

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672

2137 SCOMM 79: HOUSE SPEC. COMM. ON OIL & GAS, 1991-1992

155

PETRO STAR VALDEZ REFINERY, A JOINT VENTURE

Description: Scheduled for completion in the late fall of 1992, the PetroStar Valdez Refinery is a 30,000 barrel-per-day refinery that will produce jet fuel, diesel fuel and a marine diesel oil. Like PetroStar's North Pole refinery, the Valdez refinery will obtain its crude oil directly from the trans-Alaska pipeline and will return the residual crude oil back to the pipeline. This refinery has been developed to meet the needs of military and civilian jet aircraft, shipping companies, and homes and businesses in the Valdez area, as well as coastal Alaska. As one of the newest refineries in the United States, the Petro Star Valdez Refinery will be built according to strict environmental regulations.

Partners: The Petro Star Valdez Refinery is a joint venture of PetroStar Valdez Inc., a wholly-owned subsidiary of Arctic Slope Regional Corporation; Alaska Refining, Inc., a wholly-owned subsidiary of the Neil Bergt Trust; and Harbor Enterprises, Inc., dba Petro Marine Services, owned by Dale and Carol Ann Lindsey of Seward. Neil Bergt, of Anchorage, is owner and chairman of the board of MarkAir, Alaska's largest in-state air carrier. The joint venture combines the capital strength and business capabilities of the third, fifth and ninth ranked Alaska-owned companies. (Ranking by Alaska Business Monthly in its "New 49ers" list for 1991.)

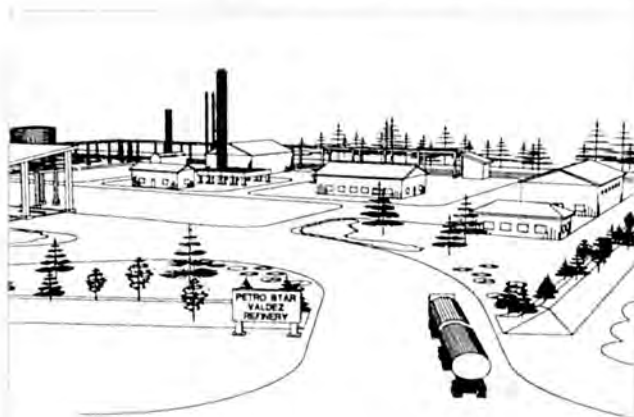
Operations: The mid-size refinery will be located on the south side of the Port of Valdez opposite the city itself. The 50-acre site is adjacent to Dayville Road, about 4.5 miles from the Alyeska terminal. The Valdez refinery will process crude oil drawn directly from the trans-Alaska pipeline. The crude oil enters the refinery at a temperature of 100° F (38° C), where

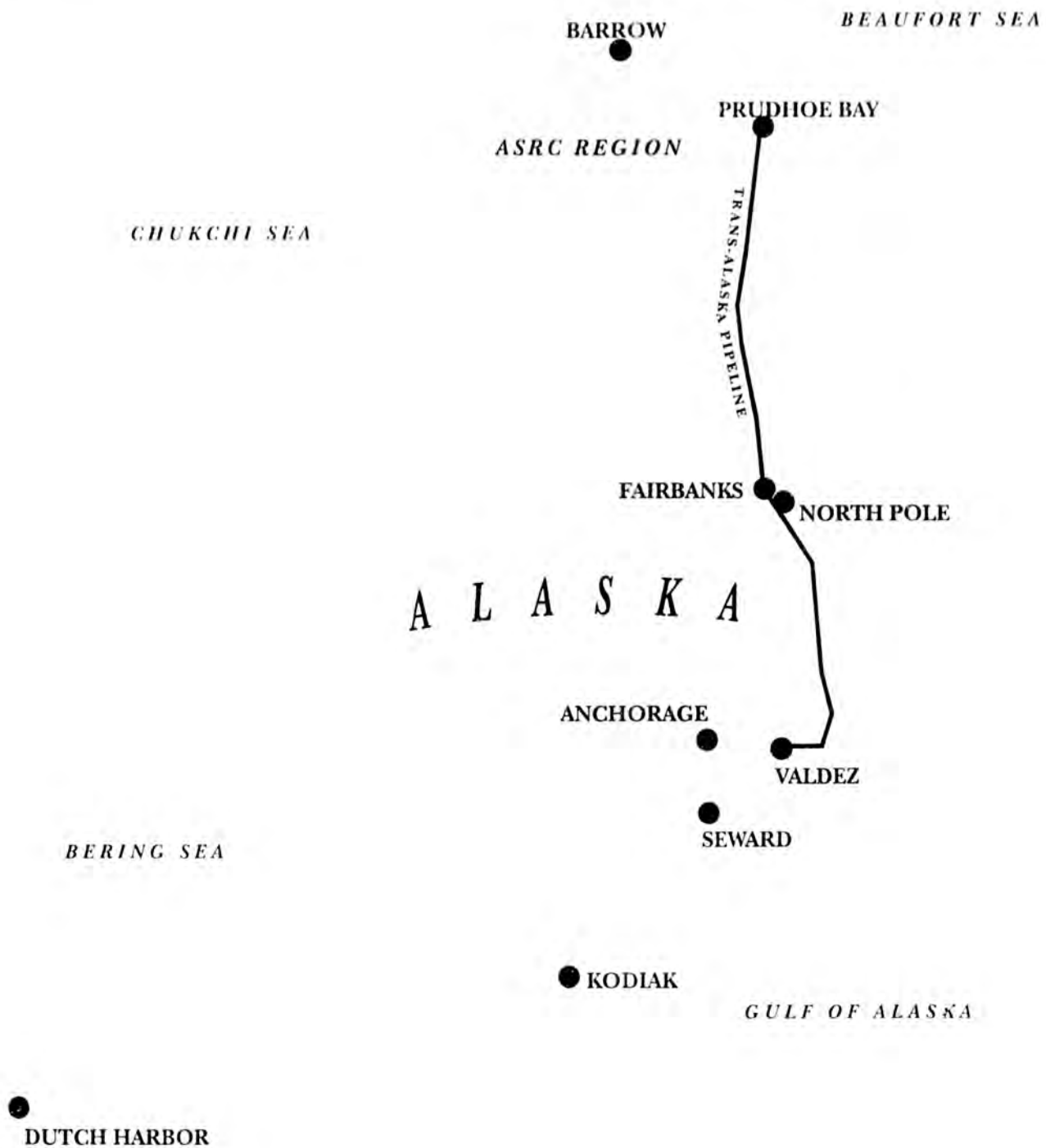
it is heated to 600° F (316° C) and becomes a boiling mass of vapor. The oil then enters the distillation tower, where the light fuels rise to the top and the heavier fuels remain at the bottom. PetroStar separates the fuels, tests their quality and pumps them into holding tanks for distribution at a later time. The remaining crude oil is cooled down to 100° F (38° C) and returned to the trans-Alaska pipeline with no waste in the process.

Markets: The refinery will supply MarkAir with jet fuel and the Valdez area with diesel and heating oil. The balance of the production will be marketed by Petro Marine Services, primarily in Seward, Kodiak and Dutch Harbor. MarkAir's fleet of more than 70 aircraft consumes nearly 25 million gallons of jet fuel each year, and the Valdez refinery will

provide the carrier with a stable source of aviation fuel.

Efficiency: The Petro Star Valdez Refinery will be fully automated and will be in operation 24 hours a day, 365 days a year. An important addition to the local tax base, the refinery will create full-time jobs for about 25 Alaskans. The refinery will supply a broad segment of Alaska's market with a high-value, locally-produced product.





PETRO ST R INC.

P.O. Box 61030
Fairbanks, Alaska 99706
Telephone (907) 474-8210
Fax (907) 474-9503

HARBOR ENTERPRISES, INC.



Dale Lindsey, owner and president of Harbor Enterprises, Inc., surveys his Petro Marine Services bulk plant at Dutch Harbor. Photo by David Predeger

The term full service has special meaning for fishermen whose work often takes them hundreds of stormy miles from the nearest fuel terminal. When boats return to remote harbors, the crews seek efficient, comprehensive service and premium quality, competitively priced fuel.

In 1984 Harbor Enterprises, Inc. one of Alaska's oldest heating oil distributorships, began expanding to meet the fishing industry's growing demand for fuel and service. During the next three years the small, Seward-based operation owned by Dale Lindsey became one of the state's major revenue-producing companies.

Harbor Enterprises was founded in Seward in 1936 as Andy's Oil Delivery. Andy's, named after founder Andy Novak, delivered heating oils to area businesses and residents. Lindsey joined Andy's as a truck driver in 1956 and purchased the company three years later.

"In one respect, it was a matter of being in the right place at the right time," says Lindsey. "Still going into business for myself was the single most significant career milestone in my life. My grandfather, father, and brother all worked for the Alaska Railroad, so becoming an entrepreneur was a major shift away from family tradition.

I had to borrow the money to make the down payment, but I learned early on that indebtedness is a great motivator. I also came to the understand the importance of accurately assessing risk and perceiving opportunity."

For the next 25 years the company provided stable and profitable service to the Seward area. The firm's real growth curve, however, began in 1984, when Lindsey built a 3-million-gallon bulk fuel plant at Dutch Harbor, the key port for fleets fishing the lucrative North Pacific Ocean and Bering Sea.

Lindsey named the facility Petro Marine Services, reflecting the company's primary function of marketing petroleum products to Alaska's fishing industry.

Within two years Harbor Enterprises expanded the Dutch Harbor operation to 6 million gallons, acquired a bulk plant in Kodiak, and rebuilt another in Nikiski.

By 1987 Petro Marine was barging petroleum products to communities along the south-central coast, Kodiak Island, Alaska Peninsula, and the Aleutians. In 1988 the company chartered a second barge and extended its service to Prince Williams Sound, Bristol Bay, and the Kuskokwim Delta.

The results of this expansion were dramatic: Company sales jumped from 6.2 million gallons in 1984 to 89.9 million gallons four years later. During the same period revenues increased from \$6.1 million to \$68.2 million. The revenue increase in 1985 alone amounted to an astronomical 330 percent. Revenues increased another 47 percent in 1986, 37 percent in 1987, and an additional 53 percent in 1988.

The company's major capital expansion during the mid-1980's is particularly noteworthy because the growth occurred during a severe economic downturn; the global

oil price collapse of 1986 curtailed almost all development throughout Alaska.

The move into Dutch Harbor reflected a critical decision for Lindsey. Investing a significant amount of dollars to construct a plant at such a remote port to serve a volatile market is a risk. Still, Lindsey says, "As an owner of two crab fishing vessels, I knew the area's potential. Also, I wanted to expand geographically and not be so dependent on the Seward market."

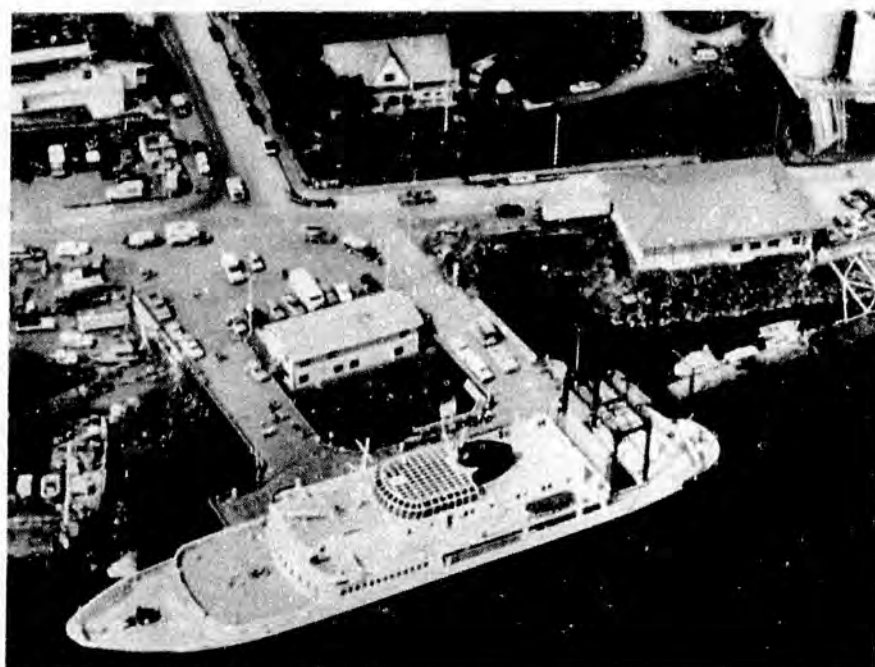
"I have always pushed for internal growth, but I also wanted to keep the business expanding through acquisitions," he continues. "This dual expansion has increased our overall volume to the point where we could achieve significant benefits through purchasing power and other economies of scale."

Harbor Enterprises' growth can be attributed to two factors. First, a tremendous upswing began to occur in Alaska's commercial fishing industry in 1985; second, Chevron, traditionally the major petroleum marketer in Alaska, sold its wholesale bulk plant operations between 1984 and 1986. This divestiture provided Harbor Enterprises with the opportunity to acquire Chevron facilities in Seward and Kodiak and at the same time assume a portion of Chevron's barge distribution system.

Harbor Enterprises' capital expansion program was carried out with a strong consideration for efficiency. In 1988, when sales from the five bulk plants and the barge operation shot above \$68 million, the company had just 43 employees. "It's significant to note that each employee's efforts generated

service business. While increasing volume has been our consistent strategic goal, we also have focused on learning what customers expect in terms of products and services."

"As a company, we constantly try to enhance our level of service by paying attention to



more than \$1.5 million in revenues," says Lindsey. The enterprise's shoreside plant's are situated so that none competes with another. Rather, each plant complements the others by providing convenient, consistent, and efficient service to the predominantly marine clientele.

"Consistency is the bottom line for continued success," says Lindsey. "First and foremost, Petro Marine is a petroleum marketing company that is in the

Petro Marine's Kodiak bulk plant was acquired in 1986.

details, the little things that win customer loyalty. The essence of successful marketing, whether marine or otherwise, is to consistently offer quality products and premium service at competitive prices. This is the course we intend to maintain."



