

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672

642 SCOMM21: ROYALTY OIL & GAS FILES 1977-78

The "spud-in" date is the moment of drilling the first foot of a well regardless of the date of completion or recompletion. Well completion refers to the installation of permanent equipment for the production of oil or gas. The date of completion of an oil well or gas well is the date on which the installation of permanent equipment has been completed for the production of oil or gas as reported to the appropriate regulatory agency.

Depending upon the gas field or reservoir drilling development pattern, spud-in date may or may not be a vintaging basis favorable to Alaska. If most gas is produced from wells spudded-in after January 1, 1975, then Alaska may qualify for the highest available national rate for most of its gas if the national rate applies to Alaska. If the royalty share comes from wells spudded-in at a considerably earlier date than the January 1, 1975 cut-off, then Alaska clearly is in a less favorable position vis-a-vis the national rate. At the present time, wells spudded-in on or after January 1, 1973 and before January 1, 1975 receive separate national rate treatment from the F.P.C. while gas from wells commenced prior to January 1, 1973 receive rate treatment under F.P.C. Opinion No. 749 which has established a price of 29.5¢/Mcf nationally for "old" gas. Clearly, the maximization of Alaskan royalty gas revenues will depend on the type of vintaging mechanism allowed under regulation.

Other Vintaging Methodologies

In the evolution of gas pricing regulations, the Federal Power Commission has used various methods for determining the vintage of gas. Other regulatory vintaging methodologies have used contract date, type of gas, date of dedication to interstate commerce, and reservoir discovery date. Table III-5 details the vintaging mechanisms in national and area rate regulation as well as in two proposed 1975-76 deregulation bills.

TABLE III-5
SUMMARY OF NATURAL GAS VINTAGING APPROACHES RELATED TO INTERSTATE PRICE REGULATION

ALLOWED HIGHEST APPLICABLE RATE FOR:_____

<u>VINTAGING APPROACH</u>	<u>Type of Gas</u>		<u>Qualifying Date for "New" Gas Vintage</u>					<u>RATE ESCALATION</u>
	<u>Associated or Oil Well Gas</u>	<u>Non-Associated or Gas Well Gas</u>	<u>Spud-In Date</u>	<u>Recompletion Date</u>	<u>Date of Initial Interstate Dedication</u>	<u>Date of Contract</u>	<u>Date of Reservoir Discovery</u>	
1. <u>National Rate</u>								
a. Opinion 770-A (November 1976)	yes	yes	yes	no	no	no	no	yes
b. Opinion 770 (June 1976)	yes	yes	yes	yes	yes	no	no*	yes
c. Opinion 699-H (December 1974)	yes	yes	yes	yes	yes	no	no*	yes
2. <u>Area Rate</u>								
Permian Basin Opinion 468 (August 1965)	no	yes	no	no	no	yes	no	no
3. <u>1975-1976 Proposed Deregulation</u>								
HR 10480 Krueger- Broyhill Bill (October 31, 1975)	yes**	yes**	yes	no	yes	no	no	As Per Contract
S-3422 Pearson- Hollings Bill (May 12, 1976)	yes	yes	yes	yes	yes	no	yes	yes

*Date of discovery of a new gas reservoir on acreage previously dedicated to the interstate market was a vintaging criterion.

**If producer is not affiliated with a pipeline.

Contract date and type of gas were used together in the first area rate vintaging methodology (Opinion No. 468 issued August 5, 1965). In this case, an established date (January 1, 1961) was the dividing date between old and new gas with new gas being that which was sold through a contract dated after the January 1, 1961 date. However, this system also vintaged gas on the basis of whether it was gas well gas or oil well gas. All casinghead gas (or oil well gas) was categorized as old gas; only post-January 1, 1961 gas well gas received new gas treatment. Similar vintaging methodologies were used in other area rates established by the F.P.C. with some variations as to the applicable contract vintaging date. The pricing implications for Alaskan royalty gas if vintaging occurs on a basis comparable to area rate regulation are considered elsewhere in this chapter. Alaska should understand, however, that by stating a contractual willingness to accept an area rate with its inferred vintaging mechanism, it may face future rate rulings that are either unanticipated or clearly less favorable than more recent pricing regulations.

Vintaging on the basis of first sales into interstate commerce (under contracts executed after a specified date) has also been used by the F.P.C. in the first uniform national rate (June 1974). This methodology has been superceded by well commencement date vintaging. Date of first sales into interstate commerce appears to be an attractive vintaging basis. It has a clear disadvantage, however, if the market value of gas is expected to rise over the term of the contract by committing all the gas to a price set when market value was lower.

Conclusions

1. No single vintaging method yet applies to Alaskan royalty gas and Federal Power Commission actions on this are uncertain.

2. Revenues to Alaska for royalty gas sold interstate are highly dependent upon the vintaging method selected.
3. No single vintaging system is clearly superior to all others, although in general, the more gas that falls into the "new gas" category or vintage, the greater are Alaska's opportunities to maximize royalty revenues.

Vintaging Under Proposed Gas Legislation

Numerous proposals to deregulate or reregulate natural gas pricing were introduced into the 1975-76 Congressional Session, and already in the current Congress eleven bills as of this writing have been proposed. Passage of a particular bill at this time is unclear. However, based on 1975-1976 bills, vintaging is likely to remain an issue in current proposed legislation of great economic significance to Alaska.

The importance of future deregulation or reregulation to Alaska's royalty gas contracts is the possibility that there may be multiple vintages applicable to the Prudhoe Bay gas. That is, depending upon the vintage method, there may be a deregulated and a regulated price in effect at the time of first deliveries.

SEVERANCE TAXES ON ROYALTY GAS

It is possible that \$50 - \$150 million^{1/} in revenue might be lost to Alaska from an interpretation of price in Section 6.2, 6.3, and 6.4. While the Alaskan severance tax legislation currently does not apply to state-owned royalty interests, the price clause should not preclude by omission the collection of a severance tax or revenue in lieu of severance taxes on Alaskan royalty gas in addition to the base price. Under F.P.C. regulation, the price paid to a producer by a pipeline for the working interest share will be adjusted upwards from the ceiling rate to cover severance tax. This payment for severance tax is in turn fully recovered by the pipeline. If a severance tax on the Alaskan royalty interest is not charged in addition to the highest allowable area, national or ceiling rate under some interpretations of the gas contract pricing clauses, the price for royalty interest gas will be less than the price paid by pipelines for the working interest portion. In the condition that Alaska is not subject to F.P.C. jurisdiction, the royalty gas will be sold at the highest price paid by a purchaser which appears to be wording that would cover severance taxes paid by the working interest holder. Given the amount of money involved, we suggest legal review on the point of collecting severance taxes. The possibility for a low price differential on Alaskan royalty gas may be eliminated in one of two ways:

- (1) legislative action to include the royalty interests taken in kind with that production which is subject to a severance tax, or
- (2) a change in the contract which sets the price of Alaskan royalty gas at the highest allowable price plus an adjustment in lieu of a severance tax.

^{1/} For sale of 2.6 tcf at \$0.50 to \$1.50 per million Btu assuming one million Btu per Mcf and a 4% severance tax.

IV. USE OF GAS WITHIN ALASKA

The State of Alaska is permitted to reduce the volumes of gas sold under the contracts. Any reduction may be made on twenty-four months' notice, or up to specified limits on twelve months' notice, provided the gas is to be used for "domestic or industrial" purposes in Alaska.

As presently written, the contracts do not specify whether the withdrawn gas must be for current or anticipated domestic or industrial needs. It is possible that Alaska might predict or foresee a need for natural gas within the State which extends beyond the term of the contract, or an increasing demand for intrastate gas which will eventually exceed the total volume of royalty gas during the term of the contract. We see no contract impediment to a time exchange of royalty gas which might be worked out with the owners of the working interests.

For example, the province of Alberta follows a rule of protecting provincial requirements for a forecast 30-year period before permitting additional interprovincial sales. A similar rule could be applied by Alaska.

As shown in Table IV-1, natural gas consumption in Alaska during 1975 was 66.8 billion cubic feet, none of which came from the North Slope. If the total contracted amount of royalty gas (2.6 trillion cubic feet) were produced uniformly over a 20-year period, the annual volume of royalty gas would be 130 billion cubic feet. Thus, if all additions to intrastate natural gas consumption had to be drawn from the royalty gas in the contracts, then Alaskan gas consumption would have to triple over present levels before all the royalty gas would be withdrawn from the contracts.

Gas utility sales in Alaska grew at an average rate of 12.7% per annum from 1965 to 1975 and at a rate of 12.1% from 1974 to 1975. Total consumption of gas in Alaska rose from

TABLE IV-1

NATURAL GAS CONSUMPTION IN ALASKA

1975

<u>User</u>	<u>Sales by Gas Utilities Bcf</u> <u>1/</u>	<u>Total Consumption Bcf</u>
Residential	5.6	10.4
Commercial	6.4	8.5
Industrial	-	22.4
Electric Utilities	12.8	19.6
Other	5.9	5.9
Total	30.7	66.8

1/ Bcf = Billions of cubic feet

Sources: U.S. Bureau of Mines, Mineral Industry Surveys;
American Gas Association, Gas Facts 1975

42.0 Bcf in 1971 to 66.8 Bcf in 1975 or at an annual rate of 11.6%, as shown in Table IV-2. Growth of the natural gas industry has been from a fairly small base figure, so that a projection of recent rapid growth rates may be unrealistic, at least in areas already well served by gas. However, even if it is assumed that growth continues at the somewhat reduced rate of 6% per annum, Alaska's internal gas consumption would triple in about 18 years. If the slightly faster rate of growth of 10% occurs, consumption will triple in about 11 years. In either case, internal consumption would outstrip the annual volume of royalty gas before the end of the term of the 20-year contract. Moreover, the level of intrastate demand achieved by the end of the contract term could not be sustained by royalty gas from Prudhoe Bay beyond the productive life of that area. However, areas closer to Alaskan gas markets such as the lower Cook inlet may be the source of future growth in natural gas supply.

AMMONIA PRODUCTION

As a part of our economic analysis of the contracts for the sale of royalty gas, we have considered the possibility that Alaska might prefer to export manufactured products which use gas as a feedstock rather than exporting the natural gas itself. The principle argument would be that the value added (wages, salaries, profit) would thereby be retained for the Alaskan economy.

We considered, in particular, industries which are heavily dependent upon natural gas, such as ammonia manufacture. We determined that, if all of the Alaskan royalty gas were devoted to ammonia production, Alaska would then produce about 30% of the present U.S. level of ammonia output. Ammonia production in the U.S., although it is one of the most intensive industrial uses of natural gas, nevertheless consumes only a small fraction (a little over two percent) of total

TABLE IV-2

GROWTH OF NATURAL GAS CONSUMPTION

ALASKA 1971-1975

<u>Use</u>	<u>1971</u> <u>Bcf</u> ^{1/}	<u>1975</u> <u>Bcf</u>	<u>Average Annual</u> <u>Rate of Growth</u>
Residential	6.9	10.4	10.3%
Commercial	7.5	8.5	3.1
Industrial	10.6	22.4	18.7
Electric Generation	10.3	19.6	16.1
Other	6.7	5.9	-3.2
Total	42.0	66.8	11.6%

^{1/} Bcf = Billions of cubic feet

Source: U.S. Bureau of Mines, Mineral Industry Surveys

U.S. natural gas production. The U.S. ammonia market simply could not absorb such a large increment in supply.

Moreover, planned additions to ammonia capacity in the lower 48 states are already quite large, amounting to 3.2 million metric tons per year, or a 22% increase over present capacity. As shown in Table IV-3, principal U.S. markets for ammonia fertilizers are in the Midwest, an area more accessible to ammonia plants in Texas, Louisiana or Alberta than to ammonia plants in Alaska. European markets for nitrogen fertilizer probably could be served more economically from the Persian/Arabian Gulf, and thus may not be a prospective long-run market for ammonia from Alaska.

TABLE IV-3

UNITED STATES NITROGEN FERTILIZER CONSUMPTION

BY GEOGRAPHIC AREA

1974

(In 10⁶ Pounds)

	<u>Quantity</u>	<u>Percent of Total</u>
West Coast ^{1/}	1,301	7.8
Upper Midwest	10,096	60.8
Lower Midwest	3,111	18.8
Atlantic Seaboard	2,084	12.6
Total United States	16,592	100.0

^{1/} Includes Washington, Oregon, and California

Source: U.S. Department of Agriculture

V. CONCERNS ABOUT CONTRACT AMBIGUITIES

This chapter comments on several specific details in the royalty gas contracts which appear to need clarification. Each point below is keyed to the section of the contract pertinent to the issue. We have suggested possible remedial actions in each case.

1. ARTICLE III (QUANTITY); SECTION 3.7(a):

This section refers to the terms under which the buyer may purchase additional quantities of surplus Alaskan royalty gas in the event that Alaska has previously implemented its option to remove contract gas for intrastate use. Section 3.7(a) continues to be applicable for a period of five years after expiration of the term of the contracts.

The governing price of surplus royalty gas offered to buyer after expiration of the contract and in the event of no other interstate bona fide purchasers is unclear. This section states only that,

"In the event there are no other interstate bona fide purchasers, the price shall be the price then being paid by Buyer for gas purchased under this Agreement."
(Underscoring inserted.)

Contract clarification of the applicable price is needed in the event deliveries have already been completed under the contract and no outside interstate purchasers exist.

2. ARTICLE VI (PRICE); SECTIONS 6.3 - 6.5:

Section 6.4 (deregulation after commencement of first gas deliveries) clearly provides for a price redetermination to occur as outlined in Section 6.5. Section 6.3, however, which provides for an initial price in the event of non-regulation existing at the time of first deliveries does not contain a price redetermination clause. Since Section 6.5 makes specific reference only to Section 6.4, it is unclear that price redetermination will also

occur in the event Section 6.3 is operative. Insertion of a clause in the contracts indicating that a price redetermination will occur in the event Section 6.3 applies is suggested.

3. ARTICLE VI (PRICE):

This Article of the contracts does not address a pricing situation in which the initial gas sales are not subject to F.P.C. regulation but, later in the contract term, become jurisdictional. Such a scenario could occur as a result of (1) judicial appeal of an initial F.P.C. ruling; (2) deregulation of gas prices conducted on a temporary or experimental basis, such as was proposed by President Carter during the election campaign; or (3) Federal action overriding the F.P.C. (e.g., creation of a general price and wage control policy).

APPENDIX A

TABLE 1

F.P.C. NATIONAL RATE RULINGS

F.P.C. Opinion No.: 699

Date Issued: June 21, 1974

Definitions of
"new" gas:

- (1) Sales of natural gas in interstate commerce made from wells commenced on or after January 1, 1973.
- (2) Sales of natural gas in interstate commerce made pursuant to contracts executed on or after January 1, 1973 for
 - (a) gas not previously sold in interstate commerce (except under specified F.P.C. certificates); or
 - (b) where the sales were formerly made pursuant to permanent certificates of unlimited duration under contracts which expired by their own terms on or after January 1, 1973.

Applicable Rate: 42¢/Mcf with 1¢/annual escalation beginning January 1, 1974

F.P.C. Opinion No.: 699-H

Date Issued: December 4, 1974

Definitions of
"new" gas:

- (1) Sales of natural gas in interstate commerce from a well or wells commenced on or after January 1, 1973.
- (2) Sales made pursuant to contracts for the sale of natural gas in interstate commerce
 - (a) for gas not previously sold in interstate commerce prior to January 1, 1973 (except under specified F.P.C. certificates); or

TABLE 1 (continued)

F.P.C. NATIONAL RATE RULINGS

(b) where such sales are initiated on or after January 1, 1973 provided the sale has not been certificated under the F.P.C.'s optional procedure.

- (3) Sales made pursuant to contracts executed prior to or subsequent to the expiration of the term of the prior contract where the sales were formerly made pursuant to permanent certificates of unlimited duration under such prior contracts which expired of their own terms on or after January 1, 1973, or pursuant to contracts executed on or after January 1, 1973, where the prior contract expired by its own terms prior to January 1, 1973.
- (4) Gas produced from newly discovered reservoirs located upon acreage previously dedicated to interstate commerce under a contract dated prior to January 1, 1973, shall have the rate determined by the date of reservoir discovery in lieu of the contract date.

Applicable Rate: 50¢/Mcf and 1¢/annual escalation beginning January 1, 1975

F.P.C. Opinion No.: 749

Date Issued: December 31, 1975

Definitions of "old" gas: Sales of natural gas in interstate commerce for resale from a well or wells commenced prior to January 1, 1973.

Applicable Rate: 23.5¢/Mcf prior to July 1, 1976;
29.5¢/Mcf on and after July 1, 1976. (This rate does not supercede existing higher area rates nor other specified F.P.C. established rates.)

TABLE 1 (continued)

F.P.C. NATIONAL RATE RULINGS

F.P.C. Opinion No.: 770

Date Issued: July 27, 1976

Definitions of
"new" gas:

- (1) Sales of natural gas in interstate commerce for resale from a well or wells commenced on or after January 1, 1975.
- (2) The sale is made pursuant to a contract for the sale of natural gas in interstate commerce for gas not previously sold in interstate commerce prior to January 1, 1975 (except under specified F.P.C. certificates), where the sale is initiated on or after January 1, 1975, provided that no certificate for the subject sale has been issued under the optional procedure.

Applicable Rate: \$1.42/Mcf and 1¢/Mcf per quarter commencing October 1, 1976

Definitions of
1973-1974 gas:

- (1) Sales of natural gas in interstate commerce for resale made from a well or wells commenced on or after January 1, 1973 and on or before January 1, 1975.
- (2) The sale is made pursuant to a contract for the sale of natural gas in interstate commerce for gas not previously sold in interstate commerce on or after January 1, 1973 (except under specified F.P.C. certificates), where the sale is initiated before January 1, 1975.

Applicable Rate: \$1.01/Mcf

TABLE 1 (continued)

F.P.C. NATIONAL RATE RULINGS

F.P.C. Opinion No.: 770-A

Date Issued: November 5, 1976

Definitions of
"new" gas: Sales of natural gas in interstate commerce
for resale from a well commenced on or
after January 1, 1975.

Applicable Rate: \$1.42/Mcf and 1¢/Mcf per quarter escalation
beginning October 1, 1976.

Definitions of
1973-1974 gas: Sales of natural gas in interstate commerce
for resale made from a well commenced on or
after January 1, 1973 and prior to January 1,
1975.

Applicable Rate: 93¢/Mcf and 1¢/Mcf annual escalation beginning
January 1, 1977

(NOTE: IN BOTH OF THE ABOVE DEFINITIONS, WELL DATE IS DEFINED AS
COMMENCEMENT OR SPUD-IN DATE REGARDLESS OF DATE OF
COMPLETION OR RECOMPLETION.)

M E M O R A N D U M

TO: Mr. John Rader
FROM: Carl Swanson
SUBJECT: QUESTIONS FOR PURCHASERS
DATE: February 1, 1977

1. Do you (purchaser) agree that Section (6.5) which provides for annual redetermination of the price under deregulation, applies to Section 6.3 when deregulation occurs before first deliveries of gas, as well as to Section 6.4, which applies when deregulation occurs after first deliveries?
2. Do you (purchaser) agree under Section 6.2, that if the price is regulated, the price paid by you (purchaser) to the State shall include an amount equal to severance taxes, if the regulation allows an amount equal to revenue taxes to be paid to working interest owners?

CS:bvd

SCOMM

#21:14

House

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

JAY S. HAMMOND
GOVERNOR

NEWS RELEASE



FOR INFORMATION CONTACT:
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GOVERNOR JAY HAMMOND STATEMENT:
February 9, 1977

"Months ago my Department of Revenue began researching various financial alternatives that might assist in the eventual selection of a trans-Alaska gas line route and which would also be sound financial policy for the State. Some of those alternatives have included possible loan guarantees to aid in financing need by the builders of the trans-Alaska route since that might lower the cost of service on that line. I want to stress that no action is going to be taken in this area until the Legislature has decided on the royalty gas contracts now before them. Unless they approve those contracts it makes no sense to even explore further means of promoting the trans-Alaska route, since a rejection of the contracts will unquestionably be interpreted by many as a lack of support for that route choice. I want it clearly understood that the State would not and could not under present law enter into contracts with one of the competing gas line companies to pay for the building of the line. I also want it clearly understood that I would not support an investment of State funds in this project, even a loan guarantee, if it did not provide a rate of return equal to what we could receive elsewhere. Finally, any involvement by the State even in loan guarantees will require a legislative decision and all that we can do at this time is to develop the information on which the Legislature can act in the future should it desire to do so."



DEEP IN THOUGHT—Alaska Senate President John Rader, D-Anchorage, listens to testimony presented before the joint House-Senate committee probing the terms of the proposed sale of Alaska's royalty gas. Hearings into the sale continued this afternoon with members of the Senate Review panel now set to hear rebuttal testimony on Monday at 10 a.m. House members of the panel shown are Rep. Charles Parr, D-Fairbanks; Rep. Joe McKinnon, D-Anchorage; and Rep. Joe Hayes, R-Anchorage.

Conflicting Testimony Marks Royalty Gas Contract Hearings

By CHUCK KLEESCHULTE
Empire Staff Reporter

More heat than light was shed onto the provisions of the state's proposed royalty gas contracts Thursday.

Conflicting and widely differing testimony ballooned the record of the Joint House Senate Gasline Review Committee hearings which dragged into the fifth day this morning.

Lawmakers, still attempting to determine if approval of the administration-negotiated contracts might backfire and force the state to settle for a substantially reduced price for its one-eighth share of Prudhoe Bay reserves—heard testimony from Alcan Vice President Morris Thompson.

Thompson argued approval of the royalty gas pact could "substantially" reduce royalty payments to the state, a diametrically differing position than taken by El Paso Alaska representative Michael Holland during his

testimony Wednesday.

Under the proposed sale agreement the state is guaranteed the same price for gas as the highest paid producer at Prudhoe Bay is receiving, producers of the other seven-eighths of the reserves.

Thompson argued the state could lose as much as \$800 million from its royalty gas under the present contracts since he said the price of transportation of the gas to market would be deducted from the wellhead price under a deregulated market.

Holland in his testimony Wednesday and again Thursday said under no proposed deregulation scheme would the FPC give up its power to set gas transportation system tariffs. He said that means there is no necessary relationship between transportation and wellhead prices, the gas distribution firms simply absorbing the costs of differences in

transportation passing them onto consumers in their rate bases.

"There just isn't any necessary reason for Alcan's contention to be correct. We strongly dispute that assumption," Holland said.

The issue, other sources say, is much more complex given the difference in ingredients which go into determining the actual market price of gas. Lawmakers were expected to attempt to sort out the confusion through expert legislative testimony scheduled for today.

Thompson, speaking for Alcan which wants to bid on the state's gas competitively, pointed out a list of what he called deficiencies in the proposed sale contracts. Thompson argued that a provision in the contract which guaranteed the state would gain the highest price paid to any producer was too "narrowly limited" and should be rewritten to apply to the entire contract and not just to certain sections.

Thompson complained the contracts precluded the state from ever gaining "premium" advance payments for its gas, a provision not allowed at present under FPC regulations, but possible under deregulation. The contention that the state could ever expect to gain advance payments was refuted Wednesday by Holland. Advance payments were outlawed by the FPC in late 1975.

Thompson in a new charge said the contract did not insulate the state against "carrying charges" which the FPC might levy against Alaska, making the state pay for the cost of constructing part of the pipeline, the capacity needed to carry Alaska gas which would be withdrawn from the line in the case of future in-state uses for the gas.

The Alcan representative also charged the contract forced the state to pay for gas processing facilities on the North Slope rather than allowing the state to simply rent the facilities.

"The proposed contracts aren't necessarily deficient in what they provide, but in what they fail to provide," Thompson said.

Three conservation groups, the Wilderness Society, Friends of the Earth and the Alaska Conservation Society, all opponents of the El Paso project on environmental grounds, asked the pact be denied to prevent the state from being locked in to future support of the El Paso line. Their favorite route is the Alcan route.

Robert Ward, president of Arctic Gas of Alaska, said the royalty pacts would definitely have "some impact" on the line decision, but he still confidently predicted, barring an unfavorable Canadian decision, that the Arctic project will be approved by the President and Congress.

Teamsters Want State To Share Line

The state of Alaska should pull the biggest rabbit of all from its hat to secure approval for the \$7.8 billion trans-Alaska gas pipeline project—by agreeing to finance half the cost of the El Paso proposal, a senior representative of Alaska's powerful Teamsters Local 959 said Thursday.

Jeff Barry, Sr., business manager of Local 959 offices in Anchorage and director of the teamsters' political action arm ALIVE, said the state could earn a substantial return on its investment by using low-interest, tax-free state obligation bonds to fund the pipeline project. Barry made his proposal before the Joint House-Senate Gasline Review Committee.

"I think it will take a miracle to win approval of an all-Alaska pipeline route, but I've seen two miracles occur before in the state—there's no reason to believe the legislature couldn't help a third one along a bit," said Barry, referring to Alaska statehood and the state's recovery from the 1964 Anchorage earthquake.

Barry, in arguing for rejection of the Hammond administration's proposed royalty contract, called the pact "too faint-hearted." He proposed the state show a true measure of support for the line by acquiring an equity interest in the project, the value being determined by the savings to El Paso from the lower interest rate the state might be eligible to obtain.

Barry said the interest savings to El Paso over the life of a 20-year loan would amount to billions of dollars, the difference between roughly a 6 per cent and 10 per cent interest rate.

Barry argued that in England close government-business cooperation is not uncommon. "I just don't believe there'll be any other way for us to get the jobs we need unless we change the ballgame and go to the FPC and show them we are vitally interested in the route issue, interested enough to use our own money," Barry said.

Lawmakers largely were speechless after the proposal. "Thank you for the distinctly different solution to our deliberations," Senate President John Rader, D-Anchorage, said.

Hammond Defends Royalty Gas Sale

By The Associated Press

Gov. Jay Hammond Thursday said he cannot accept the premise that Alaskans are "helpless pawns in a federal decision" on a route for a North Slope natural gas pipeline.

Hammond made the comment in response to testimony Wednesday by a prominent economist that administration-negotiated contracts for the sale of Alaska's Prudhoe Bay royalty gas to three firms in return for their political support for an all-Alaska pipeline, represents a meaningless political exercise.

"There is nothing the state can do to advance a trans-Alaska gasline," Arlon Tussing told the joint House-Senate Gasline Review Committee. He added the contracts were

made solely to advance "internal" political interests.

But Hammond said "to suggest that the royalty gas sale will have no effect ignores the fact that those who oppose the state position are strenuously resisting the sale proposal.

"I will not accept and I doubt any Alaskan governor would accept the premise that we are simply helpless pawns in a federal decision," Hammond said.

"The effect of this decision on the environment, social and economic structure and character of our state is immense and I will not accept a passive or defeatist attitude toward the route decision," he said.

Udall fears battle over Alaska gas

By Al McConagha
Staff Correspondent

Washington, D.C.

Rep. Morris Udall, who will become House Interior Committee chairman, predicted Wednesday a congressional battle if President-elect Jimmy Carter does not recommend a land delivery route for Alaskan natural gas.

The Arizona Democrat did not specifically endorse one of the competing overland delivery systems but declared opposition to piping gas across Alaska for liquefaction and shipment by tanker to California.

Udall's comments at a breakfast with reporters were seen as an initial warning to the incoming administration that a decision in favor of the Alaskan proposal could result in a serious fight with Congress.

The congressman also said he would warn the administration to "go slow" in consolidating federal energy activities under James Schlesinger, who will direct a department of energy.

For instance, he had reservations

whether Schlesinger ought to control federal lands used for a variety of purposes simply because they contain coal, Udall continued.

Schlesinger has assured Udall that he is open-minded on energy development and does not have a bias toward nuclear generation, Udall said. He added Schlesinger would work hard for energy conservation.

In speaking of delivery of Alaskan natural gas, Udall noted the need for Canadian approval if the Mackenzie Valley pipeline route to Minnesota and other Midwestern states is to be undertaken.

