

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
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Asia and Australasia—Basic Oil Laws and Concession Contracts, supplement 63.

Duration

Exploration license duration is five years with one renewal permitted (providing obligations have been met) of three years.

Production license duration is 21 years. One renewal of 21 years is authorized. A second renewal may be given at the Minister's discretion up to 21 years.

On conversion to production, the license area must be reduced by approximately 50% of the original area.

Drilling Obligation

Not specified in law. To be established by negotiation on grant of license.

Royalty

Crude oil royalty, maximum 12.5%.

Tax

Subject to general corporate tax.

France

Petroleum Legislation

The Mining Code of 1810 was replaced in 1956 by Executive Decrees 56/833 and 56/1327, as amended, which became the basic legislation for petroleum. Offshore continental shelf operations are governed by Law 68-1181, as modified by Law 77-485 of 11 May 1977.*

Exploration and Development Rights

The law provides for exploration permits, which entitle holders to carry out exclusive exploration operations within designated areas.

Upon discovering petroleum, the exploration permit holder is entitled to either an exploitation permit or a concession.

An exploitation permit is issued when cumulative production from the designated area will not exceed 300,000 tons.

Application

An applicant for an exploration permit must demonstrate his technical and financial capacity. Minimum sums for exploratory operations are not specified in law but are set out in a permit grant. Minimum exploration expenditure is 1,000 to 3,000 francs/sq km.

Duration

Maximum initial term of an exploration permit covering onshore areas is five years; it may be extended twice for a maximum of five years each time. A continental shelf exploration permit has a maximum term of 18 years, inclusive of all applicable extensions. The French government has an option to reduce the area included within the permit (except producing areas) upon the granting of each extension.

Exploitation permits have a maximum term of five years, subject to a maximum of two five-year extensions. Concessions may be granted for a period of up to 50 years.

Royalty

On a continental shelf exploitation permit, holders pay a specific royalty per ton of production. Onshore, only concessionaires pay royalties.

Decree 81-372 of 15 April 1981 changed royalties effective 1 January 1981. New oil is that produced from wells that came onstream after 1 January 1980. Old oil is that from wells onstream before that date.

<i>Crude Oil</i>	<i>Percent Value at Wellhead</i>	
	<i>Production, Old Oil</i>	<i>Production, New Oil</i>
<i>Production Level, Annual Metric Tons</i>		
0-50,000	8	0
50,000-100,000	14	6
100,000-300,000	17	9
over 300,000	20	12
<i>Gas</i>		
below 300,000 MM cu m	0	0
over 300,000 MM cu m	20	5

Tax

No taxes are imposed on exploration permit holders. Concessionaires are subject to a general French corporation tax.

Percentage depletion allowance is 23.5% of gross income up to 50% of net income only if the Company reinvests the amount of the allowance in oil exploration activities, whether conducted by itself or by another company.

Participation

Government policy prohibits permits to companies without substantial French private or public participation.

*All legislation cited is published in *Europe-Basic Oil Laws and Concession Contracts*. For an excellent summary of French petroleum legislation, see *Petroleum Legislation*, supplement 37.

French Guiana

Petroleum Legislation

Mining Code, Decree 55-586 of 20 May 1955, refers to changes in regulation of minerals for departments of Guadeloupe, French Guiana, Martinique, and Reunion. Decree 56-1039 of 5 October 1956 regulates the above Decree of 20 May 1955. Decree 70-988 of 29 October 1970 relates to procedures for requesting minerals licenses and the relinquishment of such licenses. Decree 65-1049 of 29 November 1965 publishes the 29 April 1958 Continental Shelf Convention. Law 68-1131 of 30 December 1968 pertains to exploration on the continental shelf and exploitation of its natural resources, together with Decrees 71-360 and 71-361 of 6 May 1971 regulating that Decree.

Contract terms, including drilling obligations and fiscal elements, are negotiated in each individual permit or concession.

Duration*

An exploration permit is five years. It may be renewed three times, each time for at least three years.

Germany, West

Petroleum Legislation

On 13 August 1980, the Federal Mining act was passed.* It replaced the Prussian Petroleum Act as well as all federal and state legislation in opposition to the Federal Mining Act of 1980. Certain portions of the 1980 act were effective immediately, but it was generally applicable 1 January 1982. This law was also replaced by the 1980 Federal Mining Act.

In 1982, the Act of Interim Regulation of Deep Sea Mining of 16 August 1980 (BGBI. II457/1980) was amended by an act called Act for Modification of the Act of Interim Regulation of Deep Sea Mining of 12 February 1982 BGBI. II36/1982.

In late 1982, the state of Lower Saxony enacted two mining regulations to be applied to all offshore wells in the German part of the North Sea:

- 1) The Mining Regulation for deep drilling, deep reservoirs, and for the production of natural resources by drilling in the State of Lower Saxony (BVOT) of 15 December 1982, Lower Saxonian Ministerial Gazette (Niedersächsisches Ministerialblatt) 1385/1981.
- 2) The Mining Regulation for electrical equipment (BVE) of 9 December 1981, Lower Saxonian Ministerial Gazette (Nds. MB1. 1369/1981).

Type of Grant

The 1980 Act provides for permits and concessions only with no special offshore authority.

Duration and Area

Under the 1980 Act, permits are five years with three-year extensions, no area limit. Concessions are for a 50-year maximum with no area limit.

Royalty

Royalty is dealt with under Articles 31 and 32 of the Federal Mining

Act of 1980. The act sets the maximum royalty at 40% with exact rates to be set by the State authorities. In 1982, the royalty was 32%.

Tax

Nonresident corporations are subject to German income tax at a flat rate of 50%.

Rental

Other than royalties, no other fees or taxes (other and income) are to be charged under the 1980 Act.

*Published in *Europe-Basic Oil Laws and Concession Contracts*, supplement 39.

Greece

Petroleum Legislation

Petroleum Code (Act No. 468/1975) promulgated 10 November 1976, as amended. Model Offshore License Agreement of 1979 contains specifications for future grants with Government participation.

The code provides for prospecting licenses, production sharing agreements, and license agreements. Rights are offered either by public tender or by invitation to a limited number of parties. Production sharing contracts are awarded according to criteria that include the percentage of production and the size of royalties offered to the State. In general, the law provides that awards shall be based on "considerations of public interest."

Duration

Prospecting licenses are issued for six months but can be renewed for a like term. An exploration license is four years. A concession or contract is 26 years.

Royalty

Royalty under a license agreement may not be less than 12.5%,

payable in cash or in kind at the State's option. The royalty rate may accelerate according to the level of production from each commercial deposit. While the amount of production accruing to the State under a production sharing agreement is stipulated in the contract and not in the law, the portion of output to be retained by the Contractor must always be sufficient to cover total current operating expenditures, together with any unrecovered balance from previous years and the amount of annual depreciation charged toward recovery of exploration costs.

Tax

Contractors under license agreements or production sharing agreements pay an income tax of 50% of net taxable income. In the case of production sharing contracts, permissible deductions include the following: fixed asset costs, current production outlays, overhead, and the value of the State's share of production. In addition to the above, royalties are deductible under license agreements.

Duration*

An exploration license is for a four-year term, renewable for an additional six months to complete or abandon a well drilled during the initial four-year period. After the exploration period, the concessionaire relinquishes all areas except those subject to development licenses. Upon commercial discovery of petroleum, the concessionaire has the right to a development license, which has a term of 26 years, extendable for another 10.

Drilling Obligation*

The concessionaire is obligated to drill six wells during the exploration period.

Production Sharing*

The law provides for production sharing. Generally, for the first five years of a development license, the Contractor can retain up to 70% of production to recoup petroleum costs, after which the Contractor (Prinos contract) can retain up to 40% for such purpose. In the last year of each development license, however, the concessionaire can retain as much production as is necessary to recover all of its petroleum costs.

The remainder of production is divided according to the following formula:

<i>Average Crude Oil Production, bld</i>	<i>State's Total Share after Taxes %</i>	<i>State's Participation Share, %</i>
0-30,000	65	30
30,001-80,000	70	40
80,001-200,000	75	50
over 200,000	80	60

Rental and Bonus*

None

Participation*

The Government reserves the right to 51% participation.

*Concession contract granted to Oceanic/Hellenic/Wintershall/White Shield, 14 June 1975, over the Prinos offshore contract area. Published in *Europe-Basic Oil Laws and Concession Contracts*, supplement 36.

Greenland

Petroleum Legislation

Act 166 of 12 May 1965, as amended by Act 203 of 21 May 1969. The law authorizes exploration licenses and concessions to joint stock companies registered in Greenland.

Subsoil

Reserved to the State. Priority for concessions is given to those entities that have worked under exploration licenses.

Duration

Concession duration is up to 50 years.

former at the rate of 30%. (An open company is one that satisfies the following conditions: voting stock is held by more than 100 persons, and shares carrying at least 25% of the voting power and amounting to at least 25% of the paid-up share capital are beneficially held by persons other than principal members and are also quoted or dealt in on a recognized stock exchange.) The rate of additional company profits tax at that same time was 15%.

Joint Venture or Production Sharing*

Not applicable

* Esso/Amerada/Texaco offshore concessions as granted by Decree 21 of 10 January 1978. Published in *Central America-Basic Oil Laws Concession Contracts*, supplement 28.

Hong Kong

Petroleum Legislation*

Chapter 285 of the Laws of Hong Kong (revised edition 1964) contains the government legislation for petroleum as contained in the Mining Ordinance and the Mining (General) Regulations.

Part II of the mining ordinance declares that control of mineral oils is vested in the Crown.

Rights are divided into prospecting licenses, mining licenses, and mining leases.

Duration

Prospecting licenses have a duration of six months, renewable up to five years in successive six-month periods. Mining license duration is not stated. Mining lease duration is 21 years and may be renewed for the same period.

Taxes

A mining lease is subject to general corporate taxation. Rentals are HK\$5/acre/six-month period on mining licenses and HK\$5/acre/year on mining leases.

Royalty

Royalty is 5% of sales value.

*Published in *Petroleum Legislation*, supplement 1.

India

Petroleum Legislation

Petroleum exploration and development onshore are subject to the Petroleum and Natural Gas Rules, 1959. Offshore operations are through contract with the Oil and Natural Gas Commission (ONGC), the official government agency for petroleum.

Petroleum transport is regulated by the Petroleum Pipelines (Acquisition of Rights of User in Land) Act of 1962.

The 1959 rules contain two stages for exploration and production of mineral oils: the exploration license and the mining lease.

Offshore operations are governed by a single contract governing exploration and exploitation.

Since the 1959 rules appear to no longer represent the Government's requirements for exploration and exploitation, the following requirements are based on the 1981 model contract put out by the Government with interpolations from an actual contract—the offshore Saurashtra II contract in the vicinity of the Bombay High producing area, signed March 1982 between the Government's ONGC and Chevron Oil.

Duration

Total duration is 22 years.‡ Exploration period is four years divided into Phase I of two years and Phase II of two years (offshore Phase II is expected to be one year).

Duration of the Chevron Saurashtra II contract is 22 years: Phase I (exploration), three years; Phase II (exploration), two years.†

Drilling and Expenditure Obligation

The model contract leaves obligations to be negotiated. The Chev-

ron contract calls for \$29 million and three wells drilled in Phase I, two more wells and \$18 million minimum in Phase II.

Bonus

Signature bonus of \$1 million.†† No production bonus is specified.‡

Management

The management committee will be equally staffed by the Contractor and ONGC.‡ ONGC will be on the operating committee.‡ The Contractor will be the Operator and will make all major decisions in consultation with the Government.†

ONGC will have the right to be the Operator after five years' commercial production or after all costs have been recovered by the Contractor.††

Foreign Exchange

The Contractor may remit amounts due out of India and may import currencies necessary for operations without restriction.††

Participation

ONGC carried interest of 50% will be exercised after a commercial discovery, with payment for its share but not to include payment of its share of the exploration costs.††

Cost Recovery

Exploration and development costs are to be recovered by the Contractor in five yearly installments, with production costs recovered completely in the year incurred.†† All cost oil will be offered to the Government at international price.

Production Sharing

Oil remaining after cost recovery is designated as profit oil. It will be divided between the Contractor and the Government on a sliding scale. The Contractor's share of the profit oil will be sold to the Government at an international price until self-sufficiency is achieved by India.†

****Production sharing** is 35% of the Contractor and 65% on the Government on 50,000 to 75,000 b/d; 30-70 on 75,000 to 100,000 b/d; 27.5-72.5 on 100,000 to 150,000 b/d; 25-75 on 150,000 to 250,000 b/d; and 20-80 on production over 250,000 b/d.

Gas

Associated gas belongs to the Government free of charge. A separate agreement will be negotiated for nonassociated gas.††

Technical Assistance

The Contractor will render technical assistance and will make technology available in areas such as exploration, production, refining, and petrochemicals through a separate agreement.††

Subsoil**

Title to the subsoil is vested in the Government.

Royalty**

Onshore royalty for petroleum is 10% of gross value at the wellhead. Offshore contracts do not contain royalty provisions.

Taxes**

Onshore exploration license application fee is 2,000 rupees. Exploitation lease onshore application fee is 5,000 rupees.

Onshore security deposit is 20 rupees/sq mile with a minimum of 6,000 rupees during exploration.

Offshore and onshore operations are subject to general corporate income tax.

Area**

Exploration license onshore is for a maximum area of 3,000 sq miles. Exploitation lease area is a maximum of 100 sq miles. There is no maximum offshore.

Duration

Exploration license duration—four years. It may be extended for

two further periods of one year each. Exploitation lease duration—20 years.**

Production sharing does not apply to onshore operations.

Cost Recovery**

Cost recovery offshore is 40%. Cost recovery provisions do not apply onshore.

Bonus**

Bonuses are US\$1 million on signature and US\$1 million on commercial discovery. A production bonus is US\$3 million at 40,000 b/d and US\$3 million at each multiple of 40,000 b/d over the initial 40,000 b/d.

*Petroleum and Natural Gas Rules, 1959, and the Petroleum Pipelines (Acquisition of Rights of User in Land) Act of 1962 published in *Asia and Australasia—Basic Oil Laws and Concession Contracts*.

†1981 model contract released to bidding companies by the Indian government. Published in the *Petroleum Taxation/Legislation Report*, a monthly review of world oil law changes and new contracts for exploration.

‡Chevron offshore Saurashtra II contract signed March 1982, summarized in *Petroleum Concession Handbook*, supplement 54.

**Offshore exploration/exploitation contract of 25 May 1974 between Reading & Bates/Terra Resources/Mapco and the Oil and Natural Gas Commission. Published in *Asia and Australasia—Basic Oil Laws and Concession Contracts*, supplement 53.

Indonesia

Petroleum Legislation

Indonesian Mining Law 44 of 1960 ended the concession system. The national oil company, Pertamina, was established by Law 8 of 1971 and was given power to enter into production sharing contracts with private companies.

Duration*

Duration is 30 years. The contract terminates if, after 10 years, no petroleum has been discovered.

Production Split*

The split is 75% Government, 25% Company. Israeli taxes are paid by the Government.

Costs*

The Government is to pay development costs. Other costs are recovered from 60% of production.

*This agreement has been published in *Middle East-Basic Oil Laws and Concession Contracts*, supplement 54.

Italy

Petroleum Legislation

Onshore petroleum operations are governed by the Petroleum Law of 1957.* Law 613 of 21 July 1967 amended Law 6 of 1957, which governs offshore.*

The law provides for exploration permits and exploitation concessions to Italian nationals or companies having their registered office in Italy.

Offshore, the law provides for nonexclusive prospecting permits that do not entitle their holders to drill exploratory wells, as well as exclusive exploration permits and concessions.

Exploration permits for onshore areas are acquired principally through a public auction system, which allows the Government to set minimum bids.

Area (Onshore)

Exploration permits may not cover more than 70,000 hectares. A single entity may not acquire permits covering more than 300,000 hectares. The maximum area of a concession is 3,000 hectares. Exploration permit holders can, upon making multiple discoveries, obtain multiple concessions.

Government Preference

Ente Nazionale Idrocarburi (ENI), the Italian national oil company, was granted the right to conduct exclusive surveys on the Italian continental shelf and to select 25% of the total area thereof for exploration and development. After selecting its initial acreage, ENI had to wait for two years before it could select additional acreage. Resource rights to other areas are granted to applicants who submit exploration and development programs. If two or more applicants are judged to be of equal caliber, a first-in-time rule prevails. The size of exploration permits may not be greater than 100,000 hectares.

Drilling and Work Obligations

Holders of exploration permits covering offshore areas must commence geological and geophysical surveys within 12 months of the effective date of the permit and must drill within 48 months of the start of surveying work. Offshore concessions are granted for 30 years but may be extended for an additional 10 years.

The holder of an exploration permit covering onshore areas must drill an exploratory well within 30 months of receiving its permit and report on geophysical work and discoveries. A concession is granted for 20 years but may be renewed for an additional 10 years.

Offshore Royalties

Royalties are 8% on crude and 5% on gas. A royalty does not apply to crude oil production under 50,000 tons yearly (1,000 b/d) and 200 MM cu meters (approximately 7 billion cu ft) of gas. Royalty payable in kind or in cash is based on the value at the wellhead. One-third of royalty produced from the territorial sea adjacent to the special charter regions is to be assigned to such regions for use in development of their economic and industrial activities.

Depletion

By Decree 601 of 29 September 1973, 50% of taxable profit deriving from the exploitation in the territorial sea and the continental shelf is exempted from local income tax (*imposta locale sui redditi*) for 20 years from the date the above-mentioned decree comes into force. This exemption is granted on the condition that the profit so exempted is invested in prospecting and/or exploration in the territorial sea, in the continental shelf, or in the concessional area inland.

Tax

The offshore law provides for a complex tax structure generally following this formula:

- 1) A tax of 6.8% of book profits plus a sliding scale tax on the first 100 million lire of book profits and 25% thereafter
- 2) 6.5% of remaining profits after deducting 1
- 3) 1.38% on the aggregate amount of tax payable under 1 and 2
- 4) An additional tax of 7.6% of book profits. However, up to 50% of sums accounted for as book profits may be deducted as a credit toward future exploration work

Rental

Rent on an onshore exploration permit is 200 lire/hectare/year. Rent on an onshore concession is 1,500 lire/hectare/year.

Offshore exploration permit rental is 10 lire/hectare for the first six years. This escalates to 20 lire/hectare for the first three-year extension and to 30 lire/hectare for the second three-year extension.

*Text published in *Europe-Basic Oil Law and Concession Contracts*, volume II and supplement 12.

Ivory Coast

Petroleum Legislation

Law No. 70-489 of 1970 created a Petroleum Code for the Ivory Coast. Under the 1970 law the State can undertake petroleum operations itself or can grant exploration permits and concessions to private firms (Article 2) through concessions awarded on a negotiated basis, subject to minimum values in the Petroleum Code.

Since the Government has adopted a policy of only granting new rights on a production sharing basis in partnership with its State oil company, Petroci, this review is focused on the Government's requirements as expressed in 1982 concession grants and the model contract.

Duration

Exclusive exploration permits are granted for not more than three

Export Tax*

Licensees are exempted from any tax on the export of petroleum until after either seven years from the first export or until all loans approved by the Government are repaid in full.

Assignment*

Licensees shall not assign any interest without previous consent in writing of the Minister, whose consent shall not be unreasonably withheld.

Conversion*

Licensees having established a commercial discovery will be granted an oil mining lease in terms attached to the license.

