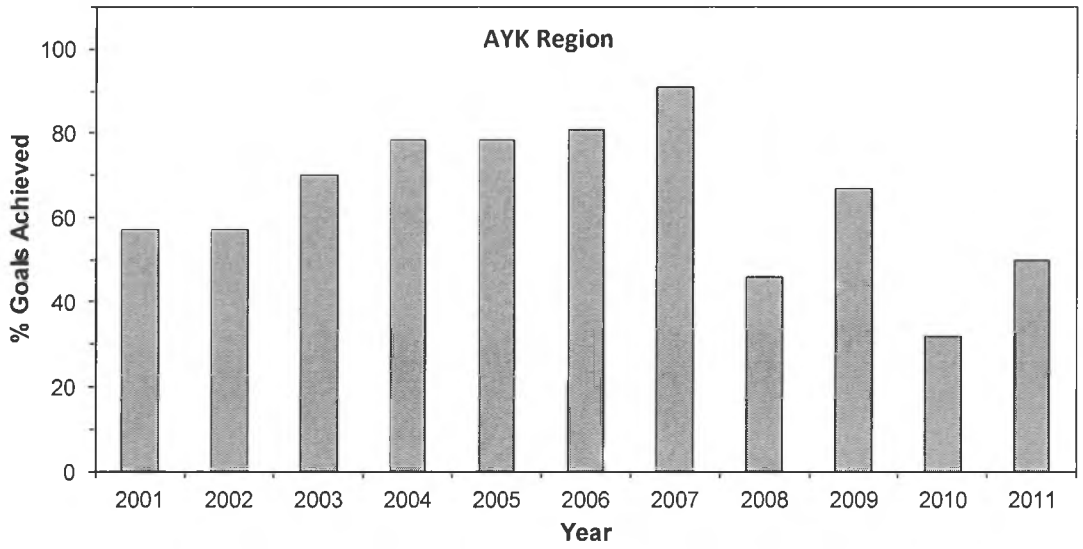


Figure 9: Percent of Chinook salmon escapement goals achieved (i.e. met or exceeded) in Arctic-Yukon-Kuskokwim Region between 2001 and 2011. The number of Chinook salmon escapement goals in Arctic-Yukon-Kuskokwim Region was 23 from 2001 to 2004, 25 in 2005 and 2006, 27 from 2007 to 2009 and 26 in 2010 and 2011.

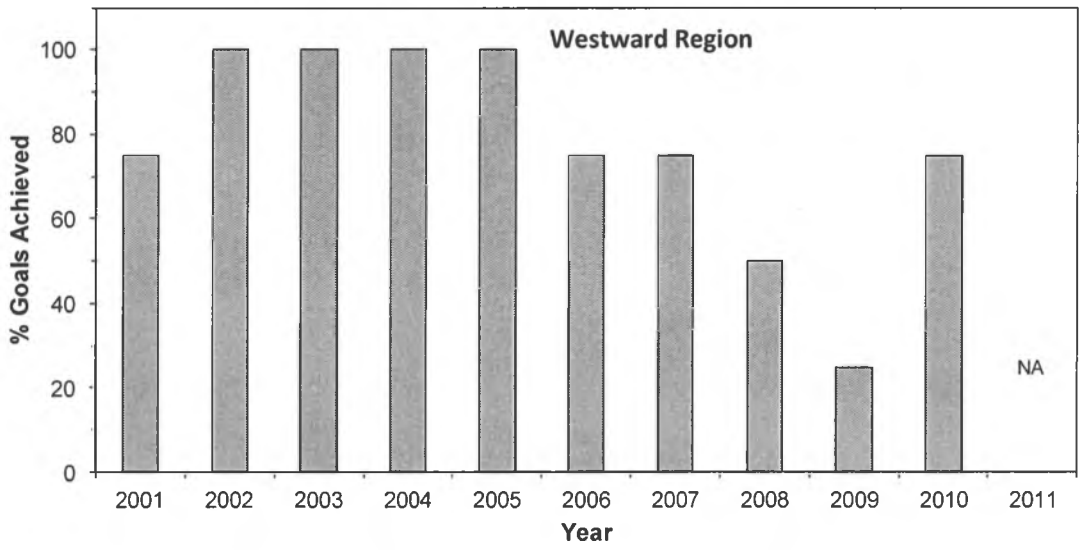


Figure 10: Percent of Chinook salmon escapement goals achieved (i.e. met or exceeded) in Westward Region between 2001 and 2011. Westward Region has had 4 Chinook salmon escapement goals since 2001. NA = estimates of escapement are not available for all Chinook salmon stocks with goals at this time.

Table 6. **Action Plan to address Chuitna, Lewis, and Theodore Rivers Chinook Stocks of Concern**

Escapement Summary

Chuitna River

- Escapement goal not achieved 2007-2010
- Average escapement 1979-2009; 1900 fish
- Average escapement 2007-2010; 900 fish

Theodore River

- Escapement goal not achieved 2007-2010
- Average escapement 1979-2005; 1090 fish
- Average escapement 2006-2010; 470 fish

Lewis River

- Escapement goal not achieved 2007-2010
- Average escapement 1979-2005; 560 fish
- Average escapement 2006-2010; 126 fish

Management Objectives

- Reduce commercial, sport, and subsistence harvest of Chinook salmon and reduce catch-and-release mortality of sport-caught Chinook salmon.

Research Objectives

- Develop West Cook Inlet King salmon genetic baseline
- Continue aerial escapement surveys
- Installation of weirs on Chuitna and Theodore Rivers
- Marine harvest sampling in Northern Cook Inlet for genetic stock identification

Table 7. **Action Plan to address Alexander Creek Chinook Stock of Concern**

Escapement Summary

- Escapement goal not achieved 2006-2010
- Average escapement 1979-1999; 3700 fish
- Average escapement 2001-2010; 1300 fish

Management Objectives

- Reduce Northern Pike abundance
- Reduce subsistence and commercial harvest of Chinook salmon

Research Objectives

- Long-term Northern Pike suppression
- Northern Pike Radio-telemetry studies
- Salmonid monitoring to determine success of pike suppression
- Aerial survey escapement monitoring
- Marine harvest sampling for genetic stock identification

Table 8. **Action Plan to address Willow and Goose Creeks Chinook Stock of Concern**

Escapement Summary

Willow Creek

- Escapement goal not achieved 2007-2010
- Average escapement 1979-2009; 2300 fish
- Average escapement 2007-2010; 1200 fish

Goose Creek

- Escapement goal not achieved 2007-2010
- Average escapement 1979-2009; 405 fish
- Average escapement 2007-2010; 91 fish

Management Objectives

- Reduce commercial, sport, and subsistence harvest of Chinook salmon

Research Objectives

- Include samples from Willow and Goose Creeks in Chinook salmon genetic baseline
- Continue aerial survey escapement estimates
- Monitor contribution of hatchery fish to Willow Creek escapements
- Marine harvest sampling for genetic stock identification

Table 9. **Action Plan to address Karluk Lake Chinook Stock of Concern**

Escapement Summary

- Escapement goal not achieved 2007-2011
- Average escapement 1976-1999; 9,130 fish
- Average escapement 2000-2009; 4,430 fish

Management Objectives

- Prohibit retention of commercially caught Chinook salmon > 28 inches in Inner and Outer Karluk and Ayakulik Sections, and adjacent sections
- In-season sport and subsistence restrictions by EO authority when runs are weak.

Research Objectives

- Maintain adult counting weir on Karluk River
- Opportunistically sample length, weight, and age of Chinook salmon smolts at sockeye smolt weir
- Fund king salmon smolt weir for quantitative estimates of smolt abundance
- Complete king salmon genetic baseline for Westward Region including Karluk Lake
- Develop watershed model for Karluk Lake watershed to estimate carrying capacity for Chinook salmon and escapements most likely to produce MSY

Table 10. **Action Plan to address Yukon River Chinook Stock of Concern**

Escapement Summary

- There are multiple escapement goals for the aggregate Yukon River Chinook run. Six escapement goals in Alaska (East and West Fork Andreavsky, Anvik, Nulato, Chena, Salcha) have generally been met over the past decade.
- Objectives for mainstem Chinook salmon passing into Canada have been met in two of the last five years, however, only with severe restrictions to subsistence and commercial harvest

Management Objectives

- Restrict or eliminate directed commercial fishing during weak runs
- Restrict subsistence fishing during weak runs
- Reduce exploitation of largest and oldest Chinook

Research Objectives

- Continued operation of test fishery, sonar projects, fish wheels, and weirs for abundance estimation
- Continued in-season genetic analyses to assess run components
- Collaborative near-shore marine research with NOAA
    - Develop a preseason forecast model for Yukon River Chinook salmon stocks that incorporates information on juvenile status. This research may have application to other Yukon salmon species
    - Evaluate changes in marine survival of juvenile Yukon River salmon stocks and potential contributors to recent declines of Yukon Chinook salmon related to: migratory behavior, freshwater life history strategies, diet, energetic condition, and size selective mortality.

Table 11. **Action Plan to address Norton Sound Sub-districts 5 and 6 Chinook Stocks of Concern**

Escapement Summary

- Escapements for these sub-districts are assessed with a peak aerial survey on the Shaktoolik River (sub-district 5) and a counting tower on the North River (sub-district 6), a tributary to the Unalakleet River
- Escapement goals for Shaktoolik Chinook have rarely been met during the past decade, however, aerial survey assessments are often viewed as incomplete due to poor visibility, abundant pink salmon, or survey timing in advance of peak spawning.
- Goals for the Unalakleet (N. River tower) have been met in 50% of years in the last decade, however this has sometimes been aided by subsistence harvest restrictions

Management Objectives

- Open directed pink and chum commercial fishery only if impacts to Chinook are minimized, and not before July 1.
- Restrict subsistence and sport harvest of Chinook salmon during weak runs

Research Objectives

- Analyze data from two year radio-telemetry study to determine reliability of North River as an indicator for drainage wide escapement.
- Continue operation of floating weir on Unalakleet River to assess escapement to mainstem
- Continue building Chinook genetic baselines for determining stock proportions in marine harvest.

Table 12. Bycatch of Chinook salmon in the pollock-directed fisheries of the Bering Sea, 2001-2011 and the long term average (1991-2011).

Year	Chinook salmon bycatch
2001	33,444
2002	34,495
2003	45,586
2004	51,696
2005	67,361
2006	82,696
2007	121,757
2008	21,482
2009	12,407
2010	9,694
2011	25,500
Long term average	39,924

Table 13. Bycatch of Chinook salmon in the pollock-directed fisheries of the Gulf of Alaska, 2001-2011 and the long term average (1991-2011).

Year	Chinook salmon bycatch
2001	9,531
2002	5,161
2003	4,400
2004	13,152
2005	27,927
2006	15,944
2007	35,177
2008	10,696
2009	3,195
2010	44,779
2011	13,832
Long term average	14,574

STATE OF ALASKA

SEAN PARNELL, GOVERNOR

DEPARTMENT OF FISH AND GAME

OFFICE OF THE COMMISSIONER

P.O. BOX 115526
JUNEAU, AK 99811-5526
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March 13, 2012

The Honorable Donald Olson
Alaska State Legislature
State Capitol, Room 508
Juneau, Alaska 99801-1182

Dear Senator Olson:

I am writing in response to the letter dated February 28, 2012 from the Senate Finance subcommittee for the Department of Fish and Game regarding statewide Chinook salmon stocks.

After significant declines in Chinook salmon runs statewide during 2008 through 2010, the department moved to address gaps in our understanding of patterns and trends in production in Chinook salmon stocks around the state. To that end the department initiated a comprehensive analysis of Chinook salmon production data to determine if there are patterns in survival, growth, and/or maturation rates that might help explain why declines occurred and to help in development of a statewide outlook and forecast of Chinook salmon runs for the future. This effort is being conducted by department scientists in collaboration with a similar effort directed at Arctic-Yukon-Kuskokwim (AYK) Chinook salmon stocks by the AYK Sustainable Salmon Initiative.

Another ongoing effort in the AYK region is the update of the Comprehensive Salmon Plan by the Norton Sound/Bering Strait Regional Planning Team. This stakeholder-driven program ensures that any enhancement activities are developed and supported locally, utilizing local and traditional knowledge, and based on meeting the needs of the region. The resultant plan will document enhancement efforts, set production goals, and identify potential new projects. Development of additional planning teams could be an option in other areas of the region.

Department staff put together the attached report to address questions raised in your letter. As requested, this report provides a review of Chinook salmon stocks of concern, and presents the associated action plan. Like you, I recognize the importance of the resource to Alaskans. For that reason, in addition to funding for Chinook management already in the department's base budget, we have proposed several items in the FY13 operating and capital budget that will bolster our efforts in this area:

FY13 Operating Budget

Match for Southeast Chinook Salmon Work	$500.0
Pacific Salmon Treaty Chinook Technical Committee Support	$190.0
Tanana River Sonar Project (one-time equipment plus operating costs)	$590.0

FY13 Capital Budget

Kenai River King Salmon Sonar Assessment Program	$1,813.0
Upper Cook Inlet ESSN Chinook Salmon Harvest Patterns	$789.0

You also expressed concern about bycatch measures to protect Chinook salmon while at sea. Through the State of Alaska's seat on the North Pacific Fishery Management Council (council) we have been successful in securing a cap on the bycatch of Chinook salmon in Gulf of Alaska pollock trawl fisheries and have also begun evaluation of Chinook salmon bycatch control in non-pollock trawl fisheries in the Gulf. The council also continues work on measures to control chum salmon bycatch in the Bering Sea pollock trawl fishery.

Chinook salmon bycatch in the Bering Sea pollock trawl fishery has been reduced from recent highs but remains a concern to many Alaskans. We are currently gathering additional data on the location and seasonality of stocks of greatest concern in the bycatch and the council will receive reports this month on how the cap and incentive plans operated in the first year. Further refinements to the Chinook salmon bycatch control measures to better protect stocks of concern may be necessary as a result of improved data on bycatch and fishery performance.

If you have further questions or require additional information, please contact me.

Sincerely,

Cora Campbell

Cora Campbell
Commissioner

Attachment: Stock Status of Chinook Salmon in Alaska

cc: Members, Senate Finance Subcommittee for the Department of Fish and Game
Jeff Regnart, Director, Division of Commercial Fisheries
Charlie Swanton, Director, Division of Sport Fish
Kevin Brooks, Director, Division of Administrative Services
Ben Mulligan, Legislative Liaison, Office of the Commissioner

ALASKA STATE LEGISLATURE

SENATOR DONALD C. OLSON

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Chair
Community & Regional Affairs
Member
Senate Finance Committee
Ethics Committee
Legislative Council
Northern Waters Task Force
Education Funding District Cost Factor
Finance Subcommittee Chair
Fish & Game
Health & Social Services
Public Safety
Finance Subcommittee Member
Environmental Conservation

TO: Senator Joe Paskvan, Co-Chair Senate Resources
Senator Tom Wagoner, Co-Chair Senate Resources

FROM: Senator Donald Olson

DATE: March 5, 2012

RE: SB 205 Hearing Request

Chinook salmon are an important staple food of Alaska Native Villages, an economically important species for a number of commercial fisheries, and a prized sport fish.

The state fish of Alaska has undergone significant shifts in abundance during the past 40 years, yet little is known about the factors influencing these shifts. Eight of the 14 "stocks of concern" are Chinook salmon stocks.

SB 205 would create an endowment fund administered by a 7-member board consisting of the Commissioner of the Department of Fish & Game and six members from across the state. Grants from the fund would only be issued to qualifying organizations.

This legislation would create a stable, long-term source of funding to support high quality interdisciplinary research.

I would appreciate your hearing this bill at your earliest convenience.

Please direct questions to my staff, David Scott.

WORK DRAFT WORK DRAFT WORK DRAFT

27-LS1312\D
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3/12/12

CS FOR SENATE BILL NO. 205( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): SENATORS OLSON, Wagoner, Hoffman, Stevens

A BILL

FOR AN ACT ENTITLED

"An Act establishing the Alaska Chinook research and restoration endowment fund and relating to grants from the fund."

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

*** Section 1.** AS 37.14 is amended by adding new sections to read:

Article 7A. Alaska Chinook Salmon Research and Restoration Endowment Fund.

Sec. 37.14.650. Fund established. (a) The Alaska Chinook salmon research and restoration endowment fund is established as a separate endowment trust fund of the state consisting of

(1) appropriations to the fund;

(2) donations to the fund; and

(3) income earned on investments of fund assets appropriated by the legislature to the fund.

(b) The commissioner of revenue shall manage the fund as an endowment, with the goal that the purchasing power of the fund will not diminish over time

New Text Underlined [DELETED TEXT BRACKETED]

without regard to additional contributions that may be made to the fund. The commissioner shall invest the assets of the fund in a manner likely to yield at least a five percent real rate of return over time. The commissioner may comingle the assets of the fund with other public funds for purposes of investment.

(c) In carrying out the investment duties for the fund, the commissioner of revenue has the powers and duties set out in AS 37.10.071. The commissioner shall

(1) provide annual reports to the board on the condition and investment performance of the fund;

(2) maintain records for all donations to the fund; the records must reflect, for each donation, the amount of the donation, the date of the donation, and the donor's intent, if any, with respect to how the donation is to be used; and

(3) monitor use of money by the board.

(d) Nothing in this section creates a dedicated fund.

Sec. 37.14.655. Grant account established. The Alaska Chinook salmon research and restoration grant account is established as an account in the general fund.

Sec. 37.14.660. Appropriations to the grant account. (a) As soon as practicable after July 1 of each year, the commissioner of revenue shall identify as available for appropriation to the Alaska Chinook salmon research and restoration grant account, from which the board may award grants, and for other allowed expenses, the greater of

(1) five percent of the average of the market values of the fund on June 30 for the immediately preceding three fiscal years;

(2) one-half of the earnings of the fund as averaged annually over the immediately preceding three fiscal years; and

(3) if the principal of the fund is valued at over $50,000,000 based on the market value of the fund on June 30 for the immediately preceding fiscal year, the total earnings of the fund for that fiscal year.

(b) The legislature may appropriate funds to the grant account

(1) from

(A) the fund in the amount calculated under (a)(1) of this section; or

(B) the earnings of the fund under (a)(2) or (3) of this section; and

(2) from any other source.

Sec. 37.14.665. Use of the grant account. (a) Appropriations to the grant account established by AS 37.14.655 may be used for

(1) grants for research and restoration projects for Chinook salmon stocks located in the state, including block grants to Alaska organizations identifying and administering research and restoration projects for Chinook salmon stocks, if the project is consistent with a research and restoration plan adopted by the organization and the plan has been approved by the Department of Fish and Game;

(2) reimbursement of the Department of Revenue for the costs of establishing and managing the fund;

(3) reimbursement of the Department of Commerce, Community, and Economic Development for the costs of establishing, maintaining, and administering the board and the grant program;

(4) matching funds for private and federal grants; and

(5) solicitation of contributions for purposes consistent with establishment of the fund.

(b) The board may expend private donations for Chinook salmon research and restorations projects and other uses consistent with the purposes of the fund and in conformity with the donor's restrictions.

Sec. 37.14.670. Board established. The Alaska Chinook Salmon Research and Restoration Endowment Fund Board is established in the Department of Commerce, Community, and Economic Development.

Sec. 37.14.675. Board members. The board consists of the following members appointed by the governor:

(1) the commissioner of fish and game or the commissioner's designee; and

(2) six public members, one residing in each of the following regions who is engaged in subsistence, personal, commercial, or sport use of Chinook salmon stocks in the region:

(A) Southeast Alaska, consisting of all land and water between (Palm Point near Katalla) and Dixon Entrance that are Gulf of Alaska or mainland drainages; the Guyot Hills; islands in Stephens Passage and Lynn Canal; Coronation Island, Kuiu Island, Kupreanof Island, Mitkof Island, Zarembo Island, Kashevarof Island, Woronkofski Island, Etolin Island, Wrangell Island, Deer Island, Admiralty Island, Baranof Island, Chichagof Island, Yakobi Island, Inian Island, Lemesurier Island, Pleasant Island, (Kanak Island, Wingham Island, and Kayak Island) and adjacent marine water and land within three miles of the coastline;

(B) Southcentral Alaska, consisting of all land and water in those drainages south and east of the Alaska Range that drain into the Gulf of Alaska, Cook Inlet, and Prince William Sound between (Palm Point near Katalla) and Cook Inlet; the drainage between Redoubt Creek and the northern boundary of Katmai National Preserve that flows into Shelikof Strait; the Chitina drainage east to the Canadian border; the drainages into the Delta River upstream from Falls Creek and Black Rapids Glacier; and adjacent marine water and land within three miles of the coastline;

(C) Southwest Alaska, consisting of all land and water between Kennedy Entrance and Cape Newenham that drain into Bristol Bay and the Bering Sea; the Alaska Peninsula; Hagemeister Island, Walrus Island, Kodiak Island, Barren Island, Pribilof Island, Unimak Island, and Aleutian Islands; and adjacent marine water and land within three miles of the coastline;

(D) Western Alaska, consisting of all land and water between Cape Newenham and the Pastolik River near Kotlik that drain into the Bering Sea from the Yukon River downstream from a straight line drawn between Lower Kalskag and Kotlik; the George River drainage; the Kuskokwim River drainage downstream from the George River drainage; the Holitna River drainage; the Hoholitna River drainage; and adjacent marine water and land within three miles of the coastline;

(E) Arctic Alaska, consisting of all land and water between the Pastolik River near Kotlik and Harrison Bay west of the Ilkillik River drainage

that drain into the Arctic Ocean, the Chukchi Sea, Kotzebue Sound, or Norton Sound; Saint Lawrence Island and adjacent islands; and the adjacent marine water and land within three miles of the coastline;

(F) Interior Alaska, consisting of all land and water of the Kuskokwim River drainage upstream from the George River drainage; all drainages into the east bank of the Robertson River; White River drainage to the Canadian border; Tozitna River drainage; Yukon River drainage upstream from the Tozitna River drainage; Hamlin Creek drainage; all drainages into the south bank of the Yukon River upstream from and including the Charley River drainage; the Ladue River drainage; Fortymile River drainage; Tanana River drainage north of the Alaska Range; and the Koyukuk River drainage.

Sec. 37.14.680. Duties of the board. (a) The Alaska Chinook Salmon Research and Restoration Endowment Fund Board shall administer the grant program.

(b) The board shall

(1) within 90 days after the appointment of the seventh board member, adopt bylaws governing the board's operation and identify an organization incorporated in Alaska to support the board in performing its duties;

(2) monitor approved projects for compliance with specific grant conditions;

(3) keep electronic recordings of each meeting of the board to be made available on request; and

(4) adopt regulations creating a process for soliciting, awarding, and monitoring research and restoration grants and ensuring peer review for grant projects; the board shall consider the process and structure of the North Pacific Research Board in adopting its regulations.

(c) On February 1 of each year following the calendar year grants are first awarded, the board shall prepare and submit a report to the governor and make the report available to the legislature. The report must include, for the last calendar year,

(1) the number of applicants and the number and type of grants awarded;

(2) the dollar amount of grants awarded;

(3) the research and restoration projects funded and the results of those projects;

(4) the expense to administer the fund, the grants, and the board; and

(5) private contributions, if any, to the fund and how those contributions were used.

Sec. 37.14.685. Review of grants. (a) When reviewing grant applications, the board shall give weight to the following factors:

(1) whether the Chinook salmon stocks targeted in the grant application provide a significant commercial, subsistence, sport, or personal use fishery for Alaska residents;

(2) the importance of the Chinook salmon stocks targeted in the grant application and the fisheries those stocks support, based on the dependence of Alaska residents on the stocks for nutritional, economic, social, and cultural well-being;

(3) whether the applicant has experience in administering research or restoration projects for Chinook salmon;

(4) recommendations of state agencies or organizations involved in Chinook salmon management in the state.

(b) The board shall give priority to grant applications for research or restoration projects targeting Chinook salmon stocks that, within the preceding 10 years,

(1) were listed by the Department of Fish and Game as stocks of concern; ? numbers too low to be listed ?

(2) were the subject of a state or federal fisheries disaster declaration;

(3) were closed or significantly restricted for commercial, sport, or personal use, or restricted for subsistence uses; or

(4) declined significantly from historic yield levels.

Sec. 37.14.695. Definitions. In AS 37.14.650 - 37.14.695,

(1) "board" means the Alaska Chinook Salmon Research and Restoration Endowment Fund Board established under ~~AS 37.14.670~~;

(2) "Chinook salmon" means Alaska king salmon of the genus Oncorhynchus, species tshawytscha;

latin

(3) "fund" means the Alaska Chinook salmon research and restoration endowment fund established under AS 37.14.650;

(4) "grant account" means the Alaska Chinook salmon research and restoration grant account established under AS 37.14.655.

ALASKA STATE LEGISLATURE

Senator Joe Paskvan

Chair, Labor and Commerce
Vice Chair, Health and Social Services
Member, Transportation
Member, State Affairs
Member, Joint Armed Services

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Explanation of Changes - CSSB 208\B vs. SB 208\M

- Page 7, line 11:
  - Delete "of a political subdivision"

- Page 7, line 16, following "with":
  - Insert ", or while providing services to,"

- Page 7, lines 17-20:
  - Delete "Any benefits related to injury or death provided by a responding political subdivision to an emergency responder, or the heirs and assigns of an emergency responder, must be included in the true and full value of assistance provided for the purposes of reimbursement under AS 26.23.530."

- Page 8, line 26, following "subdivision":
  - Insert "or of a contractor under contract with a responding political subdivision or a member of a volunteer fire department registered with the state fire marshal that provides services to the responding political subdivision,"

ALASKA STATE LEGISLATURE

SENATOR DONALD C. OLSON

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Community & Regional Affairs
Member
Senate Finance Committee
Ethics Committee
Legislative Council
Northern Waters Task Force
Education Funding District Cost Factor
Finance Subcommittee Chair
Fish & Game
Health & Social Services
Public Safety
Finance Subcommittee Member
Environmental Conservation

SB 205: CHINOOK RESEARCH & RESTORATION ENDOWMENT

Changes from Original Bill (version M) to Blank CS (version D)

P.3, line 29: deleted "from" and inserted "residing in"

P.3 line 30: inserted after "regions": "who is engaged in subsistence, personal, commercial or sport use of Chinook salmon stocks in the region"

P. 4, line 26 Deleted "Paimiut" and Inserted "Kotlik"

P.4, line 27 After "the George River drainage;" Inserted "the Holitna River drainage;"

P. 5, line 16 inserted after "operation": "and identify an organization incorporated in Alaska to support the board in performing its duties"

P. 5, line 22: deleted "the award of grants similar to the structure and process employed by the Arctic-Yukon-Kuskokwim Sustainable Salmon Initiative for"

P.5, line 24: inserted: "the board shall consider the process and structure of the North Pacific Research Board in adopting its regulations"

P. 6, line 9: inserted after "subsistence": "sport"

P. 6, line 12: deleted "based on the number of Alaska residents dependent on the stocks" and inserted: "based on the dependence of Alaska residents on the stocks"

P. 6, line 14: deleted "and" and inserted "or"

P. 6, line 18: deleted "and" and inserted "or"

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Finance Subcommittee Chair
Fish & Game
Health & Social Services
Public Safety
Finance Subcommittee Member
Environmental Conservation

SECTIONAL ANALYSIS

SB 205 version D – ALASKA CHINOOK SALMON RESEARCH AND RESTORATION ENDOWMENT FUND

Section 37.14.650 Establishes the Alaska Chinook salmon research and restoration fund (hereafter: "the Fund") in the Dept. of Revenue. The Fund includes appropriations and donations to the Fund, and income earned on investments of Fund assets. Commissioner of Revenue manages the Fund sustainably, with a goal of 5% real rate of return. Nothing in this section creates a dedicated fund.

Section 37.14.655 Establishes the Alaska Chinook salmon research and restoration grant account (hereafter: "the Grant Account") in the general fund.

Section 37.14.660 After July 1 each year, the Commissioner of Revenue identifies as available for appropriation to the grant account established under the previous section the greater of: 5% of the Fund averaged over the 3 preceding years; ½ the Fund's earnings averaged over the 3 preceding years; or, if the Fund is valued at over $50,000,000, the total earnings of the Fund for that year. The legislature may then appropriate to the Grant Account amounts from any of the 3 preceding calculations or from any other source.

Section 37.14.665 Appropriations to the Grant Account may be used for: grants for research and restoration projects for Alaska Chinook salmon stocks; reimbursement to the Dept. of Revenue for the costs of establishing or managing the Fund; reimbursement to DCCED for the costs of establishing and administering the Board and the grant program; matching funds for private and federal grants; and solicitation of contributions for purposes consistent with establishment of the Fund. The Board may also expend private donations for uses consistent with purposes of the Fund.

Section 37.14.670 Establishes the Alaska Chinook Salmon Research and Restoration Endowment Fund Board (before and hereafter: "the Board") in DCCED.

Section 37.14.675 Board members appointed by the Governor include: the Commissioner of Fish & Game; six public members, one each residing in Alaska's Southeast, Southcentral, Southwest, Western, Arctic, and Interior regions, who are engaged in subsistence, personal, commercial, or sport use of Chinook salmon.

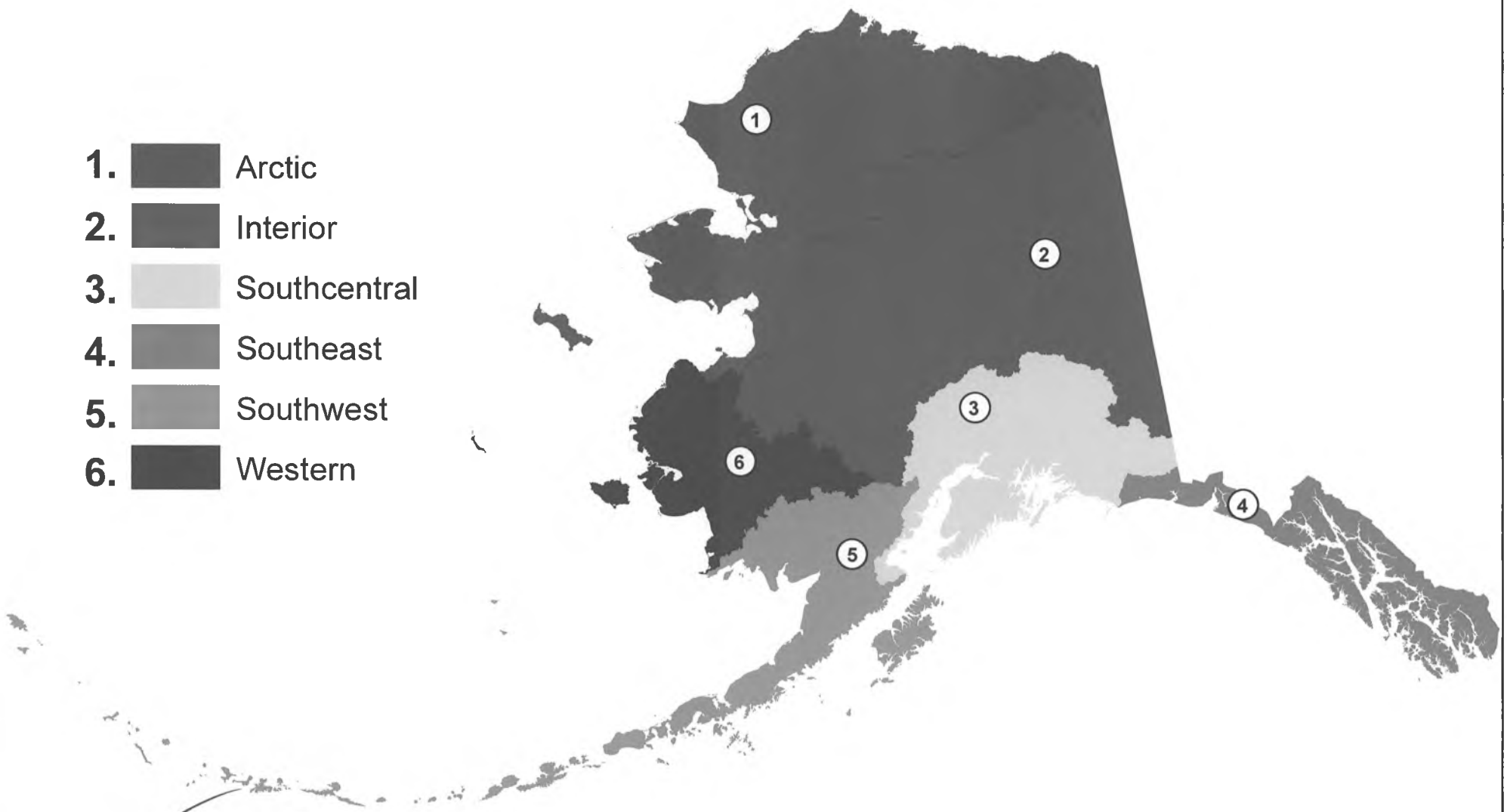
Section 37.14.680 The Board shall administer the Grant Program. Within 90 days after the appointment of the last Board member, the Board shall adopt bylaws governing its operation and identify an organization incorporated in Alaska to support the Board in performing its duties. The Board shall also: monitor projects for compliance; keep electronic recordings of each meeting; and adopt regulations creating a process for soliciting, awarding, and monitoring grants (the Board shall consider the North Pacific Research Board while adopting these regulations).

On February 1 of each year, the Board shall prepare a report for the Governor and Legislature that includes: the number of applicants and types of grants awarded; dollar amount of grants awarded; projects funded and results of those projects; expense to administer the Fund, the grants, and the Board; and how any private contributions were expended.

Section 37.14.685 When reviewing grant applications, the Board shall consider: whether the Chinook salmon targeted in the grant are significant to Alaskans; whether the applicant has appropriate experience; and the recommendations of state agencies or organizations involved in Chinook salmon management.

The Board shall give priority to grants that target Chinook salmon stocks that were, within the previous ten years: listed by Dept. of Fish & Game as stocks of concern; subject to a state or federal fisheries disaster declaration; closed or significantly restricted; or declined significantly from historic yields.

Section 37.14.695 Lists four definitions that are already apparent in the foregoing.



HB 332/SB 205 Proposed Regions for the Public Members of the Alaska Chinook Salmon Research and Endowment Fund Board as Requested by Rep. Bob Herron's Office

Jeff Stepp

From: Tempel, Esther (DNR) <esther.tempel@alaska.gov>
Sent: Monday, March 12, 2012 10:39 AM
To: Jeff Stepp
Subject: SRES hearing today

Hi Jeff,

Just a FYI, we'll have a few people available for questions on a few bills up today.

For SB 181, we'll have Wyn Menefee, Dep. Director of Mining, Land and Water available in person. Online, we would like to have Adam Smith available for technical questions in case they come up. He is the Natural Resource Manager of the South-central Region Land Office. Can I give him the teleconference number?

For SB 158, we'll have Chris Maisch, Director of Forestry available in person.

Thanks a lot!
Esther

Esther Cha Tempel
Legislative Liaison
Office of the Commissioner
Department of Natural Resources
(907) 465-4730
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SB 207

<TARGET><BILL>SB 207</BILL><SUBJECT>SB 207</SUBJECT><COMM>SRES27</COMM></TARGET>

ALASKA STATE LEGISLATURE

Senator Joe Paskvan

Chair, Labor and Commerce
Vice Chair, Health and Social Services
Member, Transportation
Member, State Affairs
Member, Joint Armed Services

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Memo

To: Senator Tom Wagoner, Co-Chair of Senate Resources Committee

From: Senator Joe Paskvan, Co-Chair of Senate Resources Committee

Re: Hearing request for Senate Bill 207: Resident Hunt and Sport Fish License Exemption

---

I respectfully request that Senate Bill 207, "An Act relating to exemptions for a resident hunting and sport fishing license and to taking fish and game by proxy for a person with mental or physical disabilities," be scheduled for a hearing in the Senate Resources Committee.

Senate Bill 207 seeks to preserve and improve access for a population who may experience difficulties securing the opportunity to experience Alaska's great outdoors. Specifically, SB 207 provides for free resident hunting and fishing licenses for individuals who have a mental or physical disability. The bill further allows for mentally disabled persons to have a proxy hunt or fish in their stead.

Many Alaskans, who have a significant physical or mental disability, already receive State or Federal services or financial assistance and it is estimated that individuals with disabilities are twice as likely to live in poverty as those without disabilities. Alaskans with physical and mental disabilities already face higher logistical and financial hurdles to participating in hunting and fishing activities. Senate Bill 207 is one step towards providing one less hurdle for Alaskans with disabilities to be able to participate in these traditional and enriching activities.

Please feel free to contact myself or my staff, Anna Sorensen, at 465-3709 or AnnaMarie_Sorensen@legis.state.ak.us with any questions you may have.

Thank you for your consideration.

ALASKA STATE LEGISLATURE

Senator Joe Paskvan

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Vice Chair, Health and Social Services
Member, Transportation
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SB 207: Resident Hunt and Sport Fish License Exemption

"An Act relating to exemptions for a resident hunting and sport fishing license and to taking fish and game by proxy for a person with mental or physical disabilities."

For many Alaskans hunting and fishing are an honored tradition and way of life. Alaskans of all ages find great fulfillment while exploring the beautiful, wild spaces Alaska has to offer and sense of purpose in providing food for their families and community.

Senate Bill 207 seeks to preserve and improve access for a population who may experience difficulties securing the opportunity to experience Alaska's great outdoors. Specifically, SB 207 provides for free resident hunting and fishing licenses for individuals who have a mental or physical disability. The bill further allows for mentally disabled persons to have a proxy hunt or fish in their stead. This consideration is already provided for individuals who are physically disabled, blind, or 65+ years of age. Statute also currently allows for free resident hunting and fishing licenses for seniors (60+ y/o), disabled veterans, Alaska National Guard members, and Alaska Military Reserves members.

Many Alaskans, who have a significant physical or mental disability, already receive State or Federal services or financial assistance and it is estimated that individuals with disabilities are twice as likely to live in poverty as those without disabilities. Alaskans with physical and mental disabilities already face higher logistical and financial hurdles to participating in hunting and fishing activities. Senate Bill 207 is one step towards providing one less hurdle for Alaskans with disabilities to be able to participate in these traditional and enriching activities.

Thank you for your consideration of SB 207. I urge you to support this important legislation that will ensure that Alaskans with physical and mental disabilities can more readily enjoy hunting and fishing.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM February 24, 2012

SUBJECT: Sectional Summary of SB 207 (Work Order No. 27-LS0718\I)

TO: Senator Joe Paskvan
Attn: Anna Sorensen

FROM: Alpheus Bullard
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Adds a legislative intent provision to the uncodified law of the state relating to the manner in which section 4 of the bill should be implemented.

Section 2. Conforms AS 16.05.340(a)(17) to AS 16.05.341(b) added by section 4 of the bill.

Section 3. Conforms AS 16.05.340(a)(23) to AS 16.05.341(b) added by section 4 of the bill.

Section 4. Provides that a person with certain mental or physical disabilities may receive a resident hunting and sport fishing license without charge.

Section 5. Permits certain persons to take game on behalf of a person with mental disabilities.

Section 6. Permits certain persons to take fish on behalf of a person with mental disabilities.

Section 7. Provides a definition of "person with mental disabilities" for AS 16.05 (Fish and Game Code).

Section 8. Provides an instruction to the Revisor of Statutes to change the catch line (title) of AS 16.05.341.

TLAB:plm
12-125.plm

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **SB 207 \A**
Fiscal Note Number:
Publish Date:

Identifier (file name): SB207-DFG-DAS-04-02-12
Title: SPORT FISH LICENSE EXEMPTION
Sponsor: SENATOR PASKVAN
Requester: Senate Resources Committee

Dept. Affected: Fish and Game
Appropriation: Administration and Support
Allocation: Administrative Services
OMB Component Number: 479

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	75.9		75.9	75.9	75.9	75.9	75.9
Travel							
Services							
Commodities	30.5		25.5	26.5	27.5	28.5	29.5
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**106.4**	**0.0**	**101.4**	**102.4**	**103.4**	**104.4**	**105.4**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	106.4		101.4	102.4	103.4	104.4	105.4
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**106.4**	**0.0**	**101.4**	**102.4**	**103.4**	**104.4**	**105.4**

POSITIONS							
Full-time	**1.0**		1	1	1	1	1
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This is the initial fiscal note for Senate Bill 207

Prepared by: Michelle Kaelke — Phone: 465-6091
Division: Administrative Services — Date/Time: 4/2/12 10:00 AM
Approved by: Kevin Brooks, Director Administrative Services — Date: 4/2/2012
Department of Fish and Game

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB 207 \A
2012 LEGISLATIVE SESSION

Analysis

According to the 2010 census approximately 11% of Alaskans are disabled. Of the 464,000 Alaska residents age 16-59 (April 2010 census), 51,000 (11 percent) would qualify as disabled. The divsion of Administrative Services believes 25,500, approximately 50% of eligible disabled persons, would take advantage of a free license at the beginning of the program and it is possible that percentage could increase once word of a free license gets out.

Based on the Licensing section's years of experience in administering the existing 8,400 free annual licenses to Alaska seniors, disabled veterans and military reserves, a free disabled person's license would add to the section's administrative costs.

Personal Services:
The Licensing section would need to hire a full time Office Assistant II for the duration of the program. Salary and benefits would amount to $75,900 in the first year.

Commodities:
Like the other free licenses, Licensing would need to provide a unique license in order to differentiate the form from the regular fishing and hunting licenses. It is estimated that the initial cost of a free disabled license would cost $1 each for a total of $25,500. This would cover the costs for the application form, special license, envelope and postage. This cost would increase slightly each year.

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version **SB 207 \A**
Fiscal Note Number
Publish Date

Identifier (file name) SB207-DFG-WCD-04-02-12
Title SPORT FISH LICENSE EXEMPTION
Sponsor SENATOR PASKVAN
Requester Senate Resources Committee

Dept. Affected Fish and Game
Appropriation Wildlife Conservation
Allocation Wildlife Conservation
OMB Component Number 473

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous	(2,038.7)		(2,038.7)	(2,038.7)	(2,038.7)	(2,038.7)	(2,038.7)
TOTAL OPERATING	**(2,038.7)**	**0.0**	**(2,038.7)**	**(2,038.7)**	**(2,038.7)**	**(2,038.7)**	**(2,038.7)**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts	(1,531.5)		(1,531.5)	(1,531.5)	(1,531.5)	(1,531.5)	(1,531.5)
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1024	Fish/Game (Other)	(507.2)		(507.2)	(507.2)	(507.2)	(507.2)	(507.2)
	TOTAL	**(2,038.7)**	**0.0**	**(2,038.7)**	**(2,038.7)**	**(2,038.7)**	**(2,038.7)**	**(2,038.7)**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	**(2,038.7)**		**(2,038.7)**	**(2,038.7)**	**(2,038.7)**	**(2,038.7)**	**(2,038.7)**

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This is the initial fiscal note for Senate Bill 207

Prepared by David Thomson — Phone 465-6091
Division Wildife Conservation — Date/Time 04/02/12 9:23am
Approved by Kevin Brooks, Director Administrative Services — Date 4/2/2012
Department of Fish and Game

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB 207 \A
2012 LEGISLATIVE SESSION

Analysis

According to the 2010 census approximately 11% of Alaskans are disabled. Of the 464,000 Alaska residents age 16-59 (April 2010 census), 51,000 (11 percent) would qualify as disabled. The divsion of Administrative Services believes 19,890, approximately 39% of eligible disabled persons, would take advantage of a free license at the beginning of the program and it is possible that percentage could increase once word of a free license gets out.

The Division of Wildilfe Conservation estimates that it's revenues will decrease by the value of the 19,890 free licenses that previously sold for $25.00. This equates to a loss of $497.3 of revenue into the Fish & Game Fund for Wildlife Conservation. An estimated 10% of those who bought a hunting license also bought a waterfowl conservation stamp for $5.00. The loss of revenue from waterfowl conservation stamps is $9.9. The total between the loss of license sales and waterfowl conservation stamps is $507.2

The loss of licensing revenue for Wildilfe Conservation could jeopardize the division's ability to have sufficient match funding for federal Pittman-Robertson Wildlife Restoration funding. State's must match the PR funding on a 3:1 basis (75%/25%). If $507.2 is not available for matching, then $1,531.5 of available federal funds can not be earned and used for wildlife managment. The overall loss of revenue would be $2,028.2.

The loss of revenue toward wildlife management represents 6.4% of the available budget to manage wildlife across the state. A potential reduction of staff between 15 and 18 positions could be required if an alternate source of matching funds is not identified.

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version **SB 207 \A**
Fiscal Note Number
Publish Date

Identifier (file name) SB207-DFG-SFD-4-02-12
Title SPORT FISH LICENSE EXEMPTION
Sponsor SENATOR PASKVAN
Requester Senate Resources Committee

Dept. Affected Fish and Game
Appropriation Sport Fisheries
Allocation Sport Fisheries
OMB Component Number 464

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous	(1,921.4)		(1,921.4)	(1,921.4)	(1,921.4)	(1,921.4)	(1,921.4)
TOTAL OPERATING	**(1,921.4)**	**0.0**	**(1,921.4)**	**(1,921.4)**	**(1,921.4)**	**(1,921.4)**	**(1,921.4)**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts	(1,306.8)		(1,306.8)	(1,306.8)	(1,306.8)	(1,306.8)	(1,306.8)
1003	GF Match							
1004	GF							
1024	Fish/Game (Other)	(614.6)		(614.6)	(614.6)	(614.6)	(614.6)	(614.6)
1037	GF/MH (UGF)							
1178	temp code (UGF)							
	TOTAL	**(1,921.4)**	**0.0**	**(1,921.4)**	**(1,921.4)**	**(1,921.4)**	**(1,921.4)**	**(1,921.4)**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	**(1,921.4)**		**(1,921.4)**	**(1,921.4)**	**(1,921.4)**	**(1,921.4)**	**(1,921.4)**

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This is the initial fiscal note for Senate Bill 207

Prepared by Charles O. Swanton, Director — Phone 465-4180
Division Sport Fish — Date/Time 04/01/12 7:26pm
Approved by Kevin Brooks, Director Administrative Services — Date 4/2/2012
Department of Fish and Game

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB 207 \A

Analysis

According to the 2010 census approximately 11% of Alaskans are disabled. Of the 464,000 Alaska residents 16-59 in age (April 2010 census), 51,000 (11 percent) would qualify as disabled. The Division of Administrative Services, Licensing Section estimates 19,890, approximately 39% of eligible disabled persons, would take advantage of a free license at the beginning of the program and possibility could increase once word of the program becomes common place.

39% eligible=19,890 licensee's
19,890 x $15 = **$298,350** (resident license revenue without the hatchery surcharge);
19,890 x $9 = **$179,010** (lost hatchery surcharge revenue can only be used to pay down hatchery bond debt);

In 2011 69% of resident license holders purchased a king salmon stamp
19,890 x 69% = 13,724 king salmon stamps sold @$10/stamp = **$137,240** in lost stamp revenue.

Total lost revenue for licenses, surcharge and king salmon stamps = **$614,600**
Foregone Federal Aid due to lost or nonexistent match 75%(Federal-Sport Fish Restoration Fund)/25%(license revenue-state) match ratio = $298,350 + 137,240 = $435,590 (25% Fish and Game Fund match) = $1,306,770 (75% in lost federal funds).

The Division of Sport Fish relies on license sales and Federal Sport Fish Restoration funds for about 74% of our annual division revenue. If there are 19,890 eligible applicants for this free license we project: $298,350 in foregone license sale revenue; $179,010 in lost license hatchery construction surcharge revenue; and $137,241 in lost king salmon stamp revenue. The revenue collected from the sale of sport fishing licenses is used as matching funds for securing federal aid funds which would result in an estimated loss of $1,306,770 in federal revenue.

The Division of Sport Fish has absorbed substantial losses of revenue (approximately $6.5 million dollars) over the last several years owing to the national economy and manifest in the loss of about 75,000 non resident fishing licenses and king salmon stamps . Further decline in revenues will affect core services for the division on multiple fronts and impact our ability to provide protection for recreational sport fishing opportunity.

SB 209

<TARGET><BILL>SB 209</BILL><SUBJECT>SB 209</SUBJECT><COMM>SRES27</COMM></TARGET>

ALASKA STATE LEGISLATURE

Session

State Capitol, Rm. 101
Juneau, AK 99801
(907) 465-2435
Fax: (907) 465-6615

Interim

716 W. 4th Ave, Ste. 540
Anchorage, AK 99501
(907) 269-0120
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Senator_Bill_Wielechowski@legis.state.ak.us

Chair
State Affairs Committee

Co-chair
Joint Armed Services Committee

Vice Chair
Resources Committee
Judiciary Committee

Member
Administrative Regulation Review

SENATOR BILL WIELECHOWSKI

To: Senators Tom Wagoner and Joe Paskvan
Co-Chairs, Senate Resources Committee

From: Senator Bill Wielechowski

Date: March 6, 2011

Subject: Hearing request for SB 209

I am writing to request a hearing on SB 209, which would encourage greater and timelier development of the state's oil and gas resources, consistent with Alaska's constitutional mandate to develop the state's natural resources for the maximum benefits of its people.

This bill was developed in response to concerns that some oil companies are winning exclusive leases of state lands with high oil and gas potential, then delaying development of those leases, effectively warehousing Alaska's resources.

To address this concern, SB 209 requires:

1) companies interested in acquiring an exclusive lease of state petroleum lands to submit a plan of exploration or development for those lands;

2) the Department of Natural Resources (DNR) to review each plan and determine if it will develop the state's resources in the best interest of the state before "qualifying" the company to bid on a lease;

3) DNR to include work plans submitted by winning bidders within the terms of their leases; and

4) DNR to annually review leases to ensure that lease holders are developing state lands consistent with their plans of exploration or development.

ALASKA STATE LEGISLATURE

Session

State Capitol, Rm. 101
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Chair
State Affairs Committee

Co-chair
Joint Armed Services Committee

Vice Chair
Resources Committee
Judiciary Committee

Member
Administrative Regulation Review

SENATOR BILL WIELECHOWSKI

Sponsor Statement

SB 209: Spurring Greater Oil and Gas Production Through Improved Leasing Procedures

The purpose of SB 209 is to encourage greater and timelier development of the state's oil and gas resources, consistent with our constitutional mandate to develop the state's natural resources for the maximum benefits of Alaskans.

It was developed in response to concerns that some oil companies are winning exclusive leases of oil-rich state lands, then sitting on those leases and warehousing Alaska's resources, while investing elsewhere. For example, some state lands with vast quantities of oil and gas were leased more than three decades ago and have yet to be developed.

To address this concern, SB 209 requires:

1) companies interested in acquiring an exclusive lease of state petroleum lands to submit a plan of exploration or development for those lands;

2) the Department of Natural Resources (DNR) to review each plan and determine if it will develop the state's resources in the best interest of the state before "qualifying" the company to bid on a lease;

3) DNR to include work plans submitted by winning bidders within the terms of their leases; and

4) DNR to annually review leases to ensure that lease holders are developing state lands consistent with their plans of exploration or development.

SB 209 also provides a process for the Commissioner of DNR to waive a work commitment if conditions outside the lessee's control prevent the work from being carried out.

Please join me in supporting SB 209.

SB 209: Oil and Gas Leasing

Fact Sheet

- One way to address declining oil production is to ensure that oil and gas leases go to companies that will develop leases expeditiously and efficiently.

- Last year the Department of Natural Resources reported that of 1,320 leases, 578 were part of production units or were producing oil or gas, 404 had been sold in the preceding three years (so might still be in the planning stages), and 338 could be "idle," as lessees had not applied for any permits to explore or develop them.

- This means more than 25% of existing leases could be sitting idle, effectively warehousing Alaska's resources.

- Under existing statutes, the DNR commissioner has the option of including a minimum work commitment in a lease, along with a penalty provision in the event the lessee does not fulfill the work commitment.

- This bill requires that work commitments be part of a lease, consistent with the Alaska Constitution's mandate to develop our natural resources for the maximum benefit of the people.

- The bill has the following provisions:

    - requires bidders for an oil and gas lease to submit a plan of development for exploring, developing, and/or producing from the lease;

    - requires the commissioner to review each bidder's plan of development and determine if the plan is "reasonably expected to develop the lease in the best interest of the state";

    - a bidder may not be a "qualified bidder" if the commissioner finds the bidder has not submitted a plan that is in the state's best interest or the bidder is not "reasonably capable" of implementing the plan;

    - requires that these plans be included in leases and that DNR review leases annually to ensure that plans are being implemented;

    - allows the commissioner to waive a work commitment if conditions preventing drilling or exploration were beyond the lessee's reasonable ability to foresee or control or the lessee demonstrates through good faith efforts an intent to drill or develop the lease in the following two years;

Provided by the Office of Senator Wielechowski

- requires DNR to analyze the economics of each Participating Area (a unitized reservoir where sustained production is occurring) every five years to determine whether the Area is capable of increased production; and

- requires DNR to annually submit a report to the legislature that lists each lease found to be out of compliance and the action taken by the commissioner to bring the lessee back into compliance.

Provided by the Office of Senator Wielechowski

FORM NO. DL-1
(Revised May, 1973)

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
Division of Lands

LEASE NO. ADL -63059

Competitive Oil and Gas Lease

THIS LEASE is made by and between the State of Alaska, acting by and through the Director of the Division of Lands, Department of Natural Resources or his authorized agent, hereinafter called 'Lessor', and

Union Oil Company of California

909 W. 9th Avenue, Anchorage, Alaska 99501

hereinafter called 'Lessee', whether one or more.

1. GRANT. For and in consideration of a cash bonus and the first year's rental, the receipt of which is hereby acknowledged, and of the rentals, royalties, covenants, and conditions herein contained on the part of the Lessee to be paid, kept and performed, and subject to the conditions and reservations herein contained, Lessor does hereby grant and lease unto Lessee, exclusively, without warranty, for the sole and only purposes of exploration, development, production, processing and marketing of oil, gas, and associated substances produced therewith, and of installing pipe lines and structures thereon to find, produce, save, store, treat, process, transport, take care of and market all such substances, and for housing and boarding employees in its operation thereon, the following described tract of land in Alaska:

T2N, R12W, S.M.

Section 4: Protracted remainder only
Section 5: All

containing 756.38 acres, more or less, hereinafter called 'said land'.

For the purposes of this lease, said land contains the legal subdivisions, as shown on the plat of said land attached hereto, marked Exhibit A and by this reference made a part of this lease.

If said land is described above by protracted legal subdivision and Lessor hereafter causes said land to be surveyed under the public land rectangular system, the boundaries of said land shall be those established by such survey, when approved, subject, however, to the provisions of the regulations relating o such surveys.

2. 'OIL AND GAS'. 'Oil' means crude petroleum oil and other hydrocarbons regardless of gravity which are produced and saved in liquid form at the well by ordinary production methods. 'Gas' means all natural gas and all hydrocarbons produced at the well not defined herein as oil. 'Associated substances' mean all substances produced in association with oil or gas and not definnd herein as oil or gas.

3. TERM. This lease is issued for an initial primary term of 10 years from date hereof, subject to extension as provided in Paragraph 4 hereof, and shall continue so long thereafter as oil and gas or either or any of them are produced in paying quantities from said land: provided, that this lease may be extended beyond its primary term as provided in Paragraph 5 hereof and shall not expire under the conditions set forth in Paragraphs 6, 7, and 8 hereof.

4. EXTENSION BY SUSPENSION OF OPERATIONS. If, prior to the expiration of the primary term, Lessor, in the interest of conservation, directs or assents to the suspension of all operations and production, if any, hereunder, the primary term will be extended by adding the period of suspension thereto.

5. EXTENSION BY UNIT PRODUCTION. (a) This lease shall without application be extended beyond its primary term if upon or prior to the expiration date of such term the lease is committed to a unit agreement approved or prescribed by Lessor as provided in the regulations, production of oil or gas is had in paying quantities under the agreement, and a portion of such production is allocated to said land under the agreement. In such event this lease shall continue in effect so long as it remains subject to such agreement and actual production under said agreement is allocated to said land; (b) The commissioner may, in his discretion provide for the extension of the term of this lease, if such lease is on the expiration date thereof included in an approved unit plan or if it is included in a program of secondary recovery operation designed to bring about or restore production, provided, however, that if any lease or portion thereof is eliminated from such unit plan or recovery program, or if such unit plan or recovery program is terminated, then any such lease or portion thereof shall continue in full force and effect for ninety (90) days from the date of such elimination or termination and so long thereafter as drilling or redrilling operations are being conducted thereon and so long thereafter as oil or gas is produced in paying quantities.

6. EXTENSION BY DRILLING. (a) If production shall have been obtained in paying quantities during the primary term, and if, at the end of the primary term, or at any time prior to the end of the primary term, such production shall have ceased from any cause, or in the event production shall at any time or times after the expiration of the primary term cease from any cause, then this lease shall not terminate if the Lessee commences drilling or reworking operations (either in a well from which such production has ceased or in a new well) within sixty days after the cessation of production, and the lease shall remain in full force and effect so long as such operations are prosecuted with reasonable diligence or are suspended under Paragraph 25 hereof; and, if such drilling or reworking operations result in the production of oil or gas, the lease shall remain in full force and effect so long as oil or gas is produced therefrom in paying quantities; (b) if actual drilling has commenced on the expiration date of the primary term of the lease and is continued with reasonable diligence, such operations to include redrilling, sidetracking or other means necessary to reach the originally proposed bottom hole location, the lease shall continue in full force and effect until ninety (90) days after such drilling had ceased and for so long thereafter as oil or gas is produced in paying quantities.

7. EXTENSION BY SHUT-IN PRODUCTION. If, upon the expiration of the primary term or at any time or times thereafter, there is on said land a well capable of producing oil or gas in paying quantities, this lease shall not expire because Lessee fails to produce the same unless Lessor gives notice to Lessee allowing a reasonable time, which shall not be less than sixty days, after such notice to place the well on a producing status, and Lessee fails to do so; provided, that after such status is established such production shall continue on the said land unless and until suspension of production is allowed by Lessor.

8. EXTENSION BY SUSPENSION OF PRODUCTION. This lease shall not expire because of any suspension of operations in or upon or production from said land if such suspension is made under any order or with the consent of Lessor.

9. RENTAL. This lease shall terminate on any anniversary date hereof prior to the completion on said land of a well capable of producing oil or gas in paying quantities, unless on or before said anniversary date Lessee shall pay or tender to Lessor as annual rental a sum equal to $1.00 per acre, or fraction therof, then included in this lease, or unless such annual rental has been waived or suspended as provided in Paragraph 12 of this lease. If Lessor's office is not open for business on the anniversary date, the time for payment is extended to include the next day on which said office is open for business.

10. MINIMUM ROYALTY. Commencing with the lease year beginning on or after completion on said land of a well capable of producing oil or gas in paying quantities, Lessee shall pay Lessor, at the expiration of each lease year, in lieu of rental a minimum royalty equal to $1.00 per acre, or fraction thereof, then included in this lease, or the difference between the actual royalty paid on production during the year if less than $1.00 per acre and the rescribed minimum royalty.

11. ROYALTY ON PRODUCTION. Except for oil and gas used on said land for development and production or unavoidably lost, Lessee shall pay Lessor as royalty the following:

(a) On oil 16-2/3 per cent in amount or value of the oil produced and saved and removed or sold from said land.

(b) On gas 16-2/3 per cent in amount or value of the gas produced and saved and sold or used off said land or used for the extraction of natural gasoline or other products therefrom.

(c) On associated substances 16-2/3 per cent in amount or value of such substances produced and saved and removed or sold from said lands.

12. REDUCTION OF RENTAL AND ROYALTY. Rental or minimum royalty may be waived, suspended, or reduced, or royalty may be reduced on all of said land or any tract or portion thereof segregated for royalty purposes if Lessor finds that such relief is necessary for the purpose of encouraging the greatest ultimate recovery of oil or gas and is in the interest of conservation of natural resources and either that such relief is necessary in order to promote

13. ROYALTY IN KIND. Whenever, at the option of Lessor, which may be exercised from time to time upon not less than six months notice to Lessee, Lessor elects to take its royalty in kind, Lessee shall deliver free of charge (on said land or at such place as Lessor and Lessee mutually agree upon) to Lessor or to such individual, firm, or corporation as Lessor may designate all royalty oil and/or gas produced and saved from said land. Such oil and/or gas shall be in good and merchantable condition. Lessee shall, if necessary, furnish storage for royalty oil free of charge for thirty days after the end of the calendar month in which the oil is produced from said land; provided, that Lessee shall not be held liable for loss or destruction of royalty oil and/or gas from causes beyond Lessee's reasonable control. Should Lessee dehydrate or clean the oil or gas produced from said land, Lessee shall be entitled to an allowance of the actual cost of dehydrating or cleaning said royalty oil or gas.

14. ROYALTY IN VALUE. At the option of Lessor, which may be exercised from time to time upon not less than six months notice to Lessee, and in lieu of royalty in kind, Lessee shall pay to Lessor the field market price or value at the well of all royalty oil and/or gas. All royalty that may become payable in money to Lessor shall be paid on or before the last day of the calendar month following the month in which the oil or gas is produced. The payments shall be accompanied by copies of run tickets or other satisfactory evidence of sales, shipments, and amounts of gross production.

15. PRICE. The field market price or value of royalty oil or gas shall not be less than the highest of: (1) The price actually paid or agreed to be paid to Lessee at the well by the purchaser thereof, if any; or (2) The posted price of Lessee in the field for such oil or gas at the well, if any, or, (3) The prevailing price received by other producers in the field at the well for oil of like grade and gravity or gas of like kind and quality at the time such oil or gas is removed from said land or run into storage, or such gas is delivered to an extraction plant.

16. PAYMENTS. All payments to Lessor under this lease shall be made payable to the Department of Revenue of the State of Alaska and shall be tendered to Lessor at the place designated under Paragraph 44 for giving notices to Lessor.

17. OFFSET WELLS. Lessee shall drill such wells as a reasonably prudent operator would drill to protect Lessor adequately from loss by reason of drainage resulting from production on other land. Without limiting the generality of the foregoing sentence, if oil or gas should be produced in a well on other land not owned by Lessor or on which Lessor receives a lower rate of royalty than the royalty under this lease, which well is within 500 feet in the case of an oil well or 1,500 feet in the case of a gas well of lands then subject to this lease, and such well shall produce oil or gas in paying quantities for a period of thirty consecutive days, and if, after notice to Lessee and an opportunity to be heard, Lessor finds that production from such well is draining lands then subject to this lease, Lessee shall within 120 days after written demand by Lessor begin in good faith and prosecute diligently drilling operations for an offset well on said land. In lieu of drilling any well required by this paragraph, Lessee may with Lessor's consent compensate Lessor in full each month for the estimated loss of royalty through drainage in the amount determined by Lessor.

18. OTHER WELLS. This lease contemplates the reasonable development of said land for oil and gas as the facts may justify. Upon discovery of oil or gas in paying quantities on said land, Lessee shall drill such wells as a reasonably prudent operator would drill having due regard for the interests of Lessor as well as the interest of Lessee.

19. DILIGENCE; PREVENTION OF WASTE. Lessee shall exercise reasonable diligence in drilling, producing, and operating wells on said land unless consent to suspend operations temporarily is granted by Lessor; shall carry on all operations hereunder in a good and workmanlike manner in accordance with approved methods and practices, having due regard for the prevention of waste of oil and gas and the entrance of water to the oil and gas bearing sands or strata to the destruction or injury of such deposits and the preservation and conservation of the property for the future productive operations; shall use reasonable care and all proper safeguards to prevent the pollution of water; shall plug securely in an approved manner any well before abandoning it; shall allow Lessor to inspect all operations at any time; shall carry out at Lessee's expense all reasonable orders and requirements of Lessor relative to the prevention of waste and the preservation of said land, and on failure of Lessee so to do, Lessor shall have the right together with any other recourse available to it to enter on said land to repair damage or prevent waste at Lessee's expense; and shall, abide by and conform to valid applicable rules and regulations of the Alaska Oil and Gas Conservation Committee and the regulations of Lessor relating to the matters covered by this paragraph in effect on the effective date hereof or hereafter in effect if not inconsistent with any specific provisions of this lease.

20. APPROVAL OF PLANS. Lessee shall not place into actual operation any plan or method for the purpose of stimulating or increasing production on said land other than plans and methods in common use without first having obtained the written approval of Lessor.

21. LOGS AND RECORDS. An electric log or radioactive log, if taken, and a descriptive geologic sample log, if taken, and a record of all tests run for each well drilled on said land, together with a plat showing the exact location of each such well, shall be filed with Lessor within thirty (30) days after such well has been completed, suspended, or abandoned. Any and all information filed by Lessee with Lessor in connection with this lease shall be available at all times for the confidential use of Lessor for the purpose of enforcing compliance with the terms, covenants, and conditions of this lease and the regulations of the Lessor but shall not be open for inspection by any person other than officers, or employees of Lessor and persons performing any function or work assigned to them by Lessor for a period of twenty-four (24) months after the thirty (30) day filing period, except upon written consent of Lessee. Notwithstanding any other provision hereof, said information may be disclosed to any person where such disclosure is reasonably necessary for the administration of the functions, responsibilities, and duties vested by law in the Commissioner of the Department of Natural Resources or in the Division of Lands or the Director thereof, including but not limited to functions, responsibilities, and duties arising in connection with any litigation or administrative adjudication relating to this lease or to the rights, duties, and obligations arising hereunder.

22. RECORDS. Lessee shall keep and have in its possession books and records showing the production and disposition of all oil and gas produced from said land and shall permit Lessor or its agents at all reasonable hours to examine the same. Such records and reports of production shall be based upon such methods and techniques as shall insure the most accurate figures reasonably available without requiring the Lessee to provide separate tankage for each well.

23. DAMAGES. AS 38.05.130 provides in part that no rights under reservations contained in certain leases or grants of Alaska land shall be exercised by Lessor or its Lessee until provision has been made to pay the owner of the land upon which the reserved rights are sought to be exercised full payment for all damages sustained by said owner by reason of entering on said land; provided, that if said owner for any cause whatever refuses or neglects to settle said damages, Lessor or its Lessee shall have the right to institute such legal proceeding in a court of competent jurisdiction wherein the land is situated as may be necessary to determine the damage which the owner of such land may suffer. Lessee hereby agrees to pay any damage that may become payable under said statutory provisions and to indemnify Lessor and hold it harmless from and against any claims, demands, liabilities, and expenses arising from or in connection with such damage. The furnishing of a bond in compliance with this Lease will be regarded by Lessor as a sufficient provision for the payment of all damage that may become payable under said statutory provisions.

24. BONDS.

(a) If required by Lessor, Lessee shall furnish a bond prior to the issuance of this lease in an amount equal to at least $2.00 per acre or fraction thereof contained in said land but not less than $1,000.00 and shall maintain said bond as long as required by Lessor.

(b) Before beginning drilling operations on said land Lessee must have furnished and shall maintain a bond in an amount of at least $5,000.00.

(c) Lessee may, in lieu of the foregoing, furnish and maintain a statewide bond in the amount of $100,000.00.

(d) Lessor may, after notice to Lessee and an opportunity to be heard, require a bond in a reasonable amount greater than the amount specified above in this paragraph where such greater amount is justified by the nature of the surface and its uses and improvements in the vicinity of said land and the degree of the risks involved in the types of operations being or to be carried out under this lease. A statewide bond will not satisfy any requirement of a bond imposed under this subparagraph but will be considered by Lessor in determining the need for and the amount of any additional bond under this subparagraph.

(e) If said land is committed in whole or in part to a cooperative or unit agreement approved or prescribed by Lessor pursuant to law and the regulations and a unit bond is furnished in accordance with the regulations, Lessee need not thereafter maintain any bond with respect to the portion of said land so committed to such agreement.

25. ACTS OF GOD. Should Lessee be prevented from complying with any expressed or implied covenant of this lease, from conducting drilling operations thereon, or from producing or marketing oil or gas from said land after efforts made in good faith, by reason of war, riots, acts of God, severe weather in the area of said land, acts of governmental authorities, failure or lack of adequate transportation facilities, or any other cause beyond Lessee's reasonable control whether similar to those enumerated or not, then while so prevented and for a reasonable time thereafter within which to resume operations, Lessee's obligation to comply with such covenant shall be suspended and Lessee shall not be liable for damages for failure to comply therewith. If drilling or reworking operations are suspended by virtue of this paragraph and the prosecution of such operations would have had the effect of preventing the expiration or termination of this lease, then this lease shall not terminate during the period which the obligation to perform such operations is suspended under this paragraph; provided, however, that nothing in this paragraph shall be construed to suspend the payment of rentals or of minimum royalties.

26. SUSPENSION. Lessor may from time to time direct or assent to the suspension of production or other operations or both under this lease if such action is necessary or justified in the interest of conservation.

27. RESERVATIONS. Lessor reserves the right to dispose of the surface of said land to others subject to this lease, and the right to authorize others by grant, lease, or permit subject to this lease and under such conditions as will prevent unnecessary or unreasonable interference with the rights of Lessee and operations under this lease, to enter upon and use said land:

(a) To explore for oil or gas by geological or geophysical means including the drilling of shallow core holes or stratigraphic tests to a depth of not more than 1,000 feet.

(b) To explore for, develop and remove natural resources other than oil, gas, and associated substances on or from said land.

AMENDMENT TO LEASE FORM # 2

(1) REGULATIONS: (a) This lease is subject to all applicable and valid regulations of the Department of Natural Resources in effect on the effective date hereof or hereafter in effect if not inconsistent with any express and specific provision of the lease. (b) The term "regulations" as used herein, unless otherwise specified, means applicable and valid regulations of the Department of Natural Resources, now or hereafter adopted, when not inconsistent with any express and specific provision herein.

(2) LOCAL HIRE UNDER STATE LEASES: Lessee shall comply with all valid and applicable laws and regulations with regard to hire of Alaska residents. Qualified Alaska residents shall be hired as required in AS 38.40; lessee shall not discriminate against Alaska residents, as prohibited by AS 38.40 and other applicable laws and regulations of the State of Alaska.

(c) For nonexclusive easements and rights of way for any lawful purpose including shafts and tunnels necessary or appropriate for the working of said land or other lands for natural resources other than oil, gas or associated substances.

(d) For well sites and well bores of wells drilled from or through said land to explore for or produce oil, gas, and associated substances in and from other lands.

(e) For any other purpose now or hereafter authorized by law and not inconsistent with the rights of Lessee under this lease.

28. UNDERGROUND STORAGE. This lease does not authorize the subsurface storage of oil or gas except as a necessary incident to recycling pressure maintenance, repressuring, or other similar operation designed to increase the ultimate recovery of oil or gas or prevent the waste of oil or gas produced from said land or from any unit area of which the said land is a part. Lessor reserves the right to authorize the subsurface storage of oil or gas in said land by Lessee or by others in order to avoid waste or to promote conservation of natural resources and upon such conditions as will prevent unnecessary or unreasonable interference with the rights and operations of Lessee under this lease, including conditions prohibiting the storage of oil or gas without the consent of Lessee in any reservoir covered by this lease capable of producing oil or gas in paying quantities.

29. ASSIGNMENTS. This lease or any undivided interest herein may with the approval of Lessor be assigned or subleased as to said land or any one or more legal subdivisions included therein, or any separate and distinct zone or geological horizon underlying said land or such one or more legal subdivisions, to any person or persons qualified to hold a lease. No transfer of any interest in this lease including assignments of working or royalty interests and operating agreements and subleases shall be binding upon Lessor unless approved by Lessor. Lessee shall remain liable for all obligations under this lease accruing prior to the approval of such transfer. Approval of transfer of this lease or an interest therein will not be denied except (1) for failure to comply with the regulations, (2) in the discretion of Lessor, where the transfer covers any distinct zone or geological horizon, or (3) where Lessor determines that the best interests of Lessor justify such action. Applications for approval of transfer under this paragraph must comply with the regulations and must be filed within ninety days after the date of final execution of the instrument of transfer. Where a transfer is made of all or a part of Lessee's interest in and to a portion of the acreage in said land the assigned acreage shall, at the option of Lessor, or may upon request of the transferee and with the approval of Lessor be segregated into a separate and distinct lease having the same effective date as this lease.

30. UNITIZATION. Whenever determined and certified by Lessor to be necessary or advisable in the public interest for the purpose of properly conserving the natural resources of any oil or gas pool, field or like area or any part thereof, which includes or underlies said land or any part thereof, Lessee may unite with other Lessees of Lessor or with others owning or operating lands not belonging to Lessor including lands belonging to the United States and with others, jointly or separately, in collectively adopting and operating under a cooperative or unit agreement for the development or operation of the pool or field or like area or part thereof. Lessee shall within thirty days after demand by Lessor subscribe to such a cooperative or unit agreement, which agreement shall be reasonable and shall adequately protect all parties in interest including Lessor. Lessor may with the consent of Lessee establish, alter, change, or revoke drilling, producing, rental, minimum royalty, and royalty requirements of this lease if committed to any such cooperative or unit agreement and may make such regulations with reference to this lease with the like consent of Lessee in connection with the institution and operation of any such cooperative or unit agreement as Lessor may determine to be necessary or proper to secure the proper protection of the public interest. If a portion of said land is committed to an approved or prescribed unit agreement, the committed acreage shall at the option of Lessor and may upon the request of Lessee and with the approval of Lessor be segregated into a separate and distinct lease having the same effective date as this lease.

31. SURRENDER. Lessee may at any time make and file with Lessor a written surrender of all rights under this lease or any portion thereof comprising one or more legal subdivisions or, with the consent of Lessor, of any separate and distinct zone or geological horizon underlying said lands or such one or more legal subdivisions thereof. Such a surrender shall be effective as of the date of filing subject to the continued obligations of Lessee and his surety to make payment of all royalties theretofore accrued and to place all wells on the surrendered land or in the surrendered zones or horizons in condition satisfactory to Lessor for suspension or abandonment; thereupon, Lessee shall be released from all other obligations accrued or to accrue under this lease with respect to the surrendered lands, zones, or horizons.

32. DEFAULT; TERMINATION. Whenever Lessee fails to comply with any of the provisions of this lease other than the payment of rental and Lessee fails within sixty days after written notice of such default to commence to remedy and thereafter prosecute diligently operations to remedy such default, Lessor may cancel this lease if at that time there is no well on said land capable of producing oil or gas in paying quantities. If at such time there is on said land a well capable of producing oil or gas in paying quantities, this lease may be cancelled only by judicial proceedings. In the event of any cancellation under this paragraph, Lessee shall have the right to retain under this lease any and all drilling or producing wells as to which no default exists together with a parcel of land surrounding each such well or wells and such rights of way through said land as may be reasonably necessary to enable Lessee to drill and operate such retained well or wells.

33. EXCESS AREA. If for any reason said land includes more acreage than the maximum permitted under applicable laws and/or regulations, this lease shall not be void but the acreage included in said land shall be reduced to the permitted maximum. Whenever Lessor determines that this lease so exceeds the permitted acreage and notifies Lessee stating the amount of acreage that must be eliminated, Lessee may within sixty days after such notice surrender one or more legal subdivisions included in said lands comprising at least the amount of acreage that must be eliminated. If such a surrender is not filed within such sixty days Lessor may terminate this lease as to the acreage that must be eliminated by mailing notice of such termination to Lessee describing the parcel or parcels eliminated. Such a notice shall have the effect of terminating this lease as to the parcel or parcels described in such notice.

34. RIGHTS ON TERMINATION. Upon the expiration or earlier termination of this lease as to all or any portion of said lands, Lessee shall have the privilege at any time within a period of six months thereafter, or such extension thereof as may be granted Lessor, of removing from said land or portion thereof all machinery, equipment, tools, and materials other than improvements needed for producing wells. Any materials, tools, appliances, machinery, structures, and equipment subject to removal as above provided which are allowed to remain on said land or portion thereof shall become the property of Lessor upon expiration of such period; provided, that Lessee shall remove any and all of such properties when so directed by Lessor. Subject to the foregoing, Lessee shall deliver up said lands or such portion or portions thereof in good order and condition.

35. INTEREST IN LAND. It is the intention of the parties that the rights vested in Lessee by this lease shall constitute an interest in real property in said land.

36. LESSER INTEREST. If ~~Lessor~~ owns a lesser interest in the oil and gas deposits in said land than the entire and undivided fee simple estate, then the royalties and rentals herein ~~provided~~ shall be paid Lessor only in the proportion which its interest bears to the whole and undivided fee.

37. CONDITIONAL LEASE. If all or a part of said land is land that has been selected by the Lessor under laws of the United States granting lands to Lessor, but such land has not been patented to Lessor by the United States, then this lease is a conditional lease as provided by law until such patent becomes effective. If for any reason such a selection is not finally approved or such a patent does not become effective, any rental, royalty or minimum royalty payments made to Lessor under this lease will not be refunded.

38. DRILLING OPERATIONS. As used in this lease 'drilling operations' mean any work or actual operations undertaken or commenced in good faith for the purpose of carrying out any of the rights, privileges or duties of Lessee under this lease, followed diligently and in due course by the construction of a road or derrick and/or other necessary structures for the drilling of an oil or gas well, and by the actual operation of drilling in the ground. Any such work or operations preliminary to drilling in the ground may be undertaken either on said land or in the vicinity of said land in any order Lessee shall see fit.

39. ACTUAL DRILLING. As used in this lease, 'actual drilling' means any and all operations necessary or convenient to the drilling of a well in the ground after the first drilling or spudding with equipment of sufficient size and capacity to drill to the total depth proposed for the well.

40. DIRECTIONAL DRILLING. This lease may be maintained in force by directional wells drilled under the leased area from surface locations on adjacent or adjoining lands or on other premises not covered by this lease. In such circumstances, drilling shall be considered to have commenced on the leased area when actual drilling is commenced on the adjacent or adjoining lands or on lands other than the leased premises for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on adjacent or adjoining lands or lands other than the leased premises, or drilling or re-working of such directional well shall be considered production or drilling or re-working operations (as the case may be) on the leased area for all purposes of this lease. Nothing contained in this paragraph is intended or shall be construed as granting to the lessee any leasehold interest, licenses, easements, or other rights in or with respect to such adjacent or adjoining land in addition to any such leasehold interest, censes, easements, or other rights which the lessee may have lawfully acquired from the lessor or from others. However, the Director, Alaska Division of Lands, may in his discretion and upon proper application by the lessee, grant a surface permit for the location of a directional well site upon and through adjoining, adjacent, or other state lands other than the leasehold premises.

42. INTERPRETATION. As used in this lease words which are defined in the regulations have the meaning assigned by such definition except where the context clearly requires a different meaning. The paragraph headings are not a part of this lease and are inserted only for convenience.

43. EMPLOYMENT. Lessee shall be required to furnish the Department of Labor a quarterly report regarding the employment on the leased property of state residents in compliance with regulations adopted by the Commissioner of Labor under AS 38.05.180(t).

44. NOTICES. Any notice required or permitted under this lease shall be in writing and shall be given by registered or certified mail, return receipt requested, addressed as follows:

To Lessor:

Director, Division of Lands
State of Alaska
323 East Fourth Avenue
Anchorage, Alaska 99501

To Lessee:

Union Oil Company of California
909 W. 9th Avenue
Anchorage, Alaska 99501

Any such notice shall be deemed given when delivered to the foregoing address. Either party may change the address to which such notices are to be sent, by a notice given in accordance with this paragraph.

45. HEIRS AND ASSIGNS. Subject to the other provisions of this lease, the covenants, conditions, and agreements contained in this lease shall extend to and be binding upon the heirs, executors, administrators, successors, or assigns of Lessor and Lessee.

46. WILDLIFE STIPULATIONS. This lease is subject to such stipulations as are attached.

IN WITNESS WHEREOF the parties have executed this lease effective as of the 1st day of February 19 74

UNION OIL COMPANY OF CALIFORNIA

By [signature]
Attorney-in-Fact

LESSEE

STATE OF ALASKA

By [signature]

Title Chief, Minerals Section LESSOR

THE UNITED STATES OF AMERICA)
) ss
STATE OF ALASKA)

This certifies that on the 23rd day of January, 19 74, before me, a notary public in and for the State of Alaska, duly commissioned and sworn, personally appeared Pedro Denton to me known and known to me to be the person described in and who executed the foregoing lease on behalf of the State of Alaska as Director of the Division of Lands, Department of Natural Resources, or his authorized agent. The said Pedro Denton executed said lease in my presence and, after being duly sworn according to law, stated to me under oath that he is the Director of the Division of Lands, Department of Natural Resources, or his authorized agent, and has authority pursuant to law to execute the foregoing lease as such Director, or authorized agent, on behalf of the State of Alaska, acting through the Division of Lands, Department of Natural Resources and that he executed the same freely and voluntarily as the free and voluntary act and deed of the said State of Alaska and for the Division of Lands, Department of Natural Resources.

WITNESS my hand and official seal of the day and year in this certificate above written.

[signature] Notary Public in and for Alaska. My Commission expires 10/15/77

SUBJECT TO ATTACHMENT 1, 2 & 3

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES

Competitive Oil and Gas Lease **ADL No.**

THIS LEASE is entered into , between the State of Alaska, "the state," and

"the lessee," whether one or more, whose sole address for purposes of notification is under Paragraph 25.

In consideration of the cash payment made by the lessee to the state, which payment includes the first year's rental and any required cash bonus, and subject to the provisions of this lease, including applicable stipulation(s) and mitigating measures attached to this lease and by this reference incorporated in this lease, the state and the lessee agree as follows:

1. GRANT. (a) Subject to the provisions in this lease, the state grants and leases to the lessee, without warranty, the exclusive right to drill for, extract, remove, clean, process, and dispose of oil, gas, and associated substances in or under the following described tract of land:

containing approximately acres, more or less (referred to in this lease as the "leased area"); the nonexclusive right to conduct within the leased area geological and geophysical exploration for oil, gas, and associated substances; and the nonexclusive right to install pipelines and build structures on the leased area to find, produce, save, store, treat, process, transport, take care of, and market all oil, gas, and associated substances and to house and board employees in its operations on the leased area. The rights granted by this lease are to be exercised in a manner which will not unreasonably interfere with the rights of any permittee, lessee or grantee of the state consistent with the principle of reasonable concurrent uses as set out in Article VIII, Section 8 of the Alaska Constitution.

(b) For the purposes of this lease, the leased area contains the legal subdivisions as shown on the attached plat marked Exhibit A.

(c) If the leased area is described by protracted legal subdivisions and, after the effective date of this lease, the leased area is surveyed under the public land rectangular system, the boundaries of the leased area are those established by that survey, when approved, subject, however, to the provisions of applicable regulations relating to those surveys. If for any reason the leased area includes more acreage than the maximum permitted under applicable law (including the "rule of approximation" authorized in AS 38.05.145 and defined in AS 38.05.965 (18)), this lease is not void and the acreage included in the leased area must be reduced to the permitted maximum. If the state determines that the leased area exceeds the permitted acreage and notifies the lessee in writing of the amount of acreage that must be eliminated, the lessee has 60 days after that notice to surrender one or more legal subdivisions included in the leased area comprising at least the amount of acreage that must be eliminated. Any subdivision surrendered must be located on the perimeter of the leased area as originally described. If a surrender is not filed within 60 days, the state may terminate this lease as to the acreage that must be eliminated by mailing notice of the termination to the lessee describing the subdivision eliminated.

(d) If the State of Alaska's ownership interest in the oil, gas, and associated substances in the leased area is less than an entire and undivided interest, the grant under this lease is effective only as to the state's interest in that oil, gas, and associated substances, and the royalties and rentals provided in this lease must be paid to the state in the proportion that the state's interest bears to the entire undivided fee.

(e) The state makes no representations or warranties, express or implied, as to title, or access to, or quiet enjoyment of, the leased area. The state is not liable to the lessee for any deficiency in title to the leased area, nor is the lessee or any successor in interest to the lessee entitled to any refund due to deficiency in title for any rentals, bonuses, or royalties paid under this lease.

2. RESERVED RIGHTS. (a) The state, for itself and others, reserves all rights not expressly granted to the lessee by this lease. These reserved rights include, but are not limited to:

(1) the right to explore for oil, gas, and associated substances by geological and geophysical means;

(2) the right to explore for, develop, and remove natural resources other than oil, gas, and associated substances on or from the leased area;

(3) the right to establish or grant easements and rights-of-way for any lawful purpose, including without limitation for shafts and tunnels necessary or appropriate for the working of the leased area or other lands for natural resources other than oil, gas, and associated substances;

(4) the right to dispose of land within the leased area for well sites and well bores of wells drilled from or through the leased area to explore for or produce oil, gas, and associated substances in and from lands not within the leased area; and

(5) the right otherwise to manage and dispose of the surface of the leased area or interests in that land by grant, lease, permit, or otherwise to third parties.

(b) The rights reserved may be exercised by the state, or by any other person or entity acting under authority of the state, in any manner that does not unreasonably interfere with or endanger the lessee's operations under this lease.

3. TERM. This lease is issued for an initial primary term of 7 years from the effective date of this lease. The term may be extended as provided in Paragraph 4 below.

4. EXTENSION. (a) This lease will be extended automatically if and for so long as oil or gas is produced in paying quantities from the leased area.

(b) This lease will be extended automatically if it is committed to a unit agreement approved or prescribed by the state, and will remain in effect for so long as it remains committed to that unit agreement.

(c) (1) If the drilling of a well whose bottom hole location is in the leased area has commenced as of the date on which the lease otherwise would expire and is continued with reasonable diligence, this lease will continue in effect until 90 days after cessation of that drilling and for so long as oil or gas is produced in paying quantities from the leased area.

(2) If oil or gas in paying quantities is produced from the leased area, and if that production ceases at any time, this lease will not terminate if drilling or reworking operations are commenced on the leased area within six months after cessation of production and are prosecuted with reasonable diligence; if those drilling or reworking operations result in the production of oil or gas, this lease will remain in effect for so long as oil or gas is produced in paying quantities from the leased area.

(d) If there is a well capable of producing oil or gas in paying quantities on the leased area, this lease will not expire because the lessee fails to produce that oil or gas unless the state gives notice to the lessee, allowing a reasonable time, which will not be less than six months after notice, to place the well into production, and the lessee fails

to do so. If production is established within the time allowed, this lease is extended only for so long as oil or gas is produced in paying quantities from the leased area.

(e) If the state directs or approves in writing a suspension of all operations on or production from the leased area (except for a suspension necessitated by the lessee's negligence), or if a suspension of all operations on or production from the leased area has been ordered under federal, state, or local law, the lessee's obligation to comply with any express or implied provision of this lease requiring operations or production will be suspended, but not voided, and the lessee shall not be liable for damages for failure to comply with that provision. If the suspension occurs before the expiration of the primary term, the primary term will be extended at the end of the period of the suspension by adding the period of time lost under the primary term because of the suspension. If the suspension occurs during an extension of the primary term under this paragraph, upon removal of that suspension, the lessee will have a reasonable time, which will not be less than six months after notice that the suspension has been removed, to resume operations or production. For the purposes of this subparagraph, any suspension of operations or production specifically required or imposed as a term of sale or by any stipulation made a part of this lease will not be considered a suspension ordered by law.

(f) If the state determines that the lessee has been prevented by force majeure, after efforts made in good faith, from performing any act that would extend the lease beyond the primary term, this lease will not expire during the period of force majeure. If the force majeure occurs before the expiration of the primary term, the primary term will be extended at the end of the period of force majeure by adding the period of time lost under the primary term because of the force majeure. If the force majeure occurs during an extension of the primary term under this paragraph, this lease will not expire during the period of force majeure plus a reasonable time after that period, which will not be less than 60 days, for the lessee to resume operations or production.

(g) Nothing in subparagraphs (e) or (f) suspends the obligation to pay royalties or other production or profit-based payments to the state from operations on the leased area that are not affected by any suspension or force majeure, or suspends the obligation to pay rentals.

5. RENTALS. (a) The lessee shall pay annual rental to the state in accordance with the following rental schedule:

(1) For the first year, $1.00 per acre or fraction of an acre;
(2) For the second year, $1.50 per acre or fraction of an acre;
(3) For the third year, $2.00 per acre or fraction of an acre;
(4) For the fourth year, $2.50 per acre or fraction of an acre;
(5) For the fifth year and following years, $3.00 per acre or fraction of an acre; provided that the state may increase the annual rental rate as provided by law upon extension of this lease beyond the primary term.

(b) Annual rental paid in advance is a credit on the royalty or net profit share due under this lease for that year.

(c) The lessee shall pay the annual rental to the State of Alaska (or any depository designated by the state with at least 60 days notice to the lessee) in advance, on or before the annual anniversary date of this lease. The state is not required to give notice that rentals are due by billing the lessee. If the state's (or depository's) office is not open for business on the annual anniversary date of this lease, the time for payment is extended to include the next day on which that office is open for business. If the annual rental is not paid timely, this lease automatically terminates as to both parties at 11:59 p.m., Alaska Standard Time, on the date by which the rental payment was to have been made.

6. RECORDS. The lessee shall keep and have in its possession books and records showing the development and production (including records of development and production expenses) and disposition (including records of sale prices, volumes, and purchasers) of all oil, gas, and associated substances produced from the leased area. The lessee shall permit the State of Alaska or its agents to examine these books and records at all reasonable times. Upon request by the state, the lessee's books and records shall be made available to the state at the state office designated by the state. These books and records of development, production, and disposition must employ methods and techniques that will ensure the most accurate figures reasonably available without requiring the lessee to provide separate tankage or meters for each well. The lessee shall use generally accepted accounting procedures consistently applied.

7. APPORTIONMENT OF ROYALTY FROM APPROVED UNIT. The landowners' royalty share of the unit production allocated to each separately owned tract shall be regarded as royalty to be distributed to and among, or the proceeds of it paid to, the landowners, free and clear of all unit expense and free of any lien for it. Under this provision, the state's royalty share of any unit production allocated to the leased area will be regarded as royalty to be distributed to, or the proceeds of it paid to, the state, free and clear of all unit expenses (and any portion of those expenses incurred away from the unit area), including, but not limited to, expenses for separating, cleaning, dehydration, gathering,

saltwater disposal, and preparing oil, gas, or associated substances for transportation off the unit area, and free of any lien for them.

8. PAYMENTS. All payments to the State of Alaska under this lease must be made payable to the state in the manner directed by the state, and unless otherwise specified, must be tendered to the state at:

DEPARTMENT OF NATURAL RESOURCES
550 WEST 7TH AVENUE, SUITE 1410
ANCHORAGE, ALASKA 99501-3561
ATTENTION: FINANCIAL SERVICES SECTION

or in person at either of the Department's Public Information Centers located at

550 W. 7th Ave., Suite 1260
Anchorage, Alaska

3700 Airport Way
Fairbanks, Alaska

or to any depository designated by the state with at least 60 days notice to the lessee.

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

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

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

(2) operations undertaken under an approved unit plan of operations.

(c) Before undertaking operations on or in the leased area, the lessee shall provide for full payment of all damages sustained by the owner of the surface estate as well as by the surface owner's lessees and permittees, by reason of entering the land.

(d) An application for approval of a plan of operations must contain sufficient information, based on data reasonably available at the time the plan is submitted for approval, for the commissioner to determine the surface use requirements and impacts directly associated with the proposed operations. An application must include statements and maps or drawings setting out the following:

(1) the sequence and schedule of the operations to be conducted on or in the leased area, including the date operations are proposed to begin and their proposed duration;

(2) projected use requirements directly associated with the proposed operations, including the location and design of well sites, material sites, water supplies, solid waste sites, buildings, roads, utilities, airstrips, and all other facilities and equipment necessary to conduct the proposed operations;

(3) plans for rehabilitation of the affected leased area after completion of operations or phases of those operations; and

(4) a description of operating procedures designed to prevent or minimize adverse effects on other natural resources and other uses of the leased area and adjacent areas, including fish and wildlife habitats, historic and archeological sites, and public use areas.

(e) In approving a lease plan of operations or an amendment of a plan, the commissioner will require amendments that the commissioner determines necessary to protect the state's interest. The commissioner will not require an amendment that would be inconsistent with the terms of sale under which the lease was obtained, or with the terms of the lease itself, or which would deprive the lessee of reasonable use of the leasehold interest.

(f) The lessee may, with the approval of the commissioner, amend an approved plan of operations.

(g) Upon completion of operations, the lessee shall inspect the area of operations and submit a report indicating the completion date of operations and stating any noncompliance of which the lessee knows, or should reasonably know, with requirements imposed as a condition of approval of the plan.

(h) In submitting a proposed plan of operations for approval, the lessee shall provide ten copies of the plan if activities proposed are within the coastal zone, and five copies if activities proposed are not within the coastal zone.

10. PLAN OF DEVELOPMENT. (a) Except as provided in subparagraph (d) below, within 12 months after certification of a well capable of producing oil, gas, or associated substances in paying quantities, the lessee shall file two copies of an application for approval by the state of an initial plan of development that must describe the lessee's plans

for developing the leased area. No development of the leased area may occur until a plan of development has been approved by the state.

(b) The plan of development must be revised, updated, and submitted to the state for approval annually before or on the anniversary date of the previously approved plan. If no changes from an approved plan are contemplated for the following year, a statement to that effect must be filed for approval in lieu of the required revision and update.

(c) The lessee may, with the approval of the state, subsequently modify an approved plan of development.

(d) If the leased area is included in an approved unit, the lessee will not be required to submit a separate lease plan of development for unit activities.

11. INFORMATION ACQUIRED FROM OPERATIONS. (a) The lessee shall submit to the state all geological, geophysical and engineering data and analyses obtained from the lease within 30 days following the completion of a well. The lessee shall submit to the state data and analyses acquired subsequent to well completion within 30 days following acquisition of that data. The state may waive receipt of operational data from some development, service or injection wells. The state will inform the operator of the waiver prior to well completion. The lessee shall submit the data and analyses to the Division of Oil and Gas, Department of Natural Resources, at the location specified in paragraph 25 of this lease. The data and analyses shall include the following:

(1) a copy of the completion report (AOGCC form 10-407) with an attached well summary, including daily drilling reports, formation tops encountered, a full synopsis of drillstem and formation testing data, an identification of zones of abnormal pressure, oil and gas shows and cored intervals;

(2) latitudinal and longitudinal coordinates for the completed surface and bottom hole locations;

(3) a copy of the permit to drill (AOGCC form 10-401 only, additional documentation not required) and the survey plat of the well location;

(4) a paper copy (no sepia copies) of all final 2-inch open hole and cased hole logs, including measured depth and true-vertical depth versions, specialty logs (such as Schlumberger's cyberlook, formation microscanners and dipmeter logs), composite mud or lithology log and report, measured-while-drilling (MWD) and logged-while-drilling (LWD) logs, velocity and directional surveys;

(5) a digital version of well logs in LAS, LIS or ASCII format on IBM format floppy disks, a digital version of velocity surveys in SEG Y format, a digital version of directional surveys in ASCII format (other formats may be acceptable upon agreement with the Division of Oil and Gas); and

(6) a paper copy of all available well analyses, including geochemical analyses, core analyses (porosity, permeability, capillary pressure, photos, and descriptions), paleontologic and palynologic analyses, thermal maturation analyses, pressure build up analyses, and fluid PVT analyses (an ASCII format digital version of the above information shall also be submitted, if available). The state may require the lessee to submit additional information in accordance with the applicable statutes and regulations in effect at the time of the completion date of the well.

(b) Any information submitted to the state by the lessee in connection with this lease will be available at all times for use by the state and its agents. The state will keep information confidential as provided in AS 38.05.035(a)(9) and its applicable regulations. In accordance with AS 38.05.035(a)(9)(C), in order for geological, geophysical and engineering information submitted under paragraph 11(a) of this lease to be held confidential, the lessee must request confidentiality at the time the information is submitted. The information must be marked **CONFIDENTIAL.**

12. DIRECTIONAL DRILLING. This lease may be maintained in effect by directional wells whose bottom hole location is on the leased area but that are drilled from locations on other lands not covered by this lease. In those circumstances, drilling will be considered to have commenced on the leased area when actual drilling is commenced on those other lands for the purpose of directionally drilling into the leased area. Production of oil or gas from the leased area through any directional well surfaced on those other lands, or drilling or reworking of that directional well, will be considered production or drilling or reworking operations on the leased area for all purposes of this lease. Nothing contained in this paragraph is intended or will be construed as granting to the lessee any interest, license, easement, or other right in or with respect to those lands in addition to any interest, license, easement, or other right that the lessee may have lawfully acquired from the state or from others.

13. DILIGENCE AND PREVENTION OF WASTE. (a) The lessee shall exercise reasonable diligence in drilling, producing, and operating wells on the leased area unless consent to suspend operations temporarily is granted by the state.

(b) Upon discovery of oil or gas on the leased area in quantities that would appear to a reasonable and prudent operator to be sufficient to recover ordinary costs of drilling, completing, and producing an additional well in

the same geologic structure at another location with a reasonable profit to the operator, the lessee must drill those wells as a reasonable and prudent operator would drill, having due regard for the interest of the state as well as the interest of the lessee.

(c) The lessee shall perform all operations under this lease in a good and workmanlike manner in accordance with the methods and practices set out in the approved plan of operations and plan of development, with due regard for the prevention of waste of oil, gas, and associated substances and the entrance of water to the oil and gas-bearing sands or strata to the destruction or injury of those sands or strata, and to the preservation and conservation of the property for future productive operations. The lessee shall carry out at the lessee's expense all orders and requirements of the State of Alaska relative to the prevention of waste and to the preservation of the leased area. If the lessee fails to carry out these orders, the state will have the right, together with any other available legal recourse, to enter the leased area to repair damage or prevent waste at the lessee's expense.

(d) The lessee shall securely plug in an approved manner any well before abandoning it.

14. OFFSET WELLS. The lessee shall drill such wells as a reasonable and prudent operator would drill to protect the state from loss by reason of drainage resulting from production on other land. Without limiting the generality of the foregoing sentence, if oil or gas is produced in a well on other land not owned by the State of Alaska or on which the State of Alaska receives a lower rate of royalty than under this lease, and that well is within 500 feet in the case of an oil well or 1,500 feet in the case of a gas well of lands then subject to this lease, and that well produces oil or gas for a period of 30 consecutive days in quantities that would appear to a reasonable and prudent operator to be sufficient to recover ordinary costs of drilling, completing, and producing an additional well in the same geological structure at an offset location with a reasonable profit to the operator, and if, after notice to the lessee and an opportunity to be heard, the state finds that production from that well is draining lands then subject to this lease, the lessee shall within 30 days after written demand by the state begin in good faith and diligently prosecute drilling operations for an offset well on the leased area. In lieu of drilling any well required by this paragraph, the lessee may, with the state's consent, compensate the state in full each month for the estimated loss of royalty through drainage in the amount determined by the state.

15. UNITIZATION. (a) The lessee may unite with others, jointly or separately, in collectively adopting and operating under a cooperative or unit agreement for the exploration, development, or operation of the pool, field, or like area or part of the pool, field, or like area that includes or underlies the leased area or any part of the leased area whenever the state determines and certifies that the cooperative or unit agreement is in the public interest.

(b) The lessee agrees, within six months after demand by the state, to subscribe to a reasonable cooperative or unit agreement that will adequately protect all parties in interest, including the state. The state reserves the right to prescribe such an agreement.

(c) With the consent of the lessee, and if the leased area is committed to a unit agreement approved by the state, the state may establish, alter, change, or revoke drilling, producing, and royalty requirements of this lease as the state determines necessary or proper to secure the proper protection of the public interest.

(d) Except as otherwise provided in this subparagraph, where only a portion of the leased area is committed to a unit agreement approved or prescribed by the state, that commitment constitutes a severance of this lease as to the unitized and nonunitized portions of the leased area. The portion of the leased area not committed to the unit will be treated as a separate and distinct lease having the same effective date and term as this lease and may be maintained only in accordance with the terms and conditions of this lease, statutes, and regulations. Any portion of the leased area not committed to the unit agreement will not be affected by the unitization or pooling of any other portion of the leased area, by operations in the unit, or by suspension approved or ordered for the unit. If the leased area has a well certified as capable of production in paying quantities on it before commitment to a unit agreement, this lease will not be severed. If any portion of this lease is included in a participating area formed under a unit agreement, the entire leased area will remain committed to the unit and this lease will not be severed.

16. INSPECTION. The lessee shall keep open at all reasonable times, for inspection by any duly authorized representative of the State of Alaska, the leased area, all wells, improvements, machinery, and fixtures on the leased area, and all reports and records relative to operations and surveys or investigations on or with regard to the leased area or under this lease. Upon request, the lessee shall furnish the State of Alaska with copies of and extracts from any such reports and records.

17. SUSPENSION. The state may from time to time direct or approve in writing suspension of production or other operations under this lease.

18. ASSIGNMENT, PARTITION, AND CONVERSION. This lease, or an interest in this lease, may, with the approval of the state, be assigned, subleased, or otherwise transferred to any person or persons qualified to hold a lease. No assignment, sublease, or other transfer of an interest in this lease, including assignments of working or royalty interests and operating agreements and subleases, will be binding upon the state unless approved by the state. The lessee shall remain liable for all obligations under this lease accruing prior to the approval by the state of any assignment, sublease, or other transfer of an interest in this lease. All provisions of this lease will extend to and be binding upon the heirs, administrators, successors, and assigns of the state and the lessee. Applications for approval of an assignment, sublease, or other transfer must comply with all applicable regulations and must be filed within 90 days after the date of final execution of the instrument of transfer. The state will approve a transfer of an undivided interest in this lease unless the transfer would adversely affect the interests of Alaska or the application does not comply with applicable regulations. The state will disapprove a transfer of a divided interest in this lease if the transfer covers only a portion of the lease or a separate and distinct zone or geological horizon unless the lessee demonstrates that the proposed transfer of a divided interest is reasonably necessary to accomplish exploration or development of the lease, the lease is committed to an approved unit agreement, the lease is allocated production within an approved participating area, or the lease has a well certified as capable of production in paying quantities. The state will make a written finding stating the reasons for disapproval of a transfer of a divided interest. Where an assignment, sublease, or other transfer is made of all or a part of the lessee's interest in a portion of the leased area, this lease may, at the option of the state or upon request of the transferee and with the approval of the state, be severed, and a separate and distinct lease will be issued to the transferee having the same effective date and terms as this lease.

19. SURRENDER. The lessee at any time may file with the state a written surrender of all rights under this lease or any portion of the leased area comprising one or more legal subdivisions or, with the consent of the state, any separate and distinct zone or geological horizon underlying the leased area or one or more legal subdivisions of the leased area. That surrender will be effective as of the date of filing, subject to the continued obligations of the lessee and its surety to make payment of all accrued royalties and to place all wells and surface facilities on the surrendered land or in the surrendered zones or horizons in condition satisfactory to the state for suspension or abandonment. After that, the lessee will be released from all obligations under this lease with respect to the surrendered lands, zones, or horizons.

20. DEFAULT AND TERMINATION; CANCELLATION. (a) The failure of the lessee to perform timely its obligations under this lease, or the failure of the lessee otherwise to abide by all express and implied provisions of this lease, is a default of the lessee's obligations under this lease. Whenever the lessee fails to comply with any of the provisions of this lease (other than a provision which, by its terms, provides for automatic termination), and fails within 60 days after written notice of that default to begin and diligently prosecute operations to remedy that default, the state may terminate this lease if at the time of termination there is no well on the leased area capable of producing oil or gas in paying quantities. If there is a well on the leased area capable of producing oil or gas in paying quantities, this lease may be terminated by an appropriate judicial proceeding. In the event of any termination under this subparagraph, the lessee shall have the right to retain under this lease any and all drilling or producing wells for which no default exists, together with a parcel of land surrounding each well or wells and rights-of-way through the leased area that are reasonably necessary to enable the lessee to drill, operate, and transport oil or gas from the retained well or wells.

(b) The state may cancel this lease at any time if the state determines, after the lessee has been given notice and a reasonable opportunity to be heard, that:

(1) continued operations pursuant to this lease probably will cause serious harm or damage to biological resources, to property, to mineral resources, or to the environment (including the human environment);

(2) the threat of harm or damage will not disappear or decrease to an acceptable extent within a reasonable period of time; and

(3) the advantages of cancellation outweigh the advantages of continuing this lease in effect.

Any cancellation under this subparagraph will not occur unless and until operations under this lease have been under suspension or temporary prohibition by the state, with due extension of the term of this lease, continuously for a period of five years or for a lesser period upon request of the lessee.

(c) Any cancellation under subparagraph (b) will entitle the lessee to receive compensation as the lessee demonstrates to the state is equal to the lesser of:

(1) the value of the cancelled rights as of the date of cancellation, with due consideration being given to both anticipated revenues from this lease and anticipated costs, including costs of compliance with all applicable regulations and stipulations, liability for clean-up costs or damages, or both, in the case of an oil spill, and all other costs reasonably anticipated under this lease; or

(2) the excess, if any, over the lessee's revenues from this lease (plus interest on the excess from the date of receipt to date of reimbursement) of all consideration paid for this lease and all direct expenditures made by the lessee after the effective date of this lease and in connection with exploration or development, or both, under this lease, plus interest on that consideration and those expenditures from the date of payment to the date of reimbursement.

21. RIGHTS UPON TERMINATION. Upon the expiration or earlier termination of this lease as to all or any portion of the leased area, the lessee will be directed in writing by the state and will have the right at any time within a period of one year after the termination, or any extension of that period as may be granted by the state, to remove from the leased area or portion of the leased area all machinery, equipment, tools, and materials. Upon the expiration of that period or extension of that period and at the option of the state, any machinery, equipment, tools, and materials that the lessee has not removed from the leased area or portion of the leased area become the property of the state or may be removed by the state at the lessee's expense. At the option of the state, all improvements such as roads, pads, and wells must either be abandoned and the sites rehabilitated by the lessee to the satisfaction of the state, or be left intact and the lessee absolved of all further responsibility as to their maintenance, repair, and eventual abandonment and rehabilitation. Subject to the above conditions, the lessee shall deliver up the leased area or those portions of the leased area in good condition.

22. DAMAGES AND INDEMNIFICATION. (a) No rights under the AS 38.05.125 reservation may be exercised by the lessee until the lessee has provided to pay the owner of the land, his lessees and permittees, upon which the AS 38.05.125 reserved rights are sought to be exercised, full payment for all damage sustained by the owner by reason of entering the land. If the owner for any reason does not settle the damages, the lessee may enter the land after posting a surety bond determined by the state, after notice and an opportunity to be heard, to be sufficient as to form, amount, and security to secure to the owner, his lessees and permittees, payment for damages, and may institute legal proceedings in a court of competent jurisdiction where the land is located to determine the damages which the owner of the land may suffer. The lessee agrees to pay for any damages that may become payable under AS 38.05.130 and to indemnify the state and hold it harmless from and against any claims, demands, liabilities, and expenses arising from or in connection with such damages. The furnishing of a bond in compliance with this paragraph will be regarded by the state as sufficient provision for the payment of all damages that may become payable under AS 38.05.130 by virtue of this lease.

(b) The lessee shall indemnify the state for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to any person caused by or resulting from any act or omission committed under this lease by or on behalf of the lessee. The lessee is not responsible to the state under this subparagraph for any loss, damage, or injury caused by or resulting from the sole negligence of the state.

(c) The lessee expressly waives any defense to an action for breach of a provision of this lease or for damages resulting from an oil spill or other harm to the environment that is based on an act or omission committed by an independent contractor in the lessee's employ. The lessee expressly agrees to assume responsibility for all actions of its independent contractors.

23. BONDS. (a) If required by the state, the lessee shall furnish a bond prior to the issuance of this lease in an amount equal to at least $5 per acre or fraction of an acre contained in the leased area, but no less than $10,000, and must maintain that bond as long as required by the state.

(b) The lessee may, in lieu of the bond required under (a) above, furnish and maintain a statewide bond in accordance with applicable regulations.

(c) The state may, after notice to the lessee and a reasonable opportunity to be heard, require a bond in a reasonable amount greater than the amount specified in (a) above where a greater amount is justified by the nature of the surface and its uses and the degree of risk involved in the types of operations being or to be carried out under this lease. A statewide bond will not satisfy any requirement of a bond imposed under this subparagraph, but will be considered by the state in determining the need for and the amount of any additional bond under this subparagraph.

(d) If the leased area is committed in whole or in part to a cooperative or unit agreement approved or prescribed by the state, and the unit operator furnishes a statewide bond, the lessee need not maintain any bond with respect to the portion of the leased area committed to the cooperative or unit agreement.

24. AUTHORIZED REPRESENTATIVES. The Director of the Division of Oil and Gas, Department of Natural Resources, State of Alaska, and the person executing this lease on behalf of the lessee shall be authorized representatives for their respective principals for the purposes of administering this lease. The state or the lessee may change the designation of its authorized representative or the address to which notices to that representative are to be sent by a notice given in accordance with Paragraph 25 below. Where activities pursuant to a plan of operations are

underway, the lessee shall also designate, pursuant to a notice under Paragraph 25 below, by name, job title, and address, an agent who will be present in the state during all lease activities.

25. NOTICES; PROTEST. (a) Any notices required or permitted under this lease must be by electronic media producing a permanent record or in writing and must be given personally or by registered or certified mail, return receipt requested, addressed as follows:

TO THE STATE:

DIRECTOR, DIVISION OF OIL AND GAS
DEPARTMENT OF NATURAL RESOURCES
550 WEST 7TH AVENUE, SUITE 800
ANCHORAGE, ALASKA 99501-3560

TO THE LESSEE:

(b) Any notice given under this paragraph will be effective when delivered to the above authorized representative.

(c) A lessee who wishes to protest the amount of money due the state under the lease or any action of the state regarding a provision of this lease must file a written protest with the Division of Oil and Gas within 30 days after the mailing date of the state's notice or bill. A lessee who fails to file a protest within the required time waives any further right to protest. The state will establish the administrative appeal procedure to be followed and will inform the lessee of the procedure no later than 30 days after the filing of the written protest.

26. STATUTES AND REGULATIONS. This lease is subject to all applicable state and federal statutes and regulations in effect on the effective date of this lease, and insofar as is constitutionally permissible, to all statutes and regulations placed in effect after the effective date of this lease. A reference to a statute or regulation in this lease includes any change in that statute or regulation whether by amendment, repeal and replacement, or other means. This lease does not limit the power of the State of Alaska or the United States of America to enact and enforce legislation or to promulgate and enforce regulations affecting, directly or indirectly, the activities of the lessee or its agents in connection with this lease or the value of the interest held under this lease. In case of conflicting provisions, statutes and regulations take precedence over this lease.

27. INTERPRETATION. This lease is to be interpreted in accordance with the rules applicable to the interpretation of contracts made in the State of Alaska. The paragraph headings are not part of this lease and are inserted only for convenience. The state and the lessee expressly agree that the law of the State of Alaska will apply in any judicial proceeding affecting this lease.

28. INTEREST IN REAL PROPERTY. It is the intention of the parties that the rights granted to the lessee by this lease constitute an interest in real property in the leased area.

29. WAIVER OF CONDITIONS. The state reserves the right to waive any breach of a provision of this lease, but any such waiver extends only to the particular breach so waived and does not limit the rights of the state with respect to any future breach; nor will the waiver of a particular breach prevent cancellation of this lease for any other cause or for the same cause occurring at another time. Notwithstanding the foregoing, the state will not be deemed to have waived a provision of this lease unless it does so in writing.

30. SEVERABILITY. If it is finally determined in any judicial proceeding that any provision of this lease is invalid, the state and the lessee may jointly agree by a written amendment to this lease that, in consideration of the provisions in that written amendment, the invalid portion will be treated as severed from this lease and that the remainder of this lease, as amended, will remain in effect.

31. LOCAL HIRE. The lessee is encouraged to hire and employ local and Alaska residents and companies, to the extent they are available and qualified, for work performed on the leased area. Lessees shall submit, with the plans

of operations, a proposal detailing the means by which the lessee will comply with this measure. The lessee is encouraged, in formulating this proposal, to coordinate with employment services offered by the State of Alaska and local communities and to recruit employees from local communities.

32. CONDITIONAL LEASE. If all or a part of the leased area is land that has been selected by the state under laws of the United States granting lands to the state, but the land has not been patented to the state by the United States, then this lease is a conditional lease as provided by law until the patent becomes effective. If for any reason the selection is not finally approved, or the patent does not become effective, any rental, royalty, or other production or profit-based payments made to the state under this lease will not be refunded.

33. NONDISCRIMINATION. The lessee and the lessee's contractors and subcontractors may not discriminate against any employee or applicant because of race, religion, marital status, change in marital status, pregnancy, parenthood, physical handicap, color, sex, age, or national origin as set out in AS 18.80.220. The lessee and its contractors and subcontractors must, on beginning any operations under this lease, post in a conspicuous place notices setting out this nondiscrimination provision.

34. DEFINITIONS. All words and phrases used in this lease are to be interpreted where possible in the manner required in respect to the interpretation of statutes by AS 01.10.040. However, the following words have the following meanings unless the context unavoidably requires otherwise:

(1) "oil" means crude petroleum oil and other hydrocarbons, regardless of gravity, that are produced in liquid form by ordinary production methods, including liquid hydrocarbons known as distillate or condensate recovered by separation from gas other than at a gas processing plant;

(2) "gas" means all natural gas (except helium gas) and all other hydrocarbons produced that are not defined in this lease as oil;

(3) "associated substances" means all substances except helium produced as an incident of production of oil or gas by ordinary production methods and not defined in this lease as oil or gas;

(4) "drilling" means the act of boring a hole to reach a proposed bottom hole location through which oil or gas may be produced if encountered in paying quantities, and includes redrilling, sidetracking, deepening, or other means necessary to reach the proposed bottom hole location, testing, logging, plugging, and other operations necessary and incidental to the actual boring of the hole;

(5) "reworking operations" means all operations designed to secure, restore, or improve production through some use of a hole previously drilled, including, but not limited to, mechanical or chemical treatment of any horizon, plugging back to test higher strata, etc.;

(6) "paying quantities" means quantities sufficient to yield a return in excess of operating costs, even if drilling and equipment costs may never be repaid and the undertaking considered as a whole may ultimately result in a loss; quantities are insufficient to yield a return in excess of operating costs unless those quantities, not considering the costs of transportation and marketing, will produce sufficient revenue to induce a prudent operator to produce those quantities; and

(7) "force majeure" means war, riots, acts of God, unusually severe weather, or any other cause beyond the lessee's reasonable ability to foresee or control and includes operational failure of existing transportation facilities and delays caused by judicial decisions or lack of them.

35. ROYALTY ON PRODUCTION. Except for oil, gas, and associated substances used on the leased area for development and production or unavoidably lost, the lessee shall pay to the state as a royalty 12.50 percent in amount or value of the oil, gas, and associated substances saved, removed, or sold from the leased area and of the gas from the leased area used on the leased area for extraction of natural gasoline or other products.

36. VALUE. (a) For the purposes of computing royalties due under this lease, the value of royalty oil, gas, or associated substances shall not be less than the highest of:

(1) the field price received by the lessee for the oil, gas, or associated substances;

(2) the volume-weighted average of the three highest field prices received by other producers in the same field or area for oil of like grade and gravity, gas of like kind and quality, or associated substances of like kind and quality at the time the oil, gas, or associated substances are sold or removed from the leased or unit area or the gas is delivered to an extraction plant if that plant is located on the leased or unit area; if there are less than three prices reported by other producers, the volume-weighted average will be calculated using the lesser number of prices received by other producers in the field or area;

(3) the lessee's posted price in the field or area for the oil, gas, or associated substances; or

(4) the volume-weighted average of the three highest posted prices in the same field or area of the other producers in the same field or area for oil of like grade and gravity, gas of like kind and quality, or associated substances of like kind and quality at the time the oil, gas, or associated substances are sold or removed from the leased or unit area or the gas is delivered to an extraction plant if that plant is located on the leased or unit area; if there are less than three prices posted by other producers, the volume-weighted average will be calculated using the lesser number of prices posted by other producers in the field or area.

(b) If oil, gas, or associated substances are sold away from the leased or unit area, the term "field price" in subparagraph (a) above will be the cash value of all consideration received by the lessee or other producer from the purchaser of the oil, gas, or associated substances, less the lessee's actual and reasonable costs of transportation away from the leased or unit area to the point of sale. The "actual and reasonable costs of transportation" for marine transportation are as defined in 11 AAC 83.229(a), (b)(2), and (c) - l.

(c) In the event the lessee does not sell in an arm's-length transaction the oil, gas, or associated substances, the term "field price" in subparagraphs (a) and (b) above will mean the price the lessee would expect to receive for the oil, gas, or associated substances if the lessee did sell the oil, gas, or associated substances in an arm's-length transaction, minus reasonable costs of transportation away from the leased or unit area to the point of sale or other disposition. The lessee must determine this price in a consistent and logical manner using information available to the lessee and report that price to the state.

(d) The state may establish minimum values for the purposes of computing royalties on oil, gas, or associated substances obtained from this lease, with consideration being given to the price actually received by the lessee, to the price or prices paid in the same field or area for production of like quality, to posted prices, to prices received by the lessee and/or other producers from sales occurring away from the leased area, and/or to other relevant matters. In establishing minimum values, the state may use, but is not limited to, the methodology for determining "prevailing value" as defined in 11 AAC 83.227. Each minimum value determination will be made only after the lessee has been given notice and a reasonable opportunity to be heard. Under this provision, it is expressly agreed that the minimum value of royalty oil, gas, or associated substances under this lease may not necessarily equal, and may exceed, the price of the oil, gas, or associated substances.

37. ROYALTY IN VALUE. Except to the extent that the state elects to receive all or a portion of its royalty in kind as provided in Paragraph 38 below, the lessee shall pay to the state that value of all royalty oil, gas, and associated substances as determined under Paragraph 36 above. Royalty paid in value will be free and clear of all lease expenses (and any portion of those expenses that is incurred away from the leased area), including, but not limited to, expenses for separating, cleaning, dehydration, gathering, saltwater disposal, and preparing the oil, gas, or associated substances for transportation off the leased area. All royalty that may become payable in money to the State of Alaska must be paid on or before the last federal banking day of the calendar month following the month in which the oil, gas, or associated substances are produced. The amount of all royalty in value payments which are not paid when due under this lease or the amount which is subsequently determined to be due to the state or the lessee as the result of a redetermination will bear interest from the last federal banking day of the calendar month following the month in which the oil, gas, or associated substances were produced, until the obligation is paid in full. Interest shall accrue at the rate provided in AS 38.05.135(d) or as may later be amended. Royalty payments must be accompanied by such information relating to valuation of royalty as the state may require which may include, but is not limited to, run tickets, evidence of sales, shipments, and amounts of gross oil, gas, and associated substances produced.

38. ROYALTY IN KIND. (a) At the state's option, which may be exercised from time to time upon not less than 90 days' notice to the lessee, the lessee shall deliver all or a portion of the state's royalty oil, gas, or associated substances produced from the leased area in kind. Delivery will be on the leased area, unit area, or at a place mutually agreed to by the state and the lessee, and must be delivered to the State of Alaska or to any individual, firm, or corporation designated by the state.

(b) Royalty oil, gas, or associated substances delivered in kind must be delivered in good and merchantable condition, of pipeline quality, and free and clear of all lease expenses (and any portion of those expenses incurred away from the leased area), including, but not limited to, expenses for separating, cleaning, dehydration, gathering, saltwater disposal, and preparing the oil, gas, or associated substances for transportation off the leased area.

(c) After having given notice of its intention to take, or after having taken its royalty oil, gas, or associated substances in kind, the state, at its option and upon 90 days' notice to the lessee, may elect to receive a different portion or none of its royalty in kind. If, under federal regulations, the taking of royalty oil, gas, or associated substances in value by the state creates a supplier-purchaser relationship, the lessee hereby waives its right to continue

to receive royalty oil, gas, or associated substances under that relationship, and further agrees that it will require any purchasers of the royalty oil, gas, or associated substances likewise to waive any supplier-purchaser rights.

(d) The lessee shall furnish storage for royalty oil, gas, and associated substances produced from the leased or unit area to the same extent that the lessee provides storage for the lessee's share of oil, gas, and associated substances. The lessee shall not be liable for the loss or destruction of stored royalty oil, gas and associated substances from causes beyond the lessee's ability to control.

(e) If a state royalty purchaser refuses or for any reason fails to take delivery of oil, gas, or associated substances, or in an emergency, and with as much notice to the lessee as is practical or reasonable under the circumstances, the state may elect without penalty to underlift for up to six months all or a portion of the state's royalty on oil, gas, or associated substances produced from the leased or unit area and taken in kind. The state's right to underlift is limited to the portion of royalty oil, gas, or associated substances that the royalty purchaser refused or failed to take delivery of, or the portion necessary to meet the emergency condition. Underlifted oil, gas, or associated substances may be recovered by the state at a daily rate not to exceed 10 percent of its royalty interest share of daily production at the time of the underlift recovery.

39. REDUCTION OF ROYALTY. Lessee may request a reduction of royalty in accordance with the applicable statutes and regulations in effect on the date of application for the reduction.

40. EFFECTIVE DATE. This lease takes effect on .

BY SIGNING THIS LEASE, the state as lessor and the lessee agree to be bound by its provisions.

STATE OF ALASKA

By: _____
Mark D. Myers
Director, Division of Oil and Gas

STATE OF ALASKA)
) ss.
Third Judicial District)

On , before me appeared Mark D. Myers of the Division of Oil and Gas of the State of Alaska, Department of Natural Resources, and who executed this lease and acknowledged voluntarily signing it on behalf of the State of Alaska as lessor.

_____
Notary public in and for the State of Alaska
My commission expires September 28, 2007

LESSEE: _____

Signature: _____

Printed Name/Title: _____

INSERT NOTARY ACKNOWLEDGMENT OF LESSEE'S SIGNATURE HERE.

LESSEE: _____

Signature: _____

Printed Name/Title: _____

INSERT NOTARY ACKNOWLEDGMENT OF LESSEE'S SIGNATURE HERE.

LESSEE: _____

Signature: _____

Printed Name/Title: _____

INSERT NOTARY ACKNOWLEDGMENT OF LESSEE'S SIGNATURE HERE.

Sec. 38.05.180. Oil and gas and gas only leasing.

(a) The legislature finds that

(1) the people of Alaska have an interest in the development of the state's oil and gas resources to

(A) maximize the economic and physical recovery of the resources;

(B) maximize competition among parties seeking to explore and develop the resources;

(C) maximize use of Alaska's human resources in the development of the resources;

(2) it is in the best interests of the state

(A) to encourage an assessment of its oil and gas resources and to allow the maximum flexibility in the methods of issuing leases to

(i) recognize the many varied geographical regions of the state and the different costs of exploring for oil and gas in these regions;

(ii) minimize the adverse impact of exploration, development, production, and transportation activity; and

(B) to offer acreage for oil and gas leases or for gas only leases, specifically including

(i) state acreage that has been the subject of a best interest finding at annual areawide lease sales; and

(ii) land in areas that, under (d) of this section, may be leased without having been included in the leasing program prepared and submitted under (b) of this section.

(b) The commissioner shall annually prepare and, before February 1 of each calendar year notify the legislature of a five-year program of proposed oil and gas lease sales and proposed gas only lease sales, specifying as precisely as practicable the location of tracts to be offered for leasing during the calendar year of the notification and the following four calendar years. The commissioner may, at any time, notify the legislature of revisions, including additions, to the program. Notification to each legislator, by electronic message or other written means, constitutes notification to the legislature under this subsection.

(c) Except as provided in (d) and (w) of this section, an oil and gas lease sale or gas only lease sale may not be held unless it was included in the proposed leasing programs submitted to the legislature during the two calendar years preceding the year in which the sale is held. A lease sale, whether for oil and gas or for gas only, may not be held before the date it is scheduled in the proposed oil and gas leasing program.

(d) The commissioner

(1) may annually offer leases for oil and gas or leases for gas only of the acreage described in AS 38.05.035(e)(6)(F);

(2) may issue leases in an area that has not been included in a leasing program prepared, in accordance with (b) of this section, if the land to be leased

(A) was previously subject to a valid state oil and gas lease, a valid state gas lease, or a valid federal oil and gas lease;

(B) is contiguous to land already under state, federal, or private lease and the commissioner makes a written finding, after hearing, that leasing of the land would result in a substantial probability of early evaluation and development of the land to be leased;

(C) is adjacent to land owned or controlled by another party on which a discovery of commercial quantities of oil or gas has been made, and the commissioner finds, after hearing, that there is a reasonable probability that the land to be leased contains oil or gas in communication with the oil or gas discovered on the land of the other party;

(D) is adjacent to land included in the federal five-year Outer Continental Shelf leasing program under 43 U.S.C. 1344, and the commissioner makes a written finding, after hearing, that coordinated or simultaneous leasing with the federal government is in the public interest; or

(E) is the subject of an exploration license issued under AS 38.05.131 - 38.05.134; however, if the license issued was for exploration for and recovery of gas only, then the lease issued under this subsection shall be limited to exploration for and recovery of gas only.

(e) The commissioner shall annually prepare and notify the legislature of the availability of a report containing the following:

(1) the schedule of all lease sales held during the preceding calendar year, the bidding method or methods utilized, and an analysis of the results of the bidding;

(2) if determined, a description of the bidding methods to be used for all lease sales to be held during the current and next two succeeding calendar years;

(3) the reasons a particular bidding method has been selected.

(f) Except as provided by AS 38.05.131 - 38.05.134, the commissioner may issue oil and gas leases or leases for gas only on state land to the highest responsible qualified bidder as follows:

(1) the commissioner shall issue an oil and gas lease or a gas only lease, as appropriate, to the successful bidder determined by competitive bidding under regulations adopted by the commissioner; bidding may be by sealed bid or according to any other bidding procedure the commissioner determines is in the best interests of the state;

(2) whenever, under any of the leasing methods listed in this subsection, a royalty share is reserved to the state, it shall be delivered in pipeline quality and free of all lease or unit expenses, including but not limited to separation, cleaning, dehydration, gathering, salt water disposal, and preparation for transportation off the lease or unit area;

(3) following a pre-sale analysis, the commissioner may choose at least one of the following leasing methods:

(A) a cash bonus bid with a fixed royalty share reserved to the state of not less than 12.5 percent in amount or value of the production removed or sold from the lease;

(B) a cash bonus bid with a fixed royalty share reserved to the state of not less than 12.5 percent in amount or value of the production removed or sold from the lease and a fixed share of the net profit derived from the lease of not less than 30 percent reserved to the state;

(C) a fixed cash bonus with a royalty share reserved to the state as the bid variable but no less than 12.5 percent in amount or value of the production removed or sold from the lease;

(D) a fixed cash bonus with the share of the net profit derived from the lease reserved to the state as the bid variable;

(E) a fixed cash bonus with a fixed royalty share reserved to the state of not less than 12.5 percent in amount or value of the production removed or sold from the lease with the share of the net profit derived from the lease reserved to the state as the bid variable;

(F) a cash bonus bid with a fixed royalty share reserved to the state based on a sliding scale according to the volume of production or other factor but in no event less than 12.5 percent in amount or value of the production removed or sold from the lease;

(G) a fixed cash bonus with a royalty share reserved to the state based on a sliding scale according to the volume of production or other factor as the bid variable but not less than 12.5 percent in amount or value of the production removed or sold from the lease;

(4) notwithstanding a requirement in the leasing method chosen of a minimum fixed royalty share, on and after March 3, 1997, the lessee under a lease issued in the Cook Inlet sedimentary basin who is the first to file with the commissioner a nonconfidential sworn statement claiming to be the first to have drilled a well discovering oil or gas in a previously undiscovered oil or gas pool and who is certified by the commissioner within one year of completion of that discovery well to have drilled a well in that pool that is capable of producing in paying quantities shall pay a royalty of five percent on all production of oil or gas from that pool attributable to that lease for a period of 10 years following the date of discovery of that pool, and thereafter the royalty payable on all production of oil or gas from the

pool attributable to that lease shall be determined and payable as specified in the lease; for purposes of this paragraph, the reduced royalty authorized by this paragraph is subject to the following:

(A) only one reduction of royalty authorized by this paragraph may be allowed on each lease that qualifies for reduction of royalty under this paragraph;

(B) if, under this paragraph, application is made for a royalty reduction for a lease that was entered into before March 3, 1997, the commissioner may approve the application only if, on that date, the lease was a nonproducing lease that was not committed to a unit approved by the commissioner under (m) of this section, that is not part of a unit under (p) or (q) of this section, and that has not been made part of a unit under AS 31.05;

(C) if application for a royalty reduction is made under this paragraph for a lease on which a discovery royalty was claimed or may be claimed under the discovery royalty provisions of former AS 38.05.180(a) in effect before May 6, 1969, the commissioner shall disallow the application under this paragraph unless the applicant waives the right to claim the right to a reduced royalty under the discovery royalty provisions of former AS 38.05.180(a) in effect before May 6, 1969; and

(D) the commissioner shall adopt regulations setting out the standards, criteria, and definitions of terms that apply to implement the filing of applications for, and the review and certification of, discovery certifications under this paragraph;

(5) notwithstanding and in lieu of a requirement in the leasing method chosen of a minimum fixed royalty share, or the royalty provision of a lease, for leases unitized as described in (p) of this section, leases subject to an agreement described in (s) or (t) of this section, or interests unitized under AS 31.05, the lessee of all or part of an oil or gas field identified in this section that has been granted approval of a written plan submitted to the Alaska Oil and Gas Conservation Commission under AS 31.05.030(i) shall, subject to (dd) of this section, pay a royalty of five percent on the first 25,000,000 barrels of oil and the first 35,000,000,000 cubic feet of gas produced for sale from that field that occurs in the 10 years following the date on which the production for sale commences; the fields eligible for royalty reduction under this paragraph, all of which are located within the Cook Inlet sedimentary basin, were discovered before January 1, 1988, and have been undeveloped or shut in from at least January 1, 1988, through December 31, 1997, are

(A) Falls Creek;

(B) Nicolai Creek;

(C) North Fork;

(D) Point Starichkof;

(E) Redoubt Shoal; and

(F) West Foreland;

(6) notwithstanding and in lieu of a requirement in the leasing method chosen of a minimum fixed royalty share, or the royalty provision of a lease, for leases unitized as described in (p) of this section, leases subject to an agreement described in (s) or (t) of this section, or interests unitized under AS 31.05, the lessee of all or part of an oil field located offshore in Cook Inlet on which an oil production platform specified in (A), (C), or (E) of this paragraph operates, or the lessee of all or part of the field located offshore in Cook Inlet and described in (G) of this paragraph,

(A) shall pay a royalty of five percent on oil produced from the platform if oil production that equaled or exceeded a volume of 1,200 barrels a day declines to less than that amount for a period of at least one calendar quarter, as certified by the Alaska Oil and Gas Conservation Commission, for as long as the volume of oil produced from the platform remains less than 1,200 barrels a day; the provisions of this subparagraph apply to

(i) Dolly;

(ii) Grayling;

(iii) King Salmon;

(iv) Steelhead; and

(v) Monopod;

(B) shall pay a royalty calculated under this subparagraph if the volume of oil produced from the platform that was certified by the Alaska Oil and Gas Conservation Commission under (A) of this paragraph later increases to 1,200 or more barrels a day and remains at 1,200 or more barrels a day for a period of at least one calendar quarter; until the royalty rate determined under this subparagraph applies, the royalty continues to be calculated under (A) of this paragraph; on and after the first day of the month following the month the increased production exceeds the period specified in this subparagraph, the royalty payable under this subparagraph is

(i) for production of at least 1,200 barrels a day but not more than 1,300 barrels a day - seven percent;

(ii) for production of more than 1,300 barrels a day but not more than 1,400 barrels a day - 8.5 percent;

(iii) for production of more than 1,400 barrels a day but not more than 1,500 barrels a day - 10 percent; and

(iv) for production of more than 1,500 barrels a day - 12.5 percent;

(C) shall pay a royalty of five percent on oil produced from the platform if oil production that equaled or exceeded a volume of 975 barrels a day declines to less than that amount for a period of at least one calendar quarter, as certified by the Alaska Oil and Gas Conservation Commission, for as long as the volume of oil produced from the platform remains less than 975 barrels a day; the provisions of this subparagraph apply to

(i) Baker;

(ii) Dillon;

(iii) XTO.A; and

(iv) XTO.C;

(D) shall pay a royalty calculated under this subparagraph if the volume of oil produced from the platform that was certified by the Alaska Oil and Gas Conservation Commission under (C) of this paragraph later increases to 975 or more barrels a day and remains at 975 or more barrels a day for a period of at least one calendar quarter; until the royalty rate determined under this subparagraph applies, the royalty continues to be calculated under (C) of this paragraph; on and after the first day of the month following the month the increased production exceeds the period specified in this subparagraph, the royalty payable under this subparagraph is

(i) for production of at least 975 barrels a day but not more than 1,100 barrels a day - seven percent;

(ii) for production of more than 1,100 barrels a day but not more than 1,200 barrels a day - 8.5 percent;

(iii) for production of more than 1,200 barrels a day but not more than 1,350 barrels a day - 10 percent; and

(iv) for production of more than 1,350 barrels a day - 12.5 percent;

(E) shall pay a royalty of five percent on oil produced from the platform if oil production that equaled or exceeded a volume of 750 barrels a day declines to less than that amount for a period of at least one calendar quarter, as certified by the Alaska Oil and Gas Conservation Commission, for as long as the volume of oil produced from the platform remains less than 750 barrels a day; the provisions of this subparagraph apply to

(i) Granite Point;

(ii) Anna; and

(iii) Bruce;

(F) shall pay a royalty calculated under this subparagraph if the volume of oil produced from the platform that was certified by the Alaska Oil and Gas Conservation Commission under (E) of this paragraph later increases to 750 or more barrels a day and remains at 750 or more barrels a day for a period of at least one calendar quarter; until the royalty rate determined under this subparagraph applies, the royalty continues to be calculated under (E) of this paragraph; on and after the first day of the month following the month the increased production exceeds the period specified in this subparagraph, the royalty payable under this subparagraph is

(i) for production of at least 750 barrels a day but not more than 850 barrels a day - seven percent;

(ii) for production of more than 850 barrels a day but not more than 1,000 barrels a day - 8.5 percent;

(iii) for production of more than 1,000 barrels a day but not more than 1,200 barrels a day - 10 percent; and

(iv) for production of more than 1,200 barrels a day - 12.5 percent;

(G) shall pay a royalty of five percent on oil produced from the field if oil production that equaled or exceeded a volume of 750 barrels a day declines to less than that amount for a period of at least one calendar quarter, as certified by the Alaska Oil and Gas Conservation Commission, for as long as the volume of oil produced from the field remains less than 750 barrels a day; the provisions of this subparagraph apply to the West McArthur River field;

(H) shall pay a royalty calculated under this subparagraph if the volume of oil produced from the field that was certified by the Alaska Oil and Gas Conservation Commission under (G) of this paragraph later increases to 750 or more barrels a day and remains at 750 or more barrels a day for a period of at least one calendar quarter; until the royalty rate determined under this subparagraph applies, the royalty continues to be calculated under (G) of this paragraph; on and after the first day of the month following the month the increased production exceeds the period specified in this subparagraph, the royalty payable under this subparagraph is

(i) for production of at least 750 barrels a day but not more than 850 barrels a day - seven percent;

(ii) for production of more than 850 barrels a day but not more than 1,000 barrels a day - 8.5 percent;

(iii) for production of more than 1,000 barrels a day but not more than 1,200 barrels a day - 10 percent; and

(iv) for production of more than 1,200 barrels a day - 12.5 percent; and

(I) may obtain the benefits of the royalty adjustments set out in (A) - (H) of this paragraph only if the commissioner determines that the reduction in production from the platform or the field is

(i) based on the average daily production during the calendar quarter based on reservoir conditions; and

(ii) not the result of short-term production declines due to mechanical or other choke-back factors, temporary shutdowns or decreased production due to environmental or facility constraints, or market conditions.

(g) The share of the net profit derived from a lease reserved to the state under (f) of this section is royalty sale proceeds for the purposes of the Alaska permanent fund under AS 37.13.010.

(h) The commissioner may include terms in any lease imposing a minimum work commitment on the lessee. These terms shall be made public before the sale, and may include appropriate penalty provisions to take effect in the event the lessee does not fulfill the minimum work commitment. If it is demonstrated that a lease has been proven unproductive by actions of adjacent lease holders, the commissioner may set aside a work commitment. The commissioner may waive for a period not to exceed one two-year period any term of a minimum work commitment if the commissioner makes a

written finding either that conditions preventing drilling or exploration were beyond the lessee's reasonable ability to foresee or control or that the lessee has demonstrated through good faith efforts an intent and ability to drill or develop the lease during the term of the waiver.

(i) The commissioner may provide for the establishment of an exploration incentive credit system under which a lessee of state land drilling an exploratory well on that land may earn credits based upon the footage drilled and the region in which the well is situated. The commissioner may also provide for credits to be earned by persons performing geophysical work on state land, if that work is performed during the two seasons immediately preceding an announced lease sale and on land included within the sale area and the geophysical information is made public following the sale. Credits may not exceed 50 percent of the cost of the drilling or geophysical work. Credits may be used during a limited period established by the commissioner and may be assigned during that period. Credits may be applied against (1) royalty and rental payments for oil and gas or for gas only payable to the state or (2) taxes payable under AS 43.55. A credit may not exceed 50 percent of the payment toward which it is being applied. Amounts due the Alaska permanent fund (AS 37.13.010) shall be calculated before the application of credits under this subsection.

(j) The commissioner

(1) may provide for modification of royalty on individual leases, leases unitized as described in (p) of this section, leases subject to an agreement described in (s) or (t) of this section, or interests unitized under AS 31.05

(A) to allow for production from an oil or gas field or pool if

(i) the oil or gas field or pool has been sufficiently delineated to the satisfaction of the commissioner;

(ii) the field or pool has not previously produced oil or gas for sale; and

(iii) oil or gas production from the field or pool would not otherwise be economically feasible;

(B) to prolong the economic life of an oil or gas field or pool as per barrel or barrel equivalent costs increase or as the price of oil or gas decreases, and the increase or decrease is sufficient to make future production no longer economically feasible; or

(C) to reestablish production of shut-in oil or gas that would not otherwise be economically feasible;

(2) may not grant a royalty modification unless the lessee or lessees requesting the change make a clear and convincing showing that a modification of royalty meets the requirements of this subsection and is in the best interests of the state;

(3) shall provide for an increase or decrease or other modification of the state's royalty share by a sliding scale royalty or other mechanism that shall be based on a change in the price of oil or gas and may also be based on other relevant factors such as a change in production rate, projected ultimate recovery, development costs, and operating costs;

(4) may not grant a royalty reduction for a field or pool

(A) under (1)(A) of this subsection if the royalty modification for the field or pool would establish a royalty rate of less than five percent in amount or value of the production removed or sold from a lease or leases covering the field or pool;

(B) under (1)(B) or (1)(C) of this subsection if the royalty modification for the field or pool would establish a royalty rate of less than three percent in amount or value of the production removed or sold from a lease or leases covering the field or pool;

(5) may not grant a royalty reduction under this subsection without including an explicit condition that the royalty reduction is not assignable without the prior written approval, which may not be unreasonably withheld, by the commissioner; the commissioner shall, in the preliminary and final findings and determinations, set out the conditions under which the royalty reduction may be assigned;

(6) shall require the lessee or lessees to submit, with the application for the royalty reduction, financial and technical data that demonstrate that the requirements of this subsection are met; the commissioner

(A) may require disclosure of only the financial and technical data related to development, production, and transportation of oil and gas or gas only from the field or pool that are reasonably available to the applicant; and

(B) shall keep the data confidential under AS 38.05.035(a)(8) at the request of the lessee or lessees making application for the royalty reduction; the confidential data may be disclosed by the commissioner to legislators and to the legislative auditor and as directed by the chair or vice-chair of the Legislative Budget and Audit Committee to the director of the division of legislative finance, the permanent employees of their respective divisions who are responsible for evaluating a royalty reduction, and to agents or contractors of the legislative auditor or the legislative finance director who are engaged under contract to evaluate the royalty reduction, if they sign an appropriate confidentiality agreement;

(7) may

(A) require the lessee or lessees making application for the royalty reduction under (1)(A) of this subsection to pay for the services of an independent contractor, selected by the lessee or lessees from a list of qualified consultants compiled by the commissioner, to evaluate hydrocarbon development, production, transportation, and economics and to assist the commissioner in evaluating the application and financial and technical data; if, under this subparagraph, the commissioner requires payment for the services of an independent contractor, the total cost of the services to be paid for by the lessee or lessees may not exceed $150,000 for each application, and the commissioner shall determine the relevant scope of the work to be performed by the contractor; selection of an independent contractor under this subparagraph is not subject to AS 36.30;

(B) with the mutual consent of the lessee or lessees making application for the royalty reduction under (1)(B) or (1)(C) of this subsection, request payment for the services of an independent contractor, selected from a list of qualified consultants to evaluate hydrocarbon development, production, transportation, and economics by the commissioner to assist the commissioner in evaluating the application and financial and technical data; if, under this subparagraph, the commissioner requires payment for the services of an independent contractor, the total cost of the services that may be paid for by the lessee or lessees may not exceed $150,000 for each application, and the commissioner shall determine the relevant scope of the work to be performed by the contractor; selection of an independent contractor under this subparagraph is not subject to AS 36.30;

(8) shall make and publish a preliminary findings and determination on the royalty reduction application, give reasonable public notice of the preliminary findings and determination, and invite public comment on the preliminary findings and determination during a 30-day period for receipt of public comment;

(9) shall offer to appear before the Legislative Budget and Audit Committee, on a day that is not earlier than 10 days and not later than 20 days after giving public notice under (8) of this subsection, to provide the committee a review of the commissioner's preliminary findings and determination on the royalty reduction application and administrative process; if the Legislative Budget and Audit Committee accepts the commissioner's offer, the committee shall give notice of the committee's meeting to all members of the legislature;

(10) shall make copies of the preliminary findings and determination available to

(A) the presiding officer of each house of the legislature;

(B) the chairs of the legislature's standing committees on resources; and

(C) the chairs of the legislature's special committees on oil and gas, if any;

(11) shall, within 30 days after the close of the public comment period under (8) of this subsection,

(A) prepare a summary of the public response to the commissioner's preliminary findings and determination;

(B) make a final findings and determination; the commissioner's final findings and determination prepared under this subparagraph regarding a royalty reduction is final and not appealable to the court;

(C) transmit a copy of the final findings and determination to the lessee;

(D) with the applicant's consent, amend the applicant's lease or unitization agreement consistent with the commissioner's final decision; and

(E) make copies of the final findings and determination available to each person who submitted comment under (8) of this subsection and who has filed a request for the copies;

(12) is not limited by the provisions of AS 38.05.134(3) or (f) of this section in the commissioner's determination under this subsection.

(k) The commissioner shall define all terms and adopt all regulations necessary for a reasonable understanding and evaluation of a particular bidding method before the public announcement of the terms of proposed sale employing that method.

(l) Subject to the provisions of AS 31.05, the commissioner has discretion to enter into an agreement whereby, with the consent of the lessee, the state's royalty share of production of oil and gas or gas only may be stored or retained in storage by the lessee, or the commissioner may enter into an agreement with one or more of the affected field lease holders to trade current royalty production from a field for a like amount, kind, and quality of future production, on the condition that the state receives back its stored or traded royalty share during the first half of the estimated field life or no later than 15 years after start of production, whichever is sooner.

(m) An oil and gas lease or a gas only lease must cover a reasonably compact area not exceeding 5,760 acres, and may be for a maximum period of 10 years, except that the commissioner may issue a lease for a period not less than five years upon a finding that it is in the best interests of the state. An oil and gas lease shall be automatically extended if and for so long thereafter as oil or gas is produced in paying quantities from the lease or if the lease is committed to a unit approved by the commissioner, and a gas only lease shall be automatically extended if and for so long thereafter as gas is produced in paying quantities from the lease or if the lease is committed to a unit approved by the commissioner. A lease issued under this section covering land on which there is a well capable of producing oil or gas in paying quantities does not expire because the lessee fails to produce oil or gas unless the lessee is allowed reasonable time to place the well on a producing status. Upon extension, the commissioner may increase lease rentals so long as the increased rental rate does not exceed 150 percent of the rate for the preceding year. If drilling has commenced on the expiration date of the primary term of the lease and is continued with reasonable diligence, including such operations as redrilling, sidetracking, or other means necessary to reach the originally proposed bottom hole location, the lease continues in effect until 90 days after drilling has ceased and for so long thereafter as oil or gas is produced in paying quantities. An oil and gas lease or a gas only lease issued under this section which is subject to termination by reason of cessation of production does not terminate if, within 60 days after production ceases, reworking or drilling operations are commenced on the land under lease and are thereafter conducted with reasonable diligence during the period of nonproduction.

(n) The commissioner may establish by regulation that after a well has been plugged and abandoned, the rental rate which was in effect during the year of abandonment is maintained for the remainder of the term. Rental is payable in advance and continues until income to the state from royalty or net profit share exceeds rental income to the state for that year. Under this subsection,

(1) leases for oil and gas or for gas only shall provide for payment to the state of rental on the following basis:

(A) for the first year, $1.00 per acre;

(B) for the second year, $1.50 per acre;

(C) for the third year, $2.00 per acre;

(D) for the fourth year, $2.50 per acre;

(E) for the fifth and following years, $3.00 per acre;

(2) if the lessee under a gas only lease demonstrates to the commissioner that the potential resources underlying the lease are reasonably estimated to be only nonconventional gas,

(A) the rental payment is $1.00 per acre until the lease expires or paying quantities of conventional oil or gas are discovered underlying the lease; and

(B) if the nonconventional gas produced will not be in direct competition with gas on which a royalty at a rate of at least 12.5 percent is payable, then the royalty share payable to the state on all production of gas from the pool attributable to that lease shall be 6.25 percent based upon production delivered in pipeline quality and free of all lease expenses, including separation, cleaning, dehydration, gathering, salt water disposal, and preparation for transportation off the lease.

(o) Upon timely application as provided by regulation, the state may issue to the holder of a federal or private lease, a state shoreland lease covering land within the exterior boundaries of the federal or private lease which has been excluded on the basis of navigability or which is later administratively or judicially determined to be shoreland. The term of such a state shoreland lease shall be the same as the term of the federal or private lease.

(p) To conserve the natural resources of all or a part of an oil or gas pool, field, or like area, the lessees and their representatives may unite with each other, or jointly or separately with others, in collectively adopting or operating under a cooperative or a unit plan of development or operation of the pool, field, or like area, or a part of it, when determined and certified by the commissioner to be necessary or advisable in the public interest. The commissioner may, with the consent of the holders of leases involved, establish, change, or revoke drilling, producing, and royalty requirements of the leases and adopt regulations with reference to the leases, with like consent on the part of the lessees, in connection with the institution and operation of a cooperative or unit plan as the commissioner determines necessary or proper to secure the proper protection of the public interest. The commissioner may not reduce royalty on leases in connection with a cooperative or unit plan except as provided in (j) of this section. The commissioner may require a lease issued under this section to contain a provision requiring the lessee to operate under a reasonable cooperative or unit plan, and may prescribe a plan under which the lessee must operate. The plan must adequately protect all parties in interest, including the state.

(q) A plan authorized by (p) of this section, which includes land owned by the state, may contain a provision vesting the commissioner, or a person, committee, or state agency, with authority to modify from time to time the rate of prospecting and development and the quantity and rate of production under the plan. All leases operated under a plan approved or prescribed by the commissioner are excepted in determining holdings or control under AS 38.05.140. The provisions of this section concerning cooperative or unit plans are in addition to and do not affect AS 31.05.

(r) Producing acreage on a known geologic structure of a producing oil or gas field is excluded from chargeability as against the acreage limitation provisions of AS 38.05.140.

(s) When separate tracts cannot be individually developed and operated in conformity with an established well-spacing or development program, a lease, or a portion of a lease, may be pooled with other land, whether or not owned by the state, under a communitization or drilling agreement providing for an apportionment of production or royalties among the separate tracts of land comprising the drilling or spacing unit when determined by the commissioner to be in the public interest. Operations or production under the agreement are considered as operations or production as to each lease

committed to the agreement. The commissioner may not reduce royalty on leases in connection with a communitization or drilling agreement except as provided in (j) of this section.

(t) The commissioner may prescribe conditions and approve, on conditions, drilling, or development contracts made by one or more lessees of oil or gas leases, with one or more persons, when, in the discretion of the commissioner, the conservation of natural resources or the public convenience or necessity requires it or the interests of the state are best served. All leases operated under approved drilling or development contracts and interests under them, are excepted in determining holding or control under AS 38.05.140. The commissioner may not reduce royalty on a lease or leases that are subject to a drilling or development contract except as provided in (j) of this section.

(u) To avoid waste or to promote conservation of natural resources, the commissioner may authorize the subsurface storage of oil or gas, whether or not produced from state land, in land leased or subject to lease under this section. This authorization may provide for the payment of a storage fee or rental on the stored oil or gas, or, instead of the fee or rental, for a royalty other than that prescribed in the lease when the stored oil or gas is produced in conjunction with oil or gas not previously produced. A lease on which storage is so authorized shall be extended at least for the period of storage and so long thereafter as oil or gas not previously produced is produced in paying quantities. Notwithstanding the authorization for payments under this subsection, when requested by a lessee, the commissioner shall exempt a gas storage facility that qualifies for a tax credit under AS 43.20.046 from any payment described in this subsection for the periods described in this subsection. The exemption is available for the calendar year in which the facility commences commercial operation and for each of the nine calendar years immediately following the first year of commercial operation; however, an exemption is not applicable for the calendar year after the facility ceases commercial operation or for any subsequent calendar year. The lessee shall provide the commissioner with any information the commissioner requests to determine if the exemption applies. The information related to state land leased for a gas storage facility under this subsection is public information and may be furnished to the Regulatory Commission of Alaska. On request, the commissioner shall provide the name of each person using state land leased for a gas storage facility under this chapter, the years for which an exemption was granted, and the amount of the exemption. Gas withdrawn from a gas storage facility regulated under AS 42.05 is considered to be non-native gas and is not considered to be produced and subject to royalty until all non-native gas injected into the gas storage facility has been withdrawn from the gas storage facility. A person receiving an exemption for a payment under this section that contracts to store gas for a utility regulated under AS 42.05 shall reduce the storage price to reflect the value of the exemption. In this subsection, "ceases commercial operation," "commences commercial operation," "gas storage facility," and "non-native gas" have the meanings given in AS 31.05.032.

(v) [Repealed, Sec. 36 ch 94 SLA 1980].

(w) Notwithstanding any other provisions of this section, land that was subject to a best interest finding issued within the previous 10 years may be, at the discretion of the commissioner, immediately offered for lease, under regulations adopted by the commissioner, upon terms appearing most advantageous to the state; however, noncompetitive leasing is prohibited. The commissioner shall establish a royalty determined to be in the public interest but not less than 12 1/2 percent. A lease must provide for payment to the state of rental but need not adhere to the rental schedule in (n) of this section nor to the 5,760-acres-per-lease limitation in (m) of this section. The lease term may not exceed 10 years, except as provided in (o) of this section.

(x) A lessee conducting or permitting any exploration for, or development or production of, oil or gas on state land shall provide the commissioner access to all noninterpretive data obtained from that lease and shall provide copies of that data, as the commissioner may request. The confidentiality provisions of AS 38.05.035 apply to the information obtained under this subsection.

(y) A noncompetitive lease existing at October 10, 1978, shall be extended for a period of two years and so long thereafter as oil and gas is produced in paying quantities. A noncompetitive lease extended under this subsection is subject to the regulations in force at the expiration of the initial five-year term of the lease. No extension may be granted, however, unless within a period of 90 days before the expiration date an application for extension is filed by the record title holder or an assignee whose assignment has been filed for approval, or an operator whose operating agreement has been filed for approval.

(z) No leases may be issued under this section without the inclusion of the following language: "The landowners' royalty share of the unit production allocated to each separately owned tract shall be regarded as royalty to be distributed to and among, or the proceeds of it paid to, the landowners, free and clear of all unit expense and free of any lien for it." Leases issued in violation of this subsection shall, for all purposes, be construed as containing the language required by this subsection.

(aa) Within 90 days after the written request of a lessee of a lease issued under this section or of a lessee of federal land from which the state is entitled under applicable federal law to receive a share of the royalty on gas production, the commissioner shall enter into an agreement with the lessee to use or accept, as the value of the state's royalty share of gas production, the price for the gas established in the contract between the lessee and a gas or electric utility sold by the lessee under the contract or the transfer price between the lessee and a gas or electric utility for a transfer by the lessee under an order establishing the transfer price

(1) but only if the primary function of the utility with which the lessee has entered into the contract or transfer is to provide, either directly or by selling at wholesale to another utility, gas or electricity to the general public, including residential consumers, within the utilities' service areas, and the utility with which the lessee has entered into

(A) the contract is not an affiliated interest, as that term is defined in AS 42.05.990, with the lessee or with a subsequent purchaser of more than 10 percent of the utility's gas or electricity; or

(B) the transfer is an affiliated interest, as that term is defined in AS 42.05.990, and the transfer price between the lessee and the utility is established by an order of the Regulatory Commission of Alaska; and

(2) unless the commissioner makes a written finding, based on clear and convincing evidence, that

(A) the contract price or transfer price is unreasonably low;

(B) the prospective reduction in royalty receipts would not be balanced by increased benefits to in-state gas and electric consumers;

(C) the lessee and the utility are related in management, ownership, or other aspect and, in the case of a transfer price, that relationship is not regulated under AS 42.05; and

(D) the contract price or transfer price is not in the best interest of the state.

(bb) In (aa) and (ee) of this section,

(1) "gas or electric utility" includes an electric cooperative organized under AS 10.25, a municipal utility, and a gas or electric utility regulated under AS 42.05; provided that, if the contract gas is transmitted to consumers through a pipeline and the gas utility either owns the pipeline or is related in ownership to the owner of the pipeline, then the gas utility qualifies as a "gas or electric utility" within the meaning of this paragraph only if it is bound or agrees to be bound by the covenants set out in AS 38.35.120;

(2) "manufacturer of agricultural chemicals" means a person that is a business entity primarily engaging in the manufacturing of nitrogenous and phosphatic based fertilizers, mixed fertilizers, pesticides, and similar chemicals for agricultural purposes;

(3) "price for the gas established in the contract" includes tax reimbursement amounts, deliverability and other charges, and other forms of consideration paid by the gas or electric utility or by the manufacturer of agricultural chemicals, as appropriate, under the contract;

(4) "state's royalty share of gas production"

(A) includes payments on federal leases made to the state under 30 U.S.C. 191;

(B) does not include the state's royalty share of gas production from land patented to the state under

(i) P.L. 84-830, 70 Stat. 709 (Alaska Mental Health Enabling Act);

(ii) 38 Stat. 1214 (Act of March 4, 1915); or

(iii) 43 U.S.C. 1635 in settlement of the claims of the state under 38 Stat. 1214.

(cc) The provisions of (aa) and (ee) of this section do not prohibit the commissioner from accepting any payment on a federal lease tendered by the federal agency responsible for determination and transmittal of the payment to the state under 30 U.S.C. 191 or otherwise due the state as the state's royalty share of gas production irrespective of the state's acceptance of an amount that is different than the amount due under the lease for purposes of determining royalty share on gas production under that subsection.

(dd) A lessee is eligible for the royalty in (f)(5) of this section only if production of oil or gas for sale begins from the eligible field before January 1, 2004. However, if the state or an agency of the state is a party to a suit, other than a suit brought by the lessee or agent of the lessee, and if the suit challenges (f)(5) of this section or AS 31.05.030(i) or an act under (f)(5) of this section or AS 31.05.030(i), the January 1, 2004, deadline is extended by the number of days the state or agency of the state is a party to the suit, including any appeals.

(ee) For a contract that is entered into on or after September 9, 2003, within 90 days after the written request of a lessee of a lease issued under this section or of a lessee of federal land from which the state is entitled under applicable federal law to receive a share of the royalty on gas production, in order to establish the value of the state's royalty share of gas production sold by the lessee under the contract, the commissioner may enter into an agreement with the lessee to use or accept as a price for the gas an amount that is not less than the price established in the contract between the lessee and a manufacturer of agricultural chemicals, not to exceed the amount that would otherwise be due under the lease. The commissioner may enter into the agreement if it is in the best interest of the state

(1) only if the primary function of the manufacturer is to engage in the production of a value-added product, and the manufacturer with which the lessee has entered into the contract is not affiliated with the lessee or with a subsequent purchaser of more than 10 percent of the manufacturer's value-added product; for purposes of this paragraph, the parties to a contract or purchase are affiliated if, in the judgment of the commissioner, one of the parties to the contract or purchase exercises substantial influence over the policies and actions of the other as evidenced by relationship based on common ownership or family interest or by action taken in concert without regard to whether that influence is based upon stockholdings, stockholders, officers, or directors;

(2) unless the commissioner makes a written finding, based on clear and convincing evidence, that

(A) the contract price is unreasonably low; or

(B) the prospective reduction in royalty receipts would not be balanced by employment opportunities or other tangible benefits to the state.