He added that perhaps the proposal to bring the pipeline to the United States along the Alcan Highway would be the best plan for environmental and other reasons.

Arctic Gas Pipeline Co. is seeking federal permission for a Mackenzie River pipeline route. El Paso Alaska Co. is asking for a trans-Alaska line. Alcan Pipeline Co. wants certification for an Al-

can route.

The Federal Power Commission staff has filed a brief asserting that the "evidence is overwhelming" that the Arctic Gas proposal is "vastly superior" to the other two projects.

The commission must make a route recommendation to the president by May 1. The president has until Sept. 1 to make a decision. That decision is subject to congressional veto under a measure passed in the last session.

Minneapolis, MN Star or Tribune

ded that his loan proposal would not be without strings.

"I'm certain that if the legislature has to take this course, they will want key budget and management people from both the administration and legislature to go in there and straighten out the financial mess," Kerttula said.

Kerttula also said he would insist that the UA repay the loan within five years.

Hammond said the state's Department of Revenue is researching several financial alternatives which might assist the El Paso Pipeline Co. in finding financing at lower costs for its proposed \$7.8 billion land-sea pipeline route.

"I want to stress that no action is going to be taken in this area until the legislature has decided on the royalty gas contracts now

being showing them to some extent. State financing would then lower the cost of deliveries of gas to the lower-48 states making the El Paso project more attractive to the Federal Power Commission (FPC) and to Congress which must make the final decision on the route of the proposed gasline.

Hammond said, however, he would not

all-Alaska route.

In the House, Rep. Russ Meekins Jr., D-Anchorage, announced this morning he will be introducing a resolution Friday calling for House Speaker Hugh Malone to set up a special panel to consider types of financing legislation which could influence selection of the all-Alaska route.

or revenue loss of the entire project through Industrial-Resource Commission.

Huber said the advantage method is that the entire project could be funded at interest rates below what could be obtained

Veiled Threats?

By MARK PANITCH
Washington Correspondent

WASHINGTON—Alaska Senator Ted Stevens today challenged Canada to speed up its gas pipeline decision-making process in order to conform to the expedited U.S. schedule passed by Congress last year.

Stevens told a well-attended press conference in the Capitol that "A gas pipeline route through Canada, although facilitated through 195 miles in Alaska, could be delayed for 2,035 miles of construction on Canadian soil."

At the same time, Stevens issued a veiled threat to the rest of the country that if Alaska does not get a favorable pipeline settlement it could reduce the flow of Prudhoe Bay gas.

"Alaska could follow the procedure of the Texas Railroad Commission," he said in response to a question about Alaska's options from a Canadian reporter.

Q. What does that mean?

A. We could cut the flow of gas to make a pipeline uneconomical. He then noted that federal pre-emption of Alaskan control over gas flow would require that the same preemption be extended to Texas, Louisiana, Oklahoma and other gas-producing states. "But I'm not threatening," he said.

Stevens said the press conference was called "to send a message to the White House" in time for a planned visit by Canadian Prime Minister Pierre Elliot Trudeau next week. He said he was trying to arrange a Capitol Hill meeting between members of Congress and Trudeau to discuss the gas line.

An informal poll of Canadian reporters immediately after the news conference yielded two major themes:

—If Canada were to accept Steven's challenge and expedite its pipeline process that would virtually guarantee the approval of the Arctic Gas project.

—In the words of one reporter, "We don't need Ted Stevens telling us what to do in Canada."

A third Canadian reporter combined the two with the comment that, "He is obviously trying to make somebody in Ottawa mad, hoping they'll dig in their heels and do nothing in response to him and this kind of assault."

In a prepared statement, Stevens described the Canadian decision-making process, noting there "is no specific time frame upon which to rely regarding eventual approval of a pipeline. We simply cannot assume Canadian approval in time to integrate construction with our expedited decision-making process."

Stevens also questioned whether the recently-signed hydrocarbon treaty between the U.S. and Canada will prevent discriminatory tax-

ation of U.S. gas. "There is a real difference of opinion on this issue," he said.

"That issue is up to the Canadians, not the FPC, our President or the Congress," he said.

Stevens indicated he thought the biggest single problem facing Canadian approval of a gas pipeline through the Mackenzie Valley—the route proposed by Arctic Gas—is the settlement of native land claims in that region.

"The United States had its own land claims settlement," he said, "which culminated a 15-year process with the passage of the Alaska Native Claims Settlement Act in 1971. Every indication leads me to believe that the Canadian land claims problem is at least as complicated and will take at least as long to settle."

Canadian priorities, he said, would be "Canada's national interest, which is logical." But this could mean construction of the Polar Gas pipeline from the high Arctic Islands north of central Canada "where exploration has been much more successful than in the Mackenzie Delta."

Federal Power Commission Administrative Law Judge Nahum Litt came under attack also. "The FPC has its head in the ground as far as the decision affected Canada. What sense does it make to expedite the decision here in the U.S. when there is no similar sense of urgency in Canada?" he asked.

Stevens Challenges Canadians On G

going to future has acts now
Hammond said, however, he would not

be recommending a special panel calling for House Speaker Hugh Malone to set up a special panel to consider types of financing legislation which could influence selection of the all-Alaska route.

Huber said the advantage of the latter method is that the entire project would then be funded at interest rates 3 to 4 per cent below what could be obtained through

decision on the pipeline financing concept.
"I'm not pushing the concept just yet, but I do want us to look at it along with the Hammond administration," Meekins said.

Challenges Canadians On Gas Issue

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On other issues Stevens:

—Defended the proposed El Paso Gas liquefied natural gas system as the "most flexible" proposal. "When the Prudhoe Bay fields are exhausted the tankers will still be useful to move gas from offshore deposits to lower-48 markets."

—Pointed out that gas moving from the West Coast to the East Coast under the recently-passed natural gas act is a demonstration of the displacement principle that El Paso plans to use to get Alaska gas benefits to Eastern customers.

—Linked problems getting offloading facilities for Alaskan oil in California to that state's desire to get Alaskan gas. "They're holding up the oil off-loading facilities to get more of our gas." He said that California laws could be preempted by the federal government if they put a "plug in the pass" that Alaskan gas must go through.

—Defended the Arctic National Wildlife Range as a place "Alaska is trying to save." The range, he said, was the brainchild of "the ladies of the Fairbanks garden club" during the 1950's.

Stevens also made what appeared to be an unusual conciliatory gesture toward the conservation organizations that are fighting the Arctic pipeline. He blamed delay in construction in the trans Alaska oil pipeline on "lack of authority to approve right of way wider than 50 feet" instead of the conservationists.

OIL, GAS TAXES GO TO CUSTOMERS

A tax imposed on oil and gas reserves by the Alaska legislature has come back to haunt Anchorage consumers.

The Alaska Public Utilities Commission has ruled the reserve tax payable by a local gas company may be charged to customers in billings.

Anchorage Gas and Service Co. may pass on to its customers the cost of the reserve tax as a separate surcharge on its bills, the commission ruled.

And, the commission said, if the severance tax on gas is increased above the amount payable on July 1, 1976, the company may increase its rates correspondingly.

The commission rulings came in response to a request by the gas company to pass price increases to customers automatically. The commission limited those

increases to severance taxes, the reserve tax, price escalations because of existing contracts, and royalty gas purchases from the state.

"The provisions proposed by the company were so broad that nearly all increases in any tax or cost of purchased gas could be flowed through" to customers, the commission said in limiting flow-throughs.

In allowing partial flow-through of cost increases, the commission relented from an earlier suspension of all flow-throughs by Alaska Gas and Service Co.

"When a flow through will not result in AGAS maintaining or receiving more than a reasonable rate of return on its investment it is the opinion of this commission that the flow through should be permitted," the commission ruled.

New Gas Line Bill Next On Agenda

Sen. Ted Stevens yesterday said he hopes to have hearings on his new approach to the gas pipeline question scheduled as soon as work on the 200-mile limit fishing bill is completed by the Senate Commerce Committee.

The gas pipeline bill, introduced Friday, would require that any pipeline bringing natural gas from Alaska's North Slope be totally under U.S. control.

The bill would effectively eliminate the Arctic Gas Consortium from the competition to construct a line to transport the gas.

Stevens' proposal does not say the pipeline builder would

be Arctic's main competitor, El Paso Natural Gas, but as a practical matter, El Paso is the only other applicant before the Federal Power Commission.

Midwestern senators, who have favored a line which would bring the gas to their areas, are now distributing and studying his bill, he said.

The senator, in a visit to Anchorage yesterday, said he had been disturbed recently by developments in Canada, through which Arctic's line would run. These developments would surely delay the Federal Power Commission's decision on who would build

See Page A3, Col. 7

Stevens: Delay Needed

Special To The Times

WASHINGTON — U.S. Sen. Ted Stevens, R-Alaska has told the Interior department that more environmental information is necessary before oil and gas development begins in the northern Gulf of Alaska.

The senator also said there should be a special study on the possible adverse effect on Alaska's fisheries before development begins. Public comment based largely on the discoveries made in the exploration stage should be invited as well, he said.

"I am extremely concerned about the possible adverse effect the development of oil and gas from the northern Gulf could have on Alaska's fisheries industry," Stevens said in a letter to Interior Secretary Thomas Kleppe.

The senator said that he is convinced after recent talks with Alaskan fishermen that those groups would take legal action, perhaps along with the State of Alaska, if development were begun without an additional stage of environmental assessment including public hearings.

The Interior Department recently published the final environmental impact

statement for the proposed oil and gas leasing in the gulf. Stevens told Kleppe that he is in complete agreement with the Interior department's goal of increasing our domestic supply of oil and gas to decrease our reliance on foreign sources of energy supplies, but that the time should be taken between the exploratory and development stages to get more data.

The senator stressed the difference between the exploratory and development stages.

"After a particular exploratory stage is successfully completed, the location and size of the oil and gas reserve will be better understood. At that time it is in my opinion necessary to pause and consider the effects of development," he said.

Arco Asks State For Flare Okay

Atlantic Richfield Co. is seeking the state's permission to flare up to six million cubic feet of natural gas a day at its crude oil topping plant at Prudhoe Bay.

Gas is produced when crude oil is converted into diesel fuel, which is needed for development of the Prudhoe Bay oil field and for construction of the trans-Alaska oil pipeline. However, there is currently a need for only four million cubic feet of the estimated 10 million cubic feet of gas which will be produced when the topping plant goes to its allowed throughput of 13,000 barrels of crude oil a day.

The Alaska Oil and Gas Conservation Committee published notice of Arco's request last week and has received several protests. Consequently, a public hearing will be held at 9 a.m. Tuesday at the state division of oil and gas headquarters, 3001 Porcupine Drive in Mountain View.

Written objections have been received from the Alaska Center for the Environment and Jerry McCutcheon.

Arco had received permission from the conservation committee in September to increase the throughput at its topping plant from 7,200 to 13,000 barrels of oil a day. A new addition was built to the topping plant, to handle the increased volume.

At that time Arco had anticipated that of the estimated 10 million cubic feet of casinghead gas that would be produced from the 13,000 barrels of oil, it could use all but four million cubic feet, which would have to be flared. The state gave permission to flare that amount.

However, Arco's plans to double its base camp in time for Christmas had to be shelved. The modular living

units weren't able to make it in to Prudhoe Bay in the summer barge run because of abnormal ice conditions.

That meant that additional gas will have to be flared — an estimated two million cubic feet more a day — if Arco is to increase the topping plant throughput to 13,000 barrels a day. The throughput now is 11,000 to 12,000 barrels, according to Len Williams, Arco's operations manager.

"We made a whole series of projections last August," Williams explained. "Now we're trying to accommodate changes we couldn't foresee. In other words, we blew our projections."

In addition to delays in arrival of equipment, Arco has found that in converting two drilling rigs from diesel to gas fuel, the rigs are using less gas than they had anticipated.

And their projections also were too high in the amount of natural gas which would be required to fuel the main construction camp, Arco said in a letter to the state.

About two-thirds of the diesel fuel produced at the topping plant is used by Arco and BP Alaska to operate drilling rigs and trucks and other equipment at Prudhoe Bay.

The remaining third is sold to Alyeska Pipeline Service Co., for use in construction of the trans-Alaska pipeline. About 35,000 gallons a day is being supplied to Alyeska, Williams said.

He said that when Fairbanks' Golden Valley Electric ran out of fuel about a month ago, Alyeska loaned them fuel, as did the military, "so we (Arco) tried to provide more to Alyeska."

Arco is asking permission to run an average of 13,000 barrels a day through the topping plant through Dec. 31, 1976.

December 14, 1975, Anchorage Sunday Times A-3

Work On Gas Line Bill To Follow Fish Limit

(Continued From Page 1)

the line, he said. By removing a Canadian line from consideration, the decision could be made sooner, he said.

He referred to a resolution recently adopted by the Canadian National Liberal Party calling for the federal government to "Canadianize the industry," and the likelihood that Canadian native land claims settlement is many months away.

The Republican senator was in Alaska for the weekend, mainly to explain his new bill to the Organization for the Management of Alaskan Resources, which was having a board meeting yesterday morning.

Stevens also said:

—The extension of tax cuts, which is up for consideration in

Congress now, is of more importance to Alaskans than most places because of its young population.

"I think it is incumbent upon Congress to dedicate itself to reduce expenditures to the maximum extent possible, because if we reduce revenues and increase expenditures, it means increased debt and an increased cost of borrowing," he said.

—He will spend the Christmas holidays in the Florida Keys with his family.

—He is disturbed by the Environmental Protection Agency decision regarding the Ketchikan Pulp Mill. The decision was that the mill's system to protect water quality was not acceptable, and it could force the closure of the mill.

FAIRBANKS (AP) — As decisions near on the routing of a natural gas pipeline from Prudhoe Bay to the south, the University of Alaska says it has received a grant to study

alternatives to the Arctic Gas proposal.

The director of the Institute of Social, Economic and Government Research, Vic Fischer, has confirmed that his department has received a \$15,000 contract from the Bureau of Land Management to study alternatives to the Arctic Gas pipeline proposal. The study is a follow-up on Arctic Gas Company's draft environmental impact statement.

Nine alternatives are being considered in addition to the Arctic Gas proposal, which would see the line cross the Arctic Wildlife Range:

— An offshore route, which would go offshore in the Arctic Ocean from the Beaufort Sea to Canada.

— An onshore route, which would skirt the south edge of the Arctic Wildlife Range.

— Also being considered is the route known as the Fort Yukon route, which would take the gasline right through Fort Yukon, along the north side of the Yukon River through Canada.

— A route proposed through Fairbanks then along the Alaska Highway to Edmonton, Alberta.

— Another route through Fairbanks would go along the Alaska Highway, and then to a gas liquefaction plant at Haines.

Three other routes involve turning the gas to a liquid before shipping it by tanker, they include —

— The Point Gravina route, which is favored by the El Paso company.

— The Cook Inlet route, which takes the gas from Prudhoe through Fairbanks, down the rail belt, to the existing petrochemical complex at Nikiski beach, north of Kenai and from there by LNG tanker.

— The last alternative is the Golovin route, which would take the gas from Prudhoe by pipeline to the Seward Peninsula, and then by tanker across the Bering Sea.

The institute is using computers to study the economic and social impact of the nine routes. Factors that will be

considered are the Alaska economy, employment, population, income, and other economic factors.

Gas Bill Introduction Delayed

Times Washington Bureau
WASHINGTON — Once again, introduction of the Arctic gas bill into the House has been delayed.

Michigan Republican Rep. Phillip Ruppe had planned to put the legislation in the hopper Monday, but "is still collecting cosponsors," according to a staff aide.

Ruppe is expected to submit the bill before Congress recesses for Christmas on Friday.

Ruppe announced his plans to introduce the legislation last month in a news release. The bill mandates the Arctic Gas consortium project.

Meanwhile, Rep. Don Young, R-Alaska, has canceled plans to introduce a gas

line bill submitted in the Senate Friday by Republican Ted Stevens.

Instead, the Republican congressman, is drafting legislation that will be "the best of both worlds," according to Young.

The bill will combine features of the Stevens' measure as well as items in the legislation offered by Alaskan Democrat Mike Gravel.

Stevens' legislation forbids the Federal Power Commission to approve a certificate for any pipeline route that is not entirely within the United States. The legislation thus would preclude the power commission from acting on the Arctic Gas application now before it.

The Stevens' bill is a calculated effort to win the support of those congressmen and senators who have traditionally favored the Arctic Gas approach.

Gravel's bill, submitted several months ago, would mandate a power board decision in the gas line case by June 30, 1976. However, the Democratic senator indicated recently that he will amend the

bill to push the date back to Dec. 1, the target the commission has set for itself in reaching a final decision.

Asked in an interview if he expects the Alaskan delegation to get together on the gas line issue, Young smiled and said, "Well we agree on the fundamental position that the route should go through Alaska."

Opposing Recommendations

LET'S NOT BE too picky about the draft environmental impact statement prepared by the staff of the Federal Power Commission on proposed routes and termination points for the proposed natural gas pipeline from the North Slope.

But the commission's staff report does raise an interesting point, because in the case of both the Arctic Gas and the El Paso Natural Gas Co. proposals it recommends routing quite different from what either firm has in mind.

How far, it might fairly be asked, should a study of the environmental consequences of any commercial project go in telling a private company what is best for its business?

The Arctic Gas consortium has spent millions of dollars in its study of possible routes. It has concluded the best way to go is eastward through Alaska toward the Mackenzie Delta region of Canada and then south to the continental United States and eastward to market.

El Paso has spent its dollars determining that its all-American route should be via the oil pipeline corridor almost to the coast, but turning off to terminate at Gravina Point, near Cordova. And it is proposing a regasification facility at Point Conception, Calif.

THE STAFF OF the FPC sees

things differently.

It believes the Arctic Gas pipeline, if that project is approved, should run south from Prudhoe Bay to Fairbanks and then eastward to Canada somewhat along the Alaska Highway route. It thinks the El Paso project should run south to Livengood and then branch off to a terminal at Nikiski, on the west side of Cook Inlet. And it recommends a receiving facility for tanker shipments at Oxnard, Calif., instead of Point Conception.

That's interesting stuff, to be sure.

There are many reasons to support a pipeline to Fairbanks. And the Nikiski proposal makes a lot of sense to a good many people.

THESE ALTERNATIVES, however, have been studied before by the respective companies. They looked at the environmental hazards, presumably, and came to quite different conclusions than those reached by the FPC staff. No doubt some economic considerations were cranked into the companies' final proposals — but that's not necessarily bad.

If the decision for route authority rests with the FPC, will the nod go to the company which first acquiesces to the recommendations of the commission's environmental impact statement?

Bill Backs Plan For Canada Line

Times Washington Bureau

WASHINGTON Rep. Philip E. Ruppe, R-Mich., today introduced his long-awaited bill to mandate the Arctic Gas route for bringing natural gas from the north slope of Alaska to the Lower 48 states.

But Ruppe put the bill in without the list of "heavyweight" co-sponsors.

The only other name on the bill as it went into the hopper of the House is Rep. Bob Berglund, D-Minn.

Other congressmen whom Ruppe has sought for co-sponsorship, including House Assistant Minority Leader John Anderson, R-Ill.; energy subcommittee chairman John Dingell, D-Mich.; and Democratic presidential candidate Morris K. Udall of Arizona, did not join with the northern Michigan representative.

"We really want co-spon-

new yesterday. "The more the merrier. But I really haven't had time to circulate it. By introducing it now, it will be in the Record (the Congressional Record) and people can study it."

Ruppe said in the interview that he considered submitting the bill by himself, but the decision was made to balance the bill with a Democrat's name.

"We feel we have to get it in before the Christmas recess to maintain our credibility," an aide to the congressman said yesterday.

Ruppe announced his plans to submit the bill several weeks ago with a news release.

Arctic Gas lobbyists have been circulating on Capitol Hill for some time in an effort to gain co-sponsors for the measure, which would establish their proposal for a Canadian route as the only one

Petroleum Economist Analyzes Gas Line Benefits

Dave Knudsen, the state's petroleum economist, says he expects North Slope gas will sell for 65 to 70 cents per thousand cubic feet.

He said he has seen no studies to back up other's estimates that the gas may have a zero value because of high transportation costs. And he said that his best estimate indicated that the state's

income would be 100 to 200 million greater from an Alaskan gas pipeline as opposed to a Canadian route.

"A trans-Alaska gas line will bring significantly higher income to the state than the Arctic (Canadian line," he said. "And in addition, a trans-Alaska line is more important to the nation."

Knudsen pointed out in

testimony this week to the legislature's Gas Pipeline Impact Committees, however, that a trans-Alaska routing, while offering more revenue, at the same time presents more costs to the state.

"It's important to compare the two," he said.

The \$100 million to \$200 million represents his present best estimate of the com-

parison between costs and revenues of an Alaskan routing over a Canadian route.

Knudsen said he isn't sure that the state should plan to "bank" its royalty gas from the Prudhoe Bay reservoir by leaving it in the reservoir until some future time.

"It will depend on how good is the bank," he said. "Once that gas enters an interstate pipeline controlled by the Federal Power Commission, your share may be foregone unless you take it at that time."

The commission then has control, he pointed out, "which will supersede any banking agreements the state may have. The success of such a plan (to bank the gas) will depend on who are the bankers? What are their interests? What are ours?"

When Knudsen started his testimony, he was at first reluctant to answer legislators' questions about revenue estimates from North Slope gas and comparison of pipeline routings.

"Alaska is preparing testimony to be presented to the Federal Power Commission in January," he said. "I feel it's not wise to discuss this in public."

Committee chairman John Rader challenged Knudsen on this, asking "How would public disclosure affect the pipeline routing? If it's some kind of surprise tactic, I don't fancy

that as a tactic the state should be taking. It's our job to get the facts out."

Rader has been named chairman of the committee, succeeding the late state Rep. Willard Bowman, who died last week of cancer.

(An Anchorage Democrat, Rader will be assisted by state Rep. Clark Gruening, D-Anchorage, who was named vice chairman.)

Knudsen responded, "I feel it's inappropriate to present numbers and conclusions that may change a day or a week or a month from now. I have no desire at this point in time to give information our commissioners will be traveling to Washington, D.C., to give a month from now."

Rader insisted that he wanted Knudsen's "best estimate" now. "This state legislature and this state you are a part of may be as important as that hearing," he declared. "Most of the decisions we make are based on less than perfect knowledge."

Sen. Clem Tillion (R-Halliburton) took Knudsen's side. "I don't think that information should be given in public," he said. "It will end up in print as the gospel truth. He added, "I can call Dave (Knudsen) later," to ask some questions.

Tillion also said, "I learned a long time ago never to tell anyone anything you don't have to because when you change your mind, you get a

Anchorage Daily Times

reputation for being indecisive."

Rader appeared to back down at this time, commenting, "I can understand maybe there might be reasons for your reluctance to give that information." He asked Knudsen to supply the answers "for our private use."

"I'm impressed with your intellectual and professional accomplishments," Rader told Knudsen, "and we're glad you are aboard. I don't want you to think my disagreement was anything personal."

Rader said his committee is faced with a critical time

problem, "if we are going to affect the outcome of the route" for a gas pipeline from the North Slope.

Gas Line Delay

THE HAMMOND administration's move to delay a natural gas pipeline from Prudhoe Bay is astonishing.

In testimony last week before the legislature's Gas Pipeline Impact Committee, Natural Resources Commissioner Guy Martin and other representatives of the administration raised the spectre that gas production would be managed in such a way that it would result in a giant loss in the recovery possibilities of crude oil from the same area.

State efforts will be concentrated on stopping natural gas production, Mr. Martin said, until the state is convinced such production will not impair oil production.

If that's to be the state's position, the prospect is frightening.

The testimony was offered under the guise of representing the views of the state's Royalty Oil and Gas Advisory Board. But it looked suspiciously more like the political viewpoints of Mr. Martin and Arlon Tussing, an economist whose involvement in energy affairs demands scrutiny.

THERE ARE many things wrong with the state's position, not the least of which is the fact that the testimony before the legislative committee presumably dealt with oil and gas conservation matters.

Since that's the case, the topic at hand was not even within the purview of the royalty board. That board is supposed to be dealing with dollars. When the subject is proper management of oil and gas fields through rules and regulations that are designed to obtain maximum yield of natural resources, the authority which should be doing the talking is the state's Oil and Gas Conservation Commission.

Mr. Martin's pitch to the legislative committee was based on an assumption that state experts, if that's the word, fear that putting a natural gas pipeline on stream will impair the Prudhoe Bay oil production.

This testimony was offered despite statements by the heads of Atlantic Richfield and British Petroleum operations here that proper management of the fields would do no such thing. Further, statements from the local heads of

both El Paso and Arctic Gas rejected contentions by Mr. Martin that their companies' planned production would do anything like what the state contends will happen.

ONE CLEAR and immediate result of a threat by the state to delay approval of a natural gas pipeline will be to confound efforts to achieve federal approval for an all-Alaska route.

The action plays into the hands of those who advocate a Canadian pipeline to transport Alaska's oil, because any delay works to the advantage of a time frame which anticipates long years before there is any resolution of Canadian environmental considerations and native land claims.

Thrown onto the table again at the hearings was Mr. Tussing's long stated, and often discredited, contention that Alaska's natural gas would be "valueless" at the time of production because of the high cost of building the pipeline.

MR. TUSSING apparently speaks from several platforms when he addresses this subject, notwithstanding the fact that serious conflict of interest may be involved. He reportedly remains on the payroll of the University of Alaska's office of economic study, even though he is a staff member of Sen. Henry Jackson's energy commission in Washington, while at the same time he serves as a member of the state's royalty advisory board.

His repetitious claim that the state's natural gas will be valueless has been rebuffed by industry and government officials every time it has been raised, on grounds that by the time the gas goes on stream it will command a price the market will be more than willing to pay.

Sen. John Rader, an Anchorage Democrat who is a member of the legislative committee looking into this, asked the real question the other day when Mr. Martin and his team outlined the state's position: "Haven't we effectively destroyed a pipeline?"

"No," said Mr. Martin, "only delayed it."

The cost of that delay, if it comes about, could be incalculable.

To Omar, The Trans Alaska Route Is The Better

By JUDY SHULER
Times Staff Writer

Still in the process of sending warm holiday greetings to friends and business associates outside of Alaska?

The Organization for the Management of Alaska's Resources hopes you'll consider enclosing some information on an all-Alaska gas pipeline.

They have leaflets and maps and balloons and bumper stickers, and will even help you compose a letter outlining its importance, according to Beverly Isenson, executive director.

The organization, commonly referred to as Omar, was incorporated in April to promote approval of a route passing entirely through Alaska, rather than the alternative which would go through Canada.

And while its members and representatives are busy button-holing around the nation's capital, "it's much more meaningful if you contact people around the country and let them contact their own congressmen," Mrs. Isenson said.

Members of the non-profit group headquartered in Anchorage are encouraging individuals and organizations within Alaska to become well-versed on the gas line. Then in turn to contact national organizations, friends, relatives, business associates, suppliers and the like in other states to seek their support.

"We think if people understand the alternatives they'll be more inclined to support the Alaska route," Mrs. Isenson added.

In the view of the Organization for the Management of Alaska's Resources, the alternatives involve time, money and national security.

If the route proposed by Arctic Gas is approved, it will take much longer to get

North Slope gas to the United States consumers, she said. Mrs. Isenson cites the still-pending land claims of Canada's Natives, and strong, even radical opposition to the line from some of the native leaders.

The Canadian National Energy Commission has just begun hearings that will probably take a year before recommendations can be passed on to the cabinet and then the parliament for a final decision, she continued.

And the proposed Canadian route faces possible delay by law suits from environmental organizations because it would pass through Alaska's Arctic National Wildlife Range or through proposed extensions to the range.

"There's no doubt in my mind the Alaska route will be a quicker one, and less costly ultimately," Mrs. Isenson said.

Other economic advantages, according to the organization, are more jobs for Americans on the all-Alaska route; use of steel pipe from United States steel mills rather than foreign ones; increased tax revenues on the state and federal level; consumer rates set by the United States government, and no drain in the balance of payments.