Arbitration*

Any dispute is settled by arbitration in accordance with the provisions of the Arbitration Act (Cap. 49 of the laws of Kenya) or within the meaning of the Convention on the Settlement of Investment Disputes between States and Nationals or Other States of 18 March 1965.

*Special oil prospecting license of 8 August 1979 granted to Kenya-Cities Service Inc., Marathon Petroleum Kenya Ltd., and Unionoil Kenya Ltd. Published in *South and Central Africa-Basic Oil Laws and Concession Contracts*, supplement 61.

Korea, South

Petroleum Legislation

The basic petroleum legislation is the Mining Business Law (Law 234 of 1951, as amended by Law 1961 of 1962); the Sea-Bottom Mineral Resources Development Law (Law 2184 of 1970); and Presidential Decree No. 5020 of 1970. The legislation provides for exploration permits and concessions.

Applications

Exploration rights are granted on a noncompetitive basis to applicants who have the financial means, technical capabilities, and equipment sufficient to perform submitted exploration plans.

Upon making a commercial discovery, a company that fulfills its exploratory obligation may be granted a concession for development.

Royalty

Of the value of petroleum produced, 12.5%.

Other

There is no joint venture, production sharing, rental, or bonus specified.

Duration*

The exploration period is eight years. This may be extended for an additional two years. Production period is 30 years from the expiration of the exploration period.

Drilling Obligation*

The Company is to spend a stipulated minimum on exploratory operations. In event of force majeure due to offshore boundary difficulties, Company obligations are postponed.

Tax*

A Company is subject to a corporate tax equal to 50% of its taxable income. All other taxes, duties, or other charges are waived.

Bonus*

Signature bonus—US\$500,000; discovery bonus—US\$1 million; production bonus—US\$5 million.

Rental*

During exploratory period, US\$90/sq km less exploratory expenses.

Scholarships*

The Company is to provide US\$50,000 during each year of the exploratory period for scholarships for Korean nationals and similar education.

Other

There is no joint venture, production sharing, rental, or bonus specified.

*Agreement of 24 September 1970 between the Government of Korea and Wendell Phillips Oil Company (Korea) Ltd. covering offshore areas. Published in *Asia and Australasia-Basic Oil Laws and Concession Contracts*, supplement 33.

Kuwait

Petroleum Legislation

There is no petroleum law. Historically, Kuwait regulates petroleum through the terms of its concessions, the most important concession being that granted to the Kuwait Oil Company (KOC), a company jointly owned by British Petroleum (BP) and Gulf Oil. Takeover of 100% nationalization of KOC's assets was carried out by an agreement of 1 December 1975 between the Government of Kuwait, BP (Kuwait) Ltd., and Gulf Kuwait Company. As compensation, the Government paid the companies the book value plus interest and agreed to enter into supply arrangements. Since nationalization, the Kuwaiti government manages the former concession areas.

Contracts*

Future crude oil supply arrangements between the Government, BP, and Gulf Oil were set forth in separate letter agreements with each company. Price to be paid by the companies for their crude oil purchases will be the Government's notified price, defined as "the FOB price per barrel established by the government or government entity and notified by it from time to time as the price at which it is willing to sell Kuwait crude oil to purchasers generally," minus US\$15/bbl. Both companies

ence price was set at US\$38.25/bbl for 37°API Bonny Light as from 1 July 1982. On the basis of a production cost of US\$1.60/bbl, 20% royalty, and 85% tax, the resulting tax-paid cost calculation worked out at US\$33.90/bbl. The difference between the tax-paid cost and the official Government sales price of US\$35.50/bbl is US\$1.60, which represents the deemed margin of profit on equity crude. Most of the foreign equity holders had a 40% stake in their producing ventures with NNPC, with the exception is Shell, which had 20% (the other 20% partner, Bf, was nationalized).

*21 July 1979 Nigerian National Petroleum Company (NNPC) bidding announcement. Published in *South and Central Africa-Basic Oil Laws and Concession Contracts*. Text of legislation and cited contract same source, supplement 59.

Norway

Petroleum Legislation*

The Act of 4 May 1973 governs onshore petroleum operations. Offshore petroleum exploration and development are regulated by the Continental Shelf Act of 21 June 1963 and pursuant thereto by Royal Decree of 8 December 1972, as amended. The following deals with the offshore petroleum system. Offshore taxation is levied under the Act of 13 June 1975.†

Types of Grants

Nonexclusive reconnaissance licenses are granted, which may cover all or part of the Norwegian North Sea. Exclusive production licenses are granted. Rights to petroleum development are granted on a partly negotiated basis.

Duration

Reconnaissance licenses are issued for three years. Data obtained by the Licensee must be transmitted to the Government, which will treat such information as confidential for five years and for so long thereafter as no production license has been granted for the area.

Production licenses are issued for six years, although a 30-year extension will be granted for up to 50% of the area covered by the license as well as for all areas containing deposits of petroleum. Grant of a production license may be conditional upon state participation. Licensees may be required in times of crisis to satisfy domestic petroleum needs.

Royalty

Royalty is 12.5% on natural gas produced under a license. Royalty on crude oil ranges from 8% for production of less than 40,000 b/d to 16% for production of 350,000 b/d.

Taxes

Income derived from petroleum production is subject to the general corporate tax rate and municipal taxes and tax equalization dues, totaling 50.8%. In addition, a special petroleum tax is payable at the rate of 35%.

Joint Venture

Grant of a production license is generally conditional upon 51% minimum State participation in the production enterprise, rising with production to 80%.

Bonus

Grant of a production license may be conditioned upon a bonus being paid to the State as well as other terms to be determined at the time of the grant.

Special Provisions

The Norwegian system provides, first, that the Ministry will take into account "(t)he extent to which the applicant has contributed or will contribute to the strengthening of the Norwegian economy, industrial growth and employment." Second, it provides that the Ministry of Industry will demand State participation and, with respect to some blocks, a production bonus. The Licensee, upon reaching a specified production level, will assign an agreed-upon percentage of its rights and

duties to a State oil company, which will obtain a carried working interest (which in this context means that the State will obtain a share of exploration and development costs, provided that 50% of such costs may be recouped by the oil company from the State's share of production). Participation by Statoil, the Government company, has been on a sliding scale rising with production and has approached 85% in some blocks.

1982 Safety Regulations

In 1982 Norway proposed tighter safety standards for semisubmersibles operating as drilling rigs or accommodation vessels in the country's sector of the North Sea.

Loss of the Pentagone-style semisubmersible *Alexander L. Kielland* in March 1980 produced the more stringent standards that went into effect 1 July 1982.

The regulations from the Norwegian Maritime Directorate imposed rules for anchoring systems stability, emergency power supplies, and lighting and life-saving equipment.

Effective 1 July 1982, Norwegian-owned or -registered rigs and vessels operating in Norwegian waters must be capable of staying afloat with a list of no more than 35° after losing one leg.

Power generation and emergency lighting must be effective in a list of as much as 35°. Rigs also have to have double the number of life boats. Existing rigs were required to undergo alterations to meet these requirements.

*Published in *Petroleum Legislation*, supplement 35.

†Text of legislation and nonconfidential concession contracts is published in *Europe-Basic Oil Laws and Concession Contracts*.

Oman

Petroleum Legislation

The Petroleum and Minerals Law of 1975 is very general. Petroleum regulation is mainly carried out through negotiated production sharing contracts.

Duration*

An exploration period is six years. An exploitation period is 18 to 25 years, depending upon when production starts.

Drilling Obligation*

Two wells must be drilled during the exploratory period.

Production Sharing*

There is no cost recovery from a particular production percentage. Rather, production is simply divided as follows:

Production, b/d	Government's Share, %	Company's Share, %
0-50,000	60	40
50,000-100,000	65	35
100,000-150,000	70	30
Over 150,000	75	25

Natural Gas*

If natural gas is discovered in commercial quantities, the parties are to negotiate a new contract for gas.

*Government of Trinidad production sharing contract, signed 1975 with Mobil and Deminex. Published in *Central America and Caribbean-Basic Oil Laws and Concession Contracts*, supplement 19.

Tunisia

Petroleum Legislation

Basic petroleum laws are the Decree of 13 December 1948 and the General Mining Code contained in the Decree of 1 January 1973 on Mines, amended by several other decrees.*

The mentioned laws provide for exploration permits by negotiation. If under an exploration permit a discovery is made that is capable

of producing specified quantities of petroleum, a portion of the permit must be converted into an exploitation concession.

Each petroleum permit or concession granted is the subject of a special legislative enactment approving it, and each permit or concession varies in some respect from the general law.

Duration

The exploratory initial period is three years. It can be renewed, under certain stipulated conditions, for 3 three-year periods. Exploitation duration is 50 years.

Investment Obligation*

The Company must invest US\$6 million the first three-year period and each three-year period thereafter, plus inflation index.

Royalty*

Royalty is 12½% of the value of petroleum produced.

Tax*

The Company's maximum tax liability is 80% of its annual net profits. The Company is exempt from all other taxes.

*Petroleum concession granted 1978 to Pecten Tunisia Corporation. Published in *North Africa-Basic Oil Laws and Concession Contracts*, supplement 46. Decree of 13 December 1948 and the General Mining Code of 1973 also are published in *North Africa-Basic Oil Laws and Concession Contracts*.

Turkey

Petroleum Legislation*

Petroleum law 6326, dated 7 March 1964, as amended by Law 6558 of 13 May 1965, Law 6987 of 29 May 1967, and Law 1702 of 5 April 1973.* Two decrees of 25 January 1980 guarantee the export right and international price for domestic sales.

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The law provides for the granting of nonexclusive permits for geological investigation; licenses giving their holders the right to drill wells; and leases that may be acquired either as of right by license holders who have made discoveries or, for areas not under license, by competitive bidding.

Area

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A leased area covers at most 25,000 hectares, and an entity may not hold areas amounting to more than 150,000 hectares in any one district at once.

Drilling Obligation

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Lessees must commence a development well within six months of the effective date of the lease.

Royalty

For petroleum produced, 12.5%.

Tax

net

Petroleum rights are subject to the general corporate tax regime. The Company may deduct rentals, royalties, exploration expenses, depletion allowances, and intangible drilling losses.

No provision for joint venture or production sharing.

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Oil

Rental

Lessees and licensees pay rentals.

Incentive Decrees

The Turkish Government passed decrees No. 8/172 and No. 8/178 of 24 January 1980 and Decree No. 8/910 of 28 May 1980 to clarify uncertainties in the application of Turkish petroleum policy and to create more favorable conditions for exploration.

Improvements by the decrees are as follows:

- 1) Benefiting from every domestic and foreign means was adopted as the national policy (Decree No. 8/178, Art. No. 1).

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- 2) Measures to reopen all promising areas to domestic and foreign exploration activities were undertaken (Decree No. 8/178, Art. 2).
- 3) The 25% fund share that was previously taken was abolished for newly discovered oil. Sales price of domestic oil was raised to world market prices (Decree No. 8/172, Art. 1/4 B-aa).
- 4) An amount of 35% of produced oil was permitted to be exported (Decree No. 8/910, Art. 3).
- 5) The national petroleum company, TPAO, was authorized to establish partnerships with domestic and/or foreign companies for oil exploration and was also entitled to accept international arbitration procedures in agreements for joint exploration activities (Decree No. 8/178, Art. 6).
- 6) The Monetary and Credit Board was established (Decree No. 8/166) for high-level coordination and speed in solving problems related to petroleum policy and its implementation. The undersecretary of the Ministry of Energy and Natural Resources and the Director General of Petroleum Affairs participate in meetings held by this board in connection with such operations (Decree 8/178, Art. 4).

* Published in *Middle East-Basic Oil Laws and Concession Contracts*, supplements 42 and 66.

Umm al-Qaiwain

Petroleum Legislation*

Because there is no petroleum law, all rights are awarded by negotiated contract.

Duration

Twenty-five years.

Drilling Obligation

The Company is to begin to explore within six months and within 12 months to complete initial geophysical operations.

EIC SALES

Sale 43/43A Beaufort Sea/Colville River Delta/Prudhoe Bay Uplands May 22, 1984

Tracts

EIC

43A-70 - 78
43A-79 - 84

\$ 1,200/ft drilled to 30% of well costs, 1st well/tract, 10 yr limit
\$375/ft drilled to 30% of well costs, 1st well/tract, 10 yr limit

Sale 65 Beaufort Sea June 4, 1991
All tracts \$1,000/ft drilled up to 15% of well costs, 1st well/tract, 5yr limit

Sale 67A Cook Inlet Exempt January 29, 1991
All tracts \$200/ft drilled to 20% of well costs, 1 well /tract, 3 yr limit

Sale 70A Kuparuk Uplands Exempt January 29, 1991
All tracts \$300/ft drilled to 20% of well costs, 1 well /tract, 5 yr limit

Sale 74 Cook Inlet September 24, 1991
All tracts \$200/ft drilled to 20% of well costs, 1 well /tract, 3 yr limit

allow c. to grant

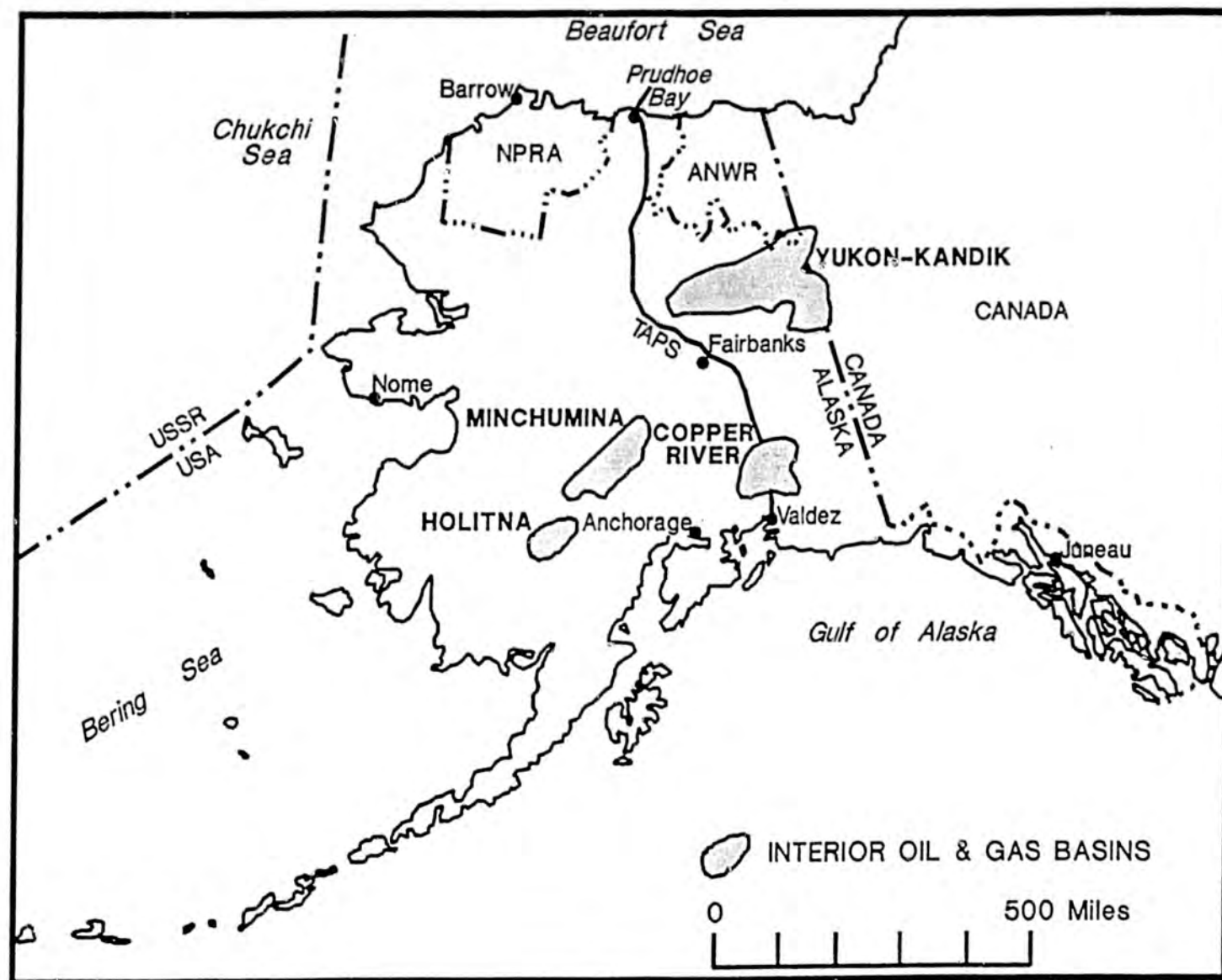


EXPLORATION INCENTIVE CREDITS
Report Month: February 1992

ADL	WELL	COMPANY	CERTIFICATION DATE	TOTAL AMOUNT
343109	G-2 Well	Exxon	10/05/83	\$6,197,625.00
		Standard Alaska	12/27/83	4,152,408.75
		BPAAE	10/05/83	2,045,216.25
344010	Leffingwell	Arco	10/02/84	3,706,000.00
		Union	10/02/84	3,706,000.00
344033	J-1 Well	Exxon	10/31/84	5,119,500.00
355005	Long Island Well	Exxon	11/14/84	1,378,076.00
		Standard Alaska	11/14/84	1,378,076.00
245126	Totek Hills	Arco Alaska	08/02/85	715,530.81
355037	Colville Delta #1	Texaco	07/09/86	637,500.00
		Amerada Hess	07/09/86	888,594.00
		Diamond Shamrock (A)	07/09/86	100,128.00
		Mobil	02/05/87	432,511.00
		Placid Oil (C)	07/09/86	314,679.00
		Union Texas (B)	07/09/86	475,631.00
		Rosewood Resources	07/09/86	12,662.00
		Hunt Pet Co.	07/09/86	11,213.00
364478	Colville Delta Area AHC 25-13-6 #1 Well	Amerada Hess	10/12/87	677,853.00
		Union Texas (G)	10/12/87	508,390.00
		Texaco	10/12/87	225,951.00
		Maxus Expl. (G)	10/12/87	146,757.41
		Placid Oil	10/12/87	129,115.00
		Rosewood Res.	10/12/87	21,360.00
		Hunt Pet Co. (G)	10/12/87	18,987.00
		Texaco (E)	02/01/88	79,193.59
355038	Colville Delta #2	Amerada Hess	10/28/87	757,731.46
		Union Texas (G)	10/28/87	205,106.95
		Texaco	10/28/87	273,475.93
		Maxus Expl. (F)	10/28/87	273,475.93
		Placid Oil (H)	10/28/87	423,982.26
		Rosewood Res. (D)	10/28/87	77,561.49
		Hut Pet Co. (G)	10/28/87	68,943.50
355039	Colville Delta #3	Amerada Hess	10/28/87	364,048.13
		Union Texas (G)	10/28/87	91,012.03
		Texaco	10/28/87	364,048.13
		Maxus Expl. (G)	10/28/87	364,048.13
		Placid Oil (H)	10/28/87	178,918.37
		Rosewood Res. (D)	10/28/87	34,416.31
		Hut Pet Co. (G)	10/28/87	30,592.28
344176	Gyr #1	Arco Alaska, Inc.	11/ /90	719,560.56
		Conoco	11/ /90	761,481.20
		Amerada Hess	11/ /90	761,481.20
		Arco Alaska, Inc.	01/92	16,151.00
		Conoco	01/92	9,479.94
		Amerada Hess	01/92	9,479.93
GRAND TOTAL				\$38,863,952.54

- (A) Assigned \$432,511 of EIC to Mobil Oil Corp. effective 02/05/87
 (B) Assigned entire EIC to BP Alaska effective 02/03/87
 (C) Assigned entire EIC to Texaco Inc. effective 03/31/87
 (D) Assigned entire EIC to Texaco Producing Inc. effective 01/01/88
 (E) Assigned \$79,193.59 of EIC to Texaco Producing Inc. effective 02/01/88
 (F) Assigned entire EIC to Texaco Producing Inc. effective 02/01/88
 (G) Assigned entire EIC to Texaco Producing Inc. effective 05/17/88
 (H) Assigned entire EIC to Standard Alaska effective 05/17/88

Source: Alaska Department of Natural Resources, Division of Oil and Gas



**TESTIMONY ON
EXPLORATION LICENSE BILL
SB 460
Presented to Senate Oil & Gas
April 7, 1992**

Mr. Chairman, for the record, my name is George R. Findling. I am the Manager of Government and Public Relations for ARCO Alaska, Inc. I am here to testify on SB 460.

