

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 86/26

621 SCOM418: HOUSE SPECIAL COMM. ON PERMANENT FUND 1978-80

1 rated by a nationally recognized rating organization;

2 (6) other securities, including corporate securities;

3 (7) Federal Housing Administration mortgages;

4 (8) Federal Veterans Administration mortgages;

5 (9) loans made under the provisions of the Alaska loan pro-
6 grams fund (AS 45.96) [AS 03.10 AND AS 26.15];

7 (10) conventional residential mortgages if the offering fin-
8 ancial institution retains at least 25 per cent of the mortgage;

9 (11) other secured loans, if the offering financial insti-
10 tution retains at least 33 1/3 per cent of the mortgage;

11 (12) mortgages of the Alaska Rural Rehabilitation Corporation
12 which secure agricultural loans, agricultural business loans and agri-
13 cultural processing loans;

14 (13) bankers acceptances drawn on and accepted by banks with a
15 combined capital and surplus aggregating at least \$200,000,000;

16 (14) repurchase agreements, reverse repurchase agreements, or
17 any trading practice or instrumentalities that may evolve in investment
18 management.

19 * Sec. 20. AS 37.10.070(f) is repealed and re-enacted to read:

20 (f) Investment policy shall be formulated by the director of the
21 division of treasury of the Department of Revenue subject to the ap-
22 proval of the commissioner of revenue. In formulating investment policy
23 the director of the division of treasury shall consider maximum income
24 and safety as governed by the prudent-man rule. The investment policy
25 shall be proposed to the legislature during the first 10 days of any
26 regular session. Investment policy only becomes effective 60 days after
27 presentation to the legislature or at the end of that session, whichever
28 is earlier, unless disapproved by a resolution concurred in by a major-
29 ity of the members of each house.

1 * Sec. 21. AS 37.10.070(g) is amended to read:

2 (g) The director of the division of treasury [COMMISSIONER OF
3 REVENUE, WITH THE CONSENT OF THE COMMITTEE,] may enter into contracts
4 for services providing investment advice, custody of securities, and
5 execution of transactions, in or out of Alaska.

6 * Sec. 22. AS 37.10.070(i) is amended to read:

7 (i) The director of the division of treasury [COMMISSIONER] shall
8 purchase notes and mortgages under (a) of this section at a rate con-
9 ductive to develop and benefit Alaska and Alaska residents and this rate
10 may be less than the market rate.

11 * Sec. 23. AS 37.10.070 is amended by adding a new subsection to read:

12 (k) In making investments under (a) of this section, the director
13 of the division of treasury may pool the surplus assets of the state
14 funds but shall maintain separate accounts for each fund.

15 * Sec. 24. AS 37.10.075(a) is amended to read:

16 (a) When the commissioner of revenue determines that there are
17 funds in the state treasury which are not being used for the purposes
18 provided for in sec. 70 of this chapter, he may direct the director of
19 the division of treasury to deposit the funds [THEY MAY BE DEPOSITED] in
20 financial institutions in the state which offer the highest bid for the
21 state funds. Collateral may be required by the commissioner to secure
22 state deposits provided for under this section.

23 * Sec. 25. AS 39.25.120(2) is amended to read:

24 (2) the directors, division of personnel, division of public
25 health, division of medical assistance, and those other directors of the
26 major divisions of the principal departments of the executive branch as
27 are specifically designated by the governor, except the directors of the
28 division of Alaska loan programs, division of treasury and division of
29 collections are in the classified service and may not be designated as

1 partially exempt;

2 * Sec. 26. AS 41.22.020(a) is amended to read:

3 (a) In addition to uses of fund money authorized in sec. 10 of
4 this chapter, money of the fund shall be utilized to make grants to
5 municipalities, of up to one-half the nonfederal share of costs of pro-
6 jects described in sec. 10 of this chapter which are initiated by a
7 municipality [, AND LOANS OF AMOUNTS NECESSARY TO ENABLE MUNICIPALITIES
8 TO MAKE OPTION PAYMENTS ON PARKS AND OPEN SPACE LAND FOR THE ACQUISITION
9 OF WHICH FEDERAL FUNDS ARE ANTICIPATED].

10 * Sec. 27. AS 41.35.180(5) is repealed and re-enacted to read:

11 (5) consult with local historical district commissions re-
12 garding the establishment of historical districts under AS 29.48.108 -
13 29.48.110 and recommend, if appropriate, the formulation of additional
14 criteria for the designation of historical districts under AS 29.48.-
15 110(b).

16 * Sec. 28. AS 44.21.020 is amended by adding new paragraphs to read:

17 (13) provide accounting services for the permanent fund (AS
18 37.13.010), the Alaska loan programs fund (AS 45.96), the renewable re-
19 sources development fund (AS 37.11), and all other state funds;

20 (14) provide detailed accounting of state loans outstanding and
21 securities held by the state.

22 * Sec. 29. AS 44.25 is amended by adding a new section to read:

23 Sec. 44.25.025. DIVISION OF TREASURY. (a) There is established
24 within the Department of Revenue the division of treasury. The director
25 of the division is in the classified service under AS 39.25 and shall
26 receive an annual salary within range 27 of the salary schedule estab-
27 lished in AS 39.27.011 or within one range below that on which the
28 highest paid deputy commissioner in the Department of Revenue is paid if
29 that range is higher than range 27.

1 (b) In order to qualify for the position of director of the divi-
2 sion, a person must

3 (1) be graduated from an accredited college with major course
4 work in business administration, accounting, finance, banking, econ-
5 omics, or another closely related field;

6 (2) have 10 years of experience in banking or investment
7 management involving review, analysis, purchase and sell recommenda-
8 tions, and responsibility for performance with at least four of the
9 years in a managerial capacity.

10 (c) The director of the division of treasury shall collect, ac-
11 count for, have custody of, invest, and manage all state funds and all
12 revenues of the state except revenues incidental to a program of licen-
13 sing and regulation carried on by another state department, except that
14 the division shall issue fish and game licenses, collect fish and game
15 license revenues, and do all other acts incidental to the performance of
16 these functions.

17 * Sec. 30. AS 44.33.020 is amended by adding a new paragraph to read:

18 (22) administer the Alaska loan programs fund (AS 45.96).

19 * Sec. 31. AS 18.56.110(a) is amended to read:

20 (a) The corporation, by resolution, may issue bonds and bond
21 anticipation notes in order to provide funds to carry out and effectuate
22 its purposes only if the state bond committee finds that the issuance
23 is consistent with the bond program of the Alaska loan programs fund.

24 * Sec. 32. All state agencies, departments, commissions, corporations,
25 divisions or other instrumentalities administering or having authority over
26 or control of a loan program or loan fund affected by secs. 10 - 15, 26 - 27,
27 and 33 of this Act shall cease accepting applications for loans no later than
28 January 1, 1980. The division of Alaska loan programs shall begin to accept
29 applications for loans from the Alaska loan programs fund no later than

1 January 1, 1980.

2 * Sec. 33. The following laws are repealed: AS 03.10.010; 03.10.020(1),
3 (4), and (5); 03.10.030; 03.10.054; AS 14.40.751(c), 14.40.759 - 14.40.771;
4 AS 16.10.300; 16.10.310(a)(1), (4), (5); 16.10.320; AS 18.100.030(1) and (4),
5 18.100.040 - 18.100.060; AS 26.15.010(b) - (d), 26.15.040 - 26.15.060,
6 26.15.110 - 26.15.160; AS 41.22.020(b) - (c); AS 41.30.010 - 41.30.080;
7 AS 44.33.020(5), 44.33.245(a)(1), 44.33.245(b), 44.33.250 - 44.33.260;
8 AS 44.59.140(7) - (14), 44.59.170, 44.59.190 - 44.59.410, 44.59.430; AS
9 44.60.010, 44.60.130(7) - (13); 44.60.160 - 44.60.260, 44.60.310 - 44.60.320;
10 AS 44.61.010 - 44.61.220; AS 45.86.010 - 45.86.030, 45.86.040(b) - (c),
11 45.86.050 - 45.86.060; AS 45.88.010 - 45.88.040; AS 45.90.020(a)(1), (4),
12 45.90.030; AS 45.95.020 - 45.95.030, 45.95.070; AS 45.98.020 - 45.98.040,
13 45.98.060.

14 * Sec. 34. AS 37.10.065(c), 37.10.075(b) - (d), 37.10.079; and AS 44.25.-
15 020(2) are repealed.

16 * Sec. 35. AS 37.10.065(a) and (b) are repealed.

17 * Sec. 36. Section 35 of this Act takes effect upon transfer of the funds
18 of the Alaska permanent fund to the Alaska Permanent Fund Corporation as
19 provided in sec. 8 of this Act.

20 * Sec. 37. Sections 1 - 9, 16 - 25, 28 - 32, and 34 of this Act take
21 effect June 30, 1979. The unobligated general fund surplus as of June 30,
22 1979 shall lapse into the unallocated reserve account created in AS 45.96.125
23 on June 30, 1979.

24 * Sec. 38. Sections 10 - 15, 26, 27 and 33 of this Act take effect June
25 30, 1980.

SCOMM

#18:28

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Description:

The Anchorage Times Tues. 9/21/76 p.1

The Anchorage Times, Sun. 10/24/76 , p. A-3

The Anchorage Times, Sun. 11/21/76 Section B

The Washington Post, Sun. Dec. 19, 1976 p. B2

Anchorage Daily News 9/13/76

The Anchorage Times, 11/7/76 Section B

The Anchorage Times, 10/13/76 p. 38

TIMES

9/18/76

Gas Line Task Force Meets With Northwest Route Chiefs

By SUSAN ANDREWS
Times Staff Writer

Northwest Pipeline Corp. officials will meet Friday in Juneau with the state's cabinet-level Gas Pipeline Task Force as the task force gives Northwest's Alaska Highway pipeline proposal the same scrutiny it earlier gave two other North Slope pipeline proposals.

The task force on Sept. 27 will hear from State Pipeline Coordinator Chuck Champion, whose office is making a detailed study of the economic benefits to the state from each of the three pipeline projects.

Commissioner of Natural Resources Guy Martin said the task force has sent Northwest a specific list of questions it wants answered, "similar to questions asked of El Paso and Arctic Gas."

El Paso, Alaska proposes an

all-Alaska pipeline, with tankers to carry liquefied natural gas from southern Alaska to southern California.

Arctic Gas, like Northwest, proposes a pipeline through Canada. Arctic's would enter Canada along the Arctic Coast, joining with a link to the MacKenzie Delta.

The task force last year studied the two proposals and then endorsed the trans-Alaska route as offering the most benefits to the state of Alaska.

When Northwest entered the pipeline battle this summer, Gov. Jay Hammond ordered the task force to undertake a similar study of Northwest's project.

Former Gov. Walter Hickel, who is also a former Interior Department secretary, told a gas pipeline seminar in Anchorage last week that the governor could decide the

pipeline route by taking the state's one-eighth royalty share of Prudhoe Bay gas and say where it is to be transported and what is to be done with it. A trans-Alaska pipeline route could be assured by that action, Hickel said.

Martin said, "Mr. Hickel's mistaken. No single factor is going to decide the (pipeline) issue."

Champion's preliminary report of net economic benefits to Alaska is to be followed by a final report by the end of the year.

Champion said, "We're looking at the costs of each project as estimated by the companies themselves."

"We are modifying their overall cost estimates to what we think each project will cost," including such factors as cost overruns which were experienced by the trans-Alaska oil pipeline project, he said.

Champion's office will come up with an estimated cost of service, based on the estimate of gas throughput volumes for each project.

Champion said his office is obtaining the throughput estimated from the state division of oil and gas.

In addition, Champion said, he is looking at the positive and negative environmental aspects of the three proposals.

His office's study also includes the logistics of construction. He pointed out that both El Paso and Northwest will have highway access to their projects, and can do to year-round construction, while Arctic will have no access and must build in winter, when the productivity of the workers will be much lower.

"We have made soils analyses of the three routes," he added. "And we are looking at tanker traffic (as proposed by El Paso) and reviewing the costs of the Gravina Point liquefaction facilities, as proposed by El Paso."

Times
10/17/76

U.S. Oil Imports To Increase

WASHINGTON — (LENS) — The White House hopes the voters will not notice (at least not before November 2) but President Nixon's "Project Independence" for energy has become President Ford's project dependence.

Under the 1974 Nixon plan the country was supposed to become self-sufficient in energy by 1980. The administration now reckons the United States will still import 5 million barrels of oil a day in 1985. Shell and Exxon guess the figure will be at least twice that much, i.e.; well above today's figure.

Nixon was especially keen to cut the country reliance on those countries that placed an embargo on oil exports to it in 1973. Just the opposite has happened. Supplies from old friends, notably Canada and Venezuela, have fallen. The Arab countries' share of American oil imports went up from 7 per cent in 1973 to 34 per cent last year.

So during the first six months of this year the United States spent nearly \$16 billion to buy oil from abroad: 27.3 per cent of its total import bill. It is still the world's third largest crude oil producer (with 8.2 million barrels a day) after Russia (10.1 million barrels a day) and Saudi Arabia (8.5 million barrels a day), but it is also the world's biggest oil importer.

In 1970 it imported 23 per cent of its oil — this year it will import about 45 per cent.

The administration offers two main excuses for this dependence. The first is that it virtuously concluded the costs of Project Independence were too high to fit the national interest.

The second is the unvirtuous way Congress has refused to wear such White House proposals as laxer clean-air standards, the abolition of price controls on fuel, and Ford's 1975 bill to help private industry, through treasury bond issues and

government loan guarantees, to raise \$100 billion for approved energy projects over 10 years.

Also, it is said, Congress has scared the oil industry off investment, and kept the public's mind off more important energy issues, by making "big oil" a villain. The now postponed effort by Congress to force the vertical disintegration of up to 22 oil companies is cited in support of this view.

Price controls remain. Under a two-tier system newly found crude oil in the United States is held at about \$11.55 a barrel, crude oil from pre-embargo wells at about \$5.13 a barrel. These controls are supposed to be phased out by the spring of 1979. That may not happen.

The Federal Energy Administration, a "temporary" agency created during the oil crisis that now boasts 3,400 employees, has published many exceptions to the price rules. Others think those who have benefitted now form a strong lobby for continued controls.

The American voters are a still more powerful force for continued price controls. According to public opinion polls, they are more distrustful than ever of big business, and most especially of "big oil." The oil companies are suspected of running the price cartel for OPEC and of making an old-fashioned killing out of higher prices.

The industry's critics find it hard to explain why then the oil companies are in such a hurry to diversify. Atlantic Richfield has invested in Anaconda, a copper miner; Mobile in Marcor, the owner of a department store chain; Standard Oil of California in Amax, a metals producer. Exxon, Continental Oil and Occidental Petroleum are exuberant diggers for coal.

Unsurprisingly, allies of the United States, particularly its partners in the International Energy Agency, are restive. The noises they are making have become more rude since Henry Kissinger, the secretary of state, abandoned an

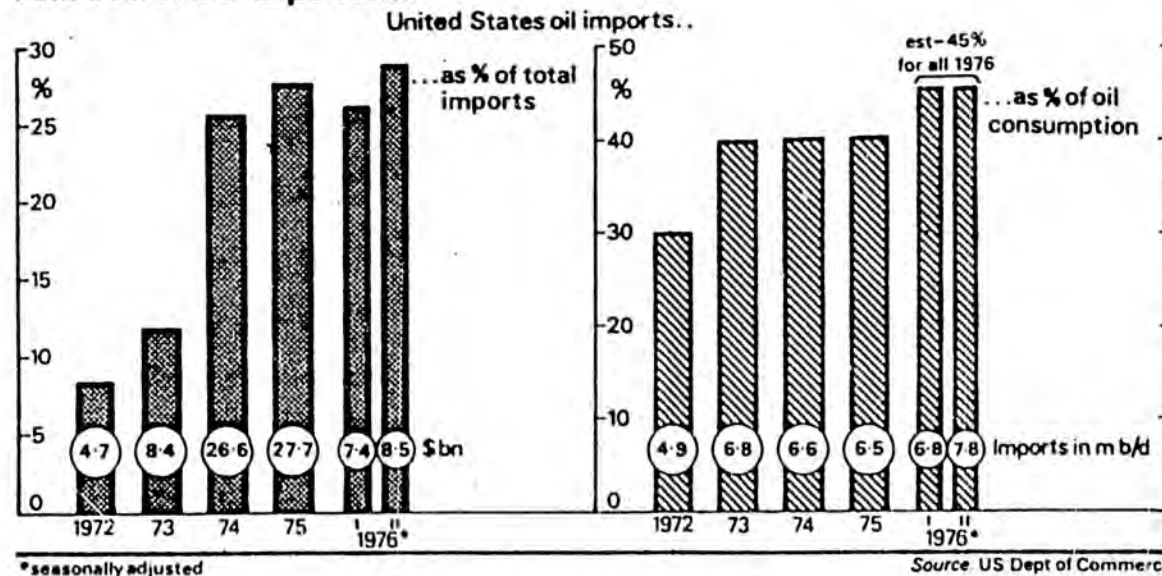
effort to push the Congress to agree to that famous \$25 billion "safety net," the petro-dollar recycling scheme.

The United States, as they see it, has acted in an unneighborly way in rejecting the two alternatives it had to cut oil demand quickly: rationing by price or rationing by allocation. True, the American treasury flirted briefly with the idea of raising the federal government tax on gasoline, now 4 cents a gallon, as high as 30 cents a gallon. It blushes when it is reminded of this.

Gasoline is still pumped into American cars at about 60 cents a gallon. The French pay more than three times that price — the British, Germans, Japanese and Swiss more than double.

Other countries, of course, continue to warn of the risk of petrodollar recycling hardships unless the United States does its big bit to restrain demand so that OPEC thinks twice before it puts up prices.

And ever more dependent



Times 9/18/76

Senate Hearing Set To Study Oil Surplus

Times Washington Bureau

WASHINGTON — The Senate Interior and Commerce Committees have scheduled a joint hearing Tuesday to review the possibility of a crude oil surplus on the West Coast next year, once the Alaska pipeline becomes operational.

Interior Secretary Thomas Kleppe, Commerce Secretary Elliot Richardson and Federal Energy Administrator Frank Zarb are scheduled to testify at the hearing, one in a series of congressional probes in to the possible West Coast surplus.

Sen. Henry M. Jackson, D-Wash., chairman of the Interior Committee, said, "Information currently available would appear to indicate that there has been a serious breakdown in both planning and undertaking the necessary actions to accommodate Alaska crude oil and to insure its proper distribution throughout the country."

The committee have also sent questionnaires to other federal agencies, the State of Alaska and major producers on the North Slope to determine the extent of any West Coast surplus and the plans to deal with it.

Federal Agency Projects West Coast Oil Surplus

By The Associated Press

The Federal Energy Administration has projected a 500,000 barrel surplus of crude oil on the West Coast after start-up of the trans-Alaska oil pipeline.

Deputy regional administrator for San Francisco Robert Bolt, project manager for the five-month study, said the report will be issued to West Coast states next week.

"Our conclusion is that there will be a surplus, beginning in 1978, of 500,000 barrels per day," Bolt said in a telephone interview from San Francisco Thursday.

The report will not be released publicly until the four coastal states and the president's Energy Resources Council comment on its findings, he said.

Bolt described the report as "an analysis of all the possible alternatives (to market the oil in the United States) from four viewpoints the environment, economy, permitting and timing."

He said the report compiled with the states of Alaska, California, Washington, Oregon and his agency's regional offices in Seattle and

San Francisco analyzed methods for shipping the oil from the Pacific Northwest to the midwest through Canada; by pipeline across Panama or Guatemala; by tanker through the Panama Canal or around Cape Horn, and by exchanging oil with Canada or another foreign nation.

Bolt said while the study concludes there may be some additional capacity for North Slope crude at West Coast refineries, "there would have to be a major expansion if all crude were to be processed on the West Coast."

Bolt said the Standard Oil of Ohio proposal to bring oil by tanker into Long Beach, Calif., for pipeline transportation to Midland, Tex., was the only port mentioned in the report.

"From the timing standpoint, the Panama Canal is already there," he said, but some tankers scheduled for Alaska trade are too large for the waterway.

"Our general conclusion is that one or more alternatives are going to have to be implemented" to market the oil in the United States, he said.

Legislature hires oil tax consultants

By The Associated Press

The author of a controversial report on the tax potential of Prudhoe Bay oil fields has been hired as an advisor to the state legislature.

Michael Tanzer is among five consultants hired or under consideration for research contracts by the state's Interim Committee on Oil and Gas Leasing and Taxing Policies.

HIS CONTRACT calls for a probe of "the impact on exploration and development resulting from increased oil taxation by Norway, Great Britain, West Germany, the Canadian province of Alberta and other governments." Tanzer also is to compare industry profits per barrel under the tax and royalty policies of major oil producing countries.

Tanzer's \$15,000 contract was outlined in a memo sent last month to committee vice chairman Rep. Hugh Malone, D-Kenai, from James Rhode, an administrative assistant to the House Finance Committee.

The interim committee headed by state Sen. Chancy Croft, D-Anchorage, also has signed a contract

with former British Columbia Institute of Economics affiliate Mason Gaffney. He is to work with Commissioner of Natural Resources Guy Martin in a review of the state's oil and gas leasing policy.

DIRECTOR GREGG ERICKSON of the division of research services for the legislative council said three other contracts are pending for economic and tax research.

Rhode's memo indicates the studies are to determine "what is a fair rate of return to the oil companies and still make sure that Alaskans get our fair share of the value of our oil."

He said cost structures for industry operations in the North Sea are "very similar to cost data for Prudhoe Bay... if costs are similar, why is our tax rate under theirs?"

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Sohio exec seeks balance on oil taxes

With revenues from the trans-Alaska oil pipeline to begin flowing into the state treasury next year, the state can afford some time to "strike the right balance" for an oil industry taxation package, a Standard Oil Co. of Ohio executive told the Greater Anchorage Chamber of Commerce.