They are trying to play down the phobia about national security within this state because many Alaskans were born in Canada and still retain their citizenship, according to Mrs. Isenson. Nevertheless, the organization points out in its literature that one advantage of the trans-Alaska route would be its complete control and protection by the United States government.

And furthermore, "within Canada there's as much or more ferment over which line would be better for Canadians as there is in the United States," she said.

Although the organization has never

specifically endorsed the proposal of El Paso Natural Gas Co., it is unlikely that another company would submit an application for an Alaskan pipeline at this time.

A few weeks ago El Paso's president, John Bennett, offered them a monthly contribution of \$10,000.

The offer was discussed with members in Fairbanks and with their Washington counsel before it was accepted, according to Mrs. Isenson.

"Omar had raised more than \$110,000 before they offered to contribute any money and we continue to get private contributions, so we feel we can continue to work independently," she says.

El Paso's offer was made without strings, according to the executive director, and "we welcome any money without strings attached, and we won't take any money with strings attached."

"We announce any sizable donation," she added. "We do nothing secretly. We're basically a public organization so we welcome everybody."

Since this spring the organization has been operating out of a rent-free office in the lower level of the Alaska National Bank of the North at Fourth Avenue and E Street. But they have been asked to move by the first of the year, and are hoping to find more free or inexpensive space.

"Everything we do is made possible by people donating money and services," she said. "It's really gratifying so many people realize the gas line is going to make a big difference economically, and they're willing to contribute."

There are four paid staff members in the Anchorage office of the Organization for the Management of Alaska's Resources: Mrs. Isenson; Liz Robbins, an administrative assistant and office

manager who supervises volunteers; Paula Easley, community relations director; and high school student who acts as messenger.

The Fairbanks office functions with two paid staff members, and the rest of the work is done by volunteers in both cities.

During its first few months of existence, \$5,000 was the monthly limit on expenditures, Mrs. Isenson said. Then a Washington office was opened in October, and expenses went up to \$20,000 per month.

The organization's representative in Washington, D.C., is Gary Frank, a lawyer and lobbyist who advises them on personal contacts, works with the congressional delegation and contacts news media.

Any monetary support that comes from other organizations will be funneled into the Washington office, according to Mrs. Isenson, who said that office accounts for about one-third of their budget. A lot of that is printing costs, she added.

An umbrella organization, the National Coalition for the All-American, All-Alaskan Gas Pipeline, was recently formed to encompass all groups endorsing the trans-Alaska gas line.

An outgrowth of the Organization for the Management of Alaska's Resources, it will be headquartered in Washington.

"We felt it would be useful to have an umbrella under which all groups endorsing the gas line could work," she explained. "We're hoping that people in Alaska who have gotten their clubs to endorse the line will also get their national organizations to endorse it. The coalition would be a spot from which we could all work instead of having separate efforts."

Staff members of the Organization for the Management of Alaska's Resources

are also "trying to see that the state government does everything possible to get the line through Alaska," according to Mrs. Isenson. Lt. Gov. Lowell Thomas Jr.'s speaking trip back east was a help because it took information to areas where most people haven't been concerned with the issue, she said.

And her organization is looking to the legislature's gas impact committee to come up with helpful legislation.

Royalty gas can be an effective tool in getting the line through the state and establishing a gas processing industry here, Mrs. Isenson said, adding that gas made into fertilizer and other products is more valuable than gas that goes out of the state as gas.

Gas processing is a highly automated industry that does not require a large labor force, she continued.

She is also hoping for some quick action from the state's Royalty Oil and Gas Development Advisory Board in determining how much gas can be used within Alaska. Royalty gas is a highly sought-after commodity, and the board has proposals from all over the country, she said.

Not all Alaskans are sold on a gas pipeline through their state, Mrs. Isenson conceded.

"Some people are so sour on the Alyeska line and the impact that they don't want anything more of anything."

Others favor the Arctic Gas proposal because it will get the pipeline out of Alaska in the shortest possible distance.

Then there is a strong contingent who don't want the line going through the Arctic Wildlife Refuge or proposed additions, and who oppose the liquefied natural gas tankers. They would prefer to see the line move south from Prudhoe Bay to Fairbanks, then follow the Alaska Highway into Canada.

Support for the all-Alaska gas line will

Sunday Times 12/14/75
never be unanimous, but Mrs. Isenson, an 11-year resident of the state, believes the outcome will favor El Paso's proposal.

"Would I be here if I didn't?" she asked, adding "remember the little Dutch boy on the dike? I need about 400 fingers plugging all the holes."

Ironically, when she and her husband, Ed, lived in Switzerland in 1962, she worked in the economic section of the Canadian Embassy. They moved to Alaska in 1964, and he now owns Alaska Film Studio. They have two daughters, Linda, 11, and Nancy, five.

The founders committee for the Organization for the Management of Alaska's Resources consists of 49 members from throughout the state.

Anchorage members include Robert Fleming and Robert Penney, co-chairmen, and Elaine Atwood, Al Bramstedt, Homer Burrell, Bud Dye, Paula Easley, Tom Fink, Lee Fisher, Henry Hedberg, Robert Hartig, Bruce Kendall, Audrey Lee, Charles LeViege, Kay Linton, Richard McMillian, Jackie Palmier, Robert Richards, Charles Sells, Bart Vernon and Dennis Waldo.

Weekly breakfast meetings are scheduled at 7:30 a.m. Thursdays in the Holiday Inn. Anyone may come, but the office should be notified in advance.

The honorary advisory committee consists of Robert Atwood, William Egan, Walter J. Hickel, M.R. "Muktuk" Marston and Bob Reeve, all of Anchorage; Frederick O. Eastaugh, Juneau; and C.W. Snedden, Fairbanks.

Ex officio members include Gov. Jay Hammond; Commissioner of Commerce Tony Motley; Anchorage Mayor George Sullivan; Mayor James Poor of Cordova; U.S. Rep. Don Young, R-Alaska; U.S. Sen. Ted Stevens, R-Alaska, and U.S. Sen. Mike Gravel, D-Alaska.

Another vast reserve lies in the Mackenzie Delta of Canada's Northwest Territory.

But while the gas lies idle, consortiums of energetic

businessmen are vying for the rights to tap and move the gas to energy-hungry consumers.

The controversy boils yet today as decisions are

made and studies compiled. Today's Crossroads section reviews the controversy to date, studying the proposals offered by the two major gas competitors,

Also queried are politicians, leaders of local governments that will mostly be affected by the proposed gas lines, and officials of the firms involved.

Which Gas Pipeline: A Ba

Alaska's North Slope is saturated with oil and gas, and there are several corporate sponges that would like to soak up the gas and sell the squeezins'.

But until someone decides which sponge will tap the gas reserve, 26 trillion cubic feet of energy lies in the Prudhoe Bay sink.

El Paso Alaska and Arctic Gas are chomping at the bit, bidding for the right to tap and transport North Slope gas to energy-hungry Lower 48 and Canadian markets. And yet many unanswered questions are simmering.

Arctic Gas Systems' plan began with a consortium of U.S. and Canadian firms in September 1971. In September 1973, the group proposed a \$1.5 billion gas pipeline of 1,550 miles from Prudhoe Bay to Grand Prairie, just north of Edmonton, Alta.

From there it would link with existing Canadian trunk lines and ultimately deliver as much as three billion cubic feet of natural gas daily.

The purpose behind a trans-Canadian line was to tap Prudhoe Bay reserves as well as gas supplies in the Mackenzie Delta area, which is believed to hold even more resources than the Prudhoe fields.

The reason Canadians did not go ahead with an independent development of the Mackenzie fields is that it is not economically feasible to do so without the additional supply of North Slope gas. This economic fact of life is but one of the complications of the proposal.

On the other hand, El Paso Natural Gas Co. on Dec. 4, 1972, announced a feasibility study that was expected to prove an Alaskan pipeline, liquefaction plant and refrigerated gas tankers could move North Slope gas to West Coast markets more cheaply than the proposed trans-Canadian natural gas line.

The plan called for 800 miles of 42-inch pipe from Prudhoe to a Southern Alaska port to be named later, a gas liquefaction plant to chill the gas, and about six refrigerator tanker ships to carry the gas south.

At that point, the El Paso proposal appeared to have or at least alleged to have an economic edge over the Arctic Gas plan which originally was billed at \$5 billion. When the Arctic Gas Pipeline Co. on March 21, 1974, filed its application with the Federal Power Commission to build the trans-Canadian route, it listed the cost of the 2,600-mile pipeline at \$5.7 billion. El Paso's original cost estimate was pegged at \$3 billion, a conservative figure.

Since the original proposals were made public, however, the Interior Department's economic studies indicate that

there is little extra weight on either firm's side to throw the decision into one lap or the other.

Speaking of scales, the blindfolded lady of Justice surely was made dizzy by the go-arounds as the two concerns expounded the merits of their proposals.

On its scales El Paso tossed these weights.

— A trans-Alaska line would create a tax base that would contribute toward Alaska's economy throughout the estimated 50 to 75 years of the pipeline's life.

— It would provide natural gas service to the state's major population centers.

— Gas would be available along the route to power mines and other developments now impossible for lack of power.

— It would help eliminate a United States balance of payments deficit that federal agencies estimate will reach \$15 billion a year by 1980, based at that time solely on the growing demand for imported oil and natural gas.

— As many as 5,000 men would be needed to build the pipeline, while another 2,000 would be needed to fabricate the liquefaction plant. Some 350 persons would be employed at jobs at the plant and 300 more for pipeline operation and maintenance.

— The refrigerated tankers, worth \$100 million apiece, would be built in U.S. shipyards.

And El Paso lightened the scales on the Arctic Gas side by listing its alleged shortcomings.

— Much of the Canadian lands over which the proposed Arctic Gas route would be built were tied up in native land claims settlement negotiations.

— The Canadian plan allegedly involved 5,400 miles of new pipe, the supplying of which would supposedly tie up the entire large-diameter pipe manufacturing capacity of the United States for three years. El Paso said it needed only 800 miles of new pipe; the transmission lines it would need when the gas reached western ports was already in existence.

— The Canadian route supposedly would traverse essentially untouched wilderness areas that were hunting and trapping grounds for natives. The El Paso line would follow the Alyeska oil pipeline as much as possible.

Aside from that, El Paso strummed a patriotic chord, saying the gas flow should flush an All-American line, that such a valuable energy source should not be put in jeopardy by running through a foreign nation.

El Paso added that it was doubtful that sufficient funds to back building of a trans-Canadian line were available although the El Paso plan would make it. Incentive



for developing Alaskan minerals and potential energy sources also was noted.

Arctic Gas officials strained on the other scale with their arguments in support of the trans-Canadian line.

— A Mackenzie Delta line would bring necessary gas into the energy-hungry Midwestern and Eastern states of the U.S. faster and cheaper than the El Paso system could.

— A connection with the Prudhoe Bay supplies would make the tapping of the Mackenzie field more economical for Canadians.

That, in a nutshell, was that. Throughout the history of the pipeline battle, public relations pushes have carried the campaigns through public and governmental scrutiny. In reviewing the years of debate, it appears that at times the only indication of who was ahead depended on whose advertising call was the loudest or whose soap box was the tallest.

While environmental, political and economic studies were tied up in the Federal Power Commission and the

Interior Department, the El Paso team made strong use of the All-American plea.

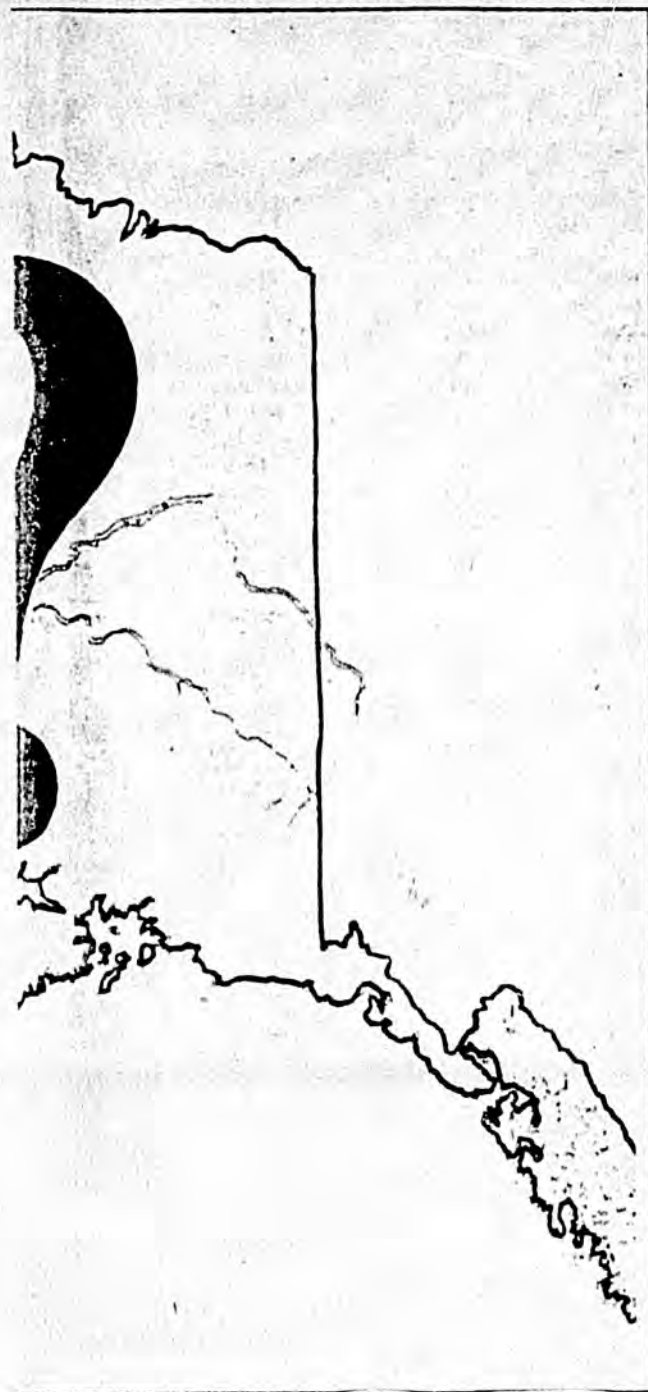
Talk rose quickly that American gas flowing through Canadian pipes was at the mercy of a foreign government. On Nov. 27, 1973, John Poyen, then chief executive of Canadian Petroleum Association, said the Alaskan route was an "odds-on favorite." He said an American backlash over recent increases in Canada's export tax on crude oil could doom the Canadian pipeline.

On Feb. 19, 1974, Howard Boyd, board chairman of El Paso Natural Gas, denounced Canada for allegedly threatening to cut off Canadian natural gas supplies to the Western United States because El Paso protested alleged contract violations and price gouging by West Coast Transmission Co.

Boyd told the state House Energy Committee that the threat, if carried out, would have meant economic tragedy to western states.

"What assurances can be given," he asked the commit-

Little By No Means Over



Paso assuring the gas company access to the state's royalty gas plus the right to move Alaskan gas through their proposed pipeline to the vicinity of Valdez.

No commitments were made by the state at that time.

In February 1974, El Paso announced it had selected the Gracina Point area for its Southern Alaska terminal.

Support for an All-American line — although not necessarily the El Paso proposition — began to gain yardage. Anchorage Republican Robert Hartig voiced strong support of such a plan. He would eventually become the attorney representing the Organization for the Management of Alaska's Resources (Omar) which banded together in April 1975 to promote the trans-Alaska route.

Councils and local governing bodies around the state resolved to support a trans-Alaska line, as did countless organizations of businessmen.

Although one of the state's Washington delegates long ago foresaw the approval going to a trans-Alaska line, others left options open, including the possibility of a joint effort and two distinct lines.

Arctic Gas Pipeline Co., on March 21, 1974, filed application with the Federal Power Commission and the Interior Department for permission to build the \$5.7 billion, 2,600-mile natural gas line across Canada.

The consortium filed identical papers with the Canadian Natural Energy Board, and Department of Indian Affairs and Northern Development for Canada's permission to construct right-of-way.

In response to the Arctic Gas filing, then-Secretary of the Interior Rogers C. B. Morton spoke favorably of the proposal, but he withheld a decision saying he would have to review a similar proposal from El Paso to "give even-handed consideration" to both.

That same day, the Alaska House, in a voice vote, supported an all-Alaska route. By late April, the state Senate would come out in favor of the El Paso plan.

On April 29, El Paso asked to intervene in the Commission's proceedings concerning the Arctic Gas application, saying its intervention would allow it to participate fully in the proceedings, receive all filed documents and present its side of the story.

Although the El Paso bid to intervene was one of more than 100, Arctic Gas officials and counsel would single it out during commission hearing to begin in May in Washington.

Interior and the commission decided to conduct a joint environmental impact study on the plans to avoid duplication of efforts.

Pressure was being asserted throughout by powerful Midwestern congressmen who favored the Canadian line. Rep. Les Aspin, D-Wis., wanted a decision quickly and urged that the U.S. and Canada speed up negotiations on a bi-lateral treaty that could assure construction of the trans-Canada line; he wanted a decision by the end of the year.

In mid-July, Alaska Arctic Gas Pipeline Co. president Robert Ward predicted that Alaska natural gas could be made available to 122 million American by 1979. He promised the plan included burial of pipe, revegetation along the route, refrigeration of pipe to prevent melting of permafrost areas, winter construction, and transportation of supplies and work done on "snow roads."

The Alberta Gas Trunk Line Ltd., on Aug. 2, 1974, called for an all-Canadian line to move Mackenzie Delta gas to Canadian markets as a "contingency plan" to Arctic Gas proposal.

It was not until Sept. 24, 1974, that El Paso Natural Gas Co. applied to the Federal Power Commission for permission to construct its Alaska line.

A new twist, however, was that the firm did not intend to file an application with the Interior Department for right-of-way permission to cross federal boundaries until the commission gave the nod to one or the other firm.

Angered by the El Paso move, Undersecretary of Interior John Whitaker wrote the commission, asking it to dismiss the El Paso application because it hadn't applied to the Interior.

With this possible threat looming over El Paso, the project was jolted by a Project Independence report that said costs of liquefying natural gas to transport from Alaska to the Pacific Coast could bring the price tag of the all-Alaskan route to more than that of the trans-Canadian route.

It put the cost of the Canadian route at \$6.3 billion; cost of the Alaskan route was figured at \$5.2 billion. However, adding costs of construction of liquefaction plants and regasification plants, that cost could rise to an additional \$3.5 billion.

Arctic Gas set the cost of its project of building 2,600 miles of trans-Canadian line and 3,000 miles of companion lines in the U.S. at \$10 billion.

El Paso countered that it could provide an 800-miles line, liquefaction and regasification plant for \$6 billion.

El Paso added that an application to the Interior would require an environmental impact study, at a cost ranging from \$3 to \$20 million. El Paso officials said they (See Page C2, Col. 1)

tee, "that we won't be at the mercy of these people again, or that the Canadian philosophy of charging all that the traffic will bear will not be repeated. They have already increased the price of their Alberta natural gas by nearly 100 per cent, and are now threatening to raise the price of the gas exported to the American West Coast four times the original contract price."

By July 1975, however, backers of the trans-Canadian line could point to negotiations then under way for a transit hydrocarbon pipeline treaty between the two nations. It was to cover reciprocal assurances on security of throughput of fuels and on non-discriminatory treatment between the countries.

Such a treaty, if adopted, would be a boon to the Arctic Gas proposal. That treaty is yet to come.

All along the way, the political football of who would be given the checkered flag to build a natural gas pipeline has been tossed from team to team. El Paso knew that if it were to score, it would have to bring

the fans to their feet in favor of the home state proposal.

Early in December 1973, executive vice president of El Paso Natural Gas Co. George Carameros said unless that firm heard unqualified enthusiastic support for its proposal, it would be forced to abandon its plans for a trans-Alaska pipeline. The firm saw that economics would not tip the scales enough for a clear-cut decision.

That same month the Anchorage City council called for a resolution for them to consider to support the state line.

By January 1974, Gov. William A. Egan announced in favor of the trans-Alaska line and directed then-Attorney General Norman Gorsuch to prepare the state's position on the issue for the power commission.

That same month El Paso executive laid it on the line before Gorsuch and National Resources Commissioner Charles F. Herbert.

El Paso asked for a legislative resolution in support of their plan, and a contract between the state and El

The Battle For North Slope Gas Is Still Raging

(Continued From Page C1)

didn't want to pay for such a study if their firm was not a successful applicant before the commission. However, the firm said it would file an impact study and application with Interior if not doing so would hold up building of the pipeline.

The following January the commission refused to reject the El Paso proposal, citing expediency and a possible threat of a national natural gas shortage.

By mid-February of this year, nearly one-half of the natural gas at Prudhoe Bay was committed to U.S. pipeline firms, with two Midwest firms holding exclusive rights to negotiate for half of Exxon USA's 8.7 trillion cubic feet.

All commitments to date to Arctic Gas members.

On March 3, the Interior Department backed out of the joint environmental impact study with the commission. Interior proceeded to study only the Arctic Gas route proposal; the commission reviewed both Arctic Gas and El Paso projects.

Examination of witnesses by a lawyer for Foothills Pipe Lines Ltd., probed the move by Arctic Gas to alter its points of delivery of gas from Emerson, Man. to Caroline, Alta. The lawyer alleged that the move would cost eastern Canadians more to buy natural gas which was being carried closer to U.S. markets.

Foothills wants to build a pipeline to tap Mackenzie gas also, but wants only to move Canadian gas.

Arctic Gas apparently planned to cut expenses by routing supply pipe through the Mackenzie Delta, long considered to be too delicate environmentally for such a project. It also is a favorite hunting and fishing area en-

joyed by natives.

The Canadian government alleged that Arctic Gas was more concerned with cutting costs than with environmental impact.

Environmentalists from the Washington Chapter of the Sierra Club to the Audubon Society raised their voices in opposition to the altered route. Environmentalists also opposed a line cutting through the Arctic National Wildlife Refuge in Alaska.

As fast as the commission's hearings began in Washington this spring, bickering and balking slowed them down.

Arctic Gas alleged that El Paso wanted Arctic Gas's information to "put their case together, because they don't know how to do it." The consortium agreed to give some information "as a matter of courtesy."

Hartig, representing Omar, filed a petition to intervene into the proceedings on May 14.

In testimony on May 28, El Paso's Howard Boyd suggested that an "innovative financing plan" was needed to back that firm's project. He said El Paso couldn't get equity capital unless investors were guaranteed they'd get their money back. He also suggested an "all-events tariff."

The Federal Power Commission hearings recessed while the presiding administrative law judge and a lawyer for one of the parties involved tied up other commitments.

In the interim, the legislative Gas Pipeline Impact committee selected Rep. Willard Bowman, D-Anchorage, as chairman and decided they as a panel would push for an all-Alaska gas line. They were in favor of stressing that the major portion of gas line construction be done by

Alaskan firms.

Former director of the state's oil and gas division Homer Burrell, wrote Attorney General Avrum Gross suggesting that the state commit its royalty share of gas to the trans-Alaska route. He said a trans-Canadian line would mean lower values of royalty and tax purposes, little employment for Alaskans, almost no ad valorem tax base on transportation and other facilities.

"What we'll get," Burrell wrote, "is about 197 miles of pipeline from Prudhoe Bay to Demarcation Point, mostly across the Arctic National Wildlife Refuge."

"Regardless of the proposed treaty between the United States and Canada, the Canadian provinces can exercise considerable control over pipeline tariff rates (and therefore Alaska's revenues) through taxation and other means. Why can't the administration fight for the trans-Alaska line? Some of us are."

Bev Isenson, spokesman for Omar, said politics, not environmental issues, will decide pipeline route. At that time Omar had donations of \$5,000 from each the city and borough of Anchorage, plus \$15,000 from individuals.

She added that Omar would step up an informational campaign in the lower 48 and intended to take their case for an all-Alaskan line to tourists in Alaska.

The step-up was said to combat possible moves by the Ford administration to circumvent lengthy commission procedures. She also listed possible uses for piped natural gas, including conversion to fertilizer, tapping it for communities along the way and outright selling it.

Arctic consortium and backers "distorted information about an all-Alaska line... lobbied and advertised that our gas would not be available to users in the Eastern U.S. That's not true. A few interconnecting sections of pipeline in the Lower 48 would have to be built to get the gas on line to anywhere in the U.S. It still would be less distance to build than the trans-Canadian route."

Upon further urgings of Omar and others in favor of an all-Alaska route, Commissioner of Revenue Sterling Gallagher said, "the gas will be committed to whatever pipeline is built."

It was reported in August that the Council on Yukon Indians would oppose use of any northern corridor for a natural gas line and wants Yukon Indian land claims settled before permits are given for a line.

Meanwhile, out on the gas line campaign trail were top officials from the state. Lt. Gov. Lowell Thomas Jr. went east to stump and expound on

the benefits of an all-Alaskan gas line. Various associations of lawmakers across the country have shifted closer to his way of thinking, at least to some extent, including some of the Midwestern officials.

A Sept. 16 El Paso impact study showed a boost in the state's population of 47,000 by 1983 — if construction were begun in two years. The boom would focus primarily in Anchorage and Cordova. The Cordova population was predicted to triple between 1977 and 1983, to peak at 9,000.

In mid-September, both the North American Indian Women's Association and the Alaska Federation of Natives' Board of Directors endorsed an Alaskan gas line.

The federation board action reaffirmed resolution passed by the federation last year.

At the same time, federation President Sam Kito was in Washington, D.C., with a team of Omar representatives holding meetings on the gas line proposals.

By now evidence was building that the costs of trans-

porting North Slope natural gas might be so high the project might not be economically justifiable, according to a consultant to the legislature's Joint Gas Pipeline Impact Committee. Perhaps the final decision will be based on a move for energy independence.

Hearings held in Washington, D.C., as well as in Alaska dragged on and on. Finally, in October, El Paso and Arctic Gas officials agreed to suspend the public comment and final drafting phases of the environmental impact statement by the commission staff.

Instead, the staff would present draft statements at hearings and then be cross-examined by lawyers of all parties.

And so the issue of how natural gas from the North Slope will reach American homes is still tied up in committee, and the corporate and governmental bickering and wheeling and dealing continues.

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Bennett Pilots Gas Line Plan From Second Hot Seat

By FLIP TODD
Times Staff Writer

John Bennett, a retired Army two-star general and now vice president of the El Paso Alaska Company, has a habit of being where some of the hottest controversies of the day are going on.

After he retired from the military, he became a vice president of Era Helicopters in Anchorage, but was called back to the White House during the heat of the Watergate scandal by his old friend Gen. Alexander Haig, principal adviser to President Nixon.

After trying to cool down that hot political situation (by, among other things, taking custody of a bunch of White House tapes that were loosely-wrapped in a brown paper bag) and eventually helping with the downfall of Richard Nixon, Bennett is trying to help warm the homes of Americans by bringing them natural gas.

Named a vice president of El Paso Alaska after his White House stint that saw him the legal custodian of those tapes while the Congress and the courts decided who should have custody of them, Bennett now is conducting his own form of shuttle diplomacy between Washington D.C. and Alaska.

Again in a hot seat, he is responsible for educating and influencing political and financial leaders in both Washington and Alaska of the benefits of the proposed El Paso plan to move Prudhoe Bay gas to market via a trans-Alaska gas line.

From Point Gravina, between Valdez and Cordova, the gas would move in a liquid state, 600 times as dense as a gas, in tankers to California. From a regasification terminal at Point Conception not far from Lompoc, Calif., the gas would be moved by a 42-inch pipeline the gas trans-



JOHN BENNETT
Shuttle Diplomat

the El Paso proposal, Bennett argued, while the consumer does not with a gas line that passes through thousands of miles of Canada.

"I also believe a major concern is going to be the environmental considerations," he added, "and we're receiving considerable support from the environmental people here in Washington. They are a considerable force."

On each of the issues Bennett mentioned, El Paso appears to have a considerable advantage.

As a result of a pipeline realignment study and some other work done by El Paso, the Texas-based pipeline transmission firm believes it can save close to a year over what it had originally planned, enabling it to deliver gas in 1980. Most of the time could be saved during the preliminary logistic planning before construction actually begins, and a lesser amount during construction, according to El Paso.

appealing to consumers, many of whom cannot buy all the gas they want now.