Mr. Chairman, you will recall that Jim Davis, our Vice President of Exploration, testified Feb. 4th on the situation of oil and gas exploration in Alaska. He noted the general decline in industry activity and pointed out ways in which the State might be able to encourage more exploration. To summarize, anyone exploring for oil and gas must assume the significant risks and costs of exploration and, if successful, development. Uncertainty of future oil prices is a further major risk. Now, the state can somewhat enhance the prospects for exploration in Alaska by reducing the risks and costs of oil and gas leasing. This can be accomplished by authorizing issuance of exploration licenses that may be converted to leases.

We are pleased to see the introduction of this legislation. It shows the willingness of the legislature to consider important options that can be of real benefit to the State of Alaska. As you may know, ARCO has the most active exploration program in Alaska. We have continued our commitment despite industry retraction and the continuation of the recent weak oil prices.

The current version of SB 460 provides an excellent frame work within which a good exploration incentives program can be developed. We point out that this initial legislation could be improved mainly by incorporating concepts that provide earlier certainty of title and lease terms. The following features are recommended in order for the legislation to better fulfill its objectives. Some of these points could be covered by regulations; however, many, in our view, should be addressed directly in the legislation.

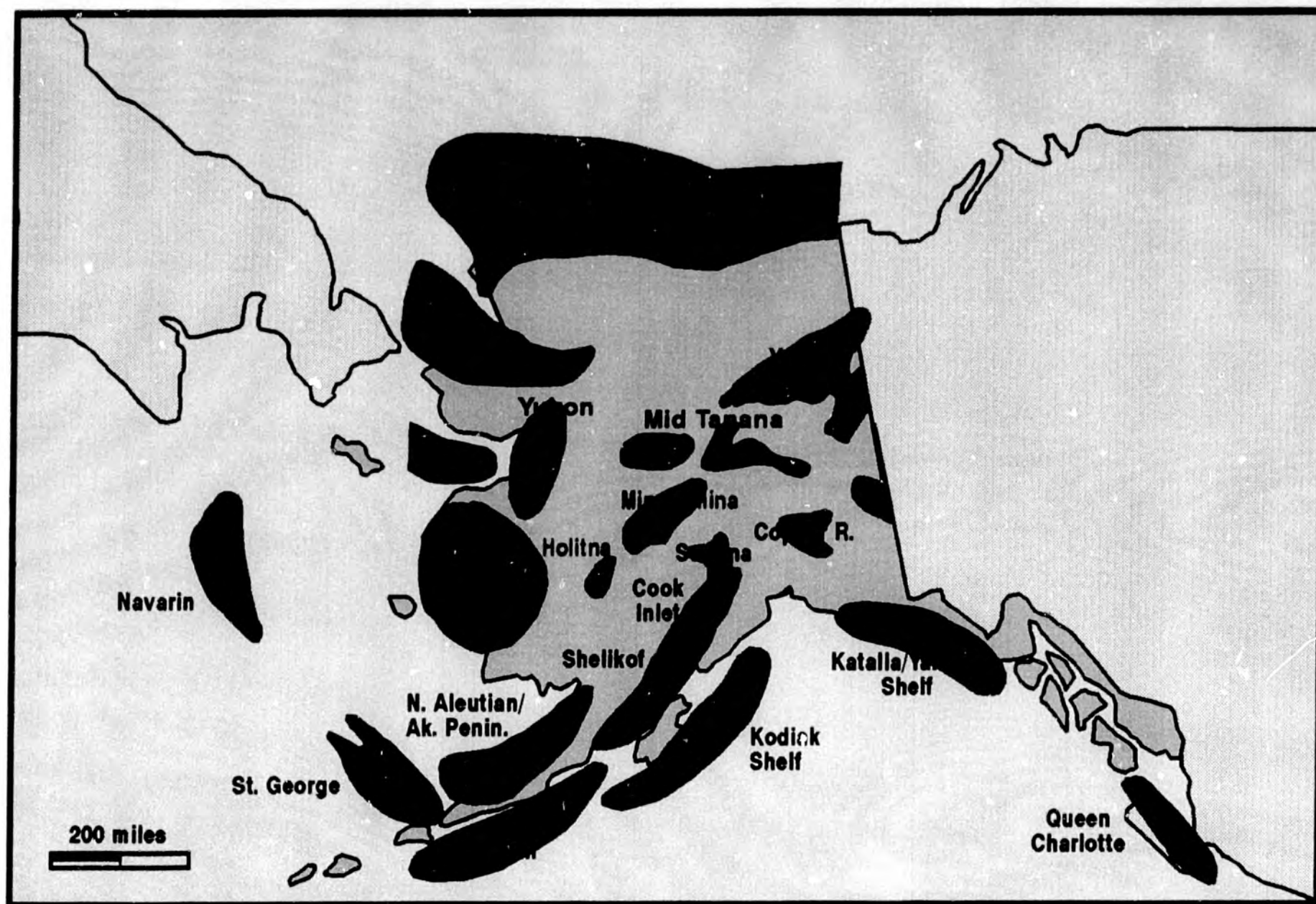
- License award procedures. Procedures should be enumerated for the award of exploration licenses. The license process should have four stages: (1) prospective licensees initiate the process with DNR by proposing a specific exploration license; (2) DNR publicly notices the proposal and solicits competing proposals and comment from governmental agencies and the public; (3) DNR makes a written best interest finding; and (4) the license is awarded (to the highest bidder at oral auction if more than one party is interested). Some of these steps will be more fully discussed in a moment.

- Work commitments. The consideration for receipt of a license should be a work commitment, expressed in dollars of auditable exploration costs. The licensee would control the exploration targets and methods, and commensurately commit to do a certain dollar value of acceptable forms of exploration activity. If more than one party were interested in an area, the bidding should be in terms of dollars of work commitment obligation.
- Public notice and public interest review. The licensee must have assurance that public notice and public interest review will not prevent conversion to lease. This means that the public notice and public interest review must precede issuance of the license. The legislature could substitute a streamlined notice and review process for that prescribed under AS 38.05.035(g). However, whatever procedures and standards apply, they must be satisfied before the license is issued.
- Lease terms. Lease terms must be set before the license is issued. The licensee must know, before it is bound by a work commitment, the terms that will govern such key obligations and rights as rent and royalty rates, royalty valuation, the primary term, extension beyond the primary term, unitization, force majeure, royalty reduction, and discovery royalty. This could be accomplished by attaching to the license, the form of lease that would be used.
- Conversion to lease. The granting of the license should vest the right to convert all or part of the area to lease based upon satisfaction of the work commitment. In essence, the exploration license should be viewed as an option to lease, and its issuance viewed as a disposal of an interest in land.

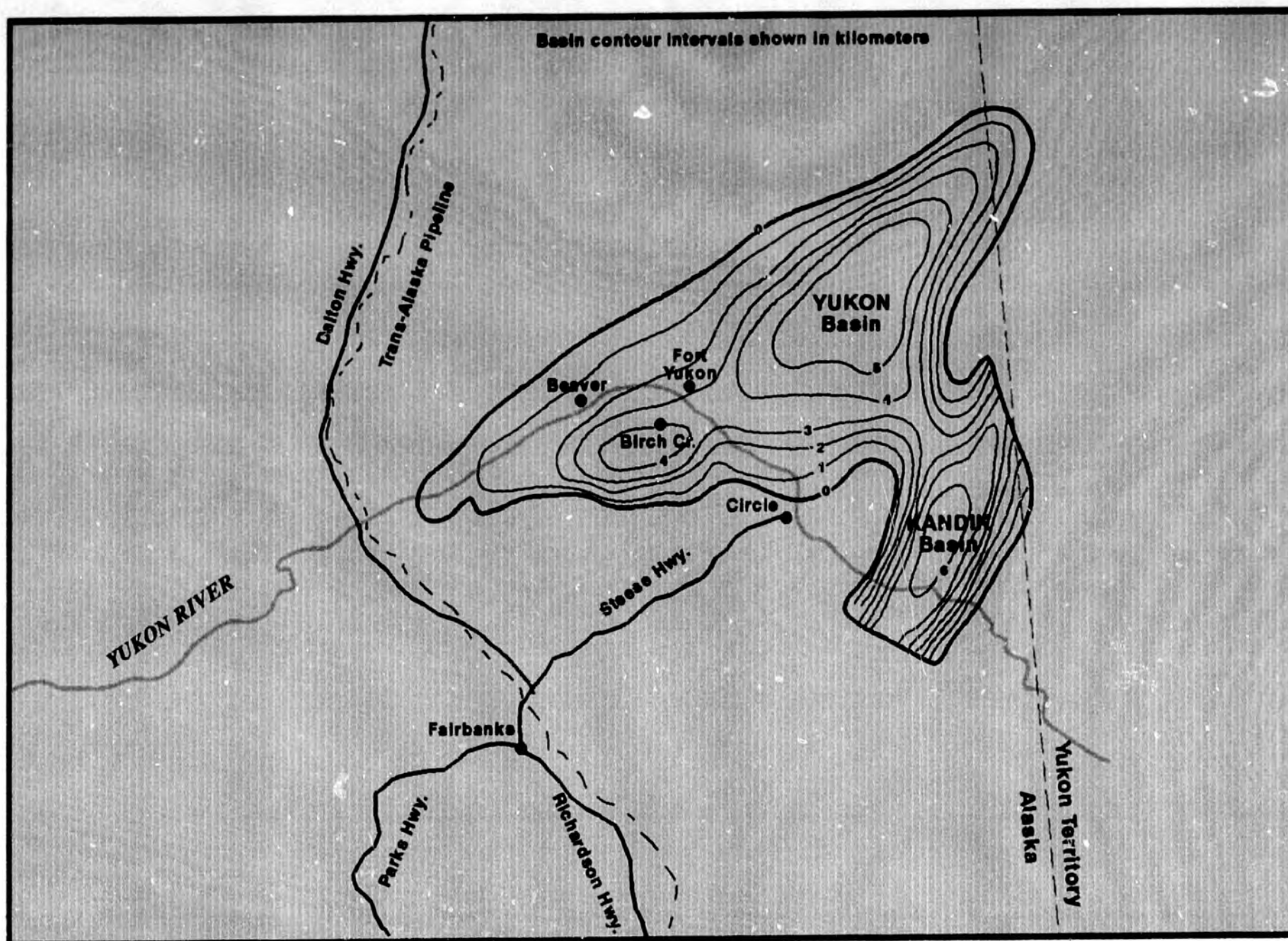
The area converted to lease need not be a single lease, but could be divided into and administered as individual, standard-size leases. Conversion to a lease, however, cannot be dependent upon the exercise of subjective discretion.
- Bond and Bond forfeiture. The legislature may wish to consider allowing alternative forms of security in place of surety bonds. However, we agree that the bond obligation must be genuine to avoid abuses of the licensing process. In addition, before a license could be forfeited, the licensee should have the right to notice and an opportunity to cure the alleged default. Forfeiture of the surety should require a judicial finding of material breach of the license obligations.

These comments are fairly specific and technical. I would be happy to try to answer any questions you may have.

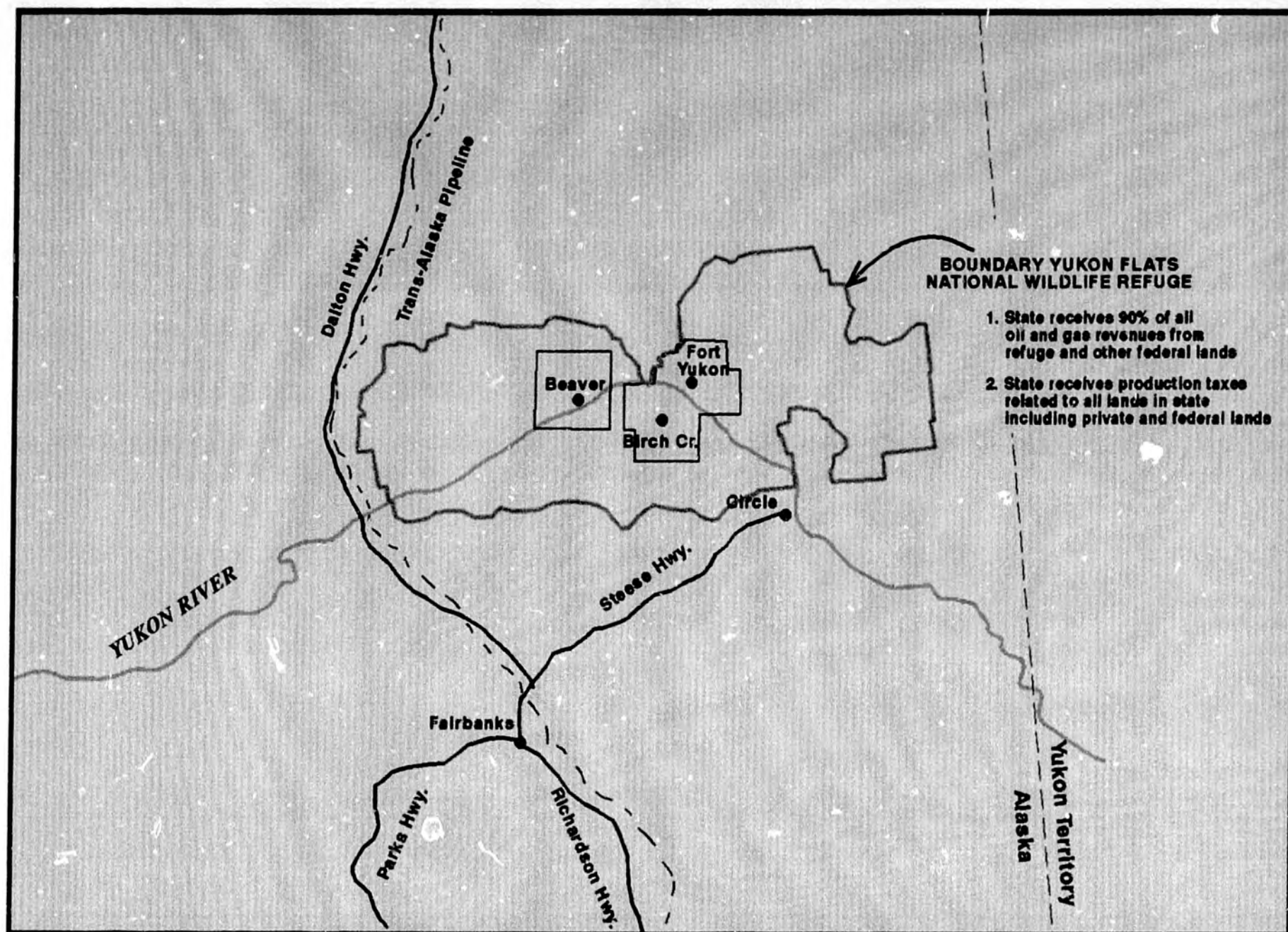
EXAMPLE OF STATE OF ALASKA'S
ECONOMIC INTERESTS IN PETROLEUM PRODUCTION
FROM PRIVATE AND FEDERAL LANDS