Richard M. Donaldson, vice president for government and public affairs of Sohio, said there are two important state studies now in progress concerning oil and gas taxation, one study by the state administration and one by the legislature.

"Our industry is watching these studies very closely," Donaldson said Monday. His company, the largest single shareholder for the trans-Alaska oil pipeline and Prudhoe Bay oil, is preparing a series of papers to respond to both studies.

The studies can be "a firm first step to long range stability... or they can be more marching in place," Donaldson said. He noted that Alaska already has the highest tax among all the states on oil and gas revenues.

Donaldson said among the factors that should be considered for continued energy development in Alaska are the tax and regulatory climate in the state, the availability of skilled labor and support industries, the higher cost per barrel for Arctic oil construction and the shortage of capital facing the industry.

The state should also consider that while about 17 per cent of all potential U.S. reserves are in Alaska, "It's not the only area that's attractive in the country."

Controversial oil tax adviser hired by state

News 10/9/76

ANCHORAGE, Alaska (AP) — The author of a controversial report on the tax potential of Prudhoe Bay oil fields has been hired as an advisor to the state legislature.

Michael Tanzer is among five consultants hired or under consideration for research contracts by the state's Interim Committee on Oil and Gas Leasing and Taxing Policies.

His contract calls for a probe of "the impact on exploration and development resulting from increased oil taxation by Norway, Great Britain, West Germany, the Canadian province of Alberta and other governments." Tanzer also is to compare industry profits per barrel under the tax and royalty policies of major oil producing countries.

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studies are to determine "what is a fair rate of return to the oil companies and still make sure that Alaskans get our fair share of the value of our oil."

He said cost structures for industry operations in the North Sea are "very similar to cost data for Prudhoe Bay...if costs are similar, why is our tax rate under theirs?"

Oil company spokesmen have said such reasoning does not consider taxes the industry pays to the U.S. government in addition to its state taxes.

In the study submitted to the legislature last year, Tanzer suggested the state could tax Prudhoe Bay profits at 50 per cent and perhaps up to 80 per cent without discouraging owner oil companies.

Standard Oil of Ohio vice president Dick Donaldson told the recent Alaska AFL-CIO convention in Anchorage the 31 largest U.S. oil companies combined paid 74.1 per cent of their incomes in state and federal taxes. After employees' salaries and investors' dividends, he said the companies' share is 7.8 per cent.

Donaldson said projections for Prudhoe Bay profits and development costs both have risen 400 per cent and owner oil companies anticipate a 15 per cent rate of return on their investments.

"The principal beneficiary of any 'windfall' will be the state," Donaldson told the labor convention.

TIMES 10/31/76 Oil Chief Gives Advice On Taxes

FAIRBANKS (AP) — Standard Oil of Ohio vice president Richard M. Donaldson says Alaska legislators must strike a moderate balance when they tax corporations developing the state's oil and gas reserves.

Otherwise, he told the Fairbanks Industrial Development Corp., the companies will be discouraged from or unable to invest their money in future energy development here. Donaldson heads Sohio's government and public affairs division.

Exxon base at Seward

Gulf drilling speeds up

news 11/2/76

The three big winners in Alaska's first Outer Continental Shelf oil and gas lease sale — Exxon Corp., USA, Atlantic Richfield Co. and Shell Oil Co. — are moving in on the northeastern Gulf of Alaska, with two wells in progress and a third planned.

All three companies are setting up onshore operations at both Seward and Yakutat.

SHELL AND ATLANTIC-Richfield (ARCO), which bid in partnership on a number of tracts in last April's OCS sale, each have a rig in gulf waters, and are drilling two wells with joint ownerships.

Exxon has just announced that it is setting up shore base operations at Seward with the expectation of beginning drilling operations early next year.

ARCO moved the drilling rig Ocean Ranger into the Gulf of Alaska in mid-October to spud its first well on a \$41.1 million tract on the fringe of the Icy Bay structure, considered by geologists to be the most promising area in the Gulf.

THE TRACT IS owned half by ARCO and half by Shell. It drew the third highest successful bid in the half-billion dollar lease

sale.

The Ocean Ranger is the world's largest semi-submersible drilling rig, and it is under contract from ODECO of New Orleans.

Shell moved the rig Sedco 706 about two months ago to a tract that cost Shell and its partners \$61.9 million, the second-highest winning bid in the April sale. The tract is some 40 miles west of the Icy Bay structure.

The Sedco 706 cost \$46 million and was built specially for the Gulf of Alaska. Shell is operator for a four-company combine, including ARCO, on the tract.

EXXON ALSO has a designed-for-Alaska drilling vessel in the wings. The Alaskan Star, a \$50 million rig, is being built in Japan and is due to arrive in Alaska in January.

Exxon has leased 30 acres near the Alaska Railroad dock at Seward to use as a storage and staging area.

Since most of its offshore leases are 200 miles or more away, from Seward, drilling crews and other personnel will be transported from a helicopter base at Yakutat, said Monte Taylor of Anchorage, manager of Exxon's Alaska production operations.



Shell and ARCO's Ocean Ranger

News 10/14/76

Poll shows Alaskans split on oil tax policy

By The Associated Press

An independent survey indicated voters in Alaska's three largest cities are divided on oil tax proposals introduced during the last legislative session.

"The public was only slightly aware of any campaign waged for or against the tax package," the report stated.

The survey was conducted by the Alaska Industrial Survey Research Service, a joint venture by H. A. Boucher and Associates of Anchorage and Rowan Group, Inc., of Mill Valley, Calif.

It was based on interviews with at least 325 registered voters in Anchorage, Fairbanks and Juneau, and will be sold to corporate clients for between \$15,000 and \$18,000. The service reports its sample reflects total urban voter opinion to within 3 per cent accuracy.

The legislation in question would increase state taxes on Prudhoe Bay oil field operators. Some 20 per cent of those polled said the taxes would reduce impact of the trans-Alaska pipeline in the state, and indicated they believed the oil industry could afford the increase. About 23 per cent of the participants opposed the measure, contending oil taxes already are excessive and an increase could force the industry to leave Alaska.

On other issues, those polled listed Alaska's major problems in order of importance as population growth, inflation and crime. They identified major national issues as inflation, unemployment, crime, failures of leadership, foreign policy, energy and corrupt government.

The capital move was favored by 48 per cent of those polled and opposed by 44 per cent. However, figures varied widely. More than 60 per cent of Anchorage and Fairbanks participants approved the move, while Juneau residents opposed it overwhelmingly.

Those polled indicated dissatisfaction with their incumbent legislators in the poll conducted last July. Gov. Jay S. Hammond was supported by

31 per cent of those polled and opposed by 27 per cent. The remaining 42 per cent said they did not know how they would vote, or indicated they could not make a decision without knowing Hammond's opponent.

Support was given the El Paso plan for a natural gas pipeline from Prudhoe Bay. The firm is competing with Arctic Gas and Northwest Pipeline Corp. before the Federal Power Commission for permission to build the line. El Paso's appeal was based on the fact that it "would be built entirely within Alaska," said the 73 per cent who favored the line. Juneau residents polled gave the El Paso proposal 88 per cent approval.

Report predicts oil surplus

News
9/17/76

By SALLY W. JONES
Daily News Staff Writer

The Federal Energy Administration (FEA), in a report to be issued to West Coast states next week, has projected a 500,000-barrel-per-day West Coast surplus of crude oil following start-up of the Alaska pipeline.

That finding is contained in a 500-page report of marketing and distribution problems the West Coast will face when the Alaska pipeline begins producing at the rate of 1.2 million barrels of oil daily in late 1977.

ROBERT BOLT, FEA deputy regional administrator in San Francisco and project manager for the five-month study, said Thursday the report will not be released publicly until after the four states and the President's Energy Resources Council comment on the report's findings.

He said another draft report will be completed by the end of the month, evaluating marine terminals on the coast.

The FEA announced its probe of

the surplus question in February, two months after The Daily News completed an investigation into the question of where Alaska's oil will be marketed. The study was compiled with the states of Alaska, California, Washington and Oregon, the FEA's regional office in Seattle and its regional office in San Francisco.

ALTHOUGH THE REPORT will not be released publicly by the FEA, Bolt discussed its conclusions Thursday. The conclusions are the same as reached in The Daily News probe, which estimated a surplus would range from 300,000 to 600,000 barrels per day, because oil companies on the landlocked West Coast lacked time to move oil inland by the time Alaska pipeline oil was delivered at the 1.2-million-barrel rate.

"Our conclusion is that there will be a surplus, beginning in 1978, of 500,000 barrels per day," said Bolt Thursday. He said the report makes no recommendations on how to handle the oil, reserving that decision for the administration and Congress.

The report, he said, "is an analysis of all the possible alter-

natives (to market the oil in the U.S.) from four viewpoints, the environment, economy, permitting, and timing."

HE SAID THE multi-agency report analysed methods to move the oil from the Pacific Northwest through Canada to the Midwest; by pipelines across Panama or Guatemala; by tanker through the Panama Canal or around Cape Horn; and by exchanging oil with Canada or another foreign nation.

Bolt said the study concludes that refineries on the West Coast "have some additional capacity for North Slope crude; but there would have to be a major expansion if all crude were to be processed on the West Coast."

He said the report also analysed a Standard Oil of Ohio (Sohio) proposal to bring tankers into Long Beach and build a pipeline to Midland, Texas.

THE LONG BEACH port was the only one discussed in the report, said Bolt.

"From the timing standpoint, the Panama Canal is already there,"

said Bolt. But the canal is limited in the size of tankers it can accommodate, and some tankers scheduled for the Alaska trade are too large for the canal.

For the other proposals considered, said Bolt, "it would be dependent on the proponents to get the regulatory permits they need. The Kitinat (pipeline proposal) in British Columbia needs one permit; Sohio's will need about 100 permits," he said.

"WE HAVE NOT WRITTEN an executive summary of the report; but our general conclusion is that one or more alternatives are going to have to be implemented" to market the oil in the U.S. where it is needed, Bolt said.

Although the Seattle FEA official said in March that The Daily News articles were the basis for the study, it was an ad hoc group of governor's representatives from Alaska, California, Washington and Oregon that first brought the surplus problem to light last fall.

\$1.13 billion bid in Atlantic lease sale

NEW YORK (AP) — The oil industry bid a total of \$1.13 billion for undersea drilling rights Tuesday, after a U.S. Supreme Court justice gave last-minute approval to the first-ever sale of Atlantic Ocean oil leases.

The figure was well below the record batch of high bids that totaled \$2.09 billion in a 1974 Gulf of Mexico oil lease sale.

The highest single Atlantic bid Tuesday was \$107.7 million offered by a group of companies headed by Mobil Oil Corp. for Tract No. 29 — a

tract consisting of about 5,750 acres.

The opening of the sealed bids by a U.S. Department of Interior official was delayed for eight hours while lawyers for New York State and environmental groups asked Supreme Court Justice Thurgood Marshall to block the sale.

He declined to do so. But whether actual drilling in the Atlantic occurs depends on the Circuit Court of Appeals in Manhattan. That court will hold a hearing next month on the overall environmental effects of offshore oil production.

The court proceedings left timing of actual drilling uncertain. But it usually takes four to six months from the sale of leases before the first rigs move out to sea.

The environmentalists sought a detailed study of the effects of the drilling off the mid-Atlantic coast from Long Island, N.Y., to Virginia.

As the arguments went on, hundreds of oil company executives milled about a hotel ballroom in New York, waiting for the sale to begin.

In his ruling, Justice Marshall said only that the 2nd U.S. Circuit Court of Appeals had acted properly Monday in deciding to lift a lower court's ban on the sale. He said he would issue a written opinion later.

Last week, U.S. District Judge Jack Weinstein barred the sale, saying environmental interests should have been consulted more fully. The appeals court then overturned his decision.

The Supreme Court is in recess, but Marshall has jurisdiction over the 2nd Circuit Court District.

Interior Department officials said the case was the first on offshore oil lease sales to reach the high court. Previous efforts to block lease sales off Louisiana, California and in the Gulf of Alaska all failed.

Alaska Natural Resources Commissioner Guy Martin, who has coordinated Alaska's opposition to the current Outer Continental Shelf (OCS) program, said late Tuesday the Supreme Court decision was not surprising.

"What it means is that under (OCS) law, it appears that the states have virtually no power in the courts" to halt a sale, said Martin.

The Interior Department estimates the area holds a potential 400 million to 1.4 billion barrels of oil.

State to appeal dismissal of suit

JUNEAU (AP) — Atty. Gen. Avrum Gross said Tuesday that his office will appeal a U.S. district court decision to dismiss a state suit to cancel offshore oil and gas leases in the Gulf of Alaska.

Asst. Atty. Gen. Sandy Sagalkin said the notice of appeal will be filed in "a couple of days."

"Basically we will appeal on the same grounds we raised in the district court case but framed in terms of what we believe were erroneous findings by the judge," Sagalkin said.

U.S. District Judge Joseph Waddy of Washington, D.C. ruled in the case last Friday, rejecting the state's claim that the U.S. Interior Department failed to conduct a proper environmental impact survey before going ahead with the lease sale last April.

The judge concluded that the department's environmental impact

statement was "an objective, good faith document."

Gross said he was not "shocked by the loss in the lower court."

"When the judge denied our motion for a preliminary injunction on April 8, he indicated that was the way it would turn out in his court," Gross said.

In his ruling, Waddy also rejected the state's claim that the leases should have contained a termination clause to allow a suspension of drilling if environmental hazards developed. He said such clauses are specifically banned by federal laws governing offshore leasing.

The lease sale was conducted on April 13 after the state lost its motion for an injunction. Of the 189 tracts offered, bids for 76 were accepted. A total of 32 oil companies paid \$560 million for the rights to drill on the 410,000 guif acres.

Sohio denies charges of export intentions

News 9/24/76

By ROSEMARY SHINOHARA
Daily News Staff Writer

Standard Oil of Ohio, a major owner of Prudhoe Bay oil, Friday denied the allegations of a California official who says Sohio is gambling that Congress and the President will let the company sell the oil to Japan.

Ken Showalter, Sohio's representative in Alaska, said the company has no plans to sell oil to Japan, and he challenged most of the other conclusions drawn by a top California environmental advisor as well.

TOM QUINN, chairman of California's Air Resources Board and a chief advisor on environmental issues to California's governor, said in Anchorage Thursday that a Sohio plan to expand the port of Long Beach and build a pipeline system from there to Midland, Texas will never be approved.

The Midland pipeline, or another alternative, will be needed to relieve a surplus of oil that will occur on the West Coast when North Slope production reaches 1.2 million barrels per day. The Alaska pipeline is scheduled to produce at that rate in late 1977.

A proposed Sohio plant at Long Beach would be too great a pollution source to meet state and federal

clean air standards, Quinn said. He said Sohio has declined to consider other sites, terming them too costly. And he said Sohio has not yet applied for key permits that will be needed to carry through its project, which will take two years to complete.

SOHIO EXECUTIVES DISAGREE with a California consultant's report on the pollution level from their proposed plant. "We think there needs to be more work done on that," Showalter said.

Sohio didn't reject any alternative sites that were recommended because of cost, Showalter said. "They were passed over because of environmental and permitting considerations." In some cases, more massive construction would have been required, and in other cases there would be more damage to the environment in other ways than air pollution, he said.

It's true that Sohio hasn't applied for key permits, Showalter said. "The environmental impact report is not yet completed. The agencies are not to the best of our knowledge allowed to consider applications for permits until the environmental report is complete," Showalter said.

IN SPITE OF Sohio's denials the possibility that Prudhoe Bay oil will

be sold to Japan continually comes up, Showalter said.

Last week, Sohio's chairman Charles E. Spahr responded to articles in British and Japanese newspaper speculating on the subject.

Spahr said even after Sohio uses the available American tanker fleet to carry Alaska oil through the Panama Canal, it appears that there will still be a surplus on the West Coast for six months or so beginning in late 1977.

THE CHAIRMAN SAID alternatives to deal with the remaining surplus include the use of large foreign flag ships to move crude from Valdez around Cape Horn, or an arrangement with Canada under which Alaska crude could be moved to eastern Canada refining centers in exchange for deliveries of Canadian crude to the western U.S.

A third possibility would be an exchange in which foreign oil would be delivered to U.S. ports in exchange for deliveries of Alaska crude in to foreign markets, Spahr said.

He noted that the trans-Alaska pipeline legislation says all oil from the pipeline is to serve U.S. markets either by direct shipment or through an exchange with an adjacent foreign state — Canada or Mexico.

SHOWALTER SAID SOHIO executives are "puzzled" by Quinn's rejection of the whole project before the environmental report is completed, and before Sohio has even filed for a permit.

Quinn said California officials and the Air Resources board met with Sohio more than 18 months ago and told Sohio the Long Beach port plan would not be approved in California.

Showalter said, "I can't find anyone in Sohio who is associated with it that remembers the state saying we won't get approval."

Alaska oil won't go to Japan—Young

An oil surplus on the West Coast will not cause Alaska oil to be shipped to Japan but will cause new east-west distribution systems to be developed, Rep. Don Young, R-Alaska, said Tuesday.

Commenting on a statement by Sen. Adlai Stevenson, D-Ill., here Monday that the Senate would hold hearings into the anticipated oil surplus, Young said "the Senate is about 10 days behind time."

YOUNG SAID the House Interior Committee's public lands subcommittee, of which he is a member, completed a week's hearing and "established we have a surplus on the West Coast."

But Young said he did not view the surplus as a problem that might force curtailed production of Alaska oil or the oil to be shipped to Japan, but as "a chance and opportunity to develop oil transmission systems east and west."

He said he agreed with the

statement of Sen. John Durkin, D-N.H., that Congress would object to efforts to ship Alaska oil to Japan. He said he was responsible for getting the provision in the pipeline authorization act prohibiting it.

"WE'RE NOT going to let any of this oil go to Japan as long as we're shipping 48 per cent of our oil from the Mid East. The senators are right. No way will Congress stand for oil to be shipped to Japan," he said.

Young said present and proposed oil distribution lines could carry 1.2 million barrels a day east from the West Coast—far more than the anticipated surplus of 500,000 barrels a day when Prudhoe Bay oil goes on line. These transportation systems would never be developed if there was not a surplus, he said.

Young said most oil lines went north and south, with one line bringing oil to California. That line could be reversed with modifications to the line, and a small spur would hook up an east-west line in British Columbia, he said. He said an east-west distribution system would allow flexibility in shipments of oil and protect the East Coast if there was another Arab oil embargo.



Daily News photo by Michael McDermott

Rep. Don Young, R-Alaska, opened his Anchorage campaign headquarters at 519 West Eighth Ave. Monday. Jim Slaybaugh, left and Pat Loken, enjoy a laugh with the candidate.

Energy experts rap U.S. use of foreign supplies

News

8/11/76

SPOKANE, Wash. (AP) — The United States is becoming increasingly dependent on foreign energy supplies instead of making progress toward self sufficiency, two energy experts said here this week.

George M. Keller, vice chairman of the board of Standard Oil Co. of California, told delegates to the Pacific Coast Gas Association convention here that the United States soon may be importing half of the oil it consumes.

"We now are importing from foreign sources more than 40 per cent of the oil we use and that figure may soon rise to 50 per cent or more if a greater effort toward conservation of oil is not made and if adequate incentives for exploration and production of reserves are not provided," Keller said.

Dr. John R. McKetta of the Department of Chemical Engineering at the University of Texas, said that "At the current rate of energy demand growth, the U. S. will have a severe depression brought about by a lack of energy in 1985."

McKetta criticized Congress for failing to deal with the nation's energy problem. He said Congress has an "anti-U.S. voting record" on energy matters which has put "the future of the nation and the world in jeopardy."

The energy industry has been hurt, McKetta said, by "senseless, inflexible government regulations and the extreme demands of environmentalists."

He said, "The government is going to have very strict rationing by 1980. The situation is going to get so bad that Congress is going to pass helter-

skelter laws."

McKetta called for an end to unnecessary government regulation, encouragement of private enterprise to find new energy, increased coal production and use, construction of 1,000 nuclear power plants and increased energy conservation.

Delegates also heard arguments from a pipeline company executive on the merits of projects to bring Alaska's North Slope natural gas to the lower 48 states.

William Brackett, vice chairman of Alaskan Arctic Gas Pipeline Co., said the Arctic Gas Project could be completed sooner than either Northwest Pipeline Corp.'s proposed Alcan Pipeline or El Paso Natural Gas Co.'s proposed pipeline - ocean tanker system.

The environmental staff of the Federal Power Commission "has determined and testified that the Arctic Gas Project route is environmentally preferable to a pipeline which carried Alaskan gas along the Alcan Highway route and Canadian gas down the Mackenzie River Valley," Brackett said.

The Arctic Gas Project pipeline

would run from Prudhoe Bay in Alaska and the Mackenzie Delta in Canada down the northern coast of Alaska and Canada, then through Canada along the Mackenzie River.

your dog, said...

Oil Chiefs Warn U.S.

AUSTIN, Tex. (AP) — The Texas Railroad Commission cut the statewide oil allowable from 100 to 99 per cent today, saying it wanted to put Washington on notice and alert the people that the nation is running out of oil.

Texas' wells, with some exceptions, have been running wide-open for 56 months.

Commissioner Jim Langdon said the change in the allowable will have the effect of reducing estimated production by 7,500 barrels of crude oil a day, which is "insignificant."

This "will get the attention of the people in Washington," Langdon told a statewide hearing. "Whether the reaction is good, bad or indifferent," Langdon said, "it is time" people recognize that oil supplies are dwindling.

Commissioner Mack Wallace said, "We are telling the rest of the country we are saving 7,500 barrels a day of Texas oil to use in emergencies."

text that Paarlberg was concerned about some of the pledges the President-elect had made, including those related to helping farmers through higher government price supports.

Paarlberg said that he thought that it was "unlikely that we would deliberately return to the policies from which we have now escaped."