Actually El Paso believes if it receives permission by the Federal Power Commission's target decision date of December 1976, it can begin delivering gas to the West Coast in 1980. With four of the dozen contemplated compressor plants operational in 1980 it will be able to move half the 3.3 billion cubic feet of gas that will flow through the line by the end of 1981. Because of the increasing difficulty of moving the gas as it becomes more dense under pressure, it takes eight additional compressor stations to double the flow through the line.

Normally in matters involving interstate commerce, regulatory agencies make the important decisions. In the case of interstate natural gas pipelines, the Federal Power Commission is responsible for making the decisions. But in some very important cases with major political or judicial implications, the Congress may take the decision away from the regulatory agencies or the courts.

A move by Sen. Mike Gravel several years ago made the Congress decide on the crude oil line's route to the Lower 48 and the trans-Alaska line won out over a Canadian route. But a deal was reportedly made by Midwestern congressmen at the time that they would not oppose the trans-Alaska oil line if their gas-poor area would receive the gas line when the time came for it to be built.

"We'd rather have the FPC make the decision," Bennett said.

"If the Congress decides to make this decision, then raw political power on (Capitol Hill) will be important," he said.

El Paso has no partners yet

the money Arctic Gas has spent (expenditures since Dec. 4, 1972 when the company announced it would try to build the Alaska line are reported to be \$15 million by El Paso), Bennett replies, "We are three or four times as financially committed as any member of Arctic Gas."

About \$2.5 million of El Paso's expenditures to date have been Federal Power Commission filing fees, which is about the amount the company would have to pay to file similar documents with the Interior Department to cross its land. El Paso's failure to

file yet with the Interior Department has been the source of some criticism, but Holland argues the decision saved \$2.5 million which would only have gone to duplicate work already performed and save El Paso stockholders \$2.5 million should it not receive FPC approval.

El Paso thinks its "raw political power" may be increasing with time.

"Omar (Organization for the Management of Alaska's Resources) and native support is very usable political power," Bennett argued. And the considerable strength of

the U.S. steel industry—which would receive an enormous boost from sale of metal for construction of the line, marine berths at both ends and 11 large tankers each capable of carrying 165,000 cubic meters of LNG (liquefied natural gas)—can be assumed to be firmly in the El Paso camp. Much of Arctic Gas's steel would likely come from non-U.S. steel mills, since no mills in this country currently manufacture 48-inch pipe.

Those who support the U.S. steel industry, such as coal firms, are likely doing what they can to encourage the construc-

tion of the El Paso line.

"We also have 44 labor unions that will be behind us if it comes to that," Bennett said.

The former White House aide also said he is receiving support from "businessmen who feel our project is in the national interest and are doing some work on our behalf . . . contacting congressmen."

"I think the chances are less and less with time that the decision will go to the Congress though," Bennett said.

Bennett noted that although Rep. Philip Ruppe of Michigan announced more than two weeks ago he was going to

introduce legislation that the Congress mandate construction of the Canadian pipeline, none has been introduced so far. Aides of the congressman from Michigan's northernmost district said Ruppe was originally going to introduce the bill without co-sponsors, but has changed his mind and decided to introduce it with several other key members of the House.

It is difficult to make exact comparisons of the two projects because they do not deliver the gas to the same locations. One criticism leveled at the El

(See Page C4, Col. 1)

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From Point Gravina, between Valdez and Cordova, the gas would move in a liquid state, 600 times as dense as a gas, in tankers to California. From a regasification terminal at Point Conception not far from Lompoc, Calif., the gas would be moved by a 42-inch pipeline the gas transmission company hopes to build to Arvin, Calif. where it would tie into an existing Pacific Gas and Electric gas line.

El Paso has promised it will use only U.S.-manufactured steel for constructing the pipeline, the gasification terminal and twin berths at Port Gravina and at Point Conception, and for a costly fleet of cryogenic tankers capable of carrying the super-cooled liquid.

One vessel would call at the loading terminal each day, if the gas deliveries are to be maintained on schedule, according to El Paso.

Because of its promise to use all domestic products, and the fact that no jobs on the line would be exported to Canada as the Arctic Gas proposal would require, El Paso has dubbed its project the All-Alaska, All-American pipeline.

Even though the 1,000-foot long, 150-foot wide tankers could be built at less expense outside the U.S., a federal maritime law commonly known as the Jones Act requires that only U.S.-built ships may carry cargo between U.S. ports.

The greater cost of the domestically-built tankers, like the greater cost of the U.S. steel for the 42-inch pipeline, will be passed on to Lower 48 consumers, Bennett said, as part of the rate base for calculating the cost of moving the gas.

On the other hand the project will create thousands more jobs in the United States than would the Arctic Gas pipeline and considerable tax revenue to the state and federal governments.

"It seems to me a major consideration is which system can deliver the gas more quickly," Bennett said during a telephone interview from his Washington D.C. office.

"We're running out of gas (in the Lower 48) and speed is important."

The consumer in the Lower 48 has the protection of the Federal Power Commission (which regulates interstate movement of natural gas) with

On each of the issues Bennett mentioned, El Paso appears to have a considerable advantage.

As a result of a pipeline realignment study and some other work done by El Paso, the Texas-based pipeline transmission firm believes it can save close to a year over what it had originally planned, enabling it to deliver gas in 1980. Most of the time could be saved during the preliminary logistic planning before construction actually begins, and a lesser amount during construction, according to El Paso.

One of El Paso's greatest advantages in construction of the line is that it will probably be able to take advantage of much of the work already done by Alyeska Pipeline Service Co.: environmental studies, moving hundreds of millions of dollars worth of heavy equipment to the work site, construction of a haul road and work pad for laying the pipeline, as well as construction of more than 20 camps for the work force to live in.

Alyeska has not made any commitments to El Paso yet, but the logic of their doing so and selling the gas company much of what it has done is hard to refute.

Because the roads are already built and much of the work in the wilderness has already been done, the trans-Alaska gas line is considerably more attractive to environmentalists who accept the inevitability of moving the gas to market.

The Arctic Gas proposal, on the other hand, proposes to cross the Arctic National Wildlife Refuge in the extreme northeast portion of the state, on its way to pick up gas from the Mackenzie River delta in Canada's Northwest Territories.

El Paso has forged a strong alliance with the Friends of the Earth and the Sierra Club, exchanging information freely with the two groups, both of which have Canadian chapters. Both groups are reportedly using their political influence to encourage the construction of the El Paso line and El Paso executives are on call to the conservationists "24 hours a day," according to Bennett's assistant, Mike Holland. Conservationists are upset with the prospect of an Arctic Gas line crossing the refuge, thousands of miles of virgin lands in Canada and creating the need for constructing thousands of more miles of pipeline in the Lower 48.

If the use of an existing right of way puts El Paso in good stead with the conservationists, then its claim that it can complete its project two to three years sooner than Arctic Gas should make the project

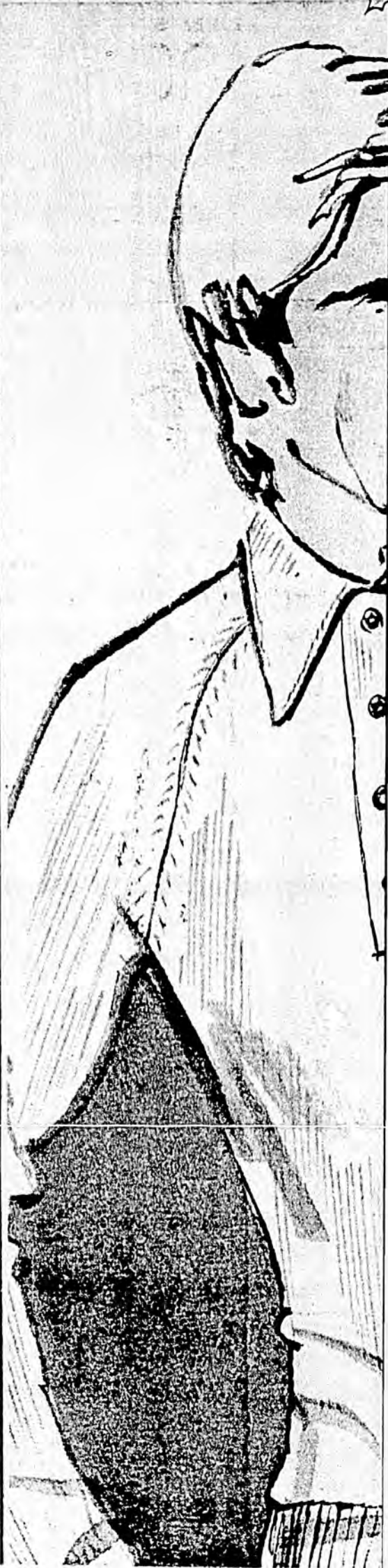
and the trans-Alaska line won out over a Canadian route. But a deal was reportedly made by Midwestern congressmen at the time that they would not oppose the trans-Alaska oil line if their gas-poor area would receive the gas line when the time came for it to be built.

"We'd rather have the FPC make the decision," Bennett said.

"If the Congress decides to make this decision, then raw political power on (Capitol Hill) will be important," he said.

El Paso has no partners yet in constructing the gas line, but Arctic Gas has been backed by a panoply of up to 27 of the largest oil firms and gas transmission companies in the country who have committed close to \$100 million for environmental and pre-construction studies for their project. The number has dwindled to 16 now, but still the group undoubtedly has considerable influence in Washington D.C. In comparison to El Paso, frequently described as the nation's largest gas transmission company.

To arguments that El Paso is not spending anywhere near



Alaska's Legislators Support An

By CHERYL PROBST
Times Staff Writer

An all-Alaska gas line appears to have the support of some resource-minded legislators, although they are hedging about supporting El Paso Natural Gas Co's proposal to build it.

To help it formulate a position on a natural gas line, the legislature appropriated \$100,000 for a special impact committee which was chaired by Rep. Willard Bowman, D-Anchorage, until his death last week. Bowman also authored legislation setting up the committee.

Six members from each house sit on the committee, with the legislature's presiding officers and resource committees' chairmen on the committee as ex officio members.

"The critical thing is not which route you favor but the terms under which Alaska gas is produced," Senate President Chancy Croft, D-Anchorage, said. "All the talk of which way the line is going to go has obscured all the terms."

Croft, who says he favors an all-Alaska route, said some of the terms which are being obscured by concentration focused on the route include "the more important terms under which Alaska gas will be produced. I think the question is the price that is going to be paid for it, whether it has little or no oil head value, a severance tax, its availability for use in the state."

Croft said he thought the action of the Federal Power Commission in requiring discussion of alternate pipeline routes is "a very good one. I think it again shows the wisdom of thoroughly exploring all of these alternatives rather than just locking yourself into the first approach out of the box. It may be that a different routing may well change the effect of one of the proposals."

Croft said he did not support the state locking itself into one company. "I think it's important while supporting an Alaska route to make the distinction between supporting an Alaska route and one company's Alaska route."

He said he thought that an Alaska route at this point offers the most advantages for the state, "but I don't think we should lock our forces with El Paso."

El Paso is the only company to come forward at this time with a proposal to build the gas line through Alaska.

Sen. Kay Poland, D-Kodiak, another ex officio member of the pipeline committee, says her resources committee will be taking another look at the gas line in the upcoming legislative session.

Mrs. Poland said there have been conflicting reports on the costs of the line, "and, of course, we are very much interested in the environmental impact statement." She said her committee also will be looking into the possibility of being able to take some gas

out of the line ourselves to retain here in the state."

Mrs. Poland, too, favors an Alaska route, partly because "even though relations with Canada are friendly, I don't believe our gas line should go through another country." She also says she would like to see the Alaskan economy stimulated.

Like Croft, she is not locking herself in to one company building the line. "We should take a look at all the interested parties before we make a decision," Mrs. Poland said. "I do think El Paso deserves some consideration because they've shown interest all along."

Rep. Clark Gruening, D-Anchorage, said "From the information I've seen, if the state is going to get any benefit out of its royalty gas, it ought to back the all-Alaska route."

He added, "I don't think we have to make the decision now to pull out all stops, but sometime in the future, the state has to make a decision to

fully back it."

Gruening, also on the impact committee, is another who is not locking himself into the El Paso proposal. "We have to make a commitment to somebody who has the possibility of really doing it. Right now El Paso doesn't have the financial credibility. Frankly, unless they show they have something more going for them, other than the request for our gas, we'd be foolish to commit it to them. There has to be somebody waiting in the wings."

Gruening, a first term representative who sits on the finance committee, suggested

that El Paso, if it is to build the line will probably have to have partners, perhaps Tenneco, a name he suggested might also be one of those waiting in the wings.

Rep. Ted Smith, vice chairman of the House resources committee, said he supports a trans-Alaska line "on the assumption that gas from the line will be able to be made available for use inside the state."

The Anchorage Democrat said he saw that as the overriding consideration in either proposal.

Smith said it is essential that the state make its point early

that gas must be available for use here. "Once the gas is put in the common carrier, we can't take it out without approval from the FPC. We need to have that point nailed down at the time the certificate is issued."

Sen. Pat Rodey, D-Spenard, also prefers a trans-Alaska route. "We already have the trans-Alaska (oil) pipeline," he pointed out. "Similar routing could be done with little or no environmental consequences, but with considerable economic consequences to the state."

Rodey, a member of the pipeline impact committee,

December 14, 1975, Anchorage Sunday Times C-5

Alaska Pipeline

says a trans-Alaska route will stabilize Alaskan employment.

Rodey, also a member of the Senate resources committee, says he is not close-minded about who is to build the line. "As far as my legislative role, I'm managing resources for the benefit of the people of Alaska. Whichever company can offer the best deal for the people of Alaska, I'd be inclined to take it."

Like Gruening, Rodey is concerned about El Paso's financial capabilities.

Another Senate resources committee member, Joe Orsini favors a trans-Alaska

route because "it will give us the option of being able to develop a petrochemical industry if we want it and if it's economically feasible. We can also use it for our own consumption or sell it outside and derive strictly revenue from it."

The Anchorage Republican said he did not think the state should make commitments for the royalty gas at this time, but "should wait until the last possible minute" because there are new options for uses coming up.

He mentioned methanol which could be made from here and then sent outside

where more money might be obtained from its sale than from straight gas. "It has enough promise, we really ought to look into it," Orsini said.

A special legislative committee on taxation and revenue, of which he is a member, is studying this now, Orsini said.

Rep. Mike Hershberger, a member of the House resources committee, also favors an all Alaska route. "From looking at it practically, since we've got the oil line route, I think it would be just a natural place to put our natural gas pipeline."



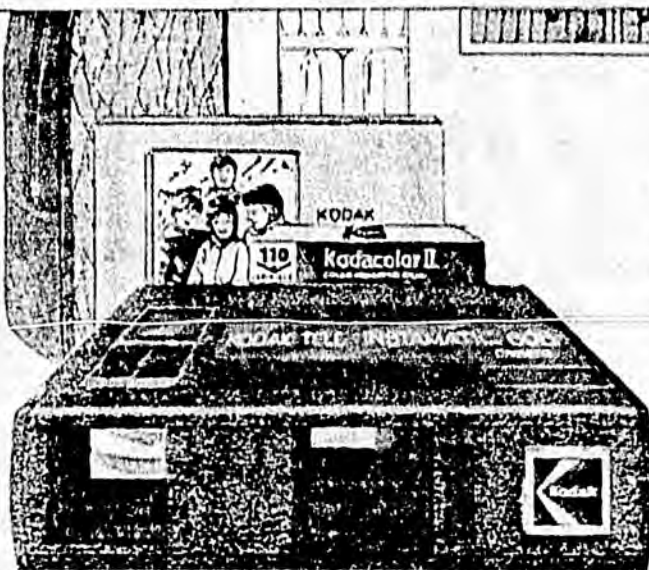
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Delegates: Watches Aren't Synchronized

It's a matter of time, but Sens. Mike Gravel and Ted Stevens disagree about what time it is, at least as far as the Canadian versus Alaskan gas pipeline debate is concerned.

Gravel, a Democrat, has filed a bill in the Senate which would require the United States Federal Power Commission to decide between the competing proposals by June 30 of next year, although he said in an interview that he plans to amend that to read Dec. 1, 1976. For Gravel, time is of the essence.

"The political principle is simple," Gravel said. "The American public needs the gas. We have the gas and there should be no delay in providing it."

Republican Stevens disagrees with the Gravel hurry-up approach.

"Time is on our side," he said, our side being the one favoring the trans-Alaska, or all-American, gas pipeline.

And Republican Rep. Don Young, the state's only member of the U.S. House of Representatives, falls somewhere in between.

But let's let them tell it.

"My bill in the Senate states that Congress requires the FPC decision by June 30, 1976," Gravel said. "I'm going to change that to Dec. 1 (1976). The FPC said they could meet the June 30 deadline but that they would be able to do a better job by Dec. 1."

"Secondly it mandates that there would be no judicial review. There could be judicial review of the constitutionality of my bill, but not of the FPC decision. There are 120 plus interests involved before the FPC, some 50 of them active.

They can, but we cannot demand it."

"Even the opponents (of the trans-Alaska gas pipeline) were trapped into it (supporting his bill)," Gravel said. "The opponents knew my bill would mean a trans-Alaska line but they could not afford to oppose it" because, he said, it would appear that they were opposing fast transmission of gas to their energy-poor constituencies.

"If Canada cannot meet the time frame," he said, "the FPC might be reluctant to grant permits for a trans-Canada line."

The Gravel strategy, in sum, is to put the heat on those favoring a trans-Canada line by limiting the time they have to make necessary arrangements.

But Stevens said he sees Gravel's bill as untimely and ill-advised, particularly the section that would preclude judicial review.

"I just don't think it accomplishes what we want to accomplish," Stevens said. "The Commerce Committee (of which Stevens is a member) will take up that subject in a reasonable amount of time and I will have my own legislation prepared."

The situation vis a vis the Gravel bill "is not dissimilar to the oil pipeline. Mike had an amendment that would not achieve the goal. My revision of his amendment — now known as the Gravel amendment — was what was finally adopted."

Gravel, Stevens said, "is not a lawyer" and his filling the bill is "like putting in a bill to tell a judge that he can only make one decision."

Times Analysis

Washington Is Mum

By BETTY MILLS
Times Washington Bureau

WASHINGTON — Official Washington is reluctant to comment on the two competing proposals for a route to tap the vast natural gas reserve on Alaska's North Slope.

Energy advisers and White House spokesmen say it would be imprudent to take sides on the issue while it is being considered by the Federal Power Commission.

But a high-ranking administration official has told aides privately that the gas line will go through Alaska.

"There is no way we're going to let that natural gas flow through Canada," he said according to well-informed sources.

Meanwhile, on the congressional front, several forces are working.

Lobbyists representing the interests of the El Paso Natural Gas Co. and the Arctic Gas consortium are practically tripping over each other on Capitol Hill.

Arctic Gas has worked up its own bill, which would mandate its route through Canada.

El Paso has no bill as such, but legislation offered by Sen. Mike Gravel, D-Alaska, is aimed at insuring that an Alaskan route is chosen.

Gravel's bill would require the FPC to reach a decision in the gas line case by June 30, 1976. The Alaskan Democrat believes an early commission ruling means a decision in favor of El Paso.

The Republican members of the Alaskan

delegation Sen. Ted Stevens and Rep. Don Young — were unhappy that Gravel leaped ahead with the bill. They believe that if the issue comes up during the long cold winter of natural gas shortages, the Alaskan route will be the loser.

Commission officials, meanwhile, have told Gravel that they could meet his deadline, but could easier make it by the December, 1976 timetable they have set for the case.

A new development that may arouse controversy is the recommendation by the commission staff that both routes be changed.

The recommendation is not dealt with in depth in the commission staff's draft environmental impact statement on the projects, but it is obviously important and will surely be examined closely in the days ahead.

Environmentalists may leap upon the suggestion that El Paso use Nikiski, on Cook Inlet, as the site of its liquefied natural gas terminal, rather than Point Barrow, on Prince William Sound. This would involve a diversion from the firm's proposed pipeline route at Livengood.

The national news media is waking up to the fact that a new Alaskan pipeline battle is on the horizon.

The fight between the competing proposals is just beginning on all fronts — Congress, the Federal Energy Administration, the Interior Department and the White House.

heavily involved in both Canadian projects.

The ruling Liberal Party has announced in favor of the Maple Leaf line, a 36-inch pipe that would transport McKenzie gas to trunk lines in Alberta for transport throughout Canada.

treaty between the U.S. and Canada to allow construction of the Arctic pipeline would preclude such provincial action, Stevens said, and would therefore be likely to stir up a political hornets nest in Canada.

"My advisers in Canada tell me it will be at least one-and-one half years and probably three years" before the Canadians decide just what gas it will transport how, Stevens said.

The matter is before the

National Energy Board decision."

To Stevens, the timetable for a gas pipeline is somewhat longer than it is to Gravel.

"We must have a gas pipeline within two years of the time the oil starts to flow," he said, "or else we will have to increase reinjection facilities at substantial cost."

If Gravel wants to push and Stevens wants to hold back, Young wants to do a bit of both.

"Right now, we want to encourage the Federal Power Commission to act very positively and then go to the floor (of Congress)," Young said.

As Young sees it, if there is a commission decision in favor of the All American line — "and I'm very confident that there will be one" — the Ford administration will come down solidly behind that decision in Congress.

"We have so much right on our side, and I don't mean that parochially," he said, "that I don't see how we can lose."

That right includes the administration's commitment to Project Independence ("how can you say you have a Project Independence and favor a line across Canada"), the use of American labor and soon.

But, Young said, "I will not submit any legislation deciding which way the line will go" since the matter is before the power commission.

"From what I read — and there has been active lobbying by Arctic — due to lack of knowledge on the matter in Congress, if it went to a vote right now we would lose."

There is, however, a

commission we are interested. It has some merit to me when you have your John Andersons and Les Aspkins opposing it. It shows me that Canada can't meet such a deadline."

If he were to enter Gravel's bill in the House, Young said, he would do it sometime after the Christmas recess.

"There is a difference of opinion between the two senators and I don't want to get involved in it," he said. "But if I find the Gravel bill has merit I will enter it in the House."

"There has been some talk in the Congress about a bill that will dictate the Arctic line," Gravel said. "In my view this is ridiculous, that Congress should override the FPC before the FPC has made a decision. Any legislation to do so would not pass Congress."

Gravel says the strength of support for a trans-Alaska gas pipeline is greater than that for the trans-Alaska oil pipeline ever was.

"I would say in the Senate we are ahead," he said. "On the oil line we had 49 senators with us and none of the West Coast senators. Now they are with us and I'd guess we have 55 to 60 votes."

"The situation in the Senate is watch and see," Stevens said. "It would be premature to start counting noses."

Midwest senators, Stevens said, want to "be sure to get some of Alaska's gas," and part of the task of the trans-Alaska line forces is to educate them to the fact that a trans-Alaska line could deliver it, he said.

Young agrees.

"Consumers in the Midwest and on the East Coast who

in tactics between Gravel and Stevens, but they, along with Young, are agreed that the pivot point of the entire matter is how far apart the interests of this country and Canada are when it comes to construction of a gas pipeline to deliver the Prudhoe Bay reserves. All three agree that these interests are diverging rather than converging and that the result of this movement will be a trans-Alaska gas line.

Gravel wants to drive the wedge down hard, giving trans-Canadian pipeline backers the minimum of time to draw the two nations' interests together. Stevens, whose opposition to this approach seems to stem from his disagreement with the content of the bill rather than the intent, thinks no wedge — or at least not Gravel's wedge — is necessary right now.

Who is correct?
Only time will tell.

Beer Can Lovers Now Have Guide

CHICAGO (AP) — Not only is the world full of beer lovers, but apparently the world is also full of beer can lovers. If one is to judge by the recent sales here of "World Wide Beer Can Collector's Guide," by Robert Dabbs and David Harris of Independence, Mo.

The book sold 40,000 copies the first three weeks it was available in the Chicago area. It will soon be available nationwide. It lists every conceivable commemorative cans to foreign ones, and tells how to

Time is on our side," he said, our side being the one favoring the trans-Alaska, or all-American, gas pipeline. And Republican Rep. Don Young, the state's only member of the U.S. House of Representatives, fails somewhere in between. But let's let them tell it. "My bill in the Senate states that Congress requires the and I will have my own legislation prepared. The situation vis a vis the Gravel bill "is not dissimilar to commission ruling means a decision in favor of El Paso." The Republican members of the Alaskan Department and the White House.

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Young agrees. "Consumers in the Midwest and on the East Coast who oppose us are not being given the facts," he said. He too said that there was a possibility that a bill mandating a trans-Canadian route might be entered in Congress, but realistically that's not going anywhere.

In sum, there is a difference of opinion as to whether the trans-Alaska line forces is to educate them to the fact that a trans-Alaska line could deliver it, he said.

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Gasoline Was Once Waste, Now It's 'Waste Not'

Wednesday, December 10, 1975, Anchorage Daily Times 25

By MAX B. SKELTON

HOUSTON (AP) — Motorists may find it difficult to believe, but gasoline was an unwanted byproduct in the pioneering days of petroleum refining.

Gasoline components of crude oil were thrown away as refiners sought kerosene to replace whale oil as lamp fuel. The first refinery, conceived in 1847, processed only five gallons of crude a day.

The processing capacity of one U.S. refinery now is being expanded to 450,000 barrels a day, which will be the world's largest, and total domestic capacity is approaching 15.5 million barrels a day, with a barrel containing 42 gallons.

The early refineries were, in a sense, do-it-yourself operations. The refiner sought places where oil seeped above ground, skimmed crude from water, processed it, and then marketed it, first as medicine and later as kerosene.

Such one-man enterprises were the forerunners of today's gigantic petroleum industry that supplies 70 per cent of the nation's energy.

Two events near the turn of the century paved the way for oil to attain its big business stature:

The first gasoline-powered automobile appeared in 1893. And the Jan. 10, 1901, Spindtop discovery in southeast Texas gave the nation its first oil "gusher." It produced more than 100,000 barrels of crude each day.

About 10,000 firms ranging from one-man independents to multimillion-dollar plants now are engaged in exploration and production.

About 100 pipeline companies move crude oil, petroleum products and natural gas to interstate markets. More than 130 companies operate a total of 250

completions included 12,784 oil wells and 7,240 gas wells and 11,674 dry holes.

The risks are even higher for new field wildcats, wells drilled in an area never before productive.

A study by the American Association of Petroleum Geologists of such wells indicates only one of every 10 is completed as a discovery well, only two out of 100 make significant discoveries of one million or more barrels of oil or the natural gas equivalent, and 80 per cent of the discoveries have reserves of less than one million barrels.

A companion study indicates independents — all the explorers except the 16 largest major companies — drill nine out of every 10 new field wildcats and make 75 per cent of the discoveries.

Additions to reserves show another picture. Despite drilling only one out of 10 such wildcats, the majors discover almost half of the oil and gas reserves, with most of their explorations in ultra-deep, high-cost or high-risk areas.

Drilling costs have doubled since 1953.

In 1973, 25,350 onshore wells drilled to an average depth of 3,600 feet cost an average of \$98,447, or \$19.46 per foot drilled. The 49,197 drilled in 1953 with an average depth of 4,036 feet had a cost average of \$50,743, or \$12.36 a foot.

The 383 offshore wells drilled in 1973 had an average depth of 9,408 feet and average cost of \$651,234, or \$69.23 a foot. The 82 drilled in 1953 with a depth average of 2,540 feet cost \$298,763 per well, or \$31.29 a foot.

Recoverable domestic oil reserves peaked in 1970 at 39 billion barrels. Gas reserves peaked in 1967 at 294 trillion cubic feet.

Gathering systems totaling nearly 70,000 miles collect oil from individual wells and move it to storage tanks or dump it into a 76,000-mile trunk pipeline system serving the refining centers.

Most U.S. refineries place

emphasis on gasoline production. Refineries in Western Europe concentrate on fuel oils.