(ff) The provisions of this section that authorize oil and gas leases also apply to authorize the commissioner to issue leases for the production of gas only, subject to the following:

(1) in authorizing and managing leases under this subsection, the terms "oil and gas" or "oil or gas" as they are used in this chapter may be read and applied as appropriate as referring to gas only;

(2) when a lease is authorized as a gas only lease, the lease does not give the lessee the right to produce oil; if a well drilling for gas under a gas only lease authorized by this subsection penetrates a formation capable of producing oil, the owner or operator

(A) shall notify the department and the Alaska Oil and Gas Conservation Commission; and

(B) may not conduct further operations in the drilled well until the facility complies with all applicable laws and regulations relating to oil and gas exploration and production; however, this subparagraph does not prevent the owner or operator from conducting activities that may be required by the Alaska Oil and Gas Conservation Commission to plug, plug-back, or abandon a well;

(3) the provisions of this subsection do not apply to authorize a lease for the recovery of nonconventional gas on land that is held under an existing coal lease entered into under AS 38.05.150 that has an active permit for exploration or mining unless the lessee under this subsection is also the lessee under AS 38.05.150 of that land.

(gg) For an activity or operation related to the extraction of coal bed methane,

(1) for which the department by regulation requires submission and approval of a plan of operations before activities or operations may be undertaken, the director shall, as a condition for determining a bond requested under AS 38.05.130, after notice and an opportunity to be heard, review the plan of operations to determine if use of the owner's land is reasonably necessary to extract the coal bed methane; a bond determined under AS 38.05.130 and this paragraph may, at the discretion of the director, be imposed against a statewide bond that has been posted by the person initiating the request for determination of the bond if the statewide bond remains in effect, and an additional bond is not required;

(2) before approving operations for the development of coal bed methane under AS 38.05.134, 38.05.177, or this section, the director shall ensure that the approval is conditioned upon reasonable and appropriate

(A) setbacks governing the placement by the operator of compressor stations; setbacks approved under this subparagraph must be determined with reference to the population density and general character of the parcels surrounding the proposed compressor station site; and

(B) measures to mitigate the noise of compressors, engines, and other noise generating equipment operated by the operator on the lease or license; measures approved under this subparagraph must be determined with reference to the population density and general character of the parcels surrounding the proposed compressor, engine, or other noise-generating equipment.

SB 209:
Strengthening Alaska's Oil and Gas Leasing Laws

Senate Resources Committee
March 23, 2012

The purpose of SB 209 is to encourage greater development of the state's oil and gas resources, consistent with Article VIII of the Alaska Constitution.

Section 8.1 of the Alaska Constitution states:

"It is the policy of the State to encourage the settlement of its land and **the development of its resources** by making them available for **maximum use** consistent with the public interest."

SB 209 was developed in response to concerns that some oil companies are winning exclusive leases of petroleum-rich state lands, then sitting on those leases and warehousing Alaska's resources, while investing elsewhere.

Committee members are all aware of the Pt. Thomson case, in which state lands with vast quantities of oil and gas were leased more than three decades ago and have yet to be developed.

The sponsor's intent with SB 209 is to ensure that we don't have more Pt. Thomsons – to reform Alaska's leasing laws now to avoid spending millions of dollars 20 or 30 years from now to regain control over valuable state lands and resources.

Of course, these are not any resources. They are the state's most valuable resources.

They are commonly referred to as our "lifeblood."

They provide:

- jobs for tens of thousands of Alaskans,*
- roughly 90% of our unrestricted state revenue, which pays for essential state services and infrastructure
- support for economic development in all other sectors of our economy from seafood to timber.

* Nearly 42,000 direct, indirect and induced jobs (or roughly 1/3 of the jobs within our economy), according to Dr. Scott Goldsmith at the Institute for Social and Economic Research.

They are critical to our economy, wellbeing and future.

This importance clearly raises the stakes. It means we must exercise the greatest diligence when it comes to the management of our oil and gas resources.

So, just how bad is the problem SB 209 seeks to address?

It could be significant, according to the Department of Natural Resources. More than 25% of Alaska's existing oil and gas leases could be sitting idle.

Last year DNR examined 1,320 leases.

- 578 were part of production units or were producing oil or gas,
- 404 had been sold in the preceding three years, so might still be in the planning stages, and
- 338 could be "idle," as lessees had not applied for a single permit to explore or develop them.

What is the resource potential of these lands? Could they support production at some point? Could they help to fill the pipeline and provide jobs for Alaskans?

The answer is we don't know. Some company gave the state a bonus bid some years back and continues to pay rent (usually $1/acre per month), indicating the land might have potential.

But that potential has never been explored or realized.

Alaskans have gained little from having taken these lands off the public rolls, putting them out of reach of other companies who may actually want to explore or develop them.

This is no way to ensure "maximum use" of our resources, especially as production in Alaska's largest fields declines, pipeline volumes decrease, and concerns over the state's future fiscal health intensify.

Regular litigation to take back idle leases is not the answer. It should be Alaska's last resort.

Carefully crafted laws that result in clear expectations about each party's responsibilities and intentions is the better way to go.

Alaskans deserve to know precisely what they are getting when they give exclusive 10-year leases, as was done recently on the North Slope, to resource-rich lands.

They deserve commitments they can count on, so 10 or 20 years down the road they don't feel misled or betrayed, ready to do battle against some of the world's most powerful corporations.

How does SB 209 accomplish this?

1) It requires bidders for an oil and gas lease to submit a plan of exploration or, if appropriate, a plan of development for areas it seeks to lease, prior to submitting a formal bid.

The plan could outline seismic work that will be performed or exploration wells that will be drilled.

Actual production commitments would not, of course, be required if the tracts have yet to be adequately explored.

2) It requires the commissioner to review each bidder's plan to determine if it is "reasonably expected to develop the lease in the best interest of the state."

A company may not be qualified to bidder if the commissioner finds it has submitted a plan that is not in the state's best interest or the bidder is not "reasonably capable" of implementing the plan.

While this "best interest" finding sounds vague and subjective, this terminology is used frequently in Alaska law and governs many state procedures.

It appears 131 times in our statute books. It is used to determine to what actions the state should take as well as to select among bidders and competing proposals.

3) SB 209 also requires that these plans be included in leases and requires DNR to review leases annually to ensure that plans are being implemented.

It allows the commissioner to waive a work commitment if conditions preventing drilling or exploration were beyond the lessee's reasonable ability to foresee or control.

It also allows for a waiver if the lessee demonstrates through good faith efforts an intent to drill or develop the lease in the following two years.

Under existing statutes, DNR has the option of including a minimum work commitment in a lease, along with penalties if the lessee does not fulfill the commitment.

This bill simply requires that work commitments, developed by bidders and approved by the state, be part of all future leases.

4) SB 209 also requires DNR to analyze the economics of each "participating area" (a unitized reservoir where sustained production is occurring) every five years to determine whether the area is capable of increased production.

There are 42 “participating areas” in Alaska. They are within the Badami, Colville River, Duck Island, Kuparuk, Milne Point, Nikaitchuq, Northstar, Oooguruk, and Prudhoe Bay units.

Knowing whether a prospect is reasonably economic matters, and the state currently lacks this knowledge.

It determines what lessees obligations are under contracts they have willingly signed.

The following slide contains language from new oil and gas leases which speaks to lessees' obligations to develop. (Form DOG 200204)

13 (b): Upon discovery of oil or gas on the leased area in quantities that would appear to **a reasonable and prudent operator to be sufficient to recover ordinary costs of drilling**, completing, and producing an additional well in the same geologic structure at another location with a reasonable profit to the operator, **the lessee must drill those wells** as a reasonable and prudent operator would drill, **having due regard for the interest of the state as well as the interest of the lessee**.

Language in old leases (referred to as DL-1 leases) addresses the same obligations.

18. OTHER WELLS. **Upon discovery of oil and gas in paying quantities on said land, Lessee <u>shall</u> drill such wells as a reasonably prudent operator would drill having due regard for the interests of Lessor as well as the interests of Lessee.**

As this contractual language makes explicitly clear, knowing whether a particular prospect is economic is key to enforcing the binding terms of leases Alaska has signed with our partners in the oil and gas industry.

The economic data we have today is limited, but indicates that Alaska remains a highly profitable place to do business.

We know that net income per BOE is nearly double in Alaska what it is elsewhere, at least for ConocoPhillips.

The information on the following slide is drawn from their SEC filings.

Table 2: ConocoPhillips: Net Income per Barrel of Oil Equivalent (BOE)

Jurisdiction	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Average
Alaska	$8.97	$6.01	$6.19	$10.43	$14.36	$20.38	$21.08	$20.66	$22.84	$15.73	$19.47	**$15.10**
Lower 48	$9.13	$8.02	$3.77	$8.42	$10.56	$15.96	$10.63	$9.80	$14.39	($0.20)	$6.26	**$8.79**
International	$5.35	$3.61	$3.33	$5.69	$9.27	$12.33	$13.17	$1.06	$18.96	$3.89	$17.62	**$8.57**
Global	$7.54	$5.62	$4.43	$7.32	$10.75	$14.79	$13.73	$7.02	$18.26	$4.39	$14.86	**$9.88**
Proportion of BOE Production												**Average**
Alaska	35.9%	47.6%	35.6%	23.6%	24.1%	22.0%	15.5%	16.6%	15.5%	11.9%	14.4%	**23.9%**
Lower 48	23.8%	19.6%	19.2%	18.8%	19.8%	19.1%	26.2%	30.9%	28.3%	22.2%	26.7%	**23.1%**
International	40.4%	32.7%	45.1%	57.6%	56.1%	59.0%	58.2%	52.5%	56.2%	65.9%	58.9%	**53.0%**

Notes: "Barrel of oil equivalent" expresses the amount of a given fuel required to equal the amount of energy contained in one standard U.S. barrel of crude oil (42 gallons). For instance, a generally accepted BOE approximation for natural gas is 5,800 cubic feet (5.8 Mcf). Please note, however, that the amount of energy provided by crude oil (or any fuel) varies by production location or, more precisely, the grade of oil produced. Therefore, BOE figures should be viewed as estimates. The figures in this table are the results of dividing net income by the aggregate BOE production of oil, natural gas, and natural gas liquids.

Source: Legislative Research calculations based on annual filings of form 10-K with the U.S. Securities and Exchange Commission posted to the EDGAR online database, *http://www.sec.gov/edgar/searchedgar/webusers.htm* .

We know that 2 of Alaska's three largest producers have made extraordinary profits in Alaska since ACES passed.

BP Alaska Net Income

(in billions)

2007: $2.5

2008: $2.0

2009: $1.9

2010: $2.3*

***minus $1.5 billion in 2010 deducted for non-Alaska costs, such as the Gulf spill**

$8.7 billion in profits under ACES

ConocoPhillips Alaska Net Income

(in billions)

2007: $2.3

2008: $2.3

2009: $1.5

2010: $1.7

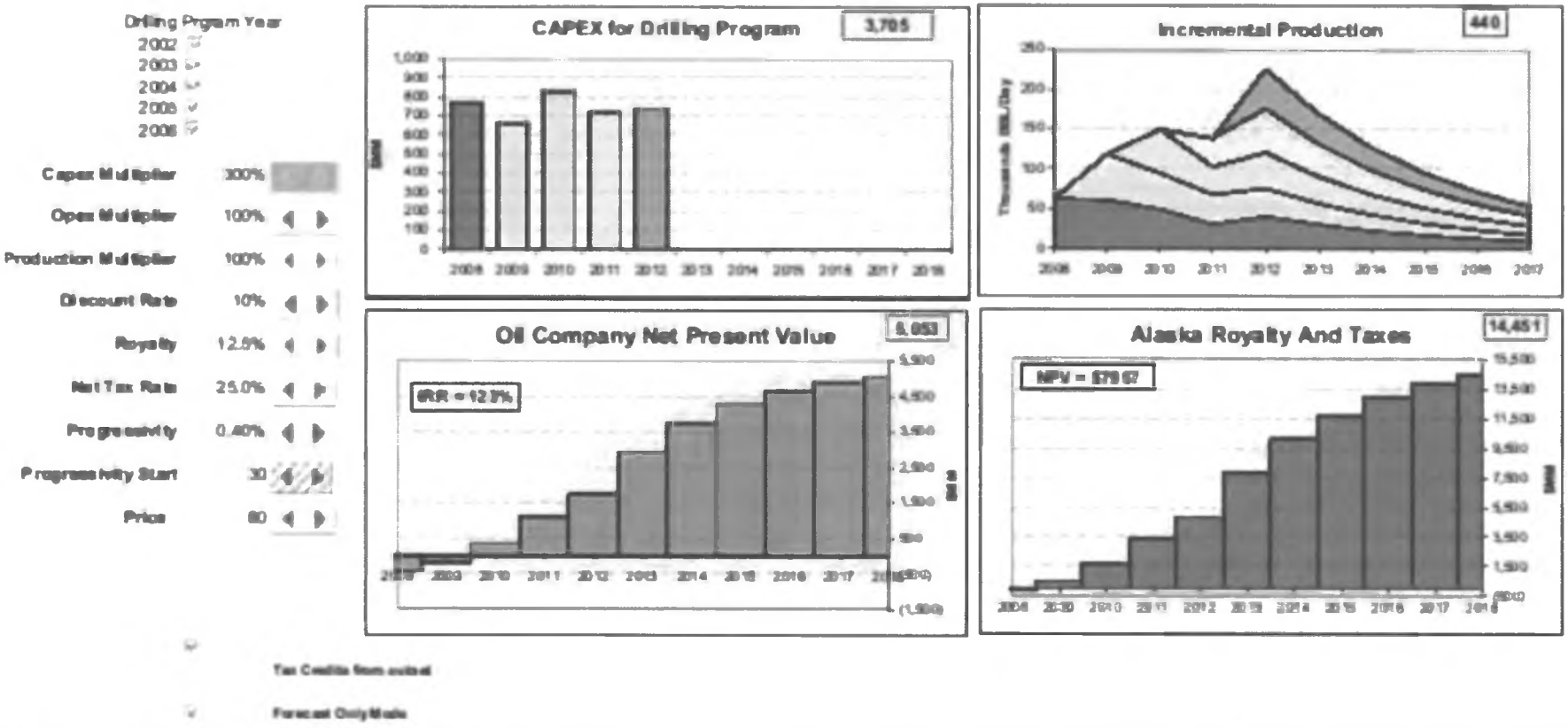
$7.8 billion in profits under ACES

And we know what consultants retained by the Administration and Legislature have told us about the estimated rates of return an oil company would receive when further investing in Prudhoe Bay. The following slide estimates returns at 123% when oil sells at $80 a barrel.

Senate CS – Forecast Mode, $80 oil

- **IRR = 123%, NPV10 = $5.375 billion**

Modeling the Prudhoe Success contained in AOGA/BP Testimony



There is one final provision in SB 209 the sponsor asked me to highlight. It requires DNR to annually submit a report to the legislature that lists each lease found to be out of compliance and the action taken by the commissioner to bring the lessee back into compliance.

DNR has expressed its view on timely lease development in a variety of public statements.

The following statements were made in the context of Point Thomson, but could apply to any lease on which no exploration or development has taken place over an extended period of time.

"The State and the public are primarily interested in **timely oil and gas production** from State leases. **Every year that production is delayed costs the State millions of dollars in unrealized interest on production revenue...**"

(Denial of the proposed plans for the development of the Point Thomson Unit, page 18)

"It is **not in the public interest** to grant a state lessee **an indefinite extension on development merely because development in their view is not currently profitable enough or is too risky.**"

(Denial of the proposed plans for the development of the Point Thomson Unit. Page 20)

"It is not in the public interest to change leasehold intent by **allowing a lessee's parochial interests to supersede the State interest for orderly and reasonably prompt development.**"

(Denial of the proposed plans for the development of the Point Thomson Unit, page 20)

" ... delaying timely production also constitutes waste."

(Denial of proposed plans for the development of the Point Thomson Unit, page 21)

"One of the state's most significant interests in oil and gas leasing is production. The interest is realized by **compliance with the terms of the oil and gas leases**...."

(DNR Commissioner decision on appeal from DNR oil and gas Director's October 27, 2005 decision on the 22nd PTU POD, page 15)

"The unitization scheme is intended to cause state leases to be developed efficiently. It is **not intended to allow lessees to simply hold oil and gas leases indefinitely until such time as the probable profit from a project meets their subjective and internal expectations** or the state agrees to modify its royalty or other contract rights or the state's right to collect taxes."

(DNR Commissioner decision on appeal from DNR oil and gas Director's October 27, 2005 decision on the 22nd PTU POD, page 17)

This last slide is of particular interest in light of statements made by ConocoPhillips' Exploration Manager Michael Faust following Conoco's successful acquisition of 35 North Slope tracts this past December.

Faust said that exploration funding would depend in part on whether changes are made to the state's ACES production tax.

"One of that things that certainly weighs into that decision is the fiscal regime in Alaska."

Michael Faust, Petroleum News, December 8, 2011

The sponsor believes this is an inappropriate approach to the development of leased state lands, which violates the terms of leases ConocoPhillips has signed.

"The state oil and gas leasing system is not intended to require DNR to engage in a murky subjective contest about a Lessees' internal economics, development risk, or view of the difficult of developing the unit. One of the state's primary interests is production. If production is not the plan, the state's remedy is to terminate the unit and find another means to develop the unit."

(DNR Commissioner decision on appeal from DNR oil and gas Director's October 27, 2005 decision on the 22nd PTU POD, pg 17)

"Continuing this 30-year record of non-development and delay of an oil and gas lessee's obligations to develop and produce its oil and gas leases **makes a mockery of the statutory, regulatory and contractual protections for the State as owner of the oil and gas estate.**"

(Denial of proposed plans for the development of the Point Thomson Unit, page 21)

As the legislature considers strategies to increase oil and gas production, the sponsor believes it's important to review and strengthen the state's leasing laws and commitment to lease enforcement.

Changing fiscal terms is not the only way to increase production.

As John Minge, the president of BP Exploration Alaska, recently said, "It's not always only about taxes."

During Alaska's constitutional convention, Bob Bartlett warned fellow delegates that outside interests might "attempt to acquire great areas of Alaska's public lands in order not to develop them until such time as ... they see fit." He saw this as a danger to our development as a state.

Senate Bill 209 attempts to pre-empt that danger by requiring the state to include meaningful work commitments in all state oil and gas leases and to enforce those leases to ensure our resources are developed for the maximum benefit of all Alaskans.

Craig Richards

Presentation Outline Senate Resources on SB 209
855-463-5009

Have Alaska resources been warehoused?

Examples of warehousing
Northstar
Point Thomson
Prudhoe Bay
Gas
Other oil opportunities (e.g., heavy oil)

Big picture question asked by SB209: Should the State modify the terms of its leases to prevent acreage from being held with no present intent to develop?

Explain Primary Term v. Secondary Term

Habendum clause – actual production in paying quantities ; can subsitute capabilty of production (i.e., shut in well)

Primary Term

Speculation: I'll define has holding a WI w/o present intent to develop

- Good and bad.
- Traditionally has had a role in marketplace - liquidity
- Have not studied speculation in Alaska
- More justifiable in role of speculator might lead to development
  - Cook Inlet v. North Slope
- Alaska has long primary terms
  - Common less than 5 years lower-48; 1 or 2 not uncommon
  - Less justifiable in longer primary terms
  - Challenged in Alaska
    - **10 years**: spot checked a half dozen leases and all 10 years;
    - **7 years:** in the 1990's 7 common including 2003 and 2009 model forms on website
      - although Model 2011 form for Beaufort had term blank.

- **Work commitments**
  - Could be from small to large (e.g, seismic to wells)
  - More demanding the more you'll diminish speculation
  - Intuition is speculation plays an important role in the market place
    - In Cook Inlet but not necessarily the ANS
    - For first few years but not after
  - I'd suggest a study as to the role of speculation in market place

        - Might find mandatory work commitments on ANS leases make sense, or for any lease with a primary term over say five years.
            - Could have two parts to primary term, where first five years no work commitment but to hold for the next two to five you have to have approved plans of exploration

Secondary Term

- More observable problems are in secondary term
    - Unitization used as tool to maintain leases not in production
        - Point Thomson
        - Leases getting attached to existing units
            - Cook Inlet
            - Point Thomson
    - Production maintaining acreage, but not being fully developed
        - Classic example – drill one well and won't drill anymore
            - I'd be concerned about Cook Inlet
        - One but not all pools developed
        - Gas
            - Prudhoe Bay

Duty to Develop

- When no development, you fight over the term or duration of the lease or unit
- But once production commences term indefinite
- Duty to develop becomes the mechanism
- Express or implied
- 100% accepted by all o&g states by Statehood; applies to all of our leases. In fact most if not all of lease forms refer to the implied covenants
- Relevant implied covenants (Williams & Myers § 804)
    - *Duty to reasonably develop* – have to drill known, producing formations
    - *Duty to explore further* – must drill test wells in non-producing but potentially productive formations
    - *Duty to market* –
    - *Duty to conduct with reasonable care and due diligence all operations on teh leasehold that affect lessor's royalty interest.*
        - *Catchall*
            - Must develop resonsably and not damage reservior
            - No premature abandonment
            - Must use advance production techniques
            - Must seek regulatory approvals

- Prudent operator standard
- Reasonable expectation of profit
- Example – Duty to Market suit on Prudhoe Bay Gas

- Prima facie case
  1. Discovery of oil and gas
  2. Failure to sell the product
  3. ***Ability of a prudent operator to sell the product through exercise of reasonable diligence***
  4. Damage to the lessor as a result of failing to obtain a market.

- **Remedies**
  - Damages
  - Conditional decree of forfeiture
  - Forfeiture
    - Art. 8, § 8

- *Can State recontract part of a unit or PA where there is production?*
  - If voluntary or court orders forfeiture
  - Happens all the time that first lessee keeps existing wells and then second lessee comes in with right to further develop
  - In large producing fields remedy would complex and court mandated

Conclusion

State using tax policy as a substitute for enforcing its contract rights

The harm is declining oil production

- Discussion has been, cause is too high taxes
- But there are other, likely more relevant causes, that the State can address without giving away tax dollars
  - **Access to information**
    - Failure of this legislature to demand, or the Alaska ANS producers, to bring forward information makes optimizing ACES guess work.
  - **Competitive entry**
    - Barriers to entry in terms of access to facilities and reasonable transportation charges
    - Only one entity other than an Owners of TAPS that ships down TAPS
  - **Refusal to develop existing leases**
    - Steps to take:
    1. Non-producing leases/units: Diligence in not allowing non-producing leases, via unitization, to be held into secondary term
    2. Producing leases/units: Concern is Oil but not gas, or one oil play but not another
       a. Mandatory reporting for marketing

b. Mandatory 5-year economic look

Jeff Stepp

From: Michelle Sydeman
Sent: Friday, March 23, 2012 9:42 AM
To: craig-wwa@ak.net
Cc: Sen. Bill Wielechowski; Jeff Stepp
Subject: Senate Bill 209: Stenghtening O&G leasing and enforcement procedures

Hi Craig,

Here are some of the issues Law was going to address that you should feel free to cover.

- What is the "duty to develop"?
- Does it apply to old leases (e.g., for the Prudhoe Bay unit) as well as new leases?
- Does it require production wherever oil can be recovered in paying quantities or simply that production occurs somewhere within a unit or participating area?
- What does "paying quantities" mean?
- Can units or participating areas be contracted if production is not occurring (and hasn't over many years) in a particular part of a unit or PA where development would be reasonable profitable?
- Should our laws be amended to allow this?
- What does the "prudent operator" standard mean in practical terms?
- To what extent must state interests be considered when lessees are making investment decisions?

We thank you again for the insights and information you are providing to the legislature. Your service is much appreciated.

Michelle
465-6881

Senate Resources Committee
Joe Paskvan, Co-Chair / March 23, 2012

Let's call the meeting to order.

Let the record reflect that it is _____ p.m. on Friday, March 23.

Let the record reflect that there is a quorum. Present are

- Co-Chair Wagoner -- excused
- Senator Stedman
- Senator Stevens
- Senator Wielechowski
- Senator French
- Senator McGuire -- excused
- And myself, Senator Paskvan

During this hearing, we have two items on the agenda:

- First, the Committee will hear the merits of Senate Bill 209 relating to Development Plans for Oil and Gas Leases. This is the first hearing for Senate Bill 209 and the Committee looks forward to Senator Wielechowski's presentation of the bill and invited testimony;

- Second, the Committee will hear additional testimony regarding Senate Bill 215, relating to the Gasline Development Corporation and an In-State Gas Pipeline. Joining us today will be Joe Dubler, Vice President and Chief Financial Officer for the Alaska Gasline Development Corporation, to share his thoughts on the bill.

We will dedicate the first hour of the hearing to Senate Bill 209 and the final 30 minutes to Senate Bill 215. Both bills have been scheduled for additional hearings next week.

Senator Wielechowski ...

Calculation of State Subsidy for South to North Line

	Tariff		Tariff+Gas
ASAP Estimated Cost	6.45		8.45
Current Cook Inlet Cost of Gas			6.85
Allowable Tariff to beat ASAP	6.45		1.60
Average MCF/Day	60,000.00		60,000.00
# Days/Year	365.25		365.25
Allowable cost recovery/year	141,351,750		35,064,000
# of years of cost recovery in Tariff	20		20
Total cost able to be recovered	2,827,035,000		701,280,000
Pipeline cost, Big Lake to Dunbar	1,565,000,000	*	1,565,000,000
Lateral Line Dunbar to Fairbanks	60,000,000		60,000,000
Cost of Compressor Station in Cook Inlet	80,000,000		80,000,000
Cost of Chilling Unit at Cantwell	20,000,000		20,000,000
Annual Operating Costs @2% CapEx*20 years	690,000,000		690,000,000
Total cost of South to North	2,415,000,000		2,415,000,000
State Subsidy to run South to North	(412,035,000)		1,713,720,000

Note: Does not include cost of fuel gas, local distribution system for Fairbanks and vicinity, cost of re-engineering project, or inflation.

***cost of pipeline from dunbar to big lake less CI NGL Extraction and Compressor Station. Costs shown on 3-4 and 5-35 of July 1 report.**

Presented to the Senate Resources Committee by Joe Dubler, AGDC (3/23/2012)

SB 215

<TARGET><BILL>SB 215</BILL><SUBJECT>SB 215</SUBJECT><COMM>SRES27</COMM></TARGET>

ALASKA STATE LEGISLATURE

SENATOR JOE THOMAS

Senate Bill 215:

"An Act requiring the Alaska Gasline Development Corporation to construct a natural gas pipeline to deliver Cook Inlet natural gas to Fairbanks and other communities between Cook Inlet and Fairbanks that do not have access to a natural gas pipeline."

For the last forty years, Alaskans have been waiting for a gasline while our gas on the North Slope and in Cook Inlet remains sequestered in the regions where they were discovered. Senate Bill 215 changes this trend and makes Alaska's resources available to more Alaskans by proposing to build a natural gas pipeline from Cook Inlet to Fairbanks.

SB 215 charges the Alaska Gasline Development Corporation to build the fastest, lowest cost and most economic gasline to deliver Cook Inlet gas supplies to market in the Interior.

This bill takes advantage of work already done by the AGDC on the Alaska Stand Alone Pipeline and the Alaska Natural Gas Development Authority while working on the Beluga to Fairbanks gasline. Those organizations have already evaluated many of the important initial steps necessary for any pipeline, including location of access points and resources along the route. With rights-of-way established, tariffs estimated and much of the planning and feasibility studies completed along both the Richardson and Parks Highways, SB 215 would deliver pipeline gas to the Interior faster than any other option on the table today.

With the cost of fuel hovering around four dollars per gallon in Fairbanks and even higher in many other communities in the Interior, sustainable and affordable delivery of natural gas could lower the cost of home heating by 66% or more. Additionally, by enhancing the marketability and distribution of Cook Inlet gas, SB 215 will help improve the economics of gas development in Cook Inlet and augment the reliability and lower the cost of gas to current Southcentral customers.

Alaskans have been waiting far too long for a gasline. I urge you to join me in supporting Senate Bill 215 to deliver Alaska's resources to Alaskans.

January – May: State Capitol – Juneau, Alaska 99801 – (907) 465-2327 – 1 (800) 336-7383 – Fax (907) 465-5241
June – December: 1292 Sadler Way Ste 203 – Fairbanks, Alaska 99701 – (907) 456-8161 – Fax (907) 456-8163
Senator.Joe.Thomas@legis.state.ak.us

Service lines- tie-in

Description	Class	Dia (in)	Quantity (houses)	Quantity (LF)	Cost	unit	Total cost
Construction							
Residential lines- high density	60 psig	0.625	12,466	807,116	$ 25	LF	$ 20,178,000
Commercial lines- high density	60 psig	1	761	32,975	$ 25	LF	$ 824,000
Subtotal-construction							$ 21,002,000

Service lines- tie-in

Description	Class	Dia (in)	Quantity (houses)	Quantity (LF)	Cost	unit	Total cost
Construction							
Residential lines- medium density	60 psig	0.625	8,610	861,000	$ 25	LF	$ 21,525,000
Commercial lines- medium density	60 psig	1	163	16,300	$ 25	LF	$ 408,000
Subtotal-construction							$ 21,933,000

Table 2. Estimated Annual Residential, Commercial, and Industrial Sector Natural Gas Requirements for Heating, Power Generation, and Industrial Processing

Category	Count (# of units)	Area (square feet)	Estimated Demand (Bcf/year)
Residential Sector	24,986	57,573,880	5.7
Commercial Sector			
Taxable Structures	978	10,576,081	3.9
Non-Taxable Structures		2,340,000	0.9
Industrial Sector			
Space Heating	571	5,318,832	2.7
Power Generation			2.9
Refinery Processing			4.8
Total	26,536	75,808,793	20.9

Source: Michael Baker, Jr. and Northern Economics, Inc.

2.1.1 Estimated Residential Savings

The current natural gas cost in Fairbanks is $23.35 per Mcf and heating fuel is $3.84 per gallon, at its best rate, delivered, and quoted by two suppliers. Converting to an equivalent heat basis, natural gas costs $23.35 per million British thermal units (MMBtu) and heating oil is $27.67 per MMBtu, an approximate savings of $4.32 per MMBtu.

An average residential home consumes approximately 190 Mcf per year (2009) for a projected natural gas cost of $4,437 per year, versus heating oil of $5,257. This results in an estimated $820 of savings per year, for the average-size home.

Larger natural gas distribution will lead to economies of scale and potentially reduce prices. Team analysts reviewed a range of natural gas prices from $23.35/MCF to $11.00/MCF in $3.00 increments; potential savings ranged from $114 million to $238 million.

Table 1. Potential Conversion Savings, Natural Gas Over Fuel Oil Equivalent, Selected $/Mcf

Natural Gas, $/Mcf	Savings, $
23.35	114,180,000
23.00	118,800,000
20.00	158,400,000
17.00	198,000,000
14.00	237,600,000

Source: Northern Economics Inc.

Table 2 **Relative Comparison of Environmental and Special Areas Associated with In-State Gas Pipeline Route Alternatives**

Special Areas				
Number / miles	38 / 630	50 / 670	23 / 365	21 / 365
National Park	1 / 7	None	1 / 7	None
Wild & Scenic River	None	2 / 50	None	2 / 50
Military	1 / 7	4 / 32	1 / 7	4 / 32
State Park / Rec. Area	3 / 50	3 / 25	3 / 50	3 / 25
State Game Area	3 / 60	3 / 55	2 / 20	3 / 55
Listed Threatened or Endangered Species				
Polar Bear (Critical Habitat miles)	43	43	None	None
Beluga Whale	None	None	None	None
Steller's Eider	None	None	None	None
Spectacled Eider	None	None	None	None
Wetlands				
Features / acres	593 / 1288	730 / 1735	294 / 456	191 / 394
Fish Stream Crossings				
Number	480	515	220	175
Waterfowl (Habitat miles)				
Concentration Area	200	250	170	130
Swans	50	65	50	65
Major Migration Route	50	135	50	75
Sharp-tailed Grouse	None	60	None	60
Raptor / Eagle nesting (habitat miles)	100	115	10	25
Moose (Habitat miles)				
Winter Concentration Area	211	415	70	335
Rutting Area	50	70	50	40
Calving Area	20	20	20	85
Dall Sheep				
Lambing (number / habitat miles)	14 / 80	29 / 135	1 / 7	6 / 65
Mineral Licks (number)	3	15	None known	10
Caribou (Habitat miles)				
Winter Concentration	85	195	13	125
Calving	15	85	None	70
Migration	180	270	5	100
Bison (Habitat miles)				
Movement Area	None	20	None	20
Calving	None	50	None	50
Bear (Habitat miles)				
Brown Bear Concentration	105	120	15	30
Black Bear Concentration	20	30	5	15
Human				
Recreation Sites (approximate number)	80	90	40	55
Scenic Areas (number)	50	80	20	15
Cultural Sites (number)	405	450	190	165
Unimproved / Primitive Route (miles traversed)	68	64	15	64
Subsistence (miles traversed)	540	560	265	325
Number of communities / combined population	33 / 372,600	47 / 380,900	23 / 367,900	20 / 319,100

Table 3 Estimated Number of Customers and Gas Demand for:
- Parks Highway and Richardson Highway Corridors
- Parks Highway Spur and Richardson Highway Spur Lines and Alaska-Canada Gasline

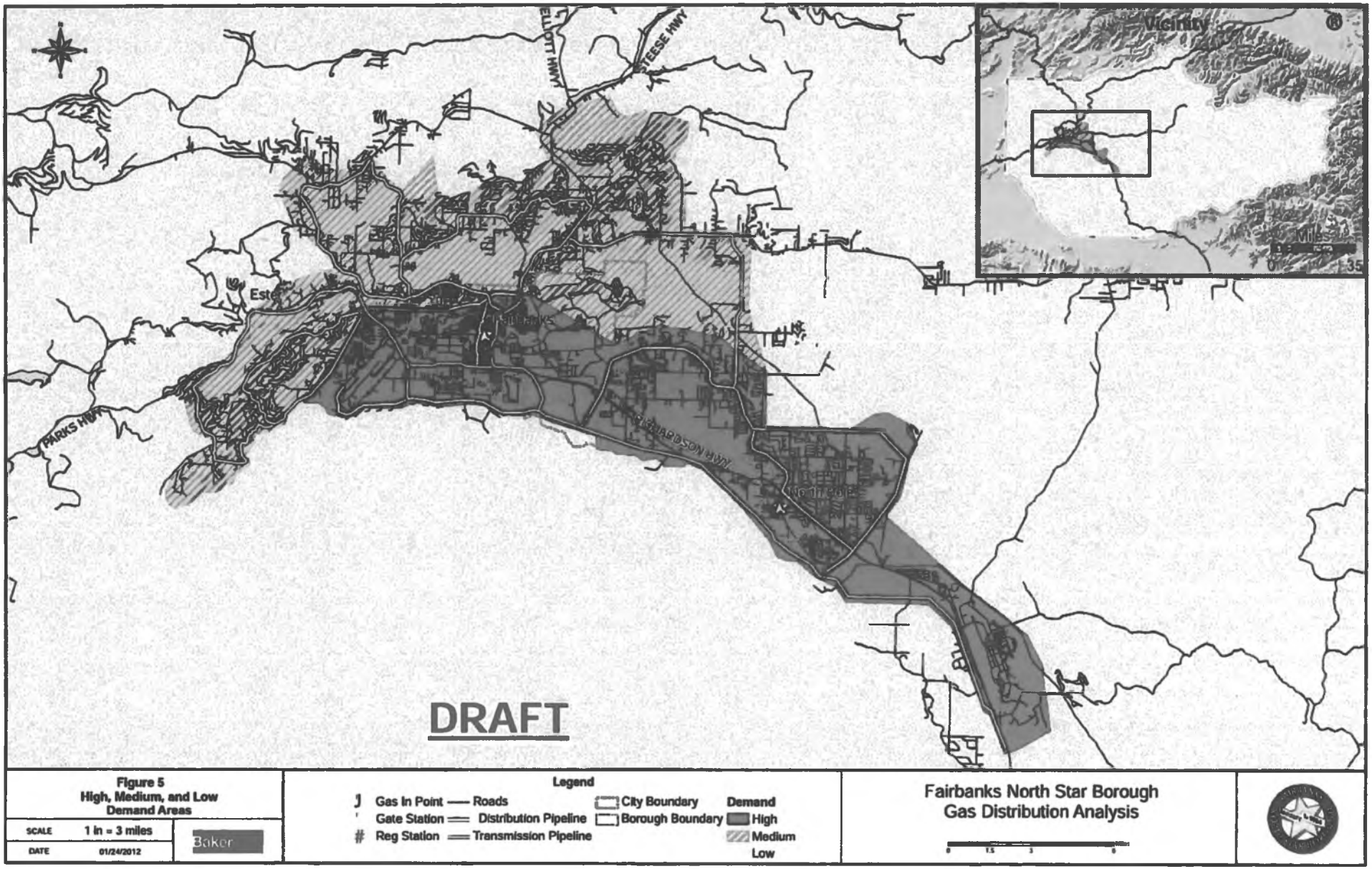
Parks Highway Stand Alone				
Customers	1,400	190	3	1,593
Demand (mmcfd)	0.8	0.3	17.0	18.1
Richardson Highway Stand Alone				
Customers	2,300	280	2	2,582
Demand (mmcfd)	1.3	0.6	0.5	2.4
Parks Highway Spur/ Alaska-Canada Gasline				
Customers	2,400	300	3	2,703
Demand (mmcfd)	1.4	0.5	17.0	18.9
Richardson Highway Spur/ Alaska-Canada Gasline				
Customers	2,300	280	2	2,582
Demand (mmcfd)	1.3	0.6	0.5	2.4

Notes:
1. Utility demand assumes that the coal-fired power plants at Healy, Clear Air Force Station, and Fort Greely would convert to gas. If they remain coal-fired, the utility demand for the Parks Highway corridor would be 0.0 and 0.03 mmcfd for the Richardson Highway Corridor.
2. Table does not include the number of customers and gas demand for the population centers (Anchorage/Cook Inlet area, Fairbanks) that would be served by either option.
3. The Parks Highway Spur residential number includes people served along the mainline between Fairbanks and Delta Junction.

Sources: Adapted from Alternative Analysis report (Northern Economics, adapted from ENSTAR, January 2009; Interior Issues Council, 2009, and Doyon Utilities, 2009.)

Source:

Alaska Stand Alone Gas Pipeline Project Update and FY 2010 Deliverables
July 15, 2010


ELLIOTT HWY
STEESE HWY
Vicinity
PARKS HWY
RICHARDSON HWY
DRAFT
Figure 5
High, Medium, and Low
Demand Areas
SCALE 1 in = 3 miles
DATE 01/24/2012
Baker
Legend
Gas In Point
Gate Station
Reg Station
Roads
Distribution Pipeline
Transmission Pipeline
City Boundary
Borough Boundary
Demand
High
Medium
Low
Fairbanks North Star Borough
Gas Distribution Analysis

Air Quality

The non-attainment designation for the Fairbanks area is a cause for concern for several reasons. First, the local population is at increased risk for respiratory and circulatory health problems. Secondly, the designation negatively affects economic growth in the area. Air quality permits for any commercial or industrial activity cannot be obtained if the activity will increase the amount of PM2.5 emissions over current amounts. Because of this restriction, growth of existing commercial and industrial activity will likely not occur, and new commercial and industrial activities will likely not take root in the Fairbanks area until the U.S. Environmental Protection Agency is satisfied that compliance with the ambient PM2.5 standard is attained and a plan is in place to maintain compliance with the ambient standard.

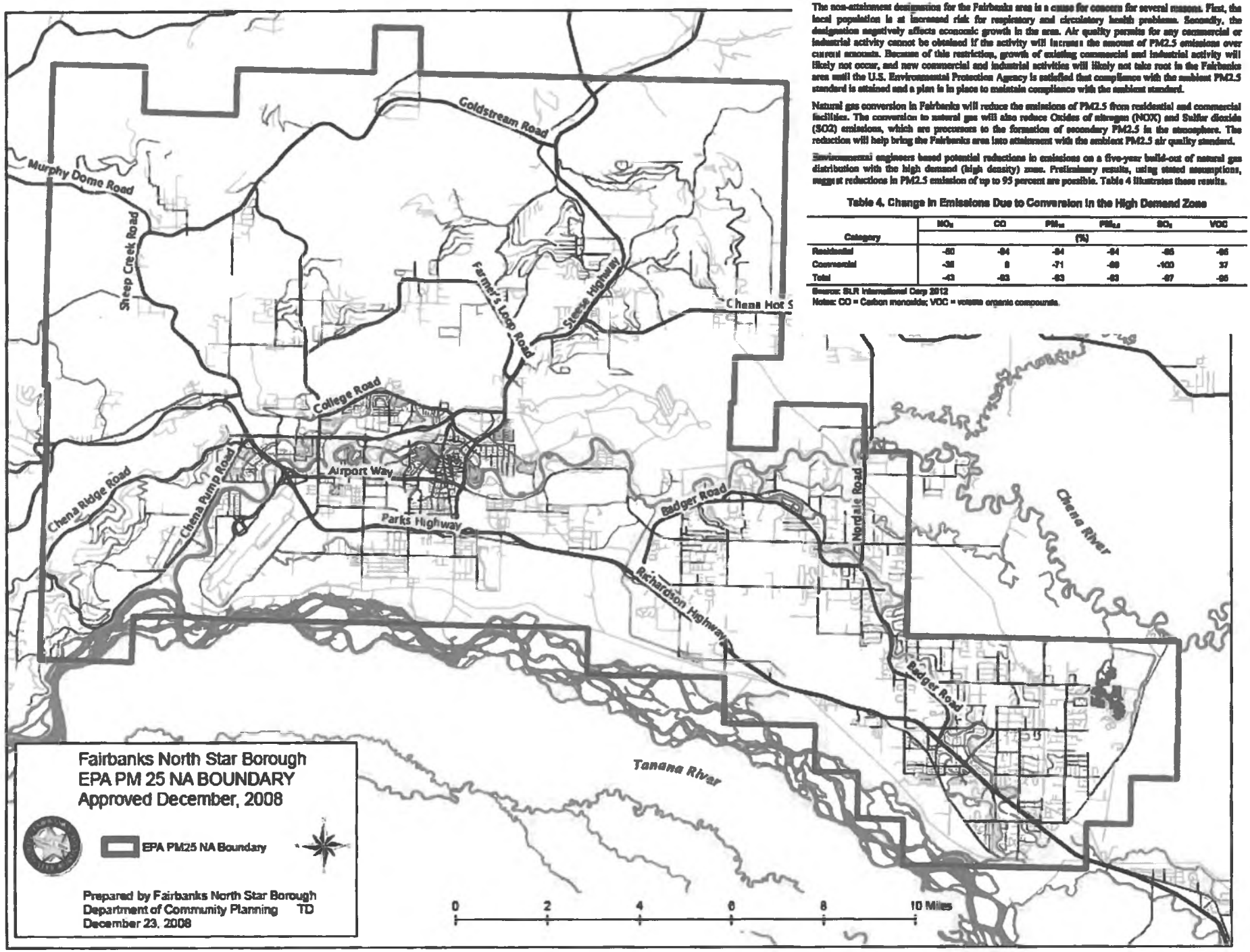
Natural gas conversion in Fairbanks will reduce the emissions of PM2.5 from residential and commercial facilities. The conversion to natural gas will also reduce Oxides of nitrogen (NOX) and Sulfur dioxide (SO2) emissions, which are precursors to the formation of secondary PM2.5 in the atmosphere. The reduction will help bring the Fairbanks area into attainment with the ambient PM2.5 air quality standard.

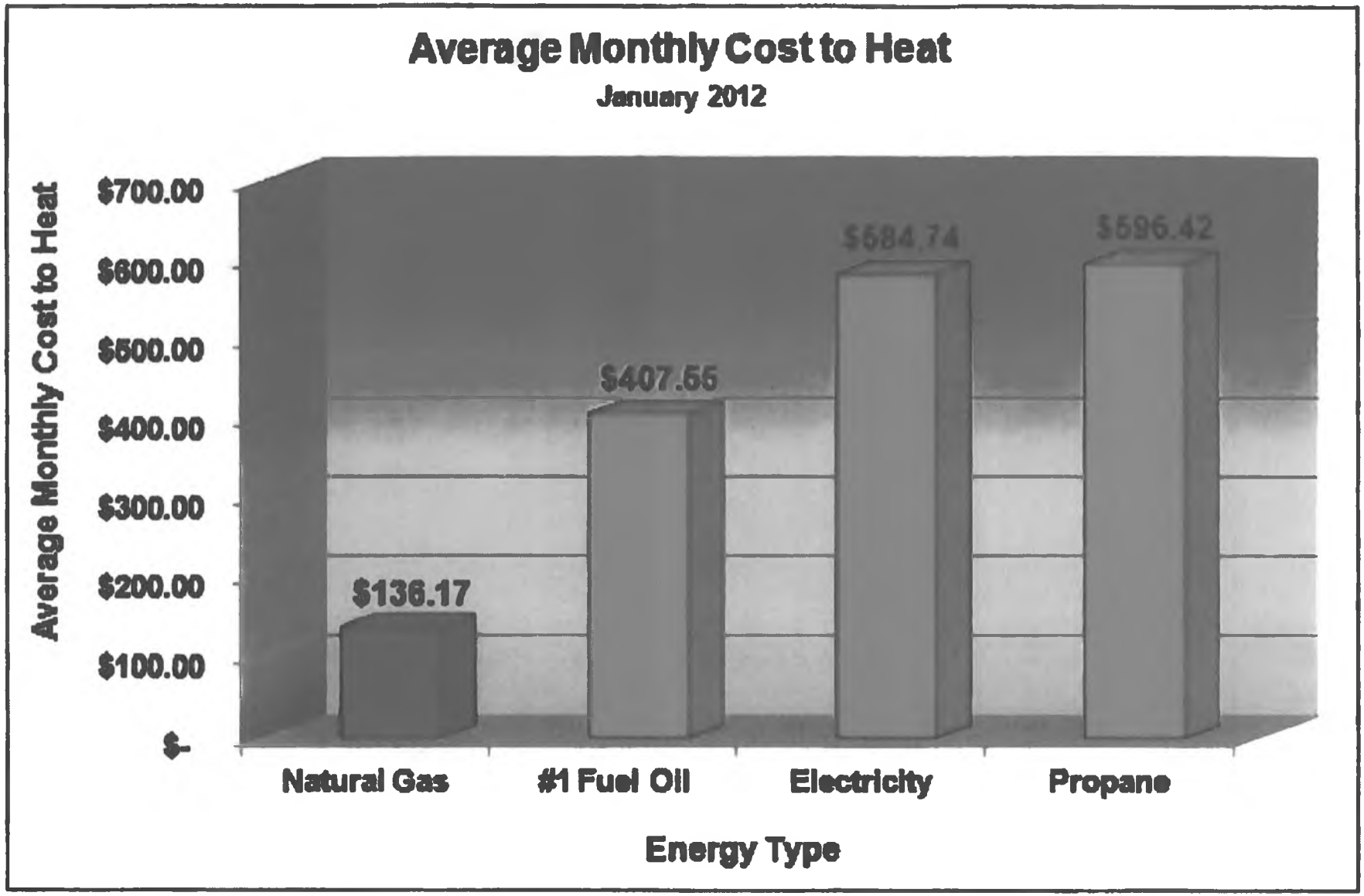
Environmental engineers based potential reductions in emissions on a five-year build-out of natural gas distribution with the high demand (high density) zone. Preliminary results, using stated assumptions, suggest reductions in PM2.5 emission of up to 95 percent are possible. Table 4 illustrates these results.

Table 4. Change in Emissions Due to Conversion in the High Demand Zone

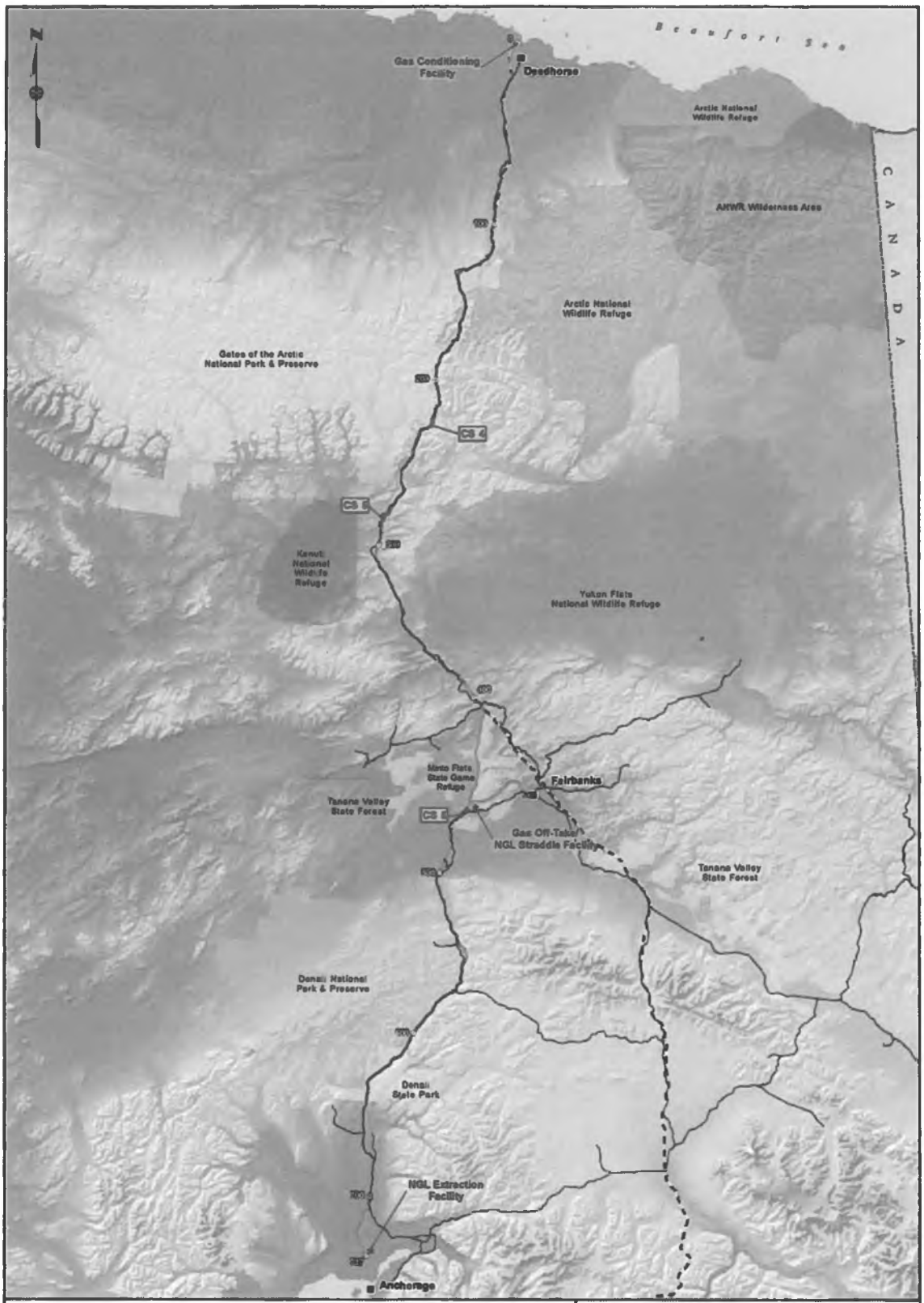
Category	NO_x	CO	PM_{10}	$PM_{2.5}$	SO_2	VOC
	(%)					
Residential	-80	-84	-84	-84	-86	-86
Commercial	-38	8	-71	-88	-100	37
Total	-43	-83	-83	-83	-97	-86

Source: SLR International Corp 2012
Notes: CO = Carbon monoxide; VOC = volatile organic compounds.





Source: www.enstarnatural gas.com



ALASKA GASLINE DEVELOPMENT CORP
GAS FOR ALASKANS

ALASKA STAND ALONE GAS PIPELINE ROUTE
Alaska Stand Alone Gas Pipeline/*ASAP*
Plan of Development, Revision 1

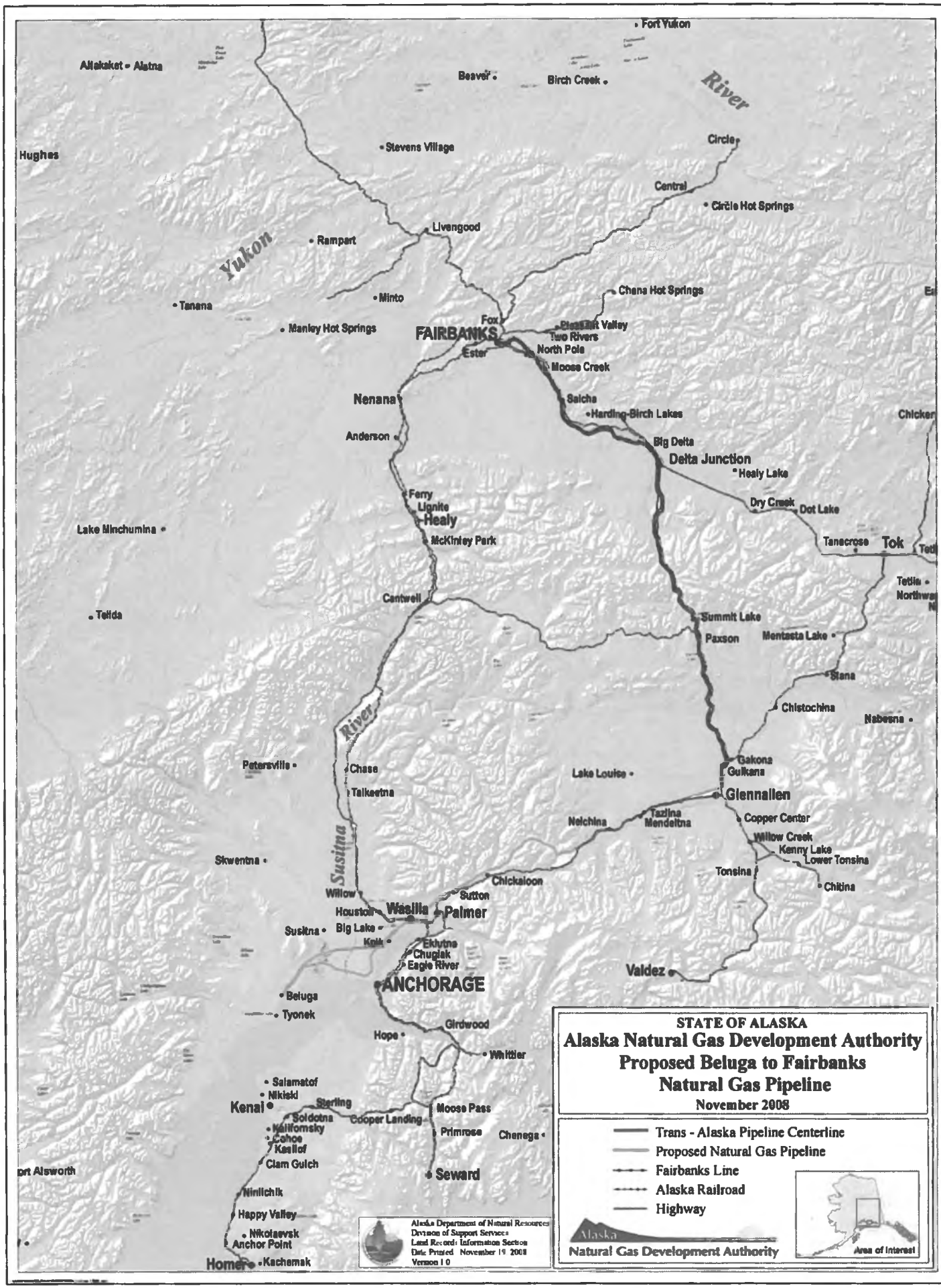
SCALE: 0 25 50 100 Miles

FIGURE: 2.0-1

See project disclaimer on inside cover

NAD83 State Plane Zone 3

AES-RTs 10-078A-001.mxd 03/28/11 RDD


Fort Yukon
Alakakat
Alatna
Beaver
Birch Creek
River
Hughes
Stevens Village
Circle
Central
Circle Hot Springs
Livengood
Rampart
Yukon
Chena Hot Springs
Minto
Tanana
Manley Hot Springs
Fox
FAIRBANKS
Pleasant Valley
Two Rivers
North Pole
Ester
Moose Creek
Nenana
Salcha
Harding-Birch Lakes
Anderson
Big Delta
Delta Junction
Healy Lake
Ferry
Lignite
Healy
Dry Creek
Dot Lake
Lake Minchumina
McKinley Park
Tanecrose
Tok
Cantwell
Summit Lake
Telida
Paxson
Mentasta Lake
Slana
Chistochina
Nabesna
Susitna River
Petersville
Chase
Lake Louise
Gakona
Gulkana
Talkeetna
Glennallen
Nelchina
Tazlina
Mendeltna
Copper Center
Willow Creek
Kenny Lake
Lower Tonsina
Skwentna
Tonsina
Chickaloon
Chitina
Willow
Sutton
Houston
Wasilla
Palmer
Susitna
Big Lake
Knik
Eklutna
Chugiak
Eagle River
Valdez
ANCHORAGE
Beluga
Tyonek
Girdwood
Hope
Whittier
Salamatof
Nikiski
Kenai
Sterling
Soldotna
Cooper Landing
Moose Pass
California
Cohoe
Kasilof
Primrose
Chenega
Clam Gulch
Seward
Ninilchik
Happy Valley
Nikolaevsk
Anchor Point
Homer
Kachemak
Alaska Department of Natural Resources
Division of Support Services
Land Record Information Section
Date Printed November 19 2008
Version 1.0
STATE OF ALASKA
Alaska Natural Gas Development Authority
Proposed Beluga to Fairbanks
Natural Gas Pipeline
November 2008
Trans - Alaska Pipeline Centerline
Proposed Natural Gas Pipeline
Fairbanks Line
Alaska Railroad
Highway
Alaska
Natural Gas Development Authority
Area of Interest

Calculation of State Subsidy for South to North Line

	Tariff		Tariff+Gas
ASAP Estimated Cost	6.45		8.45
Current Cook Inlet Cost of Gas			6.85
Allowable Tariff to beat ASAP	6.45		1.60
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***cost of pipeline from dunbar to big lake less CI NGL Extraction and Compressor Station. Costs shown on 3-4 and 5-35 of July 1 report.**

Presented to the Senate Resources Committee by Joe Dubler, AGDC (3/23/2012)

SB 219

<TARGET><BILL>SB 219</BILL><SUBJECT>SB 219</SUBJECT><COMM>SRES27</COMM></TARGET>

MEMORANDUM
Department of Natural Resources

STATE OF ALASKA
Office of the Commissioner

TO: Sen. Joe Paskvan, Co-Chair
Sen. Tom Wagoner, Co-Chair

DATE: March 21, 2012

TELEPHONE: 465-4730

FROM: Esther Tempel, Legislative Liaison

SUBJECT: Bill Hearing Request—SB 219: Disposals of State Resources

I respectfully request a Senate Resources Committee hearing on SB 219: Disposals of State Resources at your earliest convenience.

SB 219 makes statutory changes that would help reduce applicant costs, create efficiencies by streamlining processes, reduce redundancies, and reduce opportunities for legal challenges. The Division of Mining, Land, and Water in the Department of Natural Resources has worked to address the highest priority changes that relate to the certain leasing and disposal programs and to water rights that are administered by the Department of Natural Resources.

Accompanying this memo, you will find:

1) A copy of SB 219
2) Transmittal Letter
3) Briefing Paper
4) Sectional Analysis
5) Fiscal Notes

A finalized list of witnesses will be forthcoming.

If you need any additional information, please contact Esther Tempel, Legislative Liaison for the Department of Natural Resources at 907-465-4730 or Wyn Menefee, Deputy Director of the Division of Mining, Land, and Water at 907-269-8501.

SENATE BILL NO. 219

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 2/29/12
Referred: Resources, Finance

A BILL

FOR AN ACT ENTITLED

"An Act relating to the Alaska Land Act, including certain lease, sale, and other disposal of state land and materials; relating to production royalties from miners; relating to rights to use state water; and providing for an effective date."

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

*** Section 1.** AS 38.05.055 is amended to read:

Sec. 38.05.055. Auction sale <u>or sealed bid</u> procedures. Unless another method of sale is required under this chapter, AS 38.08, or AS 38.09, the sale of state land shall be made at public auction **<u>or by sealed bid, at the discretion of the director,</u>** to the highest qualified bidder as determined by the director. The director may accept bids and sell state land under this section at no less than 70 percent of the appraised fair market value of the land. To qualify to participate under this section in a public auction **<u>or sale by sealed bid</u>** of state land that is other than commercial, industrial, or agricultural land, a bidder shall have been a resident of the state for at least one year immediately preceding the date of the **<u>sale</u>** [AUCTION] and submit

proof of that fact, as the commissioner requires by regulation. A bidder may be represented by an attorney or agent at **a public** [THE] auction. An aggrieved bidder may appeal to the commissioner within five days after the sale for a review of the director's determination. The sale shall be conducted by the director, and, at the time of sale, the successful bidder shall deposit an amount equal to five percent of the purchase price. The director shall immediately issue a receipt containing a description of the land or property purchased, the price bid, and the amount deposited. The receipt shall be acknowledged in writing by the bidder.

*** Sec. 2.** AS 38.05.065(a) is amended to read:

(a) The contract of sale for land sold at public auction **or by sealed bid** under AS 38.05.055 shall require the remainder of the purchase price to be paid in monthly, quarterly, or annual installments over a period of not more than 20 years, with interest at the rate provided in (i) of this section. Installment payments plus interest shall be set on the level-payment basis.

*** Sec. 3.** AS 38.05.069(a) is amended to read:

(a) After consulting with the Board of Agriculture and Conservation (AS 03.09.010), on a determination that the highest and best use of unoccupied land is for agricultural purposes and that it is in the best interests of the state to sell or lease the land, the commissioner shall grant to an Alaska resident owning and using or leasing and using land for agricultural purposes a first option [AT THE AUCTION] to purchase or lease the unoccupied land situated adjacent to land presently held by the Alaska resident for the amount of the high bid received at public auction **or by sealed bid**. If more than one Alaska resident qualifies for a first option under this section, eligibility for the first option shall be determined by lot and the option must be exercised on the conclusion of the public auction **or opening of sealed bids**. A parcel of agricultural land sold under this section may not be less than 20 acres, and a parcel of agricultural land that is acquired by exercise of the option granted in this subsection may not exceed 320 acres. Agricultural land that is acquired under this section must be used for agricultural purposes as required by law.

*** Sec. 4.** AS 38.05.069(c) is amended to read:

(c) Under this section,

(1) the director may transfer state land classified for agriculture only for agricultural purposes;

(2) the sale or lease shall be at public auction **or by sealed bid**.

*** Sec. 5.** AS 38.05.070(b) is amended to read:

(b) The director, with the approval of the commissioner, shall determine the land to be leased and the limitations, conditions, and terms of the lease. The director shall preserve reasonable and traditional access to state land and water. If the appraised value of the transaction is **$10,000** [$5,000] a year or less the director may negotiate a lease for a period not to exceed 10 years, and on the limitations, conditions, and terms that the director considers are in the best interests of the state. A lease negotiated under this subsection is not eligible for a preference under AS 38.05.102.

*** Sec. 6.** AS 38.05.070 is amended by adding new subsections to read:

(d) If, after notice under AS 38.05.945 soliciting interest for a competitive auction, the department determines that only one potential bidder has expressed interest in bidding, the director may cancel the competitive auction and negotiate a lease and its conditions and terms that the director determines to be in the best interests of the state.

(e) The director may renew a lease issued under this section, AS 38.05.075, or 38.05.810 upon its expiration if the lease is in good standing and the lease renewal is determined to be in the best interests of the state. A renewal issued under this subsection is not subject to AS 38.05.035(e). A lease may only be renewed once for a term no longer than the initial term of the lease.

*** Sec. 7.** AS 38.05.073(g) is amended to read:

(g) After soliciting proposals under (e) of this section, if the commissioner determines that two or more potential lessees are acceptable, the commissioner may select the potential lessee who submits the highest bid during **a public** [AN] auction or by sealed bids, whichever method the commissioner chooses. The minimum bid must equal the amount established by the commissioner plus the administrative fee established under (k) of this section. The commissioner shall also require the potential lessee to make an earnest money deposit under AS 38.05.860(b). After the

38.05.565

commissioner selects a potential lessee, the commissioner may begin negotiations with the potential lessee to develop the terms and conditions for the lease.

*** Sec. 8.** AS 38.05.075(a) is amended to read:

(a) Except as provided in AS 38.05.035, 38.05.070, 38.05.073, 38.05.082, 38.05.083, 38.05.087, 38.05.102, 38.05.600, 38.05.810, and this section, **when competitive interest has been demonstrated or the commissioner determines that it is in the state's best interests,** leasing shall be made at public auction **or by sealed bid, at the discretion of the director,** to the highest qualified bidder as determined by the commissioner. **A bidder may be represented by an attorney or agent at a public auction.** In the public notice of a lease to be offered at public auction **or by sealed bid**, the commissioner shall specify a minimum acceptable bid and the lease compensation method. The lease compensation method shall be designed to maximize the return on the lease to the state and shall be a form of compensation set out in AS 38.05.073(m). An aggrieved bidder may appeal to the commissioner within five days for a review of the determination. The leasing shall be conducted by the commissioner and the successful bidder shall deposit at the **public** auction **or with the sealed bid** the first year's rental or other lease compensation as specified by the commissioner, or that portion of it that the commissioner requires in accordance with the bid. The commissioner shall require, under AS 38.05.860, qualified bidders to deposit a sum equal to any survey or appraisal costs reasonably incurred by another qualified bidder acting in accordance with the regulations of the commissioner or incurred by the department under AS 38.04.045 and AS 38.05.840. If a bidder making a deposit of survey or appraisal costs is determined by the commissioner to be the highest qualified bidder under this subsection, the deposit shall be paid to the unsuccessful bidder who incurred those costs or to the department if the department incurred the costs. All costs for survey and appraisal shall be approved in advance in writing by the commissioner. The commissioner shall immediately issue a receipt containing a description of the land or interest leased, the price bid, and the terms of the lease to the successful qualified bidder. If the receipt is not accepted in writing by the bidder under this subsection, the commissioner may offer the land for lease again under this subsection. A lease, on a form approved by the attorney general, shall be

signed by the successful bidder and by the commissioner [WITHIN THE PERIOD SPECIFIED IN THE AUCTION NOTICE].

*** Sec. 9.** AS 38.05.083(a) is amended to read:

(a) The commissioner may offer to the public for lease at public auction **or by sealed bid** under AS 38.05.075 or by negotiation under AS 38.05.070 a site for aquatic farming or related hatchery operations. Before a final decision to issue or renew a lease under this section, the commissioner shall give notice and allow opportunity for comment in accordance with AS 38.05.945 and may hold a hearing to take testimony. Before a final decision to issue or renew a lease under this section, the commissioner shall consider all relevant comment or testimony submitted under this section, AS 38.05.945, or 38.05.946.

*** Sec. 10.** AS 38.05.110(a) is amended to read:

(a) The commissioner shall provide for cruises of timber **on** [AND APPRAISALS OF OTHER MATERIALS IN OR UPON] state land and shall assess the supply of and current markets for timber on [AND OTHER MATERIALS IN] privately owned land in close proximity to state land to determine

(1) the timber [AND OTHER MATERIALS] that should be offered for sale; and

(2) the terms of sale of the timber [OR OTHER MATERIALS].

*** Sec. 11.** AS 38.05.120 is amended to read:

Sec. 38.05.120. Disposal procedure. Timber [AND OTHER MATERIALS] shall be sold either by sealed bids or public auction, depending on which method is determined by the commissioner to be in the best interests of the state, to the highest qualified bidder as determined by the commissioner. An aggrieved bidder may appeal to the commissioner within five days after the sale for a review of the determination. The sale shall be conducted by the commissioner, and at the time of sale the successful bidder shall deposit the amount specified in the terms of sale. The means by which the amount of deposit is determined shall be prescribed by appropriate regulation. The commissioner shall immediately issue a receipt containing a description of the timber [OR MATERIALS] purchased, the price bid, and the terms of sale. The receipt shall be accepted in writing by the bidder. A contract of sale, on a form approved by the

attorney general, shall be signed by the purchaser and the contract shall be signed by the commissioner on behalf of the state. The commissioner may impose conditions, limitations, and terms considered necessary and proper to protect the interests of the state. Violation of any provision of this chapter or the terms of the contract of sale subjects the purchaser to appropriate legal action.

*** Sec. 12.** AS 38.05.212(a) is amended to read:

(a) In exchange for and to preserve the right to extract and possess the minerals produced, the holder of a mining claim, leasehold location, or mining lease, including a mining lease under AS 38.05.250, shall pay a royalty on all minerals produced from land subject to the claim, leasehold location, or mining lease during each calendar year**, or each fiscal year if the miner does not file the mining license tax on a calendar year basis. The department may exempt, by regulation, small operations from the production royalty otherwise required by this section**.

delete A-6 Amend #4

*** Sec. 13.** AS 38.05.250(c) is amended to read:

(c) Each submerged land mining lease shall be for a period of up to 20 years and for so long as there is production in paying quantities from the leased area. **A submerged land mining lease may be renewed for a period of up to 20 years at the discretion of the director if the director determines that the renewal is in the best interests of the state.**

Two sentences not tied ...

*** Sec. 14.** AS 38.05 is amended by adding new sections to read:

Article 14A. Material Sales.

Sec. 38.05.550. Disposal of materials. (a) All materials owned in fee by the state may be sold or conveyed as provided in AS 38.05.550 - 38.05.565.

(b) Materials may only be sold or removed from sources or sites designated by the department. The department shall issue a decision under AS 38.05.035(e) that the sale and extraction of materials from that location is in the best interests of the state at the time each source or site is designated. The department shall give notice, in accordance with AS 38.05.945, of the department's decision to designate a source or site for the sale and extraction of materials. After decision and notice, the department may sell materials continuously, without further finding or notice, from that designated source or site under this section until the source or site is closed by the

department.

(c) Each sale of materials must be made through a materials sales contract on a form that has been approved by the attorney general. At the time of each sale the department shall determine

(1) the location of the source or site from which materials are to be removed;

(2) the method of disposal as provided in AS 38.05.555 - 38.05.565; and

(3) the limitations, conditions, and terms of sale, which shall address the utilization, development, and maintenance of the source of the materials.

(d) The commissioner shall provide for valuation of materials in or upon state land. Materials sold or conveyed under AS 38.05.550 - 38.05.565 may, at the director's discretion, be sold ~~either~~ at

(1) representative regional sales prices periodically determined by the commissioner for each type of material and for defined geographic regions, under procedures established by regulation; public notice under AS 38.05.945 must be made whenever the commissioner revises the representative regional sales prices;

(2) fair market value determined by appraisal completed and approved within two years of the date of sale; or

(3) a price less than appraised value, determined under AS 38.05.810(a).

Sec. 38.05.555. Negotiated sales and personal use of materials. (a) Notwithstanding any other provision of AS 38.05.550 - 38.05.565, the director may negotiate the sale of any amount of materials from a source or site designated under AS 38.05.550(b). The period of a contract for a sale of materials negotiated under this section may not exceed five years.

(b) Sales of materials under this section must be made at a representative regional sales price set by the commissioner under AS 38.05.550(d)(1) unless

(1) the director determines that it is in the best interests of the state to sell the materials at fair market value determined by an appraisal provided by the department;

(2) the applicant, at its own cost, elects to provide an appraisal, acceptable to the department, determining the fair market value of the materials to be sold; or

(3) the sale is to a state or federal agency, or political subdivision under AS 38.05.810(a) and the material to be extracted and removed is used for public purposes; sales under this paragraph may be at a price less than appraised value as determined by the director.

(c) Subsequent sales of similar materials from the same source or site may be made by the department at the price established by an appraisal provided under (b) of this section.

(d) Individual negotiated contracts for the sale of materials authorized by (a) of this section are not subject to AS 38.05.035(e) or 38.05.945.

(e) Materials from a source or site designated under AS 38.05.550(b) may be extracted and removed for personal use without cost up to a limit of two cubic yards per person within a one calendar year period. Extraction and removal of materials under this subsection must be approved by the department before extraction operations.

Sec. 38.05.560. Competitive sales of materials. (a) The department shall offer materials from a source or site designated under AS 38.05.550(b) for competitive sale if the department determines that

(1) the sale would result in an exclusive use by the purchaser of a designated source or site;

(2) materials available at a designated source or site are insufficient to supply all anticipated buyers;

(3) the size of the designated source or site is too small to accommodate the extraction operations of all anticipated buyers; or

(4) it is in the best interests of the state.

(b) Notice of a competitive sale of materials from a source or site designated under AS 38.05.550(b) shall be given under AS 38.05.945(a)(4) and shall

(1) describe the location of the designated source or site, and the type and quantity of the materials to be sold;

(2) solicit potential bidders to register with the department to participate in the proposed sale; only persons registered to bid at a proposed sale of materials may bid; and

(3) include the minimum bid for materials to be sold.

(c) A notice of competitive sale required under (b) of this section may be combined with a notice required under AS 38.05.550.

(d) If, after notice under (b) of this section, only one potential bidder has registered to bid at a proposed competitive sale, the competitive sale may be cancelled and the materials sold by negotiation under AS 38.05.555.

(e) Materials sold under this section may be sold either by sealed bid or by public outcry or online auction, in the discretion of the department, to the highest qualified bidder as determined by the department. An aggrieved bidder may appeal to the commissioner under AS 44.37.011 within five days after the sale for a review of the determination. The sale shall be conducted by the director or the director's designee, and at the time of sale the successful bidder shall deposit the amount specified in the terms of sale. The means by which the amount of deposit is determined shall be prescribed by regulation. The director shall immediately issue a receipt containing a description of the materials purchased, the price bid, and the terms of sale. The receipt shall be accepted in writing by the bidder. A contract of sale, on a form approved by the attorney general, shall be signed by the purchaser and the contract shall be signed by the director on behalf of the state. The director may impose conditions, limitations, and terms considered necessary and proper to protect the interests of the state.

Sec. 38.05.562. Violations. Violation of any provision of AS 38.05.550 - 38.05.565 or the terms of the contract of sale subjects the purchaser to appropriate legal action.

Sec. 38.05.565. Sale or disposal of materials for special purposes. (a) The department may negotiate the sale or otherwise dispose of materials from sources or sites other than those designated under AS 38.05.550(b) to

(1) municipalities, other state and federal agencies, or other entities under AS 38.05.872; sales under this section may be at less than fair market value and

materials may be disposed of free of charge if the director determines that such a disposal is in the public interest;

(2) a licensed public utility or a licensed common carrier under AS 38.05.810(e); sales under this section shall be at representative regional sales prices determined under AS 38.05.550(d)(1); or

(3) a holder of a permit, land lease, or right-of-way issued by the department, if the materials to be extracted and removed during the construction, use, or maintenance of a facility authorized by a permit, land lease, or right-of-way, are necessary and incidental to the primary purpose of the permit, land lease, or right-of-way, and the materials are put to beneficial use in a way that alters the character, usefulness, or availability of the materials in their native forms; the department may authorize the sale of materials under terms of the permit, land lease, or right-of-way; sales of materials under this paragraph must be at

(A) the representative regional sales price established under AS 38.05.550(d)(1) unless the sale is to a state or federal agency, political subdivision, or other entity under AS 38.05.810(a); or

(B) a price less than appraised value as determined by the director if the sale is to a state or federal agency, political subdivision, or other entity under AS 38.05.810(a) and the materials to be extracted and removed are used for public purposes.

(b) If materials are moved within and not removed from the boundaries of a permit, land lease, or right-of-way issued by the department, without altering the character, usefulness, or availability of the materials in their native forms, the applicant may not be required to purchase the materials.

(c) In this section, "land lease"

(1) means a lease issued under AS 38.05.070 - 38.05.105;

(2) does not include a lease issued under AS 38.05.131 - 38.05.275.

*** Sec. 15.** AS 38.05.810(b) is amended to read:

(b) Notwithstanding AS 38.05.070 - 38.05.080 and 38.05.095, the director, upon application filed by an applicant eligible under (b) - (d) of this section, may, by negotiation and without **competitive bid** [PUBLIC AUCTION] in the manner

prescribed in (b) - (d) of this section, lease state land for a term of not more than 55 years. Before leasing, the director shall prepare a land use plan and a land classification to insure that the proposed use is compatible with area utilization. Before the land may be leased under (b) - (d) of this section, it must be shown to the satisfaction of the director that the land is to be used for an established or definitely proposed project, and that the eligible applicant has the financial ability to carry out the project. The commissioner may establish limitations on the acreage which may be leased under (b) - (d) of this section to an applicant.

*** Sec. 16.** AS 38.05.810(e) is amended to read:

(e) The lease, sale, or other disposal of state land at appraised fair market value may be negotiated with a licensed public utility or a licensed common carrier by the director with the approval of the commissioner if the utility or carrier reasonably requires the land for the conduct of its business under its license. **Notwithstanding AS 38.05.550 - 38.05.565, the sale of materials necessary for construction, use, or maintenance of property leased, sold, or disposed of under this section may be negotiated by the director.** A lease with a licensed public utility that is an electric utility entered into under this subsection may not include, as part of the rent or other fee that is negotiated or charged, an amount that is based on or determined by a percentage of gross revenue for renewable energy produced by the electric utility.

*** Sec. 17.** AS 38.05.872 is repealed and reenacted to read:

Sec. 38.05.872. Disposition of state land and resources for flood control projects. (a) The department may make conveyances of title or other interests in state land, provide for exchange of land, or make other arrangements with respect to state land, as necessary to meet federally established requirements of flood control projects authorized inside the state by the United States.

(b) The commissioner may convey materials at less than fair market value to municipalities, other state and federal agencies, or other entities, and make other arrangements for land and materials as mitigation of a flooding area where excess material deposition significantly contributes to the flooding, consistent with a site–specific flood mitigation plan approved by the commissioner and determined to be in the best interests of the public.

* **Sec. 18.** AS 38.05.945(b) is amended to read:

(b) When notice is required to be given under this section,

(1) the notice must contain sufficient information in commonly understood terms to inform the public of the nature of the action and the opportunity of the public to comment on it;

(2) if the notice is of a preliminary written finding described in (a)(3)(A) of this section, the department shall give notice at the beginning of the public comment period for the preliminary written finding, notifying the public of the right to submit comments; the department shall give notice by

(A) **posting notice on the Alaska Online Public Notice System for at least 30 consecutive days** [PUBLICATION OF A LEGAL NOTICE IN NEWSPAPERS OF STATEWIDE CIRCULATION AND IN NEWSPAPERS OF GENERAL CIRCULATION IN THE VICINITY OF THE PROPOSED ACTION AT LEAST ONCE A WEEK FOR TWO CONSECUTIVE WEEKS];

(B) publication of a notice in display advertising form **describing the proposed action and referencing the online notice required in (A) of this paragraph in newspapers of statewide circulation and in newspapers of general circulation in the vicinity of the proposed action, if available.** [IN THE NEWSPAPERS DESCRIBED IN (A) OF THIS PARAGRAPH] at least once a week for two consecutive weeks;

(C) public service announcements on the electronic media serving the area to be affected by the proposed action; and

(D) one or more of the following methods:

(i) **publication of a legal notice in newspapers of statewide circulation or in newspapers of general circulation in the vicinity of the proposed action, if available, at least once a week for two consecutive weeks;**

(ii) [(i)] posting in a conspicuous location in the vicinity of the action;

(iii) [(ii)] notification of parties known or likely to be

affected by the action; or

(iv) [(iii)] another method calculated to reach affected parties;

(3) if the notice is of an action described in (a) of this section, other than notice of an action under (a)(3)(A) of this section, the department shall give notice at least 30 days before the action by **posting notice on the Alaska Online Public Notice System for at least 30 consecutive days** [PUBLICATION IN NEWSPAPERS OF STATEWIDE CIRCULATION AND IN NEWSPAPERS OF GENERAL CIRCULATION IN THE VICINITY OF THE PROPOSED ACTION] and **by** one or more of the following methods:

(A) **publication of a notice in display advertising form describing the proposed action and referencing the online notice required in this paragraph in newspapers of statewide circulation and in newspapers of general circulation in the vicinity of the proposed action, if available, at least once a week for two consecutive weeks;**

(B) [(A)] publication through public service announcements on the electronic media serving the area affected by the action;

(C) [(B)] posting in a conspicuous location in the vicinity of the action;

(D) [(C)] notification of parties known or likely to be affected by the action;

(E) publication of a legal notice, at least 30 days before the action, briefly describing the proposed action and referencing the online notice required in this paragraph in newspapers of statewide circulation and in newspapers of general circulation in the vicinity of the proposed action, if available; or

(F) [(D)] another method calculated to reach affected persons.

*** Sec. 19.** AS 38.05.945(b), as amended by sec. 18 of this Act, is further amended to read:

(b) When notice is required to be given under this section,

(1) the notice must contain sufficient information in commonly understood terms to inform the public of the nature of the action and the opportunity

of the public to comment on it;

(2) if the notice is of a preliminary written finding described in (a)(3)(A) of this section, the department shall give notice at the beginning of the public comment period for the preliminary written finding, notifying the public of the right to submit comments; the department shall give notice by

(A) posting notice on the Alaska Online Public Notice System for at least 30 consecutive days;

(B) publication of a notice in display advertising form describing the proposed action and referencing the online notice required in (A) of this paragraph in newspapers of statewide circulation and in newspapers of general circulation in the vicinity of the proposed action, if available, at least once a week for two consecutive weeks;

(C) public service announcements on the electronic media serving the area to be affected by the proposed action; and

(D) one or more of the following methods:

(i) publication of a legal notice in newspapers of statewide circulation or in newspapers of general circulation in the vicinity of the proposed action, if available, at least once a week for two consecutive weeks;

(ii) posting in a conspicuous location in the vicinity of the action;

(iii) notification of parties known or likely to be affected by the action; or

(iv) another method calculated to reach affected parties;

(3) if the notice is of an action described in (a) of this section, other than notice of an action under (a)(3)(A) of this section, the department shall give notice at least 30 days before the action by posting notice on the Alaska Online Public Notice System for at least 30 consecutive days and by one or more of the following methods:

(A) publication of a notice in display advertising form describing the proposed action and referencing the online notice required in

this paragraph in newspapers of statewide circulation and in newspapers of general circulation in the vicinity of the proposed action, if available, at least once a week for two consecutive weeks;

(B) publication through public service announcements on the electronic media serving the area affected by the action;

(C) posting in a conspicuous location in the vicinity of the action;

(D) notification of parties known or likely to be affected by the action; **or**

(E) [PUBLICATION OF A LEGAL NOTICE, AT LEAST 30 DAYS BEFORE THE ACTION, BRIEFLY DESCRIBING THE PROPOSED ACTION AND REFERENCING THE ONLINE NOTICE REQUIRED IN THIS PARAGRAPH IN NEWSPAPERS OF STATEWIDE CIRCULATION AND IN NEWSPAPERS OF GENERAL CIRCULATION IN THE VICINITY OF THE PROPOSED ACTION, IF AVAILABLE; OR

(F)] another method calculated to reach affected persons.

*** Sec. 20.** AS 38.05.965(10) is repealed and reenacted to read:

(10) "materials"

(A) means all common variety rock and minerals of any quality, that are saleable and not subject to location under state or federal mining laws;

(B) includes aggregate, riprap, railroad ballast, road ballast, road metal, peat, silt, loam, sand, gravel, and quarry stone;

*** Sec. 21.** AS 46.15.155(a) is amended to read:

(a) Notwithstanding any contrary provision of this chapter, the commissioner may authorize the temporary use of a significant amount of water, as determined by the department by regulation, for a period of time not to exceed five consecutive years **for each authorization**, if the water applied for has not been appropriated in accordance with this chapter. **In the commissioner's discretion, a new authorization for the temporary use of a significant amount of water may be issued for a project at or before the expiration of the existing authorization issued for the**

same project.

* **Sec. 22.** The uncodified law of the State of Alaska is amended by adding a new section to read:

REVISOR'S INSTRUCTION. The revisor of statutes is instructed to change

(1) the heading of Article 4 of AS 38.05 from "Disposal of Timber and Materials" to "Disposal of Timber";

(2) the catchline of AS 38.05.110 from "Sale of timber and materials; account" to "Sale of timber".

* **Sec. 23.** Section 19 of this Act takes effect July 1, 2017.

* **Sec. 24.** Except as provided in sec. 23 of this Act, this Act takes effect July 1, 2012.

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Governor Sean Parnell
STATE OF ALASKA

February 27, 2012

The Honorable Gary Stevens
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Stevens,

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to the Alaska Land Act, including certain lease, sale, and other disposal of State land and materials; relating to production royalties from miners; and relating to rights to use State water. This bill will reduce the permitting burden and costs of applicants by creating efficiencies, streamlining, and eliminating redundancies in the permit application process.

This bill would accomplish the following:

(1) Allow the Department of Natural Resources to use sealed bid procedures, rather than public auction, if appropriate, for certain leasing and disposal of State land;

(2) Raise the monetary cap for negotiating leases of State land from $5,000 to $10,000;

(3) Give the Department of Natural Resources more flexibility regarding when to issue negotiated leases of land, as opposed to using a competitive bid process;

(4) Allow the Department of Natural Resources to renew mineral and land leases under certain conditions without conducting the same process for initiating a new lease;

(5) Separate out the respective rules and procedures for timber sales and material sales, such as for rock and gravel;

(6) Allow the Department of Natural Resources to convey materials as needed for flood control purposes;

(7) Allow the Department of Natural Resources to exempt small mining operations from having to pay production royalties; and

(8) Provide more flexibility to the Department of Natural Resources in how they notify the public of proposed decisions.

Collectively, these various changes represent an effort by the Department of Natural Resources to make its administration of these programs more efficient. If enacted, these changes will help the Department improve its ability to responsibly manage the State's land and resources in accordance with constitutional principles and statutory directives.

Sincerely,

Sean Parnell

Sean Parnell
Governor

Enclosure

royalty exemptions for small scale miners - how much freedom to give DNR.

Jessie - removes a lot of the public process - gives the Dept. the ability to make a judgement call...

- removing written public notice & simply posting on website → full text on website rather than flyer or ad.

- Dick's amend → some peeps in w. AK who want to use peat w/o paying fees...
- other amends to make bill consistent...

SB 219: Disposals of State Resources
Sectional Analysis

For the Senate Resources Committee

Sections 1 through 4 of the bill revise land sales statutes to clarify that the Division of Mining, Land, and Water can use sealed bids instead of public auctions as the Department of Natural Resources has done for many years.

Sec. 5 revises leasing statutes to increase the appraised value of the transaction from $5,000 to $10,000 per year in order to qualify for negotiated leases.

Sec. 6 revises the statute by adding new subsections to the land leasing laws:

(d) This section revises land leasing laws to provide for conversion of a public, competitive offering process to a negotiated, non-competitive process if after public notice only one interested party expresses interest in acquiring the lease.

(e) This section revises land leasing laws to provide for renewals upon expiration of a lease issued under AS 38.05.070, 38.05.075, or 38.05.810. This would allow for a lease to be renewed one time at the discretion of the director of MLW if certain established conditions are satisfied.

Sections 7 through 9 revise land leasing statutes to clarify that MLW can use sealed bids instead of public auctions.

Sections 10 and 11 separate material sales from timber sales in the statutes. Timber sales would remain under AS 38.05.110 – 123 and a new section would be established for material sales (sand, gravel, rip-rap, stone etc.) under Section 14 of this bill. This will clarify the purposes, methods and procedures for these two different types of property sales, which would provide more certainty to the sales processes.

Sec. 12 changes this statute to conform to the Department of Revenue's mining license tax laws and allow miners to file MLT either by calendar year or the company's fiscal year. This section also gives DNR the authority to exempt, by regulation, small operations from the production royalty.

Sec. 13 revises mining statutes to allow the director of the Division of Mining, Land and Water to extend or renew a submerged land mining lease for up to a period of 20 years.

Sec. 14 proposes to revise the Alaska Land Act by adding new sections under a new Article (14A) to deal specifically with Material Sales. This proposed change, associated with proposed changes under Sections 10 and 11, is intended to separate the two very different types of property sales.

The substantive changes to the material sales statutes under this section separate out the respective rules and procedures for timber sales and material sales (such as for rock and gravel).

The proposed changes would:

- Allow the state to solicit competitive interest in material sales, and if there is none, avoid the longer competitive process;
- Establish how prices would be determined and allow for more use of the representative regional sales price rather than requiring appraisals of the material for each sale;
- Clarify that material may be sold at less than fair market value for certain instances that are in the public interest as related to conditions set in AS 38.05.872; and
- Allow material use that is incidental to other authorizations to be sold without a separate material sale authorization.

Sec. 15 revises public and charitable use statutes to clarify that DNR may negotiate the lease of state land without competitive bid as opposed to public auction. This change amends this section of the law to conform to changes proposed in Sections 1-4, and 7-9 of the bill.

Sec. 16 revises public and charitable use statutes to allow DMLW to negotiate within the leasing process the sale of material necessary for construction, use, maintenance of property leased under AS 38.05.810.

Sec. 17 repeals and reenacts the statute that allows the department to convey materials as needed for certain flood control purposes.

Sec. 18 revises public notice statutes in order to modernize public notice requirements for disposals of property rights.

Sec. 19 repeats Sec. 18 except that it removes the option to post a legal notice referencing the online notification in a newspaper of statewide circulation as of July 1, 2017 per section 23. That option was included as a transitional option to help the public transition to online methods.

Sec. 20 changes the definition of "materials" within the Alaska Lands Act.

Sec. 21 changes Alaska Water Law to clarify that temporary water use permits may be renewed.

Sec. 22 provides instruction to the revisor of statutes to make organizational changes to correspond with the proposed separation of timber sales and material sales being proposed in Sections 10, 11, and 14 of this bill.

Sec. 23 provides that Section 19 of the Act takes effect on July 1, 2017.

Sec. 24 provides that, except as provided in sec. 23 of the Act, the Act takes effect July 1, 2012.

10 leases/yr processed

SB219: Disposals of State Resources
Briefing Paper

For the Senate Resources Committee

The Division of Mining, Land and Water in the Department of Natural Resources has identified over 30 statutory changes that would help reduce applicant costs, create efficiencies by streamlining processes, reduce redundancies, and reduce opportunities for legal challenges. These changes would reduce the permitting burden on the applicant and free more time for staff to work on processing applications. Department of Law has drafted a bill that includes some of the highest priority changes that relate to the certain leasing and disposal programs and to water rights that are administered by the Department of Natural Resources.

The bill would accomplish the following primary objectives:

1) Give the department more flexibility on when to issue negotiated land leases, as opposed to using a competitive bid process

   - The proposed changes would give DNR more flexibility to negotiate leases after solicitation of competitive interest where only one party seeks the lease.
   - Negotiating leases rather than conducting the full process for a competitive lease will improve processing times and decrease administrative expenses.
   - Monetary caps would be raised from $5,000 to $10,000 on negotiated leases. The consumer Price Index and land values have increased statewide over the last decade and the monetary cap for negotiating leases has not been adjusted to reflect these changes in value. This would allow more leases to be negotiated rather than having to be offered competitively, which is more time consuming and delays the issuance of the lease.[1]

   couple leases per year

   - Offering more negotiated leases reduces the time it takes to issue leases and reduces costs to the applicant. This will help us reduce the backlog, and help ensure we are not hampering private-sector development by unnecessarily delaying lease issuances.
   - This change does not apply to oil and gas leases.

2) Allow department discretion in renewing certain land leases in good standing for term equal to initial term

   MAX 55 yrs

   - Significantly reduces the administrative cost to the state for executing a new lease at the end of the primary term for these types of lease.

1. Often leases that are offered competitively do not receive any competitive bidders, thus the time does not add any benefit to the process. This change would not prevent the state from offering competitively if it determined there was a competitive interest.

- Includes the requirement for a lease to be used for purpose of original decision in order to be considered in good standing.
- Reduces cost and processing time for lessee at point of renewal when lessee is in good standing and following all the terms of their initial authorization.
- This change does not apply to oil and gas leases.

3) Separate out the respective rules and procedures for timber sales and material sales (such as for rock and gravel)

- Timber and material sale statutes are intertwined, which has led to misinterpretations because many of the existing statutes are specific to only timber or material sales, but not both.
- The proposed changes would provide clarity and efficiency for the material sales process by:
  - Allowing the state to solicit competitive interest in material sales, and if there is none, avoid the longer competitive process. This would allow sales to be offered through a more efficient negotiated sale process
  - Eliminating multiple duplicative decision processes for material sites that will have multiple sales
  - Establishing how prices would be determined and allowing for more use of the representative regional sales price rather than requiring appraisals of the material, thus reducing cost and processing time for applicants
  - Clarifying that material may be sold at less than fair market value for certain instances that are in the public interest
  - Allowing material use that is incidental to other authorizations to be sold without a separate material sale authorization, reducing processing time and cost for applicants
  - Defining materials in such a way as to add clarity and avoid lengthy disputes
  - Allowing the department to convey materials as needed for certain flood control purposes
- The proposed statute changes would ease the permitting burden on the private sector by allowing material sales to be issued more quickly and efficiently. Also, these changes would improve access to state materials for public benefit, such as to municipalities.

4) Clarify that temporary water use permits may be renewed

- Under current statutes, a permittee must reapply for a Temporary Water Use Authorization (TWUA) permit if their project lasts longer than five years. The application must be submitted at the five-year mark and re-adjudicated by staff, even if the use is for the same amount of water from the same source for the same purposes.

- The proposed change would allow the division to provide a new TWUA at the five-year mark—if the water use is the same—without a formal decision process. This would allow applicants to avoid delays during renewal, and would save the division staff time which could be utilized for processing other authorizations.
- TWUA are not permanent water rights. The division may change or revoke TWUA as necessary.

5) Allow the department to use sealed bid procedures, rather than public auction, where appropriate

- This change would clarify that DNR can use sealed bids to facilitate pubic auctions. The sealed-bid auction option is a more efficient and often more revenue positive option. Using this option will reduce the time it takes to sell or lease state land.
- Without this change, DNR could be challenged on the fact that it cannot utilize sealed bid auctions for public auctions, creating inefficiencies, and making it more difficult for the private sector to obtain state land.
- This change addresses statutes that affect land sales, land leasing, contracts, agricultural preferences, and aquatic farm leasing, but does not affect oil and gas leasing.

6) Modernize public notice requirements for disposals of property rights

- Enables the department to notice disposals of property rights via the Alaska Online Public Notice System and de-emphasize notice given in printed media.
- Helps to limit the cost of public noticing, as the cost for noticing in newspapers is continuing to increase as the popularity of print media decreases.
- Increases flexibility for the department on how we issue public notice.
- Existing statutes require 30 day public notice for disposals of property rights.

7) Give the department the authority to exempt small mining operations from having to pay production royalties

- Creates a savings for small-production miners and the state—amounts of locatable minerals being produced from these operations are diminutive and the state's cost to complete the accounting and processing of the royalty is more than the revenue collected.

8) Revise a portion of the mining royalty law to allow companies to file their mining royalty by either calendar year or fiscal year

- Allows for a simplified process and administrative savings for filing, both for the state and the company.
- Helps to coordinate mining royalty processing between the state and company, which creates efficiencies.

None only place

9) Allow the director ~~of the Division~~ of Mining, Land and Water to extend or renew a submerged land ~~mining~~ lease for up to a period of 20 years

- Significantly reduces the administrative cost to the state for executing a new lease at the end of the primary term for these types of lease.
- Benefits the lessee by providing them more certainty in renewing their lease, pending that they are in good standing with the state with adequate production and in compliance with the terms of their lease.

Information provided by the Department of Natural Resources, Division of Mining, Land and Water.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version	**SB 219**
Fiscal Note Number	1
(S) Publish Date	2/29/12

Identifier (file name)	0717-DFG-SFD-2-22-12	Dept. Affected	ADF&G
Title	PERMIT REFORM	Appropriation	Sport Fisheries
		Allocation	Sport Fisheries
Sponsor	GOVERNOR		
Requester	Rules by Request of the Governor	OMB Component Number	464

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version.

Prepared by	Charles O. Swanton, Director	Phone	465-6189
Division	Sport Fish Division	Date/Time	2/22/2012 3:18PM
Approved by	Cora Campbell	Date	2/22/2012
	Commissioner		

(Revised 8/17/2011 OMB)

FISCAL NOTE #1

STATE OF ALASKA **BILL NO.** SB 219
2012 LEGISLATIVE SESSION

Analysis

There is no anticipated fiscal impact upon the Sport Fish Division.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: SB 219
Fiscal Note Number: 2
(S) Publish Date: 2/29/12

Identifier (file name): LL0717-DOT-SWD-2-21-12
Title: Permit Reform
Sponsor: Governor
Requester: Rules by Request of the Governor

Dept. Affected: DOT&PF
Appropriation: Design, Engineering & Construction
Stwd Design & Eng Services
OMB Component Number: 2357

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	0.0		0.0	0.0	0.0	0.0	0.0
Travel	0.0		0.0	0.0	0.0	0.0	0.0
Services	0.0		0.0	0.0	0.0	0.0	0.0
Commodities	0.0		0.0	0.0	0.0	0.0	0.0
Capital Outlay	0.0		0.0	0.0	0.0	0.0	0.0
Grants, Benefits	0.0		0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0		0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts	0.0		0.0	0.0	0.0	0.0	0.0
1003	GF Match	0.0		0.0	0.0	0.0	0.0	0.0
1004	GF	0.0		0.0	0.0	0.0	0.0	0.0
1005	GF/Prgm (DGF)	0.0		0.0	0.0	0.0	0.0	0.0
1037	GF/MH (UGF)	0.0		0.0	0.0	0.0	0.0	0.0
1178	temp code (UGF)							
TOTAL		0.0		0.0	0.0	0.0	0.0	0.0

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	**0.0**		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version

Prepared by: Brenda Hewitt, Legislative Liaison — Phone: 465-4772
Division: DOT&PF — Date/Time: 2/21/12 5:00 PM
Approved by: Marc Luiken — Date: 2/21/12 5pm
Commissioner

(Revised 8/17/2011 OMB)

FISCAL NOTE #2

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB 219

Analysis

This legislation relates to the Alaska Land Act and the disposal of state land and materials expanding options for the method of sale. The department does not see any fiscal impact from the changes proposed in this legislation.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version	**SB 219**
Fiscal Note Number	3
(S) Publish Date	2/29/12

Identifier (file name)	LL0717-DNR-MLW -02-27-12	Dept. Affected	Department of Natural Resources
Title	DNR Permitting Efficiency Bill	Appropriation	Land & Water Resources
		Allocation	Mining Land & Water
Sponsor	Governor		
Requester	Rules by Request of the Governor	OMB Component Number	3002

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Part-time	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Temporary	**0**	**0**	**0**	**0**	**0**	**0**	**0**

CHANGE IN REVENUES	***	***	***	***	***	***	***

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial Version.

Prepared by	Brent Goodrum, Director	Phone	269-8600
Division	Mining, Land & Water	Date/Time	2/27/12 2:00 PM
Approved by	Daniel S. Sullivan, Commissioner Department of Natural Resources	Date	2/27/2012

(Revised 1/17/2012 OMB)

FISCAL NOTE #3

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB 219

Analysis

LL 0717 proposes to make changes to the Alaska Land Act that are intended to increase efficiency, certainty and timeliness of DNR's land permitting, leasing, mining and land sales programs to permitting applicants.

These proposed changes are not anticipated to have a fiscal impact on the department or the State with the exception of the proposed revision to AS 38.05.212(a), Section 12 of the bill. Under that proposed revision the department would have the authority to exempt, by regulation, small operations from the production royalty. While the definition and threshold level for consideration would need to be established through regulation, DNR anticipates that the net reduction in actual royalties paid to the state under this exemption could be around $10,000 per year. This is because mining operations are allowed to deduct certain operating costs against any royalty due to the state and it is anticipated that the deductions allowed most small operations would equal or exceed any royalty due. Most small operations actually pay no royalty but are still required to go through the accounting and filing operations. The primary benefit of this proposed statute change would come from the cost savings of both DNR and the small operators' administrative efforts to track, calculate and report minimal royalty payments. DNR would then be able to apply this savings in staff time to other, more pressing mining issues.

Because the number of small operations and the threshold level for this exemption must be established through the regulatory process, and because of the variability of the price of metals, DNR cannot provide an estimate of the actual reduction in royalty income at this time. As such the actual reduction to the state's revenue is indeterminate.

The other sections of the bill will either create efficiencies or prevent inefficiencies. The revisions will benefit both the applicant and the State. The applicant will be saved time and cost by the changes.

MEMORANDUM
Department of Natural Resources

STATE OF ALASKA
Office of the Commissioner

TO:	Rep. Eric Feige, Co-Chair Rep. Paul Seaton, Co-Chair	DATE:	March 13, 2012
		TELEPHONE:	465-4730
FROM:	Esther Tempel, Legislative Liaison	SUBJECT:	HB 361 Follow-Up

During the March 5, 2012 hearing on HB 361, the following questions were raised. Please find below the responses from the Division of Mining, Land and Water along with the original questions that were asked (bolded).

Please let me or Dep. Director Wyn Menefee know if you require any further information or have any additional questions.

Note all references to the bill are working off of version 27-GH2717\A

How many leases would be affected by point one of the briefing paper (allowing more leases to be negotiated)?

Let us first clarify that this does not retroactively affect any existing leases. It only applies to future applications for leases. We can not accurately predict how many leases will be applied for and where. We can only look at the historical data and generalize the response.

The goal is to move more lease application processing from full competitive process to negotiated process. There are two parts of the bill that address this effort to shorten the processing time and reduce costs to the applicants. A negotiated process avoids the necessity to prepare an auction brochure, wait 30 additional days after posting notice of the auction, hold the auction and then issue the lease. (See attached chart)

On the first part under Section 5 (on page 3 line 5): the intent is to raise the initial threshold for allowing the director discretion to negotiate leases when the yearly appraised value of the transaction (i.e., rental value) does not exceed $10,000 and the term will not exceed 10 years. The vast majority of our leases do not exceed this value. Most leases are already below the existing $5000 threshold and only a handful of leases would be affected by this change each year. For example, certain larger tracts near communities or on the North Slope (leases of land outside of oil and gas lease boundaries or for non-oil and gas development) could exceed the $5,000 value. Raising the threshold to $10,000 would not automatically move the leases to the negotiated process, but rather provide the director discretion to use the negotiated process.

The second part under Section 6 (on page 3 line 14) would affect many more leases. The intent of part (d) is to first solicit competitive interest in an area where we have a lease application, and if there is no interest other than the applicant, we would begin to negotiate the lease with the applicant, thus avoiding the competitive auction process. We get between 10 – 20 lease applications per year that could potentially be affected by this revision. Why not specify in law then instead of leaving up to "discretion of director"?
Currently these revisions would allow this type of negotiated process for any lease that falls under AS 38.05.070. This includes leasing of uplands, and tide, submerged or shorelands except for resource extraction such as timber, mining or oil and gas leasing. The revisions are broad enough to be applicable for recreational facilities development, aquatic farm, hatchery, and shore fishery leasing. Where more specific statutes are applicable, such as in the shore fishery leasing under AS 38.05.082, the more specific statutes would prevail if there was a conflict.

Under briefing paper point 2, list what types of leases would be affected by this renewal clause?

This revision in Section 6 (on page 3 line 19) allows the director to renew leases that are in good standing one time. Because this revision is in AS 38.05.070 and includes direct references to leases issued under AS 38.05.075 (leasing procedures) and those issued under AS 38.05.810 (public and charitable leases), the renewal clause affects leases of uplands, and tide, submerged or shorelands except

for resource extraction such as timber, mining or oil and gas leasing. This could include everything from docks to lodges to energy production to storage facilities. It is applicable for recreational facilities development, aquatic farm, hatchery, and shore fishery leasing. It would not include leases under the Remote Recreational Cabin Site Program or agricultural preference rights.

Can renewals be applied for before the expiration of the lease?

There are three sections of HB361 that addresses renewals, sections 6 (general leases), 13 (submerged mineral leases), and 21 (temporary water use authorizations). There was concern expressed that lessees should have the ability to apply for renewal sooner than at the point of lease expiration. In all cases the statute would allow leases to be applied for before point of expiration. DNR would seek a determination of whether the lessee would want a renewal in sufficient time before expiration to allow for the renewal decision to be made before expiration. In some cases there may be some reasonable restrictions that would limit how far before the date of expiration a request for renewal could be received. For instance in aquatic farming and mineral leasing, there are requirements of annual reporting of production. DNR would not consider renewal of the lease more than a year before date of expiration to allow time for review of the last year's production reports to determine if the lessee was still in good standing following the stipulations in the lease. Note existing AS 38.05.250(c) allows for submerged mineral leases to be renewed year by year as long as there is production in paying quantities from the leased area, but does not allow for renewals of 20 year terms. This revision under section 13 allows the longer term renewal that provides more certainty for the lessee in business planning.

Do current land leases provide any first right of refusal to give the current lessee the upper hand on reissuance?

Under the current statutes, any reissuance of a lease at the end of a term would require a competitive process. If there was competitive interest and a new applicant were to win the auction, they would be required to reimburse the previous lessee for any of the improvements that the first lessee had built provided that they want to continue in the same use of the land. But the first lessee does not have the first right of refusal.

Under briefing paper point 4, verify that you could issue TWUA before end of term if it makes sense.

As mentioned before, under the revision in section 21, the temporary water use authorizations can be issued at or before the end of the lease.

Clarification of briefing paper point 8: it is mining royalty not mining license tax.

As a reminder, point 8 on the briefing paper is incorrect in saying that we are revising mining licensing tax law referring to Section 12 on page 6 of the bill. We are instead revising the mining royalty law. The statute revision is correct but the briefing paper used an incorrect term when referring to Section 12. The change in Section 12 does not conflict with the Department of Revenue's regulations which state that the mining license tax year is the same as that person's tax year for federal income tax purposes.

Follow up on Agricultural preference right auction question from Representative Seaton

The committee questioned whether the changes suggested in Section 3 (on page 2 line 22) adversely affected the state getting adequate compensation and would be used to stifle bidding. Upon further review of this section, DNR does not believe that the revision to allow the use of sealed bids in any way alters the probable outcome of an agricultural auction held under this section of statute. This area of statute in AS 38.05.069 provides an agricultural preference right. The apparent reason for the existence of this section is to allow agricultural land owners the right to broaden their land ownership if adjacent agricultural land becomes available. This preference right only comes into play when the commissioner has determined that the highest and best use of the unoccupied land to be leased is for agricultural use, and the adjacent owner is an Alaskan resident already using that adjacent parcel for agricultural purposes. This provides the right of the existing farmer to meet high bid to expand their farm. Whether the auction occurs through sealed bid or outcry auction, the adjacent land owner knows they can match high bid to purchase adjacent land through the preference right. They have no incentive to put in a high bid through sealed bid or to drive up the price through an outcry auction. They would wait to match the high bid in either event. Therefore it would not affect the outcome of the auction.

The revision DNR suggests does not address the underlying issue of whether the agricultural preference under the existing statute is the best policy; rather we seek to bring consistency in statute regarding the use of sealed bids or auctions. If there is a desire by the committee to address the underlying policy question of whether the state should offer the agricultural preference in the first place, we suggest that it be done in a separate statute revision.

ALASKA STATE LEGISLATURE

SENATOR THOMAS H. WAGONER

Co-Chair: Senate Resources Committee

Member: C&RA Committee
Member: Regulatory Review
Member: LB&A Committee
Member: World Trade

Official Business

Session: January - May
State Capitol, #427
Juneau, AK 99801
Phone: 907-465-2828 Fax: 907-465-4779

Interim: May - December
145 Main Street Loop, Suite 226
Kenai, AK 99611
Phone: 907-283-7996 Fax: 907-283-8127

DATE: April 3, 2012
TO: Leg. Legal
FROM: Mary Jackson
RE: Final Committee Bills – SB 145 & SB 219

The Senate Resources Committee met on April 2 and acted on SB 145 and SB 219.

Please provide a CS for those bills, per the Committee's actions, as follows:

SB 145 – adopted the following amendments to Draft CS SB 145 version \D:
27-LS1078\D.3 offered by Wielechowski & French (Amend #1)
27-LS1078\D.5 offered by French
French amended from "four" years to "five" years, no objection by committee. Amended amendment was no objection.

SB 219 – adopted the following amendments to version \A
27-GS2717\A.1 offered by Wagoner
27-GS2717\A.2 offered by French
27-GS2717\A.4 offered by French
27-GS2717\A.6 offered by Wielechowski

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM April 2, 2012

SUBJECT: Does an exemption from paying mining production royalties violate sec. 6(i) of the Statehood Act (SB 219, Work Order No. 27-GS2717\A)

TO: Senator Bill Wielechowski
Attn: Michelle Sydeman

FROM: Dennis C. Bailey
Legislative Counsel

You have requested an opinion concerning whether a provision in SB 219 authorizing the department to exempt small operations from production violates sec. 6(i) of the Statehood Act.[1]

Section 12 of SB 219 provides:

> * **Sec. 12.** AS 38.05.212(a) is amended to read:
>
> (a) In exchange for and to preserve the right to extract and possess the minerals produced, the holder of a mining claim, leasehold location, or mining lease, including a mining lease under AS 38.05.250, shall pay a royalty on all minerals produced from land subject to the claim, leasehold location, or mining lease during each calendar year**, or each fiscal year if the miner does not file the mining license tax on a calendar year basis. The department may exempt, by regulation, small operations from the production royalty otherwise required by this section**.

The last sentence is the subject of your question.

Your request suggested that the Alaska Supreme Court may have addressed this issue. The case is *Trustees for Alaska v. State*, 736 P.2d 324 (Alaska 1987), *cert. den.* 486 U.S. 1032, 108 S.Ct. 2013, 100 L.Ed.2d 601 (1988), where the court, following a detailed basis for its conclusion, decided that the leasing requirement in section 6(i) of the Alaska Statehood Act, considered in the context of the School Lands Act, the Mineral Leasing Act, other statehood mineral grants, and mineral leasing systems in other states, mandates

---

[1] The state constitution was adopted containing a provision expressly consenting to the terms of the Statehood Act. *Trustees for Alaska v. State*, 736 P.2d 324 (Alaska 1987), cert denied, 486 U.S. 1032, 108 S.Ct. 2013, 100 L.Ed.2d 601 (1988).

a system under which the State of Alaska must receive rent or royalties for its mining leases. The decision determined that the state could not forego or fail to charge and collect rents and royalties. The court stated that the state hard rock mineral leasing laws that did not require rents or royalties did not meet the leasing requirements of sec. 6(i). *Trustees* at 339. The proposed amendment to AS 38.05.212(a) in SB 219, sec. 12, apparently provides for a circumstance where small operations would be exempt from royalties. Therefore it likely to be found to violate the terms of Statehood Act.

Let me know if you would like a copy of the case.

If I may be of further assistance, please advise.

DCB:ljw
12-245.ljw

SB 219 INFO

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF MINING, LAND AND WATER

SEAN PARNELL, GOVERNOR

550 WEST 7TH AVENUE, SUITE 1070
ANCHORAGE, ALASKA 99501-3579
PHONE: (907) 269-8600
FAX: (907) 269-8904

The Honorable Senator Wagoner, Co-Chair Senate Resources Committee
State Capitol Room 427
Juneau AK, 99801

March 30, 2012

Dear Representative Wagoner and members of the Senate Resources Committee,

The following questions were asked during Senate Resources on 3/28/12. I have attempted to answer the questions to the best of my ability while attempting to provide a timely response.

Land Leasing:

- **What is the renewal process for leases? What changes result if we were to pass this bill?**
  An attached chart (1) shows some things that will be considered during the lease renewal process.
- ***What are some examples of leases that fall into the various ranges (lease term) and uses/types of operations from big to small?***
  The attached chart (2) shows some examples of the types of leases that have been issued for different lengths of term. The types of projects that require leases range in size and complexity, including but not limited to communication sites, long term gravel pads, commercial recreation facilities, docks, industrial processing facilities, public and charitable facilities, ski area, log transfer facilities, setnet leases and mariculture operations.
- ***How many leases are 55 years long?***
  We do not have a database that tracks the length of the lease specifically so I can not readily pull that information. DMLW has many 55 year leases. The division evaluates the nature of infrastructure investment to determine the length of lease. The vast majority of leases are issued for 35 years or less. However, in the earlier years of the state, there were slightly different standards and we will see 55 year leases coming up for renewal.
- ***How many leases does DNR process or administer yearly?***
  DNR administers 1650 land leases at this time. This does not include oil and gas or mining leases. In FY11 DMLW received 88 applications and processed 39 leases. In FY10 DMLW received 70 applications and processed 64 leases. During testimony the figures I provided were for just the upland and tideland leases and failed to include aquatic farm, set net, public and charitable and log transfer leases. In FY11, DMLW received 12 applications and processed 8 upland and tideland leases. I have attached a spreadsheet (3) that shows the statistics for the last several years.

Temporary Water Use Authorizations:

- ***What is the legal standard for appeal process (in context of renewing TWUA)?***
  Because renewal of a Temporary Water Use Authorization would likely be viewed by a reviewing court as a discretionary agency action not requiring formal procedures, the

applicable standard of review would be the "arbitrary and capricious or abuse of discretion" standard. Under that standard, the Court determines whether the agency's decision was based on consideration of the relevant factors, and whether there has been a clear error of judgment by the agency. If the appeal of the agency's decision raises a legal issue, such as how the governing statute or regulation should be interpreted, different and less deferential standards of review may apply instead.

- ***How will the public know that DMLW has issued a TWUA in order to potentially avail themselves of the right to appeal?***
  DNR has a website where those interested can search for TWUAs. This can be either done by company name, status date or MTRS. The public can access this site from the DNR website under Water Rights and then a link for Water Maps and Data. Once you have obtained the results you can export them into an excel spreadsheet.

http://dnr.alaska.gov/mlw/mapguide/water/twup_start_tok.cfm

- ***Why is repetitively issuing a TWUA not defacto the same as obtaining a permanent water right?***
  A permanent water right is a property right. A TWUA is not a right to water. It can be changed, revoked, additional conditions may be added, reduction in water quantities or use period, suspended to protect the public interest, etc. None of this can be done to a water right without consent of the water right appropriator or abandonment of the water use/source. Therefore the TWUA is designed to allow the DMLW to manage the water use in Alaska whereas a water right is a process where a company or individual can protect their water source from others from adversely affecting their use.
- ***Check on the details of Pioneer's difficulty in getting water from ConocoPhillips Incorporated Alaska (CPIA), mentioned an AOGCC hearing and if it was a TWUA issue. Are there water shortage issues where issuing TWUA would exclude the independents who are trying to enter the North Slope?***
  Pioneer's issue with receiving water from CPIA is in regard to the amount of water the desalination facility CPIA owns can produce verses how much water CPIA needs. When CPIA's needs are low they can provide more water to Pioneer, but when CPIA's needs are higher, then they reduce or stop the quantity of water supplied to Pioneer. The solution to this is either for CPIA to expand their facility or Pioneer to build one of their own.
- ***Are there water shortage issues where issuing TWUA would exclude the independents who are trying to enter the North Slope?***
  As stated in testimony, there are not water shortage issues that we know of that have prevented development. However we recognize that certain areas of the North Slope do have less water in surface systems. Development companies incorporate water use into their planning on the North Slope, and where there is concern over competition to limited resources it is typically in the business' best interest to seek to obtain a water right versus a TWUA.

If you have any further questions, please do not hesitate to contact me.

Sincerely,

Wyn Menefee
DMLW Chief of Operations

Issue Original lease	Reissue under current Law	Reissue under Revised Law for existing leases	Reissue under Revised Law for new leases
Agency Notice	Agency Notice	Agency Notice	Initially decide if going to renew; other more important use? Another use would warrant full AS 38.05.035(e) decision process
Preliminary Decision	Preliminary Decision	Public Notice	Public Notice was given at initial lease but will also be done at renewal
Public Notice	Public Notice	Administrative Record of Decision	Administrative Record of Decision
Final Decision	Final Decision	Appeal	Appeal
Appeal	Appeal	Appraisal every 5 years	Appraisal every 5 years
Early Entry Authorization	Appraisal every 5 years	Issue Lease Renewal	Issue Lease Renewal
Survey and Appraisal	Issue new Lease		
Issue Lease			

Division of Mining, Land and Water Data for Other Actions

	FY06				FY07				FY08				FY09				FY10				FY11				As of 12/30/11	
Authorization Type	*Appl Rec'd*	*Qty Issued*	*End of Year Backlog*	*Cycle Time*	*Appl Rec'd*	*Qty Issued*	*End of Year Backlog*	*Cycle Time*	*Appl Rec'd*	*Qty Issued*	*End of Year Backlog*	*Cycle Time*	*Appl Rec'd*	*Qty Issued*	*End of Year Backlog*	*Cycle Time*	*Appl Rec'd*	*Qty Issued*	*End of Year Backlog*	*Cycle Time*	*Appl Rec'd*	*Qty Issued*	*End of Year Backlog*	*Cycle Time*	*Qty Administerd*	*Backlog*
Easement Vacations	42	31	71	16.8 M	25	21	75	18.7 M	26	29	72	16.8 M	26	9	89	17.5 M	22	21	90	23 M	23	17	91	9.8 M	789	115
Plat Approval Unorganized Borough	82	77	132	8.7 M	88	57	163	8.2 M	75	81	157	7.7 M	64	54	167	7.8 M	55	46	176	9.9 M	51	48	178	9.7 M	646	178
Interagency Land Management Assignments	23	24	94	5.6 M	12	13	93	3.8 M	17	18	92	Missing Data	9	6	95	1.5 M	25	23	97	Missing data	13	11	98	missing data	1105	100
Trespass	40	27	533	60.6 M	47	18	562	21 M	42	25	579	21.8 M	69	17	631	47.9 M	42	20	653	30.9 M	36	21	676	29 M	680	680
Totals	187	159	830		172	109	893		160	153	900		168	86	982		144	110	1016		123	97	1043		3220	1055

10 Year Leases

	ADL	Name	Industry	Size	Length
1	220410	Susitna Duck Club	Commercial rec	< 1 acre	10 Years
2	228642	US F&G	Small comm site	<1 acre	10 Years
3	225566	Mountaineering Club of AK	Mt. hut	< 1 acre	10 Years
4	221799	Mark's Guide Service	Guide site	1 acre	10 Years
5	227956	Alaska Rainbow Lodge	Guide site	1 acre	10 Years
6	222642	USFWS Comm Site	Small comm site	1 acre	10 Years
7					
8					
9					
10					
11					
12					
13					
14					
15					

Mid length Leases

	ADL	Name	Industry	Size	Length
1	44350	AT&T Comm Site	Large comm site	< 1 acre	25 Years
2	44351	AT&T Comm Site	Large Comm site	< 1 acre	25 Years
3	229762	FAA-Rainy Pass	Weather station	< 1 acre	20 Years
4	229109	Backcountry Adventures	Guide site	3.54 acres	30 Years
5	228829	Copper River EMA	Ambulance station	2 acres	30 Years
6	227818	Iditarod Area School District	Science Camp	2 acres	20 Years
7	60911	P&C Lease, Alascom	Large comm site	3.67 acres	20 Years
8	67915	P&C Lease, USDHS Coast Guard	Small dock	87.3 acres	20 Years
9	221779	Negotiated Lease	Shore Fishery	1 acres	20 Years
10	223655	Tideland Lease	Small dock	< 1 acre	20 Years
11					
12					
13					
14					
15					

55 Year Leases

	ADL	Name	Industry	Size	Length
1	230925	CINGSA	Gas Injection	7 acres	55 Years
2	223351	TDX Dock at St. Paul	Crab Processing	10 acres	55 Years
3	64269	Amerada Hess Pipeline Corp	Dock	435.2 acres	55 Years
4	32549	Hilcorp Alaska-Cook Inlet	O&G Dock	170 acres	55 Years
5	36127	Subdivision Lease	Residential-1963	1.6 acres	55 Years
6	57396	Mt. Eyak Ski Resort	City of Cordova	508 acres	55 Years
7	60211	William Wren	Dock	7.9 acres	55 Years
8					
9					
10					
11					
12					
13					
14					
15					

SB 219 Amendments

Senate Resources

4-2-12

27-GS2717\A.1
Bailey
3/31/12

AMENDMENT #1

OFFERED IN THE SENATE BY SENATOR WAGONER

TO: SB 219

Page 1, line 1:

Delete "**lease, sale and other disposal**"

Insert "**leases, sales, and other disposals**"

Page 1, following line 4:

Insert a new bill section to read:

"* **Section 1.** AS 38.05.050 is amended to read:

Sec. 38.05.050. Disposal of land for private ownership. The commissioner shall determine the land to be disposed of for private use. The commissioner shall determine the time and place of disposal. **A public** [AN] auction sale, **sale by sealed bid,** a lottery sale, or a disposal of land for homesites may be held in a community that is near the land to be sold or disposed of."

Page 1, line 5:

Delete "**Section 1**"

Insert "**Sec. 2**"

Renumber the following bill sections accordingly.

Page 1, line 10:

Delete "no"

Insert "**not** [NO]"

Page 3, line 22:

Delete "only be renewed"

Insert "be renewed only"

Page 3, line 23:

Delete "no"

Insert "not"

Page 4, line 5, following "38.05.102,":

Insert "**38.05.565.**" — less the PMV sale

Page 5, following line 2:

Insert new bill sections to read:

"* **Sec. 10.** AS 38.05.075(e) is amended to read:

(e) The commissioner may require prequalification of bidders for a lease to be issued under AS 38.05.070. If the commissioner determines to require prequalification, the procedures established by this section and the notice including **prequalification** [PRE-QUALIFICATION] requirements required to be given under AS 38.05.945 shall be completed within 75 days of the receipt of the first lease application unless the commissioner grants additional time for the completion of the procedures. Within the 75-day period or the additional time granted by the commissioner, the commissioner shall complete

(1) classification under AS 38.05.300;

(2) the procedures required by AS 38.05.035(e);

(3) any other action required by ~~law for the disposal~~ of the lease to a bidder except survey, appraisal, and the auction **or sealed bid**.

* **Sec. 11.** AS 38.05.075(g) is amended to read:

(g) Notice of an auction **or sealed bid** required under this section shall be made by certified mail to all prequalified bidders."

Renumber the following bill sections accordingly.

Page 5, following line 19:

Insert a new bill section to read:

"* **Sec. 14.** AS 38.05.115 is amended to read:

Sec. 38.05.115. Limitations and conditions of sale. (a) The commissioner shall determine the timber [AND OTHER MATERIALS] to be sold [,] and the limitations, conditions, and terms of sale. The limitations, conditions, and terms shall include the utilization, development, and maintenance of the sustained yield principle, subject to preference among other beneficial uses. The commissioner may negotiate sales of timber [OR MATERIALS] without advertisement and on the limitations, conditions, and terms that are considered to be in the best interests of the state. Within a one-year period, the commissioner may not negotiate a sale without advertisement to the same purchaser of

[(1)] more than 500 M.B.M. or equivalent other measure of timber [;

(2) EXCEPT AS PROVIDED IN (3) OF THIS SUBSECTION, MORE THAN 25,000 CUBIC YARDS OF MATERIALS; OR

(3) MORE THAN 100,000 CUBIC YARDS OF MATERIALS TO A COMMON CARRIER HOLDING A LEASE UNDER AS 38.35].

(b) Negotiated sales not exceeding 50 M.B.M. or the equivalent other measure of timber [OR 2,500 CUBIC YARDS OF MATERIALS] are exempt from the provisions of AS 34.15.150.

(c) The limitations of this section are not applicable to timber **that** [WHICH] becomes state property under the provisions of AS 45.50.210 - 45.50.235."

Renumber the following bill sections accordingly.

Page 6, line 21:

Delete "**14A**"

Insert "**13A**"

Page 6, line 22:

Delete "in fee"

Page 7, line 13:

Delete "either"

Page 8, line 15:

Delete "per person within a one calendar year"

Insert "a person within a one-calendar-year"

Page 8, following line 17:

Insert a new subsection to read:

"(f) Notwithstanding (a) - (e) of this section, for the purpose of creating incentives for the development of peat as a source of heat or power, the director may negotiate the sale of peat to individuals, organized or unorganized communities, tribal governments, or private profit or nonprofit organizations. Under this subsection, the director may provide

(1) for personal use by an individual, not more than 200 cubic yards of peat a year at no cost;

(2) for commercial use, not more than 30,000 cubic yards of peat during a single 10-year period at no cost; or

(3) for commercial use requiring more than 30,000 cubic yards of peat, the amount required by the user during a 10-year period beginning when the user uses more than 30,000 yards of peat at the price of

(A) 20 percent of the representative regional sales price determined by the director under AS 38.05.550(d)(1); or

(B) 20 percent of the fair market value determined by an appraisal completed under AS 38.05.550(d)(2), if the applicant provides the appraisal at the applicant's expense and the appraisal is approved by the commissioner."

Page 9, line 31:

Delete "section"
Insert "paragraph"

Page 10, line 1:
Delete "such a"
Insert "the"

Page 10, line 4:
Delete "section"
Insert "paragraph"

Page 11, line 3:
Delete "insure"
Insert "**ensure** [INSURE]"

Page 11, line 7:
Delete "which"
Insert "**that** [WHICH]"

Page 12, line 12:
Delete "[(i)]"

Page 13, line 16:
Delete "[(A)]"

Page 13, line 28:
Delete "sec. 18"
Insert "sec. 22"
Delete "further"

Page 15, line 23:

Delete "and quarry stone"

Insert "stone, pumice, and common clay"

Page 15, following line 23:

Insert a new bill section to read:

"* **Sec. 25.** AS 41.23.470(b) is amended to read:

(b) The commissioner may conduct only a negotiated timber [OR MATERIAL] sale under AS 38.05.115 to provide for personal use, including house logs and firewood, or for a use incidental to the construction of access, or for habitat enhancement."

Renumber the following bill sections accordingly.

Page 16, line 5:

Delete "Article"

Insert "art."

Page 16, line 7:

Delete "catchline"

Insert "catch line"

Page 16, line 9:

Delete "Section 19"

Insert "Section 23"

Page 16, line 10:

Delete "sec. 23"

Insert "sec. 28"

27-GS2717\A.2
Bailey
3/31/12

AMENDMENT #2

OFFERED IN THE SENATE BY SENATOR FRENCH

TO: SB 219

Page 3, line 23, following "lease.":

Insert "The director shall provide public notice of the lease renewal decision."

27-GS2717\A.3
Bailey
3/31/12

AMENDMENT

W/drawn

OFFERED IN THE SENATE BY SENATOR FRENCH

TO: SB 219

Page 6, line 18, following "**if**":

Insert "**the leased area produces paying quantities of ore, the lessee is in compliance with the terms of the lease, and**"

Page 6, line 19, following "**state.**":

Insert "**A lease under this section may be renewed only once. The director shall provide public notice of the lease renewal decision.**"

27-GS2717\A.4
Bailey
3/31/12

AMENDMENT #3

OFFERED IN THE SENATE BY SENATOR FRENCH

TO: SB 219

Page 1, line 3:

Delete "**relating to rights to use state water;**"

Page 15, line 24, through page 16, line 1:

Delete all material.

Renumber the following bill sections accordingly.

Page 16, line 10:

Delete "sec. 23"

Insert "sec. 22"

27-GS2717\A.6
Bailey
3/31/12

AMENDMENT #4

OFFERED IN THE SENATE BY SENATOR WIELECHOWSKI

TO: SB 219

Page 6, lines 12 - 13:

Delete "**. The department may exempt, by regulation, small operations from the production royalty otherwise required by this section**"

$10,000

10,000 annually

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM April 2, 2012

SUBJECT: Does an exemption from paying mining production royalties violate sec. 6(i) of the Statehood Act (SB 219, Work Order No. 27-GS2717\A)

TO: Senator Bill Wielechowski
Attn: Michelle Sydeman

FROM: Dennis C. Bailey
Legislative Counsel

You have requested an opinion concerning whether a provision in SB 219 authorizing the department to exempt small operations from production violates sec. 6(i) of the Statehood Act.[1]

Section 12 of SB 219 provides:

> * **Sec. 12.** AS 38.05.212(a) is amended to read:
> (a) In exchange for and to preserve the right to extract and possess the minerals produced, the holder of a mining claim, leasehold location, or mining lease, including a mining lease under AS 38.05.250, shall pay a royalty on all minerals produced from land subject to the claim, leasehold location, or mining lease during each calendar year**, or each fiscal year if the miner does not file the mining license tax on a calendar year basis. The department may exempt, by regulation, small operations from the production royalty otherwise required by this section**.

The last sentence is the subject of your question.

Your request suggested that the Alaska Supreme Court may have addressed this issue. The case is *Trustees for Alaska v. State*, 736 P.2d 324 (Alaska 1987), *cert. den.* 486 U.S. 1032, 108 S.Ct. 2013, 100 L.Ed.2d 601 (1988), where the court, following a detailed basis for its conclusion, decided that the leasing requirement in section 6(i) of the Alaska Statehood Act, considered in the context of the School Lands Act, the Mineral Leasing Act, other statehood mineral grants, and mineral leasing systems in other states, mandates

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[1] The state constitution was adopted containing a provision expressly consenting to the terms of the Statehood Act. *Trustees for Alaska v. State*, 736 P.2d 324 (Alaska 1987), cert denied, 486 U.S. 1032, 108 S.Ct. 2013, 100 L.Ed.2d 601 (1988).

a system under which the State of Alaska must receive rent or royalties for its mining leases. The decision determined that the state could not forego or fail to charge and collect rents and royalties. The court stated that the state hard rock mineral leasing laws that did not require rents or royalties did not meet the leasing requirements of sec. 6(i). *Trustees* at 339. The proposed amendment to AS 38.05.212(a) in SB 219, sec. 12, apparently provides for a circumstance where small operations would be exempt from royalties. Therefore it likely to be found to violate the terms of Statehood Act.

Let me know if you would like a copy of the case.

If I may be of further assistance, please advise.

DCB:ljw
12-245.ljw

Anna Sorensen

From: Lissa Hughes <Lissa@northern.org>
Sent: Monday, April 02, 2012 2:19 PM
To: Jeff Stepp
Cc: Anna Sorensen; Pamela Miller
Subject: SB 145 - to Paskvan for hearing at 3_30 pm today

Jeff,

Here are some basic concerns the Northern Alaska Environmental Center has on SB 145. Can you put these questions in front of Sen. Paskvan before he goes into Resources Committee?

The proposed expansion of this bill by ADNR's presented information and the filed amendments to include other regions of the state besides Nenana greatly expands the geographic reach of this bill and potential state subsidy to corporations. This is of concern from a fiscal standpoint. There did not appear to be a fiscal note for the expanded version of the bill.

How would this energy generation meet the needs of these communities in light of the fact that oil refining would not likely take place locally? What incentives for renewable energy projects in those communities are underway, or have been requested and not yet funded to date? How do the rate of funding of renewable energy projects requested by communities compare to this corporate subsidy?

The geographic explosion, beyond Nenana basin, is a concern from an environmental standpoint and public transparency standpoint since Doyon and others have not made their current proposed exploration plans public.

There has been considerable opposition to Doyon's oil and gas development over many years within the Yukon Flats by the tribal government at Fort Yukon and others within that community, and there has been no news about this new effort to expand the subsidy to drill in the Yukon Flats to inform the general public what is going on.

The geographic expansion of the state subsidy to cover wells drilled on federal lands within the newly added regions, such as Yukon Flats National Wildlife Refuge, makes the bill far more controversial.

Many Thanks!
Lissa

SB 219 – Disposals of State Resources – Issues

A. Section 6, page 3, lines 19-23.

Allows the director of Mining, Land and Water to renew land use leases that are in good standing one time if the renewal is determined to be in the best interests of the state. Exempts renewals from undergoing a detailed best interest finding required under AS 38.05.035(e). Affects leases on uplands, and tide, submerged or shore lands except for resource extraction such as timber, mining or oil and gas leasing. Examples: docks, lodges, shore fishery leasing, aquatic farms, hatcheries, recreational facilities, other facilities.

1. What is the potential maximum term for a lease renewal?
2. What is the procedure for a lease renewal?
    a. Will a renewal decision be public noticed?
    b. Will there be an opportunity for public comment on a lease renewal?
    c. Could someone opposing the renewal appeal the renewal decision?
3. What bond requirements will apply to lease renewals?
4. Will there be regulations addressing the procedure for a lease renewal?

B. Section 13, page 6, lines 14-19.

Currently a 20-year submerged land mining lease may be extended on a year-to-year basis as long as there is production in paying quantities from the leased area. This section gives the director the discretion to renew a submerged land mining lease for up to a period of 20 years if the director determines the renewal is in the best interests of the state. According to DNR, under the lease terms, a lease may be terminated if there is no production in paying quantities. There is no limit to the number of times a lease may be renewed.

1. What is the procedure for a lease renewal?
    a. Will a renewal decision be public noticed?
    b. Will there be an opportunity for public comment on a lease renewal?

c. Could someone opposing the renewal appeal the renewal decision?

2. What bond requirements will apply to lease renewals?

3. Will there be regulations addressing the procedure for a lease renewal?

It's not entirely clear that a renewal may be approved only if there is production in paying quantities at the time of the renewal. Possible amendment to make this clearer:

On line 16, after "leased area." delete "A" and insert "If there is production in paying quantities from the leased area, a"

The section would read as follows:

(c) Each submerged land mining lease shall be for a period of up to 20 years and for so long as there is production in paying quantities from the leased area. **If there is production in paying quantities from the leased area, a submerged land mining lease may be renewed for a period of up to 20 years at the discretion of the director if the director determines that the renewal is in the best interests of the state."**

C. Section 21, page 15-16, lines 24-31.

Temporary water use permits are currently issued for a period of time not to exceed five consecutive years. There is no specified limit to the size of allowable withdrawals – limits are determined by the size of the source. This section gives the commissioner the discretion to issue a new authorization for the same project. There are no limits as to how many times a new authorization may be issued.

1. Are there any sidebars to the commissioner's discretion? For example, current regulations say a temporary water use authorization may be extended for one time for "good cause." (11 AAC 93.210). And the former coastal program exempted from coastal program review extensions to temporary water use permits when no changes were proposed to the existing project and the permittee had demonstrated compliance with all previously required coastal program stipulations. Will there be similar conditions for a renewal?

2. What is the procedure for an authorization renewal?

a. Will a new authorization decision be public noticed?

b. Will there be an opportunity for public comment on a new authorization?

c. Could someone opposing the new authorization appeal the decision?

3. Will there be regulations addressing the procedure for issuing a new authorization?

4. What laws govern the size of a withdrawal?

5. How does this not become a defacto permanent water use appropriation?

Possible Problem with ~~HB 361~~ SB 219
Renewal of Temporary Water Use Permits

One of the controversies surrounding Temporary Water Use Permits (TWUPs) is that there is no requirement for public notice of a proposed authorization (AS 46.15.133). Added to that, a TWUP is also exempt from issuance criteria such as that the water use is in the public interest, is beneficial, does not unduly effect fish and wildlife or public health, etc (AS 46.15.080).

The current statute states that a Temporary Water Use Permit should not exceed five consecutive years in duration. After all, if you are going to call a permit as temporary, you have to draw the line somewhere. Logically, if an entity's need for a significant amount of water continued for a period of more than five consecutive years, that entity should be required to apply for a regular permit to appropriate water—a permit that would have to be publically noticed and would have to meet statutory issuance criteria.

One of the governor's proposed changes in HB 361 would allow TWUPs to be renewed again and again. This may be an attempt to make TWUPs de facto permanent water use appropriations—appropriations that are permitted time after time at the discretion of the commissioner, with no public notice, without adhering to criteria that requires that the appropriation be in the public interest, and with no opportunity for an "interested person" to file an objection to the appropriation.

See HB 361 excerpt followed by relevant statutes below:

SEC. 21 SB 219

FROM HB 361:
*** Sec. 23. AS 46.15.155(a) is amended to read:**

(a) Notwithstanding any contrary provision of this chapter, the commissioner may authorize the temporary use of a significant amount of water, as determined by the department by regulation, for a period of time not to exceed five consecutive years **for each authorization**, if the water applied for has not been appropriated in accordance with this chapter. **In the commissioner's discretion, a new authorization for the temporary use of a significant amount of water may be issued for a project at or before the expiration of the existing authorization issued for the same project.**

RELEVANT STATUTES:

Sec. 46.15.155. Authorization for temporary use of water.

(a) Notwithstanding any contrary provision of this chapter, the commissioner may authorize the temporary use of a significant amount of water, as determined by the department by regulation, for a period of time not to exceed five consecutive years, if the water applied for has not been appropriated in accordance with this chapter.

(b) Notwithstanding any contrary provision of this chapter, an authorization for a temporary use of less than a significant amount of water is not required under this section unless the commissioner has determined by regulation that the use may have an adverse effect on other water uses and that an authorization must be obtained from the department.

(c) The issuance of an authorization for temporary use of water under this section does not establish a right to appropriate water. The temporary use of water under an authorization remains subject to appropriation under this chapter.

(d) Notwithstanding any contrary provision of this chapter, the commissioner is not required to provide public notice under AS 46.15.133 of a proposed authorization for temporary use of water; however, the commissioner shall request comment on an application for temporary use of water from the Department of Fish and Game and the Department of Environmental Conservation.

(e) The provisions of AS 46.15.080 do not apply to the issuance under this section of an authorization for temporary use of water.

(f) The commissioner may impose reasonable conditions or limitations on an authorization for temporary use of water to protect the water rights of other persons or to protect fish and wildlife habitat, human health, or other public interests.

(g) Upon approval by the department, an authorization under this section may be transferred to another person under the same conditions and limitations under which the authorization was issued.

(h) A person to whom an authorization for temporary use of water was issued under this section may allow another person to use the authorization, consistent with the conditions and limitations of the authorization.

(i) The commissioner may modify, suspend, or revoke an authorization issued under this section if the commissioner determines it necessary to protect the water rights of other persons or the public interest.

Sec. 46.15.133. Notices; objections.

(a) If the commissioner proposes a sale of water or receives an application for appropriation or removal, the commissioner shall prepare a notice containing the location and extent of the proposed sale, appropriation, or removal, the name and address of the applicant, if applicable, and other information the commissioner considers pertinent. The notice shall state that within 15 days of publication or service of notice, persons may file with the director written objections, stating the name and address of the objector, and any facts tending to show that rights of the objector or the public interest would be adversely affected by the proposed sale, appropriation, or removal.

(b) The commissioner shall publish the notice in one issue of a newspaper of general distribution in the area of the state in which the water is to be appropriated, removed, or sold. The commissioner shall also have notice served personally or by certified mail upon an appropriator of water or applicant for or holder of a permit who, according to the records of the division of lands, may be affected by the proposed sale, appropriation, or removal and may serve notice upon any governmental agency, political subdivision, or person; notice shall also be served upon the Department of Fish and Game and the Department of Environmental Conservation. An applicant for an appropriation or removal shall pay the commissioner's costs in providing publication and notice under this subsection. The commissioner may require as a condition of a sale of water under AS 46.15.037, that a purchaser of water reimburse the department for the costs associated with providing notice of the proposed sale.

(c) Within 15 days of publication or service of notice, an interested person may file an objection. The commissioner may hold hearings upon giving due notice and shall grant, deny, or condition the proposed sale or application for appropriation or removal in whole or in part within 30 days of receipt of the last objection or, if the commissioner elects to hold hearings, within 180 days of receipt of the last objection. Notice of the order or decision shall be served personally or mailed to any person who has filed an objection.

(d) If no objection is filed, the commissioner may proceed to make a determination upon the application for appropriation or removal or the proposal for sale.

(e) A person aggrieved by the action of the commissioner or by the failure of the commissioner to grant, deny, or condition a proposed sale or an application for appropriation or removal in accordance with (c) of this section may appeal to the superior court.

(f) The commissioner may, by regulation, designate types of appropriations that are exempt from this section and provide simplified procedures for ruling on the applications. The commissioner may not exempt under this subsection appropriations for removal under AS 46.15.035, appropriations by the state for sale or sales by the state under AS 46.15.037, or removals of water under AS 46.15.035 and 46.15.037.

Sec. 46.15.080. Criteria for issuance of permit.

(a) The commissioner shall issue a permit if the commissioner finds that

(1) rights of a prior appropriator will not be unduly affected;

(2) the proposed means of diversion or construction are adequate;

(3) the proposed use of water is beneficial; and

(4) the proposed appropriation is in the public interest.

(b) In determining the public interest, the commissioner shall consider

(1) the benefit to the applicant resulting from the proposed appropriation;

(2) the effect of the economic activity resulting from the proposed appropriation;

(3) the effect on fish and game resources and on public recreational opportunities;

(4) the effect on public health;

(5) the effect of loss of alternate uses of water that might be made within a reasonable time if not precluded or hindered by the proposed appropriation;

(6) harm to other persons resulting from the proposed appropriation;

(7) the intent and ability of the applicant to complete the appropriation; and

(8) the effect upon access to navigable or public water.

SCR 8

SCR 9

<TARGET><BILL>SCR 8</BILL><SUBJECT>SCR 8 (SCR 9)</SUBJECT><COMM>SRES27</COMM></TARGET>

SENATE CONCURRENT RESOLUTION NO. 9

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY SENATOR EGAN

Introduced: 3/28/11
Referred: Resources

A RESOLUTION

Creating the Taku River Task Force as a joint legislative task force.

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

WHEREAS the Taku River is Southeast Alaska's largest overall salmon producer, with the region's largest run of coho and chinook salmon and significant runs of sockeye, chum, and pink salmon, and eulachon; and

WHEREAS the state tide and submerged land of the Taku River are crucial to the spawning, incubation, and rearing of all five species of wild Pacific salmon, trout, and char; and

WHEREAS private recreational property in the Taku River valley represents a valued cultural element of the area; and

WHEREAS existing property rights, uses, and access must be protected in all future plans for the Taku River area; and

WHEREAS data from the Department of Fish and Game indicates that 40 to 50 percent of juvenile salmon in the Taku River watershed are reared below the confluence of the Tulsequah River, with the majority of juvenile king salmon rearing occurring in the main channel of the lower Taku River; and

WHEREAS personal use and sport hunting, fishing, and trapping, and the use of recreational personal watercraft and vehicles and aircraft constitute longstanding uses of the Taku River valley; and

WHEREAS those uses should be protected and secured for future generations; and

WHEREAS the Alaska portion of the Taku River supports significant personal use, commercial, and sport fisheries, generating over 400 fishing-related jobs, an estimated $8,000,000 of annual income from commercial and recreational fishing activity, and more than $25,000,000 from all activities associated with those fisheries; and

WHEREAS established businesses use the Taku River to provide supplies to recreational property owners and engage in tourism and sport fishing enterprises on the Taku River; and

WHEREAS past proposals to use the Taku River as an industrial transportation corridor involving conventional tug and barge systems or unconventional barges and large wheeled or tracked vehicles introduced significant risk of damage to the river bottom not generated by existing uses of the river's resources; and

WHEREAS industrial transportation systems pose significant risks to important fish spawning, incubation, and rearing habitats, could degrade water quality, and may disrupt the ice cover, all of which would be detrimental to the habitat; and

WHEREAS user groups such as private recreational property owners, commercial, charter, sport and personal use fishermen, seafood processors, and other local businesses have expressed significant concerns over recent proposals to permit industrial transportation systems on the Taku River;

BE IT RESOLVED that the Taku River Task Force is created as a joint task force of the Alaska State Legislature; and be it

FURTHER RESOLVED that the task force shall be composed of eight members, as follows:

(1) the senator from Senate District B;

(2) the representatives from House District 3 and House District 4;

(3) the commissioner of fish and game or the commissioner's designee;

(4) four members of the public, appointed jointly by the President of the Senate and the Speaker of the House of Representatives as follows:

(A) one owner of private recreational property in the Taku River valley;

(B) one holder of a commercial fishing permit for registration area A;

(C) one owner or employee of a business that derives significant income from transportation to or within the Taku River;

(D) one person who uses but does not consume Taku River resources; and be it

FURTHER RESOLVED that the President of the Senate and the Speaker of the House of Representatives shall jointly appoint the chair and vice-chair of the task force; and be it

FURTHER RESOLVED that the task force shall seek the professional opinions of research and management personnel from the Department of Fish and Game and the Department of Natural Resources in carrying out its duties; and be it

FURTHER RESOLVED that the duties of the task force shall be to

(1) review biological data on Taku River fish and game resources;

(2) work cooperatively with appropriate federal, state, and local government agencies to ensure monitoring of industrial vessel traffic on the Taku River;

(3) determine how best to protect the Taku's unique resources and maintain the general productivity of Taku River habitat while providing for recreational and other uses;

(4) recommend public policy options to ensure the proper protection of Taku River resources; and be it

FURTHER RESOLVED that Taku River Task Force meetings shall be open to the public; and be it

FURTHER RESOLVED that the task force shall submit a report of its findings to the legislature not later than December 1, 2011; and be it

FURTHER RESOLVED that the task force shall be terminated on January 31, 2012.

SENATOR DENNIS EGAN

SCR 8
Taku River Task Force

Sponsor Statement

Taku River resources are critical to the economic and cultural foundations of Juneau and make significant contributions to the Southeast region.

The river provides some of the most important salmon habitat in Alaska, directly supporting over 400 commercial fishing-related jobs, along with sport and personal use harvests. All five species of salmon spawn in the river along with eulachon. King, coho and sockeye salmon rear within its banks.

Many local charter and sport fishing businesses depend on the river. Private cabin owners recreate along the river as part of a long-standing traditional use of the Taku watershed. Transportation and tourism businesses operate there.

In recent years, many citizens of the area have become very concerned about protecting the Taku River due to growing industrial-scale use of the river as a barging route. This provided the catalyst for citizens to start talking about how best to manage and protect the unique area and ensure it is available for future generations to play, work, gather food and make a living.

The Taku River Task Force will be a public forum for community input on how best to protect recreational uses and fish and wildlife habitat within the river. Its report and recommendations will be due to the legislature by December 1, 2011.

ALASKA SENATE
STATE CAPITOL • JUNEAU, ALASKA 99801-1182 • (907) 465-4947 • FAX (907) 465-2108
SENATOR.DENNIS.EGAN@LEGIS.STATE.AK.US

SENATE CONCURRENT RESOLUTION NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY SENATOR EGAN

Introduced:
Referred:

A RESOLUTION

Creating the Taku River Task Force as a joint legislative task force.

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

WHEREAS the Taku River is Southeast Alaska's largest overall salmon producer, with the region's largest run of coho and chinook salmon and significant runs of sockeye, chum, and pink salmon, and eulachon; and

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WHEREAS past proposals to use the Taku River as an industrial transportation corridor involving conventional tug and barge systems or unconventional barges and large wheeled or tracked vehicles introduced significant risk of damage to the river bottom not generated by existing uses of the river's resources; and

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(4) recommend public policy options to ensure the proper protection of Taku River resources; and be it

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FURTHER RESOLVED that the task force shall submit a report of its findings to the legislature not later than December 1, 2011; and be it

FURTHER RESOLVED that the task force shall be terminated on January 31, 2012.

Honorable Senator Dennis Egan
State Capitol Room 510
Juneau, Alaska 99801

February 14th, 2011

2/14/2011

Dear Senator Egan,

The Juneau Douglas Fish and Game Advisory Committee (J-D F&G AC) has met on two occasions, January 28th ,with approximately 150 members of the public attending, and February 8,with approximately 20 members of the public attending . These meetings provided important opportunities to hear concerns from the Taku River Recreation Association and the Taku River Working Group (an ad-hoc group of Taku River stakeholder), complimented with input from Alaska Fish and Game staff, regarding legislation to protect Taku River habitat.

The J-D F&G AC is a local Fish and Game committee that provides a forum for the collection and expression of opinions on matters relating to the management of fish and wildlife resources. The J-D F&G AC is comprised of 15 dedicated seats that represent local use interests including trapping, freshwater charter fishing, fish processing, commercial fishing, sport fishing/personal use/hunting, non-consumptive personal use, saltwater charter fishing, non-consumptive-commercial, and hunting guides.

After hearing from invested parties, and discussion by committee members, the J-D F&G AC voted unanimously to support the collaboration of all stakeholders in moving forward with fish and wildlife habitat protection on state waters and lands within the Taku River Valley through the legislative process during the 2011-2012 legislative sessions.

As reflected by the unanimous vote, we view the Taku River Valley as a unique ecosystem that supports a vital public and regional resource. We believe that legislative action is warranted to further protect that ecosystem and those resources.

Respectfully Submitted,

Mike Peterson- Chair

Greg Brown- Vice-Chair

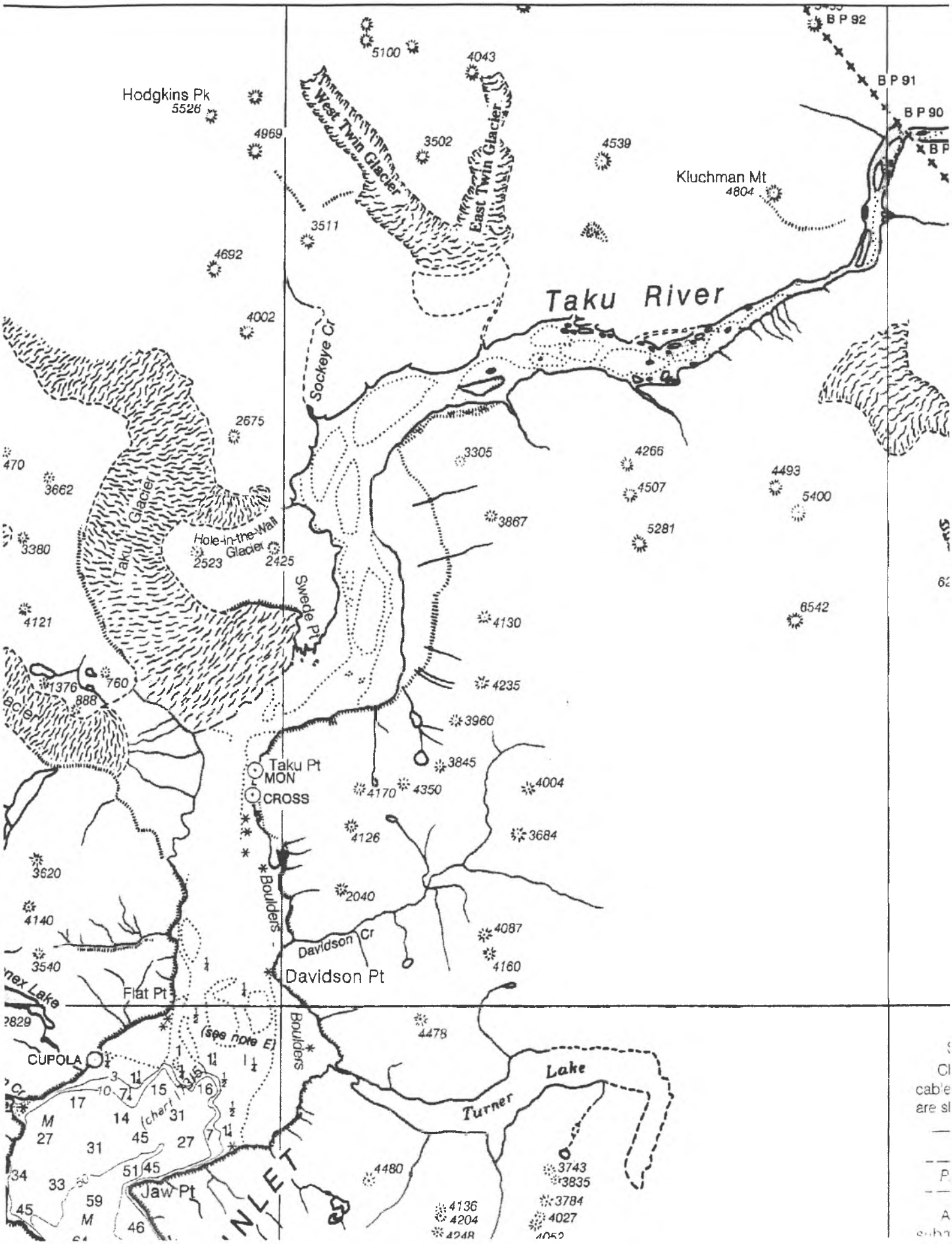
Juneau-Douglas Fish & Game Advisory Committee 2011 Roster on reverse side.

Cc: Rep. Beth Kerttula
Rep. Kathy Munoz.
F & G Comm. Cora Campbell
F & G Board Support
Taku River Working Group
TRRA

Juneau Douglas Fish & Game Advisory Committee

Membership Roster as of February 14 2011

Barry Brokken:	Trapping	2011
Chris Casey:	Charter Fishing-Freshwater	2011
Jason Kohlhase:	Processor	2011
Kirk Hardcastle:	Commercial Fishing	2011
Erik Clark:	Sport Fish/Hunting/Personal Use	2011
Henry Webb	Alternate(one year)	2011
Forest Wagner	Alternate(one year)	2011
Chris Miller:	Commercial Fishing	2012
Jenny Pursell:	Non-Consumptive-Personal	2012
Todd Wicks:	Charter Fishing-Saltwater	2012
Mike Bethers:	Sport Fish/Hunting/Personal Use	2012
Bill Bahleda:	Sport Fish/Hunting/Personal Use	2012
Mike Peterson: (Chair):	Sport Fish/Hunting/Personal Use	2013
Chris Conder:	Charter Fishing-Saltwater	2013
Greg Brown: (Vice-Chair)	Non-Consumptive-Commercial	2013
Thatcher Brouwer:	Commercial Fishing	2013
Vacant:	Hunting Guide	2013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East Twin Glacier
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Kluchman Mt
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4692
Taku River
4002
Sockeye Cr
2675
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4266
4493
5400
4507
3867
5281
Taku Glacier
Hole-in-the-Wall Glacier
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2425
Swede Pt
4130
6542
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Taku Pt
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3684
Boulders
2040
Davidson Cr
4087
4160
Davidson Pt
Flat Pt
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CUPOLA
(see note E)
Boulders
Turner Lake
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Local

Home > News > Local > Hoverbarge plan worries Taku River users

Sunday, February 24, 2008
Story last updated at 2/24/2008 - 4:15 am

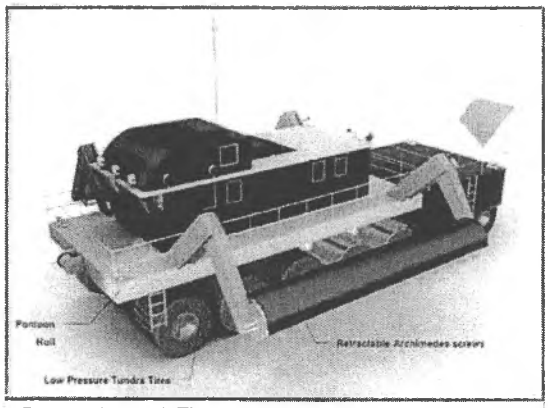
Hoverbarge plan worries Taku River users

By Kate Golden | *JUNEAU EMPIRE*

Cabin owner Errol Champion is more pessimistic and worried than ever after spending the last week driving snowmachines on the Taku River.

He is one of the many river users waiting for more information about the hoverbarge and newly invented Amphitrac, which the Tulsequah Chief Mine operators have proposed for hauling supplies and ore on the Taku River.

"Part of the river still has ice, but is covered with overflow and surely will not hold the pressures of the ACB (hoverbarge)," Champion said. "And the Amphitrac will be clawing its way along, making a complete mess of the river channel. ... The results are unknown, but it cannot be good."



Proposed vessel: The new Amphitrac was specifically designed for use on the Taku River.

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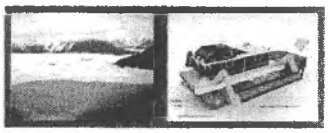

Redfern Resources Ltd. is expected to take at least two or three weeks to provide more information on how these vehicles may affect the salmon-rich river. About 400 fishermen and seafood industry workers rely on the Taku for their livelihood.

Environmentalists and state permitters are worried the experimental vessels will hurt fish and other wildlife. Rivers Without Borders, a national conservation group headquartered in Juneau, paid for a study that says the company's claims of minimal damage are unfounded.

Meanwhile, Redfern, based in Vancouver, British Columbia, has produced pictures for the public showing a feather-light footprint for the hoverbarge - with one pound per square inch pressure, less than an eighth of the pressure of a human footprint.

"They have all their environmental documents saying it's not going to cause this problem, that problem or the other problem," said biologist Jackie Timothy of the Office of Habitat Management and Permitting in the Alaska Department of Natural Resources. "We need to see if they can make good on that."

On this side of the border, Redfern's plan is unusual and requires much less paperwork than most projects because it involves no federal lands. The barge system would transport people, ore and goods between Juneau and the multi-metal mine, which is on the Tulsequah River and about 40 miles northeast of Juneau.

State permitters said they're trying to compensate for the work the federal government would ordinarily do.

"It's kind of like we're doing the EIS (environmental impact statement) because there is no federal permit involved," said Joe Donohue, the lead reviewer for the Alaska Coastal Management Program.

Shallow waters, ice operations

"When there's plenty of water in the river, we're basically talking about conventional navigation," said Tom Crafford, large mine permit coordinator for the Department of Natural Resources. The barge would be pulled by a tug in the summer.

"Low-water operations - that, I think, is the real issue," he said, particularly when there's ice.