Jackson Recommends Canadian Oil Trades

TIMES 10/22/76

PORT ANGELES, Wash. (AP) — Sen. Henry M. Jackson has proposed oil trades with Canada as a method of obtaining the equivalent of Alaskan oil without the hazards of new pipelines or supertanker traffic.

Jackson, campaigning for re-election here on Wednesday, said three of the state's four oil refineries can't process the high-sulphur Alaskan crude anyway.

He said that Alaskan oil can be traded to Canada, with shipments going to Kitimat, B.C., and sent from there to Canadian refineries equipped to handle it.

In exchange, he said, Canada would continue to supply Washington refineries with oil from Alaskan wells.

Among plans now being considered for dealing with Alaskan oil is one to build a supertanker terminal at Port Angeles. A 1,500-mile pipeline would run from the terminal to the Midwest in a project costing \$2 billion.

Various governmental entities have opposed that plan, but the state has supported it because it would mean that tankers would not have to ply Puget Sound.

Jackson said he plans to meet with Canadian officials, probably by December, to discuss steps towards a treaty that would assure complete cooperation in an oil exchange.

He said another step necessary to make his plan work is to assure bonding companies that their money invested in Alaskan pipelines is safe from losses that might result from international conflicts.

Bill Malseed, manager of the Shell Oil Co. refinery at Anacortes, said any agreement would have to provide Canadian oil at competitive prices.

The Fish and Wildlife Service says that blackbirds destroy no more than a tenth of the nation's annual corn crop.

Official Defines Oil Stand

TIMES 9/24/76

SACRAMENTO, Calif. (AP) — California's air pollution chief said Thursday he would not oppose an Alaskan oil facility everywhere in the state — only at Long Beach.

Tom Quinn, Gov. Edmund Brown Jr.'s cabinet-level environmental adviser and Air Resources Board chairman, was responding to what he called misleading comments in Washington by a federal official.

Quinn, in a letter to Frank Zarb, chief of the Federal Energy Administration, disputed comments made earlier this week by Zarb's deputy, John Hill, to Senate committees.

He said Hill was wrong in saying California opposes a facility for

receiving and transporting Alaskan oil anywhere in the state.

Quinn also described as "unacceptable and preposterous" Hill's statement that it was okay to build in Long Beach because the air already was heavily polluted.

Quinn had earlier written Zarb saying California would oppose a Long Beach facility because it would result in more air pollution in the Los Angeles basin.

"It is quite true that we have objected to the site selected by the oil companies, the Port of Long Beach, but we are quite willing to allow construction of the terminal at other locations," Quinn said.

Slope oil owners to operate as unit

News 8/19/76

By ROSEMARY SHINOHARA
Daily News Staff Writer

Owners of the oil and gas reserves at Prudhoe Bay have generally agreed to an arrangement for operating the field as a unit. But they are still arguing about how to split up the pie, oil company representatives indicated during a public meeting in Anchorage Wednesday.

The Prudhoe Bay leaseholders presented the state with a preliminary draft of a unitization agreement Wednesday, and said they hoped to be able to make a formal application by late this year or

early in 1977.

THE AGREEMENT will set out an operations plan and a determination of how much oil and gas each company owns at Prudhoe. It will make provisions for handling the state's royalty share—12½ per cent of the field.

It also includes provisions to enlarge or contract the size of the unit in case further discoveries are made, leases expire, or other changes occur.

All oil company representatives present said they support the concept of unitization, but spokesmen for companies with a minority interest in the field made clear that they are unhappy with the plan presented by the four major owners to settle the issue of how much oil and gas each leaseholder owns.

STANDARD OIL CO. of California (Socal) and Mobil Oil Co. particularly stressed their disagreement with an "equity participation" plan proposed by the major owners Aug. 11.

Dudley Cramer of Socal said the percentages of ownership proposed by the major owners "do not adequately reflect the interests of Standard and the other minority owners."

Mobil Oil Co.'s representative said much the same thing, but added that though the issue is serious, "I think we'll achieve agreement well before production."

FOUR MAJOR companies, Standard Oil Co. of Ohio, British Petroleum, Exxon, and Atlantic-Richfield Co., have combined interest of more than 90 per cent in the field.

The leaseholders began working on the unit plan in 1969, but negotiations were suspended between 1971 and late 1974.

Statements made Wednesday

indicated that the companies are aiming to have a final plan ready by early next year, but will definitely have one ready before the scheduled start-up of the pipeline in July, 1977.

GUY MARTIN, state commissioner of natural resources, warned the leaseholders that they had best settle their own differences quickly because the state is going to take the time needed to review the plan, and will also submit it to the public to be reviewed and analyzed.

"I'm committed to it happening. I refuse to truncate the time for the state and public reviews because of disagreement among the operators," Martin said.

The state has responsibility for approving the unit plan to prevent waste of oil and gas and to ensure that Prudhoe Bay operations are in the public interest.

BILL LEAKE of Dallas, Atlantic-Richfield's Alaska co-ordination manager, presented the owners' plans for management of the field. Leake said the owners believe that the field will have sustained production of 1.5 to 1.6 million barrels of oil per day for about eight years.

The pipeline is to carry 1.2 million barrels per day shortly after start-up next year. Leake said the field facilities are to be expanded in 1978 and 1979 to produce 1.5 to 1.6 million barrels daily.

The field can produce 2 billion cubic feet of natural gas per day as soon as a gas pipeline is available, and that rate could be sustained for more than 20 years, Leake said.

FOR MAXIMUM recovery of the oil, water that is produced with the oil and gas is to be selectively reinjected into the field. The water will provide pressure to force the oil out.

As the liquids are extracted from the field, water from another source may have to be injected to maintain pressure, Leake said.

Costs Slow Drilling In Gulf Of Mexico

Special To The Times

TULSA — High operating costs and technological hurdles are causing oil companies to slow down large-scale drilling for new oil and gas reserves in deep waters of the Gulf of Mexico.

The Oil and Gas Journal reports that the companies which pioneered offshore exploration in the gulf 20 years ago now are turning their attention to East and West Coast waters rather than venture into the deeper gulf waters.

While much oil and gas activity continues in the gulf, most of the undeveloped sites off Texas and Louisiana are in 600 or more feet of

water, the weekly business magazine says.

While advanced deepwater technology is developed, most companies prefer to drill elsewhere rather than get into deeper waters of the gulf. One of the prime prospects will be the Baltimore Canyon off New Jersey and Delaware. Water depth there averages about 350 feet over potential oil and gas reservoirs.

Companies spent about \$1.1 billion to lease canyon tracts during an Aug. 27 department of Interior sale.

The Journal says industry interest in similar Gulf of Mexico sales has declined during the past two years. Another indication of an activity slowdown in the gulf is the limited number of drilling plans announced by industry for the rest of 1976 and 1977, according to the Journal.

Operators now active in gulf waters over 600 feet deep say they have about all the acreage they can handle in terms of cost and technology.

"We can drill in waters more than 3,000 feet deep," one operator told the Journal. "But what good will it do if you can't afford to bring production on stream?"

Industry's attempts to advance deepwater drilling and production technology are progressing but new equipment such as remote control maintenance and submerged production devices are expensive.

The Journal says a new prototype platform design for deepwater drilling also has been tested but has not gone into full production. Another consideration is the increasing cost of equipment built on standard designs.

The magazine cites the example of an offshore platform contracted for at a cost of \$30 million in 1974. Price for the same platform has increased five times.

In addition to technology advances, there are other signs activity will be revived and perhaps even sustain the gulf as the nation's most active offshore arena, according to the Journal.

Representatives from more than 40 oil companies will meet early in 1977 to plan a joint stratigraphic - test program which will help locate suspected oil and gas bearing structures in deep Gulf of Mexico waters.

The program, one of the organizing companies said, also could speed development of technology by determining that there are deepwater gulf prospects worth going after for which there is no existing technology.

The Anchorage Times

11/3/76
Business-Financial

Foreign Oil To Fill Lines, Says Report

TULSA — Proposed West Coast to east-of-Rockies oil pipelines are likely to move mostly foreign crude, The Oil and Gas Journal reports.

The pipelines are proposed to ease a short-term Alaskan-oil surplus on the West Coast or a crude shortage at refineries in the upper Midwest states of Montana, North Dakota, Minnesota, Wisconsin and Michigan.

Canada is phasing out its crude exports to the United States and those refiners are scrambling for another supply.

Historically, they've processed mostly Canadian low-sulfur crudes. With that supply shrinking and ending altogether in 1982 and with inadequate pipeline connections to U.S. oil sources, they're worried about a potential energy crisis in their states.

North Slope oil will be coming on production next summer but the oil industry hasn't a trans-Rockies crude pipeline to bring the oil into the upper Midwest.

And if one is built, the Journal says in its Nov. 1 issue, the refiners will want not only the medium-sulfur content Alaskan oil, but large volumes of sweet foreign crudes. Their plants generally aren't designed to process sour oil, and many of them can use only a limited amount by blending it with sweet oil.

Standard Oil Co. of Ohio plans one of three proposed pipelines. It would market most of Sohio's Alaskan production in other sections of the nation besides the upper Midwest.

The other two pipelines are Kitimat and Northern Tier, both of which would dispense Alaskan crude to the northern refiners.

In the time period to 1985, California refiners are expected to take a growing percentage of the Alaskan production. So any West Coast-Midwest pipeline likely will have to move increasing amounts of foreign oil to pay out, according to the Journal.

But the pipelines are long-term solutions and will do nothing to relieve the short-term problems. The Sohio line could be finished by 1978. Kitimat could be finished in 1979 and Northern Tier in 1980. It is doubtful both Kitimat and Northern Tier will be built.

Other solutions are being considered by the refiners until one or more of the pipelines is finished, according to the magazine. One of those favored is large-scale crude swaps with Canada.

Several short-term solutions are

being considered by the refiners, too, according to the Journal. The magazine says the best of those solutions is large-scale crude swaps with Canada.

The Federal Energy Administration held discussions last month with Canadian officials about such a possibility. Following the meetings, a spokesman for the Canadian Embassy in Washington said exchanges are "altogether possible."

The magazine calls the disparate economics of the surplus, the shortage, and the pipelines "a headache to all involved."

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The Anchorage Times

10/21/76

Business-Financial

Oil Firm Executive Cites Federal Delay

Special To The Times

ST. LOUIS, Mo. — Federal regulation to promote more oil company competition in the Gulf of Alaska closed the area to all exploration for more than a decade, a Standard Oil Co. (Indiana) executive vice president says.

Frank C. Osment said the government's 11-year delay in scheduling competitive bidding for leases in the gulf is an example of how regulation of the oil industry has produced results opposite to those intended by the regulators.

Osment said in 1965 he requested that the government conduct competitive bidding for offshore leases in the Gulf of Alaska after turning over to the Department of the Interior the results of "several million dollars" worth of Standard's proprietary studies indicating the possible presence of petroleum deposits.

"The Interior Department agreed with our interpretations of the studies, but they said they didn't have enough companies interested to promote real competitive bidding," Osment said. "So we looked around for places that wanted our expertise and our resources. One of the places we found was England which was trying to develop the North Sea play as fast as possible."

He said that between 1965 and 1976, "when the government finally held a sale of a small part of the (Gulf of Alaska) acreage," the North Sea has seen extensive drilling. About 13.5 billion barrels of crude oil reserves and 75 trillion cubic feet of gas were discovered, making England "virtually energy independent," he said.

Osment pointed out that during this same period U.S. oil imports have risen from 2½ million barrels a day to more than six million barrels, with the nation now importing about 42 per cent of total oil consumption.

In remarks delivered here to a seminar on free enterprise, Osment said another regulatory backlash has resulted from a maze of Federal Energy Administration rules. In certain cases, he noted, those complex regulations make it more attractive for a U.S. refiner to refine \$14 per barrel crude oil imported from halfway around the world than \$7 domestic crude.

Osment warned that if certain provisions of the House and Senate bills affecting the Gulf of Mexico become law, millions of dollars will be added to the ultimate cost the consumer must pay for his gas and oil, and prolong by several years the time the U.S. will be vulnerable to more oil boycotts.

He said despite the industry's brilliant 20-year safety record in the Gulf of Mexico — only four significant oil spills out of 19,000 wells drilled — legislators are seeking to increase the present 100 safety check points to 136 before drilling can begin.

Another provision in the same House and Senate bills, to reduce companies' control over information they acquire through their own efforts, would produce a "chain of unexpected results," Osment declared.

By giving some companies information for which they had contributed nothing, the reward for discovery of new oil - finding techniques would evaporate, resulting in less competition and less exploration, Osment said.

He noted that some people believed the oil industry would make a killing off the oil in the Gulf of Mexico, which currently supplies 17 per cent of total domestic oil and gas production.

"In reality," he said, "the companies paid \$18 billion since 1950 for just the rights to look for oil, and they've been paid \$19 billion for the oil they produced."

"If you throw in the \$10 billion spent for rigs, materials, and labor, the industry is still \$9 billion short of breaking even after 20 years in the area."

TIMES 11/22/76

Interior Moves On Atlantic Oil

WASHINGTON (AP) — The Interior Department has begun the process of selling oil and gas exploration and drilling rights leases in an expanded area off the coasts of five Middle Atlantic states.

The department yesterday invited proposals for exploration of an area of some 14.8 million acres lying 15 to 110 miles off New York, New Jersey, Maryland, Delaware and Virginia.

The invitation, a "call for nominations and comments," is the first legal step toward an eventual sale of leases in 1978. The announcement said no decision would be made until public comment has been collected and reviewed and an environmental impact study is made. The process may take some 19 months.

The department, after weathering public debate and attempted lawsuits, auctioned off the first federal leases off the Atlantic coast last Aug. 17, accepting more than \$1.1 billion for the right to drill for oil and gas on 529,466 acres off New Jersey and Delaware.

The area involved in yesterday's invitation overlaps the 6.5 million acres originally proposed for the August lease sales. The department said the expanded call now includes areas farther north and south and more seaward.

TIMES 10/28/76

Fuel Report Predicts Petroleum Shortages

SEATTLE (AP) — A federal report says Eastern Washington may come up short about 10,000 barrels of petroleum products a day by 1980 while the West Coast reaps a surplus of Alaskan oil.

The Federal Energy Administration report also forecasts a shortage of about 17,000 barrels a day for Montana.

The report addresses the problem of supplying crude or refined products to areas affected by the cutoff of Canadian crude to Northern Tier states' refineries.

Actually, the report assumes about a 27,000 barrel-a-day shortfall from Montana refineries, since Eastern Washington gets about 15 per cent of its petroleum products from Montana by way of the Yellowstone and Chevron pipelines.

Keith Sherman, Washington state energy office director, and Seattle area oil shippers believe the immediate problem — delivery of petroleum products to Eastern Washington — will be solved by tank barges up the Columbia River.

Sherman said the Olympic Pipeline, which carries petroleum from the four Washington refineries to Oregon, has the capacity to supply barge runs up the Columbia. The cost of another method of transport — train shuttles between Columbia River west of Portland, Ore., and Billings, Mont. — would be too expensive, he believes.

The federal report discusses six, 90-car unit trains a day shuttling between the Columbia River west of Portland and Billings.

Although the FEA report has not been made public, testimony before the Senate Interior Committee and California state agencies indicates the study shows there will be an oil surplus of 500,000 barrels a day or more on the West Coast when the Alaska pipeline, reached near-capacity.

TIMES

9/23/76

Vessels Crosscross Prosperous Fishery In Search For Oil

NEW BEDFORD, Mass. (AP) — American oil companies are finishing a summer of crisscrossing one of the world's greatest fishing grounds in small ships looking for the best spots to drill for oil.

At least one of the companies, Shell Oil, says its detailed search with computers and sonic shock waves has disclosed several promising areas to drill for petroleum.

The oil men have been looking on Georges Bank, home of the Northeast's fishing fleet and one of the world's most productive fishing places.

"There's no question that there are going to be some interesting tracts out there, ones that look favorable and promising," said Gordon Phillipson, a staff geophysicist aboard Shell's seismic vessel Phaedra.

"From an economic standpoint, they are not small," he said. "But there has to be a lot of soul-searching computer work to make sure that what looks promising now will stay that way."

Last month, the federal government sold oil leases on the Baltimore Canyon, the seabed off the coast between New York and Virginia.

Next spring, if all goes as the oil companies hope, the government will sell leases on Georges Bank off New England. Before then, however, hearings must be held on an environmental impact study that is scheduled to be released within about a month.

Besides Shell, complex measurements of the ocean floor have been conducted this summer by Mobil, Texaco and Digicon, a Houston-based firm performs studies for several other oil companies.

All of them are using instrument-laden ships that produce X-ray-like pictures of the rock formations below the sea. The companies will use this information to decide which areas have the best

chance of producing oil.

Then, if the leases go on sale next May or June, the companies will know which underwater tracts they should seek drilling rights for. In all, it is expected that about 200 tracts, each of them three miles square, will be available for bid.

Though Shell has not decided which tracts to seek, Phillipson said, "There is only a very remote possibility that we wouldn't bid."

Phillipson spoke while Shell's 172-foot Phaedra was docked in New Bedford taking on supplies for its final month of research.

Since April, the Phaedra has covered 5,000 miles, taking measurements in most of the 200 tracts that are expected to be leased. The ship flashes sound waves toward the ocean bottom. Their echoes are then picked up by sensitive listening devices embedded in a 12,000-foot-long cable that trails behind the ship.

Earlier this year, 31 oil companies sponsored a floating drilling rig that bored a hole into the ocean floor on Georges Bank. The drill did not strike oil, but it did bring up rock samples that the companies will use when they analyze the information from the seismic ships.

Return
CHAPMAN

TIMES
10/30/76

Agency Proposes Offshore Plan

Times Washington Bureau
WASHINGTON — The governor of Alaska and his counterparts in other coastal states could count on receiving copies of development plans for any oil and gas fields that may be discovered off their shores under a proposed order published by

the U.S. Geological Survey.

The plan, published in the Federal Register, would require lessees and operators involved in offshore operations to provide the information well in advance so that the states could prepare for any onshore impact from the outer continental shelf activities.

The governors would have 60 days in which to review and comment on the discovery prior to action by the Geological Survey.

The lessee or operator, at least 30 days before submitting a development plan to the geological survey, would be required to supply the state with the following coastal zone information:

- The location and size of any offshore and land-based facilities to be built, leased or otherwise acquired.
- The amount of acreage required within the state for facilities and

storage, right of way and easements.

—The means to be used to transport oil and gas to shore, the routes to be followed and, where possible, the estimated quantity of oil and gas moving along such routes.

—Requirements for land, labor, materials and energy, as well as the

number of persons engaged in onshore support activities.

—An estimate of any significant quantity of natural resources including water and other major supplies to be procured within the state.

—Estimates of the timing of the development operations.

Offshore Oil Work ^{TIMES} Will Give East Jobs ^{10/20/76}

NEW YORK (AP) — Gov. Hugh Carey's decision to withdraw the state's suit against planned offshore oil drilling in the Atlantic Ocean could help create thousands of new jobs in New York and New Jersey.

Carey asked State Atty. Gen. Louis Lefkowitz on Tuesday to drop the suit. The governor's action followed a ruling by the U.S. Court of Appeals last week that lifted an injunction against the sale of \$1.1 billion worth of Interior Department leases to private oil companies.

A study made for the oil companies showed that some 28,000 jobs related to oil and gas exploration and production will be created over the next 15 to 20 years. Many of the jobs would come to New York and New Jersey which have excellent support facilities for offshore drilling operations.

In a related development, Exxon USA Corp., which bid more than \$340 million in August for exploration rights, announced it will locate support activities at Quonset, R.I. Their initial explorations are scheduled to begin next August.

John S. Dyson, State Commerce Commissioner, hailed Carey's decision, saying the governor had "tried to balance the need for energy and concern for the environment."

Lefkowitz had planned to appeal the Court of Appeals ruling in U.S. Supreme Court. But a Carey spokesman said the governor was convinced by top aides that the environmental protection the state was seeking through the courts is possible without legal action.

Environmentalists were backing the state in its attempt to prevent drilling in 876,750 acres along the East Coast in what is known as the Baltimore Canyon which stretches

from just south of New York City to the northeastern waters of Maryland, Virginia and Delaware.

Long Island's two counties, Nassau and Suffolk, said they would reassess their positions in light of Carey's move. They did not rule out pressing on with the suit. It could not be learned immediately what the New Jersey counties would do.

Business-Financial

Senate Election Results May Worry Oil Companies

By MAX B. SKELTON

HOUSTON (AP) — Oilmen who fear congressional proposals to break up major oil companies found little encouragement from the U.S. Senate results of the general election.

Ten senators who voted against vertical divestiture will not return to Congress next year. Only four senators who voted for divestiture will not return.

Oilmen were shocked late last year when three divestiture proposals suddenly surfaced on the Senate floor. All three amendments were rejected but oilmen were shocked by the strength mustered by proponents of the measures that were submitted without benefit of committee hearings.

Vertical divestiture was rejected, 40-49. The proposal would have required the 15 largest producing companies to get rid of other operations such as refining and marketing within five years.

The Senate votes prompted the American Petroleum Institute, oil's largest trade group, to form a special task force last November to fight divestiture.

Another proposal aimed at the 18 largest integrated oil companies was approved by an 8-7 vote in June by the Senate Judiciary Committee but it never reached the Senate floor.

In the past year, scores of oilmen have made hundreds of speeches charging that divestiture amounts to an attack on free enterprise. They have also said repeatedly that other industries such as steel and automobiles will certainly follow should the major oil companies be broken up.

Of the 40 senators who voted for vertical divestiture, 27 were not up for reelection, 12 faced opposition, and one, Senator John O. Pastore, D-R.I., did not seek reelection. Three of the 12 — Senators John V. Tunney, D-Calif., Vance Hartke, D-Ind., and Frank E. Moss, D-Utah, were defeated.

Senator Walter F. Mondale, D-Minn., now vice president-elect, was among the 27 who were not up for reelection.

Of the 49 who voted against divestiture, 35 were not up for reelection; five of the nine who had opposition were defeated and five chose not to seek reelection.