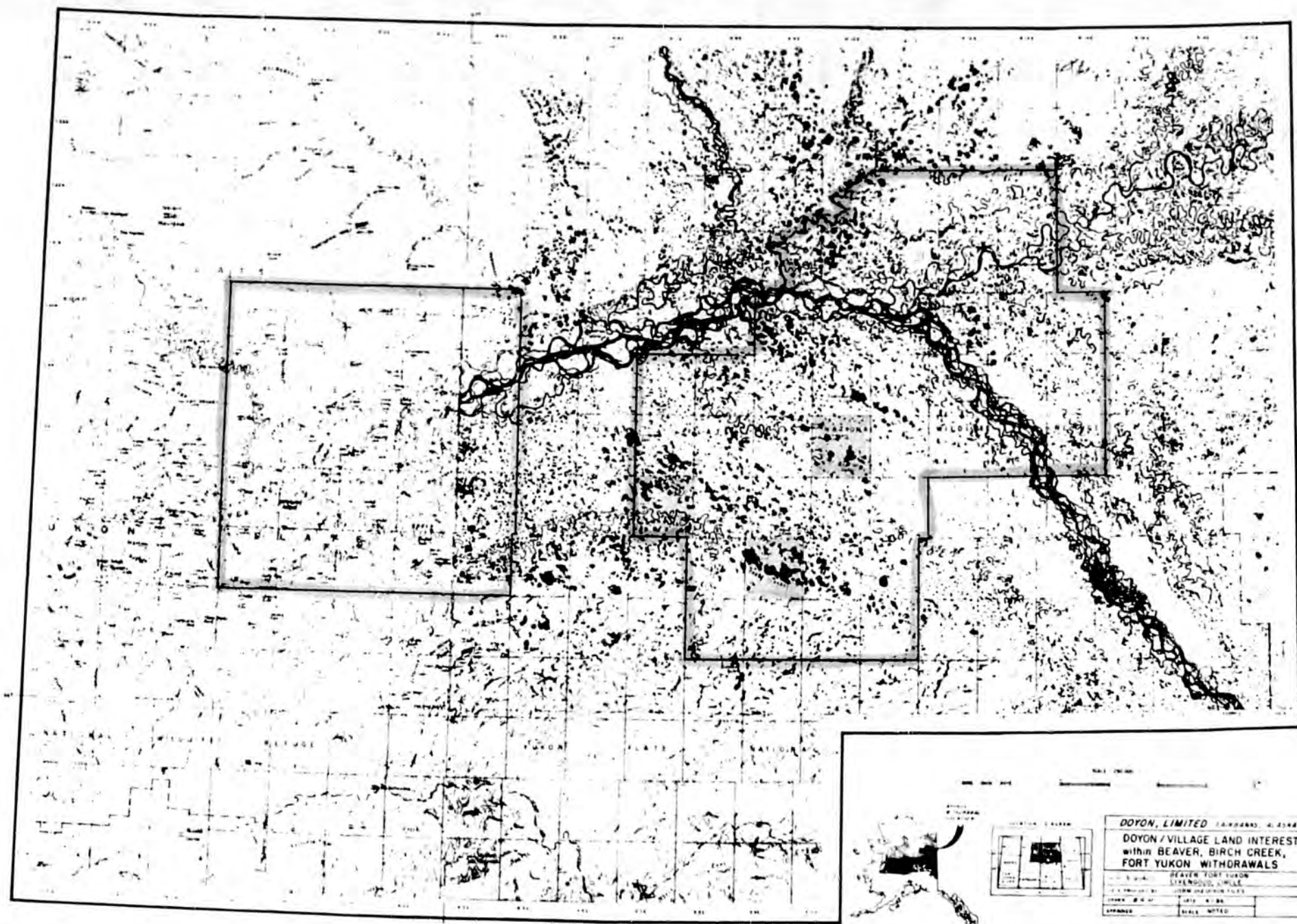
SEDIMENTARY BASINS

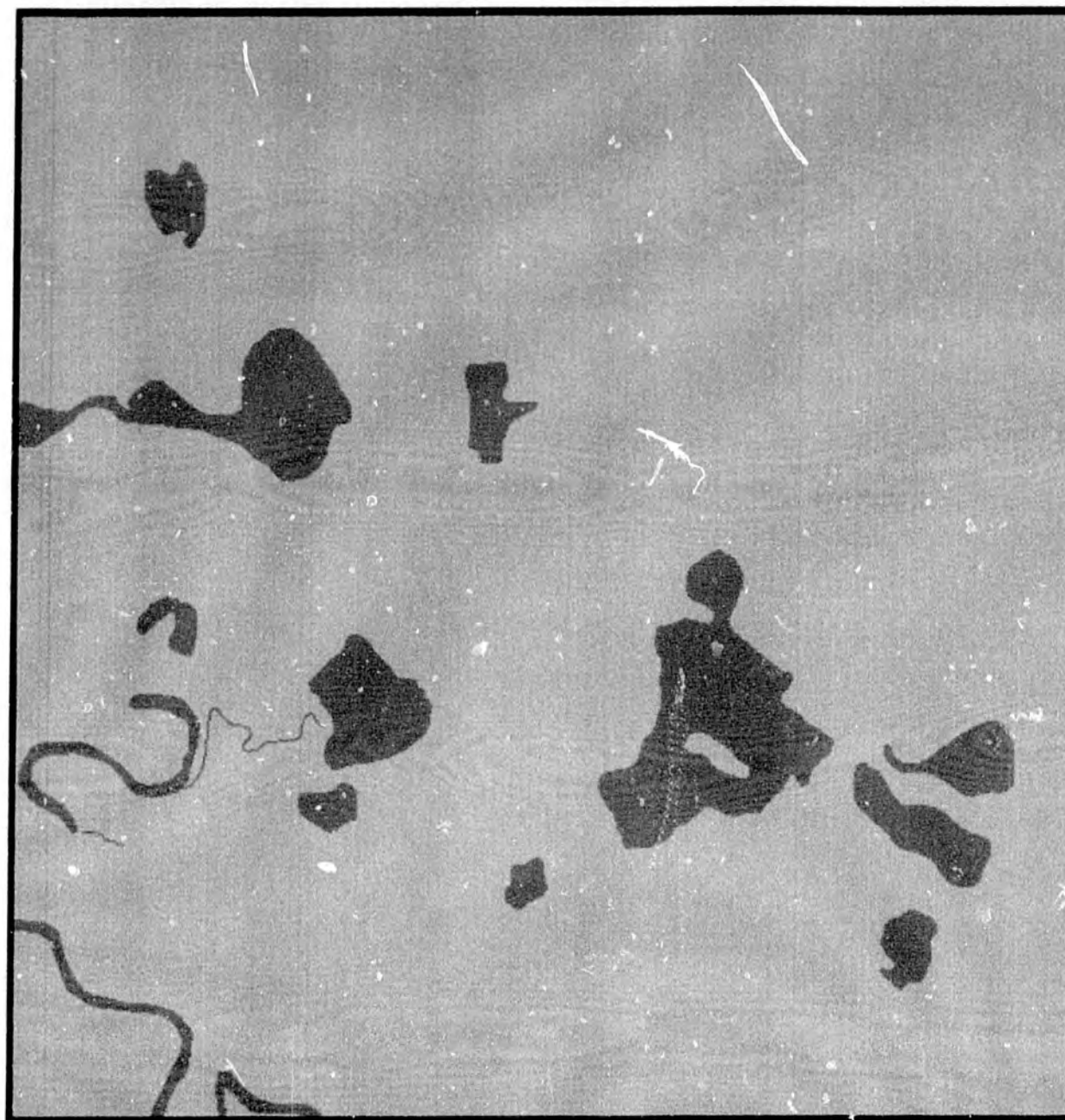


YUKON / KANDIK BASINS



CERTAIN PRIVATE LANDS WITHIN YUKON FLATS N.W.R. AND YUKON KANDIK BASINS





**FORT YUKON
BIRCH CREEK BLOCK**



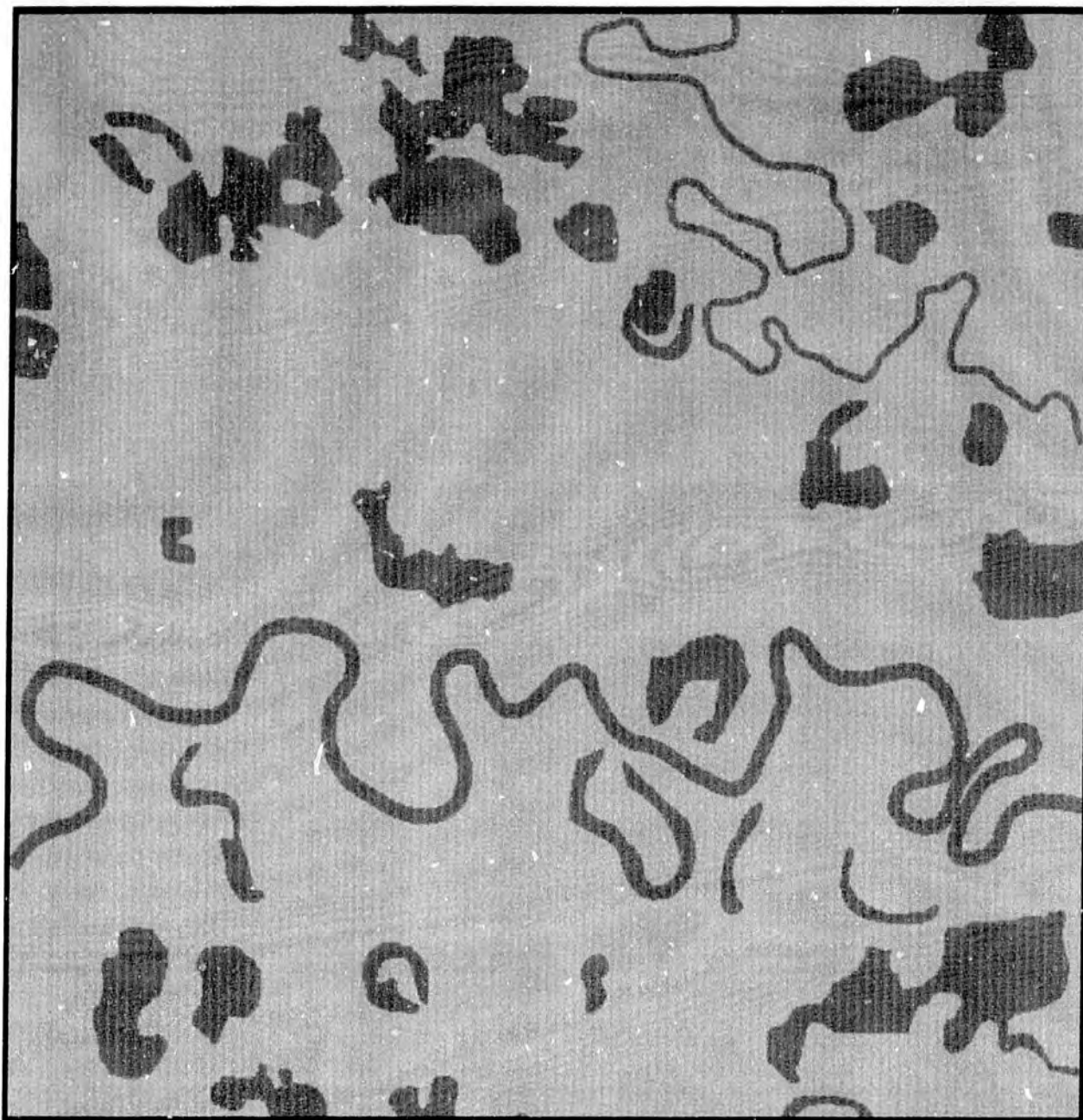
Total Area	22,853
Uplands	21,047
Aquatic Lands	1,806

RATIO:

Upland	92%
Aquatic Land	8%



Township T. 18 N. R. 10 E.



**FORT YUKON
BIRCH CREEK BLOCK**



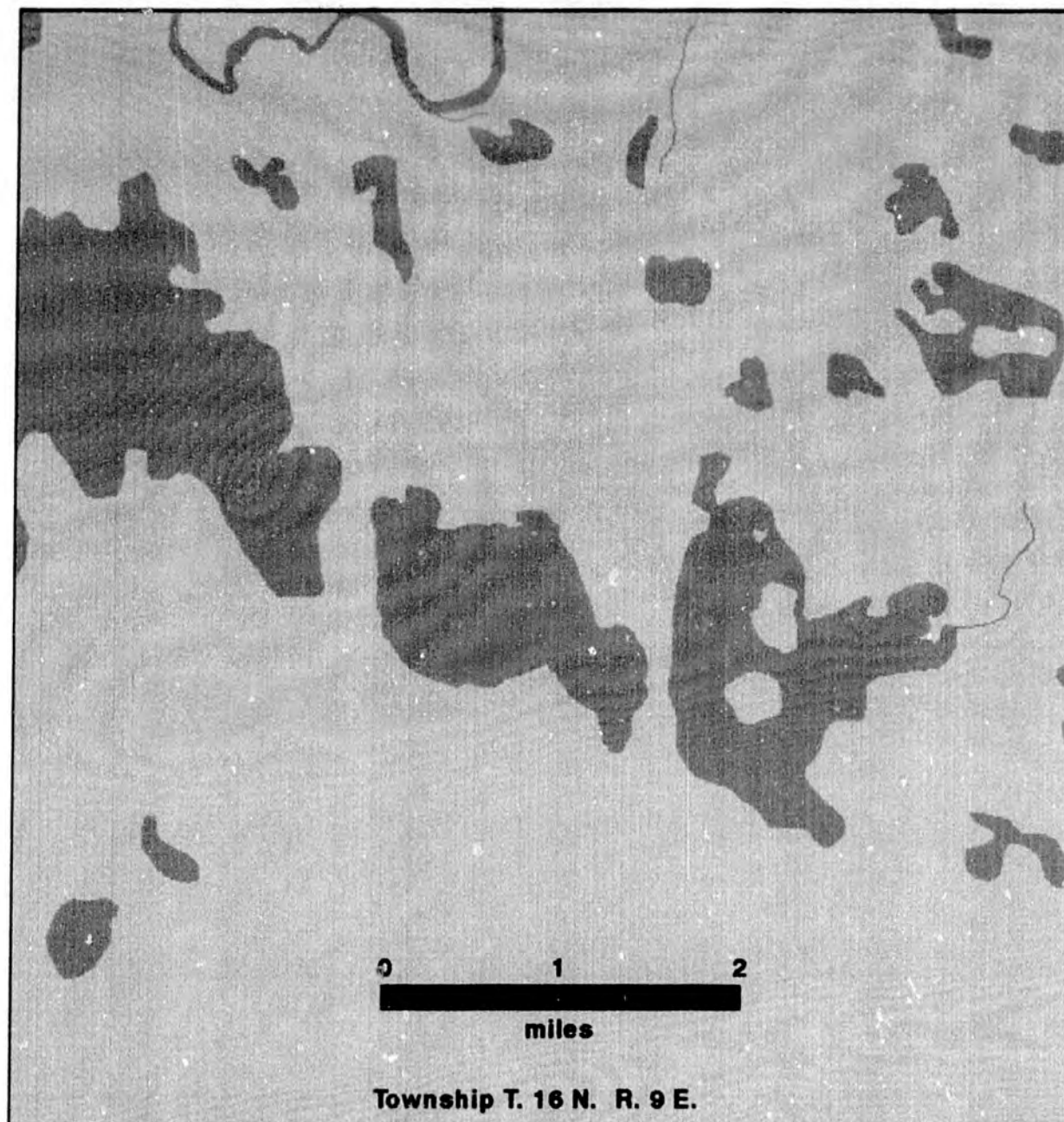
Total Area	22,950
Uplands	19,138
Aquatic Lands	3,812

RATIO:

Upland	83%
Aquatic Land	17%



Township T. 17 N. R. 7 E.



**FORT YUKON
BIRCH CREEK BLOCK**



Total Area	22,919
Uplands	19,113
Aquatic Lands	3,801

RATIO:

Upland	83%
Aquatic Land	17%

ANALYSIS OF AQUATIC LANDS IN SAMPLE TOWNSHIPS

(AREAS ARE IN ACRES)

TOWNSHIP	RANGE	TOTAL AREA	UPLAND AREA	AQUATIC LAND AREA	PERCENTAGE OF UPLANDS	PERCENTAGE OF AQUATIC LANDS
T16	R9	22,919	19,118	3,801	83%	17%
T17	R7	22,950	19,138	3,812	83%	17%
T18	R10	22,853	21,047	1,806	92%	8%

CRITERIA:

- WATER BODIES GREATER THAN 20 ACRES
- FLOWING RIVERS AND STREAMS

HYPOTHETICAL REVENUE CALCULATIONS

Location:

Yukon Flats Basin, approximately 70-90 miles from TAPS.

Ownership:

Productive acreage is a combination of (1) federal and Native corporation uplands and submerged lands beneath non-navigable waterbodies, and (2) State of Alaska submerged lands beneath navigable waters. The state would own 100% of the oil and attendant revenues associated with the submerged lands beneath all navigable waters within both the federal and private lands. The State also would receive 90% of all bonuses, rentals and royalties from the federal uplands; for this reason, the remaining 10% federal interest will be ignored in the calculations below.

Because of the large number of waterbodies on federal and private lands in the Yukon Flats Basin and because of the 90% federal sharing requirement, assume that each of the State of Alaska and the Native corporations would receive 50% of all royalty revenues. Current upland ownership status, when overlaid by DNR's own oil and gas basin map, would seem to validate the reasonableness of this order of magnitude example. Other examples, some even more favorable to the state, could be applied to the Yukon Flats, Central Arctic and other Interior basins.

Production:

100,000 barrels per day, 36.5 million barrels per year. As a frame of reference, Endicott produces about 100,000 barrels per day.

Royalty Rate:

12.5%; no calculation of bonuses or rentals, or state income taxes or multiplier values, though possibly substantial.

Wellhead or Gross Value:

\$12 per barrel.

Revenues:

Millions of \$ per year

	<u>State</u>	<u>Private</u>	<u>Producers</u>
Royalty	27.4	27.4	(54.8)
Production Tax	41	(2.7)	(38.3)
Cons. Surcharge	1.7	(.1)	(1.6)
EP&PTP Taxes	10	-0-	(10)
Cons. Tax	.2	(.01)	(.2)
Yearly Totals	80.3	24.6	(104.9)

Notes:

1. Native corporations and state royalty shares of yearly production: 2,281,250 barrels each (6.25% x 36,500,000 barrels)
2. State royalty share free of production, conservation surcharge and conservation taxes; AS 43.55.900(13)
3. Yearly shares of production (private and producers) not exempt from production, conservation surcharge and conservation taxes: 34,218,750 barrels (2,281,250 private barrels plus 31,937,500 producers barrels)
4. Production tax at 10% of wellhead value, representing application of an economic limit factor similar to the one used at Endicott; AS 43.55.011, AS 43.55.013
5. Conservation surcharge at \$0.05 per barrel; AS 43.55.200
6. EP&PTP taxes at 20 mills on facilities of \$500 million; AS 43.56.018
7. Conservation tax at 5 mills per barrel; AS 43.57.010

SCOMM

78:46

FISCAL NOTE

STATE OF ALASKA

1991 LEGISLATIVE SESSION

BILL NO. SJR 21

Revision Date: 11-Mar-91 Department Affected: Natural Resources
 Title: Oil & Gas Exploration and State's BRU: Management and Administration
 Royalty Share in ANWR Components: Commissioner's Office
 Sponsor: Senator Uehling
 Requestor: Senate Oil and Gas and Resources COMPONENT SERIAL NO. 423

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS,CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of Current year impact: None

ANALYSIS: (Attach a separate page if necessary)

See Attached

Prepared by: Carol Wilson Phone: 465-2406
 Division: Commissioner's Office Date: 11-Mar-91

Approved by Commissioner: Harold Heinze Date: 11-Mar-91
 Agency: Department of Natural Resources

Distribution (by preparer) : Legislative Finance, legislative Sponsor, Requestor, OMB,
 & Impacted Agency(ies).

Senator Rick Uehling

Downtown, Elmendorf, Northeast Anchorage



Senate Finance Committee
International Trade & Tourism Committee
State Affairs Committee

MEMORANDUM

TO: Senator Sam Cotten
Chairman, Senate Special Committee on Oil and Gas

FROM: Senator Rick Uehling *R. Uehling*

DATE: March 11, 1991

RE: SJR 21, relating to oil and gas exploration and production within, and the state's royalty shares in the development of, the Arctic National Wildlife Refuge.

Thank you for scheduling SJR 21 in the Senate Special Committee on Oil and Gas meeting on Tuesday, March 12.

SJR 21 is an appropriate statement of support for opening the coastal plain of ANWR to oil and gas exploration with the State of Alaska receiving 90 percent of all oil, gas, and mineral royalties as in the Alaska Statehood Act.

I strongly believe that the Alaska Legislature must speak out in support of opening the coastal plain and in opposition to any reduction in the oil royalties promised Alaska at statehood.

I have enclosed an additional set of backup materials for your committee files. Please contact Bryan Butcher in my office if you have any questions.

Alaska State Legislature

SENATOR BETTYE FAHRENKAMP
CHAIRMAN, LEGISLATIVE COUNCIL
CHAIRMAN, ADMINISTRATIVE REGULATION
REVIEW COMMITTEE
119 N. CUSHMAN STREET, SUITE 201
FAIRBANKS, ALASKA 99701
OFFICE (907) 452-4882
HOME (907) 456-2899



Senate

WHILE IN JUNEAU
P.O. BOX V
JUNEAU, ALASKA 99811
CAPITOL, ROOM 125
OFFICE (907) 465-3834
HOME (907) 780-6027

MEMORANDUM

TO: Senate Special Committee on Oil and Gas

FROM: Senator Bettye Fahrenkamp

DATE: March 6, 1991

SUBJECT: ANWR Resolution

President bush has endorsed a national energy policy that calls for 100% of the revenues from exploration and production in the Arctic National Wildlife Refuge to go to the federal treasury. This is a violation of the statehood compact. There is nothing to negotiate and nothing to compromise. We don't want 6.25% or 9%, we must stand firm for the 11.25% (90% of 12.5) that we are entitled to. One thing is clear, the feds are better poker players than the State of Alaska. If you want 50%, just demand it all!

We have been told by our congressional delegation and the Governor that we must present a united Alaska position on the opening ANWR. In my opinion, we did just that in 1988, when the Legislature was unanimous in its support of exploration and production in the Refuge, with four very important conditions:

1. Environmentally sound oil and gas exploration, development and production.
2. Alaska hire.
3. 90/10 revenue split.
4. Indemnification for subsistence users.

We should oppose energy development in the coastal plain of ANWR that ignores any of these four conditions. I ask your support for another resolution to open ANWR exactly as considered in 1988. We can again demonstrate the united Alaska position on the issue. Then, we should invite the administration and the congressional delegation to join us in opposition to this latest attempt by the feds to bury the compact made with Alaska over 30 years ago.

SJR 21

Lyman, you are now representing caribou country.