Growing up in Alaska

Revenues

109,958,228

99,096,551

68,180,586

40,674,062

29,732,612

20,255,290

6,139,244

4,322,456

Gallons

108,659,519
Gallons

115,825,010
Gallons

89,768,814
Gallons

56,520,370
Gallons

40,466,661
Gallons

23,742,394
Gallons

6,179,464
Gallons

4,603,533
Gallons

1983 '84

'85

'86

'87

'88

'89

'90

Latitude: Between 47° and 68°

Longitude: Between 128°
and 173°

The Petro Marine barges are our floating marketing operation. From our Nikiski Terminal our barges ply Alaska waters supplying petroleum products to



coastal communities in South-central Alaska, Kodiak Island, the Alaska Peninsula, the Aleutian Chain, Western Alaska and the Bering Sea.

With up to 3 million gallons of cargo capacity, customers have learned they can depend on us to supply the fuels needed for heat and to power their electric generators, processing plants, industrial equipment, autos, airplanes, and vessels. Our schedules are frequent and flexible and, as always, quality and personal service is a top priority with us.



Within the Petro Marine barge concept the only limits are customer needs. So if you have a special requirement, please call our Anchorage Marketing office for prices and schedule information and we'll chart our next course to you!

Products Available:

- **Aviation, automotive, heating and marine fuels**
- **Lube oils and greases**
- **Cleaners and absorbents**
- **Filters and anti-freeze**
- **Additives and petroleum handling equipment**

Telephone: (907) 278-7856

Toll Free: (800) 478-5823

Telefax: (907) 258-2362

Telex: 9102404067

Radio: Marine VHF Radio
Channel 16
Side Band 4125.2

See reverse side for more information.

EQUIPMENT SCHEDULE & SPECIFICATIONS

TUG NAME	BARGE NUMBER	DIMENSIONS	GALLONS	BULK PRODUCT CAPABILITY	PUMPING SYSTEMS	PACKAGE PRODUCT CAPABILITY	RADIO CALL LETTERS
PETRO MARINER*	FNT-180*	180'X54'X13'	632,000	5 GRADES/ 14 COMPARTMENTS	3	2-20' CONEX VANS PLUS 120 DRUMS	WAQ 2746
PETRO CHALLENGER*	FNT-340*	330'X86'X21'	3,000,000	5 GRADES/ 18 COMPARTMENTS	3	1-20' CONEX VAN PLUS 160 DRUMS	WAQ 2746
VARIOUS FOSS TUGS	FOSS-255	250'X76'X17'	1,600,00	5 GRADES/ 11 COMPARTMENTS	4	2-20' CONEX VANS PLUS 200 DRUMS	

NOTE: IN ADDITION TO THE ABOVE REFERENCED EQUIPMENT WE PERIODICALLY CHARTER OTHER TUGS AND BARGES AS NECESSARY TO MEET CUSTOMER NEEDS.

* DENOTES COMPANY OWNED EQUIPMENT.

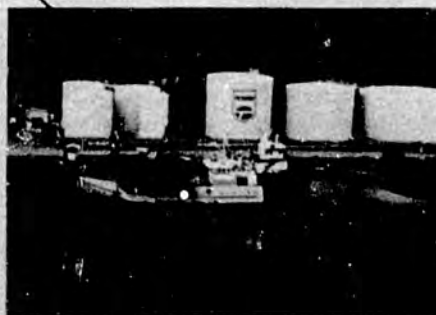
Latitude: 54°
Longitude: 167°

Dutch Harbor is the supply and transportation hub for Western Alaska, servicing the Aleutian Islands and north into the Bering Sea.



Petro Marine provides fuel and services to the vast Bering Sea domestic fishing fleet, foreign fishing vessels, aircraft, tow boats, construction companies and the seismic and oil exploration activity in the area.

Our bulk fuel capacity at Dutch Harbor is nearly 6 million gallons. With our large storage capability, we realize better barge transportation rates and these savings are passed directly on to our customers.



Services and products available:

- **Aviation, heating and marine fuels**
- **Lube oils and greases**
- **Cleaners and absorbents**
- **Filters and anti-freeze**
- **Additives and petroleum handling equipment**
- **Water supply**
- **Marine radio and radar repair**
- **Vessel and engine repair**
- **Hospital, medical, dental and ambulance services**
- **Refuse service**
- **Moorage**
- **Mail and parcel post service**
- **Public telephone room**

Telephone: (907) 581-1350 or
(907) 581-1351

Telefax: (907) 581-1431

Radio: Marine VHF Radio
Channel 6

Longitude: 152°

Petro Marine Services/
Kodiak is located
180 nautical miles
from Seward, 220 nautical
miles from Nikiski and 510
nautical miles from Dutch Harbor.



Fuel is barged into Kodiak's year-round, ice-free port from the Kenai Peninsula refineries and onto Kodiak Island, Alaska Peninsula, Aleutian and Bering Sea communities including Dutch Harbor.

Domestic and foreign fishing vessels, tow boats, service stations, heating fuel distributors, airport dealers, and shoreside processors are regular customers.

We sometimes act as postal courier for our customers or pick up spare parts at the airport. Our employees deliver this additional service because they're used to serving a marine oriented community.

Kodiak's bulk plant has a two-million-gallon capacity.



Services and products available:

- **Aviation, automotive, heating and marine fuels**
- **Lube oils and greases**
- **Cleaners and absorbents**
- **Filters and anti-freeze**
- **Additives and petroleum handling equipment**
- **Water supply**
- **Marine radio and radar repair**
- **Vessel and engine repair**
- **Hospital, medical, dental and ambulance services**
- **Refuse service**
- **Moorage**
- **Mail and parcel post service**

Telephone: (907) 486-3421

Telefax: (907) 486-6833

Radio: Marine VHF Radio
Channel 10



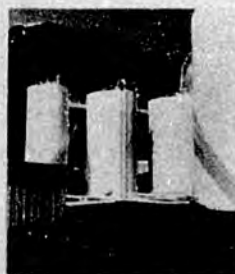
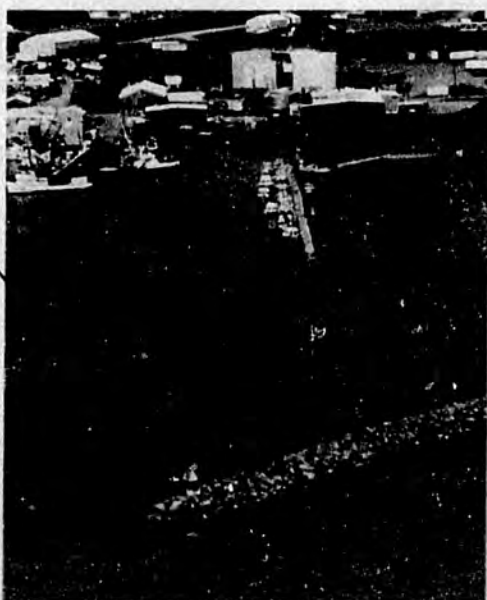
Latitude: 60°
Longitude: 149°

Located on the shore of Resurrection Bay, this port is considered to be one of the best ice-free, deep water harbors in the state and is centrally located near the lucrative fishing grounds of the Gulf of Alaska.

The Seward plant is Petro Marine's first bulk terminal facility and is adjacent to shipping lanes that serve Southcentral Alaska, the Pacific Northwest and the Orient.

With its supply link to the Alaska Railroad and the trans-Alaska pipeline, our Seward plant provides high-quality fuels and petroleum products for foreign and U.S. flag vessels.

We have a joint marketing arrangement in Seward with Harbor Fuel Service.



Services and products available:

- **Aviation, automotive, heating and marine fuels**
- **Lube oils and greases**
- **Cleaners and absorbents**
- **Filters and anti-freeze**
- **Additives and petroleum handling equipment**
- **Water supply**
- **Marine radio and radar repair**
- **Vessel and engine repair**
- **Hospital, medical, dental and ambulance services**
- **Refuse service**
- **Moorage**

Telephone: (907) 224-3190

Telefax: (907) 224-3937

Radio: Marine VHF Radio
Channel 16



Latitude: 60°
Longitude: 151°

Located at the Old Arness Dock in Nikiski, this terminal is the northernmost refueling facility in the Petro Marine network.

Nikiski provides convenient access to Cook Inlet shipping lanes and is 60 miles south of Anchorage.

The Nikiski plant has the capacity to service oil platforms and transportation vessels.

Services and products available:

- **Aviation, automotive, heating and marine fuels**
- **Lube oils and greases**
- **Cleaners and absorbents**
- **Filters and anti-freeze**

- **Additives and petroleum handling equipment**
- **Water supply**
- **Marine radio and radar repair**
- **Vessel and engine repair**
- **Hospital, medical, dental and ambulance services**
- **Refuse services**

Telephone: (907) 776-8000
Telefax: (907) 776-8088
Radio: Marine VHF Radio
Channel 16





Homer

Alaska Oil Sales (AOS) is the newest entity in the Harbor Enterprises marketing network. Founded in 1973, AOS has bulk plant facilities located in Kenai, Nikiski and Homer, plus a warehouse/shop and offices in Soldotna.

AOS provides a wide range of Chevron, Mobil, Shell and Unocal lubricants and related petroleum products to the following industries:

- Fishing
- Transportation
- Timber
- Petro chemical
- Oil exploration
- Aviation
- Construction
- Oil production

AOS supplies retail service stations, marine distributors and airport dealers with motor and aviation gasolines, diesel and jet fuels plus heating fuels for business, industrial and home use.

We operate a complete fleet of tank truck and tractor trailer equipment. If you need a delivery and there's a road to get there, give AOS a call and we'll provide you with an exceptional level of service.

Telephone: (907) 262-2250

Telefax: (907) 262-7180

Soldotna: 35235 K-Beach Road
Kenai: 608 Bridge Access Road
Homer: 1566 Ocean Drive
Nikiski: Mile 25 Spur Highway





DUTCH
HARBOR

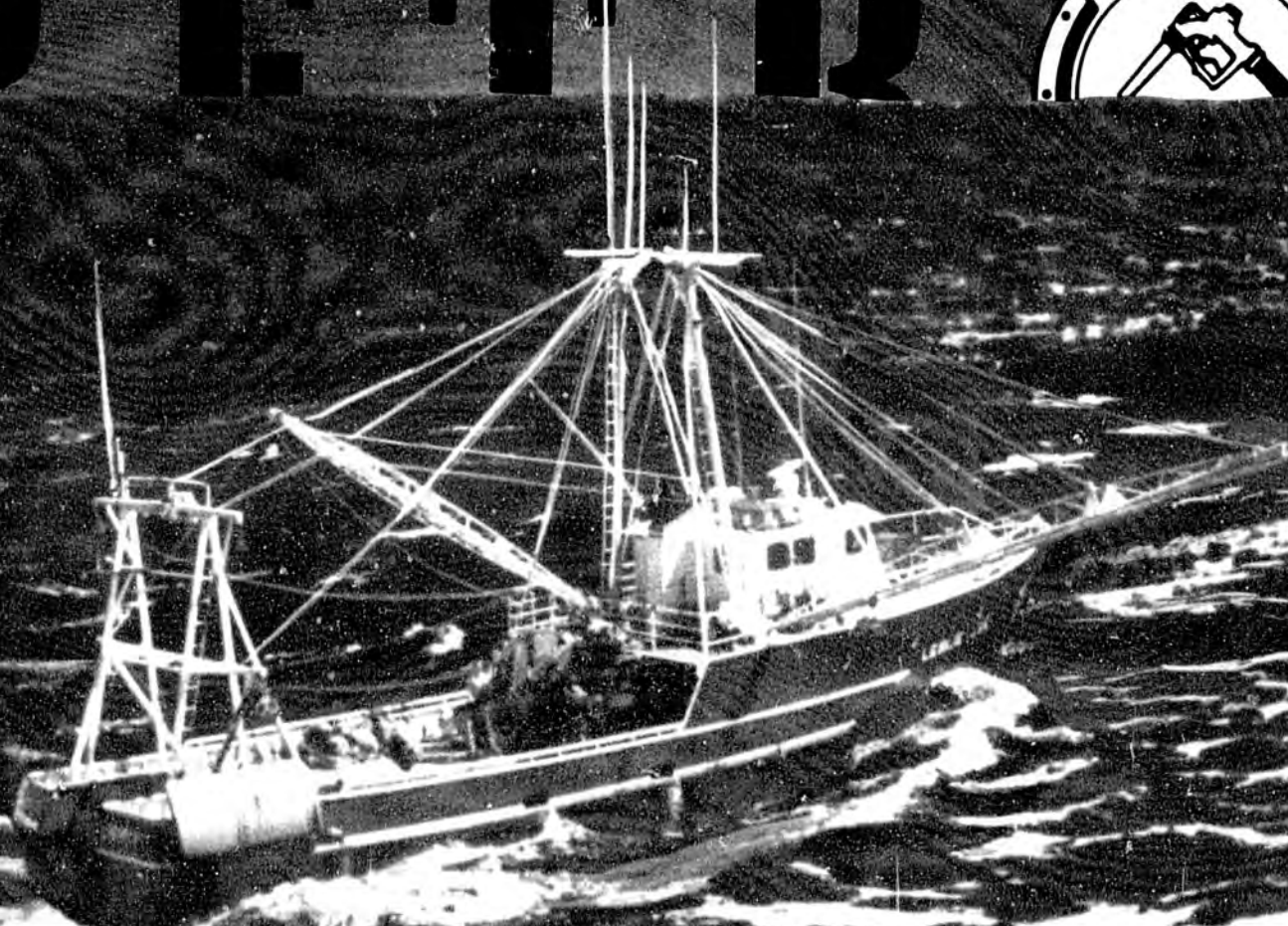
NIKISKI

KODIAK

SEWARD

Set a course
for Petro Marine
Your oasis in
Alaskan waters

כרית ים





If you work Alaska's waters, you need a fuel service company that knows as much about your vessel as you do. That's us, Petro Marine Services.



All of us understand the special needs of the marine industry. Fact is, some of us have worked on vessels ourselves. So we know that you won't make a dime if you're stuck at the dock waiting for fuel and supplies. That's why we keep our tanks full, our pumps primed and our people on the job round the clock to get you back on the water fast. All at the most competitive prices going.



After all, your vessel doesn't run from 9 to 5. And neither do we. When it's time to come in from the sea, pull into a Petro Marine facility. It's your fueling oasis in Alaskan waters.



PETRO



"The crews at Petro Marine are quick. And because of the Chinese language barrier they're extra careful to make sure our captain gets exactly what he wants."