Those defeated were Senators J. Glenn Beall Jr., R-Mo., Joseph M. Montoya, D-N.M., James L.

Buckley, R-C.N.Y., Robert Taft Jr., R-Ohio, and Bill Brock, R-Tenn.

Those not seeking reelection were Senators Paul J. Fannin, R-Ariz.,

Hiram L. Fong, R-Hawaii, Stuart Symington, D-Mo., Roman L. Hruska, R-Neb., and Hugh Scott, R-Pa.

The Anchorage Times

Business-Financial ^{10/25/76}

State's Progress Pleases Showalter

Kenneth Showalter, Standard Oil of Ohio's first fulltime representative in Alaska, says he is pleased with progress being made in streamlining state government.

Showalter was a volunteer team leader for the Governor's Management and Efficiency Review team which spent several months last winter studying the operations of state government. The team came up with recommendations for cutting state spending by \$70 million to \$80 million a year.

"I was quite pleased with the progress report Thursday," Showalter said. "I think the Governor and Leonard Lane are moving along quite well. If they keep moving at that speed, they will be instituting

the changes faster than we had anticipated."

Lane is the coordinator for the implementation, which was expected to take 18 months.

Showalter, whose office is in the BP Building on C Street, went to Juneau a year ago this month to get started on the efficiency review. His company was one of 35 which provided manpower and funding for the study, a total \$500,000 donation.

He worked on the review into early February. "After working 14 weeks on something like that, I want to see it go."

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He'll be back in Juneau for the next legislative session, with the amount of time he spends there "in direct ratio to the kinds of proposals that are forthcoming," he said.



KENNETH SHOWALTER
Standard Oil Rep

Exxon President Cites Value Of Alaskan Oil

Special To The Times

HOUSTON — "North Slope oil development, together with the trans-Alaskan pipeline, will contribute more to reduce U.S. dependence on foreign oil than any other action taken in this decade," Exxon USA President Randall Meyer said yesterday.

"The 1.2 million barrels per day expected to be produced from the North Slope by 1978 will represent an increase in U.S. crude oil production of approximately 15 per cent," he said.

"When Alaska North Slope oil begins to flow to market next year, imports of foreign oil will be correspondingly reduced even if some Alaskan oil cannot be refined on the West Coast and part of it is transported to refineries elsewhere in the U.S.," Meyer added.

"The fact that West Coast crude oil production is likely to exceed West Coast demand in no way detracts from the importance and usefulness of the Alaskan oil development. Oil reserves are seldom found exactly where they are needed and petroleum companies routinely and efficiently move oil from where it is found to where consumers want it. Added U.S. oil reserves and production are badly required no matter in what region of the country they may be located.

"A number of recent events have made it almost certain that soon after North Slope production starts, crude oil production in the states west of the Rocky Mountains will exceed the ability of refineries in that part of the country to process it. Foremost among these developments is the fact that many West Coast refineries have not been modified so that they can operate at capacity while processing only available Alaskan or California grade crude oils.

"Federal price controls discourage investments to modify refineries in this way. Consequently, many West Coast refiners will continue to import foreign crude oil despite the fact that ample domestic crude oil will be available to them.

"An added factor affecting the balance of crude supplies and demand on the West Coast is that substantial volumes of oil from the U.S. Naval Reserve in California are now being produced and marketed. This reduces the available West Coast market for other domestic crude oils. Also, current estimates of West Coast petroleum consumption are now lower than previous estimates due to lower industrial demand and to energy conservation."

Meyer said that "despite these developments, North Slope oil can be moved to other U.S. refiners needing it, and, in so doing, imports

of foreign oil will be directly reduced. In the near term, the only practical way of moving West Coast crude oil to refiners in the U.S. Gulf and East Coast is by ship.

"The much discussed alternative of exchanging some North crude oil in return for foreign crude oil would, under federal law, be feasible if the federal government determines that such exchanges are in the national interest. If the government makes such a determination, exchanges might be practicable as an interim measure prior to the commissioning of pipeline systems to move oil across the U.S.

"Specific actions toward achieving long term optimum use of Alaskan oil are timely. It is clear that West Coast refineries should be modified to permit them to operate at capacity while processing available U.S. crude oil. Federal controls inhibiting these investments should be removed.

"In addition, a pipeline transportation system to move West Coast crude oil to other parts of the country should be built. Much of the potential for future oil and gas discovery in the United States is in the far western states, including the waters off the coasts of California and Alaska. Consequently, a permanent means of moving large volumes of crude oil from the West Coast to other parts of the country is likely to continue to be needed.

"From a national security stand-

point, a pipeline system or systems would provide a secure, high-capacity means of moving domestic oil between the West Coast and other parts of the country," he declared. "This would be particularly valuable in the event of foreign supply curtailments or a national emergency."

Meyer said "Exxon is currently in discussion with The Standard Oil Co. of Ohio concerning the proposed project to move oil from the Los Angeles area to Midland, Texas for subsequent distribution to the Midwest and other parts of the country.

"This pipeline project appears to be attractive for several reasons. It could serve several major U.S. refinery centers. Its origin terminal would also serve the largest West Coast market. It makes optimum use of existing facilities and could serve as an important link in filling

the proposed national strategic oil reserve."

Meyer further noted, "Exxon's refinery at Benicia, Calif., can operate totally on U.S. crude oil and is expected to process a significant portion of Exxon's share of North Slope production. Exxon expects to be able to place the rest of its Alaskan production with other West Coast refiners or to transport it to refineries elsewhere in the U.S.

"The growing national need for energy and our current trend toward greater dependence on foreign energy supplies makes it essential that we get on with the job of finding and developing all available domestic energy sources. Oil is where we find it, not where we might like it to be. The country needs a lot more of it no matter in what region it may be found," Meyer added.

"Production of the North Slope oil

will be very important to the U.S. in achieving our national energy goals. By the time North Slope oil flows

through the Alaskan pipeline, it will have taken almost 10 years from discovery to actual production.

EDITORIAL PAGE

The Anchorage Times

ROBERT B. ATWOOD
Editor and Publisher

WILLIAM J. TOBIN
Associate Editor
And General Manager

CLINTON T. ANDREWS JR.
Managing Editor

Page 6

Friday, October 8, 1976

'Business At Its Best'

IN ALASKA'S DEBATES over all aspects of oil leases, exploration, production and the problems that follow in the wake of economic development, Thorton F. Bradshaw has been one of the most interested spectators, listeners and sometimes participant. As president of Atlantic Richfield Co., he represents one of the biggest investors in Alaska resources.

Although he has been inseparably tied to the oil interests, which some individuals consider bad, he has proven to be one of the nation's industrial leaders who is sensitive to social responsibilities as well as corporate duties.

ATLANTIC RICHFIELD is putting a major part of its total financial resources on the line to finance its share of the \$11 billion Prudhoe Bay oil reserves along with the trans-Alaska pipeline and the costly gathering facilities, flow stations and other devices required to get the oil to market.

Mr. Bradshaw, by allowing his firm to become so deeply involved in an Alaska venture, is betting his all on success in getting the Alaska oil to the markets of the nation on a profitable basis.

He told the Conference of Young Presidents that the North Slope development is "American big business at its best." He cited the enterprise, innovation and courage that has gone into the project.

IT IS UPLIFTING when a man of Bradshaw's status speaks up clearly and boldly in behalf of American enterprise. One of the curious customs of today is to criticize success and denigrate the institutions that have made America great.

In the legislative halls of Alaska one sometimes gets the impression that the lawmakers hate the economic ventures that are making this state a stable and inseparable part of the economy of the nation. Indeed, they point a finger of guilt at companies that are, in the Alaskan economy, the goose that lays the golden eggs.

DEFENDING BIG OIL was only part of Bradshaw's remarks to the Young Presidents. He also urged them to seek social change and to participate in writing the rules for business - community relationships. He said many rules for the use and preservation of the environment are yet to be written and business must help "if they are to be based on realism and experience rather than the visions of sugarplums that tend to dance in our social critics' heads."

It wasn't appropriate for him to mention it, but there is a need for legislators, conservationists and social critics to express the same concern for balance because the tasks that face society demand full collaboration by all sectors.

The Anchorage Times
Business-Financial 10/25/76

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KENNETH SHOWALTER
Standard Oil Rep

11/8/76
The Anchorage Times

Business-Financial

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By MAX B. SKELTON

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Senator Walter F. Mondale, D-Minn., the president-elect's running mate, was not up for reelection.

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Those defeated were Senators J. Glenn Beall Jr., R-Mo.; Joseph M. Montoya, D-N.M.; James L.

Buckley, R-C-N.Y., Robert Taft Jr., R-Ohio, and Bill Brock, R-Tenn. Those not seeking reelection were Senators Paul J. Fannin, R-Ariz.,

Hiram L. Fong, R-Hawaii, Stuart Symington, D-Mo., Roman L. Hruska, R-Neb., and Hugh Scott, R-Pa.

Atlantic Richfield Plans Gulf Drilling

Atlantic Richfield Co. plans to drill an exploratory well in the northeast Gulf of Alaska with the drilling rig expected to be moved onto location this weekend.

The well, designated as Salome 72-1; will be drilled using the semi-submersible drilling vessel Ocean Ranger on acreage leased jointly from the Department of Interior by Atlantic Richfield and Shell Oil Co. The vessel recently completed a stratigraphic test well in the Bering Sea north of Dutch Harbor.

Howard A. Slack, vice president and resident manager of Atlantic Richfield's Alaska region, said the exploratory well will be drilled in 250 feet of water about eight miles south of Cape Yakataga, 97 miles west of Yakutat and 125 miles east of Cordova.

Salome is a code designation assigned to the target structure by the companies prior to last April's federal lease sale. Atlantic Richfield and Shell paid \$41.1 million for the lease block on which the well is to be drilled. The government permit for the well calls for an authorized total depth of 15,000 feet.

The Ocean Ranger, the world's largest semi-submersible drilling vessel, is the second drilling rig to be assigned to operations in the Gulf of Alaska. The Sedco 706 drilling vessel is presently being operated by Shell Oil Co. on another lease 32 miles west of the Salome location and is drilling a well for Shell, Atlantic Richfield and others. Both vessels are especially designed for operations in areas of severe weather conditions. Slack said the Ocean Ranger performed extremely

well in the Bering Sea operation.

Support for the Salome operation will be coordinated with the support of the Sedco rig. Five supply boats will provide standby safety service and carry fuel, water and other supplies for both drilling vessels. The fuel and most water will be carried from Seward to the drilling location. It is anticipated that other supplies will be routed through the supply terminal operated at Yakutat by Atlantic Richfield for itself, Shell and Mobil Oil Corp.

Air support will be provided by two Sikorsky S61N helicopters owned by Evergreen Helicopters of Alaska Inc. The helicopters will operate out of Yakutat.

Gold

By The Associated Press

Selected world gold prices Friday.
London: Morning fixing \$115.00, up \$0.15; afternoon fixing \$115.70, up \$0.85.

Paris: Afternoon market quotation \$117.66, up \$0.03.

Frankfurt: fixing \$115.54, up \$0.30.

Zurich: \$115.50 bid up \$1.00, \$116.25 asked.

Handy & Harman base price, New York: \$116.05, up \$0.85.

Engelhard selling prices, New York: \$116.20, up \$0.85.

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TIMES

10/15/76

Atlantic Oil Plans Win Court Appeal

NEW YORK (AP) — The U.S. Court of Appeals has given the federal government the go-ahead on plans to drill for what is estimated to be billion of dollars worth of offshore oil and gas along the mid-Atlantic coasts.

In granting permission to drill, the court overturned a lower court injunction and said the plaintiffs who had sued on environmental grounds had failed to show they would suffer "irreparable injury."

The court also rejected the argument that states involved may seriously restrict the drilling project with local environmental statutes. U.S. District Judge Jack B. Weinstein had halted the project pending a study of the rights of the states involved.

Weinstein held the officials had failed to consider that the states, not the oil companies or the federal government can decide how the land inside the three-mile limit is used.

The terse, two-page decision, handed down Thursday, removes the last bar to drilling and enables the government to keep its offshore exploration timetable in 876,750 acres of the Baltimore Canyon area of the Atlantic Ocean. The area extends from southern Long Island, New York, down along the New Jersey coast to the northeast waters of Delaware and Maryland.

Officials believe the area contains as much as 1.4 billion barrels of oil and perhaps 9.4 trillion cubic feet of natural gas.

The government on Aug. 17 auctioned \$1.13 billion worth of oil and gas-drilling permits to private oil companies.

Officials said initial exploratory drilling would begin within a year, but full-scale production would take three to five years. The oil companies plans must now be approved by the geological section of the

Interior Department.

The appeals judges said one of the reasons they could not sustain the injunction sought by New York State, by Long Island's two counties, Suffolk and Nassau, and by the three New Jersey counties of Cape May, Atlantic and Ocean, was that they doubted they could win if the environmental issues came to trial.

"An evaluation of these statements measured by the 'practical rule of reason' creates some doubt as to the probabilities of plaintiffs' success on the merits," the court wrote.

The Department of the Interior had denied assertions that the Continental Shelf permits posed a menace to waters and beaches because of possible oil spills.

Mexican Gulf Drilling Slows

TULSA (AP) — Large-scale drilling for new oil and natural gas in the deep waters of the Gulf of Mexico has slowed down because of high operating costs and technological hurdles, the Oil and Gas Journal reports.

The Oct. 25 issue of the weekly business magazine published here reports that the companies which pioneered offshore exploration in the Gulf 20 years ago now are turning their attention to the waters of the East and West Coast rather than venture into deeper Gulf waters.

The magazine said there still is much oil and gas activity in the Gulf but most of the undeveloped sites off Texas and Louisiana are in 600 or more feet of water.

Most companies prefer to drill elsewhere rather than get into the deeper Gulf waters, and one of prime prospects will be the Baltimore

Canyon off New Jersey and Delaware, the magazine reported.

Water depth in the canyon averages about 350 feet over potential oil and gas reservoirs.

Industry interest in Gulf of Mexico sales has declined during the past two years. Another indication of an activity slow-down in the Gulf is the limited number of drilling plans announced by the industry for the rest of 1976 and 1977, according to the Journal.

"We can drill in waters more than 3,000 feet deep," one operator told the Journal. "But what good will it do if you can't afford to bring production on stream?"

The magazine cited the example of an offshore platform contracted for at a cost of \$30 million in 1974. The price for the same platform has increased five times.

Industry's attempts to advance deepwater drilling and production technology are progressing but new equipment is expensive.

In addition to such advances, there are other signs that activity will be revived and perhaps even sustain the Gulf as the nation's most active offshore arena, the Journal says.

Representatives from more than 40 oil companies will meet early in 1977 to plan a joint test program which will help locate suspected oil and gas bearing structures in deep Gulf waters.

The program, one of the organizing companies said, also could speed development of technology by determining that there are deepwater Gulf prospects worth going after for which there is no existing technology.

^{TIMES 11/7/76} Oil To Japan Might Be Wise

Shipping Prudhoe Bay crude oil to Japan in exchange for imports of middle-Eastern oil may well be an interim solution to the problem of a West Coast oil surplus when the trans-Alaska pipeline goes into production, according to the state's petroleum consultant Milton Lipton.

At a meeting here yesterday of an interim legislative committee, Lipton said the preferred destination for Prudhoe Bay crude oil is the Midwest, but pipelines to the Midwest are several years away.

He estimated that oil carried by tanker to British Columbia and then by pipeline to the Midwest would result in a wellhead price only 60 cents less than to Los Angeles. Prudhoe Bay oil shipped by pipeline from Los Angeles to Texas would bring a wellhead price about \$1.28 less than Los Angeles, and by tanker to the U.S. Gulf Coast, \$1.43 less.

Lipton said that Frank Zarb, head of the Federal Energy Administration, has declared that under no circumstances can he foresee the federal government allowing an exchange with Japan. That is understandable, Lipton said, because if the export were allowed, oil companies would lose the incentive to build pipelines from west to east in the U.S. or to make changes in West Coast refineries to handle the higher sulphur Prudhoe Bay oil.

The trans-Alaska pipeline authorization bill forbids the export of oil to Japan without the President's consent. Lipton thinks that approval might be forthcoming if the exchange were for specified volumes of oil over a limited period of time, and if the Alaska oil were carried on U.S. flag tankers.

A third requirement, he said, might be that for barrels of oil exported, a specified number of barrels of oil must go into the nation's strategic oil reserve. If this were a quid pro quo for shipping oil to Japan, it would mean the oil "doesn't really leave the U.S.," he said.

Japanese refiners have a tremendous range of refinery capacities, Lipton said, with a lot of de-sulphurization equipment because they handle a lot of "cruddy crude" from the neutral zone of the Middle East.

Lipton said the anticipated West Coast surplus is the result of a lag in demand over the past 2½ years, an increase in oil prices and the recession. Plus, he said, the U.S. has abandoned restrictions on oil imports, and imports will continue after Alaska crude is available because the California refineries and markets are better suited to imported oil.

Our views:

Costly glut?

One oil company engaged in the trans-Alaska pipeline project finally has admitted there will be an oil glut on the West Coast and is taking steps to avert it.

Standard Oil of Ohio (Sohio) announced this week that it's contracting for smaller oil tankers to move Prudhoe Bay crude through the Panama Canal once the pipeline is completed.

The Sohio plan to funnel oil south is necessary because industry won't have facilities in place in time to handle all the Alaska oil once it begins to flow next year. Sohio estimates as much as a half-million barrels of surplus a day would accumulate!

The Daily News said as much last year in a special series of articles by staff writer Sally W. Jones. Since then, industry and government have begun waking up to the hard, cold figures of an oil surplus.

State governments along the West Coast have been meeting on the problem for some time, identifying economic and environmental problems. Meanwhile, early this year, Long Beach, Calif., began planning port facilities to receive the extra crude. And in February, the Federal Energy Administration finally began actively studying the possibility of a surplus and what might be done about it.

It's hard to imagine that with all the money, time and effort that went into planning the pipeline and making it environmentally and politically acceptable, the consequence of pumping 1.2 million barrels of oil a day from the Slope wasn't seriously considered.

There's no question that the surplus oil will get to market, whether it's through the Panama Canal or sold to Japan (which industry and federal government leaders still deny).

The question now, however, is what these new schemes to get oil to pipelines and refineries beyond the West Coast ultimately will cost the American consumer. We suggest that be fully addressed, and now.

Exxon To Rent Rhode Island Site

Special To The Times

HOUSTON—Exxon USA plans to support its initial exploratory drilling operations in the mid-Atlantic outer continental shelf area from onshore facilities at the Naval air station at Quonset Point, R. I.

The company is entering into a rental agreement with the Rhode Island Department of Economic Development for approximately six acres of open storage area, and two acres of pier space. It is anticipated that approximately 1,600 square feet of office space and 4,000 to 6,000 square feet of covered storage also will be rented at the shore base facility.

Exxon was successful bidder on 30 Mid-Atlantic OCS tracts leased by the federal government last August and expects to begin drilling in early 1977.

In the Gulf of Alaska lease sale in April, Exxon won 24 tracts. The company also plans to begin drilling

operations in the gulf early next year.

The company has provided a summary of its planned Atlantic support activities to the governors of several Mid-Atlantic states. The summary covers Exxon's anticipated needs for office, storage and pier space; boat, helicopter and fixed wing aircraft transportation; and local housing.

Most of the 180 people engaged in the initial exploration program will maintain their present permanent residences in other states and commute and live on the drilling unit. It

is anticipated that local housing will be needed in Kent and Washington counties of Rhode Island for 12 families of Exxon personnel and contract drilling and service company employees.

Exxon facilities at Quonset Point will support only the company's exploration phase of oil and gas development in the Mid-Atlantic. The company said if oil or gas is found in commercial quantities, it is likely that the onshore support base for production operations would be located at another site, but a selection has not been made.

Suit Seeks To Ban Atlantic Exploration

NEW YORK (AP) — Suffolk County Executive John Klein says his office will press on with a suit to prevent Atlantic oil exploration along the East Coast despite Gov. Hugh Carey's withdrawal of the state's legal action.

State Atty. Gen. Louis Lefkowitz confirmed that the governor "requested me to terminate this litigation."

"Accordingly, my office will stipulate to discontinue the action on behalf of the state of New York," Lefkowitz said.

Klein, a Republican said, "I just can't believe the governor has thrown the towel so easily."

ALASKA RESOURCES



Another Calm Before The Storm

By Thomas E. Kelly

APPROXIMATELY one year ago an article appeared in this column entitled "The Calm Before The Storm." It dealt with then proposed new taxes primarily aimed at oil companies doing business in the state.

Alaska's chief nemesis of business and industry, Sen. Chancy Croft, D-Anchorage, and several of his loyal followers including Sen. John Huber, D-Fairbanks, and Rep. Steve Cowper, D-Fairbanks, worked tirelessly throughout the last session in an attempt to enact a new package of confiscatory taxes, not on the basis of the needs of state government but on the basis of a so-called "fair share" concept not unlike that of the Opec nations.

For the first time reason prevailed in the legislature and the proposed tax package was not adopted. That was last year. In fairness to the "get you good" advocates of higher taxes they have been exceedingly successful over the years with the notable exception of last year.

Taxes were increased in 1968, 1970, 1972, 1974 and 1975, particularly with respect to the oil industry in the form of increased severance taxes, a re-enacted oil and gas conservation tax, new ad valorem 20-mill property tax and finally a reserves tax which keeps the state out of bankruptcy with its ever-spiraling budget.

The reserves tax is presently bringing an excess of \$230 million per year into the state treasury which might be viewed as a proper thing except that it is essentially a forced lending statute and a classic bill of attainder.

NOW WE ARE in another calm before the storm as the same advocates of higher taxes plot to overcome the opposition they faced last year, which for the first time was more effective principally because of a new element of free enterprise arguing against higher taxes — the native regional corporations.

Gearing up this year is not much different than in the past for the proponents of increased taxes. The approach is to hire an out-of-state economics consultant who generally has a bias against business in general and the oil industry in particular — the latter being the most visible target and favorite whipping boy of reform-minded legislators.