3 possible options:

1. eliminate all the language that strongly supports development, and only put in that if any development occurs, we strongly support the 90-10 split. OR
2. p. 2, line 12 following production, add "which does not negatively impact the area's wildlife resources." OR
3. a new whereas, on p. 2 between lines 1 and 2:

WHEREAS the coastal plain of the refuge comprises the major calving grounds of the international Porcupine caribou herd which is relied upon by many Alaskans for subsistence, and any future development must be done in a manner that does not harm this herd;

S. O & G 3/12

Cotten
Hoffman
Uehling
Shultz

Hoffman - 1) support 90-10, but we should be cautious about upfront support of ANWR development.

2) new whereas clause on caribou.

Reine - strongly support SJR 21.

p. 2, line 14 add "unilateral" before reduction
pro estimate \$3 b at lease sale bonus.

royalties & taxes.

10 b bonus - wellhead price \$10 b - 10% royalties - \$10 b over time
possible trade -
50% share in AK OCS

Rishi O'H - Oil Reform Alliance

Oil Pollution Task Force - no money or support there.

Molly



Senate Special Committee
On Oil and Gas

To: Staff to Sen.'s

Hoffman

Pearce

Lehting

Fuhrnkamp

Shultz

From: Deb Vogt

Here are the amendments

I have requested to STR 21.

Please review + let me know

ASAP if you have any
problems.

Thx

Jack:

Please draft CS for SJR 21, with the following changes:

DELETE: Two "Whereas" clauses, p. 1 lines 13-16, page 2 line 1.

ADD: "WHEREAS Congress recognized the environmental importance of the coastal plain by placing it in the national wildlife refuge system in 1980, and the wildlife and habitat deserve a high standard of protection if oil exploration and development proceed; and

WHEREAS the coastal plain of the Arctic National Wildlife Refuge comprises a core calving ground of the Porcupine Caribou herd; and

WHEREAS Native Alaskans of northeastern Alaska and northwestern Canada have relied on caribou for subsistence for thousands of years, and continue to subsist on the Porcupine Caribou herd, a herd that is essential to meet the nutritional, cultural, and spiritual needs of those Native Alaskan people; and"

DELETE: page 2, line 10, after "Legislature" through end of line 15.

ADD: (same place) "that the Legislature supports federal legislation authorizing oil and gas leasing, exploration, and development on the coastal plain of the Arctic National Wildlife Refuge provided that:

(1) the United States Congress provides that oil and gas exploration, development, and production take place in an environmentally responsible manner; and

(2) the United States Congress provides for maximum participation and job opportunity for Alaska residents in coastal plain exploration and development; and

(3) the United States Congress treats Alaska equally and fairly on revenue issues and does not depart from the statehood compact by unilaterally reducing Alaska's royalty revenue share from the coastal plain development; and

(4) the United States Congress provides that exploration and development are done in a manner that does not harm the Porcupine Caribou herd."

7-LS0832D ✓
Chenoweth
3/25/91

CS FOR SENATE JOINT RESOLUTION NO. 21 (OIL AND GAS)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE SPECIAL COMMITTEE ON OIL AND GAS

Offered:

Referred:

Sponsor(s): SENATORS UEHLING, Jones, Halford, Sturgulewski, Frank, Eliason, Collins, Pearce, Shultz, Adams, Fischer, Rodey, Menard, Zharoff

A RESOLUTION

1 Relating to oil and gas exploration and production within, and the state's royalty shares
2 in the development of, the Arctic National Wildlife Refuge.

3 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 **WHEREAS** the United States Congress has reserved the right to permit further oil and gas
5 exploration, development, and production within the coastal plain of the Arctic National Wildlife Refuge,
6 Alaska; and

7 **WHEREAS** the oil industry, the state, and the United States Department of the Interior consider
8 the coastal plain of the refuge to have the highest potential for discovery of very large oil and gas
9 accumulations on the continent of North America; and

10 **WHEREAS** oil and gas exploration and development of the coastal plain of the refuge and
11 adjacent land could result in major discoveries that would reduce the nation's future needs for imported
12 oil, help balance the nation's trade deficit, and significantly increase the nation's security; and

13 **WHEREAS** the Congress recognized the environmental importance of the coastal plain by
14 placing it in the national wildlife refuge system in 1980, and the wildlife and habitat deserve a high
15 standard of protection if oil exploration and development proceed; and

16 **WHEREAS** experience in oil and gas development in Arctic regions, together with technological

1 advances, provide assurances that development can proceed in an environmentally responsible manner;
2 and

3 **WHEREAS** the coastal plain of the Arctic National Wildlife Refuge contains an area important
4 to the calving of the Porcupine Caribou herd; and

5 **WHEREAS** Native Alaskans of northeastern Alaska and northwestern Canada have relied on
6 caribou for subsistence for thousands of years and continue to harvest caribou from the Porcupine
7 Caribou herd, a herd that is essential to meet the nutritional, cultural, and spiritual needs of those Native
8 Alaskan people; and

9 **WHEREAS** the Alaska Statehood Act, a compact between the federal government and the people
10 of Alaska, provides that the state will receive 90 percent of all oil, gas, and mineral royalties from
11 federal land in Alaska; and

12 **WHEREAS** the people of the State of Alaska relied on that royalty sharing provision in ratifying
13 the Alaska Statehood Act; and

14 **WHEREAS** the federal government has both a moral and a legal obligation to honor this
15 provision in the Alaska Statehood Act, not only as part of its duty to Alaska, but because of the
16 precedent on other statehood acts and treaties;

17 **BE IT RESOLVED** by the Alaska State Legislature that the legislature supports federal
18 legislation authorizing oil and gas leasing, exploration, and development on the coastal plain of the
19 Arctic National Wildlife Refuge provided that

20 (1) oil and gas exploration, development, and production take place in an environmentally
21 responsible manner;

22 (2) federal legislation and leasing practices will ensure maximum participation and job
23 opportunity for Alaska residents in coastal plain exploration and development;

24 (3) the United States Congress treats Alaska equally and fairly on revenue issues and does
25 not depart from the statehood compact by unilaterally reducing Alaska's royalty revenue share from the
26 coastal plain development; and

27 (4) exploration and development are done in a manner that does not harm the Porcupine
28 Caribou herd.

29 **COPIES** of this resolution shall be sent to the Honorable George Bush, President of the United
30 States; the Honorable Dan Quayle, Vice-President of the United States and president of the U.S. Senate;
31 the Honorable Thomas S. Foley, Speaker of the U.S. House of Representatives; the Honorable George
32 Mitchell, U.S. Senate Majority Leader; the Honorable J. Bennett Johnston, Chair of the Senate

WORK DRAFT

WORK DRAFT

WORK DRAFT

1 Committee on Energy and Natural Resources; the Honorable George Miller, Vice-chair and Acting chair
2 of the House Committee on Interior and Insular Affairs; the Honorable Manuel Lujan, Jr., Secretary of
3 the Interior; and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and
4 the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.

SENATE JOINT RESOLUTION NO. 21
IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - FIRST SESSION

BY SENATORS UEHLING, Jones, Halford, Sturgulewski, Frank, Eliason, Collins, Pearce, Shultz, Adams, Fischer, Rodey, Menard

Introduced: 3/4/91

Referred: Senate Special Committee on Oil and Gas and Resources

A RESOLUTION

1 Relating to oil and gas exploration and production within, and the state's royalty shares
2 in the development of, the Arctic National Wildlife Refuge.

3 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 WHEREAS the United States Congress has reserved the right to permit further oil and gas
5 exploration, development, and production within the coastal plain of the Arctic National Wildlife Refuge,
6 Alaska; and

7 WHEREAS the oil industry, the state, and the United States Department of the Interior consider
8 the coastal plain of the refuge to have the highest potential for discovery of very large oil and gas
9 accumulations on the continent of North America; and

10 WHEREAS oil and gas exploration and development of the coastal plain of the refuge and
11 adjacent land could result in major discoveries that would reduce the nation's future needs for imported
12 oil, help balance the nation's trade deficit, and significantly increase the nation's security; and

13 WHEREAS 8,000,000 of the 19,000,000 acres of the refuge have already been set aside as
14 wilderness; and

15 WHEREAS the 1,500,000-acre coastal plain of the refuge comprises only eight percent of the
16 refuge, and the development of the oil and gas reserves in the refuge's coastal plain would affect an even

*Carbon hard
(Drs. R. H. Chen)*

1 smaller percentage of the refuge; and

2 WHEREAS the Alaska Statehood Act, a compact between the federal government and the people
3 of Alaska, provides that the state will receive 90 percent of all oil, gas, and mineral royalties from
4 federal land in Alaska; and

5 WHEREAS the people of the State of Alaska relied on that royalty sharing provision in ratifying
6 the Alaska Statehood Act; and

7 WHEREAS the federal government has both a moral and a legal obligation to honor this
8 provision in the Alaska Statehood Act, not only as part of its duty to Alaska, but because of the
9 precedent on other statehood acts and treaties;

10 BE IT RESOLVED by the Alaska State Legislature that the President of the United States and
11 the Congress of the United States are urged to open the coastal plain of the Arctic National Wildlife
12 Refuge, Alaska, to environmentally responsible oil and gas exploration, development, and production;
13 and be it

UNLAWFUL 90-10

14 FURTHER RESOLVED that the Legislature opposes any reduction of Alaska's royalty revenue
15 share from the development of the Arctic National Wildlife Refuge.

16 COPIES of this resolution shall be sent to the Honorable George Bush, President of the United
17 States; the Honorable Dan Quayle, Vice-President of the United States and president of the U.S. Senate;
18 the Honorable Thomas S. Foley, Speaker of the U.S. House of Representatives; the Honorable George
19 Mitchell, U.S. Senate Majority Leader; the Honorable J. Bennett Johnston, Chair of the Senate
20 Committee on Energy and Natural Resources; the Honorable George Miller, Vice-chair and Acting chair
21 of the House Committee on Interior and Insular Affairs; the Honorable Manuel Lujan, Jr., Secretary of
22 the Interior; and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and
23 the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.

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what if 50/50

SENATE JOINT RESOLUTION NO. 21
IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - FIRST SESSION

BY SENATORS UEHLING, Jones, Halford, Stargulewski, Frank, Eliason, Collins, Pearce, Shultz, Adams, Fischer, Rodey, Menard

Introduced: 3/4/91

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10 WHEREAS oil and gas exploration and development of the coastal plain of the refuge and
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14 wilderness; and

15 WHEREAS the 1,500,000-acre coastal plain of the refuge comprises only eight percent of the
16 refuge, and the development of the oil and gas reserves in the refuge's coastal plain would affect an even

1 smaller percentage of the refuge; and

2 **WHEREAS** the Alaska Statehood Act, a compact between the federal government and the people
3 of Alaska, provides that the state will receive 90 percent of all oil, gas, and mineral royalties from
4 federal land in Alaska; and

5 **WHEREAS** the people of the State of Alaska relied on that royalty sharing provision in ratifying
6 the Alaska Statehood Act; and

7 **WHEREAS** the federal government has both a moral and a legal obligation to honor this
8 provision in the Alaska Statehood Act, not only as part of its duty to Alaska, but because of the
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13 and be it

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21 of the House Committee on Interior and Insular Affairs; the Honorable Manuel Lujan, Jr., Secretary of
22 the Interior; and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and
23 the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.

*WHEREAS the coastal plain of the refuge comprises the
major calving grounds of the Porcupine Caribou herd
which is relied upon by Alaska Natives for subsistence
and any future development must be done in a manner
that does not ~~not~~ harm this herd;*

FOUR CONDITIONS FOR DRILLING

The Alaska State Legislature is on record endorsing exploration in the Refuge. This unanimous consensus was achieved subject to four very important conditions:

- (1) the United States Congress should open the coastal plain to environmentally responsible oil and gas exploration, development and production under authority of the Mineral Leasing Act of 1920 (30 U.S.C. 191);**

Alaskans believe that exploration and development can be done in ways that absolutely minimize environmental impact. We have the benefit of over twenty years of arctic oil production experience. Under the scrutiny of the Alaska Department of Environmental Conservation and close monitoring by independent environmental organizations, exploration activity will utilize the most efficient and least disruptive technologies.

- (2) the United States Congress should provide for maximum participation and job opportunity for Alaska residents in coastal plain exploration and development;**

Alaska experienced tremendous social upheaval during construction of the Trans Alaska Pipeline. While many thousands of non-residents were employed on the nation's largest construction project, the development of Alaska's own human resources was largely ignored. Today, unemployment, underemployment and poverty are endemic to many Alaskan communities. Alaskans want their share of the jobs that would be created by oil development in the Refuge.

- (3) the United States Congress should treat Alaska equally and fairly on revenue issues and not depart from the spirit of the statehood compact;**

When Alaska and the United States agreed on the principal conditions of statehood, it was obvious that geography and climate would impact future development. Unlike the other western states, Alaska has no need for massive irrigation and flood control projects generated by the federal Bureau of Reclamation. Throughout the arid west these public works have been built with funds derived from oil and mining leases on federal lands. States other than Alaska receive fifty percent of the federal royalties in cash payments and forty percent are dedicated to the Reclamation Fund for projects in that state. The remaining ten percent are deposited in the U.S. Treasury. Alaska receives the same ninety percent share as other states but since it does not participate in the Reclamation Act, all payments are in cash. The people of Alaska expect the Congress to continue to honor this fair and sensible revenue formula.

- (4) the United States Congress should include language in any coastal plain legislation that addresses indemnification for subsistence users in Alaska, as it did in the Trans-Alaska Pipeline Authorization Act (43 U.S.C. 1653).

Most Alaskans believe that arctic oil exploration and development has proven to be compatible with wildlife preservation and management. However, if the subsistence fish and wildlife resources that Alaskans depend upon are ever threatened, it is the responsibility of the U.S. Congress to provide compensation.

This country cannot afford to become increasingly dependent on foreign energy supplies. To the costs of imported oil we can now add the billions to establish a permanent military presence in the Persian Gulf. We must have a national energy policy that emphasizes conservation and self-sufficiency. Now is the time to begin exploration in the Refuge, while we have the time to do it right; before we are stamped by crisis.

SOURCES

Alaska Senate Resources Committee ANWR Report (Juneau, Alaska 1988).

Alaska State Legislature, Senate Joint Resolution No. 7, Second Session, Fifteenth Legislature (Juneau, Alaska 1988).

Dan
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STATE OF ALASKA

THE LEGISLATURE

1988

Source

HCS CSSJR 7(Res) am H

Legislative
Resolve No.

47



Relating to oil and gas exploration, development, and production within the Arctic National Wildlife Refuge, Alaska, and declaring state policy.

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

WHEREAS in 1980 the United States Congress suspended the operation of the Mineral Leasing Act of 1920 (30 U.S.C. 191) on the coastal plain of the Arctic National Wildlife Refuge to allow for the study of management alternatives for the coastal plain; and

WHEREAS the coastal plain has been found to have the best potential for onshore oil and gas discoveries in the United States; and

WHEREAS Congress recognized the environmental importance of the coastal plain by placing it in the national wildlife refuge system in 1980, and the wildlife and habitat deserve a high standard of protection if oil exploration and development proceed; and

WHEREAS exploration and development of oil and gas on the coastal plain could reduce the nation's trade deficit, increase energy security, prevent erosion of the oil and gas industry, improve the national and state economies, and occur with full environmental protection and safeguards; and

WHEREAS even when the strictest standards of environmental protection are applied there still can be some risk to land, water, and wildlife from development activity, and Alaskans dependent on subsistence resources of the Arctic National Wildlife Refuge should be protected in the event that there is any damage to subsistence resources; and

WHEREAS the people of Alaska, based on the provisions of the statehood compact, are to be treated equally and fairly in the

decisions of the United States government regarding revenue sharing, leasing, and development of public lands, including the coastal plain; and

WHEREAS the state's economy is in bad condition, with high unemployment, property foreclosures, and shrinking investment; and

WHEREAS the United States Department of the Interior is exploring a number of legislative proposals for the early oil and gas development of the coastal plain;

BE IT RESOLVED that the Alaska State Legislature adopts the following consensus points on management of the coastal plain, and strongly urges Congress to act on them:

(1) the United States Congress should open the coastal plain to environmentally responsible oil and gas exploration, development, and production under the authority of the Mineral Leasing Act of 1920 (30 U.S.C. 191);

(2) the United States Congress should provide for maximum participation and job opportunity for Alaska residents in coastal plain exploration and development;

(3) the United States Congress should treat Alaska equally and fairly on revenue issues and not depart from the spirit of the statehood compact; and

(4) the United States Congress should include language in any coastal plain legislation that addresses indemnification for subsistence users in Alaska, as it did in the Trans-Alaska Pipeline Authorization Act (43 U.S.C. 1653); and be it

FURTHER RESOLVED that the Alaska State Legislature urges the state administration to be involved in all aspects of the Arctic National Wildlife Refuge oil and gas development process to ensure that the best interests of the state are protected.

COPIES of this resolution shall be sent to the Honorable Ronald Reagan, President of the United States; the Honorable George Bush, Vice-President of the United States and President of the U.S. Senate; the Honorable Jim Wright, Speaker of the U.S. House of Representatives; the Honorable George P. Shultz, Secretary of State; the Honorable Donald P. Hodel, Secretary of the Interior; the Honorable J. Bennett Johnston, Chairman, and the Honorable James A. McClure, Ranking Minority Member, of the Senate Committee on Energy and Natural Resources; the Honorable Quentin N. Burdick, Chairman, and the Honorable Robert T. Stafford, Ranking Minority Member of the Senate Committee on Environment and Public Works; the Honorable George J. Mitchell, Chairman, and the Honorable John H. Chafee, Ranking Minority Member of the Subcommittee on Environmental Protection of the Senate Committee on Environment and Public Works; the Honorable Morris K. Udall, Chairman of the House Committee on Interior and Insular Affairs; the Honorable George Miller, Chairman, and the Honorable Charles Pashayan, Jr., Ranking Minority Member of the Subcommittee on Water and Power Resources of the House Committee on Interior and Insular Affairs; the Honorable Walter B. Jones, Chairman, and the Honorable Robert W. Davis, Ranking Minority Member of the House Committee on Merchant Marine and Fisheries; the Honorable Gerry E. Studds, Chairman of the Subcommittee on

STATE OF ALASKA

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HCS CSSJR 2 (Res) am H

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Resource Development Council

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SJR 21-ANWR Development Position Paper

The Resource Development Council for Alaska, Inc., has long been a supporter of responsible oil and gas leasing, exploration and development within the coastal plain of the Arctic National Wildlife Refuge. RDC joins with the majority of Alaskans who believe the potential for discovering a significant source of oil is there and who believe it is in the best interests of the nation to pursue development in that region as an avenue to reduce America's dependence on unstable foreign sources of oil.

Alaska is a resource-rich state and in recent decades residents of this state have worked hand-in-hand with resource corporations on numerous successful projects that have ultimately provided a benefit to all who live and work here - through an extended network of state services, infrastructure and quality-of-life improvements - most of which were funded directly from resource revenues the state has culled. At the same time, Alaska has been a model of conservation, setting aside more than 56 million acres in wilderness and other preservation areas. ANWR is a classic example, with more than 40 percent of the refuge set aside as federally-designated wilderness.

RDC supports the goal of SJR 21 regarding oil and gas exploration and development and strongly urges the Legislature send a message to Washington, D.C. and the rest of the nation regarding the significance of environmentally responsible domestic oil production.

Further, RDC urges the state to join efforts with private sector organizations in an attempt to positively influence Congress regarding the passage of ANWR legislation.