*Chris Jones, Manager
Ocean Fish Venture Fisheries*

"We appreciate the fact that Petro Marine will order special lubricants for our vessels. They make sure they're there 24 hours a day. It's a great service. We've never had any problems."

Alaskan owned. It makes a difference.



Because you operate in Alaska, it makes sense to get your fuel from a company that's been

here more than 50 years. At Petro Marine, we're Alaskan owned and use Alaska fuels, pumped directly from the rich oil fields of the North Slope. That means you get some of the best marine fuels available and at a reasonable cost.

That competitive spirit has been an important part of Petro Marine.



MARLINE



we began as Andy's Oil Service back in 1936. And it's a commitment we're not about to change.

All the products you need.

Sure you need fuel to keep your engines running, but as vessel owners ourselves, we know how important all the extras can be. Like anti-freeze, lubricants, filters, cleaners and absorbents. Plus, if you need a certain brand or an unusual product, we'll order it for you and even keep

a special supply on hand for you.

Service that proves we mean business.

We didn't become the largest independent petroleum marketing firm based in Alaska and the state's fastest growing Alaskan-owned company in 1986 by just talking about service. Our philosophy is this: we want to be your fuel supplier and we'll work extra hard to keep your business. We promise that you'll always find our crews to be experienced and our docks open seven days a week for refuelings that are fast, efficient and competitively priced.

Terminals strategically located.

Our four plants — Seward, Nikiski, Dutch Harbor and Kodiak — are networked into many of Alaska's shipping lanes and most productive fishing grounds. This means that we're right on course when you're ready to fuel up. And there's no minimum delivery like some of the big guys around. Plus, with our dependable fuel delivery chain via

highway, rail and water, you'll have the quality petroleum and supplies you need whenever you put it to use. Guaranteed.

We can come to you.

We recognize there are times you simply can't come into our facility to re-fuel. Don't worry, we now barge directly to your location so you can keep your course and maintain productivity. This added dimension to our shoreside operation allows us to effectively serve Southcentral Alaska, Kodiak Island, Alaska Peninsula, Aleutian Islands and Bering Sea locations.

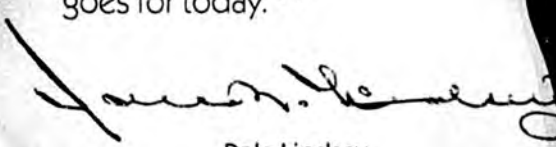
Credit Program.

Consolidated Billing

Once you establish an account, we'll simply chart a course for the Petro Marine Department to process your billing, no more chasing after bills. Marine



At one time I was a commercial fisherman myself. I got into the oil business as a winter time driver for Andy's Oil Service. Over the years I've had an interest in several boats. In fact, I still have two. As a result, I know what it means to work hard for months at a time out on the water. Back in 1959, when Andy's came up for sale, I jumped at the opportunity to buy it. No doubt about it, I've been fortunate. But, from the beginning, I've stuck with one basic philosophy. Always deliver the very best service at a fair and reasonable price. Whenever you pull up to a Petro Marine dock, that's what you'll find — good service and fair prices. You had my word on it in 1959. The same goes for today."



Dale Lindsey
President,
Petro Marine Services





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Telefax (907) 258-2362
Telex 9102404067

CORPORATE OFFICE
SEWARD, AK 99664
P.O. Box 389
(907) 224-3190
Telefax (907) 224-3937

SCOMM

79:22

HOUSE COMMITTEE REPORT

4/17/91

(7)

Date Referred: February 4, 1991

FURTHER REFERRALS:

Resources
Finance

Date of Committee Action: 4-15-91

The HOUSE SPECIAL COMMITTEE ON OIL AND GAS Committee considered:

HJR 17

HOUSE JOINT RESOLUTION NO. 17

OFFSHORE OIL REVENUE SHARING

Endorsing S.49, the Ocean and Coastal Resources Enhancement Act, federal legislation which would direct the federal government to share with the states and their local governments federal revenue generated by the development of the resources of the outer continental shelf.

RECOMMENDATIONS:

be replaced with CSHJR 17 (O&G) ☒ the same title ☐ a new title

☐ have attached amendments(s)

☒ do pass

☐ do not pass

☐ no recommendations

☐ individual recommendations

☐ additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept)

APPROVES PREVIOUS: (Dept/Date)

☐ fiscal impact _____

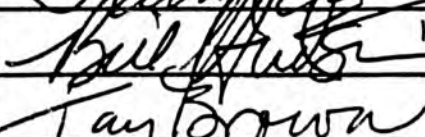
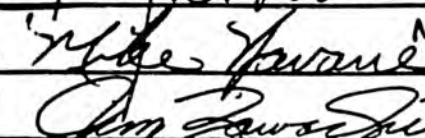
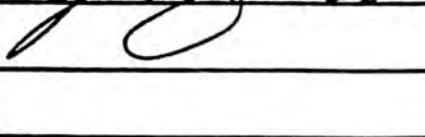
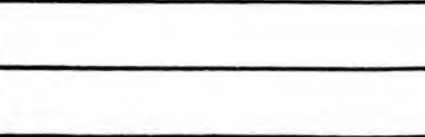
☐ fiscal note(s) _____

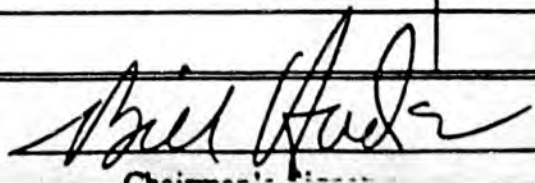
☒ zero fiscal note REVENUE

☐ zero fiscal note(s) _____

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

	Check appropriate column:	Do Not Pass	No Rec	Amend
 CARNEY				
 HUDSON				
 BROWN				
 NAVARRE				
 ZAWACKI				

 HUDSON

FISCAL NOTE

HJR17

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. _____

Revision Date: _____ Department Affected: REVENUE
 Title: Endorsing S.49 the Ocean and Coastal Resources Enhancement Act..... BRU: Revenue Operations
 Component: Oil and Gas Audit
 Sponsor: Hudson
 Requestor: House Spec Comm on Oil & Gas COMPONENT SERIAL NO.

1	1	5
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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						

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

REVENUE	0	0	-----	- see analysis -	-----	-----
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

See attached analysis

Prepared By: Roger Marks *[Signature]* Phone: 277-5627
 Division: Oil and Gas Audit Date: 4/12/91
 Approved by Commissioner: *[Signature]*
 Agency: DEPT. OF REVENUE Date: 4-15-91

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

Analysis of House Joint Resolution 17
Endorsement of the Ocean and Coastal Resources Enhancement Act

House Joint Resolution 17, identical to Senate Joint Resolution 12, endorses S.49, the Ocean and Coastal Resources Enhancement Act, federal legislation which, if passed, would direct the federal government to share with the states and their local governments federal revenue generated by the development of the resources of the outer continental shelf (OCS).

The act would deposit one-third of all OCS revenues (bonuses, rents, and royalties) received beginning in FY 92 into a fund. Note that the federal fiscal year begins October 1. For leases in existence at that time any bonuses and rentals would be exempt, as would royalties if the lease was producing then. Six months later, and annually thereafter, half of the fund balance (with interest) would be distributed.

Currently there is no production on the Alaska OCS. There are some confirmed discoveries in the Beaufort Sea, but their size makes commercial production uncertain. No production plans have been filed. Around Alaska there are active leases in the Bering, Chukchi, and Beaufort Seas. The probability of commercial success in the Bering Sea appears very small. The Minerals Management Service (MMS) of the U.S. Department of Interior has estimated that the Chukchi Sea has a 16 percent chance of commercial success with a mean resource estimate of 4.16 billion barrels recoverable, and that the Beaufort Sea has a 21 percent chance of commercial success with a mean resources estimate of 1.45 billion barrels recoverable. MMS estimated that this act would generate \$5.4 billion to Alaska from royalties over the economic life of these areas, assuming a constant \$23 per barrel wellhead price, if discovery and production occurred. (Note that MMS made a serious methodological flaw in the use of probability in these calculations. Correcting this flaw would reduce that number by half.) Note that commercial production in these areas usually follows about ten years after discovery, so these revenues may not be forthcoming soon.

As far as unleased acreage is concerned the current draft proposed Federal OCS lease sale schedule shows the following sales and acreage over the next few years:

- Beaufort Sea (29mm acres)	Late 1993
- Chukchi Sea (25mm acres)	Mid 1994
- Cook Inlet (1mm acres)	Mid 1994
- St. George or Hope Basin (12mm or 4mm acres)	Mid 1995
- Gulf of Alaska (8mm acres)	Late 1995
- Norton or Navarin or St. Mathew-Hall Basin (9mm or 17mm or 12mm acres)	Mid 1996
- Beaufort Sea (29mm acres)	Late 1996
- Chukchi Sea (25mm acres)	Mid 1997

It would be impossible to precisely estimate the lease bonuses that might be realized from these sales. However it should be noted that the most prospective of acreage in these areas has already been leased. Also, exploration efforts in all but the Chukchi and Beaufort has been disappointing. (Results on the former are currently unknown.) Ultimately, the magnitude of lease bonuses would depend mainly on expectations on the probability of success, oil prices, size of find, and exploration costs. Perhaps a range of total bonuses of \$0 to \$100 million per sale could be considered reasonable, of which Alaska would realize one-third.

Rentals on OCS frontier acreage are now \$3 an acre, of which the State would realize one-third. Rentals discontinue upon the commencement of commercial production. The above acreage includes areas already under lease, although these are a small percentage of the entire area. Area deletions prior to the actual offerings are probable. Perhaps up to ten percent of the offered acreage may actually become leased.

S.49 also creates the Coastal Zone Impact Assistance Fund, which deposits 4.5 percent of all OCS revenues in a fund beginning in FY 92. Six months later, and annually thereafter, half of the fund balance (with interest) would be distributed to coastal states (including the Great Lakes) and communities by a yet to be determined formula that would consider the number, location, and impact of energy facilities. It would be impossible to make a reasonable estimate of what Alaska might realize from this.

April 15, 1991

To: Committee Members

From: Staff

Re: Fiscal note and Department of Revenue Position Paper for
HJR 17.

A fiscal note and position paper has been requested for HJR 17;
however, neither have been received as yet.

Attached for your reference is a copy of the fiscal note and position
paper received for SJR 12, HJR 17's companion measure.

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. SJR12

Revision Date: _____ Department Affected: REVENUE
 Title: Endorsing S.49 the Ocean and BRU: Revenue Operations
Coastal Resources Enhancement Act..... Component: Oil and Gas Audit
 Sponsor: Sturgulewski
 Requestor: Sturgulewski COMPONENT SERIAL NO.

1	1	5
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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						

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

REVENUE	0	0	-----	see analysis	-----	-----
---------	---	---	-------	--------------	-------	-------

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

See attached analysis

Prepared By: Roger Marks Phone: 277-5627
 Division: Oil and Gas Audit Date: 3/14/91
 Approved by Commissioner: _____ Date: 3-20-91
 Agency: _____

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

Analysis of Senate Joint Resolution 12
Endorsement of the Ocean and Coastal Resources Enhancement Act

Senate Joint Resolution 12 endorses S.49, the Ocean and Coastal Resources Enhancement Act, federal legislation which, if passed, would direct the federal government to share with the states and their local governments federal revenue generated by the development of the resources of the outer continental shelf (OCS).

The act would deposit one-third of all OCS revenues (bonuses, rents, and royalties) received beginning in FY 92 into a fund. Note that the federal fiscal year begins October 1. For leases in existence at that time any bonuses and rentals would be exempt, as would royalties if the lease was producing then. Six months later, and annually thereafter, half of the fund balance (with interest) would be distributed.

Currently there is no production on the Alaska OCS. There are some confirmed discoveries in the Beaufort Sea, but their size makes commercial production uncertain. No production plans have been filed. Around Alaska there are active leases in the Bering, Chukchi, and Beaufort Seas. The probability of commercial success in Bering Sea appears very small. The Minerals Management Service (MMS) of the U.S. Department of Interior has estimated that the Chukchi Sea has a 16 percent chance of commercial success with a mean resource estimate of 4.16 billion barrels recoverable, and that the Beaufort Sea has a 21 percent chance of commercial success with a mean resources estimate of 1.45 billion barrels recoverable. MMS estimated that this act would generate \$5.4 billion to Alaska from royalties over the economic life of these areas, assuming a constant \$23 per barrel wellhead price, if discovery and production occurred. (Note that MMS made a serious methodological flaw in the use of probability in these calculations. Correcting this flaw would reduce that number by half.) Note that commercial production in these areas usually follows about ten years after discovery, so these revenues may not be forthcoming soon.

As far as unleased acreage is concerned the current draft proposed Federal OCS lease sale schedule shows the following sales over the next few years:

- Beaufort Sea	Late 1993
- Chukchi Sea	Mid 1994
- Cook Inlet	Mid 1994
- St. George or Hope Basin	Mid 1995
- Gulf of Alaska	Late 1995
- Norton or Navarin or St. Mathew-Hall Basin	Mid 1996
- Beaufort Sea	Late 1996
- Chukchi Sea	Mid 1997

It would be impossible to precisely estimate the lease bonuses that might be realized from these sales. However it should be noted that the most prospective of acreage in these areas has already been leased. Also, exploration efforts in all but the Chukchi and Beaufort has been disappointing. (Results on the former are currently unknown.) Ultimately, the magnitude of lease bonuses would depend mainly on expectations on the probability of success, oil prices, size of find, and exploration costs. Perhaps a range of \$0 to \$100 million per sale could be considered reasonable.

S.49 also creates the Coastal Zone Impact Assistance Fund, which deposits 4.5 percent of all OCS revenues in a fund beginning in FY 92. Six months later, and annually thereafter, half of the fund balance (with interest) would be distributed to coastal states (including the Great Lakes) and communities by a yet to be determined formula that would consider the number, location, and impact of energy facilities. It would be impossible to make a reasonable estimate of what Alaska might realize from this.



Official Business

Alaska State Legislature

HOUSE OF REPRESENTATIVES

Special Committee on Oil and Gas

Bill Hudson - Chairman

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

HOUSE SPECIAL COMMITTEE ON OIL AND GAS

APRIL 15, 1991

- *HJR 17 Endorsing S. 49, the Ocean Coastal Resources Enhancement Act, federal legislation which would direct the federal government to share with the states and their local governments federal revenue generated by the development of the resources of the outer continental shelf.