Moose and other animals travel across the frozen river in the winter, and juvenile salmon grow up under the protection of the ice. The timing of spring break-up and flood levels all affect wildlife's chances of survival.

Champion, on the river last week, wrote in an e-mail that while the ice has been melting, the animals can still run across it.

But he has trouble imagining how a 750-ton loaded hoverbarge and the Amphitrac that pulls and pushes it would avoid creating open leads and ice dams. Moose would get stuck. People wouldn't be able to cross.

The problem is expressed by Michel Lapointe, professor of geography at McGill University and director of the Centre Interuniversitaire de Recherche sur le Saumon Atlantique in Montreal, Canada, in the Rivers Without Borders report:

"Any such changes to breakup flooding regime can have far-reaching, ecosystem-level effects on fish and wildlife habitat," Lapointe wrote.

Originally Redfern and the state proposed testing the vessel system in Southeast in the winter. But the company announced recently that construction delays make it likely the Amphitrac will not arrive on the river until after the ice melts. That means the system could be permitted before it is tested on ice.

Redfern's operations plan says the vessels would avoid open leads in the ice cover. The company also plans to document which areas have the sketchiest ice cover and which are more stable, record how long it takes to form ice, and adjust all operations as necessary.

"That will be something we'll be working with DNR to address," said Redfern spokeswoman Salina Landstad.

Critics, however, say it's an example of testing that shouldn't be done on the Taku.

Donohue of the coastal management program said this week that a likely condition of a needed land-use permit would be that if the vessels kept ice from forming, they would not be allowed on the river at that point.

Testing the company's claims

State permitters haven't seen a picture of the Amphitrac yet, because it doesn't exist. The Amphitrac was invented for the Taku River. It has soft tires used elsewhere for tundra travel; Archimedes screws, a propulsion device that pushes water through pipes on either side of the vessel; and steel screws for moving across ice.

In the summer, a tug would move the hoverbarge. In the winter and shoulder seasons, the Amphitrac would do the job, pushing or pulling the 88-foot-wide, unmanned barge. A powerboat may go ahead of them and scout out the route.

The company has told the state it may use two Amphitracs and two hoverbarges. But state permitters said they weren't sure how this would work and were waiting for more information.

"If the vessels make it to Juneau, that means they meet or exceed the manufacturers' claims about performance and minimal environmental impacts," Timothy of the habitat office wrote in an e-mail.

Redfern says it has devised plans to prevent environmental damage. According to its November 2007 operating plan, the vessels would, among other protective measures:

• Avoid - as opposed to "minimize" - creating new channels.

• Avoid disturbing the sand flats on the shallowest 17-mile stretch, on the U.S. side, upstream from Annex Creek to the Taku Lodge.

• Avoid eulachon, or hooligan, and salmon spawning areas.

• Minimize the potential for stranding juvenile fish with waves from the vessels.

• Minimize resuspension of sediment and bank erosion from the vessels' wake.

• Minimize noise effects on fish and marine mammals such as seals, which congregate in the spring at the edge of the ice.

The American Bureau of Shipping will test the vessels on the Columbia River on standards that Donohue of the Coastal Management Program described as "relatively stringent."

Then they'll be brought to Southeast Alaska and tried at Sheep Creek and Eagle River Beach, just south of Juneau.

These areas are not similar to the Taku in many respects, said Donohue, who grew up fishing on that river.

But they are visible from the road system, which means that residents as well as permitters would be able to see the vessels at work. Donohue will be watching, for example, the turning radius, how long the vessels take to stop and how they move over gravel.

"We're like everyone else," he said. "We're waiting to see how this thing's going to work."

Sheep Creek is a salmon stream, so testing would be done only when the fish are absent, Donohue said.

From there, if permits are granted, the Taku is the testing area. The permit would last for a year and include an environmental monitoring program that Redfern is working on now.

Creative monitoring

There are challenges to that environmental monitoring for which Redfern will have to get creative, according to Timothy.

An example: Young salmon tend to stay under large woody debris and in slower, safer water. Redfern says it won't move those woody snags in the river; they're more of a problem on the Canadian side of the river. But fry also may hang out in the main channel on the sand flats, where Redfern proposes to go. The waters of the Taku are often opaque from silt.

How would they be able to tell when they're damaging salmon fry that can't be seen?

"That's a very good question and one we have asked the company to explain," Timothy wrote.

She mentioned one possibility of having an environmental monitor walk along the beach to check for fry being thrown or washed ashore.

Redfern spokeswoman Salina Landstad said the answer would involve watching spray that's made by the vehicles.

"If the water is spraying, then it's essentially clear," she said, meaning it would be easy to see fry.

'Revokable at will'

The state would reserve the right to pull Redfern's permit at any time.

"This gives the state of Alaska a hook into the whole system," said Donohue of the coastal management program.

"If they were constantly breaking through the ice, we can yank that permit," Crafford said.

Landstad emphasized the permit process is a chance for Redfern to hear and respond to all of the state's concerns and she's confident the company will do so.

Such statements do not reassure Taku River users, who say the damage would have already been done at that point.

• Contact reporter Kate Golden at 523-2276 or **kate.golden@juneauempire.com**.

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Local

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Wednesday, December 10, 2008
Story last updated at 12/10/2008 - 9:32 am

Redfern barge plan for Taku River under review

Fishermen and others still concerned about the effects of vehicles

By Kate Golden | *JUNEAU EMPIRE*

State permitters this month are reviewing Redfern Resources Ltd.'s revised plan to haul mine supplies and ore on the Taku River year round.

This is the Vancouver company's second application. The state terminated the first one this summer after the company changed the tow vehicles it planned to use to haul an air-cushion barge across Taku ice.

The first plan generated widespread concern among sport and commercial fishermen and other users of the salmon-rich river. More than 250 people attended the last public meeting in February.

Tim Davies of Redfern said the new plan was designed to address those concerns.

Courtesy P

Change of plans: Redfern Resources Ltd. has repla a designer amphibious tow vehicle with two that alrea exist, including the one pictured above, which the company calls an "amphibious tractor." The "tracked articulated vehicle" operates in "nearly all terrain," the company said.

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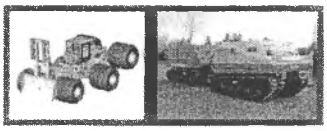


Know and Go

What: Public information session on a plan to barg mine supplies and ore on the Taku River.
When: 6:30-9:30 p.m. Thursday.

"Everything, from the equipment to the monitoring plan, was designed to avoid (impact) or accommodate concerns," he said.

Where: Ballroom 3, Centennial Hall in downtown Juneau.

Public comments must be submitted from scratch. The public can learn about the project Thursday at Centennial

The permits

Redfern needs two permits from the state, for travel over land and through fish habitat. The project also goes thrc an Alaska coastal zone consistency review.

The last permit process was plagued by delays. This time, Redfern worked in a "prereview" process with state permitters to submit a more complete application.

That's not a prejudging of its merits, said permitters.

"Agency representatives are very careful to make sure that there's no kind of prereview approvals going on," said Crafford, the large mine permitting coordinator at the Department of Natural Resources.

Redfern is owned by Vancouver-based Redcorp Ventures Ltd.

Barging on the Taku

A marine barge will haul materials between the mine's Juneau office at Alaska Marine Lines and the mouth of the Taku.

There, the barge's load will be transferred to an air cushion barge, also called a hoverbarge.

The barge can't power itself. It will be shuttled by four "amphibious tractors" - either tracked or with big, soft, floati Rolligon-like tires, two in front and two behind - to the barge landing site on the Tulsequah River.

Sixteen miles of the 28-mile route are in Alaska.

From late May to October, the hoverbarge will be moved with a shallow draft tug boat.

The trickiest part is at Canyon Island. On the west is a deeper but narrow channel. On the east is a shallow, braic area with a shifting gravel bar.

In the new summer plan, the tug will hand off the barge at Canyon Island to the amphibious vehicles, which will h around the east side. Meanwhile the tug takes the deeper channel and reconnects with the barge at the other enc

In the winter, the hoverbarge will be pushed and pulled over the frozen river floodplain by the four amphibious tra over the ice of the Taku. Snowmachines or another tracked vehicle may groom the snow and provide crew chang and emergency support.

The Taku's habitat for salmon, hooligan and other species is arguably most vulnerable in the shoulder seasons o and spring, when the ice that protects the river is forming or thawing.

Redfern's Davies said the new plan is more definite about when the company will cease operations altogether for shoulder seasons.

Winter operations will stop, for example, when open leads are too many or too wide for the amphibious vehicles - which have very limited propulsion in water - and won't restart until the river has a minimum flow.

"Most people would agree that's a good thing," Crafford said. "Those are the really difficult times of the year to operate, and the times of the year which you would most likely be disturbing the land the greatest. The new propc in that sense is, I think, good news."

"It does create a different set of issues," he said, including the "additional complexity" of handing off the air cushic barge around Canyon Island.

Noise and wake

Two of the biggest concerns from Taku users this year were the noise and the wake the barge will produce.

Redfern's plan says the vehicles' engines will be muffled and enclosed, and says they won't be louder than 70 decibels at 100 feet. (Seventy decibels is perhaps twice as loud as ordinary conversation.)

They'll also have minimal wake, according to the company.

State permitters will require the system to be tested in Juneau to verify that's all true before allowing the vehicles the Taku.

Environmental monitoring

The plan calls for environmental monitoring that will be refined in the first few years "to the extent practical."

Redfern is required by Canadian permitters as well as Alaskans to monitor bank erosion, the turbidity of fish habit and whether juvenile salmon are being stranded. The permitters have been coordinating their efforts, Crafford sai

The company will also conduct "annual follow-up with property owners, commercial tourism operators, commerci fishers and other users of the river ... to ensure concerns regarding barging operations can be addressed in a tim manner," according to the plan.

Questioning the plan

Concerns remain among Taku users.

Rivers Without Borders field coordinator Chris Zimmer said the company has shown the last two summers, with conventional barging, that it's not prepared to deal with the difficult Taku. Groundings are not uncommon for mucl smaller vehicles on this braided, shallow, dynamic river, he said.

The winter, he said, is likely to be even tougher. And these vehicles have never been used in concert.

"Redfern simply hasn't proven they can operate this barge safely in the Taku, given the novelty of the proposal ar the dynamic Taku," Zimmer said. "It's quite a fleet of different vehicles out there, and it kind of strikes me as a Keystone Cops routine."

Zimmer hired scientists to examine Redfern's previous plan for shortcomings, and is doing so for this one as well.

Could Redfern come up with a Taku plan that would satisfy Zimmer?

"There may be, but we sure as hell haven't seen it yet," he said.

Karl Vandor of the Taku River Cabin Owners Association said his group's main discussions over the last year hav been the "headache" of the Tulsequah Chief plans. He doesn't think the barge will be controllable in the infamous Taku winds.

"We think it's a harebrained scheme. It's just basically going to chew up the river."

"I don't want anybody to think that we're anti-mine," he added.

Redfern's Tim Davies vowed to address Taku users' concerns.

"When a project has the potential to impact people's lifestyles, they have every right to raise concerns," Davies sa "If people bring concerns or information to us, we will look at it seriously."

The public process

Zimmer and others are concerned that the permit process is shorter this time around: 30 days instead of 50.

"We've got the agencies doing a bare-minimum review here, and I think the Taku - the most important salmon riv Southeast - deserves more," Zimmer said.

State permitter Crafford said the original 50-day review was "a mistake."

He also noted that state permitters can stop the clock to ask for more information, and were already preparing to so.

Thursday's public meeting is scheduled a week after the state announced its formal review had begun. That has garnered grumbles among fishermen and others who haven't had time to read the operations plan yet.

But Crafford said it was necessary, because permitters want to hear the public's concerns before they ask the company for more information - and that deadline, in the shorter schedule, is next Tuesday.

"It would look a bit like a sham if it's after the fact, and you can't ask any questions or require anything more that r come out of that meeting," Crafford said.

• Contact reporter Kate Golden at **kate.golden@juneauempire.com**.

March 25, 2011

Senator Thomas Wagoner
Co-Chair, Senate Resources Committee
State Capitol, Room 427
Juneau, AK 99801

Senator Joe Paskvan
Co-Chair, Senate Resources Committee
State Capitol, Room 115
Juneau, AK 99801

Re: Senate Resolution to Establish a Taku River Task Force

Dear Senators Wagoner and Paskvan:

The undersigned organizations, businesses and individuals have long been involved in issues related to fisheries and fish habitat in the Taku River. We urge the Legislature to support the Senate Resolution establishing a Taku River Task Force and to ensure its passage this session

The Taku is Southeast Alaska's largest overall salmon producer, with Southeast's largest run of coho and king salmon, and a vital regional economic, cultural and recreational resource. Annual salmon runs can top 2 million wild fish. The sport and commercial fisheries contribute over $7 million to the regional economy and support hundreds of jobs. Recreation and tourism provides another $18 million annually. The importance of the Taku to Southeast Alaska requires the highest level of habitat protection to ensure the productivity of the Taku for future generations.

The Resolution would create a Task Force whose mission is to determine the appropriate protections for the habitat and water quality of the Taku and to recommend public policy options to provide such protections, while also ensuring that existing property rights, uses, and access are maintained. This mission enjoys deep and diverse support in Juneau from commercial and sport fishermen, fishing businesses, subsistence users, property owners and many others. It is an effective way to ensure the long-term health of the Taku River and its fisheries, and to ensure a vibrant economy and jobs for Juneau. Most importantly, the Taku River Task Force will involve all stakeholders in examining the issues and recommending policy decisions to the Legislature.

We are also concerned about the possible use of the Taku as an industrial transportation corridor for industrial barging to and from British Columbia. Previous experience shows such barging poses threats to habitat and water quality because of the inherent difficulty of navigating such vessels in the Taku due to low visibility, shallows, heavy current and a braided, dynamic and frequently changing river. One purpose of the Task Force is to recommend ways to ensure that such industrial barging does not degrade salmon habitat and harm Taku fisheries.

We would appreciate your support for the Taku's productive fisheries and for protecting the interests of its many stakeholders.

Sincerely,

Dale Kelley, Executive Director, Alaska Trollers Association

Chris Knight, Executive Director, United Southeast Alaska Gillnetters

Mark Hieronymus, Partner / Operations Manager, Northern Keta Caviar, Inc.

Len Peterson, Heather Hardcastle, Kirk Hardcastle, Taku River Reds

Tony Soltys, President Raincountry Flyfishers

Chris Casey, professional fishing and bear-viewing guide

Ron Maas, Taku property owner and former owner of Taku Lodge

Chris Miller, commercial fisherman and professional photographer

Eric Prestegard, Executive Director, Douglas Island Pink & Chum

Eric Norman, V.P. & G.M., Taku Fisheries/Smokeries

Renee and Winston Warr, Taku River Reds

Jev Shelton, Taku gillnetter

Carl Rosier, former ADF&G Commissioner

Carl Schrader, former ADF&G Habitat biologist

Frank Rue, former ADF&G Commissioner

Brad Elfers, owner, Juneau Flyfishing Goods

Elizabeth Dubovsky, President, Slow Food Southeast Alaska

Chris Zimmer, President, Juneau Chapter of Trout Unlimited

Will Patric, Executive Director, Rivers Without Borders

Captain Greg Brown, Weather Permitting Alaska

Mark Kaelke, Southeast Alaska Project Director Trout Unlimited

Michael Kohan, sport fisherman and UAF School of Fisheries Masters Student

Sandro Lane, Seafood Entrepreneur

Mary Jackson

From: Sen. Tom Wagoner
Sent: Monday, March 28, 2011 11:01 AM
To: Mary Jackson
Subject: FW: Personal Letter about SCR8 Taku River

From: Ron Haffner [mailto:desnorth@aol.com]
Sent: Monday, March 28, 2011 10:23 AM
To: Sen. Tom Wagoner
Subject: Personal Letter about SCR8 Taku River

4/28/2011

Dear Senator,

On behalf of my family and Takuriver.com, I would like to express by disappointment that Senator, Dennis Egan along with his staff has decided to introduce SCR8. SCR8 is attempting to limit the use of the Taku River by designating it "Critical Habitat". Not only is the material being used to support this, weak and dated, but I believe SCR8 is being used as a stepping stone to more restrictive use in the future, such as a "Wild and Scenic" designation.

There are already enough laws in place to take care of any environmental issues or improper use of the Taku River, and the last thing we need are more laws or restrictions to hamper our current enjoyment of this great place. I am urging you with all due respect, to reject this legislation.

Sincerely,

Ronald J Haffner and Family

907-723-1008

Mary Jackson

From: Sen. Tom Wagoner
Sent: Monday, March 28, 2011 8:44 AM
To: Mary Jackson
Subject: FW: SCR 8

From: CHERIEKEN@aol.com [mailto:CHERIEKEN@aol.com]
Sent: Sunday, March 27, 2011 1:00 PM
To: Sen. Tom Wagoner
Subject: Fwd: SCR 8

From: CHERIEKEN@aol.com
To: cherieken@aol.com
Sent: 3/26/2011 1:28:10 P.M. Alaskan Daylight Time
Subj: Fwd: SCR 8

From: CHERIEKEN@aol.com
To: Senator_Bill_Wielechowski@legis.state.ak.us, Senator_Joe_Paskvan@legis.state.ak.us, Senator_Bert_Stedman@legis.state.ak.us, Senator_Lesil_McGuire@legis.state.ak.us, Senator_Gary_Stevens@legis.state.ak.us, Senator_Hollis_French@legis.state.ak.us
BCC: takuconways@ak.net, errol.champion@acsalaska.net, karl@northpacificerectors.com
Sent: 3/26/2011 11:49:54 A.M. Alaskan Daylight Time
Subj: Re: SCR 8

To: Senate Resource Committee
From: Taku River Recreation Association

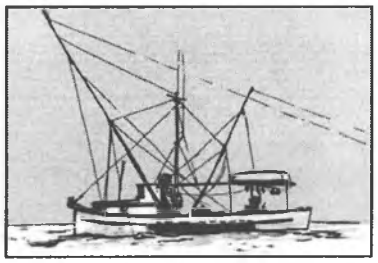
Taku River Recreation Association (T.R.R.A.) was advised on Friday, March 25, 6:30 p.m., by Jesse Kiehl of the plan to introduce SCR 8, establishing a Taku River Task Force.

T.R.R.A. was organized in the 1990's to represent the interests of the property owners and users of the resources of the Taku River Valley.

T.R.R.A. has been excluded from any input into drafting of SCR 8.

T.R.R.A. remains adamantly opposed to the resolution and will provide testimony at the hearing on Monday, March 27th.

Cherie Rudolph
President
Taku River Recreation Association



Alaska Trollers Association
130 Seward #205
Juneau, AK 99801
(907) 586-9400 phone
(907) 586-4473 fax
ata@gci.net

March 27, 2011

Senator Joe Paskvan, Co-Chair
Senator Thomas Wagoner
Senate Resources
Alaska State Legislature
Juneau, AK 99811

Dear Chairmen Paskvan, Wagoner, and Committee Members:

The Alaska Trollers Association (ATA) supports formation of a Taku River Task Force, to review options that may exist to afford the Taku enhanced protection befitting its importance as a major contributor of fish and wildlife.

The Taku River produces more Chinook and coho salmon than any other river in Southeast Alaska and is the last remaining large watershed without road access. On average, the Taku contributes 40% of the wild SEAK Chinook return.

Sport and commercial fishermen, hunters, guides, and outdoor enthusiasts on both sides of the US/Canada border rely heavily on the Taku River's bounty for jobs, food, and recreation. It is essential that habitat values be protected from ill-effect, in order to provide for these uses.

A number of concepts have surfaced recently, which could allow Alaska to better protect the Taku River over the long term. A stakeholder's task force would provide an appropriate venue for the full range of ideas to be analyzed and discussed with the public. This, in turn, could provide the legislature with some well-rounded options for consideration.

We encourage you to appoint a Taku River Task Force, and stand willing to help.

Best regards,

Dale Kelley

Dale Kelley
Executive Director

Mary Jackson

From: Sen. Tom Wagoner
Sent: Wednesday, March 30, 2011 2:35 PM
To: Mary Jackson
Subject: FW: SCR 9

From: Neil MacKinnon [mailto:Neil@alaskalaundry.com]
Sent: Wednesday, March 30, 2011 2:00 PM
To: Sen. Joe Paskvan; Sen. Tom Wagoner; Sen. Bill Wielechowski; Sen. Lesil McGuire; Sen. Bert Stedman; Sen. Hollis French; Sen. Gary Stevens
Cc: E. Neil MacKinnon
Subject: SCR 9

Neil MacKinnon
1114 Glacier Ave.
Juneau, Alaska 99801
907-586-1254

March 30, 2011

Senator Tom Wagoner
Senate Resources Committee

Dear Senator Wagoner,

Thank you for the opportunity to comment Monday on SCR 9. As I promised I have "cleaned up" the letter I commented from and submit it here for the committee's consideration. Some of these comments are derived from the draft bill establishing a Critical Habitat Area for the Taku River that Senator Egan's office had proposed, and although not directly aimed at this resolution they are at the heart of this discussion if for nothing else but background.

As I mentioned at the start of my testimony, my great grandfather used the Taku River numerous times to travel to the interior of Alaska and Canada prospecting and mining. I made my first trip up the Taku in 1954 at the age of five with my father to fish for the first time. We built one of the early cabins on the river the next year and I still build on it to this day, between hunting, fishing and prospecting the river valley.

First and foremost the Taku River has been used for trade and commerce between the coast and the interior of this continent since time immemorial. The right of our Canadian neighbors to navigate this river route for such purposes is further guaranteed by Treaty between our nations. Any acts by the State of Alaska to interfere with these rights could have serious implications for those who transit other waters of this nature. The restrictions we apply to Canadian use of the Taku must be applied to all users of the Taku. How long will it be before those who transit the waters between Blaine Washington and Ketchikan do what those who use the Taku must?

There is also a RS 2477 Right-of-Way existing on the Taku that if asserted could lead to a highway or railroad link down the river to tidewater. Interference with river navigation could force such and assertion and road from Canada to tidewater.

The area encompassed by this proposal is extensive, stretching from the Canadian Border to a half mile south of Point Bishop. It covers three different habitats; river, estuary and deep water. Which habitat is in danger? What is the problem that requires us to essentially dedicate all of this land and water to one use?

So far the proposers of SCR 9 can only point to worry's on the part of some people about a defunct proposal to barge freight with a hover barge on the Taku to the Telesequah Chief mine. This proposal was neither financially or technically feasible and is as defunct as the proposing company. Alaska needs to spend its time and resources dealing with real problems not worries about every wild proposal for this State.
The effects on the people and business who own property covered or abutting a Critical Habitat Area can potentially be severe. The CHA proposal will affect Juneau's hydro electric plants and transmission lines. It will make existing and future hydro resources and transmission lines more difficult and expensive permit, re-permit and operate. It will add to the regulatory burden of Taku Lodge and other tourism operations on the Taku. It will stifle trade and commerce on the Taku.

CHA designation will drastically change the way of life that Taku river property owners and users have enjoyed for generations. The Special Area Permit Regulations (5 AAC 95.410 (b)) are quite clear that:

"No person or governmental agency may undertake an activity listed in 5 AAC 95.420(a) within a special area unless the commissioner has been notified and a permit for the activity has been issued by the commissioner under 5 AAC 95.700 – 5 AAC 96.760"

Under CHA regulations Taku river users would be required to permit for: the continued use of their existing cabins and docks, cutting of brush and trees, digging and using an outhouse, taking river water to drink or water a garden, use or storage of gas and bug spray, and a gathering of more than twenty people. This burden for them also has corresponding burden for the State of Alaska to develop the management plan and then process, issue (or deny) and monitor these permits. These costs must be fully and fairly considered and measured against the revenue that the Taku river fish generates for the State.

Finally, the Taku River is the last Trans Border Riverin Alaska not encumbered by a Park, Wilderness, Wild and Scenic or other restrictive designation. For that reason alone, we must be very cautious in our actions and carefully consider all present and future affects. Absent a definite quantifiable problem and real threat a Critical Habitat Area designation for the Taku or any portion there of seems an unjustifiable misallocation of Alaska's resources that cannot provide commensurate benefit to its citizens.

I hope that I have been able to impart to you and the committee some of my concerns regarding SCR 9. I have many more concerns but I think it better to address them in a second letter that addresses specific items in SCR 9.

Sincerely

Neil MacKinnon

Mary Jackson

From: Sen. Tom Wagoner
Sent: Monday, March 28, 2011 8:42 AM
To: Mary Jackson
Subject: FW: SCR008 Taku River Task Force

Importance: High

From: jan [mailto:jan.flory@acsalaska.net]
Sent: Monday, March 28, 2011 2:40 AM
To: Sen. Tom Wagoner
Subject: SCR008 Taku River Task Force
Importance: High

Dear Senator,
Because I have lived on Canyon Island in the Taku River since 1984, I too have a vested and personal interest in the ongoing attempts to micromanage this area. It has not been my experience that more is better; more is usually too much. There are several points included in SCR008 and supporting documentation, which I have marked in red, to which I have objections and comments, written in black:
The Taku River Task Force will be a public forum for community input on how best to protect recreational uses and fish and wildlife habitat within the river. Its report and recommendations will be due to the legislature by December 1, 2011.
There are already public forums for community input:
The J-D F&G AC (Advisory Committee) is a local Fish and Game committee that provides a forum for the collection and expression of opinions on matters relating to the management of fish and wildlife resources. The J-D F&G AC is comprised of 15 dedicated seats that represent local use interests including trapping, freshwater charter fishing, fish processing, commercial fishing, sport fishing/personal use/hunting, non-consumptive personal use, saltwater charter fishing, non-consumptive commercial and hunting guides.
These guys are recommending further legislative action, but none is required, as they themselves (The Fish & Game Advisory Committee), as well as ADF&G and ADNR are already empowered to do the necessary job. Together they have the necessary manpower and training and by law are already required to do this job. If they are not doing an adequate job, then we need to kick them into action, not pass more laws to do what is already written.
In recent years, many citizens of the area have become very concerned about protecting the Taku River due to growing industrial-scale use of the river as a barging route. This provided the catalyst for citizens to start talking about how best to manage and protect the unique area and ensure it is available for future generations to play, work, gather food and make a living.
Conventional barging on the Taku R. is not up for management; that is part and parcel of the rules governing international waterways. Any new form of barging (like, hoverbarge, or amphib. tractor) which would impact spawning grounds and fish/wildlife habitat is subject to

ADF&G/ADNR approval, and will be brought to some current authority's attention by some or all the interested user groups, who definitely are paying close attention.

Whereas data from the Department of Fish and Game indicates that 40 to 50 percent of juvenile salmon in the Taku River watershed are reared below the confluence of the Tulsequah River, with the majority of juvenile king salmon rearing occurring in the main channel of the lower Taku River;

In the twenty seven years that I have lived here, NO studies of any fish have been conducted in the winter. The only juvenile salmon studies done in other seasons have been occasional; a few random sampling sessions done in recent years, probably in response to all the hubbub over Redfern's mine. Smolt studies of king salmon and coho have been conducted for many years now, but smolt are in the process of leaving the river, so are trapped in main stem Taku waters. Please stop this redundant process of forming yet another group to protect the Taku River habitat; the several already in place are adequate for the job; do not waste any more time or resources by forming the Taku River Task Force. Thank you.

Sincerely,

Jan Flory
Lot 6, Blk 5 Canyon I. Sbdv., Taku R.
P.O. Box 210431
Auke Bay, AK 99821

THE TAKU RIVER ECONOMY: AN ECONOMIC PROFILE OF THE TAKU RIVER AREA

FINAL REPORT

PREPARED FOR:
United Southeast Alaska Gillnetters

PREPARED BY:

McDowell GROUP

Juneau • Anchorage

September 2004

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EXECUTIVE SUMMARY

The major commercial, recreational, and cultural activities in the Taku River area benefit residents of both Southeast Alaska and British Columbia. The key economic impacts of Taku River activities are summarized below:

- The ex-vessel value of the commercial harvest of Taku River salmon has been between $603,000 and $2.9 million since 1994. The ten-year average is approximately $1.3 million. Sockeye accounted for about 86 percent of the total US commercial harvest value in 2003.

- The first wholesale value of the US commercial harvest of Taku River salmon has ranged from $2 million to $7.4 million since 1994. The ten-year average value is approximately $3.4 million. About 80 percent of the first wholesale value of Taku River salmon was from the sockeye harvest in 2003.

- The total economic impact of the US commercial harvest and processing of Taku River salmon includes 80 jobs, $1.4 million in labor income, and $5.4 million in total regional economic output.

- Approximately 400 people earn income from the commercial harvest of Taku salmon, including permit holders and their crew, processing employees and others.

- Taku River chinook account for a significant portion of the total sport catch from Juneau waters. For example, the percentage of chinook salmon from the Taku River has ranged from 56 to 93 percent of the total spring sport catch volume from the Juneau area since 1994.

- Based on an estimated $1.5 million in sport fish related expenditures, the total economic impact of sport fishing for Taku River salmon in the Juneau area, including direct, indirect and induced effects is approximately 40 jobs, $700,000 in labor income, and $2 million in total economic output.

- There were 123 personal use permits fished in 2003, and a ten-year average of 130 permits. An annual average of 18 chinook and 1,200 sockeye are caught in the US personal use fishery in the Taku River. Applying a substitution value of $5.00/pound based on the cost of substitute foods at retail stores, the ten-year average harvest of 1,380 salmon is worth approximately $44,000 annually.

- The economic activity from the first wholesale value of the Canadian commercial harvest in the Taku River has been between $478,000 and $1 million since 1994. The ten-year average first wholesale value is approximately $734,000.

- Approximately 60,750 visitors participated in some type of flightseeing tour in the Taku River area in 2003. This includes visitors to the Taku Glacier

Lodge, glacier landings, trekking, dogsledding, and other sightseeing activities. Including charter flights, the approximate retail value of all commercial tourism related aircraft activity in the Taku River area was $13 million in 2003.

- The total direct, indirect, and induced economic impacts of commercial air activity was 150 jobs, $5.5 million in labor income, and $18 million in total economic output in 2003.

- Sportsmen visit the Taku River area on both sides of the border on guided and unguided hunts for moose, mountain sheep, mountain goats, grizzly bears, black bears and other game animals. Some game is hunted by members of the Taku River Tlingit First Nation and other Atlin residents, and contributes to the subsistence economy of Atlin. Including the replacement value of these traditional foods, expenditures on non-guided hunts, and the typical cost of guided hunting packages, hunting activities in the Taku River area on both sides of the border are worth approximately $155,300 annually.

- Approximately 80 people participated in guided river trips on the Taku River in 2003, spending an estimated $240,000 on trip packages.

- Annual property tax from private parcels in the Taku River area received by the City and Borough of Juneau is approximately $300,000.

Inventory of Current Economic Activities in the Taku River Area

Fishing Activities	
US Activity	
Total economic impact of US commercial harvest of Taku River salmon	$5.4 million
Annual average employment from US commercial harvest	80
Total participation in US commercial harvest	400
Total economic impact of sport fishing for Taku River salmon	$2 million
Annual average employment from sport fishing for Taku River salmon	40
Substitution value of US Taku River personal use fishery	$44,000
Average number of participants in personal use fishery	130
BC Activity	
First wholesale value of BC commercial harvest of Taku River salmon	$734,000
Substitution value of BC aboriginal harvest of Taku River salmon	$29,000
Recreational Activities	
Commercial air activity in Taku River area (total value)	$18 million
Annual average employment from commercial air activity	150
Guided river excursions (total value)	$240,000
Average number of participants	80
Hunting activities (total value)	$155,300
Annual CBJ property tax from private parcels in the Taku River area	$300,000
Mining Activities	
Value of mining exploration programs	Variable

SJR

2

<TARGET><BILL>SJR 2</BILL><SUBJECT>SJR
2</SUBJECT><COMM>SRES27</COMM></TARGET>

SENATOR FRED DYSON

SPONSOR STATEMENT

Senate Joint Resolution No. 2

Alaska has entered a period of extraordinary efforts by certain federal agencies and environmental groups to lock up Alaska's resources. SJR 2 affirms the broad support of Alaskans and their elected leadership for the governor and attorney general's strategy to vigorously defend the State's ability to develop and manage its resources, protect its sovereignty, foster economic opportunity for our citizens and urge Congress and the President of the United States to limit the unprecedented federal government overreach that threatens our economic future.

Contact: Chuck Kopp, Staff to Senator Dyson (907)465-6580

During Session (January - May): Alaska State Capitol • Juneau, Alaska 99801 • (800) 342-2199 • (907) 465-2199 • (907) 465-4587 (fax)
During Interim (June-December): 10928 Eagle River Road, Suite 238 • Eagle River, Alaska 99577 • (907) 694-6683 • (907) 694-1015 (fax)
senator.fred.dyson@legis.state.ak.us • www.akrepublicans.org

27-LS0355\B
Bullock
2/16/11

CS FOR SENATE JOINT RESOLUTION NO. 2( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): SENATORS DYSON, Wagoner, Giessel, Meyer

A RESOLUTION

Commending and supporting actions taken by the Office of the Governor and the attorney general to protect the state from federal government incursion into the care and management of state resources and to promote the economic prosperity of the state; and urging the United States Congress and the President of the United States to limit federal government overreach into management of state resources.

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

WHEREAS the federal government is attempting regulatory actions that are adverse and contrary to the interests of the state and its citizens; and

WHEREAS the Office of the Governor and attorney general, with strong support by the leadership of the Alaska State Legislature, have challenged the federal government in court for its misuse of the Endangered Species Act in its expansive designation of critical habitat for polar bears, for restricting access to Alaska rivers, and for taking adverse actions against our timber interests, mining interests, and interests in development of federal onshore and outer continental shelf oil and gas resources; and

WHEREAS, under art. VIII, sec. 1, Constitution of the State of Alaska, the policy of

the state is to encourage the development of its resources by making them available for maximum use consistent with the public interest; and

WHEREAS actions taken by the state's executive and the leadership of the Alaska State Legislature seek to protect the collective interests of the people of the state and promote a future of economic security and prosperity;

BE IT RESOLVED that the Alaska State Legislature commends and supports the actions of the Office of the Governor and the attorney general to protect the state from federal government incursion into the care and management of state resources and to promote the economic prosperity of the state; and be it

FURTHER RESOLVED that the Alaska State Legislature urges the United States Congress and the President of the United States to limit federal government overreach into management of state resources.

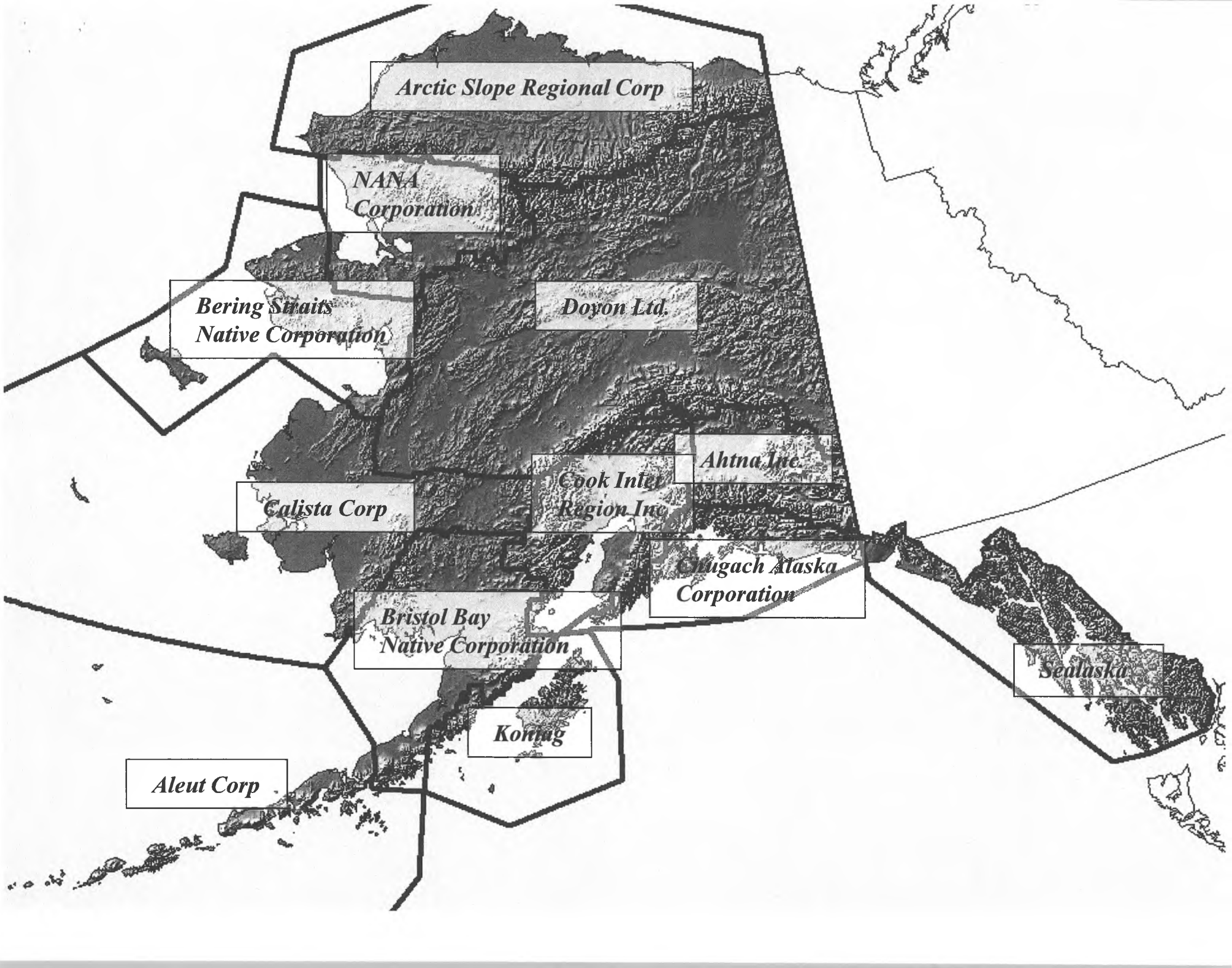
COPIES of this resolution shall be sent to the Honorable Barack Obama, President of the United States; the Honorable Joseph R. Biden, Jr., Vice-President of the United States and President of the U.S. Senate; and the Honorable Lisa Murkowski and the Honorable Mark Begich, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.

Alaska Native Corporation's Resource Development

Alaska House Resource Committee

Juneau, Alaska

March 24, 2011


Arctic Slope Regional Corp
NANA Corporation
Bering Straits Native Corporation
Doyon Ltd.
Ahtna Inc.
Cook Inlet Region Inc
Calista Corp
Chugach Alaska Corporation
Bristol Bay Native Corporation
Sealaska
Koniag
Aleut Corp

Alaska Native Claims Settlement Act

- Settled Alaska Native claims in 1971
- Provided for corporate structure for Alaska Native groups along with a land entitlement.
- Created a powerful economic engine for Alaska through the growth of some of the largest state-owned corporations.
- 44 million acres of private land ownership creating a strong resource development platform for rural Alaska.
- ANCSA also provides for revenue sharing between corporation though Section 7(i) and 7(j) providing for benefits to all Alaska Natives.

AHTNA

INCORPORATED

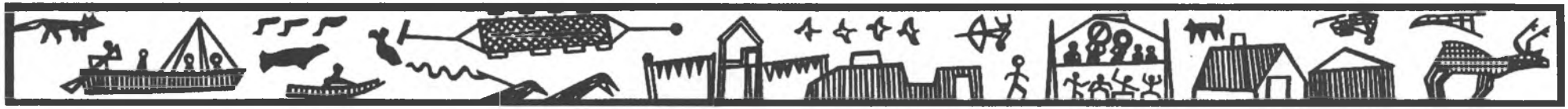
- Owns approximately 1,528,000 acres in east-central Alaska
- Has more than 1,500 shareholders
- Headquartered in Glennallen
- Ten operating subsidiaries that are involved in:
  - government contracting, civil and vertical construction, pipeline maintenance, environmental remediation, surveying, facilities maintenance, administrative and janitorial services, and food service contractors
- Focus is on growth and diversification of its land and mineral resources through:
  - mineral exploration,
  - gas exploration,
  - energy renewable projects.
- While protecting our customary and traditional rights and land protection from trespassers.

Aleut CORPORATION

- Entitled to 70,789 acres of surface lands and 1.572 million acres subsurface estate on the Alaska Peninsula
- Currently manages and sells sand, gravel, minerals and rock aggregates within the region
- Primary areas of business are real estate, government operations and maintenance contracting, aggregate sales, and investments in oil and gas producing properties and marketable securities

arctic slope regional corp.

- Headquartered in Barrow.
- Title to five million acres of land on the North Slope that are abundant in natural resources, including oil and gas and one of the world's largest bituminous coal deposits
- Companies include professional fields of engineering, venture capital and financial management, oil and gas support services, petroleum refining and distribution, aerospace engineering, consulting, civil construction, and communications
- Major Resource Projects are:
  - Subsurface owner in the Colville River Unit – hosts the Alpine oilfield and potential CD5 development,
  - Owner of the Western Arctic Coal fields
  - Owner of subsurface lands in ANWR
  - Small explorer/producer on the North Slope

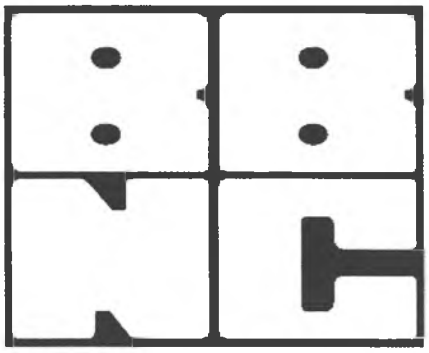


BERING STRAITS NATIVE CORPORATION

- BSNA holds the subsurface estate of highly mineralized land containing prospects of **Strategic metals** including Rare Earth reserves **(REE)**, and known deposits of **tin, platinum, thorium and uranium**. BSNC encourages private/public partnerships for the exploration, characterization, and development of these reserves.

- The region also faces significant growth in trans-Arctic shipping and exploration of the marine waters for oil and gas. Infrastructure and services will need to be developed to insure that support and safety needs are met. Public/private partnerships will be necessary to support this growing sector.

- Ground transportation improvements are critical and BSNC fully supports the preferred alternative for the **road to Nome** and will work cooperatively with the state during the planning and construction phases of this project.



Bristol Bay Native Corporation

- BBNC has approximately 8,700 shareholders who are Eskimo, Indian and Aleut.
- The company owns nearly 3 million acres of sub-surface land in the Bristol Bay region
- The corporation is a diversified company with investment and business holdings in oilfield services, construction services, government contracting and petroleum distribution.
- Commercial fishing is the region's main industry where tourism and the government sector are also part of the local economy.
- Potential for mineral deposits and natural gas.

Calista Corporation

- 13,000 shareholders
- Owns 6.5 million acres of subsurface land, about 300,000 acres of surface
- Investment portfolio includes oil well work-over drilling, royalties from gold and construction material mining, government and military contracting, newspaper publishing, commercial printing and advertising, property management, catering and camp services, telecommunications, heavy equipment sales and construction.
- Major Resource Projects include:
  - Donlin Creek LLC, hard rock gold and platinum prospects
  - Marshall Port and Quarry Road Project
- Mineral Resource development is critical to Calista's future

Chugach Alaska
CORPORATION

- Headquartered in Anchorage
- Investments include maintenance, business services in the areas of General Construction & Construction Management, Civil Engineering, Educational Services, Environmental/Oil Spill Response Services, Information Technology, Telecommunications, Employment Services, Manufacturing Services.

CIRI

- Southcentral Alaska's largest private landowner with 1.3 million acres of subsurface for oil and gas, mineral, and other responsible resource development leasing
- Active participation in Alaska energy and resource development including wind energy and underground coal gasification
- A portfolio of gold, chromium and other mineral prospects including some with significant prior exploration and resource analysis
- Significant participation in oilfield services, heavy civil construction with a specialty in remote resource development projects, environmental remediation services, and renewable energy
- A broad portfolio of other business interests and investments in commercial real estate development and management, tourism and hospitality, telecommunications, aerospace defense, private equity, venture capital and marketable securities

DOYON
Limited

- Land entitlement of 12.5 million acres, largest private landowner in Alaska
- Headquartered in Fairbank
- Company investments include catering, facility maintenance, security, tourism and support for oil, gas and mining construction across Alaska, and real estate assets and operations in the tourism industry

Hard Minerals Exploration Projects

- Zinc, silver, lead
  - Little White Man
  - Reef Ridge
- Gold and gold/copper
  - Mystery Mtns.
  - Vinasale Mountain
  - Seventymile River
  - East Wiseman
  - Sawtooth Mountain

Notes: studies and field programs this year all areas, including drilling. Some areas explored solely by Doyon, others in venture with mining companies.

Oil and Gas Exploration Projects

- Yukon Flats basin
  - Stevens Village sub-basin
  - Birch Creek sub-basin
- Nenana basin

Notes: studies and field programs all areas this year with seismic in 2012 at Nenana. Yukon Flats exploration conducted solely by Doyon; Nenana in venture with other companies

KONIAG
DEVELOPMENT CORPORATION

- Headquartered in Kodiak representing the Alutiiq people
- Title to 160,000 acres of surface estate in the Kodiak Archipelago including logging and tourism operations
- Title to 800,000 acres of subsurface on Kodiak and the Alaska Peninsula including deposits in industrial rock, energy commodities , precious-metals, and base-metals
- Subsidiary Operating Companies across the US engaged in construction and environmental services; manufacturing; industrial services; technology solutions; business services; and real estate holdings
- Resource Development Projects
  - A granite deposit known as Shakmanof Cove Quarry to supply large competent armor stone for coastal marine applications.
  - A research, education and tourism development known as the Kodiak Brown Bear Center located on the Karluk Lake envisioned to be the authority on Kodiak bear habitat.
  - Opportunities on subsurface interests just recently conveyed by BLM

NANA

REGIONAL CORPORATION, INC.

- **As an Iñupiat corporation, NANA values subsistence as the highest and best use of our traditional lands.** All development projects must be in concert with this perspective. The connection we have to our land is crucial and irreplaceable. Yet resource development is critical to our base economy.
- Has surface and subsurface rights to more than 2.2 million acres of mineral-rich land in northwest Alaska
- Red Dog Mine, one of the world's largest zinc and lead mines; 58% shareholder hire; major source of revenues for the NWAB
- Active in new resource development in minerals and Oil & Gas
  - Onshore Oil and Gas potential in the Kotzebue Basin
  - Base and Precious metal exploration in the Ambler Mining District
- Pursuing alternative energy projects in the region (wind, hydro, biomass, geothermal)
- Investment includes resource development, facilities management and logistics, engineering and construction, information technology and government contracting, facilities management and logistics, real estate and hotel development, and IT and telecommunications

A NATIVE CORPORATION
SEALASKA

- Headquartered in Juneau
- 20,000 Tlingit, Haida, Tsimshian shareholders
- 290,000 acres in Southeast
- 300,000 acres subsurface beneath 10 Village & 2 Urban Corporations in Southeast region
- Timber primary source of jobs and revenue for Southeast
- Diversified from forest investments into:

Financial investments
Information technology
Environmental remediation
Construction
Plastics injection molding
Construction aggregates
Logistics
Security services

Common Issues and Concerns

- Federal Overreach
  - Wild Lands designations
  - ESA and Critical Habitat designations on ANC lands
  - DOI management plans in Parks and Refuges
  - EPA regulations and programs
  - Barriers to accessing our lands
  - Overreach of Federal Agencies encroaching and sometimes conflicting with State Agency oversight
- State Issues
  - ACES inhibiting continued oil and gas investment
    - Potential to spill over into over resource sectors
  - High Cost of rural energy
  - Lack of infrastructure
  - Permit backlogs in State agencies impacting ANC project development
  - Need to support accelerated anti degradation rulemaking in AKDEC
  - A disconnect between the project review times at the USACE (United States Army Corps of Engineers) and the DCOM (Division of Coast and Ocean Management)
  - Tideland lease fees for dormant projects

HB

60

<TARGET><BILL>HB 60</BILL><SUBJECT>HB
60</SUBJECT><COMM>SRES27</COMM></TARGET>

REPRESENTATIVE PAUL SEATON

SESSION ADDRESS
State Capitol Building
Juneau, Alaska 99801-1182
(907) 465-2689
Fax: (907) 465-3472
1-800-665-2689

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Fax: (907) 235-4008
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ALASKA STATE LEGISLATURE
House District 35

MEMORANDUM

TO: Senator Joe Paskavan, Co-Chair
Senate Resources Committee
Senator Tom Wagoner, Co-Chair
Senate Resources Committee

FROM: Representative Paul Seaton

DATE: February 8, 2012

RE: Request for a hearing, HB 60

I respectfully request a hearing of HB 60 before the Senate Resources Committee. This is a follow-up to the original hearing request sent on March 22, 2011.

In summary, HB 60 states that the Department of Fish and Game cannot use the absence of wild geoducks in an area to deny a farming permit.

Attached please find: sponsor statement, HB 60, DNR fiscal note, F&G fiscal note, Interesting Geoduck Facts, Article 2 Aquatic Farming, Home page for three-minute trailer for "3 Feet Under – Digging Deep for the Geoduck," Letter from Alutiiq Pride Shellfish Hatchery, Letter from City of Seward.

In order to show the brief three-minute clip "3 Feet Under – Digging Deep for the Geoduck" I will need a computer and a projector.

All teleconference sites are welcome; however there are no special requests. At the committee's discretion, Jeff Hettrick, the manager of the Alutiiq Pride Shellfish Hatchery will need to call in off net.

Staff contact: Heather Beggs, 465-2028

MEETING DATE: February 13, 2012

1. Switch gavel from Paskvan

2. HB 60

    a. This is the initial presentation of the bill – it has a referral next to finance.
    b. Ask for motion on bill – object for discussion
    c. Ask sponsor to present
        i. Rep. Paul Seaton
        ii. Heather Beggs staff
    d. Go to public hearing
        i. Don't have any offnet authorized
        ii. Go to LIO's
        iii. Go to Juneau
    e. Remove objection – ask for motion out of committee with individual recommendations – fiscal notes.

3. Gavel out – announce time.

Alaska State Legislature

State Capitol, Room 102
Juneau, AK 99802
Phone: 465-6089
Fax: 465-3472
Toll Free (800) 665-6089
Representative_Paul_Seaton@legis.state.ak.us

345 W. Sterling Highway
Suite 102B
Homer, AK 99603
Phone: 235-2921
Fax: 235-4008

REPRESENTATIVE Paul Seaton

District 35

HB 60 Expanding Geoduck Farming

Shellfish farming has the potential to diversify the economic base of coastal communities impacted by the changing dynamics of the fishing industry. HB 60 allows this expansion of this clean water industry by permitting geoducks to be farmed subtidally in the Gulf of Alaska even if wild geoducks are not present. The bill does not exempt farmers from any health, safety, or other transfer provisions relating to hatchery seed.

The Alutiiq Pride Shellfish Hatchery is the only hatchery that supplies mariculture spat and seed in the State. It was initiated by the State to be a self-sustaining operation in association with the private mariculture farms permitted by the State. Their business plan relies on the sale of geoduck seed. However, an informal policy of the Department of Fish and Game prevents geoduck seed from being utilized by farms anywhere outside of southeast Alaska. These restrictions on the sale of geoduck seed cause the sole hatchery for the mariculture industry in Alaska to require continual subsidy by the State. HB 60 will allow the mariculture industry to develop around the Gulf of Alaska, providing a potentially strong market for seed and private sector financing for the operation of the hatchery.

As non-mobile filter feeders eating plankton, farmed geoducks will not prey on any local commercial, sport or personal use fish. There have been no reports of species displacement in the sedimentary habitat by geoduck clams. Farmed geoducks will not interfere with personal recreational boaters as they are cultivated in the sediment below low tide and without the numerous buoys and floating cages used in oyster farms. No infectious disease has been identified in any wild geoduck population or the geoduck farming industries of Washington, British Columbia, or Alaska.

The conflict involving geoducks in southeast Alaska is between the dive fishermen who harvest wild stock and farmers who wish to farm in areas with existing wild stock. HB 60 would circumvent this conflict because there is no wild geoduck stock in the proposed area. This bill will not override any Department of Natural Resources farm site leasing or Department of Fish & Game permit regulation.

HB 60 eliminates unnecessary hindrances to the growth of the maricluture industry in Alaska and provides a potential alternative economic base for coastal communities while adequately considering the health of our marine ecosystem.

Staff Contact, Heather Beggs 465-2028

2/10/2012 HB60/A

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: HB 60
Fiscal Note Number:
Publish Date:

Identifier (file name): HB060-DNR-MLW-12-13-11
Title: Geoduck Aquatic Farming/Seed Transfer
Sponsor: Rep. Seaton
Requester: (S) RES

Dept. Affected: Natural Resources
Appropriation: Land & Water Resources
Allocation: Mining, Land & Water
OMB Component Number: 3002

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This is a updated form version for the second session of the 27th legislature. The identifier, appropriation, and allocation have been changed to reflect the revised DNR structure.

Prepared by: Brent Goodrum, Director — Phone: (907) 269-8501
Division: Mining, Land & Water — Date/Time: 12/13/11 1:00 PM
Approved by: Daniel S. Sullivan — Date: 2/14/2011
Department of Natural Resources

(Revised 11/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** HB 60
2012 LEGISLATIVE SESSION

Analysis

The proposed legislation will have no effect on DNR and will not interfere with the leasing of tide and submerged lands for aquatic farms.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: HB 60
(H) Publish Date: 2/16/11

Identifier (file name) HB060-DNR-CP&L-02-14-11
Title: Geoduck Aquatic Farming/Seed Transfer
Sponsor: Rep. Seaton
Requester: House FSH

Dept. Affected: Natural Resources
Appropriation: Resource Development
Allocation: Claims, Permits and Leases
OMB Component Number: 2460

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commodities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Outlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CHANGE IN REVENUES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
FUND SOURCE		(Thousands of Dollars)					
1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other (please identify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Part-time	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Temporary	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Why this fiscal note differs from previous version (if initial version, please note as such)

initial version

Prepared by: Wyn Menefee, Acting Director — Phone: 269-8501
Division: Mining, Land & Water — Date/Time: 2/14/11 1:00 PM
Approved by: Daniel S. Sullivan — Date: 2/14/2011
Department of Natural Resources

(Revised 1/27/2011 OMB)

FISCAL NOTE #2

STATE OF ALASKA **BILL NO. HB 60**
2011 LEGISLATIVE SESSION

Analysis

HB 60 would allow for the transfer of geoduck seed from a certified hatchery to an aquatic farm.

This bill would have no impact on the Department of Natural Resources' ability to offer aquatic farming and hatchery lease sites under AS 38.05.083. While this bill might open more areas of the state to the aquatic farming of geoducks, which could result in a slight increase in overall aquatic farmsite leasees, the fiscal impact to DNR is anticipated to be minimal and could be addressed with existing staff and resources.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version **HB 60**
() Publish Date

Identifier (file name) HB060-DFG-CFD-02-10-11
Title Geoduck Aquatic Farming/Seed Transfer
Sponsor Representative Seaton, Gruenberg
Requester House Special Committee on Fisheries

Dept. Affected ADF&G
Appropriation Commercial Fisheries
Allocation Headquarters Fisheries Management
OMB Component Number 2171

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commodities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Outlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE	(Thousands of Dollars)						
1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other (please identify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost 0.0

POSITIONS							
Full-time	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Part-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version.

Prepared by Geron Bruce, Assistant Director
Division Commercial Fisheries Division
Approved by Kevin Brooks, Administrative Services Director
Department of Fish and Game

Phone 907-465-6151
Date/Time 02/10/11 3:00PM
Date 2/10/2011

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB60

Analysis

No fiscal impact to the department.

CITY OF SEWARD
P.O. BOX 167
SEWARD, ALASKA 99664-0167

- Main Office (907) 224-4050
- Police (907) 224-3338
- Harbor (907) 224-3138
- Fire (907) 224-3445
- City Clerk (907) 224-4046
- Community Development (907) 224-4049
- Utilities (907) 224-4050
- Fax (907) 224-4038

March 11, 2011

Dear Alaska Legislators,

The City of Seward supports House Bill 60, "An Act relating to aquatic farm permitting involving geoducks and to geoduck seed transfers between certified hatcheries and farms".

HB 60 will remove limitations to the growth of geoduck mariculture in Alaska. Currently, geoduck clam seed from the Alutiiq Pride Shellfish Hatchery can be utilized only by southeast shellfish farms due to Alaska Fish and Game geographic restrictions. This limits geoduck seed sales and the start-up of geoduck farms in Alaska. Removing the geographic limitation will expand the geoduck farming industry into other coastal communities of Alaska.

By supporting HB 60, you are expanding the geoduck industry in Alaska and expanding the economic diversity of our communities.

Sincerely,

Mayor William E. Dunham
City of Seward

Alutiiq Pride Shellfish Hatchery
PO Box 369
Seward, AK 99664
907 224-5181 224-5282 fax
jih@seward.net

January 21, 2011

Representative Paul Seaton
State Capitol, Room 201
Juneau, Alaska 99801

Dear Representative Seaton:

The Alutiiq Pride Shellfish Hatchery appreciates your efforts with House Bill 60. We rely upon shellfish seed sales to cover portions of our operating expenses. Geoducks and their high value offer us the best opportunity to achieve our sales goals. To date, the demand has not been originally projected causing a perpetual shortfall in revenue. Opening additional markets in south-central Alaska will help alleviate this deficit.

We are often frustrated by the Alaska Department of Fish and Game and their regulation of transport. It is ironic that we can transport a non-indigenous species such as oysters and cannot transport a native species outside what is considered its natural range. The fact that it will probably be non-reproductive in south- central Alaska should make management easy.

I would suggest we promote a cooperative demonstration project exploring the feasibility of geoduck farming in south-central Alaska headed by the Department of Fish and Game, the Department of Commerce and the Chugach Regional Resources Commission. The shellfish hatchery can provide geoduck seed for such an effort.

Sincerely,

Jeff Hetrick, Director

BEST DOC
Thunderbird
International
Film Festival

OFFICIAL SELECTIONS
Ashland Film Festival
Da Vinci Film Festival
Dahlonega Film Festival
Winslow Film Festival
Dances With Films
Int'l Cultural Film Symposium
S.F. Ocean Film Festival
West Chester Film Festival
Big Bear Lake Film Festival
Napa Valley Film Festival
Bainbridge Film Festival

BEST DOC
short
Port Townsend
Film Festival

Duckumentary.com

3 FEET UNDER

Digging Deep for the Geoduck Clam

a documentary for those who let it all hang out

As seen on PBS stations

home

synopsis

credits

gallery

contact

reviews

buy the DVD!

The geoduck ("gooey duck") clam sports a phallic, three-foot-long neck and a life span of 160-plus years. 3 FEET UNDER explores how it has garnered a quirky yet devoted following in the Pacific Northwest.

view trailer

Directed by Justin Bookey
63 min., digital video. Available on DVD.

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+
Coolbellup Media, Inc.

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Photo: MSCUA, Univ. of Wash. Libraries, UW5784

Interesting Geoduck Facts

Latin name: *Panopea abrupta* (Conrad, 1849)
Superfamily: Hiatellidae
Family: Hiatellidae

- **"The common name for geoduck has a native American origin, meaning "dig deep", a reference to humans or sea otters digging them. The scientific name is *Panopea abrupta* (Conrad, 1849) and I believe it is the largest intertidal clam in the world. It is the largest species of Panopea."**
  Harbo, R.1997.Shells and Shellfish of the Pacific Northwest".

- **The geoduck clam is sometimes spelled: goeduck, goiduck, or gweduck.**

- **The Chinese call the geoduck the "elephant trunk clam"**

- **Native to the northern Pacific coasts of Canada and the United States of America, that is, along the coasts of Washington state and the province of British Columbia. About 109 million adult geoducks are packed into Puget Sound's sediments the biggest bunch of marine animals in the Sound.**

- **The geoduck is the largest intertidal clam (and the largest burrowing clam) in the world with an average weight of approximately 1 kg (2.2 lbs) in B.C. and a shell length to 195 mm (7").**
  - **"I had one of these (Panopea abrupta) on display here at the Seattle Aquarium that was 13 pounds, and I've heard of bigger ones. They are generally credited with being the deepest digging clam, the biggest burrowing clam and it's possible that the geoduck is one of the longest-living mollusks."**
    Roland C. Anderson, PhD; Puget Sound Curator, The Seattle Aquarium (Source)

- **Huge geoducks have been recorded weighing up to 4.5 kg (10 lbs) Hand et al.1996, Harbo 1997 with larger denizens of the deep reported by fishermen in the field. (Source)**
  The maximum documented weight: 7.15 kgs. (Sources differ on this point)

- **Age and growth studies have shown that geoduck clams grow about one inch per**

year in shell length for the first four years of life. The growth rate is gradually reduced after this time. The average size of 2.2 pounds is reached in five to six years.

- **Average Age: Adults may live to over 140 years and reach a maximum shell length of 23 cm. Geoducks are among the longest-lived animals in the world. Growth-ring analysis shows many individuals live for more than 100 years. They grow rapidly in the first 10-15 years (approximately 1 inch per year), after which time the growth in shell length almost ceases and is replaced by a thickening of the shell and a slow increase in body weight.**

- **Oldest Recorded Age: 146 to 168 years (sources differ on this point).**

    - **"The neck of a geoduck can stretch to 1 meter, from the body and shell of this clam. When the clam is harvested (by divers, using high pressure water jets), the neck contracts. The oldest clam aged from British Columbia is 168 years old!" "**
      Harbo, R.1997.Shells and Shellfish of the Pacific Northwest".

- **Geoducks are most often found at depths between 10 and 80 feet below the mean low tide mark, but have been reported at depths reaching 360 feet. Average depths from another source: subtidal, from 8 to 120 m depth**

- **They bury themselves up to a meter deep in sand, silt, gravel and other soft substrates. A developing geoduck will burrow into sediment at an approximate rate of 1 foot per year. After digging about 3 feet deep, the adult geoduck settles in for 100 years or more.**

- **Siphons and neck cannot be withdrawn into their shell. In burrowed adults, the siphon may stretch 39 inches to the sea bed.**

- **Geoducks have separate sexes. Spawning occurs annually, primarily from Late April to July, when waters are warm. Females release from 7-10 million eggs, which develop through several stages in the water column until settling on the bottom within 40-50 days. At a shell length of 2 mm, they burrow into the substrate and can bury to a refuge depth of 60 cm in two years. They are sexually mature by 3 yrs.**

- **The of the geoduck is thin, it lacks teeth, and it may attain a length of 8 in. (20 cm). The valves, or two parts of the shell, are always open in the adult, because the body and siphons are too large to be retracted.**

- **The geoduck feeds on phytoplankton (single-celled marine algae), mostly diatoms and flagellates. Due to it's diet, one must be careful of paralytic shellfish poison (PSP) or "red tides". Check with autorities if unsure wheter or not there is a red tide before attempting to invite a geoduck for lunch. Red tides are harmless to the clams, but they can be fatal to humans.**

- **As Food: The neck can be cut or ground and used in chowders. The body meat, when sliced, pounded and sautéed it resembles abalone. Although they are edible,**

they are not widely marketed due to their inaccessibility. They are exposed for only a few hours a month, during minus tides, and even then only a very fast person digging with a shovel can attempt to dig out this fast burrowing clam. (Note: sport limits for the stae of Washington are three per day)

- **See the Underwater Harvestors Page for information of purchasing, storing, preparing and recipes for geoducks**
- **The prime meat comes from the neck, which may be up to 24-inches when fully extended, and the mantle can be cut or ground and used in chowders. The neck meat is often used in sushi or minced into patties and quick fried.**
- **Welcome to Geoduck Recipes: not only recipes but an introduction to geoduck aquaultue. By Grant Jones and his wife, Ashley.**
- **Mirugai Sushi: Source**

- **Predators: sea stars, crabs, fishes, and birds.**

- **SCUBA divers utilize high-pressure water to "dig" out the geoduck. The divers wear dry suits for protection from the cold water and they are supplied with air pumped down to them through a flexible hose from a compressor onboard a fishing boat. They must wear heavy weights to keep them submerged. Divers walk along the bottom for geoduck shows, which are the visible exposed tip of a siphon or dimple left in the sand from a retracted siphon. The divers then use a nozzle fed with high pressure water from the fishing boat above them to liquefy the sand around the geoduck thus removing the clam. The geoduck is then placed into a bag clipped to their waist. Divers are in constant communication with their boat via high tech diver to ship communications.**

Resources Used for this Page and Other Sites on the Geoduck:

- **The Columbian (2007) another good facts page**
- **Canada Fishery Management:**
- **Geoduck.org - Canada**
- **Fact Sheets - Geoduck**
- **Geoduck clam (Panopea abrupta): Anatomy, Histology, Development, Pathology, Parasites and Symbionts**
- **Geoduck farms considered - As many as 10 operations could be started along the coast ... Nicholas Read, Vancouver Sun**
- **Geoduck Information: David George Gordon, "Field Guide to the Geoduck"**
- **Geoduck FAQs:**
- **Geoduck Fact sheet: Government of Canada**
  Harbo, R.1997.Shells and Shellfish of the Pacific Northwest".
- **Fisheries and Oceans Canada Stock Status Report (pdf file)**
- **Washington State geoduck facts: Washington Department of Fish and Wildlife**
- **Three Feet Under**
- **The Geoduck Chronicles: How an obscure bivalve became the object of international desire**
- **NOAA FAQs**
- **Roland C. Anderson, PhD; Puget Sound Curator, The Seattle Aquarium**
- **Science**
- **Wikipedia**
- **Toxicity in Geoducks: Red Tide**

- **Underwater Harvester's Association:**
- **King Clam**
- **Oceans Alive**
- **Puget Sound Online - Current Creature- Puget Sound Seaiife**
- **Seatlepi.com: Cashing in on geoducks**
  Once chowder fodder, the giant clam can fetch up to $24 a pop
- **To Prepare Geoduck For The Table.....**
- **The Geoduck Aquaculture Program**
- **Shellfish Commercial Fisheries - Geoduck - Southeast Alaska and Yakutat**
  CURRENT NEWS RELEASES AND FISHERY UPDATES
- **Seattle Times: 'Duck' is a misnomer for bountiful 'King Clam'**
- **Monteray Aquarium - Geoduck Clams**
- **GOOEY DUCKS (geoducks) fun site**
- **A Geoduck Blows Bubbles at Dungeness Spit**

Comments From My Viewers

- Geoducks may be the fastest flying clam but they settle in they are not going win any races with with any other animal except another geoduck. Thanks for you info, Bill Lackner

To Page Top	To Bivalve Page	To Home Page

Article 02. AQUATIC FARMING

Sec. 16.40.100. Aquatic farm and hatchery permits.

(a) A person may not, without a permit from the commissioner, construct or operate

(1) an aquatic farm; or

(2) a hatchery for the purpose of supplying aquatic plants or shellfish to an aquatic farm.

(b) A permit issued under this section authorizes the permittee, subject to the conditions of AS 16.40.100 - 16.40.199 and AS 17.20, to

(1) acquire, purchase, offer to purchase, transfer, possess, sell, and offer to sell stock and aquatic farm products that are used or reared at the hatchery or aquatic farm; and

(2) except as provided in (f) of this section, harvest and, without further cultivation, sell an insignificant population that may be present at the aquatic farm site of a wild stock of a shellfish species intended to be cultured at the site.

(c) The commissioner may attach conditions to a permit issued under this section that are necessary to protect natural fish and wildlife resources.

(d) Notwithstanding other provisions of law, the commissioner may not issue a permit under this section for the farming of, or hatchery operations involving, Atlantic salmon.

(e) Upon the expiration or termination of a permit issued under this section, a person who holds a permit for an aquatic farming site where wild stocks of shellfish indigenous to the site are cultured shall, as a condition of the permit, restore the wild stock of shellfish, as consistent with sustained yield management of the wild stock, to the population level that existed on the site when the permit for the site was initially issued by the commissioner. A permit holder is not required to restore that portion of the wild stock of shellfish that was removed from an aquatic farming site by a common property fishery conducted after the issuance of the permit for the aquatic farming site.

(f) If the wild stock of a shellfish species to be cultured at an aquatic farm site exceeds the amount determined by the department to be an insignificant population and if the commissioner determines in writing that removal from the site of that portion of the stock that exceeds an insignificant population would benefit the public and that removal of the stock by a person other than the permittee would unreasonably interfere with the operation of the aquatic farm, the commissioner may authorize the permittee to remove and sell the excess amount of the wild stock from the site, if the permittee pays reasonable compensation, as defined by the department, to the department for the harvest and sale of the excess wild stock. The department shall deposit the money received under this subsection into the general fund. The legislature may appropriate the money received under this section to the department for shellfish management and enhancement.

Sec. 16.40.105. Criteria for issuance of permits.

The commissioner shall issue permits under AS 16.40.100 on the basis of the following criteria:

(1) the physical and biological characteristics of the proposed farm or hatchery location must be suitable for the farming or the shellfish or aquatic plant proposed;

(2) the proposed farm or hatchery may not require significant alterations in traditional fisheries or other existing uses of fish and wildlife resources;

(3) the proposed farm or hatchery may not significantly affect fisheries, wildlife, or their habitats in an adverse manner;

(4) the proposed farm or hatchery plans and staffing plans must demonstrate technical and operational feasibility; and

(5) the proposed farm site may not include more than an insignificant population of a wild stock, on the site, of a shellfish species intended to be cultured.

Sec. 16.40.110. Permit application, renewal, and transfer.

(a) An applicant for an aquatic farming or hatchery permit required under AS 16.40.100 shall apply on a form prescribed by the commissioner. An application for a permit must include a plan for the development and operation of the aquatic farm or hatchery, which must be approved by the commissioner before the permit is issued.

(b) An application for renewal or transfer of a permit must be accompanied by fees required by the commissioner, a report of the disease history of the farm or hatchery covered by the permit, and evidence that satisfies the commissioner that the applicant has complied with the development plan required under (a) of this section. The commissioner may require a health inspection of the farm or hatchery as a condition of renewal. The department may conduct the inspection or contract with a disease diagnostician to conduct the inspection.

(c) A person to whom a permit is transferred may use the permit only for the purposes for which the permit was authorized to be used by the transferor, and subject to the same conditions and limitations.

Sec. 16.40.120. Aquatic stock acquisition permits.

(a) A person may not acquire aquatic plants or shellfish from wild stock in the state for the purpose of supplying stock to an aquatic farm or hatchery required to have a permit under AS 16.40.100 unless the person holds an acquisition permit from the commissioner.

(b) An acquisition permit authorizes the permit holder to acquire the species and quantities of wild stock in the state specified in the permit for the purposes of supplying stock to

(1) an aquatic farm or hatchery required to have a permit under AS 16.40.100;

(2) the department.

(c) The commissioner shall specify the expiration date of an acquisition permit and may attach conditions to an acquisition permit, including conditions relating to the time, place, and manner of harvest. Size, gear, place, time, licensing, and other limitations applicable to sport, commercial, or subsistence harvest of aquatic plants and shellfish do not apply to a harvest with a permit issued under this section. The commissioner of fish and game shall issue or deny a permit within 30 days after receiving an application.

(d) The commissioner shall deny or restrict a permit under this section upon finding that the proposed harvest will impair sustained yield of the species or will unreasonably disrupt established uses of the resources by commercial, sport, personal use, or subsistence users. The commissioner shall inform the Board of Fisheries of any

action taken on permit applications for species that support commercial fisheries subject to limited entry under AS 16.43 and of any permits denied because of unreasonable disruption of an established use. A denial of the permit by the commissioner must contain the factual basis for the findings.

(e) The Board of Fisheries may adopt regulations for the conservation, maintenance, and management of species for which an acquisition permit is required.

(f) Except as provided in (d) of this section or in a regulation adopted under (e) of this section, the commissioner shall issue a permit if

(1) wild stock is necessary to meet the initial needs of farm or hatchery stock;

(2) there are technological limitations on the propagation of culture stock for the species sought;

(3) wild stock sought is not fully utilized by commercial, sport, personal use, or subsistence fisheries; or

(4) wild stock is needed to maintain the gene pool of a hatchery or aquatic farm.

(g) Aquatic plants and shellfish acquired under a permit issued under this section become the property of the permit holder and are no longer a public or common resource.

Sec. 16.40.130. Importation of aquatic plants or shellfish for stock.
A person may not import into the state an aquatic plant or shellfish for the purpose of supplying stock to an aquatic farm or hatchery unless authorized by a regulation of the Board of Fisheries.

Sec. 16.40.140. Limitation on sale, transfer of stock, and products.

(a) A private hatchery required to have a permit under AS 16.40.100 may sell or transfer stock from the hatchery only to an aquatic farm or other hatchery that has a permit issued under AS 16.40.100, except that shellfish stock may also be sold or offered for sale to an aquatic farm or related hatchery outside of the state.

(b) Stock may not be transferred to or from an aquatic farm or hatchery required to have a permit under AS 16.40.100 without prior notice of the transfer to the commissioner. A notice of transfer shall be submitted at least 45 days before the proposed date of transfer.

(c) A notice of transfer must be accompanied by a report of a health inspection of the stock. The department shall conduct the inspection or contract with a disease diagnostician to conduct the inspection. The cost of inspection shall be borne by the department.

(d) The department may restrict or disapprove a transfer of stock if it finds that the transfer would present a risk of spreading disease.

(e) A person may not sell, transfer, or offer to sell or transfer, or knowingly purchase or receive, an aquatic farm product grown or propagated in the state unless the product was grown or propagated on a farm with a permit issued under AS 16.40.100. The permit must be in effect at the time of the sale, transfer, purchase, receipt, or offer.

Sec. 16.40.150. Disease control and inspection.

(a) The department shall order the quarantine or the destruction and disposal of diseased hatchery stock or of aquatic farm products when necessary to protect wild stock. A holder of a permit issued under AS 16.40.100 shall report to the department an

outbreak or incidence of disease among stock or aquatic farm products of the permit holder within 48 hours after discovering the outbreak or incidence.

(b) A holder of a permit issued under AS 16.40.100 shall allow the department to inspect the permit holder's farm or hatchery during operating hours and upon reasonable notice. The cost of inspection shall be borne by the department.

(c) The department shall develop a disease management and control program for aquatic farms and hatcheries.

(d) The department may enter into an agreement with a state or federal agency or a private, state-certified provider to provide services under (b) and (c) of this section, or inspections under AS 16.40.110(b).

Sec. 16.40.155. Records and reports confidential.
Records required by statute or by a regulation adopted by the department concerning aquatic farm stocks or production, prices, and harvests of aquatic farm products and wild stocks, and annual statistical reports of individual aquatic farms or hatcheries required by statute or by a regulation adopted by the department are confidential and may not be released by the department, except that the department may release the records and reports

(1) to the Department of Revenue and the Department of Natural Resources to assist the departments in carrying out their respective statutory responsibilities;

(2) as necessary to comply with a court order;

(3) provided by an aquatic farm or hatchery permit holder to the permit holder whose activity is the subject of the records or reports;

(4) regarding cumulative annual harvests of wild stocks at individual aquatic farm sites.

Sec. 16.40.160. Regulations.
The commissioner may adopt regulations necessary to implement AS 16.40.100 - 16.40.199.

Sec. 16.40.170. Penalty.
A person who violates a provision of AS 16.40.100 - 16.40.199, a regulation adopted under AS 16.40.100 - 16.40.199, or a term or condition of a permit issued under AS 16.40.100 - 16.40.199, is guilty of a class B misdemeanor.

Sec. 16.40.199. Definitions.
In AS 16.40.100 - 16.40.199

(1) "aquatic farm" means a facility that grows, farms, or cultivates aquatic farm products in captivity or under positive control;

(2) "aquatic farm product" means an aquatic plant or shellfish, or part of an aquatic plant or shellfish, that is propagated, farmed, or cultivated in an aquatic farm and sold or offered for sale;

(3) "aquatic plant" means a plant indigenous to state water or that is authorized to be imported into the state under a permit issued by the commissioner;

(4) "commissioner" means the commissioner of fish and game;

(5) "hatchery" means a facility for the artificial propagation of stock, including rearing of juvenile aquatic plants or shellfish;

(6) "insignificant population" means a population of shellfish that, in the determination of the commissioner, would not attract and support a commercial fishery for that species of shellfish and the harvest and sale of the shellfish would not result in significant alteration in traditional fisheries or other existing uses of fish and wildlife resources if the population were included within an aquatic farm site;

(7) "positive control" means, for mobile species, enclosed within a natural or artificial escape-proof barrier; for species with limited or no mobility, such as a bivalve or an aquatic plant, "positive control" also includes managed cultivation in unenclosed water;

(8) "shellfish" means a species of crustacean, mollusk, or other invertebrate, in any stage of its life cycle, that is indigenous to state water or that is authorized to be imported into the state under a permit issued by the commissioner;

(9) "stock" means live aquatic plants or shellfish acquired, collected, possessed, or intended for use by a hatchery or aquatic farm for the purpose of further growth or propagation.

REPRESENTATIVE PAUL SEATON

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ALASKA STATE LEGISLATURE
House District 35

MEMORANDUM

TO: Senator Joe Paskvan, Co-Chair
Senate Resources Committee
Senator Tom Wagoner, Co-Chair
Senate Resources Committee

FROM: Representative Paul Seaton

DATE: March 22, 2011

RE: Request for a hearing, HB 60

I respectfully request a hearing of HB 60 before the Senate Resources Committee

In summary, HB 60 states that the Department of Fish and Game cannot use the absence of wild geoducks in an area to deny a farming permit.

Attached please find: sponsor statement, HB 60, DNR fiscal note, F&G fiscal note, Interesting Geoduck Facts, Article 2 Aquatic Farming, Home page for three minute trailer for "3 feet under – Digging Deep for the Geoduck," Letter from Alutiiq Pride Shellfish Hatchery, Letter from City of Seward.

In order to show the brief three minute clip "3 Feet Under – Digging Deep for the Geoduck" I will need a computer and projector.

All teleconference sites are welcome; however there are no special requests. At the committee's discretion, Jeff Hettrick, the manager of the Alutiiq Pride Shellfish Hatchery will need to call in off net.

Staff contact: Katie Koester, 465-2028

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REPRESENTATIVE Paul Seaton

District 35

HB 60 Expanding Geoduck Farming

Shellfish farming has the potential to diversify the economic base of coastal communities impacted by the changing dynamics of the fishing industry. HB 60 allows this expansion of this clean water industry by permitting geoducks to be farmed subtidally in the Gulf of Alaska even if wild geoducks are not present. The bill does not exempt farmers from any health, safety, or other transfer provisions relating to hatchery seed.

The Alutiiq Pride Shellfish Hatchery is the only hatchery that supplies mariculture spat and seed in the State. It was initiated by the State to be a self-sustaining operation in association with the private mariculture farms permitted by the State. Their business plan relies on the sale of geoduck seed. However, an informal policy of the Department of Fish and Game prevents geoduck seed from being utilized by farms anywhere outside of southeast Alaska. These restrictions on the sale of geoduck seed cause the sole hatchery for the mariculture industry in Alaska to require continual subsidy by the State. HB 60 will allow the mariculture industry to develop around the Gulf of Alaska, providing a potentially strong market for seed and private sector financing for the operation of the hatchery.

As non-mobile filter feeders eating plankton, farmed geoducks will not prey on any local commercial, sport or personal use fish. There have been no reports of species displacement in the sedimentary habitat by geoduck clams. Farmed geoducks will not interfere with personal recreational boaters as they are cultivated in the sediment below low tide and without the numerous buoys and floating cages used in oyster farms. No infectious disease has been identified in any wild geoduck population or the geoduck farming industries of Washington, British Columbia, or Alaska.

The conflict involving geoducks in southeast Alaska is between the dive fishermen who harvest wild stock and farmers who wish to farm in areas with existing wild stock. HB 60 would circumvent this conflict because there is no wild geoduck stock in the proposed area. This bill will not override any Department of Natural Resources farm site leasing or Department of Fish & Game permit regulation.

HB 60 eliminates unnecessary hindrances to the growth of the maricluture industry in Alaska and provides a potential alternative economic base for coastal communities while adequately considering the health of our marine ecosystem.

Staff Contact, Katie Koester 465-2028

3/17/2011 HB60/A

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 60
(H) Publish Date: 2/16/11

Identifier (file name) HB060-DFG-CFD-02-10-11
Title: Geoduck Aquatic Farming/Seed Transfer
Sponsor: Representative Seaton, Gruenberg
Requester: House Special Committee on Fisheries

Dept. Affected: ADF&G
Appropriation: Commercial Fisheries
Allocation: Headquarters Fisheries Management
OMB Component Number: 2171

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commodities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Outlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							
FUND SOURCE		(Thousands of Dollars)					
1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other (please identify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost 0.0

POSITIONS

Full-time	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Part-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version.

Prepared by: Geron Bruce, Assistant Director — Phone: 907-465-6151
Division: Commercial Fisheries Division — Date/Time: 02/10/11 3:00PM
Approved by: Kevin Brooks, Administrative Services Director — Date: 2/10/2011
Department of Fish and Game

(Revised 1/27/2011 OMB)

FISCAL NOTE #1

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB 60

Analysis

No fiscal impact to the department.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: HB 60
(H) Publish Date: 2/16/11

Identifier (file name) HB060-DNR-CP&L-02-14-11
Title: Geoduck Aquatic Farming/Seed Transfer
Sponsor: Rep. Seaton
Requester: House FSH

Dept. Affected: Natural Resources
Appropriation: Resource Development
Allocation: Claims, Permits and Leases
OMB Component Number: 2460

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commodities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Outlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CHANGE IN REVENUES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
FUND SOURCE		(Thousands of Dollars)					
1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other (please identify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Part-time	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Temporary	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version

Prepared by: Wyn Menefee, Acting Director — Phone: 269-8501
Division: Mining, Land & Water — Date/Time: 2/14/11 1:00 PM
Approved by: Daniel S. Sullivan — Date: 2/14/2011
Department of Natural Resources

(Revised 1/27/2011 OMB)

FISCAL NOTE #2

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB 60

Analysis

HB 60 would allow for the transfer of geoduck seed from a certified hatchery to an aquatic farm.

This bill would have no impact on the Department of Natural Resources' ability to offer aquatic farming and hatchery lease sites under AS 38.05.083. While this bill might open more areas of the state to the aquatic farming of geoducks, which could result in a slight increase in overall aquatic farmsite leasees, the fiscal impact to DNR is anticipated to be minimal and could be addressed with existing staff and resources.

HB 118

<TARGET><BILL>HB 118</BILL><SUBJECT>HB 118</SUBJECT><COMM>SRES27</COMM></TARGET>

STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT
Office of the Commissioner

Sean Parnell, Governor
Susan K. Bell, Commissioner

March 5, 2012

Senator Joe Paskvan, Co-Chair
Senate Resources Committee
State Capitol, Room 115
Juneau, AK 99801

Senator Tom Wagoner, Co-Chair
Senate Resources Committee
State Capitol, Room 427
Juneau, AK 99801

Re: House Bill 118 – Research and Development Tax Credit

Dear Senators Paskvan and Wagoner,

Please accept this request for your consideration to schedule CSHB 118 (FIN) – Research and Development Tax Credit in Senate Resources at your earliest convenience.

Innovation can be an expensive, intricate, and time-intensive enterprise. But it also can spark a chain of investments in capital equipment, workers, and spillover activities in every economic sector. In effect, the research and development tax credit would stimulate private-sector investment, entrepreneurial activity, and business expansion in the state that will bring opportunity and sustainable long-term benefits to our economy.

The credit is 20 percent of qualified research and development expenditures that exceed the average qualified research and development expenditures as defined in 26 U.S.C 41(d) (Internal Revenue Code) for the three years immediately preceding the year in which the credit is claimed. Unused credits may be carried forward for up to seven years after the expenditure for which the credit is claimed. In order to prevent a corporate taxpayer from claiming more than one benefit for a single expenditure, the bill also would provide that a credit could not be claimed for expenditures the corporation deducted in calculating its tax liability, or for any other credit, including any federal credits, that have been claimed under Title 43.

The bill will also impose a reporting requirement on the Department of Revenue so the Legislature and the public are aware of the fiscal impact and economic benefits of the research and development credit to the state.

If you have any questions regarding this bill, please feel free to contact either myself or Deputy Commissioner Curtis Thayer at 465-2500.

Sincerely,

Susan K. Bell
Commissioner

P.O. Box 110800, Juneau, Alaska 99811-0800
Telephone: (907) 465-2500 Fax: (907) 465-5442 Text Telephone: (907) 465-5437
Email: questions@alaska.gov Website: http://www.commerce.alaska.gov/

STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT
Office of the Commissioner

Sean Parnell, Governor
Susan K. Bell, Commissioner

CS for House Bill 118 (FIN)

"An Act relating to a tax credit for corporate income taxes paid for qualified research and development expenditures; and providing for an effective date."

Sectional Analysis

Section 1. Amends AS 43.20 by adding a new section: AS 43.20.047 – Qualified research and development tax credit.

This section outlines the terms and conditions of a qualified research and development tax credit in addition to any other credit that the taxpayer may be authorized to receive under the Alaska Net Income Tax Act. A taxpayer may apply a 20% credit not to exceed $10 million provided the following terms and conditions are met:

- Research and development expenditures are attributable to the state if it is being conducted in this state.
- If the tax credit exceeds the taxpayers liability for the year the expenditure is incurred the excess of the tax may be carried forward up to seven years.
- A person may not claim a credit for research and development expenditures that were already deducted in calculating its tax liability or for which it claimed a federal credit.

Each year the Department of Revenue shall report the number of the taxpayers who received credits under this section for the prior tax year, the total amount of the credits given to taxpayers, a description of the research and development projects for which the credit was granted, and the number of employees conducting the research and development.

This section also defines "base amount" and "qualified research and development".

Section 2. Effective date clause

Immediate effective date

Prepared by: Crystal Koeneman
Department: CCED
Phone: 465.2503
e-mail: crystal.koeneman@alaska.gov

STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT
Office of the Commissioner

Sean Parnell, Governor
Susan K. Bell, Commissioner

CS for House Bill 118 (FIN) – Explanation of Changes

"An Act relating to a tax credit for corporate income taxes paid for qualified research and development expenditures; and providing for an effective date."

Page 2, line 11, following "been":

Deleted "apportioned to this state and"

Page 2, line 11:

Deleted "AS 43.20.021"

Inserted "under this title"

Page 2, lines 12 - 13:

Inserted "if three or more taxpayers claim the credit authorized under this section during the immediate preceding year," and deleted "names" and replaced it with "number".

Page 2, lines 13 - 14:

Inserted "to the legislature"

Page 2, lines 16 - 17:

Inserted "a description of the research and development projects for which the credit was granted,"

Page 2, lines 16 – 25 (of the original bill):

Deleted "Notwithstanding AS 40.25.100 and AS 43.05.230, a taxpayer claiming the credit under this section consents to

(1) the public disclosure of its name and status as a beneficiary of the credit;

(2) inclusion of the amount of the credits granted to it under this section and the number of employees conducting the research and development for which it claims the credit in the cumulative total calculated by the department for reporting purposes; and

(3) report on the impact of the credit on research and development for each year that the credit is claimed.

Prepared by: Crystal Koeneman
Department: CCED
Phone: 465.2503
e-mail: crystal.koeneman@alaska.gov

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version	**CSHB 118(FIN)**
Fiscal Note Number	**2**
(H) Publish Date	**2/17/12**

Identifier (file name)	HB118CS(L&C)-DOLWD-UI-2-3-12	Dept. Affected	Labor and Workforce Development
Title	Research and Development Tax Credit	Appropriation	Employment Security
		Allocation	Unemployment Insurance
Sponsor	Rules by Request of the Governor		
Requester	House Finance	OMB Component Number	2276

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by	Paul E. Dick, Director	Phone	465-5933
Division	Employment Security Division	Date/Time	2/3/12 2:17PM
Approved by	Click Bishop, Commissioner	Date	2/3/2012
	Department of Labor and Workforce Development		

(Revised 1/17/2012 OMB)

FISCAL NOTE #2

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSHB 118(FIN)

Analysis

The proposed legislation requires that expenditures attributable to payroll of employees for research and development conducted in Alaska must be reported as paid in Alaska in quarterly unemployment insurance (UI) contribution reports submitted to the Department of Labor and Workforce Development under AS 23.20, in order to qualify for a tax credit under this bill. Department of Revenue auditors would request UI contribution reports from taxpayers in the course of an audit to ascertain that payroll costs claimed for a tax credit under this bill qualify for the credit.

There is no fiscal impact to the department as a result of this legislation.

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **CSHB 118(FIN)**
Fiscal Note Number: **3**
Publish Date: **2/17/12 (H)**

Identifier (file name): CSHB118-DOR-TAX-12-14-11
Title: Research & Development Tax Credit
Dept. Affected: Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
Sponsor: Governor
Requester: House Finance
OMB Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	**0.0**	***	***	***	***	***	***

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated for new legislative session.

Prepared by: Johanna Bales, Deputy Director — Phone: (907) 269-6628
Division: Tax — Date/Time: 12/12/11 1:00 PM
Approved by: Jerry Burnett, Director - Administrative Services Division — Date: 12/14/2011
Department of Revenue

(Revised 8/17/2011 OMB)

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSHB 118(FIN)

Analysis

Bill Language:
This bill would allow a credit against corporate income tax of up to $10,000,000 of 20% of qualified research and development expenditures that exceed the base amount incurred by a taxpayer for research and development conducted in Alaska. The base amount is the average qualified research and development expenditures attributable to Alaska for the three tax years immediately preceding the tax year for which the credit is claimed. For purposes of this bill, "qualified research and development" means qualified research as defined by the Internal Revenue Code. If the tax credit allowed exceeds the taxpayer's tax liability, the excess tax credit would be allowed to be carried forward for up to seven years.

This bill also provides that the department is required to complete an annual report disclosing the number of taxpayers receiving the credit, the total cumulative amount of credits granted to all taxpayers and the total cumulative number of employees conducting research and development in the state.

Revenues:
The department is unable to determine the amount of research and development credits which may be claimed by taxpayers as the department currently has no information about the amount of research and development conducted in the state. Therefore, the department has no basis with which to formulate an estimated effect on revenues.

Expenditures:
The department can implement the provisions of the bill with existing resources.

HB 118 Presentation
Alaska State Legislature

April 4, 2012

DOR – AMHTA – ANGDA – Tax – Treasury – ARMB – APFC – PFD – APFC – GSD

ALASKA
DEPARTMENT OF
COMMERCE,
COMMUNITY,
AND ECONOMIC
DEVELOPMENT

The growth of our science and education will be enriched by new knowledge of our universe and environment, by new techniques of learning and mapping and observation, by new tools and computers for industry, medicine, the home as well as the school.

Federal R&D Tax Credit

- Established in 1981
- Reauthorized 14 times
- Authorized through 2011 – Legislation has been introduced (HR 1693) to make the R&D Tax Credit permanent

"Permanently extend the Research and Experimentation Tax Credit in order to help companies create good jobs in America now while increasing future productivity and growth."

HB 118 R&DTax Credit

ALASKA
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COMMERCE,
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States with an R&D Tax Credit

38 U.S. states currently have some form of R&D tax credit or incentive.

HB 118 R&DTax Credit

ALASKA
DEPARTMENT OF
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AND ECONOMIC
DEVELOPMENT

This legislation will allow Alaska corporations to receive a 20% tax credit, not to exceed $10 million per taxpayer, per tax year. The research and development activities, or the payroll of the employees, must take place in Alaska.

To qualify, research and development activities must meet the following:

1. The purpose is discovering information technological in nature; AND
2. The application of which is intended to be useful in the development of a new or improved component of the taxpayer; AND
3. Substantially all of the activities constitute a process of experimentation; AND
4. The experimentation is for a qualifying activity or purpose.

HB 118 R&DTax Credit

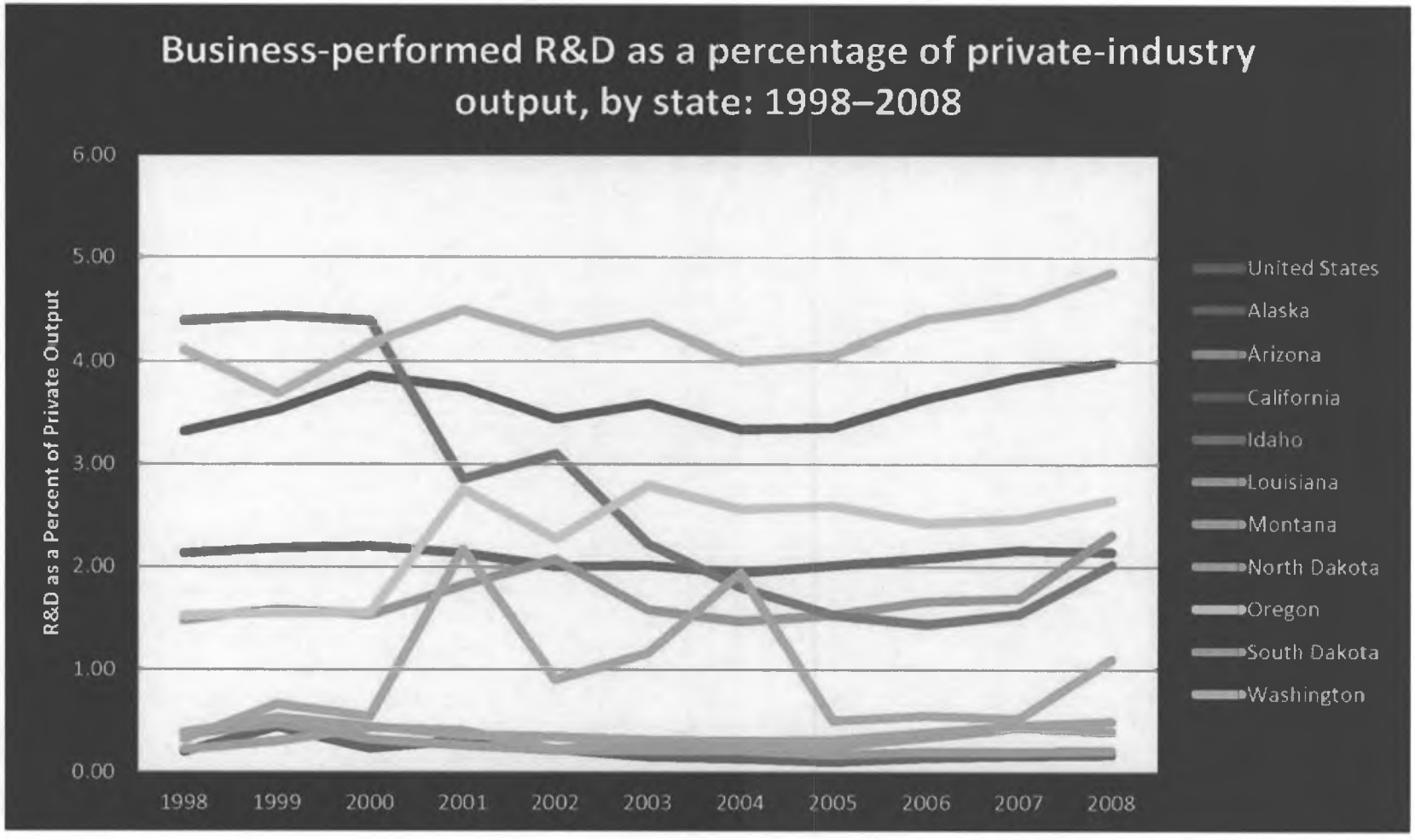
ALASKA
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

What Qualifies:
- Developing new or improved products, processes, or formulas
- Developing prototypes or models
- Building or improving manufacturing facilities
- Developing or improving software technologies
- Certification testing
- Developing or applying for patents

What Doesn't Qualify:
- Exploration activity to ascertain the existence, location, extent, or quality of any ore or mineral deposit
- Duplicating an existing business component
- Surveys and studies such as market research, advertising, and routine data collection
- Research in the social sciences, arts, or humanities
- Anything for style, taste, cosmetic, or seasonal reasons

HB 118 R&DTax Credit

ALASKA
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT



HB 118 R&DTax Credit

ALASKA
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

Fisheries: Seafood Processing

- EPA restricting processing effluent
- Research needed to reduce sediment piles through process innovation, increased protein and by-product utilization
- Tax credits means research conducted in AK, plus jobs, vendor payments, increased experience, and capacity building in process and product innovation

HB 118 R&DTax Credit

ALASKA
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

Minerals: Rare Earth Deposit Processing

- Need customized process for milling and recovery to use deposits to fullest potential
- More than 240 processes may be required to reach all components in a deposit

HB 118 R&DTax Credit

ALASKA
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

Timber: Use in Architectural and Building Industries

- To be specified for many building and architectural uses, species must have technical standards set for each product form

HB 118 R&DTax Credit

ALASKA DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

Oil & Gas FAQs:

Q. Will corporations engaged in oil and gas production be eligible for the R&D credit?

A. Yes. Oil and gas corporations will be treated the same as all other taxpayers and may take a credit against their Alaska corporate income tax for R&D expenses incurred in Alaska.

Q. Can oil and gas companies take a credit against their oil and gas production tax for R&D expenses?

A. No. The Alaska R&D tax credit would only be allowed against corporate income tax. It would not be allowed as a credit against taxes due in any other tax program.

Q. Can oil and gas companies deduct research and development expenditures in the calculation of their oil and gas net profits tax?

A. No. R&D expenses are not qualified lease expenditures under the applicable statutes and regulations governing production tax, and therefore, are not deductible. Specifically, 15 AAC 55.260(g) states that "designing" does not include the types of activities ordinarily considered R&D.

HB 118 R&DTax Credit

ALASKA
DEPARTMENT OF
COMMERCE,
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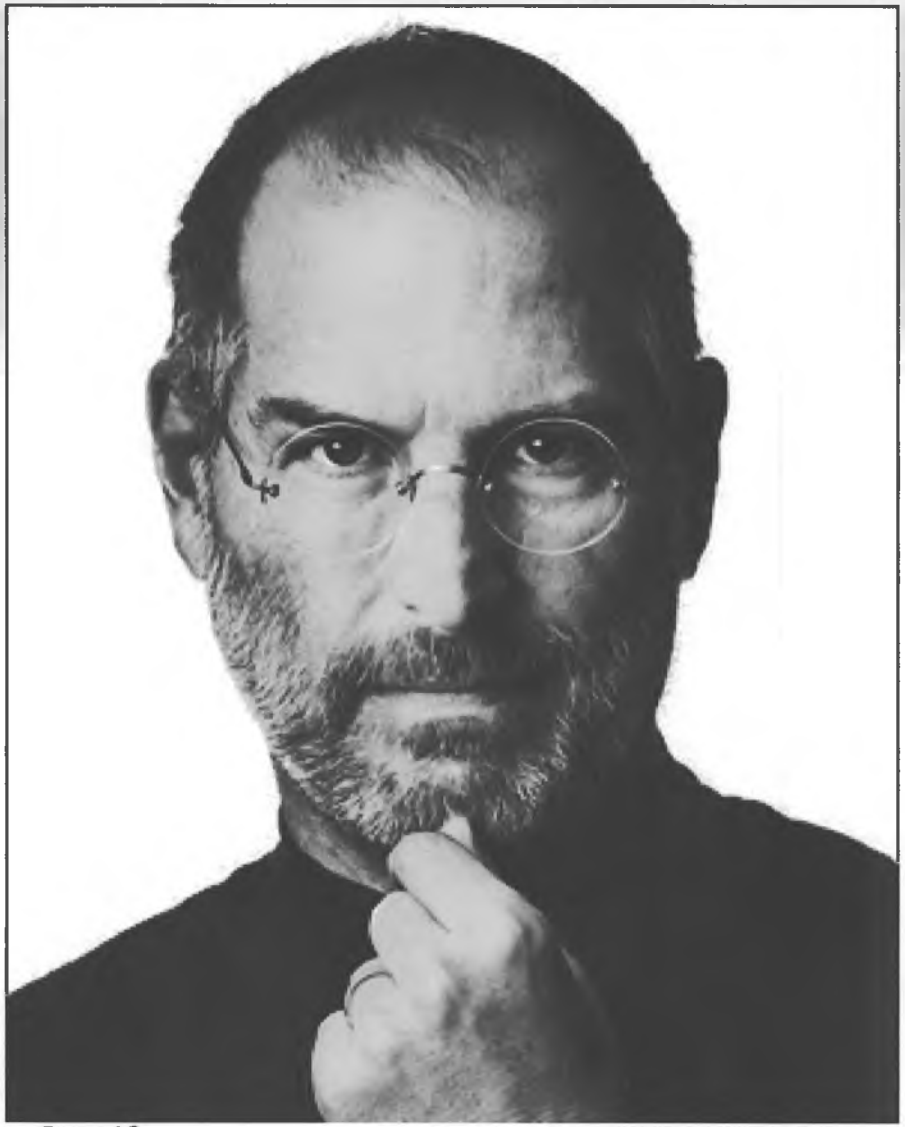
AND ECONOMIC
DEVELOPMENT



Innovation distinguishes between a leader and a follower.

- Steve Jobs

ALASKA
DEPARTMENT OF
COMMERCE,
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AND ECONOMIC
DEVELOPMENT

Comments and Questions

I.R.C. Sec. 41, Credit for Increasing Research Activities

Definition of Qualified Research:

1. The purpose is discovering information technological in nature; **AND**
2. The application of which is intended to be useful in the development of a new or improved component of the taxpayer; **AND**
3. Substantially all of the activities constitute a process of experimentation; **AND**
4. The experimentation is for a qualifying activity or purpose.

Activities that Qualify:

- Developing new or improved products, processes, or formulas
- Developing prototypes or models
- Developing or applying for patents
- Certification testing
- Developing new technology
- Environmental testing
- Developing or improving software technologies
- Building or improving manufacturing facilities
- Streamlining internal processes

Activities that Do NOT Qualify:

- Exploration activity to ascertain the existence, location, extent, or quality of any ore or mineral deposit
- Research AFTER commercial production
- Adapting an existing business component for a particular customer
- Duplicating an existing business component
- Surveys & studies such as market research, advertising, and routine data collection
- Computer software for internal use (unless its development supports an otherwise qualifying activity)
- Non-U.S. research
- Research intended to be transferred to another
- Research conducted for the benefit of and prior to commencing a new business
- Research in the social sciences, arts, or humanities
- Funded research
- Anything for style, taste, cosmetic, or seasonal reasons

Allowed Expenses for Qualified Research:

- Research expenses incurred in connection with carrying on a trade or business including:
    - In-house wages and supplies
    - Time-sharing costs for computer use
    - 65% of amounts paid to contractors in the U.S. who work on the taxpayer's behalf
    - Extraordinary utility charges
    - Depreciation and depletion on property used in connection with qualified research activities

RESEARCH AND DEVELOPMENT CREDIT BY STATE

FEDERAL	Two Types: Regular Research Credit (RRC) Method; 20% of qualified expenses Alternative Simplified Credit (ASC) Method; 14% of qualified expenses over 50% of average expenses in the preceding three years (See Exhibit 1 attached)
Arizona	24% of the first $2.5 million in qualifying expenses. Qualifying expenses in excess of $2.5 million, credit is $600,000 plus 15% of the amount over $2.5M. Ariz. Rev. Stat. Ann. § 43-1074.01 [Extended through 2019]
Arkansas	1. University based R&D. 33% tax credit for qualified research expenditure on contracts with AR colleges or Universities 2. In-House R&D. 20% of qualified expenditures exceeding the base year for a 3 year period. Incremental increase for next 2 years. Credit may offset 100% of state tax liability. Unused credit may be carryforward up to 9 years. 3. Strategic Value R&D. For research in an area of strategic value or projects offered by AR Science & Technology Authority. Credit is 33% of qualified expenditures. Max credit is $50,000 per year. Unused credit may be carryforward 9 years Ark. Code Ann. § 15-4-2708
California	15% for qualified research and 24% of research payments Cal. Rev. & Tax. Cd. § 23609
Colorado	3% of increased R&D expenditures. Colo. Code Regs. 39-30-105.5
Connecticut	Three types: 25% grants to institutes of higher education. Conn. Gen. Stat. § 12-217l 20% of incremental expenditures. Unused credit carryforward up 15 years. Conn. Gen. Stat. § 12-217j 1- 6% of non-incremental expenditures. Conn. Gen. Stat. § 12-217n
Delaware	Up $5m for qualified R&D expenses equal to 10% of R&D base amount or 50% of DE apportioned share not to exceed 50% of tax liability. Unused credit may be carried forward up 15 years. Del. Code Ann. § 2070 [Extended to tax years ending after 12/31/12
Florida	Effective 1-1-2012. Credit to a max of $9M not to exceed 50% of tax liability. Unused credit may be carried forward up 5 years. Fla. Stat. § 220.196
Georgia	Up to 10% of base amount not to exceed 50% of tax liability. Unused credit may be carried forward up to 10 years. Ga. Code Ann. § 48-7-40.12
Hawaii	Impose a refundable credit up to 20% on qualified expenses. Haw. Rev. Stat. § 235-110.91
Idaho	Sum of: 5% of excess payments over base amount and 5% of payments allowed under IRS code, not to exceed tax. Idaho Code § 63-3029G
Illinois	[Extended through 2015]
Indiana	Up to 10% minus 50% of qualified expenses for 3 preceding years. Ind. Code § 6-3.1-4-2.5
Iowa	6.5% of qualified expenditures. Iowa Admin. Code 701--42.11

Kansas	6.5% of expenditures exceeding amounts used in the current plus past two yrs. Only 25% of credit is used in the current yeai Kan. Stat. Ann. § 79-32,182
Louisiana	up 8% of state's apportioned amount, 40% if employs up to 50, 25% if alternative incremental tax credit is claimed 20% for taxpayers with 50 to 99 employees. La. Rev. Stat. Ann. § 47:6015 [Applicable to tax years beginning on or after 1-1-2011 and extended through 2019]
Maine	5% of the amount that exceed the average expense of the previous 3 yrs plus 7.5% of basic research payments Me. Rev. Stat. Ann. § 5219-K
Maryland	[Extended through 6/30/21]
Massachusetts	10% not to exceed 50% of tax liability. Limit $25,000,000. Mass. Gen. L. § 38N
Michigan	1.9% of qualified expenses. Mich. Comp. Laws Ann. § 208.1405
Minnesota	10 %, up to the first $2 million in eligible expenses. The credit is 2.5 percent for eligible expenses above $2 millior Minn. Stat. § 290.068 [Extended through tax years beginning before 1/1/15]
Mississippi	$1,000 per employee for a job requiring R&D skills. Miss. Administrative Code 35.X.03
Missouri	6.5% of qualified expenses. Mo. Rev. Stat. § 620.1039
Montana	Tax exempt for first 5 years of R&D activities. Mont. Code Ann. § 15-31-103
Nebraska	15% of federal tax credit. 35% of federal credit if conducted in colleges or universities. Neb. Rev. Stat § 77-5803
New Hampshire	Lesser of 10% of qualified expenses or $50, 000. N.H. Admin. Rules, Rev 2406.05 .
New Jersey	50% of qualified expenses against tax liability. N.J. Admin. Code 18:7-3.23 [As of 1/1/12 limitation of 50% of tax liability was removed]
New Mexico	has a small business technology tax credit, governor is proposing a high-tech R & D credit
New York	10% of cost or other federal basis. ¶11,314
North Carolina	$0 to $50M - 1.25%. $50M to $200M - 2.25%. Over $200M 3.5%. N.C. Gen. Stat. § 105-129.55 .
North Dakota	25% of first $100,000. 8% of amount over $100,000. N.D. Cent. Code § 57-38-30.5
Oklahoma	$500 per employee engaged in R&D, computer services or data processing. Max 50 employees. Okla. Admin. Code 710:50-15-105
Ohio	Requires taxpayers to obtain a certificate before claiming the credit. Max credit $150,000. Ohio Rev. Code Ann. § 5733.352

Oregon	5% of increase in qualified expenses . Max $2M. Unused credit may be carried up to 5 years. Or. Rev. Stat. § 317.152 [Program extended to 1/1/16
Pennsylvania	10% of qualified expenses. Pa. Stat. Ann. § 8703-B
Rhode Island	22.5% up to $111,111, 16% of amounts over $111,111. R.I. Reg. CR 03-07
South Carolina	5% of qualified expenses not to exceed 50% of tax liability. S.C. Code Ann. § 12-6-3415 .
Texas	5% of qualified expenses. Tex. Admin. Code 3.578
Utah	6.3% for basic research that exceeds base amount. Utah Code Ann. § 59-10-1012
Virginia	15% of first $167,000 or 20% of first $175,000 if conducted in college or universities. Va. Code Ann. § 58.1-439.12:06.
West Virginia	Credit on Depreciable property from 33 1/3 to 100%. W. Va. Code § 11-13R-4
Wisconsin	10% of qualified expenses. Wis. Stat. § 71.28 (5). [Created a "Super R&D Credit" as of 1/1/11]

House Bill 118

Research and Development Tax Credits

1. I understand that HB 118 is being heard in the Resources Committee because of issues raised in the other body and whether or not those tax credits can be applied to the oil and gas industry.

   Please elaborate. What is the issue? Is it valid?

ALASKA STATE LEGISLATURE

SENATOR THOMAS H. WAGONER

Co-Chair: Senate Resources Committee

Member: C&RA Committee
Member: Regulatory Review
Member: LB&A Committee
Member: World Trade

Official Business

Session: January - May
State Capitol, #427
Juneau, AK 99801
Phone: 907-465-2828 Fax: 907-465-4779

Interim: May - December
145 Main Street Loop, Suite 226
Kenai, AK 99611
Phone: 907-283-7996 Fax: 907-283-8127

DATE: April 11, 2012

TO: Don Bullock, Legislative Legal

FROM: Mary Jackson

RE: HB 118

Please provide a CS for HB 118 which accomplishes the following:

Amends the HB 118 which was before the Committee ((27-GH1951\I) by inserting Wielechowski amendment (27-GH1951\I.15) as amended below:

On page 5, line 22, Section 11 – delete "2015" and replace with "2018".

As always, thank you for your time and attention.

Also, please provide the appropriate title change resolution to accompany this revision.

(HB118 Amend) Rcvd 4-10-12 MAA 12:05pm

ALASKA STATE LEGISLATURE

Session

State Capitol, Rm. 101
Juneau, AK 99801
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Fax: (907) 465-6615

Interim

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Fax: (907) 269-0122

Senator_Bill_Wielechowski@legis.state.ak.us

Chair
State Affairs Committee

Co-chair
Joint Armed Services Committee

Vice Chair
Resources Committee
Judiciary Committee

Member
Administrative Regulation Review

SENATOR BILL WIELECHOWSKI

Enabling Greater Public and Legislative Review of Tax Credits and Other Forms of Indirect State Spending

- Alaskans deserve basic information on state spending, including indirect forms of spending, such as tax credits, waivers and exemptions. This type of oversight is vital to government efficiency and controlling spending.

- Alaska "spends" about a billion dollars each year on tax credits, exemptions and other indirect expenditures without regularly evaluating their impact. This is more than the budgets of the Departments of Revenue, Natural Resources, Environmental Conservation, Law, the Court System and the Legislature combined.

- 45 other states publish this type of information. Alaska is one of only five remaining that does not.

- This amendment would do three things:

    - Require the legislature to include legislative intent language in any new tax credits or exemptions to enable future evaluation of the credit's effectiveness.

    - Require the Department of Revenue to publish information about each tax expenditure in its annual revenue sources book. This information would include the sum of tax expenditures for the prior fiscal year and an estimate for the current fiscal year.

    - Require the Legislative Finance Division to conduct a one-time analysis of tax expenditures over $1 million seven years after their passage to determine whether the tax expenditure is achieving its intended purpose.

27-LS1473\A
Bullock
3/22/12

SENATE CONCURRENT RESOLUTION NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY

Introduced:
Referred:

A RESOLUTION

Suspending Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State Legislature, concerning House Bill No. 118, relating to a tax credit for qualified research and development expenditures.

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

That under Rule 54, Uniform Rules of the Alaska State Legislature, the provisions of Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State Legislature, regarding changes to the title of a bill, are suspended in consideration of House Bill No. 118, relating to a tax credit for qualified research and development expenditures.

27-GH1951\I.15
Bullock
3/29/12

AMENDMENT

OFFERED IN THE SENATE BY SENATOR WIELECHOWSKI

TO: CSHB 118(FIN)

Page 1, line 1, following "**Act**":

Insert "**relating to the reporting and analysis of certain information relating to tax credits, exclusions, exemptions, waivers, and other tax expenditures; relating to bills creating tax expenditures; relating to confidentiality and use of tax information;**"

Page 1, following line 3:

Insert new bill sections to read:

"* **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

SHORT TITLE. Sections 1 - 9 of this Act may be known as the Alaska Tax Break Transparency Act.

* **Sec. 2.** AS 24.08 is amended by adding a new section to read:

Sec. 24.08.038. Tax expenditure bills. The legislature shall include a statement of the rationale and purpose of a tax expenditure in a bill creating a tax expenditure. In this section, "tax expenditure" has the meaning given in AS 43.05.090.

* **Sec. 3.** AS 24.20 is amended by adding a new section to read:

Sec. 24.20.232. Analysis of tax expenditures. If the sum of tax expenditures of a specific type exceeds $1,000,000 in fiscal year 2012 or a succeeding fiscal year, the legislative finance division shall analyze the use of the tax expenditure on the following schedule to determine whether the statute authorizing the tax expenditure has achieved its purpose:

(1) tax expenditures existing on July 1, 2015, shall be analyzed once between July 1, 2015, and June 30, 2020, and before a delayed repeal of a tax

expenditure;

(2) a tax expenditure created after July 1, 2015, shall be analyzed after it has been in effect for seven years or, if the statute authorizing the expenditure has a delayed repeal date, one year before the effective date of the delayed repeal of the tax expenditure.

* **Sec. 4.** AS 37.07.020(a) is amended to read:

(a) **After considering the revenue and tax expenditure report prepared by the Department of Revenue under AS 43.05.090, the** [THE] governor shall prepare a budget for the succeeding fiscal year that must cover all estimated receipts, including all grants, loans, and money received from the federal government and all proposed expenditures of the state government. The budget shall be organized so that the proposed expenditures for each agency are presented separately. The budget must be accompanied by the information required under AS 37.07.050 and by the following separate bills: (1) an appropriation bill authorizing the operating and capital expenditures of the state's integrated comprehensive mental health program under AS 37.14.003(a); (2) an appropriation bill authorizing state operating expenditures other than those included in the state's integrated comprehensive mental health program; (3) an appropriation bill authorizing capital expenditures other than those included in the state's integrated comprehensive mental health program; and (4) a bill or bills covering recommendations, if any, in the budget for new or additional revenue. The budget for the succeeding fiscal year and each of the bills shall become public information on December 15 at which time the governor shall submit copies to the legislature and make copies available to the public. The bills, identical in content to the copies released on December 15, shall be delivered to the rules committee of each house before the fourth legislative day of the next regular session for introduction.

* **Sec. 5.** AS 37.07.020(b) is amended to read:

(b) In addition to the budget and bills submitted under (a) of this section, the governor shall submit a capital improvements program covering the succeeding six fiscal years. The governor shall also submit a fiscal plan with estimates of significant sources and uses of funds for the succeeding 10 fiscal years. The fiscal plan

(1) must include sufficient details to identify

(A) significant sources of funds;

(B) significant uses of funds, including lump sum projections of

(i) operating expenditures;

(ii) capital expenditures;

(iii) debt service expenditures;

(iv) fund capitalizations;

(v) appropriations of income of the Alaska permanent fund (art. IX, sec. 15, Constitution of the State of Alaska), if any;

(2) must balance sources and uses of funds held while providing for essential state services and protecting the economic stability of the state;

(3) must include projected balances of significant funds held in separate accounts, including the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska), the public education fund (AS 14.17.300), and the Alaska capital income fund (AS 37.05.565);

(4) must set out significant assumptions used in the projections with sufficient detail to enable the legislature to rely on the fiscal plan in understanding, evaluating, and resolving issues of state budgeting, including information that supports major areas of operating increases, such as population demographics that affect the need for particular government services**;**

(5) must consider issues raised by the revenue and tax expenditure report prepared by the Department of Revenue under AS 43.05.090.

*** Sec. 6.** AS 40.25.100(a) is amended to read:

(a) Information in the possession of the Department of Revenue that discloses the particulars of the business or affairs of a taxpayer or other person is not a matter of public record, except as provided in AS 43.05.230(i) **and 43.05.090(d)** or for purposes of investigation and law enforcement. The information shall be kept confidential except when its production is required in an official investigation, administrative adjudication under AS 43.05.405 - 43.05.499, or court proceeding. These restrictions do not prohibit the publication of statistics presented in a manner that prevents the identification of particular reports and items, prohibit the publication of tax lists

showing the names of taxpayers who are delinquent and relevant information that may assist in the collection of delinquent taxes, or prohibit the publication of records, proceedings, and decisions under AS 43.05.405 - 43.05.499.

* **Sec. 7.** AS 43.05.090 is amended to read:

Sec. 43.05.090. Preparation and publication of reports and statistics. The department shall prepare and annually publish statistics of the revenues derived under the tax laws administered by it**, including an analysis of tax revenue losses due to tax expenditures**.

* **Sec. 8.** AS 43.05.090 is amended by adding new subsections to read:

(b) The revenue and tax expenditure report must include

(1) the statutory authority for each type of tax expenditure;

(2) the annual sum of tax expenditures for the prior fiscal year, separately calculated for each type of expenditure, and the total number of taxpayers who benefitted from each type of expenditure;

(3) an estimate of tax expenditures for the current fiscal year, separately calculated for each type of expenditure;

(4) an estimate of the public costs of administering the tax expenditures.

(c) The department shall annually transmit an electronic copy of the revenue and tax expenditure report to each member of the legislature and make the report available to the public on the department's Internet website.

(d) The department shall notify the legislative finance division when the sum of tax expenditures of a specific type has exceeded $1,000,000 in fiscal year 2012 or a succeeding fiscal year and provide the legislative finance division with the nonconfidential or, subject to the division's execution of a confidentiality agreement, confidential information necessary to complete the analysis under AS 24.20.232.

(e) In this section, "tax expenditure" means a tax credit, exclusion, exemption, waiver, or other loss of state tax revenue due to an express provision of state tax law; "tax expenditure" does not include federal tax expenditures under federal law adopted by reference in AS 43.20.021 or tax deductions incurred in the ordinary course of trade or business.

* **Sec. 9.** AS 43.05.230(a) is amended to read:

(a) It is unlawful for a current or former officer, employee, or agent of the state to divulge the amount of income or the particulars set out or disclosed in a report or return made under this title, except

(1) in connection with official investigations or proceedings of the department, whether judicial or administrative, involving taxes due under this title;

(2) in connection with official investigations or proceedings of the child support enforcement agency, whether judicial or administrative, involving child support obligations imposed or imposable under AS 25 or AS 47;

(3) as provided in AS 38.05.036 pertaining to audit functions of the Department of Natural Resources;

(4) **as provided in AS 43.05.090(d);**

(5) as provided in AS 43.05.405 - 43.05.499; and

(6) [(5)] as otherwise provided in this section or AS 43.55.890."

Page 1, line 4:

Delete "**Section 1**"

Insert "**Sec. 10**"

Page 2, line 26:

Delete all material and insert:

"* **Sec. 11.** Sections 3 - 9 of this Act take effect July 1, 2015.

* **Sec. 12.** Except as provided in sec. 11 of this Act, this Act takes effect immediately under AS 01.10.070(c)."

Friendly Amend BW: NO OBJ. 2018

1100 West Ewing Street
Seattle, WA 98119

March 28, 2012

Honorable Gary Stevens
United States Senator
State Capitol Room 111
Juneau AK, 99801

Dear Senator Stevens:

I am writing you today to express my support for HB 118 – Research and Development Tax Credit. The effect of diversifying seafood resources, above all other efforts, has had the largest positive impact on value, job opportunities and opening new markets for Alaska seafood around the world.

Research and Development is one of the highest risk aspects of our business yet one area that has kept our business strong and growing through tough economic times. The opportunity to accelerate the development of new products and processes through a Public/Private partnership will continue to keep Alaska seafood competitive and gaining new consumers around the world.

An example of new technology that Ocean Beauty has been a part of is the use of microwave sterilization to develop shelf stable ready-to-eat meals. Ocean Beauty Seafoods is a founding member of the Microwave Consortium that includes Washington State University, U.S. Army-NATICK, Hormel, AmeriQual, General Mills, and Nestlé, among others. This group was formed in 2002 with the goal of commercializing a microwave process for the preparation of shelf stable meals. The US military has invested in this project with a goal of improving the eating quality of MRE's (meals ready to eat), as food quality has a direct impact on troop morale. We see the technology as a way to reduce energy costs when compared to traditional retorts to cook salmon and incorporate more "user friendly" packaging vs. canned product.

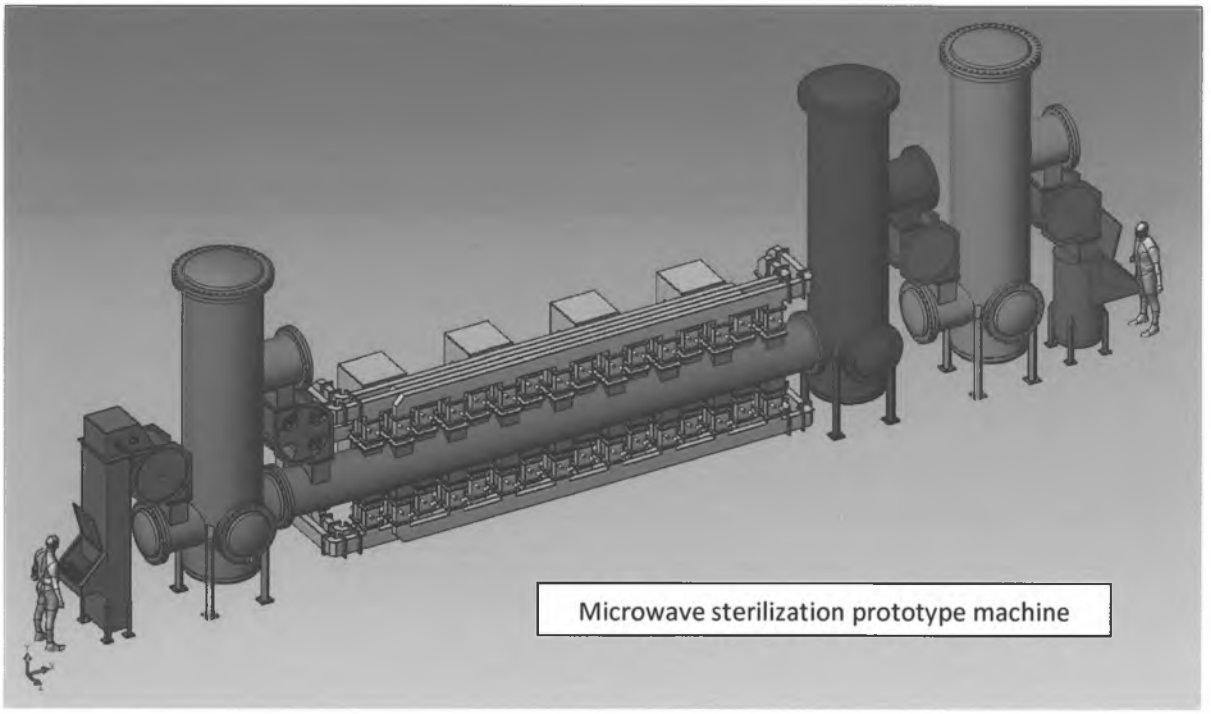
This has been a very involved technical process and one that Ocean Beauty would have never started on our own, yet if successful it could change the landscape for ready-to-eat seafood from Alaska.

I hope you can lend your support for HB 118 and help push our industry forward as we look for that next great "Product of Alaska".

Best Regards,

Mark Palmer

President – CEO Ocean Beauty Seafoods



Microwave sterilization prototype machine

AEDC
Anchorage Economic
Development Corporation

Voting Members
Bill O'Leary *Alaska Railroad Corporation*
Bob Heinrich *ConocoPhillips*
Bruce Bustamante *Princess Tours*
Chris Brown *AT&T Alaska*
Chris Stephens *Bond Stephens & Johnson, Inc.*
Claire Fitzpatrick *BP Exploration Alaska, Inc.*
Dale Pittman *ExxonMobil Corporation*
Dale Shaw *FedEx Express*
David Hamilton *Alaska USA Federal Credit Union*
Dennis Mitchell *Lynden International*
Greg Kessler *Totem Ocean Trailer Express*
Greg Pearce *GCI*
Jack Sheppard *Walsh Sheppard*
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Michael Prozeralik *kpb architects*
Michael Wynschenk *Alaska Communications*
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Raquel Edelen *Hotel Captain Cook*
Scott Hansen *Carpenters Local 1281*
Sophie Minich *CIRI*
Stewart Osgood *DOWL HKM*
Suzanne Cherot *Birch, Horton, Bittner & Cherot*
Terry Bailey *CH2M Hill*
Timothy Vig *USKH, Inc.*

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Rep. Lindsey Holmes *Alaska State Legislature*
Sen. Johnny Ellis *Alaska State Legislature*
Sen. Lesil McGuire *Alaska State Legislature*

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Tennys Owens *Artique, Ltd.*
Wanetta Ayers *Office of Econ. Dev. State of Alaska*
William Dann *Professional Growth Systems*

March 22, 2012

Governor Sean Parnell
State Capitol, Third Floor
Juneau, AK 99801

Re: HB 118

Dear Governor Parnell:

I write to you today to offer Anchorage Economic Development Corporation's support for the passage of HB 118, "An Act relating to a tax credit for qualified research and development expenditures." Focused on promoting investment in intellectual property and high growth types of businesses, HB 118 will be an important step in the broader effort to further diversify the Alaska economy.

Your proposal to create a 20 percent tax credit for research and development in Alaska has the potential to spur new investment and growth from Alaska's innovators and entrepreneurs. Through AEDC's extensive national outreach and economic research, we have found that this type of incentive is key to fostering economic growth in tomorrow's high value industry sectors.

House Bill 118 will encourage new growth and improve the economic diversity of Alaska. This type of incentive is good for the long term economic growth of Alaska and the Anchorage Economic Development Corporation encourages the legislature to support the passage of this bill.

Sincerely,

Bill Popp
President and CEO
Anchorage Economic Development Corporation

AEDC
Anchorage Economic
Development Corporation

Voting Members

Anand Vadapalli Alaska Communications
Bill O'Leary Alaska Railroad Corporation
Bob Heinrich ConocoPhillips
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Chris Brown ASRC Alaska
Chris Stephens Bond, Stephens & Johnson Inc
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Dale Pittman ExxonMobil Corporation
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Ed Herndon Calista Alaska Corporation
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Joseph Everhart Wells Fargo Bank N.A.
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Marla Wellington Continental Airlines
Michael Prozeralik kpb architects
Mike Devlin Evergreen Farms, Inc.
Pat Walsh Walsh|Sheppard
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Sophie Minch CIRI
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Terry Bailey CH2M Hill
Tim Vig USKH Inc

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Rep. Lindsey Holmes Alaska State Legislature
Sen. Johnny Ellis Alaska State Legislature
Sen. Lesil McGuire Alaska State Legislature

Ex-Officio Members – Municipality

Mayor Dan Sullivan Municipality of Anchorage
Assemb. Bill Starr Municipality of Anchorage
Assemb. Ernie Hall Municipality of Anchorage

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Appointed by the Board**

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Carol Comeau Anchorage School District
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John Parrott Ted Stevens Anchorage International Airport
Julie Saupe Anchorage Convention & Visitors Bureau
Larry Cash RIM Architects
Mary K. Hughes Past Chairman of the AEDC Board
Tennys Owens Artique, Ltd
Wanetta Ayers Office of Econ Dev, State of Alaska
William Dann Professional Growth Systems

Representative Kurt Olson, Chair
House Labor & Commerce
State Capitol, Rm 24
Juneau, Alaska 99801

February 18, 2011

Dear Representative Olson:

I write to you today in support of HB118, "An Act relating to a tax credit for corporate income taxes paid for qualified research and development expenditures; and providing for an effective date," which will encourage innovation and business expansion in Alaska.

Innovation, experimentation, research and development are all time consuming and often expensive endeavors without a guarantee of financial return. Subsequently, businesses that can benefit from these activities often do not undertake these necessary functions due to the significant economic risk associated with them. HB 118 will work to encourage theses activities by mitigating some of the risk a business might otherwise incur by offering a tax credit for qualified expenditures related research and development.

Although this credit will mitigate some risk, capping it at 20% will encourage responsible research with participating companies still assuming an appropriate portion of the risk.

Half of the private sector is populated by small businesses and as many studies have shown, entrepreneurs and small businesses are the driving force for economic growth. They are also the businesses that after an economic downturn are the quickest to return to growth. This bill will support these businesses as they look to expand their product lines, develop more efficient ways of doing business and enhance their current business. This legislation will help individual businesses, the state and Alaskans by stimulating private-sector investment, entrepreneurial activity and business expansion that will result in sustainable long-term benefits to our economy.

Sincerely,

Bill Popp
President & CEO

GUGGENHEIM

Guggenheim Partners
Asset Management, LLC
100 Wilshire Boulevard, Suite 500
Santa Monica, California 90401
310 576 1270 office
310 576 1271 facsimile

Senator Thomas Wagoner
Senator Joe Paskvan
Senate Finance Committee Co-chairs

Alaska State Capitol
Juneau, Alaska 99801-1182

March 28, 2012

Dear Senators Wagoner and Paskvan,

As a recent visitor to and fond admirer of the great State of Alaska, I write this letter to inform you of my support for House Bill 118, which provides tax credits for qualified research and development projects in the state. The expansion of Alaska's R&D capabilities is an important step toward encouraging private-sector investment, economic diversification and entrepreneurial innovation.

Earlier this month, I had the honor of speaking to the Alaska World Affairs Council in Anchorage and I talked at length about the wealth of resources and investment opportunities in the state. However, what really seemed to resonate with the audience was a frank discussion of Alaska's deficiencies in R&D, patent awards and science/engineering education.

Research and development as a percent of the state's total economic output is almost zero – 0.7% compared to an average of 2.6% for the U.S. overall. The number of patents awarded per 1,000 individuals is about 10% of the overall U.S. average. And the percent of graduate students preparing for science and engineering careers (per 1,000 individuals) is similarly far smaller than the rest of the United States.

These are critical issues that must be addressed as Alaska's economy evolves from a dependence on natural resource extraction to a more dynamic, faster-growing base of industries, including technology, health care and transportation. Throughout its storied history, Alaska has benefited greatly from its vast natural resources. Now is the time to encourage, develop and invest in the state's human capital by fostering private-sector R&D – establishing the technical expertise and manpower that will be crucial to the state's future economic growth.

As you may recall, the Guggenheim family also has a storied history in Alaska, building the Kennecott Copper Mine and the Trans-Alaska Railway, as well as other major infrastructure projects. The Guggenheim family helped create a foundation for the state to grow. You should expect, encourage and incentivize the same approach from private companies doing business in Alaska today.

I urge you and your esteemed colleagues in the Senate to support the passage of HB 118. Thank you for your attention to this issue and please feel free to call me directly if you have any questions or require further information.

Sincerely,

B. Scott Minerd

Chief Investment Officer
Guggenheim Partners, LLC

Fairbanks North Star Borough *Office of the Mayor*

809 Pioneer Road P.O. Box 71267 Fairbanks, Alaska 99707-1267 907/459-1300
Fax 907/459-1102
Email mayor@co.fairbanks.ak.us

February 24, 2011

Dear Governor Parnell,

We appreciate your continued interest in developing jobs and opportunity in Alaska. The recent legislation submitted by your office, House Bill 118 and 121, creating an Alaska microloan revolving loan fund and a tax credit for qualified research and development expenditures are good examples of your continued efforts. Here at the Fairbanks North Star Borough Economic Development Division we recognize the need for this legislation and offer our support as you move this legislation forward.

Thank you,

Kathryn Dodge

Fairbanks North Star Borough Economic Development

JOHN NILES WANAMAKER
2964 WENTWORTH STREET
ANCHORAGE, AK 99508

PH. 907.830.3000
John@WanaWorld.com
www.alaskaventurepartners.com

22 February, 2011

Dear Governor Parnell:

I am writing today in support of your efforts to create innovation and investments in Alaska via House Bill 118 and Senate Bill 64. Innovation can be an expensive, intricate and time-intensive enterprise. But it also can spark a chain of investments in capital equipment, workers and spillover activities in every economic sector. Your proposal to establish a 20 percent tax credit for research and development conducted by corporate taxpayers in Alaska recognizes the value of R&D and the advantage it can provide to Alaska entrepreneurs and innovators.

This kind of program has the capacity to create job opportunities for Alaskans by encouraging increased investment in Alaska's human and natural resources. If enacted, the legislation would stimulate private-sector investment, entrepreneurial activity, and business expansion in Alaska that will bring opportunity and sustainable long-term benefits to the state and its residents.

House Bill 118/Senate Bill 64 will help spur sustainable economic growth in Alaska. It is good for business, for the economy, and for Alaska families.

I encourage legislative support, with hope for its passage

Cordially:

John Niles Wanamaker

Lockheed Martin Corporation
2121 Crystal Drive Suite 100 Arlington, VA 22202
Telephone 703•413•5855 Facsimile 703•413•5846
E-mail: larry.duncan@lmco.com

LOCKHEED MARTIN

Lawrence Duncan III
Vice President
Federal and State Government Relations & PAC Affairs

March 16, 2011

The Honorable Sean Parnell
Governor of Alaska
P.O. Box 110001
Juneau, AK 99811-0001

Dear Governor Parnell:

I am writing to express Lockheed Martin's strong support for House Bill 118 and Senate Bill 64, legislation that reflects your effort to encourage more research and development in the State of Alaska.

Lockheed Martin is heavily focused on research and development, which is critical to innovation and national security. Incentives that encourage more corporate investment in research and development will support economic growth and high-technology jobs across a wide spectrum of industries. These incentives also will support the research efforts of universities working in concert with industry on projects that will improve the lives of all Alaskans.

Forty states have adopted research and development tax credits. Your effort in the State of Alaska is an important step toward expanding and diversifying Alaska's economy. Thank you for your leadership on encouraging new research and development in Alaska.

Sincerely,

Lawrence Duncan III

Rcvd 4-3-12 MAP

PSPA
PACIFIC SEAFOOD PROCESSORS ASSOCIATION
Est. 1914

March 23, 2012

Honorable Sean Parnell
Governor, State of Alaska
PO Box 110001
Juneau, Alaska 99811-0001

Dear Governor Parnell,

The Pacific Seafood Processors Association (PSPA) supports your effort, through HB 118, to promote research and development in Alaska.

PSPA has been in existence continuously since 1914, and our member companies have invested billions of dollars in building and expanding seafood processing infrastructure in Alaska. Seafood processors have also invested over the years in new and modern equipment that has helped our industry adapt to changing markets and to produce value added products from Alaska's abundant fisheries resources. PSPA members take a long-term and optimistic view of the future of the seafood business, and we expect to continue to be a keystone resource development industry in Alaska long into the future.

Ours is a high-cost environment in which to operate, and margins are small. Alaska's seafood industry operates within a global, dynamic, and competitive commodity driven business setting that is defined by high volumes and low margins. Through research and development, processors are able meet challenges and explore new opportunities to enhance the value of seafood and improve the stability and profitability of our businesses. Your concept of a research and development tax credit offers the opportunity for seafood processors to make additional investments in Alaska. .

We appreciate your recognition of the costs of doing business in a challenging environment, and we thank you for encouraging innovation in Alaska through HB 118.

Sincerely,

Glenn Reed
President

1900 West Emerson Place, Suite 205, Seattle, WA 98119
Phone: (206) 281-1667 : Fax: (206) 283-2387
Web: www.pspafish.net

R&D tax credits bring promise of sustainable growth

Posted: Saturday, March 3, 2012 8:59 pm

Alaska's economy is often likened to a three-legged stool. For decades, the petroleum industry, federal government spending, and the combined economic boost of all other basic sectors have essentially supported the state's economy.

In recent years, we have seen those legs become a bit wobbly. Government spending is way down, relative to what it used to be, and it is clear the days of federal largesse are behind us. While revenue from the extraction and sale of our oil and gas resources has remained mostly stable, production is on a steady downward trajectory.

For these reasons, it is more important than ever for the state to shore up its foundations by diversifying its economy and strengthening its existing economic sectors.

Economic diversification, however, does not happen in a vacuum. It requires an atmosphere conducive to innovation, which can be an expensive, intricate and time-intensive enterprise. Innovation also can spark a chain of investments in capital equipment, workers and spillover activities in every economic sector.

So, Alaskans should be encouraged by the news that the state House on Friday approved legislation that would establish a tax credit for home-grown research and development. House Bill 118, now on its way to the Senate for consideration, is part of a suite of economic development legislation proposed by Gov. Sean Parnell. The bill offers a 20 percent tax credit on qualified research and development expenditures.

Its purpose is to incentivize companies to conduct independent research and development activities that will, in turn, stimulate private-sector investment, entrepreneurial activity, and business expansion in Alaska. These are things that bring jobs and economic opportunity to Alaskans, while providing sustainable long-term benefits to our economy.

Alaska is already poised to be a leader in cold climate housing research and the processing of in-demand rare earth minerals. The potential in other areas is staggering.

For example, the state sits on more than 50 percent of all U.S. coal reserves. Meanwhile, promising cutting-edge technologies for cleaning coal and increasing its efficiency are being fine-tuned and deployed in China and elsewhere overseas. Imagine the potential for jobs, clean, affordable energy and expansion of Alaska's economic base if those technologies could be developed further here?

This is the kind of potential HB 118 holds. We hope the Senate sees the same value in the legislation that the House did and gives it speedy approval.

How the Mat-Su delegation voted:

- Rep. Eric Feige, yes
- Rep. Carl Gatto, not present
- Rep. Wes Keller, yes
- Rep. Mark Neuman, not present
- Rep. Bill Stoltze, yes

JuneauEmpire.com

My Turn: R&D tax credit will boost economy, UAF

Thursday, February 24, 2011

Story last updated at 2/24/2011 - 5:11 pm

My Turn: R&D tax credit will boost economy, UAF
By Brian Rogers | UAF CHANCELLOR

On Jan. 24, Gov. Sean Parnell submitted a bill to establish a 20 percent tax credit for qualified research and development conducted by private businesses in Alaska. If approved, this credit could help stimulate private-sector investment, entrepreneurial activity and business expansion in Alaska that would bring opportunity and sustainable long-term benefits to the state.

In introducing the legislation, the governor said, "Innovation can be an expensive, intricate and time-intensive enterprise. However, it can also spark a chain of investments in capital equipment [and] workers, and spillover activities into multiple economic sectors."

The governor is correct. Innovation can be an expensive, intricate and time-intensive enterprise, but it is definitely worthwhile. The University of Alaska Fairbanks, the state's leading research university, is a partner with Alaska's private sector to use innovation to diversify the state's economy.

UAF has long recognized the value of partnering the knowledge and expertise of our researchers with the needs of communities and private businesses across the state. We have robust research programs that lead to technology development in areas directly related to the needs of the state's economy, including energy, engineering, geophysics, petroleum and mining, health sciences and agriculture.

Some specific examples of these partnerships include:

• UAF, the Alaska Berry Growers and Alaska Blue are examining plant propagation and the nutraceutical properties of blueberries and other berries.

• The UAF School of Natural Resources and Agricultural Sciences is collaborating with the Homegrown Market in Fairbanks to make locally grown reindeer meat available for purchase.

• The UAF College of Liberal Arts and Denali — The Alaska Gas Pipeline are working together to provide training for Alaskans interested in working on the pipeline as archeological technicians.
• The Cooperative Extension Service Thorne Bay program is working with island sawmill operators to turn wood waste into wood fuel to heat the local school and government facilities.
• The Alaska Center for Energy and Power, several utilities, landowners and communities are quantifying resources and assessing options for geothermal development in several areas of the state. They are also investigating a variety of other private and public energy research and development projects.

• The College of Engineering and Mines is conducing applied research in technology to find minerals, extract them and return the land and water to Alaskan's high standards.

• The UAF School of Management is sponsoring the third Arctic Innovation Competition this year, spotlighting innovation by Alaska's entrepreneurs.

• UAF's Community and Technical College provides a wide variety of applied business courses for Alaska entrepreneurs and small businesses.

• The Economic Opportunity Task Force, created by Fairbanks Economic Development Corporation, works with UAF research faculty members to identify technologies and processes that are ready for transfer to the private sector.

UAF's newly created Office of Intellectual Property and Commercialization will augment these efforts and facilitate new partnerships. Under the leadership of associate vice chancellor Dan White, the office will work with partners to commercialize the intellectual property and technology created by UAF's research and development efforts. This work will offer a strong compliment to the governor's endeavor.

In most states, a healthy private research and development sector works in tandem with university research. That hasn't been the case in Alaska; there has been very little private research and development here. The research and development tax credit can change this dynamic. We have seen the film industry tax credit make a difference in the state. This new credit can have a similar effect. It is not just about the opportunity for corporations to conduct independent research in Alaska. Independent research and development can create a ripple effect that benefits more than just the businesses involved.

This is one of the reasons why the Department of Commerce, Community and Economic Development Advisory Council, various Alaska businesses and chambers of commerce, as well as municipalities and economic development councils, support the governor's legislation. It's the reason we support it as well.

The governor's proposed research and development tax credit has the potential to significantly boost economic development in Alaska. UAF is ready to be a partner in that endeavor.

• Rogers is the chancellor of the University of Alaska Fairbanks.

Koeneman, Crystal A (CED)

From: Koeneman, Crystal A (CED)
Sent: Tuesday, March 27, 2012 4:56 PM
To: Koeneman, Crystal A (CED)
Subject: FW: HB118 Benefits

Dear Senator Paskvan,

I am a business and tax attorney in the law firm of Manley & Brautigam PC in Anchorage. Although I have lived in Alaska for over 20 years I have practiced tax law throughout the country for well over 30 years working directly for or representing high tech, manufacturing, and other companies in Seattle, Silicon Valley, and in other venues. Manley & Brautigam currently represents many Alaskan small business owners and frequently works with startups. Some portion of that work is research and development where some expenses of the entity would qualify for the federal R&D tax credit. As such, it is possible that those same expenditures would also qualify for State R&D Tax Credits under HB118 if that bill were to move forward – which could spur those entities to target more of their activities to Alaska rather than elsewhere. The HB118 Research and Development Tax Credit is a necessary addition to the State's incentive and pro-business arsenal and will clearly foster economic development in the State of Alaska. We strongly support its passage.

Alaska is one of the few States that does not have in place a research and development tax credit. The federal Government Accounting Office through the Office of Management and Budget has studied the federal R&D Tax Credit and found that it does stimulate innovation and entrepreneurship. So too would a State tax credit and these are exactly the activities and energy that Alaska needs to further diversify our economy. The bill appears well drafted in that major corporations, from outside, that already use the federal R&D Tax Credit, would get only additional credits from the State program for Alaska specific expenditures and then only those credits above what are already claimed and apportioned to Alaska. Use of the base period requires new and additional investment and research annually and means that only the additional expenditures will qualify for credit treatment and thereby ensures impetus for growth in the sector. This is truly an Alaska Tax Credit!

We strongly support the passage of HB118. I would be more than happy to discuss the bill and its potential impact with you or your staff.

Thanks, Steve

F. Steven Mahoney
Manley and Brautigam P.C.
845 K Street
Anchorage, AK 99501

Telephone: (907) 334-5600
Cell: (907) 223-5096
Facsimile: (907) 334-9958
E-Mail Address: steve@mb.law.pro

RES

ALASKA GROWTH CAPITAL
An ASRC Company

March 15, 2012

RECEIVED
MAR 23 2012

The Honorable Joe Paskvan
Co-Chair, Senate Resources Committee
Alaska State Legislature
State Capitol Room 115
Juneau, Alaska 99801

Re: HB118, "An Act relating to a tax credit for qualified research and development expenditures; and providing for an effective date."

Dear Senator Paskvan:

I am writing on behalf of Alaska Growth Capital (AGC) to express support for HB118. This bill creates a tax-credit for research and development conducted in Alaska. We at Alaska Growth Capital are certain this bill will directly and positively impact job creation and economic development in Alaska.

Alaska Growth Capital has been active in the tax-credits business since 2004, and has lent over $300 million in the Alaska economy since 2000. In our experience, tax-credits provide needed incentives for projects that otherwise would not have been undertaken. These projects "on the tipping point" provide much needed entrepreneurialism that injects capital into the local economy through wages, purchases and taxes. Without credits, infrastructure is not developed, investment not made, and jobs go elsewhere.

Research and Development has two additional long-term benefits: specialization and money multiplication. Geographic areas have unique demands on the products and services sold inside. Research and development that tailors products and services to local conditions provide the local consumers with a superior product that can spur entirely new industries. One major example of this is the Cold Climate House in Anaktuvuk Pass; this house has the potential to revolutionize the way houses are built in Arctic climates and brings with it potential for jobs and lowered costs for homeowners.

The second long-term benefit is money multiplication. Research and Development conducted in Alaska will produce products and services whose owners are in

3900 C Street, Suite 302 * Anchorage, AK 99503-5965 * (907) 339-6760 * (907) 339-6771 Fax

Alaska. That means when Alaskans use a specialized product with roots in Alaska, their dollars are spent here circulated here and create jobs here, rather than going outside and contributing to what economists call "capital leakage." Diversified and stable economies are supported by Research and Development's long-term impacts. The infrastructure needed to conduct R & D in Alaska will begin to be constructed, and the quality of life for all Alaskans will improve with more economic opportunity.

Alaska Growth Capital supports H.B. 118 because of the alignment with our corporate mission, to support economic development in Alaska.

I respectfully request that you schedule hearings on this piece of legislation and offer your support. I am happy to answer any questions; should you or your committee have any, please contact me at your convenience.

Sincerely,

Hugh Short, President/CEO
Alaska Growth Capital

Kijani

RECEIVED
APR 0 2 2012

Senator Joe Paskvan
State Capitol, Rm 115
Juneau, AK 99801-1182
Date 3/25/12

Kijani
1130 SE Spring St
Pullman, WA, 66163
T 509-339-5066
kj35102@gmail.com

Dear Senator

I am writing to you to support actions by the State of Alaska to enable and encourage technology commercialization out of Alaska's university system. In particular, I support HB 118, which is the Governor's bill to establish a research and development tax credit in Alaska. This credit would parallel the federal tax credit, which, I understand, is similar to 38 other states.

I have been involved in management of technology transfer from public institutions for the last 13 years. I spent 6 years at Virginia Tech as assistant director and 7 years leading the effort at Washington State University. At WSU I successfully lead the licensing of well over 100 technologies and the start-up of 14 companies.

I have now formed a consulting company called Kijani, we help universities and businesses work together to take technologies from the lab to commerce. Successful transfer through start-up's and licensing to support existing Alaska companies will result in local, high paying job creation. We work with large and small companies and research institutions around the world.

Kijani
1130 SE Spring St
Pullman, WA, 66163
T 509-339-5066
kj35102@gmail.com

In early March I was fortunate to be invited to the University of Alaska Fairbanks to assess intellectual property in agriculture. I was most impressed by the enthusiasm of the faculty and administration and the quality of several of the opportunities. Although I have not looked in detail, I understand there are some significant engineering research programs that are likely to be fertile ground for commercial opportunity.

It may help if I explain a particular example of a technology commercialization out of WSU that has been a success. About 13 years ago a researcher at WSU started to develop a new method of sterilizing food using microwave assisted thermal sterilization (MATS). This new method reduced the heating time for a canning like process from 1 hr to a few minutes. The research was initially funded only by the army - the army wanted better tasting rations for the troops. Over several iterations, many large food companies, including Ocean Beauty Seafoods, became involved in the development of a product that will revolutionize food processing. Imagine shelf stable salmon that is more like freshly cooked than the highly processed canned product! While at WSU I helped set the industrial research consortium that funded industrial development of the MATS machine, found an entrepreneur (through an entrepreneur in residence program) to form a development and manufacturing company for MATS. I also was instrumental in setting up set up the start-up by introducing lawyers and other support professionals, helping draft a business plan and serving as a founding board member.

Please do not hesitate to contact me if you would like to learn more about the potential benefits of university technology commercialization to the State of Alaska.

Sincerely

Kijani
1130 SE Spring St
Pullman, WA, 66163
T 509-339-5066
kj35102@gmail.com

Keith Jones PhD
Founding Partner

ucore
RARE METALS

March 23, 2012

The Honorable Sean Parnell
Governor of Alaska
P.O. Box 110001
Juneau, AK 99811-0001

Re: House Bill 118 / Senate Bill 64

Dear Governor Parnell,

I am writing in support of House Bill 118 and Senate Bill 64 and your efforts to encourage more research and development in the State of Alaska.

Research and development can be an expensive and time consuming undertaking. However, it can result in both immediate and longer term economic benefits in the form of high tech jobs, capital investment and associated expenditure, as well as spin-off business activities that can result from this research.

A program that encourages corporate investment in research and development in the State of Alaska can result in economic opportunities that may not otherwise accrue to the State. This direct investment and the resulting longer term opportunities can both grow and diversify the Alaskan economy.

The proposed program of tax credits clearly demonstrates that Alaska values innovation, and recognises the advantage it can provide to the State. We fully support your efforts to enact House Bill 118 / Senate Bill 64 and thank you for your leadership with respect to this initiative. Please let us know if there are any further supportive actions we can take to ensure that this important prospective legislation becomes reality.

Sincerely,

James McKenzie
President & CEO
Ucore Rare Metals Inc.
OTCQX: UURAF

454 Voyageur Way, Hammonds Plains, Nova Scotia B4B 2A7

(902) 482-5214 phone • (902) 492-0197 fax • www.ucore.com • TSX.V: UCU • OTCQX: UURAF

March 26, 2012

Twenty-Seventh Legislature of the State of Alaska – Second Session

Subject: House Bill 118 – Research & Development Tax Credit

Dear Senator Paskvan:

I am writing to express my support for House Bill 118.

As an owner of a small Alaskan business, I am actively involved in technology-based research and development. A tax credit for research and development will benefit my business, and more importantly, incentivize my innovation.

A significant research project my business is working on right now is for the US Air Force. This is to produce a better volcanic ash plume forecasting tool. As you are aware, there are 100 active volcanoes in Alaska. Without notice, a volcano may erupt and airborne ash can quickly close airspace. Nearly all aviation from North America to Asia transits Alaskan airspace resulting in significant commerce for the Anchorage and Fairbanks airports. This improved forecasting tool will be key to minimizing economic losses due to diverted air travel.

House Bill 118 would greatly assist my small business in developing and protecting the intellectual properties being researched.

Thank you for your consideration. Please contact me should you have any questions..

Keith W. Cunningham

Keith W. Cunningham, PhD
President – Mobile Mapping Corporation
PO Box 751801
Fairbanks, AK 99775
kwc@mobile-map.com

April 2, 2012

The Honorable Senator Joe Paskvan
Alaska State Legislature
Alaska Capitol Room #115
Juneau, AK 99801

Re: House Bill 118 Research and Development Tax Credit

Senator Paskvan:

House Bill 118 is a unique approach to increasing the investment in research and development in Alaska. GCI has invested over $1 Billion in the last 15 years to create Alaska's largest telecommunications network and has recently invested millions in expanding our network to remote and rural areas of the State. The business of telecommunications is constantly changing with the development of new technologies that provide new opportunities. As you know, most new technology is developed outside of Alaska and very little research and development is occurring in Alaska today.

HB 118 should be looked at as a tool to encourage further research and development in Alaska by Alaskans. Increased research and development will help expand our economic opportunities in the future and lead to a more diverse and sustainable future economy.

I encourage you to look at HB 118 to help stimulate an increase in research and development in Alaska.

Sincerely,

Krag Johnsen
Director, Rural Broadband Development
GCI

From: "Allan Johnston" <Allan.Johnston@wedbush.com>
Date: February 25, 2011 1:22:41 PM AKST
To: <Senator_Catherine_Giessel@legis.state.ak.us>
Subject: Senate Bill 64

Senator Cathy Giessel:

I am writing today in support of Governor Sean Parnell's efforts to create innovation and investments in Alaska via House Bill 118 and Senate Bill 64. Innovation can be an expensive, intricate and time-intensive enterprise. But it also can spark a chain of investments in capital equipment, workers and spillover activities in every economic sector. The proposal to establish a 20 percent tax credit for research and development conducted by corporate taxpayers in Alaska recognizes the value of R&D and the advantage it can provide to Alaska entrepreneurs and innovators.

This kind of program has the capacity to create job opportunities for Alaskans by encouraging increased investment in Alaska's human and natural resources. If enacted, the legislation would stimulate private-sector investment, entrepreneurial activity, and business expansion in Alaska that will bring opportunity and sustainable long-term benefits to the state and its residents.

House Bill 118/Senate Bill 64 will help spur sustainable economic growth in Alaska. It is good for business, for the economy, and for Alaska families.

I encourage legislative support, with hope for its passage.

Respectfully,

Allan R Johnston
Vice President
Wedbush Morgan Securities
101 West Benson Blvd., Suite 500
Anchorage, Alaska 99503
907-273-2317

Wedbush Morgan Securities employees may **not** accept any orders or instructions to buy or sell securities of any kind by email. All such instructions and orders must be placed by telephone or in person with your Investment Executive. The information contained within this email is based on information available and believed to be accurate at the time it was prepared. It reflects the opinions and beliefs of the individual sender and not necessarily those of Wedbush Morgan Securities.

Fenster, Dru J (CED)

From: Tustumena Smokehouse [tustumenasmokehouse@alaska.net]
Sent: Friday, March 23, 2012 12:39 PM
To: Fenster, Dru J (CED)
Subject: HB 118

TUSTUMENA SMOKEHOUSE

E-Mail: tustumenasmokehouse@alaska.net
49190 Tote Road-Soldotna, AK 99669—Phone: (907)-260-3401-Fax (907)-260-3402

Senator Joe Paskvan
Co-Chair
Senate Resources Committee
Capital Room 117
Juneau, Alaska 99801

Re: HB 118

Dear Joe Paskvan:

I am Fred West, owner/operator of Tustumena Smokehouse in Soldotna Alaska. As an Entrepreneur and business owner for over 18 years I highly support HB 118.
Working on a new product consumes countless hours of testing and formulating. The product itself and the ingredients used require many purchases. The biggest struggle an entrepreneur has is financial. The costs of ingredients, packaging, freight and marketing and labor are the major battle one faces. It's extremely discouraging to be hindered financially.
I am writing this letter to fully support initiative HB 118, this bill will allow those who have a desire and determination to bring in new ideas and products to the people of Alaska.
I thank you for considering and taking action on HB 118 on behalf of all Alaska's entrepreneurs.

Sincerely,
Fred West

COLD CLIMATE HOUSING RESEARCH CENTER

CCHRC

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James Johnsen
Dave Miller
Kelley Roth
Bill Semple
Lauri Strauss, AIA

Senator Joe Paskvan
State Capitol Room 115
Juneau, AK 99801

March 26th, 2012

Dear Senator Paskvan,

The purpose of this letter is to ask you to support HB 118, a bill creating a new tax credit for qualified research and development. As you know, UAF, Cold Climate Housing Research Center, and Fairbanks economic development partners have been working to strengthen our ability to attract research investment and this bill strengthens our ability to do just that.

For example, CCHRC is working to develop geopolymer cement as a local and superior alternative to imported Portland cement. CCHRC is already working with Aurora Energy and Usibelli on this research and will partner with many more private companies before the development is complete.

HB 118 would provide additional incentive for private companies to join this effort, thereby helping this important commercialization effort to be realized. Please consider this request for your support and feel free to contact me anytime if you have questions about this or any other topic.

Best Regards,

Jack Hebert
President & CEO
Cold Climate Housing Research Center

P.O. Box 82489, Fairbanks, AK 99708 + 907.457.3454 + Fax: 907.457.3456
www.cchrc.org

STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Office of the Commissioner

Sean Parnell, Governor
Susan K. Bell, Commissioner

January 26, 2011

Representative Kurt Olson, Chair
House Labor & Commerce
State Capitol, Rm 24
Juneau, Alaska 99801

Re: House Bill 118 – Research and Development Tax Credit

Dear Representative Olson,

Please accept this request for your consideration to schedule HB 118 before the House Labor & Commerce Committee at your earliest convenience.

Innovation can be an expensive, intricate and time-intensive enterprise. But it also can spark a chain of investments in capital equipment, workers and spillover activities in every economic sector. In effect, the research and development tax credit would stimulate private-sector investment, entrepreneurial activity and business expansion in the state that will bring opportunity and sustainable long-term benefits to our economy.

The credit is 20 percent of qualified research and development expenditures that exceed the average qualified research and development expenditures as defined in 26 U.S.C 41(d) (Internal Revenue Code) for the three years immediately preceding the year in which the credit is claimed. Unused credits may be carried forward for up to seven years after the expenditure for which the credit is claimed. In order to prevent a corporate taxpayer from claiming more than one benefit for a single expenditure, the bill also would provide that a credit could not be claimed for expenditures the corporation deducted in calculating its tax liability, or for any other credit, including any federal credits, that has been apportioned to the state and claimed under the current Alaska Net Income Tax Act.