This edition
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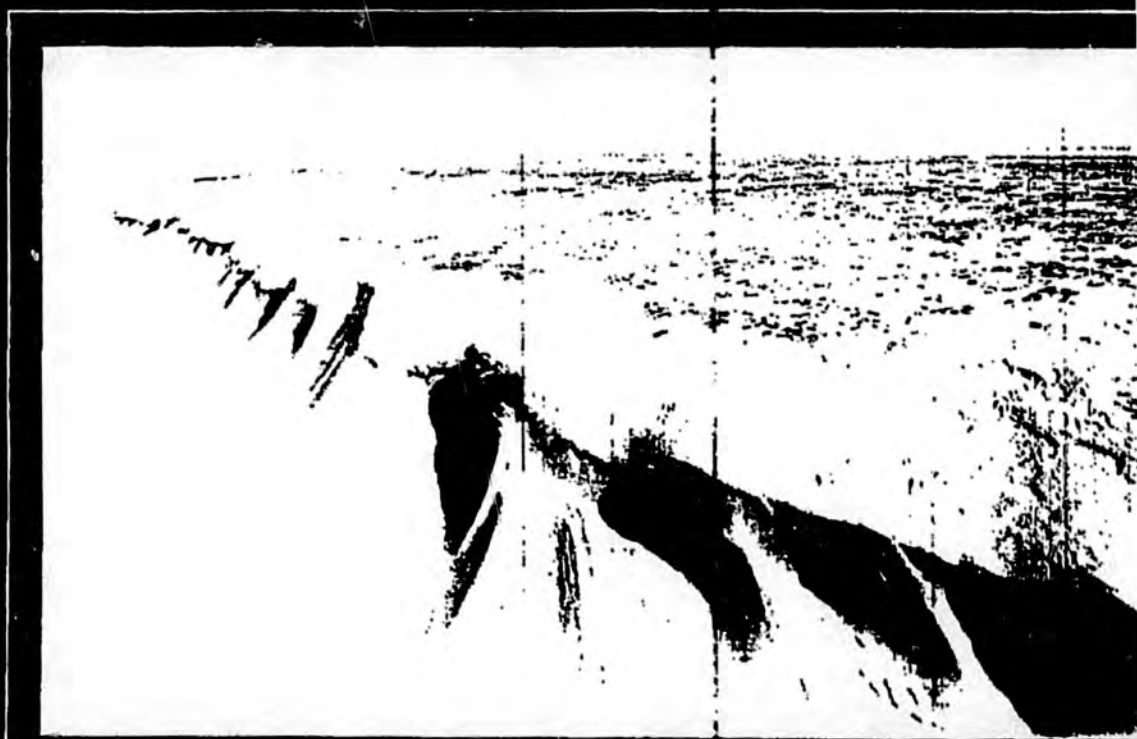


Resource Development Council
Box 100516, Anchorage, AK 99510

ADDRESS CORRECTION
REQUESTED

February 1991

Resource Review



**Why not drill for
oil in Alaska's
Arctic National
Wildlife Refuge?**

How much oil? Untold riches or nothing at all?

Only way to find out is to drill

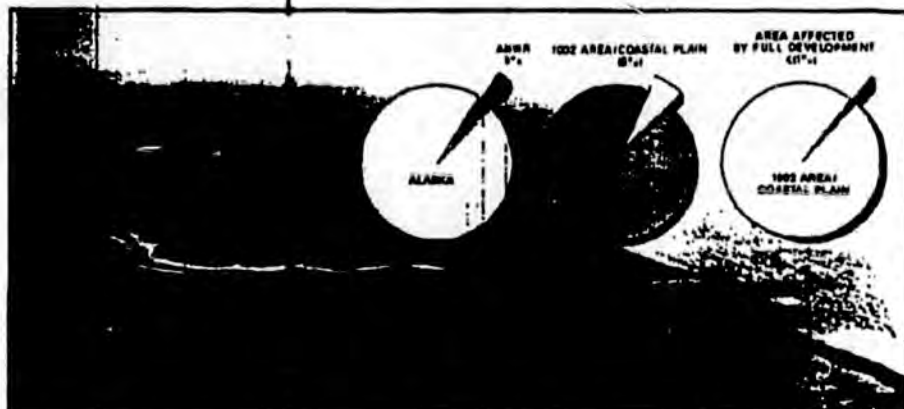
At 19 million acres, the Arctic National Wildlife Refuge is as big as South Carolina and almost as big as Indiana. Located in Alaska's Northeast corner, the refuge features striking mountain peaks which give way to a vast tundra coastal plain void of trees, but drained by streams and gullies into the Beaufort Sea.

Nearly half of the refuge (8 million acres) is closed to development through a federal Wilderness designation. When combined with similarly managed lands within the refuge, some 92% of this vast conservation unit is off-limits to development.

But outside the Wilderness zone lies the 1.5 million acre Coastal Plain, an area representing about 8 percent of the refuge. This remote, windswept and frozen strip of land along the northernmost point of the refuge has become the focus of an intense national debate for here lies geological structures which hint of tremendous oil reserves, perhaps as large as some of the great oil pools of Saudi Arabia. If major reserves are discovered, they could substantially improve America's balance of payments and make the U.S. less reliant on foreign sources of oil.

After years of study, the Interior Department concluded in 1987 that the Coastal Plain was the nation's best single opportunity to increase oil production and recommended leasing. However, environmentalists have vowed to keep oil companies from drilling even though exploration and development activities would utilize only a sliver of the vast refuge.

But with U.S. production down sharply, oil imports accounting for 55 percent of the foreign trade deficit and yet another war in



the Middle East, the environmentalists' case for not exploring the Coastal Plain is weakened by economic and geopolitical imperatives. Yet environmentalists have promised no compromises in ANWR.

In their campaign to expand the Wilderness designation over the Coastal Plain, thereby blocking drilling, opponents have focused on emotionally compelling but inaccurate concepts, particularly that the Coastal Plain is unique and pristine. Both concepts are untrue.

The lands considered for leasing are only two-thirds of the Coastal Plain, which itself is a small slice of the refuge. The other one-third of the plain, 400,000 acres, is already designated Wilderness and is not being considered for leasing.

Moreover, the refuge is by no means America's last Wilderness. ANWR makes up just 5 percent of Alaska, and about 12 percent of the land in federal conservation units in the 49th state alone. Overall, there are 56 million acres of designated Wilderness in Alaska, more than enough to cover

the entire state of Utah.

The Interior Department estimates that oil production in ANWR would only require about 12,700 acres or about 0.07 percent of ANWR. Although the facilities would be impressively large if one were standing in their midst, they would amount to only a small sliver of the refuge, leaving over 99 percent of the land undisturbed.

Oil traps beneath the Coastal Plain could hold gigantic amounts of oil. Finding out is of little risk to the environment since exploration wells can be drilled in winter when the ground is nearly immune from damage.

According to the latest Interior Department estimates, there is a 46 percent chance the refuge holds commercial quantities of oil. In the oil business, the average chance of discovering a major find in wildcat drilling is 2 percent. If commercial quantities are found in ANWR, Interior says they could amount to over 9 billion barrels, enough to

(Continued to page 3)

The Resource Development Council (RDC) is Alaska's largest privately funded nonprofit economic development organization working to develop Alaska's natural resources in an orderly manner and to create a broad-based, diversified economy while protecting and enhancing the environment.

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Writer & Editor
Carl Portman

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ANWR

Most frequently asked questions

Why should Congress open the Coastal Plain to oil development?

Congress should open ANWR's Coastal Plain because its potentially enormous oil reserves could help reduce America's growing dependence on foreign oil. With petroleum now accounting for about 65 percent of our nation's energy supply, development of significant domestic resources is a logical part of the solution. The Department of the Interior has concluded that the Coastal Plain offers the best single opportunity to increase domestic oil production.

Isn't ANWR drilling pointless since development would provide only a few months supply of oil?

It takes the development of many fields, large and small, to meet America's petroleum needs, but this question is based on the condition that all of ANWR's oil would be pumped out all at once and consumed by every American consumer at once. In reality, oil is extracted over time, in the case of ANWR, probably over thirty years.

If ANWR's oil reserves match those at Prudhoe Bay, we can expect the Coastal Plain to produce an average of more than one million barrels of oil every day for at least 20 years — with production peaking just below 2 million barrels a day by the year 2005. That level of production would place ANWR among the top eight oil producing nations in the world and make up about 20 percent of all domestic production.

What percentage of the ANWR Coastal Plain would be affected by development?

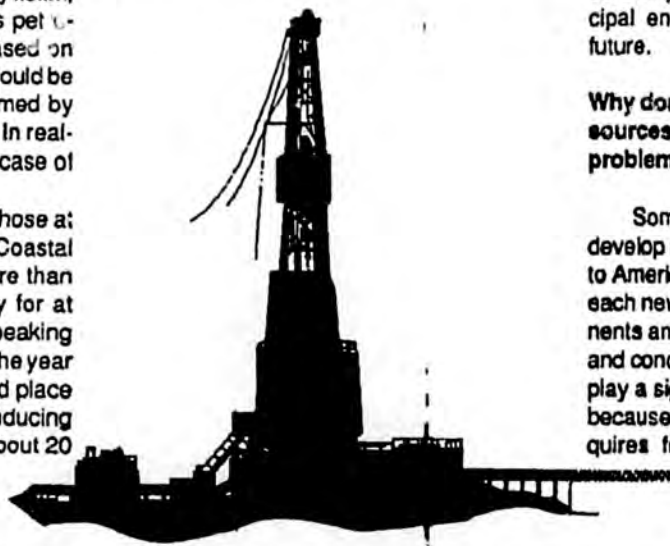
ANWR is 19 million acres, but the area of the Coastal Plain being considered for oil leasing is only 1.5 million acres, barely 8 percent of ANWR. According to the Interior Department, less than one percent of the Coastal Plain would be directly and indirectly affected by development. That's less than one-tenth of one percent of the refuge. This is smaller than Washington, D.C.'s Dulles International Airport in an area the size of South Carolina. Because of major advances in oil field technology and design, the "footprint" of future energy development in the arctic will become smaller and smaller, ensuring that alteration of land will be minimal and disturbances to wildlife can be avoided in almost all cases.

Isn't energy conservation a better solution to our energy problems?

Conservation must play a role in reducing this nation's growing dependence on oil imports, but it alone cannot solve the problem. America will require both energy conservation and new oil development just to keep pace with anticipated growth in the 21st century. According to the Department of Energy, U.S. energy use will increase about 11 percent by the year 2000, even with increased conservation. If we were to suddenly increase conservation efforts dramatically, the critical need for oil would continue for decades. To strengthen our energy security and to meet the energy needs of a growing economy, America must produce more of the energy it uses. There is no realistic scenario in which petroleum consumption can be eliminated as the principal energy source for the foreseeable future.

Why don't we look to alternative energy sources for the answer to our energy problems?

Some believe that a crash program to develop new energy sources is the answer to America's dependence on oil. However, each new energy source has its own opponents and its own environmental problems and concerns. As a practical matter, oil will play a significant role for decades to come because our economic infrastructure requires fossil fuels. Oil and natural gas



(Continued to page 4)

Only way to find out is to drill

(Continued from page 2)

increase known domestic oil reserves by one-third. However, Interior claims that it's most likely that an ANWR discovery would yield about 3.2 billion barrels of oil, making the Coastal Plain the third largest oil field ever discovered in America.

But no one can be sure. There may be no oil or only a few hundred thousand barrels, but in the unlikely event that one of ANWR's major oil traps is full, untold yields may await discovery. Although the odds are small, one oil trap known as No. 18 could yield more oil than Saudi Arabia's proved reserves of about 254 billion barrels. Imagine the geopolitical ramifications and the jolt that would shake through all of OPEC if such a discovery were made.

The only way to find out how much oil is there is to drill. And the downside risks of exploring in the refuge are far fewer than most people realize while the upside is very bright.

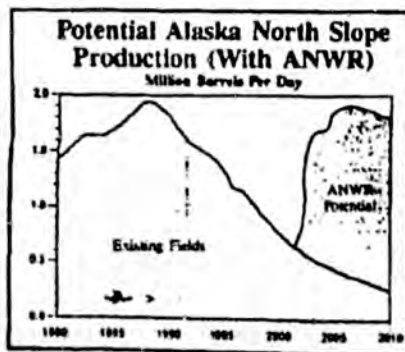
ANWR: Most frequently asked questions

(Continued from page 3)

account for 65 percent of U.S. energy. American agriculture, the world's most productive, consumes nearly half of the oil and natural gas production. Our transportation system is 95 percent dependent on oil. The transition to alternative sources will be a long and gradual process. In the meantime, petroleum is the safest and most practical energy source. ANWR provides the best prospect for domestic production.

Why should we move to open ANWR now?

In 1990, America spent some \$50 billion on oil imports, which accounted for about half of the nation's petroleum requirements. Meanwhile, over half of Prudhoe Bay's oil reserves have been consumed and field production is now declining. Since Prudhoe Bay accounts for about 25 percent of all U.S. oil production, and America's infrastructure is largely dependent on oil and petroleum products, we must develop new domestic oil fields to meet our needs until alternative energy becomes available on a wide scale. ANWR is likely to contain the most promising oil field ever discovered in North America. It offers the best prospect to replace lost production from other aging fields. ANWR could give America the security it needs while alternative energy is developed.



Will oil operations on the sensitive Coastal Plain threaten arctic wildlife and the environment?

The facts say no. When opponents attempted to block development of Prudhoe Bay oil, they claimed that production would reduce or destroy caribou populations and that destruction of wetlands would decimate bird life. But with the application of evolving arctic oil technology, none of these problems materialized. After 20 years of Prudhoe Bay development, the caribou population across North Slope oil fields has increased six fold. Air and water are carefully monitored. The constantly evolving and improving technology developed for arctic operations would assure ANWR would be a world model if developed in a timely manner.



Who would monitor development activity?

Numerous federal agencies, including the U.S. Fish and Wildlife Service, together with agencies of the State of Alaska and the local North Slope Borough, would monitor all development activity on the Coastal Plain. Federal law mandates that the environment must be protected during oil and gas development.

After the Prince William Sound oil spill, why should we take the risk of developing ANWR?

The Exxon Valdez accident had nothing to do with geological extraction or moving oil



Producing nearly 2 million barrels of oil per day, domestic oil production. But all of Prudhoe's in-las with design and drilling techniques of 20 years ago fields has been developed. New technology will

through the Alaska pipeline. However, that accident spurred enactment of tough, new oil pollution laws that enhance tanker safety and impose strict safety requirements on marine transportation. A much expanded tanker spill prevention and response plan is now in operation. Six specialized vessels, as well as tugs, barges, spill containment and recovery equipment and highly trained personnel now are in service. Every tanker carrying oil is escorted through Prince William Sound by two large emergency response vessels.



ANWR production would extend the life of the Trans-Alaska Pipeline System, the main artery of America's domestic production.



Prudhoe Bay accounts for 25 percent of the nation's oil production but occupies less than 15,000 acres of land. Even less than 2 percent of the land area in North Slope for a much smaller impact in ANWR.

What are the economic benefits of Coastal Plain development?

According to an economic analysis prepared by Wharton Econometrics Forecasting Associates in May 1990, ANWR development could raise the U.S. gross national product by \$50.4 billion and increase employment nationwide by 735,000 jobs by the year 2005. Every state could benefit economically in supplying billions of dollars worth of equipment and services needed to develop Coastal Plain petroleum resources. Moreover, ANWR oil production would help reduce oil imports which in turn would cut the trade imbalance.



Alaska pipeline. The pipeline provides nearly one-

ANWR: THE FACTS

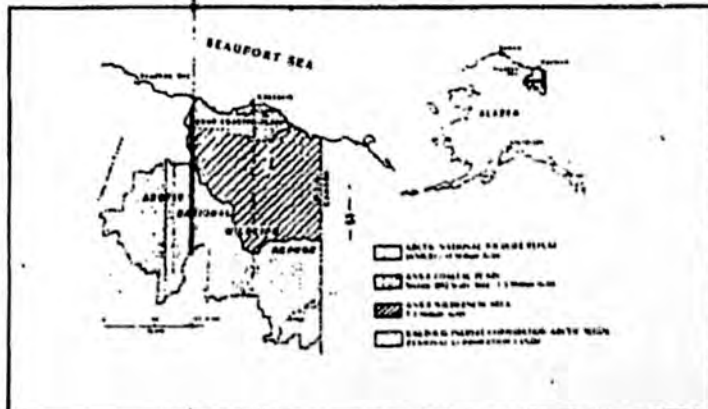
The Coastal Plain

- Alaska's North Slope covers some 56 million acres, slightly more than Minnesota or Kansas. The Arctic National Wildlife Refuge occupies about one-third of the North Slope.
- ANWR contains 19 million acres, an area larger than West Virginia.
- About 40 percent of ANWR, 8 million acres, is federally-designated Wilderness. This Wilderness block is larger than Maryland and Delaware combined.
- The area of the Coastal Plain proposed for oil leasing is 1.5 million acres, less than 8 percent of ANWR and 2.6 percent of the North Slope. Some 400,000 acres of the ANWR Coastal Plain is designated Wilderness and will not be considered for oil leasing.

Coastal Plain potential

- The ANWR Coastal Plain study area contains 26 separate oil and gas prospects which could each contain super giant fields.
- The Interior Department estimates that the range of recoverable reserves is from 600 million to 9.2 billion barrels of oil. The mean resource estimate for economically recoverable oil is 3.57 billion barrels.
- At 3.5 billion barrels, the Coastal Plain would be the third largest oil field ever discovered in America. A discovery of 9 billion barrels would increase domestic oil reserves by nearly one third and place ANWR second only to Prudhoe Bay.
- Until exploratory drilling is done, no one knows for sure how much oil lies under the Coastal Plain. Exploratory drilling can take place during the winter months when the tundra is frozen, leaving virtually no impact on the environment.

(Continued to page 6)



ANWR: THE FACTS

(Continued from page 5)

- A new report by the Interior Department estimates a 46 percent chance of finding economically recoverable oil in the Coastal Plain. This compares to a one in 50 chance in Lower 48 states.

Impact of oil production on the North Slope

- The "footprint" or land use impacts of oil and gas development on the North Slope are small and getting smaller as technology advances.

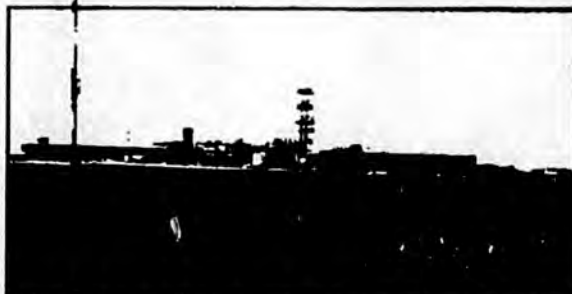
- Producing 2 million barrels of oil per day, Prudhoe Bay, the largest field in America, accounts for 25 percent of the nation's domestic production. But all of Prudhoe's gravel well pads, gathering lines, production facilities, roads, gas injection plants, airstrips and other infrastructure occupy less than 15,000 acres of land.

- Full development of the 26 oil and gas prospects found on the Coastal Plain's 1.5 million acres would require the use of only 12,650 acres, an area equivalent to the size of Dulles International Airport. With evolving technology, oil development in ANWR can be done with up to 75 percent less physical impact.

Impact of production on caribou and wildlife

- Full production is projected to require the use of less than one percent of the leasing area's 1.5 million acres.