Representative Bill Hudson, Sponsor

- HJR 36 Relating to off-shore exploration, development, and tanker transportation activities in the Beaufort and Chukchi Seas.

Representative Eileen MacLean, Sponsor

Tom Lohman, Assistant Attorney, North Slope Borough

Walt Parker, Alaska Oil Spill Commission



Alaska State Legislature

HOUSE OF REPRESENTATIVES

Official Business

Special Committee on Oil and Gas

Bill Hudson - Chairman

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

April 12, 1991

To: House Special Committee on Oil and Gas Members
From: Representative Hudson
Re: HJR 17

Earlier this year I introduced HJR 17 as a companion measure to Senator Sturgulewski's SJR 12. HJR 17 endorses S. 49, the Ocean and Coastal Resources Enhancement Act, introduced by Senator Ted Stevens and cosponsored by Senator Frank Murkowski.

S. 49 would direct the federal government to share with the states and their local governments federal revenue generated by the development of the resources of the outer continental shelf. Passage of this important legislation would give states and coastal communities the funds necessary to ensure that OCS leases are developed in an environmentally sensitive way as well as lessening the impact of development on affected communities.

I believe it is critical that the Alaska State Legislature go on record as being in support of this federal legislation. Current law does not require the federal government to share lease sale income, royalties, or other revenue generated from outer continental shelf resource development with states or municipalities. This is an inequity that has existed for far too long and should be changed.

The Mineral Management Service estimates the combined state and local share for Alaska from OCS development in the Chukchi and Beaufort Seas could be as much as \$12 billion in revenue to the state. In addition to ensuring environmentally sensitive development, these funds could be used to provide desperately needed services such as safe water and sewer systems and infrastructure support.

Additionally, the federal legislation would create a Coastal Zone Impact Assistance Fund by setting aside 4 1/2 percent of OCS lease sale income, royalties and other revenue for use by those coastal states and communities impacted by energy development.

I urge to carefully review the material included in your packet and join with me in supporting HJR 17.

CS FOR HOUSE JOINT RESOLUTION NO. 17 (OIL & GAS)**IN THE LEGISLATURE OF THE STATE OF ALASKA****SEVENTEENTH LEGISLATURE - FIRST SESSION****BY THE HOUSE SPECIAL COMMITTEE ON OIL AND GAS****Offered:****Referred:****Sponsor(s): REPRESENTATIVES HUDSON, Gruenberg, Ulmer****A RESOLUTION**

1 Endorsing S.49, the Ocean and Coastal Resources Enhancement Act, federal legislation
2 which would direct the federal government to share with the states and their local
3 governments federal revenue generated by the development of the resources of the outer
4 continental shelf.

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

6 WHEREAS development of the state's resources is an important issue to residents of the state,
7 and the Minerals Management Service is proposing to develop resources that may be found in the coastal
8 and ocean waters and on the seabed of the outer continental shelf adjacent to the state; and

9 WHEREAS, under current law, the federal government is not required to share the lease sale
10 income, royalties, and other revenue generated from outer continental shelf resource development,
11 leaving to the states and affected municipalities the responsibility of meeting any increased costs
12 attributable to the development; and

13 WHEREAS S.49, the Ocean and Coastal Resources Enhancement Act, pending during the 102nd
14 Congress, would, if approved, require the federal government to share one-third of the revenue generated
15 by a particular development located on a state's outer continental shelf with the adjacent state and the

1 communities within the state that are affected by the development; and

2 **WHEREAS** the revenue-sharing concept set out in S.49 would assist the states and their
3 municipalities to meet dislocations and adverse effects of outer continental shelf resources development
4 projects, accelerate the development of necessary infrastructure, provide capital for necessary support
5 services, and provide revenue for essential environmental protection projects;

6 **BE IT RESOLVED** that the Alaska State Legislature endorses and supports S. 49 and urges its
7 prompt passage by the United States Congress and approval by the President of the United States.

8 **COPIES** of this resolution shall be sent to the Honorable George Bush, President of the United
9 States; the Honorable Thomas S. Foley, Speaker of the U.S. House of Representatives; the Honorable
10 Robert C. Byrd, President pro tempore of the U.S. Senate; the Honorable J. Bennett Johnston, Chair of
11 the Senate Committee on Energy and Natural Resources; the Honorable Morris K. Udall, Chair of the
12 House Committee on Interior and Insular Affairs; the Honorable Manuel Lujan, Jr., Secretary of the
13 Interior; and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the
14 Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.

HOUSE JOINT RESOLUTION NO. 17
IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES HUDSON, Gruenberg, Ulmer

Introduced: 2/4/91

Referred: House Special Committee on Oil and Gas, Resources, Finance

A RESOLUTION

1 Endorsing S.49, the Ocean and Coastal Resources Enhancement Act, federal legislation
2 which would direct the federal government to share with the states and their local
3 governments federal revenue generated by the development of the resources of the outer
4 continental shelf.

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

adopted
6 **WHEREAS** development of the state's resources is an important issue to residents of the state,
7 ~~and the Alaska Legislature has generally supported initiatives to develop those resources, including those~~
8 resources that may be found in the coastal and ocean waters and on the seabed of the outer continental
9 shelf adjacent to the state; and

10 **WHEREAS**, under current law, the federal government is not required to share the lease sale
11 income, royalties, and other revenue generated from outer continental shelf resource development,
12 leaving to the states and affected municipalities the responsibility of meeting any increased costs
13 attributable to the development; and

14 **WHEREAS** S.49, the Ocean and Coastal Resources Enhancement Act, pending during the 102nd
15 Congress, would, if approved, require the federal government to share one-third of the revenue generated

1 by a particular development located on a state's outer continental shelf with the adjacent state and the
2 communities within the state that are affected by the development; and

3 **WHEREAS** the revenue-sharing concept set out in S.49 would assist the states and their
4 municipalities to meet dislocations and adverse effects of outer continental shelf resources development
5 projects, accelerate the development of necessary infrastructure, provide capital for necessary support
6 services, and provide revenue for essential environmental protection projects;

7 **BE IT RESOLVED** that the Alaska State Legislature endorses and supports S. 49 and urges its
8 prompt passage by the United States Congress and approval by the President of the United States.

9 **COPIES** of this resolution shall be sent to the Honorable George Bush, President of the United
10 States; the Honorable Thomas S. Foley, Speaker of the U.S. House of Representatives; the Honorable
11 Robert C. Byrd, President pro tempore of the U.S. Senate; the Honorable J. Bennett Johnston, Chair of
12 the Senate Committee on Energy and Natural Resources; the Honorable Morris K. Udall, Chair of the
13 House Committee on Interior and Insular Affairs; the Honorable Manuel Lujan, Jr., Secretary of the
14 Interior; and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the
15 Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.

Ted Stevens

United States Senator For Alaska



Contact: Press Office
(202) 224-5208

January 16, 1991

FOR IMMEDIATE RELEASE

BILL WOULD SHARE OCS REVENUES WITH STATE AND LOCAL GOVERNMENTS

Alaska and its coastal communities could receive as much as \$12 billion from the revenues generated by Outer Continental Shelf (OCS) development under legislation introduced by Senator Ted Stevens and cosponsored by Senator Frank Murkowski.

The Ocean and Coastal Resources Enhancement Act (S. 49) would require the federal government to share one-third of the revenue generated by a particular OCS development with the state that is located adjacent to the offshore wells, Stevens said. One-half of that amount would go to state government, with the remaining to be divided among the communities impacted by OCS development.

Under current law, the federal government shares none of the lease sale income, royalties or other revenues derived from OCS development since it occurs in federal waters.

"This bill would give states and coastal communities the funds they need to help ensure OCS leases are developed in an environmentally-sensitive way and to lessen the impact of development on affected communities," Stevens said.

"Under existing law, coastal states and communities don't share in the revenues generated by OCS development, but they are expected to shoulder the increased costs that come with it. This bill would correct that inequity," he added.

For example, Stevens said, the revenues could be used for projects designed to enhance and protect the environment and for determining whether OCS activity is consistent with state and local coastal zone management plans.

Coastal communities could use their funds to increase fire and police protection, expand sewer and water facilities and provide additional government services for the increased population that results from nearby energy development, Stevens said.

-more-

Alaska Offices: Anchorage: 271-5915 Fairbanks: 458-0261 Juneau: 586-7400
Kenai: 283-5808 Ketchikan: 225-8880

OCS revenue sharing

"Development of oil and gas resources on the Alaska outer-continental shelf is an important issue to Alaskans," Murkowski said. "It makes sense for states and coastal communities impacted by OCS activity to receive some benefit from that development."

"This revenue-sharing concept is particularly important in Alaska, where OCS development would occur near rural communities with unique histories and heritages, many of them small enough to have great difficulty absorbing the impacts smoothly. Revenues received in these communities as a result of OCS development would be available to ease any adverse effects, accelerate necessary infrastructure development and provide seed money for economic diversification," Murkowski added.

Federal officials have estimated that the combined state and local share for Alaska from OCS development in the Chukchi and Beaufort Seas could be as much as \$12,745,833,333. That amount is based on the Minerals Management Service's (MMS) estimates of maximum production of 9.1 billion barrels of oil from the Chukchi Sea and 4.2 billion barrels from the Beaufort Sea.

OCS tracts in the Chukchi and Beaufort Seas are currently under lease, although to date no commercial discoveries have been made. Future OCS activity will be based on the MMS's new five-year leasing plan which will be issued later this month, Stevens said.

The Stevens bill would also direct the federal government to establish a Coastal Zone Impact Assistance Fund, into which the Secretary of the Treasury would deposit four and one-half percent of OCS lease sale income, royalties and other revenues. Money from the fund would be provided to coastal states (including the Great Lakes states) and communities impacted by any type of energy development.

The funds would be allocated under a formula that would take into account the number, location and impact of energy facilities. No state could receive more than 20 percent of the fund, according to the Stevens bill.

The money would be used to help pay the states' costs of leasing and permitting energy facilities, including refineries and pipelines, and fund environmental and natural resource projects.

The legislation has been referred to the Senate Commerce Committee.

OCS REVENUE SHARING FACT SHEET

ALASKA CCS REGION BONUSES, RENTS, AND MINIMUM ROYALTIES

1985	\$11,715,642
1986	7,618,752
1987	7,748,634
1988	705,849,842
1989	18,810,814

TOTAL	751,743,684
	<u>3</u>

250,565,929 State and local government share had
OCS revenue sharing legislation been
in place beginning in 1985

Information provided by Al Powers, Minerals Management Service
Anchorage, Alaska -- 907-261-4010

ESTIMATED UNDISCOVERED, ECONOMICALLY RECOVERABLE, UNLEASED RESOURCES FOR THE CHUKCHI SEA AND BEAUFORT SEA

<u>Lease Area</u>	<u>Minimum</u>	<u>Mean</u>	<u>Maximum</u>
Chukchi (16% chance of commercial find)	1.1bb	4.16bb	9.1bb
Beaufort (21% chance of commercial find)	.4bb	1.45bb	4.2bb
TOTAL ARCTIC	1.5bb	5.61bb	13.3bb
Multiply by \$23 for wellhead value of oil		\$129.03 billion	\$305.9 billion
Divide by 1/8 for federal royalty share		\$16,128,750,000	\$38,237,500,000
Divide by 1/3 for State/local gov't share under OCS revenue sharing bill		\$5,376,250,000	\$12,745,833,333

Information provided by Marshall Rose,
Minerals Management Service, Washington, D.C. 703-787-1536

STATEMENT OF SENATOR TED STEVENS

IN SUPPORT OF S. 49,
THE COASTAL ZONE IMPACT ASSISTANCE ACT

Monday, January 14, 1991

MR. STEVENS: Today I introduce S. 49, the Ocean and Coastal Resources Enhancement Act. The measure, which is similar to legislation I introduced in the mid-80s, is designed to give coastal states and communities the tools they need to minimize the impacts energy development can bring to coastal areas. The bill directs the Secretary of Commerce to distribute 4 1/2 percent of all OCS revenues to coastal areas impacted by a wide spectrum of energy development ranging from refineries to pipelines. All coastal areas would be eligible including the Great Lakes states.

The bill uses many of the concepts established in the Coastal Zone Management Act, and is intended to complement the provisions of that Act. For states and local governments directly impacted by OCS leasing activities, the Commerce Department would share one-third of OCS revenues derived off the coast of that particular state. The Secretary of Commerce would pass half the sum to the States and half to local governments.

The funds would be used to help state and local governments participate meaningfully in the permitting process. The monies would also enable them to undertake their own projects to enhance and protect the environment. In addition, local governments most directly impacted by energy development could use their funds to increase police and fire protection, sewer and water facilities, and provide needed government services for the increased population that energy development can bring.

Mr. President, twice the Senate approved similar legislation, but unfortunately because of administration opposition, we were not successful in getting it enacted into law. When he announced his decision on OCS development off the coasts of California and Florida, President Bush hinted that his Administration might support a revenue sharing concept. I look forward to working with the Administration to develop a fiscally responsible bill that addresses the concerns of coastal states and communities.

102D CONGRESS
1ST SESSION

S. 49

To establish an Ocean and Coastal Resources Enhancement Fund and a Coastal Zone Impact Assistance Fund, to require the Secretary of Commerce to provide States and local governments with block grants from moneys in the Funds, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 14 (legislative day, JANUARY 9), 1991

Mr. STEVENS (for himself and Mr. MURKOWSKI) introduced the following bill; which was read twice and referred to the Committee on Commerce, Science, and Transportation

A BILL

To establish an Ocean and Coastal Resources Enhancement Fund and a Coastal Zone Impact Assistance Fund, to require the Secretary of Commerce to provide States and local governments with block grants from moneys in the Funds, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SHORT TITLE

4 SECTION 1. This Act may be cited as the "Ocean and
5 Coastal Resources Enhancement Act."

6 DEFINITIONS

7 SEC. 2. For purposes of this Act—

1 (1) the term "coastal State" has the meaning
2 given such term under the Coastal Zone Management
3 Act (16 U.S.C. 1453(4));

4 (2) the term "local government" has the meaning
5 given such term under the Coastal Zone Management
6 Act (16 U.S.C. 1435(11));

7 (3) the term "coast line" has the meaning given
8 such term under the Submerged Lands Act (43 U.S.C.
9 1301(o));

10 (4) the term "coastal zone" has the meaning
11 given such term under the Coastal Zone Management
12 Act (16 U.S.C. 1453(1));

13 (5) the term "Outer Continental Shelf" has the
14 meaning given such term under the Outer Continental
15 Shelf Lands Act (43 U.S.C. 1331(a));

16 (6) the term "Secretary" means the Secretary of
17 Commerce; and

18 (7) the term "energy facilities" has the meaning
19 given such term under the Coastal Zone Management
20 Act (16 U.S.C. 1453(6)).