The bill also would also impose a reporting requirement on the Department of Revenue so the Legislature and the public are aware of the fiscal impact and economic benefits of the research and development credit to the state.

If you have any questions regarding this bill, please feel free to contact either myself at 465-2500 or Curtis Thayer, Deputy Commissioner of Commerce, Community and Economic Development at 269-8100.

Sincerely,

Susan K. Bell
Commissioner

P.O. Box 110800, Juneau, Alaska 99811-0800
Telephone: (907) 465-2500 Fax: (907) 465-5442 Text Telephone: (907) 465-5437
Email: questions@alaska.gov Website: http://www.commerce.alaska.gov/

Jake...here is a quick response to your questions.

The goals of the legislation are to:

1- Level the competitive playing field in Alaska. Forty other states have recognized the stimulative value of incentivizing home-grown research.
2- Bring opportunity to Alaskans by stimulating private-sector investment, entrepreneurial activity and business expansion

States that routinely score high in business polls know the value of this kind of credit.

Virginia, for example, has been at or near the top of Forbes' "Best States for Business" rankings for the last 10 years. The state recently broadened its R&D credit program.

North Carolina, which has been named by Site Selection magazine as the state with the best business climate in nine of the last 10 years, has had an R&D credit since 2004 and renewed it in 2009 for another five years. It is credited with contributing to business expansion that has added 1250 jobs.

North Dakota is also highly ranked in business climate polls. It has arguably the strongest economy in the country and is the only state to post economic growth during the recession. Part of North Dakota's success is the most aggressive R&D tax credit in the nation.

In most states, a healthy private research and development sector works in tandem with university research. That hasn't been the case in Alaska; there has been very little private research and development here. We are hoping that this legislation will help the University system team up with Alaska entrepreneurs and small businesses which has the potential to significantly boost economic development in Alaska.

Crystal Koeneman, Special Assistant
Commerce, Community & Economic Development

From: Jake Hamburg [mailto:Jake_Hamburg@legis.state.ak.us]
Sent: Wednesday, March 02, 2011 12:55 PM
To: Koeneman, Crystal A (CED)
Subject: SB 64 Initial Questions

Hi Crystal,

Thank you for your patience as we review SB 64 – R&D Tax Credits. As I continue to do research on this topic I find myself needing some guidance/clarification.

1. What is the goal of this legislation? Meaning, what is the desired outcome of this public policy decision?
2. What does the department envision happening with the passage of this legislation?
3. Who or what kinds of entities is the department hoping to target with this legislation?

I know that these are basic questions, but it would be helpful to understand these questions to have a foundation to build from. Thank you for your help in answering these questions.

All the best,
Jake

Jake Hamburg
Legislative Staff
Office of Senator Joe Paskvan
1292 Sadler Way, Ste. 308
Fairbanks, AK 99701
(907) 465-3709 Office
jake.hamburg@legis.state.ak.us

Hi Crystal,

I have reviewed the other R&D credits offered by Virginia and North Carolina – two states that you referenced as being excellent examples of states that have favorable business climates. Both states provide the 20% tax credit R&D performed in conjunction with the state University and provide a lower tax credit for work not done in conjunction with the states' university (15% in Virginia and 3.25% for North Carolina). Would the department support/oppose such a change?

(As an interesting note, the North Carolina R&D credit requires that businesses provide health insurance for the full-time employees at the location & must pay at least 50% of the premiums, requires no significant environmental & natural resources violations within last 5 years, and must not have been cited for any serious OSHA violations within last 3 years.)

SB 64 as introduced does not seem to provide any incentive that could stimulate entrepreneurial activity as it provides a 20% corporate tax credit for R&D above the base amount defined as the average of qualified research and development expenditures attributable to Alaska for the three tax years immediately preceding the taxable year, a definition that would seem to exclude start-ups which have not established a history of R&D expenses. The Feds offer two alternative tax credits for start-ups to address this issue, they provide a fixed base percentage of 3% of gross and any other R&D expenditures above 3% would be eligible for tax credits for the first 5 years. OR the start up could choose to accept a 6% tax credit for R&D expenditures. What is the department's thoughts on this approach to make sure we achieve the goal of stimulating entrepreneurial activity?

Also, in conversations with people familiar with R&D at the University, they shared that the cost to file patents can be as high as $50,000. As we know, Alaska has very few patent filings, and often it is the patent ownership that allows a small business to gain a foothold in a market. One way to encourage patent development in Alaska would be to extend this tax credit to patent costs so that R&D ventures might consider the option.

Additionally for start-ups, many of them will have little to no tax liability and so a tax credit may not be an effective incentive. Perhaps making the credit transferrable or allowing a start up to carry the credit forward for a period (3 or 5 years maybe) of time until it would be reasonable to expect an R&D venture to have a tax liability.

There are other alternative ways to define the base level. While the moving average of the firm's R&D is less costly to the state, it is really the least valuable type of credit since whatever R&D a firm chooses to do this year reduces the amount of creditable R&D in subsequent years. The most valuable type of credit to a firm is to have no base at all, also known as a "nonincremental" credit, because every dollar of qualified R&D, not just the amount over the base, is eligible for the credit.

Should we being incentivizing qualified R&D expenditures if the R&D is being conducted in this state AND the payroll of employees conducting the R&D is in this state versus only having to meet one of the two criteria?

Finally, the Feds have a provision to prevent artificial increases in expenditures commonly controlled or otherwise related entities to prevent artificial increases in R&D (gaming of the system). They have a special aggregation rule that provides that all members of the same controlled group of corporations are treated as a single taxpayer.

Senator Paskvan would be interested to know the department's thoughts and input regarding these ideas.

All the best,
Jake

Jake Hamburg
Legislative Staff
Office of Senator Joe Paskvan
1292 Sadler Way, Ste. 308
Fairbanks, AK 99701
(907) 465-3709 Office
jake.hamburg@legis.state.ak.us

Hi Joe,

I have really been digging into the Governor's Research & Development Tax Credit Bill.

First, I sent the following questions to the Department:

1. What is the goal of this legislation? Meaning, what is the desired outcome of this public policy decision?
2. What does the department envision happening with the passage of this legislation?
3. Who or what kinds of entities is the department hoping to target with this legislation?

The Governor's bill gives a 20% tax break on R&D expenses that are above the companies 'base amount' which is defined as the average of qualified research and development expenditures attributable to Alaska for the three tax years immediately preceding the taxable year for which the credit is being claimed.

The Alaska Tax Division provides the Corporate Income Tax Liabilities Statistics. They show:

Oil and Gas Corporations

Tax Liability Reported	#Filers	Amount	%Total of Total Tax collected
Above $1 million	12	$639,588,554	99.88$
$500k - $1 million	0	0	0.00%
$100k - $499,999	2	$553,576	0.09%
$50k - $99,999	4	$214,289	0.03%
$10k - $49,999	0	0	0.00%
$1k - $9,999	1	$1,836	0.00%
Zero Tax	8	0	0.00%

Other than Oil and Gas Corporations

Tax Liability Reported	#Filers	Amount	%Total of Total Tax collected
Above $1 million	22	$79,830,140	61.65%
$500k - $1 million	25	$17,573,150	13.57%
$100k - $499,999	93	$18,823,860	14.54%
$50k - $99,999	65	$4,661,453	3.60%
$10k - $49,999	278	$6,723,028	5.19%
$1k - $9,999	468	$1,649,495	1.27%
$100 - $999	505	$203,773	0.16%
$1 - $99	917	$26,532	0.02%
Zero Tax	0	$0	0.00%

This seems to suggest that the companies in the top 3 brackets stand the most to gain.

What is not addressed in the Governor's bill:

1. Start up firms
    a. The Feds and other states have a provision for start-ups which do not have a 'base amount' of R&D expenditures established. The Governor's bill does not address this
        i. Feds have a fixed base percentage of 3% of gross, and any other R&D expenditures above 3% is eligible for tax credits for the first 5 years.

ii. Feds offer an alternative to the fixed base for start ups, they offer to reduce the tax credit to 6%

b. Some possible options would be to offer a fixed base percentage to start-ups, as the Feds provide. However, looking at the above tax liability data, they may not owe any taxes anyway.
   i. Could potentially allow the tax credits to be transferrable, so a start up could sell their credits, and would have an additional incentive
      1. This will increase the cost
   ii. Could allow start ups to carry tax credits forward over a few years to a point when they could use them.
      1. Not sure how this would work, but could potentially be combined with further statute that requires commercialization

2. Artificial Increases (gaming of the system)
   a. The Feds have a provision to prevent artificial increases in artificial expenditures among commonly controlled or otherwise related entities. They have a special aggregation rule that provides that all members of the same controlled group of corporations are treated as a single taxpayer. Under regulations prescribed by the Secretary, special rules apply for computing the credit when a major portion of a trade or business (or unit thereof) changes hands. Under these rules, qualified research expenses and gross receipts for period prior to the change of ownership of a trade or business are treated as transferred with the trade or business that gave rise to those expenses and receipts for purposes of recomputing a taxpayer's fixed-base percentage.
3. Commercialization
   a. "Companies can't keep their ideas within their own walls, and when those ideas get out, others begin to copy and imitate them, meaning the original company doesn't profit fully. This credit compensates companies for that outflow of information" – excerpt from an article in *Iowa State Daily*
   b. There is no requirement/incentive for commercialization within the Governor's bill, and so this really goes back to what I asked the Department, what is the goal of this public policy?
   c. In our meetings at the University, the problem didn't seem to lay in the research side, but in the developing and commercializing side of things.
   d. Further excerpt from the same article: "Opponents argue that Iowa has lost sight of the original purpose of the credit, which was to spur growth and innovation among firms that are struggling with startup costs. Instead, most of the money seems to be going to big corporations that are already making huge profits
4. Partnership with University
   a. The emerging energy technology fund provided an additional incentive for working with the university. It might be worth considering a similar incentive in this legislation.

There are other alternative ways to define the base level. There are basically three different ways to define the base level.

1. Have no base at all. A credit with no base is referred to as a "nonincremental" credit.
   a. Most valuable type of credit to a firm because *every* dollar of qualified R&D, not just the amount over the base, is eligible for the credit
2. Use a moving average of the firm's R&D over the past few years – ranging from one to four years. (this is the strategy used in the Governor's bill)

    a. Least valuable type of credit since whatever R*D a firm chooses to do this year reduces the amount of creditable R&D in subsequent years
3. Use recent sales times the average of the firm's R&D –to-sales ratio over some fixed, past period;

All the best,
Jake

Jake Hamburg
Legislative Staff
Office of Senator Joe Paskvan
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SENATE BILL NO. 64

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 1/24/11
Referred: Labor and Commerce, Finance

A BILL

FOR AN ACT ENTITLED

"An Act relating to a tax credit for corporate income taxes paid for qualified research and development expenditures; and providing for an effective date."

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

*** Section 1.** AS 43.20 is amended by adding a new section to Article 1 to read:

Sec. 43.20.047. Qualified research and development tax credit. (a) Subject to the terms and conditions of this section, and in addition to any other credit authorized to the taxpayer by this chapter, a taxpayer may apply 20 percent of the taxpayer's expenditure for qualified research and development attributable to this state for the taxable year over the base amount as a credit not to exceed $10 million against the state tax liability imposed on the taxpayer under this chapter.

(b) Qualified research and development expenditures are attributable to this state if the research and development is being conducted in this state or the payroll of employees conducting the research and development is in this state. In this subsection, payroll of an employee is in this state if compensation is paid to an employee in this

state and reported as paid in this state in the quarterly contribution report under AS 23.20 to the Department of Labor and Workforce Development.

(c) If the tax credit under this section exceeds the taxpayer's tax liability after other tax credits are taken under this chapter for the year in which the expenditure is incurred, the excess of the tax credit over the liability may be carried forward for up to seven years. If an unused credit is carried forward to a tax year from an earlier year, the credit arising in the earliest year is applied first against the tax liability for the year.

(d) A person may not claim a credit under this section for qualified research and development expenditures that were deducted in the calculation of tax liability under AS 43.20.011(e) or for which any other credit, including any federal credit, has been apportioned to this state and claimed under AS 43.20.021.

(e) Each year, the department shall report the names of taxpayers who claimed credits under this section in the prior year, the total cumulative amount of credits granted to all taxpayers under this section for the prior tax year, and the total cumulative number of employees conducting the research and development for which all taxpayers claim the credit. Notwithstanding AS 40.25.100 and AS 43.05.230, a taxpayer claiming the credit under this section consents to

(1) the public disclosure of its name and status as a beneficiary of the credit;

(2) inclusion of the amount of the credits granted to it under this section and the number of employees conducting the research and development for which it claims the credit in the cumulative total calculated by the department for reporting purposes; and

(3) report on the impact of the credit on research and development for each year that the credit is claimed.

(f) In this section,

(1) "base amount" means the average of qualified research and development expenditures attributable to this state for the three tax years immediately preceding the taxable year for which the credit is being claimed;

(2) "qualified research and development" means qualified research as defined in 26 U.S.C. 41(d) (Internal Revenue Code), as amended, that is attributable to

this state.

*** Sec. 2.** This Act takes effect immediately under AS 01.10.070(c).

ALASKA
DEPARTMENT OF
COMMERCE,
COMMUNITY,
AND ECONOMIC
DEVELOPMENT

Research & Development (R&D) Tax Credit

Frequently Asked Questions

Q. What is the intent of this credit?

A. The R&D credit is intended to attract corporations engaged in research and development activities to conduct those activities in Alaska. This credit is the first step in making Alaska's business climate more attractive to a wide range of industries.

Q. What is the amount of the R&D credit?

A. This legislation would allow corporations conducting R&D in Alaska to take a 20% credit of qualified expenditures exceeding the average R&D expenditures made in Alaska during the previous three years. The credit would be limited to $10 million per taxpayer per year. If a corporation is currently conducting R&D activities in Alaska, the credit would be limited to 20% of the expenditures that increased above the 3-year average.

Q. What types of activities and expenses would qualify for the Alaska R&D credit?

A. Alaska's credit would mirror the federal research and experimentation tax credit. Activities and expenses qualifying for the federal credit under Internal Revenue Code (IRC) section 41 would qualify for the Alaska credit. Attached is a one-page overview showing the definition of the federal credit and identifying the types of activities that would and would not qualify for the Alaska credit.

Q. Would a corporation be eligible for both the federal and Alaska credit?

A. Under current Alaska corporate income tax statutes, corporations receiving a federal research and experimentation tax credit are allowed to take a credit against their Alaska corporate income tax of 18% of the federal credit apportioned to Alaska. Under HB 118, corporations would be allowed a 20% credit of the amount of qualified expenditures incurred in Alaska. Taxpayers would not be allowed both the federal credit and the Alaska credit for R&D activities conducted in Alaska; furthermore, taxpayers would not be allowed to deduct expenses used to calculate the credit in the computation of Alaska taxable income.

Q. Do other states have a research and development tax credit?

A. Yes. Thirty-eight other states offer an R&D tax credit. A review of those states' R&D credit programs indicates most states have either extended or increased their R&D credits within the past few years. For example: Arizona, Delaware, Illinois, Louisiana, Maryland, Minnesota, and Oregon all extended the

sunset dates for their programs. Minnesota had the shortest, extending its program to tax years beginning before January 1, 2015, and Maryland the longest, extending its program through June 30, 2021. Other states like Pennsylvania and New Jersey either increased or removed the income cap altogether. Only two states, Oklahoma and Utah, reduced or placed a moratorium on their R&D credit. No state has repealed the credit.

Q. What types of industries are currently engaged in R&D?

A. The following table shows the amount of credit claimed by corporations against their federal corporate income tax in Tax Year 2008. Corporations engaged in the manufacturing sector accounted for approximately 43 percent of all corporations claiming the credit.

Table 1. Corporations Claiming Research and Experimentation Tax Credit: Tax Year 2008

Industry	Number of Returns	R&E Credits Claimed ($1,000s)	Number of Returns as Percent of Total	Amount Claimed as Percent of Total
Manufacturing	5,420	$ 5,758,082	43%	69%
Professional, scientific, and technical services	3,932	$ 787,671	31%	9%
Information	1,132	$ 944,284	9%	11%
Wholesale and retail trade	865	$ 430,098	7%	5%
Administrative/Support & waste mgmt. services	288	$ 22,373	2%	0%
Management of companies (holding companies)	276	$ 62,091	2%	1%
Finance and insurance	237	$ 142,599	2%	2%
Various services	194	$ 43,942	2%	1%
Utilities	129	$ 48,855	1%	1%
Agriculture, forestry, fishing (seafood), and hunting	83	$ 5,054	1%	0%
Transportation and warehousing	58	$ 10,593	0%	0%
Construction	56	$ 10,278	0%	0%
Mining	36	$ 29,997	0%	0%
Real estate, rental, and leasing	30	$ 7,453	0%	0%
All Industries	12,736	$ 8,303,370	100%	100%

Source: Internal Revenue Service at http://www.irs.gov/taxstats/article/0,,id=164402,00.html

Prepared by: Departments of Commerce, Community & Economic Development and Revenue
March 16, 2012

ALASKA
DEPARTMENT OF
COMMERCE,
COMMUNITY,
AND ECONOMIC
DEVELOPMENT

Q. Why is the tax credit allowed to be carried forward for seven years?

A. It is expected that most companies engaged in R&D are medium to large multi-state corporations. Most should be able to utilize the credit in the year in which it is earned. In instances where corporations do not have enough tax liability in a single year to utilize the credit, the seven-year carry forward provision allows them more opportunity to utilize the maximum credit amount. Other Alaska tax credits can all be carried forward as follows:

Film credit - three years
Salmon product development credit - three years
Minerals exploration credit - 15 years
Gas exploration and development tax credit - five years
Production tax credits (.023(a) and (b)) - indefinite (until exhausted)

Based on other Alaska tax credits, seven years appeared to be an appropriate carry forward option.

Q. Will corporations engaged in oil and gas production be eligible for the R&D credit?

A. Yes. Oil and gas corporations will be treated the same as all other taxpayers and may take a credit against their Alaska corporate income tax for R&D expenses incurred in Alaska.

Q. Can oil and gas companies take a credit against their oil and gas production tax for R&D expenses?

A. No. The Alaska R&D tax credit would only be allowed against corporate income tax. It would not be allowed as a credit against taxes due in any other tax program.

Q. Can oil and gas companies deduct research and development expenditures in the calculation of their oil and gas net profits tax?

A. No. R&D expenses are not qualified lease expenditures under the applicable statutes and regulations governing production tax, and therefore, are not deductible. Specifically, 15 AAC 55.260(g) states that "designing" does not include the types of activities ordinarily considered R&D.

Prepared by: Departments of Commerce, Community & Economic Development and Revenue
March 16, 2012

I.R.C. Sec. 41, Credit for Increasing Research Activities

Definition of Qualified Research:

1. The purpose is discovering information technological in nature; **AND**
2. The application of which is intended to be useful in the development of a new or improved component of the taxpayer; **AND**
3. Substantially all of the activities constitute a process of experimentation; **AND**
4. The experimentation is for a qualifying activity or purpose.

Activities that Qualify:

- Developing new or improved products, processes, or formulas
- Developing prototypes or models
- Developing or applying for patents
- Certification testing
- Developing new technology
- Environmental testing
- Developing or improving software technologies
- Building or improving manufacturing facilities
- Streamlining internal processes

Activities that Do NOT Qualify:

- Exploration activity to ascertain the existence, location, extent, or quality of any ore or mineral deposit
- Research AFTER commercial production
- Adapting an existing business component for a particular customer
- Duplicating an existing business component
- Surveys & studies such as market research, advertising, and routine data collection
- Computer software for internal use (unless its development supports an otherwise qualifying activity)
- Non-U.S. research
- Research intended to be transferred to another
- Research conducted for the benefit of and prior to commencing a new business
- Research in the social sciences, arts, or humanities
- Funded research
- Anything for style, taste, cosmetic, or seasonal reasons

Allowed Expenses for Qualified Research:

- Research expenses incurred in connection with carrying on a trade or business including:
    - In-house wages and supplies
    - Time-sharing costs for computer use
    - 65% of amounts paid to contractors in the U.S. who work on the taxpayer's behalf
    - Extraordinary utility charges
    - Depreciation and depletion on property used in connection with qualified research activities

ALASKA

2011

Index	Overall Rank
4.28	36

COMPETITIVE ADVANTAGES

Subindex/Variable	Index	Rank
Government and fiscal policy subindex	***2.78***	***50***
Average weekly payment to insured unemployed	6.02	8
Security subindex	***4.62***	***39***
Infrastructure subindex	***5.30***	***6***
High-speed lines per 1000	6.31	6
Air passengers per capita	7.15	3
Average travel time to work	6.38	6
Human resources subindex	***4.90***	***30***
% of population aged 25 and over that graduated from high school	6.16	5
Unemployment rate, not seasonally adjusted	5.36	19
% of adults who are in the labor force	5.25	20
Technology subindex	***4.21***	***45***
Scientists and engineers as % of labor force	5.84	8
Business incubation subindex	***4.52***	***45***
Employer firm births per 100,000 inhabitants	5.18	20
Pacific Research Institute Tort Index	7.04	1
Openness subindex	***7.00***	***1***
Exports per capita, dollars	6.28	5
Incoming foreign direct investment per capita, dollars	10.00	1
Environmental policy subindex	***5.58***	***13***
Carbon emission per 1000 sq. miles	6.00	1
Air Quality Index	5.84	12

COMPETITIVE DISADVANTAGES

Subindex/Variable	Index	Rank
Government and fiscal policy subindex	***2.78***	***50***
State and local taxes per capita /income per capita	0.37	50
Workers' compensation premium rates	2.88	49
Bond rating: composite	4.53	36
Budget deficit, % of GSP	0.34	50
Full-time-equivalent state and local government employees per 100 residents	2.54	49
Security subindex	***4.62***	***39***
Crime index, per 100,000 inhabitants	4.60	32
The BGA Integrity Index	4.27	40
Infrastructure subindex	***5.30***	***6***
Mobile Phones per 1000	4.34	38
Electricity Prices per kWh	3.69	45
Average rent of 2 bedroom apartment	3.95	42
Human resources subindex	***4.90***	***30***
% of population without health insurance	4.24	37
% of population enrolled in degree-granting institutions	3.55	50
% of students at or above proficient in mathematics, grade 4 - public schools	4.49	33
Technology subindex	***4.21***	***45***
Academic Science and Engineering R&D per $1,000 GSP	4.31	38
NIH support to institutions per capita	4.22	45
Patents per 100,000 inhabitants	3.82	50
S&E degrees awarded per 100,000 inhabitants	3.56	49
Employment in high-tech industry as % of total employment	4.53	31
Business incubation subindex	***4.52***	***45***
Total deposits (Commercial banks and Savings institutions) per capita	4.60	49
Venture capital per capita	4.44	47
% of labor force that is represented by unions	2.71	49
Minimum wage	4.14	42
Cost of Labor Adjusted for Educ. Attainment	3.38	47
Openness subindex	***7.00***	***1***
Environmental policy subindex	***5.58***	***13***
Toxic release inventory, pounds per sq. miles	4.90	34

Table A1 Components of Sub-indexes for States 2011	
Sub-index	**Competitiveness Indicators Index ("objective")**
Government & Fiscal Policy	State and local taxes per capita /income per capita(-) Workers' compensation premium rates (-) Bond rating (composite of S&P's and Moody's, scale 1-25) (+) Budget surplus/deficit as % of Gross State Product (+) Average weekly payment to insured unemployed (-) Full-time-equivalent state and local government employees per 100 residents (-)
Security	Crime index per 100,000 inhabitants (-) % Change in crime index, 2009-2010(-) Murders index per 100,000 inhabitants (-) The BGA Integrity Index (+)
Infrastructure	Mobile Phones per 1000) (+) High-speed lines per 1000 (+) Air passengers per capita (+) Average travel time to work (-) Electricity Prices per kWh (-) Average rent of 2 bedroom apartment (-)
Human Resources	% of population without health insurance (-) % of population aged 25 and over that graduated from high school (+) Unemployment rate, not seasonally adjusted (-) % of students enrolled in degree-granting institutions per 1000 (+) % of adults in the labor force (+) Infant mortality rate in deaths per 1,000 live births (-) Total active physicians per 100,000 inhabitants (+) % of students at or above proficient in mathematics, Grade 4 public schools (+)
Technology	Academic Science and Engineering R&D per $1,000 GSP (+) NIH support to institutions in the state, per capita (+) Patents per 100,000 inhabitants (+) Number of S&E graduate students per 100,000 residents (+) S&E degrees awarded per 100,000 residents (+) Individuals in science and engineering occupations as % of the labor force (+) Employment in high-tech industry as a % of total employment(+)
Business Incubation	Deposits in commercial banks and savings institutions, per capita (+) Venture capital investment dollars per worker (+) Employer firm births per 100,000 inhabitants (+) IPO volume, in $ per capita (+) % of labor force that is represented by unions (-) Minimum wage (-) Pacific Research Institute's Tort Liability Index (-) Cost of labor adjusted for educational attainment (-)
Openness	Exports per capita, $ (+) Incoming foreign direct investment per capita, $ (+) % of population born abroad (+)
Environmental Policy	Toxic release inventory, on-site and off-site, total (new and original industries), pounds/sq. miles (-) Greenhouse Gas Emissions (million metric tons of carbon equivalent (MTCE) per 1000 Sq. Miles) (-) Air quality (% good average days) (+)

HB 144

<TARGET><BILL>HB 144</BILL><SUBJECT>HB 144</SUBJECT><COMM>SRES27</COMM></TARGET>

ALASKA STATE LEGISLATURE

REPRESENTATIVE LES GARA

MEMORANDUM

TO: Senator Wagoner
Senate Resources Co-Chair

FROM: Representative Les Gara

DATE: April 13, 2011

RE: Request to calendar HB 144, Protecting Public Fishing Stream Access

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I respectfully request that House Bill 144, relating to protecting public fishing stream access, be scheduled on the floor. Please feel free to contact me, or my aide, Mindy O'Neall, with questions or thoughts at 465-2647.

Attached you will find the contents requested by the committee. This includes the most recent version of the bill, the latest sponsor statement, sectional analysis, most recent version of the bill, an explanation of changes, current fiscal notes, and additional documentation relating to this bill.

Thank you for your consideration.

Rep. Les Gara

January-May: State Capitol • Juneau, AK 99801-1182 • (907) 465-2647 • Fax (907) 465-3518
June-December: 716 W. 4th Avenue • Anchorage, AK 99501• (907) 269-0106• Fax (907) 269-0109
Representative_Les_Gara@legis.state.ak.us

ALASKA STATE LEGISLATURE

REPRESENTATIVE LES GARA

CSHB 144 (RES): Sponsor Statement
Protecting Public Fishing Stream Access

Alaska's rivers are a treasured resource for fishermen, boaters, hunters, hikers, and people of all walks of life. We need to protect the public's access to them. House Bill 144 aims to ensure future public access to Alaska's fishing streams by putting in place a mechanism for encouraging the Department of Natural Resources to identify areas of public access that are in jeopardy of loss. The program would be facilitated by the Department of Natural Resources and would be completely voluntary. It would not take land away from citizens who do not want to trade for other public land; rather, it would encourage DNR to look for areas to secure needed public access easements.

There are currently large stretches of private land on streams such as the Anchor River, Deep Creek, Parks Highway Streams, the Salcha River and others throughout the state. Today the public uses these streams, and has access to them. Once they're developed, we will never be able to afford to get them back.

Other states have waited too long to take steps like the ones proposed by this bill. In Montana, for example, fishermen have to pay for public access to some rivers. One hundred eighty miles of the Missouri River have lost public access, and that state now budgets $300,000 per year to buy back parcels of riverbank land.

HB 144 will help ensure that unparalleled recreational opportunities in our vibrant river corridors remain accessible, for our own and for future generations. It provides that the state should take action by providing a plan on their website as well as electronically to the legislature on an annual basis that assess those areas most at risk of loss.

January-May: State Capitol • Juneau, AK 99801-1182 • (907) 465-2647 • Fax (907) 465-3518
June-December: 716 W. 4th Avenue • Anchorage, AK 99501• (907) 269-0106• Fax (907) 269-0109
Representative_Les_Gara@legis.state.ak.us

ALASKA STATE LEGISLATURE

REPRESENTATIVE LES GARA

CSHB 144 (RES): Sectional Analysis
Requiring a DNR Report on Fishing Stream Access

The bill's sections provide as follows:

Section 1. This section requires the commissioner of the Department of Natural Resources to annually provide an electronic report to the legislature and the governor detailing the efforts from the previous year, and objectives for the upcoming year, in maintaining and enhancing public access along fishing streams, where sport, personal use dip net, commercial, or subsistence fishing is conducted.

January-May: State Capitol • Juneau, AK 99801-1182 • (907) 465-2647 • Fax (907) 465-3518
June-December: 716 W. 4th Avenue • Anchorage, AK 99501• (907) 269-0106• Fax (907) 269-0109
Representative_Les_Gara@legis.state.ak.us

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 144
(H) Publish Date: 2/25/11

Identifier (file name) HB144-DFG-SFD-02-17-11
Title: Report on Fishing Stream Access
Sponsor: Representative Gara
Requester: House Special Committee on Fisheries

Dept. Affected: ADF&G
Appropriation: Sport Fisheries
Allocation: Sport Fisheries
OMB Component Number: 464

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commodities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Outlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							
FUND SOURCE		(Thousands of Dollars)					
1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other (please identify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost 0.0

POSITIONS

Full-time	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Part-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version.

Prepared by: Charles O. Swanton, Director — Phone: 907-465-8184
Division: Sport Fisheries — Date/Time: 2/17/2011 12:00PM
Approved by: Kevin Brooks, Administrative Services Director — Date: 2/18/2011
Department of Fish and Game

(Revised 1/27/2011 OMB)

FISCAL NOTE #1

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB 144

Analysis

The bill requires Department of Natural Resources to consult with the Commissioner of Fish & Game and annually report on fishing stream access. There is no fiscal impact to the Department of Fish & Game, Division of Sport Fisheries.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSIO

Fiscal Note Number: 2
Bill Version: HB 144
(H) Publish Date: 2/25/11

Identifier (file name) HB144-DNR-LATD-02-23-11
Title: Report On Fishing Stream Access
Sponsor: Rep. Gara
Requester: House FSH

Dept. Affected: Natural Resources
Appropriation: Resource Development
Allocation: Land Acquisition and Title Defense
OMB Component Number: 2459

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commodities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Outlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CHANGE IN REVENUES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other (please identify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Part-time	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Temporary	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version

Prepared by: Wyn Menefee, Acting Director — Phone: 269-8501
Division: Mining, Land & Water — Date/Time: 2/18/11 1:00 PM
Approved by: Daniel S. Sullivan — Date: 2/18/2011
Department of Natural Resources

(Revised 1/27/2011 OMB)

FISCAL NOTE #2

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB 144

Analysis

HB 144 would require the Department of Natural Resources, in consultation with the Department of Fish & Game, to provide an annual report to the legislature detailing the department's efforts during the previous year, and objectives in the upcoming year, to maintain and enhance access to and along fishing streams.

The only additional work would be to compile this information into the annual report. Costs associated with preparing the report and including it in the Division of Mining, Land & Water's annual report to the legislature could be addressed with existing staff and resources.

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version **HB 144**
Fiscal Note Number
Publish Date

Identifier (file name) HB144-DNR-MLW-12-13-11
Title REPORT ON FISHING STREAM ACCESS
Sponsor Rep. Gara
Requester (S) RES

Dept. Affected Natural Resources
Appropriation Land & Water Resources
Allocation Mining, Land & Water
OMB Component Number 3002

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This is a updated version for the second session of the 27th legislature. The appropriation and allocation have been changed to reflect the new DNR structure.

Prepared by Brent Goodrum, Director — Phone (907) 269-8501
Division Mining, Land & Water — Date/Time 12/13/11 1:00 PM
Approved by Daniel S. Sullivan — Date 12/13/2011
Department of Natural Resources

(Revised 11/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** HB 144
2012 LEGISLATIVE SESSION

Analysis

HB 144 would require the Department of Natural Resources, in consultation with the Department of Fish & Game, to provide an annual report to the legislature detailing the department's efforts during the previous year, and objectives in the upcoming year, to maintain and enhance access to and along fishing streams.

The only additional work would be to compile this information into the annual report. Costs associated with preparing the report and including it in the Division of Mining, Land & Water's annual report to the legislature could be addressed with existing staff and resources.

ALASKA STATE LEGISLATURE

REPRESENTATIVE LES GARA

CSHB 144 (RES): Summary of Changes Requiring a DNR Report on Fishing Stream Access

The CS version (I) requires that the annual report be submitted electronically, as well as posted on the departments' Internet website.

January-May: State Capitol • Juneau, AK 99801-1182 • (907) 465-2647 • Fax (907) 465-3518
June-December: 716 W. 4th Avenue • Anchorage, AK 99501• (907) 269-0106• Fax (907) 269-0109
Representative_Les_Gara@legis.state.ak.us

STATE OF ALASKA

DEPARTMENT OF FISH AND GAME

Division of Sport Fish

FRANK MURKOWSKI, GOVERNOR

333 Raspberry Road
Anchorage, AK 99518-1599
PHONE: (907) 267-2326
FAX: (907) 267-2464

Date January 27, 2006

To: Robin Willis

From : Jason Graham

Re: Access for Anchor, Montana, and Salcha Creeks

Anchor River

Accessible: 16723 feet

Non-Accessible: 4542 feet

Montana Creek

Accessible: 29063 feet

Non-Accessible: 17468 feet

Salcha Creek

Accessible: 16181 feet

Non-Accessible: 16134 feet

STATE OF ALASKA

DEPARTMENT OF FISH AND GAME

DIVISION OF SPORT FISH

FRANK H. MURKOWSKI, GOVERNOR

333 Raspberry Road
Anchorage, AK 99518-1599
PHONE: (907) 267-2342
FAX: (907) 267-2464

MEMORANDUM

TO: Robin Willis, Tina Cunning

FROM: Joe Giefer
Habitat Biologist

DATE: January 23, 2006

SUBJECT: Montana Creek To-and-Along Easements

Location depicted on map: Montana Creek, USGS Quad TALKEETNA A-1 and TALKEETNA MOUNTAINS A-6, described as secs. 5, 7, and 8, T. 23 N., R.4 W., W.M., and secs. 11, 14, 15, 21, 22, 28, 32, and 33, T. 24 N., R. 4 W., Seward Meridian, Alaska.

The following distances are approximations based on the maps ADF&G has produced, they do not reflect distance's based on Federal, State, or Borough surveys or plats. On the lower reaches of Montana creek, there is approximately 29,063 feet of accessible shoreline and approximately 17,468 feet of non-accessible shoreline.

The private property depicted on the map without To & Along easements are older conveyances from the Federal Government directly to individual private citizens. As far as we know, these parcels are not subject to a To & Along reservation. In an effort to err on the side of caution, if it's not clear that there is access along the shoreline, ADF&G has assumed that there is not and has depicted it as such on our map. It is possible that some areas depicted as not having access do actually in fact have access, and this could be for a variety of reasons that cant be clarified until further research is done, particularly having some time spent on the ground looking at these areas on a site specific basis.

In secs. 11, 14, 15, 21, and 22, of T. 24 N., R. 4 W., both banks of Montana Creek are subject to a To & Along easement. Secs. 28, 32, and 33 of T. 24 N., R. 4 W., are composed of private parcels not subject to a To & Along reservation.

In T. 23 N., R. 4 W., both banks of Montana creek are subject to easements thru a small reach of State owned land in the N/E corner of sec. 5. In the S/W corner of sec. 5, the creek is subject to a To & Along on river-left, thru the extreme N/W corner of sec. 8, and on into sec. 7 where both banks are subject to a easement for a short distance, then again there is only a easement on river-left downriver to where Montana Creek flows into the Susitna River.

STATE OF ALASKA

FRANK H. MURKOWSKI, GOVERNOR

DEPARTMENT OF FISH AND GAME

DIVISION OF SPORT FISH

333 Raspberry Road
Anchorage, AK 99518-1599
PHONE: (907) 267-2342
FAX: (907) 267-2464

MEMORANDUM

TO: Robin Willis, Tina Cunning

FROM: Joe Giefer
Habitat Biologist

DATE: January 27, 2006

SUBJECT: Salcha River To-and-Along Easements

The location depicted on map is the Salcha River, USGS Quad BIG DELTA B-6, sections 21 and 22, T. 5 S., R.4 E., Fairbanks Meridian, Alaska.

In this particular stretch of the Salcha, the current path of the river is an approximation at best, there is no current aerial photography or surveyed hydrography to use as a reference when comparing the river corridor to the adjacent uplands. The private properties depicted on the map without "To & Along" easements are generally older conveyances from the Federal Government directly to individual private citizens. As far as we know, these parcels are not subject to a "To & Along" reservation. In an effort to err on the side of caution, if it is not clear that there is access along the shoreline, ADF&G has assumed that there is not access and has depicted it as such on our map. It is possible that some areas depicted as not having access do actually have access, and this could be for a variety of reasons that can not be clarified until further research is done, particularly by spending some time on the ground looking at these areas on a site specific basis.

The following distances are approximations based on the maps ADF&G has produced, they do not reflect distances based on Federal, State, or Borough surveys or plats. On the reaches depicted in the maps of the Salcha River, there is approximately 16,181 feet of accessible shoreline and approximately 16,134 feet of non-accessible shoreline. .

In sec. 22, there is a small tract of State owned land on both banks of the Salcha where the Richarson Highway crosses the river. These state owned tracts are subject to easements. There is also a boat launch on these same state owned tracts.

In sec. 21, all the privately held land adjacent to the Salcha is subject to a To & Along easement. The west half of the northwest corner of sec. 21 is state owned land, immediately to the west of this tract is the confluence of the Tanana and the Salcha rivers.

STATE OF ALASKA

FRANK H. MURKOWSKI, GOVERNOR

DEPARTMENT OF FISH AND GAME

DIVISION OF SPORT FISH

333 Raspberry Road
Anchorage, AK 99518-1599
PHONE: (907) 267-2342
FAX: (907) 267-2464

MEMORANDUM

TO: Robin Willis, Tina Cunning

FROM: Joe Giefer
Habitat Biologist

DATE: January 27, 2006

SUBJECT: Anchor River "To-and-Along" Easements (AS 38.05.127)

The location depicted on map is the Anchor River, from the Sterling Highway downstream to the mouth of the river. This area can be found on USGS quad Seldovia D-5, section 33 of T. 4 S., R. 15 W., and sections 5, 4, 3, 10, 11, of T. 5 S., R. 15 W., Seward Meridian, Alaska

The following distances are approximations based on the maps ADF&G has produced, they do not reflect distances based on Federal, State, or Borough surveys or plats. On the reaches depicted on the map of the Anchor River, there is approximately 16,723 feet of accessible shoreline and approximately 4,542 feet of non-accessible shoreline.

Mapping the Anchor River in this area is particularly problematic given its tendency to move and meander over time as it nears the coast. The river channel we are using as a template is from year 2000 satellite imagery that we digitized and placed over the parcel boundary information. The private properties depicted on the map without "To & Along" easements are generally older conveyances from the Federal Government directly to individual private citizens. As far as we know, these parcels are not subject to a "To & Along" reservation. In an effort to err on the side of caution, if it is not clear that there is access along the shoreline, ADF&G has assumed that there is not access and has depicted it as such on our map. It is possible that some areas depicted as not having access do actually have access, and this could be for a variety of reasons that can not be clarified until further research is done, particularly by spending some time on the ground looking at these areas on a site specific basis.

In section 33, T. 4 S., R.15 W., from the mouth of the river upstream to section 5, T. 5 S., R. 15 W., there is a small peninsula shaped parcel on river-left subject to an easement, however it is not continuous upstream into the adjoining southern section. In this area there appears to be no "To & Along" on a short stretch of uplands on river-left, and approximately the last ½ mile of shoreline of river-right at the mouth. Continuing upstream, where the river flows through state land in sec. 5, T. 5

S., R. 15 W., and continues east across sec. 4 of the same township/range both banks of the Anchor River are subject to an along easement, this is mostly state lands and access is assumed. The remaining area where access appears limited is a short distance from the highway downstream to where the river enters State land.

As you continue upstream where the river enters sections 10, 11, and into 14 of T. 5 S., R. 15 W., which is not depicted on map, uplands on river-right were conveyed from the United States to the Mental Health Trust. Lands on river-left were conveyed to the University and a small parcel has become part of the Mental Health Trust. The University and Mental Health Trust Lands have been inconsistently subject to provisions of Title 38 so shoreline access is unclear along these stretches of river.

ALASKA FLY FISHERS

Winners of the 1994 McKenzie Cup

February 21, 2011

Representative Les Gara
State Capitol, Room 500
Juneau, AK 99801

Reference: HB 144

Dear Representative Gara:

The Alaska Fly Fishers is a membership organization representing approximately 400 individuals interested in Fly Fishing conservation and education for the state of Alaska.

Alaska Fly Fishers supports enhancing and maintaining access to fishing streams. We support HB 144 as its intent is to enhance and maintain access to fishing streams by having the Department of Natural Resources report annually on their efforts in regards to stream access.

Access to fishing streams is an important part of the sport of fishing. Considering the importance of gathering fish and sport fishing to the residents of Alaska, this bill shines a bright light on enhancing and maintaining the critical component of stream access.

Thank you for your efforts to enhance and maintain access to Alaska's fishing steams.

Best regards,

ALAKSA FLY FISHERS

Mark Huber
President

cc: Alaska Fly Fishers Board of Directors

3415 Wentworth St.
Anchorage AK 99508

February 19, 2011

Dear Representative Gara:

I support increasing the amount and quality of publicly accessible land for fishing. The area's which are now publicly accessible are often overcrowded which leads to conflict between users, reduces the quality of the experience and results in the degradation of the land. For example, in the mid 1980's the Kenai River when the runs of salmon were heavy was crowded in the area of the old Sportsman Lodge and ferry crossing. However, a short walk either up or down stream would result in far fewer anglers. Now, during the same time periods, the river is often crowded on nearly every available space between the Kenai Lake and Jim's Landing for between June and September. This isn't isolated to this fishery.

If we were systematically to review opportunities to acquire land which has a high value for fishing through a process that insures land owners rights are not violated, it would both improve the access for Alaskans and the quality of their lives. I believe HB 144 would do that.

I have been involved as a volunteer in a number of aspects of resources in Alaska. I served for over 10 years on the Anchorage Fish & Game Advisory Committee, approximately 5 years on the Southcentral Regional Advisory Council for Subsistence, and one term on the Board of Game. During that time access for the average Alaskan was a consistent issue. I am currently a member of the Alaska Fly Fishers and have served numerous terms as an officer of that organization. Again, AFF members have made many contributions to habitat restoration and to enhance our public fisheries. We often hear about the lack of access to fisheries which they can reach within a reasonable distance of their homes.

Based on my experience, the Alaska Department of Fish and Game does a very good job of maintaining and enhancing our fisheries. However with a growing population in Alaska, it becomes critical to do what we can to increase the amount of public lands available. We, as a state, have an obligation under Article 8 of our constitution to make the resources of Alaska available for the maximum use consistent with the public interest. Further the legislature has an obligation to make these resources reserved for to the people for common use.

HB 144, in my opinion, would be consistent with and assist in meeting this obligation.

Sincerely,

Bob Churchill

February 9, 2011

Representative Les Gara
State Capitol
Juneau, AK 99801

Re: HB144

Dear Representative Gara:

The Kenai River Sportfishing Association (KRSA) supports the legislative objective of House Bill 144, an act requiring the Alaska Department of Natural Resources, in conjunction with the Alaska Department of Fish and Game, to annually deliver to the legislature and the governor a report on fishing stream access.

Alaska is home to some of the best sportfishing, personal use and subsistence opportunities in the world. HB144 provides the Legislature with a reporting mechanism to ensure monitoring of public access to important fishing streams in the state. Protecting and enhancing public access to the hunting, fishing and recreational uses along the state's waterways is of primary importance to many people and a wide variety of user groups.

KRSA is a non-profit 501 (c) 3 conservation organization dedicated to ensuring the sustainability of the greatest sportfishing river in the world – the Kenai. Our goals are to conserve and rehabilitate fisheries habitat, promote predictable and meaningful sportfishing opportunity, encourage and foster fisheries research and provide public aquatic education. Over the past fifteen years we have raised and invested over $10 million towards these goals.

We appreciate your efforts and those of your colleagues in regards to HB144.

Respectfully,

Ricky Gease

Ricky Gease
Executive Director

Representative Les Gara
ATTN: Mindy O'Neall
State Capitol Building, Ste 500
Juneau, AK 99801

SUBJECT: Support for HB144

Dear Representative Gara,

I strongly support passage of HB144. This is legislation that is long overdue and I want to thank you for your efforts over the years to get this important piece of legislation passed.

Public access to our public waters is an important issue that many who use this resource take for granted until lost. I spent many years as a member and chair of a local fish and game advisory committee and attended many Board of Fisheries and Board of Game meetings. During this time access issues come up several times in submitted proposals and public testimony. Lost access was always a very contentious issue and was one that should have been foreseen prior to becoming an issue.

You legislation is sorely needed to help prevent these problems from occurring and I ask the Alaska State Legislature to pass this important legislation, HB144, during this session.

Sincerely,

Willard E Stockwell
PO Box 721
Cooper Landing, AK 99572

WOMEN'S FLYFISHING
PO Box 243963
Anchorage, AK 99524-3963

February 17, 2011

Representative Les Gara
State Capitol 500
Juneau, AK 99801

Dear Representative Gara:

I'm writing you today in support of HB 144, which would direct the Department of Natural Resources to report annually to the legislature on its efforts to maintain or enhance access to and along fishing streams as well as its objectives for enhancing and maintaining access to and along fishing streams by the public in the upcoming year.

As the owner of a licensed fly fishing guide service in Alaska, I believe that the Department of Natural Resources should play an active role in assisting the public to have access, wherever possible, to a wide variety of fishing opportunities. The bill would put in place a mechanism for voluntary land exchanges (or purchases) between the State and private owners along important recreational rivers. This would help us avoid the purchases of such lands for development, thus denying the public's use of them. Other efforts could involve working with riparian land owners to identify sections of bank access that could be utilized by the public either free or through a paid access corridor would certainly be worthwhile to pursue as well. "Enhancing access to fishing streams," might also mean identifying areas where people are trespassing on either public or private land to get access to various waterways, which would also provide valuable information on where the Department should direct efforts in opening or developing fishing opportunities to the public.

I would urge members of the House Fisheries Committee to support HB 144.

Sincerely,

Cecilia "Pudge" Kleinkauf

From: Alan Batten [mailto:alanbatten@acsalaska.net]
Sent: Wednesday, March 30, 2011 2:53 PM
To: Rep. Les Gara
Subject: Re: HB 144

Dear Representative Gara,

Thanks for sponsoring HB 144, and thanks for specifically mentioning "boaters". I am a recreational canoer and am very concerned about attrition of access points along our rivers. A case in point is the Chulitna River bridge at approximately 134 mile Parks Highway. This area is a commonly used takeout for people who put in at the Parks Highway bridge over the East Fork Chulitna at (very approximately) mile
185 Parks Highway (I believe you rafted this section last summer). The land on both sides of the river above and below the bridge is privately owned, and I understand that access to the 2 landings just upstream of the bridge on river left were closed off last summer. This is not a huge deal to someone in a canoe or kayak since our gear is light enough to just carry it up the right of way under the bridge to the highway.
However, a friend of mine rows a dory that is a bit too heavy to manhandle easily (as I imagine your raft was also), so he can no longer use that area as a takeout.

Similarly, access to the Nenana River at McKinley Village/Crabbe's Corner seems to be secure for right now, but has been a recurring issue in the past.

Thanks!

Alan Batten

B SECTION

ALASKA

ANCHORAGE DAILY NEWS • www.adn.com ★ SUNDAY, JULY 13, 2003

MOLLY IVINS LETS LOOSE

Political columnist Molly Ivins will speak in Anchorage on July 21. Check out what she told the Daily News about both George Bushes, sodomy in Texas, tax cuts, her new book, and the Alaska-Texas rivalry. **Q&A in Opinion, Page J-3**

Prime fishing land might be sold off

■ **ANCHOR RIVER:** Sale of five-acre parcels could eliminate public access.

By JOEL GAY
Anchorage Daily News

The beaches, banks and wetlands along one of the Kenai Peninsula's most popular fishing streams are being subdivided into five-acre parcels that, if sold, could eliminate public access to the lower Anchor River.

The owners say they've tried for years to sell the land to the state but could never agree on a price. Now it's time to move on, they say, and the first step is chopping their two large parcels into 20 smaller ones.

They hope to win preliminary approval of their subdivision plan Monday night from the Kenai Peninsula Borough. The lots could be on the market later this summer.

Supporters of a buyout still hope the land can be purchased and put into public ownership. The landowners say they're still willing to sell. But time is drawing short, said Lynn Whitmore, a longtime local angler who just recently learned about the proposed subdivision.

"I'm going to urge that they try to convert this to public land, by whatever means necessary," he said. "I want the (borough) mayor or somebody to sit down with these two sides and resolve this."

■ **THE KENAI PENINSULA BOROUGH PLAT COMMITTEE** will hold a public hearing on the proposed Anchor River subdivision at 5:30 p.m. Monday in the Borough Building in Soldotna. For more information, go to www.borough.kenai.ak.us/planningdept, then click on Plat Committee, then Agendas.

Anchor Point pioneer Vern Mutch homesteaded the area decades ago, selecting land that ran from atop the bluffs to the Cook Inlet beach, with the river running through it. His son Paul, a commercial fisherman who lives in Ugashik, now owns much of the land, including a 45-acre parcel just north of one of the river's most popular fishing spots, the Grass Hole.

The state Division of Parks owns the adjoining lot to the south, where it provides parking and a boat launch. But thousands of fishermen every year pass through the state land onto the Mutch property, where they camp on the gravel beach and tromp through wetlands to reach the river.

Many also walk or drive ATVs even farther north, toward the river mouth, where they trespass on a 12-acre parcel owned by Jim Jacobs.

The parks superintendent on the lower peninsula, Chris Degernes, said it's difficult to imagine the private land suddenly being posted with no-trespassing signs. "The public has used that property so many years — as if it were public — that it will be difficult to keep the public off," she said.

The Division of Parks and the Alaska Department of Fish and Game have wanted to buy the Anchor River lands for years, she said. It's rich territory. About 50,000 to 60,000 people visit every year, she said, mostly to fish. The

See Page B-6, **LAND**

Trees cut to reduce fire danger

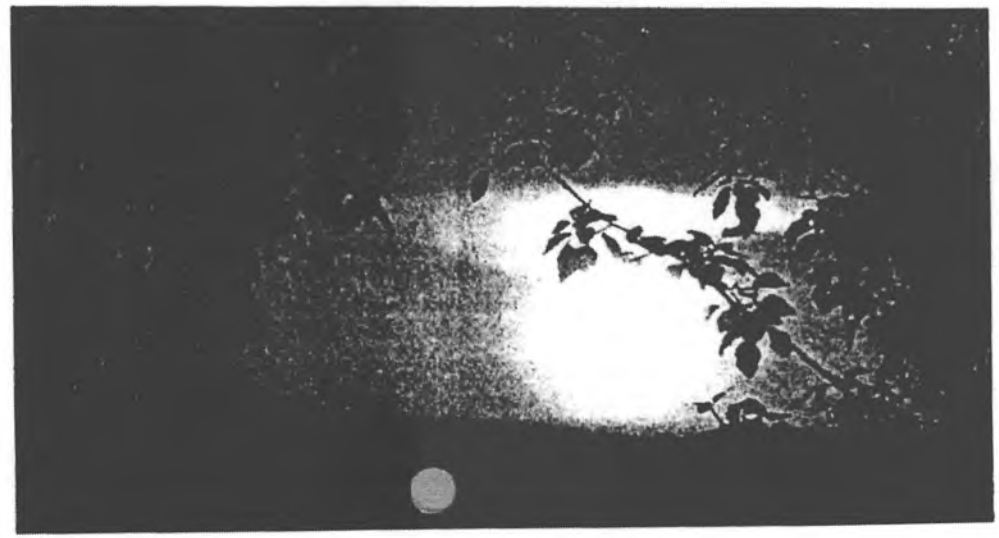
■ **CLEARING:** Crews of firefighters at work in woods throughout city.

By TATABOLINE BRANT
Anchorage Daily News

Firefighters cut down several tall trees in Kincaid Park last week and chopped them into firewood-sized logs, and officials say the work is just one small part of an ongoing federally funded effort to reduce the chance of a bad wildfire in Alaska's largest city.

About a dozen brush piles

WEST COAST WEATHER



HUD funds for city in jeopardy

■ **GRANTS:** "It's at a critical stage," says Mayor Begich, who has stepped in.

By ROSEMARY SHINOHARA
Anchorage Daily News

The new mayor's transition report last week pointed to a crisis in public housing. The city is in danger of losing federal Housing and Urban Development grants next year if it doesn't spend $2.6 million by Nov. 2.

Anchorage Daily News

Michael J. Sexton, President and Publisher
Patrick Dougherty, Editor
Steve Lindbeck, Associate Editor

Founded in 1946 by Norman C. Brown
Fuller A. Cowell, Publisher, 1993-1999
Gerald E. Grilly, Publisher, 1984-1993
Katherine Fanning, Editor and Publisher, 1971-1983
Lawrence Fanning, Editor and Publisher, 1967-1971

OPINION

OUR VIEW

ɔn steps

plɔration's change

ɜ ago on Friday, U.S. astronaut Neil
pped on the moon. That was 1969, and
ı good enough to keep President John
in the early '60s that the United
ı the moon in a decade.
ɔrogram thrilled Americans and the
he nation had put its mind and heart
ɔf reaching the cold, mysterious
ɜ steps finished that journey and were
ıst the beginning of the nation's and
ıace exploration.
lght, but we didn't see clearly. We've
system and looked incomprehensible
We've mechanically walked the sur-
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lescope. We've had dazzling success,
l any farther afield than Mr.

ion . . .s proven a far more daunting
ıllenge than even cool heads
ompared to the '60s, the pace seems
ace shuttle flights have become old
still fire in those launches, because
re remains worth the going. Mr.
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COMPASS: *Points of view from the community*

Public lands demand public access

By LES GARA

If you've ever fished, hunted, hiked a trail or floated a river, you understand the value of public lands. For most Alaskans, the right to public access is a cherished one. It's also a right that has been quietly under siege.

There are people in the Legislature, and who will run for governor in 2002, who have an agenda to sell off vast amounts of your favorite lands: the stream bank that lets you walk for miles along your favorite fishing water, the land you cross to launch your raft or set up camp, the trail you run or hike on and the lands you traverse to hunt the back-country. For example, last year one bill aimed to require that 75,000 acres be sold every year, indefinitely.

Now is the time for us to stand together to make sure we don't lose our right to enjoy this state. One thing we can do is act to forbid the state from selling off any more of our most valuable lands. Along streams, a 100-foot public easement should be retained by the state on all waters that support recreational uses. Future property owners could build next to the easement and use the easement to store things like boats, but they could not ban the public from walking the riverbank. That's the approach taken in New Zealand, where a 70-foot easement along rivers and lakes, called the Queen's Chain, is reserved for public access.

Other states are proof of what will happen if we do not act. In Montana, ranchers and movie stars routinely pro-

Along streams, a 100-foot public easement should be retained by the state on all waters that support recreational uses.

hibit the public from crossing their land to reach prized waters and lands. For years, landowners completely locked up access to the Ruby River, a noted trout stream, as well as the banks on a 180-mile stretch of the Missouri River. To make up for selling its public lands, the state now scrapes for money to buy back or lease miniscule parcels of riverbank and recreational land for public use.

This problem is not new to Alaska. Private land and borough and Native land waiting to be sold line riverbanks from the prized Anchor River to the banks of almost every major stream from Anchorage to Talkeetna. The other day a friend and I were walking a grayling stream north of Anchorage and saw a stretch where cottonwood trees so important to stream bank protection had been clear-cut to the riverbank. We learned that 160 acres more along the riverbank were waiting to be developed. In a few years these banks will be littered with "No Trespassing" signs.

The 2000 Legislature's attempt to sell off millions of acres of state land died in committee. The legislators who pushed the bill likely knew it would be vetoed by Gov. Tony Knowles. Starting in 2002, future governors might not stop these grand land sales.

The public's best course would be to take this issue out of the Legislature's hands by using the initiative process. That would require that fishing, hunting, water sports, trail users, mountaineering and conservation groups join hands. If the state is to be protected, a public easement ensuring access along all valuable riverbanks and a land sale ban covering all valued hunting, hiking, camping and hiking areas need to be adopted. Legislators will tell you that they'd never sell these lands. But you can't sell off 75,000 acres of public land every year without giving away the land that fishermen, hikers, rafters, campers, hunters and other Alaskans cherish.

We should protect our public access rights while we still have them. As people learned in Montana, buying them back later is impossibly expensive.

■ Les Gara has worked with fishing organizations on fisheries protection issues and is a board member of the Alaska Public Interest Research Group.

Mary Jackson

From: Ricky Gease <ricky@krsa.com>
Sent: Thursday, February 16, 2012 10:37 AM
To: Mary Jackson
Cc: Toby Smith
Subject: KRSA support for HB 144

Dear Mary;

Good to see you earlier this week while Bunny and I were in Juneau. Short visit but Bunny really liked seeing the Capitol and being a part of the team that came to talk about the elder care issues – we appreciate the time that Wendy took to listen to us on this issue.

Please find below KRSA's comments regarding our support for HB 144. I understand that the schedule on Friday in Senate Resources will be tight, so I am submitting our comments in support of HB 144 instead. If oral testimony would be of benefit tomorrow, please let me know and I can arrange to provide our testimony in support of HB144. Otherwise, enjoy the long weekend!

All the best,

Ricky Gease

KENAI RIVER SPORTFISHING
ASSOCIATION

February 9, 2011

Representative Les Gara
State Capitol
Juneau, AK
99801
Re: HB144

Dear Representative Gara:

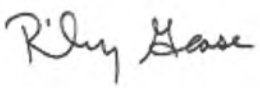
The Kenai River Sportfishing Association (KRSA) supports the legislative objective of House Bill 144, an act requiring the Alaska Department of Natural Resources, in conjunction with the Alaska Department of Fish and Game, to annually deliver to the legislature and the governor a report on fishing stream access.

Alaska is home to some of the best sportfishing, personal use and subsistence opportunities in the world. HB144 provides the Legislature with a reporting mechanism to ensure monitoring of public access to important fishing streams in the state. Protecting and enhancing public access to the hunting, fishing and recreational uses along the state's waterways is of primary importance to many people and a wide variety of user groups.

KRSA is a non-profit 501 (c) 3 conservation organization dedicated to ensuring the sustainability of the greatest sportfishing river in the world – the Kenai. Our goals are to conserve and rehabilitate fisheries habitat, promote predictable and meaningful sportfishing opportunity, encourage and foster fisheries research and provide public aquatic education. Over the past fifteen years we have raised and invested over $10 million towards these goals.

We appreciate your efforts and those of your colleagues in regards to HB144.

Respectfully,



Ricky Gease
Executive Director

3415 Wentworth Street
Anchorage AK 99508

February 16, 2012

Dear Representative Gara:

It appears that HB 144 is again being considered for consideration by the House. I would like to see a more aggressive approach to land acquisition for public use of our fisheries. However, I fully support this bill as a step towards providing access to Alaskan's of our fisheries resource. I have spent a significant amount of time involved in fisheries issues personally, through organizations and committees. This includes approximately 15 years on the Anchorage Fish & Game Advisory Committee, approximately 6 years on the Federal Subsistence Council, and 25 years as a member of the Alaska Fly Fishers. I have also fished throughout the road system and numerous other areas throughout Alaska. Public access is becoming more limited and crowded. An example of this is the crowding along the public access areas on the Kenai River. In the 1980's the crowds were primarily from the old Sportsman Lodge downriver for approximately 250 yards during the peaks of the salmon runs. Today the Kenai is crowded from the bridge at Kenai Lake to Jim's landing from mid June through late September.

If we, at the state level, were to systematically review opportunities to acquire land which has a high value for fishing through a process, as outlined in HB 144, that insures land owner's rights were not violated it would benefit many Alaskans, improve the quality of the experience in these fisheries, and be in concert with Article 8 of our state constitution.

Based on my experience working with the Alaska Department of Fish & Game, I have a high level of confidence in their ability to manage these fisheries once they become state lands.

I strongly urge all effort be made to pass this legislation.

Sincerely

Bob Churchill

HB 185

<TARGET><BILL>HB 185</BILL><SUBJECT>HB 185</SUBJECT><COMM>SRES27</COMM></TARGET>

Alaska State Legislature
House of Representatives
Representative Tammie Wilson

Interim
301 Santa Clause Lane
North Pole, AK 99705
(907) 488.0857 - Phone
(907) 488.4271 - Fax

Session
State Capitol
Juneau, AK 99801
Phone - (907) 465.4797
Fax - (907) 465.3884

Rep.Tammie.Wilson@legis.state.ak.us

MEMORANDUM

To: Senator Tom Wagoner, Co-Chairman, Senate Resources Committee
Senator Joe Paskvan, Co-Chairman, Senate Resources Committee

From: Representative Tammie Wilson

Date: April 6, 2011
Re: Request for Hearing

Enclosed is CSHB 185—"An Act relating to an exemption from authorizations that may be required by the Department of Environmental Conservation for the firing or other use of munitions on active ranges."

This bill is strongly recommended by the U.S. Department of Defense and a priority for Alaska DMVA.

Accompanying sponsor statement and general back-up documents are included.

I would appreciate a hearing in Senate Resources at your earliest convenience.

Thank you for your consideration. Please contact me if you have any questions

TW

Alaska State Legislature
House of Representatives
Representative Tammie Wilson

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Rep.Tammie.Wilson@legis.state.ak.us

Sponsor Statement

CSHB 185 –27th Legislature

CSHB 185(Res) amends Alaska's Waste Management and Disposal Authorization (AS 46.03.100(e)) such that the use of military ranges can occur in accordance with the Federal Water Pollution Control Act.

Additionally, CSHB 185 clarifies that all military services, such as the U.S. Coast Guard, conducting training activities on an active range, would be exempt from regulation unless otherwise regulated under the Federal Water Pollution Control Act.

This amendment is important because current state law could be interpreted to restrict the use of Alaska military ranges in a way not required by federal law.

This bill is supported by DMVA, DEC, and the Region 10 USAF Regional Environmental Coordinator Office.

I appreciate the committee's consideration for this bill and request your support.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version **27-LS0506\B**
() Publish Date

Identifier (file name) HB185-DEC-WQ-03-11-11
Title Exempt Discharges from Use of Munitions
Sponsor Representative T. Wilson
Requester House Resources Committee

Dept. Affected Environmental Conserv
Appropriation Division of Water
Allocation Water Quality
OMB Component Number 2062

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services	0.0		0.0	0.0	0.0	0.0	0.0
Travel	0.0		0.0	0.0	0.0	0.0	0.0
Services	0.0		0.0	0.0	0.0	0.0	0.0
Commodities	0.0		0.0	0.0	0.0	0.0	0.0
Capital Outlay	0.0		0.0	0.0	0.0	0.0	0.0
Grants	0.0		0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0		0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							
FUND SOURCE			(Thousands of Dollars)				
1002 Federal Receipts	0.0		0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0		0.0	0.0	0.0	0.0	0.0
1004 GF	0.0		0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0		0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0		0.0	0.0	0.0	0.0	0.0
Other (please identify)	0.0		0.0	0.0	0.0	0.0	0.0
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost 0.0

POSITIONS

Full-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Part-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by Lynn J. Tomich Kent, Director
Division Water
Approved by Dan Easton
Deputy Commissioner

Phone (907) 269-7599
Date/Time 3/11/11 8:00 AM
Date 3/11/2011

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** HB 185
2011 LEGISLATIVE SESSION

Analysis

There are no fiscal impact on the Department of Environmental Conservation's Water programs from this proposed legislation.

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **HB 185**
Fiscal Note Number:
Publish Date:

Identifier (file name): HB185-DEC-WQ-12-03-11
Title: Exempt Discharges from Use of Munitions
Sponsor: Representative T. Wilson
Requester: Senate Resources Committee

Dept. Affected: Environmental Conserv
Appropriation: Water
Allocation: Water Quality
OMB Component Number: 2062

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	0.0		0.0	0.0	0.0	0.0	0.0
Travel	0.0		0.0	0.0	0.0	0.0	0.0
Services	0.0		0.0	0.0	0.0	0.0	0.0
Commodities	0.0		0.0	0.0	0.0	0.0	0.0
Capital Outlay	0.0		0.0	0.0	0.0	0.0	0.0
Grants, Benefits	0.0		0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0		0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
FUND SOURCE			(Thousands of Dollars)				
1002 Federal Receipts	0.0		0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0		0.0	0.0	0.0	0.0	0.0
1004 GF	0.0		0.0	0.0	0.0	0.0	0.0
1007 I/A Rcpts (Other)	0.0		0.0	0.0	0.0	0.0	0.0
1037 GF/MH (UGF)	0.0		0.0	0.0	0.0	0.0	0.0
1178 temp code (UGF)	0.0		0.0	0.0	0.0	0.0	0.0
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
POSITIONS							
Full-time	**0.0**		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Part-time	0.0		0.0	0.0	0.0	0.0	0.0
Temporary	0.0		0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This fiscal note has been entered into the 2012 form with no changes from previous version.

Prepared by: Michelle Bonnet, Director — Phone (907) 269-6281
Division: Water — Date/Time 12/3/11 9:45 AM
Approved by: Lynn Kent, Deputy Commissioner — Date 12/22/2011

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** HB 185
2012 LEGISLATIVE SESSION

Analysis

This bill has no fiscal impact on the Department of Environmental Conservation.

HB

185

<TARGET><BILL>HB 185</BILL><SUBJECT>HB 185</SUBJECT><COMM>SRES27</COMM></TARGET>

FEDERAL WATER POLLUTION CONTROL ACT (CLEAN WATER ACT)

33 U.S.C. §§ 1251-1387, October 18, 1972, as amended 1973-1983, 1987, 1988, 1990-1992, 1994, 1995 and 1996.

Overview. The Federal Water Pollution Control Act, popularly known as the Clean Water Act, is a comprehensive statute aimed at restoring and maintaining the chemical, physical and biological integrity of the nation's waters. Enacted originally in 1948, the Act was amended numerous times until it was reorganized and expanded in 1972. It continues to be amended almost every year.

Even prior to the enactment of the 1972 version of the Act, the Act authorized the Public Health Service to prepare comprehensive programs for eliminating or reducing the pollution of interstate waters and tributaries and improving the sanitary condition of surface and underground waters. Due regard was to be given to improvements necessary to conserve waters for public water supplies, propagation of fish and aquatic life, recreational purposes, and agricultural and industrial uses. A number of other provisions found in the current Act were adopted prior to 1972.

Primary authority for the implementation and enforcement of the Clean Water Act now rests with the U.S. Environmental Protection Agency (EPA). In addition to the measures authorized before 1972, the Act authorizes water quality programs, requires federal effluent limitations and state water quality standards, requires permits for the discharge of pollutants into navigable waters, provides enforcement mechanisms, and authorizes funding for wastewater treatment works construction grants and state revolving loan programs, as well as funding to states and tribes for their water quality programs. Provisions have also been added to address water quality problems in specific regions and specific waterways.

Discharge Permits. One of the most significant features of the 1972 Act is the creation of a national pollutant discharge elimination system (NPDES). Except as otherwise provided in the Act, industrial sources and publicly owned treatment works may not discharge pollutants into navigable waters without a permit. The Administrator may issue a permit for discharge upon condition that the discharge meets applicable requirements, which are outlined extensively in the Act and which reflect, among other things, the need to meet federal effluent limitations and state water quality standards. The Act also provides that, with EPA approval, a state may administer its own permit program in lieu of the federal program. There are special provisions on municipal and industrial stormwater discharges. § 1342.

EPA was required, by mid-1973, to promulgate guidelines for determining the degradation of the waters of the territorial seas, the contiguous zone and the oceans. These guidelines were to include, for example: the effect of disposal of pollutants on human health or welfare, including but not limited to plankton, fish, shellfish, wildlife, shorelines and beaches; the effect on marine life, changes in marine ecosystem diversity, productivity and stability, or species and community population changes; the effect of disposal of pollutants on aesthetic, recreation and economic values. Discharge permits may not be issued except in compliance with the guidelines. § 1343.

STATE OF ALASKA

DEPT. OF ENVIRONMENTAL CONSERVATION

DIVISION OF WATER
DIRECTOR'S OFFICE

SEAN PARNELL, GOVERNOR

555 Cordova Street
Anchorage, AK 99501-2617
PHONE: (907) 269-7599
FAX: (907) 334-2415
http://www.state.ak.us/dec/

March 21, 2011

The Honorable Paul Seaton
House of Representatives
Alaska State Capitol, Room 102
Juneau, AK 99801-1182

The Honorable Eric Feige
House of Representatives
Alaska State Capitol, Room 126
Juneau, AK 99801-1182

Dear Representatives Seaton and Feige:

At the March 18 House Resources Committee meeting on CSHB 185, this Department and the Department of Law were asked to provide additional information to the committee. The Department has conferred with the Department of Law on the following information.

What does the Federal Water Pollution Control Act regulate?

The federal Clean Water Act (CWA) prohibits the discharge of pollutants, which includes munitions, into navigable waters without a permit. "Navigable waters" are defined as "waters of the United States, including the territorial seas." "Waters of the United States" are defined in EPA regulation as follows:

> 40 CFR 230.3(s) The term *waters of the United States* means:
> (1) All waters which are currently used, or were used in the past, or may be susceptible to use in interstate or foreign commerce, including all waters which are subject to the ebb and flow of the tide;
> (2) All interstate waters including interstate wetlands;
> (3) All other waters such as intrastate lakes, rivers, streams (including intermittent streams), mudflats, sandflats, wetlands, sloughs, prairie potholes, wet meadows, playa lakes, or natural ponds, the use, degradation or destruction of which could affect interstate or foreign commerce including any such waters:
> (i) Which are or could be used by interstate or foreign travelers for recreational or other purposes; or
> (ii) From which fish or shellfish are or could be taken and sold in interstate or foreign commerce; or
> (iii) Which are used or could be used for industrial purposes by industries in interstate commerce;
> (4) All impoundments of waters otherwise defined as waters of the United

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States under this definition;
(5) Tributaries of waters identified in paragraphs (s)(1) through (4) of this section;
(6) The territorial sea;
(7) Wetlands adjacent to waters (other than waters that are themselves wetlands) identified in paragraphs (s)(1) through (6) of this section; waste treatment systems, including treatment ponds or lagoons designed to meet the requirements of CWA (other than cooling ponds as defined in 40 CFR 423.11(m) which also meet the criteria of this definition) are not waters of the United States. Waters of the United States do not include prior converted cropland. Notwithstanding the determination of an area's status as prior converted cropland by any other federal agency, for the purposes of the Clean Water Act, the final authority regarding Clean Water Act jurisdiction remains with EPA.

The types of waters that are included in "waters of the United States" have been the subject of much litigation nationwide and its interpretation is continually in a state of flux as courts around the country interpret it on a case-by-case basis.

What is the old state policy vs. the "new" state policy regarding permitting of munitions discharges?

Alaska Statute (AS) 46.03.100 prohibits the discharge of solid or liquid waste to the lands and waters of the state. It has been longstanding state policy via AS 46.03.100(e)(7) to exempt firing ranges from these state permitting requirements.

The CWA, however, requires a permit for discharges of munitions to "waters of the United States" and in order for the Department to receive primacy to issue wastewater discharge permits under the CWA, we had to resolve the discrepancy between the CWA requirement and the longstanding state policy to exempt firing ranges from permit requirements. We did this in a change to AS 46.03.100(e)(7), passed in 2008 (sec. 4, ch. 17, SLA 2008), by adding a phrase to the existing state permitting exemption for firing ranges -- ". . . unless it results in a discharge into waters of the United States." While this change made Alaska's statutes consistent with the requirements of the CWA and was ultimately approved by the EPA in the state's request for primacy, it has the potential to cause the state to be more restrictive (i.e. more stringent) than the CWA or longstanding state policy. This is because the Department of Defense has been working with EPA on the federal requirement to obtain a permit for the discharge of munitions into waters of the United States. So, if that requirement changes, no CWA permit is required, and the state statute remains as is, then the state statute would still require a munitions range operator to obtain a permit, thus exceeding the requirements of the CWA. To avoid that scenario, the goal of CSHB 185 is to match the federal requirements by citing to the CWA.

CSHB 185 would only require the state to issue a permit if it is required to do so under the CWA. It is a subtle, but important change that will retain the state policy to exempt ranges from permitting requirements for munitions discharges to the

land and for discharges to waters that are not required to have a permit under the CWA.

Are non-military training ranges covered by the permit exemption of AS 46.03.100(e)(7)?

Yes - all firing ranges used for training activities on active ranges are exempt from state permitting requirements unless use of the ranges results in a discharge into waters of the United States. CSHB 185 will also exempt all firing ranges used for training activities on active ranges unless the discharge requires a permit under the Clean Water Act.

What is the definition of "active ranges?"

A military representative described "active ranges" from their perspective during the hearing. There is no legal definition of "active range" in state statutes, however, from a permitting perspective an "active range" is one where there are discharges occurring – the range is in use, or will be in use during the 5-year life of a permit (if a permit is required).

Sincerely,

Lynn J. Tomich Kent
Director

cc: Lindsay Wolter, Department of Law

DEPARTMENT OF THE AIR FORCE
REGIONAL ENVIRONMENTAL COORDINATOR
SAN FRANCISCO, CALIFORNIA 94105-2230

9 March 2011

Clare R. Mendelsohn
Department of Defense
Regional Environmental Coordinator Region 10
50 Fremont St Ste 2450
San Francisco, CA 94105

The Honorable Tammie Wilson
Alaska House of Representatives
State Capitol, Room 415
Juneau, AK 99801-1182

Dear Representative Wilson:

As the Department of Defense (DOD) Regional Environmental Coordinator (REC) for the states in U.S. Environmental Protection Agency (US EPA) Region X, including Alaska, and on behalf of all the military services, I am responsible for coordinating responses to various environmental policies or regulatory matters of interest. I appreciate the opportunity to provide comments on the proposed amendment to Alaska's Clean Water Act (AK CWA).

DoD and Alaska have a long and proud history of cooperation. Alaska's military installations and training range areas within the state are crucial to DoD's worldwide mission. In this spirit of cooperation, DoD has worked with the Alaska Department of Environmental Conservation (ADEC), Alaska Office of the Attorney General, US EPA, the Alaska Military Force Advocacy and Structure Team (AMFAST), and other interested stakeholders to develop this amendment.

As background, under AS §46.03.100, the disposal of solid or liquid waste material into waters or onto land of the state is prohibited without authorization from ADEC. Importantly, the statute was amended in 2008 when Alaska sought US EPA approval of its CWA program (Alaska Pollutant Discharge Elimination System). As a result, the statutory exclusion for military ranges under AS §46.03.100(e)(7) was modified so that it now excludes "the firing or other use of munitions in training activities conducted on active ranges, including active ranges operated by the United States Department of Defense or a United States military agency, ***unless it results in a discharge into waters of the United States***."

This existing language in Alaska's statute ("unless it results in a discharge into waters of the United States") might be interpreted to restrict the use of Alaska military ranges in a way that is not required under the federal Clean Water Act. To alleviate this concern, the proposed amendment would allow the use of military ranges "unless otherwise regulated by the Federal Water Pollution Control Act." Besides helping ensure military ranges can be used in accordance with federal law, federal and Alaska state agencies agree this amendment will not jeopardize continued US EPA approval of Alaska's CWA program.

The benefit of the proposed amendment to the military in Alaska will be to ensure questions regarding the application of the AK CWA to military ranges are determined in accordance with the federal Clean Water Act. Moreover, while there may be uncertainty as to how the federal Clean Water Act program might apply to military ranges, the proposed amendment will not preclude Alaska agencies, the military, USEPA, or a private plaintiff from making any appropriate arguments under the federal statute. Thus, unless amended, the application of the AK CWA to military ranges might be inconsistent with the application of clean water programs in other states. Finally, because ADEC plans to apply its CWA program to munitions starting on October 31, 2011, DoD strongly supports passing this amendment in the 2011 legislative session.

In closing, this amendment will help ensure Alaska's continued capacity to host sustainable military readiness training for our outstanding airmen, soldiers, and sailors. We welcome the opportunity to provide you with any additional information as you consider this important legislation that has the potential to impact DoD installations.

Thank you for the opportunity to provide comment on this proposed amendment.

Sincerely

CLARE R. MENDELSOHN
DoD Regional Environmental Coordinator, Region 10

STATE OF ALASKA

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

OFFICE OF THE COMMISSIONER

Sean Parnell, GOVERNOR

P. O. BOX 5800

Ft Richardson, ALASKA 99505-5800

PHONE: (907) 428-6003

March 10, 2011

The Honorable Tammie Wilson
Alaska House of Representatives
State Capitol, Room 415
Juneau, Alaska 99801-1182

Representative Wilson,

I fully support the proposed amendment to the Alaska Clean Water Act. This amendment minimizes the opportunities for interruption to critical military training while maintaining a high level of environmental protection according to the Federal Water Pollution Control Act.

The United States Military presence in Alaska is vital to the state's safety, security, and economic stability. We must take every opportunity to empower the men and women of the military with the best training scenarios available. Alaska offers premier military training areas that are unmatched by any other location in the world. Although continued military training is critical, the protection of the natural environment on which the training is conducted is equally important. The amendment to the Alaska Clean Water Act both enhances military training capabilities and ensures the protection of Alaska's pristine environment.

Thank you for your efforts regarding this amendment. Your continued support of the United States Military in Alaska and your desire to protect Alaska's natural environment is very much appreciated.

Sincerely,

Thomas H. Katkus

Thomas H. Katkus
Major General, AKARNG
The Adjutant General-Alaska

Alaska State Legislature
House of Representatives
Representative Tammie Wilson

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Rep.Tammie.Wilson@legis.state.ak.us

Explanation of Changes in CSHB 185 (RES)

House Resources adopted a CS with language vetted and approved by EPA/DEC:

1) Page 2, line 19: added the phrase **"or service,"** to clarify that the US Coast Guard should be included in the definition of military training activities.

2) Page 2, lines 19-20: "unless **otherwise regulated under 33 U.S.C. 1251 – 1376 (Federal Water Pollution Control Act), as amended**

This, also, was not a substantive change to the original bill. It was the language approved by all parties (DoD, EPA) that ensured the Federal Clean Water Act would be the law used as the determining factor in exempting use of munitions for military training activities.

AKDEC can only support the HRES CS as it took months to approve the current proposal through EPA. The letter from the Division of Water, included in the packet, is very helpful in understanding the context for this legislation.

tw

SENATE COMMITTEE REPORT

DATE: 4/4/11

FURTHER:

DATE TURNED IN TO OFFICE: 3/6/12

Resources Committee considered CS FOR HOUSE BILL NO. 185(RES)

HB 185-EXEMPT DISCHARGES FROM USE OF MUNITIONS

"An Act relating to an exemption from authorizations that may be required by the Department of Environmental Conservation for the firing or other use of munitions on active ranges."

and recommends:

[ ] be **replaced** with **SCS** _____ (_____) *[ ] Same Title [ ] Technical Title Change [ ] New Title/SCR No._____*

[ ] adopt **previous SCS** _____ (_____) *[ ] Same Title [ ] Technical Title Change [ ] New Title/SCR No._____*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
DEC			✓	

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	FRIEDMAN			X	
	Wielechowski			X	
	French		✓	X	
	McGuire	✓			
CO-CHAIR:				X	
CO-CHAIR:	WAGONER	✓			

HB185

A problem was created when the AK Clean Water Act (CWA) was amended in 2008 to its current form: The State's long-standing comprehensive military munitions exemption, AS sec.46.03.100(e)(7). The current language ("unless it results in a discharge into waters of the United States") potentially allows for a more expansive, unintended application of the AK CWA than the federal CWA, due to the many and varying interpretations of "waters of the US." The proposed amendment in 185 ("unless otherwise regulated by the Federal Water Pollution Control Act") will maintain the State's primacy and, at the same time, allow AK military ranges to comply with State law by operating in accordance with federal law. If not passed, there exists the possibility that military ranges would need to curtail operations because of unique interpretations of AK law, even if the ranges are in compliance with federal law.

And so, the bottom line is: with 185, we are maintaining Primacy, protecting the environment, and allowing military exercises to continue without potential legal issues.

from Rep. Wilson,
delivered to us earlier today

discharge into US water

Jeff Stepp

From: Carlson-Van Dort, Marit K (DEC) <marit.carlson-van.dort@alaska.gov>
Sent: Monday, March 05, 2012 12:04 PM
To: Jeff Stepp
Cc: Kent, Lynn J T (DEC); Bonnet, Michelle M (DEC)
Subject: RE: HB 185 Question

Why pushed back

Jeff,

No, the timeline for ADEC taking on primacy for munitions discharges was pushed back to October 2012. We will be assuming primacy for oil and gas, munitions and all other remaining facilities in October 2012. See the attached link for additional information.

Is ADEC only ~~hearing today~~ procedurally w/ Fed law only applying substantive law

http://dec.alaska.gov/water/APDES/phaseIVextention.html

Märit Carlson-Van Dort
Legislative Liaison/Special Assistant to the Commissioner
Alaska Department of Environmental Conservation
(907) 465-5871phone
(907) 465-5070 fax

From: Jeff Stepp [mailto:Jeff_Stepp@legis.state.ak.us]
Sent: Monday, March 05, 2012 11:58 AM
To: Carlson-Van Dort, Marit K (DEC)
Cc: Kent, Lynn J T (DEC)
Subject: HB 185 Question

Hello Marit and Lynn,

Last year, on April 13, Lynn testified about HB 185. According to the minutes, she "explained that DEC is taking on the permitting authority in phases and taking on munitions permitting is scheduled for October 2011."

Senator Paskvan would like to know if DEC "took on" munitions permitting last October. Please let me know the answer before today's 3:30pm Senate Resources Committee hearing on HB 185.

Thanks,
Jeff

Jeff Stepp, Legislative Staff
Office of Senator Joe Paskvan
Alaska State Capitol, Room 115
Juneau, AK 99801

email: jeff.stepp@legis.state.ak.us
Office: (907) 465-3709
Fax: (907) 465-4714

Senate District E representing Fairbanks and Fort Wainwright

Testimony of Kevin Ward: Counsel, US Army, Northern Regional Environmental Office

Overview

KEVIN WARD, Counsel, U.S. Army, Northern Regional Environmental Office, stated support for HB 185 and advised that the legislation was a collaborative effort between DEC, DMVA, the Alaska Military Force Advocacy and Structure Team (AMFAST), and the Office of the Attorney General. He said the bottom line is that the proposed amendment provides that the Alaska Clean Water Act would apply to military ranges only if otherwise required by the federal Clean Water Act. The military believes this is necessary. He explained that when DEC sought U.S. EPA approval of its Clean Water Act program, EPA said the blanket exemption needed to be changed and in 2008 the Legislature changed the statute to its current form.

As previously noted, he said, the current statute provides an exemption for military and other ranges unless there is a discharge into waters of the U.S. The difficulty for the military is that the phrase "waters of the United States" is the subject of numerous ongoing debates and discussions as to its meaning and scope, including a recent U.S. Supreme Court decision. In addition, there may be an inconsistency between the state Act and the federal Act if the federal law changes and the state law continue to use the phrase "discharge into waters of the United States" for purposes of determining whether a permit is required for a military range.

MR. WARD stated that the question of whether or not a permit would be required of a military or other range is not determined by HB 185. What the bill does is provide comfort to the Department of Defense that the issue will be decided pursuant to and in accordance with the federal Clean Water Act. This will give the military consistency in Alaska and other states as to whether or not it needs to have permits for its ranges. He emphasized that the bill does not affect primacy or EPA approval of the state program, it does not decide whether a permit is or is not required and if a permit is required it will not affect what standards Alaska could impose pursuant to its Clean Water Act program. The only thing the bill does is to say that whether a permit is or is not required will be determined in accordance with the federal Clean Water Act.

discharge into U.S. waters

Higher State Permit Standards

CO-CHAIR PASKVAN asked if the State of Alaska could require a permit for a higher standard than under the current federal process.

MR. WARD answered the state could ask the military to ask for such a permit under existing law or pursuant to HB 185. Whether or not that permit would be required under current statute would be whether waters were discharged into U.S. waters.

What's the difference between Fed + State law

Primacy

CO-CHAIR PASKVAN asked if Alaska's laws will be primary if there is inconsistency between the state and federal acts.

MR. WARD replied, under HB 185, the question of whether or not a permit is required would be determined in accordance with an interpretation of the federal act.

CO-CHAIR PASKVAN asked what the interpretation of the federal law would be if there was an inconsistency and the state wanted to require a permit.

MR. WARD replied that issue has been discussed and remains unresolved with regard to military ranges.

CO-CHAIR PASKVAN asked if the ultimate conclusion could be that the state's voice in that process could potentially be eliminated.

MR. WARD said no; Alaska's voice cannot be eliminated because it retains primacy and would still be the permitting authority. He offered the opinion that Alaska could assert whatever position it deemed appropriate under the circumstances and seek to require a permit.

CO-CHAIR PASKVAN asked if he was using the word "primacy" in the sense of the issuing agency being a state agency as opposed to a federal agency.

MR. WARD replied he was using the term in the manner the Chair summarized.

Interpretation of "discharge into waters of the United States"

SENATOR WIELECHOWSKI asked how current Alaska law and the federal Clean Water Act differ with respect to "discharge into waters of the United States."

MR. WARD explained that the phrase "waters of the United States" is used in the federal Clean Water Act and the interpretations of that phrase are not always consistent. The U.S. Supreme Court examined the issue and came up with three different opinions.

The debate often involves whether or not a particular water body is a water of the United States. The fact that there's an ongoing debate as to what the phrase means is one reason the military supports removing the phrase from the statute and replacing it with the "Federal Water Pollution Control Act."

SENATE RESOURCES
Apr 13, 2011

HB 185-EXEMPT DISCHARGES FROM USE OF MUNITIONS

3:38:10 PM
CO-CHAIR PASKVAN announced HB 185 to be up for consideration. [CSHB 185(RES) 27-LS0506\X was before the committee.]

REPRESENTATIVE TAMMIE WILSON, sponsor of HB 185, highlighted the important technical changes that House Resources committee substitute made to the original bill. On page 2, lines 19-20, the phrase "or service" was added to clarify that the U.S. Coast Guard is to be included in the provision. Also, the Federal Water Pollution Control Act was referenced differently, but the content was unchanged.

REPRESENTATIVE T. WILSON explained that in 2008, the State of Alaska sought Environmental Protection Agency (EPA) approval of its Clean Water Act program. The exclusion for active military ranges under Title 46 was amended so as to exclude the firing or other use of munitions in training activities conducted on active ranges, including those operated by the Department of Defense or military agencies unless it results in a discharge into U.S. waters. She pointed out that HB 185 was vetted by the EPA, the Alaska Department of Environmental Conservation (DEC), the Department of Defense, and the Alaska Department of Military & Veterans Affairs (DMVA). AS 46.03.100(e)(7) clarifies that military exercises on ranges are not restricted other than instances where the Federal Water Pollution Control Act ("Clean Water Act") would apply. This, she stated, reduces potential litigation in trying to interpret waters within the U.S.

3:41:16 PM
SENATOR FRENCH asked if the list in AS 46.03.100(e)(1)-(7) describes instances for which a state water discharge permit is not needed.

REPRESENTATIVE T. WILSON said that is correct.

SENATOR FRENCH asked if getting a state permit for firing munitions only became an issue once the state assumed primacy for water permits.

REPRESENTATIVE T. WILSON said that is correct.

CO-CHAIR PASKVAN clarified that version X was before the committee.

MAJOR GENERAL THOMAS H. KATKUS, Commissioner, Department of Military & Veterans Affairs (DMVA) and Adjutant General for the State of Alaska, stated that HB 185 is another step to show support for the presence of the military in Alaska. The bill attempts to clarify and offset potential challenges and double permitting related to the development of ranges in Alaska. It is not an effort to reduce constraints or lessen standards that would in any way adversely affect the Alaska environment. HB 185 would not in any way reduce Alaska's primacy in how it determines quality.

MCHUGH PIERRE, Deputy Commissioner, Department of Military & Veterans Affairs (DMVA) added that HB 185 is part of the overall effort and intent to enhance the open working relationship with the military and to keep the current military industrial complex here in Alaska. He offered his understanding that the 2008 legislation changed that intent and potentially added to bureaucracy associated with growing every sector of the business world.

CO-CHAIR PASKVAN thanked Commissioner Katkus for meeting earlier to discuss the issue of state primacy. He noted that according to the House Journal, the intent of the 2008 amendment was "an essential component of the state's effort to receive primacy from the Environmental Protection Agency." He said he wanted to make sure that HB 185 didn't have unintended consequences that would lessen the state's ability to regulate as necessary.

3:46:22 PM

SENATOR WIELECHOWSKI observed that the debate in 2008 was that the state really wanted primacy and this legislation appears to back away from that and say, in this case, the state really didn't want primacy. He asked Commissioner Katkus to talk about levels of munitions and types of chemicals that would be used in

the ordnances.

COMMISSIONER KATKUS replied he couldn't talk to the types of chemical compounds or the components, but the rounds would be the current technology employed on the battlefield. This includes everything from small arms munitions to artillery rounds for aerial gunnery ranges to bombing ranges.

SENATOR WIELECHOWSKI noted that over the years there have been situations at Fort Richardson and Eagle River Flats in particular where thousands of waterfowl died, and the probable cause was chemicals from explosive ordnances. He said he therefore wanted to make sure that this legislation in no way lowers standards and increases the ability to put dangerous substances into the water or air.

COMMISSIONER KATKUS replied the military has become a better steward of the environment every year and is now almost a renowned gold standard for environmental protection. He offered his understanding that the white phosphorus issue on the Eagle River Flats was a long-term problem that was not recognized until waterfowl numbers began to drop. But once the problem was identified, the military was quick to address and fix the problem. He reiterated that HB 185 is not an effort to reduce [water or air quality] standards. It's in everyone's best interest to maintain and continue to meet those high standards. He suggested that the DEC representative could specifically address the white phosphorus issue on the impact area for Fort Richardson.

3:49:15 PM

LYNN KENT, Director, Water Division, Department of Environmental Conservation (DEC), said she couldn't speak to the remediation efforts at Eagle River Flats, but she could say that the bill does not represent DEC backing off on primacy for its Clean Water Act permitting program. What the bill does is ensure that the state program implemented under the Clean Water Act remains consistent with the Act over time.

SENATOR WIELECHOWSKI asked if Alaska law was similar to the federal Clean Water Act and if she could describe any differences.

MS. KENT explained that in order for a state to have primacy to

implement a permitting program under the federal Clean Water Act, the state program has to be as stringent as the federal program. Thus, the Alaska program virtually mirrors the federal Clean Water Act program, she said.

SENATOR WIELECHOWSKI noted that when the debate on primacy took place several years ago, one big concern was that the federal government wasn't hearing cases quick enough. He asked if DEC continued to have that concern.

MS. KENT replied there certainly has been delay in EPA review and approval of water quality standards upon which DEC bases permits, but that problem is nationwide and not specific to Alaska.

SENATOR FRENCH asked who will be issuing permits to the U.S. military for firing ranges under the bill.

MS. KENT replied the permitting authority has been delegated to DEC if the use of the firing range requires a permit under the Clean Water Act.

SENATOR FRENCH asked if the federal Clean Water Act will require a permit for the ranges that are under consideration here. He understands the range outside of Fairbanks is the primary consideration.

MS. KENT explained that DEC is taking on the permitting authority in phases and taking on munitions permitting is scheduled for October 2011. She wasn't familiar with the range he referenced, but DEC will be responsible for issuing a permit for any facility that requires one under the Clean Water Act.

CO-CHAIR PASKVAN asked if DEC will be enforcing federal law, which set the minimum standards.

MS. KENT answered yes.

CO-CHAIR PASKVAN asked what process the state will follow if this law passes and the state's interests weren't parallel with the federal minimum standards.

MS. KENT replied this law, as proposed, will not interfere with DEC meeting the minimum requirements under the Clean Water Act.

The bill will make sure that the state is consistent with the Clean Water Act.

CO-CHAIR PASKVAN asked how DEC would engage in the process under the proposed law if the State of Alaska were to advance standards that were higher than the federal minimum.

3:54:58 PM
MS. KENT said the Clean Water Act requires state programs to be at least as stringent as the federal program and the provision under consideration in HB 185 is neither more nor less stringent than the Clean Water Act requires.

CO-CHAIR PASKVAN asked if the State of Alaska can determine that its interests are such that greater protection would be warranted.

MS. KENT replied the state can have a more stringent program than is required by the federal Clean Water Act, but the bill doesn't propose that at present.

CO-CHAIR PASKVAN asked if the state could impose more stringent requirements than the federal requirements if this bill were to pass.

MS. KENT replied HB 185 would not prevent the Legislature from imposing more stringent requirements in the future.

CO-CHAIR PASKVAN asked if DEC could issue a permit if it wasn't allowed under the federal government system.

MS. KENT answered no and added that the state already regulates discharges that are not covered by the Clean Water Act. For example, DEC has a program that regulates discharges to the land surface and to ground water, neither of which is required by the Clean Water Act.

CO-CHAIR PASKVAN asked if she was comfortable that the state would remain primary with respect to the standards that will be applied in the state.

MS. KENT answered yes.

SENATOR WIELECHOWSKI expressed confusion; his understanding of

the reason for the bill was so the military could bypass DEC and instead go directly to the federal government for these permits. He asked if this was incorrect.

MS. KENT replied she could understand the confusion if the bill is considered by itself, but other statutes give DEC the authority (and it has received approval) to implement the federal program. HB 185 does not change the fact that the military will have to both seek the application and get the permit from DEC.

SENATOR WIELECHOWSKI questioned the need for the bill.

MS. KENT responded DEC's perspective is that the proposed language change makes the state's program consistent with the Clean Water Act right now and as it may change in the future.

SENATOR FRENCH asked if she had learned anything that might cause her to change her statement since she wrote to Representative Paul Seaton and Representative Eric Feige on March 21, 2011 stating:

> CSHB 185 would only require the state to issue a permit if it is required to do so under the CWA. It is a subtle, but important change that will retain the state policy to exempt ranges from permitting requirements for munitions discharges to the land and for discharges to waters that are not required to have a permit under the CWA.

MS. KENT replied that's still accurate; the language in subsection (e) has exemptions for a number of operations that do not need a state permit. In 2008 DEC asked for an amendment to AS 46.03.100 to make the statute consistent with the Clean Water Act, which requires a permit for certain munitions discharges. It was necessary for DEC to have the authority to issue those permits under the terms of the Clean Water Act in order to have primacy for the state program. It's been long-standing state policy that munitions use and a few other things are exempt from state permitting requirements and it was necessary to rectify that in order to receive primacy to implement the permitting program. HB 185 basically clarifies the language.

4:01:22 PM

SENATOR FRENCH said he too labored under a misconception, but he

now understands that the purpose of the bill is to retain primacy and maintain the long-standing exemption for munitions ranges. He added that it is his belief that if the bill were to pass the military would not need a permit in order to conduct training exercises in many areas of Alaska ranges.

MS. KENT reiterated that DEC has the permitting authority even though the Clean Water Act is referenced.

CO-CHAIR PASKVAN asked what DEC's original concerns were with the law that was passed in 2008.

MS. KENT replied the changes were proposed by the Department of Defense to clarify that when a permit is required under the federal Clean Water Act, one will also be required under the state permitting program.

4:03:25 PM
ALPHEUS BULLARD, Attorney, Legislative Legal Services, Legislative Affairs Agency, speaking via teleconference, introduced himself and said he was available to answer questions.

CO-CHAIR PASKVAN asked if he followed the discussion on state primacy and the state's ability to issue a standard that is different than the federal minimum standard.

MR. BULLARD said yes.

CO-CHAIR PASKVAN asked him to offer his thoughts.

MR. BULLARD said he didn't have thoughts on the primacy issue, but was available to answer specific questions.

SENATOR FRENCH reviewed the proposed new language and asked if he had reviewed 33 U.S.C. 1251-1376 of the Clean Water Act.

MR. BULLARD answered yes.

SENATOR FRENCH asked if anything in those federal statutes will require issuance of a permit before firing or use of munitions in training activities conducted on active ranges.

MR. BULLARD said the definition of "waters of the U.S." found in

regulation in 18 AAC 83.990(77) is the same as the definition under the Clean Water Act. He offered his belief that changing the language to read, "the discharge into waters regulated under 33 U.S.C." would clarify that the waters and the discharge into the waters is the concern, not the firing or other use of munitions. As the law stands now, his understanding is that what would be regulated would be the same.

SENATOR FRENCH asked if he means without the passage of HB 185.

MR. BULLARD explained that the definition of the term "waters of the U.S." is the same right now under both the Clean Water Act and state regulations. However, it's very possible that the two definitions will differ in the future.

4:07:06 PM
SENATOR WIELECHOWSKI asked, when he refers to the Clean Water Act, if he is referring to the federal Water Pollution Control Act.

MR. BULLARD answered yes.

SENATOR WIELECHOWSKI asked Mr. Bullard to explain what the bill does.

MR. BULLARD replied the effects and purpose of the legislation were not clear to him.

4:08:31 PM
KEVIN WARD, Counsel, U.S. Army, Northern Regional Environmental Office, stated support for HB 185 and advised that the legislation was a collaborative effort between DEC, DMVA, the Alaska Military Force Advocacy and Structure Team (AMFAST), and the Office of the Attorney General. He said the bottom line is that the proposed amendment provides that the Alaska Clean Water Act would apply to military ranges only if otherwise required by the federal Clean Water Act. The military believes this is necessary. He explained that when DEC sought U.S. EPA approval of its Clean Water Act program, EPA said the blanket exemption needed to be changed and in 2008 the Legislature changed the statute to its current form.

As previously noted, he said, the current statute provides an exemption for military and other ranges unless there is a

discharge into waters of the U.S. The difficulty for the military is that the phrase "waters of the United States" is the subject of numerous ongoing debates and discussions as to its meaning and scope, including a recent U.S. Supreme Court decision. In addition, there may be an inconsistency between the state Act and the federal Act if the federal law changes and the state law continues to use the phrase "discharge into waters of the United States" for purposes of determining whether a permit is required for a military range.

MR. WARD stated that the question of whether or not a permit would be required of a military or other range is not determined by HB 185. What the bill does is provide comfort to the Department of Defense that the issue will be decided pursuant to and in accordance with the federal Clean Water Act. This will give the military consistency in Alaska and other states as to whether or not it needs to have permits for its ranges. He emphasized that the bill does not affect primacy or EPA approval of the state program, it does not decide whether a permit is or is not required and if a permit is required it will not affect what standards Alaska could impose pursuant to its Clean Water Act program. The only thing the bill does is to say that whether a permit is or is not required will be determined in accordance with the federal Clean Water Act.

CO-CHAIR PASKVAN asked if the State of Alaska could require a permit for a higher standard than under the current federal process.

MR. WARD answered the state could ask the military to ask for such a permit under existing law or pursuant to HB 185. Whether or not that permit would be required under current statute would be whether waters were discharged into U.S. waters.

4:14:22 PM
CO-CHAIR PASKVAN asked if Alaska's laws will be primary if there is inconsistency between the state and federal acts.

MR. WARD replied, under HB 185, the question of whether or not a permit is required would be determined in accordance with an interpretation of the federal act.

CO-CHAIR PASKVAN asked what the interpretation of the federal law would be if there was an inconsistency and the state wanted

to require a permit.

MR. WARD replied that issue has been discussed and remains unresolved with regard to military ranges.

4:16:03 PM
CO-CHAIR PASKVAN asked if the ultimate conclusion could be that the state's voice in that process could potentially be eliminated.

MR. WARD said no; Alaska's voice cannot be eliminated because it retains primacy and would still be the permitting authority. He offered the opinion that Alaska could assert whatever position it deemed appropriate under the circumstances and seek to require a permit.

CO-CHAIR PASKVAN asked if he was using the word "primacy" in the sense of the issuing agency being a state agency as opposed to a federal agency.

MR. WARD replied he was using the term in the manner the Chair summarized.

SENATOR WIELECHOWSKI asked how current Alaska law and the federal Clean Water Act differ with respect to "discharge into waters of the United States.

MR. WARD explained that the phrase "waters of the United States" is used in the federal Clean Water Act and the interpretations of that phrase are not always consistent. The U.S. Supreme Court examined the issue and came up with three different opinions. The debate often involves whether or not a particular water body is a water of the United States. The fact that there's an ongoing debate as to what the phrase means is one reason the military supports removing the phrase from the statute and replacing it with the "Federal Water Pollution Control Act."

CO-CHAIR PASKVAN announced he would hold HB 185 in committee.

Jeff Stepp

From: Karla Hart <alaskabirder@gmail.com>
Sent: Thursday, February 23, 2012 1:45 PM
To: Mary Jackson
Cc: Michelle Sydeman; Jeff Stepp
Subject: Re: HB 185 and Alaska water quality

Follow Up Flag: Follow up
Flag Status: Flagged

Thanks for your reply Mary. I have read all of the committee minutes and attended the Senate Resources Committee hearing last year (I was staff to Senator Wielechowski then) and returned to listen and testify on Tuesday. The bill sponsor and presenters (AK DEC and DNR on Tuesday) were not able to answer Senator Paskvan's questions as to what the bill actually does (at the hearing last year, and again Tuesday).

Today I've had conversations with quite a few people, including Rep. T. Wilson, Clare Mendelsohn (Department of Defence Regional Environmental Coordinator and author of the letter from DOD in the bill packet Tuesday), and Dianne Soderlund (Director of the Alaska Operations Office for EPA).

From Clare Mendelsohn (who is on detail at EPA now) I understand that Alaska is the only state that covers waters in our state standards relating to munitions and ranges so this legislation is precedent setting and that is why the DOD is so interested in getting it past.

From Dianne Soderlund at EPA I understand that because federal agencies don't issue opinions or comments on state legislation and because nobody has asked her any questions about the bill, she hasn't taken much of a look. I explained that the language that this bill seeks to change is language that was added in HB 149 (passed in 2008 -See highlighted section below.) Ms. Soderlund said this was interesting and that she would need to look into this to see how HB 185 would impact Alaska's authority to administer Clean Water Section 402, but she didn't know that she would have an answer by this afternoon.

MAYBE the bill is just fine and doesn't harm Alaska and Alaskans ability to protect water quality, but I am not yet convinced nor have I found anyone who can/will positively say what the bill does. Until the Senators know, it seems hasty to pass the legislation.

http://www.legis.state.ak.us/basis/get_single_minute.asp?ch=H&beg_line=00430&end_line=01059&session=25&comm=RES&date=20070312&time=131301:42:18 PM

LYNN TOMICH KENT, Director, Division of Water, Department of Environmental Conservation (DEC), presented background for HB 149. She explained that the federal Clean Water Act (CWA) requires that all wastewater discharges to surface waters be permitted under the National Pollutant Discharge Elimination System (NPDES) Permitting Program. The CWA intends for states to implement or to have primacy for this program, with the Environmental Protection Agency (EPA) serving in an oversight role over the states that implement the program. There are presently 45 states that have primacy for the NPDES program. In Alaska, the EPA is currently the NPDES permitting authority and DEC plays a secondary role whereby DEC certifies that all of

EPA's permits will comply with Alaska's water quality standards. The DEC also issues permits for those smaller discharges that EPA does not "get around" to issuing permits for.

MS. KENT informed the committee that in 2005 the Alaska State Legislature, through Senate Bill 110, directed DEC to take all actions necessary to assume authority for the NPDES discharge permitting authority, including responsibility for issuing the permits and for ensuring compliance with the permits. As part of DEC's work with EPA to transfer primacy to the state, EPA has identified several areas where changes to the state statutes are required in order for DEC to have the full complement of statutory authorities that are needed for DEC to assume primacy. Those state authorities are adjusted by HB 149 to match the federal authorities. Each change addresses a specific concern that is raised by EPA as something that must be fixed.

On Thu, Feb 23, 2012 at 1:18 PM, Mary Jackson <Mary_Jackson@legis.state.ak.us> wrote:

Karla,

I appreciate your concern with Alaskan matters.

This legislation was introduced a year ago, has had two hearings in the House, one hearing in the Senate last year and another just a week ago.

It was approved on the floor of the house on a 36 year to 2 nay vote (2 excused).

I don't know if you have perused the minutes for this legislation, but I am pasting the link here for your info (senate resources):

http://www.legis.state.ak.us/basis/get_single_minute.asp?session=27&beg_line=00208&end_line=00634&time=1536&date=20110413&comm=RES &house=S\

Thanks and I'll make sure Senator Wagoner is apprised of your concerns.

Mary j

Mary Jackson,

Chief of Staff

Senator Tom Wagoner

907-465-3872

From: Karla Hart [mailto:alaskabirder@gmail.com]
Sent: Thursday, February 23, 2012 11:01 AM
To: Mary Jackson
Subject: HB 185 and Alaska water quality

Mary,

The Department of Defense has a long-standing effort to gain exemption from many important federal environmental laws including Marine Mammal Protection Act, Endangered Species Act, Clean Air Act, Clean Water Act... They have had some successes to date. I believe that the reason they are seeking to move from state to federal jurisdiction for water quality regulation now is that they are positioning for securing federal Clean Water Act exemptions (which may already be in place - I couldn't find/figure this out).

If HB 185 does not pass, they will be subject to Alaska Clean Water standards and permitting, even if they gain an exemption from Congress.

If HB 185 passes Alaskans will have less or no recourse if/when military munitions/firing range activities threaten water quality, fisheries, etc.

I do not believe that the bill sponsor and proponents have been forthright with this bill. Despite repeated efforts by Senator Paskvan to get a clear answer on how the federal law compares with the state law, there has been no answer. I now believe that is because passing HB 185 will seriously jeopardize Alaska's ability to protect water quality.* I did not know abou this situation when I was before Senate Resources on Tuesday. It took hours of digging online to uncover the motivation for this bill.

*I have not yet had the time to look into the aspect of all of the contaminated sites in Alaska (as of 2004, in Alaska, 79 installations and 264 MRSs have been identified for remediation that have impacted between 1 and 3 million acres) to see if the military has the option to keep old ranges "active" to sidestep cleanup requirements but suspect that could be another motivation.

This link to the Federation of American Scientists has a whitepaper that provides some background from 2007 on the DOD effort for exemptions:

http://www.fas.org/sgp/crs/natsec/RS22149.pdf

I appreciate any help you and Senator Wagoner can provide in seeing that, at least, if this bill MUST be passed it is done so after a hearing the brings forth the complete and honest story. Ideally though, I hope that Senator Wagoner will help to kill this effort to degrade Alaska's right to protect our waters.

Regards,

Karla Hart

523-6996

MEETING DATE: February 21, 2012

Jeff

1. Switch gavel from Paskvan

2. Under bills previously heard, take up SB 176.
   a. Joanna Bales online comment
   b. Remove objection – ask for motion out of committee with individual recommendations – fiscal notes.

3. HB 144 Report on Fishing Stream Access

   a. This is the initial presentation of the bill in Senate Resources – it has no other committee referrals.
   b. Ask for motion on the bill – object for discussion
   c. Ask sponsor to present
      i. Rep. Les Gara – he should be on offnet

   d. Go to public hearing
      i. Go to Offnet
      ii. Go to LIO's
      iii. Go to Juneau
   e. CLOSE PUBLIC HEARING

   f. Remove objection – ask for motion out of committee with individual recommendations – fiscal notes.

TAKE AT EASE – SIGN BILL – CHANGE TESTIFIERS

MEETING DATE: February 21, 2012

4. HB 185 Exempt Discharges from use of Munitions

   a. This is the second presentation of the bill in Senate Resources – heard last session - it has no other committee referrals.
   b. Ask for motion on the bill – object for discussion
   c. Ask sponsor to present
      i. Rep. Tammy Wilson – Brandon Brefczynski

   d. Go to public hearing
      i. Go to Offnet
      ii. Go to LIO's
      iii. Go to Juneau
   e. CLOSE PUBLIC HEARING

   f. Remove objection – ask for motion out of committee with individual recommendations – fiscal notes.

5. Gavel out – announce time.

HB 340

<TARGET><BILL>HB 340</BILL><SUBJECT>HB 340</SUBJECT><COMM>SRES27</COMM></TARGET>

ALASKA STATE LEGISLATURE

Member:
House Finance Committee
Legislative Budget & Audit Committee

Chair:
House Budget Sub Committees on:
- Department of Administration
- Department of Labor and Workforce Development

Session:
Alaska State Capitol
Juneau, AK 99801-1182
Phone: (907) 465-2679
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Toll Free (800) 505-2678

Interim:
600 E. Railroad Ave
Wasilla, AK 99654
Phone: (907) 376-2679
Fax: (907) 373-4745

Representative Mark Neuman
Rep.Mark.Neuman@legis.state.ak.us

March 26, 2012

Dear Senator Wagoner and Senator Paskvan

Subject: HB 340 "An Act relating to the reservation of certain mining claims from all uses incompatible with the purposes for establishing the Petersville Recreational Mining Area."

Please consider scheduling this legislation for a hearing at your earliest convenience. Providing my office with some lead time will be greatly appreciated as we would be able to have Ms. Michele Stevens available to answer any questions the committee may have. Attached is a committee package.

Included are the following:

- Letter of Request
- Current version of the bill.
- Sponsor statement.
- 2012 Fiscal Notes
- Supporting Documents
- Names of persons expected to testify (will depend on hearing date).

Please feel free to contact myself or my aide Rex Shattuck (465-2696) with any questions.

Thank you for your consideration.

Sincerely,

Mark Neuman

Representative Mark Neuman

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM March 23, 2012

SUBJECT: Amending the land description for the Petersville Recreational Mining Area (HB 340; Work Order No. 27-LS1342\A)

TO: Representative Mark Neuman
Attn: Morgan Hopson

FROM: Donald M. Bullock Jr.
Legislative Counsel

HB 340 amends the description of land and water that are included in the Petersville Recreational Mining Area (Petersville). You asked whether this bill violates the prohibition against local and special legislation in art. II, sec. 19, Constitution of the State of Alaska.[1] Passage of the bill is not prohibited by art. II, sec. 19.

The establishment of the area is authorized by art. VIII, sec. 7, Constitution of the State of Alaska. Section 7 authorizes the legislature to acquire special purpose sites and to preserve and administer the sites for the "use, enjoyment, and welfare of the people."[2] A description of the area is consistent with acquiring and administering a specific area for the people, and HB 340 amends the description of Petersville.

While a description of any limited area in the state is necessarily local, the constitutional authority to acquire and administer Petersville necessarily requires a description of the area within Petersville. HB 340 amends the description of that area. Given the context, the local or special prohibition is likely inapplicable.

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[1] Article II, sec. 19. Local or Special Acts. The legislature shall pass no local or special act if a general act can be made applicable. Whether a general act can be made applicable shall be subject to judicial determination. Local acts necessitating appropriations by a political subdivision may not become effective unless approved by a majority of the qualified voters voting thereon in the subdivision affected.

[2] Article VIII, sec. 7. Special Purpose Sites.
The legislature may provide for the acquisition of sites, objects, and areas of natural beauty or of historic, cultural, recreational, or scientific value. It may reserve them from the public domain and provide for their administration and preservation for the use, enjoyment, and welfare of the people.

You may wish to review the reasons for excluding the mining claims listed in the bill. Although the designation of the specific area may be necessary for the establishment and administration of the area, the basis for excluding previously included land and water should be consistent with the management of Petersville for the people of the state.

If I may be of further assistance, please advise.

DMB:plm
12-187.plm

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF MINING, LAND AND WATER

SEAN PARNELL, GOVERNOR

DIRECTOR'S OFFICE
550 W. 7th AVE., SUITE 1070
ANCHORAGE, ALASKA 99501-3579

PHONE (907) 269-8600
FAX (907) 269-8904

April 9, 2010

The Honorable Charlie Huggins
Alaska State Senate
State Capitol
Juneau, Alaska 99801

Re: Your Letter of January 29, 2010 on the Petersville Recreational Mining Area

Dear Senator Huggins:

Your letter of January 29, 2010 asked what steps would be needed to reverse the recreational mining designation for the southern portion of the Petersville Recreational Mining Area. The Petersville Recreational Mining Area was enacted under House Bill 46 in 1997 and consists of two areas near Petersville. One area now open for recreational mining is referred to as the northern area and covers 300 acres. The other area is not yet state owned, therefore it is closed to recreational and other mining. This is referred to as the southern area covering 200 acres. The southern area is closed because the federal Bureau of Land Management (BLM) has not yet conveyed the land to the State. The holdup on conveyance has been because of a lease that the BLM is issuing to Michele Stevens for 5 acres within this southern area. We believe that the lease is scheduled to be issued in the near future. Since 1997, the northern recreational mining area has not had much use due in part to difficult access.

To terminate the legislative designation of the southern area, the enabling statute (AS 41.23.630) will need to be modified. In AS 41.23.630 – Petersville Recreational Mining Area, the following verbiage under Section (f)(1) would have to be removed from the statute in order eliminate the southern portion of the Petersville Recreational Mining Area:

> [SECTIONS 21 AND 28; ALDER NO. 1; ALDER NO. 2; COTTONWOOD NO. 3; COTTONWOOD NO. 4; SEATTLE NO. 2; CONTACT NO. 1; CONTACT NO. 2; WILLOW CLAIM; KORTER BENCH.]

If the above statutory language were removed, the Commissioner of DNR would then need to issue a Mineral Opening Order to make these lands open to mineral entry (under AS 38.05.185). The land transfer from the BLM would also need to occur before the lands can be open to mineral entry, although "At Risk" claims could be staked by anyone prior to the land transfer. These at risk claims would

convert to regular state claims following conveyance of the lands to the State by the BLM.

We believe that these recreational mining areas represent a unique opportunity for weekend enthusiasts and visitors to our State to enjoy the outdoors and the fun of non-mechanized mining. If the area is open to mining claims, we expect that a few recreational suction dredge miners may object to then being locked out by the new claimants that would stake mining claims. Other than Ms. Stevens, DNR has not heard from any other members of the public that the Recreational Mining Area should be terminated. In addition, there is no assurance that Michelle Stevens would be the first to stake claims for the law is in favor of whoever stakes the claim first after the land becomes open. It is likely that a number of claimants would end of with conflicting claims. It is likely that the Department of Fish and Game may have concerns about any large-scale mining on the active portion of the Creek.

Please feel free to contact me if you would like additional information.

Sincerely,

Dick Mylius, Director
DNR Division of Mining, Land and Water

cc: Michele Stevens
Tom Irwin, Commissioner, DNR
Rick Fredericksen, DNR, DMLW, Mining Section Chief

STATE OF ALASKA

SEAN PARNELL, GOVERNOR

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

1031 WEST 4TH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501-1994
PHONE: (907)269-5100
FAX: (907)276-3697

March 8, 2012

The Honorable Eric Feige
House of Representatives
Alaska State Capitol, Room 126
Juneau, Alaska 99801

The Honorable Paul Seaton
House of Representatives
Alaska State Capitol, Room 102
Juneau, Alaska 99801

Re: HB 340

Dear Representatives Feige and Seaton:

The House Resources Committee requested the Department of Natural Resources (DNR) and the Department of Law (DOL) to provide answers to legal questions about House Bil No. 340. This bill relates to the reservation of certain mining claims from all uses incompatible with the purposes for establishing the Petersville Recreational Mining Area. Much of the land in question, although still owned by the federal government, has been selected by the state to fulfill the state entitlement from the federal government.

First, the Committee asked whether DNR and DOL can assure the Legislature that mining locations recently made by "Golden Girls LLC" (Michele Stevens) are valid locations on state selected lands, such that if HB 340 passed and Mineral Closing Order No. 674 were lifted, Golden Girls LLC would be in possession of these locations once the state-selected land is transferred to the State of Alaska. The DNR and DOL cannot guarantee to the Legislature that these locations would be considered valid in such an instance.

The Alaska Supreme Court has held that a locator of state-selected lands "acquired mining rights at the time of location." *Moore v. Dept. of Natural Res.*, 992 P.2d 576. 581 (Alaska 1999). Here, at the time of the location by Golden Girls LLC, Alaska Statute 41.23.630 was in effect. Alaska Statute 41.23.630(d) states that, "[t]he Petersville Recreational Mining Area *is* closed to mineral entry under AS 38.05.185-38.05.275" (emphasis added). This language could be interpreted to mean that at the time Golden Girls LLC located claims, the area was closed to such "at-risk" staking (described in AS

38.05.275). Therefore, the DNR and DOL cannot assure the legislature that the recent "Golden Girls LLC" locations would be considered valid if HB 340 passed and Mineral Closing Order No. 674 were lifted, as AS 41.23.630 was in full effect at the time of location.

Second, the Committee asked whether the Sponsor could draft legislation that directly reinstates certain mining locations to Michele Stevens. Such legislation could be legally problematic. There could be an issue regarding Article II, Section 19 of the Alaska Constitution, which states that, "[t]he legislature shall pass no local or special act if a general act can be made applicable." The Alaska Supreme Court evaluates "special acts" constitutional challenges with a test which examines the "legislative goals and the means used to advance them to determine whether the legislation bears a fair and substantial relationship to legitimate purposes." *Baxley v. State*, 958 P.2d 422, 430 (Alaska 1998) (internal citations and quotations omitted). Although property is unique in nature, legislation relating to mining claims may at least have to include similarly-situated mining claims.

Please feel free to contact me at 269-5211 or Ed Fogels at 269-8423 with any additional questions or concerns.

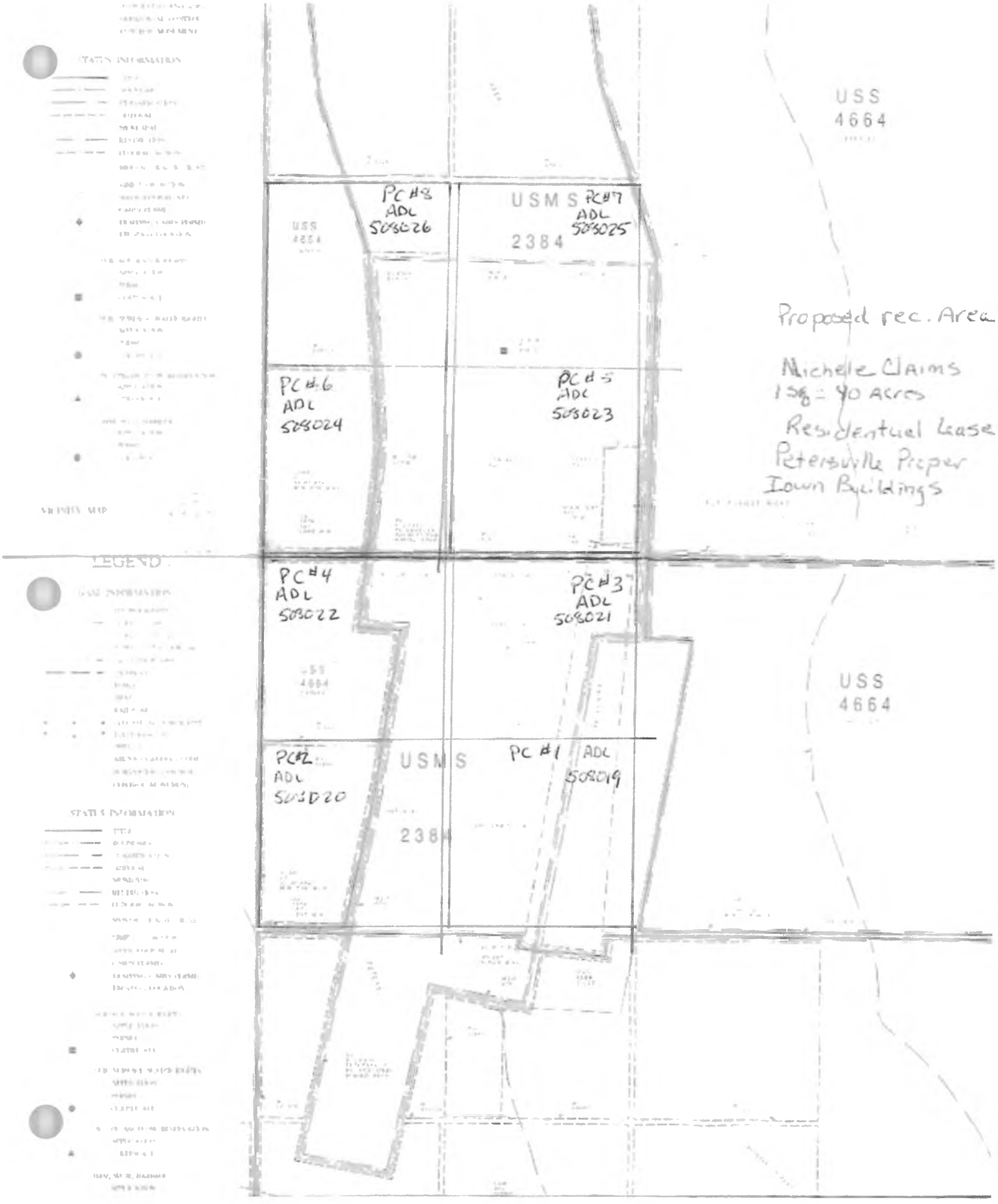
Sincerely,

MICHAEL C. GERAGHTY
ATTORNEY GENERAL

By:
Ashley Brown
Assistant Attorney General
Oil, Gas & Mining Section

ACB/jde

cc: Representative Mark Neuman
Cori Badgley
Ed Fogels
Heather Brakes
Sonia Christensen


USS 4664
PC #8 ADL 508026
USMS 2384
PC #7 ADL 508025
PC #6 ADL 508024
PC #5 ADL 508023
Proposed rec. Area
Michelle Claims
15% = 40 Acres
Residential Lease
Petersville Proper
Town Buildings
PC #4 ADL 508022
PC #3 ADL 508021
USS 4664
PC #2 ADL 508020
USMS 2384
PC #1 ADL 508019

FINDING OF THE COMMISSIONER
AS 38.05.185(a)

Mineral Closing Order No. 674

In order to have flexibility in pursuing development of a recreational mining area for the general public, the Division of Mining submitted a request to the Division of Land in March of 1993 for closing to new locatable mineral entry, pursuant to AS 38.05.185, approximately 123 abandoned federal mining claims located in the Peters Creek drainage in the vicinity of Petersville. Total acreage involved approximated 2460 acres and involved U.S. Mineral Surveys No. 2384, 2403, and 2451.

The land surrounding the mining claims, selected by the State of Alaska, was tentatively approved by the Bureau of Land Management (BLM) for transfer to the State. However, the subject federal mining claims were not tentatively approved because of ongoing litigation between the claim owners and BLM. A final court ruling agreed with BLM that the mining claims are abandoned.

Partially as a result of discussions with parties opposed to portions of the original closure proposal, the Division of Mining reconsidered the closure boundaries, reducing it to approximately 520 acres. In conjunction with support from the Alaska Miners Association and other agencies and individuals for closing the area described in Mineral Closing Order (MCO) No. 674 and proceeding with establishing the recreational mining area, the Division of Mining has requested closing the land described in Attachment A.

A recreational mining area and the activities associated therewith would constitute a significant use of the surface estate which would be incompatible with commercial mining and mineral location. Conflicts could be created on the land between the surface and potential subsurface users. MCO 674 would become effective on the date the land is accepted by the State from the Bureau of Land Management by tentative approval or patent, whichever comes first, making null and void any mining claims staked on the land prior to that date.

It is my finding, in accordance with AS 38.05.185(a), that commercial mining and mineral location would be incompatible with the intended surface use of the subject land and therefore, the best interest of the State and its residents is served by closing the land identified in MCO 674 to new locatable mineral entry under the locatable mineral and mining laws of the State of Alaska: Mineral Closing Order No. 674.

Harry A. Noah, Commissioner
Department of Natural Resources

6/2/94
Date

STATE OF ALASKA / TONY KNOWLES, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF MINING AND WATER MANAGEMENT

3601 C Street, Suite 800
Anchorage, AK 99503-5935
Telephone: (907) 269-8600

December 2, 1996

Dear Alaskan:

I am asking for your comment on draft regulations that concern mining-related fees and activities. For the most part, the proposed changes are clarifications and housekeeping changes. The regulations do contain some new material including new fees for processing mining-related applications, extension of leasehold location requirement to new municipal and charitable conveyances, and a definition of "successor in interest" for the purposes of describing who may not re-stake a location within one year of its abandonment.

If you would like to comment, please do so in writing before **February 14, 1997.** We will accept comments by letter, fax, or e-mail at the address below.

Jules V. Tileston, Director
Division of Mining and Water Management
3601 C Street; Suite 800
Anchorage, Alaska 99503
Tele: (907) 269-8600
Fax: (907) 563-1853
E-mail: JulesT@dnr.state.ak.us

We are asking for your review of the proposed regulations and have prepared this packet to aid your review and comment. We have included an explanation of the proposed changes and a draft of the proposed regulation changes. In addition to any comments on the draft regulations, please indicate any other areas of the department's mining regulations that you believe need change. If you have questions, please do not hesitate to call me, or call Bob Loeffler or Kerwin Krause on my staff. They can also be reached at the address and phone number above.

The regulations were developed in response to review by Division of Mining and Water Management staff, and after working with individuals and groups that have suggested changes to the Division.

Thank you for your consideration. Please write with comments or call with questions.

Sincerely,

Jules V. Tileston,
Director

Attachments

***Sec. 15. - AS 38.05.275 is amended to add a new subsection (d) to read as follows:**

AS 38.05.275 RECOGNITION OF LOCATIONS

(d) If a mineral location is made in a disputed navigable waterway such as a river bottom where there is likely to be litigation between the state and federal government over ownership, the mineral location shall be treated as located on "state selected land", and will not become a mining claim until such time as the dispute is resolved or court decision rendered granting the state title to the river bed area.

Justification: *To treat mining claims located in certain disputed navigable waters where there was there was likely to be litigation between the state and federal government over ownership The proposed solution is treat these disputed state mining claims in the same manner as claims located on land selected by the state. (The claim is valid only at such time as the state gets T.A from BLM. In the mean time no mining can be done and the claim is invalid if the area is not T.A ed or if the land is closed to mineral entry under state law/regulation prior to T.A.)*

***Sec. 16. - AS 41.23 Multiple Use Management of Public Resources is amended to add a new recreational mining area to Sections 600 - 625 as follows:**

AS 41.23.600 PURPOSE.

The purpose of AS 41.23.600 - 41.23.62[0]5 is to establish the areas described in AS 41.23.620 and AS 41.23.625 as the Caribou Creek Recreational Mining Area and Petersville Recreational Mining Area, respectively. The Caribou Creek and Petersville Recreational Mining Areas [IS] are established to provide for [A] public recreational mining areas to permit public recreational activities and to allow other multiple use activities to continue as long as the activities do not detract from the primary purpose for the establishment of the Caribou Creek and Petersville Recreational Mining Areas.

Sec. 41.23.610. MANAGEMENT AND REGULATIONS.

(a) The commissioner is responsible for the management of the surface and subsurface estate within the Caribou Creek and Petersville Recreational Mining Areas necessary to carry out the purposes of AS 41.23.600 . The commissioner shall adopt and may revise a management plan and shall adopt regulations for the management, use, and development of the Caribou Creek and Petersville Recreational Mining Areas.

(b) The management plans, including any revisions, and regulations adopted by the commissioner shall be developed in consultation with the commissioner of fish and game and the commissioner of transportation and public facilities. The management plans and regulations shall address, but not be limited to,

(1) the methods of mining permitted within the [CARIBOU CREEK R]recreational [M]mining [A]areas;

(2) the types of mining equipment that may be used within the [CARIBOU CREEK R]recreational [M]mining [A]areas;

(3) the protection of habitat within the [CARIBOU CREEK R] recreational [M]mining [A]areas; and

(4) other restrictions consistent with the purposes stated in AS 41.23.600

(c) Except as provided in this subsection, the Caribou Creek and Petersville Recreational Mining Areas [IS] are open to recreational mining under AS 41.23.600 - 41.23.62[0]5. The commissioner of fish and game is responsible for the management of the fish and game resources and the public use of fish and wildlife resources within the Caribou Creek and Petersville Recreational Mining Areas consistent with the purposes stated in AS 41.23.600. The commissioner of fish and game shall issue a general permit to the public authorizing recreational mining activities subject to seasonal restrictions on the mining activities within specified waterbody areas necessary to maintain fishery resources within the Caribou Creek and Petersville Recreational Mining Areas.

(d) The Caribou Creek and Petersville Recreational Mining Areas [IS] are closed to mineral entry under AS 38.05.185 - 38.05.275.

(e) The commissioner shall permit the construction and realignment of the Glenn Highway by the commissioner of transportation and public facilities within the Caribou Creek Recreational Mining Area as follows:

(1) Township 20 North, Range 10 East, Seward Meridian Section 29: The centerline of the realigned Glenn Highway is described as commencing at the Southwest corner of Section 29; thence on a state plane, Zone 4 bearing of North 2 degrees 09'55/" West, along the West boundary of Section 29, 1481.55 feet to proposed centerline Station 692+58.19 and the True Point of Beginning; thence South 85 degrees 52'40/" East, a distance of 3395.32 feet to proposed centerline Station 726+53.51; thence along a curve to the left, having a radius of 916.73 feet, through an arc of 121 degrees 37'14/", a distance of 1945.93 feet to P.C.C. Station 745+99.44; thence along a compound curve to the left, having a radius of 1637.02 feet, through an arc of 30 degrees 01'50/", a distance of 858.01 feet to Point of Tangent Station 754+57.45; thence North 57 degrees 31'44/" West, a distance of 453.00 feet to P.C. Station 759+10.45; thence along a curve to the right, having a radius of 996.45 feet, through an arc of 144 degrees 30'28/", a distance of 2513.18 feet to Point of Tangent Station 784+23.63 BACK = 741+49.55 AHEAD; thence North 86 degrees 58'44/" East, a distance of 1347.13 feet to Station 754+96.68, a point on the east boundary of Section 29, said point is South 2 degrees 09'55/" East, a distance

of 115.88 feet from the Northeast corner of Section 29;

(2) the right-of-way lines that cross Caribou Creek Recreational Mining Area extend varying distances from the centerline as follows:

(A) from Station 760+00 to Station 765+00 the right-of-way extends 300 feet on the left of centerline and 150 feet on the right;

(B) from Station 765+00 to Station 780+00, the right-of-way extends 300 feet on each side of the centerline;

(C) from Station 780+00 to P.T. Station 784+23.63 the right-of-way extends 300 feet on the left and 400 feet to the right of the centerline.

(f) The commissioner shall allow any construction and realignment of the Petersville Road by the commissioner of transportation and public facilities within the Petersville Recreational Mining Area as needed.

Sec. 41.23.620. CARIBOU CREEK RECREATIONAL MINING AREA.

The vacant and unappropriated state-owned land and water and the state land and water acquired in the future that lie within 100 feet of either ordinary high water or mean high tide of the banks of the creeks or rivers described in this section are designated as the Caribou Creek Recreational Mining Area, are reserved from all uses incompatible with the purposes of AS 41.23.600, and are assigned to the department for control and management:

Township 20 North, Range 10 East, Seward Meridian

(1) That portion of Caribou Creek located in Section 28: W1/2; and Section 29: E1/2

(2) That portion of the Matanuska River located in Section 32: SE1/4; and Section 33: NE1/4, NW1/4, SW1/4.

Sec. 41.23.625. PETERSVILLE RECREATIONAL MINING AREA.

Within portions of U.S. Mineral Surveys No's. 2384, 2451, and 2452, those vacant and unappropriated state-owned lands and waters conveyed and acquired in the future through Tentative Approval or Patent, whichever comes first, to the State of Alaska under General Purpose Grant State Selection AA-6909, AA-6911, AA-6912, A-051376-A ; Upon the date the State of Alaska accepts title to the above selected lands, Mineral Closing Order (MCO) 674 (described below) becomes effective and all state-selected mining claims located prior to that

date become null and void. The land within the claims listed below become designated as the Petersville Recreational Mining Area, are reserved from all uses incompatible with the purposes of AS 41.23.600, and are assigned to the department for control and management.

Township 28 North, Range 8 West, Seward Meridian

(1) The following mining claims within Sections 6-8: Daisy No. 2 (portions thereof); Hidden Treasure No. 1 (portions thereof); Hidden Treasure No. 2; Flora No. 1 and 2; Moose No. 1; Beaver No. 1; Alexander No. 1 and No. 2; Lost Shovel No. 1 and No. 2; Peters Creek No. 8, 9, 10, and 11.

(2) The following mining claims within Sections 21 and 28: Alder #1 and #2; Cottonwood #3 and #4; Seattle #1 and #2; Contact #1; Contact Claim #2; Willow Claim; Korter Bench.

Township 28 North, Range 9 West, Seward Meridian

The following mining claims within Section 1: Daisy No.2 (portion thereof); Hidden Treasure No. 1 (portion thereof).

Justification: There is significant interest in having the opportunity to pan for gold by tourists and some Alaskan residents. Most areas where there are actual naturally occurring deposits of placer gold are in private ownership or are under active mining claims/leases under state or federal law. This is an opportunity to promote tourism related expenditures associated with gold panning, especially with the forthcoming Gold Rush Centennial activities.

Background: AS 41.23.600 established, in 1990, the Caribou Creek Recreational Mining Area to provide for a public recreation mininig area and to permit public recreational activities and to allow other multiple use activities so long as the activities do not detract from the primary purpose for establishing Caribou Creek Recreational Mining Area. The Caribou Creek Area (immediately off the Glenn highway near Sheep Mountain) was withdrawn from entry under the state mining laws and reserved as a public area where a person wanting to seek gold could do so without worrying about whether they are on somebody's mining claim. Criteria used to select the Caribou Creek area were: easy access, no existing state or federal mining claims, and the presence of gold that could be recovered by panning. A wayside and trail system has been established and maintained by the Division of Lands. No visitor statistic are available, but the area is regularly used and appears to be popular.

During the process of developing criteria for selection of a recreational mining area, the department consulted the Tooheys about the operation of the Crow Creek Mine near Girdwood. Currently, the Crow Creek Mine is one of the top tourist attractions in Southcentral Alaska, with annual visits nearing 35,000 people. The Crow Creek Mine charges $5/person. Independence Mine receives about 25,000 visits and one of the underground mines there is seriously

considering the option of opening an underground mine tourist operation. One of the visitor attractions to Nome is recreational panning on the Nome beach.

In 1994, the department identified two areas at Petersville that have the qualifications to become a Legislatively Designated Recreational Mining Area like Caribou Creek. Two areas, one at Petersville and the other on the other side of the canyon, have been withdrawn from mineral entry. This action was taken with public involvement and was not opposed by the Alaska Mining Association or miners in the area. In addition to being on the approach to the Denali State Park, the history, scenery, and actual gold available for panning far exceed that of Caribou Creek. The basic intent of the withdrawal action was to secure a place where it might be possible to develop a commercial tourist concession that provides the public a high quality chance to pan for gold, provide revenues to the state, promote local enterprise, and provide an educational experience about gold mining in Alaska.

Legislative Proposal: *Amend the Caribou Creek Recreational Mining Area (AS 41.23.600) by adding a new subsection for the two road accessible areas at Petersville. In addition, we would propose that the legislation provide direction that the department should aggressively pursue the opportunity to have private enterprise develop and run a high quality public recreation experience centered around gold panning. This provision would apply to both the Caribou Creek Recreational Mining Area and Petersville, as well as any future additions. Finally, the legislation would provide that a portion of the fees collected for the recreational mining opportunity be available for appropriation as a fund to reclaim abandoned placer mining operations in area where there is documented damage to other high value public resources due to the unreclaimed condition of the mine area.*

If the concept is approved, we intend to contact the Nome city government to see if there would be an opportunity to have a Legislative Designated Recreational Mining Area there.

KK:AS27&38.LEG - 10/1/96

Michele Stevens
P.O. Box 20
Talkeetna, Alaska
99676
Feb. 8, 1997

To:
Senator Lyda Green
Room 423
Juneau , Ak 99801-1182

Senator Lyda Green:

I am sending you a package of papers on Petersville and some of the new mining regulations that you will be going over this session. The information on the papers are pretty self-explanatory. I originally asked for 240 acres but will take less. I need a minimum of 40 acres but if I have to, I can squeeze my existing buildings onto 20 acres, which would not leave me much room to expand or for the museum building. If you agree with Sec. 41.23.610. Management and regulations, I would appreciate it if you would make a yes vote on it. This would enable me to negotiate with the commissioners on a workable plan that all of the public may enjoy.

I would appreciate anything you could do to help. The papers I am enclosing are most of the records that are currently filed in the DNR office in Anchorage.

My cell ph. 1-907-242-1696, message ph 1-907-345-9655, message ph(Mother, Carol Young)1-907-733-2351. I need all of the help I can get so I am also sending copies to Representative Beverly Masek.

Sincerely,

Michele Stevens

CC:
Rep. Beverly Masek

Michele Stevens
P.O. Box 20
Talkeetna, Alaska
99676
Feb. 8, 1997

To:
Rep. Beverly Masek
Room 418
Juneau , Ak 99811

Representative Beverly Masek:

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I would appreciate anything you could do to help. The papers I am enclosing are most of the records that are currently filed in the DNR office in Anchorage.

I just found out that you were here last week-end. I would have came down and talked to you, had I known at the time.
My cell ph. 1-907-242-1696, message ph 1-907-345-9655, message ph(Mother, Carol Young)1-907-733-2351. I need all of the help I can get, so I am also sending copies to Senator Lyda Green.

Sincerely,

Michele Stevens

CC: Senator Lyda Green

Rep. Mark Neuman
State Capitol
Juneau AK. 90801-1182

March 5, 2012
Carol Young, President
Yentna Mining District
P.O.Box 211
Talkeetna, Ak. 99676
carolaymtaonline.net
Ph.907-733-2351

Re: southern section of Petersville recreation Mining area. Constituent Michele Stevens.

Michele Stevens asked me to comment on having the southern portion of the Petersville recreation area closed. Legal description:

Township 28 North, Range 8 West, Seward Meridian. The following claims within section 21 and 28: Alder # 1 and 2: Cottonwood #3 and 4: Seattle # 1 and 2: Contact Claim #1: Contact Claim # 2: Willow Claim: Korter Bench. All invalid 20 acre Federal claims, which BLM currently holds title to.

A little History: On May 14th 1985 BLM null and voided all of the original 20 acre Federal claims previously held by Jacobsen and his wife since the early 1940's. To protect his interests, on May 20 and 21st 1985, Michele's predecessor, John Jacobsen, had 40 acre "State at risk" claims staked over all of the ground where his previous Federal claims had been, including the area that would later be proposed (1997) to become the south recreation area. Jacobsen paid over $100,000.00 to have a professional staking crew help with the new staking. On Jan. 1994 Michele Stevens acquired 127, 40 acre, State at Risk claims from Jacobsen.

I believe it was May 1994 that Michele and I had a meeting with DOM about having the recreational area's gifted to the state (the null and void Federal claims were used as boundary markers because they had been surveyed for patent previously). Alaska Miners Assoc, .Yentna Mining District and several others went along with the June 2, 1994 MCO No 674 because of the promise of a concession to Michele Stevens for giving up valuable mining ground for a public cause, (copy of MCO 674 attached, by Comm.Noah) This issue was discussed with Director of Mining JulesTileston, and Commissioner Harry Noah, and later with Deputy Commissioner Marty Rutherford and many others over a period of 17 years

Division of Mining wanted them for recreational use. Division of Mining told Michele she could have a "concession", (enclosed copy of original proposal by Jules Tileston) renting gold pans etc. and the DOM would have a percentage of this and it would be good to have someone to be there to organize things and to keep a sense of order. It would be a win win situation for both the State and Michele as it would give her some money to help preserve the historic buildings and the historic mining equipment and to build the museum promised to her predecessor in memory of his wife. The recreation areas were given to the Department of Lands instead of the Department of Mining to manage. when lands and mining merged and this was when everything changed, another long story. Employees come and go and Administrations change over a period of 17 years and things have a way of getting confused and misplaced and misunderstood. BLM did issue a RESIDENTIAL lease to Ms Stevens for 5 acres which is where Ms Stevens buildings are located so this helps protect the historical buildings, but she cannot run a business on it unless she goes up for a competitive public bid. This could go for any price and if Michele could not beat the price she would stand the chance of losing her buildings (which by the way is her support center for her mining ventures).

The bottom line to "quote from Comm.Noah's MCO 674" (Para 4 & 5): Para 4: " A recreational mining area and the activities associated therewith would constitute a significant use of the surface estate which would be INCOMPATIBLE with COMMERCIAL mining and mineral location. Conflicts could be created on the land between the surface and potential subsurface users. MCO 674 would become effective on the date the land is ACCEPTED by the State from the Bureau of Land Management by tentative approval or patent, whichever comes first, making null and void any mining claims staked on the land PRIOR to that date."
Para 5: "It is my finding, in accordance with AS 38.05.185(a), that COMMERCIAL MINING and mineral location would be INCOMPATIBLE with the INTENDED surface use of the subject land and therefore the best interest of the state and its residents is served by closing the land identified in MCO 674 to new locatable mineral entry under the locatable mineral and mining laws of the State of Alaska: MINERAL CLOSING ORDER 674."

The northern recreational mining claims are currently open to the public, as that land was conveyed to the State in the 90's. It is easily accessible as there are roads all along the site.

All of the land that was State selected in the 1970's has been conveyed to the State of Alaska where the null and void Federal claims were, also the areas on both sides of the Federal claims giving Ms Stevens valid State claims. Everything has been conveyed to the State EXCEPT for the land where the Proposed South Recreational mining area is. State of Alaska Has not accepted the Conveyance to the land until this issue can be resolved. BLM still holds title to this ground.

It would be appreciated if you would make it possible for the state of Alaska to honor their promise to Ms Stevens.

I know you are very busy and I sincerely thank you for your time spent on this issue.

Respectfully,

Carol Young

Carol young, President
Yentna Mining District
(907-733-2351)

Sean Parnell, Governor
Third Floor, Capitol
P.O. Box 110001
Juneau, Alaska 99811-0001

January 26, 2012

Dear Governor Parnell:

We respectively urge your support for legislation to adjust the Petersville Recreation Mining Area established on May 8, 1997.

As the former Director, Mining and Water Management and former Deputy Commissioner, Department of Natural Resources, we were directly involved in the initial decisions leading to the establishment of the Petersville Recreation Mining Area and we strongly support the legislation to amend that Petersville Recreation Mining Area designation.

Background:

Prior to the Mineral Closing Order, MCO# 674, on June 2, 1994 there were numerous meetings with Ms. Michele Stevens the then owner of approximately 500 acres of State mining claims located on federal land selected by the State. Ms. Stevens proposed to operate a mining concession including a museum and public campground as well as using her mining equipment to facilitate public access to the placer gold known to be in the area. Her concept for a concession-type operation was in part based on the successful commercial operations at the Crow Creek Mine on private land at Girdwood and the El Dorado Gold Mine located on Mental Health Trust land near Fairbanks.

The Director of Mining and Water Management and other members of the Division inspected the 500 acres and adjacent active mining operations in the Petersville area included Ms. Stevens' historic buildings and structures and equipment used when the area was being mined under federal mining law. The Department subsequently determined the 500 acres would make a valuable addition to the areas set aside in Alaska for the general public to pan for gold without being in conflict with a mining claim owner, and therefore initiated the 1994 Mineral Closing Order (MCO).

The original public recreation mining areas in Alaska involved abandoned mining claims, hence Ms. Stevens was requested to gift her 500 acres of mining claims that otherwise would automatically fall into place when the State received title to the land from the federal government. Ms. Stevens did this concurrently with the MCO being imposed.

The State has received title to land in the Petersville area that includes approximately 280 acres of the mining claims Ms. Stevens gifted to the State and that area is now open to public use as a public recreation mining area. Until recently, transfer of the federal land including the remaining 220 acres surrounding Ms. Stevens' historic building and structures has been delayed until the

State and Bureau of Land Management could reach agreement on how to handle the buildings and structures. These buildings and structures were eventually deeded to Ms. Stevens. This issue has been resolved and the land is now ready for transfer to State ownership.

The agreement in 1994 between the Department of Natural Resources and Ms. Stevens was for the Department to authorize Ms. Stevens to operate a commercial recreation mining business on the 220 acres of land surrounding her buildings and structures. Subsequently, the Department determined that it could not legally issue a non-competitive commercial lease to fulfill the agreement with Ms. Stevens. In 2006 DNR determined there actually was a legal way to proceed, whereby a commercial mining business could be operated on a portion of a state mining claim or claims by establishing a miscellaneous land use lease, provided there was concurrence with the state mining claim holder.

However, and very unfortunately, the 2006 approach cannot be followed for lands designated by statute as a recreational mining area since there are no underlying private interests to the minerals. The proposed legislative amendment to the Petersville Recreation Mining Area established in 1997 contains two provisions to correct the problems the Department and Ms. Stevens have been trying to resolve. The pending legislation would: 1) Reinstate Ms. Stevens' full mineral rights to those portions of her mining claims ADLs 508020-508026 that she gifted to the State in this southern area; and 2) It would remove the statutory designation and allow the DNR to fulfill its original agreement with Ms. Stevens. The proposed amendment does not affect the approximately 280 acres of land that will remain in the Petersville Recreation Mining Area.

In summary, we respectively request your support in correcting a situation that evolved and allow the state to honor its commitments to Ms. Stevens

Sincerely,

Signed

Jules V. Tileston
4740 Cambridge Way
Anchorage, AK 99503
phone: 907-561-0540

Signed

Marty K. Rutherford
2371 Loussac Drive
Anchorage, AK 99517
phone: 907-317-4728

HCR

9

<TARGET><BILL>HCR 9</BILL><SUBJECT>HCR
9</SUBJECT><COMM>SRES27</COMM></TARGET>

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HCR 9
(H) Publish Date: 3/23/11

Identifier (file name): HCR9-LEG-COU-3-21-2011
Title: "State Energy Production Working Group"
Sponsor: House Special Committee on Energy
Requester: House Special Committee on Energy, Finance

Dept. Affected: Legislature
Appropriation: Legislative Council
Allocation: Session Expenses
OMB Component Number: 782

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel		20.0	20.0				
Contractual							
Supplies							
Equipment							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**20.0**	**20.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF		20.0	20.0				
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**20.0**	**20.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

Initial Version

Prepared by: Shane Miller, Finance Manager — Phone: 465-6626
Division: Legislative Affairs Agency — Date/Time: 3/21/11 11:26 AM
Approved by: Pamela Varni, Executive Director — Date: 3/21/2011
Legislative Affairs Agency

(Revised 12/29/2010 OMB)

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HCR 9

Analysis

The Alaska Working Group on Interstate Energy Production shall consist of four (4) members, with two (2) senators appointed by the President of the Senate and two (2) representatives appointed by the Speaker of the House of Represenatatives. Members of the Alaska Working Group on Interstate Energy Production may meet during and between regular sessions of the Alaska State Legislature and they may travel within Alaska and to other states as necessary to accomplish their purpose. The anticipated travel costs shown above provide each member of the working group with an annual travel budget of approximately $5.0. However, this fiscal note does not ask for an increment to fund this travel. These travel costs will be absorbed in the Legislature's "Legislative Council " RDU in the "Session Expenses" Component. The Alaska Working Group on Interstate Energy Productions will terminate January 18, 2013.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: HCR 9
(H) Publish Date: 4/6/11

Identifier (file name): HCR9-LEG-COU-04-05-2011
Title: "State Energy Production Working Group"
Sponsor: House Special Committee on Energy
Requester: House Finance Committee

Dept. Affected: Legislature
Appropriation: Legislative Council
Allocation: Session Expenses
OMB Component Number: 782

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1212 Stimulus 09							
1003 GF Match							
1004 GF							
1141 RCC Receipts							
1037 GF/Mental Health							
1007 Interagency Receipts							
TOTAL	**0.0**		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

This fiscal note reflects the change made by the House Finance Committee to zero the travel expense.

Prepared by: Joe Michel
Division: House Finance Committee
Phone: 907-465-4958
Date/Time: 4/5/11 2:30 PM

Approved by: Rep. Bill Stoltze
House Finance Committee Co-Chair
Date: 4/5/2011

(Revised 12/29/2010 OMB)

FISCAL NOTE #2

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HCR 9

Analysis

The Alaska Working Group on Interstate Energy Production shall consist of four (4) members, with two (2) senators appointed by the President of the Senate and two (2) representatives appointed by the Speaker of the House of Represenatatives. Members of the Alaska Working Group on Interstate Energy Production may meet during and between regular sessions of the Alaska State Legislature and they may travel within Alaska and to other states as necessary to accomplish their purpose. The Alaska Working Group on Interstate Energy Productions will terminate January 18, 2013.
(Revised

HCR 9

Alaska State Legislature

Session:
State Capitol Rm. 421
Juneau, AK 99801
Phone: (907) 465-3438
Fax: (907) 465-4565

Interim:
716 W 4th Avenue
Anchorage, AK 99501-2133
Phone: (907) 269-0100
Fax: (907) 269-0105

Representative Lance Pruitt

Co-Chair, House Energy Committee

MEMORANDUM

To: Sen. Joe Paskvan
Sen. Thomas Wagoner

From: Rep. Lance Pruitt

Date: April 11th, 2011

Re: Bill Hearing Request for HCR 9

I respectfully request that HCR 9 be scheduled for a hearing in Senate Resources. Please feel free to contact me, or my aide Dirk Craft, at 465-6617 with any questions. Attached you will find a background packet for HCR 9 including a current version of the bill, sponsor statement, fiscal notes, and backup information.

Thank you for your consideration.

Alaska House of Representatives

Rep. Neal Foster, Co-Chair
Alaska State Capitol, Room 434
Juneau, Alaska 99801

Phone: (907) 465-3789
Fax: (907) 465-3242

Rep. Lance Pruitt, Co-Chair
Alaska State Capitol, Room 421
Juneau, Alaska 99801

Phone: (907) 465-3438
Fax: (907) 465-4565

House Special Committee on Energy

Sponsor Statement

HCR 9
State Energy Production Working Group

House Concurrent Resolution 9 establishes in the Alaska State Legislature the Alaska Working Group on Interstate Energy Production.

This legislation was crafted in response to legislation proposed by other states that produce energy and energy resources. Alaska, along with other states, continues to experience the negative consequences from delay or cancellation of economically viable energy-related projects because federal law and federal law enforcement too often overreach the federal government's constitutional authority to make and enforce laws.

Federal law and policy, including the National Environmental Policy Act and the Endangered Species Act, excessively limit and interfere with production of energy and energy resources in Alaska and in other states.

HCR 9 establishes the Alaska Working Group on Interstate Energy Production to work with other state Legislatures to develop a proposal for an inter-legislature agreement that will facilitate collaboration between the Alaska State Legislature and other state legislatures in efforts to influence federal energy-related law and policy and to discourage delay or cancellation of economically viable energy-related projects in the state and in other states.

I urge your support of this important legislation.

HOUSE BILL NO. HB0217

Production states agreement.

Sponsored by: Representative(s) Lubnau and Senator(s) Bebout

A BILL

for

AN ACT relating to the legislature; providing for legislative participation to develop an energy producing state agreement; specifying goals of the agreement; providing an appropriation and for a report; and providing for an effective date.

Be It Enacted by the Legislature of the State of Wyoming:

Section 1.

(a) Two (2) members of the Wyoming house of representatives appointed by the speaker of the house, and two (2) members of the Wyoming senate appointed by the president of the senate, shall be appointed to study and work with legislative members of other energy producing

states to develop an Energy Producer State Agreement with the following goals:

(i) To encourage domestic development of energy in the United States, and to ensure continued development of each state's domestic natural resources;

(ii) To deliver a strong, unified voice to the federal government from the states that produce the energy that powers the nation's economy, by providing input on and participating in the development of existing and proposed federal legislation and federal regulatory processes, including the National Environmental Policy Act and the Endangered Species Act, and federal land access issues affecting the production of energy in the concerned states;

(iii) To eliminate or reduce overreaching federal legislation and identify and address consequences that result from delays and cancellations of economically viable energy projects.

(b) Legislators appointed pursuant to this act shall be authorized by Management Council to attend meetings as the Council determines necessary to accomplish the purposes

of this act, and shall receive salary, per diem and mileage for the performance of their duties under this act as provided in W.S. 28-5-101. Appointed legislators shall provide a single report to the Council not later than September 1, 2011, including any suggested legislation for referral to the appropriate legislative committee for consideration.

Section 2. For purposes of this act, there is appropriated from the general fund fifty thousand dollars ($50,000.00) to the legislative service office. This appropriation shall be for the period beginning with the effective date of this act and ending June 30, 2012.

Section 3. This act is effective immediately upon completion of all acts necessary for a bill to become law as provided by Article 4, Section 8 of the Wyoming Constitution.

(END)

ENERGY PRODUCER STATES' AGREEMENT

2011 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Roger E. Barrus

Senate Sponsor: David P. Hinkins

LONG TITLE

General Description:

This bill provides for the appointment of legislative members to participate in multistate discussions involving agreements that encourage the development of domestic energy resources.

Highlighted Provisions:

This bill:

- provides for the appointment of legislators to discuss creating a multistate domestic energy development agreement;
- specifies the goals of an agreement;
- provides for a report on an energy producer states' agreement; and
- provides a repeal date.

Money Appropriated in this Bill:

This bill appropriates:

- to the Legislature for fiscal year 2011-12 only:
  - from the General Fund, $25,000.

Other Special Clauses:

This bill provides an immediate effective date.

Utah Code Sections Affected:

AMENDS:

63I-1-236, as renumbered and amended by Laws of Utah 2008, Chapter 382

ENACTS:

36-12-20, Utah Code Annotated 1953

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **36-12-20** is enacted to read:

36-12-20. Membership selection -- Agreements -- Goals -- Meetings -- Reports.

(1) The speaker of the House shall appoint two members and the president of the Senate shall appoint two members, of which no more than three of the four members shall be from the same political party, to study and work with legislative members of other energy producing states for the purpose of developing a proposed energy producer states' agreement.

(2) The proposed energy producer states' agreement shall have the following goals:

(a) to encourage domestic development of energy in the United States;

(b) to ensure the continued development of each state's domestic natural resources;

(c) to deliver a unified message to the federal government from energy producing states by:

(i) participating in the development of proposed federal legislation and regulations; and

(ii) making recommendations regarding existing federal law and regulations including the following:

(A) the Environmental Protection Act;

(B) the Endangered Species Act; and

(C) federal land access issues that affect the production of energy;

(d) to eliminate or reduce overly broad federal legislation; and

(e) to identify and address consequences of delays and cancellations of economically viable energy projects.

(3) Appointed members shall produce a report with recommendations regarding an energy producer states' agreement to the National Resources, Agriculture, and Environment Interim Committee and the Public Utilities and Technology Interim Committee on or before October 1, 2011.

(4) Salaries and expenses of the appointed members may be paid in accordance with Section 36-2-2 and Legislative Rules, Title 5, Chapter 3, Expenses and Mileage

Reimbursement for Authorized Legislative Meetings, Special Sessions, and Veto Override Sessions.

(5) The Office of Legislative Research and General Counsel shall provide staff assistance as requested.

Section 2. Section **63I-1-236** is amended to read:

63I-1-236. Repeal dates, Title 36.

(1) Section 36-12-20 is repealed June 30, 2012.

(2) Sections 36-26-101 through 36-26-104 are repealed December 31, 2017.

Section 3. **Appropriation.**

Under the terms and conditions of Title 63J, Chapter 1, Budgetary Procedures Act, the following sums of money are appropriated from resources not otherwise appropriated out of funds or accounts indicated for the fiscal year beginning July 1, 2011, and ending June 30, 2012. These are additions to amounts previously appropriated for fiscal year 2012.

Item 1 To Legislature - Senate

From General Fund, One-time $12,500

Schedule of Programs:

Administration $12,500

Item 2 To Legislature - House of Representatives

From General Fund, One-time $12,500

Schedule of Programs:

Administration $12,500

Section 4. **Effective date.**

If approved by two-thirds of all the members elected to each house, this bill takes effect upon approval by the governor, or the day following the constitutional time limit of Utah Constitution Article VII, Section 8, without the governor's signature, or in the case of a veto, the date of veto override.