Last year the Interim Committee on Oil and Gas Leasing and Taxation Policy hired former Harvard economics professor and one-time (he was fired) Esso Eastern employee, Michael Tanzer. Mr. Tanzer set everyone on their haunches as he recommended a state-owned oil company, taxation of private companies to 90 per cent of their income and a variety of other incredible tax proposals.

Tanzer has been rehired by Croft, et al, this year, but at a reduced consulting fee which would tend to indicate his influence may not be as profound as in the past.

In the coming session of the legislature the oil industry will face a new adversary. But it is not just this single industry that is likely to eventually feel the knife of Croft's committee if it succeeds in its preconceived objectives — state ownership and control of resource development.

THE NEW WIZARD is Dr. Mason Gaffney — a man with no mean credentials. Considered by some to be the world's foremost natural resource economist, he is certainly a well read and prolific writer, principally on taxation and public policy. The flavor is not dissimilar to a famous 19th century political economist, Karl Marx.

cont

cont from p. 1

p. 2

Dr. Gaffney recently served as a "think tank" consultant to the former NDP administration of Premier Dave Barrett in British Columbia. Gaffney was, in effect, fired from his position on a three-man property tax advisory commission following dissolution of the Institute of Economic Policy Analysis which the majority of voters in B. C. found unpalatable when they rang Mr. Barrett's gong.

Now due to the generosity of Sen. Croft to the tune of \$35,000 of Alaskan taxpayers' money, we are going to be treated to a scenario that our neighbors in B. C. have previously experienced — and rejected.

It is interesting, if not terrifying, to look at Dr. Gaffney's philosophy as expressed in his many writings. While he is hired by the legislative committee to zing the oil industry in Alaska, the adoption of his policies would no doubt ultimately affect all Alaskans regardless of political belief.

A good preview of the philosophy we can expect appeared in a paper presented by Dr. Gaffney before the Conference on Property Tax Reform in Washington, D. C. in 1970. It reads:

"Property is owned by people of property — the rich.... as to concentration of property, about half of the people own none, they are tenants.... Naturally property owners resent sharing with the propertyless. But the struggle of the poor in America has been fought before, and won....

"There is a permanent revolution, built right into the system we already have.... The method is taxation, which is tempered looting according to rules that can be quite constructive and provide permanent support for welfare, education and many other things."

THE CONCEPT of free enterprise in America is founded on the right to own real property. Alaskans, of all people, know this most profoundly.

From the colonists in the Matanuska Valley to the Kenai homes leader to the Kodiak cattle rancher — everyone came to Alaska seeking the opportunity to own property that they could not afford to obtain elsewhere in the country. Now we have hired a man to advise on public policy whose viewpoint holds that the real property ownership is decadent, immoral and must be forced to pay the bulk of the cost of government.

As Dr. Gaffney concludes in one treatise, "If we want to make real property a taxpayer instead of a tax shelter, we must reform land assessment."

Hopefully he will have the time to visit the many types of property owners in Alaska including the farmers and recreation-site owners in the Matanuska Valley and on the Kenai. They have seen some rather substantial increases in tax assessment of their property in the past year.

IT IS MY prediction that Dr. Gaffney will be a very prominent and influential figure in the upcoming legislative session. I perceive that he has one principal weakness, if it can be called such, and that is that his writings and pronouncements are expressed in economic hieroglyphics and are very difficult to comprehend.

His fundamental belief, however, is clearly discernible. If you happen to own a home, a homestead or a piece of vacant property, or if you are the beneficiary of 44 million acres of lands to be conveyed to Alaska native villages and corporations — let alone the owner of producing oil and gas leasehold property — beware. Your ownership will be short-lived if Dr. Gaffney's doctrine comes to be a way of life in Alaska.

Oh, joy for some of those elected representatives who are looking out for us! It would not surprise me if they next announced that they are planning a study and fact finding trip to the Ukraine.

Tom Kelly, former commissioner of natural resources, is a consultant specializing in Alaska resources. He is a past president of the Anchorage School Board and is president-elect of the Chamber of Commerce.

Oil trade with Japan?

News
9/22/76

By MARK PANITCH

Our Washington Correspondent

WASHINGTON — A projected oil surplus on the West Coast will be only a "transitional" problem, a Ford administration spokesman told the Senate Interior Committee Tuesday. But he said he would not rule out exchange of Alaska oil with Japan.

Oil companies and government agencies, responding to a committee questionnaire, pegged the anticipated surplus following the flow of Alaska's North Slope oil at 600,000 barrels a day in 1978 and up to 1.1 million barrels a day the following year.

JOHN HILL, DEPUTY director of the Federal Energy Administration, compared the expected surplus to the period when Texas began producing more oil than it could use.

"This is a transitional period," Hill told the committee. "There were solutions then, and there are solutions now." He said exchanges with Japan "may be possible and wise."

Sen Ted Stevens, R-Alaska, a member of the committee, called a pipeline from the West Coast to the East Coast the long range solution to the problem. But he urged his colleagues "not to rule out the possibility of an exchange agreement with Japan. . . ." He was careful to draw a distinction between an exchange and a sale.

AND IN A HEATED statement, Stevens called on Congress to prevent California from barring the unloading of Alaska oil there. That state's director of air resources was



Ted Stevens

quoted as saying that vapors from tankers bringing Alaska oil might be equal to hydrocarbon vapors from millions of automobiles.

"No state should have the right to place burdens to the point where it stops interstate commerce," Stevens said.

Sens. Dale Bumpers, D-Ark., and Adlai Stevenson, D-Ill., questioned the wisdom of any export of U.S. oil. They were joined by Interior Committee Chairman Henry Jackson, D-Wash., who asked "how could we explain that?"

STEVENSON NOTED that part of the problem lay in the recent Congressional authorization to produce about 300,000 barrels of oil per day from the national petroleum reserve at Elk Hills. "It was a

(Continued on page 2)

(OVER)

1 million acres in Cook Inlet

Oil lease sale hearings set

News 8/23/

By SALLY W. JONES
Daily News Staff Writer

More than 50 persons have registered to testify this week on a Department of Interior proposal to sell oil and gas leases on nearly one million acres of submerged land in Lower Cook Inlet.

Interior's Alaska Outer Continental Shelf Office has scheduled three days of hearings — two in Anchorage and one in Homer — beginning Tuesday on a draft environmental impact statement released last month.

THE 1,200-PAGE document describes the climatic, seismic, natural and social-economic characteristics of the sale area, which lies generally between Anchor Point and the Barren Islands in the inlet.

The Lower Cook sale, scheduled for late this year or early next year, is among nine Interior has scheduled for the Outer Continental Shelf (OSC) in Alaska.

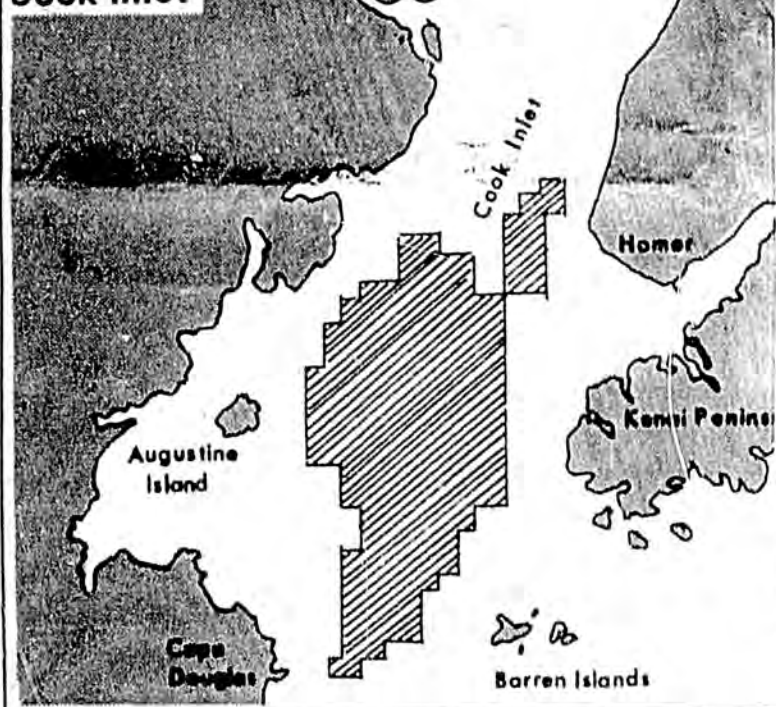
The first sale was held in April in the eastern Gulf of Alaska near Yakutat.

THE IMPACT STATEMENT said more detailed studies of the environment of the Lower Cook Inlet area began this summer and are scheduled to continue for several years. The document that will be the subject of hearings next week was compiled from available information on the sale area.

It estimates that the sale area has recoverable oil reserves totaling .09 to 2.6 billion barrels and recoverable reserves totaling .6 to 3.3 trillion feet of natural gas.

Interior estimates the total market value of the sale area's

Proposed Lease
Area in Lower
Cook Inlet



crude oil at \$990 million to \$28.6 billion. The impact statement, however, cited a number of variables that make economic projections "highly speculative."

IT SAID investment and production costs to develop the field could range from \$3.7 billion to \$7 billion, which includes the cost of an estimated needed 84 exploratory wells, 520 oil platform wells, 21 oil platforms, 300 miles of pipeline, two treatment facilities onshore, two

marine terminals, one liquid natural gas plant and two liquid natural gas tankers at peak production levels.

The impact statement also anticipates that production in the inlet could start as early as 1981, with peak production of 340 million barrels per year occurring in 1984 and declining thereafter for the 25 to 30-year life of the field.

Maps of the area identify Seldovia, Homer, Anchor Point and Kenai as the probable localities that would receive various support activity, such as terminal sites for tankers, and other support services.

THE DOCUMENT also identifies the Lower Cook Inlet area as having five volcanoes, earthquake areas that have experienced temblors ranging from 6 to 7 on the Richter Scale, swift tidal currents and a wealth of marine mammal and fish species.

The statement said, however, that further studies will need to be done on ranges and species of birds in the area, and that oil spills in a number of critical habitat areas could have lethal effects on marine species.

The fish species cited as the most important to the lower inlet were five commercially valuable species of salmon and halibut. Also identified as important resources were crabs, shrimp, and clams. The impact statement said the salmon catch during the inlet's 1974 commercial season was valued at \$7 million.

The hearings in Anchorage will begin in the Captain Cook Hotel Endeavor Room Tuesday and Wednesday at 9 a.m. In Homer, where signs are posted throughout the town urging attendance at the hearing, the session will be held at 9 a.m. Thursday in the East Homer Elementary School.

Officials see no doom at end of oil line boom

News 10/16/76

By ROSEMARY SHINOHARA
Daily News Staff Writer

For Barbara and James Thurmond, the economic boom that made 1975 a record building year in Anchorage and saw housing prices rise 15 to 17 per cent per year ended rather abruptly.

The Thurmonds, planning to move to Oregon, began advertising to sell their house in early June.

FALL CAME, AND the three - bedroom East Anchorage house was still on the market — even though it had been advertised at \$6,000 below the appraised value.

"When school started, we gave up some of our big ideas," said Barbara Thurmond. "We're just waiting for a better time to sell."

Their story is repeated with variations by other house owners whose plans were thwarted, and by the statistics: During one week this month, there were 2,412 housing units on the market, or one and one-half times as many as were up for sale on the same date last year, according to the Multiple Listing Service.

"THERE'S AN OVER-ABUNDANCE of houses on the market," said one housing official. "Sales are still very good, but there are a lot to choose from."

The buyer's market in housing is an early indicator of how Anchorage will weather reverberations the pipeline boom leaves in its wake.

But though the softening real estate industry represents a crisis for many householders who want out, the rest

of the consumer population will probably feel only slightly the changes in post - pipeline boom Anchorage over the next few months.

THE INGREDIENTS for major changes in the lives of Anchorage residents — drastic population changes, or severe changes in the unemployment rates — don't exist at this point, planners indicate.

The work force on the pipeline project is expected to decline from about 19,000 at the beginning of this month to less than 5,000 by December.

Preliminary unemployment rates in Anchorage for August were seven per cent this year, compared to five per cent last year, according to state Labor Department statistics. The figures for September will probably show the highest employment rate for the year.

"WHAT THIS REALLY means is that the impact hasn't shown up yet," a Labor Department official said. Thousands of people are being laid off pipeline jobs, but the same thing happened last year and the year before. "The real impact will be next spring, when they don't go back to work."

Anchorage doesn't need the largest - ever privately financed construction project as a plum to draw more people to Southcentral Alaska. The people are still coming, even as the pipeline builders prepare to dump the last shovel of dirt to bury the line.

The population may not be growing as wildly as it has since 1974, but it is still increasing by several thousand a year.

THE UNIVERSITY OF ALASKA'S Urban Observatory estimates the Anchorage area population at 182,000 to 185,000 currently, compared to 177,400 in July, 1975, and 162,500 in July, 1974.

(Continued on Page 2) (over)



U.S. jet damaged after chasing Russian

ANCHORAGE (AP) — An Air Force F-4 jet was damaged while chasing a Russian jet over the Bering Sea.

Kleppe supports speedy OCS sale

11/76

By SALLY W. JONES
Daily News Staff Writer

PRUDHOE BAY — The producers of the Prudhoe Bay oil field Friday urged Interior Secretary Thomas S. Kleppe to hold an offshore oil and gas lease sale as soon as possible.

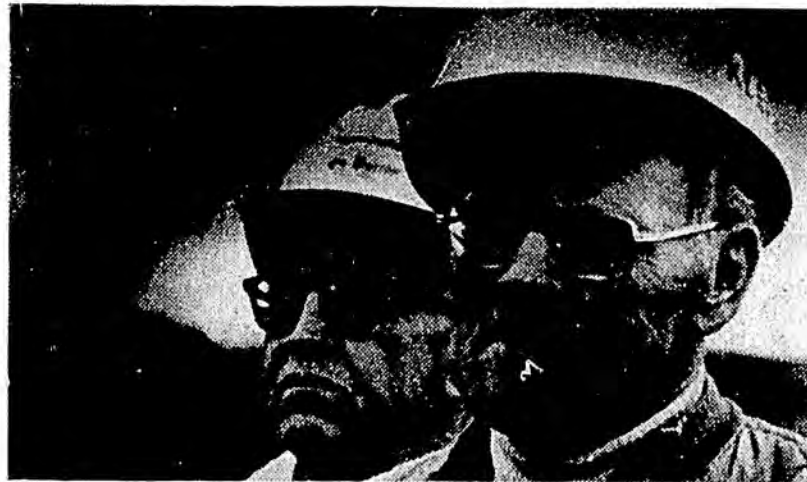
Officials of the Atlantic Richfield Co. (ARCO), British Petroleum (BP), and Exxon Co. found a willing listener in the secretary, who for two days has toured the Alaska Pipeline project and the Prudhoe Bay field with enthusiasm.

"I'M WITH YOU all the way," Kleppe responded. "We're figuring out now how to move as fast as we can with an outer continental shelf lease sale in the Beaufort Sea."

Kleppe was briefed by ARCO and BP Friday before setting out in near-freezing temperatures to see the hardware, plants, drill sites, pipelines and natural gas reinjection system that will enable the eight pipeline owner companies to begin carrying oil 800 miles south to the port of Valdez next year.

During the briefing, Howard Slack, ARCO vice-president, and Kenneth Keep, BP vice president, told Kleppe they are confident more produceable oil can be found in the Alaskan Arctic. They responded to numerous questions from the secretary, who quizzed the oil officials on current exploratory drilling activity, where the companies expect to find more oil and when the additional oil reserves might be able to be produced.

"I'm very interested in this because the nation needs oil," Klep-



Daily News photo by Sally W. Jones

pe said.
Hard-hatted Alyeska Pipeline Service Co. Chairman Ed Patton and Interior Secretary Thomas Kleppe, during an inspection tour of the pipeline north of Fairbanks.

pe said.
SLACK, KEEP, and representatives from their companies were anxious to explain to the secretary how exploration is undertaken, but they said the high competition of the oil business prevented them from discussing specifics at great length.

"There's one thing I'd like to impress upon you, though, Mr. Secretary," said Keep. "The lease timing sets the timing for (additional) exploration. We need to know (about a lease sale) as soon as possible" for planning, he said.

"The oil industry is a very competitive business," added Slack. "We are only allowed (by govern-

ment) to keep our exploration well data confidential for a certain length of time."

INTERIOR CURRENTLY has a tentative schedule for a Beaufort Sea sale in late 1977, although Gov. Jay S. Hammond has proposed that Interior delay that schedule for the outer sea area.

North Sea oil spurs Norwegian economy

By PETER T. KILBORN

(C) 1976, New York Times News Service

OSLO—Norway is poised to become the world's richest country, surpassing all except the few Arab kingdoms that float on oil.

It is oil in Norway, too, North Sea, that is pushing the country past Switzerland and neighboring Sweden, currently the world leaders in wealth per capita. But unlike Kuwait or Saudi Arabia, Norway may be relatively well off even without oil.

THE COUNTRY'S prosperity has spawned a new model of the welfare state, a prosperous model that is still an unfulfilled goal of the Communist nations and a more generous and humane experiment, people here say, than the well-known one of Sweden.

"I have the distinct impression the Norwegians are satisfied with their lives," said Bjorn Balstad, head of the Norwegian Gallup Institute. "Quite a few people are saying they are too affluent and could do with less."

Indeed, one Gallup study found that 76 per cent of Norway's four million people felt they were too well off, in relation to the rest of the world, and that an additional 22 per cent felt their living standard was satisfactory. Ninety per cent think they eat too much.

NORWAY'S growing oil wealth

has meant that the government can disregard the harsh methods other countries sometimes have to use to protect their economies.

Last year, when the worldwide recession forced nearly all other Western developed countries to accept high unemployment and economic decline, Norway enjoyed almost full employment and real economic growth. Norway did it by running up unprecedented debts in foreign loans, which will all be repaid, with little apparent pain, from the coming surge in oil revenues.

Such policies are propelling Norway ahead of the rest of the world. Just three years ago, before the first oil had come ashore, Norway ranked ninth among the 25 developed countries that make up the Organization for Economic Cooperation and Development.

BY LAST YEAR, Norway was third; its per capita gross national product then was \$7,100. This was \$50 more than that of the United States and about \$1,300 behind Switzerland and Sweden.

This year, and well into the 1980s Norwegians expect their economy to grow at annual rates of 6 per cent and more. Switzerland's economy, by contrast, will grow only 1 per cent this year, the OECD predicts, and that of Sweden only 1.5 per cent.

Norway's prosperity is not the sort

experienced by countries that blossomed earlier in the Industrial Revolution. It is not the limousine wealth of the relatively few that is apparent here.

THERE ARE FEW real equivalents of swank shops or plush homes, no private schools to speak of, no well-heeled teen-agers in sports cars. The only Rolls-Royce in Oslo is believed to be the British Ambassador's, and of the thousands of boats in Oslo Fjord, the only true big yacht belongs to the country's jovial King Olav.

Norway's wealth, instead, is that of a sprawling middle class with paper-thin minorities at the extremities. Factory workers live nearly as well as their bosses. Every elementary school has a doctor, a dentist and a nurse. Up to half the population owns or has ready access to a second home, usually a modest, wood-frame cabin in the mountains or along the coasts.

Taxes are among the world's highest. They are a common source of complaint, and evading them is a national sport. But it is the tax system, primarily, that has equalized incomes and preserved much of the traditional society. Taxes are used to subsidize farmers and fishermen.

THE COUNTRY'S widely distributed prosperity has been hard on frugality. "Small boys," said

Mrs. Tove Pihl, a school headmistress, "refuse to wear white underpants. They have to be colorful. And you should see the standard of their bicycles, their skis and their ski boots."

Despite their affluence, Norwegians have their worries, and their society has its flaws. There are still a few big businessmen—landowners and secretive shipowners—who have been able to beat the system. One shipowner paid no taxes at all last year because of business reversals, but at his home he built a tennis court, an indoor swimming pool and a garden.

At the other end of the social scale are the dropouts and the rejects, many of them dark-skinned immigrant workers from Pakistan whom the homogenous Nordic race has been reluctant to try to absorb.

"IN GENERAL," said Odd-Steffen Dalgard, one of the country's few psychiatrists, "Norwegians are happy to be Norwegians. But we are not a welfare state in that all our problems are resolved."

The urbanization of Norway, he said, seemed to be creating even more strains here than in other countries because until now Norway had been an unusually immobile, rural society.

"It seems to be," he said, "that people are less concerned with each other. There's a trend that problems

should be met by some form of expert help. In rural areas, people are able to use their resources to help one another."

Flaws have crept into the economy, too. Inflation last year exceeded 10 per cent, and it is still above that level now. A higher level of inflation than most other countries are experiencing means that eventually the prices of the goods Norway exports will exceed those of competing countries.

Oil is now coming ashore at an annual rate of 16 million tons, twice the amount the country uses for its own purposes. By 1980, the rate will be 70 million tons. It will continue to

flow well into the next century. Revenues from the sale of oil then should be about \$3.6 billion, or \$900 per capita.

But even in the 1980s, oil will still represent only a quarter of Norway's exports. The other exports—lumber, pulp, furniture, machinery, sardines—will have to sell at competitive prices to assure the country's prosperity.

Not everyone lost money in Florida land deals in the middle 1920s. The lot purchased by the Ft. Lauderdale Methodist Church in 1915 for \$1000 sold during the Florida land boom 10 years later for \$80,000.

MONEY

Market struggles over oil price outlook

NEW YORK (AP) — The stock market was mixed in a busy session Friday, struggling against some new doubts about the oil price outlook.

The Dow Jones average of 30 industrial stocks gave up 1.33 to 948.80, trimming its gain for the week to 21.11 points.

Advances outnumbered declines by a 5-3 margin on the New York Stock Exchange.

Big Board volume reached 24.55 million shares, up from an even 24 million Thursday and the heaviest total since a 32.97-million-share day Sept. 22.