- The Porcupine Caribou Herd uses portions of the Coastal Plain for six to eight weeks during most summers. The



Caribou have adapted well to energy development on Alaska's North Slope. The Central Arctic herd at Prudhoe Bay has increased six-fold since 1973.

herd's range covers over 60 million acres in Alaska and Canada. Habitat is not a limiting factor to the herd's productivity.

- The Central Arctic Caribou Herd at nearby Prudhoe Bay has grown six fold to over 20,000 animals since the Trans-Alaska Pipeline was built and North Slope oil fields have been brought on line. The caribou of the Central Arctic herd have not been displaced by oil development. They are everywhere they use to be and they still use the same areas for the same reasons.

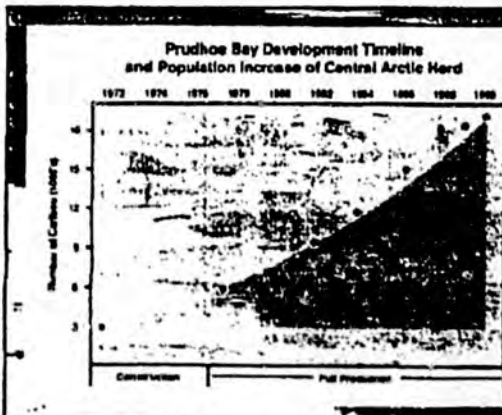
- Hunting is not permitted along the Trans-Alaska pipeline or in the Prudhoe Bay area.

- Migration routes and feeding areas used by caribou are carefully studied and mapped. Techniques for minimizing impacts on the herd are constantly improved.

- The U.S. Fish and Wildlife Service has found that oil development should not have a major impact on the Porcupine Caribou Herd.

- The State of Alaska has concluded that with the combination of current environmental controls and the innovative arctic technology developed by the oil industry over more than a decade of operations at Prudhoe Bay, ANWR's Coastal Plain can be explored and developed with no measurable impact to important wildlife and habitat values.

(Continued page 7)





Message from the Executive Director

by
Becky L. Gay

The opening of the ANWR Coastal Plain to responsible oil and gas exploration and development has been a top priority of the Resource Development Council for many years. Legislation to open the Coastal Plain to oil leasing is now being debated in the 102nd Congress. Coastal Plain development is also a centerpiece of the new national energy strategy, released by President Bush in February.

Passage of legislation that would open a small corner of ANWR to oil and gas leasing is largely dependent upon the pressure a congressman or senator gets from his or her constituents back home. As a result, RDC members' action is imperative. It is critical that you now contact your friends, relatives and business associates in other states and educate them on why Congress should open the Coastal Plain to responsible energy development. RDC has a variety of ANWR brochures and articles you can send your friends to bring them up to date on the issue. This edition of Resource Review serves as an excellent educational document on ANWR. It's packed with facts and answers to the most frequently asked questions. We urge you to send this newsletter and other RDC material to those who can help us make a difference.

As far as Congress goes, personal letters receive attention, and are more effective than form letters in getting a legislator to recognize your point of view. To write your senator: Honorable "Senator's Name," U.S. Senate, Washington, D.C. 20510. To write your Representative: Honorable "Representative's Name," U.S. House of Representatives, Washington, D.C. 20515. Please do it now!

More ANWR facts...

Overall U.S. oil production

- Domestic oil production has fallen to 7 million barrels per day, a 5.3 percent drop from last year. This is a 20 percent decline (2 million barrels per day) from 1986.

Alaska North Slope production

- North Slope oil production has averaged about 2 million barrels per day, about 25 percent of total U.S. domestic production. However, Prudhoe Bay production has peaked and will soon decline at a rate of 10 to 12 percent a year. New discoveries are needed to offset this decline and extend the life of the Trans-Alaska Pipeline.

- Total North Slope production passed the 8 billion barrel mark in 1990, saving the nation approximately \$192 billion in oil import costs.

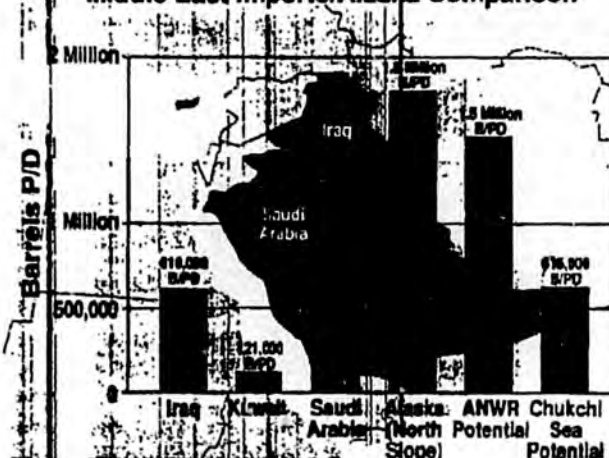
U.S. consumption

- Oil consumption in the U.S. has exceeded domestic production for more than 20 years.
- U.S. oil consumption increased 6.5 percent over the past year, climbing from 16.4 million barrels per day to 17.5 million barrels per day.

U.S. oil imports

- By July 1990, the U.S. imported 51.3 percent of its oil, compared to 33 percent in 1986.
- In 1990, the U.S. imported 7.9 million barrels of oil a day at a cost of \$61.3 billion a year.
- Oil imports now account for 60 percent of the U.S. trade deficit.

Middle East Imports/Alaska Comparison



- Imports are likely to rise to \$100 billion a year because of continuing tension and conflict in the Middle East.

National economic benefits

- The Coastal Plain has the potential to reduce the need for imported oil and cut the trade deficit. One million barrels per day of new oil production would save the U.S. \$14 billion a year.
- According to the Interior Department, net national economic benefits from ANWR production could reach \$325 billion.
- Lease sale receipts from bonus bids are projected to range from \$2 to \$4 billion, even if no oil is discovered. Substantial revenues will be generated from production royalties.
- ANWR development could increase employment nationwide by 735,000 jobs by the year 2005. The U.S. gross national product would increase by \$50 billion.
- Every state would benefit economically in supplying billions of dollars of equipment and services needed to develop the Coastal Plain.

Alaska's share ^{2.10.91} *Um*

Hold out for 90 percent of ANWR

Talk of opening the Arctic National Wildlife Refuge to oil exploration is getting more vigorous — and so is the dispute over how much of ANWR's wealth Uncle Sam will deign to share with Alaska.

Under current law, Alaska stands to get 90 percent of what could be billions of dollars. The feds, understandably, want to give Alaska less and take more for themselves. U.S. Interior Secretary Manuel Lujan says he'd settle for a 50-50 split.

Thanks but no thanks. Both U.S. Sen. Ted Stevens and Gov. Wally Hickel have taken a hard line in defense of the 90-10 split. More power to them.

There's good reason to leave Alaska's share at 90 percent. Back in 1920, the feds promised the states 90 percent of revenues from development on federal lands. Some states take 50 percent in cash and draw the rest from a land and water reclamation fund. At statehood, Alaska didn't participate in that fund, so Congress gave Alaska the full 90 percent share. For the feds to renege on that deal now is nothing but a transparent money grab.

As it did with the trans-Alaska pipeline, Alaska stands to bear almost the entire social, economic and environmental burden of development in ANWR. About the biggest burden the feds will bear is taking their checks to the bank.

That's not to say Alaska's stand should be nothing more than "90-10, or drop dead." Other Americans are likely to think Alaska greedy for insisting on 90 percent, and they may become more reluctant to open the refuge at all.

Alaskans need to educate the rest of the country about the history of the 90 percent provision, and to be willing to consider innovative compensation arrangements.

Gov. Hickel's willingness to take other federal lands in trade is one possibility. Another is the lifting of other arbitrary federal policies that hurt Alaska financially. Examples include the ban on exporting North Slope oil, or the Jones Act, which drives up the cost of Alaska trade with the Lower 48.

Most Alaskans are understandably eager to find out whether another oil bonanza lies beneath ANWR. But let's not be so eager that we sign away Alaska's rightful share of whatever's there.

Bush urged to stiff Alaska on ANWR

By JAY CROFT
and E. MICHAEL MYERS

TIMES WRITERS

Alaska could be shut out of any royalties from the Arctic National Wildlife Refuge under a plan President Bush is expected to announce today.

Alaska leaders in Washington and Juneau promised to fight the idea in Congress and courts if necessary. Opening ANWR requires congressional approval.

Hickel: 'There's nothing to talk about' but 90-10

"We're not going to support that, there's no way," Gov. Walter J. Hickel said in Washington. "We'll have to go to court or whatever. The law is clearly on our side."

Richard Darman, director of the Office of Management and Budget, urged Bush to recommend the federal government deny the state any royalties from

ANWR oil development and instead put all the money into the federal treasury.

"To have 100 percent go to the federal government is totally unacceptable," said U.S. Rep. Don Young, R-Alaska.

Young and U.S. Sen. Frank Murkowski, R-Alaska, met with Bush, Cabinet members and key congressmen for an

hour and a half on Tuesday. Murkowski said he was disappointed with OMB's proposal but said Bush left the meeting with a clearer understanding of Alaska's concerns.

"The president was receptive and indicated he would try to find a way to achieve something more acceptable to Alaskans," Murkowski said in a state-

ment.

Hickel and other Alaska leaders insist the statehood compact guarantees 90 percent of resource royalties go to state coffers.

The Bush administration and ANWR development supporters in Congress have been offering Alaska no better than a 50-50 share of the royalties and bid bonus revenues from potential oil and gas development along the 1.5 mil-

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Hickel

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lion-acre coastal plain.

Hickel and the congressional delegation have pledged to fight for 90 percent but have said they would consider what the federal government would offer for a lower share.

But that changed Tuesday when the state found itself fighting Darman, who proposed in the federal budget a projected \$1.9 billion in bonus bid revenues in 1993 and \$1.2 billion in 1995 all go to the U.S. Treasury.

"We're going to stay with 90-10," Hickel said. "If they're going for 100 percent, the 50-50 isn't in front of us right now. We're very clear that there's nothing to talk about there except to get with the 90-10."

Hickel arrived Tuesday in Washington on his third trip in a month. He was set to join Bush today in presenting the president's national energy policy, which will call for opening ANWR to exploration.

Hickel said he did not know if Darman was bluffing to encourage Alaskans to accept a smaller share of royalties.

"I wish I knew," Hickel said. "I'll see when I get to the briefing today."

Young and Murkowski on Tuesday asked Bush to delete Darman's proposal from the energy plan.

U.S. Sen. Ted Stevens, R-Alaska, was in the Persian Gulf to review U.S. military planning in the war with Iraq. Stevens was scheduled to return to Washington tonight. Young said he shared Stevens' concerns with Bush.

Young said he thought Bush had been unaware that Darman, chief of staff John Sununu and Energy Secretary James Watkins were pushing the change.

"This is only a proposal and I hope it will not be in the legislation," Young said.

Murkowski's statement called ANWR a cornerstone in national energy policy.

"There is still a long way to go before any bill becomes final," Murkowski said. He and Young have bills calling for Alaska to receive the 90 percent and Murkowski said the state should be ready to fight the issue in court.

Legislative leaders in Juneau agreed. None contacted had heard of Darman's proposal until Tuesday afternoon. They vowed to support Hickel and the congressional delegation's efforts.

"It's bizarre and it's totally unrealistic," said Rep. Bill Hudson, R-Juneau, chairman of the House special committee on oil and gas. "We would work with the governor to make certain our rights are maintained."



Gov. Walter J. Hickel
... to fight for 90 percent

"It's unbelievable that they would try to do that. That's really the worst-case scenario of what we've heard."

Hudson's Senate counterpart, Sam Cotten, D-Eagle River, called the idea "an outrage" but said the state should not be surprised, given the federal government's record on questioning the statehood compact.

"That doesn't sound like negotiating to me. If they say they want to break the original deal and go for 50-50, why not" go for a complete haul, Cotten said.

"I'm into a fight on it."

"I'm really incensed," said Sen. Jay Kerttula, D-Palmer, co-chairman of the Finance Committee. "I've always said if you place your faith in foreign princes, you fail."

Bush is unlikely to pursue Darman's recommendation, said House Speaker Ben Grussendorf, D-Sitka. "I'm sure there would have to be some adjustment."

A long legal battle between the state and federal governments would ensue, legislators said.

"The oil in the ground will only accrue, it would not lose value," Grussendorf said. "So what's the rush? We certainly could make it very difficult, I suppose."

If the 100 percent federal position prevails, Hickel and the Alaska congressional delegation could find themselves allied with environmentalists to kill the measure, although for different reasons.

The president's energy policy will call for conservation and development of alternative fuels as well as domestic production of oil and gas. Sen. Bennett Johnston, D-La., said at least 50 percent of ANWR revenues are vital for energy research and development.

Johnston, chairman of the Senate Energy and Natural Resources Committee, has an ANWR development bill that

calls for a 50-50 revenue split between Juneau and Washington.

The Interior Department says the coastal plain of ANWR offers the best chance of a major oil discovery in the United States and that the field could yield 9 billion barrels. Environmentalists argue the coastal plain is a unique treasure of wildlife and flora that should be protected as permanent wilderness.

Darman's proposal would put all the money in the federal treasury, unlike Johnston's reserving some for some environmental and conservation concerns.

Alaska environmentalists on Tuesday repeated their opposition to opening ANWR at all.

"I don't want to comment on the division of spoils because we're urging Congress not to open the coastal plain," said Jack Hession of the Sierra Club. "It's getting a little ahead of things for us."

Alan Phipps of the Alaska Center for the Environment had similar concerns.

"Our preference would be that a major amount of funds be available for environmental protection," he said. "We wouldn't be eager to have the money go into the Treasury and get lost on something else."

Ronnie Chappell of ARCO Alaska Inc. said the company had not heard of Darman's idea, but a spokesman for BP Explora-

tion (Alaska) Inc. said he received a letter about it last week.

"I assumed this was sent all over town," executive consultant Roger Herrera said.

"We'd rather not have a position at all, but I think logically it's fairly easy to work out that we would support the state's position. If the state gets nothing out of this, the economy of the state is going to suffer."

That could also lead to higher state taxes on the industry, Herrera said.

Herrera, like Grussendorf, said the president will not hold firm on a take-all amount.

"If this 100 percent figure turns out to be correct, in due course it will be modified," Herrera said.

Opening ANWR is one of Hickel's major goals.

Hickel on Tuesday was working toward another goal: settling Exxon Valdez oil spill lawsuits.

State Attorney General Charles Cole returned to Washington on Tuesday after receiving a call from Exxon. A Hickel spokesman said the governor did not plan to join Cole's talks with federal officials and Exxon representatives. Hickel was scheduled to return to Juneau today.

Hickel last week reported progress on a settlement but refused to discuss details.

He hopes to settle the suits for \$1.2 billion, with much of the money going to establish a marine park and conservation area in Prince William Sound.

Statehood fight about big bucks from oil revenue

By JOE HUNT

TIME'S WRITER

A fight involving Alaska's statehood compact could mean billions of dollars in oil revenues for the state or the certainty of income and sales taxes for its residents, some lawmakers say.



Federal and state officials have long been arguing about the intent of Congress when it made Alaska a state and gave it 90 percent of oil revenues from the Arctic National Wildlife Refuge. The statehood act amended the Mineral Leasing Act to give Alaska the exclusive split.

On top of the tax threat, loss of oil revenues from the refuge eventually will appear as cuts in education, health and road funds, and in capital improvement projects that will never get built, some lawmakers predict.

That is the risk as state and federal politicians go for a high-stakes showdown over potential oil revenues from the refuge. The federal government can gain and Alaskans can lose \$10 billion dollars or

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Alaska

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more in bonuses and royalties, enough to run state government at its current spending level for four years.

"Taxes would increase without exception because there are just basic things that have to be supplied," state Sen. Arliss Sturgulewski said.

State government would lose its fat and then would dig into vital public services, she said. "We're not going to be able to come up with the dollars to meet those demands," she said. "Very definitely it would mean income taxes, sales taxes, use taxes. You bet."

The Alaska Statehood Act, approved by Congress in 1958, amended federal law to give Alaska 90 percent of lease bonuses and royalty revenues. But several bills in Congress would change that amount. One bill with broad support, introduced by Sen. Bennett Johnston, D-La., would split the tax money 50-50.

Such a scenario — depending on assumptions made about the amount of recoverable oil found, the price per barrel, drilling costs and lease bids — could see Alaska losing anywhere from a few billion dollars to more than \$10 billion.

There is a 50 percent chance of a significant oil strike in the refuge, according to government estimates released last month. The estimates also said the size of the strike could range from 500,000 to 9 billion barrels but most likely would be in the range of 3.5 billion barrels.

Oil companies would pay billions for the right to drill even if no oil is found in the refuge's arctic plain. The first two lease bid sales would bring \$3.1 billion, according to federal estimates.

Lt. Gov. Jack Coghill, who was a member of the Constitutional Convention 35 years ago, said 90 percent of that money should go to Alaska. He considers the Alaska Statehood Act, which required ratification by the people of Alaska, as a contract binding the federal government to the 90-10 split.

Anything less and Alaska will be poised for a fight, Gov. Walter J. Hickel has promised. Alaska must either win concessions elsewhere — a land trade, for example — or the state will go to court, he said.

Is the Statehood Act an iron-clad contract binding both Congress and the people of Alaska to its provisions?

At least two Alaska attorney general opinions, one written in 1969 and the other in 1981, say a deal is a deal. Congress cannot act unilaterally to change the Statehood Act, they both conclude.

Those opinions, however, are based on scant legal precedent. There has not been a court challenge of any statehood act this century. The high courts in the 1800s, however, were very supportive of state's rights with one court upholding the Wisconsin statehood compact as "an unalterable condition of the admission, obligatory upon the United States. . . ."

Alaska Assistant Attorney General G. Thomas Koester, who has made the 90-10 issue a



The Alaska Statehood Act amended federal law to give Alaska 90 percent of lease bonuses and royalty revenues.

cornerstone of his state career, believes the courts will again uphold that obligation.

He wrote the 1981 opinion, which referred to the Statehood Act as a legally enforceable contract. "Such compacts do not impose obligations only on one of the parties; rather, the obligations are imposed on both the new state and the United States," he said in the opinion.

Koester argued a case before the U.S. Supreme Court 10 years ago that centered on the state's royalty rights. He won that battle, but the high court decision only confuses matters.

The Supreme Court on a 6-3 vote upheld Alaska's right to receive 90 percent of the oil royalties and revenues from national wildlife refuges. But that decision was not based on the Statehood Act.

Both the majority and dissenting opinions hinted Congress does have the right to change the 90 percent formula at will. "The question of how to divide the revenues from oil and gas leases on public lands . . . is clearly a matter for Congress to decide," the court said.

The court in that case decided oil revenues from national refuges must be split based on the Mineral Leasing Act of 1920. The case illustrates the oil revenue loophole, one the federal govern-

ment is said to exploit, Koester said.

"There's no question the Statehood Act is a compact," Koester said recently. "The only question is whether the 90-10 is part of the contract."

The courts would have to consider the relationship between the Statehood Act, the Mineral Leasing Act and, of utmost importance, congressional intent, Koester said.

The words of Sen. John Butler, D-Md., as he stood before the U.S. Senate 35 years ago, may help the state's case. Butler argued Congress was not dealing with an ordinary law. It was writing a contract.

Butler, an opponent of statehood, told his fellow senators

statehood is a "grant which cannot be revoked."

"We cannot, therefore, consider these bills as we would ordinary legislation in the sense that ordinary legislation may be amended or changed in subsequent years as experience dictates. . . ."