Compared with the kerosene objectives of 1850, modern refineries produce an estimated 2,000 products, ranging from asphalt to plastics.

Refineries separate crude oil into its various parts called fractions. The basic process is fractional distillation, boiling the liquid and then collecting and condensing the resulting vapor.

Each fraction such as gaso-

line or kerosene has its own boiling point and is drawn off as a vapor.

More sophisticated processes are used to increase gasoline production or improve its quality.

Basic production includes li-

quified gases, gasoline, kerosene and jet fuel, home heating oil, diesel oils, lubricating oils, heavy fuel oils, and asphalt.

Once refined, the fuels are sent on their way to retail distribution centers and eventually, in the case of gasoline, to

the local service station. Much of this refined fuel is distributed via a 76,000-mile pipeline which spreads out from the refineries to transport products to major consumer areas.

The drilling slump and increased demand have more than offset additions to reserves. At the start of 1975, domestic reserves were about 41.2 billion barrels of oil and 307 trillion cubic feet of natural gas.

Recoverable proved reserves are estimated at 100 billion barrels of oil and 1,000 trillion cubic feet of natural gas. That scientists believe can be produced with existing technology. Engineering data on the performance of a reservoir can cause up or down revisions in the recoverable estimates.

Most estimates of oil reserves are conservative in that current technology permits production of only about 33 per cent of the oil believed to be in a reservoir. Oilmen say research to increase this ratio could go a long way in reversing a five-year downward trend in domestic oil production and relieving the nation's energy shortages.

A Texas group, for example, estimates that the state's recoverable reserves, estimated at 12 billion barrels under the 30 per cent factor, would be increased by 1.5 billion barrels if the figure were raised just to 34 per cent.

Estimates of reserves cannot be based on a single well. Additional or development wells must be drilled to define the extent of the new reservoir. An initial discovery could ultimately lead to development of a giant field of 100 million barrels but dry holes in development could reduce its financial value greatly or even cause abandonment.

Such development drilling is a major factor in the lead time separating the start of explorations and the delivery of the newly discovered oil to consumers.

It takes years to translate new discoveries into significant production. Proved reserves first must be enough to justify such major service costs as pipelines to move the oil to refineries.

Oilmen say that very little oil discovered this year will be available this decade.

The time lag for a small 1967 Louisiana offshore lease sale was four years, but the area normally carries predicted lags of five to 10 years.

The first pipeline to be built after the Drake discovery transported 80 barrels of crude an hour a distance of five miles. The domestic industry now has a pipeline network in excess of 222,000 miles.

There are about 15,000 wholesale oil jobbers, 13,000 companies dealing in fuel oil and liquefied petroleum gas, and more than 300,000 retailers of motor gasoline.

Oil is a business for specialists: wildcaters, geologists, geophysicists, petroleum engineers, drillers, roughnecks, pipelers, refiners, marketers.

Col. Edwin Drake, a retired railroad conductor, conceived the idea of drilling for oil. Drake brought in the first oil in 1859, after drilling to a depth of 69½ feet. The well produced eight to 10 barrels a day.

Drilling quickly spread to Ohio, Texas, California and Oklahoma. Since the Drake well, more than 2,725,000 wells have been drilled in the United States, including more than 1,365,000 oil wells drilled to completion, of which about 500,000 still are producing.

But the gushers are gone. The average well now produces only 17.4 barrels a day. One with a potential of several hundred barrels a day is a good well and one with potential in the thousands is rare.

Most obvious prospects have been drilled at least once, many of them several times. Explorers now are having to drill deeper and deeper and in difficult areas offshore, in Alaska and the Arctic.

Science has replaced hunches in selecting drilling sites, but financial risks are high.

One group of companies paid more than \$500 million for the right to explore in the Gulf of Mexico off the Florida coast. The first seven test wells were dry.

Geologists and an army of specialists using seismicographs and other sophisticated instruments are constantly searching for hints of oil deposits more than 400 million years old below the earth's surface.

But drilling is the only way to determine whether such hints are correct. And, again, there are high risks.

Of the record 57,111 wells completed in 1956, 39,753 were oil producers, and 4,543 were gas producers. Dry holes totaled 21,533.

Along drilling slumps that oilmen blame mostly on federal natural gas price controls was a record last year when 31,526

Gasoline Was Once Waste, Now It's 'Waste Not'

By MAX E. SKELTON

HOUSTON (A.P.)

Scientists may find it difficult to believe, but gasoline was an unwanted byproduct in the pioneering days of petroleum refining.

Gasoline components of crude oil were thrown away as "waste" until kerosene to replace whale oil as lamp fuel. The first refinery, conceived in 1847, processed only five gallons of crude a day.

The processing capacity of a U.S. refinery now is being expanded to 550,000 barrels a day, which will be the world's largest, and total domestic capacity is approaching 15.5 million barrels a day, with a barrel containing 42 gallons.

The early refineries were, in a sense, do-it-yourself operations. The refiner sought products where oil seeped above ground, skimmed crude from water processed it, and then marketed it, first as medicine and later as kerosene.

Such one-man enterprises were the forerunners of today's gigantic petroleum industry that supplies 70 percent of the nation's energy.

Two events near the turn of the century paved the way for oil to attain its big business stature.

The first gasoline-powered automobile appeared in 1893. And the Jan. 10, 1901, Spindtop discovery in southeast Texas gave the nation its first oil "gusher." It produced more than 100,000 barrels of crude a day.

About 10,000 firms, ranging from one-man independent producers to multimillion-dollar giants now are engaged in exploration and production.

About 100 pipeline companies move crude oil, petroleum products and natural gas to interstate highways more than 150 companies operate a total of 250

Gathering systems totaling nearly 70,000 miles collect oil from individual wells and move it to storage tanks or dump it into a 75,000-mile trunk pipeline system serving the refining centers.

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Refineries separate crude oil into its various parts called fractions. The basic process is fractional distillation, boiling the liquid and then collecting and condensing the resulting vapor.

Each fraction such as gasoline or kerosene has its own boiling point and is drawn off as a vapor.

More sophisticated processes are used to increase gasoline production or improve its quality. Basic production includes liquefied gases, gasoline, kerosene and jet fuel, home heating oil, diesel oils, lubricating oils, heavy fuels, and asphalt.

Once refined, the fuels are sent on their way to retail distribution centers and eventually to the local service station. Much of this refined fuel is distributed via a 75,000-mile pipeline which spreads out from the refineries to transport products to major consumer areas.

The drilling slump and increased demand have more than offset additions to reserves. At the start of 1975, domestic reserves were about 34.2 billion barrels of oil and 237 trillion cubic feet of natural gas.

Recoverable proved reserves are estimates of oil and gas that scientists believe can be produced with existing technology. Engineering data on the performance of a reservoir can cause up or down revisions in the recoverable estimates.

Most estimates of oil reserves are conservative in that current technology permits production of only about 33 percent of the oil believed to be in a reservoir. Oilmen say research to increase this ratio could go a long way in reversing a five-year downward trend in domestic oil production and relieving the nation's energy shortages.

A Texas group, for example, estimates that the state's recoverable reserves, estimated at 12 billion barrels under the 33 percent factor, would be increased by 1.5 billion barrels if the figure were raised just to 34 percent.

Estimates of reserves cannot be based on a single well. Additional or development wells must be drilled to define the extent of the new reservoir. An initial discovery could ultimately lead to development of a giant field of 100 million barrels but dry holes in development could reduce its financial value greatly or even cause abandonment.

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But drilling is the only way to determine whether such hints are correct. And, again, there are high risks.

Of the record 57,111 wells completed in 1956, 30,730 were oil producers, and 4,543 were gas producers. Dry holes totaled 21,833.

A long drilling slump that oilmen blame mostly on federal natural gas price controls was reversed last year when 31,898

State to limit gasline now

By ANDY WILLIAMS
Daily News Staff Writer

The state expects to limit the flow of natural gas from Prudhoe Bay to about half the level projected by El Paso in its application to build a pipeline, state officials told the legislature's Joint Gas Pipeline Impact Committee Thursday.

Commissioner of Natural Resources Guy Martin and other state oil and gas officials said a structural model of the Prudhoe Bay formation indicated the optimum rate of gas production was 2 billion cubic feet a day. In its filing before the Federal Power Commission, El Paso projected a rate of production of 3 billion cubic feet a day.

JOHN C. BENNET, head of Alaska operations for El Paso, said the company had been advised of the lower projection and had filed an amended form with the FPC taking it into consideration. He said the pipeline and liquefaction system proposed by El Paso was still "feasible at the lower level of production."

However, a staff assistant to the committee said the rate of production had a direct bearing on the rate at which the cost of the pipeline was amortized. With the lower production figure, the pipeline would transport half as much gas at the same cost, he said.

Martin and his assistants, Hoya Hamilton of the Division of Oil and Gas and Pat Doherty of the Division of Geological and Geophysical Surveys, presented results of tests with the model at various rates of production and injection of water.

THE TESTS showed gas could be produced from the field at a rate up to 2 billion cubic feet a day, with water injection, without the volume of recoverable oil falling off appreciably. Beyond 2 billion cubic feet a day, the volume of recoverable oil declined significantly.

Martin said the state had the authority to limit the rate of gas production by regulation and intended to do so to the optimum rate of the field.

State officials said the optimum rate would be determined by experience in the first years of oil

production, when all the gas will be reinjected. Hamilton said it was not known whether water injection would work in the Prudhoe Bay field, although, he thought the chances were better than 50-50 it would. Martin said the state would commit no gas until it was determined the gas could be produced without diminishing the amount of recoverable oil.

THE STATE'S estimate on the rate of gas production was lower than the 2.5 billion cubic feet a day estimated by H. J. Gruy and Associates in a study for the Interior Department. Oil industry representatives agreed the Gruy figure was a reasonable one in testimony before the committee Wednesday.

Amos Mathews, executive vice president of Alaskan Arctic Gas, said his company intended to transport 2.25 billion cubic feet of Prudhoe Bay gas a day in its proposed pipeline through Canada, picking up another 2.25 billion cubic feet from the Mackenzie delta area.

Board votes to sell portion of Inlet gas

A state advisory board Wednesday voted to sell a portion of the state's Cook Inlet royalty gas to the Anchorage Natural Gas Co.

The state Royalty Oil and Gas Development Advisory Board's action calls for Phillips Petroleum Co., operators of a liquefied natural gas plant at Nikiski, to relinquish its rights to the state's gas. The company now exports to Japan about 15 million cubic feet of state royalty gas daily. The contract allowing the purchase of the state gas for that use was signed in the late 1960s.

Guy Martin, commissioner of natural resources, said the transfer of the state's gas from Phillips to the

Anchorage company would become effective next year if the legislature approves the board's findings.

Anchorage Natural Gas has told state officials that its Anchorage-area customers could be in danger of minor gas shortages as early as next year and significant interruptions of service could occur in the early 1980s, unless the company finds additional supplies.

The gas company supplies gas for the Chugach Electric Co. and Municipal Light and Power Co. generating plants.

Asked if the issue of exports contributed to the board's vote Wednesday, Martin said, "it was not so much a reaction . . . as a balancing of value."

Approval asked for Nikiski pipeline

The state Department of Natural Resources has set Sunday as the deadline for right of way permit in October calling for public hearings on the 70-mile line. The company also sought approval from the Army Corps of Engineers for a portion of the pipeline that would cross Cook Inlet.

The \$11.3 million line would bring 40,000 barrels of refined petroleum products daily to Anchorage from the Tesoro-Alaska refinery at Nikiski.

About half the project would cross state lands. The company also has sought Corps of Engineers approval to cross Ship and Chester Creeks with the 10-inch line.

No public hearings have been scheduled for the Nikiski proposal, and the Corps of Engineers comment period on the permit application has expired. The Department of Natural Resources is scheduled to close its comment period on the proposal Dec. 14, and after that time no requests for public hearings will be considered.

Oil, gas strike in Canada

A consortium of Canadian and American oil companies have announced a major hydrocarbon discovery in the Mackenzie River Delta region of northern Canada.

Standard Oil Company of California — a member of the group, which includes Sun Oil, Bow Valley Exploration Ltd., Arctic Coast Petroleum Ltd. and Numac Oil and Gas Limited — said Monday the discovery, located on 1146 acres of a 45,000 acre lease, flowed at the rate of 31 million cubic feet of gas and 7,200 barrels of oil per day on short tests.

SoCal said the 11,000 foot well penetrated two hydrocarbon zones — one just below 5,100 feet and one below 9,600 feet. Gas flowed at 17 million cfd from upper zone and 14 million cfd from the lower strata.

Sun Oil, as operator for the consortium, drilled the well — designated at Garry P-04.

nesday, December 10, 1975, Anchorage Daily Times 3

University Gets Gas Line Study

FAIRBANKS (AP) — As decisions near on the routing of a natural gas pipeline from Prudhoe Bay to the south, the University of Alaska says it has received a grant to study alternatives to the arctic gas proposal.

The director of the Institute of Social, Economic and Government Research, Vic Fischer, has confirmed that his department has received a \$15,000 contract from the Bureau of Land Management to study alternatives to the Arctic Gas pipeline proposal. The study is a follow up on Arctic Gas Co.'s draft environmental impact statement.

Nine alternatives are being considered, in addition to the arctic gas proposal, which would see the line cross the Arctic Wildlife Range:

—An offshore route, which would go offshore in the Arctic Ocean from the Beaufort Sea to Canada.

—An onshore route, which would skirt the south edge of the Arctic Wildlife Range.

—Also being considered is the route known as the Fort

Yukon Route, which would take the gasline right through Fort Yukon, along the north side of the Yukon River through Canada.

—A route proposed through Fairbanks then along the Alaska Highway to Edmonton, Alberta.

—Another route through Fairbanks would go along the Alaska Highway, and then to a gas liquefaction plant at Haines.

Three other routes involve turning the gas to a liquid before shipping it by tanker. They include:

—The Point Gravina Route, which is favored by the El Paso Co.

—The Cook Inlet Route, which takes the gas from Prudhoe through Fairbanks, down the rail belt, to the existing petrochemical complex at Nikiski Beach, north of Kenai, and from there by tanker.

—The last alternative is the Golovin Route, which would take the gas from Prudhoe by pipeline to the Seward Peninsula, and then by tanker across the Bering Sea.

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decrease the volume of recoverable oil by 400 billion barrels.

BUT THEY also objected to the study's figure of 47 cents per mcf (million cubic feet) for the wellhead value of the gas as the break-even point for production of the gas. They said it would be considerably higher.

The testimony came at a meeting of the legislature's Joint Gas Pipeline Impact Committee, which began two days of hearings on relative merits of competing routes for the pipeline and of producing the gas as opposed to reinjecting it into the field. The committee

Forrest Garb, president of H.J. Gruy, acknowledged that the 400-million-barrel figure for oil lost through gas production could be reduced by effective management of the field. He said the study used a life of 23 years for the field and that oil produced after that would also cut into the 400-million-barrel figure.

Oil industry representatives testified there was no reason any oil would be lost through gas production if sound practices were used in management of the field. They said the optimum production of oil and gas could be established early in the life of the field and that reinjection of the gas could hurt the field in the latter stages of production.

TESTIFYING for the oil industry were Kenneth Keep, resident manager of BP; Judd Miller Jr. of Exxon, and Howard Slack, resident manager of ARCO.

notes the potential for interruption of construction on the two proposed routes.

The analysis clearly favors an Alaska Pipeline, especially the tanker route over an all-weather pipeline and the tanker route.

In conducting the study, Assistant Interior Secretary G. M. Anderson placed heavy weight on the risk of interruption of the report. When a report predicted that in all weather the Interior Department favored one route over the other, he insisted that the report have a position "indefinite" because he applied to a follow-up question "I cannot say we are certain." He said "people are not so certain" and "I cannot say."

the study says. "First the... Alaska-Canada system would be the more risky to construct and would have the greater potential for schedule slip and cost overrun. . . . Second the... Alaska-LNG system is more risky to operate, with a greater potential for flow interruption once in operation."

But, the study concludes that the National Oil-Economic Benefit (NNEB), a system of assigning economic value to certain aspects of each proposal for the Alaska-LNG system would be \$5.6 billion compared to \$5.3 billion for the Alaska-Canada system.

The factor compared in the analysis was flexibility — the Alaska-LNG system, the

study says, can be divided into five discrete components. "This modularity," it says, "provides a distinct advantage in manageability over a more homogenous and interactive project such as the Alaska-Canada system."

Labour — "Potential labour difficulties in Canada are considered more likely than in Alaska."

Arctic Conditions — The Alaska LNG system, it says, is better prepared to handle "extreme" project difficulties because of its "flexibility" and the advantages of using facilities built from the oil pipeline.

Alaska Gas Pipeline

By MARK FARMER
Washington Correspondent

AN — The Interior Department released the Alaska Natural Gas Pipeline Act, which authorizes a study of the pipeline's economic impact on the state.

The report is for information of Congress and the public. It is not a recommendation. The report is based on a study by the Alaska Pipeline Authority, which was set up by the state in 1973. The study was completed in 1974. The report is 100 pages long. It contains a lot of data. It also contains a lot of analysis. The report is a very important document. It will help to decide whether the pipeline should be built. It will also help to decide what conditions should be attached to any agreement with Canada.

The risk analysis reportedly was challenged by officials at both the State Department and the Federal Energy Administration on the basis that it made too many assumptions and then used those assumptions to justify an Alaska-LNG route.

The study says, "First the... Alaska-Canada system would be the more risky to construct and would have the greater potential for schedule slip and cost overrun... Second the... Alaska-LNG system is more risky to operate, with a greater potential for flow interruptions in operation."

study says, can be divided into five economic periods. "This model, it says, 'provides a distinct advantage in measurability over a more homogeneous and interactive project such as the Alaska-Canada system.'"

Gas production no threat to Slope oil

By ANDY WILLIAMS
Daily News Staff Writer

Oil industry representatives Wednesday denied production of natural gas at Prudhoe Bay would reduce the amount of recoverable oil there, as was suggested in a study, but said costs of production would be higher than those estimated in the study.

Spokesmen for BP-Alaska, Exxon and Atlantic Richfield Co., the "big three" leaseholders at Prudhoe Bay, took exception to conclusions of a study by the Aerospace Corporation for the Department of Interior that gas production over the life of the field would

decrease the volume of recoverable oil by 400 billion barrels.

BUT THEY also objected to the study's figure of 47 cents per mcf (million cubic feet) for the wellhead value of the gas as the break-even point for production of the gas. They said it would be considerably higher.

The testimony came at a meeting of the legislature's Joint Gas Pipeline Impact Committee, which began two days of hearings on relative merits of competing routes for the pipeline and of producing the gas as opposed to reinjecting it into the field. The committee solicited comments on the Aerospace study, which was conducted by H.J. Gruy and Associates.

Forrest Garb, president of H.J. Gruy, acknowledged that the 400-million-barrel figure for oil lost through gas production could be reduced by effective management of the field. He said the study used a life of 23 years for the field and that oil produced after that would also cut into the 400-million-barrel figure.

GARB SAID the figure of 47 cents per mcf was influenced by use of a discount rate of 10 per cent, which is the cost producers would pay on money invested. The 10 per cent figure was set by the Interior Department but the actual discount rate would probably be higher, he said.

Oil industry representatives testified there was no reason any oil would be lost through gas production if sound practices were used in management of the field. They said the optimum production of oil and gas could be established early in the life of the field and that reinjection of the gas could hurt the field in the later stages of production.

They agreed with Garb that the discount rate would be greater than 10 per cent, probably in the range of 15-20 per cent per year. However, they said they did not know what the break-even wellhead price would be.

TESTIFYING for the oil industry were Kenneth Keep, resident manager of BP; Judd Miller Jr. of Exxon, and Howard Slack, resident manager of ARCO.

The hearings will continue today with state officials expected to testify on economic benefits to the state of production.

Close Of Deal

ADT Special to The Times 5/11/75
NEW YORK — Atlantic Richfield Co. has announced the closing of the sale of a \$420 million oil and gas production payment to Alasca, Inc., a Delaware non-profit corporation. The announcement said the proceeds are to be received in seven installments through March 1977.

The credit agreement is to finance development of Alaskan natural gas reserves at Prudhoe Bay.

Alasca, Inc. financed the purchase of the production payment with a private placement of \$200 million of notes with institutional lenders and the syndication of \$220 million of commercial bank loans. First National City Bank of New York acted as a financial adviser in the private placement and as agent and manager in syndicating the commercial bank portion.

Discharge of the production payment will be made out of revenues generated from the

sale of production from a 20 per cent portion of Atlantic Richfield's interest in the main Prudhoe Bay field on the North Slope of Alaska and from other properties in Alaska, Texas and offshore Louisiana.

In a separate transaction last March 25, Pacific Lighting Gas Development Co., a subsidiary of Pacific Lighting Corporation, agreed to pay to Atlantic Richfield interest, fees, legal and other costs related to the production payment for the exclusive right to negotiate for the purchase of 60 per cent of Atlantic Richfield's future natural gas production from the main Prudhoe Bay field.

An Atlantic Richfield spokesman said that a major portion of the company's capital commitments, which will total nearly \$2 billion in 1973 alone, is dedicated to development of the Prudhoe Bay field in Alaska.

Gravel To Amend Bill On Gas Line Decision

By BETTY MILLS
Times Washington Bureau

WASHINGTON — Sen. Mike Gravel, D-Alaska, plans to amend his legislation mandating an expedited decision in the natural gas pipeline case to give the Federal Power Commission an additional five months to reach a decision.

Gravel decided to make the change following discussions with members of the commission which has set Dec. 1, 1976, as the target date for reaching a decision in the gas line case.

In addition, Gravel has sent a copy of his bill to President Ford.

The Alaskan Democrat said he discussed the legislation with the President when he accompanied Ford to Alaska earlier this month, and the President asked to see the bill.

"In introducing legislation of this type, my hope is to add some discipline to the proceedings and prevent any possible slippage in the schedule," Gravel wrote the President. "The commission has agreed that legislation of this type would be helpful to them in attempting to meet their proposed deadline."

Gravel told the President his bill substitutes congressional review for judicial review of the commission decision.

"A seven-year delay such as we experienced in trying to build the trans-Alaska oil pipeline would be devastating to the nation's efforts to become energy self-sufficient."

"A speedy FPC decision and expeditious implementation of that decision are essential to our efforts in this regard," Gravel wrote Ford.

Gravel also sent the president a copy of a letter he had received from Power Commission Chairman Richard I. Dunham, who said a final commission decision by Dec. 1, 1976, is a reasonable target.

Meanwhile, rival legislation sponsored by the Arctic Gas consortium is expected to go into the hopper of the House of Representatives next week.

Rep. Philip Ruppe, R-Mich., said yesterday he intends to introduce the legislation before the Christmas recess. He said he is still talking to other members to gain co-sponsors.

Congress Gets Gas Line Study

(Continued From Page 1)

cost of the two transportation systems.

The cost of the Arctic Gas transportation system, according to the report, is \$4.538 billion, whereas the cost of the El Paso project is \$5.079 billion.

The department's projections were based on an extensive, year-long analysis of the economic benefits of the gas pipeline proposals, risk studies, national security considerations and international

factors. The 239-page document went to Congress yesterday, several days past its due date.

In releasing the report, Kleppe said, "the important message of this report is that both of the systems studied are technically and economically feasible, subject of course to the environmental considerations revealed by the final environmental impact statement."

Kleppe Delivers Gas Line Study

By THOMAS P. SOUTHWICK
Times Washington Bureau

WASHINGTON — Interior Secretary Thomas S. Kleppe told Congress yesterday that the Arctic Gas proposal for bringing natural gas from the North Slope involves the risk of substantial cost overruns and schedule delays.

In a report submitted to Congress, the department said the possible cost overruns for the Canadian route could range between \$1 billion and \$3

billion and the schedule delays could be anywhere from one to three years.

In contrast, the department believes the risk of overruns and delays with the competing project, that proposed by the El Paso Natural Gas Co., would be between \$500 million and \$1.5 billion and between six months and 18 months.

However, the Interior document concludes that the El Paso proposal is more expensive and offers fewer economic benefits to American consumers.

The report said the Canadian line would bring a total of \$8.729 billion in national economic benefits to the U.S. The El Paso project would bring a total of \$3.281 billion in the national economic benefits.

These figures take into account the benefits to consumers, the goal of achieving energy independence and the

(See Page 2, Col. 2)

Official Predicts Gas Shortages

WASHINGTON (AP) — Warm autumn weather has provided a respite from a severe natural gas shortage but the potential for serious shortfalls will increase each year as production continues to decline, a federal energy

official says. Natural gas production may be restored to present levels in the 1980s if federal price regulations are removed and if new areas offshore and in Alaska are explored, Deputy Federal Administrator Eric Zausner said.

But "we're in for a couple more years of declining supplies of gas" before that, he told reporters Tuesday.

FEA estimated in 1974 that raising wellhead prices to \$2 per thousand cubic feet would not stimulate production any more than a price of 75 cents per thousand cubic feet.

But Zausner said the agency had oversimplified its analysis and FEA now believes that the higher price will be adequate to encourage natural gas discoveries.

Federal agencies had predicted that natural gas supplies this winter would fall 19 per cent below demand, causing fears of industrial closings and layoffs. The eastern states were expected to be the hardest hit.

Roderick appointed to state post

Jack Roderick, former mayor of the city of Borough, has been appointed commissioner of the state department of Natural Resources.

Commissioner Guy Martin announced his appointment Monday, and said he is expected to assume his new duties the first of the year.

Mr. Martin said that present deputy commissioner Bill Fackler will become director of the Alaska Royalty and Gas Development Board. He announced the selection of Hope Martin David G. Hanson as chief of the newly formed Natural Resources Planning and Research Section.

Jack Roderick, contacted at home by, said as far as he's concerned going where the action is.

"I feel the orderly development of natural resources is really essential to the state's survival," he said. "I feel the field that is most important to the state, and that I have something to

offer."

He said he looks forward to working with Martin, and added that despite the move to Juneau he will not sell his Anchorage home.

Roderick has been in Alaska over 20 years, and has a lengthy and varied experience involving Alaska natural resource issues. He was the founder in 1955 of Alaska Petroleum Publications, and three years later founded Alaska Title Guaranty Company. He also founded and directed firms devoted to oil and gas exploration and investment, and was a co-publisher of Alaska Industry magazine from 1969 to 1972.

Earlier, he practiced law for several years with present Sen. Ted Stevens, R-Alaska. In 1968 Roderick took a one-year sabbatical leave to direct the Peace Corps in India. Just prior to his election as borough mayor in 1972, he was a government relations advisor to Alyeska Pipeline Service

Company.

"I am delighted that Jack will be joining the department," said Martin. "His record of private and public achievement speaks for itself, and his knowledge of key Alaska resource issues will greatly strengthen the state administration during an exciting and important period."

He said Fackler's new duties as director of the royalty board are crucial to the future of the state, adding that the entire board believed he was ideally qualified to take on the job.

HANSON, who has already assumed his new post, holds a bachelor's degree from Pacific Lutheran University and a master's in resource management. For four years he was with the Environmental Protection Agency in Washington.

Martin said the new section will coordinate resource issues within the department and with other state agencies.



Jack Roderick

Stevens Submits Plan For All-Alaska Route

BY BETTY MILLS

Times Washington Bureau

WASHINGTON — Sen. Ted Stevens, R-Alaska, threw a new wrinkle into the gas line debate today, submitting legislation to require that the pipeline bring natural gas from the North Slope must be totally under U.S. jurisdiction.

Stevens' legislation would prohibit the Federal Power Commission from issuing a certificate to the Arctic Gas Consortium, which wants to pipe the gas through Canada.

The legislation is a calculated effort to gain the support of Middle West and Northern State senators who previously have opposed the El Paso proposal to bring the gas through Alaska on a route nearly parallel to the oil pipeline.

The legislation includes language requiring the Federal Power Commission to allocate natural gas produced in the Prudhoe Bay area "in such manner as will supply each such region and state with an equal per centum of the per centum decline in natural gas supplies from all sources to such region or state between the calendar year 1973 and the date transmission of Prudhoe Bay gas commences."