A primary force behind the market's strength earlier in the week had been rising hopes that the Organization of Petroleum Exporting Countries might delay a scheduled mid-December decision on whether and how much to raise oil prices.

But Friday morning investors were cautioned by U.S. officials that they had no hard evidence that such a delay was in the offing.

With that subject on their minds, traders paid little heed to some generally bright news on the domestic

economy.

The government reported a 0.3 per cent rise in its consumer price index last month — the smallest increase in seven months — and an upturn on orders for durable goods.

New York's Morgan Guaranty Trust, the sixth largest bank in the country, lowered its prime lending rate from 6½ to 6¼ per cent.

At the NYSE close, the Federal Reserve announced a quarter-point reduction in its discount rate, to 5¼ per cent.

That lowering of the rate the Fed charges on loans to its member commercial banks was seen as underscoring the central bank's evident intentions of fostering lower interest rates and stimulating the economy to some degree.

The NYSE's composite index edged up .06 to 54.61.

In other markets, the American Stock Exchange market value index gained .63 to 100.04, and the NASDAQ composite index for the over-the-counter market added .16 to 89.97.

California urges gas pipeline

SACRAMENTO, Calif. (AP) — The California State Energy Commission says the best way to get Alaska natural gas to California is by pipeline.

But the commission also says that by the early 1980s the state will need at least one ocean terminal for shipment of liquefied natural gas, provided it's far from population centers and fire hazards.

Chairman Richard Maullin said the commission late Wednesday recommended the Federal Power Commission "tentatively approve a liquefied natural gas terminal site but only subject to approval by the State Coastal Commission and review by the State Seismic Safety Commission."

The commission said two proposed sites for an LNG terminal, Oxnard and Los Angeles, aren't far enough away from population centers. It didn't advocate a specific terminal site.

The commission's resolution will be included in the State Public Utilities Commission's report to the FPC on how California feels the Alaska natural gas should be delivered to the nation.

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He says the state also is concerned with reliability, and shouldn't be in a position of getting some 90 per cent of its natural gas from one source.

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TIMES
10/26/76

Oil Executive Resorts To Fable

The tale of the little red hen, modern version, has the hen sowing and reaping the wheat and baking the bread, all without the help of other barnyard dwellers — who are standing ready to charge "Excess profits," and help consume the finished loaves.

Dick Donaldson, vice president of Standard Oil of Ohio, told the Anchorage Chamber of Commerce yesterday that the modern version also includes the government agent, saying, "You must not be greedy. Under our free enterprise system, you're free to produce, but you must divide it with the idle."

Donaldson didn't equate the little red hen directly to the oil industry, but his message was clear.

He went on to point out that Alaska's overall 17 per cent tax rate on oil and gas is ahead of any other state — and that rate would have been raised to 48 per cent during the last session of the state legislature, under proposals which bore the Tanzer imprint.

Michael Tanzer, a New York economist, was and is a consultant to the legislature. His report a year ago concerned expected profits from Prudhoe Bay, and suggested the state could tax the oil industry 50 to 60 per cent without forcing it to leave the state.

Donaldson said the oil industry is "looking very closely" at state studies now underway by both Gov. Jay Hammond's administration and the Alaska legislature regarding future state oil and gas taxation and leasing policies.

He urged moderation, with the aim of "striking a proper balance between revenue sources and needs and a business environment which will sustain a healthy economy and the jobs that go with it."

Donaldson said that while Alaska has 17 per cent of the nation's potential sources of oil and gas and is a "highly attractive" area of exploration, it is not the only area available.

Oil companies must take into consideration the higher costs of operating in Alaska, he said, and the shortage of capital available for exploration and development. Another prime consideration is the availability of skilled labor and support businesses — and a fourth is the state's tax and regulation climate.

Donaldson said Sohio will submit its own study to the state later this week, offering some "new perspectives on the existing tax structure and royalty obligations as related to Prudhoe Bay and the trans-Alaska pipeline."



DICK DONALDSON
Speaking For The Hen

Two-thirds of Sohio's total capital investment is now in those two areas, he said. Sohio owns approximately 50 per cent of Prudhoe Bay oil and, with BP Alaska, nearly 50 per cent of the pipeline.

Alaska can afford time for the "soundest possible" taxing and leasing policy decisions, Donaldson said. "I'm glad the studies are underway. They can be a necessary

first step for a permanent tax structure.

Comparisons of the tax burdens of Alaska with other countries, including mid-Eastern countries, are not valid, he said, unless a whole host of questions is answered, including "Is the aim of those governments to eliminate private industry?"

Donaldson said an energy policy for Alaska and the nation would insure access to resources, with proper consideration for the environment; "turning teams loose to develop" those resources; and "facing up to the cost" by providing what tax incentives are needed.

"If there is concern for profits, require them to be ploughed back," Donaldson said.

America is now importing 44 per cent of its energy, he said. "I think we never will be energy independent, but Alaska can help fill the gap."

Federal Energy Administration estimates of Alaska's undiscovered oil wealth are 9 billion to 50 billion barrels of oil, both on and offshore, and 24 trillion to 137 trillion cubic feet of gas.

Prudhoe Bay was a fortunate super-discovery, he said. "But it has to pay for the dry holes. One of ten wells has oil but only one of 49 will be economic to produce."

Donaldson, here from Sohio's headquarters in Cleveland, will speak in Kenai Wednesday, Fair-

banks on Thursday and Juneau on Friday.

He said he is making his "48th or 49th visit" to Alaska in the last five years. Now vice president for government and public affairs, he was formerly Sohio's general counsel and worked on the litigation and permits for the trans-Alaska pipeline.

Times 10/11/76 Poll Finds Voters Undecided On Tax

By ED HEIN
Times Staff Writer

Most voters in Alaska's three largest cities haven't decided whether they favor or oppose oil tax proposals introduced by the last legislature, an independent survey says.

The Alaska Industrial Survey Research Service, a joint venture by H. A. Boucher and Associates of Anchorage and Rowan Group, Inc. of Mill Valley, Calif., did the survey.

The report, based on interviews with at least 325 registered voters in Anchorage, Fairbanks and Juneau, is sold to corporate clients for \$15,000 to \$18,000. The service said its sample reflects total urban voter opinion accurately to within 3 per cent either way.

"The public was only slightly aware of any campaign waged for or against the tax package," the service said.

The 20 per cent who favored the proposals said the taxes would reduce the pipeline's impact on the state and that the oil industry could well afford to pay. The 23 per cent opposed said oil taxes already are too high and increasing them might force the industry to leave the state.

Respondents also expressed their

views on other issues:

— Alaska's biggest problems, in order, are population growth, inflation and crime, voters said. Major issues nationally, they said, are inflation, unemployment, crime,

(See Page 2, Col. 1)

Poll Finds Indecision

(Continued From Page 1)

failure of leadership, foreign policy, energy and corrupt government.

— The capital move was favored by 48 per cent and opposed by 44 per cent, but opinions varied drastically in each of the three cities. In Anchorage, 64 per cent of voters favored the move, compared to 25 per cent opposed. Fairbanks voters opposed the move 32 per cent to 61 per cent. Juneau voters, opposed it overwhelmingly.

— If an election had been held last July, Gov. Jay Hammond would have received the approval of 31 per cent of urban voters and the opposition of 27 per cent. The other 42 per cent said they didn't know how they would vote or that it would depend on who Hammond's opponent was.

— Voters in all three cities expressed a lack of support for their legislators. Anchorage incumbents were voted down 30 per cent for to 37 per cent against. In Fairbanks it was 15 per cent for and 31 per cent against; in Juneau, 33 per cent for, 35 per cent against.

"It would be a serious mistake to assume from these findings that incumbent legislators are on their way out in the 1976 elections," the report said. "Voters do not know their incumbents as incumbents; they know them as familiar names and they are voting for them."

— The El Paso plan for a proposed natural gas pipeline route was favored by 73 per cent of respondents. Juneau voters favored it by 88 per cent. The most appealing aspect of the El Paso plan is that the pipeline "would be built entirely within Alaska," those in favor said.

controlling the areas which will be open to hunting and regulations for harvest by a permit system. Also to be considered are proposals banning the barter of caribou and the use of caribou as dog food.

Rausch said the department does not know all factors causing the decline of the caribou herd, but added it is obvious the kills by both hunters and wolves are excessive.

"The emergency closure and the proposed new regulations are efforts to reduce mortality and permit the herd to regain its former status so it can once again be a big factor in the sustenance of northwest Alaskans."

"WE HAVE taken emergency action to close all hunting until the Board of Game can adopt more stringent controls on human harvest," he said. "It's obvious that the caribou will have to have relief from predation also."

concern over the welfare of the herd, a major source of food and income for many living in northwestern Alaska.

RAUSCH SAID public hearings in Fairbanks, Barrow and Kotzebue recently showed overwhelming support for curtailment of human harvest and wolf control.

Department biologists estimate wolves may remove 10,000 to 15,000 caribou from the Western Arctic herd each year.

The wolf control program will probably be done by aerial hunters on a closely supervised permit system, Rausch said.

Public comments are being sought on all proposals and may be sent to the Board of Game, Subport Building, Juneau.

Testimony will also be heard when the Board meets here in September.

•Senate checks oil surplus



Daily News photo by Michael McDermott

Sens. Walter Huddleston of Kentucky and Adlai Stevenson of Illinois listen to a question during a Monday press conference.

(Continued from Page 1)

investigation was to determine, first, the extent of the surplus, and then how to alleviate it. He said one possibility was to ship it east through existing pipelines but that much information was needed about the capacity of the pipelines to absorb the oil.

He said he and others had warned about the possibility of a surplus when the pipeline was being debated but that the oil companies had denied it. He indicated displeasure with the oil companies for not bringing up the possibility sooner.

"**TIME AND TIME** and time again we were assured by the oil companies that there would not be a surplus. Shortly after the pipeline was started the oil companies said there would be a surplus," he said.

A provision of the pipeline authorization act said no Alaska oil would be exported unless the President deemed it was in the national interest to export it and the plan was not disapproved by Congress.

Durkin said property owners on the East Coast frequently paid more for home energy needs than they did for home mortgages. However, he said the question of an oil surplus

from a pipeline to the West Coast probably would not influence the question of routing a pipeline for natural gas. He said questions of national security remained with the Canadian route and that a gasoline proposed from the east Canadian arctic might provide gas to the East Coast.

Sen. Ernest Hollings, D-S.C., who was also at the news conference, said the question of surplus oil could influence decisions to tap the Elk Hills oil reserves in California and other national petroleum reserves, including the former Naval Petroleum Reserve on the North Slope. He said oil from the national reserves should not be used while there was a surplus but that the North Slope reserve should be developed to the point where it could be put on line when needed.

Also accompanying Gravel on the tour of the state was Sen. Walter Huddleston, D-Ky.

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hearing. Officials could not be comment Monday there was no indication ets would be removed. into Anchorage over an attempt to resolve which Teamsters Local merely an attempt to eska subcontractor — ge & Iron (CBI) — to sit faith and negotiate a bargaining agreement. ave consistently denied keting was aimed at Fluor — Alyeska's t contractor for the pump stations — and violate the no-strike

and CBI squared off union discovered the using members of the ers to haul away o longer needed at the . At the time CBI was some of its activities — rily involved erection of and transporting its med on Page 2)

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York stepped aside as a potential third entry in the presidential contest, saying he will run only for the Senate and will support the ticket chosen by the convention.

(Continued on Page 2)

• The District 8 candidates

Page 6

south of the Brooks Range.

STATE GAME Division Director Robert A. Rausch said the closure, ordered Friday, will remain in effect until the board of Game adopts new regulations on caribou in these

He added if the herd were allowed to continue its present decline, it would have a severe effect on the lives and lifestyles of many western Arctic residents.

In April, the Board of Game

After holding public meetings in Fairbanks, Kotzebue and Barrow, Rausch said, the department is now publishing a series of proposed

(Continued on Page 2)

Senate looks into oil surplus reports

News 8/17/76



Daily News photo by Michael McDermott

Democratic Sens. John Durkin of New Hampshire, Ernest Hollings of South Carolina, and Mike Gravel of Alaska field questions at a Monday press conference in Anchorage.

By ANDY WILLIAMS
Daily News Staff Writer

A U.S. Senate investigation has begun into reports that the trans-Alaska pipeline may produce an oil surplus on the West Coast of at least 500,000 barrels a day, Sen. Adlai Stevenson, D-Ill., said Monday.

Stevenson, here with Sen. Mike Gravel, D-Alaska, and three other senators, told a news conference that studies available to Senate committees but as yet not made public indicated a surplus of at least 500,000 barrels a day at the anticipated pipeline flow rate of 1.2 million barrels a day.

STEVENSON said one proposal was to ship the surplus to Japan and buy it back again in the form of Arab oil shipped to the East Coast. But Sen. John Durkin, D-N.H., said there would be "a major problem" getting congressmen from the East Coast to accept that proposal.

"I can guarantee you a lot of

people on the East Coast are not going to sit quietly," he said, "if we continue to be dependent on Mid East oil and surplus oil on the West Coast is to be exported to Japan. It will be well discussed in the Senate before it gets through."

Stevenson, chairman of the oil and gas subcommittee of the Senate Commerce Committee, said he had begun an investigation of the anticipated surplus and that an investigation by the full Commerce Committee and the Senate Interior Committee would follow. Hearings by the joint committees are expected in September.

"WE'RE INTERESTED, of course, in evidence of mismanagement and inefficiencies associated with the Alyeska pipeline, but the critical question is what becomes of the oil," Stevenson said.

He said the purpose of the

(Continued on Page 2)

(over)

TIMES 11/1/76

Oil Report Says Decade May Bring \$10 Billion

Alaska's present laws can be expected to generate more than \$10 billion in state revenue during the next 10 years if the price of oil is \$13 a barrel in California.

That is one of the conclusions drawn in a study prepared by Standard Oil Company of Ohio and submitted to state officials for consideration in connection with taxing policies.

If the oil price should rise to \$16 a barrel, which some sources consider likely, total state collections could top \$13 billion. On the other hand, if the price should be \$10 total collections would be about \$8 billion.

Sohio compiled the figures based on hypothetical figures. Ken Showalter, Alaska representative, said the Alaska study had to be an exercise based on hypothetical figures because of Security and Exchange Commission rules regarding forecasts of company

revenues and profits.

The company's study was prepared for the use of the state administration and the legislature. It will probably be turned over to the economic consultants hired by Guy Martin, commissioner of natural resources, and Sen. Chancy Croft's legislative committee.

Besides calculating the revenues present laws would provide for the state, the study showed that Alaska would collect just about 75 per cent of all the levies made on the three companies by all the 50 states.

The percentage of the total would remain virtually the same regardless of the possible fluctuation in the market price of oil.

Alaska would collect 20 per cent of the three companies' total income taxes paid to the 50 states of the nation. This money would accrue under a formula

developed under the Multistate Tax Compact of which Alaska is a member. The compact is an agreement under which the revenues of companies operating nationally and internationally are apportioned among the states where the operations take place.

The Alaska state income tax can also be counted on to yield substantial revenue. The Alaska income tax rate is 9.4 per cent of the taxable income while other states average only 6 per cent.

The study showed the following breakdown of the calculations of which taxes Alaska could expect from Prudhoe Bay in the next 10 years if the oil price is \$13 a barrel:

- \$756 million from the state tax levy on income.
- \$4.9 billion as royalty
- \$2.7 billion as severance tax

\$2.04 billion as property tax

If the oil price should rise to \$16 a barrel, state revenues would increase principally from royalty and the severance tax collections.

State royalty was shown at \$6.8 billion and severance tax collections at \$3.6 billion.

The oil company initiated its own study of taxation in Alaska after the state administration and the Senate committee announced new studies of the same thing.

Sen. Chancy Croft's committee has obligated the state for \$150,000 to pay for consultants to make the studies. Included among his contracts is one for \$15,000 for Michael Tanzer, the economist who caused a run-up in the last legislative session when he proposed new taxes that were so high that no new legislation was enacted.

Petroleum Industry Hopes 'To Hold Its Own'

Special to The Times

TULSA, Okla. — The best the petroleum industry can expect from next month's general election is to hold its own, but even that seems an unlikely prospect, according to The Oil and Gas Journal.

Any loss of Capitol Hill supporters could spell further setbacks for the petroleum industry, the Journal says. The industry managed to win a few critical votes during the 94th Congress, but lost ground on some major issues involving tax treatment and price controls. A loss of congressional support could result in future shifts in voting that could mean more troubles for oil and gas.

The Oct. 18 issue of the weekly business magazine says there probably will be a slight decline in industry support in the Senate. House support should remain about the same.

The Journal based its prediction on an analysis of all the general election races. Particular attention was given to 33 Senate contests — the races carrying the petroleum industry's best chance for political gain.

Democrats, with a national platform less favorable to the industry, may add two more Senate seats and are expected to maintain a comfortable majority in the House, the Journal says.

Key opinion polls also show Democratic presidential nominee Jimmy Carter still running ahead of President Gerald Ford, whose energy policies are considered more

favorable to industry.

"The industry lost ground on tax treatment and price controls during the 94th Congress," the Journal says. "Its victories were by narrow margins, sometimes achieved by having barely enough votes to sustain a presidential veto of unfavorable legislation."

The Journal identifies several issues viewed unfavorably by the industry which a new Congress and President probably will consider soon after the election.

Some of the issues were successfully opposed earlier by Senate and House factions which support the industry. Others were not resolved before the election recess. They are:

- Proposed exploration of the Outer Continental Shelf by federal agencies,
- Revised methods for holding lease auctions of Outer Continental Shelf tracts believed to contain oil and gas reserves,
- Unfavorable amendments to the Clean Air Act,
- Renewed interest in divestiture legislation,
- Legislation prohibiting U.S. companies from participating in the

Arab trade boycott of Israel,

—Regulation of intrastate gas sales.

The Journal says the industry also will be pressing for some new legislation, including deregulation of prices for new gas discoveries and federal financing or loan guarantees for development of synthetic fuel plants.

Opening of the trans-Alaska pipeline in mid-1977 and proposals to restructure the federal energy agencies also may start debate in the 95th Congress of interest to the industry.

Although industry prospects at this point seem dim, the Journal says "close races abound from top to bottom on the national tickets, making races still too close to call."

The best — and at this point, not inconceivable — prospect is the industry could add three new supporters in the Senate, according to the magazine.

Additional political leverage for the industry also might surface in the regional and philosophical voting patterns of individual senators despite the unfavorable

Democratic national platform, the Journal says.

The Anchorage Times

ROBERT B. ATWOOD
Editor and Publisher

WILLIAM J. TOBIN
Associate Editor
And General Manager

CLINTON T. ANDREWS JR.
Managing Editor

Page A-4

Sunday, October 31, 1976

More Oil Tax Studies

THE "IN" THING in government today is studies.

It is hard to object when a leader cites the need for expert advice and special know-how in finding answers to today's challenges.

The state has dozens of studies under way. There must be dozens among the executive branches of government. And more dozens by committees of the legislature.

There is reason for concern, however, about the cost of the studies. Many thousands of dollars are going into them. Experts from far away are being employed. Supposedly, we are to get the advantage of their special knowledge on technical subjects.

THIS CONCERN has been stimulated by experiences during the last legislative session. Among other reports that came to light was the Tanzer study of oil taxation. Tanzer made such atrocious recommendations that even some of the sponsors of his \$12,000 contract to make the study backed away and tried to look at it distantly.

At least one was heard to say that it was not Tanzer's philosophy we were buying, but his economic knowledge about the oil industry.

The report was so extreme that one senator suggested during floor discussion that the legislature might well find it necessary to put some kind of restrictions on the freedom of committees to hire experts.

MORE TAX STUDIES are under way at present, with Chancy Croft's committee sponsoring five of them under contracts totalling \$116,000. Unfortunately, Tanzer is among the five, re-employed for another go-around despite the fact that his work was rejected before.

It is to be hoped that the experts will do more than sit in their ivory towers and hand down decisions on what Alaskans ought to do and what they ought not to do. They would be helpful if they would apply the experiences of other states to the Alaska situation and project the probable results here if the same programs were followed.

THEY SHOULD LOOK at other parts of the world to see what has happened under the policies of the various governments. In Indonesia there may be an important lesson for those legislators who, like Tanzer, would tax oil companies up to 80 per cent of their earnings in Alaska.

In Indonesia, the dictator government raised taxes to take 85 per cent of the oil revenues. That sounds like one of Tanzer's proposals for Alaska.

The dictator also put his government into the oil business by creating a government-owned oil company, Pertamina. That sounds like another Tanzer proposal.

THE DICTATOR has been put away now. He left his country in poverty. The oil companies have quit exploration. Oil production is limited to the properties that existed when the taxes were raised. Only three offshore rigs are drilling. Twenty others are stored in Singapore. Service companies are leaving. Landlords in Jakarta can't find tenants.

It is commonly said, according to Business Week, that everything is moving to the Middle East.

Pertamina, the government-owned oil company, went bankrupt trying to fulfill the dreams of General Sutowo, the president of the company. Then the government shouldered an additional \$1 billion burden to rescue the enterprise.

DETAILED DATA on the big bust in Indonesia should be readily available for use in the Alaska studies because so many of the experts employed to make them came from the same institution that guides the Indonesian government — the University of California.

Business Week reports that when the dictator was dumped, control of the oil and gas sector went into the hands of four cabinet ministers who were educated on the Berkeley campus in the early 1960s.

Let's hope our experts will show us the way to avoid the disaster of Indonesia.

Conferees Okay Subsea Oil Bill

By MARK BROWN
Times Washington Bureau

WASHINGTON — House and Senate conferees reached final agreement today on a bill that sets new procedures for the development of oil and natural gas reserves on the outer continental shelf.

The conference report still must be voted on separately by the House and Senate before the final bill can be sent to President Ford for his signature.

A spokesman for the Interior Department said Secretary Thomas Kleppe has not yet recommended whether the President should sign or veto the measure.