HCR

13

<TARGET><BILL>HCR 13</BILL><SUBJECT>HCR 13</SUBJECT><COMM>SRES27</COMM></TARGET>

ALASKA STATE LEGISLATURE

Session:
State Capitol Building,
Room 428
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Fax: (907) 452-1146

REPRESENTATIVE STEVE THOMPSON
DISTRICT 10

MEMORANDUM

To: Senator Tom Wagoner, Co-Chair
Senate Resources

Senator Joe Paskvan, Co-Chair
Senate Resources

From: Representative Steve Thompson

Date: February 20, 2012

Re: Request for a hearing on HCR13 in Senate Resources

Please accept this memorandum as a request for the Senate Resources Committee to hear HCR13 in the Senate Resources Committee. Accompanying this memo are the following documents:

- Sponsor Statement
- HCR13 version A
- CSHRC13(FSH)am version M.A
- Explanation of changes
- 0 Fiscal Note
- Past Council Members of the NPFMC
- AFN Resolution 09-01

E-Mail: Representative.Steve.Thompson@legis.state.ak.us
Website: www.akrepublicans.org/thompson/

ALASKA STATE LEGISLATURE

Rep. Steve Thompson, Chair
Alaska State Capitol, Rm. 428
Juneau, Alaska 99801
Phone: (907) 465-3004
Fax: (907) 465-2070

Members:
Rep. Johnson, Vice-Chair
Rep. Austerman
Rep. Herron
Rep. Pruitt
Rep. Kawasaki
Rep. Miller

HOUSE SPECIAL COMMITTEE ON FISHERIES

SPONSOR STATEMENT FOR HOUSE CONCURRENT RESOLUTION NO. 13 (27-LS0802\M.A)

The North Pacific Fishery Management Council (NPFMC) is one of eight regional councils established by the Magnuson-Stevens Fishery Conservation and Management Act to oversee management of the nation's fisheries. The North Pacific Fishery Management Council has jurisdiction over the million square mile Exclusive Economic Zone (EEZ) off Alaska. NPFMC manages federal fisheries in Alaska valued at over one billion dollars annually, with primary responsibility for ground fish management in the Gulf of Alaska, Bering Sea, and Aleutian Islands, including cod, Pollock, flatfish, mackerel, sablefish, and rockfish species.

The Council has eleven voting members and four non-voting members. The eleven voting members include the Commissioner of the Department of Fish & Game, Director of the Washington Department of Fish & Wildlife, Director of the Oregon Department of Fish & wildlife, the Alaska Regional Administrator of NOAA Fisheries, five public members appointed by the Governor of Alaska, and two public members appointed by the Secretary from the State of Washington.

Since, it is estimated that 95 percent of rural households consume fish caught for subsistence, and sports fishing contributes over one-hundred and twenty three million dollars annually, their voices are vital to the sustainability of the resource and should be represented at the North Pacific Fishery Management Council. Both sports fish licensees and Alaska subsistence users who have participated in NPFMC meetings have commonly expressed frustration with the lack of opportunity to meaningfully participate in the process, and a lack of representation on the Council. However, allocation of fish in waters managed by NPFMC directly affects the quantity of fish available for harvest by sports fish licensee and subsistence users.

HCR 13 requests that the Governor nominate both a sports fish licensee and a subsistence user nominated by an Alaska Native organization for a seat on the North Pacific Fishery Management Council. In a state that is home to 3,000 rivers, 3,000,000 lakes and 6,640 miles of coastline, protecting opportunities for sports fishers and subsistence users is vital.

E-Mail: Representative.Steve.Thompson@legis.state.ak.us

ALASKA STATE LEGISLATURE

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REPRESENTATIVE STEVE THOMPSON
DISTRICT 10

HCR13 Explanation of Changes version A to version M.A

1.) Change regarding a "resident sports fish licensee" as opposed to a "sports fish licensee" this change was made to ensure that the person the governor nominated was a resident of the State of Alaska.

2.) Change regarding a "subsistence user" to an "individual nominated by an Alaska Native organization that represents rural subsistence users."

E-mail Representative_Steve_Thompson@legis.state.ak.us

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **HCR 13**
Fiscal Note Number: 1
() Publish Date:

Identifier (file name):
Title: Requesting the governor to designate one seat...for a sport fish licensee and...for a subsistence user.
Sponsor: House Special Committee on Fisheries
Requester: House Special Committee on Fisheries

Dept. Affected: Governor's Office
Appropriation: 0
Allocation:
OMB Component Number:

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Prepared by: Jane W. Pierson,Aide,
Division: House Special Committee on Fisheries
Approved by: Representative Steve Thompson, Chair
House Special Committee on Fisheries

Phone: 465-3004
Date/Time: 1/25/2012 12:56pm
Date: 1/25/2012

(Revised 11/18/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** HCR 13
2012 LEGISLATIVE SESSION

Analysis

There are no significant fiscal impacts for the Governor's office associated with this bill.

PAST Council Members	Term	Begin	End
APPOINTEES:			
Robert D. Alverson Fishing Vessel Owners' Assn. 4005 20th Avenue W. West Wall Bldg, Rm 232 Fishermen's Terminal Seattle, WA 98199 (Vice Chair 9/89 – 8/94)	3 years 3 years	8/11/88 8/11/91	8/10/91 8/10/94
Stosh Anderson P.O. Box 310 Kodiak, AK 99615	3 years	8/11/01	8/10/04
Linda Behnken Alaska Longline Fishermen's Assn. 403 Lincoln St., Ste 232 Sitka, AK 99835	3 years 3 years 3 years	8/11/92 8/11/95 8/11/98	8/10/95 8/10/98 8/10/01
David Benton P.O. Box 20735 Juneau, AK 99802 (Chair 9/00 – 8/03)	3 years	8/11/00	8/10/03
Donald E. Bevan (Deceased) Henderson Hall Univ. of Washington, HN-15 Seattle, WA 98195	3 years	8/11/79	8/10/82
John Bundy Glacier Fish Company 1200 Westlake Avenue North AGC Building, Suite 900 Seattle, WA 98109 (Vice Chair 10/05 – 8/08)	3 years 3 years 3 years	8/11/99 8/11/02 8/11/05	8/10/02 8/10/05 8/10/08
James O. Campbell (Deceased) – (wife Kelly) 826 Overlook Place Anchorage, AK 99501 (Chair 9/83 – 8/88)	* 3 years 3 years 3 years	8/11/76 8/11/79 8/11/82 8/11/85	8/10/79 (*filled remainder of Elmer Rasmuson's term beginning 1/78) 8/10/82 8/10/85 8/10/88

Larry Cotter Pacific Associates 116 Gold Juneau, AK 99801	3 years 3 years	8/11/86 8/11/89	8/10/89 8/10/92
Joe Demmert, Jr. 2724 4th Avenue Ketchikan, AK 99901	3 years	8/11/80	8/10/83
Oscar Dyson (Deceased) - (wife Peggy) Box 1728 Kodiak, AK 99615	3 years 3 years 3 years	8/11/85 8/11/88 8/11/91	8/10/88 8/10/91 8/10/94
Douglas B. Eaton Box 2871 Kodiak, AK 99615	3 years 3 years	8/11/76 8/11/79	8/10/79 8/10/82
Henry F. Eaton 216 Maple Kodiak, AK 99615	1 year	8/11/76	8/11/77
Ben Ellis Ben Ellis & Company P.O. Box 203 (913 Keystone) Soldotna, AK 99669	to fill remainder of Bob Penney term	1/20/03	8/10/06
Dr. David L. Fluharty School of Marine Affairs University of Washington 3707 Brooklyn NE, HF-05 Seattle, WA 98105	3 years 3 years 3 years	9/7/94 8/11/97 8/11/00	8/10/97 8/10/00 8/10/03
Arne Fuglvog P.O. Box 71 Petersburg, AK 99833	3 years 3 years	8/11/03 8/11/06	8/10/06 ~~8/10/09~~ (resigned 8/06)
Ronald E. Hegge (wife Kathy) 314 Lansbrook Venice, FL 34212	3 years 3 years	8/11/89 8/11/92	8/10/92 8/10/95

Sara Hemphill 300 Lenora St, #B353 Seattle, WA 98121	3 years	8/11/83	8/10/86
Doug Hoedel 2111 Sorbus Way Anchorage, AK 99508	3 years	8/11/04	8/10/07
Gordon Jensen P.O. Box 264 Petersburg, AK 99833	3 years	8/11/77	8/10/80
Tony Knowles 1146 "S" Street Anchorage, AK 99501	3 years	8/11/88	~~8/10/91~~ (Resigned 12/89)
Joe Kyle Pacific Associates 234 Gold Juneau, AK 99801	3 years	8/11/97	8/10/00
Richard B. Lauber (Diane) Pacific Seafood Processors 321 Highland Drive Juneau, AK 99801 (Chair 3/91 – 8/00)	* 3 years 3 years 3 years	1/13/90 8/11/91 8/11/94 8/11/97	8/10/91 (*filled remainder of Tony Knowles' term) 8/10/94 8/10/97 8/10/00
Harold E. Lokken Fishermen's Terminal West Wall Bldg, Rm 232 4005 20th Avenue W. Seattle, WA 98199 (Chairman 10/77 – 9/78) (Vice Chair 10/78 – 8/84)	2 years 3 years 3 years	8/11/76 8/11/78 8/11/81	8/10/78 8/10/81 8/10/84
Stephanie Madsen At-Sea Processors Assn. PO Box 32817 Juneau, AK 99801 (Chair 10/03 – 8/07)	3 years 3 years	8/11/01 8/11/04	8/10/04 8/10/07
Donald L. McKernan (Deceased) Institute of Marine Studies Univ. of Washington, HA-35 Seattle, WA 98105	3 years	8/11/76	8/10/79 (deceased, Spring 1979)

Charles H. Meacham, Sr. P.O. Box 428 Sequim, WA 98382	2 years 3 years	8/11/76 8/11/78	8/10/78 8/10/81
Gerry Merrigan* *(voting member)* Prowler Fisheries PO Box 1364 Petersburg, AK 99833	3 years	8/11/06*	8/10/09 *Replaced Arne Fuglvog who was reappointed, but resigned August 2006
Henry Mitchell 8054 Sundi Way Anchorage, AK 99502	3 years 3 years 3 years	8/11/84 8/11/87 8/11/90	8/10/87 8/10/90 8/10/93
Hazel Nelson Bristol Bay Economic Development Corporation 2909 Arctic Blvd. Ste 203 Anchorage, AK 99503	3 years	8/11/02	8/10/05
Kevin O'Leary (wife Susan) 4044 Cliffside Rd. Kodiak, AK 99615	3 years 3 years	8/11/95 8/11/98	8/10/98 8/10/01
Robert C. Penney 3620 Penland Parkway Anchorage, AK 99508	3 years	8/11/00	~~8/10/03~~ (resigned 10/8/02) Replaced by Ben Ellis for remainder of term
Walter T. Pereyra ProFish International 400 North 34th St, Ste 303 Seattle, WA 98103 (Vice Chair 1994 – ????)	3 years 3 years 3 years	8/11/90 8/11/93 8/11/96	8/10/93 8/10/96 8/10/99
Rudy Petersen North Pacific Fishing, Inc. 4029 21st Ave. W., #201 Seattle, WA 98199	3 years 3 years	8/11/82 8/11/85	8/10/85 8/10/88
John Peterson 6120 E. Calle Alta Vista Tucson, AZ 85715-3101 (Chair 9/88 – 8/89)	3 years 3 years	8/11/84 8/11/87	8/10/87 8/10/90
Ed Rasmuson Attn: Wells Fargo P.O. Box 196127	3 years 3 years	8/11/03 8/11/06	8/10/06 ~~8/10/09~~ (resigned 12/07)

Anchorage, AK 99519			
Elmer Rasmuson (Deceased) (wife Mary Louise) National Bank of Alaska P.O. Box 600 Anchorage, AK 99510 (Chair 1976 – 1977)	3 years	8/11/76	~~8/10/79~~ (resigned 11/77)
Robin Samuelsen (wife Judy) P.O. Box 412 Dillingham, AK 99833	3 years 3 years 3 years	8/11/93 8/11/96 8/11/99	8/10/96 8/10/99 8/10/02
Keith Specking (Vi) P.O. Box 1018 Eagle Point, OR 97524	3 years	8/11/81	8/10/84
Jeffrey R. Stephan (Kathy) United Fishermen's Marketing Assn. P.O. Box 1035 Kodiak, AK 99615	3 years	8/11/82	8/10/85
Clement V. Tillion (Diana) P.O. Box 6409 Halibut Cove, AK 99603 (Chair 1978 – 1983)	1 year 3 years 3 years 3 years	8/11/76 8/11/77 8/11/80 8/11/94	8/10/77 8/10/80 8/10/83 8/10/97
John Winther (Bert) P.O. Box 509 Petersburg, AK 99833	3 years 3 years	8/11/83 8/11/86	8/10/86 8/10/89

PAST Council members	Term	Begin	End
AGENCY REPRESENTATIVES:			
Commissioner Alaska Dept. of Fish and Game P.O. Box 25526 Juneau, AK 99802	Perpetual	8/11/76 7/2/77 1/83 1/91 1/95 1/03 4/03 11/04 8/05 1/07 ? ?	7/1/77 James Brooks 1/83 Ronald Skoog 12/90 Don Collinsworth (Chair 9/89-12/90) 12/94 Carl Rosier/Alts: Clem Tillion, David Benton-12/94 1/03 Frank Rue/Alts: Kevin Duffy 9/00, Earl Krygier 3/03 Kevin Duffy, Acting Commis./Earl Krygier, Alt 10/04 Kevin Duffy, Commissioner/Earl Krygier, Alt 7/05 Doug Mecum, Acting Commis./Earl Krygier, Alt 12/07 McKie Campbell, Commissioner/Earl Krygier, Alt ? Denby Lloyd, Acting Commis./Earl Krygier, Alt. ? Denby Llody/Dave Bedford, Alt pres Denby Llody/Stefanie Mooreland, Alt.
Director, Alaska Region National Marine Fisheries Service P.O. Box 21668 Juneau, AK 99802	Perpetual		4/80 Harry L. Rietz 5/88 Robert W. McVey 1/89 James Brooks, Acting ? Steve Pennoyer 6/00 Jim Balsiger ? Doug Mecum, Acting 4/10 Jim Balsiger
Director Oregon Dept. of Fish & Wildlife 1400 S.W. 5th Avenue Portland, OR 97207	Perpetual	8/11/76 9/86 2/94	81-85 John Donaldson 1/94 Randy Fisher Rudy Rosen 6/97 Jim Greer 7/01- Lindsay Ball/Bob Mace, Alt. Note: Bob Mace served as Alt from 2nd Council mtg thru 6/01 and was V. Chair 10/99-6/01 (retired) 10/01 Roy Hyder, Alternate
Executive Director *(non-voting member)* Pacific States Marine Fisheries Commission 45 SE 82nd Drive Gladstone, OR 97027	Perpetual	1976 1983 4/87 2/94–present	1982 John Harville 4/87 Lawrence Six 1/94 Guy Thornburgh/Dave Hanson, Alt Randy Fisher/Dave Hanson, Alt
Office of Deputy Asst. Secretary for Oceans & Fisheries Affairs *(non-voting member)* Department of State, Room 7820 Washington, DC 20520	Perpetual	9/76 12/76 3/79 12/85	12/76 Lori Nakatsu 2/79 Carl J. Price 12/85 Ray Arnaudo 6/86 Stetson Tinkham

PAST Council members	Term	Begin	End
AGENCY REPRESENTATIVES:			
		9/86 9/89 4/90 2/93 9/96 10/06–present	6/89 Robert Ford 4/90 Jeff Miotke 9/90 A. George Herrfurth 2/93 Wm. E. Dilday 9/06 Stetson Tinkham Amanda Johnson-Miller/Nicole Ricci & Nick Klingersmith, Alts.

PAST Council members	Term	Begin	End
AGENCY REPRESENTATIVES:			
Director Washington Dept. of Fish & Wildlife P.O. Box 43135 Olympia, WA 98504-3135	Perpetual	8/11/76 4/77 6/77 12/86 7/92 6/96 12/98	3/77 Donald Moos 6/77 Frank Hau 12/86 William Wilkerson 1/87 Joseph Blum 8/92 Robert Turner/Morris Barker Bern Shanks/Dennis Austin Jeff Koenings/Dennis Austin (V. Chair 9/01-5/05) Jeff Koenings/Bill Tweit Alt, 6/05-pres
U.S. Coast Guard *(non-voting member)* 17th District P.O. Box 3-5000 Juneau, AK 99802	Perpetual	8/11/76 5/19/78 ? 3/1/84 8/1/86 8/89 8/92	4/19/78 RADM J.B. Hayes ? RADM R.A. Duin 2/29/84 RADM R. Knapp 3/84 RADM R. Lucas 9/86 RADM E. Nelson 9/89 RADM D.Ciancaglini 8/92 RADM R. Rufe, Jr. CDR Joe Kyle, Alternate 6/95 RADM R. Riutta CAPT William Anderson, Alt (to 6/96) CAPT Vince O'Shea, Alt (9/96-6/01) 6/97 RADM Terry Cross 6/99 RADM Thomas J. Barrett/O'Shea, Alt. CAPT Richard Preston, Alt (9/01- 6/02 RADM James Underwood/Preston Alt 6/04 RADM Jim Olson/CAPT Mike Cerne, Alt (thru 10/06) 6/06 ADM Gene Brooks/CAPT Cerne, Alt (CDR Lisa Ragone, Alt 11/06-present) ADM Chris Colvin CAPT Mike Cerne CDR Lisa Ragone

PAST Council members	Term	Begin	End
AGENCY REPRESENTATIVES:			
Regional Director *(non-voting member)* U.S. Fish and Wildlife Service 1011 E. Tudor Rd. Anchorage, AK 99503	Perpetual	8/11/76 ? ? ? 3/26/85 1/87 9/94 10/08	? (Jan E. Riffe) ? (Gordon Watson) ? (Keith Shreiner) 3/25/85 (Robert Putz) 3/85 (Robert Gilmore) ? (Walter Steiglitz) 9/94 David Allen, Steve Rideout, Alt (5/96 - 6/99 Everett Robinson-Wilson, Alt) 6/99 D. Alcorn 9/00 Rowan Gould/Anthony DeGange Alt. 8/05 Leonard Corin Actg. 6/06 Tom Melius/Lenny Corin (Alt) 2/07 Tom Melius/Greg Balogh (Alt) pres Geoffrey Haskett/Greg Balogh (Alt)

ALASKA FEDERATION OF NATIVES

2009 CONVENTION

RESOLUTION 09-01

TITLE: THE PROTECTION OF ALASKA NATIVE SUBSISTENCE ACTIVITIES AND ACCESS TO, AND TAKINGS, OF CUSTOMARY AND TRADITIONAL AND CULTURAL SUBSISTENCE RESOURCES

WHEREAS: Alaska Native peoples developed rich cultures and enduring societies around their spiritual relationship to the land and resources; and

WHEREAS: Our harvest and utilization of natural resources has been the basis of our sustainable economies through thousands of years; and

WHEREAS: Customary and traditional subsistence hunting and fishing is vital to the survival of Alaska Native cultures and our communities' economic well being; and

WHEREAS: The United Nations Declaration on the Rights of Indigenous Peoples supports Indigenous rights to use and manage resources necessary for our food security; and

WHEREAS: The Marine Mammal Protection Act provides for Alaska Native heritage rights for Marine Mammals; and

WHEREAS: Section 4(b) of the Alaska Native Claims Settlement Act of 1971 (ANCSA) extinguished aboriginal hunting and fishing rights; and

WHEREAS: Congress, through the Conference Report accompanying passage of ANCSA, declared its intent and expectation that the Secretary of the Interior and the State of Alaska should protect Alaska Native customary and traditional subsistence activities; and

WHEREAS: Congress enacted Title VIII of the Alaska National Interest Lands Conservation Act of 1980 (ANILCA), which established a priority for rural resident subsistence users on federal lands and reserved navigable waters; and

WHEREAS: ANILCA authorizes the State of Alaska to regulate customary and traditional subsistence harvests on all lands and waters so long as such regulation is in compliance with the mandates outlined in Title VIII of ANILCA; and

WHEREAS: In 1990, the federal government was forced to assume management authority over customary and traditional subsistence activities on federal public lands and waters because the State of Alaska failed to adequately enact a subsistence priority for rural Alaskans; and

WHEREAS: The Federal Subsistence Management Program is a multi-agency effort to provide the opportunity for a subsistence way of life by rural Alaskans on federal public lands and waters while maintaining healthy populations of fish and wildlife; and

WHEREAS: The Secretaries of the Interior and Agriculture have delegated to the Federal Subsistence Board the authority to manage fish and wildlife for subsistence uses on federal public lands and waters in Alaska; and

WHEREAS: The Federal Subsistence Board is the decision-making body that oversees the Federal Subsistence Management Program, and is comprised of the regional directors of the U.S. Fish and Wildlife Service, National Park Service, Bureau of Land Management, Bureau of Indian Affairs, the U.S. Forest Service, and a chairman appointed by the Secretaries of the Interior and Agriculture; and

WHEREAS: The Federal Subsistence Board membership is now dominated by non-subsistence users and federal employees who lack an appreciation of the significance of traditional subsistence uses, and who have improperly sought to balance the needs of commercial, sport, pleasure and subsistence users, rather than trying to protect Alaska Native access to subsistence resources, as directed by their mandate under Title VIII of ANILCA; and

WHEREAS: The State of Alaska successfully promoted the adoption of a Memorandum of Understanding between the Federal Subsistence Board and the State of Alaska that has seriously undermined Title VIII of ANILCA; and

WHEREAS: The current federal subsistence management scheme has failed to protect traditional subsistence users, and Alaska Natives are finding themselves subject to state citations for traditional subsistence practices that should be protected under Title VIII of ANILCA; and

WHEREAS: Immediate administrative and legislative action is necessary to protect Native traditional subsistence rights and uses;

NOW THEREFORE BE IT RESOLVED by the delegates to the 2009 Annual Convention of the Alaska Federation of Natives that Alaska Federation of Natives shall pursue the following executive and legislative actions to:

1. Seek immediate Congressional oversight hearings in Alaska to be held before the U.S. Senate Committee on Indian Affairs and the House Committee on Natural Resources regarding, access to, and takings of, customary and traditional subsistence resources by Alaska Natives, Alaska Native Corporations, and the federally recognized tribes; and

2. Seek immediate consultation between Alaska Native corporations, federally recognized tribes in Alaska, and the Departments of the Interior, Agriculture and Commerce, to develop recommendations for a new subsistence management

scheme that will protect the traditional subsistence way of life of Alaska Natives and other rural residents, and that will ensure full participation of Alaska Natives in the management scheme; and

3. Seek to replace the Federal Subsistence Board with a federally-chartered or authorized entity whose membership will be comprised of subsistence users rather than federal employees; and

4. Encourage President Obama to issue an Executive Order that advises the Federal Subsistence Board and the Office of Subsistence Management that Title VIII is Indian Legislation enacted under the plenary authority of Congress over Indian Affairs, and that directs the Federal Subsistence Board and Office of Subsistence Management to implement a subsistence management scheme or program in accordance with the Executive Order; and

5. Revoke the 2008 Memorandum of Understanding between the Federal Subsistence Board and the State of Alaska, Department of Fish and Game, and to remove the State's non-voting seat from the Federal Subsistence Board; and

6. Direct the Secretary of the Interior to fully implement his trust responsibility to Alaska Natives, Alaska Native Corporations and the federally recognized tribes, and to direct the employees within the Department of the Interior to honor this relationship; and

7. Direct the Secretary of the Interior to interpret broadly the scope of federal jurisdiction over the management of subsistence resources on public lands and reserved waters, and to extend by regulation the subsistence priority to waters that run through and adjacent to Native allotments and to waters upstream and downstream from federally reserved waters; and

8. Rescind the Federal Subsistence Board's determination that the Organized Village of Saxman; and any other Alaska Native village similarly affected, is not a rural community; and

9. Amend ANILCA to provide for Alaska Native Peoples customary and traditional hunting, fishing and gathering rights Plus Rural subsistence priority;

10. Seek legislation that provides Alaska Native Corporations the authority to opt into a provision ensuring a federally protected customary and traditional hunting and fishing right on corporation lands and associated waters for Alaska Natives associated with the ANCSA corporations, and legislation that allows for the taking of moose and other subsistence resources necessary for the potlatch and other ceremonies; and

11. Advocate for a state and federal Subsistence Support Program in rural Alaska to help offset the drastically increased cost of transportation to harvest subsistence foods; and

12. Amend the Magnuson-Stevens Fishery Conservation and Management Act to include designated voting seats on the North Pacific Fisheries Management Council for federally tribes and/or Alaska Native organizations representing rural subsistence users;

13. Fully fund co-management initiatives and infrastructure to ensure Alaska Native participation in the subsistence management process, and

14. Call for federal resources to be made available for research, protection and enhancement of subsistence resources in Alaska, and;

BE IT FINALLY RESOLVED that the delegates of the Annual Convention of the Alaska Federation of Natives hereby directs the Alaska Federation of Natives that one of the top and ongoing priorities for Alaska Federation of Natives shall be to address this resolution regarding subsistence concerns of all Alaska Natives.

SUBMITTED BY: BOARD OF DIRECTORS OF THE ALASKA FEDERATION OF NATIVES

CONVENTION ACTION: AMENDED AND PASSED

HCR

24

<TARGET><BILL>HCR 24</BILL><SUBJECT>HCR 24</SUBJECT><COMM>SRES27</COMM></TARGET>

ALASKA STATE LEGISLATURE

Co-Chair:
House Finance Committee

Chair:
House Finance Subcommittees for;
Department of Public Safety
Department of Law
Alaska Court System

Member:
Legislative Council
Committee on Committees
Legislative Budget & Audit (alt)
House Finance Sub-Committees for:
Governor's Office
Legislature
University of Alaska

BILL STOLTZE
STATE REPRESENTATIVE
Representative_Bill_Stoltze@legis.state.ak.us

Session:
Alaska State Capitol, Rm 515
Juneau, AK 99801-1182
Phone: (907) 465-4958
Fax: (907) 465-4928

District:
600 E. Railroad Ave.
Wasilla, AK 99654
Phone: (907) 376-4958
Fax: (907) 376-4928

Toll Free: 1-866-465-4958

Memorandum

TO: Senator Joe Paskvan, Co-Chair Senate Resources
Senator Tom Wagoner, Co-Chair Senate Resources

FROM: Rep. Bill Stoltze

DATE: April 5, 2012

RE: Calendar Request for CS HCR 24 (FIN) "Relating to the establishment and operation of a state food resource development working group."

Mr. Chairs,

I request that CS HCR 24 (FIN) be calendared for a hearing before the Senate Resources Committee Floor at the earliest possible time. I appreciate your consideration of this resolution dealing with Alaska's abundant food resources.

Attached is a sponsor statement, supporting material and a copy of the legislation for consideration.

Contact my staff member Darrell Breese (465-4958) for additional information.

ALASKA STATE LEGISLATURE

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House Finance Committee

Chair:
House Finance Subcommittees for;
Department of Public Safety
Department of Law
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Member:
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Sponsor Statement for HCR 24 by Representative Bill Stoltze

The passage of House Concurrent Resolution 24 calls of the Governor to establish a state food resource development working group with the primary goal of producing more locally grown and harvested food items to be consumed in Alaska, by Alaskans.

In addition the resolution calls on the Governor to requests multiple departments of his administration to work closely with the working group and the independent Food Policy Council to increase the production and consumption of local food items in Alaska.

Whether it be agriculture products, seafood or locally produced meat, increased local food products will lead to a healthier Alaska and enhance the economy of the entire state.

The importance and value of creating and maintaining a robust supply of Alaskan food is why the resolution is asking the Governor to establish a state food resource development working group to work with the Alaska Food Policy Council to identify resources and set policies to build a strong, sustainable healthy food system in the state.

In addition to creating the working group, this resolution calls on the governor to request the departments of his administration to work closely with the farmer's, fisherman, cattle ranchers and shellfish growers to produce more locally grown food products to consumption in Alaska, by Alaskans.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **HCR 24**
Fiscal Note Number:
() Publish Date:

Identifier (file name): HCR24-LEG-COU-2-28-12
Title: "Relating to the establishment and operation of a state food resource development working group."
Sponsor: Reps Stoltze, Neuman, Costello, Thompson, Fairclough...
Requester: House Finance

Dept. Affected: Legislature
Appropriation: Legislative Council
Allocation: Council & Subcommittees
OMB Component Number: 783

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial Version

Prepared by: Jessica Geary, Finance Manager — Phone: 465-6626
Division: Legislative Affairs Agency — Date/Time: 2/28/12 4:43pm
Approved by: Pamela Varni, Executive Director — Date: 2/28/2012
Legislative Affairs Agency

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. HCR 24

Analysis

This Legislation has zero fiscal impact on the Legislative Affairs Agency.

ALASKA STATE LEGISLATURE

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House Finance Committee

Chair:
House Finance Subcommittees for;
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Department of Law
Alaska Court System

Member:
Legislative Council
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Summary of Changes for HCR 24

Page 3, Line 29 and following

Added. This section calls on the Governor to have the Departments of Health and Social Services, Education and Early Development and Corrections to work with the state food resource working group to develop a nutrition policy for congregate meals in public facilities.

Page 4, Line 19 and following

Added. Includes the Department of Environmental Conservation, non-profits agencies, the USDA, and Alaska Native regional corporations in the collaborative work of the food resource development working group.

ALASKA FARM BUREAU, INC.

Bryce Wrigley, President
bjwrigley@wildak.net

Jane Hamilton, Executive Director
janehamilton99737@yahoo.com

Farmers and ranchers are state policies and regulations that hinder the growth and expansion of agriculture. We want to produce food for Alaskans, but lack of a coordinated statewide effort to increase food independence affects economic growth and diversity. Every Alaskan knows that an oil economy is not sustainable long term. In spite of that knowledge, year after year we do very little to diversify our economy and nothing to enhance our ability to feed ourselves.

HCR 24 encourages the formation of a group tasked with addressing our statewide food production capabilities. It represents virtually all stakeholder organizations and focuses their efforts on food for Alaska. Not only does it bring together food production from agriculture, fishing, and wild harvest, it also includes nutrition, education, and research services.

A dynamic agriculture industry benefits Alaska in many more ways than just growing food. A vigorous agricultural policy could help resolve many of the social ills that exist in rural and remote Alaska. Agriculture connects people with the land and in the process, re-enthrones pride, industry, and self-reliance. It creates jobs, improves nutrition, and diversifies the economy.

We urge every member of the Alaska State House and Senate to support rapid passage of HCR 24. We need a food production policy that is responsive, proactive, and serves the food needs of all Alaskans. We want this working group to be empowered to work across agency lines to resolve our food production and distribution needs so that all Alaskans have access to locally grown, healthy food.

Thank you for your support.

Bryce Wrigley,
Alaska Farm Bureau President

PO Box 760 Delta Junction, Alaska 99737 Telephone: (907) 895-4752

February 27, 2012

The Honorable Bill Stoltze
Member of the House of Representatives
Alaska Capitol, Room 515
Juneau, AK 99801-1182

RE: HCR No. 24 (Stoltze) – Support

Dear Representative Stoltze:

The Alaska Food Coalition is pleased to express our support for House Concurrent Resolution No. 24 relating to the establishment and operation of a state food resource development working group. The Alaska Food Coalition has been a participating member of the Alaska Food Policy Council since 2010, and supports its effort to improve Alaska's food systems.

As advocates seek to address a range of interconnected food system problems, many find that building partnerships and coordinating efforts is essential to developing effective and lasting solutions. Community food security strives to link and integrate diverse fields, including community economic development, anti-hunger, local and sustainable agriculture, public health, and nutrition. The movement encompasses a broad range of participants working on many different issues with similar goals, including the elimination of hunger and food insecurity.

We appreciate your leadership on this issue and wish to express our sincere thanks to you for working to protect, preserve and develop the state's farms, subsistence, agricultural and commercial fisheries industries. We ware also thankful to Representatives Neuman, Costello, Thompson, Fairclough, Munoz, Lynn, Kerttula and Pruitt for signing up to co-sponsor HCR No. 24.

Please do not hesitate to contact Vanessa Salinas, Alaska Food Coalition Manager if you have any questions, 907-222-3103 afc@foodbankofalaska.org

Thank you for all that you do for Alaska.

Sincerely,

Gloria Benson
Alaska Food Coalition President

cc: (House Finance) Thomas, Jr., Fairclough, Edgmon, Joule, Neuman, Wilson, T., Costello, Guttenberg, Gara, Doogan, Hawker

Darrell Breese

From: Ron Klein <ron.klein@gci.net>
Sent: Friday, February 24, 2012 9:15 AM
To: Rep. Bill Stoltze
Subject: HCR 24A - Recommended amendment

Dear Representative Stoltze,

I am a member of the Alaska Food Policy Council's Governing Board and would like to thank you for taking the lead in introducing HCR24A which asks the Governor to establish a establish a state food resource development working group to work with the Alaska Food Policy Council. The proposed working group overlooks including the Department of Environmental Conservation which plays a key role in Alaska food policy. DEC's Food Safety and Sanitation Program, Office of the State Veterinarian, and Environmental Health Laboratory actively work with the state's food industry in ensuring the safety and viability in of Alaska's food industry locally as well as the reputation of Alaska's food industries in the national and international marketplace. In fulfilling its mission the department works closely with DNR, ADFG, DHSS, DEED, DCED, DPS, as well as with USDA, FDA, and NOAA.

I recommend HCR 24A be amended to include the Department of Environmental Conservation (DEC) in the state food resource development working group.

The failure to recognize DEC's role and incorporate DEC into the proposed work group would lead to poor outcomes if the Governor chooses to establish a working group. I suggest the following amendment:

FURTHER RESOLVED that, if the Governor establishes a state food resource development working group, the Alaska State Legislature respectfully requests the Governor to direct the Department of Environmental Conservation to work with the state food resource development working group to incorporate food protection and defense strategies and education programs to ensure safety in food production, food processing, and food distribution businesses.

I would be pleased to provide more information in support of the amendment if it would be helpful.

Sincerely,

Ronald S. Klein
3316 Knik Ave
Anchorage, Alaska 99517
907-351-4184

American Heart Association. | American Stroke Association.
Learn and Live.

American Heart Association
Western States Affiliate
3700 Woodland Drive Suite 700
Anchorage, AK 99517
Tel 907-865-5300
www.heart.org

Chairman
Mary Caldwell, R.N., Ph.D.
Healdsburg

President
Richard J. Gray, M.D.
Monterey

Immediate Past Chairman
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Hillsborough

Immediate Past President
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Secretary
Robert C. Robbins, M.D.
Stanford

Executive Vice President
Roman J. Bowser

COO, Field Operations & Development
Ginnie Gatlin

COO, Business Operations
Sara Robertson

March 12, 2012

The Honorable Representative Stoltze, Co-Chair
The Honorable Representative Thomas, Co-Chair
House Finance Committee
State Capitol, Room 519
Juneau, AK 99801-1182

Dear Representative Stoltze and Representative Thomas,

On behalf of the American Heart Association (AHA), I respectfully request your support of House Concurrent Resolution 24 (HCR 24). This resolution asks the Governor to establish a state food resource development working group to coordinate with the Alaska Food Policy Council to identify resources and set policies which will build a strong, sustainable healthy food system for the state. The resolution further charges the working group to collaborate with state agencies to increase economic development; encourage policies that increase the use of locally grown food in schools and other state operated institutions; establish educational programs about the nutritional value of locally harvested seafood and produce; and create a sustainable agriculture and fisheries system in Alaska.

Heart disease and stroke are the number one and four killers, respectively. Maintaining a healthy diet is critical to reducing the risk of cardiovascular diseases, stroke and other chronic diseases and conditions.

The AHA advocates for policies that will raise public awareness about the importance of a healthy, balanced diet and lifestyle and increase the availability and consumption of fruits, vegetables, and other nutritious foods, particularly in our nation's schools.

HCR 24 seeks to improve access to healthy and nutritious foods and promotes programs that will empower Alaskans to live a heart healthy life. The AHA is pleased to support this resolution.

Respectfully,

Jamie Morgan

Jamie Morgan
Senior Government Relations Director
American Heart Association, Western States Affiliate

Cc: Members, House Finance Committee

Darrell Breese

From: housemajority_email@housemajority.org
Sent: Friday, February 17, 2012 6:20 PM
To: Rep. Bill Stoltze
Subject: Email to Rep. Stoltze

+--+
DO NOT REPLY DIRECTLY TO THIS EMAIL: your reply will go to enews@housemajority.org To correspond with the author Hit 'Reply' or 'Forward'.
Then change the TO: address to bob.eason@nsbsd.org If suspected Spam please forward to: support@housemajority.org
+--+

From: bob.eason@nsbsd.org

Excellent Job Representative Stoltze !
HCR 24 may have huge a impact with positive improvements to our personal and economic health, if the "state food resource development working group" is as good at their job, as you are at yours. Thank you very much for the creative foresight introduced in HCR 24.
On another note, I was able to thank Ben Vanderweele for the excellent carrots that the Ipalook students enjoyed thanks to you bringing them to us here in Barrow. Thanks again, Bob Eason

~ Bob Eason
Zip Code: 99654

+--+
DO NOT REPLY DIRECTLY TO THIS EMAIL: your reply will go to enews@housemajority.org To correspond with the author Hit 'Reply' or 'Forward'.
Then change the TO: address to bob.eason@nsbsd.org If suspected Spam please forward to: support@housemajority.org
+--+

Darrell Breese

From: Milli <millimom@xyz.net>
Sent: Wednesday, February 22, 2012 8:19 AM
To: Rep. Bill Stoltze; Rep. Paul Seaton
Subject: HCR 24

Dear Rep. Stoltze and Rep. Seaton,

I strongly support HCR 24, and ask your support of this legislation. Our local economy has been so boosted by the advent of High Tunnel farming, that continues to grow. It is a way to provide healthy, fresh foods for our communities. Whatever state support we can get, will assist to continue these federal efforts.

Thank you,

Milli Martin
P.O. Box 2652
Homer, AK 99603

Darrell Breese

From: kelly dufort <kellydufort@gmail.com>
Sent: Thursday, March 08, 2012 4:15 PM
To: Rep. Bill Stoltze
Subject: Thank You: Local Food in Schools

Dear Rep. Stoltze,
Thank you for taking a big first step toward good food policy in Alaska by sponsoring and testifying in support of HCR 24. I too feel that it's very important to encourage Alaska Grown foods in schools and other state institutions. I also love breakfast. Thank you for your continued leadership to ensure that more people have access to healthier foods and therefore have more opportunities to become healthier, smarter people.

Yours,
Kelly DuFort
Anchorage, AK resident and Alaska Grown food lover since 2011

Darrell Breese

From: sig restad <sigandcarolrestad@gmail.com>
Sent: Thursday, March 01, 2012 5:49 PM
To: Rep. Bill Stoltze
Subject: HCR 24

Northland Pioneer Grange met last Thursday in support of HCR 24. Hope it's successfull.

Darrell Breese

From: Nick Moe <nick@akcenter.org>
Sent: Thursday, March 01, 2012 2:16 PM
To: Rep. Bill Stoltze
Cc: Darrell Breese; James Armstrong
Subject: HCR 24 and The School Meals Bill

Dear Representative Stoltze:

I want to send you a sincere thank you for your sponsorship and testimony on HCR 24 yesterday. I am moved by your commitment and passion for Alaska produce and seafood. I fully support the working-group as a great way to bring State institutions together to figure out how to make improvements.

Learning more about food issues the last several months has heightened my own passion and dedication to increasing local food consumption, and production of locally grown produce and seafood. And this is why I got involved to help push the school meals bill.

I see the school meals bill as an opportunity to expand and improve a program that already exists, which would incorporate more Alaska grown produce in school meals while helping feed the students who need the nutrition. While it is great to get Corrections purchasing local foods, it drives me crazy to think that our prisoners may be getting healthier food than our students. And I agree with you that nutrition in school meals is a serious issue. It amazes me that pizza is still considered a vegetable.

I apologize for the high emotions and inflammatory rhetoric from the school meals bill advocates, including myself. Though I realize while elevating the discussion of food in Alaska is important, some of us have crossed the line and resorted to personal attacks that are unfounded. I understand you have hundreds of bills waiting to be heard, even your own, and though it is difficult to make everything a priority I appreciate your efforts.

My goal is to try and calm the high emotions these next few weeks, and allow space for the process to go forward.

Thank you again for your support and work on these issues.

Nick Moe

PS The Local Food Film Festival is coming back to the Bear Tooth the first week of June. It will feature several films, local food specials and a panel discussion. If you are available and up for it, it would be great to have you on the panel. Last year was a big success with over 700 people coming through the door and I see it as a great way to increase the demand for local foods in Anchorage. This year we are expecting over 1,500 people to attend throughout the week.

--

Nick Moe
Sustainable Communities Coordinator,
Alaska Center for the Environment
Direct: (907) 274-3662
Cell: (907) 947-8777

HCR

25

<TARGET><BILL>HCR 25</BILL><SUBJECT>HCR 25</SUBJECT><COMM>SRES27</COMM></TARGET>

ALASKA STATE LEGISLATURE

Member:
House Finance Committee
Legislative Budget & Audit Committee

Chair:
House Budget Sub Committees on:
- Department of Administration
- Department of Labor and Workforce Development

Session:
Alaska State Capitol
Juneau. AK 99801-1182
Phone: (907) 465-2679
Fax: (907) 465-4822
Toll Free (800) 505-2678

Interim:
600 E. Railroad Ave
Wasilla, AK 99654
Phone: (907) 376-2679
Fax: (907) 373-4745

Representative Mark Neuman

Rep.Mark.Neuman@legis.state.ak.us

March 26, 2012

Dear Senator Paskvan and Senator Wagoner

Subject: HCR 25, Celebrating the 75th anniversary of the Wildlife and Sport Fish Restoration Program.

Please consider scheduling this legislation for a hearing at your earliest convenience. We appreciate the opportunity to present this resolution to members of your Committee and believe it will have broad support in the Senate. I have asked the Alaska Department of Fish and Game to be available to answer any questions the committee may have. Attached is a committee package.

Included are the following:

- Letter of Request
- Sponsor statement.
- Current version of the Resolution
- 2012 Fiscal Notes
- Background Info

Please feel free to contact myself or my aide Rex Shattuck (465-2696) with any questions.

Thank you for your consideration.

Sincerely,

Mark Neuman

Representative Mark Neuman

ALASKA STATE LEGISLATURE

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Representative Mark Neuman
Rep.Mark.Neuman@legis.state.ak.us

Sponsor Statement

HCR 25, Wildlife & Sport Fish Restoration Program

American hunters and anglers were some of the first conservationists to realize the importance of our natural resources and that without their support they would be in peril if not properly managed. They understood the necessity to regulate harvests and preserve habitat.

Throughout the history of the conservation movement, hunters and anglers have led the way in supporting legislation to stop excessive harvest of fish and wildlife, and establish federal and state fish and game agencies to protect fish, wildlife, and habitat.

The revenue generated from the purchases of hunting and fishing licenses fund agencies efforts to conserve natural resources for future generations.

Wildlife and Sport Fish Restoration Programs began 75 years ago with the passage of the Federal Aid in Wildlife Restoration Act of 1937. Thirteen years later in 1950, the Federal Aid in Sport Fish Restoration Act created an effective "user pay - public benefit" system.

Since 1939, contributions to state fish and wildlife agencies by wildlife and sport fish restoration programs have exceeded $13,000,000,000. This represents the greatest single conservation effort in the history of the United States and the nation's primary means of funding conservation.

The Alaska State Legislature, on the 75th anniversary of the nation's greatest conservation story, recognizes the leading roles of hunters, anglers, boaters, recreational shooters, industry, state fish and wildlife agencies, and the United States Fish and Wildlife Service in restoring healthy populations of fish, wildlife, and other natural resources, both game and nongame, to the abundance enjoyed today.

Version 27-LS1350\B

ALASKA STATE LEGISLATURE

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Representative Mark Neuman
Rep.Mark.Neuman@legis.state.ak.us

Summary of Changes

CSHCR 25, Wildlife & Sport Fish Restoration Program

Changes in version 27-LS1350\B

Page 2, line 29 (under Copies Section)

The committee added two organizations to the Resolutions distribution list.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: HCR 25
Fiscal Note Number:
() Publish Date:

Identifier (file name): HCR25-LEG-COU-2-29-12
Title: "Celebrating the 75th anniversary of the Wildlife and Sport Fish Restoration Program."
Sponsor: Reps Neuman, Johnson, Chenault, Stoltze, Olson...
Requester: House Special Committee on Fisheries

Dept. Affected: Legislature
Appropriation: Legislative Council
Allocation: Session Expenses
OMB Component Number: 782

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		0.0	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial Version

Prepared by: Jessica Geary, Finance Manager — Phone: 465-6626
Division: Legislative Affairs Agency — Date/Time: 2/29/12 8:53am
Approved by: Pamela Varni, Executive Director, Legislative Affairs Agency — Date: 2/29/2012

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. HCR 25

Analysis

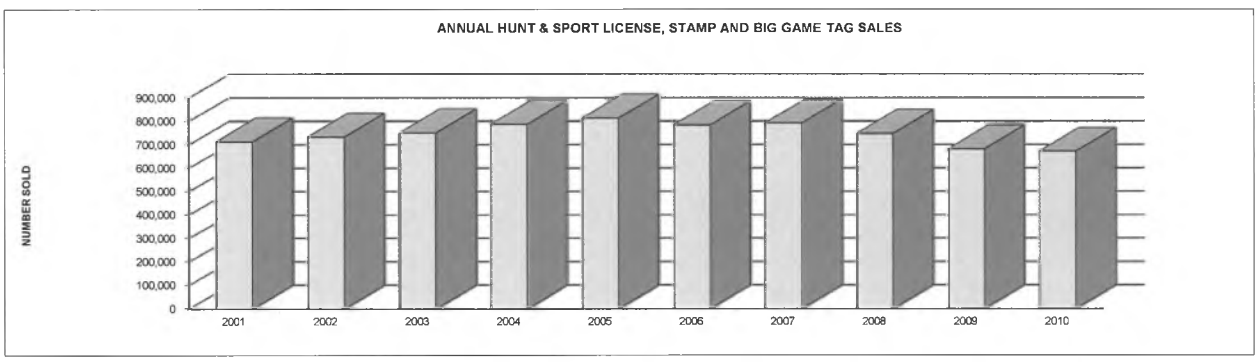
This Legislation has zero fiscal impact on the Legislative Affairs Agency.

STATE OF ALASKA DEPARTMENT OF FISH & GAME
10 YEAR RECAP - NUMBER SOLD
SALES STATISTICS FOR HUNT & SPORT LICENSES, STAMPS AND BIG GAME TAGS REPORTED SOLD
(Sales reported during each calendar year - includes prior and next year sales)

Division of Administrative Services, License Accounting
Prepared January 26, 2011
Does not include Commercial Crewmember Licenses data

TYPE OF LICENSE	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Collector Waterfowl Conservation Stamp	2,012	1,617	1,454	1,536	1,300	1,090	1,548	966	758	730
Collector King Salmon Exempt Fee Stamp	365	3	1	9	9	0	0	0	0	0
Resident Fur Dealer	13	19	16	13	16	15	18	25	18	24
Nonresident Fur Dealer	0	0	0	0	0	0	0	1	0	0
Resident Taxidermy	41	45	48	44	46	43	57	50	55	51
Nonresident Taxidermy	3	2	2	1	1	1	0	1	1	2
Game Mammal & Reptile Farm	0	0	1	0	0	0	0	0	0	0
Game Bird Farm	0	0	1	0	0	0	1	0	0	0
Collector Fish Stamp	58	13	15	6	4	41	40	23	23	23
Resident Sport Fish	112,041	114,480	115,197	117,724	117,630	111,222	112,843	109,141	110,692	108,030
Resident Hunt	18,827	19,373	19,611	18,012	18,839	18,769	17,906	18,866	18,945	18,925
Resident Hunt/Sport Fish	41,330	44,152	44,153	44,502	43,968	42,087	42,589	46,429	48,087	42,892
Resident Fish/Hunt/Trap	5,567	5,645	6,068	6,084	6,111	6,066	6,349	6,596	7,418	7,440
Nonresident Sport Fish	11,463	11,714	12,403	13,023	13,425	12,901	13,334	13,298	12,865	13,217
Nonresident Hunt	9,342	9,838	9,941	9,920	10,124	10,280	9,558	8,811	7,985	7,701
Nonresident Hunt/Sport Fish	592	573	633	708	787	655	723	647	642	633
Nonresident Hunt/Trap	28	32	41	30	71	13	36	72	78	72
Nonresident YT-AK Reciprocal SF	*	*	*	*	2,003	2,163	2,222	2,111	2,019	2,321
Nonresident Military Sport Fish	3,978	3,825	4,210	4,826	4,452	4,646	4,344	4,436	3,692	4,228
Nonresident Military Small Game Hunt	256	178	232	242	183	169	191	230	13	*
Nonresident Military Fish/Small Game Hunt	279	245	254	241	248	237	176	176	5	*
Nonresident Alien Hunt	184	201	188	187	189	215	286	286	292	288
Nonresident Military Hunt	*	*	*	*	*	*	*	4	483	626
Nonresident Military Hunt/Sport Fish	*	*	*	*	*	*	*	4	771	1,137
Duplicate License	6,198	6,039	6,572	6,595	6,726	6,643	7,301	6,959	6,858	8,071
Resident Blind Sport Fish	59	78	67	56	55	57	53	62	39	46
Resident Blind Hunt	40	38	16	13	28	27	61	31	-3	26
Resident Hunt/Trap	1,137	646	817	807	996	857	758	846	857	811
Resident Trap	773	701	714	673	685	735	773	857	880	943
Resident ANG/Mil Reserves Hunt/Sport Fish	*	*	*	*	*	*	*	444	1,542	1,617
Resident Low Income Hunt/Fish/Trap	14,473	14,921	15,311	15,421	15,384	15,661	16,371	17,203	20,180	20,449
Duplicate Res Low Income Hunt/Fish/Trap	443	426	368	464	424	422	340	432	399	519
Nonresident 14 Day Sport Fish	23,636	23,537	23,491	24,260	25,115	22,981	24,015	22,971	19,750	20,071
Nonresident 3 Day Sport Fish	50,977	51,864	52,933	56,833	59,346	62,178	62,342	59,033	46,348	48,087
Nonresident 1 Day Sport Fish	100,042	108,608	109,622	121,913	125,471	110,843	114,675	104,463	91,999	90,166
Nonresident 7 Day Sport Fish	82,636	82,777	84,314	91,041	98,685	93,190	96,074	91,021	72,900	73,990
Nonresident Small Game Hunt	1,297	1,533	1,687	1,598	1,793	1,858	1,968	2,102	2,225	2,465
Nonresident Hunt/14 Day Sport Fish	*	*	*	85	321	357	379	332	295	260
Nonresident Hunt/7 Day Sport Fish	1,365	1,440	1,498	1,510	1,696	1,568	1,698	1,558	1,111	1,272
Nonresident Hunt/1 Day Sport Fish	*	*	*	2	8	8	14	7	8	1
Nonresident Hunt/3 Day Sport Fish	*	*	*	4	13	50	62	37	22	49
Void Collector Fish Stamp	*	*	3	0	0	0	0	0	0	0
9-11 Free Nonresident Sport Fish	*	48	3	*	*	*	*	*	*	*
Permanent Identification Cards	3,952	4,149	4,762	4,460	4,583	4,588	5,141	5,294	6,359	5,988
Military Disabled Veteran Hunt/ Sport Fish	253	290	308	278	266	222	268	287	341	315
Waterfowl Conservation Stamp	9,700	11,076	10,269	9,089	10,214	9,026	8,980	9,735	9,164	9,888
Nonresident 14 Day King Salmon Stamp	4,991	4,598	4,671	5,063	5,698	5,586	5,866	5,332	4,167	3,955
Nonresident 1 Day King Salmon Stamp	45,772	47,637	48,583	53,201	53,263	51,293	51,130	40,076	34,989	34,120
Nonresident 3 Day King Salmon Stamp	25,340	28,296	28,589	30,159	32,207	34,545	33,019	28,193	21,910	22,243
Nonresident 7 Day King Salmon Stamp	27,901	25,998	28,094	31,563	34,136	35,984	36,757	30,341	24,116	23,733
Resident King Salmon Stamp	78,647	78,805	86,227	86,842	87,521	84,658	82,934	79,513	75,062	69,748
Nonresident Military King Salmon Stamp	1,481	1,782	1,693	2,065	1,730	1,823	1,702	1,682	1,480	1,592
9-11 Free Nonresident King Salmon Stamp	*	169	4	*	*	*	*	*	*	*
Nonresident Annual King Salmon Stamp	2,386	2,297	2,437	2,879	3,253	3,420	3,739	3,390	2,947	2,984
YT-AK NR Reciprocal KS Stamp	*	*	*	*	481	536	822	675	711	656
Duplicate King Salmon Stamp	1,149	1,093	1,262	1,385	1,324	1,587	1,467	1,347	1,117	1,281
SUBTOTAL	**691,027**	**710,801**	**728,784**	**765,367**	**790,828**	**761,314**	**770,930**	**726,396**	**662,615**	**653,686**
Resident Big Game Tags	7,039	7,083	7,229	7,024	7,043	6,942	7,024	7,673	7,925	6,382
Nonresident Big Game Tags	17,157	17,343	16,667	16,598	17,348	16,965	16,219	14,857	12,180	12,829
Duplicate Big Game Tags	89	73	116	81	67	119	102	144	99	89
TOTAL	**715,312**	**735,300**	**752,796**	**789,070**	**815,286**	**785,340**	**794,275**	**749,070**	**682,819**	**672,986**

* License/stamp was not applicable in this year.
Number sold may change due to vendor reporting and continuous updates made in the system by licensing staff.



Alaska Chapter SCI
PO Box 770511
Eagle River, AK 99577
(907) 980-9018

March 1, 2012

The Honorable Steve Thompson, Chair
Alaska State House
Special Committee on Fisheries
State Capitol, Room 428
Juneau, AK 99801

Dear Representative Thompson,

SCI Alaska Chapter is the leading hunter-conservationist organization in the world, as well as here in Alaska. It is our mission to promote conservation of species and the freedom to hunt. Our record here in Alaska clearly illustrates our commitment to that mission from leading the fight against anti-hunters at the ballot box to leading the wood bison restoration project, we are as our motto says, "First for Hunters".

We are writing today to express our support for HCR 25 regarding the commemoration of the Wildlife Restoration Act. This act was made possible by the tireless work of hunter-conservationists who requested that the hunting community be taxed to pay for wildlife. It would be well to remember that this request came during the Great Depression when many Americans were facing financial hardship. Despite that obstacle, hunters pursued and won the creation of the Wildlife Restoration Act agreeing to pay a tax in order to support wildlife conservation.

We ask you as you consider this legislation to remember that we hunters support the user pay system and feel that it is more than fitting the creation of that system be recognized by HCR 25. Please pass this resolution from your committee at your earliest convenience.

Sincerely,

Terry C. Holliday

Terry Holliday
President

cc: Rep. Mark Neuman

SCI's Top Gun Chapter

Alaska Department of Fish and Game

Whittier Harbor boat ramp

Grant Program Overview

The Federal Aid in Sport Fish Restoration (SFR) Act, often referred to as the Dingell-Johnson (D-J) Act or the Wallop-Breaux (W-B) Amendment, not only provides funding for sport fisheries management and research, but also funds projects to improve recreational power boating and sport fishing access. This legislation has created a model "user pay/user benefit" program through federal excise taxes and import duties placed on sport fishing equipment, recreational powerboats, and gasoline used in recreational boats. The tax revenue collected by the U.S. Treasury is transferred to the U.S Department of Fish and Wildlife Service, which is the agency responsible for administering the SFR program. The Alaska Department of Fish and Game (ADF&G) is the only department in state government that is allowed to receive and use SFR funds. The SFR program will cover up to 75% of the cost of an eligible project and requires a 25% non-federal match, which is often met through the sale of sport fishing licenses. To help control program costs, projects are often partnered with other state departments, as well as local governments.

The ADF&G Sport Fish Division has both regional and statewide staff who work with state and federal land managers and local governments to identify, facilitate design and construction, and fund capital improvements and maintenance of boating access sites. Projects are built to Americans with Disabilities Act (ADA) guidelines and include boat launches and parking areas, restrooms, transient moorage, fish cleaning facilities, and other fresh water and marine access site improvements.

Over the years, the Recreational Boating and Access Program has helped to open boating and angler access to many Alaskan waters, both fresh and marine. Over 160 capital improvement projects have been accomplished, which have provided new and improved access to sites throughout the state. Twice as big as Texas, yet with fewer roads than Delaware, Alaska presents unique recreational access challenges. Even so, if you've ever fished or boated in Alaska, chances are you used a facility constructed through the Division of Sport Fish Recreational Boating and Angler Access Program.

Funding Restrictions

According to federal aid regulations, SFR grants can be approved only if they primarily benefit the recreational boating and sport fishing public. These funds cannot be used for projects that primarily support subsistence, personal use, or commercial fishing groups. Subsistence and personal use fisheries are restricted to Alaska residents only and are therefore not open to the public in the federal sense. In addition, the "methods and means" used in subsistence, personal use, and commercial fisheries - gillnets, set nets, and dip nets - are not allowed in sport fisheries, and are thus not subject to the excise tax that supports the Recreational Boating and Angler Access Program. Other users may use an SFR project, but such use cannot displace recreational boater and sport angler use.

Two Types of Projects: Recreational Boating and Angler Access (Non-Boating)

The Wallop-Breaux (W-B) Amendment to the SFR Act requires that a minimum of 15% of SFR funds allocated to Alaska must be used for recreational power boating access projects. However, there is no such requirement on the use of SFR funds for angler access projects. Funding requests for angler access projects compete directly with other Division of Sport Fish SFR programs, such as research, management, hatchery support, information and education, and habitat restoration. Since a large portion of boating access funds comes from federal taxes on fuel and recreational power boats, project proposals that primarily benefit non-motorized boats (canoes, kayaks, and rafts) or diesel-powered boats do not qualify as recreational boating related projects. However, these proposals may be considered for SFR angler access funding.

Recreational Boating Projects

SFR boating access funds must be used only for constructing, renovating, improving, or maintaining access for marine or freshwater trailerable (under 26 feet), gasoline-powered boats. Examples are boat launch ramps, transient docking facilities, fish cleaning tables, parking areas, restrooms, land acquisition and development for power boating use, and related support facilities.

» Listing of eligible boating access projects

Recreational Angler Access (Non-Boating) Projects

SFR non-boating funds can be used for acquiring land, and constructing, improving, or maintaining public works such as sportfishing-related parking and camping areas, trails, fishing piers or docks, fish cleaning tables, restrooms, and associated facilities that are not related to power boating use.

» Listing of eligible angler access projects

Project Identification

Recreational access needs are assessed and projects identified by the local Sport Fish Area Management Biologist (AMB) or Access Program staff. The AMB submits a list of project ideas annually to the Access Program Manager, who then reviews and researches the projects to ensure adherence to SFR regulations and Division of Sport Fish Access Program guidelines. Project ideas are ranked utilizing established criteria and are then prioritized based on project validity, need, and funding availability.

Additional Resources

- Information on ADA accessible facilities can be found at the Alaska Department of Natural Resources, Division of Parks and Outdoor Recreation website. (http://dnr.alaska.gov/parks/asp/access.htm)
- Information about the Federal Aid in Sport Fish Restoration program can be found on the U.S. Fish & Wildlife Service website. (http://wsfrprograms.fws.gov/home.html)
- Information pertaining to legal public access to the states land and water can be found here in the Legal Access section of the ADF&G website.
- Accessible Fishing - Mobility Impaired Access Points (*PDF 113 kB*)
- Lake Maps Series

Responsible Management Of Alaska's Recreational Fisheries In The 21st Century

Division Of Sport Fish

Strategic Plan

2010-2014

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Vision

Excellence in fisheries management and research for the benefit of recreational anglers, the state's economy, and future generations of Alaskans.

Mission

The mission of the Division of Sport Fish is to protect and improve the state's recreational fisheries resources.

Message From The Director

As with any agency, business, or organization, success is measured by how well the entity progresses toward achieving its vision. This strategic plan is our five-year road map to ensure the Division of Sport Fish can achieve its goals and objectives.

It is my belief that fish populations important to recreational anglers and the economy of Alaska must be kept at highly productive levels using local fisheries management expertise. We will invoke state-of-the-art technologies and techniques toward our fish population stock assessments, habitat and aquatic research, and data collection programs. We will apply progressive business practices to administer public funds in a highly accountable fashion, and exemplary public service will be provided to the angling public and citizens. The catalyst necessary to accomplish the challenges we face, solely rests with current and future personnel. To this end, support for and exposure to novel applications will become foundational within all sections of the division. We will recognize and reward personnel for exploring and applying new technologies. Heightened recognition for our efforts will be both our reward and personnel recruitment tool.

Preparation of this document was a group effort for which numerous individuals deserve a hearty "thank you" for their time, energy and demonstrated intellect. In particular, I express gratitude to division staff who participated in the strategic planning process—their motivation and direct input helped greatly in shaping this plan and charting our direction for the foreseeable future.

Finally, I hope you will use this document to track our progress. The success of our division relies upon public input and those that support recreational fishing through the purchase of fishing licenses, stamps, equipment and fuel. Hold us accountable in our ongoing tasks to protect and improve our state's fisheries resources. Let us know how we are doing. I look forward to hearing from you.

— Charlie Swanton

Director, Division of Sport Fish

Organizational Snapshot

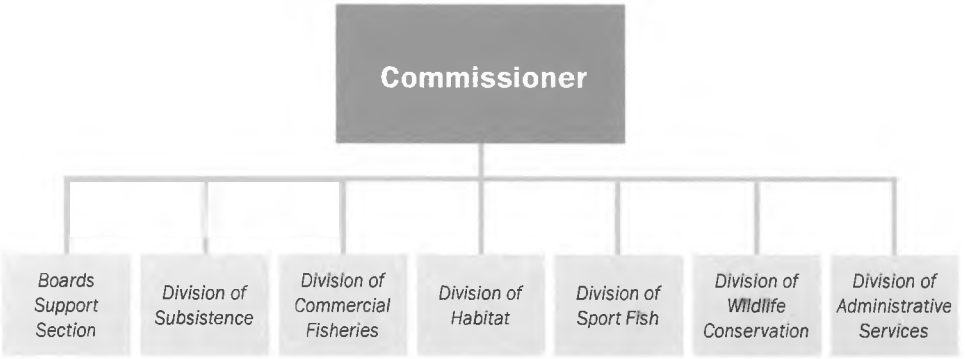
The Division of Sport Fish—along with the divisions of Commercial Fisheries, Habitat, Subsistence, Wildlife Conservation, and Administrative Services—is a discrete entity within Alaska's Department of Fish and Game (see Department Organizational Chart, below). The division is charged with managing recreational fisheries (including shellfish) within state waters. The Division of Sport Fish was established in 1951 as part of Alaska's territorial government to oversee Alaska's developing sport fisheries. Its creation coincided with the passage of the federal Sport Fish Restoration Act of 1950 (also known as the Dingell-Johnson Act), which gave states and territories funds to conduct scientific research related to recreational fisheries. Today, the Division of Sport Fish is responsible for oversight and management of Alaska's sport fisheries with an estimated economic impact of $1.4 billion annually.

In addition to our primary responsibilities, division personnel serve as staff and biological advisors to the Alaska Board of Fisheries, which is responsible for regulatory and fisheries resource allocation decisions. The division is comprised of more than 200 permanent full-time employees and 200 seasonal and temporary personnel. Our mission could not be accomplished without assistance from others whereby we maintain strong partnerships with other divisions and other governmental and nongovernmental groups.

The division maintains regional and area offices throughout the state to serve the public (see regional office contact information on back cover).

Alaska Department of Fish and Game

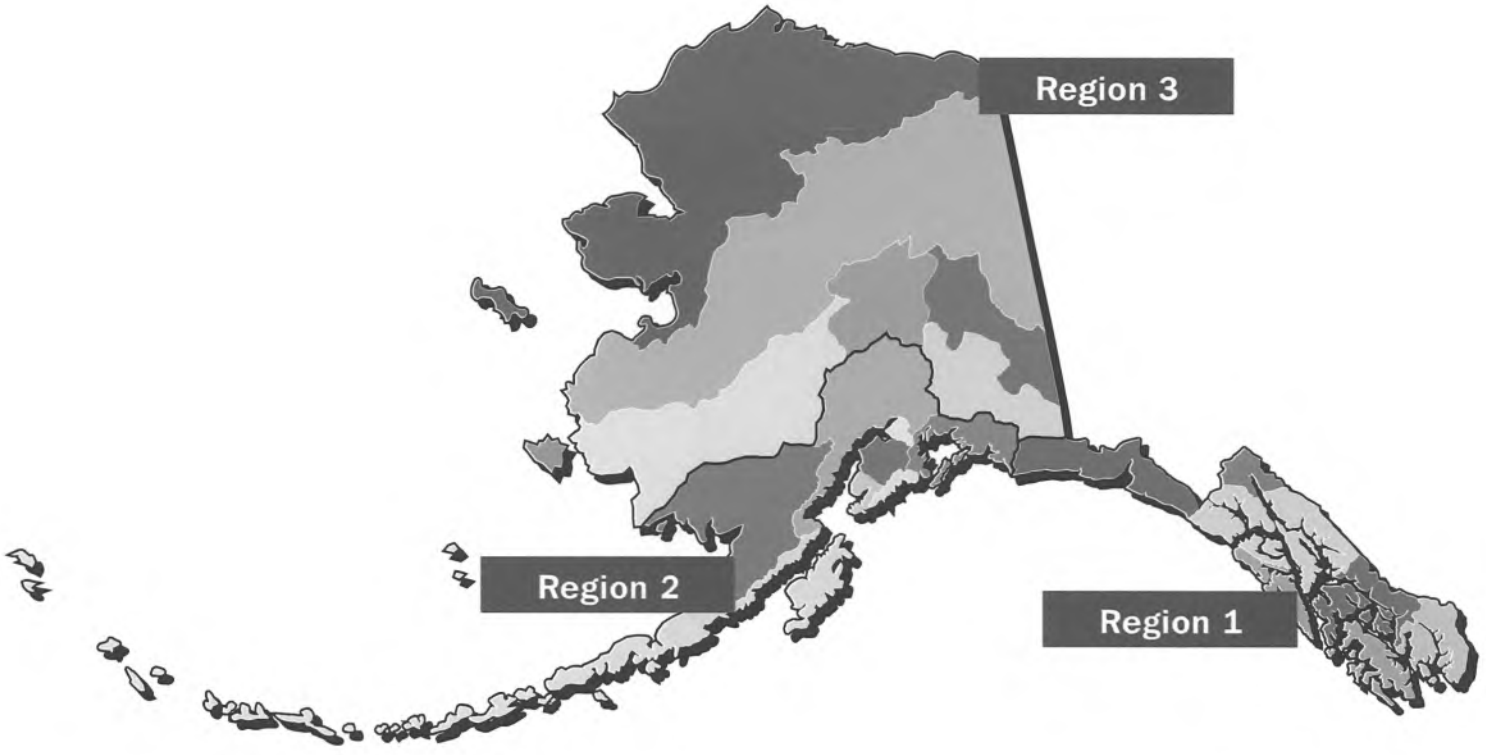
Department Organizational Structure



The Regions

The Division of Sport Fish is divided into three geographic and two technical regions. The division maintains headquarters offices in Juneau and in Anchorage. Regional offices are located in Douglas for Southeast Alaska (Region I), in Anchorage for Southcentral Alaska (Region II) and in Fairbanks for Interior Alaska (Region III). The technical regions, Research and Technical Services (Region IV), and Habitat Conservation and Access Defense (Region V) serve a statewide function, with offices based in Anchorage. The geographic regions are further partitioned into a total of 22 management areas with offices located throughout the state.

Division of Sport Fish Management Regions

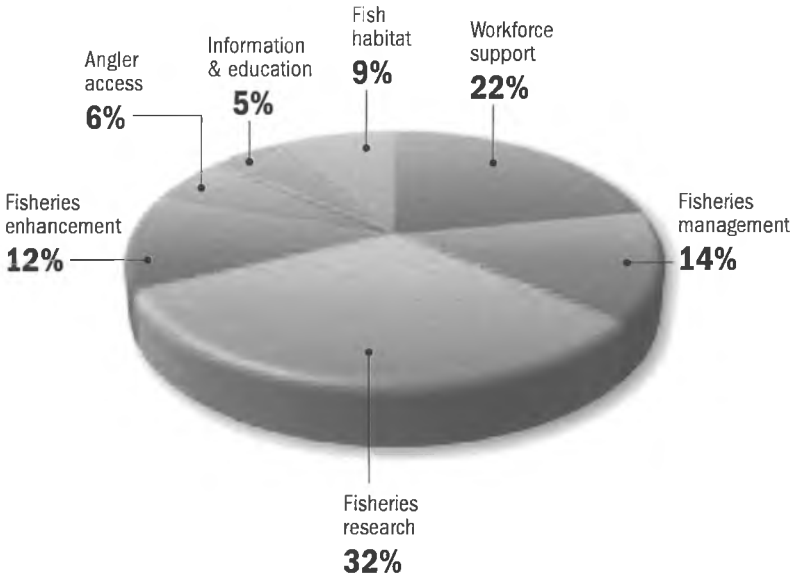


See Regional Management Area divisions at: *http://www.sf.adfg.state.ak.us/Management/*

Funding

The division has an annual operating budget of approximately $50 million. The primary funding sources are the state's Fish and Game Fund (license sales and stamp receipts) and the federal Sport Fish Restoration Program (federal tax dollars derived from sale of sport fishing-related equipment and fuel). These sources are supplemented with competitive grant awards, cooperative agreements, partnerships, and legislative appropriations. All funds are allocated based upon the goals, objectives, and activities outlined within this strategic plan.

FY06 - FY08 Expenditures by Core Functions



The Division

The Division of Sport Fish strives to achieve its mission and vision through seven interdependent core functions: fisheries management, fisheries research, fisheries enhancement, angler access, information and education services, fish habitat, and workforce support. Each core function is further defined by corresponding goals, objectives, and principal activities.

Division of Sport Fish | Core Functions

Fisheries Management

The division's priority to manage Alaska's recreational fisheries for sustained yield and recreational angler satisfaction is centered on an area-based management system. The division is dispersed among three regional offices partitioned into 22 management units ensuring direct relationships between area managers, users, and resources. The managers expend considerable effort in working with recreational anglers, the Alaska Board of Fisheries, and federal and international regulatory bodies to craft fishing regulations and solutions that are effective, minimally intrusive, and enforceable. Area management biologists actively monitor fish stocks and fisheries to adjust regulations in season as required; work closely with enforcement staff in the policing of regulations; maintain a dialogue with local user groups and recreational anglers throughout the year; assist in habitat conservation and restoration efforts; and provide local expertise to the angling public.

Fisheries Research

Management of Alaska's recreational fisheries is based on sound scientific practices and objective-based research. The division's commitment to scientific principles and rigorous project planning and design ensures that data and information collected will address management needs and be scientifically defensible. Research projects are designed and conducted to assess a wide array of management information needs that focus on characterizing fish populations, describing fish habitat use and needs, and assessing fishery characteristics and economics. Research projects are developed and implemented by a team of research and management biologists; biometricians; and cartographic, programming and publication staff to ensure that the data collected are meaningful, statistically sound, and timely. Research results are well-documented in peer-reviewed reports and are made available to the public, other researchers, and fishery regulators.

Fisheries Enhancement

Many of Alaska's most popular and reliable fisheries are created and supported by the division's enhancement program. Program personnel work with management staff to diversify and increase recreational angler opportunities by producing and releasing Chinook and coho salmon; rainbow trout and lake trout; Arctic char; and Arctic grayling into local streams, lakes, and marine waters. The program places great importance on strict adherence to state and division policies designed to maintain

genetic integrity and health of wild stocks. Enhancement staff operate hatchery facilities; collect and report on production data; perform stocked-lakes research; and are responsible for all facets of fish enhancement including remote egg-takes from wild stocks, egg incubation, rearing, and release. Personnel also establish cooperative projects with private, nonprofit hatchery operators to implement enhancement activities where state facilities are not practical and work with various local groups to identify future needs for enhancement to ensure sustainable sport fishing opportunities.

Angler Access

Alaska's exceptional recreational opportunities require that access to the state's public lands are provided and secured. The division supports this endeavor through two programs: Recreational Boating and Angler Access, and Access and Defense. The Recreational Boating and Angler Access program is primarily tasked with establishing and managing federal grant projects that develop or maintain a range of infrastructure such as boat docks, boat ramps, associated parking areas, boardwalks and trails, accessible fishing docks, and restroom facilities. Local governmental agencies, the public, and area managers initiate Recreational Boating and Angler Access projects, which then require management of many components including contract and budget administration; permitting and environmental issues; and legal concerns. The Access and Defense program is tasked with identifying and protecting public access to fish and wildlife resources. This program coordinates the department's participation in the state's land planning process to identify existing public access and fish and wildlife habitat requiring protection; analyzes land and water management plans and land use actions; supports the state's assertion of ownership of submerged lands underlying navigable waters; defends the public's use of trails and easements; and nominates and defends easements during federal, state and municipal land conveyances.

Information and Education Services

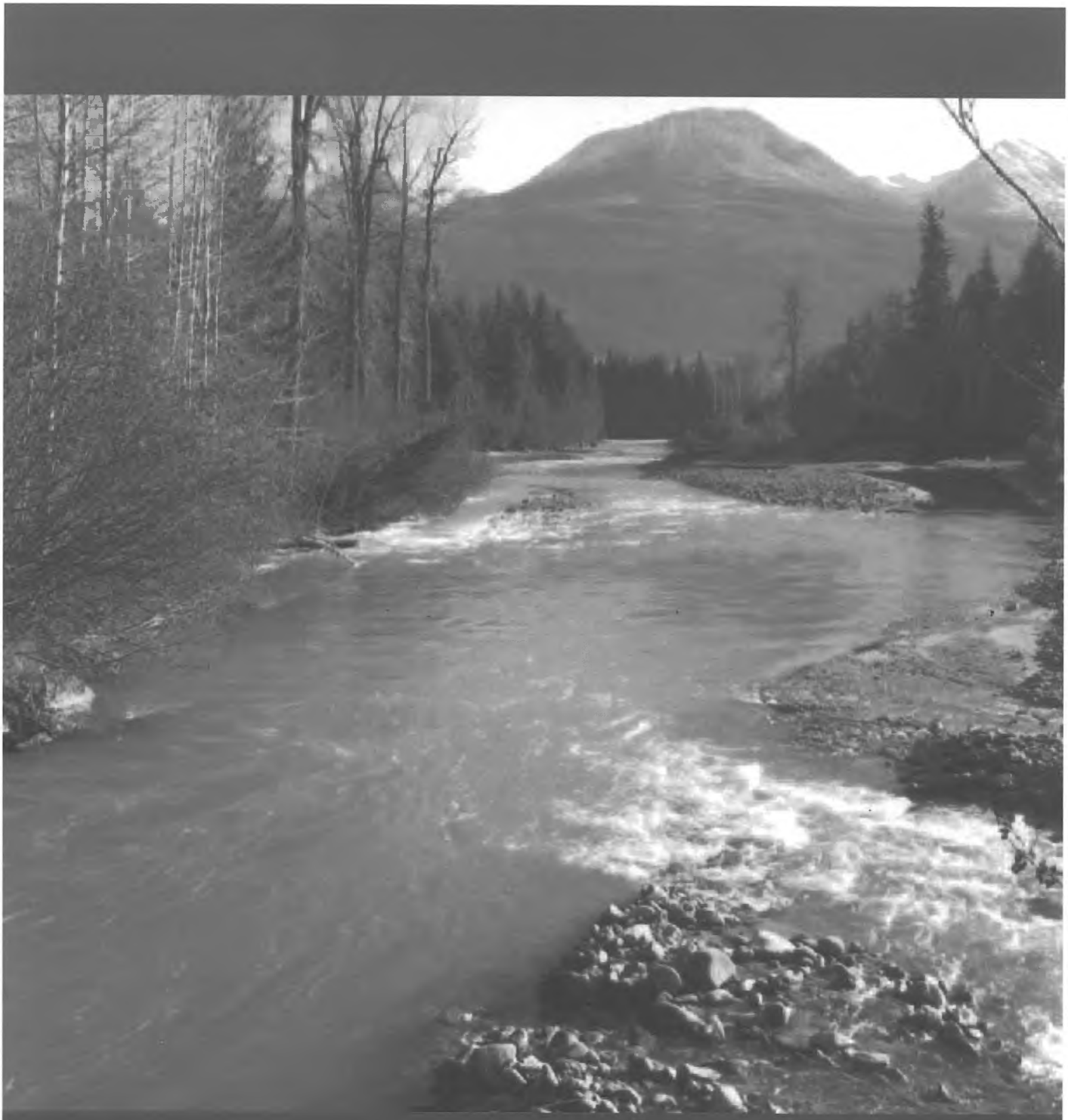
An informed and participatory public is central to the division's management and decision-making processes. Information and Education Services (I&E) functions to support recreational anglers and other members of the public in a timely manner and with an emphasis on exceptional customer service. I&E provides information concerning fisheries management, research, and sport fishing opportunities, including notice of changes to regulations; descriptions of salmon run strength; lists of lakes most recently stocked; and Alaska fishing tips and fishing trip planning. Information is disseminated using various forms and media, including personal phone calls, public meetings, local radio, and the Internet. I&E is committed to pursuing technologies that support online license and permit sales, and a functional website design that will improve data collection and information services to the public. I&E advocates public resource stewardship and sustainable use through education and skills development programs. The division's education programs are directed at recruiting and retaining recreational anglers of all ages.

Fish Habitat

Alaska's productive fisheries are not only attributed to its extensive pristine habitats (fresh water, estuarine, and coastal waters within three miles from shore), but also due to progressive state and federal agency conservation practices and laws. The Division of Sport Fish complements other entities' habitat protection work with programs funded directly by the division and through public and private grants. These programs are directed at protecting and restoring fish habitats for the benefit of fish and current and future recreational anglers. The division's habitat conservation staff conduct research on habitat and fish use of habitats; ADF&G, as well as other agencies and the public use the resulting information to make decisions regarding permitting and planning for land and water use, and fisheries management. The division's fish habitat staff also work cooperatively with other agencies and the public to administer stream bank restoration and fish passage improvement projects across the state.

Workforce Support

The two components of workforce support, the Division Leadership Team (DLT), and dedicated administrative staff, enable the division to achieve its goals in a fiscally responsible manner. The DLT is composed of the director, deputy director, assistant directors, regional supervisors, the administrative operations manager, and an administrative officer. The DLT provides oversight to the entire division, strives to develop its workforce, and provides resources to support its programs. The division's administrative staff is responsible for supporting other core functions through their day-to-day operations, which include budgeting and financial management; payroll and personnel management; and providing exceptional customer service to the public, division, and department staff.



GOAL 1:
Fisheries Management

Ensure the sustained use of Alaska's recreational fisheries while optimizing economic and social benefits

Objective 1

Use area- and fishery-based management to develop and achieve management objectives consistent with the sustained yield principle

Activities

- Utilize annual area management review process to identify data needs and gaps; prioritize projects; and review management actions
- Develop, maintain, and review fishery-based management plans that detail prescribed objectives and regulatory actions for existing and emerging recreational fisheries
- Communicate regularly with the Division of Commercial Fisheries to coordinate in season management for fully allocated fisheries
- Contribute to an effective Alaska Board of Fisheries process
- Maintain area offices and staff presence
- Identify consistent methodology between regions for identifying data needs and gaps
- Conduct pre-and postseason regional management reviews with the Division of Commercial Fisheries

- Conduct regular reviews of escapement goals
- Provide recommendations to the Alaska Board of Fisheries in a uniform and professional manner

Objective 2

Inform the public about management practices and policies so they are knowledgeable about and can participate meaningfully in the regulatory process

Activities

- Facilitate public participation in Alaska Board of Fisheries regulatory processes, and Local Advisory Committees
- Facilitate public participation in federal and international regulatory processes, such as the Federal Subsistence Board
- Summarize and publicize Alaska Board of Fisheries meeting actions

Objective 3

Consider recreational angler preferences and impacts in decision-making processes, including both social and economic effects of management actions

Activities

- Regularly collect, utilize, and report data on the economic significance and social benefits of sport fishing in Alaska
- Communicate recreational angler preferences to decision-making bodies

Objective 4

Achieve recreational angler compliance with laws and regulations

Activities

- Regularly update Sport Fish regulation summaries
- Educate recreational anglers regarding regulations
- Maintain dialogue with Alaska State Wildlife Troopers and attendant enforcement agencies to identify enforcement priorities relative to specific fisheries and licensing requirements
- Provide staff enforcement training, and provide opportunities for trained staff to participate in enforcement activities
- Identify opportunities where proposals can be submitted through the Alaska Board of Fisheries that would result in less complexity for our fisheries regulations
- Post regulatory signage at access sites on an area basis
- Develop and regularly update geographically-based local area fishing guides in addition to regulation summary books

Goal 1: *Continued*

Objective 5

Develop and cultivate associations with recreational anglers, the public, and relevant agencies

Activities

- Establish and maintain personal contact with local communities, recreational anglers, fishing organizations, and advisory committees
- Develop and participate in interagency management teams
- Collaborate with nongovernmental organizations (NGOs) that are working on priority fisheries and habitat issues

Objective 6

Minimize impacts of invasive species on fish stocks, recreational fisheries, and fish habitat

Activities

- Develop field detection, monitoring, and eradication programs for invasive species
- Develop and implement public communication plans related to the prevention, identification, and management of invasive species
- Develop and support community-based invasive species monitoring programs
- Develop, improve, and maintain a website and GIS database of invasive species

Proposed New Activities

- Create a "how-to" manual for the development and implementation of eradication plans (*2010*)
- Create a tutorial for staff on the division's participation in the Alaska Board of Fisheries regulatory process (*2010*)
- Develop informational materials for the recreational fishing public on the Alaska Board of Fisheries process (*2011*)
- Seek public input on how to simplify the regulation summaries (*2011*)
- Reformat and simplify the Sport Fish regulation summary book (*2011*)

Performance Measures

- Provide 2.5 million angler days and sell 450,000 licenses
- Support a positive trend in sport fishing trip-related expenditures as measured by the "Economic Significance of Sport Fishing in Alaska" survey
- Increase to at least 75% the number of anglers that are satisfied with their sport fishing experiences as signified in the Economic Significance of Sport Fishing in Alaska survey
- Eradicate at least one aquatic invasive fish species in a given lake or stream population every three years

GOAL 2:
Fisheries Research

Promote Excellence in Fisheries Research

Objective 1

Plan research projects that are scientifically and statistically sound, cost-effective, and address management information needs

Activities

- Use the area management review process to identify management-based research needs and information gaps
- Use an operational planning process to identify measurable objectives, sampling methods, analytical techniques and costs, and to ensure that projects are scientifically and statistically reviewed and approved
- Provide research staff with training opportunities related to statistical and analytical techniques; sampling methods; and applications of new technologies
- Utilize expertise from cooperating entities including the University of Alaska, other governmental agencies, NGOs, and private consultants

Objective 2

Conduct research to improve our understanding of population dynamics, life histories, and habitat requirements of recreationally-fished species

Activities

- Explore the use of alternative research technologies, methods, and analyses as appropriate
- Create a consistent process to identify intradivisional information needs and to prioritize and coordinate future cooperative research projects
- Utilize partnerships to fund and conduct research relative to information needs of common interest
- Conduct research on prioritized projects that will improve fundamental understanding of sport fish species and habitats

Objective 3

Conduct research to improve our understanding of use patterns, satisfaction, and preferences of recreational anglers

Activities

- Create and implement an electronic system to sell and track fishing licenses and permits
- Conduct surveys to estimate use patterns (e.g., harvest and effort data, angler satisfaction) from guided and nonguided recreational anglers
- Revise Guide/Charter Business Logbook based on the verification program

Objective 4

Publish research results that are peer-reviewed, well-written and timely

Activities

- Adhere to the divisional and departmental reporting policies and procedures
- Provide staff with resources to complete reports
- Promote and facilitate publication in peer-reviewed journals
- Provide recognition for publication in peer-reviewed journals
- Promote publication of research results to general public using traditional and online media

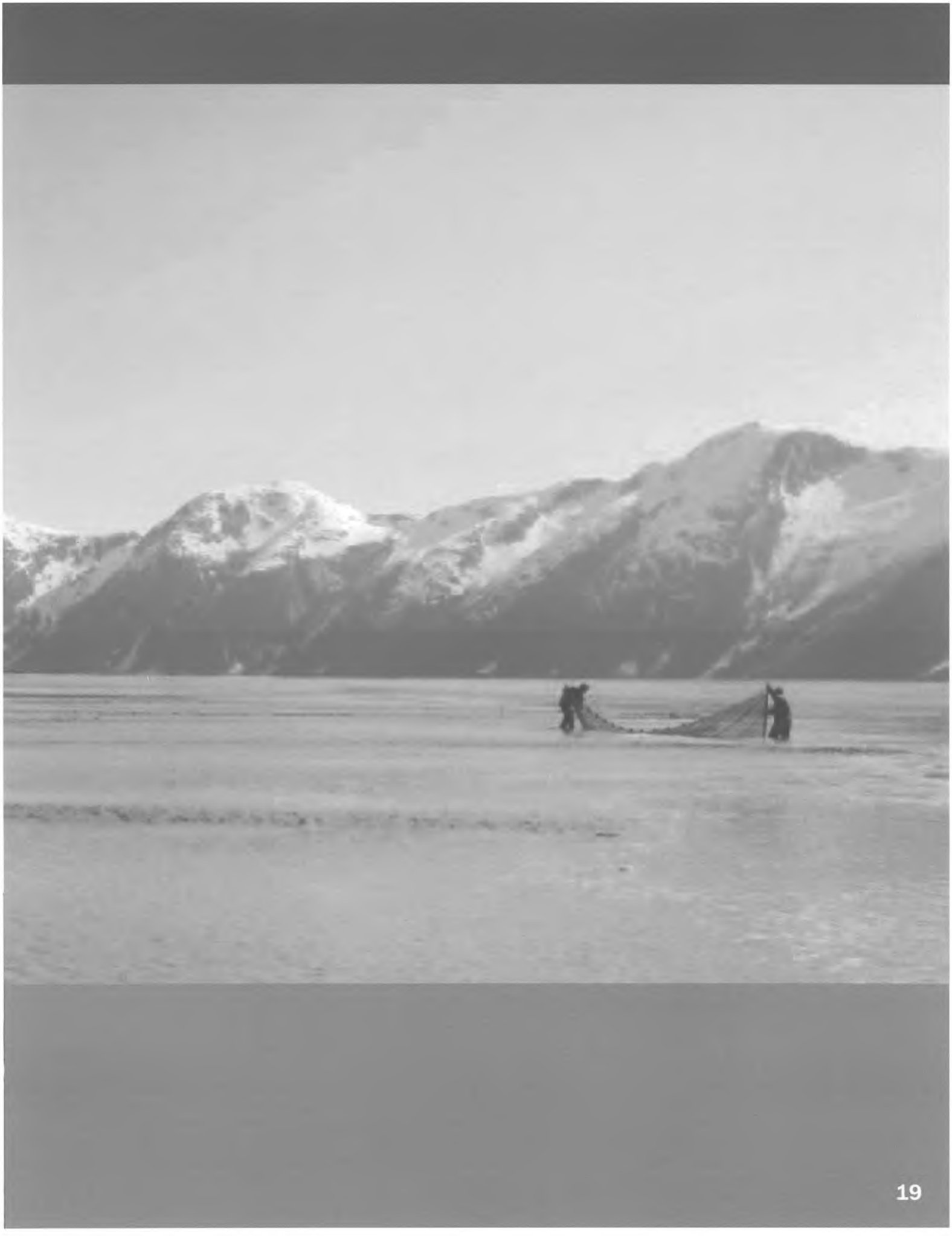
Goal 2: *Continued*

Proposed New Activities

- Develop a plan to increase timeliness of past and future research reporting (*2010*)
- Offer incentives for survey respondents (*2010*)
- Create and implement an electronic system to sell licenses and permits, track sales, and report harvest data (*2010*)
- Review, evaluate, and improve the operational planning process (*2010*)
- Create an option for reporting online for Alaska statewide sport fishing survey information (*2011*)
- Develop and implement a public communication plan on the importance and uses of Alaska statewide sport fishing survey information (*2011*)
- Implement an electronic logbook data collection system (*2011*)
- Create a consistent process among regions to annually identify information needs and prioritize future research projects (long and short term) relative to operational planning, budgeting, reporting and coordinating interdivisional research efforts (*2013*)
- Integrate distribution of survey instruments into the license purchase process (*2013*)
- Develop long-term research plan to identify information needs on emerging issues, such as the effects of climate change on recreational fisheries and habitats (*2013*).
- Create an internal, over-arching data management system for existing and future information (*2014*)

Performance Measures

- Meet or exceed threshold harvest or catch levels in 16 or more of 21 use performance categories (a use performance category is defined as an annually estimated harvest or catch statistic derived from selected stock(s) in particular survey area(s) and water type(s).
- Ninety percent or more of Division of Sport Fish internally peer-reviewed management based reports (Fishery Data Series, Fishery Management Report, Fishery Manuscript, or Special Publication) are published within 2 calendar years from the year that data collection was finished.



GOAL 3:
Fisheries Enhancement

Diversify recreational fishing opportunities via supplemental production of hatchery-reared fish

Objective 1

Conduct enhancement activities in a manner that protects wild fish and habitats

Activities

- Adhere to the policies on genetics, pathology, lake stocking, and for waters bearing anadromous fish
- Assess effects of anadromous and freshwater stockings on wild fish

Objective 2

Meet regional enhancement needs for prioritized anadromous and freshwater fisheries

Activities

- Construct and maintain hatchery infrastructure
- Implement prioritized regional stocking plans
- Base production goals on area-specific management needs

Objective 3

Produce fish in a manner that is biologically sound, cost-effective, and that utilizes innovative practices

Activities

- Develop best management practices for standard hatchery operating procedures
- Develop long-term research plan to identify information needs and to improve fish husbandry and production effectiveness
- Develop and monitor partnerships as needed with private nonprofit hatcheries
- Conduct post-stocking assessment of product performance in prioritized water bodies
- Revise existing Private Non Profit (PNP) cooperative agreements to ensure consistent and timely reporting practices

Objective 4

Inform the public and division staff about fishery enhancement

Activities

- Develop and implement a public communication plan for hatchery production and stocking programs

Proposed New Activities

- Develop long-term research plan to identify information needs and to improve fish husbandry and production effectiveness (*2010*)
- Develop and implement long-term facility plans (*2010*)
- Host a workshop to clarify the policies on genetics, pathology, lake stocking, and waters bearing anadromous fish (*2011*)
- Develop and adhere to best management practices for standard hatchery operating procedures (*2011*)
- Develop proposed PNP standards of performance (*2013*)
- Develop a searchable GIS database for all annual hatchery report data, including size, location, imprint, time,and season of release. (*2013*)

Performance Measures

- Maintain the number of actively stocked lakes with hatchery fish at a level equal to or greater than the 1999-2003 average
- Maintain the number of enhanced anadromous-salmon fisheries actively stocked with hatchery fish at a level equal to or greater than the 1999-2003 average
- Maintain the number of lake-stocked fish caught and harvested using the 1999-2003 average
- Maintain the number of enhanced-anadromous salmon caught and harvested using the 1999-2003 average

GOAL 4:
Angler Access

Protect and improve public access to recreational fisheries resources

Objective 1

Secure and protect recreational angler access to public lands

Activities

- Protect and defend access through participation in state and federal land and water use planning, review of land use actions, and research of navigable waters and historic trails
- Identify and prioritize lands/ easements that currently or could provide public access
- Identify historic and modern uses of water bodies and trails for travel, trade and commerce for RS 2477, ANCSA 17b, navigable waters, and submerged lands

Objective 2

Maintain or improve current access sites and facilities

Activities

- Maintain and improve access-site partnerships
- Create and maintain a regional inspection and maintenance schedule and database for cooperative agreements
- Coordinate with other programs and agencies to review suitability of existing access

Objective 3

Identify, prioritize, and develop new access sites and facilities projects

Activities

- Construct prioritized access projects (boating and nonboating)
- Involve the public to identify access priorities and facilities maintenance needs
- Conduct statewide assessments of nonmotorized angler access sites
- Coordinate with other programs and agencies to consider appropriate access opportunities
- Utilize a prioritization process for potential boating and non-boating access projects
- Consult with the division hatchery program and other land management agencies to improve access to stocked lakes
- Consult with state agencies and other partners on road access improvements
- Review land management plans for habitat affects prior to implementation

Objective 4

Inform division staff and the public about access opportunities and the decision-making process

Activities

- Develop and implement a public communications plan about access available to anglers and the access decision-making process

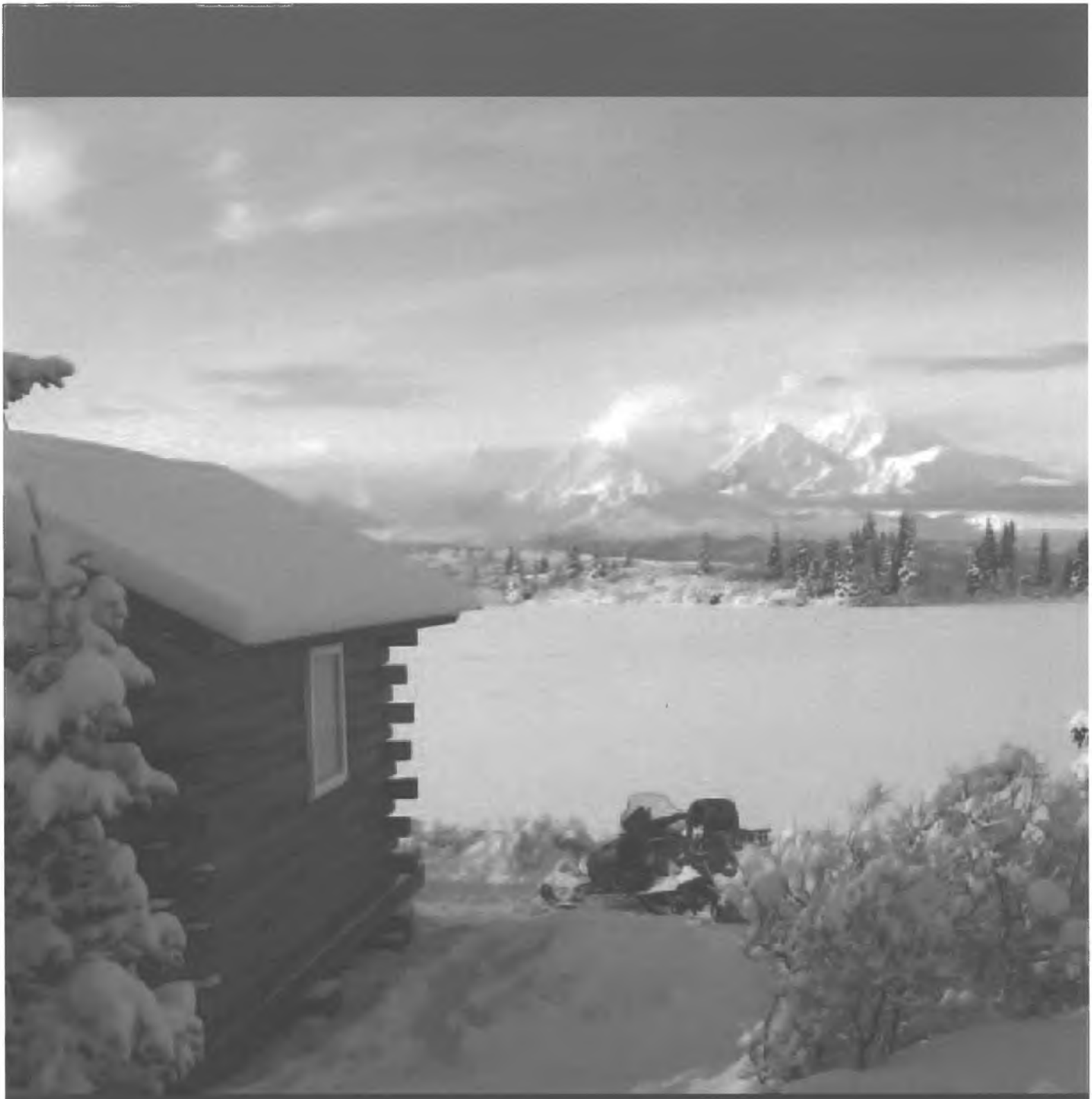
Goal 4: *Continued*

Proposed New Activities

- Create and implement, based on cooperative agreements, a regional inspection and maintenance schedule and database (*2010*)
- Develop and implement a long-term prioritization process for obtaining access easements (*2011*)
- Develop agreements with state agencies for the maintenance and improvement of boating and non-boating angler access sites (*2011*)
- Assess the feasibility of an "adopt-a-site" program (*2011*)
- Conduct a statewide assessment of nonmotorized angler access sites (2012)
- Create a GIS system to track current or potential access sites (*2012*)

Performance Measures

- Complete a total of five priority boating access projects per year over a five-year period
- Complete a total of two priority non-boating angler access projects per year over five years.
- Review 100% of all federal, state, and municipal/borough land actions (excluding those subject to Alaska Native Interest Lands Conservation Act [ANILCA] provisions), within the required time frames to identify those actions that potentially affect public access to fish and wildlife resources
- Develop recommendations to maintain public access to fish and wildlife resources for 100% of those actions that potentially affect public access to fish and wildlife resources



GOAL 5:
Information and Education Services

Inform and educate the public about recreational fishing with an emphasis on exceptional customer service

Objective 1

Inform recreational anglers and division staff about Alaska's recreational fishing opportunities, angler access, regulations, and fisheries management

Activities

- Utilize media and ADF&G web site to provide timely updates regarding fisheries information and emergency orders
- Improve Internet presence and information accessibility
- Develop public communication plans that describe key messages, products, and delivery methods for division informational materials and services
- Participate in local sportsmen's shows and other partner group outreach activities

Objective 2

Promote participation in recreational fishing activities

Activities

- Inform and instruct recreational anglers about the skills needed to participate in Alaska's fishing opportunities and provide experience-based skill-building opportunities
- Conduct innovative recreational angler recruitment and retention initiatives
- Identify opportunities to develop urban, youth, and family fishing programs
- Provide hands-on angling skill-based programs for targeted audiences
- Expand the rod loaner program statewide
- Partner with youth organizations to institute Take a Kid Fishing Day

Objective 3

Provide the public and division staff with information and products that are consistent, accurate, and easily found and understood

Activities

- Deliver exceptional customer service
- Provide educational program templates that can be tailored to local management areas
- Standardize information products and educational programs across regions

Objective 4

Increase public understanding of and participation in the stewardship of Alaska's recreational fisheries resources

Activities

- Integrate stewardship principles in all division education programs
- Develop and deliver Alaska-specific K-12 stewardship curricula

Goal 5: *Continued*

Proposed New Activities

- Develop a public communication plan to educate the public on the link between license fees and conservation management (*2010*)
- Redesign website to exceed user expectations (*2010*)
- Develop communication plans that describe key messages, products, and delivery methods for division informational materials and services (*2010*)
- Build a Web-accessible "how-to" video library (*2011*)
- Develop a customer service manual that covers training, measures, reference materials, and expectations (*2012*)
- Determine better ways to provide in season updates to vendors and guides (*2013*)
- Develop and implement a voluntary angler education certification program (*2014*)

Performance Measures

- Maintain participation at 5,000 participants in angling skills-oriented programs annually
- Implement 15 communication plans that address specific activities implemented each year
- Create or renovate five informational topics on the Division of Sport Fish Web site to provide current information on management, research, and sport fishing opportunities annually; 100% of time-sensitive topics are updated appropriately

GOAL 6:
Fish Habitat

Conserve habitat to sustain recreational fisheries resources

Objective 1

Protect fish habitat to sustain recreational fisheries

Activities

- Administer Alaska's Anadromous Waters Catalog
- Conduct inventories to expand the coverage of the Anadromous Waters Catalog
- Prioritize, document, and reserve water rights in lakes and rivers to ensure water quantity and quality
- Collect hydrological and biological data relevant to habitat protection
- Provide recommendations to minimize impacts to aquatic and riparian habitats of fisheries-related public access projects to fisheries resources
- Coordinate regularly with the Division of Habitat on permitting topics of mutual interest
- Recommend conditions to be placed on permits as necessary to protect habitat

Objective 2

Improve or restore degraded fish habitat

Activities

- Conduct prioritized projects to protect, enhance, and/or rehabilitate degraded habitat
- Provide recommendations on fish passage standards
- Provide training on and promote habitat restoration best practices
- Contribute to special area management planning

Objective 3

Develop and cultivate partnerships to conserve fish habitat

Activities

- Provide technical skills and coordination support to partner organizations and agencies
- Utilize partnerships to promote benefits of stewardship, land and water use planning, and habitat conservation and restoration
- Provide technical support to local National Fish Habitat Action Plan (NFHAP) partners
- Host workshops for landowners, organizations, and the public

Objective 4

Inform the public about the division's habitat conservation efforts

Activities

- Develop and implement a communication plan for habitat conservation activities including research and restoration

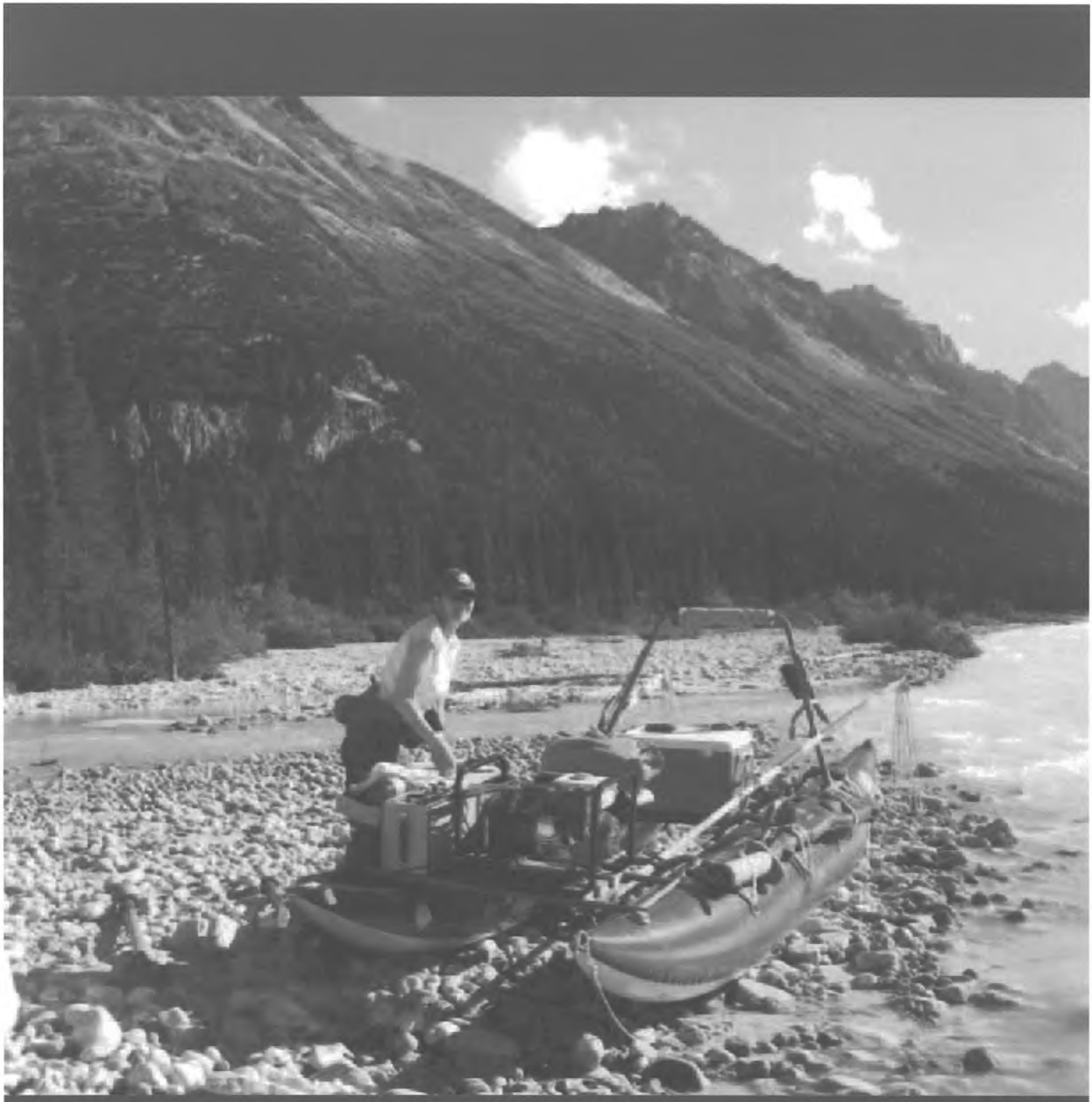
Goal 6: *Continued*

Proposed New Activities

- Develop an internal review process for permitting actions that impacts sport fishing (*2010*)
- Develop criteria for prioritizing habitat restoration and fish passage improvement projects (*2010*)
- Update Memorandum of Understanding with the Department of Transportation and Public Facilities on culvert design (*2010*)
- Develop and implement a public communication plan for habitat restoration (*2010*)
- Evaluate efficacy of restoration projects (*2010*)

Performance Measures

- Annually enhance five miles of priority-catalogued fish habitat by improving fish passage
- Annually rehabilitate or protect at least 1,500 feet of stream bank and riparian habitat
- Annually inventory and/or document aquatic species assemblages, characterize associated habitats, and collect fish stock richness and (relative) abundance data per stock within five sub-basins to add to the Alaska Freshwater Fish inventory database
- Add 1,000 priority stream miles annually to the fish distribution database and Anadromous Waters Catalog
- File 10 reservation of water applications annually for priority water bodies



GOAL 7:
Workforce Support

Provide exceptional support to our workforce to attain the Division's vision and goals

Objective 1

Recruit, develop, and retain highly qualified and motivated staff

Activities

- Develop and implement division-wide recruitment strategies
- Continue to implement the department's workforce development initiative
- Provide division staff with opportunities for professional development, training, and job advancement
- Fund full-time staff salaries from permanent funding sources
- Develop and implement an internal employee awards program
- Conduct annual evaluation of employee satisfaction
- Conduct annual employee performance evaluations and workload assessments
- Formalize internship programs for high school and undergraduate students
- Support graduate level fisheries-related education
- Conduct exit interviews with all departing staff

- Advocate for equitable pay and benefit packages for active and retired employees
- Allow flexible work schedules
- Prepare succession planning for key positions and evaluate promotional opportunities
- Establish dedicated regional training budgets to support general and individual training plans
- Provide safety training
- Mandatory attendance at the state's Academy for Supervisors by all staff range 18 and above, and those with supervisory duties

Objective 2

Provide staff with sufficient resources to perform assigned work

Activities

- Ensure that staff have appropriate tools, technology, and equipment
- Assess and update division-specific employee orientation handbook

Objective 3

Promote a strong team approach between division staff, the regions, and the department's divisions

Activities

- Ensure that staff understands and works toward achieving the division's vision and strategic priorities
- Provide regular communication between regions in all aspects of the division's work
- Encourage all ADF&G divisions to communicate across the department about decision-making on important issues
- Communicate division leadership priorities to all staff

- Include staff in strategic planning processes
- Conduct regular staff meetings at area and regional offices
- Hold statewide function-specific meetings
- Provide staff contributions to the Otolith & Wildlife News

Goal 7: *Continued*

Objective 4

Provide timely and effective administrative support

Activities

- Ensure that staff are familiar with administrative processes
- Maintain up-to-date budgeting and financial data
- Streamline administrative procedures in coordination with the Department of Administration
- Ensure division-wide consistency in application of administrative procedures
- Provide timely information to staff on new procedural changes
- Continue yearly administrative workshops and encourage participation by nonadministrative staff

Objective 5

Ensure that funding is sustainable and aligned with the division's priorities and programs

Activities

- Ensure projects are based on and prioritized by the division's strategic plan
- Prepare annual evaluation on progress toward achieving strategic plan goals, objectives, and activities
- Protect the state's authority over federal Sport Fish Restoration Program funding sources

Proposed New Activities

- Provide staff with opportunities to learn about other division functions (*2010*)
- Provide Division Leadership Team meeting summary to all staff within 2 weeks of meetings (*2010*)
- Develop and provide Budget 101 training to all staff (*2010*)
- Ensure projects are based on and prioritized by the division's strategic plan (*2010*)
- Support staff certification as Associate and Certified Fisheries Professional by the American Fisheries Society (*2011*)
- Develop division-wide approach to coordinate efforts on competitive grants and other funding processes (*2013*)

Performance Measures

- Conduct a confidential employee survey every year that will assess workforce dedication, empowerment and effectiveness.
- Ninety percent of employees report having sufficient resources and skills to perform their assigned duties.
- Ninety percent of employees report that they understand the Division mission and goals.
- Ninety percent of employees report that they have sufficient direction from their supervisor.
- Ninety percent of employees report being able to regularly participate in training events, professional development activities, and meetings with their peers, to enhance their skills.
- Eighty-five percent of employees report having sufficient authority or influence over decisions made related to their work.

Definitions and Acronyms

17b	Section 17b of the Alaska Native Claims Settlement Act related to public easements
ADF&G	Alaska Department of Fish and Game (the department) (*http://www.adfg.state.ak.us/*)
Anadromous	Fishes that spend most of their life at sea and migrate to fresh water to spawn (breed)
Alaska Board of Fisheries	The Alaska Board of Fisheries (BOF), a seven-member board appointed by the governor and confirmed by the Legislature, sets seasons, bag limits, methods and means for the state's subsistence, commercial, sport, guided sport, and personal use fisheries. It also sets policy and direction for the management of the state's fishery resources. The board is charged with making allocation decisions, and the department is responsible for management based on those decisions (*http://www.boards.adfg.state.ak.us/fishinfo/index.php*)
Biometrician	Staff trained in the application of the concepts of statistical probability and the scientific method to the collection and analysis of data used to assess fish stocks
Communication Plan	A tool used to identify target audience(s) and means to reach it, determine key message(s), identify materials to be produced, identify staff/equipment resources, and describe an approach and timeline for implementation
Division	Division of Sport Fish (*http://www.sf.adfg.state.ak.us/*)

DLT	Division Leadership Team, consists of the director, deputy director, assistant director, regional supervisors, the administrative operations manager, and an administrative officer
Enhancement	Increasing fish stocks, such as through supplemental hatchery production
Estuarine	Referring to a partially enclosed body of water (such as bays, lagoons, sounds or sloughs) where two different bodies of water, typically fresh and salt waters, meet and mix
Invasive Species	Fish, animals, or plants that are both non-native to a particular ecosystem and whose introduction causes or is likely to cause economic or environmental harm or harm to human health
Performance measure	The performance measures are integral for achieving the division's goals and were developed in 2008 prior this strategic plan for submission to the State of Alaska Office of Management and Budget (OMB). The OMB uses a targets and measures process to ensure the State's resources are invested in a way that produces results that advance the Governor's priorities. The performance measures listed in this plan were designed to be measurable and are synonymous with OMB's targets and measures. The OMB uses a subset of the division's performance measures that are re-evaluated and updated annually. A current list of the division's submission of targets and measures can be found at *http://omb.alaska.gov/results/view_details.php?p=62*
NGO	Nongovernmental organization
NFHAP	National Fish Habitat Action Plan (*http://fishhabitat.org/*)
PNP	Private nonprofit hatchery
RS 2477	Revised Statute 2477, which allowed for the construction of highways across public lands not otherwise reserved for public purposes (repealed 1976 under the Federal Land Policy Management Act)

Definitions and Acronyms

Reservation of Water

A water right (appropriation of water) to maintain a specific flow rate in rivers (or level of water in rivers and lakes) for one or a combination of four types of uses: 1) protection of fish and wildlife habitat, migration, and propagation; 2) recreation and parks purposes; 3) navigation and transportation purposes; and 4) sanitary and water quality purposes

Stewardship

Principles which contribute to the conservation of a fishery that persists and obtains yields on a continuing basis; characterized by fishing activities and habitat alteration, if any, that do not cause or lead to undesirable changes in biological productivity, biological diversity, or ecosystem structure and function, from one human generation to the next.

State Waters

Internal waters of the state including rivers, streams, lakes and ponds, the tidal zone of the state from mean higher high water to mean lower low water, and those waters extending generally three miles seaward (see *http://www.touchngo.com/lglcntr/akstats/aac/title05/chapter039/section975.htm*)

Sustained Yield

Sustained yield is an output of renewable resources that does not impair the productivity of the resource; it implies a balance between removal through the activities of the fishery and replenishment through incremental growth and/or recruitment of the stock. The sustained yield principle is one of the fundamental elements of dependable recreational fisheries in Alaska. The department has a statutory responsibility to manage the use of wild fish stocks for sustained yield (AS 16.05.730(a)). Scientifically based assessments of wild stocks are the foundation of the sustained yield principle

The Alaska Department of Fish and Game administers all programs and activities free from discrimination based on race, color, national origin, age, sex, religion, marital status, pregnancy, parenthood, or disability. The Department administers all programs and activities in compliance with Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, Title II of the Americans with Disabilities Act (ADA) of 1990, the Age Discrimination Act of 1975, and Title IX of the Education Amendments of 1972

If you believe you have been discriminated against in any program, activity or facility, or if you desire further information, please write to ADF&G ADA Coordinator, PO Box 115526, Juneau, AK 99811-5526;

USFWS, 4401 N. Fairfax Drive, MS 2042, Arlington VA 22203, or

OEO, U.S. Department of the Interior, 1849 C Street NW, MS 5230, Washington DC 20240.

For information on alternative formats for this and other publications, please contact the department ADA Coordinator at (VOICE) 907-465-6077, Statewide Telecommunications Device for the Deaf 1-800-478-33648, (Juneau TDD) 907-465-3646 or (FAX) 907-465-6078

For information on alternative formats and questions on this publication, please contact ADF&G Division of Sport Fish, Research and Technical Services, 333 Raspberry Road, Anchorage AK 99518 (907)267-2375

Photos courtesy of State of Alaska Department of Fish and Game Division of Sport Fish
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Division of Sport Fish Offices

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Elmendorf Hatchery: (907) 274-0065; 941 N. Reeve Blvd., Anchorage, AK 99501
Ruth Burnett Hatchery: (907) 267-2523; 1150 Wilbur, Fairbanks, AK 99701
Kachemak Bay Research Reserve: (907) 235-8377 or (907) 235-4799; 95 Sterling Highway, Suite 2; Homer, AK 99603
Statewide Boating Access: (907) 267-2264; 525 W. 67th Avenue, Anchorage, AK 99518

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Petersburg Area Office: (907) 772-5231; 16 Sing Lee Alley, Petersburg, AK 99833-0667
Wrangell Area Office: (907)847-3822; 215 Front Street, Wrangell, AK 99929-0200
Yakutat Area Office: (907) 784-3222; 1 Fish & Game Plaza, PO Box 49, Yakutat, AK 99689-0049
Haines Area Office: (907) 766-2625; Mile 1 Haines Highway, PO Box 330, Haines, AK 99827-0330
Craig Area Office: (907) 826-2498; Westwind Plaza, Suite 303, PO Box 682, Craig, AK 99921-0682

Region II (Southcentral)

Regional Office: (907) 267-2218; 333 Raspberry Road, Anchorage, AK 99518-1565

Palmer Area Office: (907) 746-6300; 1800 Glenn Highway, Suite 4, Palmer, AK 99645-6736
Soldotna Area Office: (907) 262-9368; 43961 Kalifornsky Beach Road, Suite B, Soldotna, AK 99669-8276
Homer Area Office: (907) 235-8191; 3298 Douglas Place, Homer, AK 99603-7942
Kodiak Area Office: (907) 486-1880; 211 Mission Road, Kodiak, AK 99615-6327
Dillingham Area Office: (907) 842-2427; 546 Kenny Wren Road, PO Box 230, Dillingham, AK 99576-0230
Cordova Area Office: (907) 424-3212; 401 Railroad Avenue, PO Box 669, Cordova, AK 99574-0669

Region III (Interior)

Regional Office: (907) 459-7207; 1300 College Road, Fairbanks, AK 99701-1551

Bethel Area Office: (907) 543-1677; 570 4th Avenue, PO Box 1467, Bethel, AK 99559-1467
Delta Junction Area Office: (907) 895-4632; Mile 266.5 Richardson Highway, PO Box 605, Delta Junction, AK 99737-0605
Glennallen Area Office: (907) 822-3309; 186.3 Glenn Highway, PO Box 47, Glennallen, AK 99588-0047
Nome Area Office: (907) 443-5796; 103 E. Front Street, PO Box 1148; Nome, AK 99762-1148

Region IV (Research and Technical Services)

Regional Office: (907) 267-2370; 333 Raspberry Road, Anchorage, AK 99518-1565

Region V (Habitat Conservation and Access Defense)

Regional Office: (907) 267-2289; 333 Raspberry Road, Anchorage, AK 99518-1565

HJR

9

<TARGET><BILL>HJR 9</BILL><SUBJECT>HJR
9</SUBJECT><COMM>SRES27</COMM></TARGET>

Official Business

Senate Resources Committee

Senator Joe Paskvan, Co-Chair
Room #115: 465-4907

Senator Tom Wagoner, Co-Chair
Room #427: 465-3792

Members:
Senator Bill Wielechowski, Vice-Chair
Senator Hollis French
Senator Lesil McGuire
Senator Bert Stedman
Senator Gary Stevens

DATE: March 21, 2011

TO: Legislative Legal

FROM: Mary Jackson, Staff
Senator Tom Wagoner, Co-Chair
Senate Resources Committee

RE: HJR 9 Committee Substitute

The Senate Resources Committee considered and passed HJR 9 with the following amendment:

Page 2, line 18,
Delete "Prudhoe Bay" and replace with
"North Slope"

To read:
WHEREAS, North Slope production is declining; and

Please provide a Senate Resources Committee Substitute that reflects that amendment as soon as is possible.

Thank you in advance for your time and effort.

Alaska State Legislature

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Representative Lance Pruitt

Co-Chair, House Energy Committee

MEMORANDUM

To: Sen. Joe Paskvan
Sen. Tom Wagoner

From: Rep. Lance Pruitt

Date: March 3rd, 2011

Re: Hearing Request for CSHJR 9(RES)

I respectfully request that CSHJR 9(RES) be scheduled for a hearing in the Senate Resources Committee. Please feel free to contact me, or my aide Jenna Crouse, at 465-3438 with any questions, thoughts, or ideas. Attached you will find a background packet for CSHJR 9(RES) including a current version of the bill, sponsor statement, summary of changes, fiscal note, and supporting documents.

Thank you for your consideration.

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Representative Lance Pruitt

Co-Chair, House Energy Committee

Table of Contents: Background information for CSHJR 9(RES) Endorsing ANWR Leasing

1. Current bill language
2. Sponsor statement
3. Summary of changes since introduction
4. Current fiscal note
5. H.R. 49 Rep. Young's ANWR Bill
6. Arctic Power – 49 ANWR points for the 49th State

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Representative Lance Pruitt

Co-Chair, House Energy Committee

Sponsor Statement

CSHJR 9(RES)
Endorsing ANWR Leasing

House Joint Resolution 9 urges the United States Congress to pass legislation to open the coastal plain of the Arctic National Wildlife Refuge to oil and gas exploration and development.

The Alaska National Interest Lands Conservation Act of 1980 prohibited leasing or other development leading to production of oil and gas from the Arctic National Wildlife Refuge. Today domestic demand for oil continues to rise while domestic crude production continues to fall, with the result that the United States imports additional oil from foreign sources.

The oil industry has shown at Prudhoe Bay, as well as at other locations along the Arctic coastal plain, that it is capable of conducting responsible oil and gas activity without adversely affecting the environment or wildlife populations.

HJR 9 mirrors and endorses previous Legislature's resolutions in enthusiastically supporting the opening of ANWR for responsible development. It is paramount that the 27th Alaska Legislature joins these past efforts in sending a unified resolution to Congress.

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Representative Lance Pruitt
Co-Chair, House Energy Committee

Summary of Changes from HJR 9 Version A to CSHJR 9(RES) Version I

CSHJR 9(RES)
Endorsing ANWR Leasing

The following language was added to the title paragraph on page 1 line 1: "relating to oil and gas exploration, development, production, and royalties; and relating to renewable and alternative energy technologies." This change was made to better reflect all of the language included in the resolution.

Removed "any" from page 3 line 21.

Added "and alternative" to page 3 line 23-24 and page 4 line 5-6. Alternative adds additional sources of energy generation that renewable alone does not.

"the Alaska State Legislature urges that oil and gas exploration, development, and production" added to page 3 line 28. This was added for clarification.

"and the nation's" was added to Page 2 line 6 to emphasize national security.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: HJR 009
() Publish Date

HJR009-LEG-COU-2-21-11
Title: "Endorsing ANWR Leasing"
Sponsor: Representative Pruitt
Requester: House Resources Committee

Dept. Affected: Legislature
Appropriation: Legislative Council
Allocation: Session Expenses
OMB Component Number: 782

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

Prepared by: Shane Miller, Finance Manager — Phone: 465-6626
Division: Administrative Services Division — Date/Time: 2/21/11 11:16 AM
Approved by: Pamela Varni, Executive Director — Date: 2/21/2011
Legislative Affairs Agency

(Revised 12/29/2010 OMB)

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HJR 009

Analysis

This fiscal note has zero impact on the Legislative Affairs Agency.

ANWR:

JOBS AND
ENERGY
FOR AMERICA

ARCTIC POWER
P. O. Box 100220
Anchorage, AK 99510

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Washington, DC
20004
202.248-4468
202.248-6123 FAX
http://www.anwr.org

49 ANWR points from the 49th State

1) The 10-02 Area has more conventional oil potential in one spot than any single or collective regional onshore location in North America.

2) ANWR has been the most continually active energy issue on Capitol Hill for the past 30 years.

3) To date Alaskan oil saved America importing 16,058,674,205 barrels of oil since 1977 when the Trans-Alaska Pipeline opened.

4) In 2010 alone the Trans-Alaska Pipeline, operating at 1/3rd capacity, saved America importing $15,207,988,866 worth of oil.

5) Importing oil is the single largest contributor to our national debt. In 2011 a full TAPS would save America $195,300,000 per day.

6) At $90 pb the mean value of ANWR oil is $936 billion. At 100$pb it is worth over $1.3 Trillion

7) Every Alaskan State Legislature, every single Alaskan Congressional delegate, and every single Alaskan Governor has supported opening the 10-02 every year since the debate began. In a 2008 poll 78% of Alaskans supported exploration in ANWR.

8) Alaska Federation of Natives (AFN), Alaska's Native governing body, supports exploration; the North Slope Borough (the Government of the Arctic) supports exploration, the Village of Kaktovik (ANWR's only settlement) supports exploration, the Arctic Slope Regional Corporation (representing all natives in the Arctic) supports exploration.

9) The State of Alaska position on ANWR is echoed by hundreds of national organizations from all walks of life.

10) A majority of Americans support opening the 10-02. This has been proven in a number of independent public polls in 2008 and 2009.

11) When told the fact that Alaskans support this issue, more than half of all doubters on ANWR convert.

12) Millions more Americans will benefit from the oil and gas from ANWR in one day than will ever visit ANWR in a lifetime.

13) No species of animal, fish, insect, or bird has declined in population within the oil fields of Prudhoe Bay since development began negating doomsday claims by environmentalists.

14) A job created is better than a job lost! Declining production and an empty pipeline means one thing, jobs lost and lost state, federal and private revenue.

15) ANWR has the potential to double Prudhoe Bay's current output. This output could last over 30 years.

16) The predictions on Prudhoe Bay was 9 billion barrels; we surpassed 16 billion barrels in 2009.

17) The USGS estimates for ANWR now used by all in this debate are based on 37% recovery rate; today we recover over 60%.

18) Green organizations will raise more money and spend more money on the ANWR issue in one year than any other environmental issue. It is their golden goose and egg.

19) In its first 20 years Prudhoe Bay development has caused well over $50 billion to be spent by industry buying goods and services nationwide.

20) Even after exploration begins, over 90% of ANWR will always be completely off limits to any development.

21) 30 years have past since the first, "it will take 10 years to develop" argument was raised in Congress.

22) ALL energy provisions in the National Stimulus plan now being implemented could be paid for with AWNR oil royalties / taxes, costing Americans nothing.

23) You cannot conserve your way into energy independence. Conservation produces no energy. Production produces energy.

24) ANWR is a part of the solution, no one has ever argued that it is the whole solution.

25) Saying theoretical "NO" to fossil fuels, leaves us to find other alternative energy sources, not one of which has the current capacity to sustain us or supply us with the products oil does. ALL "alternative energies" use oil and gas to make their component parts.

26) The fact is, "oil is where you find it". Roughly 14% of the onshore Arctic areas has strong oil and gas potential. All of which are opposed by greens.

27) Oil spills in the Arctic are reported and cleaned up by law. Oil spills in any regular city business' parking lot are not.

28) A growing economy means increased energy consumption. The two are directly correlated. This is true, even with increased technological efficiencies.

29) An increasing population means increased energy consumption. The two are directly correlated. This is true, even with increased technological energy efficiencies.

30) The EIA estimates oil to reach $106 pb by 2014 and remain above that line thereafter.

31) America imports 60% of its oil from abroad.

32) In 2010 the US imported over 13.2 million barrels of oil and petroleum products a day (EIA)

33) In 2009 we imported an average12.9 million barrels of oil and petroleum products a day (EIA). The oil alone cost us $922,072,320 per day, or $38 million dollars an hour....just for raw crude alone.

34) ANWR is not an oil bank. It takes years and years to do exploration and then produce oil. Currently we do not even have any hard data on what is exactly there.

35) Given the timeline to produce oil, waiting for a shortage of supply caused by war, hurricane or politics, before approving exploration is a "too little, too late" strategy that will only lead us into a worse economic and social crisis.

36) America is perhaps the only nation, developed or otherwise that deliberately refuses to access its own natural resources, preferring instead to play NIMBY and buy from abroad.

37) In testimony to Congress during the debate to construct the Trans-Alaska Pipeline (1972) Sierra Club biologists argued to build the pipeline east along the Coastal Plain through (now) ANWR's 10-02 Area and down through Canada, stating it would travel with the flow of the caribou's migration and that the area had no scenic beauty or value.

39) ANWR oil production, under current legislation, can take up no more than 2000 acres, or 3.1sq.miles.

40) ANWR oil production demands use of "best technology available" and a "take in- take out" policy. This is not an option but the law.

41) ANWR oil production would be monitored 24/7 by local hire Wildlife Monitors who have the power to mitigate exploration activity if negative environmental effects are seen.

42) Wilderness designation will be near permanent in a political sense. It is nearly impossible to undo it.

43) The battle to undo a Wilderness designation will be larger than the battle to open up ANWR.

44) The environmental movement is openly against any exploration in the Arctic north of the Brooks Range. This was formally codified in a letter to the President by their main leaders, Sen. Inslee and Rep. Markey in 2009.

45) The 10-02 Area contains private land that is effectively locked up by the ANILCA bill that created ANWR's current shape. Private property rights are thus being ignored in the ANWR debate.

46) The villagers of Kaktovik in the 10-02 consider it a great insult that they are often ignored in this debate and that their land is considered "pristine" and uninhabited. To them, it is used and an important part of their daily operating lives.

47) ANWR's 10-02 is the "dinner plate" for the Inupiat of Kaktovik. They would not support this issue if they felt their source of daily sustenance would be at risk.

48) The Inupiat villagers of the Arctic who's sacred land this has been for over 10,000 years, for the past 30 years of development has worked together with the State and the Industry to mitigate a beneficial and positive social, environmental, and economic solution to the development of Prudhoe Bay, America's largest oil field situated on their land. The great success of this effort has made them strong supporters of the fight to open ANWR.

49) ANWR is not and "either / or" situation. The choice is not black or white, yes or no. ANWR is a case of responsible management and governance. It is a case of careful planning, environmental sensitivity and compromise. All Alaskans are aware of this and promote this and believe this can be done right. That is precisely why we overwhelmingly support this cause.

AUTHENTICATED
U.S. GOVERNMENT
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I

112TH CONGRESS
1ST SESSION

H. R. 49

To direct the Secretary of the Interior to establish and implement a competitive oil and gas leasing program that will result in an environmentally sound program for the exploration, development, and production of the oil and gas resources of the Coastal Plain of Alaska, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 5, 2011

Mr. YOUNG of Alaska introduced the following bill; which was referred to the Committee on Natural Resources, and in addition to the Committees on Energy and Commerce and Science, Space, and Technology, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

---

A BILL

To direct the Secretary of the Interior to establish and implement a competitive oil and gas leasing program that will result in an environmentally sound program for the exploration, development, and production of the oil and gas resources of the Coastal Plain of Alaska, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "American Energy Independence and Price Reduction Act".

SEC. 2. DEFINITIONS.

In this Act:

(1) COASTAL PLAIN.—The term "Coastal Plain" means that area described in appendix I to part 37 of title 50, Code of Federal Regulations.

(2) SECRETARY.—The term "Secretary", except as otherwise provided, means the Secretary of the Interior or the Secretary's designee.

SEC. 3. LEASING PROGRAM FOR LANDS WITHIN THE COASTAL PLAIN.

(a) IN GENERAL.—The Secretary shall take such actions as are necessary—

(1) to establish and implement, in accordance with this Act and acting through the Director of the Bureau of Land Management in consultation with the Director of the United States Fish and Wildlife Service, a competitive oil and gas leasing program that will result in an environmentally sound program for the exploration, development, and production of the oil and gas resources of the Coastal Plain; and

(2) to administer the provisions of this Act through regulations, lease terms, conditions, restrictions, prohibitions, stipulations, and other provisions

that ensure the oil and gas exploration, development, and production activities on the Coastal Plain will result in no significant adverse effect on fish and wildlife, their habitat, subsistence resources, and the environment, including, in furtherance of this goal, by requiring the application of the best commercially available technology for oil and gas exploration, development, and production to all exploration, development, and production operations under this Act in a manner that ensures the receipt of fair market value by the public for the mineral resources to be leased.

(b) REPEAL.—

(1) REPEAL.—Section 1003 of the Alaska National Interest Lands Conservation Act of 1980 (16 U.S.C. 3143) is repealed.

(2) CONFORMING AMENDMENT.—The table of contents in section 1 of such Act is amended by striking the item relating to section 1003.

(c) COMPLIANCE WITH REQUIREMENTS UNDER CERTAIN OTHER LAWS.—

(1) COMPATIBILITY.—For purposes of the National Wildlife Refuge System Administration Act of 1966 (16 U.S.C. 668dd et seq.), the oil and gas leasing program and activities authorized by this

section in the Coastal Plain are deemed to be compatible with the purposes for which the Arctic National Wildlife Refuge was established, and no further findings or decisions are required to implement this determination.

(2) ADEQUACY OF THE DEPARTMENT OF THE INTERIOR'S LEGISLATIVE ENVIRONMENTAL IMPACT STATEMENT.—The "Final Legislative Environmental Impact Statement" (April 1987) on the Coastal Plain prepared pursuant to section 1002 of the Alaska National Interest Lands Conservation Act of 1980 (16 U.S.C. 3142) and section 102(2)(C) of the National Environmental Policy Act of 1969 (42 U.S.C. 4332(2)(C)) is deemed to satisfy the requirements under the National Environmental Policy Act of 1969 that apply with respect to prelease activities, including actions authorized to be taken by the Secretary to develop and promulgate the regulations for the establishment of a leasing program authorized by this Act before the conduct of the first lease sale.

(3) COMPLIANCE WITH NEPA FOR OTHER ACTIONS.—Before conducting the first lease sale under this Act, the Secretary shall prepare an environmental impact statement under the National Envi-

ronmental Policy Act of 1969 with respect to the actions authorized by this Act that are not referred to in paragraph (2). Notwithstanding any other law, the Secretary is not required to identify nonleasing alternative courses of action or to analyze the environmental effects of such courses of action. The Secretary shall only identify a preferred action for such leasing and a single leasing alternative, and analyze the environmental effects and potential mitigation measures for those two alternatives. The identification of the preferred action and related analysis for the first lease sale under this Act shall be completed within 18 months after the date of enactment of this Act. The Secretary shall only consider public comments that specifically address the Secretary's preferred action and that are filed within 20 days after publication of an environmental analysis. Notwithstanding any other law, compliance with this paragraph is deemed to satisfy all requirements for the analysis and consideration of the environmental effects of proposed leasing under this Act.

(d) RELATIONSHIP TO STATE AND LOCAL AUTHORITY.—Nothing in this Act shall be considered to expand or limit State and local regulatory authority.

(e) SPECIAL AREAS.—

(1) IN GENERAL.—The Secretary, after consultation with the State of Alaska, the city of Kaktovik, and the North Slope Borough, may designate up to a total of 45,000 acres of the Coastal Plain as a Special Area if the Secretary determines that the Special Area is of such unique character and interest so as to require special management and regulatory protection. The Secretary shall designate as such a Special Area the Sadlerochit Spring area, comprising approximately 4,000 acres.

(2) MANAGEMENT.—Each such Special Area shall be managed so as to protect and preserve the area's unique and diverse character including its fish, wildlife, and subsistence resource values.

(3) EXCLUSION FROM LEASING OR SURFACE OCCUPANCY.—The Secretary may exclude any Special Area from leasing. If the Secretary leases a Special Area, or any part thereof, for purposes of oil and gas exploration, development, production, and related activities, there shall be no surface occupancy of the lands comprising the Special Area.

(4) DIRECTIONAL DRILLING.—Notwithstanding the other provisions of this subsection, the Secretary may lease all or a portion of a Special Area under terms that permit the use of horizontal drilling tech-

nology from sites on leases located outside the Special Area.

(f) LIMITATION ON CLOSED AREAS.—The Secretary's sole authority to close lands within the Coastal Plain to oil and gas leasing and to exploration, development, and production is that set forth in this Act.

(g) REGULATIONS.—

(1) IN GENERAL.—The Secretary shall prescribe such regulations as may be necessary to carry out this Act, including rules and regulations relating to protection of the fish and wildlife, their habitat, subsistence resources, and environment of the Coastal Plain, by no later than 15 months after the date of enactment of this Act.

(2) REVISION OF REGULATIONS.—The Secretary shall periodically review and, if appropriate, revise the rules and regulations issued under subsection (a) to reflect any significant biological, environmental, or engineering data that come to the Secretary's attention.

SEC. 4. LEASE SALES.

(a) IN GENERAL.—Lands may be leased pursuant to this Act to any person qualified to obtain a lease for deposits of oil and gas under the Mineral Leasing Act (30 U.S.C. 181 et seq.).

(b) PROCEDURES.—The Secretary shall, by regulation, establish procedures for—

(1) receipt and consideration of sealed nominations for any area in the Coastal Plain for inclusion in, or exclusion (as provided in subsection (c)) from, a lease sale;

(2) the holding of lease sales after such nomination process; and

(3) public notice of and comment on designation of areas to be included in, or excluded from, a lease sale.

(c) LEASE SALE BIDS.—Bidding for leases under this Act shall be by sealed competitive cash bonus bids.

(d) ACREAGE MINIMUM IN FIRST SALE.—In the first lease sale under this Act, the Secretary shall offer for lease those tracts the Secretary considers to have the greatest potential for the discovery of hydrocarbons, taking into consideration nominations received pursuant to subsection (b)(1), but in no case less than 200,000 acres.

(e) TIMING OF LEASE SALES.—The Secretary shall—

(1) conduct the first lease sale under this Act within 22 months after the date of the enactment of this Act;

(2) evaluate the bids in such sale and issue leases resulting from such sale, within 90 days after the date of the completion of such sale; and

(3) conduct additional sales so long as sufficient interest in development exists to warrant, in the Secretary's judgment, the conduct of such sales.

SEC. 5. GRANT OF LEASES BY THE SECRETARY.

(a) IN GENERAL.—The Secretary may grant to the highest responsible qualified bidder in a lease sale conducted pursuant to section 4 any lands to be leased on the Coastal Plain upon payment by the lessee of such bonus as may be accepted by the Secretary.

(b) SUBSEQUENT TRANSFERS.—No lease issued under this Act may be sold, exchanged, assigned, sublet, or otherwise transferred except with the approval of the Secretary. Prior to any such approval the Secretary shall consult with, and give due consideration to the views of, the Attorney General.

SEC. 6. LEASE TERMS AND CONDITIONS.

(a) IN GENERAL.—An oil or gas lease issued pursuant to this Act shall—

(1) provide for the payment of a royalty of not less than 12½ percent in amount or value of the production removed or sold from the lease, as deter-

mined by the Secretary under the regulations applicable to other Federal oil and gas leases;

(2) provide that the Secretary may close, on a seasonal basis, portions of the Coastal Plain to exploratory drilling activities as necessary to protect caribou calving areas and other species of fish and wildlife;

(3) require that the lessee of lands within the Coastal Plain shall be fully responsible and liable for the reclamation of lands within the Coastal Plain and any other Federal lands that are adversely affected in connection with exploration, development, production, or transportation activities conducted under the lease and within the Coastal Plain by the lessee or by any of the subcontractors or agents of the lessee;

(4) provide that the lessee may not delegate or convey, by contract or otherwise, the reclamation responsibility and liability to another person without the express written approval of the Secretary;

(5) provide that the standard of reclamation for lands required to be reclaimed under this Act shall be, as nearly as practicable, a condition capable of supporting the uses which the lands were capable of supporting prior to any exploration, development, or

production activities, or upon application by the lessee, to a higher or better use as approved by the Secretary;

(6) contain terms and conditions relating to protection of fish and wildlife, their habitat, subsistence resources, and the environment as required pursuant to section 3(a)(2);

(7) provide that the lessee, its agents, and its contractors use best efforts to provide a fair share, as determined by the level of obligation previously agreed to in the 1974 agreement implementing section 29 of the Federal Agreement and Grant of Right of Way for the Operation of the Trans-Alaska Pipeline, of employment and contracting for Alaska Natives and Alaska Native Corporations from throughout the State;

(8) prohibit the export of oil produced under the lease; and

(9) contain such other provisions as the Secretary determines necessary to ensure compliance with the provisions of this Act and the regulations issued under this Act.

(b) PROJECT LABOR AGREEMENTS.—The Secretary, as a term and condition of each lease under this Act and in recognizing the Government's proprietary interest in

labor stability and in the ability of construction labor and management to meet the particular needs and conditions of projects to be developed under the leases issued pursuant to this Act and the special concerns of the parties to such leases, shall require that the lessee and its agents and contractors negotiate to obtain a project labor agreement for the employment of laborers and mechanics on production, maintenance, and construction under the lease.

SEC. 7. COASTAL PLAIN ENVIRONMENTAL PROTECTION.

(a) NO SIGNIFICANT ADVERSE EFFECT STANDARD TO GOVERN AUTHORIZED COASTAL PLAIN ACTIVITIES.—The Secretary shall, consistent with the requirements of section 3, administer the provisions of this Act through regulations, lease terms, conditions, restrictions, prohibitions, stipulations, and other provisions that—

(1) ensure the oil and gas exploration, development, and production activities on the Coastal Plain will result in no significant adverse effect on fish and wildlife, their habitat, and the environment;

(2) require the application of the best commercially available technology for oil and gas exploration, development, and production on all new exploration, development, and production operations; and

(3) ensure that the maximum amount of surface acreage covered by production and support facilities, including airstrips and any areas covered by gravel berms or piers for support of pipelines, does not exceed 2,000 acres on the Coastal Plain.

(b) SITE-SPECIFIC ASSESSMENT AND MITIGATION.—The Secretary shall also require, with respect to any proposed drilling and related activities, that—

(1) a site-specific analysis be made of the probable effects, if any, that the drilling or related activities will have on fish and wildlife, their habitat, subsistence resources, and the environment;

(2) a plan be implemented to avoid, minimize, and mitigate (in that order and to the extent practicable) any significant adverse effect identified under paragraph (1); and

(3) the development of the plan shall occur after consultation with the agency or agencies having jurisdiction over matters mitigated by the plan.

(c) REGULATIONS TO PROTECT COASTAL PLAIN FISH AND WILDLIFE RESOURCES, SUBSISTENCE USERS, AND THE ENVIRONMENT.—Before implementing the leasing program authorized by this Act, the Secretary shall prepare and promulgate regulations, lease terms, conditions, restrictions, prohibitions, stipulations, and other

measures designed to ensure that the activities undertaken on the Coastal Plain under this Act are conducted in a manner consistent with the purposes and environmental requirements of this Act.

(d) COMPLIANCE WITH FEDERAL AND STATE ENVIRONMENTAL LAWS AND OTHER REQUIREMENTS.—The proposed regulations, lease terms, conditions, restrictions, prohibitions, and stipulations for the leasing program under this Act shall require compliance with all applicable provisions of Federal and State environmental law, and shall also require the following:

(1) Standards at least as effective as the safety and environmental mitigation measures set forth in items 1 through 29 at pages 167 through 169 of the "Final Legislative Environmental Impact Statement" (April 1987) on the Coastal Plain.

(2) Seasonal limitations on exploration, development, and related activities, where necessary, to avoid significant adverse effects during periods of concentrated fish and wildlife breeding, denning, nesting, spawning, and migration.

(3) That exploration activities, except for surface geological studies, be limited to the period between approximately November 1 and May 1 each year and that exploration activities shall be sup-

ported, if necessary, by ice roads, winter trails with adequate snow cover, ice pads, ice airstrips, and air transport methods, except that such exploration activities may occur at other times if the Secretary finds that such exploration will have no significant adverse effect on the fish and wildlife, their habitat, and the environment of the Coastal Plain.

(4) Design safety and construction standards for all pipelines and any access and service roads, that—

(A) minimize, to the maximum extent possible, adverse effects upon the passage of migratory species such as caribou; and

(B) minimize adverse effects upon the flow of surface water by requiring the use of culverts, bridges, and other structural devices.

(5) Prohibitions on general public access and use on all pipeline access and service roads.

(6) Stringent reclamation and rehabilitation requirements, consistent with the standards set forth in this Act, requiring the removal from the Coastal Plain of all oil and gas development and production facilities, structures, and equipment upon completion of oil and gas production operations, except that the Secretary may exempt from the requirements of this

paragraph those facilities, structures, or equipment that the Secretary determines would assist in the management of the Arctic National Wildlife Refuge and that are donated to the United States for that purpose.

(7) Appropriate prohibitions or restrictions on access by all modes of transportation.

(8) Appropriate prohibitions or restrictions on sand and gravel extraction.

(9) Consolidation of facility siting.

(10) Appropriate prohibitions or restrictions on use of explosives.

(11) Avoidance, to the extent practicable, of springs, streams, and river system; the protection of natural surface drainage patterns, wetlands, and riparian habitats; and the regulation of methods or techniques for developing or transporting adequate supplies of water for exploratory drilling.

(12) Avoidance or minimization of air traffic-related disturbance to fish and wildlife.

(13) Treatment and disposal of hazardous and toxic wastes, solid wastes, reserve pit fluids, drilling muds and cuttings, and domestic wastewater, including an annual waste management report, a hazardous materials tracking system, and a prohibition

on chlorinated solvents, in accordance with applicable Federal and State environmental law.

(14) Fuel storage and oil spill contingency planning.

(15) Research, monitoring, and reporting requirements.

(16) Field crew environmental briefings.

(17) Avoidance of significant adverse effects upon subsistence hunting, fishing, and trapping by subsistence users.

(18) Compliance with applicable air and water quality standards.

(19) Appropriate seasonal and safety zone designations around well sites, within which subsistence hunting and trapping shall be limited.

(20) Reasonable stipulations for protection of cultural and archeological resources.

(21) All other protective environmental stipulations, restrictions, terms, and conditions deemed necessary by the Secretary.

(e) CONSIDERATIONS.—In preparing and promulgating regulations, lease terms, conditions, restrictions, prohibitions, and stipulations under this section, the Secretary shall consider the following:

(1) The stipulations and conditions that govern the National Petroleum Reserve-Alaska leasing program, as set forth in the 1999 Northeast National Petroleum Reserve-Alaska Final Integrated Activity Plan/Environmental Impact Statement.

(2) The environmental protection standards that governed the initial Coastal Plain seismic exploration program under parts 37.31 to 37.33 of title 50, Code of Federal Regulations.

(3) The land use stipulations for exploratory drilling on the KIC–ASRC private lands that are set forth in appendix 2 of the August 9, 1983, agreement between Arctic Slope Regional Corporation and the United States.

(f) FACILITY CONSOLIDATION PLANNING.—

(1) IN GENERAL.—The Secretary shall, after providing for public notice and comment, prepare and update periodically a plan to govern, guide, and direct the siting and construction of facilities for the exploration, development, production, and transportation of Coastal Plain oil and gas resources.

(2) OBJECTIVES.—The plan shall have the following objectives:

(A) Avoiding unnecessary duplication of facilities and activities.

(B) Encouraging consolidation of common facilities and activities.

(C) Locating or confining facilities and activities to areas that will minimize impact on fish and wildlife, their habitat, and the environment.

(D) Utilizing existing facilities wherever practicable.

(E) Enhancing compatibility between wildlife values and development activities.

(g) ACCESS TO PUBLIC LANDS.—The Secretary shall—

(1) manage public lands in the Coastal Plain subject to subsections (a) and (b) of section 811 of the Alaska National Interest Lands Conservation Act (16 U.S.C. 3121); and

(2) ensure that local residents shall have reasonable access to public lands in the Coastal Plain for traditional uses.

SEC. 8. EXPEDITED JUDICIAL REVIEW.

(a) FILING OF COMPLAINT.—

(1) DEADLINE.—Subject to paragraph (2), any complaint seeking judicial review of any provision of this Act or any action of the Secretary under this Act shall be filed—

(A) except as provided in subparagraph (B), within the 90-day period beginning on the date of the action being challenged; or

(B) in the case of a complaint based solely on grounds arising after such period, within 90 days after the complainant knew or reasonably should have known of the grounds for the complaint.

(2) VENUE.—Any complaint seeking judicial review of any provision of this Act or any action of the Secretary under this Act may be filed only in the United States Court of Appeals for the District of Columbia.

(3) LIMITATION ON SCOPE OF CERTAIN REVIEW.—Judicial review of a Secretarial decision to conduct a lease sale under this Act, including the environmental analysis thereof, shall be limited to whether the Secretary has complied with the terms of this Act and shall be based upon the administrative record of that decision. The Secretary's identification of a preferred course of action to enable leasing to proceed and the Secretary's analysis of environmental effects under this Act shall be presumed to be correct unless shown otherwise by clear and convincing evidence to the contrary.

(b) LIMITATION ON OTHER REVIEW.—Actions of the Secretary with respect to which review could have been obtained under this section shall not be subject to judicial review in any civil or criminal proceeding for enforcement.

SEC. 9. FEDERAL AND STATE DISTRIBUTION OF REVENUES.

(a) IN GENERAL.—Notwithstanding any other provision of law, of the amount of adjusted bonus, rental, and royalty revenues from Federal oil and gas leasing and operations authorized under this Act—

(1) 50 percent shall be paid to the State of Alaska; and

(2) except as provided in section 12(d), the balance shall be transferred to the ANWR Alternative Energy Trust Fund established by this Act.

(b) PAYMENTS TO ALASKA.—Payments to the State of Alaska under this section shall be made semiannually.

SEC. 10. RIGHTS-OF-WAY ACROSS THE COASTAL PLAIN.

(a) IN GENERAL.—The Secretary shall issue rights-of-way and easements across the Coastal Plain for the transportation of oil and gas—

(1) except as provided in paragraph (2), under section 28 of the Mineral Leasing Act (30 U.S.C. 185), without regard to title XI of the Alaska National Interest Lands Conservation Act (30 U.S.C. 3161 et seq.); and

(2) under title XI of the Alaska National Interest Lands Conservation Act (30 U.S.C. 3161 et seq.), for access authorized by sections 1110 and 1111 of that Act (16 U.S.C. 3170 and 3171).

(b) TERMS AND CONDITIONS.—The Secretary shall include in any right-of-way or easement issued under subsection (a) such terms and conditions as may be necessary to ensure that transportation of oil and gas does not result in a significant adverse effect on the fish and wildlife, subsistence resources, their habitat, and the environment of the Coastal Plain, including requirements that facilities be sited or designed so as to avoid unnecessary duplication of roads and pipelines.

(c) REGULATIONS.—The Secretary shall include in regulations under section 3(g) provisions granting rights-of-way and easements described in subsection (a) of this section.

SEC. 11. CONVEYANCE.

In order to maximize Federal revenues by removing clouds on title to lands and clarifying land ownership patterns within the Coastal Plain, the Secretary, notwithstanding the provisions of section 1302(h)(2) of the Alaska National Interest Lands Conservation Act (16 U.S.C. 3192(h)(2)), shall convey—

(1) to the Kaktovik Inupiat Corporation the surface estate of the lands described in paragraph 1 of Public Land Order 6959, to the extent necessary to fulfill the Corporation's entitlement under sections 12 and 14 of the Alaska Native Claims Settlement Act (43 U.S.C. 1611 and 1613) in accordance with the terms and conditions of the Agreement between the Department of the Interior, the United States Fish and Wildlife Service, the Bureau of Land Management, and the Kaktovik Inupiat Corporation effective January 22, 1993; and

(2) to the Arctic Slope Regional Corporation the remaining subsurface estate to which it is entitled pursuant to the August 9, 1983, agreement between the Arctic Slope Regional Corporation and the United States of America.

SEC. 12. LOCAL GOVERNMENT IMPACT AID AND COMMUNITY SERVICE ASSISTANCE.

(a) FINANCIAL ASSISTANCE AUTHORIZED.—

(1) IN GENERAL.—The Secretary may use amounts available from the Coastal Plain Local Government Impact Aid Assistance Fund established by subsection (d) to provide timely financial assistance to entities that are eligible under paragraph (2) and that are directly impacted by the exploration for or

production of oil and gas on the Coastal Plain under this Act.

(2) ELIGIBLE ENTITIES.—The North Slope Borough, the City of Kaktovik, and any other borough, municipal subdivision, village, or other community in the State of Alaska that is directly impacted by exploration for, or the production of, oil or gas on the Coastal Plain under this Act, as determined by the Secretary, shall be eligible for financial assistance under this section.

(b) USE OF ASSISTANCE.—Financial assistance under this section may be used only for—

(1) planning for mitigation of the potential effects of oil and gas exploration and development on environmental, social, cultural, recreational, and subsistence values;

(2) implementing mitigation plans and maintaining mitigation projects;

(3) developing, carrying out, and maintaining projects and programs that provide new or expanded public facilities and services to address needs and problems associated with such effects, including firefighting, police, water, waste treatment, medivac, and medical services; and

(4) establishment of a coordination office, by the North Slope Borough, in the City of Kaktovik, which shall—

(A) coordinate with and advise developers on local conditions, impact, and history of the areas utilized for development; and

(B) provide to the Committee on Resources of the House of Representatives and the Committee on Energy and Natural Resources of the Senate an annual report on the status of coordination between developers and the communities affected by development.

(c) APPLICATION.—

(1) IN GENERAL.—Any community that is eligible for assistance under this section may submit an application for such assistance to the Secretary, in such form and under such procedures as the Secretary may prescribe by regulation.

(2) NORTH SLOPE BOROUGH COMMUNITIES.—A community located in the North Slope Borough may apply for assistance under this section either directly to the Secretary or through the North Slope Borough.

(3) APPLICATION ASSISTANCE.—The Secretary shall work closely with and assist the North Slope

Borough and other communities eligible for assistance under this section in developing and submitting applications for assistance under this section.

(d) ESTABLISHMENT OF FUND.—

(1) IN GENERAL.—There is established in the Treasury the Coastal Plain Local Government Impact Aid Assistance Fund.

(2) USE.—Amounts in the fund may be used only for providing financial assistance under this section.

(3) DEPOSITS.—Subject to paragraph (4), there shall be deposited into the fund amounts received by the United States as revenues derived from rents, bonuses, and royalties from Federal leases and lease sales authorized under this Act.

(4) LIMITATION ON DEPOSITS.—The total amount in the fund may not exceed $11,000,000.

(5) INVESTMENT OF BALANCES.—The Secretary of the Treasury shall invest amounts in the fund in interest bearing government securities.

(e) AUTHORIZATION OF APPROPRIATIONS.—To provide financial assistance under this section there is authorized to be appropriated to the Secretary from the Coastal Plain Local Government Impact Aid Assistance Fund $5,000,000 for each fiscal year.

SEC. 13. ANWR ALTERNATIVE ENERGY TRUST FUND.

(a) ESTABLISHMENT OF TRUST FUND.—There is established in the Treasury of the United States a trust fund to be known as the "ANWR Alternative Energy Trust Fund", consisting of such amounts as may be transferred to the ANWR Alternative Energy Trust Fund as provided in section 9.

(b) EXPENDITURES FROM ANWR ALTERNATIVE ENERGY TRUST FUND.—

(1) IN GENERAL.—Amounts in the ANWR Alternative Energy Trust Fund shall be available without further appropriation to carry out specified provisions of the Energy Policy Act of 2005 (Public Law 109–58; in this section referred to as "EPAct2005") and the Energy Independence and Security Act of 2007 (Public Law 110–140; in this section referred to as "EISAct2007"), as follows:

To carry out the provisions of:	**The following percentage of annual receipts to the ANWR Alternative Energy Trust Fund, but not to exceed the limit on amount authorized, if any:**
EPAct2005:	
Section 210	1.5 percent
Section 242	1.0 percent
Section 369	2.0 percent
Section 401	6.0 percent
Section 812	6.0 percent
Section 931	19.0 percent
Section 942	1.5 percent
Section 962	3.0 percent
Section 968	1.5 percent
Section 1704	6.0 percent
EISAct2007:	

To carry out the provisions of:	The following percentage of annual receipts to the ANWR Alternative Energy Trust Fund, but not to exceed the limit on amount authorized, if any:
Section 207	15.0 percent
Section 607	1.5 percent
Title VI, Subtitle B	3.0 percent
Title VI, Subtitle C	1.5 percent
Section 641	9.0 percent
Title VII, Subtitle A	15.0 percent
Section 1112	1.5 percent
Section 1304	6.0 percent.

(2) APPORTIONMENT OF EXCESS AMOUNT.—Notwithstanding paragraph (1), any amounts allocated under paragraph (1) that are in excess of the amounts authorized in the applicable cited section or subtitle of EPAct2005 and EISAct2007 shall be reallocated to the remaining sections and subtitles cited in paragraph (1), up to the amounts otherwise authorized by law to carry out such sections and subtitles, in proportion to the amounts authorized by law to be appropriated for such other sections and subtitles.

○

HJR

11

<TARGET><BILL>HJR 11</BILL><SUBJECT>HJR 11</SUBJECT><COMM>SRES27</COMM></TARGET>

SENATE COMMITTEE REPORT

DATE: 2/16/11

FURTHER:

DATE TURNED IN TO OFFICE: 3/7/11

Resources Committee considered HOUSE JOINT RESOLUTION NO. 11

HJR 11-OPPOSING ANWR WILDERNESS DESIGNATION

Urging the United States Congress to refrain from passing legislation that designates land in Area 1002 of the Arctic National Wildlife Refuge as wilderness.

and recommends:

[ ] be **replaced** with **SCS** _____ (_____)

[ ] Same Title [ ] Technical Title Change or [ ] New Title & SCR No._____

[ ] adopt **previous SCS** _____ (_____)

[ ] Same Title [ ] Technical Title Change or [ ] New Title & SCR No._____

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

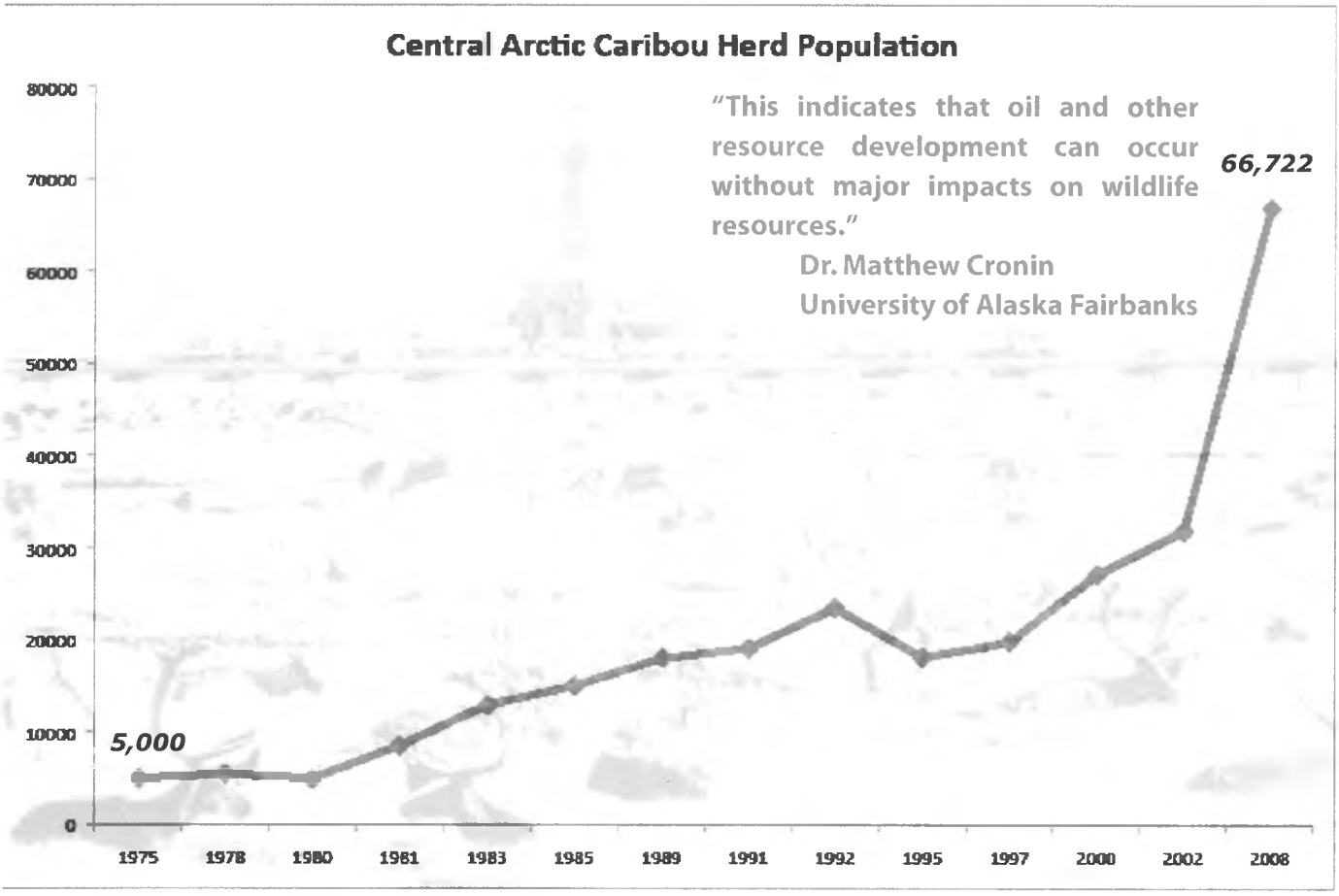
NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
Leg	-		X	1

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	McGuire	✓			
	French			✓	
	Wielechowski			✓	
	Wagoner	✓			
	Stevens	X			
CO-CHAIR:	PASKVAN	X			
CO-CHAIR:					

Co-existing with oil development, Central Arctic caribou herd thrives, population at record high



"This indicates that oil and other resource development can occur without major impacts on wildlife resources."