21 OCEAN AND COASTAL RESOURCES MANAGEMENT FUND

22 SEC. 4. (a) ESTABLISHMENT.—There is established in
23 the Treasury of the United States an interest-bearing account
24 to be known as the Ocean and Coastal Resources Enhance-
25 ment Fund, which shall be administered by the Secretary.

1 (b) PAYMENTS TO FUND.—Beginning in fiscal year
 2 1992, the Secretary of the Treasury shall pay into the Fund
 3 33 per centum of all revenues described in subsection (c)
 4 which are attributable to an Outer Continental Shelf lease,
 5 any part of which is within 200 miles of the coast line. The
 6 Secretary of the Treasury may adjust amounts in the Fund at
 7 any time to account for overpayments, underpayments, and
 8 errors.

9 (c) NEW REVENUES.—Subsection (b) shall apply only
 10 to—

11 (1) bonus revenues under a lease if no bonus reve-
 12 nues have been received by the United States under
 13 that lease before October 1, 1991;

14 (2) rent revenues under a lease if no rent reve-
 15 nues have been received by the United States under
 16 that lease before October 1, 1991;

17 (3) royalty revenues under a lease if no royalty
 18 revenues have been received by the United States
 19 under that lease before October 1, 1991; and

20 (4) other revenues under a lease if no other reve-
 21 nues have been received by the United States under
 22 that lease before October 1, 1991.

23 (d) COASTAL STATE SHARE.—(1) Six months after the
 24 end of fiscal year 1992, and annually thereafter, the Secre-
 25 tary shall pay from the Fund to coastal States one-half of

1 such revenues paid into the Fund with respect to the fiscal
 2 year most recently completed, and any interest earned on
 3 those revenues. Each coastal State shall receive only that
 4 share of revenues attributable to those leases that lie seaward
 5 of the boundaries of that particular coastal State.

6 (2) In order to determine to which coastal State reve-
 7 nues are attributable for purposes of this Act, the Secretary
 8 shall delimit the lateral boundaries between the coastal
 9 States to a point 200 miles seaward of the coast line. Such
 10 boundaries shall be set according to the following principles,
 11 listed in the order of priority of application:

12 (A) any judicial decree or interstate compacts de-
 13 limiting lateral offshore boundaries between coastal
 14 States;

15 (B) principles of domestic and international law
 16 governing the delimitation of lateral offshore bound-
 17 aries; and

18 (C) ~~the~~ desirability of following existing lease
 19 boundaries and block lines on the Secretary of the In-
 20 terior's official protraction diagrams.

21 (e). LOCAL GOVERNMENT SHARE.—(1) At the same
 22 time that the Secretary pays revenues to a coastal State
 23 under subsection (d), the Secretary shall pay to local govern-
 24 ments within that State the remaining one-half of the reve-
 25 nues for that fiscal year attributable to that State, and any

1 interest earned on those revenues. Each local government
2 shall receive only that share of revenues attributable to those
3 leases that lie seaward of the boundaries of that particular
4 local government.

5 (2) In order to determine local government boundaries
6 for purposes of this Act, the Secretary shall delimit the later-
7 al boundaries between the local governments to a point 200
8 miles seaward of the coast line. Such boundaries shall be set
9 according to the following principles, listed in the order of
10 priority of application:

11 (A) existing boundaries between local govern-
12 ments with valid supporting legal authority;

13 (B) the desirability of following existing lease
14 boundaries and block lines on the Secretary of the In-
15 terior's official protraction diagrams; and

16 (C) the principle that, to the extent consistent
17 with subparagraphs (A) and (B), the size of the local
18 government's adjacent offshore area, as a percentage of
19 all of that State's adjacent offshore areas, shall be
20 based on a formula giving equal weight to—

21 (i) the local government's coast line as a per-
22 centage of the State's coast line, calculated using
23 the same methods that are used to delimit the ter-
24 ritorial sea under international law; and

1 (ii) the local government's population as a
 2 percentage of the population of all local govern-
 3 ments in the coastal State, calculated by the Sec-
 4 retary using the best available national census
 5 data.

6 (f) USE OF FUNDS BY STATES.—Each coastal State
 7 shall first use funds received pursuant to subsection (d) to pay
 8 for the administrative costs the State incurs in the leasing
 9 and permitting process under any applicable law including,
 10 but not limited to, the Coastal Zone Management Act (16
 11 U.S.C. et. seq.) and the Outer Continental Shelf Leasing Act
 12 (43 U.S.C. 1331 et. seq.), with any remaining funds to be
 13 used for such environmental and natural resource projects in
 14 the coastal zone as the State determines.

15 COASTAL ZONE IMPACT ASSISTANCE FUND

16 SEC. 5. (a) ESTABLISHMENT.—There is established in
 17 the Treasury of the United States an interest bearing account
 18 to be known as the Coastal Zone Impact Assistance Fund,
 19 which shall be administered by the Secretary.

20 (b) PAYMENTS TO FUND.—Beginning in fiscal year
 21 1992, the Secretary of the Treasury shall pay into the Fund
 22 4½ per centum of all revenues described in subsection (c)
 23 which are attributable to an Outer Continental Shelf lease,
 24 any part of which is within 200 miles of the coast line. The
 25 Secretary of the Treasury may adjust amounts in the Fund at

1 any time to account for overpayments, underpayments, and
2 errors.

3 (c) REVENUES.—Subsection (b) shall apply to all bo-
4 nuses, rents, royalties, and other revenues received by the
5 United States under the Outer Continental Shelf Lands Act
6 (48 U.S.C. 1321 et. seq.).

7 (d) COASTAL STATE SHARE.—Six months after the
8 end of fiscal year 1992, and annually thereafter, the Secre-
9 tary shall pay from the Fund to coastal States one-half of
10 such revenues paid into Fund with respect to the fiscal year
11 most recently completed, and any interest earned on those
12 revenues. The amount disbursed to each coastal State shall
13 be determined by the Secretary under a formula established
14 by the Secretary, after notice and public comment, which
15 considers the number, location, and impact of energy facilities
16 located within each State's coastal zone during the previous
17 fiscal year. If any coastal State would receive an allotment
18 greater than 20 per centum, the Secretary shall reduce such
19 allotment to 20 per centum. The amounts resulting from such
20 reduction shall be reallocated proportionately among those
21 coastal States that receive less than 20 per centum.

22 (e) LOCAL GOVERNMENT SHARE.—At the same time
23 that the Secretary pays revenues to a coastal State under
24 subsection (d), the Secretary shall pay to local governments
25 within that State the remaining one-half of the revenues in

1 the Fund for that fiscal year attributable to that State and
 2 any interest earned on those revenues. Each local govern-
 3 ment shall receive only that share of revenues attributable to
 4 the number, location, and impact of energy facilities located
 5 within or seaward of the boundaries, as determined by the
 6 Secretary under section 4(e) of this Act, of that particular
 7 local government during the previous fiscal year.

8 (f) USE OF FUNDS.—Each coastal State shall first use
 9 funds received pursuant to subsection (d) to pay for the ad-
 10 ministrative costs the coastal State incurs in the leasing and
 11 permitting process for energy facilities, with any remaining
 12 funds to be used for such environmental and natural resource
 13 projects in the coastal zone as the coastal State determines.

14 LIMITATIONS ON APPLICABILITY OF BOUNDARIES

15 SEC. 6. The coastal State and local government bound-
 16 aries delimited by the Secretary under this Act are solely for
 17 the purposes of this Act.

18 RULES AND REGULATIONS

19 SEC. 7. Within one hundred and eighty days of enact-
 20 ment of this Act, the Secretary shall promulgate, after notice
 21 and opportunity for comment, such rules and regulations as
 22 may be necessary to carry out the provisions of this Act.

23 APPROPRIATIONS

24 SEC. 8. The authority to pay revenues to coastal States
 25 and local governments pursuant to the Act shall be regarded
 26 as a permanent indefinite appropriation.

**Outer Continental Shelf
Natural Gas and Oil
Resource Management**

Executive Summary

**Comprehensive Program
1992 - 1997**

Draft Proposal

Copies of this draft and companion documents may be obtained from any of the following Minerals Management Service offices:

Alaska OCS Region:	907-261-4435
Atlantic OCS Region:	703-787-1118
Gulf of Mexico OCS Region:	504-736-2519
Pacific OCS Region:	805-389-7520
Headquarters:	202-208-3072

Contents

Executive Summary	v
A New Approach to Managing OCS Resources	v
U.S. Energy Options	viii
Contribution of OCS Energy Resources	ix
Environmental Concerns	x
Proposed Activities	xi
The Balance: Providing for Environmental Protection and Energy Resource Development ...	xiv

Table

1. Proposed Activity by OCS Region and Planning Area, 1992-1997	xii
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Maps

1. Atlantic Region	xvi
2. Gulf of Mexico Region	xvii
3. Pacific Region	xviii
4. Alaska Region	xix

Executive Summary

The Outer Continental Shelf (OCS) Lands Act requires that the Department of the Interior prepare a 5-year program that specifies, as precisely as possible, the size, timing, and location of areas to be assessed for Federal offshore natural gas and oil leasing. The program is now at the Draft Proposal stage in a process that will take an additional year and a half. Throughout the process, the Department is committed to full consultation with and consideration of the views of affected parties, including State and local governments, environmental groups, the oil and gas industry, and the public.

A New Approach to Managing OCS Resources

President Bush has established a new direction for the management of OCS natural gas and oil resource activities. In keeping with the June 26, 1990, Statement by the President on OCS issues, as well as the mandates of the OCS Lands Act, this Draft Proposal has a fundamentally new comprehensive framework and contains a number of significant and innovative features:

- A new comprehensive, long-term approach to ensure
 - acquisition of adequate scientific information for developing this and future 5-year OCS programs; and
 - better integration of scientific information in the process for reaching balanced decisions in implementing this new program.
- A more realistic and reliable program, with
 - consideration of leasing in approximately one-sixth of the acreage covered by OCS planning areas; and
 - consideration of leasing in 15 planning areas, with up to 23 sales in 12 areas.

- A program tailored to fit the different characteristics of the coastal regions and planning areas by
 - identifying limited areas for the consideration of leasing; and
 - imposing limits on blocks to be considered in some areas (the Atlantic, Eastern Gulf of Mexico, and Southern California).
- A new Area Evaluation and Decision Process for the consideration of leasing, which
 - heightens attention to the adequacy of information for decisionmaking;
 - is more selective by including areas with prospects for natural gas and oil discoveries while avoiding areas where, on balance, the risks of development are too great; and
 - is more responsive to the views of potentially affected parties and better adapted to resolving conflicts among competing points of view.
- A designation of 9 areas for study but no leasing, including those designated by the President in his June announcement.
- A designation of 4 areas for no leasing or leasing-related studies, including the Straits of Florida and 3 low-potential areas off Alaska.

All OCS planning areas (see maps at the end of this Executive Summary) will be designated for one of the following three categories of activity during the 5-year period covered by the program:

- **Plan for studies and consider for leasing.**—Based on resource potential and existing environmental information, studies will be planned and leasing considered in 15 areas.
- **Plan for studies, but no leasing.**—In areas having natural gas and oil resource potential, but where more geologic or environmental data are needed to make sound decisions, plans are being made for

environmental and/or geologic studies during the 5-year period. These areas will not be available for leasing, however. This category includes, among others, the planning areas in which the President, in his announcement of June 26, 1990, deferred leasing until after the year 2000.

- **No studies and no leasing.**—Areas where, on balance, the risk of development is too great and/or where resource potential and industry interest are low, will be designated for no leasing or leasing-related studies.

Sites to be considered for leasing will be more precisely delineated. For some planning areas, a limit on the amount of acreage offered should reduce uncertainty about potential effects on natural resources and provide assurance to parties concerned about the extent of OCS activities.

Evaluation and management of OCS natural gas and oil resources will be more regionally tailored. That is, activities will be adapted so they better reflect each OCS region's environmental features and respond to the views expressed by State and local governments and the public. To this end, the program will provide new and enhanced opportunities for concerned individuals, organizations, and agencies to participate in the decision process.

Environmental and geologic studies will be refocused to provide more data applicable to management decisions. Other initiatives will improve the safety and environmental soundness of exploration and production operations. Integration of these elements into a comprehensive program process will help assure improved coordination of all facets of the OCS program.

U.S. Energy Options

For most of 1990, U.S. oil imports have been at or near record levels. In the span of just a few weeks after Iraq invaded Kuwait, oil prices more than doubled. These developments are grim reminders of the risks involved with overdependence on imported energy supplies and of the economic recessions, unemployment, inflation, and record-high interest rates which followed the 1973 and 1979 oil price shocks.

In July 1989, the Minerals Management Service (MMS) issued an initial request for suggestions on developing this program. Some respondents stated that new OCS leasing should be greatly curtailed, or even prohibited. They said that conservation and renewable energy sources should be the focus of U.S. energy policy.

In preparing this Draft Proposal, we have taken into account the potential contributions which conservation and alternative fuels could make to future U.S. energy supply and demand balances. The Department of Energy (DOE) is drafting options for a new National Energy Strategy and the Department of the Interior will continue to consult closely with the DOE on the Strategy's implications for the OCS program.

If we are to have any chance of preventing the gap between U.S. energy production and consumption from widening further, and thus maintain our quality of life, exercise more independence in foreign policy, and reduce the risk of armed conflict, we must pursue all economic and environmentally prudent energy alternatives. This includes locating and developing new domestic natural gas and oil resources, as well as pursuit of conservation and alternative fuel use.

Contribution of OCS Energy Resources

Natural gas and oil resources from the OCS have a vital role to play in closing the gap between U.S. energy production and consumption. In 1989, OCS lessees produced about 11.5 billion cubic feet per day of natural gas and 836,000 barrels per day of crude oil and condensate—about one-fourth of the natural gas and one-ninth of the crude oil produced in the United States. Since the beginning of the Federal OCS program in the early 1950's, more than 87 trillion cubic feet of natural gas and 8.5 billion barrels of oil have been produced from the OCS.