Sen. Ted Stevens, Alaska's senior senator, said after hearing the quote repeated recently that "That's exactly the reason we put that into the statehood bill."

Stevens worked with Territorial Sen. Bob Bartlett to get the 90-10 split in the Statehood Act as a way to protect the state's mineral wealth, he said.

"But it was not a new idea. The 90-10 split existed under a territorial pact as well, he said. "We didn't know whether we were giving the law super protection or not, but that's the genesis of it," Stevens said.

Butler's comment is one vital indicator of the intent of Congress when it created the 49th state. Did Congress then know precisely what it was voting on?

The congressional record supports the state's position.

Rep. William Adams Dawson, R-Utah, was almost prophetic as he spoke about the revenue-sharing formula while on the House floor. "These provisions are the foundation upon which Alaska can and will build to the enormous benefit of the national economy shared by her sister states," he said.

Another opponent, Sen. Herman Talmadge, D-Ga., was blunt about his assessment of the revenue-sharing plan, but his words also indicate that Congress knew what it was voting on. He said the revenues "have been referred to variously as a 'dowry' and 'the greatest giveaway of natural resources in the history of this country.'"

Alaska is the only state directly receiving 90 percent of royalty and bonus revenue although other states share in a different formula which amounts to a 90 percent take. Other states collectively receive 37.5 percent of mineral revenues with 52.5 percent going into a reclamation fund to be shared for large dam, irrigation, harbor and other projects.

Alaska, at the time of statehood, was promoting construction of two hydroelectric projects, the Rampart Dam on the Yukon River and another dam near Skagway, said Coghill, who also served as chairman of the Alaska Statehood Commission. Congress did not want to pay for those dams out of reclamation funds and kept Alaska from sharing in that money by establishing the 90-10 formula, he said.

"What they did is they gave us 90 percent because they thought they were giving us 90 percent of nothing," Coghill said.

Oil had just been discovered on the Kenai Peninsula. It was known to be seeping from the ground in the National Petroleum Reserve (then known as Pet-4) and test wells indicated large deposits underground. Prudhoe Bay had not been discovered.

Congress knowingly gave Alaska 90 percent royalties to Cook Inlet oil but excluded the petroleum reserve from that for-

muia. In 1980 Congress decided to split future royalties and revenues from the reserve evenly with the state.

The relationship between the people of Alaska and Congress has been tense during the best of times. Statewide discontent culminated with grumblings of secession and the establishment of the Alaska Statehood Commission in 1981.

The commission was given two years to examine the relationship between Alaska and the federal government. Among its conclusions was that Congress had failed to uphold its obligations under the Statehood Act. It recommended Alaska insist on full federal implementation of the act and require a vote of the people before allowing any changes to the compact.

The 90-10 question is just the latest in a long series of unfulfilled promises and changes to the act. The contract calls for Alaska to receive 102 million acres from the federal government by 1984. The land conveyance is still not complete.

It promises state control of fish and game, yet a 1981 act included a "blackmail clause" threatening to take away state wildlife management on federal lands if Alaska did not provide a subsistence preference to rural residents. The preference proved unconstitutional in Alaska and the blackmail clause was invoked last summer, taking away control of wildlife on 60 percent of the lands in Alaska.

Several lesser changes have occurred, but Assistant Attorney General Koester argues they were all beneficial to the state. The state has never allowed changes to the Statehood Act resulting in adverse impacts, he said, so no precedent has been set. The loss of wildlife management on federal lands may look like a violation of the Statehood Act, but Koester earlier issued an opinion that the federal government was within its rights to do that.

Former Gov. Jay Hammond, 22 years before winning election to the state's highest office, was openly suspicious about statehood and the contract with Congress. He coined the term "statehoodwinked" as he summarized the federal pact months before it was passed.

Red Boucher, a member of the Statehood Commission, said he is not optimistic about the state's right to the 90 percent. "It is more flexible than some people would like to have you believe," Boucher said.

Politicians in Washington and in Juneau are playing a serious game of poker, he said. The state's insistence that it retain its 90 percent and the White House plan to give Alaska nothing are both starting points that will eventually lead to a 50-50 split, Boucher predicted.

"It's mostly rhetoric, chest beating. It sounds good politically, but we are going to have to sit down and talk this one out," he said. "We'll end up with 50-50 if we work for it."

Study improves odds of ANWR development

By E. MICHAEL MYERS

TIMES WASHINGTON BUREAU

WASHINGTON — The Interior Department on Monday predicted oil companies would have about a 50 percent chance of finding a commercially productive oil field beneath the Arctic National Wildlife Refuge's coastal plain, despite earlier studies showing much lower odds.

The agency earlier said there was only a 19 percent probability of finding an economically viable oil field beneath the 1.5 million-acre plain on Alaska's North Slope.

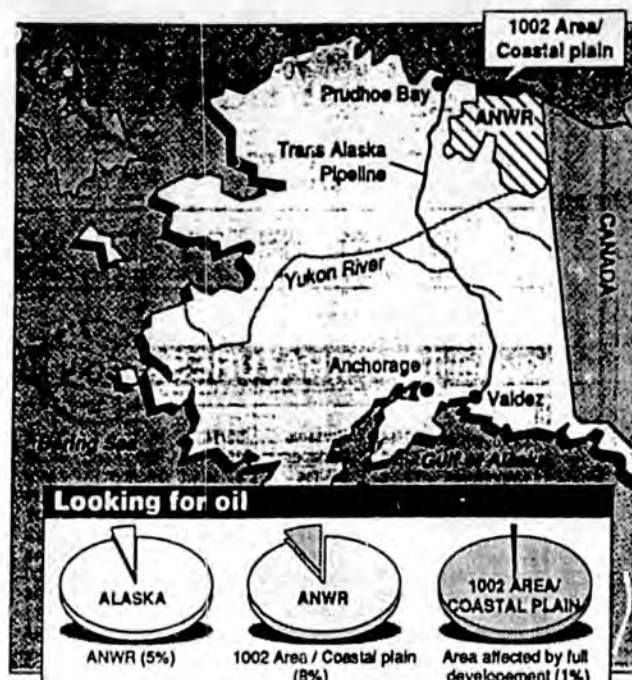
"This has risen to 46 percent," said Steve Goldstein, a spokesman for Interior Secretary Manuel Lujan.

The prediction was released by the agency at the close of a briefing on its new budget. It likely will trigger a heated battle between environmentalists, who have made preservation of the refuge a legislative priority, and those seeking to open the refuge to exploration and development.

The department projected congressional approval of ANWR exploration this year, with the first lease sale in late 1993 generating \$1.9 billion.

"For purposes of engaging the public debate on ANWR, we are obliged to release these preliminary figures which, if they hold up, put a new perspective on the ANWR debate," Goldstein said.

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Times Graphic/LANCE LEKANDER

Refuge estimate boost builds industry hopes

By BERT TARRANT

TIMES BUSINESS WRITER

Alaska industry and government officials cheered the news on Monday a federal reassessment has significantly boosted 1987 odds of finding recoverable crude oil in the Arctic National Wildlife Refuge's coastal plain.

However, the reassessment, announced in Washington, D.C., by the Bureau of Land Management failed to impress at least one Alaska environmental concern.

The report from BLM, a division of the U.S. Department of the Interior, raised estimates of the potential for significant oil recovery in ANWR's coastal plain to 46 percent from 19 percent. Similar estimates of potential oil recovery at Prudhoe Bay in the 1960s were less than 5 percent.

BLM also increased the mean estimate of economically recoverable oil in ANWR from 3.23 billion to 3.57 billion barrels; and, lowered the minimum economic field size needed from 440 million to 400 million barrels of oil.

The BLM has estimated exploration and devel-

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The department's estimate of recoverable oil in the refuge did not increase, but it said 10 new prospects or "traps" were identified in a survey last year.

The department previously estimated the refuge's coastal plain could yield between 600 million and 9.4 billion recoverable barrels of oil. The agency said its estimate of economically recoverable oil has increased to 3.57 billion barrels, from earlier estimates of 3.23 billion.

Lujan said the federal government assumes, for budget purposes, it will collect the entire \$1.9 billion.

The oil industry has considered a 20 percent chance of finding oil as exceptionally good.

Sen. Bennett Johnston, D-La., chairman of the Energy and Natural Resources Committee, said he would introduce a bill today calling for oil drilling

on the coastal plain, but giving the state no more than 50 percent of the royalties.

Sen. Ted Stevens said the bill includes a "black-mail clause" that would force Alaska to accept a 50 percent split instead of the 90 percent the state usually receives. If Alaska sued to get a 90 percent of the royalties, there could be no development of ANWR, Stevens said.

"I do not see any reason to rush to pass this at any price," he said. "I think we are in for a nice, long battle."

Rep. Don Young, R-Alaska, has introduced a House bill to develop ANWR. Sens. Stevens and Frank Murkowski are trying to push a similar measure through the Senate.

But Gov. Walter J. Hickel said there is room for discussion.

"We want ANWR open, we said we would negotiate," Hickel said.

Hickel was in Washington for the National Governors Association conference and is scheduled to address the National Press Club in Washington today (9 a.m. broadcast KSKA, FM 91).

The agency's announcement came hours after Hickel and Lujan discussed the issue in Anchorage.

environmental group officials said Monday they could not comment on the BLM revision until they are able to study it.

Bush erases state's ANWR cut, then opens door to talk

By JAY CROFT
and E. MICHAEL MYERS

TIMES WRITERS

Gov. Walter J. Hickel left Washington on Wednesday with a hollow victory: a pledge by President Bush to rush for oil development in the Arctic National Wild-

■ National energy plan criticized A3

life Refuge but in a proposal that denies Alaska any of the revenues.

Bush, in his long-delayed national energy strategy, said the U.S. Treasury should receive 100 percent of royalties

from oil and gas development on ANWR's coastal plain.

Hickel said he was encouraged by signs that Bush was willing to negotiate. Alaska's congressional leaders, along with Hickel, had expressed anger when they learned of the administration's idea on Tuesday.

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"The president left the door open as I saw it," Hickel said after Wednesday morning's White House meeting.

"He said there would be a lot of negotiations necessary, and I see that as a real opportunity."

Hickel and other leaders have vowed to See ANWR, back page

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go to court if necessary to ensure the state get 90 percent or an attractive trade offer. Department of Natural Resources Commissioner Harold Heinze on Wednesday even mentioned swapping all ANWR royalties for most of the remaining federal land in Alaska.

Hickel went to Washington for the unveiling of Bush's strategy, only to find the following in the proposal: "ANWR is a national resource, and the revenues from oil and gas development should be used to benefit all Americans, not just those residing in one state."

Any plan to open ANWR and divide royalties must go through Congress. That could take years, and some observers said this week Bush's approach was meant to force Hickel away from his insistence on a 90-10 share favoring Alaska.

Congress has banned oil and

gas development in ANWR for more than a decade. Bush faces a severe political challenge in gaining approval for ANWR drilling even under a 50-50 state-federal revenue sharing formula.

Hickel welcomed an offer on Wednesday to open negotiations from White House chief of staff John Sununu.

Malcolm Roberts, Hickel's deputy chief of staff, said Hickel "had a good meeting" with Sununu and Bush, but Hickel's office in Washington said the governor did not have an extended, one-on-one conversation with the president.

"I don't think I have any in-depth or wise analysis," Roberts said in Juneau. "Sununu was very interested in his ideas and the governor is going to get back with him with more specifics."

It was Sununu, the tough-talking former governor of New Hampshire, who urged Hickel last September not to run as an independent for governor and throw the state GOP into chaos. Hickel brushed the suggestion aside and defeated the Democratic and Republican nominees.

Hickel was invited to sit in the

front row for Bush's speech on Wednesday, reportedly at Sununu's request. Hickel arrived on Tuesday expecting Bush would offer the state no worse than a 50-50 share of revenues from development of ANWR.

The Interior Department budget had proposed it take all the revenues in the first two lease offerings. But the Alaska leaders had not expected Bush to include the 100 percent share in his national energy strategy.

"The president's fiscal year 1992 budget proposes that all receipts received from the leasing of oil and gas resources within ANWR should be retained in the U.S. Treasury," the report state.

Bush said approval of the energy bill "is going to require a lot of give-and-take" and he promised to be directly involved.

Hickel took that, along with Sununu's invitation to discuss revenue sharing, as encouragement.

"We are not going to be confrontational, we are just going to be strong about it," Hickel said. "There has to be some modification acceptable to the people of

Alaska, or, in my opinion, no oil will come out of ANWR."

Alaska could sue the federal government over the statehood compact, which Hickel and others argue guarantees Alaska the lion's share of resource royalties.

The Senate Energy and Natural Resources Committee was scheduled to open hearings on Bush's measure today.

That panel's chairman, Sen. Bennett Johnston, D-La., has proposed the federal government take 50 percent of ANWR revenues and use part of that to develop new energy ideas and promote conservation, angles favored by environmentalists who oppose drilling in ANWR.

The Hickel administration and Alaska's congressional delegation have remained strongly supportive of the 90-10 split, but recently said they would consider a 50-50 share for an attractive trade.

Heinze, the state commissioner of Natural Resources, said the trade option still exists, even if the federal government insists on taking all the ANWR spoils.

"The president could have ANWR and we'd take the rest of Alaska, all the other federal lands except the national parks," Heinze said. "That looks like a pretty good trade to me."

"If our position in the compact is totally ignored and every time I play that out, it leads to litigation, can I come up with a trade that makes sense? I think so."

Heinze said litigation might not be a bad way to fight, either. He suggested lease sales might proceed with money going into escrow accounts as the legal battles are waged in court. Then the court-appointed winner gets the account.

"Let's go forward and let's just go to court and take our chances," Heinze said. Such deals have worked in Texas, Louisiana and in Alaska's Beaufort Sea.

Heinze said he had not discussed his ideas with Hickel.

Mike Matz, director of the Alaska Coalition, said Bush and Johnston are working together to craft a deal. The Alaska Coalition is an umbrella organization of national environmental

groups.

Rep. Don Young, R-Alaska, reiterated ANWR's key role in Bush's policy and said the president must offer the state an acceptable revenue plan in addition to other considerations. Such a deal would offset revenues going to the federal treasury.

"If he does not have ANWR, he does not have a package," Young said.

Sen. Frank Murkowski, R-Alaska, said Bush is getting his legislative schedule out of order.

"Everybody is grabbing the money and forgetting to keep their eye on the ball," Murkowski said. "The ball is getting ANWR open first."

U.S. Sen. Ted Stevens, R-Alaska, was returning on Wednesday from a trip to the Persian Gulf and unavailable to comment on Bush's energy plan.

Alaska's rights as filtered through the statehood compact have been shot down before in Congress, which approved the statehood act and the Alaska Constitution in 1958.

Times writer Joe Hunt contributed to this report.

SCOMM

78:47



Alaska State Legislature

SENATE

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Senator Sam Cotten, Chair
Oil & Gas Committee

RE: SJR 28 --
TAPS Oversight

FR: Senator Jay Kerttula

DATE: May 3, 1991

Thank you for taking the time to hear SJR 28, relating to the TAPS Task Force. I understand that the administration testified that: 1) the task force is not really needed since the existing oversight system is working well; and 2) that if the legislature were to act on SJR 28, mention should be made of the money promised in OPA which has not been forthcoming.

I believe that SJR 28 is needed, and that the focus of the resolution should not be changed.

During your hearing of SJR 28, the administration alluded to the GAO study on TAPS, giving the impression that the GAO study verifies the conclusion that there are no difficulties in TAPS operations. I was reluctant to bring up the GAO study, since it is still in draft form and is not yet public information. However, my understanding is that the draft GAO report concludes:

1. That current TAPS oversight is not systematic, disciplined and coordinated;
2. The Pipeline Coordinator's Office has no lead entity, ie., no clear authority, and no stable funding source;
3. "Oversight" agencies, including the Pipeline Coordinator's Office, rely largely on TAPS/Alyeska to police itself;
4. Steps taken by the state are not adequate to ensure long-term effectiveness of TAPS/Alyeska operations.

Thank you for your consideration of these matters.

JK:kh



Alaska State Legislature

SENATE

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Senator Cotten, Chair
Oil and Gas Committee

SUBJ: SJR 28 --
TAPS Task Force

FROM: Senator Kerttula

DATE: April 29, 1991

Thank you for scheduling SJR 28.

The Oil Pollution Act of 1990 created a Presidential Task Force to conduct a two-year audit of the Trans Alaska Pipeline System. Three members of the TAPS task force are to be appointed by Governor Hickel.

Given the importance to the State of Alaska in ensuring environmentally sound oil development in the North Slope, I believe that it is important to encourage Governor Hickel to appoint the Alaska members of the task force as soon as possible.

JK:kh

From DEC Marilyn Heinman 10/20/90

- X plans and site specific regulations governing the activities and actions of terminal facilities and tankers.

The Citizens Advisory Council is appointed by the Governor and shall represent fishing, aquaculture, native corporations, environmental organizations, recreational organizations, state chamber of commerce (tourism), and specific representatives from local communities, and non-voting members including EPA, Coast Guard, NOAA, Forest Service, BLM, DEC, F&G, DNR, DES. Duties include: provide advice and recommendations to the Association on policies, permits and regulations relating to operation and maintenance of facilities and tankers which may effect the environment; monitor environmental impacts of the operations of facilities and terminals; review the adequacy of oil spill prevention and contingency plans for tankers and facilities; provide recommendations to the Association on Port Operations, policies and practices; recommend standards for permits and regulations, modifications of terminal facility and tanker operations; and modifications to prevention and contingency plans; and create additional committees.

Funding provided by the oil industry, contingency plans will not be approved if these Environmental monitoring and oversight programs are not funded. \$2 million in FWS, \$1 million in Cook Inlet.

3) The Transportation Secretary is required to establish special requirements for Prince William Sound including:

- a) an improved vessel traffic service system for the Port of Valdez and a Bligh Reef warning light
- b) pre-positioned oil spill containment and removal equipment in strategic locations
- c) establishment of an oil spill clean up force sufficient to clean up a 200,000 barrel spill
- d) training in oil removal techniques for fishermen and fishing industry employees in the area
- e) spill drills twice a year
- f) Tankers that have spilled more than 1 million gallons are prohibited from operating in Prince William Sound

TITLE VI - Miscellaneous

TITLE VII - Research and Development

1) \$26.5 million annually for a new research and development program coordinated by an Interagency Coordinating Committee on Oil Pollution Research. The Committee would coordinate efforts by federal agencies, industry, universities, research institutions, states and other nations. The Committee will investigate technologies to prevent and clean up spills, ways to improve industry and government response to spills, ways to restore damaged natural resources, the environmental effects of spills and other topics.

TITLE VIII - Trans-Alaska Pipeline System

1) Pipeline ROW holders are responsible for paying all costs and are strictly liable for \$350 million in damages.

2) Presidential Task Force - Composed of an appointee of the EPA, Interior, and Transportation, 3 members appointed by the Governor (one from DEC and one from DNR), one member nominated by OTA. The Task Force will conduct a comprehensive 2 year audit of the TAPS and terminal operations and make recommendations concerning prevention of oil spills, and health and environmental damage. the audit includes a review of whether Alyaska is in compliance with laws, regulations and right of way agreements. \$5 million annually is authorized from the fund.

3) Penalties

TITLE IX - Amendments to Oil Spill Liability Trust Fund. ETC.

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TITLE VII--OIL POLLUTION RESEARCH AND DEVELOPMENT PROGRAM

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TITLE VIII--TRANS-ALASKA PIPELINE SYSTEM

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