Dr. Matthew Cronin
University of Alaska Fairbanks

The Alaska Department of Fish and Game has reported that the Central Arctic caribou herd, which occupies summer ranges that include the Prudhoe Bay and Kuparuk oil fields, grew sharply in numbers between 2002 and 2008.

The herd included approximately 67,000 animals in summer 2008, compared to 32,000 in 2002. The herd had less then 5,000 animals in 1975, several years before North Slope oil production commenced.

The Teshekpuk Lake herd to the west of Kuparuk also increased in population to 64,000 animals in 2008, up from 45,000 in 2002. The two herds are the only ones in the Arctic known to be increasing at this time, the Department said. The other two Alaskan Arctic herds, the Western Arctic herd, whose range is west and south of the Teshekpuk Lake herd, and the Porcupine herd, with a summer range in Arctic National Wildlife Refuge east of Prudhoe Bay and winter ranges in the Brooks Range and Canada, are decreasing, as are many herds across Canada.

The department has not yet determined the causes of the changes in numbers in the different herds, but believes good reproduction rates, good weather, low predation and good habitat have combined to allow the Central Arctic and Teshekpuk Lake herds to increase rapidly. Movement among the herds may also account for some of the relative increases and decreases in numbers.

The increase in population is good news for many North Slope communities that hunt caribou. The Teshekpuk herd is an important subsistence resource for Barrow and villages in the region while the Central Arctic herd is commonly hunted by Alaskans from all over the state.

"Although some local disturbance impacts may occur, North Slope oil field developments have not resulted in decreased numbers of caribou," noted Dr. Matthew Cronin, a specialist in animal genetics and a research associate professor at the University of Alaska Fairbanks School of Natural Resources and Agricultural Sciences in Palmer. "This indicates that oil and other resource development can occur without major impacts on wildlife resources," Cronin added. "The North Slope oilfields and caribou herds are a good example of achieving multiple use management."

HJR 11

Representative Charisse Millett

Session
State Capitol Building, Room 412
Juneau, AK 99801
Phone (907) 465-3879
Fax (907) 465-2069

Interim
Anchorage LIO
716 W 4th Ave.
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Fax (907) 269-0223

Memorandum

Tom Joe

To: Sen. Tom Wagoner, Co-Chair
Sen. Joe Paskvan, Co-Chair
From: Rep. Charisse Millett
Subject: Calendaring request for HJR 11
Date: February 16, 2011
CC:

Please schedule House Joint Resolution 11 for a hearing at your earliest convenience. HJR 11 urges the United States Congress not pass any legislation designating Area 10-02 of ANWR as wilderness.

The resolution is timely because the U.S. Fish and Wildlife Service will release its draft Comprehensive Conservation Plan for ANWR by the end of March 2011. I believe the sooner the legislature weighs in on this issue the better.

The necessary materials for a hearing are included with this request.

Jeff Turner is the staffer assigned to this resolution. His direct line is (907) 465-6588.

###

Thank you
Charisse

Alaska House of Representatives

Session: Jan. – Apr.
State Capitol Building
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Juneau, AK 99801
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Representative Charisse Millett

District 30

January 25, 2011
Bill Version: 27-LS0187\M

House Joint Resolution 11

Sponsor Statement

"Urging the United States Congress to refrain from passing legislation that designates land in Area 1002 of the Arctic National Wildlife Refuge as wilderness"

House Joint Resolution 18 urges the United States Congress to reject any legislation seeking a wilderness designation for Area 1002 of the Arctic National Wildlife Refuge.

The U.S. Fish and Wildlife Service is drafting a new Comprehensive Conservation Plan for ANWR and the draft report is due out by late March 2011. No matter what the report recommends, it will renew calls for a wilderness designation. Not only will a wilderness designation lock it up – it will throw away the key.

Legislation has already been introduced in the US House of Representatives (H.R. 139) to make the coastal plain of ANWR a wilderness area.

The 1002 Area could be the largest untapped onshore oil prospect in the United States and that makes it both a national refuge and a strategic resource. The two are not incompatible.

Congress deliberately set aside Area 1002 for future oil and gas exploration. Lawmakers at the time understood the day may come when those reserves will be needed to fuel the economy and reduce the flow of imported oil into America.

Alaska needs new jobs to grow its economy and new revenue to fund basic services like education, public safety and transportation infrastructure. America needs a stable, safe and secure supply of energy to help the economy get back on its feet. ANWR can do all of that without harming the fragile arctic environment.

Locking up a two thousand acre area that makes up less than one percent of the refuge and holds an estimated 10,400,000,000 barrels of oil does not make sense for America's economy and national security.

HJR 11 has been referred to the House Resources Committee. For more information, contact Representative Millett at (907) 465-3879.

###

Prepared by Jeff Turner, Staff for Rep. Millett on January 25, 2011

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: HJR 11
() Publish Date

House Joint Resolution NO. 11
Title: "Urging the United States Congress to refrain from passing legislation that that designates land in Area 1002 of the Arc..."
Sponsor: Representative Millett
Requester: House Resources Committee

Dept. Affected: Legislature
Appropriation: B&A Committee, Leg Council
Allocation: & Subcommittees, Leg Operating Budget
OMB Component Number: 783; 775

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

This legislation has zero fiscal impact on the Legislative Affairs Agency.

Prepared by: Shane Miller, Finance Manager — Phone 465-6626
Division: Legislative Affairs Agency — Date/Time 2/3/11 10:32 AM
Approved by: Pamela Varni, Executive Director — Date 2/3/2011
Legislative Affairs Agency

(Revised 12/29/2010 OMB)

Analysis

This fiscal note has zero impact on the Legislative Affairs Agency.

THE ALLIANCE

...for responsible development of Alaska's Oil, Gas & Mineral Resources

February 1st, 2011

Honored Members of the House Resources Committee:

Please accept this letter on behalf of the Alliance's 500 members and their 35,000 employees.

Our organization fully supports HJR 11- a resolution urging Congress to refrain from passing legislation that designates land in ANWR as wilderness.

Jobs are our future. Any attempt to thwart responsible resource development in Alaska is a threat to our member companies and to their employees.

Please support HJR 11.

Respectfully,

Rebecca Logan

General Manager

The Alliance

Alaska Oil and Gas Association

AOGA

121 W. Fireweed Lane, Suite 207
Anchorage, Alaska 99503-2035
Phone: (907)272-1481 Fax: (907)279-8114
Email: moriarty@aoga.org
Kara Moriarty, Deputy Director

February 3, 2011

Representative Charisse Millett
Alaska House of Representatives
State Capitol – Rm. 13
Juneau, AK 99801

Dear Representative Millett:

The 15 members of the Alaska Oil & Gas Association (AOGA) account for the majority of oil and gas exploration, development, production, transportation, refining and marketing activities in the state. We appreciate the opportunity to voice our support for HJR 11, which opposes the federal government designating the 1002 area of the Arctic National Wildlife Refuge (ANWR) as wilderness.

When ANWR was created as part of the Alaska National Interest Lands Conservation Act (ANILCA) in 1980, only 8% of the area, known as the "1002 area", was set aside for oil and gas development. During the ANILCA debate, it was agreed that "no more" wilderness would be designated as over 8 million acres elsewhere in the refuge was designated as wilderness.

Development is permanently restricted on over 90% of ANWR and for the last twenty years, four out of five Alaskans consistently have supported opening ANWR to oil and gas exploration.

At a time when the Trans-Alaska Pipeline is only operating at one-third of its capacity, federal and state lands designated for oil and gas development should remain a viable option. Now is not the time to set aside more wilderness.

Thank you for sponsoring this resolution. We respectfully request the members of the 27th Legislature to join you by supporting HJR 11.

Sincerely,

Kara Moriarty

KARA MORIARTY
Deputy Director

ANWR:

JOBS AND
ENERGY
FOR AMERICA

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Support for H.J.R. 11
27th Alaska State Legislature 1st Session

Arctic Power strongly supports House Joint Resolution 11 introduced to the Alaska State Legislature Jan 21, 2011.

At the opening of each Congress for the past ten years, bills have been introduced to declare the 10-02 area of ANWR "wilderness lands" as defined by the National Wilderness Act of 1964. To date not a single measure has gained support and most have died in committee. Additionally letters have been drafted by Congressmen to the President to either declare the 10-02 as wilderness or, in one case, ban all development of any kind north of the Brooks Range. These letters are often signed by 50-80 congressmen and women and are sent off to the White House. None have yet gained enough traction to cause passage of legislation.

Despite the lack of success in these measures, and that many on Capitol Hill brand these attempts as politically "dead-on-arrival", the fact remains that up to a third of the US Senate and a quarter of the US House actually believe that locking up Alaskan lands is a good thing and Alaskans simply do not know what is best for themselves when it comes to land management. Sadly, very few of those who sign these letters or bills have actually been to Alaska, let alone ANWR, and many support these bills purely on political grounds. As a fact we at Arctic Power know that very few Congressmen or women actually know the issues, the lands, or the history of Arctic oil and gas exploration at all.

As ANWR is the single most legislated energy issue of the modern era, HJR 11 will be a extremely important voice for the people of Alaska in responding to the misguided wishes of certain members of Congress keen on Federal land grabs. It is the voice of the people of Alaska that is often not heard in the Halls of Congress and deliberately left of out the ANWR "wilderness" letters sent to the White House. HJR 11 will be an official message that we, as residents of this state, can take to Washington to help assure our voices are heard.

After ANILCA passed in 1980, Alaska was given reason to breathe a sigh of relief, though at a cost of 105 million acres of our state's land. Today 61% of our state is controlled by Washington and fully 1/3rd of all Federal lands nationally lie in Alaska. Over half of all national wilderness lands or fifty-eight million acres exist in Alaska including 8 million acres (42%) of ANWR itself. Alaska also contains 70% of the nation's national parks and 80% of all the nation's wildlife refuge land. One must ask when is enough enough? Regardless of the rule of law of ANILCA itself, we simply do not need more protected lands.

Demands for wilderness designation of the 10-02 area by anyone inside or outside of Alaska completely and deliberately ignores that Alaskans, both individually and through laws put in place by their elected officials, have acted responsibly and practiced careful conservation and protection of the ecology for 30 years across the entire Arctic. The environmental Armageddon many environmental groups preached never happened. But still, those in favor of 10-02 wilderness designation artfully ignore the now 66,000 strong Central Arctic Caribou Herd migrating, calving and feeding within the largest oil field on the North American continent. A situation which was deemed impossible by the environmental lobby and their supporters in 1972.

Apart from the basic fact that ANILCA specifically did not designate the 10-02 as wilderness lands, ANILCA also states that the Federal Government's fill of claims to Alaskan lands have been met and that no Alaskan land, anywhere in the state, may be taken out of public use without a specific decision by Congress. In 1987, the Department of Interior carried out the letter of the law of ANILCA and recommended opening the 10-02 to oil exploration and development, and; in 1995, Congress fulfilled ANILCA by voting to do so. What has changed since then with regard to ANWR land is almost nothing at all. The Porcupine Caribou Herd fluctuates, as it always has and will, the local governments still strongly support development and overall statewide public support remains at a high 78%. Yet Alaska, year in year out, must battle against bill after bill, letter after letter, campaign after campaign the attempts of environmentalists and misguided US Congressmen and women to keep open the option to responsibly use our lands. Even the current Comprehensive Conservation Plan by the US Fish and Wildlife Service will most likely break the ANILCA law and, in April, come out with a recommendation for a wilderness designation of the 10-02 area. It is our great wish that this effort be stopped, that the US Fish and Wildlife Service know through HJR 11 and the force of law that this is not only not the wish of Alaskans, but it is also against the law of the land.

We at Arctic Power do not agree with those in the US Congress who want wilderness designation for the 10-02 area. We strongly believe they do not fully understand the issue and many are completely unwilling to listen to the voices of the people of Alaska.

We at Arctic Power do believe Alaskans know what is best for Alaskans and that a vast majority of Alaskans support passage of HJR 11 and responsible development of the 10-02 area of ANWR. We strongly support this resolution and recommend its passage.

Sincerely
Mike Navarre Co-Chair ARCTIC POWER
Eric Helzer Co-Chairman ARCTIC POWER

STATE OF ALASKA

SEAN PARNELL, Governor

CITIZENS' ADVISORY COMMISSION
ON FEDERAL AREAS

3700 AIRPORT WAY
FAIRBANKS, ALASKA 99709

PHONE: (907) 374-3737
FAX: (907) 451-2751

June 7, 2010

Richard Voss
Refuge Manager
Arctic National Wildlife Refuge
101 12th Avenue, Room 236
Fairbanks, AK 99701-6237

Dear Mr. Voss:

The Citizens' Advisory Commission on Federal Areas has considered the Notice of Intent to revise the Comprehensive Conservation Plan (CCP) for the Arctic National Wildlife Refuge and prepare an environmental impact statement. We note that this planning process also will include a review of refuge rivers for potential recommendation for inclusion in the National Wild and Scenic River System and review of refuge lands for potential recommendation for inclusion within the National Wilderness Preservation System. We appreciate the opportunity to offer the following scoping comments for consideration by the refuge planning team.

Public Involvement

The Commission thanks you for providing the briefing and answering questions about the CCP revision at our June 2nd meeting in Fairbanks. We are encouraged by the extensive public outreach effort made by you and your staff during this initial phase of the plan revision. We are particularly pleased that the public meetings did not simply follow the "open house" format, but included the opportunity for the public to provide testimony as part of the planning record. Also, giving attendees the option of presenting testimony in an open forum or by meeting one on one with a member of the refuge staff is commendable. As you know, the Arctic Refuge receives more attention than other unit in the refuge system, making public involvement a critical part of this plan revision. We are confident that you will offer the same level of opportunities for public involvement in each phase of the process. The Commission is available to assist with future public outreach efforts or to again distribute information through our newsletter if that would be helpful.

Wilderness Review

The Commission is strongly opposed to the development of new recommendations for designation of additional wilderness within the Arctic Refuge. The question of additional

wilderness designations for all national wildlife refuge units in Alaska was previously addressed in studies mandated by ANILCA Section 1317. The study for the Arctic Refuge was conducted in conjunction with the development of the current CCP. The November 1988 Record of Decision for the CCP and Final Environmental Impact Statement selected a plan alternative that represented the exiting management situation and did not include a wilderness proposal.

The Commission supports retention of this decision, primarily because the 8.0 million acres of designated wilderness already within the Arctic Refuge is sufficient. Maintaining the remainder of the refuge in a non-wilderness status will allow the Service a measure of flexibility to respond to changing circumstances or management needs. Existing statutory and regulatory authorities provide sufficient protections for refuge values and purposes without reducing management options by imposing an additional layer of restrictions on the Service, cooperating agencies such as the Alaska Department of Fish and Game or the public.

The restrictions imposed by wilderness designation in Alaska are slightly less restrictive because of the special provisions of ANILCA. In spite of those special provisions, however, it is our considered opinion that each Federal land management agency has adopted wilderness policies that are more restrictive than was intended by Congress. These policies can unnecessarily restrict public activities and use, even those of a transitory nature that have no impact to refuge resources.

During the CCP revision process we would encourage the Service to look at how these policies are applied to the existing wilderness area in the refuge. The CCP should contain a table or summary of those activities and uses that are allowed and those that are restricted within designated wilderness. Included in the CCP should be a discussion of the applicable Service polices, regulations and statutes which guide wilderness management. Plan alternatives and refuge management policies should also allow for special circumstances where restrictions on the use of mechanized or power equipment can be waived for medical reasons or to accommodate handicapped individuals.

1002 Area

Although the ANILCA Section 1317 recommendations were never submitted to Congress by the Secretary, Congress has considered the question of wilderness in the 1002 area of the Arctic Refuge many times. There have been bills proposed in both the House and the Senate in each of the last 11 Congresses. At least 22 bills proposing wilderness designation for the 1002 Area have been introduced. Several other bills also contained wilderness proposals for lands within the Arctic Refuge. To our knowledge, none of these bills has advanced beyond committee. Given this and the controversial nature of wilderness designation in Alaska overall, the Commission would suggest that the time and effort in conducting wilderness studies in the 1002 area (Coastal Plain Wilderness Review Units) as well as the Brooks Range and Porcupine Plateau Wilderness Review Units could be better spent on other important management issues.

Wild and Scenic River Studies

The Commission is also opposed to studies and/or recommendations for additional wild and scenic rivers within the Arctic Refuge. As we have stated above on the wilderness study issue, existing statutory and regulatory authorities are more than adequate to protect all rivers and

waters within the refuge. In fact, one of the purposes of the refuge is to ensure "water quality and necessary water quantity within the refuge." We see no need to conduct wild and scenic river studies that will divert staff resources from other management issues.

Access

Under the current CCP and regulations, there are no restrictions for the Arctic Refuge on public access via snowmachine, motorboat, airplane or nonmotorized surface transportation. Even though there have been increases in public use and visitation, Commission members who are knowledgeable about the refuge see no need for any restrictions at this time. While we are aware that restrictions may be implemented only through the closure process and subject to the criteria found in the regulations at 50 CFR §36.42, the findings in the environmental impact statement and the revised CCP will heavily influence any decisions on future proposals for public access restrictions. This issue should be thoroughly and objectively examined as part of this revision.

Visitor Use Survey

We recently learned that implementation of the revised visitor use survey will be delayed until after the plan revision is completed. The Service should reconsider this decision and release the visitor survey for this season so that this information can be included in the CCP revision.

Cabins

Guidance for cabin management in the current CCP was developed prior to the promulgation of regulations for the use and construction of cabins within national wildlife refuges in Alaska. At the time the CCP was adopted, cabins were managed under a regional policy that was not uniformly applied and which was not consistent with the provisions of ANILCA. Formal cabin regulations were not adopted until 1994.

The Service estimated in the original CCP that there were 37 cabins on refuge lands used for trapping or other customary and traditional subsistence uses. According to the CCP, 25 of those were used to "some degree" and 12 were not being actively used. Twelve of the cabins were under special use permit. The CCP (pg. 210) states: "The Service eventually will place all of the cabins on refuge lands under permit, or declare them abandoned after researching their pattern of use."

The CCP goes on to say that a detailed inventory of cabins and their uses on refuge lands will be conducted. It also says that before declaring a cabin abandoned, the Service will research it pattern of use and that all cabins determined to be abandoned will be disposed of in accordance with Service policy.

We have no specific information on the present status of cabins or cabin permits on the Arctic Refuge. We do understand that there are fewer cabins being used or under permit than when the original CCP was adopted. The revised CCP should include the results of the cabin inventory and the current status of cabins on the Arctic Refuge. The original CCP states that the Service has no plans for constructing or designating new public use cabins, but points out that cabins may be constructed or designated if necessary for refuge management and or public health and safety. We suggest inclusion of at least one alternative that would allow either the designation of existing cabins or construction of new cabins for public use in the non-wilderness portions of the

refuge. Consistent with ANILCA Section 1315(d), the need for public use cabins or shelters for public health and safety purposes within the designated wilderness portion of the refuge should also be considered in the alternatives. There is a significant segment of the public that considers public use cabins within conservation system units as both appropriate and desirable.

Again, the Commission appreciates the opportunity to provide these comments. We look forward to working with the refuge staff on the development of this plan revision and the environmental impact statement. We would welcome the opportunity to participate in planning team meetings along with other State personnel, if appropriate and if you think that participation would be helpful. When convenient, we also encourage you to provide updates that can be included in our monthly newsletter. Please contact us if you have questions or if we can clarify any of our comments.

Sincerely,

Stan Leaphart

Stan Leaphart
Executive Director

HJR 19

<TARGET><BILL>HJR 19</BILL><SUBJECT>HJR 19</SUBJECT><COMM>SRES27</COMM></TARGET>

ALASKA STATE LEGISLATURE

HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE, & TOURISM

Representative Bob Herron, Chair
State Capitol Building, Room 411
Juneau, Alaska 99801-1182
Phone (907) 465-4942
Fax (907) 465-4589
Rep.Bob.Herron@legis.state.ak.us

Rep. Neal Foster, Rep. Berta Gardner, Rep. Reggie Joule, Rep. Wes Keller,
Rep. Cathy Muñoz, Rep. Kurt Olson, Rep. Steve Thompson, Rep. Chris Tuck

Explanation of Changes for HJR 19, URGING US TO RATIFY LAW OF THE SEA TREATY

For Senate Resources Committee

Changes from original HJR 19 in EDT Committee
P. 3, line 5
"a diplomatic blight on its reputation" was removed

Changes from HJR 19 (EDT) in Resources Committee
P. 3, line 12
The following WHEREAS was added:
"WHEREAS 161 nations have ratified the United Nations Convention on the law of the sea, including almost all of the world's maritime powers; and"

P. 3, line 14
The following WHEREAS was reworded to read:
"WHEREAS ratification of the United Nations Convention on the Law of the Sea has been pending before the United States Senate since 1994, and seven hearings on the treaty were held by the United States Senate Committee on Foreign Relations in 2003, 2004, and 2007; and"

* For convenience, page and line numbers are referenced from HJR 19 (RES)

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **HJR 19**
() Publish Date

HJR19-LEG-COU-3-7-2011
Title: "Support for United Nations Convention on the Law of the Sea"
Sponsor: House Special Committee on Econ Dev, Trade & Tourism
Requester: House Special Committee on Econ Dev, Trade & Tourism

Dept. Affected: Legislature
Appropriation: Legislative Council
Allocation: Session Expenses
OMB Component Number: 782

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2011) cost

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

Initial Version

Prepared by: Shane Miller, Finance Manager — Phone 465-6626
Division: Administrative Services Division — Date/Time 3/7/11 1:04 PM
Approved by: Pamela Varni, Executive Director — Date 3/7/2011
Legislative Affairs Agency

(Revised 12/29/2010 OMB)

Analysis

This fiscal note has zero impact on the Legislative Affairs Agency.

ALASKA STATE LEGISLATURE

HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE, & TOURISM

Representative Bob Herron, Chair

Rep. Neal Foster, Rep. Berta Gardner, Rep. Reggie Joule, Rep. Wes Keller, Rep. Cathy Muñoz, Rep. Kurt Olson, Rep. Steve Thompson, Rep. Chris Tuck

MEMORANDUM

Date: March 16, 2011

To: Senator Joe Paskvan, Co-Chair Senate Resources
Senator Tom Wagoner, Co-Chair Senate Resources

From: Rep. Bob Herron

RE: CSHJR 19 (RES), Supporting Ratification of Law of the Sea

---

I respectfully request a hearing in Senate Resources for **CSHJR 19 (RES), "Urging the United States Senate to ratify the United Nations Convention on the Law of the Sea."**

HJR 19 urges the United States Senate to ratify the United Nations Convention on the Law of the Sea (UNCLOS), also known as the Law of the Sea treaty (LOST). This resolution will help Alaska's Senate delegation bring the Law of the Sea treaty to the Senate floor for a vote on ratification. Ratification of this treaty is important to protect United States interests concerning the use and development of the high seas off Alaska.

In her annual address to the Alaska State Legislature February 24, 2011, United States Senator Lisa Murkowski called on the Legislature to once again pass a resolution urging United States Senate ratification of UNCLOS.

Under the treaty, member nations can claim an exclusive economic zone (EEZ) to 200 miles, with sovereign rights to explore, develop, and manage the resources within that zone. A claim can extend beyond the 200 mile limit if the continental shelf can be proven to extend beyond 200 miles. It is estimated that the northern seabed off Alaska and beyond the 200-mile limit could be as large as the state of California.

If you have any questions or need additional information, please contact myself or my staff Rob Earl at 465.4942.

ALASKA STATE LEGISLATURE

HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE, & TOURISM

Representative Bob Herron, Chair

Rep. Neal Foster, Rep. Berta Gardner, Rep. Reggie Joule, Rep. Wes Keller,
Rep. Cathy Muñoz, Rep. Kurt Olson, Rep. Steve Thompson, Rep. Chris Tuck

Sponsor Statement

CSHJR 19 (RES), "Urging the United States Senate to ratify the United Nations Convention on the Law of the Sea."

CSHJR 19 (RES), urges the United States Senate to ratify the United Nations Convention on the Law of the Sea (UNCLOS), also known as the Law of the Sea treaty (LOST). This resolution will help Alaska's Senate delegation bring the Law of the Sea treaty to the Senate floor for a vote on ratification. Ratification of this treaty is important to protect United States interests concerning the use and development of the high seas off Alaska.

The Law of the Sea treaty governs many aspects of oceans, such as mapping, state area control, environmental control, marine scientific research, economic and commercial activities, transfer of technology and the settlement of disputes relating to ocean matters.

161 countries are signatories to the treaty, including all of the Arctic nations with the exception of the United States.

In her annual address to the Alaska State Legislature February 24, 2011, United States Senator Lisa Murkowski called on the Legislature to once again pass a resolution urging United States Senate ratification of UNCLOS. United States participation in the Law of the Sea Treaty was approved in 1994 by President Clinton after work was done on portions of the treaty to address concerns raised by President Reagan. Entities and persons on record supporting ratification are all United States Presidents since Reagan, the United States Coast Guard, the Department of the Navy, the State Department, the Joint Chiefs of Staff, AT&T, The American Petroleum Institute, The International Association of Drilling Contractors, and the National Oceans Industries Association and many others.

Under the treaty, member nations can claim an exclusive economic zone (EEZ) to 200 miles, with sovereign rights to explore, develop, and manage the resources within that zone. A claim can extend beyond the 200 mile limit if the continental shelf can be proven to extend beyond 200 miles. It is estimated that the northern seabed off Alaska and beyond the 200-mile limit could be as large as the state of California.

Key features of the Law of the Sea treaty include the following:

- Coastal States exercise sovereignty over their territorial sea which may not exceed 12 nautical miles; foreign vessels are allowed "innocent passage" through those waters;
- Ships and aircraft of all countries are allowed "transit passage" through straits used for international navigation; States bordering the straits can regulate navigational and other aspects of passage;
- Coastal States have sovereign rights in the 200-nautical mile EEZ with respect to natural resources and certain economic activities, and exercise jurisdiction over marine science research and environmental protection;
- All other States have freedom of navigation and over flight in the EEZ, as well as freedom to lay submarine cables and pipelines;
- All States enjoy the traditional freedoms of navigation, over-flight, scientific research and fishing on the high seas; they are obliged to adopt, or cooperate with other States in adopting, measures to manage and conserve living resources;
- States are bound to prevent and control marine pollution and are liable for damage caused by violation of their international obligations to combat such pollution;
- All marine scientific research in the EEZ and on the continental shelf is subject to the consent of the coastal State, but in most cases they are obliged to grant consent to other States when the research is to be conducted for peaceful purposes and fulfils specified criteria;
- States Parties are obliged to settle by peaceful means their disputes concerning the interpretation or application of the Convention;
- Disputes can be submitted to the International Tribunal for the Law of the Sea established under the Convention, to the International Court of Justice, or to arbitration. Arbitration is also available and, in certain circumstances, submission to it would be compulsory. The Tribunal has exclusive jurisdiction over deep seabed mining disputes.

The State of Alaska has much to gain from international recognition of the United States' 200 mile EEZ and extended continental shelf and much to lose if we are the only Arctic nation not to extend our ocean boundaries.

LEGISLATIVE RESEARCH SERVICES

Alaska State Legislature
Division of Legal and Research Services
State Capitol, Juneau, AK 99801

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Memorandum

TO: Representative Bob Herron

FROM: Chuck Burnham, Susan Haymes, Susan Warner, Tim Spengler, and Roger Withington, Legislative Analysts

DATE: March 11, 2011

RE: United Nations Convention on the Laws of the Sea
LRS Report 11.220

You asked for information regarding the United Nations Convention on the Law of the Sea. Specifically, you asked us to confirm and provide supporting documentation to statements put forth in an updated draft Legislative Resolve concerning the Convention dated March 9, 2011.

We present each of the "Whereas" statements in the draft resolution you provide below. Our findings for each statement immediately follow.

1 WHEREAS the United Nations Convention on the Law of the Sea (UNCLOS) preserves freedom of navigation as a basic right of all countries;

Part VII, Article 87, of UNCLOS guarantees freedom of the high seas as follows:

> 1. The high seas are open to all States, whether coastal or land-locked. Freedom of the high seas is exercised under the conditions laid down by this Convention and by other rules of international law. It comprises, inter alia, both for coastal and land-locked States:
>
> (a) freedom of navigation;
>
> (b) freedom of overflight;
>
> (c) freedom to lay submarine cables and pipelines, subject to Part VI;
>
> (d) freedom to construct artificial islands and other installations permitted under international law, subject to Part VI;
>
> (e) freedom of fishing, subject to the conditions laid down in section 2;
>
> (f) freedom of scientific research, subject to Parts VI and XIII.
>
> 2. These freedoms shall be exercised by all States with due regard for the interests of other States in their exercise of the freedom of the high seas, and also with due regard for the rights under this Convention with respect to activities in the Area.[1]

Free Navigation of the "territorial sea"—the sea area immediately adjacent to a state and extending up to 12 nautical miles seaward—is provided by Part II, Section III, Articles 17-18, under the concept of "innocent passage." That concept means navigation for the purpose of traversing the sea without entering internal waters or calling at port; or proceeding to or from internal waters or a port facility. Such passage must be peaceful as defined in Article 19. Similarly, Part III, Section 3, Article 45, provides the right to innocent passage in straits used for international navigation, while Article 52 provides the same right for passage through archipelagic waters, and Article 58 does so for "exclusive economic zones," which extend 200 nautical miles seaward.

[1] Full text of the Convention is available online at *http://www.un.org/Depts/los/convention_agreements/texts/unclos/unclos_e.pdf*.

2 WHEREAS the United Nations Convention on the Law of the Sea permits member nations to claim an exclusive economic zone out to 200 nautical miles from shore, with an exclusive sovereign right to explore, manage, and develop all living and nonliving resources, including deep sea mining, within that exclusive economic zone;

Part V, Articles 56-57, delineate exclusive economic zones as follows:

> 1. In the exclusive economic zone, the coastal State has:
>
> (a) sovereign rights for the purpose of exploring and exploiting, conserving and managing the natural resources, whether living or non-living, of the waters superjacent to the seabed and of the seabed and its subsoil, and with regard to other activities for the economic exploitation and exploration of the zone, such as the production of energy from the water, currents and winds;
>
> (b) jurisdiction as provided for in the relevant provisions of this Convention with regard to:
>
> (i) the establishment and use of artificial islands, installations and structures;
>
> (ii) marine scientific research;
>
> (iii) the protection and preservation of the marine environment;
>
> (c) other rights and duties provided for in this Convention.
>
> 2. In exercising its rights and performing its duties under this Convention in the exclusive economic zone, the coastal State shall have due regard to the rights and duties of other States and shall act in a manner compatible with the provisions of this Convention.
>
> 3. The rights set out in this article with respect to the seabed and subsoil shall be exercised in accordance with Part VI.

Article 57

Breadth of the exclusive economic zone: The exclusive economic zone shall not extend beyond 200 nautical miles from the baselines from which the breadth of the territorial sea is measured.

3 WHEREAS the United States Arctic Research Commission estimates that the United Nations Convention on the Law of the Sea would permit the United States to lay claim beyond the present 200-mile exclusive economic zone to an area of the Arctic Ocean seabed north of Alaska that is about the size of California;

In his May 6, 2010, testimony before the U.S. House of Representatives Committee on Natural Resources, Subcommittee on Insular Affairs, Oceans, and Wildlife, John Farrell, Executive Director of the U.S. Arctic Research Commission (USARC), advocated for greater mapping of the Arctic Ocean. Describing the bases for his advocacy, Dr. Farrell made the following statement:

> Should the U.S. accede to the United Nations Convention on the Law of the Sea, as recommended by the Commission and many others, estimates . . . suggest that the U.S. stands to gain sovereign rights over seafloor resources in the Arctic Ocean in an area at least the size of California.[2]

The basis for this claim appear to relate to the Convention's provisions related to the extension of a state's control over the continental shelf adjacent to and beyond its 200 nautical mile exclusive economic zone. Those provisions are in Part VI, Article 76, et seq., which read, in part, as follows:

> 3. The continental margin comprises the submerged prolongation of the land mass of the coastal State, and consists of the seabed and subsoil of the shelf, the slope and the rise. It does not include the deep ocean floor with its oceanic ridges or the subsoil thereof.

[2] Dr. Farrell's full testimony can be accessed online at *http://www.arctic.gov/testimony/farrell-05-06-2010.pdf*.

4. (a) For the purposes of this Convention, the coastal State shall establish the outer edge of the continental margin wherever the margin extends beyond 200 nautical miles from the baselines from which the breadth of the territorial sea is measured, by either:

(i) a line delineated in accordance with paragraph 7 by reference to the outermost fixed points at each of which the thickness of sedimentary rocks is at least 1 per cent of the shortest distance from such point to the foot of the continental slope; or

(ii) a line delineated in accordance with paragraph 7 by reference to fixed points not more than 60 nautical miles from the foot of the continental slope.

(b) In the absence of evidence to the contrary, the foot of the continental slope shall be determined as the point of maximum change in the gradient at its base.

5. The fixed points comprising the line of the outer limits of the continental shelf on the seabed, drawn in accordance with paragraph 4 (a)(i) and (ii), either shall not exceed 350 nautical miles from the baselines from which the breadth of the territorial sea is measured or shall not exceed 100 nautical miles from the 2,500 metre isobath, which is a line connecting the depth of 2,500 metres.

6. Notwithstanding the provisions of paragraph 5, on submarine ridges, the outer limit of the continental shelf shall not exceed 350 nautical miles from the baselines from which the breadth of the territorial sea is measured. This paragraph does not apply to submarine elevations that are natural components of the continental margin, such as its plateaux, rises, caps, banks and spurs.

7. The coastal State shall delineate the outer limits of its continental shelf, where that shelf extends beyond 200 nautical miles from the baselines from which the breadth of the territorial sea is measured, by straight lines not exceeding 60 nautical miles in length, connecting fixed points, defined by coordinates of latitude and longitude.[3]

Where a state makes legitimate claim to its continental shelf extending beyond the 200 mile exclusive economic zone, Article 77 provides that "the coastal State exercises over the continental shelf sovereign rights for the purpose of exploring it and exploiting its natural resources." Further, Article 81 states that "[t]he coastal State exercises over the continental shelf sovereign rights for the purpose of exploring it and exploiting its natural resources."

4 WHEREAS, by not joining the Convention, the United States is forfeiting sovereign rights to and international recognition of an expansion of United States resource jurisdiction by as much as 1,000,000 square kilometers of ocean, an area half the size of the Louisiana Purchase;

The U.S. Extended Continental Shelf Task Force—a multi-agency effort chaired by the U.S. Department of State—is currently working to identify the extended continental shelf (ECS) lying more than 200 nautical miles off the shores of the U.S. The Task Force's preliminary estimate puts the entire U.S. ECS at over one-million square kilometers. In order to claim sovereignty over its ECS under Article 76 of the UNCLOS, the U.S. must collect and analyze data sufficient to prove its claims.

It is clear that should the U.S. not become a signatory to the Convention, a number of the rights, responsibilities, privileges, and protections therein will not be available. However, we found nothing in the document that delineates what the specific impact of not becoming a signatory would have on sovereignty rights on the ECS. In the UNCLOS preamble, the signatories affirm that "matters not regulated by this Convention continue to be governed by the rules and principles of general international law." Indeed, among opponents to the U.S. becoming a signatory to the Convention, the impact of current international law is among the primary bases for their resistance. That is, opponents believe that international law already provides the U.S. with desirable sovereignty protections without subjecting the country to the extra-national judicial oversight and other controlling mechanisms in the Convention. A study of the matter prepared for the Council on Foreign Relations strongly disagrees with such claims by Convention opponents as follows:

[3] To see a graphic illustration of the application of the measurement formulae discussed in this section, please see *http://www.state.gov/g/oes/continentalshelf/*.

> Continuing to treat most parts of the convention as customary international law, as the United States does now, literally leaves it without a seat at the table in important decision-making bodies established by the convention, such as the Commission on the Limits of the Continental Shelf (CLCS); weakens the hand the United States can play in negotiations over critical maritime issues, such as rights in the opening of the Arctic Ocean; and directly undercuts U.S. ability to respond to emerging challenges, such as increasing piracy in the Indian Ocean. Joining or not joining the convention is more than an academic debate. There are tangible costs that grow by the day if the United States remains outside the convention.[4]

The impact on U.S. national sovereignty of remaining outside the Convention does not appear to be a settled legal matter. On this point, you may wish to seek an opinion from Legal Services explaining the relationship between the Convention and international maritime law as relates to ECS issues.

5 WHEREAS, with nearly one-third of all the world's hydrocarbons being produced off-shore, the United States would be unwise to ignore the need for access to extended oil and gas resources on the outer continental shelf;

According to the experts with whom we communicated, it appears that the statement that "nearly one-third of all the world's hydrocarbons [are] being produced off-shore," is accurate. G. Allan Petzet, chief editor (explorations) at the Oil and Gas Journal, relates that, while he is not aware if precise published up-to-date figures exist, it is his understanding that around one-third of the world's hydrocarbons are produced off-shore.[5] Additionally, Alex Chakhmakhchev, senior manager, Global Support, IHS Inc., informs us that in 2009, 30 percent of the world's hydrocarbons were produced off-shore.[6] He believes the percentage is roughly the same in today's market.

The Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE)—an agency of the U.S. Department of the Interior—released a comprehensive inventory of outer continental shelf (OCS) resources in 2006 that indicated that significant oil and gas resources exist in the U.S. OCS.[7] The study estimated that the quantity of undiscovered, technically recoverable, resources ranges from 66.6 to 115.3 billion barrels of oil and 326.4 to 565.9 trillion cubic feet of natural gas. The mean or average estimate is 85.9 billion barrels of oil and 419.9 trillion cubic feet of natural gas. Therefore, it may be argued that it could be "unwise" for the U.S. to ignore potential oil and gas resources in the OCS.[8]

6 WHEREAS the United States Geological Survey estimates that the Arctic contains conventional oil and gas resources totaling approximately 90,000,000,000 barrels of oil, 1,669 trillion cubic feet of natural gas, and 44,000,000,000 barrels of natural gas liquids, amounting to more than one-fifth of the world's undiscovered, recoverable oil and natural gas resources;

We found the information in the above "whereas" to be accurate. A 2008 United States Geological Survey (USGS) assessment found that 90 billion barrels of oil, 1,669 trillion cubic feet of natural gas, and 44 billion barrels of natural gas liquids may remain to be found in the Arctic. The USGS estimates that these resources account for about 22 percent (or slightly more than one-fifth) of the undiscovered, technically recoverable resources in the world.[9]

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[4] Scott G. Borgerson, Ph.D., "The National Interest and the Law of the Sea," for the Council on Foreign Relations, Council Special Report No. 46, May 2009, p. 19. This publication is available online at *http://www.cfr.org/global-governance/national-interest-law-sea/p19156*. The Council on Foreign Relations describes itself as an independent, nonpartisan membership organization, think tank, and publisher. More information on the Council is available at *http://www.cfr.org/about/*.

[5] G. Allan Petzet can be reached at (713) 963-6292. The Oil and Gas Journal provides international oil and gas news, analysis of issues and events, practical technology for design, operation and maintenance, and statistics on international markets and activity (*http://www.ogj.com/*).

[6] Alex Chakhmakhchev can be reached at (303) 790-0600. The IHS is a leading source of information in the following areas: energy, economics, geopolitical risk, sustainability and supply chain management (*http://www.ihs.com/*).

[7] The Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE), is the federal entity responsible for overseeing the safe and environmentally responsible development of energy and mineral resources on the outer continental shelf (*http://www.boemre.gov/*).

[8] More information on the BOEMRE assessment is available at *http://www.boemre.gov/revaldiv/RedNatAssessment.htm*.

[9] A USGS document on these finding can be accessed at *http://pubs.usgs.gov/fs/2008/3049/*.

7 WHEREAS American energy and deep-seabed companies are at a disadvantage in making investments in the outer continental shelf because of the legal uncertainty over the outer limit of the federal continental shelf; and

A wide majority of the opinions that we found in our review generally support the above "whereas." For example, Gerald Leape, senior officer (international policy) with the Pew Charitable Trusts, related to us that the ratification of the Convention would benefit U.S. energy and deep-seabed companies.[10] As an example, Mr. Leape, who specializes in international marine issues, relates that when disputes regarding OCS claims arise, countries that have ratified UNCLOS have a place "at the table" to work through the issues. Countries that have not ratified the treaty would not have an official voice in such a forum.

Additionally, Coast Guard Rear Admiral Christopher Colvin, commander of Coast Guard operations in Alaska, said recently in an interview that ratifying UNCLOS was imperative for the county.[11] He relates that there are valuable oil, gas, and mineral resources that the U.S. would have a legitimate claim to if the country signs on to the treaty. Admiral Colvin asserts that China is currently exploring areas north of the United States' exclusive economic zone off Alaska that would otherwise be under sovereign control of the U.S. under terms of the Convention.

Further, according to Citizens for Global Solutions (CGS), joining UNCLOS will benefit American businesses.[12] The CGS affirms that UNCLOS would protect the claims of U.S. firms to resources and give us an opportunity to provide better management of the sensitive Arctic environment adjacent to U.S. boundaries. Under UNCLOS, Arctic states stand to gain tremendously by claiming mineral and oil extraction rights in the Arctic seabed in areas that extend beyond their respective exclusive economic zones. Additionally, joining the Convention, would give U.S. companies an opportunity to apply for licenses with the International Seabed Authority, which manages claims to resources in the deep seabed, an area over which no country has sovereign rights.

8 WHEREAS the United States, as a major maritime power and as the country with the largest exclusive economic zone and one of the largest continental shelves, stands to gain more from the Convention in terms of economic and resource rights than any other country;

Our review found the above "whereas" to be accurate. According to our review, the United States' exclusive economic zone (EEZ) is the largest in the world, spanning over 13,000 miles of coastline and containing 3.4 million square nautical miles of ocean (a square nautical mile is equal to 1.3 square miles). According to preliminary studies, the extended continental shelf—again, that portion of the continental shelf beyond 200 nautical miles off shore—likely totals roughly one million square kilometers, or an area about twice the size of California, according to the U.S. Department of State.

Given the size of the U.S. continental shelf, the potential resources may be worth billions if not trillions of dollars, according to a U.S. Department of State article "Defining the Limits of the U.S. Continental Shelf."[13] Mr. Leape of the Pew Charitable Trusts affirms that it is quite likely that the U.S. has more to gain than any other country from the treaty. He cautions, however, that what resources actually exist in the unexplored depths is uncertain.

9 WHEREAS other Arctic nations have been asserting their sovereignty in the Arctic and making extended continental shelf claims under the United Nations Convention on the Law of the Sea;

Receding sea ice in the Arctic has heightened territorial claims in the area. In 2007, Russian divers planted their nation's flag on the seabed below the North Pole. The Russian Federation claims that the underwater Lomonosov Ridge is a natural

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[10] Gerald Leape can be reached at (202) 552-2000. The Pew Charitable Trusts strives to improve public policy, inform the public, and stimulate civic life (*http://www.pewtrusts.org/*).

[11] Rear Admiral Colvin can be reached at (907) 463-2065.

[12] Citizens for Global Solutions is a non-partisan membership organization that envisions a "future in which nations work together to abolish war, protect our rights and freedoms and solve the problems facing humanity that no nation can solve alone." More information on Citizens for Global Solutions' stance on UNCLOS can be accessed at *http://globalsolutions.org/law-justice/law-seatreaty*.

[13] "Defining the Limits of the U.S. Continental Shelf," can be accessed at *http://www.state.gov/g/oes/continentalshelf/index.htm*.

extension of Siberia's continental shelf and, therefore, the nation owns the rights to that vast tract of Arctic seafloor.[14] Denmark responded to Russia's pronouncement with a claim that the 1,200-mile ridge is an extension of Greenland, a Danish possession.[15] Canada's prime minister has vowed to defend "Canada's sovereignty" in the Arctic. While the U.S. considers the Northwest Passage an international strait, Canada asserts that is has sole jurisdiction over the increasingly ice-free waterway.[16]

10 WHEREAS the United States, with 1,000 miles of Arctic coast off of the State of Alaska, remains the only Arctic nation that has not ratified the United Nations Convention on the Law of the Sea;

According to the United Nations, 161 nation-states have ratified the United Nations Convention on the Law of the Sea.[17] Except for the United States, every Arctic nation—Canada, Denmark (Greenland and the Faroe Islands), Finland, Iceland, Norway, the Russian Federation, and Sweden—are parties to the treaty.[18]

11 WHEREAS, until the United States ratifies the United Nations Convention on the Law of the Sea, the United States will not become a full partner in cooperative efforts of Arctic nations to address the manifold problems of the region;

If the United States does not ratify the UNCLOS, it is still highly likely that the United States will continue to partner in various ways with other nations in addressing issues surrounding the Arctic region. According to U.S. Senator Richard Lugar, however, many critical Arctic policy decisions will be made without the input of the U.S. if we do not accede to UNCLOS. Unlike some treaties, such as the Kyoto Agreement, which is inoperable in a practical sense without ratification by the United States, UNCLOS participants will make decisions regardless of whether the U.S. is a party. Senator Lugar maintains that nonparticipation will put the U.S. in a position of "self-imposed weakness," forcing our nation to rely on others to advocate for our interests.[19]

Additionally, the Council on Foreign Relations reports that without accession, the U.S. will give up "a seat at the table" in the important decision-making bodies established by the convention, including the economically critical Commission on the Limits of the Continental Shelf and the International Seabed Authority. The Council also warns that the U.S. could damage efforts to develop cooperative maritime partnerships, such as the Proliferation Security Initiative (PSI), a U.S.-led multilateral effort to interdict shipments of weapons of mass destruction.[20]

12 WHEREAS, until the United States ratifies the United Nations Convention on the Law of the Sea, the United States cannot participate in deliberations to amend provisions of the Convention that relate to the

(1) oil, gas, and mineral resources in the Arctic Ocean and other northern waters;

(2) conduct of essential scientific research in the world's oceans;

(3) right of the United States to the use of the seas;

(4) rules of navigation;

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[14] Fred Weir, "Russian's Putin Says he Wants Peaceful Division of Arctic," *Christian Science Monitor*, September 23, 2010. This article can be viewed at *http://www.csmonitor.com/World/Europe/2010/0923/Russia-s-Putin-says-he-wants-peaceful-division-of-Arctic*.

[15] Adrian Blomfield, "Canada and Denmark Join Rush to Claim Arctic," *The Telegraph*, August 11, 2007. This article can be read at *http://www.telegraph.co.uk/news/worldnews/1560028/Canada-and-Denmark-join-rush-to-claim-Arctic.html*.

[16] John Ibbitson, "Who Owns the Arctic?" *The Globe and Mail*, January 27, 2011. This article can be viewed at *http://byers.typepad.com/arctic/2011/01/dispute-over-hans-island-nears-resolution-now-for-the-beaufort-sea.html*.

[17] The United Nations prepared a table that shows the status of each nation with regard to Law of the Sea participation, *http://www.un.org/Depts/los/reference_files/status2010.pdf*.

[18] The Arctic Council, an intergovernmental forum that provides a means for promoting cooperation, coordination and interaction among the Arctic States, defines the Arctic nations as Canada, Denmark (Including Greenland and the Faroe Islands), Finland, Iceland, Norway, Russian Federation, Sweden, and the United States of America. (*http://arctic-council.org*)

[19] Senator Richard Lugar, Opening Statement for the Hearing on the UN Convention on the Law of the Sea, U.S. Senate Committee on Foreign Relations, October 4, 2007, *http://lugar.senate.gov/news/record.cfm?id=284885&&*.

[20] Borgerson, "The National Interest and the Law of the Sea," pp. 19 and 26.

(5) effect of the use of the seas on world economic development; and

(6) environmental concerns related to the use of the seas;

In 1973, the United States participated in the Third United Nations Conference on the Law of the Sea with the objective of dealing with the issues listed above. The U.S. wanted to preserve its freedoms of navigation, diminish threats to fisheries and marine mammals, protect the marine environment, preserve the freedom of scientific research, ensure access to the mineral resources of the deep seabed to U.S. companies, and create a strong, viable organization to arrest the growing claims by northern nations to the Arctic seafloor.[21]

The 1973 UNCLOS agreement addressed these U.S. objectives, and additional U.S. concerns were attended to in a subsequent agreement in 1994; however, according to Scott Borgerson of the Council on Foreign Relations, failure to take the next step through accession will severely weaken the U.S. role in advocating its position on these issues and will undercut its ability to respond to emerging challenges. Mr. Borgerson continues:

> Immediate U.S. accession to the treaty is imperative to advance critical U.S. national interests. These stakes can be grouped into three general "baskets": national security, economic, and environmental. Each day the convention is in force—and each day its various organs make ocean policy and set legal precedent—the United States is in effect marginalizing itself. It is also placing itself at a disadvantage by being unable to mobilize the convention to advance its interests through new initiatives or by means of the credibility that accompanies being a state party.[22]

13 WHEREAS the United States continues to reject a carefully negotiated accord that enjoys overwhelming international consensus, one that has been adjusted specifically to meet the demands set out by President Ronald Reagan two decades ago;

The assertion that the UNCLOS is a "carefully negotiated accord" appears to be accurate. According to a Congressional Research Service Issue Brief entitled, *The Law of the Sea Convention and U.S. Policy*, the treaty "resulted from the third U.N. Conference on the Law of the Sea, which met for a total of 93 weeks between December 1973 and December 1982."[23]

The claim that the UNCLOS "enjoys overwhelming international consensus" appears to be accurate. Currently, 161 nations have ratified the treaty while 32 have not.[24]

The assertion that the UNCLOS was "adjusted specifically to meet the demands put forth by President Reagan" appears to be accurate. On March 10 1983, after months of consideration of the implications of the adoption of the Law of the Sea Conference, and after 119 other nations adopted the Convention on the Law of the Sea, President Ronald Reagan issued his statement on U.S. Oceans policy. In this statement he noted that the U.S. would not join the Convention because of unacceptable provisions related to deep seabed resources beyond national jurisdictions. He also noted, however, that the balance of the Convention was in the interest of, and be observed by, the United States.[25]

Scott G. Borgerson, in "The National Interest and the Law of the Sea," notes that:

> In the end, the Reagan administration declared it could accept Part XI of the Convention only if certain changes were made in six areas relating to matters like technology transfer, and if the United States "preserved a de facto veto power in the governing organs of the new authority so that no financial obligations could be imposed on the United States without its consent." When these changes were not made by 1982, the Reagan administration refused to sign the convention.

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[21] Borgerson, "The National Interest and the Law of the Sea," p. 9.

[22] Borgerson, "The National Interest and the Law of the Sea," p. 22.

[23] Marjorie Ann Browne, *The Law of the Sea Convention and U.S. Policy*, Congressional Research Issue Brief, February 10, 2005, *http://www.fas.org/sgp/crs/row/IB95010.pdf*.

[24] The status of nations with respect to the Convention can be reviewed at *http://www.un.org/Depts/los/reference_files/status2010.pdf*.

[25] One source for President Reagan's statement is OceanLaw.org, *http://www.oceanlaw.org/index.php*.

> Eventually, all six of the Reagan administration's objections were amended to the satisfaction of the United States in a subsequent supplemental agreement that was negotiated and signed by most countries, including the United States, in 1994.[26]

We note that the text for this "whereas" statement appears to have been extracted from page 38 of Mr. Borgerson's report.

14 WHEREAS the United Nations Convention on the Law of the Sea will have sizable beneficial effects on virtually all states, both coastal and noncoastal, because the United States is heavily dependent on the use, development, and conservation of the world's oceans and their resources;

The statement appears to be accurate. In "The National Interest and the Law of the Sea," Mr. Borgerson spends a great deal of time discussing national interest in the UNCLOS.[27] He notes that:

> The oceans are marine highways, carrying 90 percent of U.S. imports and exports, and most of the world's oil passes through shipping choke points such as the Suez Canal and the Straits of Malacca.

He further notes that:

> ...acceding to the convention would advance a long list of national security, economic, and environmental issues of strategic importance to the United States. Beyond establishing the rules for territorial seas and exclusive economic zones, the convention establishes regimes for managing shipping fleets, fish, and pollutants that do not abide by national boundaries. The Law of the Sea Convention includes specific provisions guaranteeing freedom of navigation for merchant fleets and navies, and sets firm limits on jurisdiction to prevent "creeping sovereignty" by a few aggressive coastal states [nations] eager to unilaterally extend their authority seaward.

15 WHEREAS 161 nations have ratified the United Nations Convention on the Law of the Sea, including almost all of the world's maritime powers; and

According to the United Nations, 161 countries have ratified the United Nations Convention on the Law of the Sea.[28] It is difficult to unequivocally confirm the second portion of the statement as we are unsure of precise definitions of a "maritime power". However, based on our review of the list of the 32 nations that have not ratified the Convention, many of which are landlocked, we consider this statement to be accurate.

16 WHEREAS ratification of the United Nations Convention on the Law of the Sea has been pending before the United States Senate since 1994, and seven hearings on the treaty were held by the United States Senate Committee on Foreign Relations in 2003, 2004, and 2007;

Mr. Borgerson, in his report for the Council on Foreign Relations, notes that:

> On July 29, 1994, President Bill Clinton signed the Agreement on the Implementation of Part XI of the Convention on the Law of the Sea. He sent the agreement, along with the 1982 convention, to the Senate on October 7, 1994. The following month, Republicans won control of the Senate, and in January 1995, Senator Jesse Helms (R-NC) became chairman of the Senate Foreign Relations Committee. Worried that the convention had not been fixed and that it sacrificed U.S. sovereignty, Senator Helms refused to hold committee hearings.[29]

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[26] Borgerson, "The National Interest and the Law of the Sea," p. 11.

[27] Borgerson, "The National Interest and the Law of the Sea," pp. 14 and 20.

[28] *http://www.un.org/Depts/los/reference_files/status2010.pdf*. We note that Israel, long considered to be an ally of the Unites States, also has not ratified the UNCLOS.

[29] Borgerson, "The National Interest and the Law of the Sea," p. 12.

Based on this summary it appears that the Convention on the Law of the Sea has been placed before the U.S. Senate Committee on Foreign Relations since 1994 although no hearings on the issue appear to have occurred until 2003.

We identified seven meetings of the U.S. Senate Committee on Foreign Relations that had the U.N. Convention on the Law of the Sea on the agenda. The dates are: October 14 and 21, 2003; February 24-25, 2004; September 27, 2007; and October 4 and 31, 2007.[30]

17 WHEREAS, despite favorable reports by the United States Senate Committee on Foreign Relations regarding the United Nations Convention on the Law of the Sea in 2004 and 2007, the United States Senate has yet to vote on the ratification of the Convention;

On February 25, 2004, the Senate Foreign Relations Committee voted 19-0 to approve the UNCLOS, sending it to the full Senate for ratification. Subsequently, on October 31, 2007, the Senate Foreign Relations Committee voted 17-4 to approve the treaty. However, the treaty was not brought to the Senate floor for a vote on either occasion, thus the full Senate has never voted on UNCLOS.[31]

18 WHEREAS all six of the United States military leaders making up the Joint Chiefs of Staff support Senate ratification of the United Nations Convention on the Law of the Sea;

A June 26, 2007, letter to Senator Joseph Biden, Chairman of the Senate Foreign Relations Committee, signed by all six members of the Joint Chiefs of Staff supported ratification of the treaty as follows.[32]

> As the world's preeminent maritime power, leader in the War on Terrorism, and Nation with the largest exclusive economic zone, the United States should accede to the Law of the Sea Convention during this session of Congress. No county has a greater interest in public order for the world's oceans. Becoming a party to the Convention will ensure our leadership role in the continuing development of oceans laws and policies.

On September 27, 2007, testifying before the Senate Foreign Relations Committee, Deputy Secretary of Defense Gordon England reiterated the Joint Chiefs of Staff support as follows:[33]

> As Deputy Secretary of Defense, and a prior Deputy Secretary of Homeland Security and prior Secretary of the Navy, I am well acquainted with the Law of the Sea Convention. The legal framework that the Convention establishes is essential to the mission of the Department of Defense, and the Department of Homeland Security concurs that it is also essential for their mission. For that reason, Secretary Gates, the Joint Chiefs of Staff, the Military Department Secretaries, all of the Combatant Commanders, and the Commandant of the Coast Guard join me in asking the Senate to give its swift approval for U.S. Accession to the Law of the Sea Convention and ratification of the 1994 Agreement.

19 WHEREAS ratification of the United Nations Convention on the Law of the Sea has wide bipartisan support;

The Clinton, Bush, and Obama administrations have all asked for ratification of the Convention. In 2007, it was one of only five international agreements that the Bush Administration placed in its "urgent" category of treaty priorities submitted to the Foreign Relations Committee. Current and former representatives from the Department of State, the Office of the Secretary

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[30] *http://foreign.senate.gov/search/?q=law+of+the+sea&as_sitesearch=http%3A%2F%2Fforeign.senate.gov%2Fhearings&x=22&y=17.*

[31] Senate Executive Report 108-10, March 11, 2004, 108th Congress and Senate Executive Report 110-9, December 19, 2007, 110th Congress can be accessed at *http://www.virginia.edu/colp/los.html*. Scott Borgerson, Council on Foreign Relations, pp. 12-13, further discusses Senate action on the treaty. We note that under Senate rules, treaties must be reconsidered by the Senate Foreign Relations Committee in each new Congress. Because the full Senate did not take action on UNCLOS before the end of the Congressional term in 2008, the treaty is still before the Senate Foreign Relations Committee.

[32] The entire letter can be accessed at *http://www.virginia.edu/colp/pdf/Biden-Letter-JointChiefs.pdf*.

[33] Deputy Secretary England's full testimony can be accessed at *http://foreign.senate.gov/imo/media/doc/EnglandTestimony070927.pdf*.

of Defense, the U.S. Navy, the U.S. Coast Guard, and the Commerce Department have testified in support of the Convention at various Congressional hearings. Representatives from six Bush Administration Cabinet departments participated in the interagency group that helped write the resolution of advice and consent accompanying the treaty and the U.S. Commission on Ocean Policy, appointed by President Bush, strongly endorsed U.S. accession to the Law of the Sea.

On May 19, 2007, President George W. Bush urged the Senate to approve the Convention during the then-current session of Congress, stating as follows:[34]

> Joining [the Convention] will serve the national security interests of the United States, including the maritime mobility of our armed forces worldwide. It will secure U.S. sovereign rights over extensive marine areas, including the valuable natural resources they contain. Accession [to the Convention] will promote U.S. interests in the environmental health of the oceans. And it will give the United States a seat at the table when the rights that are vital to our interests are debated and interpreted.

In an October 16, 2009 letter to the U.S. Senate Foreign Relations Committee, Secretary of State Hillary Clinton offered strong support for U.S. accession to the Convention, noting that as the country with the largest Exclusive Economic Zone, and one of the largest continental shelves, the United States stands more to gain from the treaty in terms of economic and resource rights than any other country. Likewise, the Department of Defense 2010 Quadrennial Defense Review "strongly supports accession" to the UNCOLS for national security reasons, as well as economic and environmental benefits.[35]

A September 24, 2007, letter to Senators Harry Reid and Mitch McConnell requesting the Senate approve U.S. accession to the treaty was signed by 101 individuals representing former and current government and military officials, environmental and conservation groups, and major industry groups. The signers included such persons as retired Admiral James D. Watkins, former Secretary of State Madeline Albright, co-founder of the Natural Resources Defense Council, John Adams, president and CEO of the American Petroleum Institute, Red Cavaney, Walter Cronkite, former Secretary of the Interior Bruce Babbitt, former Secretary of State, Alexander Haig, Jr., and former Alaska Governor Tony Knowles. In addition, former Alaska Governor Sarah Palin also supported ratification of the treaty.[36]

20 WHEREAS, in 2009, the Twenty-Sixth Alaska State Legislature passed a similar resolution to this one;

In 2009, the Alaska Legislature approved HJR 22 (Legislative Resolve 14), which urged the United States Senate to ratify the Law of the Sea Treaty. The House voted 34 to 4 and the Senate 15 to 2 to issue the resolution.[37] An identical measure was considered in 2008 (HJR 39), but died in the House Rules Committee.

We hope this is helpful. If you have questions or need additional information, please let us know.

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[34] Senate Executive Report, 110-9, December 19, 2007, 110th Congress.

[35] "Quadrennial Defense Review Report," Department of Defense, February 2010, p. 26. The report can be accessed at *http://www.defense.gov/qdr/images/QDR_as_of_12Feb10_1000.pdf*.

[36] Numerous letters and testimony from individuals supporting the treaty can be accessed at the Center for Oceans Law and Policy at *http://www.virginia.edu/colp/los.html*. Scott Borgerson, Council on Foreign Relations, notes that the Law of the Sea might be the only issue on which all of these individuals and constituencies agree.

[37] Legislative Resolve 14 (2009) can be accessed at *http://www.legis.state.ak.us/PDF/26/Bills/HJR022Z.PDF*. The text and legislative history for HJR 39 (2008) is available at *http://www.legis.state.ak.us/basis/get_bill.asp?bill=HJR%2039&session=25*.

Mary Jackson

From: Sen. Tom Wagoner
Sent: Monday, March 28, 2011 2:47 PM
To: Mary Jackson
Subject: FW: Law of the Sea Treaty

From: Chris & Jennie Grimwood [mailto:chris7grim@ctcak.net]
Sent: Monday, March 28, 2011 2:40 PM
To: Sen. Tom Wagoner
Subject: re: Law of the Sea Treaty

To Senator Wagoner:

Please oppose the Law of the Sea Treaty. The fiscal notes show no cost: however, the treaty clearly states that wealth from richer countries would be redistributed to poorer countries through technology transfers,etc. We have already seen the massive redistribution of wealth from the government to Wall Street.

The UN has many corrupt bureaucrats that desire to divide up the riches of the sea through American investment and know-how. We would lose greatly in signing the Law of the Sea Treaty.

Our government, military and businesses would be subject to the International Tribunal for the Law of the Sea in Germany. Their decisions cannot be appealed.

Our United States already has valid claims to the North Pole region under the Doctrine of Discovery.

Why give away our US sovereignty?

Jennie Grimwood
Cordova

HJR

20

<TARGET><BILL>HJR 20</BILL><SUBJECT>HJR 20</SUBJECT><COMM>SRES27</COMM></TARGET>

Alaska State Legislature

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Representative Kyle Johansen
House District 1

DATE: March 15, 2012

TO: Senator Thomas Wagoner, Co-chair, Senate Resources Committee
Senator Joe Paskvan, Co-chair, Senate Resources Committee

FROM: Rep. Kyle Johansen

RE: Hearing request for HJR 20, "Urging the President of the United States, the United States Congress, and the Secretary of the United States Department of Agriculture not to implement protection of inventoried roadless areas under the "roadless rule" or otherwise restrict the development of necessary hydroelectric projects in the Tongass National Forest and the Chugach National Forest."

I kindly request a hearing for HJR20 in the House Resources Committee.

Alaska State Legislature

Interim:
50 Front Street, Suite 203
Ketchikan, AK 99901
Phone: (907) 247-4672
Fax: (907) 225-7157

Session:
State Capitol, Room 114
Juneau, AK 99801-1182
Phone: (907) 465-3424
Fax: (907) 465-3793

Representative Kyle Johansen

House District 1

HJR 20 – "Urging the President of the United States, the United States Congress, and the Secretary of the United States Department of Agriculture not to implement protection of inventoried roadless areas under the "roadless rule" or otherwise restrict the development of necessary hydroelectric projects in the Tongass National Forest and the Chugach National Forest."

The current version of the Roadless Area Conservation Rule, "Roadless Rule", will have an adverse impact on both hydro-power and renewable energy projects, as well as the development of potential mines in Southeast Alaska. These industries are essential to the continued well-being and economic success of residents in our region.

The Obama administration set a goal of having 25% of the energy generated in the United States come from renewable, "green", resources by 2025. Alaska, through the Energy Policy passed by the legislature in 2010, set a goal of 50% by 2025. The implementation of the Roadless Rule in the Tongass National Forest will create additional hurdles for the permitting and construction of hydro-power projects and their connectivity to electrified grids through interties and will not help the State or Federal Governments towards their goals.

Over 3,500 people are directly employed by mines is Alaska and the direct and indirect payroll from mining was over $350M last year. With an average wage of $80K per year, some of the state's highest paying jobs are in the mining industry and keeping these jobs and professionals in Alaska should be a priority for the governing body.

This resolution will send a message to Washington, stating that Alaska is committed to responsible conservation of our forests while developing renewable energy and mining projects.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHJR 20(ENE)
(H) Publish Date: 3/23/11

Identifier (file name): HJR20-LEG-COU-3-21-2011
Title: "Roadless Rule & Chugach and Tongass Hydro"
Sponsor: Representative Johansen
Requester: House Special Committee on Energy, Resources

Dept. Affected: Legislature
Appropriation: Legislative Council
Allocation: Session Expenses
OMB Component Number: 782

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

Initial Version

Prepared by: Shane Miller, Finance Manager — Phone: 465-6626
Division: Legislative Affairs Agency — Date/Time: 3/21/11 10:02 AM
Approved by: Pamela Varni, Executive Director — Date: 3/21/2011
Legislative Affairs Agency

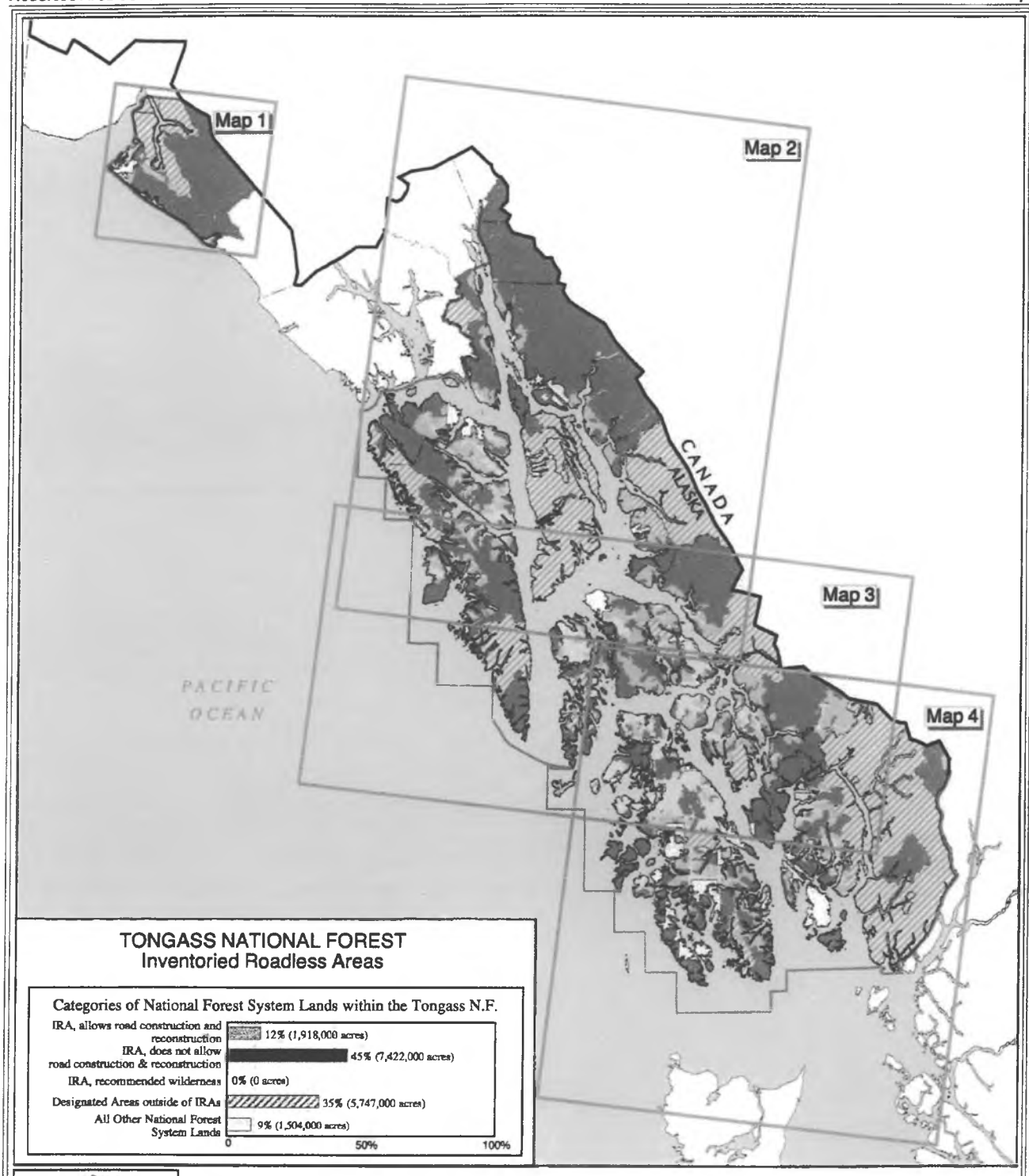
(Revised 12/29/2010 OMB)

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. CSHJR 20(ENE)

Analysis

This fiscal note has zero impact on the Legislative Affairs Agency.



TONGASS NATIONAL FOREST
Inventoried Roadless Areas

Categories of National Forest System Lands within the Tongass N.F.

The USDA Forest Service uses the most current and complete data available. GIS data and product accuracy may vary. Using GIS products for purposes other than those for which they were intended may yield inaccurate or misleading results. The USDA Forest Service reserves the right to correct, update, modify, or replace GIS products without notification.

September 15, 2000
Data Supplied by Tongass National Forest
Contact: Tongass N.F.
Federal Building
648 Mission Street
Ketchikan, AK 99901
(907) 228-6202

SCALE in MILES
40 0 40

- Inventoried Roadless Area where road construction or reconstruction is allowed
- Inventoried Roadless Area where road construction or reconstruction is not allowed
- Inventoried Roadless Area where road construction or reconstruction is not allowed, and the forest plan recommends as wilderness
- Designated Areas outside of inventoried Roadless Areas
- National Forest System lands outside of Inventoried Roadless Areas - not all private land is shown on the map

Interstate Highway Other Highways County boundaries

Alaska Power Association
703 West Tudor Road, Suite 200
Anchorage, Alaska 99503-6650
907-561-6103
Fax: 907-561-5547
www.alaskapower.org

March 16, 2011

Representative Kyle Johansen
Finance Committee Co-chair Bill Thomas
Finance Committee Co-chair Bill Stoltze

Dear Representatives Johansen, Thomas, and Stoltze:

Alaska Power Association (APA) strongly supports House Joint Resolution 20 and appreciates your efforts to put the Alaska State Legislature on record as opposing the federal administration's unreasonable efforts regarding implementation of roadless rule regulation for the Tongass and Chugach National Forests.

Alaska Power Association is the statewide trade association for the electric utilities that supply power to more than a half-million Alaskans from Barrow to Adak, through the Interior and Southcentral, and down the Inside Passage.

As your resolution articulates, the requirement for the U.S. Secretary of Agriculture to personally sign permits for hydroelectric projects within roadless designated areas of the Tongass and Chugach will severely impact or outright kill hydro efforts at the same time the White House is advocating for the development of renewable resources.

Preliminary permits issued by the Federal Energy Regulatory Commission are for a three-year period. Considerable field study is required to perfect such permits but, without roadless access permission, project applicants cannot get into the field and their preliminary permits could well expire. Hydro projects will not get built, resulting in continued dependence on diesel generation that exceeds 50 cents per kilowatt hour in many rural communities.

The current roadless rule impediments present an illogical, Catch 22 situation for Alaska utilities and the residents they serve.

APA and its members urge the legislature to pass HJR 20 expeditiously to send a clear message to the federal government that its roadless rule position is misguided and costly to our State. Washington, D.C. cannot have it both ways on renewable energy development.

Sincerely,

Marilyn Leland
Executive Director

ALASKA POWER ASSOCIATION

R E S O L U T I O N

A Resolution Recommending the Elimination of Impediments to the Development of Hydroelectric Power Projects within National Forests (11-15)

Government at all levels, electric utilities, and our consumers are embracing development of renewable energy sources for the production of electricity. Renewable energy sources have environmental, economic and social benefits that are well documented. Hydroelectric energy is among the cleanest of all renewable resources and the most cost effective during the long, low-maintenance lives of the projects.

Alaska is blessed with an abundance of hydro resources from its lakes and streams that can be built with minimal environmental impact. Most new hydro development in Alaska replaces costly, finite and less environmentally benign fossil generation fuels, specifically diesel, coal and natural gas.

Special use permits necessary for federal approval of hydro projects within Roadless Rule designated areas of national forests must be individually signed by the Secretary of the United States Department of Agriculture (USDA). In addition to Roadless Rule designation permits, national forest land use plans must be amended to accommodate hydro projects located in designated "back country" areas of a national forest.

Prior rights-of-way, easements and other authorizations issued or managed by the United States Forest Service may need to be modified to not impede the development of otherwise acceptable projects. The foregoing cumbersome federal actions add a year or more to the hydro project approval process at the Federal Energy Regulatory Commission (FERC), seriously jeopardizing the three-year timeframe within which applicants are bound to perfect their FERC permits.

Alaska Power Association urges Alaska's Congressional delegation and their fellow members of Congress, the Governor's Office, the Obama Administration and federal agencies such as USDA and FERC to work collaboratively and expeditiously to eliminate the burdensome and, in some cases, fatal impediments to hydro development caused by the need for the Secretary of Agriculture's personal signature on Roadless Rule designation special use permits and mandatory forest plan amendments, where national forest lands are involved.

APA further urges the highest level of support from the above-mentioned lawmakers and agencies for ensuring that the US Forest Service works cooperatively with project proponents and others to eliminate unnecessary impediments to project development created by prior use authorizations.

(Adopted Dec. 2010)

Association Members
Alaska Electric and Energy Co-op
Alaska Electric Light & Power
Alaska Power & Telephone
Alaska Railbelt Energy Authority JAA
Alaska Village Electric Cooperative
Anchorage Municipal Light & Power
Aurora Energy
Barrow Utilities & Electric Co-op
Chugach Electric Association
Copper Valley Electric Association
Copper Valley Telephone Co-op
Cordova Electric Cooperative
Doyon Utilities
City of Galena
Golden Valley Electric Association
Homer Electric Association
INN Electric Cooperative
Inside Passage Electric Co-op
Kodiak Electric Association
Kotzebue Electric Association
Kwaan Electric Transmission Intertie Cooperative
Matanuska Electric Association
McGrath Light and Power
Metlakatla Power & Light
Middle Kuskokwim Electric Co-op
Naknek Electric Association
Nome Joint Utility System
North Slope Borough
Nushagak Cooperative
OTZ Telephone Cooperative
City of Seward
Southeast Alaska Power Agency
Tanalian Electric Cooperative
Tanana Power Company
TDX Power
Unalakleet Valley Electric Co-op
Yakutat Power

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703 W. Tudor Road,
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99503
907-771-5700
1-877-992-7322
Juneau office
302C Assembly
Building
211 Fourth Street
Juneau, Alaska 99801
907-463-3636

alaskapower.org

JUNEAU CHAMBER OF COMMERCE

3100 Channel Drive, Suite 300 • Juneau AK 99801• (907) 463-3488 • Fax (907) 463-3489
E-mail: iuneauchamber@gci.net • icc@alaska.com • Web site: http://www.iuneauchamber.com

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Alaska USA FCU
Alaskan Brewing Company
Bartlett Regional Hospital
BP Alaska
CBJ (Manager's Office)
Capital Office Supply
Coeur Alaska, Inc.
ConocoPhillips
Coogan Construction
Elgee Rehfeld & Mertz
First National Bank of Alaska
Hecla Greens Creek Mining
Goldbelt, Inc.
Huna Totem
Shattuck & Grummett
Taku Oil
True North FCU
UAS
Wells Fargo Bank of Alaska
Wostmann and Associates

A RESOLUTION OF THE JUNEAU CHAMBER OF COMMERCE URGING THE PRESIDENT OF THE UNITED STATES, THE UNITED STATES CONGRESS, AND THE SECRETARY OF THE UNITED STATES DEPARTMENT OF AGRICULTURE NOT TO IMPLEMENT PROTECTION OF INVENTORIED ROADLESS AREAS UNDER THE "ROADLESS RULE" OR OTHERWISE RESTRICT THE DEVELOPMENT OF NECESSARY HYDROELECTRIC PROJECTS IN THE TONGASS NATIONAL FOREST AND THE CHUGACH NATIONAL FOREST

06-11

WHEREAS, inventoried roadless areas, as defined in 36 C.F.R. 294.11, constitute approximately 57 percent of the acreage in the Tongass National Forest, and

WHEREAS, the United States Congress has designated an additional 35 percent of the acreage in the Tongass National Forest as wilderness, and

WHEREAS, there is an extensive system of federally protected areas in the state, and

WHEREAS, on May 28, 2010, the Secretary of the United States Department of Agriculture issued Secretary's Memorandum 1042-155 that reserves to the Secretary the authority to approve or disapprove road construction or reconstruction and the cutting, sale, or removal of timber in areas identified in the ser of inventoried roadless area maps contained in volume 2 of the Forest Service Roadless Area Conservation Final Environmental Impact Statement, dated November 2000, and

WHEREAS, the Secretary of the United States Department of Agriculture has approved only seven projects under the authority reserved in Secretary's Memorandum 1042-155, and

WHEREAS, 14 of the 15 hydroelectric projects in the Tongass National Forest and Chugach National Forest are subject to the protection of inventoried roadless areas under 36 C.F.R. 294.10 – 294.18 ("roadless rule") and will require approval by the Secretary of the United States Department of Agriculture, and

WHEREAS, failure of the Secretary of the United States Department of Agriculture to approve the hydroelectric projects in the Tongass National Forest and the Chugach National Forest would jeopardize the approval of necessary preliminary permits by the Federal Energy Regulatory Commission because, without the Secretary of Agriculture's approval, the hydroelectric projects would not be able to proceed with the field studies and planning that are required for a Federal Energy Regulatory Commission preliminary permit, and

WHEREAS, the inability to develop hydroelectric projects and construct power lines to bring electricity to communities in the state will result in continued diesel power generation that emits pollutants into the environment, and

WHEREAS, the protection of inventoried roadless areas under the "roadless rule" in 36 C.F.R. 294.10 – 294.18 and the inability to produce and distribute hydro-generated electricity will adversely affect communities in the Tongass National Forest and the Chugach National Forest and will thwart the Governor's goal of generating 50 percent if the energy in the state from renewable sources, and **WHEREAS,** the President of the United States has pledged to embrace and encourage the development of renewable energy sources, and

BE IT RESOLVED, that the Juneau Chamber of Commerce urges the President of the United States, the United States Congress, and the Secretary of the United States Department of Agriculture not to implement protection of inventoried roadless areas under 36 C.F.R. 294.10 – 294.18 or otherwise restrict the development of necessary hydroelectric projects in the Tongass National Forest and the Chugach National Forest.

COPIES, of this resolution shall be sent to the Honorable Barack Obama, President of the United States; the Honorable Joseph R. Biden, Jr., Vice-President of the United States and President of the U.S. Senate; the Honorable Tom Vilsack, United States Secretary of Agriculture; the Honorable John Boehner, Speaker of the U.S. House of Representatives; the Honorable Nancy Pelosi, Minority Leader of the U.S. House of Representatives; the Honorable Harry Reid, Majority Leader of the U.S. Senate; the Honorable Mitch McConnell, Minority Leader of the U.S. Senate; the Honorable Jeff Bingaman, Chair of the Energy and Natural Resources Committee of the U.S. Senate; and the Honorable Lisa Murkowski and the Honorable Mark Begich, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.

PASSED AND APPROVED by the Juneau Chamber of Commerce Board of Directors on the date: March 15, 2011

Cathie Roemmich
CEO, Juneau Chamber of Commerce Representing nearly 400 Business Members

JUNEAU CHAMBER OF COMMERCE

3100 Channel Drive, Suite 300 • Juneau AK 99801• (907) 463-3488 • Fax (907) 463-3489
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Alaska Marine Lines
Alaska Pacific Bank
Alaska USA FCU
Alaskan Brewing Company
Bartlett Regional Hospital
BP Alaska
CBJ (Manager's Office)
Capital Office Supply
Coeur Alaska, Inc
Coogan Construction
Copy Express
Elgee Rehfeld & Mertz
Exxon Mobil
First National Bank of Alaska
Hecla Greens Creek Mining
Goldbelt, Inc
Huna Totem
Shattuck & Grummett
Taku Oil
True North FCU
UAS
Wells Fargo Bank of Alaska
Westmann and Associates

A RESOLUTION OF THE JUNEAU CHAMBER OF COMMERCE IN OPPOSITION OF "the Obama Administration's new approach to forest management on the Tongass National Forest"

07-10

WHEREAS, the State of Alaska and U.S. Senator Lisa Murkowski oppose "the Obama Administration's new approach to forest management on the Tongass National Forest" as described in USDA Secretary Thomas Vilsack's September 3, 2010 letter to Senator Lisa Murkowski and

WHEREAS, the U.S. Forest Service Alaska Region (USFS) presented an Integrated 5-year Plan for the Tongass National Forest essentially applying a de facto roadless rule on the Tongass NF in contradiction to the USDA Settlement Agreement with the State of Alaska on the roadless rule and

WHEREAS, the new 5-year schedule is not consistent with the 2008 Tongass Land Management Plan (TLMP) and is prematurely transitioning commercial timber harvests to young growth forests generally sixty years of age or less and

WHEREAS, implementation of the new 5-year schedule and de facto application of the roadless rule on the Tongass will reduce ~~future access~~ to the Tongass NF discouraging private investments for mining, timber, hydro-electric inter-ties and other activities which would help improve the economy and quality ~~of life in Southeast~~ Alaska's forest dependent communities.

THEREFORE, BE IT RESOLVED, that the Juneau Chamber of Commerce join the State of Alaska and U.S. Senator Lisa Murkowski's opposition to the Obama Administration and USDA Secretary's new approach to forest management on the Tongass and U.S. Forest Service five year schedule of activities and

BE IT FURTHER RESOLVED, that the Juneau Chamber of Commerce supports the implementation of the 2008 Tongass Land Management Plan and

BE IT FURTHER RESOLVED, to transmit this Resolution to the Alaska Governor, Alaska Congressional Delegation, Southeast Alaska Legislators, The Southeast Conference, and Juneau Mayor and Assembly.

Record of December 28, 2010 Juneau Chamber Board meeting action:

PASSED AND APPROVED by the Juneau Chamber of Commerce Board of Directors on this date: December 28, 2010

Cathie Roemmich, CEO
Juneau Chamber of Commerce
At the direction of the Board of Directors and
Representing nearly 400 Business Members

CITY OF PETERSBURG, ALASKA

RESOLUTION # 1964

A RESOLUTION URGING ALASKA GOVERNOR PARNELL AND ALASKA'S FEDERAL DELEGATION TO ASSURE THAT THE IMPLEMENTATION OF THE ROADLESS RULE ON ALASKA'S NATIONAL FORESTS DOES NOT HINDER OR PROHIBIT THE DEVELOPMENT AND MAINTENANCE OF HYDRO-ELECTRIC PROJECTS AND ASSOCIATED TRANSMISSION LINES

WHEREAS, the 2010 Alaska Legislature passed an Energy Policy that set a goal of having 50% of the energy generated in Alaska come from renewable, "green", resources by 2025; and

WHEREAS, the Chugach and Tongass National Forests appear to be subject to the implementation of the Roadless Rule; and

WHEREAS, US Secretary of Agriculture Tom Vilsack has anounced that he has the sole authority to approve or disapprove permits for projects within the inventoried roadless areas of the Chugach and Tongass National Forests; and

WHEREAS, the inventoried roadless areas within the Chugach and Tongass National Forests make up the majority of remaining Forest Service lands outside of Wilderness or other areas already off limits to development; and

WHEREAS, a vast majority of potential hydroelectric projects that could be developed to supply renewable energy to Alaska's communities are located within inventoried roadless areas; and

WHEREAS, the inability to develop hydroelectric projects or the transmission lines necessary to transmit this power to Alaska's communities will result in continued diesel generation and resultant pollutants emitted into the environment; and

WHEREAS, the current version of the Roadless Rule may adversely impact the communities that reside within Alaska's National Forests and potential hydro-power and renewable energy projects in Southeast Alaska.

THEREFORE BE IT RESOLVED the City Council for the City of Petersburg, Alaska, strongly urges Alaska Governor Parnell and Alaska's Federal Delegation to assure that the implementation of the Roadless Rule on Alaska's National Forests does not hinder or prohibit the development and maintenance of hydro-electric projects and transmission lines.

PASSED and **APPROVED** by the City Council of the City of Petersburg, Alaska on April 4, 2011.

Dan Hickman

Dan Hickman, Acting Mayor

ATTEST:

Kathy O'Rear, City Clerk

SEAPA
Southeast Alaska Power Agency

1900 1st Avenue, Suite 318
Ketchikan, Alaska 99901
Ph: (907) 228-2281 • Fax: (907) 225-2287
www.seapahydro.org

March 15, 2011

To: The Alaska State Legislature

Re: House Joint Resolution No. 20

On behalf of The Southeast Alaska Power Agency (SEAPA), I am writing to inform you of our support for House Joint Resolution No. 20. SEAPA is the owner of the Swan Lake and Tyee Lake hydro projects in southern Southeast Alaska. We deliver renewable hydropower to our member communities of Ketchikan, Wrangell and Petersburg. In addition, we own and maintain 175 miles of transmission lines between these communities. Ketchikan and Petersburg also own several small hydropower plants and, when combined with our facilities, we are able to meet almost all of the current power demands with renewable hydropower. However, loads continue to increase and more hydropower facilities will have to be built. We are fortunate that the geography in the region, coupled with high precipitation, lends itself nicely for the development of hydropower. There are numerous potential projects that can be developed to assure the majority of our power and energy is delivered by hydropower.

Unfortunately, most of these project reside in the Tongass National Forest and are classified as 'roadless'. The implementation of the 'roadless rule' would be not only devastating to our local economies but also devastating to our ability to develop new hydro projects.

We urge passage of HJR20 and also urge the Governor and Legislature to take whatever actions are necessary to stop the implementation of protection of inventoried roadless areas under the "roadless rule" in the Tongass and Chugach National Forests.

Sincerely,

Dave Carlson, CEO
The Southeast Alaska Power Agency

cc: Governor Sean Parnell
Congressman Don Young
U.S. Senator Lisa Murkowski
U.S. Senator Mark Begich
Senator Bert Stedman
Representative Peggy Wilson
Representative Kyle Johansen
Lew Williams, III, Mayor, City of Ketchikan
Jeremy Maxand, Mayor, City of Wrangell
Al Dwyer, Mayor, City of Petersburg
SEAPA Board of Directors

SEDA
SITKA ECONOMIC DEVELOPMENT ASSOCIATION
329 Harbor Drive, Suite 212 Sitka, Alaska 99835 (907) 747-2660 fax (907) 747-7688 www.sitka.net

March 16, 2011

The Honorable Peggy Wilson
Alaska House of Representatives
State Capitol Room 408
Juneau, Alaska 99801

Dear Representative Wilson:

The Sitka Economic Development Association is writing to express support for House Joint Resolution 20 regarding the affects of the Roadless Rule on hydro-electric projects located within the Tongass and Chugach National Forests.

Development of additional hydro-electric capacity in Southeast Alaska is vital to the region's economy and to the long-term health of the National Forests in question.

The financial, national security and environmental costs associated with the use of fossil fuels make development of hydro-electricity in Southeast Alaska the obvious course of action. Unlike the large hydro-electric dams of the lower-48 states, the hydro-electric dams of Southeast Alaska are based on alpine lake systems that are renewed by abundant annual rainfall and are relatively environmentally friendly, especially when compared with the continued burning of diesel for generating electricity.

It is ironic and extremely frustrating that at the same time the Federal Government is supporting and pushing for the development of renewable energy projects it is also creating obstacles and barriers that prevent such development. Placing the Tongass and Chugach National Forests under the constraints of the Roadless Rule will effectively make hydro-electric development in these areas impossible due to increased costs and regulatory burden.

The expansion of Sitka's Blue Lake dam has been in the planning stages for a number of years and construction is scheduled to begin early in 2012. The implementation of the Roadless Rule has already created problems for this project by prohibiting the removal of a stand of trees that would be underwater when the level of Blue Lake is raised, creating a turbidity issue that will costs millions of additional dollars to resolve.

SEDA's top strategic priority is to support the development of renewable energy resources in Sitka and Southeast Alaska. Without increased hydro-electric capacity, sustaining our current level of economic activity will be challenging at best and new economic development will be virtually impossible.

SEDA, therefore, strongly supports HJR 20.

Sincerely,

Garry A. White, Executive Director

Southeast Conference

March 16, 2010

Representative Kyle Johansen
State of Alaska
Capitol Building Room 114
Juneau, Alaska 99811

RE: Support for HJR 20-"Urging the President of the United States, the United States Congress, and the Secretary of the United States Department of Agriculture not to implement protection of the inventoried roadless areas under the "roadless rule" or otherwise restrict the development of necessary hydroelectric projects in the Tongass National Forest and the Chugach National Forest."

Dear Representative Johansen;

Southeast Alaska is an archipelago with more than a thousand rugged, forested islands harboring isolated villages which are scattered across its 500 mile length and are accessible only by boat or small plane. More than 90% of that land is owned and governed by the Federal Government. The people of Southeast Alaska are a hearty bunch of folks and are able to overcome many obstacles; however they must have access to land to survive.

Southeast Conference is a regional, nonprofit corporation that advances the collective interest of the people, communities and businesses in Southeast Alaska. Members include municipalities, native corporations and village councils, regional and local businesses, civic organizations and individuals throughout the region. Our goal is to support policies that promote strong economies, healthy communities, and a quality environment. We are the State-designated Alaska Regional Development Organization (ARDOR), the federally-designated Economic Development District (EDD), and the Governing Board for the Resource Conservation and Development Council (RC&D) for Southeast Alaska. Each of these designations requires Southeast Conference to take an active role in regional resource management and economic development planning. Our relationship with our members gives us the advantage of speaking with a unified voice in support of legislation or policy that will be for the betterment of our region.

In the past 10 years Southeast Conference in partnership with many other agencies and organizations have put an extensive amount of effort into the development of affordable, self sustaining, renewable "green" energy projects in our region. And it is fairly obvious that with the federal government controlling such vast amounts of the region and the energy resources within, that land access is a critical issue. And it is equally obvious that during these past few years, the forest was adequately protected during development of energy resources without the roadless enforcement. We have managed to develop several major hydro projects that are providing affordable renewable "green" energy to a portion of our people. Unfortunately we still have entire communities paying up to ninety cents a kilowatt hour for electricity. Our small businesses are the hardest hit and as you know, that has quite a ripple effect in these communities.

Lack of access to land and the paralyzing permitting process of the federal government are killing our communities. People are not able to heat their homes and turn on their lights much less start or

P.O. Box 21989 612 W. Willoughby Avenue, Suite B, Juneau Alaska 99802
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www.seconference.org

maintain a business. The financial obligation to heat schools or community buildings is crippling in these communities. Jobs are at a premium and there is no good news in sight.

As the government in Washington DC, environmental groups, and the courts continue to lock us out of our national forest our people in Southeast Alaska are being forced to leave the place they have called home for hundreds of years in order to survive.

The Obama administration has set a goal of having 25% of the energy generated in the US come from renewal, "green", resources by 2025. Alaska, through our Energy Policy passed by the legislature in 2010, has a goal of 50% by 2025. As it stands now 14 out of 15 hydroelectric projects in the Tongass National Forest and Chugach National Forest are subject to the protection of inventoried roadless areas under 36 C.F.R. 294.10-294.18 ("roadless rule") and will require approval by the Secretary of the US Department of Agriculture. Any attempt to develop a biomass infrastructure would be impossible with the current restrictions on the Tongass, thus road blocking any efforts made toward those goals.

The Obama administration has, on many occasions, promised jobs for the people of our country. It is time for this administration to set aside the zealous opinions of outside environmental groups and fulfill that promise. Exempt the Tongass and Chugach National Forest from the roadless rule and open these public lands for responsible resource development and allow the people that live here the opportunity to have affordable, "green" energy and a thriving economy.

Sincerely,

Shelly Wright

Shelly Wright
Executive Director

CC: Senator Lisa Murkowski
Senator Mark Begich
Congressman Don Young

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Tongass National Forest Energy Program – 2010 -2014

March 2, 2011

Proposed and Unconstructed Projects

Name - District – Applicant - Power destination	Comments	Forest Plan LUD, Roadless	2010	2011	2012	2013	2014
1. Schubee Lake -- JRD, Alaska Power &Tel, Upper Lynn Canal	FERC issued prelim permit 11/30/2010. AP&T seeking funding from AEA.	Semi-Remote Recreation, **Roadless #302**	FS inv permit, studies	Studies	Studies	Draft LA	Final LA FERC EA
2. Lace River -- JRD, Green Power Development, LLC Kensington Mine	FERC issued prelim permit 09/15/2010	**LUD II Roadless #301**	----	FS inv permit, Studies	Draft LA	Final LA	FERC EA
3. Gastineau Channel Tidal --JRD, Natural Currents Energy Serv, Juneau – SE Intertie	FERC prelim permit 04/30/2010. Will probably not affect NFS lands/resources.	N/A	Studies	Studies	?	?	?
4. Sweetheart Lake -- JRD, Juneau Hydropower Inc. Juneau – SE Intertie	Applicant is developing study plans and Scoping Doc 1.	Semi-Remote Recreation **Roadless #302**	FS inv permit, studies	Studies	Draft LA	Final LA	FERC EA
5. Angoon Hydro/Thayer --ANM, Kootznoowoo Angoon	NEPA completed. (Non-FERC project)	**Wilderness**	Development plans, permits?	Plans, permits?	?	?	?
6. Killisnoo/Angoon Tidal -- ANM, Natural Currents Energy Serv, Angoon	FERC prelim permit app 08/2010. Will probably not affect NFS lands/resources.	N/A	Studies	Studies	?	?	?
7. Icy Passage Tidal -- HRD, Natural Currents Energy Serv, Hoonah	FERC prelim permit 04/30/2010. Will probably not affect NFS lands/resources.	N/A	Studies	Studies	?	?	?
8. Gartina Creek – HRD, Inside Passage Electrical Cooperative, Hoonah	FERC ruled that licensing is required. Project improvements on Sealaska land. Upper reaches of watershed on NFS lands.	N/A	?	?	?	?	?

Name - District – Applicant - Power destination	Comments	Forest Plan LUD, Roadless	2010	2011	2012	2013	2014
9. Port Frederick Tidal – --HRD Alaska Power & Tel Hoonah	Is a hydroelectric project, rather than hydrokinetic. FERC prelim permit 11/18/2009.	**Old-Growth Habitat, Roadless #343**	FS inv permit, studies ?	Studies ?	Studies ?	Draft LA ?	Final LA ?
10. Neka Geothermal – HRD Tongass Energy Company Unknown	Site nomination rec'd 8/30/2010. FS working with BLM. TNF minerals group has the lead. (Non-FERC)	Timber production	?	?	?	?	?
11. Upper Tenakee Geothermal – SRD, Tlingit Haida CC Unknown	No recent activity. TNF minerals group has the lead. (Non-FERC)	Semi-Remote Recreation, **Roadless #311**	?	?	?	?	?
12. Tenakee Sp/Indian River – SRD City of Tenakee Springs Tenakee Springs	Project is on State/City but will impact FS fishpass. Upper reaches of watershed on NFS lands. FERC determined licensing not needed 5/26/2010. (Non-FERC)	N/A	Feasibility, DI to FERC	Studies, Design, Coordination	Construct ?	Construct ?	On-line ?
13. Blue Lake Modification -- SRD City & Borough of Sitka Sitka	Sitka applied to FERC to amend existing license and increase capacity. Would raise dam by 83 feet and inundate additional 362 ac of NFS lands. **FERC expected to request 4(e)s very soon.**	**Municipal Watershed, Roadless #331**	Draft LA Final LA	FERC EA, License	Construct.	Construction	On-line
14. Takatz Lake -- SRD City & Borough of Sitka Sitka and SE Intertie	FERC prelim permit on 09/19/2008.	Semi-Remote Recreation and **Remote Recreation, Roadless #330, 331**	Studies	Draft LA	Final LA	FERC EA	License

Name - District – Applicant - Power destination	Comments	Forest Plan LUD, Roadless	2010	2011	2012	2013	2014
15. Baranof Chinook – SRD Hawken LLC Proposed salmon research facility	ADF&G and NSRAA not involved in salmon facility; appears to be private project. FERC determined licensing is required 6/2010.	**Remote Recreation, Roadless #330**	----	?	?	?	?
16. Little Port Walter/Osprey Lake -- SRD NOAA – NMFS Little Port Walter Marine Station	Federally-owned project. Non-FERC.	**Remote Recreation, Roadless # 334**	NEPA	NEPA, FS permit,	Construct.		
17. Cascade Creek -- PRD Cascade Creek LLC SE Intertie, BC, Lower 48	2nd FERC prelim permit expired 1/31/2011. Applicant applied for new prelim permit on 2/1/2011. No decision yet by FERC. Draft license application and draft EA filed and **comments, prelim 4(e)s must be to FERC by May 19, 2011.**	Semi-Remote Recreation, Old Growth Habitat, Scenic Viewshed, Modified Landscape **Roadless #202**	Studies	Studies ? Draft EA	Final EA/LA ?	FERC EA ?	License ?
18. Ruth Lake -- PRD City of Angoon SE Intertie, BC, Lower 48	FERC prelim permit on 11/05/2009.	**Old Growth Habitat, Roadless #202**	Studies ?	FS inv permit ? Studies ?	?	?	?
19. Scenery Lake -- PRD City of Angoon SE Intertie, BC, Lower 48	FERC prelim permit on 10/01/2009	Semi- Remote Recreation, **Roadless #202**	Studies ?	FS inv permit ? Studies ?	?	?	?
20. Sunrise Lake – WRD City of Wrangell Unknown	Project is inactive. No FERC correspondence since 2008. City wishes to keep FS inv permit in effect.	Scenic Viewshed, **Roadless #231**	--	--	--	--	--

Name - District – Applicant - Power destination	Comments	Forest Plan LUD, Roadless	2010	2011	2012	2013	2014
21. Neck Lake – TBRD Alaska Power & Tel Whale Pass	Project is on State land with FS road reservation. FERC determined licensing is required11/04/2010.	N/A	Paperwork	?	?	?	?
22. Reynolds Creek – CRD Haida Corp. and AP&T Prince of Wales Island	Project is on private land and is not expected to affect NFS resources.	N/A	Financing, Plans	Plans, Construction	Construct		
23. Lake Shelokum – KMRD Alaska Power & Tel SE Intertie	FERC prelim permit 05/01/2009.	**Special Interest Area, Roadless #529**	----	FS inv permit, Studies	Studies	Draft LA	Final LA
24. Bell Island Geothermal – KMRD, Starkey Wilson Swan-Tyee Intertie	NEPA in progress. TNF minerals group has lead. (Non-FERC)	Semi-Remote Recreation, **Roadless # 529**	FS consent to BLM lease ?	NEPA to consider roadless.	?	?	?
25. Whitman Lake – KMRD Ketchikan Public Utilities Ketchikan, Swan-Tyee Intertie	Project was licensed in May 2009. Construction funding still pending.	**Old-Growth Habitat, Roadless #524**	Post-licensing required plans	Post-licensing plans, FS sp use permit	Construct	Construction	
26. Mahoney Lake – KMRD Cape Fox Corp. and AP&T Swan-Tyee Intertie	Licensed, unconstructed. Stay of license since 2004. Project is on private land but planned access road might be on NF.	N/A	?	?	?	?	?
27. Soule River – KMRD Alaska Power & Telephone BC and Lower 48	2nd FERC prelim permit 09/22/2009. Draft license application and draft EA filed; **comments, prelim 4(e)s must be to FERC by May 2, 2011.**	**Remote Recreation, Roadless #530**	Studies	Draft LA Final LA ?	?	FERC EA?	License ?

Typical project activities and timeline:

Year 1: Applicant submits application to FERC and is issued a Preliminary Permit. This gives applicant exclusive right to study feasibility of a site and file a license application within 3 years. FS files as intervenor and submits comments. Applicant applies to FS for investigative studies permit. FS issues special use authorization for investigative studies.

Year 1-2: Pre-application document (PAD) is submitted by applicant to initiate public process and describe project thought to be feasible. FS provides comments. Study plans are developed in consultation with stakeholders. Field studies are conducted. FS provides comments.

Year 2-3: More studies. Applicant prepares Scoping Documents 1 and 2. Applicant prepares Draft License Application and submits to FERC. Includes detailed description of project and environmental analysis. FS comments and submits preliminary 4(e) terms and conditions.

Year 3-4: Applicant prepares/submits Final License Application to FERC, including responses and revisions based on DLA comments. FERC issues EA as final step. Applicant may submit application to FS for permit for the licensed project.

Year 4-5: FERC issues license. Applicant completes required plans for construction, monitoring, etc. FS comments. Applicant submits application to FS for permit for the licensed project—if has not already done so. FS issues decision and authorizes project to occupy NFS lands.

Year 5- ??: Construction of project. FS reviews, monitors, inspects.

27-LS0554\B
Bullock
1/17/12

SENATE CS FOR CS FOR HOUSE JOINT RESOLUTION NO. 20( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES JOHANSEN, Thomas, Stoltze, Peggy Wilson, Muñoz, Johnson, Chenault, Dick

A RESOLUTION

Urging the President of the United States, the United States Congress, and the Secretary of the United States Department of Agriculture not to implement protection of inventoried roadless areas under the "roadless rule" or otherwise restrict the development of necessary hydroelectric and other natural resource projects in the Tongass National Forest and the Chugach National Forest.

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

WHEREAS inventoried roadless areas, as defined in 36 C.F.R. 294.11, constitute approximately 57 percent of the acreage in the Tongass National Forest; and

WHEREAS the United States Congress has designated an additional 35 percent of the acreage in the Tongass National Forest as wilderness; and

WHEREAS there is an extensive system of federally protected areas in the state; and

WHEREAS, on May 28, 2010, the Secretary of the United States Department of Agriculture issued Secretary's Memorandum 1042-155 that reserves to the Secretary the authority to approve or disapprove road construction or reconstruction and the cutting, sale, or removal of timber in areas identified in the set of inventoried roadless area maps contained in

volume 2 of the Forest Service Roadless Area Conservation Final Environmental Impact Statement, dated November 2000; and

WHEREAS the Secretary of the United States Department of Agriculture has approved only seven projects under the authority reserved in Secretary's Memorandum 1042-155; and

WHEREAS Southeast Alaska has some of the largest deposits of precious metals in the world, and the region's economy is dependent on the responsible development of these natural resources; and

WHEREAS 14 of the 15 hydroelectric projects in the Tongass National Forest and Chugach National Forest are subject to the protection of inventoried roadless areas under 36 C.F.R. 294.10 - 294.18 ("roadless rule") and will require approval by the Secretary of the United States Department of Agriculture; and

WHEREAS failure of the Secretary of the United States Department of Agriculture to approve the hydroelectric and other natural resource projects in the Tongass National Forest and the Chugach National Forest would jeopardize the approval of necessary preliminary permits by the Federal Energy Regulatory Commission and other federal agencies because, without the Secretary of Agriculture's approval, the projects would not be able to proceed with the field studies and planning that are required for permitting; and

WHEREAS the inability to develop hydroelectric projects and construct power lines to bring electricity to communities in the state will result in continued diesel power generation that emits pollutants into the environment; and

WHEREAS the protection of inventoried roadless areas under the "roadless rule" in 36 C.F.R. 294.10 - 294.18 and the inability to produce and distribute hydro-generated electricity and develop abundant natural resources will adversely affect communities in the Tongass National Forest and the Chugach National Forest and will thwart the policies of the state, as stated in sec. 1, ch. 82, SLA 2010, to generate 50 percent of the energy in the state from renewable sources and, under AS 44.99.110, to encourage mineral development; and

WHEREAS the President of the United States has pledged to embrace and encourage the development of renewable energy sources and has set a goal of having 25 percent of the energy generated in the United States come from renewable energy resources by 2025;

BE IT RESOLVED that the Alaska State Legislature urges the President of the

United States, the United States Congress, and the Secretary of the United States Department of Agriculture not to implement protection of inventoried roadless areas under 36 C.F.R. 294.10 - 294.14 or otherwise restrict the development of necessary hydroelectric and natural resource projects in the Tongass National Forest and the Chugach National Forest.

COPIES of this resolution shall be sent to the Honorable Barack Obama, President of the United States; the Honorable Joseph R. Biden, Jr., Vice-President of the United States and President of the U.S. Senate; the Honorable Tom Vilsack, United States Secretary of Agriculture; the Honorable John Boehner, Speaker of the U.S. House of Representatives; the Honorable Nancy Pelosi, Minority Leader of the U.S. House of Representatives; the Honorable Harry Reid, Majority Leader of the U.S. Senate; the Honorable Mitch McConnell, Minority Leader of the U.S. Senate; the Honorable Jeff Bingaman, Chair of the Energy and Natural Resources Committee of the U.S. Senate; and the Honorable Lisa Murkowski and the Honorable Mark Begich, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.

HJR

21

<TARGET><BILL>HJR 21</BILL><SUBJECT>HJR 21</SUBJECT><COMM>SRES27</COMM></TARGET>

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **HJR 21**
() Publish Date

Identifier (file name): HJR21-LEG-COU-03-15-2011
Title: "Opposing Federal Wild Land Designation"
Sponsor: Representative Feige
Requester: House Resources Committee

Dept. Affected: Legislature
Appropriation: Legislative Council
Allocation: Session Expenses
OMB Component Number: 782

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

Initial Version

Prepared by: Shane Miller, Finance Manager — Phone: 465-6626
Division: Administrative Services Division — Date/Time: 3/15/11 12:19 PM
Approved by: Pamela Varni, Executive Director — Date: 3/15/2011
Legislative Affairs Agency

(Revised 12/29/2010 OMB)

Analysis

This fiscal note has zero impact on the Legislative Affairs Agency.

REPRESENTATIVE
ERIC FEIGE
House District 12
House Resources Committee Co-Chair
Education Committee
Transportation Committee
Joint Armed Services Committee

Alaska State Legislature

During Session:
State Capitol Room 126
Juneau, Alaska 99801-1182
(907) 465-4859
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1-888-465-4859

House of Representatives

SPONSOR STATEMENT

HJR 21 **"Urging the Secretary of the United States Department of the Interior to withdraw a secretarial order that creates a wild land classification and to administer federal lands in the state in accordance with existing statutes and agency guidelines; and urging the United States Congress to prohibit the use of appropriated funds by the United States Department of the Interior and the Bureau of Land Management to implement, administer, or enforce the secretarial order."**

House Joint Resolution 21 is a response and clear statement of opposition to an attempt by a Federal government department head to ignore Federal Statute and promote an agenda that is detrimental to and could essentially shut down Alaska's economy and unique culture.

On December 22, 2010, the United States Secretary of the Interior, Ken Salazar issued Secretarial Order number 3310 (S.O. 3310) directing the Bureau of Land Management to inventory and designate land with wilderness characteristics as "Wild Lands." This represents a new classification and is currently not legally defined, meaning the designation is based on a whim. S.O. 3310 may go so far as to seek wilderness status for areas of the National Petroleum Reserve, an area critical to the economy of not only Alaska but the entire United States.

S.O. 3310 violates Congressional Law for Alaska relating to land. Both the Alaskan Native Claims Settlement Act (ANSCA) and Alaska National Interest Lands Conservation Act (ANILCA) are in conflict with S.O. 3310 and supersede it since only Congress has the authority to designate wilderness areas.

HJR 21 asks Congress to use its power of appropriations to impress upon the Secretary of the Interior that implementing, administering and enforcing S.O. 3310 will be impossible. Passage of this resolution is critically important to the citizens of Alaska and will serve as a milestone for other states to stand up against this land grab and federal intrusion.

E-Mail: Representative.Eric.Feige@legis.state.ak.us

HOUSE JOINT RESOLUTION NO. 21

"Urging the Secretary of the United States Department of the Interior to withdraw a secretarial order that creates a wild land classification and to administer federal lands in the state in accordance with existing statutes and agency guidelines; and urging the United States Congress to prohibit the use of appropriated funds by the United States Department of the Interior and the Bureau of Land Management to implement, administer, or enforce the secretarial order."

Sectional Analysis (Version M)

1. Cites the December 22, 2010 issuance of Secretarial Order (S.O.) 3310 by Secretary of the Interior Ken Salazar.
2. Summarizes the intent of S.O. 3310.
3. Establishes that "Wild Lands" is a new designation.
4. Highlight's the Alaska Citizen's Advisory Commission's determination that S.O. 3310 was drafted without state input and violates President Obama's pledge towards transparent government.
5. Establishes that Congress is the sole authority for wilderness land designation.
6. States that S.O. 3310 does not recognize Alaska's unique culture nor natural resource development.
7. Cites the Alaska National Interest Lands Conservation Act (ANILCA) as already designating 57 million acres of Alaska land as "wilderness."
8. States that Congress, through ANILCA, has already determined there is sufficient "wilderness lands" in Alaska and prohibited managing subsequent lands for their "wilderness characteristics" without prior Congressional approval.
9. References the inaccurate statement by the Department of the Interior that there has never been a wilderness inventory in Alaska.
10. Highlights S.O. 3310's reversal of 30 years of prior existing Bureau of Land Management (BLM) land review policy in Alaska.
11. References the scope of the "Wild Lands, Inventory, and Planning Guidance Questions and Answers" issued by the Department of the Interior.
12. States that S.O. 3310 violates the Naval Petroleum Reserves Production Act of 1976 and the Federal Land Policy and Management Act of 1976.
13. States that designating "Wild Lands" in the National Petroleum Reserve-Alaska would preclude resource development in this area.
14. States that S.O. 3310 enables the BLM to establish de-facto wilderness areas without required Congressional oversight.
15. States that S.O. 3310 creates a presumption against resource development in designated lands and that this will have a negative impact on Alaska's economic well-being.
16. Requests that the Secretary of the Interior immediately withdraw S.O. 3310.
17. Urges Congress, subject to the refusal of the Interior Secretary to withdraw S.O. 3310, to prohibit the use of federal funds to implement said order.

REPRESENTATIVE
ERIC FEIGE
House District 12
House Resources Committee Co-Chair
Education Committee
Transportation Committee
Joint Armed Services Committee

Alaska State Legislature

During Session:
State Capitol Room 126
Juneau, Alaska 99801-1182
(907) 465-4859
Fax (907) 465-3799
1-888-465-4859

House of Representatives

TO: Senator Thomas Wagoner, Co-Chairman

Senator Joe Paskvan, Co-Chairman

Senate Resources Committee

FROM: Representative Eric Feige

DATE: April 6, 2011

RE: Hearing Request for HJR 21 Opposing Federal Wild Land Designation

I respectfully request that House Joint Resolution 21 – Opposing Federal Wild Land Designation, be scheduled for a hearing in the Senate Resources Committee as soon as possible. Please feel free to contact me, or my aide, Linda Hay, with questions at 465-3715.

Attached you will find the contents as requested by the committee. This includes the current version of the bill, a sponsor statement, sectional analysis, and pertinent background information.

Thank you for your consideration.

Rep. Eric Feige

E-Mail: Representative.Eric.Feige@legis.state.ak.us

Fact Sheet

Title: Land Ownership In Alaska

Alaska Department of NATURAL RESOURCES
Division of Mining, Land & Water
March 2000

Current land ownership in Alaska can be traced back to three main events in the state's history.

- Russian traders arrived in Alaska in the mid-1700's and established small, scattered trading posts and settlements. Alaska Natives (the Eskimo, Indian, and Aleut peoples) continued as the primary "landowners" during this period of Russian occupation.

  On October 18, 1867, Russia sold Alaska to the United States government. As a result, the federal government owned the Alaska Territory, approximately 375 million acres (about one-fifth the size of the continental U.S.).

- Alaska became a state in 1959. The federal government granted the new state 28% ownership of its total area. Approximately 103,350,000 acres were selected under three types of grants: Community (400,000 acres), National Forest Community (400,000 acres), and General (102,550,000 acres). Additional territorial grants, for schools, university and mental health trust lands, totaling 1.2 million acres were confirmed with statehood. All grants combined gave the State of Alaska approximately 105 million acres.

- In 1971 Congress passed the Alaska Native Claims Settlement Act (ANSCA). This law granted 44 million acres and 1 billion dollars to village and native corporations created under the act. Generally, ANSCA gave Native selections priority over state land selections.

State Land

To date, the state has received patent to approximately 85% (90 million acres) of its total land selections. The state was permitted to select lands, from any federal land not already reserved for other uses, to provide:

1. Land and resources to support the state's economy for road construction, economic development, and building houses, schools, and other public and private facilities.
2. A reduction in federal control over state internal affairs by giving the state ownership and jurisdiction over its own land.

The state chose land to meet three specific needs - settlement, resources and recreation.

Settlement – The State of Alaska selected land to encourage development and settlement. Land for public facilities, road construction and other public needs were included. Once owned, the state transfers large tracts of land to local governments, and leases and disposes of land to the private sector. There are approximately 580,000 acres currently in the state's land disposal bank for eventual lease or sale.

Resources - The Alaskan economy is based on exploration for and the development of natural resources. Lands were selected for agriculture, forestry, commercial fisheries, mining potential, oil and gas development, and wildlife habitat.

Recreation – Lands for wildlife, back-country recreation, and varying degrees and types of developed recreation were chosen and reserved to provide a variety of experiences for Alaskans and the tourist industry.

Once land is selected, land planners develop state land use plans. Planners consider laws and policies set by the Governor and state legislature, the character of the land itself, recommendations made by resource experts and public input to determine the most appropriate management of currently owned or selected state land. Plans are developed for land in selected status in anticipation of its conveyance to the state.

Federal Land

The federal government is still the largest landowner in Alaska with 60% of the total area (222 million acres). This acreage includes national parks, wildlife refuges, national forests, military reservations and the North Slope National Petroleum Reserve. More than a dozen federal agencies manage federal lands in Alaska.

The majority of federally owned lands have been set aside for public use (approximately 80 million acres). These are designated as follows:

> The National Park Service and Fish and Wildlife Service manage about 119.3 acres (48.3 and 71.0 million acres respectively) for primary uses of resource protection and fish and wildlife conservation.
>
> The Forest Service and Bureau of Land Management manage about 97.7 million acres (19.8 and 77.9 million acres respectively) for multiple use purposes including timber production, fish and wildlife, recreation, water and mining. Management of these lands is based on priorities and compatibility among various uses.

The remaining federal land is designated for special purposes, such as military reservations, the National Petroleum Reserve and U.S. Postal Service lands.

Native Lands

Native lands are private lands. The Alaska Native Claims Settlement Act, passed by Congress in 1971, mandated the creation of regional and village Native corporations for the disbursement of the 44 million acres and payment of one billion dollars mandated to Native ownership.

Thirteen regional corporations were created for the distribution of ANSCA land and money. Twelve of those shared in selection of 16 million acres, the thirteenth corporation, based in Seattle, received a cash settlement only. 224 village corporations, of 25 or more residents, shared 26 million acres. The remaining acres, which include historical sites and existing native-owned lands, went into a land pool to provide land to small villages of less than 25 people.

Other Private Land

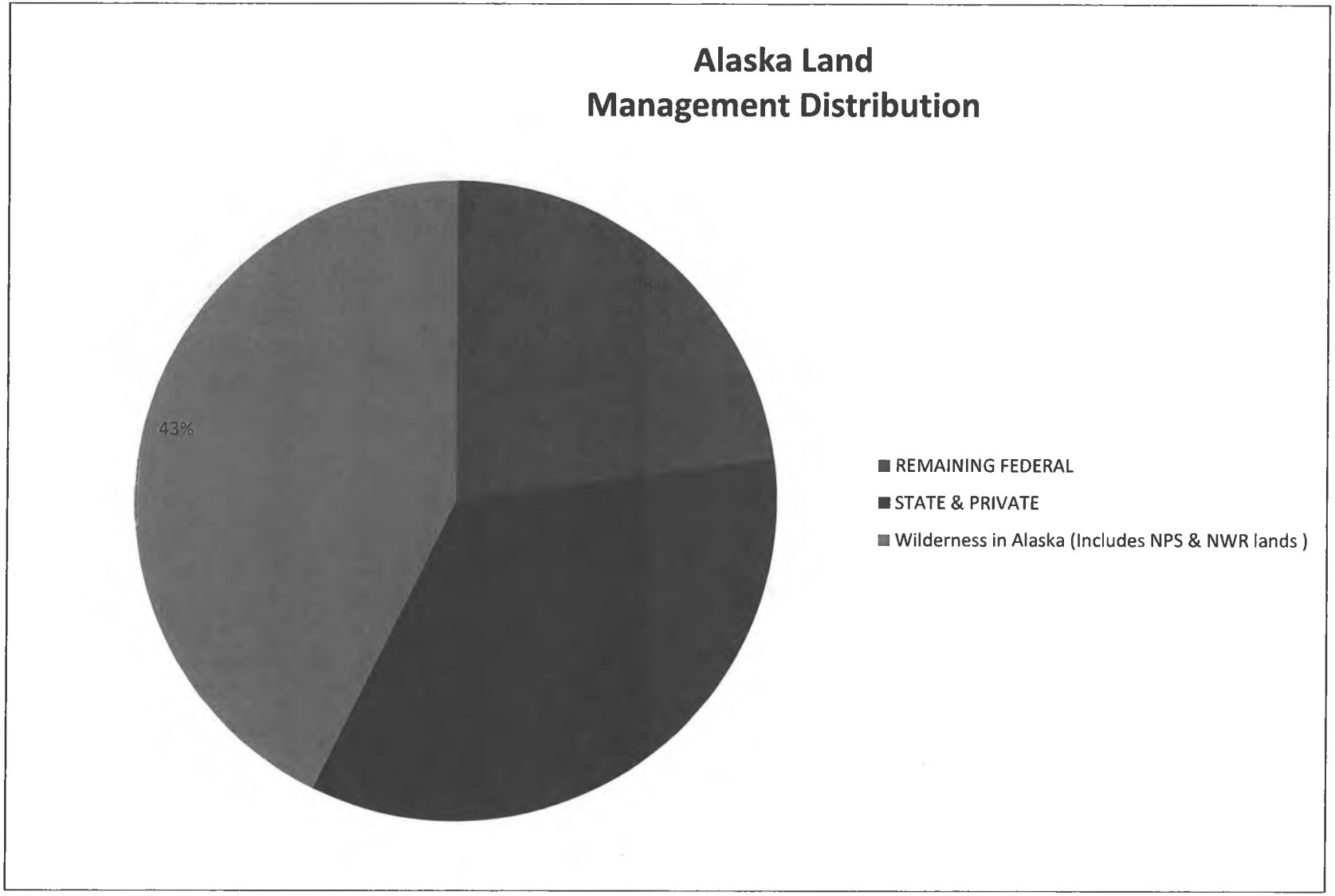
Land in private ownership (other than Native land) comprises less than one percent of the total land in Alaska. Much of the best land for development around Alaska's communities is, or will be, privately owned. Private land development meets people's needs by providing places to live, work, shop and recreate. It also provides a tax base for cities and communities to help support public services.

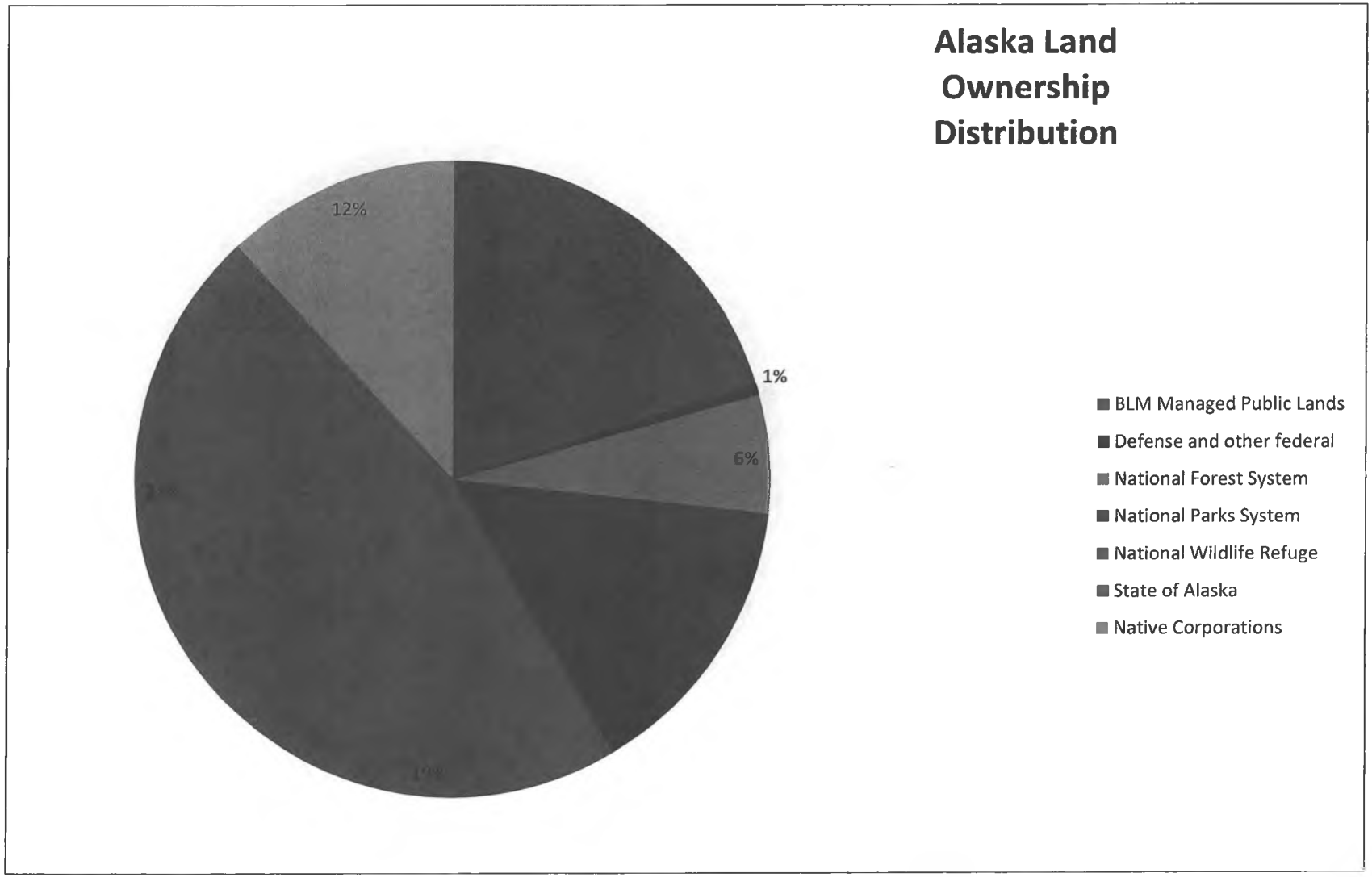
Alaska Land Distribution

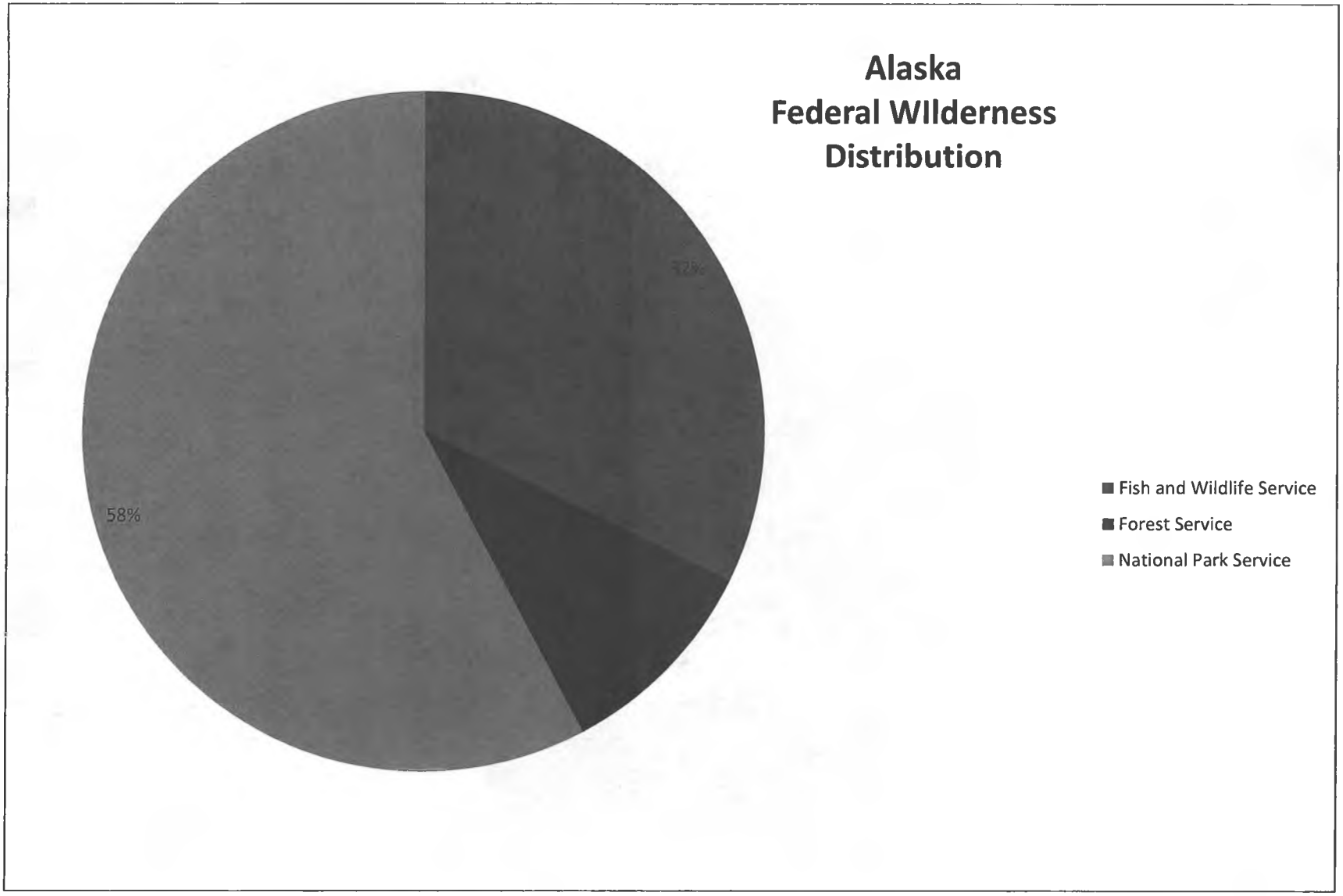
9/30/2010

	2005	2006	2007	2008	2009	2010
REMAINING FEDERAL	*(in millions of acres)*					**96.8**
BLM Managed Public Lands	85.4	83.5	80.9	78.4	74.8	**72.9**
Defense and other federal	2.0	2.0	2.0	2.0	2.0	**2.0**
National Forest System	22.0	21.9	21.9	21.9	21.9	**21.9**
National Parks System	54.0	54.0	53.9	53.8	53.8	**53.7**
National Wildlife Refuge	70.6	70.6	70.6	70.2	69.4	**69.4**
STATE CONVEYANCE *						
State of Alaska	91.4	91.7	93.7	95.7	96.7	**98.9**
PRIVATE CONVEYANCE *						
Native Corporations	37.4	38.1	38.4	38.5	40.8	**43.2**
Including Other (Reserves)	*2.7*	*3.9*	*3.9*	*3.9*	*3.9*	***3.9***
STATE & PRIVATE						**146.0**
Wilderness in Alaska (Includes NPS & NWR lands)						**181.0**
Fish and Wildlife Service	18,676,320	18,676,320	18,676,320	18,676,320	18,676,320	**19**
Forest Service	5,754,000	5,754,000	5,754,000	5,754,000	5,754,000	**6**
National Park Service	33,492,269	33,492,269	33,492,269	33,492,269	33,492,269	**33**
Wild and Scenic Rivers in Alaska (river miles)						
BLM	968.0	968.0	968.0	968.0	968.0	**968.0**
Fish and Wildlife Service	882.0	882.0	882.0	882.0	882.0	**882.0**
National Parks Service	1,281.0	1,281.0	1,281.0	1,281.0	1,281.0	**1,281.0**

*Adjustments made in 2010 due to ALIS audit


Alaska Land
Management Distribution
43%
REMAINING FEDERAL
STATE & PRIVATE
Wilderness in Alaska (Includes NPS & NWR lands)


Alaska Land Ownership Distribution
12%
1%
6%
BLM Managed Public Lands
Defense and other federal
National Forest System
National Parks System
National Wildlife Refuge
State of Alaska
Native Corporations


Alaska
Federal WIlderness
Distribution
42%
58%
Fish and Wildlife Service
Forest Service
National Park Service

Who Owns/Manages Alaska?

Russian traders arrived in Alaska in the mid-1700's and established small, scattered trading posts and settlements. Alaska Natives (the Eskimo, Indian, and Aleut peoples) continued as the primary landowners during this period of Russian occupation. On October 18, 1867, Russia sold Alaska to the United States government. As a result, the federal government owned the Alaska territory, approximately 375 million acres - about one-fifth the size of the rest of the U.S.

State of Alaska - 89.8 million acres

Under the terms of the Alaska Statehood Act of 1959, the federal government granted the new state 28% ownership of its total area. Approximately 103,350,000 acres were to be elected under three types of grants:

1) Community - 400,000 acres

2) National Forest Community - 400,000 acres

3) General - 102,550,000 acres

Additional land grants for schools, university and mental health trust lands totaling 1.2 million acres were confirmed with statehood.

All grants combined gave the State of Alaska approximately 105 million acres. To date, 89.9 million acres has been granted with the balance expected to be granted by 2009.

ANCSA Native Corporation (Private) 39.3 million acres

On December 18, 1971, P.L. 92-203, the Alaska Native Claims Settlement Act was signed into law. The purpose of ANCSA was to legislate the terms by which Alaska Natives could acquire title to their lands. This claim had been unresolved for more than 100 years since the United States purchased Alaska from Russia in 1867.

Native lands are private lands. ANCSA mandated the creation of regional and village Native corporations to manage 44 million acres and payment of one billion dollars. Thirteen regional corporations were created for the distribution of ANCSA land and money. Twelve of these shared in selection of 16 million acres; the thirteenth corporation, based in Seattle, received a cash settlement only. 224 village corporations, of 25 or more residents, shared 26 million acres. The remaining acres, which include historical sites and existing Native-owned lands, went into a land pool to provide land to small villages of less than 25 people. To date, 39.3 million acres have been transferred to ANCSA corporations.

Non-ANCSA Private & Local Government - 5.9 million acres

Land in private ownership (other than Native land) comprises less than one percent of the total land in Alaska. Much of the best land for development around Alaska's communities is or will be, privately owned. Private land development meets peoples needs by providing places to live, work, shop and recreate. It also provides a tax base for cities and communities to help support public services.

Because local governments in Alaska have individual methods of transferring land into private ownership, land currently owned by them is grouped into this category.

Alaska is one-fifth the size of the conterminous 48 states.

Bureau of Land Management - 82.5 million acres

In Alaska, BLM's focus is currently land, wildland fire management, overseeing the Joint Pipeline Office (a partnership with the state and other federal agencies with oversight responsibility of the Trans-Alaska Pipeline), and responding to the public demand for use of the land they manage.

U.S. Fish & Wildlife Service - 78.8 million acres

The USFWS manages 16 wildlife refuges in Alaska. The two largest are the Yukon Delta National Wildlife Refuge and much larger Arctic National Wildlife Refuge (ANWR) both of which are approximately 19 million acres.

National Park Service - 52.4 million acres

There are eight national parks in Alaska, including the five largest in the national park system:

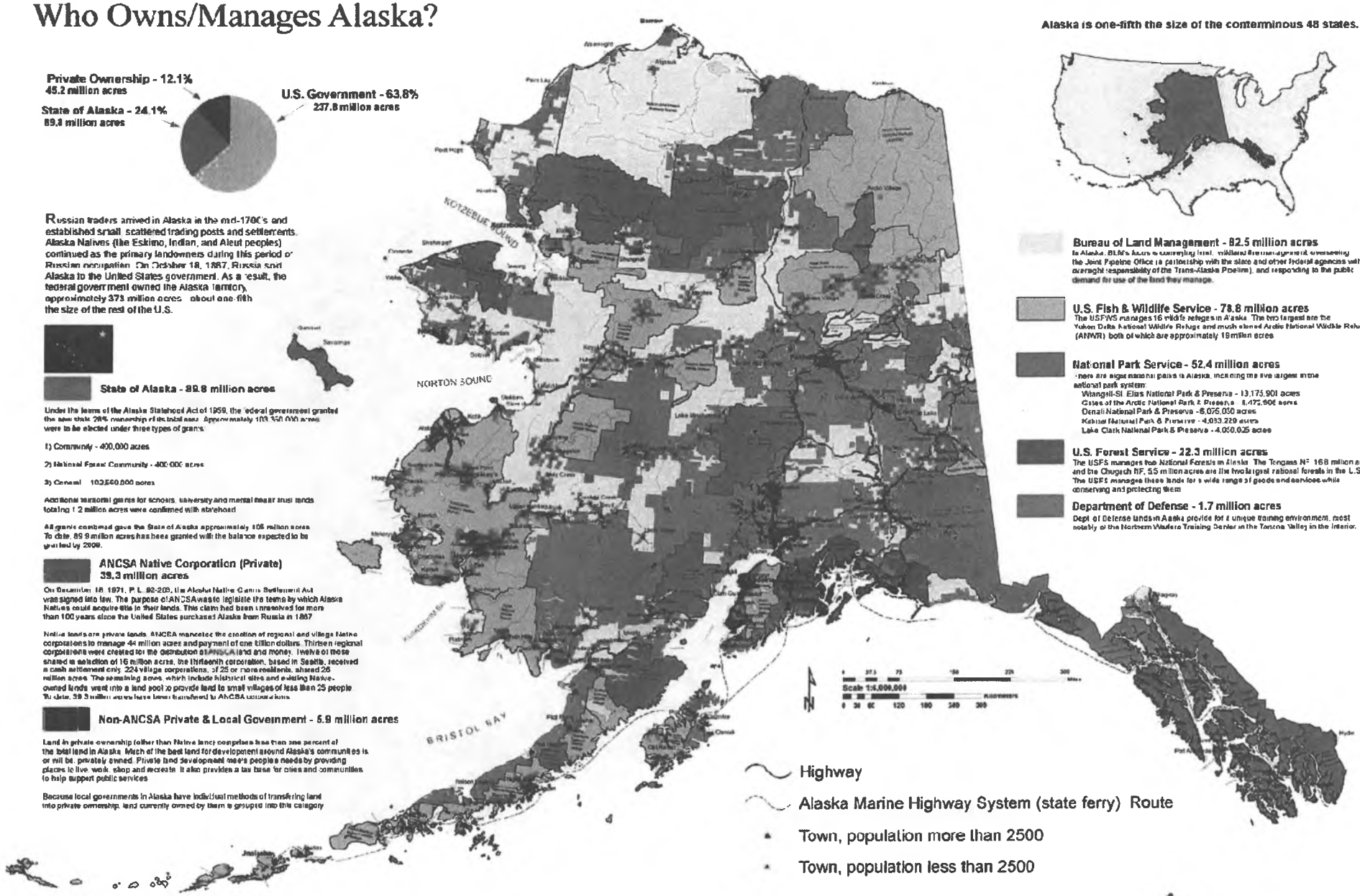
- Wrangell-St. Elias National Park & Preserve - 13,175,901 acres
- Gates of the Arctic National Park & Preserve - 8,472,506 acres
- Denali National Park & Preserve - 6,075,030 acres
- Kobuk National Park & Preserve - 4,093,229 acres
- Lake Clark National Park & Preserve - 4,030,025 acres

U.S. Forest Service - 22.3 million acres

The USFS manages two National Forests in Alaska. The Tongass NF, 16.8 million acres and the Chugach NF, 5.5 million acres are the two largest national forests in the U.S. The USFS manages these lands for a wide range of goods and services while conserving and protecting them.

Department of Defense - 1.7 million acres

Dept of Defense lands in Alaska provide for a unique training environment, most notably at the Northern Warfare Training Center in the Tanana Valley in the interior.



Maps produced by the
Alaska Dept of Natural Rescurces
Division of Forestry

Alaska National Interest Lands Conservation Act (ANILCA)

TITLE I--PURPOSES, DEFINITIONS, AND MAPS

§101(d) **This Act provides sufficient protection for the national interest in the scenic, natural, cultural and environmental values on the public lands in Alaska**, and at the same time provides adequate opportunity for satisfaction of the economic and social needs of the State of Alaska and its people; accordingly, the designation and disposition of the public lands in Alaska pursuant to this Act are found to represent a proper balance between the reservation of national conservation system units and those public lands necessary and appropriate for more intensive use and disposition, and thus **Congress believes that the need** for future legislation designating new conservation system units, new national conservation areas, or new national recreation areas, **has been obviated thereby**.

TITLE XIII – ADMINISTRATIVE PROVISIONS

FUTURE EXECUTIVE ACTIONS

§1326. (a**) No future executive branch action which withdraws more than five thousand acres, in the aggregate, of public lands within the State of Alaska shall be effective** except by compliance with this subsection. To the extent authorized by existing law, the President or the Secretary may withdraw public lands in the State of Alaska exceeding five thousand acres in the aggregate, which withdrawal shall not become effective until notice is provided in the Federal Register and to both Houses of Congress. **Such withdrawal shall terminate unless Congress passes a joint resolution of approval within one year after the notice of such withdrawal has been submitted to Congress.**

(b) **No further studies of Federal lands in the State of Alaska** for the single purpose of considering the establishment of a conservation system unit, national recreation area, national conservation areas or for related or similar purposes shall be conducted **unless authorized by this Act or further Act of Congress**.

Distributed by Rep. Eric Feige – HJR 21

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Governor Sean Parnell
STATE OF ALASKA

January 26, 2011

The Honorable Kenneth L. Salazar
Secretary
United States Department of the Interior
1849 C Street, NW
Washington, DC 20240

Dear Mr. Secretary,

I have grave concerns about Secretarial Order 3310 and associated policies, which appear to allow the Bureau of Land Management (BLM) to create de facto wilderness in a state without Congressional oversight. My concerns center on how the Order imposes a new "Wild Lands" designation for BLM to administer, and on the Interior's intention to conduct wilderness reviews in the BLM planning process.

The new "Wild Lands" designation places a higher priority on protection of "wilderness characteristics," as defined by the Wilderness Act, which effectively trumps most other land uses. Putting such a sweeping initiative in place overnight, with no Congressional direction and no advance consultation with affected states or the public, is unfathomable. This approach not only runs counter to President Obama's January 21, 2009 Memorandum entitled *Transparency and Open Government* and similar supplemental directives, but federal law as well.

The following outlines my specific concerns with Order 3310 and accompanying planning guidance:

- By designating "Wild Lands," Order 3310 usurps congressional authority where the Interior improperly acted as an administrative surrogate for Congressionally-designated Wilderness;

- In Alaska, where most of BLM's 86 million acres retain their wilderness values, the heavily-weighted default protection of wilderness characteristics could easily render most BLM lands de facto wilderness areas absent BLM's multiple-use direction. This would have a devastating effect on Alaska's people, economy, and land use and access. Thus, the Order directly conflicts with the "no more" clauses in the Alaska National Interest Lands Conservation Act (ANILCA) as well as the Federal Land Policy and Management Act (FLPMA);

- The Order is, for all practical purposes, an end-run around ANILCA, which I predict will lead to egregious social and economic consequences for Alaskans. Without the explicit provisions of ANILCA that apply to conservation system units, BLM Wild Lands will likely

be managed *more restrictively* in Alaska than ANILCA-designated Wilderness managed by the National Park Service, Fish and Wildlife Service, or Forest Service;

- The Order purports to seek "balance" between responsible resource development and protection of wilderness characteristics; yet there is a strong presumption in favor of wilderness-style protection. For that reason, this Order will have a severe chilling effect on future proposals designed to create jobs in resource development once an area is designated Wild Lands. This approach also contradicts BLM's multiple use mandate under FLPMA;

- BLM managers' discretion to determine where and when "impairment" of wilderness characteristics is "appropriate" is subject to undue scrutiny and approval in Washington DC, where decisions tend to be political and knowledge of local conditions, issues, and needs is diluted, at best;

- Last, but certainly not least, BLM has no authority whatsoever to apply this policy to the National Petroleum Reserve-Alaska because it is not subject to FLPMA.

These and other key issues are discussed in more depth in an attachment.

I know other western states are similarly concerned, if not appalled, by this new policy. Our state, and likely many others, would be best served by the former policy regarding wilderness reviews and recommendations that respected the preferences of State and local elected officials. Barring that, any new policy and associated planning direction must first undergo formal State and public review and compliance with the National Environmental Policy Act, and as appropriate, the Administrative Procedure Act.

In addition, no such policy should be applicable to the National Petroleum Reserve-Alaska. I urge you to work with the State Director of BLM in Alaska to ensure Secretarial direction does not run counter to the "balance" already established by ANILCA for Alaska.

Sincerely,

Sean Parnell
Governor

cc: The Honorable Lisa Murkowski, United States Senate
The Honorable Mark Begich, United States Senate
The Honorable Orrin Hatch, United States Senate
The Honorable Don Young, United States House of Representatives
The Honorable Mike Simpson, Chair, Interior Appropriations Committee, United States House of Representatives
The Honorable Rob Bishop, Chair, Natural Resources Subcommittee on National Parks, Forests and Public Lands, United States House of Representatives,

The Honorable Jan Brewer, Governor, State of Arizona
The Honorable Matt Mead, Governor, State of Wyoming
The Honorable Butch Otter, Governor, State of Idaho
The Honorable Brian Sandoval, Governor, State of Nevada
The Honorable Gary R. Herbert, Governor, State of Utah
The Honorable Mark Shurtleff, Attorney General, State of Utah
The Honorable Tom Horne, Attorney General, State of Arizona
The Honorable Bruce Salzburg, Attorney General, State of Wyoming
The Honorable Lawrence Wasden, Attorney General, State of Idaho
Tom Strickland, Assistant Secretary, Fish, Wildlife and Parks, United States Department of the Interior
Kim Elton, Interior Director of Alaska Affairs, United States Department of the Interior
Pat Pourchot, Special Assistant to the Secretary for Alaska Affairs, United States Department of the Interior
Robert Abby, Director, Bureau of Land Management
Bud Cribley, State Director for Alaska, Bureau of Land Management
John W. Katz, Director of State/Federal Relations and Special Counsel, Office of the Governor
Greg Conrad, Interstate Mining Compact Commission
Western Governors Association
Conference of Western Attorney Generals
Alaska Miners Association
Resource Development Council
Association of Fish and Wildlife Agencies
Western Association of Fish and Wildlife Agencies

Attachment to Governor Sean Parnell's Letter Regarding Interior Secretarial Order 3310

The Alaska National Interest Lands Conservation Act (ANILCA)

The Order Inventory and Planning Guidance Questions and Answers (Q&A) relies on several provisions of ANILCA to justify application in Alaska; however, the Order fails to recognize the full context of the law and the many other provisions that contributed to the "proper balance" referred to in Section 101(d) of ANILCA. Specifically, the Q&A document claims that Section 1320 of ANILCA "invites" BLM to designate wilderness in Alaska. We agree ANILCA Section 1320 provides BLM the authority to make wilderness recommendations to Congress; however, contrary to the Order, Section 1320 specifically prohibits the presumptive management of land for its wilderness characteristics without Congressional action. While the Order distinguishes between recommending designated wilderness and administratively designating Wild Lands, there is a very fine line between the two, as the basis for both is the Wilderness Act, and any lands set aside as Wild Lands will be managed to preserve the wilderness characteristics as defined by Section 2(c) of the Wilderness Act. In addition, ANILCA Section 1326(b) states:

> *No further studies of Federal lands in the State of Alaska for the single purpose of considering the establishment of a conservation system unit, national recreation area, national conservation areas or for related or similar purposes shall be conducted unless authorized by this Act or further Act of Congress.* [emphasis added]

The underlined language broadens the scope of the provision beyond defined conservation system units (CSUs). Wild Lands are essentially administrative CSUs. Choosing to preserve wilderness character and administratively designating Wild Lands circumvents both Congress and the statutory intent behind ANILCA Sections 1320, 1326(b), and 101(d). In addition, the on-the-ground effects of a Wild Lands designation will likely resemble the administrative "withdrawal" that Congress prohibits in Section 1326(a), and thus are inappropriate.

The Order also ignores ANILCA's hard-fought provisions that protect access for traditional activities and to resources that are the bedrock of Alaska's economy. In contrast to Congressionally-designated conservation system units (CSUs), including Wilderness and Wilderness Study Areas, many of ANILCA's essential provisions would not apply to designated Wild Lands on general BLM lands. These provisions include, but are not limited to:

- Section 1102 Title XI transportation and utility systems;
- Section 1110(a) motorized access for traditional activities and for travel to and from villages and homesites;
- Section 1110(b) inholder access (vs. Section 1323(b) that currently applies);
- Section 1111 temporary access;
- Section 1310 navigation and communication facilities;
- Section 1314(c) taking of fish and wildlife; or
- Section 1315(c) and (d) new and existing cabins.

The importance of these provisions cannot be over-emphasized. For example, the Title XI process for considering transportation and utility systems is critical in Alaska where there are few roads. Congress assumed general BLM lands would remain available for this purpose. While we understand such corridors are not automatically prohibited in designated Wild Lands, we have little doubt that once wilderness characteristics have been identified as warranting protection, applicants would be forced into an excessively costly process or to utilize alternate routes that could end up precluding a legitimate access need.

In another example, ANILCA purposefully differentiated Section 1110(b) inholder access requirements for CSUs (including Wilderness areas) and Section 1323(b) inholder access provisions that apply to general BLM land. Section 1110(b) gives inholders a stronger right of access in areas designated for more restrictive management (CSUs). The stronger inholder access guarantee would not apply to inholdings within Wild Lands on general BLM lands, which could be highly problematic for individual land owners.

These differences, among others, illustrate that Congress understood the importance of balancing conservation objectives with special accommodations for Alaskans.

In addition, the "proper balance" referenced in Section 101(d) is further predicated on continued multiple use management on BLM lands in Alaska. The Order also speaks of the need to protect "rare opportunities for solitude…" as a basis for the new policy. This objective is apparently reflective of "Lower 48" circumstances where remote and primitive areas are the exception ("rare"), not the norm. As we have seen many times over the last several decades, cookie cutter federal land management policies do not fit in Alaska.

The Q&A (Page 6) claims "*There has never been a statewide wilderness inventory in Alaska.*" This assertion is offensive to those Alaskans who lived through the lengthy studies and deliberations leading up to ANILCA. Contrary to the Q&A claim, numerous reviews, inventories and studies were conducted pursuant to the Section 17(d)(1) and (d)(2) withdrawal processes initiated by the Alaska Native Claims Settlement Act (ANCSA). Virtually all these studies focused on BLM lands, and those deemed by Congress to have the highest national interest for conservation purposes eventually ended up in over 100 million acres of conservation system units, including 57 million acres of designated Wilderness. The BLM Kobuk-Seward Resource Management Plan adopted in 2008 documents this history (Page 14):

> *Alaska lands were inventoried, reviewed, and studied for their wilderness values under the Wilderness Act criteria beginning in 1971 when Congress enacted ANCSA. For eight years thereafter, the Department evaluated national parks, forests, wildlife refuges, wild and scenic rivers, and other lands for potential designation as wilderness.*
>
> *Subsequently, Congress passed ANILCA, which preserved more than 150 million acres in specially protected conservation units. This represents more than 40% of the land area of the State of Alaska, and about 60% of the Federal land in Alaska. Pursuant to ANILCA, more than one-third of the lands preserved in conservation units, or 57 million acres, were formally designated as wilderness.*

Examples of such pre-ANILCA studies include a 28-volume EIS completed in 1974 and another EIS signed by Secretary Cecil Andrus in 1978.

National Petroleum Reserve – Alaska (NPRA)

The State is especially alarmed by the extension of the Order to the National Petroleum Reserve – Alaska (NPRA). The Q&A document does not disclose the authority under which the Department of the Interior believes BLM may designate Wild Lands in NPRA. It simply states the BLM "*must inventory lands in the NPR-A and may designate Wild Lands in the NPR-A as part of its integrated activity planning for the area.*" The State strongly disagrees that BLM has such authority. Federal law prohibits BLM from exercising its land use planning authority under Section 202 of FLPMA in the Reserve, and also prohibits wilderness designation recommendations under Section 603 of FLPMA. In particular, land use planning and management in the Reserve is subject to the requirements of the Naval Petroleum Reserves Production Act of 1976, as amended. The Production Act provides no authority for applying the Wild Lands Order to NPR-A, and BLM is therefore prohibited from doing so.

De Facto Wilderness

Secretarial Order 3310 and the associated polices provide BLM with the ability to create de facto wilderness without Congressional oversight. The Order is largely based on authorities, values, and definitions in the Wilderness Act of 1964. In debates leading up to passage of the Wilderness Act, Congress struggled with how far to extend their new mandate. They considered automatically including "primitive" lands, roughly equivalent to the new "Lands with Wilderness Characteristics;" but in the end developed Section 3(b) of the Act, which established a suitability process that ended with Congressional approval. Below are some relevant remarks by Senator Peter Dominick from the Congressional record (Senate Bill 4) leading up to passage of the Wilderness Act:

> *. . . the difficulty is that we are grouping together and putting into one system, without any particular legislative scrutiny, a vast area of land known as primitive lands, which have not been classified by the executive department or reviewed by Congress, to see whether this is the most useful purpose for that particular group of public lands.*
>
> *. . . Congress, should have the right to determine, after recommendation by the executive department, which of these primitive lands or which group of these primitive lands should be brought into the wilderness system, and that they should not all be blanketed in at the same time.* [Congressional Record 109 (1963) pg. 5890]

Congress clearly rejected the option to delegate the creation of wilderness areas to the Executive branch; yet the creation of a new system of BLM Wild Lands is a thinly veiled effort to do just that. Department officials argued during the press conference that since a Wild Lands designation is not permanent, they are not "locked up." Yet conventional wisdom and experience show that once an area is placed in a formalized protective status through a plan, altering that status or accommodating competing uses becomes much more difficult, especially since plans are only updated every 15-20 years, sometimes less often.

The single-minded approach to wilderness characteristics is explicitly illustrated in the Order (Section 4 Policy): "*Where the BLM concludes that protection of wilderness characteristics is appropriate, the BLM shall designate these lands as "Wild Lands" through the planning process.*" [emphasis added] BLM has additional or alternative tools to maintain opportunities for primitive recreation in combination with other public use and/or reasonable development without applying a Wild Lands designation. Furthermore, the policy provides no standards to determine when BLM shall conclude that "*protection of wilderness characteristics is appropriate.*"

Also, just as Wild Lands are essentially de facto Wilderness areas, they also mimic Wilderness Study Areas – even though the Q&A (Page 3) attempts to dismiss the similarities. The draft planning Chapter 6300-2 (.3) describes a process whereby the State Directors will determine whether they will "*...develop a recommendation for Congress to designate Wild Lands as units within the National Wilderness Preservation System.*"

"Balance" is Not Achieved

The Order and policies purport to seek "balance" between responsible resource development and protection of wilderness characteristics. As stated in the Q&A document: "*Balance will be achieved through a public process where lands with energy potential and lands with wilderness characteristics will be identified, evaluated, and managed in accordance with the new policy and the BLM's multiple use mandate.*" Yet if "balance" is the goal, the planning policy need only require an improved inventory of all resources and values, including wilderness characteristics. Area managers would then retain the discretion to do the local "balancing" within the context of a plan. Instead, the policy imposes a default decision to protect wilderness character, unless the local manager can make a proactive determination that impairment of wilderness characteristics is appropriate. Making wilderness character a higher priority than other land uses is not "balance," nor is it consistent with FLPMA's multiple use mandate.

Parenthetically, we note that the Q&A quote above, while referencing "*lands with energy potential,*" is curiously silent regarding mineral resources. We understand that mining is not necessarily precluded by the presence of wilderness characteristics; but the lack of recognition of mineral potential in this context may be indicative of bias against mining.

To avoid a Wild Lands designation, or authorize a development project, or use that could affect wilderness character, BLM must determine that "*impairment*" of such wilderness characteristics is "*appropriate.*" These terms set a high bar, and force BLM to make determinations in a negative context, rather than weighing all the options and making a positive choice toward a desired condition. This negative context adds built-in bias to the deliberative process.

Furthermore, it appears any attempt to steer away from wilderness protection at the State level must be approved in Washington DC by individuals far removed from local issues and control. This is especially problematic for Alaska where an understanding of Alaska's geography, economy, culture, infrastructure, resource development potential, and laws such as ANILCA seem to be poorly understood in Washington DC.

Unfunded Mandate

The Order also represents an unfunded mandate to BLM. Environmental organizations are poised to provide inventory information about wilderness characteristics. According to an

Anchorage Daily News article published on November 6, 2010, the Washington DC based conservation group, the Wilderness League, opened an office in Fairbanks, Alaska. The article quotes the League's stated purpose as "*...securing wilderness designations in the National Petroleum Reserve-Alaska...and on other BLM lands in eastern Interior.*" We are concerned BLM will have insufficient resources to review and either confirm or invalidate wilderness characteristics "nominated" by pro-wilderness interest groups, leading to excessive protection in areas where wilderness characteristics are already compromised. Also, based on the date of this article, we are disappointed the administration apparently engaged in informal consultation with environmental groups who seemed to be aware of the content of this policy before anyone else.

Affect on State Administrative Activities

The effects of a Wild Lands designation on State fish and wildlife management activities is not clear. For example, the use of motorized or mechanical transport and equipment is restricted in designated Wilderness; however, the new policy does not clarify whether similar restrictions would apply to public use or State management activities in administratively designated Wild Lands. The State of Alaska holds primary authority, jurisdiction, and responsibility to manage, control, or regulate all fish and wildlife within federal lands, including uses thereof, unless specifically preempted by federal law. Nothing in the Wilderness Act, FLPMA, or Order 3310 should be construed as an expansion of federal authority or oversight over this traditional State responsibility.

Policy is Confusing and Contradictory

The Order and accompanying direction to BLM are confusing and potentially contradictory – enabling abuse by those seeking a back door way to pursue wilderness protection at the expense of other legitimate uses. For example, the Q&A issued with Order 3310 indicates that "*BLM will consider wilderness values among the broad range of other potential resource values and uses for the public lands in accordance with its multiple-use mission, and make a decision about whether and to what extent to protect those wilderness characteristics.*" However, the Order directs all BLM offices to "*protect those inventoried wilderness characteristics when undertaking land use planning and when making project-level decisions by avoiding impairment of such wilderness characteristics unless BLM determines that impairment of wilderness characteristics is appropriate and consistent with applicable requirements of law and other resource considerations.*" The Order instructs BLM to place a higher priority on protection of wilderness characteristics than other uses contemplated by FLPMA's multiple use mandate.