A veto at this point would be fatal, since Ford could hold the bill until Congress goes out of session before vetoing it, and there would be no chance to override.

Rep. Don Young, R-Alaska predic-

ted the bill would be vetoed because "it's a monstrosity."

In addition, there are strong indications that administration supporters may filibuster the bill on the Senate floor, trying to spare the President the need to sign or veto the measure.

The legislation is strongly supported by coastal states in frontier drilling areas and by environmentalists, but opposed by the oil industry. Industry says the legislation would delay domestic exploration, development and production would increase foreign petroleum imports, would disrupt American private enterprise development of natural resources and would increase the number of procedural steps (now 70) which must be taken between leasing and production of offshore tracts.

In its final version, the bill would require the secretary of Interior to develop a five-year leasing program, with one-third of all leases to be offered under alternates to the traditional bonus bidding system.

A special exception which should primarily affect Alaska was written into the bill by the conferees. That amendment would allow 10-year leases in areas of "unusually deep water or adverse conditions."

During the debate, Young argued that an oil company which faced a five-year deadline to drill in Alaska or forfeit its lease would either do a rush job that could ruin the environment or simply not go there at all because the conditions do not permit a wise and sound drilling program.

The amendment was approved by voice vote.

Among its other major provisions, the legislation authorizes coastal states to set up regional advisory boards, whose recommendations to the Secretary of Interior must be accepted unless they are ruled outside the national interest.

The bill mandates the oil companies to follow new safety guidelines or face the loss of their leases requires environmental impact statements and sets up a \$100 million to \$200 million liability fund to clean up oil spills and compensate for their damages.

The OCS represents nearly two years of study by the House select committee on the outer continental shelf. Nearly 200 amendments were considered.

Dome Ltd. Strikes ^{TIMES 9/20/76} Beaufort Sea Gas

ABOARD THE EXPLORER ONE IN THE BEAUFORT SEA (AP) — An Albertan oil company says that one of its offshore drilling rigs has struck natural gas, but a second rig will be abandoned because of a water blowout.

Dome Petroleum Ltd. of Calgary said today that one of its experimental drilling ships has penetrated four feet into a natural gas zone 10,000 feet below the surface of the Beaufort Sea. The well is about 40 miles north of Tuktoyaktuk, N.W.T., on the western Arctic coast. Prudhoe Bay is about 350 miles to the west.

A spokesman for Dome's drilling subsidiary, Canmar Corp., said the extent and value of the find have not been determined.

Canmar said Sunday that a second of three wells, being drilled by the

ship Explorer Two about 35 miles northwest of Explorer One, is being abandoned because the water blowout weakened support for oil and gas pollution protection equipment.

Environmentalists have said they fear an oil blowout will occur in the Beaufort Sea drilling that would pollute the Arctic Ocean with oil nearly impossible to clean up because of heavy ice conditions.

The Canmar spokesman said the blowout weakened the well's blowout protector, thus creating the possibility of a more serious incident.

The Canadian federal government decided earlier this year to allow Dome to drill from ships, a first in the Beaufort. Drilling was allowed for a six-week period, which has been extended by 10 days to end Saturday.

Tanzer To Advise Legislature

TIMES 10/8/74

By SUSAN ANDREWS
Times Staff Writer

Michael Tanzer, author of the controversial Tanzer Report on the tax potential of the Prudhoe Bay oil field, has been hired as an advisor to the state legislature.

He is one of five consultants hired or under consideration by the Interim Committee on Oil and Gas Leasing and Taxing Policies, under contracts totaling a maximum of \$116,000.

Tanzer's latest contract calls for him to explore "the impact on exploration and development resulting from increased oil taxation by Norway, Great Britain, West Germany, the Canadian province of Alberta and other governments."

And he is to compare company profits per barrel under the tax and royalty policies of major oil producing countries.

Tanzer's latest contract, for \$15,000 plus \$2,000 in travel expenses, was outlined in a Sept. 24 memo to Rep. Hugh Malone, vice chairman of the interim committee from James Rhode, administrative assistant to the House Finance Committee.

Tanzer's assignments also include:

- Computerizing the system for calculating discounted cash flow returns used in the Tanzer Report to allow varying assumptions as to oil prices, investment and operating costs, pipeline tariffs and tax rates.

According to Rhode's memo, "This work began in June and is largely complete."

- Calculation of the "simple accounting profit and total dollar profit over total dollar cost" for Prudhoe Bay. Rhode's memo points out that "these will provide additional, easier to understand, measures of returns on the field. Further, the calculations will be a benchmark for assessing the estimates made by financial houses and others."

Tanzer also is to meet with members of the interim committee "to explain and discuss the above reports and the original and updated Tanzer Report on the tax potential of Prudhoe Bay."

Tanzer was paid \$15,000 plus \$2,500 in travel and expenses for the initial report, completed last year.

The legislative committee on oil and gas leasing and taxing policies, headed by Sen. Chancy Croft, D-Anchorage also has signed a contract for \$35,000 with Mason Gaffney, who will work with Commissioner of Natural Resources Guy Martin in a review of the state's oil and gas leasing policy.

Gaffney, an American, was recently with the British Columbia Institute of Economics.

Gregg Erickson, director of the division of research services for the legislative council, said three other contracts are pending.

One is with Jerome Ziefman, a professor at the University of Santa Clara law school, and former counsel to Rep. Peter Rodino's U.S. House Judiciary Committee. The state wants Ziefman to conduct legal and economic studies, totaling not more than \$20,000, of the multi-state tax compact.

Erickson said Ziefman wants to conduct the study in cooperation

with Kenneth Ainsworth, a professor of economics at Allegheny College in Pennsylvania. Ziefman and Ainsworth are to meet in Juneau Monday with Erickson and Department of Revenue officials to discuss the study.

The fifth consultant under consideration is Paul Hartman, a retired Valderbilt University professor now a visiting professor at Pepperdine Law School in Anaheim, Calif. Hartman would conduct a constitutional review of proposed income tax and net proceeds tax legislation, under a maximum \$25,000 contract.

Purpose of the studies, according to Rhode, is to determine whether

(See Page 2, Col. 5)

Tanzer To Advise State Legislature

(Continued From Page 1)

the state can "find out what is a fair rate of return to the oil companies and still make sure that Alaskans get our fair share of the value of our oil."

Rhode noted that the cost structure of oil companies operating in the North Sea is "very similar to cost data for Prudhoe Bay, and yet we find that tax rates in the North Sea — or the total government take — is on the order of 60 per cent in the case of the British, Norwegian and West German governments.

"This raises an immediate question: If costs are similar, why is our tax rate under theirs?"

Oil company spokesmen argue that such reasoning does not take into account the taxes the oil industry pays to the U.S. government, in addition to the state of Alaska.

Dick Donaldson, vice president of Standard Oil Co. of Ohio, told the Alaska AFL-CIO convention here recently that at existing tax levels, the 31 largest U.S. oil companies taken together pay 74.1 per cent of their income in state and federal taxes. Employees' salaries take 12.9 per cent; investors' dividends 5.2 per cent and the companies' share is 7.8 per cent.

Tanzer's initial study, which influenced legislation introduced but not adopted at the last legislative

session, suggested that profits from Prudhoe Bay were such that the state could tax profits at 50 per cent and later at 80 per cent without discouraging the owner oil companies.

Donaldson said while Prudhoe Bay profit predictions have increased 400 per cent as a result of the quadrupling of oil prices since the oil embargo, development costs also have risen 400 per cent. He said the owner oil companies expect to make a 15 per cent rate of return on their investment.

"The principal beneficiary of any 'windfall' will be the state," Donaldson said. Alaska will have a bank balance of \$1 billion to \$5 billion within 10 years.

Houston Firm Wins North Slope Project

By Associated Press

Alyeska Pipeline Service Co. has awarded a contract to complete installation of a gas fuel line on the North Slope to Houston Contracting Co., Inc. The 148-mile buried line is made up of six-, eight- and ten-inch diameter pipe and will provide natural gas to power turbines at the four northernmost pump stations on the trans-Alaska pipeline from Prudhoe Bay.

Times
10/9/76

Department Reshuffling Is Completed

The reorganization of the Department of Natural Resources, which has been in the works for the last several months, is complete and a new division of minerals and energy management is functioning under the direction of O. K. "Easy" Gilbreth.

Dr. Michael C. T. Smith, former director of the division of lands, has been given the additional title of assistant commissioner to oversee two new divisions: a division of land management, with the job of supervising surface resources, and the new division of minerals and energy management, with responsibility for all subsurface resources.

Gilbreth, former director of the division of oil and gas, has been succeeded by Hoyle Hamilton in that position. The oil and gas division will focus on regulation and conservation measures.

The new division of minerals and energy management will focus on the management of the state's subsurface resources, including oil, gas and hard minerals.

The reorganization was announced here Thursday by Commissioner of Natural Resources Guy Martin.

Gilbreth and his 19-member staff are moving this week into the Mackay Building annex on East Fourth Ave., in space formerly occupied by the division of parks. The parks staff is negotiating now for new space on Northern Lights Boulevard.

Eight new staff members are to be hired for Gilbreth's new division. Approval came Wednesday to start recruiting. Gilbreth said, for a petroleum engineer, petroleum reservoir engineer, petroleum economist, petroleum geophysicist, petroleum seismologist, a clerk and clerk typist. A secretary was hired yesterday.

State Reports Sale Progress

The state is "closer than we have ever been" to a potential agreement to sell the state's royalty share of gas from Prudhoe Bay, Commissioner of Natural Resources Guy Martin said here yesterday.

However, he gave no indication as to how soon he expects that agreement to be reached.

"We are in daily contact with Tenneco, El Paso and Southern Gas," Martin said, "and we are still in contact with United Gas Transmission Co. We are working at both the conceptual policy level and the technical-legal level."

"People underestimate the complexity of the agreement," Martin said. "For every general report from El Paso that they want to buy the royalty gas, there is a lawyer differing over terms of that contract."

No decision has been made regarding allocation of the estimated 3.3 trillion cubic feet of natural gas which will be the state's royalty share, Martin said. "It will not all go to Tenneco," he added, "but the consensus is that Tenneco is the best party to bring to our aid in support of a trans-Alaska pipeline."

Martin Cites Alaskan Route Support

The state's study of Northwest Pipeline's proposed Alaska Highway gas pipeline route isn't complete but Commissioner of Natural Resources Guy Martin said yesterday the administration hasn't changed its mind.

"I haven't seen anything that convinces me we aren't in the right position in favor of a trans-Alaska route," he said.

Martin said the governor favors a trans-Alaska route. "I testified 10 to 12 hours before the Federal Power Commission and I've lobbied in Congress in support of that route," which is proposed by El Paso Alaska.

There have been repeated reports that Martin, Attorney Gen. Avrum Gross - and even Gov. Jay Hammond - privately prefer the Alaska Highway route because it would not involve tanker

traffic in Prince William Sound, as El Paso's trans-Alaska pipeline system proposes.

But Martin said yesterday he doesn't know where people get such ideas. "As far as I'm concerned, the trans-Alaska route, El Paso's route, is the route the governor prefers and it appears to be in the state's best interest.

"Maybe people don't like the openness of our position," he said. "Maybe some people aren't as confident as I am that the trans-Alaska route is best for Alaska. Maybe they are afraid that close study will expose something about that route that will make it not in the state's best interest."

Martin said Federal Power Commission administrative law judge Nahum Litt made his comments about the state's "sphinx-like" position regarding support for a pipeline route

before Martin's recent testimony.

"I went to Washington and testified seven hours last Thursday," Martin said, "and testified on every point he (Litt) raised. He said he understood our problems."

Martin said he understands Litt's frustration. "He expressed it about the Prudhoe Bay producers and El Paso, too," Martin declared. "He's coming to a decision and there is some information missing. One of the things he wants to know is the precise amounts of gas production that will be allowed and we don't know yet."

Martin said he told the Federal Power Commission hearing that Alaska is strongly in favor of a trans-Alaska route and "we would take advantage of every policy alternative we have" to support that route.

Sohio

(Continued from Page 1)

The company plans to sail the larger, more economical tankers to the Panama coast and offload oil into the smaller tankers for shipment through the canal to the Gulf of Mexico. All the newly-chartered tankers, Sohio spokesmen said, are small enough to navigate the canal, although four 90,000-deadweight-ton ships can be loaded only to about 60,000 deadweight tons. Tankers carry seven barrels of oil per deadweight ton.

ANCHORAGE**DAILY NEWS**

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ANCHORAGE, ALASKA, TUESDAY, SEPTEMBER 21, 1976

PRICE 25 CENTS

Cloudy

Partial clearing early today. Partly cloudy this afternoon and tonight. South and southeast winds increasing to 25 m.p.h. with stronger gusts diminishing slowly. Lows tonight low 40s. High today mid 50s. Outlook for Wednesday, increasing cloudiness.

Sohio chartering tankers to ease oil surplus

By SALLY JONES
Daily News Staff Writer

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The Standard Oil Co. of Ohio (Sohio), convinced that no West Coast port will be ready to absorb Prudhoe Bay's oil, has taken steps to charter small oil tankers to send the oil to the inland U.S. markets through the Panama Canal.

But even the U.S. tanker industry will not be able to overcome the West Coast oil surplus anticipated by Sohio, company officials said Monday.

Sohio owns about half of Prudhoe Bay's oil reserves and by late next year is scheduled to ship 600,000 barrels of oil per day from the Alaska pipeline terminal at Valdez.

SOHIO is seeking permission to build a 500,000-barrel

port and pipeline system to ship its oil from Long Beach, Calif., to Midland, Texas, where it hopes to market its North Slope oil.

In a telephone interview with The Daily News, two Sohio officials in the company's Cleveland headquarters said they expect the California pipeline cannot be approved and built until at least six months after trans-Alaska pipeline oil begins flowing at the rate of 1.2 million barrels daily in Nov., 1977.

The Sohio port and pipeline is the only project now being formally considered to move Alaska oil inland from the West Coast. In addition, no pipeline is available to move the oil beyond the Rocky Mountains, no West Coast ports can handle the large tankers to be used by Sohio and other companies, refineries on the coast cannot absorb the Alaska supply.

SOHIO IS BUILDING eight to ten new tankers for the Alaska trade: two in the 80,000 deadweight ton class; two in the 120,000 ton class; and four to six of 165,000 tons. The company also will have access to two additional 80,000 ton and another 120,000 ton vessel on charter.

Fred Garibaldi, Sohio manager of corporate planning, confirmed that the company has contracted to charter other, smaller tankers for moving its oil through the Panama Canal. The canal's tanker size limit is about 55,000 deadweight tons.

Garibaldi and another company official said the tankers have been chartered through the Maritime Overseas Corp. because Sohio will not be able to distribute its oil any other way until pipelines inland from the West Coast are in place.

THE COMPANY OFFICIAL said the refinery problem "is what leads us to believe that only 600,000 to 700,000 barrels of Alaska crude a day" will be absorbed on the coast. "That leaves a 500,000 barrel surplus at 1.2 million barrels a day."

Even so, the company has learned that the U.S. flagship fleet can make up only 250,000 barrels per day of that surplus, Garibaldi said. The rest of the fleet will be in use for other charters or laid up. Federal law requires the use of U.S. flagship tankers between domestic ports.

The seven, smaller tankers for Panama Canal use were chartered "for an intermediate period of time we do not wish to discuss," said another Sohio official.

(Continued on page 2)

Line Firm Praises Decision On Gas

(Continued From Page 1)

native land claims, "substantially diminished Arctic's position." The Arctic Gas line includes a spur to the Mackenzie Delta, to carry Canadian gas to Canadian markets.

The Berger report "would seem to have the same negative impact on the Alcan (Alaska Highway) project" which also goes through Canada, the governor said.

The governor said last night that the Alaska Highway route would be the state's second choice, if for some reason the El Paso project were eliminated from consideration and the choice was narrowed to Alcan versus Arctic Gas.

In fact, the royalty gas sales agreements provide that in that event, the state can change its support of a gas pipeline routing and the prospective royalty gas purchasers would have the option of switching their support or withdrawing from the sales contract.

Hammond said the Alaska High-

way proposal is a good second choice "because it avoids the major difficulty of the Arctic Gas proposal in that it does make gas available for Alaskan use." The Arctic Gas proposal, with a pipeline along Alaska's northern Arctic coast, would not make this possible.

"Following a thorough review" by a number of state agencies, the governor said he is convinced the highway route "does not have greater benefits for the state than the all-Alaska route we have to date supported. Recent state revenue projections indicate that the El Paso proposal still has the greatest financial benefit for the state and that while the Alcan proposal has certain desirable environmental aspects to it, they are not so significant as to counterbalance the desirability of the all-Alaska line."

The governor wasn't specific as to those environmental aspects but presumably he was referring to the fact that El Paso's all-Alaska route would call for the gas to be liquefied at Gravina Point, near Cordova, with resulting tanker traffic in Prince William Sound. The Alaska Highway route, on the other hand, would be an all-land route through Alaska and Canada into the Lower 48.

The closest the highway route would come to tidewater would be 100 miles from Haines.

El Paso Praises Decision On Gas

By SUSAN ANDREWS
Times Staff Writer

The state's commitment of its Prudhoe Bay royalty gas to firms which will support an all-Alaska gas pipeline "is one of the most significant actions in the gas pipeline battle in many, many months," El Paso Alaska spokesman Mike Holland said today. His firm has proposed the all-Alaska route.

Yesterday Gov. Jay Hammond announced that the state has initiated agreements with Tenneco, El Paso and Southern Natural Gas for sale of an estimated 2.6 trillion cubic feet of gas over 20 years. Tenneco will get 50 per cent and El Paso and Southern each will receive 25 per cent under the contracts, which are subject to approval by the state's Royalty Oil and Gas Development Advisory Board and the state legislature. The royalty board meets Nov. 22.

The governor also announced that following an analysis of all three gas pipeline routes — El Paso's, Northwest Pipeline's Alaska Highway route and the Arctic Gas route through northern Canada — the state has concluded that the trans-Alaska route would be in the best interest of Alaska and the entire U.S.

The royalty gas was committed to obtain support in Congress for the trans-Alaska gas pipeline route, the governor said, and to insure that the state's royalty gas will be available for use within the state as markets develop.

An amendment to the gas pipeline procedural bill proposed by Hammond and recently passed by Congress gives Alaska an unprecedented right to withdraw its one-

eighth royalty share of gas if needed at any point along a pipeline route within the state. However, the governor pointed out that there is a possibility Congress may remove that provision next session. If gas sales contracts are final before that time, they will be binding.

The contracts insure the state's right to recall up to 100 percent of the royalty gas if needs develop within Alaska. Commissioner of Natural Resources Guy Martin, who negotiated the contracts, said this morning from Juneau that the contracts call for a replacement of called-back gas from future discoveries but only if that royalty gas is found to be surplus to the state's needs.

Holland said El Paso is "looking forward to the support Tenneco and Southern can bring. We consider them valuable allies."

"From our point of view, the gas will give us a real lever to take to our market area to persuade the Southwest, particularly California, to strongly support a trans-Alaska line. Seventy-five to 80 per cent of our gas goes to California. The 650 million cubic feet of gas a day we will get from Alaska is one of the largest acquisitions we have made in a long time."

Holland said both Tenneco and Southern have indicated they plan to dedicate "substantial promotional efforts" to the trans-Alaska route.

"Because of this (royalty gas) sale, the trans-Alaska route has a better chance of approval than it has ever had," he said.

The Organization for Management of Alaska's Resources said it considers the royalty gas commitment a "crucial element in the fight to gain congressional approval for a

trans-Alaska natural gas pipeline."

President Bob Penney said the action means "we will have the support of the nation's leading gas companies" for a trans-Alaska routing, which the organization supports.

Penney noted that in recent hearings before the Federal Power Commission, officials questioned the sincerity of the state's support for an all-Alaska line. The commitment of gas to companies supporting that line means the state "is showing by actions as well as words that it genuinely wants the gas pipeline to go through Alaska."

Omar Executive Director Paula Easley said the governor is to be "highly commended" for contract provisions that require the gas firms to release back to the state quantities of gas that may be needed for instate residential and commercial use. In urging the royalty gas sale, she said Omar studied the long-range implications of a sale and recognized that without a strategical-

ly-placed gas line in the state, the royalty gas would be of little value to Alaska's economic future.

Hammond said at a press conference this morning he is encouraged at the chances of approval of an all-Alaska gas line. The procedural bill calls for a recommendation by the Federal Power Commission by next May 1 and a decision by the President by Sept. 1, with a 60-day review period by Congress.

The governor said he can base his judgment on "nothing more than vibrating antennae" but those tell him that the all-Alaska pipeline's chances are "substantially better than they were six months ago, when Arctic Gas seemed to have a leg up."

He said the Canadian Berger Commission's staff report, recommending a delay of from 10 to 15 years in a Mackenzie Delta gas pipeline after the settlement of Canadian

(See Page 2, Col. 5)

salary commission is missing.

According to the municipal clerk's office, the tape of the Dec. 16 Commission on Salaries and Emoluments meeting at which the panel set pay levels for Mayor George Sullivan and members of the Anchorage Municipal Assembly was discovered missing several months ago.

The mayor receives \$4,800 annually in longevity pay, which has been challenged as illegal. And members of the Anchorage Assembly receive a flat monthly salary regardless of how many meetings they attend, which also has been challenged.

Typed minutes of the Dec. 16 meeting indicate the commission did not intend for the mayor to receive the longevity pay.

Janine Spurrier of the clerk's office said yesterday she is "reasonably sure" another meeting was recorded over the salary commission tape and probably sold to someone who had requested a verbatim transcript of the other meeting.

"We've looked for it very diligently and haven't found it," Miss Spurrier said.

The clerk's office routinely provides (See Page 2, Col. 1)

TIMES

9/23/76

Interior Completes Pet 4 Rules

By The Associated Press

The Interior department has announced completion of proposed regulations to ensure protection of environmental, historical and scenic values during oil and gas exploration in Naval Petroleum Reserve No. 4 (Pet-4).