The bill mandates that the commission and other governmental agencies can approve "only such application or request which provides for such pipeline to be constructed or otherwise located in its entirety above, on, or under land areas in a state or states of the United States."

In a lengthy Senate floor

speech, Stevens said recent development in Canada have convinced him that "it will be a long cold wait if we wait for our Canadian neighbors to act" on the Arctic Gas proposal.

Stevens cited three developments in Canada that persuaded him to introduce the bill:



DAYS TO CHRISTMAS

— The adoption of a resolution by the National Liberal Party calling for the federal government to "Canadianize the industry."

— The likelihood that the settlement of native land claims in Canada is many months away.

— The present challenge by Arctic Gas of the impartiality of Marshall Crowe, the master of the National Energy Board which is hearing the competing Canadian proposals.

"The net impact on me regarding the Canadian attitudes is that we will have nothing but a long cold delay" if the U.S. waits for Canada to make a decision, Stevens said.

"My bill does not say the FPC must approve the El Paso approach," Stevens said. "Congress has the right to tell the FPC it must only consider pipelines under U.S. jurisdiction."

Gravel sees gas line decision by Dec. of '76

From Our Washington Correspondent

WASHINGTON — Sen. Mike Gravel, D-Alaska, Wednesday advised President Gerald Ford that the chairman of the Federal Power Commission

feels a decision on Alaska gas systems competing for certification by the FPC could be made by December 1976.

Gravel said he is changing the target date in a bill he introduced to substitute Congressional review of the FPC decision for judicial review to conform with that view.

Gravel, in a letter to Ford, said he introduced his bill in an effort "to add some discipline

to the proceedings and prevent any possible slippage in schedule."

Gravel's office said his letter, a copy of a letter to Gravel from FPC chairman Richard L.L. Dunham and a copy of a bill were all sent to Ford in response to interest in the subject shown by the President during his recent visit to Alaska. Gravel accompanied Ford far as Alaska on the trip.

In his letter, Dunham said neither application from El Paso Alaska Co. nor from Arctic Gas is yet complete. The bill, he said, is "one of the problem which complicate the effort to add some discipline

State declines gas study funds

The Royalty Oil and Gas Development Advisory Board has declined to take action on a private group's offer to contribute \$10,000 toward a study of Prudhoe Bay natural gas reserves.

The board, meeting in Juneau this week, reached a consensus that accepting the offer would be a conflict of interest.

The Organization for the Management of Alaska's Resources (OMAR) offered to contribute \$10,000 for a study on how the state's royalty gas should be allocated. The group seeks to learn how much of the royalty gas can be used in the state and how much could be sold to companies.

OMAR and others supporting a trans-Alaska route fear the state will lose the line unless it shows a willingness to commit all or part of Alaska's 12½ per cent share of Prudhoe reserves to El Paso.

Martin said the state may in the future do so. But he said a number of questions will need to be answered before making a commitment of any kind for Alaska's royalty gas.

In addition, said Martin, the board in its discussions late Wednesday determined that accepting \$10,000 from OMAR for a royalty study would be "clearly a conflict of interest" because OMAR has received donations from El Paso.

Martin said several questions should be answered before any royalty commitment is made.

The El Paso Alaska Co. and Arctic Gas Co. currently are

involved in hearings before the Federal Power Commission (FPC) on a gas line route from Prudhoe Bay. El Paso's proposal calls for an Alaska route; Arctic's an Alaska-Canada route.

PROBABLE LOSS OF GAS LINE POSSIBLE

Seen By State

(Continued From Page 1)

The oil company spokesmen challenged an Aerospace Corporation report to the Department of Interior that there could be a loss of 400 million barrels of oil from the Prudhoe Bay field's ultimate production if gas is produced for sale, rather than reinjected.

Testifying for Arco, Howard Slack said with good reservoir management, it is possible that the 400 million barrel estimated "loss" can be reduced to a negligible amount.

And Dr. Kenneth Keep, Alaska manager for BP Alaska, raised the possibility of a loss in oil production if all the gas is reinjected.

However, he, too, said with good reservoir management schemes this loss could be prevented.

Judd Miller Jr., production manager for Exxon USA, testified that optimum recovery from the Prudhoe Bay field is dependent on early gas sales.

"The gas at Prudhoe Bay will ultimately be sold," Miller said. "The question is one of timing. In our opinion, the benefits from an early sale offset possible loss in oil recovery."

Hamilton said their studies show that if gas production at Prudhoe Bay should exceed 2 billion cubic feet a day, oil

production drops off drastically. Highest recovery from the field would be 2 million barrels of oil a day if no gas were sold and water were injected, he said. Forrest Gard, president of the H. J. Gruy Co., of Dallas, who made the reservoir study for the Department of the Interior, told the committee that 2.5 billion cubic feet a day would be "optimum" gas production.

Martin said both El Paso Alaska, proposing a trans-Alaska pipeline, and Arctic Gas, proposing a pipeline through Canada, have estimated their projects would require 3 to 3.5 billion cubic feet a day.

However, this statement was challenged by both companies. El Paso Alaska Vice president John Bennett later said his company has filed with the Federal Power Commission an alternative to carry 2.5 billion cubic feet a day. And Amos Mathews, executive vice president of Alaskan Arctic Gas, said his company never has said it would require more than 2.25 billion cubic feet of gas per day from Prudhoe Bay, which would be combined with 2.25 billion from Canada's MacKenzie Delta.

Martin also told the committee that the reservoir study "is merely one of the factors" that will be considered by the Federal Power Commission in

arriving at a decision to certify either a trans-Alaska or a trans-Canadian pipeline.

The committee gave about 10 minutes each to Bennett and Matthews, at the end of the two-day meeting.

It was the first appearance before the committee for either El Paso, which already has the state legislature's endorsement for its trans-Alaska pipeline proposal, or Arctic Gas.

The committee, seemed to be unclear what its role or its next step should be.

After hearing economist Arlon Tussing expound for 30 minutes on how it is possible Alaska's natural gas could be "valueless" because of the high cost of building any pipeline, Rader asked, "Can we ignore your pessimistic outlook and go ahead and state a preference for one route over another?"

Tussing responded that "As a member of the state's Royalty Gas Development Advisory Board, a quasi-judicial group, I don't want to speak prejudicially about issues before the board." One of those issues obviously is El Paso's proposal to purchase all or part of the state's royalty gas — a commitment El Paso has said is

needed to insure that a trans-Alaska route will be selected by the Federal Power Commission.

But, he added, "I don't think it wise to push for one route in spite of what the state receives" for its gas. "I would be conservative about committing the state's royalty gas now. There are so many contingencies." The Royalty Board took that position at its meeting in Juneau this week.

One alternative to a pipeline, which would convert the state's royalty gas to methanol, "is worth looking into," Tussing said, although it is "not in the race." There is no one ready to submit such a proposal to the Federal Power Commission, he pointed out.

Sen. John Huber, D-Fairbanks, frequently mentioned the methanol alternative during the two days the committee was in session. He said privately that Wentworth Brothers of Cincinnati is investigating the methanol proposal, and he said if Wentworth could obtain the state's 12½ per cent royalty gas, plus uncommitted gas from other Prudhoe Bay owners, it "might be enough to block a Canadian (pipeline) route."

Another proposal, by Westinghouse, would take the

methanol out by submarine tanker, Huber said.

In his brief time before the committee, El Paso's Bennett said in the last 30 days, his company has amended its filing to the Federal Power Commission updating its total project cost estimate to \$7.8 billion. He said the cost increase is due almost entirely to increases in the cost of materials.

They have modified construction plans for a liquefaction plant, to have it built within five years from the time a permit is issued, he added.

"For the last six weeks," he said, "El Paso has had a team looking at the Alyeska (trans-Alaska oil) pipeline and they have found that 75 per cent of the work pad and the entire haul road could be used for our construction. This moves us into year-round construction, and gives us greater comfort in that five-year time frame."

Bennett said because of new compressor design, they find they can reduce the amount of gas needed to operate the

system to 9.6 per cent, "and we can recover an unknown amount of that," as the liquefied gas is regasified.

Tussing had predicted that a "pessimistic" prediction of the cost of transporting Alaska gas is \$4 to \$5 per thousand cubic feet. Bennett said the president of a gas company supplying gas to Boston told him four days ago that gas there is selling at \$5.45 per thousand cubic feet.

"There are 40 million American homes who must use natural gas. It would cost \$80 billion to convert them" to another form of fuel, Bennett said.

"There are many complex problems facing us and many obstacles, but the lack of a market for Alaska's gas is not one of them."

Bennett predicted that Mathews would agree with that statement, and he did.

Mathews and Arctic's trans-Canadian pipeline system could be built in roughly the same time frame as El Paso's.

By SUSAN ANDREWS
Times Staff Writer

State officials told a legislative committee yesterday they will block any gas pipeline from the North Slope until they are convinced that gas can be produced without drastically reducing the recovery of oil from the Prudhoe Bay field.

"Haven't we effectively

destroyed a pipeline?" committee chairman state Sen. John Rader asked Commissioner of Natural Resources Guy Martin.

Martin replied, "No, only delayed it."

The testimony came yesterday during a two-day meeting the legislature's Gas Pipeline Impact Committee. Wednesday, officials of Atlantic Richfield Co., BP Alaska and Exxon all said they are confident both oil and gas can be produced from the Prudhoe Bay field without a loss in oil production.

They said water will be injected into the field to replace the pressure removed when gas is produced.

But Royle Hamilton, chief petroleum engineer for the state division of oil and gas yesterday said they have yet to see proof that sufficient water is available for injection and that the Prudhoe Bay reservoir will absorb the volumes of water that will be needed.

(See Page 3, Col. 3)

Our pipeline posture puzzles U.S.

By Hyman Solomon

WASHINGTON

CANADA IS EMERGING here as the big "X" factor in the multibillion-dollar decision on how to send Alaskan natural gas to southern U.S. markets.

"The central question now is where Canada is going on the question and how fast it will take to get there," one congressional aide in touch with pipeline developments told The Post.

The comment reveals a growing uncertainty, shared by others here, over Ottawa's current attitude toward some form of joint, Canada-U.S. project to transport gas across Canada to the U.S.

The concern has become more important in light of the recent decision by the staff of the U.S. Federal Power Commission to endorse strongly the transCanada Arctic Gas consortium pipeline proposal over two other contenders.

The FPC staff report amounted to a powerful push for the Arctic Gas pipeline, even though there are still several steps and decisions to be made before the U.S. formally adopts a route position late next year.

The feeling here among pipeline-issue watchers, however, is that the U.S. final decision may be determined more by what Canada does in the next several months while pursuing its own pipeline decision.

"Canada is going to have to show that it wants some kind of joint project," one observer said. "If it does that, it may well be a

case of the U.S. going along with whichever route Canada chooses."

The FPC staff report lends weight to a growing consensus that, for all practical purposes, the real choice among routes has been narrowed to two. The third, proposed by El Paso Natural Gas Co., Houston, and which involves a combined pipeline-liquified gas tanker routing, is just about dead.

The FPC staff found the El Paso proposal the least attractive of the alternatives from almost every conceivable standpoint — economic, environmental, and risk.

In addition, El Paso must now contend with the indirectly related problem of an Alaskan oil surplus on the U.S. West Coast. There is mounting anger within Congress over what it considers false assurances by the oil industry of the need for Alaskan oil on the West Coast during the time an oil route was being chosen.

U.S. legislators are not likely to forget the oil pipeline when it comes to choosing a gas route, The Post was told.

Congressional observers say the Northwest-Alcan gas pipeline alternative is still very much alive despite the short shrift it received in the FPC staff decision. Alaska, which has been favoring the El Paso route, probably will switch to the Alcan option as a second choice because of its greater contribution to the state's economy.

British Columbia's Bennett government is also reportedly

strongly in favor of the Alcan route, which would run parallel to the Alaska Highway and into British Columbia for part of its length. This route is also associated with the Canadian Maple Leaf project being considered as a possible way to tap gas from Canada's Mackenzie Delta.

In its report, the FPC staff said the Alcan and Maple Leaf system combines the Alaskan and Mackenzie Delta reserves "in an enormously inefficient way." The route would involve 1,200 more miles of pipeline than the Arctic Gas proposal.

The FPC staff recommended that one section of the Arctic Gas project, which would run gas to the West Coast, be eliminated as unnecessary and too costly.

Beyond that, however, the report, with little qualification, said the Arctic Gas alternative was "vastly superior" to the other two projects.

The staff argued that the Arctic Gas route would provide the cheapest project both on a capital and unit-cost basis. It suggested that North American and Euro-dollar capital markets could provide the capital funds for the near-\$9-billion project.

It is said that since President-elect Jimmy Carter will have to make the final decision on the pipeline route next year, he will not be anxious to make such a major decision if there is any real prospect of it backfiring on him. If the U.S. ends up leaning toward the Arctic Gas route, it will want some strong signals that Canada is not going to desert it once the U.S. is committed.

The Financial Post January 1/77 issue

Armstrong, secretary of the corporation, said Koniag was "shocked and dismayed" by the findings of the Rowan Group report on racial prejudice in Anchorage. The Rowan Group, led by attorneys of Kodiak natives charged with fraud in setting up the village of Shuyak, reported earlier this month that it would be "very difficult" to get a fair jury to hear the case.

"We are asking that the Chief Justice of the United States use an investigation by the Justice Department of the federal jury selection system in Alaska, charging that the present system of jury selection deprives Alaska Natives of their human rights and civil liberties."

Armstrong said Koniag has asked for investigations by the Justice Department, congressional judiciary committees, and the judicial committees of the

(Continued on Page 10)



In a conference of elders ...

Susie Stocking, 88, Kobuk, participates in her second Elders Conference at Kotzebue. She and other old timers are contributing many legends and songs of the Eskimo people for the historic record being compiled here. —More photos by Margie Bauman on page 13

AVCP non-profit corps. to merge this year

By MARILYN RICHARDS

If all sails smoothly, five non-profit corporations in the Calista region will incorporate this year to handle their Bureau of Indian Affairs service area.

The five organizations: Kupiklak Bista, Inc.; the Yukon Kuskokwim Health Corporation; Sunam Kiklutsist; the Association of Village Council Presidents Housing Authority are studying to incorporate under one umbrella using the village council president name. However they are planning on retaining the other organization's names to identify their departments.

The organizations are now currently funded through state and federal grants to provide health and social services to the 16 villages in the region. Preliminary studies indicate that services will expand into education, housing, and job services.

Last month the executive committees of the organizations adopted a unanimous resolution to work toward the consolidation under "the corporate umbrella of AVCP" said

Eddie Hoffman, that president organization's.

"Although these corporations are created or sanctioned by the AVCP, there is very little coordination of administrative and field activities resulting in inefficient utilization of resources available to provide services to the people," said Carl Jack AVCP's executive director.

Both Hoffman and Jack agree that the possible incorporation will be a significant step to fulfill the goals and the implementation of the Indian Self Determination and Education Assistance Act.

Representatives of the five organizations met with the representatives of the Tanana Chiefs Conference, Inc., late last week. TCC, the interior based non-profit organization which serves 43 villages, after which the AVCP hopes to pattern themselves. The Tlingit-Haida Council, in Southeast, and the Cook Inlet Native Association are two other primary sub-contractors.

"I am sure one corporate umbrella will help us make objective decisions for the benefit of our people in the

Bethel area," added Hoffman. The organizations plan to make further decisions and recommendations at the convention of the AVCP Jan. 26 to 29 in Bethel.

Hearings begin today

Statewide hearings on rates and the unavailability of fire insurance have been scheduled for January 19, 20, 21 and 24 by the Division of Insurance.

(Continued on Page 10)

editorial — Gasline route

After several years of closely observing the debate between Arctic Gas and El Paso about the method of transporting Alaskan gas to the populous urban and suburban regions of America and southern Canada, the Tundra Times is relieved to note the emergence of a third, more viable, alternative in the Northwest — Alcan Pipelines proposal.

(Continued on Page 2)

that should be... shown that they cannot obtain a fair trial...

that they committed fraud... setting up the corporation under the land claims act.

The ruling came after a January 5th hearing at which attorneys for the defendants argued that the trial should be held outside Alaska. They presented a report by the Rowan Group, Inc., a public opinion survey firm, which indicated that it would be very difficult to have a fair Anchorage trial because a majority of Anchorage residents were found to be biased against Alaska Natives. Shuyak Village Status.

The three defendants were indicted by a federal grand jury.

Natives turn the land on

(Editor's Note: Fledgling Native corporations have dabbled in everything from construction to tourism since the passage of the land claims act in 1971. Many however have turned to land and sea, traditional sources of food and shelter, for a new look at an old way of living. In this, the first of two parts, Staff Writer Jeffrey R. Richardson traces the development of Alaska's marine resources.)

By JEFFREY R. RICHARDSON

Politics and economics have a way of spoiling good ideas. One good idea that has been victimized by both is aquaculture. Aquaculture is the artificial production of fish, shellfish and marine plants for human use.

In Alaska, aquaculture is now seeing better days because people are more and more con-

cerned about salmon. They have control of government culture is a tant part build and

Recent aquaculture the inter non-profit corporate the land aquaculture loans. Under s own and facility.

Altho been pr 1870's, country ed for until been es mation cycles. This ha from ditions natural reprodu

Another fisherie resources govern to turn hatchery projects

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The Alcan proposal has one highly desirable attribute — it does not have any of the lethal and undesirable deficiencies of the Arctic and El Paso proposals.

Let us note the problems plaguing the Arctic route:

(1) It presents a severe challenge to the subsistence lifestyles of Alaskan and Canadian Arctic peoples — What assurance is there that the people of Kaktovik and the Mackenzie delta will be left undisturbed in the pursuit of their subsistence lifestyles? None, that we may observe.

(2) Let us not force the Canadian Native people to settle their aboriginal claims in the same frenzied, development-based turmoil in which Alaska Natives were forced to reach a land claims settlement during the 1960's and early 1970's. Before any type of Canadian pipeline system should come under serious consideration, Canadian Native claims should be fairly and thoroughly adjudicated without pressure from too-rapid development. We should know this from the Alaskan experience in resolving Native claims.

(3) Although we often do not lend much credence to the conservationist elements (special interest groups which often have little respect for the Native subsistence lifestyles, nor for the property rights of the original Canadian and Alaska Native landlords), many environmental questions about the feasibility of building the Arctic system with minimal impact on our Arctic ecosystems have not been adequately satisfied.

(4) Alaskan and Canadian Inupiat Eskimos are dependent upon migratory patterns of caribou for protein and essential nutrients. In spite of many assurances to the contrary in advance of construction of the Alyeska pipeline, Anaktuvik Pass Eskimos report disruptions in migratory patterns of the Porcupine caribou herd. We believe that there may be no guarantees of avoidance of such disruption where non-indigenous technology is massively applied against the arctic ecosystems. There are no such herds of caribou to be impacted by construction along the highway.

The El Paso route, a favorite of many Alaskans, will find it extremely difficult — we believe impossible — to overcome the lethal objections of the conservationist elements, staff recommendations of the Federal Power Commission, and the demands of more populous mid-western and eastern markets. Sound environmental concerns are concentrated about the uncertainty of implementing a technologically unproven gas transmission system involving a pipeline system, gas liquification system and LGN tanker system. The southcentral Alaska terminus proposed by El Paso has been demonstrated to be highly susceptible to earthquake danger. The El Paso system would increase tanker traffic along sealanes and near ports which state and federal officials worry may become cluttered with unsafe vessels.

Regardless of how Alaskans feel about the El Paso route, odds against its selection are tremendous and increasingly stacked against the proposal. The remaining contenders, we believe, will be Arctic and Alcan. The Tundra Times is hopeful that the decision will (1) not infringe upon the subsistence lifestyles of Alaskan and Canadian Native peoples, and allow them to continue to

the government know all along that the Natives were not given full title of the land, they never will. They the government will get the land back when all the Natives have to pay property tax. Sure they promise the Natives, forty million acres—Ok suppose they do. How in the h— do you Natives think that we will pay property, and if we don't pay taxes on property. We naturally lose all the land to Internal Revenue Service. Only thing we look for is tax free land and free choice of selection of land. This is known as reservation. Naturally we don't want that.

But the point is we have choice of accepting that or be cut off from all federal benefits. Including, and from Bureau of Indian Affairs, always remember that we as Natives, have far less rights as the Blacks or other minority groups.

I am writing at the conclusion of this letter to the Secretary of Interior. Don't worry I will not bring up the issue of reservations in Alaska. Although there is no doubt in my mind that there will eventually be one. Only sad thing about the whole d— set up is that people don't seem to realize the future plans of the Dept. of Interior.

All I could say is more power to those who have their hands in cockie jar. For tomorrow might be too late.

I have been in this world 53 years, and in last thirty years the Natives, have been permitted into the bars. I remember when I was young. There were signs all along Second Avenue that: No Natives permitted on where any kind of alcoholic beverages is served. There have been many changes these lot of Natives have lost what little pride they had. Look around!

There are too d— many welfare agencies. I see down at the Tanana Chiefs Social Service where young man asking for welfare assistance. And if you ask the young man why he is not working he usually say there is no work. Thats a d— lie. Because at the time pipeline was going full blast. Yet the young man seems to give me positive reason why he's not working. As soon as he gets his check from the agencies. He goes directly to the bar. This type of welfare assistance we could do without?

Well so much for this and that I will close with this little

to our knowledge the functioning fish and game organization in the rural of the state. Because of dependence of our region and game our village people have allocated the major the funds coming to this for the advocacy cash peoples to be spent in the of fish and game.

This program has led formation of fisheries boards both the Lower Yukon Kuskokwim whose representatives were selected at meetings within the represented by the specific fisheries organization. These duals were selected because villagers believed the individuals selected to be most qualified willing to represent the on fish and game matters. Through this constant attempt to fish and game these decided that they were capable of participating in the fish and game advisory system. You are well aware the system designed to rural peoples to participate the Boards of fish and decision making has worked in Rural Alaska.

It is with dismay that

Book By W

A Small History of the V
Adams Press, Chicago, Ill

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In our view, the best way to go is the Alcan route.

—T. R. J.

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But the point is we have choice of accepting that or be cut off from all federal benefits. Including, and from Bureau of Indian Affairs, always remember that we as Natives, have far less rights as the Blacks or other minority groups.

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Well so much for this and that. I will close with this little phrase: Be thankful you have seen the Sun rise today. For tomorrow there might not be no Sun for all of us.

Signed

Gilford

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Book Review By Walter

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Adams Press, Chicago, Illinois

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It doesn't pretend to be a book. It's just a nice little book. It be nice to have the same the North Slope, or Kodiak? they can be proud, but they tory of the Western Kenai is

11/14/77

Southeast Alaska Emp

AII Supports Alcan Route

FAIRBANKS (AP) — President Neil Bergt of Alaska International Industries says his firm will support the Alcan highway natural gas pipeline route proposed by Northwest Pipeline Co.

Bergt said Thursday insistence on El Paso's so-called all-Alaska pipeline and liquefied natural gas

tanker route is "an all or nothing gambit for Alaska."

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By Act of Congress, President Carter must decide which pipeline proposal to recommend to Congress by July 1. It will be a \$12 billion decision, which will affect the prosperity of Alaska, the profits of rival gas consortiums and the welfare of millions of Americans.

With such high stakes, the politicians have been maneuvering and manipulating behind the scenes. Alaskan state officials, for example, added a political caveat to its offer of future gas; the sale would be linked to political support of the El Paso pipeline plan.

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But the federal government echoed the industry's line that the free market should determine the supply, demand and price of natural gas. This would stimulate exploration, increase production and reduce demand, it is argued.

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Southeast Alaska Empl

All Supports Alcan Route

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Neil Bergt, President of Alaska International Industries of Fairbanks, said today that his company will support the Alcan Highway gas pipeline route as proposed by Northwest Pipeline Company.

Two significant developments prompted his decision, Bergt said. One was the Federal Power Commission Staff report which argues strongly for the Arctic Gas Company's trans-Canada route. The other development is the official position taken by the State of California and their Utility Commission before the FPC which also favored the trans-Canada route. He pointed out that the California position is important because they would have subsequent control of terminal siting for the tanker segment of the El Paso route.

"The decision making arena is the Federal Power Commission," Bergt said. "Although an all-Alaska route is preferable to us (Alaskans)," Bergt said, "there are too many other national and regional interests involved. Insistence on the all-Alaska route is an all or nothing gambit for Alaska. The Alcan Highway route satisfies many of Alaska's interests and many lower 48 interests. Without predicting what the FPC will do, there is enough support in the lower 48 and evidentiary support before the Federal Power Commission to certify the trans-Canada route.

"The Alcan route is a good alternative for Alaska," he said. "It is a compromise. It is not an all or nothing gambit. It remains to be seen whether public policies can adapt to new developments on a timely basis. Somebody has to speak up first, though, and that is why Alaska International is taking this position now for the Alcan Highway route."

From: Alaska International Industries
Contact: Marco Pennyalberry
452-7171

Note: This column appeared in the Southeast Alaska Empire on 1/24/77. During typesetting, however, four crucial paragraphs were left out. The following two pages contain the original newspaper copy, with missing paragraphs circled.

Jack Anderson With Les Whitten

Energy

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S.E. Alaska Empire 1/24/77

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SUNDAY, 1-23-77

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Why the second choice is a loser

By A.C. SWALLING

I appreciate being invited to express in this newspaper my views on a matter so vital to the economic health of Alaska, both near-term and for the future. I refer to the natural gas transportation system to bring North Slope natural gas to the Lower 48.

First, a bit of background. As chairman of the North Commission, established in 1967 by the Alaska Legislature, I was privileged to participate in the various studies carried on by that body. The members of the commission felt very strongly that the proposed oil line should be entirely under American control and so advocated.

THEY ALSO ADVANCED the concept that the natural gas pipeline should generally use the same corridor, terminating within Alaska at tidewater, with liquifaction facilities so sited that LNG could be "made available for transport by rail, truck, ship, or barge to remote villages and towns to bring total energy benefits of Alaska's resources within reach of all its citizens." Such a proposal would make possible the transportation of gas (surplus to Alaska's needs) to the Lower 48 by LNG carrier.

Some in the petroleum industry expressed opposition to a combination pipeline - LNG carrier system to transport North Slope natural gas to the southern markets. Arctic Gas is evidence of their opposition, but the commission persisted in its efforts to interest companies to analyze such a combination transport system.

Of all the companies approached only El Paso Natural Gas Co. evidenced interest. After many months of preliminary study, El Paso announced on Dec. 4, 1972, that they would file to develop and build such a system with a regasification facility on the West Coast and a tie in to the transcontinental pipelines, thereby making gas available to virtually any part of the Lower 48.

THE PROJECT was explained to Alaskans and overwhelmingly endorsed throughout the state. It was endorsed by the former and present governors, as well as the Eighth and Ninth Legislatures.

The filings of El Paso's Alaska project has been detailed and exhaustive. The statements, calculations, estimates, and computations of benefits to Alaska and the nation have withstood the cross examination by Arctic Gas and Alcan representatives as well as questions posed by the administrative law judge of the Federal Power Commission. Such is not the case of the Alcan's presentation whose interest in a competitive route did not surface until recently.

Too often lately we have heard certain media representatives and government officials suggest that because of the considerable momentum that Arctic Gas seems to have, Alaska may have to fall back and support the Alcan proposal as a "compromise" position in the natural gas pipeline controversy. Of course, this incredible idea presumes that the trans-Alaska route is doomed to failure, and Alaska must therefore settle for second best. Well, in my book, second best is a loser; and Alaska should not have to compromise on any issue involving its

A.C. "Al" Swalling is chairman of the board of the Alaska Bank of Commerce and president of Swalling Construction.



own interests or its natural resources. Furthermore, the project which will best benefit Alaska in this particular case also provides the greatest advantages to the nation as a whole.

THE TRANS-ALASKA project as sponsored by El Paso will provide many opportunities for Alaska that Alcan simply cannot meet. The comparable advantages and benefits are twice as great with the trans-Alaska route than with Alcan. For example, information available for each project shows that ad valorem and income taxes will be \$2.8 billion for trans-Alaska versus just \$1.3 billion for Alcan. The difference incidentally would be enough to build the Suisun Dam or pay for the capital move. Direct employment during the construction of the project will be 22,000 for Alaska and 15,000 for Alcan. Long-term employment after construction will be 800 for Alaska and 100 for Alcan.