BLM cannot manage land based on an inventory alone. Land management decisions may only be made in accordance with an adopted plan. This intent is appropriately represented in the Q&A document, which states "*When the BLM decides to protect LWCs through a land use plan decision, it will designate these areas as "Wild Lands." This determination will be made through a public land use planning process....*" (emphasis added) The Order, however, states "*Where the BLM concludes that protection of wilderness characteristics is appropriate, the BLM shall designate these lands as "Wild Lands" through the planning process,*" which essentially directs BLM to make an either/or choice between "protection" and "impairment" before the formal planning process has even begun. This pre-planning decision process is also mirrored in the policy Section (.06) of the draft BLM Manual 6300-2; however, the section entitled "Procedures for Considering LWCs in Land Use Planning" is more consistent with direction in

the Q&A document. These differences need to be reconciled to ensure that any management decisions concerning LWC's occur within a planning process, following public review.

Many questions also arise from the Order and associated documents, including:

- What flexibility will managers and State Directors have in determining Lands with Wilderness Characteristics and deciding which lands are appropriate for Wild Lands designation?
- How would the presence of inholdings, mining claims, rights-of-way, and other valid existing rights affect the inventory of wilderness characteristics and the likelihood of a Wild Lands designation?
- How will the Order affect the future of outdated ANCSA Section 17(d)(1) withdrawals?
- Will BLM conduct a "minimum requirements analysis" on State or federal administrative activities on Wild Lands?
- Have you considered that ANILCA Section 811 significantly constrains BLM's options to restrict access for subsistence purposes, including off-highway vehicles?
- How will long-standing recreational use of airplanes, snowmachines, and off-highway vehicles be addressed?
- What is the relationship between a Wild Lands designation, Areas of Critical Environmental Concern, the National Landscape Conservation System, and other classifications of land with conservation objectives?

Lack of State Consultation and Public Review

In conclusion, Secretarial Order 3310 is a dramatic departure from all previous approaches to BLM management, especially in Alaska. As these comments illustrate, the Order sets entirely new standards, challenges conventional wisdom regarding management of multiple use lands, and raises legal and policy questions. As such, much more rigorous justification and analysis of consequences and impacts are essential; along with an opportunity for formal State and public review. Compliance with the National Environmental Policy Act is also required – most likely through an environmental impact statement given the potential foreseeable impacts.

A rigorous public review process is consistent with

- President Obama's January 21, 2009 Memorandum entitled *Transparency and Open Government.*
- Open Government Directive from the Office of Management and Budget directing all executive departments and agencies to take specific actions to implement the principles stated in the President's memorandum.
- The Department of the Interior's own Open Government Plan assembled by a multi-functional team from across the Department.
- The Federal Land Policy and Management Act (FLPMA) and BLM planning regulations regarding State and public involvement.

The above policies, directives, regulations, and laws require rigorous public discourse.

Committee Action
NATURAL RESOURCES COMMITTEE
CHAIRMAN DOC HASTINGS

FOR IMMEDIATE RELEASE
Tuesday, February 22, 2011
PERMALINK

CONTACT: Jill Strait or Spencer Pederson
202-226-9019

MEDIA ADVISORY

Committee to Hold Oversight Hearing on Interior Department's "Wild Lands" Policy

WASHINGTON, D.C. – On Tuesday, March 1st the House Natural Resources Committee will hold a Full Committee oversight hearing on "*The Impact of the Administration's Wild Lands Order on Jobs and Economic Growth.*" The Wild Lands policy, established by Secretarial Order, is an attempt by the Interior Department to establish de facto Wilderness areas without Congressional approval.

"This is a prime example of why Congress must exercise vigorous oversight of the Obama Administration," **said Natural Resources Committee Chairman Doc Hastings.** *"The Wild Lands policy expressly circumvents Congress' statutory authority to establish Wilderness areas. Under this policy, the public's access to public lands can be limited or halted entirely – impacting our economy, jobs, recreation opportunities and American energy production. Millions of acres of multi-use land in the West are at risk of being locked-up if the Administration carries out this policy."*

"There are so many unanswered questions surrounding the creation of the new Wild Lands designation and this Administration's plans to redo many of the recently completed inventories of public lands," **said National Parks, Forests and Public Lands Subcommittee Chairman Rob Bishop.** *"In Utah, for example, the BLM just completed an open, seven-year, twenty million dollar process to create resource management plans. Now, this Administration is saying they want to start over. There are thousands of Americans, especially out West, who question the wisdom of such an action and who will be affected by this unilateral secretarial order. We believe this new policy raises a number of troubling questions and that this hearing will be instrumental in bringing greater clarity to the situation."*

WHAT: Full Committee Hearing on "*The Impact of the Administration's Wild Lands Order on Jobs and Economic Growth*"

Witnesses:
The Honorable Butch Otter, Governor of Idaho
The Honorable Gary Herbert, Governor of Utah

Additional witnesses to be announced

WHEN: Tuesday, March 1, 2011
2:00 PM

WHERE: 1324 Hearing Room in the Longworth House Office Building

Background:

- Two days before Christmas last year, Secretary of the Interior Ken Salazar issued Secretarial Order No. 3310 asserting that the Bureau of Land Management has the authority to "designate appropriate areas with wilderness characteristics under its jurisdiction as 'Wild Lands' and to manage them to protect their wilderness value."

- The Wilderness Act of 1964 gives only Congress the authority to designate public lands as Wilderness areas. The Administration does not have the legal authority to impose policies to create *de facto* Wilderness.

- Designating an area as Wilderness imposes the most restrictive land use policies that can be taken. It places severe limitations on public access, prohibits many popular forms of recreation and severely restricts job-creating, and energy-producing activities.

Visit the Committee Hearings webpage for testimony and additional information, once it is made available. The hearing is open to the public and a live stream will be broadcast at http://naturalresources.house.gov/live.

# # #

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SENATE DISTRICT F

March 1, 2011

Congressman Doc Hastings, Chairman
Committee on Natural Resources
United States House of Representatives
1324 Longworth House Office Building
Washington, D.C. 20515

Chairman, and members of this committee and to Congress, My name is John Coghill a member of the Alaska State Senate. I am grateful for this opportunity to give my testimony to you regarding "the impacts of the Administration's Wild Lands Order on Jobs and Economic Growth" Secretarial Order 3310.

The Impact of Secretarial Order 3310 to Alaska would be in at least three major areas.

First, it would undermine and overrule the work of Congress in passing the laws under (Alaska National Interest Lands Conservation Act) ANILCA, (Federal Land Policy and Management Act) FLPMA, (National Environmental Policy Act) NEPA, and (National Petroleum Reserve in Alaska) NPRA.

Secondly, it would make it more adversarial for the State of Alaska to work with federal land managers under the law if our confidence in our protection of these laws is destroyed through this type of administrative usurpation. As partners in management of land resources and activities within the boundaries of this state it is important to us that we be part of the input to the policies that affect our ability to live up to our duties as a state.

Thirdly, the people of this state are impacted in economic, cultural, civic and mobility ways that impact our way of life expected by us and guaranteed by our constitution. Because the land in Alaska is patchwork in its ownership boundaries it has been promised to us by law that we would have access through federal lands and use of these lands for hunting and fishing. Our ability to traverse the land and navigate our rivers and mine our minerals has been impacted already through wrong application of the law and this order would be a blatant ignoring of the law and make us wonder about our ability to live and thrive in this land.

It took nine long years and a lot of give on the part of Alaska and its people to come up with an agreement on wilderness lands in Alaska between the sovereign State, Congress, and a president

E-Mail: Senator_John_Coghill@legis.state.ak.us

who praised the completeness of the process and considered it one of his biggest accomplishments, Jimmy Carter.

ANILCA preserved 60 million acres of wilderness (an area the size of Oregon or Colorado) and added another 46 million acres to the National Park System (an area the size of Pennsylvania). However, ANILCA protects valid existing rights, access to inholders, and access through BLM lands to mining claims, state owned lands, native owned lands, leased lands, guide and outfitter leases, and historic access routes.[1]

ANILCA clearly states there is no need for more parks, preserves, monuments, wild and scenic rivers, etc. in Alaska[2] and the intent of Congress was to preclude any future executive actions like Secretarial Order 3310 without Congressional approval[3]. Not only must the Secretary obtain Congressional approval, he must give proper notice and publication in the Federal Register.

---

[1] *VALID EXISTING RIGHTS*
SEC. 1109. ***Nothing in this title shall be construed to adversely affect any valid existing right of access.***

SPECIAL ACCESS AND ACCESS TO INHOLDINGS
(16 USC 3170) SEC. 1110. (a) Notwithstanding any other provision of this Act or other law, the ***Secretary shall permit,*** *on conservation system units, national recreation areas, and national conservation areas, and those public lands designated as wilderness study,* ***the use of snowmachines (during periods of adequate snow cover, or frozen river conditions in the case of wild and scenic rivers), motorboats, airplanes, and nonmotorized surface transportation methods for traditional activities*** *(where such activities are permitted by this Act or other law) and* ***for travel to and from villages and homesites.*** *Such use shall be subject to reasonable regulations by the Secretary to protect the natural and other values of the conservation system units, national recreation areas, and national conservation areas, and shall not be prohibited unless, after notice and hearing in the vicinity of the affected unit or area, the Secretary finds that such use would be detrimental to the resource values of the unit or area. Nothing in this section shall be construed as prohibiting the use of other methods of transportation for such travel and activities on conservation system lands where such use is permitted by this Act or other law.*

(b) Notwithstanding any other provisions of this Act or other law, in any case in which State owned or privately owned land, including subsurface rights of such owners underlying public lands, or a valid mining claim or other valid occupancy is within or is effectively surrounded by one or more conservation system units, national recreation areas, national conservation areas, or those public lands designated as wilderness study, the State or private owner or occupier ***shall be given by the Secretary such rights as may be necessary to assure adequate and feasible access*** *for economic and other purposes to the concerned land by such State or private owner or occupier and their successors in interest. Such rights shall be subject to reasonable regulations issued by the Secretary to protect the natural and other values of such lands."*

[2] *"(d) This Act provides sufficient protection for the national interest in the scenic, natural, cultural and environmental values on the public lands in Alaska, and at the same time provides adequate opportunity for satisfaction of the economic and social needs of the State of Alaska and its people; accordingly, the designation and disposition of the public lands in Alaska pursuant to this Act are found to represent a proper balance between the reservation of national conservation system units and those public lands necessary and appropriate for more intensive use and disposition, and thus* ***Congress believes that the need for future legislation designating new conservation system units, new national conservation areas, or new national recreation areas, has been obviated thereby."***

[3] *FUTURE EXECUTIVE ACTIONS*
SEC. 1326. (a) ***No future executive branch action which withdraws more than five thousand acres,*** *in the aggregate, of public lands within the State of Alaska shall be effective except by compliance with this subsection. To the extent authorized by existing law, the President or the Secretary may withdraw public lands in the State of*

According to the State ANILCA Program Coordinator, there are over 100 specific provisions of ANILCA requiring some form of federal agency consultation with the State of Alaska. In addition, numerous other federal laws, regulations and policies require state notification and consultation.

Twenty-five years ago, Congress passed the Federal Land Policy and Management Act of 1976 (FLPMA). FLPMA instructs the Secretary to continuously maintain an inventory all public lands and clearly states such an inventory cannot change the management or public use of lands[4]. Further provisions of FLPMA require notification and comment from States and Congressional oversight.

Any effort to classify any portion of the National Petroleum Reserve in Alaska (NPR-A) as wild lands would be in direct violation of Section 6502 of the Naval Petroleum Reserves Production Act of 1976.[5] The secretary is restricted to four authorities in dealing with NPR-A. He was given no authority to reclassify land in the reserve[6]. The Naval Petroleum Reserves Production

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Alaska exceeding five thousand acres in the aggregate, ***which withdrawal shall not become effective until notice is provided in the Federal Register and to both Houses of Congress. Such withdrawal shall terminate unless Congress passes a joint resolution of approval within one year after the notice of such withdrawal has been submitted to Congress.***

(b) ***No further studies*** *of Federal lands in the State of Alaska for the single purpose of considering the establishment of a conservation system unit, national recreation area, national conservation areas or for related or similar purposes* ***shall be conducted unless authorized by this Act or further Act of*** *Congress.*

[4] *"The preparation and maintenance of* ***such inventory*** *or the identification of such areas* ***shall not, of itself, change or prevent change of the management or use of public lands.***"

[5] Section 6502: *"Subject to valid existing rights, all lands within the exterior boundaries of such reserve* ***are hereby reserved and withdrawn from all forms of entry and disposition under the public lands laws,*** *including the mining leasing laws, and all other Acts:"*

[6] TITLE 42 CHAPTER 78 § 6502

"Designation of National Petroleum Reserve in Alaska; reservation of lands; disposition and conveyance of mineral materials, lands, etc., preexisting property rights

The area known as Naval Petroleum Reserve Numbered 4, Alaska, established by Executive order of the President, dated February 27, 1923, except for tract Numbered 1 as described in Public Land Order 2344, dated April 24, 1961, shall be transferred to and administered by the Secretary of the Interior in accordance with the provisions of this Act. Effective on the date of transfer all lands within such area shall be redesignated as the "National Petroleum Reserve in Alaska" (hereinafter in this chapter referred to as the "reserve"). Subject to valid existing rights, all lands within the exterior boundaries of such reserve are hereby reserved and withdrawn from all forms of entry and disposition under the public land laws, including the mining and mineral leasing laws, and all other Acts; ***but the Secretary is authorized to***

(1) make dispositions of mineral materials pursuant to the Act of July 31, 1947 (61 Stat. 681), as amended [30 U.S.C. 601 et seq.], for appropriate use by Alaska Natives and the North Slope Borough,

(2) make such dispositions of mineral materials and grant such rights-of-way, licenses, and permits as may be necessary to carry out his responsibilities under this Act,

Act of 1976 put the nation's petroleum reserves in a production mode versus a conservation mode. Wilderness restrictions set in the Secretarial Order would undermine the NPRA and further hinder Alaskan oil production, leaving the United States further dependent on unstable, unsecure foreign oil.

Federal regulations unfairly restrict Alaska's ability to develop our resources. In fact, federal laws have destroyed our timber industry and have crippled most of our other industries. Most Alaskans, including myself, believe we gave up too much but those defending ANILCA's passage said its enactment would put an end to further land grabs through federal restrictions; there would be "no more" federal lock up of Alaska's lands and resources. The impacts of Secretarial Order 3310 are detrimental to the federal government, to the State of Alaska, and to the people who have to live here.

I encourage you as the legislative branch of our federal government to preserve the integrity of Congress and put Secretary Salazar on notice that he is violating federal laws with the issuance of Secretarial Order 3310 and request he withdraw the order.

Sincerely,

John B. Coghill
Alaska State Senator

cc: The Honorable Don Young, United States House of Representatives
The Honorable Lisa Murkowski, United States Senate
The Honorable Mark Begich, United States Senate
The Honorable Orin Hatch, United States Senate
The Honorable Mike Simpson, Chair, Interior Appropriations Committee, United States House of Representatives
The Honorable Sean Parnell, Governor, State of Alaska
Kim Elton, Interior Director of Alaska Affairs, United States Department of the Interior
Pat Pourchot, Special Assistant to the Secretary for Alaska Affairs, United States Department of the Interior
John W. Katz, Director of State/Federal Relations and Special Counsel, Office of the Governor

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(3) convey the surface of lands properly selected on or before December 18, 1975, by Native village corporations pursuant to the Alaska Native Claims Settlement Act [43 U.S.C. 1601 et seq.], and

(4) grant such rights-of-way to the North Slope Borough, under the provisions of title V of the Federal Land Policy and Management Act of 1976 [43 U.S.C. 1761 et seq.] or section 28 of the Mineral Leasing Act, as amended [30 U.S.C. 185], as may be necessary to permit the North Slope Borough to provide energy supplies to villages on the North Slope. All other provisions of law heretofore enacted and actions heretofore taken reserving such lands as a Naval Petroleum Reserve shall remain in full force and effect to the extent not inconsistent with this Act."

Rep. Eric Feige

R-Chickaloon

Email: rep.eric.feige@legis.state.ak.us • Ph: 465-4859

housemajority.org/feige

twitter.com/houmaj

FOR IMMEDIATE RELEASE **PRESS RELEASE**

HOUSE TO INTERIOR SEC. SALAZAR: NO WILD LAND DESIGNATIONS

HJR 21 points to lack of congressional approval in S.O. 3310 process

Friday, April 01, 2011, Juneau, Alaska – The Alaska State House of Representatives today unanimously passed a resolution re-asserting state's rights and pushing back at a federal bureaucrat's proposed encroachment on Alaska's lands.

House Joint Resolution 21, sponsored by House Resources Co-Chair Rep. Eric Feige, R-Chickaloon, urges U.S. Department of Interior Secretary Ken Salazar to withdraw Secretarial Order 3310, which directs the federal Bureau of Land Management to inventory and designate land with wilderness characteristics as "Wild Lands."

"This is a made-up, unauthorized encroachment on Alaska's lands and we will not stand by and let it happen without a fight," Feige said. "This land classification isn't legally-defined and it's certainly not congressionally-authorized. The order clearly violates congressional law for Alaska both in ANILCA and ANCSA, which supersede S.O. 3310 – only the Congress has the authority to designate Wilderness Areas.

"Our Majority made promoting and working towards Responsible Resource Development and Access to Affordable Energy two of our Guiding Principles, and if Secretary Salazar has his way, the BLM could lock up NPR-A, or the coastal plain of ANWR. Unacceptable," Feige said.

Feige says HJR 21 is a response to, and in clear opposition statement against, Secretary Salazar's action, which he says is in conflict with the "No More Clauses" in ANILCA, the Alaska National Interest Land Claims Act, as well as the Federal Land Policy & Management Act.

Co-Sponsor Rep. Wes Keller, R-Wasilla, the Chairman of the Citizen's Advisory Committee on Federal Areas, agrees, and says HJR 21 follows CACFA and the governor's lead. "We at CACFA have been watching this action by the BLM since the initial order was released in December," Keller said. "HJR 21 adds the Legislature's support to CACFA and the governor's letters already on the record. The resolution sends a compelling message: the 'stroke of the pen' mentality cannot be tolerated."

If Secretary Salazar fails to withdraw S.O. 3310, HJR21 urges Congress to prohibit the use of any appropriated funds by the Dept. of Interior to implement, administer or enforce the order.

"Resolutions against the egregious over-step by Secretary Salazar have already been adopted by our peers in Idaho, Utah and Nevada, and Governor Parnell sent a letter of concern in January," Feige said. "HJR 21 is critically important to the citizens of Alaska and another milepost for other states to follow in standing up against this land and power grab from Washington, D.C."

HJR 21 now moves to the Alaska Senate for consideration.

# # #

U.S. DEPARTMENT OF THE INTERIOR **BUREAU OF LAND MANAGEMENT NEWS RELEASE**
Office of the Secretary of the Interior

Release Date: 12/23/10
Contacts: Kendra Barkoff (DOI), 202-208-6416

Salazar, Abbey Restore Protections for America's Wild Lands

Washington, DC - A secretarial order issued today by Secretary of the Interior Ken Salazar restores balance and clarity to the management of public lands by establishing common-sense policy for the protection of backcountry areas where Americans recreate, find solitude, and enjoy the wild.

Secretarial Order 3310 directs the Bureau of Land Management (BLM), based on the input of the public and local communities through its existing land management planning process, to designate appropriate areas with wilderness characteristics under its jurisdiction as "Wild Lands" and to manage them to protect their wilderness values.

"Americans love the wild places where they hunt, fish, hike, and get away from it all, and they expect these lands to be protected wisely on their behalf," said Salazar. "This policy ensures that the lands of the American public are protected for current and future generations to come."

The BLM, which manages more land than any other federal agency, has not had any comprehensive national wilderness policy since 2003, when the wilderness management guidance in the agency's handbook was revoked as part of a controversial out-of-court settlement between then-Secretary of the Interior Gale Norton, the State of Utah, and other parties.

"The new Wild Lands policy affirms the BLM's authorities under the law - and our responsibility to the American people - to protect the wilderness characteristics of the lands we oversee as part of our multiple use mission," said BLM Director Bob Abbey.

Abbey said that Secretarial Order 3310 fills an important land management need for the public and the agency. "Wild Lands," which will be designated through a public process, will be managed to protect wilderness characteristics unless or until such time as a new public planning process modifies the designation. Because the "Wild Lands" designation can be made and later modified through a public administrative process, it differs from "Wilderness Areas," which are designated by Congress and cannot be modified except by legislation, and "Wilderness Study Areas," which BLM typically must manage to protect wilderness characteristics until Congress determines whether to permanently protect them as Wilderness Areas or modify their management.

Secretarial Order 3310 also directs the BLM to maintain a current inventory of public lands with wilderness characteristics, which will contribute to the agency's ability to make balanced, informed land management decisions, consistent with its multiple-use mission.

"Simple principles guide this common-sense policy," said Salazar. "First: the protection of wild lands is important to the American people and should therefore be a high priority in BLM's management policies. Second: the public should have a say in designating certain public lands as 'Wild Lands' and expanding those areas or modifying their management over time. And third: we should know more about which American lands remain wild, so we can make wise choices, informed by science, for our children, grandchildren and future generations."

"We are charting a new course for balanced land management which allows the BLM to take into account all of the resources for which it is responsible through a transparent, public land use planning process," said Abbey.

The Secretarial Order does not change the management of existing Wilderness Study Areas pending before Congress or congressionally designated units of the National Wilderness Preservation System. BLM may also still develop recommendations, with public involvement, regarding possible Congressional designation of lands into the National Wilderness Preservation System.

The BLM manages 245 million acres in the United States, including iconic American landscapes like Canyons of the Ancients National Monument in Colorado, the Headwaters Forest Reserve's ancient redwood forest in California, and the Iditarod National Historic Trail in Alaska. This land, known as the National System of Public Lands, is primarily located in 11 western states and Alaska. The bureau also administers 700 million acres of sub-surface mineral estate throughout the nation. The BLM's multiple-use mission is to sustain the health and productivity of the public lands for the use and enjoyment of present and future generations. The Bureau accomplishes its mission by managing activities such as outdoor recreation, livestock grazing, mineral development and energy production, and by conserving natural, historical, cultural, and other resources on public lands.

To read Secretarial Order 3310, click here.

To read the BLM's draft guidance to its field managers for implementing the Secretarial Order, click here for an inventory manual and here for a planning manual.

Q and A document can be found click here.

Secretary Salazar and Bob Abbey's remarks as prepared can be found here.

--BLM--

THE SECRETARY OF THE INTERIOR
Washington

ORDER NO. 3310

SIGNATURE DATE: December 22, 2010

Subject: Protecting Wilderness Characteristics on Lands Managed by the Bureau of Land Management

Sec. 1 **Purpose**. This Secretarial Order (Order) affirms that the protection of the wilderness characteristics of public lands is a high priority for the Bureau of Land Management (BLM), and is an integral component of its multiple use mission. The Order provides direction to the BLM regarding its obligation to maintain wilderness resource inventories on a regular and continuing basis for public lands under its jurisdiction. It further directs the BLM to protect wilderness characteristics through land use planning and project-level decisions unless the BLM determines, in accordance with this Order, that impairment of wilderness characteristics is appropriate and consistent with other applicable requirements of law and other resource management considerations.

Sec. 2 **Authority**. This Order is issued in accordance with the authorities contained in: Reorganization Plan No. 3 of 1950, as amended, 5 U.S.C. § 301, 43 U.S.C. §§ 1451, 1453; Federal Land Policy and Management Act of 1976, 43 U.S.C. § 1701 *et seq.* (FLPMA) (excluding 43 U.S.C. § 1782); Wilderness Act of 1964, 16 U.S.C § 1131 *et seq.*; and National Environmental Policy Act of 1969, 42 U.S.C. § 4321 *et seq.* (NEPA); Section 1320 of the Alaska National Interest Lands Conservation Act (ANILCA), 43 U.S.C. § 1784.

Sec. 3 **Background**. In an increasingly developed world, public lands with wilderness characteristics (as defined in the Wilderness Act, 16 U.S.C. § 1131(c), and BLM policy guidance adopted in accordance with this Order) provide social, cultural, economic, scientific, and ecological benefits for present and future generations. Many of America's most treasured landscapes include public lands with wilderness characteristics that provide visitors with rare opportunities for solitude and personal reflection. In addition, many of these lands have culturally significant and sacred sites important to tribes. Many people and communities value these lands for hunting and fishing, observing wildlife, hiking, and other non-motorized and non-mechanized recreational uses. Lands with wilderness characteristics are also important for their scientific, cultural, and historic objects, which further our understanding of human and natural history, the functions of healthy ecosystems, and how human activities change our world. They also provide a variety of valuable ecosystem services, including carbon sequestration, watershed protection, and air purification, and may contain habitat for numerous threatened and endangered species and other rare biological resources worthy of protection. Managing an area to protect its wilderness characteristics provides unique opportunities and benefits for present and future generations that may otherwise be irreparably lost.

For all these reasons, proper management of public lands with wilderness characteristics is a high priority for the BLM, and the open and productive natural state of such lands should be protected to the extent possible, consistent with the BLM's planning and management authorities.

Sec. 4 **Policy**. In accordance with Section 201 of FLPMA, the BLM shall maintain a current inventory of land under its jurisdiction and identify within that inventory lands with wilderness characteristics that are outside of the areas designated as Wilderness Study Areas and that are pending before Congress or units of the National Wilderness Preservation System. The BLM shall describe such inventoried lands as "Lands With Wilderness Characteristics," share this information with the public, and integrate this information into its land management decisions. All BLM offices shall protect these inventoried wilderness characteristics when undertaking land use planning and when making project-level decisions by avoiding impairment of such wilderness characteristics unless the BLM determines that impairment of wilderness characteristics is appropriate and consistent with applicable requirements of law and other resource management considerations. Where the BLM concludes that authorization of uses that may impair wilderness characteristics is appropriate, the BLM shall document the reasons for its determination and consider measures to minimize impacts on those wilderness characteristics. Where the BLM concludes that protection of wilderness characteristics is appropriate, the BLM shall designate these lands as "Wild Lands" through land use planning.

The BLM should develop recommendations, with public involvement, regarding possible Congressional designation of lands into the National Wilderness Preservation System.

The BLM shall ensure that all lands with wilderness characteristics outside of the areas designated as Wilderness Study Areas and pending before Congress or units of the National Wilderness Preservation System are managed in accordance with this Order and applicable law.

Sec. 5 **Implementation**. Consistent with Section 4, the BLM shall:

a. Develop policy guidance (BLM Manual or Handbook) within 60 days of this Order that defines and clarifies how public lands with wilderness characteristics are to be inventoried, described, and managed in a manner consistent with this Order (hereinafter "BLM policy guidance").

b. Ensure that wilderness characteristics inventories are conducted consistent with this Order and BLM policy guidance.

c. Maintain a national wilderness database that is accessible to the public and updated annually. This database will describe all public lands identified by the BLM as possessing wilderness characteristics and the manner in which the BLM is managing these lands.

d. Ensure that any new project-level decision or land use planning effort takes wilderness characteristics into consideration in accordance with this Order, subject to valid existing rights, as further provided below:

(1) *Land Use Planning Decisions; Protection of Lands with Inventoried and Identified Wilderness Characteristics.* Where lands with wilderness characteristics have been inventoried and identified and the BLM is undertaking a land use planning process subsequent to this Order, the BLM planning decision shall designate these lands as Wild Lands unless the BLM determines, in accordance with this Order and BLM policy guidance, that impairment of wilderness characteristics is appropriate and consistent with applicable requirements of law and other resource management considerations. Wild Lands shall be managed to protect their wilderness characteristics as part of BLM's multiple use mandate.

(2) *Project-Level Decisions for Lands Designated as Wild Lands.* Where a land use plan has designated an area as Wild Lands, decisions regarding projects proposed for the area must include appropriate measures to protect the area's wilderness characteristics.

(3) *Project-Level Management of Lands Not Previously Inventoried and Analyzed in a Land Use Planning Process Conducted in Accordance with this Order.* For project-level decisions in areas where the BLM determines that the land appears to have wilderness characteristics that have not been both inventoried and analyzed in a land use planning process conducted in accordance with this Order, the BLM shall preserve its discretion to protect wilderness characteristics through subsequent land use planning, unless the BLM determines otherwise as set forth below. Where the BLM has determined that the land appears to have wilderness characteristics and the proposed project may impair those apparent wilderness characteristics, the BLM shall conduct an inventory. If the inventory identifies lands with wilderness characteristics, the BLM shall consider the potential effects of the proposed project on the wilderness characteristics and measures to minimize impacts on those characteristics as documented in an appropriate NEPA analysis. Based on this NEPA analysis, the BLM may approve a project that may impair wilderness characteristics if appropriate and consistent with requirements of applicable law and other resource management considerations consistent with this Order or necessary for the exercise of valid existing rights. The BLM shall, in BLM policy guidance developed pursuant to this Order, identify appropriate officials who may approve actions that may impair wilderness characteristics in accordance with this Order.

e. Submit a report to the Secretary of the Interior within six months of the date of this Order that describes the BLM's plan for considering wilderness characteristics in existing land use plans consistent with this Order.

f. This Order does not alter or affect any existing authority of the BLM. This Order does not change the management of existing Wilderness Study Areas pending before Congress or congressionally designated units of the National Wilderness Preservation System.

Sec. 6 **Effective Date**. This Order is effective immediately and will remain in effect until it is amended, superseded, or revoked, whichever occurs first.

/s/ Ken Salazar
Secretary of the Interior

JUNEAU CHAMBER OF COMMERCE

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Alaska Pacific Bank
Alaska USA FCU
Alaskan Brewing Company
Bartlett Regional Hospital
BP Alaska
CBJ (Manager's Office)
Capital Office Supply
Coeur Alaska, Inc.
Coogan Construction
Copy Express
Elgee Rehfeld & Mertz
First National Bank of Alaska
Hecla Greens Creek Mining
Goldbelt, Inc.
Huna Totem
Shattuck & Grummett
Taku Oil
True North FCU
UAS
Wells Fargo Bank of Alaska
Wostmann and Associates

A Resolution of the Juneau Chamber of Commerce Encouraging the Governor, the Legislature and the Alaska Congressional Delegation to Take Aggressive Action to Oppose the Formation of New De Facto Wilderness Areas on all federal lands in Alaska.

4-11

WHEREAS, through ORDER N0. 3310 the U.S. Secretary of the Interior on December 22, 2010 sets new POLICY for the SINGLE-USE management of lands which the U.S. Bureau Land Management (BLM) may classify as lands with "wilderness characteristics" and designate such lands as "Wild Lands" and

WHEREAS, the BLM is purported to be a Federal land management agency with a MULTIPLE-USE land management mandate under the Federal Land Policy and Management Act of 1976 (FLMA) and

WHEREAS, the 1964 Wilderness Act (P.L. 88-577) established the National Wilderness Preservation System (NWPS) with a total of 9.1 million acres and

WHEREAS, the Congress of the United States of America retains the authority for additions to the NWPS and

WHEREAS, the BLM relies on Section 2(c) of the Wilderness Act for the definition of "wilderness characteristics" and

WHEREAS, the BLM manages approximately 245 million acres of federal land and thus under this new departmental level POLICY could potentially create multiple areas of a new wilderness preservation system that are much greater than the NWPS established by P.L. 88-577 and

WHEREAS, under ORDER NO. 3310 the Secretary of Interior has usurped the authority of the Congress of the United States of America and

WHEREAS, the MULTIPLE-USE management of the 245 acres of Bureau of Land Management land is essential to the economic well being of every individual in every state with such Federal land and is essential to the utilization of renewable and non-renewable resources from these lands by every individual in the United States of America and

WHEREAS, through ORDER NO. 3310 the Secretary of the Interior has set in motion actions that will adversely affect the economy of the State of Alaska and the economy of the entire United States of America.

THEREFORE BE IT RESOLVED, that the Juneau Chamber of Commerce strongly supports all actions by the Governor, the Legislature, and the Alaska Congressional Delegation to work together and/or with other states to defeat the imposition of new wilderness preservation systems on states with BLM managed lands.

PASSED AND APPROVED by the Juneau Chamber of Commerce Board of Directors on this date: February 15, 2011

Cathie Roemmich
CEO, Juneau Chamber of Commerce Representing nearly 400 Business Members

HJR

23

<TARGET><BILL>HJR 23</BILL><SUBJECT>HJR 23</SUBJECT><COMM>SRES27</COMM></TARGET>

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HJR 23
(H) Publish Date: 3/25/11

Identifier (file name): HJR23-LEG-COU-3-21-2011
Title: "Hydroelectric Power; Renewable Energy"
Sponsor: House Special Committee on Energy
Requester: House Special Committee on Energy

Dept. Affected: Legislature
Appropriation: Legislative Council
Allocation: Session Expenses
OMB Component Number: 782

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

Initial Version

Prepared by: Shane Miller, Finance Manager — Phone: 465-6626
Division: Legislative Affairs Agency — Date/Time: 3/21/11 10:19 AM
Approved by: Pamela Varni, Executive Director — Date: 3/21/2011
Legislative Affairs Agency

(Revised 12/29/2010 OMB)

FISCAL NOTE #1

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HJR 23

Analysis

This fiscal note has zero impact on the Legislative Affairs Agency.

Alaska State Legislature

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Representative Lance Pruitt

Co-Chair, House Energy Committee

MEMORANDUM

To: Sen. Joe Paskvan
Sen. Thomas Wagoner

From: Rep. Lance Pruitt

Date: April 7th, 2011

Re: Bill Hearing Request for HJR 23 AM

I respectfully request that HJR 23 AM be scheduled for a hearing in Senate Resources. Please feel free to contact me, or my aide Dirk Craft, at 465-6617 with any questions. Attached you will find a background packet for HJR 23 AM including a current version of the bill, sponsor statement, fiscal notes, and backup information.

Thank you for your consideration.

Alaska House of Representatives

Rep. Neal Foster, Co-Chair
Alaska State Capitol, Room 434
Juneau, Alaska 99801

Phone: (907) 465-3789
Fax: (907) 465-3242

Rep. Lance Pruitt, Co-Chair
Alaska State Capitol, Room 421
Juneau, Alaska 99801

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House Special Committee on Energy

Sponsor Statement

HJR 23
Hydroelectric Power; Renewable Energy

House Joint Resolution 23 urges the United States Congress to classify hydroelectric power as a renewable and alternative energy source.

The U.S. has long used targeted tax credit programs to incentivize investment and innovation in the energy sector. This is true for fossil and renewable projects resources alike — and the Investment and Production Tax Credits for renewable energy have been highly successful. According to the National Hydropower Association, tens of thousands of jobs and billions of dollars in private investment across industries — not to mention gigawatts of affordable, reliable, and renewable power — have been driven by smart tax policies.

Hydroelectric has extraordinary potential in Alaska, and the ability to displace diesel generated power with little to no environmental impact. However, hydropower receives only one half the credit available to other renewable energy sources. Equalizing the tax credit for hydropower will help Alaskans in their efforts to displace costly non-renewable generation of power.

HJR 23 sends a strong message urging Congress to develop a working definition of renewable and alternative which includes our hardest working renewable resource, hydropower. Please join me and sending this unified resolution to our elected Representatives in Washington D.C.

HYDRO WORKS FOR AMERICA

NHA
National Hydropower Association

NHA Study Highlights

Job Creation Opportunities in Hydropower

Key Highlights

Capacity by 2025

- **60,000MW** of new capacity
- **160,000MW** installed
- **400,000MW** potential capacity

Jobs by 2025

- **300,000** jobs now
- **1.4 million** jobs created by U.S. hydro industry

Approach

The study examined hydropower's growth under a "business as usual" scenario and under a national policy of 25% renewable generation.

Both cases: **Big gains for American consumers and workers.**

Background

In early 2009, the National Hydropower Association commissioned Navigant Consulting, Inc., to conduct a study examining the hydropower industry's job-creation and capacity-growth potential.

Navigant's assessment confirmed what Energy Secretary Stephen Chu recently described as an "incredible opportunity" to develop America's "lowest-cost energy option."

The results demonstrate the industry's extraordinary potential to expand its contribution to the country's energy, environmental, and economic goals: Hydropower can create 1.4 million cumulative jobs and add 60,000 megawatts of affordable, domestic, renewable energy by 2025.

Findings

The study examined the industry's potential under two different scenarios:

- "Business as usual" where national policies mandate 10% renewable generation
- "Accelerated case" with a 25% renewable generation requirement

Both scenarios also assume existing federal and state incentives for renewable energy development, such as tax incentives and state RES programs, remain in place.

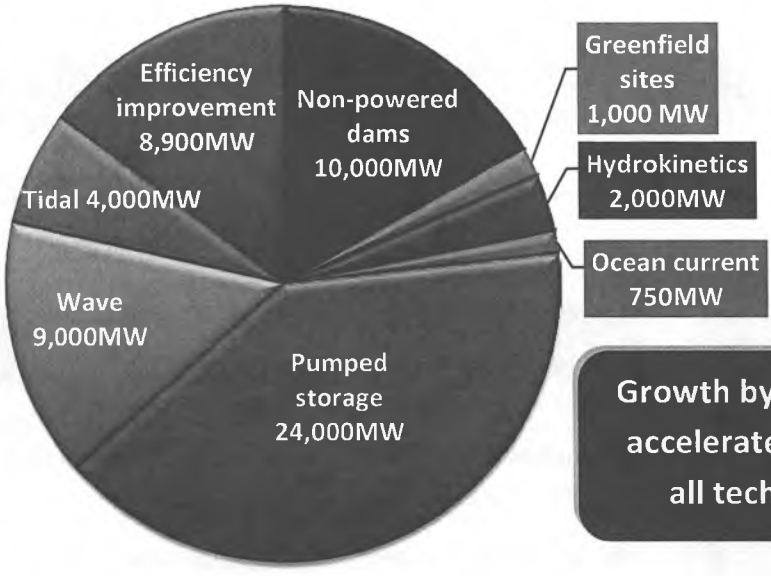
Under both scenarios, the U.S. hydropower industry has the potential for developing significant new clean energy resources and creating hundreds of thousands of good-paying, family-supporting new jobs:

U.S. hydro growth	*New hydro capacity*	*New direct, indirect, and induced jobs*
"Business as usual"	23,300 MW	**480,000**
Accelerated case	60,000 MW	**1,400,000**

Technologies

America's largest renewable resource, hydropower is a proven technology. Leading the growth in the industry are new innovations at existing hydro sites, new applications at non-powered dams and pumped storage- often without large new dams.

Capacity Growth by Technology



Growth by 2025 under accelerated scenario, all technologies

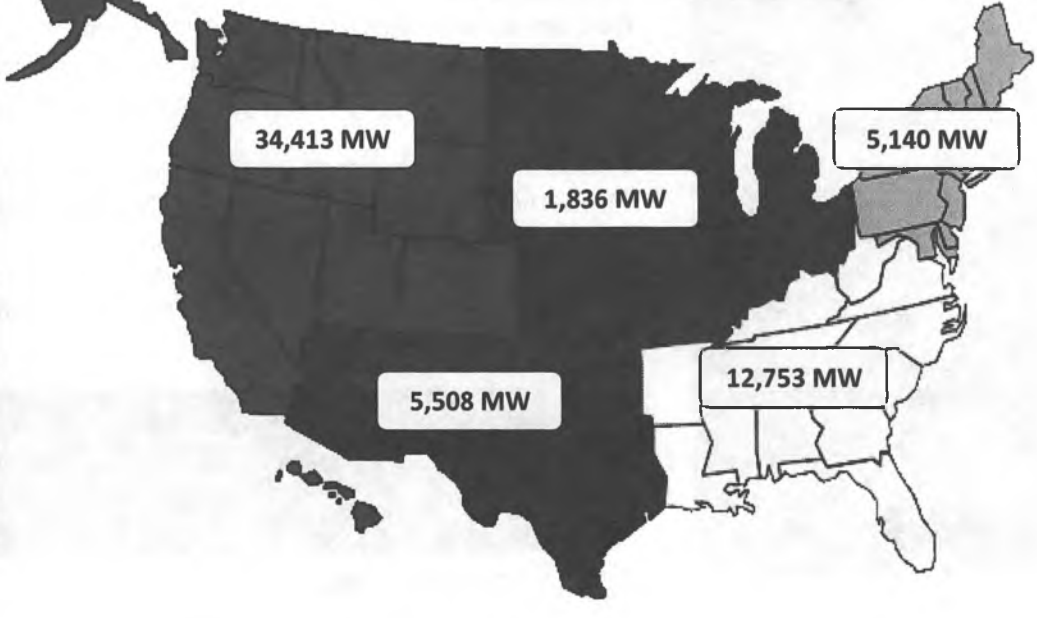
All Regions Benefit

New technologies are unlocking the waterpower potential of every region of the country.

As new technologies become available, the U.S. hydropower industry will consider development at additional environmentally and economically feasible sites.

Capacity Growth by Region

Every state has potential sites that will create new capacity

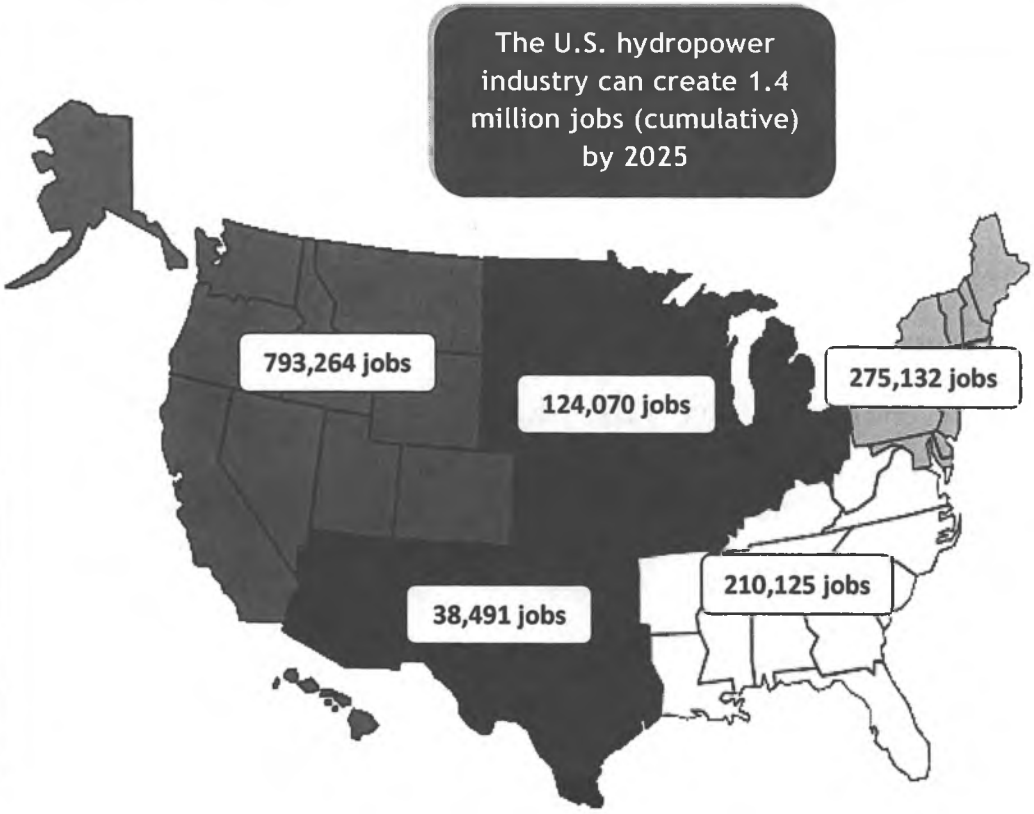


Nationwide job growth

The U.S. hydropower industry will create new, family-supporting jobs in every region of the country.

More than 1.4 million domestic jobs will be created by 2025.

Job Growth by Region



112TH CONGRESS
1ST SESSION

S. _____

To extend certain Federal benefits and income tax provisions to energy generated by hydropower resources.

IN THE SENATE OF THE UNITED STATES

Ms. MURKOWSKI (for herself and Mr. BEGICH) introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To extend certain Federal benefits and income tax provisions to energy generated by hydropower resources.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Hydropower Renewable Energy Development Act of 2011".

SEC. 2. HYDROELECTRIC ENERGY TREATED AS RENEWABLE ENERGY.

Notwithstanding any other provision of law or regulation, for purposes of any Federal program or standard, the term "renewable energy" shall include hydroelectric

energy generated in the United States by a hydroelectric facility, including electric power produced by efficiency improvements and capacity additions, generation added to nonpower dams, conduits, marine and hydrokinetic resources, lake taps, pumped storage facilities, and conventional hydropower.

SEC. 3. PRODUCTION TAX CREDIT FOR HYDROPOWER RESOURCES.

(a) IN GENERAL.—Subparagraph (A) of section 45(c)(8) of the Internal Revenue Code of 1986 is amended—

(1) by striking "and" at the end of clause (i),

(2) by striking the period at the end of clause (ii) and inserting ", and", and

(3) by adding at the end the following new clause:

"(iii) in the case of any hydropower facility described in subparagraph (D), the hydropower production from the facility for the taxable year.".

(b) PRODUCTION.—Paragraph (8) of section 45(c) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

"(D) OTHER HYDROPOWER PRODUCTION FACILITIES.—For purposes of subparagraph

(A), a facility is described in this subparagraph if such facility—

"(i) is a hydroelectric dam or non-hydroelectric dam—

"(I) which is placed in service after the date of the enactment of the Hydropower Renewable Energy Development Act of 2011, and

"(II) which would be described in subparagraph (A)(i) or (C) but for the placed in service date,

"(ii) is a hydroelectric facility not described in clause (i) which has a nameplate capacity rating of less than 50 megawatts, or

"(iii) is not described in clause (i) or (ii) and generates energy through the use of a lake tap or pumped storage.".

(c) QUALIFIED FACILITIES.—Paragraph (9) of section 45(d) of the Internal Revenue Code of 1986 is amended to read as follows:

"(9) QUALIFIED HYDROPOWER FACILITY.—

"(A) INCREMENTAL HYDROPOWER PRODUCTION.—In the case of a facility described in subsection (c)(8), without regard to subpara-

graph (C) or (D) thereof, which produces incremental hydropower production, the term 'qualified facility' means such facility but only to the extent of such incremental hydropower production attributable to efficiency improvements or additions to capacity described in subsection (c)(8)(B) placed in service after August 8, 2005, and before January 1, 2014.

"(B) PRODUCTION FROM CERTAIN NON-HYDROELECTRIC DAMS.—In the case of a facility described in subsection (c)(8)(C) which produces qualified hydropower production, the term 'qualified facility' means any such facility placed in service after August 8, 2005, and before January 1, 2014.

"(C) PRODUCTION FROM OTHER HYDROPOWER FACILITIES.—In the case of qualified hydropower production at a facility after the date of the enactment of the Hydropower Renewable Energy Development Act of 2011, the term 'qualified facility' includes any such facility which is described in subsection (c)(8)(D).

"(D) CREDIT PERIOD.—In the case of a qualified facility described in subparagraph (A), the 10-year period referred to in subsection (a)

shall be treated as beginning on the date the efficiency improvements or additions to capacity are placed in service.".

(d) INCREASE IN CREDIT RATE.—Subparagraph (A) of section 45(b)(4) of the Internal Revenue Code of 1986 is amended by striking "(7), (9), or (11)" and inserting "or (7)".

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to electricity produced after the date of the enactment of this Act.

SEC. 4. 5-YEAR ACCELERATED DEPRECIATION PERIOD FOR EQUIPMENT WHICH PRODUCES ELECTRICITY FROM MARINE RENEWABLES AND HYDROPOWER.

(a) IN GENERAL.—Subclause (III) of section 168(e)(3)(B)(vi) of the Internal Revenue Code of 1986 is amended to read as follows:

"(III) is described in section 45(d)(11) (without regard to any placed in service date) and converts marine and hydrokinetic renewable energy (as defined in section 45(c)(10)) into useable energy,".

(b) CONVENTIONAL HYDROPOWER.—Clause (vi) of section 168(e)(3)(B) of the Internal Revenue Code of

1986 is amended by adding at the end the following new subclause:

"(IV) is described in section 45(d)(9) (without regard to any placed in service date) and has qualified hydropower production (as defined in section 45(c)(8)), and".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after the date of the enactment of this Act.

HJR

26

<TARGET><BILL>HJR 26</BILL><SUBJECT>HJR 26</SUBJECT><COMM>SRES27</COMM></TARGET>

Alaska State Legislature

Representative Peggy Wilson
House District 2

MEMORANDUM

Date: March 21, 2012

To: Senator Paskvan, Resources Committee Chair and Senator Wagoner, Resources Committee Chair

From: Representative Peggy Wilson PW

Re: HJR 26 – Sea Otter Management

I would like to request the Senate Resources Committee schedule a hearing on HJR 26 as soon as possible.

Thank you for your consideration of this important piece of legislation. If you need further information please contact my staff Arthur Martin at 465-5269.

ALASKA STATE LEGISLATURE

Interim:
P.O. Box 109
Wrangell, AK 99929
Phone: (907) 874-3088
Fax: (907) 874-3055

Session:
State Capitol, Room 406
Juneau, AK 99801-1182
Phone: (907) 465-3824
1-800-686-3824
Fax: (907) 465-3175

REPRESENTATIVE PEGGY WILSON
HOUSE DISTRICT 2

SPONSOR STATEMENT
House Joint Resolution 26

"Urging federal agencies to work with the Alaska Department of Fish and Game, Southeast Alaska Native leaders, and other interested parties to establish strategies and plans for the sustainable management of the reintroduced sea otter population of Southeast Alaska."

In 1965-69, sea otters were reintroduced in SE with no management plan for an eventual overabundance.

Since 1972, under the Marine Mammal Protection Act (MMPA), the federal government who has the sole responsibility for managing has focused on a general harvesting moratorium, with few exceptions.

The 1994 Conservation Plan for the Sea Otter in Alaska states that although the optimum sustainable population range has not been numerically defined for sea otters in Alaska, the stock is believed to be within that range. That was eighteen years ago. The preface states, this plan will be reviewed annually and revised at least every three to five years.

The Southeast sea otters have flourished, with an annual growth rate of 12 percent a year in southern Southeast and four percent in northern Southeast Alaska. There is a known population of some 20,000 sea otters in Southeast. Sea otters eat approximately 23% of their body weight in crab, clams, abalone, mollusk and other dive fisheries or up to 253,000 pounds of food in a single day. According to a McDowell Report in November of 2011, they estimated that Sea Otter predation in the red sea cucumber, geoduck clam, red sea urchin, and Dungeness crab fisheries have already *cost* the Southeast Alaska economy 28.3 million dollars directly and indirectly since 1995.

With the MMPA being 40 years old, it is time to consider broadening the scope of allowable uses of sea otters in Alaska Native handicraft. A long-term sustainable management plan has to be created in regards to sea otter populations, in order to facilitate the means by which all Southeast Alaska people can share in a more robust sport, subsistence, and economic base.

27-LS0717\D.A

ALASKA STATE LEGISLATURE

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REPRESENTATIVE PEGGY WILSON
HOUSE DISTRICT 2

HJR 26 Sea Otter Management

To: Senate Resources Committee

Date: 3/20/12

Explanation of Changes

- The CS from Resources clarified the sale and use of sea otters pelts by suggesting that the Marine Mammal Protection Act definition of handicrafts be changed to read, "Alaska native articles of handicraft."

- CS from the House Floor added two clarifying whereas clause regarding the Marine Mammal Protection Act and investment in fisheries resources.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: HJR 26
Fiscal Note Number:
() Publish Date:

Identifier (file name): HJR26-LEG-COU-1-26-12
Dept. Affected: Legislature
Title: "Urging federal agencies to work with the ADFG, etc for sustainable mgmt of the reintroduced sea otter..."
Appropriation: Legislative Council
Allocation: Council and Subcommittees
Sponsor: Reps Peggy Wilson, Thomas, and Austerman
Requester: House Resources
OMB Component Number: 783

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial Version

Prepared by: Jessica Geary, Finance Manager — Phone: 465-6626
Division: Legislative Affairs Agency — Date/Time: 1/26/12 1:11 PM
Approved by: Pamela Varni, Executive Director — Date: 1/26/2012
Legislative Affairs Agency

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** HJR 26
2012 LEGISLATIVE SESSION

Analysis

This Legislation has zero fiscal impact on the Legislative Affairs Agency.

2-7-12

House Resource Committee:
Re: House Initiative Resolution 26

House Resource Committee,

First I would like to start by applauding Rep. Peggy Wilson for getting something on the table. My name is Frank W. Neidiffer, my background information begins with logging in S.E. Alaska in the 70's. In the mid 80's I started commericial fishing, trolling, crabbing, and long lining. For the last 25 years I have spent a substantial amount of time in lower Chatam, Sumner, and Fredrick Sound. I would like to testify to the "march of the otter" and their scorched earth policy they adhere to.
It's well past time to take action. I do believe Proposition 26 is a start. I think it's very important to revisit the M.M.P.A., and read our Alaska State Constitution. Please make note that we have a viable resource that is destroying resources along with lifestyles and employment opportunities, which also affects the Alaska State economy. Thank You for your time.

Frank W. Neidiffer
518-0188

Frank Neidiffer
Box 1746
PSG. AK 99833
neidiffer@gci.net

From: Eric Riemer [mailto:torsch2@gmail.com]
Sent: Tuesday, March 20, 2012 9:32 AM
To: Rep. Peggy Wilson
Subject: Sea Otter Legislation

Dear Representative Wilson,

Thank you for your recent support of Alaska's dive fisherman and Native artists in the matter of sea otter predation. As a fisherman and environmentalist, it is important to me to see a healthy management plan in place for the control of the southeast sea otter population: if left unchecked, these beasties will ravage the healthy shellfish populations of southeast. However, there is always a place in the ecosystem for a healthy predator population; after all, a thriving predator population equates to a healthy biomass of consumable product.

It's my belief that in the days of yore (i.e. before the aggressive hunting of the sea otter by Russians for their pelts) there had to have been a balance between the otter and their foodstocks. In the more recent vacuum left by the absence of otters, shellfish stocks increased exponentially, leading to the development of a valuable commercially sustainable resource. The reintroduction of the sea otter predator in the past twenty years has virtually given them an all-you-can-eat buffet, and they aren't interested in leaving the table, or saving some for later.

If we do nothing to cull the sea otter population, they will literally eat themselves out of house and home: the population will continue to explode and soon there will be more otters than the stocks can support, leading to a population crash. It has happened before with other predator species, such as wolves. By introducing legislation that checks unmanageable otter population growth, you are not only preserving the valuable commercial resource, but also practicing responsible environmental stewardship and securing jobs for fisherman and Native artists alike.

It seems the most likely avenue of success in this situation is the loosening of restrictions on Native artists that harvest the animal and use its pelt for their wares. This would be a responsible and productive first step in the management of the sea otter population.

Again, many thanks for your support on this matter!

Sincerely,
Eric Riemer
Commercial Fisherman and Harvest Diver

From: cornelis@comcast.net [mailto:cornelis@comcast.net]
Sent: Tuesday, March 20, 2012 10:08 AM
To: Rep. Peggy Wilson
Subject: Sea Otter Bill

Thank you for this bill. This is an issue that shouldn't be an issue. But, the Federal Government's refusal to allow any reasonable management plan for otters and the potentially disastrous effect on SouthEast shellfish fisheries with the subsequent negative economic effects on our communities is unbelievable. I am tired of being a Washington DC social experiment. The State of Alaska should be able to manage otters like any other wild animal. We should be able to take into account the otters overall effects on the environment, fisheries and communities as part of an overall resource management plan. It is obvious that the Federal managers are biased towards the otter and against SE residents given their recent stance on even something as basic as Native and subsistence rights of use. Alaska's economic well being should not be held hostage by this small group of bureaucrats. This issue is about our rights as Alaskans to our resources vs. Federal Agencies establishing a policy of dictating our natural resources use to us. Thank you again for this bill.

Cornelis Bakker
POB 5253
Ketchikan, AK 99901

From: tokeencove@gmail.com [mailto:tokeencove@gmail.com] **On Behalf Of** Eric Wyatt
Sent: Tuesday, March 20, 2012 10:30 AM
To: Rep. Peggy Wilson
Subject: Sea Otter Management Resolution

Dear Rep. Wilson:

Thank you for your efforts vis-a-vis our sea otter problem. The "little critters" have demolished our little neck clam beds.

Let me assure you that the reports of sea otter destruction are not hyperbole. I see what they are doing on a daily basis.

Sincerely,

Eric R Wyatt
President - Alaska Oyster Cooperative

UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 110
Juneau, Alaska 99801-1172
(907) 586-2820
(907) 463-2545 Fax
E-Mail: ufa@ufa-fish.org
www.ufa-fish.org

February 2, 2012

Representative Paul Seaton, Co-Chair
Representative Eric Feige, Co-Chair
House Resources Committee
Alaska State Legislature
120 4th St, State Capitol, Room 3
Juneau, AK 99801-1182

RE: Support for HJR 26 regarding Re-introduced Sea Otters

Dear Co-Chairmen Seaton & Feige, and Committee Members,

United Fishermen of Alaska (UFA) is the largest statewide commercial fishing trade association, representing 37 commercial fishing organizations participating in fisheries throughout the state and its offshore federal waters. Fishermen in Southeast Alaska and UFA member groups for years have been alarmed by the rapid increase in sea otter populations, and noticeable impacts on shellfish and fishery resources throughout the region.

In 2009, UFA unanimously adopted Resolution 2009-1 (attached) supporting:

-research on sea otter populations and their effects;

- decreasing hurdles to Alaska Natives in their utilization of this resource;

-requesting the Alaska Dept of Fish and Game to become more actively involved with USFWS in the management of sea otters and documenting their effect.

-requesting the Federal and State agencies, Tribal community organizations and other entities affected by sea otters in the area to meet regionally and develop ecosystem-based sea otter management plans benefiting all users of these resources and protecting the fishery resources from depletion by sea otters, and providing for access to resources in areas of sea otter depletion.

This December, the McDowell Group released a report sponsored by UFA member group Southeast Alaska Regional Dive Fisheries Association (SARDFA), titled Sea Otter Impacts on Commercial Fisheries in Southeast Alaska, which can be found online at:
http://www.scribd.com/doc/74857876/MCDOWELL-GROUP-2011-Sea-Otter-Impacts-Report
This report estimates a direct loss of $12.8 million in ex-vessel value, and $22.4 million in first wholesale value to the Southeast Alaska economy attributable to increased sea otter

populations since 1995. This represents a significant number of jobs lost in communities that already face very challenging circumstances.

UFA commends the bill's sponsors for drawing attention to this issue where the currently popular term of "ecosystem based management" should be applied through management strategies to address this predatory element that is well known to be "out of balance." We also commend the sponsors for calling for broadening the scope of allowable uses for sea otters taken by subsistence users.

Thank you for your attention to this issue, and your support of HJR 26.

Mark Vinsel
Executive Director

Attachment

MEMBER ORGANIZATIONS
Alaska Bering Sea Crabbers • Alaska Crab Coalition • Alaska Independent Fishermen's Marketing Association
Alaska Independent Tendermen's Association • Alaska Longline Fishermen's Association • Alaska Scallop Association • Alaska Trollers Association
Alaska Whitefish Trawlers Association • Aleutian Pribilof Islands Community Development Association • Armstrong Keta • At-sea Processors Association
Bristol Bay Reserve • Bristol Bay Regional Seafood Development Association • Cape Barnabas Inc. • Concerned Area "M" Fishermen
Cook Inlet Aquaculture Association • Cordova District Fishermen United • Crab Group of Independent Harvesters • Douglas Island Pink and Chum
Groundfish Forum • Kenai Peninsula Fishermen's Association • Kodiak Regional Aquaculture Association • North Pacific Fisheries Association
Northern Southeast Regional Aquaculture Association • Petersburg Vessel Owners Association • Prince William Sound Aquaculture Corporation
Purse Seine Vessel Owner Association • Seafood Producers Cooperative • Southeast Alaska Herring Conservation Alliance
Southeast Alaska Fisherman's Alliance • Southeast Alaska Regional Dive Fisheries Association • Southeast Alaska Seiners
Southern Southeast Regional Aquaculture Association • United Catcher Boats • United Cook Inlet Drift Association
United Southeast Alaska Gillnetters • Valdez Fisheries Development Association

UNITED FISHERMEN OF ALASKA

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Juneau, Alaska 99801-1172
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(907) 463-2545 Fax
E-Mail: ufa@ufa-fish.org
www.ufa-fish.org

Resolution 2009-1

SEA OTTER RESOLUTION

WHEREAS, United Fishermen of Alaska (UFA) represent commercial fishermen organizations and individual fishermen involved in fisheries throughout Alaska in both state and federal waters; and

WHEREAS, sea otters are abundantly healthy and impacting important commercial, subsistence and personal use fishery resource such as crab, abalone, sea cucumbers, sea urchins and geoduck clams in some areas of the State; and

WHEREAS, sea otters are depressed in other areas of the State and critical habitat designation may affect fishery infrastructure and coastal development; and

WHEREAS, sea otters are protected by the federal government under the Marine Mammal Protection Act (MMPA); and

WHEREAS, the only allowable use of sea otters under the MMPA is by coastal Alaska Natives for subsistence or for the making of handicrafts by Alaskan Natives; and

NOW THEREFORE BE IT RESOLVED THAT, UFA supports appropriate local collaborative research projects and grant funding for sea otters whether the population is increasing or declining; and

THEREFORE BE IT FURTHER RESOLVED THAT, UFA supports management strategies which will decrease hurdles to Alaska Natives in their utilization of this resource; and

THEREFORE BE IT FURTHER RESOLVED THAT, UFA request that the Alaska Dept of Fish and Game become more actively involved with USFWS in the management of sea otters and documenting their effect within a region on fishery resources; and

THEREFORE BE IT FURTHER RESOLVED THAT, UFA requests the Federal and State agencies, Tribal community organizations and other entities affected by sea otters in the area to meet regionally and develop ecosystem-based sea otter management plans benefiting all users of these resources and protecting the fishery resources from depletion by sea otters and providing for access to resources in areas of sea otter depletion.

By UFA Board of Directors, November 18, 2009:

Joe Childers, UFA President

Attest: Mark D. Vinsel, UFA Executive Director

Grand Camp
Alaska Native Brotherhood

RESOLUTION #29-09

Title: Sea Otter Management

WHEREAS, tribal residents of Southeast Alaska have hunted for sea otters since time immemorial; and

WHEREAS, Section 119 of the US Marine Mammal Protection Act (MMPA) allows for tribally authorized local harvest management plans with US Fish and Wildlife Service; and

WHEREAS, tribal residents of Southeast, Alaska have reported diminished harvest of important traditional foods such abalone, crab, clams and other foods that are consumed by sea otters; and

WHEREAS, due to depressed rural economies, local tribal governments and tribal entities must continue to face the responsibility of developing economic opportunities such as value added fur products in a manner consistent with our uses of marine mammals since time immemorial; and

WHEREAS, with education regarding the traditional hunting practices coupled with the entry into co-management with the Federal government a balance could be achieved between healthy sea otter populations and the availability of healthy traditional foods for residents of Southeast, Alaska; and

WHEREAS, recent Federal enforcement actions have highlighted a need for education and outreach to provide clear and consistent guidance to tribal hunters and artists regarding federal regulations governing the take and use of sea otter; and

WHEREAS, the Sitka Marine Mammal Commission spent many years planning for the establishment of a tannery in Sitka, Alaska which has now been in operation for five years, providing for full-utilization of marine mammals and other animals hunted for food so that artists would be able to use those skins to create handicrafts that could be sold to create additional economic opportunities in our community; and

NOW THEREFORE BE IT RESOLVED, that the Alaska Native Brotherhood's Grand Camp increased education, outreach regarding Federal regulations governing the take and use of sea otter and support in developing local harvest management plans and small business opportunities for tribal residents of Southeast Alaska.

NOW THEREOFRE BE IT FURTHER RESOLVED, the Alaska Native Brotherhood's Grand Camp respectfully requests a region-wide meeting with the US Fish and Wildlife, representation from Southeast tribal communities, USDA Rural Development, and the US Economic Development Administration address the concerns regarding sea otter management as outlined in this resolution.

ANB Grand President

ANS Grand President

ATTEST: I certify that this resolution was adopted by the ANB/ANS Grand Camp in convention at Juneau, Alaska, during the week of October 6-10, 2009.

ANB Grand Secretary

CITY OF PETERSBURG, ALASKA

RESOLUTION # 1958

A RESOLUTION REQUESTING THAT STATE AND FEDERAL AUTHORITIES BECOME MORE ACTIVELY INVOLVED IN MANAGING THE SEA OTTER POPULATION AND FIND WAYS TO REVIVE LOST ECONOMIES DUE TO THE RELOCATION AND RE-COLONIZATION OF SEA OTTERS IN SOUTHEAST ALASKA

WHEREAS, the City of Petersburg, Alaska is a small island fishing community located in Southeast Alaska with a population of approximately 3,000 citizens; and

WHEREAS, residents of the Petersburg community are dependent on abundant, sustainable resources from the coastal waters of Southeast Alaska; and

WHEREAS, in the late 1960's the Alaska Department of Fish and Game reintroduced approximately 400 sea otters in six different locations to near shore waters of Southeast Alaska with no management plan; and

WHEREAS, the federal government has jurisdiction under the Marine Mammal Protection Act (MMPA) and has no active management plan protecting the ecosystems affected by sea otters; and

WHEREAS, without proper management, the sea otter population in southern Southeast Alaska is growing at an alarming rate (5,000 observed in 2003 and a 2010 aerial survey by the United States Fish and Wildlife Service revealed an estimate of over 10,000 otters); and

WHEREAS, this drastic increase in sea otters is threatening the population of many shellfish species, such as crab, abalone, urchins, sea cucumbers, geoducks and others, to a point that subsistence, sport and commercial fishing has been stopped in many areas due to the low abundance; and

WHEREAS, a degradation in the ecological balance of a diversity of species has taken place in many areas; and

WHEREAS, residents of Petersburg and many other communities throughout Southeast Alaska rely on shellfish not only for their livelihood, but for survival in a subsistence way of life; and

WHEREAS, the loss of commercial harvests have resulted in negative economic impacts to the seafood industry. Fisherman, processors and seafood dependent communities have experienced a loss in employment wages and associated economic activities.

THEREFORE BE IT RESOLVED, the Petersburg City Council requests that State and Federal agencies work with tribal leaders in Southeast Alaska to become more actively involved in management of the sea otter population and look to remedy the problems already created.

RESOLVED FURTHER, the State and Federal government managing authorities are requested to find ways to revive the lost economies from the Southeast Alaska region due to the relocation and re-colonization of sea otters in southern Southeast Alaska

PASSED and **APPROVED** by the City Council of the City of Petersburg, Alaska this 18th day of January, 2011.

A copy of this Resolution is to be sent to our Federal Legislators; the Southeast Alaska State Senators and Representatives; State and Federal Wild Life Agencies; and the Coastal Communities of Southeast.

Al Dwyer, Mayor

ATTEST:

Kathy O'Rear, City Clerk

~~resolved~~

CITY AND BOROUGH OF WRANGELL, ALASKA

RESOLUTION NO. 02-11-1217

A RESOLUTION OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, REQUESTING THAT STATE AND FEDERAL AUTHORITIES BECOME MORE ACTIVELY INVOLVED IN MANAGING THE SEA OTTER POPULATION AND FIND WAYS TO REVIVE LOST ECONOMIES DUE TO THE RELOCATION AND RE-COLONIZATION OF SEA OTTERS IN SOUTHEAST ALASKA

WHEREAS, the City and Borough of Wrangell, Alaska is a small island fishing community located in Southeast Alaska with a population of approximately 2,000 citizens; and

WHEREAS, residents of the Wrangell community are dependent on abundant, sustainable resources from the coastal waters of Southeast Alaska; and

WHEREAS, in the last 1960's the Alaska Department of Fish and Game reintroduced approximately 400 sea otters in six different locations to near shore waters of Southeast Alaska with no management plan; and

WHEREAS, the federal government has jurisdiction under the Marine Mammal Protection Act (MMPA) and has to active management plan protecting the ecosystems affected by sea otters; and

WHEREAS, without proper management, the sea otter population in southern Southeast Alaska is growing at an alarming rate (5,000 observed in 2003 and a 2010 aerial survey by the United States Fish and Wildlife Service revealed an estimate of over 10,000 otters); and

WHEREAS, this drastic increase in sea otters is threatening the population of many shellfish species, such as crab, abalone, urchins, sea cucumbers, geoducks and others, to a point that subsistence, sport and commercial fishing has been stopped in many areas due to the low abundance; and

WHEREAS, a degradation in the ecological balance of a diversity of species has taken place in many areas; and

WHEREAS, residents of Wrangell and many other communities throughout Southeast Alaska rely on shellfish not only for their livelihood, but for survival in a subsistence way of life; and

WHEREAS, the loss of commercial harvests have resulted in negative economic impacts to the seafood industry. Fisherman, processors and seafood dependent communities have experienced a loss in employment wages and associated economic activities.

NOW, THEREFORE, BE IT RESOLVED THAT THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, requests that State and Federal agencies work with tribal leaders in Southeast Alaska to become more actively involved in management of the sea otter population and look to remedy the problems already created.

LET IT BE RESOLVED FURTHER, the State and Federal government managing authorities are requested to find ways to revive the lost economies from the Southeast Alaska region due to the relocation and re-colonization of sea otters in southern Southeast Alaska.

ADOPTED: February 8, 2011.

A copy of this Resolution is to be sent to our Federal Legislators; the Southeast Alaska State Senators and Representatives; State and Federal Wild Life Agencies; and the Coastal Communities of Southeast.

Jeremy Maxand, Mayor

ATTEST: _____
Christie L. Jamieson, Borough Clerk

City & Borough of Wrangell
Incorporated Borough May 30, 2008
Incorporated City June 15, 1903
Alaska

KETCHIKAN GATEWAY BOROUGH

RESOLUTION NO. 2313

A Resolution of the Assembly of the Ketchikan Gateway Borough, Requesting that State and Federal Authorities Become More Actively Involved in Managing the Sea Otter Population and Find Ways to Revive Lost Economies Due to the Relocation and Re-Colonization of Sea Otters in Southeast Alaska; and Providing for an Effective Date

RECITALS

A. **WHEREAS,** the community of Ketchikan, Alaska is a coastal island located in Southeast Alaska with a population of approximately 13,000 citizens; and

B. **WHEREAS,** residents of the community of Ketchikan are dependent on abundant, sustainable resources from the coastal waters of Southeast Alaska; and

C. **WHEREAS,** in the late 1960's the Alaska Department of Fish and Game reintroduced approximately 400 sea otters in six different locations to near shore waters of Southeast Alaska with no management plan; and

D. **WHEREAS,** the federal government has jurisdiction under the Marine Mammal Protection Act (MMPA) and has no active management plan protecting the ecosystems affected by sea otters; and

E. **WHEREAS,** without proper management, the sea otter population in southern Southeast Alaska is growing at an alarming rate (5,000 observed in 2003 and a 2010 aerial survey by the United States Fish and Wildlife Service revealed an estimate of over 10,000 otters); and

F. **WHEREAS,** a degradation in the ecological balance of a diversity of species has taken place in many areas; and

NOW, THEREFORE, IN CONSIDERATION OF THE ABOVE FACTS, IT IS RESOLVED BY THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH as follows:

Section 1. The Ketchikan Gateway Borough Assembly requests that State and Federal agencies work with tribal leaders in Southeast Alaska to become more actively involved in management of the sea otter population and look to remedy the problems already created.

Section 2. State and Federal government managing authorities are requested to find ways to revive the lost economies from the Southeast Alaska region due to the relocation and re-colonization of sea otters in southern Southeast Alaska.

Section 3. This resolution is effective immediately.

ADOPTED this 28th day of February, 2011.

Dave Kiffer, Borough Mayor

Kacie Paxton, Borough Clerk

APPROVED AS TO FORM:

Scott A. Brandt-Erichsen, Borough Attorney

EFFECTIVE DATE:	FEBRUARY 28, 2011		
ROLL CALL	YES	NO	ABSENT
Bailey	√		
Harrington	√		
Moran			√
Phillips	√		
Rotecki	√		
Salazar			√
Shoemaker	√		
Mayor (tie votes only)			
4 AFFIRMATIVE VOTES REQUIRED FOR PASSAGE			

Sea Otter Impacts on Commercial Fisheries in Southeast Alaska

Prepared for:

Southeast Alaska Regional Dive Fisheries Association

Research-Based Consulting

Juneau
Anchorage

November 2011

Sea Otter Impacts on Commercial Fisheries in Southeast Alaska

Prepared for:

Southeast Alaska Regional Dive Fisheries Association

Prepared by:

Juneau • Anchorage

November 2011

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Executive Summary

Purpose

The purpose of this report is to estimate the economic loss to Southeast Alaska commercial fisheries due to growing sea otter predation. The sea cucumber, geoduck, red sea urchin, and Dungeness crab fisheries are examined. This current document is an update of a similar economic loss assessment conducted by McDowell Group at the end of 2005. The 2005 study was, in turn, based on estimated loss of commercial species volume and ex-vessel value calculated by the Alaska Department of Fish and Game (ADFG). This current study uses similar methodology utilizing data collected by ADFG.

Methodology

Economic loss estimates in this report are based on scientific biomass data generated by subdistrict bottom surveys conducted by ADFG biologists and divers. Every dive fishery area is surveyed by ADFG divers on a rotational basis in transects prior to commercial openings in order to calculate biomass and generate Guideline Harvest Limits (GHL) for each fishery. Staff (primarily biologists) then note fishery areas which display physical evidence of sea otter predation and areas where sea otters are active.

McDowell Group has consulted extensively with ADFG staff and employed the same methods to calculate the estimated loss due to sea otter predation in the sea cucumber, geoduck, and red sea urchin fishery. In the Dungeness crab fishery, areas with high otter populations were compared to those with fewer otters to estimate the volume lost due to sea otter predation. Methodology is described in detail in this report body.

Summary of Study Findings

Economic Impacts of Sea Otter Predation on Commercial Species

- Sea otter predation in the red sea cucumber, geoduck clam, red sea urchin, and Dungeness crab fisheries is estimated to have cost the Southeast Alaska economy $28.3 million in direct, indirect, and induced impacts since 1995.

Economic Impacts of Sea Otter Predation on Southeast Alaska Commercial Fisheries

Fishery	Estimated Pounds Lost due to Sea Otter Predation	Estimated Ex-Vessel Value Lost Due to Sea Otter Predation	Estimated Wholesale Value Lost Due to Sea Otter Predation	Time Period
Sea Cucumbers	3,254,000	$5,294,000	$8,951,000	1996-2011
Geoducks	530,500	3,237,000	4,210,000	2005-2011
Red Sea Urchins	3,102,000	1,024,000	3,972,000	1995-2005
Dungeness Crab	2,681,000	3,317,000	5,301,000	2000-2010
Total	**9,567,500**	**$12,872,000**	**$22,434,000**	-

Source: ADFG data and McDowell Group estimates.

- Since 1995, it is estimated $22.4 million in wholesale value has been lost due to sea otter predation. The secondary (multiplier) impact of these losses on the regional economy is estimated to be an additional $5.8 million, for a total of $28.2 million.

- Dive fisheries and Dungeness crab fisheries in Southeast Alaska had a first wholesale value of $25 million in 2010, employing roughly 625 fishermen as well as processing workers and tender operators. The secondary economic activity resulting from these fisheries is estimated to be $6.5 million or equivalent to 59 full-time jobs.

Sea Cucumbers

- Since 1995, the sea cucumber fishery has lost an estimated 3.3 million pounds worth $9.0 million in wholesale terms, and $5.3 million in ex-vessel terms, due to sea otter predation.

- Sea otter impacts were particularly harmful in 2011, as an estimated 235,000 pounds was lost due to predation worth $2.23 million in wholesale value.

- As a result of sea otter predation, the average commercial diver harvesting sea cucumbers in 2011 lost an estimated $7,000 in ex-vessel value.

- Since 1992, ADFG has closed seven areas either specifically due to sea otter predation or presumably due to sea otter predation. Sea otters have been noted to be negatively affecting 12 other harvest areas. See Appendix 2 for a complete list and map of fishery areas affected by sea otter predation.

Geoduck Clams

- Since 2005, the geoduck clam fishery has lost an estimated 530,500 pounds worth $4.2 million in wholesale terms, and $3.2 million in ex-vessel terms, due to sea otter predation.

- Impacts were particularly costly in 2011, as an estimated 140,900 pounds were lost due to predation worth $2.0 million in wholesale value.

- As a result of sea otter predation, the average commercial diver harvesting geoducks in 2011 lost an estimated $20,000 in ex-vessel value.

- No geoduck harvest areas have yet been closed due to sea otter predation, but ADFG has identified 27 fishery areas with evidence of sea otter predation. About 70 percent of the commercial geoduck harvest comes from these 27 fishery areas, where surveys note large craters and shell fragments left over from sea otter predation.

- Although no areas have yet been closed due to sea otter predation, some prospective fishery areas found by commercial divers with sizable geoduck populations were never proposed to ADFG and therefore never opened. Sea otter predation in the area made it likely the fishery would not be worth surveying and managing by the time it could be opened (Doherty 2011, personal communication).

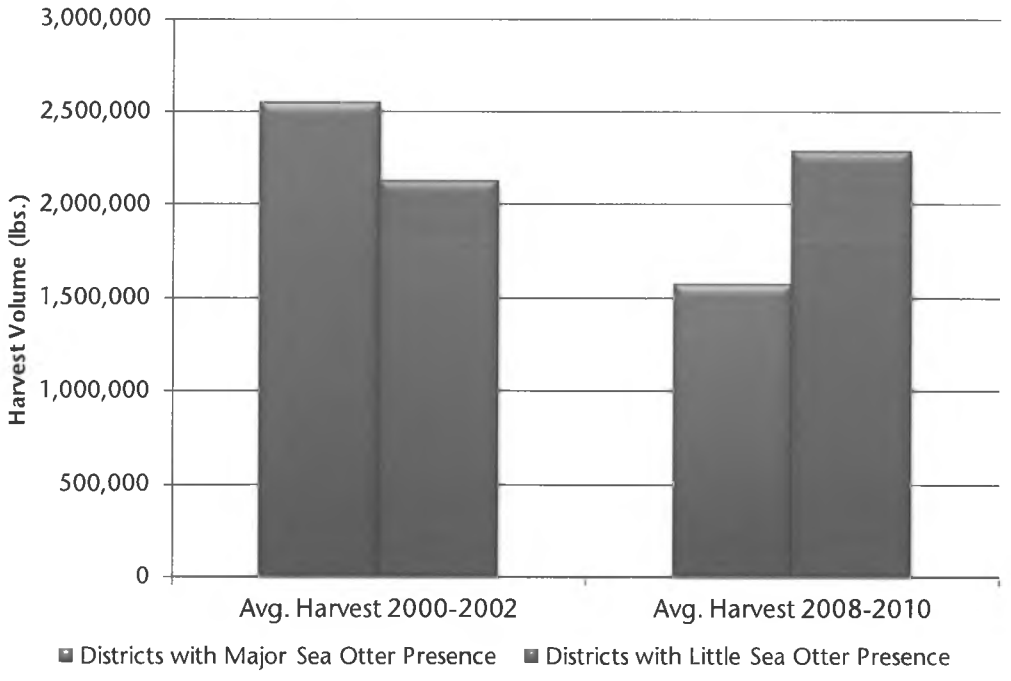
Red Sea Urchin

- The harvest of red sea urchins has declined substantially since 2006. Industry sources indicate only one or two divers are harvesting urchins in 2011, with only one active buyer. Sea otter predation impacts since 2005 have not been compiled, due to the decline of the fishery and the confidential nature of most data associated with it.
- The decline of the red sea urchin fishery in recent years is related to market factors and not due to sea otter predation.
- Prior to 2006, an estimated 3.1 million pounds of sea urchin harvest was lost due to sea otter predation, worth $4.0 million in wholesale value.
- Despite declining effort in the sea urchin fishery, sea otter predation continues to negatively impact stocks. The 2011/12 red sea urchin GHL is 3.28 million pounds, a 40 percent decline from the 2008/09 GHL of 5.44 million pounds. If the market value rebounds and fishery participation increases, the lost GHL due to sea otters will be realized in future years as GHL's are expected to decline.

Dungeness Crab

- Sea otters regularly eat Dungeness crab, which are an attractive food source given their abundance in Southeast Alaska, considerable size, and relative ease of capture.

Comparison of Southeast Alaska Dungeness Crab Harvest in Districts with Major Vs. Minor Sea Otter Presence



Note: Districts with major sea otter presence include districts: 3, 5, 6, 9, 10, and 13.
Source: ADFG harvest data.

- The three-year average harvest from districts with significant sea otter presence was 975,000 pounds less in 2008 through 2010, compared to the 2000-2002 period, a decline of 38 percent. In comparison, districts with less sea otter presence saw average harvests increase 151,000 pounds between the two periods, an increase of 7 percent.

- The Southeast Alaska Dungeness crab fishery has lost an estimated 2.7 million pounds of commercial harvest due to sea otter predation since 2000, worth $3.3 million in ex-vessel terms and $5.3 million in wholesale value.

Sea Otter Population Growth

According to available data, the Southeast Alaska sea otter population has increased significantly, particularly in southern Southeast Alaska where the region's dive fisheries occur. The most recent population survey was completed in 2002 and 2003, indicating a Southeast Alaska population estimate of 8,949 animals. More recent studies suggest annual growth rates are 12 percent in southern Southeast Alaska and 4 percent in northern Southeast Alaska (Hoyt 2011, personal communication). Other authoritative literature suggests sea otter populations can grow at an annual rate of 20 percent per year when expanding into new territory (Paul 2009).

The Southeast Alaska sea otter population is projected to be approximately 19,000 in 2011, increasing from less than 9,000 animals in the most recent published population estimate. By 2015, the Southeast population is expected to approach 28,000 animals. These estimates incorporate the subsistence harvest of sea otters by Alaska Natives.

Estimated Southeast Alaska Sea Otter Population, 2002 - 2015

Season	Last Population Survey (2002/2003)	Projected 2011 Population	Projected 2015 Population	Survey Coefficient of Variation (CV%)
Southern Southeast				
12% Annual Growth Rate	5,845[1]	14,472	22,772	0.14
Northern Southeast (including Glacier Bay)				
4% Annual Growth Rate	3,104[2]	4,418	5,168	0.16
Total Southeast Alaska				
Estimated Population	**8,949**	**18,890**	**27,940**	-

[1]Population estimate is from 2003.
[2]Population estimate is from 2002.
Source: U.S. Fish and Wildlife Service, Hoyt 2011 (personal communication), and McDowell Group calculations.

Given current foraging research, a conservative estimate about body weight (50 lbs.) and daily food intake (20 percent of body weight); a sea otter population of 27,940 would consume just over 10 million pounds of commercial species per year in Southeast Alaska. The entire 2010 Southeast Alaska harvest in the dive and Dungeness crab fisheries was 5.9 million pounds.

Abalone

A commercial fishery for northern abalone (*Haliotis kamtschatkana*) existed in Southeast Alaska from the late 1970s to mid 1990s. Guideline harvest levels where not applied until the 1980/81 season and the fishery slowing declined thereafter. Similar collapses occurred in British Columbia and Washington state.

The fishery collapsed almost certainly because of excessive harvests in the late 1970s and early 1980s. There was not a sufficient stock assessment or research program in place when the Alaska fishery boomed and there was insufficient support to develop a program within the department. Further, there was inadequate understanding among the global research community of the special vulnerabilities of abalone populations to overharvest (ADFG Report to Alaska Board of Fisheries 1999).

The decline of the abalone is probably a long-term condition now that sea otters have expanded to occupy much of their former range. Otter populations have grown exponentially since their reintroduction into outer coastal waters of southeast Alaska in the 1960s, and there are only a few pockets of abalone habitat that have not yet seen a resurgence of otters. The two species share the same environment. Otters are uniquely adapted to prey on abalone and it is clear that abalone cannot co-exist in commercial quantities with sea otters (ADFG Report to Alaska Board of Fisheries 1999).

The decline of the abalone fishery, like the decline of the red sea urchin fishery, was not related to sea otter predation. However, given current otter populations and population growth rates, it is virtually impossible that these species will abound in commercial quantities in the future. By limiting the abalone's population from fully rebuilding - enough to support a commercial fishery - sea otters have diminished the future value of Southeast Alaska's commercial dive fisheries.

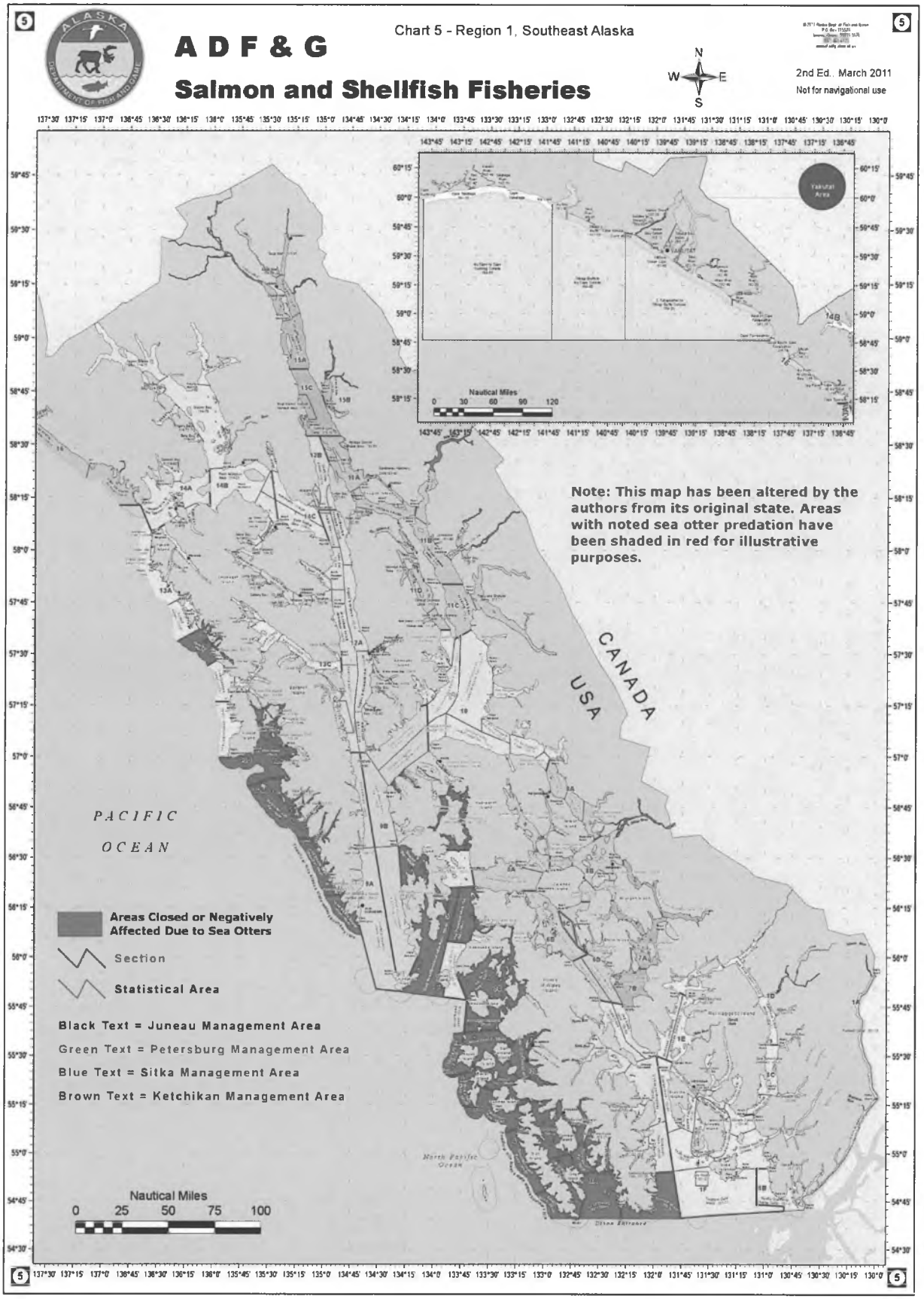
Observations of Sea Otter Predation on Commercial Species

ADFG field research and industry divers support the notion that sea otters are having a significant negative impact on the harvest volumes of geoduck, urchins, crab and other marine species. Growing sea otter populations have led to the depletion of many of these resources within the otters' range, closing some fisheries and leaving others economically unfeasible. In recent years, ADFG has closed 17 dive fishery harvest areas due to sea otter predation.

Given the food source which developed during the last 100 years with little otter predation, it is expected the outer coastline will eventually become continuously populated with sea otters from Dixon Entrance to well north of Cape Spencer (Pritchett and Hoyt, 2008). In addition, many commercial fishermen have noted otter populations in inside waters, expanding their range beyond the coastal areas.

This report contains estimates of financial losses incurred by commercial divers in the past and present, due to sea otter predation. However, large sea otter populations inevitably threaten the future of dive fisheries and crab fisheries; jeopardizing hundreds of jobs and tens of millions of dollars in economic activity for the region.

Map of Fishery Areas Negatively Affected by Sea Otters



Introduction

Purpose of the Research

The commercial harvest closures have resulted in measurable economic impacts on the seafood sector and on communities in Southeast Alaska. Harvesters, processors, and seafood-dependent communities experience lost employment, wages, tax revenue, and related economic activity. The Southeast Alaska Regional Dive Fisheries Association (SARDFA) contracted with McDowell Group to quantify and explain these impacts in 2005. Since the 2005 report, otter populations have continued to grow, further impacting dive fisheries and crab fisheries. This report uses current ADFG data and sea otter research to update the impacts of sea otter predation on Southeast Alaska fisheries and communities.

Methodology

In 2005, the Alaska Department of Fish and Game (ADFG) estimated the lost guideline harvest level (GHL) due to sea otter predation in the red sea urchin and sea cucumber fisheries. These estimates were contained in a November 2005 memorandum. McDowell Group consulted with ADFG biologists who survey the fishery and calculated the original estimates of lost GHL. Using new ADFG biological survey data regarding biomass and sea otter predation, McDowell Group has employed the same methods as those used in 2005 to update the estimates of economic loss.

The Alaska Department of Fish and Game provided McDowell Group with publicly available biomass survey data and professional input (based on survey experiences and institutional knowledge). The scientific survey data and interviews with expert professionals in the department are used in this report. In addition, prior to release of this report, ADFG professionals reviewed the report to ensure data and information provided by ADFG is objectively and accurately represented.

It is important to note, however, ADFG has not conducted controlled experiments to examine the effects of sea otter predation on invertebrate populations. Their estimates are based on regular, direct observations made during dive surveys and the department's expertise as fishery managers.

Estimates of lost harvest volume were combined with average ex-vessel price data from ADFG to estimate the lost value in ex-vessel earnings. Wholesale values are based on data from the ADFG Commercial Operators Annual Report (COAR) database.

Wholesale value impacts are inclusive of impacts reflected by the loss of ex-vessel value. This is because wholesale value of a product, or the revenues a processing company gains through sale of the product, must pay for the expenses incurred in the procurement and processing of that product. This includes the purchase of the raw material from harvesters, which is reflected as the ex-vessel value.

Species Profile and Diet

Sea otters (*Enhdyra lutris*) are a member of the weasel family and a significant predator in the ecosystems of much of coastal Alaska, from Southeast to the Aleutian Islands. Their average life span is 15 to 20 years. Adult male otters weigh typically weight 70 to 90 pounds and average about 4.5 feet in length, while females average 40 to 60 pounds.

The sea otters' only natural predators are sharks, killer whales (orcas), and bald eagles. Sharks and killer whales are not particularly plentiful in Southeast Alaska, and there is no shortage of other food sources for these predators. There is a very narrow window for bald eagles to hunt sea otter pups. Relatively soon after being born, the pups are able to dive and evade the eagles.

Sea otters are the only marine mammal without blubber. As a result, the animals have a high metabolism and require large amounts of food to survive. Sea otters in captivity will consume up to 25 percent of the body weight per day.[1] One male otter, therefore, can consume up to 7,300 pounds of food in one year.

Instead of blubber, sea otters have a dense, water resistant coat which traps air close to their body insulating them from the frigid waters of the North Pacific. Sea otters have the densest coat of any mammal, with roughly a million hair follicles per square inch. By comparison, the human scalp has only 20,000 hairs in total.

Sea otters typically forage in depths of 9 to 27 feet; however, a dive of 291 feet was recorded by an animal which drowned while attempting to remove bait from a crab pot.

Many studies have been conducted on the foraging habits of sea otters. Aside from the tremendous volume of food needed to sustain otters, researchers found significant differences in foraging habits depending on location and available prey. Antonelis et al. (1981) and Ostfeld (1982) found evidence to confirm the hypothesis that otters choose prey with the highest ratio of caloric-value to energy expended foraging (Barnes 2002).

Other studies tend to support the notion that sea otters are opportunistic generalists which adapt their predation to their environment. Studies from the Aleutian chain to Prince William Sound to Southeast Alaska have found different foraging habits. The most recent study, (Hoyt 2010), is collecting foraging data on sea otters in southern Southeast Alaska. Preliminary data from this study suggests when sea otters move into new areas they

[1] U.S. Fish and Wildlife Service. "Wildlife Biologue – Northern sea otter in Alaska (*Enhydra lutris kenyoni*)." p2.

are more likely to prey on commercials species. Over all, that study suggests commercial species make up 10 percent of the sea otter diet in southern Southeast Alaska.

Historical Population

Sea otters were completely removed from their natural range in Southeast Alaska by intense pressure from fur traders in the 18th and 19th centuries. Prior to the fur trade period sea otter populations in the entire North Pacific Rim – extending from Japan to Alaska to Baja California – ranged from 200,000 to 300,000 (Hoyt 2010). Sea otters were believed to have been eliminated from Southeast before 1900 (Pitcher 1989). In 1911, an international treaty, the North Pacific Fur Seal Convention, passed protecting sea otter populations in the United States, Russia, and Japan from further intensive exploitation.

The reintroduction of the sea otter into the Southeast region occurred from 1965 to 1969. A total of 402 animals were relocated from the Aleutian Islands and from Prince William Sound. Otter relocation sites included Khaz Bay, Yakobi Island, Biorka Island, the Barrier Islands, the Maurelle Islands, and Cape Spencer. The Southeast Alaska sea otter population remained low until 1987 when it began a period of rapid growth (Pitcher and Imamura, 1990).

Since that time, sea otter populations have been increasing, and the range of the animals has expanded and shifted correspondingly. The most recently completed population survey, conducted in 2002 and 2003, estimated the Southeast sea otter population at 8,949 animals. Based on aerial surveys performed in 2010 southern Southeast Alaska sea otter populations are believed to be growing at 12 percent per year. Sea otter populations in northern Southeast and Glacier Bay are believed to be growing at 4 percent (Hoyt 2011, personal communication).

Estimated Southeast Alaska Sea Otter Population, 2002 - 2015

Season	Last Population Survey (2002/2003)	Projected 2011 Population	Projected 2015 Population	Coefficient of Variation (CV%)
Southern Southeast				
12% Annual Growth Rate	5,845[1]	14,472	22,772	0.14
Northern Southeast				
4% Annual Growth Rate	1,838[2]	2,616	3,060	0.17
Glacier Bay				
4% Annual Growth Rate	1,266[2]	1,802	2,108	0.15
Total Southeast Alaska	**8,949**	**18,890**	**27,940**	-

[1]Population estimate is from 2003.
[2]Population estimate is from 2002.
Source: U.S. Fish and Wildlife Service, Hoyt 2011 (personal communication), and McDowell Group calculations.

Based on 2003 survey work, and a 12 percent annual growth rate, the current sea otter population of southern Southeast is believed to contain about 14,500 animals. By 2015, the southern Southeast population is expected to exceed 22,700 animals.

With a large food source available, high population growth rates will likely persist for some time. By 2015, the Southeast Alaska sea otter population is conservatively projected to contain 27,940 sea otters. Given current foraging research and a conservative estimate about body weight (50 lbs.) and daily food intake (20 percent of body weight), a sea otter population of 27,940 would consume just over 10 million pounds of commercial species per year in Southeast Alaska. The entire 2010 Southeast Alaska harvest in the dive fisheries and Dungeness crab fisheries was 5.9 million pounds. Southeast Alaska sea otters consumed an estimated 6.9 million pounds of commercial species in 2011.

Population growth rates may actually increase if otters migrate further outside of their current territory. Sea otter populations can grow by 20 percent per year when colonizing new areas with sufficient food sources and few predators (Watson 2000). From 1975 to 1987, the growth rate of the sea otter population in southeast Alaska was estimated at 17.6 percent per year (Estes 1990).

Population growth rates are limited primarily by three factors: abundance of food, predators, and population size. As a population grows larger, it consumes more resources and mortality rates increase. The fact that sea otter populations are growing three times faster in southern Southeast, despite a population which is three times larger would indicate a substantial food source available to the southern Southeast otters. One of the key differences between northern and southern Southeast, as they relate to sea otters, is the presence of large macroinvertebrate populations in the southern region.

Updated sea otter population figures will be forthcoming. The U.S. Fish and Wildlife Service (USFWS) performed aerial surveys during the summer of 2010 and 2011, but has not yet released their findings.

Recent Sea Otter Research in Southern Southeast Alaska

The most direct observation of sea otter effects on commercial fisheries comes from dive surveys performed by ADFG biologists and an ongoing North Pacific Research Board project headed up by researchers from the USFWS and the University of Alaska – Fairbanks (UAF).

ADFG performs annual dive surveys on areas open to commercial dive fisheries. Divers survey the near-shore seabed in pairs for sea cucumbers, geoducks, and sea urchins covering 2-meter-wide transects. Sea otter presence is noted during these surveys.

Observations made by ADFG divers on the outer coast of Southeast Alaska suggest sea otters select red sea urchins and pinto abalone when foraging on rock habitat and on several species of clams including geoduck clams when foraging on soft sand and mud substrate. Once these species have been depleted it appears they turn to less desirable prey such as sea cucumbers and snails (Walker, Pritchett and Hoyt, 2006).

A collaboration of researchers and specialists from UAF and USFWS embarked on a four-year project beginning in July 2010 to study interactions between sea otters and commercially important prey in southern Southeast Alaska. The project will also survey sea otter populations and study movement, habitat, and diets of otters in Southern Southeast Alaska. Preliminary results from this project have revealed the following:

- Otters can consume up to 23 percent of their body weight in a day, as they have a very high metabolic rate.

- Distribution of sea otter populations have grown and moved further inland from outer coastal areas.
- Preliminary foraging data suggests commercially important species make up 10 percent of sea otters' diet. (However, this data was collected from areas with relatively small populations of commercial dive species, and other studies have noted different foraging behavior in different regions).
- When sea otters initially colonize an area, they consume larger amounts of commercially important species such as sea cucumbers and Dungeness crab.

Potential Consequences for Sea Otters and Commercial Fisheries

The sea otter population will likely continue to expand rapidly in coming years as otters consume the large biomasses of crab and macro invertebrate, species which built up in the absence of sea otters during the past century. When these biomasses have been depleted otters will need to find other food sources and many may die off due to starvation. However, because sea otters are opportunistic generalists, it is likely commercial dive fisheries and Dungeness crab fisheries in Southeast Alaska may never return to biomass levels that allow sustainable commercial harvests.

The natural balance between sea otters and their prey, which existed before fur traders wiped out sea otters in Southeast Alaska, did not allow for an imbalance between sea otters, crabs, and macro invertebrates. The population of one group either limited or fueled growth in the other. In such a situation, large-scale commercial dive fisheries and Dungeness crab fisheries may not be possible because crab and macro invertebrate populations would not be able to reach a size large enough to support a fishery of current proportions (given unabated sea otter predation).

In short, commercial dive fishing and large populations of sea otters cannot coexist in the same waters. In addition, once the commercially viable biomass of crab and macro invertebrates – such as sea cucumbers and geoducks - is gone, it likely will not return given sustained sea otter predation.

Southeast Alaska Dive Fisheries

Southeast Alaska dive fisheries occur primarily during the fall and harvest three species of bottom-dwelling marine invertebrates: geoduck clams (*Panopea generosa*), California sea cucumbers (*Parastichopus californicus*), and red sea urchins (*Strongylocentrotus franciscanus*). All three fisheries occur primarily in southern Southeast Alaska waters. Entry into the fishery is limited, but those who hold permits compete to harvest commercial species within the limits of guideline harvest levels established by ADFG.

Alaska dive fisheries started to develop in the mid-1960s, with a fishery for pinto abalone. In the 1980s commercial dive fisheries developed for sea cucumbers, sea urchins, and geoducks. In 2000, the Alaska Commercial Fisheries Entry Commission (CFEC) limited access to the fishery, restricting further growth in the number of participants.

In 2010, Southeast Alaska dive fisheries produced a first wholesale value of $16.7 million and paid out $9.4 million to divers. Roughly 180 permitted divers participated in the fishery in 2010 for average earnings of $52,100 per diver. This revenue is shared with crew, as the average commercial diver employs 0.8 crew members according to surveys done by the Alaska Department of Labor and Workforce Development.

Impacts to the Southeast dive fisheries extend beyond payments made to divers. The fisheries occur during the fall, after the busy summer season when harvests of salmon, halibut, black cod, and herring are finished (or nearly finished). Dive fishery harvests provide processors with additional revenue and the ability to extend some seasonal processing jobs by allowing some processing staff to handle dive fisheries production. In addition, the fisheries add to the state, local, and federal tax base and create business for local dive shops, transport companies, and other related businesses.

Geoduck Clams

Geoduck clams command the highest price of the three dive species. Virtually all Alaska geoducks are exported to China and in 2010 geoduck clams sold for an average wholesale price of $8.72 per pound. Quality geoducks, in the proper retail market, can command prices upwards of $20 per pound.

Southeast Alaska Geoduck Clam Dive Fishery Snapshot

	2010/11 Season	Pct. Change Since 2005/06
Number of Active Divers	69	-3%
Average Permit Value	$81,600	+93%
Total Harvest (in lbs.)	887,500	+39%
Total Ex-Vessel Value	$5.9 million	+197%
Average Ex-Vessel Price	$6.67	+114%
Total First Wholesale Value	$8.0 million	+186%
Average First Wholesale Price (per processed lb.)	$8.72	+94%
Average Revenue Generated Per Diver	$115,900	+195%

Source: ADFG.

Geoduck fisheries take place throughout southern Southeast Alaska, and in waters surrounding Baranof Island. A total of 69 divers fished in 2010, although there were 91 permits for the fishery. The fishery had an ex-vessel value of $5.9 million in 2010, and a wholesale value of $8.0 million.

The value of the fishery has increased in recent years, as prices and harvest volumes have both risen. Harvest volume has grown in spite of sea otter predation because new harvest areas were discovered and added to the fishery. However the 2011/12 quota is only 557,900 pounds – the lowest since 2003 when there were fewer harvest areas. Further harvest reductions are likely because most of the region has been surveyed and areas with commercial quantities have already been opened. So as established areas lose GHL to otter predation, new areas are not expected to make up for the shortfall as they have in the past.

During the past several years, SARDFA surveyors have found substantial geoduck clam beds but in some instances did not attempt to open these areas because sea otters where active in the vicinity. By the time the areas could be surveyed, studied, and opened (at a cost ultimately borne by the industry) the beds would most likely be depleted below a commercially viable level.

Sea Cucumbers

Sea cucumbers are also sold primarily into Chinese markets. Sea cucumbers are raised in large numbers in China in artificial ponds and man-made tide pools. Wild Alaska sea cucumbers tend to be much larger and have higher nutritional value, therefore command a premium price in the Chinese market.

Southeast Alaska Sea Cucumber Dive Fishery Snapshot

	2010/11 Season	Pct. Change Since 2005/06
Number of Active Divers	180	-9%
Average Permit Value	$11,300	+27%
Total Harvest (in lbs.)	1.27 million	-12%
Total Ex-Vessel Value	$3.4 million	-
Average Ex-Vessel Price	$2.65	+16%
Total First Wholesale Value (per processed lb.)	$8.1 million	+60%
Average First Wholesale Price	$10.88	+45%
Average Revenue Generated Per Diver	$45,000	+75%

Source: ADFG.

A total of 180 divers fished in 2010, although there were 291 permits for the fishery. Alaska sea cucumbers had an ex-vessel value of $3.4 million in 2010, and a wholesale value of $8.1 million.

The fishery's value has increased substantially in recent years due to rising prices. Because areas are only harvested once every three years, the harvest can fluctuate greatly from year to year. Despite the fluctuations due to harvest area rotation, the 2011/12 quota is very low. The 2011/12 quota of 999,000 pounds is the lowest since the late 1990s.

Red Sea Urchins

Red Sea Urchins are harvested for their gonads, which is a delicacy in Japan. Male and female sea urchin gonads, both known as *uni* in Japanese, are served in sashimi or in sushi.

Participation in the urchin fishery has declined since 2000, although 2010 posted the first increase in participation since 2004. Still, only 12 divers fished in 2010, out of 71 permits. The fishery had an ex-vessel value of $148,000 in 2010. The average gross earnings of $12,300 per diver in 2010 is the lowest since access to the fishery was limited in 2000. An industry source reports only "one or two" divers are participating in the 2011/2012 fishery, with only one buyer.

Economic Impacts of Sea Otter Predation

As sea otter populations have recovered in areas of the Pacific Coast, conflict has arisen with commercial and subsistence fisheries. Sea otters prey on sea urchins, Dungeness crab, shrimp, clams, abalone, sea cucumbers, and geoducks, among other animals. There are multiple studies that note sea otter population growth can have a negative effect on commercial stocks of these species, potentially resulting in the closure or drastic reduction of the commercial fishery. In one such example, Watson and Smith, in their 1996 paper examining sea otter/fishery interactions in British Columbia, noted there is "no doubt that sea otters threaten urchin fisheries."

Indeed, as sea otters have reestablished themselves in various areas of Southeast Alaska, formerly abundant stocks of several invertebrate species have been locally depleted below commercially harvestable levels. Since 1993 the Alaska Department of Fish and Game has closed 17 dive fishery harvest areas due to presumed sea otter predation. The Department estimates sea otter predation affects 39 percent of Southeast dive fishery harvest areas.

Summary of Dive Fishery Areas Affected by Sea Otter Predation

Species	Total Harvest Areas	Areas Closed Due to Sea Otters	Areas Closed, Presumably Because of Sea Otters	Areas Affected by Sea Otters but Not Closed	Percentage of Areas Affected or Closed Due to Sea Otters
Geoducks	41	0	0	27	66%
Sea Cucumbers	67	3	4	12	28%
Red Sea Urchins	59	4	6	9	32%
Total	**167**	**7**	**10**	**48**	**39%**

Source: ADFG.

The financial impact of sea otter predation affects commercial divers, processors, dive shop owners, and communities both inside and outside of Alaska. This section focuses on the cost of sea otter predation to divers and processors, who have lost revenue in the form of ex-vessel earnings and wholesale revenues due to sea otters.

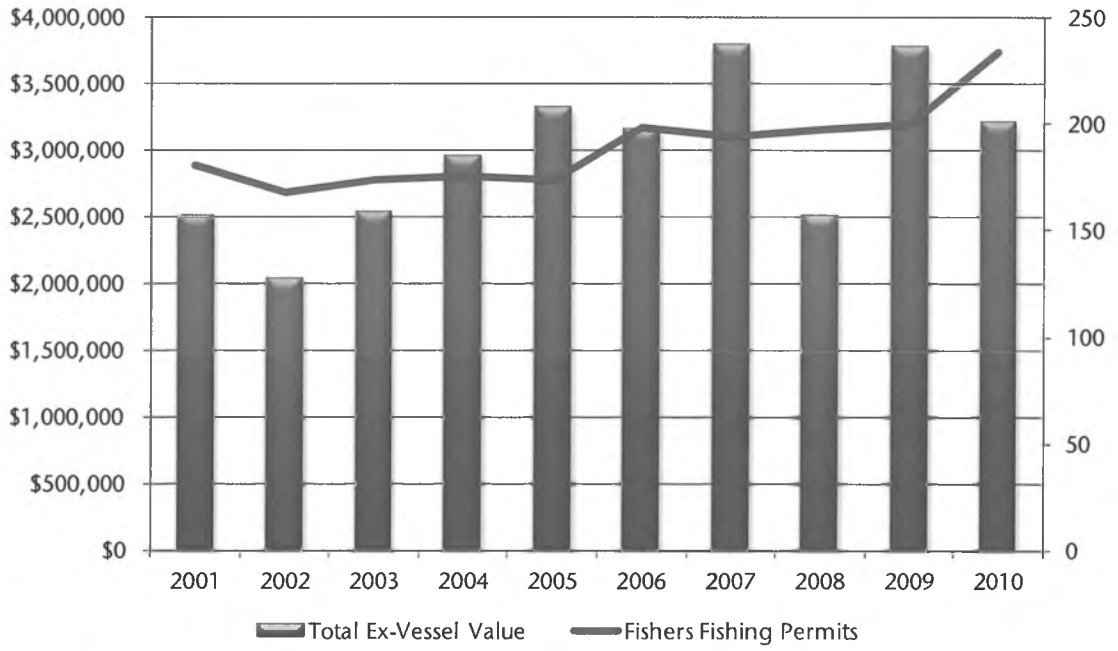
Sea otter predation has had obvious and measureable economic impacts on the sea cucumber, red sea urchin, geoduck, and Dungeness crab fisheries of Southeast Alaska. This report quantifies the estimated impacts sea otters have had on these species. In addition, sea otters affect the tanner and king crab fisheries of Southeast Alaska; however, data to quantify these impacts on these fisheries is not yet available.

Sea Cucumbers

Historical Harvest and Value

Sea cucumber fisheries occur throughout much of Southeast Alaska, in waters surrounding Prince of Wales Island, including Clarence Strait, east to the Behm Canal and waters around Revillagigedo, Gravina, and Annette Islands, and south. Fisheries also occur around Sitka, and in Sumner and Chatham Straits. Each subdistrict opens once every three years. Although divers are allowed to harvest sea cucumbers from October through March of the following year, virtually 100 percent of the harvest occurs during October and November. So although the 2011/12 season will run through March 31, 2012, most of the GHL has already been harvested.

Sea Cucumber Ex-Vessel Value and Participation
2001 - 2010



Source: CFEC.

In 2000, the Commercial Fisheries Entry Commission limited access to the fishery. Since limited access to the fishery, participation has ranged from a peak of 234 permits fished in 2001 to a low of 168 permits fished in 2009. A total of 180 permits were fished in 2010, and fishermen earned a total of $3.2 million or $17,850 per diver.

From 2007 to 2010, ex-vessel prices ranged from $2.86 to $2.56 per pound, but prices are much higher in 2011. Reports from the grounds indicate divers are being paid $5.50/lb. for sea cucumbers this season. While the price appreciation is certainly a positive for fishermen, total ex-vessel values may not increase as much because the guideline harvest level for the 2011/12 season is down. Fishermen will be allowed to harvest roughly 1 million pounds of sea cucumber this season, a 12 percent decline from the 2008/09 season - the last time these this group of subdistricts was harvested.

Impacts of Sea Otters on Southeast Alaska Sea Cucumber Fishery

Sea otters are opportunistic generalists, consuming a wide variety of near-shore prey. Data collected in 2010 on the foraging habits of sea otters near Kake, Alaska revealed sea cucumbers made up 3.1 percent of the sea otters' diet. Similar foraging observations were made in Southwest Alaska during a 2003 study.

Although sea cucumbers do not represent the majority of sea otters diet, otters do consume large amounts of sea cucumbers each year which has had an adverse of effect on the sea cucumber fishery.

Since 1996, sea otter predation has resulted in an estimated lost GHL of 3.25 million pounds worth $5.3 million in ex-vessel terms and $8.4 million in wholesale markets.

In 2011, sea otter predation led to a loss of roughly $7,000 for every active sea cucumber diver.

Estimated Sea Cucumber GHL and Value Lost Due to Sea Otters, 1996/97 – 2011/12

Season	GHL Lost Due to Sea Otters	Ex-Vessel Price ($)	Estimated Ex-Vessel Value Lost Due to Sea Otters	First Wholesale Value/lb. (round weight basis)	Estimated Wholesale Value Lost Due to Sea Otters
2011/12*	235,000	$5.50	$1,293,000	$9.50	$2,231,000
2010/11	151,000	$2.65	400,000	$6.37	961,000
2009/10	192,000	$2.59	497,000	$3.78	725,000
2008/09	241,000	$2.56	617,000	$3.94	949,000
2007/08	116,000	$2.86	332,000	$4.40	511,000
2006/07	143,000	$1.99	285,000	$3.35	480,000
2005/06	184,000	$2.29	421,000	$3.45	634,000
2004/05	140,000	$2.12	297,000	$3.48	488,000
2003/04	150,000	$1.47	213,000	$3.48	522,000
2002/03	84,000	$1.26	106,000	$2.51	211,000
2001/02	100,000	$1.75	175,000	$2.43	243,000
2000/01	130,000	$2.23	290,000	$2.41	313,000
1999/00	59,000	$1.94	115,000	$2.91	172,000
1998/99	40,000	$1.55	62,000	$3.09	124,000
1997/98	90,000	$1.66	147,000	$3.37	304,000
1996/97	34,000	$1.28	44,000	$2.44	83,000
Total	**3,254,000**	-	**$5,294,000**	-	**$8,951,000**

* 2011/12 data is preliminary and based on prices reported by industry.
Source: ADFG data and McDowell Group estimates.

Sea otter predation has forced closures, been observed, or affected 19 sea cucumber harvest areas out of a total of 67 harvest areas. Since 1993, ADF&G has closed three harvest areas specifically due to sea otter predation and has noted four additional areas were probably closed due to sea otters. Two new harvest areas were closed in 2011, specifically due to sea otters.

Geoducks

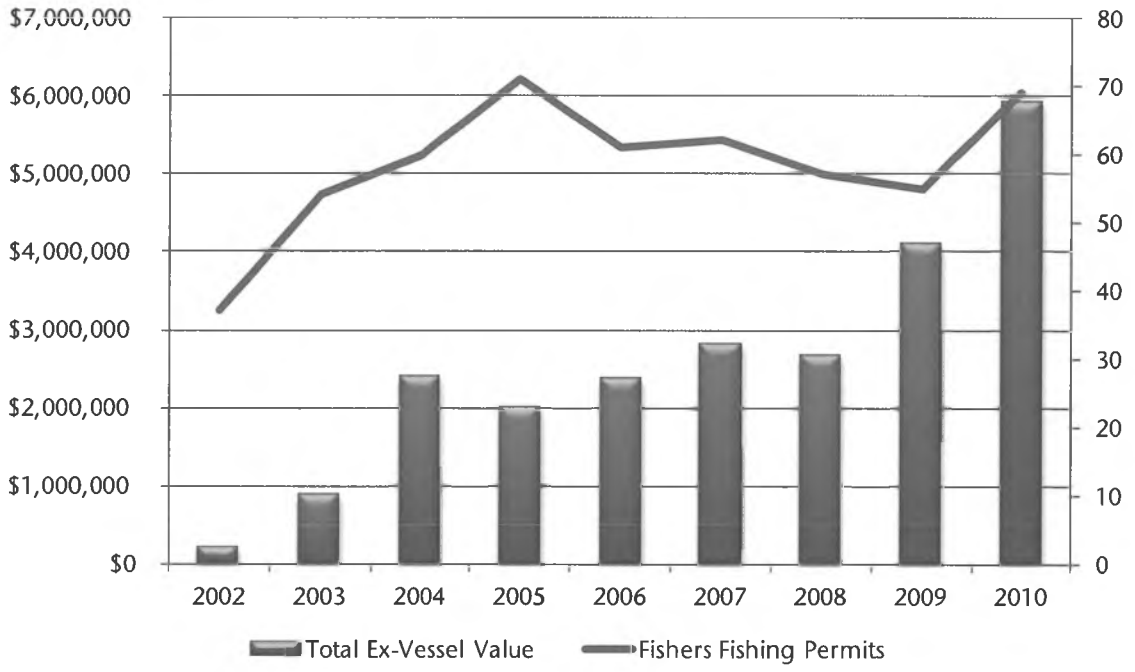
Historical Harvest and Value

Currently there are 39 commercial geoduck clam harvest areas in Southeast Alaska and 2 control areas not open for harvest. All of these areas are located in southern Southeast Alaska, with most of the GHL contained in areas surrounding the communities of Ketchikan, Craig, and Sitka.

Since 2004, and particularly in the last three years, the Southeast Alaska geoduck fishery has become a lucrative fishery. Ex-vessel prices for geoducks have nearly tripled since 2008. Reports indicate geoduck divers are receiving $10.50/lb. from processors this season (2011/12).

Geoduck prices have increased in recent years primarily because coordination between government regulators, fishery managers, and commercial divers has improved. Better communication and coordination has allowed the industry to now sell all geoduck clams as live product. Live geoduck clams command a significantly higher price.

Geoduck Ex-Vessel Value and Participation, 2002 - 2010



Source: CFEC.

Harvest volume has been relatively steady since 2004, ranging from 557,900 to 824,800 pounds. Participation in the fishery has also been steady, with 55 to 71 divers participating in the fishery. In 2010, a total of 69 divers out of 91 permit holders harvested geoducks.

Impacts of Sea Otters on Southeast Alaska Geoduck Clam Fishery

Sea otter predation has become more evident in geoduck clam fisheries since the early 2000s (Walker 2011, personal communication). With geoduck fisheries becoming more commercially important in recent years, these adverse effects have become more costly for commercial divers.

Otter predation in the geoduck fishery is especially evident. Otters dig large holes into the seabed, pull up the geoduck clam, eat the meat and discard the shells – leaving behind a large hole and shell debris which divers note in their surveys. Surveys performed in 2009 on the Portillo Channel (Subdistrict 103-50) area revealed notable otter presence in 70 of 74 transects. Surveys performed on the Lower Cordova Bay (102-10 and 103-11) area showed sea otter presence in over half that district's 60 transects (Rumble and Siddon, 2011).

McDowell Group employed the same methodology used by ADFG to estimate effects on the sea cucumber and sea urchin fisheries from 1996/97 to 2005/06 to estimate geoduck harvest volume and value lost to sea otter predation.

Evidence of sea otter predation has been observed at 27 of the 39 geoduck harvest areas. Biomass has decreased significantly in seven of these 27 areas since 2003. Given the noted sea otter activity in these geoduck fishery areas and lack of other natural predators, it is believed the declining biomass can be attributed to sea otters for these seven harvest areas.

Since 2005, sea otter predation has resulted in an estimated lost GHL of 530,500 pounds worth $3.2 million in ex-vessel terms and $4.2 million in wholesale markets. In 2011, sea otter predation was particularly costly, leading to a loss of roughly $20,000 for every active geoduck diver. This is money which is directly taken out of family budgets and local economies.

Estimated Geoduck GHL and Value Lost Due to Sea Otters
2005/06 – 2011/12

Season	GHL Lost Due to Sea Otters	Ex-Vessel Price ($)	Estimated Ex-Vessel Value Lost Due to Sea Otters	First Wholesale Value/lb. (round weight basis)	Estimated Wholesale Value Lost Due to Sea Otters
2011/12*	140,900	$10.50	$1,479,000	$13.97	$1,969,000
2010/11	43,800	$6.61	289,000	$9.03	77,000
2009/10	142,300	$5.48	780,000	$6.46	919,000
2008/09	18,700	$3.66	69,000	$5.38	101,000
2007/08	95,100	$3.50	333,000	$4.76	452,000
2006/07	10,200	$3.67	37,000	$5.00	51,000
2005/06	79,500	$3.15	251,000	$4.06	323,000
Total	**530,500**	-	**$3,237,000**	-	**$4,210,000**

* 2011/12 ADF&G data is preliminary and values are based on prices reported by industry.
Source: ADFG data and McDowell Group estimates.

Geoducks are in a precarious situation due to sea otters. While prices are high and divers are earning good money harvesting them, that could soon end.

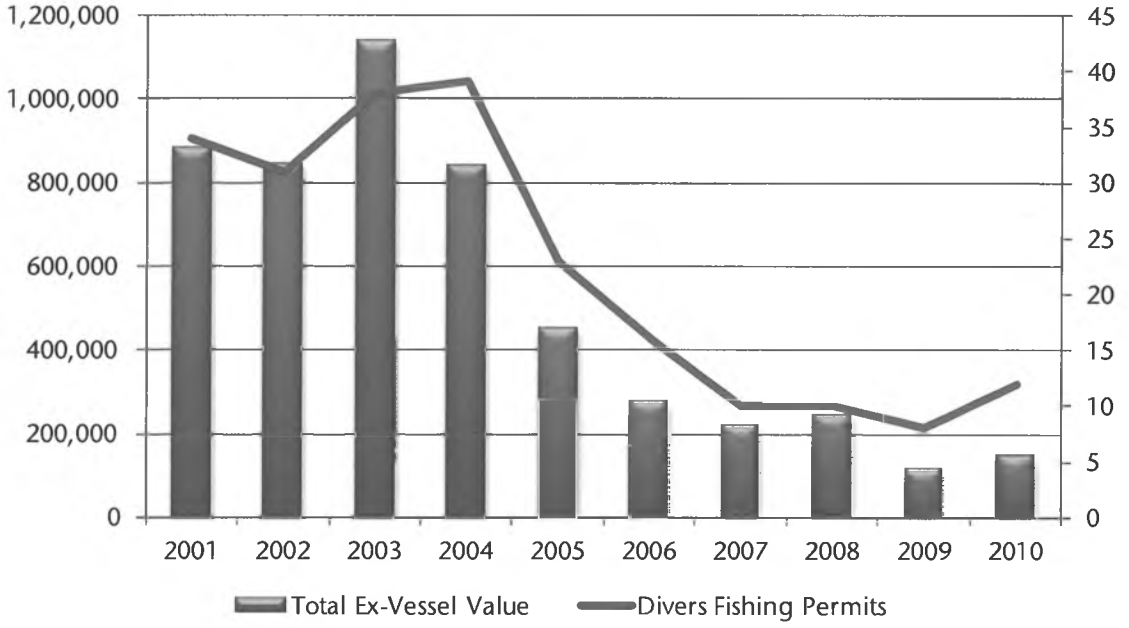
Evidence of sea otter predation has been observed at 27 geoduck fishery areas, but only seven of those areas exhibited significant biomass declines in recent years. However, if those other areas with sea otter activity become harder hit, the impact on the fishery could be devastating because sea otter predation has been noted in harvest areas containing 70 percent of the geoduck biomass. Should otters focus on geoducks as a food source more in the future, it is unlikely the geoduck biomass could reproduce quickly enough to support a commercial fishery which is economically feasible or biologically sustainable.

Red Sea Urchins

Historical Harvest and Value

Participation in the Southeast Alaska red sea urchin fishery has declined rapidly in recent years, approaching zero. During the 2011/12 season, only "one or two" are harvesting urchins with only one buyer, according to an industry source. In 2005, the fishery harvested 1.6 million pounds of red sea urchin worth an ex-vessel value of $453,000. By 2010, production dwindled to 509,000 pounds, harvested by 12 divers who shared $147,700 in total ex-vessel value. The 2010 harvest was just 10 percent of the 4.95 million pound guideline harvest level.

Red Sea Urchin Ex-Vessel Value and Participation, 2001 - 2010



Source: CFEC.

In the red sea urchin fishery, dwindling participation is not being driven by sea otter predation, but rather a falling market value for the product. The gonads of red sea urchins, called *uni* by the Japanese, are a popular sushi item. Virtually all of Alaska's urchin production gets exported to Japan. In general, other urchin fisheries in Russia and the west coast harvest enough supply for the Japanese *uni* market. In addition, there have been market issues with Alaska urchins stemming from inconsistent quality (due to biological factors) and mishandled product by shippers.

In 2000, red sea urchins were fetching $0.45/lb. on the grounds. Ex-vessel prices have steadily declined since then, and in 2010, the 12 divers who participated in the fishery were paid an average price of $0.29/lb. Meanwhile, ex-vessel prices for geoducks and sea cucumbers have risen substantially during this period, along with fuel costs and other operating costs. Low volume and the opportunity cost of harvesting urchins, when a diver could be targeting geoducks or sea cucumbers, has made the fishery uneconomical for most divers and processors.

Impact of Sea Otters on the Southeast Alaska Red Sea Urchin Fishery

In 2008, the average sea urchin diver grossed $24,000, and prior to that time divers generally averaged $20,000 to $30,000 per season. Because sea urchins are a major food source for otters, the financial impact on commercial divers was significant.

Sea otter predation resulted in an estimated harvest shortfall of 3.1 million pounds from 1996 to 2005 worth 1.0 million in ex-vessel terms and 4.0 million in wholesale value.

Estimated Red Sea Urchin GHL, Harvest and Value Lost Due to Sea Otters, 1995/96 – 2005/06

	GHL Lost Due to Sea Otters	Estimated Harvest Lost Due to Sea Otters (adjusted lbs.)	Estimated Ex-Vessel Value Lost Due to Sea Otters	Estimated Wholesale Value Lost Due to Sea Otters
Total	6,285,000	3,102,000	$1,024,000	$3,972,000

Source: ADFG data and McDowell Group estimates.

Participation in the fishery is now so low that many figures on the fishery are confidential, and since only a small portion of the GHL is harvested, the impact of sea otters in recent years is likely very small. For these reasons, sea otter impacts have not been calculated for the 2006/07 through 2011/12 seasons. However, sea otters did have a large impact on the fishery in the past, and will continue to feed on urchins in the future. In an area from the southern shoreline of Sitka Sound to West Crawfish Inlet it was estimated 16 million sea urchins were consumed by sea otters over a 15-month period from December 1992 through February 1993 (Davidson, et al., 2008).

Although the majority of the red sea urchin fishery will go unharvested this season, sea otters are still having a large impact on the biomass. The 2011/12 GHL is 3.3 million pounds; a 42 percent decline from the 2006/07 season (which marks two fishery area rotations). If this trend continues, the fishery may not improve regardless of market price.

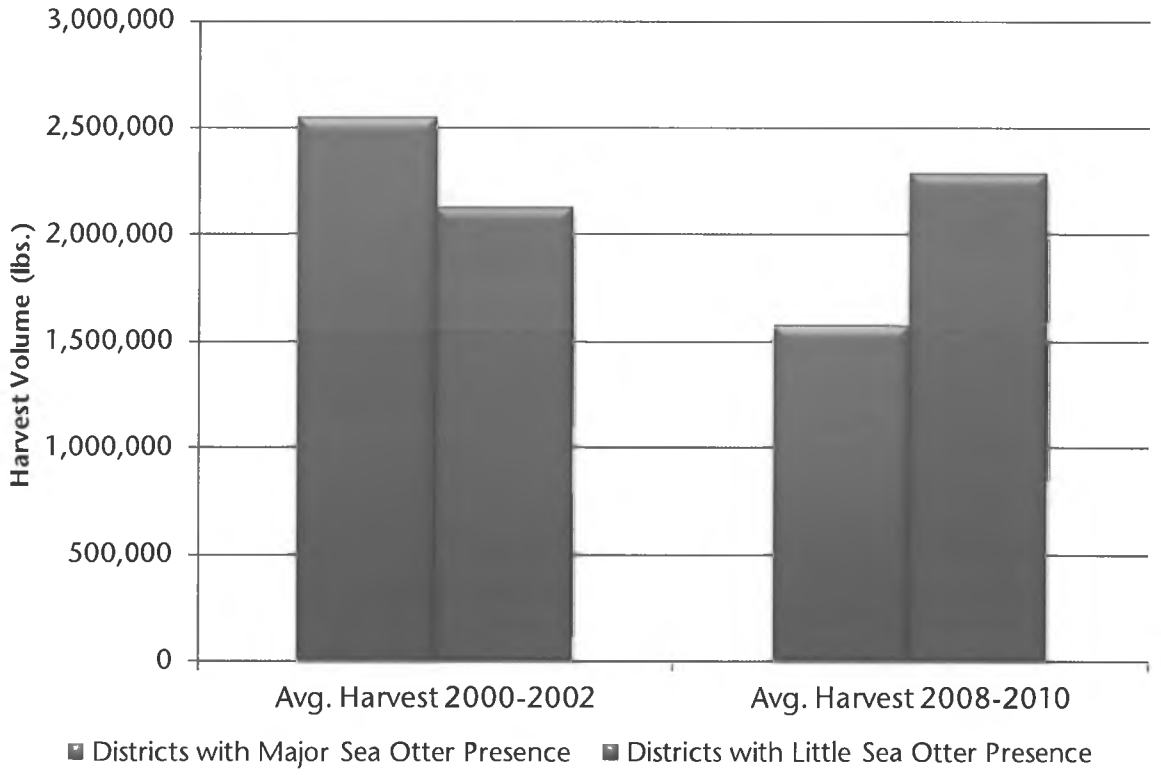
Dungeness Crab

Dungeness crab are a substantial food source for otters. Dungeness crab are typically found at depths of 15 to 100 feet, are plentiful in many Southeast Alaska estuaries, and offer a good nutritional return per unit of energy expended.

It is clear areas with a significant sea otter presence have fared much worse in recent years than areas which are not near large sea otter populations. Out of 15 shellfish districts in Southeast Alaska, six have significant sea otter populations or include translocation sites (where sea otters were released in the 1960s).

These six districts have lost nearly 1 million pounds of harvest activity while districts without sea otters have seen harvests increase slightly since the early 2000s. The greatest loss comes from District 9, near Kake, which had a harvest decline of 776,000 pounds from 2007 to 2010 alone.

Southeast Alaska Dungeness Crab Harvest



Note: Districts with major sea otter presence include districts: 3, 5, 6, 9, 10, and 13.
Source: ADF&G harvest data.

It is very likely sea otter predation is the driving force behind the majority of these lost harvest volumes. Fishermen and biologists note the effect of sea otter predation. Not surprisingly, fishermen are leaving the fishery. The Wrangell-Petersburg census area, which includes Kake and the surrounding waters, was home to fishermen who landed crab under 134 Dungeness crab permits in 2005. By 2010, only 111 permits were fished – a loss of 23 permits or roughly 46 jobs (including 1 crew member and the skipper).

According to the Alaska Department of Labor and Workforce Development, the Southeast Alaska crab fisheries employed 638 workers in 2009. The majority of these jobs are in the Dungeness crab fishery. Expanding sea otter populations seriously jeopardize these jobs.

Methodology For Estimating Dungeness Crab Harvest Lost to Sea Otter Predation

Using field research done by ADFG, USFWS, and UAF, several Dungeness crab harvest districts were identified, which included waters known to have significant populations of sea otters. Crab harvests from these areas were compared to harvests in other districts. In effect, districts with fewer sea otters were treated as a control group. If sea otter predation was a serious issue in the areas identified, the harvest of crab should decrease in those districts relative to harvests in other districts (with fewer otters). This is exactly what took place from 2000 to 2010.

Impact of Sea Otter Predation

Districts 3, 5, 6, 9, 10, and 13 – located in southern part of the region and the outside coast line, have lost out on an estimated 2.7 million pounds of Dungeness crab since 2000. It is assumed all or most of this loss is associated with sea otters, as there are no other known factors which affect crab biomass in these districts and not others in Southeast Alaska.

In 2000, these six districts with large sea otter populations, accounted for 61 percent of the Southeast Alaska Dungeness crab harvest. By 2010, they accounted for just 33 percent; after seeing a gradual decline throughout the decade relative to districts without large sea otter populations.

Since 2000, the lost harvest volume attributed to sea otters was worth $5.3 million in wholesale value and $3.3 million in ex-vessel value.

Estimated Dungeness Crab Harvest and Value Lost Due to Sea Otters in Southeast Alaska, 2000/01 – 2010/11

	Estimated Harvest Lost Due to Sea Otters (live wt.)	Estimated Ex-Vessel Value Lost Due to Sea Otters	Estimated Wholesale Value Lost Due to Sea Otters
Total	2,681,000	$3,317,000	$5,301,000

Source: ADFG harvest data and McDowell Group estimates.

Quantifying the Impact of Sea Otter Predation

Dive fisheries in Southeast Alaska are managed by the Alaska Department of Fish and Game. Management is supported by a tax on the ex-vessel value of red sea urchins, sea cucumbers, and geoducks. This tax is used to pay for management staff and perform scientific dive surveys that allow managers to monitor the biomass of commercial species in established subdistricts, or new harvest areas.

Dive surveys are performed by SCUBA divers surveying established, or new, subdistricts along 2-meter wide transects running perpendicular to the shoreline. To complete transects, divers swim along the transect holding a 2-meter rod made of white PVC pipe in a horizontal position. Transect direction is maintained by a compass mounted on the rod.

Every harvest area gets surveyed before a fishery is opened for a given season, in addition to a group of control areas which are surveyed every year. The harvest areas, or subdistricts, open on a rotational basis, depending on the species and results of the dive surveys.

Photo Credit: Alaska Department of Fish and Game.

Dive surveys are expensive, but necessary for sustainable fishery management. In addition to providing data on the biomass, size, and density of commercial species, the dive surveys also allow managers a chance to maintain data on the invertebrates' habitat and eco-system. Divers have noted the presence and evidence of sea otter predation on each transect for each species, in each fishery area. Areas affected by sea otters are often distinguished by large holes with clam shell fragments (from where an otter has dug up a geoduck) or sea urchin carcasses littering the seabed. In the case of sea cucumbers, no physical evidence is left because otters consume the entire animal. However, divers note areas with active sea otter predation and have attributed large biomass declines in various subdistricts to sea otters.

Detailed survey data from thousands of dives recorded by fishery biologists, combined with information on historical biomass and GHL's, allows for a conservative estimate of sea otter predation. The estimated harvest volume lost due to sea otter predation can be translated into dollar terms by applying the ex-vessel price or wholesale price of a particular species in a given year.

Because virtually 100 percent of the GHL is harvested in the geoduck and sea cucumber fisheries, only the lost GHL is calculated and financial impacts are based on GHL. In the red sea urchin fishery, harvests volumes have not historically met the GHL. Therefore, impacts on the red sea urchin fishery were adjusted to reflect dollars and pounds lost are based the assumed harvest, and not on the GHL.

Accurately quantifying the impact of sea otter predation is only possible because ADFG data on sea otter predation, affected areas, commercial harvests, biomass, and market values is very good.

Because of ADFG's rigorous data collection, these estimates are believed to accurately portray the real, direct impact of sea otters on commercial species. Without such data, other studies such as Loomis (2006) have attempted to explain the value of sea otters in terms of existence value or the value of the public's "willingness to pay." These estimates are theoretical and obtained by surveying a sample of the population about what dollar value they place on knowing a certain species, in a certain locale, is flourishing or what dollar value they *would* pay to engage in a suggested recreational activity involving the species. In contrast, the effect of sea otter predation on commercial divers, seafood processors, and Southeast Alaska communities is not hypothetical.

Sea Otter Predation Impacts on Communities

Sea otter predation has led to an estimated loss of $22.4 million in wholesale value for southern Southeast Alaska communities since 1995. Lost sales for fishermen and processors are estimated to have resulted in indirect and induced losses of $5.8 million during that time. These losses reflect lost economic activity in industries outside the seafood industry in southern Southeast Alaska, resulting from lower wages, less household spending by affected families, less spending on indirect business costs, and less taxes collected from fisheries.

In total, sea otter predation is estimated to have cost southern Southeast Alaska communities $28.3 million since 1995. Any revenue derived from eco-tours, expanded subsistence harvests (above what would normally occur), or economic activity associated with scientific studies, stemming from sea otter expansion have likely been negligible, in comparison.

Southern Southeast Alaska Communities Most Affected by Sea Otter Predation

Ketchikan	Sitka	Kake
Petersburg	Craig	Port Alexander
Klawock	Hydaburg	Wrangell

The livelihood of Southeast Alaska commercial divers, crab fishermen, tender operators, and seafood processing workers is currently being jeopardized by expanding sea otter populations. These include hundreds of basic sector jobs which form the foundation of a regional economy.

Residents of the Wrangell-Petersburg census area have seen 23 fewer permits fished in recent years, part of which may be attributed to sea otter predation. Employment has not declined substantially in the sea cucumber and geoduck fisheries, but sea otter predation is estimated to have cost each geoduck diver $20,000 and each sea cucumber divers $7,000 in 2010. Based on the estimated value of product lost in recent years and the amount of economic activity resulting from the typical full-time job in southern Southeast Alaska, the secondary impacts of sea otter predation has been equivalent to a loss of 5 to 10 full-time average-paying jobs (depending on the year).

The wholesale value of Southeast Alaska sea cucumbers, geoducks, red sea urchins, and Dungeness crab was roughly $25 million in 2010. These fisheries employ roughly 625 fishermen and dozens more tender operators and processing workers. Using economic multipliers developed by IMPLAN[2], it is estimated the $25 million in wholesale value associated with these fisheries results in indirect and induced activity worth $6.5 million - equivalent to 53 additional full-time average-paying jobs[3]. Just like commercial divers and crab fishermen, these jobs are at risk of being lost as well. Indirect losses are more often more difficult to see, but they are economically real, as less money circulates in the economy leading to contracting employment.

[2] IMPLAN is an economic modeling software package widely used to perform economic impact analysis.

[3] The estimated number of jobs created is calculated by dividing the value of the secondary impact ($6.5 million) by the average output created per full-time equivalent (FTE) job in Southeast Alaska ($123,992 per FTE job). Therefore, the term "average-paying" refers to a full-time job producing an average amount of economic output, and paid accordingly.

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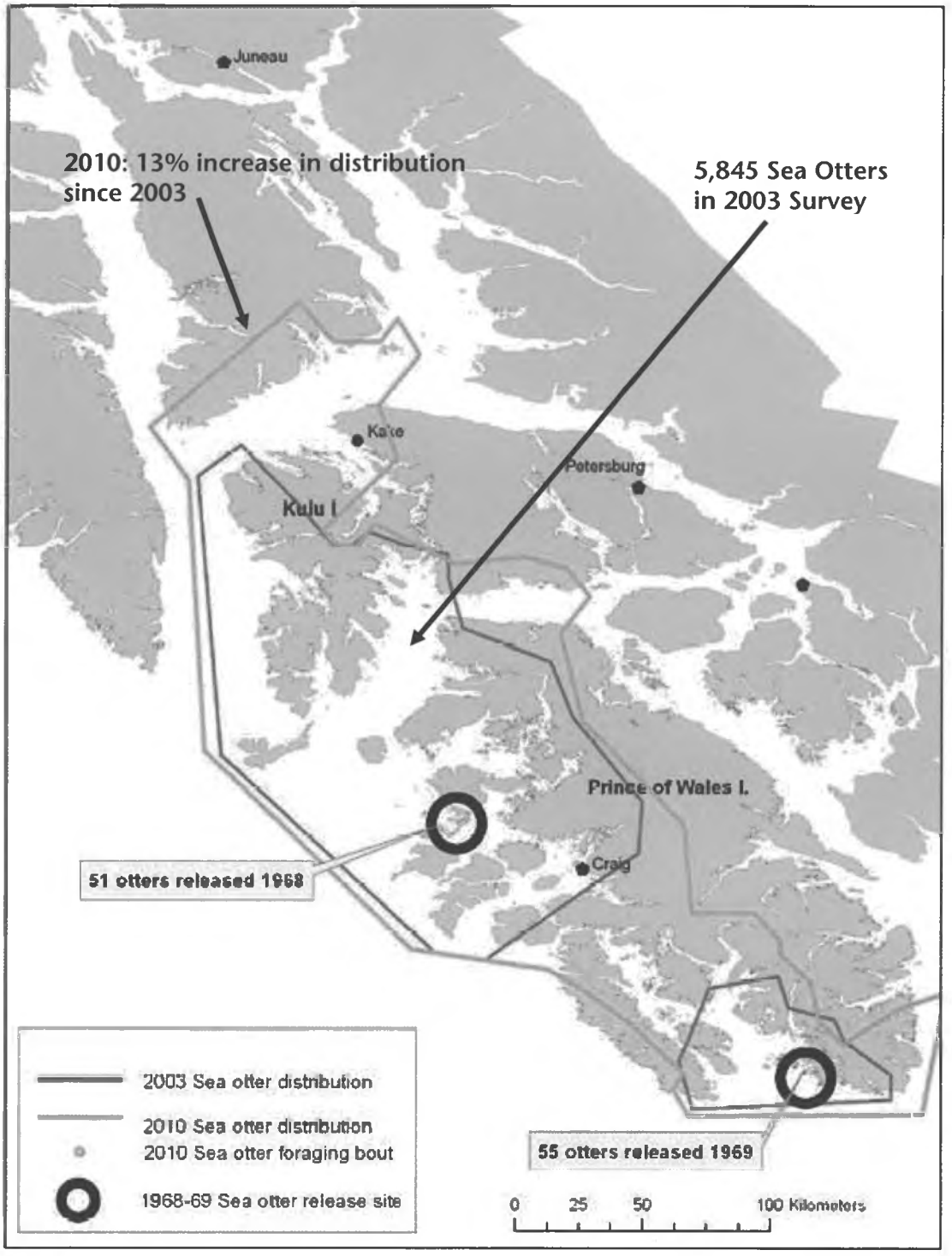
Watson, J.C. and T.G Smith. 1996. The effect of sea otters on shellfisheries in British Columbia: *In:* Invertebrate Working Papers. Reviewed by the Pacific Assessment Review Committee (PSARC) in 1993 and 1994. Ed. by C.M. Hand and B.J. Waddell. Can. Tech. Rep. Fish. Aquat. Sci. No. 2089 pp2 262-303.

Watson, J. 2000. The effects of sea otters (*Enhydra lutris*) on abalone (*Haliotis spp.*) populations. *In* Workshop on Rebuilding Abalone Stocks in British Columbia. *Edited by* A. Campbell. Can. Spec. Publ. Fish. Aquat. Sci. 130. pp123-132.

Appendix 1: Map of Otters in Southeast Alaska



Source: Hoyt, Z., Gill, V., Eckert, G., Rice, S., "Recolonization, prey selection and resource competition by sea otters, *Enhydra lutris,* in southern southeast Alaska." November 2010 presentation.

Appendix 2: Impact of Sea Otters on Dive Fishery Areas

Sea Cucumbers

Fishery Areas Negatively Affected by Sea Otter Predation

Fishery Area	Subdistrict(s)
Cape Chacon	102-10
Cordova Bay	103-11, 15
Long Island – Cordova Bay	103-21, 30
Hetta and Nutkwa	103-23, 25
Eastern Shore of Dall Island and Soda Bay	103-40-001, 002, 004
Bucarelli Bay	103-50
St Nicholas Channel	103-60, 70-002
Boca and Tonowek	103-80
West Dall Island	104-10, 20, 30
Port Camdon	109-43, 105-32
Deep Inlet and Sitka Sound South	113-38, 41
Sitka Sound North	113-40, 42, 43

Areas Closed Due to Sea Otter Predation

Fishery Area	Subdistrict(s)
Sea Otter Sound	103-90
Affleck Canal and Port Beauclerc	105-10, 20
Shaken Bay	105-41, 42
Saginaw and Security Bay	109-44, 45
Tebenkof Bay	109-62
Baranof Island	113-31, 32, 33
Khaz Bay	113-71, 72, 73

Geoduck Clams

Fishery Areas Negatively Affected by Sea Otter Predation

Fishery Area	Subdistrict(s)
Kaigani Strait	103-30-001
Tlevak Strait	103-40, 50-009
South Cordova Bay	103-11
Bucareli Bay	103-50-003
Cone Island North	103-50-005, 104-40-005
Cone Island South and Paloma Pass	103-50-006, 104-35-006
Port Rea Marina	103-50-007
Portillo Channel	103-50-008
Port Mayoral (Control Area)	103-50-CON
East San Fernando Island	103-60-001
Maurelle Islands	103-70, 80, 104-40, 50-009
Ulitka Bay	103-70-001
Little Steamboat Bay	103-70-002
Steamboat Bay	103-70-003
Blanquizal Island	103-70-005
Palisades Islands	103-70-006
St. Nicholas Channel and North Lulu Island	103-70-007
Port Alice and Cone Bay	103-90-002
Turn Point	103-90-003
Davidson Inlet	103-90-004
Warren Island and Kosciusko Island	103-90-005, 105-41, 43, 50-005
Northwest Dall Island	104-20, 30-003
Port Santa Cruz	104-30-002
Taigud and Kolosh Islands	113-31, 41-004
Symonds Bay	113-31-002
Biorka and Legma Islands	113-31-003
Elovoi, Golf, and Gornoi Islands	113-31-005

Red Sea Urchins

Fishery Areas Negatively Affected by Sea Otter Predation

Fishery Area	Subdistrict(s)
Lower Clarence Strait	102-20
Tlevak Strait	103-40
Central Dall Island	104-20-001

Areas Closed Due to Sea Otter Predation

Fishery Area	Subdistrict(s)
Cape Chacon	102-10
Dixon Entrance and Kaigani Strait	103-30
Bucareli Bay and Port Real Marina	103-50
St. Nicholas Channel	103-70
Southwest Dall Island	104-10
Meares Passage and Bucareli Bay	104-30
Western Baker Island and Cone Island	104-35
Western Noyes Island and Cone Island	104-40
Whale Bay	113-22
Baranof Island	113-11, 21

HJR

29

<TARGET><BILL>HJR 29</BILL><SUBJECT>HJR
29</SUBJECT><COMM>SRES27</COMM></TARGET>

Alaska Legislature
Representative Charisse Millett

Session:
State Capitol Building, Room 13
Juneau, AK 99801
Phone (907) 465-3879
Fax (907) 465-2069

Interim:
Anchorage LIO
716 W 4th Ave., Room 390
Anchorage, AK 99501
Phone (907) 269-0222
Fax (907) 269-0223

MEMORANDUM

To: Sen. Joe Paskvan, Co-chair, Senate Resources Committee
Sen. Tom Wagoner, Co-chair, Senate Resources Committee
From: Rep. Charisse Millett
Subject: Hearing Request for HJR 29
Date: Monday, March 5, 2012

I respectfully request a hearing before the Senate Resources Committee on House Joint Resolution 29. All the necessary documents are included with this request.

Jeff Turner is the staffer assigned to this legislation and he can be reached at (907) 465-6588.

###

Alaska Legislature
Representative Charisse Millett

Session:
State Capitol Building, Room 13
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District 30

Sponsor Statement – House Joint Resolution 29

Version: 27-LS1208\A

"Urging the United States Department of the Interior, Bureau of Land Management, to plug legacy wells properly and to reclaim the legacy well sites as soon as possible in order to protect the environment in the Arctic region"

Starting in 1944 the federal government began an exploratory oil and gas drilling program in the National Petroleum Reserve-Alaska. After drilling stopped in 1981 about 130 wells, now known as legacy wells, were never properly plugged and the sites were not cleaned up.

Today those legacy wells threaten the arctic ecosystem. Potential ground water contamination from the wells could harm vegetation. Scrap metal and wood, deteriorating buildings, rusting barrels and debris litter the sites and ruin the natural beauty of the arctic.

The federal Bureau of Land Management is responsible for the wells but has so far refused to take action and claims it does not have the money. To date, the BLM has taken in more than nine billion dollars from oil and gas lease sales in NPR-A and Alaska's outer continental shelf.

These drill sites have been out of compliance with Alaska Oil and Gas Conservation Commission regulations for decades. Unfortunately, the state cannot fine the federal government but if it could - the fines would run in the billions of dollars.

The BLM has a mission statement that states it will "sustain the health, diversity, and productivity of public lands for the use and enjoyment of present and future generations." HJR 29 simply asks the agency to fulfill its mission and clean up its legacy wells so future generations will have an unspoiled arctic wilderness.

HJR 29 and it has been referred to the House Resources Committee.

Prepared by Jeff Turner on Thursday, January 19, 2012

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version	**HJR 29**
Fiscal Note Number	**1**
(H) Publish Date	**2/20/12**

Identifier (file name)	HJR29-LEG-COU-2-17-12	Dept. Affected	Legislature
Title	"Urging the United States Dept of the Interior, Bureau of Land Mgmt to plug legacy wells properly..."	Appropriation	Legislative Council
		Allocation	Council & Subcommittees
Sponsor	Reps Millett, Gruenberg, Fairclough, Tuck, Thompson...		
Requester	Resources	OMB Component Number	783

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial Version

Prepared by	Jessica Geary, Finance Manager	Phone	465-6626
Division	Legislative Affairs Agency	Date/Time	2/17/12 4:42 PM
Approved by	Pamela Varni, Executive Director Legislative Affairs Agency	Date	2/17/2012

(Revised 1/17/2012 OMB)

FISCAL NOTE #1

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. HJR 29

Analysis

This Legislation has zero fiscal impact on the Legislative Affairs Agency.

OUSE COMMITTEE REPOR

(9)
Date Referred to Committee: January 17, 2012 **FURTHER REFERRALS:**

Date of Committee Action: 2-17-2012

The RESOURCES Committee considered: **HJR 29**

HOUSE JOINT RESOLUTION NO. 29
Urging the United States Department of the Interior, Bureau of Land Management, to plug legacy wells properly and to reclaim the legacy well sites as soon as possible in order to protect the environment in the Arctic region.
HJR 29 BLM LEGACY OIL WELL CLEAN UP

Recommends it be replaced with [ ] HCS *or* [ ] CS *for* _____(_____)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[ ] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

NEW FISCAL NOTES
*FN# is assigned by Chief Clerk's Office

*FN#	List by Dept(s):	Fiscal	Indet.	Zero
	LAH			X

PREVIOUS FISCAL NOTES

FN#	List by Dept(s):	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	HERRON	X			
	WILSON	X			
	Gardner	✓			
	Foster	X			
	Muñoz	✓			
	Dick	✓			
Chair:	Seaton	X			
Chair:	FEIGE	X			

RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

Founded 1975
Executive Director
Rick Rogers
2011-2012 Executive Committee
Tom Maloney, President
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Peter Taylor
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Jan Trigg

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Senator Mark Begich
Senator Lisa Murkowski
Congressman Don Young
Governor Sean Parnell

February 3, 2012

Representative Charisse Millett
Alaska State Capitol
Juneau, AK 99801

Re: HJR 29, Urging the federal government to plug legacy wells in the Arctic region

Dear Representative Millett:

The Resource Development Council is writing to encourage the House Resources Committee to pass HJR 29, urging the federal government to plug legacy wells properly and to reclaim the legacy wells sites as soon as possible in order to protect the Arctic.

RDC is an Alaskan business association comprised of individuals and companies from Alaska's oil and gas, mining, forest products, tourism, and fisheries industries. Our membership includes all of the Alaska Native regional corporations, local communities, organized labor, and industry support firms. RDC's purpose is to expand the state's economic base through the responsible development of our natural resources.

The Department of the Interior and other federal agencies require that private companies operating in the Arctic explore for and produce domestic energy and mineral resources in an environmentally responsible manner. Through federal laws, regulations, and permitting, federal agencies have set a high bar to mitigate impacts to the environment. As a result, industry has been held to the highest standards – among the most stringent in the world. When violations to federal laws or permitting requirements occur, companies are held responsible, often facing steep fines.

However, in the case of federal lands in the Arctic, the federal government has not held itself to the same standards. The U.S. Navy and the U.S. Geological Survey drilled approximately 137 wells on federal lands in northern Alaska between 1944 and 1981, all of which are now abandoned. Only seven of the legacy wells were properly plugged and reclaimed. The remaining wells are out of compliance with regulations adopted by the Alaska Oil and Gas Conservation Commission (AOGCC), posing a risk to surface vegetation, groundwater, and wildlife. Additionally, debris and deteriorating buildings detract from the landscape.

The AOGCC has repeatedly reminded the federal government of the obligation to plug legacy wells and properly reclaims well sites. The state cannot impose fines on the federal government, but if it could do so, the fines would exceed $8 billion, and much more if the statute of limitations were disregarded.

121 West Fireweed Lane, Suite 250, Anchorage, Alaska 99503-2035
Phone: 907-276-0700 Fax: 907-276-3887 Email: resources@akrdc.org Website: akrdc.org

HJR 29 points out the double standard and hypocrisy that exists in the federal government's regulation and permitting of resource development activities in Alaska. Clearly, the Department of Interior has not held itself to the same standards it demands industry to meet in the responsible development of Alaska's resources.

The resolution rightfully urges the federal government to comply with the same laws and requirements it demands industry to follow. The federal government should lead by example and set even a higher standard for itself.

RDC commends you for introducing HJR 29 and securing 33 cosponsors to the resolution. We strongly encourage its passage.

Sincerely,

Resource Development Council, Inc.

Rick Rogers
Executive Director

Alaska Conservation Alliance

"A Strong Economy and Healthy Environment Go Hand in Hand"

2/17/12

Representative Charisse Millett
State Capitol, Rm. 13
Juneau, AK 99801-1182

Dear Rep. Millett,

The Conservation Alliance supports HJR 29, which urges the Bureau of Land Management to properly plug legacy wells and reclaim legacy drill sites in the National Petroleum Reserve-Alaska. The Alaska Conservation Alliance represents over 30 conservation groups with a combined membership of over 38,000 Alaskans.

Unplugged well sites on the North Slope pose a continuing danger to the environment, and it undermines our shared objective of development occurring in a responsible manner. The legacy well sites located in the National Petroleum Reserve are some of many underreported contamination issues in Alaska. Unfortunately, despite the danger, state agencies don't have the authority to enforce penalties. The responsible federal agency, the Bureau of Land Management, lacks budgeted funds to properly plug and reclaim the drill sites. That funding shortfall needs to be addressed. The unplugged and un-reclaimed legacy well sites, like all such sites across Alaska including dozens of sites on state lands, must be properly and responsibly decommissioned.

Passing HJR 29 will send a clear message to the Federal government and the Bureau of Land Management that Alaska is serious about preserving and protecting its environment. It will also send a clear message to private companies that Alaska is consistent with its demand of responsible resource development: that no entity, government or otherwise, will be allowed to harvest the state's resources while tarnishing Alaska for future generations.

The Federal government must make good on the responsibility it undertook when the legacy sites were drilled. Passing HJR 29 will send a clear message to the federal government and private companies that Alaska is serious about preserving and protecting its environment.

For the above reasons, the Alaska Conservation Alliance supports HJR 29. We appreciate the effort to address this important issue.

Sincerely,

Andy Moderow
Executive Director
Alaska Conservation Alliance

810 N Street, Suite 203 | Anchorage, AK 99501 | 907-258-6171 | F: 907-258-6177
www.akvoice.org | www.twitter.com/ACAAlliance
www.facebook.com/AlaskaConservationAlliance

Jeff Turner

From: Esther Hugo <eshugo@cityofakp.org>
Sent: Tuesday, February 07, 2012 10:49 AM
To: Jeff Turner
Subject: HJR NO. 29

I am writing this email in full support of HJR NO. 29. It's about time BLM clean the site because it's been too long. Please feel free to contact me for any questions or concerns regarding the subject.
907-661-3612/3619 or 907-661-0059, fax 907-661-3613, or email eshugo@cityofakp.org

Legacy Wells
Non-compliance with AOGCC Regulations

The BLM is the current operator of approximately 137 wells drilled by the Federal Government between 1944 and 1981 in northern Alaska. These wells are routinely referred to as the legacy wells. All of the wells are or have been out of compliance with multiple AOGCC regulations. Additional review would likely reveal that the wells are out of compliance with Federal regulations as well. A summary of the issues of non-compliance with AOGCC regulations follows:

- 20 AAC 25.070 (3) requires that an operator file Form 10-407 within 30 days after completion, abandonment or suspension of a well. Where Form 10-404 is required, the same 30 day time requirement applies. These forms document what work was actually performed.
    - For well operations performed after 2000, all reporting was late. The earliest was received at least 4 months late with most at least two years late and some as much as 4-1/2 years late. In fact, no Form 10-407 has ever been submitted for at least two of the wells.

- 20 AAC 25.105(a) requires that, if the operator is the landowner, all wells on the property must be abandoned within one year following permanent cessation of the operator's oil and gas activity within the field where the wells are located.
    - Because there has been no BLM operated oil and gas activity anywhere in the NPRA since the final legacy well was drilled in February of 1981, all of the legacy wells that are not currently abandoned are out of compliance.
    - Further, because the first two wells to be plugged were plugged in 2002, those wells were out of compliance for at least 21 years.

- 20 AAC 25.105 (b) requires that a well not completed as an oil, gas or service well must be properly suspended or abandoned before removal of the drilling rig.
    - Since with only one exception, none of these wells was ever completed as an oil, gas, or service well, since there has not been a drilling rig on any of these wells in over 30 years, and since none of them was properly suspended per AOGCC regulations, all of the legacy wells are or have been out of compliance including ones that are now properly plugged.

- 20 AAC 25.110(a) allows the AOGCC not to require abandonment of a well but rather to allow that the well be suspended only if the well has future utility or is located on an active pad or platform.
    - All of the legacy wells are or have at one time been out of compliance including ones that are now properly plugged.

- 20 AAC 25.110(b) requires an operator to submit to and receive approval from the AOGCC for an application for suspension of operations prior to performing the work.
    - No such application has been submitted for any of the legacy wells and none of the wells is suspended in a manner consistent with the operational details of this regulation.

- 20 AAC 25.110(d) requires the operator of a suspended well to install certain downhole plugs to ensure that all hydrocarbons and fresh waters are confined to their respective indigenous strata.
    - With few exceptions, none of the legacy wells is in compliance with this regulation.