Surface management of the 23-million-acre reserve was transferred to the Bureau of Land Management in April. The move was the first step in the transfer of the reserve from the Navy to Interior, to be completed in mid-1977.

State BLM director Curt McVee said Interior's proposed regulations were prepared in Alaska, with input from federal, state and local government agencies, as well as conservation, mining, oil and gas industry and Native groups. Substantive input from those groups and the public were used to revise BLM's preliminary regulations, McVee said.

While review by Interior in Washington resulted in some changes, McVee said the proposed surface management regulations remain largely an Alaskan product.

Two large areas in the reserve--encompassing the Utukok River and Teshekpuk Lake--have been designated for special management as required by Congress, he said. The Naval Petroleum Reserves Production Act of 1976 requires that these and other areas with significant subsistence, recreational, fish and wildlife, historical or scenic value be granted maximum protection.

"BLM has designated boundaries for major portions of the Arctic caribou herd's calving grounds near the Utukok River, and for migratory waterfowl habitat in the Teshekpuk Lake watershed," McVee said.

Those boundaries were designated after reviewing land use proposals from the Institute of Northern Forestry, the Joint Federal-State Land Use Planning Commission, the National Park Service, the state Department of Fish and Game and the University of Alaska's Tundra Biome Program, McVee said.

The Utukok special area totals more than 4 million acres and the Teshekpuk area totals more than 1.7 million acres, he said.

The BLM plans additional meetings in October to gather public comment on the proposed regulations, McVee said.

10/29/76

Royalty Gas Sale Plan Leaves Gravel 'Bothered'

Alaska's Mike Gravel says the state has negotiated an excellent contract for sale of its Prudhoe Bay royalty gas, but he said the present plan — to sell half to Tenneco and one-quarter each to El Paso Natural Gas and Southern Natural Gas — "bothers me."

Gravel's comments yesterday was the first public pronouncement of what voices of the gas state officials intend to sell to them. State officials have indicated the only reason they are considering a commitment of royalty gas now is to gain support for a trans-Alaska pipeline — and they want Tenneco's support.

Gravel said El Paso wants at least an equal share of the gas and he thinks that would be only fair, considering that El Paso took the gamble to propose a trans-Alaska pipeline.

"I wouldn't be a party to a government action that did not reward John (El Paso) for his loyalty, foresight and participation, but instead said 'We need Charlie (Tenneco)'," Gravel declared.

He indicated he doesn't buy the argument that because Tenneco is a big company, it will have more clout at lobbying in Congress. "Size doesn't impress me," he said.

"Sometimes smaller companies are more effective."

And he questioned the wisdom of

giving Tenneco "something for nothing," in the hope of getting something in the future. Human nature deems you'll get nothing in return, he said.

"If you've got to make a tough decision, and don't know how it will turn out, it's best to play it safe and do what's right," and that means giving El Paso an equitable share, he said. "They say this may not sell with Tenneco."

Jack Ferguson, aide to Congressman Don Young, said

Young will meet with state officials Friday in Juneau to emphasize the importance of committing the state's royalty gas before Congress reconvenes in mid-February.

He said the natural gas procedural bill which recently passed Congress protects the state's use of its royalty gas even after it enters an interstate pipeline, but he said the state's right must be covered in the language of a contract. That amendment makes it more important to commit the royalty gas, he said.

EDITORIAL PAGE

The Anchorage Times

ROBERT B. ATWOOD
Editor and Publisher

WILLIAM J. TOBIN
Associate Editor
And General Manager

CLINTON T. ANDREWS JR.
Managing Editor

Page 4

Saturday, November 13, 1976

Gas Line Decision

GOV. JAY HAMMOND has now made public tentative agreements to sell Alaska's royalty share of natural gas that will be produced from the Prudhoe Bay field on the Arctic coast. In the process he has officially proclaimed, as a matter of state policy, support for a natural gasline route that extends from the North Slope to tidewater in the south.

It is quite proper for the state to take this position as it likewise is quite correct for the state to make advance arrangements for the sale of its share of the gas when it becomes available.

The contracts for the sale are conditional on approval of a trans-Alaska route's eventually being selected over two other proposals—one crossing into northern Canada through the Mackenzie River delta region and across Canada to midwestern United States, and the other south to the Alaska Highway, eastward through Canada and south to the U.S.

THE GOVERNOR coupled his announcement of the sales agreements and the endorsement of the all-Alaska route with a statement that he would exert all possible state efforts to see that the final pipeline decision favors a line such as that proposed by El Paso Natural Gas. The El Paso plan is for a pipeline from Prudhoe Bay to the Gulf of Alaska, at which point the gas would be liquefied and transported to market by specially built refrigerated tankers.

Mr. Hammond's support of this route was not necessarily an endorsement of the El Paso company's application. From

the state's standpoint, it matters little who builds the pipeline so long as it takes Alaska's North Slope to Alaska's southern gulf waters.

This may seem to some to be a parochial bit of self interest and as such be the wrong thing for the state to do. This viewpoint is not correct, for several reasons.

THERE IS NOTHING wrong with Alaska's looking out for its own interests. Nobody else does. New York doesn't. Wisconsin won't. There is no reason Arkansas should. And as long as Alaska's protective self interest does not impair the nation's best interest or threaten to harm what is good for the rest of the country, Alaska's efforts to look out after its own economic development concerns are not only proper but are to be expected.

As a matter of fact, there are strong arguments to be made that a trans-Alaska route would not only be to Alaska's benefit, but that it also would be in the national best interest.

Those promoting the two routes that would traverse Canadian soil, and be under Canadian economic control, try to brush under the rug the importance of the United States' having full jurisdiction over the transport of this vital national energy supply. They try to make a case that it is to Alaska's good and the good of the U.S. that the gas be moved through Canada.

It is an argument that fails to convince. And it's good now that at long last the governor of the State of Alaska is publicly committed to fighting the battle for a trans-Alaska gas pipeline.

Accord For Gas Nears Completion

TIMES 9/17/76

By SUSAN ANDREWS
Times Writer

State officials expect to know in one to three weeks whether they will be able to reach an agreement for sale of the state's royalty gas from Prudhoe Bay.

Commissioner of Natural Resources Guy Martin said from Fairbanks that the state's lawyers were talking yesterday with Tenneco and will be talking with El Paso next week. Tenneco and El Paso are the leading contenders for purchasing the gas.

"We have been going back and forth on some legal-technical aspects," Martin said. "We are talking about volumes and the ability of the state to recover its royalty gas" if there is a need for it in the state before the proposed 20-year contracts expire.

Royalty gas is the one-eighth share of Prudhoe Bay natural gas production which, under terms of the leases sold to the industry, belongs to the State of Alaska. The sale will bring at least \$1 billion to the state treasury, depending on the price and amount of gas sold.

Martin didn't mention any meetings with the two other prospective gas purchasers, Southern Gas and United Gas Transmission.

All four reportedly were asked to respond by this week to the latest draft sales agreement.

Tenneco earlier had made demands which the state administration said were not in the state's best interest.

Tenneco would agree to the state's right to take back the gas if needed in Alaska, but only if the state promises to replace double that amount from future discoveries.

Martin would not comment on how much of the royalty gas Tenneco is demanding.

Tenneco's position since negotiations began a year ago is that it wants all of the royalty gas.

El Paso has said it wants at least an equal share with any other company.

Martin said talks with Tenneco are "going pretty constructively. We still have a chance to reach agreement, I think. We are going to attempt to reach a point with Tenneco where we can decide once and for all whether we'll be able to reach an agreement."

A major unknown is how much of the 3.3 trillion cubic feet of natural gas the state is willing to sell. State law requires that only gas surplus to the state's needs can be sold.

Members of the state's Royalty Oil and Gas Development Advisory Board, which must approve sales of oil and gas, have said they would not favor committing more than 90 per cent.

Mike Holland, assistant to the vice president of El Paso, Alaska, said El Paso got a phone call from the state Sept. 9, the first communication in a month regarding the royalty sales negotiations.

The draft sales agreement, which is essentially unchanged since April, provides for 20-year contracts. And it provides for a schedule of recall of the royalty bas, if the state wants the gas back. A certain percentage — probably 25 per cent — would be available after the first five years, up to 50 per cent between six and ten years; 75 per cent at 15 years, and all the gas in 20 years, if markets in the state require it.

The blanks are still to be filled in. So are the percentages of gas to be awarded the purchasers.

El Paso agrees with the state's position that a sale of some of the royalty gas to other companies would guarantee support for a trans-Alaska gas pipeline — the project El Paso Alaska proposes. That's the only reason state officials are considering a royalty gas sale at this time.

Proposed Gas Prices May Prompt Drilling

By MAX B. SKELTON

HOUSTON (AP) — Drilling contractors believe the new proposed prices for natural gas sold in interstate markets could breathe new life into the search for new gas reserves.

But they fear court challenges could delay the new prices for months, if not years.

In July, the Federal Power Commission, by a 3-1 decision, ordered a two-tier price system of \$1.01 and \$1.42 per thousand cubic feet for gas committed to interstate markets after Jan. 1, 1973. The proposed prices would replace the existing rate of 52 cents per thousand.

Consumer advocates quickly challenged the order and the U.S. Circuit Court of Appeals in Washington retained jurisdiction after directing that the FPC include provisions for refunds if the new rates eventually are found to be excessive.

After additional mid-September hearings, the FPC now is restudying its July order. Speculation centers on reapproval of the \$1.01 and \$1.42 rates but with new court challenges certain to follow.

The \$1.01 price would apply to gas committed between Jan. 1, 1973, and Dec. 31, 1974. Gas committed to interstate pipelines after Jan. 1, 1975, would carry the \$1.42 price tag.

Ed McGhee, executive vice president of the International Association of Drilling Contractors, says no one can be sure whether the prices will survive the courts, the Congress, and the FPC's own re-hearings.

But what would a \$1.42 price mean to the drilling industry?

"On that question, a consensus is growing that drilling rig demand will rise sharply," McGhee said.

"Some even foresee an actual shortage of rigs."

McGhee said industry has been slow to place any trust that the increase will endure but that, with the passage of time since July, drillers have done considerable stock-taking.

"Most express surprise at what they find," he said. "The backlog of drillable prospects looks larger than they thought."

Uneconomic at the old prices, McGhee said, a sizeable number of the prospects warrant drilling for \$1.42 gas.

Where are these prospects?

"Apparently, they'll spread all over the oil country, including even some in the Gulf of Mexico," he said.

"Matters shape up differently in states like Texas which have an intrastate gas network. Intrastate gas has fetched as much as \$2 a thousand cubic feet. Elsewhere, FPC's \$1.42 for interstate gas could breathe new life into the gas search."

McGhee said industry observers agree, regardless of whether the proposed increases stand, that higher gas prices offer the best hope of smoothing out the annual ups and downs in rig utilization.

"Historically, the first quarter of each year has seen a disastrous drop in rig activity, mostly resulting from the structure of the nation's tax laws," he said.

"Gas drilling, motivated by hopes of a profit instead of accommodation to tax laws, could take up the first quarter slack. More wells could be drilled each year with the same number of rigs."

TIMES 10/25/76
Against Permanent Fund

Dear Editor:

The State of Texas has no state income tax, they have never had a state income tax and they do not see any state income tax in their future. That state is run entirely on revenue derived from its oil production. Now Alaska has more oil and fewer people than Texas, so why can't we do the same thing and give us poor taxpaying turkeys a break and eliminate our state income tax.

The oil revenue in Alaska belongs to all of the people in Alaska and it should benefit them by redistributing it to all of them,

where they can feel it the most, right in their pocketbooks, by the elimination of the state income tax.

Who needs a permanent fund? It is destined only to become a gigantic bureaucratic pork-barrel and it will, sooner or later, by hook or by crook, vanish into thin air just as our first oil windfall did. If it happened once it will for certain happen again.

I urge you to vote against the permanent fund and demand a tax break instead.

Ann Lewis
5006 Seton Circle

TIMES 10/25/76
**Economist
Sees Growth**

By The Associated Press

One Alaska economist predicts a solid growth pattern for the frontier state long after pipeline builders go home.

Robert Richards, a vice president of Anchorage's Alaska Pacific Bank, said the economy will have a dip in 1977 but will pick up again in 1978.

He said construction of a natural gas pipeline, oil production at Prudhoe Bay, investments of native claims money and government employment will keep the state economy stable when pipeline construction ends.

Richards said pipeline workers haven't had as great an economic impact as might have been expected because much of their earnings have gone to families in the Lower 48.

TIMES 10/26/76
**Backers Say
Fund Won't
Affect Move**

Creation of a state permanent fund won't affect moving the state capital, in the view of two of the fund's most ardent supporters, Commissioner of Revenue Sterling Gallagher and State Rep. Cark Gruening, D-Anchorage.

"If moving the capital is the will of the people, the money will be found," Gruening declared.

Gallagher said that at the same time some Anchorage area voters are questioning whether a permanent fund would make it impossible for the legislature to raise enough capital to finance the capital move, voters in Southeastern Alaska see the fund as a move to provide funds for a capital move.

Both Gallagher and Gruening point out that if voters approve the concept of a permanent fund, and if 25 per cent of oil and gas royalties and bonuses go into that fund, "that still leaves 75 per cent to go into the general fund." And 100 per cent of tax income.

Gruening says "The important thing to remember is that \$1.8 billion or \$2 billion is going to come in and be spent anyway. The permanent fund is not creating that income."

Gallagher said he doesn't want to think about what will happen if the permanent fund is not approved. "I see a propensity on the part of the legislature to spend," he said.

What Others Say

From The Seattle Times

ALASKA GOV. JAY Hammond has taken an imaginative and unorthodox step in his battle to win federal approval for routing the Alaska natural gas pipeline through Alaska rather than largely through Canada.

Hammond has signed tentative contracts to sell Alaska's huge royalty shares of Prudhoe Bay gas to three major companies, with the sale being contingent on the all-Alaska route being chosen over two competitive routes.

The three companies have pledged to throw their influence behind the Alaska government's choice in the multi-billion-dollar pipeline-route battle now shaping up in Washington, D. C.

WE HAVE no idea how useful Hammond's bold tactic will prove to be, nor of the legal complexities involved.

But we do commend the governor for doing more than paying lip-service to the all-Alaska pipeline concept.

Such fossil-fuel-rich states as California, Texas and Louisiana have never been backward about asserting the rights of individual states to reap maximum benefit from their underground wealth.

There's no reason why Alaska should not do the same in battling the efforts of a powerful group of Midwestern senators and congressmen to win approval of the trans-Canada gas pipeline route.

2—Anchorage Daily News, Saturday, October 9, 1976

11 states call for Alaska gas

SAN FRANCISCO (AP) — The Public Service Commissions of 11 western states urged President Ford Friday to sign a bill requiring the Federal Power Commission to recommend a pipeline route, including a western leg, for carrying natural gas from Alaska.

"We believe that it is imperative for the future economic viability of the western states that we be assured direct delivery of and equal access to the natural gas produced in Alaska and transported to the lower continental United States," said a wire to the President. California PUC Commissioner William Symons Jr., president of the Western Conference, sent the message on behalf of agencies in Washington, Oregon, California, Nevada, Idaho, Utah, Wyoming, Colorado, New Mexico, Montana and Arizona.

He noted western states face severe natural gas shortages and future supplies would be curtailed further if new sources of gas are not brought down from Alaska.

"Our supplies today in California alone, for example, are 23 per cent below what they were in 1970," said Symons. "Without any major supplies from new sources by the end of the decade, we face a level of supply that will be 46 per cent below that of 1970."

Economist Sees Slowdown

(Continued From Page 1)

the average.

"Some industries will be hit harder," at the completion of the pipeline, he said. "Some will experience no slowdown at all."

Richards told the state's Investment Advisory Committee this week that the slowdown will last two to three years, then Alaska will see another three to four years of accelerated activity.

Richards is a consultant to the state committee.

Richards said the slowdown will result not only from a decrease in pipeline activity but also from "more modest state spending" and a hold back in the private sector.

The private sector, in anticipating a slowdown, actually contributes to that slowdown, he said.

He predicted that over the next ten years petroleum, construction and tourism will surpass fishing as sources of jobs.

Fishing will grow only moderately, he said, and hard rock mining and forestry "are impossible to predict."

Richards said the growth of state and local government, as much as the pipeline, has created the state's current economic boom. In Anchorage, he said, growth has been caused primarily by government and governmental jobs statewide have increased by 15,000 from 1964 to 1974.

His own estimate is that 40 per

cent of the pipeline paychecks are sent Outside and therefore do not affect the state. Fairbanks banker Frank Murkowski has estimated 60 percent.

Richards said the policy implications for the advisory committee, in considering how the state's proposed permanent fund should be used, seem to be that "you don't have to do something drastic" to counteract the state's boom and bust cycle "because that's not a true picture."

"The investment fund should be geared to less cyclical industries," he said, "or the state could utilize the investment fund as a counter-cyclical device. If a second oil pipeline is built by private industry, for example, then the state could time a dam to follow that construction."

Timing and geographical location of development projects would be ways to counter the fluctuations, he suggested.

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Our views:

It's permanent

Practically everyone has agreed for the past several years that Alaskans need a permanent investment fund to set aside a portion of the wealth that will come from oil and gas taxes. The legislature approved the fund last year but the governor, although he supported the idea, vetoed it because of a constitutional question.

Ballot Proposition 2 provides the constitutional amendment to make the permanent fund a reality. It's worth the vote of Alaskans in next Tuesday's election.

Specifically, Ballot Proposition 2 dedicates at least 25 per cent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the state into the permanent fund. This principal then would be used for income-producing investments.

The permanent fund is both a guarantee and a safeguard, a practical idea that retains Alaska's oil development windfall.

It's a guarantee in the sense that Alaskans will be able to prudently establish a lasting savings account from some of the oil revenues. That will ensure the money won't be automatically dumped into an operating budget and spent away by legislators.

It's a safeguard in the sense that once non-renewable mineral resources have been exhausted, something permanent will remain for future Alaskans.

And in practical terms, the permanent fund would divert operating funds into an investment fund that grows each year that oil flows, and collects interest. A percentage of the fund would go for direct use by Alaskans — for loans to businessmen, fishermen and builders. And when oil revenues no longer are flowing into the state treasury, the fund would continue as an important option in stabilizing the state's economy.

The permanent fund holds a lasting promise for tomorrow, a heritage for the state. It's an imaginative and workable idea which would make certain that when the boom - and - bust days of energy development are gone, something permanent remains.

Next Tuesday, Alaskans should vote "for" Ballot Proposition 2 and adopt the permanent fund.

FPC report finds Prudhoe gas adequate

From Our Washington
Correspondent

WASHINGTON — The Federal Power Commission's legal staff has released a brief indicating it feels that there is sufficient natural gas available at Prudhoe Bay to support either the El Paso or Arctic Gas plan to bring North Slope gas south. Both companies' plans call for daily transport of more than two billion cubic feet of gas.

At the same time the commission staff argued that either the El Paso or Arctic Gas system would be in a better position to accept new volumes of gas if there is additional production from as yet undeveloped fields either in the Beaufort Sea or the Arctic National Wildlife Range.

THE BRIEF, presented to the commission, held that Northwest Pipeline's Alcan Highway route assumed too little gas available at Prudhoe Bay and offered too little space for expansion if further gas supplies are developed.

The brief called the wildlife range among "the most promising areas of potentially large gas reserves . . ." The brief quotes several witnesses before the FPC hearings who testified that 14 trillion cubic feet of gas or more could be trapped in rock formations below the range.

The other most promising area, it said, was in the Beaufort Sea offshore from Prudhoe Bay and the wildlife range.

IN OTHER briefs released by the commission, the staff argued against certification of the "western leg" of the Arctic Gas system and in favor of a liquefied natural gas terminal in Cook Inlet rather than Prince William Sound — if the El Paso system is ultimately approved.

Arctic Gas has asked the FPC to allow it to build a "western leg" pipeline into the Pacific Northwest and California in addition to its major route east from Prudhoe Bay, across Canada and into the U.S. Midwest.

However, the commission staff brief argues that without firm gas supply contracts Arctic should not be allowed to proceed with such a large and expensive project.

RATHER THAN build a new pipeline to serve the West Coast, the staff argues, that area should be served by "displacement," moving gas from other areas in existing pipeline systems. This approach, the brief

says, is without risk and will cost little to implement. The annual savings of the displacement approach are estimated at \$49 million.

The commission legal staff also disagrees with the commission's environmental staff in arguing for an LNG facility on Cape Starichkof in Cook Inlet. The environmental impact statement recommended that site.

The staff contends that El Paso's own witnesses testified that a Cook Inlet facility would save as much as \$171 million in pipeline construction costs since it would eliminate expensive construction through the Chugach Mountains.

NEWS

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Kleppe lauds OCS for natural gas hopes

LOS ANGELES (AP) — Exploration for natural gas on the outer continental shelf is the best hope for meeting the nation's gas demands in the future, U.S. secretary of the interior Thomas Kleppe said Wednesday.

"We are enthusiastic about use of the outer continental shelf because the potential for large finds appears to be much greater there," Kleppe told a news conference during the American Gas Association convention in Los Angeles.

"In the face of declining reserves and little or no prospect of creating additional reserves through enhanced recovery, we must rely heavily upon exploration and new discoveries," he said.

Kleppe also said that the Department of the Interior is enthusiastic about the possibilities of coal gasification and "we sharply disagree with the General Accounting office report to Congress charging that synthetic fuels are

too costly to fund."

Kleppe said his department fought for the synthetic fuels bill which died in the final days of the 94th Congress. But he acknowledged that a lack of abundant water would be a major problem in developing coal gasification program in the coal rich northern great plains states.

Kleppe predicted that before the end of 1977 "we should know how, and where" gas from Alaska will be

transported.

"To avert a replay of the long struggle which delayed the start of the trans-Alaskan oil pipeline, President Ford proposed a timetable to decide the route and system with limited judicial review," Kleppe said.

"Congress made some changes which Interior opposed but Congress did agree to a mandated decision process."