By far the greatest advantage of the all-Alaskan route relates to its terminating at an ice-free tidewater site near Cordova. If Alaska is ever to have a chance to promote the construction of a petrochemical industry, it will be with the El Paso project. The natural gas and the even more valuable natural gas liquids (LPG's) must be delivered to a year-round shipping port to allow marine transportation of the product. Furthermore, Alaska is naturally at such a severe economic geographical disadvantage, that a difference of just a few cents per million - BTU in the cost of pipelining the feedstocks to the plant site, could make or break our ability to compete in a world petrochemical market.

Some would neatly do away with this critical factor by suggesting that a lateral could be constructed from the Alcan pipeline to Prince William Sound. Let's look at this idea more closely. Assuming that both El Paso and Alcan will transport initial volumes from Prudhoe Bay of 2.4 billion cubic feet daily, the state's royalty share would amount to 12½ per cent, or 300 million cubic feet. El Paso's FPC application shows that its pipeline will be 810 miles long and have a yearly operating cost of \$503 million. This means that it will cost 51 cents per million BTU to transport gas from the North Slope to Cordova.

THE FPC EXHIBITS for the Alcan pipeline indicate that it will be 730 miles

long and have an annual operating cost of \$530 million, which translates to 62 cents per million BTU to the Yukon Border. But we must back up to Delta Junction, which would be the point of departure of the new lateral going to Cordova. The transportation cost to Delta Junction via the Alcan line (844 miles) would be 40 cents per million BTU. Then, the new lateral must be built — by someone — to haul the state's 300 million cubic feet of royalty gas southward. It would be 285 miles long and 24 inches in diameter, and would cost approximately \$234 million. With annual operating costs of \$49 million, the transportation cost between Delta Junction and Cordova would be another 40 cents.

This, the difference between the El Paso cost of service (51 cents) and the Alcan - new lateral cost of service (80 cents) would be 29 cents per million BTU. Delivering 300 million cubic feet of royalty gas each day, the annual savings which would result from the El Paso line for the potential petrochemical customer near Cordova, would amount to \$25.9 million. In the highly competitive world of the petrochemical industry, a saving of that magnitude would be a considerable incentive to locate in Alaska. We also hear the suggestion that a lateral could be built from the Alcan line to Haines. This arrangement would produce a transportation cost of \$1.27 per million BTU — considerably less attractive than even the lateral to Cordova.

We must be careful not to treat too lightly the problem of who would build either one of these laterals from the Alcan pipeline. Despite Alcan's representations, we have no real indication that that company would build them. Petrochemical companies are not in the pipeline business, so we shouldn't expect them to build the laterals. It might be possible to expect a new, private company to build them, but we have seen no sign of this happening yet. And finally, I suppose the state could get into the pipeline business, although I would suggest that we could make better use of our tax monies — the Permanent Fund included.

BECAUSE THE EL PASO pipeline, taking advantage of technological advances, will operate at a higher pressure than Alcan (1670 psi vs 1250 psi), it will be

a more efficient system and would provide cheaper transportation to any point along its route. If 80 million cubic feet per day were delivered to Fairbanks, I am told that the transport cost would be 33 cents per million BTU for Alcan and 26 cents per million BTU for El Paso, providing approximately \$1 million in annual savings for the Fairbanks consumers with the all-Alaska pipeline. I understand that these figures do not include the cost of fuel, and if fuel costs were added, Alaskan natural gas customers would realize even greater savings with El Paso's project. Looking again at the FPC filings, we can see that within Alaska, Alcan requires 15 compressor stations consuming 80 million cubic feet of fuel each day, while El Paso needs just 10 stations consuming less than 45 million cubic feet of gas for fuel each day, thereby, effecting a very substantial saving of this valuable non-renewable resource.

The transportation advantage of the trans-Alaskan - LNG proposal extends beyond those communities along the pipeline itself. If for some reason communities in Southeast Alaska decide that they want North Slope natural gas, it could be delivered by barge in the form of LNG. Here once again, the economies of scale inherent in the El Paso project would result in a far lower transportation cost than Alcan could provide, by, in some cases, more than \$2 per million BTU.

It can be fairly stated that the trans-Alaskan route can offer Alaska everything that the Alcan route could, and more. Conversely, the Alcan route can show no advantage over El Paso, economically or otherwise.

UP TO THIS POINT I have only reflected on the benefits to Alaskans under the all-Alaska route. Let us add to those the national interests to be served through the balance of foreign payments, the construction of 11 LNG carriers in United States shipyards, the procurement of 1,500,000 tons of domestic pipe and fittings, as well as the manning of the carriers with American seamen.

Speaking for myself, I have never retreated from the conclusions of the North Commission, that the only logical transport system for natural gas from the North Slope to market, is one that is totally under the American flag.

Returning then to the original problem, we Alaskans simply cannot look upon Alcan as a "good second choice." It is in fact little better than Arctic Gas — which is no good at all for Alaska.

As the FPC staff position paper recently said, "Alcan is just a relocated Arctic Gas Project." Staff also strongly criticized Alcan's concept, costs and schedule as being unrealistic and undefensible. In other words, in my opinion, Alcan simply hasn't shown anyone that they know how to put together a major transportation project.

It should now be clear to all Alaskans that our real competition is Arctic Gas. And when we call Alcan a "good second choice," we are diluting our support for the trans-Alaska route. The end result will be that we'll get Arctic Gas approved — and we'll deserve it!

Gas Line Fight Gathers Steam

By BETTY MILLS

Washington Bureau

WASHINGTON — The natural gas pipeline battle is shaping up in Congress and early indications are that the fight may be as heated as the oil line battle of several years ago.

Introduction of legislation mandating the Arctic Gas route through Canada, sponsored by one-quarter of the 100-man Senate, is a serious setback for the pro-Alaskan gasline forces.

But the legislation may have a salutary effect for those

Paso.

But is El Paso has won a few skirmishes, the battle is far from over.

Many observers of the gas line fight have believed from the start that Congress will be the arena in which the route will be decided.

Alaskan Senators Ted Stevens and Mike Gravel have introduced separate pieces of legislation that would have the effect of mandating the all-Alaskan route. Rep. Don Young is preparing legislation — which he hopes to offer this spring — that would combine several features in the gas line issue, including the thorny problem of dealing with the state's royalty gas.

Stevens made a concerted effort to woo the support of midwestern and northern senators to his bill, carrying out extensive negotiations with Sen. Walter "Fritz" Mondale of Minnesota. But these fragile discussions fell through, much to the disappointment of Stevens.

Via a "Dear Colleague" letter sent around to all members of the Senate, Mondale was able to win 25 cosponsors when he put the bill in the hopper on Feb. 6.

Many senators respond to a "Dear Colleague" letter by signing onto a piece of

legislation that they may not understand fully. One of the senators who cosponsored the Mondale bill, in fact, earlier had joined in Gravel's legislation (to mandate a gas line decision by mid-1976).

So the fact that Mondale now has a quarter of the Senate behind him does not mean that measure of support will stay with him throughout Congressional consideration.

Alaska's representatives in Congress can now be expected to launch their own offensive in favor of the all-Alaskan line.

When Stevens got wind that Mondale was about to offer his bill, he mobilized his staff to issue a response. In a statement inserted in the Congressional Record the day Mondale introduced his bill, Stevens said:

"Many Canadians believe that an all Canadian line is preferable to a joint Canadian-U.S. route from the perspective of financing, environmental quality, costs to Canadian consumers and Canada's desire to maintain Canadian control over Canadian resources.

"Even if the Canadians supported a trans-Canada pipeline, which is, as I have pointed out, highly questionable, a trans-Canada

pipeline could not be of benefit to the U.S. because it simply could not be built in the time frame necessary to allow the delivery of Alaska's gas to any markets in the U.S. — whether it be the North, South, East, West, or even the Midwest," Stevens said.

The Alaskan Republican said the trans-Alaskan line can be built at least two years earlier than the trans-Canadian alternative.

The bills offered by Mondale, Stevens and Gravel will likely be a prime focus of discussion next Tuesday as the Senate Interior and Commerce Committees hold a joint hearing on the gas line issue. Although billed as a preliminary oversight hearing, the legislation is sure to be mentioned. Guy Mertin, commissioner of natural resources, will present the state position.

Meanwhile, on another front, the state made an impressive display this past week at the Federal Power Commission administrative hearing on the two competing gas line proposals.

From Jay Hammond through Martin, the state presented a forceful case for a gas line through the 49th state.

Times Analysis

promoting the Alaskan route if it serves to squelch the over-confidence many of them have been feeling.

The all-Alaskan proposal appears to be in good shape. The Canadian alternative has many problems which add up to one conclusion: that the line may take considerably longer to bring precious natural gas to Lower 48 markets. Delay is a key factor, and El Paso seems to have the edge in that regard.

In addition, the support by environmentalists for a line which parallels the oil utility corridor is a big boost for El

Anchorage Times 2/15/76

large mounds of ice form at the base of the cataract. The picturesque scene is a

still trying to dig itself out from under an intense snow storm that struck last weekend. (AP Wirephoto)

Army Engineers battalion from North Carolina and more than two dozen pieces of snow-fighting equipment arrived in Buffalo, N.Y., to help National Guardsmen clear the city after a blizzard that so far has cost the area an estimated \$60 million.

The National Weather Service predicted temperatures up to 30 degrees today in Buffalo, no significant snow and winds easing to 12- to 25-miles

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Federal grand jury, IRS probe Tenneco's conduct

By ERIN VAN BRONKHORST
News-Miner Bureau

JUNEAU—Federal grand juries are probing Tenneco's conduct in three cities, and an internal Revenue Service investigation of the company is con-

tinuing, a spokesman for the company said Tuesday.

Tenneco Vice President Robert Thomas made a short statement about the investigations to the joint legislative hearings on the proposed royalty gas sale. Tenneco has signed a tentative contract to purchase half of the state's royalty gas, and the deal must be approved by the Legislature.

News articles published in the Fairbanks Daily News-Miner in December pointed out that Tenneco had made a number of contributions to state and local officials in the Lower 48 over the past five years. Some of the contributions were legal and at least one case was possibly illegal. The articles were based on reports Tenneco filed with the Securities and Exchange Commission.

The federal grand juries are doing separate investigations in Milwaukee, New Orleans, and Washington, D.C., Thomas told the legislators.

The IRS investigation started in early 1976 and is still continuing, he said, adding that the company has supplied "voluminous documentation" and allowed many employees to be interviewed.

Several stockholders' lawsuits also were filed in connection with the contributions. Thomas said the federal

suits have been consolidated for handling in Texas and no trial date has been set there. The suits filed in the state courts are being held up pending resolution in the federal courts, he said.

He emphasized that the company now has "detailed procedures for compliance with ethical policy" and that its internal investigation has been closed.

Thomas had a copy of the six-page report the company had filed with the SEC but he did not have copies for the legislators. Senate committee Chairman John Rader said copies will be made for them.

None of the legislators' questions during Thomas's three hours of testimony dealt directly with the investigations.

Sen. Chancy Croft, D-Anchorage, asked if there were limits to the political activity Tenneco might engage in to support the trans-Alaska gas line. That political support is a key reason for the sale.

"Whatever legal limitations there are in state or federal law are implied in the contract. That is a general principle of contract law," Thomas said.

Tenneco employees already have met with representatives from the other two royalty gas buyer companies to map a

(See TENNECO, page A-3)

Alaska natural gas may be sent to stricken areas

WASHINGTON (AP)—A Liberian-flag vessel may make two trips to bring liquefied natural gas from Alaska to Everett, Mass., to help cope with the nation's energy problems, Treasury Secretary W. Michael Blumenthal said today.

Blumenthal granted a limited waiver of the Jones Act, which prohibits U.S. coastal trading by non-U.S. vessels, to make the shipments possible.

The ship, the Kenal Multina, will be able to make two voyages from Alaska to Massachusetts via the Panama Canal. It will be able to deliver about 700 million cubic feet of liquid natural gas on each voyage.

The waiver of the Jones Act will terminate on May 10 of this year. Treasury said the company handling the transaction, the Columbia Gas System Service Corp. of Wilmington, Del., requested a one-year waiver for six trips.

The announcement said that no U.S.-flag liquid natural gas carrier capable of transiting the Panama Canal was available.

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Inside

MUCH OF THE NATION is frozen to a standstill by snow and ice, but that didn't stop the groundhog from predicting more harsh weather ahead. Page 9

TREASURY SECRETARY W. Michael Blumenthal tells Congress that President Carter's tax rebate plan is the fastest way to help the nation's economy. Page 9.

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SNOW

You don't like it? Tr

EDITOR'S NOTE: Following is the third in a series of five articles entitled "Coping With Your Income Tax." They were written to help taxpayers prepare their 1976 tax returns.

TENNECO . . .

(Continued from page A-1)
strategy, Thomas said, but he stopped short of calling the group an official committee.

Croft asked if state officials had requested Tenneco keep records of the amounts it spent on political activity and Thomas said they had not.

Croft also asked how much money Tenneco had spent lobbying the Alaska Legislature for approval of the contract. Thomas said he did not know but he would obtain the figure if necessary.

The Tenneco report to the SEC listed a number of contributions, including:

- From 1970 until August, 1972, cash amounts ranging from \$200 to \$2,000 were given by the president of a Tenneco subsidiary (Midwestern Gas Transmission Co.) to state public utility commission chairmen in Indiana, Illinois, Kentucky and Wisconsin.

- In 1972, contributions of \$1,000 each were made by a subsidiary, Tenneco Oil Co., to two Louisiana district judges and a Louisiana district attorney who were running for re-election, all in the same parish. The payments were made in cash from the subsidiary's working account by an employee, according to the report, and were approved by senior management of the subsidiary. The contributions violated the then-existing Louisiana prohibition against

By JIM LUTHER
Associated Press Writer
WASHINGTON (AP)—Filing a federal income-tax return is not one of the more popular forms of amusement.

corporate campaign contributions, according to the report.

- Campaign contributions from Jan. 1, 1970, through Dec. 1, 1975, by three Tenneco subsidiaries in California elections totalling about \$180,000. These contributions were legal under California law, according to the report.

- Starting in 1966 or 1967, many high-level executives made annual cash contributions of \$2,000 each to a fund to be used for political contributions. The fund did not exceed \$40,000 in any one year, and was discontinued after 1973, the report said.

Under federal law, the fund was legal if it was voluntary, and "Most participants would probably state that their contributions were made voluntarily," the report said, concluding that the fund did not violate federal law.

The stockholders' suits seek to enjoin Tenneco officials from continuing the alleged unlawful diversion of the company's assets and also seek damages for alleged violations of federal securities laws, waste of corporate asset, violation of judiciary duties and maintenance of false books and records.

'Heroes' reunites Yale drama grads

LOS ANGELES (AP)—Talia Shire will star with Henry Winkler in the movie "Heroes," which takes place on a crosscountry trip.

The movie will be a reunion for Shire, most recently seen in "Rocky," and Winkler, who is Fonzie on television's "Happy Days." They were classmates at the Yale School of Drama.

Production will begin in late February, after Shire finishes the television movie "Kill Me If You Can." She plays a young woman who backs out of a wedding and meets a colorful Vietnam veteran on the trip.

But many persons who don't have to file might find it profitable to do so.

Heading such a list are teenagers, part-time workers and poor working families. A family, while not liable for any taxes, could qualify for a government check of up to \$400.

Generally, anyone—regardless of age—who earned \$5,100 or more in 1976 must file a return. But in some cases, a return is required if income totaled as much as \$750.

You must file a return if you are:

- Single, under 65 and grossed at least \$2,450 in 1976. If you are 65 or older, the figure rises to \$3,200.

- Married, under 65, filing a joint return and had income of at least \$3,600. If you are 65 or older, the figure is \$4,350. If both you and your spouse are 65 or older, you must file if income totaled \$5,100 or more.

- Eligible to be claimed as a dependent by a parent, have taxable dividends or interest and had total income of \$750 or more.

But even if you don't have to file a return, it could be to your advantage to do so.

For example, if you are single, 20 years old and earned \$2,000 last year in a part-time job, taxes should have been withheld from your wages. You can get back all that federal income tax by filing a return.

Again this year there is a special tax

PUBLIC M

The State of Alaska has filed 2.8 million acres of federal land. Statehood Act entitlement. Natural Resources is holding form the public and seek re proposed 2.8 million-acre sel volved in the land selection at the meeting. FAIRBANKS 9, 7:00 p.m., Wood Center Alaska campus.

'Lord of Rings' will be animated

LOS ANGELES (AP)—An animated motion picture will be made from the classic "Lord of the Rings" by J. R. R. Tolkien, the first from the late author's works.

Ralph Bakshi will direct the movie using international artists and will introduce new animation techniques, said producer Saul Zaentz, who was coproducer of "One Flew Over the Cuckoo's Nest."

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20	73%	72	72	1	1/2
29	27%	27	27	1	1/2
31	38%	37	37	1	1/2
43	18%	18	18	1	1/2
49	57%	56	56	1	1/2
74	61%	60	60	1	1/2
44	18%	18	18	1	1/2
107	19%	19	19	1	1/2
717	35%	34	34	1	1/2
96	20%	20	20	1	1/2
117	86%	85	85	1	1/2
135	18%	18	18	1	1/2
119	23%	22	22	1	1/2
31	5%	5	5	1	1/2
37	2%	2	2	1	1/2
197	34%	33	33	1	1/2
106	35%	35	35	1	1/2
325	19%	18	18	1	1/2
30	3%	3	3	1	1/2
153	24%	23	23	1	1/2
26	19%	19	19	1	1/2
9	6%	6	6	1	1/2
314	28%	27	27	1	1/2
213	17%	16	16	1	1/2
21	14%	14	14	1	1/2
44	6%	6	6	1	1/2
280	58%	57	57	1	1/2
381	19%	19	19	1	1/2
81	17%	17	17	1	1/2
151	33%	33	33	1	1/2
378	20%	20	20	1	1/2
381	38%	38	38	1	1/2
309	65%	64	64	1	1/2
177	40	39	39	1	1/2
85	32	31	31	1	1/2
55	5%	5	5	1	1/2
22	18%	18	18	1	1/2
1044	55%	54	54	1	1/2
623	13%	13	13	1	1/2
82	21	20	20	1	1/2
675	49	48	48	1	1/2
95	38%	37	37	1	1/2
176	44%	43	43	1	1/2
143	34%	34	34	1	1/2
124	16%	15	15	1	1/2
57	10%	10	10	1	1/2
129	37%	36	36	1	1/2
196	51%	50	50	1	1/2
557	40%	39	39	1	1/2
10	13%	13	13	1	1/2
485	17%	17	17	1	1/2
244	31%	30	30	1	1/2
451	12%	12	12	1	1/2
667	62%	61	61	1	1/2
314	78	77	77	1	1/2
4	35%	35	35	1	1/2
23	37%	37	37	1	1/2
44	13%	13	13	1	1/2
144	25%	25	25	1	1/2
117	20%	20	20	1	1/2
174	76	75	75	1	1/2
6963	9%	9	9	1	1/2
62	19%	19	19	1	1/2
283	23%	23	23	1	1/2
1496	16%	16	16	1	1/2
117	58%	58	58	1	1/2
103	36	35	35	1	1/2
81	59%	59	59	1	1/2
689	38%	38	38	1	1/2
212	26%	25	25	1	1/2
204	29%	29	29	1	1/2
52	28%	28	28	1	1/2



CLAUDINE LONGET
"Think Of My Children"

Any heavy tampering with the legislation "would almost certainly assure there could be no bill passed," Senate Majority Leader Robert Byrd, D-W.Va., warned over the weekend.

The bill would enable Carter to order gas transferred from one pipeline company to another to get it to areas hardest hit by the current spell of abnormally cold weather.

Carter's proposal also would free some gas from federal price controls through July 31.

Congressional leaders say final action should come by the end of the week.

Carter flew by helicopter to Pittsburgh on Sunday, saying he wanted a first-hand look at the impact the weather is having on employment.

Arctic temperatures that swept across the eastern half of the nation on Friday put more than 1.5 million

Carter's energy legislation, gets back to work on the bill today after opening debate Friday. Attempts to amend the legislation may produce a "free-for-all on the floor," one Senate aide said.

Although a vote in the Senate was possible by late today, leaders said a vote was more likely Tuesday.

In the House, a "markup" session on the legislation was scheduled for today by the House Commerce Committee to ready the bill for anticipated action Tuesday.

Congressional leaders have urged members to restrain from offering amendments. But a number were expected to be tried nonetheless.

One amendment, offered by Sen. Bennett Johnston, D-La., and backed by most senators from gas-producing states, would eliminate the bill's authorization for the President to order connections between interstate and intrastate pipelines.

Boucher: Keep Options Open

By **SUSAN ANDREWS**
Times Staff Writer

Former Lt. Gov. H. A. "Red" Boucher will urge the state legislature this week not to approve pending contracts for sale of the state's royalty share of Prudhoe Bay natural gas. He maintains that the state should keep its options open.

The legislature has set hearings for today through Wednesday on contracts to commit 2.6 trillion cubic feet of natural gas in return for political support for the all-Alaska pipeline route proposed by El Paso. The contracts, which were months in negotiation, have the approval of Gov.

Jay Hammond and the state's Royalty Oil and Gas Development Advisory Board but must be okayed by the legislature before going into effect.

Boucher will testify tomorrow.

"I'm opposed to committing resources for political purposes," said Boucher, who is a Democratic candidate for governor in 1978. He said the contracts will give Tenneco, El Paso and Southern Natural Gas options on a resource worth \$4 billion.

A year and a half ago, Boucher said El Paso's sea route had distinct advantages. Now he says it faces problems, such as where to land the gas.

"Now we have a land route (the Alcan proposal) and a sea route," he said. "The Alcan proposal has numerous problems, too," such as unanswered questions regarding the Canadian provinces' ability to tax and the impending native land claims.

Boucher is not convinced that the El Paso all-Alaska pipeline project is the best economically for the state. He has a copy of a letter from a state official to Northwest Energy Co., the firm proposing a competing Alcan Pipeline down the Alaska Highway, which says that under certain

(See Page 2, Col. 1)

A Times 1/31/77

Boucher Wants Gas Contracts Nixed

(Continued From Page 1)

circumstances the Alcan project could bring a greater financial return to the state.

Boucher obtained the letter from Northwest officials. But he denies that he is on Northwest's payroll or anyone's payroll who has a direct connection to any of the three pipeline routes.

In business as a consultant since leaving state government, Boucher said his clients include Modern Construction, whose chief interests at the moment are possible shopping centers in Anchorage and Fairbanks and a possible deal with Calista native corporation to act as their construc-

tion arm.

"I've had opportunities but purposely avoided doing consulting work for any pipeline," he said. "I did one study for Omar (Organization for Management of Alaska's Resources) and the Associated General Contractors in December 1975. I spent three months in Canada gathering data on the reality of problems that pipelines through Canada face. At that time, I pointed out that Interior was considering Alcan's route."

Boucher said his chief concern in the royalty gas issue is a petrochemical industry in the state. "What we have to address ourselves to is creating

as much ad valorem value as we can from our oil and gas." His major objection to the Arctic Gas pipeline route is that it has no provisions for instate use of the gas.

If the state legislature goes ahead with the sale of royalty gas, Boucher will urge that the contracts include only the residue or "dry" gas, with the valuable liquids removed.

He says negotiations should begin now on sale of the liquids, which are the feedstocks for a petrochemical industry.

Boucher also is highly skeptical of the provision of the royalty gas contracts which allows the state to switch its support from the all-Alaska pipeline to another pipeline route if it appears the all-Alaska route will not win federal approval.

"That doesn't sound like an all-out effort to me," he said. "I think that if the El Paso project is ruled out, it should require legislative approval to switch support to another route, and it should require reworking of the contracts."

Boucher said the royalty gas sale is a political decision, and if he were trying to win support for election as governor, "I sure am picking the wrong side of an issue. And I did so a year ago, before anyone else surfaced."

Balloting Begins

About 700 municipal general government employees were to choose a single bargaining agent to represent them today amid early-morning complaints that the balloting was not secret.

The employees were to choose between the Alaska Public Employees Association and the Ar-

chorage Municipal Employees Association. Early morning voters said the balloting was not secret because each employee had to sign in before voting and a corresponding number was beside the sign-in signature and on the ballot each employee received.

Freeze Keeps Millions Home

(Continued From Page 1)

of businesses, and about 90,000 workers have been laid off. All state schools have been closed since Thursday, keeping more than 2.6 million pupils at

Activity in Buffalo, N.Y., was still far from normal. National Guardsmen, city workers and private contractors worked all day to clear snow from streets and highways, but one official said "we're about to lose the battle."

ordered onto a 40-hour week until further notice — regardless of what fuel is used.

Industrial use of natural gas was cut off last week in New Jersey, and Public Utility Commission president Joel Jacobsen said Sunday that

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Tussing Calls Tactic Pointless

ATimes 2/3/77

JUNEAU (AP) — State lawmakers have been told what some say they've always suspected — selling the state's royalty gas in exchange for a lobbying campaign on behalf of an all-Alaska natural gas pipeline route is a meaningless political exercise.

"There is nothing the state can do to advance a trans-Alaska gas line," Arlon Tussing, a prominent Alaska economist and consultant, said during a legislative hearing yesterday on administration-negotiated royalty gas contracts. "These are contracts which don't mean anything."

"The purpose of the contracts are internal Alaska politics."

The administration of Gov. Jay Hammond is seeking legislative approval for contracts to sell Alaska's 12.5 per cent royalty share of Prudhoe Bay natural gas to three major gas transmission companies in exchange for their support for the all-Alaska pipeline route proposed by El Paso

Natural Gas Co.

But Tussing, a nationally-known University of Alaska economist, said flatly that support for Artic Gas's rival Canadian pipeline route had too much support in financial circles, the federal bureaucracy and Congress to be overcome.

"I expect an unbroken chain of decisions in favor of Artic Gas," Tussing said, predicting that the Federal Power Commission would recommend the Canadian route and President Carter and Congress would accept the recommendation.

But Tussing also predicted that political forces within Canada would prompt the Canadian government itself to reject the Artic route.

In the final analysis, Tussing said, the pipeline route decision will be made in negotiations between the U.S. and Canadian governments.

Those negotiations, he predicted, will result in the selection of some variation on the Alaska Highway route being proposed by Northwest

Pipeline Co.

"I believe the Alcan proposal offers a way out of a dilemma for both governments," Tussing said.

Tussing said the contracts were proposed by the Hammond administration as a defensive political maneuver and probably would be passed by the legislature for the same reason.

"Suppose you were the governor," Tussing said, "and you were under assault from Omar (Organization for the Management of Alaska Resources), the Anchorage Times and the Anchorage business community for not giving 100 per cent support for El Paso."

"And suppose your advisors are convinced that El Paso has very little chance. But you are concerned that when Artic Gas gets the nod, your critics will say it was only because you didn't do everything you could to sell El Paso."

(See Page 2, Col. 1)

City Offers Bake Sale Truce

By DON HUNTER
Times Staff Writer

The municipality is de-escalating the cupcake campaign.

To do that the municipal Department of Health and Environmental Protection has prepared a series of amendments to the existing health code. Those amendments will be handed to the Anchorage Municipal Assembly Tuesday and probably will be set for public hearing in two to three weeks.

Health Department Director Bert Hall yesterday reiterated that the department is not concerned with usually non-dangerous foods such as cookies and cakes but with the safety of the food preparation process.

definition for bake sales — "an informal sale of prepared food that is not potentially hazardous, to the general public in a fixed location for a period of time not to exceed 14 consecutive days."

Bake sale enthusiasts were shocked last week when it was reported that the city planned to begin enforcing health code provisions requiring inspection of kitchens in which bake sale goods are prepared.

Most bake sales in Anchorage are informal fund-raisers for community groups. The goods sold usually are prepared in private homes.

profits take a heat jump since the Sea-Land labor problem began five months ago.