- 20 AC 25.110(e) requires that the operator of a suspended well maintain the integrity of the location, provide the AOGCC with a status report every five years, and clear the location of all materials and debris.
    - With few exceptions, none of the wells has been left in a configuration that would allow the BLM the ability to demonstrate downhole integrity.
    - Pictures from the BLM's own report on the legacy wells show open wellbores in several cases.
    - As also demonstrated by pictures in the BLM report, rotting lumber, rusting metal, and other debris have not been cleared from many well locations.

- 20 AAC 25.112(a) requires that all uncased portions of a wellbore be plugged in a manner that ensures that all hydrocarbons and freshwater are confined to their respective indigenous strata and are prevented from migrating into other strata or to the surface.
    - Thirty-two of the legacy wells were never cased. No plugging operations have been performed or are planned on any of these wells. Rather, the earth has been allowed to slough in and the surface to revegetate. Although ten of these wells were drilled only to a depth of fifty feet or shallower and do not likely pose any threat of fluid migration, the remaining twenty-two wells were drilled deeper including seven wells drilled to depths beyond 1000 feet.

- 20 AAC 25.112(b), (c), (d), (e), (f), and (g) require specific procedures to ensure proper abandonment of a well.
    - Five of the approximately ten wells that have actually been abandoned do not meet all of the requirements of these regulations.

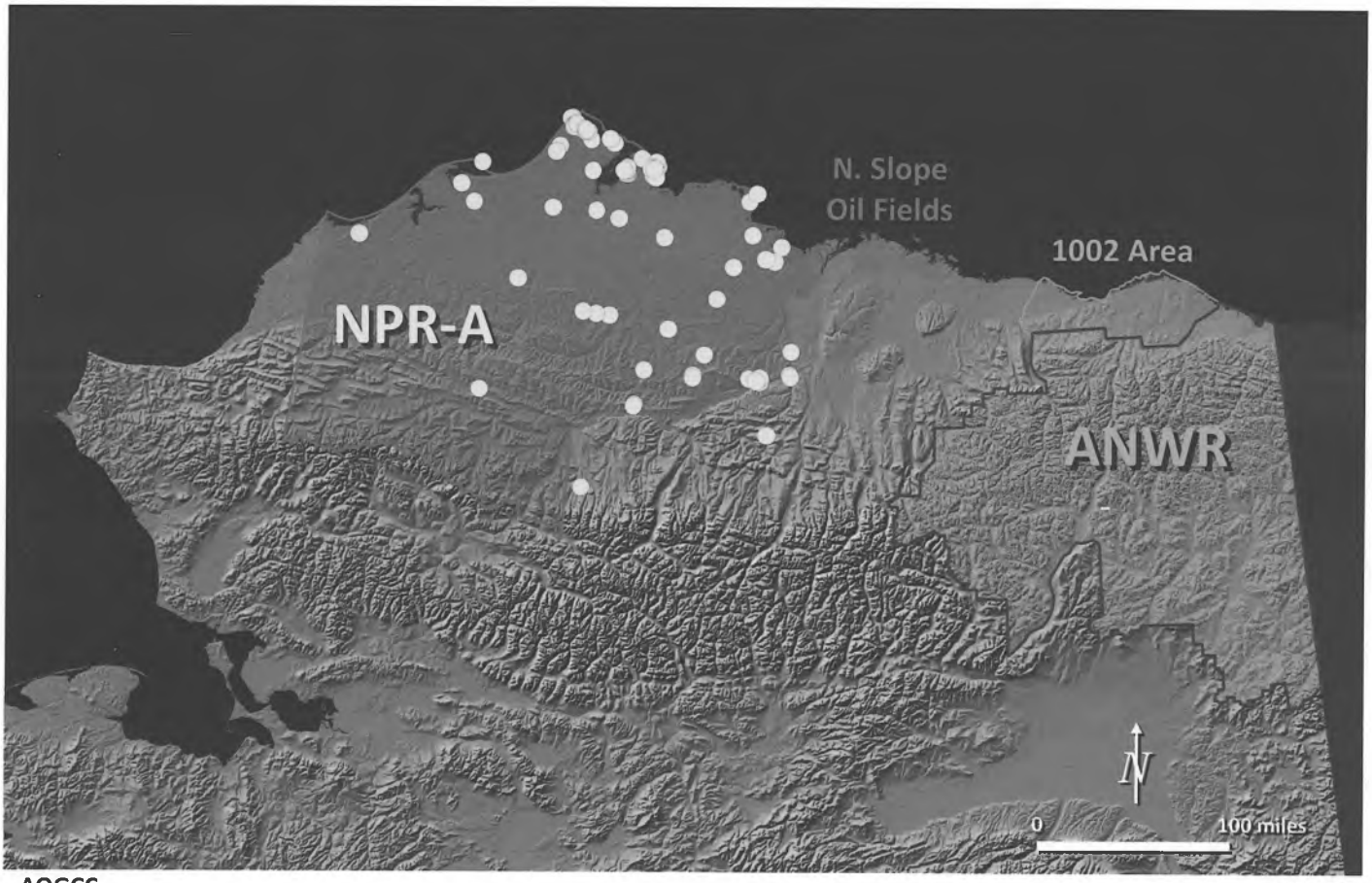
- 20 AAC 25.112(h) requires an operator to give the AOGCC at least 24 hours notice prior to commencing plugging operations so that a representative of the AOGCC can witness or waive the right to witness the operations.
    - Four wells were plugged in 2004 without any prior notice to the AOGCC.

- 20 AAC 25.507 (a) requires an operator to obtain prior approval when a substantive change in a previously approved activity is needed.
    - In many cases actual wellwork was substantially different from what was proposed and authorized, yet no request was ever made for approval of the change.
    - In many of these cases, the actual work did not result in the well being plugged in compliance with AOGCC regulations.

BLM Legacy Wells

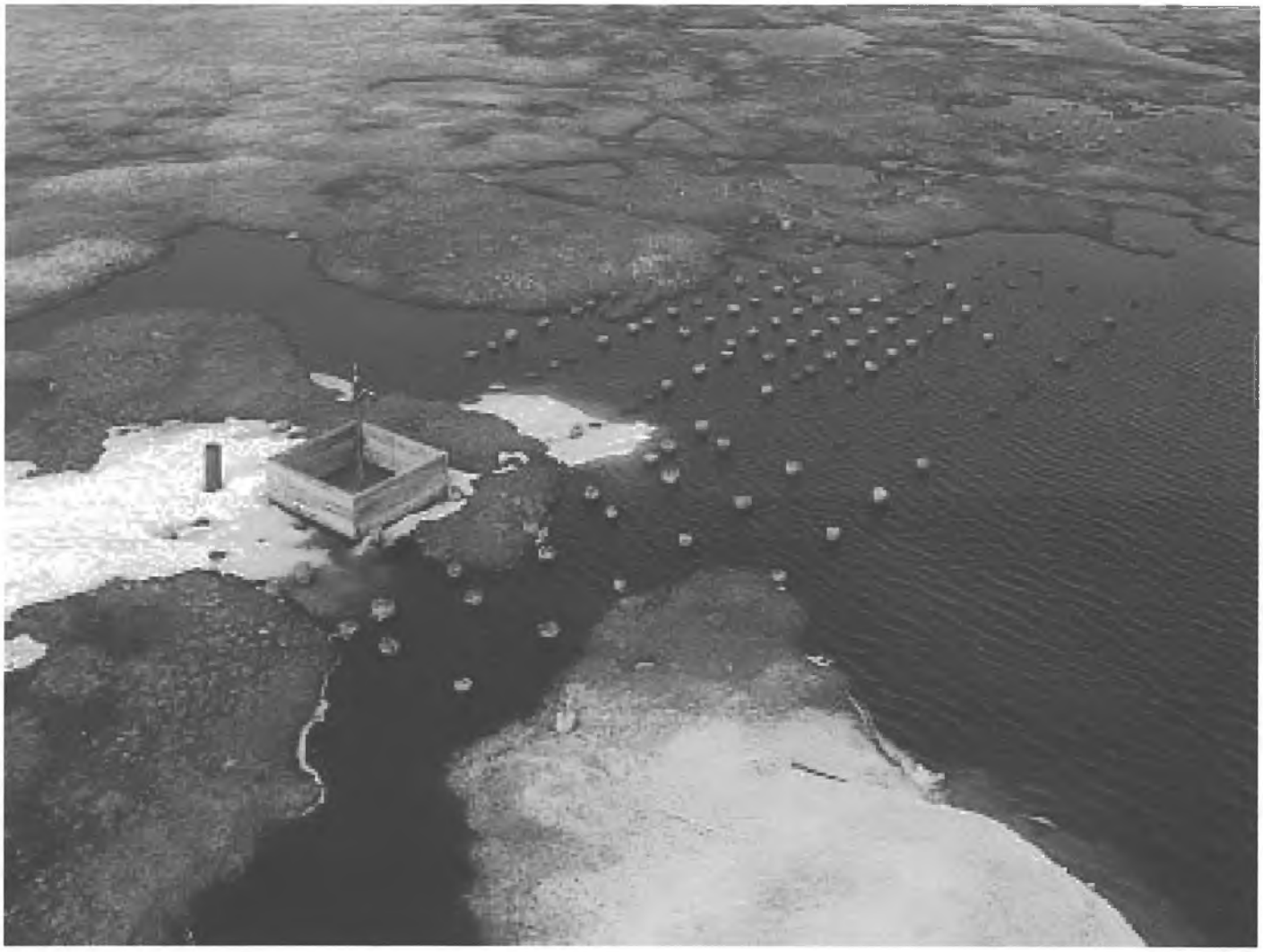
Environmental Hazards
&
Eyesores

NPR-A Legacy Wells



AOGCC

Jan. 27, 2012



Wellhead along with
wood and metal debris
in a natural oil seep

Natural subsidence and snowmelt have started to obscure this site.

Primitive, rusting wellhead and wood debris

Back-up slides

Status of Legacy Wells

- 7 properly plugged and abandoned
- 5 improperly plugged and abandoned
- 32 not cased – collapsed hole & revegated surface
- 17 claimed to be used for temperature monitoring
- 33 classified as “land swap” wells
- 42 flagrantly out-of-compliance wells

Example problems

- 6 have open casing and no wellhead
- 7 have wood or metal debris on site
- 17 are filled with diesel
- 3 can no longer be found
- Of the 33 “land swap” wells, all but 3 are in need of P&A
- 3 have only a surface plug, but BLM is calling them P&A’d.

Alaska Regulations in which BLM Lacks Compliance

20 AAC 25.070 (3)

20 AAC 25.105(a) and (b)

20 AAC 25.110(a), (b), (d), and (e)

20 AAC 25.112 (b), (c), (d), (e), (f), and (g)

20 AAC 25.507 (a)

Amendment #1 NO OBJ.

27-LS1208\A.1
Nauman
3/17/12

AMENDMENT

OFFERED IN THE SENATE BY SENATOR WAGONER

TO: HJR 29

Page 1, line 3, following "**region**":

Insert "**; and urging the Office of the Governor to increase nationwide awareness about legacy wells and well sites**"

Page 2, line 24, following "region":

Insert "; and be it

FURTHER RESOLVED that the Alaska State Legislature respectfully requests the Office of the Governor to disseminate information through appropriate national news outlets and by other available means to increase awareness nationwide of the dangerous conditions of the legacy wells and legacy well sites in the state and the federal government's failure to plug the legacy wells properly and reclaim the legacy well sites"

HJR

32

<TARGET><BILL>HJR 32</BILL><SUBJECT>HJR
32</SUBJECT><COMM>SRES27</COMM></TARGET>

ALASKA STATE LEGISLATURE
REPRESENTATIVE ALAN DICK

HOUSE DISTRICT 6

Alaska State Capitol
Juneau, Alaska 99801
Representative_Alan_Dick@legis.state.ak.us

(907) 465-4527
1-800-491-4527
(907) 465-2197 Fax

"STRONG VALUES IN UNCERTAIN TIMES"

Alatna
Allakaket
Alcan
Aniak
Anvik
Arctic Village
Beaver
Beluga
Bettles
Birch Creek
Boundary
Central
Chalkyitsik
Chandalar
Chandalar Lake
Chicken
Chistochina
Chitina
Chuathbaluk
Circle
Coldfoot Camp
Copper Center
Crooked Creek
Deltana
Dot Lake
Dry Creek
Eagle
Eagle Village
Evansville
Flat
Fort Greely
Fort Yukon
Fortuna Ledge
Gakona
Galena
Georgetown
Grayling
Gulkana
Healy Lake
Holy Cross
Hughes

Huslia
Kaltag
Kennicott
Kenny Lake
Koyukuk
Lake Minchumina
Lime Village
Livengood
Manley Hot Springs
Marshall
McCarthy
McGrath
Medfra
Mentasta Lake
Minto
Nabesna
Nenana
Nikolai
Northway
Nulato
Ophir
Rampart
Red Devil
Ruby
Russian Mission
Shageluk
Slana
Sleetmute
Stevens Village
Stony River
Takotna
Tanacross
Tanana
Tazlina
Telida
Tetlin
Tok
Tonsina
Tyonek
Venetie
Wiseman

MEMORANDUM

To: Senator Paskvan, Co-Chair
Senator Wagoner, Co-Chair
Senate Resources Committee

From: Representative Alan Dick, Sponsor

Date: March 29, 2012

RE: HJR 32 - REMOVE WOOD BISON FROM ENDANGERED LIST

I respectfully request that HJR 32 be scheduled for hearing before the Senate Resources Committee at the earliest possible convenience.

The resolution asks Congress to remove wood bison from protected status under the Endangered Species Act.

Removing them from the list would be the single most important action that could be taken to facilitate their reintroduction and recovery – as it would remove the obstacles that have prevented their reintroduction. It is their status as protected, and the onerous restrictions that accompany them, that have kept them from being released into the wild in Alaska.

For questions related to this bill, please contact my legislative aide, Paul Verhagen at 465-2847.

Alaska State Legislature

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Representative Alan Dick

House District 6

Sponsor Statement

HJR 32: Wood Bison

A Resolution urging The United States Congress to remove wood bison from protection under the Endangered Species Act of 1973 and to grant control of wood bison in Alaska to the state.

The Alaska Department of Fish and Game (ADF&G) has been working to re-introduce wood bison into Alaska for many years. Wood bison are listed as an endangered species under the Endangered Species Act. The introduction of an endangered species into the wild brings with it significant restrictions on resource development and felony charges if they are harmed or hunted.

Under certain circumstances waivers of some of these restrictions are available and ADF&G has worked hard to negotiate such waivers. Last year they successfully concluded negotiations with the United States Fish and Wildlife Service (FWS) and were preparing to release them into the wild when FWS notified them that a lawsuit had been filed challenging whether or not a protected species could ever be hunted.

At that time FWS notified ADF&G that it was willing to proceed with the rest of the negotiated agreement but not the hunting provision. ADF&G wisely elected not to proceed until such assurances are guaranteed. Although the hunting issue has since been resolved, in recent years numerous lawsuits, and petitions for injunctive relief, have been filed seeking to overturn already negotiated agreements or prevent new waivers from being approved.

An ever increasing number of these petitions or suits have been successful, thus the certainty of the negotiated rules cannot be guaranteed by the United States Fish and Wildlife Service - which removes the assurance that the waivers are intended to provide. If wood bison are reintroduced into the wild while they remain on the protected list hundreds of thousands of acres (if not more) of interior Alaska could be

added to the over 200 million acres of coastal Alaska that have recently been locked-up by the addition to the list of polar bears and beluga whales alone.

As a result there are only three reasonable responses to the current situation.

1. Work to facilitate their removal from the ESA by asking congress to intervene and remove them from the list as they did recently with the grey wolves in the Lower 48 states.
2. Release them onto an island and allow them to proliferate there until they are removed from protection at which time they could safely be reintroduced onto previously occupied lands.
3. Do not reintroduce wood bison into the wild in Alaska, even with negotiated agreements, as long as they remain on the ESA's threatened or endangered list.

HJR 32 addresses the first response.

ALASKA STATE LEGISLATURE
REPRESENTATIVE ALAN DICK

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"STRONG VALUES IN UNCERTAIN TIMES"

Alatna
Allakaket
Alcan
Aniak
Anvik
Arctic Village
Beaver
Beluga
Bettles
Birch Creek
Boundary
Central
Chalkyitsik
Chandalar
Chandalar Lake
Chicken
Chistochina
Chitina
Chuathbaluk
Circle
Coldfoot Camp
Copper Center
Crooked Creek
Deltana
Dot Lake
Dry Creek
Eagle
Eagle Village
Evansville
Flat
Fort Greely
Fort Yukon
Fortuna Ledge
Gakona
Galena
Georgetown
Grayling
Gulkana
Healy Lake
Holy Cross
Hughes

Huslia
Kaltag
Kennicott
Kenny Lake
Koyukuk
Lake Minchumina
Lime Village
Livengood
Manley Hot Springs
Marshall
McCarthy
McGrath
Medfra
Mentasta Lake
Minto
Nabesna
Nenana
Nikolai
Northway
Nulato
Ophir
Rampart
Red Devil
Ruby
Russian Mission
Shageluk
Slana
Sleetmute
Stevens Village
Stony River
Takotna
Tanacross
Tanana
Tazlina
Telida
Tetlin
Tok
Tonsina
Tyonek
Venetie
Wiseman

HJR 32 Summary of Changes Version B to Version X (3.2.12)

- Removed unnecessary "whereas" statements.
  - Ver. B, p.1, lines 8-10,
  - Ver. B, p.2, lines 9-16.

- Distinguished between the State of Alaska and Department of Fish and Game in a few locations.
  - Ver. X, p1, line 10;
  - Ver. X, p3, line 5.

- Changed repeated references to the Endangered Species Act of 1973 to "The Act".
  - Ver. X, p1, lines 6, 14;
  - Ver. X, p.2, lines 13, 17, 21;
  - Ver. X, p.3, line 4.

- Noted that the Alaska Department of Fish and Game has successfully managed Plains bison in Alaska for more than 70 years.
  - Ver. X, p. 2, line 31.

- Added clarifying statements.
  - Ver. X, p.1, lines 11-12, 15;
  - Ver. X, p.2, lines 1, 6-7, 31.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSHJR 32(RES)**
Fiscal Note Number: **1**
(H) Publish Date: **3/2/12**

Identifier (file name): HJR32-LEG-COU-2-23-12
Title: "Urging the United States Congress to remove wood bison from protection under the Endangered Species Act..."
Sponsor: Representatives Dick, Austerman
Requester: House Resources

Dept. Affected: Legislature
Appropriation: Legislative Council
Allocation: Session Expenses
OMB Component Number: 782

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial Version

Prepared by: Jessica Geary, Finance Manager — Phone: 465-6626
Division: Legislative Affairs Agency — Date/Time: 2/23/12 4:20pm
Approved by: Pamela Varni, Executive Director — Date: 2/23/2012
Legislative Affairs Agency

(Revised 1/17/2012 OMB)

FISCAL NOTE #1

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSHJR 32(RES)

Analysis

This Legislation has zero fiscal impact on the Legislative Affairs Agency.

Index of Supporting Information for CS HJR 32

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   Operating on Quicksand – 2 pages
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   Useful information
3. Quotes from ADF&G's publication *Wood Bison News* - 6 pages
   More Details of Wood Bison Situation
4. News Articles
   Congress Removes Wolves from ESA – 3 pages
   Judge allows congress to remove wolves from ESA – 2 pages
5. What's the Cost?
   Private Property versus Public Use – 3 pages
6. An Alternative Perspective on the ESA
   "As a registered Republican in the District of Columbia, I have some experience and a special concern for endangered species". – 3 pages
7. Wolf Recovery
   Political Ecology and Endangered Species (Old but comprehensive discourse) – 25 pages
8. Rebuilding the Ark
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9. Alaska Department of Fish and Game Support
   Yes, we are supportive of this resolution – 1 page
10. ADF&G *Wood Bison News* - Issue 6
    Most Current Issue – 8 pages

Operating on Quicksand

The wisdom of voluntarily subjecting ourselves to the strings that are attached to bringing in an animal that is *already* on the threatened or endangered list is worth careful consideration.

With the addition of just one animal to the list (the polar bear) our state has already had more land "locked up" than all the land granted to us by the federal government at the time of statehood.

Last year Representative Dick filed HB186 in an effort to prevent the Alaska Department of Fish and Game (Fish and Game) from introducing wood bison into the state without approval by the legislature. Between then and now import things have happened with regards to the Endangered Species Act.

After several states spent years working to get grey wolves removed from the list they found themselves extremely frustrated when one court would rule in their favor and another court would rule the opposite.

Eventually they took their case to congress. In a surprise move, congress intervened and exempted the grey wolf from the Endangered Species Act and made their decision "not subject to review by the courts".

From our perspective a similar action by congress would resolve our problems - the bison could be released into the wild *without* the restrictions that come with the act and they could be managed by our State Department of Fish and Game – just as the plains bison have been successfully managed for over 70 years.

In an effort to urge Congress to intervene on our behalf we are seeking this House Joint Resolution that encourages congress to exempt wood bison from the act.

Representative Dick recently received a letter from Geoff Haskett, Regional Director of the United States Fish and Wildlife Service (Fish and Wildlife Service).

Regional Director Haskett takes issue with some of the statements we've made in the resolution and explains that Fish and Wildlife Service has worked closely with Fish and Game in an effort to release the bison into the wild.

We acknowledge that the Service is diligently working to comply with the rulings from the numerous cases that are making their way through the courts. The ink is barely dry on the last ruling before the next ruling is out! That is the point we are making - Fish and Wildlife Service is constantly chasing a moving target and the situation is only getting worse.

The Endangered Species Act may have been created with the best of intentions by people with a sincere concern for the environment, many of whom are working diligently to accomplish those goals – but today it is also being exploited by litigants whose goals appear to be not so much to protect endangered species or the environment but rather as a means of accomplishing other purposes. The consequences are that group after group brings suit after suit and one after another of the resulting rulings invalidate

agreements that were painstakingly worked out by the stakeholders. This undermines the purpose of the act.

While referring to the wolf issue the Secretary of the Interior, Ken Salazar, said

> "The fact is, after years of lawsuits, wolf de-listing got stuck in unacceptable gridlock, acrimony and dispute. The debate was consuming Fish and Wildlife Service resources that could be spent recovering other species."

We don't lay this issue at the feet of the Fish and Wildlife Service. They have no choice but to respond to the suits that are filed, but it is becoming increasingly clear that there are other forces with other agendas that are at work here. James Thompson from the University of Wyoming is quoted as saying[1]:

> "wolf recovery is [only] a 'stalking horse' for the larger issue of land use change." Even environmentalists have admitted that "on the deepest level the issue of...wolf recovery is not about wolves. [Instead] it is about control of the west" (Askins 1993:5). Simply put, environmental-ists are using wolf recovery and the Endangered Species Act to run ranchers out of the country and to thwart multiple use of public lands. It is also a way for animal-rights and antihunting groups to ban all hunting and use of wildlife. Is this what Congress had in mind when it passed the Endangered Species Act? There is no evidence to even remotely suggest that it is".

In the same letter Regional Director Haskett disagreed with our position that – as a result of litigation, implementation of current law serves to defeat its original purpose.

He offers proof that our assertion is wrong by stating that for over 35 years the ESA has prevented the probable extinction of hundreds of species (a position that many disagree with) – but we are *not* disagreeing with what may have happened in the past. We are pointing out that after many years of working towards the goal there are still no wood bison roaming the wilds of Alaska and, as clearly stated by wood bison biologist Bob Stevenson, in the Department's publication *Wood Bison News*, it *was* because of litigation:

> "recent litigation has raised a question about whether the FWS can allow hunting of a species that are protected under the ESA...The result is that the ESA regulations have been delayed".

Regional Director Haskett states that after extensive communications with the Washington office the service director reached a decision that supports future hunting of wood bison – but that underscores our point that *we are all operating on quicksand*. What if regional director Haskett had not gone to bat for us? And nothing guarantees that his successor will be as accommodating as he is or that even he himself will remain free in the future to be as accommodating as he may have been.

Director Haskett concludes his letter with assurances that the Service is working with the state to designate Alaska's wood bison as a nonessential, experimental population that would provide the state with the assurances that they have requested. But the bottom line is that if wood bison weren't under the "protection" of the Endangered Species Act they would already be wandering the wilds like the plains bison are and there wouldn't be any fear of our lands and resources being locked up. And if there weren't elements working against the assurances that Alaska wants, it would not have taken this many years to get to the point that we're still not there.

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[1] http://www.independent.org/publications/policy_reports/detail.asp?type=full&id=6

Why are plains bison living in Alaska?

> Plains bison originally lived only in southern Canada and in the lower 48 states. They were introduced to Alaska in 1928, and four herds of plains bison totaling about 900 animals now live in the state. Wood bison would not be released near existing herds of plains bison to maintain the genetic integrity of the subspecies.

http://www.adfg.alaska.gov/static/species/speciesinfo/woodbison/pdfs/bison_faq.pdf

Cost to state to hold Wood Bison in captivity:

> It's costing the state about $100,000 per year to house, feed and care for the bison, the state's wood bison biologist, Bob Stephenson at ADF&G in Fairbanks, said.

http://www.adfg.alaska.gov/static/species/speciesinfo/woodbison/pdfs/woodbison_news6.pdf

There's nothing else can hold us back:

> "There's nothing else that can hold us back at this point," wildlife planner Randy Rogers with the Alaska Department of Fish and Game in Fairbanks said this week. [August 2010]

http://www.adfg.alaska.gov/static/species/speciesinfo/woodbison/pdfs/woodbison_news6.pdf

ESA Regulation Issue Delays Wood Bison Release:

Due to a delay in completing regulations under the Endangered Species Act (ESA) the release of Wood Bison to the wild will be delayed until 2013 or beyond.

http://www.adfg.alaska.gov/static/species/speciesinfo/woodbison/pdfs/woodbison_news6.pdf [p. 1]

"The 10(j) rule would designate wood bison in Alaska as a nonessential experimental population, provide protection for other land uses and resource development and allow the state to have the lead role in managing wood bison populations. It would also prevent the designation of critical habitat."

http://www.adfg.alaska.gov/static/species/speciesinfo/woodbison/pdfs/woodbison_news6.pdf [p. 1]

...under section 4(d) of the ESA, which would specify the sideboards of state management and allowable "take" of wood bison.

http://www.adfg.alaska.gov/static/species/speciesinfo/woodbison/pdfs/woodbison_news6.pdf [p.1]

In Fall 2010 it appeared that the draft regulations would be published in the Federal Register, accomplishing their central purpose of ensuring that releasing a new species onto the landscape would not interfere with other resource development activities. However, these plans hit a snag due to factors not directly related to wood bison, as we explain below.

http://www.adfg.alaska.gov/static/species/speciesinfo/woodbison/pdfs/woodbison_news6.pdf [p.1]

One of the key provisions in the draft 4(d) rule was to recognize that once bison populations reached a level that could support a sustainable harvest (about 400 animals), regulated hunting would be allowed based on principles outlined in management plans developed by the state in cooperation with land owners, FWS and other agencies, and other interested parties. ADF&G has always been committed to the principle that the benefits of wood bison restoration including harvest must be shared by local residents, other Alaskans, and eventually visitors to our state.

http://www.adfg.alaska.gov/static/species/speciesinfo/woodbison/pdfs/woodbison_news6.pdf [p.2]

However, recent litigation has raised a question about whether the FWS can allow hunting of a species that are protected under the ESA. As a result, FWS recently indicated that at this time they are not prepared to authorize future harvests of populations of listed species (except for certain kinds of "take" otherwise authorized under the ESA) that have been designated as non-essential experimental. In March 2011, FWS informed ADF&G that they could either publish a proposed rule by the end of April 2011 without a provision allowing future hunting, or wait for several months until the issue could be further discussed and hopefully resolved.

http://www.adfg.alaska.gov/static/species/speciesinfo/woodbison/pdfs/woodbison_news6.pdf [p.2]

ADF&G decided that the ESA regulations must provide certainty in terms of allowing a future harvest and that the issue is too important to be deferred to a future regulatory process. The result is that the ESA regulations have been delayed.

http://www.adfg.alaska.gov/static/species/speciesinfo/woodbison/pdfs/woodbison_news6.pdf [p.2]

Wood Bison News – Issue Number 1, Winter 2005

The future legal status of wood bison in Alaska was recently clarified following a review by the U.S. Fish and Wildlife Service (FWS). The Alaska Department of Fish and Game also reviewed the issues surrounding the legal status of wood bison and agrees with the conclusion reached by FWS. Wood bison are listed as a threated species by Canada and as a foreign listed species in Canada under the U.S. Endangered Species Act (ESA). Because the species is listed in Canada, certain permits are required to import or export wood bison. In October 2004, the FWS determined that should wood bison be restored to Alaska the ESA would not need to be modified to add the imported population as endangered or threatened and that it does not intend to revise the list to include domestic wood bison populations. This means that wood bison in Alaska would have the same legal status as other resident wildlife and would not be listed as threatened or endangered in the U.S.

ADF&G has been exploring the possibility of restoring wood bison since 1991, in cooperation with various U.S. and Canadian agencies, tribal governments, and public groups.

Wood Bison News - Issue Number 3, Spring 2007

The members of this diverse advisory group showed a willingness to work together to achieve the common objective of returning wood bison to the wild in Alaska.

ADF&G believes that wood bison restoration in Alaska represents an outstanding wildlife conservation opportunity and that wood bison restoration will ultimately provide benefits for local and non-local hunters and wildlife viewing enthusiasts. It is clear that wood bison are compatible with other wildlife species in the state and can play an important role in restoring and maintaining natural processes. The wood bison restoration project also has significance beyond Alaska. Wood bison restoration in Alaska would help to achieve several goals in Canada's Wood Bison Recovery Plan and will contribute to international efforts to restore the ecological role of bison throughout North America.

AWCC has worked closely with ADF&G for several years to develop the capacity to serve as a temporary holding facility for wood bison stock for restoration efforts.

In 2003, the U.S. Fish and Wildlife Service transferred 13 wood bison to AWCC. There are now 22 animals in the wood bison herd, and additional calves are expected this spring. About 65 acres in three separate enclosures have been set aside for wood bison.

Additional wood bison that could be imported from Canada in early 2008.

we hope to import wood bison stock from Canada in winter 2007–08, and complete preparations to release wood bison into the wild by spring 2010 or 2011.

Wood Bison News - Issue Number 4, Winter 2008-09

Last June Alaska's wood bison restoration effort moved closer to the goal of reestablishing wild populations when **53 young wood bison were transported** by truck from Elk Island National Park

(EINP) near Edmonton over 2,000 miles **and released** at their temporary home **at the Alaska Wildlife Conservation Center (AWCC).**

The successful transport is an important milestone in the restoration effort, which had its beginnings in the early 1990s, when Athabascan elders in the Fort Yukon area shared historical accounts describing how bison were an important resource for interior Alaska Natives as recently as a few hundred years ago. It is not often that we have an opportunity to restore an indigenous species to large expanses of high quality habitat in its original range. There is a lot of work left to do, but we are now a big step closer to seeing wood bison, one Athabascan name for which translates as "***big, hefty one on the land***," roaming free again in interior Alaska.

Many people submitted comments emphasizing the importance of both local and non-local hunters having opportunities to share in future harvest of wood bison.

Several comments addressed the status of wood bison under the Endangered Species Act (ESA). Most of these comments emphasized the need for ADF&G to continue to work with the U.S. Fish and Wildlife Service (USFWS) and others to ensure that any risk of wood bison restoration interfering with other resource development is minimized.

There were a significant number of comments that recommended putting wood bison on state lands at Minto Flats where implementation costs would be lower because of road access and which is largely under the control of state land managers and the Alaska Board of Game.

Because there is little to no federal land in the Minto Flats area the Alaska Board of Game will have responsibility for decisions about subsistence use and future harvest allocation.

In 1978, the Committee on the Status of Endangered Wildlife in Canada initially assessed wood bison as endangered. This status was improved to threatened in 1988, thanks to successful recovery actions under the Canada National Wood Bison Recovery Program.

Since 1967, Elk Island has provided disease-free [plains] bison for reintroduction throughout North America. Established as Canada's first wildlife sanctuary in 1906, then declared a national park in 1913, Elk Island is Canada's only entirely-fenced national park. Located less than an hour away from Edmonton, Elk Island National Park protects the wilderness of the aspen parkland, one of the most endangered habitats in Canada. This beautiful oasis is home to herds of free roaming plains bison, wood bison, moose, deer, and elk. Also boasting over 250 species of birds, the park is a bird watcher's paradise.

Both Commissioner Lloyd and Larsen specifically thanked Bob Stephenson for conceiving the concept, working with Athabascan elders to document the presence and use of bison, and continuing efforts to restore the species in Alaska over the past 15 years.

Close to 15 years were required to reach this first step. On June 19th, 53 wood bison bolted out of the livestock vans in which they had spent the previous 50 hours into an enclosed area at the Alaska Wildlife Conservation Center at Portage, Alaska. ***Finally, the wood bison project was REAL!***

Status of Wood Bison Under the Endangered Species Act Revised
By Bob Stephenson

As was explained in the wood bison Environmental Review, the U.S. Fish and Wildlife Service (FWS) made a determination in 2003 that although wood bison are listed as "endangered in Canada" under the Endangered Species Act (ESA), wood bison brought into Alaska would not need to be listed as endangered. In December 2007, during the process of reviewing ADF&G's application for an import permit, the FWS revised this determination. A November 2008 letter from the Director of the FWS states, "The wood bison is listed as endangered wherever found and, as such, would retain its endangered status if introduced into the United States." In this letter the FWS also expressed support for the state's effort to reestablish free-ranging wood bison in Alaska. Because at times in the past

there had been public opposition to proposed reintroductions of endangered species due to concerns about restrictions on other land uses and activities, in 1982 Congress added a provision to the ESA to designate specific reintroduced populations of endangered species as "nonessential experimental populations" (NEPs). This is the provision of the ESA has been used for the reintroduction of wolves into Yellowstone National Park, black-footed ferrets, condors and other species. Under an NEP designation regulatory restrictions can be considerably reduced to make the reintroduction more compatible with other land uses.
ADF&G is working with FWS to designate wood bison in Alaska as an NEP. This will help ensure conservation of wood bison, minimize the potential for regulatory conflicts with other land uses great deal of time and effort to develop that support. However, without it there is no doubt in my mind we would have failed to get this far. There were times during the past decade and a half when the project was "half a bison hair" from being stopped. It is only through the growing and unflinching support of many organizations, agencies, and members of the public that we now have wood bison stock to use in restoring these animals in the wildlands of Alaska.
The essence of my message is a simple "thank you." There are too many individuals and organizations for me to name them in this short piece. But, as they say, you know who you are. Each and every contribution in time, money, or moral support was absolutely critical for the all-important first step of getting wood bison from Canada to Alaska.

While this change in the status of wood bison under the ESA adds to the complexity of the project, in the long run this approach will prevent legal challenges that could be more disruptive to the project and other land uses.

On November 4 and 5 about 18 people participated in a successful effort to move 32 wood bison through the recently completed bison handling facility at AWCC. The handling involved the bison transferred to AWCC in 2003 as well as their offspring.

Wood Bison News - Issue Number 5, Fall 2010

This winter we will initiate planning and prepare for the first release of wood bison in the lower Innoko River area in spring 2012.
A release in 2012 depends on completion of several important tasks.

Concern about possible impacts on other resource development activities due to the Endangered Species Act (ESA). As people who have been following the wood bison project may recall, in 2007 ADF&G proposed to begin planning for the Minto Flats site first. In January 2009 Doyon, Ltd., the regional Native corporation for interior Alaska, distributed a report that outlined their concerns that wood bison reintroduction could result in restrictions on oil and gas or other resource development. The state is also concerned about potential effects on resource development due to the ESA and wants to proceed with wood bison reintroduction in the most cautious and prudent manner possible to ensure that other resource development activities are not impeded. As a result, the Governor's Office asked ADF&G to work with the Alaska Department of Natural Resources (DNR) to evaluate the potential for other resource development at the three sites being considered for wood bison restoration and other areas to determine where wood bison could be reintroduced with the least risk to other resource development

Doyon is actively exploring for oil and gas on Yukon Flats and Minto Flats. There is also a proposal to construct a natural gas pipeline from the North Slope to Anchorage and one possible route would cross the eastern edge of Minto Flats. DNR is proposing to move forward with the Nenana-Totchaket agricultural project west of Nenana and is concerned that if wood bison are reintroduced on Minto Flats it might result in conflicts with agriculture similar to those involving the Delta plains bison herd. There is less potential for oil and gas or mineral deposits and no major resource developments proposed at the present time within the lower

Innoko wood bison area. The proposed Donlin Creek mine is located about 30 miles southeast of potential wood bison habitat; however the prospect is located in hilly terrain where wood bison are not likely to go.

At AWCC there are about 40 cows old enough to have calves and eleven bulls old enough to breed.

At AWCC, we currently have 6 five-year-old bulls and 5 ten-year-old bulls.

There are now 80-some wood bison at AWCC and Mike tends to them every day.

Wood bison are currently listed as "endangered" under the ESA, but the two regulations that will be proposed later this year would change this status. One is a special rule that will designate wood bison in Alaska as a "nonessential experimental population," or NEP, under section 10(j) of the ESA, and then specify how they will be managed. The special rule is designed to promote the conservation of wood bison and ensure that other land uses and natural resource development projects are not impeded by complications related to the ESA. Critical habitat cannot be designated with a NEP designation in place, The special rule will also allow "incidental take" so that if wood bison are harmed or killed during resource development or other lawful activities, enforcement actions will not be taken. FWS is also reevaluating the current ESA listing as endangered and may change the status of wood bison to "threatened" throughout their range, or possibly remove wood bison from the list of endangered species. The proposed rules are likely to be published in late 2010. Once public comments have been evaluated, final rules will be published, and FWS hopes to finalize the NEP designation late next summer.

Bison cannot be released until the NEP designation is in place, and an Environmental Assessment (EA) has been completed according to the requirements of the National Environmental Policy Act. The EA will be available for public comment at the same time as the proposal to designate wood bison in Alaska as a NEP.

The State of Alaska will not reintroduce wood bison until regulations are in (Continued from page 9) place that will prevent adverse effects on other resource development activities that are important to Alaska's economy.

The testing program includes the bison imported from Elk Island National Park (EINP) Canada in June 2008 ("2008 group"), the bison which had been transferred to AWCC by the U.S. Fish and Wildlife Service in 2003 ("2003 group"), as well as all offspring that have been born at AWCC.

The first handling in Alaska was conducted in November 2008 and involved only the 32 bison in the 2003 group.

In February 2010 we conducted the third health testing operation. This handling was more challenging. The entire herd of about 80 bison had to be handled twice in less than a week to conduct the USDA certified "caudal fold" test for TB.

Births and Deaths Thirty nine calves have been born since wood bison first arrived at AWCC in 2003. We have not encountered any infectious disease issues other than parasites, but there have been 16 mortalities, with 11 of those since March 2009. While we can determine the cause of some deaths (e.g., traumatic injuries such as fighting or goring from other bison), in other cases the cause of death is not entirely clear. (39 births minus 16 deaths leaves an increase of 23 over the total number imported).

Wood Bison News - Issue Number 6, Summer 2011

Due to a delay in competing regulations under the ESA the release of wood bison into the wild will be delayed until 2013 or beyond.

The 10(J) rule would designate wood bison in Alaska as a non-essential experimental population, provide protection for other land uses, and resource development and allow the state to have the lead role in managing wood bison populations. It would also prevent the designation as critical habitat. This would be accompanied by a special rule, under section 4(d) of the ESA,… would specify the allowable take of wood bison.
(paraphrased: This negotiated section required that once the herd reaches 400 animals that the state could allow hunting by local residents, other residents and eventually visiting hunters - as a management tool.)

However recent litigation has raised a question about whether the FWS can allow hunting of species that are protected under the ESA. (page 2)

NOTE: This is an example of why we are concerned. ADF&G can negotiate an absolutely perfect agreement with FWS under the 10(J) or 4(D) sections but anyone with enough money (like the numerous environmental interests) can file a law suit and a federal judge somewhere, who has nothing to do with Alaska, can rule that the agreement is invalid.

ADF&G decided that the ESA regulations must provide certainty in terms of allowing a future harvest and that the issue is too important to be deferred to a future regulatory process. The result is that the ESA regulations have been delayed. The first release cannot be implemented in 2012 as planned and will have to be delayed until 2013.

NOTE: Given the above how can ADF&G expect certainty when lawsuits can and are being filed regularly and are resulting in regular changes to how the ESA is implemented? The only certainty that we have is that a present there are no wood

bison in the wild in Alaska. Unless and until wood bison are removed from the ESA lists (and all resulting litigation is resolved) we should not release wood bison into the wild in Alaska.

Our herd at AWCC is a healthy growing herd with 102 bison. This spring 18 calves were born. …We grew concerned when five animals died between January and April.

There is a page in this issue that explains the action of the finance subcommittee relating to wood bison and Representative Dicks bill – HB 186 and how it could affect the release of wood bison into the wild.

The point has arrived when many people are wondering why we would even consider proceeding with such a project for the sake of a hundred head of wood bison when so much is at stake with doing so.

It is clear that the intention of the environmental groups is to lock up all of Alaska through whatever means are available to them. After successfully locking up hundreds of millions of acres along our coasts by means of the Polar Bears, Beluga Whales, etc. they have now turned their efforts to get Plains Bison onto the threatened or endangered list which would then result in locking up many thousands of more acres in the Delta, Farewell, and Copper River portions of the Interior. And if the state is foolish enough to put Wood Bison on the Ground in the Lower Yukon massive amounts of additional acreage could be locked up in that part of the interior as well.

The New York Times

April 12, 2011

Congress, in a First, Removes an Animal From the Endangered Species List

By **FELICITY BARRINGER** and **JOHN M. BRODER**

Congress for the first time is directly intervening in the Endangered Species List and removing an animal from it, establishing a precedent for political influence over the list that has outraged environmental groups.

A rider to the Congressional budget measure agreed to last weekend dictates that wolves in Montana and Idaho be taken off the endangered species list and managed instead by state wildlife agencies, which is in direct opposition to a federal judge's recent decision forbidding the Interior Department to take such an action.

While the language on the Rocky Mountain wolves was a tiny item in budgetary terms, environmental groups said it set an unnerving precedent by letting Congress, rather than a science-based federal agency, remove endangered species protections.

The rider is the first known instance of Congress' directly intervening in the list. While Congress overrode the protections extended to a tiny Tennessee fish called the snail darter about two decades ago, it did so by authorizing the construction of a dam that had originally been tabled to protect the fish. In that case, Congress did not overturn scientists' findings about the fish's viability.

There are myriad restrictions and budget cuts for environmental initiatives in the proposed budget. Most appeared modest compared to the more drastic cutbacks in the original House budget. Federal agencies were still working through the extensive and complex list provided by Congress on Tuesday, trying to determine what their impact might be.

Among the cuts were $49 million from programs relating to climate change, $438 million from programs supporting energy efficiency and renewable energy, $638 million from environmental cleanup efforts by the Defense Department and $997 million from revolving funds through which the Environmental Protection Agency provides money for local water treatment and pollution cleanup programs.

The budget rider on the wolves, backed by two Western legislators — Senator Jon Tester, Democrat of Montana, and Representative Mike Simpson, Republican of Idaho — requires the Interior Department to adopt its earlier plan,

removing wolves from the endangered list in those two states because it deemed that the states' management plans, which include hunts of the animals, were acceptable.

The rider also precluded judicial review of this provision.

The wolf issue has great political resonance among the ranchers and hunters of Montana. The first group is concerned about livestock; the second about declines in elk and moose herds. Senator Tester is up for re-election in 2012.

The fact that the department is being required to do what it had originally intended to do did not take the edge off arguments from environmental advocates that Congress had crossed a crucial line.

Michael T. Leahy, the Rocky Mountain region director for the group Defenders of Wildlife, said in an interview Tuesday, "Now, anytime anybody has an issue with an endangered species, they are going to run to Congress and try to get the same treatment the anti-wolf people have gotten."

A spokeswoman for Interior Department said it would have no comment on the budget rider.

State officials want the population culled because of the threat wolves pose to elk, moose and deer. Ron Aasheim, a spokesman for the Montana Department of Fish, Wildlife and Parks, said Tuesday, "We need to be able to manage them as a state to balance them with other wildlife and landowner impacts pertinent to livestock."

The two sides had recently reached a proposed settlement of a federal lawsuit brought by environmental groups against the Fish and Wildlife Service and Idaho and Montana officials. But the judge, Donald W. Molloy, rejected the settlement.

Ken Salazar, the interior secretary, declined to comment on how all the proposed cuts would affect operations at his department. He did note that the agency responsible for regulating offshore oil and gas development would get an increase in money, allowing it to hire dozens of new inspectors, scientists and other officials.

Interior Department officials would not discuss the bill's elimination of a program to expand wilderness areas in the West, a program prized by Mr. Salazar but bitterly opposed by many lawmakers from the region who argue that it will limit development of natural resources, hunting and recreational uses of public lands.

The National Park Service and the Fish and Wildlife Service take relatively modest cuts.

Conservation programs at the Department of Agriculture will be reduced by $800 million, while the agency's Environmental Quality Incentives Program will be cut by $350 million, essentially ending its financing for the rest of the fiscal year, officials said.

An E.P.A. spokesman, Brendan Gilfillan, said agency staff members were reviewing the spending measure. "We will have more details when that review is complete," he said.

Justin Gillis contributed reporting from New York.

http://www.nytimes.com/2011/04/13/us/politics/13wolves.html?_r=1&ref=us&pagewanted=print

Thursday, August 04, 2011

Montana judge allows Congress to remove wolves from endangered species list

Julia Zebley at 10:46 AM ET

[JURIST] A judge for the US District Court for the District of Montana [official website] ruled [order, PDF] Wednesday that Congress' removal of the Northern Rocky Mountain Wolf [Yellowstone Insider backgrounder] from the Endangered Species Act (ESA) [materials], not through amending it but through attaching a "wolf rider" to an appropriations bill, was legal. As a result, state hunting quotas to control the wolf population will be allowed in Idaho, Montana, Oregon, Washington and Utah. Judge Donald Malloy, citing a similar Ninth Circuit ruling as binding, declared the move lawful, if not distasteful:

This case presents difficult questions for me. The way in which Congress acted in trying to achieve a debatable policy change by attaching a rider to the Department of Defense and Full-Year Continuing Appropriations Act of 2011 is a tearing away, an undermining, and a disrespect for the fundamental idea of the rule of law. The principle behind the rule of law is to provide a mechanism and process to guide and constrain the government's exercise of power. Political decisions derive their legitimacy from the proper function of the political process within the constraints of limited government, guided by a constitutional structure that acknowledges the importance of the doctrine of Separation of Powers. That legitimacy is enhanced by a meaningful, predictable, and transparent process.

Plaintiffs in the suit, the Center for Biological Diversity [advocacy website] were disappointed [press release] in the outcome: "Although wolf numbers have risen, the job of wolf recovery in the northern Rocky Mountains is far from complete." The Interior Department [official website] also released a statement [text] on Wednesday stating that the wolf recovery plan was a success and hunting can begin anew.

Controversy began over the Northern Rocky Mountains Wolf in 2009, when US Fish and Wildlife Services [official website] removed [federal registrar notice, PDF] them from the ESA, after a controversial Interior Department memo was published that several animals should be taken off the list despite their numbers not being at a sustainable level. However, Fish and Wildlife Services only gave control of the wolf population to state governments in Montana and Idaho, restricting the wolves in Wyoming under Federal guidelines. In August 2010, Judge Malloy ruled that it was improper to remove restrictions in one jurisdiction and not another, and put the wolves back on the ESA entirely. In response, the "wolf rider" was

attached to the Department of Defense and Full-Year Continuing Appropriation Act of 2011 [materials] bill, which became law in April. This reissued the previous rule, including the restrictions for hunting in Wyoming

A Reprint from *Tierra Grande*, the Real Estate Center Journal

What's the Cost?
Private Property, Public Use

By Charles E. Gilliland

Currently, many property owners and environmentalists are locked in a controversy about the need for compensation when environmental regulations limit property uses. Essentially this disagreement results from divergent concepts of the nature of private property rights. This article explores these two views, outlines the fundamental difference between them and explains why compensating owners may provide a superior result when compared with a purely regulatory approach.

Traditional View

The implementation of various environmental laws, but most notably the Endangered Species Act, has created a confrontation between property owners on one side and environmentalists and government agencies on the other. This dispute centers on rival concepts of the basic nature of private property rights that ultimately focuses on the methods used to finance environmental preservation. The traditional view of private property is founded on the belief that individuals have a right to gain the fruits of their labors. By combining their industry with land, individuals create wealth and thus are inherently justified in claiming exclusive rights to the property they own.

Responding to this belief, the founding fathers incorporated protection for private property in the Bill of Rights by barring government's taking private property for public purposes without compensating the owners. The goal is to leave a property owner economically whole when a public taking becomes necessary and to have the public share the cost of a public project.

Protected by this Fifth Amendment guarantee, owners have the incentive to pursue the wisest use of their property guided by the preferences and mores of society. Personal gain from increasing values leads owners to produce the goods that are in demand. As a result, property owners generally conserve and care for their property rather than exploit or destroy it recklessly. Without these guarantees, individuals have few incentives to conserve resources.

Two centuries of American development have institutionalized the eminent domain process to provide just compensation for public takings of private property. When roads, dams, floodways and other public projects require private property, owners receive monetary or in-kind settlements that reflect the market value of their properties prior to the taking. Creation of national wildlife refuges on private lands resulted in compensation to owners. As national parks and national forests expanded, owners were compensated with cash or land. Although owners sometimes feel short-changed, the eminent domain process has served well to transfer property to public projects while leaving the previous owners economically intact.

Providing for preservation of endangered species and wetlands appears to fit this time-honored tradition. In creating the Aransas Wildlife Refuge that serves as home to the whooping crane, for example, the government purchased and permanently set aside an area for the endangered species. This process left private property owners' wealth unchanged and provided a home for the threatened creatures. Similar preserves could be acquired for more recently identified endangered species.

Alternative Perspective

For several reasons, proponents of environmental preservation reject the idea of compensating owners for losses resulting from regulations. The Endangered Species Act regards all threatened creatures as deserving equal protection. Species such as the pacific yew may hold secrets for treating cancer and provide valuable service to countless generations. Accumulating these benefits indicates an enormous value for such a specie. Because no one knows which specie harbors this kind of potential use, all species, including non-descript beetles, blind salamanders, prairie chickens and pandas, are equal under the act. Thus, the benefit of salvaging each endangered specie is assumed to be infinite.

Since the act was adopted, the numbers of species classified as endangered have multiplied. Currently, U.S. Fish and Wildlife Service lists 632 endangered species in the United States (January 1994). The public budget simply cannot stretch far enough to purchase a home for them all. Requiring compensation to property owners would necessitate choosing which species can be preserved within budget constraints. Current law, however, does not contain a mechanism for making such choices.

Another view of property rights eliminates the need to compensate current owners for restrictions on property uses. Under this doctrine, nonowners have a stake in the way owners manage properties; current owners then are stewards temporarily entrusted with the property to preserve it for the public and for future generations. From this perspective, property is not a justified claim but rather an entitlement granted to individuals by the public stakeholders.

Property ownership then becomes similar to a driver's license, which can be revoked or modified at any time. Owners–or licensees–can pursue only those activities that have been approved by licensing authority. In other words, any land use not previously approved by the

government conceivably could be prohibited unless the government first grants permission. Government could even bar previously allowed uses as societal values change.

These differing views have collided as agencies have fashioned regulations to accomplish the objectives of various environmental laws. For example, the Endangered Species Act makes it a crime to "take" an endangered creature, be it bald eagle or beetle. The act further defines *take* to include harassment of the creature in question, and the U.S. Fish and Wildlife Service has extended the law to cover modification of habitat even when the endangered creatures are not present. These actions have forbidden many previous property management practices such as removing cedar, building fences or even driving a tractor near the endangered animals.

The celebrated cases of the spotted owl in the Northwest and red-cockaded woodpecker in the South illustrate the effects of this kind of regulation. In another widely known case, the act precluded California homeowners from plowing firebreaks around homes near Los Angeles because the area contained habitat for an endangered kangaroo rat. As a result, several homes that could have escaped destruction burned to the ground when wildfires swept through southern California. Similar cases have been documented throughout Texas and the nation. Property rights advocates believe that such regulations restrict entire areas of privately owned land to use as endangered species habitat. Advocates of the alternate view believe the regulations simply preserve endangered resources without changing property rights.

To Take or Not To Take

Many landowners and property rights advocates view these regulations as a serious abrogation of their property rights. They reason that such regulations clearly preclude or severely restrict profitable uses of their land and, in effect, take their property without just compensation. They retain the obligations of property owners but no longer reap the benefits. Few, if any, potential buyers want property with such restrictions in place. Because of this decrease in demand, the market value of their holdings has markedly diminished. The regulations have provided a good to society, namely preservation of endangered species, while imposing the cost on selected property owners.

Advocates of the entitlement view of property insist that a "taking" has not occurred. Rather, they believe, the actions instituting the regulations reflect a change in social values that places a premium on preserving the rapidly diminishing biodiversity of the earth. Under this system, owners can still use their property as they choose if the use does not transgress these new societal norms. Property owners have not lost the right to use their property in another fashion, these advocates contend, because they never really had that right in the first place. This kind of regulation is similar to the adoption of zoning without grandfathering; the regulations are simply adjusting behavior to the new social climate. This view holds that compensation should not be required.

The new societal norms reflected by this view see private habitat modification as an enormous cost to this and succeeding generations. By prohibiting any modification, the government keeps current owners from imposing those costs. From this perspective, the action is much like barring landowners from dumping pollutants on others.

On the other hand, private owners of land with endangered species habitat have managed their property in a manner that has sustained habitat. Because there has been no mechanism to pay them for that activity, these owners have provided this benefit to society without compensation.

Battleground

Battles surrounding property rights issues currently are being fought in the courts, in congress and in the court of public opinion with much of the controversy focusing on just compensation issues. In 1960, the Supreme Court ruled in the case of *Armstrong vs U.S.* that the costs of providing public goods should not be imposed on selected individuals. Consequently, if preservation of endangered species is a public good, the cost of preservation should be spread to all beneficiaries. Dealing with regulatory impact on land values in the *Lucas* case, the U.S. Supreme Court ruled that new regulations destroying all or substantially all of the economic value of an owner's property require compensation to that owner. Now the *Dolan* case, argued before the U.S. Supreme Court in March 1994, has the potential to further clarify the circumstances when regulation requires compensation.

Meanwhile, environmentalists are urging congress to renew the endangered species act with its current provisions intact. In response, some property owners have organized to protect private property rights. Property rights advocates are pushing for legislation that specifies when regulation becomes a "taking" requiring compensation. Further, these groups are lobbying to amend environmental acts to require compensation when regulations become burdensome. Finally, property rights advocates believe that all environmental legislation should require reasonable cost-benefit analyses before regulations are imposed.

Search for Cooperation

Although this struggle appears to affect only selected property owners, the outcome has broad implications. First, restricting property use may cause values to fall. Second, if owners are not compensated for declines, their net worth will fall, reducing their ability to participate in economic activity. Even with reimbursement, the value of property-based assets will decline. Lenders have begun to express concern about this potential new source of risk. Because of the prospect of value losses, lenders may reject these properties as security for loans, leading to reduced borrowing power among property owners. Third, declining values on affected properties may reduce tax bases and force local taxing jurisdictions to raise tax revenues from the remaining pool of value. And finally, government actions that seem to so readily restrict control of property because of endangered species lessens the certainty of everyone's property rights.

The regulatory approach taken on this issue excludes private property owners from active participation in the solution. In fact, property owners are also part of the public with unique opportunities to contribute to the solution. The current approach to these property owners ignores the potentially powerful influence of compensation in pursuit of environmental goals.

Precedents for reaching a cooperative solution exist. Faced with continuing erosion on fragile lands throughout the country, environmentalists, agricultural policy administrators and farmers and ranchers cooperated to establish the Conservation Reserve Program (CRP). The CRP made soil conservation, an environmental good, a priority for landowners by providing direct payments to owners or operators. The program consisted of a ten-year lease agreement between farmers and the government during which the farmer returned highly erodable cropland to grass with no grazing taking place. Between 1986 and 1992, more than 36 million acres were enrolled in this program, preserving an average of 19 tons of soil per acre per year. In this case, landowners were enlisted as partners in the drive to reduce soil erosion.

Compensation may further contribute to the solution because it imposes discipline on all sides in the decision-making process. Studies demonstrate that individuals respond one way when choosing between costly alternatives for which they bear no cost and another way when the choice requires money from them. Not surprisingly, individuals consume more of a good when someone else pays for it than they do when acquisition requires a personal sacrifice.

When individuals can opt for endangered species preservation without defraying part of the cost, they will likely opt for preservation at all cost. Further, without compensation, landowners have the incentive to adopt management practices that discourage endangered species from entering their land and to limit the amount of available habitat. Without lease payments, it is unlikely that CRP could have produced the more than 375,000 individual contracts that it elicited.

As history has demonstrated, governments can redefine the bundle of rights held by property owners. However, our traditional regard for property owners' rights have made compensation the norm, and owners are unlikely to surrender the use of their property without compensation or a prolonged struggle. Perhaps a more cooperative approach based on recognizing current owners' contributions to the drive to restore endangered species would achieve the desired results at a minimum cost. Because of the large numbers of species and extent of their habitat, compensating owners could be so costly that the public would not support blanket preservation. If budget constraints preclude outright purchases, perhaps leases similar to the CRP contracts could be devised or government could fashion a tax credit for owners who promote habitat production.

Given the potential pitfalls of the current course, a search for alternatives based on eliciting cooperation may yield a more effective method of achieving the objectives of environmental legislation. Without cooperation, the goal of environmental preservation will be subject to a continuing series of legal and political battles.

Dr. Gilliland is an associate research economist with the Real Estate Center at Texas A&M University.

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An Alternative Perspective on the Endangered Species Act

by William A. Niskanen

William A. Niskanen is Chairman of the Cato Institute.

Smithsonian Earth Day Conference on Biodiversity, Washington, D.C.

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As a registered Republican in the District of Columbia, I have some experience and a special concern for endangered species. My brief remarks tonight are best summarized as follows:

> Long live the Endangered Species Act of 1969.

As you may know, the first general federal measure to protect endangered species was approved in 1966. That act authorized the Secretary of Interior to identify species of native fish and wildlife threatened with extinction and to purchase habitat for their protection and preservation, and directed all federal agencies to protect these species and preserve their habitats "insofar as is practicable and consistent with [the agencies] primary purposes."

The 1969 act maintained the general structure of the 1966 act but expanded the authority to purchase land, broadened the potentially protected species to include invertebrates, and authorized the Secretary of Interior to list foreign species threatened with worldwide extinction and banned the importation of these species except for narrow scientific purposes. So far, so good. That was a law that we could live with.

The general structure of the law, however, was changed substantially by the Endangered Species Act of 1973, with minor amendments in later years. Two provisions of the 1973 act were probably desirable by themselves. The scope of protected organisms was broadened to include threatened species, endangered subspecies, and regional populations. And the limit on spending from the Land and Water Conservation Fund that could be used to purchase habitat was removed. These changes acknowledged that the choice of which organisms to protect and how much to spend to maintain their habitat are basically political decisions that should not be subject to arbitrary scientific or fiscal restraints.

Section 4 requires that species be listed "without reference to possible economic or other impacts." In a 1978 case, the Supreme Court interpreted this language to conclude that "the value of endangered species is incalculable", a listed species must be protected "whatever the cost", and that the language of the act "admits no exception." Such language, in effect, prevents a political decision about whether it is worthwhile to protect a specific organism.

Section 7 prohibits any action by a federal agency that would jeopardize a listed species or substantially modify its habitat. The most important of other federal activities, apparently, is subordinate to the interests of the least significant rat, roach, or weed on the endangered species list.

Section 9 states that no person may "take" a listed organism, where "to take" has been defined to include "acts to annoy it to such an extent as to significantly disrupt essential behavior patterns." This section is outrageous in at least four dimensions:

- This section turns our constitutional protections against government taking of private property upside down. In effect, this section expropriates any listed organism and its habitat without any of the three constitutional tests of due process, public use, or just compensation. Any private action that interferes with this newly asserted government right, then, is considered a taking and the basis for a penalty.
- This section is grossly unjust, by imposing the cost of a national or global public good on the owners of specific properties, rather than some national tax base.
- The power to take private property without compensation leads to inflated demands by those most concerned about biodiversity, because the demand for increasing the list of endangered organisms is not limited by the value of alternative uses of federal revenues.
- This power leads to counterproductive behavior by the owners of private property, who have a strong motiive to destroy the habitat of organisms before they are listed or determined to be on their property.

Given these major sections of the Endangered Species Act of 1973, one should not be surprised that by its history of rapidly increasing costs and few apparent benefits. As with most regulations the costs to government, estimated at $290 million in 1992, are only the tip of the iceberg. The total cost of the recovery plan for a single species can run into billions. The accumulation of reports of the effects on individual property owners should be sufficient witness to the injustice of the distribution of the private costs.

Most of the political pressure to date has been to increase the protected list, and the Fish and Wildlife Service has responded at an accelerating rate--adding 26 species a year through 1989, 68 species a year from 1990 through 1993, and 72 in the first half of 1994. The Service is now considering 400 additional listings by October 1996.

By several measures, however, the benefits of this act are small. A total of 21 species have been removed from the protected list--7 were declared extinct, 12 due to incorrect listing, one due to the ban on DDT prior to the act, and one unexplained recovery. The status of those species on the protected list is no more encouraging. Of the 711 species on the protected list in September 1992, the status of 10 percent were improving, 28 percent were stable, 33 percent were declining, the status of 27 percent were unknown, and 2 percent were thought to be extinct. Less than 60 percent of the listed species had a recovery plan and of these, more than 80 percent had not achieved half of the objectives in their plan. One wonders what purpose is served by further additions to the protected list when the success rate has been so low to date. Faced by this same record, however, supporters of this act seem to conclude that "When at first you don't succeed, redouble your effort."

Federal endangered species legislation must be substantially restructured. Current law would lead to a progressive restriction on other federal activities and private land use, a spreading revolt of small property owners and local governments, and slower economic growth--without any reason to expect an improved record of protecting endangered species. The basic features of an Endangered Species Act that would be effective, efficient, just, and constitutional, I suggest, are the following:

- Return to the basic structure of the 1969 act or, at a minimum, deleting sections 4, 7, and 9 from the 1973 act.
- Broaden the Land and Water Conservation Fund to include any federal subsidies or purchase of easements to preserve wetlands and historic properties as well as the habitat for endangered species. The allocation of funds among these several objectives would be based on a periodic political decision. This would put several environmental constituencies in competition with each other to make the case to Congress and the administration to spend more for their specific objective.
- Endow this fund with the net federal revenues from offshore oil and gas leases, the Alaska Natural Wildlife Reserve, and the sale of federal land. This would give the environmental constituencies a stake in the economic value of these properties and encourage a reallocation of land from uses with low relative environmental values to uses with higher relative environmental values.

One effect of an Endangered Species Act with these basic features would be to restore the role of politics on the decisions about how much to spend on various environmental activities and on the balance between the protection of endangered species and other federal activities. These political decisions would be informed by scientific, economic, and moral considerations but would not be subordinate to any one of these dimensions. I am prepared to acknowledge that the value of protecting any one endangered species is incalculable but it is not infinite, so the institutional challenge is to structure and inform the political choice--not to replace it.

One other effect is to limit the demands per biodiversity by how much of other environmental values one is prepared to forego to protect a specific species. At present, the demands for additional listing are nominally limited only by five dubious scientific criteria but are effectively driven by the political pressure from environmental groups.

A most important third effect is to reward property owners for maintaining or creating habitat for endangered species rather than penalizing them for a failure to do so. This would transform the incentives of property owners from counterproductive behavior to cooperative behavior and eliminate the gross injustice of forcing them to pay most of the cost of a national public good.

In conclusion, as my remarks should have made clear, I value biodiversity but it is not my only value. The endangered species that I most value are men and women who have the freedom to choose among the several conditions they value. And our challenge is to design institutions and decision processes in which these choices are most compatible with the value of others.

Again, long live the endangered species act of 1969.

And I wish that I had a comparable solution to protect the threatened taxpayers and endangered Republicans in the District of Columbia.

Thank you for your attention.

Wolf Recovery, Political Ecology and Endangered Species

January 2, 1996
by **Charles E. Kay**

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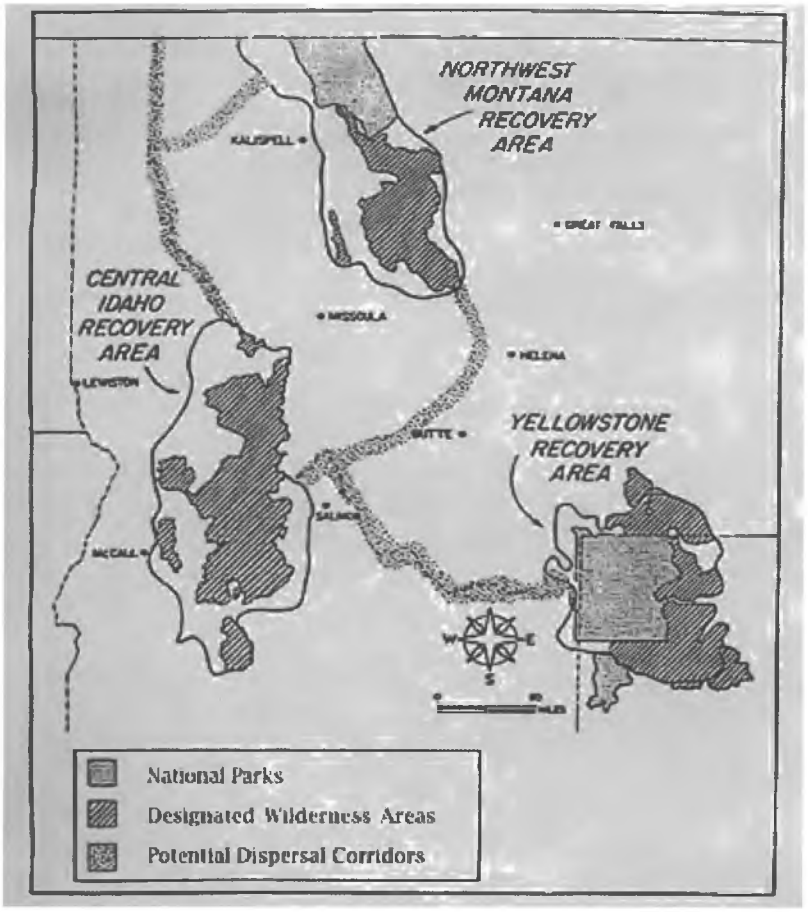
The federal government and environmental groups who would like to see wolves returned to the West under protection of the Endangered Species Act (ESA) claim that the public supports wolf recovery, and that science is on their side. The former director of the National Park Service, for instance, was quoted as saying that "there is little scientific basis for most objections being raised to wolf reintroduction" (Fischer 1987:30). Others contend that "half-truths and misrepresentation of facts continue to thwart" (Miller 1988:5) wolf recovery, and Defenders of Wildlife has said that people who oppose wolf reintroduction are "aggressively anti-science" (Neal 1992:A8). Are wolf proponents right? Or are there aspects of this issue that they have purposefully overlooked?

I am committed neither to having wolves in the West nor to keeping them out. I am committed, though, to science being used responsibly in policy debates, something I have not yet seen with wolf recovery. My analysis indicates that the federal government and other wolf advocates have taken liberties with the truth, with science, and with the Endangered Species Act.

NUMBER OF WOLVES

Far and away the most important aspect of the wolf debate is how many wolves we are talking about 100? 300? Or 2,000? The number of wolves is central to any discussion of whether predation will limit ungulate numbers, whether hunting might have to be curtailed or eliminated, and how much livestock depredation might occur. When Defenders of Wildlife first began to lobby for wolf reintroduction, they talked of "35 to 45 wolves" in all of Yellowstone Park (Randall 1981:31). This was echoed by an early National Park Service (1975:5) report, which said, "the final numbers [of wolves] that would winter within the park and be compatible with other interests on adjoining lands are expected to range between 30 and 40 wolves." Now plans call for 10 wolf packs totaling approximately 100 wolves in Yellowstone.

In 1987, the U.S. Fish and Wildlife Service finalized its recovery plan for wolves in the northern Rocky Mountains as mandated by the Endangered Species Act. Besides Yellowstone, the plan addresses wolf recovery in northwest Montana and central Idaho (see Figure 1). According to that document, if a minimum of 10 wolf packs breed in any one recovery area for three successive years, the wolves in that area are to be downlisted from endangered to threatened status. When at least 10 breeding pairs have been maintained for at least three successive years in all three recovery areas, wolves are to be completely removed from the Endangered Species List. While the wolf is listed as either threatened or endangered, hunting and trapping are not to be permitted except by agents of the federal government who may remove individual wolves that prey on livestock (U.S. Fish and Wildlife Service 1987).



[**Figure 1.** Northern Rocky Mountain wolf recovery areas. This map is from the U.S. Fish and Wildlife Service's (1987) wolf recovery plan and shows how that agency has misled the public from the very start. Note that all the wolf dispersal corridors follow the Continental Divide or other mountaintops. Wolves, however, generally disperse in early spring, when those areas are all deep with snow, and they invariably disperse down valleys where there is little or no snow. This was well known before the U.S. Fish and Wildlife Service developed its wolf recovery plan, so the agency evidently lied when it developed this figure. Western valleys, after all, are mostly private land, and ranchers are worried that wolves will prey on their livestock. So if you are trying to promote wolf recovery, which is what the U.S. Fish and Wildlife Service has been doing, then the last place you want to tell the public wolves will be dispersing is through those people's backyards. By claiming that wolves would disperse along high mountain chains that are, for the most part, uninhabited and in public ownership, the U.S. Fish and Wildlife Service hoped to reduce public opposition to wolf reintroduction. Where wolves from Canada have naturally recolonized northwest Montana, those animals have not only dispersed along valley bottoms, but denned there as well.]

Government and environmental wolf advocates have assumed that breeding packs would contain, on average, 10 wolves. This implies that each recovery area would be downlisted from endangered to threatened at approximately 100 wolves. At 100 wolves in each of the three recovery areas, or 300 total wolves, the species would be removed from the endangered list. According to the U.S. Fish and Wildlife Service (1987:19), "the goal of 10 breeding pairs in each of three recovery areas was established after extensive literature review and consultation with a number of U.S. and Canadian biologists/wolf researchers," but the agency published none of that evidence. So how did the government actually arrive at these figures? And are they realistic?—that is, do they meet ESA requirements?

To find out, I filed an official Freedom of Information Act request with the U.S. Fish and Wildlife Service (Buterbaugh 1991). In reply, the agency admitted that it had "not contracted or undertaken any studies which deal with minimum viable populations of the Northern Rocky Mountain wolf," and added that "there are no records in the files of our Denver Regional Office or the Cheyenne Fish and

Wildlife Enhancement Office referencing any specific materials [which were] used in determining recovery numbers for the Northern Rocky Mountain wolf." I brought this to the attention of noted conservation biologist Dr. Michael Soule, who said, "My guess is that the 10-pack number is more a political than a biological threshold."

Because the U.S. Fish and Wildlife Service developed its recovery goals of 10 wolf packs and 100 wolves in each area with little, or no, supporting scientific evidence, all the government's recent wolf recovery reports, population models, and studies regarding possible impacts on big-game hunting are arbitrary and capricious. They represent not science but a masterful job of deception.

To meet the legal mandate of the Endangered Species Act and biological requirements for minimum viable population size, 1,500 to 2,000 wolves as one interbreeding population will be required (see Figure 2). Although the science of determining minimum viable population size is still developing, numbers alone are not the only criteria (Soule 1987). Genetic variation must also be considered. Maintaining genetic variability is important because inbreeding has serious consequences for the long-term health of any population. Restrictive mating systems, where a few individuals do the majority of breeding, greatly reduce a population's effective size.

Assume, for instance, that you have 10 breeding packs totaling 100 wolves. Since the alpha male and female are usually the only breeding individuals in each pack, a hypothetical population of 100 wolves in 10 packs has an effective breeding size of only 20 individuals per generation. To maintain genetic variation sufficient to cope with environmental uncertainty, and to guard against natural catastrophes, it is necessary to maintain populations of at least 1,500 to 2,000 individuals (Woodruff 1989; Thomas 1990). A Canadian study recommended a minimum of 1,450 wolves (Dueck 1990), and a recent U.S. study called for 2,000 (Dietz 1993).

Based on their arguments for large minimum viable populations in a host of other species—the northern spotted owl and the grizzly bear being the best-known examples—it is difficult to believe that environmental groups have not voiced similar concerns over wolf recovery goals in the West. After a federal court ruled that 2,180 pairs of, or approximately 4,500, spotted owls were necessary to meet ESA requirements (Boyce and Irwin 1990:134) and environmentalists sued demanding 2,000 grizzlies, why would only 300 wolves be enough? It appears that the 100-wolf recovery figures are little more than an elaborate confidence game orchestrated by the federal agencies and others.

The government proposed 100 wolves in each area, knowing that the numbers would not be enough to meet ESA requirements of minimum viable population size, and environmental groups did not object, knowing that 300 wolves would raise less political opposition than 1,500 to 2,000 wolves. Wolves arrive and increase to 300. The government moves to delist. Environmentalists sue and win. The wolf population is allowed to reach 1,500 or more. Environmentalists are happy, the federal agencies are happy, and the public realizes—too late—what has happened.

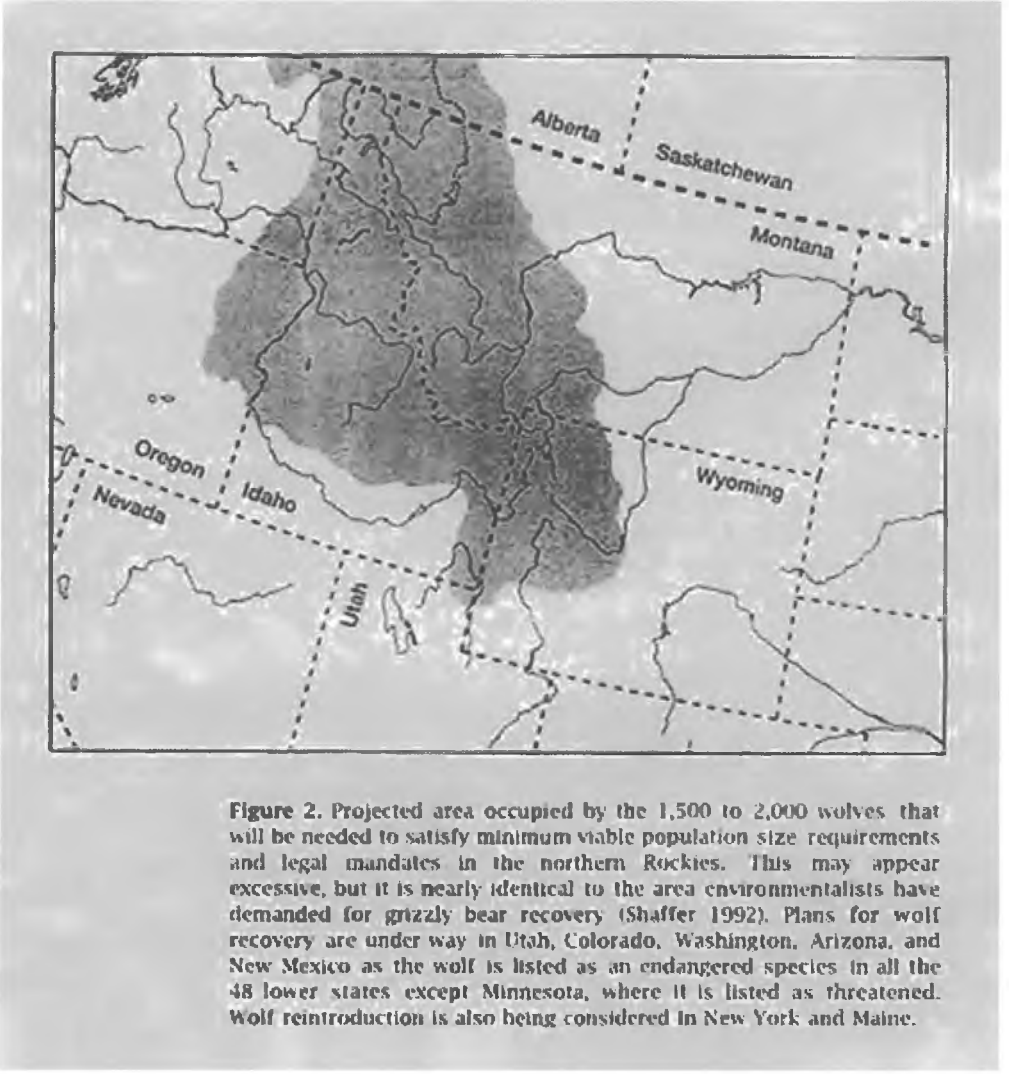


Figure 2. Projected area occupied by the 1,500 to 2,000 wolves that will be needed to satisfy minimum viable population size requirements and legal mandates in the northern Rockies. This may appear excessive, but it is nearly identical to the area environmentalists have demanded for grizzly bear recovery (Shaffer 1992). Plans for wolf recovery are under way in Utah, Colorado, Washington, Arizona, and New Mexico as the wolf is listed as an endangered species in all the 48 lower states except Minnesota, where it is listed as threatened. Wolf reintroduction is also being considered in New York and Maine.

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Minnesota provides an example of how the federal courts might rule on the legal question of what wolf population size will be required before that species can be delisted in the northern Rockies. In the early 1980s, an estimated 1,200 to 1,500 wolves occupied 13 to 17 million acres in Minnesota. At that time, the U.S. Fish and Wildlife Service proposed transferring wolf management authority to the state. This would have allowed wolves to be taken by hunters and trappers. In essence, though not in fact, the government moved to delist the wolf. The federal agencies were immediately sued by a consortium of 14 environmental groups led by Sierra Club and Defenders of Wildlife (Woodsum 1984).

In granting the plaintiff's request to prevent wolves from being returned to state management, the judge noted that the Endangered Species Act allows regulated taking (i.e., public hunting and trapping) only in the "extraordinary case where population pressures within an ecosystem cannot be otherwise relieved" (Sierra Club v. Clark, 577 F. Supp. 783, 1984; Defenders of Wildlife 1984). Based on this ruling, federal or state officials must be able to establish, by a preponderance of evidence, that

wolf population pressure in an ecosystem is so extraordinary as to warrant public hunting and trapping. Given the limited resources of the state and federal agencies and the biology of the species, it will be virtually impossible ever to meet the bur-den of proof established by the court under the Endangered Species Act. If 1,200 to 1,500 wolves were not enough to return that species to state management in Minnesota, it appears doubtful that 100 animals in each of three separate areas would be sufficient to delist wolves in the northern Rockies. There are now more than 2,000 wolves in Minnesota, yet the U.S. Fish and Wild-life Service still has not returned wolf management to the state.

There is also the additional problem of linkage. Wolves in Minnesota have now clearly surpassed the number needed to remove that species from the Endangered Species List (Harrison 1991), yet the U.S. Fish and Wildlife Service has no plans to delist the eastern timber wolf because wolf populations in the neighboring states of Wisconsin and Michigan are far short of the goals established under the Eastern Timber Wolf Recovery Plan (U.S. Fish and Wildlife Service 1978; Harrison 1991). Delisting the wolf in one area, Minnesota, is linked to wolf numbers in two adjacent states, so despite reaching the recovery goal in Minnesota, that wolf population will not be returned to state management, will not be subjected to hunting or trapping, will continue to increase, and will continue to expand its range throughout Minnesota and adjacent states. Wolves have already been reported in both North and South Dakota (Licht and Fritts 1994).

In fact, no one knows if the wolf population in Minnesota will ever be delisted. Wolves have been transplanted into Wisconsin and Michigan, but those animals, as well as natural migrants, have been killed by local residents. If the illegal killings continue and if those acts prevent wolf numbers in Wisconsin and Michigan from increasing, the wolf population in Minnesota will never be removed from the Endangered Species List under the present recovery plan. Even if there were 5,000 wolves in Minnesota, under current regulations, the species would not be delisted. This holds one state hostage to what happens in other areas.

A similar situation could develop in the northern Rockies. Remember that under the approved recovery plan, once wolves in any one of the three recovery areas reach 10 breeding packs (approximately 100 wolves) for three consecutive years, the population in that area will be downlisted from endangered to threatened status. That population, though, will remain under federal control, and hunting or trapping of wolves by the public will not be permitted. Only when all three areas simultaneously reach their recovery goals will the species be removed from the Endangered Species List and management returned to the states.

Assume that wolves are transplanted into or naturally reach central Idaho and Yellowstone (this has already occurred—see below). Say the wolves in Yellowstone reach their recovery goal of 100 animals and that the wolves already in northwest Montana do the same, but for whatever reason the wolves in central Idaho do not. Under this scenario and the present recovery plan, wolves in Yellowstone and Montana would remain under federal control, and those populations would be allowed to grow and expand their range. Even if there were 1,000 wolves in Yellowstone and another 1,000 in Montana, that species would remain on the Endangered Species List unless there were also at least 100 wolves in central Idaho. Sound far-fetched? Not at all. Remember, it is now happening with the eastern timber wolf.

Based on legal precedents and biological requirements for minimum viable populations, it is unlikely that published wolf recovery goals will withstand legal scrutiny or be upheld by the courts. Instead of about 300 total wolves, biology and legal precedents mandate 1,500 to 2,000 wolves as a continuous interbreeding population throughout the better part of Idaho, most of western Montana, much of western Wyoming, and perhaps even parts of eastern Oregon and Washington (see Figure 2). Needless to say, 1,500 to 2,000 wolves will have a much greater impact on ungulate numbers, hunting opportunities, and livestock operations than that projected in government reports. Since wolf populations can increase at 50 percent or more each year, and since wolves are known to disperse up to 200 miles or more, wolves will quickly repopulate the entire West.

It must also be remembered that the wolf is listed as an endangered or threatened species in all the 48 lower states and that plans are under way for wolf recovery in Utah, Colorado (Bennett 1994),

Arizona, and New Mexico. Washington state may already have more wolves than Montana. Wolf reintroductions are being considered for New York and Maine (Van Ballenberghe 1992), and the red wolf has already been released in the Southeast. Under the present Endangered Species Act, wolves must be restored to every state with suitable habitat; at least, that is how the act is being interpreted by environmental organizations.

When I (Kay 1993) first published this analysis of wolf recovery population goals, I was roundly condemned by the U. S. Fish and Wildlife Service. Subsequent events, however, support the analysis I have just presented. Montana and Idaho, for instance, recently issued draft plans for when wolf recovery will be turned over to state managers (Rachael 1995, Ream 1995). Both documents claim that 20 wolf packs are needed in each area before hunting and trapping will be allowed. Thus, they have effectively doubled the number of wolves needed to meet ESA requirements with as minimum of public review and without benefit of a supplemental EIS. Moreover, one environmental group has announced its opposition to delisting wolves in Montana, Idaho, and Wyoming until wolves are also fully recovered in Colorado (Anonymous 1995).

DO WOLVES LIMIT UNGULATE NUMBERS?

During the late 1800s and well into the mid-1900s, it was universally believed that predation in general, and wolf predation in particular, had a devastating impact on ungulate numbers. Wolves were considered such "a decided menace to the herds of elk, deer, mountain sheep [bighorns], and antelope" that the Park Service "exterminated" the wolf from Yellowstone by 1930 (Weaver 1978:9). Similar campaigns of eradication were common across North America. Public opinion, though, began to change during the 1950s and 1960s. Today wolves are seen by many as an integral part of the "balance of nature." According to this view, wolves rid the game herds of the sick, the old, and the unfit, so wolf predation actually benefits ungulate prey by preserving the health of the herds (Wilderness Society 1987:12; Glick et al. 1991:72; Thompson 1991).

These same people believe that wolves regulate their own numbers through social means, primarily territoriality, and therefore do not overutilize their ungulate prey (National Park Service and Fish and Wildlife Service 1990a:21, 1990b:1-57; Williams 1990:38). A corollary view is that wolf predation results in compensatory survival and natality in ungulate populations (National Park Service and Fish and Wildlife Service 1990b:3-42). According to this scenario, ungulate populations are food limited, and wolf predation, by removing some animals from the population, increases the food supply for the remaining ungulates. Since those animals are then better fed, they die less frequently and increase their birthrate, offsetting the effects of wolf predation. Scientific studies, however, have shown this logic to be an inappropriate representation of ungulate predator-prey systems.

Recent research in Alaska, as well as British Columbia, Yukon, Alberta, and other Canadian provinces, indicates that wolves and other carnivores limit ungulates more often than not (Seip 1989a, 1989b, 1991, 1992a, 1992b; Messier 1989a, 1989b, 1991, 1994; Bergerud 1990, 1992; Ballard 1991, 1992; Gasaway et al. 1992; Carbyn et al. 1993; Dale et al. 1994; Hatter and Janz 1994). These studies can be summarized as follows. (1) In many situations, wolves and other predators limit ungulate populations below the level set by food resources; that is, ungulates are not resource limited or "naturally regulated," and any compensatory response of the ungulate population to predators is not enough to offset predation losses. (2) Human predation and carnivore predation on ungulate populations are additive, not compensatory. (3) If grizzly or black bears are present, they often prey heavily on newborn and, to a lesser degree, adult ungulates. Wolf and bear predation are additive, not compensatory, and together they can have a major impact on ungulate numbers. In some areas, grizzlies kill more ungulates than wolves (Gasaway et al. 1992). (4) If ungulate populations have been reduced by severe weather, human hunting, or other causes, wolves and other predators can drive ungulate numbers even lower and maintain them at that level. This condition is commonly called a predator pit, and there is no field evidence that ungulates can escape from a predator pit even if hunting is banned, unless wolves and other predators are reduced by direct management actions, that is, predator control.

As Alaskan biologists have noted, "prey [ungulate] populations can reach extremely low densities under natural conditions, contrary to the 'balance of nature' concept" (Gasaway et al. 1983:6). Today, ungulate populations across most of Canada and Alaska are being kept at low levels by the combined actions of carnivorous predators even in areas where the ungulates are not hunted, such as in national parks.

It must be remembered that wolves limit ungulate numbers by reducing recruitment and increasing adult mortality, not by killing off all the game, instances of surplus killing notwithstanding. Take a hypothetical population of 100 adult female ungulates (for this analysis, we need not worry about the male segment of the herd). In any given year, a number of adult females die from natural causes, disease, or predation. When expressed as a percentage, this is termed the adult female mortality rate. In that same year, a number of calves or fawns are born, but those young also face disease, accidents, and predation, and only a few survive their first year of life to join the adult population. This is called the recruitment rate. For a stable population, recruitment must balance adult mortality. If recruitment is less than adult mortality, the population will decline, and if it is greater, numbers will increase (Bergerud 1990, 1992).

Research has shown that wolves and other predators prey most heavily on young-of-the-year, which lowers the recruitment rate of the prey populations. Predators also kill a few prime-age adults. By increasing adult female mortality and at the same time lowering recruitment, predators can cause ungulate populations to decline. Stabilizing recruitment for caribou is about 15 female yearlings per 100 cows. Caribou herds with few predators have recruitment rates of 20 to 40 per 100 cows, which allows those populations to increase, while caribou herds subject to heavy predation have recruitment rates of 10 or less (Bergerud 1990, 1992). So predation causes ungulate populations to gradually decline over time—wolves do not normally wipe out game herds in a single year or two.

This is what happened in Canada and Alaska (Seip 1989b). During the 1950s and 1960s, when wolf control was widespread and effective, game herds grew and the north country became known as a hunter's paradise. Government wolf control ended by 1970, and predator populations began to expand, but it took 10 years or longer before significant declines were seen in game herds. In Wood Buffalo National Park, for instance, there were approximately 12,000 bison when wolf control was terminated; today there are fewer than 3,500, and the population is still dropping. Wolf predation of calves has been identified as the primary factor responsible for that decline as the bison are not hunted (Carbyn et al. 1993).

Recent research has also demonstrated that multi-ungulate species systems, such as exist in Yellowstone and throughout the West, are actually less resilient than simpler predator-prey systems. Ungulate species vary in their susceptibility to wolf predation, and "wolves may limit the numbers of a more vulner-able, less abundant prey species [such as deer, bighorn sheep, or ante-lope] when wolf numbers are set by a less vulnerable, more abundant prey species," such as elk, moose, or bison (National Park Service and Fish and Wildlife Service 1990b:4-6). It has also been shown that wolves with access to alternative foods, such as that available at garbage dumps, maintain higher populations and reduce ungulate numbers to lower levels than would be possible if they did not have those other food sources (Crete et al. 1981). This is why bear predation can have a major impact on ungulate populations. Because the number of bears is determined primarily by vegetal foods, bears can take ungulates down to low levels without having an adverse effect on bear numbers.

Prior to European settlement in British Columbia, moose were virtually absent and woodland caribou were the most common ungulate. Wolves were rare because they were tied to den sites during the breeding season and therefore could not follow migrating caribou. Today, moose have spread throughout the province, permitting wolves to increase as they now have an alternative source of food. Those wolves, though, prey heavily on the more vulnerable caribou whenever the latter can be located. This has led to the widespread decline of woodland caribou in British Columbia. That is to say, caribou have declined because of the addition of moose to the predator-prey system (Bergerud et al. 1984; Bergerud and Elliot 1986; Seip 1989a, 1992a).

A similar situation may develop in Yellowstone and other wolf recovery areas where large elk populations could permit wolves to take smaller ungulate species, such as deer, to very low levels. In northern British Columbia, wolves caused a sub-stantial decline in the most vulnerable ungulate species and then switched to the next most vulnerable ungulate until it also declined. The wolves cascaded down the list of available ungulate species from the most vulnerable to the least vulnerable until all ungulate populations had been substantially reduced (Elliot 1989). Across Canada and Alaska, moose and caribou populations not subject to heavy predation have densities 10 times greater than populations where carnivore numbers are high (Bergerud 1990, 1992; see Table 1).

In its rush to wolf recovery, the U.S. Fish and Wildlife Service has tried to downplay the impacts wolves will have on western ungulate populations. While the agency has acknowledged that "wolves can play a role in depressing ungulate populations," it claims that "such conditions are not the norm in North America" (National Park Service and Fish and Wildlife Service 1990b:1-57). There is little evidence, however, in the original Alaskan and Canadian research studies to support this contention. The opposite appears to be more the norm; that is, predation depresses ungulate populations even when humans are allowed to kill predators.

The National Park Service and the Fish and Wildlife Service (1990a, 1990b, 1990c) also appear to have biased the computer codes on the two wolf-ungulate models they commissioned to support wolf recovery—those models predict that wolf recovery will have little impact on ungulate populations or sport hunting. In written testimony presented to the congressionally mandated wolf management committee, Dr. Robert Taylor, a noted modeler and predation expert, said in reference to one of the agencies' models that he was "forced to conclude that this is a wholly unacceptable effort. It relies on datasets of questionable utility...it employs obsolete simulation approaches, and it reflects inadequate attention to uncertainty in assumptions and parameters. Perhaps more serious, I do not see how it can be much improved."

Caribou population	Predation intensity	Mean caribou density (no./mi2)
Predators absent	None	19.30
Migratory herds	Moderate	2.80
Mountain herds	High	0.39
Eastern-forest herds	Extreme	0.08

[**Table 1.** The impact of carnivore predation on caribou populations in North America. In eastern Canadian forests where caribou have no effective antipredator strategy, wolves can take caribou populations to very low levels, especially in areas where wolves have alternative prey such as white-tailed deer. By dispersing to high-elevation areas to calve, mountain caribou avoid some of the effects of wolf predation, but wolves still have a significant impact on those herds. By migrating long distances, caribou can avoid most impacts of carnivore predation, but those populations still have lower densities than herds without predators. Long-distance migrations primarily evolved as a strategy to avoid predation, not as a strategy to secure additional food (Bergerud 1990, 1992; Seip 1991; Crete and Huot 1993:2295). Mean caribou densities from Seip (1991:47).]

While Taylor found that the other model (Boyce 1992) "contain[ed] some elements of a useful model for the YNP wolf-elk situation," he nevertheless added that it "falls short, however, in several aspects." According to Taylor, "the model is conceived in such simplistic terms that it cannot, at best, be expected to provide much more than a gross approximation to what will happen [if wolves are reintroduced because] it misrepresents the predatory impact of wolves and their internal population dynamics....The sensitivity analysis is inadequate, considering that many of the parameter values are mere guesses....The net effect of these problems is that none of the conclusions [on probable wolf-ungulate interactions] can be justified at this time." Since his testimony, Taylor obtained the computer codes for this model, made a single, yet reasonable, change to one of the model's assumptions of how wolves interact with their ungulate prey, and found that the model's output was drastically different from what has been published by the agencies; that is, the model is not robust.

Since the agencies modeled only the impact of 100 wolves in each of the three recovery areas, not 1,500 to 2,000 interbreeding wolves, since the models themselves are suspect, and since the agencies have not addressed the additive impacts of bear or mountain lion predation, the conclusion that wolves will have insignificant impacts on ungulate populations is not warranted and cannot be sustained. If these factors had been properly considered in a more realistic model, there is little doubt that the results would have been vastly different and would not have supported agency wolf recovery claims.

Environmentalists, however, like to cite Michigan's Isle Royale National Park as an example of a place where where large numbers of moose and wolves live in harmony (Mech 1970; Peterson 1977, 1995; Peterson et al. 1984; Peterson and Page 1988; McLaren and Peterson 1994). They also cite Isle Royale as proof that wolves have no effect on ungulate numbers. This, though, is incorrect because Isle Royale is not representative of predator-prey systems in the rest of North America. Moose densities on Isle Royale are 10 times higher than anywhere else in Canada where moose are subject to carnivore predation (Messier 1994). There are three major rea-sons for this difference.

First, of all North American ungulates, moose is the most difficult species for wolves to kill. If they have a choice, wolves will usually kill any ungulate besides moose. So the impact of wolves on Isle Royale's moose is less than if other ungulates inhabited the island. On islands off the Alaskan coast, for instance, introduced wolves killed off all the black-tailed deer (Merriam 1964; Klein 1970).

Second, there are no bears on Isle Royale. Again, this is not comparable to mainland situations; as noted above, it is generally the combined effect of wolf and bear predation that limits ungulate populations. In other words, where black and/or grizzly bears are common, as in the western parts of the United States and western Canada, the Isle Royale situation simply does not apply.

Third, as an island in Lake Superior, there is no immigration of wolves to Isle Royale. Moose first colonized the island in the 1920s, and a single pair of wolves arrived during the 1950s, but since that time no other wolves have reached the island (Wayne et al. 1991; Peterson 1995). Lake Superior seldom freezes, and Isle Royale is 20 miles from the mainland. Without immigration, when wolf numbers fall as the most vulnerable moose are killed off, the moose population rebounds faster than the wolves can recover. This allows the moose to "get ahead" of the wolves, something that does not happen in other areas. On the mainland, lone wolves and dispersing animals quickly reoccupy any area vacated by other wolves. This keeps wolf numbers high and allows those predators to exert a significant influence on their prey.

Finally, wolves and moose on Isle Royale do not represent some idyllic "balance of nature"; instead, that national park exhibits many signs of ecological degradation. Overgrazing has eliminated most understory shrubs and aquatic plants that moose prefer (Murie 1934; Hansen et al. 1973; Krefting 1974; Aho and Jordan 1979), and moose overbrowsing is so severe that even common tree species are declining (Brandner 1986; Risenhoover and Maass 1987; Brander et al. 1990; McLaren and Peterson 1994). By eliminating deciduous trees such as aspen, and at the same time promoting the dominance of unpalatable species such as spruce, moose have changed not only plant species composition but soil chemistry and soil fertility as well (Pastor et al. 1987, 1988, 1993; McInnes et al. 1992; Pastor and Naiman 1992). Clearly, moose overbrowsing has altered the eco-system over the entire island. Archaeologically and historically, there is no evidence that moose inhabited Isle Royale before the 1900s. Any moose that reached the island in pre-Columbian times would soon have fallen prey to Native Americans who, at least seasonally, inhabited Isle Royale (Kay 1994).

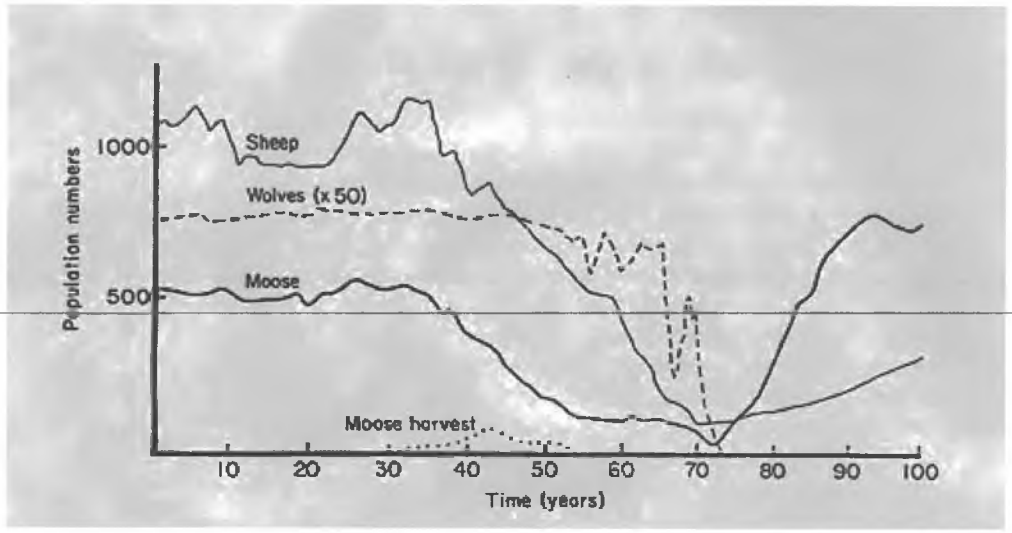
DO PREDATORS LIMIT HUNTING OPPORTUNITIES?

Sport hunting is a multibillion-dollar industry in the West (Loomis et al. 1985; Donnelly and Nelson 1986; Sorg and Nelson 1986; Duffield 1988). Not only is hunting important to economies in the area, but it is also a deeply held social tradition. So it is not surprising that many people have expressed concern about the impact wolf predation will have on western big-game herds and hunting opportunities. Groups who advocate wolf recovery, however, such as the National Parks and Conservation Association, contend that "fears over wolf impact on big-game hunting...are unfounded"

(Miller 1988:6). And according to government reports "sport hunting for any big-game species need not be eliminated or reduced just because wolves are restored" (National Park Service and Fish and Wildlife Service 1990a, 1990b:4-77 to 4-78, 1990c:6). This simply is not true, especially given the thousands of wolves that may ultimately come to inhabit the West.

With few exceptions, big-game guides and outfitters remain in business only if they can locate old-age male ungulates (i.e., trophy elk, trophy deer, etc.) for their paying clientele. Many local sports hunters also seek trophy animals. Fish and game departments in Wyoming, Montana, and Idaho are already under intense public pressure to improve the "quality" of big-game herds by managing for older-age males (Wildlife Division 1985; Montana Dept. of Fish, Wildlife, and Parks 1986). The departments have all instituted regulations that reduce male mortality so that their game herds will contain a greater proportion of older-age males. That hunters favor male ungulates is no secret. Even when either-sex permits are issued, hunters take an overwhelming preponderance of males.

Although it is commonly acknowledged that wolves and other carnivores normally kill a disproportionate number of young-of-the-year and old animals, few people realize that predators also take a disproportionate number of males. In one Minnesota study, over 70 percent of wolf-killed white-tailed deer were males, primarily older males (Mech and Frenzel 1971:41). Thus, there is little question that wolves and sport hunters would compete for many of the same animals. With a large population of wolves, fewer old-age male ungulates will be available to sports hunters. As in the case of Wood Buffalo National Park, wolves alone can completely eliminate any "surplus" ungulates that would otherwise be available for human consumption.



[**Figure 3.** Model of Alaskan wolf-ungulate interactions simulated under circumstances in which human harvest of moose triggered a decline in both predator and prey. Without hunting, wolf, moose, and Dall sheep numbers are low, but relatively stable. The addition of a small amount of human moose harvest, though, destabilizes the entire system. Even after hunting is halted, wolves continue to drive the moose population downward. The wolves then switch to Dall sheep and drive those numbers down as well. In this simulation, wolves go extinct before they can kill the few remaining ungulates, allowing prey populations to recover. Grizzly bear predation on newborn moose calves—and to a lesser extent, on adult moose—is also important in this system, but that factor was not modeled separately. Instead, grizzly predation was included in calculation of moose survival rates internal to the model. In this simulation, hunters removed less than 8 percent of the moose population annually, which is not an excessive harvest rate for systems without wolves, yet the moose population still declined. This illustrates the additive nature of wolf and human predation. In areas of Europe where predators are absent, hunters kill more than 50 percent of the fall moose population each year without any long-term decline in moose numbers. Adapted from Haber (1977) and Walters et al. (1981).]

The combined effect of sport hunting and wolf predation on a common ungulate prey can be seen in a computer simulation model developed for Alaska. Without hunting, wolf, moose, and Dall sheep numbers are low, but relatively stable. The addition of a small amount of human moose harvest, though, destabilizes the entire system (see Figure 3). Even after hunting is halted, wolves continue to

drive the moose population downward. The wolves then switch to Dall sheep and drive those numbers down as well. In this simulation, wolves go extinct before they can kill the few remaining ungulates, allowing prey populations to recover. This model was developed by wolf advocate Gordon Haber, and he uses it to call for a reduction of, or a ban on, sport hunting. According to Dr. Haber, ungulate populations subjected to wolf-bear predation can, at best, maintain a human harvest rate of only 6 to 7 percent, not the 20 to 30 percent common throughout areas of North America where wolves are absent (Warrick 1992).

The relationship of predators, ungulates, and hunting on a larger scale can be seen in a comparison of British Columbia with Sweden and Finland. Both areas are roughly the same size and contain approximately equal amounts of moose habitat. Yet during the 1980s, the overwinter moose population in Sweden-Finland numbered around 400,000 animals and was increasing, while the overwinter moose population in British Columbia numbered around 240,000 and was declining even though habitat was not limiting. Hunters in Sweden and Finland killed nearly 230,000 moose a year, whereas hunters in British Columbia har-vested only 12,000 to 14,000 animals per year (Child et al. 1991).

Although habitat conditions do vary, the overriding difference in the two systems is a virtual absence of predators in the Scandinavian countries. Wolves and bears are rare throughout Sweden and Finland, while wolves, grizzlies, black bears, and mountain lions are common in most of British Columbia. The effect of predation on hunting is seen when hunter harvest is compared to the size of overwinter moose populations. In Sweden-Finland, hunter harvest was 57 percent of the precalving moose population (Cedarlund and Sand 1991) while it was only 5 percent in British Columbia—an 11-fold difference. This suggests that unchecked predation by a combination of carnivores can reduce hunting opportunities by at least a factor of 10.

Simulation models of ungulate populations in eastern Idaho and along the East Front portion of northwest Montana's wolf recovery area indicate that where hunter mortality balances recruitment in stable ungulate populations, the addition of wolves will cause the game herds to decline. Those studies conclude that "the presence of wolves means that hunter harvest will likely [have to] be confined to male [ungulates] most of the time" (Peek and Vales 1989; National Park Service and Fish and Wildlife Service 1990b:3-164). In other words, antlerless seasons will have to be eliminated for many western ungulate herds because most of those populations are already subject to high levels of human harvest. So even if you are just a meat hunter, your hunting opportunities will decline precipitously as wolf populations expand to their full potential.

WOLF CONTROL

In its Northern Rocky Mountain Wolf Recovery Plan, the U.S. Fish and Wildlife Service (1987:33) claimed that "if predation on big-game herds is determined to be in significant conflict with management objectives of a state wildlife agency, wolf control that would not jeopardize wolf recovery would be considered." Other federal agencies have suggested that wolves may have to be killed "to control excessive predation on ungulates" (National Park Service and Fish and Wildlife Service 1990a:3). As one government report put it, "because some populations of prey [ungulates] that may be used by wolves are already harvested [by hunters] at near maximum sustained yield...it may indeed become biologically prudent to reduce wolf populations in some areas" (National Park Service and Fish and Wildlife Service 1990b:1-58). Is wolf control, though, a viable option? After reviewing the available evidence, I am forced to conclude that the federal government and other wolf advocates have mentioned wolf control only to placate sport hunters and to gain acceptance for wolf recovery, not as a statement of fact within the realm of even remote possibility.

Experience in Canada suggests that certain environmental groups will never allow wolves to be killed so that hunters can harvest more ungulates. Debate over British Columbia plans to experimentally reduce the number of wolves to see if ungulate populations would increase has been, to say the least, extremely political, protracted, and divisive (Archibald et al. 1991). In Alberta, ensuing controversy has prevented most wolf control (Gunson 1992). A spokesman for the 150,000-member Canadian Wildlife Federation declared that "wolf control should never be considered unless a prey [ungulate]

population is truly endangered, and the problem should always include a [total] ban on hunting" (Haley 1984).

Even in Alaska, where there are approximately 7,000 wolves, intense opposition, including several legal challenges, has effectively stopped the state's wolf control program. A recent proposal by the Big Game Board to kill 300 wolves to increase moose availability for subsistence and sport hunters was met with vocal objections orchestrated primarily by outside animal-rights organizations. Under a threatened international boycott of the state's tourist industry, Alaska's governor tabled plans for wolf control (Williams 1993).

Experience also suggests that opposition to wolf control is seldom ultimately based on scientific evidence, but rather on ethical and moral concerns (Clarkson 1989). Speaking on behalf of the World Wildlife Fund Canada, Monte Hummel (1989:140–42) asked, "Let's assume for the sake of argument that...in a politically neutral environment it can be scientifically shown that wolves are indeed the primary limiting factor on a given prey population, which incidentally I personally do believe to be true in many cases....Is it ethically justifiable to manipulate wild [wolf] populations to ensure that human predation [hunting] can be maximized?" The answer, he indicated, was no. A recent Canadian opinion poll found that 90 percent of the people surveyed were opposed to "killing of wolves to provide more big game for the hunting community" (Hoffos 1987:55).

Given these precedents, there can be little doubt that a wolf control program anywhere in the West would be subjected to intense scrutiny by the national media and the federal courts. The ensuing battle would pit sport hunters, ranchers, and others against antihunting and animal-rights groups from across the nation and around the world. Given the depth of emotions elicited in the past, the battle would be a political bloodbath. All parties in the western wolf debate should fully understand that wolf control, and especially wolf control to increase ungulate numbers for hunters, is unlikely to be allowed by the court of national public opinion, even if it were permitted by judicial courts. This, of course, assumes that wolves would somehow lose their endangered-species protection, for there is not a court in the land that would allow wolf control as long as that animal remains on the Endangered Species List.

It should also be realized that the wolf's impact on ungulate herds is really not a scientific issue with most wolf advocates. Their desire to have large numbers of wolves is based on value judgments (see below). As one person noted, "The wolf is almost a religious symbol to these people" (Dawson 1988). There is nothing wrong with value judgments. I object, however, when those arguments are shrouded in scientific cloth and the Endangered Species Act.

LIVESTOCK PREDATION

Most opposition to wolf recovery has come from livestock interests and their political allies. Even if wolves are somehow limited to only 100 animals in Yellowstone Park, approximately 20 to 40 wolves would disperse to surrounding areas each year, a fact whose significance has not been lost on ranchers bordering the park. In Montana, where wolves are naturally recolonizing the northern Rockies, individual wolves have moved "over 300 miles in just a few days" (Turner 1991) and one wolf was killed approximately 500 airline miles from where it was born (Pletscher et al. 1991; Ream et al. 1991). Even in areas with established wolf populations, wolves commonly disperse 30 to 100 miles, and dispersing wolves occasionally travel 400 to 500 miles. Stockmen are worried not only about how many of their sheep and cattle wolves may kill, but also about the costs associated with changing their management practices to accommodate wolves.

To alleviate these concerns, the U.S. Fish and Wildlife Service has developed interim wolf control plans for its northern Rocky Mountain recovery areas, including Yellowstone. According to those documents, wolves that prey on livestock will be killed or otherwise removed at the federal government's expense. The "control plans are based on the concept of wolf control to enhance propagation or survival of the species. Control of problem wolves is expected to reduce the hostility towards wolves that would result in illegal killing....[B]y removing the few wolves that kill livestock and [thereby] enhancing the survival chances of non-offending wolves, the FWS believes its control program will actually contribute to the

recovery of the wolf in the Northern Rocky Mountains" (National Park Service and Fish and Wildlife Service 1990b:1-29).

The federal agencies have also produced evidence showing that actual livestock depredations have been remarkably low in Minnesota, Alberta, and British Columbia (Fritts et al. 1992). Livestock operators, however, have questioned the applicability of those data to the western United States. They point out that the situations may not be comparable because the topography is different, ungulates make longer seasonal migrations, and colonizing wolves may behave differently than established populations, and besides, wolves in Canada can be shot on sight; that is, those wolves are not protected by the Endangered Species Act. Experience with Montana's naturally recovering wolves tends to support their concerns.

Most ungulates in the northern Rockies winter at low elevations near private lands and domestic livestock. Wolves would have to winter in those same areas, and they would probably also den there because pups are born early in the spring while most ungulates are still on their winter ranges. The ungulates, however, usually migrate to higher-elevation summering areas before wolf pups can leave their dens. This would place breeding wolves with high food demands in areas with few wild ungulates but abundant livestock. These circumstances may force wolves to prey on livestock to support their growing young.

This appears to be what has happened in Montana. For whatever reason, wolves outside of the Glacier National Park–North Fork of the Flathead area, where there are few livestock, have all denned in valley bottoms in relatively close proximity to humans. They have not stayed in wilderness areas. To date, nearly every one of those wolf packs has eventually turned to livestock and has had to be controlled. Based on the pattern observed in Montana, reintroduced wolves may cause a number of problems for neighboring ranchers. Within a week or so after wolves were transplanted to central Idaho in early 1995 (see below), one of those animals had already turned to killing livestock (Burns 1995). When wolves eventually reduce game populations (see above), the wolves will then be forced to kill even more livestock.

In Canada and Minnesota, the government compensates ranchers when they can prove that wolves killed their livestock, but this is not true in the western states. The federal government has no wolf compensation program, nor do state agencies; thus, wolf-killed livestock is another example of the government taking private property under the Endangered Species Act without compensation. In response to these concerns and in an effort to enhance wolf recovery by preventing "the development of a shoot-on-sight mentality," Defenders of Wildlife raised $100,000 to compensate ranchers for animals that will be lost to wolves. Those claims, though, must first be verified by federal agents or local officials (Fischer 1989, 1995). While this has been hailed by most wolf advocates as a good-faith effort on their part, it has been soundly criticized by the radical environmental group Earth First!, which sees Defenders' compensation program as another sub-sidy to ranchers. It believes wolves have "earned their right to be here merely by being native to North America. Earth First! favors a ram-it-down-their-throat approach" (Skeele 1991).

For their part, many ranchers are not entirely pleased with Defenders' compensation program, claiming that they are not raising animals to feed to wolves or other predators. Other ranchers have pointed out that Defenders will compensate them only for the market value of their dead livestock. For instance, if a wolf-killed cow had a market value of $600, the rancher would be given a check for that amount. The ranchers, on the other hand, claim that it actually costs them more than $600 to replace that cow. They point out that there are time costs and other expenses involved in (1) finding the kill, (2) getting a government agent to verify the kill, and (3) obtaining a replacement animal from a distant market and transporting it back to the ranch.

My personal experience with insurance suggests that the ranchers' position has some merit. When I first heard this argument, I must admit, I did not give it much thought—until I was robbed. While conducting research in Yellowstone, someone cut the back out of my tent and stole all my camping equipment. First I had to report the theft and have the sheriff fill out a report (verify the kill); then I had to deal repeatedly with my insurance company before receiving compensation; and finally I had to

replace all the lost equipment. Not only was my regular work schedule interrupted, for which I received no compensation, but I also spent the better part of two days finding and buying replacement equipment. The nearest town of any was 80 miles away, which would also be true if one had to buy livestock at auction. All in all, this experience convinced me that livestock interests have raised a valid point that should be given due consideration. Moreover, there is also a major problem in proving that missing livestock were actually killed by wolves.

Although some have viewed Defenders' compensation program as an innovative free-market approach to endangered species preservation, others claim it is only a public relations ploy designed to promote wolf introductions. As opponents note, Defenders has said that it will pay for verified livestock losses only as long as wolves are on the Endangered Species List (Fischer 1995). So when wolf populations become high and livestock losses increase, Defenders will no longer compensate ranchers. In addition, since Defenders' program has no force in law (Fischer 1995), it can be terminated at any time even if wolves are still on the Endangered Species List.

The federal agencies have stated that when wolf "depredations on livestock occur, control actions are imperative" and that offending animals will be dealt with "quickly and effectively" (National Park Service and Fish and Wildlife Service 1990b:1-55). The Park Service has stated that "wolves will be easy prey for trappers if killing them should become necessary" (Wise 1987). Experience in Montana, however, suggests that it may be difficult and expensive to control offending animals. When a pack of six wolves killed livestock on the Blackfeet Indian Reservation, government trappers were summoned to remove the offending animals. By its own admission, the federal government spent $41,000 on that wolf control effort, yet all the wolves were never killed (Dawson 1988). Another source put the total, "all costs considered," at perhaps $100,000 (Jonkel 1987).

In at least one case in Montana, members of the Wolf Action Group, an offshoot of Earth First!, attempted to disrupt government efforts to trap a wolf that had killed livestock near Kalispel (U.S. Fish and Wildlife Service 1991:14). Since wolves are very sensitive to human disturbances, all one has to do to defeat wolf control is to leave human scent on or near government traps, that is, urinate on them. If it becomes common practice for individuals or certain groups to interfere with government trappers, the offending wolves will be much more difficult to catch. Groups such as PETA (People for the Ethical Treatment of Animals) who oppose all hunting and killing of wildlife, have advised members to go into the field and physically prevent animals from being killed. If even a small, but dedicated, number of people decide that all killing of wolves should be prevented, the gov-ernment's claim that depredating wolves will be "quickly" re-moved may not be realized. In addition, some of the more radical environmental groups have suggested that they may sue to stop all wolf control. They contend that even killing depredating wolves is unlawful under the Endangered Species Act (Goble 1992).

WHY SHOULD WOLVES BE REINTRODUCED TO YELLOWSTONE?

During the early 1970s, the Park Service began to manage Yellowstone Park under a program called "natural regulation," where nature is allowed to take its course with minimal human interference. Without exception, environmentalists have been widely enthusiastic about "natural regulation." The same people who wholeheartedly are behind "natural regulation" also contend that wolves are needed, according to former Utah Congressman Wayne Owens, "to restore a balance to Yellowstone National Park. The wolf is the only missing piece" (Fischer 1988:17). "A principal predator is missing....[T]o have a large population of ungulates without such a predator in the system is not natural. It's an absence that has ecological significance" (Cauble 1986:24). When asked if they felt that wolves could help "maintain balanced wildlife populations" in Yellowstone, 91 per-cent of those interviewed said yes (MacNaught 1987:519). And others contend that Yellowstone is "a fairly intact ecosystem, except for the wolf. It's the missing link" (Schneider 1981:8).

Some have gone so far as to claim that in the absence of wolves, Yellowstone's elk and other ungulates have overpopulated the park and overgrazed the range. Speaking for Defenders of Wildlife, Dick Randall (1980:189) said, "The solution to a good part of the [elk] overpopulation problem comes softly on four feet, weighs about a hundred pounds, believes strongly in the family virtues, and has

been absent from Yellowstone for about the same length of time the elk problem has plagued park officials. Of course: the grey wolf." Thomas Miller (1988:7) of the National Parks and Conservation Association added that "the benefits from restoration of the wolf to its native Yellowstone include prevention of habitat deterioration and overpopulation by ungulates." In recent testimony before Congress, even Secretary of the Interior Bruce Babbitt contended that wolves are needed to control Yellowstone's soaring elk population.

Not only are claims that wolves would lower ungulate populations and restore a balance with the plant communities logically inconsistent with assertions that wolves would not limit ungulates or hunting opportunities (see above), but proponents of reintroduction, who all support "natural regulation," apparently do not realize that their concept of the wolf's place in the natural scheme of things is contrary to one of the major assumptions of the "natural regulation" paradigm. According to "natural regulation," predation is an assisting, but nonessential, adjunct to the regulation of ungulate populations. Ungulates are limited by resources (food). If wolves were present, they would kill only the animals slated by nature to die from other causes, primarily starvation, so, wolves would not lower Yellowstone's ungulate populations (Kay 1990).

The Park Service has never said that wolves must be restored to Yellowstone to prevent elk and other ungulate numbers from becoming so large that those herbivores would overuse their range. So if you believe that wolves need to be reintroduced in Yellowstone to restore a "balance of nature," control ungulate numbers, or prevent range abuse, logic dictates that you also have to be opposed to "natural regulation." You cannot have it both ways.

Moreover, claims that wolves need to be restored because "every species that was in the park when white men first came to the region is still there, except one [the wolf]" (Dawidoff 1992:40) are also racist, as are similar claims about restoring the wolf as the system's top predator. Native Americans were the ultimate keystone predator, not wolves, and Native Americans once structured Yellowstone and other ecosystems (Kay 1994, 1995). If environmentalists really want to restore Yellowstone's preemi-nent predator, then they should be lobbying for the return of the park to Native Americans. Instead, by inference, they denigrate native peoples as primitive starving savages, or worse, as original poor conservationists.

HISTORICAL DISTRIBUTION AND ABUNDANCE OF WOLVES IN YELLOWSTONE

The plan to reintroduce wolves in Yellowstone is predicated, in part, on the premise that large numbers of wolves inhabited that ecosystem before the Park Service eliminated them from the park (Askins 1992; Wright 1992:144-45). According to some, "[wolves] were a relatively common sight in Yellowstone when it was declared the nation's first national park in 1872" (Anonymous 1987). Dick Randall (1980:188), of Defenders of Wildlife, claimed that "when trappers and explorers reported on the Yellowstone region in the mid-1800s, they sang [of] a land teeming with bison, elk, mule deer, bighorn sheep, and antelope. The great carnivores—grey wolf, grizzly bear, and mountain lion—flourished."

As part of my scientific research in the Yellowstone Ecosystem, I conducted a continuous-time analysis of journals left by early explorers, systematically recording all observations of ungulates and other large mammals, including wolves. Between 1835 and 1876, 20 different expeditions spent a total of 765 days traveling through the Yellowstone Ecosystem on foot or horseback, yet no one reported seeing or killing even a single wolf. Wolf sign, primarily howling, was reported on only three occasions. Since these early observers lacked scientific training, they easily could have mistaken coyote howls or other animal calls for wolves. Besides, when these journals were written, even trained scientists called coyotes wolves or prairie wolves. There certainly is no evidence in historical journals which even remotely sug-gests that large numbers of wolves were common in Yellowstone during the 1835–1876 period (Kay in press).

Other records indicate that wolves were also not particularly common after Yellowstone Park was established. During the late 1800s and early 1900s, few observations were recorded of wolves in the park. "Wolves inhabited the area in unknown but seemingly low densities" (U.S. Fish and Wildlife

Service 1987:1). From 1914 to 1926, when the Park Service was actively working to eradicate wolves from Yellowstone, they killed 136 wolves. This may seem like a lot, but it included only 56 adults over a 13-year interval. Park Service records also suggest that during this time there were, at most, only four wolf packs in the park, and possibly only two (Weaver 1978:11). So, available information does not support the belief that large numbers of wolves inhabited Yellowstone at any point in recorded history. There is no support for the belief that restoring 10 wolf packs to the park would reestablish "natural" conditions. In fact, the data suggest that wolves were always rare in Yellowstone. Native hunting was so intense that historical and pre-Columbian ungu-late populations were very low, which, in turn, accounts for the relative scarcity of carnivorous species such as wolves (Kay 1994, 1995, in press).

THE ENVIRONMENTAL IMPACT STATEMENT

In June 1993, the U.S. Fish and Wildlife Service released its draft Environmental Impact Statement (EIS) for wolf recovery in the northern Rockies. After a series of public hearings and after accepting written comments, the agency issued its final EIS in April 1994. It received over 160,000 comments on the draft EIS, the most ever received under the Endangered Species Act. Public comments ran 2 to 1 in favor of restoring wolves to the northern Rockies. Under the agency's preferred alternative, naturally recolonizing wolves in northwest Montana were given full ESA protection. In Yellowstone and central Idaho, though, the agency proposed to reintroduce wolves as nonessential experimental populations. This was done to deflect local criticism and to allow ranchers more latitude in shooting wolves caught in the act of killing livestock on private land (U.S. Fish and Wildlife Service 1994, Fischer 1995).

As of early 1995, at least two different lawsuits had been filed to block wolf recovery, but the federal courts refused to grant the plaintiffs injunctive relief. Thus, the U.S. Fish and Wildlife Service, with the consent of the Alberta provincial government, began capturing wolves in Canada. So far, over a dozen wolves have been released in central Idaho (termed a hard release) while Yellowstone's wolves were held in three large fenced enclosures on the park's northern range. This is termed a soft release, and it is hoped that this will encourage the wolves to remain in the park.

Some wolves released in Yellowstone quickly left the park and at least three have been shot in violation of the ESA. Other Yellowstone wolves killed livestock and at least one domestic dog in the park. Wolves released into central Idaho have also wandered widely and killed livestock. Nevertheless, as this is being written (early 1996), the U.S. Fish and Wildlife Service is capturing more Canadian wolves for release in Idaho and Yellowstone

The U.S. Fish and Wildlife Service has admitted that wolf recovery will cost at least $12 million, but that figure may be low, and it certainly does not reflect the costs of full wolf recovery in the West. Nevertheless, this still comes to $40,000 per wolf and is an enormous expense for a species that is not biologically endangered. After all, there are an estimated 60,000 wolves in Canada (Theberge 1991), 2,000 in Minnesota (Harrison 1991), and another 7,000 in Alaska (Van Ballenberghe 1992). Wolves are on the Endangered Species List only because the ESA protects subspecies and populations as well as species.

Noted Montana biologist Dr. Charles Jonkel (1987) has raised an interesting question regarding wolves. He has wondered if the money and political capital being spent to reintroduce wolves into Yellowstone and central Idaho might not be better spent on preserving wolves and wolf habitat in other parts of North America. How much time and money will be spent to put 100 or so wolves in Yellowstone? Dr. Jonkel has suggested that those same efforts, if redirected, could perhaps save thousands of wolves in other areas—places where wolves presently exist, but where development threatens their continued survival.

Others have suggested that funds expended on wolf recovery might be better spent on truly rare animals such as whooping cranes, black-footed ferrets, or other globally endangered species. Testifying before the U.S. Senate Committee on Energy and Natural Resources, Kay Kool (1990), former Director of the Montana Department of Fish, Wildlife, and Parks, noted that "the attention and

resources focused on the wolf compete with and drain the limited federal dollars and energy needed to keep truly endangered species from extinction."

The U.S. Fish and Wildlife Service claims that it needs billions of dollars to carry out its mandate under the Endangered Species Act. Currently about $100 million is being spent annually by state and federal agencies to protect endangered species. Over one-half of that total, though, goes to less than 2 percent of the species listed as threatened or endangered. Instead of spending its budget on the animals and plants most in need of protection, the agencies spend their funds on "charismatic megafauna" such as grizzly bears and wolves (Mann and Plummer 1993; Dwyer et al. 1995: 738-739). This may garner the agencies public support, but it does little to pro-tect the majority of endangered species. With so many other species in much greater need, it is easy to see why many conservationists consider wolf recovery an inappro-priate use of government funds. But then, wolf recovery has very little to do with wolves.

HIDDEN AGENDAS

As University of Wyoming geography professor James Thompson (1993:165) recently noted, "wolf recovery is [only] a 'stalking horse' for the larger issue of land use change." Even environmentalists have admitted that "on the deepest level the issue of...wolf recovery is not about wolves. [Instead] it is about control of the west" (Askins 1993:5). Simply put, environmental-ists are using wolf recovery and the Endangered Species Act to run ranchers out of the country and to thwart multiple use of public lands. It is also a way for animal-rights and antihunting groups to ban all hunting and use of wildlife. Is this what Congress had in mind when it passed the Endangered Species Act? There is no evidence to even remotely suggest that it is.

EPILOGUE

Alaskan and Canadian wildlife agencies are concerned that wolf advocates may unwittingly be helping to destroy wildlife habitat, wilderness, and eventually wolves themselves (Gasaway 1989:134). In British Columbia, expanding wolf populations have decimated game herds to the point that today there are fewer hunters in the province, which translates into less public support when wildlife officials have tried to oppose development projects (Hatter and Janz 1994). Black-tailed deer on Vancouver Island, for instance, need old-growth forest to survive during winters—forests that are worth millions of dollars if they are logged. With few deer left to protect, the B.C. government has been reluctant to curtail logging. The same is true in Alaska's coastal forests. More wolves = fewer deer = less public support for wildlife = more clear-cuts.

After reviewing the northern Rockies wolf recovery plan, biologists from the University of Idaho concluded that "in the presence of wolves, more intensive monitoring of both predator and prey will be needed" (Peek and Vales 1989; National Park Service and Fish and Wildlife Service 1990b:3-164). This increased responsibility and its associated costs will fall to western state fish and game agencies, which are funded solely from hunting-license sales and federal excise taxes on sporting goods, not general fund appropriations. When wolves eventually decimate ungulate herds, hunting will have to be curtailed, so revenues available to the state wildlife agencies will fall precipitously. Who then will pay for the needed monitoring, and, for that matter, wildlife management in general? Sportsmen, after all, are the ones who have done the most to nurture and protect the West's wildlife populations, not environmentalists. Wolf recovery is a bad idea whose time has apparently come—unless, of course, the Endangered Species Act can be changed.

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List of all Policy Reports

Book Reviews

Rebuilding the Ark: New Perspectives on Endangered Species Act Reform

Jonathan H. Adler, Editor

*Reviewed by James S. Burling**

In 2005, Congressman Richard Pombo engineered the passage of the most sweeping reform of the Endangered Species Act (ESA) since it was passed in 1973. HR 3824 would have required more workable habitat restoration and better peer review science for listings. Most intriguingly, it contained a compensation mechanism that would have rewarded landowners for maintaining endangered species habitats rather than the current practice of punishing landowners with a massive devaluation of their land values. While it passed the House with bipartisan support, it failed in the Republican-controlled Senate. To thank Representative Pombo for his efforts, the environmental community labeled Pombo an "eco-thug" and flooded his district with attack ads and volunteers in order to ensure his defeat at the 2006 election.

In many segments of the environmental community, the notion of touching the ESA is akin to skinning baby harp seals alive. So it is with some boldness that Jonathan Adler, a Professor of Law and Director of the Center for Business Law and Regulation at Case Western Reserve University School of Law, has pulled together a collection of essays centered around proposals to reform the ESA.

Why reform the ESA? After all, it has been around for decades, and several industries, most notably in the Pacific Northwest and California's central valley, have complained that it has been used as a tool to their destruction. The Act also supports a cottage industry of environmental lawyers—both those in favor of returning the earth to Gaia by any means necessary and those who have a more anthropocentric world view. But aside from these dubious accomplishments, has it actually saved any species? Is it doing more harm than good for plants and animals it is supposed to protect? Do we actually have a clue what the real state of most threatened and endangered species is? Is whatever good it is doing worth the "at any cost" mandate of the Act.[1] Is there a better way?

The essays in this volume attempt to answer these questions, especially the last one. Sadly, we really do not know the answers to most of these questions. Whether the ESA has saved any species may depend on what we mean by "saved." Has the ESA allowed the "recovery" of a meaningful number, or at least a nonzero number, of species? Or has it prevented the slide of species into the abyss of extinction? By the recovery standard, most acknowledge that the ESA hasn't done much. But the ESA's defenders posit that it has met the "slide into the abyss" standard—though this is more through supposition than any hard evidence. After all, we don't have a spare Earth handy to test the efficacy of the ESA against the parallel universe Earth that lacks an ESA.

On whether the ESA does any *harm* to endangered and threatened species, there have always been whispered, but for obvious reasons, largely unverified tales of landowners who deal with their endangered species "problem" with the "shoot, shovel, and shut-up" trifecta. But there are more plausible, and documented, stories of landowners "preplanning" for the arrival of endangered species by rendering land unfit for nonhuman habitation. Owners of Southern pine plantations are thought to be harvesting trees early and before the trees are mature enough to develop cavities that red-cockaded woodpeckers are wont to interpret to be an "open house" invitation.

As to whether we even know enough about the state of most species, the answer is clearly not because the science is incomplete and access to much of America's land is restricted. Various levels of government own over one-half of the nation's land mass, where access by government biologists is reasonably easy. But, for now, that leaves one-half of the nation's land mass—and habitat—in private hands. And those private hands are not very keen on inviting NGO and government biologists onto their property to look for species that are or might become endangered—after all, a positive finding could ultimately sterilize the use and value of the land. More importantly, if we are to be serious about protecting species, then protecting them on private land is essential. But landowners are reluctant to cooperate so long as that means drastic and uncompensated reductions in the use and value of their land.

So, what to do? The nine essays in this compilation each focus on a different problem and a potential solution. While in agreement that the current regime is lacking in its efficacy, the range of solutions is diverse. Ranging from tax relief to free market reforms and to more workable regulatory programs, the common theme of most of the essays is that there must be a better way than regulatory fear and loathing to encourage landowners to preserve and even improve habitats for endangered species.

Northwestern Professor David Dana suggests we improve the process of creating Habitat Conservation Plans (HCPs). HCPs began as a reform from the Clinton Administration that sought landowner cooperation in preserving ecosystems for multiple species in exchange for regulatory certainty. It was then, and remains today, a creative interpretation of the ESA, and any major changes will need statutory authorization. Large-scale HCPs have often been beset with political controversy as multiple landowners have sought to protect their interests, sometimes at the expense of other landowners. Dana's primary criticism of the current HCP process is that the process is less than transparent and there is no standard or reliable measurement of success or even compliance. Congress should, Dana contends, at a minimum mandate a complete database on existing HCPs, mandate the collection of meaningful information, and mandate compliance reporting. Next there should be mandatory review by a scientific advisory board. He proposes that in order to encourage landowners to agree to meaningful biological goals, we should institute an insurance program to protect against a "conservation-failure." Finally,

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where a smaller scale program is needed, Dana suggests conservation banking could be a more viable alternative. What Dana does not address, is whether the HCP process, existing or as imagined, will provide enough incentives for landowners to voluntarily and readily enter into the process. It is one thing to "encourage" landowners to join because of a fear that the heavy hand of government could become heavier; it is another to actually provide enough incentives so that landowners will actually desire to join HCPs.

Texas A&M Professor of Wildlife Neal Wilkins picks up on the need to provide more landowner incentives. He points to the example of landowners in Texas who may wish to contribute to efforts to preserve the lesser prairie chicken, but may have reservations because of an ongoing boom in wind farms. Reforms could include more in the way of "recovery crediting" wherein landowners who make positive contributions to a species' recovery can be rewarded by landowners who need to affect other habitat. Land use lawyers are quite familiar with the concept of transferable development credits—including the fact that many of them are little more than glorified shell games where some landowners are required to compensate others for takings that might otherwise be assessed to government. If recovery crediting is to be a meaningful reform, it will need to avoid the skepticism engendered by TDR programs.

Wilkins has some additional innovative suggestions. In order to foster more landowners' cooperation with information gathering, he suggests that enforcement functions of government be separated from the science, monitoring, and recovery duties. He also suggests that NGO third parties be authorized to work with private landowners. While not all landowners trust the NGOs, they may well trust some NGOs more than government agents. Other reforms Wilkins proposes are more in the way of market-based conservation programs and more defined recovery goals when species are listed.

In the wake of the Tellico Dam controversy, the ESA was amended to allow for a so-called cabinet level "God Squad" to grant exemptions and "incidental-take permits" to allow for some activities to proceed, even if they might impact an endangered species. Pennsylvania State law professor Jamison Colburn characterizes these amendments, designed to add some flexibility in the ESA, as "notorious," as is pretty much anything that requires meaningful consideration of costs. Colburn suggests instead some alteration in our understandings of the line between permits and property. However, it is uncertain that Colburn's ideas will readily translate into policy prescriptions (assuming that were a desirable outcome) in an essay replete with sentences like, "Yet, even supposing unprecedented computational or coordinative breakthroughs were to make globally scaled cognition practicable, we will still face the normative frictions generated when political power is limited by a polity's democratic traditions and geographic boundaries."[2] Not only is the rhetoric obtuse, but the suggestion leaking through these words—that to save species we must transcend democracy and national sovereignty—is not likely to gain traction in the near term.

Another commonly used mechanism for enlisting landowners' cooperation in species protection is through tax-deductible donations of conservation easements. But there well may be an inefficient allocation of resources with this practice. To a rancher, losing the ability to use 100 acres through a conservation easement may have the same economic consequences whether the habitat is extraordinarily valuable to a critter or simply of marginal biological utility. And because the economic consequences are the same, the government's tax expenditure in allowing the deduction will be the same. In other words, the rancher writes off the same amount in each case. While a receiving entity will be happy to take both marginal and valuable habitat, should government pay the same amount for both?

Emory University School of Law Professor Jonathan Remy Nash has a better idea: "[T]he value of the donation of a conservation easement [should be] based not upon the economic value of the donated easement but rather upon the value of the easement to the ecosystem."[3] This would skew the incentives such that landowners may have added incentive to improve habitat in order to increase its value *to the landowner*. Shoot, shovel, and shut-up could be replaced by restore, improve, and donate. While Nash admits that the valuation of land from economic utility to ecosystem utility may be difficult, it should not prove to be impossible. As with any new proposal, Nash also admits that it may be difficult to craft a program that isn't too costly or that doesn't have unintended consequences.

Unasked and unanswered by Nash is the related vexing and somewhat philosophical question of how much land should ultimately be encumbered. We are entering a brave new world where the utility of vast holdings of land are being stripped from the fee in perpetuity (for to be tax-deductible, easements must be perpetual). While Nash's proposal makes great sense in terms of better targeting government tax expenditures, and it beats the notion that oppressive land use regulation is the best way to achieve ecosystem preservation, it leaves unanswered what the final destination of this journey ought to be. How much land can the nation afford to remove forever from productive use? Further, the common law has always been resistant to attempts of one generation to control the resources of future generations. Will this attempt fare any better?

Today in the Central Valley of California there is a new water war. In the Klamath Basin there has been a water war for over a decade. Unlike previous water wars between ranchers and farmers, or between rural and urban interests, this one is between fish and people. Or, perhaps more accurately, there is war between people who value fish for ecological and commercial purposes and people who value water more for urban and agricultural purposes. Unlike prior water wars fought with guns or *Chinatown* intrigue, this one is being fought with biological opinions and lawsuits. Professor James Huffman at Lewis and Clark Law School understands well the difficulties of creating positive ecosystem incentives among water users who, at present, are feeling rather put upon. And the challenges of water rights, creatures of state law (some would say archaic state laws) but respected by federal law and, more importantly, protected by the federal constitution, is fiendishly complex.

There are several water-rights based challenges to the implementation of the ESA being litigated now in the courts. Huffman argues that the Takings Clause is the most substantial challenge, but that "a strong takings clause does not necessarily

obstruct achievement of the species protection objectives of the ESA."[4] This is not because, Huffman argues, property rights in water are or ought to be malleable (meaning capable as some argue of being defined out of existence). Instead, Huffman suggests, there needs to be *better* understanding of water rights, an understanding that allows greater marketability—such as with water transfers and a greater ability to allocate water to conservation purposes without risking the loss of rights under the regime of "use it or lose it" that is common in many Western states. Huffman concludes that the magnitude of the water wars can be reduced—at least from "all-out warfare to isolated skirmishes—if both sides take a more practical and less principled approach."[5] So long as there is weather—and too much rain falls in one place and not enough in another—people will fight over water. Huffman is optimistic that out of today's controversy we will reach an accommodation that will serve both fish and man; let us hope he is right.

Science and politics are like the East and West. Rudyard Kipling once wrote of the East and West that "never the twain shall meet." But like the East and West in modern times, science and politics are inextricably entwined. The biological sciences are used to justify what are essentially political land use questions. And politics are used to determine whether science is "junk" or gold-plated and peer-reviewed. But because the stakes are so high, both landowners and species advocates have tremendous incentive to ensure that science falls their way. Science also has its limitations. We can only know so much given our current state of knowledge and availability of resources to put into science. In his short piece on science and the ESA, economic consultant Brian Mannix puts a face on the extraordinary burden being placed on science to answer essentially unanswerable questions. For example, EPA has an obligation to consider the impacts of pesticide registrations on endangered species that could "provide *millions* of potential obligations to consult with the [federal regulatory] Services—each, based on experience, taking as much as ten years."[6] Mannix has a few suggestions to get us out of this mess, first and foremost of which is to distinguish between science and policy. In other words, make the ESA more like the National Environmental Policy Act, which demands an analysis of the impacts of a federal action—but does not mandate what should be done with that information. Thus the result of an environmental impact statement is to give federal agencies an option to change course, not to determine the course. The same would be the case in Mannix's new ESA. While eminently sensible and practical, Mannix's proposal to change the basic structure of the ESA may be about forty years too late. No one in Congress wants to be the next Richard Pombo.

It has become an article of faith with many that planet Earth is entering an unprecedented epoch of warming and we must act, and act quickly, to reverse anthropogenic global warming. How this can be achieved without putting an end to Western civilization (and Eastern civilization as well) is anybody's guess. But one way that will not work according to Florida State School of Law Professor J.B. Ruhl is a full-court press played by team ESA. Ruhl has no doubt that the crisis is real, but plenty of doubt that the ESA provides a workable solution. As he puts it, over the years the ESA has proven to be the pit bull of environmental statutes. But when it comes to global warming, he says this pit bull won't fly. Yes, Ruhl says, global warming will have a profound and largely devastating effect on species around the world. But the legal tools of the ESA were simply never designed to shut down emissions of carbon dioxide.

Some of the inherent flaws in using the ESA to combat global warming are being fought tooth and claw with the polar bear listing. The Fish and Wildlife Service listed the bear as threatened because of the potential impact warming will have on sea ice, which the bear uses for summer foraging. Logically, any federal action in any part of the United States that causes an emission of a greenhouse gas could now be made subject to the "consultation" requirement of the ESA with the whole panoply of action-stopping consequences. But that, to the chagrin of the ESA lawyers, was a bridge too far for the Bush II Administration, and it issued a ruling that the listing could *not* be used to trigger consultations in any state but Alaska. But to prove Ruhl's point about the limitations of the ESA, this was not simply a product of the so-called anti-environment Bush Administration. When given a chance to reverse, President Obama did no such thing.

As Ruhl puts it, the stop-carbon "mitigation litigation charge is leading the ESA away from its central mission of conserving ecosystems."[7] Its mission is suited well enough for "what is happening on the ground and in the water . . . rather than being concerned with what is happening in the troposphere."[8] The ESA could be modified, Ruhl suggests, to play a more meaningful and realistic role in combating the effects of climate change. These would include a specific category of listing for climate-threatened species and replacing the goal of species recovery with one of assisting the transition to a warmer climate—recognizing that some species may do better at the expense of others during the transition. But unlike the ESA of the past, which Ruhl calls "both noble and arrogant," he suggests instead that "the ESA must become noble and humble if it is to have any chance of helping species through the era of climate change."

Michael De Alessi, currently a post-doc scholar at Stanford who has long experience in environmental policy battles, concludes this book with a look at the interrelationship between the ESA and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). Evolved from a conservation effort at the turn of the last century designed to protect megafauna from decimation through unrestricted poaching and trade, CITES restricts or prohibits trade in species from around the globe. But it is not an all-or-nothing proposition. As De Alessi notes, there have been some great successes where CITES has allowed the commercial utilization of species on the brink such as the Nile crocodile and African elephants. Commercial ranching of these species has brought their numbers back from the brink. Of course, this is not a panacea. The replacement of natural ecosystems with ranches is not the end goal, but can serve as a placeholder while ecosystems are restored.

But the ESA has the ability to list any species anywhere in the world. And the federal agencies sometimes do. But is this useful to the species? De Alessi thinks not. While a

listing may stop trade into the United States, and it may, in theory, discourage agencies from funding habitat-harming infrastructure projects, a listing under the ESA has no legal effect outside our borders. But it can hurt species. De Alessi notes that there once used to be 100,000 green sea turtles being ranched on the Cayman Islands for export to Europe. But after they were listed, it became illegal to transship them through the United States, once a necessary step to reach Europe. The farm is no more, having been replaced by a small, government-run eco-tourist operation with far fewer turtles.

There are other examples. As De Alessi points out, once a species is listed export licenses will be denied unless it can be proven that a commercial operation will *enhance* a species. This standard has stopped captive breeders of three African antelope species which are endangered in their native ranges. The ESA does nothing to protect foreign species or habitat, De Alessi contends. Without providing native villages a legal economic incentive to coexist with endangered fauna, especially valuable fauna like black rhinos, villagers might as well poach them. After all, it is hard to instill an environmental ethic in people who are many miles south of the poverty line.

Professor Adler has done a marvelous job collecting the essays in this book. Some are provocative, some are practical, and all are necessary to the debate about where we should go next with the protection of threatened and endangered species. The status quo has been played out. If the protection of species is to advance, the rules of the game need to be changed. And we'd better start recognizing that so long as a substantial percentage of habitat is on private land, landowners need to be encouraged rather than bludgeoned into working for the betterment of species.

Endnotes

1 Tennessee Valley Authority v. Hill, 437 U.S. 153 (1978).

2 Pg. 100.

3 Pg. 123-24.

4 Pg. 143.

5 Pg. 159.

6 Pg. 168-69.

7 Pg. 191.

8 *Id.*

From: Fleener, Craig L (DFG)
To: Paul Verhagen
Subject: RE: HJR 32
Date: Tuesday, February 21, 2012 12:21:20 PM

Paul,

Yes, we are supportive of this resolution.
One modification to recommend, I missed it last time.
On page 3 Line 14 (change the word "remove" to exempt).
This would be permanent.

Craig L. Fleener
Deputy Commissioner - Game
Alaska Department of Fish and Game
333 Raspberry Road
Anchorage, Alaska 99518
907-267-2228 (W)
907-687-6406 (C)

From: Paul Verhagen [mailto:Paul_Verhagen@legis.state.ak.us]
Sent: Friday, February 17, 2012 8:16 AM
To: Fleener, Craig L (DFG)
Subject: RE: HJR 32

Hi Craig,

Here it is. Thanks for your help!

Paul

From: Fleener, Craig L (DFG) [mailto:craig.fleener@alaska.gov]
Sent: Thursday, February 16, 2012 12:02 PM
To: Paul Verhagen
Subject: HJR 32

Paul,

Would you please e-mail me the cleaned up copy of HJR32 that Rep. Dick intend to send up?
I need to brief our staff on the Resolution so I can get you an answer.

Thanks,

Craig L. Fleener
Deputy Commissioner - Game
Alaska Department of Fish and Game
333 Raspberry Road
Anchorage, Alaska 99518
907-267-2228 (W)
907-687-6406 (C)

WOOD BISON NEWS

Drawing courtesy of Wes Olson

Issue Number 6, Summer 2011

ESA Regulation Issue Delays Wood Bison Release

By Bob Stephenson, Wood Bison Biologist

In the fall 2010 issue of the *Wood Bison News* we announced that spring 2012 would be the target date to release wood bison in the Innoko area. Now, due to a delay in completing regulations under the Endangered Species Act (ESA) the release of wood bison to the wild will be delayed until 2013 or beyond. The final federal regulations have to be in place before wood bison can be released.

Photo by Doug Lindstrand

As many supporters of the wood bison project know, ADF&G has worked closely with the U.S. Fish and Wildlife Service (FWS) during the last two years to develop a rule under section 10(j) of the ESA. The 10(j) rule would designate wood bison in Alaska as a nonessential experimental population, provide protections for other land uses and resource development and allow the state to have the lead role in managing wood bison populations. It would also prevent the designation of critical habitat. This would be accompanied by a special rule, under section 4(d) of the ESA, which would specify the sideboards of state management and allowable "take" of wood bison. In fall 2010 it appeared that the draft regulations would be published in the Federal Register, accomplishing their central purpose of ensuring that releasing a new species onto the landscape would not interfere with other resource development activities. However, these plans hit a snag due to factors not directly related to wood bison, as we explain below.

One of the key provisions in the draft 4(d) rule was to recognize that once bison populations reached a level that could support a sustainable harvest (about 400 animals), regulated hunting would be allowed based on principles outlined in management plans developed by the state in cooperation with land-

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Doug Lindstrand, Photographer 6

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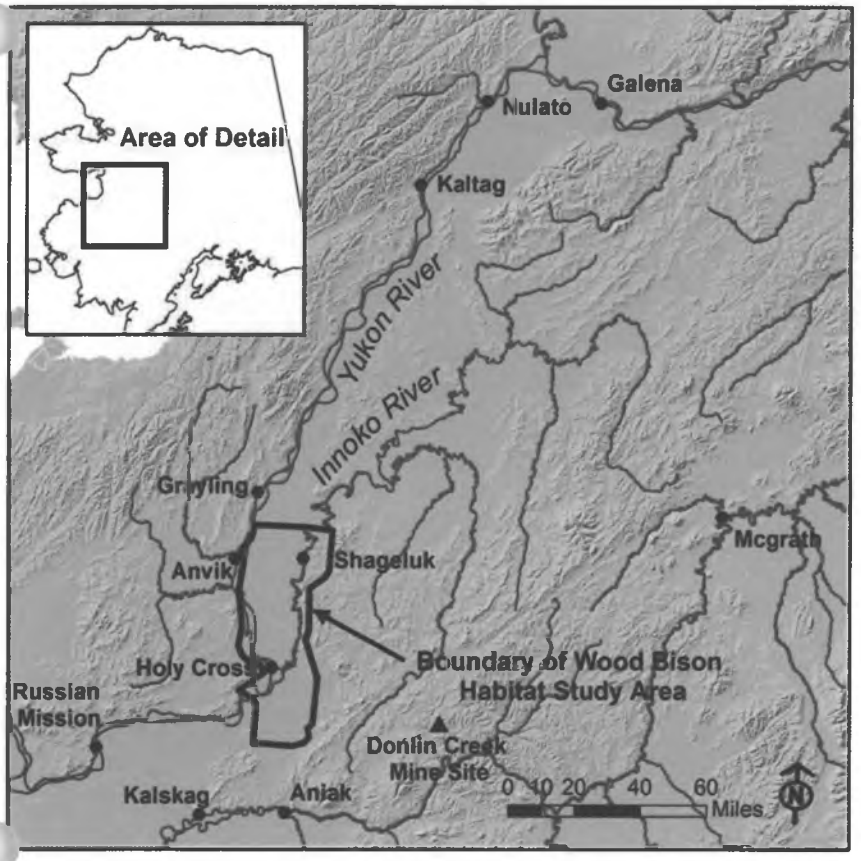
owners, FWS and other agencies, and other interested parties. ADF&G has always been committed to the principle that the benefits of wood bison restoration, including harvest, must be shared by local residents, other Alaskans and eventually visitors to our state.

However, recent litigation has raised a question about whether the FWS can allow hunting of species that are protected under the ESA. As a result, FWS recently indicated that at this time they are not prepared to authorize future harvests of populations of listed species (except for certain kinds of "take" otherwise authorized under the ESA) that have been designated as non-essential experimental. In March 2011, FWS informed ADF&G that they could either publish a proposed rule by the end of April 2011 without a provision allowing future hunting, or wait for several months until the issue could be further discussed and hopefully resolved. ADF&G decided that the ESA regulations must provide certainty in terms of allowing a future harvest and that the issue is too important to be deferred to a future federal regulatory process. The result is that the ESA regulations have been delayed. The first release cannot be implemented in 2012 as planned, and will have to be delayed until 2013. ADF&G will do its best to resolve this issue as soon as possible, so that the wood bison restoration effort can move ahead.

> *"It is our continued hope that we will be able to resolve this issue and release wood bison onto the Alaskan landscape in the near future."*
>
> *Acting Deputy Commissioner, Doug Vincent-Lang*

FWS has indicated that they are willing to continue to explore options to resolve the issues related to the future hunting of wood bison, but it appears this will take some time. FWS has also committed to provide $200,000 to help offset the additional costs of maintaining a larger number of wood bison for longer than we had planned at the Alaska Wildlife Conservation Center. Project supporters appreciate this contribution, and hope the harvest issue is resolved as soon as possible.



Map showing first proposed release site. Release has been delayed until at least 2013.

Herd Health Update

By Rita St. Louis, Assistant Planner

Our herd at AWCC is a healthy growing herd with 102 bison. This spring 18 calves were born. As with any confined herd of animals, ours has some nutrition and parasite challenges, some of which are unique to bison. We grew concerned when five animals died between January and April. Reasons for the deaths were not completely known, but nutrition, parasites, and certain trace mineral deficiencies seemed to be a common denominator. So in April 2011 we retained an expert consultant, Dr. Gerald Parsons - who is a large animal veterinarian and has a herd of plains bison himself - to advise us. Dr. Parsons said our problems were not uncommon in confined bison herds, and he offered suggestions to remedy the situation. Following his advice, our veterinarians, Dr. Kimberlee Beckmen and Dr. Bob Gerlach, and AWCC's Mike Miller have readjusted the parasite medications and feed that our bison get. For example, some of the medication is sprinkled over the top of grain in the form of pellets. The larger bison get first shot at the grain, so they get the most medication but need it the least. Getting a uniform dosage for all of the bison is not a simple matter. To help solve this, Dr. Parsons recommended using more grain feeders, including some that are on wheels and can be moved to different enclosures. Another recommendation was to change medications periodically so the organisms do not develop an immunity to one medication. Also following his advice, more supplemental grain will be fed. Acquiring the extra grain has taken time. Special thanks goes to Steve Mendive, from AWCC, who has spent many hours researching special bison formula and possible donations from some vendors for the grain supplement.

Keeping a bison herd of this size in captivity requires a continuous learning process, and we constantly discover better ways of doing things. Overall our herd is doing well, and we are looking forward to their release.

Photo by Doug Lindstrand

Bison eating first green grass of spring. After a winter of being confined into smaller pastures, and eating hay and grain, the bison regain weight in the spring and summer on the rich grasses grown at AWCC.

Photo by Doug Lindstrand

Mother bison tending her new calf, born this spring at AWCC

Thank You and Best Wishes from Randy Rogers

To my many friends dedicated to wood bison conservation:

This summer I will be retiring from my work as a Wildlife Planner for ADF&G. I feel very fortunate to have had the opportunity to work on the Alaska wood bison restoration project and with the many individuals and organizations that are involved in this outstanding wildlife conservation initiative. I hope to be able to contribute to the project in other ways and look forward to the day when wood bison are again roaming free in our state.

Randy Rogers holding the skull of a large wood bison

There are too many people and organizations that deserve recognition for their contributions to the wood bison project to all be mentioned here. I have to start by thanking Bob Stephenson who had the original vision for wood bison restoration in Alaska and has been my mentor and partner for the past several years. It took a while for Bob to "train me up," but we have worked closely together to meet one challenge after another to keep the project moving forward. It has truly been a pleasure working with Mike Miller and the Alaska Wildlife Conservation Center. They have worked tirelessly on behalf of wood bison conservation and always bring a 100% "can-do" attitude to any measure needed for the health and well-being of the wood bison. Carlile Transportation Systems has been simply incredible with their continued donations amounting to tens of thousands of dollars by transporting hay to AWCC. And speaking of hay, University of Alaska has donated many bales of hay for the bison at production cost. Norman Harris stated, "*Thank you for allowing the University of Alaska Fairbanks to participate in this project that will benefit all Alaskans specifically, and all people in the United States generally.*" Safari Club International and their Alaska and Kenai Peninsula chapters paid for many of the wood bison facilities at AWCC, and they have offered legal advice and political support. The Turner Foundation provided funding that enabled ADF&G to import wood bison from Canada and move the project from a dream to a reality. Finally, ADF&G Regional Supervisor David James is the unsung hero who has worked behind the scenes to provide the management support and coordination with our headquarters that has been vital to the project.

I have enjoyed working with residents of the Yukon Flats, the Minto Flats, and the lower Yukon and Innoko River area, as well as numerous people involved in state fish and game advisory committees and the federal subsistence councils. Paul Williams, Sr. from Beaver has been an inspiration and a long-standing advocate for restoring wood bison on the Yukon Flats. Ron Silas led the effort to consider restoring wood bison on Minto Flats. Arnold Hamilton and the Tanana Chiefs Conference Lower Yukon Sub-Region have shown unwav-

ering support for wood bison restoration in the lower Yukon/Innoko area for the past several years, and I hope they see wood bison on the landscape in the near future. The support and involvement of local residents, wildlife conservation organizations and other Alaska residents are crucial to the future success of the wood bison project.

In the end though, it's all about the bison. Wood bison are truly magnificent creatures that belong on the Alaskan landscape and deserve the chance to flourish in their natural habitat once again.

In the end though, it's all about the bison. Wood bison are truly magnificent creatures that belong on the Alaskan landscape and deserve the chance to flourish in their natural habitat once again. After the wood bison herds are established and have grown people will be able to enjoy their presence and reap the benefits for many generations to come.

In January 2008, at the end of the wood bison round-up at Elk Island National Park, I was standing in a corral with Archie Handel, Park Warden, and the young wood bison selected for import to Alaska. I made a promise to those bison that we would find them a new home in the wild lands of Alaska, where they could live and prosper. Let's all continue working to fulfill that promise and the vision for wood bison restoration that so many Alaskans and others have shared for nearly two decades.

Thank you my friends and best regards, Randy

Legislative Action Affecting the Wood Bison Project

By Ben Mulligan, Special Assistant to the Commissioner

As part of the process for establishing the 2012 fiscal year operating budget, the House and Senate Finance Committees included language intended to affect the wood bison project in two ways. To import any more wood bison or to relocate the existing herd to another part of the state, the Department would first have to obtain a signed letter from the appropriate federal agencies stating that wood bison will not be considered threatened, endangered, or any other protective status in Alaska, now, or at any time in the future. Furthermore the Department would have to obtain approval from the legislature to import or relocate wood bison in the state. This intent language applies only to the fiscal year from July 1, 2011 to June 30, 2012.

In addition to the language in the budget, Representative Alan Dick (R-Stony River) introduced House Bill 186. House Bill 186 is similar to part of the operating budget intent language and requires the Department to receive approval from the Alaska State Legislature before importing anymore wood bison into Alaska or relocating wood bison to a new area within Alaska. Following hearings in early April the House Resources Committee voted to advance HB 186 to the full House of Representatives for further consideration. However, time in the legislative session ran out and no action was taken by the full House. The bill could come up for further consideration in the House of Representatives next year. No companion legislation has been proposed in the Senate.

Tom Seaton, New Wood Bison Biologist On Board

This summer we have another wood bison biologist on board. Tom Seaton, who has been Assistant Area Biologist for the Fairbanks area, was selected for that position. Those of us who work with Tom and with wood bison feel really fortunate.

Tom Seaton, the new wood bison biologist. In this photo, Tom is conducting a moose browse survey.

Tom comes with a unique skill set to make him the ideal person for the job. Foremost, Tom is a top-notch biologist who has worked extensively with all game and furbearer species in Interior Alaska. He developed a moose browse survey method that is being used statewide to evaluate habitat use. Tom is the chief pilot for Region III, which is good, because it is important to have a pilot as the wood bison biologist. Tom said one of his early tasks is to become familiar with the scientific literature on bison biology and to learn the "institutional knowledge" from the folks at Fish and Game. Of course Bob Stephenson will be sharing his extensive knowledge to get Tom up to speed. Finally, Tom is not a stranger to wood bison. He was one of the two lead handlers at the most recent wood bison health screening events.

Doug Lindstrand, Photographer and Supporter

Most of the best photos you have seen in our *Wood Bison News* and other publications were taken by Doug Lindstrand, a freelance artist/ photographer who has lived in Alaska since 1970. Doug is well-known for his Alaska books such as *Alaska Sketchbook* and *Wild Alaska*. He also publishes prints, cards and various other books on art and wildlife. Doug has generously allowed us use of his photos of wood bison to enhance or bring attention to the wood bison restoration project. Doug can be seen photographing at AWCC about any time of year and in all weather conditions. He donates his photographs because of the true importance of this project. He said, *"We are seldom given the opportunity and honor of reintroducing a species back into its rightful homeland and that it is the shared hope of many that this majestic animal will soon once again roam free and grace the wilds of this unique State of Alaska."*

We greatly appreciate Doug, his beautiful photographs, his absolute generosity, and his support of the wood bison project.

Doug Lindstrand takes photos during the entire year in all weather conditions.

Alaska Department of Fish and Game
Division of Wildlife Conservation
1300 College Road
Fairbanks, AK 99701-1551

Photo by Doug Lindstrand

Photo by Doug Lindstrand

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