Not only does the OCS make a very substantial contribution to our energy balance, it also makes a significant contribution to the Nation's economy. Every barrel of oil produced in this country means one less barrel of oil that must be purchased from abroad. Hundreds of thousands of jobs are dependent on offshore development. Economic benefits to taxpayers include OCS bonus payments, rents, and royalties. To date, the OCS program has collected about \$100 billion in revenues, the majority of that amount over the last 10 years. Most of these revenues are deposited directly into the General Receipts account of the U.S. Treasury. A portion of these revenues is distributed to coastal States under the recent clarification of section 8(g) of the OCS Lands Act. In addition, a portion of revenues from the OCS is earmarked as a source of funds for the Land and Water Conservation Fund. Appropriations from the Fund are used for Federal acquisition of park, conservation, and recreation areas, and for grants-in-aid to State and local governments to help them acquire, develop, and improve outdoor recreation areas.

The OCS is one of the most promising areas left in the United States as a potential source of future natural gas and oil supplies. The latest estimate of undiscovered natural gas resources is about 145 trillion cubic feet, with undiscovered OCS oil resources estimated at about 18 billion barrels. That is about one-third of

all the recoverable natural gas and oil remaining to be discovered in the United States.

Natural gas, which accounts for approximately two-thirds of the hydrocarbons produced offshore, is particularly beneficial. Its production poses little or no environmental threat. Furthermore, its consumption onshore provides air quality benefits compared to the consumption of other fossil fuels. Increased use of natural gas in home heating, industrial processing, and electricity generation could help alleviate smog problems in urban areas and reduce emissions of gases that may contribute to acid rain.

Since natural gas is the predominant energy resource produced on the OCS, the Department of the Interior has revised the name of the program to be a "natural gas and oil program."

Environmental Concerns

Of great importance, along with the Nation's need for OCS oil and gas production, is the need for environmental protection. While development of our natural gas and oil resources continues to make major contributions to our economic growth, there are clear signs that advances in the industrialization of our planet are straining the environment locally and possibly globally.

It is, to a degree, economic growth which has enabled the American people to place a high priority on environmental protection and promotion of multiple use of the oceans and coastal zone. Our quality of life depends both on the products of our industries and the protection of the environment. The balance we strike in the OCS natural gas and oil program is critical to our Nation's welfare. Since the outcome affects our entire population, it is crucial to understand the diversity of views and opinions on this issue.

Proposed Activities

This Draft Proposal takes into account and is responsive to many of the concerns about potential environmental effects expressed by numerous State, local, and Federal officials, as well as coastal residents. Compared to previous 5-year programs, fewer sales will be considered in fewer areas. The Department of the Interior is proposing to consider leasing in 15 areas, with up to 23 lease sales in portions of 12 planning areas—compared to 39 sales in 21 planning areas in the current 5-year program. This means that only about a third of the acreage included in the 1987 Program will be considered for leasing in the new program.

As briefly described below and summarized in Table 1 on the next page, the Draft Proposal has been tailored to individual regions and planning areas:

- **Atlantic Region.**—Studies are planned and two sales combining parts of the Mid- and South Atlantic planning areas will be considered, one in 1994 and one in 1997. These areas have a good probability of containing significant quantities of natural gas. For each sale, a total of 1,000 blocks* would be considered initially, but then narrowed down to just 250 blocks. This reduction would occur early in the multi-year Area Evaluation and Decision Process that must be completed before a judgement to actually hold a lease sale is made. Studies are planned, but no leasing is proposed for the North Atlantic. Neither leasing nor studies are proposed for the Straits of Florida.

* A block varies in size but typically is 5,000 to 5,760 acres (approximately 9 square miles). Each block has a specific identifying number and latitude and longitude coordinates that are depicted on official protraction diagrams prepared by MMS.

Table 1. Proposed activity by OCS region and planning area, 1992-1997

Region and Planning Area	Planned Studies	Consider Leasing *	Region and Planning Area	Planned Studies	Consider Leasing *
ALASKA REGION:			ATLANTIC REGION:		
Gulf of Alaska			North Atlantic	Yes	—
• Yakutat	Yes	1995	Mid-Atlantic and South Atlantic	Yes	1994, 1997
• Middleton	Yes	—	Straits of Florida	—	—
Kodiak	Yes	—			
Cook Inlet	Yes	1994			
Shumagin	Yes	—			
Aleutian Arc	—	—	GULF OF MEXICO REGION:		
North Aleutian Basin	Yes	—	Eastern Gulf		
Bowers Basin	—	—	• North of 26°	Yes	1994, 1997
Aleutian Basin	—	—	• South of 26°	Yes	—
Norton Basin or Navarin Basin or St. Matthew Hall	Yes	1996	Central Gulf	Yes	Annually
Hope Basin or St. George Basin	Yes	1995	Western Gulf	Yes	Annually
Chukchi Sea	Yes	1994, 1997			
Beaufort Sea	Yes	1993, 1996	PACIFIC REGION:		
			Southern California	Yes	After 1/1/96
			Central California	Yes	—
			Northern California	Yes	—
			Washington-Oregon	Yes	—

*Actual dates depend upon the outcome of the Area Evaluation and Decision Process described in text.

- **Gulf of Mexico Region.**—Studies are planned and maintenance of the current pace of one lease sale per year in each of the Central and Western Gulf planning areas will be considered. In the Eastern Gulf, studies are planned and two sales will be considered (generally west of 84° W. longitude and north of 26° N. latitude), one in 1994 and one in 1997. The area analyzed and potentially offered in each sale would be limited to 200 blocks early in the multi-year review and evaluation process. In the area south of 26° N. latitude and east of 86° W. longitude, studies will be planned, but no leasing.
- **Pacific Region.**—Offshore southern California, studies are planned and consideration will be given to offering for lease 87 blocks in the Santa Maria Basin and the Santa Barbara Channel. No sale will be held before January 1, 1996, and completion of studies that would respond to concerns identified by the National Academy of Sciences. Studies, but no leasing, are planned for the Central and Northern California planning areas. For offshore Washington and Oregon, studies are planned and early Area Evaluation and Decision Process steps will be considered during the 1992-1997 period, but no sale will be scheduled. This approach is based on the unanimous recommendation of the Pacific Northwest OCS Task Force, comprised of State, Tribal, and Federal representatives.
- **Alaska Region.**—Studies are planned and leasing will be considered for 9 of the Region's 15 planning areas. Two sales will be considered for Beaufort Sea (1993 and 1996) and two for Chukchi Sea (1994 and 1997). Consideration will be given to one sale in Cook Inlet (1994) and one in the Yakutat area of the Gulf of Alaska (1995). In five lower-potential areas, a process is proposed to select two planning areas in which there will be further consideration for lease sales: one sale in 1995 will be considered for either Hope or St. George Basins; and another sale in 1996 will be considered for Norton Basin, Navarin Basin, or St. Matthew-Hall. These choices will be made based on consideration of responses to a Request for Information and Comments to be

issued in the *Federal Register*. No leasing will be considered for the remaining planning areas, but studies are planned for four of them [Kodiak, Shumagin, Gulf of Alaska (Middleton Island area), and North Aleutian Basin] to gain more knowledge about their hydrocarbon resources and environmental characteristics.

The Balance: Providing for Environmental Protection and Energy Resource Development

The OCS contains a diversity of natural resources, each with different kinds of value to the Nation. The challenge is to secure for the American people the greatest value from among these resources. After careful evaluation of a range of options, this Draft Proposal was selected to strike a balance in protecting the environment, avoiding adverse impacts on the coastal zone, and providing the potential for the discovery of natural gas and oil. Over the next 2 months, comments are solicited on its provisions.

In early 1991, based on a review of comments received and further analyses, the Department of the Interior will be developing the Proposed Program, the next stage in the process required by the OCS Lands Act. In turn, opportunities for public review and comment will be afforded and the program will be further refined. Active participation by affected parties will help assure not only a sound program for 1992-1997, but one which will serve as a blueprint for the long-term management of the Nation's Outer Continental Shelf natural gas and oil resources.

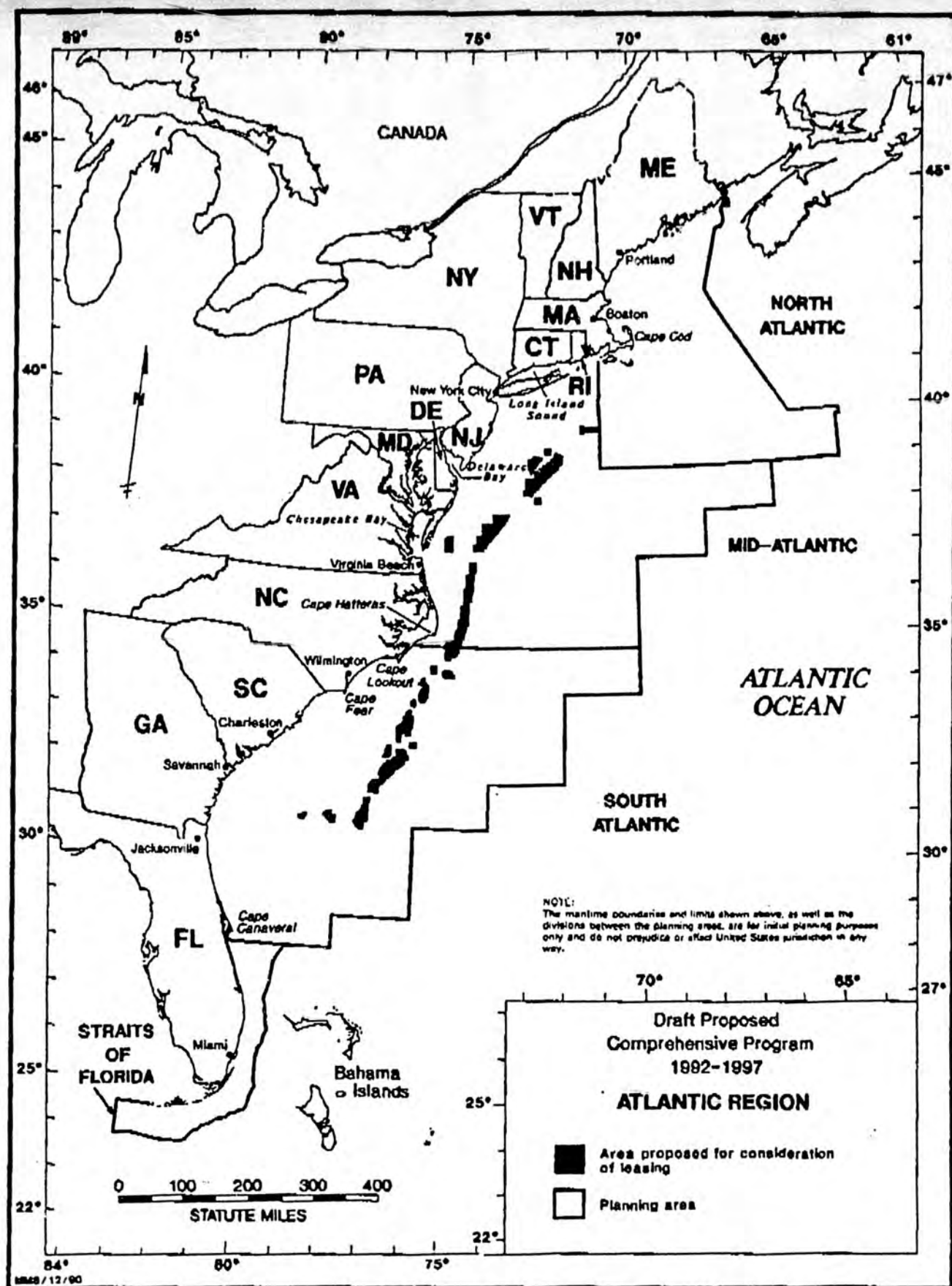
Request for Comments

Readers are urged to participate in the development of the 1992-1997 Comprehensive Program by submitting their views on the elements of this Draft Proposal and subsequent versions. Please send your comments to:

[Mark Comments: "OCS Comprehensive Program"]

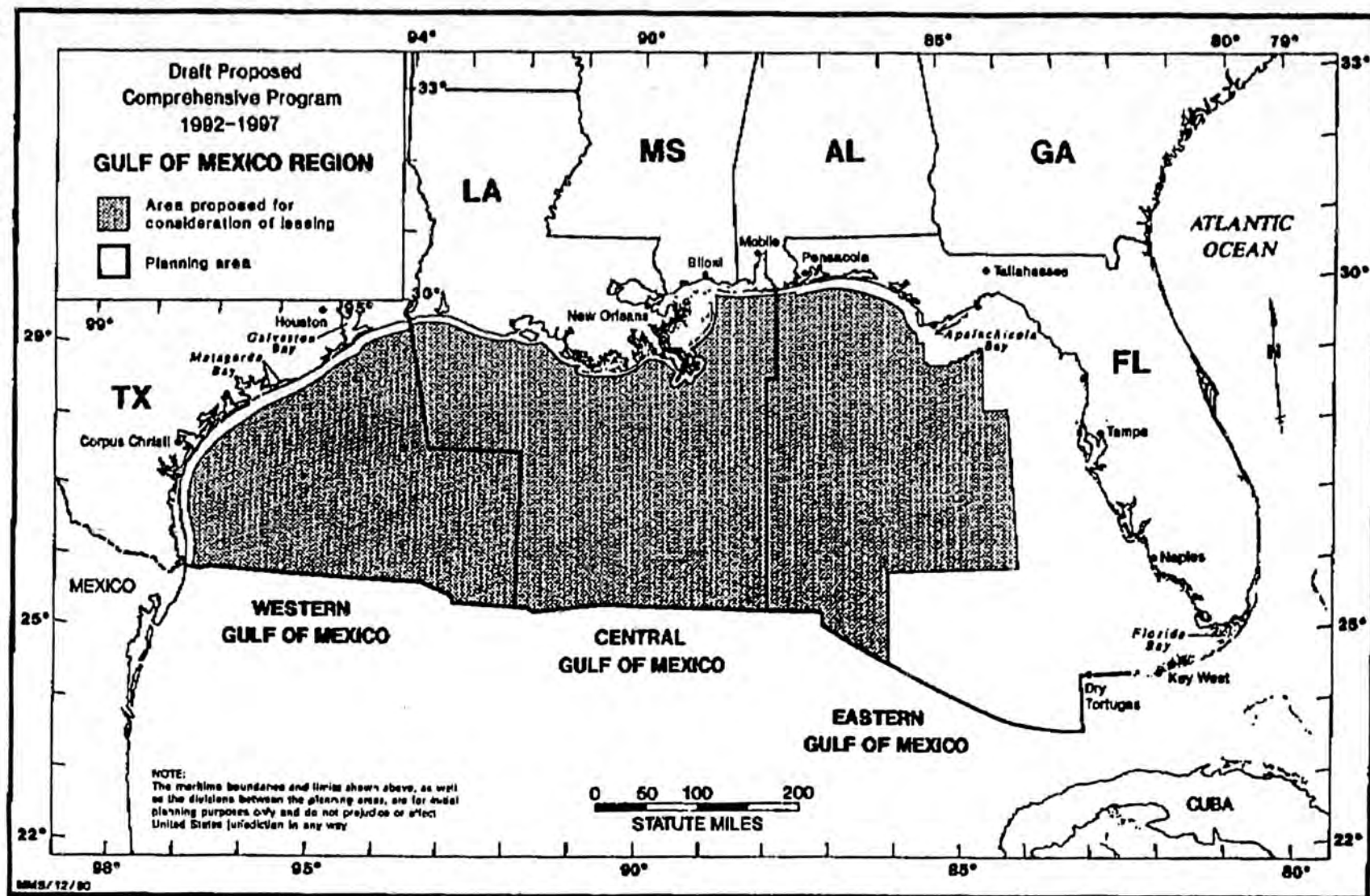
**Director
Minerals Management Service
1849 C Street, NW.
Washington, DC 20240**