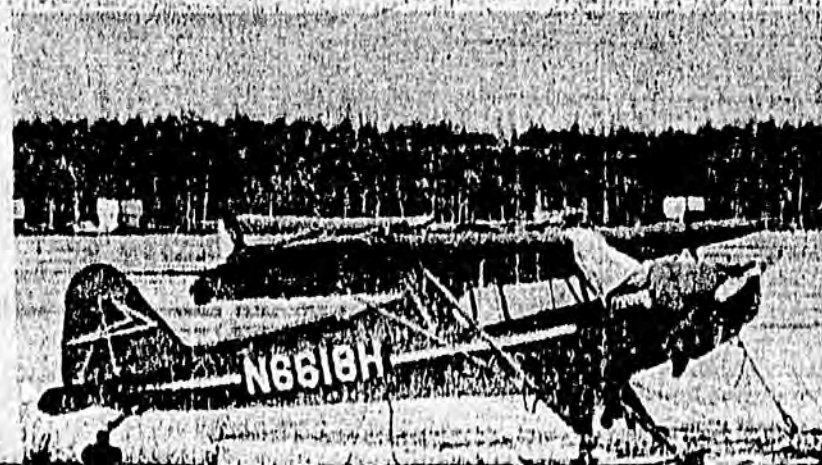
Through the use of subcontractors for much of the trucking end of its operation, Tote has been able to accommodate Sea-Land customers inconvenienced by the previous strikes — a situation that Sea-Land has used in court to stop the strikes.

Tote, a non-union shop itself, offers the van use policy that Teamster Secretary-Treasurer Jesse Carr blames for the strike.

Teamster members have been warned that this strike, the fourth since August over Sea-Land's policy of letting its customers use its trucks whether or not they are driven by members of Local 959, may be a long one.

Sea-Land management says flatly that will never happen.

Although Teamster spokesmen (See Page 2, Col. 5)



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Page 17)

2 The Anchorage Times, Thursday, February 3, 1977

Tussing Says Tactic 'Pointless'

(Continued From Page 1)

"It would seem an astute political move to go ahead and call everybody's bluff."

Despite his contention that the contracts are useless, Tussing said the Democratic-controlled legislature is in the same political boat as Alaska's Republican governor.

"What happens if you vote it (the contracts) down?" Tussing said. "Where is the finger going to be pointed when Artic Gas is approved?"

With some exceptions, Tussing's assessment drew favorable reviews from members of the special House and Senate committees.

"He made a lot of good points," said Sen. Clem Tillon, R-Halibut Cove. "But I'll probably vote for them (the contracts) even though they proba-

bly won't make any difference."

However, Rep. Clark Guening, D-Dist. 7 and chairman of the House special committee, said he would vote against the contracts if he became convinced they would not produce results.

The single negative comment came from Sen. Mike Colletta, R-Dist. 1, who told Tussing he took "offense at your lumping us all together as making a show."

Tussing's blunt testimony followed an appearance before the committee by Michael Holland, manager of El Paso's Alaska office.

Holland spent most of his time attempting to refute the findings of another consultant that Alaska could receive more for its royalty gas under the Artic proposal because of lower trans-

portation costs involved in the trans-Canada route.

Holland also repeated the contention of representatives of two other firms involved in the contracts — Tenneco and Southern Natural Gas — that the royalty gas sale will have "a profound positive influence on the ultimate success of our proposal."

But like the others before him, Holland was hard pressed to quantify the alleged influence.

The hearings were to conclude today with testimony from representatives of the Alcan and Artic route and supporters and opponents the three competing proposals.

State Rests Case In Vice Trial

By JON MATTHEWS
Times Staff Writer

An informant and several federal agents have completed their testimony and the government today was to rest its case in the prostitution and gambling conspiracy trial of four Alaskans.

Defense attorneys this morning were to submit motions to U.S. District Court Judge William P. Gray

Their statements were topped off by yesterday's testimony from several Federal Bureau of Investigation agents with lesser roles in the investigation.

Attorneys for McVeigh and Miller yesterday said the two prominent political figures will take the stand in their own defense. Both lawyers also said they plan to use character witnesses as part of their

tive witnesses.

Yesterday morning, FBI agent C. J. Morgan took the stand for the government and told of how he had assumed the undercover identity of a Cosimo Morganti during the investigation. Morganti was to be a front man for Vic Rossi, the identity used by FBI agent Desvernine during his undercover work.

Rossi was to be an East Coast mobster involved in financing ille-

ally talked with defendant Day during that time. Later, under cross-examination by Day's attorney, the agent said he didn't encourage prostitution in Valdez while playing his role as the underworld-connected Morganti.

Day's attorney brought out that while in Valdez, the agent had gone to Day's house for Thanksgiving dinner. But the agent told the jury he did not know the defendant well and





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FAIRBANKS, ALASKA, FRIDAY, FEBRUARY 4, 1977

Arctic's Bob Ward testifies

Royalty gas pacts 'okay' from state point of view



BOB WARD
Arctic President

By G. MICHAEL HARMON
Associated Press Writer

JUNEAU (AP)—The president of Arctic Gas Co. agreed Thursday that the sale of state royalty gas to gain political support for the all-Alaska pipeline route of arch-rival El Paso Natural Gas Co. will have "some impact" in the Lower 48.

"In all candor and in my opinion, the contracts are pretty good from the standpoint of what the state wants," Robert Ward told legislative hearings on the administration-negotiated contracts with El Paso, Tenneco and Southern Natural Gas Co.

Ward said there was "no question" that El Paso, like any of the three competing pipeline firms, would be helped by the commitment of Alaska's one-eighth royalty share of Prudhoe Bay natural gas, but added that he could not quantify the potential impact on the upcoming federal route decision.

"They've got to have some impact," said Ward, whose firm is proposing a

Fairbanksans testify, Page 3

vinced they will help that much, but they won't hurt."

Ward also said he thought the state was "pretty well protected under the contracts," in getting the highest price for its gas.

But he also said there was "no question" that Congress would endorse his firm's proposal while acknowledging that Arctic faces major problems in winning Canadian approval of its route.

Ward's assessment was in conflict with other testimony Thursday from Morris Thompson, vice president of Northwest Pipeline Corp., who said the contracts were a bad deal for the state and would not be decisive in the route decision.

Northwest's proposed Alcan pipeline route would extend from Prudhoe Bay to Fairbanks and then down the Alaska Highway to Washington state.

Thompson said the sale of Alaska's

the selection with Congress having only 60 days to vote it up or down," Thompson said. "And I feel any selection by the President will be approved."

"What impact will political clout have upon a regulatory agency (the Federal Power Commission) and a new President?"

Thompson also maintained that "approval of the contracts will substantially reduce royalty revenues to the state because the transportation system (El Paso) the state has selected to support costs more to build; the markets of Tenneco and Southern Natural Gas are more remote than that of Northwest Pipeline Corp. which increases transportation costs; and there is a substantial possibility of deregulation which will create substantially different marketing opportunities than we face today."



Our jobless

Drx 2/4/77

Gillam opposes royalty gas sale

ERIN VAN BRONKHORST

News-Miner Bureau

FAU—Mayor Harold Gillam of Juneau told legislators Thursday he opposes the proposed royalty gas sale, saying "nothing is more odorous than the sale of a resource in the name of some dubious political

He travelled to Juneau and stayed two days to testify briefly before the legislative hearings, which began their fourth day Thursday.

Testifying from Fairbanks were Mayor Dallas and Robert Dempsey, who

presented their plans for use of the gas in a petrochemical industry in the Interior.

Besides his first objection, Gillam said he believes the sale does not obtain the maximum use of the resource within the state. He said a proposal had been made to use the royalty gas for making fertilizer in the Delta Junction area, but this was not considered by the state administration.

"The sale is premature and I see no overpowering reason why it should be concluded," he said.

Gillam emphasized he was speaking

for himself, not the entire city, saying nobody could do that. He added most of the city council members agree with some of his statements. His trip was paid for by the city.

Dallas, a petroleum engineer now working for Tanana Valley Community College, told the committees, "what matters the most to the state is what happens to the state's share of the LPG's—the liquids."

The natural gas sent through the pipeline would be 85 per cent methane, the substance usually called dry gas, he explained. The rest of it is actually

"liquids"—ethane, propane, butane, and some pentanes—which can be used in a petrochemical industry.

A plant near Fairbanks could take from the pipeline some of the methane for heating, he said, plus the liquids which could be sold to a huge complex of petrochemical firms he envisions near Fairbanks.

Dempsey and Dallas brought with them a "magic briefcase" full of petroleum products, such as insulated pipe and polyethylene gas pipe, which they passed around to the lawmakers. Some of the products were made out-

side and some in Anchorage and Fairbanks, Dallas said.

Making these products in Fairbanks would keep the jobs in Alaska and economically benefit the state, Dallas contended.

"There are some who say that a petrochemical industry is not economically feasible but I maintain that it is," he said.

As for the royalty gas contracts, Dallas recommended a series of revisions so that the state would sell only the residue gas—that is the gas left over after the liquids are removed.

Pet 4

Lack of cold delays exploration

LY (AP)—Alaska's record-holding Prudhoe Bay has delayed exploratory work on Naval Petroleum Reserve 4, a 1.2 million acre reserve that lies next to the oil and gas fields of Prudhoe

because it knows for sure how much oil lies under the tundra covering the 1.2 million acre reserve that borders the Arctic Ocean—estimates have ranged from less than 10 billion barrels to 100 billion barrels.

In contrast, exploratory work has been slow at Prudhoe Bay because of the total lack of oil.

Why the drilling is so slow, estimates of Pet 4 are "really guesses" until wells confirm that there are accumulations large enough to make it worthwhile to drill, said an official of the U.S.

M.F. Westfall, manager of operations of the drilling contractor, said the warm weather and a lack of snow has put the firm's oil drilling program three weeks behind. Husky Oil NPR Operations Inc., a subsidiary of Husky Oil, is drilling the exploratory wells for the Navy.

But Westfall said Husky still plans to complete drilling of five wells by the scheduled completion date of May 1, before spring breakup prevents further work.

The trouble started when South Harrison Bay didn't freeze over. Husky had planned to land on the ice, but had to use a small frozen lake farther from the work site.

Then the winds came. There were "a lot of blows which interfered with aircraft movement," said Westfall. These

in the second year of a five-year contract with the Navy for exploration of the reserve.

Five hundred persons are working on Pet 4 this winter, handling chores ranging from drilling wells or conducting seismic work to finding likely geologic structures for future wells.

Work must be done while the tundra and lakes are frozen and workers and equipment can be moved without damaging the tundra.

The exploration effort is the most ambitious ever undertaken on the North Slope. And the accompanying seismic exploration program—employing five 40-man crews who are covering 2,830 line miles—is the largest single onshore effort ever in North America in a single season, according to Lt. Cmdr. A.E. Corcoran. He is of-

Lake Teshekpuk, Husky dug its first well—at a cost of \$7 million. The Navy said no commercial quantities of oil or gas were discovered.

The reserve was set aside in 1923 for national defense purposes after oil seeps were observed. The Navy carried out a \$60 million, 9-year research program in the 1950s that did not settle the issue.

In 1974, the deputy director of naval petroleum reserves said the energy crisis might have been averted if the Navy had been allowed to fully explore and develop Alaska's North Slope. Lt. Commander Kirby Brant, after resigning his post, said the Eisenhower administration had stopped exploration just when the project was getting going.

The future of the drilling program is unclear. Congress has transferred Pet 4 from Navy to the Interior Department with orders for Interior to evaluate the resource.

Husky officials say they aren't sure what changes Interior might make in the program, if any. And if President Carter sets up a new energy department it's possible Pet 4 may be shifted to this new department instead of Interior.

But despite these complications, Husky has already planned to drill seven more wells next year. Officials note that it takes a year's time to order the necessary supplies and barge them to the north slope. "We're just going ahead until someone tells us not to," said Westfall.

Gas hearings no big deal for delegation

By RICHARD FOLEY
Daily News Staff Writer

JUNEAU—Royalty natural gas hearings are big news in Juneau this week, but all three Ketchikan legislators say, the outcome of the hearings won't directly affect Ketchikan much. Sen. Bob Ziegler and Rep. Oral Freeman, Ketchikan Democrats, said they backed the all-Alaska gas line route proposed by El Paso Natural Gas Co. Rep. Terry Gardiner, D-Ketchikan, admitted the all-Alaska route would have some job impact on Southeast but he thought a route following the

Alcan highway was the best.

A special house committee has been taking testimony all week on gas contracts signed by Gov. Jay Hammond and three gas companies. The contracts are not valid without legislative approval. Hammond has proposed a sale of Alaska's one-eighth share of the Prudhoe Bay gas in exchange for a strong congressional lobbying effort by the companies for the Alaska pipeline route. The sale would be contingent on congressional approval of that route.

Freeman said the biggest impact the gas issues would have in Ketchikan depended on how much the pipeline affected the economy of the state as a whole. Freeman was not optimistic about plans by southeastern interests to bring a portion of the gas into the Panhandle.

There has been some talk of putting a spur on the Alcan gas route to send gas into Haines, or to have some of the resource barged into the Panhandle from the all-Alaska route's terminal.

Gardiner also doubted such plans would be feasible because the costs would be higher than

current needs. Although El Paso recently said it might be possible to barge gas into the Panhandle, Gardiner said the statement probably was an attempt to gather public support from the region for an all-Alaska route.

Ziegler said he didn't think the legislature would reject Hammond's proposed contracts.

"An overwhelming number of Alaskans would like the all-Alaska route," he said.

Ziegler added, "If there is a sentiment from home, I sure haven't heard it."

Freeman said he hadn't been at the gas hearings at all this week. He added, tongue in cheek, "There are so many statewide candidates sitting in the front row there isn't any place for me to sit."

"Calling it a gas hearing is not inappropriate," he said. "A lot of proceedings don't mean much because the decision on the direction of the gas route will not be made in Alaska."

The Hammond administration has signed the tentative gas contracts with El Paso, Terneco Alaska Inc., and Southern Natural Gas Co.

Weather

Ketchikan and vicinity: Mostly cloudy with scattered rain showers today, increasing clouds tonight with periods of rain Saturday. Winds S-SE 15-25 mph and gusty. Low temperature 42 (6C), high 46 (8C). Sunset 5:29, sunrise 8:30.

Wrangell-Petersburg: Continued mild, showers this afternoon decreasing tonight and Saturday. Winds east to 15 mph, occasionally gusting to 25.



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EDITORIAL PAGE

The Anchorage Times

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CLINTON T. ANDREWS JR.
Managing Editor

Page 4

Wednesday, February 9, 1977

Gas Sale Politics

IT WOULD BE a shame if partisan politics wound up wrecking a united legislative front on the matter of a trans-Alaska natural gas pipeline.

An important factor in the state's hope to steer the pipeline through Alaska — rather than across Canada — lies in the power of Alaska to sell its royalty share of the gas production from Prudhoe Bay.

A tentative sales agreement has been worked out between the administration of Gov. Jay Hammond and three natural gas companies to share in the state's portion of production. The contract requires approval by the legislature.

The primary goal is to ensure that whoever buys the state's gas will transport it across Alaska, providing spinoff benefits quite apart from the dollars received for sale of the energy to be shipped to Outside markets.

AT HEARINGS last week in Juneau the proposed agreement came under fire. Some of the heaviest volleys came from a University of Alaska economist whose outspoken viewpoints were more political than scientific. His argument is that it really doesn't matter what Alaska wants, because it isn't going to get the pipeline, anyway.

Coincidental with the hear-

ings came the recommendation in Washington, D.C., of an administrative law judge for the Federal Power Commission that the line be constructed across Canada, rather than across Alaska.

His recommendation was colored with all sorts of fancy phrases and personal observations, including one that called the trans-Alaska pipeline proposal "as wellcrafted a chamber of horrors as this writer has ever seen." That's rather lurid prose for a government report.

IN THE FACE of that sort of stuff, the state needs to strengthen its case for the trans-Alaska route in every way possible.

And there is nothing more important at the moment than approval of the gas sale to El Paso, Tenneco and Southern. Bickering in the legislature, however, could shoot this down.

The fear of some legislative observers is that partisan politics, some aimed at the next gubernatorial election in which Gov. Hammond will be a candidate, will delay or block approval of the sales agreement.

That would be a tragedy. And those legislators engaged in partisanship should be aware of the heavy responsibility they would bear if their activities resulted in loss of the pipeline.

All-Alaska gas line gets boost

WASHINGTON (AP) — A Transportation Department report released last month in the waning days of the Ford administration favors an "all-Alaska" pipeline as the best way to bring arctic natural gas to the lower 48 states.

Under the plan, proposed by El Paso Alaska Co., a natural gas pipeline would be built parallel to the Alaska oil pipeline from Alaska's North Slope to a seaport at Gravina Point. The gas then would be liquefied and shipped by refrigerated tanker to California.

The opinion differs from one expressed last week by a Federal Power Commission judge who recommended a 4,000-mile pipeline across Canada to transport the gas from North Slope reserves.

The Transportation Department recommendation was in a report Jan. 12, "National Transportation—Trends and Choices for the year 2000."

Outgoing Transportation Secretary William T. Coleman said at the time that much of the report might be changed by the administration of President Carter. The new transportation secretary, Brock Adams, has not indicated a preference for any of the three proposals that have been made for transmitting the North Slope natural gas.

The Jan. 12 report said the "all-Alaska" plan proposed by El Paso appeared to be the most viable for these reasons:

—It could be put into operation sooner because it does not require Canadian approval, and it can be constructed faster because it would parallel the trans-Alaska oil pipeline and would be smaller in diameter than the Alaska-Canadian pipeline.

—The delivered price of gas by LNG tanker would be comparable to the pipeline price, considering likely Canadian taxes and the cost of moving the natural gas from the U.S. border to consuming areas.

—The U.S. would collect more money in taxes and would not be affected adversely in its balance of payments.

—The trans-Alaska line would bring Fairbanks gas and Alaska industry.

—Because the cross-Canada pipeline would require regulatory approval of two governments and negotiation of the equity share of each company, delays might be substantially longer than for the all-Alaska system.

The report concluded that "either system may find it difficult to meet the 1981 timetable projected earlier."

Regulatory procedures and a long construction timetable are expected to prevent any gas from flowing from the Arctic until the mid-1980s.

FPC Administrative Law Judge Nahum Litt last week recommended a proposal by the Arctic Gas Study Group.

Perspective

By Joe LaRocca

BERGER INQUIRY

Secondly, the national political realities — re-enforced by President-elect Jimmy Carter's recent victory — guarantee the certification by the federal government of Northwest Pipeline's proposed Alcan route, now the only politically-viable alternative to the trans-Canada route proposed by Arctic Gas. The Arctic Gas proposal has been effectively foreclosed by a series of adverse events, which include the Berger Inquiry's recent staff report concluding that the resolution of native land claims in Canada — 10 to 15 years in the future — is a prerequisite to the construction of any pipeline through the Canadian arctic.

While that portion of the staff report was widely-publicized by Alaska's pro-El Paso news media and political establishment, little was said about the Berger staff's concomitant conclusion that Northwest's Alcan proposal would not adversely conflict with Canadian natives' unsettled land claims. And to the extent that the claims issue is a factor in the certification of the Alcan route, Northwest scored a shrewd coup when it captured Morris Thompson as its project director, whose Alaska native origins and recent experience as head of the U.S. Bureau of Indian Affairs in Washington provide a strategic advantage.

Arctic Gas' cause has been further prejudiced by the unexpected failure of explorationists to find sufficiently commercial quantities of gas in the Canadian arctic, upon which the economic feasibility of Arctic Gas' proposal depended.

These critical factors, which preclude any need for the state to commit its royalty gas to anyone — and which were effectively masked by yet another administration "study" purporting to establish the economic superiority by El Paso's proposal — were conveniently overlooked or ignored by the governor in the interests of furthering his recently-disclosed intentions to run for re-election in 1978.

Gov. Jay Hammond's unsurprising announcement last weekend that his administration had negotiated agreements to sell the state's North Slope royalty gas to three companies in exchange for their support of an All Alaska gas pipeline route, represented a triumph of public relations over rational public policy.

The hoopla that attended his announcement effectively concealed from most observers the fact that, with the stroke of a pen, Hammond signed away a precious state asset and got nothing or less in return.

Fortunately, the buck doesn't stop at Hammond's desk. The agreements are subject to legislative approval, which guarantees a more public — perhaps even sane — approach to the disposal of the state's Prudhoe Bay royalty gas.

Hammond's capitulation to the overt pressures of vocal and influential special interests was painfully reminiscent of the pre-OPEC era when gullible Middle East monarchs gleefully collected baubles from shrewd entrepreneurs in exchange for oil concessions worth billions.

ARTLESS DEALINGS

There are at least two major reasons why Hammond's artless dealings with the three tentative purchasers of the state's royalty gas — were they final — would profitlessly deprive the state and the majority of its citizens of an enormously valuable asset.

First, his premature commitment of a portion of the gas to the El Paso Co. renders that company's plan for an All Alaska pipeline academic, since its real — if covert — motive was mainly to nail down a substantial share of North Slope natural gas.

Although El Paso will continue to pursue its pipeline proposal publicly in order to maintain the appearance of a good faith effort on behalf of an All Alaska line, if the legislature ratifies the governor's agreements it would matter little to El Paso whether its own or a competing pipeline route is certified by the federal government.

It's also irrelevant to the other two purchasers — Tenneco and Southern Natural Gas — which pipeline system is built, since they too would be guaranteed a major share of North Slope gas, although in order to appear to live up to their end of the bargain, they will lobby overtly on behalf of an All Alaska pipeline.

Under the agreements, all three could retain their rights to the state's royalty gas if a route other than El Paso's is selected, simply by switching their support to whichever project wins federal approval.

Alaska May Offer Gas Delivery Funds

Considers Financing All-American System to Transport North-Slope Fuel

BY DAN FISHER
Times Staff Writer

Alaska is considering a plan to guarantee all or part of the financing necessary to build an all-American system for delivering North Slope natural gas to California and the lower 48 states, a top state official testified here Wednesday.

The plan, outlined by Alaska Lt. Gov. Lowell Thomas Jr. at a hearing of the California Commission for Economic Development, could bear importantly on an upcoming Carter Administration decision on which of three competitive Alaskan gas plans should be approved.

The all-American system, proposed by El Paso Natural Gas Co., has generally been considered a long shot in the competition, especially since the U.S. Federal Power Commission recommended to President Carter on Monday that he select one of two trans-Canada pipeline alternatives. Both of those routes are conditional upon the consent of the Canadian government.

El Paso's proposal is for a new gas pipeline roughly paralleling the oil line currently being completed from Alaska's North Slope to the ice-free port of Valdez on the Pacific Coast. The gas would be liquefied at Gravina Point, Alaska, and shipped by special cryogenic tankers to a proposed terminal and regasification facility at Point Conception on the Southern California coast. From there the gas would be distributed throughout the country in existing pipelines.

Alaska favors the El Paso plan because it will mean far more tax dollars and jobs in the state than either of the trans-Canada lines. The state's economy has been buoyed since 1974 by construction of the trans-Alaska oil line, but that job is expected to be done this summer, and officials are concerned that without the gas line project, the state's economy might go into a tailspin.

Among criticisms of the El Paso plan has been the charge that it will be the most expensive of the three alternatives. However, Alaska may change all that, Thomas testified Wednesday.

"The state of Alaska is currently considering a finance plan to guaran-

Please Turn to Page 20, Col. 3

tee bonds or debentures needed to construct the trans-Alaska LNG facility," he told the commission.

The liquefaction facility at Gravina Point accounts for nearly one-third of the estimated cost of the El Paso system, and if the state guaranteed the bonds necessary to finance it, the company presumably would be able to borrow the money at a lower interest rate.

"If this plan is put into effect the price to consumers in the lower 48 would be lowered by 3%," Thomas said. The state is also considering backing the pipeline portion of the project as well, the Alaska official said. If it backed both the pipeline and liquefaction facility, the savings could be nearly 14% over currently projected costs. That could make consumer prices under the El Paso plan less than under either of the competitive, trans-Canada proposals, Thomas added.

Thomas said in a subsequent interview that Alaska officials have been "kicking it (the finance plan) around very informally for a couple months. But now it's gaining a real head of steam." The state intends to reach a decision within two months. Carter is scheduled to make his decision on an Alaskan gas route by Sept. 1, so Alaska's verdict will come in time for its impact to be felt by the White House.

Perhaps even more important than its impact on the White House would be the effect of Alaska's financing plan on the Congress. Under legislation passed last year, Congress will have 60 days to review the President's decision once it is made. And many insiders feel that it will ultimately be the Congress which selects an Alaskan gas route. Proponents of all three competing routes are lobbying heavily in Washington and elsewhere.

Thomas said the financial wherewithal to back El Paso's plan could come from a permanent fund which the state created last year to set aside a portion of its Prudhoe Bay oil revenues. Or, Thomas said, "it could be backed by our general fund. We feel that with a company like El Paso, the chances of it going belly up are almost nil."

L.A. Times

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Editorial Opinion and Comment of



Daily News - Miner

"Independent in All Things . . . Neutral in None"

Other opinions expressed on this page do not necessarily reflect those of the Daily News-Miner.

A closing word

The state royalty natural gas sale contracts are up for final action in the State House this week, and whether they win or lose the legislature deserves credit for the way they've been handled.

Despite the shrill complaints from fans of the gas sale, the issue has been treated with due study and haste. Two months is not an unreasonable time for 60 people to work over a complex 20-year contract that took almost a year to negotiate, and proposals with greater merit have died in the legislature without even seeing a committee vote.

The royalty gas contracts passed at least two committees headed by people opposing them. This is especially remarkable because the contracts are the type of issue most legislators find hard to oppose in a floor vote, and the type of legislation which could be killed with just a few weeks of stalling in committee.

The supporters of the gas sale should be happy to get as far as they have, and their pressure tactics and attacks against legislators and the press certainly haven't helped.

The rhetoric flying in the past couple months has built a facade of debate over details around a basically philosophical question. The question is not one open to political pressure or even extended debate because the different sides are working from different basic assumptions.

The basic question is still: should the State of Alaska buy political support for El Paso Alaska's trans-Alaska gas pipeline through an economic partnership with three of the nation's leading energy companies?

Those who say "yes" include the companies themselves, some business leaders and the Organization for the Management of Alaska's Resources, the most active citizen group supporting the trans-Alaska route with its own \$10,000-a-month ties from El Paso Alaska.

They believe the contracts necessary to draw political support upon which the trans-Alaska pipeline fight will be decided.

Those who say "no" include Fairbanks Mayor Harold Gillam, former Lt. Gov. Red Boucher, several newspapers and a number of prominent legislators from both parties.

They believe the gas sale is either wrong, unnecessary or both. Some are loyal El Paso supporters while others are neutrals or are backers of the Alaska Highway route.

trading, pressure or compromise. Supporters of the sale are in a position for easy attacks on a popular issue, and opponents only reply by restating personal beliefs and hitting details of the contracts.

The supporters have made unwarranted personal attacks and stretched the truth to the breaking point. The debate hasn't been a pleasant one, as we can attest because this newspaper was the first to draw fire from the gas sale forces.

As far as the legislative debates go, there's an old political rule that says you should never try to force someone to vote against their philosophical or personal beliefs. It's a rule of good faith and good politics, and it's been quite soundly shattered recently.

We've stated before our fear that too close a partnership with the oil industry may harm Alaska's image and position on other issues. This is the year we will be before Congress on a number of important questions, and we should be serving our own and the nation's interests by taking a leadership role among energy and resource-producing states whose own reputations have been similarly soiled in the past.

The emotions aroused in the past two months bring a new worry that Alaskans won't be standing with each other on these other issues, even if they are united with the oil industry on the pipeline issue.

However the final vote comes out, we must remember that we are an important state but we are a small one in population and political clout. We must remember even in the hottest disagreements to respect the legitimate positions and beliefs of our neighbors.

After this week we're going to have to deal with people in the consuming states whose only interest in our gas is a desire to burn it. If we can't work among ourselves, we'll certainly fail with them.



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