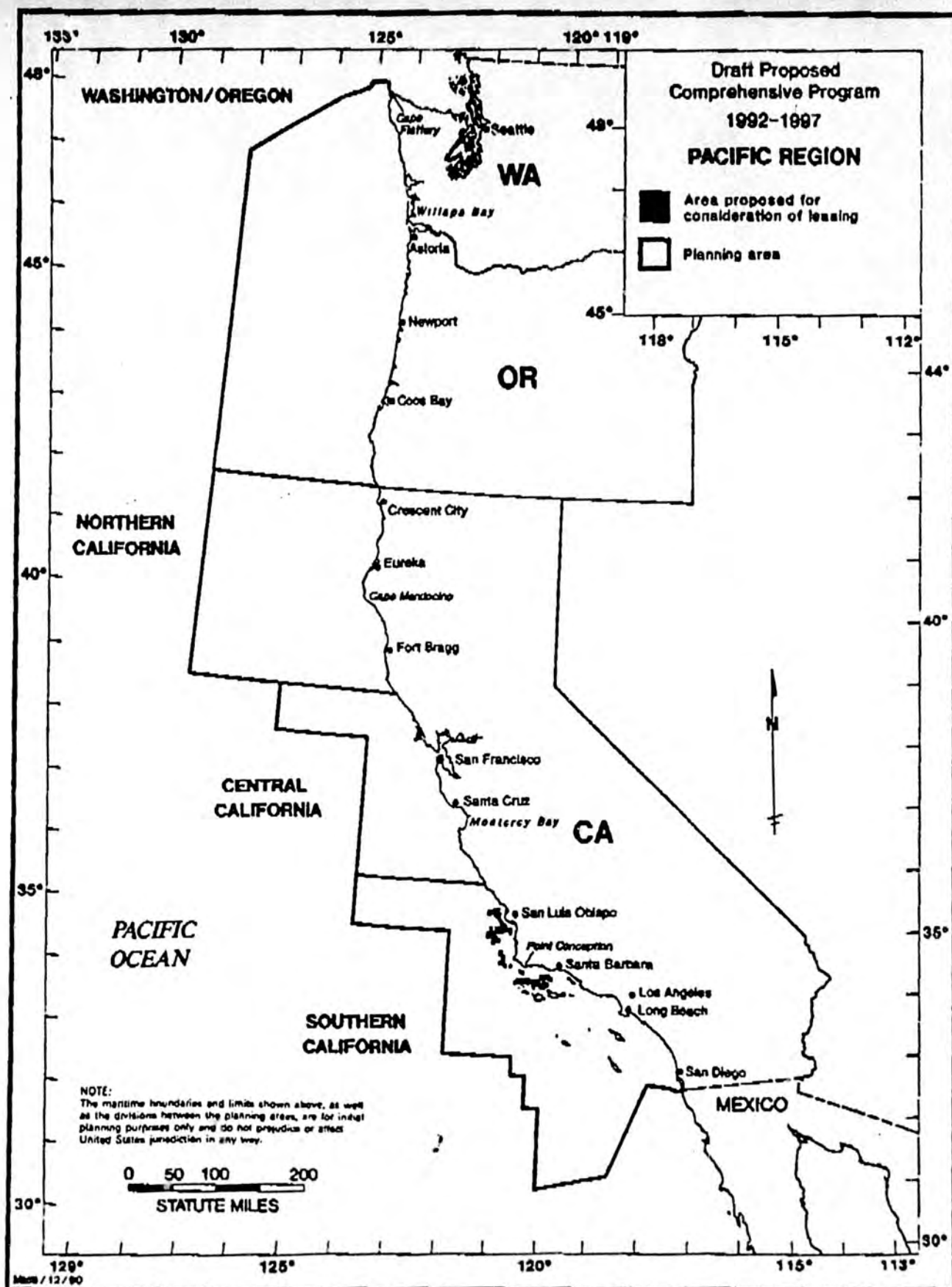
Dates for the comment period, additional copies of this and companion documents, and other information can be obtained by calling one of the numbers listed on the back of the title page.



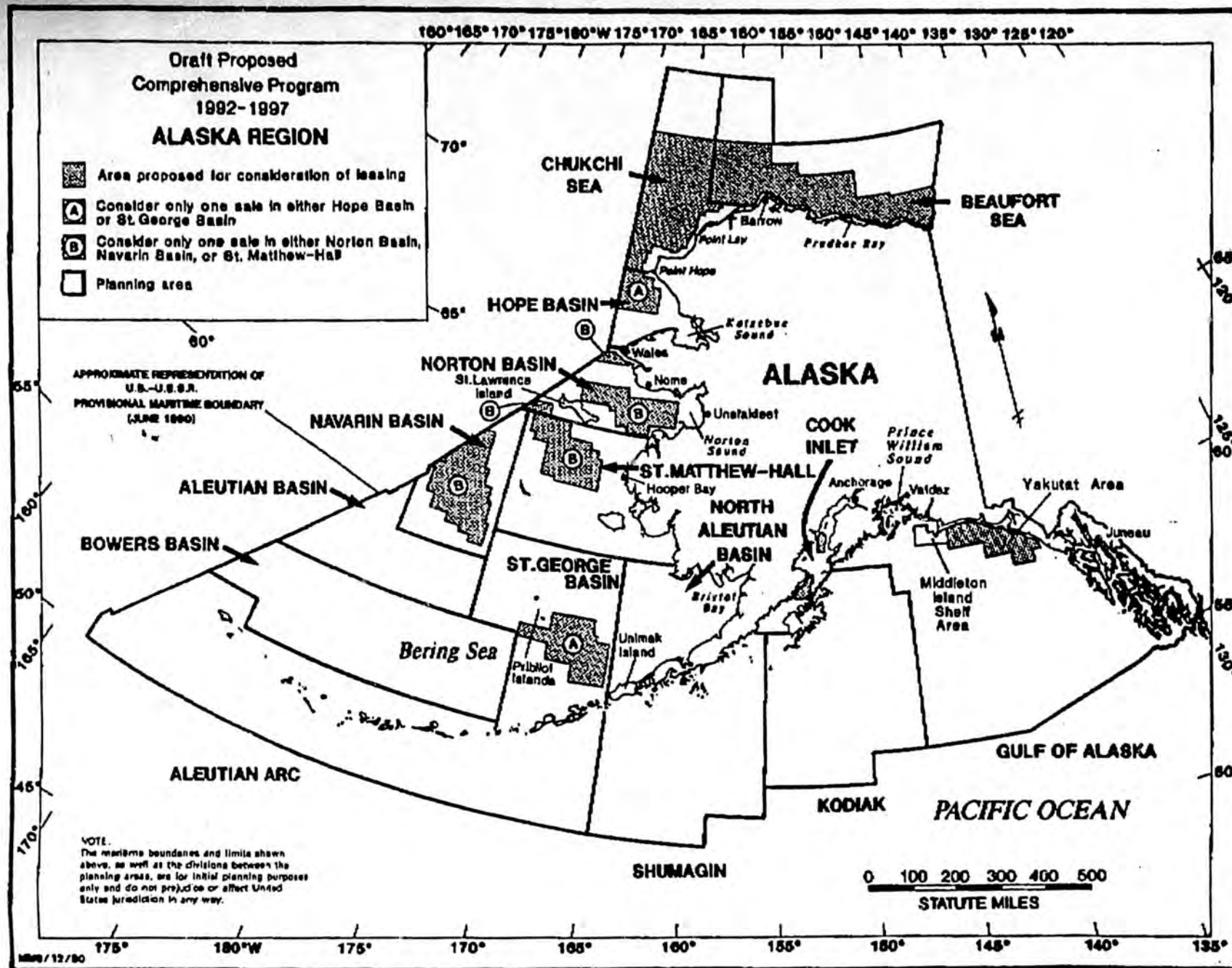
Map 1. Atlantic Region.

Map 2. Gulf of Mexico Region.





Map 4. Alaska Region.



As the Nation's principal conservation agency, the Department of the Interior has responsibility for most of our nationally owned public lands and natural resources. This includes fostering the wisest use of our land and water resources, protecting our fish and wildlife, preserving the environmental and cultural values of our national parks and historical places, and providing for the enjoyment of life through outdoor recreation. The Department assesses our energy and mineral resources and works to assure that their development is in the best interest of all our people. The Department also has a major responsibility for American Indian reservation communities and for people who live in Island Territories under U.S. Administration.



Friday, January 18, 1991, The Anchorage Times B3

Alaska senators call for government to share production revenues

By MIKE MEYERS

TIMES WASHINGTON BUREAU

WASHINGTON — Alaska's senators introduced a bill Wednesday calling on the federal government to share revenues generated by offshore energy production, estimating the state and its communities could receive a total of more than \$12 billion.

The federal government has considered the idea for years.

But the idea has some opponents, chiefly the Office of Management and Budget.

The White House agency oversees the production of the annual budget and has expressed concern about losing revenue to states and communities at a time of rising federal deficits.

But Sens. Frank Murkowski and Ted Stevens said the money should be shared with states and

communities directly involved in the exploration and development of oil off their coasts.

There is often strong opposition from some coastal communities as well as state governments to offshore oil and gas exploration.

The Murkowski-Stevens bill calls on the federal government to share one-third of the revenue generated by a development in the Outer Continental Shelf with

the adjacent state. Half of this amount would go to the state, with the rest divided among the communities affected by the energy development.

This money, at a time of tight state and municipal budgets, could help ease political opposition to energy development, particularly in environmentally sensitive areas such as California.

"This bill would give states

and coastal communities the funds they need to help ensure OCS leases are developed in an environmentally sensitive way and to lessen the impact of development on affected communities," Stevens said.

"Under existing law, coastal states and communities don't share in the revenues generated by OCS development, but they are expected to shoulder the increased costs that come with it."

The government estimates the total state and local share for Alaska from Outer Continental Shelf development in the Chukchi and Beaufort Seas could be more than \$12.7 billion.

This sum is based on an estimate of the Minerals Management Service of maximum production of 9.1 billion barrels of oil from the Chukchi Sea and more than 4 billion barrels from the Beaufort Sea.

The Anchorage Times

Bill J. Allen, Publisher
William J. Tobin, Assistant Publisher
Gene R. Archart, General Manager

J. Randolph Murray, Editor
Paul Jenkins, Managing Editor
Dennis Fradley, Editor, Editorial Page

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ALASKAN OWNED AND OPERATED SINCE 1915

SHARE THE BURDEN

Share the profits

BESIDES CONCERN about effects that offshore oil development might have on fisheries and other resources, Alaskans haven't been too excited about oil development far off our shores because the state loses on the deal.

Under current law, the federal government claims all tax revenues from development of the Outer Continental Shelf (OCS), which is the area beyond the state's 3-mile coastal limit. States get none of the revenue.

Yet OCS development increases costs for state and local communities that are impacted by a temporary increase in population of workers and business activities that support offshore operations.

Sen. Ted Stevens wants to remedy the situation by requiring the federal government to share one-third of OCS revenues with states off whose shores oil is developed.

Under legislation he introduced the other day, Alaska could receive about \$12 billion from its share of projected revenues from the potential oil reserves off the Arctic Coast.

The U.S. Minerals Management Service estimates between 5 billion and 13 billion barrels of recoverable oil lie offshore in the Chukchi and Beaufort Seas. That equates to revenue to Alaska between \$7 billion and \$16 billion if the proposed revenue sharing plan becomes law.

Stevens' legislation, which is backed by the two other members of the Alaska delegation, would require individual states to share one-half of their OCS receipts with local coastal communities. These communities could use the income to increase fire and police protection, expand sewer and water facilities, and provide additional services required by the increased population due to OCS development.

Louisiana, Texas, California and other states with oil potential off their shore would benefit similarly.

Additionally, part of the Stevens' proposal would require the federal government to set aside 4.5 percent of OCS revenues for what he dubs the Coastal Zone Impact Assistance Fund.

Money from that fund would be used for environmental and natural resource projects in all coastal states, including those adjacent to the Great Lakes, whether or not there was OCS development off their shores. As envisioned by Sen. Stevens, this fund would be used by states to enhance and protect the environment and for determining whether OCS activity is consistent with state and local coastal-zone management plans.

The legislation could have a positive impact on the national energy policy debate. At present, a number of states have taken a strong position in opposition to any oil development off their shores. Governors and legislators in these states may want to reconsider their position if OCS development offers them a means to meet other state obligations.

Rather than face horrendous deficits, states might be able to receive a substantial income from oil development — as Alaska does.

Under an OCS revenue-sharing plan, which by the way President Bush has indicated he may support, states will have an incentive to sit down with the federal land owner and the industry to work together to develop an environmentally sound plan of action. That's a goal worth pursuing.

FEB 4, 1991

SCOMM

79:23

HOUSE COMMITTEE REPORT

(7)

Date Referred: February 8, 1991

FURTHER REFERRALS:

Resources
Finance

Date of Committee Action: MARCH 1, 1991

The OIL AND GAS Committee considered:

HJR. 21

HOUSE JOINT RESOLUTION NO. 21 ENDORSING ANWR LEASING W/O ROYALTY CHANGE

Endorsing in principle legislation authorizing oil and gas leasing on the coastal plain within the Arctic National Wildlife Refuge, but opposing provisions of any legislation that would decrease this state's royalty share from that exploration and development.

RECOMMENDATIONS:

be replaced with CS HJR 21 (O&G) ☐ the same title
☒ a new title

☐ have attached amendments(s)

☐ do pass

☐ do not pass

☐ no recommendations

☒ individual recommendations

☐ additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept)

APPROVES PREVIOUS: (Dept/Date)

☐ fiscal impact _____

☐ fiscal note(s) _____

☒ zero fiscal note _____

☐ zero fiscal note(s) _____

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

	Check appropriate column:			
		Do Not Pass	No Rec	Amend
<i>Mike Swan</i>				
<i>John Hays</i>				
<i>Paul Hays</i>				
<i>Bill Hays</i>				
<i>Tay Brown</i>				
<i>Jim Gaudin</i>				
<i>Paul Hays</i>				

Bill Hays
Chairman's Signature

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO: HJR 21

Revision Date: _____
Title: Endorsing... legislation authorizing oil & gas leasing... within Arctic National Wildlife Refuge...
Sponsor: Representative Gruenberg
Requestor: Representative Gruenberg

Department Affected: None
BRU: _____
Component: _____

COMPONENT SERIAL NO:

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
----------------	---	---	---	---	---	---

REVENUE	0	0	0	0	0	0
----------------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary)

Zero fiscal impact.

Prepared By: Pamela A. Stoops, Director
Division: Administrative Services

Pamela A. Stoops

Phone: 465-3850
Date: 2/20/91

Approved By: Warren W. Endicott, Executive Director
Agency: Legislative Affairs Agency

Warren W. Endicott

Date: 2/20/91

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

State of Alaska

Committees

CO-CHAIR, HOUSE JUDICIARY
E-CHAIR, HOUSE LABOR AND COMMERCE
HOUSE HEALTH, EDUCATION
AND SOCIAL SERVICES



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465-4968/4986
(SESSION)

914 CLAY COURT
ANCHORAGE, ALASKA 99503
(907) 276-6844

Representative Max F. Gruenberg, Jr.
District 11
Spennard, Upper Midtown Anchorage

MEMORANDUM

TO: Representative Bill Hudson
Chair, House Special Committee on Oil and Gas

FROM: Representative Max Gruenberg *MAX*

DATE: February 11, 1991

RE: Scheduling HJR 21, "Endorsing in principle,
legislation to authorize oil and gas leasing on the
coastal plain within the Arctic National Wildlife
Refuge, but opposing provision of that legislation
that would decrease the state's royalty share from
that development."

I would very much appreciate it if you would schedule HJR 21,
the ANWR resolution, for a hearing as soon as it is possible.

This resolution encourages development of ANWR while retaining
Alaska's full 90 percent royalty. This resolution is very
similar to the resolution that was introduced two year ago.
It is sponsored by 31 members of the House.

If you have any questions, please contact me or my Legislative
Assistant, Mark Handley at ext. 4968.

Thank you.

**PROPOSED AMENDMENTS
to HJR 21**

Page One, Line 11: After "Act" delete ", a covenant" and add "constitutes a solemn Statehood Compact"

Page One, Line 12: After "Alaska" delete "," and add "; and WHEREAS one provision of the Compact"

Page One, Line 14: Add new "WHEREAS" clauses as follows:

"WHEREAS Congress included that royalty sharing provision in the Compact because Alaska, unlike all other public land states, was not covered by the federal Reclamation Act and derived no benefits from that Act; and

WHEREAS Congress included that royalty sharing provision in the Compact to compensate Alaska for the reservations in Alaska "were excessive in size or totally unnecessary," which had the effect of stifling beneficial economic development; and"

Page Two, Line 8: After ";" add: "and

WHEREAS neither the President nor Congress seems to understand or recognize the royalty sharing provision of the solemn Statehood Compact under which the State of Alaska was admitted to the Union, and the fact that the United States cannot amend that compact unilaterally;"

Page Two, Line 11: After "development" add: "; and

BE IT FURTHER RESOLVED that the Governor take immediate action to inform and educate the President and Congress of the rights and entitlements guaranteed to the State of Alaska in the solemn Statehood Compact, specifically including the royalty sharing provision."

CS FOR HOUSE JOINT RESOLUTION NO. 21 (OIL AND GAS)**IN THE LEGISLATURE OF THE STATE OF ALASKA****SEVENTEENTH LEGISLATURE - FIRST SESSION****BY THE HOUSE SPECIAL COMMITTEE ON OIL AND GAS****Offered:****Referred:**

Sponsor(s): REPRESENTATIVES GRUENBERG, Grussendorf, Donley, Baker, Barnes, Boyer, Brown, Bruckman, Carney, Choquette, Davidson, B.Davis, C.Davis, Foster, Gonzales, Hudson, Jacko, Koponen, Kubina, Larson, Leman, Mackie, M.A.Miller, Navarre, Parnell, G.Phillips, R.Phillips, Sharp, Taylor, Moyer, Ulmer

A RESOLUTION

**1 Endorsing, in principle, legislation authorizing oil and gas leasing, exploration, and
2 development on the coastal plain within the Arctic National Wildlife Refuge, provided the
3 legislation does not contain a provision decreasing this state's royalty.**

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

**5 WHEREAS the Alaska State Legislature has previously recognized the importance of reasonable
6 exploration and development of the coastal plain of the Arctic National Wildlife Refuge (ANWR) and
7 has adopted resolutions supporting federal legislation to authorize oil and gas leasing, exploration, and
8 development on the coastal plain; and**

**9 WHEREAS the Alaska Statehood Act contains a binding contract with Alaska that the state will
10 receive 90 percent of all oil, gas, and mineral royalties from federal land in Alaska; and**

**11 WHEREAS the federal government has both a moral and a legal obligation to honor all
12 statehood acts; and**

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

**15 WHEREAS the United States Congress included that royalty sharing provision in the compact
16 because Alaska, unlike all other public land states, was not covered by the federal Reclamation Act and**

1 derived no benefits from that Act; and

2 **WHEREAS** the Congress also intended in the Alaska Statehood Act to compensate Alaska for
3 the large federal land reservations that had the effect of stifling beneficial economic development; and

4 **WHEREAS** 65 percent of the remote communities in Alaska still lack piped water and other
5 essential services and the people of Alaska rely on that royalty sharing provision to address this and
6 other grave health, social, and economic problems; and

7 **WHEREAS** the President of the United States has announced a National Energy Plan that
8 includes provisions allocating 100 percent of any revenue derived from leasing, exploration, and
9 development of the coastal plain of the Arctic National Wildlife Refuge to the federal government, in
10 violation of the Alaska Statehood Act; and

11 **WHEREAS** the Congress is considering other legislation that authorizes oil and gas leasing in
12 the coastal plain of the Arctic National Wildlife Refuge that

13 (1) provides that only 50 percent of royalty revenue from the wildlife refuge would be
14 shared with Alaska, and

15 (2) contains so called "blackmail clauses" that would void any lease sale should the
16 revenue division and sharing provisions be successfully challenged in court; and

17 **WHEREAS** the "blackmail clauses" infringe on our state's constitutional rights because they
18 penalize Alaska if it tries to protect its rights under the Statehood Act;

19 **BE IT RESOLVED** by the Alaska State Legislature that the Legislature supports in principle
20 federal legislation authorizing oil and gas leasing on the coastal plain of the Arctic National Wildlife
21 Refuge, but opposes any unilateral reductions in royalty revenue from that exploration and development
22 and any attempts by the Congress or the President to coerce the State of Alaska into accepting less than
23 was promised at statehood.

24 **COPIES** of this resolution shall be sent to the Honorable George Bush, President of the United
25 States; the Honorable Dan Quayle, Vice-President of the United States and president of the U.S. Senate;
26 the Honorable Thomas S. Foley, Speaker of the U.S. House of Representatives; the Honorable George
27 Mitchell, U.S. Senate Majority Leader; the Honorable J. Bennett Johnston, Chair of the Senate
28 Committee on Energy and Natural Resources; the Honorable George Miller, Vice-Chair and Acting Chair
29 of the House Committee on Interior and Insular Affairs; the Honorable Manuel Lujan, Jr., Secretary of
30 the Interior; the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the
31 Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress; and to the
32 presiding officers of the houses of the legislatures of each of our sister states.

7-LS0707N

Chenoweth

3/1/91

CS FOR HOUSE JOINT RESOLUTION NO. 21 (OIL AND GAS)**IN THE LEGISLATURE OF THE STATE OF ALASKA****SEVENTEENTH LEGISLATURE - FIRST SESSION****BY THE HOUSE SPECIAL COMMITTEE ON OIL AND GAS****Offered:****Referred:**

Sponsor(s): REPRESENTATIVES GRUENBERG, Grussendorf, Donley, Baker, Barnes, Boyer, Brown, Bruckman, Carney, Choquette, Davidson, B.Davis, C.Davis, Foster, Gonzales, Hudson, Jacko, Koponen, Kubina, Larson, Leman, Mackie, M.A.Miller, Navarre, Parnell, G.Phillips, R.Phillips, Sharp, Taylor, Moyer, Ulmer

A RESOLUTION

- 1 Endorsing, in principle, legislation authorizing oil and gas leasing, exploration, and
2 development on the coastal plain within the Arctic National Wildlife Refuge, provided the
3 legislation does not contain a provision decreasing this state's royalty.

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

5 **WHEREAS** the Alaska State Legislature has previously recognized the importance of reasonable
6 exploration and development of the coastal plain of the Arctic National Wildlife Refuge (ANWR) and
7 has adopted resolutions supporting federal legislation to authorize oil and gas leasing, exploration, and
8 development on the coastal plain; and

9 **WHEREAS** the Alaska Statehood Act contains a binding contract with Alaska that the state will
10 receive 90 percent of all oil, gas, and mineral royalties from federal land in Alaska; and

11 **WHEREAS** the federal government has both a moral and a legal obligation to honor all
12 statehood acts; and

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

15 **WHEREAS** the United States Congress included that royalty sharing provision in the compact
16 because Alaska, unlike all other public land states, was not covered by the federal Reclamation Act and

1 derived no benefits from that Act; and

2 **WHEREAS** the Congress also intended in the Alaska Statehood Act to compensate Alaska for
3 the large federal land reservations that had the effect of stifling beneficial economic development; and

4 **WHEREAS** 65 percent of the remote communities in Alaska still lack piped water and other
5 essential services and the people of Alaska rely on that royalty sharing provision to address this and
6 other grave health, social, and economic problems; and

7 **WHEREAS** the President of the United States has announced a National Energy Plan that
8 includes provisions allocating 100 percent of any revenue derived from leasing, exploration, and
9 development of the coastal plain of the Arctic National Wildlife Refuge to the federal government, in
10 violation of the Alaska Statehood Act; and

11 **WHEREAS** the Congress is considering other legislation that authorizes oil and gas leasing in
12 the coastal plain of the Arctic National Wildlife Refuge that

13 (1) provides that only 50 percent of royalty revenue from the wildlife refuge would be
14 shared with Alaska, and

15 (2) contains so called "blackmail clauses" that would void any lease sale should the
16 revenue division and sharing provisions be successfully challenged in court; and

17 **WHEREAS** the "blackmail clauses" infringe on our state's constitutional rights because they
18 penalize Alaska if it tries to protect its rights under the Statehood Act;

19 **BE IT RESOLVED** by the Alaska State Legislature that the Legislature supports in principle
20 federal legislation authorizing oil and gas leasing on the coastal plain of the Arctic National Wildlife
21 Refuge, but opposes any unilateral reductions in royalty revenue from that exploration and development
22 and any attempts by the Congress or the President to coerce the State of Alaska into accepting less than
23 was promised at statehood.

24 **COPIES** of this resolution shall be sent to the Honorable George Bush, President of the United
25 States; the Honorable Dan Quayle, Vice-President of the United States and president of the U.S. Senate;
26 the Honorable Thomas S. Foley, Speaker of the U.S. House of Representatives; the Honorable George
27 Mitchell, U.S. Senate Majority Leader; the Honorable J. Bennett Johnston, Chair of the Senate
28 Committee on Energy and Natural Resources; the Honorable George Miller, Vice-Chair and Acting Chair
29 of the House Committee on Interior and Insular Affairs; the Honorable Manuel Lujan, Jr., Secretary of
30 the Interior; to the presiding officers of the houses of the legislatures of each of our sister states; and
31 to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable
32 Don Young, U.S. Representative, members of the Alaska delegation in Congress.

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

BY REPRESENTATIVES GRUENBERG, Grussendorf, Donley, Baker, Barnes, Boyer, Brown, Bruckman, Carney, Choquette, Davidson, B.Davis, C.Davis, Foster, Gonzales, Hudson, Jacko, Koponen, Kubina, Larson, Leman, Mackie, M.A.Miller, Navarre, Parnell, G.Phillips, R.Phillips, Sharp, Taylor, Moyer, Ulmer

Introduced: 2/8/91

Referred: House Special Committee on Oil and Gas, Resources, Finance

A RESOLUTION

1 Endorsing in principle legislation authorizing oil and gas leasing on the coastal plain within
2 the Arctic National Wildlife Refuge, but opposing provisions of any legislation that would
3 decrease this state's royalty share from that exploration and development.

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

5 **WHEREAS** recent developments in the Persian Gulf have increased the determination of all
6 Alaskans to do our part in reducing our country's dependence on foreign oil; and

7 **WHEREAS** the Alaska State Legislature has previously recognized the importance of reasonable
8 exploration and development of the coastal plain of the Arctic National Wildlife Refuge (ANWR) and
9 has adopted resolutions supporting federal legislation to authorize oil and gas leasing on the coastal
10 plain; and

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

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

16 **WHEREAS** this Legislature has relied on that royalty sharing provision in the years since